GLOBAL MARKET SQUARE

BIRLING CAPITAL ADVISORS, LLC

# Dow tumbles more than 260 points as blowout jobs report reignites rate-hike fears

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The U.S. and European stock markets ended mixed on Friday, with U.S. equities bearing the brunt of the pressure after August's hotter-than-expected payrolls report increased the odds that the Federal Reserve raises interest rates at its next meeting. Treasury yields jumped on the data, oil retreated to close out a volatile week, and the dollar firmed against most major peers. European bourses, which had opened cautiously ahead of the U.S. release, steadied into the close with modest, mixed gains.

## U.S. Markets

The 30-stock Dow Jones Industrial Average fell 271.86 points, or 0.51%, to close at 53,414.25. The S&P 500 slid 0.38% to end at 7,718.60, while the Nasdaq Composite dropped 0.29% to 26,505.99. The Birling Capital Puerto Rico Stock Index moved against the tape, adding 29.14 points, or 0.57%, to 5,118.42, and the Birling Capital U.S. Bank Index jumped 187.97 points, or 1.81%, to 10,582.63, as banks welcomed the prospect of a steeper near-term rate path.

Nonfarm payrolls grew by 162,000 in August, far outpacing the 53,000 economists polled by Dow Jones had expected. The unemployment rate held steady at 4.1%, in line with forecasts, and payroll figures for both June and July were revised higher. Notably, women accounted for roughly 98% of the month's job gains — 158,000 of the 162,000 total — while men added a net 4,000 positions, according to a CNBC analysis of the Bureau of Labor Statistics release.

Treasury yields rose sharply on the report, with the 2-year yield touching its highest level since January 2025. Fed funds futures traders are now pricing a 58% chance of a rate hike at the September meeting, per the CME FedWatch tool, up from about 49% a day earlier. "This labor statistic has become highly volatile," said Bradford Smith, portfolio manager at Janus Henderson Investors, adding that the report modestly raises the odds of a September move. He noted the debate now turns to next week's inflation data, particularly after Fed Chair Kevin Warsh's hawkish tone at Jackson Hole signaled a readiness to act if disinflation stalls.

The three major averages had rallied Thursday as yields eased on comments from Fed Governor Christopher Waller, who signaled he would lean toward holding rates at the current 3.5%–3.75% target range at the Fed's September 15–16 meeting. Even so, the Dow finished the week down 0.3%, while the S&P 500 added 0.1% and the Nasdaq gained 0.4% week to date.

## European Markets

European equities finished mixed after a cautious open, with the pan-European Stoxx 600 dipping as much as 0.1–0.2% in early trading before the U.S. jobs report shifted sentiment for the rest of the session. By the close, the Stoxx Europe 600 had recovered to end at 649.81, up 0.78 points, or 0.12%. Germany's DAX was the session's standout, adding 43.08 points, or 0.17%, to close at 26,046.40, led by Volkswagen, which surged roughly 6% after its supervisory board struck a turnaround agreement with unions and Lower Saxony — the state's stake in the automaker — averting an escalation that had been weighing on the stock. The deal lifted the broader European autos index by more than 4%, the sector's best showing of the week. France's CAC 40 closed at 8,278.77, up 7.45 points, or 0.09%, with gains led by Legrand, which jumped after Deutsche Bank raised its price target on strong organic growth, while London's FTSE 100 finished essentially flat at 10,831.09, down 0.43 points. Italy's FTSE MIB was the best performer among the majors, adding 144.83 points, or 0.28%, to close at 52,100.43. In currencies, sterling firmed modestly against the dollar. Overall, the muted index-level moves masked a session that was largely defined by waiting for the U.S. jobs print, with European traders showing limited appetite to take large positions ahead of the data and a single-stock story — Volkswagen — doing most of the heavy lifting once it landed.

