

Market Preview

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US set for best year of job creation since 2015, says analyst ahead of non-farm payrolls report

With the calendar for corporate earnings on Friday looking empty, the market will be turning its attention to official monthly US jobs data.

The Labor Department's US non-farm payroll report is expected to show employers added 180,000 jobs in December, compared to 155,000 in November.

The unemployment rate is forecast to remain at 3.7%. Average hourly earnings are projected to rise by 3.0% year-on-year and 0.3% month-on-month.

ING Economics chief international economist James Knightley said 2018 is on course for the best year of job creation since 2015 despite November's payrolls report missing expectations for a 198,000 increase in jobs.

"On average 206,000 jobs were added in each of the first 11 months of 2018 versus the 182,000 average for 2017 as a whole and the 195,000 average for 2016," he said.

"However, we think 2019 will see slower growth with the December 2018 report offering a prelude for this."

Knightley said employment growth is slowing but thinks this is more to do with a lack of available workers rather than a drop in demand. Increased competition for workers means wages will keep rising in December, supporting confidence and spending, he added.

"This will also add to inflationary pressures in the economy and will keep the Federal Reserve on course to raise interest rates further in 2019," he said.

"However, officials will tread a more cautious path with intensifying economic headwinds coupled with the fact the Fed is also running down its balance sheet meaning we expect two 25 basis point rate hikes in 2019 versus the four experienced in 2018."

UK services activity to expand further in December
On this side of the pond, UK services data will be in focus.

The Markit/CIPS purchasing managers' index for UK services is expected to rise to 50.7 in December, up from 50.4 in November. A reading above 50 signals expansion in sector activity.

The report follows Markit's better-than-expected UK manufacturing report on Wednesday. The manufacturing PMI rose to 54.2 in December from an upwardly revised 53.1 in November, beating forecasts of 52.5.

Major announcements due:

Trading updates: Johnson Service Group plc (LON:JSG)

Economic data: UK services PMI; US non-farm payrolls

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MarketTopic Synopsis:

Market Preview is published daily before trading kicks off, giving investors a roundup of macroeconomic and corporate news that is likely to move the markets along with the expected opening level of the major indices.

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