

DAILY GLOBAL
COMMENTARY

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Employment Situation Remains Grim

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Civilian Unemployment Rate: 8.5% in March vs. 8.1% in February, cycle low is 4.4% in March 2007.

Payroll Employment: -663,000 in March vs. -651,000 in February, net loss of 86,000 jobs after revisions of payroll estimates for January and February.

Hourly earnings: +3 cents to \$18.50, 3.35% yoy change vs. 3.59% yoy change in February, cycle high is 4.28% yoy change in Dec. 2006.

HIGHLIGHTS OF THE MARCH 2009 EMPLOYMENT REPORT

	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
Household Survey						
Chg. in Civilian Labor Force (000)	257	-258	-173	-731	498	-166
Chg. in Civilian Employed (000)	-372	-513	-806	-1239	-351	-861
Civilian Unemployment Rate	6.6	6.8	7.2	7.6	8.1	8.5
Participation Rate	66.0	65.8	65.7	65.5	65.6	65.5
Employment-Population ratio	61.7	61.4	61.0	60.5	60.3	59.9
Establishment Survey						
Chg. in Total Nonfarm Payrolls (000)	-380	-597	-681	-741	-651	-663
Chg. in Private Nonfarm Payrolls (000)	-384	-601	-670	-749	-654	-658
Chg. in Manufacturing Payrolls (000)	-119	-121	-180	-262	-169	-161
Chg. in Services - Private Sector (000)	-200	-352	-388	-344	-369	-353
Chg. in Government payrolls (000)	4	4	-11	8	3	-5
Total Workweek (Hours)						
Manufacturing Workweek (Hours)	40.4	40.2	39.9	39.8	39.5	39.3
Manufacturing Overtime (Hours)	3.5	3.2	2.9	2.9	2.7	2.7
Average Hourly Earnings						
	18.28	18.34	18.40	18.43	18.47	18.50
Chg. from prior month	0.4%	0.3%	0.3%	0.2%	0.2%	0.2%
Chg. from year ago	3.9%	3.9%	3.9%	3.7%	3.6%	3.4%
Average Weekly Earnings						
	612.38	612.56	612.72	613.72	615.05	614.20
Chg. from prior month	0.1%	0.0%	0.0%	0.2%	0.2%	-0.1%
Chg. from year ago	2.9%	2.6%	2.4%	2.5%	2.1%	1.5%
Index of Aggregate Weekly Hours:						
Chg. from prior month in Total Index	-0.8%	-0.9%	-0.9%	-0.7%	-0.6%	-1.0%
Chg. from prior month in Mfg. Index	-1.5%	-1.6%	-2.3%	-2.7%	-2.3%	-2.1%

The headlines and details of the employment report present a dismal picture of employment conditions in the U.S. economy. The main message is that the Fed is on hold for the foreseeable future. That said, there are positive aspects in the report we are watching closely – employment in construction, manufacturing, and temporary help (see charts 7 and 8) – and it is a matter of time before we can conclude if in fact these are meaningful signals of economic recovery.

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Household Survey – The unemployment rate rose to 8.5% in March from 8.1% in February. A broad measure of unemployment (which includes those working part-time because they cannot find full-time jobs and those not looking for work but want and are available in addition to those included in the tally of unemployed in the headline jobless rate) was 15.6% in March vs. 14.8% in February, the largest since record keeping for this series began in 1994 (see chart 1). In a short period of six months, the jobless rate has risen 2.3 percentage points, one of the largest gains in a six-month period (see chart 2).

Chart 1
 Civilian Unemployment Rate: 16 yr +
 SA, %
 Broad Measure of Unemployment
 SA, %