### August Jobs Report Blows Past Expectations

Total nonfarm payrolls grew by 162,000 in August, decisively beating the consensus forecast of roughly 55,000 and running well ahead of the 12-month average pace. Leisure and hospitality, local government education, construction, and manufacturing were among the largest contributors. Payroll figures for June and July were also revised higher, adding further strength to the underlying employment picture. The unemployment rate held steady at 4.1%, matching expectations rather than the modest uptick some had flagged as a risk. Average hourly earnings rose 3.1% from a year earlier, a touch slower than July's 3.2% pace — evidence that wage growth continues to cool gradually even as hiring holds up. Taken together, the report paints a labor market that remains fundamentally healthy, with job and wage gains still supportive of consumer spending. With unemployment sitting below the Fed's longer-run projection of 4.2%, the maximum-employment side of the dual mandate looks largely satisfied, which in our view gives policymakers more room to lean into the inflation side of the equation at this month's meeting.

### Energy Markets

WTI crude fell more than 2% to close near $89 per barrel, capping a volatile week for oil as the stronger dollar and a firmer near-term rate outlook weighed on the complex. Energy remains one of the better-performing sectors quarter-to-date even after Friday's pullback.

### Economic & Policy Outlook

Yields at the short end of the curve moved higher on the jobs data, with the 2-year Treasury yield — the maturity most sensitive to the near-term policy path — rising to about 4.37%. Longer-dated yields were comparatively unmoved, with the 10-year holding near 4.76%, a flattening that reflects the market's read that any hike now priced in is likely to be a one-and-done move rather than the start of a sustained tightening cycle. Inflation expectations embedded in TIPS markets have also drifted higher, with 10-year breakevens up roughly 15 basis points since their June low to around 2.35%. With the Fed's preferred inflation gauge, core PCE, still running near 3.7% — well above the 2% target — we think today's data tilts the Fed's September 16–17 decision meaningfully toward a hike, even as policymakers weigh the risk of leaning too hard on a labor market that, while resilient today, has shown real variability over the past year.

### The Final Word

Friday's report reinforces a theme we've flagged repeatedly this quarter: the labor market is not the constraint it appeared to be earlier in the summer, and that changes the Fed's calculus. Markets are treating this as good news for the economy and, for now, a headwind for near-term easing — the classic "good news is bad news" dynamic playing out across equities and short-dated bonds alike. With CPI and PPI data due before the Fed's meeting, next week's inflation prints, not this week's jobs number, are likely to be the deciding vote on whether the Fed hikes or holds.

Overlaying all of this is a new and, in our view, far more consequential risk. President Trump escalated his pressure campaign on the Federal Reserve Friday, doubling down on a threat to halt trade with countries running surpluses with the U.S. unless the central bank cuts rates, telling reporters in the Oval Office, "we should be paying the lowest interest rate in the world." The threat, first posted to social

media earlier in the day, followed Trump's call for Fed Chair Kevin Warsh and the Board to act more assertively on rates in the wake of the stronger-than-expected jobs report.
We think the market is underpricing how serious this is. The U.S. runs deficits with dozens of trading partners, including several of its largest — cutting off trade with them would be a shock of a different order than tariffs, disrupting supply chains, raising import prices, and inviting swift retaliation at a moment when the economy is already digesting a hawkish rate path. More corrosively, tying trade policy explicitly to a demand for lower rates undermines the market's confidence in the Fed's independence. Historically, that independence has anchored long-run inflation expectations; erode it, and investors typically demand a higher term premium on long-dated Treasuries to compensate for the risk of politically driven monetary policy — the opposite of the "lowest interest rate in the world" outcome the White House says it wants. In our view, this is the more important story to watch heading into the September meeting, potentially more consequential than the job report itself.

