Economic Commentary
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Surprisingly Solid Jobs Report Recalibrates Expectations for Spring Rate Cuts

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A slightly stronger-than-expected November payroll report questions the narrative of a significantly weakening economy, and pushes back on the notion that the initial Fed rate cut could come as early as March. The Bureau of Labor Statistics (BLS) reported that nonfarm payrolls rose by +199k last month, above the +185k median forecast, while prior month revisions added another +35k.

Notable increases were found in healthcare (+77k), leisure and hospitality (+40k), local government (+32) and manufacturing (+28k). The BLS indicated that the entirety of the manufacturing increase was due to the return of striking autoworkers, while the majority of the leisure and hospitality jobs added last month were concentrated in bars and restaurants.

Notable job losses were found in retail (-38k), which is somewhat surprising given expectations for a generally solid holiday buying season, and transportation and warehousing (-5k), although this broad category masks a welcomed +4k rise in airline workers.

The separate household survey showed an enormous +747k increase in Americans finding work in November, while +532k hopeful jobseekers entered (or reentered) the workforce. This combination drove the unemployment rate down from 3.9% to 3.7%. *Fed officials may frown on the drop in the unemployment rate, but should be heartened by the large number of workers returning to the labor force during the month.*

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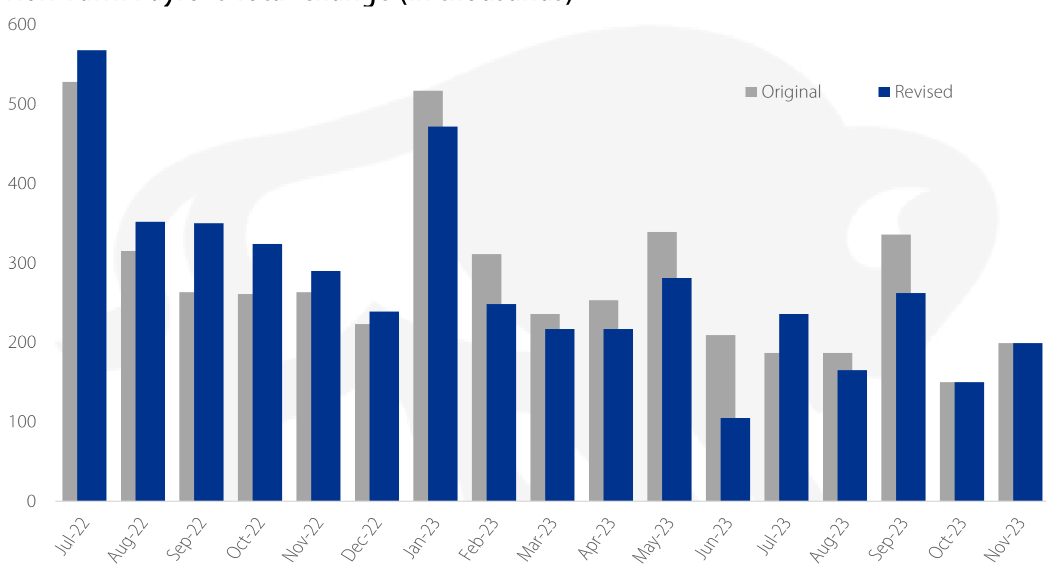
Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

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The labor force participation rate rose from 62.7% to 62.8%, matching a 43-month high and back within 0.6 point of the pre-pandemic level. Within the labor force, 6.3 million Americans were officially unemployed in November, having looked for work within the past 30 days. Another 5.3 million would presumably accept a suitable job, but were not included in the labor force as they had not actively looked for work during the past month.

On an annual basis, hourly earnings held steady at +4.0%. Stubborn wage pressure is reason to believe inflation could prove tougher to subdue in the coming months.

Hourly earnings climbed +0.4% in November, above the median forecast and a considerable increase over the +0.2% October gain. On an annual basis, average hourly earnings held steady at +4.0%. Stubborn wage pressure is reason to believe inflation could prove tougher to subdue in the coming months.

Overall, the report was surprisingly solid across the board, with more jobs added, the unemployment rate falling and hourly earnings accelerating during the month. As a result, bond yields are higher in early trading as investors now expect Fed officials will delay rate cuts for another month or two.

Market Indications as of 9:30 A.M. Central Time

DOW	Up 99 to 36,216 (HIGH: 36,800)
NASDAQ	Up 66 to 14,408 (HIGH: 15,871)
S&P 500	Up 16 to 4,602 (HIGH: 4,797)
1-Yr T-bill	current yield 5.11%; opening yield 5.02%
2-Yr T-note	current yield 4.69%; opening yield 4.59%
3-Yr T-note	current yield 4.44%; opening yield 4.34%
5-Yr T-note	current yield 4.23%; opening yield 4.13%
10-Yr T-note	current yield 4.22%; opening yield 4.15%
30-Yr T-bond	current yield 4.31%; opening yield 4.26%