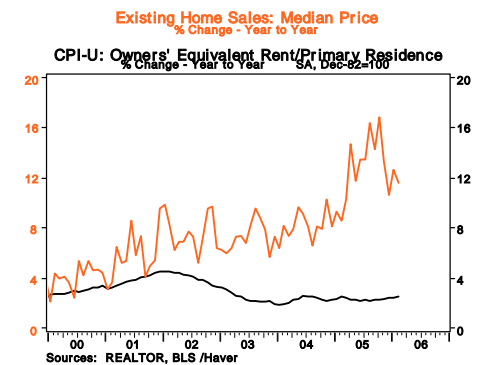
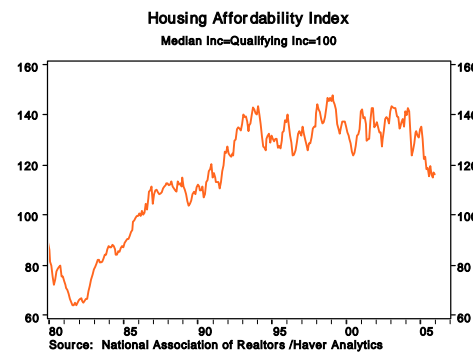
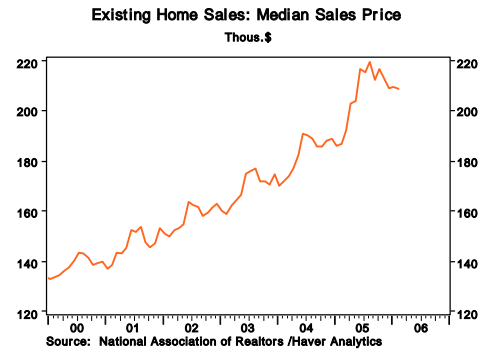
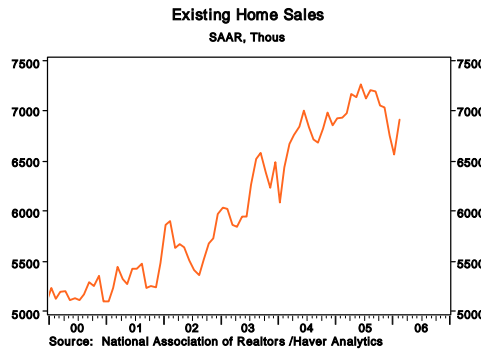


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FEBRUARY EXISTING HOME SALES

- Existing home sales unexpectedly rose 5.2% in February to 6.91 million units at an annual rate. This was significantly higher than consensus forecasts of 6.50 million. Existing home sales are down 0.3% in the past 12 months.
- The median sales price of an existing home fell to a non-seasonally adjusted \$209,000 in February. This is 10.6% higher than a year ago. As the chart nearby shows, this is in sharp contrast to the CPI, which shows housing costs (23.2% of overall CPI) rising just 2.5% in the past year. We believe that the CPI significantly understates actual inflation because it underestimates housing costs.



Implications: Like the basketball team that keeps marching through the NCAA tournament, the housing markets once again surpassed forecasts that assume this incredible run is about to end. The stated goal of many coaches during March Madness is “survive and advance” and that is what the housing market has done for another month. Yes, rising interest rates are beginning to take their toll on mortgage applications (down 14.2% in the past year) but this is not a one-star team. Demographic trends, a robust economy, rising wealth and favorable tax policy are long term factors that should continue to support housing activity. As a result we are not worried about a national collapse in the housing market. We expect existing home sales will remain near the 6.5-7.0 million level for most of this year and price appreciation will pull back to around 5%. Separately, initial claims for unemployment benefits fell by 11,000 last week to 302,000. This is yet another sign that the labor market is tightening.

Existing Home Sales <i>all data seasonally adjusted unless noted, thous.</i>	Feb-06		Jan-06	Dec-05	3-month	6-month	Yr over yr
	% Ch.	level			moving avg.	moving avg.	% ch.
Existing Single Family Home Sales	5.2%	6910	6570	6750	6740	6918	-0.3
Northeast	19.2%	1180	990	1100	1085	1115	2.6
Midwest	11.1%	1600	1440	1560	1520	1558	1.9
South	-2.5%	2690	2760	2680	2725	2730	3.1
West	5.1%	1440	1370	1420	1405	1518	-10.6
Median Sales Price (NSA)	-0.5%	209.0	210.0	211.0	209.5	212.7	10.6

Source: Nat'l Association of Realtors

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