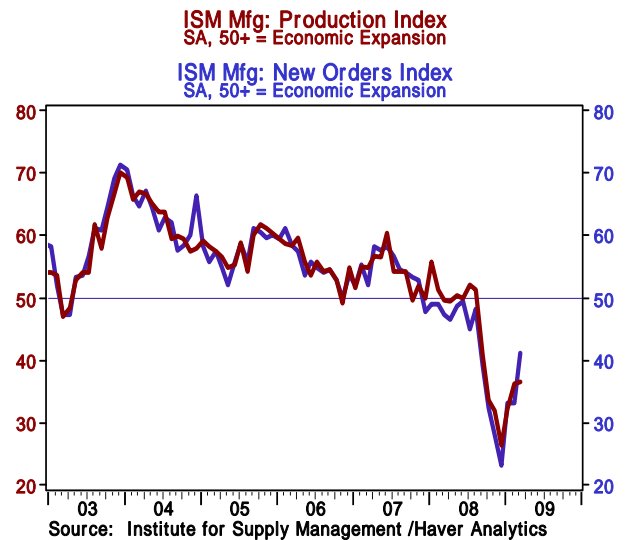
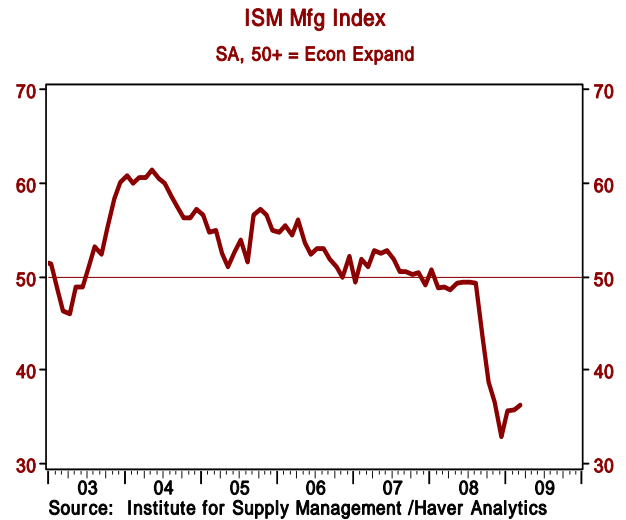


MARCH ISM MANUFACTURING INDEX

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- The ISM Manufacturing index increased to 36.3 in March from 35.8 in February. The consensus had expected a slightly smaller increase to 36.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction).
- The output components of the overall index tilted upward. The new orders index increased to 41.2 from 33.1, the production index increased to 36.4 from 36.3, and the employment index increased to 28.1 from 26.1. The index for inventories fell to 32.2 from 37.0 and the supplier deliveries index declined to 43.6 from 46.7.
- The prices paid index increased to 31.0 from 29.0 in February.

Implications: Although the ISM manufacturing index remains below 50, it both increased and exceeded consensus expectations for the third month in a row, signaling that the manufacturing sector continues to contract but is doing so at a slower and slower rate. The best part of the report was the unusually sharp 8.1 point increase in the index for new orders. That index is now at 41.2, the highest since August 2008, before the economy was struck by the risk aversion hysteria that followed the failure of Lehman Brothers. In other news this morning, construction activity fell 0.9% in February, which was better than the consensus expected decline of 1.9%. As usual, construction was dragged down by declines in home building. However, both government construction and commercial building increased. The rise in government construction was led by classrooms at public universities; the growth in commercial building was led by manufacturing plants and a rebound from recent weakness for hotels. Also earlier today, the ADP Employment Report said private sector payrolls declined 742,000 in March. We expect Friday's official employment report from the Labor Department to show overall job losses in the 650,000 - 725,000 range.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Mar-09	Feb-09	Jan-09	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	36.3	35.8	35.6	35.9	36.0	49.0
New Orders	41.2	33.1	33.2	35.8	31.9	47.1
Production	36.4	36.3	32.1	34.9	32.8	49.6
Inventories	32.2	37.0	37.5	35.6	38.4	45.3
Employment	28.1	26.1	29.9	28.0	30.4	49.3
Supplier Deliveries	43.6	46.7	45.3	45.2	46.5	53.7
Order Backlog (NSA)	35.5	31.0	29.5	32.0	29.3	47.5
Prices Paid (NSA)	31.0	29.0	29.0	29.7	28.3	83.5
New Export Orders	39.0	37.5	37.5	38.0	38.6	56.5

Source: National Association of Purchasing Management

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