Financial Markets This Week

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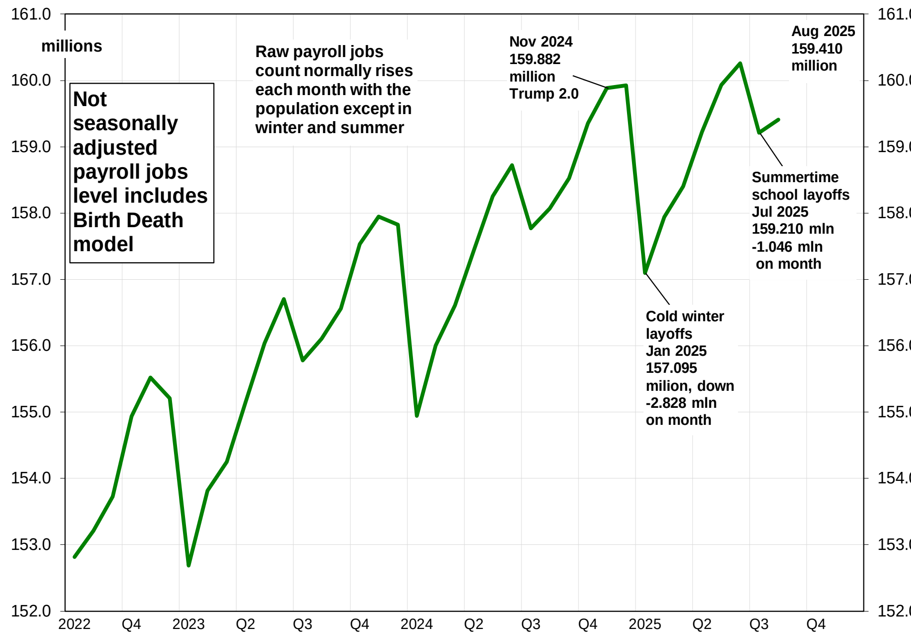
NO JOBS REPORT



Not a lot of additional nonfarm payroll jobs out there to crow about, where after revisions there is just 1K more workers employed than there were in the last jobs report released on Friday August 1. Maybe the others went to Guatemala. Payroll employment levels are highly changeable based on the seasons and we doubt the new administration will be able to enhance the BLS survey much. The chart here shows how not seasonally adjusted jobs drop dramatically in the cold winter weather, 2.8 million in January 2025; construction -264K, manufacturing -110K, retail -436K, motion pictures even -34K, private education -138K, health care -86K, bars/restaurants -293K. Jobs also drop dramatically every July which is almost entirely local government schools out for summer, out forever. The not seasonally adjusted data in the graph here include the birth/death model figures as shown in the table below. These estimates have to be included because when they check the unemployment insurance tax records, there are additional jobs out there at the end of the year. Finally, the jobs data are seasonally adjusted, and yet the numbers and revisions are still volatile. Imperfection is what you would expect when trying to measure each month just how many people are working at companies in the USA.

Monthly Changes Payroll Jobs

000s Month	Sample NSA	Birth Death	Seasonal Factor	Sum Total
202408	229	70	-228	71
202409	586	-129	-217	240
202410	476	349	-781	44
202411	518	12	-269	261
202412	87	-46	282	323
202501	-2723	-105	2939	111
202502	713	136	-747	102
202503	491	-33	-338	120
202504	432	393	-667	158
202505	504	199	-684	19
202506	302	24	-339	-13
202507	-1303	257	1125	79
202508	110	90	-178	22

+22K payroll jobs created in August 2025

Here are our more colorful remarks made after the data released at 830am ET this morning. Net, net, the make or break jobs report turned into break this month as the economy is on the razor edge and the data may yet be revised to show the economy is in recession with the loss of jobs. The labor market is done, busted, and the only medicine to help is a rate cut from the Federal Reserve later this month. The 2020 jobs report was as imperfect as you can get with 22K more jobs created in August, and July and June revised down a net 21K. Just one thousand more jobs out there than we knew a month ago which is unlikely to be music to the Trump Administration's ears. The Great American jobs machine has stalled. There was no credibility problem at the BLS after all because there was nothing to report in today's No Jobs Report. Believers in the market over the economy's ability to weather the tariff storm got it right between the eyes today as bond and stock markets leaped on the as yet unverified jobs count or rather the no jobs count. No jobs to report. The economy is skating as close to the edge of recession as you can get. Companies are clearly hunkering down and refusing to hire and the blame can be traced back to Washington's economic agenda.

