

The Nottingham Advisor

Your Weekly Source for Market Information



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Hot Topic: U.S. Employment Data and Trends Keep Wage Growth at Bay

On Friday, the Labor Department released its Employment Report for the month of September, which was a disappointment. The U.S. economy added +142K jobs last month, well short of market expectations for +200K non-farm payrolls. Additionally, negative revisions to both July and August further compounded the report's lackluster reception. Non-farm revisions to July (-22K) and August (-37K) totaled -59K jobs, for a net addition of +83K in September. Moreover, the six-month moving average of non-farm payrolls increased slightly to +199K, down sharply from a better than +250K average in April, just six months ago. The most recent moving average is the second sub-200K reading in as many months, and the first since February of 2014.

The headline unemployment rate held steady at 5.1%, while the labor force participation rate fell to 62.4%, its lowest level since October 1977. The average work week ticked down slightly to 34.5 hours, and wage growth was flat M/M, and up a scant +2.2% YoY. Wage growth has remained anemic for the past five years during the recovery, remaining range bound near +2%, largely in line with inflation.

Interestingly, the last publication of the Job Openings to Labor Turnover Survey (JOLTS) indicated that there were 5.753 million job openings in July, the most in more than 15 years. This data offers little evidence of slack in the labor market, and thus should continue to keep a lid on overall wage inflation. With record high numbers of job openings, the lack of competition should keep wage growth at bay. Furthermore, the NFIB small business survey continues to highlight a growing problem within the labor market's recovery, namely an increase in the number of job applicants that are unqualified for posted positions. This issue is likely to persist, and coupled with record job openings, should keep wage growth subdued.

Initially, the sub-par jobs report sent the Dow Jones Industrial Average (DJIA) down more than -250 points in early trading Friday; however, the DJIA and S&P 500 each staged a mid-day rally to end the trading day up more than +1%, respectively. Yields on the 10-year Treasury fell to 1.90% and the Dollar sold off, as expectations for the Federal Reserve to raise benchmark interest rates fell to 8% in October, and were actually pushed out into Q1 2016. While December likely remains on the table, Friday's report may give reason to hold off a bit longer.

This Week's Key Economic Data Releases:

October 6: U.S. Trade Balance for August is expected to be -\$48.00 Billion, widening from July's balance of -\$41.86 Billion.

October 8: Initial Jobless Claims for the week ending October 3rd are expected to be 275K, lower than the prior week's reading of 277K.

October 9: U.S. Wholesale Inventories for August are expected to be flat at 0% MoM, higher than July's decline of -0.1% MoM.

Fixed Income

- The 10yr Treasury closed at 1.99%.
- The 2/10yr Treasury spread contracted to 141 bps.
- The 30yr Treasury closed at 2.82%.
- According to Freddie Mac, the average 30-year fixed-rate mortgage in the U.S. is 3.82%.

Barclay's Aggregate Bond Yield

Time Period: 10/3/2014 to 10/2/2015



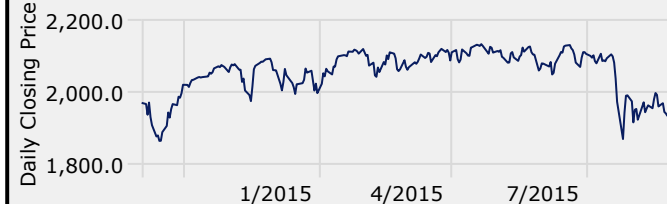
Barclays US Agg Bond Yield USD

Equities

- The three S&P equity markets indices were mixed last week, with large-, mid-, and small-caps returning +1.09%, -0.09%, and -1.18%, respectively.
- U.S. Construction Spending for August grew +0.7% MoM, beating estimates of +0.5% MoM and higher than July's revised growth of +0.4% MoM.
- U.S. Unemployment Rate for August remained unchanged from July and in line with estimates at 5.1%.
- U.S. Factory Orders for August declined -1.7% MoM, missing estimates of -1.2% MoM and lower than July's growth of +0.4% MoM.
- S&P 500 (-3.71% YTD): Consumer Discretionary leads (+7.11% YTD), while Energy lags (-18.41% YTD).

S&P 500 - Large Cap

Time Period: 10/3/2014 to 10/2/2015



S&P 500 PR

For more information, please contact us at 716-633-3800.

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Source: Morningstar Direct

S&P 400 – Mid Cap

Time Period: 10/4/2014 to 10/2/2015



—S&P MidCap 400 PR

S&P 400 – Mid Cap

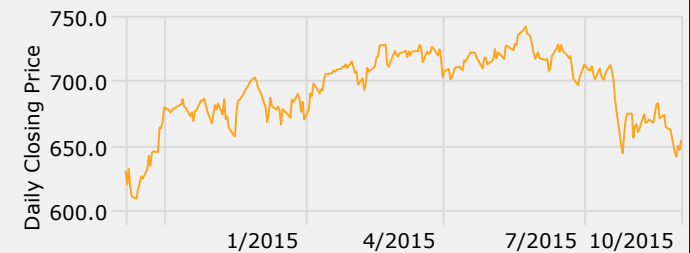
- -3.39% YTD
- Health Care (+5.32% YTD) leads the way, while Energy lags (-22.14% YTD).

S&P 600 – Small Cap

- -4.17% YTD
- Health Care (+11.92% YTD) leads, while Energy is the worst performing sector (-41.71% YTD).

S&P 600 – Small Cap

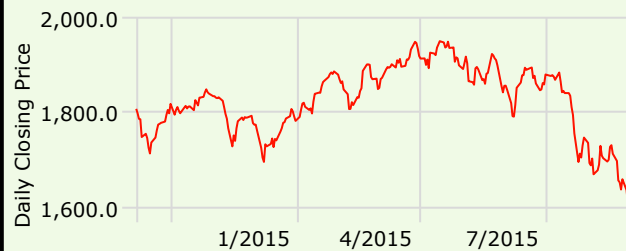
Time Period: 10/4/2014 to 10/2/2015



—S&P SmallCap 600 PR USD

MSCI EAFE – Developed International

Time Period: 10/4/2014 to 10/2/2015



—MSCI EAFE PR USD

MSCI EAFE – Developed International

- United Kingdom's Mortgage Approvals for August were 71K, beating estimates of 69.8K and higher than July's reading of 69K.
- Japanese Industrial Production for August declined -0.5% MoM, lower than estimates of +1.0% MoM, but higher than July's decline of -0.8% MoM.

MSCI EM – Emerging Markets

- Russia's GDP for 2Q15 declined by -4.6% QoQ, in line with estimates and unchanged from 1Q15's reading.
- Mexico's Unemployment Rate for August was in line with estimates and July's reading of 4.7%.

MSCI EM – Emerging Markets

Time Period: 10/4/2014 to 10/2/2015



—MSCI EM PR USD

USD – Dollar

Time Period: 10/4/2014 to 10/2/2015



—ICE USD Spot

USD – Dollar

- The Dollar Index (DXY) declined to 95.83, decreasing by 46 bps from last week.
- The Yen strengthened against the Dollar to 119.91 JPY/USD.
- The Euro strengthened slightly against the Dollar to 1.12 USD/EUR.

DJ UBS – Commodities

- Gold prices increased last week, closing at \$1,139/oz.
- West Texas Intermediate (WTI) crude oil prices increased from last week, closing at \$45.54/bbl.

DJ UBS – Commodities

Time Period: 10/4/2014 to 10/2/2015



—Bloomberg Commodity PR USD