



# The King Report

M. Ramsey King Securities, Inc.

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“Independent View of the News”

**The better than expected January NFP is due to a 35k or 50k change in the seasonal adjustment, depending on the latest revised data or the prior revised January 2014 NFP data.**

Nonfarm Payrolls for January are 257k; 228k was consensus. Not Seasonally Adjusted (NSA) 2.755m jobs were lost. This was seasonally adjusted to a gain of 257k. Ergo, the seasonal adjustment was +3.012m, a gain of 50k from last year. [The BLS revised January 2014 to 166k from 144k. **It initially was reported as +113k.**] [http://www.bls.gov/news.release/archives/empsit\\_02072014.pdf](http://www.bls.gov/news.release/archives/empsit_02072014.pdf)

From the King Report on Thursday, February 4, 2015: *For January 2014, the BLS's hokey Birth/Death Model deleted 307k jobs. 2.818m jobs were lost NSA. This was seasonally adjusted into a gain of 144k. Ergo, the seasonal adjustment was +2.962m.* Keep this fact handy when analyzing the January Employment Report on Friday. <http://www.bls.gov/web/empsit/cesbd.htm>

The revised January 2014 NFP data changed the seasonal adjustment to +2.977m, 35k less than 2015.

**Not Seasonally Adjusted Total nonfarm** [Keep this for reference against future NFP reports.]

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual
2005	130670	131493	132332	133544	134357	135025	133964	134213	134841	135568	136124	135923	134005
2006	133269	134194	135173	136086	136892	137393	136218	136423	137092	137791	138176	138065	136398
2007	135276	135966	136862	137668	138611	139114	137715	137826	138391	139132	139443	139231	137936
2008	136200	136719	137309	137844	138417	138612	137131	137021	137075	137368	136687	135656	137170
2009	131965	131731	131597	131781	132054	131870	130273	130150	130509	131106	131152	130606	131233
2010	127736	128170	129003	130125	131240	131360	130022	130088	130583	131557	131862	131556	130275
2011	128692	129505	130410	131627	132310	132799	131525	131799	132545	133466	133800	133625	131842
2012	131033	131987	132881	133769	134582	134919	133702	134082	134708	135630	136014	135938	134104
2013	133074	134112	134917	135920	136809	137220	136072	136510	137120	138058	138581	138327	136393
2014	135516	136257	137214	138377	139297	139891	138841	139232	139919	141000	141478	141483(P)	139042(P)
2015	138728(P)												

P : preliminary

<http://data.bls.gov/pdq/SurveyOutputServlet>

The BLS's Birth Death Model only deleted 275k jobs, which is 32k less deletions than January 2014.

Astonishingly, the BLS counted only 1900 jobs losses in energy firms, a fraction of industry reports.

## **Did The BLS Forget To Count Thousands Of Energy Job Losses?**

<http://www.zerohedge.com/news/2015-02-06/did-bls-forget-count-thousands-energy-job-losses>

October and November NFP were revised 147k higher.

The Household Survey, which the BLS has had trouble tabulating due to a low response rate, showed an unfathomable 759k gain. This is unheard of in January, especially when there was severe weather.

The NY Post's John Crudele last Thursday: **January jobs number is Labor's breech birth**

*The most troubling thing is that the Labor Department still hasn't admitted it's having difficulty conducting the survey or that its **results may not be valid.***

*The Labor Department requires that Census achieve a 90 percent success rate on the survey... Labor wants 9 out of 10 households approached by Census to actually answer all the questions.*

*My sources tell me that, of the six Census regions, only Atlanta, Los Angeles and Chicago met the 90 percent threshold. The Philadelphia region had just an 87 percent success rate, New York 82 percent and Denver 89 percent. Nationwide, only 88 percent of the people approached would answer...*

*One Census worker, who hasn't revealed his identity yet, wrote me to say this: "You are very correct in saying that **supervisors can and do fill in the blanks, manipulate data, falsify and would even kill if they could.**"... <http://nypost.com/2015/02/04/january-jobs-number-is-labors-breech-birth/>*

