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Athena Financial Solutions

The Impact of Stronger U.S. Employment Data on Central Bank Policy and Ultimately Asset Prices

James Brodie

Founder
Athena Financial Solutions

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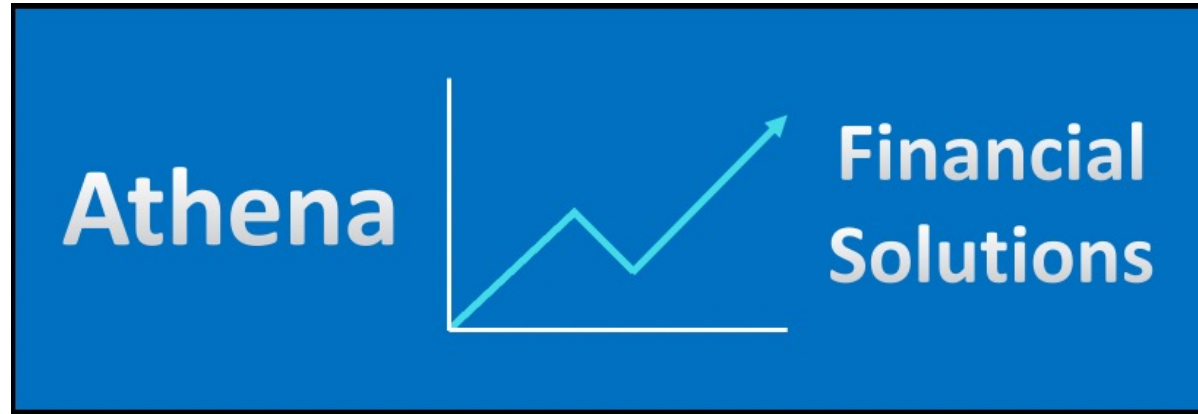
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The impact of U.S. employment data on central bank policy and ultimately asset prices

James Brodie C.M.T.



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The impact of stronger U.S. employment data on central bank policy and ultimately asset prices.

- The 2021 U.S. July employment report (non-farm payrolls) beat expectations among economists surveyed on Bloomberg across multiple metrics (headline number, unemployment rate, average hourly work week and average hourly earnings). In fact according to the JOLTS job openings data (9th August 2021) there are now more job vacancies in the U.S. (10.073 mio) than unemployed people (NFP data 6th August 2021).
- In this presentation, we will look at the impact this has on the U.S. economic recovery, the Federal Reserve central bank policy and the potential knock-on effect to asset prices.

U.S. August jobs data (released 3rd September)

Much weaker headline number, but

Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior	Revised
21)	09/03 13:30	🔊	🔔	📊	Change in Nonfarm Payrolls	Aug	738k	235k	943k	1053k
22)	09/03 13:30		🔔	📊	Two-Month Payroll Net Revision	Aug	--	134k	--	--
23)	09/03 13:30		🔔	📊	Change in Private Payrolls	Aug	610k	243k	703k	798k
24)	09/03 13:30		🔔	📊	Change in Manufact. Payrolls	Aug	25k	37k	27k	52k
25)	09/03 13:30		🔔	📊	Unemployment Rate	Aug	5.2%	5.2%	5.4%	--
26)	09/03 13:30		🔔	📊	Average Hourly Earnings MoM	Aug	0.3%	0.6%	0.4%	--
27)	09/03 13:30		🔔	📊	Average Hourly Earnings YoY	Aug	3.9%	4.3%	4.0%	4.1%
28)	09/03 13:30		🔔	📊	Average Weekly Hours All Emp...	Aug	34.8	34.7	34.8	34.7
29)	09/03 13:30		🔔	📊	Labor Force Participation Rate	Aug	61.8%	61.7%	61.7%	--
30)	09/03 13:30		🔔	📊	Underemployment Rate	Aug	--	8.8%	9.2%	--

