

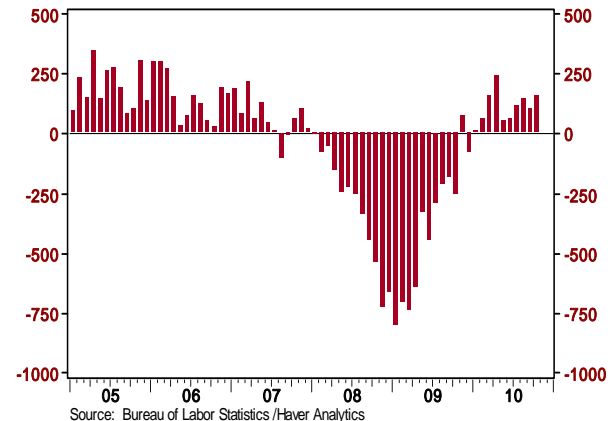
OCTOBER EMPLOYMENT REPORT

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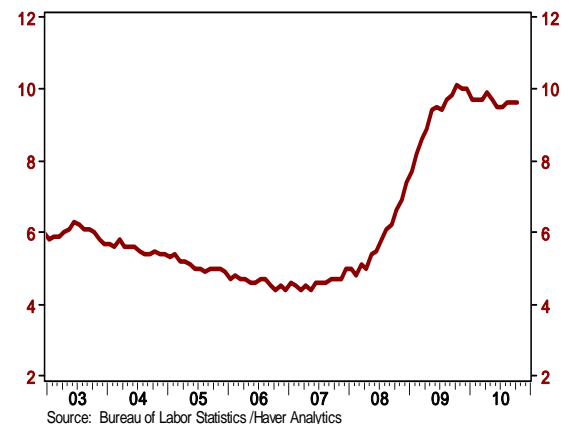
- Non-farm payrolls increased 151,000 in October, crushing the consensus expected gain of 60,000. Revisions to August/September added 110,000, bringing the net gain to 261,000.
- Private sector payrolls increased 159,000 in October, the tenth consecutive month of gains. Prior months were revised up by 93,000, for a net gain of 252,000. October private sector gains were led by education/health (+53,000), temps (+35,000), and retail (+28,000).
- The unemployment rate was unchanged at 9.6% (9.644% unrounded).
- Average weekly earnings – cash earnings, excluding benefits – were up 0.5% in October and are up 3.5% versus a year ago.

Implications: The labor market is clearly getting better. Those who have denied the recovery, or its strength, have some explaining to do. (And remember, we are well past the point where government spending is supposed to be lifting the economy. It's also before the Fed started QE II.) Private payrolls increased 159,000 in October and gained 252,000 including upward revisions to prior months. This is more than enough to generate a trend decline in the unemployment rate in the months ahead. Meanwhile, businesses are asking for more hours from each worker and raising pay per hour. As a result, total cash earnings for all private-sector workers increased 0.7% in October and are up 4.5% in the past year. This means workers will be able to keep lifting consumer spending even as they also continue to pay down debt. The one negative spot in today's report was the household survey, which showed a decline of 330,000 civilian jobs in October. As opposed to the payroll survey, which asks businesses how many people are working for them, the household survey is calculated by knocking on doors. It's a smaller survey, and prone to volatility from month to month, so we're not shocked by weakness when payrolls are growing. However, because it includes the self-employed and small start-up businesses, the household survey is better at picking up economic turning points when viewed over longer time periods. So far this year, while private payrolls are up 112,000 per month, the household survey's measure of employment is up 151,000 per month. In other words, we think the payroll increases so far this year are likely to accelerate in the year ahead.

All Employees: Total Private Industries
Change - Month to Month SA, Thous



Civilian Unemployment Rate: 16 yr +
SA, %



Employment Report <i>All Data Seasonally Adjusted</i>	Oct-10	Sep-10	Aug-10	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	9.6	9.6	9.6	9.6	9.6	9.7
Civilian Employment (monthly change in thousands)	-330	141	290	34	-66	88
Nonfarm Payrolls (monthly change in thousands)	151	-41	-1	36	50	69
Construction	5	-8	34	10	-2	-10
Manufacturing	-7	-2	-26	-12	7	8
Retail Trade	28	12	6	15	6	10
Finance, Insurance and Real Estate	-1	-2	-3	-2	-6	-7
Professional and Business Services	46	19	38	34	26	36
Education and Health Services	53	22	41	39	33	33
Leisure and Hospitality	-5	39	24	19	14	10
Government	-8	-148	-144	-100	-56	-23
Avg. Hourly Earnings: Total Private*	0.2%	0.1%	0.3%	2.5%	2.1%	1.7%
Avg. Weekly Hours: Total Private	34.3	34.2	34.3	34.3	34.2	34.1
Index of Aggregate Weekly Hours: Total Private*	0.4%	-0.2%	0.4%	2.6%	2.4%	2.8%

*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.