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What to watch

Investors weigh impact of job gains on rates

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Wall Street is bracing for the release of the June employment report before the opening bell today, as another strong reading on job creation could cause long-term interest rates to spike higher and edge the Federal Reserve closer to its first interest rate hike.

The government will release the jobs data a day early, as markets are closed for the Fourth of July on Friday. Economists polled by Bloomberg forecast a June rise of 215,000 in non-farm payrolls, a tad below the 217,000 jobs created in May. The unemployment rate is expected to remain unchanged at 6.3%

Good news on jobs might not necessarily be good news for the broad U.S. stock market, which eked out its 24th record high of 2014 Wednesday.

While more jobs means more financial security and spending money for workers, which is good for the economy, a too-hot jobs number could spook investors if it changes the timing of when and how fast the Fed has to hike rates. The Fed, which is not expected to start hiking rates until mid-2015, might have to start sooner rather than later.

Wall Street got a taste of how the bond market might react on Wednesday, when a better-than-expected reading on private job creation last month caused a flight from bonds, which pushed the yield on the 10-year Treasury note to a two-week high of 2.63%, up from 2.56% Tuesday.

Stocks could cool off if investors start worrying about an earlier-than-expected Fed rate hike.