iSectors® Post-MPT Economic Factor Report
September 2024

iSectors® Current Economic Update

iSectors® continues to see an on-going threat of inflation in the face of increasing money supply and continued fiscal spending. However, the Federal Reserve has shifted its focus to the state of the labor market and declared that the "upside risks to inflation have diminished."

The Fed believes a weak labor market (higher unemployment and fewer job openings) reduces the risk of inflation. Evidence of a weak labor market can be found in the unprecedented number of downward revisions to the jobs data reported monthly by the Bureau of Labor Statistics (BLS) (see below). These downward revisions are consistent with the unemployment rate increasing steadily throughout 2024.

Nonfarm Payroll Employment: Revisions between over-the-month estimates, 2024

		Seasonally adjusted						Not seasonally adjusted					
		Over-the-month change			Revision* in over-the-month change			Over-the-month change			Revision* in over-the-month change		
Month	Year	1st	2nd	3rd	2nd - 1st	3rd - 2nd	3rd - 1st	1st	2nd	3rd	2nd - 1st	3rd - 2nd	3rd - 1st
Jan.	2024	353	229	256	-124	27	-97	-2635	-2855	-2837	-220	18	-202
Feb.	2024	275	270	236	-5	-34	-39	1141	1127	1119	-14	-8	-22
Mar.	2024	303	315	310	12	-5	7	659	662	659	3	-3	0
Apr.	2024	175	165	108	-10	-57	-67	803	791	791	-12	0	-12
May	2024	272	218	216	-54	-2	-56	917	844	841	-73	-3	-76
Jun.	2024	206	179		-27			547	518		-29		
Jul.	2024	114						-915					
Aug.	2024												
Sep.	2024												
Oct.	2024												
Nov.	2024												
Dec.	2024												
Mean revision	2024												
Mean absolute revision	2024												

Unemployment Rate vs. Non-Farm Payrolls

What is more interesting is that the headline unemployment rate does NOT get revised nearly as often as the nonfarm payroll data. The unemployment rate is calculated via a survey called "The Household Survey." In contrast, the non-farm payroll data is calculated via "The Establishment Survey." Select characteristics of the two surveys can be seen below. In our opinion, the Household Survey data is much more reliable than the Establishment Survey data.

Household Survey (Unemployment Rate)
- Survey of 60,000 households
- A sample that reflects the civilian non-institutional population
- Seasonality adjustments happen in concurrent month
- Sampling errors are rare and don't lead to material revisions
- Very few non-sampling errors
- 70% response rate to the survey

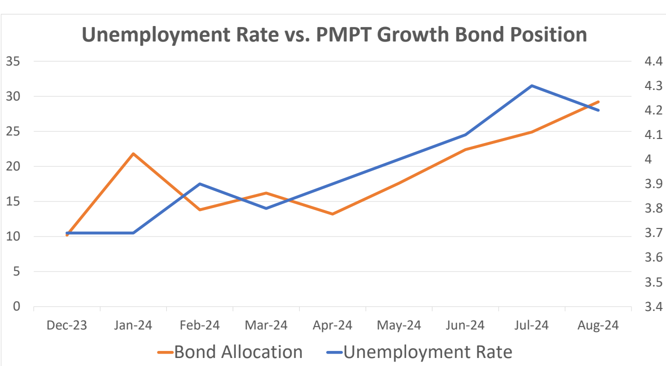
Establishment Survey (Non-Farm Payrolls)
- Survey of 119,000 businesses in various industries
- Does not overlap with data used to calculate unemployment rate
- Seasonality adjustments every three months and once annually
- Non-sampling errors more common due to issues like new businesses, unemployment insurance data, and ghost jobs*
- 50% response rate to the survey

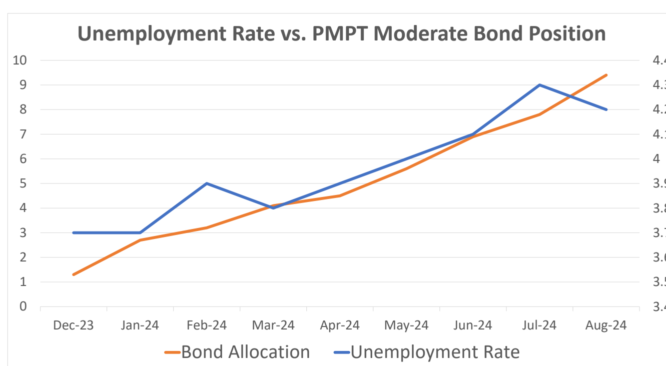
**Job openings posted by firms they never intend to fill (per ResumeBuilder.com)*

How iSectors® Aligns with This Data

The quantitative algorithm that powers the iSectors® Post-MPT Allocations relies upon two dozen capital and economic factors, with the unemployment rate being one of them. Over the years, we have consistently observed that the unemployment rate (Household Survey), despite its lack of revisions and granularity compared to the Establishment Survey metrics, is the data point that most accurately reflects the stock market's sentiment about the current state of the labor market. We consider the data produced out of the Establishment Survey to be mostly noise and not reliable enough to be utilized in the monthly runs of our algorithm.

The charts below illustrate the current unemployment rate trend, overlaid with the treasury bond allocation in the Post-MPT models since the beginning of the year. The rise in the unemployment rate has corresponded with an increasing treasury bond allocation in both the iSectors® Post-MPT Growth and iSectors® Post-MPT Moderate Allocations. As the unemployment rate has increased, both Post-MPT models have grown more defensive to hedge the potential downside in the stock market that often coincides with deteriorating labor market conditions.





iSectors®, LLC
5485 W. Grande Market Drive • Suite D • Appleton • WI • 54913
www.isectors.com • 1.800.iSectors (800.473.2867)

iSectors® is a suite of proprietary asset allocation models and services. iSectors®, LLC is an affiliate of Sumnicht & Associates, LLC (Sumnicht) and, as such, iSectors® and Sumnicht share certain employee services. iSectors® became registered as an investment advisor in August 2008. iSectors® is a registered trademark of Sumnicht Holdings, LLC.

The contents of this presentation are for informational purposes only. Content should not be construed as financial or investment advice on any subject matter. This is neither an offer nor a solicitation to buy and/or sell securities. Information pertaining to iSectors® operations, services, and fees is set forth in its current disclosure statement (Form ADV, Part 2 Brochure), a copy of which is available upon request.

iSectors® asset allocation models are not guaranteed and involve risk of loss. At any given point in time, the value of iSectors® asset allocation model portfolios may be worth more or less than the amount invested. Different types of investments and/or investment strategies involve varying levels of risk, and there can be no assurance that any specific investment or investment strategy (including the investments and/or investment strategies devised or undertaken by iSectors®) will be either suitable or profitable. Financial professionals are responsible for evaluating investment risks independently and for exercising independent judgment in determining whether investments are appropriate for their clients.

You should not assume that any discussion or information contained in this presentation serves as the receipt of, or as a substitute for, personalized investment advice from an investment professional.

This presentation has not been reviewed, submitted for review before, or otherwise approved by FINRA, the SEC or any state or provincial securities administrator.

Data Sources
bls.gov
fred.stlouisfed.org
ResumeBuilder.com
https://www.apolloacademy.com/response-rates-declining-2
https://www.cbsnews.com/news/fake-job-listing-ghost-jobs-cbs-news-explains

Not FDIC Insured. Not Bank Guaranteed. May Lose Value.

iSectors®, LLC • 5485 W. Grande Market Drive, Suite D, Appleton, WI 54913 • www.isectors.com • 1.800.iSectors (800.473.2867)