

MV Capital Management Midweek Market Commentary

Debate Over Jobs?

October 4th, 2012

Every month for the past three years, economists and financial professionals everywhere have waited with bated breath to hear the U.S. employment reports – economic indicators that offer insight into the current economic state of the country. Lately though, these reports have provided more confusion than clarity.

Payroll processor Automatic Data Processor (ADP) reported on Wednesday that private businesses added 162,000 new jobs in the month of September – 9,000 more than the 153,000 that was expected by economists.

The Institute for Supply Management released a separate report illustrating that new orders in the non-manufacturing industry boosted the services sector to 55.1, the highest level since March. Unlike its manufacturing counterparts, companies in the services sector have remained stable despite the still-perilous situation in Europe, slowing growth in China and the looming U.S. fiscal cliff.

On Friday the Bureau of Labor Statistics (BLS) will release nonfarm payroll data, which includes government workers. Economists are currently predicting a rise of 118,000 for total nonfarm payrolls and unemployment to remain at 8.1%, an estimate that is unlikely to change despite the better than expected ADP report released this morning. Over the past couple of years ADP reports have not been especially helpful at predicting nonfarm payroll data – just last month large gains forecasted by ADP data missed by a long shot – a mere 96,000 jobs were added in August.

So what do these numbers mean for the economy as a whole? Not a whole lot. The discrepancies among economists' expectations and actual numbers suggest that we are unsure of when the economy will start improving on the whole. That is not to say that the economy isn't growing however – the steady improvement in ADP numbers and jobless claims (which clocked in at the lowest level since July) clearly indicate that the economy is improving, albeit slowly.

As the presidential debates get into full swing tonight the employment numbers could have a significant impact for both the candidates. Another disappointing jobs number could put Obama in the hot seat again – last month the unimpressive report fell in the wake of the Democratic National Convention and probably muted at least part of the “bounce” these conventions tend to produce. However, “Nobama” supporters take heed – should the Friday numbers significantly exceed expectations it could provide the President with a boost regardless of who is deemed to have won tonight's debate. Wait and see.

Katrina Lamb, CFA
Senior Investment Analyst

Courtney Martin
Investment Analyst

DOFU: October 2012

Investment Advisory Services offered through MV Capital Management, Inc., a Registered Investment Advisor. MV Financial Group, Inc. and MV Capital Management, Inc. are independently owned and operated.

Please remember that past performance may not be indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by MV Capital Management, Inc.), or any non-investment related content, made reference to directly or indirectly in this newsletter will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from MV Capital Management, Inc. To the extent that a reader has any questions regarding the applicability of any specific issue discussed above to his/her individual situation, he/she is encouraged to consult with the professional advisor of his/her choosing. MV Capital Management, Inc. is neither a law firm nor a certified public accounting firm and no portion of the newsletter content should be construed as legal or accounting advice. A copy of the MV Capital Management, Inc.'s current written disclosure statement discussing our advisory services and fees is available for review upon request.