

Mar 27, 2006

Monday Morning Outlook

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
3-28 / 1:00 pm	FOMC Meeting	4.75%	4.75%		4.50%
3-30 / 7:30 am	Q4 Real GDP: Final	+1.7%	+1.6%		+1.6%
	Q4 GDP Price Index: Final	+3.3%	+3.3%		+3.3%
	Initial Unemployment Claims	300K	296		302K
3-31 / 7:30 am	Feb Personal Income	+0.4%	+0.3%		+0.7%
	Feb Personal Consumption	0.0%	-0.3%		+0.9%
9:00 am	Feb Factory Orders	+1.5%	+1.6%		-4.5%
	Mar Chicago PMI	56.8	56.0		54.9

Pessimism, Optimism and Freedom

Ever since the current recovery began, a disconnect between the economy's performance and the public's perception of that performance has existed. Time has not closed this gap.

According to a survey sponsored by the American Research Group, taken between March 18th and 21st, only 40% of Americans rated the national economy as excellent, very good or good, while 59% thought it was bad, very bad or terrible.

When these very same people were queried about their own household finances, 65% said they were excellent, very good or good, while just 32% thought them bad, very bad, or terrible.

People seem to think they are doing well, but their neighbors are not. With unemployment down to 4.8%, the stock market up, interest rates low, incomes and wealth growing, and the economy expanding solidly, this divergence in opinion is hard to fathom.

Part of this disconnect is due to an unending onslaught of negative news about the economy. Certainly, there are some bad things happening. Hundreds of thousands of workers at auto and auto parts manufacturers face an uncertain future. These problems come on the heels of major problems at large US airlines. But, a great deal of the fear about our economy comes from a group we call the Pouting Pundits of Pessimism who see potential calamity behind every bush and around every corner.

Illegal immigration, low savings rates, bird flu, terrorism, foreign enmity of the US, slow wage growth, high energy prices,

Fed rate hikes, China, global warming, pension problems, budget deficits, and trade deficits are not an exhaustive list.

It is impossible to analyze each of these "issues" in such a short space. In brief, however, the last time we can remember so much negativity was in the early 1980s, when Japan and Germany were "stealing" all our manufacturing and pundits fretted constantly about deficits, savings and wage growth.

But, in the 1980s and 1990s, the US economy continued to grow much faster than other developed countries. The same is true today. The US is growing two or three times faster than Germany or France, a record number of people are employed in the US, average hourly earnings have expanded at a 4.8% annual rate in the past three months, and household wealth has hit an all-time high. Moreover, in February, the Federal Reserve's manufacturing output index rose to a record high – the US manufacturing sector has never produced more "stuff." China is not stealing all our manufacturing.

The data speak for themselves, but so do the polls and surveys. Despite a good economy, people are worried. The "old" ways of doing things are giving way to "new" ways. For many, these changes cause consternation and fear.

This is unfortunate. The US has been the world's most successful economy for nearly two centuries. The reason for this has been a focus on freedom. Immigration, free trade, low taxes and limited government interference are the signposts of this freedom. Any deviation from that path threatens that success.

Week of April 3, 2006

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
4-3 / 9:00 am	Feb Construction Spending	+0.4%	-0.4%		+0.2%
	Mar ISM Index	57.0	57.5		56.7
Sometime During	Mar Domestic Auto Sales	5.2M	+5.6M		+5.4M
the Day	Mar Domestic Light Truck Sales	7.5M	+7.8M		+7.8M
4-5 / 9:00 am	Mar ISM Non-Man Index	59.0	61.0		60.1
4-7 / 7:30 am	Mar Non-farm Payrolls	+200K	+205K		+243K
	Mar Manufacturing Payrolls	+1K	+6K		-1K
	Mar Unemployment Rate	4.8%	4.7%		4.8%
	Mar Average Hourly Earnings	+0.2%	+0.3%		+0.3%
	Mar Weekly Hours	33.8	33.8		33.7

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Consensus forecasts come from Insight Economics, LLC

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