

Analyst Express

Global macro data comment: August nonfarm payrolls signal a clear improvement of US job market

- ❖ US nonfarm payrolls declined by 54K in August (c.f.-105K) the same as in July. The figures of June and July were revised upward from respectively -221K and -131K to -175K and -54K. The private sector added 67K jobs (c.f. +40K) compared to +107K in July (revised upward), an increase more than compensated by the negative contribution of public sector, which registered a decline of employment by 121K, mainly reflecting the loss of 114K jobs linked to the decennial census. Still 84K temporary workers remain attached to the organization of the census. Manufacturing employment declined by 27K in August compared to +34K in July. However, we expect the manufacturing sector to contribute positively and significantly to nonfarm payrolls in the months to come as ISM manufacturing PMI employment index reached a record high since 1983 in August. Service sector employment increased by 67K, being in positive territories since the beginning of 2010. The health sector continued to perform well with 24K jobs added in August, health sector having contributed in average by +20K per month since the beginning of 2010. For the first time since three months, construction employment increased by 19K. Unemployment rate increased to 9.6% in August (c.f. 9.6%) compared to 9.5% in July, mainly due to an increase of the participation rate from 64.6% in July to 64.7% in August. There are four positive aspects in the release of Bureau of Labor Statistics:
 - ❖ The private sector keeps an healthy pace of job creation. Since December 2009, the private-sector employment has risen by 763K
 - ❖ The number of long-term unemployed (more than 27 weeks in unemployment) continues to decline and their represent now 42% of all unemployed, compared to 46% in May.
 - ❖ The negative impact of manufacturing and public sectors will vanish in the months to come
 - ❖ Increasing numbers of temporary workers announce generally a new positive cycle for employment.
- ❖ ISM non-manufacturing PMI declined to 51.5 in August (c.f. 53.2) compared to 54.3 in July contrasting with the good performances of ISM manufacturing on the same period. Activity (-3 pts to 54.4) new orders (-4.3 pts to 52.4) were the main contributors to this decline, and the employment subcomponent index declined below 50 to 48.2, having been above 50 in expansionary only two times since 2007, being at odd with the numbers of the Bureau of Labor Statistics.
- ❖ Outlook: Today's nonfarm payrolls figure show that we can reasonably expect unemployment rate to progressively decline in the months to come, the private sector maintaining a steady capacity to create jobs, in a context of good profitability. The numbers of non manufacturing PMI, representing almost 90% of US employment, recall that this improvement of the US job market will be gradual. The good performance of manufacturing PMI is reassuring as this indicator is generally a better indicator of the cycle in comparison with ISM non manufacturing. We expect the US unemployment rate at 9.3% at the end of 2010.

Principal Market Indices

Index	Close	Change %		
		1-d	5-d	YTD
CSI 300	2920.21	-0.04	2.2	-18
S&P/CITIC300	2476.17	0.06	2.3	-17
S&P/CITIC 50	2030.44	-0.21	0.8	-25
Shanghai Composite	2655.39	-0.01	1.7	-19
Hang Seng Index	20971.50	0.49	1.8	-4
H-share index	11767.41	0.67	3.3	-8
Red Chip	4085.41	0.49	3.4	1
Nikkei 225	9114.13	0.57	1.4	-14
Dow Jones	10447.93	1.24	2.9	0
S&P 500	1104.51	1.32	3.8	-1
Nasdaq	2233.75	1.53	3.7	-2
DAX	6134.62	0.83	3.1	3
CAC	3672.20	1.12	4.7	-7
FTSE 100	5428.15	1.06	5.3	0
BDI	2876.00	1.45	6.4	-4

Major mercantile futures

Futures	Close (USD)	Change %		
		1-d	5-d	YTD
NYME Oil	74.60	-0.56	-0.8	-6
NYME Gold	1249.80	-0.18	1.1	14
LME Copper	7635.50	0.13	4.6	4
LME Aluminum	2124.00	0.07	5.8	-4
LME Zinc	2151.00	-1.06	4.9	-16
Spot silver	19.89	1.20	4.2	18
Corn futures	464.50	3.80	6.5	7
Soybean futures	1035.00	2.58	0.9	-2
Wheat futures	741.25	3.85	6.7	31
Cotton futures	89.45	-0.04	3.9	16
Rough rice futures	11.72	2.54	2.1	-24
Sugar futures	20.60	-1.01	3.2	-11

Major foreign exchanges

FX	Close	Change %		
		1-D	5-D	YTD
USD index	83.10	0.77	0.2	7
USD-RMB	6.80	-0.04	0.1	0
USD-JPY	84.44	0.24	-1.0	-9
EUR-USD	1.29	0.59	1.1	-10
GBP-USD	1.54	0.27	-0.5	-4

Major stock index futures in China

Futures	Chg%	Basis	Position	Chn in position
IF1005	0.20	12.79	23587	-1580
IF1006	0.12	21.99	2633	-89
IF1009	0.12	53.39	3083	-90
IF1012	0.10	83.39	817	-10

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Performance of stock or sector relative to MSCI-China over next 6 months after research publications

	Rating	Remark
Stock rating	Buy	Relative performance over MSCI-China Index >20%
	Overweight	Relative performance over MSCI-China Index 5% ~ 20%
	Hold	Relative performance over MSCI-China Index -10% ~ 5%
	Sell	Relative performance over MSCI-China Index > -10%
	NR	Not rated
Sector rating	Outperform	Relative performance over MSCI-China Index >10%
	Neutral	Relative performance over MSCI-China Index -10% ~10%
	Underperform	Relative performance over MSCI-China Index > -10%

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