

Dots & Plots

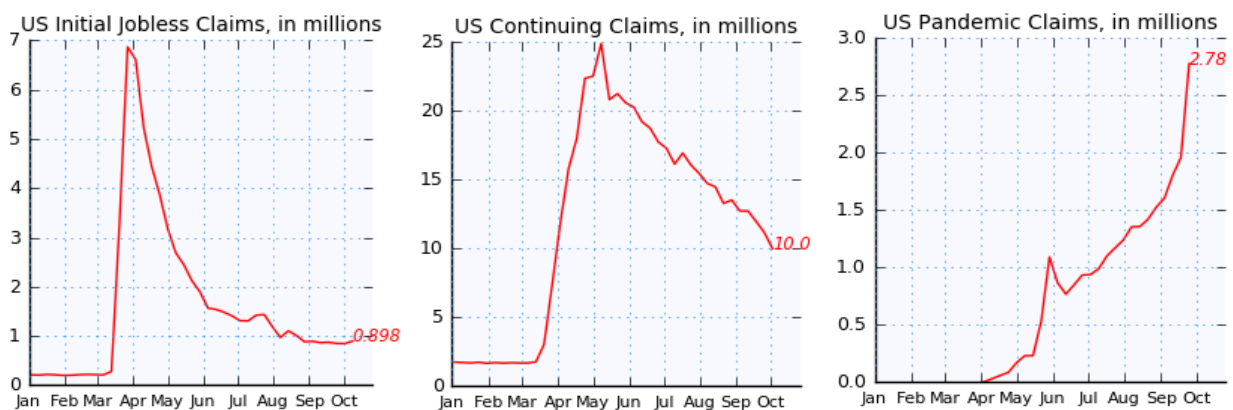
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Talk, Talk, Talk, Talk

US stimulus prospect dims even as its labour market dips

- He last offered USD1.8 trillion, after she had put USD2.2 trillion on the table. While US President Trump and House Speaker Pelosi have been back on the negotiating table to try and narrow the gap between the two sides, the US stimulus talks continued to drag on. They may talk in trillions of dollars, but for all intent and purposes, not a single cent is forthcoming anytime soon.
- The impasse comes at a time when the US economy is starting to exhibit signs of slowing down once again. While the lingering virus concerns present a continued overhang on spending and hiring, the expiration of key provisions of the previous stimulus package has dealt a blow too.
- US labour market has borne the brunt of the impact. Whether we adjust for seasonality or not, the initial jobless claims print came in considerably higher than the previous print. At 898k on a seasonally adjusted basis, the data also painted a more challenging picture than the 825k that market had expected. If the trend continues, it will not bode well for the October NFP print.
- The fact that continuing claims, a measure of ongoing unemployment benefits tally, has declined by over a million may appear to be a silver lining at first. However, it may well show that unemployment is becoming entrenched. Jobless Americans can only claim the traditional benefits for a maximum of 26 weeks. Tragically, many of them have been out of job for so long that they are no longer eligible – pushing down the tally of recipients.
- Indeed, the filing data for the Pandemic Emergency Unemployment Compensation program tells us as much. Filings for the PEUC – which provides up to 13 more weeks of claims – has increased by 818k to 2.78mn.
- Hence, the foot-dragging among US politicians about the stimulus is even more puzzling. There are whispers of how Republicans may be reluctant to commit to a new stimulus, because they fear handing over a ‘good’ economy to the Democrats in January after an election that they may lose anyway. At this rate, this may well turn out to be a self-fulfilling prophecy.



Source: OCBC, Bloomberg.

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