

Market Update

SOUTHEAST CORPORATE

Insightful Thinking.
Responsive Actions

Economic Commentary

Any illusions that the jobs market had turned the corner were shattered with the Labor Department's employment report for May that was released Friday morning. The dismal data showed that payrolls rose by 431,000 last month, but that included a 411,000 jump in government hiring of temporary workers for the 2010 census. Economists had projected a gain of 536,000 new jobs, according to the median forecast in a Bloomberg News survey. Federal hiring of temporary workers to conduct the decennial population count probably peaked last month, according to market watchers. The unwinding of census employment may keep distorting the payroll figures for months as the government dismisses workers when the count is completed. For that reason, private payrolls, which exclude government jobs, will likely be a better gauge of the state of the labor market in the coming months.

In May, private payrolls added 41,000 jobs compared with a gain of 218,000 in the prior month which was revised lower by 13,000. The median estimate in the Bloomberg News survey was for an increase of 180,000. Excluding all government jobs, employment climbed by 116,000 on average in the five years to December 2007, when the recession began.

Overall, the nation's unemployment rate slipped to 9.7% from 9.9% in April. Last month's increase in the unemployment rate was attributed to a rise in discouraged workers coming back into the labor force and the opposite occurred in May as 322,000 job seekers dropped out of the job market as they grew discouraged over hiring prospects.

There were a few bright spots in the report. Manufacturing payrolls grew by 29,000 in May, a fifth straight gain. Factory output has benefitted from the inventory replenishment currently underway, as well as export demand. Overseas orders are somewhat in jeopardy with the recent strength of the dollar, especially in relation to the Euro, which could adversely affect the manufacturing sector. The average number of hours worked, overtime and earnings also rose, suggesting that more hiring could be near.

This report does little to dispel the notion that this recovery is still quite sporadic or that the Fed will keep interest rates low for an extended period. In fact, some economists have begun revising rate forecasts to project the first move by the Fed to as late as the third quarter of 2011.

Chart of the Day
Change in Private Payrolls



Recent Economic Releases

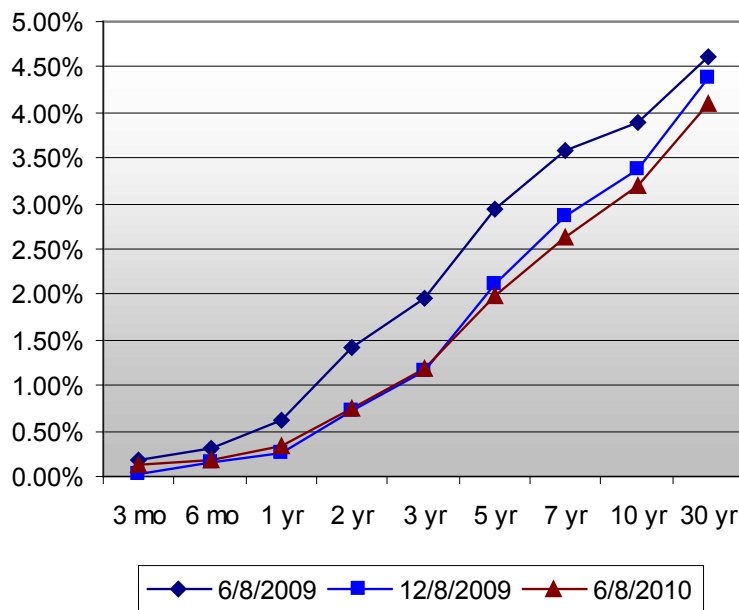
Date	Release	Expected	Actual	Impact
06/01/10	ISM Manufacturing	59.0	59.7	↑
06/01/10	Construction Spending	0.0%	2.7%	↑
06/03/10	Factory Orders	1.8%	1.2%	↑
06/03/10	ISM Non-Mfg Composite	55.6	55.4	↑
06/04/10	Unemployment Rate	9.8%	9.7%	↑
06/04/10	Chg in NonFarm Payrolls	536K	431K	↔
06/04/10	Chg in Mfg Payrolls	33K	29K	↑
06/07/10	Consumer Credit	-\$1.0B	\$1.0B	↑

↑ = positive for economy ↓ = negative for economy ↔ = neutral

Interest Rates as of: June 8, 2010

	Treasury	Agency	Euros/Swaps
1 Month	0.09%	0.15%	0.35%
3 Month	0.13%	0.19%	0.53%
6 Month	0.19%	0.29%	0.75%
1 Year	0.33%	0.52%	1.20%
2 Year	0.75%	0.99%	1.16%
3 Year	1.18%	1.49%	1.59%
5 Year	1.98%	2.14%	2.34%
10 Year	3.19%	3.43%	3.29%
30 Year	4.11%	4.79%	3.95%
Fed Funds Target	0.00% - 0.25%		
Prime Rate	3.25%		
Discount Rate	0.75%		

US Treasury Yield Curve



The information provided herein was obtained from sources believed to be reliable. Southeast Corporate makes no guarantee as to the accuracy of the market data and assumes no liability for any error in the preparation of this document.