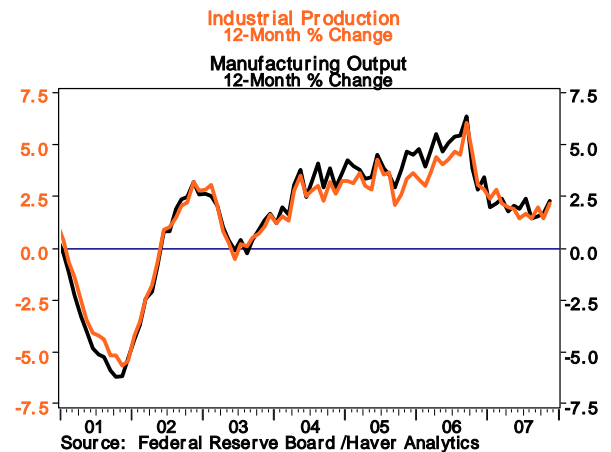


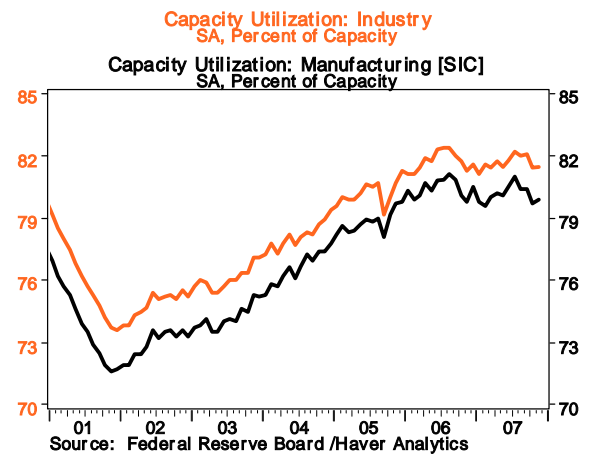
NOVEMBER INDUSTRIAL PRODUCTION / CAPACITY UTILIZATION

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- Industrial production increased 0.3% in November versus a consensus expected gain of 0.2%. Industrial production is up 2.2% versus last year.
- Manufacturing output rose 0.4% in November and is up 2.3% versus last year. Auto manufacturing bounced 1.6% due to the end of strikes. The production of high-tech equipment grew 2.3% in November and is up 16.9% versus last year.
- Capacity utilization ticked up to 81.5% in November from a downwardly revised 81.4% in October. The consensus expected 81.7%. In the manufacturing sector, capacity utilization increased to 79.9% versus a downwardly revised 79.7% in October.



Implications: Today's report on industrial output was run of the mill. The 0.3% overall increase and 0.4% increase in manufacturing were solid, but October was revised down. We think the decline in October and bounce in November was related to two factors: first, strikes at auto plants; second, a rise in inventories in the third quarter that led many companies to correct production levels in October to work-off stockpiles. Given the problems in home building, we are pleased by the 2.3% gain in manufacturing output versus last year. It is a sign that companies are shifting production toward other sectors. Given the surge in retail sales in the past few months, look for industrial production to remain healthy in the months ahead.



| Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i> | Nov-07 | Oct-07 | Sep-07 | 3-mo % Ch annualized | 6-mo % Ch. annualized | Yr to Yr % Change |
|--|--------------|--------------|--------------|-------------------------|--------------------------|----------------------|
| Industrial Production | 0.3% | -0.7% | 0.3% | -0.7% | 1.6% | 2.2% |
| Manufacturing | 0.4% | -0.7% | 0.2% | -0.3% | 1.6% | 2.3% |
| Motor Vehicles and Parts | 1.6% | -1.5% | -3.1% | -11.6% | -2.4% | -1.6% |
| Ex Motor Vehicles and Parts | 0.3% | -0.6% | 0.4% | 0.7% | 1.7% | 2.5% |
| Mining | 1.2% | -0.7% | 1.9% | 9.9% | 6.1% | 2.2% |
| Utilities | -1.4% | -1.4% | -0.4% | -11.7% | 0.2% | 1.2% |
| Business Equipment | 1.0% | -0.7% | 0.9% | 4.9% | 5.6% | 4.0% |
| Consumer Goods | -0.2% | -0.8% | -0.2% | -4.7% | -0.9% | 0.7% |
| High-Tech Equipment | 2.3% | 1.1% | 0.4% | 16.2% | 22.3% | 16.9% |
| Total Ex. High-Tech Equipment | 0.2% | -0.8% | 0.3% | -1.5% | 0.7% | 1.4% |
| | | | | 3-mo Average | 6-mo Average | 12-mo Average |
| Cap Utilization (Total) | 81.5 | 81.4 | 82.1 | 81.7 | 81.8 | 81.7 |
| Manufacturing | 79.9 | 79.7 | 80.4 | 80.0 | 80.3 | 80.2 |

Source: Federal Reserve Board

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.