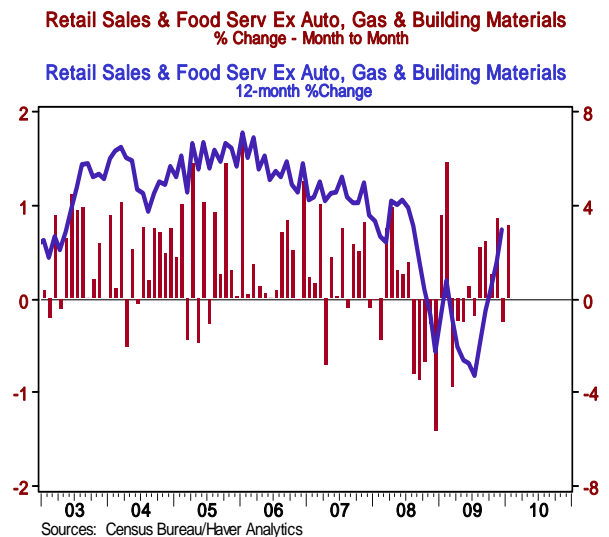
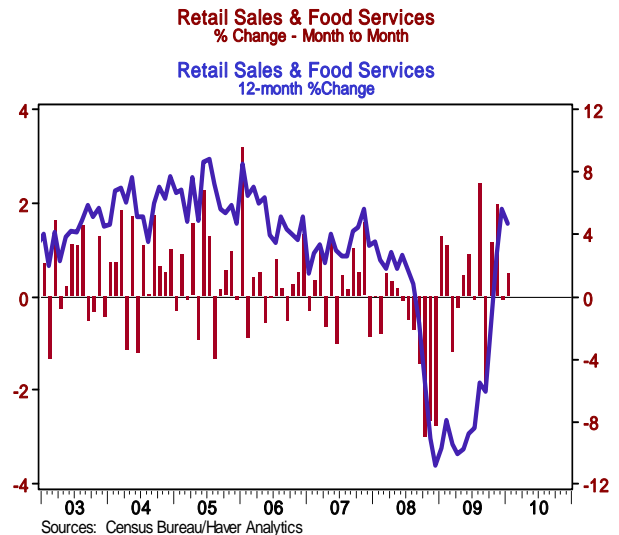


JANUARY RETAIL SALES

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

- Retail sales increased 0.5% in January while sales excluding autos gained 0.6%, both narrowly beating consensus expectations. Including upward revisions to prior months, total retail sales increased 0.8% and sales ex-autos increased 0.7%.
- Retail sales are up at a 7.9% annual rate in the past six months while sales ex-autos are up at an 8.0% annual rate.
- The strongest increases in sales in January were at department stores/warehouse clubs, non-store retailers (internet/mail-order), and grocery stores. The weakest category of sales was building materials.
- Sales excluding autos, building materials, and gas were up 0.8% in January (0.9% with revisions to prior months) and up at a 5.7% annual rate in the past six months.

Implications: The US consumer is on a roll. Last summer, during cash-for-clunkers, many analysts thought the surge in consumer spending was temporary. They expected retail activity would slump once the special incentive program ended. That slump lasted just one month. Since September (once the clunker program ended) retail sales have surged at a 10.9% annual rate. Several factors are behind the strength in sales. Personal incomes are rising again (even without government transfer payments), consumers' financial obligations are down substantially, and the public recognizes the nascent improvement in the labor market. Sales will not increase every month. Recent travails at Toyota and unusually harsh weather on the East Coast may temporarily depress retail activity in February. But the underlying trend is upward at a healthy pace and we expect any weakness in February to be followed by sharp rebounds in the Spring. In other news this week, new claims for unemployment insurance declined 43,000 to 440,000. The four-week moving average ticked down to 469,000, about 100,000 less than six months ago. Continuing claims for regular state benefits fell 79,000 to 4.54 million.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-10	Dec-09	Nov-09	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.5%	-0.1%	2.0%	9.7%	7.9%	4.7%
Ex Autos	0.6%	-0.2%	2.0%	10.1%	8.0%	4.6%
Ex Autos and Building Materials	0.7%	-0.1%	2.0%	10.7%	9.2%	5.6%
Ex Autos, Building Materials and Gasoline	0.8%	-0.3%	0.9%	5.6%	5.7%	2.7%
Autos	0.0%	0.1%	1.8%	7.9%	7.4%	5.5%
Building Materials	-1.2%	-0.4%	2.5%	3.4%	-4.8%	-6.3%
Gasoline	0.4%	0.9%	9.8%	53.1%	36.9%	29.0%

Source: Bureau of Census

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.