

Bad weather may distort Friday's US nfp

US February unemployment and nonfarm payrolls (nfp) will be released on Friday, March 5th at 8:30 EST. Two major snowstorms hit large portions of the US during February. The bad weather may distort the February unemployment report and contribute to larger than expected job losses. One of the snowstorms hit during the survey period for the February unemployment report and this could add as much as 100k or more to the nonfarm payrolls losses. Before the storms hit many analysts were looking for the February nfp to post the first positive US jobs growth in over two years. The snowstorms have forced analysts to revise down their expectations for the February nfp. Recent US jobless claims data reflects the impact of bad weather with last week's jobless claims rising to their highest level since last November at 496k. Jobless claims for the week ending 02/27 will be released Thursday and are expected to fall to 470k. Wednesday's ADP employment report and the Challenger Gray employment survey confirmed that the trend in the US labor market had been improving prior to the February snowstorms. The ADP February employment declined by 20k. ADP said that jobs were created in the service and manufacturing sector and that that job growth may return next month for the first time in two years. The Challenger Gray survey for February said the corporate job cuts were at their lowest level since February 2006.

In January, the US reported a nonfarm payrolls loss of 20k with the unemployment rate declining to 9.7% from 10%. The nonfarm payrolls came in close to market expectation but the headline unemployment drop was a surprise as the trade was looking for a reading of 9.9%. The decline in headline unemployment reflects a sharp increase in the number of discouraged workers who gave up looking for work. The number of people who gave up looking for work rose to 1.1mln in January from 734k a year ago. Parts of the January employment report suggest that the labor market is stabilizing. The number of persons who work part-time but can't find full-time work fell from 9.2mln to 8.3mln. Employers added 52k in temporary jobs. Temporary jobs growth is seen as a step toward permanent hiring. In addition, the retail sector added 42k jobs along with jobs growth reported in the healthcare industry and federal government. The Federal government added 33k jobs. Manufacturing created 11k jobs during January. This marks the first gain in manufacturing jobs since January 2007. Despite the improvement in temporary hiring and job growth in healthcare, the service industry and manufacturing, construction employment declined by 75k and the number of long-term unemployed (those out of work for 27 weeks or more) rose to 6.3mln in January. The average duration of unemployment reached 30.2 weeks.

The impact of the February unemployment report may be limited with the trade bracing for a weaker report because of bad weather in February. The report however may have significant impact on investor optimism about the US recovery. Recent US economic data has been disappointing with jobless claims rising, consumer confidence declining, existing home sales tanked and personal income is flat. The US recovery remains uneven with the main bright spot continued expansion in manufacturing and service PMI. The Fed's Lockhart says fresh data points to slow growth. If the unemployment data continues to disappoint we may begin to see more speculation about the risk of a double dip recession for the US economy. The February unemployment rate is expected to rise by 0.1% to 9.8% with nonfarm payrolls expected to drop by 50k. The consensus on the nonfarm payroll ranges from 100k to -150k.

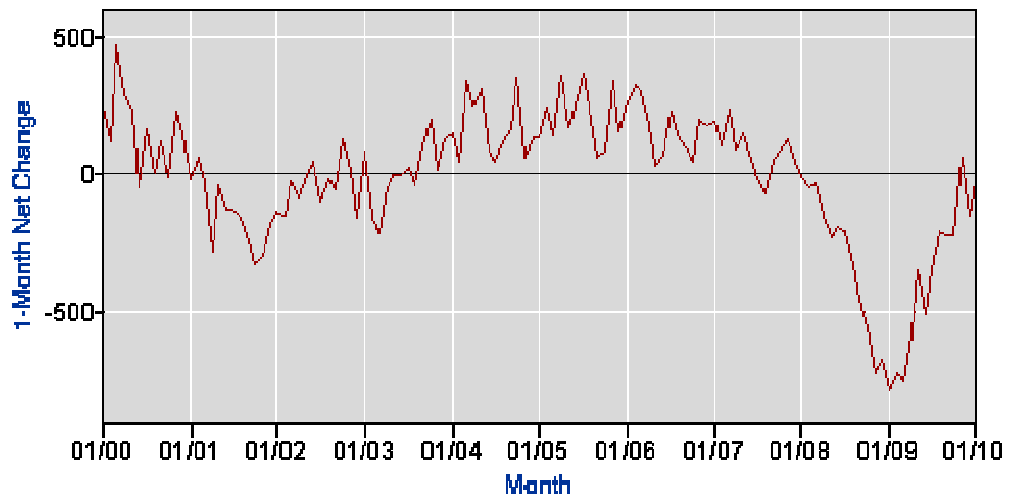


Figure 1 US nonfarm payrolls

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