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MacroInsightsQueen

Macro Letter

Macro Letter/July 7/2026/Macro Insights Queen

🌎 IN THIS ISSUE : Why We're Not Buying the Dovish Read on June NFP

Hi everyone,

June NFP printed +57k, well below the +114k consensus. On the surface, this looks soft. But the internals are more complicated, and in some ways more hawkish than the headline suggests.

The market treated the weak print as dovish, the front end rallied while the long end sold off, a classic bear steepener. We don't think the internals support that read.

Leisure weakness looks seasonal, not structural. Hiring simply came in lighter than the usual June ramp ahead of summer demand, not a genuine contraction.

Wages are running hotter than the headline shows. Health care wages fell on a tax-policy quirk that masks the real picture, cyclical wage growth, the part that actually feeds inflation, accelerated from 4.1% to 4.3%.

The payroll trend still isn't weak enough for a cut. The 3-month average sits around 111k, down from 170k in May, slower, but still above the 12-month average. April and May were both revised down (-74k combined), and the unemployment rate ticked down to 4.2%, though part of that was mechanical, labor force participation fell too.

None of this clears the bar we'd need to see for a cut, that requires the 3-month average sustainably below ~150k and under the 12-month average, ideally with some outright negative prints. We're not there.

The Fed has also been wrong before, in both directions. Its own projections a year ago called for 2.6% PCE and 1.8% growth in 2026. Actual PCE is running at 4.1%, and real GDP growth at 2.1%. That track record is a reason to take the Fed's forecasts, hawkish or dovish, with a grain of salt right now.

Rates and dollar, briefly: the bear-steepening move (2-year down, 10-year up) since NFP is not a clean disinflation signal, it suggests inflation risk is still being priced into the long end. We remain bullish USD, without a genuinely softer growth and inflation path, dollar weakness should stay limited and tactical rather than structural.

Equities: we're still in a buy-the-dip framework. The labor-data weakness is concentrated, not broad, and breadth continues to hold up. The bigger risk sits in capex-heavy, debt-funded names where balance-sheet quality matters more than the index level.

MIQ Takeaway: nothing about our mid-cycle reacceleration thesis has changed. A hike is still more likely than a cut from here, and AI-driven capex remains the dominant inflationary force to watch through the PPI-to-CPI pass-through channel.

What's next: June CPI on July 14 is the key test. We're watching core goods, energy/transportation services, and supercore for signs the reacceleration is broadening, plus late-July hyperscaler earnings (Google, Microsoft, Meta, Amazon) as the next read on whether the AI capex cycle is holding up.

In the full report, we go further and elaborate the technical analysis for rates, dollar, and US100, showing how to actually combine that chart read with the macro view above, including the specific levels and scenarios we're watching into CPI, so you can see not just what we think is happening, but how it plays out on the chart.

For the full breakdown, rates, dollar, equities, US100 scenarios, and our complete CPI framework,

Read the Full Regime Update →

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understand the logic behind the view, the risks involved, and the potential downside.

Thank you for reading!

Macro Insights Queen Team

Glossary

NFP (Nonfarm Payrolls): The monthly U.S. jobs report measuring how many jobs the economy added or lost, excluding farm work. One of the most closely watched economic releases each month.

Consensus: The average forecast among economists surveyed ahead of a data release. Markets react to the *gap* between the actual number and consensus, not just the number itself.

Headline vs. cyclical (wages): The headline wage number is the total, reported figure. Cyclical wages strip out sectors (like health care here) that are being distorted by a one-off factor, to show the underlying trend that actually feeds inflation.

Seasonal adjustment: A statistical process that smooths out predictable patterns (like extra hiring every June) so month-to-month data reflects real changes, not just the calendar. When the adjustment itself becomes the story, as with leisure jobs this month, it's worth a second look before trusting the headline.

Labor force participation: The share of working-age people who are either employed or actively looking for work. If this falls, the unemployment rate can drop even without more people finding jobs.

Revisions: Government data is estimated first and corrected later as more information comes in. Negative revisions mean prior months were actually weaker than first reported.

3-month / 12-month moving average: Smoothed versions of monthly data that reduce noise from any single report. Comparing the two shows whether a trend is accelerating or slowing.

Hawkish / dovish: Hawkish means leaning toward higher interest rates (fighting inflation); dovish means leaning toward lower rates (supporting growth).

Regime (mid-cycle reacceleration): MIQ's shorthand for the current macro environment, where growth and inflation are rising together, distinct from a "Goldilocks" backdrop (steady growth, falling inflation) or "stagflation" (weak growth, high inflation).

Rate cut / rate hike: A rate cut lowers the Fed's benchmark interest rate to stimulate growth; a rate hike raises it to cool inflation.

2-year / 10-year yield: The return investors demand to hold U.S. government debt for that period. The 2-year is highly sensitive to near-term Fed policy; the 10-year reflects longer-run growth and inflation expectations.

Bear steepener: A shift in the yield curve where short-term yields fall (or hold) while long-term yields rise, widening the gap between them. Signals the market still sees inflation risk further out, even if it expects near-term rate relief.

Real rate: An interest rate adjusted for inflation. A rate can look high in nominal terms but still be "not restrictive" if inflation is running just as hot.

PCE (Personal Consumption Expenditures): The Fed's preferred inflation gauge, tracking prices across everything U.S. consumers spend on. Distinct from CPI, which is a separate, more commonly cited inflation measure.

CPI (Consumer Price Index): A monthly measure of how much prices are changing for a broad basket of goods and services. "Core" CPI excludes food and energy, which move around for reasons unrelated to underlying inflation trends.

Core goods / Supercore: Core goods covers physical products (electronics, appliances, vehicles) excluding food and energy. "Supercore" refers to core services excluding shelter, considered the cleanest read on services-driven, wage-sensitive inflation.

PPI (Producer Price Index): Measures price changes at the wholesale/producer level, before they reach consumers. Often moves before CPI, making it an early signal of where consumer inflation may be headed.

Hyperscaler: A large cloud-computing company (e.g., Amazon, Microsoft, Google, Meta) whose capital spending on data centers and AI infrastructure is large enough to move macro data on its own.

Capex (Capital Expenditure): Money a company spends on long-term physical assets, like data centers or equipment, as opposed to day-to-day operating costs.

Buy-the-dip: A framework where market pullbacks are treated as buying opportunities rather than the start of a larger decline, based on the view that the underlying trend remains intact.

The Jobs Report Everyone Got Wrong: Why +57k, 4.2% Unemployment, and Seasonal Noise All Point to the Same Regime

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