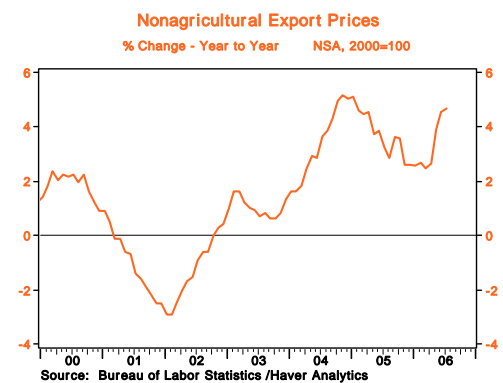
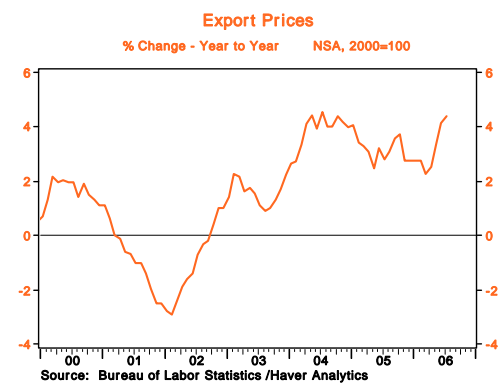
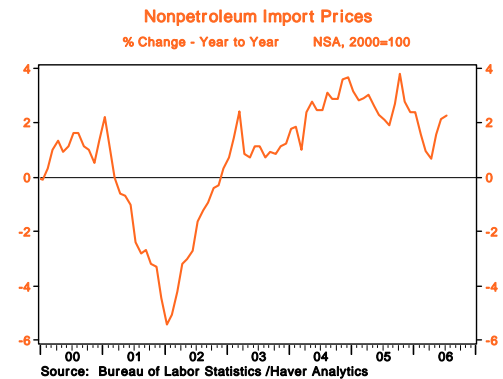
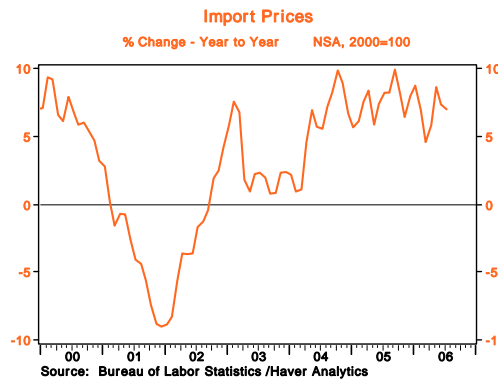


JULY IMPORT / EXPORT PRICES

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- Import prices surged 0.9% in July after showing no change in June. Excluding a 4.7% increase in petroleum prices, import prices fell 0.1% last month..
- Export prices increased 0.4% in July after a 0.7% increase in May. Non-agricultural prices increased 0.2% last month. In the past year, non-agricultural export prices have risen 4.6%.



Implications: Overall import prices jumped in July, but a surge in petroleum prices accounted for all of the gain. Non-petroleum import prices slid 0.1% last month, but are up 2.3% from year-ago levels. Accommodative monetary policy has also lifted export prices, which rose 0.4% in July and 4.4% in the past year. Export prices of consumer goods excluding autos have risen 2.5% in the past 12 months – the fastest YOY gain since 1992. This disputes the myth that the bulge in inflation is just an energy phenomenon. With gold elevated and the dollar depressed, the most sensitive indicators suggest inflation continues to build. We do not expect inflationary pressures will relent until the fed funds rate is brought to a neutral level (currently 6.0%).

Import and Export Prices <i>Data not seasonally adjusted</i>	Jul-06	Jun-06	May-06	3-mo % ch. <i>annualized</i>	6-mo % ch. <i>annualized</i>	Yr-over-Yr % Change
All Imports	0.9%	0.0%	1.8%	11.2%	8.1%	7.0%
Non-Petroleum	-0.1%	0.4%	0.7%	3.9%	0.2%	2.3%
Petroleum & Petroleum Products	4.7%	-1.4%	6.4%	45.3%	48.2%	29.6%
Capital Goods	0.1%	0.3%	-0.1%	1.3%	0.4%	-0.4%
Autos, Parts & Engines	0.2%	0.2%	0.1%	1.9%	1.4%	0.7%
All Exports	0.4%	0.7%	0.6%	7.1%	5.6%	4.4%
Non-agricultural	0.2%	0.5%	0.7%	6.0%	5.3%	4.6%
Agricultural	1.9%	2.5%	0.6%	21.9%	7.7%	1.9%
Capital Goods	-0.1%	-0.1%	0.1%	-0.4%	0.4%	0.3%
Motor Vehicles	0.3%	0.1%	0.2%	2.3%	2.1%	1.6%

Source: Bureau of Labor Statistics

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.