

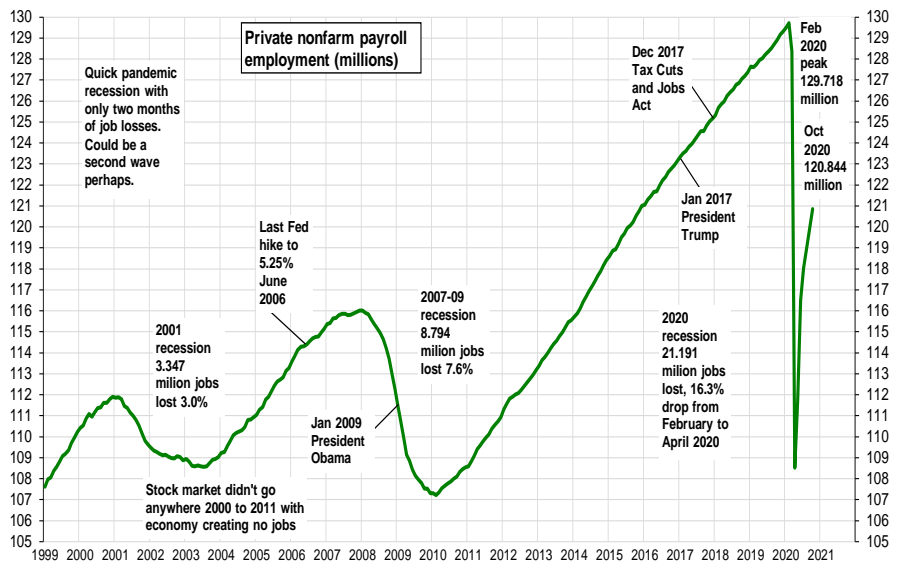
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JOBS MARKET OPENING BACK UP AS LONG AS ECONOMY DOESN'T LOCK BACK DOWN

Breaking economy news. As if the market hasn't had enough numbers, and percentages, and changes to sort through this week. Well, put another log on the fire, here come a few more. No one is winning the U.S. election, but at this hour, the economy is winning big time. The economy is baaack! The unemployment rate fell an entire percentage point from 7.9 percent in September to 6.9 percent in October. At this rate, unemployment will be back to the best economy in 50 years with an unemployment rate of 3.5 percent by early next year when the new Congress gets sworn in.



Monthly changes (000s)	Oct	Sep	Aug	Jul	Jun
Payroll employment	638	672	1493	1761	4781
Private jobs	906	892	1028	1526	4729
Leisure/Hospitality jobs	271	406	138	633	1979
Unemployment rate %	6.9	7.9	8.4	10.2	11.1
Not in labor force (mln)	100.058	100.599	99.720	100.503	100.273
Average hourly earnings	\$29.50	\$29.46	\$29.45	\$29.35	\$29.32
MTM % Chg	0.1	0.0	0.3	0.1	-1.3
YOY % Chg	4.5	4.6	4.6	4.6	4.9

Maybe hold your horses down there in Washington, maybe, just maybe, the economy doesn't need as much stimulus money as economists thought because the joblessness numbers are cratering which is a good thing as surprisingly, many Americans are able to regain their former positions or even find new employment opportunities.

Payroll jobs rose 638 thousand in October, about as expected, and would have been higher if 147 thousand temporary census workers in the Federal government had not been fired/retired. There are

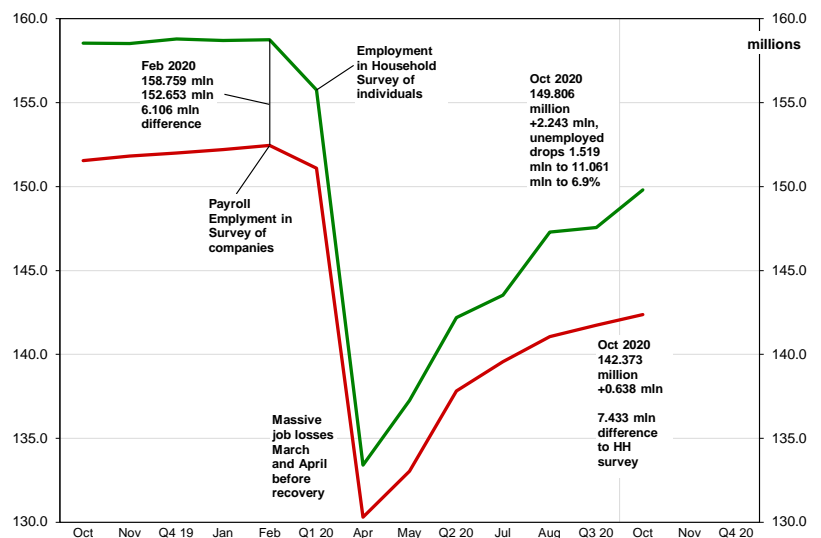
two surveys of the labor market and the count of employment that drove down the unemployment rate to 6.9% rose 2.243 million. Which number does the market like, 638 thousand more jobs in October or 2.243 million more jobs in October... well neither, traders are still busy counting votes for president down in Georgia, Nevada, and Arizona.

