
Is This What Full Employment Looks Like?

Weekly Update – February 8, 2016

Markets dropped last week on mixed economic data and a big selloff in the tech sector amid weak earnings. For the week, the S&P 500 lost 3.10%, the Dow fell 1.59%, and the NASDAQ dropped 5.44%.¹

In this week's update, we wanted to dig deeper into a major economic indicator that drives market analysis and activity: the monthly jobs report. On Friday, investors got a look at January's jobs report, which showed that the economy gained 151,000 jobs last month.² The gains pushed the headline unemployment rate down to 4.9%, the lowest it has been since February 2008.³

At 4.9% unemployment, the economy is now in the range of what economists call "full employment," defined as a point at which the economy no longer faces demand-related job scarcity. At full employment, most (not all) job seekers can find and keep the jobs they want and employers can find the workers they need.⁴ This point should represent an ideal state for the labor market and a victory for the Federal Reserve.

While progress is great news, is the economy really at full employment?

One problem with "big picture" indicators is that they leave out a lot of detail and don't capture the full complexity of the economy. The jobs market has been a riddle for some time; though we've seen consistent job creation since 2010, wage gains have been weak and the quality of jobs created is worse than that of previous post-recession periods.⁵

The jobs created after the 2001 recession were well-distributed among lower- and higher-wage industries; in contrast, the recent job recovery has been largely driven by lower-wage industries.⁶ For example, bars, restaurants, and retailers picked up 105,000 new workers last month, while white-collar jobs grew by just 9,000, the smallest gain in over two years.⁷ Another problem is that we have about 6 million people who want jobs and haven't found them. Another 6 million are working part-time for economic reasons.⁸ Details like these matter to Americans and help explain some of the anxieties that remain about the labor market recovery.

Now – that's not to say that the labor market hasn't made significant progress over the last year. Wages increased by 2.5% over the last 12 months, which is consistent with growing demand for workers. Unemployment is down across the board, and job gains continue.

Bottom line: The January jobs report was basically positive, but we're not ready to believe that the labor market is completely recovered. Though it's clear structural issues remain, the data also doesn't indicate that a recession is on the horizon.

This week, Fed Chair Janet Yellen's testimony before Congress will be the highlight of the economic calendar. Analysts are expecting the House and Senate to grill her over the December rate hike and the Fed's plans for further interest rate increases this year. Realistically, it's not likely that Yellen will reveal much beyond the Fed's intention to carefully weigh data, but it promises to be an interesting Q&A.⁹

ECONOMIC CALENDAR:

Tuesday: JOLTS

Wednesday: Janet Yellen Speaks 10:00 AM ET, EIA Petroleum Status Report, Treasury Budget

Thursday: Jobless Claims, Janet Yellen Speaks 10:00 AM ET

Friday: Retail Sales, Import and Export Prices, Business Inventories, Consumer Sentiment

Data as of 2/5/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	-3.10%	-8.02%	-8.85%	8.68%	4.87%
DOW	-1.59%	-7.00%	-9.39%	6.80%	5.01%
NASDAQ	-5.44%	-12.87%	-8.44%	11.51%	9.28%
U.S. Corporate Bond Index	0.00%	0.26%	-5.15%	1.34%	1.13%
International	-1.55%	-8.71%	-13.95%	-1.89%	-1.15%
Data as 2/5/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.23%	0.45%	0.55%	1.25%	1.86%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the DJCBP. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

HEADLINES:

Cold weather freezes motor vehicle sales. U.S. automakers posted modest sales numbers in January as winter weather kept car shoppers out of car lots. However, underlying trends are still positive, indicating that Americans are still spending on big-ticket items.¹⁰

Consumer spending fell flat in December, but savings increase. Spending by U.S. consumers remained unchanged in December. However, a three-year high in savings growth could spell higher spending in the months to come.¹¹

Construction spending rises slightly. Spending on new construction barely rose in December, though it increased significantly in 2015 – growing 10.5% versus 9.6% in 2014.¹²

Global factory activity muted. Weak global demand is still affecting factory activity around the world as manufacturers struggle to find orders.¹³

QUOTE OF THE WEEK



*"Diamonds are nothing more than chunks of coal that stuck to their jobs."
– Malcolm Forbes*

RECIPE OF THE WEEK



Foolproof Roast Chicken



Turn out perfect roast chicken with this simple recipe.

Serves 4-6

Ingredients:

1 onion, peeled and sliced
6 carrots, peeled and cut into large chunks
1 3-4 pound fresh chicken, giblets removed and cavity rinsed
1 tablespoon olive or vegetable oil
Kosher salt and black pepper
1 ½ pounds Yukon gold potatoes, scrubbed and quartered

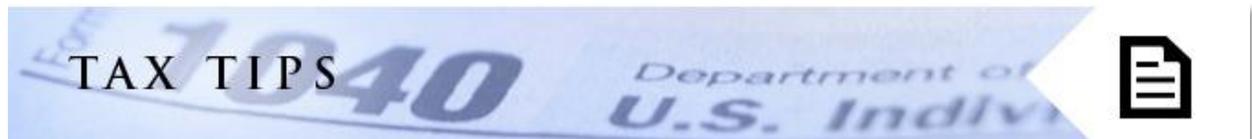
Chef's Tip: Investing in a digital meat thermometer helps take the guesswork out of cooking meat.

Directions:

1. Pre-heat your oven to 450°F. Pat your chicken dry with a paper towel and rub it with oil and a healthy sprinkle of kosher salt and black pepper.

