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JUNE EMPLOYMENT REPORT

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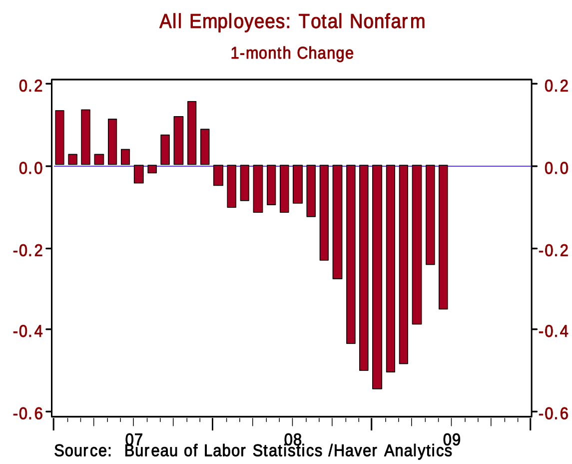
- Non-farm payrolls fell 467,000 in June, a larger loss than the consensus expected decline of 365,000. Revisions to April and May added 8,000 to payrolls.
- Payrolls declined in most major sectors, with the largest losses in manufacturing (-136,000), professional & business services (temps, managers, architects, engineers, building personnel, -118,000), and construction (-79,000). Government payrolls also shrank by 52,000, due to the federal Census-related hiring pattern.
- As usual, health and education jobs continued to increase (+34,000).
- The unemployment rate increased to 9.5% in June versus 9.4% in May. The consensus had expected a larger increase to 9.6%.
- Average hourly earnings were unchanged in June but are up 2.7% versus last year.



Implications: The labor market remains tough terrain: companies are still letting more workers go than they are hiring and wages have stagnated in the past few months. But today's data do not reflect another leg down for the economy as a whole. Payroll losses were higher than expected but still less severe than they were earlier this year. In addition, the unemployment rate ticked up less than expected. Although some will attribute the smaller than expected increase in the jobless rate in June to a decline in the labor force (the number of people working or actively looking for work), the labor force has increased 1.2 million in the last five months. Without this increase, the jobless rate would be 8.8% today, not 9.5%. Other recent data on the labor market show improvement. New claims for unemployment insurance dropped 16,000 last week to 614,000. Continuing claims for regular benefits fell 53,000 to 6.702 million. Meanwhile, Challenger, Gray & Christmas, a Chicago-based job placement firm, reported employers are planning fewer layoffs than at the same time last year. The US economy has never healed in a perfectly straight line with all aspects of the economy getting better at the exact same time. As is often the case, the labor market is lagging behind other indicators showing the recession is over, including yesterday's ISM Manufacturing report. A healing economy with a lagging labor market is a recipe for a major improvement in corporate profits.

Employment Report *All Data Seasonally Adjusted*	Jun-09	May-09	Apr-09	3-month moving avg	6-month moving avg	12-month moving avg
Unemployment Rate	**9.5**	9.4	8.9	9.3	8.7	7.6
Civilian Employment (monthly change in thousands)	**-374**	-437	120	-230	-456	-429
Nonfarm Payrolls (monthly change in thousands)	**-467**	-322	-519	-436	-564	-472
Construction	**-79**	-48	-103	-77	-100	-83
Manufacturing	**-136**	-156	-150	-147	-175	-138
Retail Trade	**-21**	-18	-33	-24	-39	-50
Finance, Insurance and Real Estate	**-27**	-30	-46	-34	-43	-34
Professional and Business Services	**-118**	-48	-127	-98	-123	-101
Education and Health Services	**34**	47	17	33	29	34
Leisure and Hospitality	**-18**	18	-34	-11	-23	-27
Government	**-52**	-10	73	4	4	3
*Avg. Hourly Earnings: Total Private**	**0.0%**	0.2%	0.0%	0.7%	1.4%	2.7%
Avg. Weekly Hours: Total Private	**33.0**	33.1	33.1	33.1	33.2	33.3
*Index of Aggregate Weekly Hours: Total Private**	**-0.8**	-0.3	-0.6	-6.6	-8.0	-7.0

**3, 6 and 12 month figures are % change annualized*