Unlike the weakening ADP Employment report, the BLS payrolls report highlights a very healthy labor market. As the Econoday table below shows, the economy added 390k jobs in May, well above the +325k expected. Within the payrolls report, the unemployment ticked up but so did the participation rate. As we learned from Target, Walmart, and other retailers, consumers are struggling to make ends meet due to inflation.

This payroll report only furthers that concern. Average hourly earnings rose .3% in May, or 3.6% annualized. The annual earnings measure rose by 5.2%. Both are well below the 8+% CPI inflation rate. This payroll report will keep pressure on the Fed to maintain hawkish rhetoric. As discussed in Friday's commentary, it also further dismisses the odds of a September stall.

Employment Situation

Released On 6/3/2022 8:30:00 AM For May, 2022

	Prior	Prior Revised	Consensus	Consensus Range	Actual
Nonfarm Payrolls - M/M	428,000	436,000	325,000	250,000 to 370,000	**390,000**
Unemployment Rate	3.6 %		3.5 %	3.5 % to 3.7 %	**3.6 %**
Private Payrolls - M/M	406,000	405,000	310,000	275,000 to 350,000	**333,000**
Manufacturing Payrolls - M/M	55,000	61,000	38,000	30,000 to 45,000	**18,000**
Participation Rate	62.2 %				**62.3 %**
Average Hourly Earnings - M/M	0.3 %		0.4 %	0.3 % to 0.5 %	**0.3 %**
Average Hourly Earnings - Y/Y	5.5 %		5.3 %	5.2 % to 5.5 %	**5.2 %**
Average Workweek	34.6 hrs		34.6 hrs	34.6 hrs to 34.7 hrs	**34.6 hrs**

What To Watch Today

Economy

- No notable reports are scheduled for release.

Earnings

Pre-market

- No notable reports are scheduled for release.

Post-market

- **Coupa Software** (COUP) to report adjusted earnings of $0.05 on revenue of $190.48 million

