

DAILY GLOBAL COMMENTARY

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Moderation of Job Losses is Noteworthy

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Civilian Unemployment Rate: 9.4% in July vs. 9.5% in June, cycle low is 4.4% in March 2007.

Payroll Employment: -247,000 in July vs. -443,000 in June, net upward revision of 43,000 new jobs after revisions of payroll estimates for May and June.

Hourly earnings: \$18.56 in July vs. \$18.53 in June, 2.5% yoy change vs. 2.7% yoy change in June, cycle high is 4.28% yoy change in Dec. 2006.

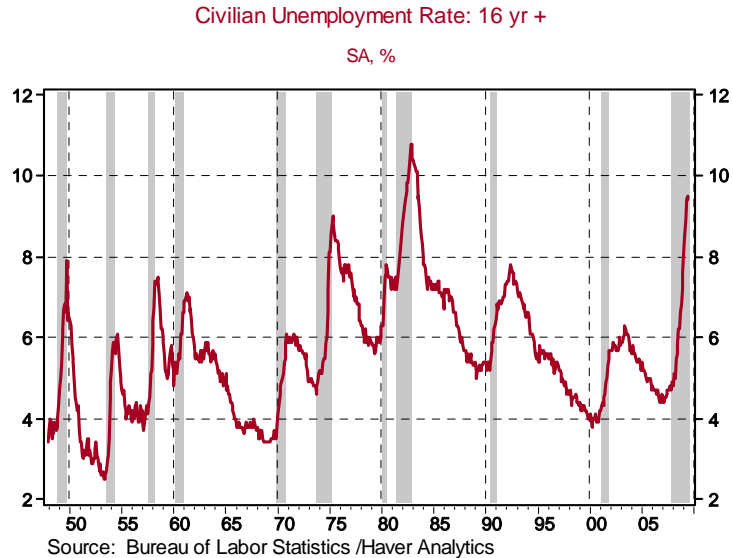
HIGHLIGHTS OF THE JULY EMPLOYMENT REPORT

	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09
Household Survey						
Chg. in Civilian Labor Force (000)	498	-166	683	350	-155	-422
Chg. in Civilian Employed (000)	-351	-861	120	-437	-374	-155
Civilian Unemployment Rate	8.1	8.5	8.9	9.4	9.5	9.4
Participation Rate	65.6	65.5	65.8	65.9	65.7	65.5
Employment-Population ratio	60.3	59.9	59.9	59.7	59.5	59.4
Establishment Survey						
Chg. in Total Nonfarm Payrolls (000)	-681	-652	-519	-303	-443	-247
Chg. in Private Nonfarm Payrolls (000)	-688	-648	-592	-292	-395	-254
Chg. in Manufacturing Payrolls (000)	-172	-172	-150	-146	-131	-52
Chg. in Services - Private Sector (000)	-393	-336	-325	-80	-172	-126
Chg. in Government payrolls (000)	7	-4	73	-11	-48	7
Total Workweek (Hours)						
Manufacturing Workweek (Hours)	39.5	39.4	39.6	39.4	39.5	39.8
Manufacturing Overtime (Hours)	2.7	2.6	2.7	2.8	2.9	2.9
Average Hourly Earnings						
	18.46	18.50	18.50	18.53	18.53	18.56
Chg. from prior month	0.2%	0.2%	0.0%	0.2%	0.0%	0.2%
Chg. from year ago	3.5%	3.4%	3.1%	3.0%	2.7%	2.5%
Average Weekly Earnings						
	614.72	612.35	612.35	613.34	611.49	614.34
Chg. from prior month	0.2%	-0.4%	0.0%	0.2%	-0.3%	0.5%
Chg. from year ago	2.0%	1.2%	1.0%	1.2%	0.9%	1.0%
Index of Aggregate Weekly Hours:						
Chg. from prior month in Total Index	-0.6%	-1.2%	-0.6%	-0.3%	-0.7%	0.0%
Chg. from prior month in Mfg. Index	-2.3%	-1.9%	-1.0%	-1.9%	-0.9%	0.4%

Household Survey – The civilian unemployment rate edged down to 9.4% from 9.5% in July. The decline in the unemployment rate has to be viewed with caution because the dip in the jobless rate was due to a sharp drop of the labor force in July (-422,000), while employment declined 155,000. The payroll adjusted estimate of employment, a volatile series, rose 70,000 in July. There is a good chance that the August report will show an increase in the labor force after two monthly declines and a higher unemployment rate.

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Chart 1



Establishment Survey – Nonfarm payrolls fell 247,000 in July after an upwardly revised decline of 443,000 in June. The July drop in employment is the smallest decline since August 2008. The loss of jobs was smaller in most categories compared with the trend seen in recent months. The average loss of jobs in the May-July period is 331,000, nearly half of the pace recorded in the February-April span (-617,000). On a year-to-year basis, seasonally unadjusted payroll employment fell 4.18% during July vs. a 4.19% drop in June, probably the cycle high reading.