Employment to population ratio falling

US Full Time Jobs vs. Population

2021: 127m vs. 333m

2019: 131m vs. 328m

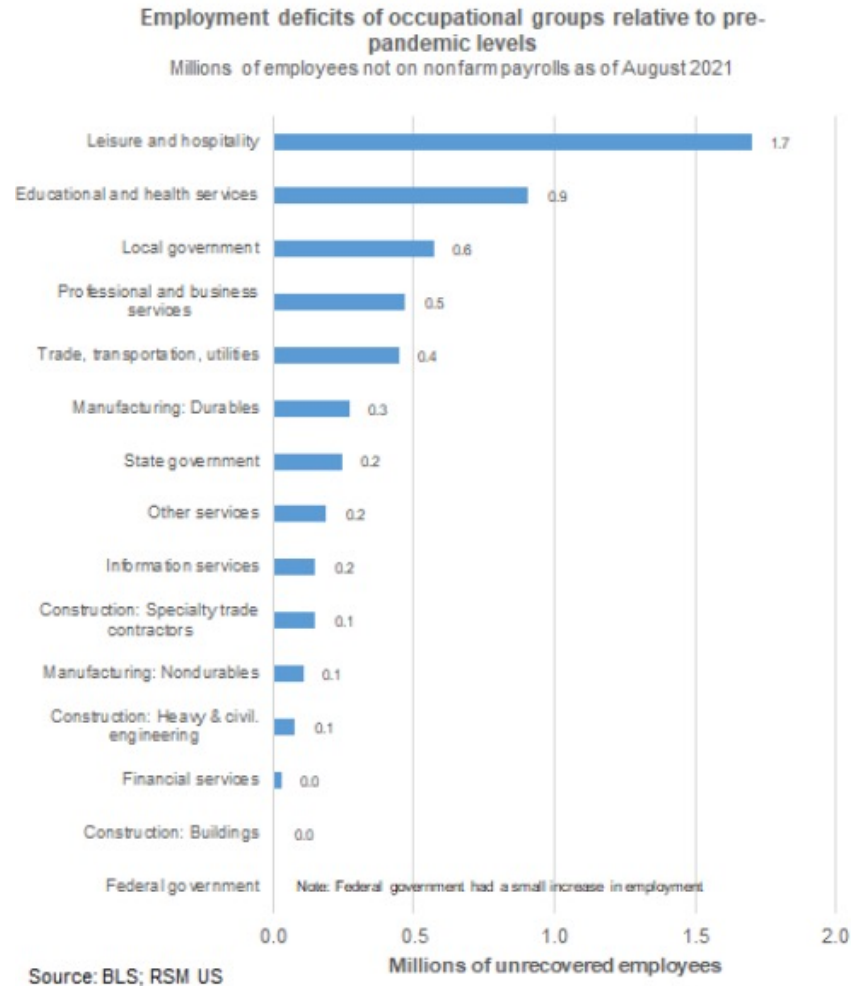
2007: 122m vs. 300m

Population up 33 million vs. but just five million full-time jobs.

US Employment-Population Ratio 25 to 54 Years of age was 80.4% in 2019 vs. 78.0% today.