Since the April 2 Rose Garden reciprocal tariff announcement, jobs have slowed dramatically. Manufacturing jobs are down 38K this year, and Federal jobs down 88K. The "strength" in August comes from Education and health up 46K, and Leisure and hospitality where Amusement, gambling, and recreation industries gained 13K. Stay tuned. Payroll jobs drop over a series of months in recessions. Getting closer. We were about to explain why the native born population is up an impossible 3.2 million since January while foreign born Americans are down 1.9 million, but we ran out of space ran out of space ran out of space

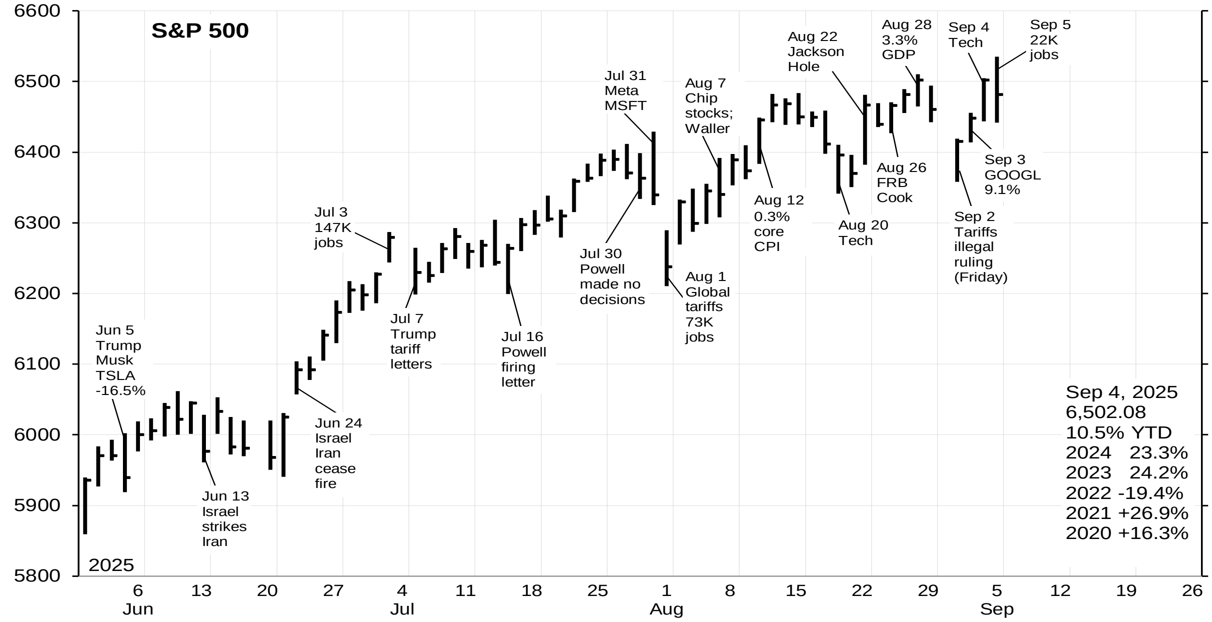
Payroll jobs average 27K since April

Dec. 2024 Totals millions		Aug 25	Jul 25	Jun 25	8 months Dec 24 to Aug 25	12 months Dec 23 to Dec 24
158.942	Nonfarm Payroll Employment	22	79	-13	598	2012
135.382	Total Private (ex-Govt)	38	77	-27	590	1559
21.673	Goods-producing	-25	-8	-21	-47	72
0.585	Mining	-6	-4	-1	-13	-9
12.760	Manufacturing	-12	-2	-17	-38	-105
1.008	Motor Vehicles & parts	-7	2	-3	-14	-20
1.015	Computer/electronics	-2	-1	-3	-13	-28
1.770	Food manufacturing	3	-1	0	7	17
8.289	Construction	-7	-1	-2	6	190
5.248	Specialty trade contractors	-5	-6	5	-6	112
113.709	Private Service-providing	63	85	-6	637	1487
29.033	**Trade, transportation, utilities**	2	5	-13	49	179
15.538	Retail stores	11	7	-5	51	-6
3.273	General Merchandise	10	8	-2	49	48
3.235	Food & Beverage stores	4	-1	0	13	19
6.723	Transportation/warehousing	4	6	4	25	136
1.521	Truck transport	-1	4	-4	2	-18
0.569	Air transportation	0	3	-3	11	7
1.153	Couriers/messengers	4	4	5	5	79
1.844	Warehousing and storage	1	-1	2	-14	15
2.944	**Information**	-5	-7	-3	-18	-18
0.484	Computing, data, web hosting	0	-3	1	0	0
9.206	**Financial**	-3	9	-6	44	30
3.019	Insurance	-6	8	-8	1	37
2.481	Real Estate	2	-4	-2	17	11
1.369	Commercial Banking	0	-1	1	-7	-17
1.128	Securities/investments	1	3	4	22	16
22.614	**Professional/business**	-17	-10	-24	-78	-50
2.552	Temp help services	-10	-10	-10	-53	-159
2.622	Management of companies	0	-1	-1	11	7
1.729	Architectural/engineering	-2	5	4	24	54
2.446	Computer systems/services	-3	-3	-10	-31	-6
1.192	Legal services	0	2	3	9	-10
1.141	Accounting/bookkeeping	1	-1	1	13	-9
26.931	**Education and health**	46	77	51	521	999
5.641	Hospitals	9	12	14	123	209
8.934	Ambulatory health care	13	35	11	84	330
3.992	Educational services	-1	5	-8	6	80
16.979	**Leisure and hospitality**	28	6	-5	71	251
1.949	Hotel/motels	2	3	-5	2	29
12.365	Eating & drinking places	11	6	-6	13	130
23.560	Government	-16	2	14	8	453
2.413	Federal ex-Post Office	-11	-13	-9	-88	48
5.512	State government	-13	-5	-4	-19	134
2.630	State Govt Education	-6	-7	-2	-24	37
15.036	Local government	12	17	27	121	273
8.186	Local Govt Education	9	8	21	56	109

