

# Chart 1

## Total Nonfarm Payroll Employment

Change from Prior Month -- Thousands of Persons

### Squishy

This morning's jobs numbers were a disappointment. On several levels. As we shall see when we look through the details of both surveys, the headlines did not tell the story. But, of perhaps greater moment, the figures further muddied the debate about what the Federal Open Market Committee [FOMC] should do at its next two meetings.

So, let's get right to the details.

As you see here, the September gain in employment was only slightly larger than the downwardly revised increase of August. What stands out on the table is that this is the first time all year that we have had two months in a row with net gains of less than 200,000 persons.

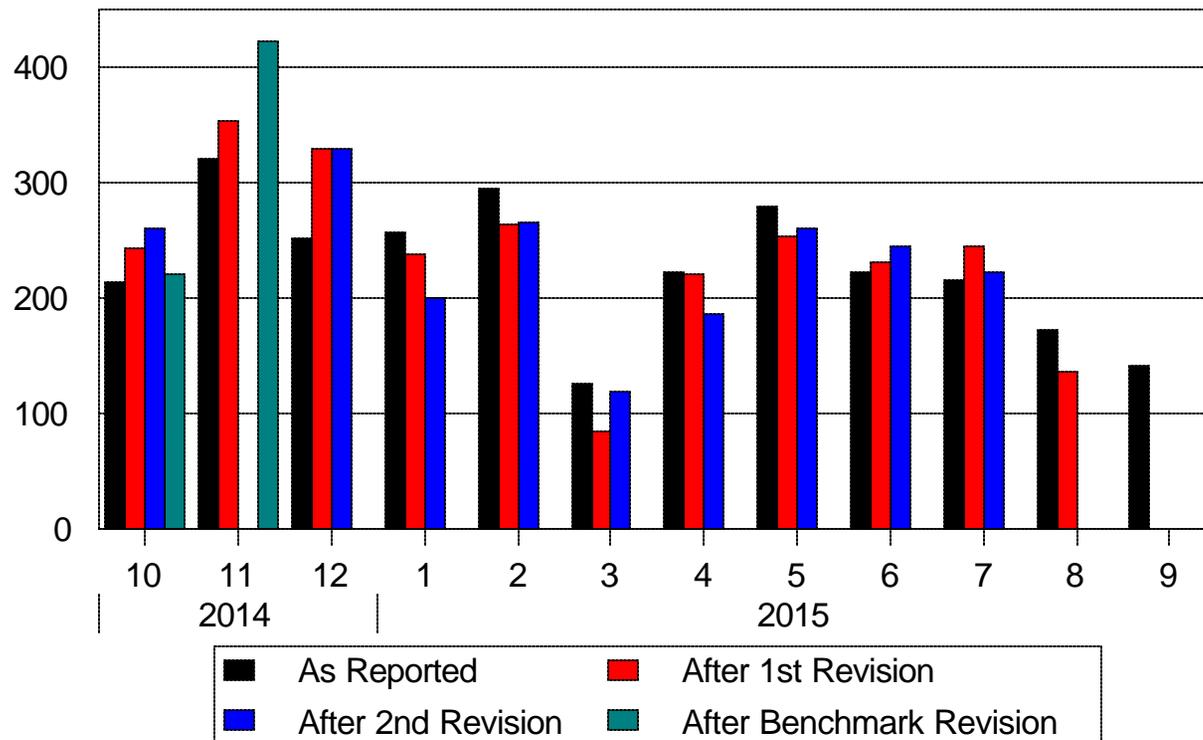
Month:Year	As Reported	After 1st Revision	After 2nd Revision	After Benchmark Revision
11:14	321	353		423
12:14	252	329	329	
1:15	257	239	201	
2:15	295	264	266	
3:15	126	85	119	
4:15	223	221	187	
5:15	280	254	260	
6:15	223	231	245	
7:15	215	245	223	
8:15	173	136		
9:15	142			

About the only good thing about that is the fact that it settles a debate I have been having with myself about the theme of the report I will send to you later this month. We will be looking at the sources and uses of growth in long expansions. Several other topics had been under consideration, but I will postpone those for a later date. So, sorry, we will not be embarking on the next phase of the study of the equity markets this month.

## Chart 2 Total Nonfarm Payroll Employment Change from Prior Month -- Thousands of Persons

One of our reasons for wanting to look into the sources and uses of growth in long expansions is seen here. At issue is whether the pattern of smaller month-to-month gains in employment that you see here is indicative of the onset of a business cycle peak, or whether it is indicative of the change in the composition of growth and employment that takes place over the course of an expansion.

Additionally, we have to look into what effects the structural changes we have seen over the course of this expansion have had on the supply of and the demand for labor. For now, we note that the pace of the gains has slowed. Why and how is what we will look into when we are not on deadline.



**September Headline Change = 142K**  
**September Change net of Revisions = 83K**

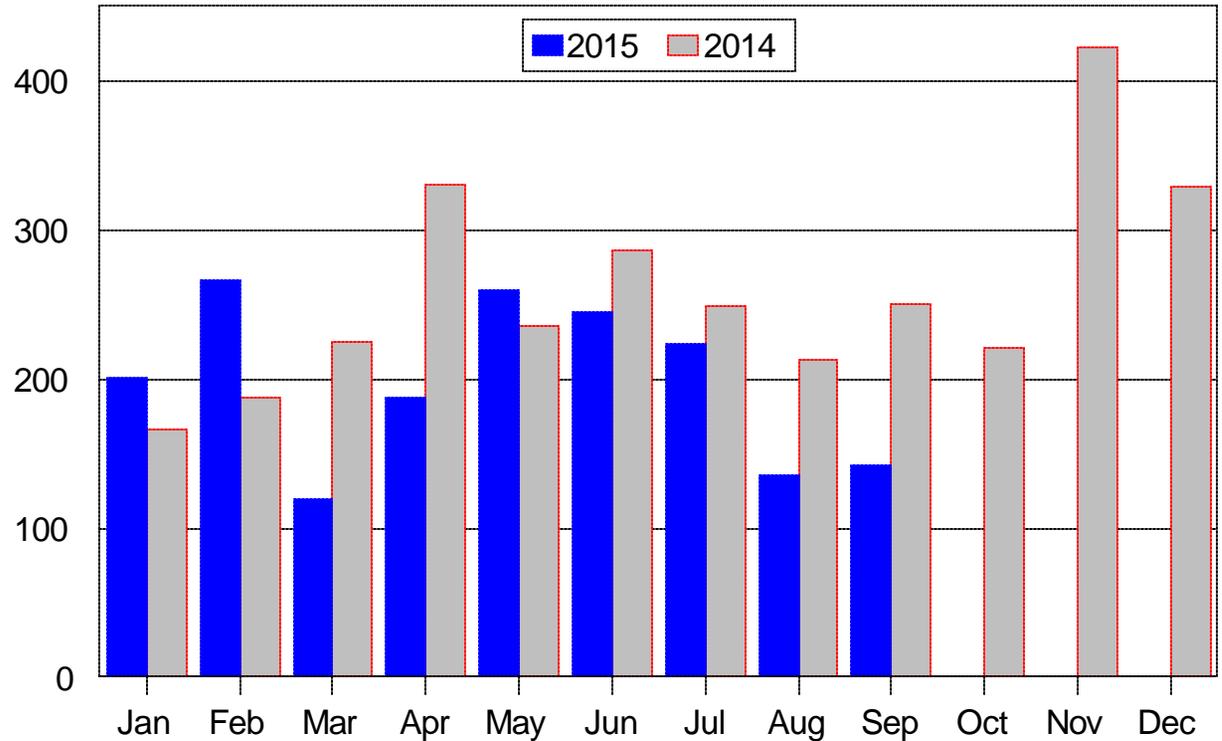
## Chart 3

### Total Nonfarm Payroll Employment

Change from Prior Month -- Thousands of Persons

Along with the comparison of the expansion to its long-lived brethren, we will also do some looking at the differences between what has happened in 2015 and 2014 on a monthly basis.

As you see here the fourth quarter of 2014 was one of exceptionally large increases. While we will be able to see some of the drivers of those gains on the next several charts, we will have to break out the finer detail to make a full comparison. In the interest of keeping you as subscribers, I will not force you to sit through a review of the finer details in the reports. I will make every effort to summarize the findings into something you can get through without having to pack a lunch.

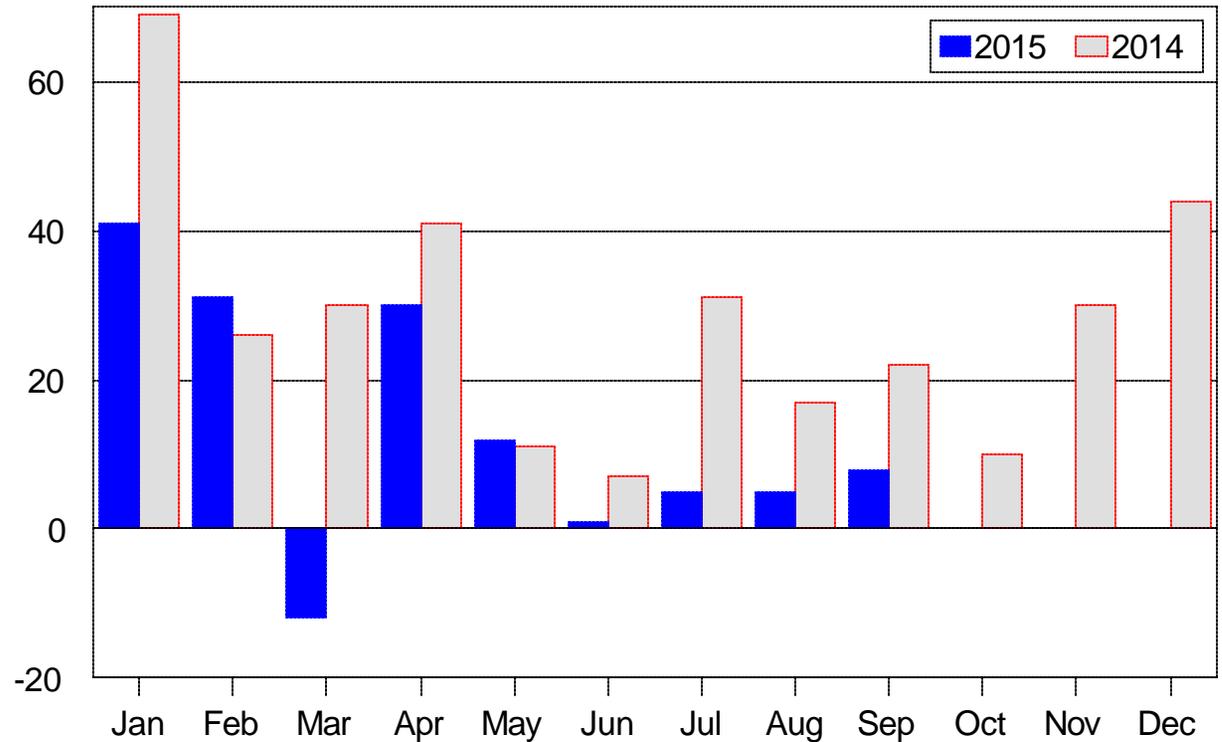


## Chart 4

### Construction Payroll Employment

Change from Prior Month -- Thousands of Persons

The story of construction hiring will probably figure largely in our story. We know that in 2014 this sector did manage a sustained rebound from the devastating damage it sustained when the housing bubble burst. But we also know that activity has stabilized after the rebound. So, it is not surprising to see that hiring continues to move ahead, but at a much more subdued pace. This is not necessarily an indication of current, or future, weakness. But it is illustrative of how the sources of growth can change over the course of an expansion.

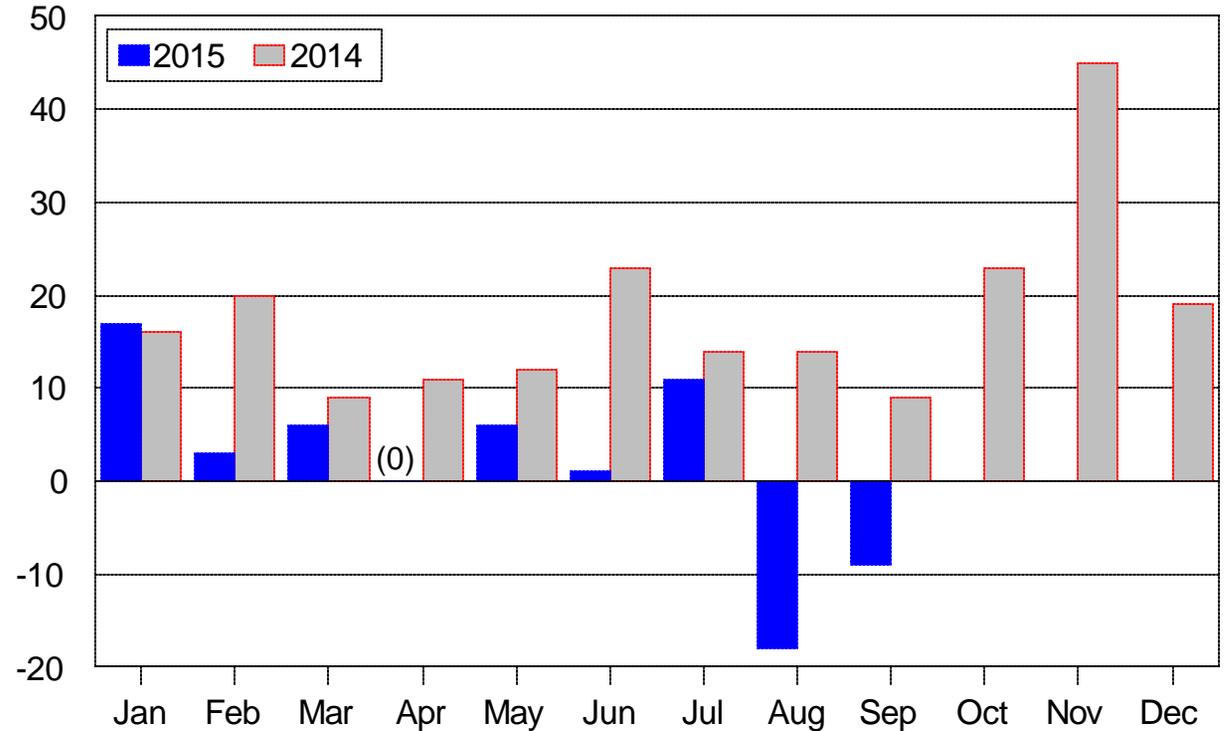


# Chart 5 Manufacturing Payroll Employment

Change from Prior Month -- Thousands of Persons

Manufacturing, on the other hand, is showing some signs of weakness, a good part of which can be traced to what has happened over the course of the year as a result of the supply chain problems created by the West Coast ports incident and the slackening of export demand caused by the higher dollar.

As I looked through the details of the September figures, what I found was a scattering of small increases and small decreases. With, obviously, more of the latter. So, the question becomes, how much of what we have seen over the past year is due to the problems we mentioned earlier, and how much is indicative of the loss of strength one might associate with a change in the phase of the business cycle?



