RAN SQUAWK
REAL-TIME ANALYSIS AND NEWS LIMITED

Real-time Analysis & News Limited (R.A.N.) is a voice delivered market analysis, news, commentary and alert service for professional traders, brokers and fund managers.

PREVIEW: Non-Farm Payrolls

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NONFARM PAYROLLS

Nonfarm Payrolls (June) Exp. -365K (Low -500K High -150K) vs. Prev. May -345K (Apr -504K)

Analyst Estimates:

Goldman Sachs:	-425K
Citi:	-400K
JP Morgan:	-290K
Merrill Lynch:	-425K
Morgan Stanley:	-350K
Barclays:	-325K
HSBC Markets:	-350K

After last month's surprise -345K print, with +217K attributed to the birth/death adjustment, the market will be closely scrutinizing this month's report to determine whether the economy has turned a corner. Some analysts dubbed last month's number as a sign of so-called 'green shoots', though this would seem somewhat premature, especially as the number was higher than any month in the 2001-02 recession and greater than the month succeeding 9/11. Worth noting that some analysts believe that the birth/death adjustment (used to capture net small business job creation) is overstating job creation. If this is the case than earlier payroll readings could be revised down.

On a positive note ISM manufacturing reached a 9 month high, which could suggest a smaller decline in factory payrolls, consumer confidence job availability measures have held on to their recent gains and initial jobless has been in a range of 605K-674K since February, which indicates some stabilisation of labour market conditions.

However, yesterday's ADP showed a loss of 473K private sector jobs in June which gives significant downside risks to today's NFP report, with some talk of losses of 450k jobs or more when discounting the birth/death adjustment.

With some risks to a lower print RANsquawk expects NFP to come in around -400k.

UNEMPLOYMENT RATE

Unemployment rate (June) Exp: 9.6% (Low 9.3% High 9.7%) vs. Prev. 9.4%

Unemployment rate is expected to rise by 0.2% to 9.6% in June and could receive more coverage than NFP after last month saw an unexpected increase of 0.5%. The market expects the unemployment rate to edge higher throughout this year, although Fed's Fisher said that he does not expect it to reach 11%.

Stabilisation in continuing claims and the consumer confidence job availability indices could point to little change in unemployment however some technical changes in the federal extended unemployment insurance benefits program may push unemployment higher. These changes mean that job seekers now may be labelled as unemployed as opposed to workers that have dropped out of the labour market. If the unemployment rate comes in way above estimates then we could see stocks and bond yields plunge.

Sources: BBG/RTRS/4Cast