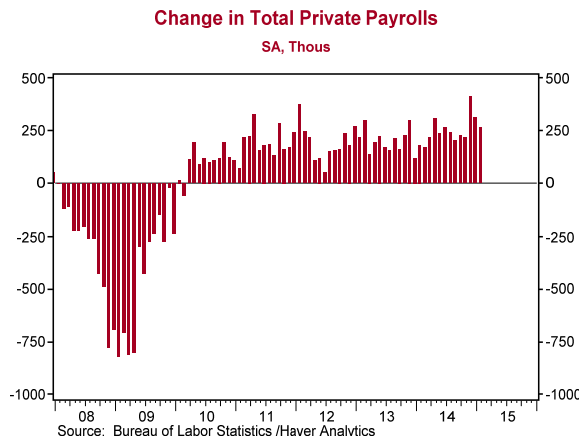


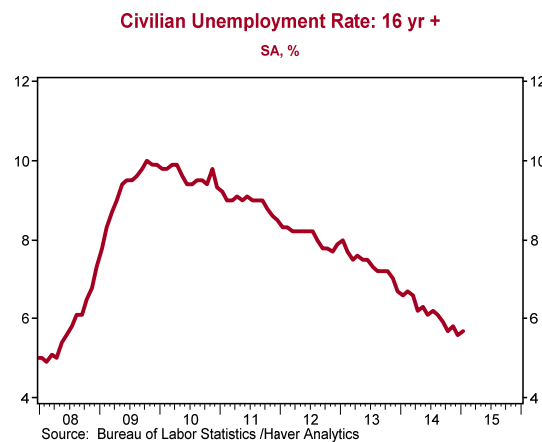
January Employment Report

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- Nonfarm payrolls increased 257,000 in January (404,000 including upward revisions to prior months), versus a consensus expected 228,000.
- Private sector payrolls increased 267,000 in January, while November and December were revised up by a combined 149,000. The largest gains were for health care & social assistance (+50,000), retail (+46,000), construction (+39,000), professional & business services (+39,000, including temps), and restaurants & bars (+35,000). Manufacturing payrolls increased 22,000 while government declined 10,000.
- The unemployment rate increased to 5.7% in January from 5.6% in December.
- Average hourly earnings – cash earnings, excluding tips, commissions, bonuses, and fringe benefits – increased 0.5% in January and are up 2.2% versus a year ago.



Implications: The pace of improvement in the labor market has clearly picked up. Nonfarm payrolls increased 257,000 in January and were revised higher to gains of 423,000 in November and 329,000 in December, with all the upward revisions coming from the private sector. Payrolls have now been up 200,000+ for eleven consecutive months, including three gains north of 300,000 and one beating 400,000. The growing strength in job creation was reinforced by civilian employment, an alternative measure of jobs that includes small-business start-ups, which increased 759,000 in January and is up at a 314,000 average rate over the past three months. However, the unemployment rate ticked up to 5.7% in January from 5.6% in December because the labor force rose by 1,051,000. As a result, the labor force participation rate increased to 62.9%. The best news in today’s report was that average hourly earnings (which doesn’t include fringe benefits like health care or tips, irregular bonuses, or commissions), increased 0.5% in January and are up 2.2% from a year ago. While some may argue that recent minimum wage hikes among states are the source of higher earnings, we don’t believe this is the case. Combined with a 3.3% increase in the number of hours worked in the past year, total cash earnings are up 5.6% from a year ago, which means consumer purchasing power is accelerating upward. Faster job growth and growing consumer purchasing power support our view that the Federal Reserve remains on track to start raising rates at the meeting in June. The share of voluntary job leavers (or “quitters”) among the unemployed rose to 9.5% in January, the highest since 2008. In the past, Fed Chair Janet Yellen has said a higher quit rate is a sign of strength in the labor market. In the past year, nonfarm payrolls have increased 267,000 per month while civilian employment is up 250,000 per month. The labor market is gathering strength relative to the current business cycle and the expansion in the previous decade, but still suffers from bad policies (like easy access to disability benefits and overly generous student aid) that are holding the labor market back from improving even faster. Despite those policies, and little sign they’ll be lifted soon, we continue to expect even more job growth, less unemployment, and faster wage growth in the year ahead.



Employment Report <i>All Data Seasonally Adjusted</i>	Jan-15	Dec-14	Nov-14	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	5.7	5.6	5.8	5.7	5.8	6.1
Civilian Employment (monthly change in thousands)	759	111	71	314	300	250
Nonfarm Payrolls (monthly change in thousands)	257	329	423	336	282	267
Construction	39	44	30	38	27	26
Manufacturing	22	26	45	31	23	19
Retail Trade	46	7	61	38	28	24
Finance, Insurance and Real Estate	26	9	28	21	16	13
Professional and Business Services	39	80	96	72	60	60
Education and Health Services	46	48	51	48	44	42
Leisure and Hospitality	37	47	42	42	43	40
Government	-10	9	9	3	5	7
Avg. Hourly Earnings: Total Private*	0.5%	-0.2%	0.4%	2.6%	2.3%	2.2%
Avg. Weekly Hours: Total Private	34.6	34.6	34.6	34.6	34.6	34.5
Index of Aggregate Weekly Hours: Total Private*	0.2%	0.3%	0.4%	3.6%	3.4%	3.3%

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

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