

NFP - A Weirdly Strange Report

NFP – A Weirdly Strange Report

At first glance (and even after a second glance) the data looks very strong! Very bad for bonds, but potentially good for the economy.

Total Establishment Survey jobs came in at 216k, which is good, but there was a downward revision of 71k, which makes for a weak report (especially if we get more downward revisions on this report – which I’d bet on).

Hourly earnings ticked up to 0.4% on the month and 4.1% on the year. These are numbers that the Fed will not want to see (nor the market, if it keeps trying to bake in too many hikes – which I think it is doing). Hours worked dropped a tiny bit to 34.3 (which isn’t a sign of strength), offsetting at least a portion of the strength in wage growth.

The unemployment rate seems to have created its own special problem for the Fed.

3.7% remains very low! It does not indicate a lot of slack. The problem with this improvement is that it came primarily from a large drop in the workforce participation rate. **We went from 62.8% participation to 62.5% - not what the Fed (or employers) are looking for.**

One “shocking” thing to me in the Household data was that 1.53 MILLION people dropped out of full-time and 762k went to part-time. That seems bad no matter how I think about it. Job losses in the Household Survey were 683k – not good!

Bottom Line

In the end, this report is not good for markets (but not due to the superficial reasons driving the initial move).

I’m covering some shorts in stocks and bonds on this initial reaction. I think that as people examine the details, this report is far less “offensive” to the Fed (and potential cuts down the road) than it appears on the surface.

On the other hand, that is only for a “trade” as I remain bearish as I strongly believe that for all the chatter about “geopolitical risk is the biggest risk”, very few are hedged for that risk (please see [Times Are A-Changin’](#) from yesterday).

NFP - A Weirdly Strange Report

Disclaimer

This document and its contents are confidential to the person(s) to whom it is delivered and should not be copied or distributed, in whole or in part, or its contents disclosed by such person(s) to any other person. Any party receiving and/or reviewing this material, in consideration therefore, agrees not to circumvent the business proposals explicitly or implicitly contained herein in any manner, directly or indirectly. Further, any recipient hereof agrees to maintain all information received in the strictest confidence and shall not disclose to any third parties any information material to the opportunity contained herein and, upon review hereof, agrees that any unauthorized disclosure by any party will result in irreparable damage for which monetary damages would be difficult or impossible to accurately determine. Recipients recognize, and hereby agree, that the proprietary information disclosed herein represents confidential and valuable proprietary information and, therefore, will not, without express prior written consent, disclose such information to any person, company, entity or other third party, unless so doing would contravene governing law or regulations.

This document is an outline of matters for discussion only. This document does not constitute and should not be interpreted as advice, including legal, tax or accounting advice. This presentation includes statements that represent opinions, estimates and forecasts, which may not be realized. We believe the information provided herein is reliable, as of the date hereof, but do not warrant accuracy or completeness. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources.

Nothing in this document contains a commitment from Academy to underwrite, subscribe or agent any securities or transaction; to invest in any way in any transaction or to advise related thereto or as described herein. Nothing herein imposes any obligation on Academy.

Academy is a member of FINRA, SIPC and MSRB. Academy is a Certified Disabled Veteran Business Enterprise and Minority Business Enterprise and is a Service Disabled Veteran Owned Small Business as per the US SBA. Investment Banking transactions may be executed through affiliates or other broker dealers, either under industry standard agreements or by the registration of certain principals.