Market Trading Update - Lots Of Resistance Ahead

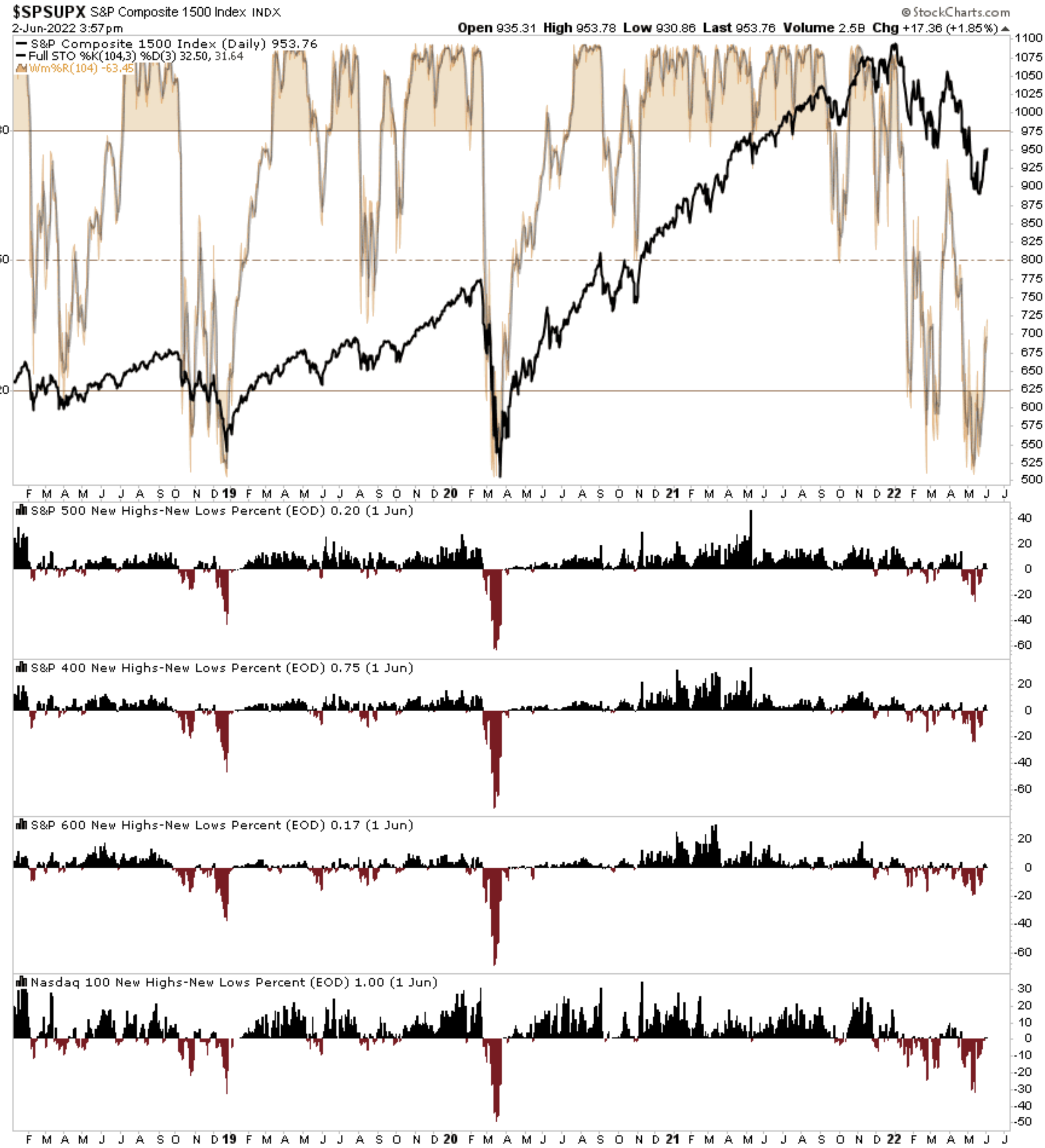
The decline in the market from the March peak to the May lows pushed prices well into 3-standard deviation territory below the 50-dma. A simplistic explanation is stretching a rubber band as far as possible in one direction. Physics states that if you release the rubber band, it will snap back or revert an equal distance in the opposite direction.

Each time the market deviated below the 50-dma, there was a *"snap back"* to the upside. Furthermore, with both the short- and intermediate-term MACD (moving average convergence divergence) indicators triggering a "buy" signal, such further supports a continued rally.

There is certainly room for the market to rally further than many think currently, given the *"fuel"* of extremely underweight equity allocations and negative sentiment.

However, the Fibonacci retracement levels from the March peak, the 50- and 200-dma, and the downtrend line from the January highs all present a challenge to the bulls short-term. The market must break above the 38.2% retracement level next week or a retest of lows is likely.

Notably, the recovery in buying pressure shows improvement in the number of stocks making new highs versus new lows on multiple indices. Over the last 5-years, when buying pressure turns negative and then recovers, such marked the bottom of the selloff in the market.



Both of these charts suggest the market could rally more over the next couple of weeks; however, there is a lot of overhead resistance coming.

