

HOW BAD WAS IT?

Kevin Flanagan — Head of Fixed Income Strategy
05/11/2020

All eyes were on Friday's jobs report to see just how bad it really was. And yes, indeed, it was bad...the worst report in our professional careers! Here are the highlights:

- OK, first up, nonfarm payrolls: the total decline was by a record 20.5 million workers; consensus had been for -22.0 million
- While job losses were widespread, as we've seen in prior data, the service sector was hit the hardest, with the payroll decline of about 17.2 million. Here's a breakdown of the key categories:
 - Leisure & hospitality down 7.7 million, representing about 38% of the decline in total payrolls
 - Education & health, professional & business services and retail trade were all down more than 2.0 million
 - Government payroll contracted by 980,000, a little more than 800,000 of which at the local level
- The unemployment rate skyrocketed to 14.7% vs. consensus of 16%. This was the largest month-over-month increase (10.3 percentage points) and the highest reading since 1948 (which is as far back as the data goes). During the Great Depression the peak was 25%.
- While April could represent the peak in payroll job losses, the jobless rate could move even higher in May before declining again
- Year-over-year average hourly earnings soared by 7.9%, with the lion's share of job losses occurring in lower-wage jobs
- The [UST 10-Year yield](#) has risen a couple of [basis points \(BPs\)](#); so, is this report "old news"?
- Looking ahead, the number of new weekly jobless claims remains historically high, but a faint silver lining is that they have now declined for five weeks in a row

Bottom line: The [U.S. Treasury](#) market, and by extension the [Federal Reserve](#), knew this report would be awful, which, in my opinion, was fully reflected in the price/[yield](#). Now the attention turns to what comes next. One could reason that these job numbers may represent the low point by certain measures. While we do not expect a sharp snap back in labor force activity anytime soon, it is reasonable to expect that the long, slow climb out of the crater may be the next step in this unprecedented process. In a recession, one typically sees the lion's share of declines in permanent jobs, but thus far it is the number of temporary layoffs that stands out. Unfortunately, a portion of these "temporary" layoffs could become permanent, but hopefully, the nature of these job losses and the aggressive [fiscal policy](#) measures up to this point (and perhaps more to come) can reverse the trend as businesses reopen.

Unless otherwise stated, data source is Bloomberg, as of May 8, 2020.

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.

For more investing insights, check out our [Economic & Market Outlook](#)

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, Jianing Wu, and Brian Manby 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

10- Year Treasury : a debt obligation of the U.S. government with an original maturity of ten years.

Basis point : 1/100th of 1 percent.

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.

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

Yield : The income return on an investment. Refers to the interest or dividends received from a security that is typically expressed annually as a percentage of the market or face value.

Fiscal Policy : Government spending policies that influence macroeconomic conditions. These policies affect tax rates, interest rates and government spending, in an effort to control the economy.