Monthly changes (000s)	Aug	Jul	Jun	May	Apr
Payroll employment	22	79	-13	19	158
Private jobs	38	77	-27	69	133
Federal govt ex-post office	-11	-13	-9	-19	-14
Bars/Restaurants	11	6	-6	15	15
HH Employment Survey*	288	-260	93	-696	461
Unemployment rate %	4.3	4.2	4.1	4.2	4.2
Participation rate %	62.3	62.2	62.3	62.4	62.6
Not in labor force (mln)	103.223	103.443	103.204	102.875	102.062
... and Want A Job (mln)	6.354	6.175	6.030	5.991	5.672
Average hourly earnings	$36.53	$36.43	$36.31	$36.23	$36.08
MTM % Chg	0.3	0.3	0.2	0.4	0.2
YOY % Chg	3.7	3.9	3.7	3.8	3.8

* Household (telephone) Survey of employment behind unemployment rate

INTEREST RATES

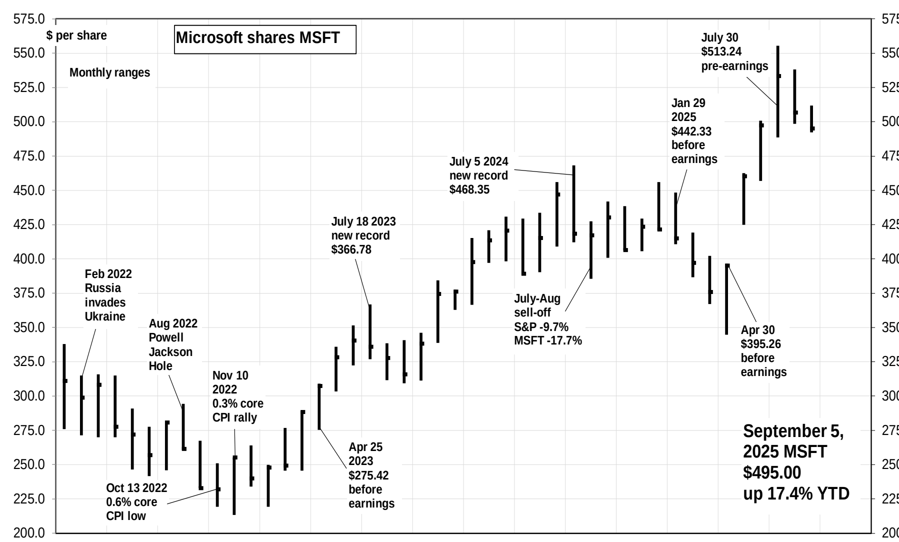


The seasonal September stock market sell-off in the first week was a bust with the S&P 500 falling as much as 1.5% to Tuesday's low after the Labor Day holiday weekend on the news late last Friday that the Trump import tariffs were illegal. For bonds, 4.20% was long-standing resistance for any price rally and this broke in overnight trading even before any soft US economy news on Thursday. Bonds are gaining confidence that multiple Fed rate cuts are coming, and this was confirmed after Friday's no jobs report with the highest unemployment rate yet this year of 4.3%. Bond yields were 4.137% before the 22K jobs number. Stocks rallied but then fell back to a loss on the day. Hate to say bad news is back to being bad news. Maybe markets think the Fed cannot fix the economy. 10-yr yields closed at 4.08% Friday, same story with 4% bond yields even if the Fed cuts rates to 3%. S&P 500 10.2% YTD.

Microsoft (MSFT) up 17.4% YTD

The stock had its moment jumping 8.2% after earnings to a new record high of $555.45 on Thursday July 31, and that was it. MSFT closed up just 3.9% on July 31 after Trump sent his letters to pharma to cut drug pricing, and later that evening there was the final Global tariffs announcement. The stock fell 2.6% on Friday along with many tech companies although there was a disclosure that CEO Nadella sold $75 million worth of shares.

