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Flash Macro Update (02/01/2019)

Everybody was curious whether partial government shutdown would have affected job figures. Apparently, it was not the case. Non-farm payrolls in January 2019 were up by 304k compared to the consensus of 165k.

Although there was a sizeable downward revision in December 2018 and upward revision in November 2018, we should emphasize that the figure clearly shows that US economy continues to create a decent amount of jobs, which is positive for the medium-term growth and which should alleviate concerns regarding a recession in the short-term. It is worth noting that labor force participation rate inched up to 63.2% in January from 63.1% in December.

The average hourly earnings were more important than the non-farm payroll data. And it came in at 0.1% against the expectation of 0.3%. In annualized terms, annual average hourly earnings rose by 3.2% in January 2019, which was the same in December 2018 as well.

The data indicates that the US economy creates decent amount of jobs without feeling a serious inflationary pressure for now. The jobless rate went up from 3.9% to 4.0%, which is still very low and confirms that a recession is not imminent for the US. All in all, we could say that there was no discernible impact of partial government shutdown except the unemployment rate, as it was also expressed by authorities.

After the last FOMC meeting, market participants were wondering whether the average hourly earnings could make a surprise on the upside and weaken FED's new dovish monetary policy stance. It seems that the data also supports FED's views that inflationary pressures are not rising.

<u>Overall, the data did not contradict with the FED FOMC's last decision and confirmed that US economy continues to grow without serious inflationary pressures. The data supports our constructive view on US equities.</u>

Ozgur ALTUG
Chief Economist
CONY Global Macro Strategy