

Markets Shrug Off Indication of Further Labor Market Weakness

The first estimate of the annual benchmark revision by the Bureau of Labor Statistics (BLS) indicated -911k fewer jobs were added to company payrolls from April 2024 to March 2025. Prior to the revision, BLS data had shown an average payroll gain of +149k jobs per month; this morning's larger than expected revision essentially cut that number in half.

Although today's release suggests the labor market was softening well before the April Liberation Day tariff announcement, the revision is unlikely to affect the Fed policy decision next week. *Old news is easily discounted.* As of this afternoon, a 25 bp cut is fully priced into the market, while the probability of a larger 50 bp move on September 17 has slipped below 10%.

The overstating of non-farm payrolls isn't unusual as the total count has been lowered in 15 of 25 years of series history. Until very recently, the recalculations have been much smaller. Over the 10-year period ending in 2023, the average revision was an unremarkable -93k.

The previous year's preliminary -818k downward revision made headlines as then-candidate Trump accused President Biden of overstating the previously reported payroll data. In January, a final revision reduced that count to -589k or roughly 0.4% of total payrolls.

The BLS employment report is the timeliest of the monthly economic indicators, released (with few exceptions) on the first Friday of each new month. Because of its early release date, the establishment survey relies heavily on *estimates* of payroll growth derived from business surveys, which are subsequently replaced with actual numbers. Among the necessary estimates are newly formed companies and companies no longer in operation.

The monthly payroll release is subject to two revisions in the following months reflecting the timing of data collection. According to the BLS, the average collection rate for the first response is approximately 68%, rising to 89% for the second and 92.8% for the third. The annual benchmarking process incorporates quarterly unemployment data from state records along with company birth (formation) and death (dissolution) records. Adjusting for these new and closed companies are a large component of the yearly recalculations.

The financial markets response today is counterintuitive. Stocks are higher and bonds have sold off, more indicative of economic strength than weakness. The FOMC meets next week, where the first of three quarter point cuts in 2025 is expected to be announced on Wednesday afternoon.

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Market Indications as of 3:10 P.M. Central Time

DOW	Up 196 to 45,711 (NEW HIGH)
NASDAQ	Up 81 to 21,879 (NEW HIGH)
S&P 500	Up 20 to 6,515 (NEW HIGH)
1-Yr T-bill	current yield 3.68%; opening yield 3.62%
2-Yr T-note	current yield 3.55%; opening yield 3.49%
3-Yr T-note	current yield 3.51%; opening yield 3.46%
5-Yr T-note	current yield 3.61%; opening yield 3.57%
10-Yr T-note	current yield 4.08%; opening yield 4.04%
30-Yr T-bond	current yield 4.73%; opening yield 4.69%

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