

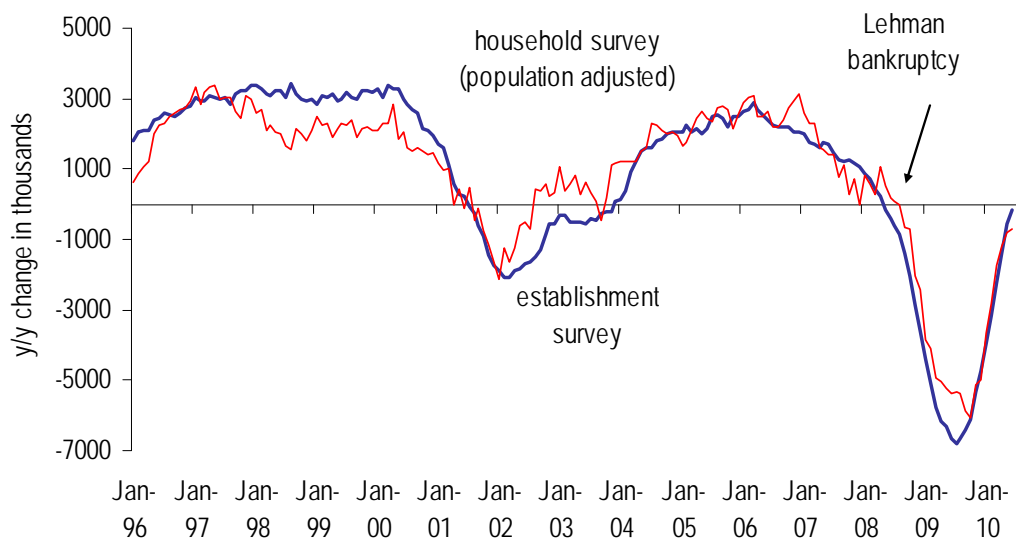
July 2, 2010

Jobs Report Weak, Unemployment Rate Falls

The unemployment rate fell to 9.5% in June, but private sector payroll growth was weak, showing an 83,000 gain versus the 110,000 consensus expectation. Hours worked and average hourly pay were weak in June, while data earlier in the week -- ISM manufacturing, weekly jobless claims, ADP jobs, and consumer confidence – also showed a serious soft patch in the recovery.

- Total job growth in the establishment survey was a loss of 125,000, with census worker layoffs subtracting 225,000 jobs and non-census government adding 17,000. After solid growth from January-April, the household survey found a decline in employment of 301,000 in June after a negative 35,000 in May.

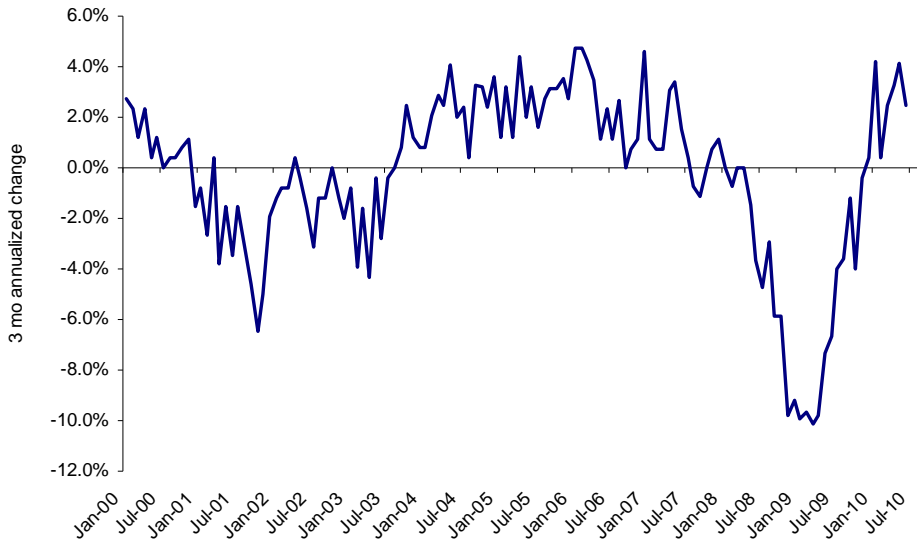
Annual Changes in Employment (last obs. June 2010)



