

October 2018 U.S. Employment, September International Trade

Strong Job Growth Keeps Fed "Gradualism" Engaged

- Payroll Employment increased by 250,000 jobs in October. September was revised down to +118,000.
- The Unemployment Rate for October was unchanged at 3.7 percent.
- Average Hourly Earnings increased by 0.2 percent in October and were up 3.1 percent over the year.
- The Average Workweek in October increased to 34.5 hours.
- The U.S. Trade Gap widened in September to -\$54.0 billion.

U.S. payrolls expanded by a stronger-than-expected 250,000 net new jobs in October. Some of the good news was bought back by a downward revision in September, to now show a net gain of 118,000 for that month. August was revised up to show a very strong +286,000. The average net payroll gain over the last three months is 218,000 which is very strong considering how tight labor markets are. Hurricanes in September and October may have contributed to recent volatility in the jobs numbers. However, the Bureau of Labor Statistics said Hurricane Michael in October did not impact the response rates for their surveys. The household survey of employed showed a very strong increase of 600,000 jobs and similar strong gain of 711,000 in the labor force. The U.S. unemployment rate stayed at 3.7 percent in October, as expected. Wage pressure was moderate. Average hourly earnings increased by 0.2 percent for the month and were up by 3.1 percent over the previous 12 months. The labor force participation rate ticked up to 62.9 percent, little changed over the last year.

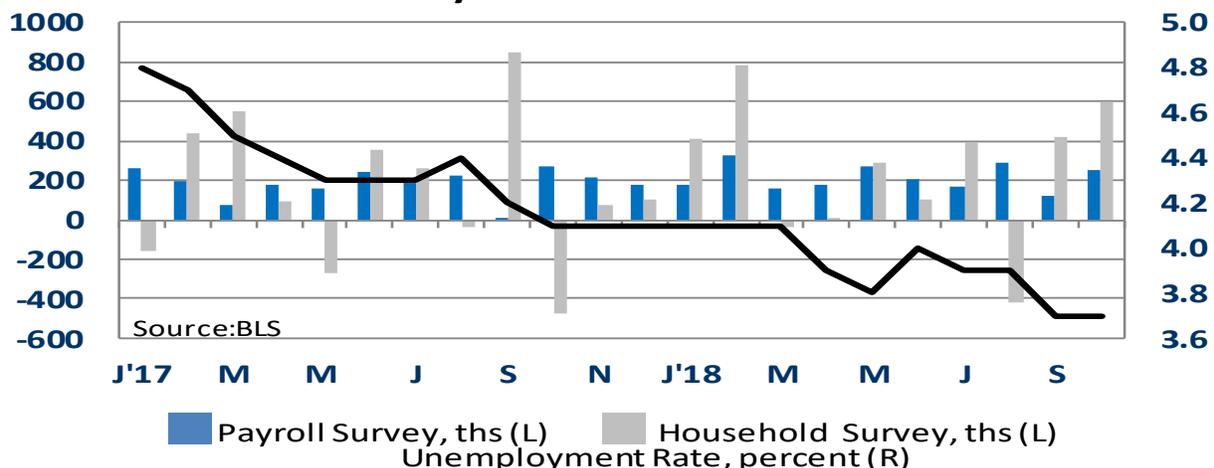
The establishment detail shows broad-based job growth across industries. Mining and logging dug up 5,000 net new jobs in October. Construction built 30,000. Manufacturing assembled a strong net gain of 32,000 jobs for the month. Wholesale trade added 9,100 net new jobs. Retail was soft, ringing up only 2,400 net new jobs in October. Utilities were stable, adding 1,200 jobs. Information services gained 7,000 jobs, as did financial services. Professional and business services accounted for an additional 35,000 net new jobs. Education and healthcare gained 44,000 jobs. Leisure and hospitality served up 42,000 jobs. The government sector added 4,000.

Job growth in the U.S. remains strong. Year-over-year wage gains are inching up. The Federal Reserve will continue on its path of "gradualism". As long as the stock market stabilizes, which we expect it to do, the Fed will remain on track to deliver the fourth 25 basis point increase in the fed funds rate range on December 19. No rate hike at the upcoming November 7/8 FOMC meeting.

The U.S. international trade gap widened in September to -\$54.0 billion. Imports increased by \$3.8 billion as exports expanded by \$3.1 billion. The strong dollar will keep pressure on the trade gap this fall.

Market Reaction: U.S. equity markets opened with gains. The 10-Year T-bond yield is up to 3.18 percent. NYMEX crude oil is down to \$63.39/barrel. Natural gas futures are down to \$3.22/mmbtu.

U. Rate Stayed at 3.7 Percent in October



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