



## Iron Harbor Open Market – On Deck

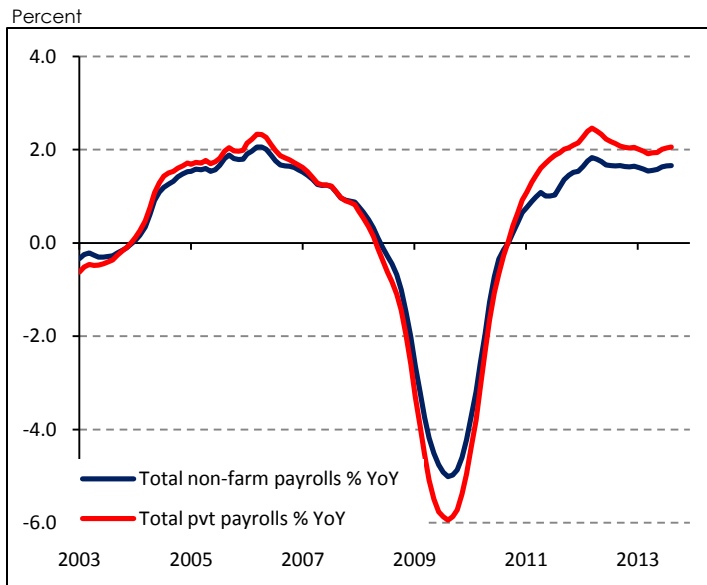
**On Deck – US Employment** provides a first-draft summary of the recent trend among several employment growth indicators....which have stabilized at a lower level over the past quarter.

- We expect the overall trend in payrolls to remain fairly constant into 1H2014 at which time the pace of job growth will gradually accelerate.
- The recent bounce in industrial activity in both the US and Europe presents definite upside risk to payrolls between now and December.
- Persistent excess capacity and [low inflation](#) will keep policy rates accommodative for longer than the market presently expects despite small adjustments to Fed bond purchases over upcoming months.

*Gravelle Pierre, CFA*  
*October, 2013*

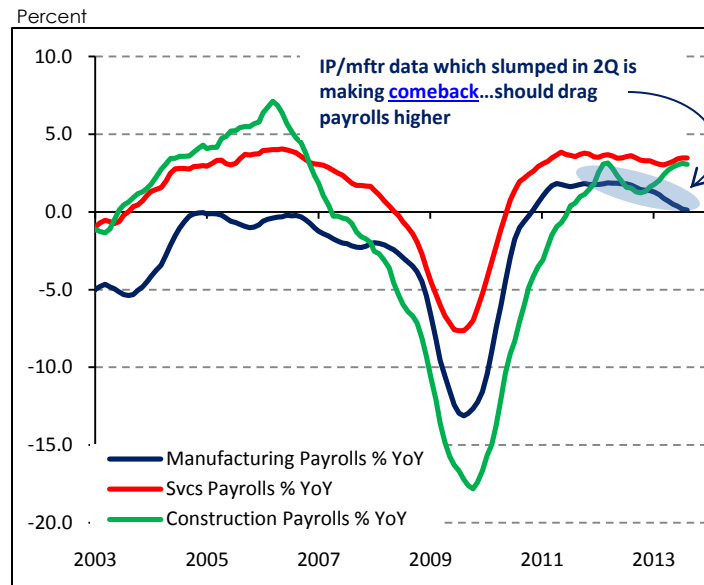
# Figure 1. Employment growth steady but moderate

