August Employment Report: Financial Markets Couldn't Have Designed It Better…Yet (9/2/22)

The August employment report is out, and it was everything the financial community could have wished for. Taken at face value, it would suggest that the market is doing some of the Federal Reserve's work and that they might not need to push too hard on interest rates.

Private sector jobs grew by 308,000, although there was a downward adjustment of about 100,000 in the two previous months. The unemployment rate ticked up to 3.7% and the participation jumped to 62.4%, approaching pre pandemic levels. Hours worked were down slightly and weekly wages were almost unchanged. All and all a Goldilocks report. Financial markets should respond nicely, but watch out.

I believe the Federal Reserve will be largely unimpressed. They have told you their game plan and I believe they will stick to it. Rates will continue to rise, probably the next move being 75 points. While things are slowly improving, we are a long way away from the Fed target of 2%. Financial markets are not fully reflecting this. They will ultimately have to grin and BEAR it.

The Federal Reserve could keep interest rates tight and the economy weak as we approach the gravitational pull of the 2024 election cycle. This could put the Federal Reserve and the White House at loggerheads.

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