First Trust
Monday Morning OUTLOOK
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Is QE Really THAT Important?

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As the Chicago Blackhawks started their seven game conference championship (final four) series with the Los Angeles Kings, the national sports punditry had decided it was going to be hard for the Hawks to advance to the final round of Stanley Cup play.

LA is just too big and punishing, they said. In Biblical terms (as in Numbers 13), the punditry had crossed over into the Promised Land, taken one look at the giants over there and decided it was too scary to go fight them.

In the more mundane world of hockey, thank goodness the players didn't listen to the fearful punditry. The Blackhawks have dominated – winning both games by a combined score of 6-3. As of right now, it is hard to imagine the series going more than five games. Chicago is faster and deeper than LA and Chicago's goal tending is better.

The same thing is happening in the economy. The punditry has decided that anything good happening is actually bad. It is all just a sugar high – based on Quantitative Easing and government stimulus – and that talk of winding down or tapering QE is negative. So the latest fear is that any good data on growth is actually bad, because it means the Fed will wind down QE. They say "the economy can't possibly grow on its own – without support from the Fed and Ben Bernanke."

But the Fed did not invent fracking, or the cloud, or the smartphone, or 3-D printing. QE has not lifted Price-to-Earnings ratios. Corporate profits, which the Fed does not control, have risen in tandem with stock prices.

Yet, every time equities sell off, as they did last Friday, when the Dow Jones Industrial Average fell 209 points and the S&P 500 dropped 23.7, or 1.4%, the punditry said it was a clear sign that the "sugar high" of QE was losing its magic and that equities couldn't possibly keep rising if tapering was on its way.

But, with all of this, we still view the world in the same way we have for the past four years. A "V-shaped" recovery has now given way to a "checkmark" recovery. The right side is longer and higher than the left side. The declines due to the crisis are behind us and cyclical stocks are starting to lead the market; QE is not the driving force behind these gains and the end of QE will not bring them to an end.

Stay confident, believe in the underlying technology and fundamentals and don't let the punditry put fear in your heart by saying the good times cannot possibly last or be true.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
6-3 / 9:00 am	ISM Index – May	51.0	**51.9**	49.0	50.7
9:00 am	Construction Spending – Apr	+0.9%	**+1.1%**	+0.4%	-1.7%
afternoon	Total Car/Truck Sales – May	15.1 Mil	**15.1 Mil**		14.9 Mil
afternoon	Domestic Car/Truck Sales – May	11.9 Mil	**12.0 Mil**		11.7 Mil
6-4 / 7:30 am	Int'l Trade Balance – Apr	-$41.0 Bil	**-$40.8 Bil**		-$38.8 Bil
6-5 / 7:30 am	Q1 Non-Farm Productivity	+0.6%	**+0.4%**		+0.7%
7:30 am	Q1 Unit Labor Costs	+0.5%	**-1.5%**		+0.5%
9:00 am	Factory Orders – Apr	+1.5%	**+1.4%**		-4.9%
9:00 am	ISM Non Mfg Index – May	53.5	**54.2**		53.1
6-6 / 7:30 am	Initial Claims - Jun 1	345K	**347K**		354K
6-7 / 7:30 am	Non-Farm Payrolls – May	167K	**167K**		165K
7:30 am	Private Payrolls – May	178K	**174K**		176K
7:30 am	Manufacturing Payrolls – May	3K	**1K**		0K
7:30 am	Unemployment Rate – May	7.5%	**7.5%**		7.5%
7:30 am	Average Hourly Earnings – May	+0.2%	**+0.2%**		+0.2%
7:30 am	Average Weekly Hours – May	34.5	**34.5**		34.4
2:00 pm	Consumer Credit– Apr	$13.4 Bil	**$16.5 Bil**		$8.0 Bil