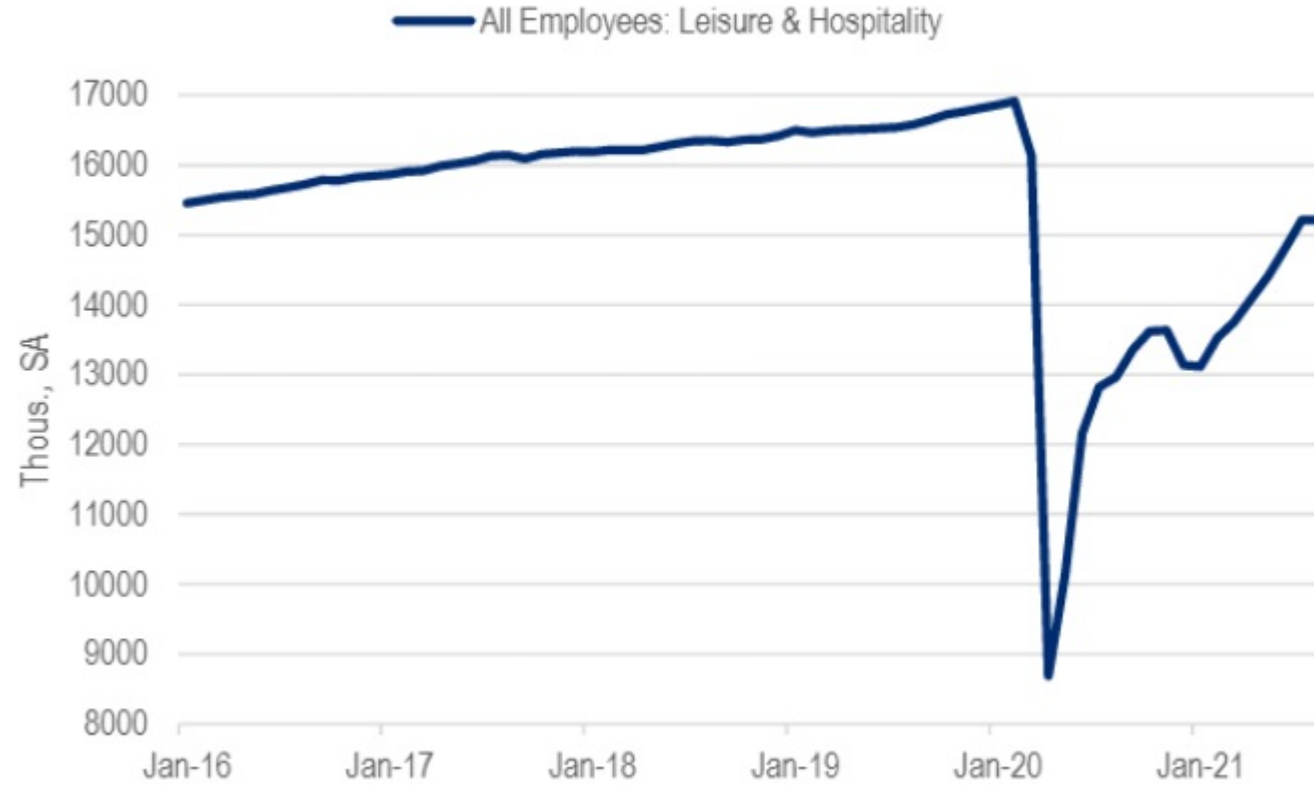
Source: Bureau Labor statistics

Leisure and hospitality lagging



Source: BLS, RSM US

Leisure & hospitality struggling to recover



Source: Bureau labor statistics

Wage inflation



Source: Bureau labor statistics

But JOLTS (job openings by industry total) – is at a historic high

JOLTS definition - Newly created positions, unoccupied and those about to become vacant



Source: Bureau of labor statistics, Bloomberg

Why aren't people returning to the workforce

National Federation of Independent Businesses

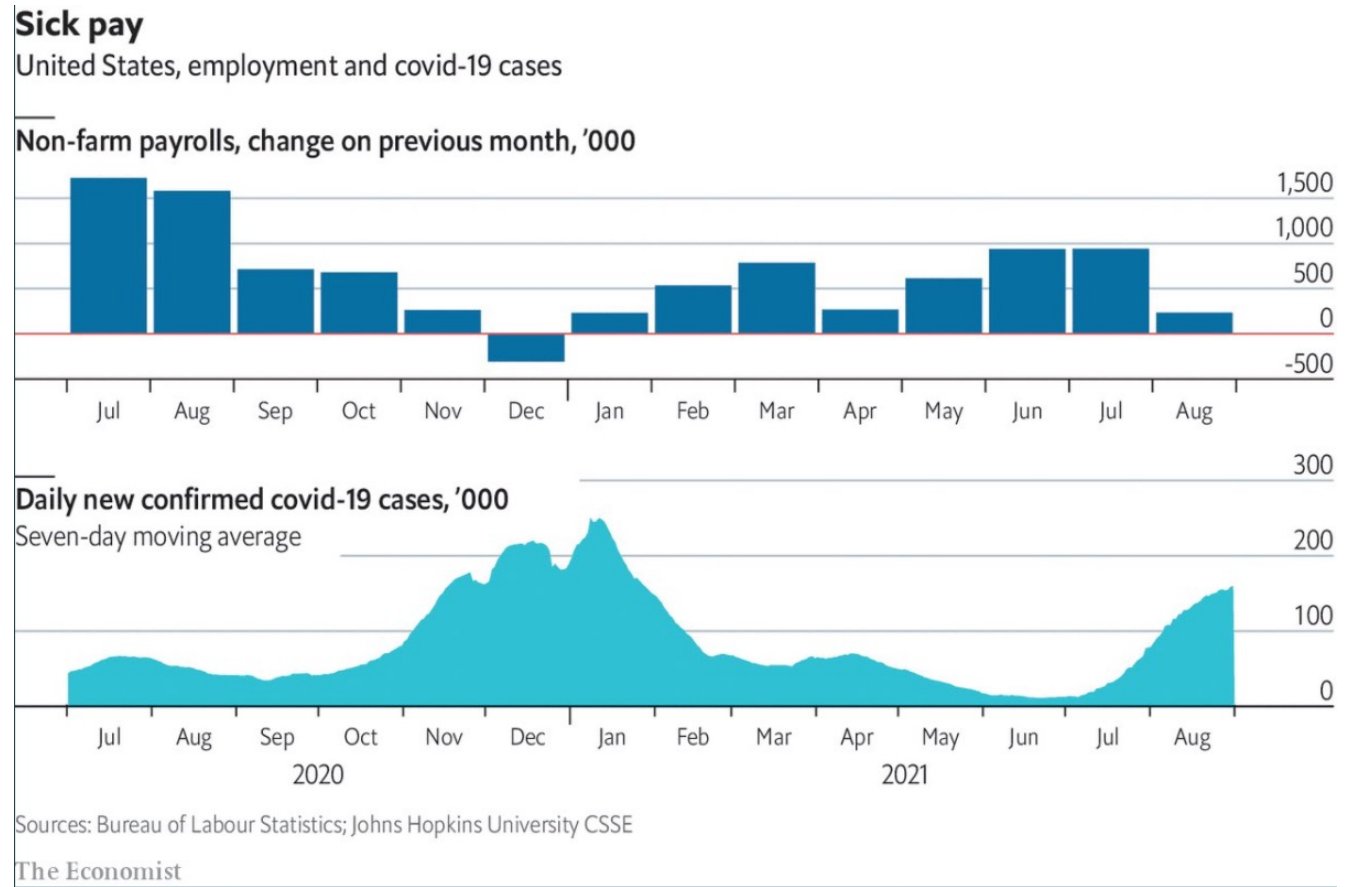
Lack of new jobs in August is driven mostly by the supply side.

