




Job Growth in August Exceeds Forecasters' Expectations, Raising Trump's Reelection Chances

The recovery of the U.S. economy from the coronavirus pandemic shutdown continues to outpace forecasters' expectations. [On Friday the Labor Department reported](#) that nonfarm payroll employment rose by 1.4 million in August, exceeding forecasters' predictions of 1.2 million. In its separate household survey, the department reported that nearly 4 million people returned to work. 

The increase in employment pushed the unemployment rate down from 10.2 percent last month to 8.4 percent, also beating forecasters' expectations of a drop to 9.8 percent. The recovery was also reflected by an increase in the labor force participation rate, as would be expected.

The president was delighted, tweeting "Great jobs Numbers! 1.37 Million Jobs Added in August. Unemployment Rate Falls to 8.4% (Wow, much better than expected!). Broke the 10% level faster and deeper than thought possible."

The gains in employment were across the board, with retail adding 249,000 new jobs, professional and business services bringing on 197,000 workers, and leisure and hospitality (bars and restaurants) filling 174,000 positions in the month. Over just four months, the U.S. economy has added back nearly half of the 22 million jobs that were lost during the shutdown.

Tony Bedikian, head of global markets at Citizens Bank, said, "We are still moving in the right direction and the pace of the jobs recovery seems to have picked up.... We continue to be optimistic that the economy has turned a corner and that we'll continue to see steady progress."

Stocks initially rallied on the news on Friday but softened as Thursday's selloff before the long weekend picked up steam. However, Wall Street has anticipated the recovery by hitting new highs on almost a daily basis on the major indexes since March. For instance, the S&P 500 index is up by more than four percent for the year to date, after losing more than a third of its value in the days following the government shutdown of the economy.

This is an important indicator not only for those interested in how the economy is doing but also how election day is likely to turn out. According to LPL financial chief market strategist Ryan Detrick, the performance of that index in the three months leading up to the election has a nearly perfect record of predicting the election's outcome. He says that the performance of that index has been the best predictor of presidential elections since 1984, proving 100-percent accurate — and is 87-percent accurate since the days of President Calvin Coolidge (1923-1929).

When that index is positive for those three months, the incumbent president always wins reelection. On August 3, that index stood at 3,294. Today (Friday), even as the sell-off before the long weekend continues, that index is at 3,400, a gain for investors of more than three percent.

The correlation is elegant in its simplicity: As jobs numbers reveal a recovering economy, investors'



Written by [Bob Adelman](#) on September 4, 2020

appetites for equities increase. As market indices such as the S&P 500 index move higher, so do the chances that the president will be reelected in November.

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