

Service Jobs Returning as Summer Approaches

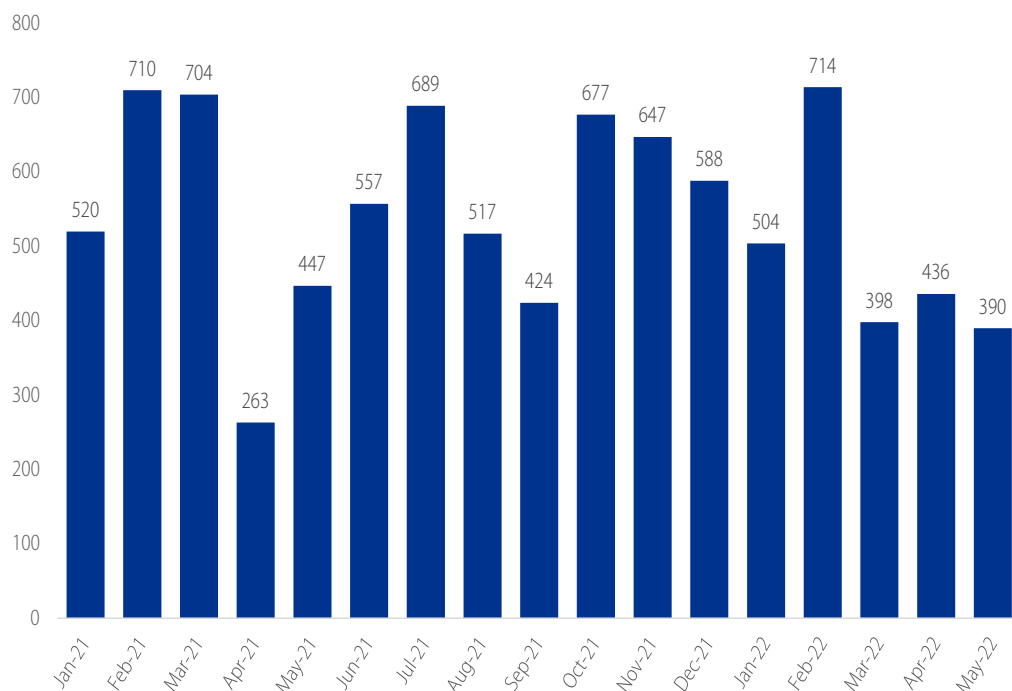
The monthly employment report from the *Bureau of Labor Statistics* showed another +390k jobs were added back to company payrolls in May, well above the +318k median forecast, while previous month revisions subtracted -22k. After more than two years, total nonfarm payrolls remain -822k below the pre-pandemic total.

The job gains last month were concentrated in leisure and hospitality (+84k), professional and business services (+75k), transportation and warehousing (+47k) and construction (+36k). The total count of leisure and hospitality jobs is still down -1.3 million from February 2020. This hard-hit sector is expected to add significant numbers of jobs in coming months to meet increased summer demand for travel and entertainment.

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Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

Local government education added +14k jobs in May, but remain -308k below the total count from February 2020. Retail trade shed -61k jobs in May, but remain +159k above pre-pandemic levels. Health care payrolls increased +28k in May and are now -223k below the pre-pandemic total.

Average hourly earnings rose by +0.3% in May, just below the +0.4% forecast and matching the previous month's gain. On an annual basis, earnings were up +5.2% after rising at a +5.5% pace in April and +5.6% in March. It's probably a bit early to see an established downward trend in wages, but Fed officials may see this as one of few positives in the May report.

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The separate household survey showed +321k jobs added in May along with a +330k increase in the labor force. This balance kept the headline unemployment rate steady at +3.6% for the third straight month, hovering just above the five-decade low of +3.5%. The number of unemployed Americans looking for work within the past 30 days totaled 6.0 million in May, up slightly from April. Those not actively seeking work within the past month, but willing to accept a suitable job if it came along, totaled 5.7 million.

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The May employment report offers little insight beyond what we already know. The labor market remains too strong for the Fed, and the mismatch between jobs and workers is still the dominant story. The summer demands service workers and all indications point to severe staffing issues. This promises frustration for travelers, entertainment seekers and patrons of restaurants and bars in the coming months.

The bond market is selling off again this morning in early trading, pushing yields higher. Stocks are down, but above their lows of the day. There was nothing in this morning's report likely to alter the Fed's current policy stance. On June 15th, Fed officials will almost certainly announce a 50 basis point rate increase followed by another on July 27th. Whether they maintain this aggressive tightening pace at the September meeting will depend entirely on the inflation path.

Market Indications as of 9:22 A.M. Central Time

DOW	Down -194 to 33,055 (HIGH: 36,800)
NASDAQ	Down -218 to 12,098 (HIGH: 16,057)
S&P 500	Down -37 to 4,139 (HIGH: 4,797)
1-Yr T-bill	current yield 2.14%; opening yield 2.10%
2-Yr T-note	current yield 2.66%; opening yield 2.64%
3-Yr T-note	current yield 2.85%; opening yield 2.82%
5-Yr T-note	current yield 2.94%; opening yield 2.91%
10-Yr T-note	current yield 2.93%; opening yield 2.92%
30-Yr T-bond	current yield 3.10%; opening yield 3.08%

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