

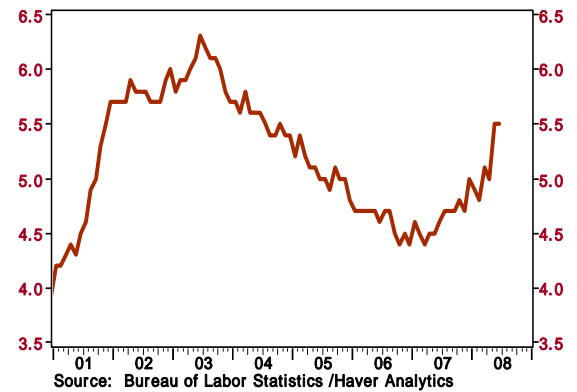
JUNE EMPLOYMENT REPORT

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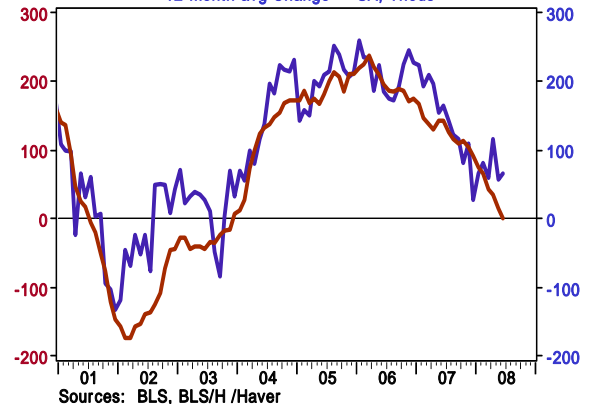
- Non-farm payrolls declined 62,000 in June while revisions to April and May subtracted 52,000. The consensus expected a loss of 60,000.
- Private (non-gov't) payrolls declined 91,000 in June and accounted for all the downward revisions to April/May. The weakest sectors in June were employment services (down 59,000), construction (down 43,000), and manufacturing (down 33,000). The strongest sectors were education/health (up 29,000) and leisure/hospitality (up 24,000).
- The jobless rate held steady at 5.5% in June. The consensus had expected a decline to 5.4%.
- Average hourly earnings rose 0.3% in June and are up 3.4% versus a year ago.

Implications: The labor market is a lagging indicator of the strength of the economy and has weakened in recent months due to the sluggish real GDP growth of the last quarter of 2007 and first quarter of 2008. However, we believe the economy grew at about a 2.5% annual rate in Q2 and will grow even faster in the second half, suggesting the labor market will turn around later this year. In the first six months of 2008 payrolls have declined 73,000 per month. This is in-line with the -83,000 per month in late 2002 and early 2003, when economic growth was slow, but we were not in recession. Note that civilian employment (adjusted for the payroll concept) was up 251,000 in June and is up 66,000 per month in the past year, suggesting the job market is stronger than the payroll figures show. In other news this morning, initial claims for unemployment insurance increased 16,000 last week to 404,000. However, this figure may have been distorted by two factors. First, weak auto sales may be accelerating annual temporary closures for auto-plant retooling; second, flooding in the Midwest. In the next few weeks initial claims may spike further due to an extension of jobless benefits for the long-term unemployed, making claims a less reliable indicator of the health of the economy. Continuing claims for jobless benefits dropped 19,000 in the most recent week.

Civilian Unemployment Rate: 16 yr +
SA, %



All Employees: Total Nonfarm
12-month avg Change SA, Thous
Civ. Employment (Pop. Smoothed and Payroll Compatible)
12-month avg Change SA, Thous



Employment Report <i>All Data Seasonally Adjusted</i>	Jun-08	May-08	Apr-08	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.5	5.5	5.0	5.3	5.1	5.0
Civilian Employment (monthly change in thousands)	251	-617	574	69	129	66
Nonfarm Payrolls (monthly change in thousands)	-62	-62	-67	-64	-73	1
Construction	-43	-37	-59	-46	-44	-38
Manufacturing	-33	-22	-52	-36	-39	-29
Retail Trade	-8	-23	-46	-25	-27	-13
Finance, Insurance and Real Estate	-10	-3	-2	-5	-6	-8
Professional and Business Services	-51	-49	17	-28	-33	0
Education and Health Services	29	44	48	40	44	43
Leisure and Hospitality	24	9	14	16	15	22
Government	29	29	24	27	21	21
Avg. Hourly Earnings: Total Private*	0.3%	0.3%	0.1%	3.2%	3.5%	3.4%
Avg. Weekly Hours: Total Private	33.7	33.7	33.8	33.7	33.7	33.8
Index of Aggregate Weekly Hours: Total Private*	-0.1	-0.4	-0.1	-2.2	-1.5	-0.6

*3, 6 and 12 month figures are % change annualized

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