Stocks Bounce Higher on Better-than-expected Jobs Report

Stocks bounced higher on Wednesday following Tuesday's relief rally, responding to another positive employment report from ADP/Moody's.

October has been awful for stocks: Even after Tuesday's rally, the Dow Jones Industrial Average (DJIA) was down 5.9 percent for the month, while the S&P 500 Index was off by 7.9 percent. But the report from ACP/Moody's dispelled some of the gloom and possibly portends more light on Friday when the U.S. Department of Labor issues its own employment report.

Economic forecasters once again underperformed the American economy. Those polled by Econoday had expected 178,000 new jobs in October while those polled by Refinitiv expected 189,000. The economy, defying both outlooks, notched a gain of 227,000 new jobs in October.

And those gains were all across the economy. Remarkably, every industry represented by ADP (which draws its numbers from actual payrolls) hired new people in October, from Leisure and Hospitality (40,000) to Trade, Transportation and Utilities (61,000). Large businesses — those with 500 or more employees — hired 102,000 new people in October while mid-sized business (50-499 employees) added 96,000 new workers. Small business (49 or fewer employees) added 29,000 new people to their payrolls in October.

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This was the only downer for Mark Zandi, Moody's' Analytics chief economist: "The job market bounced back strongly last month despite being hit by back-to-back hurricanes. Testimonial to the robust employment picture is the broad-based gains in jobs across [all] industries. The only blemish is the struggles small businesses are having [in] filling open job positions."

Zandi's counterpart in the survey, Ahu Yildirmaz, vice president and co-head of the ADP Research Institute, was happy with October's jobs numbers: "Despite a significant shortage in skilled talent, the labor market continues to grow. We saw significant gains across all industries with trade and leisure and hospitality leading the way. We continue to see larger employers benefit in this environment as they are more apt to provide the competitive wages and strong benefits employees desire."

Wages were higher in October, too, rising at an annual rate of 3.1 percent, according to ADP/Moody's report, marking the fastest rate of growth in 10 years.

The report also triggered some alarm bells, which Wall Street, for the moment at least, is ignoring. Sunny Oh, writing for MarketWatch.com, said that good reports from ADP and from the DOL on Friday "will add to the latest evidence of wage pressures spurring the Federal Reserve to push [interest] rates steadily higher." As *The New American* has repeatedly noted, inflation is an expansion of the money supply which, barring other counterfeiters, is only accomplished by the Federal Reserve. But a look at the latest money supply numbers reveals that the Fed's balance sheet is actually shrinking as it is selling off every month some $30 billion of U.S. Treasury securities it purchased following the financial and real estate crisis 10 years ago. This action is taking $30 billion of funds out of the economy. This is a contraction of the money supply, not an expansion.

So how could wages be rising? After all, according to Keynesian thinking, rising wages trigger alarms that the economy is "overheating" which calls for higher interest rates by the Fed. In a free market, wages rise when demand for workers exceeds supply. As wages rise through natural market forces, unemployed or partially-employed individuals will apply for full-time work, meeting that demand. That has been seen with the labor participation rate inching its way up and, most particularly, with the number of formerly unemployed women now entering the workforce in record numbers.

The report dampens suggestions by certain members of the Fed's Board of Governors that it might take the December rate hike off the table, as reported by *The New American* on Monday. Despite actual price increases (as measured by the Personal Consumption Expenditures index) below the 2.0 percent "inflation" threshold the Fed seeks in its continuing experiment to direct the U.S. economy to full employment, it now appears certain that another quarter-point rise in the Fed Funds Rate will be applied to the U.S. economy anyway.

For the moment, however, Wall Street is ignoring the Fed's threat and investors are doing some "bottom fishing," taking advantage of stocks now selling at discounts ranging from five to 50 percent.

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