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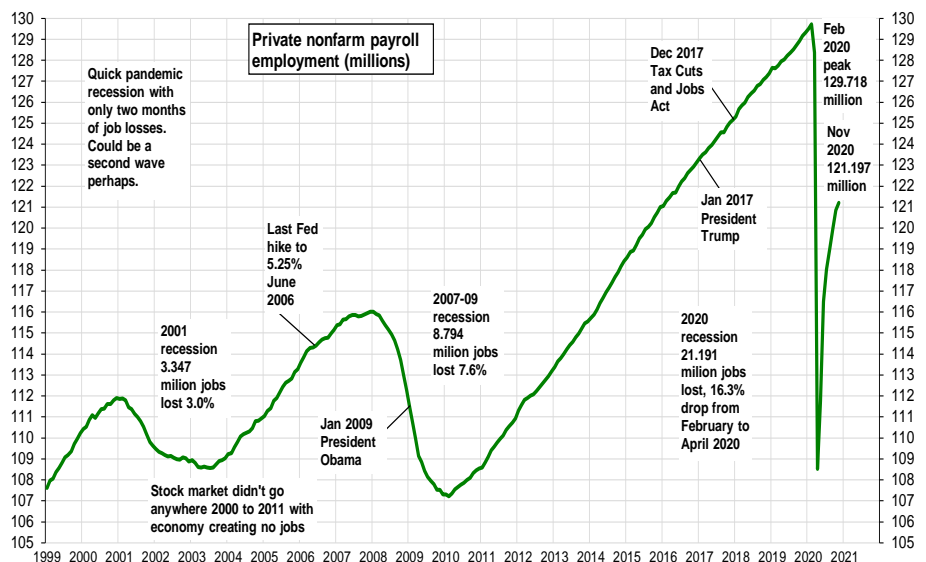
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ECONOMY STILL HAS A LONG WAY TO GO WITH 10 MILLION OUT OF WORK

Economy still has a long way to go with 10 million out of work. We didn't say it, and although anyone could have, it was Fed Chair Powell who said it on Tuesday well before Friday's all-important monthly employment report.

Payroll employment rose just 245 thousand in November, the slowest month yet since the bottom in April. Nonfarm payroll employment is down 9.8 million jobs from the best economy in 50 years in February this year. Private jobs went up 344 thousand and, in a sign of the Covid times we are in, messengers and warehouse workers were 119 thousand of them. If you think that the two-tenths drop in the unemployment rate to 6.7% was good news countering the slow payroll jobs growth, think again. Employment in the Household Survey actually fell 74 thousand, and the only reason the number of unemployed dropped was because beleaguered workers, shut down and out of their employment positions, gave up and dropped out of the labor force. Food services and drinking places saw a 17 thousand drop in nonfarm payroll employment. No fiscal package from Washington will put them back to work before the virus runs its course. Most of the slowdown was in government and retail jobs. The 2020 Census workers dropped 93 thousand. Local government education positions dropped 21 thousand. Retail trade jobs lost 35 thousand jobs. Seasonal adjustments are always difficult for retailing heading into the holidays. At least manufacturing jobs gained 27 thousand after the ISM manufacturing



Monthly changes (000s)	Nov	Oct	Sep	Aug	Jul
Payroll employment	245	610	711	1493	1761
Private jobs	344	877	930	1028	1526
Leisure/Hospitality jobs	31	270	413	138	633
Unemployment rate %	6.7	6.9	7.9	8.4	10.2
Not in labor force (mln)	100.618	100.058	100.599	99.720	100.503
Average hourly earnings	\$29.58	\$29.49	\$29.47	\$29.45	\$29.35
MTM % Chg	0.3	0.1	0.1	0.3	0.1
YOY % Chg	4.4	4.4	4.7	4.6	4.6

