

September Durable Goods

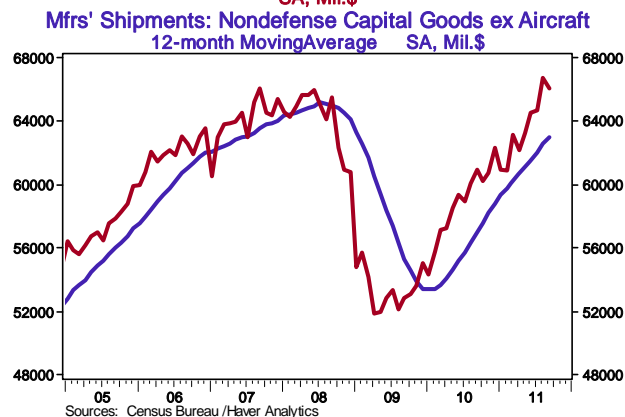
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- New orders for durable goods declined 0.8% in September versus a consensus expected -1.0%. Orders excluding transportation gained 1.7%, easily beating the consensus expected increase of 0.4%. Overall new orders are up 4.9% from a year ago, while orders excluding transportation are up 8.1%.
- The drop in overall orders was all due to the transportation sector, mainly aircraft and parts. Every other major category of orders increased in September.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.9% in September (-0.7% including upward revisions to August) but was up at a 16.7% annual rate in Q3 versus the Q2 average.
- Unfilled orders rose 0.8% in September and are up 7.6% from last year.

Manufacturers' New Orders: Durable Goods Excl Transportation
 SA, Mil.\$



Mfrs' Shipments: Nondefense Capital Goods ex Aircraft
 SA, Mil.\$



Implications: Forget about the headline drop in overall orders in September. It was all due to the transportation sector, which is extremely volatile from month to month. Every other major category of orders increased in September. Durables excluding transportation were up 1.7%. This is the largest gain in six months, showing the US is nowhere near a recession. Although shipments of “core” capital goods, which exclude defense and aircraft, were down 0.9% in September, the decline follows four straight monthly gains, including a sharp 3.1% jump in August. In the past three months, these shipments are up at a 10% annual rate. Moreover, orders for core capital goods hit a new all-time record high in September and are now fully recovered from the recession. In addition, unfilled orders for these goods are approaching a new record high. In other words, shipments of core capital goods are likely to remain strong. Corporate profits and cash on the balance sheets of non-financial companies are both at record highs. 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, which measures manufacturing activity in mid-Atlantic states, remained at -6 in October, the same as September. Last week, chain store sales were up 4.1% from a year ago according to Redbook Research, 2.4% according to the International Council of Shopping Centers. In other words, while consumer confidence plummets, consumer spending continues to grow.

Durable Goods <i>All Data Seasonally Adjusted</i>	Sep-11	Aug-11	Jul-11	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	-0.8%	-0.1%	4.2%	13.8%	3.1%	4.9%
Ex Defense	-1.1%	-0.3%	4.9%	14.5%	2.9%	6.6%
Ex Transportation	1.7%	-0.4%	0.8%	8.8%	7.2%	8.1%
Primary Metals	2.6%	0.1%	7.4%	48.3%	26.6%	30.8%
Industrial Machinery	1.8%	-2.1%	1.9%	6.4%	7.4%	10.7%
Computers and Electronic Products	1.0%	0.9%	-3.5%	-6.5%	3.3%	-7.5%
Transportation Equipment	-7.5%	0.6%	15.0%	31.0%	-8.2%	-3.7%
Capital Goods Orders	-1.3%	4.3%	3.1%	26.7%	7.7%	1.6%
Capital Goods Shipments	-1.0%	3.0%	0.7%	11.4%	7.2%	5.7%
Defense Shipments	0.5%	3.1%	-5.4%	-7.5%	-19.8%	-19.2%
Non-Defense, Ex Aircraft	-0.9%	3.1%	0.3%	10.0%	9.4%	8.4%
Unfilled Orders for Durable Goods	0.8%	0.8%	0.9%	10.5%	8.9%	7.6%

Source: Bureau of the Census

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