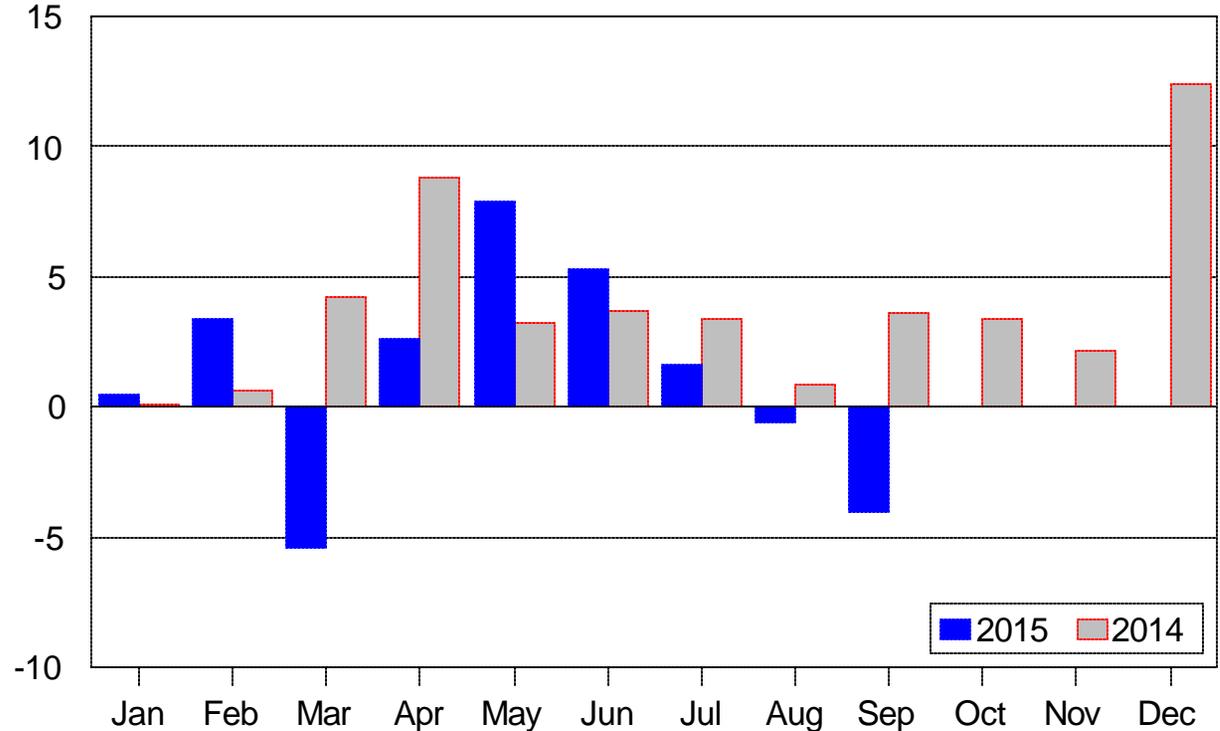
# Chart 6 Truck Transportation

Change from Prior Month -- Thousands of Persons

This chart was something of a surprise because it does not really square up with anecdotal evidence we continue to hear from our industry contacts. Perhaps some phone calls will be in order next week.

But, one thing I did hear recently at a conference, was that trucking demand, which had been strong nationwide for quite a while, has softened in a couple of regions. The ones which we knew about were places where oil and gas exploration has slowed because of the decline in crude oil prices. The early phases of oil and gas exploration are fairly truck-intensive. But once the wells are completed and hooked up to the delivery networks, the demand for trucks recedes.

The new news, so to speak, was from folks in the agricultural sector who reported that they had far less difficulty getting trucks this year than they did last year. So, I probably should get on the phone.

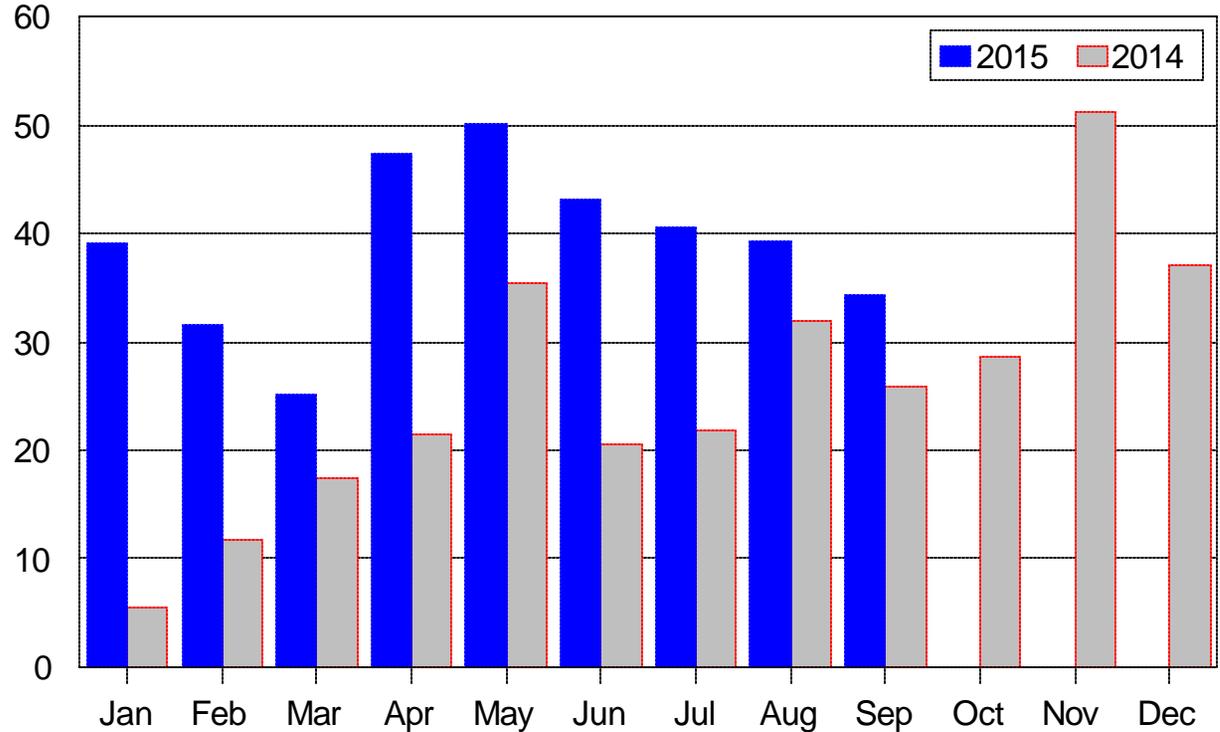


# Chart 7 Health Care

Change from Prior Month -- Thousands of Persons

Here is one of those charts that can be used by the spinners on both sides. Health care hiring continues to move ahead at a pace that is higher than it was throughout 2014. But, the pace of hiring has been slower than the previous month ever since the May peak.

That said, the composition of the gains continued to be about evenly split between hospitals and ambulatory care services.



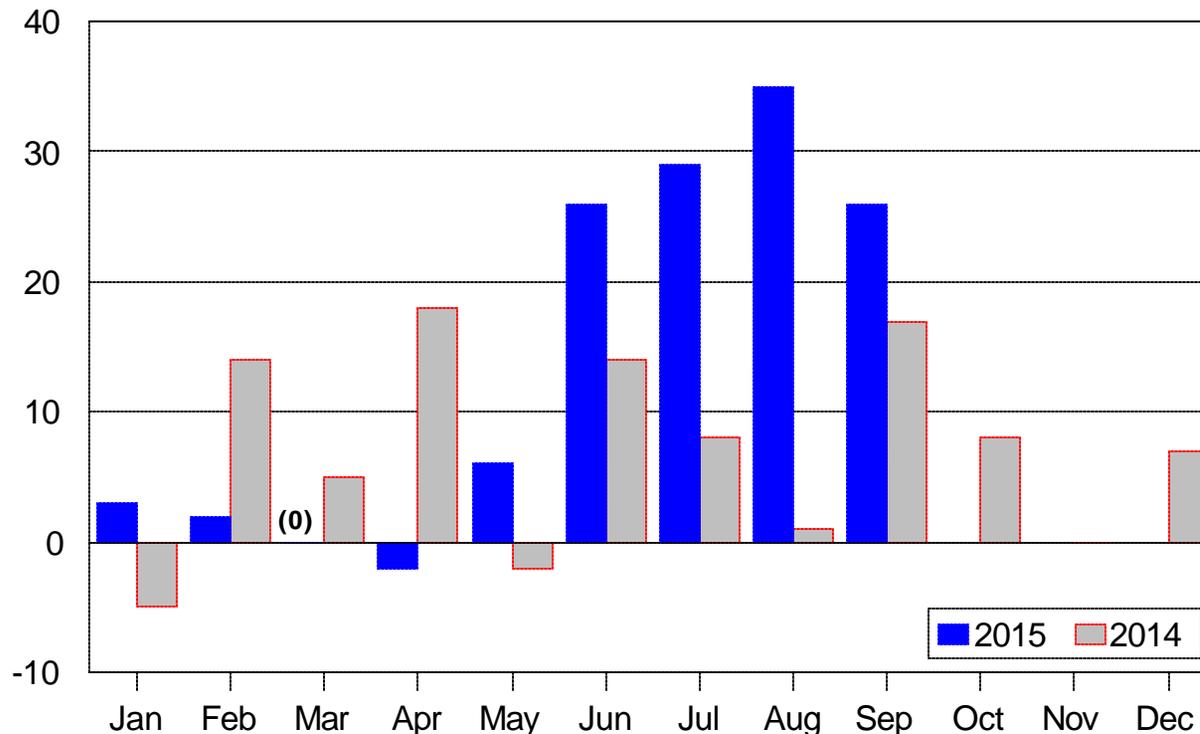
## Chart 8 State and Local Government

Change from Prior Month -- Thousands of Persons

The biggest change, and one that does square up with anecdotal evidence, is what we see here. And this is yet another, and probably the most important, reason to examine the sources and uses of growth.

In case you are wondering why these numbers changed so dramatically starting in June, it is because the fiscal years of most of the states start in the summer. This is a vestige of the days when the legislatures met while the crops were growing and the farmers could afford to be away for a few weeks to attend the legislature.

Most states (but not Illinois) have put their 2015-2016 budgets in place. The effects of those plans will be felt until the end of fiscal year. So, it is possible that the pattern you see here will persist. An event that could turn what has been a steady drag on total employment for the past five years into a modest contributor towards job growth. Whether this will offset problems elsewhere, remains to be seen. But, as we have already noted, conditions are changing in several sectors, and we will need to complete that examination before we can draw any further conclusions.



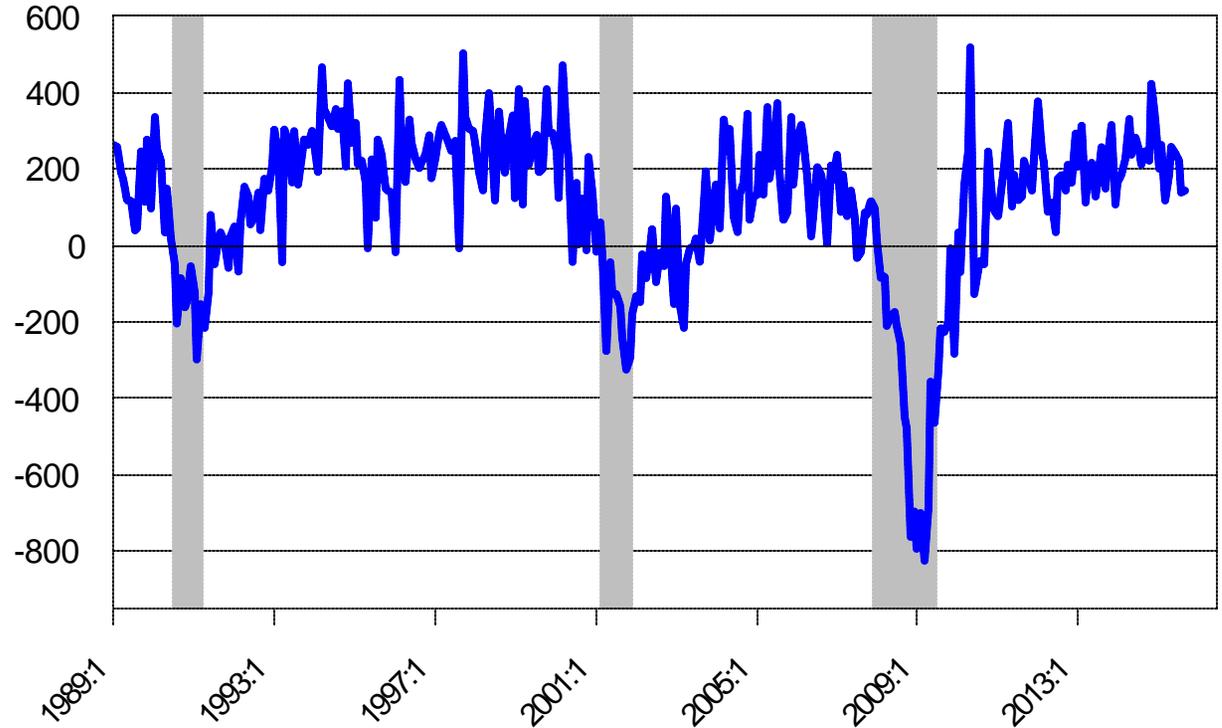
# Chart 9

## Total Nonfarm Payroll Employment

### Change from Prior Month -- Thousands of Persons

Having opened the report with one technical term (squishy) I am now going use another one: squiggly to remind you that this series does not, repeat, does not, make steady progress in either direction on a month-to-month basis. And, while I am at it, to direct your attention to the expansion that you see between 1991 and 2001. There you will note several instances of the line hitting zero without that occurrence meaning anything about the strength and duration of the expansion.

What will matter, is if we see the gains start to consistently run below 200K per month, after revisions. Especially after the benchmark revisions.



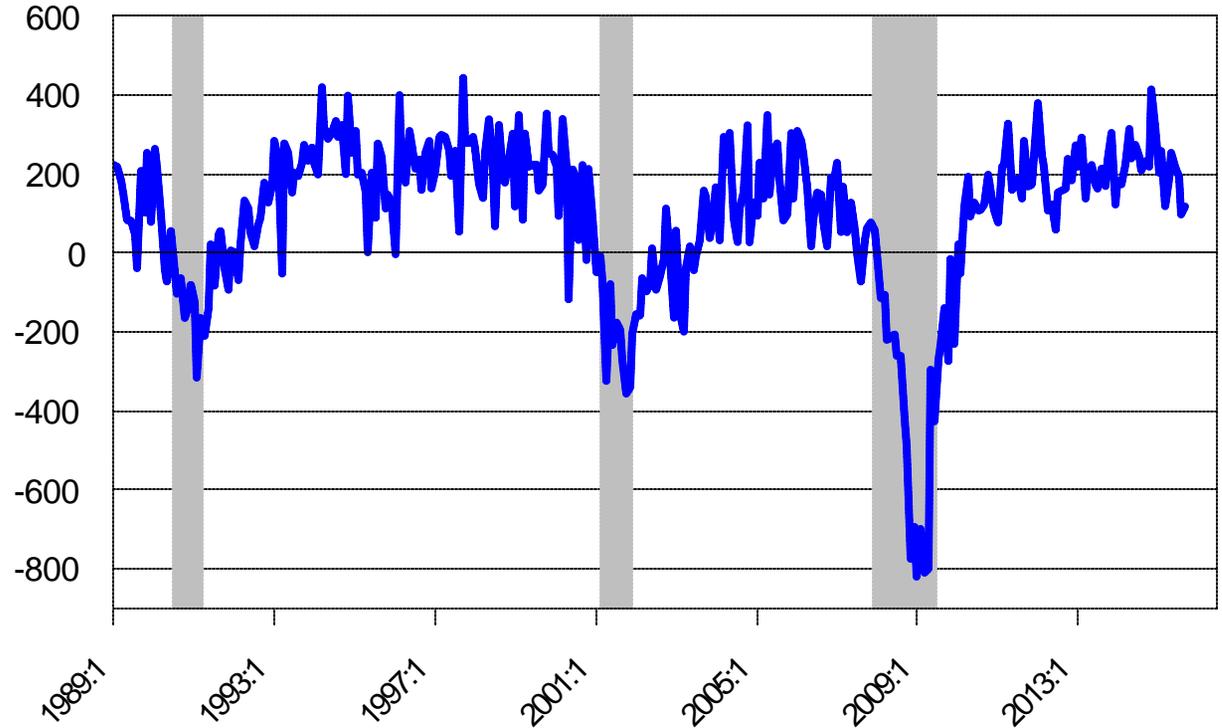
<u>Date</u>	<u>NFP</u>
2015:6	245
2015:7	223
2015:8	136
<b>2015:9</b>	<b>142</b>

# Chart 10 Total Private Nonfarm Payroll Employment

Change from Prior Month -- Thousands of Persons

All by way of introduction to what you see here: several entries below 200K!

