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Equity investors seemed to look through Friday's jobs report. Stocks declined by triple digits at first, which stood to reason given the headline tally of new jobs failing to live up to expectations. However, the market closed only marginally lower perhaps anticipating that a rescue from the Federal Reserve might be in the offing. The late day rally helped to keep the positive week for equities intact. Overall, the Dow Jones Industrial Average gained 188 points, or 1.9%, to close at 10,654. Meanwhile, Treasury bond yields continued to trend lower as economic data provided little evidence that inflation is an imminent threat. Even more, the 2-year Treasury note broke below 0.5% at one point, an historic low, sending signals to the market that the Federal Reserve's near-zero percent monetary policy is unlikely to be altered for the foreseeable future. On Tuesday, August 10<sup>th</sup> at 2:00 PM, market participants will be eagerly awaiting the outcome from the regularly scheduled Federal Open Market Committee meeting. Of note will be any change in the wording of the accompanying statement or acknowledgement of the tools the Fed may use in the event the economy's slow growth persists or worsens.

The Bureau of Labor Statistics offered its monthly reading on employment in the U.S. While the headline reported a loss of 131,000 jobs, the vast majority of those were temporary census workers. Actually, 71,000 jobs were added to private payrolls, a still somewhat disappointing figure but directionally positive. It also built upon a string of recent monthly gains, bringing the running total to seven consecutive months of private payroll job creation. Helping to keep the unemployment rate at 9.5%, the same as last month, was the fact that almost 200,000 people dropped out of the labor force. A statistic we have used frequently when reporting on the subject of employment is the number of "underemployed." That includes the unemployed, as well as the marginally attached, and even those discouraged from looking for work. That figure is actually 16.5%. This is meaningful, because it represents a larger pool of people that could be contributing to the economy through spending and saving that have been marginalized by the recession and all-too-slow recovery. Given the current trajectory of growth in the U.S., that number is likely to remain elevated for a considerable period of time. From an investment standpoint, consumer-facing industries will be challenged by the ongoing pressure on spending from the less than full employment levels and a consumer that is saving and paring debt.

INDEX	WTD	YTD	1-YR
DOW JONES	1.9	3.8	18.3
S&P 500	1.9	1.8	14.8
S&P 400	1.6	7.1	22.7
RUSSELL 2000	(0.3)	5.1	18.6
MSCI EAFE	3.3	(1.4)	8.3
MSCI EM	2.0	3.8	20.8
TYPE	CURRENT	12/09	12/08
3 – Mo TREASURY	0.14	0.07	0.08
2 – YR TREASURY	0.51	0.81	0.76
10 – YR TREASURY	2.82	3.58	2.21
30 – YR TREASURY	3.99	4.49	2.68

SOURCE: BLOOMBERG AS OF 8/6/2010

Unemployed+Margin Attach+Part Time Econ Reasons / CLF

