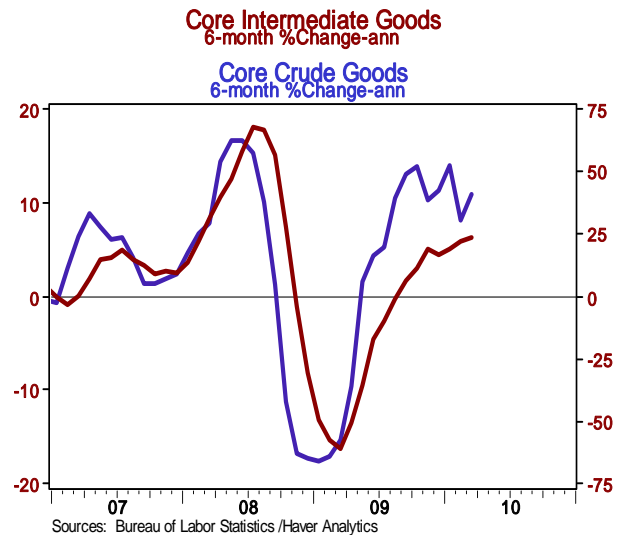
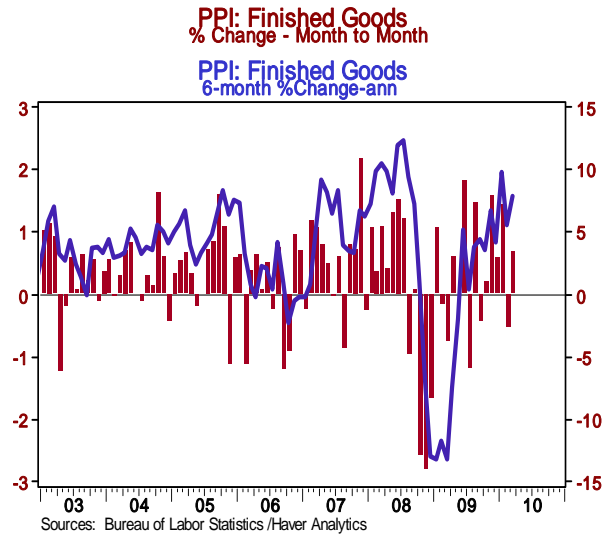


MARCH PPI

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- The Producer Price Index (PPI) increased 0.7% in March versus a consensus expected gain of 0.5%. The PPI is up 6.0% versus a year ago, and is up at a 7.9% annual rate in the past six months.
- The March increase in the PPI was mostly due to food, which was up 2.4%. Energy prices increased 0.7%. The “core” PPI, which excludes food and energy, was up 0.1% matching consensus expectations.
- Consumer goods prices increased 0.9% in March and are up at a 10.7% annual rate in the past six months. Capital equipment prices were unchanged in March and versus six months ago.
- Intermediate goods prices increased 0.6% in March and are up at a 9.8% annual rate in the past six months. Crude prices rebounded 3.2% in March and are up at a 50.4% rate in the past six months.

Implications: After taking a breather in February, producer price inflation came back with a vengeance in March. The increase in prices was led by food, which spiked up 2.4%, the largest gain for any month in 25 years. In the past six months, food prices are up at a 13.5% annual rate, the largest increase since 1980, when we were in the throes of Carter-era, double-digit, inflation. Some analysts keep dwelling on “core” inflation, which excludes food and energy. That price index was up a mild 0.1% in March and is up only 0.9% in the past year. But even core prices are showing higher inflation deeper into the production process. Core intermediate prices were up 0.7% in March and are up at a 6.3% annual rate in the past six months; core crude prices increased 6.0% in March and are up at a 41.1% annual rate in the past six months. These figures suggest the placid core price measure for finished goods will eventually start going up much faster. Zero percent interest rates from the Federal Reserve are increasingly unwarranted. As the V-shaped recovery continues to pick up steam, the longer the Fed waits to respond the more serious the inflation problem will become. In other news this morning, new claims for unemployment insurance fell 24,000 last week to 456,000. Continuing claims for regular state benefits declined 40,000 to 4.65 million. As the V-shaped recovery matures, we anticipate significant declines in claims in the months ahead.



Producer Price Index <i>All Data Seasonally Adjusted</i>	Mar-10	Feb-10	Jan-10	3-mo % Ch. <i>annualized</i>	6-mo % Ch. <i>annualized</i>	Yr to Yr <i>% Change</i>
Finished Goods	0.7%	-0.6%	1.4%	6.2%	7.9%	6.0%
<i>Ex Food and Energy</i>	0.1%	0.1%	0.3%	1.9%	0.9%	0.9%
Food	2.4%	0.4%	0.4%	13.3%	13.5%	6.7%
Energy	0.7%	-2.9%	5.1%	11.9%	24.1%	23.2%
Consumer Goods	0.9%	-0.7%	1.8%	8.0%	10.7%	8.2%
<i>Capital Equipment</i>	0.0%	-0.1%	0.3%	0.8%	0.0%	0.1%
Intermediate Goods	0.6%	0.1%	1.7%	9.8%	9.8%	7.8%
<i>Ex Food & Energy</i>	0.7%	0.9%	0.5%	8.9%	6.3%	4.0%
Energy	0.4%	-2.7%	6.9%	19.2%	25.7%	26.5%
Crude Goods	3.2%	-3.5%	9.6%	42.0%	50.4%	33.6%
<i>Ex Food & Energy</i>	6.0%	-0.6%	6.6%	59.1%	41.1%	44.8%
Energy	1.3%	-6.4%	16.8%	50.8%	73.1%	49.6%

Source: Bureau of Labor Statistics

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