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Initial Claims

In contrast to expectations of a decline, initial jobless claims rise a more-than-expected 5,000 to 417,000 (Consensus and DE: -3,000), from a prior-week level revised up by 4,000. Labor Department analysts indicated that the labor dispute at Verizon led to at least 8,500 claims filed in this week's report, and 12,500 the week prior.

The optimistic take is that removing those effects reduces the negative implications of the jump in claims over the last two weeks, putting the measure back near the 400K trendline established in mid-July. No improvement, but no clear worsening.

However, even if we were to exclude the 8,500 from the current reading, it would still be an early sign of a potential uptick in the measure relative to that earlier trend, putting the measure nearer to 410K than 400K. News or noise? Given the normal volatility in the series and potential seasonal adjustment difficulties, that sort of a move will not cause anyone to materially reassess their outlook.

It is still too early to assess in the data whether decision-makers are choosing to speed up layoffs in light of financial market turmoil, so coming weeks will of course help to shed light on any new trends. For now, measured caution, not panic, appears to be prevailing.

Claims remain on the seemingly shorter and shorter list of indicators that are not flashing their typical recessionary signs, having trended lower after moving higher in May and June. To some, that will support the case that an actual recession remains unlikely, while others may have tossed claims onto the pile of broken recession indicators, like an inverted yield curve. The argument for the latter may be that given already-slashed workforces, cuts may not be able to accelerate significantly from elevated levels, while new hiring may be approached with greater caution.

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