

Signs of Softening in the Labor Sector



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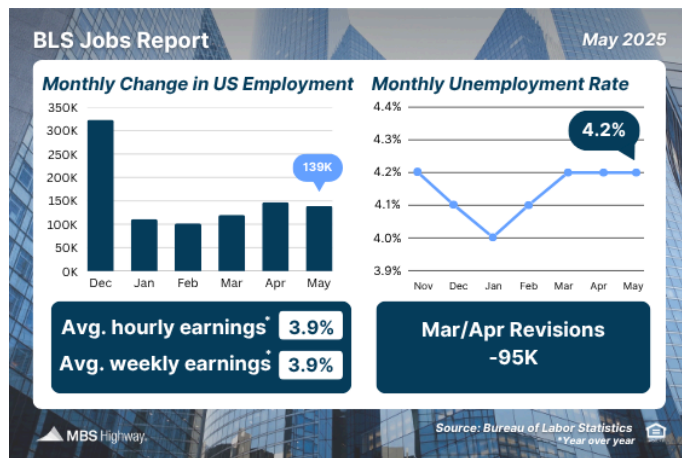


Week of June 2, 2025 in Review

Recent labor sector data indicates signs of a softening job market, while appreciation reports highlight the strong returns that homeownership can offer. Continue reading for more information and insights.

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Revisions Remain Key Story in Jobs Report

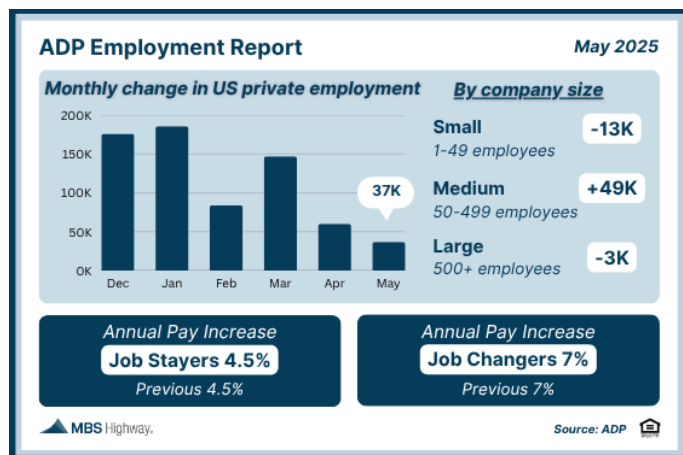


May's Jobs Report from the Bureau of Labor Statistics showed that 139,000 jobs were added – just above the expected 130,000. The unemployment rate remained steady at 4.2%.

What's the bottom line? Despite the positive headline, a closer look at the underlying data reveals areas of concern. Notably, these initial figures are often revised in subsequent months. In fact, the first four months of 2025 all experienced significant downward revisions (January: -32K, February: -49K, March: -108K, April: -30K). Should May's numbers be revised similarly, actual job growth could ultimately fall short of current estimates.

Moreover, the headline job figure (+139,000) comes from the Business Survey, which is heavily based on modeling and estimates. On the other hand, the Household Survey – considered more immediate because it is based on direct interviews with households – showed a substantial loss of 696,000 jobs. This survey also reported a decline of 623,000 full-time positions.

Private Payrolls Fall Short of Expectations



May's private sector added just 37,000 jobs, significantly below the expected 115,000, according to ADP data. This marks the slowest hiring pace since March 2023, suggesting economic uncertainty is affecting employer decisions.

Large companies (500+ employees) actually lost 3,000 jobs – a notable shift from previous months' growth. Small businesses (under 50 employees) also cut back, eliminating 13,000 positions.

By industry, leisure/hospitality led with 38,000 new hires, though this sector faces challenges with travel and tourism already showing signs of slowing. Half of the industries tracked by ADP reported job losses last month.

Wage growth held steady at 4.5% for existing employees and 7% for job-changers.

