

Payrolls Score Solid Bounce Back in March

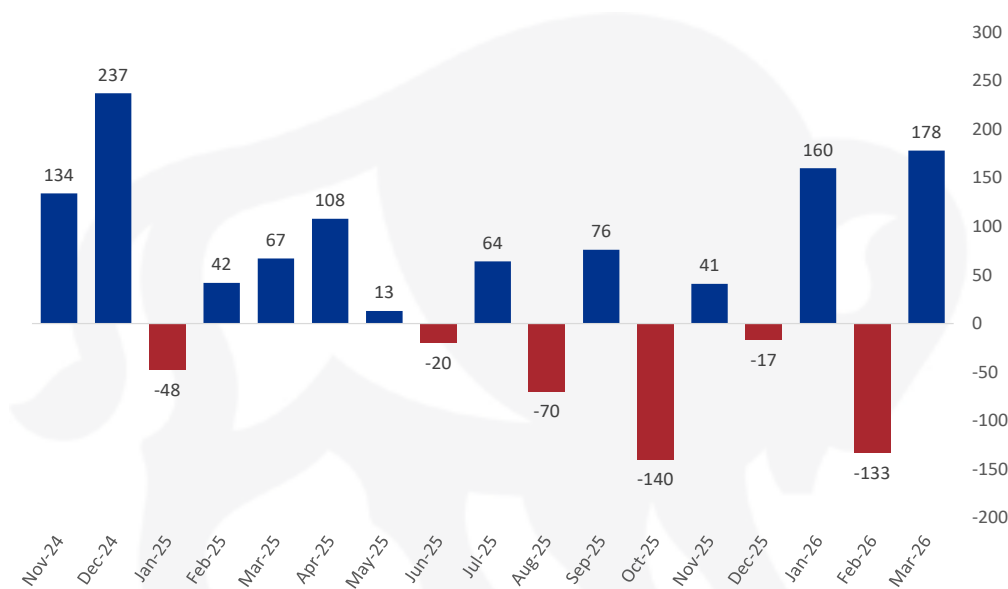
U.S. companies added +178k jobs last month, well above the +65k median forecast. At the same time, the February payroll contraction was revised lower from -92k to -133k. Although at first glance, it might appear that business hiring surged in March, the more appropriate explanation is that February was understated by striking healthcare workers and inclement weather. Both factors reversed themselves the following month. Thus, the best way to gauge labor conditions in the establishment survey is to simply average February and March, showing a rather tepid net monthly gain of +22.5k, equaling the 12-month average.

The effect of the Kaiser strike was evident in an increase of +76k healthcare workers in March after a -28k February decline. Apparent weather-related bounces showed up in leisure and hospitality (+44k), construction (+26k) and retail trade (+10k). The manufacturing sector added +15k jobs in March, the most since the end of 2023, another indication that factory activity may finally be picking up.

White collar sectors continue to struggle as financial activities (-15k) and information technology (-2k) both declined, while the broad category of business and professional services logged a tiny +2K increase.

In the separate household survey, the headline unemployment rate fell from 4.44% to 4.26% as the number of unemployed jobseekers declined by -332k to 7.239 million while the labor force shrunk by -396k workers to 170.1 million. The labor force reduction pushed the participation rate down to 61.9%, the lowest since November 2021. Thus, one of the underlying reasons why the unemployment rate is so low is that there are fewer Americans seeking work.

Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

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The headline numbers from this morning's BLS report imply a strengthening labor market, although March payroll strength has to be weighed alongside the February weakness, while the lower unemployment rate should be viewed in the context of fewer jobseekers.

Bond yields are slightly higher in early trading, reflecting the probability that apparent improvement in labor conditions will allow policymakers to hold rates steady for longer. However, geopolitics will continue to drive the financial markets for the foreseeable future.

The stock market is closed for *Good Friday* holiday and the bond market will close early.

Happy Easter.

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Market Indications as of 9:15 A.M. Central Time

1-Yr T-bill	current yield 3.70%; opening yield 3.66%
2-Yr T-note	current yield 3.85%; opening yield 3.80%
3-Yr T-note	current yield 3.88%; opening yield 3.83%
5-Yr T-note	current yield 4.00%; opening yield 3.95%
10-Yr T-note	current yield 4.35%; opening yield 4.32%
30-Yr T-bond	current yield 4.92%; opening yield 4.89%

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