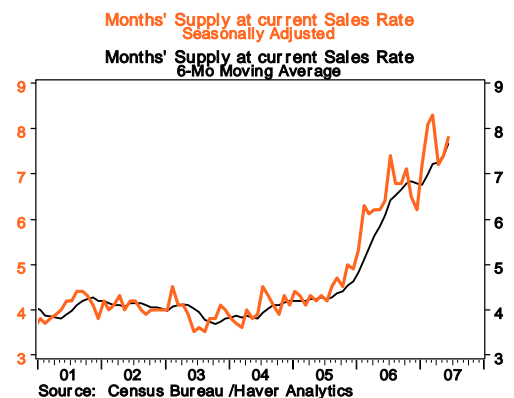
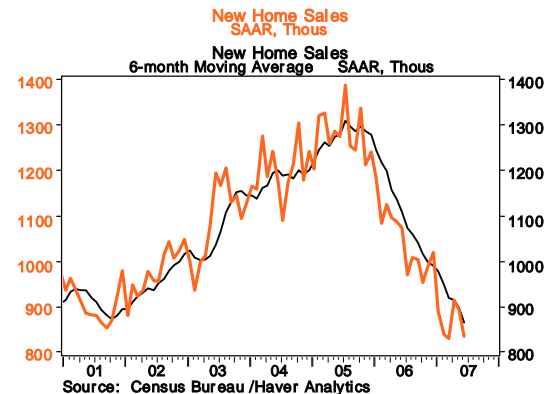


JUNE NEW HOME SALES

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA
Economic Research Analyst – Trevor D. Scott

- New single-family home sales declined 6.6% in June to an annual rate of 834,000. The consensus expected an annual rate of 923,000. New home sales were revised down for April and May.
- By region, the Northeast, Midwest, and West all experienced declines while the South posted an increase.
- At the current sales pace, the supply of unsold new homes rose to 7.8 months. All the increase in months' supply was due to the slowdown in the pace of sales. The number of homes for sale was unchanged.
- The median price of new homes sold was \$237,900 in June, down 2.2% versus a year ago. The average price of new homes sold rose to \$316,200, up 3.7% versus last year.



Implications: Today's report on new home sales was weak. Sales dropped close to the lowest level since 2000 and were down 22.3% versus last year. The increase in the months' supply of new homes from already high levels (relative to the past decade) suggests some further downward pressure on both residential construction and home prices. However, what matters for GDP growth is not the level of residential construction but the rate of change and that is likely to be less forceful to the downside in coming quarters than we have already experienced, meaning housing will become less of a drag on real GDP growth. Also, it is important to note that new home sales are booked once the *first* contract is signed, even if the sale is later cancelled *and* even if that home is later sold to someone else. So each home only gets one chance to be counted in the data. Last year, when cancellations were running high, new home sales were overestimating the actual number of closings on new homes. Now the new homes data may be underestimating the number of new home sales as some of those cancelled homes from last year are finally sold but not counted in the data. In other news today, initial claims for jobless benefits dropped to 301,000 last week, the lowest level in ten weeks. Continuing claims dropped 19,000, the lowest level in four weeks. At this point, we are looking a relatively weak 60,000 gain in payrolls for July but with substantial upward revisions to previous months.

New Home Sales <i>All Data Seasonally Adjusted, Levels in Thousands</i>	Jun-07		May-07	Apr-07	3-mo moving avg	6-mo moving avg	Yr to Yr % Change
	% Ch	Level					
New Single Family Homes Sales	-6.6%	834	893	913	880	867	-22.3
Northeast	-27.1%	62	85	83	77	70	0.0
Midwest	-17.1%	121	146	118	128	134	-28.4
South	7.6%	493	458	502	484	471	-12.9
West	-22.5%	158	204	210	191	191	-42.8
Median Sales Price (\$, NSA)	-1.3%	237,900	241,000	240,300	239,733	247,833	-2.2
		Jun-07	May-07	Apr-07	3-mo Avg	6-mo Avg	12-mo Avg
Months' Supply at Current Sales Rate (Levels)		7.8	7.4	7.2	7.5	7.7	7.2

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.