



March 11, 2026

## Morning Briefing

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### On AI & Jobs And The War & Emerging Markets

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Check out the accompanying [chart collection](#).

**Executive Summary:** While the headlines have stoked fears about AI-related layoffs, Melissa reports that there are also less-heralded job openings arising from Boomer retirements and the creation of new AI-related positions. White-collar workers may need retraining, and entry-level workers may have to send out even more resumes to land that first job, but ultimately, the economy should continue to add jobs, just more slowly. ... The jump in energy prices due to the war in Iran has hurt economies and currencies across Asia, the Middle East, and Africa. William examines the war's impact on emerging market countries far and wide.

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**US Economy: Exposing the AI Inflection in the Labor Market.** The lamplighters didn't see it coming. Neither did the elevator operators, the switchboard operators, or the file room clerks. Most generations have faced some form of job displacement due to technological innovation, which often arrives unexpectedly.

There is a particular feeling to these moments. In 2007, the first reports about subprime mortgage defaults in obscure corners of the housing market looked like noise. The numbers were small, the exposure seemed contained, and the conventional wisdom, almost universally held, turned out to be wrong.

Likewise, recent weakness in employment data deserves to be taken seriously rather than explained away. The Bureau of Labor Statistics sharply revised downward the number of jobs added in 2025 and February's employment report showed actual job losses. The pay premium for [switching](#) jobs has fallen to a record-low and job cut announcements have come from Morgan Stanley, McKinsey, and others.

McKinsey's [2025 State of AI survey](#) found 30% of companies expect AI to reduce workforce size within business functions in the next year; and Citrini Research's February [analysis](#) models job losses that spiral to 10.2% unemployment by 2028, driven by a negative feedback loop in which AI-driven layoffs depress consumer spending and accelerate further AI adoption.

But there are reasons to be optimistic. More than 4.1 million Americans [turn](#) 65 annually through 2027, creating structural vacancies the domestic labor force cannot fill without a productivity boost. Meanwhile, the World Economic Forum (WEF) [projects](#) AI will create 78

million net new jobs globally, and the Brookings Institution reports that the most exposed workers to AI-related layoffs are also the [best positioned to adapt](#). Jobs that were outsourced to India could bear more of the brunt than domestic positions as AI dismantles the cost-arbitrage model that built India's \$300 billion IT outsourcing industry. Finally, Citadel Securities' February [note](#) points to a baseline outlook in which AI augments rather than replaces jobs at scale.

Our hedged takeaway: the odds are more evenly split between the Citadel and Citrini notes than we care to admit, but we see more of a slow drain than a spiral for the employment picture. Headline employment growth continues, albeit at a slow pace, especially as the Baby Boomers retire. The composition of jobs available changes. The jobs being created and the jobs being lost are not the same jobs.

Healthcare and construction job gains keep the headline employment number positive. White-collar knowledge-workers will continue to lose AI-exposed jobs. The entry-level pipeline in high-skill occupations is closing, meaning fewer junior hires, and longer unemployment spells for new graduates. Job switchers will not receive higher wages at new jobs because of competition from unemployed workers.

Let's review the bullish and bearish cases in detail:

(1) *Bearish case: Nonfarm payrolls expose weaker data.* The 2025 Bureau of Labor Statistics (BLS) Employment Situation benchmark [revision](#) depicts a sluggish job market: meaning the labor market was considerably weaker than it appeared at first. It's precisely the kind of early-stage signal that tends to look ambiguous until it doesn't.

February [confirmed](#) the trend. Payrolls fell 92,000 ([Fig. 1](#)). Unemployment edged up to 4.4% ([Fig. 2](#)). Many headlines blamed weakness on the health care sector, which lost 28,000 jobs during the Kaiser Permanente [strike](#) (i.e., 31,000 workers off the job across California and Hawaii from January 26 through February 25) and those job losses are expected to reverse in March.

Job losses that aren't expected to reverse tell the more important story: Information services saw jobs decline by 11,000. AI may be displacing roles as the industry lost an average of 5,000 jobs per month over the prior 12 months.

The number of long-term unemployed (those jobless for 27 weeks or more) stood at 1.9 million in February, up from 1.5 million a year earlier. This seems consistent with structural displacement, where sidelined workers face a longer search for roles that have potentially been impacted by AI.

