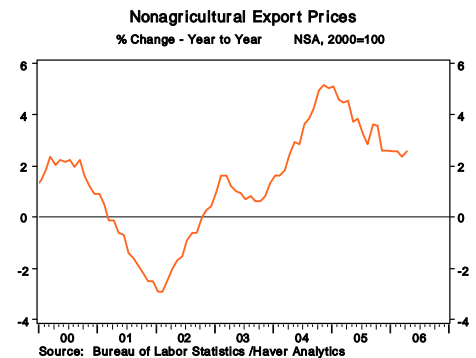
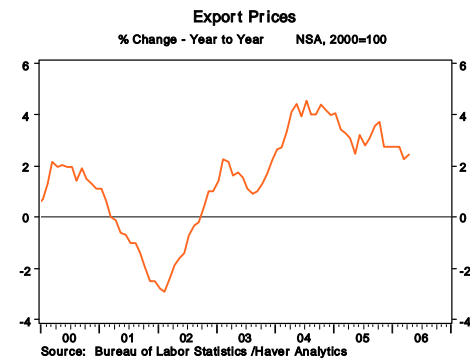
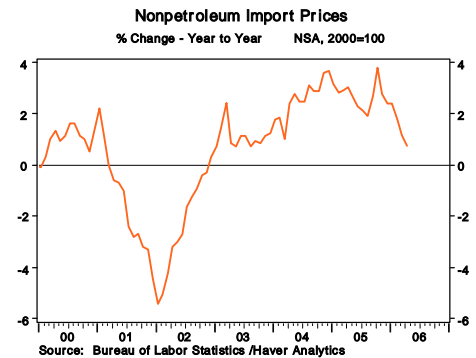
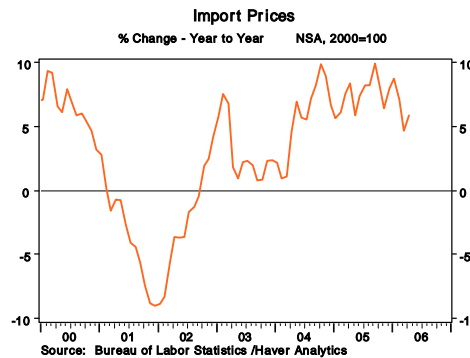


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APRIL IMPORT / EXPORT PRICES

- Import prices jumped 2.1% in April, the largest increase in the past 13 months. Excluding an 11.5% surge in petroleum prices, import prices were flat last month. Excluding all fuels (which includes natural gas), import prices rose 0.1% in April.
- Export prices increased 0.6% in April versus a 0.2% increase in March. Non-agricultural prices increased 0.7% last month. A 1.9% increase in industrial supplies and materials prices and a 0.4% gain in capital goods accounted for much of the increase in non-agricultural prices. In the past year, non-agricultural export prices have risen 2.5%.



Implications: Soaring petroleum prices pushed overall import prices up in April, while falling food prices caused non-petro import prices to be flat last month.

From late 2001 to late 2004, the dollar fell by roughly 15% against a trade-weighted basket of foreign currencies. This sharp decline in the dollar lifted import prices. In early 2005 and the first quarter of 2006, the dollar stabilized and import price inflation cooled. As a result, the YOY gain in non-petroleum import prices has increased just 0.8%, the slowest YOY gain since August 2003. Nonetheless, the dollar is weakening once again (the dollar has fallen 6.0% against the Euro in the past month), which should cause import prices to rise in the months ahead. Inflationary pressures have not abated and it is imperative that the Fed be diligent in its rate hiking campaign in order to protect the value of the dollar and keep the debilitating impact of inflation at bay. Separately, the trade deficit narrowed to \$62.0 billion in March, lower than consensus estimates of a \$67.0 billion gap. A narrowing trade deficit, along with strong consumption and inventory data, should cause Q1 real GDP to be upwardly revised to near 5.5% (originally +4.8%). Strong gains in industrial supplies and capital goods exports pushed overall exports up 1.9% last month. Exports have risen 34.8% since the turn of the century and are now at an all time high. Massive productivity gains and have allowed U.S. corporations to compete on a global stage. This trend should continue.

Import and Export Prices <i>Data not seasonally adjusted</i>	Apr-06	Mar-06	Feb-06	3-mo % ch. <i>annualized</i>	6-mo % ch. <i>annualized</i>	Yr-over-Yr % Change
All Imports	2.1%	-0.2%	-0.6%	5.4%	1.2%	5.9%
Non-Petroleum	0.0%	-0.3%	-0.5%	-3.0%	-1.2%	0.8%
Petroleum & Petroleum Products	11.5%	0.5%	-0.9%	51.8%	12.8%	32.5%
Capital Goods	0.0%	0.0%	0.0%	0.0%	-0.4%	-1.5%
Autos, Parts & Engines	0.2%	-0.1%	0.1%	0.8%	-0.2%	0.3%
All Exports	0.6%	0.2%	0.1%	3.7%	2.2%	2.4%
Non-agricultural	0.7%	0.2%	0.1%	4.2%	2.6%	2.5%
Agricultural	-0.6%	-0.2%	-0.7%	-5.8%	-3.3%	-0.3%
Capital Goods	0.4%	0.1%	0.0%	2.1%	1.9%	0.2%
Motor Vehicles	0.1%	0.0%	0.1%	0.8%	0.6%	1.0%

Source: Bureau of Labor Statistics

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