

Cracks Beneath the Surface in the US Job Market



Presented by:

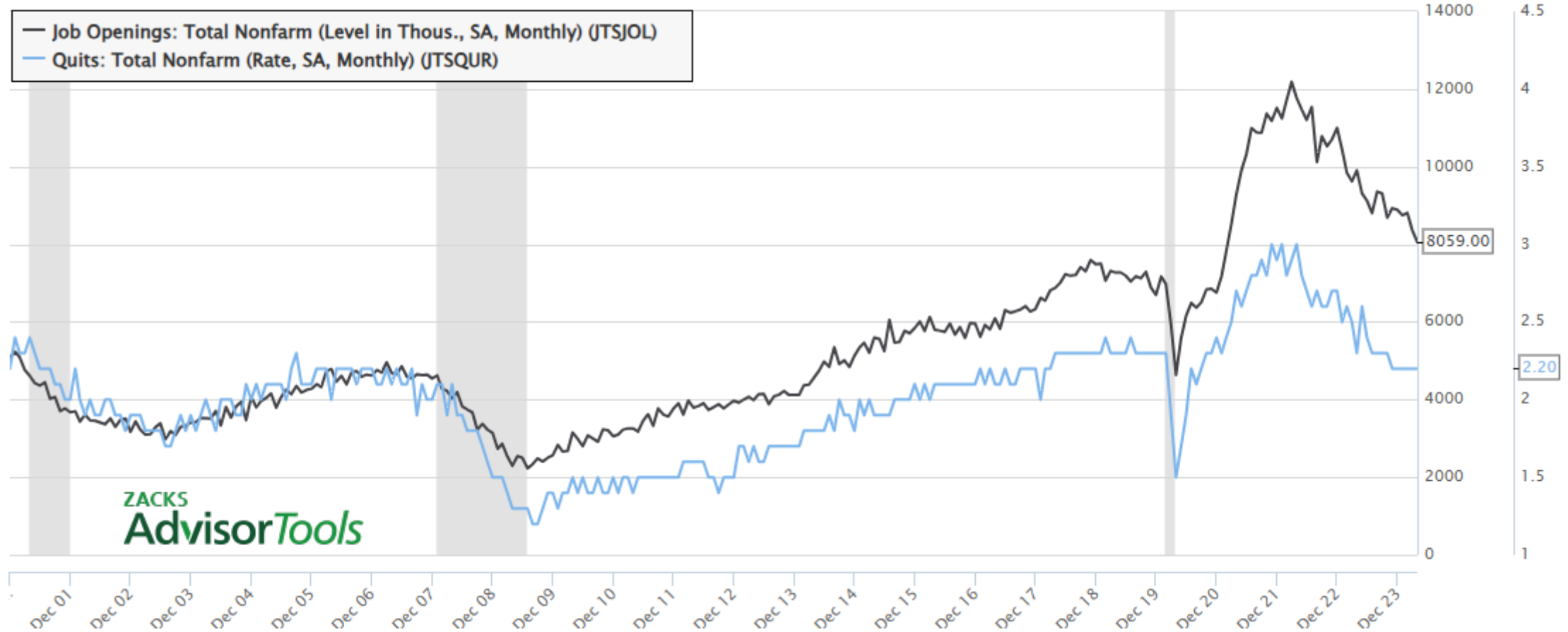
Mayur Thaker, CFA
Equity Strategist
June 2024

Disclosures



The views of Mayur Thaker, CFA are not necessarily the views of Zacks Investment Research. Past performance is no guarantee of future results. Inherent in any investment is the potential for loss. ***This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security.*** No recommendation or advice is being given as to whether any investment is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date herein and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole. Zacks Investment Research is not a licensed securities dealer, broker or US investment adviser or investment bank. The S&P 500 is an unmanaged index.

