DWS

A Viewpoint from Joshua N. Feinman

U.S. Employment Report

The average workweek slipped 0.1 hours in February, though this too may have been influenced by adverse weather. Aggregate hours worked are on track for a moderate gain in the first quarter, broadly consistent with our view that gross-domestic-product (GDP) growth will downshift to about 1.5%. Average hourly earnings rose a strong 0.4% in February, bringing their increase over the past twelve months to a new cycle high of 3.4%. This reinforces the picture painted by other indicators that labor costs continue to accelerate, likely reflecting the tightness in labor markets, though the acceleration remains moderate (if a bit more vigorous of late), and still to a pace that is in line with (rather than threatening a material overshoot of) the U.S. Federal Reserve's (Fed's) inflation target.

The household survey was solid pretty much across the board. The headline unemployment rate dipped 0.2% to 3.8%, reversing two-thirds of its cumulative increase over the prior two months, and the dip did not owe to a fall in the labor-force participation rate, which held onto its recent gains, but to continued rapid growth in the household survey's estimates of employment – which makes us even more confident in downplaying the headline the nonfarm payroll figure for February. Further signs that labor markets may have resumed tightening – after a short stall – was evident in the broader U6 unemployment rate measure, which dropped to a new cycle low of 7.3% in February.

Bottom line: Labor market momentum has cooled a bit consistent with some moderation in overall economic activity, though the payroll figure for February vastly overstates the case, and underlying trends remain solid, sufficient if sustained to keep labor markets gradually tightening. Whether they will be sustained, though, is a question, as the economic outlook remains clouded by a confluence of crosscurrents and risks related especially to global growth, trade negotiations, and recent sharp swings in financial conditions. Against this backdrop, Fed policymakers are apt to remain firmly on hold, awaiting further evidence on how the outlook evolves. Their inclination to patience is likely reinforced by the absence of material inflation pressures (labor costs and core inflation measures remain broadly consistent with target, but not indicative of an overshoot), and the recognition that they have already unwound a good deal of policy accommodation.

Joshua N. Feinman
U.S. Chief Economist

In a nutshell

- Fade the headline figure. A combination of adverse weather and payback for super-charged increases in the prior two months likely contributed heavily to depressing nonfarm payrolls employment in February, holding their increase to just 20,000.
- Averaging through the monthly swings (plus 186,000 jobs over the past three months) provides a more accurate barometer of the underlying trends, and suggests that hiring momentum has moderated from the pace seen through much of last year, but remains firmly above what is likely consistent with demographic trends, and if continued would keep labor markets on a gradually tightening trajectory.

All opinions and claims are based upon data on 3/8/19 and may not come to pass. This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Source: DWS Investment Management Americas Inc.

CRC 065633 (03/2019)

Glossary

Accommodative

The aim of an **accommodative** monetary policy is to support the economy by means of monetary expansion.

Gross domestic product (GDP)

The **gross domestic product (GDP)** is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

Headline unemployment rate (U3)

Official unemployment rate (U3) occurs when people are without jobs and they have actively looked for work within the past four weeks.

Inflation

Inflation is the rate at which the general level of prices for goods and services is rising and, subsequently, purchasing power is falling.

U.S. Federal Reserve (Fed)

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

U6 unemployment rate

The **U6 unemployment rate** is the broadest measure of unemployment including those who have given up looking for work and those who are working part-time but would prefer to work full-time.

All opinions and claims are based upon data on 3/8/19 and may not come to pass. This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Source: DWS Investment Management Americas Inc.

CRC 065633 (03/2019)

Important Information – EMEA

The following document is intended as marketing communication.

DWS is the brand name under which DWS Group GmbH & Co. KGaA and its subsidiaries operate their business activities. Clients will be provided DWS products or services by one or more legal entities that will be identified to clients pursuant to the contracts, agreements, offering materials or other documentation relevant to such products or services.

The information contained in this document does not constitute investment advice.

All statements of opinion reflect the current assessment of DWS Investment GmbH and are subject to change without notice.

Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical performance analysis, therefore actual results may vary, perhaps materially, from the results contained here.

Past performance, [actual or simulated], is not a reliable indication of future performance.

The information contained in this document does not constitute a financial analysis but qualifies as marketing communication. This marketing communication is neither subject to all legal provisions ensuring the impartiality of financial analysis nor to any prohibition on trading prior to the publication of financial analyses.

This document and the information contained herein may only be distributed and published in jurisdictions in which such distribution and publication is permissible in accordance with applicable law in those jurisdictions. Direct or indirect distribution of this document is prohibited in the USA as well as to or for the account of US persons and persons residing in the USA.

DWS Investment GmbH 2019

Important Information – UK

Issued in the UK by DWS Investments UK Limited. DWS Investments UK Limited is authorised and regulated by the Financial Conduct Authority (Registration number 429806).

DWS is the brand name of DWS Group GmbH & Co. KGaA. The respective legal entities offering products or services under the DWS brand are specified in the respective contracts, sales materials and other product information documents. DWS, through DWS Group GmbH & Co. KGaA, its affiliated companies and its officers and employees (collectively "DWS") are communicating this document in good faith and on the following basis.

This document is a financial promotion and is for general information purposes only and consequently may not be complete or accurate for your specific purposes. It is not intended to be an

All opinions and claims are based upon data on 3/8/19 and may not come to pass. This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Source: DWS Investment Management Americas Inc.

CRC 065633 (03/2019)

offer or solicitation, advice or recommendation, or the basis for any contract to purchase or sell any security, or other instrument, or for DWS to enter into or arrange any type of transaction as a consequence of any information contained herein. It has been prepared without consideration of the investment needs, objectives or financial circumstances of any investor.

This document does not identify all the risks (direct and indirect) or other considerations which might be material to you when entering into a transaction. Before making an investment decision, investors need to consider, with or without the assistance of an investment adviser, whether the investments and strategies described or provided by DWS, are suitability and appropriate, in light of their particular investment needs, objectives and financial circumstances. We assume no responsibility to advise the recipients of this document with regard to changes in our views.

We have gathered the information contained in this document from sources we believe to be reliable; but we do not guarantee the accuracy, completeness or fairness of such information and it should not be relied on as such. DWS has no obligation to update, modify or amend this document or to otherwise notify the recipient in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate.

DWS does not give taxation or legal advice. Prospective investors should seek advice from their own taxation agents and lawyers regarding the tax consequences on the purchase, ownership, disposal, redemption or transfer of the investments and strategies suggested by DWS. The relevant tax laws or regulations of the tax authorities may change at any time. DWS is not responsible for and has no obligation with respect to any tax implications on the investment suggested.

This document contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models and hypothetical performance analysis. The forward looking statements expressed constitute the author's judgment as of the date of this document. Forward looking statements involve significant elements of subjective judgments and analyses and changes thereto and/or consideration of different or additional factors could have a material impact on the results indicated. Therefore, actual results may vary, perhaps materially, from the results contained herein. No representation or warranty is made by DWS as to the reasonableness or completeness of such forward looking statements or to any other financial information contained in this document.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

© DWS 2019

Publisher: DWS Investment GmbH, Mainzer Landstraße 11-17, 60329 Frankfurt am Main, Germany

All opinions and claims are based upon data on 3/8/19 and may not come to pass. This information is subject to change at any time, based upon economic, market and other considerations and should not be construed as a recommendation. Past performance is not indicative of future returns. Forecasts are not a reliable indicator of future performance. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. Source: DWS Investment Management Americas Inc.

CRC 065633 (03/2019)