Calendar Year Mln $	Revenue	Productivity Business Processes	Intelligent Cloud	More Personal Computing
Q2 2025	76,441	33,112	29,878	13,451
Q1 2025	70,066	29,944	26,751	13,371
Q4 2024	69,632	29,437	25,544	14,651
Q3 2024	65,585	28,317	24,092	13,176
Q2 2024	64,727	28,627	23,785	12,315
Q1 2024	61,858	27,113	22,141	12,604
Q4 2023	62,020	25,854	21,525	14,641
	Income	Processes	Cloud	Computing
Q2 2025	34,323	18,993	12,140	3,190
Q1 2025	32,000	17,379	11,095	3,526
Q4 2024	31,653	16,885	10,851	3,917
Q3 2024	30,552	16,516	10,503	3,533
Q2 2024	27,925	15,706	9,835	2,384
Q1 2024	27,581	15,143	9,515	2,923
Q4 2023	27,032	14,515	9,555	2,962



FEDERAL RESERVE POLICY

The Fed meets September 16-17, 2025 to consider its monetary policy. The unemployment rate is back to 4.3%. It was 4.3% in July 2024 and moving up quickly at the time, a fact that Powell said was responsible for starting out with a big 50 bps rate cut from 5.5% in September 2024. That 4.3% in July 2024 has since been revised down a tenth to 4.2%, but now it is back in August 2025, and one wonders if policymakers go with another big 50 bps rate cut in a couple of weeks given the President is hollering for sharply lower interest rates. The unemployment rate is not rising sharply this year as it was last year, but the payroll jobs numbers are weaker versus the August 2, 2024's report of 114K July, 179K June, 216K May. There were some brave Fed voices after the jobs report on Friday. Chicago Fed President Goolsbee said he would be nervous if he started seeing layoffs. But the drumbeat for change continues with Trump saying late Friday that Warsh, Hassett and Waller were possible Fed Chairs. Bessent doesn't want it. Who would.

