

John Dessauer Investments, Inc.

John Dessauer's market review and update as of Wednesday July 13, 2022

The White House is celebrating the news that there were 372,000 new jobs created in May. The first thing being ignored is that revisions from previous months were negative. There were 74,000 fewer jobs created in previous months than originally reported. Second is far more disturbing. There are two jobs reports every month and the other is showing job losses. Stephen Moore is a senior fellow at the Heritage Foundation and an economist with Freedom Works. He also is an author; his latest book is "Govzilla: How the Relentless Growth of Government is Devouring Our Economy."

Here is his view of the two reports and the outlook for the economy:

"But there's more to the story that most of the media and the White House are reporting. Another survey by the Bureau of Labor Statistics finds a reduction of 315,000 Americans working last month. So, what we have here today is actually a story of two reports on employment and hiring pointing in opposite directions.

Let me explain. The first Friday of the month, the Labor Department number crunchers spew out two snapshots on jobs. One is called the "payroll survey of employers." The second is called the "household survey"---which samples real people about their job situation.

Usually, these surveys run together in tandem----- or at least in the same direction. But not in the last several months. Since March, one survey says that more than 1 million jobs have been gained and the other says that there are *fewer* Americans working today

than three months ago. What accounts for the difference? First, hundreds of thousands of Americans hold two jobs, so one person shows up in the payroll survey as employed twice.

But more importantly, the payroll survey is more likely to count the jobs created at larger businesses and corporations, whereas small startup firms and self-employment are often overlooked in the official job count. What this suggests is that big businesses are doing pretty well, but hiring by small entrepreneurial companies appears to be shrinking. Fewer Americans are starting businesses or are self-employed---thanks to the Biden war on business.

Since small businesses are critical for future job growth, these are troubling signs for the economy in the months and years ahead.

The other headache revealed in this latest report is that over the past year wages are still trudging behind inflation--- 5.1% for wages compared to 8.6% for prices. More and more Americans are going into debt on their credit cards just to make ends meet and that's a trend that can't end well.

This probably explains why ---despite the White House's boasts about how strong the economy is - most Americans outside the La La land of Washington don't agree. The latest polls show more than 8 out of 10 voters say the country is headed in the wrong direction. These are even worse numbers than Jimmy Carter faced."

A week or so ago President Biden attacked gas station owners. Here is what he tweeted: "My message to the companies running gas stations and setting prices at the

pump is simple: Bring down the price you are charging at the pump to reflect the cost you are paying for the product. And do it now.” This is astounding, it shows that the President doesn’t know anything about how the private economy works.

Is he not listening to his Ivy League advisors? They surely know that refiners own fewer than 5% of American gas stations. Refiners have been exiting the retail business in the 2000s because of the thin profit margins. More than 60% of American gas stations are operated by an individual or family that owns a single gas station and the rest are independently owned chains or grocery stores that sell fuel.

Most gas stations make a few cents a gallon and stay in business by selling food and cigarettes. More than 25% of American gas stations have closed since the 1990s because they could not make the economics work.

It is embarrassing that the President of the United States would show such total ignorance of how the private economy works when dealing with inflation at a 40-year high.

“The President’s economic ignorance isn’t a one-off. In recent months he has accused oil and gas companies of price gouging and demanded that they increase production even while his Administration threatens to put them out of business. Mr. Biden doesn’t understand that businesses make long-term decisions based on demand expectations and policy signals. Jeff Bezos called the President’s weekend tweet “either straight forward misdirection or a deep misunderstanding of basic market dynamics.” They aren’t mutually exclusive.” (*The Wall Street Journal* 7/5)

Things are changing. Two Democrat media strongholds expressed a different view last week. They relate how the White House is a mess, and the President isn't the strong and angry leader the times demand. And a couple of leading democrats are expressing interest in running in 2024. Biden says he will run again in 2024 but it is looking as if he will have to win a primary to do so.

As far as the stock market is concerned, Morningstar, Zacks Investment management and Argus Research all see the stock market as oversold and undervalued. Investors who worry that the steep decline in stock prices is predicting a recession, they should heed economist Paul Samuelson's famous quote about the stock market forecasting nine out of the last five recessions.

I will have the next market review and update for you one week from today on Wednesday July 20, 2022

All the best,

John Dessauer

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