

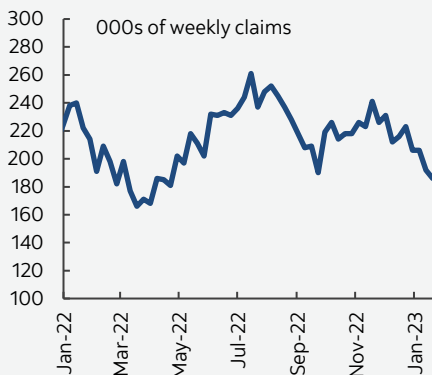
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Chart 1

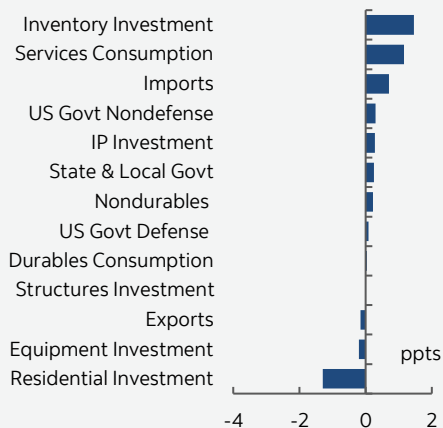
Layoffs Not Yet Affecting
US Jobless Claims



Sources: Scotiabank Economics, US Dept of Labor.

Chart 2

Contributions to Q4 US Real GDP



Sources: Scotiabank Economics, BEA.

The Resilient US Economy and Job Market

- **Jobless claims remain very low...**
- **...as perhaps layoffs are being offset by reabsorption, job growth elsewhere**
- **US GDP growth beat estimates on mixed details**
- **US core cap-ex has plateaued...**
- **...as this supply side measure has stopped expanding**

Pick what you wish out of a grab bag of US macro reports this morning. Shorter-term US Treasuries slightly cheapened in the aftermath probably on the ongoing signs of strength in the job market.

Weekly initial jobless claims continue to run at very low levels despite layoff headlines (chart 1). At 186k last week they are at the lowest since last April and averaging just under 200k on a 4-week moving average basis. No states estimated their numbers this time (not even California) and so we can't really dent the quality of the low number on that basis now.

So what's going on? Either there are lagging effects for when pink slips start showing up in jobless claims and/or layoffs are being offset by strength elsewhere. That could either be due to layoffs being reabsorbed into job vacancies and/or due to enough job creation elsewhere. This is a bullish signal into next week's nonfarm payrolls but bad for folks who would prefer Powell to get weak knees.

US GDP growth surpassed consensus expectations (2.9% q/q SAAR, consensus 2.6%, Scotia 2.8%) following 3.2% growth in Q3. Yet again consensus was too bearish for too long in a repeat of what happened into Q3 GDP but I'm sure some folks will find a way to dump on the numbers regardless.

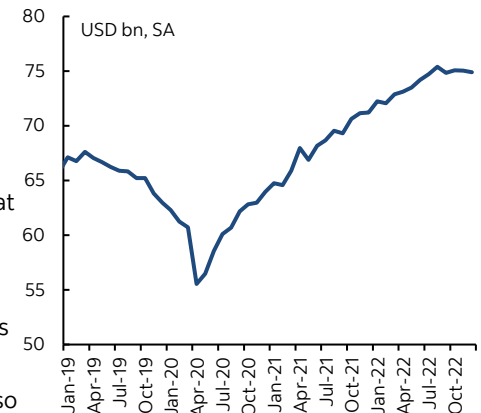
GDP details were mixed. Chart 2 shows the weighted contributions to GDP growth in Q4. Be careful toward the inventories contribution as perhaps stocks were depleted too rapidly when inventories dragged on Q2 and Q3 GDP growth. Consumption was up 2.1% q/q SAAR and added 1.4 ppts to GDP growth in weighted terms which was a little lighter than expected and may indicate a soft December reading tomorrow. Trade added 0.6 ppts to GDP growth entirely due to less of an import leakage effect as exports were a small drag. Fixed investment subtracted 1.2 ppts from growth due to residential (-1.3 ppts weighted drag) with nonres investment flat (+0.1 ppts weighted). Government spending added 0.6 ppts due to all levels contributing.

Durable goods orders soared by 5.6% m/m SA primarily due to a surge in plane orders. Core cap-ex (excluding planes and defence) slipped by 0.2% m/m. Chart 3 shows that the trend in cap-ex has flattened out. The debate on that involves whether it is sensible because the economy may fare much worse than expected and for longer, or whether the supply side has stopped growing and we'll pay the price for that through inflation risk into a potential demand rebound at some point.

And I don't see anything in the core PCE figures that is surprising into tomorrow's December readings. 3.9% q/q on the screws. Cooler, but so not cool.

Chart 3

US Capital Goods New Orders
Non-Defense ex. Aircraft



Sources: Scotiabank Economics, Bloomberg.

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