CONY Flash Macro Note	November 1, 2019

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Flash Macro Update (11/1/2019)

After the FED's FOMC meeting, in which the Bank has delivered another 25 bps rate cut and switched to a wait-and-see, most important data of the new month were released today. Job data is always the most important one, as it gives clues to the market about the state of economic activity and inflationary pressures at the same time. October job data was broadly better than expectations despite the GM strike which started in mid-September. It is worth noting that there were very sharp upward revisions in the previous months' job data as well. The job growth clearly showed that the economy is still on track and did not hint any recession in the short term.

According to the data, U.S. economy produced 128k non-farm jobs versus expectations of 89k in October. In addition, the September non-farm payroll data was revised up from +136k to +180k, while there was another upward revision in August reading by 51k. We observe that labor force participation rate inched up to 63.3% in October from 63.2% in September, which also shows the strength of US economy. With the October data, unemployment rate in the US was 3.6% in October compared to 3.5% in September hovering at its lowest level in the last five decades.

As important as the aforementioned figures, average hourly earnings came in at +0.2% in October, which was lower than expectations (cons: +0.3%) and point to an annual increase of 3.0% in October compared to 3.0% in September. So overall the data continued to signal that there is no serious inflationary pressure and no recession yet. It is worth noting that annual average hourly earnings were 3.2% in end-2018. Employment increased in private sector, whereas there were some minor job cuts in the public sector. When we look at the details, we see that the job cuts in the retail sector stopped in the last two months which seems to be good news. However, there was some job cuts in the manufacturing sector which might be related to the strike in GM.

In terms of monetary policy, the data does not suggest a new information, in our view. Growth in the US continues at a slower pace despite weak investment appetite. Job market is still strong despite some slowdown. Inflationary pressures, if any, are still contained. FED delivered three rate cuts in the last three meetings and the data actually confirms FED's view that US economy is on track and there is no need for a further rate cut in near future.

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