

By the Numbers

By Scott Silva

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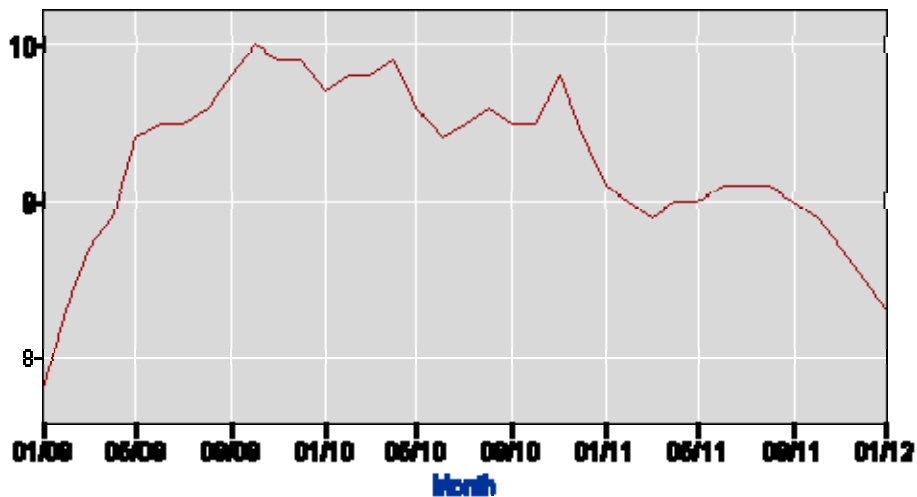
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We all know that numbers don't lie. Numbers are objective. There is nothing that numbers do except represent some value. In this sense, mathematics is pure, and therefore reliable and repeatable. Mathematics is one of the foundations of science. Physics is nature expressed in numbers. The world has come to respect numbers. From ancient weights and measurements, to architecture, chemistry, astronomy, agriculture, engineering, trade and commerce, and many other human endeavors, numbers provide universal understanding of every aspect our existence on the planet.

The Federal government, however, has trouble with some numbers. When numbers don't represent its policy, agenda or campaign strategy, then the administration changes the numbers. They manipulate the numbers. They "smooth" the numbers. They ignore the offensive numbers. They even make up their own numbers. They outright lie about the numbers.

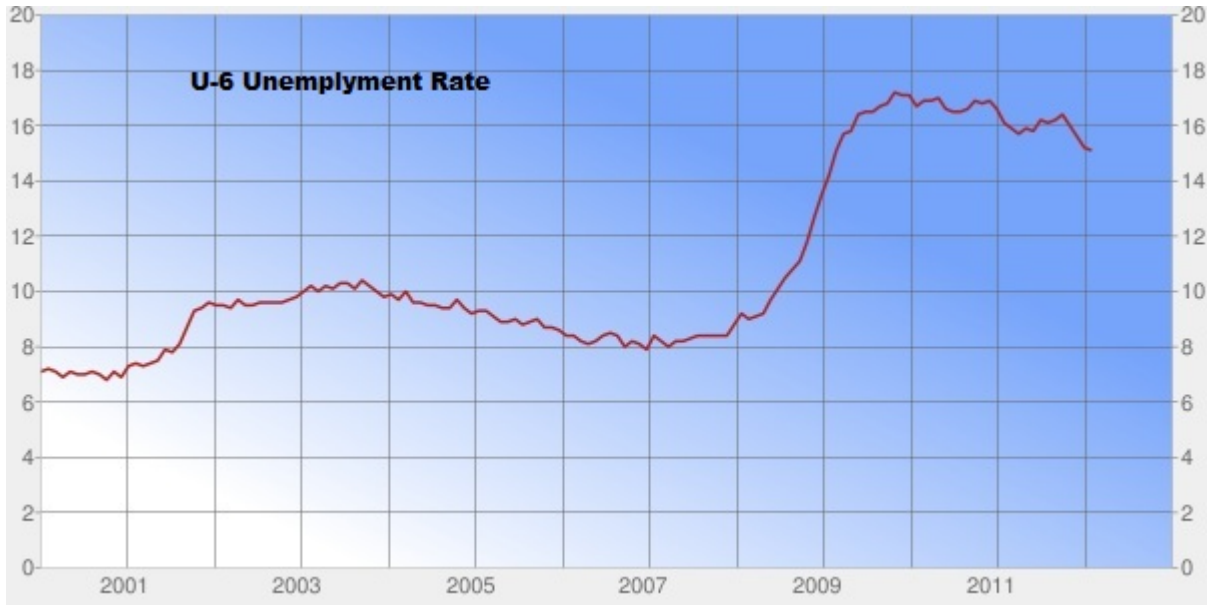
This is the case of the most recent US unemployment numbers.

