



1300 NW Briarcliff Pkwy, Ste. 120  
Kansas City, MO 64150  
913.948.6770  
816.399.0787

## Stocks Surge on August Jobs Miss

Weekly Update – September 6, 2016

After losing steam the previous week, stocks rose last week as investors cheered a weak jobs report and the declining probability of a September interest rate increase by the Federal Reserve. For the week, the S&P 500 gained 0.50%, the Dow grew 0.52%, the NASDAQ added 0.59%, and the MSCI EAFE grew 0.44%.<sup>i</sup>

The August job report showed that the economy gained 151,000 new jobs instead of the 180,000 jobs predicted by economists.<sup>ii</sup> Since investors are keenly watching the odds of a rate hike ahead of the mid-September Federal Open Market Committee meeting, they treated the jobs miss as a win since it might reduce the chance of a rate hike this month.

However, investors might be cheering too early since there's still the possibility the Fed might act. The August employment report is notoriously unreliable due to the effects of seasonal labor, which often peaks in the summer. Since 2011, August job gains have undershot estimates by about 49,000 and have been revised upward by an average of 71,000 jobs over the following months.<sup>iii</sup>

If enough Fed economists see the August numbers as a seasonal aberration, they may decide on the strength of June/July numbers that the economy is strong enough to weather another rate hike. However, despite Fed Chair Janet Yellen's hawkish tone, some experts don't believe the Fed will act until December at the earliest.<sup>iv</sup>

There is also the November election to consider; historically, the Fed tends to choose the more cautious path when facing a close call.<sup>v</sup> One expert pegs the odds of a September hike at 55% and a December hike at 80%. Overall, Wall Street traders are less confident of a September hike, assigning just a one-in-four chance of a rate increase.<sup>vi</sup>

Digging deeper into the August numbers, we see that the headline unemployment rate remained at 4.9%, and a broader measure of unemployment, which also includes discouraged and underemployed workers, also remained unchanged at 9.7%.<sup>vii</sup> Wage growth also slowed; hourly wages rose just three cents, increasing just 2.4% over the previous 12 months.<sup>viii</sup>

Though overall wage gains are slow, different sectors show different stories. Employees in high-demand tech jobs saw their wages go up 4.3% over a year go. Even relatively low-skilled workers in restaurants and hotels are experiencing year-over-year wage gains of 3.9%.<sup>ix</sup>

## Our View

All told, the August jobs report paints a mixed picture of the economy. New jobs are still being created at a respectable clip and represent a strong tailwind in the third quarter. However, the pace of jobs growth may be waning, which is a concern. Furthermore, the pace of wage growth is also slow and may represent a divide between the workers who are fully experiencing the benefits of an economy close to full employment, and those who are being left behind.

As attention focuses on the Fed's September meeting, we expect to see further volatility. However, the fact that the Fed is seriously contemplating a rate hike this fall suggests policymakers believe in the underlying strength of the economy. That's great news.

### ECONOMIC CALENDAR:

**Monday:** U.S. markets closed for Labor Day Holiday

**Tuesday:** ISM Non-Manufacturing Index

**Wednesday:** JOLTS, Beige Book

**Thursday:** Jobless Claims, EIA Petroleum Status Report

Data as of 9/2/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	0.50%	6.66%	11.86%	17.14%	6.63%
DOW	0.52%	6.12%	13.09%	12.90%	6.13%
NASDAQ	0.59%	4.84%	10.52%	22.33%	13.94%
U.S. Corporate Bond Index	0.22%	8.71%	8.96%	5.31%	7.66%
International	0.44%	-0.37%	1.19%	2.82%	-1.00%
Data as of 9/2/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.25%	0.45%	0.59%	1.20%	1.60%

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:

**Consumer confidence surges.** A measure of how confident Americans feel about the economy rose to its highest level in nearly a year, suggesting that consumer spending may support growth this quarter.<sup>x</sup>

