

August Labor Report Supports Fed Pause in September

The August employment report from the Bureau of Labor Statistics (BLS) indicated welcomed softness in the labor market, providing cover for Fed officials to hold monetary policy steady at the September FOMC meeting in three weeks.

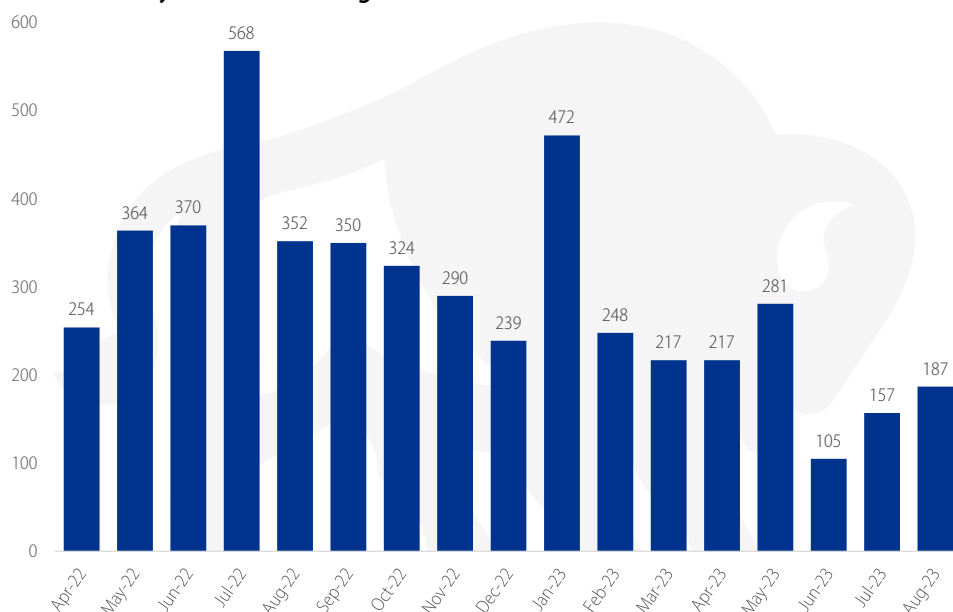
Nonfarm payrolls climbed +187k in August, slightly above the median forecast; however, the previous two months were revised lower by a combined -110k, more than compensating for the miss.

Notable job gains were found in health care (+71k), leisure and hospitality (+40k), social assistance (+26k), construction (+22k), professional and business services (+19k) and manufacturing (+19k). Leisure and hospitality remains the only major industry group that has not fully recovered jobs lost during the pandemic.

Transportation and warehousing shed -34k workers, in large part due to the Yellow Corp trucking bankruptcy in early August which left 30,000 unemployed. Motion picture and sound recording jobs fell by -17k due entirely to the Hollywood writers' strike.

In the separate household survey, +222k Americans reported finding work last month while a surprising +736k entered (or re-entered) the labor force, boosting the unemployment rate up from 3.5% to an 18-month high of 3.8%. The labor force participation rate climbed from 62.6% to 62.8%, the highest since February 2020. It's worth noting that although overall labor participation remains below the 63.4% pre-pandemic mark, the rate for prime age workers (25-54) has climbed to its *highest level in history* at 83.5%.

Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

Please see disclosure starting on page 2

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The number of jobseekers climbed +514k in August to 6.4 million, while the number of Americans who have not looked for work within the past 30 days but would nevertheless accept a suitable job, totaled 5.4 million. With the most recent JOLTS report showing 8.8 million job postings, the gap between available jobs and those looking for work seems to be narrowing quickly.

Average hourly earnings rose by just +0.2%, slightly below the median forecast, while year-over-year earnings were up +4.3%, down from +4.4% in July.

Fed officials should take comfort in the fact that so many workers entered the labor force in August, as well as the easing of wage pressure. The futures market is now indicating just a 7% probability that the FOMC will raise rates in three weeks.

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Market Indications as of 9:25 A.M. Central Time

DOW	Up 189 to 34,910 (HIGH: 36,800)
NASDAQ	Up 41 to 14,076 (HIGH: 16,057)
S&P 500	Up 24 to 4,532 (HIGH: 4,797)
1-Yr T-bill	current yield 5.36%; opening yield 5.34%
2-Yr T-note	current yield 4.85%; opening yield 4.86%
3-Yr T-note	current yield 4.56%; opening yield 4.56%
5-Yr T-note	current yield 4.28%; opening yield 4.26%
10-Yr T-note	current yield 4.16%; opening yield 4.11%
30-Yr T-bond	current yield 4.29%; opening yield 4.22%

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