Surprisingly the recovery from the recession for the labor market is more V-shaped than many thought which tells us that the outlook is going to be more positive in 2021 than we forecast just a couple of months ago. The job market is opening back up and will continue to do so as long as the economy doesn't lock back down.

There's still a caveat to today's strong employment report in that the surveys were taken earlier in October, while the surge in deadly coronavirus cases continues to hit new records nearly every day in the first week of November. The 2.243 million jobs survey is taken generally from the calendar week that contains the 12th day of the month. The 638 thousand jobs survey is taken from the pay period that includes the 12th, but may or may not be the same calendar week. Keep your fingers crossed that the trend will continue, and that these stellar jobs gains will not get reversed.

Who knows if the economy can continue to hang on and create new jobs in this worrisome environment with the pandemic cases worsening. If the U.S. economy gets locked back down like in the U.K. and Germany and France then all bets are off.

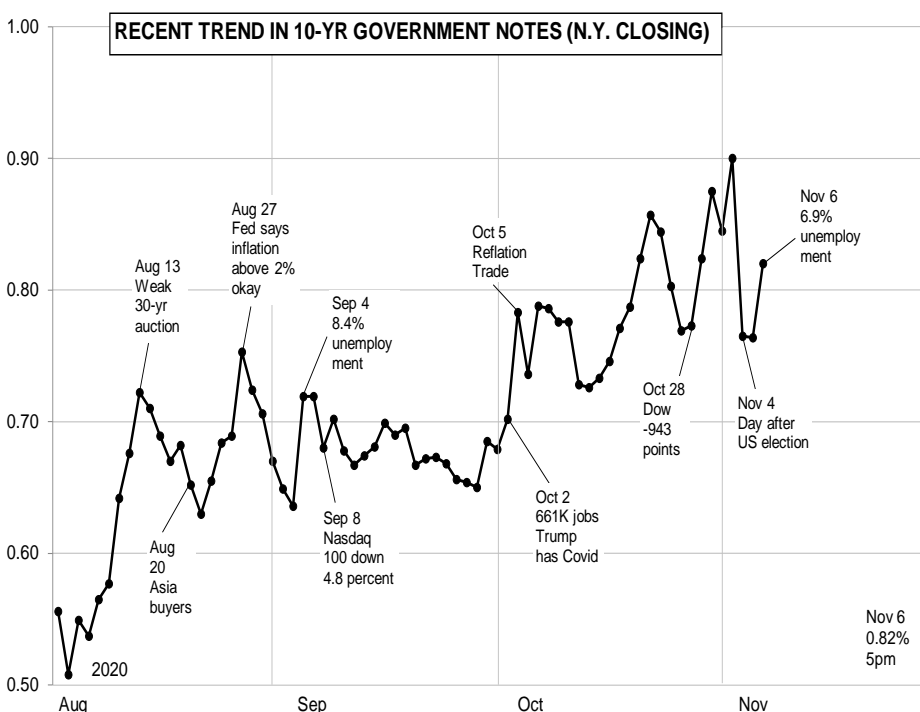
Payroll jobs fall from February peak as recession began							
	8 months						
	Feb 20						
Data in thousands	Oct 20	Sep 20	Aug 20	Oct 20	Sep 2020	Feb 2020	
Nonfarm Payroll Employment	638	672	1493	-10,090	142,373	152,463	
Total Private (ex-Govt)	906	892	1028	-8,874	120,844	129,718	
Goods-producing	123	97	53	-1,007	20,198	21,205	
Mining	2	2	-1	-88	571	660	
Manufacturing	38	60	30	-621	12,231	12,852	
Motor Vehicles & parts	1	8	-5	-86	913	999	
Construction	84	35	24	-294	7,345	7,639	
Private Service-providing	783	795	975	-7,867	100,646	108,513	
Trade, transportation, utilities	172	85	358	-1,079	26,751	27,830	
Retail stores	104	23	261	-499	15,174	15,672	
General Merchandise	10	-97	120	88	3,135	3,047	
Food & Beverage stores	3	10	8	56	3,146	3,090	
