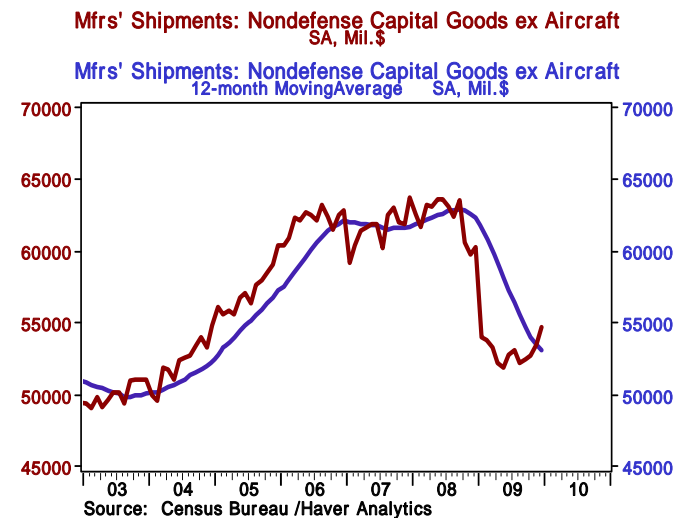
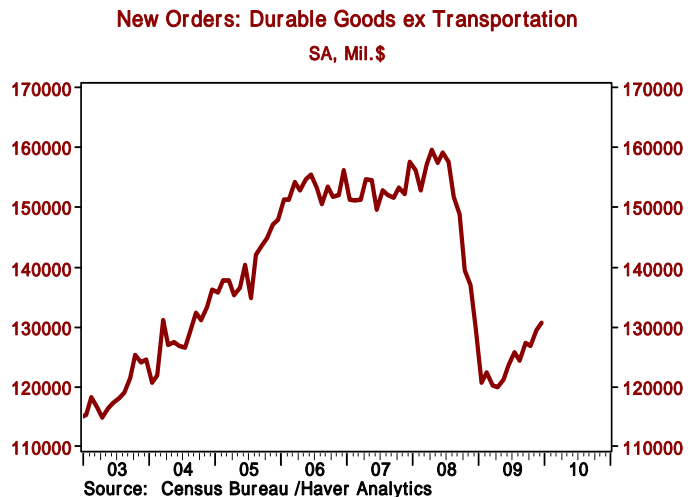


DECEMBER DURABLE GOODS

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- New orders for durable goods increased 0.3% in December, falling short of the consensus expected 2.0%. Excluding transportation, orders increased 0.9%, beating the consensus expected 0.5%. In the past six months, orders are up at a 10.2% annual rate and up at an 11.9% rate excluding transportation.
- The largest gains in orders in December were for industrial machinery, primary metals, and motor vehicles/parts. The largest declines were for civilian aircraft, which tends to be extremely volatile, and computers/electronics.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 2.2% in December and was revised up to a 1.6% gain in November. These shipments were up at an 8.5% annual rate in Q4 versus the Q3 average.
- Unfilled orders fell 1.2% in December and are down 10.4% versus a year ago.

Implications: Business investment in equipment is clearly on the uptrend. Excluding transportation, which is the most volatile part of the report, orders for durable goods are up at a 13.5% annual rate since the low in April. Meanwhile, shipments of “core” capital goods (which exclude defense and aircraft) were up for the sixth time in the past seven months and have increased at an 18.7% annual rate in the past three months, better than any three-month period since 2000. Only a small part of this increase can be attributed to the introduction of Windows 7. Even if you take computers/electronics out of “core” shipments, they are still up at a 16.8% rate in the past three months. Traditionally, once businesses are willing to invest more in equipment, consistent payroll gains follow very soon thereafter and we expect a gain in payrolls in January. In other news this morning, new claims for unemployment insurance fell 8,000 last week to 470,000. The four-week average for claims increased to 456,000. Continuing claims for regular state benefits fell 57,000 to 4.60 million.



Durable Goods <i>All Data Seasonally Adjusted</i>	Dec-09	Nov-09	Oct-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	0.3%	-0.4%	-0.1%	-0.7%	10.2%	-3.1%
<i>Ex Defense</i>	0.3%	0.1%	1.2%	6.7%	12.3%	-0.4%
<i>Ex Transportation</i>	0.9%	2.1%	-0.5%	10.8%	11.9%	0.5%
<i>Primary Metals</i>	8.1%	2.4%	5.7%	88.1%	65.2%	16.7%
<i>Industrial Machinery</i>	6.0%	3.1%	-8.1%	1.9%	6.2%	-0.7%
<i>Computers and Electronic Products</i>	-3.0%	1.9%	0.4%	-3.3%	0.1%	1.0%
<i>Transportation Equipment</i>	-2.0%	-8.1%	1.3%	-30.8%	4.4%	-14.0%
Capital Goods Orders	-0.5%	-3.1%	-1.5%	-18.9%	3.4%	-7.8%
Capital Goods Shipments	2.9%	0.6%	-1.5%	7.9%	8.3%	-4.0%
<i>Defense Shipments</i>	-1.2%	-2.1%	-3.2%	-23.2%	-4.6%	24.5%
<i>Non-Defense, Ex Aircraft</i>	2.2%	1.6%	0.5%	18.7%	7.6%	-9.1%
Unfilled Orders for Durable Goods	-1.2%	-0.7%	-0.4%	-8.8%	-6.6%	-10.4%

Source: Bureau of the Census

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