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Weekly Commentary

SEPTEMBER 9, 2024

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Not that helpful

Many investors thought the August jobs report to be the most important in a long time. With the Federal Reserve pivoting to assessing the labor market closely for its decision on when to ease rates, an oversized report in either direction might be the catalyst. Weak employment data would argue for not only a rate cut, but perhaps also a large half-percentage-point one. In contrast, robust numbers could argue for a quarter-point cut or even no change at all in the current target range of 5.25-5.5%.

Turns out, the jobs report did not point to either path. It wasn't hot or cold, and tepid doesn't provide the markets with a better sense of what the Federal Open Market Committee will decide Sept. 17-18. Nonfarm payrolls increased 142,000 in August, but the previous two months saw combined downward revisions of 86,000 jobs. The unemployment rate decreased from 4.3% to 4.2% from July, and annualized average hourly earnings rose 0.2% to 3.8%, but the labor participation rate held steady at 62.7%.

While the jobs data is not helpful in projecting the FOMC's judgment, this week's Consumer Price Index report might. But unless Fed officials indicate otherwise before their pre-meeting blackout period, any prediction about the decision is just an educated guess at best.

G40461-19 (9/24)