NFP Instant Reaction – Goldilocks?

This report should help Treasury yields go lower (nice short squeeze opportunity), which in turn should push risk assets higher.

Barely any jobs were created. The Establishment Survey reported 187k jobs, but that came with downward revisions of 110k, so it was a mediocre total of 77k jobs. This number is likely too small to make the Fed hawkish, but big enough to indicate that we don't have to price in recession risk – yet.

The unemployment rate went higher for all the right reasons. The Household Survey added 222k jobs, but unemployment went from 3.5% to 3.8% because the **labor participation rate went from 62.6% to 62.8%**. That is the **highest level since the pandemic** and is the first time since the pandemic that we have **higher labor participation rates than we did in much of 2018!** Maybe the impact of **student loan** payments restarting won't be a slowing economy, but it will instead be more people seeking jobs (ironically just as they become more difficult to find).

Average earnings dropped back down to a manageable 0.2% for the month (despite headlines showing the strong position that labor is in during the wage negotiations).

Average hours ticked up slightly to 34.4, which is good in that it is ticking back up, but it is still well below what we saw in 2021 and early 2022.

I'm biased, as I'm currently long bonds and long risk, but I think that today's number is perfect for that strategy right now and believe that we could squeeze nicely into a new month!

If anything, the data is almost weak enough to spur recession fears, but I don't think there is enough in here for that. The reality is that the Fed must be jumping up and down with joy about the unemployment rate – not just because it moved higher, but because it moved higher for all the right reasons!