

Few Surprises in a Solid April Labor Report

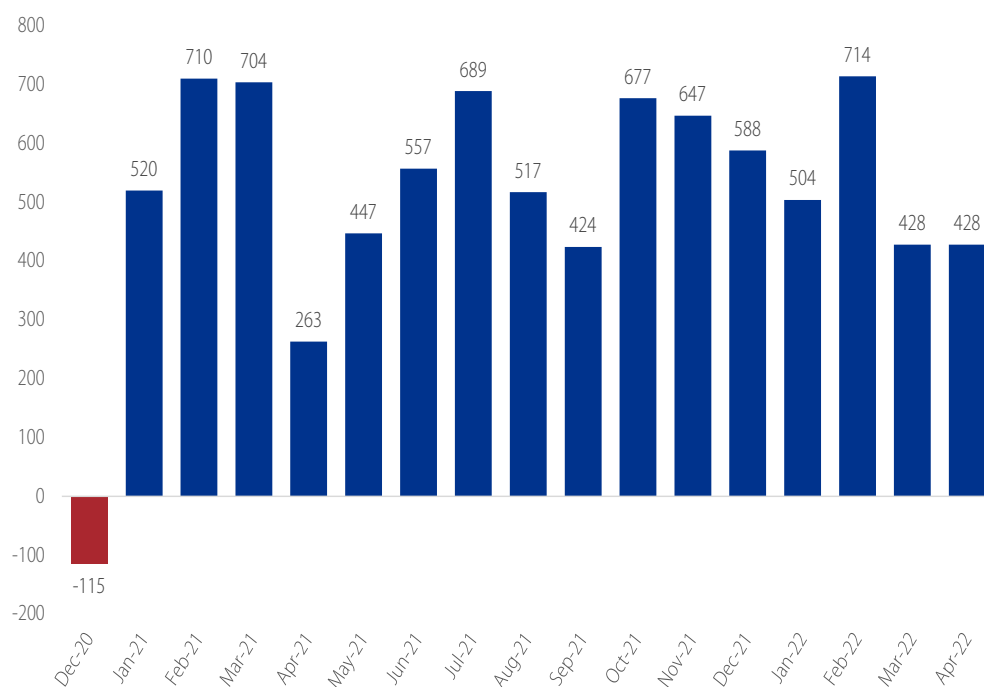
The April employment report was generally on target, with +428k jobs added to nonfarm payrolls and the unemployment rate holding steady at 3.6%. The payroll count topped forecasts by +48k, but net revisions to previous months counterbalanced the beat by subtracted -39k. After nearly two years, total payrolls are still 1.2 million below peak pre-pandemic levels ...although with recent job openings at 11.5 million, job creation is clearly alive and well.

Notable payroll gains last month were found in leisure and hospitality (+78k), manufacturing (+55k), transportation and warehousing (+52k), business and professional services (+41k), healthcare (+34k) and retail (+29k). Leisure and hospitality payrolls are still by 1.44 million below the February 2020 count, but this shortfall mostly reflects difficulty in filling positions.

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Non-Farm Payrolls Total Change (in thousands)



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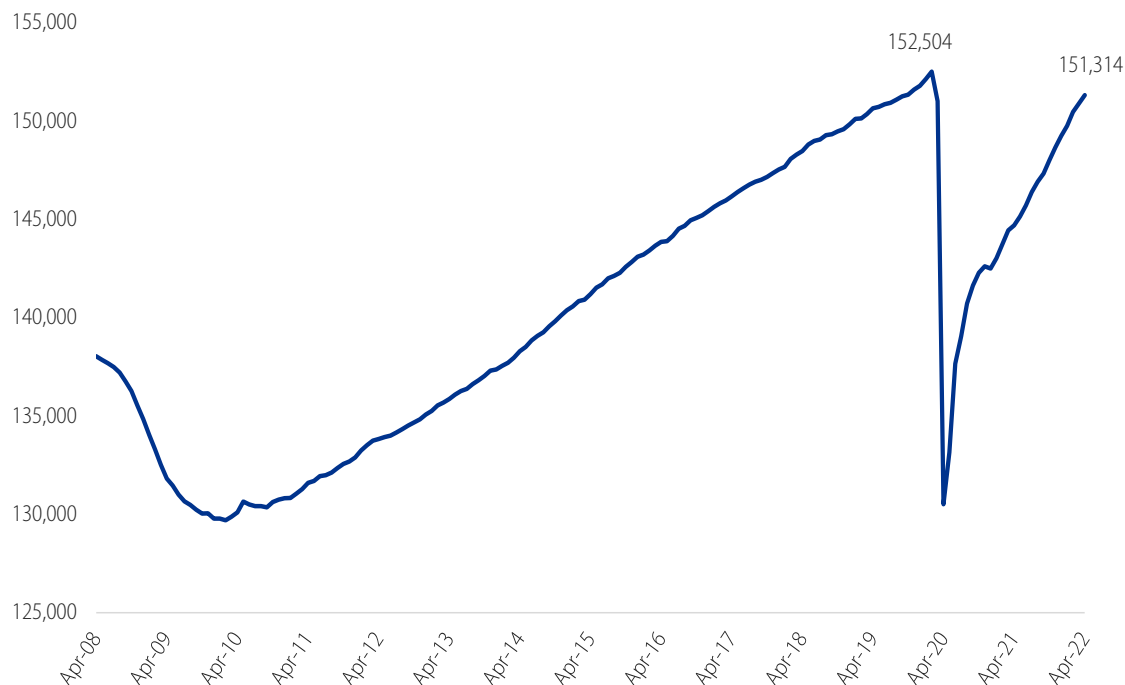
Source: Bureau of Labor Statistics

Oil and gas exploration jobs (+5k) picked up along with energy prices. The construction industry added just +2k workers, which was disappointing in light of massive demand for housing. Government jobs increased by +16k, with state and local governments adding +22k while the federal government shed -6k.