Source: Bureau of Labor Statistics; Encima Global

- Aggregate weekly hours worked by production and nonsupervisory workers slowed to 2.5% in the three-months through June (annualized rate, the product of weekly hours and employment). **We are lowering our second quarter GDP to 3% and emphasize the continuing credit, tax and health care obstacles for new businesses and small businesses from Washington policies.**

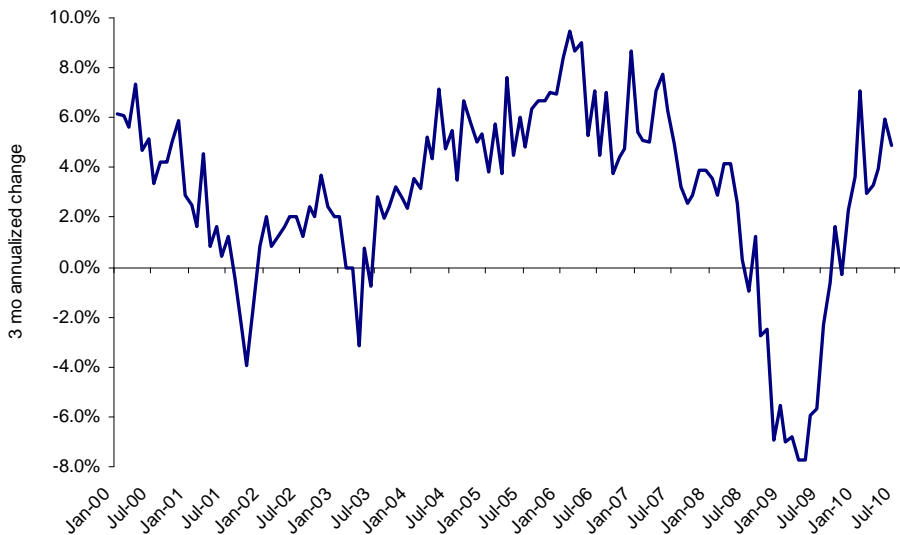
Aggregate Weekly Hours index (last obs. June 2010)



Source: Bureau of Labor Statistics; Encima Global

- Aggregate weekly payrolls (the product of hours, earnings and employment) for production and nonsupervisory workers grew 4.9% for the three months ending in June (annualized), consistent with moderate nominal GDP growth.

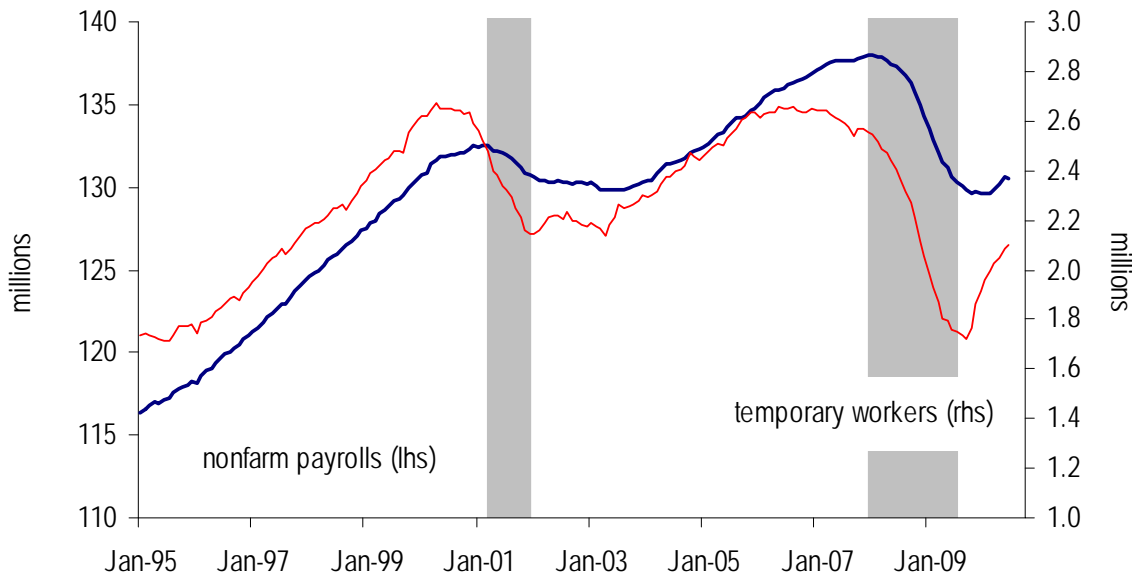
Aggregate Weekly Payrolls index (last obs. June 2010)



