

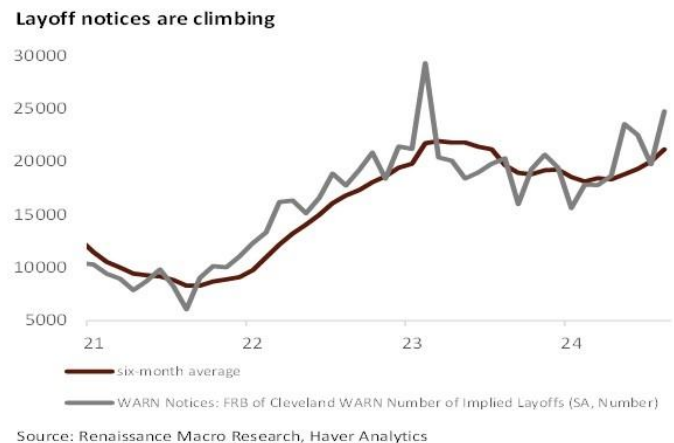
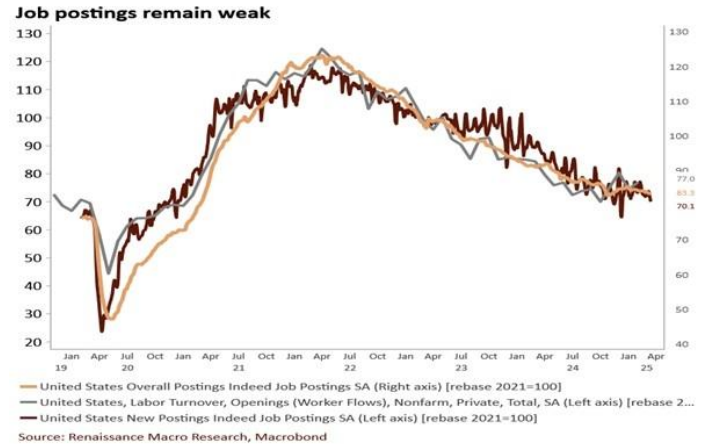
# Monday Monetary Thoughts

Labor markets slowing

Neil Dutta

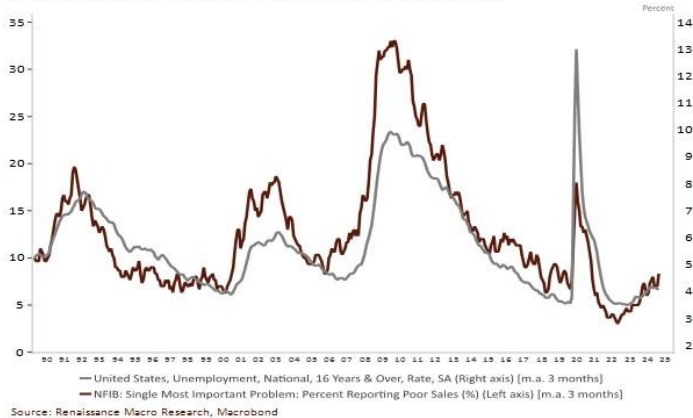
The US labor market continues to deteriorate with conditions worsening at the margin. Several indicators stand out to us. Let's review them.

- **Weekly job postings continue to trend down.** According to data from Indeed, overall job postings stand at their lowest level since last fall with new job postings at their lowest level this year. This is a sign that excess labor demand is declining.
- **Layoffs are picking up.** Continuing unemployment claims continue to rise roughly five percent against last year. It is possible faulty seasonal adjustments are making the increase in claims look like a oneoff event as opposed to a more persistent increase. WARN notifications and layoff announcements have been rising lately.



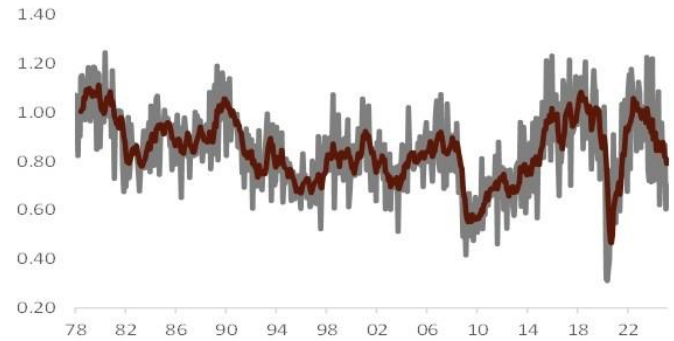
- **Quits are cooling.** A measure of quits using the Current Population Survey (CPS) developed by [economists at the Minneapolis Fed](#) shows a notable decline in the quits rate. This is notable because the economists find that quits “add the most information forecasting the unemployment rate in the medium run, two quarters ahead.”