- Low mobility
- School closures
- Delta-fears
- Comfort of employment benefits



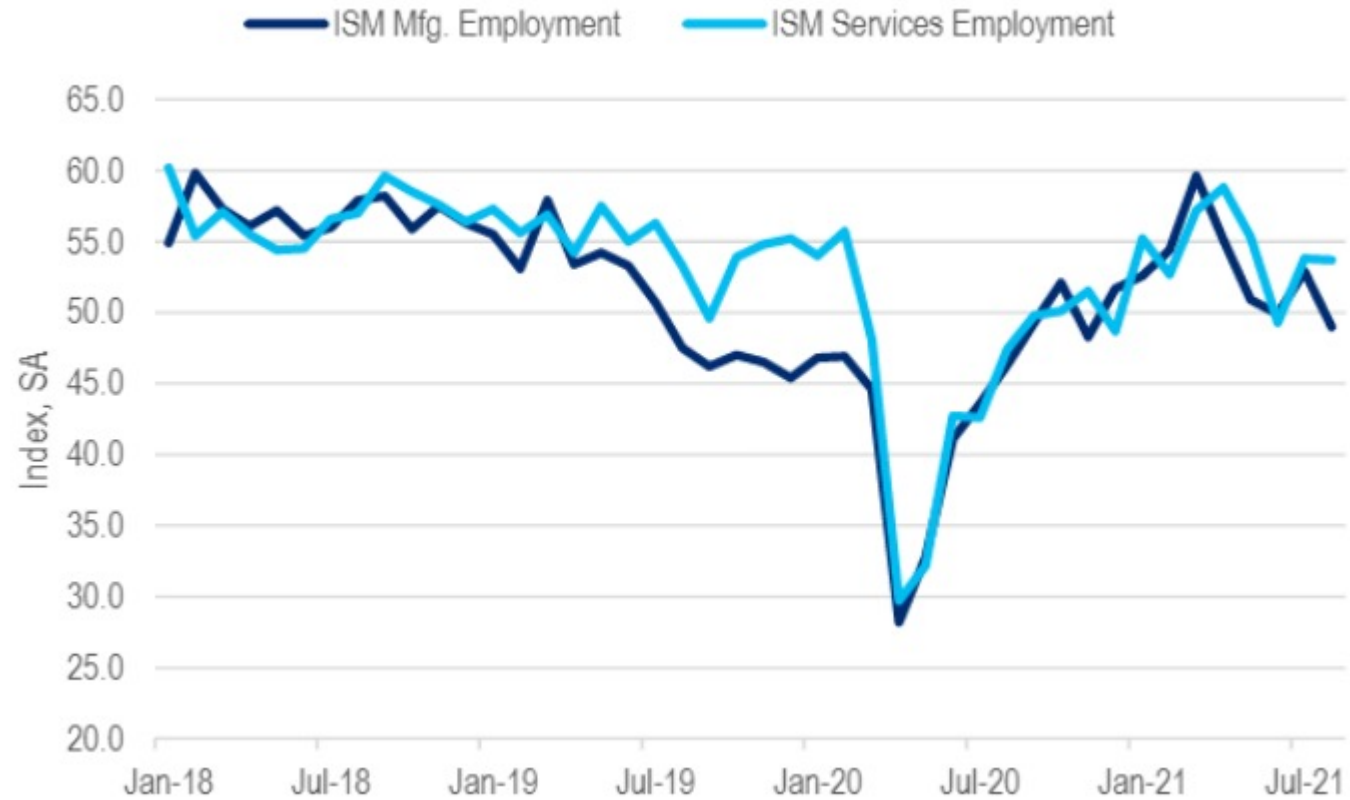
Source: Macrobond, Nordea

Correlation of U.S. NFP with covid cases



Source: Bureau of labour statistics, John Hopkins University CSSE, The Economist

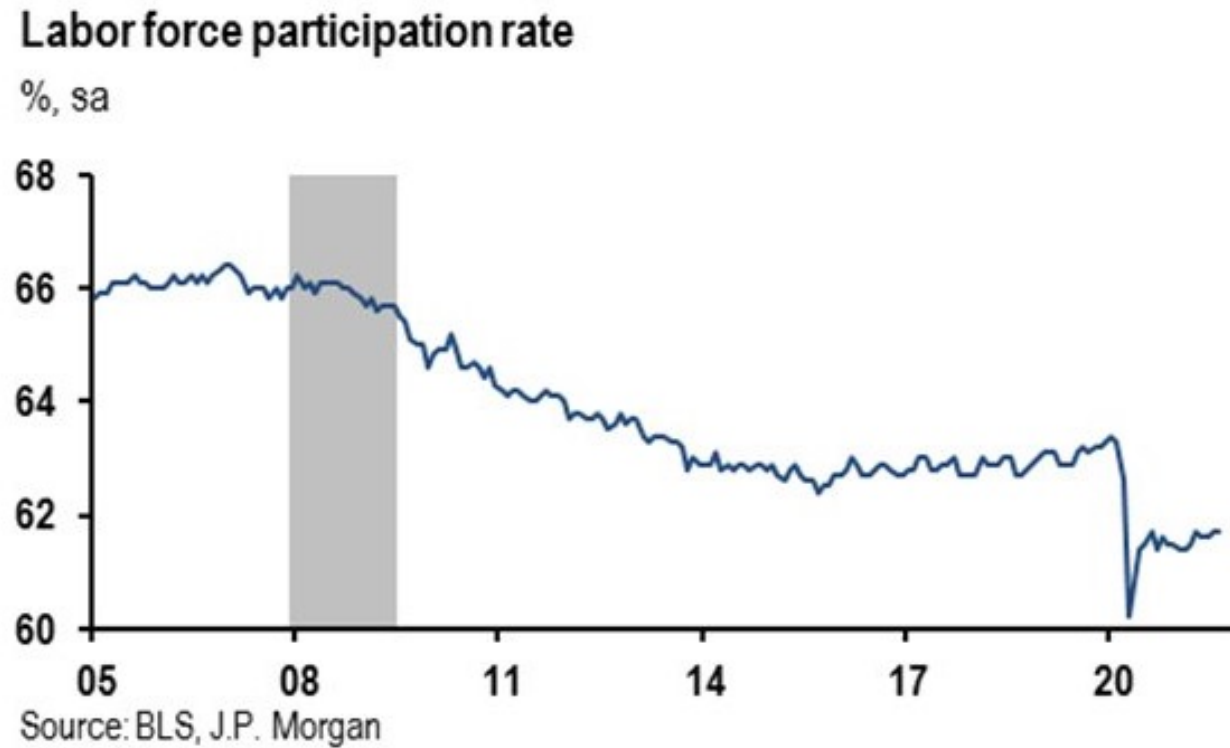
Manufacturing employment falling (supply chain effects)



Source: Institute for Supply Management

Participation rate falling

Comfort of unemployment benefits? Needs wage rises..... Inflationary or 'transitory'!



Source: BLS, JP Morgan

Truck drivers shortage

- 90,000 UK
 - 45,000 Germany
 - 20,000 France
 - 5,000 Sweden
 - 3,000 Norway
 - 2,500 Denmark
-
- Australian truck drivers are on strike

Source: British International Freight Association

Will people be forced back into the workplace as benefits end?

US economy + Add to myFT

End of Covid-19 unemployment benefits poses test for US recovery

More than 7.5m Americans this week lose \$300 a week in top-up payments amid resurgence of virus



People wait in line for help with unemployment benefits at the One-Stop Career Center in Las Vegas, Nevada © AP

Sources: Financial Times

Will the Fed 'taper'?

- Stagflation
- Global manufacturing growth stalling
- China credit impulse declining
- China credit markets collapsing
- China tech stocks in bear market

Economics

Goldman Cuts U.S. Growth Forecast as Consumer Sees 'Harder Path'

2021/04/29

New Economy Daily

Stagflation Threatens to Upend the Global Economy

Evergrande domestic bonds no longer accepted as collateral on Shenzhen's exchange

- World's largest RE developer
- \$ 15-16bn in offshore debt
- over \$300bn in total liabilities

Source: Financial Times

Evergrande's troubles shake China's property bond market

Trading suspended for second time since Friday as Moody's downgrades indebted developer again