Job Openings and Quits Are Now Below Trend and In Contraction



Job Openings (JOLTS) At Cycle Lows

Well below 3-yr moving average and 10-yr trend, which has only occurred at the start of past recessions



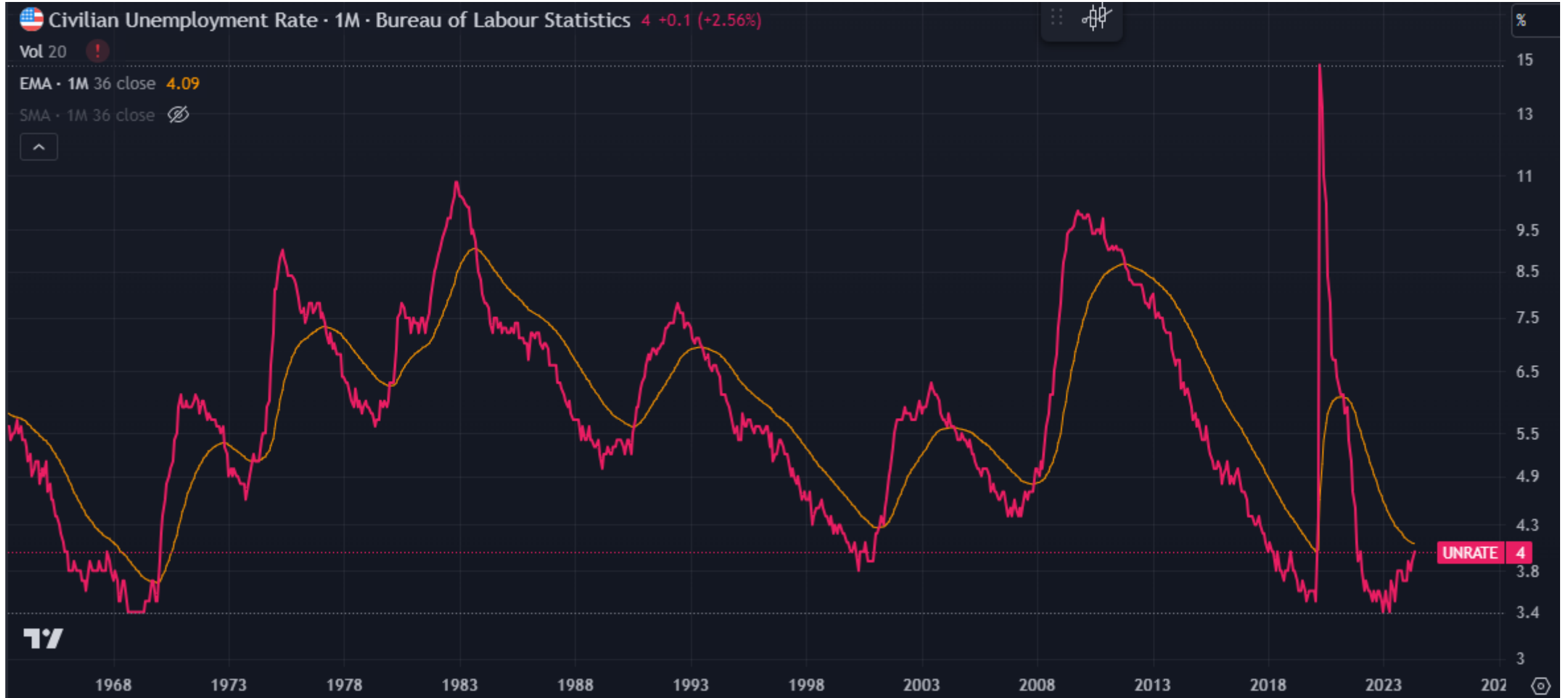
Ratio of Openings-to-Unemployed Now Below Trend & In Contraction