**Poor sales concerns rise, hinting at unemployment trends**



**Quits Collapse**

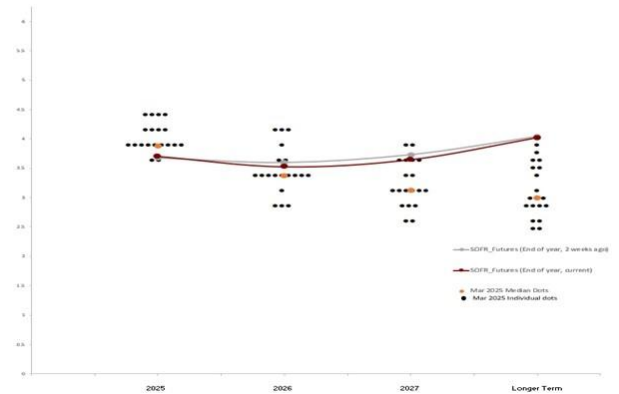
CPS Quit Rate, Prime-Age Population



Source: Renaissance Macro Research, Haver Analytics

- Small firms, where optimism has generally been strong following the election, are increasingly likely to list “poor sales” as their single-biggest problem. This is an issue because historically when firms complain about poor sales, the unemployment rate is going up.

In short, there are reasons to expect the unemployment rate to pick up in the coming quarters. The Fed sees the unemployment rate climbing by roughly one-tenth of a percentage point per quarter over the year. That’s about what we saw in each of the last two years. I’m not sure that’s the benchmark we ought to be using.



The diagram illustrates the ideological positions of candidates on a political spectrum from Hawkish (left) to Dovish (right). The candidates are categorized by their potential roles: Governors and Regional Fed Presidents.

**Governors:**

- Hawkish side:** Bowman, Waller.
- Center:** Powell (highlighted), Barr.
- Dovish side:** Jefferson, Kugler, Cook.

**Regional Fed Presidents:**

- 2025 Voters:** Schmid, Musalem, Collins, Goolsbee.
- 2026 Voters:** Kashkari, Hammack, Logan, Harker.
- 2027 Voters:** Bostic, Barkin, Daly, Goolsbee.

