



July 8th 2016

US – you can get a job – can you live on it? – Need to impound and sequester college macro textbooks – this does not work! US central bank shall play “waiting game” - No change to basic global situation

Jobs report providing some good cheer – is this “Mustang America” all over again?

The jobs report is creating some good cheer with “brute” job creation coming in stronger than expected at over 280000. Does this mean that the US economy is on the cusp of “Mustang America” economic expansion?

Employment and economic growth initiating divorce proceedings

No! What it is doing is providing some relief that US employers are not cutting back on hiring in the light of foreign macro and political developments. While we have long viewed employment and growth in the US as diverging and not being in an exclusive relationship, we now see them as initiating divorce proceedings.

Employment “booms” wages go nowhere – conventional economics do not live here anymore!

We are continuing to see weak wage growth and a dismal labor force participation rate. Hiring remains centered on the service sector – where low wages and scant benefits limit real disposable income. This goes some way to explaining the lack of wage growth completely at odds with conventional economics.

We see “keepers of keys” moving to waiting game – do not want to rock leaky global boat

The key question remains prospective action by the Federal Reserve. We see the issue as moot – with the US central bank’s rudder set on systemic risk and not macro data. A series of “strong” employment numbers may prompt bellicose talk. However, we see the “keepers of the keys” proceeding cautiously until the dust has started to settle on the European cauldron and the US elections.

Three cheers for stronger US Dollar – going to Europe!

On the FX front, we are seeing a stronger US Dollar – which pleases the author of these notes, who shall be visiting “The Old World” in August. Investors shall continue to flock to US assets, in the hope that the US shall be a slow-moving “stand alone” economy as opposed to other regions dependent on global growth.

Nothing has changed- banks in Europe still need TARP and UK still very volatile!

Does this alter in any significant way the political turmoil and the impact of the most important political event since the “End of History” – collapse of communism? No, it does not! And it shall not solve the European banking crisis or commodity tremors. The base case remains unchanged – this data buttresses the previous trend which was not brilliant.

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Research Highlights

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