

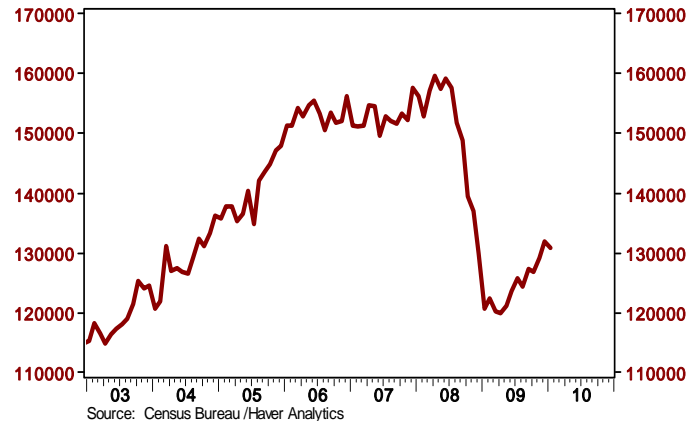
JANUARY DURABLE GOODS

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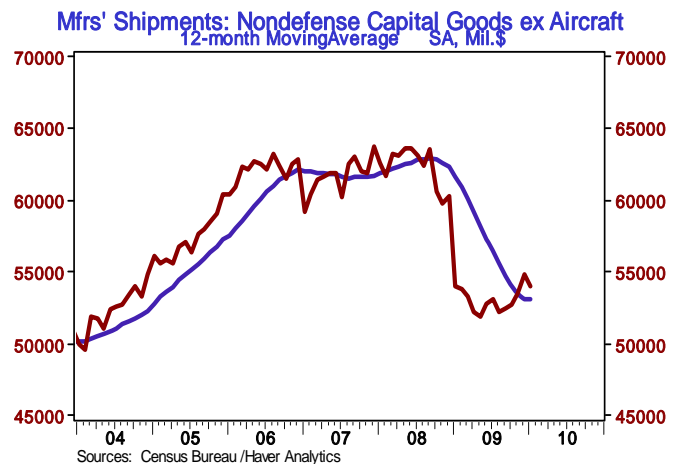
- New orders for durable goods increased 3.0% in January, beating the consensus expected gain of 1.5%. Excluding transportation, orders declined 0.6%, falling short of the consensus expected gain of 1.0%. Orders are up 10.2% versus a year ago, 8.6% excluding transportation.
- The largest gains in orders in January were for aircraft and computers/electronics. The largest decline was for industrial machinery, which has been very volatile of late and is still up 8.9% versus a year ago.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 1.5% in January, but is still up at a 10.6% annual rate in the past three months. In January, these shipments were up at a 2.6% annual rate versus the Q4 average.
- Unfilled orders increased 0.1% in January, the first gain in sixteen months.

Implications: Business investment in equipment is heading up. For the first time in sixteen months, companies have not been able to keep pace with orders, meaning a backlog is starting to form. New orders increased 3% in January and are up at almost a 20% annual rate in the past three months. Even though January orders fell 0.6% excluding transportation, these orders have increased at a 14% annual rate in the past three months. In the past year, computer/electronic orders are up 16%, which is stronger than almost all of the late 1990s tech boom. Shipments of “core” capital goods (which exclude defense and aircraft) fell 1.5% in January but that follows strong recent gains. Traditionally, once businesses are willing to invest more in equipment, consistent payroll gains follow very soon thereafter. However, the blizzards on the East Coast will postpone those gains until March. In other news this morning, new claims for unemployment insurance increased 22,000 last week to 496,000. The four-week average of claims rose to 474,000, the highest in three months. Continuing claims for regular state benefits increased 6,000 to 4.62 million. Anecdotal evidence suggests unusual heavy snowfall a few weeks ago both increased claims and created a backlog of claims that are now being processed. In turn, this suggests claims should soon start falling again.

Manufacturers' New Orders: Durable Goods Excl Transportation
SA, Mil.\$



Mfrs' Shipments: Nondefense Capital Goods ex Aircraft
SA, Mil.\$



Durable Goods <i>All Data Seasonally Adjusted</i>	Jan-10	Dec-09	Nov-09	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	3.0%	1.9%	-0.4%	19.5%	7.9%	10.2%
<i>Ex Defense</i>	1.6%	1.7%	0.1%	14.7%	7.5%	7.7%
<i>Ex Transportation</i>	-0.6%	2.0%	2.0%	14.2%	8.6%	8.6%
<i>Primary Metals</i>	1.9%	10.1%	2.6%	75.4%	55.8%	31.6%
<i>Industrial Machinery</i>	-9.7%	7.4%	3.2%	0.4%	4.0%	8.9%
<i>Computers and Electronic Products</i>	4.6%	0.3%	1.3%	27.7%	9.4%	16.0%
<i>Transportation Equipment</i>	15.6%	1.5%	-7.8%	36.6%	5.9%	15.2%
Capital Goods Orders	6.6%	2.2%	-3.2%	23.6%	2.6%	18.5%
Capital Goods Shipments	-2.9%	3.0%	0.6%	2.1%	1.7%	-0.3%
<i>Defense Shipments</i>	0.6%	-3.8%	-2.1%	-19.3%	-0.5%	19.9%
<i>Non-Defense, Ex Aircraft</i>	-1.5%	2.4%	1.6%	10.6%	3.6%	0.1%
Unfilled Orders for Durable Goods	0.1%	-0.9%	-0.7%	-6.0%	-5.7%	-8.5%

Source: Bureau of the Census

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