

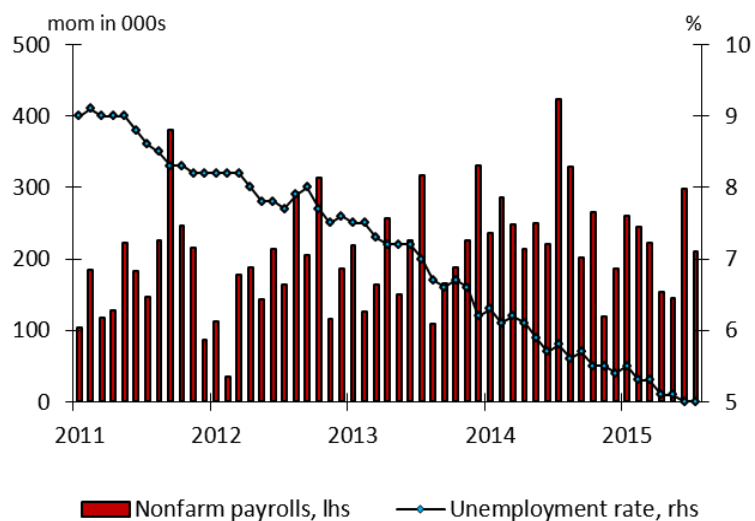
## **US November employment report provides further evidence for a December fed funds rate hike**

**Olga Kosma**  
 Economic Analyst  
[okosma@eurobank.gr](mailto:okosma@eurobank.gr)

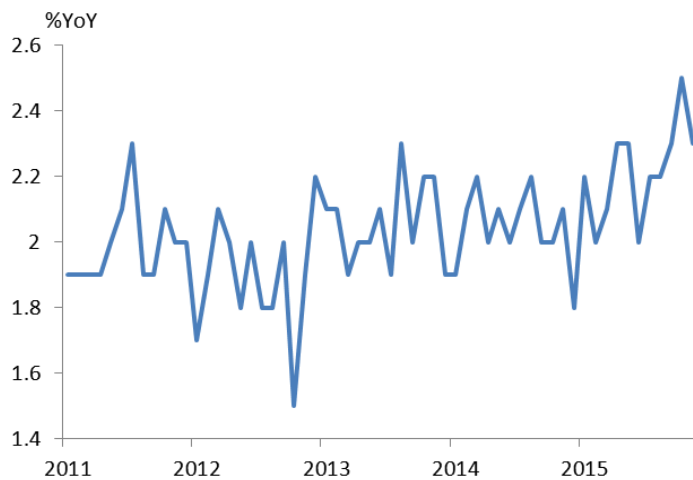
- US nonfarm payrolls increased by 211k in November, surpassing consensus expectations for a rise of 200k. Adding to the positive tone of the report, the respective figures of September and October were revised higher by 35k cumulatively, with the three-month moving average increasing to 218k from 199k previously (Figure 1). The increase in nonfarm payrolls in November was mainly driven by the private sector, which rose by 197k.
- Civilian household employment gained 244k, while the civilian labor force rebounded by +273k with the participation rate rising one-tenth to 62.5% in November. As a result, the unemployment rate remained unchanged at a 7 ½ year low of 5.0%. As was in the case in payroll growth, a strong acceleration in employment over the last couple of months has offset weak readings registered in the July to September period.
- Average hourly earnings increased by 0.2%MoM in November, in line with consensus estimates, from 0.4%MoM in the prior month, with the annual rate of growth declining to 2.3% from 2.5% in October (Figure 2). Meanwhile, the average workweek was unchanged at 34.5 hours. The above mentioned slowing in the average hourly earnings growth is likely due to base effects and does not mark a decelerating trend in wage growth. Looking ahead, we expect wage growth to continue its upward trend and the US labor market to tighten further, exerting upward pressure on US inflation dynamics.
- Significant gains in Wall Street followed the solid employment data on Friday, which increased confidence for a resilient US domestic economy against a soft global growth environment. Mirroring the uptrend in the US equity market, most European bourses rebounded on Monday, after their worst week in about almost four months. In FX markets, the US dollar rose against its major currency peers for the second consecutive session, as better-than-expected US labor market data reinforced expectations for a fed funds rate hike at next week's FOMC meeting, with the DXY index increasing 0.5% compared to Friday's settlement to 98.812 in early European trade. Against this background, the EUR/USD edged down 0.6% to 1.0814/15 at the time of writing, from a one-month high of 1.0981 hit in last Thursday's intraday trade.
- Market participants expect a 25bps increase in the fed funds range to 25-50bps at 15-16 December FOMC meeting, with the corresponding probability hovering around 80%. We believe that the November employment report should help the Fed feel more comfortable about proceeding with the first fed funds rate hike in almost a decade at its meeting next week. Nonfarm payrolls have been increasing by a monthly rate of more than 200k on average in 2015, and the unemployment rate is currently within the Fed's NAIRU range. Hence, the rate-hiking cycle is expected to begin next week, with the normalization process probably being gradual and data dependent so as not to generate an unwarranted tightening in financial conditions.

