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**TOM KEENE, BLOOMBERG:**

It's also a privilege to speak to Tiffany Wilding. She's at PIMCO, the toughest job in the economics beat. She has to go into a bunch of animals that manage Fixed Income paper and tell them what to do. Tiffany, what will be your message off this jobs report to the fixing come a horde at PIMCO?

**TIFFANY WILDING, PIMCO:**

Yeah, well, so obviously the unemployment rate tick up is the focus of markets as well as the fact that wages, wage inflation cooled a little bit. But I guess what I would say is that the household survey, which was the basis of that unemployment rate increase, was weaker than the establishment survey, which is the headline payroll figure. From a headline payroll figure, we're still getting a solid pace of payroll gains. And if you look at the details of that, I think you guys were talking about this earlier, but healthcare, education, and government sectors have been really strong. But even outside of that, if you look at everything else, it almost looks like it's gonna, it's re-accelerating in terms of payroll growth. So I would still say this, every report can be noisy, smoothing through the noise, the U.S. economy is still looking pretty good here. Growth looking pretty good.

**PAUL SWEENEY, BLOOMBERG:**

So as somebody who does not do this for the living Tiffany, do I focus on the fact that the change in on-farm payrolls came in better than expected at 275,000 versus consensus or that negative revision? It's kind of a, I'm not sure which way to go there.

**WILDING:**

Yeah, no, I think that's incredibly fair. The January report, I think, was upwardly biased as a result of the seasonal factors. It's been incredibly difficult to seasonally adjust data after the pandemic, just as a result of changing behaviors. Usually at the beginning of the year, you get companies that are sort of culling workers, they're, they're reducing their headcount after the holiday rush, et cetera. You're just getting less of that now because of labor hoarding trends and just wanting to keep employment ease. So the seasonal factors are kind of messed up as a result, but again, we like to look at, we like to smooth through the data, we like to look at three month moving averages and from that perspective, things still look pretty good.

**SWEENEY:**

How about on the wage front, Tiffany, again, 0.1% on a month-a-month basis gain of consensus was for plus 0.2. So a little bit weaker there and certainly sharply down from last month, but again, who knows what happened in last month with the data? Talk to us about your view about wages.

**WILDING:**

Yeah, here again, if you have to smooth through the noise, the data can be noisy. And when we do that, what I would say is just that wage indicators, I mean, it's not only the average hourly earnings data, but it also looks like, if you look at the Atlanta Fed measure and other, they're just decelerating more slowly than the price level than the disinflation that we've seen with the price data. So, what that suggests, obviously, wages are less flexible than prices. It's not shocking that that's happening. but we would argue the process is slow. You need more cooling in the labor market. You need the unemployment rate to start to go up a little bit, in order to get some more cooling in wage inflation. Then overall, at least right now, wage inflation still looks like it's running at a level that is above where you would think levels would be consistent with the Fed's target. So, we still have some work to do as I would say.

**KEENE:**

Based on your economics, and not off, a portfolio, management and all that, but off your economics, where's the 10 year inflation adjusted yield a year from now? We're at 2% when we're effervescent, 2.05%. We had a challenging week. We've brought the 10-year real yield into 1.80%. Where's that a year from now, Tiffany?

**WILDING:**

Well, as you know we don't forecast interest rates.

**KEENE:**

Yeah, but it’s just- come on, it’s Friday, radio. Stay with me. Nobody's watching on YouTube, come on!

**WILDING:**

So what I would say is this, when we look at longer term real interest rates, we like to look at the Five-Year / Five-Year, for example. And when we look at those levels, we like to compare them to what we think is a reasonable level for the underlying neutral interest rate in the US economy. And we think that is kind of still in a range of zero to 1%. Real longer term- real neutral interest rates are above that. In other words, we think policy is restrictive. And that's exactly what the economy needs right now in order to cool things off in order to bring inflation back down. But the economy will not need restrictive policy forever, right? Once inflation is backed in, at a comfortable level for the Fed, they will start to ease. They will start to bring that restrictive policy back more into alignment. So all of that is to say, is that real rates are elevated. We think it's an incredible opportunity for bond investors because they need to be elevated in order to help the economy. It was kind of a gift in terms of yields for bond investors at this point.

**KEENE:**

Can you model that the gift goes away and we go back to some form of low rate regime or is that just ancient history?

**WILDING:**

Well, I guess what we would say there is, we're elevated, relative to where we think neutral is. We think they probably- rates will come down. Now, whether we go back down to zero or even negative, if you're looking at real rates or, zero kind of nominal in the policy rate, whether they go back down there is going to be contingent on whether the US economy goes into recession. And, on that point, I would say that the soft landing looks much more achievable now than it did a year ago. Of course, there are risks that still remain. There are hot spots in the US economy that we're watching very closely, regional banks and the CRE market. clearly there's a recession going on within the office space of CRE. Regional banks have a lot of exposure on their balance sheet as a result of that. We think some of the smaller regional banks will, they're probably under-reserved for that exposure. So all of that is to say is there's hot spots in the economy. But nevertheless, we think rates on average will be higher than they were, for the decade pre-pandemic.

**KEENE:**

Tiffany, asking for a friend, can you get his tickets to Pepperdine, to the March Madness West Regional? Do you got pull at PIMCO on that?

**WILDING:**

I'm not the right person to ask at PIMCO, for that, unfortunately.

**KEENE:**

Well, we'll ask- good morning, Dan. Tiffany, thank you so much. Tiffany Wilding with us. PIMCO's Economist there on this job to report.