

All Aboard the V-Train

Eighteen months ago, as the Panic of 2008 took hold, we found ourselves almost alone. We believed in a V-shaped economic recovery ([Expect a V-Shaped Recovery: 10/20/08](#)). Some argued that we were just talking our book (First Trust manages/supervises more than \$30 billion in assets), many said we didn't understand the depth of the financial crisis, while still others thought we were plain nuts.

It was lonely then, but not anymore. The V-train is gathering more passengers. As the economic data clearly traces out a V-shaped recovery, some previously skeptical pundits are standing on the platform (or at least the TV screen) shouting "all aboard" as often as they can. Others are slowly raising their forecasts of growth, even job growth. The New York Times asserts "the economy appears to be in a cyclical recovery that is gaining strength." There are lots of seats on the train, so everyone should come aboard.

But some who didn't get on board last year, just can't seem to make the leap. One forecaster, who never believed in the "V" – in fact never believed in any recovery at all – recently said, the V-shaped recovery is "over." We'll take this as a backhanded method of saying our forecast has been right.

Another, who originally forecast a slow, new-normal-type recovery, rebuffed a recent accusation that he was bearish by saying, "I think we are in a...I think our recovery is strengthening and will be a strong one." In other words, he wants to get on the train, but doesn't like its name. He just can't bring himself to say "V."

That's OK: There is still upside to the economy and the equity markets, so all this spreading cheer and optimism will hopefully convince more people to get on board.

Unfortunately, there is a group of people who still haven't arrived at the station – mostly because they confuse politics with economic forecasting. Many Republicans and quite a few conservative television commentators are still trying to use the Clinton/Carville method of winning elections – "It's the Economy, Stupid." As a result, they keep telling anyone who will listen that the Obama agenda is going to kill the economy – RIGHT NOW.

But they will be wrong. It is true that more government spending and regulation, higher taxes, and government mandates will erode growth in the future. And it is true that recent growth in government will make it less likely the US will be the home of the next Apple iPad-type device. The fact of the matter is that big government and high tax rates hurt the entrepreneurial spirit and slow economic activity (see growth in Europe versus the US).

But arguing that this recovery is not happening is a losing proposition. It is happening; And it's V-shaped. We expected a V-shaped recovery as the panic ended, as monetary velocity returned and because Fed policy was easy.

Government spending has hindered, but not killed, the recovery. Recoveries happen. This one would be stronger if government had not wasted so many resources. Nonetheless, the V-train is on the tracks. All Aboard!!!

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
4-13 / 7:30 am	Int'l Trade Balance - Feb	-\$38.5 Bil	-\$35.8 Bil		-\$37.3 Bil
7:30 am	Import Prices - Mar	+1.0%	+0.9%		-0.3%
7:30 am	Export Prices - Mar	+0.4%	+0.2%		-0.5%
4-14 / 7:30 am	CPI - Mar	+0.1%	+0.2%		0.0%
7:30 am	"Core" CPI - Mar	+0.1%	+0.1%		+0.1%
7:30 am	Retail Sales - Mar	+1.2%	+2.1%		+0.3%
7:30 am	Retail Sales Ex-Autos - Mar	+0.5%	+1.2%		+0.8%
7:30 am	Business Inventories - Feb	+0.4%	+0.5%		+0.0%
4-15 / 7:30 am	Initial Claims - Apr 10	440K	450K		460K
8:15 am	Industrial Production - Mar	+0.8%	+1.1%		+0.1%
8:15 am	Capacity Utilization - Mar	73.3%	73.5%		72.7%
9:00 am	Philly Fed Survey - Apr	20.0	20.0		18.9
4-16 / 7:30 am	Housing Starts - Mar	0.610 Mil	0.650 Mil		0.575Mil