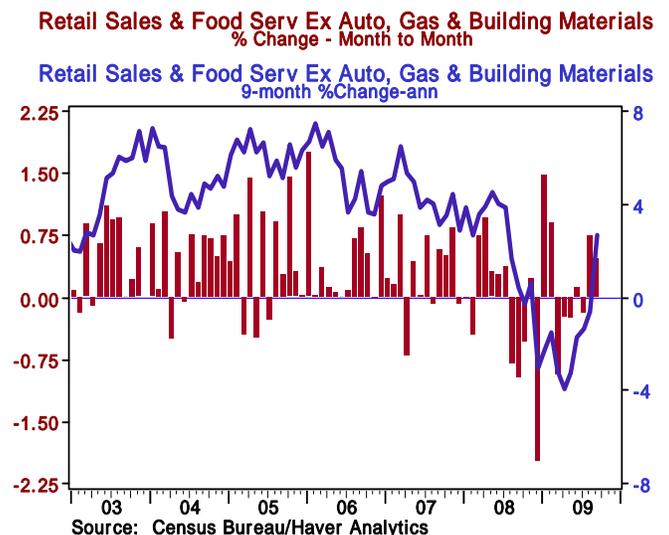
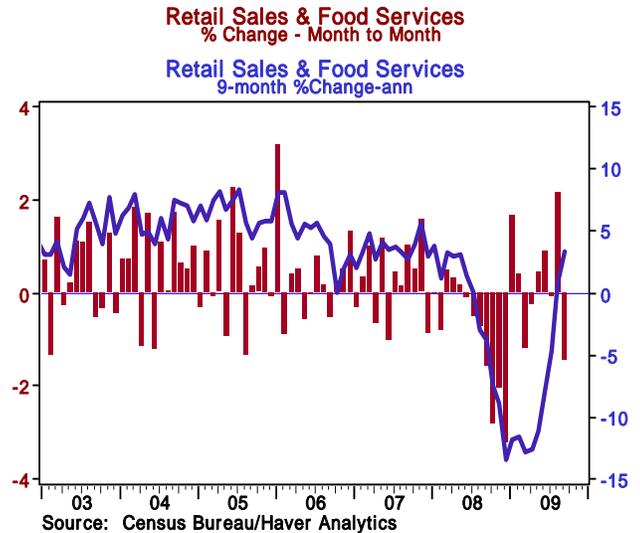


SEPTEMBER RETAIL SALES

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

- Retail sales fell 1.5% in September, coming in better than the consensus expected decline of 2.1%. Retail sales excluding autos increased 0.5%, beating a consensus expected rise of 0.2%.
- Retail sales are down 5.7% in the past year but up at a 2.1% annual rate in the last three months. Ex-autos, sales are down 4.9% versus last year, but up at a 4.0% annual rate in the past three months.
- All of the decline in retail sales in September was due to autos which fell 10.4%. The two strongest categories were general merchandise stores (department stores and warehouse clubs) and grocery stores.
- Sales excluding autos, building materials, and gas were also up 0.5% in September.

Implications: Retail sales fell in September, but this was no surprise. Autos declined 10.4% as the cash for clunkers program took auto sales from this month and probably the next couple months. What is important to look at in today's report are "core" retail sales (retail sales ex-autos, building materials and gas) which were up 0.5% from last month and are up in 3 out of the last 4 months. This shows that consumers have been spending, despite what the conventional wisdom has been saying. Sales at general merchandise stores (department stores and warehouse clubs) increased 0.9% in September and are up at a 13.3% annual rate in the past 2 months. Although sales are still down versus last year, this is all old news and misleading about recent activity. Next month's report in overall retail sales should be much better and we expect the trend to continue in an upward direction as the V-shaped recovery continues. In other news, import prices increased 0.1% in September. Ex-petroleum imports were up 0.4%. Export prices declined 0.3%. All of the drop was related to agriculture prices and foods and beverages. Ex-ag, export prices were flat at 0.0%.



Retail Sales <i>All Data Seasonally Adjusted</i>	Sep-09	Aug-09	Jul-09	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	-1.5%	2.2%	-0.1%	2.1%	3.2%	-5.7%
Ex Autos	0.5%	1.0%	-0.5%	4.0%	3.2%	-4.9%
Ex Autos and Building Materials	0.5%	1.2%	-0.4%	5.5%	4.3%	-4.1%
Ex Autos, Building Materials and Gasoline	0.5%	0.7%	-0.2%	4.0%	1.2%	-0.3%
Autos	-10.4%	7.8%	1.7%	-6.8%	3.6%	-9.3%
Building Materials	-0.2%	-1.2%	-1.8%	-12.0%	-8.7%	-13.0%
Gasoline	1.1%	4.7%	-1.7%	17.6%	32.3%	-25.3%

Source: Bureau of 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.