

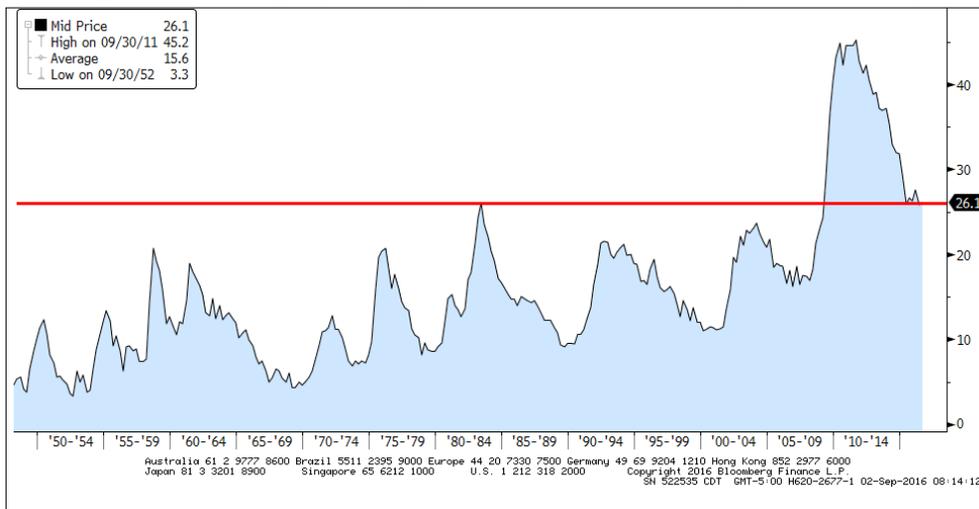
August Jobs Report - First Blush

The August jobs report was underwhelming as payrolls growth came in at 151K versus an expected 180K. The unemployment rate remained 4.9%, while both the labor force participation rate and employment/population ratio were unchanged. Wage data was muted as average hourly earnings came in below expectation at 0.1%. The year-over-year trend for hourly earnings is now 2.4%. The average workweek compressed slightly to 34.3 hours, and the U6 “underemployment rate” which considers part-time workers wanting full time jobs came in at an unchanged 9.7%. If there was a bright spot in the report, it was probably the July revisions which saw a 20K upward revision to 275K, and average hourly earnings data revised to 2.7%, the highest level in nearly eight years.

One notable point to ponder is the continuing slog of the US long-term unemployed. Fully 26.1 percent of those unemployed currently have been so for at least 27 weeks (six months). And that is after seven years of recovery. Prior to this cycle, the last time more than one-fourth of the unemployed had been out for so long was in the depths of the ugly recession of 1980-81. It’s a testament to the deep distress of those in the labor market who are struggling to become reintegrated into different industries after losing jobs to outsourcing, automation, or skills mismatch. It’s one more unique challenge for policymakers in determining how healthy the jobs market really is. This, along with an ageing workforce (which is non-negotiable) promises to be a continuing point of concern. As has been widely discussed, if the labor force participation rate was at its level of ten years ago, the headline unemployment rate would hover around 11%.

Initial market reaction to the report is to yawn. The 2yr T-Note yield remains at .77% and the 10yr yield is 1.58%, little changed so far. Fed funds futures show an implied 26% probability of a September rate hike and a 57% probability by year-end. Fed Chair Yellen continues to remind us that all is data dependent, but the data this morning gives little guidance on what to expect.

US Long-Term Unemployment (Duration over 27 Weeks): 1950 - Today



INTENDED FOR INSTITUTIONAL INVESTORS ONLY. The data provided in these reports is for informational purposes only and is intended solely for your private use. Information herein is believed to be reliable but The Baker Group LP does not guarantee its completeness or accuracy. Opinions constitute our judgment and are subject to change without notice. Past performance is not indicative of future results. The investments and strategies discussed here may not be suitable for all investors; if you have any doubts you should consult your Baker representative. The investments discussed may fluctuate in price or value. Changes in rates of exchange may have an adverse effect on the value of investments. This material is not intended as an offer or solicitation for the purchase or sale of any financial instruments.

Financial Strategies Group

Jeffrey F Caughron
C.O.O. / Managing Director
jcaughron@gobaker.com

Contact Information

www.GoBaker.com

The Baker Group LP | Headquarters
1601 NW Expressway, 20th Floor
Oklahoma City, OK 73118
(800) 937-2257

Atlanta, GA
2300 Windy Ridge Parkway, Suite 76
Atlanta, GA 30339
(800) 937-2257

Austin, TX
1700 Rio Grande, Suite 120
Austin, TX 78701
(888) 480-0301

Indianapolis, IN
8365 Keystone Crossing, Suite 100
Indianapolis, IN
(866) 370-3580

Salt Lake City, UT
2975 West Executive Pkwy, Suite 139
Lehi, UT 84043
(800) 288-9411

Springfield, IL
901 Community Drive
Springfield, IL 62703
(888) 333-7704