

**J E R E M Y**  
**S I E G E L**  
**• c o m**

## Great Labor Market; Fed on Hold; Eyes on Trump

Friday, 9:10 a.m. EST

A bang-up employment report ... best by almost all metrics. Not only was payroll growth stronger than expected, but private employment beat expectations by 63k, yet, the unemployment rate rose by one tenth to 4.8% because of a welcome rise of two tenths in the participation rate.

To add frosting to the cake, the average hourly earnings was up only one tenth of a percent on top of a two tenths downward revision in December wages, putting year-over-year wages up a much more modest 2.5%, down from 2.9% the previous month. In fact all the wage data has been coming in lower than expected, with the ECI (Employment Cost Index) coming in below expectations and with the upward revisions in productivity growth announced yesterday, the growth in unit labor costs have also decelerated.

Bottom line is that there is absolutely no reason for the Fed to raise rates at this point and March is most certainly a “pass.” Although there are still 4 months to June, a June increase is not a slam dunk, although I still rate June as a “likely” increase. As I have indicated for some time, the best world for the markets is that job increases are met with a rising participation rate. To be sure, one month does not make a trend, but the steady downward movement in participation rate that began before the turn of the millennium has stabilized in the last 3 years. This enables greater jobs to be created without stressing the labor market. If the participation rate reverts to trend, only 60k to 80k jobs can be created each month, not three times that number. A rise in the participation rate also keeps wage increases moderate, a big factor impacting the Fed’s decision making. This report confirms that the Fed’s statement this week that indicated no urgency in raising rates is totally justified.

Today’s reports gives the equity market more time to digest the Trump administration moves without also worrying about the Fed breathing down their back. And some recent Trumps moves have not been all that comforting. If he goes no further than the current rules for restricting the entry of foreigners, that will be most welcome. Those on special visas and green cards can still get into this country. If the list of foreigners who are restricted grows, expect a negative reaction from the stock market. The threats of slapping on tariffs on Mexico to “pay for the wall” are also not viewed favorably on the Street. Also, we do not want to push countries into retaliating with their own tariffs and moving closer to China, who will be willing to exploit US protectionism.

---

© 2017. www.JeremySiegel.com. All Rights Reserved.

This email from Jeremysiegel.com contains proprietary information. You have agreed that you will not transmit the contents in whole or in part in any form to any other person, firm, or organization without expressed written permission from JeremySiegel.com. Prohibited transmissions include, but are not limited to, fax, photocopy, or any form of electronic transmission. If you wish to discuss, reproduce, or send parts of this email to clients or friends, you must cite the source of the material (e.g., from May 19, 2010 Weekly Commentary found on Jeremysiegel.com) and contact the provider of this email at [Help@JeremySiegel.com](mailto:Help@JeremySiegel.com).