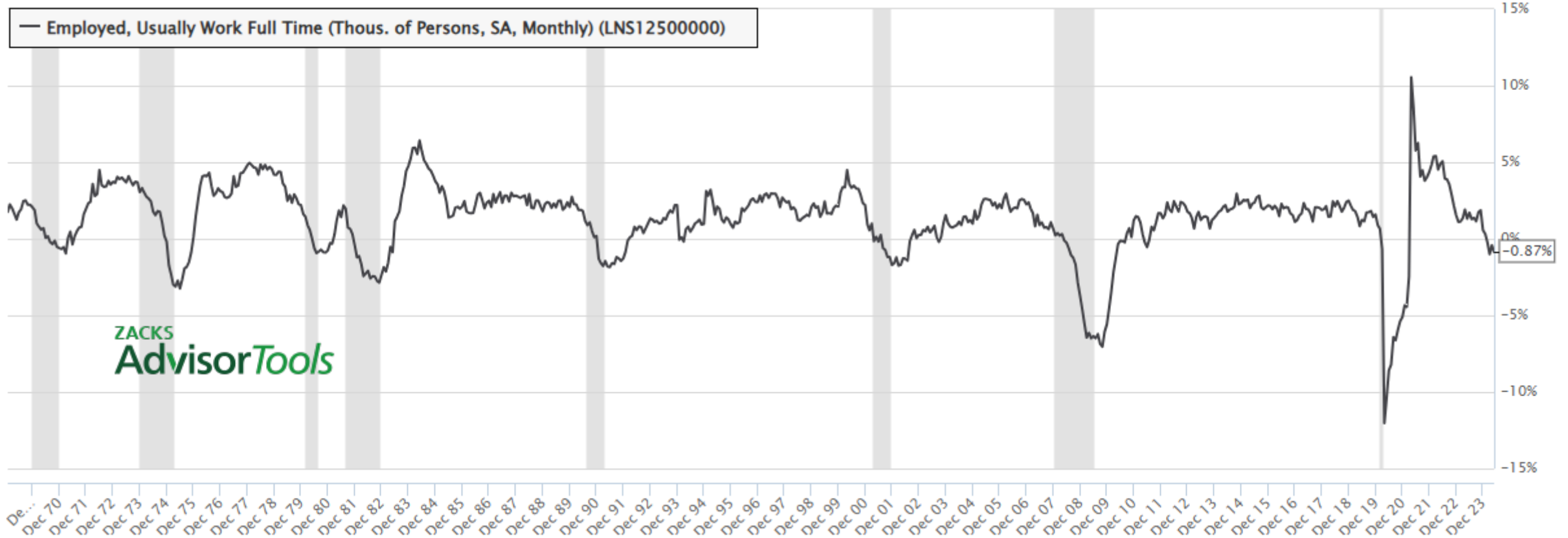
Permanent Job Losers Cross Above 3-Yr Moving Average



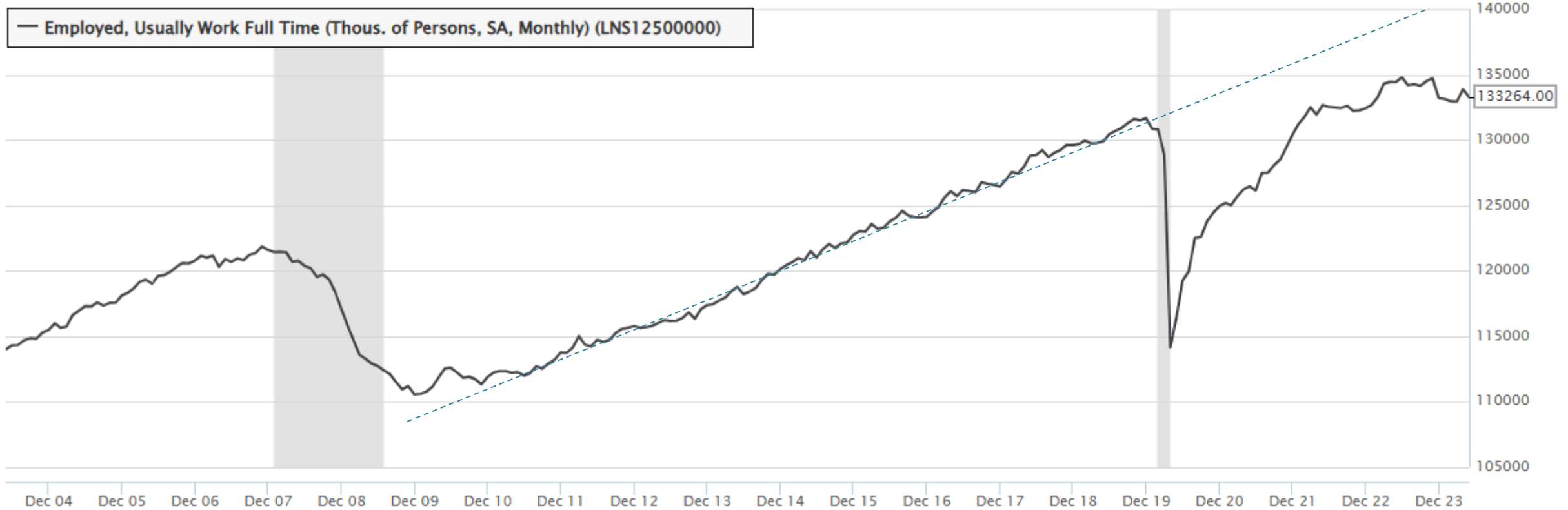
Unemployment Rate Close to Crossing Above 3-Yr Moving Average



