What to Expect from Friday's Jobs Report

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Last Updated: December 04, 2024

Key Highlights:

- Last month's weak jobs report was attributed to weather related distortions, so this month's headline should rebound as it will likely incorporate job gains from both October and November.
- Bond traders will focus on the unemployment-related portion of the release since that will provide more clarity on the future path of interest rates.
- The rise in continuing claims points to an upside risk to the unemployment rate so consensus is probably underpricing the likelihood that the number of unemployed rose in November. The correlation between continuing claims and the unemployment rate is roughly 80%.

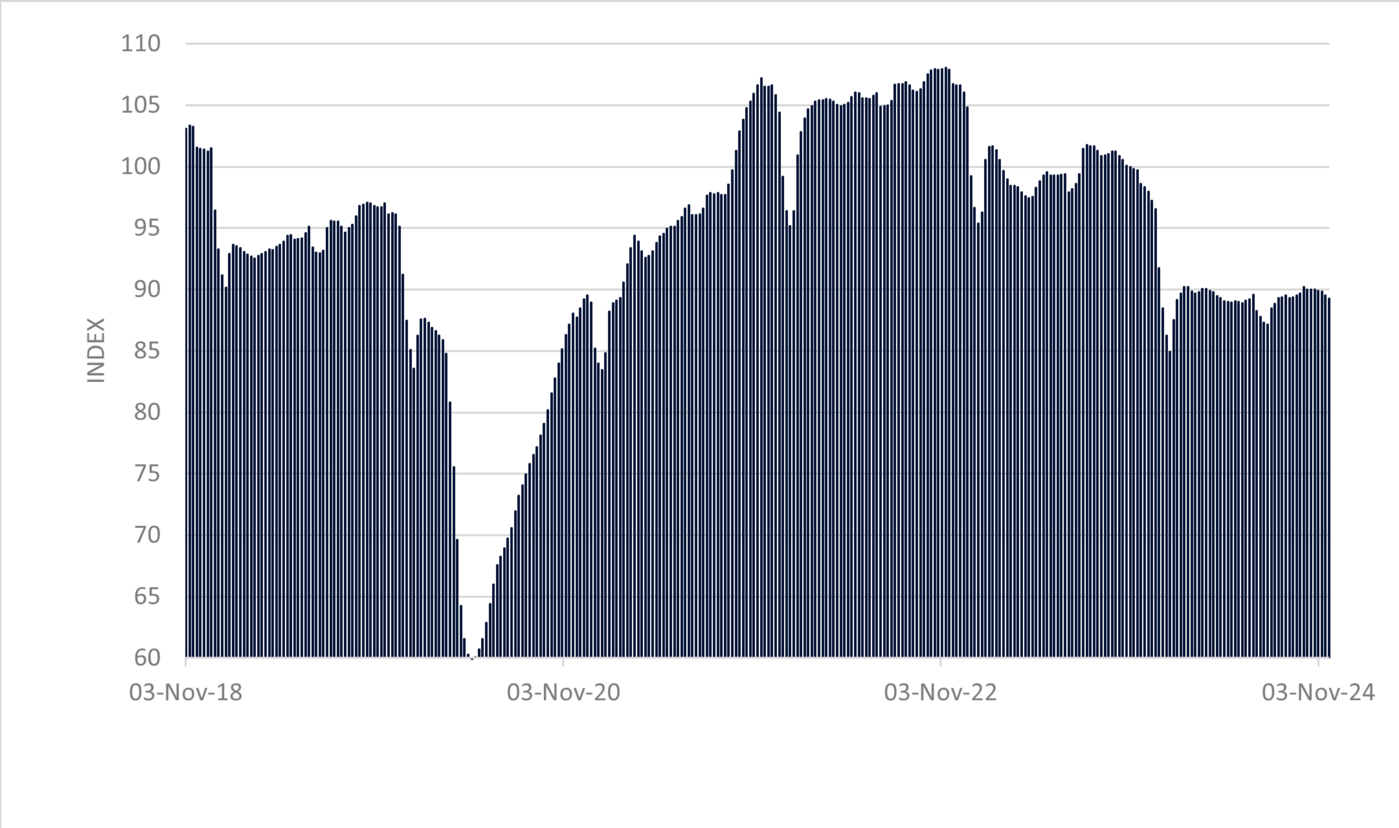
- The data-dependent Fed is struggling with weather-related distortions in the labor market and base effects in the inflation prints. Depending on what will hold their focus, the Fed could cut this month, then pause in January; or if they don't cut on the 18th, they will next month. As reported earlier, markets expect the Fed to cut this month.

