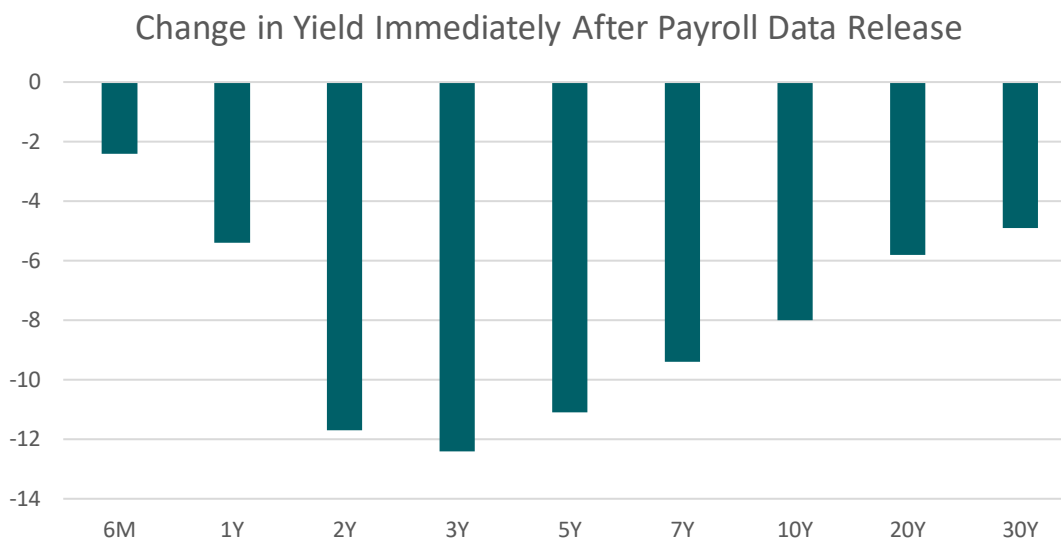


05.03.2024

## Can Bad News Be Good News

Metric	Actual	Estimate
Change in payrolls (MoM)	175,000	240,000
Unemployment rate	3.9%	3.8%
Average hourly earnings (MoM)	0.20%	0.30%



- This morning's (05/03) non-farm payroll data release was weaker than expected with 175K jobs added – the slowest gain in six months. The report also showed a rise in the unemployment rate and slower wage gains.
- Markets viewed the slowdown in the labor market as an indication that the wage inflationary pressures may be easing, which increases the chances that the Federal Reserve will be able to start to cut its policy rate this year.
- Investors reacted positively to the data with Treasury yields falling across maturities (yields down/price up). The yield on the 'policy-sensitive' 2-year Treasury fell by nearly 12 basis points (bps) as investors moved forward the potential timing of the first rate cut to September.
- At his press conference this week, Fed Chair Jay Powell noted that the Fed was focused on both employment and inflation, hinting that the Fed may cut rates if it began to see weaker labor markets even if inflation was still *moderately* above target.

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