(2) *Bearish case: Private sector jobs expose softness underneath.* The ADP National Employment Report [showed](#) that the private sector added 63,000 jobs in February, the best since July, but weakness lies beneath the surface ([Fig. 3](#)). Hiring was concentrated in a few sectors: education, health, and construction. Conversely, professional business services shed 30,000 jobs in February and 55,000 in January, the sharpest single-month loss in the revised series, reflecting persistent weakness in the sector most exposed to AI substitution ([Fig. 4](#)). Also, the job-changer pay premium fell to a record-low 1.8 points above stayer pay.

When the switching premium collapses, employer leverage has risen and labor market mobility has fallen.

(3) *Bearish case: Nowhere near Anthropic's theoretical exposure.* Anthropic, Claude's developer, [published](#) an alarming analysis of the AI-impacted job market that predicts a "Great Recession" for white-collar workers. The analysis measures what share of tasks within each occupation AI could theoretically perform by the time AI reaches peak adoption.

Computer and math occupations show 94% of work done by humans could theoretically be replaced by AI programs, office and administration 90%, business and finance 85%; observed usage currently runs at much smaller levels (see report's Fig. 2). The closing of that gap is the risk to watch. The trigger is not theoretical capability but adoption, and adoption has been accelerating.

(4) *Bearish case: Fed exposes entry level jobs.* The entry-level ladder could collapse if firms stop hiring entry-level employees, severing the apprenticeship-type roles through which knowledge is transferred. Dallas Fed economist J. Scott Davis [explored](#) why employment in AI-exposed sectors is already falling while wages rise: AI substitutes for codifiable entry-level work while augmenting workers with tacit knowledge.

(5) *Bullish case: labor market exposed to silver tsunami.* The structural offsets to current and future AI job losses are real and they are being under-reported. The BLS [projects](#) the overall labor force participation rate to edge down to 61.2% by 2033, down from 62.0% today, as Boomer exits outpace new labor force entrants ([Fig. 5](#)). These are structural vacancies that can be filled either by folks who have lost their jobs due to AI or by increases in productivity related to AI.

(6) *Bullish case: exposing the underappreciated offshore channel.* AI may have more of an impact on jobs that the US has already outsourced. India's \$300 billion IT outsourcing industry—not call centers, but high-skill software development, systems integration, and data management—faces direct AI substitution because cost arbitrage was always about labor price, not capability. India's benchmark IT stocks slumped nearly 6% on Anthropic's Claude Cowork release day. Claude Cowork does precisely what India's IT charges for without human handholding: Cowork executes multi-step knowledge work from software migrations to financial analysis.

(7) *Hedged case: AI exposes the fat and boosts productivity.* Layoffs aren't just impacting the tech sector. Companies in the financial and consulting industries are affected as well. AI can do many of the tasks performed by first year investment banking analysts and consultants, like summarizing reports or creating Excel spreadsheets.

Morgan Stanley recently announced that it cut 2,500 employees despite record 2025 revenue. McKinsey is trimming non-client-facing roles by roughly 10%. Block cut 4,000 jobs, with CEO Jack Dorsey explicitly citing AI efficiency. The AI attribution deserves scrutiny, though. These firms were carrying more headcount than warranted. Dorsey has a pattern of building and then cutting; Block itself went from roughly 13,000 employees at its 2023 peak to roughly 10,000 before this latest round, a contraction that predates the AI rationale by two years.

(8) *Hedged case: the range of outcomes exposed.* The net job math remains constructive, and the most exposed workers may also be the best positioned to adapt. The WEF projects AI will displace 92 million jobs by 2030 while creating 170 million new jobs. Brookings/NBER find the most AI-exposed workers also possess the strongest financial buffers and most transferable skills.

Two frequently cited research reports have circulated that define the goalposts in the AI debate. Citrini Research's analysis predicts AI will cause job losses to spiral, pushing the unemployment rate to 10.2% by June 2028, driven by a negative feedback loop with no natural brake. In direct contrast, Citadel outlines a baseline that points to software engineer postings for the end of 2026 up 11% year-over-year, stable GenAI usage, and compute constraints providing natural brakes on AI job displacement; AI augmentation gains scale, not AI job replacement.

Today's employment numbers sit closer to Citadel's baseline case. The future Citrini lays out requires a failure of adaptation that the data does not support. So far.

**Emerging Markets: Iran War's Collateral Damage Zone Widens.** As global markets swing toward cautious optimism that the Iran war might be short-lived, officials at the Reserve Bank of India are still swinging into action to stabilize a [cratering currency](#) and gyrating bond yields.

