



(UBS)

# US jobless claims increase, and producer prices beat estimates

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**US jobless claims rose slightly, and producer prices edged higher, pointing to a softening labor market. Upcoming retail sales and industrial production data will be key in shaping the Fed's next move.**

US initial jobless claims edged higher last week, rising by 2,000 to a seasonally adjusted 230,000 for the week ending 7 September, in line with consensus estimates. However, jobless claims have trended lower through August after surging in July to levels last seen in late 2021. Notably, unadjusted claims dropped considerably, declining by 12,968 to 177,663 last week. Meanwhile, producer prices rose above consensus estimates to 0.2% in August, up from 0.1% in July, driven by a rebound in service costs, particularly hotel and guest house rentals, while other components such as airline fares and portfolio management fees remained flat.

*Our view:* The slight uptick in jobless claims on Thursday, another decline in job openings last week, and downward revisions to payrolls in the two prior months underscore a labor market that, while still resilient, continues to soften. Furthermore, while the recent producer and consumer price data showed upward surprises, overall inflation data has been good enough to allow the Fed to begin easing, in our view. Looking ahead, an aggressive cut appears unlikely, but retail sales and industrial production data due on 17 September could further shape the Fed's decision, with weak results potentially triggering a 50-basis-point cut. Against this backdrop, we stand by our base case of a soft landing and expect the Fed to begin its rate-cutting cycle beginning at its meeting next week. In this environment, investors should focus on quality assets, particularly investment grade bonds and equities.

See more in the Caught our attention section of the US Daily—[Markets position ahead of upcoming Fed cuts](#), 13 September, 2024.

Main contributor: Shawn Awan, Research and Communications Associate

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