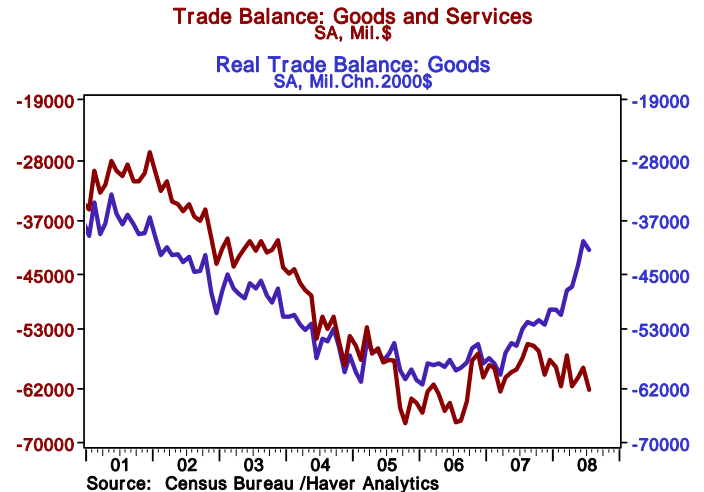


JULY INTERNATIONAL TRADE

Chief Economist – Brian S. Wesbury
Senior Economist – Robert Stein, CFA

- The trade deficit in goods and services rose to \$62.2 billion in July from an upwardly revised \$58.8 billion in June. The consensus expected the trade gap to be \$58.0 billion.
- Exports increased \$5.4 billion in July and are up an amazing 20.1% versus last year. The gain in exports in July was led by automobiles/parts and non-monetary gold.
- Imports increased \$8.7 billion in July and are up 16.8% versus a year ago. Crude oil accounted for most of the gain in imports in July, on both higher volume and prices in that month.
- Adjusted for inflation, the trade deficit in goods was \$41.2 billion in July, \$11.8 billion smaller than last July. Without adjusting for inflation, the trade deficit for goods and services was \$4.9 billion larger than last year.

Implications: The trade deficit was both larger than expected in July and revised higher for June. However, the underlying trends are still bullish and the inflation-adjusted trade deficit, which is what matters for real GDP, will decline in the months ahead. Conventional wisdom suggests economic weakness in Asia and Europe will undermine US exports, but there is absolutely no sign that this is happening and it will take at least another year for trade figures to adjust to the huge decline in the dollar over the past several years. Exports soared in July and are up 20.1% versus last year. The trade deficit expanded not because exports slowed but because imports surged as oil prices rose this summer and the US experienced an unusual spike in oil imports in July. Today's data, along with other new data for July suggest no major revisions to the 3.3% Q2 real GDP growth rate. In other news this morning, import prices fell 3.7% in July while export prices declined 1.7%, both the steepest one-month declines on record. However, this does not signal the end of the inflation threat. In the past year, import prices are up 16% and import prices ex-petroleum are up 7.5%, near a 20-year high. For the labor market, new claims for unemployment insurance dropped 6,000 last week to 445,000 but continuing claims for benefits increased 122,000 to 3.525 million, the highest since 2003.



International Trade	Jul-08	Jun-08	May-08	3-Mo	6-Mo	Year-Ago
<i>All Data Seasonally Adjusted, \$billions</i>	Bil \$	Bil \$	Bil \$	Moving Avg.	Moving Avg.	Level
Trade Balance	-62.2	-58.8	-60.2	-60.4	-60.2	-57.3
Exports	168.1	162.8	156.9	162.6	157.5	140.0
Imports	230.3	221.6	217.1	223.0	217.7	197.3
Petroleum Imports	51.4	45.2	38.8	45.2	41.3	27.2
Real Goods Trade Balance	-41.2	-40.1	-43.5	-41.6	-45.0	-53.1

Source: Bureau of the Census

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