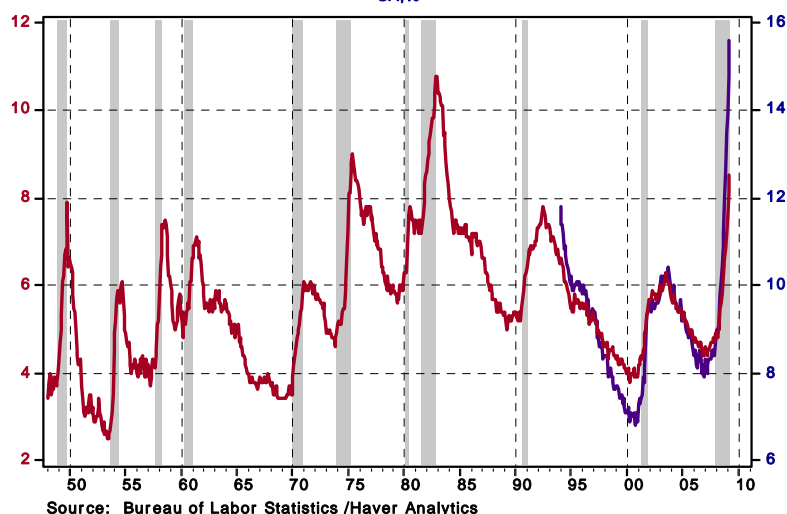
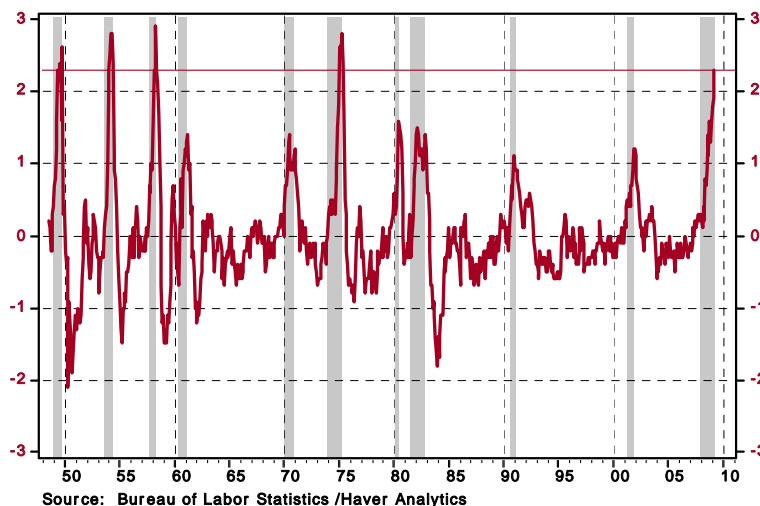


Chart 2
 Civilian Unemployment Rate: 16 yr +
 6-month Change SA, %



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The number of people unemployed for six months and over (3.182 million) is the largest on record (see chart 3). The number of people working part-time is at a record high of 9.049 million (see chart 3).

Chart 3
Civilians Unemployed for 27 Weeks and Over
 SA, Thous.



From a historical perspective, the unemployment rate has now risen 4.1 percentage points from a cycle low of 4.4% in March 2007, which exceeds the median increase (3.2 percentage points) in the jobless rate during business cycles of the post-war period. The average increase of the jobless rate from cycle low to cycle high is 3.24 percentage points.

Unemployment Rate across Business Cycles

Peak to Trough Business Cycles	Date	Cycle low of unemployment rate prior to onset of recession	Date	Cycle high of unemployment rate after the end of the recession	Increase in jobless rate from cycle low (percentage points)
Nov.1948 - Oct.1949	Jan-48	3.4	Oct-49	7.9	4.5
Jul.1953 - May1954	Jun-53	2.5	Sep-54	6.1	3.6
Aug.1957 - Apr.1958	Mar-57	3.7	Jul-58	7.5	3.8
Apr.1960 - Feb.1961	Feb-60	4.8	May-61	7.1	2.3
Dec.1969 - Nov.1970	May-69	3.4	Dec-70	6.1	2.7
Nov.1973 - Mar.1975	Nov-73	4.6	May-75	9.0	4.4
Jan.1980 - Jul.1980	May-79	5.6	Jul-80	7.8	2.2
Jul.1981 - Nov.1982	Jul-81	7.2	Dec-82	10.8	3.6
Jul.1990 - Mar.1991	Mar-89	5.0	Jun-92	7.8	2.8
Mar. 2001 - Nov.2001	Apr-00	3.8	Jun-03	6.3	2.5
Dec. 2007 - ???	Mar-07	4.4	Mar-09	8.5	4.1

Establishment Survey – Nonfarm payrolls fell 663,000 in March after declining 651,000 in February and 741,000 in January (see chart 4). The weakness in hiring was widespread in March, with health care employment (+14,000) as the only category to post gains. The diffusion index of employment was 22.0 in March (see chart 5). This index has moved in a narrow range of 20.5-22.1 in the last four months.

