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The Bright Side of Worst Employment Report Ever

Scott McIntyre, CFA
HilltopSecurities Asset Management
Senior Portfolio Manager
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Senior Portfolio Manager
Director
512.481.2012
greg.warner@hilltopsecurities.com

This morning, the release of the April employment report brought both shockingly bad data and a sense of relief that it wasn't any worse. Employers released 20.5 million American workers in April, a number completely unthinkable when the year began, but somehow not so terrible considering the median forecast was for non-farm payroll losses of 22 million. Considering that most economists are simply guessing at this point, the miss should have been irrelevant, but equity investors are focusing more on the 1.5 million that apparently held onto their jobs than the 20.5 million who lost theirs. The losses were widespread with the federal government being the only sector spared. One of the bigger surprises was the 1.44 million healthcare workers sidelined last month as procedures not related to COVID-19 were shelved and medical offices closed.

The unemployment rate was a similar story with the 14.7% headline falling below the 16% forecast. Still, with the official unemployment rate more than quadrupling from a 50-year low in February to an eight-decade high in just two months, finding the bright side is a stretch. The Labor Department cautioned that the rate would have been nearly five percentage points higher if many workers had not classified themselves as "employed, but absent from work." Another hidden thorn was the fact that the number working part-time but preferring to work fulltime nearly doubled to 10.9 million in April, driving the so-called underemployment rate up from 8.7% to 22.8%. Also known as the U6 measure, the broader underemployment rate includes those part-timers preferring fulltime work, as well as discouraged workers who are not currently looking, but would be willing to accept a suitable job if available.

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The biggest surprise in the April release was probably hourly earnings. The forecast was an increase of +0.4% for the month and +3.3% year-over-year, but the actual numbers were +4.7% and +7.6%. The explanation is that the majority laid-off in the first wave were low-wage earners. Removing them from the count pushed the average higher. The Bureau of Labor Statistics reported that 7.65 million leisure and hospitality workers lost jobs last month, representing nearly half of total employment in that sector.

The April report is admittedly riddled with misclassifications and problems in data capture and is likely subject to historic revisions, but it also presents the dark picture we'd expected to see. Maybe the good news is that it's nearly impossible for May job losses to be anywhere near as massive as April, so with luck, this is the bottom.

Stocks are up in early trading after arguably the worst employment report ever released in the United States. This is a bit of a head-scratcher, except that the data was stale, fully anticipated and generally fell short of forecasts. Plus, investors believe unprecedented support by both the Fed and Congress have laid the groundwork for a robust recovery once the economy reopens.…It's just unusual for the equity markets to trade primarily on hope.

Government bond yields continue to grind downward with the two-, three- and five-year Treasury notes all trading at historic lows.

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Please see disclosure on page 2.

Market Indications as of 10:30 A.M. Central Time

DOW	Up 367 to 24,243 (HIGH: 29,551)
NASDAQ	Up 117 to 9,097 (HIGH: 9,817)
S&P 500	Up 36 to 2,917 (HIGH: 3,386)
1-Yr T-bill	current yield 0.12%; opening yield 0.13%
2-Yr T-note	current yield 0.12%; opening yield 0.14%
5-Yr T-note	current yield 0.29%; opening yield 0.31%
10-Yr T-note	current yield 0.65%; opening yield 0.64%
30-Yr T-bond	current yield 1.36%; opening yield 1.33%