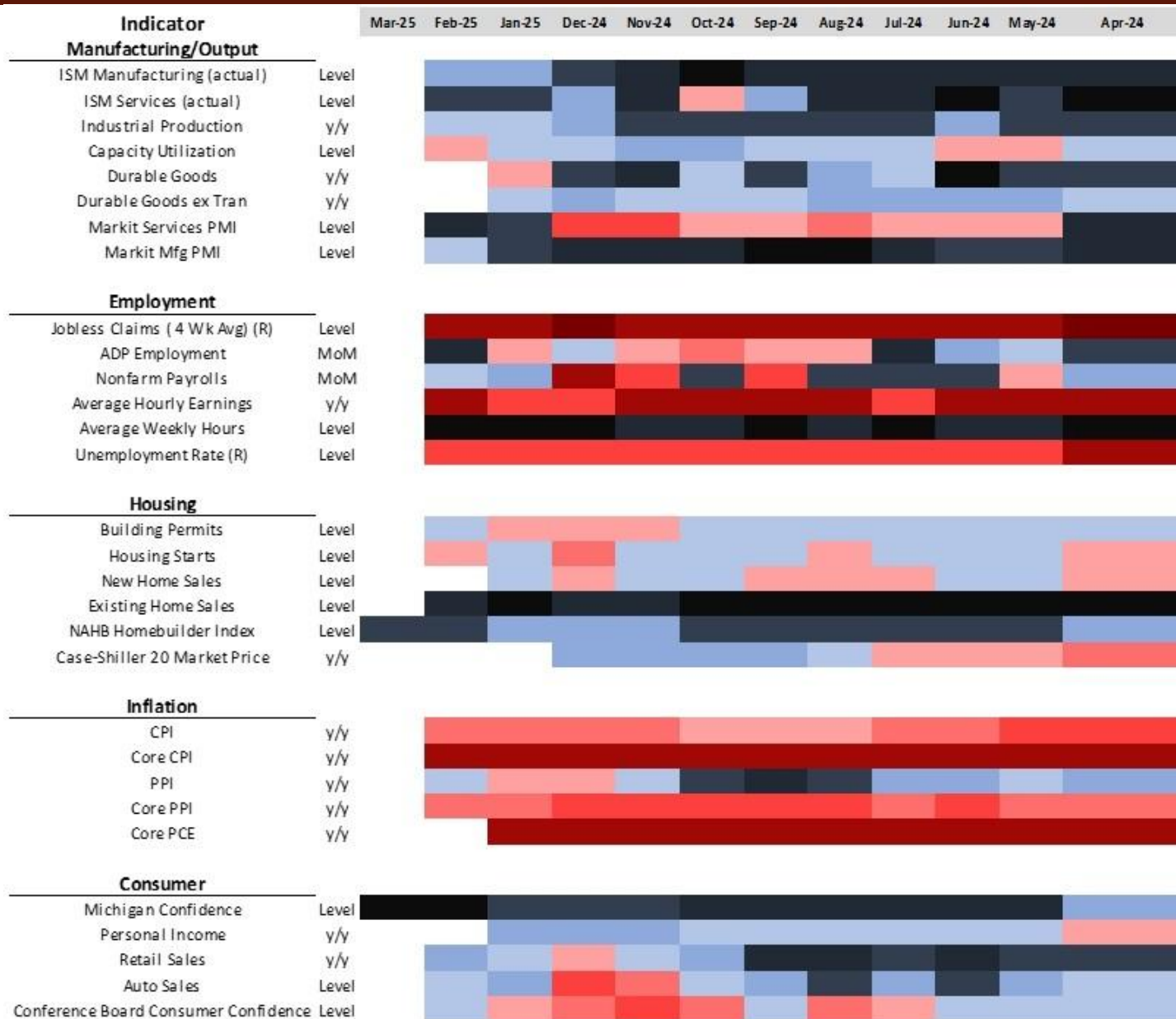
**Other:** Williams\* is positioned on the Dovish side, between Kugler and Cook.

3



| FOMC Forecasts               | Median |      |      |            | Central Tendency |         |         |            |
|------------------------------|--------|------|------|------------|------------------|---------|---------|------------|
|                              | 2025   | 2026 | 2027 | Longer run | 2025             | 2026    | 2027    | Longer run |
| <b>Change in real GDP</b>    | 1.7    | 1.8  | 1.8  | 1.8        | 1.5-1.9          | 1.6-1.9 | 1.6-2.0 | 1.7-2.0    |
| December projection          | 2.1    | 2    | 1.9  | 1.8        | 1.8-2.2          | 1.9-2.1 | 1.8-2.0 | 1.7-2.0    |
| <b>Unemployment rate</b>     | 4.4    | 4.3  | 4.3  | 4.2        | 4.3-4.4          | 4.2-4.5 | 4.1-4.4 | 3.9-4.3    |
| December projection          | 4.3    | 4.3  | 4.3  | 4.2        | 4.2-4.5          | 4.1-4.4 | 4.0-4.4 | 3.9-4.3    |
| <b>PCE inflation</b>         | 2.7    | 2.2  | 2.0  | 2.0        | 2.6-2.9          | 2.1-2.3 | 2.0-2.1 | 2.0        |
| December projection          | 2.5    | 2.1  | 2.0  | 2.0        | 2.3-2.6          | 2.0-2.2 | 2.0     | 2.0        |
| <b>Core PCE inflation</b>    | 2.8    | 2.2  | 2.0  |            | 2.7-3.0          | 2.1-2.4 | 2.0-2.1 |            |
| December projection          | 2.5    | 2.2  | 2.0  |            | 2.5-2.7          | 2.0-2.3 | 2.0     |            |
| <b>Projected policy path</b> |        |      |      |            |                  |         |         |            |
| <b>Fed funds rate</b>        | 3.9    | 3.4  | 3.1  | 3.0        | 3.9-4.4          | 3.1-3.9 | 2.9-3.6 | 2.6-3.6    |
| December projection          | 3.9    | 3.4  | 3.1  | 3.0        | 3.6-4.1          | 3.1-3.6 | 2.9-3.6 | 2.8-3.6    |

