



Weekly Commentary

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Peeking into the boardroom

Being a fly on the wall in corporate executive offices and boardrooms would go a long way to understanding the US labor market at the moment.

Company leaders incessantly talk about how artificial intelligence will improve productivity to the point they will require fewer workers. It's been a theme heard when layoffs do happen. But businesses continue to hire workers. The Bureau of Economic Statistics (BLS) May jobs report, which it released Friday, shows that US companies added 172,000 jobs in the month. That is a solid number, and nearly twice as many as consensus expected.

Adding to the surprise was that the BLS also revised March and April data from 185,000 jobs to 214,000 and from 115,000 jobs to 179,000, respectively. This means payrolls (nonfarm) have risen an average 188,000 jobs in March, April and May — the best three-month period in more than two years. The unemployment rate remained at 4.3%.

While these numbers are not signs of a hot economy, per se, when viewed alongside inflation's recent upward creep, the picture becomes more concerning to the Federal Reserve. We do not expect the Fed to alter rates at its Federal Open Market Committee meeting next week, but market odds of a hike happening this year have increased.

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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