## 1. Payroll growth steady near 2%



Source: BLS

## 2. Upside risk for payrolls on better mfr data



Source: BLS

## 3. Hours also steady at 2%



Source: BLS

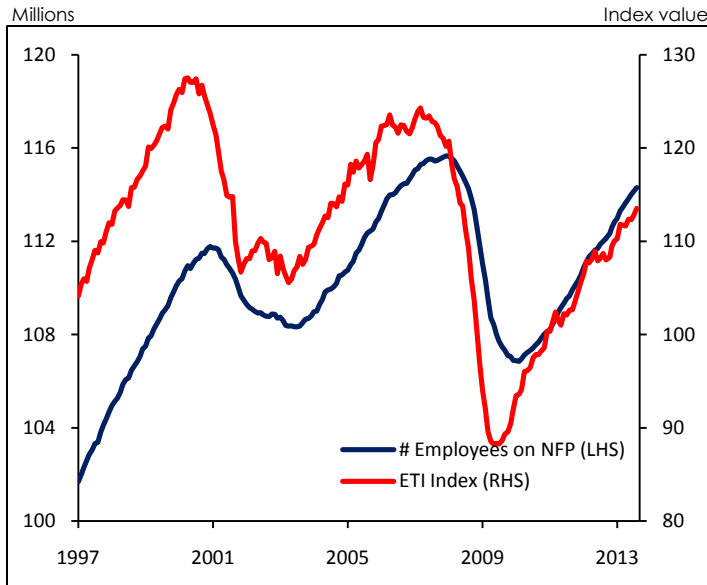
## 4. States are hiring, but expect more Federal drag



Source: BLS

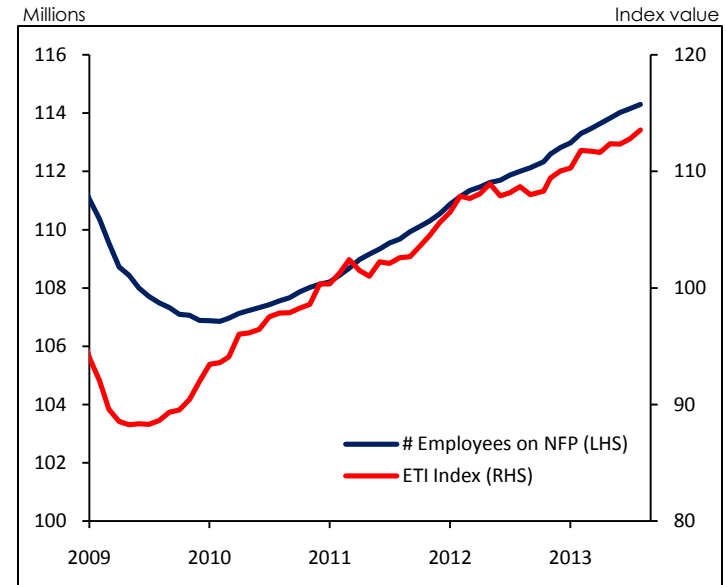
## Figure 2. Broader indicators also stable

