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First Trust

Dec 1, 2008

Monday Morning Outlook

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Black Friday Shoppers Signal Consumer Hopefulness

The current recession is unlike any other in the last couple of generations. Usually recessions happen because monetary policy gets tight or tax rates go up. Sometimes, like in the Great Depression, rising trade barriers lead to a contraction in economic growth.

This time around, the recession is not due to tight monetary policy, higher tax rates, or protectionism. It's due to a sudden and sharp plunge in the velocity of money – what we have been calling "risk aversion hysteria" – where the speed with which money moves its way through the economy slows down as both consumers and businesses decide they want to increase their cash holdings.

Idiotic mortgage loans started the financial fire and overly stringent mark-to-market accounting rules acted as an accelerant, forcing financial firms to write down the value of their assets even when underlying mortgage cash flows are likely to grossly exceed fire-sale prices for mortgage securities.

But fresh data on what's been happening on Main Street the past few days suggest the plunge in velocity may be either coming to an earlier end than most analysts expected or perhaps velocity may even be accelerating.

The National Retail Federation (NRF) says the number of shoppers either in stores or accessing on-line retailers, from Black Friday through yesterday, was up 17% versus last year and that the average amount spent was up 7.2%. According to the NRF, shoppers were busy buying up clothes and electronics. Meanwhile, ShopperTrak, which monitors sales at shopping centers and malls around the country, says Black Friday sales were up 3% versus last year.

Obviously, these figures should be greeted with caution. The NRF numbers are based on a poll of consumers, not actual sales volumes, and the ShopperTrak data is for Black Friday only. It is plausible that, with relatively few shopping days this year between Thanksgiving and Christmas, consumers are buying more on a *per day* basis but will not buy more during the holiday season as a whole.

However, going into Black Friday, retailers and analysts were overwhelmingly bearish, compounding the doom-and-gloom outlook pervading the media and much of the investing public. Now, consumers, who usually lag other economic indicators, may be an early sign that the bearishness went way too far.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
12-1 / 9:00 am	ISM Index - Nov	37.0	**37.1**	36.2	38.9
9:00 am	Construction Spending - Oct	-1.0%	**-0.9%**	-1.2%	-0.3%
12-2 / *sometime*	Domestic Auto Sales - Nov	3.8 Mil	**3.9 Mil**		3.8 Mil
during the day	Domestic Truck Sales - Nov	4.0 Mil	**4.0 Mil**		4.1 Mil
12-3 / 7:30 am	Q3 Non-Farm Productivity	+0.9%	**+0.9%**		+1.1%
7:30 am	Q3 Unit Labor Costs	+3.6%	**+2.7%**		+3.6%
9:00 am	ISM Non-Man. - Nov	42.0	**41.7**		44.4
12-4 / 7:30 am	Initial Claims - Nov 29	540K	**527K**		529K
9:00 am	Factory Orders - Oct	-4.5%	**-3.9%**		-2.5%
12-5 / 7:30 am	Non-Farm Payrolls - Nov	-325K	**-255K**		-240K
7:30 am	Unemployment Rate - Nov	6.8%	**6.6%**		6.5%
7:30 am	Average Hourly Earnings - Nov	+0.2%	**+0.2%**		+0.2%
7:30 am	Manufacturing Payrolls - Nov	-80K	**-93K**		-90K
7:30 am	Average Weekly Hours - Nov	33.6	**33.6**		33.6
2:00 pm	Consumer Credit - Oct	$1.5 Bil	**$0.9 Bil**		$6.9 Bil