

# The U.S. Economy Adds 275,000 Jobs, the Unemployment Rate Rises, and Speculation Grows about the Fed's Rate Cut, What Lies Ahead?

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The U.S. and European stock markets closed mostly down across the board as the recent employment data delivered the promise of robust job creation and a controlled moderation in wage growth, precisely in line with market expectations for an optimistic economic scenario. This development triggered a decline in government bond yields across the curve, reflecting a market fully pricing in a prospective rate cut in June and anticipating four cuts for the entire year.

The February jobs report presents a nuanced perspective, ultimately supporting the notion of a soft landing where economic growth remains robust while inflation shows signs of softening. The U.S. economy exceeded expectations by adding 275,000 jobs despite noteworthy downward revisions for the prior two months. U.S. Job openings fell to 8.863 million, down 26,000 or -0.29%; on the other hand, Job Seekers rose to 5.847 million, up 414,000 or 7.62%, with a still high 51.58% imbalance between job openings and Job seekers.

Despite the unexpected rise in the unemployment rate to 3.9% from 3.7%, a two-year high, job growth in service sectors such as healthcare, leisure, hospitality, and government remained prominent. Wage growth, a closely monitored factor, cooled more than anticipated, with the annual rate increasing to 4.3%. The overall implication is that the labor market is gradually decelerating, supporting economic expansion. The normalization of the supply and demand imbalance for workers from the previous year is expected to contribute to easing inflation, paving the way for potential rate cuts by the Federal Reserve this year.

As attention shifts from the jobs report to Tuesday's Consumer Price Index inflation report ahead of the March Fed meeting, the latest Inflation Nowcasting has the CPI at 3.12% and the Core CPI at 3.70%.

Despite Fed Chair Powell's emphasis on patience, there are indications that the Fed is nearing confidence in pivoting towards a more accommodative policy stance, contingent on sustained progress in inflation. We anticipate some turbulence in the final stretch toward the 2% inflation target; expectations include further moderation in the coming months, influenced by decreased housing costs and subdued wage growth. Recent productivity improvements suggest that low unemployment can persist without fueling an inflationary surge. With these factors in play, the conditions are poised for the first rate cut in June. While the market experienced a strong rally over the past four months, potential choppiness lies ahead. However, as long as the economy avoids recession, inflation continues its moderation, and the Fed gradually eases its stance, any pullbacks will likely be short-lived.

## Key Economic Data:

- **U.S. Nonfarm Payrolls MoM:** rose to 275,000, up from 229,000 last month, increasing 20.09%.
- **U.S. Unemployment Rate:** rose to 3.90%, compared to 3.70% last month.
- **U.S. Labor Force Participation Rate** is unchanged at 62.50%, compared to 62.50% last month.

- **Canada Employment Net Change:** rose to 40,700, up from 37,300 last month.
- **Canada Unemployment Rate:** rose to 5.80%, compared to 5.70% last month.
- **Canada Labour Force Participation Rate:** is unchanged at 65.30%, compared to 65.30% last month.
- **Germany Producer Price Index YoY:** is at -4.40%, compared to -5.10% last month.
- **Germany Industrial Production Index MoM:** rose to 1.00%, compared to -2.00% last month.
- **Japan Business Conditions Composite Coincident Index:** is at a current level of 110.20, down from 116.00 last month.
- **China Producer Price Index YoY:** fell to -2.50%, compared to -2.70% last month.
- **China Inflation Rate:** is at -0.80%, compared to -0.30% last month.

#### Eurozone Summary:

- **Stoxx 600** closed at 503.26, up 0.10 points or 0.02%.
- **FTSE 100** closed at 7,659.74, down 32.72 points or 0.43%.
- **Dax Index** closed at 17,814.51, down 28.34 points or 0.16%.

#### Wall Street Summary:

- **Dow Jones Industrial Average** closed at 38,722.69, down 68.66 points or 0.18%.
- **S&P 500** closed at 5,123.69, down 33.67 points or 0.65%.
- **Nasdaq Composite** closed at 16,085.11, down 188.26 points or 1.16%.
- **Birling Capital Puerto Rico Stock Index** closed at 3,340.61, down 5.79 points or 0.17%.
- **Birling Capital U.S. Bank Stock Index:** closed at 4,662.05, up 4.26 points or 0.09%.
- **U.S. Treasury 10-year note** closed at 4.09%.
- **U.S. Treasury 2-year note** closed at 4.48%.

