

Unexpectedly Solid Labor Report Extends Fed Pause

Yesterday's weaker-than-expected ADP employment report had set the stage for a soft June labor print, but this morning's release from the Bureau of Labor Statistics surprised to the upside. Nonfarm payrolls rose by +147k in June, and revisions to prior months added another +16k. While job growth has moderated in 2025, it remains sufficient to absorb new labor market entrants.

Company payroll gains were concentrated in state and local government (+80k), healthcare (+39k), leisure and hospitality (+20k), social assistance (+19k), and construction (+15k). Meanwhile, notable declines occurred in professional and business services (-7k), manufacturing (-7k), and wholesale trade (-6.5k).

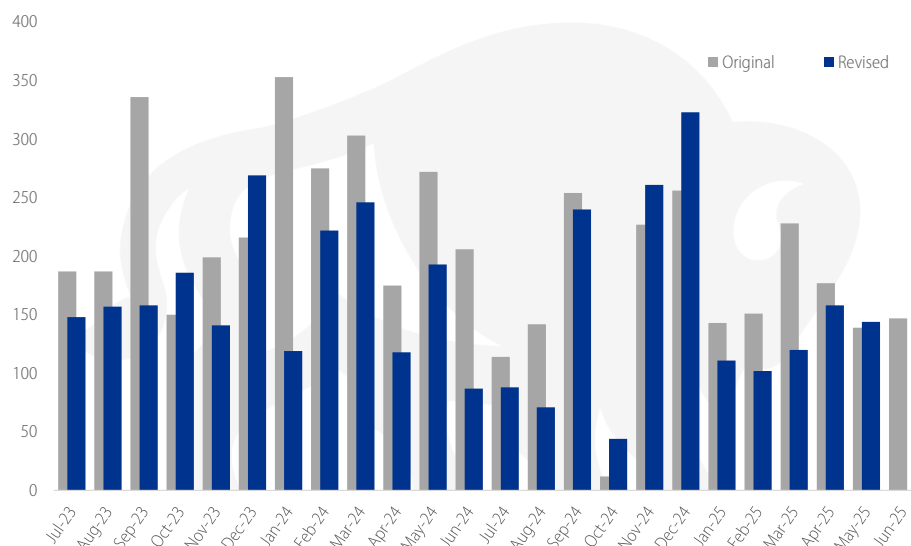
The separate household survey showed a +93k increase in employment, while -130k individuals exited the labor force. This combination pushed the headline unemployment rate down to 4.1%, beating the 4.3% consensus and extending a 13-month stability streak between 4.0% and 4.2%.

Average hourly earnings rose just +0.2% in June and +3.7% year-over-year—the slowest annual wage gain in 48 months.

Fed officials have kept the overnight target rate unchanged since December. The widely-held expectation is that significant weakness in the labor market could prompt earlier and more aggressive cuts. However, following today's stronger-than-expected report, futures now price in a 0% chance of a July cut and an 80% probability of a September move.

Bond yields are higher across the curve, while major equity indexes hover near record highs.

Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

Please see disclosure starting on page 2.

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Market Indications as of 9:04 A.M. Central Time

DOW	Up 287 to 44,772 (HIGH: 45,014)
NASDAQ	Up 169 to 20,562 (NEW HIGH)
S&P 500	Up 33 to 6,261 (NEW HIGH)
1-Yr T-bill	current yield 4.07%; opening yield 3.98%
2-Yr T-note	current yield 3.88%; opening yield 3.77%
3-Yr T-note	current yield 3.84%; opening yield 3.75%
5-Yr T-note	current yield 3.94%; opening yield 3.86%
10-Yr T-note	current yield 4.34%; opening yield 4.27%
30-Yr T-bond	current yield 4.85%; opening yield 4.80%

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