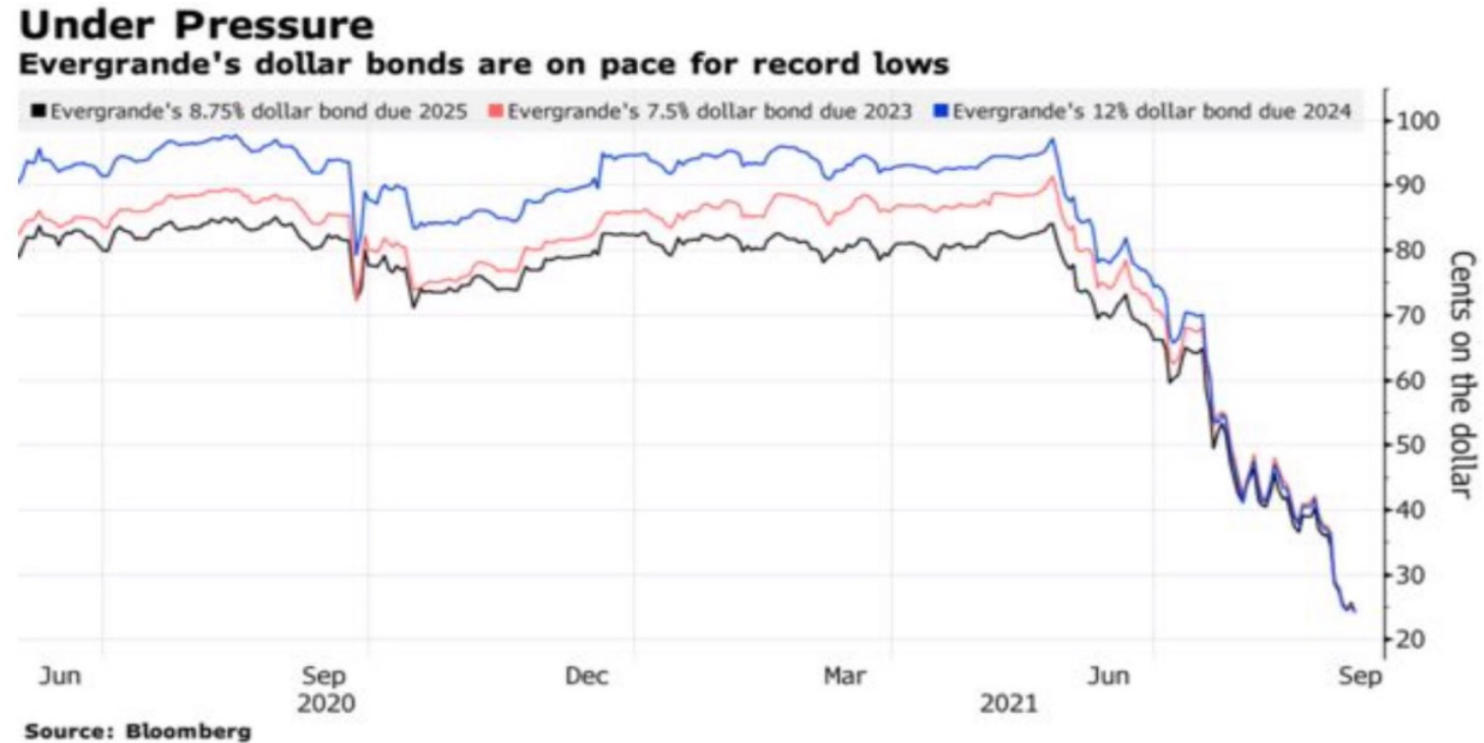


Problems at Evergrande have thrown the spotlight on the ability of other highly leveraged developers to refinance as liquidity conditions tighten in China © Lam Yik/Bloomberg

Debt service ratios unsustainable

- Anbang, HNA, Founders, Evergrande
- Many local government financing vehicles and developers under pressure
- Plus Huarong, largest bad-debt bank

Evergrande's dollar bonds are on pace for record lows



Source: Bloomberg

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Measures the impacts of new lending increments, or acceleration of credits, to GDP growth.



Source: Bloomberg

Has the recovery trade peaked? Delta resurgence, supply chain constraints
China non-manufacturing PMI, second worst print ever



