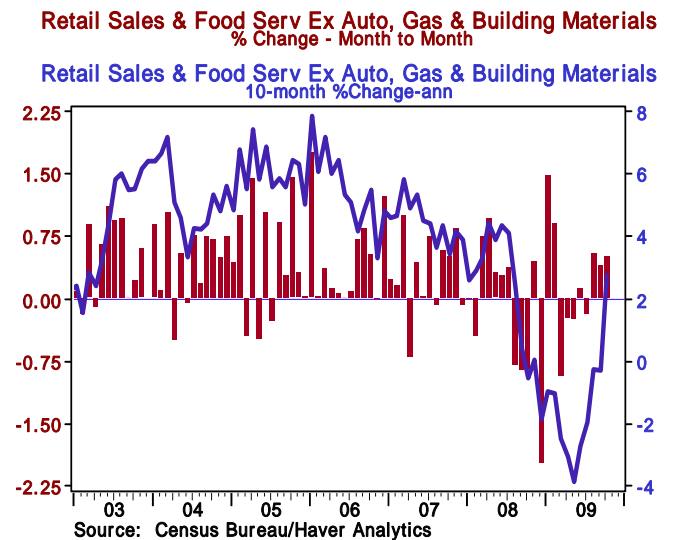
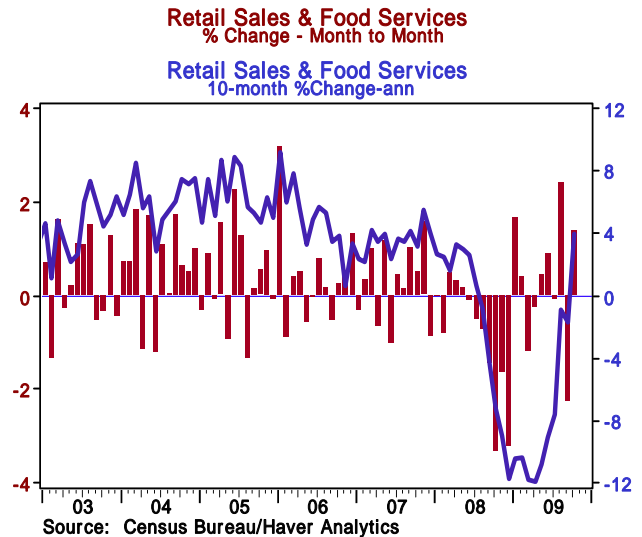


OCTOBER RETAIL SALES

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- Retail sales increased 1.4% in October, beating the consensus expected gain of 0.9%. Retail sales excluding autos increased 0.2% versus a consensus expected rise of 0.4%.
- Retail sales are up at a 6.0% annual rate in the past three months, both including and excluding autos.
- Most of the increase in retail sales in October was due to autos, which rose 7.4%. Sales were also strong at restaurants/bars as well as general merchandise stores (department stores and warehouse clubs).
- Sales excluding autos, building materials, and gas were up 0.5% in October and are up at a 5.9% annual rate in the past three months.

Implications: It's beginning to feel a lot like Christmas. Today's report on retail sales shows that the American consumer is getting more confident about the staying power of the economic expansion. Overall sales increased a robust 1.4% in October. Although the gain was mostly due to auto sales, what's impressive is that auto sales were supposed to be slow in the aftermath of "cash for clunkers." Even more impressive was the 0.5% gain in "core" sales – which exclude autos, building materials and gas – the third straight monthly rise. Everyone knows that consumption tanked late last year, so the fact that overall sales are still down 1.7% versus last year should not be "news" to anyone. Instead, we've been watching what's happened since the bottom for spending in December last year. And since then, overall sales are up at a 4% annual rate. In other news this morning, the Empire State index, a measure of manufacturing in New York, came in at 23.5 in November. Although this is down from the red-hot 34.6 level of October, it is still deeply in positive territory, and consistent with strong economic growth. The most hopeful sign from the report was that a sub-index for employment was in positive territory for the second straight month.



Retail Sales <i>All Data Seasonally Adjusted</i>	Oct-09	Sep-09	Aug-09	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	1.4%	-2.3%	2.4%	6.0%	5.5%	-1.7%
Ex Autos	0.2%	0.4%	0.8%	6.0%	3.9%	-2.6%
Ex Autos and Building Materials	0.5%	0.5%	1.1%	8.4%	5.6%	-1.4%
Ex Autos, Building Materials and Gasoline	0.5%	0.4%	0.5%	5.9%	2.2%	0.7%
Autos	7.4%	-14.3%	10.2%	5.6%	13.6%	2.6%
Building Materials	-2.4%	-0.6%	-1.8%	-17.6%	-12.9%	-15.0%
Gasoline	0.0%	0.9%	5.0%	26.5%	34.1%	-15.0%

Source: Bureau of Census

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