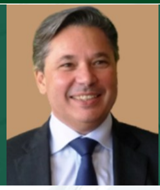
Investments - Flash



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THE US ECONOMY IS READY TO STUMBLE

The job market is deteriorating and demand is expected to decline

We might have expected volatility to return at the end of the 90 -day truce to reach bilateral agreements, but the markets decided otherwise. The month passed with relative indifference, while US growth in Q2 benefited from the collapse in imports to record a misleading increase of +3%. The adjustments made by companies in anticipation of tariff increases are still clouding the picture and making it difficult to assess the true health of the US economy. However, the labor market now offers more solid evidence, which does not support the thesis of economic resilience in the face of the chaos orchestrated by Trump. The latest statistics in this area point instead to a crack in the job market. Indeed, the steady decline in job creation observed in recent quarters has proved to be much more pronounced than initially estimated. The August 1 revision of -258,000 jobs for the last two months is the sharpest downward correction in this statistic since the 2020 pandemic. The July job creation figure (35,000) is also the lowest outside of the pandemic in the last ten years and is well below the 232,000 jobs created in January (three-month average). The effects of tariffs are still barely visible in this context, and the Fed continues to face the same dilemma. Trump's policy is inflationary, but it is also increasingly undermining confidence and the economy. If the employment trend continues, we are likely to see a decline in demand before observing an increase in inflation induced by tariffs, which will only weigh on consumption and investment later on. Now is also the time to switch to a “risk-off” phase.