Crash Course To Become an NFP Expert

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FXSTREET

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Crash Course To Become an NFP Expert

Have you ever read news updates mentioning rising unemployment or falling payrolls yet you don't have a clue what these mean for the Forex market? Well, today is your lucky day because **the FXStreet team has been working on a research material to make you an expert in trading the NFP report**.

Considered the backbone of the U.S. economy, the NFP has an history of rocking global markets, specially the FX market via the U.S. Dollar. Other signs of economic growth are often viewed with a little suspicion by market participants if employment figures are not at a healthy level.

Since the headline number for NFP tends to move all financial markets, as a trader **it is important that you prepare for various scenarios**, by developing models to predict the likely headline number.

To accomplish that, **you should start with a solid understanding of employment conditions in the U.S**. **The more knowledge you have, the more confident you will feel trading the NFP**. Making your own predictions, you don't need to accept the market estimates as written in stone anymore. Besides, they are often well off the mark.

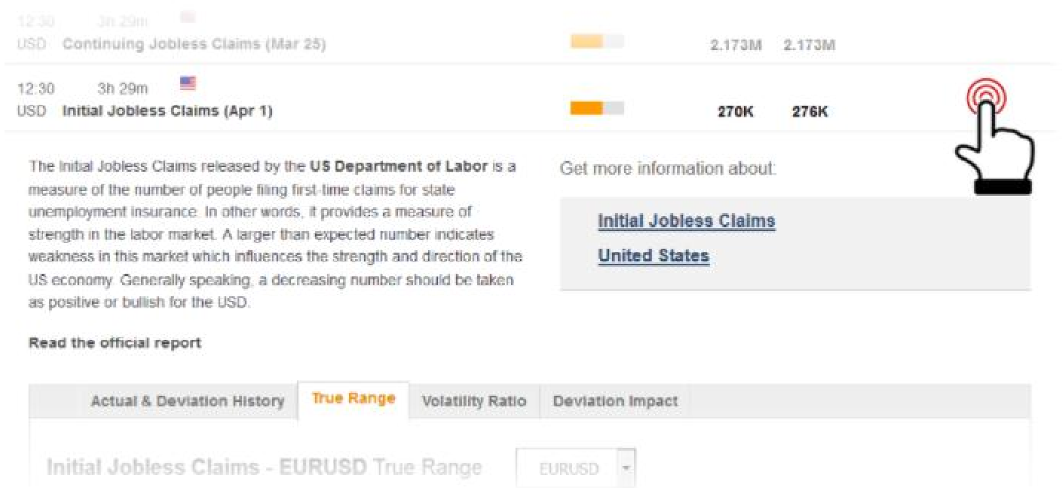
Ready to make a leap and become an NFP expert?

PART A

What to do BEFORE the NFP release?

The modeling on related macro-economical data will enable you to elaborate a fundamental analysis to estimate the next NFP release. All the reports we are going to describe take different approaches to determine whether labor-market conditions are improving or deteriorating. At the end of the section you will be geared with a checklist to do your own NFP Prognosis.

Most of this data is available on [FXStreet's]* Economic Calendar. Make sure you are familiar with it. Each of the Calendar rows is clickable and this is where the data is to be found. Besides you have a link to the official report below, which in some cases will be needed.



Non-Farm Payrolls

What it is:

NFP stands for Non-Farm Payrolls, which is actually part of the Employment Situation report, released by the US Department of Labor, which also includes the Labor Force Participation Rate, the Unemployment Rate, Average Hourly Earnings and Average Workweek Hours, among many other statistics. The NFP component seems to get the most attention because **it measures the actual number of paid employees (full and part time)** in the business and government establishments.

Why is it important?

The report **provides a fresh insight into the health of the U.S. economy in general**, and the labor-market conditions in particular. If the labor market is growing, that means more people are making money, and the more spending there will be. More spending results in a higher Gross Domestic Product which is the broadest measure of the economy. **Employment figures can also have an impact on interest rates**, as higher employment will lead to higher interest rates because of central bank policies aimed at balancing inflation with growth. And as you probably know, interest rates are a significant factor for Forex traders.

How to read it?

The NFP measures the number of jobs created or lost in the U.S. economy over the prior month. For instance -200k means 200k jobs were lost in all non-agricultural business. **A look at the history of NFP releases is a good starting point to get a feel for the jobs situation.** Try to detect the long-term trend in the NFP figures, if it is rising of falling. After a large string of good numbers, for instance, a retracement would be plausible. Look also at the ranges: were recent reports close to historic highs or lows? The chart below, taken in June 2017, shows a weakening trend made of lower highs.

Are expectations for the next release far from the last figures or are they too modest? In both cases we might have room for surprises, which we will deal with in the second part of this study.

Where to find it?

On **FXStreet's calendar**, you can find the report showing its data series on a chart. It is released usually on the first Friday of each month, at 8:30 EST.

Revisions

The number is subject to revision for two months, and those reviews also tend to trigger volatility in the Forex board as we will explain further below.

Challenger Job Cuts

What it is:

This report, released monthly by Challenger, Grey & Christmas, **provides information on the number of announced corporate layoffs by industry and region.**

Why is it important?

Because the CGC reflects companies' future plans, its release tends to be more forward-looking than most economic reports. The data is based on previous corporate announcements but it aggregates upcoming layoffs and hirings. Layoff announcements shouldn't be utilized as a sole leading indicator of the NFP, but because of its forward-looking quality, **it provides useful hints on where the job market is headed.**

How to read it?

As an NFP expert, **you take the numbers and look for a consistent pattern together with the rest of leading indicators**. For example, a large and unexpected jump in layoffs, i.e. a high reading, is a bad omen for the job situation and hence for future NFP releases. This is specially true if it happens in a context of economic weakness as expressed in a weak employment component of the ISM manufacturing.

