

DJ MARKET TALK: US Stock Futures Go From Bad To Worse

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8:40 AM Eastern Daylight Time Jun 04, 2010

8:40 (Dow Jones) US stock futures tumble after May nonfarm payrolls disappoint, by a lot. Headline number 431K is well under expectations, which ranged from 500K to 700K. Duration of employment remains very high with 46% of those out of work jobless for more than six months; workweek ticks up a little. Broadest measure of unemployment, the U-6, fell to 16.6% from 17.1% in April, headline jobless rate dips to 9.7% as folks leave labor force. S&P futures down 23; Dow futures off 190. (john.shipman@dowjones.com)

8:29 (Dow Jones) New comments from Hungary's governing Fidesz party officials regarding the state of the Hungarian economy "are extremely confusing and more market panic should be expected," says Nordea strategist Elisabeth Andrew. Fresh comments from the Prime Minister's spokesman Peter Szijjarto, suggesting that Hungary is in a very grave situation, has caused more panic on the financial markets, with the forint hitting a year-low against the euro. Forint currently trades at 288.15/35 to the euro vs Thursday's close at 282.00. The most negative is the government's way of communicating, she says, warning of more spill-over effects on other currencies and asset classes. (emese.bartha@dowjones.com)

8:28 (Dow Jones) EUR/USD down sharply ahead of US payrolls, as fresh concerns over euro-zone sovereign debt crisis roil markets, sending EUR/CHF to its lowest-ever level. EUR/USD recently at 1.2058 from 1.2156 late Thu, according to EBS via CQG. USD/JPY at 92.66 from 92.64, while GBP/USD at 1.4562 from 1.4615. ICE Dollar Index, which tracks the greenback against a trade-weighted basket of currencies, at 87.707 from 87.240.(bradley.davis@dowjones.com)

8:23 (Dow Jones) Much has been made that today's expected job gain of 515K will be the largest since 1.1M in September 1983. That million-plus figure came about because 640,000 workers went on strike against the original AT&T in August 1983 (later joined by 20,000 more workers). That cut the August job number. But when all 660,000 returned to work in late August, their re-entry boosted the September number to the 1.1M. Ex-strike, the gain was about 474,000, more in line with other job increases that year. Could it happen again? Unlikely, unions account for far fewer jobs than in the 1980s. Even the auto union has less than 360,000 members. (kathleen.madigan@dowjones.com)

8:18 (Dow Jones) Goldman Sachs takes US Steel (X) off its "conviction" buy list, keeps buy rating, citing a trio of negatives: European credit, Chinese tightening and now the Gulf oil spill. Euro and China worries for steelmakers aren't new. But the spill and moratorium could impact the oil-tube and piping business, in firm's judgment. Short term, these macro worries are likely to weigh on investor sentiment, firm writes, winning out over positives like

The following story was published on Thomson ONE:

rising steel prices. Downgrade makes for Goldman's fifth upgrade or downgrade on X during 2010 by our count, as good a read as any on this year's economic uncertainty. Shares down 1.9% to \$44.44. premarket.

(brendan.conway@dowjones.com)

8:08 (Dow Jones) Weeden & Co. downgrades Noble Corp (NE) to hold from buy as firm assesses fallout from the US deepwater drilling moratorium. Notes NE's seven floating rigs in the Gulf (counting one arriving in 3Q) account for 28% of firm's 2011 gross-profit outlook for NE. If matters don't improve by year end, NE could be forced to "aggressively" market the rigs in places like Brazil and West Africa. This "would likely result in higher downtime and potentially lower utilization than currently modeled." NE down 1.2% at \$27.45 premarket. (brendan.conway@dowjones.com)

8:02 (Dow Jones) Insurance regulators, meeting via phone yesterday to address concerns about new patient-care spending requirements for individual health plans, came up with two options to present to Department of Health and Human Services, group spokeswoman says. There is concern new minimum spending requirements under health overhaul will be so hard to meet some individual plans will discontinue coverage by Dec. 31, causing market disruption. Consensus on call, says spokeswoman: National Association of Insurance Commissioners will present two possible options to HHS, either reduce minimum for 2011 and phase in higher level, or make no change and gauge market effect. (dinah.brin@dowjones.com)

7:50 (Dow Jones) Analysts downgrading stocks with exposure to the deepwater drilling moratorium and BP mess. Among them, JPMorgan cuts Hornbeck Offshore (HOS) to neutral from overweight, predicting the move limits HOS' EPS and share price "until 2011 at the earliest." Also cuts Nalco (NLC), maker of BP's chemical dispersant, to neutral from overweight. Firm says biological and ecological effects of chemicals' use in large quantities aren't known, which raises the possibility of lawsuits. "Uncertainty created by potential litigation may act as a cap or limit on Nalco's valuation and share price despite the favorable operating outlook we expect for Nalco in the coming two years." (brendan.conway@dowjones.com)

7:40 (Dow Jones) Canadian dollar weakened slightly after a domestic jobs report that far outpaced expectations. USD/CAD recently at 1.0423 from 1.0383 just prior to data, and 1.0421 late yesterday, according to EBS via CQG. Canadian economy added 24,000 new jobs in May, nearly twice the number forecast, Statistics Canada reported. Canada's unemployment rate held steady at 8.1%, as anticipated. In April, a record-setting 108,700 new jobs were added, more than four times what had been forecast by economists. The tally lowered the unemployment rate to 8.1%, its lowest level in a year. (karen.johnson@dowjones.com)

7:30 (Dow Jones) Mood of eager anticipation ahead of May nonfarm payrolls

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report, though investors now seem distracted premarket by a pitching euro. US stock futures turned sharply lower in the last half hour as the euro fell below \$1.21; it's recently regained the level. Gold also selling off, oil slightly lower. Seems a fresh all-time low for the euro vs swiss franc led to broader euro selling. Back here in the US, high expectations for May jobs could be make things tricky. President Obama this week boosted expectations by saying he anticipates a strong report, but we wonder if his idea of "strong" jibes with what investors have in mind. As always, we'll be most interested in U-6, duration of unemployment and workweek. S&P futures down 7.40; 10-yr higher, yield at 3.36%. (john.shipman@dowjones.com)

5:50 (Dow Jones) Health insurance regulators developing new rules for minimum spending on patient care have been asked to give health plans some idea of their direction by June 10. If new regs are too severe for plans offering individual coverage in certain states, insurers may need to discontinue coverage as of Dec. 31 and notify policy holders by July 1, says a key National Association of Insurance Commissioners official. The rules will govern calculation of the percentage of premium revenue used for patient care. This is a "critical juncture" for the regs, Goldman Sachs says, citing potentially significant disruption in individual-plan market. (dinah.brin@dowjones.com)

(Dow Jones) Sunrise Senior Living (SRZ) plans to sell eight of its nine long-struggling German assisted-living facilities for about \$74.5M, a big accomplishment for turn-around expert CEO Mark Ordan. The German communities were a major burden for SRZ which is bouncing back from a staggering debt load and defaulted loans. Ordan's initiatives to date have given some investors hope that SRZ can continue as a viable business. SRZ up 7.57% to \$4.69. (veronica.dagher@dowjones.com)

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(END) Dow Jones Newswires

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