

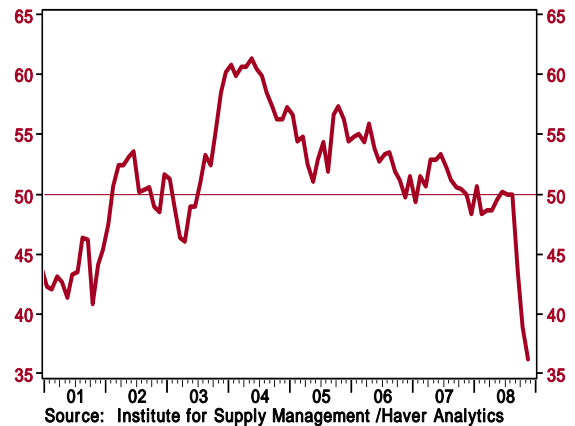
NOVEMBER ISM MANUFACTURING INDEX

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- The ISM Manufacturing index fell to 36.2 in November from 38.9 in October. The consensus had expected a decline to 37.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction).
- The output components of the overall index all went from weak to weaker. The index for new orders fell to 27.9 from 32.2; the production index fell to 31.5 from 34.1; and the employment index declined to 34.2 from 34.6. The new orders and production indexes are the lowest since 1980; the employment index is the lowest since 1991.
- The prices paid index declined to 25.5 from 37.0, and is now at the lowest level since 1949.

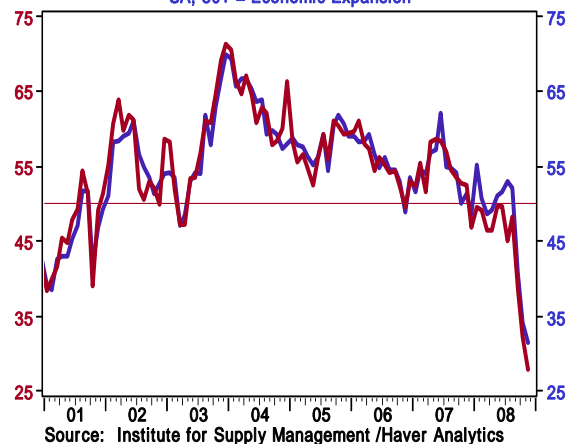
Implications: Today’s ISM Manufacturing report supports our forecast that the US economy is contracting substantially in the fourth quarter, a result of a massive drop in the velocity of money (the speed with which money makes its way through the economy). The indexes for both production and new orders are the lowest since 1980. In the past five months, the prices paid index has shifted from uncomfortably high to the lowest level since 1949. However, after reaching similar lows in the past, the overall ISM index has tended to rebound, often sharply, suggesting we have already passed through the most forceful downward period of the recession. We look for further reductions in manufacturing output in the months ahead, but at a slower pace than the last few months as a recovery starts to take hold. In other news today, construction spending declined 1.2% in October. Residential construction building was the primary reason for the reduction, due to a decline in both new single-family home building and home improvements. The construction of business-related buildings also fell, but was entirely attributable to a drop in electrical power plant construction.

ISM Manufacturing Index
SA, 50+ = Econ Expand



ISM Mfg: New Orders Index
SA, 50+ = Economic Expansion

ISM Mfg: Production Index
SA, 50+ = Economic Expansion



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Nov-08	Oct-08	Sep-08	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	36.2	38.9	43.5	39.5	44.8	50.0
New Orders	27.9	32.2	38.8	33.0	40.3	52.5
Production	31.5	34.1	40.8	35.5	43.8	51.3
Inventories	39.1	44.3	43.4	42.3	45.4	46.4
Employment	34.2	34.6	41.8	36.9	42.7	48.4
Supplier Deliveries	48.4	49.2	52.5	50.0	51.8	51.5
Order Backlog (NSA)	27.0	29.5	35.0	30.5	37.6	41.5
Prices Paid (NSA)	25.5	37.0	53.5	38.7	62.2	67.5
New Export Orders	41.0	41.0	52.0	44.7	50.6	58.5

Source: National Association of Purchasing Management

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