The Day Ahead: Today's Losses Are All About Jobless Claims

There was a solid decade between 2010 and 2020 where weekly Jobless Claims data was completely inconsequential. The labor market had taken the hit from the great financial crisis and there was no meaningful role for Claims to play as an alarm bell for another shift.

The pandemic brought renewed relevance for timely data, but after lockdowns ended, the labor market only went one way until the summer of 2023. At the time, there was confusion regarding the imperfect seasonal adjustment factors, and there's been a bit of a repeat in 2024.

But when we look at the NON-adjusted numbers, we can see 2 things. Not only is the summertime spike a normal seasonal pattern, but 2024 is not looking very different from 2019, 2022, or 2023 (and yes... it DID look different 5 weeks ago, which is one of the reasons for the sharp rally when NFP came out much lower the following day... i.e. it suddenly seemed like the labor market had shifted without warning).

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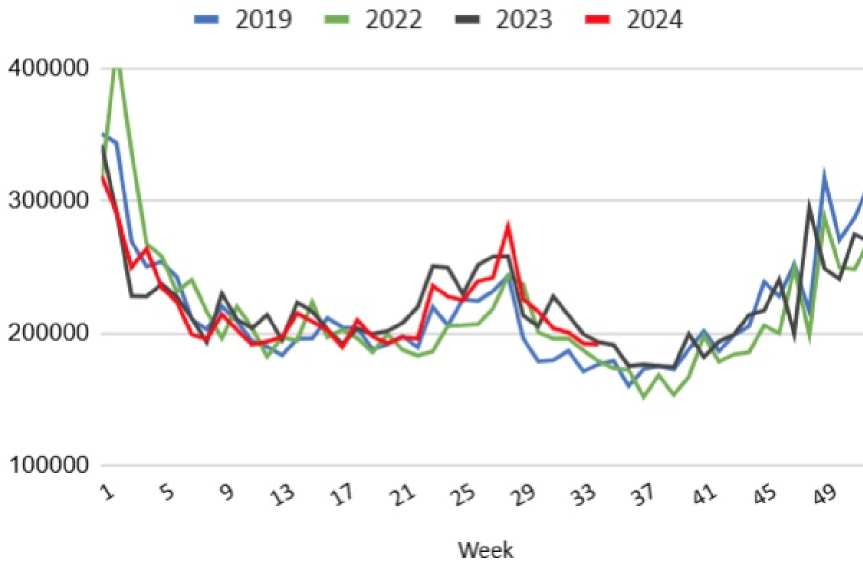

Simply put, the adjusted numbers made it seem like the labor market was deteriorating in the summer, but it turned out to be inappropriate adjustment factors.

Incidentally, the chart above has been updated for today's Claims data and the red line remains in the mix with recent years. As long as that continues to be the case, bond bulls are deprived of the evidence needed to fuel the more aggressive rate rally scenarios. That is the dominant reason for today's moderate bond market weakness--not GDP, not the stale quarterly PCE data, not the deflator, etc.

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