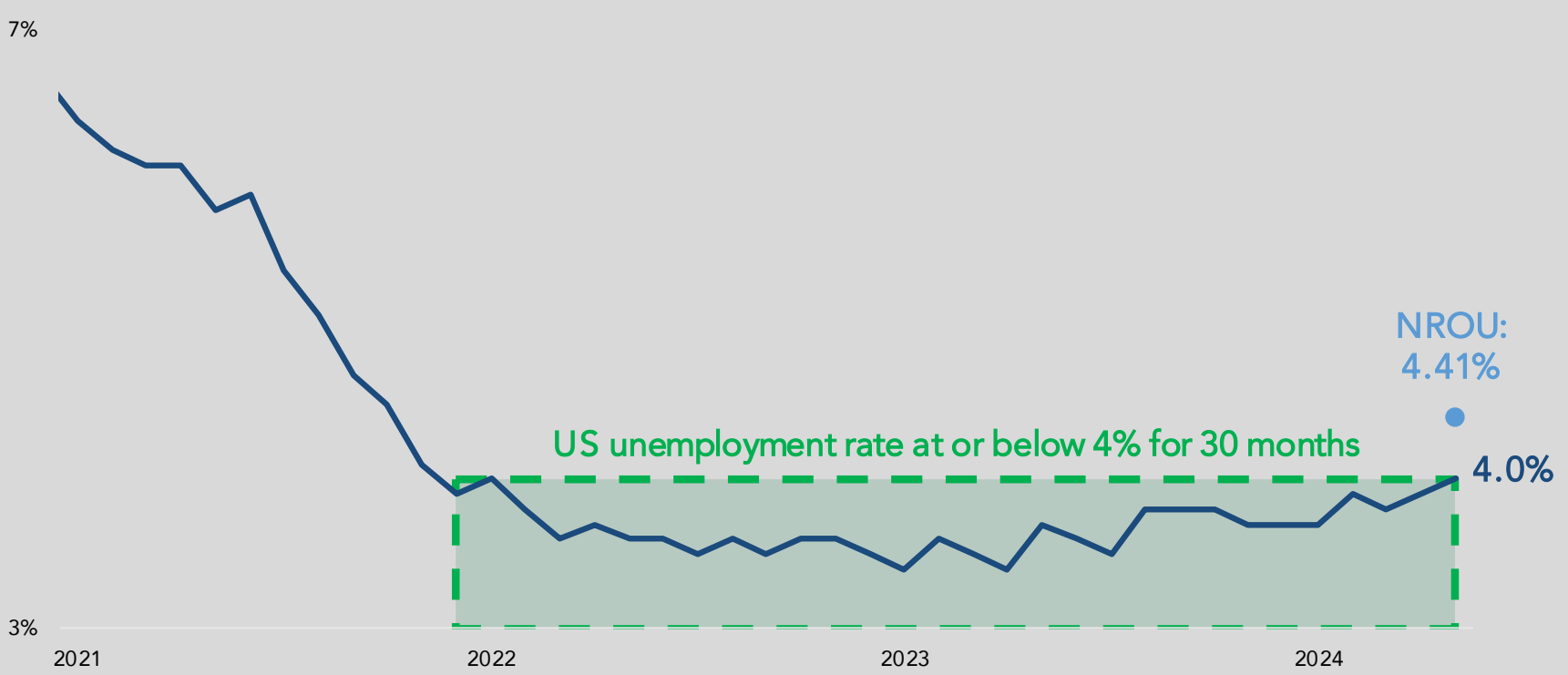


Chart of the Day



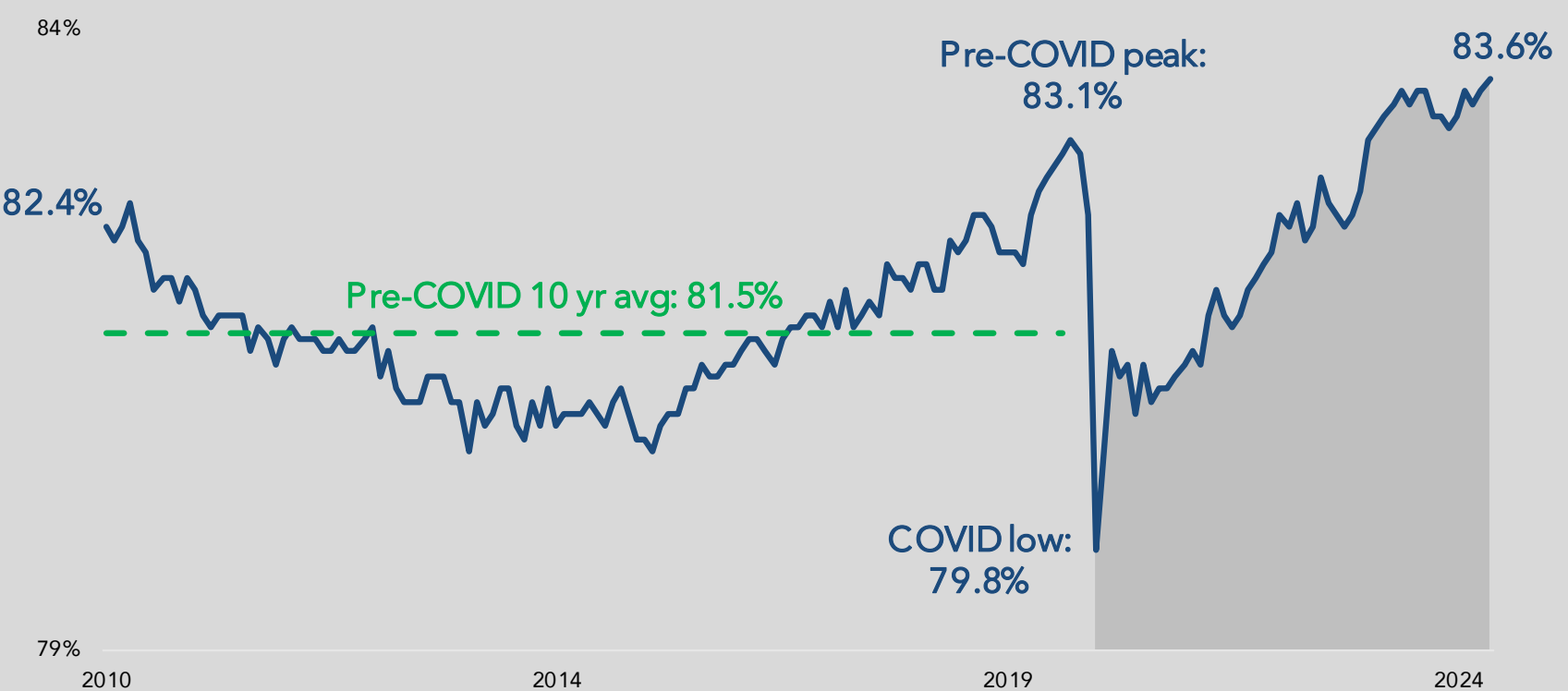
US job growth surged in May, with nonfarm payrolls of +272,000 exceeding **all** projections in a Bloomberg survey of economists. While a closer look under the hood will reveal pockets of weakness (the overall rate rose to 4%), the “soft landing” in US labor markets surely continues. In fact, the US unemployment rate has been at or below 4% for 30 straight months, in the zip code of multi decade lows - this, despite 525 bps of Fed tightening and about \$1 trillion of balance sheet reduction over the last two years. Markets have repriced expectations for Fed easing yet again, pushing back timing of the first full Fed rate cut to December 2024.

