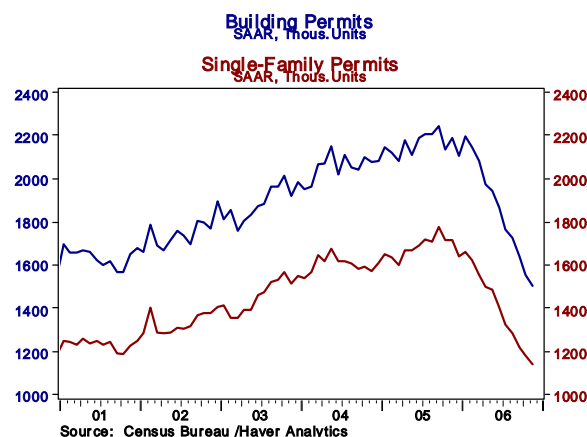
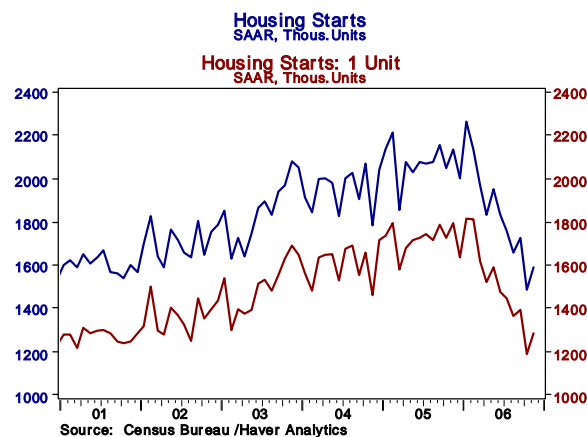


NOVEMBER HOUSING STARTS

Chief Economist - Brian S. Wesbury
 Senior Economist - Robert Stein, CFA
 Economic Research Assistant - Trevor D. Scott

- Housing starts increased 6.7% in November to 1.588 million units at an annual rate, a stronger report than the market expected. Starts are down 25.5% versus a year ago. Strength in the South boosted the overall number. On a 3-month moving average basis, starts fell for the ninth straight month to 1.600 million.
- New building permits fell 3.0% in November to 1.506 million units at an annual rate, a weaker report than the market expected. Permits are down 31.3% versus a year ago.
- Single-family starts are down 28.6% versus a year ago and single-family permits are down 33.3% versus a year ago.

Implications: Today's data on residential construction does not change our view on either housing or the impact of housing on the overall economy. Housing will continue to be the weakest link in the economy, but will not drag other sectors down into a recession. In past business cycles, weakness in housing was due to tight monetary policy, which influenced not only housing but all other sectors. This time, an extremely loose monetary policy led to over-investment in housing. Now, housing is undergoing its inevitable adjustment to reflect underlying trends in income growth, demographics, and tax policy. In the third quarter, residential construction reduced real GDP growth by 1.2 percentage points, meaning that excluding housing real GDP grew at a 3.4% annual rate. Given the lag between housing starts and the measure of residential construction in the GDP accounts, we expect housing to exert similar downward pressure on real GDP growth in the fourth quarter. However, we expect this downward pressure on real GDP growth to abate in 2007.



Housing Starts SAAR, thousands	Monthly % Ch.	Nov-06 Level	Oct-06 Level	Sep-06 Level	3-mth moving avg	6-mth moving avg	Yr over Yr % Ch.
Housing Starts	6.7%	1588	1488	1724	1600	1675	-25.5%
Northeast	8.6%	165	152	137	151	155	-16.2%
Midwest	-6.3%	222	237	269	243	262	-42.3%
South	18.5%	851	718	938	836	859	-14.5%
West	-8.1%	350	381	380	370	399	-36.8%
Single-Unit Starts	8.1%	1281	1185	1393	1286	1358	-28.6%
Multi-Unit Starts	1.3%	307	303	331	314	318	-8.6%
Building Permits	-3.0%	1506	1553	1638	1566	1676	-31.3%
Single-Unit Permits	-3.1%	1144	1181	1219	1181	1260	-33.3%

Source: U.S. Census Bureau

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.