Financial Markets This Week

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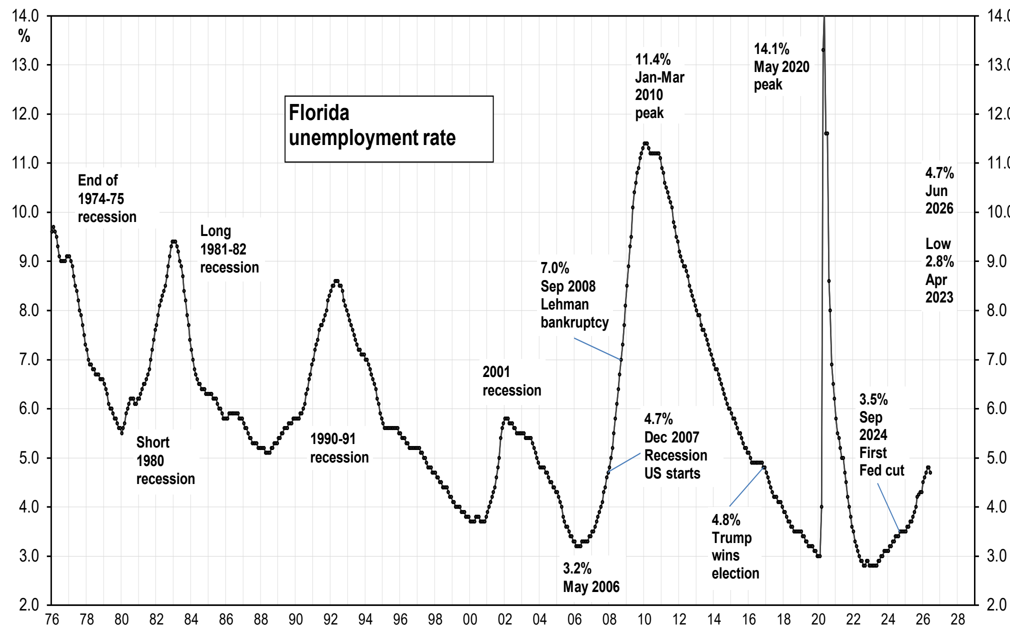
JOBLESS FLORIDA



The monthly employment data have been off recently when looking for turning points in the business cycle. Florida looks like it is in a recession despite stories every other day about a new company moving down there. As former Boston Fed President said in the month that the 2007-09 Great Recession started, a half percent rise in the unemployment rate means recession. Florida's unemployment rate was 4.7% in December 2007, up 1.5 percentage points from the low of 3.2% in May 2006… more than enough economic stress. The 0.5 recession rule is not working currently, at least for the entire country, with the Florida jobless rate rising from 2.8% in April 2023 (13 months into the Fed's tightening cycle) to 4.7% in June 2026, a move of almost 2 percentage points. The unemployment rate trend in Florida looks like a recession, but apparently the state is still "growing."

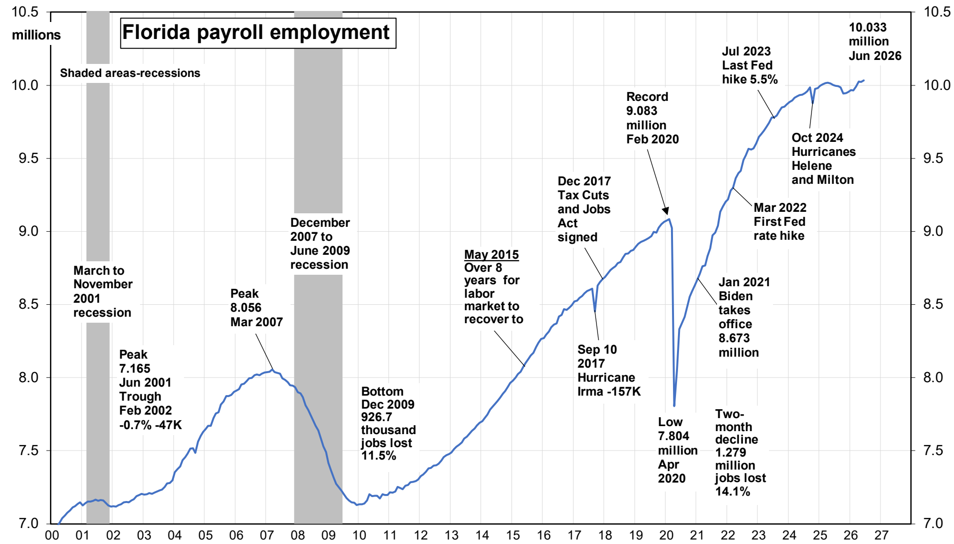
> Boston Fed President Rosengren
> December 11, 2007 FOMC
> I would note that when the unemployment rate rises at least ½ percent, it tends to rise much further than just ½ percent. That is, historically, when we have unemployment rates rise ½ percent, we have subsequently found ourselves in a recession.