Transportation/warehousing	63	40	86	-271	5,407	5,678	
Truck transport	10	5	10	-63	1,464	1,527	
Air transportation	-18	-2	11	-124	387	511	
Couriers/messengers	8	11	10	99	947	848	
Warehousing and storage	28	16	37	60	1,268	1,208	
Utilities	-2	2	0	-7	539	546	
Information	-3	47	23	-262	2,632	2,894	
Financial	31	37	28	-129	8,716	8,845	
Insurance	7	8	6	16	2,834	2,818	
Real Estate	15	20	14	-143	2,216	2,359	
Commercial Banking	-2	-3	-2	-23	1,371	1,394	
Securities/investments	1	4	1	7	975	969	
Professional/business	208	122	184	-1,149	20,401	21,550	
Temp help services	109	22	102	-343	2,597	2,940	
Management of companies	4	15	2	-90	2,358	2,447	
Architectural/engineering	4	14	16	-36	1,504	1,540	
Computer systems/services	16	12	12	-59	2,194	2,253	
Legal services	5	2	3	-43	1,117	1,160	
Accounting/bookkeeping	1	2	-3	-25	1,013	1,038	
Education and health	57	49	175	-1,326	23,260	24,586	
Hospitals	16	-4	9	-106	5,155	5,261	
Educational services	-22	-69	72	-376	3,453	3,829	
Leisure and hospitality	271	406	138	-3,486	13,381	16,867	
Hotel/motels	34	88	15	-656	1,435	2,091	
Eating & drinking places	192	233	100	-2,098	10,205	12,303	
Government	-268	-220	465	-1,216	21,529	22,745	
Federal ex-Post Office	-139	-32	246	125	2,390	2,265	
State government	-65	-79	24	-355	4,844	5,199	
State Govt Education	-61	-82	23	-340	2,150	2,490	
Local government	-65	-108	189	-987	13,692	14,679	
Local Govt Education	-98	-206	131	-666	7,376	8,042	



MARKETS OUTLOOK

	30-Sep 2019	31-Dec 2019	31-Mar 2020	30-Jun 2020	30-Sep 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
30-Yr Treasury	2.11	2.39	1.32	1.41	1.46	1.40	1.40	1.50	1.60	1.70
10-Yr Note	1.67	1.92	0.67	0.66	0.69	0.70	0.70	0.80	0.90	1.00
5-Yr Note	1.55	1.69	0.38	0.29	0.28	0.30	0.30	0.40	0.50	0.60
2-Yr Note	1.62	1.57	0.25	0.15	0.13	0.20	0.20	0.20	0.30	0.30
3-month Libor	2.09	1.90	1.45	0.30	0.23	0.20	0.20	0.20	0.20	0.20
Fed Funds Rate	2.00	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
2s/10s spread	5	35	42	51	56	50	50	60	60	70