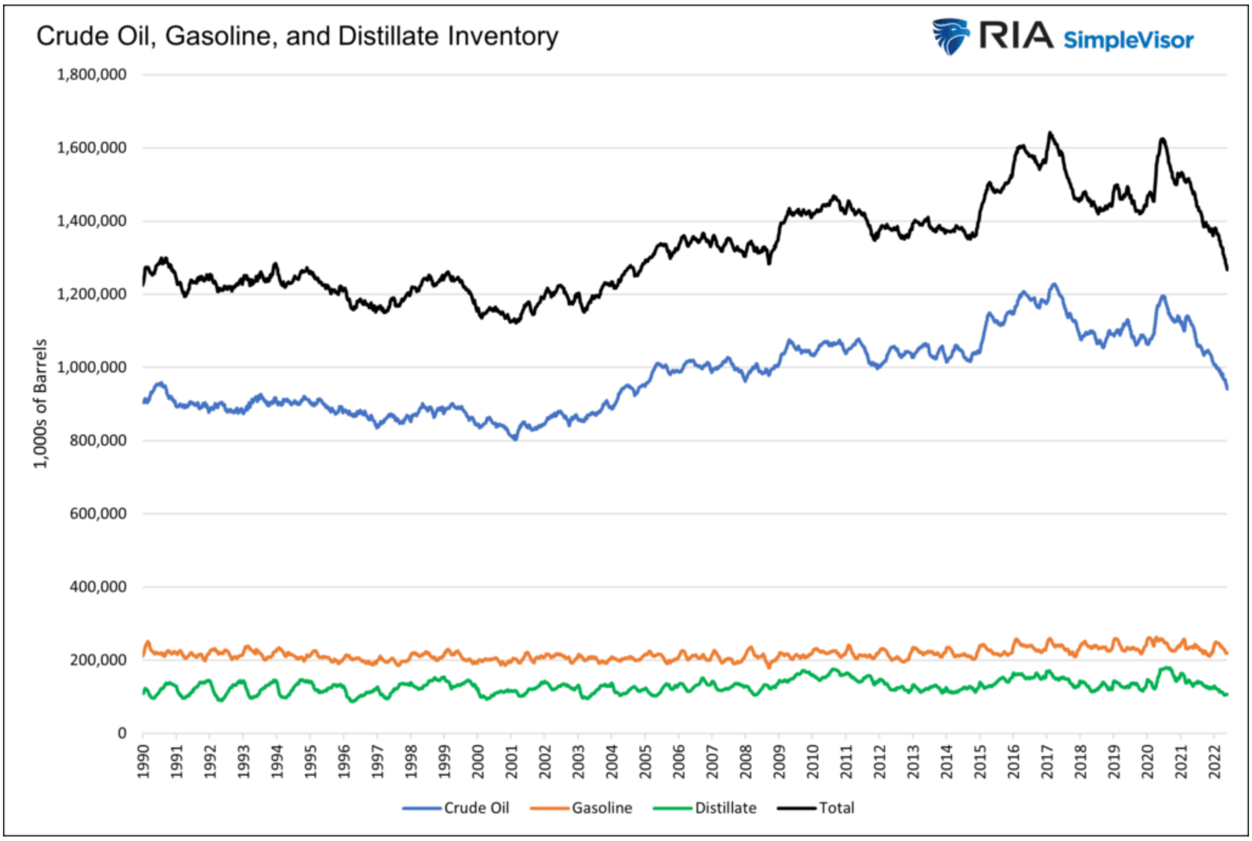
The Week Ahead

This week will be relatively quiet on the economic data front until Friday. At 8:30 ET, Friday morning, the BLS will release the May CPI report. Expectations are for the monthly rate to rise from .3% to .6%. The year-over-year rate is expected to stay firm at 8.3%. Also, on Friday, the University of Michigan will release its consumer sentiment survey. Five-year Inflation expectations within that report are forecasted to stay at 3%.

The Fed will also be quiet this week as they enter their self-imposed media blackout period and head into the FOMC meeting on Wednesday, June 15th.