US unemployment rate



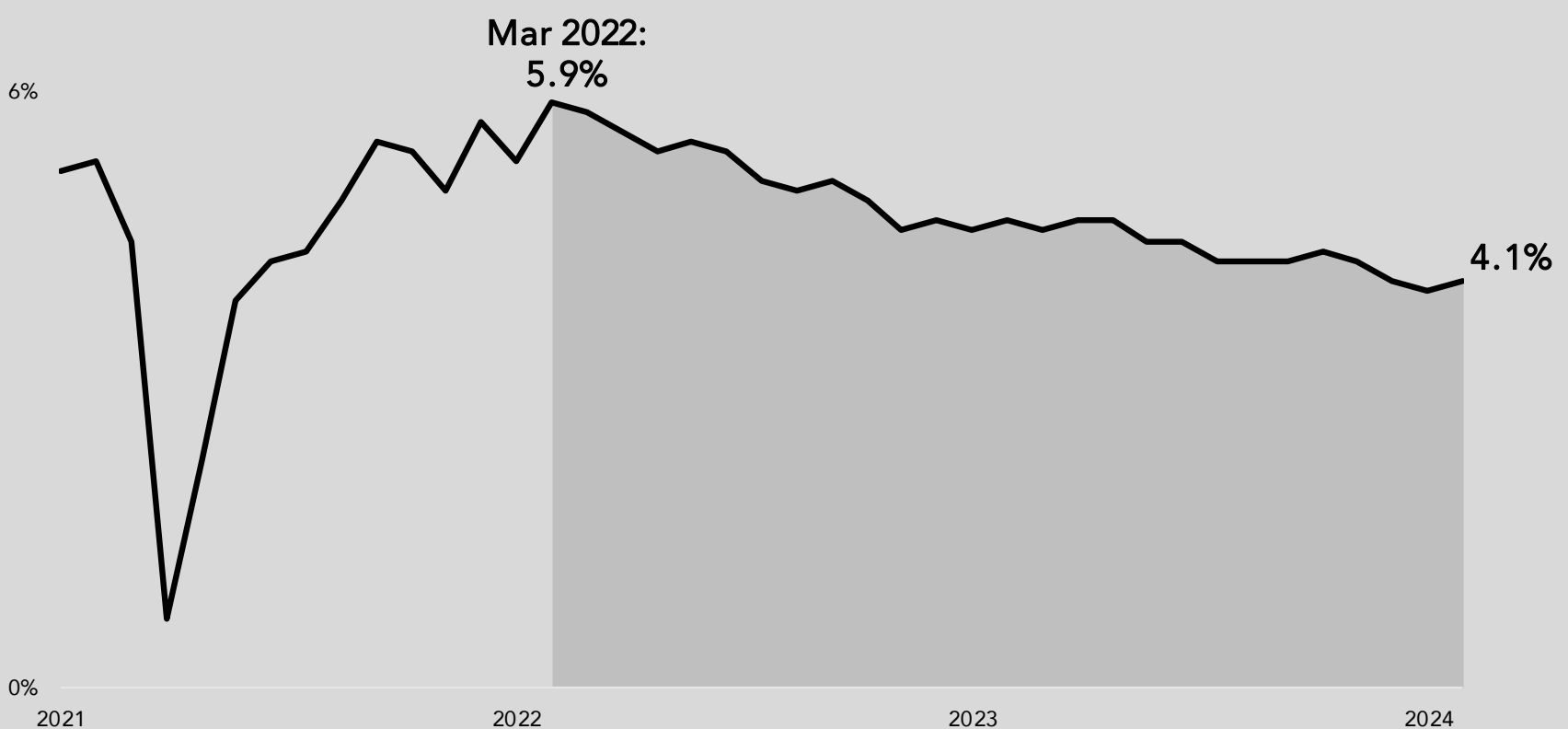
Depending on the survey, the US economy has generated 6-9 million new jobs during this 30 month period that the unemployment rate has held steady at or below 4%. More remarkable, however, especially compared to its advanced economy peer group, has been the ability of the US economy to fill those jobs. As reported by the US Labor Department, among the “prime age” workforce (age 25-54), the seasonally adjusted US labor force participation rate has risen to its highest levels over the last decade (ticking up 0.1% in May to 83.6%), due largely to an increase in immigration in the post COVID period.

US labor force prime age participation rate, age 25-54



As the Fed aggressively tightened policy, and corporates maintained impressive discipline, US wage inflation has declined nearly two percentage points from its peak. Rising immigration also contributed to the softening. While wages remain “sticky” above the economy’s overall inflation rate, and rose to 4.1% y/y in May, we do expect wages to continue their gradual path of easing in the months ahead.

Average hourly earnings, y/y



Source: (1-3) Bloomberg. Data as of June 7, 2024. Labor force participation rate is seasonally adjusted.

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“Macro stability isn’t everything, but without it, you have nothing.”