

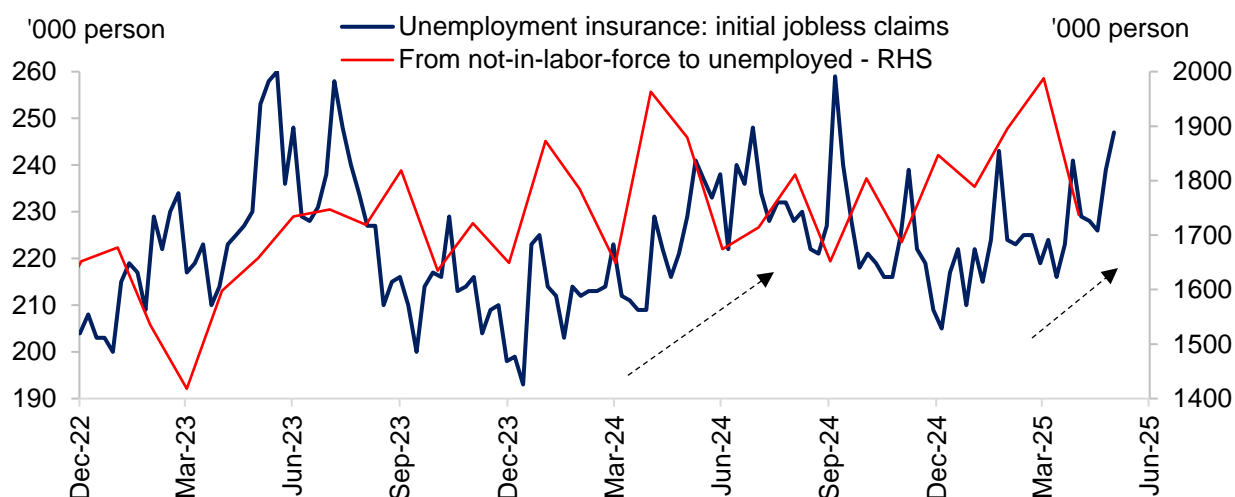


Mr. Sreejith Balasubramanian
Economist | Bandhan AMC
Fixed Income Fund Management

MACRO SHOTS

Edition: 08

US Labor Market: Moderation Under the Hood



US labor market data has continued to belie expectations of a meaningful slowdown driven by fading economic exceptionalism, immigration and tariff policies. Non-Farm Payroll (NFP) addition was again above consensus, in May, albeit marginally. However, there are growing signs the labor market is gradually weakening, under the buoyant hood of healthy payroll and a steady unemployment rate.

- 1) *Rising trend in unemployment insurance claims* - Initial claims have been rising since January, despite weekly data volatility, and continued claims have inched up more recently.
- 2) *Multiple downward revisions to previous NFP additions* - April data was revised down by 30,000 and March by 108,000. Total addition from January to April 2025 has been revised down by 219,000 so far.
- 3) *Narrower incremental job gains* - 61% of the jobs added in January-May were in Education & Health Services, vs. 43% in the previous five months. Government job additions are negligible since February. Moderating overall job additions are thus becoming less broad-based across sectors.
- 4) *Flow from 'Not in labor force' to 'unemployed' moving up* - This indicates more people are looking for work, which is typical of a moderating labor market.

- 5) *Flow from 'employed' to 'not in labor force' picked up sharply by 1mn in May* - This is likely because of the recent measures on immigration control. If this trend continues, unavailability of labor (who are also part of total demand) can lead to lower output. The employment-population ratio has also moderated, from 60.1% in January, to 59.7% in May. This bears watching.
- 6) *The Quarterly Census of Employment and Wages (QCEW) suggests fewer jobs added and the gap with NFP is rising* - This is because QCEW uses unemployment insurance data, which is more accurate, while the NFP overestimates due to the adjustment it makes to jobs added/lost from opening/closing firms. So, NFP will very likely be revised down, when the annual benchmarking to QCEW is done.

Why does this matter?

We believe the direct and indirect impact of US fiscal policies (tariffs, immigration, etc.) on growth will eventually lower US treasury bond yields and cause the USD to drag further. Expectation of rate cuts by the Fed could rise if hard data deteriorates. In this context, the labor market needs to be watched closely.

Source for the chart: CEIC, Bandhan MF Research.

Disclaimer:

MUTUAL FUND INVESTMENTS ARE SUBJECT TO MARKET RISKS, READ ALL SCHEME RELATED DOCUMENTS CAREFULLY.

The Disclosures of opinions/in house views/strategy incorporated herein is provided solely to enhance the transparency about the investment strategy / theme of the Scheme and should not be treated as endorsement of the views / opinions or as an investment advice. This document should not be construed as a research report or a recommendation to buy or sell any security. This document has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of Bandhan Mutual Fund. The information/ views / opinions provided is for informative purpose only and may have ceased to be current by the time it may reach the recipient, which should be taken into account before interpreting this document. The recipient should note and understand that the information provided above may not contain all the material aspects relevant for making an investment decision and the security, if any, may or may not continue to form part of the scheme's portfolio in future. Investors are advised to consult their own investment advisor before making any investment decision in light of their risk appetite, investment goals and horizon. The decision of the Investment Manager may not always be profitable; as such decisions are based on the prevailing market conditions and the understanding of the Investment Manager. Actual market movements may vary from the anticipated trends. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alterations to this statement/document as may be required from time to time. Neither Bandhan Mutual Fund / Bandhan Mutual Fund Trustee Limited / Bandhan AMC Limited, its Directors or representatives shall be liable for any damages whether direct or indirect, incidental, punitive special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. Past performance may or may not be sustained in future.