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Chart 4

All Employees: Total Nonfarm
Difference - Period to Period SA, Thous

All Employees: Total Nonfarm
% Change - Year to Year NSA, Thous

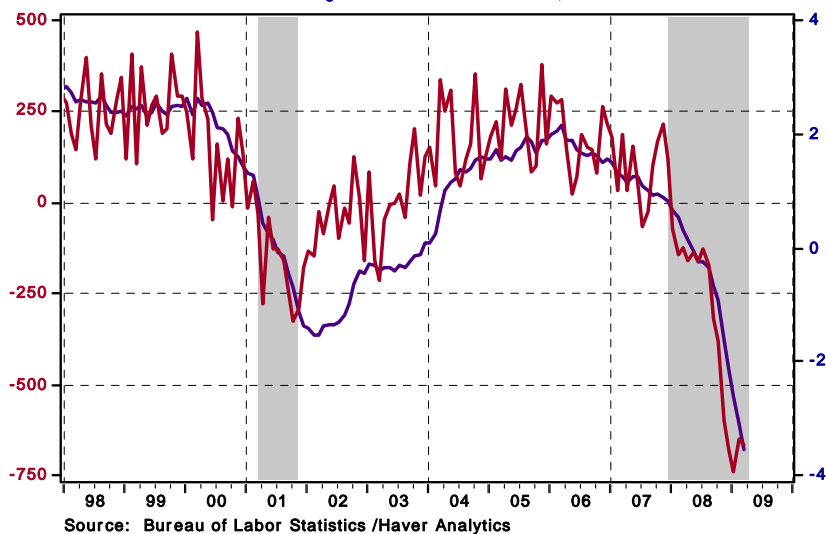
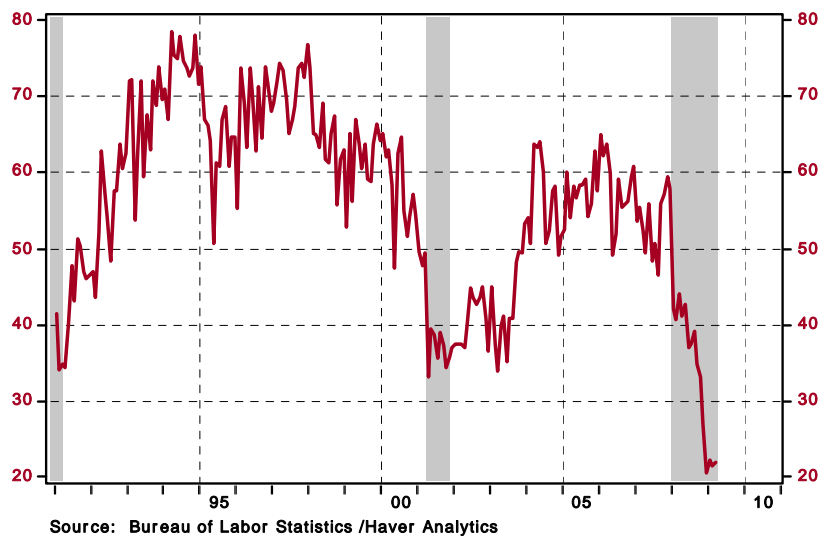


Chart 5

Diffusion Index: Employees On Private Nonag Payrolls

% Rising



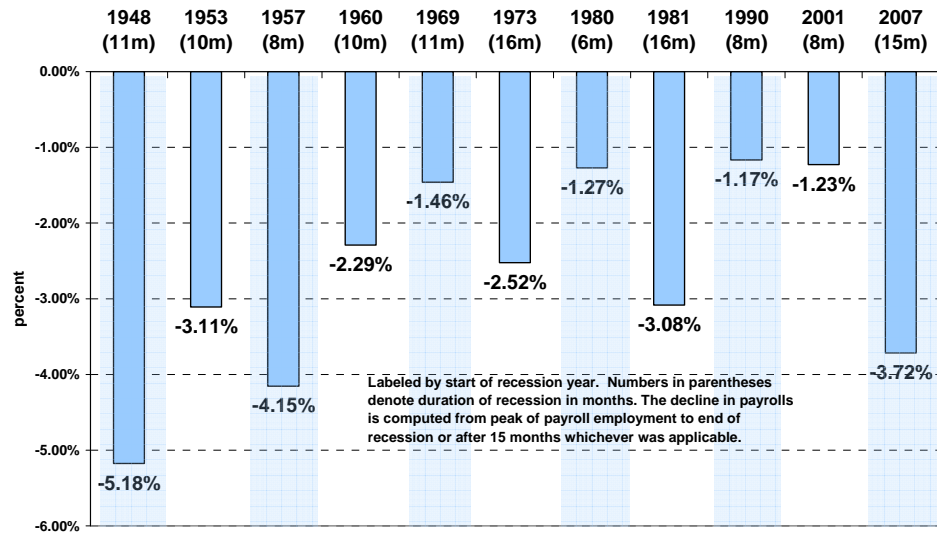
From a historical standpoint, non-farm payrolls have dropped 3.72% from the peak in December 2007, the largest decline since the 1957-58 recession (see chart 6).

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Chart 6

Payroll Employment

(Percent decline from peak of payroll employment)



Highlights of Job losses:

Factory jobs: -161,000 in March vs. -169,000 in February.

Autos: -16,100 in March vs. -13,700 in February

Construction jobs: - 33,000 in March vs. -27,200 in February.

Temporary help: -71,700 in March vs. -77,200 in February.

