

July ADP Employment, Mortgage Applications

Private Sector Jobs Report Looks Good

- The July ADP Employment Report showed a solid net gain of 178,000 private sector jobs.
- Mortgage Applications fell by 2.8 percent for the last week of July.

Based on today's release of the July ADP Employment Report, we expect to see another moderate gain of about 175,000 net new payroll jobs for the month when the official Bureau of Labor Statistics data for July is released on Friday morning. The ADP Report showed a net gain of 178,000 private sector jobs in June. Normally, we would add about 10,000 net new government jobs to the ADP private sector total to derive an estimate for the BLS numbers (which include the government sector). However, the Trump Administration's freeze on federal hiring earlier this year has distorted the government sector jobs numbers. From January through May of this year, government sector net hiring added an average of 4,000 jobs per month to nonfarm payrolls. However, in June, the government sector added 35,000 net new jobs. We expect the July government sector number to be considerably weaker, and possibly show a net loss for the month. Therefore, we will stick to our initial estimate of about 175,000 net new nonfarm jobs added to the U.S. economy in July. This should be enough to bring the unemployment rate down to 4.3 percent.

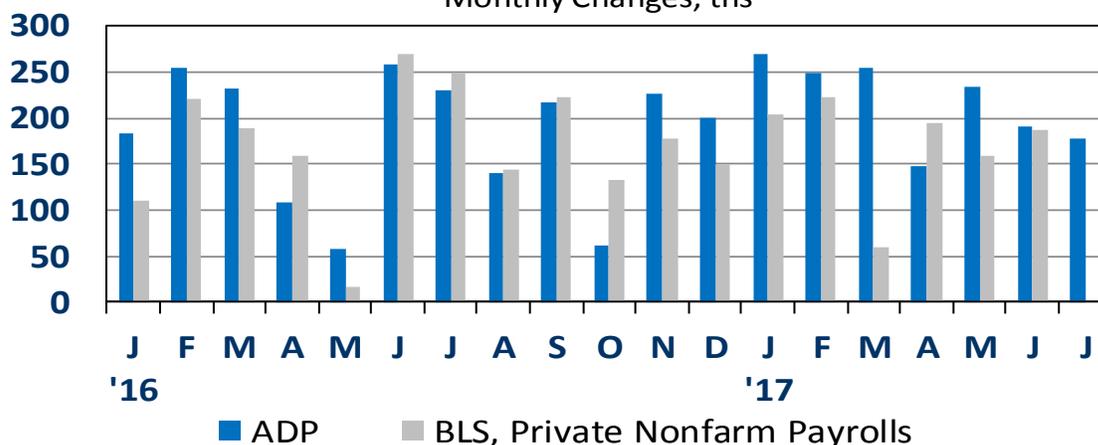
The July ADP Report showed that most of the hiring in July was done by medium-sized businesses (50-499 employees), which added 83,000 employees. Small businesses added 50,000 employees on net and large businesses added 45,000. By sector, natural resources/mining added 3,000 workers. Construction employment was up by 6,000, which is a bit light. Manufacturing showed a net 4,000 job loss for the month. Professional/business services added a strong 65,000 workers. Education/healthcare employment gained 43,000 in July. Leisure/hospitality services added 15,000 net new jobs in July.

According to the Mortgage Bankers Association, applications for mortgages fell 2.8 percent for the week ending July 28. Purchase apps fell 2.0 percent and refi apps were down by 3.8 percent. Purchase apps were down in three out of four weeks in July. This implies that the new and existing homes sales data for the month will be soft. The rate for a 30-year fixed rate mortgage was steady at 4.17 percent at the end of July.

Market Reaction: U.S. equity prices were down at the open. The yield in 10-Year T-bonds is down to 2.24 percent. NYMEX crude oil is up to \$48.83/barrel. Natural gas futures are unchanged at \$2.81/mmbtu.

ADP Looks Good in July

Monthly Changes, ths



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