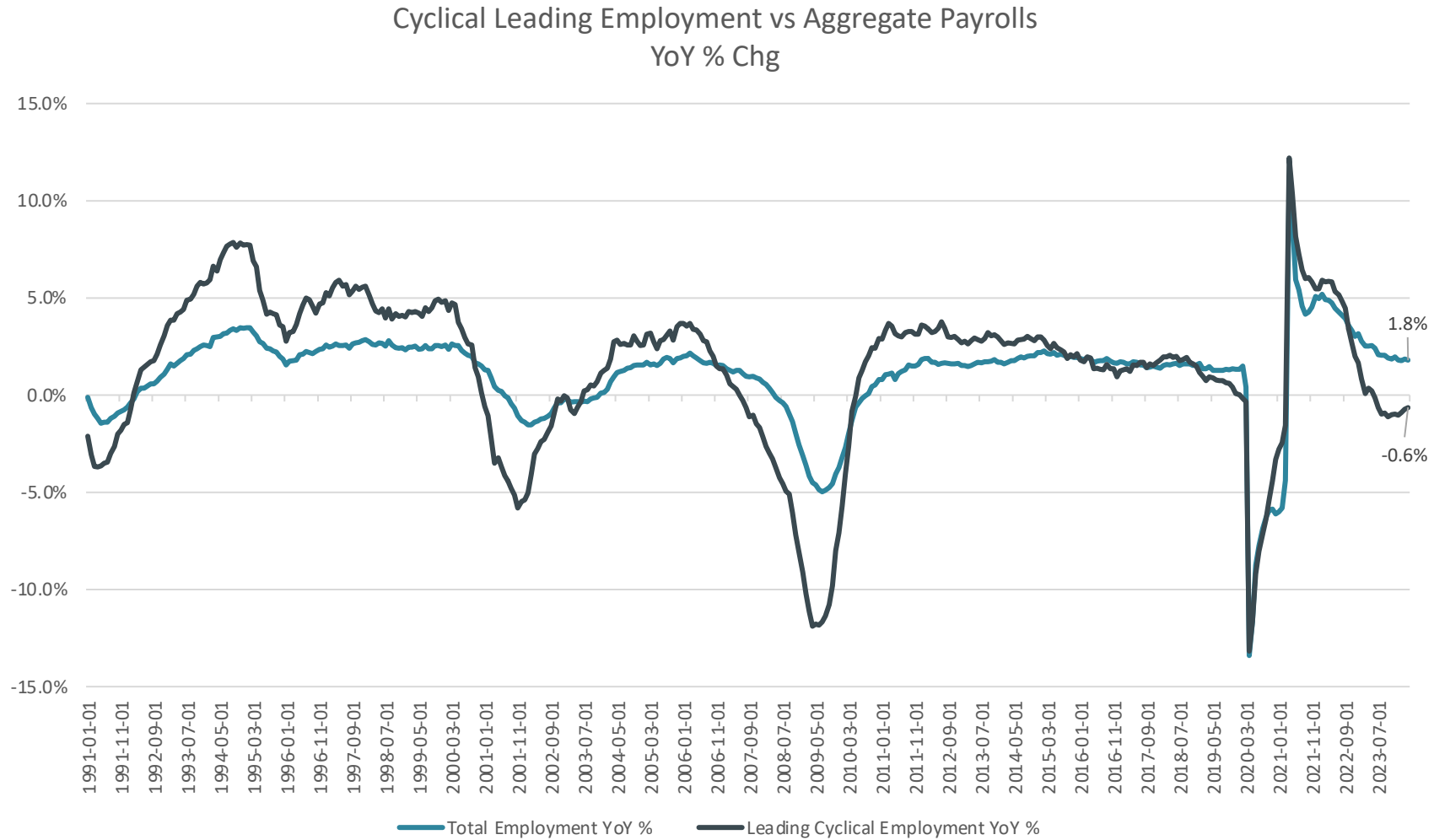
-1.5 Million Fewer Full-Time Jobholders Since June 2023 Peak; -0.9% YoY in May, 4th Consecutive Month of Contraction



