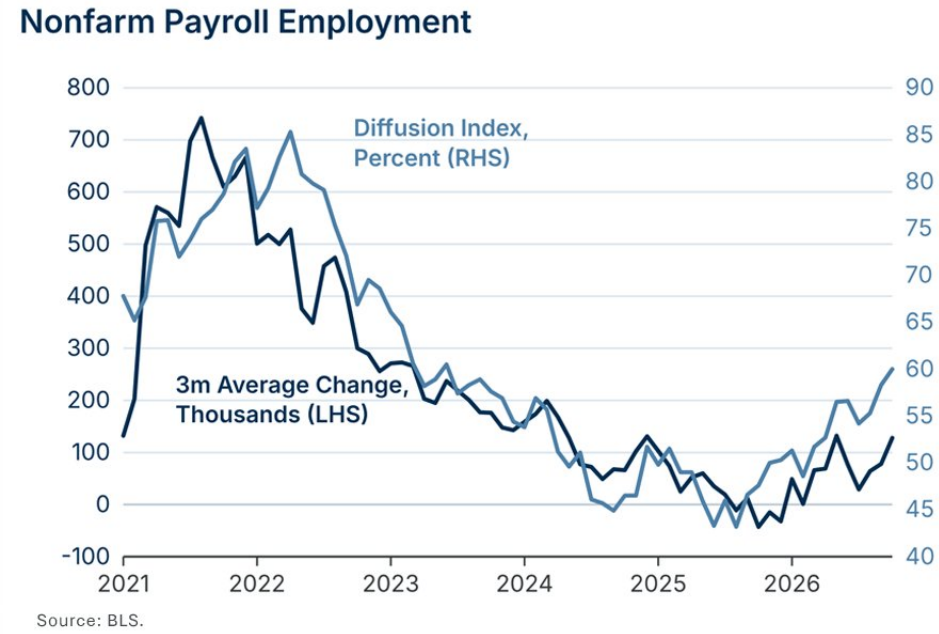
PERSPECTIVES

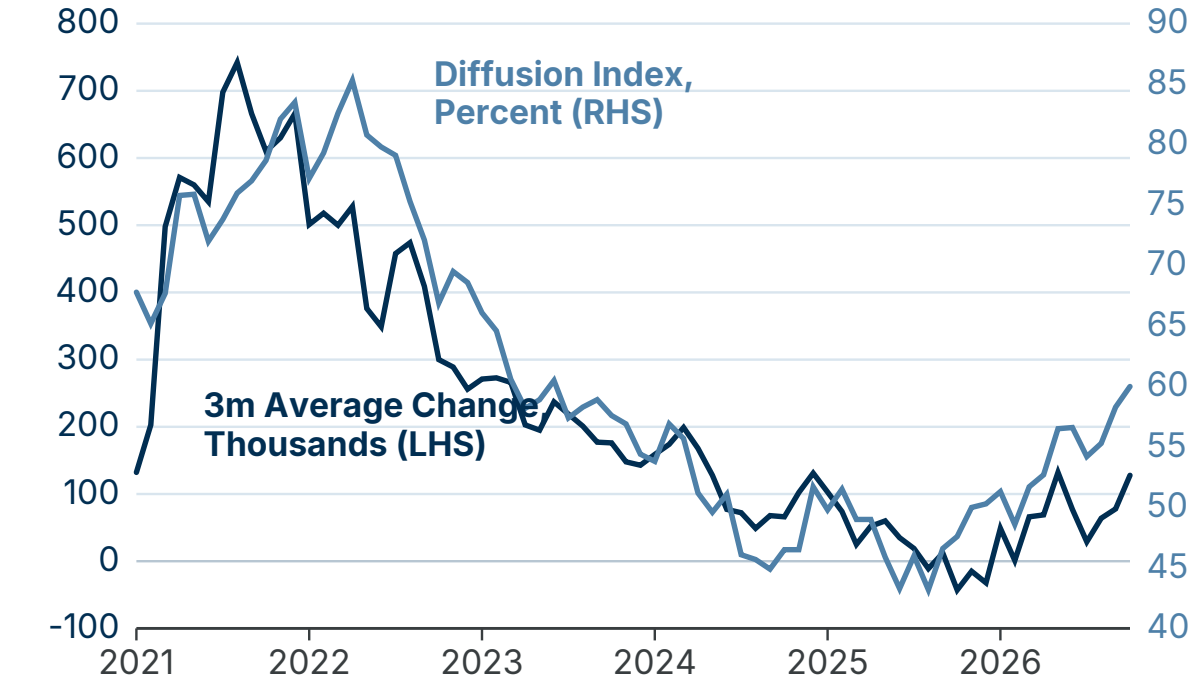
October Payrolls: Labor Market Gains Steam