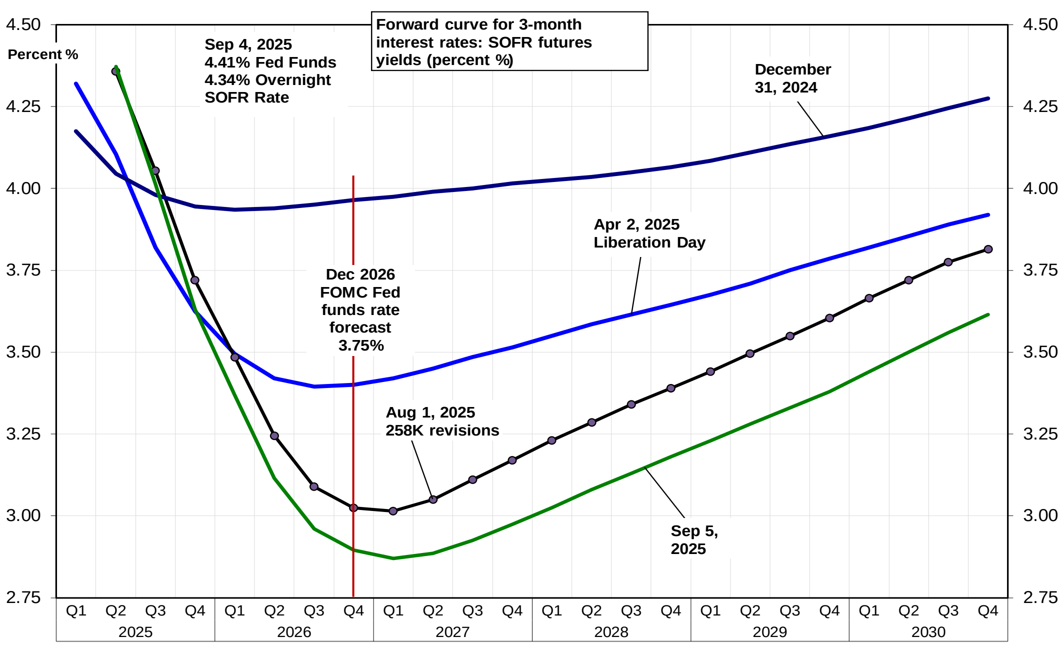
Selected Fed assets and liabilities

Fed H.4.1 statistical release billions, Wednesday data	3-Sep	27-Aug	20-Aug	13-Aug	3/11/20*	Change from 3/11/20 to Sep 3
Factors adding reserves						
U.S. Treasury securities	4200.818	4202.351	4201.953	4204.823	2523.031	1677.787
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	2102.846	2102.846	2116.764	2120.606	1371.846	731.000
Repurchase agreements	0.003	0.021	0.201	0.001	242.375	-242.372
Primary credit (Discount Window)	4.374	4.191	4.414	4.623	0.011	4.363
Bank Term Funding Program	0.000	0.000	0.000	0.000		
FDIC Loans to banks via Fed	0.000	0.000	0.000	0.000		
Paycheck Protection Facility	1.406	1.406	1.407	1.409		
Main Street Lending Program	4.259	4.254	4.250	4.481		
Term Asset-Backed Facility (TALF II)	0.000	0.000	0.000	0.000		
Gold stock	11.041	11.041	11.041	11.041	11.041	0.000
Central bank liquidity swaps	0.041	0.040	0.046	0.046	0.058	-0.017
Federal Reserve Total Assets	6652.9	6654.2	6669.5	6694.6	4360.0	2292.890
~~3-month Libor %~~ SOFR %	4.39	4.36	4.31	4.33	1.15	3.240
Factors draining reserves						
Currency in circulation	2412.746	2407.523	2403.844	2403.364	1818.957	593.789
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	661939.000	595.798	526.063	515.469	372.337	########
Treasury credit facilities contribution	2.029	2.029	2.029	2.029		
Reverse repurchases w/others	17.923	34.744	34.999	57.202	1.325	16.598
Federal Reserve Liabilities	3485.011	3437.382	3371.838	3366.277	2580.036	904.975
Reserve Balances (Net Liquidity)	3167.905	3216.851	3297.635	3328.346	1779.990	1387.915
Treasuries within 15 days	21.921	51.346	54.667	85.044	21.427	0.494
Treasuries 16 to 90 days	195.647	162.597	158.447	150.698	221.961	-26.314
Treasuries 91 days to 1 year	457.670	460.469	461.246	452.564	378.403	79.267
Treasuries over 1-yr to 5 years	1437.140	1443.113	1442.905	1426.444	915.101	522.039
Treasuries over 5-yrs to 10 years	502.433	500.833	500.801	514.779	327.906	174.527
Treasuries over 10-years	1586.006	1583.994	1583.886	1575.295	658.232	927.774
Note: QT starts June 1, 2022	Change	9/3/2025	6/1/2022			
U.S. Treasury securities	-1569.961	4200.818	5770.779			
Mortgage-backed securities (MBS)	-604.600	2102.846	2707.446			

**March 11, 2020 start of coronavirus lockdown of country

Fed Policy-key variables	2025	2026	2027	Long Term
Fed funds	3.9	3.6	3.4	3.0
PCE inflation	3.0	2.4	2.1	2.0
Core inflation	3.1	2.4	2.1	
Unemployed	4.5	4.5	4.4	4.2
GDP	1.4	1.6	1.8	1.8

June 2025 median Fed forecasts



A 25 bps rate cut is discounted at the September meeting. More rate cuts are almost discounted in October and in December.

Fed funds futures call Fed policy

Current target: September 5 -- 4.50%

Rate+0.17	Contract	Fed decision dates
4.215	Oct 2025	Sep 17*
4.035	Nov 2025	Adds Oct 29
3.795	Jan 2026	Adds Dec 10*

Last trade, not settlement price

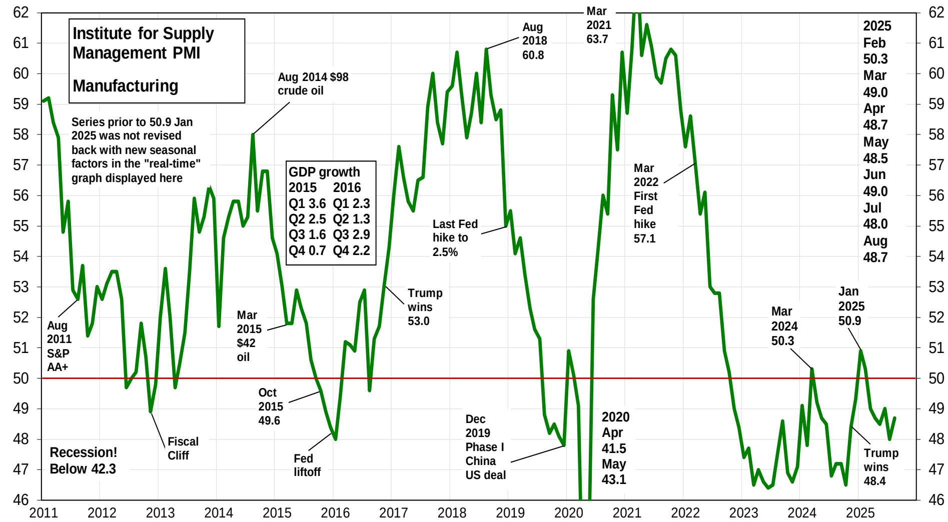
*Not strictly true, Oct 2025 and Jan 2026 contracts could be two days at a new rate

