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Initial Claims: Strong

Initial claims are slightly more healthy than expected, falling 12,000 (Consensus and Decision Economics: -7,000) from a prior-week level revised up by 2,000. Labor Department analysts pointed to no special factors distorting the result.

The real message of improvement in the result is not so much in the weekly figure in itself, but in the fact that it adds to the credibility of the idea that layoffs have returned to a clear downward trend, after a month or so of uncertain movement.

Continuing claims, though highly volatile, are giving a reinforcing signal of labor market improvement--chopping downward decisively enough to indicate that the number of people receiving checks is falling not only because fewer people are being laid off, and because of trend-like exhaustions of benefits, but because outright new hiring is creeping up.

Messages about payroll January results due tomorrow are neutral, with the reconfirmation that layoffs are trending down marginally positive for employment--even though the claims number today covers a week well past the January survey week--but a small upward revision to the survey-week continuing claims count a marginal negative.

February indications start out strong, with the flow of new claims looking to be down a big notch from January, and the continuing claims count lurching down a probably unsustainable 130,000 in the first week of the new month.

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