

US Weekly Economic Update

7th June 2010

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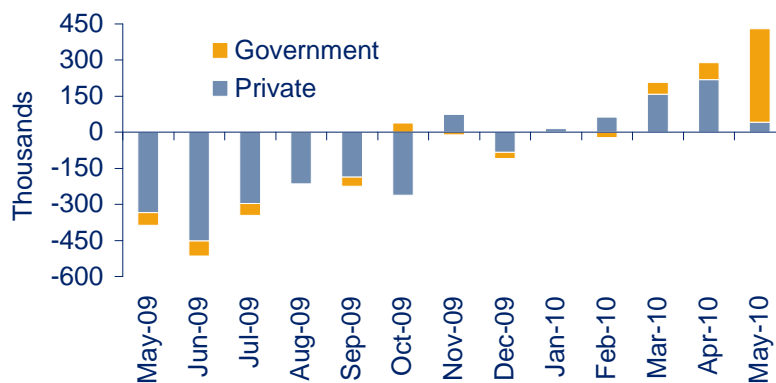
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- **The government played a major roll in boosting last month's payroll figures.** Total non-farm payrolls continued to increase in May, rising by 431K over the month before, the biggest increase in ten years. However, this was some way below expectations of a 536K improvement. An increase in the state payroll accounted for a full 390K of these workers, as the Federal government stepped up recruitment for the 2010 Census. As a result private payrolls disappointed – up just 41K against a consensus expectation of 180K. Combined with a contracting labour force, this helped bring the unemployment rate back down from 9.9% in April to 9.7% in May, the same as the Q1 average
- **The ISM industry surveys reflected the same trend as observed in the unemployment rate – in line with the Q1 average but below April's out-performance.** The non-manufacturing ISM recorded a solid 55.4, the third consecutive identical reading and the fifth month non-manufacturing has been in expansionary territory. The manufacturing indicator fell from April's high of 60.4 to 59.7. This index reached a trough in December 2008 and has been on a recovery trend every since.
- **The ISM employment component gave reason for cheer.** The ISM non-manufacturing employment index hit 50.4 in May, its first positive reading in 30 months. This suggests the tide has turned and the service sector, which accounts for approximately 80% of the US economy, is looking to expand its workforce for the first time since December 2007. The employment component of the manufacturing index has been positive since December.

Chart of the week: Monthly Change in Non-Farm Payrolls

Source: Thomson Datastream



MARKET RATES MONITOR	4 th June 2010	28 th April 2010	Year ago
Fed Funds Rate Target	0.25%	0.25%	0.25%
10-yr US Treasury yield	3.20%	3.31%	3.84%
30-yr Mortgage (Freddie Mac)	4.79%	4.79%	5.29%
US dollar/Japanese Yen	91.92	90.94	97.88
Euro/US Dollars	1.20	1.23	1.40
British Pound/US dollars	1.46	1.45	1.60