Another Solid Jobs Report Keeps Fed on Aggressive Path

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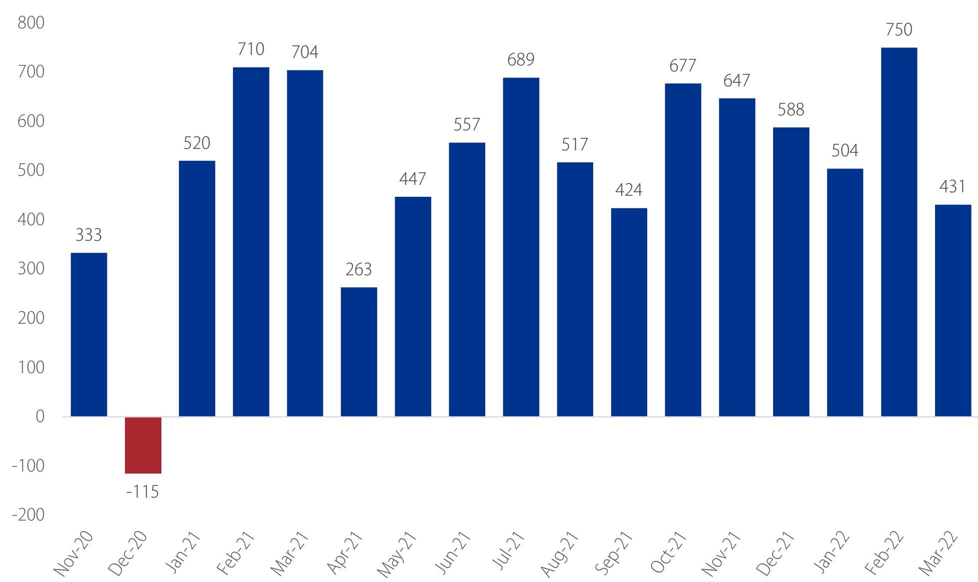
U.S. companies added +431k jobs in March, while upward revisions increased the January/February count by an additional +95k. Although March payroll gains were slightly below forecast, the revisions more than made up the difference. At this point, total nonfarm payrolls are just 1.6 million short of the pre-pandemic peak.

The leisure and hospitality sector, negatively impacted by every wave of the virus, added +116k jobs in March, but remain 1.5 million below the level from two years ago. Factories added +38k jobs last month and are now just 128k below pre-pandemic employment levels. Construction services added +19k and have now returned to the level of two years ago. Several sectors have *exceeded* the February 2020 job count, including retail, and professional and business services. Employment in the transportation and warehousing sector is now a whopping 608k above February 2020. The degree of actual job growth in this sector is surprising given how many positions remain to be filled.

Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

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In the separate household survey, 418k Americans entered or re-entered the labor force last month, while 736k found work; this drove the headline unemployment rate down from 3.8% to 3.6%, back within 0.1 of the five-decade low. The total number of unemployed workers decreased by 318k to 5.95 million in March. These are people who have actually looked for work at some point over the past four weeks. Contrast this with the most recent JOLTS report showing more than 11 million job openings and it's easy to expect continued pressure on wages.

The household survey showed the percentage of Americans still working from home due to the virus fell from 13% to 10%, while the number of persons reporting they were unable to work because their employer had closed or lost business due to the pandemic plunged from 4.2 million to 2.5 million. This reflects relief following a 95% drop in new COVID cases from the mid-January peak.

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Just about every category in the household survey showed significant improvement. The number of long-term unemployed workers (27-weeks or more) fell from 1.7 million to 1.4 million, and the number of people voluntarily leaving their job dropped from 963k to 787k. The unemployment rate for workers with a high school degree only, dropped from 4.5% to a historical low of 4.0%, while the unemployment rate for degreed workers fell from 2.2% to 2.0%.

Average hourly earnings rose $0.13 in March and +5.6% year-over-year. Higher wages will continue feeding into higher consumer prices, which will keep pressure on Fed officials to reel-in accommodation. Today's report only reinforces the Fed's resolve, which has quickly turned to a more aggressive series of rate hikes. A 50 basis point increase appears certain for the May meeting, especially given that a majority of committee members have recently lined up in favor.

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Short yields are higher again this morning, and the spread between the 2-year and 10-year Treasury-note is currently *slightly inverted.* An inverted curve has historically signaled recession on the horizon. This time, it might signal that investors on the long end feel confident that the Fed's aggressive policy stance will ultimately prove successful in hammering inflation down.

Market Indications as of 10:13 A.M. Central Time

DOW	Up 28 to 34,706 (HIGH: 36,800)
NASDAQ	Up 57 to 14,278 (HIGH: 16,057)
S&P 500	Up 6 to 4,536 (HIGH: 4,797)
1-Yr T-bill	current yield 1.71%; opening yield 1.56%
2-Yr T-note	current yield 2.46%; opening yield 2.34%
3-Yr T-note	current yield 2.64%; opening yield 2.52%
5-Yr T-note	current yield 2.57%; opening yield 2.47%
10-Yr T-note	current yield 2.41%; opening yield 2.35%
30-Yr T-bond	current yield 2.48%; opening yield 2.46%