

Preview: US Nonfarm Payrolls due June 6th at 13:30BST/08:30EDT

SUMMARY: The consensus expects the pace of payroll additions to cool in May, though the unemployment rate is expected to be unchanged, and wage growth is expected to cool on an annualised basis. There will be an eye on revisions to prior data, given the BLS will be correcting 'minor errors' from the April 2025 jobs data, though this will not impact the unemployment rate. Additionally, there will be some focus on government payrolls, where Federal job loss figures may tick up as severance periods end regarding public sector layoffs. Labour market proxies have tilted to the downside, with the ADP's gauge of private payrolls significantly disappointing expectations, signalling a loss of hiring momentum; weekly initial jobless claims and continuing claims data both rose slightly relative to the comparable survey windows in April. Within the ISM surveys, manufacturing employment continues to sit in contraction, despite a tick higher in the month, though the picture is better in the services sector, where employment returned to expansion. The Conference Board's gauge of consumer confidence saw views of the labour market weakening in May. And while the most recent JOLTS data surprised to the upside, the internals were more mixed, and it is worth noting that it is data for April, not May. Currently, markets are fully pricing two Fed rate cuts this year, and analysts have suggested that any upside surprise could lead to a pricing out of these cuts, while any downside surprise could drive recession fears, and impact risk assets.

EXPECTATIONS: The consensus currently expects 130k nonfarm payrolls to be added to the US economy in May (vs 177k in April; the 3-month average currently stands at 155k, 6-month at 193k, and the 12-month at 157k). There will also be some attention on the government payrolls figure (which previously showed gains of +10k); some suggest that the Federal job loss figures may tick up as severance periods end regarding public sector layoffs. The unemployment rate is seen unchanged at 4.2% (note: the Fed's March projections forecast unemployment would rise to 4.4% this year). Average hourly earnings are expected to rise by +0.3% M/M, picking up in pace from the +0.2% M/M reported in April. The annual rate is expected to ease to 3.7% Y/Y (from 3.8%). NOTE: The Bureau of Labor Statistics will correct minor errors in April 2025 jobs data on June 6th, related to weights from a redesigned Current Population Survey sample; the corrections will not impact key metrics such as the unemployment rate.

LABOUR MARKET DATA: Weekly jobless claims data that coincides with the BLS survey window for the jobs report showed initial claims at 226k (vs 216k in the April survey window), and continuing claims at 1.919m (vs 1.833m in the April window). Meanwhile, the ADP's gauge of national employment disappointed expectations, with the pace of hiring falling to its lowest since March 2023. The headline saw just 37k payroll additions in May; analysts were expecting 110k. The ADP's measure of median change in annual pay remained at 4.5% for job stayers, while for job changers, it rose by one-tenth to 7.0% Y/Y. Moreover, the ADP said that after a strong start to the year, hiring is losing momentum, though pay growth was little changed. The latest JOLTS data (which is for April; we are due to get the May jobs report) showed the level of job openings ticking up to 7.391m (the expectation was for 7.1m from a revised 7.2m), with the vacancy rate rising to 4.4% from 4.3%, although the quits rate eased to 2.0% from 2.1%. Some analysts noted that the rise in job openings seems inconsistent with broader evidence of weakening, noting falling job postings, softer hiring intentions, declining quits, and rising layoffs.

BUSINESS SURVEYS: Within the ISM's May PMI reports, the gauge of manufacturing employment rose 0.3 points to 46.8, up for a second straight month, but remaining in contraction for a fourth consecutive month; ISM said this came as head-count reductions continued, and companies were generally opting for layoffs since they were quicker to implement than attrition. Within the services ISM, the employment sub-index rose 1.7 points to 50.7, snapping a run of two months of sub-50.0 (contraction) readings; within the report, respondents said that higher scrutiny was being placed on all jobs that need to be filled, whether it be a new position or backfill for an existing role; additionally, some said they were taking advantage of large company layoffs to hire or promote highly experienced staff to fill knowledge gaps.

CONSUMER SURVEYS: The Conference Board's monthly consumer confidence data showed views of the labour market weakening in May, though the outlook for the labour market was less negative. Additionally, consumers' outlook for their income prospects turned positive in May, CB said.

FED POLICY: In terms of the Fed's balance between still above-target inflation, and a "solid" labour market, the recent FOMC meeting minutes noted that risks of higher inflation and higher unemployment have risen recently, and officials saw risks of the labour market weakening in the coming months, and said that it could face difficult trade-offs if inflation persists while the labour market weakens. At the time of writing, money markets have fully priced in two FOMC rate reductions this year, with around a one-in-three chance that the Committee could cut a third time.

TRADING SCENARIOS VIA JPM SALES & TRADING:

- **Above 170k - SPX gains 0.50-2.5% :** JPM says that a print above 170k may be seen as noise due to seasonal or demand timing effects, while a 250k print could signal economic re-acceleration, prompting bond yields to rise and possibly pricing out Fed rate cuts.
- **Between 140-170k - SPX gains 1.5-2% :** JPM says this is the 'Goldilocks' print.
- **Between 115-135k - SPX gains 0.25-1.00% :** This is JPM's base case, and it thinks that the rally is likely to continue under this scenario, unless unemployment rises to 4.3%, which could shift performance lower. JPM says that a 10-20bps monthly increase may accelerate due to trade war effects, though the outlook remains uncertain amid frequent trade policy changes.
- **Between 100-115k - SPX -1.25% to +0.50% :** A sub-100k NFP print may trigger recession fears. A 100k print combined with 4.3-4.4% unemployment and falling wages would represent the worst-case outcome, JPM writes.
- **Below 100k - SPX loses 2-3% :** And in its second tail outcome, JPM says it would likely end the current bull run, stating that

"recessions are the typical reason why bull markets end and a sub-100k print would put the entire market on 'recession watch'."

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