



August 7, 2020 by Peter Boockvar

The Jobs Data

The BLS said **1.76mm jobs** were added in July with 1.46mm of this in the private sector. Thus, the government added 300k jobs (mostly public sector government education due to seasonal factors). This is above the estimates of 1.48mm and 1.20mm respectively. **Revisions were modest** in the two prior months, with a net combined add of 17k. This also compares with the 4.79mm headline and 4.74mm private sector added in the prior month.

The household survey added 1.35mm jobs vs 4.9mm in June and when combined with a decline of 62k in the labor force drove a drop in the unemployment rate to 10.2% from 11.1%. **The all in U6 fell to 16.5% from 18%.** The participation rate fell one tenth to 61.4% but the employment to population ratio rose by 50 bps to 55.1%, about the midpoint between the high in February and the low in March.

Hours worked did tick down to 34.5 from 34.6 but that was a bit better than expected. Average hourly earnings surprisingly rose m/o/m by .2% vs the estimate of down .5% after a 1.3% drop in June. Combine this with hours worked and **average weekly earnings fell .1%** m/o/m but rose 5.4% y/o/y.

Most of the July job gain was in the service sector as the goods producing area only added 39k of which 20k came from construction and 26k were in manufacturing. As restaurants and other leisure businesses reopened, leisure/hospitality added 592k, leading the way. Retail added 258k jobs as more stores reopened. Temp jobs grew by 144k, the same pace as seen in June and remains a large number. It fell in February.

Negatively, those 'Employed Persons at Work Part Time' fell by 619k all due to 'slack work.'

Here's the bottom line from the BLS, "These improvements in the labor market reflected the continued resumption of economic activity that had been curtailed due to the Covid 19 pandemic and efforts to contain it. In July, notable job gains occurred in leisure and hospitality, government, retail trade, professional and business services, other services and health care."

My bottom line is that the number was better than expected but the hole dug has been so big that we still have a ways to go. Looking at just the private sector, 21.2mm jobs were lost in March and April and over the past 3 months 9.4mm have been added back.

As for the Treasury market response, the 10 yr yield apparently has lost any heartbeat because it did not budge on the payroll beat. It was at .53-.54% before the print and remains at that exact spot after. Again, either the Fed has killed its signalling or the Treasury market remains very concerned with the growth prospects of the US economy, at least until there is a vaccine. I'm still hopeful we'll get one in a mass way within 6 months and that interest rates will spike when that happens.

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