

Bonds Fade on March Labor Strength

U.S. companies added +303k nonfarm payroll jobs in March, well above the +214k median forecast, while revisions added +22k additional jobs to the January and February count.

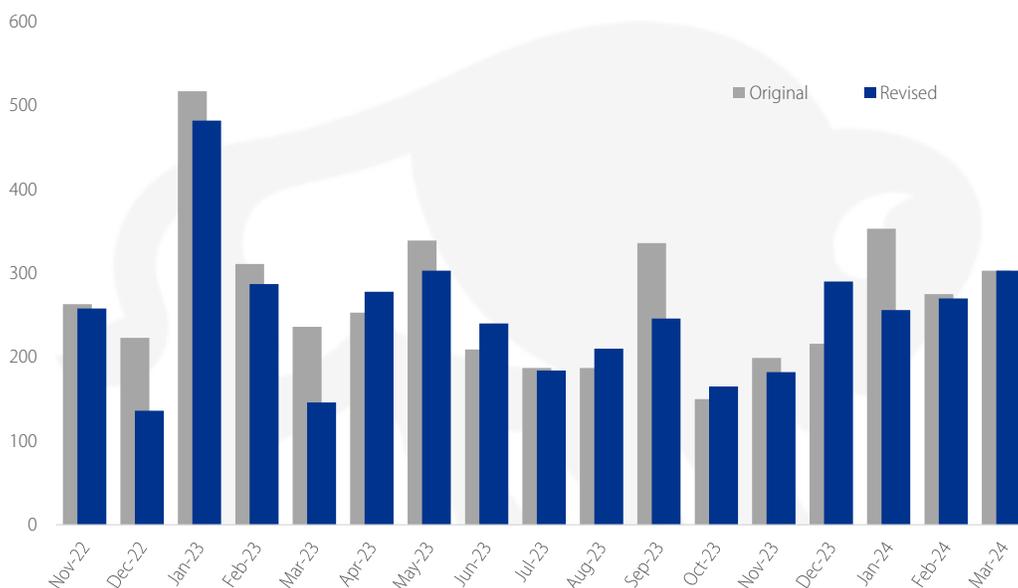
Notable March job gains were concentrated in healthcare (+72k), local government (+49k) and leisure and hospitality (+49k), which has finally returned to its pre-pandemic level. The construction sector added +39k jobs in March, more than twice the average over the past year. This is a good sign for the inventory-lean housing market which has been restrained by a lack of skilled workers.

The number of parttime workers fell for the second straight month. This is usually an early sign of labor weakness as employers typically lay-off part-timers before full-timers.

The separate household survey, indicating a puzzling drop in the number of employed workers in each of the previous three months, reversed direction with a huge +498k March gain. At the same time, an additional +469k workers entered the labor force (mostly adult men 20 and under) nudging the headline unemployment rate down from 3.9% to 3.8%.

The total number of Americans actively seeking work was little changed at 6.4 million in March. An additional 5.4 million would reportedly accept a suitable job, but had not looked for work in the previous 30 days and are not officially considered among the unemployed.

Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

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Average hourly earnings rose +0.3% last month, exactly matching the median forecast, although the February gain was revised upward from +0.1% to +0.2%. The annual wage increase moved lower, as expected, from +4.3% to +4.1%.

Once again, yields are higher on yet another sign of economic strength. At this point, the futures market is suggesting a total of 75 basis points (bps) of easing this year with the first cut announced at the July FOMC meeting. The bond market, which had priced in rate cuts totaling 175 bps in early January, is now essentially mirroring the Fed dot plot.

Stocks could have gone either way this morning, but after yesterday's beating have decided *good news is actually good news* and have rallied in early trading.

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Market Indications as of 9:25 A.M. Central Time

DOW	Up 100 to 38,697 (HIGH: 39,807)
NASDAQ	Up 128 to 16,177 (HIGH: 16,429)
S&P 500	Up 26 to 5,174 (HIGH: 5,254)
1-Yr T-bill	current yield 5.04%; opening yield 4.98%
2-Yr T-note	current yield 4.68%; opening yield 4.65%
3-Yr T-note	current yield 4.49%; opening yield 4.46%
5-Yr T-note	current yield 4.33%; opening yield 4.29%
10-Yr T-note	current yield 4.34%; opening yield 4.31%
30-Yr T-bond	current yield 4.50%; opening yield 4.47%

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