

Mixed Labor Report Unlikely to Alter Fed Path

U.S. businesses added +339k workers to company payrolls in May, far exceeding the +195k median forecast, while upward revisions added an additional +93k to the previous two months' tally. Nonfarm payroll growth has accelerated, now averaging +331k per month in 2023. Although unexpected headline strength seems to support a June rate hike, the remainder of the report makes a less compelling case.

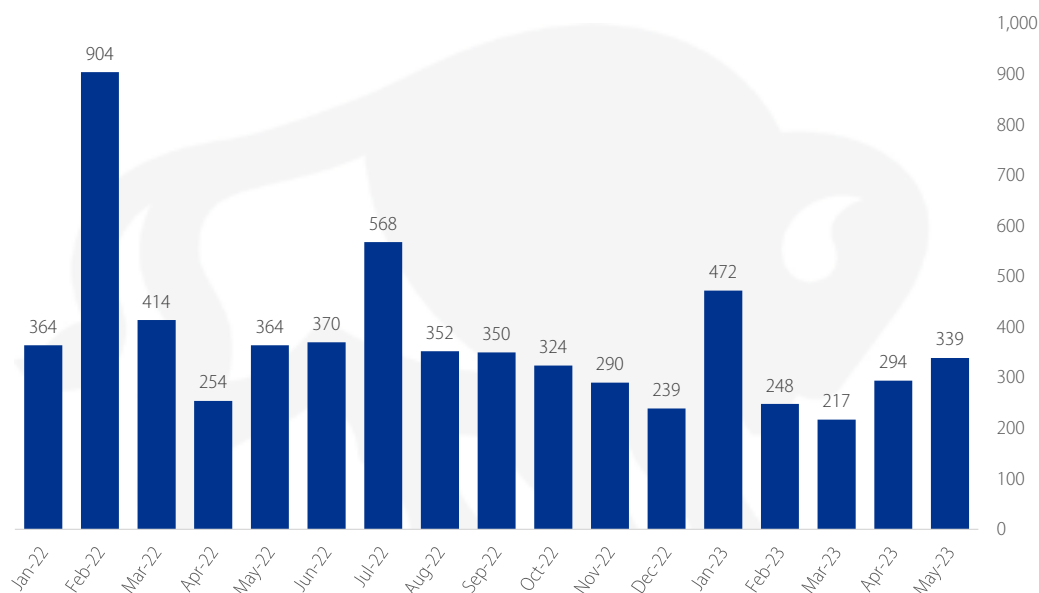
The unemployment rate, tabulated from a separate household survey, climbed from a five-decade low of 3.4% to 3.7% as the number of employed workers actually fell -310k. It isn't unusual to see significant differences between the company survey and the household survey, but this month's gap was the biggest since January 2022.

Although the labor force participation rate remained at 62.6%, participation among the 25-to 54-year old age group rose from 83.3% to 83.4% in May and is now back above the February 2020 pre-Covid level.

Average hourly earnings were in line with forecasts, rising +0.3% in May. On a year-over-year basis, earnings growth retreated from +4.4% to +4.3%. This is a major focus point for Fed officials as wage gains are a primary driver of stubborn consumer inflation. Although still elevated, the annual rate has declined from +5.1% six months earlier.

The June FOMC meeting is now just 12 days away. Fed officials will have two more days to speak publicly before the pre-meeting quiet period begins. In recent days, a number of committee members have indicated they'd prefer to hold policy steady in June providing additional time to measure the impact of cumulative tightening.

Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

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Bond yields are higher across the curve in early trading, although the futures market is still pointing to the July 26th Fed meeting date as the more likely target for a final quarter point hike.

Market Indications as of 9:21 A.M. Central Time

DOW	Up 410 to 33,472 (HIGH: 36,800)
NASDAQ	Up 69 to 13,170 (HIGH: 16,057)
S&P 500	Up 31 to 4,252 (HIGH: 4,797)
1-Yr T-bill	current yield 5.23%; opening yield 5.09%
2-Yr T-note	current yield 4.47%; opening yield 4.34%
3-Yr T-note	current yield 4.10%; opening yield 3.98%
5-Yr T-note	current yield 3.80%; opening yield 3.70%
10-Yr T-note	current yield 3.67%; opening yield 3.60%
30-Yr T-bond	current yield 3.87%; opening yield 3.82%

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