

Stylized facts of Canada and U.S. jobs reports

By Taylor Schleich & Noah Black

Last week, the U.S.'s June jobs report delivered an upside surprise, jolting treasury yields up and all but extinguishing hopes for a July rate cut. This felt a bit like déjà vu to us... and for good reason. This was the fourth straight upside surprise, continuing a trend that's played out for much of recent memory. More than two thirds of jobs reports (over almost any horizon) over the last number of years have delivered above consensus job growth. Moreover, there have been very few unambiguously weak employment reports (where both hiring *and* the unemployment rate are weaker than expected) and these are far outnumbered by unambiguously strong reports. It's probably not a surprise then that treasury yields tend to rise on jobs days with 2-year yields finishing the day 3 bps higher on average. That's not the case for other major releases which have, in aggregate, had little yield impact.

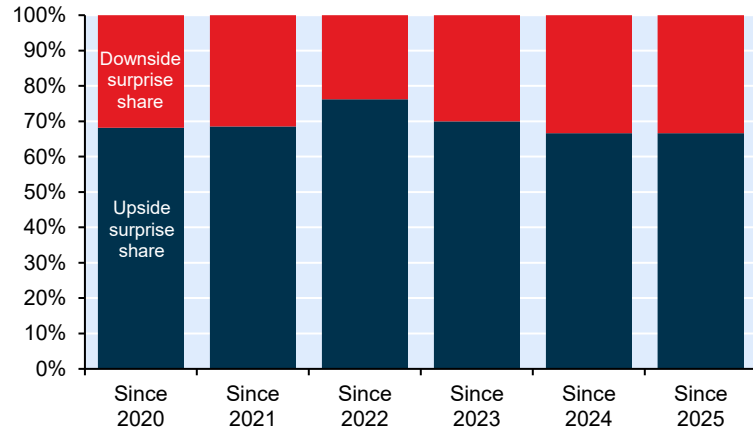
Just as it seemed that U.S. jobs data had a tendency to deliver upside surprises, we had a sense that Canadian labour market tendencies worked in opposite direction. While that's not technically true—Canadian jobs data has been stronger than expected more often than

not—it is the case that Canadian jobs data have been weak *outright* in recent years. A quick inspection of the jobless rate will make that clear. It follows that Canadian yields tend to fall on jobs Fridays (though it's monthly GDP that's put the most downward pressure on 2-year yields).

The most striking jobs tendency, however, relates to the Canada-U.S. cross market. Of course, if U.S. yields rise and Canadian yields fall on average, one would expect Canada to outperform when labour market data is released. That's certainly borne out in the data in recent years. Most days on which major Canada or U.S. jobs data is published, 2-year GoC yields outperform, with the effect most pronounced more recently. Since 2023, 2-year GoCs have outperformed U.S. treasuries by roughly 80 bps and jobs days have contributed disproportionately. Even in the Trump 2.0 era, where GoCs have *underperformed*, jobs days have still put relative downward pressure on Canadian yields. While the LFS is notoriously difficult to predict, the *empirical record* suggests tomorrow's jobs data could see GoC yields end the day relatively lower with a rising jobless rate to boost July BoC rate cut odds.

Chart 1: U.S. jobs data have been prone to upside surprises...

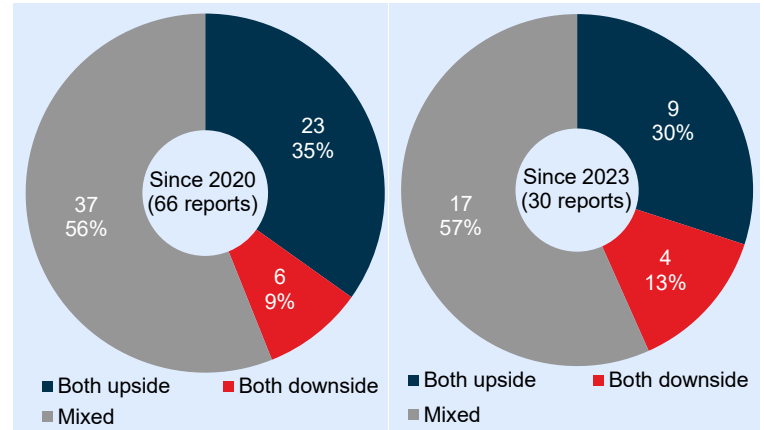
% of jobs reports where NFP growth has been stronger/weaker than consensus



