



The non-farm payrolls data for September exceeded even the most optimistic expectations; the labor market looks very resilient (UBS).

CIO First Take: September payrolls surprise to the upside

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Non-farm payrolls data for September surprised to the upside, with upward revisions in job creation over the past two months. The household survey showed unemployment edging down.

More specifically, non-farm payrolls came in at 254,000 in September, well above market expectations of 150,000, marking the strongest monthly job gains since January. Furthermore, there was a net upward revision of 72,000 jobs in the past two months' data.

The household survey showed the unemployment rate declining to 4.1% in September, from 4.2% in August. Similarly, average hourly earnings were resilient at 0.4% m/m, providing a positive backdrop for domestic demand.

CIO's senior US economist, Brian Rose, recently highlighted that while the recent data were certainly strong, it should be taken into account that from a big picture perspective, the labor market has clearly been softening for the past two years.

Bottom line: A soft landing seems underway

These figures should assuage policymakers' concerns about the possibility of a sudden downturn in economic performance. Hence, we stand by our base case of a soft landing in the US economy, which, coupled with disinflation and lower rates, should provide a positive backdrop for US equities. Our target S&P 500 targets stand at 5,900 for year-end and 6,200 for June 2025. Sector-wise, we are Most Preferred on information technology, utilities, and financials.

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