

Pathfinder Investment Outlook

For the week ending June 1th, 2018

Recap & Macro Outlook: Global Participation Rates

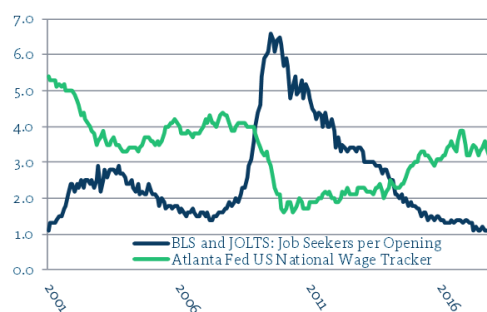
In our last issue, we wrote about the healthy environment for job seekers in the US. We saw participation rate data this week that added another layer to this discussion. We mentioned this in the past and thought that it would be appropriate to bring it up again. While it is true that the Unemployment Rate and “Seekers per Opening” metrics are at multi-decade lows (Figure 1), the participation rate in the US is also just bouncing off of a 2-decade low. The participation rate is a measure of those who are active in the job force - either currently working or actively looking for a job. While we did point out last week that there is a job for everyone who is looking for one, it also needs to be noted that only 82% of people between the ages of 25 and 54 are actually looking for work. That is, 18% of prime working age people have removed themselves from the workforce for various reasons (have gone back to school or have just given up, for example). If 100% of these people began actively looking for work, the current employment situation would not be as strong.

This got us thinking about the data in Figure 2 which presents Prime-age Male Participation rates from the early 1990’s for Countries like Canada, UK, France, Australia and Germany in the green and the US and Italy in the blue. What we noted was the large difference between the participation rates for these two countries. Most of the “green” countries are essentially flat over the 25-year period, while the “blues” are down about 6%. Last week, Italy popped to the top of the macro world with short-term government bond rates having a substantial one-day move after a failed attempt at a coalition government prompted a potential populist change, which would signal more EU drama, throwing “European Crisis” headlines back onto the front page.

“**This means that**” we will continue to closely monitor the employment situation (there was another strong Non-Farm Payrolls report on Friday) but note that if participation rates increase, wage growth could remain lower than expected.

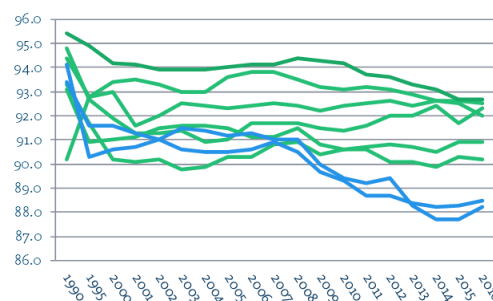
Michael Rudd, CFA | President, CEO & Portfolio Manager

Figure 1: BLS and JOLTs Employment Survey May 15, 2018



Source: Bloomberg Markets LP, Pathfinder Asset Management Limited

Figure 2: Male Participation Rates 25-54 May 29, 2018



Source: OECD, Pathfinder Asset Management Limited



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Sources: Bloomberg, Pathfinder Asset Management Limited

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