
ENDING THE FIRST HALF ON A SOLID NOTE

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The Bureau of Labor Statistics kicked off the holiday weekend with the June jobs report. While there wasn't anything really headline grabbing, it was another relatively solid showing and underscored that the U.S. labor market continues to recover from last March/April's horrible performance. Here are some highlights:

- Total nonfarm payrolls (NFP) rose by 850,000, the highest gain thus far in 2021 and 130,000 more than consensus forecasts.
- Job gains were relatively widespread as private service-providing employment increased by 642,000. Once again, outsized job gains occurred in areas that were hit hard by the pandemic, such as leisure and hospitality (+343,000).
- For the record, NFP have now recouped about 70% of the losses from March/April 2020.
- The one soft spot, at least on a media headline basis, was the 0.1 percentage point increase, to 5.9%, in the unemployment rate.
- However, on further review, it looks like most of the increase was due to 'job leavers,' a category typically associated with individuals who quit their previous job to look for new employment.
- Wages, wages, wages...that's what I'll be watching very closely in the months ahead, especially given the backdrop of recently elevated inflation readings.
- Average hourly earnings jumped 3.6% on an annualized basis and reflected higher wage gains essentially across the board.
- This report should have little impact on the [Federal Reserve's \(Fed\)](#) taper debate. While it doesn't suggest any urgency for the [Fed](#) to make changes at the July [FOMC](#) meeting, it does provide an argument for those policymakers who want to begin [tapering](#) sooner rather than later.
- The U.S. Treasury (UST) 10-Year yield is looking for new guidance, and the June jobs report does not necessarily serve as that type of catalyst.

Conclusion

Unfortunately for investors who were hoping the June jobs report would serve as some sort of indicator of where the [UST 10-Year yield](#) could be headed, this is probably not going to be the case. After finishing the first quarter at its recent high watermark of just under 1.75%, the UST 10-Year yield was in a range-bound pattern in the second quarter but skewed to the downside. Just this week it fell below 1.40%. In our opinion, the U.S. economy will continue on its robust post-pandemic recovery path, with elevated [inflation](#) proving to be more than just a transitory phase. As a result, the UST 10-Year yield should resume the upward bias seen earlier this year, with the 2% threshold coming into focus later this year.

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Federal Reserve : The Federal Reserve System is the central banking system of the United States.

Federal Open Market Committee (FOMC) : The branch of the Federal Reserve Board that determines the direction of monetary policy.

Tapering : A shift in monetary policy by which the Federal Reserve would begin decreasing the amount of bonds it purchases.

10-year government bond yield : Yields on the 10 year government debt security.

Inflation : Characterized by rising price levels.