### 1. ETI suggests steady US job growth...



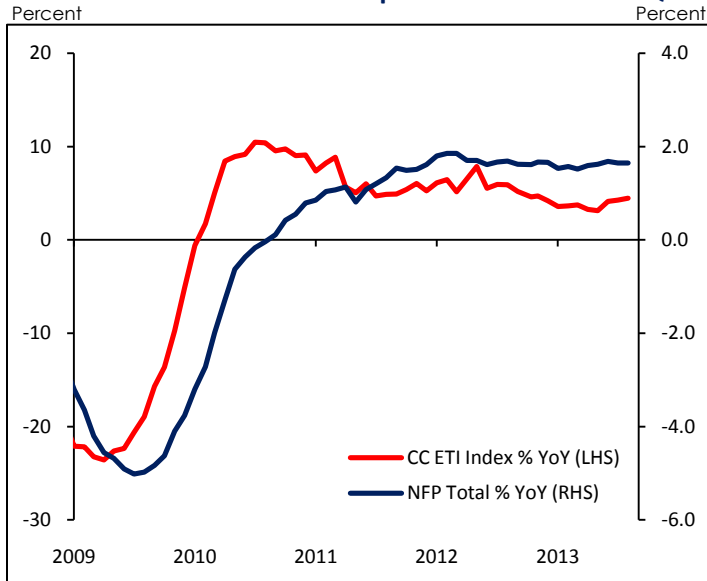
Source: Conference Board, BLS

### 2. ...at the same moderate pace.



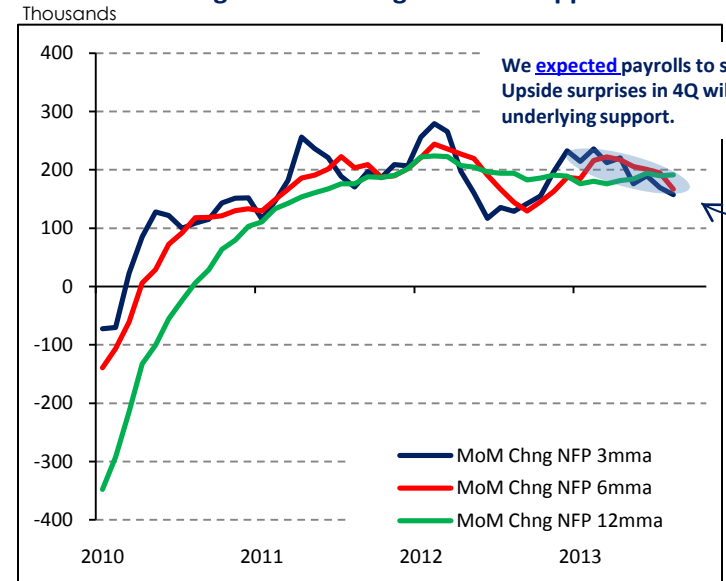
Source: Conference Board, BLS

### 3. Chance of downside surprises diminished in 4Q



Source: Conference Board, BLS

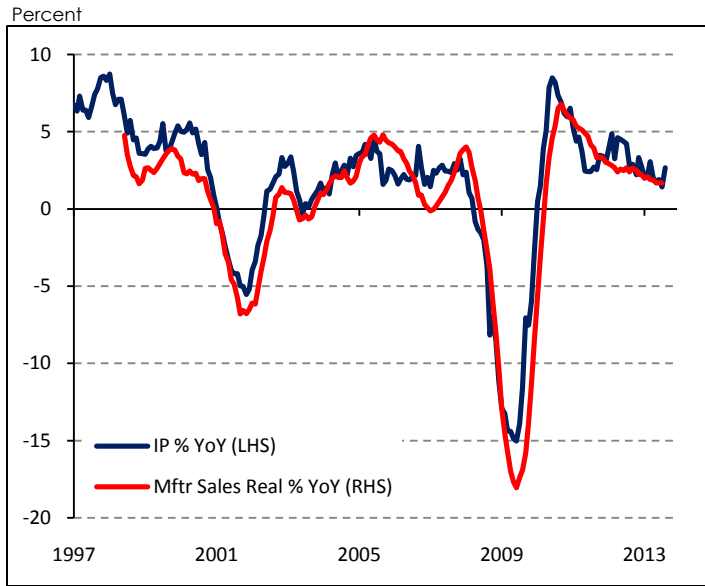
### 4. Longer term averages to find support



