FLORIDA PRIME™

Weekly Commentary

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More to come

The takeaway from the minutes of the June Federal Open Market Committee (FOMC) meeting was more nuanced than typical. While the decision to refrain from another federal funds hike after 10 straight was unanimous, "participants" (as the Federal Reserve refers to the members of the FOMC) debated if that was the best idea. "A number of participants observed that a policy stance that proved to be insufficiently restrictive could halt recent progress in moderating inflationary pressures." This translates to saying a 25 basis-point hike was on the table. Hope is not a good strategy and one gets the feeling some of the policymakers don't want to just hope that the economy finally weakens, but keep the pressure on.

On that front, the labor market continues to be solid—and a bane for the Fed. The latest nonfarm payrolls report said the economy added 209,000 jobs in June. That's quite lower than May's revised total of 306,000, but it is hardly a sign of weakness. You could point to weaker private sector jobs. They saw gains of only 149,000, the slowest amount since December 2020. But the unemployment rate slipped to 3.6% from 3.7% and average weekly hours worked increased to 34.4 hours from 34.3 (the latter may not seem like much, but it is significant). In May, job openings decreased by 300,000 to 9.8 million from 10.1 million and weekly jobless claims grew, but the ADP report indicated that private employers added 497,000 jobs in June, a huge jump from the 267,000 jobs added in May.

There's little debate, then, that the Fed needs to soften the labor market further to quell inflation, which traditionally falls as it does.

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