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## Instant Analysis of Today's Employment Report for January

Job Creation Exceeded Expectations in January; +257K vs. Consensus Exp. +228K
Wage growth Accelerates- Average Hourly Earnings up +0.5%; (+2.2% Y-o-Y)
November and December Job Numbers Revised Up a Net +147K
Unemployment Rate Rises 0.1% to 5.7% as Labor Force Participation Improves
Job Growth in All Major Sectors except Government (-10K)
Business Services (+39K), Ed & Health (+46K), Leisure & Hospitality (+37K)
Trade (+51K), Manufacturing (+22K), and Construction (+39K)
January's Employment Report Keeps Fed on Mid-2015 Rate Hike Course
Market Reaction to Report; USD Rises; S&P 500 +0.43%; 10-Yr Treasury Yield +6 bps 1.88%

Three cheers for the U.S. labor market. Once again the monthly jobs report exceeds economists' consensus expectations. The U.S. economy created another +257K net non-farm jobs in January, and the last two months of gains were revised up by another +147K jobs. The labor market is clearly on a roll despite headwinds from abroad and large swings in the dollar and global oil prices. We have had eleven consecutive months now of over +200K a month net non-farm job gains. Over the last three months alone the net non-farm job gains have averaged +336K a month- an increase of over a million jobs.

The U.S. unemployment rate increase by a tenth of a percent to 5.7 percent in January- partially reversing the two tenths decline last month. But it was driven by hundreds of thousands of folks re-entering the labor force to find jobs- another positive sign of labor market healing. The labor force increased by more than a million people in January and the labor force participation rate increased to 62.9 percent from 62.7 percent in December.

Wage gains also appear to be accelerating as more people find employment. Average hourly earnings released with this report increased 0.5% in January more than reversing Decembers -0.2% plunge. January's gain helped push the year-on-year growth rate for average hourly earnings to a more respectable 2.2%. These average hourly earnings figures are more in-line with other measures of wage growth like the quarterly employment cost index and should ease concerns at the Fed that wage growth in the United States is taking a turn for the worse. As nominal wage growth in the U.S. picks up and inflation moderates on lower oil prices, the average worker will see a healthy boost to their real purchasing power this year.

By sector, we saw steady job growth for all major sectors excluding government, which lost -10K jobs. Trade led the way adding a net (+51K) jobs, education and health (+46K), construction (+39K), business services (+39K), leisure and hospitality (+37K), finance (+26K), manufacturing (+22K), information (+6K). The breadth of these job gains across sectors suggest a sustainable and vibrant labor market recovery remains in place in the first quarter of 2015.

Bottom-line, we received another solid employment report this month that reinforces the resilience and breadth of the current labor market recovery. There was very little in this January jobs report to criticize. The report should ease fears at the Fed that the global downturn and sharp drop in oil prices are materially disrupting their sanguine view of the U.S. economic outlook. The January jobs report probably keeps the FOMC firmly on course for a June 2015 liftoff date for the Fed funds target rate. The report also fits in well with our 3.1 percent growth outlook for the U.S. economy this year. The pick-up in average hourly earnings gains was a belated Christmas present. It should help the Fed look past a temporary drop in inflation this year and keep their eye on gradually normalizing interest rates. Market reaction was generally positive and what you would expect from a report like this. S&P 500 futures indicated opening about 0.43% higher, the

10-year Treasury yields were trading about 6 basis points higher to 1.88 percent, and the US dollar was strengthening against most major currencies.