

## US November jobs surge

US employment numbers received a boost from the return to work of 48,000 formerly striking General Motors staff, but the 266,000 surge was well beyond expectations. The Federal Reserve is firmly "on hold" for the next few months, but with global activity showing little sign of improvement and trade tensions lingering we expect weakness in coming months



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# 266k

November's increase in US payrolls versus 180,000 consensus

Better than expected

### Strike over

The 266,000 increase in non-farm payrolls in November was far better than expected, and with a net 41,000 upward revision to the past two months, we can safely say the Fed will not be cutting rates for the fourth time this year when the committee meets next week.

The market was expecting a decent figure given the return to work of 48,000 GM workers following a six-week strike over pay and benefits. There will also have been a boost in employment at supply chain companies which had been impacted by the industrial action. Nonetheless, there was broad strength in the report.

Wage growth has also stayed above 3%, following a sizable upward revision to the October data.

## A bias to more rate cuts

Despite today's blowout number, the US economy is experiencing a slowdown and we expect this to be reflected in weaker payrolls gains in coming months. The weak global growth environment, as underlined by disappointing German industrial numbers, the strong dollar and the ongoing trade tensions with China, has prompted a more cautious attitude from US business and already resulted in two consecutive quarters of falling capital expenditure.

We are likely to have seen a third consecutive contraction in the fourth quarter as uncertainty and softening demand growth sap confidence. Add in political uncertainty ahead of next year's elections, which increasingly risks a "wait and see" attitude from companies, and we prefer to be on the softer side of market expectations for both growth and interest rates in 2020.

With GDP growth likely to slow further in coming quarters and inflation pressures likely to remain benign, we see the case for further Fed interest rate cuts in the New Year. While the market is currently pricing in just one more rate cut, we see a strong chance that the Fed steps in with a little more support well before then, with two rate cuts predicted for 1H20.

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