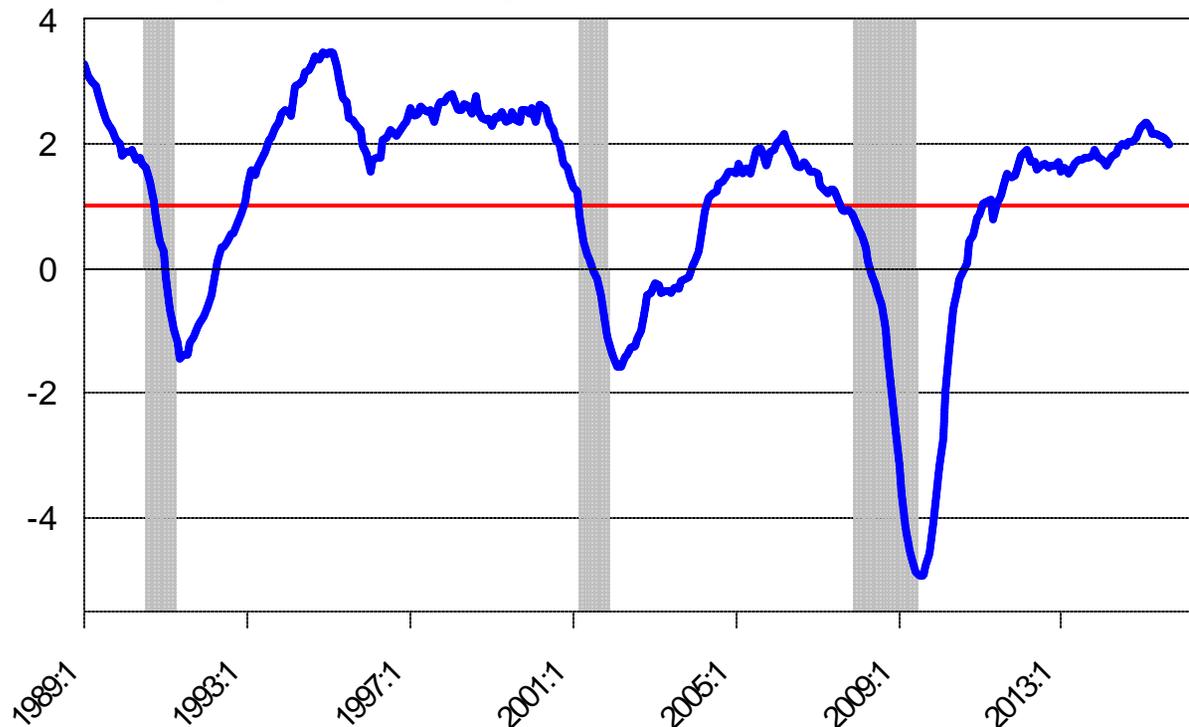
I have already seen several comments about this, and you might have seen them, too. In particular the comments have been on whether we are developing a lopsided growth pattern. You will recall we noted that 29,000 of the 118,000 new jobs in September came from health care. This is another reason why the sources and uses of growth has shot to the top of the to-do list.



Date	PNFP
2015:6	218
2015:7	195
2015:8	100
<b>2015:9</b>	<b>118</b>

# Chart 11 Total Nonfarm Payroll Employment

Percent Change from Year Ago Month



When I saw the headline on the Establishment Survey my first thought was about this chart. Would we pierce the 2% level? We did. But because we are going to have three revisions to this number (the next two months and then the benchmark) we need to be patient so as not to mistake the preliminary reading for the final one, which will be of critical importance.

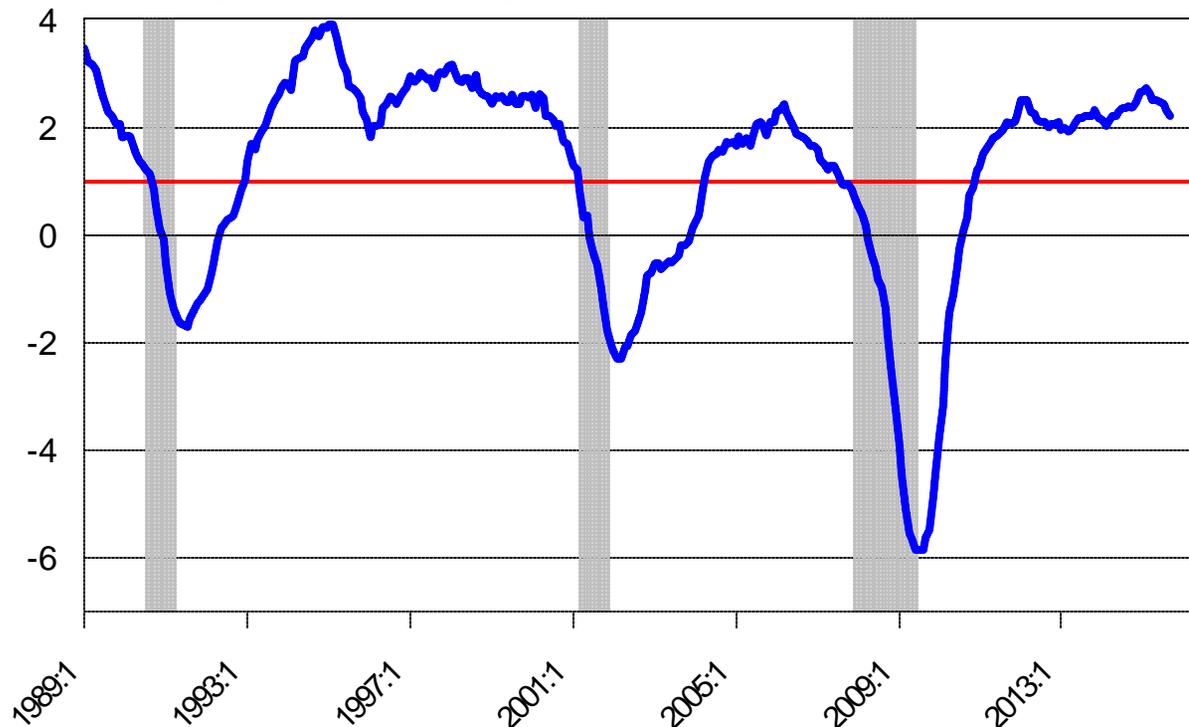
How so? Well, you will notice that this line has a rather strong tendency to drop from 2% to 1% and then to zero, once it breaks through the 2% level.

While we did see it dip briefly below 2% in the 1991-2001 expansion, the more common pattern, which we will show you when we run the full chart with the comparisons to other expansions in the report later this month, is for the line to do what it did in front of the 2007 cycle peak.

<u>DATE</u>	<u>%CHG.</u>
2015:6	2.13
2015:7	2.11
2015:8	2.05
<b>2015:9</b>	<b>1.97</b>

# Chart 12 Total Private Nonfarm Payroll Employment

Percent Change from Year Ago Month



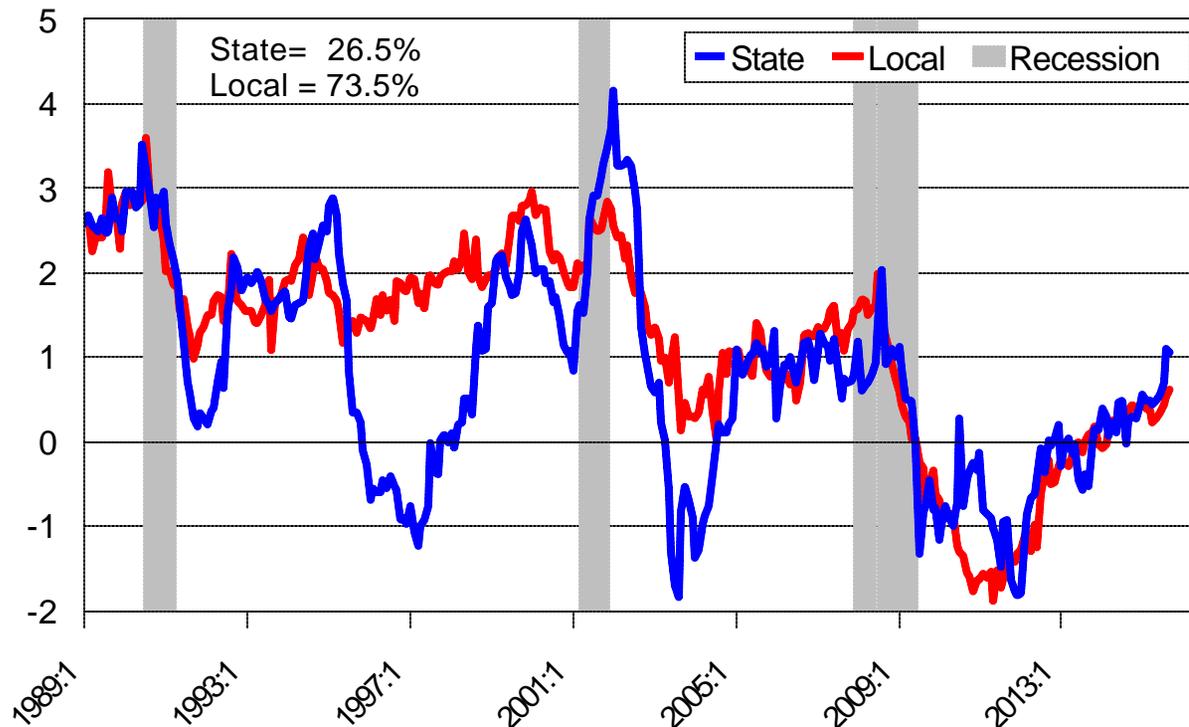
As you might have expected, the line on this chart also got dinged. But, it remains above the 2% level, so we are not quite as concerned about the situation here as we are on Chart 11.

<u>DATE</u>	<u>%CHG.</u>
2015:6	2.46
2015:7	2.41
2015:8	2.31
<b>2015:9</b>	<b>2.21</b>

# Chart 13 State and Local Government Payroll Employment

Percent Change from Prior Year Month

And, to round things out, as you also might have expected based on what we saw about the total hiring in the state and local sector, the lines here continue to track north, reversing their previous sojourn below the zero line. It is also worth noting that in the long expansion of 1991-2001 the state and local sector also had a run of hiring that was one of the contributors to making that expansion the longest on record.



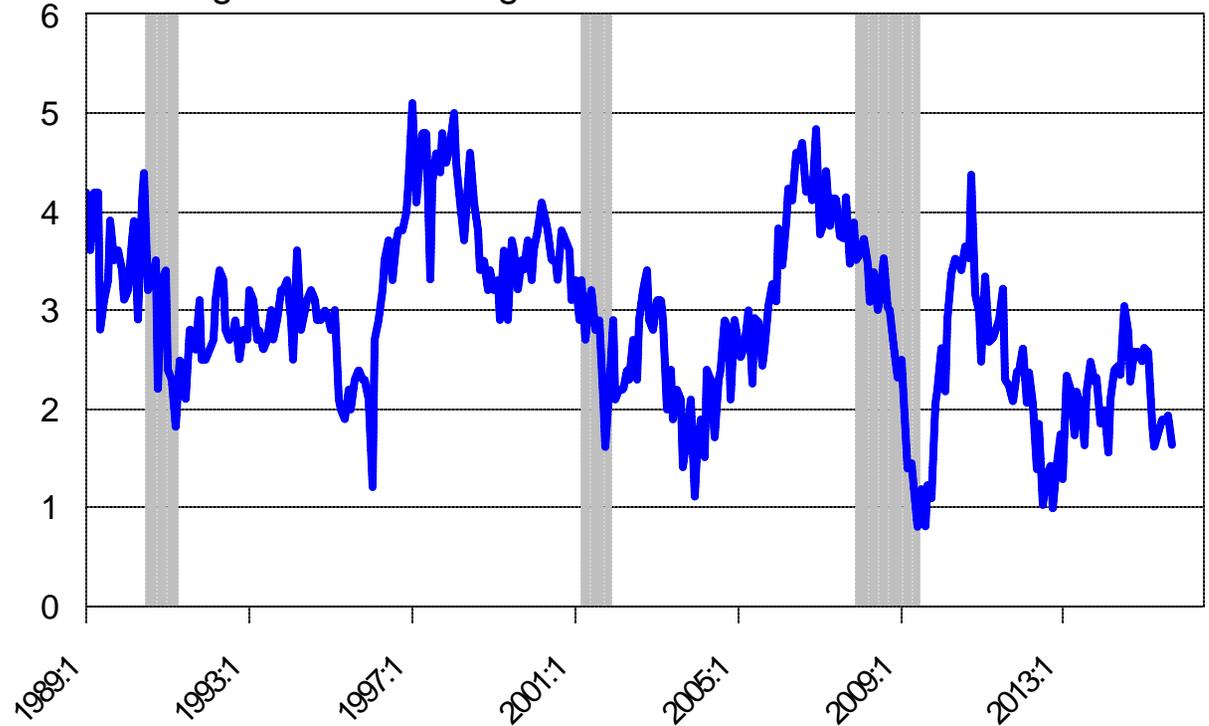
<u>DATE</u>	<u>State</u>	<u>Local</u>
2015:6	0.55	0.34
2015:7	0.71	0.43
2015:8	1.11	0.53
<b>2015:9</b>	<b>1.05</b>	<b>0.62</b>