Retail: -47,800 in March vs. -50,800 in February.

Financial activities: -43,000 in March vs. -44,000 in February.

Professional and Business Services: -133,000 in March vs. -178,000 in February.

The noteworthy aspect to track in the months ahead is the pace of job losses in the factory and construction sectors and also that of temporary help. As shown in charts 7 and 8, the pace of monthly job declines appears to be decelerating, which we can confirm only in the months ahead as these data will be revised.

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Chart 7

All Employees: Manufacturing
Difference - Period to Period SA, Thous

All Employees: Construction
Difference - Period to Period SA, Thous

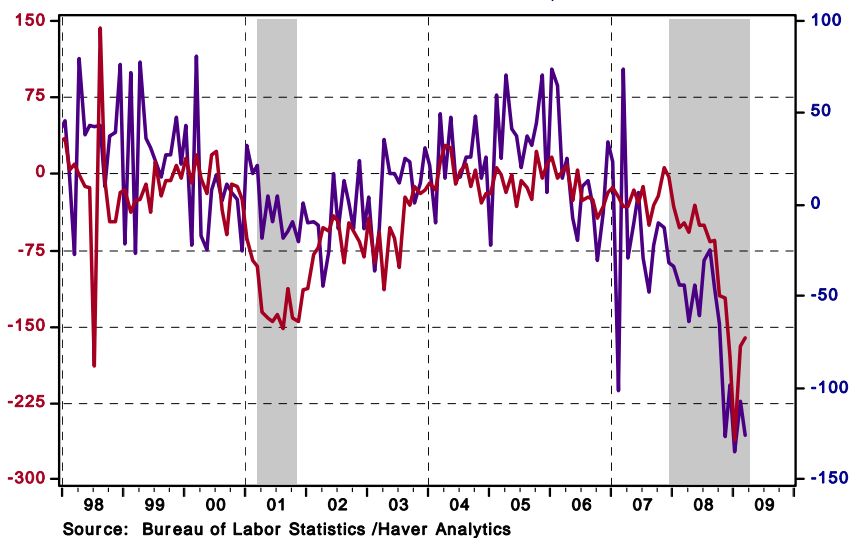
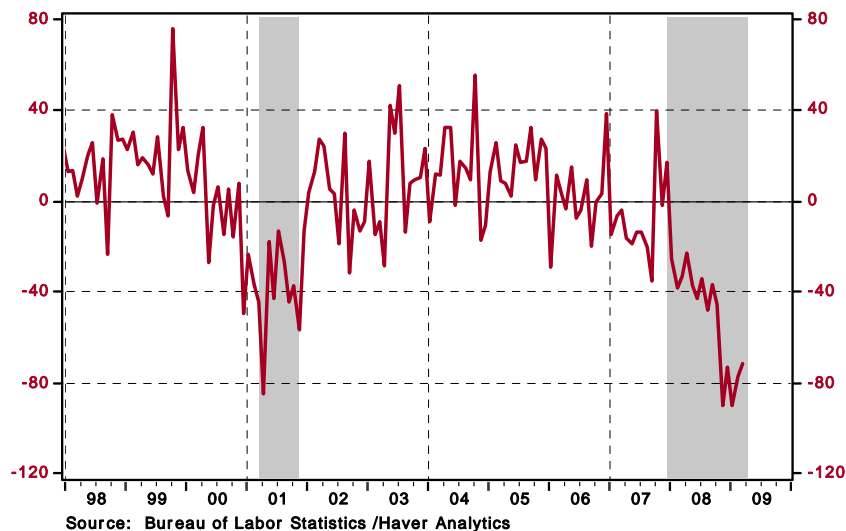


Chart 8

All Employees: Temporary Help Services

Difference - Period to Period SA, Thous



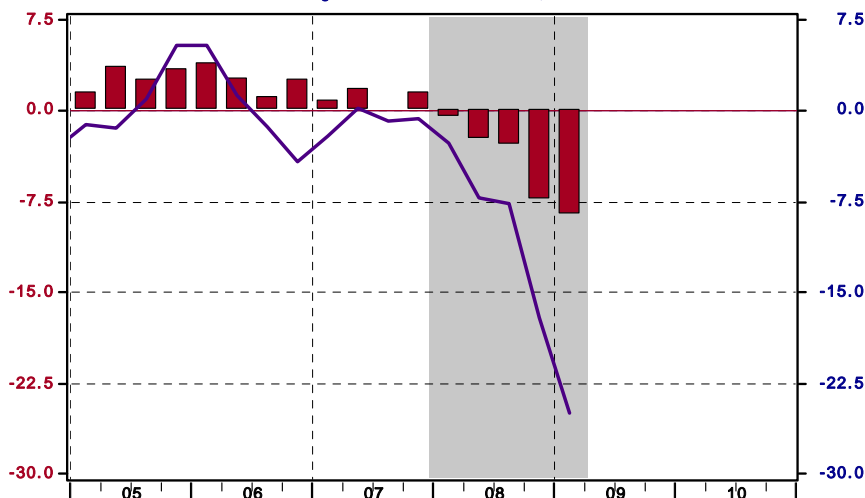
The weakness in man-hours worked overall (-1.0% in March, -8.7% annualized decline in Q1) and in the factory sector (-2.1% in March, -24.9% annualized drop in Q1) suggest large declines in real GDP and industrial production, respectively (see chart 9) in the first quarter.