2. Layer a roasting pan with the onion and carrots. Place the chicken breast side down and tuck the wings close to the body. Place the potato chunks around the chicken.
3. Roast the chicken for 50-60 minutes. Halfway through, flip the chicken so the breast is up and give the vegetables a stir. The chicken is done when a thermometer in the thigh shows 165°F or the juices run clear. Let the chicken rest for 10-15 minutes before slicing and serving with the vegetables.

Recipe adapted from Pam Anderson | RealSimple.com¹⁴



Missing Your W-2? Here's What to Do.

Most employees receive their W-2s by the end of January so that they can file their taxes in a timely manner. However, if you haven't received yours by mid-February, here's what to do:

- Contact the employer and ask for an update. Confirm that they have your correct mailing address on file.
- Call the IRS at 800-829-1040 after February 23rd. If your employer isn't responsive to your request, you can enlist the IRS to send a letter on your behalf.
- Still file on time. Even if you don't have your W-2, it's still important to file your taxes (and pay your taxes) on time. Use Form 4852, "Substitute for Form W-2, Wage and Tax Statement," if you don't get your W-2 in time to file. Estimate your wages and taxes withheld as best you can.
- Correct your return. If you receive your W-2 and need to make a correction, you can file an amended return using Form 1040X, "Amended U.S. Individual Income Tax Return."

For more information about filing your taxes, consult a qualified tax expert.

Tip courtesy of IRS.gov¹⁵



Keep the Angle When You Swing

If you're having trouble generating power with your swing, you might be losing the angle before you make contact with the ball. Here's what you should be doing:

From the top of your backswing, drop your hands rapidly and bring the club down. At the bottom, the club shaft should form nearly a 90° angle with your arm.

You don't want to break your wrist angle early because you'll lose all of the power generated by the swing. Take a few practice swings and work on keeping the angle of your wrist and feeling the transition before you make contact.

Tip courtesy of Ryan Moore, PGA | Golf Tips Mag¹⁶



Tips for Caregivers

Many Americans face caregiving duties now or in the future. Unfortunately, many caregivers experience isolation, stress, and burnout due to the difficulties of juggling caregiving with other aspects of life. Here are some helpful tips:

- **Get organized.** Most caregivers work and staying organized is critical to balancing your many priorities.
- **Use technology** to help manage caregiving duties, communication, and connect with others.
- **Avoid isolation** by going to support groups, online forums, and disease-specific organizations.
- **Take care of yourself.** It's not selfish to take care of your own needs, and you won't be effective as a caregiver if you are running on empty. Force yourself to sleep, go to the gym, take care of your own health needs, and take breaks from caregiving.

Tip courtesy of AARP¹⁷



Don't Microwave Plastic

Whether you're heating up takeout or last night's leftovers, heating plastics can cause chemicals to leach into food. Though you'll find plenty of food containers labeled "microwave safe," that just means the plastic can withstand high temperatures without losing shape; it doesn't mean that it doesn't contain harmful chemicals.

Next time, microwave food on a plate or in a heat-proof glass container. If you want to avoid a mess, place a damp paper towel on top to prevent spatters.

Tip courtesy of RealSimple.com¹⁸

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

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Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

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- ¹ <http://finance.yahoo.com/q/hp?s=%5EGSPC&a=01&b=1&c=2016&d=01&e=5&f=2016&g=d>
<http://finance.yahoo.com/q/hp?a=01&b=1&c=2016&d=01&e=5&f=2016&g=d&s=%5EDJI%2C+&q1=1>
<http://finance.yahoo.com/q/hp?a=01&b=1&c=2016&d=01&e=5&f=2016&g=d&s=%5EIXIC%2C+&q1=1>
- ² <http://www.bls.gov/news.release/empstat.nr0.htm>
- ³ <http://fortune.com/2016/02/05/full-employment/>
- ⁴ <http://www.marketplace.org/2016/02/05/economy/strong-jobs-report-still-has-some-idle>
- ⁵ <https://research.stlouisfed.org/fred2/series/PAYEMS>
<http://www.marketplace.org/2016/02/05/economy/strong-jobs-report-still-has-some-idle>
- ⁶ <http://www.nelp.org/content/uploads/2015/03/Low-Wage-Recovery-Industry-Employment-Wages-2014-Report.pdf>
- ⁷ <http://www.bls.gov/news.release/empstat.nr0.htm>
<http://www.marketwatch.com/story/heres-four-reasons-the-january-jobs-report-is-fishy-2016-02-05>
- ⁸ <http://www.bls.gov/news.release/empstat.t08.htm>
- ⁹ <http://www.foxbusiness.com/markets/2016/02/05/week-ahead-yellens-congressional-testimony-should-be-lively.html>
- ¹⁰ <http://www.foxbusiness.com/markets/2016/02/02/fiat-chryslers-january-sales-rise-7.html>
- ¹¹ <http://www.cnbc.com/2016/02/01/us-personal-income-dec-2015.html>
- ¹² <http://www.reuters.com/article/usa-economy-construction-idUSL2N15D2C4>
- ¹³ <http://www.foxbusiness.com/markets/2016/02/01/global-factories-parched-for-demand.html>
- ¹⁴ <http://www.realsimple.com/food-recipes/browse-all-recipes/simple-roast-chicken>
- ¹⁵ <https://www.irs.gov/uac/Missing-Form-W2-IRS-Can-Help>
- ¹⁶ https://www.youtube.com/watch?list=UUPLAYER_GolfTipsMag&v=zbJ4YsUMiEg
- ¹⁷ <http://videos.aarp.org/detail/videos/health/video/4689934434001/amy-goyer:-helpful-tip-for-caregivers---aarp?autoStart=true>
- ¹⁸ <http://www.realsimple.com/home-organizing/green-living/green-home/microwave-glass-never-plastic>