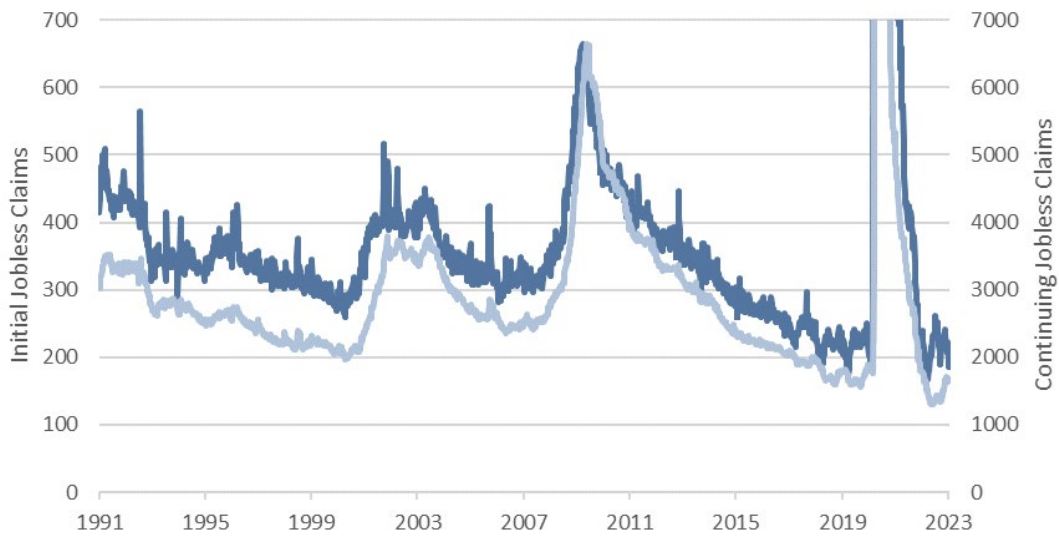


Our values appreciate yours

MARKET COMMENTARY

Despite ongoing headlines about layoffs at large tech firms, including Google, Amazon, Meta, and IBM, jobless claims data indicates the labor market continues to tighten. Initial and continuing jobless claims are well below pre-COVID levels.

Fig. 1: Initial Jobless Claims (Light Blue) and Continuing Jobless Claims (Dark Blue)



Source: Bloomberg, Mill Creek.

We have an ongoing mismatch between supply and demand for labor in the US. Labor demand remains very strong and there are still over one million job openings nationwide.

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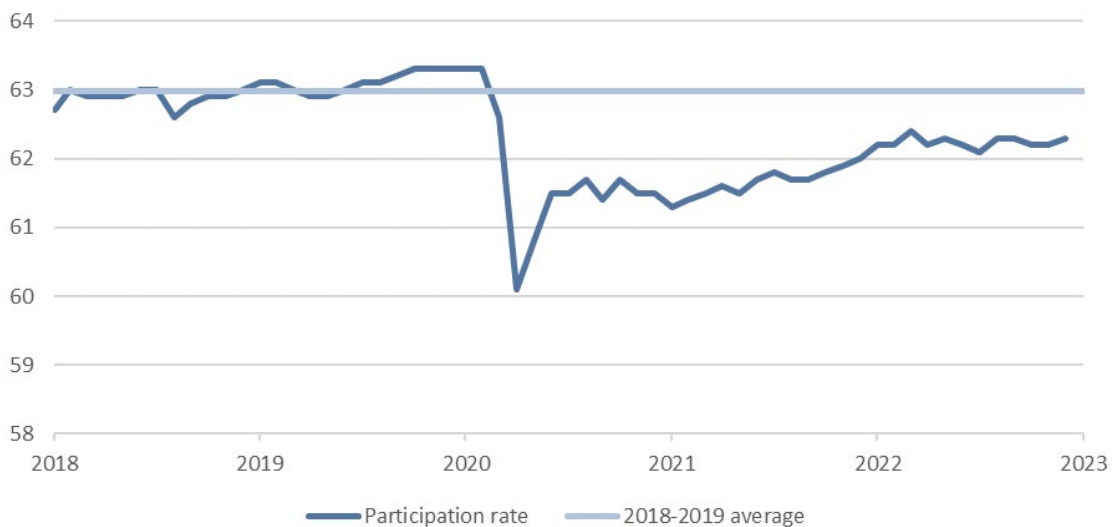
Fig. 2: Jobless Openings (thousands)



Source: Bloomberg, Mill Creek.

However, labor force participation (labor supply) has not recovered to pre-COVID levels.

Fig. 3: Labor Force Participation Rate



Source: Bloomberg, Mill Creek.

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On one hand, a strong labor market is good news as the economic goldilocks scenario for the US is that inflation dissipates without a recession. But on the other hand, the Fed sees inflation and unemployment as inexorably linked and believes unemployment needs to rise to 4.6% this year — roughly equal to 1.3 million lost jobs —to meet their inflation objectives.

Fig. 4: US Unemployment Rate



Source: Bloomberg, Mill Creek.

Market participants have been pricing in an increasingly dovish Fed and a less than 100% probability of a March rate hike. In our view, this is misguided as economic data hasn't softened enough to allow the Fed to shift gears that quickly. Current data suggests March is a near certainty and another hike in May remains on the table. Accordingly, it wouldn't surprise us if Fed Chair Powell used the Federal Open Market Committee (FOMC) meeting this week to push back on dovishness and recommit to their [December forecasts](#).

QUICK LINKS

- [House View Summary](#)
- [Why Corporate Borrowers Remain Well-Positioned](#)
- [Fowl Play](#)
- [Latest Jobs Report Means Another Fed Rate Hike Likely](#)

This week's contributor: Michael Crook, CAIA

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