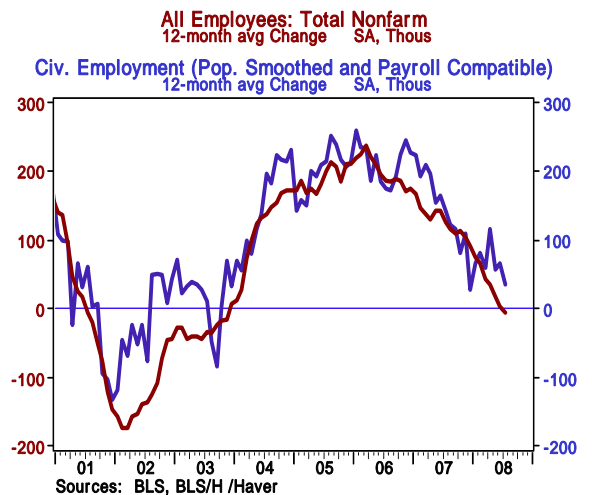


JULY EMPLOYMENT REPORT

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

- Non-farm payrolls declined 51,000 in July while revisions to May and June added 26,000 jobs, resulting in a net loss of 25,000. The consensus expected a loss of 75,000.
- Private (non-gov't) payrolls declined 76,000 in July. The weakest job categories were manufacturing (down 35,000), temps (down 29,000), and construction (down 22,000, mostly residential). The strongest sector was education/health (up 39,000).
- The jobless rate increased to 5.7% in July. The consensus had expected a smaller increase to 5.6%.
- Average hourly earnings rose 0.3% in July and are up 3.4% versus a year ago.

Implications: Net of revisions to previous months, payrolls declined 25,000 in July, which was a smaller drop than the consensus expected. However, all of the upward revisions to prior months were due to government employment, not the private sector. The private sector lost 76,000 jobs in July and is down 90,000 per month in the past three months. Another negative sign in July was the tick down to 33.6 in average weekly hours, re-touching the low hit in 2003-04. Despite this, the US economy has been surprisingly resilient in the past year in the face of \$140/barrel oil and a collapse in the housing market. The labor market is a lagging indicator of economic activity, and job declines so far this year reflect weakness in the overall economy in late 2007 and early 2008. Still, the recent decline in jobs is much smaller than has been typical of past periods of economic weakness. We think Q2 real GDP growth, reported yesterday at a 1.9% annual growth rate, will be revised up in the months ahead and that the US will grow at about a 3% rate in the second half of 2008. As a result, we believe the worst job losses are behind us and expect payrolls to turn positive again sometime in the next few months.



Employment Report <i>All Data Seasonally Adjusted</i>	Jul-08	Jun-08	May-08	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.7	5.5	5.5	5.6	5.3	5.0
Civilian Employment (monthly change in thousands)	-355	251	-617	-240	-20	35
Nonfarm Payrolls (monthly change in thousands)	-51	-51	-47	-50	-65	-6
Construction	-22	-49	-38	-36	-42	-38
Manufacturing	-35	-35	-21	-30	-39	-32
Retail Trade	-17	-6	-24	-16	-27	-15
Finance, Insurance and Real Estate	0	-13	-3	-5	-5	-10
Professional and Business Services	-24	-39	-49	-37	-30	-3
Education and Health Services	39	55	63	52	50	46
Liesure and Hospitality	1	7	-11	-1	7	18
Government	25	43	52	40	31	29
Avg. Hourly Earnings: Total Private*	0.3%	0.3%	0.3%	3.9%	3.5%	3.4%
Avg. Weekly Hours: Total Private	33.6	33.7	33.7	33.7	33.7	33.8
Index of Aggregate Weekly Hours: Total Private*	-0.4	-0.1	-0.4	-3.3	-1.5	-0.7

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

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.