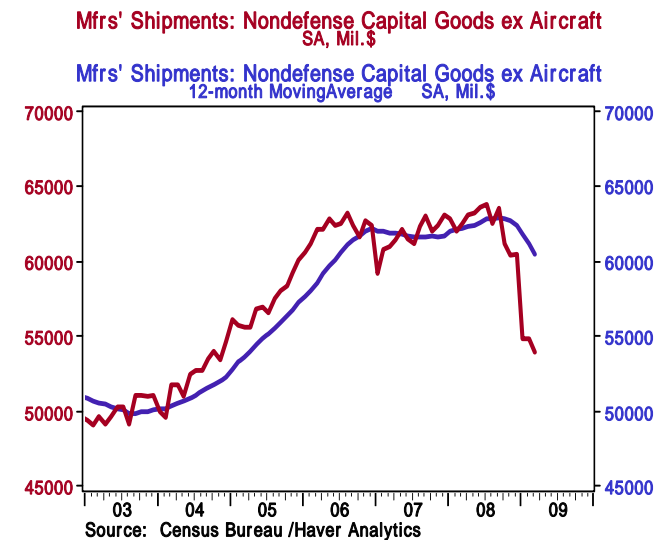
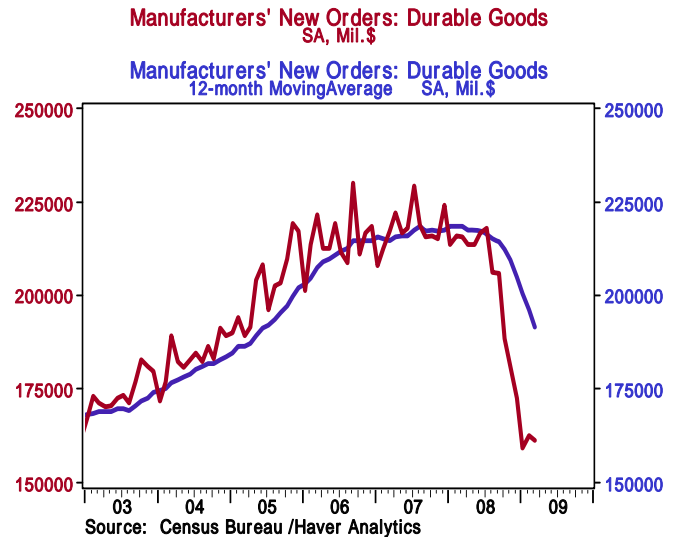


MARCH DURABLE GOODS

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

- New orders for durable goods declined 0.8% in March versus a consensus expected -1.6%. Excluding transportation, orders declined 0.6% versus a consensus expected -1.2%. Orders are down 25.2% versus a year ago and down 20.3% excluding transportation.
- The largest reductions in orders were for motor vehicles/parts and primary metals. The strongest components of orders were aircraft/parts and electrical equipment/appliances.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure fell 1.7% in March and was revised down for February. The Q1 average was down at a 34.9% annual rate versus the Q4 average.

Implications: The most important detail in today’s report is that in the past two months *orders* for “core” capital goods (excluding defense and aircraft) have grown at a 41% annual rate while *shipments* of core capital goods have dropped at a 9.5% rate. This goes a long way toward unwinding the huge decline in the orders/shipments ratio in late 2008 and January 2009 and will help clear the way for an eventual revival in shipments. Overall orders for durable goods in March fell less than the consensus expected, but were revised down for February. Meanwhile, shipments of core capital goods fell 1.7%. This is consistent with a large decline in the business investment component of GDP in Q1 (reported next week). Normally we would expect business investment in equipment to lead an economic recovery. However, when a recession is due to a sudden and sharp decline in monetary velocity, consumer spending should lead. Consumer spending was up in Q1 and will likely continue to rise. In time, business investment will follow.



Durable Goods <i>All Data Seasonally Adjusted</i>	Mar-09	Feb-09	Jan-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-0.8%	2.1%	-7.8%	-24.2%	-38.8%	-25.2%
<i>Ex Defense</i>	-0.6%	0.2%	-4.6%	-18.4%	-38.6%	-26.9%
<i>Ex Transportation</i>	-0.6%	2.0%	-6.5%	-19.4%	-33.5%	-20.3%
<i>Primary Metals</i>	-3.2%	-2.3%	-6.9%	-39.9%	-61.9%	-43.2%
<i>Industrial Machinery</i>	-0.1%	7.1%	-12.2%	-22.0%	-46.1%	-26.3%
<i>Computers and Electronic Products</i>	-0.1%	7.5%	-7.3%	-1.9%	-15.9%	-11.4%
<i>Transportation Equipment</i>	-1.4%	2.3%	-11.9%	-37.5%	-52.3%	-37.9%
Capital Goods Orders	-0.8%	8.9%	-15.6%	-30.8%	-42.9%	-27.7%
Capital Goods Shipments	-1.1%	-0.4%	-5.4%	-24.7%	-21.0%	-9.5%
<i>Defense Shipments</i>	-2.7%	17.6%	3.6%	97.4%	17.2%	15.1%
<i>Non-Defense, Ex Aircraft</i>	-1.7%	0.1%	-9.4%	-36.9%	-28.1%	-13.7%
Unfilled Orders for Durable Goods	-1.4%	-1.6%	-2.0%	-18.6%	-15.7%	-4.6%

Source: Bureau of the Census

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