Source: BLS

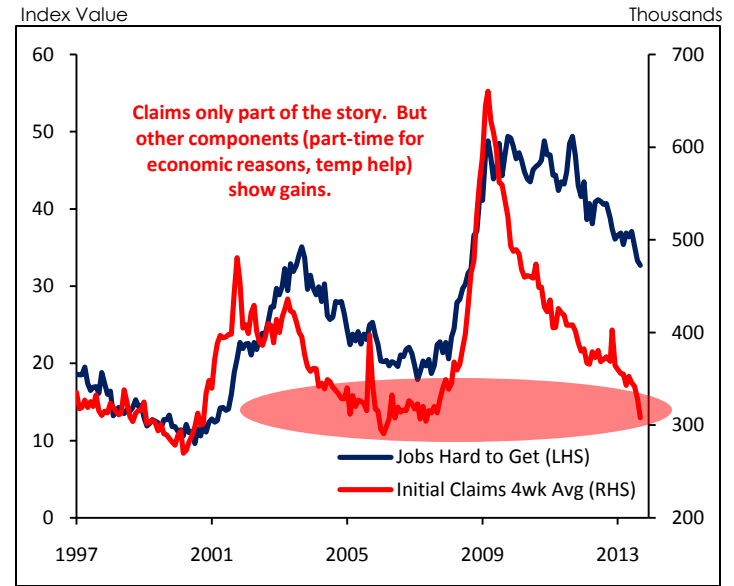
# Figure 3. Upside surprise risk in 4Q

## 1. Industrial activity points to modest payroll gains



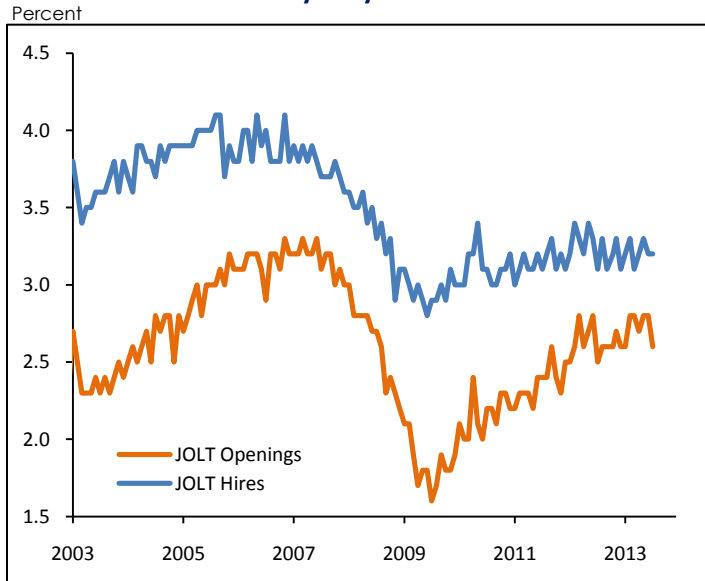
Source: Federal Reserve, US Census Bureau