Next up: August CPI inflation report Thursday, September 11 at 830am ET

Monthly % Changes	2025 Aug	Jul	Jun	May	Apr	Mar	Feb	2025 Jan	2024 Dec	Nov	Oct	Sep	Aug	Jul	2024 Jun
Core CPI inflation		0.3	0.2	0.1	0.2	0.1	0.2	0.4	0.2	0.3	0.3	0.3	0.3	0.2	0.1
Core PCE inflation		0.3	0.3	0.2	0.2	0.1	0.5	0.3	0.2	0.1	0.3	0.3	0.2	0.2	0.2
Core PCE YOY		2.9	2.8	2.7	2.6	2.7	2.9	2.7	2.9	2.8	2.8	2.7	2.7	2.7	2.6
Core CPI YOY		3.1	2.9	2.8	2.8	2.8	3.1	3.3	3.2	3.3	3.3	3.3	3.2	3.2	3.3

OTHER ECONOMIC NEWS

They aren't building factories yet (Tuesday)

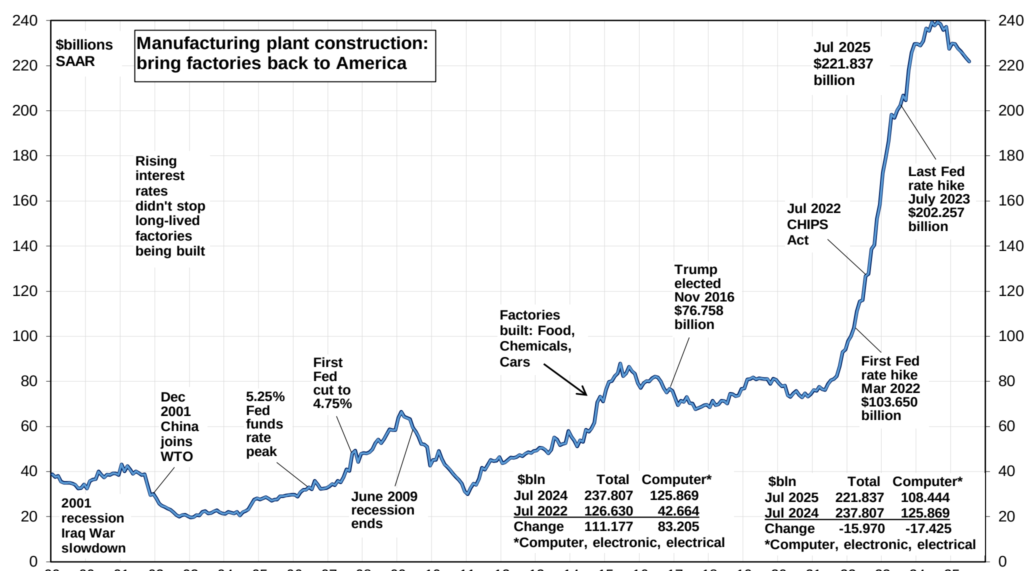


Breaking economy news. At 10am this morning the ISM manufacturing index for August and the construction data for July. ISM manufacturing is still below the 50 level showing the sector is contracting, although new orders bounced back into positive territory. Private nonresidential construction fell 0.5% in July and is down 3.7% from a year ago. Manufacturing construction has come off the 2024 peak where the driver up/down was the Chips Act. Construction spending on plants in the GDP accounts has been flat to slightly down since the first quarter of 2024, and subtracted 0.3 percentage points from Q2 2025 3.3% real GDP.

ISM manufacturing index

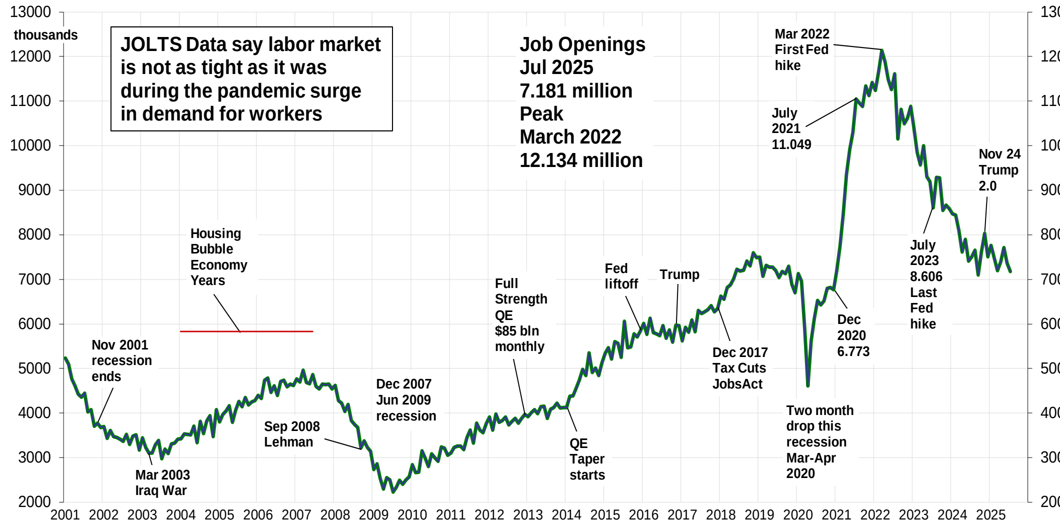
	Aug 25	Jul 25	Jun 25	May 25
PMI index	48.7	48.0	49.0	48.5
Prices	63.7	64.8	69.7	69.4
Production	47.8	51.4	50.3	45.4
New orders	51.4	47.1	46.4	47.6
Supplier deliveries	51.3	49.3	54.2	56.1
Employment	43.8	43.4	45.0	46.8
Export orders	47.6	46.1	46.3	40.1
Import orders	46.0	47.6	47.4	39.9