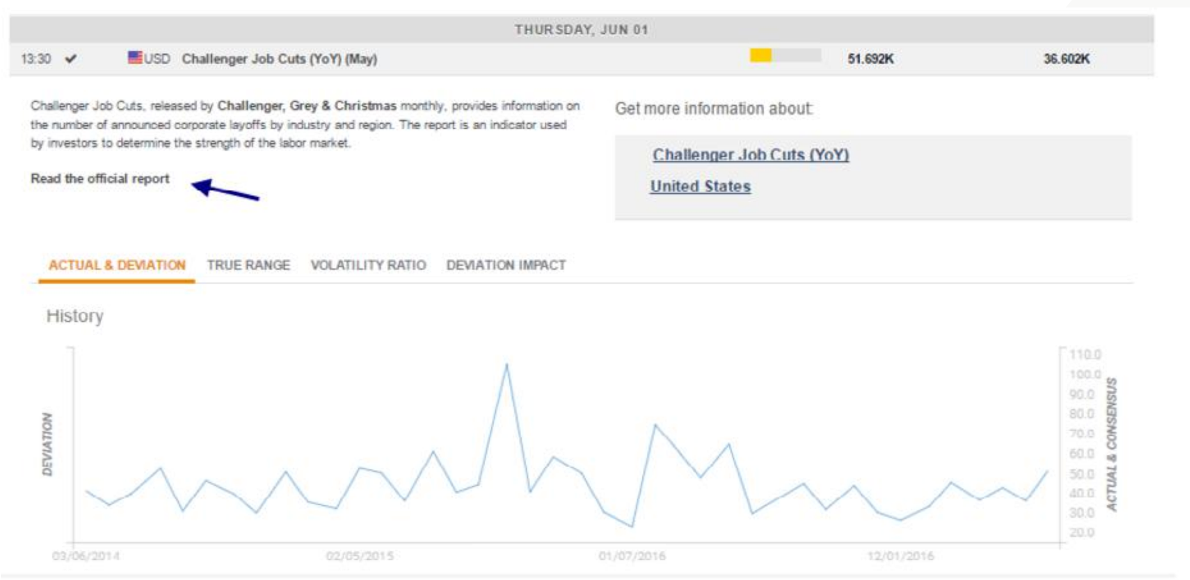
Where to find it?

You can find the report and its historical charts on **FXStreet's calendar**. It is usually published the first week after the end of the reference month and it is expressed in number of persons (thousands).

Revisions

There have been very few revisions to previously released data. One of these was in May 2017, which was higher at 51,692 than the 36,602 figure in April and the highest since April of 2016. 20,000 of those job cuts were supposedly announced by Ford Motor Company but later this number was reduced to 1,400. Ford had reached out and informed CGC that the 20,000 number was incorrectly reported several weeks before.

As an expert, **you might check the original source for the details of the data**.



Initial Jobless Claims and Continuing Jobless Claims

What they are:

The Initial Jobless Claims released by the U.S. Department of Labor is a **measure of the number of people filing first-time claims for state unemployment insurance**. Continuing Jobless Claims on the other hand, measures the number of individuals who are unemployed and are currently receiving unemployment benefits.

Why are they important?

Experts seek out clues in the Initial Jobless Claims report because of its weekly frequency, and because it reflects what is going on in the job sector. Moreover, it is viewed as a **good coincident indicator** based on actual reports from state agencies around the U.S. When looking at the Continuing Jobless Claims numbers– the weekly claims for unemployment insurance– is important to know that not everyone who is jobless is entitled to unemployment benefits.

How to read them?

If the number of people filing for unemployment benefits increases on a sustained basis or is relatively high, it means a large number of people are losing their jobs and applying for unemployment compensation. In such a case, investors and traders will infer that the economy is ailing and the next NFP release may come out weak. Alternatively, a decline in the Initial Jobless Claims is indicative of a healthy economy and future NFP releases should reflect a more positive mood.
With the Continuing Jobless Claims, a rise in this number has negative implications for the NFP, since it will affect consumer spending which in turn discourages economic growth. Generally speaking, **a high reading is seen as negative for the labor market while a low reading is seen as positive.**
As you see in the below scenario, they can diverge from each other, not making a strong case for the next NFP release.

THURSDAY, JUN 15							
14:30	✔	USD	Initial Jobless Claims (Jun 9)		237K	242K	245K
14:30	✔	USD	Continuing Jobless Claims (Jun 2)		1.935M	1.923M	1.929M

Where to find them?

On **FXStreet's calendar**, you can find both reports each showing their data series on charts.

Revisions

Minor revisions can be made to the previous month data.

ISM Non-Manufacturing PMI and ISM Manufacturing PMI

What are they:

Released by the Institute for Supply Management (ISM) the first business day after the reporting month, **these indicators show business conditions in the U.S. non-manufacturing and manufacturing sectors**.

Why are they important?

To compute these business activity indices, survey respondents are asked if they are experiencing higher or lower activity (or no change) for each of the 10 components of the indices, including employment. **This component tells whether employment is experiencing an increase or decrease and its rate of change.** Some analysts suggest that the Manufacturing ISM has a closer relationship with payrolls, as jobs in this sector can be easier to measure. In contrast, it can be hard to measure jobs in the services sector due to the temporary nature of some of these jobs, remote working etc. The indices are constructed so that 50 is a neutral score with higher numbers indicating expansion and lower contraction.

How to read them?

This information provides a window on business plans and on what the monthly NFP number might reveal when it comes out for the reported month. Make sure you **read the employment summary in the official reports to infer about the labor market conditions**.

Expressed in percentage terms, a higher reading means the majority of respondents' comments indicate optimism about business conditions and the overall economy, a case for a strong NFP.

Where to find them?

On **FXStreet's calendar**, click on each report's row, and below the description of the report click on "Read the official report". It takes you to the original report on the **ISM website**. Once there, scroll down for the employment data and commentaries further below.

Revisions

There are no revisions, but there are yearly reassessments of seasonal adjustment factors.

Employment

ISM®'s Employment Index registered 53.5 percent in May, an increase of 1.5 percentage points when compared to the April reading of 52 percent, indicating growth in employment in May for the eighth consecutive month. Employment levels have been expanding since October 2016, and the search for qualified workers (as mentioned by multiple respondents) has become more difficult. An Employment Index above 50.5 percent, over time, is generally consistent with an increase in the Bureau of Labor Statistics (BLS) data on manufacturing employment.

Of the 18 manufacturing industries, the 11 reporting employment growth in May — listed in order — are: Furniture & Related Products; Nonmetallic Mineral Products; Electrical Equipment, Appliances & Components; Miscellaneous Manufacturing; Computer & Electronic Products; Food, Beverage & Tobacco Products; Machinery; Paper Products; Primary Metals; Petroleum & Coal Products; and Plastics & Rubber Products. The five industries reporting a decrease in employment in May are: Textile Mills; Apparel, Leather & Allied Products; Fabricated Metal Products; Chemical Products; and Transportation Equipment.