## 2. Claims, schmains...jobs still hard to get



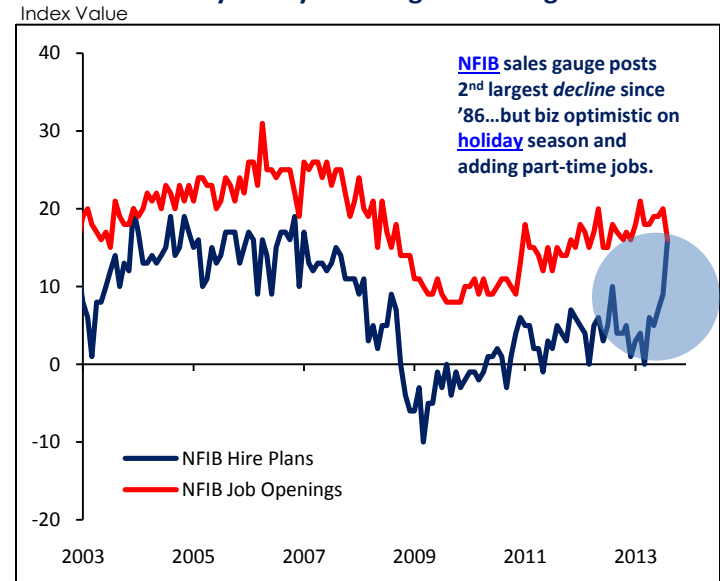
Source: BLS, Conference Board

## 3. Firms say they want to hire...



Source: US Census Bureau

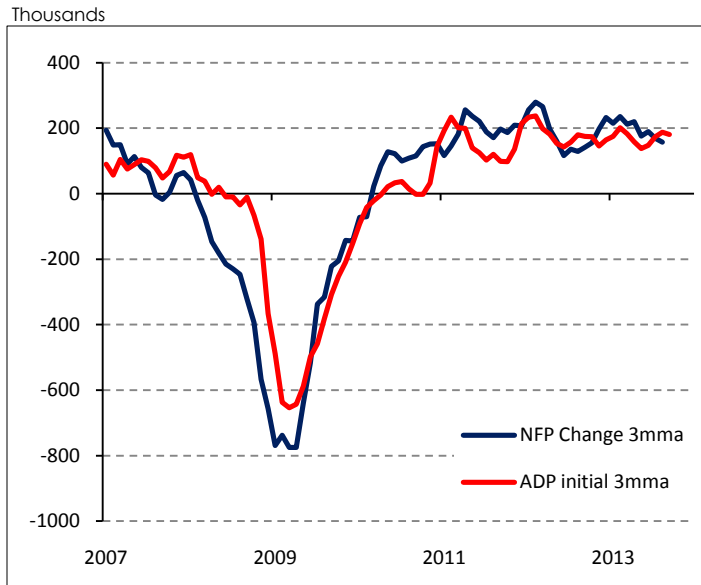
## 4. ...and may finally be doing something about it.



Source: NFIB

# Figure 4. Despite September dip, ADP shows better pace

## 1. ADP: Showing same ~2% payrolls gain...



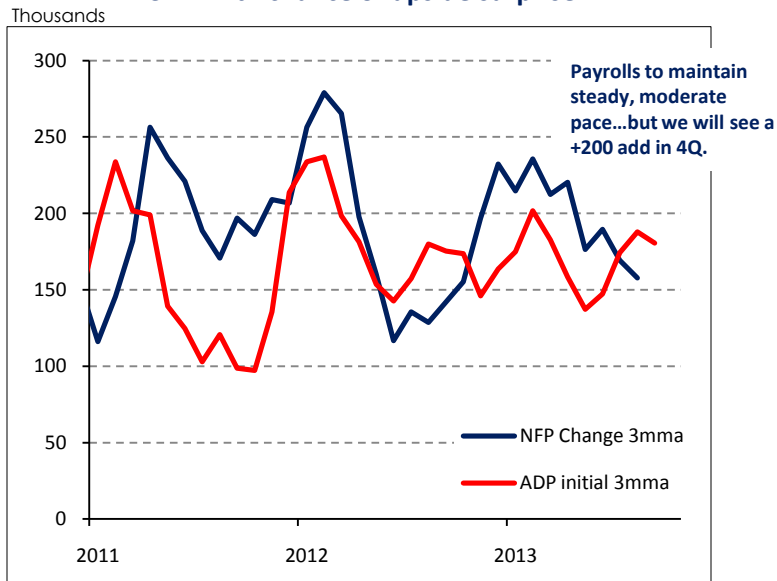
Source: BLS, ADP

## Note on Monthly Changes in NFP

The monthly NFP release is a notoriously volatile number (second only to Durable Goods). The 90% confidence interval on the monthly change is +/- 90K. For example, if the monthly estimate increases by 50K from one month to the next, the 90% confidence interval on the monthly change would range -40K to +140K.

