

## Job Returns Accelerate in June

There isn't any "new normal" yet, but one of the persistent issues in this odd transition period is a complete inability to predict where we're at. This morning, the monthly employment report showed nonfarm payrolls had risen by 4.8 million in June, topping the median forecast by roughly 1.6 million. Considering the forecast miss in May was 10 million, June was quite an improvement. The unemployment rate, calculated from a separate household survey, decreased from 13.3% to 11.1%. The Bureau of Labor Statistics (BLS) said the actual percentage would be a point higher if not for a classification error. On the surface, all good. A massive number of Americans were laid-off in April and apparently a third of them have already been rehired. Businesses have now added back approximately 7.5 million out of the 22 million jobs lost.

The 4.8 million addition to company payrolls in June is encouraging, but it doesn't tell the whole story. The survey cutoff date was June 13, and the virus narrative has since shifted with government officials in Texas and California encouraging citizens to stay-at-home if at all possible. Almost 60% of the returning workers were in leisure and hospitality and retail, sectors that have since come under stress with the virus resurgence.

The number of individuals who'd like a job but are not currently looking for work, declined by -767k in June, but that shadow number is still 8.2 million. These people are not counted in the headline unemployed rate. The U6, or "underemployment rate," which includes everyone who would accept a suitable full-time job if presented to them, along with those working part-time while preferring to work fulltime, fell from 21.2% to 18%. This is more indicative of reality.

Also this morning, the Department of Labor released the weekly initial claims data for the week ending June 27. Two weeks after the BLS survey cutoff, another 1.4 million Americans filed for first-time unemployment benefits, 75k above the median forecast. Continuing claims for the week ending June 20 showed almost 19.3 million receiving state benefits. This too doesn't tell the whole story. According to the Department of Labor, for the week ending June 13 (corresponding with BLS report) the total number of Americans receiving either state or federal unemployment benefits rose from 30.6 million to 31.5 million, driven entirely by a 1.8 million increase in the "Pandemic Unemployment Assistance" program. This new federal program is targeted primarily to self-employed gig-workers, a sector that historically hasn't been fully captured in the employment numbers.

On one hand, it's worth celebrating the simple fact that almost five million people reclaimed their jobs in June, but we're now at a new pivot point, so the focus has been redirected from three weeks ago ... to tomorrow. Whether jobs continue to march forward or retreat again will depend on the path of the virus. Much of the government aid to individuals and businesses will be exhausted by the end of this month, and it'll be up to Congress to refuel. It's possible that today's apparent improvement in the labor market will result in less government assistance going forward, but that would be a mistake. The economy took a massive hit in the second quarter, and the damage has yet to be fully assessed.

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## Market Indications as of 10:55 A.M. Central Time

DOW	Up 235 to 25,971 (HIGH: 29,551)
NASDAQ	Up 100 to 10,254 (NEW HIGH)
S&P 500	Up 30 to 3,146 (HIGH: 3,386)
1-Yr T-bill	current yield 0.15%; opening yield 0.15%
2-Yr T-note	current yield 0.16%; opening yield 0.16%
5-Yr T-note	current yield 0.30%; opening yield 0.31%
10-Yr T-note	current yield 0.67%; opening yield 0.68%
30-Yr T-bond	current yield 1.42%; opening yield 1.42%

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