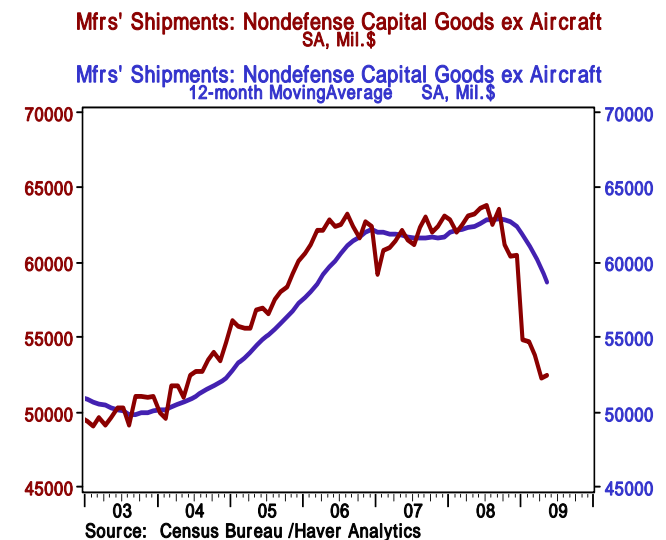
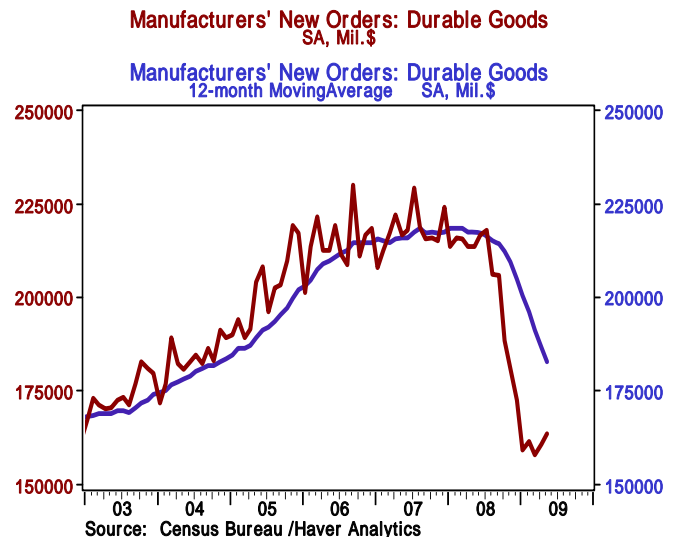


# MAY DURABLE GOODS

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- New orders for durable goods increased 1.8% in May, easily beating the consensus expected decline of 0.9%. Excluding transportation, orders rose 1.1% versus a consensus expected decline of 0.5%.
- The increase in orders was concentrated in three areas: civilian aircraft, industrial machinery, and computers/electronics. The two weakest areas were motor vehicles/parts and fabricated metals.
- When calculating business investment for GDP purposes, the government uses shipments of non-defense capital goods excluding aircraft. That measure increased 0.3% in May. If these shipments are unchanged in June, the Q2 average would be down at a 14.1% annual rate versus the Q1 average.

**Implications:** This is exactly what a V-shaped recovery from a huge recession should look like. We now have two straight months of increasing orders for durable goods, and three increases in the last four months. These figures signal the turnaround in consumer spending that started very early this year is now being followed and confirmed by a turnaround in orders for business equipment. Although some analysts might dismiss higher orders for civilian aircraft as statistical noise from a volatile sector, the same cannot be said for industrial machinery and computer/electronic orders, which combined are now 7.5% above the bottom in January. Even the areas of weakness in today's report (fabricated metals and autos) are not a cause of concern: fabricated metals fell after a huge increase in April and are still above March levels; orders for autos will rebound given the recent unsustainably low level of sales. Shipments of "core" capital goods (excluding defense and aircraft) are down 4.3% so far this year but this reflects the massive decline in orders late last year. Orders for core capital goods are up 4.4% in 2009 and are starting to translate into a rebound in shipments. Core shipments increased 0.3% in May, the first increase so far this year and the largest gain in eight months.



<b>Durable Goods</b> <i>All Data Seasonally Adjusted</i>	<b>May-09</b>	<b>Apr-09</b>	<b>Mar-09</b>	<b>3-mo % ch.</b> <b>annualized</b>	<b>6-mo % ch.</b> <b>annualized</b>	<b>Yr to Yr</b> <b>% Change</b>
<b>New Orders for Durable Goods</b>	<b>1.8%</b>	1.8%	-2.2%	5.3%	-18.0%	-23.3%
<i>Ex Defense</i>	<b>1.4%</b>	0.6%	-2.4%	-1.9%	-23.2%	-25.9%
<i>Ex Transportation</i>	<b>1.1%</b>	0.4%	-2.8%	-5.3%	-22.2%	-22.4%
<i>Primary Metals</i>	<b>0.2%</b>	0.5%	-9.2%	-29.9%	-46.1%	-46.7%
<i>Industrial Machinery</i>	<b>7.7%</b>	0.6%	-7.3%	1.8%	-27.9%	-26.9%
<i>Computers and Electronic Products</i>	<b>2.2%</b>	-3.0%	1.5%	2.7%	-13.0%	-11.5%
<i>Transportation Equipment</i>	<b>3.6%</b>	6.2%	-0.1%	45.7%	-4.0%	-25.8%
<b>Capital Goods Orders</b>	<b>9.5%</b>	1.7%	-2.6%	38.2%	-8.0%	-21.0%
<b>Capital Goods Shipments</b>	<b>-0.1%</b>	-1.9%	-1.1%	-11.8%	-14.7%	-13.1%
<i>Defense Shipments</i>	<b>1.0%</b>	2.5%	-2.3%	4.9%	30.3%	14.8%
<i>Non-Defense, Ex Aircraft</i>	<b>0.3%</b>	-2.7%	-1.7%	-15.4%	-24.7%	-17.1%
<b>Unfilled Orders for Durable Goods</b>	<b>-0.3%</b>	-1.1%	-1.7%	-11.6%	-15.4%	-7.7%

Source: Bureau of the Census

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