Ho-Hum Jobs Report Lowers Fed Urgency

The financial markets appear satisfied with the September employment report. On the whole, it wasn’t bad, but it wasn’t good either. What the mixed report is likely to do is keep the Fed from cutting 50 basis points at the October meeting, a possibility that surfaced earlier in the week with extreme weakness in the two ISM reports. The business survey showed nonfarm payrolls rose by +136k last month, just below the +145k median forecast. However, prior month revisions more than made up the difference with a total of +45k additional jobs added to July and August tallies. Nonfarm payroll increases averaged +223k for all of 2018 and began 2019 with a huge +312k January gain, but have since averaged +142k. Take it for what it’s worth, in the midst of a record 108 straight months of payroll gains, some slowing is to be expected.

Change in Non-Farm Payrolls (in Thousands)

As the ISM manufacturing survey suggested, U.S. factories shed -2k workers last month and have averaged just +4k this year. Retail jobs continue to disappear with the loss of another -11k. September job gains were concentrated in education and healthcare (+40k), business services (+34k) and leisure and hospitality (+21k).

The markets are clearly focusing on the unemployment rate which declined from 3.7% to a new 50-year low of 3.5%. The separate household survey (which provides the data to calculate the unemployment rate) indicated +117k hopeful Americans had entered the labor market in September, while +391k found work. The fact that job growth in the household survey is so much stronger than in the business survey validates the idea that the service economy is in better shape than manufacturing. We’ve all known for quite some time that just about everyone who wants a job (and isn’t particular) can probably...
secure one. However, this morning’s report also showed that employers aren’t paying a whole lot to the workers. Average hourly earnings were flat in September, and rose at a disappointing +2.9% year-over-year pace, an unexpected trend reversal and the slowest in 14 months.

**Unemployment Rate**

Fed officials probably won’t find much in this report they didn’t already suspect, and there will be no more employment reports released between now and the October 30th FOMC meeting. Stocks are up in a relief rally and bond yields are flat to mixed.

**Market Indications as of 9:55 A.M. Central Time**

- **DOW**: Up 148 to 26,349 (HIGH: 27,399)
- **NASDAQ**: Up 48 to 7,920 (HIGH: 8,330)
- **S&P 500**: Up 14 to 2,925 (HIGH: 3,026)
- **1-Yr T-bill**: current yield 1.60%; opening yield 1.60%
- **2-Yr T-note**: current yield 1.41%; opening yield 1.39%
- **5-Yr T-note**: current yield 1.34%; opening yield 1.45%
- **10-Yr T-note**: current yield 1.52%; opening yield 1.54%
- **30-Yr T-bond**: current yield 2.02%; opening yield 2.03%

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