The BLS has two employment surveys, the Household Survey of individuals behind the jobless rate, and the survey of business establishments measuring the number of their employees which is the nonfarm payroll jobs data. We start the Florida jobs table in January 2025 to try and stay away from the heavy nationwide migration inflows in the final two years of the Biden administration which makes it hard to analyze the data. Still does as the Trump administration is trying to drive the immigrants out. The Florida nonfarm payroll employment graph clarifies the 0.5 percentage point unemployment rate recession call by illustrating how payroll employment levels decline sharply in recessions, keeping in mind that the 2007-09 and 2020 pandemic recessions were so severe there was little question about whether the economy was in recession. Bernanke and Powell cut interest rates to zero each time.

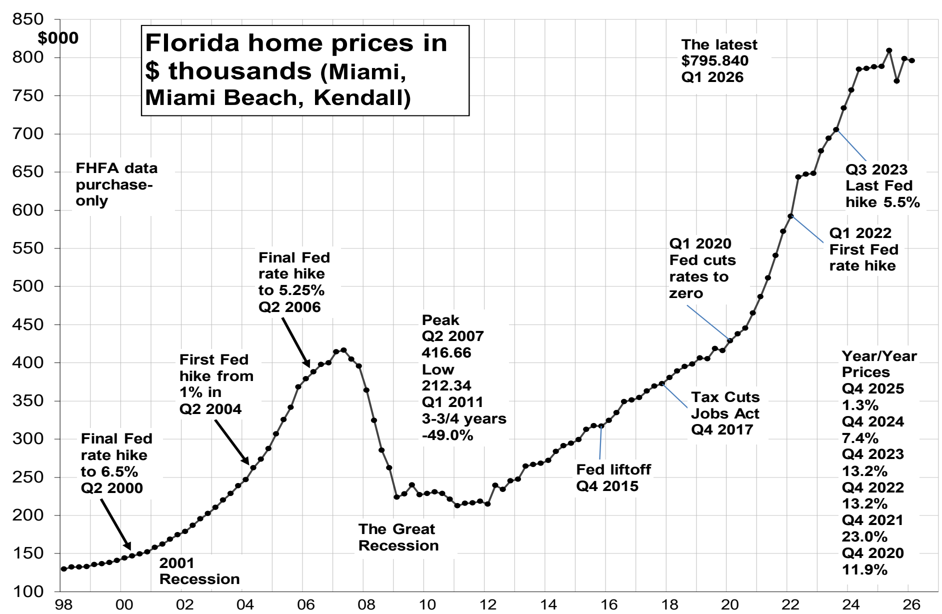
FLA Jobs Since Jan 2025 immigration adjust.				
Thousands	Jan 25	Jun 26	Change	% Chg
Population	19,147	19,348	200	1.0
Not in Labor Force	8,025	8,209	183	2.3
Employment	10,729	10,614	-115	-1.1
Unemployed	393	525	132	33.5
Rate	3.5	4.7	1.2	---
Payroll employment	9,996	10,033	37	0.4
Construction	656.5	654.8	-1.7	-0.3
Manufacturing	428.4	427.8	-0.6	-0.1
Trade/Trans/Utilities	1,992.8	1,991.4	-1.4	-0.1
Information	155.2	150.1	-5.1	-3.3
Financial activities	690.7	678.1	-12.6	-1.8
Professional/Business	1,620.3	1,632.7	12.4	0.8
Education/Health	1,577.1	1,627.8	50.7	3.2
Leisure/Hospitality	1,333.6	1,340.4	6.8	0.5
Other Services	385.0	384.4	-0.6	-0.2
Government	1,150.8	1,140.2	-10.6	-0.9

