

March Payrolls Plunge

U.S. company payrolls dropped by -701k in March. The only surprise in the business survey was that job losses began so early, given that the survey period extended only to March 12, a date when many schools and businesses across the nation were still open or had only recently closed. The first outright payroll decline in 9 1/2 years abruptly ended a record string of 113 months of positive job gains. In an indication of just how difficult it is for economists to understand the current environment, the Bloomberg median forecast was for a loss of just -100k jobs, indicating a gigantic miss of over 600k. *Clearly, everyone is guessing at this point.* Of the -701k payroll jobs lost last month, -459k were concentrated in the leisure and hospitality sector.

The unemployment rate, calculated from a separate household survey, jumped from a five-decade low of 3.5% to 4.4%. Within this household number, an additional three million Americans were reportedly not working in March, while the labor force shrunk by 1.6 million workers.

There's little point in pouring over the supporting numbers. The March labor report tells us little we didn't already know, and April is certain to be much worse. Yesterday, filings for unemployment benefits for the week ending March 27 were reported at a staggering 6.65 million. The previous week, filings were 3.3 million. This means 10 million Americans had filed claims for unemployment benefits over the last two weeks. For context, only 11 million Americans filed all of last year. This pace of layoffs hints at April nonfarm payroll losses in the millions, and an unemployment rate well above 10%.

The market reaction so far has been relatively muted. This was the hope, as we've all known the economic data would increasingly reflect what we already know to be true. Like the COVID-19 data, the economic numbers are still getting worse. Over time, confirmed cases and the economic damage will moderate and then improve. Don't hyper-focus on the immediate.

Market Indications as of 10:20 A.M. Central Time

DOW	DOWN 295 to 21,118 (HIGH: 29,551)
NASDAQ	DOWN 91 to 7,396 (HIGH: 9,817)
S&P 500	DOWN 21 to 2,506 (HIGH: 3,386)
1-Yr T-bill	current yield 0.13%; opening yield 0.13%
2-Yr T-note	current yield 0.22%; opening yield 0.23%
5-Yr T-note	current yield 0.36%; opening yield 0.38%
10-Yr T-note	current yield 0.57%; opening yield 0.60%
30-Yr T-bond	current yield 1.22%; opening yield 1.24%

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