



CONY Flash Macro Note

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Flash Macro Update (03/08/2019)

Market players were curious to see February U.S. job data after the disappointing comments by ECB's Draghi on the decelerating economic activity in the Euro Zone. Nowadays, financial markets are on a risk-off mode due to global recession concerns. And February non-farm payroll data in the US (especially the headline) bolstered these fears. However, we think that the devil is in the detail. In other words, looking only to the headline job data could be misleading.

According to the data, U.S. economy produced 20k non-farm jobs versus expectations of 180k in February, which looks like a big miss and which signals that U.S. economy's job creation capacity is slowing down. But, we would like to list some factors and details that might overshadow this view later:

- 1- There are some upward revisions in the last two months' data,
- 2- In December 2017 and in January 2018, U.S. economy created an enormously high non-farm job (almost 550k jobs in two months),
- 3- The labor-force participation rate was unchanged at a five-year high of 63.2%,
- 4- The official unemployment rate declined from 4.0% to 3.8%.

Maybe more important than the aforementioned figures, average hourly earnings came in at +0.4% in February, which was higher than expectations and point to an annual increase of 3.4% in February compared to 3.1% in January. So overall, we think that the headline data looks weak, but the details suggest that US economy is not in recession yet.

In addition to the job data in the U.S. another data release was the January housing starts. According to the release, housing starts were 1.23 million units, registering an 18.6% m-o-m increase in January. It is worth noting that housing starts increased by 2.7% in 2018. It could be said that housing sector made a good start to 2019.

We think that the street will focus on the headline job data first due to the ongoing risk-off mood, but we believe that at some point it will be realized that inflationary pressures are not done yet and economy is not in recession.

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