## High frequency data heat-map



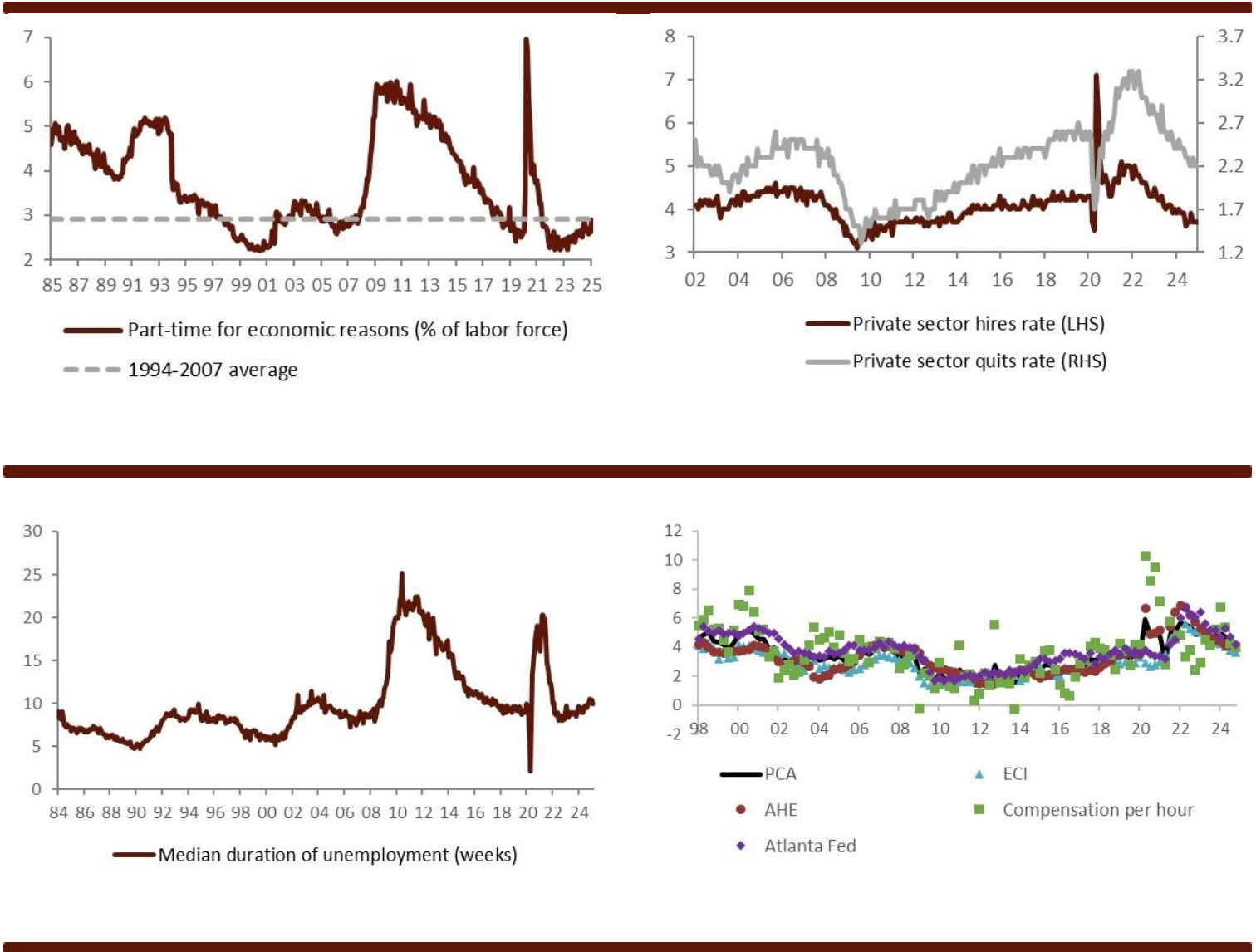
### Notes

#### R - Reverse Formatting

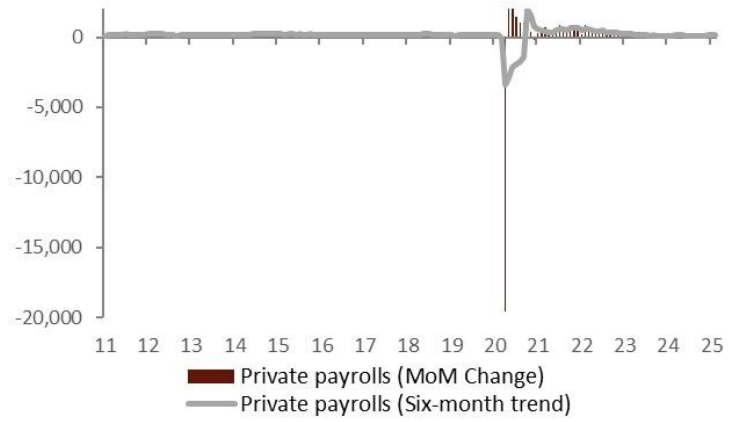
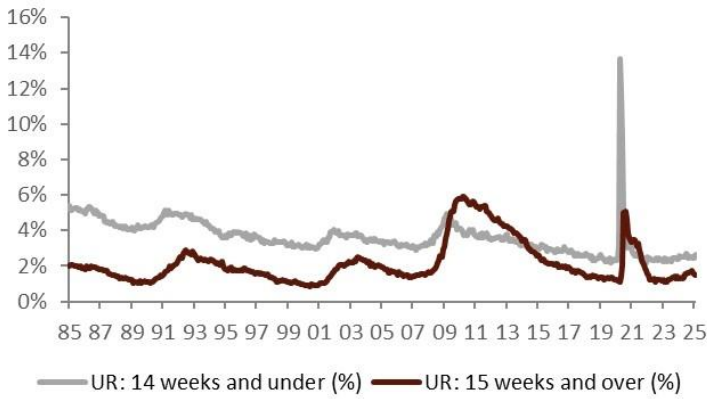
