

## It's a Self-Sustaining Recovery

In the four months between June and October, retail sales surged 10.2% at an annual rate and are up 7.3% over the past 12 months. Still, consumers get no respect from the majority of analysts and economists, who during the summer and early fall, could not stop talking about a double dip recession.

But instead of going wobbly, consumers seem to be standing strong. ComScore says online sales versus last year were up 28% on Thanksgiving Day, 9% on Black Friday, and 13% so far in November. Coremetrics, another online data gatherer, reports sales from Thanksgiving Day thru Saturday are up 14%. The National Retail Federation (NRF) reported 8.7% more people visited stores this year versus last year and the average shopper spent 6.4% more than a year ago.

The only report that was “remotely negative” came from ShopperTrak (and its network of 70,000 US malls) – sales were up 0.3% versus a year ago. However, the ShopperTrak data have a weakness - free-standing big box stores are not classified as malls. Clearly, this could lead to underestimating sales.

Meanwhile, more data is coming this week. Car and light truck sales probably totaled more than 12-million at an annual rate for the second month in a row – the fastest pace since September 2008, except for during “cash-for clunkers.”

This is not just “pent-up demand.” Nor is it a “new normal.” The surge in consumer spending has its roots in

improving fundamentals. Private sector wages and salaries are up 4% in the past year and small business income is up 5.8%. Productivity is boosting incomes for workers and companies.

In addition, the jobs picture is steadily getting brighter, with private sector payrolls up an average of 106,000 per month over the past six months. At 407,000, initial jobless claims have fallen to their lowest level in years, which points to continued improvement in payroll growth.

Meanwhile, consumers are still paying down debts, but they are doing it more slowly, leaving more money to spend than a year ago. And the share of after-tax earnings that households need to service their debts and make other recurring payments (rent, car leases, property taxes, etc.) has fallen below its long-run average and will soon be back to 1995 levels.

As we have said over-and-over again, things are far from perfect. Unemployment is still too high, government growth is creating uncertainty, the financial situation in Europe seems precarious, and fear seems to be an investment strategy. Nonetheless, a self-sustaining recovery is underway.

The Fed is easy, productivity is strong, the “panic” is over, and government policy (in the US and abroad) has taken a turn for the better. As a result, economic growth will surprise to the upside. As this strength becomes more self evident, confidence in equity markets will grow. Look out above.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
11-30 / 8:45 am	Chicago PMI - Nov	60.0	<b>62.1</b>		60.6
9:00 am	Consumer Confidence - Nov	52.6	<b>53.9</b>		50.2
12-1 / 7:30 am	Q3 Non-Farm Productivity	+2.3%	<b>+1.9%</b>		+1.9%
7:30 am	Q3 Unit Labor Costs	-0.2%	<b>0.0%</b>		-0.1%
9:00 am	ISM Index - Nov	56.5	<b>56.6</b>		56.9
9:00 am	Construction Spending - Oct	-0.4%	<b>+0.4%</b>		+0.5%
<i>sometime</i>	Domestic Auto Sales - Nov	3.7 Mil	<b>3.7 Mil</b>		3.7 Mil
<i>during the day</i>	Domestic Truck Sales - Nov	5.1 Mil	<b>5.4 Mil</b>		5.4 Mil
7:30 am	Initial Claims - Nov 27	425K	<b>412K</b>		407K
12-5 / 7:30 am	Non-Farm Payrolls - Nov	+145K	<b>+168K</b>		+151K
7:30 am	Private Payrolls - Nov	+155K	<b>+188K</b>		+159K
7:30 am	Manufacturing Payrolls - Nov	+1K	<b>+9K</b>		-7K
7:30 am	Unemployment Rate - Nov	9.6%	<b>9.6%</b>		9.6%
7:30 am	Average Hourly Earnings - Nov	+0.2%	<b>+0.2%</b>		+0.2%
7:30 am	Average Weekly Hours - Nov	34.3	<b>34.3</b>		34.2
9:00 am	Factory Orders - Oct	-1.1%	<b>-1.4%</b>		+2.1%
9:00 am	ISM Non-Man. - Nov	54.8	<b>55.2</b>		54.3