Source: Bureau of Labor Statistics; Encima Global

- Job gains in temporary help, a leading indicator of broader employment gains, were again a bright note in the labor report, adding 21,000 jobs in June. Temporary employment has risen 378,900 from the September 2009 low.

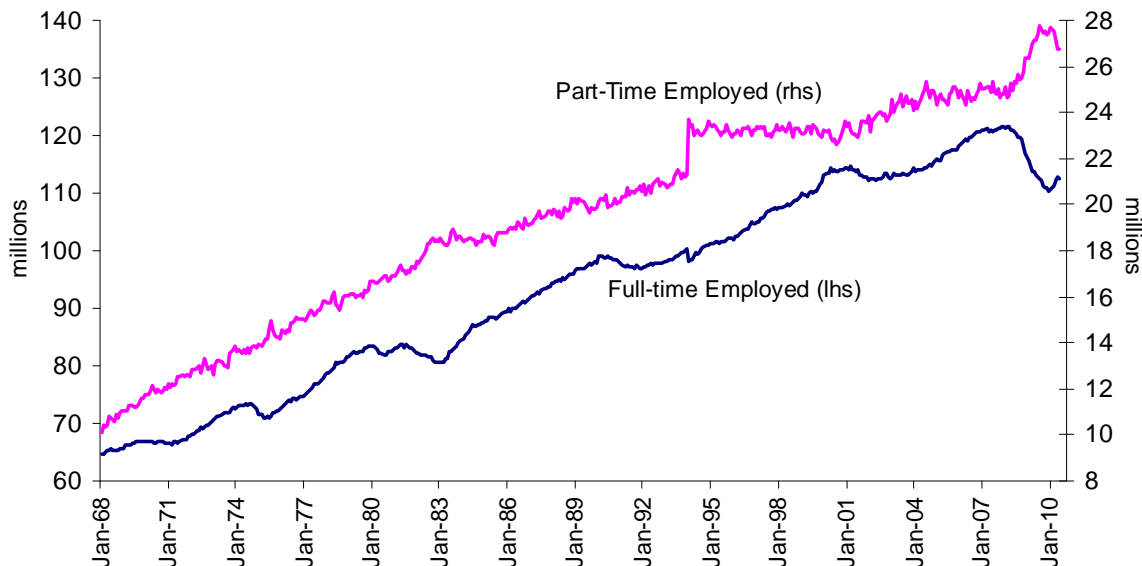
Temporary Workers Rising (last obs. June 2010)



Source: Bureau of Labor Statistics; Encima Global

- Per the household survey, the number of full-time workers fell 70,000 in June while part-time workers rose 5,000, reversing some of the shift to full time work seen since February.

Part-time and Full Time Employed (last obs. June 2010)

