

You Gotta Believe

The University of Missouri Tigers football team was 10-1 and ranked #4 in the country when they took the field Saturday night against their archrivals, the undefeated and #2 ranked Kansas Jayhawks. Kansas was favored in the game and Missouri's Heisman hopeful QB Chase Daniel was an enigma to the national press. Despite having two tight-ends that are legitimate first-round draft picks and a freshman wide receiver who is setting records for total offense (in the powerful Big 12 no less), the game's announcers seemed to be taking Kansas' favored status far too seriously.

Slowly but surely, as the Tigers and Daniel's skills were revealed, you could feel the announcers doubt turning to belief. When the final whistle was blown, with Missouri on top, the accolades for this great team flowed freely.

We believe the same will hold true for the US economy. It has been belittled and maligned for years now, with the negativity ratcheting up to thunderous levels in recent months, especially as it relates to consumer spending. BusinessWeek's cover story this week shows a battered shopping cart up on cement blocks.

Despite all this pessimism, early holiday shopping reports show little reason to fear the Grinch. One widely-reported data set was very strong, while a poll of consumers was somewhat weak. We think there are solid reasons to put our chips on the report showing consumer strength.

According to ShopperTrak RTC Corp, sales at 50,000+ shopping centers and malls across the country were up 8.3% on "Black Friday" (the day after Thanksgiving) versus the same day last year. Black Friday sales totaled \$10.3 billion this year versus \$9.5 billion last year. When Saturday is included, sales were up 7.2%. And according to

ComScore Ince, a Reston, Virginia based firm, Thanksgiving Day purchases via the internet were up 29% versus last year, while Black Friday Internet sales were up 22%.

On the negative side, the National Retail Federation commissioned a poll of about 2,400 consumers nationwide, conducted Thursday through Saturday, and found that the *average* consumer said they were spending 3.5% less this holiday weekend than during the same period in 2006.

We find this dubious. First, the same poll said store visits were up 4.8% versus last year. Second, common sense suggests the kind of people willing to answer a poll on Thanksgiving do not reflect the typical American consumer, most of whom had better things to do that day. And third, if more people were shopping this past weekend than the same weekend last year, some marginal shoppers might have driven down the *average* purchase per customer while still driving the total level of purchases upward.

It's also important to keep in mind the mix of purchases consumers are making. Although overall inflation is already too high and rising, certain sectors are experiencing deflation – think flat-screen TVs and GPS units. If that's what consumers have been buying, then the growth of inflation-adjusted (real) purchases is stronger than the raw dollar figures suggest.

The unemployment rate is still just 4.7%. Moreover, wages and salaries are up 7.1% in the past year, while consumption is up just 5.6%. The economy is in much better shape than the pessimists will have you believe. So, don't be surprised when the final whistle sounds on holiday shopping, and the data show that the US consumer is still alive and well. After all, the announcers don't always get it right.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
11-28 / 7:30 am	Durable Goods – Oct	+0.4%	+1.4%		-1.7%
7:30 am	Durable Goods (Ex-Trans) - Oct	+0.3%	+0.4%		+0.3%
9:00 am	Existing Home Sales - Oct	5.000 Mil	5.000 Mil		5.040 Mil
11-29 / 7:30 am	Q3 GDP Preliminary	4.8%	5.1%		3.9%
7:30 am	Q3 GDP Chain Price Index	0.8%	0.8%		0.8%
7:30 am	Initial Claims - Nov 24	332 K	330 K		330 K
9:00 am	New Home Sales - Oct	0.750 Mil	0.766 Mil		0.770 Mil
11-30 / 7:30 am	Personal Income – Oct	+0.4%	+0.4%		+0.4%
7:30 am	Personal Spending - Oct	+0.3%	+0.4%		+0.3%
8:45 am	Chicago PMI – Nov	50.5	48.8		49.7
9:00 am	Construction Spending - Oct	-0.2%	-0.4%		+0.3%