

Weakening Labor Picture Strengthens Stimulus Bid

The January employment report was a disappointment with just 49k jobs added to company payrolls, less than half of the median forecast. The previously reported -140k drop in December payrolls was revised lowered to -227k, while the November gain was chopped from +336k to +264k.

The private sector contributed just +6k net jobs last month, while the state and local government job count crept higher after shedding jobs in November and December. January job losses were concentrated in leisure and hospitality (-61k) and retail trade (-38k). Business and Professional services added +97k payroll jobs as the divide between blue and white collar jobs widened.

The unemployment rate fell from 6.7% to 6.3%, but this seemingly positive headline wasn't due to Americans finding work so much as abandoning their search in January. The labor market participation rate slipped from 61.5 to 61.4, as 406k workers exited the labor force. According to Bureau of Labor Statistics numbers, 39.5% of unemployed workers have now been jobless for 27 weeks or more. Although professional services have flourished, the service sector continues to limp along, held hostage by the winter virus spread.

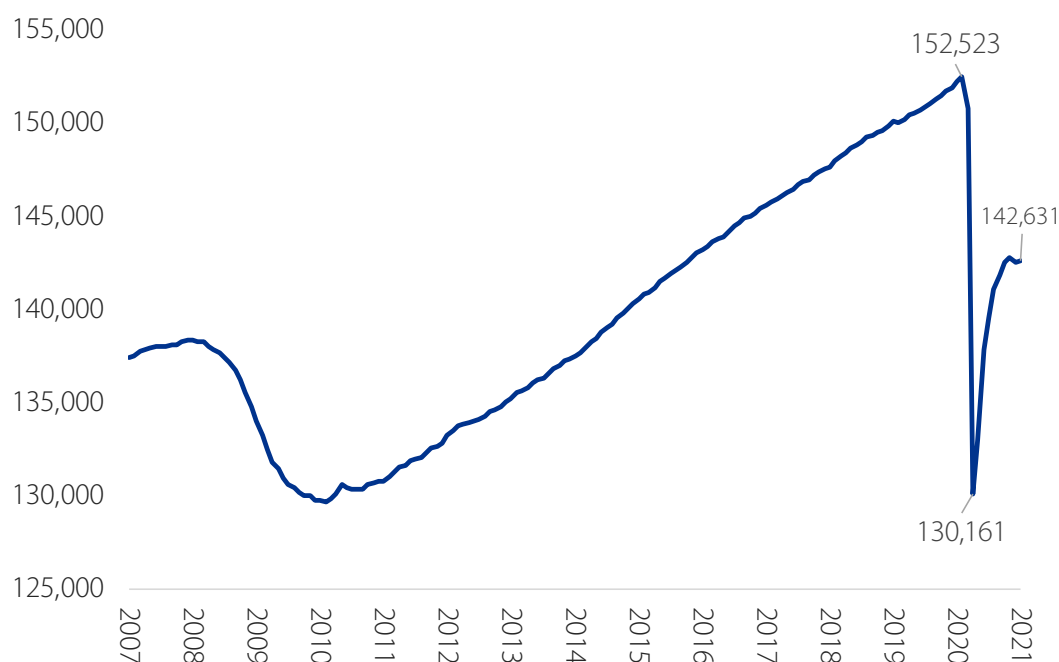
Bonds are relatively flat in early trading, while stocks are up. The markets view this morning's poor labor numbers as a more compelling reason for the larger stimulus package. As it stands, any compromise between the Democrat's broad \$1.9 trillion proposal and the GOP's more targeted \$618 billion offering is now less likely.

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Total Nonfarm Payrolls (in thousands)



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Source: Bureau of Labor Statistics and HilltopSecurities.

Following a marathon 15-hour debate, the Senate voted early this morning (by a 51-50 count with the Vice President Harris casting the deciding vote) to adopt a budget resolution on the Biden plan. This doesn't mean the bill has passed, but rather sets the stage to begin the "budget reconciliation" process, probably leading to passage along sharp party lines in early March. Biden has indicated he is still willing to make certain concessions if they will result in bipartisan support.

Market Indications as of 9:40 A.M. Central Time

DOW	Up 137 to 31,193 (NEW HIGH)
NASDAQ	Up 7 to 13,784 (NEW HIGH)
S&P 500	Up 10 to 3,881 (NEW HIGH)
1-Yr T-bill	current yield 0.056%; opening yield 0.066%
2-Yr T-note	current yield 0.11%; opening yield 0.11%
5-Yr T-note	current yield 0.46%; opening yield 0.46%
10-Yr T-note	current yield 1.15%; opening yield 1.14%
30-Yr T-bond	current yield 1.95%; opening yield 1.94%

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