



Understanding the August Jobs Report

Weekly Update – September 5, 2011

The big news last week centered on the August jobs report, which was disappointing to say the least. Non-farm payrolls were unchanged in August but down 58,000 including revisions to June/July. The consensus expected a gain of 68,000. The unemployment rate remained unchanged at 9.1%.¹

U.S. stocks tumbled 2% on Friday² in reaction to the news, as headlines showing zero jobs growth in August fueled investor concerns. And while the August numbers are certainly not attractive, there are a few underlying factors we would like to draw your attention to.

One of the reasons August's numbers were so weak has to do with the Verizon strike, now over, that temporarily sidelined 46,000 workers. Were it not for that strike, private payrolls would have been up 62,000 including revisions.³ As it stands, workers on strike are counted as unemployed when they go on strike and are added as newly employed when they go back to work. Now that they have returned to work, a future employment report will show an increase of 46,000. It's strange how the system works isn't it?

There was also some positive news in Friday's report. Civilian employment, an alternative measure of jobs that includes start ups, increased 331,000 in August, which is very encouraging.⁴ In general, when new businesses are starting up and hiring workers, it means the wheels of capitalism are turning in the right direction.

If you only look at the totals, it's easy to say there was no employment growth in August, which is how most of the headlines read. But if you take time to look below the surface, a more balanced picture emerges. Much of August's weakness can likely be attributed to financial turmoil in Europe, large swings in the stock market, and lawmaking that has brought much uncertainty to the hiring arena.

Although recession fears are still lingering, recent reports on auto sales, manufacturing and consumer spending suggest that the economy is still growing, albeit slowly.⁵ We believe future jobs reports will reflect that.

ECONOMIC CALENDAR:

Monday – U.S. Holiday: Labor Day

Tuesday – ISM Non-Mfg Index

Wednesday – Beige Book

Thursday – BOE Announcement, ECB Announcement, International Trade, Jobless Claims, EIA Petroleum Status Report

Data as of 09/02/2011	1-Week	YTD	1-Year	5-Year	10-Year
Standard & Poor's 500	-0.24	-6.65	7.69	-2.09	0.36
Dow	-0.39	-2.91	8.92	-0.39	1.30
NASDAQ	0.02	-6.50	12.7	2.62	3.74
MSCI EAFE	0.08	-9.42	2.35	-2.58	2.14
10-year Treasury Note (Yield Only)	2.19	N/A	2.63	4.73	4.82

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized.

Sources: Yahoo! Finance, MSCI Barra. Past performance is no guarantee of future results.

Indices are unmanaged and cannot be invested into directly. N/A means not available.

HEADLINES:

Bank of America Corp. and 16 other big banks have been hit with multiple accusations of securities-law violations and negligence in a series of lawsuits tied to more than \$50 billion in mortgage securities. The lawsuits, filed late Friday by the Federal Housing Finance Agency, accuses lenders of selling bad mortgage securities to government-sponsored housing companies Fannie Mae and Freddie Mac.⁶

The euro came under significant pressure in European trading Tuesday, pulling down other sentiment-sensitive currencies, such as the pound and Australian dollar, with it. A steady flow of negative newsflow out of the euro zone pushed it down about 0.6% – a big move for a major currency – against the dollar.⁷

Though oil prices fell to near \$88 a barrel Friday, crude has jumped about 16% since August 9th, bolstered by signs industrial production in the U.S. continues to expand. The Institute for Supply Management said Thursday that U.S. manufacturing grew for the 25th straight month while analysts had expected a contraction.⁸

About 70,000 households and businesses along the Eastern Seaboard who lost power during Irene remain without it a week after the storm.⁹



"Far and away the best prize that life has to offer is the chance to work hard at work worth doing." – Theodore Roosevelt

Our FAVORITE *Recipes*



Hot Artichoke Dip



From: Vegetarian Times

Ingredients:

- 1 12-ounce package light silken tofu
- 2 tablespoons reduced-fat mayonnaise
- 1 tablespoon Dijon mustard
- 1 tablespoon lemon juice
- 2 cloves garlic, minced (about 2 teaspoons)
- 1/2 teaspoon onion powder
- 1 15.5-ounce can artichoke quarters in water, drained, rinsed, chopped
- 1 cup frozen chopped spinach, thawed and squeezed dry
- 1/2 cup grated Parmesan cheese
- Paprika for dusting

Directions:

- 1) Preheat oven to 400 degrees F. Puree tofu, mayonnaise, mustard, lemon juice, garlic, and onion powder in blender or food processor until smooth. Transfer to bowl.

2) Stir artichokes, spinach, and Parmesan cheese into tofu mixture. Spoon into 8-inch glass pie dish or casserole. Bake 20 minutes. Dust with paprika; serve.

have YOU THIS? seen

Achieve Better Contact

To build a more precise swing, practice the "Gateway Drill." Stick two tees in the ground just outside the heel and the toe of your driver (About 1 half inch on either side). Tee up a ball directly between the tees, and then swing the clubhead through the "gateway". If the clubhead is clipping the tees, you aren't making contact in the center of the clubface. Keep practicing until you can hit all of your shots so the clubhead goes through the gate without touching the tees.

GREEN TIP OF THE WEEK:

Turn Things Off

It's easy to develop a habit of leaving things on. This wastes energy, which contributes to the burning of more fossil fuels and global warming. Instead, develop the habit of turning things off when you don't use them: lights, air conditioners, water heaters, computers, televisions, etc.



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Saturday, September 10 –
Q&A Show

Saturday, September 17 –
Indiana 529 College
Savings/Planning Show

Saturday, September 24 –
Lynn O'Shaughnessy, author
of "The College Solution"
book/blog

Thank you for your continued support!

David Hays and the Team at Comprehensive Financial Consultants and CFCI



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The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the Nasdaq. The DJIA was invented by Charles Dow back in 1896.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Google Finance is the source for any reference to the performance of an index between two specific periods.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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¹ <http://www.bls.gov/news.release/empst.nr0.htm>

² <http://www.google.com/finance>

³ <http://www.businessweek.com/ap/financialnews/D9PGDJMG0.htm>

⁴ <http://www.bls.gov/news.release/empst.nr0.htm>

⁵ <http://www.businessweek.com/ap/financialnews/D9PGDJMG0.htm>

⁶ <http://www.bizjournals.com/dayton/news/2011/09/03/government-sues-17-big-banks-for-mortgag.html>

⁷ <http://online.wsj.com/article/BT-CO-20110830-705373.html>

⁸ <http://www.businessweek.com/ap/financialnews/D9PGCNIG0.htm>

⁹ <http://www.ctpost.com/news/article/70-000-remain-without-power-a-week-after-Irene-2155383.php>