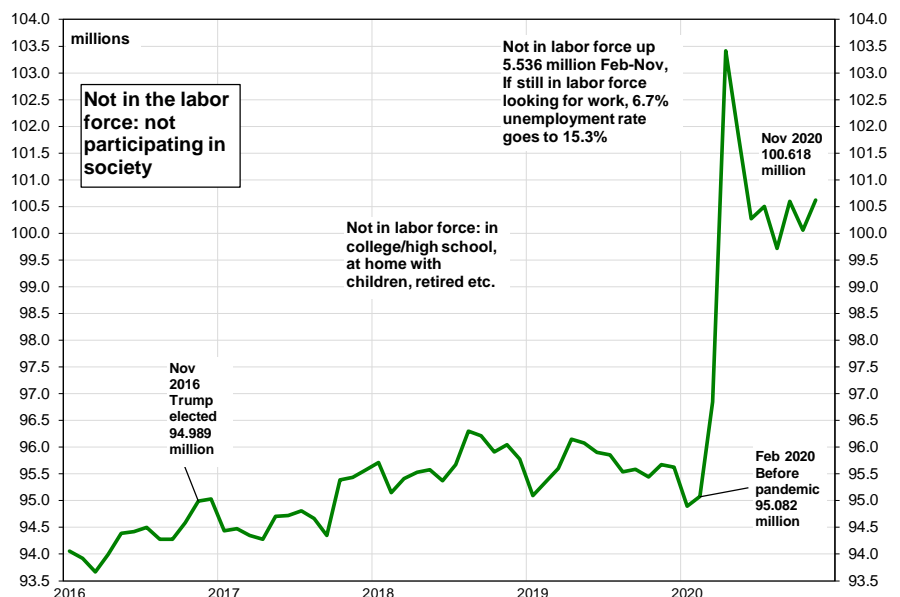
survey released on Tuesday hinted at factory job losses. Motor vehicles and parts gained 15 thousand jobs and there were 5 thousand more jobs in "Plastics." Solid job gains also in the 27K construction jobs, with 14K more jobs in the residential specialty trade contractors that are working on all our neighbors homes here outside New York City.

In conclusion, someone pumped the brakes on the labor market recovery in November. There was a big jobs slowdown this month as the virus count surged with many more states locking back down. This tepid increase today may actually be the high water mark for job gains over the next few months. The economic outlook looks bleak if the jobless workers cannot find new positions in society that will give them paychecks to spend and help make the economy grow.

Payroll jobs fall from February peak as recession began

Data in thousands	9 months					
	Oct 20	Sep 20	Aug 20	Nov 20	Nov 2020	Feb 2020
Nonfarm Payroll Employment	245	610	711	-9,834	142,629	152,463
Total Private (ex-Govt)	344	877	930	-8,521	121,197	129,718
Goods-producing	55	107	97	-968	20,237	21,205
Mining	1	2	3	-86	573	660
Manufacturing	27	33	60	-599	12,253	12,852
Motor Vehicles & parts	15	1	6	-73	927	999
Construction	27	72	35	-279	7,360	7,639
Private Service-providing	289	770	833	-7,553	100,960	108,513
Trade, transportation, utilities	121	161	94	-960	26,870	27,830
Retail stores	-35	95	15	-550	15,122	15,672
General Merchandise	-21	10	-108	57	3,104	3,047
Food & Beverage stores	4	5	10	61	3,151	3,090
Transportation/warehousing	145	62	44	-123	5,555	5,678
Truck transport	13	7	5	-53	1,474	1,527
Air transportation	3	-19	-1	-122	389	511
Couriers/messengers	82	9	11	182	1,030	848
Warehousing and storage	37	28	16	97	1,305	1,208
Utilities	0	-1	1	-7	539	546
Information	1	-28	53	-280	2,614	2,894
Financial	15	30	37	-115	8,730	8,845
Insurance	1	5	7	14	2,832	2,818
Real Estate	8	15	22	-133	2,226	2,359
Commercial Banking	-2	-2	-3	-26	1,368	1,394
Securities/investments	-1	0	4	1	970	969
Professional/business	60	231	127	-1,061	20,489	21,550
Temp help services	32	123	25	-293	2,647	2,940
Management of companies	-5	2	18	-93	2,354	2,447
Architectural/engineering	-2	4	14	-37	1,503	1,540
Computer systems/services	-8	13	11	-70	2,182	2,253
Legal services	5	6	2	-36	1,124	1,160
Accounting/bookkeeping	-2	1	0	-29	1,009	1,038
Education and health	54	62	60	-1,256	23,330	24,586
Hospitals	5	17	-4	-100	5,161	5,261
Educational services	-6	-29	-72	-392	3,437	3,829
Leisure and hospitality	31	270	413	-3,449	13,418	16,867
Hotel/motels	6	35	90	-647	1,444	2,091
Eating & drinking places	-17	192	237	-2,111	10,192	12,303
Government	-99	-267	-219	-1,313	21,432	22,745
Federal ex-Post Office	-86	-142	-37	31	2,296	2,265
State government	0	-67	-67	-345	4,854	5,199
State Govt Education	5	-64	-70	-326	2,164	2,490
Local government	-13	-58	-116	-1,001	13,678	14,679
Local Govt Education	-21	-91	-215	-688	7,354	8,042