Employment	% Higher	% Same	% Lower	Net	Index
May 2017	23	65	12	+11	53.5
Apr 2017	24	63	13	+11	52.0
Mar 2017	27	62	11	+16	58.9
Feb 2017	21	66	13	+8	54.2

- "Difficult to find qualified labor for factory positions." (Food, Beverage & Tobacco Products)

MANUFACTURING AT A GLANCE
May 2017

Index	Series Index May	Series Index Apr	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI®	54.9	54.8	+0.1	Growing	Faster	9
New Orders	59.5	57.5	+2.0	Growing	Faster	9
Production	57.1	58.6	-1.5	Growing	Slower	9
Employment	53.5	52.0	+1.5	Growing	Faster	8
Supplier Deliveries	53.1	55.1	-2.0	Slowing	Slower	13
Inventories	51.5	51.0	+0.5	Growing	Faster	2
Customers' Inventories	49.5	45.5	+4.0	Too Low	Slower	8
Prices	60.5	68.5	-8.0	Increasing	Slower	15
Backlog of Orders	55.0	57.0	-2.0	Growing	Slower	4
New Export Orders	57.5	59.5	-2.0	Growing	Slower	15
Imports	53.5	55.5	-2.0	Growing	Slower	4
OVERALL ECONOMY				Growing	Faster	96
Manufacturing Sector				Growing	Faster	9

Manufacturing ISM® *Report On Business®* data is seasonally adjusted for the New Orders, Production, Employment and Supplier Deliveries Indexes.

University of Michigan Consumer Confidence Index

What it is:

Released by the University of Michigan in association with Reuters, **this index is based on a survey of personal consumer confidence in economic activity**. It queries 500 adults.

Why is it important?

Many experts mention this survey more frequently that the Conference Board's Consumer Confidence Index (explained below) for an early clue on the NFP. Its popularity among analysts is partially because **the data includes interviews conducted up to a day or two before the official release making is a good real-time measure of consumer mood,** but foremost because it gauges consumer attitudes on financial and income situations.

How to read it?

Consumer exuberance can translate into greater spending and faster economic growth. Therefore, a positive correlation is expected to the NFP numbers. As such, a high reading anticipates a strong NFP, if aligned with all the other indicators.

But as with other sentiment tools, **this one seems to be a better gauge when identifying the first signs of an exhausted economy than the beginning of a recovery after a depressed cycle**. Behavioral finance studies explain this in terms of people being usually more sensitive to losing money than happy about gaining it. So **make sure to contextualize the report in the overall business cycle.**

The above chart shows the Actual data for the past two years and the Consensus line lagging behind almost all the time. For your purposes, hover with the mouse on the "Actual" blue square and extract the information you need: the trend and the most recent release.

Where to find it?

The index figures are published twice a month consisting of a preliminary release mid-month and a final report at month's end. Most details are reserved for subscribers. As for viewing historical charts, **FXStreet's calendar** offers all you need.

Revisions

The revisions are part of the release structure: the preliminary numbers, out mid-month, are revised two weeks later. In FXStreet's Economic Calendar each numbers series has it's own historical chart.

		FRIDAY, MAY 12				
16:00	✔	USD	Michigan Consumer Sentiment Index (May) PRELIMINAR	97.7	97.0	97.0
		FRIDAY, MAY 26				
16:00	✔	USD	Michigan Consumer Sentiment Index (May)	97.1	97.5	97.7

Conference Board Consumer Confidence Index

What it is:

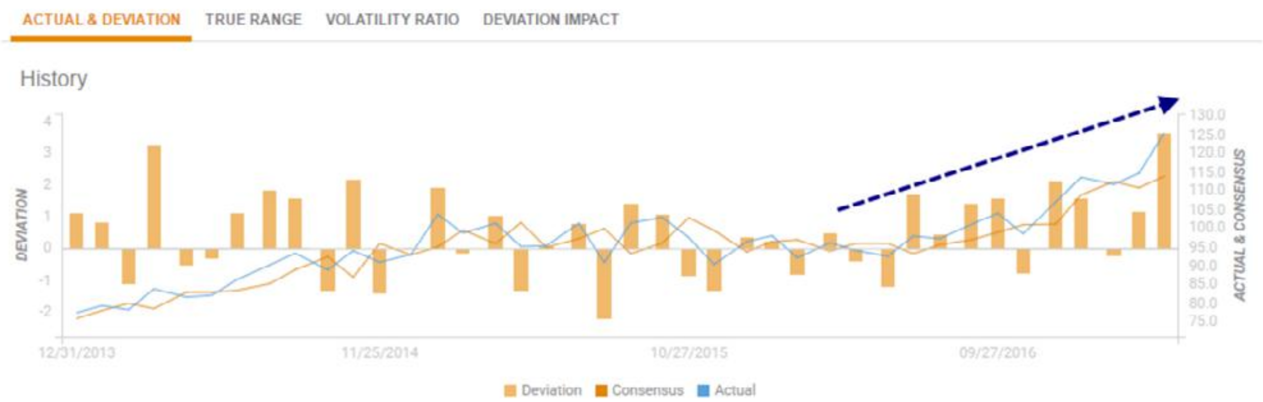
The U.S. Consumer Confidence Index (CCI) **measures the degree of optimism on the state of the economy that consumers are expressing through their activities of savings and spending.** It queries 5,000 adults.

Why is it important?

The Conference Board questionnaires place more emphasis on household reaction to labor-market conditions than other surveys. But analysts also know that the labor market is slow in reacting to economic changes. In any case, you should add it to your NFP-checklist.

How to read it?

A high level of consumer confidence stimulates economic expansion while a low level can lead to economic downturn. The correlation is straight forward: an uptrend is the index is good for NFP prospects while a descending trend (or bad data for that matter) is a bearish omen for the next NFP.
Be advised: since the Conference Board queries an entire new group of people every month, the index shows more erratic behavior than the University of Michigan's which polls many of the same individuals every month. In any case, trends may develop which makes up for a stronger case.
As with all the indicators where Actual data is contrasted with the Consensus data, FXStreet's calendar calculates a deviation. Watch the below chart how the uptrend in the Confidence index was carried up by several positive surprises (positive deviations):



Where to find it?