Again, the smooth long-term trend of payroll employment suggests policies in Washington or Tallahassee have just a minor impact on jobs; thinking about the trend from May 2015 when the state finally made up for the Great Recession job losses and up to the time of the February 2020 peak before the pandemic.

Since January 2025, Household employment has fallen 115K, with 132K more unemployed, and 183K more Not in Labor Force either, hiding, refusing to pick up the phone for the survey, or the elderly finally calling it a day and retiring. Payroll employment has risen 0.4% or 37K since last January, seeing the most jobs created in Education and health, followed by Financial, and Professional and business. There has been a new development, hard to see in the graph, but there is an odd 33.9K jump in April 2026 during the Iran war uncertainty. April gains were spread out with some in Construction, Other services, Leisure and hospitality, Professional and business, Education and Health.

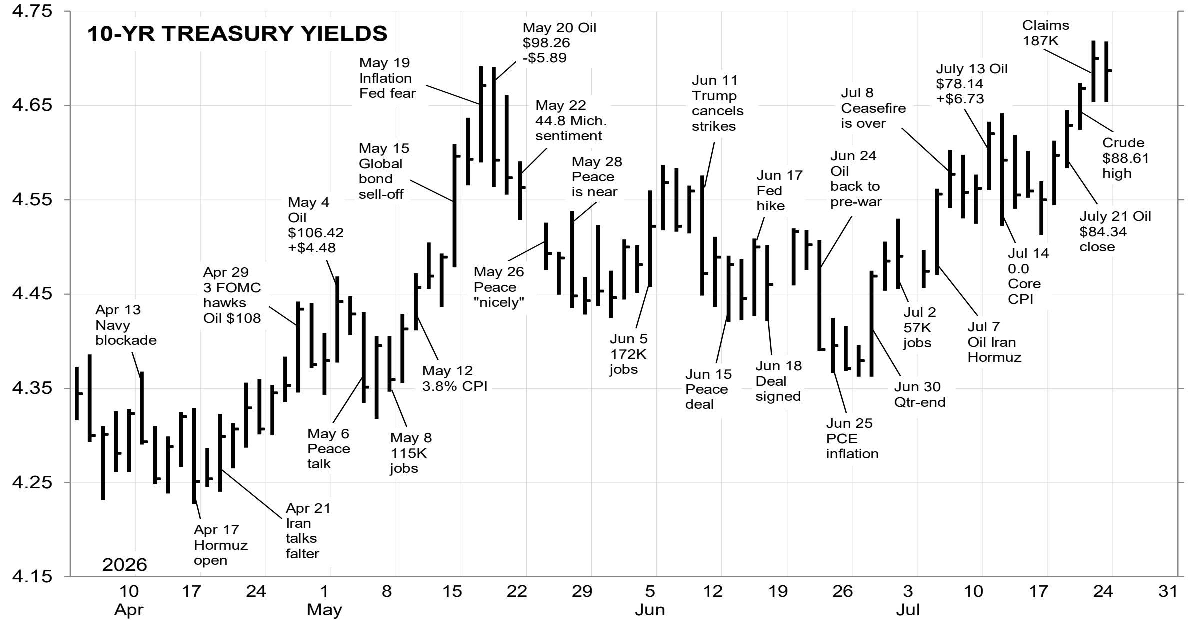


Home prices in Florida (Miami) have leveled off. Interesting that the Fed rate hikes starting from zero in Q1 2022 with a "home price" of $591,780 to a peak of 5.5% in Q3 2023 with homes at $705,270, did not slow the housing affordability crisis. Miami home prices are $795,840 in Q1 2026.