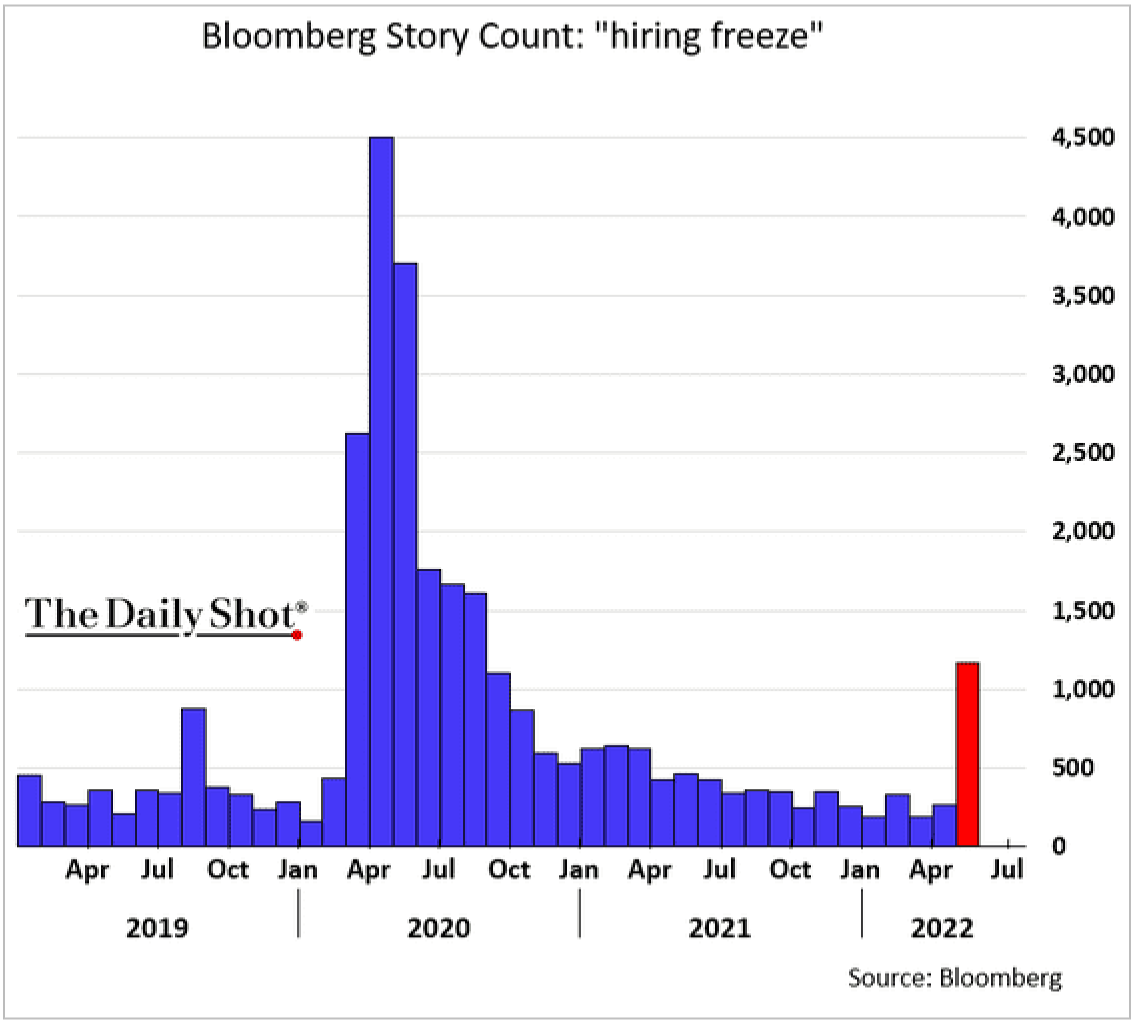
Why Are Oil and Gas Prices So High?

Yesterday we showed the 20+-year high in the 3-2-1 crack spread, which helps explain some of the dislocations in the energy markets and the profit margins for refiners. The graph below elaborates on the broader problems within the energy industry. As the graph, using EIA data, shows, the total U.S. inventory of crude oil, gasoline, and distillates is at a 20+-year low. Keep in mind that the global demand for these products has increased significantly over that period and that America exports a lot more today than ten or twenty years ago. Gasoline inventories are somewhat stable, but crude oil and distillates are driving the total lower. This graph helps explain why the price of diesel oil, a distillate, is rising faster in price than gasoline.



Elon Musk Has a "Super Bad Feeling"

Tesla's CEO Elon Musk sent out an email to the company's employees titled "*pausing all hiring worldwide.*" In the email, he states that he has a "***super bad feeling***" about the economy and plans on cutting Tesla's staff by 10%. The move follows a 40% spike in its employee count last year. Tesla only has approximately 100k employees, so Tesla's actions will not matter from a broad economic view. What does matter is that Tesla cars are sold to higher-income customers. The warning may be an early warning that the plight of inflation is not just affecting the spending habits of the lower and middle classes but is starting to reach the upper classes. Further, the Daily Shot graph below shows that the media is also picking up on Musk's concerning employment outlook.



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