The Conference Board is a subscription-based service, and unfortunately the data does not appear on FXStreet's Economic Calendar anymore. But News pieces are published after the report which can be sought after under the **News section** of the website using the search topic **"ConsumerConfidence"**.

Revisions

Minor revisions can occur.

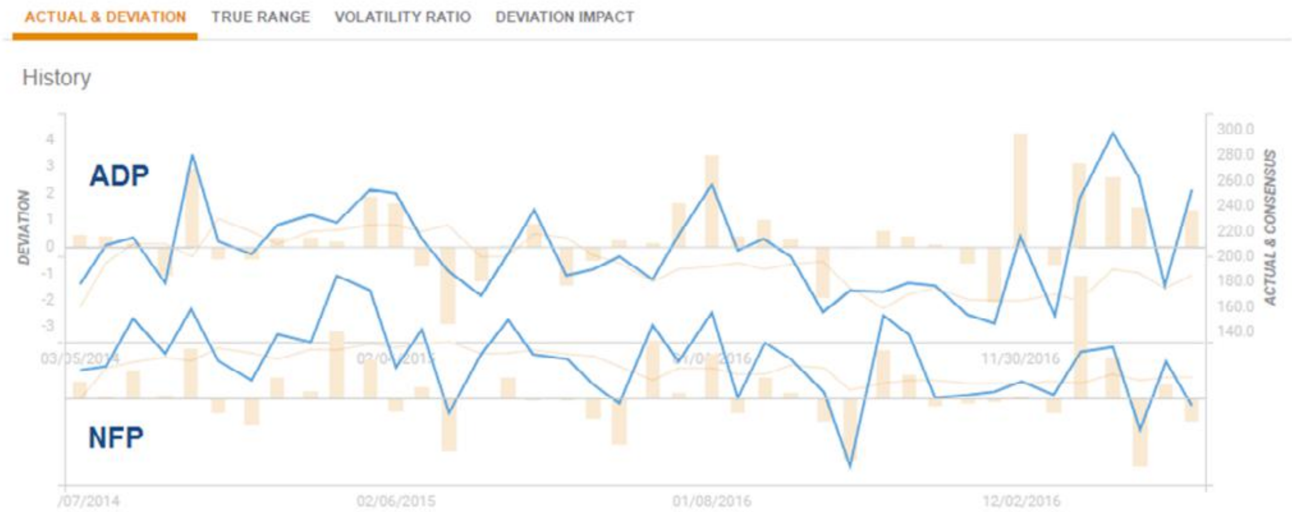
ADP Employment Report

What it is:

Automatic Data Processing Inc., a leading provider of payroll-related services in the U.S., in association with Macroeconomic Advisers LLC, releases a **monthly employment estimate based on a sampling of real payroll data collected from around the country**.

Why is it important?

Investors often consider the ADP report as **the harbinger of the BLS release** on payroll jobs because of the **existent correlation between the two**. The overlaying of both series below should speak for itself.
Another reason FX traders follow this report is the same as with the Employment Situation report: a persistent vigorous growth in employment figures increases inflationary pressures and with it the likelihood that the Federal reserve will raise interest rates.



How to read it?

A strong report indicates a lot of hiring in the private sector. If more people are working, household income rises and that fosters more consumer spending. Much of the focus FX traders put in this report rests on what impact the estimates will have on U.S. interest rates. A job growth of less than 100,000 a month suggests a weakening economy.

Where to find it?

Published monthly, two days before the Bureau of Labor Statistics puts out the NFP, the data can be seen on **FXStreet's Economic Calendar**. Past months' data, consensus and actual releases, are shown.

Revisions

There can be minor revisions for the prior month.

There are other indicators such as **home sales, construction spending, and auto sales, which can provide hints if people are being hired**. But we will leave this in your hands to explore further.

At this stage you already have your checklist of NFP-leading indicators. First **you have to ask if they are unanimous in their outcomes**, that is, if the majority of indicators point to a stronger or a weaker NFP reading.

Second, **you want to know how many of them line up with NFP expectations, the so-called "Consensus" numbers**. If expectations do not differ too much from your own estimation, perhaps there is less chance the "Actual" figure will surprise the market and consequently trigger any big USD move.

Third, **make an assessment if prices are showing the expectations being already discounted**. In such a case you could witness a so called "buy-the-rumor-sell-the-news" effect.

Now that you have spotted for consistent patterns among the several leading indicators, you are prepared to take trades before the release.

The next block will be about trading the reactions to the Actual release.

PART B

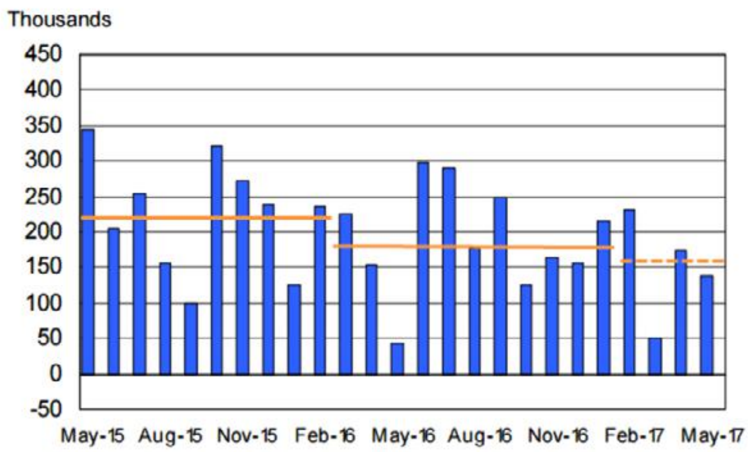
What to do AFTER the NFP release?

Now that you know whether the risk of the next NFP release is to the down- or upside, specially if leading indicators are consistent with a weaker or stronger NFP, **you need another checklist to interpret the Actual data**. As we said at the beginning, today is your lucky day, and we will deliver precisely what you need to accomplish your crash-course of becoming an NFP-expert.

