Falling Claims Signal Upside for Friday's Labor Report

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First-time filings for state unemployment benefits fell for the second straight week, while continuing benefit claims dropped to the lowest level since March 2020. More importantly, total claims for both state and federal programs continued to decline. From the beginning of June to mid-July, total claims are 1.8 million lower. This recent drop is reflective of states opting-out of federal benefits early in hopes that workers will return to fill vacant positions. The decline also hints at a better July payroll number. The current median nonfarm payroll forecast calls for an increase of 870k jobs. This would be the largest gain in 11 months, but several recent forecasts indicate upside of a million or more. If the July labor report shows unexpected strength, market yields would be expected to climb.

It the moment, yields are puzzlingly low. The 10-year Treasury traded briefly below 1.15% earlier this week, and is currently trading at around 1.20%. This is down nearly 60 bps from the end of March, a remarkable decline given the recent inflationary spike. For borrowers, this is a gift. This morning, Freddie Mac reported the average 15-year mortgage rate held at a record low of 2.10% in the survey period ending August 2nd, while the average 30-year rate fell to 2.77%, just 12 bps from the all-time low of early January.

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

DOW	Up 187 to 34,980 (HIGH: 35,144)
NASDAQ	Up 71 to 14,851 (NEW HIGH)
S&P 500	Up 13 to 4,416 (HIGH: 4,423)
1-Yr T-bill	current yield 0.07%; opening yield 0.06%
2-Yr T-note	current yield 0.20%; opening yield 0.18%
3-Yr T-note	current yield 0.38%; opening yield 0.34%
5-Yr T-note	current yield 0.72%; opening yield 0.68%
10-Yr T-note	current yield 1.21%; opening yield 1.19%
30-Yr T-bond	current yield 1.85%; opening yield 1.84%