The BLS **Employment Situation Summary**: *After accounting for the annual adjustments to the population controls, the civilian labor force rose by 703,000 in January... Total employment, as measured by the household survey, increased by 435,000 in January, and the employment-population ratio was little changed at 59.3 percent... <http://www.bls.gov/news.release/empisit.nr0.htm>*

The BLS **Employment Situation Summary** is at odds with the BLS **Summary Table A**, which shows 1.051m people joined the labor force and household employment increased 795k. <http://www.bls.gov/news.release/empisit.a.htm>

FTN's Chris Low: *1,051k people joined the labor force, lifting the participation rate from 62.7% to 62.9%. With household employment up "only" 759k, the unemployment rate rose. **Both of these were affected by a large boost to the population estimate...***

*"A large boost to the population estimate" comes from the Census Bureau, which has been plagued with low response rates to its surveys, and allegedly, by its employees according to Crudele, falsified reports.*

Despite the horrid weather, construction added 39k jobs. This is seasonal adjusting fiction. **Not seasonally adjusted, construction LOST 261k jobs.**

Retail trade added 45.9k; Not Seasonally Adjusted, retail lost 583.6k jobs. Health care & Social Services +49.7k (-59.7kk NSA); Leisure & Hospitality +37k (-382k NSA). <http://www.bls.gov/news.release/empisit.t17.htm>

### **Pay no attention to the real economy behind the curtain**

*While the economy grew 2.6 percent in the fourth quarter, what most reports don't mention is that **20 percent of that growth was health-care spending.** And the majority of that spending was taxpayer-funded subsidies from ObamaCare...*

*Almost 90 percent of ObamaCare users get federal aid. As a result, a new CBO report projects ObamaCare subsidies will balloon to nearly \$2 trillion over the next decade, only partially paid by more than \$640 billion in ObamaCare taxes and fines, which means more government borrowing and more upward pressure on interest rates... [If you're looking for an excuse for faking NFP, here it is.]*

*"The ACA has three major taxes in it — two are taxes on full-time employment and the other is on income," Mulligan said. "As a result, **we are going to have fewer people working and less value created overall.**"... <http://nypost.com/2015/02/08/pay-no-attention-to-the-real-economy-behind-the-curtain/>*

We have regularly noted over the past few quarters that NFP growth has flat lined. It is highly unlikely that NFP growth would be so static for four years. Given all the problems with surveying and the necessity for a benign jobs narrative, we strongly suspect more chicanery than usual is being employed.



**NFP Change y/y vs. US Employment Ratio Total in Labor Force SA – Houston, we have a problem**

For decades NFP growth correlated with the percentage of Americans in the labor force. After the Crisis of 2008, something went astray. PS – **The recent surge in both indices is due to revisions that are mostly based on the exceedingly dubious Census Bureau surveys and bogus seasonal adjustments.**



**NFP Change y/y vs. Nominal GDP y/y – Another indication that NFP data is dubious**

NFP growth over the past 3 months was the fastest in 17 years. January is the 59th straight month of private sector jobs growth, the longest stretch in US history – despite the weakest economic recovery since at least the Great Depression. Is this plausible given the poor income growth of the past 5 years?

Retail sales, like Nominal GDP, suggest that the NFP data is invalid. Furthermore, GDP was recently changed to include intellectual property and other incalculable endeavors.



**NFP, Retail Sales, Nominal GDP**, and Y/Y normalized change – Nonfarm payrolls are surging while Nominal GDP and Retail Sales are in decline. **Please note that Retail Sales leads NFP.**

For the past three months, retail sales have tumbled and GDP is much weaker than expected - but we are supposed to believe that the last three months' employment growth is the best since 1997?!?!