J.P.Morgan Global Manufacturing PMI™

sa, >50 = improvement since previous month

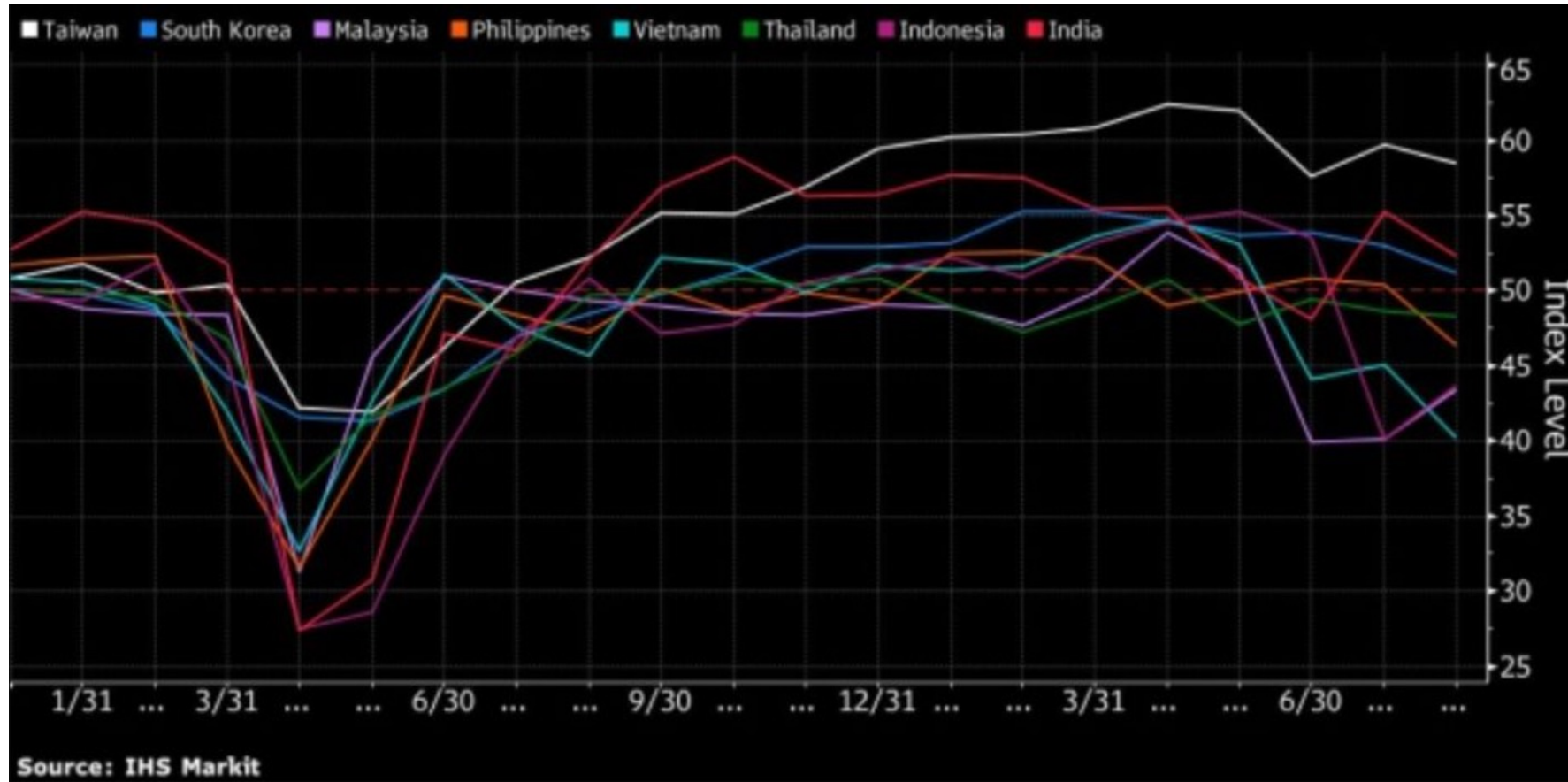


Sources: J.P.Morgan, IHS Markit.

Sources: Bloomberg, JP Morgan, HIS Markit

Delta spread across Southeast Asia hits manufacturing

Southeast Asia manufacturing PMI's



Source: IHS Markit

Inflation is 'transitory' or are we heading towards stagflation?

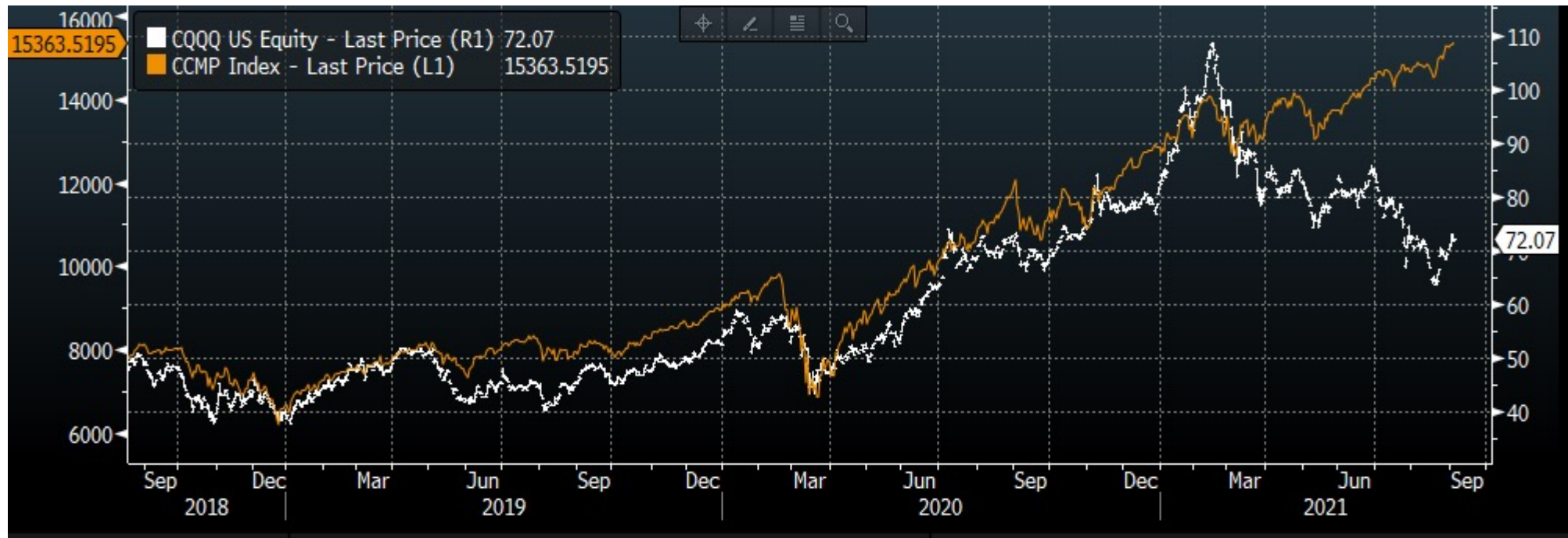
- German import prices hit highest level since 1981
- Eurozone inflation hits 10-year high
- Federal reserves preferred PCE inflation gauge posting its fastest annual gain in 30 years
- Aluminium prices hit 10-year high