# Chart 14

## Average Weekly Earnings Of Production and Nonsupervisory Employees

### Percent Change from Year Ago Month

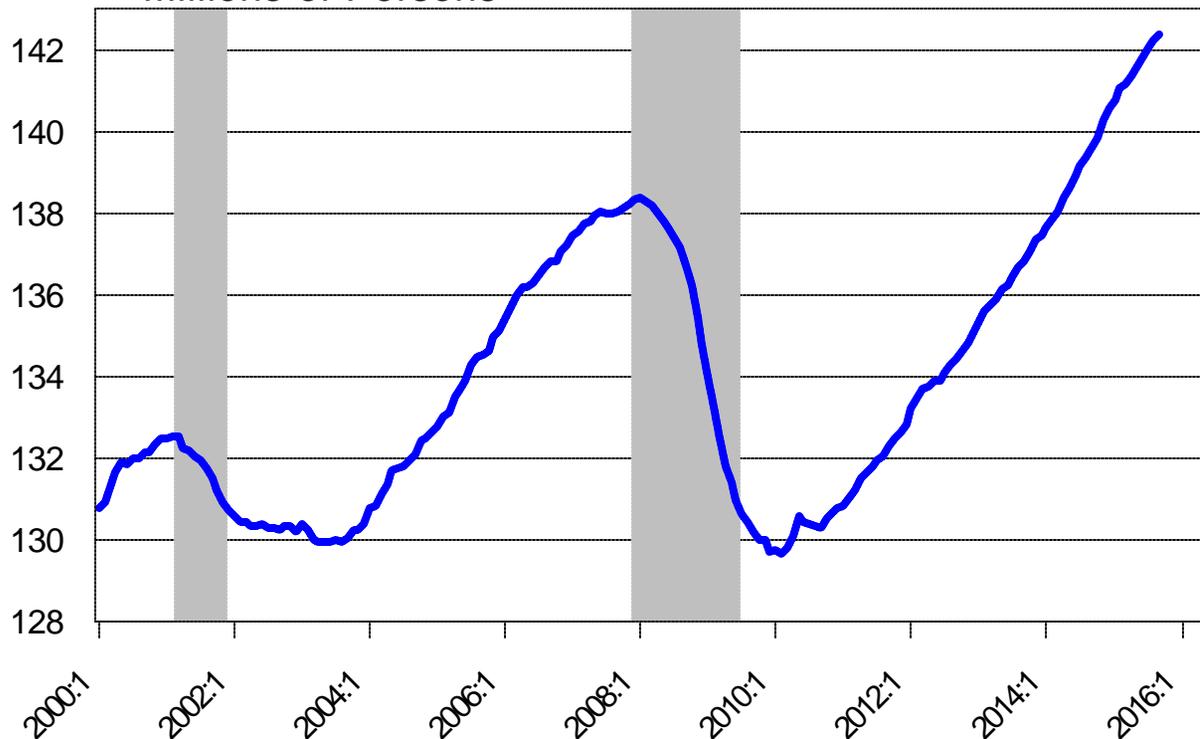
Given the pace and composition of hiring, it is not surprising to see continued lack of progress here. The other work on the sources and uses of growth could help with our understanding of what is happening, and not happening here.



<u>DATE</u>	<u>%CHG.</u>
2015:6	1.90
2015:7	1.89
2015:8	1.93
<b>2015:9</b>	<b>1.63</b>

# Chart 15 Total Nonfarm Payroll Employment

Millions of Persons



I think the best way to look at the September Establishment numbers is that they were strong enough to keep the line on this chart moving higher, while at the same time alerting us to the fact that it is probably time to start looking into the details to see how and why this trend might continue. Or not.

<u>DATE</u>	<u>NFP</u>
2015:6	141,870
2015:7	142,093
2015:8	142,229
<b>2015:9</b>	<b>142,371</b>



# Chart 16



## Components of the Civilian Unemployment Rate

Change from Prior Month --Thousands of Persons, except where noted

The news from the Household survey was equally squishy.

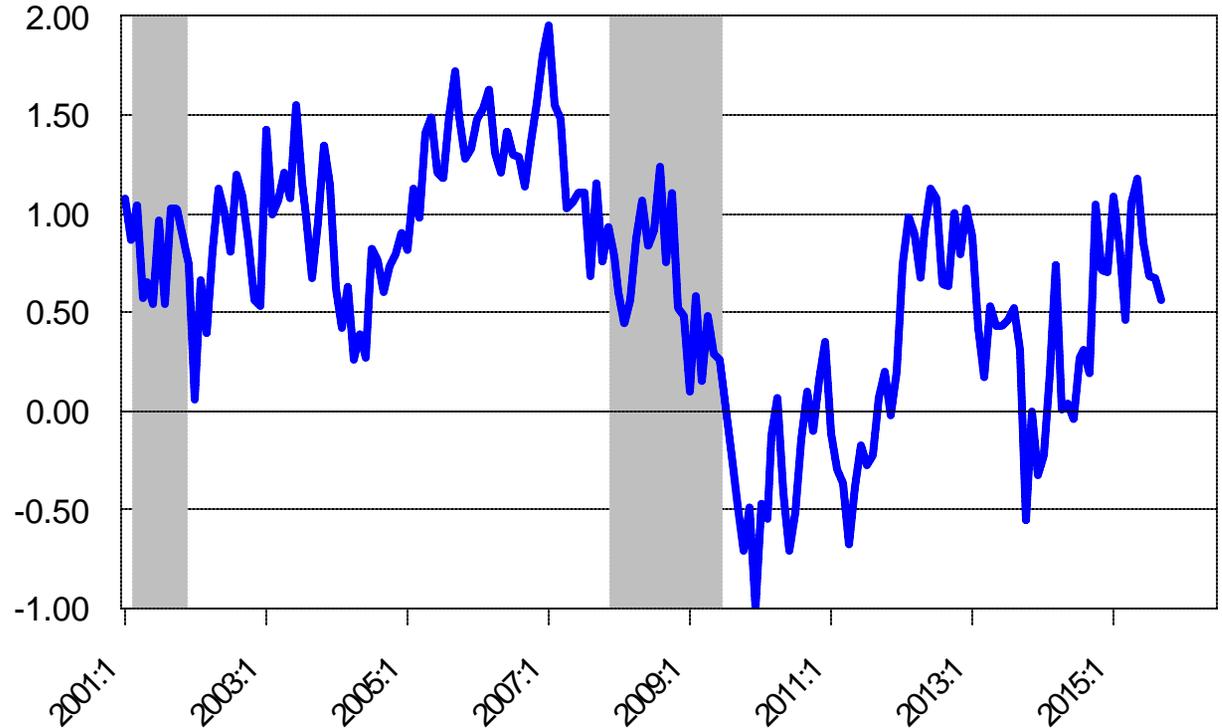
But, unlike the Establishment data, we have to contend with the perennial problem of the calendar. Namely, the start of the school year which always affects the pace at which people enter and leave the workforce, how and where they find jobs, and what kind of jobs they get.

The June and September reports, despite the best efforts of the BLS, are prone to the types of moves you see on the table. That being the case, I think the headline here has to be seriously discounted and our attention will be better served by looking at some of the details of the figures.

Month:Year	Change in Labor Force [1]	Change in Employment [2]	Difference = [1] - [2]	Change In Unemployment Rate (Basis Points)
<b>3:15</b>	<b>-96</b>	<b>34</b>	<b>-130</b>	<b>0</b>
<b>4:15</b>	<b>166</b>	<b>192</b>	<b>-26</b>	<b>-10</b>
<b>5:15</b>	<b>397</b>	<b>272</b>	<b>125</b>	<b>10</b>
<b>6:15</b>	<b>-432</b>	<b>-56</b>	<b>-375</b>	<b>-20</b>
<b>7:15</b>	<b>69</b>	<b>101</b>	<b>-33</b>	<b>0</b>
<b>8:15</b>	<b>-41</b>	<b>196</b>	<b>-237</b>	<b>-20</b>
<b>9:15</b>	<b>-350</b>	<b>-236</b>	<b>-114</b>	<b>0</b>

# Chart 17 Civilian Labor Force

Change from Year Ago Month -- Percent

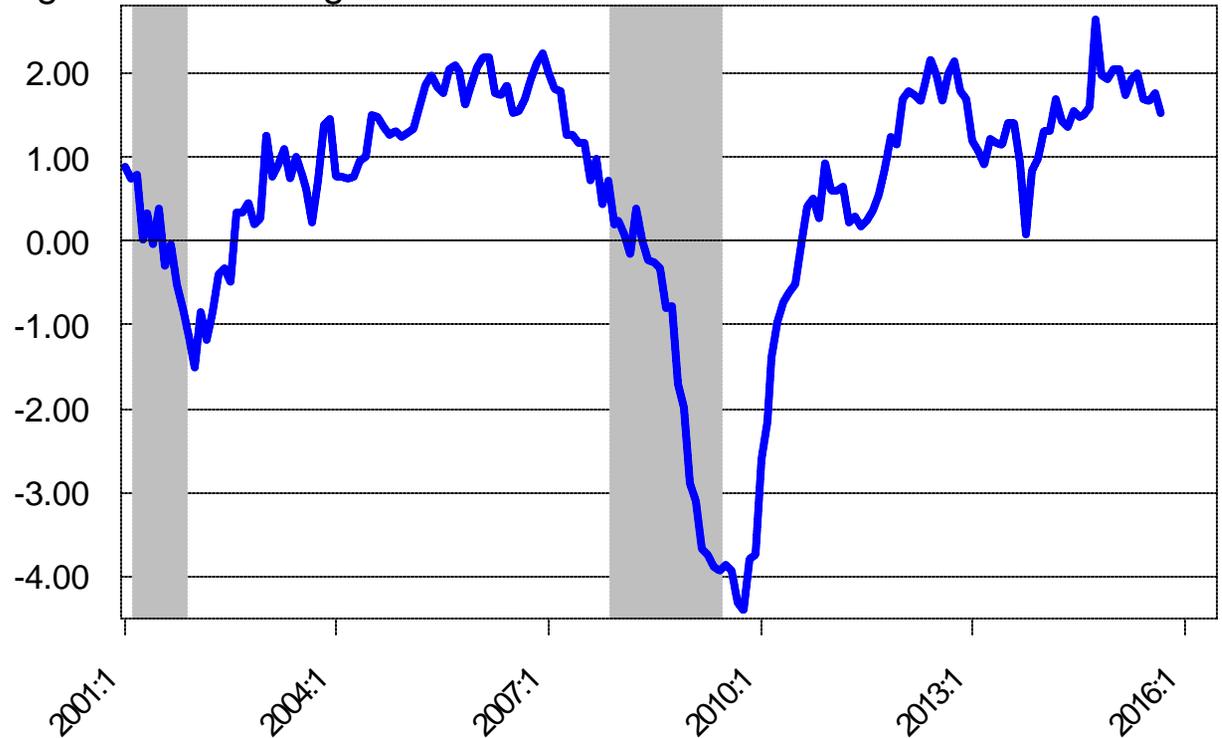


In yet another instance where the headline tipped the detail, we were not surprised to see what happened here once we saw the drop in the workforce on the previous chart. What is interesting, however, is that we seem to be repeating the pattern we had in 2011 and 2012, where the line trended upwards only to reverse. The question is why. Again, a topic for the larger investigation.

Date	Force
2015:6	0.86
2015:7	0.68
2015:8	0.67
<b>2015:9</b>	<b>0.56</b>

## Chart 18 Civilian Employment

Change from Year Ago Month -- Percent

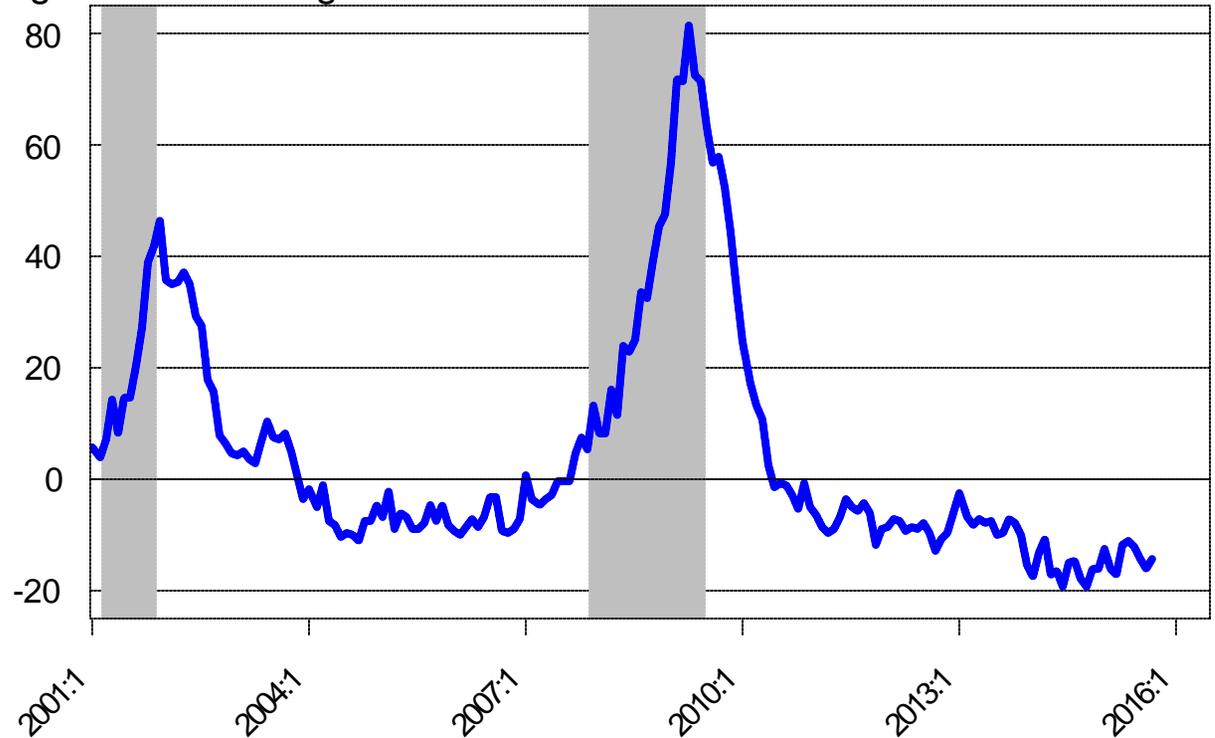


Also, because of the decline in employment we saw earlier, this line took the same kind of ding that we saw with total nonfarm payrolls in the previous section. The volatility of this series makes it somewhat less reliable an indicator of cycle events. But, it can be a useful complement to the establishment data.

