First Trust
Monday Morning OUTLOOK
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Consumers Stay Strong

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It's that time of the year again. Holiday sales data show surging online sales while foot traffic at brick and mortar stores remains tepid. If you have a sense of déjà vu, it's because you heard the same stories last year.

Black Friday had a 23.6% increase in online sales this year, according to Adobe Analytics, which tracks sales at 80 of the top 100 internet retailers, with one-third of the sales via mobile devices – that's up from 29.6% in 2017. Looks like more people are getting comfortable with making buying decisions on the go rather than at a desk.

Online sales on Thanksgiving Day itself were up 28%, while the average online order is up 8.5% this year to $146. So, we're getting both more orders and orders for bigger-ticket items. Many of those orders are picked up in stores.

Meanwhile, according to ShopperTrak, foot traffic at brick-and-mortar stores was down 1.0% this year on Thanksgiving and Black Friday, combined. However, that's smaller than the 1.6% decline on the same days last year.

Look, you could spin this data anyway you like, but instead of getting bogged down in the day-to-day figures, we like to focus on fundamentals, and those fundamentals are very strong. Total retail sales are likely to be up 6%+ this year over last year. That's very strong.

The unemployment rate is 3.7%, the lowest since the NY Jets were reigning Super Bowl champs in 1969, and trending lower. Yes, the participation rate – the share of adults who are either working or looking for work – is hovering at levels lower than in the 1980s, 1990s, or 2000s. But the participation rate is higher than it was in the 1960s, back when many say the economy was at "full employment."

The "U-6" unemployment rate, sometimes referred to as the "true unemployment rate," which includes discouraged workers and those working part-time who say they want full-time jobs, is 7.4% right now. That rate was lower from late 1999 to early 2001 at the peak of the original internet boom, bottoming at 6.8%. So, by that standard the economy could be doing better. But the gap between 7.4% and 6.8% is relatively small in a data sense, and a huge decline from the peak in 2010 of 17.1%. In other words, the labor market has improved markedly on all fronts. And, remember 6.8% was the lowest level recorded at the peak of the 1990s boom; the current expansion is still intact, with the peak potentially years away.

Another key fundamental pointing towards the positive is the acceleration of wage growth, with average hourly earnings up 3.1% from a year ago, the fastest growth since 2009. Meanwhile the employment cost index, an alternative measure of worker compensation, is up 2.8% from a year ago, also the largest increase since 2009. And don't let anyone tell you that this just shows the "rich getting richer." The fastest gains in weekly earnings are being made near the bottom of the income spectrum, not the top.

In addition, gas prices are down. Remember how concerned demand-side economists get whenever gas prices go up? They look at it like a tax hike. But now gas prices have dropped and we notice barely a peep about how this will lift purchasing power for consumers.

As of mid-year, household debts were the lowest relative to household assets since the mid-1980s. Meanwhile, financial obligations – think debt service on consumers' loans plus recurring payments like rent, car leases, homeowners' insurance, and property taxes – are still hovering near the lowest share of after-tax income since the early 1980s.

None of this suggests that every consumer is in the best financial position they've ever been in. But very many are, others are very close, and we expect this to be reflected in continued robust gains in consumer spending in both November and December as well as the year ahead.

So while, yes, the market is down, in correction territory in fact, it's just a correction, not a recession. Don't get sidetracked. The consumer, the producer, the entrepreneur - the economy as a whole - are all moving forward at a very healthy pace.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
11-28 / 7:30 am	Q3 GDP Second Report	3.5%	**3.7%**		3.5%
7:30 am	Q3 GDP Chain Price Index	1.7%	**1.7%**		1.7%
9:00 am	New Home Sales – Oct	0.575 Mil	**0.585 Mil**		0.553 Mil
11-29 / 7:30 am	Initial Claims – Nov 24	220K	**215K**		224K
7:30 am	Personal Income – Oct	+0.4%	**+0.5%**		+0.2%
7:30 am	Personal Spending – Oct	+0.4%	**+0.5%**		+0.4%
11-30 / 8:45 am	Chicago PMI – Nov	58.5	**58.5**		58.4