



The non-farm payrolls data for October was well below expectations owing to negative shocks, including strikes in the manufacturing sector and hurricanes in the southeast. (UBS)

CIO First Take: October payrolls surprise to the downside

01 November 2024, 1:53 pm EDT, written by UBS Editorial Team

Non-farm payrolls data for October was weaker than expected, with a significant impact from one-offs such as strikes and adverse weather conditions. The household survey showed the unemployment rate unchanged relative to September.

More specifically, non-farm payrolls came in at 12,000 in October, well below market expectations of 100,000. Furthermore, there was a net downward revision of 112,000 jobs in the past two months' data.

The household survey showed the unemployment rate holding steady at 4.1% in October. Meanwhile, average hourly earnings were resilient at 0.4% m/m, providing a positive backdrop for domestic demand.

The payroll figures for October are somewhat noisy and hence difficult to interpret. Yet over the past few weeks we have had data consistently showing that the labor market is softening. Note that policymakers have been clear they are not interested in a further loosening of employment conditions.

Bottom line: Further rate cuts are most likely coming

We advise investors not to let volatile info distract them from the underlying trends. We continue to stand by our base case that the FOMC will cut the Fed funds rate by 25bps in each of the two remaining meetings of this year.

Resilient domestic demand, coupled with disinflation and lower rates, should provide a positive backdrop for US equities. Our June 2025 S&P 500 target stands at 6,300; sector-wise, we find Attractive information technology, consumer discretionary, communication services, financials, and utilities.

For further details, please see our latest [Investment Strategy Guide — Geostationary Orbit](#).

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