

Improved Employment Report Reflects Receding Virus Cases

U.S. businesses added +379k jobs to company payrolls in February, nearly twice the median forecast. The January gain was revised upward from a lackluster +49k to +166k, while December's payroll loss was revised downward from -227k to -306k. With this morning's data, the year-over-year decline in nonfarm payrolls stands at -9.5 million. According to *Bureau of Labor Statistics* (BLS) data, jobs gains last month were concentrated in leisure and hospitality(+355k), and retail(+41k). These two service sectors were among the hardest hit during the pandemic and the slowest to recover. The February improvement can be attributed to a sharp decline in new covid cases and optimism over the vaccine rollout. The report would have been even better had the weather cooperated. The construction sector shed -61k jobs during the freeze, while state and local education jobs fell by -69k. Both should reverse losses in subsequent months.

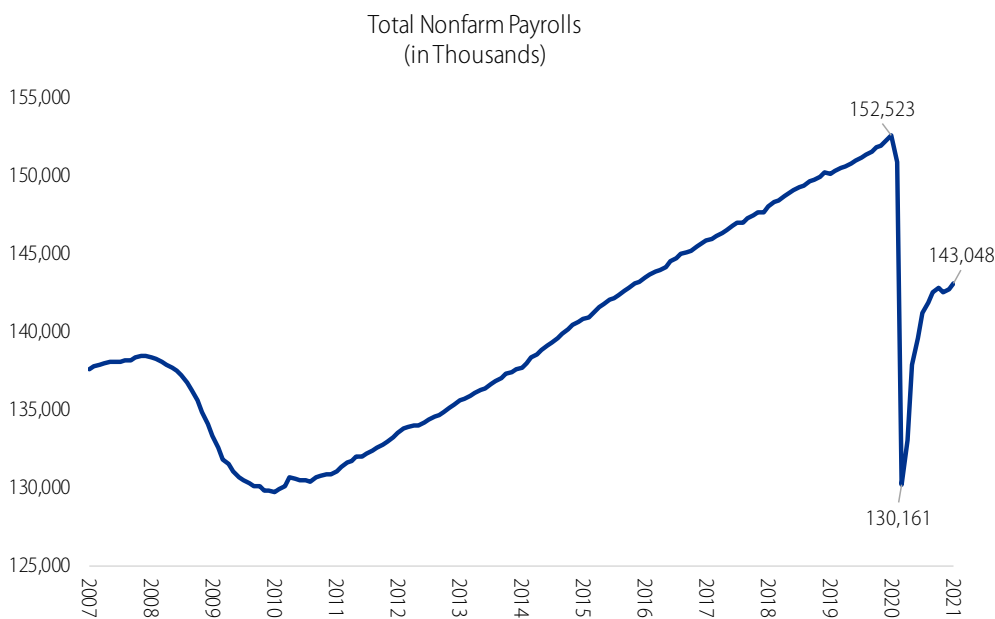
The unemployment rate declined 6.3% to 6.2% as the labor force rose by +50k and +208k Americans found work. Headline unemployment remains well above the five-decade low of 3.5% from a year ago, but is much improved from the 14.8% pandemic high 10 months ago. The broader U6 unemployment rate, which includes those working part-time for economic reasons, and those not currently looking for work but willing to accept a suitable job if available, held steady at 11.1%.

After a sharp rebound, job growth has plateaued, leaving total employment 9.5 million jobs below last February's peak.

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Source: Bureau of Labor Statistics.

In other BLS data:

- The labor force participation rate was unchanged in February at 61.4 %, down from 63.3% a year ago.
- The number of Americans not counted in the labor force, but who would like a job totaled 6.9 million, a year-over-year increase of 1.9 million.
- The employment-population ratio held steady at 57.6%, down from 61.1% a year ago.
- The number of Americans working part-time for economic reasons was little changed at 6.1 million, an increase of 1.7 million year-over-year.
- The number of Americans unable to work because their employer closed or lost business due to the pandemic dropped by 1.5 million in February to 13.3 million.

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This better-than-expected report reflects an improving virus outlook. Bars and restaurants brought back workers as demand increased. Although nonfarm payrolls are still 9.5 million jobs short of where they had been a year ago, steady progress on the vaccine front suggests lost jobs will continue to return as health concerns subside.

The financial markets seem to be having trouble digesting the data. Bonds are rallying on the long end, unchanged on the short end and selling off in the belly of the curve. The DOW and S&P are up in early trading, consistent with a better-than-expected payroll report, while the Nasdaq is down, indicating a preference for value over growth stocks. The wide improvement in economic data that triggered an adverse market reaction wasn't unexpected, it's just shown up earlier than most had thought. As congress debates the proposed \$1.9 trillion covid relief package, doubts continue to grow over the necessity for such aggressive action in the midst of apparent economic improvement.

Market Indications as of 9:40 A.M. Central Time

DOW	UP 54 to 30,978 (HIGH: 31,962)
NASDAQ	DOWN 170 to 12,553 (HIGH: 14,095)
S&P 500	UP 2 to 3,771 (HIGH: 3,934)
1-Yr T-bill	current yield 0.07%; opening yield 0.07%
2-Yr T-note	current yield 0.14%; opening yield 0.14%
5-Yr T-note	current yield 0.81%; opening yield 0.79%
10-Yr T-note	current yield 1.56%; opening yield 1.56%
30-Yr T-bond	current yield 2.27%; opening yield 2.32%

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