

# Slowing Jobs, Tight Supply Complicate Fed Outlook

During his Jackson Hole speech last Friday, Federal Reserve Chair Jerome Powell signaled that the Fed is likely to cut interest rates on September 17<sup>th</sup>. Powell noted that the balance of risks—between stable prices and stable employment—has shifted toward concerns about a slowing job market. These signs have been evident for months but were confirmed by July's payroll report and downward revisions to May and June. Through July, monthly job growth has averaged 85,000—a sharp decline from 216,000 in 2023 and 154,000 in 2024.\*

If hiring has slowed, why has unemployment stayed in what Powell called a “curious balance” of 4.0 – 4.2% for over a year? The answer, as the chart below illustrates, lies in labor supply.\*\* In 2023–24, foreign-born workers accounted for more than the entire increase in labor supply. With immigration sharply lower this year, the burden has shifted to U.S.-born workers entering the workforce. A slower pace of labor force growth raises concerns that wages could accelerate, potentially fueling inflation.

That risk—combined with uncertainty over tariff-driven price increases—suggests that, while the Fed is likely to deliver an interest-rate cut next month, that cut will be met with caution moving forward—a combination that could make last Friday's market euphoria short-lived.

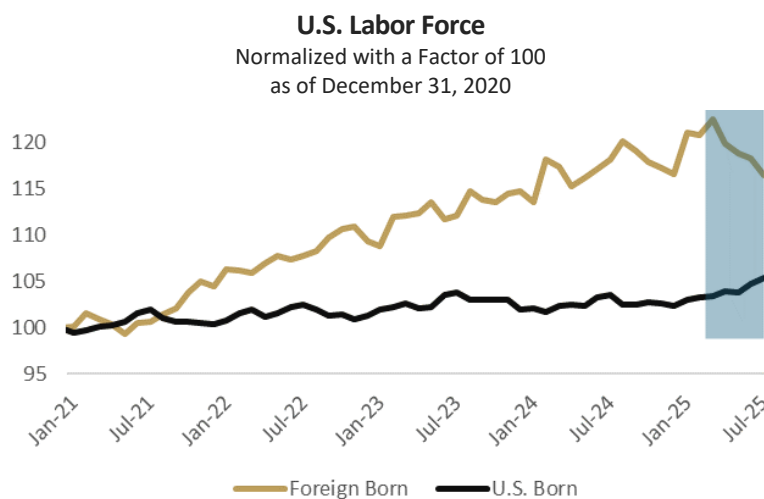


Chart source: Bureau of Labor Statistics, Bloomberg.

\* Bureau of Labor Statistics, Bloomberg, Monthly Non-Farm Payrolls

\*\* Chris Low, “FHN Economic Weekly.” FHN Financial. August 22, 2025.

## Economy

Last Week	This Week
- <b>Housing Starts &amp; Permits (July):</b> Starts +5.2% MoM vs +4.6% in June. Permits -2.8% MoM vs. 0.1% in June.	- <b>Durable Goods (July):</b> 8/26
- <b>FOMC Meeting Minutes (July):</b> Indicated FOMC officials concerned with tariff-related inflation risks in coming months.	- <b>Conference Board Consumer Confidence (Aug.):</b> 8/26
- <b>S&amp;P Flash U.S. PMIs (August):</b> Manufacturing 53.3 vs. 49.8 month prior. Services 55.4 vs. 55.7 month prior.	- <b>Initial &amp; Continuing Jobless Claims (Aug. 23):</b> 8/28
- <b>Leading Economic Index (July):</b> -0.1% vs. -0.3% one month prior.	- <b>Personal Income &amp; Spending &amp; PCE Inflation (July):</b> 8/29

## Equities

Returns (%)							
Index	Level	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
S&P 500	6439	-0.12	3.96	10.40	15.77	18.40	14.81
Russell 1000 Growth	4471	-1.07	4.68	11.05	21.43	23.84	15.47
Russell 1000 Value	1968	1.06	3.16	9.35	10.08	11.75	12.93
FTSE High Dividend Yield*	498	0.93	3.70	9.86	13.05	12.59	14.12
S&P Small and Mid Cap	17923	1.86	5.29	3.92	4.99	9.58	12.17
MSCI EAFE	2749	0.71	3.84	24.55	16.35	17.24	10.93
MSCI EM	1285	1.03	5.70	22.13	20.05	11.65	5.74
Characteristics							
Index	NTM P/E	NTM P/E (20Y med)	Div Yield	S&P Sector Returns YTD			
S&P 500	21.5	15.4	1.3				
Russell 1000 Growth	28.6	17.9	0.5				
Russell 1000 Value	16.7	13.5	2.1				
FTSE High Dividend Yield*	13.4	13.0	3.9				
S&P Small and Mid Cap	15.0	15.4	1.9				
MSCI EAFE	15.1	13.5	3.0				
MSCI EM	12.7	11.1	2.6				

\* Bloomberg U.S. Large Cap Dividend Yield Total Return Index used as substitute for index characteristics.

## Fixed Income

Returns (%)							
Index	Yield	1 Week	QTD	YTD	1 Year	3-Year Ann.	5-Year Ann.
U.S. Aggregate	4.50	0.40	0.69	4.74	2.36	2.66	-0.73
U.S. Int. Gov/Credit	4.06	0.27	0.75	4.91	4.14	3.79	0.68
U.S. Corporates	4.93	0.37	1.08	5.30	3.30	4.22	-0.02
High Yield	6.84	0.40	1.41	6.04	8.16	8.59	5.14
Municipals (1-10)	3.08	0.15	1.21	2.98	2.79	2.89	0.99
Levels (%)							
Key Rates	Last	1 Wk Ago	Last Qtr	Prev YE	1 Yr Ago	3 Yrs Ago	5 Yrs Ago
2-yr Treasury	3.72	3.75	3.72	4.24	3.90	3.37	0.15
10-yr Treasury	4.28	4.31	4.23	4.57	3.82	3.03	0.69
30-yr Treasury	4.89	4.91	4.78	4.78	4.11	3.24	1.41
SOFR	4.37	4.33	4.45	4.49	5.35	2.28	0.07
6-mo. CD rate	4.36	4.15	4.28	4.33	4.89	3.64	0.27
Prime Rate	7.50	7.50	7.50	7.50	8.50	5.50	3.25
30-yr fixed mortgage	6.64	6.66	6.80	7.28	6.83	5.88	3.07