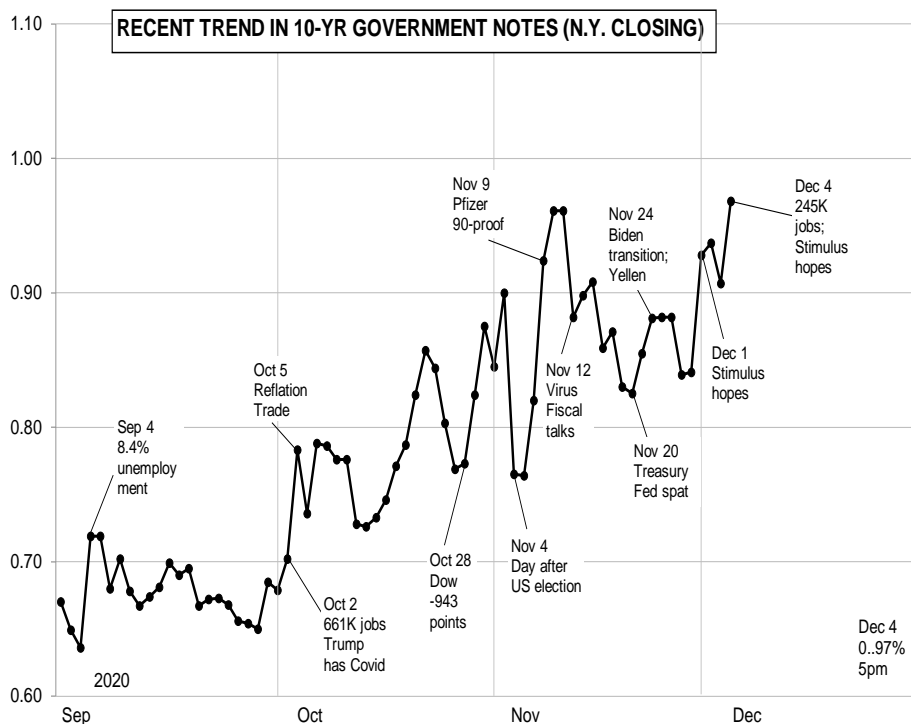
Help might be on the way, but the current fiscal measures being discussed in Washington are quite limited and look to be little more than a band-aid to keep the economy from going under as opposed to a multi-trillion dollar stimulus package done to supercharge economic growth. The only thing that is going to help the economy at this point are vaccinations against the spread of the virus that keeps the leisure and hospitality sector from recovering.



