

November Payrolls Beat Expectations as Unemployment Jumps 0.2%

The Bureau of Labor Statistics released a combined October–November employment report today, providing the first read on labor conditions following the 43 day government shutdown. Because the October survey was never completed, the month includes no unemployment rate and only payroll data, marking the first time in nearly 80 years that the U.S. has gone a month without an official unemployment rate.

The November unemployment rate rose to 4.6%, a 0.2% increase from September's reading. Economists had expected only an uptick to 4.5%. The prime age (25–54) employment to population ratio slipped by -0.1%, reflecting weaker conditions in the core labor force. The BLS noted that November's unemployment rate estimate was affected by lower survey participation, composite changes, and analyzing two months of data together.

The report also showed a significant increase in the underemployment rate, which climbed to 8.7%, up from 8.0% in September. This measure includes those working part time for economic reasons and marginally attached workers, such as discouraged workers, who are not in the labor force but still want a job and have looked within the past year.

The nonfarm payroll survey showed that jobs increased by 64k in November, exceeding expectations of 45k. This improvement followed a steep 105k decline in October. October saw 157k government jobs lost, reflecting the combination of the shutdown and delayed DOGE impacts.

Matt Harris, CFA

HilltopSecurities Asset Management
Senior Portfolio Advisor
Senior Vice President
512.340.1845
matt.harris@hilltopsecurities.com

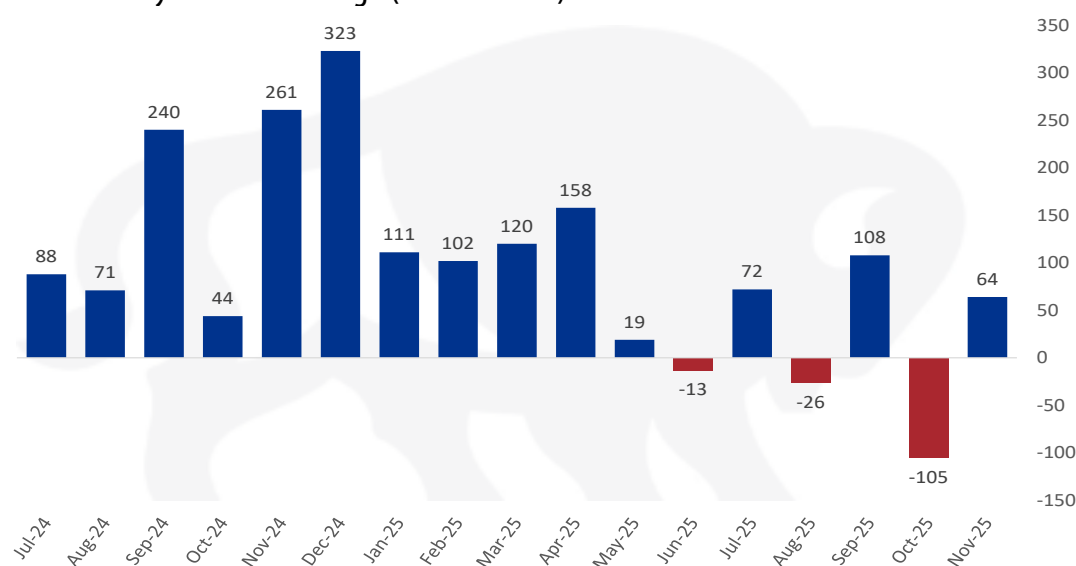
Scott McIntyre, CFA

HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP

HilltopSecurities Asset Management
Co-Head of Investment Management
Managing Director
512.481.2012
greg.warner@hilltopsecurities.com

Non-Farm Payrolls Total Change (in thousands)



The nonfarm payroll survey showed that jobs increased by 64k in November, exceeding expectations of 45k.

Source: Bureau of Labor Statistics

With the October drop and the downward revision to September, the three month average pace of job growth has slowed to just 22k, down sharply from 62k prior to the new data. The economy has now recorded job losses in three of the past six months, June, August, and October, further signaling loss of momentum. Last week Chair Powell cautioned that official statistics may be overstating job creation by as much as 60k jobs per month.

Job gains remain narrowly concentrated. Healthcare and social assistance, along with construction, led employment increases and have accounted for most of the net job growth in recent months. On the other hand, manufacturing payrolls have not increased since March and now sit at their lowest level since March 2022. Other cyclically sensitive sectors, transportation, information, financial services, and leisure/hospitality, show continued weakness.

Average hourly earnings rose only 0.1% month over month and are now increasing at a 3.5% year over year pace, the slowest since May 2021. Weakening wage growth alongside rising unemployment suggests that labor market slack is broadening as many Fed officials have warned.

Today's report alone isn't enough for the Fed to assume a January rate cut, though upcoming CPI and December jobs data could sway expectations. For now, markets still see one or two 25 bp cuts later in 2026. The job market continues to look like a "no hire, no fire" environment: hiring is slowing or stalled, but layoffs remain limited. With tighter immigration, slimmer government payrolls, more retirements, and AI disruptions shaping the labor supply, the Fed must balance inflation control with keeping the labor market on stable footing.

With the October drop and the downward revision to September, the three month average pace of job growth has slowed to just 22k, down sharply from 62k prior to the new data.

Today's report alone isn't enough for the Fed to assume a January rate cut, though upcoming CPI and December jobs data could sway expectations. For now, markets still see one or two 25 bp cuts later in 2026.

Market Indications as of 9:28 A.M. Central Time

DOW	Down -272 to 48,144 (HIGH: 48,704)
NASDAQ	Down -93 to 22,964 (HIGH: 23,958)
S&P 500	Down -12 to 6,804 (HIGH: 6,901)
1-Yr T-bill	current yield 3.51%; opening yield 3.49%
2-Yr T-note	current yield 3.48%; opening yield 3.50%
3-Yr T-note	current yield 3.53%; opening yield 3.55%
5-Yr T-note	current yield 3.70%; opening yield 3.72%
10-Yr T-note	current yield 4.15%; opening yield 4.17%
30-Yr T-bond	current yield 4.83%; opening yield 4.84%

The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.

Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.