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

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Flash Macro Update (09/06/2019)

Ahead of the approaching FOMC meeting, most important data of the week (probably of the month too) were released today. August job data was more or less in line with expectations, but there were some eye-catching details as well. Business investment appetite remains relatively weak due to trade tension between US and China. The job growth was not as strong as expected, but it was still on track and did not hint any recession.

According to the data, U.S. economy produced 130k non-farm jobs versus expectations of 158k in August. In addition, the July non-farm payroll data was revised down from +164k to +159k, while there was another downward revision in June reading by 15k. We observe that labor force participation rate increased further to 63.2% in August from 63.0% in July, which shows the strength of US economy. With the August data, unemployment rate in the US remained unchanged at 3.7% in August hovering at its lowest level in the last five decades.

As important as the aforementioned figures, average hourly earnings came in at +0.4% in August, which was higher than expectations (cons: +0.3%) and point to an annual increase of 3.2% in August compared to 3.3% in July. 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 also 3.2% in 2018.

Employment increased in both 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 except transportation sector, which faced 0.5k job cuts. In fact, apart from retail and transportation sectors, pretty much all sectors added new jobs in August.

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. The market continues to think that a 25 bps rate cut is a done deal in two weeks. In fact, the domestic data do not justify just a rate cut, in our view, but probably because of external uncertainties and President Trump’s heavy campaign for a rate cut will result in another monetary policy easing in the US in two weeks.

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