MARKETS OUTLOOK

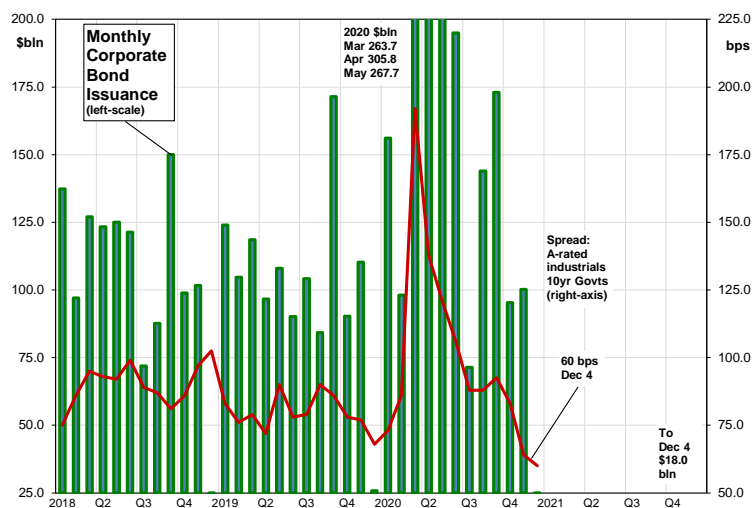
	30-Sep 2019	31-Dec 2019	31-Mar 2020	30-Jun 2020	30-Sep 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
30-Yr Treasury	2.11	2.39	1.32	1.41	1.46	1.40	1.40	1.50	1.60	1.70
10-Yr Note	1.67	1.92	0.67	0.66	0.69	0.70	0.70	0.80	0.90	1.00
5-Yr Note	1.55	1.69	0.38	0.29	0.28	0.30	0.30	0.40	0.50	0.60
2-Yr Note	1.62	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 0.97% this week after 0.84% last week. Question: how many times can bond yields rally on Washington stimulus hopes? Limitless apparently and twice this week on Tuesday and then on Friday. It took seconds for the bond market buying on the soft jobs report on Friday to turn into selling before bond traders had a chance to think [*sic*]. Traders reasoned a weak jobs report would goad recalcitrant Washington officials into action. Even if the economy can't recover fully until the pandemic runs its course. For the record, bond yields jumped 9 bps to 0.93% on Tuesday's hopeful fiscal stimulus news. On Friday, yields ended 6 bps higher at 0.97%, moving from 0.92% before the soft jobs report to 0.90% on the news, before climbing back to 0.97% half an hour later.



CORPORATES: BANKS/FINANCIALS, CSX CORP, MCKESSON, CONED

Corporate bond offerings were \$22.9 billion in the December 4 week versus \$0.4 billion in the November 27 week. On Thursday, Juniper Networks sold \$800 million 5s/10s. It priced a \$400 million 2.0% 10-yr (m-w +20bp) at 110 bps (Baa2/BBB). The communications networking equipment company will use the proceeds to fund the purchase of its 4.5% 2024 and 4.35% 2025 Senior Notes. Corporate bond yields (10-yr Industrials rated A2) were 60 bps above 10-yr Treasuries Friday versus 65 bps last week.



FEDERAL RESERVE POLICY

The Fed meets December 15-16, 2020 to consider its monetary policy. No action is expected. They will put out new forecasts as they do every quarter.

CPI inflation comes out on Thursday next week. In October, headline CPI inflation was 1.2%, and core CPI inflation was 1.6%. Inflation isn't zero, the Fed's interest rates policy is zero so inflation keeps eating away at the value of the public's savings. It adds up over ten or twenty years. Hopefully, interest rates won't be at zero for that long. A couple of Fed speakers on Friday after the soft payroll jobs report which somehow in the market's twisted logic was seen as good news because it increased the odds of additional stimulus from Washington both from Congress and the Federal Reserve. Wait for it. Minneapolis Fed President Kashkari

was asked where he saw interest rates going in the next three to six months? Kashkari said that in the next year or two we will be there at zero on interest rates, until we are sure the pandemic is behind us and we fully rebuild the labor market though we could be at zero longer than that. We will see, he said. Longer than that indeed as he talked also about how it took ten years in the last economic cycle for the

labor market to strengthen enough and unemployment fall far enough to start bringing people back into the labor force who had dropped out. It could take a while as there were 5.787 million out of work in February this year, and that was good, and now there are 10.735 million unemployed in the November data today, so 10.735 minus 5.787 equals 4.948 million to put back to work. Add to that the 5.536 million increase in labor force dropouts since February and the economy will have to grow for at least a couple of years to create jobs for over ten million

jobless Americans. Chicago Fed President Evans also spoke after the jobs report on Friday which he called disappointing. Interest rates? A news headline had Evans saying he didn't see the Fed raising rates before 2023 or 2024. Stay tuned. Story developing slowly.

