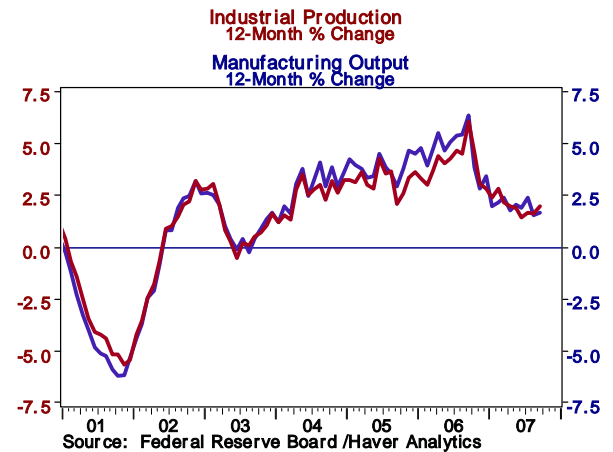


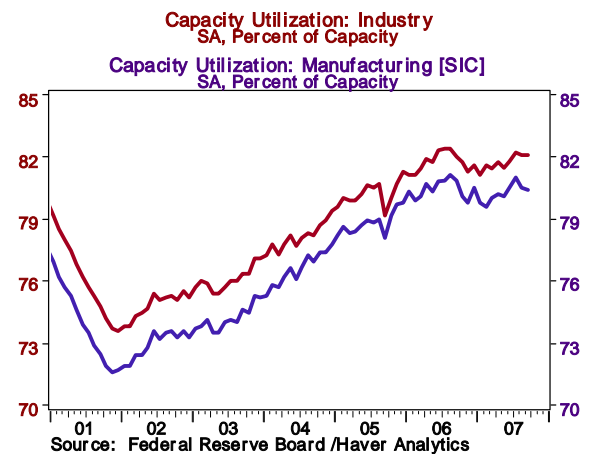
SEPTEMBER INDUSTRIAL PRODUCTION / CAPACITY UTILIZATION

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- Industrial production increased 0.1% in September, exactly as the consensus expected. In the past three months, industrial production is up at a 3.2% annual rate.
- Manufacturing production also increased 0.1% in September. Manufacturing production is up at a 1.7% annual rate in the past three months. The production of high-tech equipment grew 0.4% in September and is up 16.8% versus a year ago.
- Capacity utilization was unchanged from a downwardly revised 82.1%, which was the level the consensus expected. In the manufacturing sector, capacity utilization declined to 80.4%.



Implications: Motor vehicle output, which dropped 3.3% in September, is the key to understanding today's report on industrial production. Excluding motor vehicles, total industrial production was up 0.3% in September and up at a 4.3% annual rate in the past three months. The drop in motor vehicle output in September was largely due to temporary labor unrest at General Motors. Despite the drop in auto production, the average level of industrial output in the third quarter was up at a 3.9% annual rate versus Q2, consistent with our 4% forecast for annualized real GDP growth in Q3. In other news yesterday, the Federal Reserve Bank of New York's Empire State Manufacturing Index was at 28.8 in September, the highest since July 2004. The economy has shown little to no ill-effect from the summer's credit market turmoil.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Sep-07	Aug-07	Jul-07	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.1%	0.0%	0.6%	3.2%	3.6%	2.0%
Manufacturing	0.1%	-0.4%	0.8%	1.7%	3.2%	1.7%
Motor Vehicles and Parts	-3.3%	-1.5%	0.8%	-15.4%	-1.6%	-2.3%
Ex Motor Vehicles and Parts	0.3%	-0.3%	0.8%	3.1%	3.3%	1.9%
Mining	0.2%	-0.6%	1.0%	2.4%	1.6%	0.0%
Utilities	0.0%	4.6%	-0.8%	15.8%	9.0%	6.5%
Business Equipment	0.5%	-0.5%	1.3%	4.9%	5.0%	4.1%
Consumer Goods	-0.4%	0.0%	0.5%	0.7%	1.5%	1.7%
High-Tech Equipment	0.4%	1.0%	3.5%	21.3%	21.5%	16.8%
Total Ex. High-Tech Equipment	0.1%	0.0%	0.5%	2.2%	2.6%	1.2%
Cap Utilization (Total)	82.1	82.1	82.2	3-mo Average	6-mo Average	12-mo Average
Manufacturing	80.4	80.5	81.0	82.1	81.9	81.7
				80.6	80.5	80.2

Source: Federal Reserve Board

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