Full-Time Jobs Well Below Pre-Pandemic Trend



Aggregate Payrolls at +1.8% YoY Despite Downward Revisions Leading Cyclical Employment Posts 12th Consecutive Month of YoY Contraction



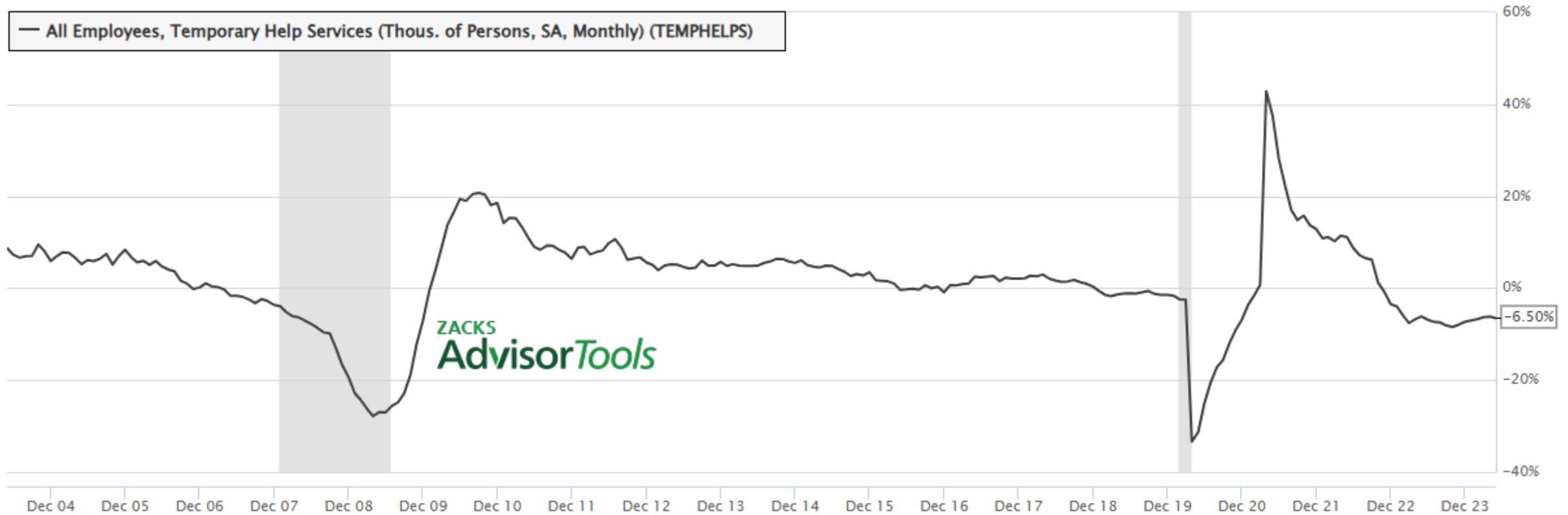
Leading cyclical industries include:



