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# Macro Alert
# The Jobs Data Trend Is Duration's Friend


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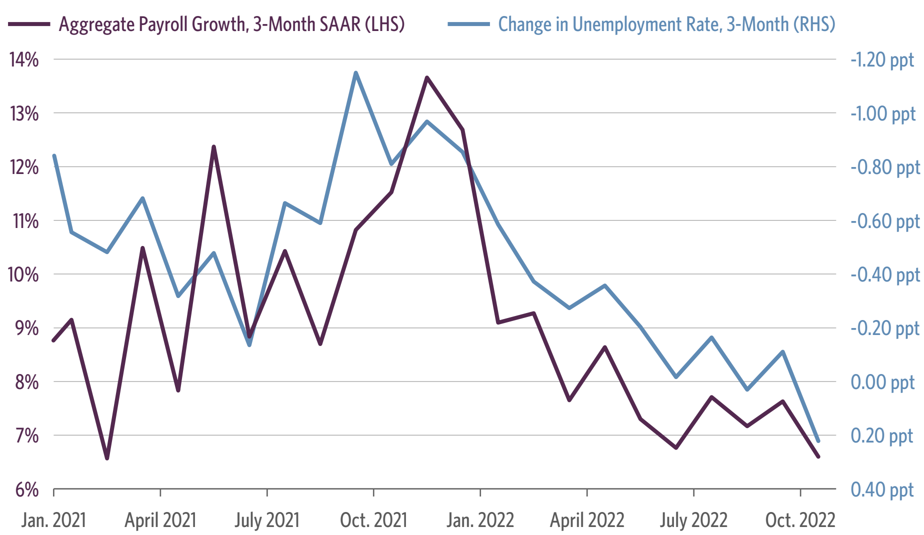
The U.S. labor market has been such a juggernaut that no one should expect that monetary policy tightening would make it just fall off a cliff. More likely, we would see change at the margin in the trajectory of jobs growth. The key takeaway from the October jobs report is that this change is occurring. The pace of labor market improvement continues to cool, with the rate of aggregate payroll gains (jobs x hours x wages) continuing to slow and the unemployment rate ticking up over the last several months. This suggests that we are getting closer to the labor market weakness the Federal Reserve (Fed) is aiming for, and should be good news for long duration assets as well as risk appetite.

**The Pace of Labor Market Gains Continues to Cool**

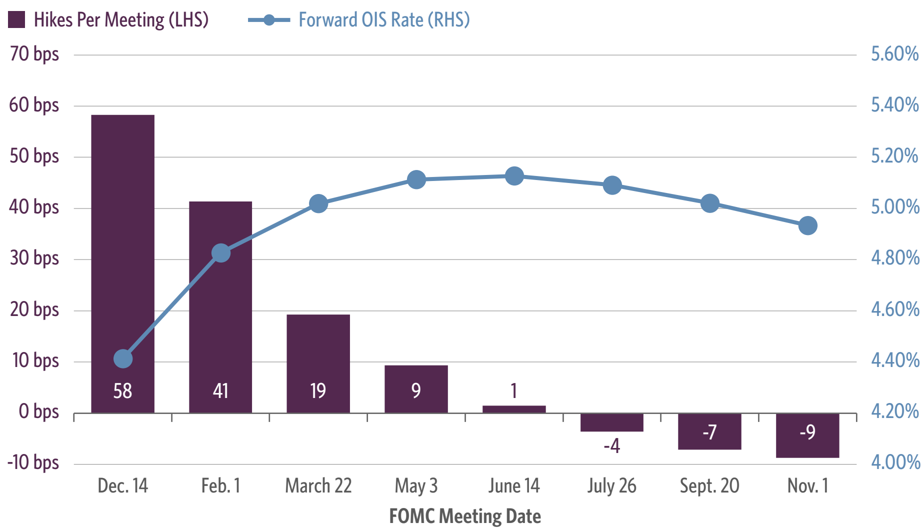



Source: Guggenheim Investments, Haver Analytics, BLS. Data as of 10.31.2022.

Job gains came in at 261,000, slightly above market expectations of 193,000 but lower than the upwardly revised September figure of 315,000. The unemployment rate rose by 0.2 percentage point to 3.7 percent despite a slight tick down in the participation rate. As we said in our last Macro Alert, "Weaker Payrolls Will Reward Pent-Up Demand for a Fed Pivot," the combination of lower expectations surveys, anecdotal evidence from the Beige Book, and technical seasonal disparities means this cooling trend in the jobs market is likely to continue.

Based on these data, a step down in the pace of tightening to 50 basis points in December still looks likely. The market is currently pricing in 58 basis points for the December Federal Open Market Committee (FOMC) meeting, and a terminal effective fed funds rate of 5.13 percent in May/June 2023. It remains to be seen whether that turns out to be correct, but all eyes turn to the Consumer Price Index release on Nov. 10 for further confirmatory evidence that the effects of "cumulative tightening" support a downshift in the pace of Fed tightening.

### Rate Hikes Priced In by FOMC Meeting




Source: Guggenheim Investments, Bloomberg. Data as of 11.4.2022.