

Market Commentary

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*The Treasury market is trading lower this morning despite higher than expected jobless claims data. The Labor Department reported that Initial Jobless Claims during the week ending March 6th came in at 462,000 compared to consensus expectations for a reading closer to 460,000. The prior week's results, however, were revised lower by 1,000, so the "net" figure is a measly 1,000 higher than expectations. This is more or less a rounding error in the world of economic handicapping – unless, of course, you are part of the thousand or so newly unemployed. Most of the weakness in the jobless claims data was found in Continuing Claims, which came in at 4.558 million for the week ending February 27th. This compares unfavorably to the 4.500 million widely expected and the revised 4.521 million during the prior week. Taking a step back in an effort to see the forest instead of the trees, both measures have shown considerable improvement over the past year – this time last year, a six-handled Initial Claims report and a high-five-handled Continuing Claims report were commonplace – but it's difficult to look at recent employment trends and come up with a very optimistic outlook for the general health of the economy in the near-term. Also released this morning was the Trade Balance data. During the month of January, the trade deficit narrowed to \$37.3 billion compared to a revised \$39.9 billion during December. If anything, I would have guessed that the trade deficit would have widened from December, considering the strength of the dollar this year. I guess that's why I'm not a currency trader. Since we're on the topic of global trade, news of a letter sent by Sec. Geithner to EU officials has leaked to the press, and it appears that Geithner delivered a fairly stark warning against the EU formulating isolationist policies with respect to regulating private equity and hedge funds. My guess is that this doesn't turn into a real quarrel between the U.S. and the E.U., but it's worth watching nonetheless. For all the mistakes that were made by policymakers during the credit crisis, one of the things that went right was that there weren't any serious instances of a single nation pursuing a "go it alone" strategy. Indeed, I would argue that the only reason the Great Recession didn't eclipse the Great Depression was the fact that most of the major economies resisted the temptation to circle the wagons. Now that all the major nations aren't necessarily in the same boat anymore, it will be far more difficult for everyone to maintain the same level of resolve. The EU pact appears fragile enough without a US-EU rift. Should this disagreement degenerate to something worse, things could get mighty tricky. **More information available upon request.***

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