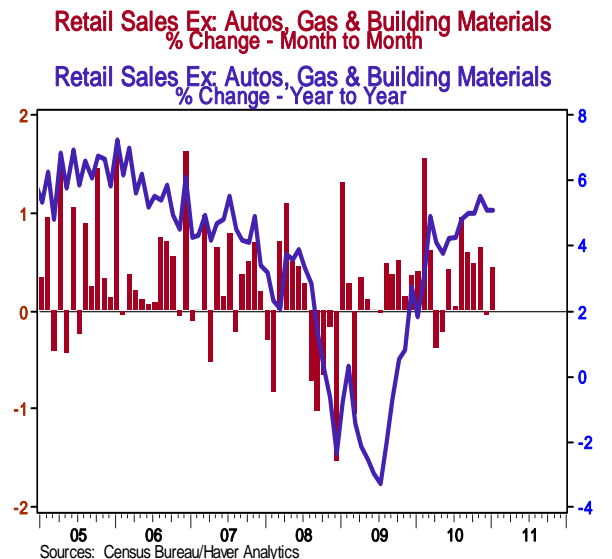
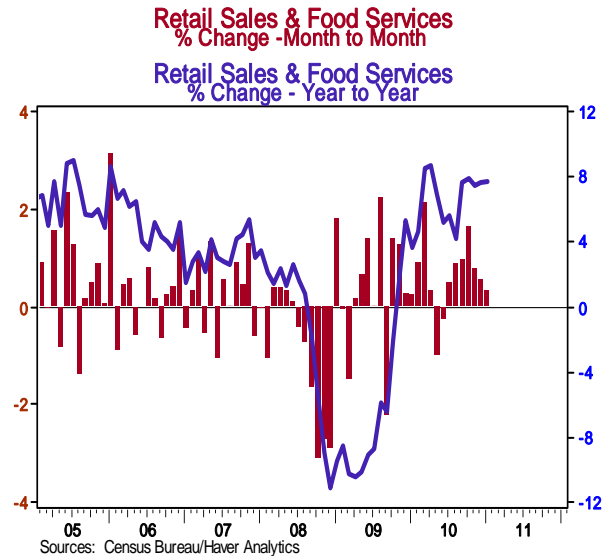


JANUARY RETAIL SALES

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- Retail sales and sales excluding autos both increased 0.3% in January. Both fell slightly short of consensus expectations.
- Including revisions to November/December, sales were up 0.2% in January while sales ex-autos were unchanged. Retail sales are up 7.8% versus a year ago; sales ex-autos are up 6.2%.
- The increase in retail sales for January was led by grocery stores, gas stations, department stores and warehouse clubs, internet/mail-order, and autos. The weakest category of sales, by far, was building materials.
- Sales excluding autos, building materials, and gas increased 0.4% in January, but were unchanged including downward revisions for November/December. These sales are up 5.1% versus last year. This calculation is important for estimating GDP.

Implications: Today’s report on retail sales was lukewarm. Sales increased less than the consensus expected and were revised down slightly for prior months. However, the modest growth in sales in January was primarily due to one category – building materials – which was held down by the unusually harsh winter weather in much of the country. Most major categories of sales increased in January. Despite this, “core” sales, which exclude autos, gas, and building materials (all of which are volatile from month to month) increased a healthy 0.4% and were up for the 15th time in the last 18 months. We expect consumer spending to continue to move higher. Worker earnings are up, consumer debt has stabilized at much lower levels, and consumers’ financial obligations are now the smallest share of income since the mid-1990s. In other news this morning, the Empire State Index, a measure of manufacturing activity in New York, increased to +15.4 in February from +11.9. On the inflation front, import prices increased 1.5% in January and are up 5.3% in the past year. Excluding petroleum, import prices increased 1.1% in January and are up 3.2% versus a year ago. Export prices rose 1.2% in January and are up 6.8% in the past year. Excluding farm products, export prices still gained 0.9% in January and are up 5.3% from a year ago. These widespread gains in trade prices are a leading sign of higher inflation that will ultimately hit the US consumer.



Retail Sales <i>All Data Seasonally Adjusted</i>	Jan-11	Dec-10	Nov-10	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Retail Sales and Food Services	0.3%	0.5%	0.8%	6.7%	10.6%	7.8%
Ex Autos	0.3%	0.3%	0.9%	6.0%	8.6%	6.2%
Ex Autos and Building Materials	0.6%	0.2%	1.1%	7.5%	8.7%	6.0%
Ex Autos, Building Materials and Gasoline	0.4%	-0.1%	0.6%	4.1%	6.2%	5.1%
Autos	0.5%	1.5%	0.3%	9.7%	20.6%	15.7%
Building Materials	-2.9%	1.8%	-2.0%	-11.8%	7.2%	8.7%
Gasoline	1.4%	1.8%	4.1%	33.4%	26.7%	12.0%

Source: Bureau of Census

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