THE DANA VIEWPOINT

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Dow: 17,477

DATA

According to Webster, that would be facts or items of information. So was July's jobs report facts or items of information? The government reported that the private sector created 215,000 new jobs in July. That's three consecutive months of 200,000 plus new jobs. Data can be used to make an issue either positive or negative. Three consecutive months over 200,000 is good. However, a closer look reveals that new job growth in May was 260,000. In June it was over 231,000 and in July it was over 215,000. That trend is not so good. The unemployment numbers stayed at 5.3%. That's a good number usually indicating full employment. When the government calculates that number they leave out people who are unemployed but have given up looking for work. In the eyes of the government these people are not unemployed. This amounts to over one million people technically not unemployed so 5.3% is probably closer to 7%.

The Fed has indicated that they like to look at the employee participation number. This data measures the number of workers over age 16 who are employed versus the total number of people eligible to work. This number is currently 62.5% which is the lowest number since the Carter Administration in 1977. So this is not so good. Analysts have further broken down these numbers to show that the employee participation rate for ages 25-54 (a key age sector) is 77.1%. This is much better. Obviously, with modern technology, analysts could break down any age group to provide more data. Furthermore, analysts can break down the jobs report into industry groups. July's new job numbers would breakdown as follows…

35,900 retail (a third of these jobs auto related)
27,900 health care
29,300 restaurants
40,000 business services
17,000 finance

The balance would be miscellaneous plus the government added 3,000 new jobs.

Several members of the Fed have indicated they need data to make a decision on raising interest rates. There can be paralysis by analysis. How much data does it take to raise interest rates a quarter of a point? There is an old Wall Street axiom that says beware of the analyst who can tell you how many railroad ties there are between Minneapolis and Seattle because he probably can't tell you whether to buy Union Pacific or not. There

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certainly appears to be ample data to indicate our economy is growing, but at a slower pace than previous recoveries. A rate increase would certainly help retired folks trying to live on interest income and might even stimulate businesses to expand and hire workers if the Fed shows some positive signs that it's ok to go in the water. This isn't funny, but you have to chuckle a little bit.

China is experiencing its first real financial crisis with overbuilding in both the commercial and residential sector and a mounting debt problem. It has now spilled over into the stock market. Unfortunately China has little leadership that knows how to deal with this problem. So of course they are doing the wrong thing by trying to control the stock market. They are trying to stop short selling and are giving money to banks to encourage investors to borrow and buy stocks. Many stocks on the exchange show limited trading or no trading at all. China's investment law states that trading in a stock stops if it rises or falls by 10%. Companies can also apply to the government to stop trading in their common stock and according to some resources over 50% of companies have halted trading in their stock. That will not work either as the market will resolve itself once trading begins again. Remember the Greek stock market dropped 23% when trading resumed. Now China is devaluing the yuan.

The yuan is pegged to the dollar so it has been rising in line with the dollar. A 1.9% devaluation is really not that much unless followed by more. This also poses a dilemma for the Fed – more data. A cheaper yuan means cheaper imports for the U.S. which means slower inflation when the Fed wants higher inflation. China will tread carefully as they want the yuan to be included in the reserve currency basket granted by the IMF which now includes the dollar, pound, euro and yen. In May the IMF said that the yuan was no longer undervalued for the first time in a decade.

Right now world markets are being buffeted by this turn of events on top of everything else. High quality blue chip U.S. stocks will be back in vogue as investors seek a safer haven in this volatile time period. Warren Buffet still sees value in quality companies, as he recently announced plans to purchase Precision Castparts, which at $32.4 billion is the largest acquisition of a publicly traded company that Berkshire has ever initiated.

Random Thought for August 2015 "There are lies, there are damned lies and then there are statistics."

Mark Twain

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