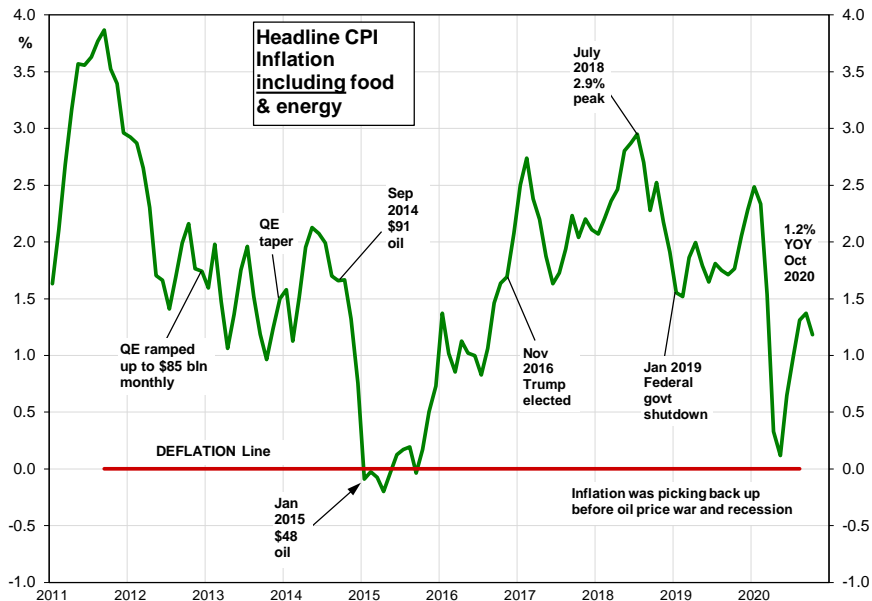
Selected Fed assets and liabilities					Sep 10 2008**	
Fed H.4.1 statistical release	billions, Wednesday data	2-Dec	25-Nov	18-Nov	11-Nov	pre-LEH
Factors adding reserves						
U.S. Treasury securities	4614.410	4606.580	4584.423	4552.731	479.782	
Federal agency debt securities	2.347	2.347	2.347	2.347	0.000	
Mortgage-backed securities (MBS)	2003.621	2003.592	2051.176	2000.368	0.000	
Repurchase agreements	1.000	1.000	1.000	1.000	126.750	
Primary credit (Discount Window)	1.992	2.428	2.167	2.317	23.455	
Factors draining reserves						
MMLF	4.492	5.192	5.242	5.496		
PDCF	0.250	0.240	0.255	0.263		
Commerical Paper Funding Facility	8.563	8.557	8.557	8.559		
Paycheck Protection Facility	54.879	56.003	57.523	60.102		
Corporate Credit Facility (CCF)	46.078	45.982	45.838	45.692		
Municipal Liquidity Facility	16.556	16.555	16.554	16.553		
Main Street Lending Program	43.783	43.371	42.894	42.337		
Term Asset-Backed Facility (TALF II)	12.118	12.294	12.293	12.266		
Central bank liquidity swaps	8.449	7.845	7.141	8.036	62.000	
Federal Reserve Assets	7270.7	7265.1	7291.9	7224.2	961.7	
3-month Labor %	0.23	0.23	0.22	0.22	2.82	
Reserve Balances (Net Liquidity)						
Currency in circulation	2067.772	2066.001	2060.288	2058.082	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	0.000	
Reverse repurchases w/others	0.001	0.000	0.103	0.000	0.000	
Reserve Balances (Net Liquidity)	3101.235	3143.863	3033.228	2992.098	24.964	
Treasuries within 15 days	56.723	78.785	84.836	71.475	14.955	
Treasuries 16 to 90 days	335.898	290.750	284.427	285.323	31.549	
Treasuries 91 days to 1 year	630.853	668.914	664.873	642.675	69.272	
Treasuries over 1-yr to 5 years	1726.236	1711.895	1700.839	1725.831	170.807	
Treasuries over 5-yrs to 10 years	829.664	826.697	824.797	812.450	91.863	
Treasuries over 10-years	1035.037	1029.539	1024.651	1014.977	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)



