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Instant Analysis of Today's Employment Report for May

Job Market Holding Up; +217K vs. Consensus Exp. +215K
May Jobs Report In-Line with Consensus
Avg. Monthly Payroll Gains over Past 2-Months Improves to +250K
Moderate Job Growth across Goods & Services Sectors
Business Services (+55K), Ed & Health (+63K), Leisure & Hospitality (+39K)
Retail Trade (+13K), Manufacturing (+10K), and Construction (+6K)
Household Survey Not As Robust- HH Employment (+145K)
Unemployment Rate Hold at 6.3% as Labor Force Grows By +192K
Labor Force Participation Rate Remains at 62.8%
Hourly Earnings Increase +0.2% in May; Avg. Hours Worked Steady at 34.5
Market Reaction to Payroll Report; Stocks +0.2% 10-Yr Treasury Yield 2.55%

The May jobs report provided few surprises compared to recent employment report releases. The details of the report were about as expected. It was actually a pleasant, but somewhat boring read for a change. The 217K job increase in May was just a touch above consensus expectations for 215K, but somewhat under our estimate of 240K. Markets may have been hoping for more, given the improvement in initial jobless claims on the month. The 10-year Treasury bond yield sank 3 basis points following the release to 2.55 percent. Even so, today's employment report bolsters the evidence that the labor market recovery ramped up in recent months. Average monthly job growth over the past two months has averaged 250K a month.

The household employment survey was less ebullient than the employment survey again. Household employment gained 145K jobs while the labor force rebounded a modest 192K. On the other hand, the labor force participation rate held at 62.8 percent and the unemployment rate stayed at 6.3 percent. The broader U6 measure of unemployment actually improved to 12.2 percent from 12.3 percent in April. At the same time, the average duration of unemployment improved to 34.5 weeks from 35.1 weeks in April. While labor market improvement is still more gradual than we would like, the march toward economic normalization continues unabated.

One notable positive, beyond the job creation today was the improvement in the income trends. Average hourly earnings increased 0.2 percent in May and the year-on-year gains improved to 2.1 percent. While avg. weekly hours held steady at 34.5 hours. Strong earnings growth will be needed to spur further consumer spending gains in the months ahead.

Private services payroll gains remained solid in May. Service employment increases continue to drive the majority of payroll gains. Education and health (+63K) and leisure and hospitality (+39K) net job gains improved in May. Gains in business services (+55K), finance (+3K), and retail trade (+13K) slowed. Only information services (-5K) and Federal government (-5K) lost net jobs last month.

The manufacturing sector ramped up hiring in May, while Construction payroll gains slowed. Construction (+6K) and Manufacturing (+10K) both added net jobs last month.

Bottom-line, another respectable employment report for May that brings the Fed closer to its goals on full-employment. The report still fits with our stronger growth outlook for the second quarter and over the balance of the year. It also match's well with the FOMC's expectations for the labor market, and likely means more $10 billion dollar reductions in monthly asset purchases at future FOMC meetings. Market reaction has been muted to this employment report, stock futures were up two-tenths of a percentage point and the 10-year Treasury yield fell modestly to 2.55 percent.