Weekly Commentary

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Labor report screams 'Mayday' but it is not that bad

The labor market has been so tight for years that any deviation is big news. So the Bureau of Labor Statistics' announcement that only 75,000 new jobs were added to the economy in May, it definitely caused a stir. But one month is not a trend, even though the BLS revised the last two months lower. The decrease could be a sign that the trade war with China is weighing on U.S. businesses, that the U.S. economy is slowing, that there is less slack in the labor market or that labor productivity is increasing. Or it could be a combination of all of these, and more. Bottom line, we will need a few more weeks, if not months, to know for sure.

In the meantime, the focus shifts to the Federal Reserve, whose next policy meeting is next week. Last week had many speeches by Fed policymakers, with the overall tenor being they will still be patient, although the market is expecting a cut in the federal funds rate sometime this year. Again, we will have to see more.

London interbank offered rates (Libor) ended the week at 2.41%, 2.45% and 2.37%, respectively.

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