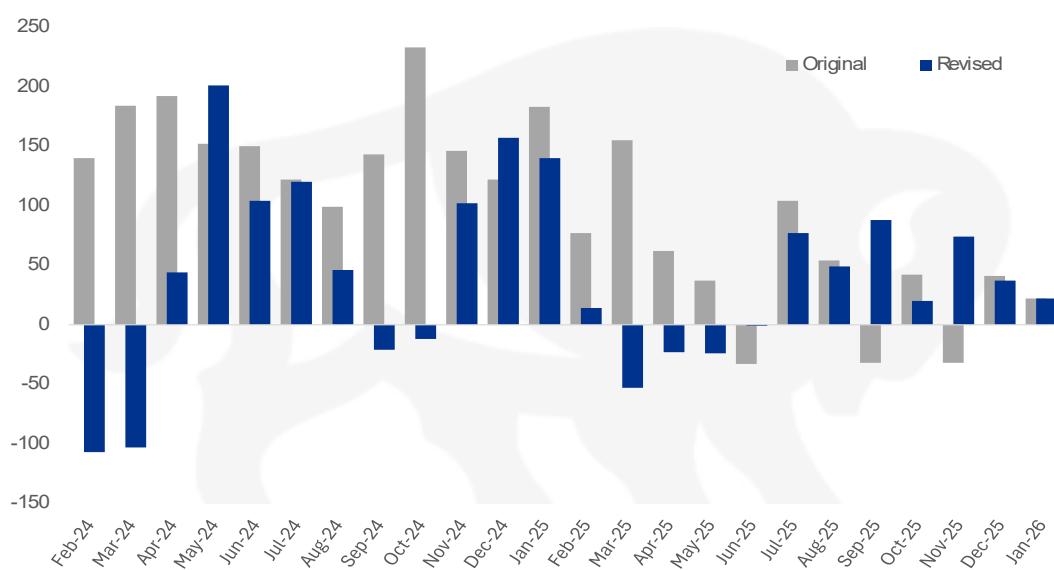


Private Sector Data Reinforce Labor Market Slump

The ongoing partial government shutdown has delayed the release of the government employment report for January, but this week's private sector jobs data suggest labor market weakness is accelerating amid a backdrop of steady uncertainty.

- January private sector jobs data from payroll processing firm ADP showed an increase of just +22k, less than half of the Bloomberg median forecast. If not for +74k jobs added in education and health services, the number would have been negative. A massive series of head-scratching revisions dating back 15 years present a startlingly different picture relative to the ADP data released a month ago. The job numbers are still weak, but whereas the last report showed negative payroll growth in four of the last seven months, the latest report now indicates growth (albeit sluggish) every month since June.

ADP Payrolls Total Change (in thousands)



Source: Automatic Data Processing, Inc / Bloomberg

- Jobless claims (first-time filings for state unemployment benefits) for the last week of January rose to 231,000, *the highest weekly total since early December*. Analysts caution that seasonal adjustment factors may have overstated the numbers, although freezing weather conditions across much of the nation probably kept many newly unemployed filers homebound.
- Outplacement firm Challenger, Gray & Christmas reported U.S. employers announced 108,435 layoffs in January, a sharp rise from 35,553 in December and a +118% increase over last January. Although layoff announcements are typically elevated at the beginning of the year, *it was the highest total for any January since 2009*. On the flip side, hiring was predictably light, with just 5,306 new hires announced, *the lowest January tally in the 17-year history of the series*.

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

Matt Harris, CFA
HilltopSecurities Asset Management
Senior Portfolio Advisor
Senior Vice President
512.340.1845
matt.harris@hilltopsecurities.com

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- The Job Openings and Labor Turnover (JOLT) survey for December showed job openings unexpectedly plunged from a revised 6.928 million to 6.542 million, *the lowest count since September 2020*. During the last three months of 2025, job postings have fallen by more than 1.1 million.

At this point, it's hard to dispute the claim that employment conditions have deteriorated significantly over the past six to eight months. This is a consistent theme in both government and private sector reports. The apparent disconnect between solid GDP growth and tepid job creation will sideline Fed officials until more clarity emerges.

The overall employment picture has dimmed, but other recent economic measures are indicating improvement, most notably the ISM factory survey. The January composite manufacturing index (released on Monday) showed factory activity expanded at *the strongest pace since August 2022*. This unexpected rebound was driven by the biggest percentage jump in the new orders category in almost four years. The employment index rose to the highest level since last January but continued to signal contraction in factory job growth.

The January employment report from the Bureau of Labor Statistics was rescheduled for February 11, adding to a full slate of economic releases next week. Yields are lower on the day as investors swap a growing list of risk assets for the safety of bonds.

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Market Indications as of 3:08 P.M. Central Time

DOW	Down -593 to 48,909 (HIGH: 49,590)
NASDAQ	Down -364 to 22,541 (HIGH: 23,958)
S&P 500	Down -96 to 6,787 (HIGH: 6,979)
1-Yr T-bill	current yield 3.42%; opening yield 3.47%
2-Yr T-note	current yield 3.46%; opening yield 3.55%
3-Yr T-note	current yield 3.53%; opening yield 3.63%
5-Yr T-note	current yield 3.73%; opening yield 3.83%
10-Yr T-note	current yield 4.19%; opening yield 4.28%
30-Yr T-bond	current yield 4.85%; opening yield 4.92%

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