

Arc Commodity

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US nonfarm payroll report: Job market stabilizing but remains weak

Summary

- US nonfarm payroll released on January 9 has been eagerly awaited as it offered the first real picture of the job market after September 2025. Reports after September had been somewhat distorted due to data collection and disruptions because of the US Government shutdown.
- The importance of the report is underscored by the fact that the Fed members have been mostly hinting at a pause in rate cuts in the upcoming January meeting.
- US nonfarm payrolls rose 50K in January Vs the forecast of 70K as the November figure was revised lower by 8K.
- Unemployment rate unexpectedly edged lower to 4.4% from 4.5% in November Vs the estimate of 4.5%.
- Two-month payroll net revision subtracted 76K jobs.
- Nonfarm payrolls 3-month average change stood at -22K.

Event - US NFP Report	Period	Survey	Actual	Prior	Revised
Change in Nonfarm Payrolls	Dec	70k	50k	64k	56k
Two-Month Payroll Net Revision	Dec	--	-76k	--	--
Change in Private Payrolls	Dec	75k	37k	69k	50k
Change in Manufact. Payrolls	Dec	-5k	-8k	-5k	-2k
Nonfarm Payrolls 3-Mo Avg Chg	Dec	--	-22k	22k	-3k
Average Hourly Earnings MoM	Dec	0.30%	0.30%	0.10%	0.20%
Average Hourly Earnings YoY	Dec	3.60%	3.80%	3.50%	3.60%
Average Weekly Hours All Employees	Dec	34.3	34.2	34.3	--
Unemployment Rate	Dec	4.50%	4.40%	4.60%	4.50%
Labor Force Participation Rate	Dec	62.40%	62.40%	62.50%	--
Underemployment Rate	Dec	--	8.40%	8.70%	--

Source: Company; Mirae Asset Sharekhan Research

Analysis

Nonfarm payrolls:

- US employers adding 50K jobs points to a stabilizing job market, however, net 2-month revision of -76K jobs implies that even January figure could be revised drastically lower. 3-month average change slumped from +22k to -22K, as October payroll declined by 173K. October figure was revised down by 68,000, from -105,000 to -173,000 and November was revised down by 8,000, from +64,000 to +56,000.
- Private payrolls were somewhat disappointing.
- Manufacturing sector, a highly politicized sector as the Trump Administration is focused on reviving manufacturing, lost jobs for the eighth month in a row.
- For the full year, payrolls climbed by 584,000, the weakest increase since 2010 barring the Covid period of 2020.

Unemployment rate:

- Although unemployment rate ticked lower, it is to be noted that participation rate also fell as the total number of unemployed people dropped, which means decline in unemployment rate could be due to contracting labor force, too. On the other hand, one-off DOGE induced job shedding may have contributed to an unexpected rise in November unemployment rate from 4.4% to 4.5%.

Performance of Job sectors:

- Retail trade shed 25,000 jobs; retail trade employment showed little net change in both 2024 and 2025.
- Healthcare once again led the hiring adding 21,000 roles. health care employment rose by an average of 34,000 per month last year

