The economic data reports were decidedly mixed last week. However, the April Employment Report exceeded expectations, which provided a good excuse for share prices to move higher. Bonds were whipsawed, encouraged by the view that the Fed was less likely to taper its asset purchases, but then hit hard by the better-than-expected payroll figures.

Nonfarm payrolls rose more than expected in April, while figures for February and March were revised higher. Results were mixed across sectors, suggesting that manufacturing has softened, but the consumer appears to be in relatively good shape. Temp-help employment rose, an encouraging sign, but average weekly hours fell, suggesting less of a need to increase hiring. Prior to seasonal adjustment, we added 932,000 payrolls in April. Unadjusted payrolls are trending about where they were in 2006. We still have a long way to go for a full recovery.

State and local tax receipts have improved. Job losses at the state and local levels of government appear to be bottoming. They may not increase much from here, but it’s good if they’ve stopped falling. Federal government payrolls are trending down, now down 3,000 since December 2008 (so much for the “massive” increase in government that we keep hearing about). Some of this reflects the contraction in the U.S. Postal Service, but there appear to be some sequester effects. Sequester cuts don’t happen all at once. In fact, some government agencies had trimmed payrolls in anticipation of the cutbacks. Other job cuts are likely to show up in the months ahead.

Consumer spending was stronger than expected in March, but that reflects an impact of colder weather, which boosted the consumption of household energy, and is unlikely to be repeated. Unit motor vehicle sales were up significantly year-over-year in April, but the seasonally adjusted pace appears to have slowed. That may reflect a lagged impact from the payroll tax hike. On the other hand, wealth gains in housing and equities are likely providing support to consumer spending at the upper end of the income scale.

The manufacturing data have been generally weak. Average weekly hours in manufacturing fell further in April and overtime hours declined. Factory orders fell. March trade figures continued to show a softening trend in imports and exports. The U.S. economy is not getting any help from the rest of the world.

The Federal Open Market Committee left monetary policy unchanged last week. The policy statement was a near photocopy of the previous one (from March 20). However, there were two notable changes. The first was that the Fed indicated more emphatically that tighter fiscal policy is restraining growth. The second was an added statement on the Large-Scale Asset Purchases (QE3). Much of the recent Fed debate has been about when to begin tapering the rate of asset purchases. Instead, the FOMC suggested that the pace could be increased as well as lowered, depending on what happens with inflation and the labor market. The PCE Price Index, the Fed’s chief inflation gauge, rose just 1.0% in the 12 months ending in March and lower.
gasoline prices should push the y/y increase below 1% in April. That’s against a Fed target rate of 2.0%.
Deflation (a general decline in the price level) is still unlikely, but Fed officials fear it more than anything
else. It’s a small chance of a big problem, one the Fed takes very seriously. The Fed is justified in keeping
an increase in the rate of asset purchases on the table. However, the employment figures are consistent
with a tapering in Fed asset purchases late this year.

In short, the economy remains firmly on the recovery path, although growth is likely to remain uneven over
time and across sectors. We still have a difference in the economic outlooks between the stock market and
the bond market, but this should clear up somewhat when the data roll in mid-May.

© Raymond James

www.raymondjames.com
All's well that ends well. Prov. Cliché An event that has a good ending is good even if some things went wrong along the way. (This is the name of a play by Shakespeare.) I'm glad you finally got here, even though your car had a flat tire on the way. Oh, well. All's well that ends well. The groom was late for the wedding, but everything worked out all right. All's well that ends well. See also: end, that, well. McGraw-Hill Dictionary of American Idioms and Phrasal Verbs. © 2002 by The McGraw-Hill Companies, Inc. All's well that ends well. Everything has turned out satisfactorily, even though the outcome has been uncertain. All's well that ends well. That Ends written by Samuel Melo and sung by Rainbow Kitten Surprise. The colder the night, the warmer your hands hold Held in your arms, the hole in my head grows whole I don't want to die alone, but I don't wanna die at all I'm not gonna keep you the phone, dear Hang up when you've had enough Too much to talk Call me when you're coming down, call me when you hang All is well that ends well, but all is well that ends Clocks made God from the monsters in my head Do you wanna know my name Is that all you want to take from me In your arms the end is in my eyes And I don't want to die in my sleep when you're The happy ending compensates for the difficulties in arriving at the destination. Origin of All's Well that Ends Well. The American Heritage Dictionary of Idioms states that this proverb dates back to around 1250 A.D. We can find evidence of it in a 1546 book of proverbs by John Heywood, in which he wrote, Tushe (quoth mine aunte) these lovers in dotage. Thinke the ground beare them not, but wed of corage. They must in all haste, though a leafe of borage. Might by all the substance that they can fell. Well aunt (quoth Ales) all is well that endes well. The phrase became quite popular after Shakespeare's play of the same name was written between 1604 and 1605. The version of All's Well That Ends Well and the corresponding footnotes that appear in this volume were originally published in William Shakespeare: Complete Works, edited by Jonathan Bate and Eric Rasmussen, published in 2007 by Modern Library, an imprint of The Random House Publishing Group, a division of Random House, Inc.