

MISSED IT BY THAT MUCH

Kevin Flanagan — Head of Fixed Income Strategy

09/08/2021

After looking at the August Employment Situation report, I couldn't help but get a sense of déjà vu. Do you remember a few months back when forecasters had their worst "miss" ever in terms of projecting nonfarm payrolls (NFP)? Well, this latest NFP "miss" gets the silver medal and brought to mind the classic *Get Smart* quote, "missed it by that much."

For the record, total NFP rose by 235,000 in August, as compared to the consensus forecast of a 733,000 increase. For those keeping track, that's nearly a half-million worker "miss". As was the case with the April jobs report "miss" (which was nearly three-quarters of a million), I don't believe this is representative of a renewed trend towards deceleration, and it also underscores how COVID-19 can wreak havoc on trying to project economic data. Indeed, as we have seen with various consumer confidence surveys, it appears as if the delta variant is finally making its impact felt on some of the already released economic reports for August, and hopefully, this will prove to be just a temporary hurdle. Perhaps the best "case in point" would be to look at the Leisure & Hospitality component, the grouping arguably most impacted by COVID-19 on both ends of the spectrum. This sector was unchanged last month after posting an average monthly gain of 406,000 during the June/July period.

When examining the jobs data more closely, some perspective is also needed. For example, the prior two months' tallies were revised upward and now show a monthly average increase of over +1.0 million workers. In other words, the August disappointment is coming off of an incredibly solid performance earlier in the summer. In addition, the unemployment rate continued to drop, falling 0.2pp to 5.2%, with the alternate measure, civilian employment, actually rising 509,000.

Remember how I've been highlighting to keep your eye on wage trends? Well, average hourly earnings certainly did not disappoint, posting a year-over-year increase of 4.3% on top of July's upwardly revised figure of +4.1%. This elevated trend was relatively broad-based as well and will need to be monitored closely for the ongoing [inflation](#) debate.

So, of course, the [U.S. Treasury \(UST\)](#) market rallied on this "large NFP miss," right? Not so fast, after a knee-jerk positive reaction, the UST 10-yr yield rose about +5 [basis points \(bps\)](#) to 1.33%, as of this writing. From a technical perspective, the one-year Fibonacci analysis for the ten-year placed 1.3265% as the next retracement level to the upside. A close above this level opens the door to a potential next stop of roughly 1.50%. The UST 10-year yield hasn't been at 1.50% on a sustained basis in about three months.

Finally, the [Federal Reserve \(Fed\)](#). I don't think this NFP disappointment necessarily stops the Fed from [tapering](#) later this year, but you will need to see some rebound in job creation in upcoming reports to keep this timeline on track. Remember, from here on out, the policymakers will be emphasizing their 'maximum employment' goal when making future policy decisions.

Unless otherwise stated all data sourced is Bureau of labor statistics as of 9/3/2021

For standardized performance and the most recent month-end performance click [here](#) NOTE, this material is intended for electronic use only. Individuals who intend to print and physically deliver to an investor must print the monthly performance report to accompany this blog.

View the online version of this article [here](#).

IMPORTANT INFORMATION

U.S. investors only: Click [here](#) to obtain a WisdomTree ETF prospectus which contains investment objectives, risks, charges, expenses, and other information; read and consider carefully before investing.

There are risks involved with investing, including possible loss of principal. Foreign investing involves currency, political and economic risk. Funds focusing on a single country, sector and/or funds that emphasize investments in smaller companies may experience greater price volatility. Investments in emerging markets, currency, fixed income and alternative investments include additional risks. Please see prospectus for discussion of risks.

Past performance is not indicative of future results. This material contains the opinions of the author, which are subject to change, and should not to be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. There is no guarantee that any strategies discussed will work under all market conditions. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. This material should not be relied upon as research or investment advice regarding any security in particular. The user of this information assumes the entire risk of any use made of the information provided herein. Neither WisdomTree nor its affiliates, nor Foreside Fund Services, LLC, or its affiliates provide tax or legal advice. Investors seeking tax or legal advice should consult their tax or legal advisor. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

The MSCI information may only be used for your internal use, may not be reproduced or re-disseminated in any form and may not be used as a basis for or component of any financial instruments or products or indexes. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each entity involved in compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties. With respect to this information, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including loss profits) or any other damages (www.msci.com)

Jonathan Steinberg, Jeremy Schwartz, Rick Harper, Christopher Gannatti, Bradley Krom, Tripp Zimmerman, Michael Barrer, Anita Rausch, Kevin Flanagan, Brendan Loftus, Joseph Tenaglia, Jeff Weniger, Matt Wagner, Alejandro Saltiel, Ryan Krystopowicz, Kara Marciscano, Jianing Wu, Brian Manby and Scott Welch are registered representatives of Foreside Fund Services, LLC.

WisdomTree Funds are distributed by Foreside Fund Services, LLC, in the U.S. only.

You cannot invest directly in an index.

DEFINITIONS

Inflation : Characterized by rising price levels.

Treasury : Debt obligation issued by the U.S. government with payments of principal and interest backed by the full faith and credit of the U.S. government.

Basis point : 1/100th of 1 percent.

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

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