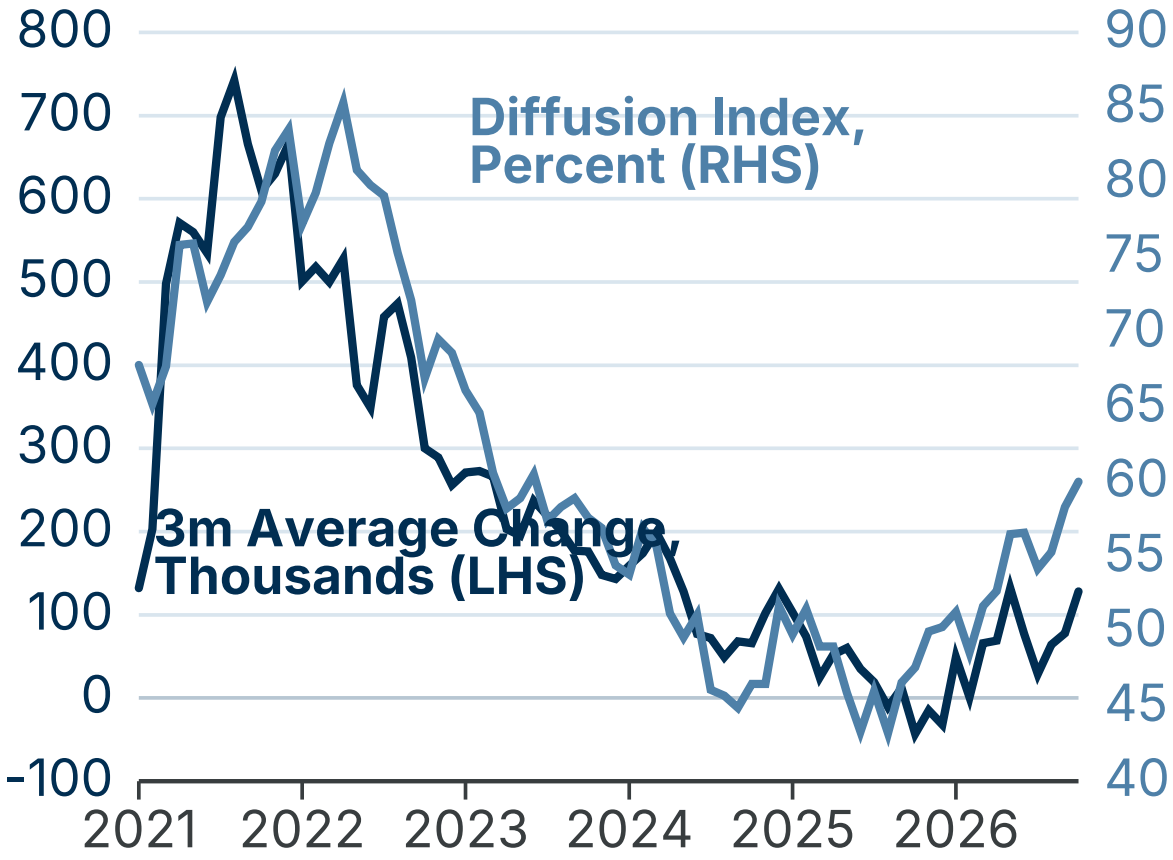
November 6, 2026
Author: Stephen Douglass



The U.S. labor market gained steam in October. 165,000 jobs were created in the month, and the prior two months were revised higher by 84,000. The three-month moving average of job creation has rebounded from -45,000 in October 2025 to 137,000 in October 2026. The three-month diffusion index has also rebounded strongly above 60%, indicating that positive job growth has broadened across the 250 private sector industries in the payrolls report. The unemployment rate declined by a tenth of a percent to 4.1%.

