

Financial Markets This Week

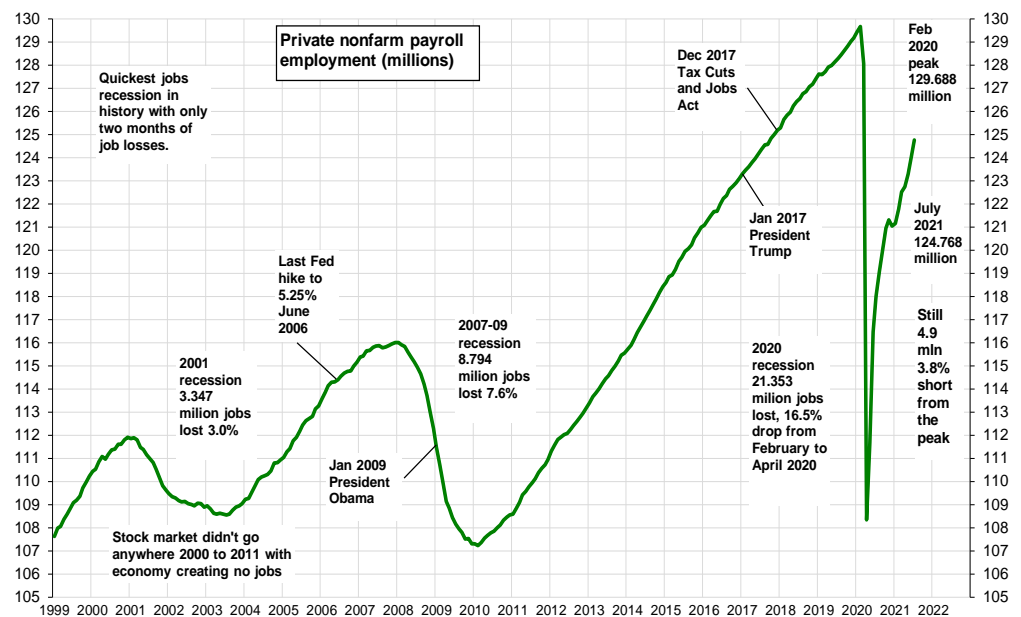
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BACK TO BACK GAINS OF ALMOST ONE MILLION JOBS

Breaking economy news flash. Wow. Double wow. There are literally jobs for everyone available across the country and workers are not hesitating. Nearly one million jobs were created in each of the first two months of summer and this economy clearly isn't on holiday with an astounding five-tenths

drop in the unemployment rate to 5.4% in July. There is no sign of an economic slowdown from the rise of the Delta variant with two thirds of the 380 thousand jobs gained in Leisure and hospitality employment coming from the 253 thousand new hires made by bars and restaurants. The economy is open and ready to serve you.



The Fed wanted progress in the labor market and bam they got it right between the eyes so there can be no more foolish questions on will they or won't they scale back those massive purchases of securities each month that flood the

Monthly changes (000s)	Jul	Jun	May	Apr	Mar
Payroll employment	943	938	614	269	785
Private jobs	703	769	555	226	724
Leisure/Hospitality jobs	380	394	319	328	227
Unemployment rate %	5.4	5.9	5.8	6.1	6.0
Not in labor force (mln)	100.123	100.253	100.275	100.115	100.445
... and Want A Job (mln)	6.517	6.428	6.600	6.647	6.850
Average hourly earnings	\$30.54	\$30.43	\$30.31	\$30.17	\$29.97
MTM % Chg	0.4	0.4	0.5	0.7	-0.1
YOY % Chg	4.0	3.7	1.9	0.3	4.3

economy with money. The unemployment rate was 6.7% at the December 2020 Fed meeting when policy officials said they would keep with the \$120 billion monthly QE purchases until "substantial further progress" had been made on their "maximum employment" goal, and today's 5.4% unemployment rate in July meets this standard for progress. And don't forget, the QE wind down of

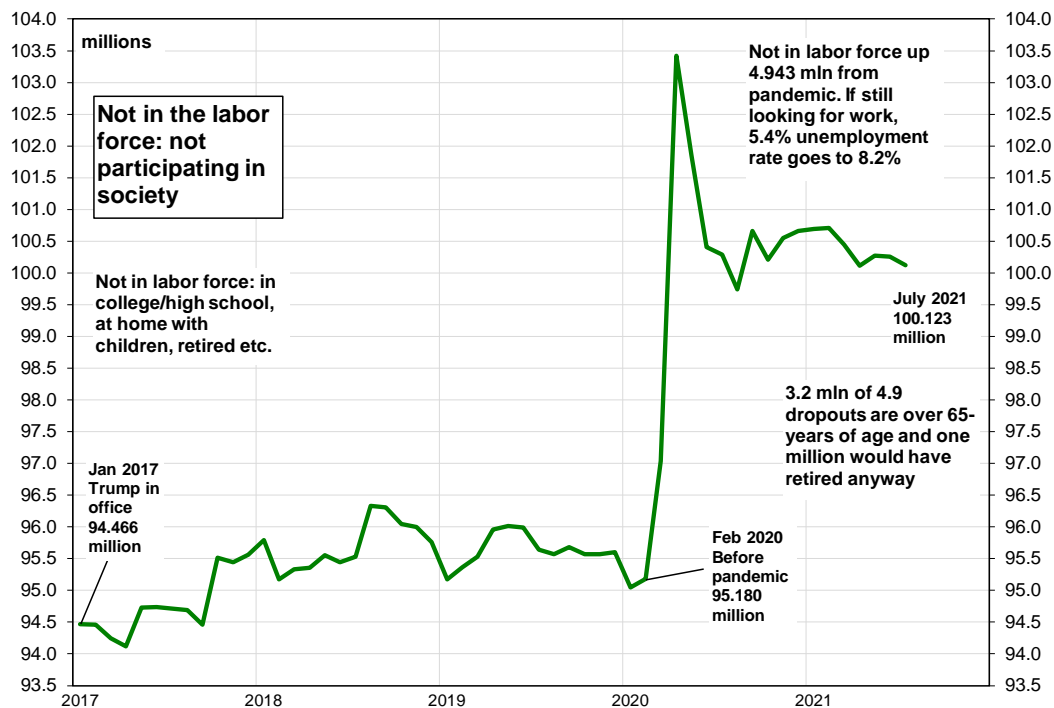
its \$80 billion monthly Treasury purchases could take as long as eight months at a \$10 billion monthly taper pace, so it is not as if they are turning off the free money spigot. The employment report is so strong we would be shocked if the Federal Reserve doesn't start tapering in October after announcing the move at its September meeting. The economy isn't on life support and doesn't require emergency stimulus dollars from the central bank. The recession has long been officially over for the economy and now the recession is officially over for the labor market. 6 percent economic growth creates almost a million jobs each month: something new to write in the economic textbooks that will be written about this extraordinary time. America is back.