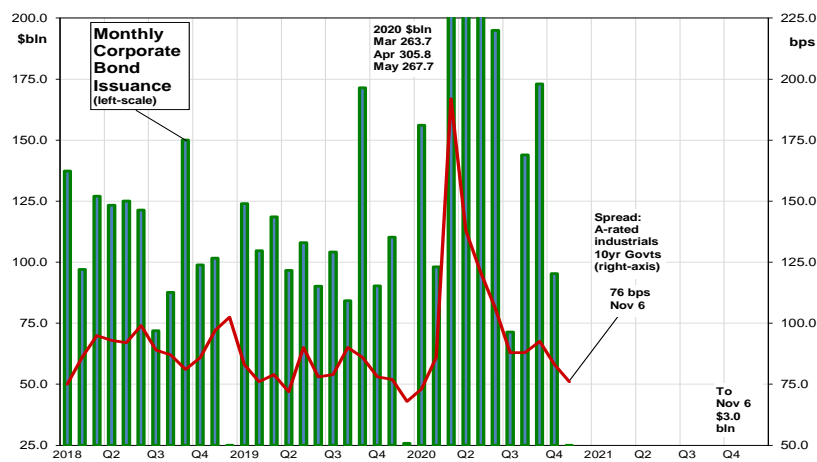
Bond yields closed 0.82% this week after 0.87% last week. Lots of volatility with yields opening up at 0.94% Tuesday night at 7pm still thinking Blue Wave with the early election results. Yields fell all the way back to 0.72% early on Thursday before the New York open as the Blue Wave story fell apart with expectations Democrats would not retake the Senate. The employment report was stronger than expected Friday with the unemployment rate falling a full percentage point to 6.9%. Yields were 0.78% at 830am ET Friday before the jobs report, and closed at 0.82%.



The week ended not knowing the next president and with two Senate seat runoff elections for Georgia not until January 5. Hard to know what the market will focus on next.

CORPORATES: WASTE MANAGEMENT, HYUNDAI MOTOR

Corporate bond offerings were \$3.0 billion in the November 6 week versus \$21.4 billion in the October 30 week. On Thursday, Waste Management sold \$2.5 billion 5s/7s/10s/30s. It priced a \$1.0 billion 1.5% 10-yr (m-w +12.5bp) at 75 bps (Baa1/A-). The waste management company will use the proceeds to repay outstanding borrowings under its \$3.0 billion 364-day revolving credit facility (used to finance Advanced Disposal Services acquisition), and redeem \$400 million 4.6% March 2021 notes. Corporate bond yields (10-yr Industrials rated A2) were 76 bps above 10-yr Treasuries Friday versus 83 bps last week.



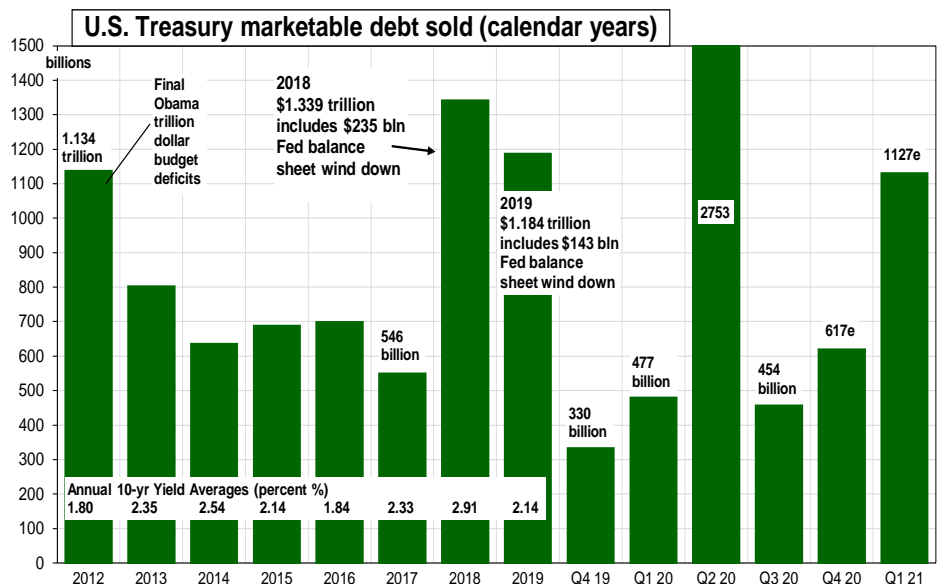
FEDERAL RESERVE POLICY

Fed officials issued a press statement Thursday that was about as decisive as the U.S. election results. If you are waiting for the Federal Reserve to step up their support for the economy now that the hopes for a Blue Wave multi-trillion-dollar fiscal package from Congress have been dashed, don't wait up all night for it. Keep in mind, when it comes to supporting the economy, the Federal Reserve makes loans, they don't actually give cash-strapped companies and broke jobless workers money. There are limits and the Federal Reserve cannot make up for the failure of elected officials to act.

