

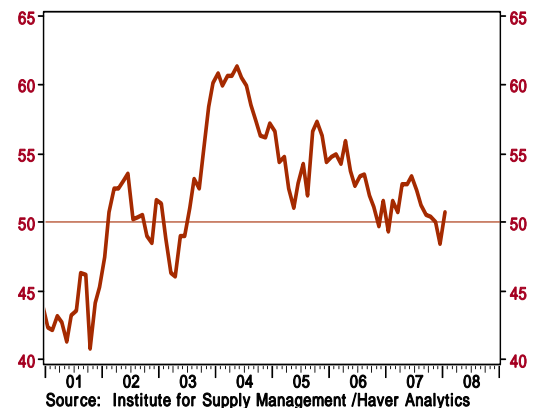
## JANUARY ISM MANUFACTURING INDEX

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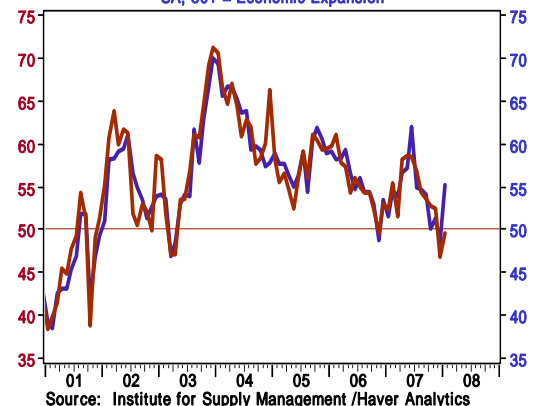
- The ISM Manufacturing index increased to 50.7 in January versus 48.4 in December. The consensus had expected a decline to 47.3. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The output-related components of the index were generally up. The production index rose to 55.2 from 48.6 and the new orders index increased to 49.5 from 46.9. The backlog of orders index, which is not seasonally adjusted, increased to 44.0 versus 43.0 last month and 43.5 in January 2007. The employment index declined to 47.1 from 48.7.
- The prices paid index jumped to 76.0 from 68.0 last month, reaching the highest level in 18 months.

**Implications:** The ISM manufacturing index moved back into positive territory in January, to the highest level since August, suggesting a rebound in factory activity in January. Meanwhile, the prices paid index signals inflation pressure is increasing. The Institute of Supply Management, which publishes the report, says an index level of 50.7 corresponds to a real GDP growth rate of 3%, which is our forecast for the first quarter of 2008. In response to a special question in the survey, 92.6% of businesses said the turmoil in the financial markets is having no impact on their ability to obtain financing. In other economic news this morning, construction fell 1.1% in December, versus a consensus expected decline of 0.5%. Home building and government construction declined while business spending on structures increased 1.3%. Over the past year, private construction outside home building is up 20.4% and is up at a 17.8% annual rate in the past three months. So far, there is no sign of a slowdown in non-residential 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>	Jan-08	Dec-07	Nov-07	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Business Barometer</b>	<b>50.7</b>	48.4	50.0	49.7	50.2	49.3
<b>New Orders</b>	<b>49.5</b>	46.9	52.5	49.6	51.6	52.4
<b>Production</b>	<b>55.2</b>	48.6	51.3	51.7	52.4	51.5
<b>Inventories</b>	<b>49.1</b>	45.4	46.4	47.0	45.8	40.4
<b>Employment</b>	<b>47.1</b>	48.7	48.4	48.1	49.7	50.1
<b>Supplier Deliveries</b>	<b>52.8</b>	52.6	51.5	52.3	51.6	52.3
<b>Order Backlog (NSA)</b>	<b>44.0</b>	43.0	41.5	42.8	46.0	43.5
<b>Prices Paid (NSA)</b>	<b>76.0</b>	68.0	67.5	70.5	66.1	53.0
<b>New Export Orders</b>	<b>58.5</b>	52.5	58.5	56.5	56.3	52.5

Source: National Association of Purchasing Management

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