Payroll jobs fall from February 2020 peak as recession began							
				17 months			
Data in thousands				Feb 20			
	Jul 21	Jun 21	May 21	Jul 21	Jul 21	Feb 2020	
Nonfarm Payroll Employment	943	938	614	-5,702	146,821	152,523	
Total Private (ex-Govt)	703	769	555	-4,920	124,768	129,688	
Goods-producing	44	45	16	-713	20,424	21,137	
Mining	7	10	5	-48	593	641	
Manufacturing	27	39	36	-433	12,366	12,799	
Motor Vehicles & parts	1	3	29	-91	895	986	
Construction	11	-5	-24	-227	7,421	7,648	
Private Service-providing	659	724	539	-4,207	104,344	108,551	
Trade, transportation, utilities	47	119	89	-505	27,371	27,876	
Retail stores	-6	73	60	-270	15,340	15,610	
General Merchandise	0	23	-5	84	3,084	2,999	
Food & Beverage stores	-2	-7	-6	19	3,094	3,075	
Transportation/warehousing	50	20	15	-41	5,783	5,823	
Truck transport	3	6	-1	-33	1,492	1,525	
Air transportation	4	8	7	-81	436	517	
Couriers/messengers	8	-22	-3	124	1,006	883	
Warehousing and storage	11	17	5	114	1,442	1,328	
Utilities	0	0	-1	-9	539	547	
Information	24	4	20	-172	2,742	2,914	
Financial	22	-1	2	-48	8,827	8,875	
Insurance	-2	-3	-6	5	2,861	2,856	
Real Estate	18	3	9	-74	2,288	2,362	
Commercial Banking	-3	-2	-9	-61	1,339	1,400	
Securities/investments	1	0	6	25	991	966	
Professional/business	60	75	50	-556	20,913	21,469	
Temp help services	10	35	8	-253	2,692	2,945	
Management of companies	-3	0	-13	-100	2,325	2,425	
Architectural/engineering	5	3	3	15	1,561	1,546	
Computer systems/services	5	5	4	15	2,254	2,239	
Legal services	3	4	1	-27	1,138	1,165	
Accounting/bookkeeping	8	3	16	35	1,063	1,028	
Education and health	87	60	46	-953	23,612	24,565	
Hospitals	18	-7	-2	-86	5,151	5,238	
Educational services	40	53	33	-207	3,572	3,779	
Leisure and hospitality	380	394	319	-1,737	15,178	16,915	
Hotel/motels	74	88	34	-364	1,741	2,105	
Eating & drinking places	253	234	209	-970	11,338	12,308	
Government	240	169	59	-782	22,053	22,835	
Federal ex-Post Office	0	-2	4	18	2,278	2,260	
State government	-8	64	41	-229	5,074	5,303	
State Govt Education	10	71	45	-169	2,427	2,596	
Local government	230	118	26	-578	14,091	14,669	
Local Govt Education	221	147	46	-205	7,824	8,030	

A two-handed economist analysis that builds and subtracts from the one million jobs report finds that indeed as is written in the BLS report, local government education jobs are exploding because the seasonal factors are adding back for the normal teacher layoffs this year, but the pandemic has turned everything upside down. The million jump in nonfarm payroll jobs need to subtract out the local education phantom jobs of 146.5K in June and 220.7K in July. On the other hand, private jobs may be 4.9 million short of the peak back in February 2020 before the pandemic storm, but when we mix apples and oranges with these data, we find that 3.2 million Americans over 65 years of age have dropped out of the labor force since February 2020 and, sorry to say it, are probably not coming back to work. So saying the country is still 4.9 million short of the "maximum employment" goal may be misleading and that the labor market is closer to being fully normalized this recession, and, and, the

Federal Reserve can start lifting interest rates to normal if only they could stop throwing good money out the window each month first with those \$120 billion monthly QE purchases that are doing nothing but lighting a match to the inflation fire and creating bubbles in real estate and the stock market.

To conclude, the economy is roaring with incredible life that breaks the speed limit and puts almost one million jobless Americans to work this month. The growth is sustainable because the 1.881 million new workers this summer hired in June and July have paychecks to spend and keep the economy's wheels spinning in the months to come. This is not a fluke, this is real. The fastest recovery in the labor market in history no longer requires free money handouts from the Federal Reserve. A normal economy demands a normalization of Federal Reserve policy whose officials' crystal balls plainly didn't see this coming. The economy is stronger than you think. Bet on it.



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