Source: Refinitiv, Eurostat

Nasdaq vs China Tech ETF

Temporary or permanent?



Key risk levels 1.12% support versus 1.37% resistance



Key risk levels 2,127 support versus 2350 resistance



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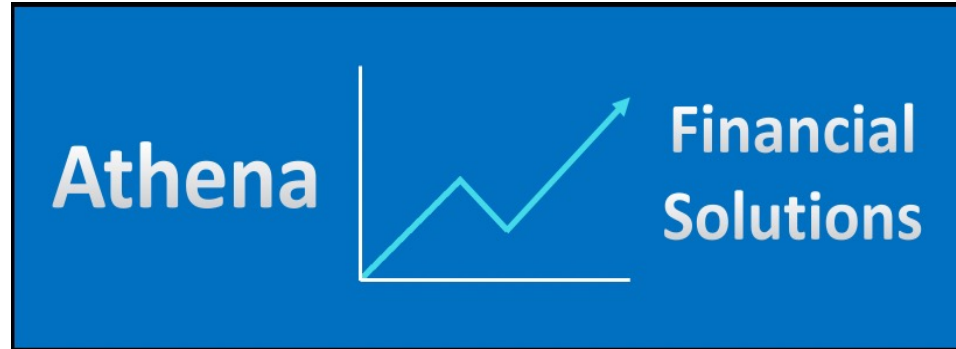
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INTUITION			HOME	COURSES	ABOUT US	CONTACT US	SIGN IN
CHAPTER 1	CHAPTER 1	CHAPTER 1					
Introduction to fundamental analysis, technical analysis and behavioural finance <small>The first chapter introduces fundamental analysis, technical analysis, behavioral finance and risk management. These are discussed with reference to current market structure, trends, themes and risks, immediately highlighting trading strategies and risk management techniques. Duration 90 Minutes</small>	Dow theory, intermediate trends and chart construction <small>This tutorial looks at some key technical analysis concepts such as Dow Theory, trend lines and different chart types. Python back testing is used to support key concepts and Bloomberg charts are used to highlighting trend lines and candlestick price action. Duration 50 Minutes</small>	Building a trading process <small>This tutorial introduces the importance of building a disciplined process using the tools and concepts covered on the course. Correlations between markets are also discussed and the first of many trading rules focusing on disciplined risk management. Duration 80 Minutes</small>					
CHAPTER 2	CHAPTER 2	CHAPTER 2					
Technical analysis concepts and trading strategies <small>Chapter 2 continues to build on technical analysis concepts, trading strategies and risk management with a focus on Elliot wave theory, volume & open interest, Fibonacci analysis, volatility (Average True Range) and market psychology. Duration 60 Minutes</small>	Reversal patterns and trading strategies <small>This tutorial looks at trend reversals from the perspectives of price action, market psychology and also trading strategies. Duration 32 Minutes</small>	Continuation patterns and trading strategies <small>This tutorial looks at trend continuation patterns. Again, the focus is not so much on pattern recognition but the market psychology behind the price action, and above all identifying powerful risk/reward trading strategies. Duration 56 Minutes</small>					
CHAPTER 3	CHAPTER 3	CHAPTER 4					
Identifying trends, moving averages and trend following strategies <small>In this tutorial we build and back test a trend following trading strategy in Python to highlight both its</small>	Trend following strategies <small>In this tutorial we build and back test a trend following trading strategy in Python to highlight both its</small>	Oscillators, Bollinger bands and mean reverting strategies <small>In this tutorial we discuss oscillators, Bollinger</small>					



THANK YOU!

James Brodie



Jamesbrodie@athenafinancialsolutions.com



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