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## Markets continue to rise even as job recovery seems to stall

◆ **US companies announced 118,804 job cuts in September, bringing the year-to-date number to a record 2.08 million, according to Challenger, Gray & Christmas.**

◆ **Airlines United and American are looking at reducing their workforce by 32,000 more, and Disney said it would lay off 28,000 of its 223,000 workers.**

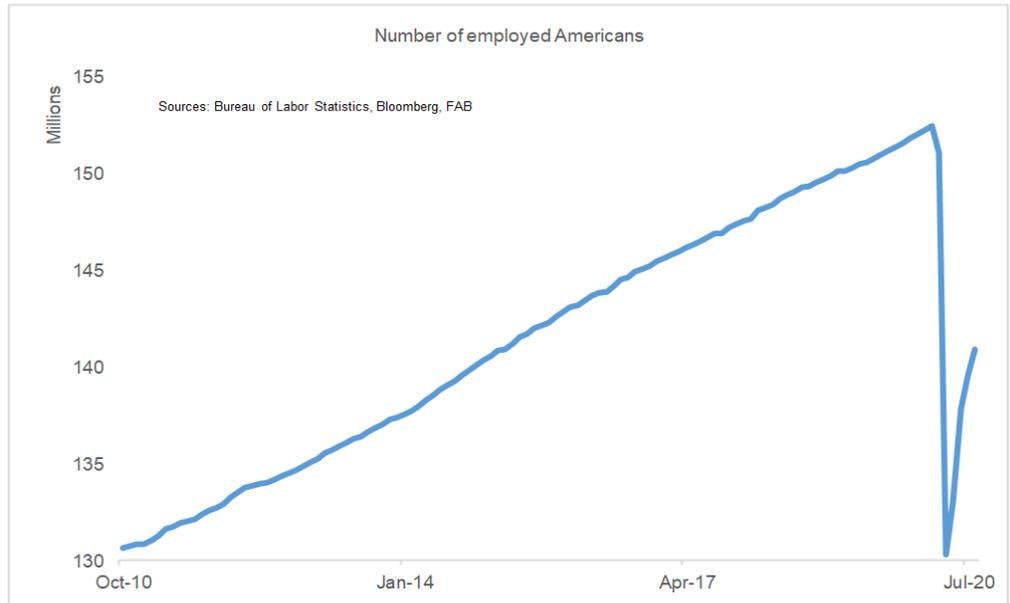
◆ **Meanwhile, in Europe, Continental and Royal Dutch Shell announced up to 39,000 job cuts.**

◆ **The news suggests that job recoveries could take a turn for the worse in the coming months.**

◆ **The FAB AAC remains underweight equities and overweight gold and investment grade bonds.**

Investors are gearing up for a monthly ritual as they position for the nonfarm payrolls report from the Bureau of Labor Statistics due tomorrow. After a shock in April, the data point has improved consistently, recovering faster than most economists had forecast. That speedy comeback has been one of the drivers of the stock market rally since late March.

The median forecast of economists surveyed by Bloomberg is that tomorrow's report will show the US economy has added 872,000 jobs in September, bringing the unemployment rate down to 8.2%. Since May, according to the US Bureau of Labor Statistics, half of the 21 million people who left the workforce or lost their job in April had returned to work. This brought the unemployment rate down to 8.4% last month, versus an all-time high of 14.7% in April.



The problem is that, as Federal Reserve Chairman Jerome Powell said recently, further gains from here will be much harder. In fact, judging from the announcements this week, October could even see overall net job losses again. Just this week, airlines American and United announced they were furloughing 32,000 people. Disney said it is cutting 12.5% of its global workforce, or 28,000 people.

Altogether, US companies announced 118,804 job cuts in September, bringing the year-to-date number to 2.08 million, the highest since at least 2001, according to Challenger, Gray & Christmas.

Meanwhile, in Europe things are not looking much better, with Continental and Royal Dutch Shell together announcing they were laying off 39,000 people. Even in the UAE the collapse of Arabtec could mean up to 40,000 redundancies. These examples are troubling, as they are from industries that were supposedly less affected by the shutdowns.

### There are signs that the steep jobs recovery the US has staged since May is stalling

This suggests that the impact is spreading beyond the travel and leisure sector. The last US employment report had already hinted at that as many of the jobs lost in August were for 'white-collar' positions.

The next report in November will reflect this week's announcements. It will also feature cuts likely to be unveiled in coming weeks, as companies assess their options now that most of the employment support schemes from the government have ceased. The UK is set to see a particularly large spike in unemployment as the government's furlough program expires.

Investors are still convinced that the worst is behind and that liquidity and stimulus will push prices higher. Still, seeing such job numbers can always be a bit traumatic.

# Investment Strategy Update

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