

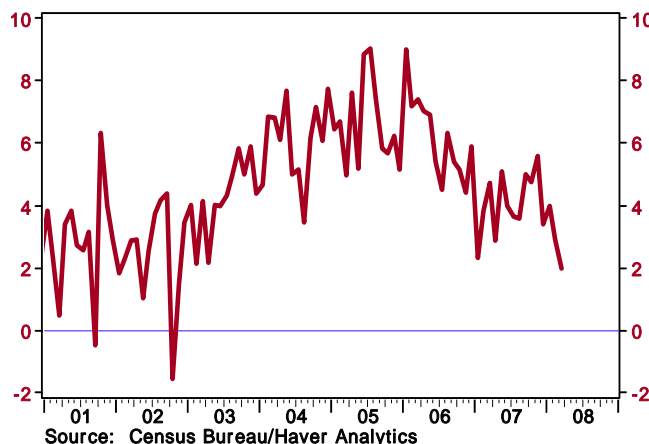
MARCH RETAIL SALES

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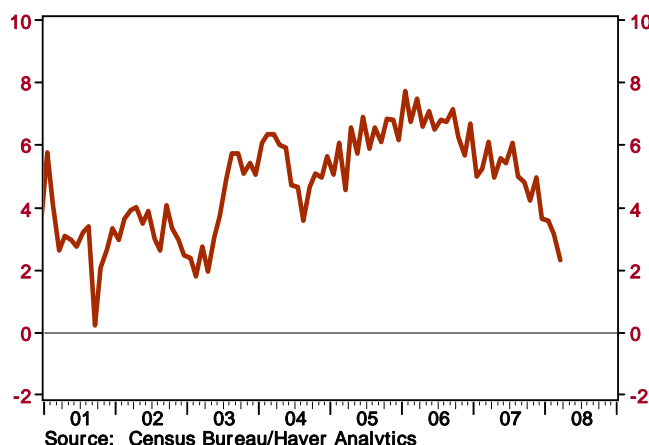
- Retail sales increased 0.2% in March while retail sales excluding autos rose 0.1%. The consensus had expected overall sales to be unchanged and sales ex-autos to rise 0.1%. Sales in February were revised up slightly.
- The strongest gains in sales were for non-store retailers (internet and mail-orders) and at gas stations (due to higher prices at the pump). The largest declines in sales were for building materials and at general merchandise stores (department stores).
- Sales excluding autos, building materials, and gas were up 0.2% in March and are up 2.3% versus a year ago.

Implications: Retail sales were better than the consensus expected in March, undermining the widespread belief (not shared here) that the US economy is in a recession. Core retail sales (excluding autos, building materials, and gas) were up at an annual rate of 0.9% in the first quarter compared to the fourth quarter of 2007. This is sluggish but not consistent with a consumer-led recession. It is important to focus on core sales because government statisticians use a different data source for auto sales, while building materials are considered housing investment (not consumption), and gas sales are usually driven by inflation. Although overall retail sales are up only 2% versus a year ago, much of this apparent weakness is related to a surge in sales that occurred in March 2007, making the year-to-year comparisons look artificially weak this month. In other news this morning, business inventories were up 0.6% in February, as the consensus expected. Inventories were also revised up for January. These data support our view that real GDP expanded at about a 2% annual rate in the first quarter.

Retail Sales & Food Services
% Change - Year to Year



Retail Sales & Food Serv Excl Auto, Bldg. Materials and Gas
% Change - Year to Year SA, Mil.\$



Retail Sales <i>All Data Seasonally Adjusted</i>	Mar-08	Feb-08	Jan-08	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.2%	-0.4%	0.4%	0.7%	0.6%	2.0%
Ex Autos	0.1%	-0.1%	0.4%	1.8%	3.3%	3.3%
Ex Autos and Building Materials	0.3%	-0.1%	0.6%	3.1%	4.7%	4.5%
Ex Autos, Building Materials and Gasoline	0.2%	0.0%	0.2%	1.3%	1.3%	2.3%
Autos	0.2%	-1.2%	0.2%	-3.4%	-9.2%	-3.2%
Building Materials	-1.6%	-0.1%	-0.9%	-10.3%	-9.6%	-6.9%
Gasoline	1.1%	-0.5%	2.9%	14.6%	28.2%	18.9%

Source: Bureau of Census

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