Taper Timing Questioned After Payroll Shocker

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The "substantial further progress" Fed officials were hoping to see in payroll growth didn't happen. In fact, the meager +235k jobs added to nonfarm payrolls in August was less than a third of the +733k median forecast and fell well below the lowest estimate in the survey. *The bottom line is that a taper announcement at the September FOMC meeting is likely off-the-table*. The payroll counts for June and July were revised upward by a combined +134k, bringing the average over the previous two months above one million. From July to September, payroll gains retreated a stunning -818k.

After sixteen months of job gains, nonfarm payrolls remain 5.3 million below where they were before the pandemic began.

Much of the August miss can be blamed on the rapid spread of the Delta variant, both directly and indirectly. The number of Americans not included in the labor force but still wanting a job, declined by -835k in August to 5.7 million. Presumably, these folks will start looking when they believe the virus is under control and most schools and daycare facilities have opened. (This survey only captures data during the first two weeks of the month, just before the school year began in most states.)

Notable job gains were found in business and professional services (+74k), transportation and warehousing (+53k) and manufacturing (+37k). Education-related jobs increased by a combined +13k at the private, state and local level, still 565k below the pre-pandemic count. Leisure and hospitality jobs were *unchanged* in August after averaging +350k over the previous six months. Within this number, a +36k increase in arts, entertainment and

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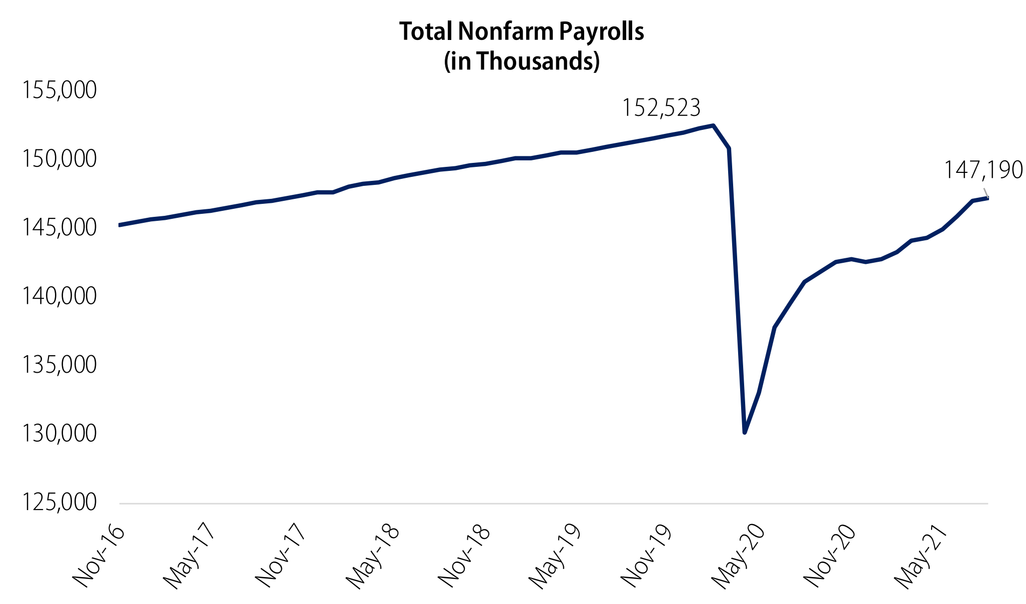
After 18 months, total employment remains more than 5.3 million jobs below the pre-pandemic peak, and 8.7 million below the prior trend.



Source: Bureau of Labor Statistics.

According to the Bureau of Labor Statistics, 5.6 million Americans were unable to work in August because their employer closed or lost business due to the pandemic, up from 5.2 million in July.

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recreation was offset by a -42k drop in food services and drinking places. Total jobs in leisure and hospitality remain 1.7 million, or -10% below the pre-pandemic count. Key sectors shedding jobs last month included government (-8k) and construction (-3k).

The sharp increase in wages, along with a record number of job postings and millions of help-wanted signs indicate the disconnect is on the worker side.

In the household survey, the labor force rose +190k, while 509k reported finding work, bringing the headline unemployment rate down from 5.4% to 5.2%. However, according to the Bureau of Labor Statistics, 5.6 million Americans were unable to work in August because their employer closed or lost business due to the pandemic, up from 5.2 million in July.

Average hourly earnings increased by +0.6%, twice the median forecast, boosting the year-over-year wage gain from +4.1% to +4.3%. The sharp increase in wages, along with a record number of job postings and millions of help-wanted signs indicate the disconnect is on the worker side.

Putting all the pieces together suggests August should be an outlier. Assuming the delta spread slows and schools adjust to the latest version of normal, sidelined workers should eventually accept the millions of jobs employers are offering. In the meantime time, Fed officials will wait patiently.

Bond market yields are down slightly on the short end, but up in the intermediate- to long-end of the curve. The sell-off on the long end reflects inflation concerns related to the jump in hourly earnings.

Market Indications as of 10:12 A.M. Central Time

DOW	Down 30 to 35,414 (HIGH: 35,625)
NASDAQ	Up 17 to 15,349 (NEW HIGH)
S&P 500	Down 7 to 4,530 (HIGH: 4,537)
1-Yr T-bill	current yield 0.06%; opening yield 0.06%
2-Yr T-note	current yield 0.21%; opening yield 0.21%
3-Yr T-note	current yield 0.41%; opening yield 0.40%
5-Yr T-note	current yield 0.78%; opening yield 0.77%
10-Yr T-note	current yield 1.32%; opening yield 1.29%
30-Yr T-bond	current yield 1.94%; opening yield 1.90%