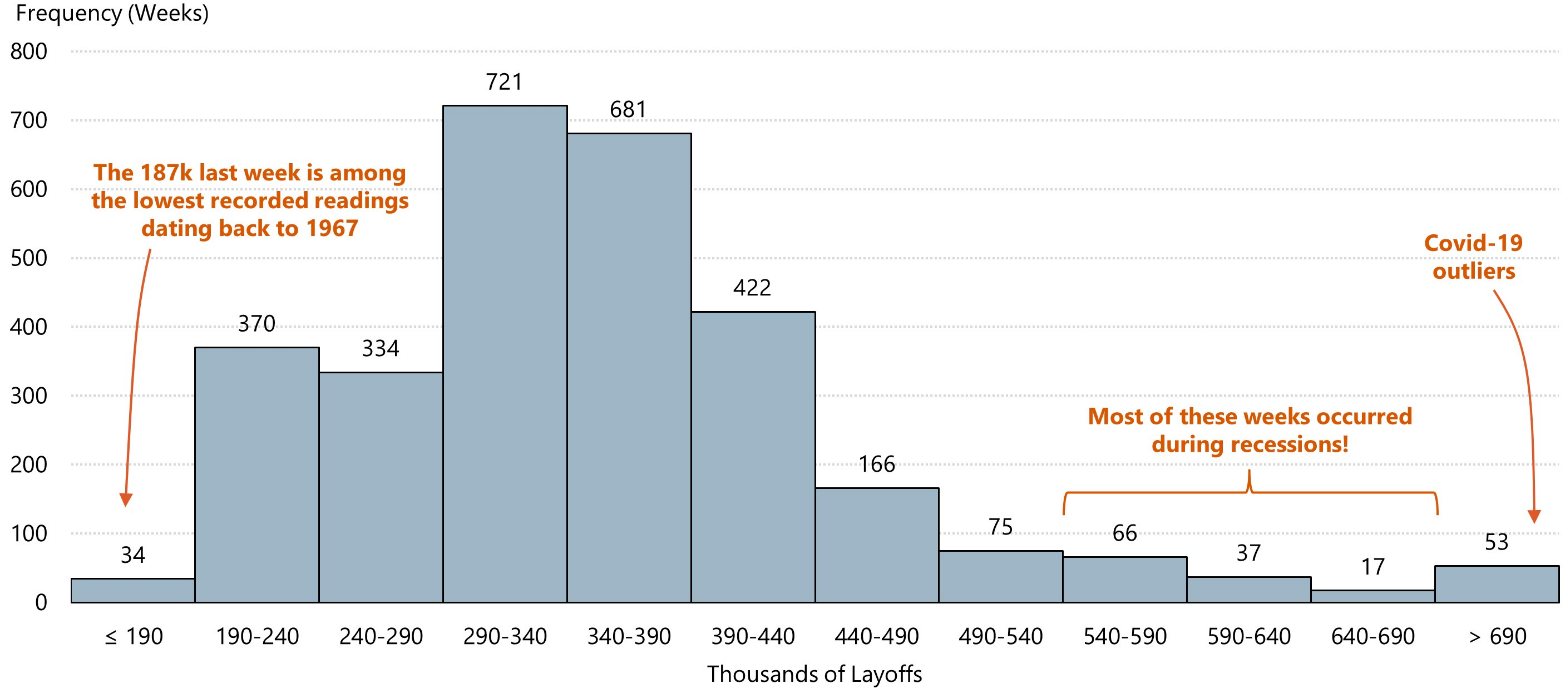
Differing Claims

Weekly U.S. Initial Jobless Claims* Since 1967

For The Week Ending 01/19/2024



Source: U.S. Department of Labor

**tracks the weekly initial filings for unemployment benefits, the best proxy for layoff activity, first available in 1967*

Fed Board Governor Chris Waller stepped up to the podium this week and said there is "no reason to cut [rates] as rapidly as in the past" and that the timing will be "driven by incoming data." Well, incoming data shows the economy running at a healthy clip. December “core” retail sales, excluding food services, auto, gas, and building materials, rose by 0.8% over the month, the highest monthly increase since July. In addition, initial claims for unemployment insurance, a weekly proxy of "layoffs," plunged to just 187,000, the lowest reading since 2022. Further, 187,000 claims equal just 0.11% of the labor force—the second-lowest reading *ever*. Still, some investors remain skeptical, citing recent tech and banking sector layoffs as worrying signs. However, even with the layoffs reported, aggregate unemployment claims remain very low through the week ending January 13. So, is it reasonable to price in five 25-basis points rate cuts by year-end with near-record low layoffs? In our view, it is a more realistic possibility than the seven cuts priced in as of last week, but five still seems aggressive.

© 2024 Payden & Rygel All rights reserved. This material reflects the firm’s current opinion and is subject to change without notice. Sources for the material contained herein are deemed reliable but cannot be guaranteed.