### **Gallup CEO: I May “Suddenly Disappear” For Telling Truth About Obama Unemployment Rate**

*Clifton went on to eviscerate the legitimacy of the cheerful spin given to the unemployment data, telling CNBC viewers that the percent of full time jobs in this country as a percent of the adult population “is the worst it’s been in 30 years.”* <http://www.thegatewaypundit.com/2015/02/gallup-ceo-i-may-suddenly-disappear-for-telling-the-truth-about-obama-unemployment-rate-video/>

### **Hilsenrath: Report Increases Odds Fed Will Alter Language**

*The strong employment report keeps open the possibility the Federal Reserve could start raising short-term interest rates in June* [http://blogs.wsj.com/economics/2015/02/06/strong-jobs-report-increases-odds-fed-will-alter-language-promising-to-be-patient-on-rates-hilsenrath/?mod=WSJ\\_hpp\\_LEFTTopStories](http://blogs.wsj.com/economics/2015/02/06/strong-jobs-report-increases-odds-fed-will-alter-language-promising-to-be-patient-on-rates-hilsenrath/?mod=WSJ_hpp_LEFTTopStories)

The WSJ’s Kate Davidson: **Fed's Yellen to testify to Senate committee Feb. 24** [Will she indicate a rate hike is nigh?] <http://on.wsj.com/1DNb9GT>

The WSJ’s Nell Henderson: **Swiss central bank continues intervening in currency market, data suggest** <http://on.wsj.com/16oL2up>

### **SNB will be active in forex market if needed – Jordan**

*The Swiss National Bank is prepared to intervene in foreign exchange markets and has room to lower already negative interest rates if necessary to weaken the franc, the central bank's chairman said...*

*When asked about the prospect of using capital controls to weaken the franc, Jordan said it was much too early to talk about such a move and that it was not a priority measure for the SNB...*

<http://uk.mobile.reuters.com/article/idUKKBN0LB0CC20150207?irpc=932>

### **Valuations may hurt small caps, despite job growth**

*The trailing price-to-earnings ratio of the index is at 22.7, which is 40 percent more than its long-term average of 16.2. Its price-to-sales ratio of 1.6 is nearly 67 percent higher than its long-term average...*

The last five years, 81.3 percent of revenue for Russell 2000 companies came from the United States, compared with 64.3 percent of revenue for S&P 500 companies...

<http://www.reuters.com/article/2015/02/07/us-markets-stocks-usa-weekahead-idUSKBNOLA26920150207>

The big picture, the S&P 500 Index weekly chart, shows stocks have been trading in a range since October 2014. It also shows that since November stocks have vacillated wildly within that range.

**This implies a dramatic breakout is developing.**



S&P 500 Index with 26-week and 70-week EMAs and Trender buy and sell signals

Over the past three years, there were only two Trender sell signals in 2012 and two in 2014.

### Isolated Greece rejects bailout extension

Greece's new leftist-led government...vowed on Friday not to accept any deal in crunch talks next week that keeps its current international bailout program in place.

Instead, a government official said Finance Minister Yanis Varoufakis would ask for a "bridge agreement" to keep state finances running until Athens can present a new debt and reform program...

<http://www.reuters.com/article/2015/02/06/us-eurozone-greece-idUSKBNOLA1QW20150206>

On Sunday, Greece PM Tsipras told Greek lawmakers: "**After 5 years of bailout barbarity, our people cannot take any more...** We repeat that Greece wants to service its debt. If our partners also want this, let's sit at table and discuss... **Greek debt has reached 180%. It can't be serviced. This isn't a technical issue... We won't negotiate national sovereignty ... Greek people gave clear mandate for end of austerity and change in policy...** The new gov't does not have the right to ask for a bailout extension. **We're asking for bridge agreement until summer...** Europe must not make mistakes of past... We are asking Financial Crimes Squad to investigate lists with large depositors... <https://twitter.com/ekathimerini>

China's January Imports tumbled 19.9% y/y (-3.2% exp.). Imports fell 3.3% y/y (+5.9% exp.).