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Chart 9

Aggregate Weekly Hours Index: Total Private Industries
 % Change - Annual Rate SA, 2002=100

Aggregate Weekly Hours Index: Manufacturing
 % Change - Annual Rate SA, 2002=100



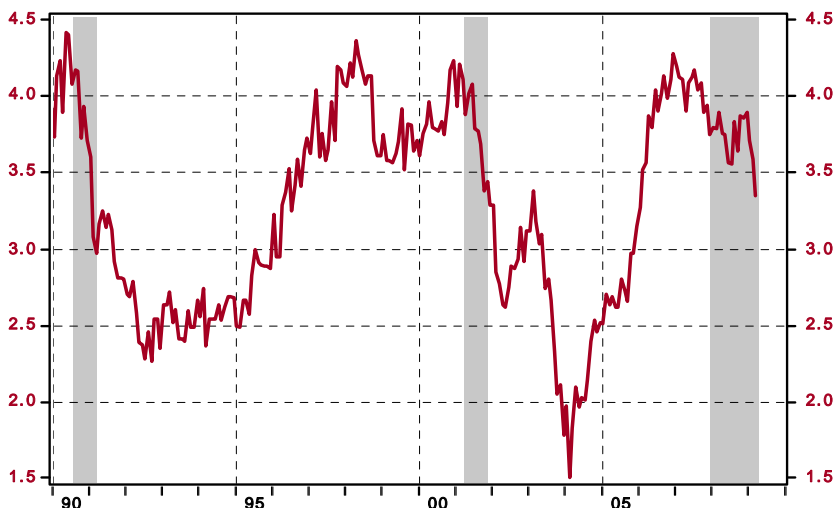
Source: Bureau of Labor Statistics /Haver Analytics

Hourly earnings rose 0.2% in March to \$18.50, putting the year-to-year increase at 3.35%, a significantly soft trend in earnings. The earnings and payroll data point to a drop in the wage and salary component of personal income during March. Wages and salaries have fallen for four consecutive months.

Chart 10

Average Hourly Earnings: Total Private Industries

% Change - Year to Year SA, \$/Hour



Source: Bureau of Labor Statistics /Haver Analytics

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Weekly Policy Update

Credit market spreads have narrowed slightly in the past week from the short-end (chart 11) to the long end (chart 12 and 13). The spread between the 3-month Libor and 3-month Treasury bill rate was 95 bps as of April 2, down from the recent high of 112 bps in early-March. The Moody's Baa -10-year Treasury note spread was 570 bps on April 1, down from 588 bps on March 23. The yield spread between junk bonds and the 10-year Treasury note has narrowed nearly 200 bps from its high on March 9, 2009. The Fed's actions have succeeded in bringing down the 30-year fixed rate mortgage to 4.78% for the week ended April 1, the lowest on record (see chart 14). The Fed's balance sheet (see chart 15) continues to advance and was at \$2.08 trillion for the week ended April 1, 2009.

Chart 11

Spread: 3-Month Libor less 3-Month Treasury Bill Rate

(1)

