CIO | VIEW

Chart of the Week

June 14, 2019

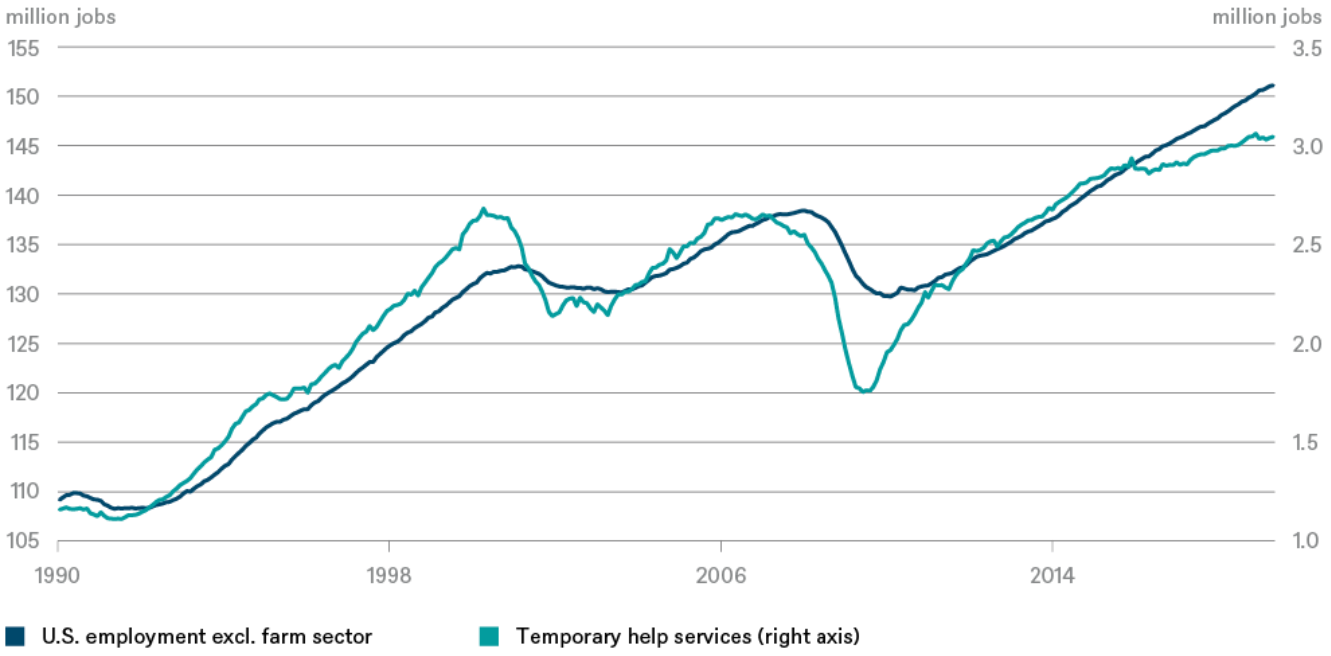
FEW SIGNS OF LABOR-MARKET WEAKNESS

Despite weak overall job creation, the U.S. labor market probably remains too strong overall to justify Fed interest-rate cuts.

All eyes are on the U.S. Federal Reserve (the Fed) once again. Back in January this year, its announcement to take a break after three years of interest-rate hikes contributed significantly to the turnaround in financial markets. At the beginning of May, when the expected agreement in the U.S. -Chinese trade dispute failed to materialize and markets started to head south, it was once again the words of central bankers that reassured investors. They hinted that they would cut interest rates if a worsening economic situation were to make such a response necessary. This prompted markets to reassess interest-rate prospects from (previously) pricing in not a single interest-rate cut for the rest of the year to (currently) envisaging at least two.

An important factor in the Fed's decision-making process is the situation in the U.S. labor market. In this respect, the disappointingly low figure of only 75,000 newly created jobs provided yet another talking point for those expecting interest rates to be cut soon. A broader view of the situation, however, calls for some caution. On balance, the U.S. labor market is in robust shape: The unemployment rate remains at a record low of 3.6%and the employment component in the ISM Purchasing Managers' Index rose again in May, pointing to a sustained increase in employment.

Furthermore, there is one area within the labor-market report that is particularly sensitive to a change in the economic situation: The number of temporary jobs. As can be seen from our "Chart of the Week," this is changing direction significantly before any weakness or strength becomes apparent in the broader labor market. In May, temporary-employment data was promising: the number of temporary jobs increased by 5,000. Having already seen an increase in April, we should now have overcome the weakness at the beginning of the year.



Sources: Bureau of Labor Statistics, Bloomberg Finance L.P., DWS Investment GmbH as of 6/12/19

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GLOSSARY

ISM Purchasing Managers Index
The ISM Purchasing Manager Index, published by the Institute for Supply Management, measures economic activity by assessing the sentiment among purchasing managers. It is an important indicator of the economic health.

U.S. Federal Reserve (Fed)
The **U.S. Federal Reserve**, often referred to as **"the Fed"**, is the central bank of the United States.

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