

MACROCOSM

On the June Jobs Report

Thursday, July 2, 2026

Donald Luskin

Not a particularly weak report, but weak enough to push back on Fed hiking madness.

Today's [June Employment Situation Report](#) with 57,000 net payrolls missed the consensus for 113,000, and our model's estimate for 135,000. There were large downward revisions of 43,000 for May and 31,000 for April. *We don't see this as a particularly weak jobs report, given that we think the demographically driven baseline for payroll growth, in an economy with effectively no immigration, is about 75,000.*

There's a three-day holiday coming, so we're not going to focus on the minutiae. We will simply observe what is happening with Fed rate-hiking expectations in the aftermath (please see the chart below).

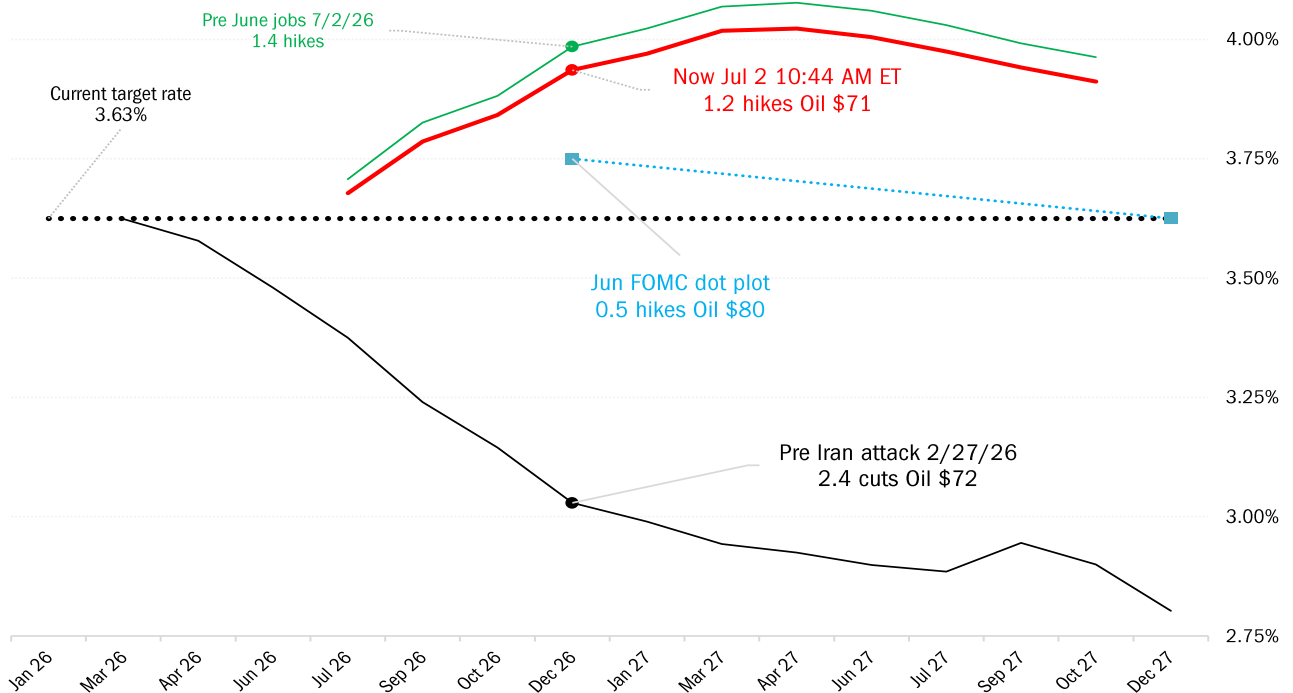
- Before the payroll report was released this morning, the money-market curve was expecting 1.4 rate hikes this year. Now, as of

Update to strategic view

US MACRO, FEDERAL RESERVE: 57,000 net payrolls missed the consensus and our model's estimate. It is not a particularly weak number, though, coming in near the 75,000 we believe is the demographically-drive norm for a ...

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Futures-implied policy path per FOMC meeting (based on effective rate, adjusted to target)



Source: Bloomberg, TrendMacro calculations

this writing, it is expecting 1.2 hikes.

- Yes, in a global central banking environment in which an oil price-shock is being mistaken for inflation (see [“Video: What you're not hearing about how Kevin Warsh sees inflation”](#) June 29, 2026), markets expect 1.2 hikes with oil at \$71 when, in late February before the war on Iran began, markets were expecting 2.4 cuts with oil at \$72.
- Yes. Let that sink in. *The oil price is lower today than it was four months ago, but markets have gone from expecting rate cuts to expecting rate hikes because the world's central banks are worried about high oil prices creating inflation, even though oil prices have made more than a complete round-trip.*
- *In the case of the Fed, markets are expecting more than twice as many rate hikes this year than implied in the “dot-plot” published just two weeks ago at the June FOMC, and oil prices have fallen since then from \$80 to \$71* (see [“On the June FOMC”](#) June 17, 2026).
- The world's central banks are insane. Markets are more insane. The money-market curve is the world's most mispriced market.
- *When it turns out by year-end that there will, in fact, be no rate hikes, that will be a stimulative tailwind.* If the curve is priced for 1.2 hikes, that's where borrowing and lending is actually happening. When it turns out that there are no hikes, it will be, in market terms, as though there had been 1.2 cuts.
- Again, this morning's payroll report was not a weak one. It won't make any objective difference to the Fed's calculations. But with payrolls having missed the consensus, and with downward revisions to the prior two months, it is an opportunity to push on an open door and deflate a little of the curve's madness.
- Just wait till CPI reports in mid-July. The consensus has come around to thinking it will fall slightly thanks to lower gasoline prices. The “Truflation” estimate, that is a version of Fed Chair Kevin Warsh's idea of “a survey of a billion prices” (again, see [“Video: What you're not hearing about how Kevin Warsh sees inflation”](#)) is saying headline CPI will fall sharply, and that core will fall a bit as well (see [“Data Insights: High-Frequency Data Monitor”](#) July 2, 2026). That's going to blow the open door off its hinges.

Bottom line

57,000 net payrolls missed the consensus and our model's estimate. It is not a particularly weak number, though, coming in near the 75,000 we believe is the demographically-drive norm for a post-immigration economy. The perception of any weakness at all, though, is a chance to push on the open door of unwinding the madness that has seized the money-market curve, which is expecting more rate hikes than even the Fed has indicated with its “dot plots,” even though the oil price has made a complete round trip since the onset of the war in Iran – when markets were expecting rate cuts. The curve is the most mispriced market in the world. More unwinding of that will come in mid-July when headline and core CPI print negative, as estimated by the Truflation model similar to Warsh's “survey of a billion prices.”

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