

Brief Market Joy Evaporates Post Fed Meeting

Yesterday, confident Fed talk boosted the DOW up 932 points, its biggest single day gain in over two years. Today, a sharp reversal clawed back every point and more. *What's particularly unnerving is that there doesn't seem to be a real trigger to the drop.* This morning's second-tier economic releases were close to forecasts, and there were no Fed speakers or policy announcements introducing fresh concern. Investors may have wanted to believe Powell's assertion that the FOMC will successfully orchestrate a soft landing, easing inflation gently down without tipping the economy into recession, but after further consideration it suddenly seems too tall an order. The tether we thought Powell had tied down yesterday snapped today, and it didn't take much of a gust to do it.

The April employment report will be released Friday morning. Nonfarm payrolls are expected to add another 380k jobs and the unemployment rate is expected to return to its 53-year low of 3.5%. Solid. Normally, the monthly labor report can be a market-mover, but one thing we already know for certain is that jobs are plentiful. It's hard to imagine a contradiction buried in tomorrow's numbers.

This morning, initial jobless claims for the week ending April 30th climbed from 181k to 200k. This is the highest level of new benefit claims since mid-February, although still very low historically. More importantly, continuing claims slipped to 1.38 million, *the lowest since 1969*. By comparison, in June of 2020, more than 32 million Americans were receiving unemployment benefits.

The new five-decade low emphasizes the extraordinary tightness of the labor market; employers simply can't afford to let workers go. This means higher wages. The Fed recognizes that continued wage pressure will further fuel inflation. The answer is to make credit more expensive, which they hope will eventually reduce demand for goods and services. In doing so, some of the excess jobs will disappear. It's strange to think the Fed's objective has shifted from job creation to quiet job destruction, but an economic slowdown would achieve exactly that.

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Market Indications as of 2:31 P.M. Central Time

DOW	Down -1,362 to 32,699 (HIGH: 36,800)
NASDAQ	Down -733 to 12,699 (HIGH: 16,057)
S&P 500	Down -183 to 4,177 (HIGH: 4,797)
1-Yr T-bill	current yield 2.02%; opening yield 1.99%
2-Yr T-note	current yield 2.71%; opening yield 2.65%
3-Yr T-note	current yield 2.91%; opening yield 2.84%
5-Yr T-note	current yield 3.01%; opening yield 2.91%
10-Yr T-note	current yield 3.05%; opening yield 2.95%
30-Yr T-bond	current yield 3.15%; opening yield 3.03%

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