Nonfarm Payroll Employment

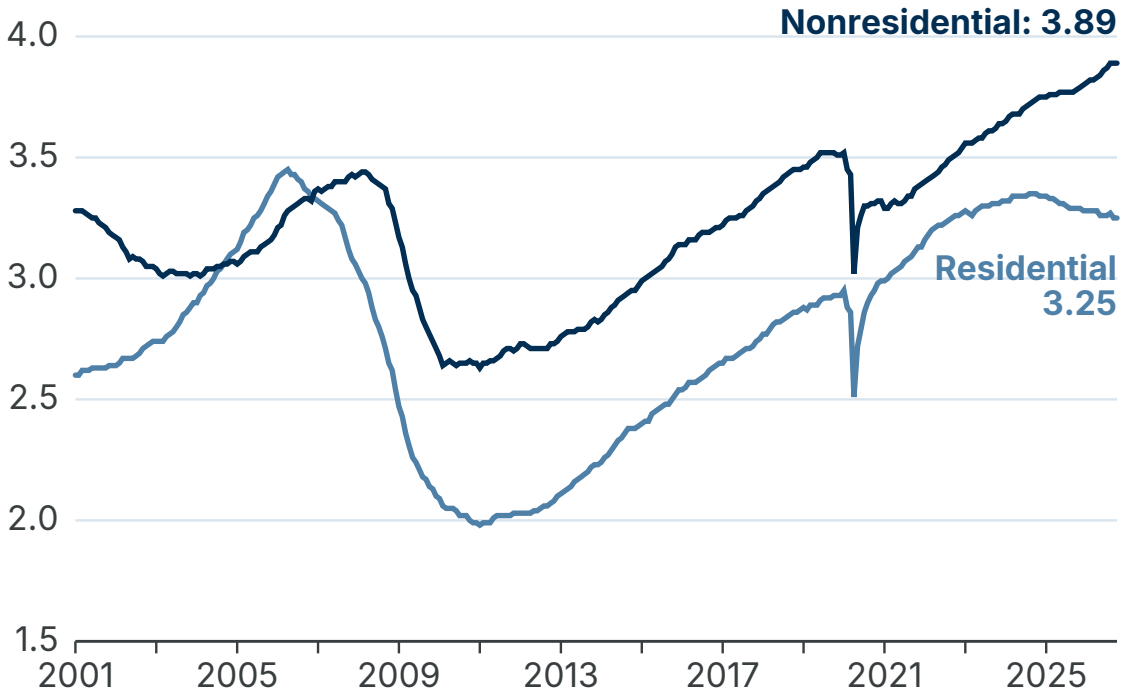


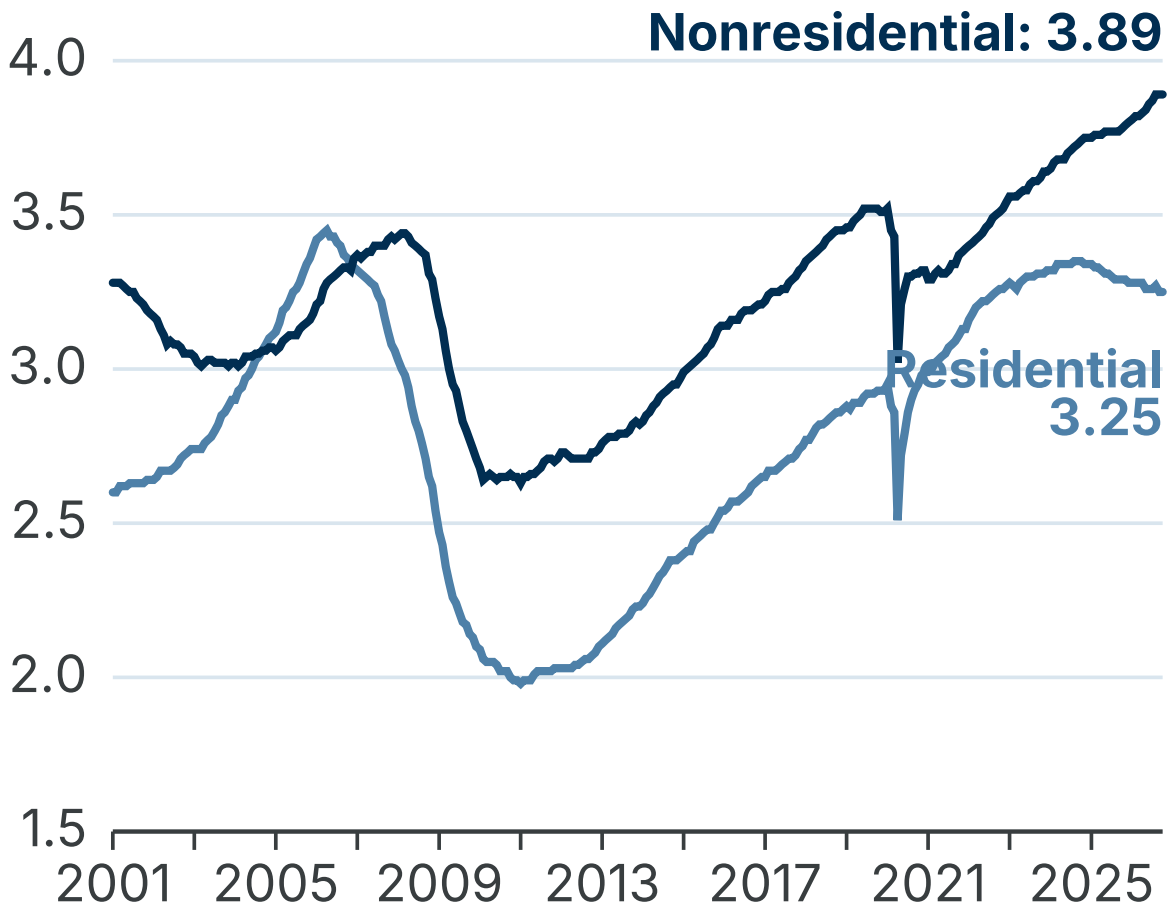


Source: BLS.

Construction employment declined by 3,000 in October as the rotation from residential to nonresidential continued. This month's data is consistent with our assessment that demand for data center construction labor is largely being filled by excess labor supply from the housing construction market, which continues to struggle under elevated mortgage rates.

