

Markets Sink as Employment Picture Brightens

Nonfarm payrolls unexpectedly rose by +256k in December as U.S. companies added the most workers since March. Last month's payroll gain easily topped the median forecast (+165k) with just one of 75 economists anticipating more than +250k jobs would be added.

Notable increases were concentrated in healthcare and social assistance (+69k), leisure and hospitality (+43k), retail (+43k), and professional and business services (+28k). Temporary employment, a subcategory that historically signals trend changes, rose for the second straight month with +5.3k workers added. Manufacturing (-13k) was one of few major categories shedding jobs last month.

In the separate household survey, the civilian labor force rose by +243k, while the number of employed workers jumped +478K. This combined to drive the headline unemployment rate down from 4.2% to 4.1%, *matching a seven-month low*. The rate of unemployment for both teenagers and workers without high school degrees made significant gains in December. Increased hiring in this demographic is consistent with improving economic conditions ...and/or a really tight labor market.

Average hourly earnings rose by just +0.3% in December, dragging the annual wage gain down to +3.9%, matching a four-month low. If not for the surprising labor market strength, the Fed might take comfort in decreasing wage pressure.

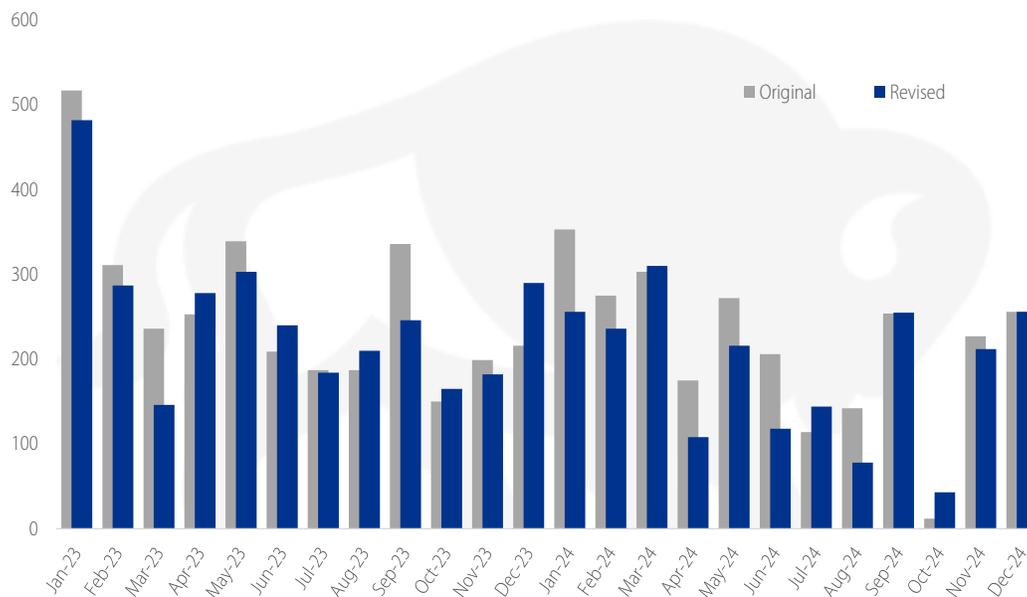
Bonds are *once again* selling off (yields higher) as investors rethink the timing of the Fed's next rate cut. As of this morning, just a single 25 bp reduction is priced-in for all of 2025.

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Non-Farm Payrolls Total Change (in thousands)



When jobs are abundant, inflation is elevated and consumer demand is solid, there's no compelling reason to ease monetary policy.

Source: Bureau of Labor Statistics

The bottom line is that *the U.S. economy seems to be accelerating*. When jobs are abundant, inflation is elevated and consumer demand is solid, there's no compelling reason to ease monetary policy.

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

DOW	Down -561 to 42,075 (HIGH: 45,014)
NASDAQ	Down -379 to 19,099 (HIGH: 20,174)
S&P 500	Down -99 to 5,819 (HIGH: 6,090)
1-Yr T-bill	current yield 4.21%; opening yield 4.14%
2-Yr T-note	current yield 4.34%; opening yield 4.25%
3-Yr T-note	current yield 4.41%; opening yield 4.33%
5-Yr T-note	current yield 4.52%; opening yield 4.44%
10-Yr T-note	current yield 4.72%; opening yield 4.67%
30-Yr T-bond	current yield 4.94%; opening yield 4.91%

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