<u>Date</u>	<u>Employed</u>
2015:6	1.70
2015:7	1.67
2015:8	1.77
<b>2015:9</b>	<b>1.50</b>

# Chart 19 Civilian Unemployment

Change from Year Ago Month -- Percent

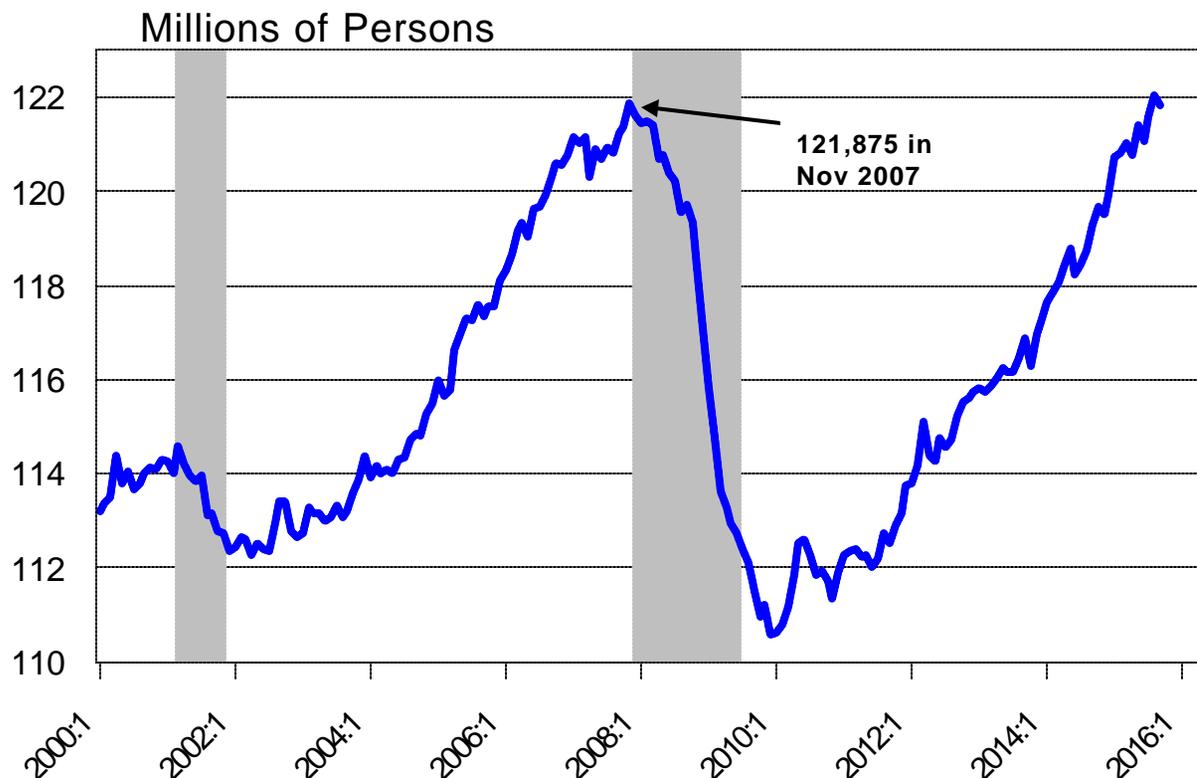


One piece of good news, is that the number of unemployed people continues to run 14% below the level of last year. This series mirrors what you see with the jobless claims numbers. As long as we see the trend there stay flat, we can expect to see the number here continue to run below zero.

<u>Date</u>	<u>CIV UNEMP</u>
2015:6	-12.21
2015:7	-14.32
2015:8	-16.08
<b>2015:9</b>	<b>-14.31</b>

# Chart 20 Full-Time Civilian Employment

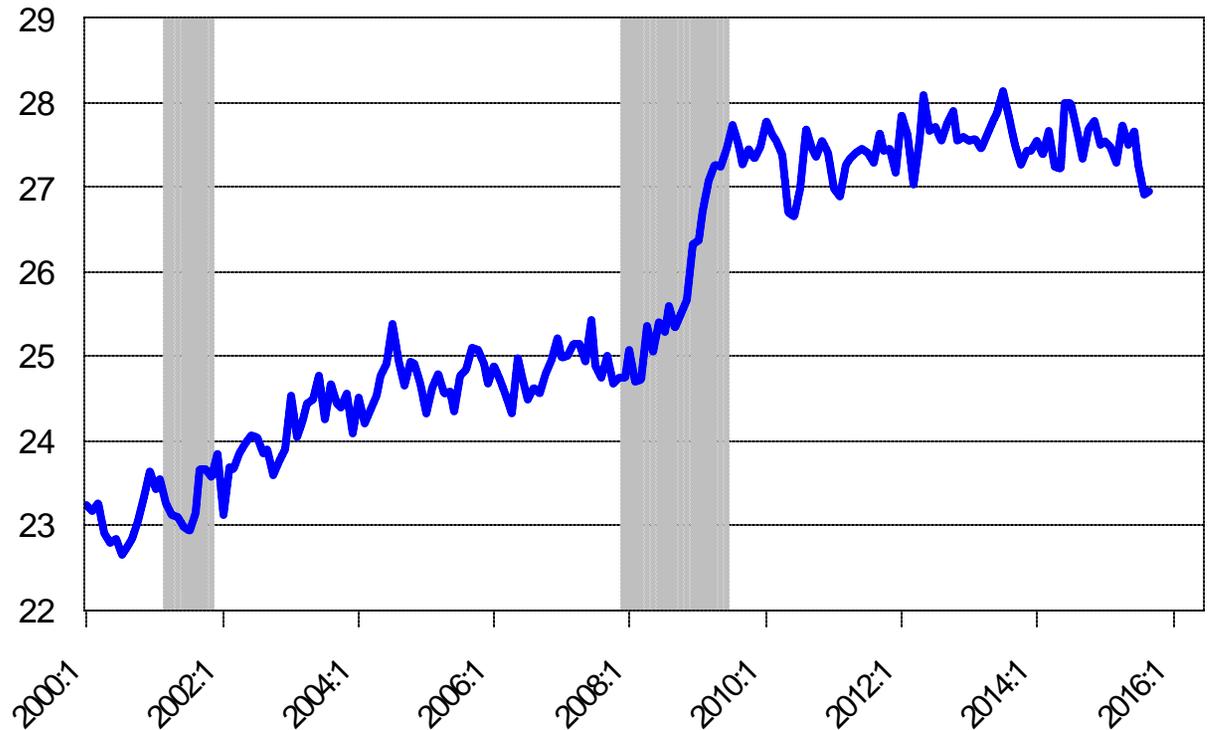
Last month I mentioned that full-time civilian employment had finally taken out its prior cycle high. But, because of the volatility of the series I left the market for the prior cycle high on the chart. Good thing I did. We slipped back below the 2007 reading this month. The question is whether we will regress further, or, because of the volatility of the series edge back over next month.



<u>DATE</u>	<u>TOTAL</u>
2015:6	121,053
2015:7	121,589
2015:8	122,024
<b>2015:9</b>	<b>121,839</b>

# Chart 21 Part-Time Civilian Employment

Millions of Persons

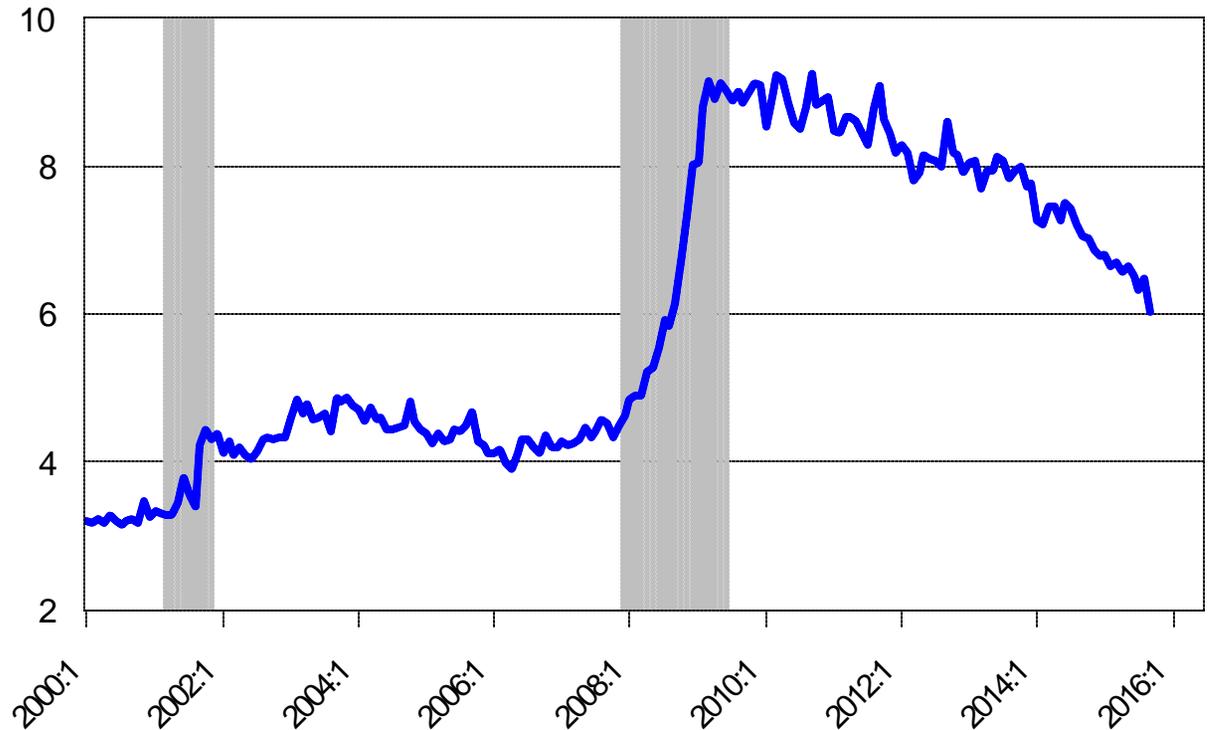


Total part-time employment moved up a touch in September, but as we shall see this was the result of two very different actions in its major components. One thing that does seem to be increasingly certain, is that we are going to operate within the recent bounds of the series for the foreseeable future. Structural change at work.

<u>DATE</u>	<u>TOTAL</u>
2015:6	27,667
2015:7	27,265
2015:8	26,916
<b>2015:9</b>	<b>26,969</b>

# Chart 22 Part-Time Civilian Employment -- Economic Reasons

Millions of Persons



The continued decline in the number of persons working part-time for economic reasons was one of the few bright spots in the September figures. Especially since we had notable drops in both the number of people who were working part time because of slack work or other business conditions and those who said they could only find part time work. What we don't know, however, is how many of those folks went on to join the ranks of people who have no jobs and those who are working full-time.

<u>DATE</u>	<u>TOTAL</u>
2015:6	6,505
2015:7	6,325
2015:8	6,483
<b>2015:9</b>	<b>6,036</b>

# Chart 23

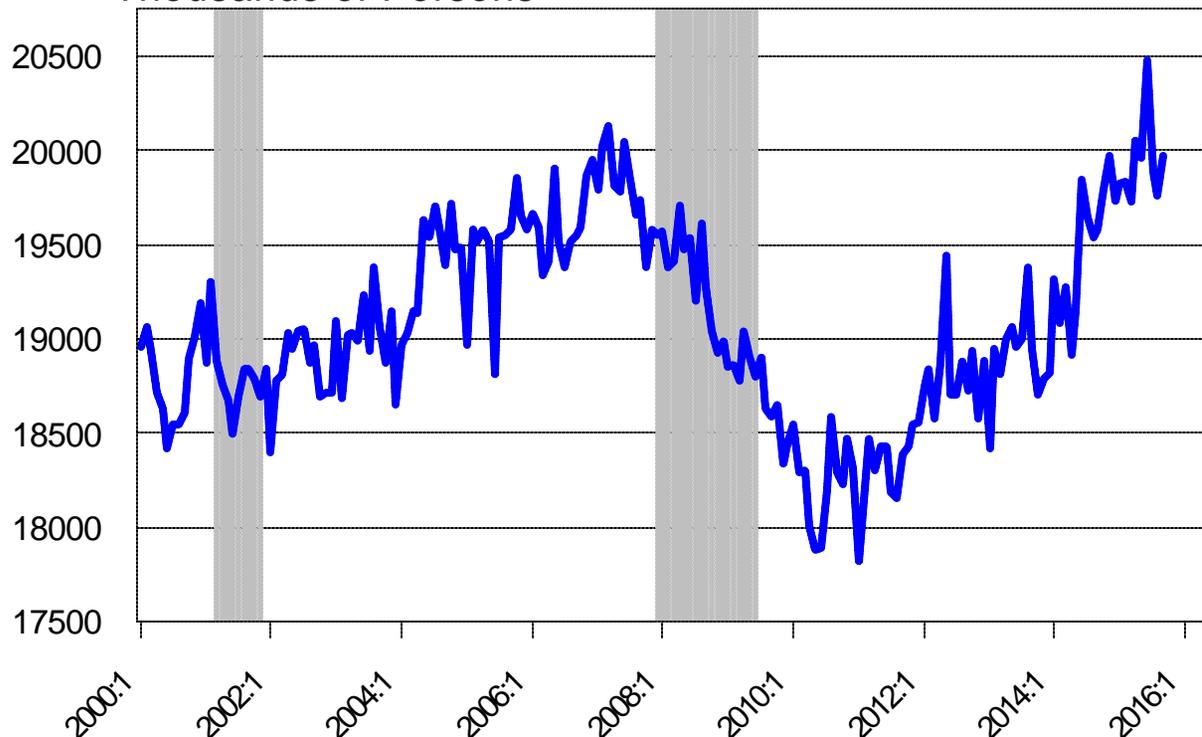
## Part-Time Civilian Employment -- Non Economic Reasons



Had this not been September, I would have added to the list of options of those who moved out of the category of part-time for economic reasons a move to the category of part-time for non-economic reasons. But because it is September and we have folks who take part time jobs because they are going back to school, I will assume that most of the gain that you see here in the number of part-time for non-economic reasons is due to the seasonal pattern of that type of employment.

But, we will continue to investigate where the folks who are leaving part-time for economic reasons are going. The BLS does publish information about this, but at wide intervals, usually involving annual data.

Thousands of Persons

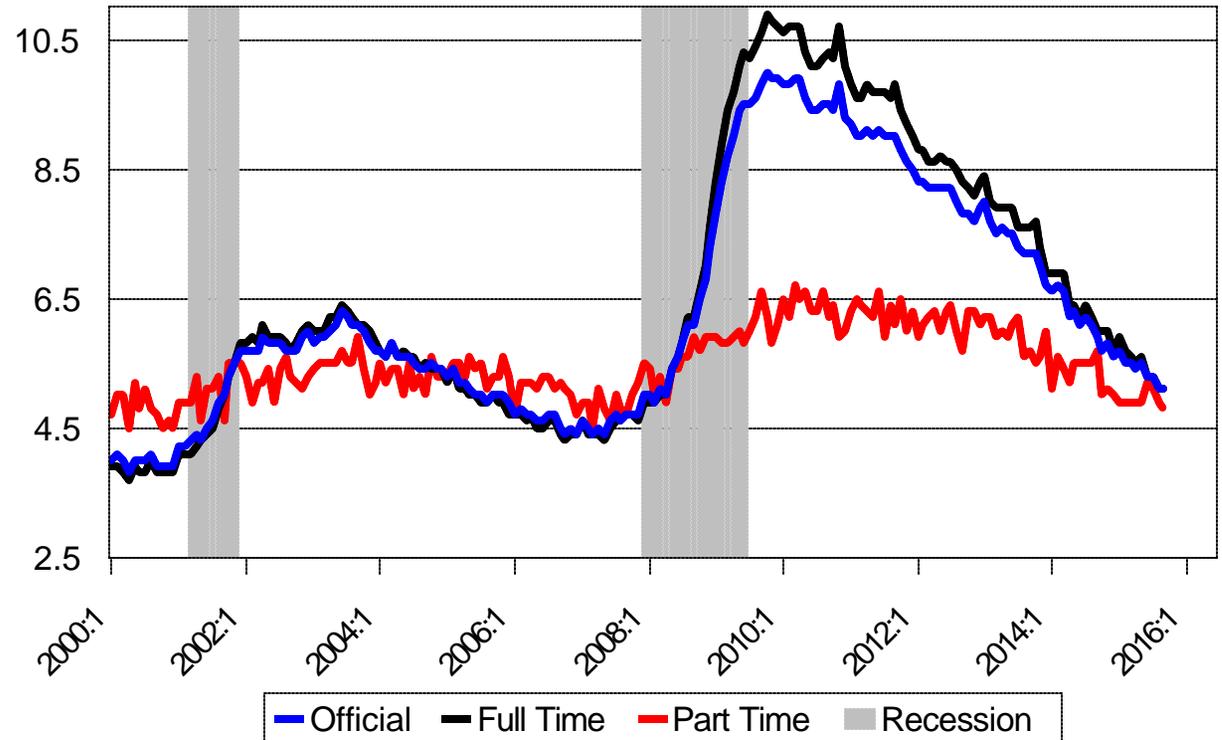


<u>DATE</u>	<u>TOTAL</u>
2015:6	20,480
2015:7	19,891
2015:8	19,760
<b>2015:9</b>	<b>19,971</b>

## Chart 24 Selected Unemployment Rates Percent

Now, on to the unemployment rates and the other details of Household survey.

