THE DANA VIEWPOINT

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TOO MUCH DATA

Stop already with the economic data. It's enough to choke a horse. We don't mean to disparage economists as they do a service in filtering through the data in an attempt to project the direction of the stock and bond markets. A case in point is the June jobs report. Private enterprise created 288,000 new jobs in June. That number used to be enough for most investors. It indicated that the economy is recovering and that the trend of job growth was accelerating. Then someone decides that that is not enough. So now we have a breakdown of the gross number. In June, 40,000 of those jobs were created in the retail sector and 39,000 were created in the leisure and hospitality sector. Both of these areas are considered lower paying positions. Conversely, 16,000 new jobs were created in the manufacturing industry and 6,000 in construction. These sectors generally pay higher wages. So, one may conclude that the gross number of new jobs created was not all that impressive. Then we have the general unemployment rate which dropped to 6.1% for June. A 6% unemployment number used to be a good guideline until someone said that number doesn't take into consideration the number of people who are unemployed but have given up looking for work, or those working part-time who want a full-time job. If those people are added into the equation then the unemployment number at the end of June was 12.1%. This is down from 14.2% a year ago. Not a pretty number, but one could say both numbers are trending down. Then, of course, we have the labor participation rate which measures the eligible number of people working. This number is currently 62.8%, the lowest in thirty years. Have you ever heard of an economist being fired? Even Federal Reserve members never get fired even though they have access to more numbers than anyone, yet they continue to revise their economic numbers. It's enough to make a grown man cry.

That has been our history. Back during the stock market crash in 1929, it was considered unpatriotic to sell stock short. Jesse Livermore was one of the all-time great short sellers. He made a fortune selling short, but he ended up broke. It wasn't until the early 1950s that Jack Dreyfus surmised that a high short position in a stock was not bearish. Indeed it was bullish as all those shares had to be repurchased. It used to be that investors waited with baited breath for the cash numbers to be reported on Thursdays. If the Fed created more cash it was bullish, and if they restricted cash by raising reserve requirements it was bearish. High cash levels were also considered inflationary. But those were simpler times when we talked in billions of dollars not trillions of dollars today. Even so, the analysis of cash numbers has changed. Today it is estimated that we have over $2 trillion in corporate and individual cash reserves. So where is the inflation?

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Now we look at the movement of that cash. If it's not moving through the economy, it is not inflationary. It used to be that inflation was considered bad for the stock market (that never really made any sense). Of course today the Fed is actually concerned about a lack of inflation.

So, many times less is more, but economists keep their jobs by producing and analyzing more data just like our Congresspeople keep creating more laws.

A well-diversified portfolio of stocks and bonds will outlast any new statistical data or laws that are created. The markets will move up and down and some events can cause a tsunami like the housing bubble in 2007-08 or the Smoot-Hawley tariff act passed in 1929 that had a devastating effect on our economy. Our free enterprise system has endured many such impacts but has won out over all of them.

It used to be that as GM went so went the market. Maybe it is still true. After going through bankruptcy, recalling 2.6 million cars for defects and having the CEO hauled in front of Congress to testify, the stock has moved up in price.

Happy Birthday to the Wall Street Journal! They celebrated 125 years of publishing their paper on July 8, 2014.

Random Thought for July 2014: **"**Recovery is yet to be achieved after the expenditures of some $25,000,000,000 of borrowed money. The conclusion is that what we have done so far in our attempts to secure it not having succeeded, the only recourse is to change the policies which have dictated those attempts. Those policies . . . have in general relied upon expenditure of government funds as distinguished from private capital directed by private initiative."

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