

**J E R E M Y**  
**S I E G E L**  
**• c o m**

## **Stocks and Commodities Stabilize; Need Better Earnings**

**Friday 12:20 p.m. EST**

Back from a 2-week trip to Myanmar. Burma was once one of the most prosperous countries in South East Asia before World War II, but since the 1960s its economy has been laid to waste by decades of mismanagement under a Soviet-style socialist system run by the military. However, since free elections last December, the Burmese are hopeful of a new beginning, and tourism is on a sharp upswing.

While I was gone, stocks recovered nicely, gaining back about half of their sharp drop of recent months. Today's employment report was the kind I like to see. Strong payrolls, but a healthy increase in the participation rate which kept the unemployment rate steady at 4.9% (although the U6 rate dipped to a cyclical low of 9.7%). Furthermore, wages dropped surprisingly, taking some of the sting out of last month's sharp increase. The participation rate has kept steady or risen in the last five months. According to my count, this is the longest streak since the 1990s. The rise in the participation rate is absorbing the demand for labor without putting (as of yet) undue strain on the labor market. Given the drop in wages, and the surprising drop in the hours worked (2 tenths of a percent, the largest since 2013), the Fed will definitely hold steady at their next meeting. That said, the hawks are definitely keeping their eye on the inflation data, which are firm despite the severe drop in commodity prices. The core PCE jumped from 1.4% to 1.7% last month, hitting its highest level since 2012 and just a hair below the Fed's target. With the stabilization of equity and oil prices, there is no chance the Fed will "take back" its increase this month and unlikely to do so unless the economy deteriorates sharply. Although stocks have rallied, I honestly cannot see them moving up much further without a distinct improvement in earnings which have been battered in recent months. Therefore, I would maintain a defensive stance in the short run.

On the political front, Super Tuesday was kind to Trump, but even kinder to Hillary, who in my opinion, has now wrapped up the Democratic nomination. Trump is still favored to take the GOP slot, but with all the establishment cannons pointed at him, we should wait to March 15 before we can call him the presumptive GOP nominee. Although he is only a few points behind Hillary in head-to-head opinion polls, I think he is a distinct longshot (less than 4 to 1) to win in November. The hope is that Trump will not drag down the rest of the ticket and hold the Senate for the Republicans (the GOP has a virtual lock on the House). If that happens, then we will have a Clinton in the White House with a GOP Congress, which in the 1990s created one of the best bull markets in history.

---

© 2016. www.JeremySiegel.com. All Rights Reserved.

This email from Jeremysiegel.com contains proprietary information. You have agreed that you will not transmit the contents in whole or in part in any form to any other person, firm, or organization without expressed written permission from JeremySiegel.com. Prohibited transmissions include, but are not limited to, fax, photocopy, or any form of electronic transmission. If you wish to discuss, reproduce, or send parts of this email to clients or friends, you must cite the source of the material (e.g., from May 19, 2010 Weekly Commentary found on Jeremysiegel.com) and contact the provider of this email at [Help@JeremySiegel.com](mailto:Help@JeremySiegel.com).