

## Bond Yields Edge Higher on Solid Labor Report

Fed officials have made it clear that future rate cuts will be predicated on labor market weakness. This morning’s release of a surprisingly strong April employment report suggests the wait could be a little longer. U.S. businesses added +177k jobs to company payrolls last month, above the +138k forecast. A -58k downward revision to the previous two months takes some of the shine off the gain, but overall, the labor market seems to be holding up quite well.

Notable job increases were found in healthcare and social assistance (+58k), leisure and hospitality (+24k) and business and professional services (+17k). A +29k rise in transportation and warehousing jobs, along with a +6k gain in wholesale trade workers supports the idea that businesses rushed to frontload purchases before tariffs kicked in.

Overall government jobs were up +10k, but the split showed a -9k decrease in federal workers and a +19k rise in state and local employment. The number of federal workers has decreased in each of the last three months, reflecting DOGE cuts. Notable payroll declines (besides federal workers) were concentrated in retail trade (-2k) and manufacturing (-1k).

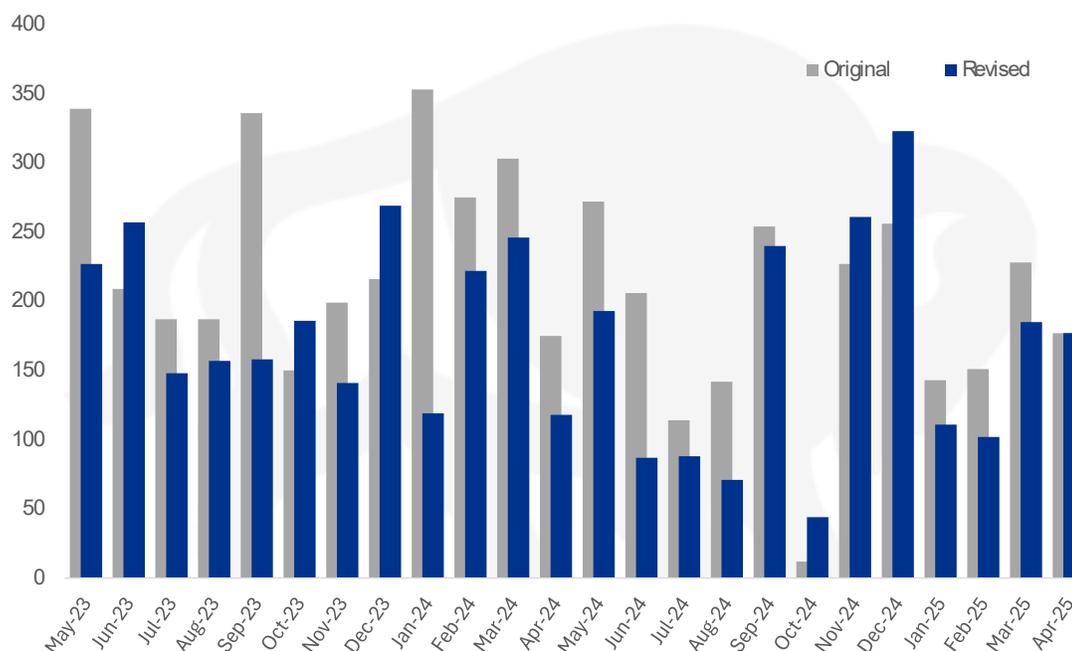
In the separate household survey, the total number of employed Americans rose by +436k, while the labor force increased by +518k. This resulted in a very slight rise in the headline unemployment rate, from 4.15% to 4.19% (but rounding to *no change* at 4.2%).

*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

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



Source: Bureau of Labor Statistics

Average hourly earnings were up +0.2% for the month and +3.8% year-over-year, matching a nine-month low. Two lesser indicators signaling labor market health were a sharp drop in the teenage unemployment rate and a +3.6k rise in temporary workers.

The April employment report was solid and argues that the current economy is in a better place than the negative Q1 GDP report had suggested earlier this week. Bond yields are higher this morning as investors dial back expectations for more aggressive rate cuts, while stocks climb in appreciation of a brighter beginning to the second quarter. Uncertainty remains a dominant theme going forward, but for now, the labor market is just fine.

The Fed meets next Wednesday. A soft report might have opened the door for cuts to start as soon as June, but solid April job gains will likely push easing back to late July.

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## Market Indications as of 8:48 A.M. Central Time

DOW	Up 397 to 41,150 (HIGH: 45,014)
NASDAQ	Up 145 to 17,856 (HIGH: 20,174)
S&P 500	Up 64 to 5,668 (HIGH: 6,144)
1-Yr T-bill	current yield 3.97%; opening yield 3.91%
2-Yr T-note	current yield 3.75%; opening yield 3.69%
3-Yr T-note	current yield 3.75%; opening yield 3.67%
5-Yr T-note	current yield 3.87%; opening yield 3.79%
10-Yr T-note	current yield 4.27%; opening yield 4.21%
30-Yr T-bond	current yield 4.77%; opening yield 4.71%

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