Solid US jobs report keeps the Fed on track for a June hike

Rising employment and an above-consensus wage growth figure will reinforce expectations for a rate rise in a couple of weeks, although Fed voters will also have a firm eye on the latest trade developments

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President Trump said shortly before today's US jobs report that he was "looking forward" to seeing the numbers. And with the economy having added 223k jobs in May, he is likely to be fairly chuffed.

The unemployment rate fell to 3.8%, a new post-crisis low, and in fact, came within spitting distance of 3.7% once rounding is taken into consideration. This decline came as almost 300,000 job hunters found employment in May, according to the household survey.

But for the Fed, the key positive in this month's report is that wage growth beat estimates, taking the year-on-year rate back up to 2.7%. This comes as firms appear to be finding it harder to fill positions. The proportion of small businesses finding it hard to fill job openings continues to flirt with all-time highs, while it's taking around twice as long to fill vacancies than it did during the depths of the financial crisis. We think wage growth could test 3% again this year as these skill shortages gradually filter through to the official numbers.

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All of this means that a rate hike is still highly likely from the Fed in a couple of weeks' time. Our base case is that the committee will hike a further two times after that in 2018, although of course there's no doubt that Fed officials will be keeping a firm eye on the brewing global trade war, and this is the main risk to our view.

As far as the jobs numbers are concerned, we suspect it is probably too early to see the effect of Trump's metal tariffs in this month's data, but things could start to look a little more concerning over coming months.

There are reportedly only around 300,000 workers directly employed in both the steel and aluminium production industries. By comparison, some estimates have put the number of jobs in companies reliant on steel/aluminium inputs at around 6.5 million – in industries covering aircraft to beer cans. On this basis, the risks stemming from the metals tariffs are likely to be a net negative for the overall jobs market.

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