Deciles are based on expanding window since 2001



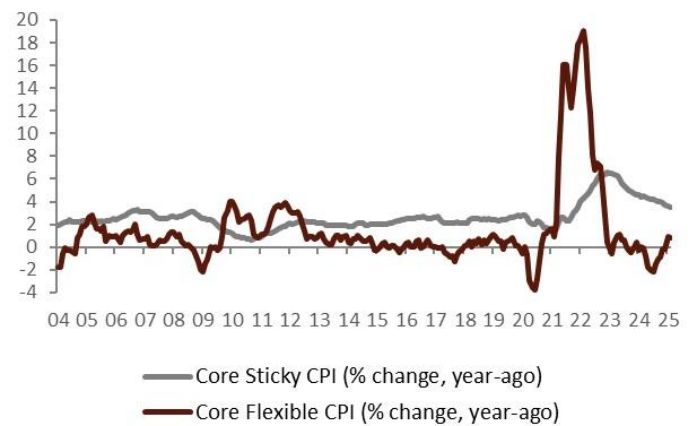
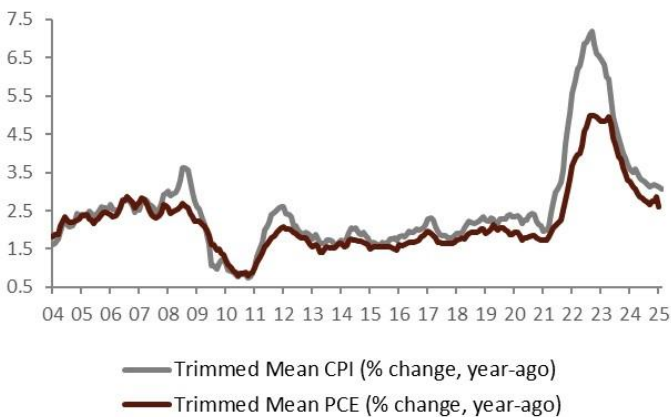
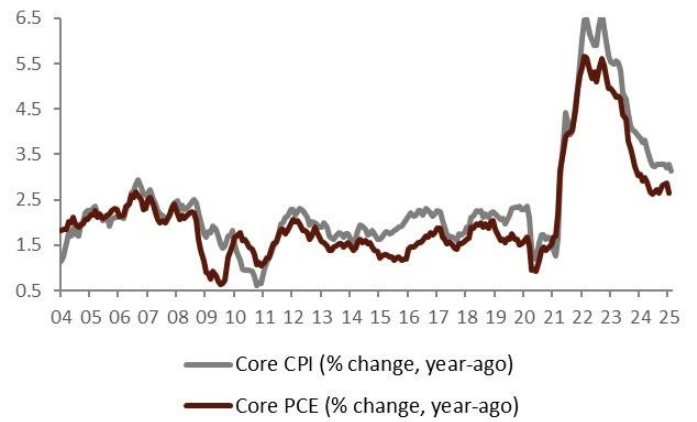
**Labor market indicators**