Here ‘s your after-the-event checklist:

Averaging the numbers

In order to account for random fluctuation in the data, averaging the results over three or four months, or calculating the year’s average as a benchmark level, is a good procedure. Our economic calendar goes back a couple years in the data, but **you have to do the averaging yourself**. In order to look further back, we encourage you to click on the original report (you can do this from within the calendar itself) and check the BLS website for longer history data.



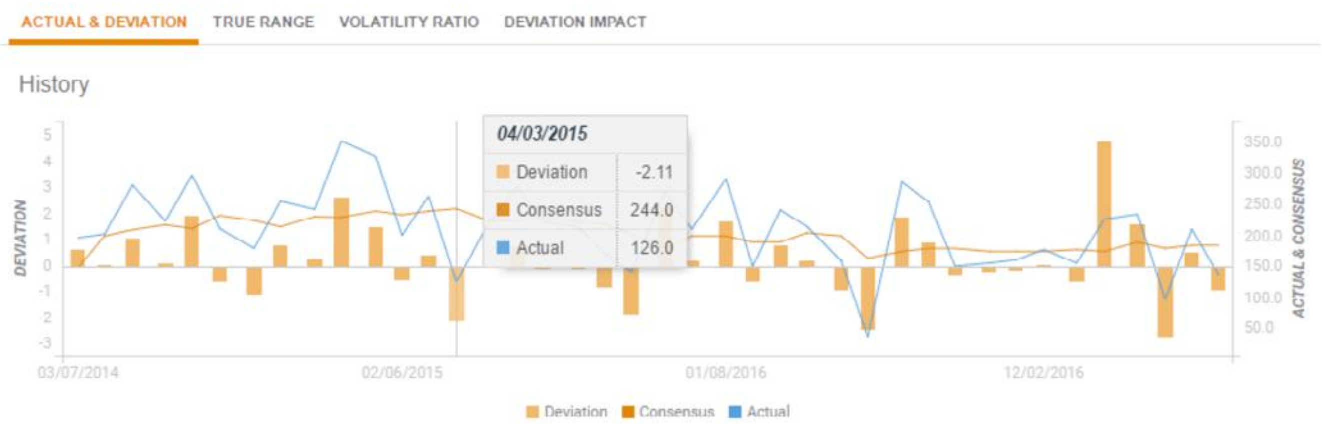
The orange lines are the yearly averages we have drawn on the original chart. You can see this step wise decline in the NFP data.

Deviation between Actual and Consensus

A NFP release which is stronger than the consensus estimate indicates that the labor market is stronger than the markets expected, and the U.S. Dollar often rises as a result. Alternatively, if the Actual report veers below the Consensus expectation, the U.S. Dollar often depreciates against other currencies. In any case, **you should look for shocks or surprises between both numbers**. However, **this rule is not absolute,** and we need to **keep in mind the previous release** (one month earlier). Be aware that significant improvements are expected when the previous release has been very weak, and vise versa.

What would be considered a surprise?

FXStreet has come up with an handy tool to give you an objective answer to that question. The deviation (variance) information is published at the same time the data is released (as this is being written, summer 2017, it is not pushed through though, you have to refresh the calendar). This proprietary indicator shows the ratio between the difference of consensus and actual numbers, and the standard deviation of this difference for the previous 5 events. Should several consecutive "surprises" occur, each new one will show a lower deviation number: **the market will be already used to surprises and have them discounted in the prices. Typically a number above +3 (or below -3) would be considered a market moving deviation.**



Besides of the deviation calculation, we publish tons of material dedicated to the NFP release which will help you gauge what would be considered a surprise. An NFP-editorial page is to be found under the Economic Calendar section.

In case of a deviation, will it be sufficient to move the USD?

This is a more tricky question that we have tried to answer with another market-impact study. Switch the tab by clicking on "True Range" and the chart will show how much each release moved each of the 5 pairs available. The True Range chart shows the volatility of a currency pair in terms of pip variation 15 minutes and 4 hours after the data release**. The amount of pips is indicative of the potential the release has to move the markets again in the future.**

The declining average of the True Range shows that the NFP report, while still being one of the most important economic indicators, has been losing force as a market moving event.

Previous Figure

Trading the actual release against the expectations, is one choice, but you can also trade against the previous figure. When the NFP comes out higher than the estimate and also higher that the previous NFP number, the Dollar will likely move higher, and vice versa.

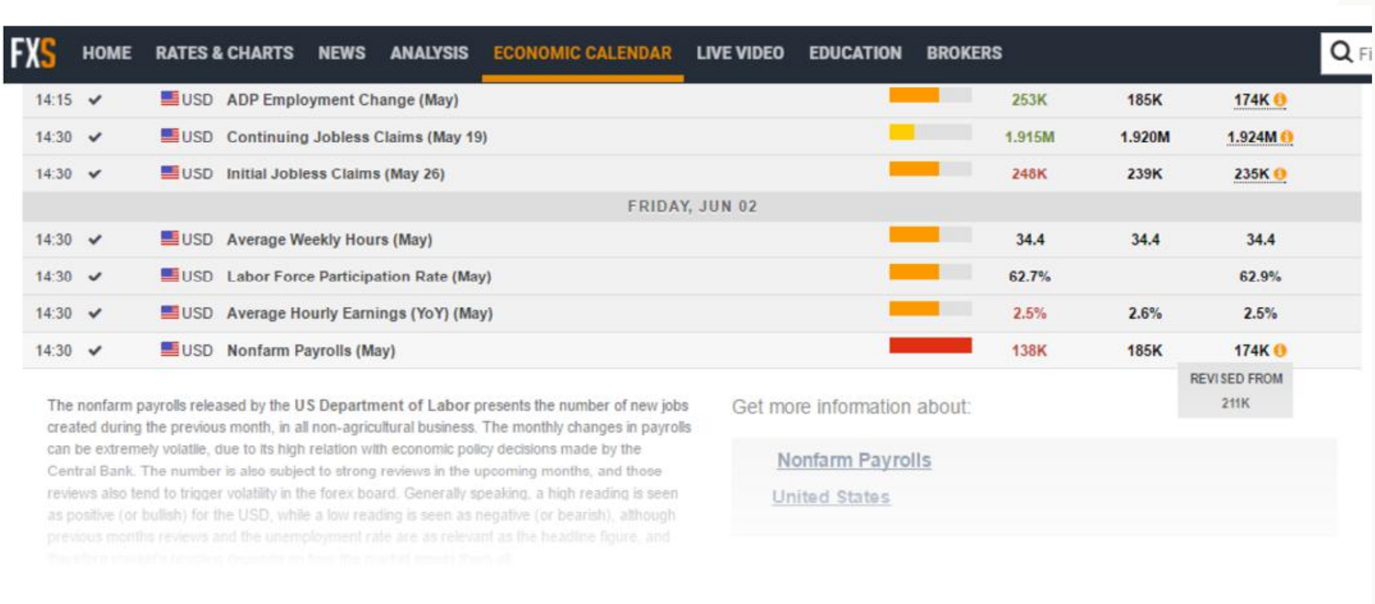
If the NFP shows a higher gain in the actual reading compared to the previous reading, but fell short of the expectations, the Dollar could still rise based on the improved labor numbers, despite falling short of the estimate.

