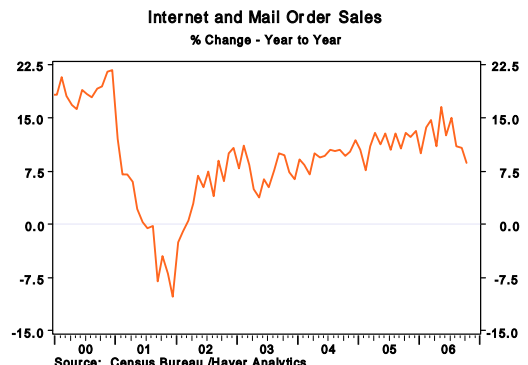
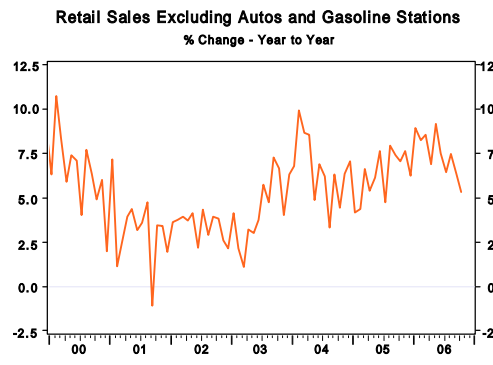
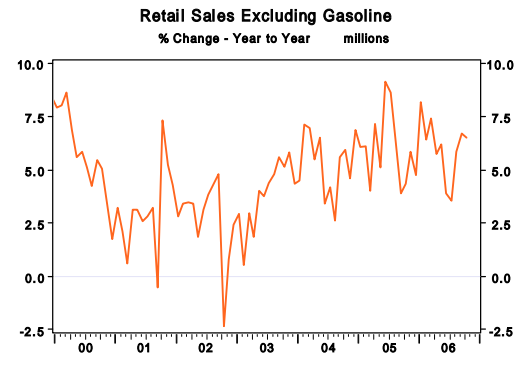
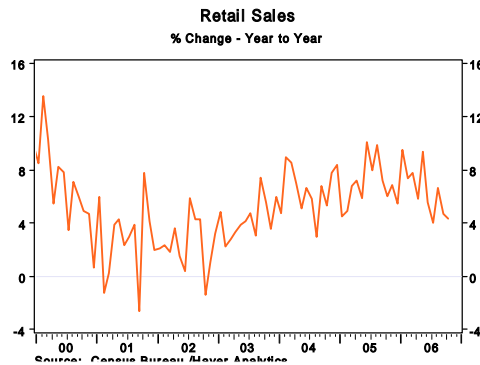


OCTOBER RETAIL SALES

- Retail sales fell by a less than expected 0.2% in October, but were revised significantly in September to show a drop of 0.8% instead of the originally reported 0.4% decline. Retail sales are up a weak 4.5% in the past 12 months.
- Falling gasoline prices continue to play havoc with the data. Gasoline service station sales plunged 6.0% in October, after an 11.1% decline in September – the largest two month decline on record. Excluding gas stations, retail sales increased 0.4% in October, and are up 6.5% in the past year.
- While health and personal care sales were up 1.3% in October, building materials sales fell 0.3%.



Implications: Overall retail sales fell 0.2% in October, a slightly stronger report than expected. However, both August and September were revised lower. For September, instead of an originally reported decline of 0.4%, sales are now reported to have declined by 0.8%. Excluding autos, sales fell 1.2% in September, not the originally reported 0.5%. These were disappointing data and in the past three months, overall retail sales are down 4.0% at an annual rate. However, much of this weakness is due to rapidly declining gasoline prices. The price of regular gasoline fell 13.5% in September and 12.1% in October. This means that after adjusting for deflation in gasoline prices, real gas station sales were very strong. Non-energy retail sales were up 0.4% in October, and 3.6% at an annualized rate in the past three months. One other thing to remember about these statistics is that they do not include spending on services. With unemployment at 4.4% and wages and salaries up 7.6% in the past year, the consumer is not tapped out.

Retail Sales <i>All data seasonally adjusted</i>	Oct-2006	Sep-2006	Aug-2006	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr over Yr % Ch
Retail Sales and Food Services	-0.2%	-0.8%	0.0%	-4.0%	0.0%	4.5%
Ex Autos	-0.4%	-1.2%	0.0%	-6.2%	-0.3%	3.1%
Ex Autos and Gasoline	0.3%	0.3%	0.2%	3.3%	4.0%	5.4%
Motor Vehicle and Parts Dealers	0.6%	0.7%	-0.2%	4.6%	1.2%	10.1%
Building Materials and Supply	-0.3%	-1.8%	-0.7%	-10.6%	-7.9%	1.8%
Furniture, Home Furnishings, and Electronics	-0.4%	-0.1%	0.2%	-1.1%	1.8%	4.0%
General Merchandise	-0.3%	0.9%	0.1%	3.2%	3.1%	3.2%
Food and Beverage	0.3%	1.1%	1.4%	11.4%	6.7%	7.8%
Gas Service Stations	-6.0%	-11.1%	-1.2%	-53.7%	-26.9%	-12.5%
Health and Personal Care	1.3%	-0.1%	1.1%	10.0%	9.7%	8.5%
Clothing and Accessories	0.1%	2.9%	-0.2%	11.8%	10.9%	7.6%
Internet and Mail Order	-0.1%	-0.3%	-0.6%	-3.8%	8.0%	8.6%

Source: Bureau of Census

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.