

Softish US jobs report favours a December rate cut

US non-farm payrolls rose broadly in line with expectations after recent strike and hurricane distortions, but unemployment picked up by more than expected. With valid questions over the quality of the jobs the US is currently creating, we continue to expect the Fed to cut the policy rate 25bp on 18 December



227,000

Number of US jobs added in November

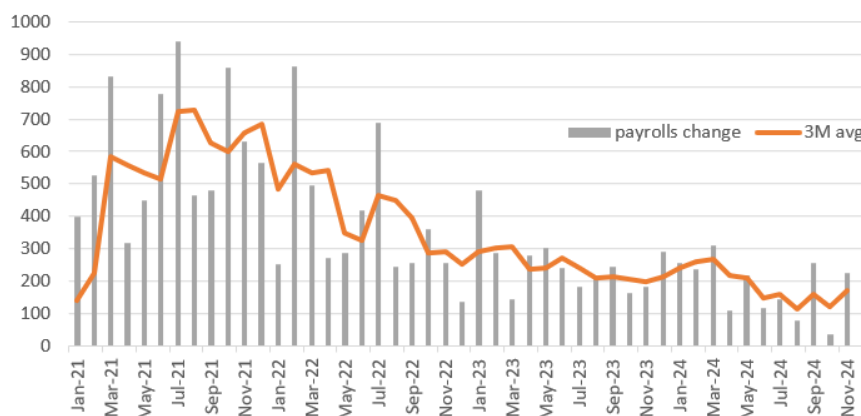
As expected

227k jobs added, but remember to factor in strikes and Hurricane Milton haha

US non-farm payrolls have come in at 227k for November, very close to the 220k consensus. There

were 56k of upward revisions to the past two months. Private sector payrolls are weaker though, posting an increase of 194k versus a 205k consensus figure while the usual suspects of government, leisure & hospitality and private education & healthcare services accounted for 165k of the total 227k figure. Moreover, this report has to be viewed in the context of the returning Boeing workers who had been on strike through October and return of workers not counted due to Hurricane Milton impacting the number count in Florida and other states. Therefore the “true” payrolls figure is closer to 115k. If we take an average of October and November to account for the distortions it is 131.5k, so the cooling trend remains very much in place.

Monthly change in US non-farm payrolls (000s)



Source: Macrobond, ING

Market momentum builds for a 25bp cut on 18 December

The household survey was weaker, showing that employment on that basis fell 355k after a 368k drop in October. This has led the unemployment rate to rise to 4.2% from 4.1% (consensus was for it to stay at 4.1%). In fact we weren't too far from getting a 4.3% figure on rounding since to 3 decimal places it was 4.246%. We also see that the number of full-time workers fell again while part-time employment continues to rise. This yet again suggests that the quality of jobs that the US economy is generating is not especially great.

On balance this report keeps the 25bp December rate cut narrative in favour over a no change outcome – the market is currently pricing 23bp of a 25bp cut versus 16bp just ahead of the data release. We continue to think the Fed will indeed cut by 25bp, just to keep policy moving from restrictive territory towards neutral. However they are set to signal a slowing in the pace of cuts with a pause at the January FOMC meeting looking likely. This risk to that view is next week's core CPI print coming in hot. The consensus is 0.3%, but so long as that is closer to 0.25% rather than 0.349% we think they will indeed opt to cut on 18 December.

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