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# US jobs fall short but ASX set to test record

## Equities

Luke Housego

The benchmark S&P/ASX200 Index is expected to test fresh highs and possibly pass the psychological 7000 point level this week as a Chinese delegation arrives in the US to sign the "phase one" trade deal.

While a negative lead from the US following below-expectation job numbers pointed to a pull-back on the local market today, equities were tipped to continue to rally as traders look through the uncertainty from geopolitical tensions in the Middle East.

"I think given all the geopolitical events ... the market's been very, very resilient," Federation Asset Management chairman Greg Bundy said.

"I think we're probably going to touch new highs again [this week]. And then maybe further through [to new levels] as people [return to work] in the third or fourth week of January."

In what was the strongest week since August, the benchmark index climbed just a little less than 3 per cent last week, setting a record high as investors discounted any risks of further escalation in conflict between the United States and Iran.

The S&P/ASX 200 closed at 6929 points on Friday, while the broader All

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Ordinaries broke through 7000 points to end the week at 7041.9 points.

And while the sharemarket rally in the first couple of weeks of the year has been significant compared with previous years, Mr Bundy expected the gains to be maintained.

"The Australian market is really taking its cues from offshore, which really outperformed in 2019. So in some respects you can say the Australian market is catching up a little bit," he said.

The relative performance of indices here and abroad underlined the point. While the S&P/ASX 200 Index rose 18.4 per cent last year, the MSCI World Index surged 29.75, the Nasdaq added a massive 35.2 per cent and the S&P 500 climbed 28.9 per cent.

But while the outlook for the market this week was positive overall, ASX futures suggested the sharemarket would backtrack today after a drop of about half to a quarter of a per cent for the US indices on Friday.

In what was otherwise a strong week for US equities, shares dipped after the release of employment growth figures for the world's largest economy.

The US Bureau of Labor Statistics reported a rise in non-farm payroll employment of 145,000 in December and a steady unemployment rate of 3.5 per cent.

The number of new jobs fell slightly short of the 162,000 expected by the market but was still a strong result, according to Swell Asset Management chief investment officer Lachlan Hughes.

"Despite falling short of market expectation the December print was reasonable considering the bumper month delivered in November," he said.

"Pundits have been predicting a US recession for some time. However, we do not share this view and expect jobs growth to continue in 2020."

AMP chief economist Shane Oliver also supported the view that the figures still painted a positive picture for the US economy.

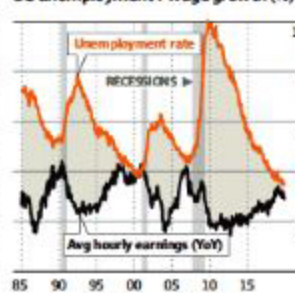
While December payroll employment growth was a little weaker than expected, it was still strong and followed a 256,000 gain in November," Dr Oliver said in a research note.

## The week ahead

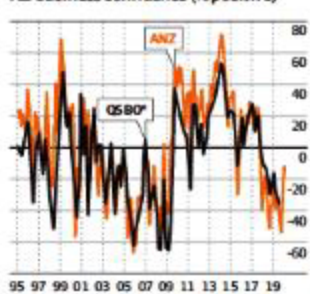
Building approvals v investment (% YoY)



US unemployment v wage growth (%)



NZ business confidence (% positive)



Housing finance approvals (\$b)



\*Quarterly survey of business opinion

SOURCES: NAB, WESTPAC, AMP, AFS

### MONDAY

■ Eco AU  
Melbourne  
Institute  
inflation for Dec

### TUESDAY

■ Eco China  
trade balance;  
NZ Q580  
business  
confidence  
survey;  
US consumer  
price index

### WEDNESDAY

■ Eco EU  
November  
industrial  
production

### THURSDAY

■ Eco AU  
housing finance;  
US retail sales

### FRIDAY

■ Eco China 4Q  
GDP, retail sales  
and industrial  
production;  
US December  
industrial  
production



The US added 145,000 non-farm jobs in December, short of expectations for an increase of 162,000 positions. PHOTO: LOUIE DOUVIS

Domestically, while the east coast bushfires have cast a shadow over parts of the economy, with the true cost unknown, other readings of the domestic economy added to the positive news from overseas.

Last week the higher-than-expected building approvals figures added to the positive outlook for the residential property market, which is anticipated to be further supported by lending approvals data, due out on Thursday.

Westpac expected the November update to show another solid result of a 2 per cent rise in the total value of finance approvals, which would follow a 2 per cent rise in October.

But following on from the US-Iran

tensions of the previous fortnight, macro events will remain in the spotlight this week.

A Chinese delegation, including head negotiator and Vice-Premier Liu He, was due to arrive in the US today ahead of a signing ceremony for the phase one deal on Wednesday.

Gains from the ceremonial event may be limited, according to Mr Bundy. He noted that was confirmed that the sides had reached an agreement last month, so the market was likely to have already priced in the upside.

But there remained potential for a market reaction if the terms of the deal, which have not been disclosed, contain something unexpected.