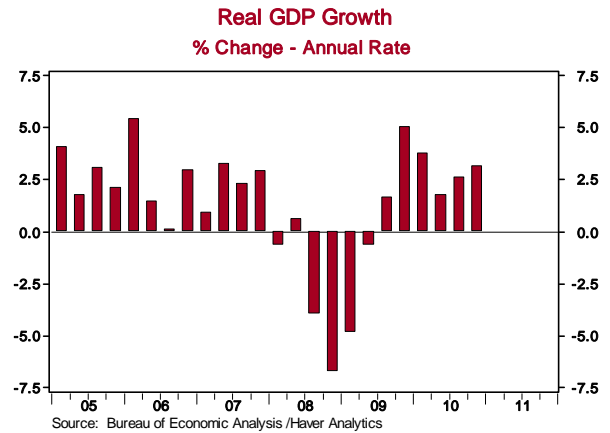


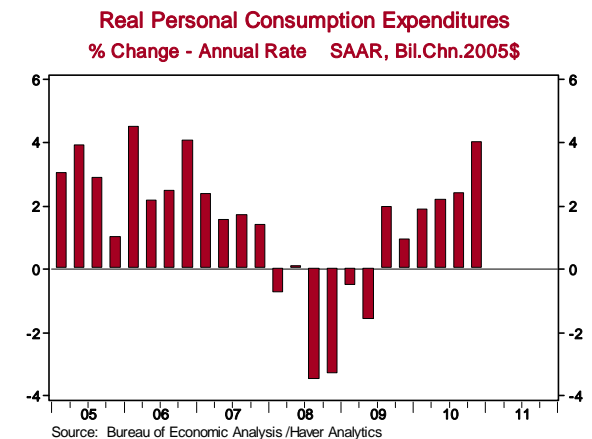
4TH QUARTER GDP (FINAL)

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- Real GDP growth in Q4 was revised up to a 3.1% annual rate from a previous estimate of 2.8%. The consensus expected 3.0%.
- The largest upward revision *versus last month's estimate* of Q4 real GDP growth was for inventories and business investment. Consumer spending on non-durable goods was revised downward.
- The largest positive contributions to the real GDP growth rate in Q4 were from net exports and consumer spending. The weakest component of real GDP, by far, was inventories.
- The GDP price index was unrevised at a 0.4% annualized rate of change. Nominal GDP growth – real GDP plus inflation – was revised up to a 3.5% annual rate in Q4 versus a prior estimate of 3.2%. Nominal GDP is up 4.2% versus a year ago.



Implications: Not much “news” in today’s report on GDP, showing the economy expanded at a 3.1% annual rate in the fourth quarter, which ended almost three months ago. The quarter was revised upwardly from the 2.8% previously estimated, slightly more than the consensus expected. More important was that today’s data included the first government report on corporate profits. The great news is that overall profits have traced out a full-blown V-shaped recovery from the financial panic and recession and now stand at an all-time record high. Profits were up at a 9.6% annual rate in Q4 and were up 18.3% versus a year before. However, all of the gain in Q4 was due to the domestic financial sector. Profits softened for domestic non-financial companies as well as from the rest of the world. Overall, real GDP increased 2.8% in 2010. We anticipate faster growth this year. Tax rates remain relatively low, monetary policy is loose, and productivity growth remains robust. Consumer purchasing power is rising, a combination of growth in wages and salaries as well as small business profits. Meanwhile, a combination of healthy corporate profits, strong balance sheets, and full expensing for tax purposes, mean business investment should keep accelerating. In addition, we believe home building is very close to the bottom if not there already.



4th Quarter GDP <i>Seasonally Adjusted Annual Rates</i>	Q4-10	Q3-10	Q2-10	Q1-10	4-Quarter Change
Real GDP	3.1%	2.6%	1.7%	3.7%	2.8%
GDP Price Index	0.4%	2.1%	1.9%	1.0%	1.3%
Nominal GDP	3.5%	4.6%	3.7%	4.8%	4.2%
PCE	4.0%	2.4%	2.2%	1.9%	2.6%
Business Investment	7.7%	10.0%	17.2%	7.8%	10.6%
Structures	7.7%	-3.6%	-0.5%	-17.8%	-4.0%
Equipment and Software	7.7%	15.4%	24.8%	20.5%	16.9%
Contributions to GDP Growth (p.pts.)	Q4-10	Q3-10	Q2-10	Q1-10	4Q Avg.
PCE	2.8	1.7	1.5	1.3	1.8
Business Investment	0.7	0.9	1.5	0.7	1.0
Residential Investment	0.1	-0.8	0.6	-0.3	-0.1
Inventories	-3.4	1.6	0.8	2.6	0.4
Government	-0.3	0.8	0.8	-0.3	0.2
Net Exports	3.3	-1.7	-3.5	-0.3	-0.6

Source: Commerce Department

This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.