First Trust DATAWATCH

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October Retail Sales

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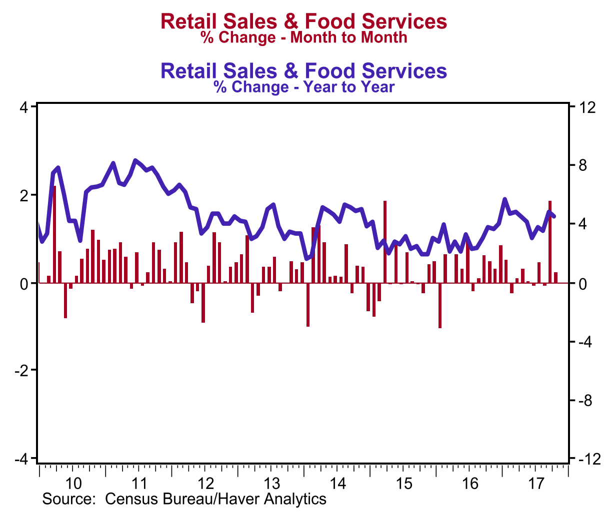
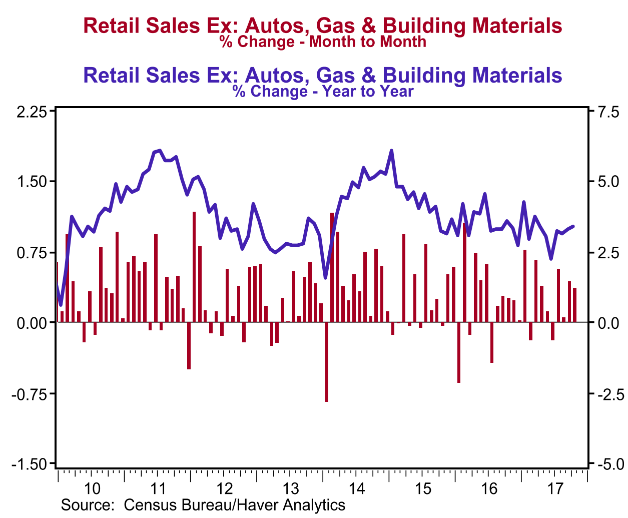
- Retail sales increased 0.2% in October (+0.5% including revisions to prior months). The consensus expected no change. Retail sales are up 4.6% versus a year ago.
- Sales excluding autos rose 0.1% in October (+0.2% including revisions to prior months). The consensus expected a 0.2% gain. These sales are up 4.3% in the past year. Excluding gas, sales were up 0.4% in October and are up 4.3% from a year ago.
- The rise in sales in October was led by autos, restaurants & bars and food & beverage stores.
- Sales excluding autos, building materials, and gas rose 0.4% in October. If unchanged in November/December, these sales will be up at a 2.8% annual rate in Q4 versus the Q3 average.





Implications: Retail sales beat expectations for October and were revised up for prior months, a sign that - if you cut through the volatility due to the hurricanes - the economy is picking up. Retail sales rose 0.2% in October, after being held down by Harvey in August and then surging in September as consumers recovered following the storms. The growth in October was led by autos, which should remain unusually strong through year end as people replace vehicles destroyed in the hurricanes. But sales were also strong at restaurants & bars as well as food and beverage stores. The weakest categories in October were building materials, which should rebound in future months as Texas and Florida rebuild, and gas station sales, due to gas prices falling after the surge in September. Total retail sales are now up 4.6% in the past year. The best news today was the considerable strength for "core" sales, which excludes autos, building materials, and gas. Core sales grew 0.4% in October, and are up 3.4% from a year ago. Although some retail outlets are getting beat up by on-line retailing, the sector looks good from the consumer's point of view. Jobs and wages are moving up, consumers' financial obligations are an unusually small part of their incomes, and serious (90+ day) debt delinquencies are down substantially from post-recession highs. In other news this morning, business inventories were unchanged in September but revised up for earlier in the third quarter. As a result of these figures and the retail revisions, we now expect the government's estimate of Q3 real GDP growth to be revised up to a 3.3% annual rate from an originally reported 3.0%. Meanwhile, early tracking for Q4 real GDP growth in the 3.5 – 4.0% range. If we're right about Q4, this would be the first time we've had three straight quarters above 3% since before the financial crisis. In other news this morning, the Empire State index, a measure of manufacturing sentiment in New York, fell to 19.4 in November from 30.2 in October, suggesting continued strength in the factory sector.

Retail Sales *All Data Seasonally Adjusted*	Oct-17	Sep-17	Aug-17	3-mo % Ch. *annualized*	6-mo % Ch. *annualized*	Yr to Yr *% Change*
Retail Sales and Food Services	**0.2%**	1.9%	-0.1%	8.5%	5.1%	4.6%
Ex Autos	**0.1%**	1.2%	0.5%	7.2%	3.8%	4.3%
Ex Autos and Building Materials	**0.2%**	1.1%	0.4%	6.9%	3.3%	3.8%
Ex Autos, Building Materials and Gasoline	**0.4%**	0.4%	0.1%	3.6%	2.9%	3.4%
Autos	**0.7%**	4.6%	-2.0%	13.6%	10.5%	5.6%
Building Materials	**-1.2%**	3.0%	0.4%	8.7%	8.6%	8.8%
Gasoline	**-1.2%**	6.4%	3.4%	39.6%	6.6%	7.5%

Source: Bureau of Census