



## Statistics/Data

Mark Twain popularized the phrase: “There are three kinds of lies: lies, damned lies, and statistics.” Every day there are hundreds of statistics and pieces of data relating to the economy that are released by governments and corporations around the world. Economists and analysts pore through these numbers and release their opinions on the economy and the markets. Many of these opinions are slanted to provide a proof statement for a preferred result. A year ago the unemployment number dropped below 5%, which historically has been considered to be full employment, and is believed to cause an increase in wages and inflation under a Keynesian framework. The Fed and many analysts did not believe the economy was gaining strength, so they stressed keeping interest rates low to stimulate the economy. To boost the belief that the economy was not at full employment, the Fed and economists looked at the labor force participation rate (percentage of people over age 15 who were employed). That data is still near a 40 year low. The monthly jobs report was still showing respectable growth in new private sector jobs, and has averaged over 200,000 per month over the last six years. That was encouraging, but the Fed and economists still wanted to keep interest rates low so the Fed said that the economy needed to create 300,000 jobs a month just to keep pace with people entering the job market for the first time. (high school and college grads).

Then the job market softened and the average monthly new jobs dropped to under 200,000 for the last six months. By this time the “Trump rally” was on and the Fed and economists became more optimistic about the economy. The Fed hinted strongly that they would raise interest rates multiple times by the end of 2017 (the last one was in December) and guess what? The Fed said that the economy only needed to create 150,000 new jobs every month to keep pace with new entrants. The Fed and economists are back to looking at the simple unemployment rate of 4.8% and interpreting it as being near full employment. Now just to muddy the water, some analyst computed the “real” unemployment number by adding into the base number those people who are working part time but would like a full time job plus those not working who have given up looking (discouraged workers). This number, the “U-6” unemployment rate, came out at 9.4% in January up from 9.2% in December. Not to just pick on the Fed and economists, but the media can make a case either way on many of these issues. So what is an investor to do? What statistics and data do you believe?

To paraphrase a wise Fed chairman from years ago no one can consistently predict interest rates or the direction in the economy, though many try. The U.S. economy is made up of over 300 million people, and we cannot possibly know how many will buy a new car this year or how many will be paying for their children’s education or how many will be planning an extensive vacation. It is best not to get bogged down too much in

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statistics or you can end up with paralysis by analysis and be too fearful to make any investment decisions. So review the statistic, listen to the Fed and use some common sense. Look at the current direction of interest rates and the economy. Remember that the “trend is your friend.” Sometimes an outside influence can have a drastic effect on market trends. Today we have such an event. The “Trump rally” has gripped the economy and both the stock and bond markets. A number of measurements of economic sentiment shot up after the election. Business confidence and willingness to expand jumped up significantly. Most investors are convinced that President Trump’s economic and fiscal policies will succeed (there are obviously more buyers than sellers in the market place at this point). Whether you like Trump or not, do not base your investment decisions on those feelings; again, the trend is your friend and you can find plenty of statistics or data to make a case for participating in this stock market. The Fed seems to think so too. Economists and analysts have to be objective and think they can’t afford to be wrong. Their jobs depend on them being right (sometimes). The media can write anything they want and can even be wrong without suffering any consequences. The lesson is to observe and think for yourself. Some of these thoughts were from Paul Volcker (Chairman of the Fed during the Reagan presidency) in a conversation with Mike Dana in the mid-1980’s.

Not all sectors of the stock market participated in the initial stages of the current rally, just the obvious ones. The financial stocks gained due to rising interest rates that should increase net interest margins and an expected reduction in regulations. Industrial stocks (like Caterpillar) rose because of Trump’s infrastructure plans. But as the market advance continues, more and more companies are participating. There will be a correction somewhere ahead, but at this point the market has legs. Stay invested.

**Random Thought for February 2017:** Given a large initial time to do something, the initial effort is small and as time goes to zero, the effort goes to infinity.

Anonymous

Comment: Can’t say that about the Trump administration.

As we mentioned last month, we were again recognized by Pensions and Investments Magazine as one of the industry’s “Best Places to Work” in their sixth annual survey. Enclosed is the article recognizing our First Place ranking.

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## BEST PLACES TO WORK IN MONEY MANAGEMENT

MANAGERS WITH 20 to 49 EMPLOYEES

### First Place

# Dana Investment Advisors

Tangible, intangible benefits offer workers a feeling of family and social responsibility

Dana Investment Advisors Inc. is no stranger to *Pensions & Investments'* annual Best Places to Work in Money Management program. The Brookfield, Wis.-based manager is a five-time winner, driven by the close-knit, collaborative culture the firm has created for its 40-plus employees.

The firm found a formula that works and stuck with it, creating a familial work environment founded on fairness, respect and inclusion, that ultimately manifested itself in the investment process for the firm's clients.

CEO Mark Mirsberger said via email: "Our strong family/employee culture directly impacts our client experience as clients benefit from working with and developing strong relationships with a passionate team that essentially has little to no turnover for decades."

Dana particularly sees this culture carry over to its socially responsible strategies, where it manages more than \$900 million of its \$7.2 billion in assets under management. "We think it is very important that our culture be consistent with the socially responsible governance tenets we find attractive and beneficial within our socially responsible investment strategies," Mr. Mirsberger wrote.

The firm recently moved to a new facility that doubled its workspace, taking employee input on design and amenities. Further emphasis was put on employee health and well-being as two



Dana employees are a close-knit group and tend to stick around; turnover is practically non-existent.

refrigerators were purchased and stocked with healthy snack and drink offerings, and sit-to-stand desks were installed at all work stations.

Employees noted several of the more tangible benefits they enjoy at Dana, such as access to senior management, a generous 15% profit sharing plan and 100% employer-paid insurance premiums.

Among the intangible benefits, employees are encouraged to do their jobs as it suits them and work independently as they contribute to the overall firm-wide effort. One employee seconded this practice: "Leadership understands the difficult balancing act between providing employees freedom and independence to excel while maintaining a firm-wide focus on the most important tasks."

— CHARLES McGRATH