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The Week Ahead Canada and U.S.: U.S. Nonfarm Payrolls, Core PCE

Fri Sep 26, 2008 18:46pm

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(CEP News) - U.S. markets will potentially get more bad news next week with the release of September employment data amidst the country's financial sector crisis and the ensuing political battle over the terms of the bailout plan.

On Friday, September's nonfarm payrolls are expected to drop down to 105k total job losses from August's 84k fall. Merk Mutual Funds chief economist Joseph Brusuelas's expectation is consistent with the consensus forecast and the continued decay of the labour market.

"Our forecast implies that the establishment survey should see a decline of -105K and the household estimate should see an increase in the rate of unemployment to 6.2% [consensus is for a flat rate of 6.1%]," he wrote in a research note to clients, adding that the manufacturing sector should be the hardest hit with a 50k decline. Meanwhile, Brusuelas says to expect continuing declines in the goods producing, construction and services sectors.

"We expect that the positive contributions to the payroll situation of the healthcare and government sectors will be more than offset by the contraction in the aforementioned areas of the economy and the risk of further deterioration in both the headline and unemployment rate during the month should not be discounted," he added.

The start of the week features critical data, with Monday's release of U.S. personal consumption expenditure (PCE) data. August's Core PCE is expected to come in with a 2.4% year-over-year increase, matching the previous month's gain. Monthly PCE is expected to tick down to 0.2% from a 0.3% inflation rate in July.

Galileo Global Advisors chairman and CEO Georges Ugeux believes inflation remains a major problem in the U.S., despite all attention being currently focused on the political turmoil surrounding the proposed bailout plan. An agreement between the Democratic Party and the Republicans was reportedly reached on Thursday before Senate Banking Committee Chairman Chris Dodd and Senate Majority Leader Harry Reid announced on Friday that Republicans have different opinions on how the legislation should be

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Market Recap

Morning Market Recap: U.S. Dollar Surges in Storm of Bank Bailouts



29/09 09:38 (CEP News) - Banks fell like dominoes Monday, souring market sentiment even after U.S. lawmakers brokered a deal on the \$700 billion TARP.

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News Recap

Overnight News Recap: US Reaches Rescue Deal; European Banks Get Bailouts

29/09 07:28 (CEP News) - Just as U.S. lawmakers reached an agreement on the financial rescue package, Europe suffered the heat with multiple major financial...

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formulated. Nonetheless, Ugeux remains confident that there will be a plan in place by Monday.

"My problem is that I'm not sure exactly what is critical and what is not critical," Ugeux said in an interview when asked how important the bailout plan was to the recovery of the U.S. economy. "But we are dealing now with market perception and the market perception and the anticipation are totally negative and that will eventually spill over to the real economy, and eventually is quite soon now. When you look at all those elements you really feel like you have in front of you people who can and have already panicked once and could be panicking and panic could really create a snowball effect that would put everyone down."

Ugeux said that unless there is a big rise in inflation, namely in the PCE figure on Monday, the Federal Reserve will not change the current 2.00% interest rates in the U.S., because it would be too controversial ahead of the upcoming U.S. presidential election. Ugeux is confident that the Fed is nonetheless doing a good job.

"If it were not for the Fed, we would have a bankrupt financial system in the United States," he said. "From the beginning they've stepped to the plate, although it wasn't in their charter, and they went into uncharted territory in a way that has been extremely helpful to the liquidity [crisis]. Now, there is a limit to what they can do, but, certainly, they've been very wise."

In Canada, the only notable data next week comes out on Tuesday with the release of July's GDP figures. A 0.2% increase is expected, up from a previous 0.1% increase in June.

"In Canada, the only significant economic report will be on July GDP, where oddly enough, again in manufacturing could see a consensus-topping result," wrote CIBC World Markets' Avery Shenfeld. "The rest of Q3, however, looks to be weaker, in line with a deteriorating employment trend. Otherwise, the Canadian market and particularly financial stocks, will lean heavily on developments stateside."