Weekly Staffing Activity has Slowed in Recent Weeks.

Hiring patterns have softened as we've seen in the latest Job Openings and Labor Turnover Survey (JOLTS). Employers have toned down the amount of hiring from the breakneck speed in recent years. Now, it seems that the job market is great for those who are employed but it's not a great time to be looking for work. A weekly index put together by the American Staffing Association shows staffing activity has slowed in recent times. The staffing index is broad based and derived by weighting the survey responses according to company size in four annual sales categories: less than $7.5 million, $7.5 million-$25 million, $25 million-$100 million, and more than $100 million.

Hiring Patterns Are Softening

Weekly Staffing Surveys Show Softness



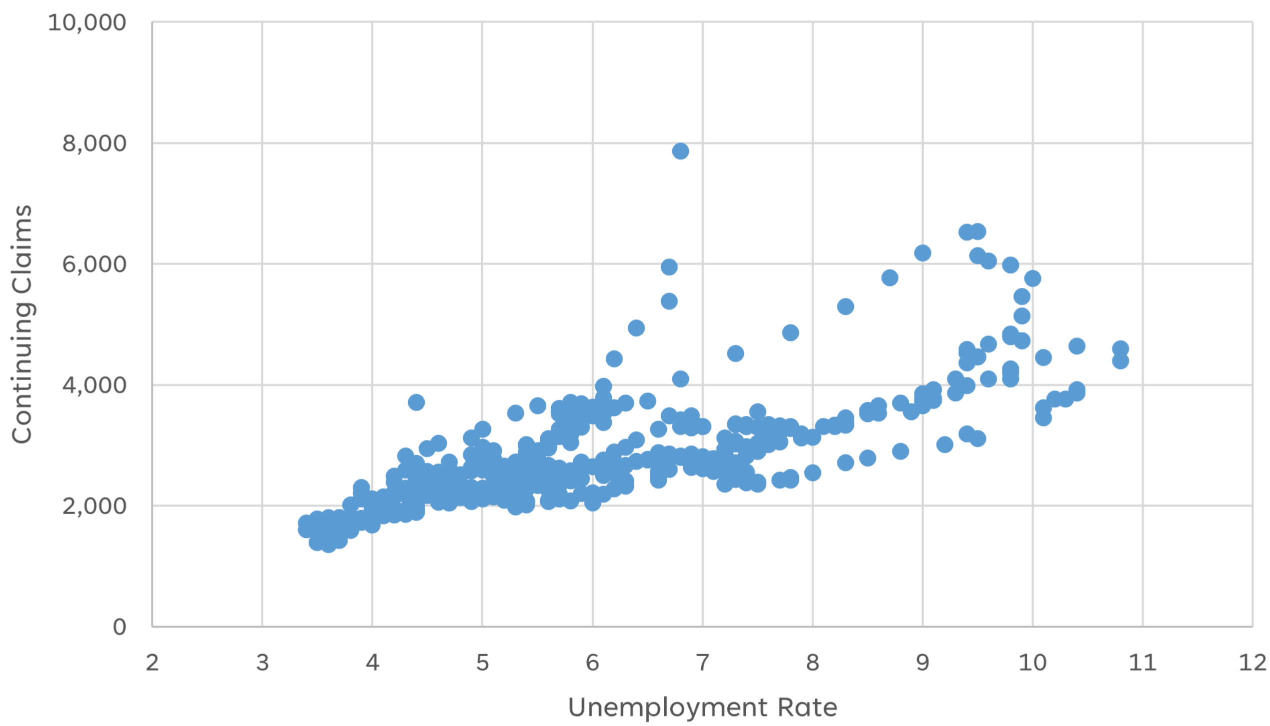
Source: LPL Research, American Staffing Assoc. 12/04/24

Continuing Claims Hints at Higher Unemployment Rate

The rise in continuing claims points to an upside risk to the unemployment rate so consensus is probably underpricing the likelihood that the number of unemployed rose in November. The chart below shows how tightly correlated the weekly claims numbers are to the monthly unemployment rate. The correlation between these two metrics is roughly 80%.

