

TRENDMACRO LIVE!

## On the September Jobs Report

Friday, October 8, 2010

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Today's go-nowhere numbers put pressure on congressional incumbents and the Fed.

[This morning's September jobs report](#) was more interesting for its political implications than its economic ones.

- This is the last jobs report before the November mid-term elections -- and as we've been predicting all year, incumbents will have to run against an unemployment rate stuck near 10% (see "[March FOMC Preview](#)" March 15, 2010).
- Today's stagnant data puts pressure on the Fed to "do something" at its next policy meeting, to be held one day after the election. St. Louis Fed president James Bullard upped the ante on that this morning by co-hosting CNBC's "Squawk Box," giving live color-commentary on this morning's jobs data. While his comments were almost comically bland (such as, "We'll have to feed the jobs numbers into our model!"), that he would appear at all creates a demand-effect on the Fed to act as "first responder" to any economic wiggles. And it shows Bullard, a known supporter of additional quantitative easing, continuing to try to expand his influence on the FOMC (see "[When Phd's Attack](#)" August 25, 2010).

Now to the data:

- Another go-nowhere jobs report in our "expansionless recovery."
- With September's loss of 76,000 temporary census workers, leaving only 6,000 still on the books, a distracting data distortion is now behind us.
- The Bureau of Labor Statistics announced that its annual "benchmark revision," to take effect with January 2011's report, will reduce this year's payroll employment by about 366,000. Like the downward Gross Domestic Product revisions announced in July with Q2's data (see "[On Q2 GDP](#)" July 30, 2010), the message here is unambiguously: "it was worse than we thought." The consequence is to put the labor market even deeper below trend than previously estimated, raising the opportunity cost of every day we remain mired in an "expansionless recovery."

### Update to strategic view

#### US MACRO, FED

**FUNDS:** Another go-nowhere jobs report in the "expansionless recovery," with announced downward revisions implying the labor market is even deeper below trend than we thought. For the upcoming mid-term elections, it means that incumbents will be running against an unemployment rate stuck at near 10% all year. For the Fed, it ups the pressure to "do something" at the FOMC meeting the day after the election.

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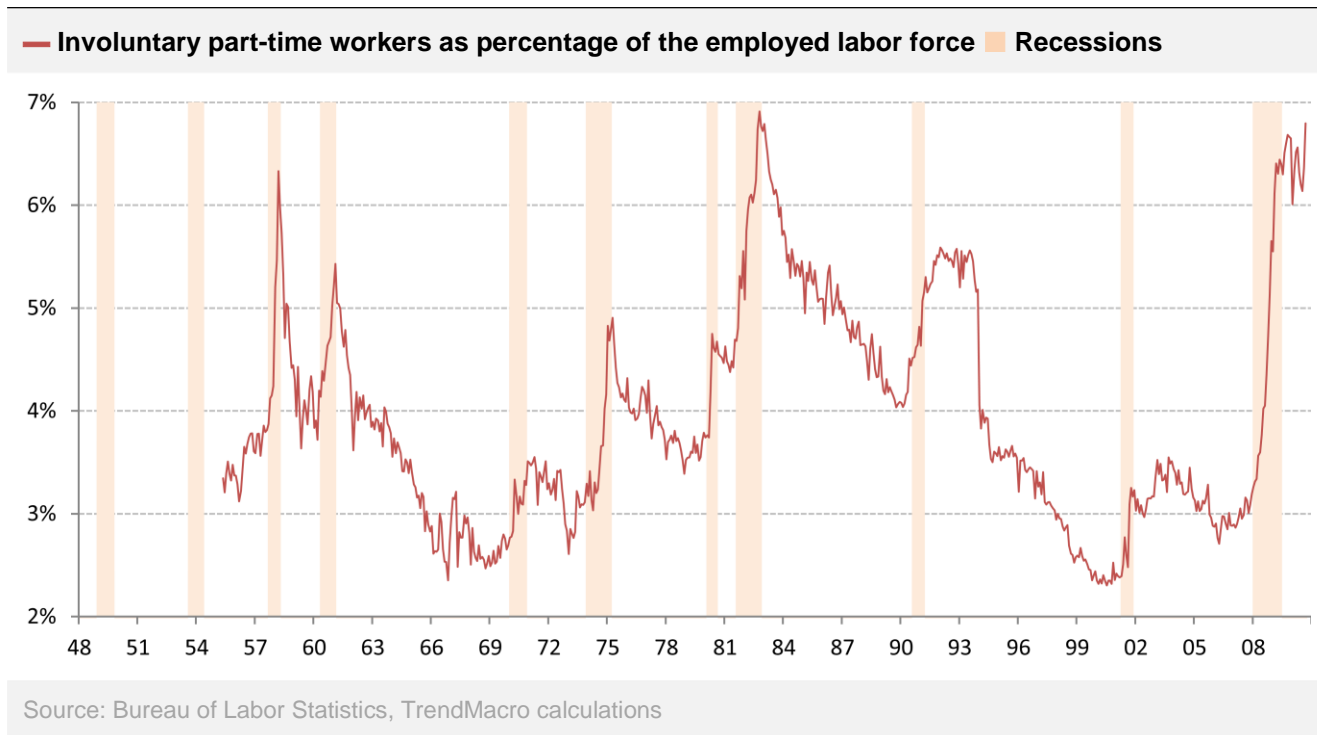
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- There were some small positive developments in the data, especially in the area of long-term unemployment. The average number of months unemployed fell slightly, and the monthly job-finding probability rose slightly.
- But it appears that this may have been facilitated only by the increase of involuntary part-time employment to 6.80% of the employed workforce, a new record high for this cycle, and very nearly an all-time high (please see the chart below). In other words, the jobs added this month were only part-time jobs, awarded to workers who actually wanted full-time work.



### Bottom line

Another go-nowhere jobs report in the "expansionless recovery," with announced downward revisions implying the labor market is even deeper below trend than we thought. For the upcoming mid-term elections, it means that incumbents will be running against an unemployment rate stuck at near 10% all year. For the Fed, it ups the pressure to "do something" at the FOMC meeting the day after the election. ▶