

Strong Headline Masks Mixed April Labor Report

The U.S. labor market appears to be healing after the BLS reported the first instance of back-to-back payroll gains since last May. The +115k increase in April nonfarm payrolls was well above the +65k median forecast and followed an upwardly revised +185k gain in March. The three-month average actually dipped from +63k to +48k as the weather-tinted February payroll decline was revised even lower.

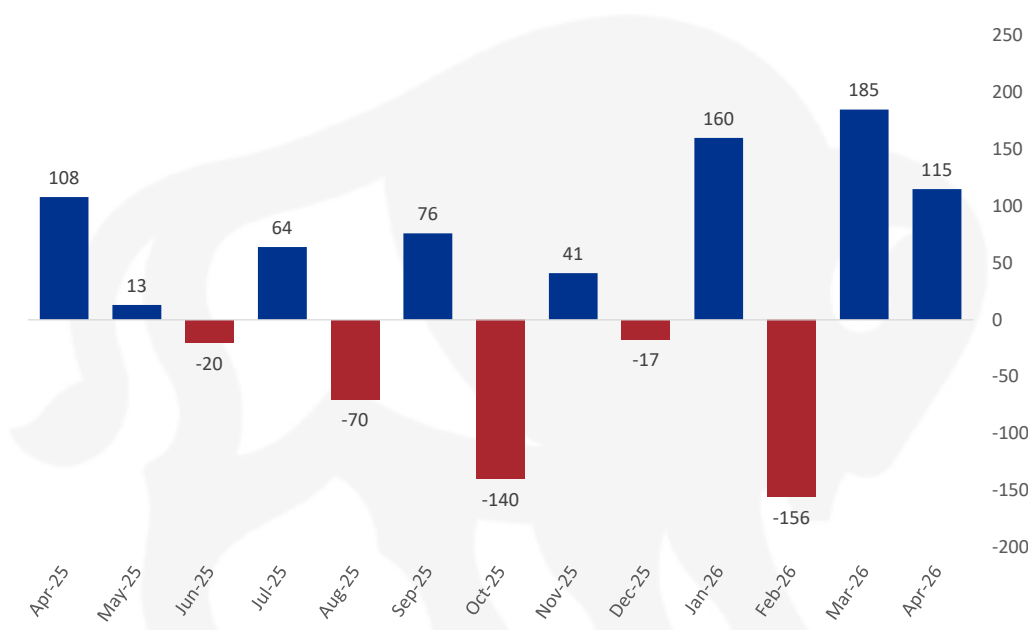
The warmer spring weather contributed to the second straight payroll increase for retail trade (+21.8k), leisure and hospitality (+14k) and construction (+9k), while manufacturing payrolls returned to negative territory (-2k) after two months of encouraging gains.

Solid payroll increases continued in healthcare and social assistance (+53.9k) reflecting ongoing care needs for the aging population, while a tariff reset sparked solid growth in transportation and warehousing (+30.3k) for the second straight month.

The higher paying category of professional and business services added just +7k in April, while information and technology fell for the third straight month (-13k). At the same time, temporary help services climbed +7.9k, the third consecutive gain, *although a rise in temp positions isn't always a positive sign.*

The headline unemployment rate held steady at 4.3% last month, but the underlying data indicates the apparent friendly number was due to a decrease in people actively seeking work rather than a rise in employed workers.

Non-Farm Payrolls Total Change (in thousands)



Source: Bureau of Labor Statistics

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In fact, the household survey showed the number of working Americans fell by -226k in April, the fourth straight decline and the longest stretch since 2009, while the U.S. workforce dropped by -92k. The labor force participation rate, representing both employed workers and those actively seeking work slipped to 61.8%, the lowest level since late 2021.

The U6 underemployment rate rose from 8.0% to 8.2%. This broader measure includes part-time workers who would prefer a full-time position, as well as those who have looked for a job in the past 12 months but not in the last 4 weeks.

On a positive note, the average workweek increased from 34.2 to 34.3 hours, the highest in over two years, while average hourly earnings rose +0.2% for the month and +3.6% year-over-year, keeping pace with the rise in consumer prices.

So far this morning, the financial markets seem pleased with the report as both stocks and bonds are rallying. Payroll growth has perked up and headline unemployment appears to be stable. From the Fed's perspective, there is no compelling reason to cut interest rates in the foreseeable future given the recent uptick in payrolls. For now, the Fed's inflation mandate is front and center. As long as price pressures remain elevated, policymakers will remain sidelined.

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Market Indications as of 9:45 A.M. Central Time

DOW	Up 128 to 49,725 (HIGH: 50,188)
NASDAQ	Up 310 to 26,116 (NEW HIGH)
S&P 500	Up 49 to 7,386 (NEW HIGH)
1-Yr T-bill	current yield 3.73%; opening yield 3.73%
2-Yr T-note	current yield 3.89%; opening yield 3.91%
3-Yr T-note	current yield 3.91%; opening yield 3.94%
5-Yr T-note	current yield 4.01%; opening yield 4.04%
10-Yr T-note	current yield 4.36%; opening yield 4.39%
30-Yr T-bond	current yield 4.94%; opening yield 4.96%

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