Any single jobs report is doubtful, but we heed this one and cut our S&P target

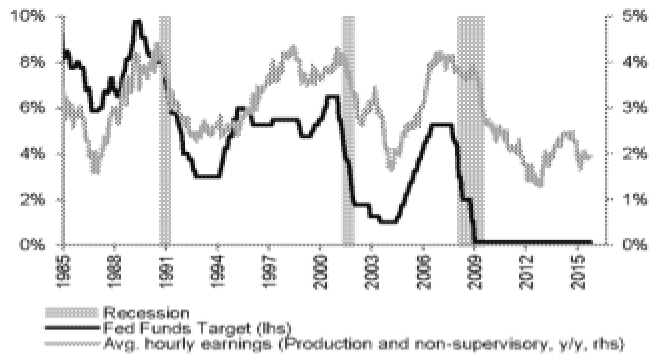
A pivotal September jobs report. We expected a further decline in mfg jobs, but we're very surprised by the sizable downshift in private jobs growth. We're skeptical of this report, but investors and especially the Fed will heed this data point. Eyes will turn to the non-mfg ISM on Monday for confirmation, but we now think the Fed is unlikely to hike in 2015. This reduces upside for stocks (although it may also reduce downside). It means rates, currency, commodity and PE uncertainty continues. And if the Fed does hike in 2015 the typical initial adverse market reaction could be worse than usual. It also means Spartan interest rate conditions for Banks in 2016. The report's only other new data to ring true to us was lower workforce participation. Rates will be low in 2016, but where rates will be in 2017 is now more uncertain.

We see a better chance of landing men on Mars before a full normalization of nominal and real interest rates, especially 10yr yields, to historical norms. Growth will be slow, but we do expect S&P EPS growth next year and likely through 2018. We doubt 10yr Tsy yields exceed 3% for the rest of this cycle. This supports an 18 or higher trailing S&P PE provided up EPS in year ahead. (On a related note, please see DB research note on Sept 30 2015 "US Aerospace/Defense - How Space Got to be Cool Again")

Figure 12: Labor participation

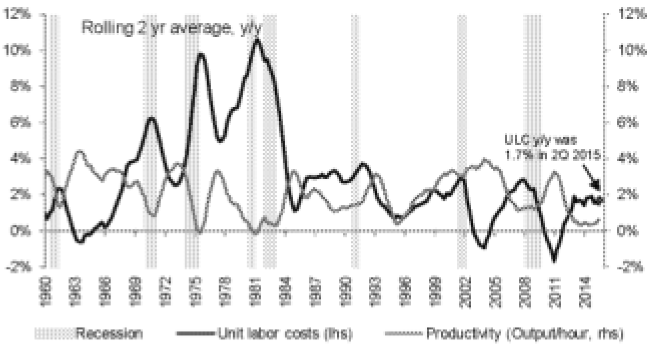
Source: BLS, Deutsche Bank

Figure 13: Wage growth



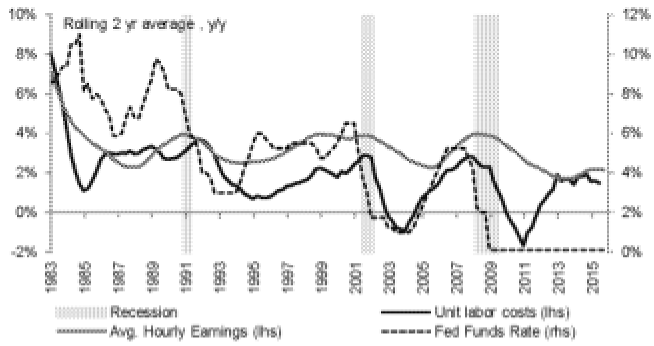
Source: BLS, Deutsche Bank

Figure 14: Productivity vs Unit Labor Cost



Source: BLS, Deutsche Bank

Figure 15: Fed still hasn't started hiking



Source: BLS, FRB, Deutsche Bank