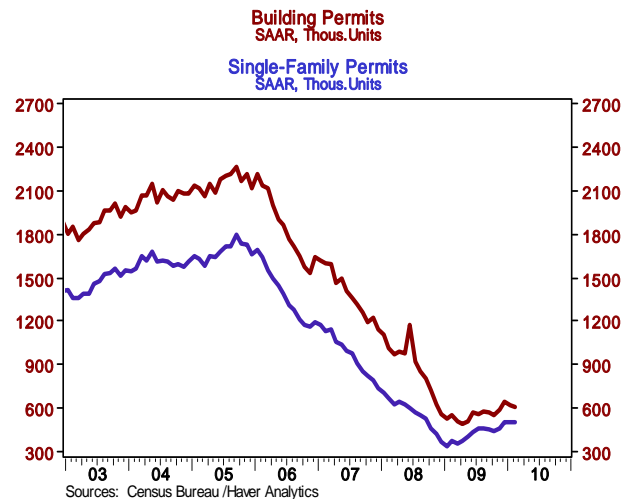
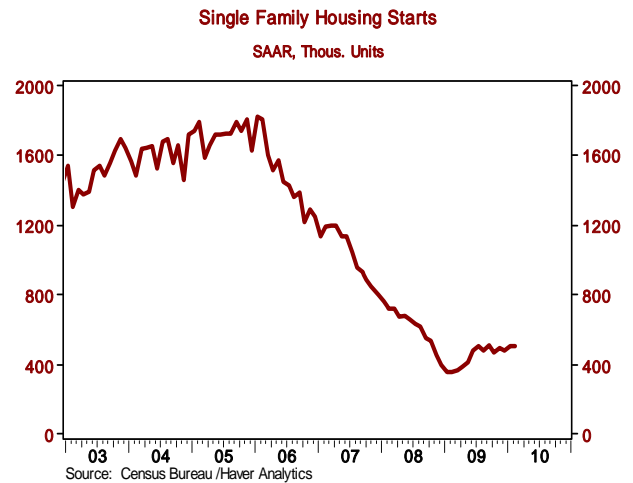


FEBRUARY HOUSING STARTS

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

- Housing starts declined 5.9% in February to 575,000 units at an annual rate, narrowly beating the consensus expected 570,000 pace.
- Almost all the decline in February was due to multi-family units, which are down 65.0% versus a year ago. Single-family units declined only 0.6% in February and are up 39.8% versus the low set a year ago.
- Starts declined substantially in the South and also fell in the Northeast. Starts *increased* in the Midwest and West.
- New building permits declined 1.6% in February to a 612,000 annual rate, beating the consensus expected pace of 601,000. Permits for single-family units ticked down slightly in February but are up 32.0% versus a year ago.

Implications: Given record East Coast snowstorms, most analysts expected a major decline in home building in February. We got a decline, but not as large as the consensus anticipated. Corroborating the weather story, the drop in starts was concentrated in the South and Northeast, where the snowfall was the most unusual. Almost all the drop in housing starts in February were multi-family units, which are extremely volatile from month to month; single-family starts were essentially unchanged. Over the past two weeks, there has been a recurring theme in the economic data: payrolls, retail sales, industrial production, and now housing starts have all outperformed what would normally be expected given harsh winter weather. This suggests that the underlying trend in the V-shaped recovery is accelerating and is likely to generate very positive economic reports in the Spring. A rebound in home building should not be distressing. Despite remaining excess inventories, the pace of home building is still so slow that inventories can still be worked off even as construction rebounds. In other news this morning, import prices were down 0.3% in February but up 11.2% versus a year ago. With the exception of the huge oil price spike in late-2007/early-2008, that's the highest import inflation since the late 1980s. Excluding oil, import prices are up at a 5.5% annual rate in the past six months. Export prices dipped 0.5% in February but are up 3.1% versus a year ago. Given higher energy prices in March, expect worse numbers next month.



Housing Starts SAAR, thousands	Monthly % Ch.	Feb-10 Level	Jan-10 Level	Dec-09 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	-5.9%	575	611	573	586	575	0.2%
Northeast	-9.6%	66	73	60	66	64	6.5%
Midwest	10.6%	104	94	94	97	100	11.8%
South	-15.5%	268	317	309	298	293	-12.4%
West	7.9%	137	127	110	125	118	21.2%
Single-Unit Starts	-0.6%	499	502	481	494	492	39.8%
Multi-Unit Starts	-30.3%	76	109	92	92	83	-65.0%
Building Permits	-1.6%	612	622	653	629	600	11.3%
Single-Unit Permits	-0.2%	503	504	505	504	480	32.0%

Source: U.S. Census Bureau

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