Mizuho Flash: US

Economics & Strategy | Asia ex-Japan

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Conspicuous Absences & Accentuated Dilemmas

In a Nutshell:

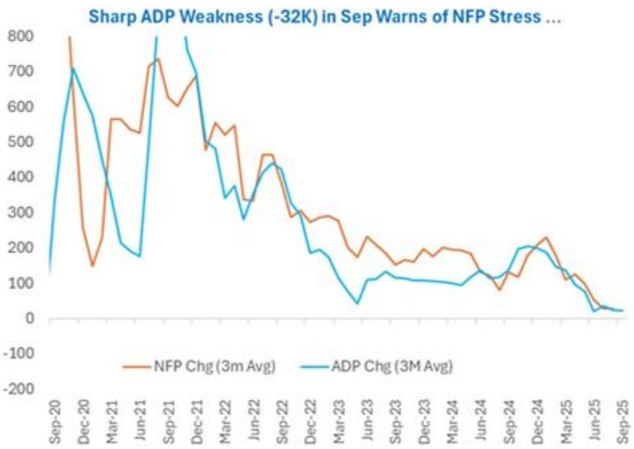
- (NFP) **Jobs data suspended by the shutdown** is a **conspicuous absence** for markets (and policy-makers alike) to deal with.
- NFP release in particular is a critical gauge that markets – rightly or wrong – trade off.
- And it is arguably **rendered even more important amid "shifting balance of risks"** that accentuate *sensitivities in, and to, jobs data.*
- More so, as the **ADP miss (-32K) heighten uncertainties** about whether NFP has suffered a corresponding hit. But NFP-ADP deviations make this hard to ascertain.
- Consequently, the **Fed's policy dilemma will be heightened** as it flies blind, with *attendant accentuation volatility in front-end yields.*

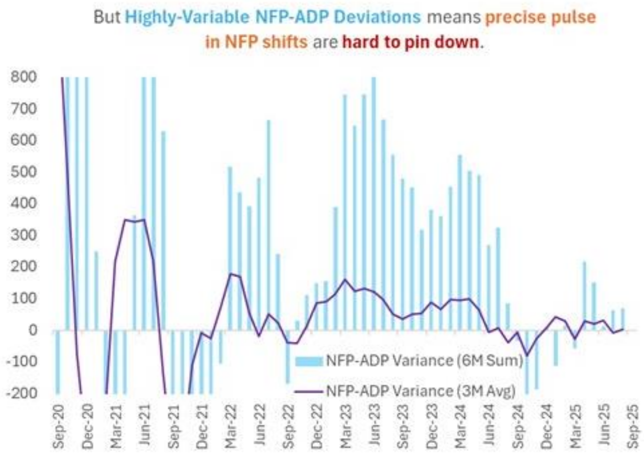
Conspicuous Absence

- Sometimes, **what's not there** - the **conspicuous absences** – may well turn out to be **far more important or consequential** (than that which is).
- And **what we don't have** right now is **an agreement** between congressional Democrats and Republicans to revive the spending bills **to end the shutdown**.
- Consequentially, the other **conspicuous absence** today will be the **non-farm payroll data** (for September) *as the BLS* (Bureau of Labour Statistics) *gets impacted by the US government shutdown.*
- Admittedly, the BLS itself has been beleaguered with Trump's unsubstantiated attacks on allegedly data quality compromised by political bias.
- Nonetheless, the **jobs data released by the BLS** continues to be the **preferred gauge of the US labour market**.
- And *by a mile* given the **sheer breadth**, **depth** and the **myriad dimensions** of job market indicators that *help with the comprehension of a complex socio-economic reality*.
- The upshot is that **embedded within the miss in monthly NFP data** release is the **suspension of arguably the most real-time and relevant jobs gauges** that are h*eavily relied upon by, markets and policy-makers alike.* This **renders the absence even more conspicuous**!

Accentuated (Absence)

- In fact, the **conspicuous absence of jobs data** has arguably been rendered **even more critical at this juncture**.
- Both *in terms of relevance* and *time-sensitivity* of job market data.
- Point being, **at a time of "shifting balance of risks"** (to jobs deterioration), the **importance of**, and **sensitivity to**, **signs of deterioration/shifts in jobs data** are **accentuated**.
- And **more so**, **given** the context of a huge **ADP jobs data** miss (-32K).
- Specifically, *as variable ADP-NFP deviations* mean obfuscate the ability to conclude *whether* NFP is prone to **suffer corresponding deterioration or ADP miss is simply "noise"**.





Fed's Dilemma: October & Beyond

- The **conspicuous absence of clear job market justification**, *one way or the other,* will **accentuate the Fed's October decision dilemma** – on whether ***to cut or hold****.*
- In turn, there could be a *greater degree of front-end yield volatility* as **markets' Fed expectations may be prone to greater degree of surprises**.
- **More so**, **if the shutdown is prolonged**, not only ***due to*** the ***lags*** that follow suspended gauges), but crucially, from ***obfuscations*** (from shutdown disruptions) that ***challenge interpretations****.*