**Auto sales remain brisk.** Sales of U.S. cars and trucks were still healthy in August, but lagging activity at Ford and GM made analysts worry that total volume is declining from its blistering 2015 pace.<sup>xi</sup>

**Factory orders up in July.** Orders to U.S. manufacturers rose to the highest level in nine months in July. However, much of the increase was due to volatile orders for aircraft, indicating the surge may be temporary.<sup>xii</sup>

**Mortgage applications up 2.8%.** Overall mortgage applications were up last week as interest rates remained stable. However, refinancing activity should be higher given rates near record lows.<sup>xiii</sup>



## QUOTE OF THE WEEK

*"If the world is cold, make it your business to build fires."*

*– Horace Traubel*

### ***Share the Wealth of Knowledge!***

*Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!*

If you would like to opt-out of future emails, please reply to this email with UNSUBSCRIBE in the subject line.

Securities and advisory services offered through Commonwealth Financial Network®, Member FINRA/SIPC, a Registered Investment Adviser. Fixed insurance products and services offered by Cramer Capital Management. 1300 NW Briarcliff Pkwy, Ste. 120, Kansas City, MO 64150, 913.948.6770

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.

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.

These are the views of Platinum Advisor Marketing Strategies, LLC, and not necessarily those of the named representative, Broker dealer or Investment Advisor, and should not be construed as investment advice. Neither the named representative nor the named Broker dealer or Investment Advisor gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Please consult your financial advisor for further information.

By clicking on these links, you will leave our server, as they are located on another server. We have not independently verified the information available through this link. The link is provided to you as a matter of interest. Please click on the links below to leave and proceed to the selected site.

---

<sup>i</sup> <http://finance.yahoo.com/quote/%5EGSPC/history?period1=1472187600&period2=1472792400&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EDJI/history?period1=1472187600&period2=1472792400&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EIXIC/history?period1=1472187600&period2=1472792400&interval=1d&filter=history&frequency=1d>

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

<sup>ii</sup> <http://www.marketwatch.com/story/us-creates-151000-jobs-in-august-unemployment-49-2016-09-02>

<sup>iii</sup> <http://www.cnbc.com/2016/09/02/watch-out-the-fed-could-still-hike-in-september.html>

<sup>iv</sup> <http://www.cnbc.com/2016/09/02/a-september-rate-hike-was-never-really-on-the-table-expert-says.html>

<sup>v</sup> <http://www.cnbc.com/2016/09/02/watch-out-the-fed-could-still-hike-in-september.html>

<sup>vi</sup> [http://www.morningstar.com/news/dow-jones/TDJNDN\\_201609025317/market-snapshot-stocks-bounce-after-weakerthanforecast-august-jobs-report.html](http://www.morningstar.com/news/dow-jones/TDJNDN_201609025317/market-snapshot-stocks-bounce-after-weakerthanforecast-august-jobs-report.html)

<sup>vii</sup> <http://www.cnbc.com/2016/09/02/jobs-number-whats-the-real-unemployment-rate.html>

<sup>viii</sup> <http://www.cnbc.com/2016/09/02/employment-and-wages-heres-why-you-may-not-have-gotten-a-raise-lately.html>

<sup>ix</sup> <http://www.cnbc.com/2016/09/02/employment-and-wages-heres-why-you-may-not-have-gotten-a-raise-lately.html>

<sup>x</sup> <http://www.foxbusiness.com/markets/2016/08/30/consumer-confidence-gains-ground-in-august.html>

<sup>xi</sup> <http://www.foxbusiness.com/markets/2016/09/01/ford-gm-sales-fall-chrysler-sales-rise.html>

<sup>xii</sup> <http://www.foxnews.com/us/2016/09/02/us-factory-orders-up-1-percent-in-july-best-in-months.html>

<sup>xiii</sup> <http://www.cnbc.com/2016/08/31/mortgage-applications-up-but-refinancing-applications-should-be-higher.html>