

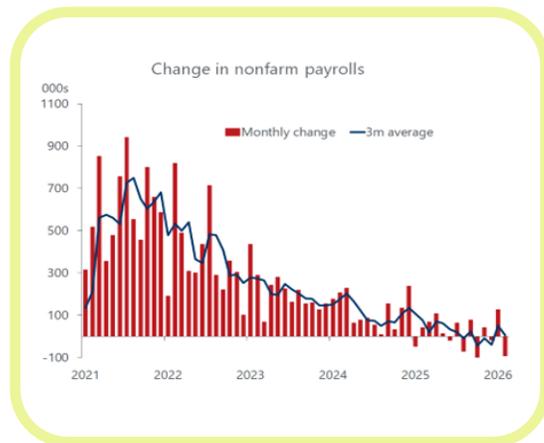
Weekly Economic Commentary

March 6, 2026

It will take time for the dust to settle, but Friday's employment report clearly kicked up a sandstorm, prompting markets, pundits and oddsmakers to reassess the economic landscape and the policy response. Predictably, the surprisingly downbeat news on the jobs front ignited a dramatic knee jerk reaction, as it undercut widespread notions of the economy's resilience. Its ability to withstand a barrage of headwinds, including geopolitical tensions, trade uncertainty, a draconian immigration policy and a looming game-changing mid-term election, has given it a Teflon-like sheen of invincibility. But the jobs report is always the dominant headline grabber among economic indicators, and the February report did not disappoint. In the immediate aftermath of its release, the VIX volatility index – a so-called fear gauge of investor sentiment – shot up to the highest level since President Trump's Liberation Day tariff announcements last April.

It's hard to say when the dust will settle and fears subside given that the latest catalyst reinforcing market jitters – the war with Iran – is still in full swing. What's more, the data for the downbeat February employment report were collected before tensions with Iran morphed into an outright war, sending oil prices skyrocketing and bringing stagflation concerns to the forefront. That

said, we believe that the unexpected 92 thousand loss of jobs in February and the 0.1 percent uptick in the unemployment rate to 4.4 percent exaggerate the weakness in labor conditions, albeit it confirms the evolving fragility that accompanies a persistent "low hiring, low firing" condition in effect over the past year. After revisions to previous months' data and smoothing out noisy movements for a single month, that condition still seems very much intact.



The revisions wiped out 69 thousand jobs from previous estimates of December and January payrolls, which adds to the sting of the February losses. However, even with those downgrades nonfarm payrolls staged a hefty 126 thousand gain in January and an even more impressive 146 thousand increase in the private sector. Aside from the usual noise in monthly reports derived from imperfect surveys, unpredictable weather and strikes can also play havoc with the data, as they did in February. Smoothing the data

over three months paints a less dire picture, with private payrolls growing by an average of 18 thousand over the period. That's close to our estimate of how many jobs are needed to keep the unemployment rate from rising, given the drag on the supply of available labor from slowing immigration and an aging population.

To be sure, the fact that just about every major sector shed jobs in February indicates that the malaise is spreading. But that was not the case in January, when most industries added jobs, although they were dwarfed by ongoing robust additions to healthcare payrolls. A nurses' strike in California caused the turnaround last month, and we expect a sturdy rebound in healthcare jobs in March. As for most of the other sectors, the biggest loser last month was in leisure and hospitality, which saw a 27 thousand drop in payrolls, but that probably reflects frigid weather and snowstorms during the month. We suspect that attrition accounted for the modest declines in most other sectors, as companies are managing headcount more conservatively amid a highly uncertain backdrop and, to some extent, AI displacement.

Regarding the latter, the continued surge in productivity in last year's fourth quarter amid slowing job growth is amplifying the debate as to what extent companies are using AI to replace workers. The jury is still out on that issue; but the adoption rate of AI technology is still in its early stages and its current impact on jobs is probably modest at best. That said, it aligns with the "low hiring" part of the ledger as it concerns the struggles of young adults who spent their college years studying to get a leg up in the high-paying tech sector, where AI is gaining a stronger foothold. This cohort is accounting for an ever-growing share of job seekers on the unemployment lines. The Labor Department releases data on young college graduates with a one-month lag, but the



Key Financial Indicators

Interest Rates	March 6	Week Ago	Month Ago	Year Ago
3-month Treasury bill	3.67	3.67	3.68	4.30
6-month Treasury bill	3.62	3.63	3.61	4.25
2-year Treasury note	3.56	3.39	3.42	4.00
5-year Treasury note	3.73	3.51	3.61	4.09
10-year Treasury note	4.13	3.95	4.05	4.30
30-year Treasury bond	4.77	4.62	4.70	4.60
30-year fixed mortgage rate	6.00	5.98	6.09	6.63
15-year fixed mortgage rate	5.43	5.44	5.44	5.79
Stock Market				
Dow Jones Industrial Index	47501.60	48977.92	49500.93	42801.70
S&P 500	6740.02	6878.88	6836.17	5770.20
NASDAQ	22387.68	22668.21	22546.67	18196.22
Commodities				
Gold (\$ per troy ounce)	5181.30	5296.5	5063.8	2917.7
Oil (\$ per barrel) - Crude Futures (WTI)	91.27	67.29	62.81	67.05

Key Economic Indicators

	Latest Month/Quarter	Previous Month/Quarter	Two-Months/ Quarters Ago	Average-Past 6 Months or Quarters
ISM Manufacturing Index (February)	52.4	52.6	47.9	49.8
ISM Non-facturing Index	56.1	53.8	53.8	53.1
Nonfarm Payrolls (February) - 000s	-92.0	126.0	-14.0	-1.0
Unemployment Rate (February) - Percent	4.4	4.3	4.4	4.4
Average Hourly Earnings (February) - % Change	0.4	0.4	0.1	0.3
Retail Sales (January) - % change	-0.2	0.0	0.5	0.1

Millennium Corporate Credit Union

8615 West Frazier Street
Wichita, KS 67212