Monday Morning Outlook

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Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
2-14 / 7:30 am	Dec Business Inventories	+0.5%	+0.5%		+0.5%
	Jan Retail Sales	+0.8%	+1.0%		+0.7%
	Jan Retail Sales Ex Autos	+0.8%	+0.8%		+0.2%
2-15 / 7:30 am	Feb NY Fed Survey	18.0	21.0		20.1
8:15 am	Jan Industrial Production	+0.2%	+0.4%		+0.6%
	Jan Capacity Utilization	80.8%	80.9%		80.7%
9:00 am	Bernanke Humphrey Hawkins Testimony				
2-16 / 7:30 am	Jan Import Prices	+0.9%	+1.0%		-0.2%
	Jan Export Prices	+0.3%	+0.3%		+0.1%
	Jan Housing Starts	2.00M	2.00M		1.93M
	Initial Unemployment Claims	285K	270K		275K
11:00 am	Feb Philly Fed Survey	8.5	9.0		3.3
2-17 / 7:30 am	Jan PPI	+0.2%	+0.6%		+0.9%
	Jan "Core" PPI	+0.2%	+0.3%		+0.1%

Greenspan Casts a Shadow

Last week, for the first time since early 1987, Alan Greenspan was a private economic consultant. For a reported $250,000 honorarium, he spoke at a very private Lehman Brothers gathering. According to press reports, someone who was not in attendance told someone else that Greenspan warned his hosts that markets were underestimating future rate hikes.

While we agree with this forecast, we seriously doubt that the Chairman did any such thing. Fed officials are morally (if not legally) responsible for keeping insider knowledge confidential. Alan Greenspan is a man of integrity and it would be highly unusual for him to break precedent.

This does not mean that a participant in the meeting did not walk away with this interpretation. Any comments about a strong economy, or the potential for rising inflation, would obviously be taken as a sign that rates could continue to move higher. But, we have seen top business reporters write completely divergent headlines to describe a Greenspan appearance in front of Congress – where questions are asked and answered in an attempt to clarify his views. In other words, there is no guarantee that the interpretation is correct.

The big difference in this meeting was that the views were paid for with real money, the participants in the meeting were not preening for the cameras, and tough questions were probably asked. There was no political agenda.

All of this aside, some are trying to make a case that Greenspan's comments are undermining the new Fed Chairman, Ben Bernanke. While we think this line of thought is a real stretch, we have no doubt that there are many current members of the Fed who are fearful of having their thoughts compared to those of Greenspan.

Nonetheless, as long as he is not getting inside information from old friends at the Fed, each day that passes will diminish his value as an indicator of actual Fed thought processes. Alan Greenspan no longer has his finger on the trigger, Ben Bernanke and the FOMC do.

But all of this highlights a real problem with the Fed as it currently operates. While being lauded for greater transparency, the Fed is just as opaque as it always has been. On occasion, the Fed may know something that the rest of us don't – like the trading positions of a hedge fund that is on the verge of collapse, or what a piece of data will show 24 or 48 hours in advance. But very rarely would these tidbits of information truly alter the course of monetary policy. In other words, the Fed does not know much that the private sector doesn't.

The hoopla over what Mr. Greenspan did or did not say would not matter if the Fed were truly transparent. Televising meetings or providing full transcripts as soon as practically possible would end the guessing game and limit volatility in the markets.

Week of February 20, 2006

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
2-21 / 9:00 am	Jan Leading Indicators	+0.4%	+0.3%		+0.1%
2-22 / 7:30 am	Jan CPI	+0.5%	+0.4%		-0.1%
	Jan "Core" CPI	+0.2%	+0.2%		+0.2%
2-24 / 7:30 am	Jan Durable Goods	-1.0%	+0.2%		+1.8%

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