



THE DANA VIEWPOINT

April 18, 2017

Dow: 20,523

Jobs, Jobs, Jobs

Oops! Nonfarm payrolls rose 98,000 in March. That's down from 219,000 in February, and 214,000 in January. That has to be a major disappointment for the Trump Team. The unemployment rate dropped from 4.7% to 4.5%. This drop occurred even though more people entered the labor force. The labor participation rate remained at 63%. Economists had been expecting new jobs to pull back from January and February growth, but that number was a bit of a stunner. Another unemployment number is calculated by including people who have stopped looking for work and those that are working part-time but would like a full-time job. This number for March was 8.9%, down from 9.2% in February. The March number is the lowest since December 2007, and was 8.3% the two years prior to that. Numbers can be presented in any manner to justify one's economic outlook. The Fed has been optimistic about the economy to date and have been comfortable in predicting two more short-term interest rate increases this year. The Fed even has plans to start reducing its large portfolio of Treasuries and mortgage bonds. No matter how you slice it, the 98,000 number sticks out like a sore thumb. It is cause for concern, but it is only one month, and that number can be volatile. In any event, investors saw the number and just yawned.

The Thin Red Line: This was a novel written by James Jones and made into a movie in 1998. It depicts the Battle of Mount Austen on Guadalcanal during World War II, where Japanese soldiers were holding a line against American soldiers. A line in the novel reads, "They will all discover the thin red line that divides the sane from the mad..." Scholars think the line actually comes from Rudyard Kipling's poem "Tommy," in which he calls foot soldiers "the thin red line of heroes." In any case, the clear and present danger out there today is world leaders drawing red lines. With the egos out there, this is a dangerous game. Warships are already lining up. Fortunately or unfortunately for us, our president cannot declare war without the approval of Congress. Not so in Russia, Iran, or North Korea. It's hard to believe investors can be so blasé with these events unfolding around the world. How does an investor protect oneself in this perilous time? U.S. Treasuries, gold, or defense stocks come to mind, or a diversified portfolio of high quality stocks. Even at the depths of the Midway naval battle in World War II, stocks commenced a bull market. We are a very strong people and a strong nation, but it does pay to be prepared.

The Oil Patch: At last look, the thirteen OPEC nations seem to be complying with agreed upon oil production cuts to boost the prices of oil. Saudi Arabia has cut production twice as much as agreed upon,

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and Iran just shut down their largest oil field. Most OPEC nations are running budget deficits and are showing up at the bond window. Some are even borrowing based on future production. Seems these nations overspent when oil was priced over \$80 a barrel a few years ago. Saudi Arabia is planning an offering of some of its state-owned oil company Aramco, which could be the largest stock offering ever. OPEC is trying desperately to offset the glut of oil now on the market caused by oil and gas production coming from the U.S. Who would have thought? After hitting a low recently at \$47 a barrel, oil has rebounded to \$53 a barrel. Price resistance will be felt at \$55-\$60 a barrel. The price of oil bears a direct impact on the profits of the airline and trucking companies, and all of this has an impact on our economy.

Debt: The debt problem that has been working its way through the EU (European Union) has struck more nations, and some that you wouldn't expect (see above). Nobody likes to talk about it, especially politicians, but the U.S. is heading in that direction. Our nation's debt is currently nearing \$20 trillion, higher than our GDP (Gross Domestic Product). According to the Wall Street Journal, net interest payments rose 22.2% in the first six months of the current fiscal year. The Fed is considering 2 more interest rate hikes. Compound interest works both ways. Mr. Trump, we need at least 3% growth in our economy.

Random Thought for April 2017: "Opportunity is missed by most people because it is dressed in overalls and looks like work." - Thomas Edison

*Please join us for an open house in our new office
Thursday, June 1, 2017
3:30pm-7:00pm*

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