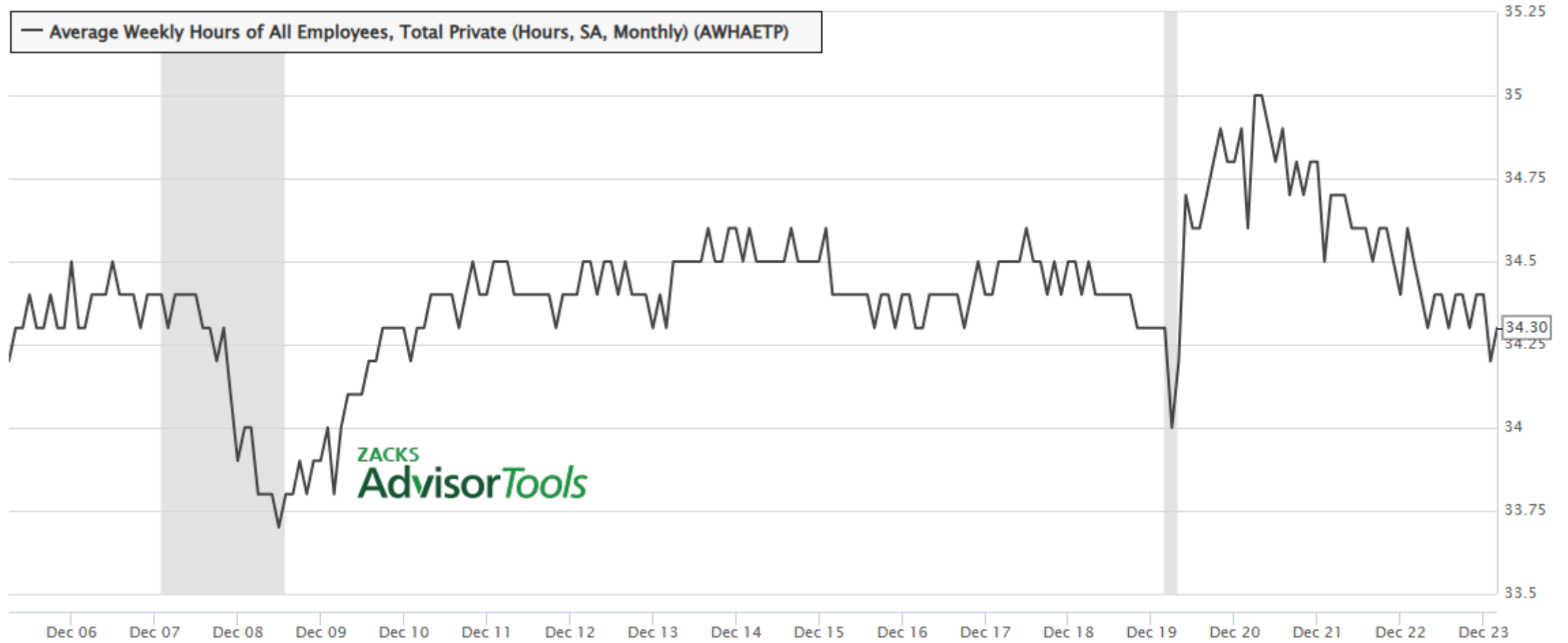
- Plastics and Rubber Products Manufacturing
- Building Material and Garden Equipment Dealers
- Trucking
- Administrative
- Durable Goods Wholesalers
- Residential Building Construction

These industries have a history of turning ahead of the broader business cycle because they are inherently more sensitive to changes in aggregate demand than other, more durable industries such as education, healthcare, and government.

Temporary Help Services is an example of a cyclical leading employment indicator



Average Weekly Hours Therefore In Rapid Decline, Consistent with Recession





Monthly nonfarm payrolls may be overstating actual jobs created.

Report	2023 Total Jobs Created
Nonfarm Payrolls (after neg revisions)	3,013,000
QCEW	2,322,828
Delta	(690,172) or -23%

The BLS' Quarterly Census of Employment and Wages (QCEW) is the most comprehensive job tracker available, covering 95% of all US workers across over 12 million employers.



Rising unemployment is already being felt in consumer behavior despite still very low 4% unemployment.

Item	Description
Personal Saving	Approaching cycle lows, well below LT trend
Retail Sales	<ul style="list-style-type: none">- Real retail sales = -2.3% over the past 3 years;- Down YoY in 14 of the last 19 months- Now at LT trend
Delinquencies	Credit card and auto loan delinquencies sharply rising & at levels last seen during the Great Financial Crisis



Given the trends in delinquencies, retail sales, and a depleted personal savings base, I believe even a 4.25% unemployment rate is enough to send the economy into recession.

And that's *without* another regional bank, nonbank lender or investment fund entering distress due to the enormous pressures that remain in commercial real estate, unrealized losses on mortgage-backed securities, consumer loan delinquencies, and slowing retail sales.

Markets are currently not reflecting even a remote possibility of that.

