

Pessimists Get Desperate

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Payrolls keep growing. Economic data stays positive. The stock market makes new highs. It's been consistent for nearly five years. And so has the pessimism. In fact, the pouting pundits of pessimism get more determined each month, trying to prove that things are really bad out there.

We really do tip our hats to those who dive deeply into the details of job reports – even though they don't really understand the data – to find that one nugget of negative information that will boost hits on their webpages and get them retweeted.

For example, the jobs report on Friday was one of the best of the last few years, with nonfarm payrolls up 203,000, while wages rose, total hours worked increased 0.5%, and the unemployment rate finally sank to 7%. Nonetheless, after digging through every line of the report, some pessimists found their talking point. Guess what? A whopping 41% of the job gains in November were from government.

They didn't exactly lie, but the data point is misleading and meaningless. The number came from the Household Survey's civilian employment data – a separate survey with a much smaller sample size than the payroll survey. This data said the US gained 818,000 jobs in November and that 338,000 of them were government jobs – voilà, 41%.

But, there was a partial government shutdown in October. That shutdown did not affect the payroll survey but did affect the household survey, which is timed differently. So, the data needs to be looked at over two months, not one.

In October, overall civilian employment fell 735,000 with a 507,000 drop in government jobs. Looking at the two months together, shows that total employment was up 83,000 while government jobs were down 169,000. In other words, the trend in government jobs continues to be down, including a drop of 534,000 in the past year according to the household survey.

Several months ago, these same pundits invented another Black Swan-style crisis when they claimed part-time jobs were dominating any job gains the US was experiencing.

Have you ever wondered why you don't hear that theory anymore? Because part-time jobs have plummeted in the past four months and are now lower than they were last year even as total jobs are up. These politically motivated scare tactics are getting very annoying. We spend lots of time chasing down, and proving wrong, these erroneous claims. Worried investors should be spending more time finding opportunity.

We are not saying the labor market is perfect. The US should be gaining 350,000 jobs per month. But the monthly reports are relevant because they tell us about the *direction* of the economy, and that is clearly Plow Horse positive.

Another recent gripe is that economic growth in Q3 was all due to inventories. It's true the upward revision of real GDP growth to a 3.6% annual rate was due to inventories. But real GDP was still up at a 2% rate even without inventories, the same Plow Horse trend of the past few years.

And, in spite of Keynesians fears that the partial government shutdown and Sequester were supposed to hurt the economy, the data once again prove that John Maynard had it wrong. On Friday, it was reported that real (inflation-adjusted) consumer spending grew at a 3.8% annual rate in October, the fastest pace for any month so far this year.

And for November, look out above. Automakers reported they sold cars and light trucks at the fastest pace since 2007, so it looks like November is going to be another solid month for consumer spending, once again destroying the theory that the fiscal cliff deal, or the Sequester, or the shutdown was going to kill the consumer.

We expect further solid job reports in the months ahead, showing continued improvement in the labor market. Rest assured, however, that after each report someone, somewhere, will find a way to twist the numbers until they scream. They won't outright lie with the data, but they will send many investors off on a wild goose chase looking for a recession that doesn't exist.

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
12-12 / 7:30 am	Initial Claims – Dec 7	320K	315K		298K
7:30 am	Retail Sales – Nov	+0.6%	+1.0%		+0.4%
7:30 am	Retail Sales Ex-Auto – Nov	+0.2%	+0.4%		+0.2%
7:30 am	Import Prices – Nov	-0.7%	-0.9%		-0.7%
7:30 am	Export Prices – Nov	-0.2%	-0.3%		-0.5%
9:00 am	Business Inventories – Oct	+0.3%	+0.3%		+0.6%
12-13 / 7:30 am	PPI – Nov	0.0%	-0.1%		-0.2%
7:30 am	“Core” PPI – Nov	+0.1%	+0.1%		+0.2%