

## Yields Rise as Wages Climb

The November labor report from the Bureau of Labor Statistics proved stronger-than-expected, implying that any policy pivot by the Fed might be further out on the 2023 calendar.

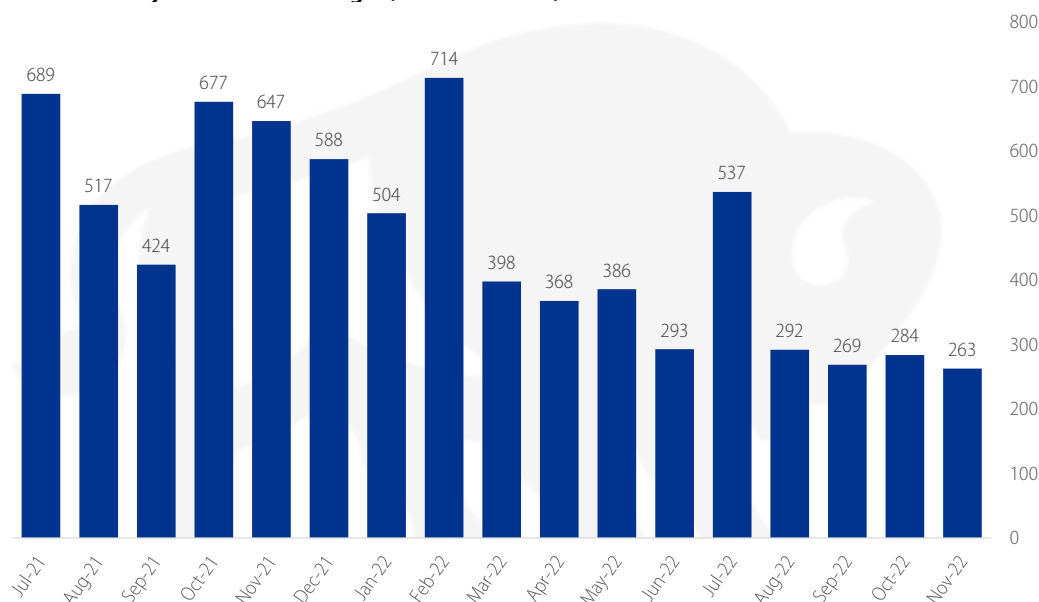
U.S. companies added +263k jobs last month, well above the Bloomberg median forecast of +200k, while November payrolls were revised upward from +261k to +284k. When Fed officials are trying to curtail economic growth, bigger payroll gains signal more tightening ahead.

Notable job increases were concentrated last month in leisure and hospital (+88k), healthcare (+45k), government (+42k), construction (+20k) and manufacturing (+14k). Payroll declines were evident in retail trade (-30k) and transportation and warehousing (-15k). With the exception of government, and leisure and hospitality (both of which remain well below pre-pandemic levels), other sectors have fully recovered their pandemic losses.

**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

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



Source: Bureau of Labor Statistics

The unemployment rate held steady at 3.7% in November, just a fraction above the five-decade low of 3.5%. This is still a somewhat deceptive indicator as workers are only counted among the unemployed when they've looked for work within the past month.

The number of unemployed persons actively seeking employment remained at 6 million in November, while another 5.6 million Americans had not looked for work in the last 30 days, but would presumably accept a suitable job if offered.

*The unemployment rate held steady at 3.7% in November, just a fraction above the five-decade low of 3.5%.*

*In an ideal world, the number of available workers would rise to meet the number of job postings. Since this isn't happening, Fed officials have little choice but to continue flattening demand.*

The labor force participation rate, which Fed officials would like to see move higher as more sidelined Americans resume their job searches, actually declined in November from 62.2% to 62.1%. This represents employed workers and those looking for work as a percentage of working-age Americans. With 10.3 million job openings, any decline in the labor force is a disappointment. In an ideal world, the number of available workers would rise to meet the number of job postings. Since this isn't happening, Fed officials have little choice but to continue flattening demand.

*In November, the increase in average hourly earnings doubled forecasts at +0.6%, pushing the year-over-year increase from a revised +4.9% to +5.1%.*

The most important piece of the November report was not job gains or unemployment, but rather wages. Fed officials have made it clear that in order to rein inflation in, the pace of earnings growth would have to come down. However, as the busy holiday season approaches, employers are forced to pay competitive wages to attract and retain workers. In November, the increase in average hourly earnings doubled forecasts at +0.6%, pushing the year-over-year increase from a revised +4.9% to +5.1%.

It's been a wild week of volatility in the bond market as investors try in vein to anticipate future Fed policy. Yields have fallen all week, but are rising this morning. The unfortunate strength in November employment has counter-balanced recent weakness in other economic indicators and suggests the Fed has more work to do.

*The unfortunate strength in November employment has counter-balanced recent weakness in other economic indicators and suggests the Fed has more work to do.*

## Market Indications as of 9:16 A.M. Central Time

DOW	Down -207 to 34,188 (HIGH: 36,800)
NASDAQ	Down -90 to 11,393 (HIGH: 16,057)
S&P 500	Down -38 to 4,038 (HIGH: 4,797)
1-Yr T-bill	current yield 4.71%; opening yield 4.60%
2-Yr T-note	current yield 4.35%; opening yield 4.24%
3-Yr T-note	current yield 4.07%; opening yield 3.97%
5-Yr T-note	current yield 3.76%; opening yield 3.67%
10-Yr T-note	current yield 3.59%; opening yield 3.51%
30-Yr T-bond	current yield 3.64%; opening yield 3.60%

*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.*