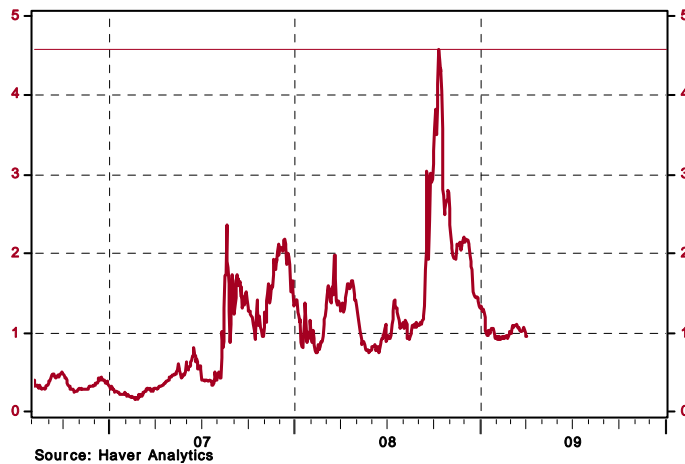
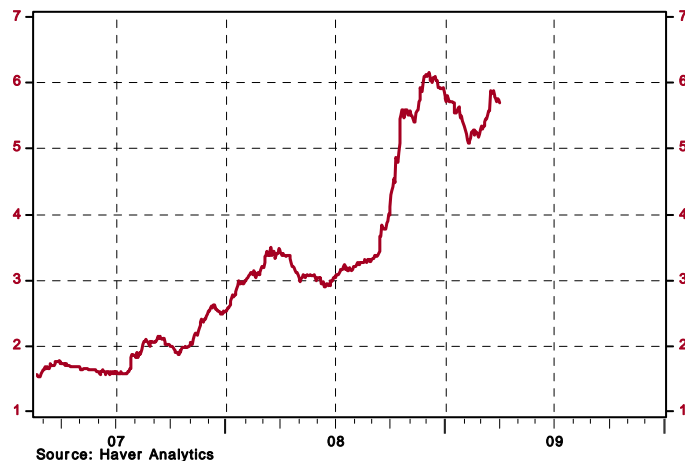


Chart 12

Spread: Moody's Baa less 10-year U.S. Treasury Note Yield

percent



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Chart 13

Spread: Merrill Lynch Junk Bond yield less 10-year Treasury Note yield

percent

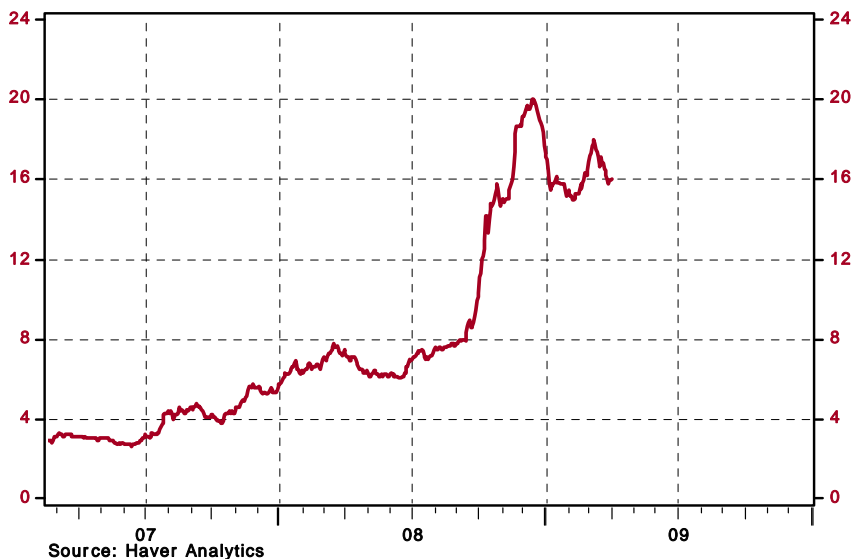


Chart 14

FHLMC: 30-Year Fixed-Rate Mortgages: U.S.

%

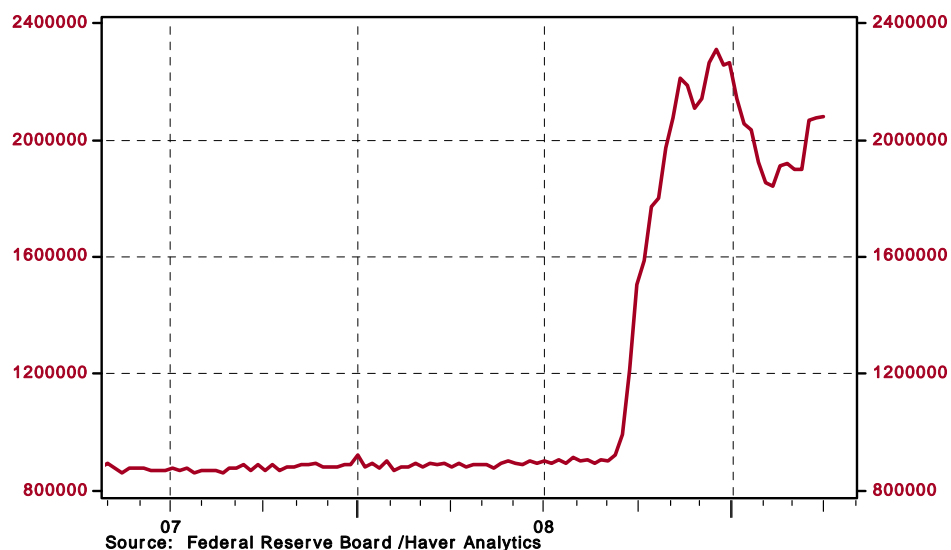


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Chart 15

All Fed Res Banks: Total Assets

EOP, Mil.\$



Key Interest Rates

	4/3/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	1.16	-6	-13	-157
2-year U.S. Treasury note yield	0.95	5	4	-88
10-year U.S. Treasury note yield	2.90	12	7	-60

Next Week's Highlights

Date	Economic Indicator	TNT	Consensus	Previous
4/7/2009	Minutes of FOMC Meeting			
4/9/2009	Initial claims ('000s)		660	669
	International Trade (Feb.)	-\$36.5 bln.	-\$36.5 bln.	-\$36.03 bln.