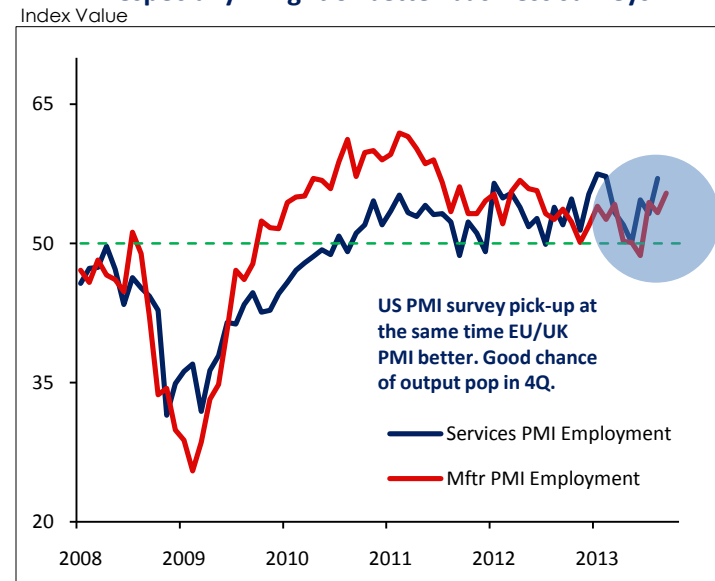
Don't make asset allocation decisions on first Fridays!

## 3. ...with chance of upside surprise...



Source: BLS, ADP

## 4. ...especially in light of better business surveys.

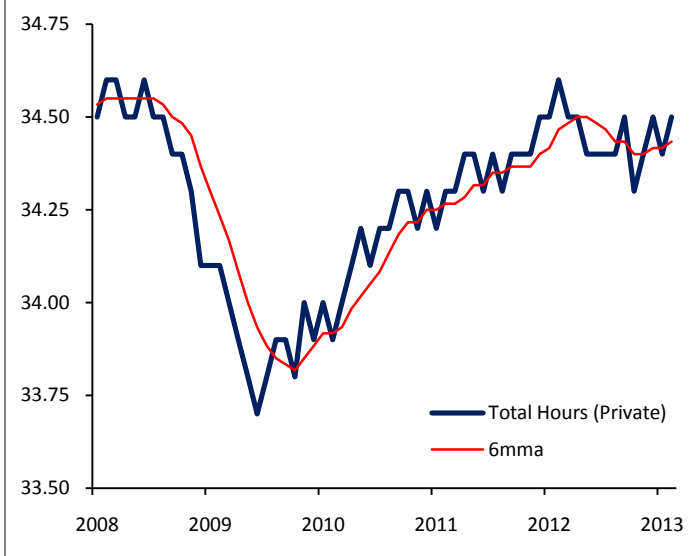


Source: ISM

## Figure 5. Hours first, then earnings much later.

### 1. Payrolls gains won't accelerate until hours firm

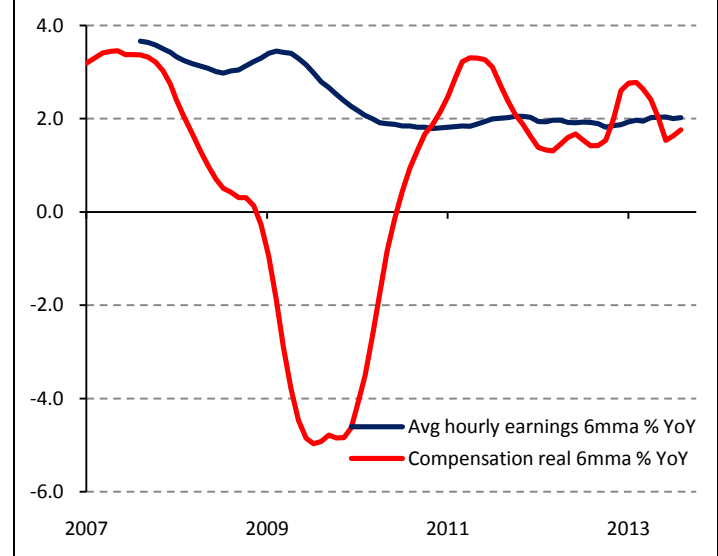
Avg weekly hours, all employees



Source: BLS

### 2. Excess labor may depress earnings in jobs recovery

Percent



Source: BEA