

U.S. Watch

By Krishen Rangasamy

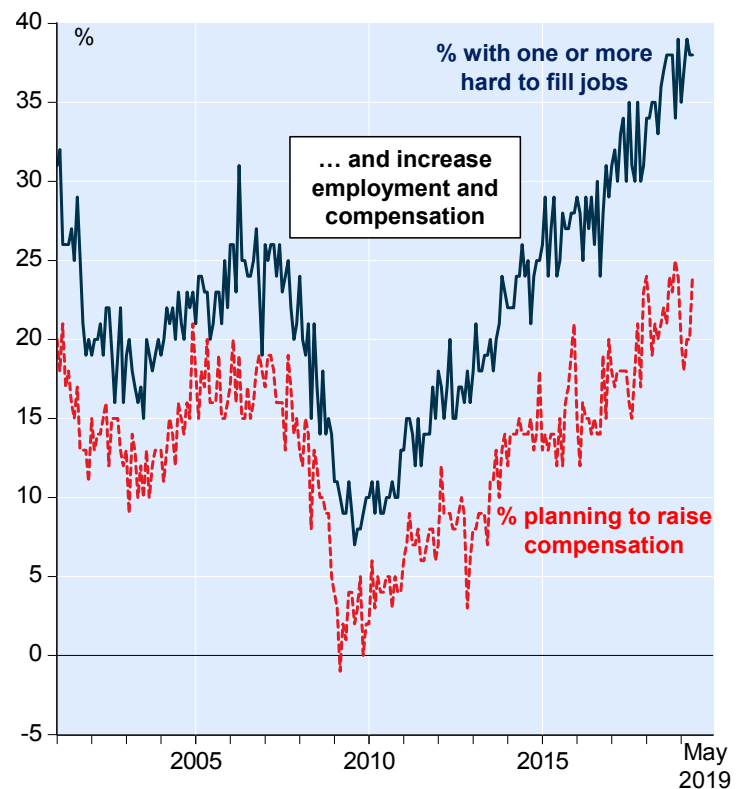
Are market expectations of interest rate cuts by the Federal Reserve warranted? A likely slowdown of U.S. GDP growth in Q2 and May's below-consensus non-farm payrolls are fueling investor concerns. But a deceleration should not be surprising after Q1's unsustainable 3.1% GDP growth print, while May's slowdown in employment creation seems to be temporary. As today's *Hot Charts* show, small businesses are keen to increase employment and wages amid labour shortages. Interestingly 30% of NFIB respondents, the highest share this year, thinks that now is a good time to expand – that measure is highly positively correlated with the fed funds rate. All told, the market's call for looser monetary policy is not consistent with latest data from small businesses.

U.S.: Business optimism on the rise

NFIB small business optimism index versus NFIB respondents saying now is a good time to expand



NFIB respondents with hard to fill jobs and planning to raise compensation



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