Review and Outlook: Hard to reconcile Florida job losses with the Chamber of Commerce touting how many new businesses are moving into the state. The trend seems to be worrying the ex-Governor and current [U.S. Senator Rick Scott](). Stay tuned.

INTEREST RATES

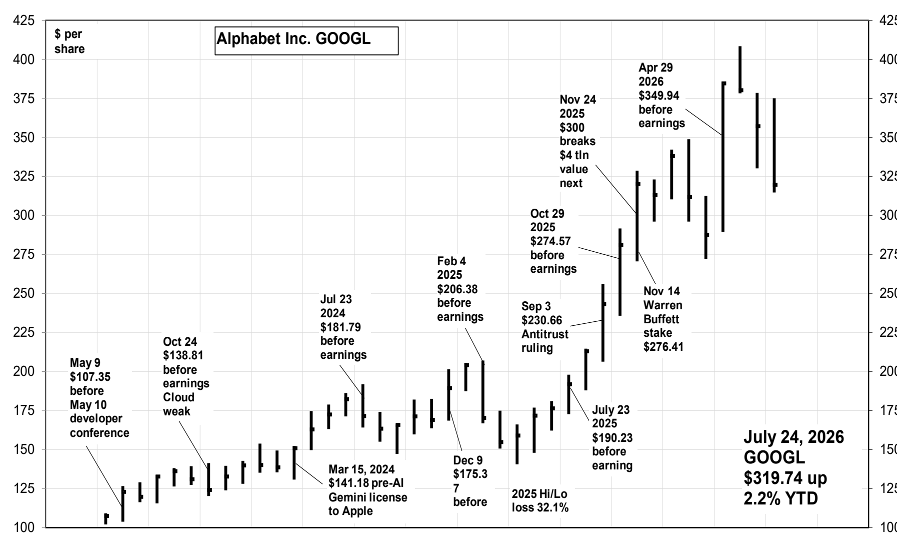


The continued bombing in the Middle East has sent oil prices back up and bond yields to a new 2026 high. With crude oil crossing $90 on Thursday before the open, 10-yr yields rose above 4.70%. Maybe the bond market is fishing for the Federal Reserve to step in with a rate hike as the odds of 25 bps by the September meeting are over 100%. Weekly jobless claims fell to lows not seen since the 60s (barely) of 187K which helped give yields a final push to the 4.72% high for the week. The Warsh Fed meets with uncertainty, mostly on how the meeting will be run, will there be an announcement, is there a press conference. August Fed funds futures were trading last at 3.845% adjusted on Friday, or 9.5 bps of a 25 bps rate hike is discounted. Last week there was no chance of a July rate hike after CPI fell 0.4%. First look at Q2 2026 real GDP next Thursday and the Atlanta Fed estimate is only 1.7%.

Alphabet, Inc. (GOOGL) back down to unchanged on year

Earnings released Wednesday after the bell were not well received and the stock fell 7.1% on Thursday. CapEx plans continue to be a problem for investors despite a new revenue record being set this quarter. Free cash flow has gone negative this quarter for the first time and the company plans $205 billion of capital expenditures this year now after spending $80.6 billion in the first six months. Headcount is rising 198,933 employees Q2 2026 versus 187,103 a year ago.

Calendar Year Mln $	Revenue	Advertising	Cloud	Operating Income
Q2 2026	119,796	81,629	24,768	40,770
Q1 2026	109,896	77,253	20,028	39,696
Q4 2025	113,828	82,284	17,664	35,934
Q3 2025	102,346	74,182	15,157	31,228
Q2 2025	96,428	71,340	13,624	31,271
Q1 2025	90,234	66,685	12,260	30,606
Q4 2024	96,469	72,461	11,955	30,972
Q3 2024	88,268	65,854	11,353	28,521
Q2 2024	84,742	64,616	10,347	27,425