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Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		%	year-ago		%	year-ago	
United States	-0.8	Q4-08	0.2	Feb-09	8.5	Mar-09	5.1	0.13	Mar-09	2.25
Euro-Area	-1.3	Q4-08	1.2	Feb-09	8.5	Feb-09	7.2	1.50	Mar-09	4.00
Japan	-4.3	Q4-08	-0.1	Feb-09	4.4	Feb-09	3.9	0.10	Mar-09	0.50
UK	-2.0	Q4-08	3.1	Feb-09	4.3	Feb-09	2.5	0.50	Mar-09	5.25
Australia	0.3	Q4-08	3.7	Q4-08	5.2	Feb-09	3.9	3.25	Mar-09	7.25
Canada	-0.7	Q4-08	1.4	Feb-09	7.7	Feb-09	5.9	0.50	Mar-09	3.50
China	6.8	Q4-08	0.0	Feb-09	4.2	Q4-08	4.1	0.83	Feb-09	2.29
India	5.4	Q4-08	9.6	Feb-09	--	--	--	3.50	Mar-09	6.00
New Zealand	-2.3	Q4-08	3.4	Q4-08	4.6	Q4-08	3.7	3.00	Mar-09	8.25
Norway	0.8	Q4-08	2.5	Feb-09	2.9	Q4-08	2.8	2.00	Mar-09	5.25
Singapore	-4.0	Q4-08	1.8	Feb-09	2.5	Q4-08	2.8	0.43	Mar-09	0.83
South Korea	-3.4	Q4-08	3.9	Mar-09	3.5	Feb-09	3.1	2.00	Mar-09	5.00
Sweden	-4.4	Q4-08	0.9	Feb-09	7.9	Feb-09	6.0	1.00	Mar-09	4.25
Switzerland	-0.1	Q4-08	-0.4	Feb-09	3.1	Feb-09	2.5	0.40	Mar-09	2.89
Taiwan	-7.9	Q4-08	0.0	Feb-09	5.6	Feb-09	3.9	1.25	Mar-09	3.50
Thailand	-4.3	Q4-08	-0.2	Mar-09	1.7	Feb-09	1.4	2.00	Mar-09	3.50
* UK - Claimant Count Unemployment Rate										
* Thailand - GDP Non-Seasonally Adjusted										
* EA-13, UK, Sweden - Harmonized Unemployment										

