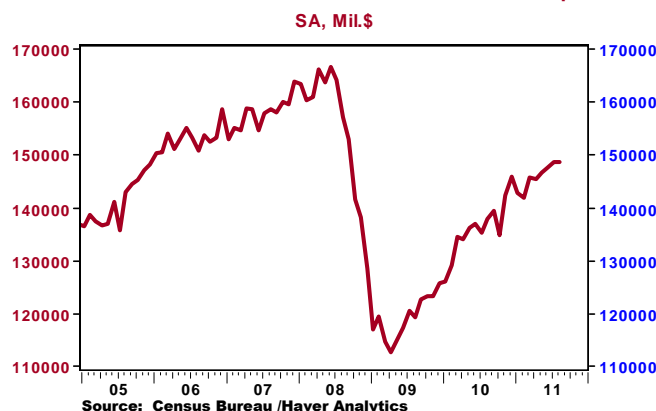


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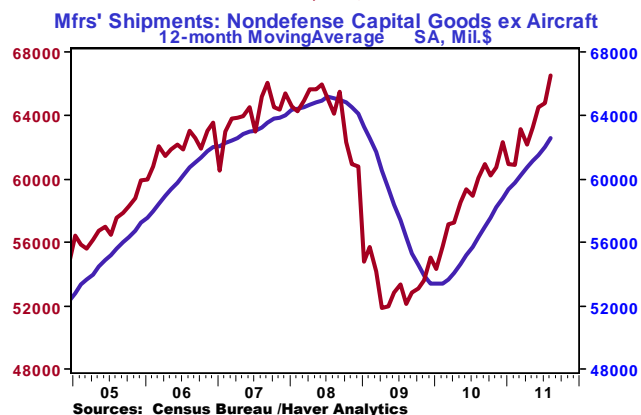
August Durable Goods

- New orders for durable goods slipped 0.1% in August, slightly better than the consensus expected decline of 0.2%. Orders excluding transportation also slipped 0.1% versus a consensus expected -0.2%. Overall new orders are up 12.3% from a year ago, while orders excluding transportation are up 7.8%.
- The drop in orders was led by motor vehicles. Aircraft and related parts were the largest gainer while other categories of orders showed little change.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure rose 2.8% in August (3.3% including upward revisions to July) and even if unchanged in September will be up at a 17.7% annual rate in Q3 versus the Q2 average.
- Unfilled orders rose 0.9% in August and are up 8.1% from last year.

Manufacturers' New Orders: Durable Goods Excl Transportation



Mfrs' Shipments: Nondefense Capital Goods ex Aircraft



Implications: This is not what a recession looks like. New orders for durable goods slipped a tiny 0.1% in August, both with and without transportation. But shipments of “core” capital goods, which exclude aircraft and defense and which the government uses to calculate the business investment part of GDP, increased a robust 3.3% (including upward revisions for July). This is the fourth straight monthly gain for core shipments, which are now at a new all-time record high. They are up 10.8% in the past year and are accelerating, up at a 19.6% annual rate over the past six months and an even faster 22.6% rate in the past three months. Increases in core shipments should continue: unfilled orders are up about 15% versus a year ago. In addition, non-financial corporate balance sheets are strong and loaded with cash earning nearly zero percent interest. Meanwhile, corporate profits are at a record high. As a result, the odds are stacked in favor of a substantial increase in business investment over the next few years. In other recent news, the Richmond Fed index, a measure of manufacturing activity in the mid-Atlantic, increased to -6 in September from -10 in August. Chain store sales were up 4.2% versus a year ago according to Redbook Research and 2.7% according to the International Council of Shopping Centers. On the housing front, the Case-Shiller index, a measure of home prices in the 20 largest metro areas, was unchanged in July (seasonally-adjusted) and down 4.2% versus a year ago. However, prices were up in nine of the twenty areas. The biggest losses in July and the prior three months were where many would expect: Phoenix, San Diego, San Francisco, Las Vegas, and Los Angeles.

Durable Goods <i>All Data Seasonally Adjusted</i>	Aug-11	Jul-11	Jun-11	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-0.1%	4.1%	-1.1%	11.8%	14.3%	12.3%
<i>Ex Defense</i>	-0.1%	4.8%	-0.8%	16.3%	14.4%	13.6%
<i>Ex Transportation</i>	-0.1%	0.7%	0.7%	5.7%	9.7%	7.8%
<i>Primary Metals</i>	-0.8%	7.3%	0.3%	29.9%	35.5%	28.3%
<i>Industrial Machinery</i>	0.1%	1.9%	-1.4%	2.6%	27.4%	15.4%
<i>Computers and Electronic Products</i>	1.3%	-3.5%	0.9%	-5.1%	-4.6%	-6.8%
<i>Transportation Equipment</i>	-0.3%	15.0%	-6.6%	31.5%	29.0%	27.1%
Capital Goods Orders	4.2%	3.1%	-2.4%	20.7%	24.3%	17.4%
Capital Goods Shipments	2.7%	0.8%	1.7%	23.1%	16.9%	7.9%
<i>Defense Shipments</i>	2.9%	-5.4%	-1.9%	-16.7%	-15.3%	-13.9%
<i>Non-Defense, Ex Aircraft</i>	2.8%	0.4%	2.0%	22.6%	19.6%	10.8%
Unfilled Orders for Durable Goods	0.9%	0.9%	0.3%	8.5%	8.8%	8.1%

Source: Bureau of the Census

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.