Construction Employment | Millions

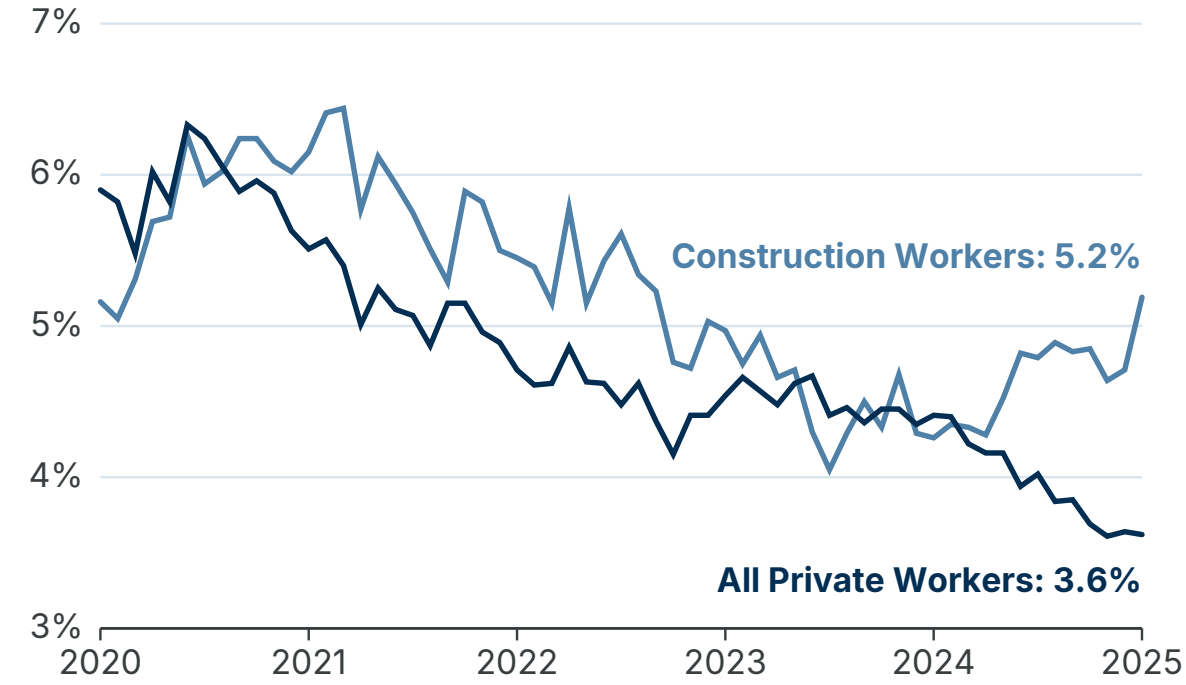


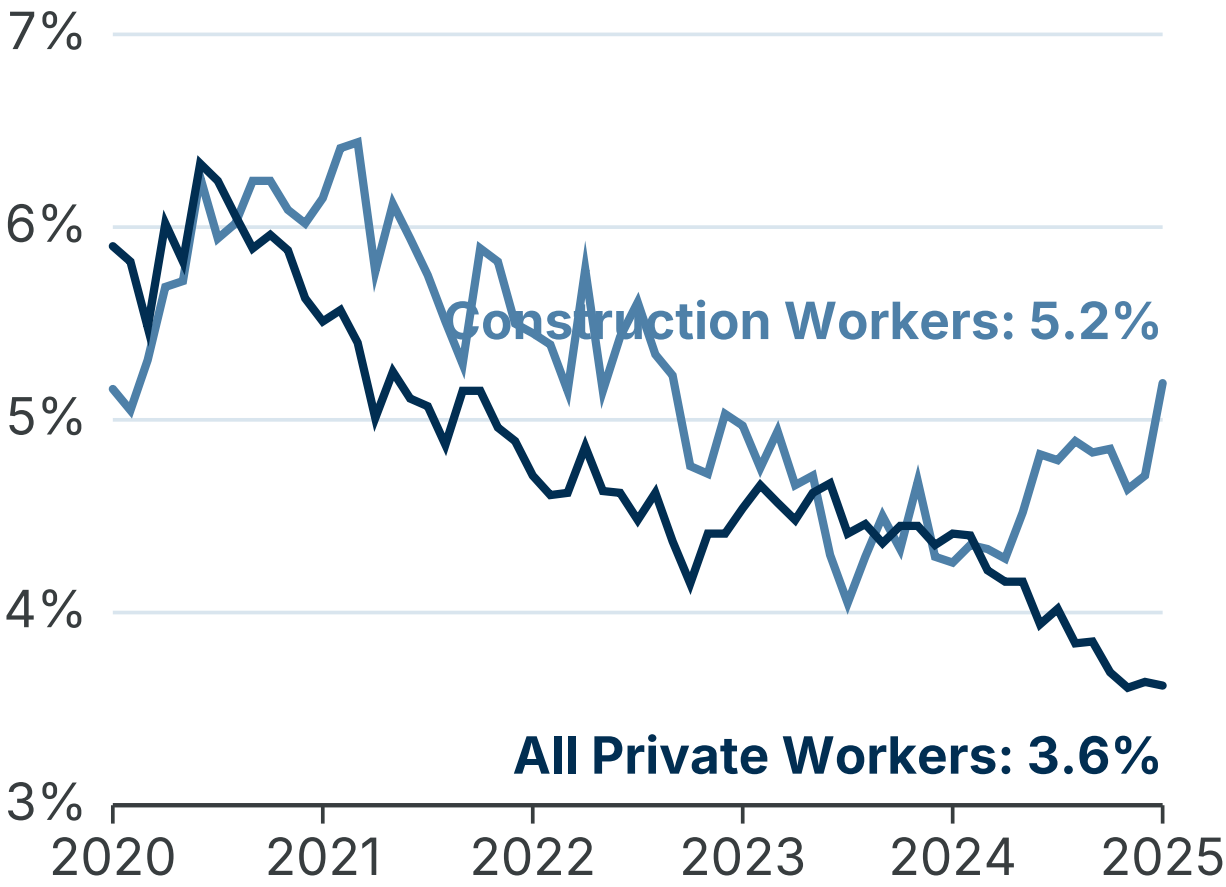


Includes specialty trade contractors. Excludes heavy and civil engineering. Source: BLS.

Construction wage inflation is accelerating, in part due to compositional effects as workers shift from residential construction to relatively higher-wage nonresidential construction. Thus far, accelerating construction wage inflation has not caused total wage inflation to deviate from its disinflationary path.

Average Hourly Earnings | Percent Change Y/Y





Source: BLS.

The October jobs report provides further evidence that the labor market has rebounded from the weak conditions that motivated the Fed's insurance cuts in 2025. The new uptrend has stabilized the labor market but so far remains within the Goldilocks zone for monetary policy, neither weak enough to justify cuts nor strong enough to justify hikes. Some will project this uptrend forward and warn of looming wage inflation. We will be watching closely, but as of today we do not yet see sufficient evidence for this argument to sway many votes in the FOMC boardroom.

It is perhaps a moot point for the time being, since the Fed is already on track to hike in December due to inflation concerns. We continue to expect (with admittedly low conviction) that the Trump administration will find a way to get oil prices down in time to prevent the Fed from delivering a third rate hike in March. Only after the energy inflation shock has passed will the time come for the Fed to judge whether the labor market itself justifies further policy tightening. We believe that will be a question for 2027. A question that will depend in part on whether the newly elected political class imposes meaningful constraints on the AI infrastructure investment that has boosted labor demand this year.

Disclosure Information

