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# Weekly Commentary

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**Paige Wilhelm**

***Senior Vice President***

***Senior Portfolio Manager***

***Federated Investment Counseling***


## Lukewarm labor market

The Bureau of Labor Statics (BLS) had to work overtime to catch up on reports delayed or canceled because of the government shutdown. Last Friday, the staff finally got on track in terms of the office's most important release: the monthly jobs report. It was a mixed bag.

The BLS said that nonfarm payrolls rose by only 50,000 jobs in December, essentially matching November's tepid gain of 56,000 jobs. The expectation is that retailers and other seasonal businesses add positions in the holiday season. Despite decent consumer spending, this was not the case. But on the flip side, the unemployment rate declined to a three-month low of 4.4% in December, down from 4.5% in November (itself revised down from the originally reported 4.6%). Similarly, the labor impairment rate fell to 8.4% in December from a four-year high of 8.7% in November.

With conflicting news on the labor market — not to mention the Federal Reserve's own data and the multiple nongovernment reports available — it is easy to see why the Fed would want to hold rates steady when the Federal Open Market Committee meets later this month. The impact of monetary policy works with a lag. So, the Fed might be best served by leaving the target range at 3.50-3.75% to see how employment responds to the 75 basis points worth of cuts that came in fall of 2025. And then there is that other mandate: inflation. Easing too much could ring its dinner bell and keep inflation higher than the Fed would like.

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