

Unexpected December Job Loss Increases Urgency for Additional Aid

Non-farm payrolls dropped by -140k in December, well below the puny +50k expected increase. The establishment survey losses were heavily concentrated in the leisure and hospitality sector, which shed -498k jobs last month with roughly three-quarters of these concentrated in food and drinking establishments that were shuttered by the virus surge. Other major sectors losing jobs in December included private education (-63k) and government (-45k). Many sectors of the economy actually showed respectable gains last month: business and professional services (+161k), retail (+120k), construction (+51k) and manufacturing (+38k).

The U.S. Bureau of Labor Statistics reported the percentage of employed Americans “teleworking” due to the pandemic increased from 21.8% to 23.7% last month due to the spreading coronavirus. The BLS also reported that 15.8 million were unable to work because their employer closed or lost business due to the pandemic, up by a million from November.

A shred of good news was found in the revision to previous month payrolls as +135k jobs were added to the Oct/Nov count. However, the net result of today’s release still left company payrolls down by almost 10 million from last February, which essentially wipes out four years of job gains.

The unemployment rate held steady at 6.7%, with a +21k job gain in the household survey offset by +31k reentering the labor force.

Hourly earnings jumped +0.8% in December and +5.1% year-over-year. Although this was well above forecasts, the sharp increase in earnings reflects the huge number of lower-paid service sector employees dropping out of the calculation.

Normally, an unexpected negative labor market print would be expected to push yields lower and ding the stock market. *That isn’t the case today.* Instead, the markets are looking past the weak report and expecting Congress to respond by passing a more aggressive relief package.

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

DOW	Down 47 to 31,041 (HIGH: 31,041)
NASDAQ	Up 79 to 13,147 (NEW HIGH)
S&P 500	Up 5 to 3,809 (NEW HIGH)
1-Yr T-bill	current yield 0.10%; opening yield 0.10%
2-Yr T-note	current yield 0.14%; opening yield 0.14%
5-Yr T-note	current yield 0.47%; opening yield 0.46%
10-Yr T-note	current yield 1.10%; opening yield 1.08%
30-Yr T-bond	current yield 1.87%; opening yield 1.85%

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