

NFP Instant Reaction

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Since it is difficult to describe things as “good or bad” in this topsy-turvy world, let's look at it from the perspective of:

Makes the Fed more likely to hike:

- Total Establishment jobs and revisions were very strong.

Should be baked in:

- Average hourly earnings (monthly 0.4% was a tad higher, but annual 4.7% was down from 5%).
- Average work week remained the same at 34.5.

Makes the Fed less likely to hike:

- Nothing obvious.

Very confusing:

- **Unemployment rate.** The unemployment rate ticked up from 3.5% to 3.7% - a step in the right direction (in theory). But that came with the labor force participation rate dropping to 62.2% from 62.3% (one thing almost everyone can agree on is that we'd like to see this tick higher, not lower). **So, the increase was due to the Household Survey saying that we LOST 328,000 jobs.** Even for “government work” an almost 600k difference in two statistics that roughly measure the same thing seems like a lot, but that has been the case for months now.

Jobs continue to be the highlight of all the economic and corporate data that we receive (unless you look at the Household data).

That is not surprising given the difficulty companies have had filling jobs. **Given the experience of the past two years, jobs will likely be the LAST shoe to drop in any economic weakness.**

Bottom Line

Probably a touch more impetus to see a more hawkish Fed than not, but with so much changing between 2:30 pm on Wednesday and now, it probably isn't enough to move the needle significantly.

I've given up trying to understand why the Household data continues to be so different than the Establishment data (2.5 million jobs since March 31, versus 0.5 million). However, this differential doesn't seem to register with anyone (other than the fact that this data is used to calculate the unemployment rate).