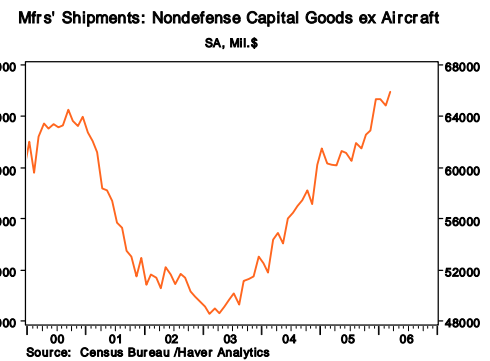
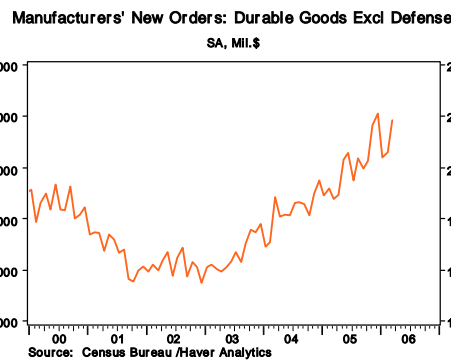
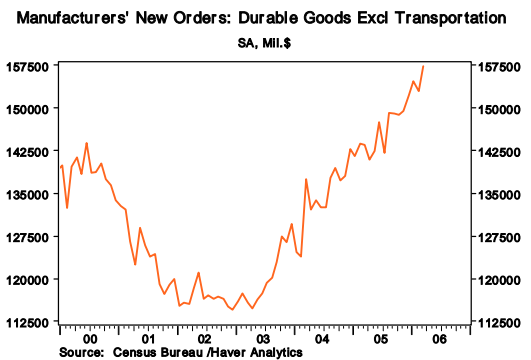
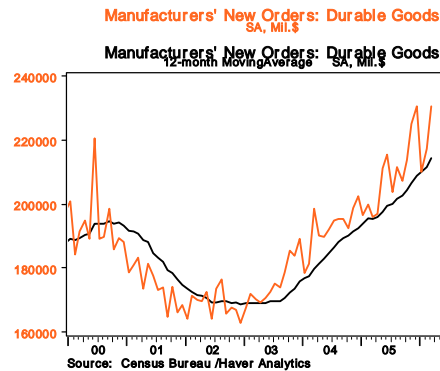


Brian S. Wesbury
Chief Economist
Bill Mulvihill
Senior Economist

MARCH DURABLE GOODS

- New orders for durable goods increased by a more-than-expected 6.1% in March. Durable goods orders are up 17.7% in the past year – the fastest YOY gain since June 2000.
- Transportation orders increased 14.0% and defense capital goods orders rose 12.6%. Excluding transportation, new orders rose 2.8% last month. After excluding defense, orders rose 6.0% in March.
- Shipments of durable goods increased 0.3%. Shipments of non-defense capital goods, ex aircraft (a proxy for capital investment) rose 1.6% in March and an annualized 11.3% in Q1.



Implications: Durable goods orders surged 6.1% in March, easily surpassing the consensus forecasts of 1.6% and even First Trust Economics' more bullish forecast of 4.0%. Strength was broad based with transportation orders up 14.0%, industrial machinery up 7.5%, primary metals up 1.1%, motor vehicles up 2.8%, and computers up 7.5%. On a very positive note, shipments of non-defense capital goods orders, excluding aircraft increased 1.6%. This data provides evidence of a surge in cap-ex expenditures. Companies are felling confident about the future and are putting their hoards of cash to work – a great sign for the supply side of the economy. While in the short term, equity markets seem to be hoping for signs of slower growth (which could let the Fed pause), today's report is extremely bullish for the economy and equity markets over the long term. We remain confident that real GDP will grow 5.0% in Q1 and 4.0% in 2006 as capital expenditures take the baton from the consumer and the housing market.

Durable Goods Orders <i>All data seasonally adjusted</i>	Mar-06	Feb-06	Jan-06	3-mo % ch. annualized	6-mo % ch. annualized	Yr over yr % ch.
Durable Goods Orders	6.1%	3.4%	-8.9%	-0.2%	23.6%	17.7%
Ex Defense	6.0%	1.1%	-7.8%	-4.3%	20.1%	16.3%
Ex Transportation	2.8%	-1.1%	1.5%	13.8%	11.4%	9.6%
Primary Metals	1.1%	-1.8%	1.3%	2.1%	-4.2%	8.5%
Industrial Machinery	7.5%	-7.7%	-3.2%	-14.6%	21.8%	16.3%
Computers and Electronic Products	7.5%	6.4%	-1.4%	62.0%	22.2%	7.4%
Transportation Equipment	14.0%	15.8%	-29.2%	-23.6%	57.7%	40.0%
Shipments	0.3%	0.4%	-1.8%	-4.5%	9.8%	7.6%
Unfilled Orders	2.8%	1.0%	-0.2%	15.4%	23.7%	20.9%
Capital Goods Orders	12.2%	10.1%	-21.0%	-9.5%	60.6%	33.2%
Defense	12.6%	106.4%	-33.6%	468.9%	147.7%	48.3%
Nondefense Capital Goods	12.1%	4.0%	-20.1%	-24.7%	52.9%	31.5%

Source: Bureau of the 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