Jobs report provides no clear signal on rate hike

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Investors hoping Friday's eagerly anticipated jobs report would either solidify, or scuttle, an interest-rate hike at this month's Federal Reserve meeting instead got a resounding maybe.

The report is serving as a Rorschach test for economists and investment strategies, providing enough evidence to support the case of those who think the Fed will act in September, as well as those who believe it will hold off.

The latter group is citing the 173,000 jobs employers added in August, noticeably below the 218,000 expected by economists. After recent stock market turmoil, several experts said payroll gains needed to exceed 250,000 to prod the Fed into acting, especially with inflation remaining below the Fed's annual 2% target.

"We believe (policymakers) will desire more time to assess the effect of the recent financial turmoil," Michael Gapen, chief U.S. economist at Barclays Capital and a former Fed official, wrote to clients.

Others note August job gains have been subject to sharp upward revisions the past five years because of the challenge of accounting for varying starts of the school year in seasonal adjustments. Advances have been revised up an average of 79,000 in that period. Employment gains for June and July were revised up Friday by a total of 44,000.

More significantly, the September camp argues, the unemployment rate fell to 5.1%, below the long-term range the Fed considers normal. At the least, some say, a rate that low supports a modest increase in the benchmark rate from the near-zero level in place since the 2008 financial crisis.