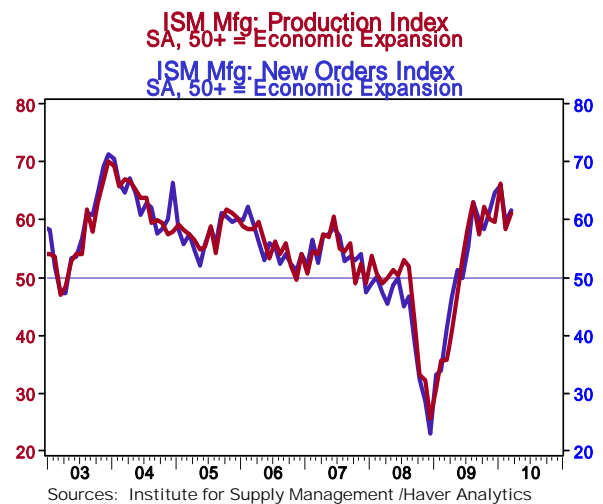
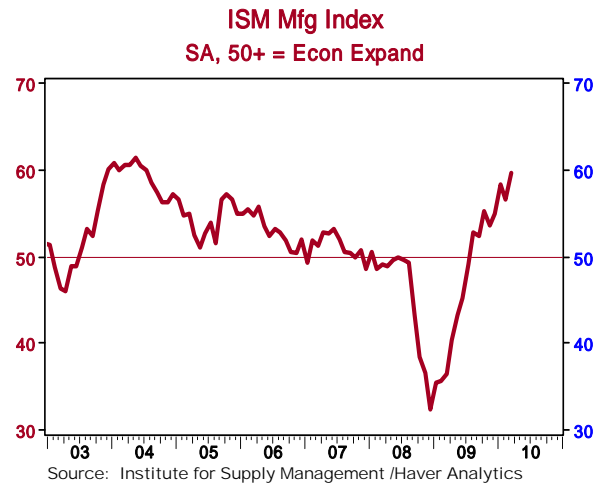


MARCH ISM MANUFACTURING INDEX

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- The ISM Manufacturing index increased to 59.6 in March from 56.5 in February. The consensus expected an index level of 57.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- Most major sub-components rose in March and all remained well above 50. New orders and production rose back above 60, while the supplier deliveries index rose to 64.9, a sign of capacity issues. The employment index fell slightly to 55.1 from 56.1.
- The prices paid index rose to 75.0 in March from 67.0 in February.

Implications: After a slight weather-related dip in February, the manufacturing sector continued its V-shaped recovery in March. The overall index rose to 59.6, its highest level in almost six years and a level consistent with 5.9% real GDP growth. Both the new orders and production sub-indexes rose and remain solidly above 50; at 61.5 and 61.1 respectively. The supplier delivery index surged to 64.9, its highest level since mid-2004. The higher this index rises, the slower delivery times. This may have been caused by weather, but it is clear that suppliers have been surprised by the strength of the economy. On the inflation front, the prices paid index rose to 75.0, the highest level since the summer of 2008. There is no doubt the Federal Reserve should be tightening monetary policy *now*. In other news this morning, initial claims for unemployment insurance declined 6,000 last week to 439,000. Continuing claims for regular state benefits decreased 6,000 to 4.66 million. In other recent news, the Case-Shiller index (a measure of home prices in the 20 largest metro areas) increased 0.3% in January (seasonally-adjusted), the eighth straight monthly gain. Also, the ADP employment index, a measure of private sector jobs, fell 23,000 in March, which was worse than the consensus expected. We expect the official Labor Department report out tomorrow morning to show a significant gain in payrolls because it will better capture census hiring and the weather related rebound in payrolls than the ADP report.



Institute for Supply Management Index	Mar-10	Feb-10	Jan-10	3-month moving avg	6-month moving avg	Year-ago level
<i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>						
Business Barometer	59.6	56.5	58.4	58.2	56.4	36.4
New Orders	61.5	59.5	65.9	62.3	61.9	41.2
Production	61.1	58.4	66.2	61.9	61.3	35.7
Inventories	55.3	47.3	46.5	49.7	46.8	32.3
Employment	55.1	56.1	53.3	54.8	52.7	28.3
Supplier Deliveries	64.9	61.1	60.1	62.0	59.2	44.4
Order Backlog (NSA)	58.0	61.0	56.0	58.3	55.1	35.5
Prices Paid (NSA)	75.0	67.0	70.0	70.7	65.6	31.0
New Export Orders	61.5	56.5	58.5	58.8	57.1	39.0

Source: National Association of Purchasing Management

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