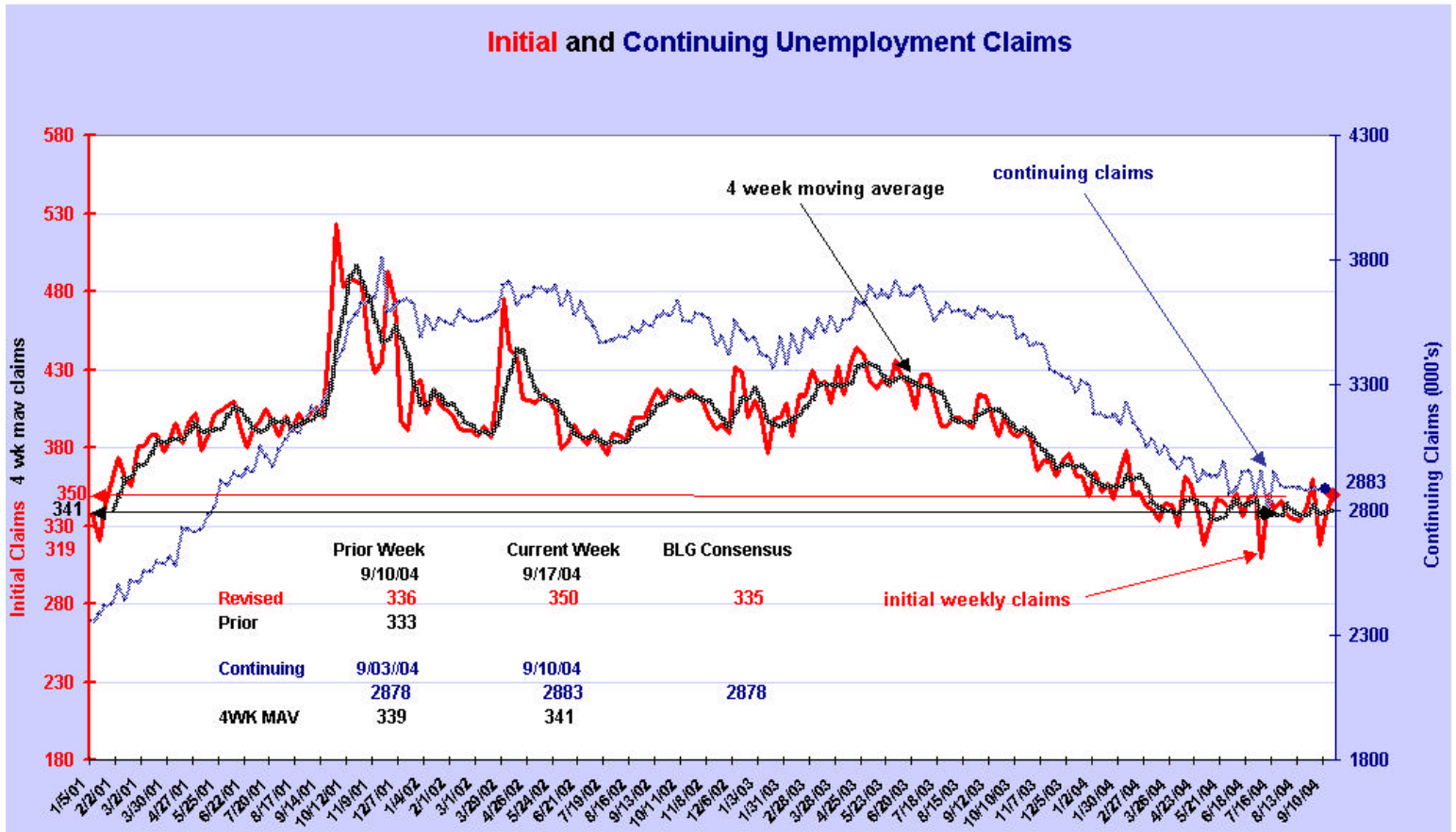




Initial Claims Rise More than Expectations



Initial claims rising to 350K (compared to an expected 335K), a data point that appears to be consistent with the “new wave of deflation” thinking that is spreading throughout the bond and equity markets. We would caution against drawing any firm conclusions on a weekly data bit, particularly after the hurricane week reading. Further, employment trends will lag any growth in the deflation fears for 2005. More important, in our view, are the underlying trends in productivity growth. Output is rising, even if at slower rates than had been hoped, and that means that if productivity growth slows, labor demand will still increase even with slower output growth.

A more firmly based conclusion would be based upon the apparent ‘flattening of Claims, both weekly and continuing. That is the data that the Fed will watch, if it watches claims data at all.



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