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## April Jobs Report Shows Slower Pace of Growth

Weekly Update – May 9, 2016

Markets slumped for the third week as global concerns pressured investors again, and domestic data painted a modest picture. For the week, the S&P 500 lost 0.40%, the Dow fell 0.19%, the NASDAQ dropped 0.82%, and the MSCI EAFE fell 3.19%.<sup>i</sup>

April's job report showed investors that the labor market continues to improve, adding 160,000 jobs last month. However, the gains were far below the consensus estimate of 200,000 new jobs. Though the unemployment rate remained unchanged at 5.0%, one estimate of the underemployment rate—measuring discouraged workers and part-timers who want full-time work—fell to 9.7% from 9.8% in March. That's good news, because it means that workers who have struggled in the recovery may finally be catching up.<sup>ii</sup>

However, it's not all good news. A separate private industry report found that job cuts surged 35.0% between March and April as firms let go of workers. Over 250,000 pink slips were handed out between January and April, the largest number since early 2009. Though the beleaguered energy sector is driving layoffs, shifting consumer preferences are also causing retail and computer companies to cut jobs.<sup>iii</sup>

Further analysis of the job gains also showed that much of the fastest growth in hiring is coming from low-paying industries like retail and hospitality. The lack of high-paying job opportunities is reflected in wage growth numbers. Since 2005, the median weekly wage across all jobs has increased by just \$176. Wage gains are even slower in low-paying industries and for workers with less education.<sup>iv</sup>

Economists suspect that slow wage growth is contributing to sluggish consumer spending and slower economic growth. When foreign demand drops, economic growth depends more on domestic spending. However, there are signs that growth may be picking up; in April, wages grew 2.5% from the previous year.<sup>v</sup>

Will wages pick up enough this year to drive more purchases of big-ticket items? We'll have to see.

Looking ahead, it's unclear whether domestic economic data will drive away global woes. Realistically, we're likely to see both soft and strong data in the weeks to come that will hopefully push stocks higher again once earnings season is over.

### ECONOMIC CALENDAR:

**Tuesday:** JOLTS

**Wednesday:** EIA Petroleum Status Report, Treasury Budget

**Thursday:** Jobless Claims, Import and Export Prices

**Friday:** Retail Sales, PPI-FD, Business Inventories, Consumer Sentiment

Data as of 5/6/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	-0.40%	0.65%	-1.11%	10.70%	5.52%
DOW	-0.19%	1.81%	-0.57%	8.07%	5.32%
NASDAQ	-0.82%	-5.42%	-3.73%	13.50%	10.22%
U.S. Corporate Bond Index	0.10%	5.27%	4.58%	5.41%	7.66%
International	-3.19%	-4.49%	-14.22%	-1.37%	-1.78%
Data as 5/6/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.20%	0.39%	0.51%	1.23%	1.79%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance, S&P Dow Jones Indices, and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the SPUSCIG. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

## HEADLINES:

**Construction spending grows .03% in March.** Spending on commercial and residential construction reached its highest level in eight years after a strong gain in February.<sup>vi</sup>

**Motor vehicle sales close to record month.** After a slow start to the year, April light vehicle sales are expected to grow 5.0%, setting a new monthly high and putting U.S. automakers on track to beat last year's sales record.<sup>vii</sup>

**China's trade slumps.** Imports and exports in the world's second-largest economy contracted sharply in April in the latest sign that weak demand is prolonging China's slowdown.<sup>viii</sup>

**March factory orders increase 1.1%.** Orders to U.S. manufacturers increased modestly after dropping in February. Economists hope that the dollar's drop will help the manufacturing sector bounce back.<sup>ix</sup>

## QUOTE OF THE WEEK

*"I'm wholehearted about whatever I do." — Melinda Gates*

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

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 Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

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 Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

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.

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.

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<sup>i</sup> <http://finance.yahoo.com/q/hp?s=%5EGSPC&a=04&b=2&c=2016&d=04&e=6&f=2016&g=d>

<http://finance.yahoo.com/q/hp?a=04&b=2&c=2016&d=04&e=6&f=2016&g=d&s=%5EDJI%2C+&ql=1>

<http://finance.yahoo.com/q/hp?a=04&b=2&c=2016&d=04&e=6&f=2016&g=d&s=%5EIXIC%2C+&ql=1>

<https://www.msci.com/end-of-day-data-search>

<sup>ii</sup> <http://www.bls.gov/news.release/pdf/empst.pdf>

<http://www.forbes.com/sites/samanthasharf/2016/05/06/jobs-report-u-s-adds-160000-jobs-in-april-unemployment-rate-steady-at-5/#4478cf12c9ac>

<sup>iii</sup> <http://www.cnn.com/2016/05/05/us-job-cuts-rise-to-65141-in-april-2016-layoffs-at-7-year-high-challenger.html>

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<sup>iv</sup> <http://www.cnbc.com/2016/05/06/jobs-report-employment-growing-but-paychecks-not-so-much.html>

<sup>v</sup> <http://www.businessinsider.com/average-hourly-wage-growth-april-2016-2016-5>

<sup>vi</sup> <http://www.foxnews.com/us/2016/05/02/us-construction-spending-rose-03-percent-in-march.html>

<sup>vii</sup> <http://www.foxbusiness.com/markets/2016/05/03/auto-sales-back-on-track-in-april.html>

<sup>viii</sup> <http://www.foxnews.com/world/2016/05/08/china-trade-shrinks-in-april-in-troubling-sign-for-economy.html>

<sup>ix</sup> <http://www.foxnews.com/us/2016/05/04/us-factory-orders-rose-modestly-in-march.html>