PLAN of ACTION:



- The Big 3 indicators I am watching:
 - Permanent Job Losers above 3-yr EMA
 - Falling 2-yr UST yields & crosses below 10yr
 - SPX, QQQ has a weekly close below its 200-day exponential moving average (EMA)

If we see all three, **then it's time to go full-blown defensive. The first one just triggered in February, but the next two haven't yet, so it makes sense to remain long risk assets for now.**

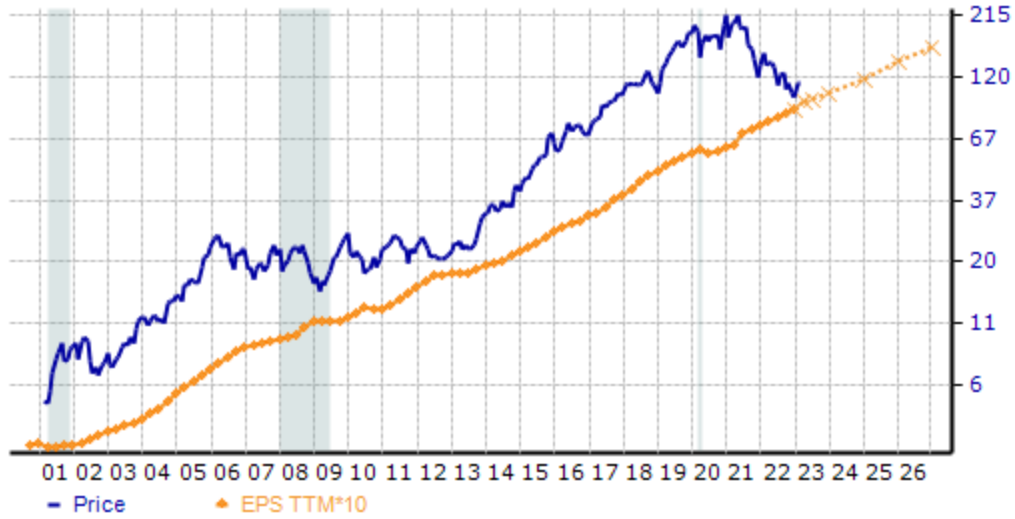
Zacks Earnings Certain Businesses





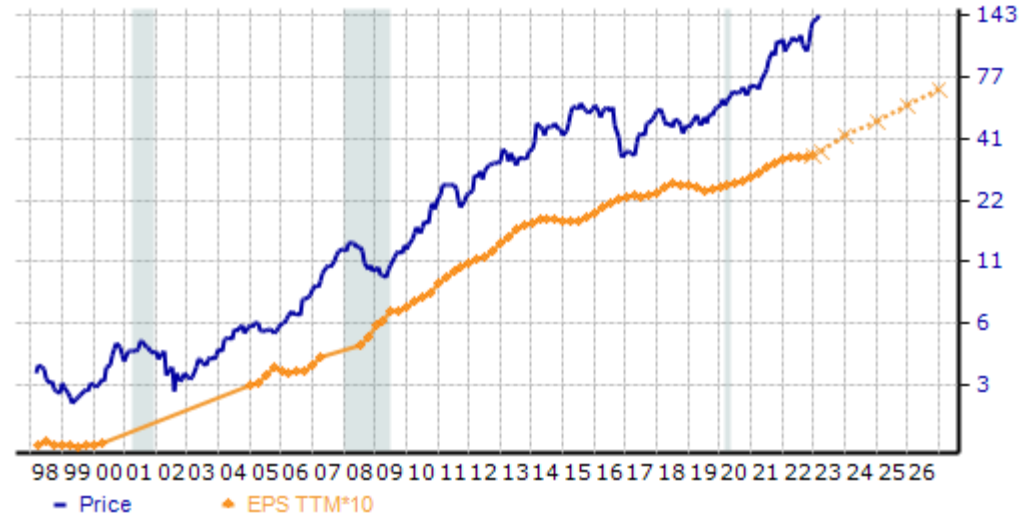
Price & Earnings GLOBAL PAYMENTS (GPN)

