First Trust DATAWATCH

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September International Trade

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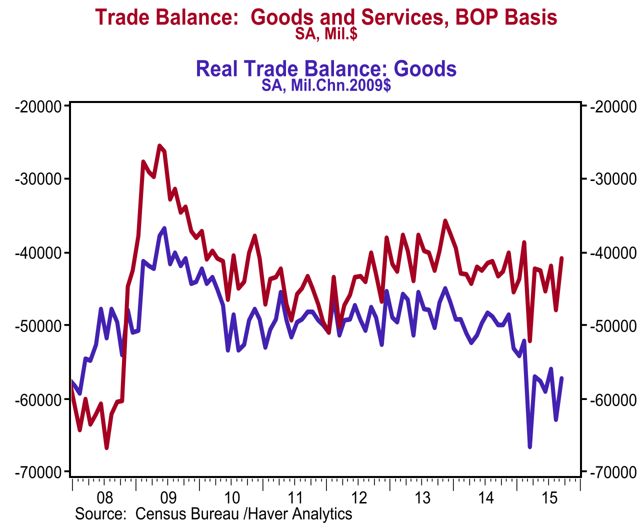
- The trade deficit in goods and services came in at $40.8 billion in September, slightly smaller than the consensus expected $41.0 billion.
- Exports increased by $3.0 billion in September, led by soybeans and artwork/antiques/stamps. Imports declined by $4.2 billion, pulled down by crude oil and autos.
- In the last year, exports are down 3.7% while imports are down 4.0%.
- The monthly trade deficit is $2.4 billion smaller than a year ago. Adjusted for inflation, the "real" trade deficit in goods is $7.2 billion larger than a year ago. The "real" change is the trade indicator most important for measuring real GDP.



Implications: Exports increased while imports fell in September, resulting in a large drop in the trade deficit after an upward surge in August. As a result, the trade deficit hit a seven-month low. The largest drop in imports, by far, was for crude oil which is now down 48% from a year ago. Back in 2005 US petroleum and petroleum product imports were eleven times exports. In September, these imports were only 1.7 times exports. Since the start of the year, the US is actually running a trade surplus with OPEC! This has a destabilizing impact on the Middle East, which compounds the problems of a vacuum in global geo-political leadership. The US is headed toward energy independence thanks to fracking and horizontal drilling, but a side-effect may be more conflict in the Middle east. Despite lower oil prices over the past year and some recent dips in drilling activity, US domestic oil production is still expected to average 9.3 million barrels per day in 2015, a 600,000 barrel per day increase from 2014. Entrepreneurs and engineers, through the use of new technologies, have changed the way the world works and there's more to come. Plugging today's figures into our models suggests trade, which was a slight drag on economic growth in the third quarter, will add to growth in Q4, consistent with a forecast of real GDP growth at around a 2.5% annual rate for the last quarter of the year. In other news today, the ADP report showed a gain of 182,000 in private-sector payrolls in October. We had been expecting that kind of report from ADP and our models are still projecting a nonfarm payroll gain well north of 200,000 when the official report comes out Friday morning. In other recent news, automakers reported selling cars and light trucks at an 18.2 million annual rate in October, easily beating consensus expectations, up 10% from a year ago, and the fastest pace for any month since July 2005. It now looks like Americans will buy a record high number of cars and light trucks in 2015 and we expect slightly better sales in 2016.

International Trade *All Data Seasonally Adjusted, $billions*	Sep-15 Bil $	Aug-15 Bil $	Jul-15 Bil $	3-Mo Moving Avg.	6-Mo Moving Avg.	Year-Ago Level
Trade Balance	**-40.8**	-48.0	-41.8	-43.5	-43.4	-43.2
Exports	**187.9**	184.9	188.8	187.2	187.7	195.1
Imports	**228.7**	233.0	230.6	230.8	231.2	238.2
Petroleum Imports	**13.8**	15.1	17.1	15.3	15.6	26.5
Real Goods Trade Balance	**-57.2**	-63.0	-56.1	-58.8	-58.3	-50.0

Source: Bureau of the Census