We think the unemployment rate level is the key to monetary policy, but if you insist on using inflation here is the Fed's promise. Maybe light some candles and take an oath as you recite it and cross your hearts and hope to die. We promise to keep rates at zero until "inflation has risen to 2 percent and is on track to moderately exceed 2 percent for some time." Inflation is a real 2 percent tax on savers' deposits in the bank at zero rates each year with 10,000 baby boomers retiring each day. Smart policy from unelected government officials.

Selected Fed assets and liabilities					Sep 10
Fed H.4.1 statistical release					2008**
billions, Wednesday data	4-Nov	28-Oct	21-Oct	14-Oct	pre-LEH
Factors adding reserves					
U.S. Treasury securities	4538.087	4527.186	4509.778	4484.978	479.782
Federal agency debt securities	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	2000.324	2000.305	2047.235	2046.838	0.000
Repurchase agreements	1.000	1.000	1.000	1.000	126.750
Primary credit (Discount Window)	2.372	2.790	3.146	2.769	23.455
MMLF	5.504	5.530	5.740	6.119	
PDCF	0.263	0.243	0.193	0.193	
Commerical Paper Funding Facility	8.559	8.576	8.559	8.559	
Paycheck Protection Facility	61.522	63.899	64.126	65.577	
Corporate Credit Facility (CCF)	45.663	45.477	45.378	45.300	
Municipal Liquidity Facility	16.552	16.551	16.550	16.549	
Main Street Lending Program	41.683	41.273	40.893	40.547	
Term Asset-Backed Facility (TALF II)	12.266	11.763	11.762	11.716	
<u>Central bank liquidity swaps</u>	7.248	6.799	7.642	7.478	62.000
Federal Reserve Assets	7206.3	7194.5	7225.9	7199.8	961.7
3-month Libor %	0.23	0.21	0.21	0.23	2.82
Factors draining reserves					
Currency in circulation	2050.037	2044.990	2042.729	2042.774	834.477
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000
Treasury credit facilities contribution	114.000	114.000	114.000	114.000	
Reverse repurchases w/others	0.000	0.005	0.000	0.000	0.000
Reserve Balances (Net Liquidity)	2979.537	2947.256	2890.130	2907.734	24.964
Treasuries within 15 days	92.517	76.703	79.660	49.893	14.955
Treasuries 16 to 90 days	272.111	269.340	264.999	284.509	31.549
Treasuries 91 days to 1 year	633.540	654.840	656.206	656.000	69.272
Treasuries over 1-yr to 5 years	1714.301	1710.201	1701.341	1697.513	170.807
Treasuries over 5-yrs to 10 years	812.404	809.323	805.291	797.937	91.863
Treasuries over 10-years	1013.214	1006.780	1002.280	999.126	101.337
**September 10, 2008 is pre-Lehman bankruptcy of 9-15-08					
MMLF: Money Market Mutual Fund Liquidity Facility: loans secured by assets bought by banks from money market funds					
PDCF: Primary Dealer Credit Facility: o/n and term funding with maturities to 90 days					
CCF: Corporate credit facility: Primary market (PMCCF) and Secondary Market (SMCCF)					

There is a lot of uncertainty in the air from the election and spread of the virus, but Federal Reserve officials feel monetary policy is in a good place for now and see no need to make adjustments. The economic recovery is progressing and the Fed is doing its part in trying to get the country back to work. If Washington elected officials think big again and come out with a larger than expected fiscal stimulus package, the Fed has