What's the bottom line? "After a strong start to the year, hiring is losing momentum," notes ADP Chief Economist Dr. Nela Richardson. For context, the 3-month average job gain now stands at 81,000, down from the 6-month average of 115,000 and the 12-month average of 139,000 – clearly indicating a hiring slowdown.

Job Openings Rise Unexpectedly in April

April job openings increased surprisingly to 7.39 million from March's 7.2 million, exceeding forecasts. Growth was primarily in professional/business services and healthcare sectors.

Hiring (3.5%) and quit (2%) rates continue hovering near decade lows, excluding pandemic periods. These low rates create obstacles for job seekers and suggest workers lack confidence in the current market.

What's the bottom line? Despite April's improvement, openings remain significantly below 2022's peak of 1.2 million available positions. What's more, remote work job listings appearing in multiple states may artificially inflate these numbers, meaning actual opportunities could be even scarcer. The job openings-to-unemployed ratio has also dropped from over 2:1 in 2022 to just 1:1 today – further evidence of a weakening labor market.

Continuing Unemployment Claims Remain Above 1.9 Million

Weekly initial jobless claims increased by 8,000 to reach 247,000, marking their highest level since October. At the same time, continuing unemployment claims declined by 3,000 to 1.904 million, but have remained above 1.9 million for the second straight week and for the third time in the past six weeks.

Furthermore, recent data from Challenger, Gray & Christmas revealed that job cut announcements in May surged nearly 50% compared to the same month last year. In fact, job cut announcements during the first five months of this year are 80% higher than in the same period in 2024. The primary reasons cited for these workforce reductions were the impact of DOGE and broader market and economic conditions.

What's the bottom line? The recent increase in initial unemployment claims, the persistently high level of continuing claims, and the rise in job cut announcements all highlight ongoing difficulties in the job market.

Homeownership: A Solid Investment Strategy

Home values continued their upward trend in April, with Cotality (formerly CoreLogic) reporting a 0.6% monthly increase and 2% annual growth. ICE data confirms this pattern with similar 2% year-over-year gains.

What's the bottom line? Experts remain optimistic, with Cotality forecasting a 0.8% price increase for May and a substantial 4.3% appreciation over the next year.

These statistics highlight why buying a home remains an effective wealth-building tool. For perspective: a \$500,000 property appreciating at 4% would gain \$20,000 in value in just one year – an impressive return on your investment.

Family Hack of the Week

Celebrate National Cupcake Lovers Day on June 13 (or anytime your sweet tooth calls) with this simple Vanilla Cupcake recipe from Food Network. Makes 12 standard or 48 mini treats!

Preheat oven to 350 degrees Fahrenheit, with a rack positioned in the middle. Line muffin tins with cupcake liners.

Whisk 1 1/2 cups all-purpose flour, 1 1/2 teaspoons baking powder, and 1/4 teaspoon salt in a medium bowl. In a separate bowl, beat 2 large eggs (room temperature) and 2/3 cup sugar, then gradually incorporate 1 1/2 sticks melted unsalted butter and 2 teaspoons of vanilla. Add half the flour mixture, then 1/2 cup milk, then the remaining flour. Mix until just combined.

Distribute batter evenly in prepared tin. Bake until a tester comes out clean (18-20 minutes for standard, 10-12 minutes for mini), rotating halfway through. Cool in tin for 10 minutes, then transfer to rack until completely cooled. Finish with your favorite frosting and decorations.

What to Look for This Week

This week's economic spotlight falls on inflation data, with May's Consumer Price Index arriving Wednesday and the Producer Price Index following on Thursday. Investors will also be paying particular attention to Treasury auctions – Wednesday's 10-year Note and Thursday's 30-year Bond – to gauge market demand levels.

Technical Picture

Following Friday's Jobs Report, Mortgage Bonds fell below key support levels at the 50-day, 100-day, and 25-day Moving Averages. They finished last week trading within a broad range, with resistance at the 25-day Moving Average and support at the 100.43 Fibonacci level. Meanwhile, the 10-year Treasury yield bounced higher from its 100-day Moving Average. There remains potential for yields to increase further, with the next ceiling at 4.59%.