

FEBRUARY 05, 2024

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## Fed has work to do

Federal Reserve Chair Jerome Powell frequently talks about how the central bank needs to “finish the job” on restoring price stability. Key to that is cooling the economy. But the labor market is having none of it. The nonfarm payrolls report for December, released last Friday, is the latest indication of how stubborn it has been. Businesses, nonprofits, governments and others added a staggering net of 353,000 jobs. That’s twice as high as expected, and the Bureau of Labor Statistics revised November and December 2023 additions up by a substantial combined 126,000. The unemployment rate stayed at 3.7%. Powell and company will pay particular attention to average hourly earnings, which rose 0.6% month-over-month in January.

Powell had already pushed back against the market’s forecast of a reduction in the federal funds target rate in last week’s Federal Open Market Committee meeting. This smoking hot nonfarm payrolls report made him look prescient. Liquidity products will benefit from what is likely to be higher rates for longer.

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