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FIRST Trust ADVISORS L.P.

Mar 13, 2006

Monday Morning Outlook

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
3-14 / 7:30 am	Jan Business Inventories	+0.3%	+0.3%		+0.7%
	Feb Retail Sales	-0.8%	-1.0%		+2.3%
	Feb Retail Sales Ex Autos	-0.4%	-0.4%		+2.2%
3-15 / 7:30 am	Mar Empire State Mfg Survey	18.8	19.0		20.3
	Feb Import Prices	-0.4%	-1.0%		+1.3%
	Feb Export Prices	+0.1%	+0.3%		+0.7%
1:00 pm	Fed Beige Book				
3-16 / 7:30 am	Feb CPI	+0.1%	0.0%		+0.7%
	Feb “Core” CPI	+0.2%	+0.3%		+0.2%
	Feb Housing Starts	2.10M	2.10M		2.28M
	Initial Unemployment Claims	295K	295K		303K
3-17 / 8:15 am	Feb Industrial Production	+0.7%	+0.9%		-0.2%
	Feb Capacity Utilization	81.4%	81.5%		80.9%

The Real Threats to the Economy

The current recovery began in November 2001 and is 52 months old. Growth in the first 18 months of the recovery was anemic, with real GDP rising just 2.1% at an annual rate. Ever since the May 2003 tax cut, however, the economy has boomed and real GDP has grown at an average annual rate of 3.9%.

Business investment in equipment and software fell an annualized 1.4% during the first 1 ½ years of the current recovery. Since the tax cut, equipment and software investment has accelerated to an 11.1% annualized rate.

Between November 2001 and May 2003, non-farm payrolls contracted by an average of 58,000 jobs per month. In the past 12 months, the average gain is 171,000 new jobs, while in the past 4 months, payrolls have added 228,000 per month.

Despite this convincing evidence that the tax cut worked, and that the economy has consistent and robust forward momentum, there are still many who feel as if this economic recovery is fragile.

The laundry list of worries is long: High and rising energy prices, a large and growing trade deficit, budget deficits, rising interest rates, a slowdown in housing, consumer debt levels, layoffs, and pension problems make up part of the list.

But, none of these so-called problems has ever killed a recovery in the past, despite the fact that they have been feared for a very long time.

Our forecasting methodology concludes that there are really only four threats to the economy that investors should worry about: 1) Tax hikes. 2) Protectionism. 3) Government spending and regulation. 4) Bad monetary policy.

Right now, monetary policy is not a threat. We continue to believe that a neutral federal funds rate is near 5.5% and we doubt the Fed will push rates beyond that level. However, the economy could be hurt either way – if the Fed tightens too much, or does not tighten enough.

Tax policy is in good shape, at least through 2008. While an extension to the current 15% investment tax rates is important, as long as the low tax rates are in place the economy will do fine.

On the other hand, rising government spending and expanding regulation are a burden on the economy. Protectionist sentiment is also on the rise.

Currently, low tax rates and a reasonable Fed policy outweigh any negatives from the other threats and we continue to forecast strong economic growth well into 2007. For any change to this forecast, look to the four threats, not a laundry list of fears.

Week of March 20, 2006

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
3-21 / 7:30 am	Feb PPI	-0.1%	-0.2%		+0.3%
	Feb “Core” PPI	+0.2%	+0.2%		+0.4%
3-22 / 9:00 am	Feb Existing Home Sales	6.63M	6.50M		6.56M
3-23 / 7:30 am	Feb Durable Goods Orders	+1.0%	+0.5%		-9.9%
9:00 am	Feb New Home Sales	1.25M	1.200M		1.233M

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Consensus forecasts come from Insight Economics, LLC