

Mixed June Labor Report Should Keep Fed Sidelined

U.S. businesses added +57k jobs to nonfarm payrolls in June, well below the +113k median forecast, while the previous two months were revised lower by a combined -74k. At this point, the 3-month average payroll increase is +111k, down from +188k in the prior report. Although the current pace pales in comparison to the 2018-2019 pre-pandemic average of +200k, it remains above the expected breakeven level necessary to absorb new entrants into the workforce.

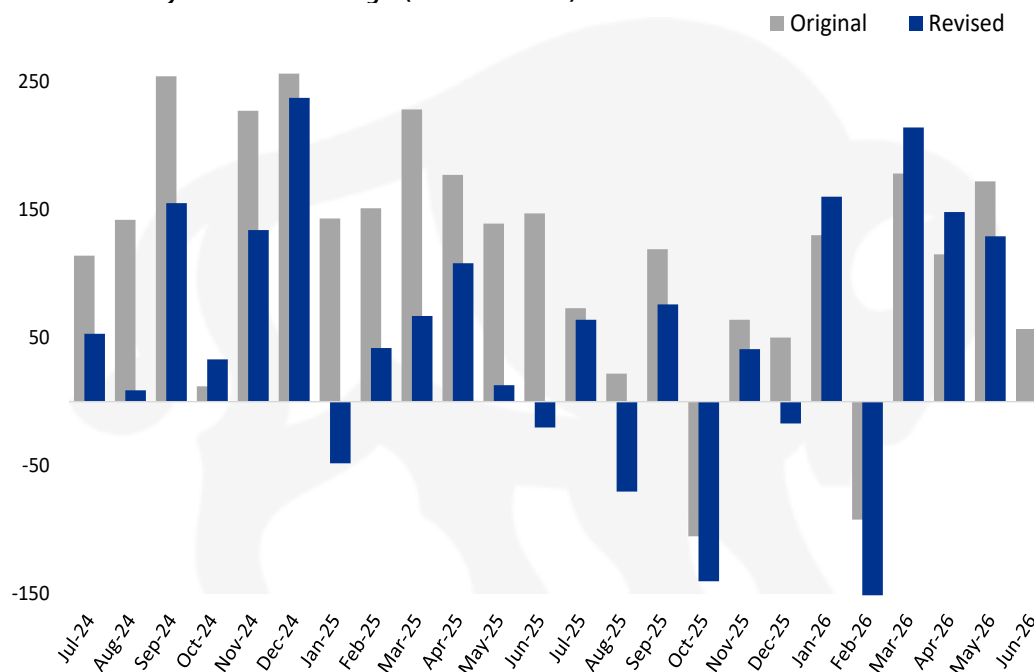
- The leisure and hospitality sector shed -61k jobs last month on weaker than normal seasonal hiring. Excluding the 2020 pandemic year, the last time leisure and hospitality lost so many jobs in a single month was during the 2009 financial crisis.
- The number of retail jobs fell by -7.5k, also unusual for early summer.
- Professional and business services added +36k jobs in June, bringing the total since last October to +172k.
- The healthcare sector added +22k jobs, a deceleration from the +38k average gain over the previous 12 months.
- The number of manufacturing jobs rose +3k in June, although the May increase was wiped away by a -9k downward revision. Since January 2025, the number of factory jobs has fallen by an average of -2k per month.
- The construction sector added +11k jobs following a +6k gain in May.
- The number of Americans working temporary jobs rose by +9.3k in June. A sharp increase in temp hires is considered a positive sign as it's often a precursor to permanent hiring in future months.

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Non-Farm Payrolls Total Change (in thousands)



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Source: Bureau of Labor Statistics

In the separate household survey, the number of employed workers fell by -507k while the number of jobseekers dropped -213k, resulting in a surprising -720k decline in the civilian labor force. The labor force participation rate, which measures Americans currently employed or actively seeking work as a percentage of the working age population, fell from 61.8% to 61.5%. Excluding the pandemic years, *this was the lowest participation rate in 48 years*. Although the headline unemployment rate slipped from 4.3% to 4.2%, the underlying reason was simply that fewer Americans were working or looking for work.

This morning's report is tough to interpret. Company payrolls are still increasing . . . *although at a slower pace*. The apparent decline in leisure and hospitality hiring may indicate that consumer purchasing power is waning . . . *or it might be the result of a flawed seasonal adjustment factor*. The lower unemployment rate would normally signal improving labor conditions . . . *except the participation rate has dropped to a five-decade low*. And, if the last several months are any indication, the July report could completely rewrite the narrative.

The bottom line, for now anyway, is that labor conditions are *acceptable*. The Fed's employment mandate has been met, which means committee members can continue to focus on inflation, which probably peaked in May. The bond market is essentially flat in early trading, suggesting monetary policy will remain on hold for the foreseeable future.

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Market Indications as of 9:44 A.M. Central Time

DOW	Up 355 to 52,660 (NEW HIGH)
NASDAQ	Down -80 to 25,960 (HIGH: 27,094)
S&P 500	Up 23 to 7,506 (HIGH: 7,610)
1-Yr T-bill	current yield 3.94%; opening yield 3.96%
2-Yr T-note	current yield 4.13%; opening yield 4.17%
3-Yr T-note	current yield 4.15%; opening yield 4.18%
5-Yr T-note	current yield 4.22%; opening yield 4.23%
10-Yr T-note	current yield 4.47%; opening yield 4.47%
30-Yr T-bond	current yield 4.98%; opening yield 4.97%

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