

## Job Gains Fall Short Again in May

Economists have warned there will continue to be an unusual amount of noise in the economic data, that seasonal-adjustment factors are suspect in the post-pandemic world. This morning's May labor market report fell short of expectations with the Bureau of Labor Statistics (BLS) reporting a 559k increase in nonfarm payrolls last month, more than double the revised April gain, but below the 675k median forecast. Previous month revisions added another +27k to the job count, leaving total payrolls 7.6 million below last year's pre-pandemic peak.

The leisure and hospitality sector accounted for over half the returning jobs in May (+292k) but that sector remains 2.5 million jobs, or 15%, below levels from early last year. Manufacturing added +23k jobs in May, but remains 509k below the February 2020 count. Construction jobs fell by -23k last month and are now 225k below the February 2020 total. The decline in construction hires in the midst of an historical housing boom reflects difficulty in finding qualified skilled workers rather than fading demand.

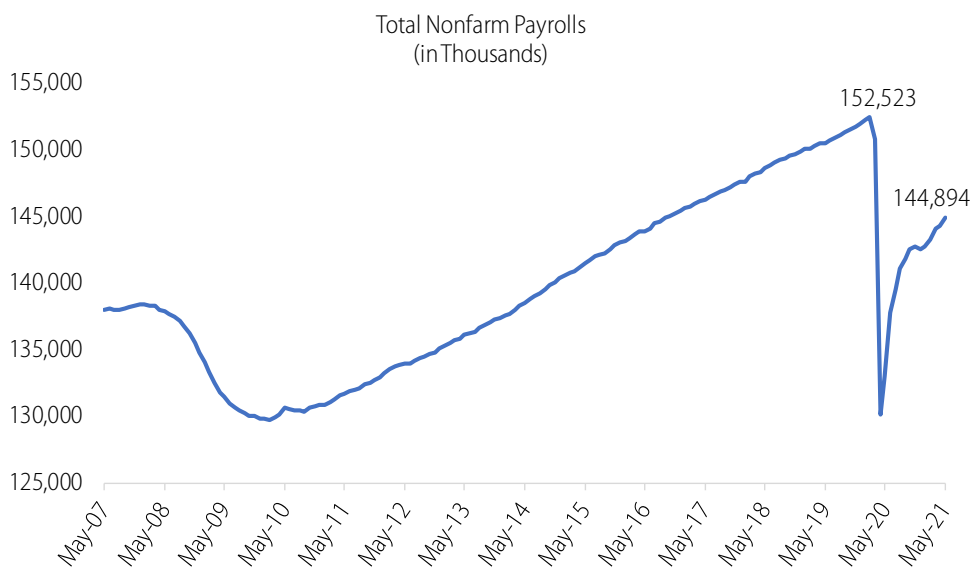
The unemployment rate dropped from 6.1% to 5.8% in May, but the decline was primarily the result of 166k Americans leaving the labor force during the month. The labor force participation rate slipped from 61.7% to 61.6%, retreating further below the 63.4% pre-pandemic level from January 2020. According to the BLS, there are now 6.6 million Americans outside the labor force, an increase of 1.6 million since February 2020. These people are not currently employed or seeking work, but would nevertheless like a job.

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### Total employment remains more than 7 million jobs below the pre-pandemic peak



Source: Bureau of Labor Statistics (BLS).

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Average hourly earnings rose by a larger-than-expected +0.5% in May after a +0.7% jump in April. Employers are clearly paying more to attract and retain workers, a trend unlikely to reverse itself anytime soon.

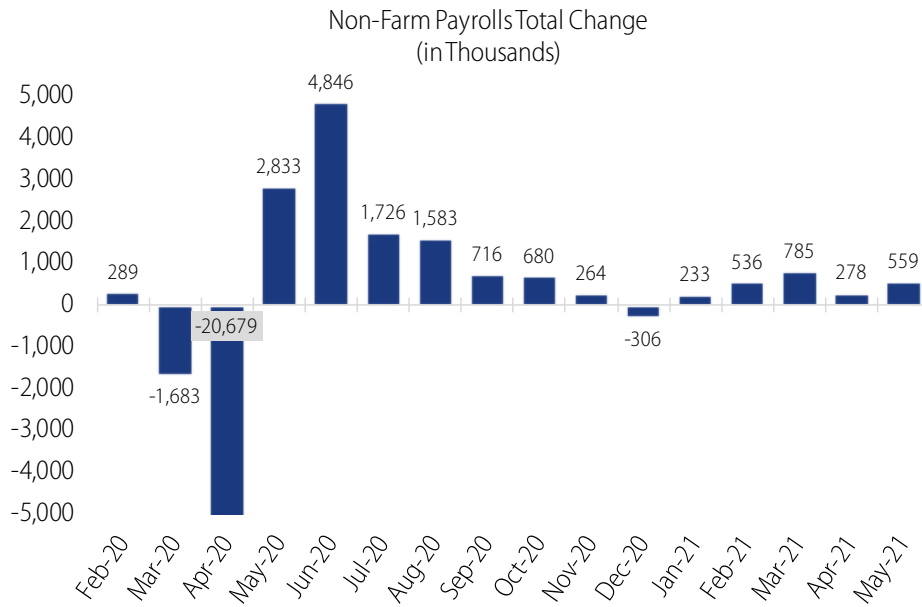
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There's every reason to expect payroll gains to improve this summer along with GDP growth. The uncertainty is in the timing. With nearly half of U.S. states announcing intentions to opt out of federal pandemic jobless benefits this month, millions more Americans are likely to seek and find work in the coming months.

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Stocks are rallying on expectations that accommodative policy will continue in the near-term. Bond yields are lower as investors factor in the likelihood of a relatively quiet June Fed meeting.

### Job growth has fallen short of expectations as employers report difficulty finding workers



Source: Bureau of Labor Statistics (BLS).

## Market Indications as of 10:23 A.M. Central Time

DOW	Up 123 to 34,700 (HIGH: 34,778)
NASDAQ	Up 187 to 13,801 (HIGH: 14,139)
S&P 500	Up 31 to 4,223 (HIGH: 4,233)
1-Yr T-bill	current yield 0.04%; opening yield 0.03%
2-Yr T-note	current yield 0.15%; opening yield 0.16%
3-Yr T-note	current yield 0.30%; opening yield 0.33%
5-Yr T-note	current yield 0.79%; opening yield 0.84%
10-Yr T-note	current yield 1.57%; opening yield 1.63%
30-Yr T-bond	current yield 2.26%; opening yield 2.30%

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