Source: NBC, BBG | Note: Compares consensus on NFP growth to (unrevised) NFP growth

Chart 2-3: ...with very few unambiguously weak reports

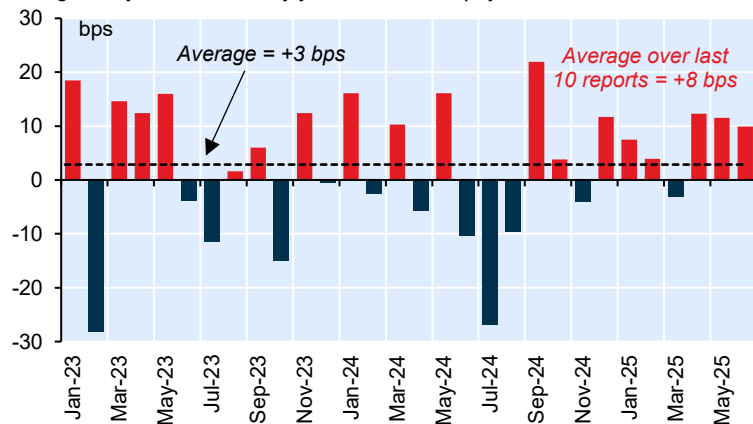
% of U.S. jobs reports where hiring & jobless rate is stronger/weaker than expected



Source: NBC, BBG | Note: Mixed = only one of NFP growth/UE rate beat/fell short of consensus

Chart 4: 2-year treasury yields tend to rise on jobs days

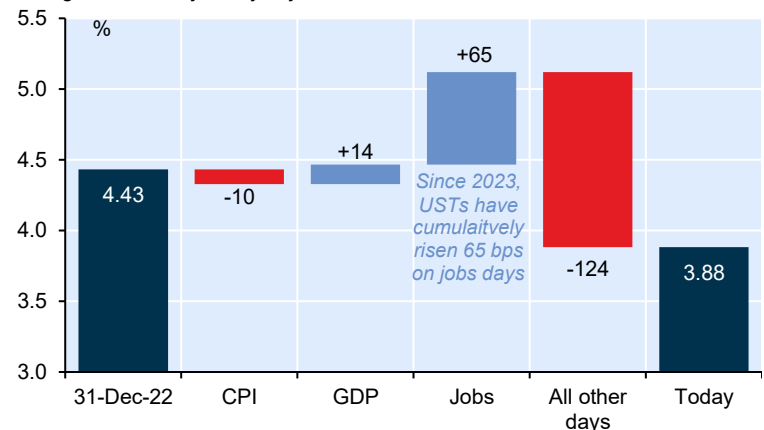
Change in 2-year U.S. treasury yield on non-farm payroll release dates



Source: NBC, BBG | Note: Compares 2Y yield close prior to jobs day to close on jobs day

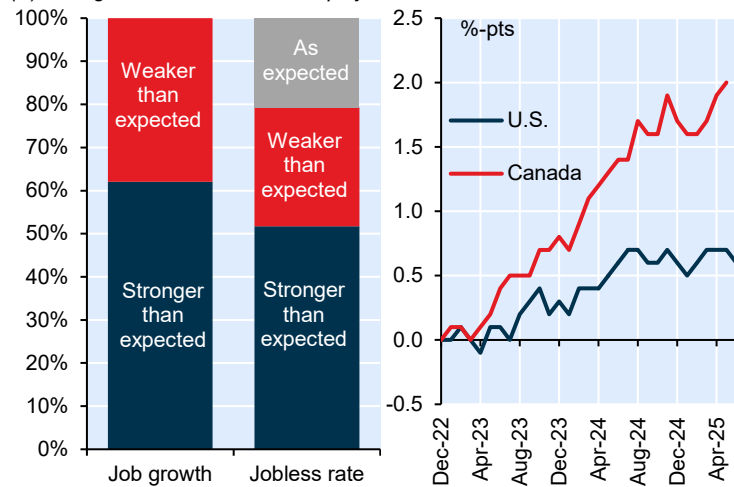
Chart 5: Other major data has had a muted effect in aggregate

