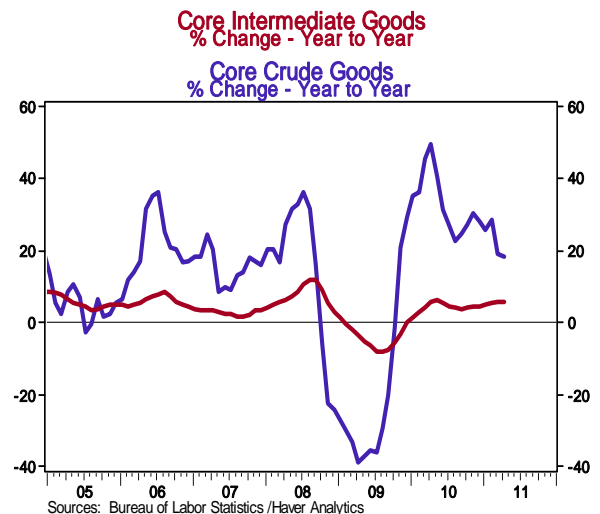
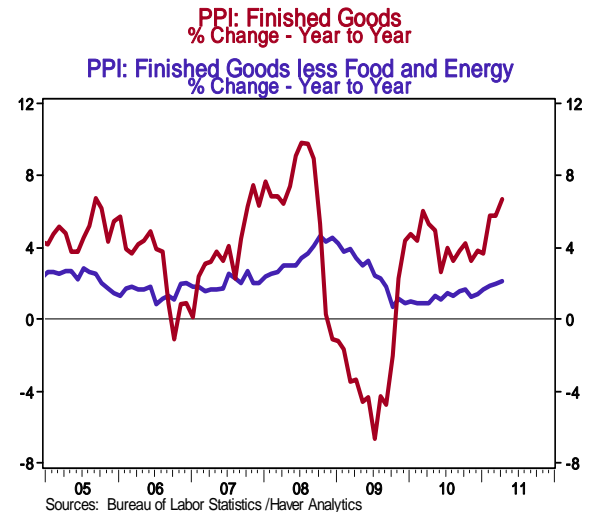


# APRIL PPI

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- The Producer Price Index (PPI) increased 0.8% in April, beating the consensus expected rise of 0.6%. Producer prices are up 6.8% versus a year ago.
- The April gain in the PPI was led by energy, which increased 2.5%. Food prices rose 0.3%. The “core” PPI, which excludes food and energy, increased 0.3%, higher than the consensus expected rise of 0.2%.
- Consumer goods prices rose 0.9% in April and are up 8.7% versus last year. Capital equipment prices were up 0.3% in April and are up 1.3% in the past year.
- Core intermediate goods prices increased 1.1% in April and are up 5.6% versus a year ago. Core crude prices rose 2.6% in April and are up 18.2% in the past twelve months.

**Implications:** Declining oil prices may temporarily tame producer price inflation in May, but, through April, inflation was roaring. Prices are up 6.8% in the past year and accelerating. In the past six months producer prices are up at an 11.5% annual rate; in the past three months they’re up at a 13.1% rate. Most of the gain in April was due to energy. But, while the Federal Reserve can still claim core inflation is low for consumers, core producer prices are accelerating, up 0.3% in April and up at a 3.2% annual rate in the past three months. Further up the production pipeline, core intermediate prices increased 1.1% in April and are up at a 13.1% annual pace in the past three months; core crude prices bounced back in April increasing 2.6%, and are up at a 10.5% rate in the past three months. Based on these inflation signals and the current state of the economy, the Fed’s monetary policy is way too loose, even if headline inflation takes a breather in May due to the drop in oil prices. In other news this morning, new claims for unemployment insurance fell 44,000 last week to 434,000. This is very close to the four-week moving average of 437,000. Continuing claims for regular state benefits increased 5,000 to 3.76 million. Claims have been roiled of late by early auto shutdowns related to the disasters in Japan as well as a brutal tornado season in much of the Midwest and South. We expect claims to generally decline over the next several weeks.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Apr-11	Mar-11	Feb-11	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
<b>Finished Goods</b>	<b>0.8%</b>	0.7%	1.6%	13.1%	11.5%	6.8%
<i>Ex Food and Energy</i>	<b>0.3%</b>	0.3%	0.2%	3.2%	3.1%	2.1%
<b>Food</b>	<b>0.3%</b>	-0.2%	3.9%	17.0%	12.4%	5.1%
<b>Energy</b>	<b>2.5%</b>	2.6%	3.3%	39.0%	35.1%	20.6%
<b>Consumer Goods</b>	<b>0.9%</b>	0.8%	2.1%	16.8%	14.6%	8.7%
<i>Capital Equipment</i>	<b>0.3%</b>	0.3%	0.1%	2.8%	2.3%	1.3%
<b>Intermediate Goods</b>	<b>1.3%</b>	1.5%	2.0%	20.7%	17.1%	9.4%
<i>Ex Food &amp; Energy</i>	<b>1.1%</b>	0.9%	1.1%	13.1%	10.9%	5.6%
<b>Energy</b>	<b>1.9%</b>	2.9%	4.3%	43.2%	38.0%	20.4%
<b>Crude Goods</b>	<b>4.0%</b>	-0.5%	3.4%	30.9%	41.9%	23.5%
<i>Ex Food &amp; Energy</i>	<b>2.6%</b>	-2.3%	2.3%	10.5%	27.4%	18.2%
<b>Energy</b>	<b>4.8%</b>	-0.5%	0.9%	22.8%	54.0%	20.6%

Source: Bureau of Labor Statistics

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