Revisions

Pay close attention the revised number because it can also be considered a trigger of market movement. It is common to see 30% revisions. The market often trades that new information instead of the actual number specially if the current month did not deviate from the consensus data.

What to do when successive revisions happen?

Well, it's worth taking them into account when calculating the number of jobs created in a larger period of time. This can make a difference when calculating the average (as we suggested before), or calculating a total sum based on the previously reported numbers without the revisions.
The revised numbers are marked with a special icon on FXStreet's calendar at the moment the data is published.



Unemployment Rate

You will find the unemployment numbers often mentioned by analysts. **Its forward looking merit resides in its ability to act as an early sign of economic downturn**: as soon as executives detect signs of a softening in business activity, they respond fast with layoffs, sometimes months before the economy begins to sink. But there are some caveats with this number.

What do you have to know about the Unemployment Rate?

First you have to know that **the Employment Situation report is divided in two main parts: the "Household Survey", which produces the unemployment rate, and the "Establishment Survey"** (also called "Payroll Survey") which **generates the payroll numbers shown on most economic calendars**. As the name suggests, the establishment survey **is based on employer reporting**. The **household survey**, on the other hand, is a phone survey conducted by the BLS. It measures **unemployment and many other factors**. Let's say, if you work one hour, even selling trinkets on eBay, you are employed for the purpose of this survey and for the calculation of the unemployment rate.. The same is true if you work three part-time jobs, 12 hours each, the BLS considers you a full-time employee. If you don't have a job and have failed to look for one in the prior month, you are not considered unemployed, rather, you are considered to have dropped out of the labor force. You need an actual interview or to have sent out a resume to count as "looking for a job". Besides, in the payroll survey, three part-time jobs count as three jobs. These distortions artificially lower the unemployment rate, artificially boost full-time employment, and artificially increase the payroll jobs report every month because of the potential for double-counting jobs in the payroll survey.

How to get a more realistic view?

To get a more realistic picture of what the unemployment rate is, you have to count all the people who want a job but gave up, all the people with part-time jobs that want a full-time job, all the people who dropped off the unemployment rolls because their unemployment benefits ran out, etc.

The **BLS calculates this number.** You can find it in the last row labeled U-6 and is often referred to as the underemployment rate. It is usually much higher than the more commonly quoted U-3 unemployment rate. In fact, both numbers would be higher still, were it not for millions dropping out of the labor force over the past few years. Some of those are absent because they have retired. The rest are due to forced retirement, discouraged workers, and young people moving back home because they cannot find a job.

Non-farm payrolls have been growing consistently in a range of 100k-300k in the past few years, with lower unemployment rate.

Source: Tradingeconomics.com

Labor Force Participation Rate

The participation rate, also released by the BLS, **is the percentage of the total number of people of labor-force age that are in the labor force** (either working or looking for a job).

The unemployment rate may tick lower driven by a retreat in the labor force participation rate. In other words, the decline in unemployment can be caused by fewer U.S. citizens looking for work rather than a big gain in U.S. citizens with jobs. So a drop in unemployment can partly be attributed to a decline in the Labor Force Participation Rate.
Wow, this is the kind of insight astute analysts look after. And you are on the way to becoming one!

The data can be seen on **FXStreet's Economic Calendar**. Past months' data, consensus and actual releases, are shown as a separate report from the NFP.

Average Hourly Earnings (MoM)

We have been showing you there are some nuggets of information in the official NFP release which can provide useful insights for the whole set of labor-market-related data. Average Hourly Earning, also released by the U.S. Department of Labor, **is a significant indicator of labor cost inflation and of the tightness of labor markets.** Included in the NFP report, **it estimates the average (weekly) earnings of all non-farm employees**. The data in the report typically accounts for about 80% of all U.S. employees, whose labor produces the GDP (Gross Domestic Product) of the U.S.

Is the interpretation straightforward?

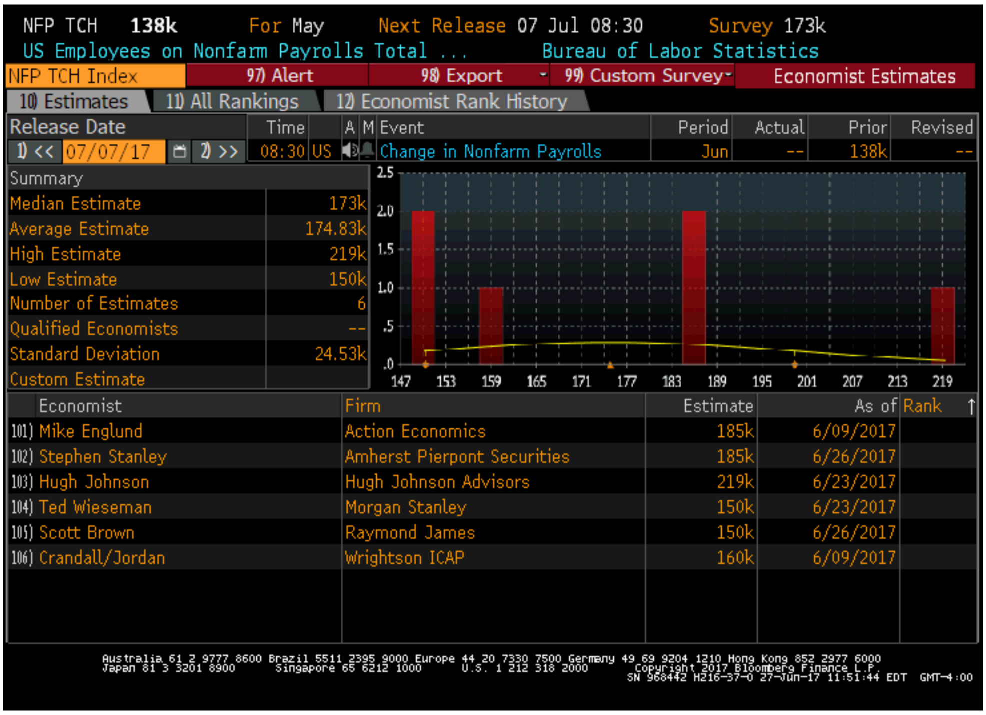
Yes. If worker incomes rise, it bodes well for future spending, since wages and salaries from employment make up the main source of household income. **The Federal Reserve Board pays close attention to this data when setting interest rates, because of its strong correlation to inflation**. People won't spend if they don't make enough to do so. Poor wages are a drag on inflation, strong wages are the opposite a sign that inflation may start to growth. For this reason, wages within the report have been gaining more weight month after month.

