

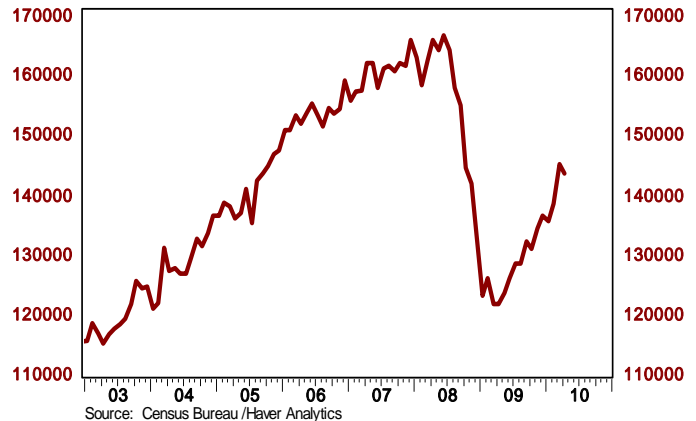
APRIL DURABLE GOODS

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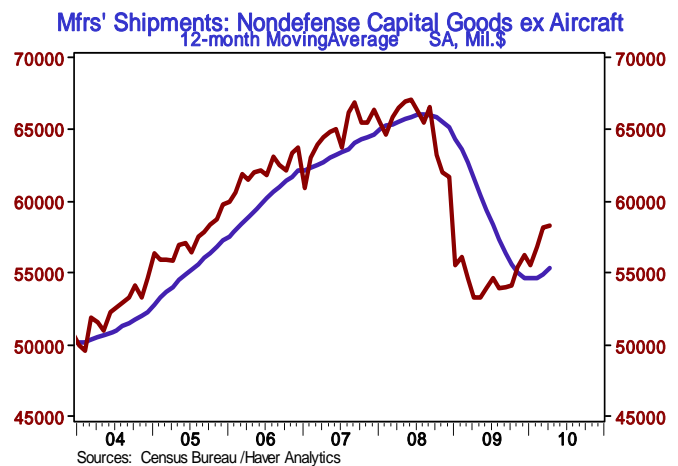
- New orders for durable goods increased 2.9% in April, beating the consensus expected gain of 1.3%. Excluding transportation, orders declined 1.0%, falling short of the consensus expected gain of 0.5%. Orders are up 18.9% versus a year ago, 18.0% excluding transportation.
- All the gain in April orders could be attributed to civilian aircraft, which are extremely volatile. Orders for computers/electronics were also strong. The weakest categories of orders were industrial machinery and electrical equipment/appliances, both of which are still up substantially over the past few months.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure increased 0.2% in April (0.5% including upward revisions to March). Even if they remain unchanged in May/June, these shipments will be up at a 10.2% annual rate versus the Q1 average.
- Unfilled orders declined 0.4% in April, both with and without the transportation sector included.

Implications: The V-shaped recovery continues. New orders for durable goods were up 2.9% in April and are up at a 19% annual rate in the past six months. Although orders ex-transportation dipped in April, these orders were actually unchanged if we factor-in upward revisions for March. In addition, orders ex-transportation are up at a 20% annual rate in the past six months. The business investment side of the report was particularly impressive, with orders for capital goods (durables used in the production process, rather than sold to consumers) up 7.4% in April and up 30% versus a year ago, a path that rivals the steepest yearly gains of the past 20 years. Meanwhile, shipments of “core” capital goods (which exclude defense and aircraft) increased again and are up at a 16% rate in the past six months, also rivaling the steepest gains of the last 20 years. In other recent news, the Richmond Fed index, a measure of manufacturing in the Mid-Atlantic, came in at +26 for May versus +30 for April, signaling continued rapid expansion in the factory sector. Cash-rich companies (who are earning essentially zero percent interest on their money) are deciding to invest.

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>	Apr-10	Mar-10	Feb-10	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	2.9%	0.0%	0.5%	14.4%	19.4%	18.9%
<i>Ex Defense</i>	3.4%	-0.1%	1.4%	20.5%	18.6%	20.7%
<i>Ex Transportation</i>	-1.0%	4.8%	2.1%	25.4%	20.1%	18.0%
<i>Primary Metals</i>	-2.0%	3.6%	2.2%	16.0%	38.2%	55.0%
<i>Industrial Machinery</i>	-5.9%	10.5%	7.1%	53.7%	30.1%	24.2%
<i>Computers and Electronic Products</i>	2.2%	5.2%	-1.1%	28.2%	23.3%	18.1%
<i>Transportation Equipment</i>	16.1%	-13.1%	-3.7%	-10.8%	17.4%	21.5%
Capital Goods Orders	7.4%	-5.8%	6.9%	36.8%	34.0%	29.8%
Capital Goods Shipments	-0.4%	1.9%	0.6%	8.6%	7.8%	5.7%
<i>Defense Shipments</i>	-3.8%	-1.7%	-4.5%	-33.4%	-11.1%	0.6%
<i>Non-Defense, Ex Aircraft</i>	0.2%	2.3%	2.3%	20.6%	15.9%	9.3%
Unfilled Orders for Durable Goods	0.4%	-0.1%	0.5%	3.4%	-1.5%	-3.8%

Source: Bureau of the Census

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