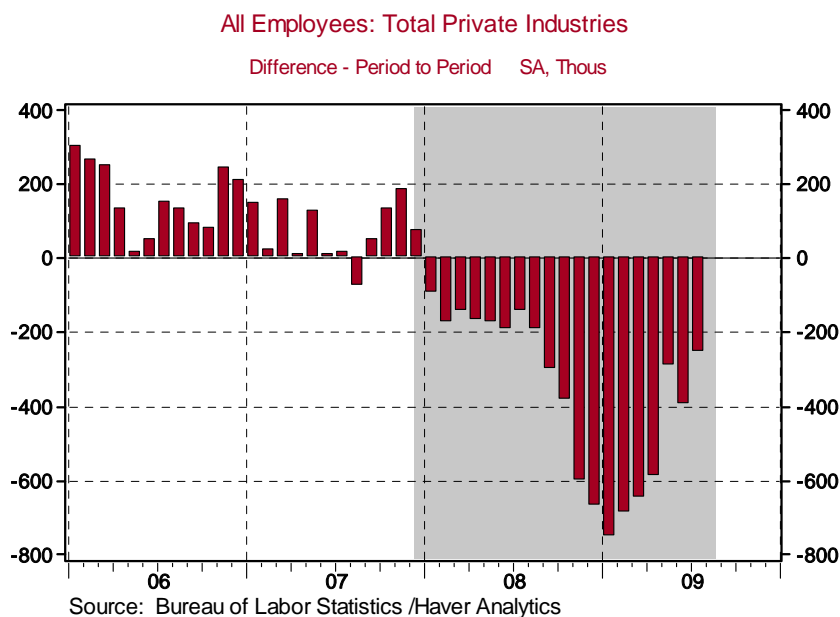
Among the major components of payrolls, there is a noticeable slowing in the pace of job losses recorded in the three months July vs. the prior three-month period (see table 1).

Table 1 Average Decline in Payroll Employment

	3-months ended Jul-09	3-months ended Apr-09
Total	-331	-617
Private sector	-314	-643
Factory	-110	-165
Construction	-73	-113
Services	-143	-326
Finance, Ins., and real estate	-23	-48
Professional and business services	-57	-141

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Chart 2



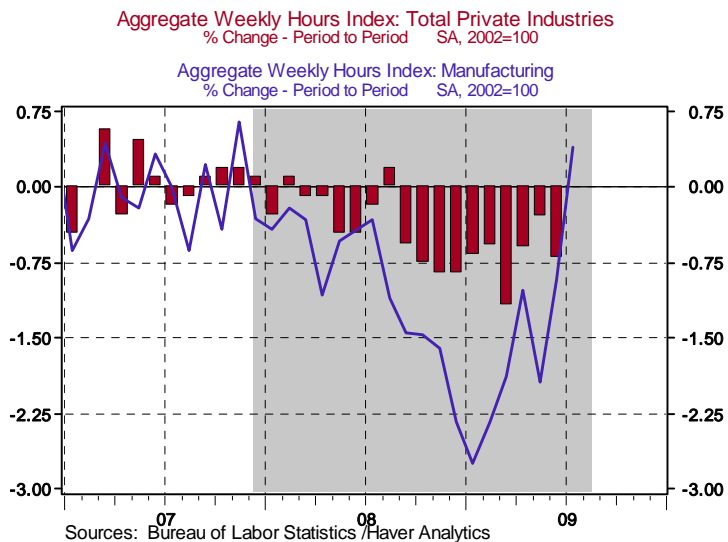
Highlights of job losses/gains in July:

- Construction: -76,000
- Manufacturing: -52,000
- Services: - 119,000
- Retail trade employment: -44,000.
- Professional and business services: -38,000
- Financial activities: -13,000.
- Health care employment: +20,000

In July, the average workweek was slightly longer (33.1 hours vs. 33 hours in June). The factory work week also stretched to (39.8 hours vs. 39.5 hours), but the overtime hours held steady. The index of hours worked was unchanged in July, while the index of man-hours in the factory sector rose 0.4%, which bodes positively for industrial production in July.

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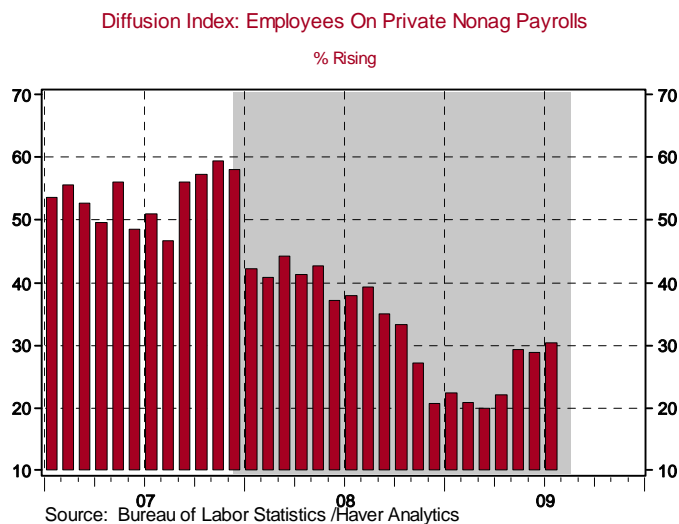
Chart 3




In July, average hourly earnings rose by 3 cents, or 0.2%, to \$18.56. Over the past 12 months, average hourly earnings have increased by 2.5%. A substantial jump is likely for the earnings number in August due to the hike of the minimum wage, effective on July 24. Personal income is likely to post a small gain in July.

The diffusion index for private sector payroll employment at 30.1% is the highest since October 2008 (see chart 4).

Chart 4



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Conclusion – The Fed policy statement of August 12 is most likely to reflect the mildly bullish nature of the July employment report and second quarter GDP report. The Fed is on hold for all of 2009, unless there is a robust turnaround in economic conditions. The small drop in the unemployment rate during July is not the beginning of consecutive monthly declines of the jobless rate, it occurred because a large number left the workforce in July. A significantly higher unemployment rate is nearly certain by the middle of 2010. Having said that, the improvements in the employment numbers are noteworthy as the economy is now recording smaller job losses than in the prior few months.

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