First Trust DATAWATCH

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June Durable Goods

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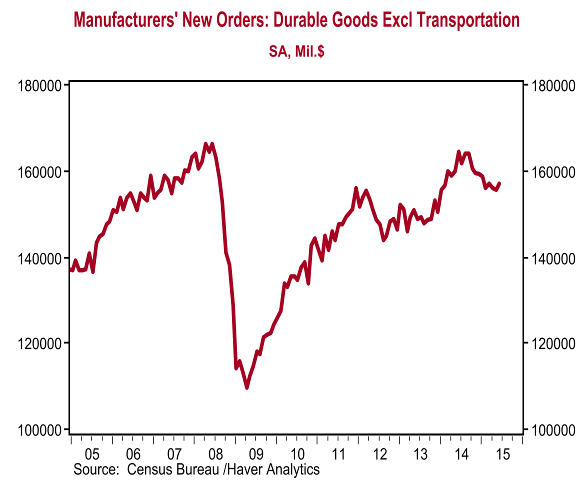
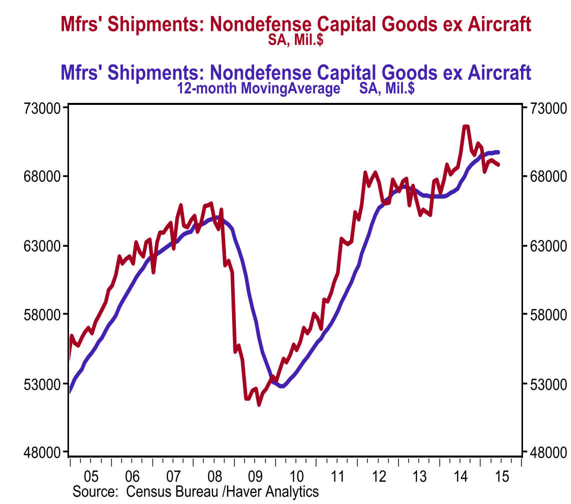
- New orders for durable goods rose 3.4% in June, coming in slightly above the consensus expected gain of 3.2%. Orders excluding transportation rose 0.8% in June, 0.7% including revisions to prior months, coming in higher than the consensus expected 0.5% gain. Orders are down 2.8% from a year ago while orders excluding transportation are down 4.5%.
- The increase in overall orders in June was almost all due to civilian aircraft.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.1% in June (-0.3% including revisions to prior months). These shipments were down at a 1.0% annualized rate in Q2 versus the Q1 average.
- Unfilled orders rose 0.1% in June and are up 4.7% from last year.

Implications: Don't get too excited about the big headline 3.4% gain in new orders for durable goods in June; the underlying details of the report were good, but not overwhelmingly so, signaling that the economy is still a Plow Horse. Although the increase in orders for durables was slightly stronger than the 3.2% the consensus expected, the gain was almost all due to the very volatile transportation sector, specifically a 66.1% jump in civilian aircraft orders, which brought the overall transportation sector up 8.9% in June. The good news was that orders excluding transportation rose 0.8% as most major categories showed small gains. Orders for durables have been facing downward pressure from the drop in energy prices since the middle of last year. But, we believe the worst is over in energy price declines, meaning an ease in the downward pressure from this sector on orders for durables outside the transportation sector. The worst news in the report was that "core" shipments, which exclude defense and aircraft, declined 0.1% in June and were down at a 1.0% annual rate in Q2 versus the Q1 average. Plugging these and other recent data into our models, we are forecasting real GDP grew at a 2.8% annual rate in Q2. Expect stronger gains in orders for durables in the year ahead. Consumer purchasing power is growing with more jobs and higher incomes, while debt ratios remain very low, leaving room for an upswing in big-ticket spending. Meanwhile, profit margins are high, corporate balance sheets are loaded with cash, and capacity utilization is near long-term norms, leaving more room (and need) for business investment.





Durable Goods *All Data Seasonally Adjusted*	Jun-15	May-15	Apr-15	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	**3.4%**	-2.1%	-1.7%	-2.2%	7.7%	-2.8%
Ex Defense	**3.8%**	-2.4%	-1.0%	0.9%	7.5%	-1.7%
Ex Transportation	**0.8%**	-0.1%	-0.6%	0.2%	-2.7%	-4.5%
Primary Metals	**-1.4%**	0.1%	0.6%	-2.6%	-13.6%	-12.9%
Industrial Machinery	**1.4%**	0.5%	0.2%	8.7%	-0.4%	-10.7%
Computers and Electronic Products	**0.2%**	0.8%	-3.3%	-9.0%	13.2%	3.7%
Transportation Equipment	**8.9%**	-6.1%	-4.0%	-7.0%	34.4%	0.9%
Capital Goods Orders	**8.1%**	-5.2%	-3.4%	-3.9%	21.8%	-5.6%
Capital Goods Shipments	**0.3%**	-0.9%	0.6%	-0.2%	-2.6%	1.7%
Defense Shipments	**3.8%**	0.9%	-1.9%	11.1%	-10.1%	6.3%
Non-Defense, Ex Aircraft	**-0.1%**	-0.3%	0.2%	-1.0%	-4.2%	0.3%
Unfilled Orders for Durable Goods	**0.1%**	-0.5%	-0.2%	-2.5%	-2.4%	4.7%

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.