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Historical US Economic Data

	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08	Jun-08	May-08	Apr-08
Payroll Employment (000)	-663	-651	-741	-681	-597	-380	-321	-175	-128	-161	-137	-160
% Change, Year Ago *	-3.5	-3.1	-2.7	-2.2	-1.6	-1.1	-0.7	-0.4	-0.3	-0.2	-0.1	0.2
Unemployment Rate (%)	8.5	8.1	7.6	7.2	6.8	6.6	6.2	6.2	5.8	5.6	5.5	5.0
Avg. Hourly Earnings (% Chg.)	0.2	0.2	0.2	0.3	0.3	0.4	0.2	0.4	0.3	0.3	0.3	0.2
% Change, Year Ago	3.4	3.6	3.7	3.9	3.9	3.9	3.6	3.8	3.5	3.6	3.7	3.8
PPI (% Chg.)		0.1	0.8	-1.9	-2.6	-2.6	-0.1	-0.5	1.3	1.3	1.5	0.2
% Change, Year Ago *		-1.3	-1.0	-0.9	0.4	5.2	8.8	9.7	9.9	9.1	7.3	6.4
CPI (% Chg.)		0.4	0.3	-0.8	-1.7	-0.8	0.0	0.0	0.7	0.9	0.5	0.2
% Change, Year Ago *		0.2	0.0	0.1	1.1	3.7	4.9	5.4	5.6	5.0	4.2	3.9
ISM Diffusion Index (%)	36.3	35.8	35.6	32.9	36.6	38.7	43.4	49.3	49.5	49.5	49.3	48.6
Industrial Production (% Chg.)		-1.5	-2.0	-2.4	-1.3	1.4	-4.0	-1.1	-0.1	-0.2	-0.3	-0.6
% Change, Year Ago		-11.8	-10.7	-8.9	-6.4	-4.6	-6.4	-2.2	-1.0	-0.7	-0.4	0.0
Capacity Utilization (Goods)		70.2	71.3	72.7	74.6	75.5	74.5	77.6	78.6	78.7	78.9	79.2
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)		7.1	-12.3	-5.9	1.1	-6.7	-3.4	-2.3	0.3	1.6	-0.3	3.1
% Change, Year Ago *		-23.2	-25.4	-14.7	-7.9	-7.2	0.1	-0.2	6.6	3.4	3.4	2.6
- Shipments (% Chg.)		0.6	-9.4	0.1	-1.3	-3.7	1.7	-2.1	0.3	0.6	0.2	1.0
% Change, Year Ago *		-15.3	-13.4	-4.7	-5.2	-2.2	2.7	-1.6	6.1	2.0	2.7	3.7
Retail Sales (% Chg.)		-0.1	1.8	-3.1	-2.4	-3.4	-1.6	-0.7	-0.6	0.1	0.8	0.2
% Change, Year Ago		-12.3	-8.3	-8.6	-10.0	-4.0	0.1	-0.4	4.1	1.4	2.5	3.7
Real Personal Consumption (% Chg.)		-0.2	0.7	-0.6	0.4	-0.8	-0.5	-0.1	-0.6	-0.2	0.2	0.1
% Change, Year Ago		-1.4	-1.4	-1.9	-1.4	-1.3	-0.6	-0.2	0.2	1.1	1.4	1.3
Personal Income (% Chg.)		-0.2	0.2	-0.3	-0.5	-0.1	0.1	0.3	-0.8	0.1	1.8	0.0
% Change, Year Ago		1.0	1.4	1.3	2.1	3.0	3.4	3.9	4.0	5.3	5.6	4.0
New Home Sales (SAAR, mn)		0.34	0.32	0.37	0.39	0.40	0.43	0.45	0.51	0.50	0.52	0.54
% Change, Year Ago *		-43.8	-47.7	-40.9	-40.0	-43.9	-34.0	-36.7	-36.8	-38.4	-38.0	-41.0
Existing Home Sales (SAAR, mn)		4.72	4.49	4.74	4.54	4.94	5.10	4.93	4.99	4.90	4.95	4.85
% Change, Year Ago *		-10.3	-7.6	0.3	-17.0	-1.9	6.8	-15.0	-11.3	-16.7	-16.3	-15.7
Housing Starts (SAAR, mn)		0.58	0.48	0.56	0.66	0.77	0.82	0.85	0.95	1.09	0.98	1.00
% Change, Year Ago *		-48.5	-56.1	-45.3	-46.5	-40.7	-27.2	-37.0	-32.2	-25.6	-32.8	-34.0
International Trade (Bils \$)			-36.0	-39.9	-42.5	-58.0	-58.1	-60.2	-62.5	-59.1	-60.5	-61.8
	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06
Real GDP, Chain Weighted, SAAR	-6.3	-0.5	2.8	0.9	-0.2	4.8	4.8	0.0	1.5	0.8	2.7	
% Change, Year Ago	-0.8	0.7	2.1	2.5	2.3	2.8	1.8	1.3	2.4	2.4	3.2	
Chain-Weighted Price Index, SAAR	0.5	3.9	1.1	2.6	2.8	1.5	2.0	4.1	2.2	2.8	2.7	
% Change, Year Ago	2.0	2.6	2.0	2.3	2.6	2.5	2.8	2.9	2.8	3.2	3.5	
Nominal GDP, SAAR	-5.8	3.4	4.1	3.5	2.3	6.4	6.9	4.3	3.7	3.6	5.5	
% Change, Year Ago	1.2	3.3	4.1	4.7	4.9	5.3	4.6	4.3	5.3	5.7	6.8	
Employment Cost Index (%)	0.5	0.7	0.7	0.7	0.8	0.8	0.9	0.8	0.8	1.0	0.9	
% Change, Year Ago	2.6	2.9	3.1	3.3	3.3	3.3	3.3	3.5	3.3	3.3	3.0	
Productivity Nonfarm, SAAR	-0.4	2.2	4.7	2.6	-0.5	7.0	4.8	-0.6	-0.4	-1.6	2.4	
% Change, Year Ago	2.2	2.2	3.4	3.5	2.6	2.6	0.5	-0.1	0.6	0.3	1.7	
Unit Labor Costs, Nonfarm, SAAR	5.7	3.5	-2.8	1.1	5.0	-2.5	-3.3	4.8	9.6	3.9	-1.1	
% Change, Year Ago	1.8	1.6	0.1	0.0	0.9	2.0	3.6	4.2	3.7	2.6	2.2	

Source: Haver Analytics

* NSA

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