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Jobs Continue to Return...but at a Slower Pace

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

The Bureau of Labor Statistics (BLS) reported 1.76 million jobs were (re)added to company payrolls in July. Prior month revisions were minor. Although down sharply from 4.8 million in June, the July payroll increase was well above the median forecast of 1.48 million. The majority of the gains last month were in the service sector. Leisure and hospitality jobs increased by 592k after adding 2 million to the count in June, but remain 2.6 million below the pre-pandemic total from February. Retail jobs climbed by 258k with nearly half in clothing and clothing accessories. Business and professional services payrolls rose by 170k, but included 144k temporary jobs. The government job tally increased by 301k with 274k of these at the state and local level. This is a bit of a surprise given anecdotal evidence of municipal layoffs, but the rise has been wholly attributed to teachers returning to school earlier than in past years. Manufacturing payrolls added 26k jobs in July as vehicle production resumed on a wider scale.

Headline unemployment (calculated from a separate household survey) fell from 11.1% to 10.2%, although part of the decline has to do with a drop in the labor force. The BLS reported (again) that many workers are still mistakenly classifying themselves as employed rather than unemployed on temporary layoff. When properly classified, the unemployment rate would be closer to 11%. The total number of Americans who normally work part-time rose by 803k in July to 24 million, while the number who normally work fulltime was essentially unchanged at 119.5 million. The number of involuntary part-time workers fell by 619k to 8.4 million, still more than double the pre-pandemic total. The U6 or "underemployment rate" (which include these involuntary part-timers along with all those who would like a job but haven't searched in the past month) declined from 18% to 16.5%. This is probably a more representative jobless percentage.

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This morning's release is open for interpretation. July nonfarm payrolls were both better-than-expected, and a sharp deceleration from June's record advance. But, despite more than nine million jobs being (re)added over the past three months, total employment is still around 13 million below the pre-pandemic level from earlier this year. *These folks will need support while the economy continues to heal.*

Stocks are bouncing around in early trading as investors focus on the frantic stimulus debate in congress. As of last night, negotiations over a new relief package were said to be "on the brink of collapse." Much of this week's equity market strength has been in anticipation of that additional aid. Bonds are essentially flat at historical lows.

In other news, the New York Fed reported yesterday in its quarterly report on Household Debt and Credit that total household debt had fallen by $34 billion in the second quarter, the first decline in six years. At the same time, credit card balances dropped by $76 billion, the biggest quarterly decline in series history. This indicates extreme caution by consumers, many of whom are unsure of how their finances will unfold later this year.

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Please see disclosure on page 2.

Market Indications as of 9:50 A.M. Central Time

DOW	Down 53 to 27,334 (HIGH: 29,551)
NASDAQ	Up 16 to 11,124 (NEW HIGH)
S&P 500	Down 2 to 3,347 (HIGH: 3,386)
1-Yr T-bill	current yield 0.12%; opening yield 0.12%
2-Yr T-note	current yield 0.12%; opening yield 0.12%
5-Yr T-note	current yield 0.22%; opening yield 0.21%
10-Yr T-note	current yield 0.55%; opening yield 0.54%
30-Yr T-bond	current yield 1.22%; opening yield 1.20%