



## Never in the history of filmmaking has artistic license paid off so handsomely.

Of course, comic legend Jackie Gleason was no schlep in the world of thespians. Odds were high he would deliver a handsome return on stuntman cum director Hal Needham's investment. And while it's no secret there would have been no directorial debut for Needham had his close friend Burt Reynolds not agreed to be in the film, it was Gleason's improvisation that made the Smokey and the Bandit the stuff of legends.

Though Gleason's character's name screams 'surreal,' the stranger than fiction fact is that Reynolds' father was the real life Chief of Police in Jupiter, Florida who just so happened to know a Florida patrolman by the name of Buford T. Justice. The treasure trove of quotes from the film's tenacious Texas Sheriff Buford T. Justice, who so tirelessly pursues the Bandit in heedless abandon over state lines, elicited nothing short of laugh-out-loud elation from anyone and everyone who has ever feasted on the 1977 runaway hit (it was the year's second-highest grossing film after Star Wars).

Gleason's most famous ad-lib moment occurs at a roadside choke-n-puke where Justice unwittingly strikes up a conversation with the same Bandit he's chasing. "Let me have a

diablo sandwich, a Dr. Pepper, and make it quick. I'm in a goddamn hurry," Justice barks at a waitress after which point he explains to an innocent-faced Reynolds that he's in such a hurry because he's chasing a 'maniac.' As for yours truly's favorite, there's simply nothing funnier than Justice's rant to his witless son: "There's no way, *no way*, that you came from my loins. Soon as I get home, first thing I'm gonna do is punch yo mamma in da mouth." As much as Justice wants to score one for the good guys — "What we have here is a complete lack of respect for the law" — in the end, the 'bad guy' eludes capture. By the time the credits roll, the audience has no choice but to feel a little sorry for Justice and his habit of acting, and speaking, before he thinks, which inevitably leads to his downfall.

Far from 1977, a new sheriff is in town, and a certain White House occupant is in equally hot pursuit of, not a Bandit, but a strong job market to indelibly leave his mark on history. For the moment, it looks like he's going to get exactly what he's asking for using brutish Buford T. Justice-style tweets. At least that's the causality guaranteed to be drawn. Something is for certain. The job market is not behaving as one would expect in an economic recovery that's nearing its eight-year anniversary. And it's not just one aberrant indicator we're talking about here.

Forget that we've just enjoyed one of the mildest winters on record. The 106,000 goods-producing jobs created in February is officially one for ADP's record books in data that stretches back to 2002. In all, companies added 298,000, the most in nearly three years. This report alone will quickly silence all the whining we've heard of late about soft data being stronger than hard data.

As 'soft' as the survey data may be, one indicator within the most recent ISM report is plenty hard. Care of one of the buy-side's best and brightest, whose name has to remain outside the public purview, ISM customers' inventories at a 10-month low necessitate a period of catch-up on companies' parts.

A quick primer: The ISM report is a composite index of five diffusion indexes — employment, production, inventories, new orders and supplier deliveries — gathered from surveying over 300 manufacturing firms. A reading of greater than 50 signals those at the forefront of a company's supply chain anticipate accelerating economic activity; a sub-50 reading signals the opposite. A reading of 65 or higher on the most forward-looking ISM new orders index pushes manufacturing into technical 'bubble' territory. As for 70, if it's reached, look out below as the economy will have officially overheated. The most recent two episodes of 70 being hit occurred before most of us can remember, in 1973 and 1983. The pullback in activity that followed was, shall we say, swift and not so neat.

The current 65-reading on the ISM new orders sub-index, coupled with depleted stockpiles, indicate economic activity could well boil over. Companies will try to get ahead of tight supplies by paying up; delivery times should rise alongside this impulsiveness. Surprise, surprise — the sell side will feed the frenzy, which will push purchasing managers to go one step further and pile on supplies in anticipation of future demand.

