

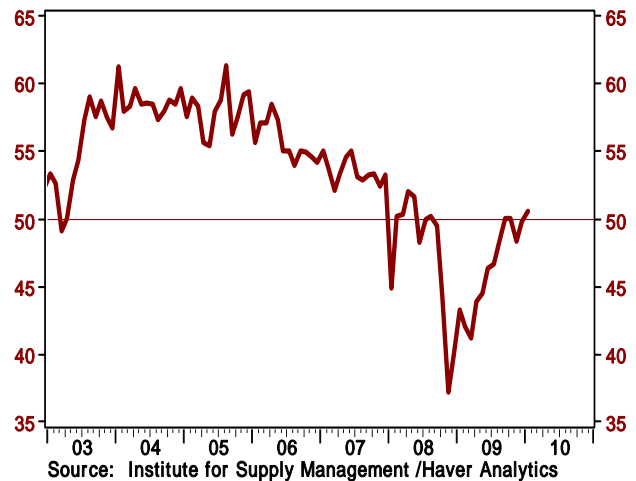
# JANUARY ISM NON-MANUFACTURING INDEX

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

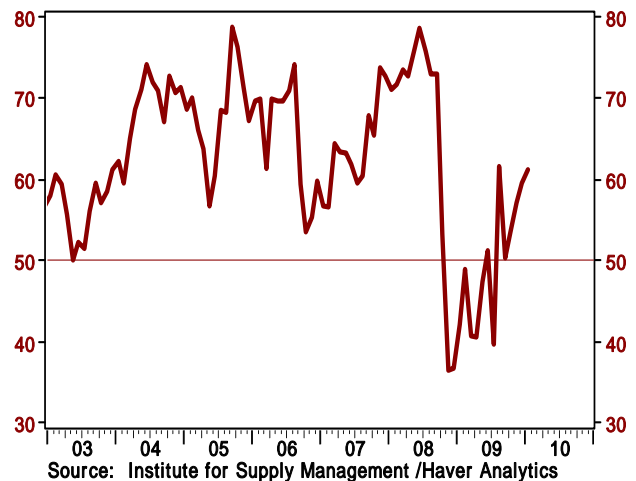
- The ISM Non-Manufacturing composite index increased to 50.5 in January from 49.8 in December. The consensus expected an increase to 51.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- All of the major sub-indexes were either up or above 50 (signaling expansion) in January. The business activity index declined to 52.2 from 53.2, but the new orders index rose to 54.7 from 52.0, and the employment index rose to 44.6 from 43.6. The supplier deliveries index remained unchanged at 50.5.
- The prices paid index increased to 61.2 in January from 59.6 in December.

**Implications:** The ISM Non-Manufacturing index rose above 50 in January, signaling expansion in the services sector. We believe that the ISM Non-manufacturing index is acting right now as more of a sentiment survey, sometimes reflecting uncertainty and emotion rather than actual economic output. What is important to look at in today's report is the business activity index which has an even stronger statistical link with real GDP growth than the overall index. It remained solidly above 50. The employment index also rose in January to its highest level since August 2008. On the inflation front, the prices paid index increased to 61.2 in January from 59.6 in December, continuing the upward trend of recent months. In other news this morning, the ADP National Employment index, a measure of private-sector payrolls, declined 22,000 in January. The ADP report has shown smaller declines for ten straight months. Meanwhile, Challenger, Grey & Christmas, a Chicago-based job placement firm, says layoff announcements were down 70.4% in January compared to a year ago. Today's ISM and ADP data, along with recent data on unemployment claims, suggests a modest rise in overall payrolls in January. The BLS reports this data Friday morning. In other news, reported yesterday, pending home sales (sales contracts on existing homes) increased 1% in December. Autos and light trucks were sold at a 10.8 million annual rate in January. Although this is down 4% versus December, the sale pace is up 12% versus a year ago and would have been better absent cash-for-clunkers last summer (which stole sales from the future) as well as temporary problems at Toyota.

ISM Nonmanufacturing: NMI Composite Index  
SA, 50+=Increasing



ISM: Nonmfg: Prices Index  
SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jan-10	Dec-09	Nov-09	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
<b>Composite Index</b>	50.5	49.8	48.4	49.6	49.5	43.2
<b>Business Activity</b>	52.2	53.2	49.6	51.7	52.2	44.1
<b>New Orders</b>	54.7	52.0	53.7	53.5	53.0	41.6
<b>Employment</b>	44.6	43.6	41.7	43.3	43.1	35.4
<b>Supplier Deliveries (NSA)</b>	50.5	50.5	48.5	49.8	49.8	51.5
<b>Prices</b>	61.2	59.6	57.1	59.3	57.2	42.1

Source: Institute for Supply Management

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