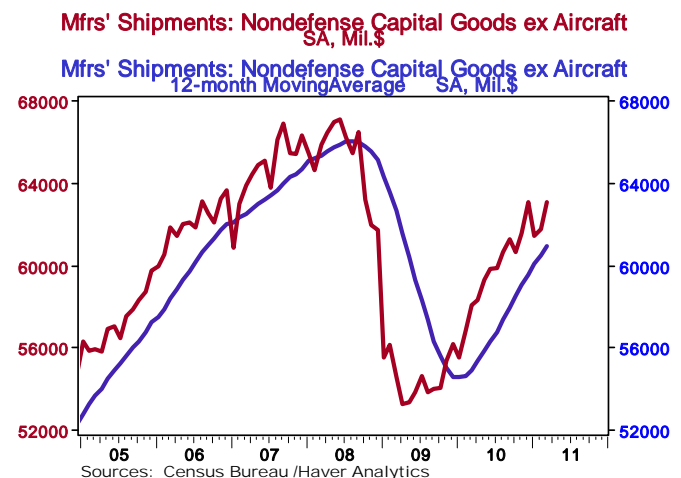


MARCH DURABLE GOODS

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- New orders for durable goods rose 2.5% in March versus a consensus expected gain of 2.3%. Including upward revisions for February, orders were up 3.8%. Orders excluding transportation were up 1.3% in March (2.2% including upward revisions to February). The consensus expected an increase of 1.9%. From a year ago, overall new orders are up 10.5%, while orders excluding transportation orders are up 6.1%.
- The March jump was powered by motor vehicles, industrial machinery, and primary metals.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 2.2% in March, the second largest monthly gain in a year. This measure of shipments rose at a 2.2% annual rate in Q1 versus the Q4 average.
- Unfilled orders rose 0.8% in March and are up 5.7% from last year.

Implications: New orders for durable goods showed considerable strength in March, rising 2.5% for the month and 3.8% including upward revisions for February, easily beating the consensus expected increase of 2.3%. Most major categories of new orders grew in March and were revised higher the previous month. Today's report was led by motor vehicles, industrial machinery, and primary metals. Including upward revisions for February, orders ex-transportation were up 2.2%, also beating consensus expectations. Meanwhile, shipments of "core" capital goods (which exclude civilian aircraft and defense) rose 2.2% in March. During the past 11 months, new orders for these core capital goods have been consistently above shipments, signaling that shipments should continue to increase. Given near record corporate profits and balance sheet cash, business investment is likely to bounce substantially over the next couple years. In other recent news, the Richmond Fed index, a measure of manufacturing activity in the mid-Atlantic, dropped to a still solid +10 in April from +20 in March. On the housing front, the Case-Shiller index, a measure of home prices in the 20 largest metro areas, declined 0.2% in February (seasonally-adjusted). The consensus expected a larger 0.4% drop.



Durable Goods <i>All Data Seasonally Adjusted</i>	Mar-11	Feb-11	Jan-11	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	2.5%	0.7%	3.7%	30.9%	5.8%	10.5%
<i>Ex Defense</i>	2.3%	2.0%	2.9%	33.1%	8.5%	12.6%
<i>Ex Transportation</i>	1.3%	0.6%	-2.9%	-4.1%	8.6%	6.1%
<i>Primary Metals</i>	3.9%	0.9%	2.9%	35.6%	45.3%	21.6%
<i>Industrial Machinery</i>	4.2%	-0.1%	-12.8%	-31.9%	8.7%	10.0%
<i>Computers and Electronic Products</i>	-1.1%	0.1%	-5.2%	-22.5%	-14.4%	-0.8%
<i>Transportation Equipment</i>	5.9%	0.9%	29.7%	268.1%	-1.6%	25.3%
Capital Goods Orders	3.7%	1.0%	9.9%	75.4%	-5.2%	15.0%
Capital Goods Shipments	2.4%	1.0%	-3.8%	-2.2%	3.3%	3.8%
<i>Defense Shipments</i>	4.8%	2.9%	-7.9%	-2.7%	-16.7%	-19.7%
<i>Non-Defense, Ex Aircraft</i>	2.2%	0.4%	-2.5%	0.2%	6.0%	8.6%
Unfilled Orders for Durable Goods	0.8%	0.7%	0.8%	9.4%	6.7%	5.7%

Source: Bureau of the Census

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