## Economic Update:

- **US Nonfarm Payrolls MoM:** rose to 162,000, up from 21,000, a change of 671.4%
- **US Unemployment Rate:** is 4.10%, unchanged from last month and down from 4.30% last year. This is lower than the long term average of 5.65%.
- **US Labor Force Participation Rate:** rose to 61.60%, up from 61.40% last month.
- **US Average Hourly Earnings YoY:** fell to 3.10%, compared to 3.20% last month.
- **US Total Private Average Weekly Hours:** rose to 34.40, up from 34.30 last month.
- **Canada Employment Net Change:** fell to -41,700, down from 75,100 last month.
- **Canada Unemployment Rate:** is unchanged at 6.40%, compared to 6.40% last month.
- **Canada Labour Force Participation Rate:** fell to 65.00%, compared to 65.10% last month.
- **Canada Ivey PMI:** fell to 54.10, down from 55.10 last month, a change of -1.81%

## Eurozone Summary:

- **Stoxx 600:** closed at 649.81, up 0.78 points or 0.12%.
- **FTSE 100:** closed at 10,831.09, down 0.43 points or 0.00%.
- **DAX Index:** closed at 26,046.40, up 43.08 points or 0.17%.

## Wall Street Summary:

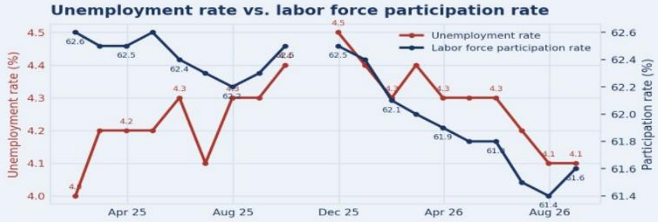
- **Dow Jones Industrial Average:** closed at 53,414.25, down 271.86 points or 0.51%
- **S&P 500:** closed at 7,718.60, down 29.11 points or 0.38%
- **Nasdaq Composite:** closed at 26,505.99, down 77.07 points or 0.29%
- **Birling Capital Puerto Rico Stock Index:** closed at 5,118.42, up 29.14 points or 0.57%
- **Birling Capital U.S. Bank Index**: closed at 10,582.63, up 187.97 points or 1.81%
- **U.S. Treasury 10-year note:** closed at 4.78%.
- **U.S. Treasury 2-year note:** closed at 4.37%.

# US labor market snapshot

January 2025 – August 2026

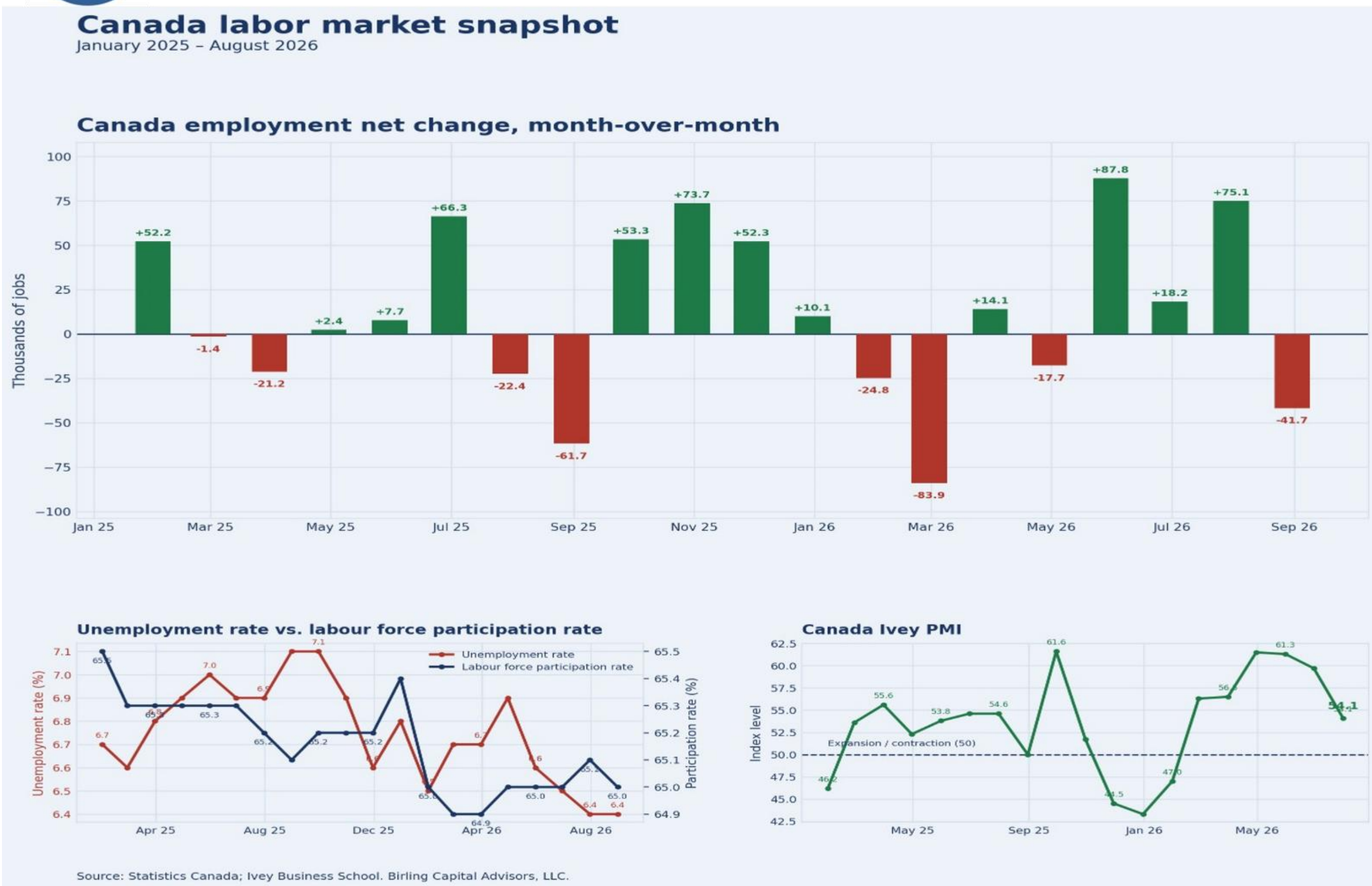
## US nonfarm payrolls, month-over-month change


