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Jobs report a dove's delight

Monetary policy doves are cooing this morning. The Bureau of Economic Statistics (BLS) released its August nonfarm payrolls report showing US companies and governmental entities collectively hired only 22,000 people, less than the around 75,000 most economists projected. This alone gives the markets hope that the Federal Reserve will resume cutting rates in September, three quarters since it last did in December of 2024. But the BLS also reported the US lost a net 13,000 jobs in June, a plunge of 27,000 hires from the preliminary number of 14,000. That more than makes up for a slight increase in the revision for July, recalculated upward by 6,000 hires to a positive gain of 79,000. The unemployment rate rose a tick from 4.2% in July to 4.3%.

The report and other metrics showing a weakening labor market are even raising the possibility that the Fed could lower the fed funds target range by 50 basis points, rather than the 25 basis-point cut that many investors, and some politicians, hoped would come at the Federal Open Market Committee meeting ending Sept. 17. That was the magnitude of the first cut issued last September. But the futures market still favors the smaller amount. Much will depend on the August Consumer Price Index released this week.

Views are as of the date above and are subject to change based on market conditions and other factors. These views should not be construed as a recommendation for any specific security or sector.

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