Net, net, purchasing managers in manufacturing report significantly stronger new orders in August which is yet another economic number showing the economy is weathering America's tariff war for now. The picture is mixed however. Washington has made it a priority to revitalize the manufacturing sector and is seeing come success even if the index overall remains below the 50 level which shows the sector is in decline. Employment in manufacturing remains weak according to purchasing managers, so it is no surprise that other data from the Census Bureau show private construction of manufacturing plants fell 0.7% in July and is 6.7% lower than a year ago. Stay tuned. There is some glimmer of hope seen for US manufacturing with new orders on the rise even if the return of offshore factories back to US shores is not happening at the moment.

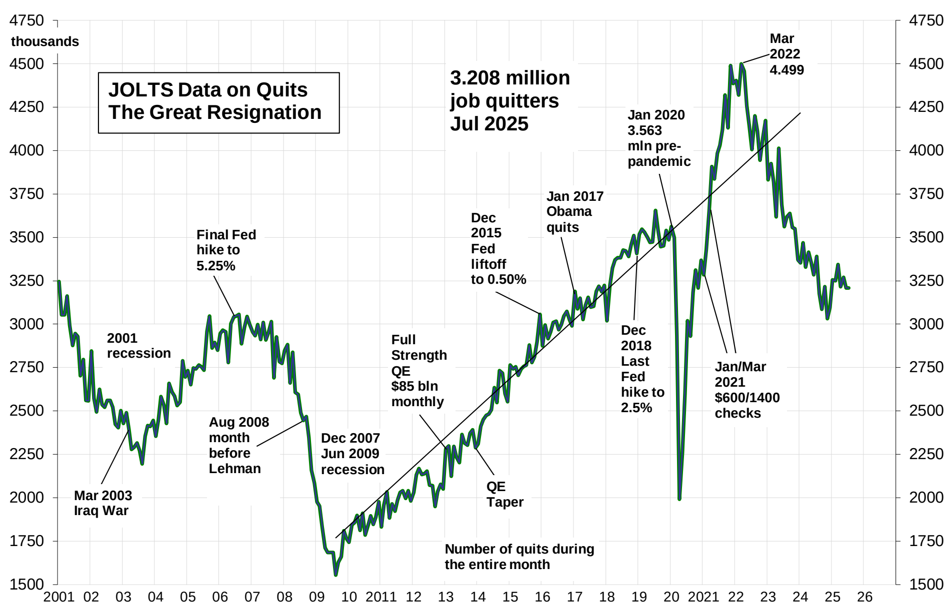


Job openings down (Wednesday)

Breaking economy news. Jolts data with job openings down 176K for the month to 7.181 million at the end of July. The June data were revised to 7.357 million from 7.437 million. Softer than expected economic news means Fed rate cuts, but stocks only rallied for about 15 minutes before completely retracing the modest move, before heading higher again for other reasons. Bond yields fell sharply on the Jolts data however, which does not look that significant judging by the chart here. The BLS title of this month’s report was “July Job Openings Change Little.” The number of people quitting their jobs has held steady in recent months.



Net, net, companies posted fewer job openings at the end of July than they had in the prior few months which suggests some caution exhibited by businesses ahead of the final import tariffs being put in place on August 1. Today’s lower demand for hiring with not as many help wanted signs signals a cooling of the labor market, although most of the postings were taken down just at the retail stores and for the health care and social assistance positions. Payroll jobs have been flat for retail the last three months where health care and social assistance hiring has been quite strong. Manufacturing and Construction were two sectors that are looking for more help so the picture is somewhat mixed in the labor market to be clarified by Friday’s payroll jobs count for August. Stay tuned. The Jolts openings data are softer, but not headed down in a way that would suggest the jobs market is stalling as it would in a recession.

