Wealth Enhancement

Hi {Firstname},

This past week, we received further evidence that the labor market is slowing. Only 22,000 jobs were added in August according to the Bureau of Labor Statistics, well below the 75,000 that economists had anticipated. The report also included substantial revisions to figures from previous months.

Given this, many are wondering: *How is the stock market hovering near all-time highs when employment data suggests the economy is slowing?*

Looking forward vs. backward

First, we need to remember that the economy and the stock market, while connected, are not the same. Markets are forward-looking. They focus on where conditions are headed, not where they've been.

On the other hand, employment figures reflect past conditions, making them a lagging indicator. By the time a jobs report is released, markets have often already priced in the information. That's why **it's not unusual for stocks to climb amidst weak economic data**.

The most recent (and extreme) example of this relationship occurred in 2020 during the COVID-19 pandemic. By the time the horrific April unemployment data was reported at 14.8%, the S&P500 Index had rallied +17.53% off its March 20th lows — a strong reminder that markets anticipate the future rather than react solely to the present.

Unemployment is historically low

Broader context also matters in this case. Since 1948, roughly 80 years of history, the average unemployment rate has been about 5.7%. Today, unemployment is 4.3%. Even though the data shows a slowing job market, unemployment is still well below its historical average.

Focus on corporate fundamentals

Over longer stretches of time, stock prices tend to follow corporate earnings. While short-term data can cause bumps along the way, earnings growth and margin expansion are what support long-term stock market returns. (see below)

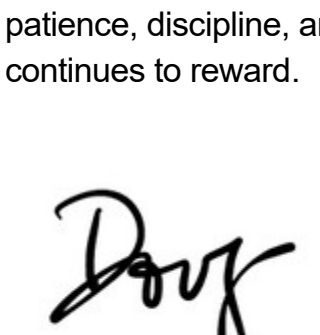


Corporate earnings have been robust, with 80% of S&P 500 companies reporting better-than-expected results this past quarter. Analysts also expect corporate earnings to continue growing in 2026 and 2027.

At the end of the day, investment strategies driven solely by lagging economic indicators rarely lead to favorable outcomes. Our advice remains the same as it always has: avoid making investment decisions based solely on economic headlines. Successful investing is built on patience, discipline, and a long-term perspective—qualities the market continues to reward.

Sources: FactSet, JP Morgan Guide to the Markets, TKer by Sam Ro, and Clearnomics

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