**Today** – The G20 commences a two-day meeting. SPHs are down 11.40 as we write on Tsipras' defiant comments, China's stunning trade data and escalating warfare in Ukraine. After a down open, traders will

play for the expected Monday Merger Mania rally. The key for today is 2050 on the S&P 500 Index. If traders cannot keep stocks above that level, the hourly trend will turn negative. Friday's late tumble put stocks in position for a short-term decline... No impact economic data is expected.

### **WSJ: West Races to Defuse Ukraine Crisis**

*The U.S. and Germany are struggling to maintain a united front against an unflinching Russia ahead of a crucial week of high-stakes, top-level diplomacy on the Ukraine crisis*

### **Stream of Foreign Wealth Flows to Elite New York Real Estate**

*About \$8 billion is spent each year for New York City residences that cost more than \$5 million each, more than triple the amount of a decade ago, according to the website PropertyShark. Just over half of those sales last year were to shell companies...*

*In many ways, the government has allowed the real estate industry to turn a blind eye to the source of money used to buy luxury properties... [How much is illicit money and laundering?]*

<http://www.nytimes.com/2015/02/08/nyregion/stream-of-foreign-wealth-flows-to-time-warner-condos.html?emc=eta1&r=1>

### **'Amnesty Bonuses' in Tax Code: Illegal Immigrants to Receive Earned Income Tax Credit**

*A recent Homeland Security Committee hearing on immigration revealed an alarming consequence of President Obama's executive amnesty—that illegal immigrants with deferred status may be able to receive the Earned Income Tax Credit (EITC). Moreover, this person, who is here in the U.S. unlawfully, could be able to file an amended tax return for up to the last three tax years, possibly receiving upwards of \$24,000 in tax credits...*

*"By subsidizing illegal entry with four years' worth of new tax credits, the IRS would promote lawlessness. This program severely undermines the White House's lip-service to enforcing the law and would increase the burden on law-abiding taxpayers."... [http://www.weeklystandard.com/blogs/amnesty-bonuses-tax-code-illegal-immigrants-receive-earned-income-tax-credit\\_841496.html](http://www.weeklystandard.com/blogs/amnesty-bonuses-tax-code-illegal-immigrants-receive-earned-income-tax-credit_841496.html)*

### **Reuters Opinion: Is Jeb Bush just another 'big government' liberal? The signs are there.**

<http://reut.rs/1C15ydv>

### **China's secret plan to topple the US as the world's superpower**

*"We believed that American aid to a fragile China whose leaders thought like us would help China become a democratic and peaceful power without ambitions of... global dominance," he writes.*

*"We underestimated the influence of China's hawks. Every one of the assumptions behind that belief was wrong — dangerously so." "For decades," Pillsbury adds, "the US government has freely handed over sensitive information, technology, military know-how, intelligence and expert advice to the Chinese. Indeed, so much has been provided for so long that... there is no full accounting. And what we haven't given the Chinese, they've stolen."...*

*In the decades to come, Pillsbury believes, America helped build China's economy and military while unknowingly following the Warring States script... The Warring States strategy advises the underdog to keep its intentions secret until sufficient power against the hegemon is both strong and irreversible...*

[http://nypost.com/2015/02/08/chinas-secret-plan-to-topple-the-us-as-the-worlds-superpower/?utm\\_campaign=SocialFlow&utm\\_source=NYPTwitter&utm\\_medium=SocialFlow](http://nypost.com/2015/02/08/chinas-secret-plan-to-topple-the-us-as-the-worlds-superpower/?utm_campaign=SocialFlow&utm_source=NYPTwitter&utm_medium=SocialFlow)

### **The fiddling with temperature data is the biggest science scandal ever** [Only cuz econ isn't science]

*... official temperature records — on which the entire panic ultimately rested — were systematically "adjusted" to show the Earth as having warmed much more than the actual data justified. ...*

*In each instance, the actual trend of 60 years of data had been dramatically reversed, so that a cooling trend was changed to one that showed a marked warming...*

<http://www.telegraph.co.uk/news/earth/environment/globalwarming/11395516/The-fiddling-with-temperature-data-is-the-biggest-science-scandal-ever.html>