PREVIEW: US Nonfarm Payrolls due 1st August 2025 at 13:30BST/08:30EDT

SUMMARY: The US economy is expected to add 110k nonfarm payrolls in July, cooling from the prior 147k print, but above the 80-100k breakeven estimated by Fed's Barkin. The Unemployment Rate is seen at 4.2%, up from 4.1% previously, but still below the Fed year-end median projection of 4.5%. At his post-meeting press conference, Fed Chair Powell said that the unemployment rate is the figure to watch when looking at the labour market. Powell also noted that most Fed officials believe that the labour market is at or near maximum employment, but downside risks remain; however, he did appear more focused on the inflation side of the mandate. In the month, labour market proxies saw Jobless Claims ease from the prior reference period, while the S&P Global Employment report noted employment rose for a fifth straight month. ADP and June JOLTS were soft, while layoffs rose. The Fed's Beige Book saw employment increase very slightly overall, hiring remained cautious, but layoffs were limited, although more prevalent in manufacturing. Fed Chair Powell was quizzed about a possible rate cut at the September 18th FOMC confab, and he said the Fed has not made its decision yet, noting that there is a lot of data due before the meeting, with two more labour market reports (and one more PCE, two more CPI reports), this is one piece of the puzzle that will help shape expectations on a Fed rate cut in September.

EXPECTATIONS: The consensus looks for the US economy to add 110k nonfarm payrolls in July (prev. 147k; vs 3mth avg of 150k, 6mth avg of 130k, 12mth avg of 151k), expectations range between 0-176k. The unemployment rate is expected to rise by one-tenth, taking it to 4.2%, but forecasts range between 4.0-4.3% (note: the Fed forecasts the jobless rate will rise to 4.5% this year). Average hourly earnings are expected to rise +0.3% M/M, picking up from the +0.2% rate in June, while average workweek hours are seen remaining at 34.2hrs.

LABOUR MARKET PROXIES: Jobless Claims for the week that coincides with the NFP survey window saw Initial Claims at 221k, a notable decline from the prior month's reference period of 246k. Continued Claims meanwhile fell to 1.946mln from 1.964mln. The drop in continued claims may show that those who had previously been struggling to return to work have managed to secure a job. The ISM PMI reports will be released post-NFP, but the S&P Global Flash PMI report saw employment rise for a fifth straight month as companies took on additional staff in response to rising backlogs of work. The ADP National Employment Print disappointed, while the June JOLTS report was also soft. Challenger Layoffs rose by 62k in July, accelerating from the 48k in June. Meanwhile, WSJ's Timiraos highlighted that the Conference Board's labour-market differential (the share of respondents who say jobs are plentiful less those who say they're hard to get) declined again in July to a new cycle low (and a level last seen in early 2017).

FED IMPLICATIONS: The Fed is largely focused on inflation over employment at the moment (it continues to see labour market performance as "solid"), albeit if there was a sudden deterioration, it would be willing to cut rates, though that is not their base case. Given the uncertainty in the economy from Trump's trade policies, indicators suggest that companies are holding off on hiring plans until there is more clarity, but there are fears that higher costs in the face of tariffs will see companies pass on these costs to the consumer. This uncertainty keeps the Fed at bay for now, with the majority looking for a wait-and-see approach, albeit Governor Waller and Bowman voted for a 25bps rate cut at the July meeting. Fed Chair Powell also noted how most on the Committee agree that the labour market is at or near maximum employment, but inflation is further away from its goals. However, Powell did warn that there are downside risks to the labour market given the uncertainties. It is also worth noting that the Fed chair suggested that the unemployment rate is the main metric to watch when looking at the labour market, noting how the breakeven number for job creation has come down. Fed's Barkin suggested late June the job market breakeven is now back to around 80-100k per month.

LABOUR MARKET COMMENTARY: Recently, most Fed officials have viewed the labour market as in 'a good place' (Williams), but note that job growth and labour supply are both slowing. But officials like the dovish Governor Waller have warned that there is mounting evidence that the labour market is becoming weaker, even though he sees conditions as "solid" for now; Waller made the case that the Fed should not wait to cut rates until the labour market hits any trouble. The latest Fed's Beige Book saw employment increase very slightly overall, with one District noting modest increases, six reporting slight increases, three no change, and two noting slight declines. Hiring remained generally cautious, while labour availability improved. It also noted that although reports of layoffs were limited in all industries, they were somewhat more common among manufacturers. Looking ahead, many contacts expected to postpone major hiring and layoff decisions until the uncertainty diminished.

JPM SCENARIOS

JPM's Sales & Trading desk assigns probabilities of ranges of how many jobs the US economy added in July, and assigns an expected market reaction in the SPX. It notes that based on options expiring August 1st, the market is pricing in a 132bp move, as of the close on July 25th.

- [5%] Above 140k: SPX gains 1.0-1.5%
- [25%] Between 120-140k: SPX gains 0.50-1.25%
- [40%] Between 100-120k: SPX gains 0.25-0.75%
- [25%] Between 80-100k: SPX loses 0.50-1.0%
- [5%] Below 80k: SPX loses 1.5-2.5%

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newsquawk.com · +44 20 3582 2778 · info@newsquawk.com

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