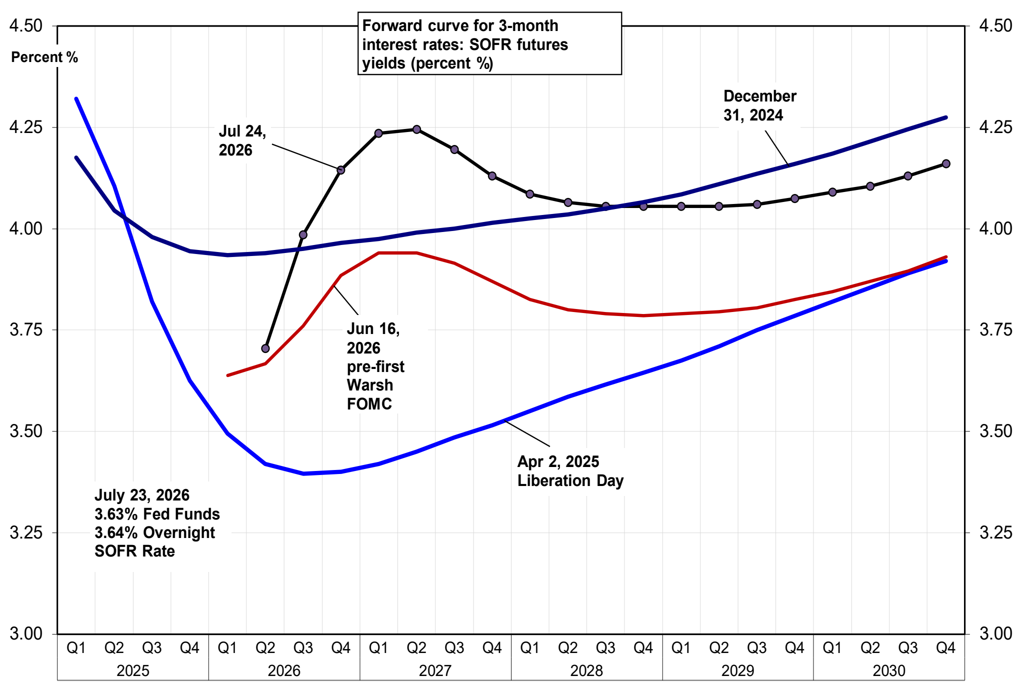


FEDERAL RESERVE POLICY

The Fed meets July 28-29, 2026 to consider its monetary policy. The bombing in the Middle East has sent crude oil prices back up which increases the inflation risks down the road. Warsh has spoken few words about monetary policy or where rates might need to go. But he has emphasized that inflation is a choice and that the Committee will deliver price stability. Actual CPI inflation looks good, but the risks are that it kicks higher, which might argue for a rate hike by the September meeting. Fed funds futures think so as did half of the FOMC x-Warsh dot-plot interest rate forecasts made at the June meeting. If a rate hike is coming, the Fed under Warsh isn't telegraphing a move is imminent. Stay tuned. All eyes are on Warsh at the press conference on July 29. There will still be an on-camera press conference, won't there?

