First Trust DATAWATCH

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April Industrial Production / Capacity Utilization

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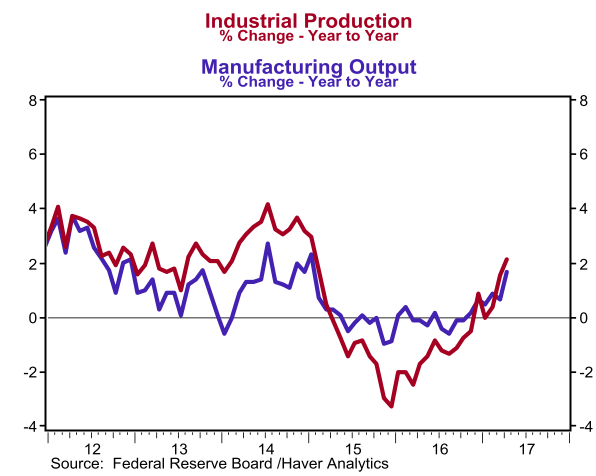
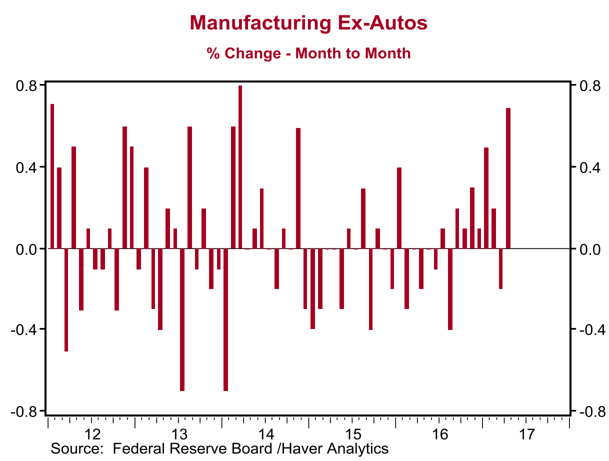
- Industrial production increased 1.0% in April, easily beating the consensus expected gain of 0.4%. Utility output rose 0.7%, while mining rose 1.2%.
- Manufacturing, which excludes mining/utilities, rose 1.0% in April (Including revisions to prior months, manufacturing increased 0.9%). Auto production rose 5.0% while non-auto manufacturing rose 0.7%. Auto production is up 4.0% versus a year ago while non-auto manufacturing is up 1.5%.
- The production of high-tech equipment fell 0.1% in April and is up 5.9% versus a year ago.
- Overall capacity utilization rose to 76.7% in April from 76.1% in March. Manufacturing capacity utilization rose to 75.9% in April from 75.2% in March.





Implications: Industrial production exploded to the upside in April, posting the largest one-month jump since February 2014. Production rose 1.0% in April and is now up 2.1% versus a year ago. The details of today's report were strong as well, with broad-based gains as opposed to all the strength coming from a single sector. Manufacturing, which excludes mining and utilities, rose 1.0% in April, also its largest jump since February 2014. The jump was due to both a 5.0% increase in the volatile auto sector as well as 0.7% gain in "core" industrial production, which is manufacturing excluding autos. In fact, April's gain in "core" industrial production was its strongest since 2014 as well. Despite the drop in March, this measure has been accelerating, up 2.8% at annual rate in the past three months versus just 1.5% in the past year. We think the acceleration in core production is, in part, a lagged effect of the rebound in oil prices, which adds to the production of equipment and materials used in the energy sector. Higher energy prices are also having a direct effect on mining, which has also been accelerating, up at a 19.9% annual rate the past three months versus 7.3% in the past year. Oil and gas-well drilling posted its eleventh consecutive gain in April, jumping 9%, and is now up at a massive 233% annual rate in the past three months. Based on other commodity prices, we think oil prices are just below "fair value" range, and with oil companies profitable at current prices mining should stay in recovery after the problems of the past two years. We expect solid growth in the year ahead, in part due to less weakness in foreign developed economies. In other recent news, the Empire State index, a measure of manufacturing sentiment in New York, fell unexpectedly to -1.0 in May from +5.2 in April, signaling a slight contraction in the factory sector in that region. Overall, though, expect continued national gains in the industrial sector.

Industrial Production Capacity Utilization *All Data Seasonally Adjusted*	Apr-17	Mar-17	Feb-17	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	**1.0%**	0.4%	0.2%	6.3%	3.7%	2.1%
Manufacturing	**1.0%**	-0.4%	0.2%	3.1%	3.2%	1.7%
Motor Vehicles and Parts	**5.0%**	-3.6%	1.2%	10.2%	2.5%	4.0%
Ex Motor Vehicles and Parts	**0.7%**	-0.2%	0.2%	2.8%	3.2%	1.5%
Mining	**1.2%**	-0.4%	3.8%	19.9%	11.9%	7.3%
Utilities	**0.7%**	8.2%	-5.2%	14.0%	-1.0%	-0.5%
Business Equipment	**1.2%**	-0.2%	0.0%	4.1%	3.5%	1.3%
Consumer Goods	**1.5%**	1.4%	-1.1%	7.5%	2.3%	1.3%
High-Tech Equipment	**-0.1%**	0.7%	-0.4%	0.3%	2.1%	5.9%
Total Ex. High-Tech Equipment	**1.1%**	0.4%	0.2%	6.8%	3.9%	2.2%
				3-mo Average	6-mo Average	12-mo Average
Cap Utilization (Total)	**76.7**	76.1	75.8	76.2	76.0	75.9
Manufacturing	**75.9**	75.2	75.6	75.6	75.4	75.2

Source: Federal Reserve Board

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.