

**Flash Note:
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U.S. job growth surges. Change in Nonfarm Payrolls (Jun) 224K vs 160K Expected

- Nonfarm payrolls increase 224,000 in June (the most in five months, and above job growth average of 172,000 per month in 1H2019)
- There are about 7.4 million job openings (meaning that any job growth slowing is due to employers struggling to find qualified workers).
- Average hourly earnings gains 0.2% (vs 0.3% in prior month). That kept the annual increase in wages at 3.1% for a second straight month. NOT BAD AT ALL!!
- In summary, the job market in the US seems to be in full swing, and May's slowdown in hiring was a fluke.

Our assessment:

- The Fed signaled last month that it could ease monetary policy as early as this month citing growing risks to the economy from an escalation in trade tensions between Washington and Beijing. This led investors to buy long bonds hastily.
- Well, I doubt that the Fed will cut rates in the way that everyone anticipated. (That's why we said that if there was a cut in rates it would not be until the end of the year).
- Given the current conditions in the labor market, and if I am right, once again we will have seen how the market got miserably wrong.
- Underweight USTs, OW USD.
- Slightly UW US Equities (temporarily)

Best