S&P 500 Gorges on Chicken Salad

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By the close of this first quarter the S&P 500 had made the greatest quarterly negative to positive reversal since 1933, that is, a downturn of more than 10% that is completely recovered, plus a bit more. Friday's boost came with usual good news that when viewed more closely isn't really that great. Jobs growth for March came in at 215,000, slightly above estimates. The unemployment rate rose to 5.0% because of an increase in the labor force participation rate. But 135,000 of those jobs were of the involuntary part time sort. As has been the norm in this so-called recovery, jobs growth came in the form of low paying part-time work -- waitresses, bartenders and the like, and a fall in full time well paying jobs -- the manufacturing workforce shed 29,000 this quarter, the biggest decline since 2009. The last statistics came into play in the 'wonderful' ISM manufacturing report which rose for the first time in 7 months, and actually made it into growth territory (from 49.5 to 51.8). It was a big jump and showed improvement in 12 of 18 categories. But the one gigantic anomaly in the claim that we now have a thriving (or as the shills prefer 'robust') industrial sector is that the factory employment reading contracted further from 48.5 to 48.1. In other words, there has been a major increase in orders, production, etc., with fewer workers required for the growth. The Fed and the outfits that generate these reports have developed a push-pull market boosting mechanism to a fine art. Earlier in the week Yellen signaled no interest rate rise in April by expressing concern about the weakening global economy. Then we have this positive news boosting the markets without reversing the Yellen boost as it should have because the 'weakness' claim has been nullified, at least on paper. How do they manage that? Because the data is really only good enough to cue the market upward -- not meaningful in terms of real economic strength. They may fool the general public (and not even -- the breakdown of both political parties signals massive public disbelief and a desire to flush Wall Street), but not themselves. None of this should matter directly because markets movements ultimately must be based on corporate earnings. They fell 5.2% for 2015, and are projected to decline 9.5% in the first quarter of 2016. The old saying that you can't make chicken salad out of chicken sh-t is not true when economists take over the kitchen.

China reported industrial profits growing 4.8% y to y January-February, it's first positive profit report after 7 consecutive negatives. While profits grew debt increased by 5.5% as did inventory -- and this - "profits also benefited from a lower-base effect compared to same period last year." In short - It's all very positive if judged by the effectiveness of the rigging job. Later in the week there was a surprise jump in the official PMI industrial output for March. Turned out to be essentially meaningless -- that which was shut down in February for the long Chinese new year was turned on in March.

On Monday there was a report that consumer spending only grew 0.1% in February, and much more significantly, the January report of a 0.5% growth rate suffered an astounding 80% trim to a measly 0.1%. Taking into account that the all important consumer report for January had a major bearing on leading the

almost complete turnaround of the worst market start for many a year, one would think that the revelation of its falseness would be reflected in that day's market activity. The markets did open down but then the usual buy on a dip kicked in -- the day after holiday volume was very low. Perhaps it would show on Tuesday. Nope. With perfect timing Yellen and the Fed chorus sang a cheerful tune at the NYC Economics Club. A couple of the governors announced that the American economy was humming along beautifully and that we should expect interest rate normalcy to be back on track, while Yellen then took the edge off that by saying they should proceed cautiously -- she didn't think global headwinds will have much effect on the American economy (which, as you have heard, is right on track toward perfection) -- but let's be extra safe, anyway. Incidentally, personal income also fell in February to 0.2% (it was a doubtful 0.5% in January). The first drop in 5 months.

The UK current accounts deficit for that last quarter of 2015 came in at 7% of GDP for that quarter. For all of 2015 it was 5.2% of GDP. The worst for both periods since such figures began to be compiled in 1948. GDP growth for the year at 2.3% is about the same as the US's 2.4%.

The Eurozone had its second month in a row of negative CPI. Minus 0.1% in March (it was - 0.2% the previous month).

Contracts for the purchase of high end apartments in NYC were down 29% in the first quarter compared to the previous year. The significance of this is enhanced by the fact that domestically only Wall street speculators can afford these digs, and it reflects the results of almost two years of sideways movement of the markets. Sales to foreigners were hurt by the strong dollar.

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