The data can be seen on **FXStreet's Economic Calendar**. Past months' data, consensus and actual releases, are shown as a separate report from the NFP.

There can be revisions to the data which often go back two months.

Number of Participants and Dispersion Figures

This data is of minor importance and few analysts do mention them. In order to calculate the Consensus numbers for the NFP (or many other reports for that matter), analysts are surveyed about their forecasts for that particular release. I**t is only accessible with an access to a Reuters or Bloomberg terminal.** A lot of dispersion means poll participants have no clear estimates based on their models and– similar to FXStreet's FXPoll released each Friday, the higher the number of participants the better.



PART C

One Case Study: 2nd June 2017

With the knowledge gained in Part A of this eBook, you should be able to construct your own NFP-checklist, interpret other analysts' forecasts and form an opinion about them.
Your homework should look more or less like what we did for the previous NFP release on the 2nd June 2017:

Pre-release checklist:

- **Previous Non-Farm Payrolls:** 211k (vs. 185k expected) which is **positive** although with a modest deviation of 0.53, while the previous two months were revised down: April to 79k from 98k, and March to 219k from 235k
- **Challenger Job Cuts:** 33.092 k, while the previous number of May was 36.602k. It stays within the lower range which is **positive**.
- **Initial Jobless Claims:** 248k (vs. expected 239k) which is **negative**. The previous report was also revised up - which is negative in this indicator - to 235k from 234k.
- **Continuing Jobless Claims:** 1.915M (vs expected 1.920M), therefore a **positive** reading. The previous month was revised up - slightly negative in this context - to 1.924M from 1.923M
- **ISM Non-Manufacturing PMI:** The employment component for May printed at 57.8, higher than previous months at 51.54 and 51.6, a **positive** development.
- **ISM Manufacturing PMI:** The employment component for May printed at 53.5, higher than the previous months at 52.0 but lower in March at 58.9, a negative development considering the ISM Manufacturing PMI trend has been **negative** for the recent months.
- **University of Michigan Consumer Confidence Index:** 97.1 (vs. 97.5 expectations) within a downward trend from yearly highs in January, scoring **negative** as a leading indicator.
- **Conference Board's Consumer Confidence Index:** 117.9 (vs. 120.1 expected) while previous also revised down to 119.4 from 120.3 a **negative** omen.
- **ADP Employment Report:** 253k (vs 185k expected), therefore **positive**. But the previous month of May was revised slightly down to 174k from 177k. The month before had been also revised down to 255k (from 263k).

Although the Payroll number itself seems to be on a positive path, all the other measurements are quite mixed. Based on this previous work, you have some reasons to distance yourself from consensus (pointing at 185k) and expect perhaps a negative deviation in the next release.

Taking note what FXStreet dedicated analysts were telling readers BEFORE the release is of much value to complete your expert view and opinion:

> *... **impressive ISM manufacturing and ADP** employment data which boosted confidence towards the US economy. With data from the States displaying some signs of stability, speculation has already mounted over the Federal Reserve raising US rate beyond June's meeting. The main event risk for the Dollar this afternoon is the NFP report for May which investors expect to print at 185k.*
>
> **Lukman Otunuga**

> *...expectations are of another strong figure, with the unemployment rate expected to remain at record lows of 4.4%. **Wages are expected to post a soft monthly advance,** something that may offset a positive headline, as long as this last don't present a huge deviation from market's expectations. "*
>
> **Valeria Bednarik**

> *The market is looking for a solid May job report, especially after **ADP's upside surprise**. According to data collected by the ADP Research Institute, US companies added 253k jobs in May, well above estimates of 180k, while the previous month's reading was upwardly revised to 174k.*
> *Expectations for Nonfarm payrolls are therefore quite high, suggesting that the **risk is mostly on the downside** for the greenback. Markets are expecting a reading of 182k in May, compared to 211k in April. In this current set-up, a weaker print will drive the USD lower, especially against the euro, while an **upside surprise should have limited effects** as it is already priced in."*
>
> **Arnaud Masset**

> *The **better than expected ADP** employment change indicates a strong NFP report which will signal for a rate hike in the Fed policy meeting on June 13-14. The ADP added 253K people in May, beating by far expectations of 185K and well above previous month figure of 174K. Market participants are now expecting NFP to beat forecasts as well."*
>
> **JFD Research**

*“ **US unemployment rate** has seen a downtrend since 2010 and has **stabilised in a range** between 4.6% – 5% since early 2016. The readings over the past two months had continued reaching even lower than 4.6%, indicating the US labour market remains sound.*
***Average wages** have seen an upswing since early 2015, however seeing a **moderate slow-down** over the past three months.*

Devata Tseng

“ According to yesterday’s Automatic Data Processing Inc. and Moody’s Analytics data, in May the number of jobs in the private sector of the US increased by 253,000, which is significantly better than the forecast of 185,000. In April, the indicator was 174,000 seats.
*The **growth rate of the number of jobs** last month reached a maximum since 2014, pointing to the positive outlook for the US labor market.*
*Now, market participants expect that the **NFP report will be equally strong**.*

