

## Solid Labor Market Report Points to 75 bp Move this Month

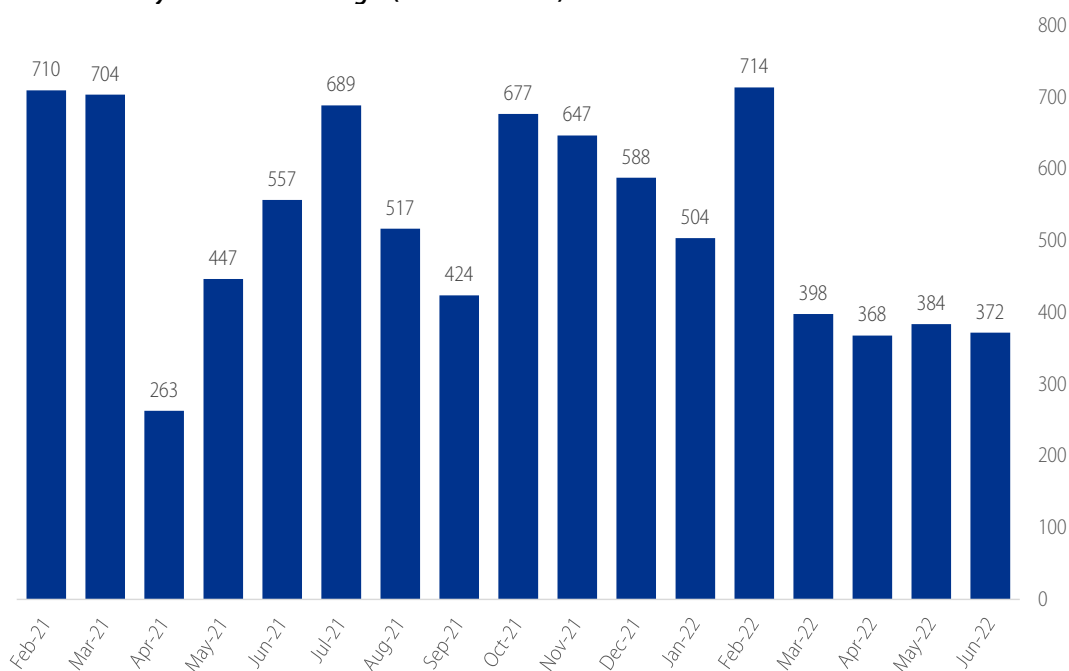
The June employment report from the Bureau of Labor Statistics was stronger-than-expected, indicating the U.S. economy remains stubbornly resilient despite aggressive Fed tightening. As a result, bond yields, which have swung wildly during the past few weeks, moved higher in early trading in anticipation of another 75 basis point rate hike later this month.

The establishment survey showed +372k jobs were added to nonfarm payrolls in June, well above the +265k Bloomberg median forecast, while net revisions to previous months subtracted -74k. At this point, company payrolls are now just -524k below the pre-pandemic high point. The breakdown shows private payrolls have fully recovered and are now +140k higher than in February 2020, while government payrolls are still -664k short.

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### Non-Farm Payrolls Total Change (in thousands)



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Source: Bureau of Labor Statistics

Job gains last month were concentrated in business and professional services (+74k), leisure and hospitality (+67k), healthcare (+57k), transportation and warehousing (+36k), manufacturing (+29k) and social assistance (+21k). Employment in the business and professional services category is now +880k above the pre-pandemic high, while leisure and hospitality remains -1.3 million or -7.8% below the February 2020 count. Other sectors not yet recovering jobs lost during the pandemic include healthcare and social assistance.

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Average earnings rose +0.3% in June, matching the median forecast, but the May gain was revised upward to +0.4%. The net result was that the year-over-year wage

increase exceeded expectations at +5.1%, although the annual earnings rate has now fallen over the past three months.

The separate household survey told a less positive story than the company survey with a -315k decrease in the number of Americans finding work, while -350k exited the workforce in June. This combined to hold the unemployment steady at +3.6% for the fourth straight month.

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The total number of Americans actively seeking work was little changed at 5.9 million. Another 5.7 million would like a job, but for whatever reason have not looked for work within the past month and as a result are not considered part of the labor force. This number is +700k above the pre-pandemic count and continues to puzzle labor market analysts. The number of persons working part-time but preferring fulltime, fell by a huge -707k in June to 3.6 million, well below the 4.4 million pre-pandemic total. This a less obvious, but otherwise positive indication of a healthy economy as more businesses require fulltime workers.

The bottom line in this morning's report is that despite the Fed's efforts to slow the economy, U.S. companies are still hiring at a historically brisk pace. With the latest JOLT survey showing May U.S. job openings above 11.2 million, significant wage pressure remains. The bond market is indicating the Fed still has considerable work ahead if it hopes to rein-in inflation.

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## Market Indications as of 9:14 A.M. Central Time

DOW	Down -96 to 31,292 (HIGH: 36,800)
NASDAQ	Down -69 to 11,553(HIGH: 16,057)
S&P 500	Down -26 to 3,877 (HIGH: 4,797)
1-Yr T-bill	current yield 2.90%; opening yield 2.83%
2-Yr T-note	current yield 3.09%; opening yield 3.02%
3-Yr T-note	current yield 3.11%; opening yield 3.04%
5-Yr T-note	current yield 3.09%; opening yield 3.04%
10-Yr T-note	current yield 3.05%; opening yield 3.00%
30-Yr T-bond	current yield 3.23%; opening yield 3.19%

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