

## ANOTHER TAKE ON THE JOBS REPORT

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**Kent Fung**

*"If you focus on the risks, they'll multiply in your mind and eventually paralyze you. You want to focus on the task, instead, on doing what needs to be done." – Barry Eisler*

### Chart of the Day

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**NEW FED: 5 challenges facing Warsh**

- 1. Oil vs AI:** which matters more to structural inflation?
- 2. Future Fed guidance:** Warsh prefers to eliminate guidance
- 3. Fed vs Hawkish markets:** Warsh sees less structural inflation vs markets.
- 4. Fed vs “Dovish” White House:** Managing a key relationship as White House prefers more cuts
- 5. Stock market is the economy:** Wealth effect

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**Good morning!**

Yesterday, my colleague Hardika wrote about the massive beat we saw in last Friday's nonfarm payrolls report, in which the headline number of 172,000 jobs added in May came in at more than double the consensus expectation of 80,000. Hardika questioned the market's "good news is bad news" reaction, arguing that it's good for markets to see that "the job market seems to be finding its footing."

I tend to agree with Hardika (except when it comes to sports), and like her, I do question investors' reaction to the news – but for a very different reason. Unlike her, I do not think the job market is finding its footing. Despite the headline beat, I view the NFP report as showing that the job market remains tepid, though admittedly not even close to being disastrous.

Part of this is rooted in the revelation that the number of Americans classified as long-term unemployed – unemployed for 27 weeks more more – now sits at 2.0 million – roughly 1.2% of the U.S. workforce and roughly 27.5% of the unemployed workforce. On a year-over-year basis, that figure is up 35.5%.

Reinforcing the less ebullient interpretation of the latest NFP numbers is the continuing disparity between the establishment survey (the headline number of jobs created as reported by businesses surveyed) and the household survey (which looks at the total number of employed individuals.) That monthly gap has widened more frequently than it has narrowed over the past year. This suggests that despite the number of overall jobs being created, the employment situation for Americans as a whole is not quite ideal.

It's also worth remembering that back in February, the 2025 establishment headline numbers required a massive downward benchmark revision of 898,000. While the BLS did revise March and April 2026 data upward by a combined 93,000 on Friday, the longer-term downward revision trend, along with the longer-term structural disconnect between the two surveys remains intact. To me, it's not unreasonable to factor in a real possibility that Friday's blockbuster number will also be revised downward.

Furthermore, what that sunny establishment-survey number doesn't show is how many of those are part-time gigs taken as second jobs by someone struggling to make ends meet with their existing part-time and/or low-paying other job, jobs taken for the summer by students or younger workers, jobs taken out of necessity by workers who had previously been employed in higher-paying corporate or professional jobs.

As Hardika pointed out, a large portion of the new jobs in the NFP came from the leisure and hospitality industries' 70,000 increase. That's a figure that far outpaces the sector's 12-month average of 14,000. Also, as it happens, leisure and hospitality are industries that tend to offer the types of work I just described. (Healthcare, also well-represented in the jobs report, also tends to offer plenty of such jobs.)

Perhaps that's why the household number remains largely unchanged, and perhaps that's why unemployment figures remain largely unchanged. If the jobs created were the kinds of jobs supportive of – and indicative of – a prosperous economy and thriving workforce, we would expect unemployment numbers to have fallen.

In short, while I also question the market's "good news is bad news" reaction on Friday, it's because I think the reaction should have been one more consistent with a "bad news is good news" regime. To me, Friday's jobs numbers might not be reason enough to trigger an immediate rate cut when the Federal Open Market Committee meets next week, but they do hint that it might not be a bad idea. I would question, along with Hardika, whether the numbers warranted the sharp surge in the implied odds of a rate hike before the end of 2026, such as we saw on Friday.

**Economic data summary:** 36% of Americans are expecting their financial situation to deteriorate a year from now, the highest level since the record of 36.9% hit in October 2022, according to the New York Federal Reserve Bank's survey of consumer expectations during the month of May.

Meanwhile, compared to levels seen a year ago, over 13% of households in May reported feeling much worse off, marking a 2.7 percentage point jump from April and the highest reading in nearly four years. An additional 30.3% reported feeling "somewhat worse off."

Rent expectations jumped 1.4 percentage points to 7.4%, and food increased 0.6 percentage points to 5.8%, while the probability of finding a job if one lost their current job hit its lowest level since December, coming in at 43.7%, well below its 12-month average of 46.8%.

The U.S.-Iran war has worsened economic uncertainty, denting household confidence, even as markets have bounced back strongly on Monday. While all of this hasn't weighed too much on the stock market so far, it doesn't necessarily mean it won't affect the economy in the future. — *Jaime Lee*

## Share your thoughts

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What do you think are the odds of a Fed rate hike before the end of 2026? Click [here](#) to send us your response.

### **Here's what a reader commented**

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**Q:** What are your thoughts on the job market?

**A:** The job market remains okay, but nothing to get excited about in my opinion because the monthly increase is most likely because of seasonality and the one off event of the World Cup, and was predominantly in the lower wage sectors of leisure and hospitality. More interesting to me are the revisions to the previous two monthly figures. I am skeptical and would like to know why the figures were revised higher, and whether they are reliable.

### **Catch up with Fundstrat**

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As we close out the first week of June, the S&P 500 is basically flat for the week, and up 11% YTD. We continue to view the rally since the end of March as healthy and fueled by stronger earnings and improving fundamental visibility. For the month of June, we are focused on 3 things.

