Signs of Turbulence in the Labor Sector

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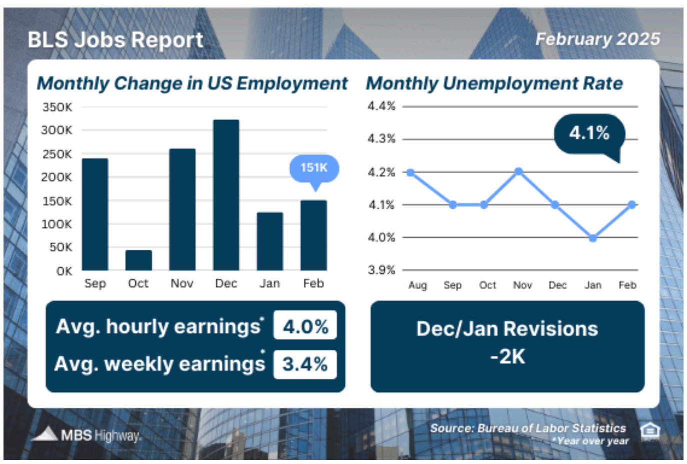
Week of March 3, 2025 in Review

Turbulence is building in the labor market, while recent reports show that homeownership remains a fantastic investment opportunity. Continue reading for these insights and more.

February Jobs Report Reveals Underlying Weakness



The Bureau of Labor Statistics (BLS) reported the addition of 151,000 jobs in February, falling short of forecasts that anticipated 160,000 to 170,000 new positions. Revisions for December and January indicated a slight decrease of 2,000 jobs, while the unemployment rate increased from 4.0% to 4.1%.

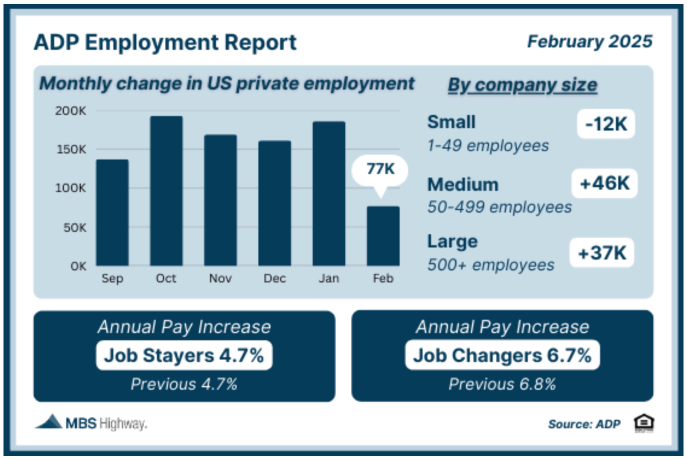
What's the bottom line? Although the headline job figure was a minor miss against expectations, a closer examination of the data reveals underlying weaknesses throughout the report. This divergence is particularly noticeable between the two surveys included in the Jobs Report, which presented contrasting narratives regarding job growth.

The headline job number (+151,000) is derived from the Business Survey, predominantly based on modeling and estimations. In contrast, the Household Survey, viewed as more real-time due to its reliance on direct calls to households, reported a significant loss of 588,000 jobs. The Household Survey also indicated a loss of 1.2 million full-time positions, offset by an increase of 610,000 part-time jobs last month. Notably, the only age group to experience job gains was those aged 16-19.

Additionally, hours worked remained at a 15-year low of 34.1, reflecting cautious measures by businesses to manage costs, often by reducing employee hours.

Overall, these data points suggest a softening labor market. Given the Federal Reserve's dual mandate of price stability and maximum employment, this report may prompt the Fed to consider rate cuts sooner if these trends persist.

Job Growth Declines in Private Sector



In February, private sector job growth fell short of expectations, with only 77,000 new positions created compared to the forecasted 140,000. This marks the lowest increase in job gains since July, attributed to losses in sectors such as trade and transportation, information, healthcare and education, and mining.

Employment among small businesses decreased, reversing January's gains. In contrast, medium-sized businesses (50-499 employees) and large firms (500+ employees) recorded modest growth, adding 46,000 and 37,000 jobs, respectively.

Salary growth remained steady for current employees at 4.7%, while it dipped slightly for those transitioning jobs, falling from 6.8% to 6.7%.

What's the bottom line? Nela Richardson, chief economist at ADP, noted that "policy uncertainty and a slowdown in consumer spending might have led to layoffs or a slowdown in hiring last month." She added that the data, along with other recent indicators, points to a hiring hesitation among employers as they navigate the economic landscape ahead.

Initial Jobless Claims Decrease, Job Cut Announcements Surge

Initial jobless claims declined by 21,000 to 221,000 in the most recent week, falling below expectations. However, continuing jobless claims increased by 42,000 to 1.897 million, nearing a three-year high as they have remained above 1.8 million since last June. This suggests ongoing challenges in the labor market's ability to effectively reintegrate job seekers.

What's the bottom line? While initial unemployment filings have mostly remained muted, the latest report from Challenger, Gray & Christmas recorded a significant spike in job cut announcements. In February, there were 172,017 job cuts announced, a 245% rise from January and the highest monthly total since July 2020. Challenger attributed this surge to factors like DOGE actions, canceled government contracts, trade war concerns, and increased bankruptcies.

The mixed signals in the labor market data – muted initial claims but rising continuing claims and surging job cut announcements – indicate persistent challenges in the employment landscape.

Homeownership Remains a Solid Wealth Building Opportunity

In January, home prices across the nation saw modest increases. According to CoreLogic, there was a 0.04% rise and a 3.3% annual increase, while ICE reported a 0.12% rise and 3% annual growth.

What's the bottom line? CoreLogic anticipates that prices will remain steady in February, with a projected increase of 3.6% over the next year. This aligns with other forecasts predicting approximately 4% appreciation for the year. Such expectations affirm that homeownership is an effective means for Americans to accumulate wealth. For example, a home valued at $600,000 appreciating by 4% in a year would result in a $24,000 gain, illustrating a solid return on investment.

Family Hack of the Week

You don't have to wait until National Chicken Noodle Soup Day on March 13 to enjoy this comforting and delicious recipe from The Food Network, perfect for serving 4 people.

Begin by thinly slicing 1/2 medium onion, 1 small carrot, and 2 celery stalks. Place these in a medium pot with 2 sprigs of thyme, 2 sprigs of flat-leaf parsley, 6 cups of chicken broth, and 1/2 cup of water. Season with salt and pepper to taste, then bring to a simmer over medium-high heat. Cook until the vegetables are nearly tender, about 5 minutes.

Next, add 1/3 pound of wide egg noodles and cook until tender, approximately 5 to 8 minutes. Incorporate 1 1/4 cups of cooked, shredded chicken (from about 1 breast) and heat through. Adjust seasoning as necessary. Serve with your favorite crusty bread.

What to Look for This Week

On Tuesday, the BLS will release data on job openings, followed by key inflation metrics, including the Consumer Price Index on Wednesday and the Producer Price Index on Thursday. Additionally, the latest Jobless Claims figures will be reported on Thursday.

Technical Picture

Mortgage Bonds concluded last week within a narrow band, with support at the 101.39 Fibonacci level and resistance at 101.55. Similarly, the 10-year is trading in a tight range, facing a ceiling at the 4.332% Fibonacci level and a floor at the significant 200-day Moving Average.