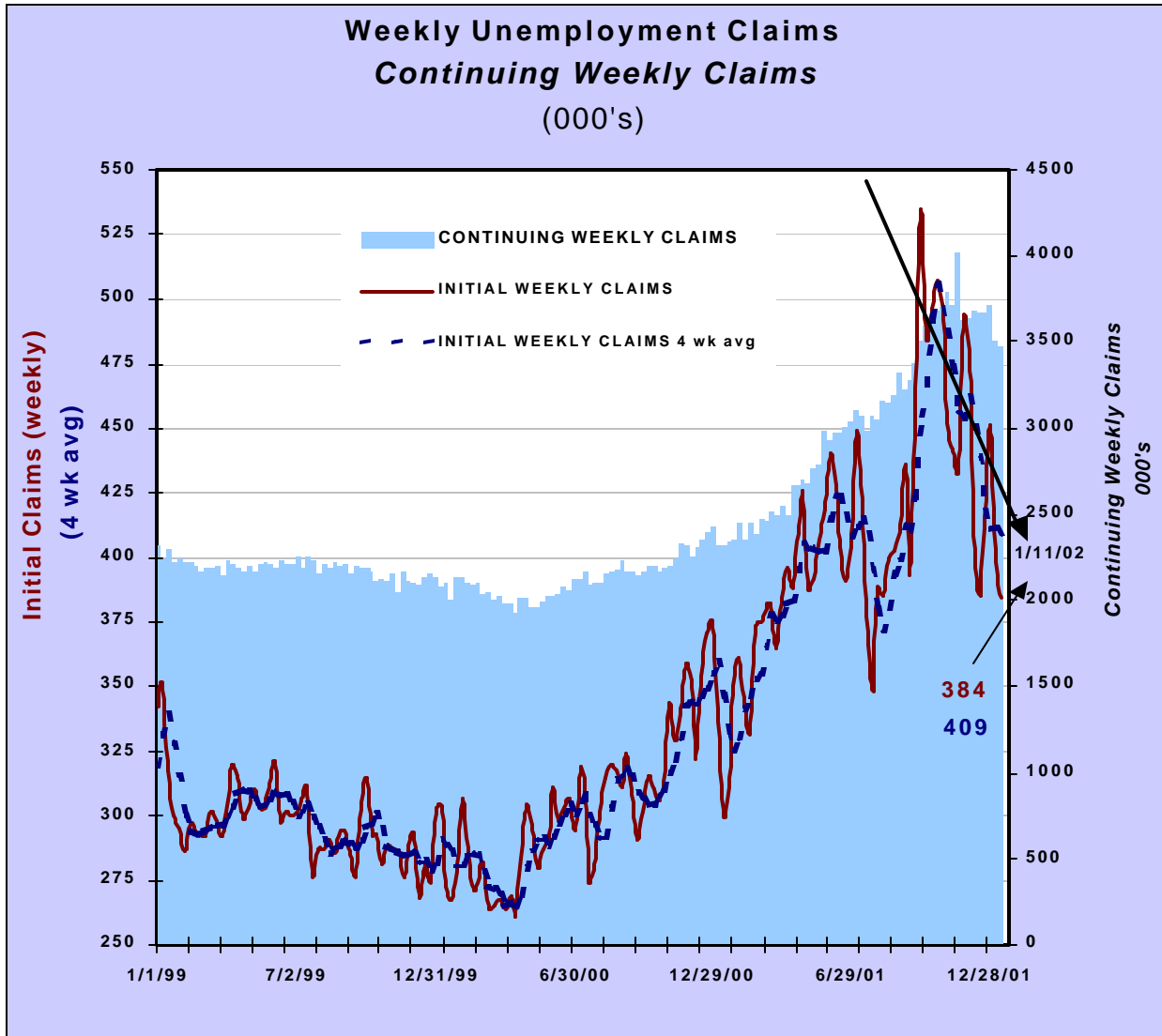




Initial Claims: should we believe the good news?

