

July 16, 2009

Initial Jobless Claims, week ending July 10, 2009



Eugene Lancaric, CFA
Multi-Asset
Strategies and
Solutions Group

Initial unemployment insurance claims fell considerably more than forecast in the week ending July 10. As with the previous week's report, however, the figures may be distorted by seasonal adjustment problems resulting from the auto industry shutdowns. Before seasonal adjustment, claims rose substantially and reached their highest level since this past February. Continuing claims, reported for the week ending July 3, declined sharply after seasonal adjustment but also rose on an unadjusted basis. We continue to expect claims to fall unevenly over the next few months back below the ~400,000 level consistent with recession.

- Seasonally adjusted initial claims declined 47,000 to 522,000 in the week ending July 10, from a revised 569,000 in the week of July 3 (first reported as 565,000). The mean forecast had been for claims to fall to 551,000, with individual forecasts ranging from 480,000 to 605,000. The four-week moving average fell to 584,500 from 607,000. Before seasonal adjustment, however, claims rose 86,000 to 667,534, the highest level since early February.
- The dramatic drop in seasonally adjusted claims over the past two weeks probably at least partially results from earlier than usual plant closings at Chrysler and General Motors. This may continue to distort claims data for the next few weeks.
- Continuing claims for the week ending July 3 fell by more than 9% on a seasonally adjusted basis to 6.273 million, but rose 1.0% before seasonal adjustment to 6.135 million.

Source: U.S. Department of Labor

Setting aside the seasonal adjustment problem, it is likely that the underlying trend in initial claims is continuing to decline slowly and unevenly. As manufacturing continues to stabilize and inventory liquidation comes to an end, and provided that final demand remains at least flat, we would expect claims to continue to trend lower and move below the roughly 400,000 level that normally signals recession sometime in the next three months. ■

This commentary has been prepared by ING Investment Management for informational purposes. Nothing contained herein should be construed as (i) an offer to sell or solicitation of an offer to buy any security or (ii) a recommendation as to the advisability of investing in, purchasing or selling any security. Any opinions expressed herein reflect our judgment and are subject to change. Certain of the statements contained herein are statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (1) general economic conditions, (2) performance of financial markets, (3) interest rate levels, (4) increasing levels of loan defaults (5) changes in laws and regulations and (6) changes in the policies of governments and/or regulatory authorities.

The opinions, views, and information expressed in this report regarding holdings are subject to change without notice. The information provided regarding holdings is not a recommendation to buy or sell any security. Portfolio holdings are fluid and are subject to daily change based on market conditions and other factors.