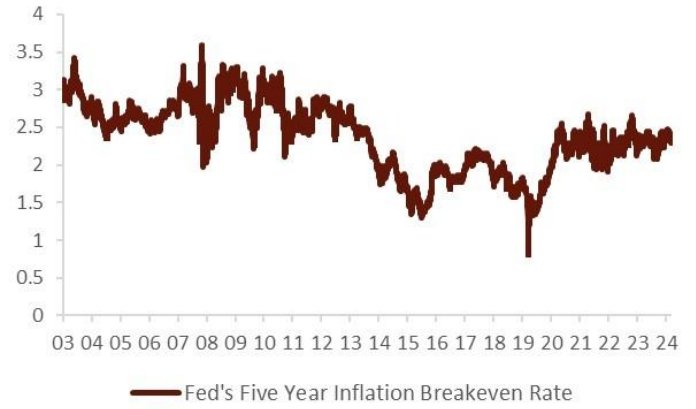
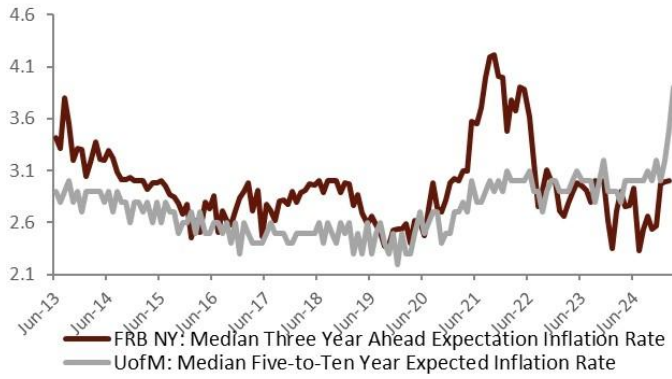






## Inflation indicators







**DISCLAIMER:** This document has been prepared by Renaissance Macro Securities LLC, a subsidiary of Renaissance Macro Holdings, LLC. This document is for distribution only as may be permitted by law. It is published solely for information purposes; it is not an advertisement nor is it a solicitation or an offer to buy or sell any financial instruments or to participate in any particular trading strategy. No representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of the information contained in this document. The information is not intended to be a complete statement or summary of the markets, economy or other developments referred to in the document. Any opinions expressed in this document may change without notice. Any statements contained in this report attributed to a third party represent RenMac's interpretation of the data, information and/or opinions provided by that third party either publicly or through a subscription service, and such use and interpretation have not been reviewed by the third party. Nothing in this document constitutes a representation that any investment strategy or recommendation is suitable or appropriate to an investor's individual circumstances or otherwise constitutes a personal recommendation. Investments involve risks, and investors should exercise prudence and their own judgment in making their investment decisions. The value of any investment may decline due to factors affecting the securities markets generally or particular industries. Past performance is not indicative of future results. Neither RenMac nor any of its directors, employees or agents accept any liability for any loss (including investment loss) or damage arising out of the use of all or any of the information. Any information stated in this document is for information purposes only and does not represent valuations for individual securities or other financial instruments. Different assumptions by RenMac or any other source may yield substantially different results. The analysis contained in this document is based on numerous assumptions and are not all inclusive.

Copyright © RenMac 2025. All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to RenMac. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of RenMac.