Outlook

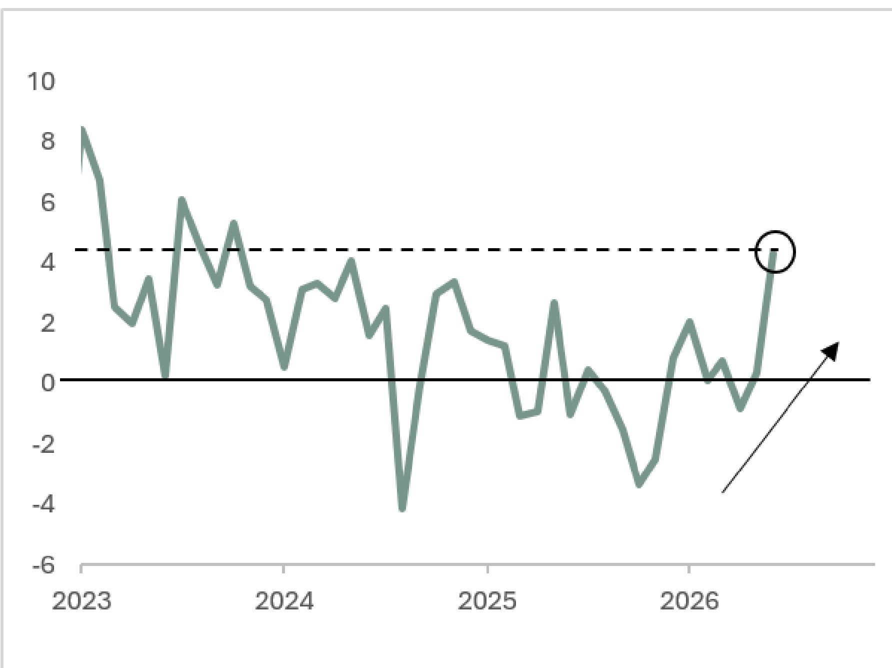
Fed Survey Says...Broadening Labor Market Rebound

From Troy Ludtka <troy.ludtka@smbcnikko-si.com>
Date Tue 6/30/2026 2:52 PM

Yesterday, we discussed how hiring in two key cyclical sectors (construction and manufacturing) is showing signs of reacceleration. ***This pickup, however, is part of a much broader labor market acceleration that has taken place since October 2025***, according to ***our composite Fed Bank employment index*** (shown below). This indicator, which covers the regional Federal Reserve banks' manufacturing and services sector surveys, ***jumped notably in June to the highest reading since October 2023***. Econometrically, strength in this indicator suggests that job market breadth should increase, and unemployment should remain low, thereby allowing the Fed to continue its hawkish drift. For Thursday's report, we are forecasting +125k for headline NFP, +121k for private NFP, and 4.3% unemployment.

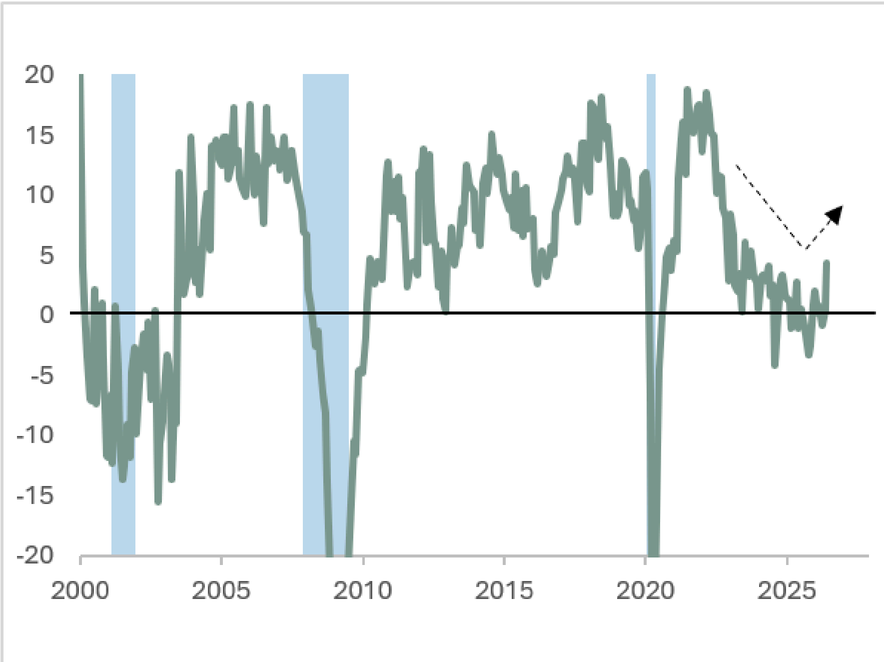
Please let us know if you would like to discuss.

Composite Fed Bank Employment Index...



Source: Federal Reserve Banks of Richmond, Philadelphia, New York, Kansas City, Dallas, BLS, Haver, SMBC Nikko

Longer History (2000 - Present)...



Source: Federal Reserve Banks of Richmond, Philadelphia, New York, Kansas City, Dallas, BLS, Haver, SMBC Nikko

Troy Ludtka
Senior US Economist
SMBC Nikko Securities Americas
277 Park Avenue — New York, NY 10172
Office: 212-224-5483 | Cell: 917-856-2708

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