

## Signs of Labor Market Softness Spark Market Rally

After several months of stronger/higher/better-than-expected economic data, the Bureau of Labor Statistics (BLS) reported surprisingly soft April employment numbers. U.S. companies added +175k workers last month, well below both the median forecast (+240k) and the six-month average (+249k). Downward revisions to the previous two months subtracted an additional -22k from the total count.

According to the BLS establishment survey, payroll gains were concentrated last month in healthcare (+56k), social assistance (+31k), transportation and warehousing (+22k) and retail trade (+20k). Construction (+9k), government (+8k), manufacturing (+8k) and leisure and hospitality (+5k) were notably weaker. Temporary jobs continued to recede (-16k). Since employers typically reduce the number of temp workers before permanent workers, this suggests future labor softening.

In the separate household survey, +87k workers entered the labor force while the number of employed Americans rose by +25k. The increase in the number of people looking for work in April pushed the unemployment rate up from 3.8% to 3.9%.

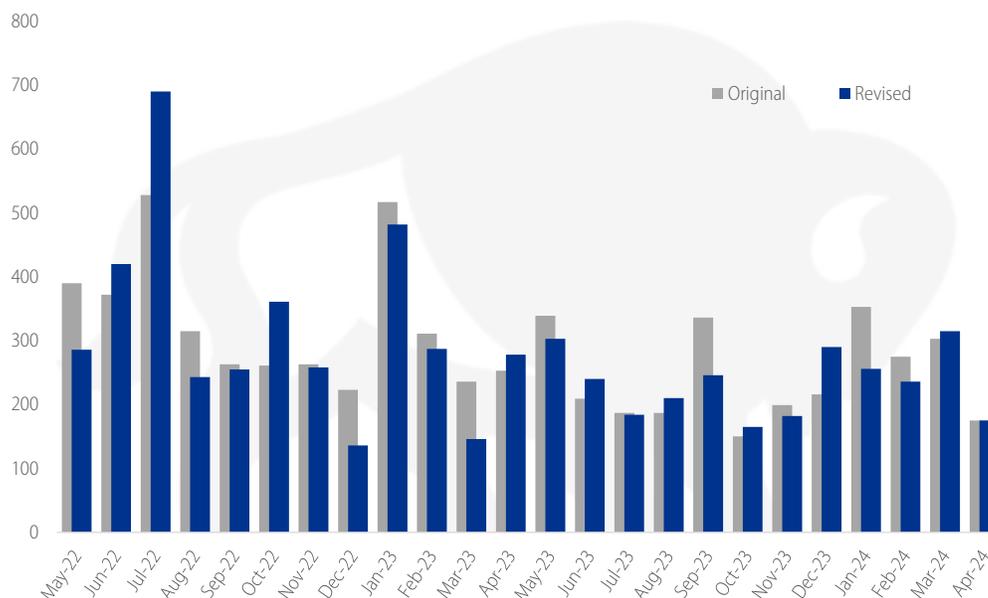
Average hourly earnings rose by just +0.2% last month, below the median forecast (+0.3%) and previous month (+0.3%) On a year-over-year basis, the increase in average earnings dropped to +3.9%, *the lowest in almost three years*. During the past three months, hourly earnings have averaged just +0.2%, a sharp decline from +0.4% in the prior three-month period. Finally, the average workweek slipped by 0.1 to 34.1 hours, another hint that the labor market may finally be slowing.

*Scott McIntyre, CFA*  
HilltopSecurities Asset Management  
Senior Portfolio Manager  
Managing Director  
512.481.2009  
scott.mcintyre@hilltopsecurities.com

*Greg Warner, CTP*  
HilltopSecurities Asset Management  
Senior Portfolio Manager  
Managing Director  
512.481.2012  
greg.warner@hilltopsecurities.com

*On a year-over-year basis, the increase in average earnings dropped to +3.9%, the lowest in almost three years.*

### Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

*This report won't immediately change the minds of Fed officials, but it's a step in the right direction on several fronts and a reminder of how quickly the outlook can reshape itself.*

The bond market has rallied big in early trading, although softness in a single data release probably shouldn't have this much of an impact. Investors have been starved for weakness, and the April employment report offered smaller payroll gains, a rise in the unemployment rate, a slower pace of wage increase and a decline in the average workweek. *All boxes checked.*

This report won't immediately change the minds of Fed officials, but it's a step in the right direction on several fronts *and a reminder of how quickly the outlook can reshape itself.* The futures market has now fully priced-in two quarter point rate cuts for 2024.

## Market Indications as of 9:14 AM. Central Time

DOW	Up 389 to 38,615 (HIGH: 39,807)
NASDAQ	Up 257 to 16,098 (HIGH: 16,442)
S&P 500	Up 67 to 5,132 (HIGH: 5,254)
1-Yr T-bill	current yield 5.12%; opening yield 5.10%
2-Yr T-note	current yield 4.82%; opening yield 4.88%
3-Yr T-note	current yield 4.65%; opening yield 4.72%
5-Yr T-note	current yield 4.50%; opening yield 4.57%
10-Yr T-note	current yield 4.53%; opening yield 4.57%
30-Yr T-bond	current yield 4.69%; opening yield 4.72%

*The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.*

*Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.*