### **DISCLAIMER**

This document has been issued by Eurobank Ergasias S.A. (Eurobank) and may not be reproduced in any manner. The information provided has been obtained from sources believed to be reliable but has not been verified by Eurobank and the opinions expressed are exclusively of their author. This information does not constitute an investment advice or any other advice or an offer to buy or sell or a solicitation of an offer to buy or sell or an offer or a solicitation to execute transactions on the financial instruments mentioned. The investments discussed may be unsuitable for investors, depending on their specific investment objectives, their needs, their investment experience and financial position. No representation or warranty (express or implied) is made as to the accuracy, completeness, correctness, timeliness or fairness of the information or opinions, all of which are subject to change without notice. No responsibility or liability, whatsoever or howsoever arising, is accepted in relation to the contents thereof by Eurobank or any of its directors, officers and employees.

**Figure 1: US nonfarm payrolls & the unemployment rate**

Source: US Bureau of Labor Statistics (BLS), Bloomberg, Eurobank Economic Research

**Figure 2: US average hourly earnings**

Source: US Bureau of Labor Statistics (BLS), Bloomberg, Eurobank Economic Research

## Eurobank Economic Analysis and Financial Markets Research

**Dr. Platon Monokroussos:** *Group Chief Economist*  
pmonokroussos@eurobank.gr, + 30 210 37 18 903

**Dr. Tassos Anastasatos:** *Deputy Chief Economist*  
tanastasatos@eurobank.gr, + 30 210 33 71 178

### Research Team

**Anna Dimitriadou:** *Economic Analyst*  
andimitriadou@eurobank.gr, + 30 210 37 18 793

**Ioannis Gkionis:** *Research Economist*  
igkionis@eurobank.gr + 30 210 33 71 225

**Stylianios Gogos:** *Economic Analyst*  
sgogos@eurobank.gr + 30 210 33 71 226

**Olga Kosma:** *Economic Analyst*  
okosma@eurobank.gr + 30 210 33 71 227

**Arkadia Konstantopoulou:** *Research Assistant*  
arkonstantopoulou@eurobank.gr + 30 210 33 71 224

**Paraskevi Petropoulou:** *G10 Markets Analyst*  
ppetropoulou@eurobank.gr, + 30 210 37 18 991

**Galatia Phoka:** *Research Economist*  
gphoka@eurobank.gr, + 30 210 37 18 922

**Theodoros Stamatou:** *Senior Economist*  
tstamatou@eurobank.gr, + 30 210 33 71 228

Eurobank Ergasias S.A, 8 Othonos Str, 105 57 Athens, tel: +30 210 33 37 000, fax: +30 210 33 37 190, email: [EurobankGlobalMarketsResearch@eurobank.gr](mailto:EurobankGlobalMarketsResearch@eurobank.gr)

## Eurobank Economic Analysis and Financial Markets Research

More research editions available at <http://www.eurobank.gr/research>

- **Daily Overview of Global markets & the SEE Region:** Daily overview of key macro & market developments in Greece, regional economies & global markets
- **Greece Macro Monitor:** Periodic publication on the latest economic & market developments in Greece
- **Regional Economics & Market Strategy Monthly:** Monthly edition on economic & market developments in the region
- **Global Economy & Markets Monthly:** Monthly review of the international economy and financial markets

Subscribe electronically at <http://www.eurobank.gr/research>

Follow us on twitter: <http://twitter.com/Eurobank>

