Basis Points – March 2, 2023

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Above the Fold

Private Sector Data Conflicts With Government Labor Readings

Moderately “bad” news for the labor market has become good news for stocks, bonds and even the overall economy (to an extent of course). America’s “robust” jobs market has been a focal point and supportive dataset for the Federal Reserve’s (Fed) extreme rate hike regime, even though one of their main mandates is to maintain maximum employment. Proof of a slowing labor market would certainly temper its hawkish actions.

But as we’ve discussed before, there seems to be a growing dichotomy between government labor statistics and what’s really happening in our job pool. Labor Department data showed a surge in hiring in January, while the number of available jobs jumped to 11 million at the end of

2022, 57% above readings in February 2020, just before the pandemic. Unemployment is currently at 3.4%, the lowest since 1969. These data certainly paint a powerful picture for domestic workers … but there are some inconsistencies.

Aside from the plethora of layoffs already sweeping across a multitude of sectors, the Wall Street Journal recently reported that two large digital recruiters, ZipRecruiter Inc. and Recruit Holdings Co., both said their data show the number of job postings is declining more than the Labor Department job openings data show — less than half, to be more specific. The National Federation of Independent Business and LinkUp are also reporting steeper declines in job postings in recent months compared to government data. An economist at the Labor Department, Paul Calhoun Jr., even admitted that the "reliability of the Labor Department's job-openings estimates has declined in recent years because fewer businesses have been responding to survey questions." What we do know is that the Fed's policies are having an effect on both prices and employment, but the disconnect between actual and reported data is real.

Three Things

This Tech Will Completely Disrupt Our Educational System

Whether you welcome or curse AI (artificial intelligence), the contentious, viral technology is sweeping through the global industry, and our educational system is the latest target. One AI app, Schoolhack.ai, has gained nearly 100,000 users in less than two weeks, as it can complete hours' worth of homework in seconds. While this might seem like a dream to millions of students around the world, the effects on our youths' learning abilities and the educational system as a whole are still unknown, but could be potentially devastating. To be fair, there are ways that AI can help improve education, but both its detrimental and beneficial effects are likely to be very uneven.

Rivian Still Struggling to Find Its Footing

The electric vehicle (EV) maker Rivian reported a net loss of $1.72 billion in the fourth quarter of 2022, roughly $740 million less than the losses incurred in the same period in 2021. Unfortunately, sales disappointed expectations, with $663 million worth of vehicles sold in Q4. The company is also burning through its cash at an accelerated rate, but reported $11.4 billion in cash and equivalents at the end of 2022. In 2023, Rivian hopes to produce 50,000 vehicles (rival Tesla sold 1.3 million vehicles in 2022), but still faces cost and supply chain issues as it fills backlog orders for customers who locked in at cheaper prices. The company is one of several EV startups looking to capture market share from Tesla and legacy automakers. It is also under contract with Amazon.com Inc. to deliver 100,000 electric delivery vans.

Natural Gas Prices Experience Massive Correction

Consumers and businesses around the world are experiencing much-needed relief in natural gas prices. The popular energy source has experienced a 65% decline in prices since mid-December and is now trading at the lowest levels since the pandemic lockdowns in 2020. Natural gas futures traded as low as $2 last week, a 20-year low. There's currently an oversupply, and demand has not been as strong as anticipated due to a mild winter and cooling global economy. A sustained drop in prices should boost consumers' disposable income and improve earnings for many S&P 500 companies in the coming months; it could also help ease prices for some industrial and commercial goods.

In the Know

What's Missing From This Tight Jobs Market?

For a labor market that's supposed to be red-hot, one critical metric still doesn't back up that claim: wages. Across the U.S., average hourly inflation-adjusted earnings were actually down 1.7% in December 2022 compared to a year prior. If workers are in such demand, one would surmise that employers should be paying more to keep them, but that's not the case. What's more, 2.5 million Americans dropped out of the labor market (stopped looking for a job) since the pandemic began … and have not returned.