

The Street

April Jobs Key in Coming Week

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NEW YORK ([TheStreet](#)) -- After **Federal Reserve** Chairman Ben Bernanke discussed inflation in an unprecedented press conference last Wednesday, investors are now looking forward to the latest read on employment from the Labor Department on Friday.

"We have a lot of data coming out next week, but at the top of the list is the April unemployment report on Friday because of what it means for the durability and sustainability of the recovery," said Josh Feinman, global chief economist for Deutsche Bank Advisors. "We need to have the labor market participating more."

The Federal Open Market Committee's recent decision to keep the federal funds rate at low levels for a while and see its asset-purchase program to completion in June resulted in a collective sigh of relief as all three major U.S. indices hit multiyear highs. News that the U.S. economy only saw growth of 1.8% in the first quarter had little impact on stocks since it fell within expectations, and Bernanke said during his press conference that factors pressuring economic growth "appear to be transitory."

The past week's Fed events laid bare the challenges of the central bank's dual mandate to keep unemployment low while maintaining price stability. With an unemployment rate of 8.8%, members of the Fed's monetary policy-setting arm believe accommodative monetary policies are still warranted even though a weaker dollar has been driving commodity and energy prices higher. Although the FOMC and Bernanke repeatedly upheld their views that higher inflation is temporary, the fear is that higher input costs -- or even the expectation for higher costs -- will deter businesses from hiring.

Chris Abts, president of Cornerstone Retirement Group, pointed to unexpected increases in jobless claims in recent weeks.

"I think there's something less temporary going on with claims being off," he said. "That's probably inflation and businesses dealing with higher material costs and higher energy costs. It could be impacting hiring because they're not able to pass those costs off on customers."

Abts anticipates the the government will report that 200,000 jobs were created in April.

"I do think economic conditions are getting better, but we're looking at a slow recovery. Yet because of the weaker dollar, the stock market is just shrugging that off and pushing higher," Abts said. "The underlying issues are: We're not adding enough jobs, we're not seeing the wage increases that we need, and that means less for consumer spending at a time when people have to spend more on food and energy."

In addition to the April jobs report on Friday and the labor market-related reports leading up to it, investors will also be watching what companies reporting quarterly earnings say about input costs.

Consumer products company **Clorox**([CLX](#)), natural supermarket operator **Whole Foods Market**([WFMI](#)) and packaged food maker **Kraft Foods**([KFT](#)) are scheduled to report quarterly earnings on Tuesday, Wednesday

and Thursday, respectively. Clorox is expected to report earnings of \$1.04 a share, Whole Foods is seen posting a profit of 46 cents a share, and Kraft is projected to announce earnings of 47 cents a share.

Health benefits companies **Humana**(HUM) and **Cigna**(CI) will release results on Monday and Thursday, respectively. Global payment processors **MasterCard**(MA) and **Visa**(V) are slated to report on Tuesday and Thursday. Pharmaceutical giant **Pfizer**(PFE) is expected to report earnings of 59 cents a share on Tuesday, and international insurance company **AIG**(AIG) is slated to post a loss of 15 cents a share on Thursday, according to *Reuters*.

Other economic reports on tap for next week include a look at construction spending in March from the Commerce Department and a look at April manufacturing activity with the Institute for Supply Management's manufacturing index on Monday.

On Tuesday, the Commerce Department will release March factory orders data.

Wednesday will bring the first of three job releases. At 8:15 a.m., Automatic Data Processing will issue its April employment change report, which measures job creation in the private sector. At 10 a.m., the Institute for Supply Management will follow up on Monday's report with a look at activity outside of the manufacturing sector with its April services index.

Thursday will bring the Labor Department's weekly look at initial jobless claims, a report that could get some added attention a day ahead of the April jobs report given its recent weakness.

Feinman of DB Advisors called climbing jobless claims "a little worrisome."

"It could be reflective of something seasonal, but it's the one straw that's bending the other way -- and it's an important one. Jobless claims rarely lie," he said. "If we don't see jobless claims coming down in a big way soon, then we've got a problem."

Also at 8:30 a.m. on Thursday, the Labor Department will release a separate report on first-quarter productivity and unit labor costs.

On Friday at 8:30 a.m., the market will get what it's been waiting for when the Labor Department releases the April jobs report.

Feinman said employment reports from the government have been improving, and the market is expecting more of the same. In March, the Labor Department reported job growth of 216,000.

"The one caveat is what's been happening to jobless claims," he said.

-- *Written by Melinda Peer in New York.*

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