Change in U.S. 2Y yield by key data release dates since 2023



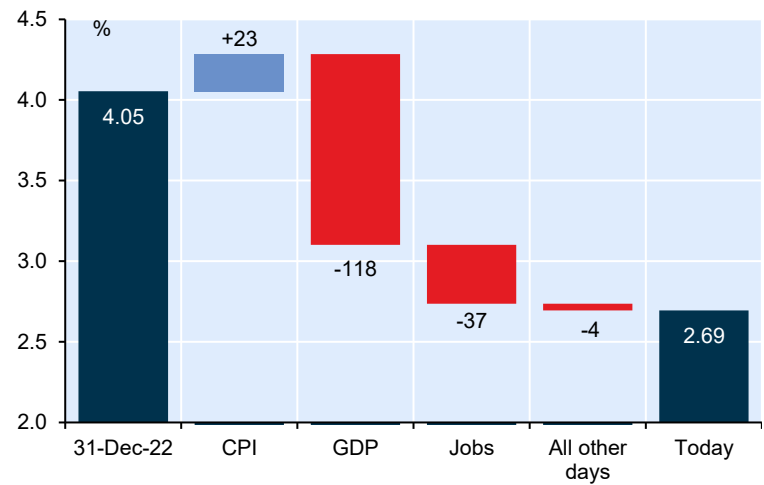
Source: NBC, BBG | Note: Middle bars reflect cumulative chg. on key data release days.

Chart 6-7: Cdn jobs data beat expectations... but are still weak
(L) % of Canadian jobs data that's been stronger/weaker than expected since 2023
(R) Change in Canada, U.S. unemployment rate since 2023



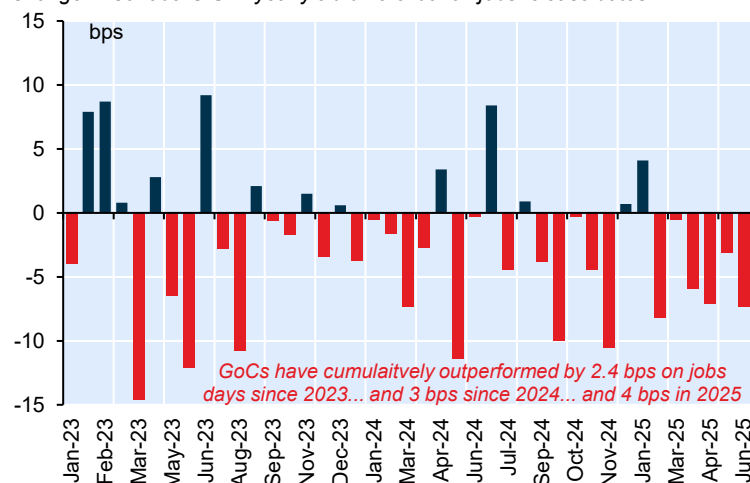
Source: NBC, BBG | Note: Compares consensus on jobs data to (unrevised) jobs data

Chart 8: Jobs (and GDP) data have led to lower GoC yields
Change in Canada. 2Y yield by key data release dates since 2023



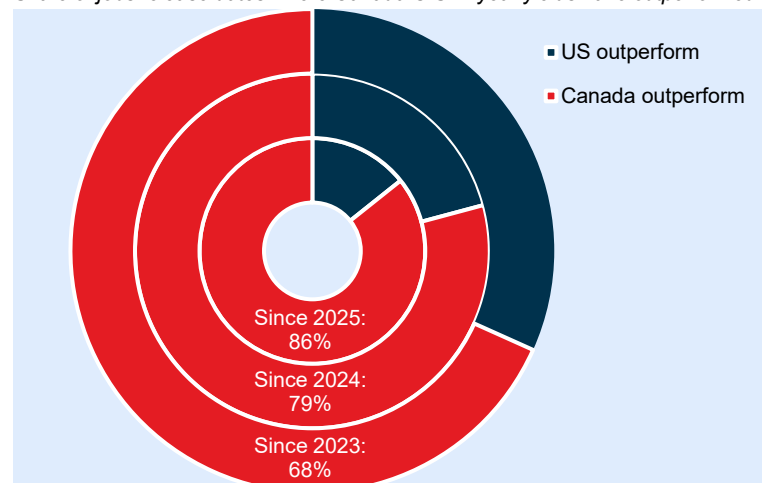
Source: NBC, BBG | Note: Middle bars reflect cumulative chg. on key data release days.