On Monday, President Donald Trump delighted investors by predicting the US- and Israeli-led conflict is "very complete, pretty much." Indian rupee bears aren't buying this apparent U-turn, as Trump sends [conflicting signals](#). India isn't alone in struggling to figure out what's what with Trump's Iran war plans and how to adjust to oil priced somewhere around \$100 per barrel.

Let's look at several emerging economies and sectors increasingly in harm's way from Iran war fallout:

(1) *Plunging currencies.* Bank Indonesia spent Tuesday struggling to stop the rupiah from hitting new [all-time lows](#). Last week, as bombs fell on Tehran, Indonesia's currency fell to a historical low of 17,015 rupiah versus the dollar. The turbulence has traders punishing Indonesia for its chronic twin deficits in the budget and current account.

Similar signs of strain are appearing around Asia, the region whose export-driven economies are arguably most exposed to the double whammy of tariffs and surging oil prices. This is true of China and South Korea, too, raising the stakes for developed economies.

(2) *Supply chains.* "Higher oil prices cause a broad increase in [operating costs](#) across the economies responsible for producing much of the world's manufactured goods," notes Nigel Green of the [deVere Group](#). "Factories across Asia sit at the center of global supply chains and oil prices influence nearly every stage of production."

As Green points out, petrochemicals feed plastics manufacturing. Fuel powers container shipping fleets and aviation networks. Industrial facilities rely on energy-intensive processes

to produce electronics, vehicles, machinery, and steel. Rising crude prices push operating costs higher across thousands of companies simultaneously.

(3) *Detroit of Asia*. [Thailand](#) is a major energy importer in part to fuel huge factories run by Ford, GM, Mercedes-Benz, Honda, Nissan, and Toyota. The downward pressure on the baht-dollar exchange rate is fanning inflation risks and triggering capital to leave. In recent days, frenetic trading at the Stock Exchange of Thailand prompted regulators to [halt dealing](#).

On Monday, International Monetary Fund head Kristalina Georgieva was in Asia warning that developing economies should prepare for the “[unthinkable](#)” amid disruptions prompted by war in Iran. A “prolonged” conflict, she said, would have a “clear and obvious potential to affect market sentiment, growth, and inflation, placing new demands on policymakers.”

(4) *Four-day workweeks*. Long lines at gas stations across Thailand led to a [15-day cap](#) on diesel prices. Vietnam’s Ministry of Finance is urging people to [work from home](#) and removing taxes on fuel imports. The Philippines imposed a [four-day workweek](#) for public offices and limited elevator use. In Bangladesh, universities [closed their doors](#) to conserve energy.

Frontier markets with low foreign-exchange reserves like Egypt, Pakistan, and Sri Lanka are contending with capital flight risks and swooning equities. Last week, Pakistan’s benchmark KSE-30 Index had its [biggest plunge](#) on record.

(5) *Inflation sensitivity*. Other emerging markets under strain include South Africa, a net oil importer struggling with fiscal strains and weak growth. Latin America is chock-a-block with nations facing high commodity-related inflation sensitivity. Among them: Argentina, Brazil, Chile, the Dominican Republic and Mexico, a [top-13 economy](#).

(6) *Market contagion?* One big question is whether the Trump White House might reassess its Iran strategy, given the worsening fallout for less developed economies caught in a widening collateral-damage zone.

Prior to the US and Israel attack, Trump was getting good news on three of his biggest asks from markets: (1) oil prices were stable; (2) US Treasury yields were lower; and (3) the dollar was [softening](#). The attack on Iran stopped all three “wins” in their tracks, immediately scrambling global risks. It even has some using the most dreaded word in EM circles: “contagion.”

“Oil and gas imports are the most direct channel for [contagion](#) from the conflict, given its effect on global energy prices,” notes Ed Parker at Fitch Ratings.

(7) *When war backfires*. Even if Trump ends the war tomorrow, there will likely be lasting economic damage. Confidence in countries still reeling from tariffs is taking big hits. Also, the war has shifted the “[Overton window](#)”—i.e., the zone of what a government [can do globally](#) with little notice—is shifting faster than many developing nations, or investors in them, can keep up. If this White House’s policies damage trust in the dollar and US Treasuries, buckle those seatbelts.

The resulting economic mayhem might reduce governments' appetite or political capital for implementing reforms to raise living standards and therefore to create bigger consumer markets for US goods—including China and India. That's just one more way the Iran war might backfire on Trump.

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