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**TOM KEENE, BLOOMBERG:**

Tiffany Wilding gets out front. Hey Tiffany, how close are we to recession?

**TIFFANY WILDING, PIMCO:**

after this payroll report, it certainly looks a little further away that maybe we thought ahead of the jobs number. I would say that the economy continues to surprise us in terms of just how resilient it is now, having said that though each job number brought on a monthly basis can be a bit noisy, in this time of the year in September is when you have teachers that come back. And so you can get a little bit more noise in these reports as a result of that. The other thing we're focusing on in the jobs report is the fact that the unemployment rate is up a little bit from its low at 3.8. So there is some loosening in the labor market that is happening. Unfortunately you may not be seeing that as much in the wage data; average hourly earnings it's a bit stuck, but nevertheless I would say this report was pretty strong.

**PAUL SWEENEY, BLOOMBERG:**

So how do you think this report will be perceived by this Federal Reserve?

**WILDING:**

So I think that it's the headline number is just well above what anyone expected for how many jobs would be created in September. And so I think that you have to say that the probability they hike again has increased, after this report. Now the one mitigating factor here I think- and we've been skeptical by the way, that they would be able to get another hike in but I think the one mitigating factor is is that you have seen longer-dated bond yields, especially real yields which have increased quite dramatically over the past several weeks and months. And that is tightening financial conditions. So that's doing some of the work for the Fed. You know, I say, take all of that in maybe still a coin flip whether they hike or not.

**KEENE:**

How do you link your work with what PIMCO is seeing on the bid, across desk after desk after desk at their fixed income shop. I mean how do you- I'm fascinated Tiffany, how you've gotten through the week, looking at price down in bonds? How do you adapt that to your economic analysis?

**WILDING:**

Yeah well I think it's definitely, I guess a bit of a conundrum on the surface that we're getting close to the end of rate hiking cycles, not just in the US but everywhere. And of course headline inflation has come down quite a bit this year. You know, come down faster than what we tend to see historically, and so that kind of environment you think would actually be OK for bonds. At the same time, we’re seeing a sell off.

**KEENE:**

Ok, if we get that, if we get the “Wilding Vector of Disinflation”, are we going to get some kind of smooth glide path to a new regime of lower interest rates? Or is it going to be a jump condition where- BOOM. You know, Paul will be on the train, I'll be out walking around, and BOOM, the world changes. Do you see a jump condition reversion or is this going to take time to work out to get back to a lower regime of yield?

**WILDING:**

Well what I can say is that just from an economic perspective, when you tend to get downturns or even recessions- and they by the way, they happen more frequently when monetary policy is tight; it doesn't tend to happen- recessions don't tend to happen in a nice way, right? They don't tend to kind of gradually decline down into a small contraction and everything is- everybody is still happy. They usually happen in kind of these “jump conditions”, to use your term. You know, they- the economy kind of looks like it's fine, it’s chugging along and then one day we really fall. I would say that as yields increase, I think there is the possibility that stresses outside of the bond market build. That's one thing that's been so surprising to us, is that equity risk premiums; the amount that investors need to take on equity risk, that's actually fallen in this latest increase In yield. Maybe there's a little bit more spread widening in the in the credit markets, but overall so far, it looks like the only thing that’s seeing stress, in terms of the financial market is the bond market. So how long does that last?

**KEENE:**

We've got one time to get a question and with Tiffany Wilding. Tiffany, is anybody in Washington representing business? Teensy weensy, small business? Your overpriced latte shop in Newport Beach, or legitimate small business competing with China? It seems like it's been a massive swing to labor within the zeitgeist of the administration.

**WILDING:**

What I would say is that the way that economists measure this balance or this back and forth; we look at overall income in the broader economy, and we look at the labor share of that. And it looks obviously we've- there's been a lot of focus on the fact that over the last thirty to fifty years the labor share of the economic gains has basically declined. Now, when we look at the updated statistics for that you aren't really seeing clear evidence yet that that trend is reversing. And I think usually you would hope that that starts to happen when you have an economy that is hot and when the labor markets are tight. And I think that's what workers are trying to do right now with the strikes they have, they're trying to catch up.

**KEENE:**

Right. Dead on. Hugely valuable. Tiffany Wilding of PIMCO, thank you so much there, on this job report.