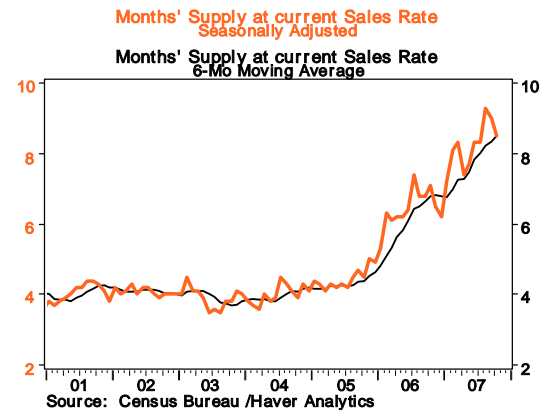
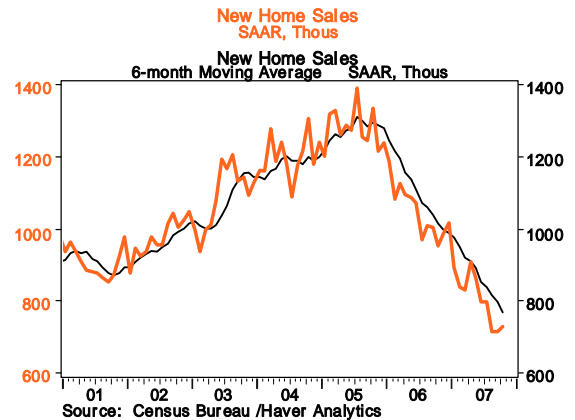


OCTOBER NEW HOME SALES

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- New single-family homes were sold at an annual rate of 728,000 in October versus a consensus expected 750,000. Sales for September were revised down to a 716,000 rate from an originally estimated 770,000, so despite coming in below expectations the October pace of sales increased 1.7%.
- By region, sales increased in the Midwest and South, were roughly unchanged in the Northeast, and fell in the West.
- At the current sales pace, the supply of unsold new homes fell to 8.5 months in October from 9.0 months in September. Due to a decline in homes under construction, the inventory of new homes for sale dropped to 520,000 versus a peak of 570,000 in August 2006.
- The median price of new homes sold was \$217,800 in October, down 13.0% versus a year ago. The average price of new homes sold declined to \$305,800, down 0.3% versus last year.



Implications: Today's report on new home sales shows that builders are doing what they have to in order to bring the housing market back into equilibrium: cutting prices and cutting the number of homes for sale by reducing construction. The 13% drop in the median sales price versus last year is the steepest decline since 1970. The OFHEO home price index confirmed the price weakness, dropping at an annual rate of 1.4% in Q3, the largest decline since 1990. Expect further price declines in the months ahead. Although the inventory of unsold homes has been falling, the decline is mostly due to a reduction in the number of homes under construction, not a drop in the number of completed homes for sale, and it is the latter which is the key driver of home prices in the near term. Eventually, however, the drop in homes under construction will translate into fewer completed homes for sale. At that point, in conjunction with favorable demographics and worker mobility, home builders will have reason to increase production again. In other news this morning, new claims for unemployment insurance increased 23,000 last week to 352,000, the highest since February. Continuing claims increased 112,000 to 2.665 million, the highest since December 2005.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Oct-07		Sep-07	Aug-07	3-mo	6-mo	Yr to Yr
	% Ch	Level			moving avg	moving avg	% Change
New Single Family Homes Sales	1.7%	728	716	717	720	769	-23.5
Northeast	1.8%	56	55	59	57	61	43.6
Midwest	14.2%	121	106	124	117	118	-11.7
South	6.8%	395	370	374	380	408	-25.0
West	-15.7%	156	185	160	167	182	-37.3
Median Sales Price (\$, NSA)	-8.6%	217,800	238,400	233,400	229,867	236,050	-13.0
		Oct-07	Sep-07	Aug-07	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		8.5	9.0	9.3	8.9	8.5	7.9

Source: Bureau of the Census

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