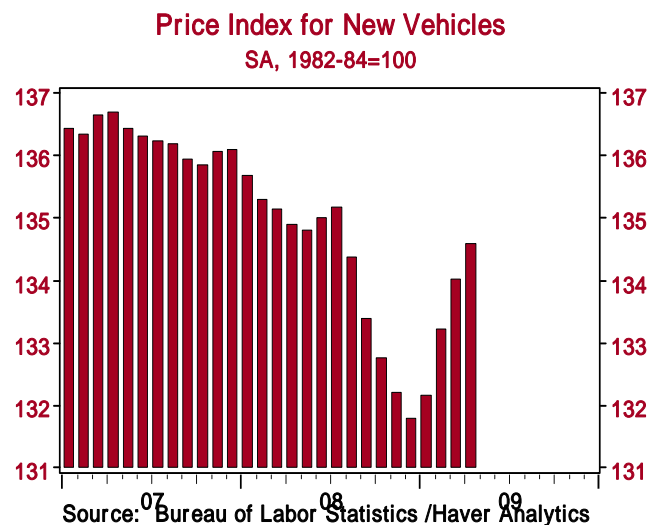
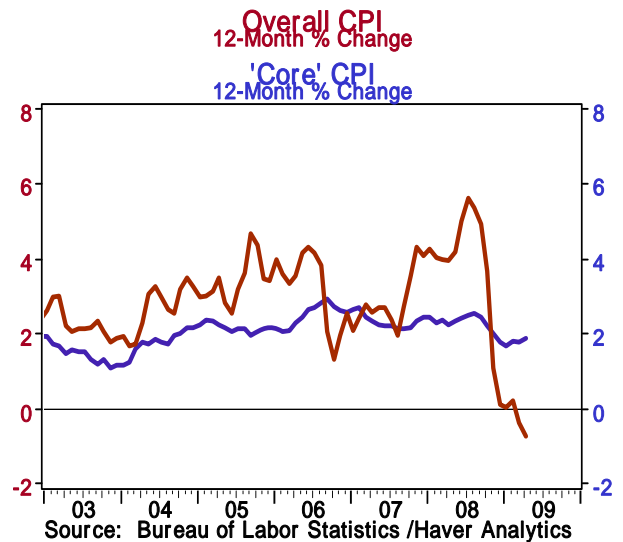


APRIL CPI

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- The Consumer Price Index (CPI) was unchanged in April, as the consensus expected. The CPI is down 0.7% versus a year ago.
- Energy prices, which fell 2.4%, accounted for most of the downward pressure on the overall CPI. Food prices also fell 0.2%.
- Excluding food and energy, the “core” CPI was up 0.3% in April, the most in nine months. The largest contributions to the core CPI came from rents and tobacco.
- Real average hourly earnings – the cash earnings of production workers, adjusted for inflation – were up 0.1% in April and are up 4.3% versus a year ago.

Implications: In April, consumer prices were down 0.7% versus a year ago. Some take this as a sign of generalized deflation, but it is solely due to a huge velocity-induced drop in inflation late last year when the economy (and many prices) fell off the edge of a cliff. With monetary velocity now picking up, inflation is back. While, overall consumer prices were unchanged in April, this was due to a drop in energy prices. But this has changed. The recent sharp increase in oil prices will boost the CPI next month. A different picture emerges when we exclude food and energy prices. The “core” CPI increased 0.3% in April, the most in nine months, and is up at a 2.5% annual rate in the past three months. And even in the very weak auto market, prices for new vehicles are up at a 7.6% annual rate in the past three months. Meanwhile, in the labor market, real (inflation-adjusted) average hourly earnings are up 4.3% in the past year, helping support consumer demand even as job losses continue.



CPI - U <i>All Data Seasonally Adjusted</i>	Apr-09	Mar-09	Feb-09	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Consumer Price Index	0.0%	-0.1%	0.4%	0.9%	-3.9%	-0.7%
Ex Food & Energy	0.3%	0.2%	0.2%	2.5%	1.7%	1.9%
Ex Energy	0.2%	0.1%	0.1%	1.8%	1.4%	2.1%
Energy	-2.4%	-3.0%	3.3%	-8.5%	-43.8%	-25.2%
Food and Beverages	-0.2%	-0.1%	-0.1%	-1.6%	-0.2%	3.3%
Housing	-0.1%	-0.1%	0.0%	-0.9%	-0.6%	1.0%
Owners Equivalent Rent	0.1%	0.2%	0.1%	2.0%	2.2%	2.1%
New Vehicles	0.4%	0.6%	0.8%	7.6%	2.8%	-0.2%
Medical Care	0.4%	0.2%	0.3%	3.7%	3.8%	3.0%
Services (Excluding Energy Services)	0.2%	0.1%	0.1%	1.4%	1.5%	2.3%
Real Average Hourly Earnings	0.1%	0.3%	-0.3%	0.5%	7.8%	4.3%

Source: U.S. Department of Labor

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