Yuri Papshev

*“ Headline **Non-farm Payrolls are expected to drop slightly to 185,000** (from last month’s 211,000) but in the wake of the very **strong ADP** number yesterday (which was 253,000) this increases the **potential for a bullish surprise**. Unemployment is expected to stick at 4.4% but keep an eye on the U6 underemployment which fell to 8.6% last month and is closing in on the bull market lows of 2006/2007 between 8.0%/8.5%. The Average Hourly Earnings are expected to be +0.2% for the month which would be around the +2.5% year on year earnings growth seen for April.*

Matt Weller

*“ Our proprietary model here at City Index is expecting a 181k reading in Friday’s US Non-Farm Payrolls report for May. This is very close to consensus, with the market looking for a reading of 180k. The market is also looking for the **unemployment rate to remain stable** at 4.4% and for annual earnings data to inch up to 2.6% from 2.5% in April.*

Kathleen Brooks

*“ **If the jobs report is good** which means non-farm payrolls increase, the unemployment rate holds steady and average hourly earnings rise at last month’s pace or better, the uncertainty **about the Fed’s hawkishness will fade quickly**, leading to a strong dollar recovery. However if any part of this Friday’s report disappoints, investors will start to unwind their long dollar trades, or worse start shorting dollars ahead of the June FOMC meeting.*

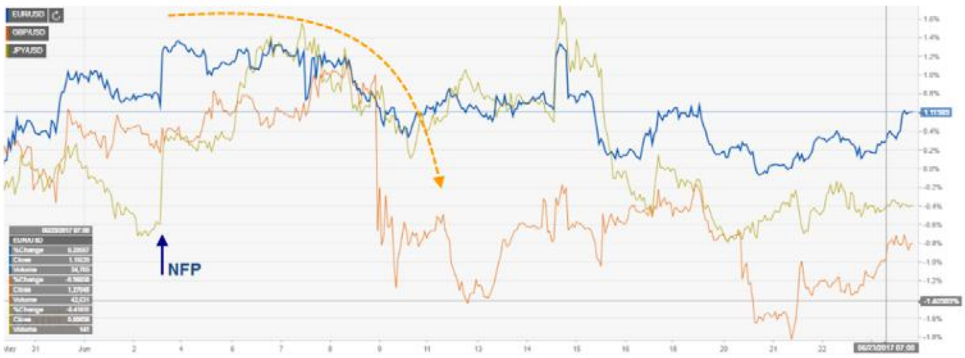
Kathy Lien

Once the data comes out, it's about applying what you've learned in Part B of the eBook, the post-NFP analysis:

After-the-event checklist:

- **Actual, Consensus and Deviation:** 138K (vs. 185K expected), -0.94 deviation, **negative**
- **Revisions:** previous month revised down to 174K from 211k, **negative**
- **Unemployment Rate:** 4.3% (vs. 4.4% expected), neutral to **positive**
- **Labor Force Participation Rate:** 62.7% (previous was 62.9%), **positive**
- **Average Hourly Earnings (MoM):** 0.2% (vs. 0.2% expected) revised down to 0.2% from 0.3%, **negative**
- **Number of Participants and Dispersion Figures:** lower dispersion in the Reuters poll would speak **positive** but with only 8 participants we have to give it less credibility.

As you can see, not all the numbers point to a lift in labor market activity. Wages, a key indicator as explained before, was too poor to inspire USD bullishness long-term.



As you can see in the chart above, the NFP release triggered an initial spike in several major currencies against the U.S. Dollar, to be followed by a correction for several days.

This is what dedicated analysts at FXStreet were explaining AFTER the release:

> *Total U.S. nonfarm payroll employment increased by 138,000 in May, well below the earlier economists' forecast, and the* ***unemployment rate was little changed at 4.3%****, the U.S. Bureau of Labour Statistics reported last Friday. Job gains in March and April were revised down by 66,000 collectively. Job gains occurred in healthcare and mining last month. The* ***figures do not change the picture of U.S. economy growing*** *steadily and closing in on full employment. It is unlikely to deter Fed's rate hike in 10 days.*
>
> **Wayne Ko Heng**

> ***Private employers added 253,000 jobs*** *in May, topping Wall Street's forecast of 180,000. Private sectors' active hiring suggest U.S. labour market remains in healthy trend. The slowing down in officials' NFP could be due to* ***governments hiring slowing down*** *amid uncertainty arising in Trump administration.*
>
> **Wayne Ko Heng**

The slowdown suggests perhaps a shift in labour market momentum and while we still anticipate the Fed will raise rates later this month expectations for additional rate hikes later in the year are waning. The dollar slipped below 110.50 against the Japanese yen while the Euro edged nearer 1.13 touching intraday highs at 1.1280. ***Attentions now turn to revised labour costs and services data*** *for direction.*

OzForex Research

The ***employment trend continues to be strong as evidence by the fall in the unemployment rate*** *to its lowest since 2001, 4.3 percent. The market is still pricing in a 91.2 percent of a rate hike in June with U.S. Federal Reserve raising interest rates by 25 basis points to the 100–125 basis points range.*

Alfonso Erparza

Similar to what happened with US jobs data in March, a stellar ***ADP private employment number for May did not foretell*** *an optimistic non-farm payrolls (NFP) outcome. Additionally,* ***revisions for previous months further weighed on the overall employment picture*** *– March's very weak 79,000 jobs added (previously already revised down from 98,000) was further revised down to 50,000. April's previously better-than-expected 211,000 was also revised down – to 174,000. These revisions put the* ***average job gains*** *over the past three months at a relatively low 121,000 per month.*

James Chen

As ***hiring and wages eased*** *in the month of May, investors scaled back their expectations for a Federal Reserve rate hike this month. Fed fund futures are no longer pricing in a 100% chance of a hike in June and the odds of 2 more hikes this year have fallen below 50%.*

Kathy Lien

With these revisions, employment gains in March and April combined were 66,000 less than previously reported. ***Economists did not average March and April****, as I suggested. Perhaps they learned their lesson, but I doubt it.*

Mike "Mish" Shedlock's

Now you know how to make your own NFP predictions, and compare them to the market estimates. You have also learned to read the Employment Situation report on a deep level, capturing its many nuances. Repeat this exercise every month, and you will become a true NFP specialist!

Real-time coverage on FXStreet:
Access updated news and charts on our NFP page

- https://www.fxstreet.com//macroeconomics/economic-indicator/nfp

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