



Broadleaf Partners, LLC

Our Take on Today's Payroll Numbers June 1, 2012

This morning's payroll numbers were disappointing, a fact that is being reflected in the performance of today's stock market, now down nearly 2%.

Total non-farm payrolls were expected to show a gain of 150K, but increased only 69K, while the total unemployment rate edged up to 8.2% from 8.1% previously. While still in positive territory, the numbers just weren't encouraging in the face of so much global uncertainty coming out of Europe and China.

A client sent us a short email exclaiming "Yikes" and then asked us if the world was coming to an end. This was our unedited response.

It is definitely a tone changer. I wouldn't be surprised if we see an intraday rally, but the news definitely affects the interpretation of just about all data going forward, likely to the negative.

It isn't the end of the world. I don't think we go into a recession again as corporate earnings remain solid and, even though leading indicators aren't as high as they were, they are still in expansion territory.

Unfortunately, just because we don't have a recession, doesn't mean that the market won't act like it. In that sense, we could have a repeat of last year where the markets felt like a recession even though the data never confirmed it.

Slow growth for as far as the eyes can see remains intact, with a need to focus on innovators throughout the portfolio and less on pure cyclicals. This doesn't mean that these names won't be immune to a sell off if we really do go into a recession, but they should remain relative outperformers.

I also still firmly believe that now remains the time for the United States to shine. In spite of our troubles, we've been into this four years now while Europe is just beginning and far more socialist so not likely to react with reforms, and China – wow, when that cracks, they are about as socialist as it comes in building roads to nowhere.

The difference may be that while now is still the United States time to shine, it could mean that we're also just the least negative among the group. That doesn't pay the bills, but is still a source of alpha.

Kindest Regards,

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