## Unemployment rate vs. labor force participation rate




## Average hourly earnings (YoY) vs. average weekly hours


Source: US Bureau of Labor Statistics. Birling Capital Advisors, LLC.


Canada labor market snapshot
January 2025 – August 2026
Canada employment net change, month-over-month
Thousands of jobs
+52.2
-1.4
-21.2
+2.4
+7.7
+66.3
-22.4
-61.7
+53.3
+73.7
+52.3
+10.1
-24.8
-83.9
+14.1
-17.7
+87.8
+18.2
+75.1
-41.7
Jan 25
Mar 25
May 25
Jul 25
Sep 25
Nov 25
Jan 26
Mar 26
May 26
Jul 26
Sep 26
Unemployment rate vs. labour force participation rate
Unemployment rate
Labour force participation rate
Unemployment rate (%)
Participation rate (%)
Apr 25
Aug 25
Dec 25
Apr 26
Aug 26
Canada Ivey PMI
Index level
Expansion / contraction (50)
May 25
Sep 25
Jan 26
May 26
Source: Statistics Canada; Ivey Business School. Birling Capital Advisors, LLC.

# Eurozone Summary

Closing prices, Friday, September 4, 2026

| Stoxx 600 | FTSE 100 | DAX Index |
|---|---|---|
| Closing Price | Closing Price | Closing Price |
| **649.81** | **10,831.09** | **26,046.40** |
| ▲ +0.78 pts | ▼ -0.43 pts | ▲ +43.08 pts |
| (+0.12%) | (-0.00%) | (+0.17%) |

Source: Bloomberg

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# Wall Street Summary

Closing prices, Friday, September 4, 2026

| | Dow Jones Industrial Average | S&P 500 | Nasdaq Composite | Birling Capital PR Stock Index | Birling Capital U.S. Bank Index |
|---|---|---|---|---|---|
| Closing Price | 53,414.25 | 7,718.60 | 26,505.99 | 5,118.42 | 10,582.63 |
| Change | ▼ -271.86 pts | ▼ -29.11 pts | ▼ -77.07 pts | ▲ +29.14 pts | ▲ +187.97 pts |
| % | (-0.51%) | (-0.38%) | (-0.29%) | (+0.57%) | (+1.81%) |

Source: Bloomberg; Birling Capital Advisors, LLC

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