Global markets fall on reports of better than predicted hiring

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Stock markets around the world fell Thursday after economic data showed much stronger-than-expected US job creation in May. The relative abundance of jobs is considered bad news in the perverse logic of financial markets because it makes further interest rate increases by central banks more likely.

Payroll firm ADP said private-sector employment was up 497,000 in May, more than double previous estimates. The report is based on the aggregated data of payroll data of 25 million US employees and is considered accurate. The strongest job gains were in lower-wage service-sector jobs, such as leisure and hospitality. Other sectors, such as education and health services, also recorded gains. There was a small drop in manufacturing jobs.

All the major US stock indexes fell, with the Dow Jones down 1.1 percent. The S&P 500 was down 35 points, or 0.79 percent, and the Nasdaq was down 0.82 percent. US government bond prices fell, meaning interest rates rose, with the two-year Treasury bill reaching 5 percent.

In Britain, the FTSE 100 fell by 2.2 percent, with similar falls across Europe. Japan's Nikkei 225 fell 1.7 percent, and in Hong Kong the Hang Seng lost 3 percent.

The ADP report follows the release of minutes from the most recent Federal Open Market Committee meeting showing almost all officials believe more interest rate increases are needed. Fed officials cited a "tight" labor market and "upside risks" for inflation to continue. Most predicted a "mild" recession for later this year, signaling their determination to inflict "pain" on workers in order to drive down wages.

Over the last year, the US central bank has raised interest rates from near zero to 5 to 5.25 percent in a supposed fight against inflation. The real target of the rate increases is not inflation but the supposedly excessive wage gains of workers, who are waging increasing numbers of strikes to offset the ravages of inflation on real wages.

The ADP report came just one day before the release of the monthly jobs report by the US Labor Department. The two reports often run in tandem. Previous expectations were that the June jobs report will show 240,000 jobs added, down from 339,000 in May.

For the past year, monthly job gains have averaged 314,000.

However, the ADP report puts that in doubt, since it often runs in tandem with the US jobs report. That is why the ADP report, which usually goes unnoticed, raised concern on the markets.

The *Wall Street Journal* wrote Thursday, "The ADP report has shown smaller employment gains than the Labor Department's non-farm payroll data over the past several months," said Nadia Lovell, senior U.S. equity strategist for global wealth management at UBS. The government's jobs data for June is due tomorrow morning.

"I think people are on the edge of their seats for tomorrow," she said.

Employers cut 40,709 jobs in June, the lowest monthly total since October 2022. A total of 458,209 jobs have been cut in the period from January to June 2023, excluding 2020, which is the highest total since 2009.

While the May jobs report showed a greater number of jobs created than expected, 339,000, the total number employed fell by 310,000 and unemployment inched up to 3.7 percent, still a very low figure by historical standards.

At a recent meeting of top bankers, US Federal

Reserve Chairman Jerome Powell said that the Fed would continue pushing forward with rate increases despite the indications it could trigger a financial collapse. Interest rate increases have devalued the Treasury bond holdings of banks, leading to the collapse of three large US banks this year, as well as Credit Suisse.

The Guardian reported the remarks of Craig Erlam, a senior market analyst at the financial trading firm Oanda who stated, "If a rate hike this month wasn't already nailed on, it probably is now." He continued, "I'm sure everyone will be revising up their expectations on the back of it and wondering just how much longer this labour market resilience can last. How high must rates go?"

The Guardian writes, "Financial markets expected the Bank to raise UK interest rates from the current level of 5% at its next policymaking meeting in August, with some economists warning that the central bank could push the base rate as high as 7% in response to sticky inflation in the UK."

Powell complained that the labor market was "really strong" and indicated at least two more interest rate rises were likely this year, including one perhaps in July. Others were even more blunt in calling central banks to provoke for a recession to halt the "wage-price spiral."

There are therefore definite limits beyond which rises in interest rates will trigger a full-scale economic crisis. The rate rises have tended to devalue the assets of banks, leading to a situation already where many banks now have liabilities exceeding assets.

These discussions in the financial elite take place as the class struggle in the US and globally continues to heat up. A strike by 350,000 UPS workers in the United States is possible when the master contract expires at the end of July. Management is seeking major concessions under conditions where workers are determined to win wage increases making up for inflation and want to see gains, not further cuts.

Another 150,000 US autoworkers face a contract expiration this September and are demanding significant gains after decades of concessions surrendered by the United Auto Workers. A historic fight is looming, with all the auto companies seeking to offload the cost of the transition to electric vehicles onto the shoulders of workers.

In France, mass strikes and protests against pension cuts shook the government of Emmanuel Macron, while dockworkers in Canada have closed the country's largest port.

The reaction of the markets to the ADP jobs report is a further demonstration that the interests of the Wall Street parasites and the working class are diametrically opposed. An intensification of the class struggle under these conditions is inevitable.