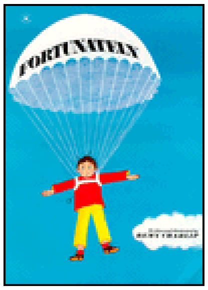
WELLS CAPITAL MANAGEMENT

UPDATE

Economic and Market Perspective

February 4, 2008

Jobs…..Fortunately……Unfortunately?!!



Trying to assess the U.S. job market reminds me of a favorite children's story entitled *Fortunately* by Remy Charlip. It traces the travails of its main character Ned as he alternates through a day of "fortunate and unfortunate" events. The plot line seems eerily similar to the confusing array of employment information policy officials, economists and investors are attempting to decipher.

So, How is the Jobs Report…….????

Fortunately, the unemployment rate declined below 5 percent again in January to 4.9%! This is a very good thing since it was mainly the jump in the unemployment rate last month which scared everybody!
Unfortunately, when carried to the second decimal point the unemployment rate only declined to 4.93% from 4.98% -- a rather uninspiring drop of only .05%.....Bummer!

Fortunately, the gain in nonfarm payrolls during December were revised up significantly to 82,000… much better than the paltry initially reported gain of only 18,000!
Unfortunately, nonfarm payrolls reportedly collapsed in January falling a spooky 17,000…..Yow! I guess the recession which everyone thought began in August (when payrolls were initially reported off by 4,000 only now to be told they actually rose by 74,000) or the recession which everyone thought began last month (when payroll jobs only rose 18,000 which actually turned out to be an 82,000 gain), is now the recession everyone expects began in January!

Fortunately, adjusted for the new updated population controls, the household employment measure surged by 635,000 jobs in January…….Boom Time!!!
Unfortunately, this same measure also suggest jobs plunged by 436,000 in December ....That was a Bad Christmas season, wasn't it? I guess overall, producing 100,000 jobs a month in the last two months isn't all that bad…..at least it doesn't sound like a recession!

Fortunately, the 4-week moving average of initial weekly unemployment claims remains at only 326,000 – solidly in the middle of the same range it has been in for the last three years…..All Right!
Unfortunately, in the latest week, initial unemployment claims spiked to 375,000, its highest level in more than two years and one of its highest levels since the recovery began……Oops!

Fortunately, the ADP national employment report suggested a whopping 130,000 gain in private sector jobs during January……We're rollin' now!
Unfortunately, the Monster Employment Index, a measure of online job listings, declined by 5.3 percent in January and is off almost 15 percent from its peak in October …Scary!!

Fortunately, after months of constant declines, the ADP employment report suggested U.S. manufacturing jobs were unchanged in January….Yes, finally turning a corner!
Unfortunately, the nonfarm payroll report suggested another nasty monthly loss of 28,000 manufacturing jobs in January…..I guess the bleeding continues!!

Fortunately, the SurePayroll Small Business Hiring Index rose a solid 0.3 percent in January marking its 14th consecutive monthly gain…….Go Small Biz!!
Unfortunately, housing construction jobs declined by another 27,000 in January, now falling in 21 of the last 23 months……Ouwweeeee!

Fortunately, Challenger corporate layoff announcements remain at very low levels in January, little different than they have been throughout the recovery…..Not many pink slips!
Unfortunately, compared to a year ago, layoffs rose by 19.1 percent in January……..Sure sounds Bad!!

Fortunately, the Conference Board's consumer confidence measure of "jobs plentiful" rose to 23.9 percent of respondents in January and has increased in each of the last two months, while the "jobs hard to get" measure dropped by 2.6 percentage points in January to only 20.7 percent……Things are looking up!!
Unfortunately, the ISM manufacturing survey report on employment declined in January to it lowest level since 2003……Nasty!

Fortunately, wages rose only 0.2 percent in January and are up only 3.7 percent in the last year which should help calm inflation fears…..Nice!
Unfortunately, wages rose only 0.2 percent in January and are up only 3.7 percent in the last year which suggest weaker consumer spending…..Darn it!

So, What does the Jobs Report(s) Tell Us???

Fortunately, not much at all! Although they don't portray any near-term pick-up, they also do not point to imminent recession. What they do say is what we all knew last month, last quarter and perhaps last year……….the economy has slowed! Not disastrously so! And, depending on which reports you like the best, you could even make a case January was stronger than December …… or the other way around. The real fortunate news is seven months beyond the start of the July 2007 crisis the economy is not in recession, nor do the job(s) data suggest one is imminent. Perhaps even more fortunate news is the financial markets appear increasingly focused not on the January jobs data, but rather on the second half and what impact all this economic policy juice (monetary, fiscal and dollar policies) will have on restarting the recovery??!!

Unfortunately, analyzing the jobs market has given me a headache……..OUCH!!!

Thanks for taking a Look!!