Outlook

Strong Enough

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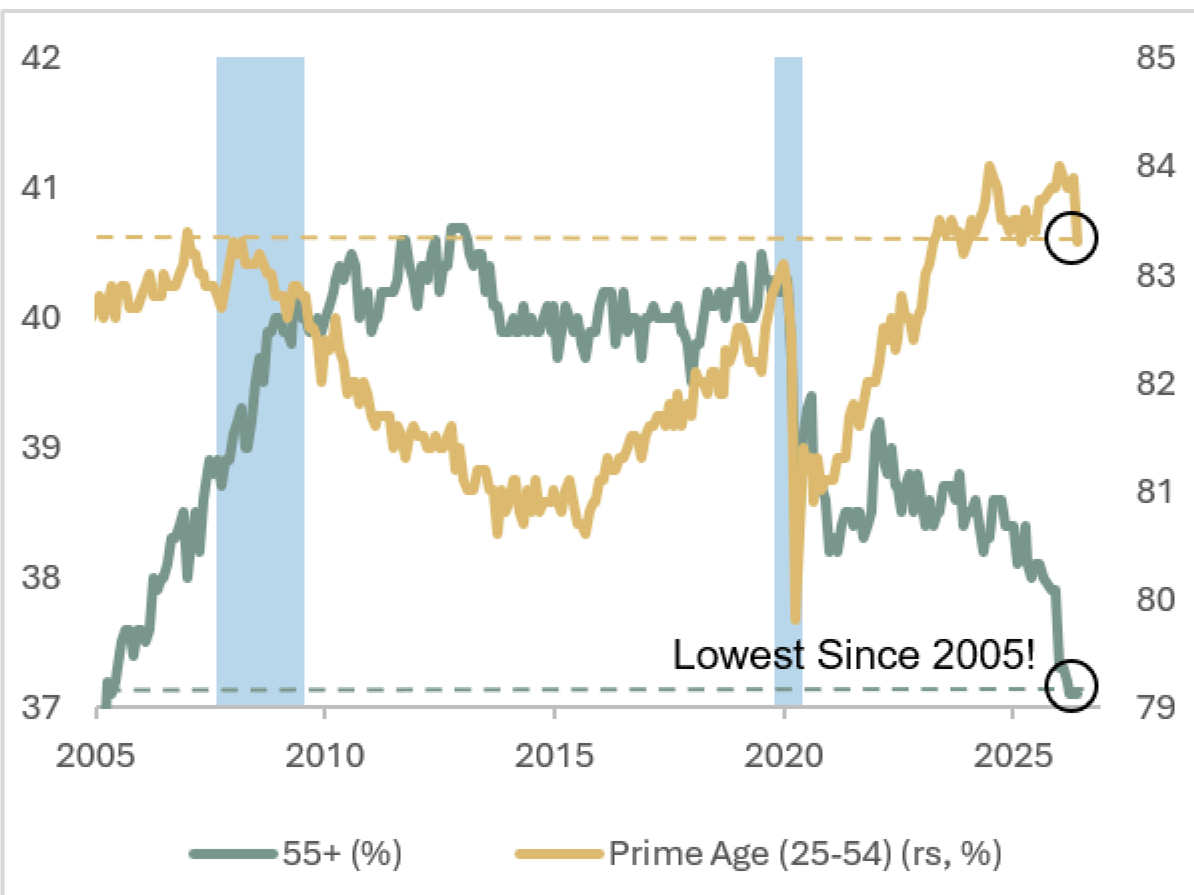
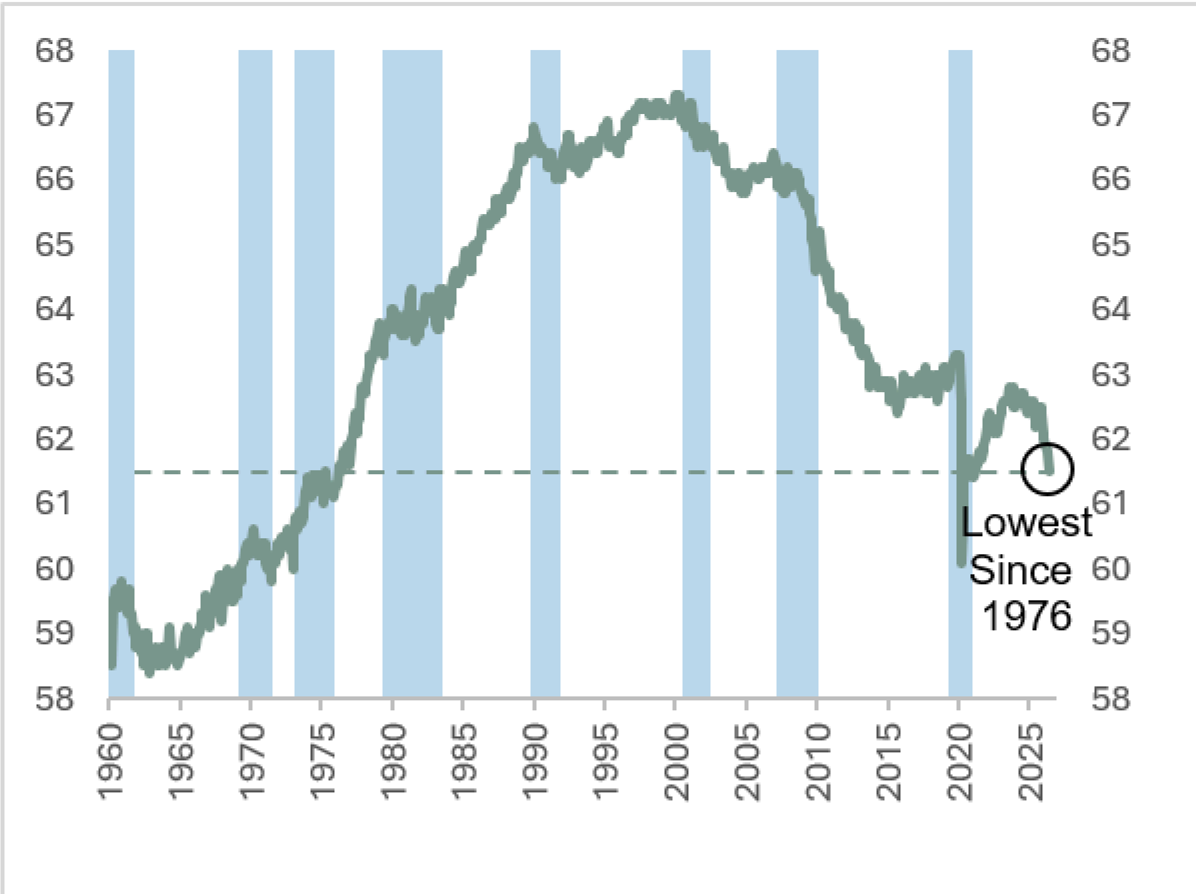
June job growth surprised to the downside, showing just +57k job gains and downward revisions for May. While this level of job growth is uninspiring by historical standards, ***<u>the US' lack of labor supply means that job growth of this magnitude is functionally sufficient in maintaining a tight labor market</u>***, as demonstrated by the *decline* in the unemployment rate to a very low 4.2%. ***<u>The labor force participation rate fell to 61.5% (from 61.8%), the lowest since June 1976</u>***! This was the result of prime age participation (25-54 years) dropping to 83.3% (from 83.9%), but this has been oscillating at an elevated range of 83% to 84% since late 2023. Strength here has been more than offset by ***<u>the 55 and older age cohort, which is facing its lowest participation (37.1%) in 21 years!</u>*** This report does not change underlying economic fundamentals and is unlikely to derail hawkish momentum at the Fed.

Labor Force Participation by Age Cohort...



Source: BLS, Bloomberg, SMBC Nikko

Lowest Labor Force Participation Rate Since 1976...



Source: BLS, Haver, SMBC Nikko

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