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Institute Daily Insights

Equity market unfazed by weaker jobs

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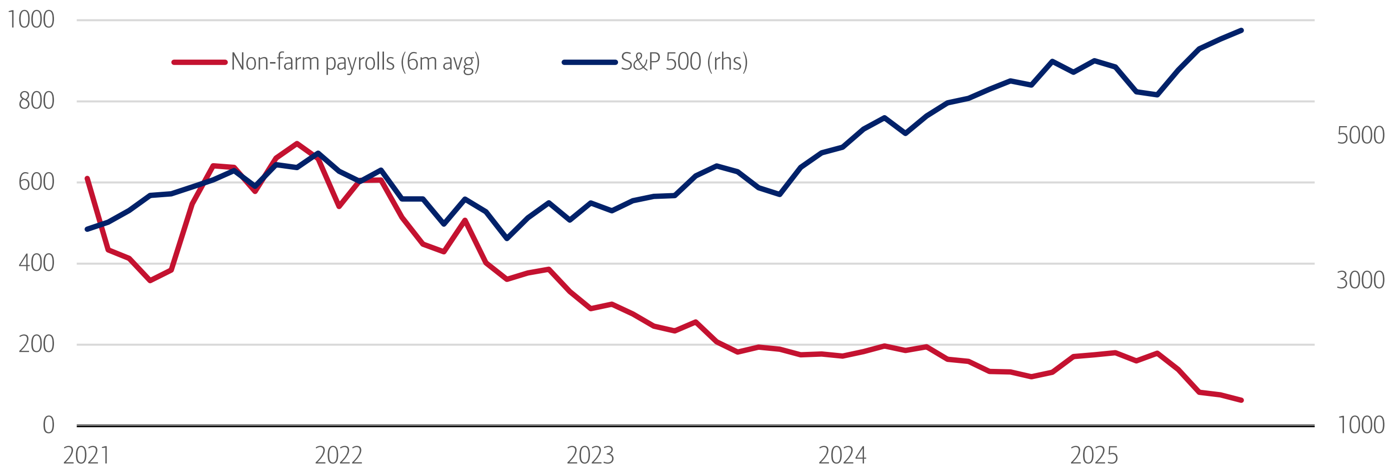
Job growth is fading while the S&P 500 surges to record highs
Non-farm payrolls (6-month average, left-hand side (lhs)) and S&P 500 (right-hand side (rhs))



Source: BofA Global Research, Bloomberg

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Given a soft August non-farm payrolls report – with non-farm payrolls 6-month average measuring slightly above 63k – there is little doubt the labor market has cooled significantly. However, the equity market seems unfazed.

Why? For one, expectations of forthcoming cuts by the Federal Reserve intensify pressure to move out of cash, and households hold $19 trillion more in cash than the pre-pandemic trend. For another, the AI-bandwagon keeps rolling, with data center investment booming and signs that productivity per worker is rising amongst large companies.

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