US jobless claims fall in strong labor market

Four-week moving average of claims falls 1,750

WASHINGTON: The number of Americans filing for unemployment benefits unexpectedly fell last week, pointing to sustained labor market strength even as the pace of job growth is slowing.

Initial claims for state unemployment benefits decreased 4,000 to a seasonally adjusted 259,000 for the week ended Sept. 3, the lowest level since mid-July, the Labor Department said yesterday. Claims for the prior week were unrevised. Economists had forecast first-time applications for jobless benefits rising to 265,000 in the latest week.

It was the 79th straight week that claims remained below the 300,000 threshold, which is associated with robust labor market conditions. That is the longest stretch since 1970, when the labor market was much smaller. Despite very low layoffs, the Federal Reserve is widely expected to keep interest rates unchanged at its upcoming Sept. 20-21 policy meeting in the wake of a slowdown in job growth last month and a contraction in manufacturing activity. Services sector activity in August was the slowest in 6-1/2 years. The US central bank raised its benchmark overnight interest rate at the end of last year for the first time in nearly a decade, but has held it steady since amid concerns over persistently low inflation.

The dollar was trading lower against a basket of currencies, while prices for US government debt fell. A Labor Department analyst said there were no special factors influencing last week's claims data. However, claims for Virginia, New Mexico, Alabama and Minnesota, as well as those for Hawaii and Puerto Rico were estimated because Monday's Labor Day holiday had caused delays in the processing of the data.

The estimates are based on historical trends and normally do not deviate much from the actual data, the analyst said. The four-week moving average of claims, considered a better measure of labor market trends as it irons out week-to-week volatility, fell 1,750 to 261,250 last week.

As the labor market nears full employment, there is probably not much room for further declines in claims. A report on Wednesday showed job openings hit a record high in July, though hiring continued to lag, suggesting a possible skills mismatch. The very low level of claims together with all-time high job openings suggests the labor market remains healthy, even though employment growth moderated in August after payroll gains averaged 273,000 jobs per month in June and July. The economy created 151,000 jobs in August, still well above the roughly 100,000 jobs that Fed Chair Janet Yellen says is needed to keep up with growth in the working age population.

With the labor market near full employment and the economy's recovery from the 2007-09 recession showing signs of aging, the slowdown in job growth is normal. Thursday's claims report also showed the number of people still receiving benefits after an initial week of aid fell 7,000 to 2.14 million in the week ended Aug 27. The four-week average of the so-called continuing claims slipped 4,000 to 2.15 million. — Reuters

TOKYO: A construction site in Tokyo yesterday. Japan's economy barely grew in the April-June quarter, revised data showed yesterday, supplying the latest failing report card for the prime minister's policy blitz. —AFP

ECB inaction weighs on stocks but boosts euro

LONDON: European stock markets dipped yesterday while the euro struck two-week highs against the dollar after the European Central Bank left its key interest rates unchanged and decided against extending the duration of its bond-buying stimulus program.

KEEPING SCORE: In Europe, France's CAC-40 was down 0.4 percent at 4,541 while Germany's DAX fell 0.6 percent to 10,690. The FTSE 100 index of leading British shares was 0.2 percent higher at 5,859. US stocks were poised to open flat, with Dow futures and the broader S&P 500 futures down 0.1 percent.

ECB WATCH: The decision by the ECB to keep policy unchanged wasn't a huge surprise but some in the markets had been hoping there would have been an extension to the stimulus program. Investors are waiting to hear what ECB President Mario Draghi says about the outlook at his upcoming news conference. The central bank faces stubbornly low annual inflation of only 0.2 percent despite pumping 1 trillion euros ($1.1 trillion) in newly printed money into the banking system through bond purchases since March, 2015. The purchases, made at a rate of 80 billion euros a month, are set to continue at least through March, 2017 or until inflation convincingly picks up. Draghi could indicate Thursday that the bank is ready to extend the bond-buying program.

EURO SOLID: Europe's single currency maintained its firm tone after the decision, trading 0.5 percent higher at a two-week high of $1.13. More stimulus could have weighed on the currency as traders price in the possibility of more euros in circulation for longer.

