BUREAU OF LABOR STATISTICS REPORT

Last week the Bureau of Labor Statistics reported that the US economy added just 113,000 jobs in January, while the unemployment rate ticked down to 6.6%. The weak jobs number illustrates the second month in a row of lower-than-expected job creation and is below the 12-month average of 187,000 per month. Despite this, we anticipate job creation will accelerate in 2014, in line with real GDP growth, after the effects of severe weather and volatility in the retail and construction sectors dissipate. We also believe that the unemployment rate is less relevant than the number of jobs created when it comes to Federal Reserve discussions, and that future “forward guidance” will revise the unemployment rate target downward as a potential trigger for policy rate increases. For a Fed Funds increase, more robust indicators of economic growth or inflation are necessary. Emerging market weakness, bad weather and the reduction in Fed bond-buying resulted in a tumultuous January but, based on the growing strength of the economy in the fourth quarter, we believe it is likely that these weaknesses will reverse.