Price \$ | EPS*10



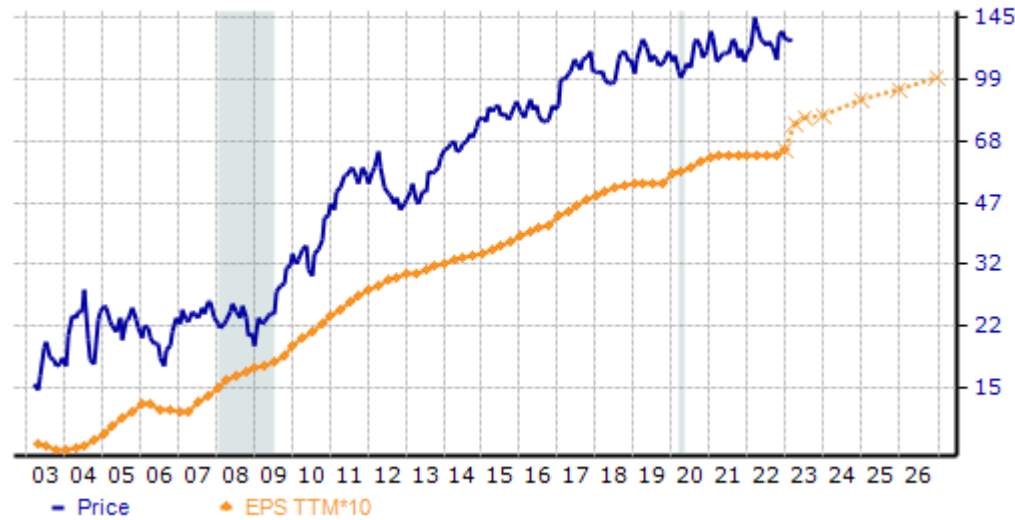
Price & Earnings NOVO-NORDISK AS (NVO)

Price \$ | EPS*10



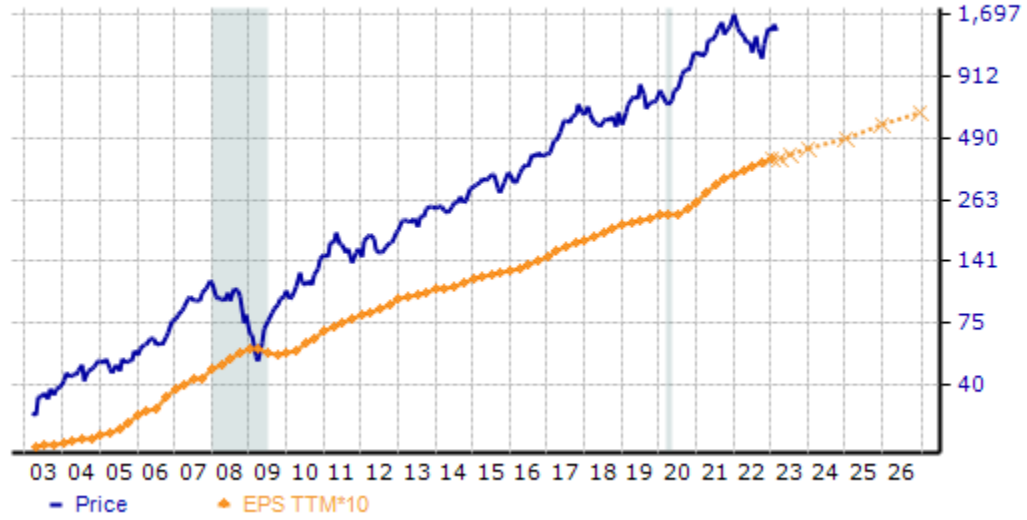
Price & Earnings CHECK PT SOFTW (CHKP)

Price \$ | EPS*10



Price & Earnings METTLER-TOLEDO (MTD)

Price \$ | EPS*10



Thank You for Attending!



Mayur M Thaker, CFA

Equity Strategist

Zacks Professional Services

Support: 866.794.6065 | info@Zackspro.com

Twitter: @freshjiva

[linkedin.com/in/mayur-m-thaker-cfa-86234235/](https://www.linkedin.com/in/mayur-m-thaker-cfa-86234235/)

866-794-6065

strategycall@zackspro.com

www.zackspro.com



Zacks Professional Services



@ZATools