Selected Fed assets and liabilities						Change
Fed H.4.1 statistical release						from
billions, Wednesday data	22-Jul	15-Jul	8-Jul	1-Jul	3/11/20*	3/11/20
Factors adding reserves						to Jul 22
U.S. Treasury securities	4515.661	4509.941	4502.749	4492.235	2523.031	1992.630
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	1944.788	1948.337	1948.398	1948.398	1371.846	572.942
Repurchase agreements	0.000	0.102	0.000	0.001	242.375	-242.375
Primary credit (Discount Window)	4.885	4.755	5.771	7.778	0.011	4.874
Bank Term Funding Program	0.000	0.000	0.000	0.000		
FDIC Loans to banks via Fed	0.000	0.000	0.000	0.000		
Paycheck Protection Facility	0.016	0.016	0.019	0.019		
Main Street Lending Program	0.627	0.628	0.628	0.628		
Term Asset-Backed Facility (TALF II)	0.000	0.000	0.000	0.000		
Gold stock	11.041	11.041	11.041	11.041	11.041	0.000
Central bank liquidity swaps	0.378	0.135	0.170	0.250	0.058	0.320
Federal Reserve Total Assets	6798.9	6794.6	6787.1	6775.6	4360.0	2438.873
~~3-month Libor %~~ SOFR %	3.62	3.64	3.58	3.66	1.15	2.470
Factors draining reserves						
Currency in circulation	2470.924	2471.831	2474.567	2474.926	1818.957	651.967
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	835.417	795.976	749.244	807.359	372.337	463.080
Treasury credit facilities contribution	0.000	0.000	0.000	0.000		
Reverse repurchases w/others	0.376	0.151	3.347	1.001	1.325	-0.949
Federal Reserve Liabilities	3734.003	3694.121	3649.723	3698.603	2580.036	1153.967
Reserve Balances (Net Liquidity)	3064.896	3100.448	3137.377	3077.019	1779.990	1284.906
Treasuries within 15 days	118.271	79.092	89.001	81.609	21.427	96.844
Treasuries 16 to 90 days	355.605	387.252	379.529	343.382	221.961	133.644
Treasuries 91 days to 1 year	512.290	514.583	498.247	531.768	378.403	133.887
Treasuries over 1-yr to 5 years	1429.488	1429.248	1432.105	1431.865	915.101	514.387
Treasuries over 5-yrs to 10 years	484.084	484.048	490.642	490.590	327.906	156.178
Treasuries over 10-years	1615.924	1615.718	1613.225	1613.020	658.232	957.692
Note: QT starts June 1, 2022	Change	7/22/2026	6/1/2022			
U.S. Treasury securities	-1255.118	4515.661	5770.779			
Mortgage-backed securities (MBS)	-762.658	1944.788	2707.446			
**March 11, 2020 start of coronavirus lockdown of country						

Fed Policy-key variables	2026	2027	2028	Long Term
Fed funds	3.8	3.6	3.4	3.1
PCE inflation	3.6	2.3	2.0	2.0
Core inflation	3.3	2.5	2.1	
Unemployed	4.3	4.3	4.2	4.2
GDP	2.2	2.3	2.2	2.0
June 2026 median Fed forecasts				



A rate hike to 4.0% by September is discounted, and a second one to 4.25% almost discounted by the January 27 meeting. Market giving Warsh the valuable information he asked for.

Fed funds futures call Fed policy		
Current target: July 24-- 3.75%		
Rate+0.12	Contract	Fed decision dates
4.025	Oct 2026	July 29, Sep 16*
4.195	Jan 2027	Adds Oct 28, Dec 9*
4.235	Feb 2027	Adds Jan 27
*Oct 2026 could be 3 days at a new rate		
*Jan 2027 could be 4 days at a new rate		

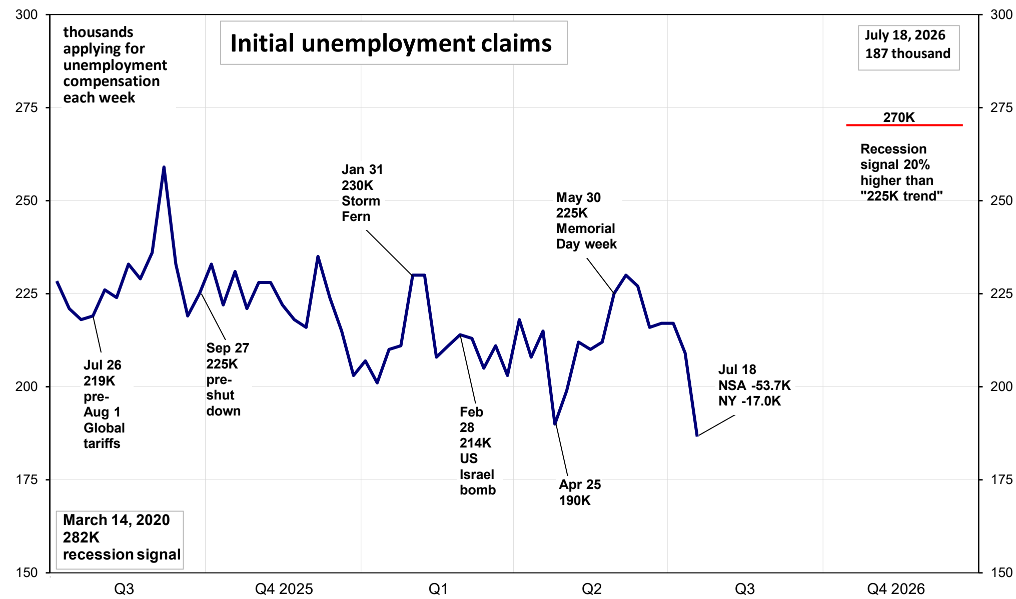
Next up: June PCE inflation Thursday, July 30 830am ET

