

May 1, 2006

Monday Morning Outlook

Date/Time (CDT)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
5-1 / 7:30 am	Mar Personal Income	+0.4%	+0.4%	+0.8%	+0.3%
	Mar PCE	+0.4%	+0.5%	+0.6%	+0.3% - r
9:00 am	Mar Construction Spending	+0.4%	+0.3%	+0.9%	+1.0% - r
	Apr ISM Manufacturing Index	55.0	56.0	57.3	55.2
Sometime During	Apr Domestic Auto Sales	5.4M	5.4M		5.3M
the Day	Apr Domestic Light Truck Sales	7.7M	7.6M		7.7M
5-2 / 9:00 am	Mar Factory Orders	+2.6%	+2.8%		+0.2%
	Apr ISM Non-Manu Index	59.3	61.0		60.5
5-4 / 7:30 am	Q1 Productivity	+2.9%	+3.4%		-0.5%
	Q1 Unit Labor Costs	+1.3%	+1.5%		+3.3%
	Initial Unemployment Claims	308K	300K		315K
5-5 / 7:30 am	Apr Non-Farm Payrolls	+200K	+205K		+211K
	Apr Manufacturing Payrolls	0K	+5K		-5K
	Apr Unemployment Rate	4.7%	4.6%		4.7%
	Apr Average Hourly Earnings	+0.3%	+0.3%		+0.2%
	Apr Weekly Hours	33.8	33.9		33.8

The Boom Continues

Despite a great deal of pessimism, the US economy is booming. Real GDP grew by 4.8% in the first quarter, while “core” real GDP (consumer spending plus fixed investment) expanded at a 6.4% annualized rate. Excluding the volatile transportation sector, durable goods new orders surged 2.8% in March and are up 9.6% in the past year. Sales of both new and existing homes exceeded expectations in March, while commercial and industrial loans have expanded at a 14.5% annual rate during the first three months of 2006. For April, Wal-Mart blew away expectations and reported 6.8% same-store sales increases.

The reasons for this boom are entirely understandable. First, the US is experiencing an unprecedented period of productivity growth as technology proliferates. Second, tax rates on long-term capital gains and qualified dividends were dialed back to 15% in May 2003 – which turned on the entrepreneurial spirit almost instantaneously. Third, monetary policy remains accommodative, a fact that has been widely, and wildly, underappreciated.

Even though most people think of the Fed in terms of interest rates, in reality the Federal Reserve only controls one policy tool – money. When the Fed adds money to the economy, the *Week of May 8, 2006*

Date/Time (CDT)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
5-10 / 1:15 pm	FOMC Meeting	5.0%	5.0%		4.75%
5-11 / 7:30 am	Mar Business Inventories	+0.4%	+0.3%		0.0%
	Apr Retail Sales	+0.5%	+0.4%		+0.6%
	Apr Retail Sales Ex Autos	+0.4%	+0.4%		+0.4%
5-12 / 7:30 am	Apr Import Prices	+0.8%	+1.1%		-0.4%
	Apr Export Prices	+0.1%	+0.3%		+0.2%
	Mar Trade Balance	-\$68.0B	-\$67.0B		-\$65.7B

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Consensus forecasts come from *Insight Economics, LLC*

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Bill Mulvihill; Senior Economist