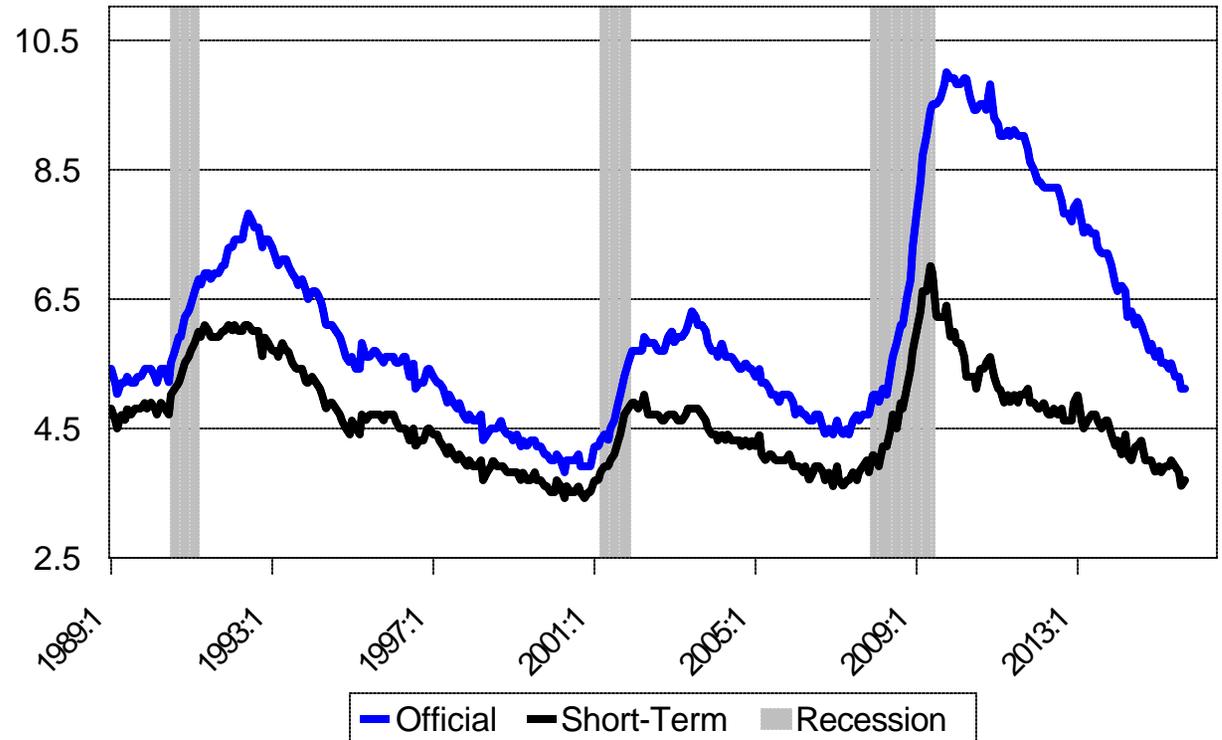
As you see here, the official unemployment rate and the full-time unemployment rate were unchanged, while the part-time rate ticked down by 10 basis points. We still have reestablished what had been the norm for these series late in an expansion, namely that the full-time rate drop below the part-time rate. Whether it is a calendar issue this month or something indicative of the structural changes in the workplace remains unsettled. But we will continue the inquiry.



<u>DATE</u>	<u>Official</u>	<u>Full</u>	<u>Part</u>
2015:6	5.3	5.3	5.2
2015:7	5.3	5.3	5.1
2015:8	5.1	5.1	4.9
<b>2015:9</b>	<b>5.1</b>	<b>5.1</b>	<b>4.8</b>

## Chart 25 Selected Unemployment Rates Percent

While the official unemployment rate was unchanged in September, the short-term rate, which is based on the number of people who have been out of work for less than 27 weeks edged up by 10 Basis Points. The details are on the next chart.



<u>DATE</u>	<u>Official</u>	<u>Short</u>
2015:6	5.3	3.9
2015:7	5.3	3.8
2015:8	5.1	3.6
<b>2015:9</b>	<b>5.1</b>	<b>3.7</b>

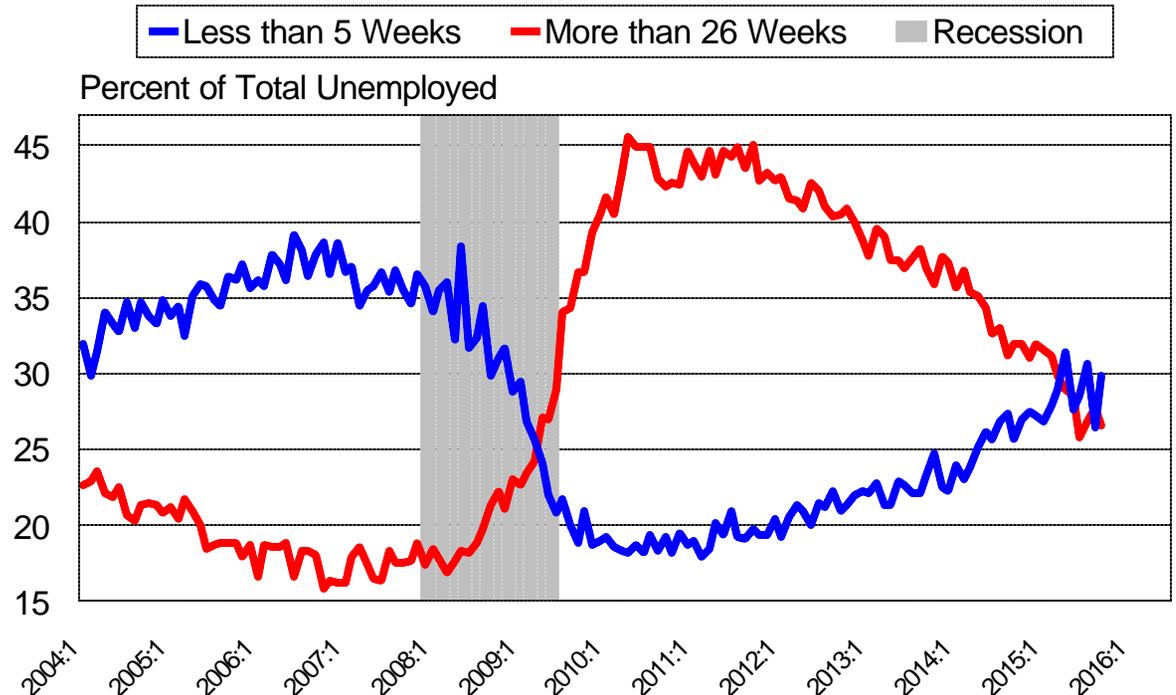
# Chart 26

## Share of Unemployed By Duration of Unemployment

You were probably expecting to see the chart with the unemployment rates by duration of unemployment. That's next. I thought it would be easier to understand what is going there by first looking at what has been going on with the composition of unemployment.

After a very long time (another technical term) we appear to have finally gotten these two series back into their normal relationship, with the share of the very-short term unemployed being the largest share of total unemployment. While we achieved this through the combined effects of people getting jobs and people leaving the workforce, we are back to something more normal.

As a result of this shift, what you will see on the next chart should be easier to understand.

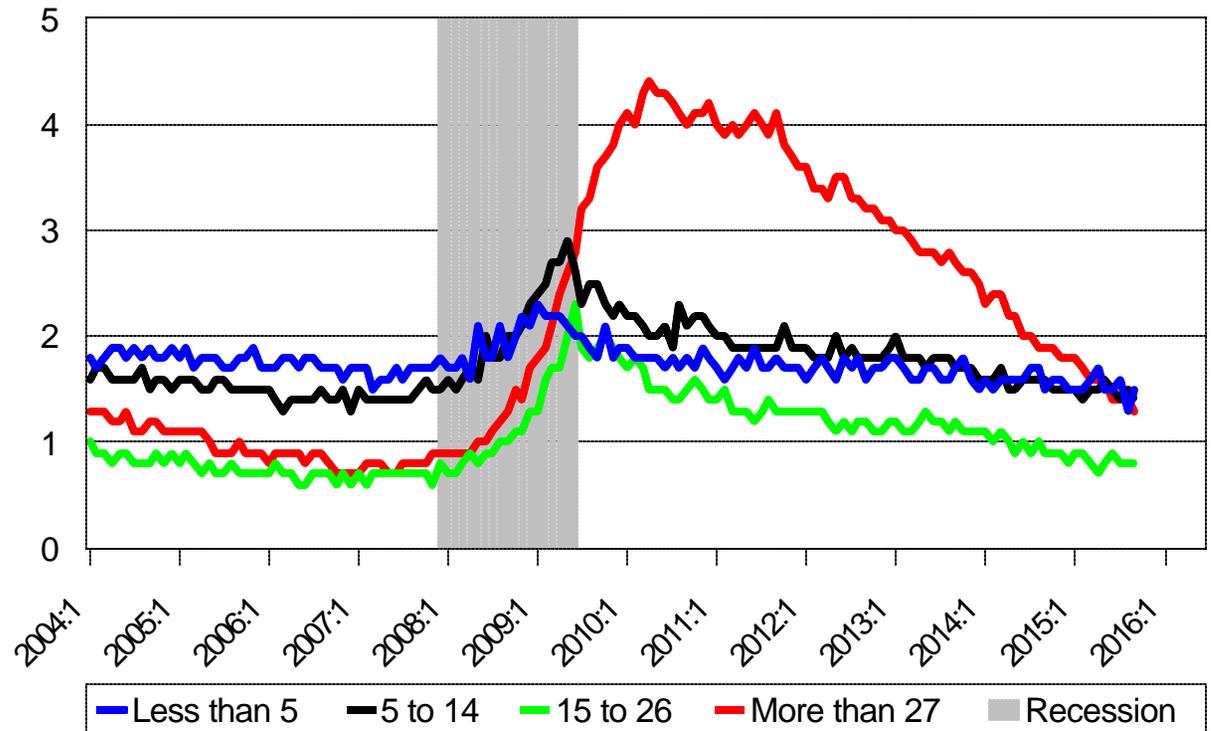


Date	<5	>26
2015:6	28.6	25.8
2015:7	30.7	26.9
2015:8	26.5	27.7
<b>2015:9</b>	<b>29.9</b>	<b>26.6</b>

## Chart 27 Selected Unemployment Rates Percent

As both the largest component of total unemployment and the category that went up the most in September, the cohort of persons unemployed less than five weeks had both the highest unemployment rate and the only increase in its rate among all the groups.

We are also on pace, it would appear, for the red line to finally move back into its previous position of being the third highest number on the chart. All of which should facilitate the interpretation of the unemployment figures going forward. Previously we have had to take account of the special circumstances that brought the red line into the highest position on the chart. Some of those circumstances appear to have abated.



<u>DATE</u>	<u>Official</u>	<u>Short</u>	<u>DATE</u>	<u>&lt;5</u>	<u>5-14</u>	<u>15-26</u>	<u>&gt;27</u>
2015:6	5.3	3.9	2015:6	1.5	1.5	0.9	1.4
2015:7	5.3	3.8	2015:7	1.6	1.4	0.8	1.4
2015:8	5.1	3.6	2015:8	1.3	1.5	0.8	1.4
<b>2015:9</b>	<b>5.1</b>	<b>3.7</b>	<b>2015:9</b>	<b>1.5</b>	<b>1.4</b>	<b>0.8</b>	<b>1.3</b>

# Chart 28

## Average Duration of Unemployment

Another piece of good news was the need to rescale this chart by making the bottom boundary lower. But as welcome as that event was, we still note that the current average duration of unemployment is still almost 10 weeks higher than it was at the start of the last recession.



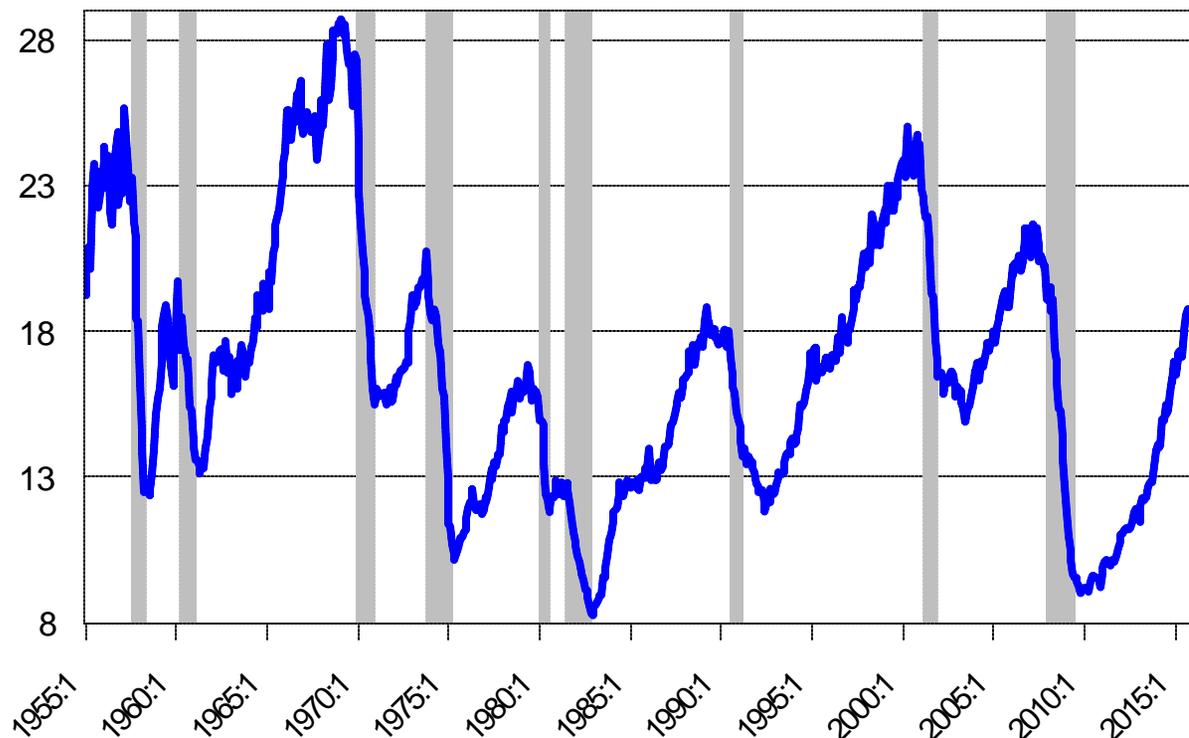
**Note: December 2007 = 16.6 weeks**

<u>DATE</u>	<u>WEEKS</u>
2015:6	28.1
2015:7	28.3
2015:8	28.4
<b>2015:9</b>	<b>26.3</b>

## Chart 29

# Ratio: Number of Total Employed In Household Survey to Number of Total Unemployed In Household Survey

We also saw some further progress, slight I might add, in the track of this number. And, truth be told, this is a number that I will be paying more attention to in the months ahead namely because of its history of making fairly well defined peaks ahead of the actual business cycle peak.



