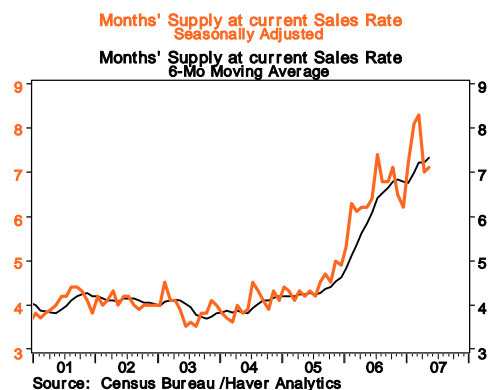
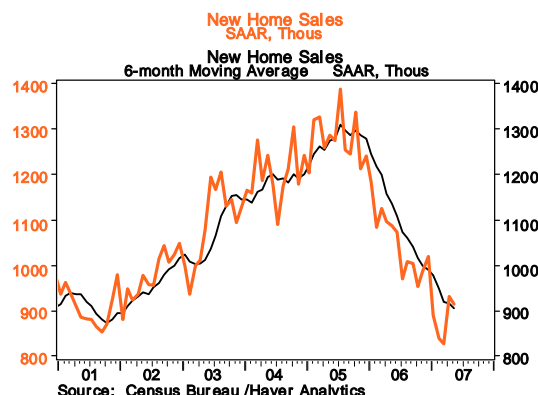


MAY NEW HOME SALES

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- New single-family home sales declined 1.6% in May to an annual rate of 915,000. The consensus expected an annual rate of 924,000. New home sales were revised down for February, March, and April.
- By region, the largest drop was in the South, with the Northeast and West posting small declines. Sales were relatively strong in the Midwest.
- At the current sales pace, the supply of unsold new homes ticked up slightly to 7.1 months. However, the rise was due to the slight slowdown in the pace of sales, *not* an increase in the number of homes for sale. The 12-month moving average of new homes for sale has declined for three straight months.
- The median price of new homes sold was \$236,100 in May, down 0.9% versus a year ago. The average price of new homes sold rose to \$313,000, up 6.5% versus last year.



Implications: The housing market has yet to reach bottom but the tone of the data is decidedly more mixed than it was for much of 2006 and early 2007. New home sales in May fell to an annual rate that was slightly less than the consensus expected. But a 915,000 annual rate is better than in the January-March period (852,000) and consistent with the sales rate that prevailed in 1998-2001 (889,000). New home inventories are still relatively high, but appear to have established a slight declining trend. New home prices (both median and average) improved in May, although our own seasonally-adjusted version of the Case-Shiller home price index for April showed a 0.6% decline for the month, the largest single-month drop since March 1991. In other news today, consumer confidence dropped to 103.9 in June from an upwardly revised 108.5 in May. More importantly, however, the Richmond Federal Reserve Bank's Manufacturing Index increased to +4 in June, the best reading since November. The improvement in the Richmond Fed index corroborates the strong Philly Fed index reading we received last Thursday, signaling acceleration in the manufacturing sector that will help offset the remaining pain in housing.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	May-07		Apr-07	Mar-07	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-1.6%	915	930	827	891	904	-15.8
Northeast	-11.0%	81	91	88	87	74	19.1
Midwest	30.8%	153	117	127	132	145	-14.5
South	-7.3%	472	509	415	465	478	-17.9
West	-1.9%	209	213	197	206	207	-21.1
Median Sales Price (\$, NSA)	1.5%	236,100	232,700	258,200	242,333	246,150	-0.9
		May-07	Apr-07	Mar-07	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.1	7.0	8.3	7.5	7.3	7.1

Source: Bureau of the Census

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