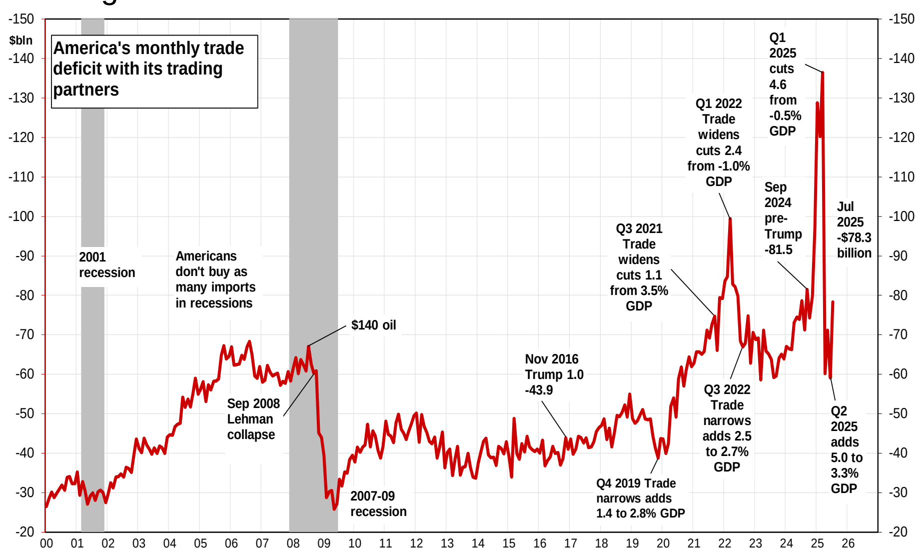


More trade deficit red ink (Thursday)

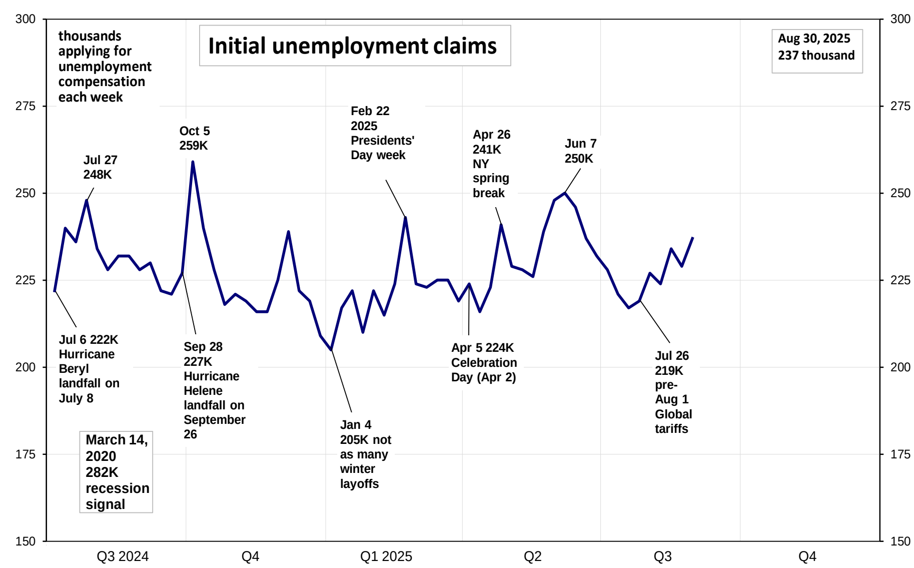
Breaking economy news. Trade deficit for July and weekly jobless claims. Imports of goods picked up again before the August 1 Global Tariffs perhaps, although at $283.3 billion they are well down from the record of $329.8 billion in January. Exports are flat despite whatever retaliation there is from America's friends and trading partners. If July sticks for the third quarter then trade should go back to subtracting about 1 percentage point from growth.

$mln	Trade balance			Exports			Imports		
	Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
Jun 2025	-59,086	-85,717	26,631	279,650	179,217	100,433	338,736	264,934	73,802
Jul 2025	-78,311	-103,876	25,565	280,464	179,425	101,039	358,775	283,301	75,474
Change	-19,225	-18,159	-1,066	814	208	606	20,039	18,367	1,672

Net, net, there was more trade deficit red ink to start the third quarter which should be a headwind for the economy ahead. The deficit in July swung back out to $78.3 billion from $59.1 billion in June and from the $63.5 billion second quarter average.



There's no evidence of an end-around run on the tariff taxes necessarily, despite the big jump of goods imports of $18.4 billion to $283.3 billion in July. Half of the increase was nonmonetary gold and consumer goods were just $1.3 billion more with pharmaceutical preparations up $1.1 billion. China not seasonally adjusted imports of goods bounced a little in July to $26.4 billion from $18.9 billion in June, but imports remain down 35.3% from a year ago, demand slackening due to the tariffs put in place.



Meanwhile, weekly jobless claims bounced back to the concern if not panic level with layoffs of 237 thousand in the August 30 week. Challenger counted layoffs of 85,979 in August, up 39% from July and the worst August in many moons, but it is important to note this report is not one of complete darkness for the labor market as 85,979 lost jobs in August undercounts the 237 thousand jobless claims filed in just the single week of August 30. Stay tuned.

Analyst Certification

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