

Mixed Labor Market Signals
July 23, 2020



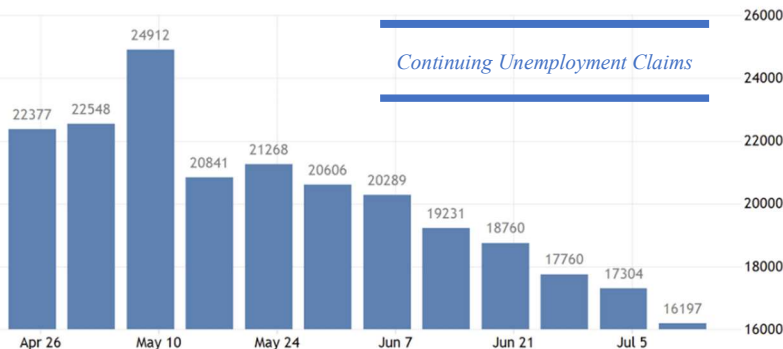
The stock market fell during Thursday’s trading session as investors took profits in technology and growth stocks that have been so strong. The S&P 500 fell back basically where it began the year, falling 40 points, or -1.23% closing at 3,236. The Dow Jones Industrial Average dropped 354 points, or -1.31% to close at 26,652 -- well below where it began the year. The Nasdaq Composite cratered 245 points, or -2.29%, closing at 10,461, and the Russell 2000 surprisingly finished flat, or 0.06% to close at 1,490.

The stock market was in a nasty selling mood after the labor department announced Thursday morning that the number of Americans filling for unemployment benefits increased 1.42 million in the week ended July 18th. This compares unfavorably to an expectation of 1.3 million individuals making a first-time unemployment claim.



SOURCE: TRADINGECONOMICS.COM | U.S. DEPARTMENT OF LABOR

This was unexpected, since the initial unemployment trend for nearly 16 weeks has been down. The initial take is that to have the unemployment claims rise indicates some stalling of the labor market. Our sense is that since we are likely reaching the end of the small business stimulus otherwise known as PPP, and some small business may be shedding employees. Also, certainly several state mandates to scale back the reopening of their economies took their toll.



SOURCE: TRADINGECONOMICS.COM | U.S. DEPARTMENT OF LABOR

However, the 4-week moving average, which removes week-to-week volatility, dropped to 1.36 million from 1.38 million, while continuing jobless claims decreased to 16.20 million in the week ended July 11th, below market forecasts of 17.07 million.

We have argued that the better statistic to watch is the continuing jobless claims because that gives you a sense of what is happening on the job creation front. Unemployment claims signals job losses but

does not account for job gains – continuing claims accounts for both sides. With continuing claims decreasing 900,000 more than expected it would be difficult to say that the labor market improvement has ended – today’s stock market sell-off notwithstanding. Job creation is still outstripping job loss.