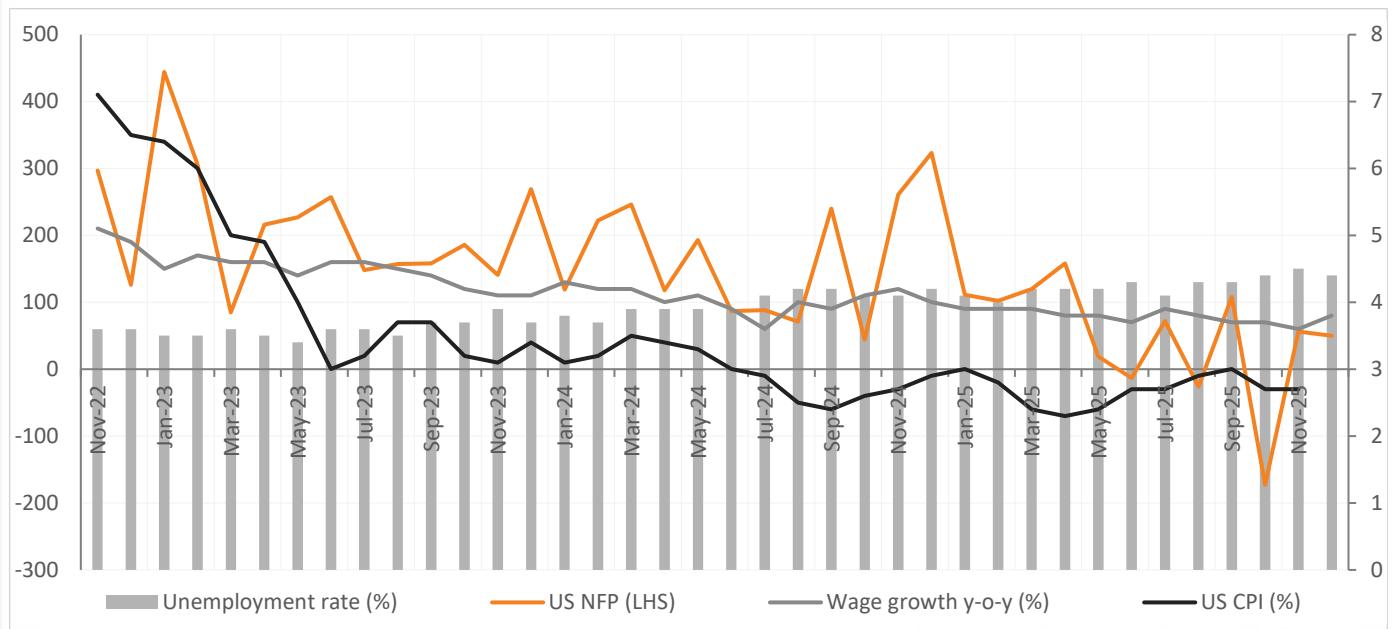
Household survey encouraging:

- The employment figures from the household survey show a 232,000 advance for December, quite solid. But the number of job seekers declined, as did the overall labour force, which doesn't reflect a healthy job market.

Wages:

- Wages were robust as there was a 0.3% monthly advance in average hourly earnings, and the previous month was revised up from 0.1% to 0.2%. Over 12 months, the increase is 3.8% that topped the estimate of 3.6% and is roughly about 1% higher than the pace of inflation.

US NFP data



Reaction in markets:

Instrument/Commodity	CMP	Reaction to NFP	Remarks
Spot gold	\$4495	Up 0.50%	Focus on rebalancing and geopolitical tensions
Spot Silver	\$78.70	Up 1%	Focus on rebalancing and geopolitical tensions
LME Copper	\$12957	Flat	Chinese demand remains weak but LME spread tightened
WTI Crude oil	\$58.77	+1%	Focus on Iran
Dollar Index	99.09	Flat	
US 2-year yields	3.52%	Flat	CPI data awaited
US 2-year yields	4.19%	Flat	CPI data awaited
Wider markets		Flat	Remain well bid

Source: Company; Mirae Asset Sharekhan Research

US Fed watch:

- The probability of the US Federal Reserve keeping the rates unchanged at its January 28 meeting jumped from 88% to 95% after the data.

Upcoming major data and events:

- US CPI (December) on January 13
- FOMC monetary policy decision on January 28

Conclusion

- GUS nonfarm January payroll report points to a stabilizing US job sector as US employers added jobs in November and December after a huge decline in October. However, massive downward revisions call for a caution. It is to be noted that the Fed Chair Powell had noted in December FOMC press conference that job reports could be overstating the actual figure by 60K jobs.
- Wage is a positively strong factor in the job report.
- Decline in unemployment rate will need more scrutiny as labour force contracted.
- The Fed is expected to keep rates steady in January.
- Overall, we do not see this report posing any major risks to commodities. At the same time, upside may be limited ahead of the US CPI report amid Index rebalancing selling.
- Monitoring other factors like Index rebalancing heightened geopolitical tensions (Sino-Japan, Sino-US, Iran, the Caribbean, Middle East) is must in the present volatile and uncertain scenario.
- The US Supreme Court didn't rule on challenges to President Donald Trump's tariffs Friday, as the justices issued the first full-scale opinion of their term. This development is somewhat positive for the precious metals.

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