

FinSer

Financial Focus

September 3, 2010

GOOD MORNING! Stocks and bonds moved sideways for most of the trading session as traders tweaked their positions ahead of today's employment report. A late session push did send stocks to close near their highs of the day. Treasury prices on longer maturing bonds continued to see some distressed selling by traders caught in wrong-way positions. The relatively quiet tone was set by the early economic news that was slightly positive for stocks. Initial jobless declined slightly, factory orders didn't go down as much as expected and pending home sales surprisingly increased. Even so, yesterday's data took a back seat to the employment report.

The Washington Post is carrying a story this morning about how a shark was caught in the Potomac in the Washington D. C. area. It was unusual in that it only swims and doesn't lie, seek re-election or lobby. US stock index futures are showing a barely slight positive bias in quiet early morning trading ahead of the employment report. This morning's report is thought to be pivotal in many respects, including the direction of stocks, bond yields, potential action by the Fed, and even in politics. There are rumors that the Administration may get friendly to existing or even new tax cuts to help the sharks that are up for November re-election. Look out for an October surprise. These rumors may help to explain the action in stocks so far this week. The indices leaked lower for the first two days of the week, before moving into positive territory with the start of the new month. The general consensus is that today's employment report will be mediocre to weak, but could be subject to a potential surprise as leading labor indicators have been all over the map. The economists will slice and dice it with most monitoring the private versus public payrolls, hours worked and earnings (the primary components of aggregate income, the fuel for consumption). Based on a Bloomberg survey, non-farm payrolls are expected to decline by approximately 100,000 as public workers losing their jobs are expected to offset added, if any, jobs in the private sector. The unemployment rate is expected to tick higher to 9.6% from 9.5%. The jobs report is likely to set the tone for the markets, but a later release, the ISM non-manufacturing or service report, is also meaningful. The action in the markets should be swift and short with New York traders eyeing a long holiday weekend and with a built-in excuse in Hurricane Earl could be hitting the exits early. The early setting also has Treasury prices narrowly mixed in quiet trading.

GENERAL	TODAY	PREVIOUS
FED FUNDS	0% to 0.25%	0% to 0.25%
1 MONTH LIBOR	0.25781%	0.25781%
S & P 500	1090.10	1080.29
GOLD	1252.70	1247.07
YEN	84.48	84.22
EURO	1.2841	1.2832
WEST TEXAS CRUDE	75.02	73.91
T-BILLS	YIELD	YIELD
3 MONTH	0.12	0.12
6 MONTH	0.18	0.18
1 YEAR	0.22	0.23
T-NOTES / BONDS	YIELD	YIELD
2 YEAR	0.49	0.50
3 YEAR	0.75	0.75
5 YEAR	1.43	1.42
10 YEAR	2.63	2.58
30 YEAR	3.73	3.65