Chart 9: GoCs outperform on Canada and U.S. jobs days...
Change in Canada-U.S. 2-year yield differential on jobs release dates



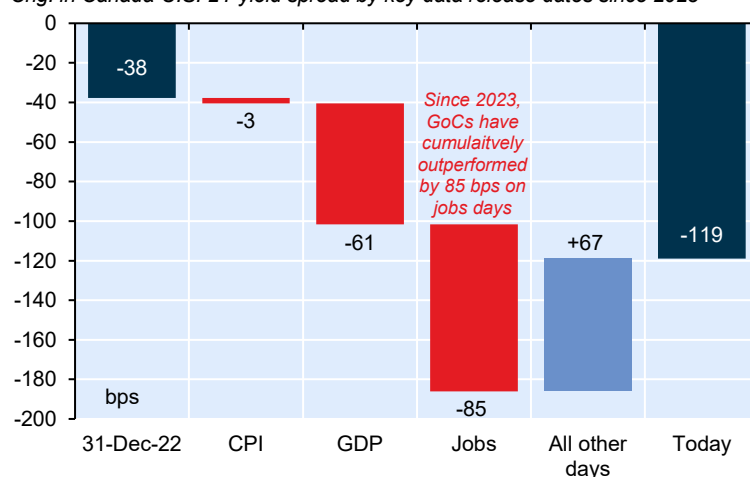
Source: NBC, BBG | Note: Compares 2Y yield gap on day before jobs day to close on jobs day. Includes two observations per month when Canada & US data published on different days.

Chart 10: ...with that tendency particularly strong of late
Share of jobs release dates where Canada/U.S. 2-year yields have outperformed



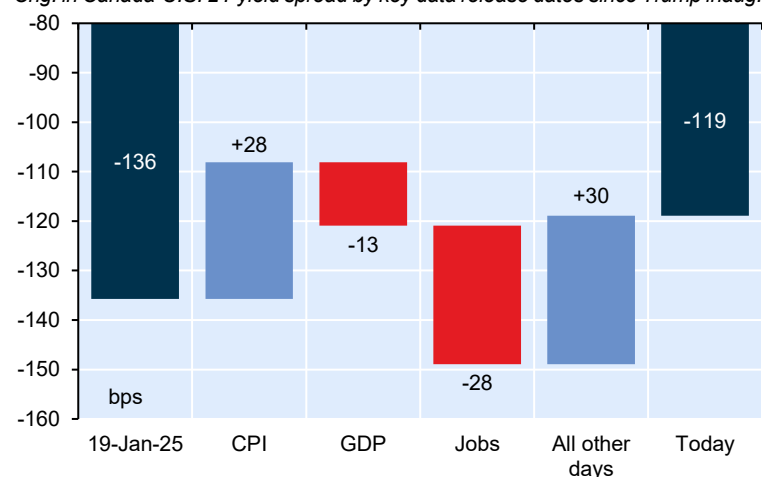
Source: NBC, BBG | Note: Compares 2Y yield gap on day before jobs day to close on jobs day. Includes two observations per month when Canada & US data published on different days.

Chart 11: Job days are great for GoC outperformance...
Chg. in Canada-U.S. 2Y yield spread by key data release dates since 2023



Source: NBC, BBG | Note: Middle bars reflect cumulative chg. on major Canada/U.S. data release days. For GDP and CPI (and some jobs days), there are multiple observations/month.

Chart 12: ...even when Canada is broadly underperforming
Chg. in Canada-U.S. 2Y yield spread by key data release dates since Trump inaug.



Source: NBC, BBG | Note: Middle bars reflect cumulative chg. on major Canada/U.S. data release days. For GDP and CPI (and some jobs days), there are multiple observations/month.



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