

**NFP Instant Reaction - What You See Isn't What You Get?**

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ADP was incredibly strong yesterday which wasn't matched by either the Establishment data (209k) or the Household data (273k).

Revisions were -110k and I am willing to bet that by the time we are done with revisions for May, some analysts will have been correct on their initial estimates (see [A Quirky Report](#)).

Even “weirder” is the fact that the private payrolls (which in theory ADP should do a better job of tracking) came in at only 149k.

Weaker than expected jobs data on the headline front wasn't supported by some other data in the report:

- Unemployment ticked down to 3.6% as it is based on the Household Survey (though, weirdly, the underemployment rate ticked up to 6.9%).
- Hourly earnings came in at 0.4% this month and were revised up to 0.4% last month keeping the annual rate at 4.4%. Not alarming, but not in the direction that the Fed would like to see.
- Hours worked ticked up a fraction to 34.4, which is normally viewed as a positive for the labor market, but doesn't seem to match other parts of these job reports.

The JOLTS data (which I believe that Yellen really looked at closely) declined and is back to below 10 million jobs. I highly suspect that this data series is more flawed than most because the way that jobs are advertised has changed dramatically.

The [BLS Survey Response Rates](#) likely remain low, which creates problems for those trying to interpret the data.

**Bottom Line**

**A mixed enough report that the Fed can probably go 25 bps at the next meeting, but we don't need to price in much more than that.**

On Thursday, stocks finished well off of the lows after the “incredible” or maybe “unbelievable” ADP data. My view is that jobs are a good thing at this stage and markets decided that jobs are more important than the Fed. I suspect that we may see a similar move today, as the initial rally in futures on the back of the NFP report will be met by selling as the data (while still strong) indicates some apparent weakness and it is difficult to ignore the size of the revisions.

I'm in the good news is good for stocks camp and this data was probably slightly skewed to the bad side, which will be a drag on risk assets as the market digests it.

Lots of jobs data should have clarified things, but it is so all over the place and seems so subject to revisions that we don't have as much useful information as one would hope to have after two days of data 😞.

**Have a great weekend and hopefully a great start to the 2<sup>nd</sup> half of the year!**

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