Friday, the stock market jumped and gold declined on the release of January jobs and unemployment data from the US Labor Department's Bureau of Labor Statistics (BLS). The government reported that 234,000 new jobs were added in January, bringing down the national unemployment rate to 8.3%.



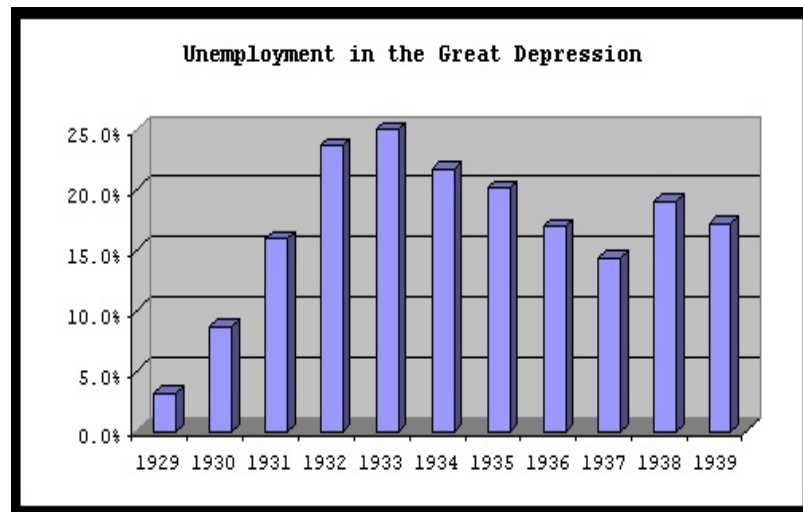
This would be great news...if it were true. But the BLS is not reporting the actual unemployment rate. If the BLS reported truthfully, the headline unemployment rate would be 11% for January, much worse than the number reported, and certainly not a continuing upward trend. This is an intentional deception, motivated by the administration's re-election campaign strategy.

Here's why the true unemployment rate is grossly understated. The January data does not account for 1.2 million qualified workers who dropped out of the job market last month. This is the largest monthly reduction in the available workforce by the dropout of "discouraged" workers ever. The labor participation rate declined to 63.7% in January, down from 65.7% when the president took office. Many qualified workers have simply quit looking for jobs. When the BLS ignores them, the U-3 unemployment rate appears to improve. The broader, U-6 measure of unemployment which includes the discouraged plus underemployed part-time workers is 15.1%. Quite a difference.



We have not seen US unemployment at these high rates since the Great Depression.

It is clear from the U-6 numbers that the employment situation is declining, not improving. It's fair to say that based on the high unemployment rate, the administration's economic policies have clearly failed. It's no wonder that the



economy continues to lag. US GDP growth is forecast to decline further in 2012. Clearly, the US has not turned the corner in its economic recovery. The BLS uses the "discouraged worker" data in a deceptive way in an attempt to paint a rosy picture of an improving economic recovery. This is not the first deceptive BLS report. The BLS has been understating unemployment since the president was inaugurated. So the BLS reports are fake-a snare and a delusion. The mainstream

media picked up on the January bogus report as if it were real; stocks jumped and the president took immediate credit over the airways. What a travesty!

Well, not everyone is fooled by the bogus BLS report. Several knowledgeable sources have spoken out including the editorial staff of the Washington Times, FOX News and Larry Kudlow, to name a few. The Congressional Budget Office also sees things differently than the administration's spin machine. The non-partisan CBO is forecasting unemployment at 8.3% for 2012 and 9.2% for 2013. That's not a positive trend.

Bogus BLS unemployment reports affect the markets. They give an artificial boost to stocks, and impact gold and silver prices. Because the truth will eventually emerge, and because there remain fundamental risks in the European debt crisis and increasing threats to stability from Iran and Syria, gold and silver have not collapsed. In fact, the pullbacks in gold and silver present new buying opportunities.

Today, gold is telling us that it is not fooled by the bogus jobs report. Gold is headed up again, continuing its breakout from a bullish falling wedge chart pattern. There are several technical indicators that we see calling for gold to retest the \$1900/oz level over the next few months.

GCY00 - Gold - Daily Candlestick Chart



The price of gold is one of the numbers we can appreciate.

Investors from around the world benefit from timely market analysis on gold and silver and portfolio recommendations contained in *The Gold Speculator* investment newsletter, which is based on the principles of free markets, private property, sound money and Austrian School economics.

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