### **Technical**

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Monday's bounce looks more like a dead-cat bounce than a durable low, with my cycle composites turning negative for SPX between now and at least late July and potentially lower into October.

### **Crypto**

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Short-Covering Rally Drives Weekend Bounce: Crypto stabilized over the weekend following last week's sharp selloff. Importantly, the bounce appears to have been

driven primarily by derivatives positioning rather than compelling spot demand.

## News We're Following

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### *Breaking News*

- OpenAI Files to Go Public in Test of Investor Appetite for Top AI Startups WSJ

### *Markets and economy*

- Wall Street Is Rushing to Fund the AI Bonanza in Every Conceivable Way WSJ
- University Endowments Are About to Strike It Big on the SpaceX IPO WSJ
- 51% of U.S. adults say the American Dream is out of reach for most people right now: CNBC survey CNBC
- 'Rent now, pay later' loans target US consumers squeezed by housing costs FT
- A Challenge in the U.S.-Iran Talks: Both Sides Demand Victory NYT

### *Business*

- Apple partnering with Google and Nvidia for most advanced AI model CNBC
- Nuvalent shares surge 39% after UK's GSK agrees to buy the cancer drugmaker for \$10.6 billion CNBC

### *Politics/U.S.*

- Trump Previews Fall Strategy With Baseless Claims of California Vote Fraud NYT
- Trump Attends NBA Finals in New York as His Presence Brings Tight Security WSJ

### *Overseas*

- U.S. Expands List of Chinese Tech Companies It Says Assist Beijing's Military WSJ
- Judge blocks Trump's \$100,000 H-1B visa fee CNBC
- A massive 16% market swing just rocked South Korea over 24 hours. The retail 'ants' holding the wheel are driving dangerously. MW

### *Of Interest*

- The great gold myth: Why the precious metal isn't the war hedge we're told it is MW
- Victor Wembanyama achieves New York sports villain status with dominant Game 3 NYT
- NASA Will Unveil New Astronauts and an Update on Its Moon Program NYT

### Overnight

S&P Futures	+28 ▲ point(s) (+0.37% ▲)
overnight range:	-26 ▼ to +40 ▲ point(s)

### APAC

Nikkei	+2.17% ▲
Topix	+1.14% ▲
China SHCOMP	+1.28% ▲
Hang Seng	-0.37% ▼
Korea	+8.18% ▲
Singapore	+1.20% ▲
Australia	-0.24% ▼
India	+0.52% ▲
Taiwan	+2.76% ▲

### Europe

Stoxx 50	+0.78% ▲
Stoxx 600	+0.47% ▲
FTSE 100	-0.28% ▼
DAX	+0.43% ▲
CAC 40	+0.68% ▲

Italy	+1.84% ▲
IBEX	+0.96% ▲
Canada	+0.19% ▲
Mexico	-0.74% ▼
Brazil	-0.21% ▼

## FX

Dollar Index (DXY)	-0.33% ▼ to 99.718
EUR/USD	+0.31% ▲ to 1.1570
GBP/USD	+0.44% ▲ to 1.3399
USD/JPY	-0.01% ▼ to 160.18
USD/CNY	+0.17% ▲ to 6.7717
USD/CNH	+0.18% ▲ to 6.7725
USD/CHF	+0.28% ▲ to 0.7955
USD/CAD	+0.22% ▲ to 1.3923
AUD/USD	+0.21% ▲ to 0.7060

## UST Term Structure

2Y-3M Spread narrowed	-2.8bps ▼ to 41.5bps
10Y-2Y Spread widened	0.9bps to 40.5bps
30Y-10Y Spread widened	0.8bps to 47.7bps

## USD HY OaS

All Sectors	-0.8bps ▼ to 308bps
All Sectors ex-Energy	-0.1bps ▼ 295bps
Cons Disc	+0.4bps ▲ to 470bps

Indu	-1.0bps ▼ to 247bps
Tech	-0.2bps ▼ to 213bps
Comm Svcs	-0.7bps ▼ to 295bps
Materials	+0.9bps ▲ to 248bps
Energy	-0.6bps ▼ to 287bps
Fin Snr	-1.1bps ▼ to 201bps
Fin Sub	-0.5bps ▼ to 305bps
Cons Staples	+1.9bps ▲ to 437bps
Healthcare	-0.5bps ▼ to 314bps
Utes	-0.0bps ▼ to 206bps *

DATE	TIME	DESCRIPTION	ESTIMATE	LAST
6/9	8:30 AM	Apr Trade Balance	-56.1	-60.307
6/9	10:00 AM	May Existing Home Sales	4.07	4.02
6/9	10:00 AM	May Existing Home Sales m/m	1.1	0.25
6/10	8:30 AM	May CPI m/m	0.5	0.6
6/10	8:30 AM	May Core CPI m/m	0.3	0.4
6/10	8:30 AM	May CPI y/y	4.2	3.8
6/10	8:30 AM	May Core CPI y/y	2.9	2.8
6/11	8:30 AM	May PPI m/m	0.7	1.4
6/11	8:30 AM	May Core PPI m/m	0.5	1
6/12	10:00 AM	Jun P UMich 1yr Inf Exp	4.9	4.8
6/12	10:00 AM	Jun P UMich Sentiment	46	44.8
6/15	10:00 AM	Jun Homebuilder Sentiment	37	37

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