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Initial Claims

Initial claims unexpectedly rise 9,000 (consensus: -2,000; Decision Economics: -4,000) from a prior-week level revised up by 6,000. The new figure covered the June payroll survey week, and, at 429,000, put the five-week payroll month average at 426,000--down a meaningful 14,000 from the payroll-May average.

That month-to-month decline in layoffs should point to a moderate acceleration in June payroll employment growth from the disappointing May increase.

But, the message of strength is not so clear as it would have been with an as-expected result and no revision. Those sorts of numbers would have shown a larger month-to-month decline in the average weekly rate, and, more importantly, would have portrayed a clear-cut decline in claims as the month ended--hinting at a downward trend heading into July.

The suggestion of more-modest-than-hoped improvement was amplified by a disappointing 1,000 decline in continuing claims--with the latest number there covering the week just before the survey week--from a prior week level revised up by 23,000.

The effect is to show a much smaller decline in the number of people collecting insurance than had seemed to be developing before--hinting that new hiring has moderated in the month, even as layoffs have declined. That is not a seriously "bad" indication quite yet, but hints that employer sentiment may be deteriorating at the worst possible moment.

Payroll forecasts will likely be trimmed a bit--and Fed concerns about the "unexplained" part of the growth slowdown will deepen a bit further.

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