OTHER ECONOMIC NEWS THIS WEEK

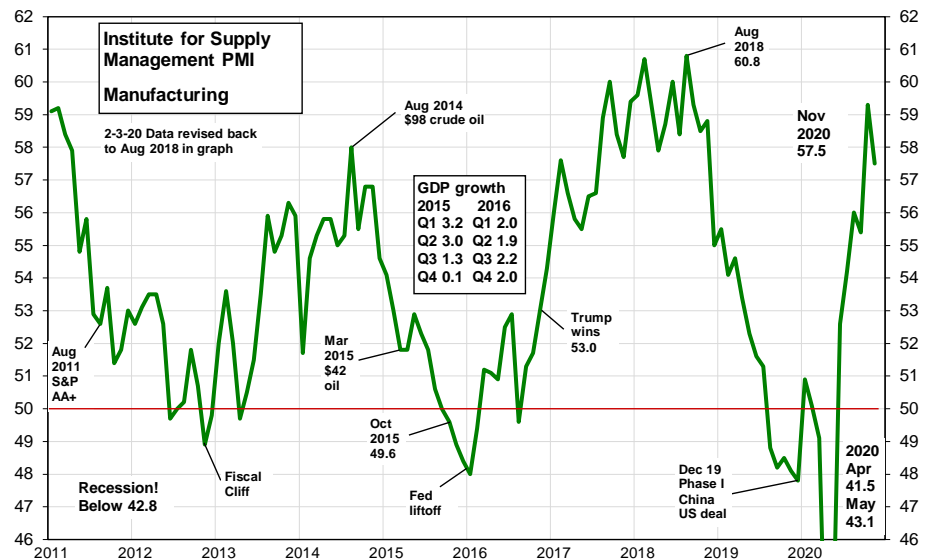
Manufacturers not quite as optimistic and stopped hiring, started firing (Tuesday)

Breaking economy news. Manufacturing purchasing managers are not quite as optimistic this month and have stopped hiring and resumed firing. Trying to improve productivity by moving workers off the shop floors and bringing machines and robots in to keep prices down for consumers and to stay competitive in world export markets? Or it could be they stopped "hiring" because they had to send people home due to the new wave of coronavirus cases throughout the nation. The ISM manufacturing index fell to 57.5 in November from 59.3 in October. Manufacturing workers still account for over 10 percent of all private payroll employment in the country so today's news of layoffs in the sector either planned or unplanned is a worrisome sign that shows there is not a clear path to winning here for the economic outlook as 2021 approaches.

As to the details, 18 manufacturing industries are

growing in November, and only two are in decline: Printing, and Petroleum and Coal Products. A surprising number of companies say they are facing major staffing problems some of which are due to quarantined workers due to Covid.

Net, net, factories are still open, but stay-at-home restrictions are back due to the new wave of coronavirus cases, so manufacturers are not displaying the same swagger and confidence they had earlier this year. There are still millions out of work during the pandemic and so it was sad to learn companies are starting to lay off factory workers again. The ISM employment index fell to 48.4 in November from 53.2 in October which doesn't augur well for Friday's all-important payroll employment report. A purchasing manager index under 50 means the sector is in a contraction phase. Manufacturers on this basis started firing factory workers back in August 2019 during the China-U.S. trade war escalation, started hiring again in October with the index bouncing back above 50.0, and now a month later are back to layoffs. Stay tuned. Story developing.

