

# Why Stocks Are Rising with Unemployment

## Look for Growth in Health Care Jobs

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“The unemployment rate keeps going up, and the stock market goes up with it. What gives? Don’t investors know that all those unemployed people are going to drag the economy down? It seems like we’re in a jobless recovery.”

Yes, it does seem like we’re in a jobless recovery, but then again, for the last two decades, all the recoveries we’ve witnessed could be called jobless recoveries, and this trend has only intensified. At the end of the recession in 1982, it took about a year to add back the jobs that had been lost. After the recession of 1991, it took nearly two years. Then, following the 2001 melt-down, it took about 39 months before the jobs that had been lost were replaced.



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This time? It’s anybody’s guess, but the same themes and trends are still in place that would lead me to believe that the unemployment rate could stay up for some time. We hear about globalization, which continues to bring pressure on the U.S. job market. Many, maybe most, companies will hire someone outside of the U.S. if they can get the job done cheaper. Think too about all those high tech factories, the kind that can be operated by very few humans; those too are causing the loss of jobs. Technology and other factors continue to make workers more productive, leading to the need for fewer workers. We can add the fact that information technology is rendering many white collar jobs obsolete.

The list goes on. To cap it off, the economy isn’t exactly rocketing forward. As I discussed in an [earlier column](#), the baby boomers, the ones who borrowed excessively and fueled the economy for the last few decades, are starting to seriously worry about retirement. They’re spending less, saving more, and are not necessarily willing to buy the economy out of its funk. In the past, the pent-up demand from a recession burst upon the scene at some point, ratcheting up GDP and creating jobs with it. There doesn’t seem to be any pent-up demand from where I’m sitting. While the economy has picked up, it’s barely anemic, certainly not healthy.

Where does this leave us? It means that I wouldn't bet against American ingenuity in the long term. But for now, it's going to be a slow road back to the humming economy we're accustomed to. Unemployment will remain stubbornly high for a long time, easily three years or more, even though the Obama administration is going to be working overtime to get people back to work.

In the meantime, what about the stock market? Why does it go up when so many people are out of work, with more every day looking for a job? The answer is that the stock market is a "discounting" mechanism. In investing parlance, that means that the stock market isn't so concerned with what's happening today; it's much more interested in what will be happening in six, nine, twelve months and beyond. So investors see profits picking up (much of it from all that money corporations are saving by having fewer employees on the payroll) and find stocks appealing.

The unemployment rate is a "lagging indicator," meaning that it doesn't tell us much about where things are going, only where things have been.

The good news? One section of the economy that continues to expand is health care. Four of the top ten jobs that will continue to experience growth over the next decade are registered nurses; home health aides; personal and home care aides; and "nursing aides, orderlies, and attendants," according to the Bureau of Labor Statistics. So if you're looking for a job, health care might be the place to be. That and accounting. There is hope.

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