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The Labor Market Softens

Even after three rate cuts for the Fed, employers are not investing significantly in new staff.

*"Strength does not come from physical capacity. It comes from an indomitable will."
– Mahatma Gandhi*

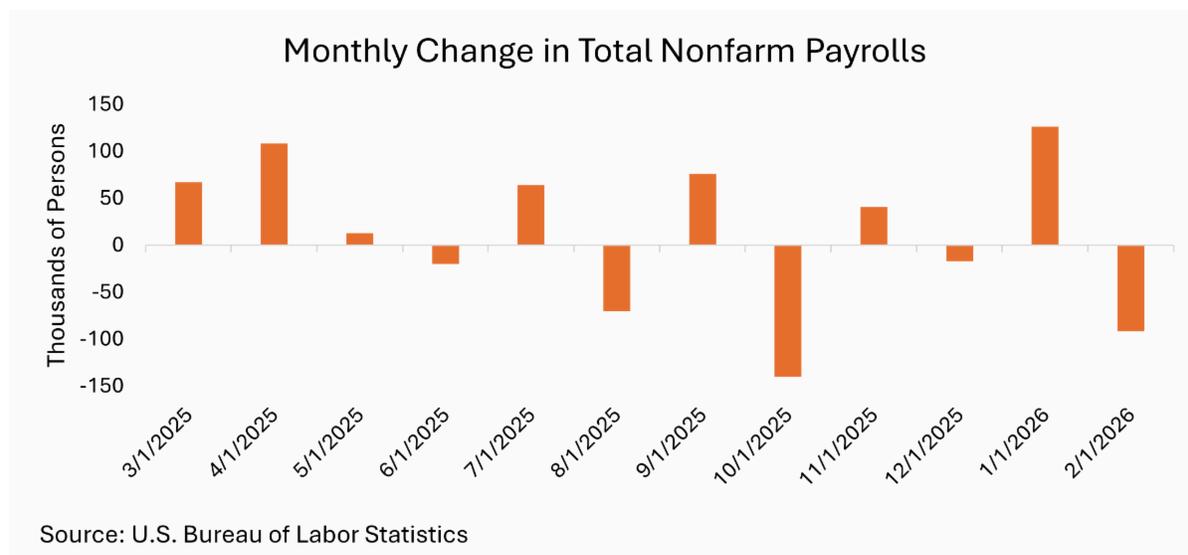
Last week was a geopolitically eventful one, which proved to sway financial markets. Stocks ended the week broadly lower. All three major indices – the S&P 500, Dow Jones Industrial Average, and Nasdaq Composite – ended the week in the red.

Technology and energy were the lone positive sectors, with most others posting significant losses, such as the materials sector, which declined 7% for the week, and consumer staples, which declined 5%.

Oil prices skyrocketed due to the Middle Eastern conflict, nearing \$120/barrel over the weekend. Missile strikes in Iran and other countries in the region, as well as the closure of the Strait of Hormuz, are creating supply issues for the world's most important commodity. The longer this conflict rages on, the greater the shock will be. Markets are concerned about overpricing and the resulting inflation, which could be on its way.

Friday's jobs report did nothing to steady markets as the labor market showed itself to be weaker than expected. The Fed could be facing quite a predicament if the labor market continues to weaken and oil prices drive inflation higher. Do they continue to cut rates to support the labor market, or reverse course and raise rates to heel inflation? We likely won't know by next week's FOMC meeting, but it is something worth monitoring.

The labor market unexpectedly retracted in the month of February. According to the Bureau of Labor Statistics, total nonfarm payrolls declined by 92,000 for the month. On top of that, both December and January's reports were revised downwards by a combined 69,000 jobs.



The current state of the labor market is very soft. Even after three rate cuts for the Fed, employers are not investing significantly in new staff. According to the Challenger report, they are also not cutting jobs. Compared to last February, last month had 72% fewer job cuts announced. In the same report, there were also 56% fewer plans for hiring. Companies are hesitant to add new staff, but they are also slowing down in letting them go.

The unemployment rate ticked back up to 4.4%, and average hourly earnings increased 0.4% for the month and 3.8% year-over-year.

In case you missed it: Watch Kevin Simpson on CNBC's 'Halftime Report'
“Take cash and put it to work” is the way to play equities, says Capital
Wealth’s Kevin Simpson



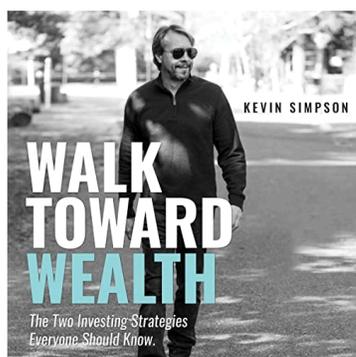
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The Road Ahead

This week will feature February's CPI report on Wednesday. It will be the last major data point before the Fed's rate decision next week. We don't anticipate it moving the needle away from another "hold" decision by the Fed. The weak labor report could possibly merit consideration of another quarter-point hike. But the ongoing geopolitical climate will likely push any movement to at least April or June, if not longer. This week will also show a second look at the fourth quarter's GDP report.

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