CONY Flash Macro Note **December 6, 2019**

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Flash Macro Update (12/6/2019)

FED's last FOMC meeting of the year will be held next week on December 10-11 and if you are looking for an interesting macro story, US economy does not look like an example for that. November non-farm payroll data proved once again that steady/healthy growth continues in the US. Job data is always the most important macro data, as it gives clues to the market about the state of economic activity and inflationary pressures at the same time. The data was actually better than expected but it did not implicate a major shift. 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 266k non-farm jobs versus expectations of 180k in November. In addition, the October non-farm payroll data was revised up from +128k to +156k, while there was another upward revision in September reading by 13k. We observe that labor force participation rate inched down to 63.2% in November from 63.3% in October, which also shows the strength of US economy. With the November data, unemployment rate in the US was 3.5% in November compared to 3.6% in October 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 November, which was lower than expectations (cons: +0.3%) and point to an annual increase of 3.1% in November compared to 3.2% in October. 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 both in private and public sectors. When we look at the details, we see that the job cuts in the retail sector stopped in November which seems to be good news. In fact, except the whole trade we observe a broad based increase in all other sectors.

In terms of monetary policy, the data does not suggest a new information, in our view. Growth in the US continues 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.

Ozgur ALTUG
Chief Economist
CONY Global Macro Strategy