First Trust
Monday Morning OUTLOOK
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The "V" Is Complete

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Back in March 2009, we started writing and talking about a "V" shaped recovery. Our thinking was pretty simple. We believed the US economy experienced a "panic" for the first time since 1907.

We thought the Panic of 2008/09 was caused by government policy mistakes, not a breakdown of the capitalist system. Specifically, we don't believe the bubble in housing would have happened if the Greenspan Fed had not pushed interest rates down to 1% in 2003/04. And, yes, Fannie, Freddie and the Community Reinvestment Act played a role, too.

But the biggest problem was overly strict mark-to-market accounting rules (M2M) which acted like an accelerant for the crisis. They turned what was probably a $400 - $500 billion bad loan fire into a multi-trillion dollar inferno. And then instead of fixing the bad accounting rule, the government tried to fill the gaping hole itself – with TARP and Quantitative Easing (QE). In other words, while many saw "market failure" and a "government fix," we saw "government failure" compounded by "policy mistakes."

As a result, we thought once the accounting rule was fixed the economy would bounce back rather nicely. It was not a surprise that the market fell nearly 40% after TARP and QE were put in place, but finally bottomed when investors realized in March 2009 that M2M rules would be fixed.

The conventional wisdom does not see the world this way. Many are convinced the Great Recession really never ended and any good data or market rebound is the result of a "sugar high" – created by easy Fed policy and government stimulus.

We don't believe this. Excess government spending harms economic growth and QE has ballooned the Fed's balance sheet, but not the M2 money supply.

In other words, what government has done to boost growth is less effective than many believe. More importantly, because the entrepreneurial spirit is still alive and well in America – a wave of new technology – the Cloud, Smartphone, Tablet, Fracking, and 3-D printing – is boosting growth and creating record levels of profits.

It's what we call The Plow Horse Economy. New technology is boosting growth while government policy mistakes create headwinds.

The entrepreneur is winning. And, last week, the S&P 500 reached an all-time record high close – in other words, the right hand side of the V has been finished off.

Some call it a new normal, others a sugar high, while still others are convinced that it's all just a new bubble. We think the growth is "real" and the entrepreneur is the hero.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
4-1 / 9:00 am	ISM Index – Mar	54.0	**53.6**	51.3	54.2
9:00 am	Construction Spending – Feb	+1.0%	**+1.0%**	+1.2%	-2.1%
afternoon	Total Car/Truck Sales – Mar	15.3 Mil	**15.5 mil**		15.3 Mil
afternoon	Domestic Car/Truck Sales - Mar	12.0 Mil	**12.2 Mil**		11.9 Mil
4-2 / 9:00 am	Factory Orders – Feb	+2.9%	**+2.9%**		-1.5%
4-3 / 9:00 am	ISM Non Mfg Index – Mar	55.8	**56.4**		56.0
4-4 / 7:30 am	Initial Claims - Mar 30	354K	**347K**		357K
4-5 / 7:30 am	Non-Farm Payrolls - Mar	200K	**200K**		236K
7:30 am	Private Payrolls – Mar	205K	**210K**		246K
7:30 am	Manufacturing Payrolls – Mar	10K	**10K**		14K
7:30 am	Unemployment Rate – Mar	7.7%	**7.7%**		7.7%
7:30 am	Average Hourly Earnings – Mar	+0.2%	**+0.2%**		+0.2%
7:30 am	Average Weekly Hours – Mar	34.5	**34.5**		34.5
7:30 am	Int'l Trade Balance – Feb	-$44.7 Bil	**-$45.0 Bil**		-$44.4 Bil
2:00 pm	Consumer Credit– Feb	$15.0 Bil	**$17.0 Bil**		$16.2 Bil