

July 9, 2009

Initial unemployment claims (week of 7/3) fall sharply; continuing claims (week of 6/26) spike



Eugene Lancaric, CFA
Multi-Asset
Strategies and
Solutions Group

Initial unemployment insurance claims fell considerably more than forecast in the week ending July 3. The decline, however, may be exaggerated by the holiday and by seasonal adjustment problems. Continuing claims, conversely, rose sharply in the week ending June 26, setting a new high for this recession. We continue to believe that the underlying trend in employment is toward more moderate declines, and thus that both initial and continuing claims should gradually move lower. Over the next month or so, however, job market data are likely to remain uneven.

- Initial claims fell 52,000 to 565,000 in the week ending July 3, compared with forecasts for a decline to 603,000. Individual forecasts ranged from 570,000 to 625,000, so that the reported figure was below the low end of the range. Claims for the week ending June 26 were revised upward slightly from 614,000 to 617,000, while the four week moving average of initial claims fell to 606,000 from 616,000 the previous week. The greatest increases in initial claims were in the Northeast, with New Jersey, Massachusetts, New York and Connecticut among states with the largest increases, along with Kansas, North Carolina and Kentucky. Florida, which had seen a spike in claims two weeks ago, saw a large decline, while large declines also occurred in Illinois, Pennsylvania, California and Tennessee.
- This year's motor vehicle production shutdowns may have complicated seasonal adjustments for initial claims. Since Chrysler and General Motors closed plants in May and June this year, auto workers filed for benefits earlier than the normally would. In addition, claims reports are often affected by holidays such as the observance of July 4 last Friday. Before seasonal adjustment, claims rose 18,000 to 578,000 last week.
- Continuing claims, reported for the week ending June 26, rose to 6.883 million, an increase of 2.4%, compared with expectations for a small increase to 6.71 million and individual forecasts ranging from 6.68 million to 6.95 million. This is a new high for this recession. Continuing claims for the week ending June 19 were revised upward from 6.702 million to 6.724 million..

Source: U.S. Department of Labor

This report thus points to continued moderation in employment declines, but the unexpected increase in continuing claims shows how difficult it has been for unemployed workers to find new jobs. Both initial and continuing claims should move unevenly lower over the next several months, consistent with stabilization in total hours worked by year-end 2009. ■

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.