

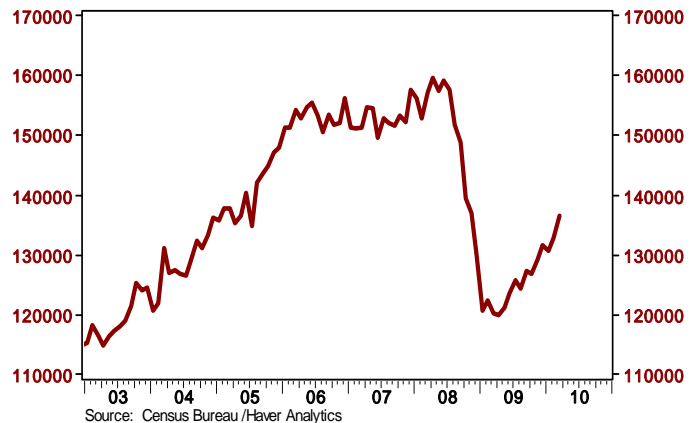
MARCH DURABLE GOODS

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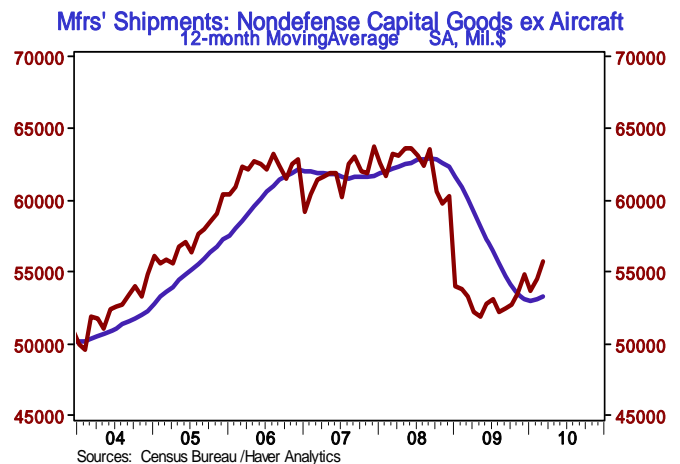
- New orders for durable goods declined 1.3% in March, falling short of the consensus expected gain of 0.2%. Excluding transportation, orders increased 2.8%, beating the consensus expected gain of 0.7%. Orders are up 11.9% versus a year ago, 13.5% excluding transportation.
- All of the decline in overall March orders was attributable to civilian aircraft, which are extremely volatile. Almost all other categories of orders increased, led by industrial machinery, computers/electronics, primary metals, and motor vehicles/parts.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 2.2% in March (3.0% including upward revisions to February) and was up at a 7.4% annual rate in Q1 versus Q4.
- Unfilled orders declined 0.3% in March, but were up 0.8% excluding the transportation sector.

Implications: Today’s report on durable goods was rip-roaring positive on business investment and confirms the V-shaped recovery. Although overall orders fell 1.3%, all of the decline was due to a huge drop in orders for civilian aircraft, which is the most volatile part of the report and very likely to be temporary. Excluding the transportation sector, orders increased 2.8%, the largest gain since 2007. Ex-transportation orders are up at a 15% annual rate in the past six months. Orders for industrial machinery are particularly strong, up 8.6% in March and up 22.3% in the past year, the strongest 12-month gain since the early 1980s. Meanwhile, shipments of “core” capital goods (which exclude defense and aircraft) increased 2.2% in March (3% including upward revisions to February). Moreover, orders for core capital goods are once again running ahead of shipments, suggesting further strength ahead. Cash-rich companies (who are earning essentially zero percent interest on their money) are deciding to invest their cash. This is consistent with an acceleration in private-sector payroll gains over the next few months.

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>	Mar-10	Feb-10	Jan-10	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-1.3%	1.1%	3.8%	15.3%	10.4%	11.9%
<i>Ex Defense</i>	-1.2%	2.4%	1.6%	11.3%	12.0%	12.2%
<i>Ex Transportation</i>	2.8%	1.7%	-0.8%	15.4%	15.0%	13.5%
<i>Primary Metals</i>	3.5%	1.3%	2.5%	33.3%	64.6%	49.6%
<i>Industrial Machinery</i>	8.6%	6.9%	-9.9%	19.9%	13.4%	22.3%
<i>Computers and Electronic Products</i>	3.4%	-1.6%	0.9%	11.3%	10.3%	6.9%
<i>Transportation Equipment</i>	-12.9%	-0.4%	19.4%	15.2%	-3.4%	6.5%
Capital Goods Orders	-7.0%	4.1%	7.8%	18.7%	3.1%	12.8%
Capital Goods Shipments	2.2%	-0.1%	-2.4%	-1.3%	3.1%	3.4%
<i>Defense Shipments</i>	0.7%	-4.7%	9.7%	23.0%	-7.7%	7.8%
<i>Non-Defense, Ex Aircraft</i>	2.2%	1.5%	-1.9%	6.9%	12.8%	4.6%
Unfilled Orders for Durable Goods	-0.3%	0.4%	0.2%	1.2%	-3.3%	-5.2%

Source: Bureau of the Census

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