

DANIEL A. OGDEN
ALISON PECK

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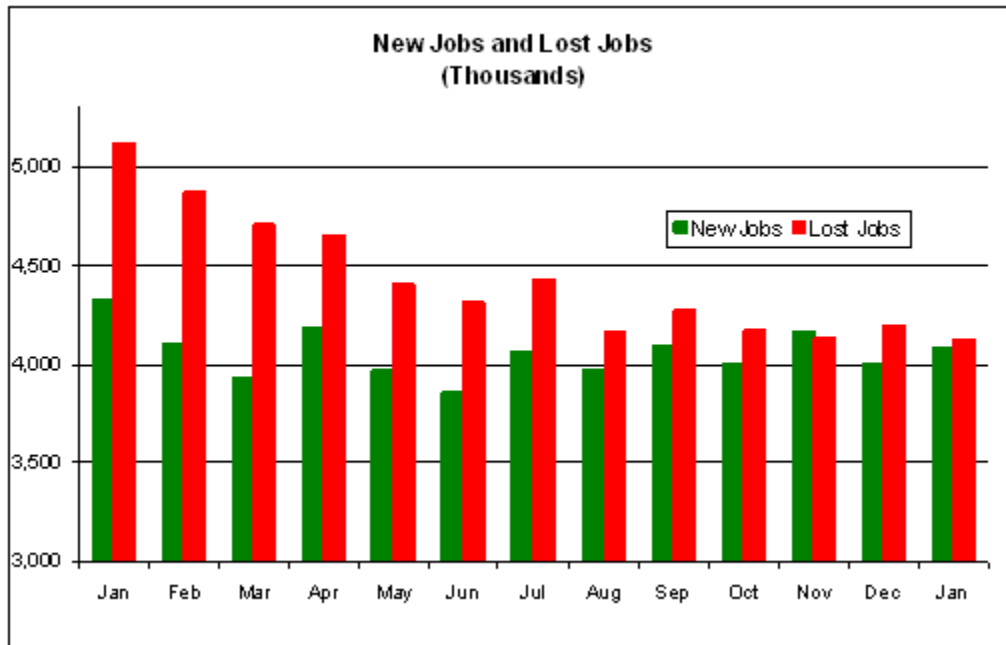
Behind the Jobs “Lost” or “Gained” Numbers

The headlines don't tell the real story

Would you be surprised by the following numbers?

- Over 4 million Americans found a job last month
- There are 2.7 million job openings in America at this time
- Nearly 1.8 million Americans quit their job last month

These and other numbers are buried inside the monthly jobs report, which makes major headlines and sometimes moves the market. The following chart illustrates what happens each and every month in the US job market. The headline number is the difference between those hired each month (labeled “New Jobs” below) and those who quit, retired or got laid-off during the month (labeled “Lost Jobs”). Each month about 4 million people leave jobs or start new ones, but for January the headline simply said, “42,000 jobs lost during the month.”

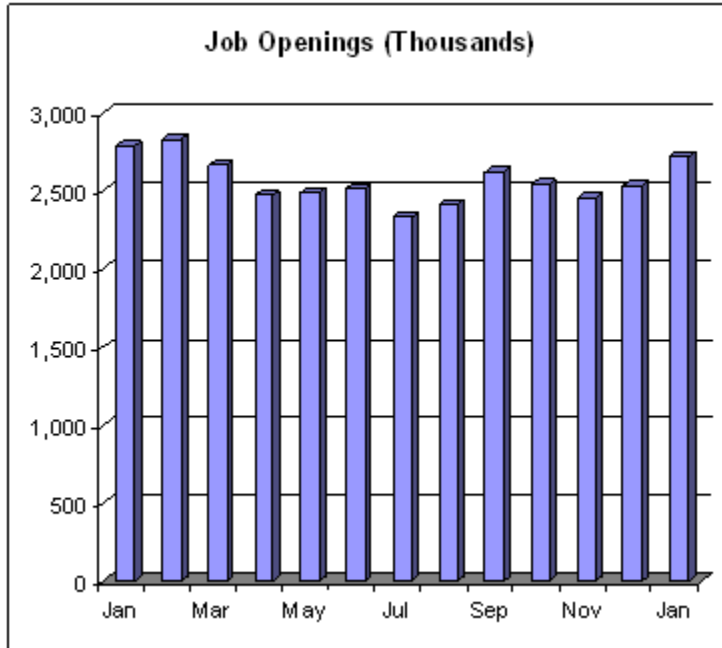


As you can see the employment picture is improving as “Lost Jobs” fell from 5 million per month in the early part of 2009, down to 4 million since the fall. On the other side “New Jobs” rose modestly from the low in June.

These numbers come from the Labor Department’s survey of businesses, but another survey is taken each month and that shows more signs of life. The Household Survey asks how many people are working in your “household” and that number shows an increase of 800,000 jobs since November. This survey captures business start-ups and small business

activity that the "Jobs Survey" misses. It tends to lead the other jobs report, so some are guessing that the March numbers will show job gains. We'll see.

Take a look at this chart of job openings listed nationwide. (Makes you wonder a little about the refrain "There are no jobs out there.") The chart shows some improvement since the summer and fits well with the scuttlebutt we hear from employment agencies and headhunters---business is up.



The enthusiasm to hire new people remains muted. But with inventories cleaned out, exports rising, and manufacturing turning positive, businesses may be forced to hire this year. It may not be enough to drive down the unemployment rate significantly, but a slightly stronger labor market might be enough to make the 130 million who *are* working feel more like spending.

We continue to put more cash to work in stocks and believe that 2010 will be a good year for investors.

Best regards,

Daniel A. Ogden
dogden@dockstreet.net