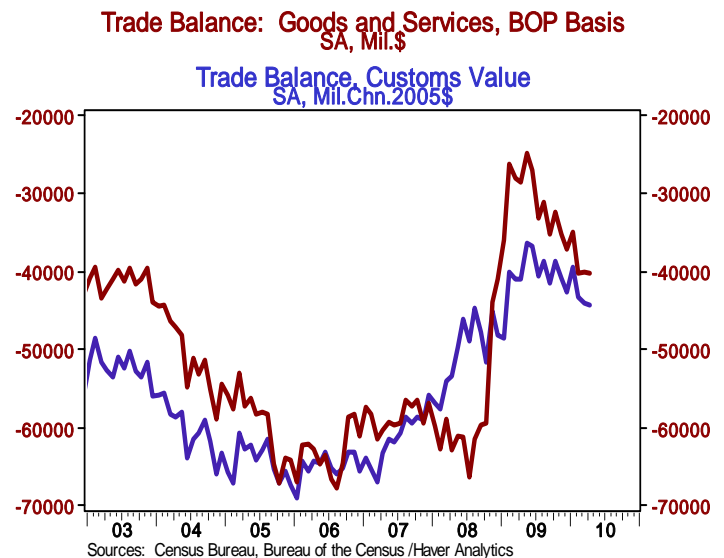


APRIL INTERNATIONAL TRADE

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- The trade deficit in goods and services expanded by \$0.2 billion to \$40.3 billion in April, a bit smaller than the consensus expected.
- Exports declined \$1.0 billion in April, led by pharmaceuticals.
- Imports declined \$0.8 billion in April, also led by pharmaceuticals as well as TVs and other household electronics. Petroleum imports were unchanged, with lower volume offsetting higher prices.
- In the last eleven months, exports are up 18.3% while imports are up 25.5%.
- The monthly trade deficit is \$11.8 billion larger than last year. Adjusted for inflation, the trade deficit in goods is \$3.3 billion larger than last year. This is the trade measure that is most important for calculating real GDP.

Implications: The total volume of international trade – imports plus exports – declined 0.5% in April. But that follows a large 3.3% gain in March, leaving the total volume of trade up 22% since the bottom in May 2009, right before the V-shaped recovery began. We expect more increases in global trade in the months ahead, despite financial turmoil in Europe. Recently, the trade deficit has been expanding again, as the return to robust growth in the US has pushed up imports faster than exports. While some may worry about this trend, during recent decades a rising trade gap has been associated with a strong domestic economy, not a weak one. Moreover, Americans generate much higher returns on the assets we own abroad – like direct investment in factories in emerging markets – compared to what foreigners earn on US-assets (such as Treasury securities). As a result, the US has more of an ability than any other country to run significant and persistent trade deficits. Today’s report also includes something called a “benchmark” revision of trade data going back the past several years. As a result, it appears some of the growth previously attributed to the first quarter of this year will eventually be shifted into late last year. In other news this morning, new claims for unemployment insurance fell 3,000 last week to 456,000. Continuing claims for regular state benefits declined 255,000 to 4.46 million, the lowest so far during the recovery.



International Trade	Apr-10	Mar-10	Feb-10	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-40.3	-40.0	-40.1	-40.2	-38.0	-28.4
Exports	148.8	149.8	144.3	147.6	145.0	124.1
Imports	189.1	189.9	184.5	187.8	182.9	152.6
Petroleum Imports	30.3	30.3	28.6	29.7	28.0	18.1
Real Goods Trade Balance	-44.3	-44.1	-43.2	-43.9	-42.4	-41.0

Source: Bureau of the Census

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