The separate household survey actually showed a -353k decline in employed workers, which kept the headline unemployment rate a fraction above the five-decade low. The broader U6, or *underemployment rate*, which includes people working part-time but preferring fulltime, as well as those not current looking but

who would presumably accept a suitable position if offered, climbed from 6.9% to 7.0% in April. The number of Americans actively looking for work was virtually unchanged at 5.9 million in April, leaving the ratio of job postings to job seekers at nearly 2 to 1.

Total Non-Farm Payrolls (in thousands)



Source: Bureau of Labor Statistics

The labor force shrunk by -363k workers last month, dragging the participation rate down from 62.4% to 62.2%. This was definitely a surprise as fading COVID cases and favorable weather would normally suggest a return of sidelined workers. Good Friday fell on the survey week, which could explain some of the odd numbers.

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The COVID cloud continues to lift as the percentage of employed persons teleworking in April declined from 10% to 7.7%, while the number of Americans unable to work because their employer closed or lost business due to the pandemic dropped from 2.5 million to 1.7 million.

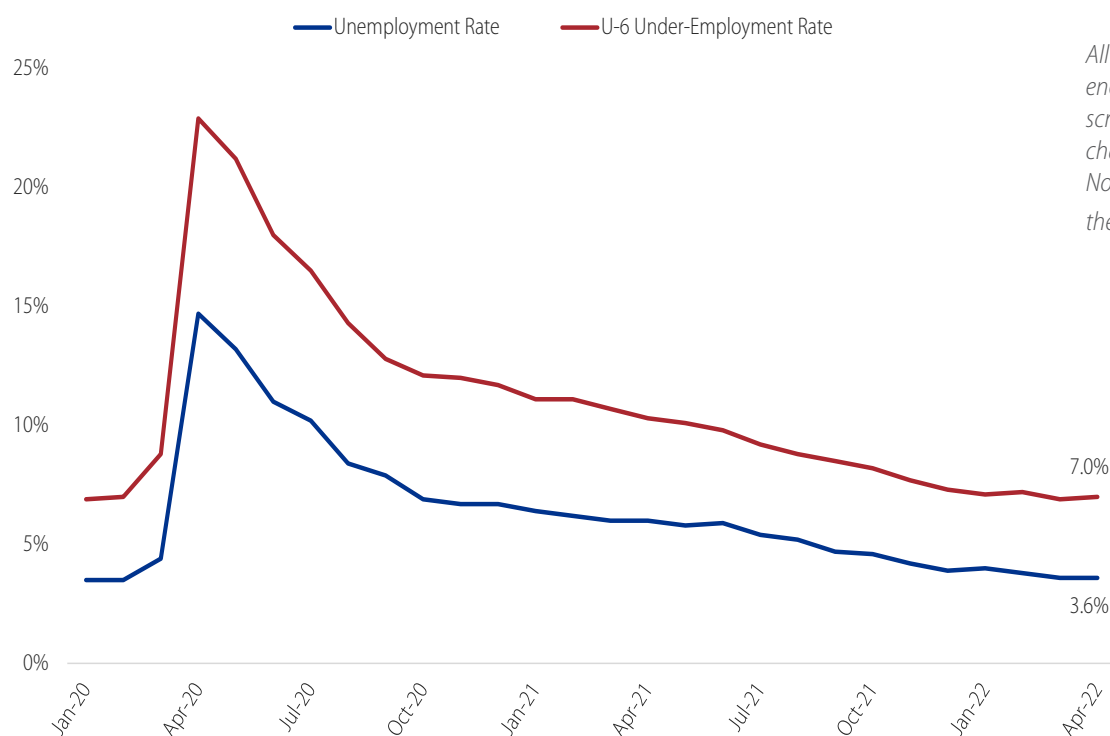
Average hourly earnings rose by just +0.3% in April, slightly below the +0.4% forecast, while the average workweek was *unchanged*. Wages are still increasing at a +5.5% pace over last year, but the three-month annualized rate has settled down to +3.7%.

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All in all, it was a mixed, but solid enough report, with a few head-scratching numbers that could be chalked up to the Easter holiday. Nothing in this report should alter the Fed's course one way or another.

The bond market's early reaction was to rally on the short end, and sell off in the belly and long end of the curve. Equities are taking it on the chin again early this morning. Although there was little in the labor report to trigger a negative reaction for stocks, there's no shortage of global concerns in play.

Unemployment Rate



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On a labor-related note, there are recent indications that the number of service jobs will continue to grow in coming months, despite Fed efforts to slow demand. The Wall Street Journal reported yesterday that Americans are returning to their pre-pandemic spending habits. Live Nation, which owns Ticketmaster, reported concert ticket sales in February were +45% above the levels from the same period in 2019, while the company expects a +30% increase in scheduled concerts this year relative to three years ago. Planet Fitness Gym reported that membership has now returned to pre-pandemic levels, and with the summer approaching, these trends are expected to continue.

Market Indications as of 9:27 A.M. Central Time

DOW	Down -193 to 32,805 (HIGH: 36,800)
NASDAQ	Down -99 to 12,218 (HIGH: 16,057)
S&P 500	Down -61 to 4,087 (HIGH: 4,797)
1-Yr T-bill	current yield 2.01%; opening yield 2.01%
2-Yr T-note	current yield 2.67%; opening yield 2.72%
3-Yr T-note	current yield 2.88%; opening yield 2.93%
5-Yr T-note	current yield 3.00%; opening yield 3.02%
10-Yr T-note	current yield 3.07%; opening yield 3.05%
30-Yr T-bond	current yield 3.17%; opening yield 3.13%

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