Few Surprises in a Mostly Dull February Labor Report

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The February employment report, released this morning from the Bureau of Labor Statistics (BLS), provided welcome relief to the financial markets as most of the headline data was in line with forecasts. *In the midst of a turbulent week, boring is apparently just fine.*

U.S. businesses added +151k jobs to company payrolls last month, just below the +160k median forecast, while prior month revisions trimmed -2k from the Dec/Jan count. Notable job adds in the establishment survey were concentrated in healthcare (+52k), financial activities (+21k), transportation and warehousing (+18k), manufacturing (+11k) and construction (+10k).

Although overall government jobs were up +11k, state and local accounted for +21k while the number of federal jobs shrunk by -10k. Other notable reductions were concentrated in leisure and hospitality (-16k) and retail trade (-6k), *perhaps signaling diminished spending capacity by U.S. consumers.*

Temporary help services fell for the second straight month (-12.3k). *This category is a harbinger of a weaker overall labor market as temp help is typically let go before permanent.*

In the separate household survey, the number of employed Americans declined by -588k, while -385k workers exited the labor force, nudging the headline unemployment rate up from +4.0% to +4.1%, still just 0.6 percent above the six-decade low. The drop in leisure and hospitality hirings seemed to affect teenagers and those without high school degrees as both categories experienced a fairly significant rise in unemployment last month.

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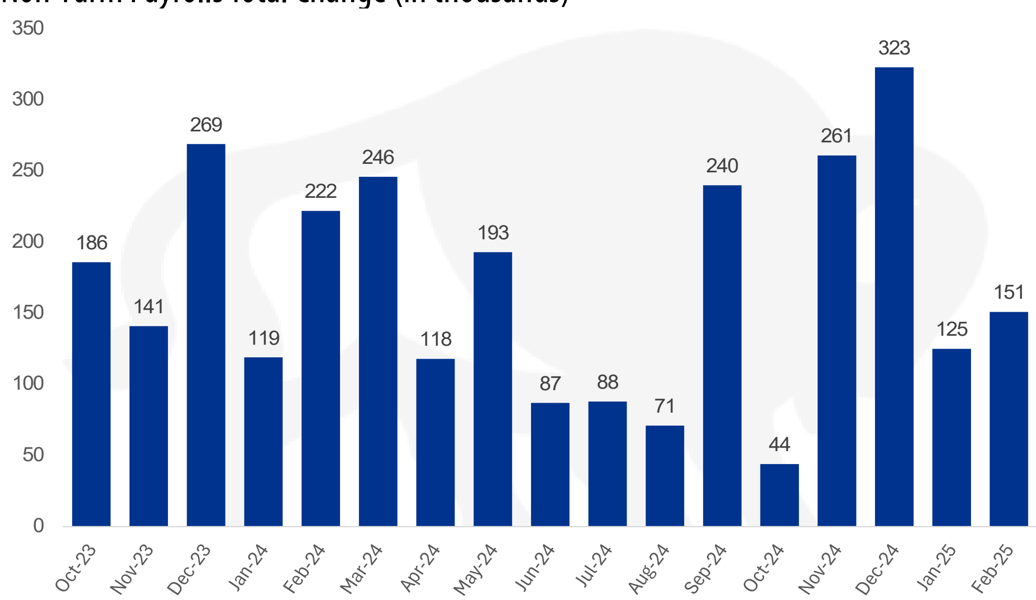
Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

The number of Americans working part-time for economic reasons jumped by +460k, while the number only able to find part-time employment increased by +58k. The broader U6 *underemployment rate*, which includes those who have not actively sought work in the past 30 days but would presumably accept a suitable fulltime job if available as well as those working part-time for economic reasons, climbed from 7.5% to 8.0% last month, *the highest since October 2021*. This probably reflects the prevailing uncertain business outlook.

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Average hourly earnings rose by +0.3% in February and +4.0% year-over-year, matching the median forecast, while both the average workweek and the manufacturing workweek were unchanged.

There isn't really much to glean from this morning's BLS release. The federal government is rapidly reshaping, along with the economic outlook. Tariffs, which will play a significant role in both future economic growth and the direction of inflation, continue to evolve day-by-day. Yesterday afternoon, President Trump announced a one-month pause on goods imported from Mexico and Canada falling under the USMCA trade agreement signed into law by Trump himself five years ago.

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

DOW	Down -46 to 42,533 (HIGH: 45,014)
NASDAQ	Up 32 to 18,101 (HIGH: 20,174)
S&P 500	Up 9 to 5,747 (HIGH: 6,144)
1-Yr T-bill	current yield 4.02%; opening yield 4.02%
2-Yr T-note	current yield 3.93%; opening yield 3.96%
3-Yr T-note	current yield 3.94%; opening yield 3.97%
5-Yr T-note	current yield 4.02%; opening yield 4.06%
10-Yr T-note	current yield 4.25%; opening yield 4.28%
30-Yr T-bond	current yield 4.56%; opening yield 4.58%