

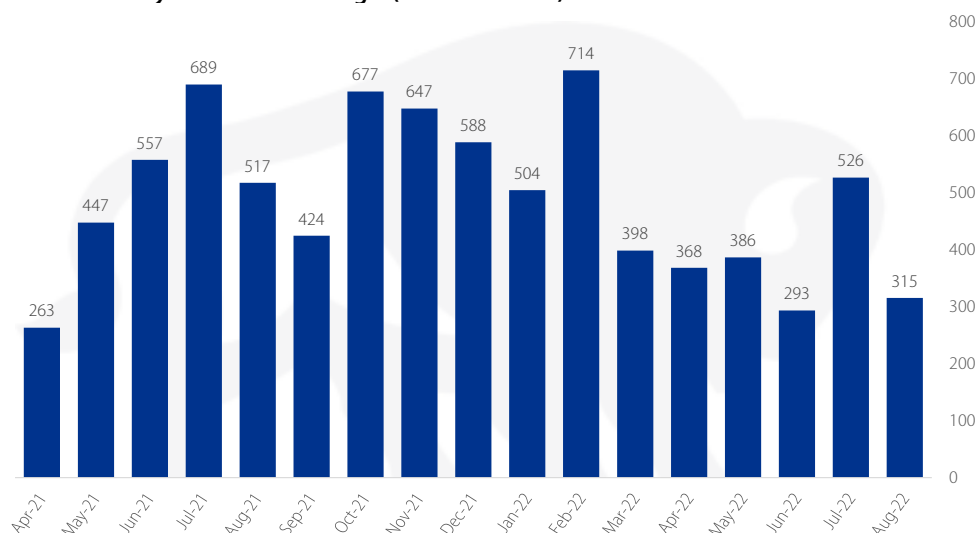
## August Employment Holds Few Surprises

If the Fed were to alter its policy stance, August job growth would have needed to vary significantly from expectations. *It didn't.* In fact, the report as a whole was mostly *as expected*. Finding an interesting take is a challenge.

In the establishment survey, nonfarm payrolls rose by +315k in August, slightly above the +298k median forecast, although downward revisions to the previous two months subtracted -108k. Payrolls have risen by 5.8 million over the past year and are now 240k above the pre-pandemic high point.

Job gains last month were concentrated in professional and business services (+68k), healthcare (+48k), retail trade (+44k), leisure and hospitality (+31k) and manufacturing (+22k). The number of leisure and hospitality jobs remain 1.2 million short of the February 2020 highpoint.

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



Source: Bureau of Labor Statistics

Average hourly earnings rose +0.3% in August and +5.2% year-over-year, slightly below the median forecast. Annual wage gains peaked at +5.6% in March and have very gradually declined. Fed officials would like to see job growth retreat, along with wage inflation.

In the separate household survey, +442k Americans reported finding work in August, while +786k joined or rejoined the labor force. The combination pushed the unemployment rate up from 3.5% to 3.7%, while the labor force participation rate climbed from 62.1% to 62.4%, now within a percentage point of the pre-pandemic level. The Fed will be encouraged by the number of workers entering the labor force. Given that personal savings are down, consumer borrowing is up, and kids are back in school, more sidelined Americans are likely to seek work in the coming months.

Scott McIntyre, CFA

HilltopSecurities Asset Management  
Senior Portfolio Manager  
Managing Director  
512.481.2009  
scott.mcintyre@hilltopsecurities.com

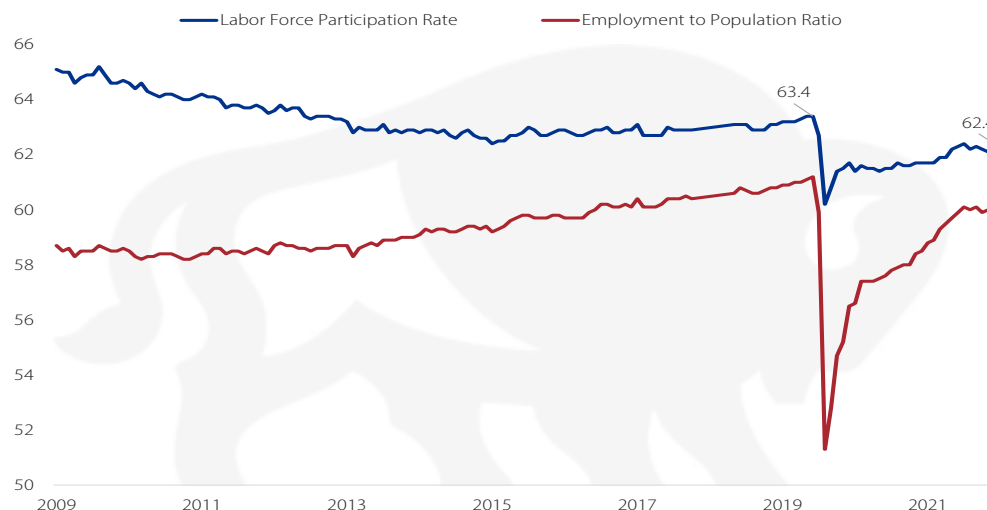
Greg Warner, CTP

HilltopSecurities Asset Management  
Senior Portfolio Manager  
Managing Director  
512.481.2012  
greg.warner@hilltopsecurities.com

Payrolls have risen by 5.8 million over the past year and are now 240k above the pre-pandemic high point.

Given that personal savings are down, consumer borrowing is up, and kids are back in school, more sidelined Americans are likely to seek work in the coming months.

## Labor Force



*The bottom line on an otherwise ho-hum report is that there are still nearly two job openings for every job seeker, and until that ratio shrinks considerably, wage pressure will keep inflation too high for the Fed's liking.*

Source: Bureau of Labor Statistics

The bottom line on an otherwise ho-hum report is that there are still nearly two job openings for every job seeker, and until that ratio shrinks considerably, wage pressure will keep inflation too high for the Fed's liking. Signs of cooling are nevertheless a relief, and both stocks and bonds are rallying in response.

Nothing in the report will affect the Fed's policy decision later this month. The next critical report is the August consumer price index (CPI) in 11 days.

## Market Indications as of 9:19 A.M. Central Time

DOW	Up 190 to 31,846 (HIGH: 36,800)
NASDAQ	Up 80 to 11,866 (HIGH: 16,057)
S&P 500	Down 8 to 3,975 (HIGH: 4,797)
1-Yr T-bill	current yield 3.43%; opening yield 3.44%
2-Yr T-note	current yield 3.42%; opening yield 3.51%
3-Yr T-note	current yield 3.44%; opening yield 3.54%
5-Yr T-note	current yield 3.30%; opening yield 3.40%
10-Yr T-note	current yield 3.20%; opening yield 3.26%
30-Yr T-bond	current yield 3.36%; opening yield 3.37%

*The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.*

Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.