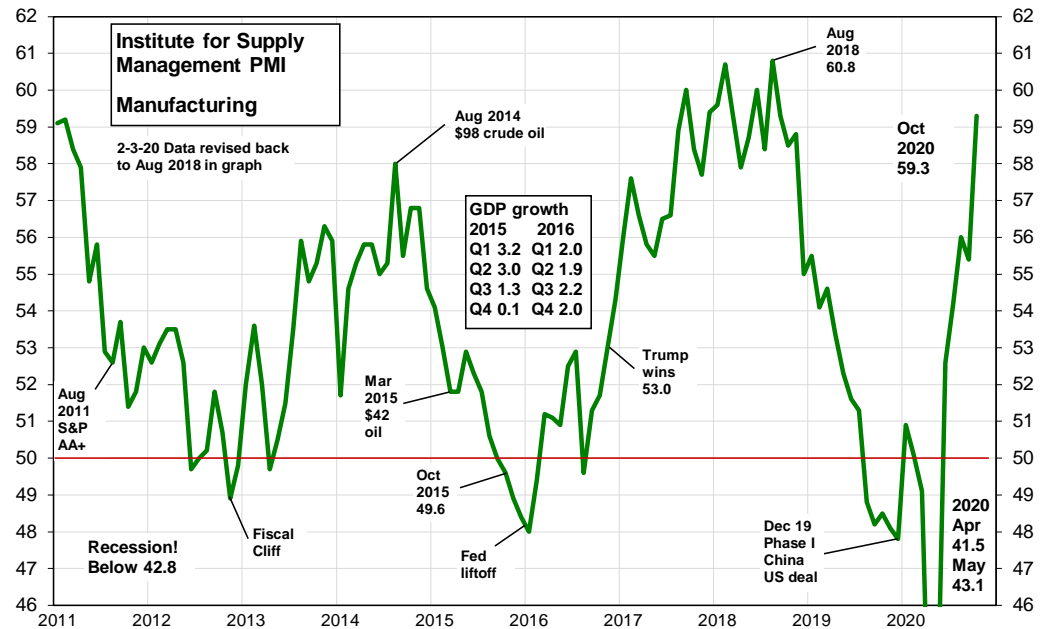
their backs as they continue to finance the Federal budget deficit with their QE purchases to the tune of nearly \$1 trillion every year. And speaking of Federal debt, the Treasury this week made new forecasts of the amount of new cash they need to raise, and Q4 2020 was reduced to just \$617 billion from the forecast three months ago looking at a \$1.216 trillion new cash need. It depends on the Washington stimulus package that is surely coming, but Q1 2021's estimate is \$1.127 trillion.



OTHER ECONOMIC NEWS THIS WEEK

Manufacturing executives show over-the-top optimism (Monday)

Breaking economy news. No Covid or election uncertainty worries for purchasing managers at manufacturing firms. The ISM manufacturing index jumped 3.9 percentage points to 59.3 in October to start the fourth quarter. Maybe economists better recheck their GDP forecasts because sentiment among business executives in manufacturing say factories will be humming despite the lack of fiscal stimulus. Manufacturing companies even say they are hiring again with the Employment index rising back above 50 to 53.2 in October from 49.6 in September. Maybe we should move up our payroll jobs estimate from 700K for this Friday when the data are revealed. Payroll employment overall increased 661K in September and manufacturing employment increased 66K. Purchasing managers said factory jobs had been declining since August 2019 until today's increase.



The individual responses from survey participants showed a mixed reaction to the second wave of Covid which was increasing production for food and beverage companies as stores were stocking up, while electronics products and computers said Covid was hurting the supply of labor. Sales were strong and robust for chemical products and transportation equipment. Demand was steadily coming back even for companies that were short of pre-Covid production levels like fabricated metal products manufacturers.

Net, net, despite the many traps laid for factory production such as stagnating export demand from the European lockdowns to election uncertainty regardless of who wins tomorrow, purchasing manager executives at manufacturing companies are the most optimistic about the outlook since 2018.

ISM manufacturing index

	Oct 20	Sep 20	Aug 20	Jul 20	Jun 20
PMI index	59.3	55.4	56.0	54.2	52.6
Prices	65.5	62.8	59.5	53.2	51.3
Production	63.0	61.0	63.3	62.1	57.3
New orders	67.9	60.2	67.6	61.5	56.4
Supplier deliveries	60.5	59.0	58.2	55.8	56.9
Employment	53.2	49.6	46.4	44.3	42.1
Export orders	55.7	54.3	53.3	50.4	47.6