All times in EDT.

Monday:

It's a data-packed day in the U.S. with personal income, spending and personal consumption expenditure (PCE) figures due out in the morning. An annualized 4.5% headline increase is expected to go along with a 2.4% rise in the core component, while a 0.2% month-over-month core PCE rise is anticipated. Personal income in August is expected to post a 0.2% rise, up from a 0.7% decrease in August. Personal spending is expected to show a 0.2% increase as well, matching July's rise.

Meanwhile, Federal Reserve Bank of Kansas City President Thomas Hoenig will speak on Economic Policy in Nebraska in the evening.

8:30 US Personal Income August Exp: +0.2% Prior: -0.7%
 8:30 US Personal Spending August Exp: +0.2% Prior: +0.2%
 8:30 US PCE Deflator (Y/Y) August Exp: +4.5% Prior: +4.5%
 8:30 US PCE Core (M/M) August Exp: +0.2% Prior: +0.3%
 8:30 US PCE Core (Y/Y) August Exp: +2.4% Prior: +2.4%
 13:00 US Treasury to Sell USD26B 3-Month Bills
 13:00 US Treasury to Sell USD27B 6-Month Bills
 20:45 US Fed's Hoenig Speaks in Gering, Nebraska, on Economy Policy

Tuesday:

Canadian markets will receive the GDP reading for July, which is expected to show a 0.2% increase.

Meanwhile, August's industrial product price results will be released. A 0.2% month-over-month loss is forecasted, down from a 0.4% increase.

The raw materials price index is meanwhile expected to decrease 3.5% month-over-month, after last increasing 1.4%.

In the U.S., consumer confidence and the Chicago purchasing managers' index (PMI) data for September will hold the attention of the markets. Consumer confidence is expected to fall to 55.0, from 56.9 in August. The Chicago PMI is expected to fall as well, to 53.0 from 57.9

8:30 CA GDP (M/M) July Exp: +0.2% Prior: +0.1%
 8:30 CA Industrial Product Price (M/M) August Exp: -0.2% Prior: +0.4%
 8:30 CA Raw Materials Price Index (M/M) August Exp: -3.5% Prior: +1.4%
 9:00 US S&P/CaseShiller Home Price Index July Exp: 166.9 Prior: 167.7
 9:00 US S&P/CS Composite-20 (Y/Y) July Exp: -16.0% Prior: -15.9%
 9:45 US Chicago Purchasing Manager September Exp: 53.0 Prior: 57.9
 10:00 US Consumer Confidence September Exp: 55.0 Prior: 56.9
 10:00 US NAPM-Milwaukee September Prior: 43.0
 13:00 US Atlanta Fed's Lockhart Speaking on Economy in New Orleans
 13:00 US Treasury to Sell 4-Week Bills
 17:00 US ABC Consumer Confidence Prior: Exp: -43.0 Prior: -41

Wednesday:

ADP's employment report and the ISM's manufacturing index, both for September, will help dictate the direction of markets on Wednesday. The ADP employment change, ahead of nonfarm payrolls data on Friday, is forecasted to show a further decline in the labour market with a decrease of 50k. The ISM manufacturing survey is expected to inch down to a reading of 49.5.

7:00 US MBA Mortgage Applications W/E 26-September Prior: -10.6%
 7:30 US Challenger Job Cuts (Y/Y) September Prior: +11.7%
 8:15 US ADP Employment Change September Exp: -50K Prior: -33K
 10:00 US ISM Manufacturing September Exp: 49.5 Prior: 49.9
 10:00 US Construction Spending (M/M) August Exp: -0.5% Prior: -0.6%
 10:00 US ISM Prices Paid September Exp: 72.5 Prior: 77.0
 10:35 US DOE U.S. Crude Oil Inventories W/E 26-September Prior: -1520K
 10:35 US DOE U.S. Gasoline Inventories W/E 26-September Prior: -5895K
 10:35 US DOE U.S. Distillate Inventory W/E 26-September Prior: -4176K
 10:35 US DOE U.S. Refinery Utilization W/E 26-September Prior: -10.7%
 10/01 US Domestic Vehicle Sales September Exp: +10.2M Prior: +10.4M