**Note: December 2007 = 19.13**

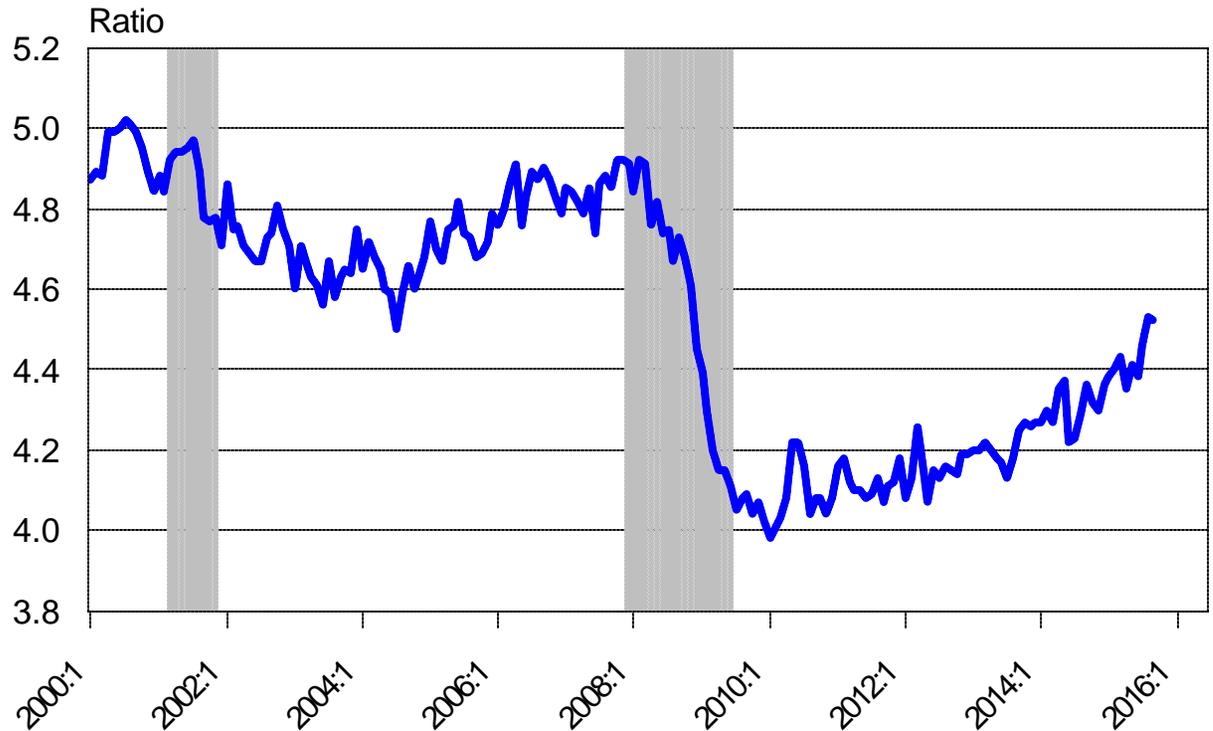
<u>DATE</u>	<u>RATIO</u>
2015:6	17.92
2015:7	18.01
2015:8	18.56
<b>2015:9</b>	<b>18.80</b>

### Chart 30

## Ratio: Number of Full Time Employed In Household Survey to Number Part Time Employed In Household Survey



The sideways trend in total part-time employment we saw earlier is what made it possible for this series to edge higher over the past several years. Again, this is useful progress, But it would be better if we saw more of an outright decline in total part-time employment that was accompanied by a stronger upward trend in full-time employment. However, one of the things we have learned over the course of this expansion is that you take the progress you get where you find it. Another one of the side effects of structural change.

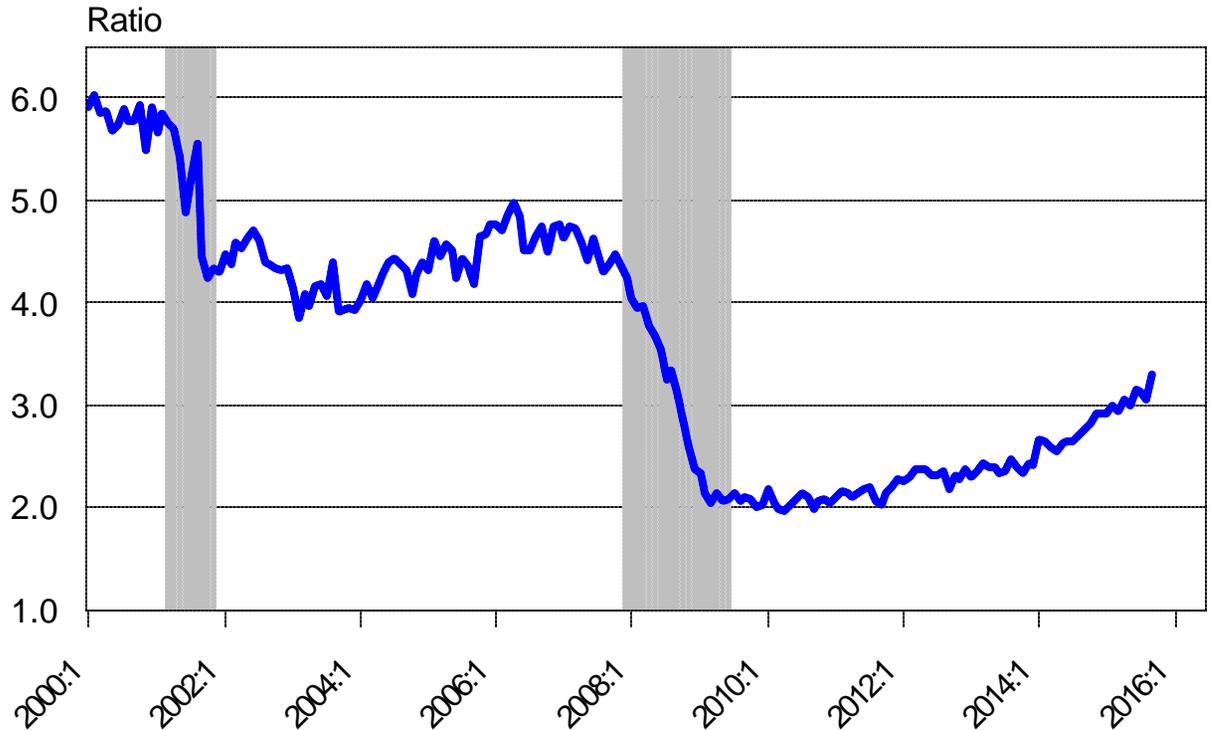


**Note: December 2007 = 4.91**

<u>DATE</u>	<u>RATIO</u>
2015:6	4.38
2015:7	4.46
2015:8	4.53
<b>2015:9</b>	<b>4.52</b>

# Chart 31 “Want To” “Have To” Ratio \*

As you might suspect, we have another instance where the information we viewed previously tipped the content of a later chart. This series combines the information about the two major categories of part-time employment. We saw the numerator -- non-economic reasons -- go up while the denominator -- economic reasons -- go down. Arithmetic being what it is, we see their ratio take a nice pop to the upside. But, we are still a long ways from where we were at the start of the last recession and an even longer way from where we were in 2000. More structural change at work.

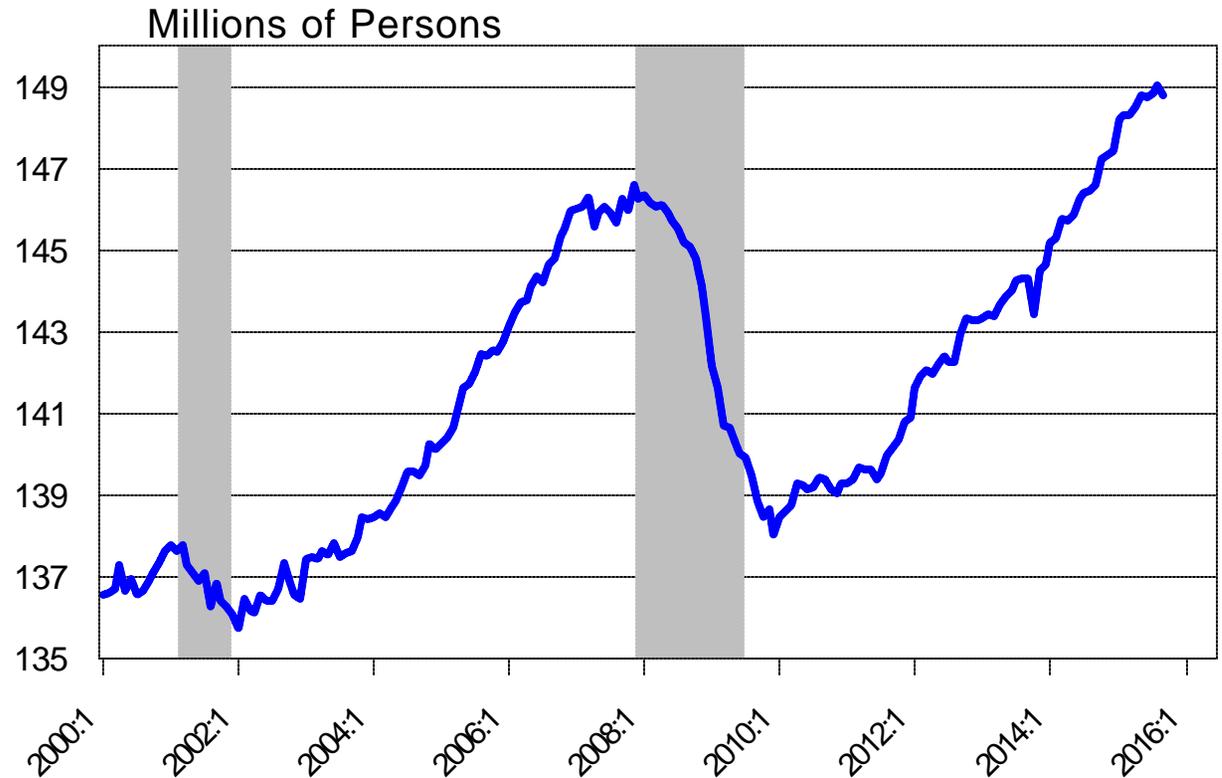


**Note: December 2007 = 4.23**

<u>DATE</u>	<u>RATIO</u>
2015:6	3.15
2015:7	3.14
2015:8	3.05
<b>2015:9</b>	<b>3.31</b>

\* Number of Part Time Employed for Non Economic Reasons (want to) to Number of Part Time Employed for Economic Reasons (have to)

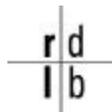
## Chart 32 Total Civilian Employment



The news from the Household survey 1s just as mixed as that from the Establishment survey. Both had headlines that did not really convey what had happened. Both had some good news and some bad news. In the Household survey, however, we noticed several positive aspects among the details, principal among which was the reestablishment of the more normal composition of the cohorts of the unemployed by duration of unemployment.

The larger question is whether when we might finally see a couple of employment reports which meet our criterion as strong: a healthy gain in the workforce that is exceeded by an equally healthy gain in employment such that the unemployment rate falls. The September numbers failed on all three counts. But they were September numbers which are known to be squishy. October will not get the same dispensation.

<u>DATE</u>	<u>TOTAL</u>
2015:6	148,739
2015:7	148,840
2015:8	149,036
<b>2015:9</b>	<b>148,800</b>



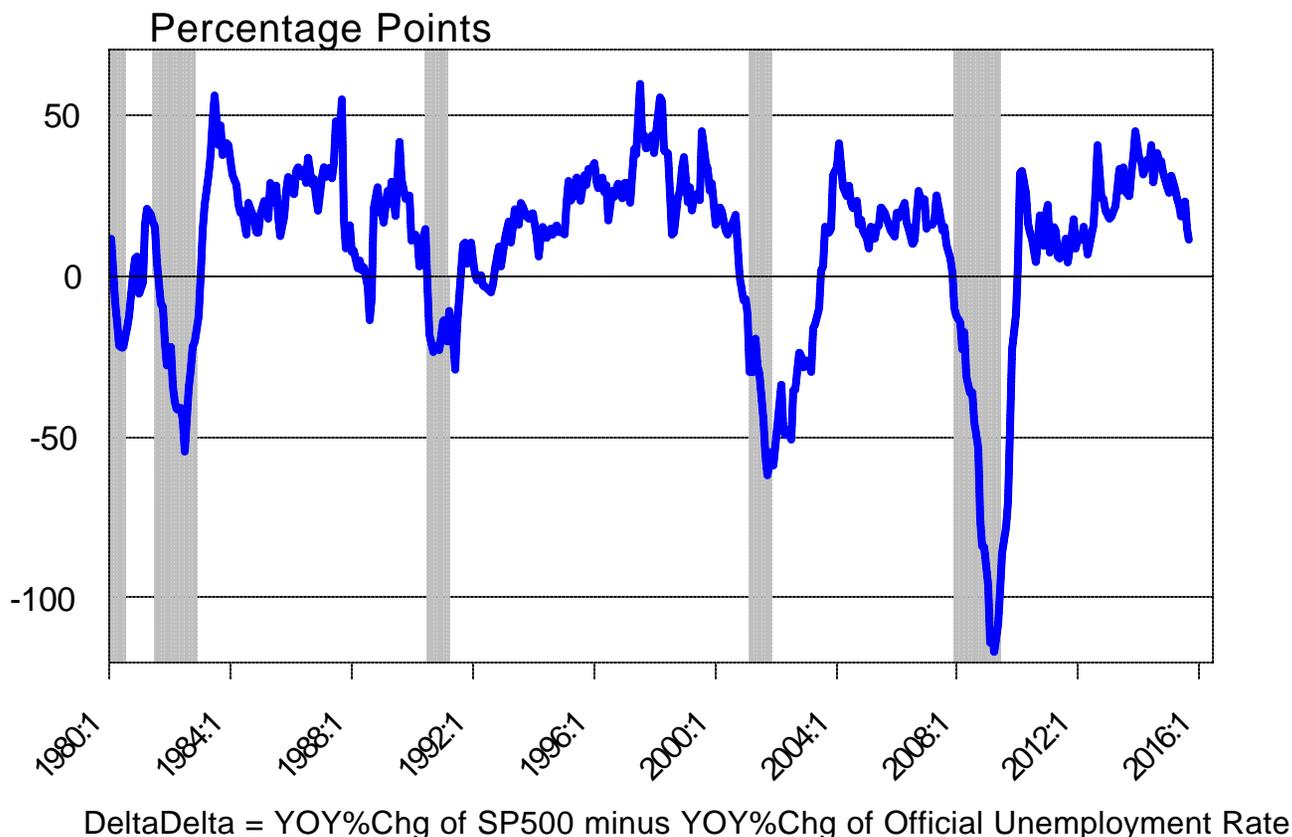
# Chart 33 DeltaDelta



With the unemployment well below where it was at this time last year, Delta Delta continued to run on the plus side despite the drop in the stock market over the past several weeks.

Because we make no forecasts of either of the components of this series we will not venture a guess as to where this number is headed next. But, like the ratio of the employed to the unemployed we saw on Chart 29, we will be keeping a close eye on this series because of its history of moving into a negative position ahead of business cycle peaks.

