



CIO continues to recommend that investors focus on US equities and high-quality fixed income, including five-year US Treasuries and investment grade corporate bonds. (UBS)

US initial jobless claims rise above expectations

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US weekly jobless claims edged higher by 6,000 to a seasonally adjusted 223,000 for the week ending 18 January, slightly above consensus estimates of 220,000, according to the US labor department report released on Thursday.

The data suggest that the labor market remains resilient, despite an increase in continuing claims, which rose by 46,000 to 1.899 million, the highest level since November 2021. Meanwhile, unadjusted claims dropped significantly, reflecting declines in several states, despite rising in California. Looking ahead, freezing temperatures across much of the country and blizzards in the south could temporarily drive claims higher in the coming weeks.

Our view: While there was a slight uptick in jobless claims, the increase was likely driven by temporary distortions from the California wildfires, as unadjusted claims fell in the majority of other states. This indicates that the labor market remains resilient and on solid footing, although California will likely have some impact on January payrolls. Furthermore, the drop in continuing claims is consistent with other factors such as low levels of layoffs. At this point, it isn't clear if the softening trend in the labor market, which started nearly three years ago, is still in place. This reinforces our expectations that the Fed will maintain its current policy stance for some time, and Chair Powell is likely to signal this intention at next week's FOMC meeting. But with rates still in restrictive territory, and inflation continuing to moderate, we expect the Fed to cut rates by 50bps this year, starting in June. We continue to recommend that investors focus on US equities and high-quality fixed income, including five-year US Treasuries and investment grade corporate bonds.

Original report: [Preparing for aggressive US trade policy, 25 January 2025.](#)

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