Market Chatter

Trader Comment: Markets are a Mess



29/09 10:51 A fixed income trader from Toronto said the latest moves in fixed income markets could mark the top of the fear sentiment in markets. He added he is... [more »](#)

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Monday's Events

Monday's Events: U.S. Personal Income & Spending; House Vote on Financial Rescue Plan



29/09 07:43 (CEP News) - The U.S. personal spending and income report is the only major economic data point of what is looking to be a very light day for... [more »](#)

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Upcoming Economic Events

29/09 11:30 EU U.S. Ambassador to NATO Speaks at Think Tank
 29/09 12:00 AU Quarterly Wage Agreements
 29/09 13:00 US Treasury to Sell USD26 Bln 3-Month Bills
 29/09 13:00 US Treasury to Sell USD27 Bln 6-Month Bills
 29/09 17:45 NZ Building Permits (Monthly)
 29/09 19:01 GB GfK Consumer Confidence Survey
 29/09 19:15 JP Nomura/JMMA Manufacturing PMI
 29/09 19:30 JP Jobless Rate
 29/09 19:30 JP Job-To-Applclicant Ratio
 29/09 19:30 JP Household Spending (Annualized)

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Economic Previews

EU Preview: Euro Zone Inflation Expected to Slow Further in September

U.S. Preview: August PCE Report to Show Modest Growth as Demand Softens (Repeat)

NZ Preview: Business Confidence Could See Another Jump in September

AU Preview: Low Sentiment, High Interest Rates To Put Pressure on Retail Sales

JN Preview: All Signs Point to An Increase in Unemployment

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10/01 US Total Vehicle Sales September Exp: +13.5M Prior: +13.7M

Thursday:

Weekly jobless claims out of the U.S. remain a draw for traders, and are arguably the highlight of the action to come on Thursday. U.S. factory orders are expected to make a splash as well and decrease by 2.4% following a previous 1.3% rise.

8:30 US Initial Jobless Claims 27-September Exp: +475K Prior: +493K
 8:30 US Continuing Claims 20-September Exp: +3550K Prior: +3542K
 9:00 US RPX Composite 28-Day Index July Prior: 230.0
 9:00 US RPX Composite 28-Day (Y/Y) July Prior: -17.15%
 10:00 US Factory Orders August Exp: -2.4% Prior: +1.3%
 10:35 US EIA Natural Gas Storage Change W/E 26-September Prior: 51
 20:00 US St. Louis Fed's Bullard To Speak in Bloomington, Indiana

Friday:

Markets will be gearing up for nonfarm payrolls Friday, as the unemployment data represents the biggest release of the week. A 105k fall is anticipated for September, deepening August's 84k drop. Meanwhile, the U.S. unemployment rate is expected to remain flat at 6.1%.

8:15 US Treasury's Ryan To Speak At SIFMA Event In Florida
 8:30 US Change in Nonfarm Payrolls September Exp: -105k Prior: -84k
 8:30 US Unemployment Rate September Exp: 6.1% Prior: 6.1%
 8:30 US Change in Manufacturing Payrolls September Exp: -50K Prior: -61K
 8:30 US Average Hourly Earnings (M/M) September Exp: 0.3% Prior: 0.4%
 8:30 US Average Hourly Earnings (Y/Y) September Exp: +3.6% Prior: +3.6%
 8:30 US Average Weekly Hours September Exp: 33.7 Prior: 33.7
 10:00 US ISM Non-Manufacturing Composite September Exp: 50 Prior: 50.6

By Ryan Szporer, rszporer@economicnews.ca, with contributions from Steve Stecyk, sstecyk@economicnews.ca, edited by Nancy Girgis, ngirgis@economicnews.ca

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