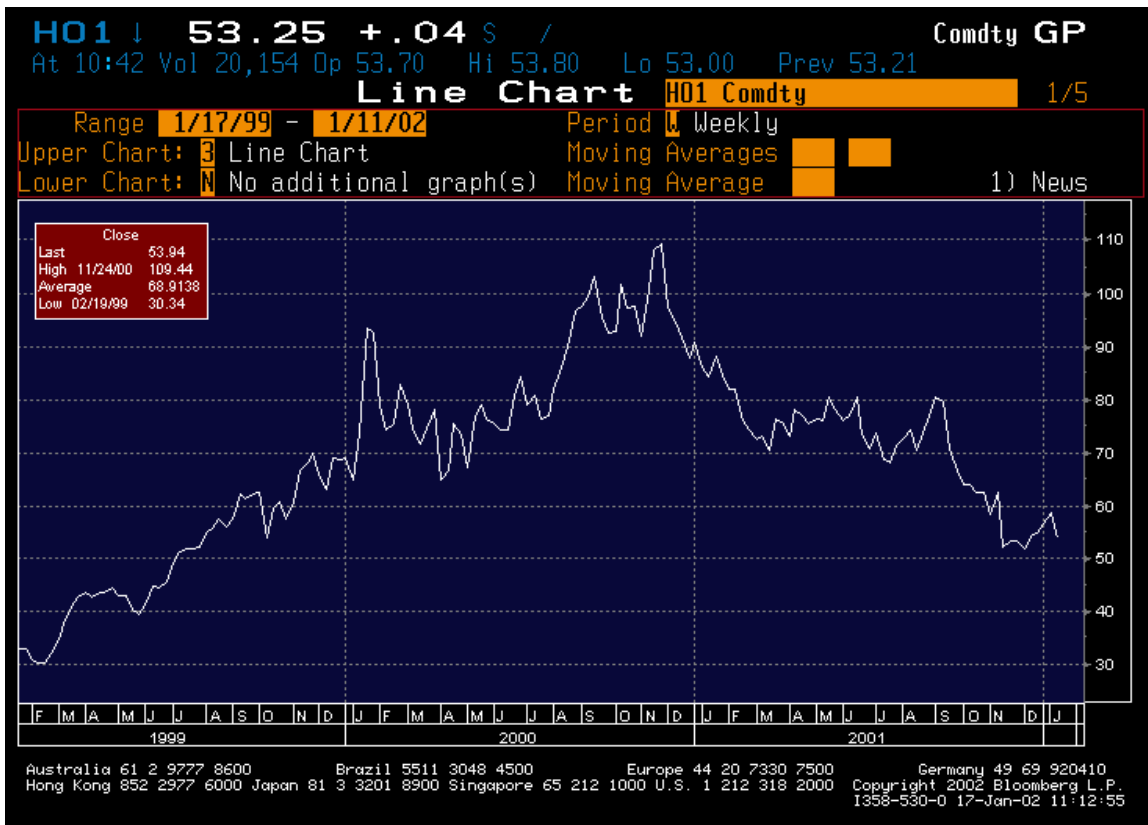


A continuing fall in initial weekly claims for unemployment to 384,000 and a lowering of the 4 week average to 411 (from 411.3) extends the run of 'good news' in the employment sector at least on a seasonally adjusted basis. This might be a statistical gift from the weatherman, much as the weather is providing even more



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downward push in heating oil prices. The actual weekly claims (not seasonally adjusted) rose from 635,800 to 776,000 although the continuing weekly claims (nsa) fell marginally by 3,000 to 4,611,000. That number still represents significant amounts of consumption that is based upon unemployment benefits. The economy is still scrapping along a bumpy bottoming process with some points of light. More will appear.



For consumers, the oil price decline bonanza continues. The 53.25 cents per gallon February heat should be compared with comparable periods in 1999, 2000 and 2001. In 1999, prices were lower but about to climb significantly as the boom in the U.S. spread around the world. Low prices for gasoline means it costs far less than in 2000 and 2001 to drive to the unemployment office to pick up a check...but there is more unemployment.

The question to ask is whether all these 'temporary' factors finally convince the business sector that there will be enough demand to go ahead and spend for new equipment on top of replenishing inventories? Enough small points of light and you can see in the dark. More uncertain, however, is whether the evidence is sufficiently compelling to allow Mr. G. to take his foot off the monetary pedal? At this writing, the Bond Market seemed to think so, although there was only a minor change in the Fed Funds Futures contract for January and February. Not enough to get a true market sentiment reading, but the Bloomberg Survey showed only 13 economists out of 45 economists thinking that the Fed would stay put at 1.75%. Bond traders bet with real money. They are not as optimistic as some economic commentators that the Fed will cut one more time.