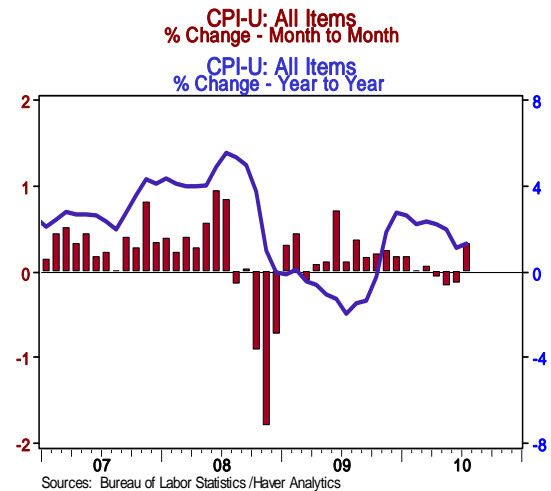


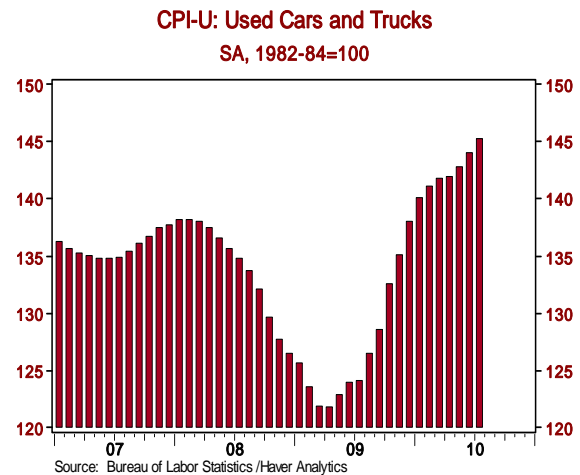
JULY CPI

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- The Consumer Price Index (CPI) increased 0.3% in July, beating consensus expectations of 0.2%. The CPI is up 1.2% versus a year ago.
- “Cash” inflation (which excludes the government’s estimate of what a homeowner would charge himself for rent) increased 0.4% in July and is up 1.8% in the past year.
- Most of the increase in the CPI in July could be attributed to energy prices, which increased 2.6%. Food prices were down 0.1%. Excluding food and energy, the “core” CPI was up 0.1% in July, as the consensus expected, and is up 1.0% versus a year ago.
- Real average hourly earnings – the cash earnings of production workers, adjusted for inflation – fell 0.2% in July but are up 0.7% versus a year ago. Real *weekly* earnings for all private-sector workers are up 1.6% in the past year.



Implications: Consumer prices rebounded 0.3% in July after falling for the past three months. The increase came despite a 0.1% drop in medical care prices, the first decline for any month in 35 years. “Core” prices, which exclude food and energy, increased a modest 0.1% in July. These prices have increased at a 1.7% annual rate in the past three months, a significant acceleration from the 0.6% rate in the previous three-month period. We still think “cash” inflation better gauges the pain consumers are feeling. Cash inflation counts everything, *including food and energy*, but takes out something called “owners’ equivalent rent” – the government’s estimate of what homeowners would pay if they rented their own homes. Cash inflation increased 0.4% in July, the most for any month in almost a year. These prices are up 1.8% in the past twelve months, more than the overall CPI or “core” CPI. In other recent inflation news, import prices increased 0.2% in July, although all the increase was due to oil. Excluding petroleum, import prices were down 0.2%. In the past year, import prices are up 4.9%, 3.1% ex-petroleum. Export prices declined 0.2% in July, both including and excluding farm products, but are up around 4% in the past year. Also in other news, new claims for unemployment insurance increased 2,000 last week to 484,000. Continuing claims for regular state benefits declined 118,000 to 4.45 million.



CPI - U <i>All Data Seasonally Adjusted</i>	Jul-10	Jun-10	May-10	3-mo % Ch. annualized	6-mo % Ch. annualized	Yr to Yr % Change
Consumer Price Index	0.3%	-0.1%	-0.2%	0.0%	0.0%	1.2%
Ex Food & Energy	0.1%	0.2%	0.1%	1.7%	1.1%	1.0%
Ex Energy	0.1%	0.1%	0.1%	1.4%	1.1%	0.9%
Energy	2.6%	-2.9%	-2.9%	-12.8%	-10.2%	5.2%
Food and Beverages	0.0%	0.0%	0.0%	-0.1%	0.8%	0.9%
Housing	0.1%	-0.1%	0.0%	0.1%	0.0%	-0.5%
Owners Equivalent Rent	0.1%	0.1%	0.0%	0.7%	0.0%	-0.2%
New Vehicles	0.1%	0.1%	0.1%	1.1%	1.0%	0.9%
Medical Care	-0.1%	0.3%	0.1%	1.1%	2.7%	3.2%
Services (Excluding Energy Services)	0.1%	0.1%	0.1%	1.6%	1.5%	0.8%
Real Average Hourly Earnings	-0.2%	0.2%	0.6%	2.3%	1.8%	0.7%

Source: U.S. Department of Labor

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