

July 30, 2009

Initial Jobless Claims, week ending July 24, 2009



Eugene Lancaric, CFA
Multi-Asset
Strategies and
Solutions Group

Initial unemployment insurance claims rose slightly more than forecast in the week ending July 24, but declined before seasonal adjustment. Continuing claims (for the prior week) fell both before and after seasonal adjustment. Initial claims data are now largely free of distortion from the earlier than normal automobile industry plant closings, and the underlying trend in claims should remain downward.

- Initial jobless claims rose 25,000 to 584,000 in the week ending July 24. Consensus forecasts had been for 575,000 claims, with individual forecasts ranging from 539,000 to 630,000. Claims for the week ending July 17 were revised a bit higher from 554,000 to 559,000. The four-week moving average fell to 559,000 from 567,300. Before seasonal adjustment, claims fell 76,000 to 507,500; the normal seasonal pattern is for claims to drop off toward the end of July. State level data (available with a one-week lag) showed a 22,000 drop in claims in New York State, resulting from fewer layoffs in services and transportation, and smaller declines in claims in Wisconsin, Missouri, Pennsylvania and Ohio in the week ending July 17. The largest increases in claims that week were in Florida, Michigan and California.
- Since the period when auto plant closures would normally happen (and therefore be included in seasonal adjustment factors) is now past, the Department of Labor believes that this year's earlier closures no longer distort initial claims data. Looking forward, claims should thus resume a slow decline.
- Continuing claims (seasonally adjusted) fell 1% to 6.197 million in the week ending July 17 from a revised 6.25 million the week earlier. The mean forecast had been for continuing claims to increase to 6.3 million. The insured unemployment rate was 4.7% in the week ending July 17, unchanged from the previous week. Before seasonal adjustment, the rate was 4.6%, down 10 basis points. The states and territories with the highest insured unemployment rates were Puerto Rico, Michigan, Oregon, Pennsylvania and Nevada.

Source: U.S. Department of Labor

We continue to expect that manufacturing production should start growing again in the next few months, driven primarily by an end to inventory liquidation. Combined with broadly stable domestic final demand and growing signs of reviving demand outside the U.S., this suggests that job losses should continue to moderate and therefore that initial claims should continue to decline. We would expect them to fall below the ~400,000 recession threshold by early in the fourth quarter. ■

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.

It is understood that the marketing materials being submitted to the compliance department for review are to be used only within the US. If the materials are to be used in any jurisdiction outside of the US, employees must consult with the legal department prior to their use.