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8:30 Numbers

The big 19,000 drop in initial claims, following on an identical decline in the prior week, has no direct special-factor explanation--and obviously cannot be seen as in any way weak, but seems unnaturally sudden. This a very treacherous time of year for seasonal adjustment, so fears will linger that a sudden rebound will occur in coming weeks. Still, layoffs are almost surely trending lower--and if the rebound does not occur soon, December payroll employment forecasts will be marked up.

The Empire State Survey jump (to 9.5 from 0.6) is decently well founded--with orders (5.1 vs -2.1) and employment (2.3 vs -3.7) both strengthening. But shipments strengthened very markedly, causing a further weakening in thew backlog, and inventories fell less broadly than before--suggesting that production kicked up smartly--probably more than orders. There has to be more demand-side growth to make the pickup lasting.

The undershoot of the PPI core (+0.1% vs expected +0.2%) is not special-factor related, and the lack of any great rebound from the flat reading of last month suggests that the trend rate is falling. Year-on-year, the core is up 2.9%, so there is surely a bit of payback for the earlier bulge going on--there will be no deflation-risk panic for a long time yet.

All of this promotes Fed hesitation in taking new action--but many uncertainties created by the numbers will likely be resolved--including the broad health of the Christmas season--by the time of the next FOMC meeting.

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