Rising Continuing Claims Hints to Higher Unemployment

Correlation Is Roughly 80%



Source: LPL Research, Bureau of Labor Statistics 12/04/24

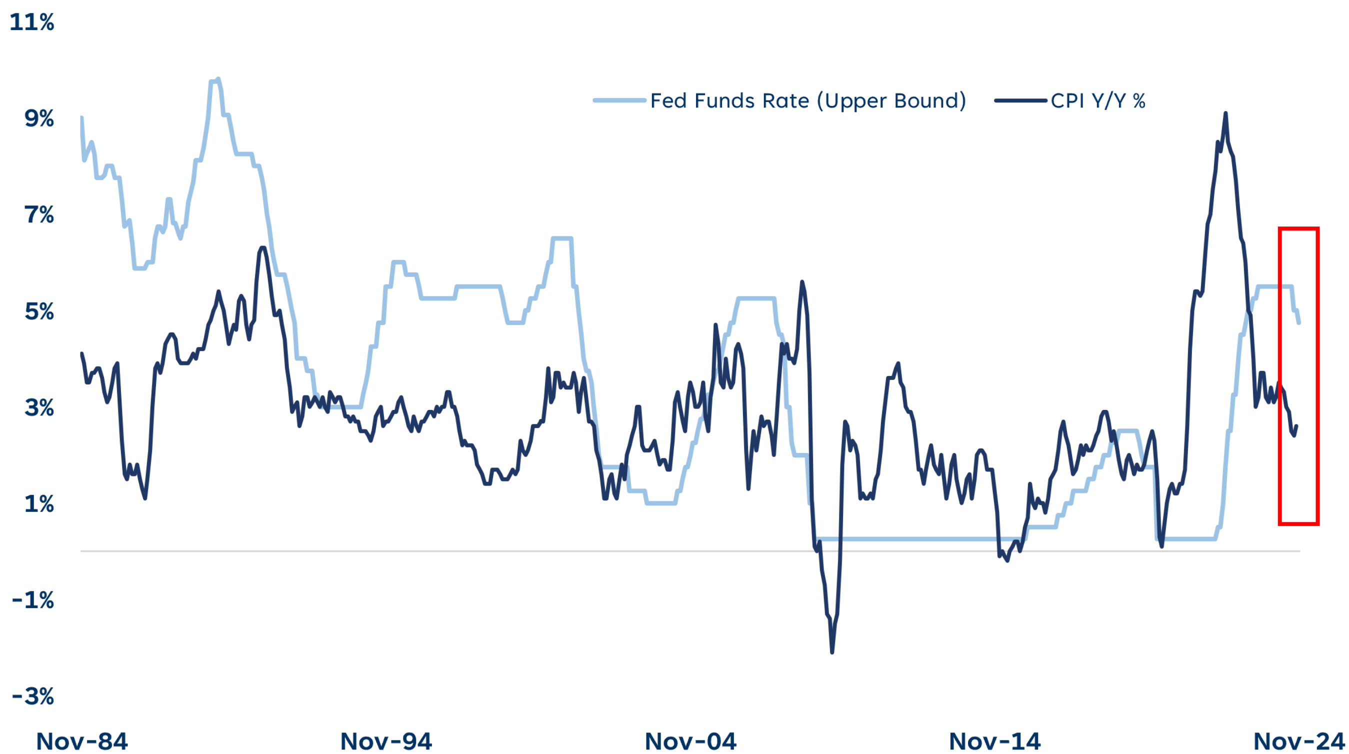
What Should We Expect the Fed to Do?

The data-dependent Fed is struggling with weather-related distortions in the labor market and base effects in the inflation prints. Depending on what will hold their focus, the Fed could cut this month, then pause in January; or if they don't cut on the 18th, they will next month. As of today, markets expect the Fed to cut this month.

The labor market is the Fed's focus as they navigate through this inflationary regime. Investors should anticipate some significant revisions in the upcoming Summary of Economic Projections. Fed officials will likely revise up their inflation forecasts, forcing them to slow the pace of rate cuts in the upcoming year. However, increasingly more individuals collecting unemployment benefits could be a dubious omen.

Fed Will Likely Do the "Cut-and-Pause"

Fed Can Cut Further, Yet Remain Restrictive



Source: LPL Research, Federal Reserve, Bureau of Labor Statistics, 12/03/24

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Jeffrey Roach guides the overall view of the economy for LPL Financial Research and has over 20 years of experience in investing and economics.