CONY Flash Macro Note	May 3, 2019

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Flash Macro Update (05/03/2019)

'High job creation without creating a major inflation' motto seems to have continued in the US in April. Some analysts were expecting public sector employment to contribute significantly to the April data due to the temporary hiring, but it appears that job creation is nation-wide in the US. As it was the case in March, job data surprised on the upside in April, while the average hourly earnings did not point to a serious inflationary pressure in the short-term.

According to the data, U.S. economy produced 263k non-farm jobs versus expectations of 185k in April. In addition, the February non-farm payroll data was revised up from +33k to +56k while there was a minor downward revision in March reading. It is worth noting that we observe a decline in labor force participation rate from 63.0% in March to 62.8% in April. Participation rate was 63.2% in February. With the April data, unemployment rate in the US fell to 3.6% in April from 3.8% in March hovering at its lowest level in the last five decades.

Maybe more important than the aforementioned figures, average hourly earnings came in at +0.2% in April, which was lower than expectations (cons: +0.3%) and point to an annual increase of 3.2% in April compared to 3.2% in March. So overall, we think that the headline job data looks strong and encouraging.

Employment seems to have increased both in private and public sectors. When we look at the details, we see that the job cuts in the retail sector continued at full speed, which is a structural phenomenon due to online retailing, in our opinion, whereas other sectors did well in terms of creating jobs. Especially, service sector employment remained very strong. In fact, apart from retail sector, pretty much all sectors added new jobs in April.

In terms of financial markets, we think that the data is an equity friendly one, as it still heralds that US job creation continues without any interruption and without creating serious inflation. The data is neutral for FED's monetary policy that is on hold right now.

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