ANALYST TAKE: "The ECB's decision today to leave policy on hold as had been broadly expected reflects the reasonably positive tone of recent economic data, but we think that it will need to announce further policy stimulus before long," said Jennifer McKeown, senior European economist at Capital Economics.

CHINA TRADE: Imports rose in August for the first time since late 2014, while a contraction in exports narrowed in a positive sign for global economic growth. Imports expanded by an unexpectedly strong 1.5 percent, up from July's 12.5 percent plunge. Exports fell 2.8 percent but that also was better than forecast and an improvement over the previous month's 4.4 percent contraction. The improvement was a positive sign for Chinese leaders who are trying to protect millions of trade-supported jobs. The import gain suggested lackluster Chinese domestic demand might be firming up.

ASIA'S DAY: Japan's Nikkei 225 index fell 0.3 percent to 16,958.77 and Sydney's S&P-ASX 200 fell 0.7 percent to 5,385.80. The Hang Seng index in Hong Kong gained 0.8 percent to 23,919.34 points and the Shanghai Composite Index rose 0.1 percent to 3,095.95. Seoul's Kospi added 0.1 percent to 2,063.73, while India's Sensex rose 0.3 percent to 29,006.18.

ENERGY: Benchmark US crude rose 68 cents to $46.18 per barrel in electronic trading on the New York Mercantile Exchange. Brent crude, used to price international oils, rose 59 cents to $48.56 in London. —AP

Gold claws higher on softer dollar, as ECB meets

LONDON: Gold moved higher yesterday, bolstered by a softer dollar on views that the U.S. central bank is in no hurry to raise interest rates and as the European Central Bank kept up its economic stimulus program. Platinum also climbed after an industry report said the market will tighten more than previously forecast. Gold held strong gains from Friday when weak US jobs data led investors to bet that a September rate rise was no longer on the cards, sending the dollar spiralling down.

"We had another couple of data points this week in the US that pointed perhaps to the economy not yet being strong enough to sustain another interest rate rise in the short term," said Mitsubishi analyst Jonathan Butler.

"With a week or so to go before the FOMC meeting, I think generally we'll see a supportive environment for gold, but also quite a bit of choppy trading as sentiment changes."

Former French Economy Minister and founder of the political movement "En Marche" (On the Move), Emmanuel Macron looks on during a visit of a factory manufacturing plastic packaging for cosmetic products, Auriplast, in Aurillac, central France, yesterday.— AFP

Spot gold rose 0.2 percent to $1,347.17 an ounce by 1205 GMT, with US gold futures up 0.2 percent to $1,352.10. Rising US interest rates increase the opportunity cost of holding non-yielding bullion and boost the dollar, in which gold is priced.

The European Central Bank, as expected, kept its already loose policy stance unchanged on Thursday, holding rates at record lows and promising to keep its 80 billion euro ($90.4 billion) monthly asset buying programe going at least until next March. "There are just not enough (assets) for the ECB to buy. If we see more buying, it will give a fillip to gold," said Jeffrey Halley, business development and market strategist at OANDA Asia Pacific. The dollar index, which measures the greenback against a basket of currencies, was down 0.3 percent at 94.651.

A weaker dollar makes gold less expensive for holders of other currencies. "As long as the dollar remains weak, we can see gold test $1,350 and make its way up to $1,375-$1,380 levels," he said.

Spot gold faces resistance at $1,352 an ounce and could either hover below this level or retrace to support at $1,327, said Reuters technical analyst Wang Tao. Platinum rose 0.8 percent to $1093.40 an ounce, having hit a two-week peak on Wednesday. In its latest Platinum Quarterly report, the World Platinum Investment Council forecast a 520,000 ounce deficit in the platinum market this year, up from a 455,000 ounce shortfall predicted three months previously.

Palladium was up 1.1 percent at $694.80. On Wednesday the metal scaled its highest in more than two weeks. Spot silver climbed 0.5 percent to $19.85, having touched its highest in more than three weeks in the previous session. — Reuters