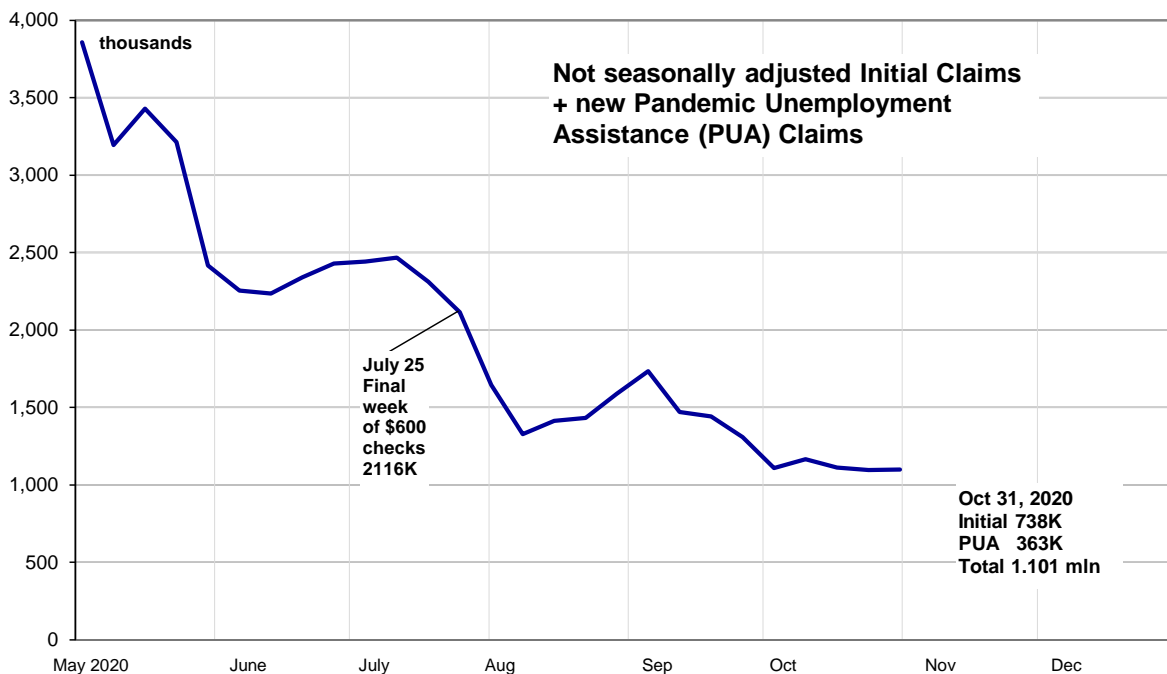
We hope they are right and not overly confident before production gets fully ramped back up to pre-Covid levels. Manufacturing industrial production from the Federal Reserve report in September actually fell slightly and was 6.0 percent below year earlier levels. But the confidence of purchasing managers is back close to August 2018 levels before the trade war and drop in commodity prices instilled some caution in the manufacturing sector. Stay tuned. Purchasing managers say all is well for now. Keep your fingers crossed.

Election uncertainty is moving down, but employment uncertainty is still going (Thursday)

Breaking economy news. Election uncertainty is moving back down, but employment uncertainty remains high. Jobless claims continue at higher levels than the peak of the Great Recession over a decade ago. Weekly jobless claims were 751 thousand in the October 31 week for the regular state programs while special claims programs for gig workers in this recession had 362 thousand new filings in the October 31 week. This makes over one million workers who were laid off just this week and it will be a miracle if the economy continues to grow with this staggering amount of joblessness.

There is evidence that the labor market is getting better even if it is hard to see it in the new filings for unemployment benefits data this week. If we look at the total number getting benefits in the regular state programs, it fell 601 thousand to 7.436 million in the October 17 week, and the gig workers or the Pandemic Unemployment Assistance jobless benefits count fell 992 thousand to 9.332 million in the October 17 week. Meanwhile, the numbers applying for extended benefits after six months on the unemployment rolls, the Pandemic Emergency UC program rose 277 thousand to 3.961 million in the October 17 week. The upshot is more workers are coming off the nation's unemployment rolls than there are those who are reapplying for extended benefits after the normal six-month period is exhausted which suggests they are finding work, if your glass is half-full, or they are dropping out of the labor force and giving up, if your glass is half-empty.

Net, net, the number of new jobless workers continues at over 1 million per week which is unheard of this long after a recession hits bottom. It looks like a second wave of layoffs is hitting the economy perhaps due to the rising count of virus cases, but it could also mean that many businesses are unable to reopen fully and facing bankruptcy, so they have to let their workers go. Major companies may be making millions, but the total count of workers fired by small and medium-sized businesses is also in the millions. This is the most lopsided recovery from recession in history where services industries are unable to restart as the public remains shy at resuming activities done before the pandemic. Stay tuned. Story developing.



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