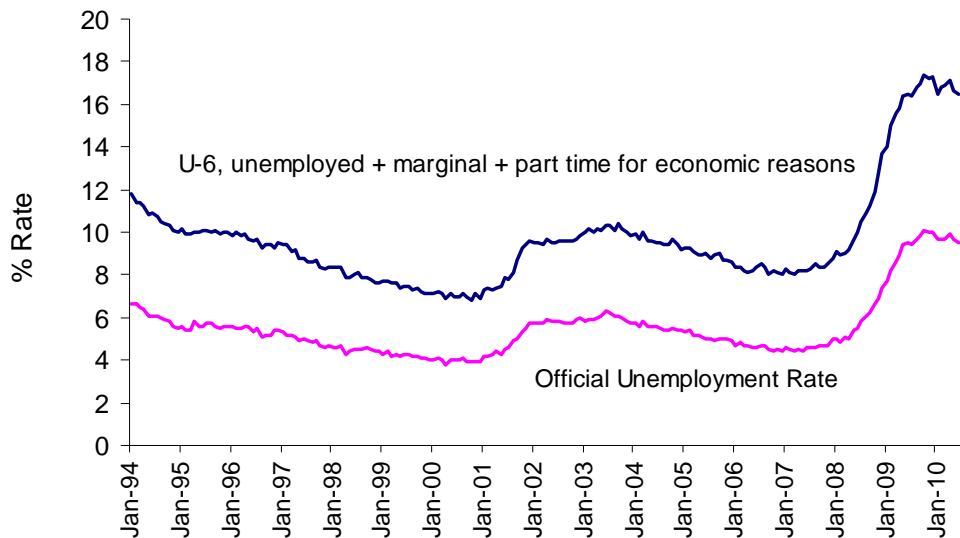


Source: Bureau of Labor Statistics; Encima Global

Fewer Employed, Fewer Unemployed

The official unemployment rate fell to 9.5% in June from 9.7% in May, with the number of unemployed workers falling 350,000 to 14.6 million. U-6 underemployment fell to 16.5% in June from 16.6% in May.

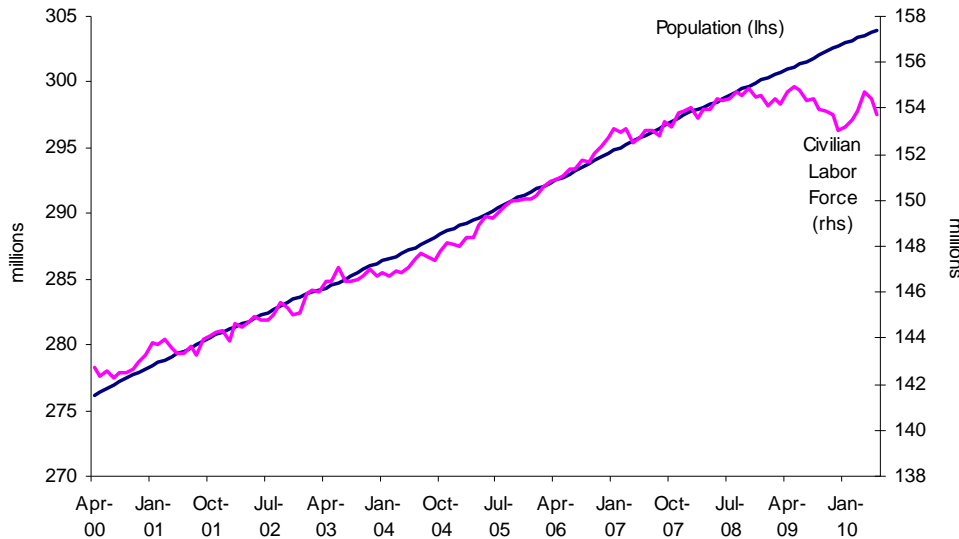
Unemployment Rate and Underemployment Rate (last obs. June 2010)



Source: Bureau of Labor Statistics; Encima Global

- The official unemployment rate fell primarily because the civilian labor force fell by 652,000 to 153.7 million versus the 301,000 decline in employment in the household survey. Going forward, we expect the economy to grow enough to produce gains in employment, but the labor force to also grow leaving the unemployment rate relatively high. In effect, there's an overhang of workers waiting for better labor conditions to reenter the labor force.

Population and the Civilian Labor Force (last obs. June 2010)



Source: Census Bureau; Bureau of Labor Statistics; Encima Global

- The average duration of unemployment has risen to a new high of 35.2 weeks, with the median duration now 25.5 weeks. 6.75 million workers have been unemployed more than 27 weeks.