This material has been prepared by NISA Investment Advisors, LLC (“NISA”). This material is subject to change without notice. This is for information and illustrative purposes only. It is not, and should not be regarded as “investment advice” or as a “recommendation” regarding a course of action, including without limitation as those terms are used in any applicable law or regulation. This information is provided with the understanding that with respect to the material provided herein (i) NISA is not acting in a fiduciary or advisory capacity under any contract with you, or any applicable law or regulation, (ii) that you will make your own independent decision with respect to any course of action in connection herewith, as to whether such course of action is appropriate or proper based on your own judgment and your specific circumstances and objectives, (iii) that you are capable of understanding and assessing the merits of a course of action and evaluating investment risks independently, and (iv) to the extent you are acting with respect to an ERISA plan, you are deemed to represent to NISA that you qualify and shall be treated as an independent fiduciary for purposes of applicable regulation. NISA does not purport to and does not, in any fashion, provide tax, accounting, actuarial, recordkeeping, legal, broker/dealer or any related services. You should consult your advisors with respect to these areas and the material presented herein. You may not rely on the material contained herein. NISA shall not have any liability for any damages of any kind whatsoever relating to this material. No part of this document may be reproduced in any manner, in whole or in part, without the written permission of NISA except for your internal use. This material is being provided to you at no cost and any fees paid by you to NISA are solely for the provision of investment management services pursuant to a written agreement. All of the foregoing statements apply regardless of (i) whether you now currently or may in the future become a client of NISA and (ii) the terms contained in any applicable investment management agreement or similar contract between you and NISA.