But, I can hear you saying “Bob, don’t we have the Enhanced Aggregate Spread [EAS] for that?” Yes we do, but we also have other tools in the box against which to check the readings of the EAS just to be sure that nothing is sneaking in under the radar.

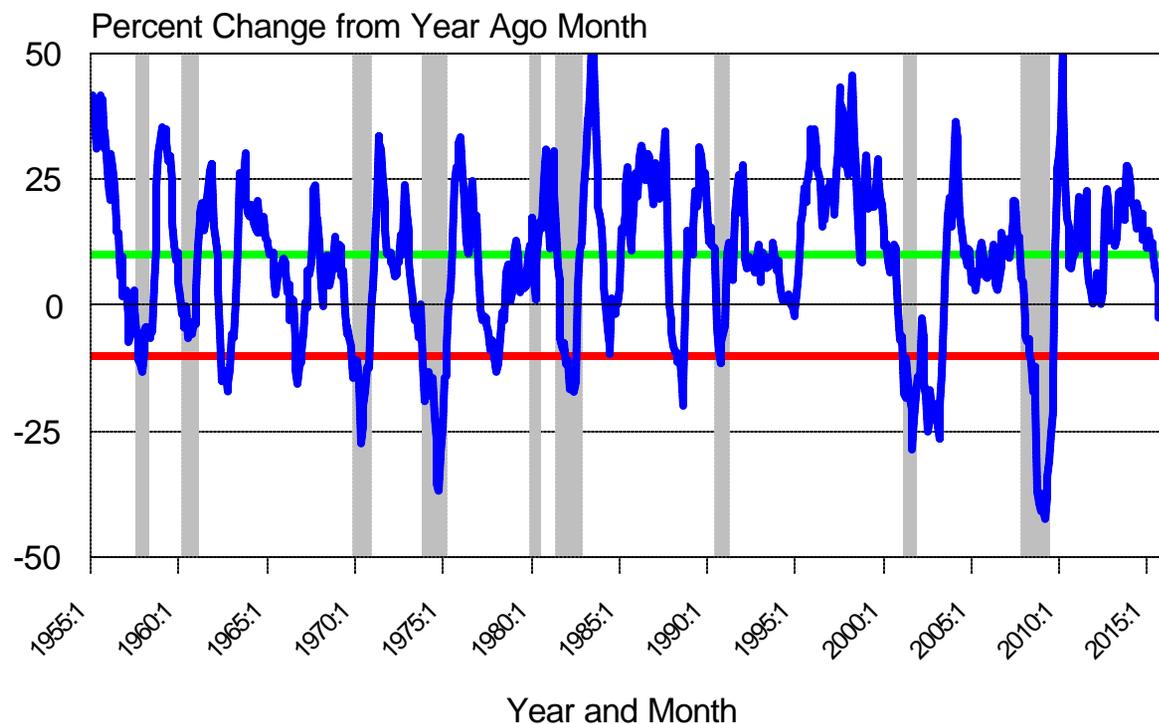


<u>DATE</u>	<u>PCT</u>
2015:6	18.36
2015:7	23.49
2015:8	14.84
<b>2015:9</b>	<b>10.91</b>

# Chart 34 Standard and Poor's 500 Stock Index

The aforementioned decline in the stock market is clearly seen here. Along with all the other things we are monitoring is the issue of whether what we see here, as the EAS has told us, is just another of the stock market's periodic adjustments, or whether it is something more.

Based on what we saw in today's jobs numbers there is little to suggest that the National Bureau of Economic Research would label September of 2015 as a business cycle peak month. But, as we know, the valuations in the stock market can have an effect on several major components of aggregate economic activity, so we have to be careful to make sure we don't ignore any warnings of turbulence that might come out of the stock market's moves.



Date	S&P500
2015:6	7.82
2015:7	6.13
2015:8	3.99
<b>2015:9</b>	<b>-2.42</b>

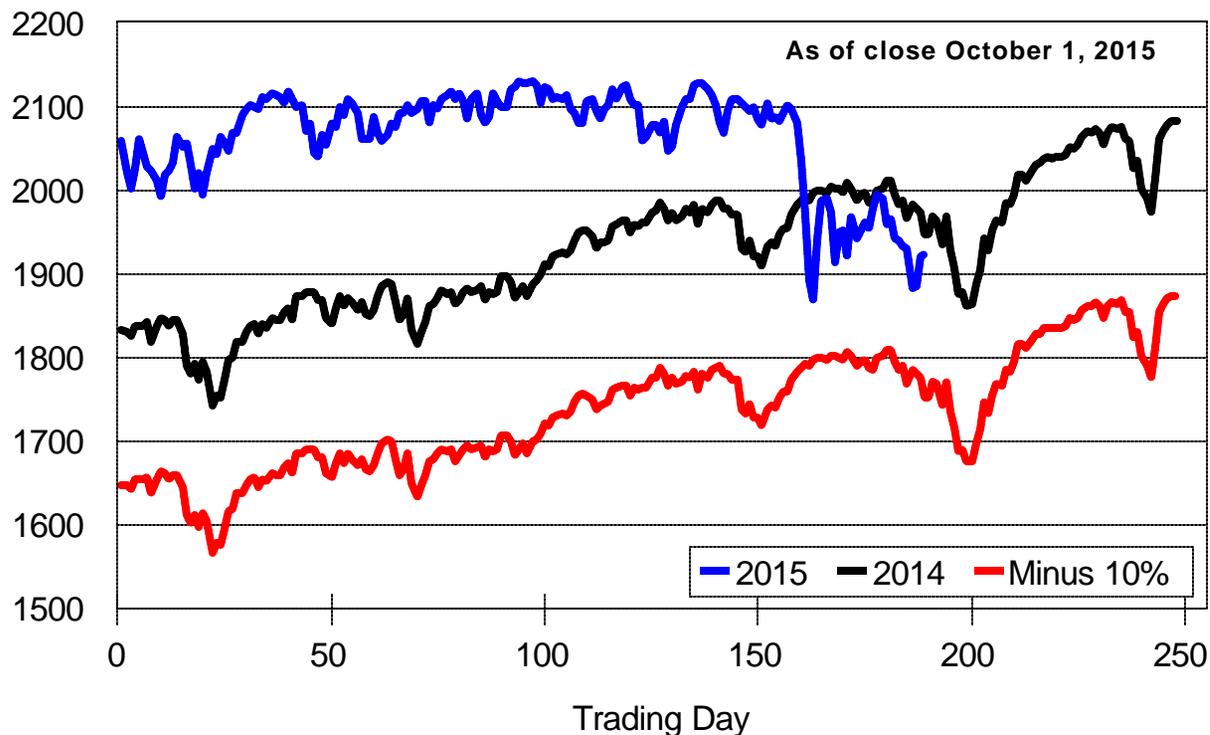
# Chart 35

## Standard and Poor's 500 Stock Index

### S&P500 2015 Daily Close with Zone of Death Limits (Index Points)

Speaking of which, I noticed that after a very sharp movement down on the open, the stock market averages have moved higher. This is not to say that by the time I get this report to the proofreader and posted out to you that those readings might not have changed again. That is reason why I only use the closing prices on this chart.

The representation you see here has the values associated with the Zone of Death on Chart 34. As you see here there is a chance that we get back to level associated with no change. As you also see we have quite a ways to go to the downside before we would reach a level that would take us to bottom of the Zone of Death.

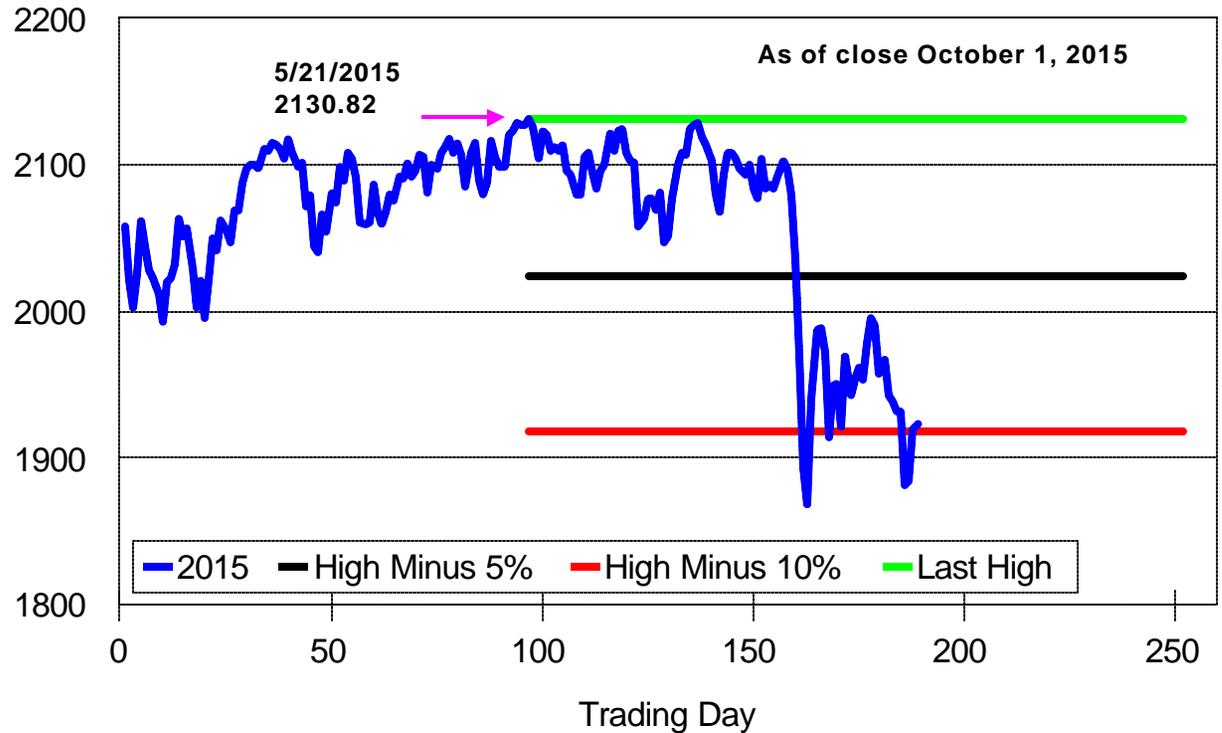


# Chart 36

## Standard and Poor's 500 Stock Index

### S&P500 2015 Daily Close with Correction Indicators

This chart has the same closing price data, but this time arrayed against the levels associated with the current episode, which has so far reached "correction" dimensions. Whether it will go down further to the point where it reaches "bear market" dimensions I will leave as an exercise to the readers. Given your collective reticence about volunteering your views on forecasting interest rates or stock market levels I will not initiate another survey. But, if you have any thoughts you would like to share, with or without attribution, let me know.



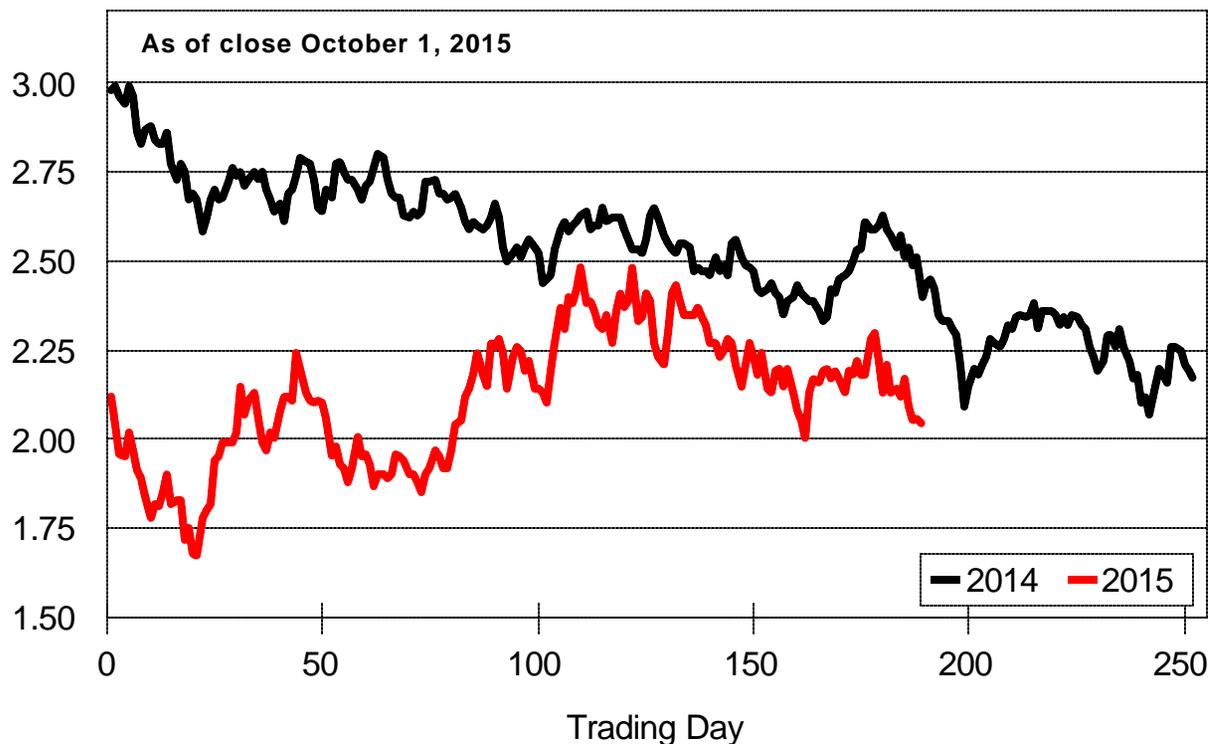
## Chart 37

### 10-Year Treasury Note

Percent

While the stock market gyrations continue to mystify me, the moves in the bond market do not. With the soft employment report the fixed-income folks stepped to buy with vigor. Whether they are further betting that the FOMC will stand pat for the rest of year is open to speculation. But the drop in the 10-Year back below 2% is consistent with the type of action we get when the employment figures are squishy.

We will return to this topic in both the Prospects and the Overview reports. Only the structural changes in the pricing of fixed-income securities rival the structural changes in the labor market. And, given Dr. Yellen's interest in both, you should not be surprised that she is trying to figure out a solution to their current policy problems that incorporates all of those structural effects.



**Establishment Survey:**

Disappointing headline, with downward revisions. Not good, but tolerable as a one-off.  
The composition of the gain suggests continued ebbs and flows in the major employment groups.  
A problematic report. The type that requires further examination.

**Household Survey:**

Another misleading headline. The September effect was present.  
Changes in the composition and duration of unemployment are becoming more consistent with our position in the business cycle.  
The labor market remains beset by a host of problems.

**Major Players:**

**Political:** This report will get heavy play from all sides. Lots of news to spin.

**Federal Reserve Policy:** Dr. Yellen appears to have made the labor market the fulcrum upon which she will base her next move. But, will she have the time to weigh all the imponderables?

**Fixed-Income:** Having again pierced the 2.00% level, are we set up for another round of perplexities surrounding the pricing of fixed-income assets?

**Equity Market:** With the SPX further into the ZOD, speculation continues to mount that this decline will signal more than just an adjustment of equity valuations.

**“Squishy”**

The September reports were not good, but it is still not clear whether their poor performance represents more than a pause we could expect this late into an expansion.

In addition, we have been waiting for effects of the various headwinds that developed earlier in the year to make themselves manifest. Some of what we saw today are exactly those effects.

We will turn to the sources and uses of growth in our next set of reports as part of our further examination of news we got today as well as other information we expect over the next couple of weeks.