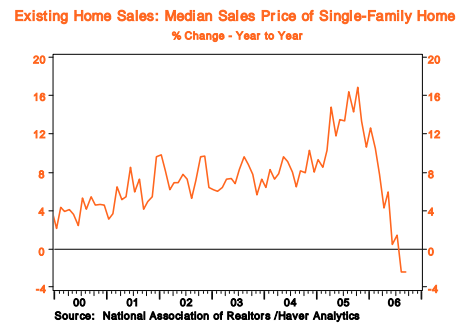
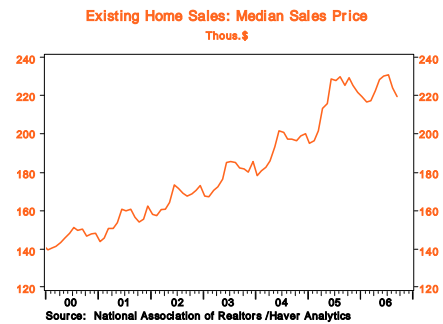
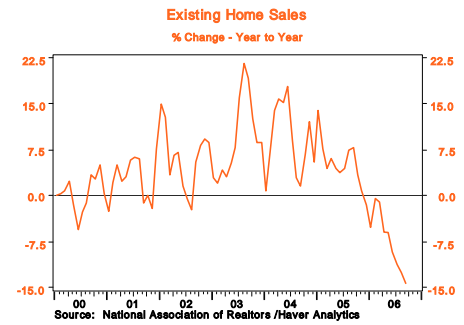
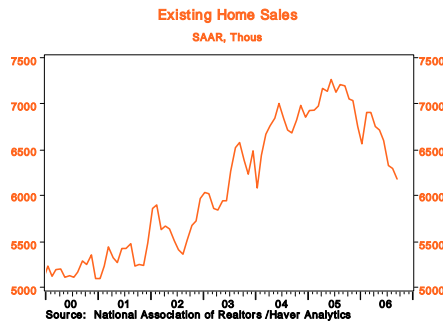


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SEP EXISTING HOME SALES

- Existing home sales fell a more-than-expected 1.9% in September to 6.18 million units at an annual rate. This is the lowest level since January 2004. Existing home sales are down 14.2% in the past 12 months.
- The median sales price of an existing home was \$220,000 in September, 2.2% lower than a year ago. The median sales price of existing single family homes has fallen 2.5% in the past year, the largest decline ever recorded (data collection began in 1968).

Implications: Existing home sales have fallen for six consecutive months and are now at the lowest level in nearly three years. In addition, the YOY change in the median price of single family homes experienced the steepest decline ever recorded. Yet, there are reasons to believe that the housing market will stabilize. Existing home sales are counted at contract closing and are a lagging indicator, new home sales rose 5.3% and housing starts rose 5.9% in September. Moreover, the fundamental drivers of a robust housing market remain in place. Personal income has increased by \$948 billion over the past year (9.4%), mortgage rates are well below their recent highs, tax rates remain low and demographic trends are a positive. Contrary to conventional wisdom, housing has not been the predominant reason for economic growth over the past two years. Residential construction added 0.5% to both the 3.9% real GDP growth in 2004 and the 3.2% real GDP growth in 2005. And even though housing will likely subtract 0.5% from growth throughout the rest of the year (residential construction reduced real GDP growth by 0.7% in Q2), other factors will offset this weakness. Real structure spending is up 8.0% in the past year, and real investment in equipment and software is up 6.8%. As a result, we expect the overall economy to grow in the 3.5% - 4.0% range in the second half of 2006.



| Existing Home Sales | Sep-06 | Aug-06 | Jul-06 | 3-month | 6-month | Yr over yr | |
|--|--------------|--------------|--------|-------------|-------------|------------|-------|
| <i>all data seasonally adjusted unless noted, thous.</i> | % Ch. | level | | moving avg. | moving avg. | % ch. | |
| Existing Home Sales | -1.9% | 6180 | 6300 | 6330 | 6270 | 6478 | -14.2 |
| Northeast | -3.7% | 1030 | 1070 | 1050 | 1050 | 1098 | -13.4 |
| Midwest | -2.8% | 1390 | 1430 | 1430 | 1417 | 1477 | -13.7 |
| South | 0.4% | 2520 | 2510 | 2530 | 2520 | 2560 | -9.0 |
| West | -3.1% | 1250 | 1290 | 1320 | 1287 | 1347 | -23.8 |
| Median Sales Price (NSA) | -1.8% | 220.0 | 224.0 | 230.0 | 224.7 | 225.7 | -2.2 |

Source: Nat'l Association of Realtors

This report was prepared by First Trust Advisors, L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security