

July 10, 2009

Economic Recovery

"Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria." - Sir John Templeton

Last month average hours worked in the United States increased for the first time since October 2007 and industrial production increased in Asian countries like China and Singapore. These two metrics are leading economic indicators for new hiring. Although there are a lot of pessimistic and skeptical investors, we are more optimistic that data points like average hours worked and industrial production increases are bullish for the types of investments we own, namely cyclical and energy related names.

The International Monetary Fund said the global economic rebound next year will be stronger than it forecast in April as the financial system stabilizes and the pace of contractions from the U.S. to Japan moderates. The Washington-based lender said in a revised forecast that the world economy will expand 2.5 percent in 2010, compared with its April projection of 1.9 percent growth.



UNEMPLOYMENT INSURANCE WEEKLY CLAIMS REPORT

SEASONALLY ADJUSTED DATA

In the week ending July 4, the advance figure for seasonally adjusted **initial claims** was 565,000, a decrease of 52,000 from the previous week's revised figure of 617,000. The 4-week moving average was 606,000, a decrease of 10,000 from the previous week's revised average of 616,000.

The above release from the Department of Labor indicates that unemployment claims are trending lower and with the stimulus money starting to kick in over the next 12 months the job losses should start to improve at a faster rate.

Why are jobs important for stocks? Stocks reflect the health of our economy and a healthy economy has jobs for those looking for work and these jobs help spending and this spending creates more earnings and dividend payments for a company we have investments in and that puts more money in our pockets.

Feel free to forward to a friend who invests, they may find this useful!

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Disclosure:

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