# US Nonfarm Payrolls, US Job Openings, US Job Seekers, US Unemployment Rate and US Labor Force Participation Rate

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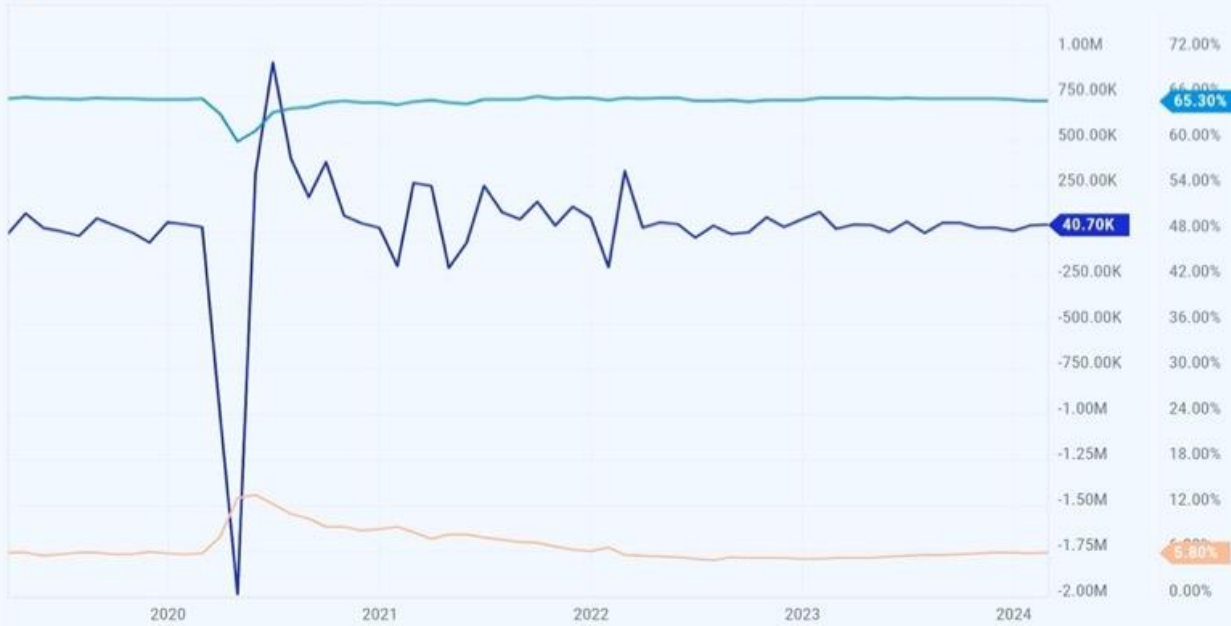
	VAL
● US Nonfarm Payrolls MoM	275.00K
● US Job Openings: Total Nonfarm	8.863M
● US Unemployed Persons: Job Seeker	5.847M
● US Unemployment Rate	3.90%
● US Labor Force Participation Rate	62.50%

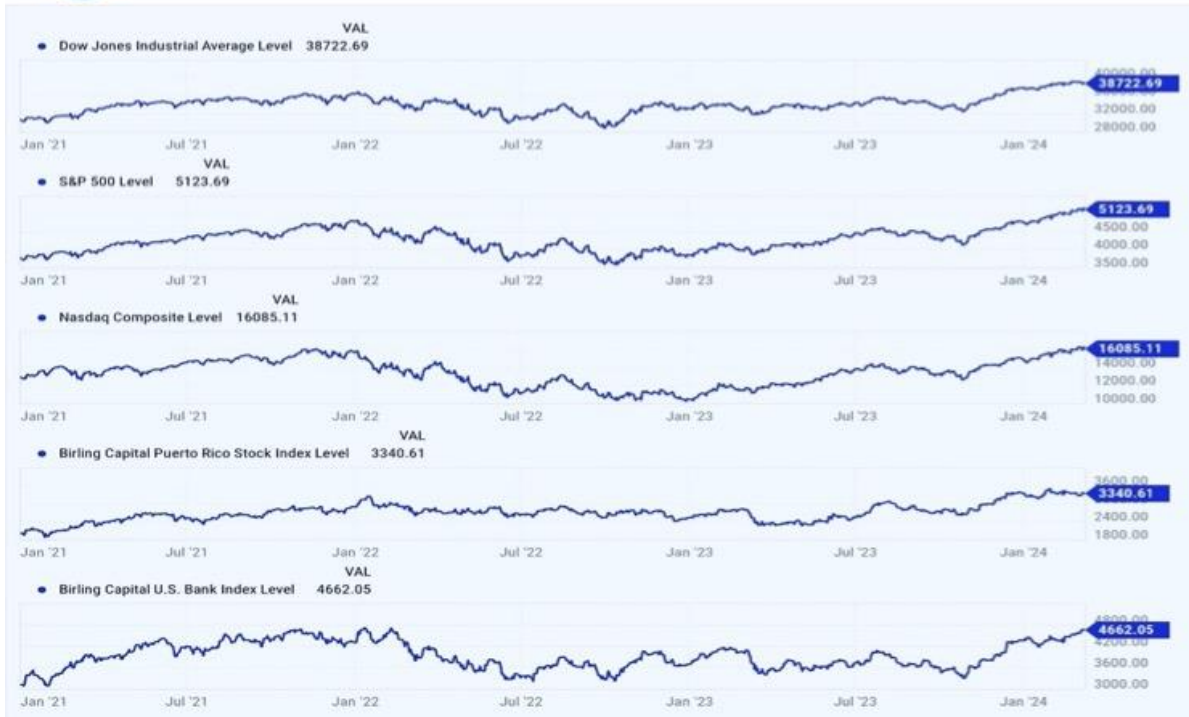


# Canada Employment Net Change, Canada Unemployment Rate & Canada Labour Force Participation Rate

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	VAL
● Canada Employment Net Change	40.70K
● Canada Unemployment Rate	5.80%
● Canada Labour Force Participation Rate	65.30%





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