

Employment Conditions are Solid, but Chinese Trade Response Crashes Equities

The monthly employment report from the Bureau of Labor Statistics indicated the labor market was quite healthy in March, although the rapidly escalating global trade war has sapped the relevancy from last month's data. Non-farm payrolls increased by +228k, well above the +140k median Bloomberg forecast and the +158k average over the previous 12 months, while previously-reported January and February gains were revised downward by a combined -48k to an average of +114k.

The household survey showed a +232k increase in the U.S. labor force, while total employed workers rose by +201k to 170.6 million. The number of unemployed Americans rose by +31k in March to just under 7.1 million and the headline unemployment rate climbed from 4.1% to 4.2%, *primarily due to the increase in labor force*. The household survey also suggests it's becoming a little tougher for teenagers, and those without high school degrees to find work.

Treasury yields are down *big* in early trading and stocks are getting crushed for the second straight day, but the March labor report has absolutely nothing to do with market movement. In fact, until there's some meaningful trade war resolution, all pre-"liberation day" economic data will likely be ignored.

The reason for today's market beating is China's response to Trump's "reciprocal" tariffs. Late yesterday, China announced a 34% tax on all US imports starting on April 10th, matching President Trump's additional tax imposed on Chinese imports from earlier this week. In addition, the Chinese government will restrict exports of critical rare earth materials to the U.S. and halt American chicken and sorghum imports, along with several other measures affecting U.S. companies.

China's bold response wasn't taken well by Trump this morning, who blasted the Asian giant on social media and vowed his economic policies "will never change."

Congress may have a say in this if the equity market bleeding doesn't stop soon.

Market Indications as of 8:59 A.M. Central Time

DOW	Down -935 to 39,611 (HIGH: 45,014)
NASDAQ	Down -442 to 16,108 (HIGH: 20,174)
S&P 500	Down -169 to 5,228 (HIGH: 6,144)
1-Yr T-bill	current yield 3.76%; opening yield 3.89%
2-Yr T-note	current yield 3.58%; opening yield 3.68%
3-Yr T-note	current yield 3.55%; opening yield 3.66%
5-Yr T-note	current yield 3.64%; opening yield 3.74%
10-Yr T-note	current yield 3.96%; opening yield 4.04%
30-Yr T-bond	current yield 4.41%; opening yield 4.48%

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