Monthly	2026						2025								
% Changes	Jun	May	Apr	Mar	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr
Core CPI inflation	0.0	0.2	0.4	0.2	0.2	0.3	0.2	na	na	0.2	0.3	0.3	0.2	0.1	0.2
Core PCE inflation	0,2e	0.3	0.3	0.3	0.4	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.2
Core PCE YOY	3.3e	3.4	3.3	3.3	3.0	3.1	3.0	2.8	2.8	2.8	2.9	2.9	2.8	2.8	2.6
Core CPI YOY	2.6	2.9	2.8	2.6	2.5	2.5	2.6	2.6	na	3.0	3.1	3.1	2.9	2.8	2.8

OTHER ECONOMIC NEWS

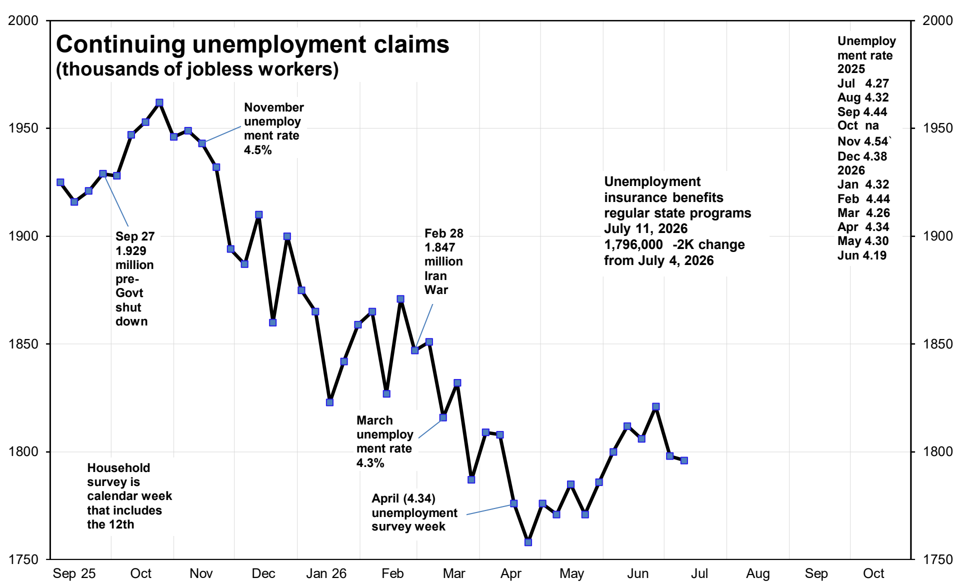
Jobless claims plummet (Thursday)

Breaking economy news. The labor market looks on fire with the sharp decline in filings for first-time unemployment benefits in the July 18 week. Claims fell 22K to 187K. The economy may be heating up today, but the path ahead for the employment markets could still be rockier with the escalation of the war in the Middle East causing a u-turn in energy prices virtually overnight this week.



Half of Federal Reserve officials are concerned enough about the inflation risks to pencil in a rate hike this year, but they still need to keep an eye out for labor market risks where jobs are increasingly hard to get especially for recent graduates. The economy isn't out of the woods yet from the dangers posed to either growth or the affordability crisis and higher prices. At the moment, the outlook for economic growth is showing some signs of overheating if today's weekly jobless claims figures can be believed, but for how long is the question if energy prices continue to spiral upward..

Bond yields are at new 2026 highs with the u-turn in crude oil prices. Traders seem to be fishing for a Fed rate hike to allay their inflation risk fears if not at next week's meeting then in September. Stay tuned. The bond market is betting the Fed's next move under Warsh will be a rate hike and not a rate cut that White House economic officials have been talking up for months.



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