

TRENDMACRO LIVE!

On the July Jobs Report

Friday, August 7, 2015

Donald Luskin

Something for nobody. We don't see how this is the "some further improvement" Yellen seeks.

As a potential key indicator as to whether the Fed will "lift off" from zero interest rates at the September FOMC, [this morning's July Employment Situation report](#) had something for nobody. 215,000 net payroll jobs missed expectations by about 10,000, but then again that small miss was slightly more than made up by upward revisions to the prior two months. In terms of percentage growth in payrolls, this was the second-best July since the end of the Great Recession, bested only by 2014 (please see the chart below). Nothing bad happened. Another mediocre month is under our belt.

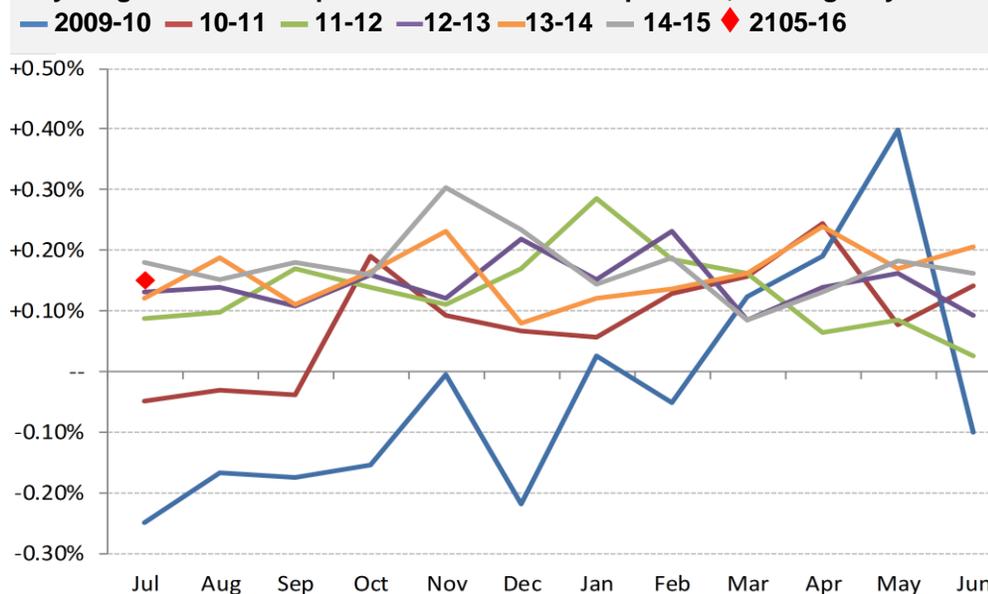
- *But [the Fed is looking for](#) "some further improvement in the labor market" (see ["On the July FOMC"](#) July 29, 2015). The immediate reaction in markets is a slight reappraisal in the direction of September lift-off. But we're not sure this makes the cut.*
- Average hourly earnings grew at 0.2%, but that's no different than the prior month. That means that in Yellen's view, it's the same as it was when [she described it to Congress](#) as "relatively subdued."

Update to strategic view

US MACRO, US FED:
 The immediate market reaction to this morning's jobs report seems to be that it nudges Yellen a little closer to September "lift-off." But other than that another month has gone by, allowing the weakest jobs market on record to painfully accrete a few more trivial gains, there wasn't much of the "some further improvement" that the FOMC says it is looking for. While headline payrolls about met expectations, 146,000 more persons joined the ranks of the long-term unemployed, and hourly wage growth just matched last month's which Yellen described as "relatively subdued." We continue to bet against a September lift-off.

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Payroll growth MOM in post Great Recession expansion, starting July



Source: BLS, TrendMacro calculations

- The labor force grew a little bit, which means that an unchanged unemployment rate of 5.3% masks a little progress. That said, all the gains in employment were among the short-term unemployed. The ranks of the long-term unemployed actually grew in July by 146,000 (see "[Data Insights: Jobs](#)" August 7, 2015).
- We don't see how Yellen looks at data like this as sees it as "some improvement" -- at least not beyond the simple fact that time has passed, in virtue of which the labor market accreted another month's worth of sub-par gains. If what she is looking for is "some improvement" in the underlying dynamics of the labor market, this jobs report won't impress her.

Bottom line

The immediate market reaction to this morning's jobs report seems to be that it nudges Yellen a little closer to September "lift-off." But other than that another month has gone by, allowing the weakest jobs market on record to painfully accrete a few more trivial gains, there wasn't much of the "some further improvement" that the FOMC says it is looking for. While headline payrolls about met expectations, 146,000 more persons joined the ranks of the long-term unemployed, and hourly wage growth just matched last month's which Yellen described as "relatively subdued." We continue to bet against a September lift-off. ▶

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