Inventory builds, you will recall from Econ 101, are GDP-friendly. So set aside the Atlanta Fed's Debbie Downer first-quarter GDP forecast of a paltry 1.3 percent. The second quarter

looks set to stage a raging comeback. And it looks to be widespread. Of the 18 industries surveyed by the ISM last month, 17 reported improving conditions, up from just 12 in January.

But here's the catch (does there always have to be one?). This from the ISM: "Comments from the panel largely indicate strong sales and demand, and reflect a positive view of business conditions (but) with a watchful eye on commodities and the potential for inflation." In other words, firms are a wee bit concerned a margin squeeze is on the horizon. If that's the case and the job market is gaining momentum, they should add tightening financial conditions to their worry list.

Pop back into that econ class for a moment. The unemployment rate is the most lagging of all indicators. That means Fed officials **should** be hard-wired to underreact to job market data. What's more likely is that they will be compelled to play a bit of catch-up of their own, chasing the curve they're woefully behind with all their might.

Look no further than the follow through in the bond market from the blowout ADP report. At 1.36 percent, the two-year Treasury note yield is near an eight-year high, which has grabbed investors' attention by the short hairs. Meanwhile, back over at the Bloomberg Terminal, the following headline just crossed: "Jobs Data May Fuel Bets on Four Rate Hikes in 2017." Three hikes are darn near baked into the cake, as in a one-handle on the fed funds rate by September. Imagine that.

Like it or not, the Fed's chase is likely to end just as badly as Buford T. Justice's did. Crash landings tend to follow the unemployment rate when it overshoots to the downside, which is exactly what households suggest is in the offing. The last time this many folks were predicting the unemployment rate would be lower 12 months hence was the early 1980s. What followed? Not just overheating, but a 10 percent correction in the S&P 500 over those same next 12 months.

What if, just maybe, just sayin'...these extreme readings indicate that firms are sticking like glue to their employees out of a sense of panic that they're irreplaceable in a world bereft of sufficient skill setters? What if the true, underlying job market is not gaining strength. That would certainly seem to be the case in the message delivered via gauntlet in the Conference Board's latest online help wanted postings. Before the howls of, "One month never makes for a trend!" begins, bear in mind that new job postings peaked in November 2015 while those of re-postings (new net of old) peaked a month later.

Up until this latest data set from February, the decline in demand for new employees had been steady but orderly. All that changed last month with the record 364,000 decline in new help wanted ads. The only month that was anywhere near as ugly was January 2009 in the thick of the last recession. Not only that, all 50 states saw declines as did all 52 metro areas tracked.

The one-month move was so striking the Conference Board released the following note with its report: "Recently, the HWOL (Help Wanted Online) Data Series has experienced a declining trend in the number of online job ads that may not reflect broader trends in the U.S. labor market. Based on changes in how job postings appear online, The Conference

Board is reviewing its HWOL methodology to ensure accuracy and alignment with market trends.”

You gotta give the number crunchers credit where it's due – at least they admit to their potential fallibility. That's more than can be said of the arbiters of the inflation data favored by Fed officials.

We will soon enough know if all this inventory building meets a happy ending. If today's reported demand is still red hot come Labor Day, well then, the labor market's current signals could bode well for one Donald J. Trump's first year in office.

If that's not the case, if this is a massive head fake, well then manufacturers could be warily eyeing bloated stockpiles come August, stockpiles built on hope. Those keeping the nation's factories up and humming might even be disenchanted enough to strike out against Trump's attempts to jawbone the U.S. manufacturing sector back to its halcyon days. The exchange that follows could echo the following from Smokey and the Bandit, one that took place between a peeved fellow sheriff and Sheriff Justice, who had crossed uninvited into the other's jurisdiction:

U.S. Manufacturers: The fact that you are President is not germane to the situation.

DJT (in a tweet): The goddamn Germans got nothin' to do with it!

Oh, and please pardon the slight artistic license taken with the cast of characters. Think you get the message about what can be lost in translation loud and clear.

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