

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

Labor Data Point to No Increase in September

Friday, 9:10 a.m., EDT

To be sure, there are still 3 weeks until the FOMC meeting, but these labor market data are not nearly strong enough for the Fed to move. Yes, a 150k increase is still above the long run sustainable rate (and actually quite close to the “whisper” number), but the supporting data was very weak. The unemployment rate stayed at 4.9% instead of ticking down one tenth, as expected, but even more important is the sharp drop in the workweek, which fell to 34.3 hours, two tenths below expectations from a downward-revised 34.4 hours in the previous month. Manufacturing data was very weak, down 14k jobs, which reinforces the extremely weak ISM data that we received last week. Furthermore, wage growth rose only a tenth of a percent, one tenth below expectations. So there does not appear to be pressure on the labor market, the primary reason for the Fed to raise rates.

The reactions in the financial markets are as expected. The ten year initially fell 5 basis points and the October funds rate fell to 2 bps 44 bps, lowering the raw probability of a Fed hike by 8 percentage points to 26%. Stocks like the fact that the Fed will defer an increase and have rallied modestly, as the lower interest prospects offset the basic weakness in the economy. The dollar, as expected, fell initially in international markets.

The Fed will be watching the real data. This quarter’s GDP growth is tracing a 3.0% to 3.5% increase. While up sharply from the sub 1% rate in the first half of this year, it still leaves expected Q4/Q4 growth well below 2%. Yesterday we saw disappointing ISM and August new car sales. It will be important to see if the consumer, which has been the strongest part of the economy so far this year, will continue to do his or her part.

Political Update. Political pundits say that Trump has narrowed the polls in recent weeks. To be sure, Nate Silver’s 538 website today has the probability of a Trump victory up to 25.1% from a low of 10.8% reached after Democratic Convention on August 14. But I would ascribe the narrowing to a very poor performance by Clinton, not a strong performance by Trump. Her image continues to deteriorate by her stonewalling all the accusations and double dealing she is accused of. According to the polls, she is the most unpopular presidential choice in decades – except for Donald Trump! What a choice we Americans have.

© 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.