Yields Lower as ADP Reports Negative Job Growth

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With the September employment report from the BLS likely postponed on Friday morning, the ADP employment report gains value as an indicator. This morning, ADP Research announced the loss of -32k payroll jobs during the month of September, well below the +51k median forecast. In addition, August payrolls were revised sharply downward from +54k to -3k, marking *the first back-to-back reductions in over five years*.

There is a positive correlation between the BLS employment statistics and the ADP data, with the two payroll reports typically differing in any given month, but tracking each other over time, according to a 2019 study by Federal Reserve researchers. With the recent weakness in the ADP numbers worsening, investors have concluded this morning that employment conditions continue to soften. Bonds are rallying in response, as signs of job loss boost the case for an October rate cut.

Concerns over a government shutdown were realized early this morning. The question now becomes: "*How long will this stalemate last?*" With no debt ceiling to worry about at this time and government funding secured, there's less urgency to reach an agreement. We're expecting nonessential services to remain closed for an uncomfortable period as political rhetoric intensifies, and blame is cast.

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