

# How Nothing Changed Everything (But Not for Long)

April 12, 2004

As someone said “We have never seen such a grossly misinterpreted Employment Report in our 30 years in this biz . . .” That someone, of course, was thinking about the 308,000 new jobs created for the month of March 2004 released Friday, April 2, 2004.

As it turns out 296,000 of the 308,000 were part time jobs. Not only that, but most all of the jobs were in the service industries, which recorded an \$.08 decline in hourly earnings. Also, the workweek declined to 33.7 hours; close to the 40-year low of 33.5 hours. This microanalysis of a macro number simply reveals that there continues to be an extremely soft labor market. Just the opposite of what the market thought.

There is a huge lesson here that investors should learn: (1) Markets are not efficient, (2) human behavior is not always logical, (3) headlines are many times misleading, and (4) the devil is in the details – yet many never look to see.

There is not one of us in the world that knows what a day-to-day market is going to do. Good news can be bad, bad news can be good. But the fundamentals do not change. Knowing what they are and having the patience to see them through is the key to above average returns. Everyone worries that if the market is going against them from time to time somebody knows something they don't. Many times it's not what they know, but what they think they know that creates the counter moves.

We continue to see only slow growth as best for the 2<sup>nd</sup> half of this year. Debt continues to replace income as the major source of funds in the spending stream – this cannot go on forever.