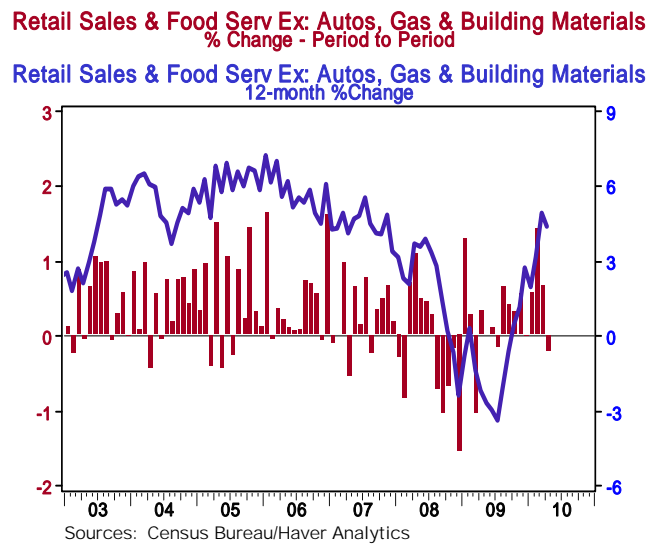
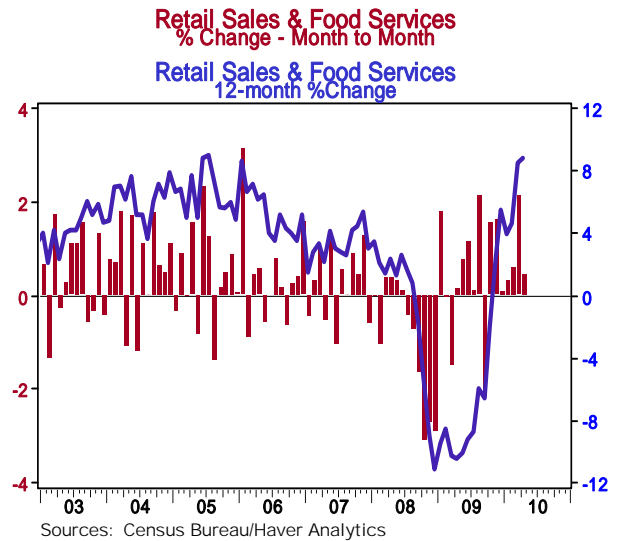


APRIL RETAIL SALES

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- Retail sales increased 0.4% in April, beating consensus expectations, while sales excluding autos gained 0.4%, matching what the consensus expected. Including upward revisions to February/March, retail sales increased 0.9%, both overall and excluding autos.
- In the past six months, retail sales are up at a 10.7% annual rate while sales ex-autos are up at a 10.3% rate.
- The gain in total sales in April was almost all due to building materials, which surged 6.9% on top of last month's gain of 7.8%. Other categories of sales were mixed, with an increase in auto sales offset by small declines in other categories (such as grocery stores).
- Sales excluding autos, building materials, and gas were down 0.2% in April (+0.1% with revisions to prior months), but up at a 6.1% annual rate in the past six months. This calculation is important for estimating GDP.

Implications: For the fifth straight month, retail sales surprised to the upside and beat consensus expectations, proving yet again that the consumer is alive and well. Including large upward revisions to prior months, retail sales were up 0.9% in April and are up at a 10.7% annual rate in the past six months. And remember, this is *after* cash for clunkers. The turnaround in building materials is astoundingly strong and bodes well for residential construction over the next few months. Building materials are up at an 81% annual rate in the past three months, the largest gain in any three-month period in the last 30 years. Consumers are continuing to pay down debt, but not as quickly as during the panic. As a result, they can increase their spending at the same time, baffling the economic pessimists. In other recent news, new claims for unemployment insurance fell 4,000 last week to 444,000. Continuing claims for regular state benefits increased 12,000 to 4.63 million. The four-week moving average declined for both initial and continuing claims. On the inflation front, trade prices are signaling the Fed is too loose. Import prices increased 0.9% in April and are up 11.1% in the past year. Most, but not all, of the rise is oil-related. Excluding petroleum, import prices are up 3.3% in the past year, significantly higher than the average increase of 1% per year over the past decade. Export prices increased 1.2% in April and are up 5.7% in the past year. Ex-agriculture, export prices are up 6% in the past year.



Retail Sales <i>All Data Seasonally Adjusted</i>	Apr-10	Mar-10	Feb-10	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr % Change
Retail Sales and Food Services	0.4%	2.1%	0.6%	13.2%	10.7%	8.8%
Ex Autos	0.4%	1.2%	1.2%	12.0%	10.3%	7.6%
Ex Autos and Building Materials	-0.2%	0.7%	1.3%	7.5%	8.5%	7.2%
Ex Autos, Building Materials and Gasoline	-0.2%	0.7%	1.4%	7.7%	6.1%	4.4%
Autos	0.5%	6.7%	-2.5%	19.5%	12.1%	15.1%
Building Materials	6.9%	7.8%	0.7%	81.1%	34.7%	12.1%
Gasoline	0.5%	1.0%	0.3%	7.5%	26.5%	30.1%

Source: Bureau of Census

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