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Flash Macro Update (04/05/2019)

After the big miss in February, job data in the US for March was a very equity friendly one. Market players were eager to see March U.S. job data after some disappointing high-frequency macro data from the US recently. But the March job data surprised on the upside, 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 196k non-farm jobs versus expectations of 180k in March, which hints that the low February data did not turn into a trend. In addition, the February non-farm payroll data was revised up from +20k to +33k. It is worth noting that we detected a decline in labor force participation rate from 63.2% to 63.0%.

Maybe more important than the aforementioned figures, average hourly earnings came in at +0.1% in March, which was significantly lower than expectations (cons: +0.3%) and point to an annual increase of 3.2% in March compared to 3.4% in February. 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 also see that the 'job bleeding' in the retail sector continued at full speed, which is a structural phenomenon due to online retailing in our opinion, whereas other sectors did relatively well in terms of creating jobs. Meanwhile, overall unemployment rate remained steady at 3.8%. This means that the job market is still very hot and unemployment rate is at its lowest level since 1969.

In terms of financial markets, we think that the data is an equity friendly one, as it heralds that US job creation continues without any interruption and without creating serious inflation. The data looks more neutral for the fixed income market. The data is also neutral for FED's monetary policy that is on hold right now. The job data confirmed that GDP growth in the US in 1Q19 could still be around 2% that would mean a slowdown compared to 4Q18 & 2018 overall, but not a recession.

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