MarketWatch

U.S. stocks mostly higher after June slowdown in jobs growth as S&P 500 struggles to avoid 3rd straight drop

Jul 7, 2023

By Joseph Adinolfi and Steve Goldstein

U.S. stocks were mostly higher on Friday as the S&P 500 index struggled to avert a third straight loss following the release of the Labor Department's June nonfarm payrolls report, which showed the pace of job creation slowed last month while wage growth remained robust.

What's happening:

On Thursday, the Dow Jones Industrial Average fell 366 points, or 1.07%, to 33,922, the S&P 500 declined 35 points, or 0.79%, to 4,412, and the Nasdaq Composite dropped 113 points, or 0.82%, to 13,679.

What's driving markets:

U.S. stocks were mostly higher on Friday after data showed the U.S. created 209,000 new jobs in June, the smallest increase in more than two and a half years.

The data were taken as a sign that the Fed's interest-rate hikes were finally starting to cool the labor market, but other details of the report suggested that the Fed would still face pressure to continue raising interest rates.

"The latest jobs report shows an economy transitioning to a lower cruising speed," said **Bernard Baumohl, Chief Global Economist, The Economic Outlook Group.** "There is still nothing to suggest a recession is near or that wage inflation is accelerating. "

The data painted a starkly different picture of the state of the U.S. labor market than a report on private-payrolls growth from ADP released on

Thursday, which suggested that the private sector had created nearly 500,000 jobs last month.

In assessing the market's reaction, analysts noted that expectations for a Fed rate hike in July were almost unchanged, according to the CME's FedWatch tool, which assessed the chance of a hike at more than 90%.

"It's not a game changer," said Paul Nolte, senior wealth adviser and market strategist at Murphy & Sylvest Wealth Management, during a phone call with MarketWatch.

Investors may already be looking past Friday's report, Nolte said, toward the upcoming release of the June consumer-price index, which is due out Wednesday.

"We've got that inflation data point and earnings to get through before the Fed meeting later this month," he added.
Analysts also focused on the pace of growth in average hourly wages, which increased by 0.4% in June, faster than economists had expected.

This suggests wage growth, a key input for inflation, is still too hot for the Fed's liking, said Steve Wyett, chief investment strategist at BOK Financial, in emailed commentary.
"The Fed is not further behind on policy, but they still have work to do," he said.

The yield on the 2-year Treasury dropped back below 5% and was down 4 basis points at 4.969%. The yield on the 10-year Treasury note was little-changed at 4.044%.

U.S. stocks have started the second half of 2023 with a pullback, as all three major U.S. equity indexes were headed for a weekly loss on Friday. Despite its losses in recent days, the S&P 500 remains within striking distance of a 14-month closing high from Monday's session, and the index has risen nearly 15% since the start of the year, according to FactSet data.

###