



Economist Preview: Fed Could Hold Rates if Hourly Earnings Increase in U.S. NFP

(14:36 01/03/08) Giancarlo Espejo, Senior Dealer from GCI Financial, told CEP News the following:

"There was a lack of correlation between ADP and non-farm payrolls in November, confounding many private sector forecasts. Consensus forecasts are for around 95,000 - 100,000 new jobs. A print below 75,000 increases downside risks for U.S. assets while a print north of 110,000 is bullish for U.S. assets. A negative downward revision to October's and November's NFP tallies would support the Fed's view that Q4 economic activity decelerated appreciably. A positive revision likely doesn't change the view the FOMC is likely to cut the fed funds target rate by at least 25bps on Jan. 31. The bigger issue: if average hourly earnings were up more than 0.5% m/m or 3.8% y/y, it's a quadruple whammy for the Fed with higher PPI, CPI, core CPE, and wages growth. It's Bill Poole time." NC

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