

Economic highlights from the week ending on August 6, 2021

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Economic data released this week was solid, highlighted by this morning's above consensus non-farm payrolls report, which came in at 943,000 compared to the Bloomberg consensus estimate of 870,000. The employment picture is holding its own despite concerns over the coronavirus delta variant, with the three-month moving average on payrolls increased to a robust 832,000, a lower unemployment rate of 5.4%, annualized average hourly earnings up by 4%, and the labor force participation rate increasing by a tenth to 61.7%. Earlier in the week both the ISM Manufacturing and ISM Services Indices were released, with the former coming in at 59.5, a modest slowdown from the prior month, and the latter surprising to the upside, coming in at 64.1 compared to the prior months 60.1 reading. Both ISM metrics remain comfortably in expansion territory and remain consistent with the domestic economic reopening theme despite the delta variant headwinds.



Market dynamics remain fluid as supportive monetary and fiscal policy continue to provide a catalyst for the economic recovery. The Chandler team maintains the view the Federal Reserve will remain patient in adjusting policy, with an official announcement on the tapering of security purchases later in the year and the Fed Funds rate remaining at the zero lower bound throughout fiscal 2022, and unlikely to adjust higher until the tapering process is complete. Despite the strong data this week, we think concerns over the delta variant will keep the core of the Federal Reserve dovish for the foreseeable future. Additionally, we do not expect any material surprises at the upcoming Federal Reserve Jackson Hole retreat in late August. As market participants gain more visibility on the outlook, we anticipate the steepening bias in the US Treasury curve will reassert itself and look for the longer maturity interest rates to move higher as the year progresses. We continue to hold the view the Federal Reserve will adhere to its 'outcome based' policy objective, as opposed to 'forecast based', which will allow the economy to run hotter than prior cycles before the Federal Funds rate is adjusted higher.



Next Week

Next week: Productivity & Costs, CPI, PPI, Import & Export Prices, Consumer Sentiment

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