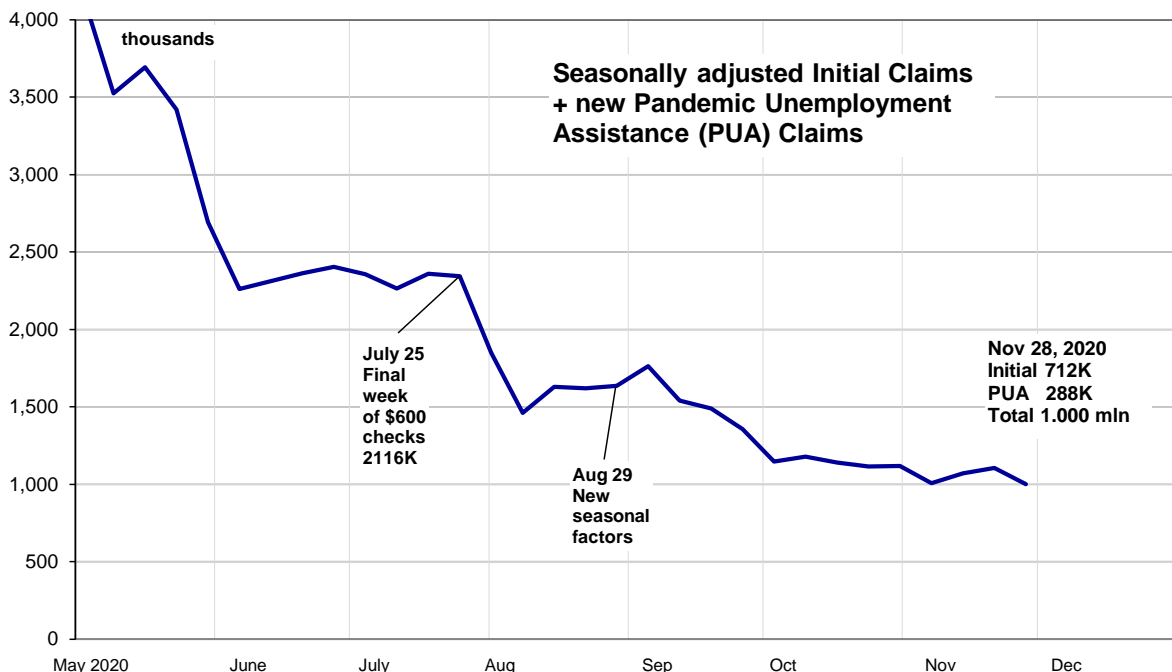


ISM manufacturing index					
	Nov 20	Oct 20	Sep 20	Aug 20	Jul 20
PMI index	57.5	59.3	55.4	56.0	54.2
Prices	65.4	65.5	62.8	59.5	53.2
Production	60.8	63.0	61.0	63.3	62.1
New orders	65.1	67.9	60.2	67.6	61.5
Supplier deliveries	61.7	60.5	59.0	58.2	55.8
Employment	48.4	53.2	49.6	46.4	44.3
Export orders	57.8	55.7	54.3	53.3	50.4

****WARNING: WHAT YOU NEXT SEE IS NOT TO BE BELIEVED-712K JOBLESS CLAIMS (Thursday)**

Breaking economy news. Weekly jobless claims. Weekly jobless claims that come with a warning that the numbers are not to be trusted. The [Government Accounting Office \(GAO\) recommended](#) this after finding each week's new filings were not all new filings because they included reopenings of cases filed earlier. Jobless claims fell 75 thousand to 712 thousand in the November 28 week which is better than expected, but then again, maybe the 712 thousand is way too high in the first place as it reflects the filings of some who filed weeks and months earlier. The one ray of hope is that the total number receiving benefits under the state programs is falling more than the number of people applying for those 13 weeks more of extended benefits in the Pandemic Emergency Unemployment Claims program. This means some are actually coming off the unemployment rolls and finding work. However, the bad news is that this extended benefits CARES Act program expires on December 31. Finally, the one ray of hopelessness however is that if the initial claims are truly 712K, then they are still higher than the worst week of the last recession when 665K filed in the March 28, 2009 week.

Net, net, job layoffs showed modest improvement, but make no mistake, there are storm clouds out on the horizon ready to roll in if Congress doesn't act to renew the unemployment benefits for gig workers and for extended benefits that expire at the end of the year. America's war with recession isn't over yet with payroll employment 10 million workers lower than it was in February. 10 million lost jobs is a big number and a big deal that will take a toll on growth in 2021 if it is not remedied in a hurry. There is no time to wait for the incoming Biden administration, Congress needs to act now before the fiscal cliff hits at year's end that will take away support for millions of workers. There are 8.869 million receiving unemployment compensation in the Pandemic Unemployment Assistance Program in the November 14 week. There are 4.569 million receiving unemployment compensation in the Pandemic Emergency Unemployment Compensation program. Over 13 million will lose benefits if the count is correct keeping in mind the GAO's findings. Stay tuned. Story developing.



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