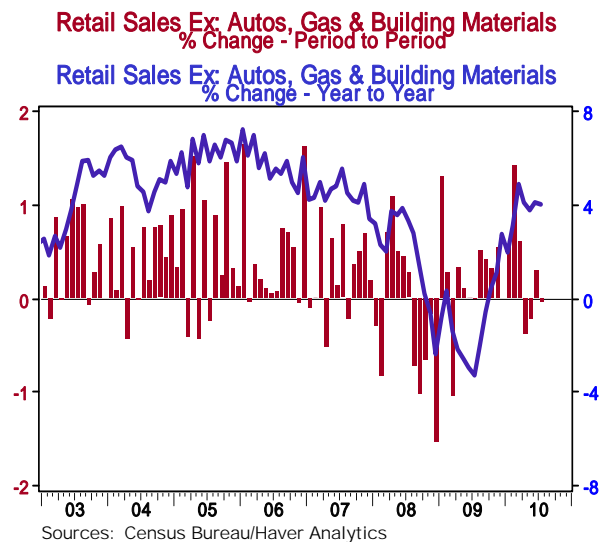
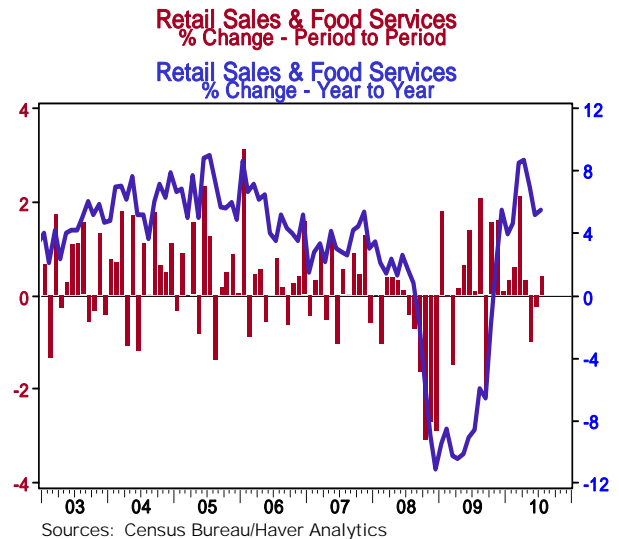


JULY RETAIL SALES

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- Retail sales rose 0.4% in July versus a consensus expected gain of 0.5%. Sales excluding autos increased 0.2%, just short of what the consensus expected. Including upward revisions to May/June, overall sales were up 0.7% in July and up 0.2% excluding autos.
- Retail sales are up 5.5% versus a year ago; sales ex-autos are up 4.9%.
- The rise in retail sales in July was concentrated in autos and gas. Excluding those two categories, sales were down 0.1%, due to small declines in most sectors.
- Sales excluding autos, building materials, and gas were down 0.1% in July (unchanged including revisions to May/June) but are up 4.0% versus last year. This calculation is important for estimating GDP.

Implications: Including upward revisions for May and June, retail sales came in higher than the consensus expected, further undermining the case for a double-dip recession. Although “core” sales (excluding autos, building materials, and gas) were unchanged in July (including revisions), these sales were still up 4% from a year ago. The overall gain in retail sales in July came after two straight monthly declines. As we said a month ago, it is not unusual for recoveries to exhibit two-month periods when the pace of consumer spending temporarily slows down, particularly after a series of strong increases like the ones we had in late 2009 and early 2010. Now it seems this is exactly what happened and we expect to see continued gains in sales from here. So far this year, “real” (inflation-adjusted) cash wages for workers are up at a 3.4% annual rate. Meanwhile, the financial obligations of consumers – what we owe each month on our debts, plus other obligations such as rent and car leases – are, relative to after-tax income, back to the average of the last 30 years. Even the personal saving rate is back up to 6.4%, a level consistent with the early 1990s. Consumers may continue to say they are skittish, but they have the ability to keep increasing their spending.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jul-10	Jun-10	May-10	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.4%	-0.3%	-1.0%	-3.6%	4.3%	5.5%
Ex Autos	0.2%	-0.1%	-1.3%	-4.5%	3.2%	4.9%
Ex Autos and Building Materials	0.2%	0.0%	-0.5%	-1.2%	2.7%	5.0%
Ex Autos, Building Materials and Gasoline	-0.1%	0.3%	-0.2%	2.9%	3.3%	4.0%
Autos	1.6%	-1.3%	0.0%	1.2%	9.7%	8.5%
Building Materials	-0.3%	-0.8%	-8.9%	-34.1%	12.3%	3.9%
Gasoline	2.3%	-2.0%	-2.7%	-9.6%	-1.7%	12.2%

Source: Bureau of Census

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