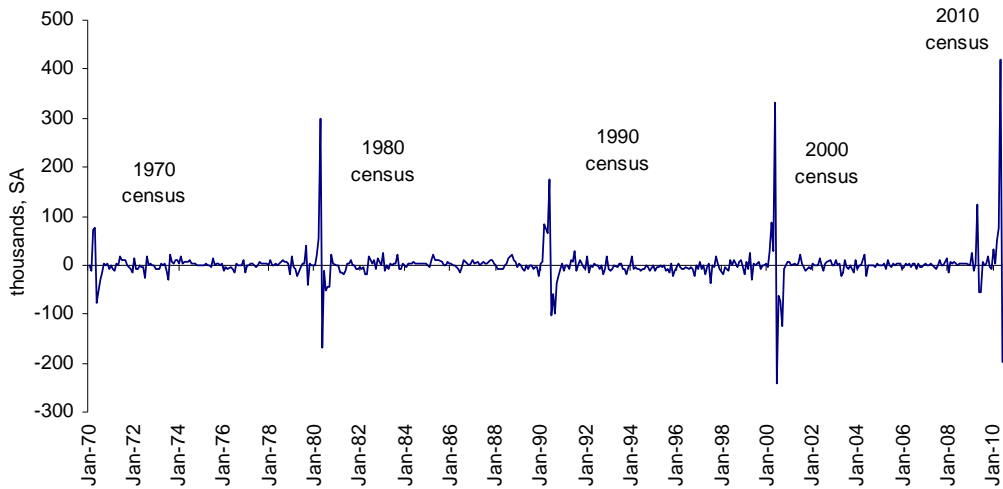
Duration of Unemployment (last obs. June 2010)



Source: Bureau of Labor Statistics; Encima Global

- The census did a first round of temporary hiring in April 2009. In April-May 2010, there was a bigger burst of census hiring. The census let go many of those temporary workers in June, with a decrease of 225,000 census workers. The wind-down of the census will continue to put downward pressure on employment and some upward pressure on jobless claims over the next few months.

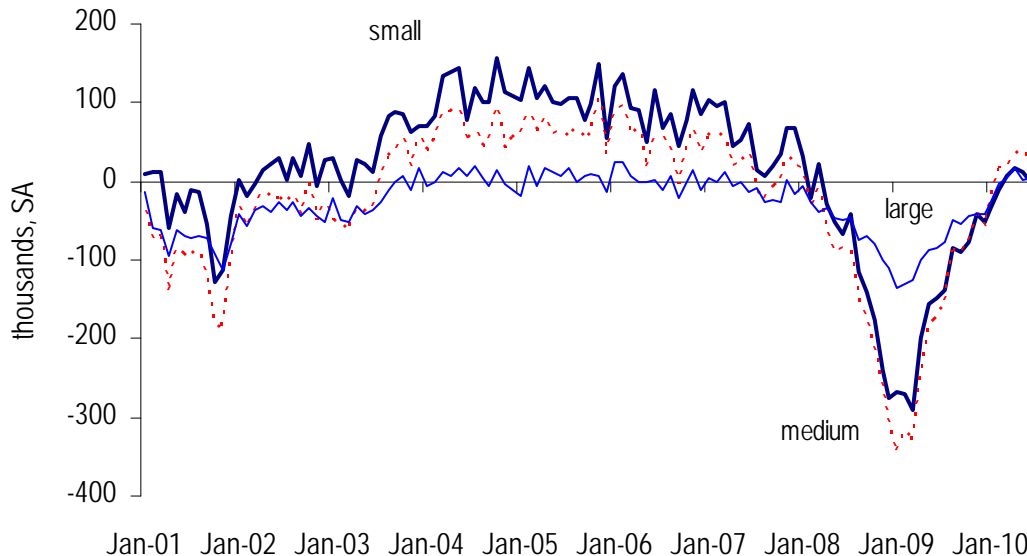
Federal Gov't Jobs m/m (last obs. June 2010)



Source: Bureau of Labor Statistics; Encima Global

- June ADP showed a disappointing 13,000 new additions to payrolls and continues to show small business hiring is lagging. Small businesses (with 1-49 employees) lost 1,000 workers. Medium sized businesses (with 50-499 employees) added 11,000 workers and large businesses (with more than 500 workers) added 3,000 workers.

ADP Hiring by Company Size (last obs. June 2010)



Source: ADP; Encima Global

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