

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Change in Nonfarm Payrolls	Apr	↓	164k	185k	193k	135k R↑
08:30 AM	Change in Manufacturing Payrolls	Apr	↑	24k	17k	20k	22k
08:30 AM	Unemployment Rate	Apr	↓	3.9%	4.0%	4.0%	4.1%
08:30 AM	Underemployment Rate	Apr		7.8%	NA	NA	8.0%
08:30 AM	Average Hourly Earnings MoM	Apr	↓	0.1%	0.2%	0.2%	0.2% R↓
08:30 AM	Average Hourly Earnings YoY	Apr		2.6%	NA	2.7%	2.6% R↓
08:30 AM	Average Weekly Hours All Employees	Apr	=	34.5	34.5	34.5	34.5
08:30 AM	Labor Force Participation Rate	Apr		62.8%	NA	NA	62.9%

* ↑ indicates stronger than Consensus estimated, ↑ indicates weaker than Consensus estimated, = indicates in-line with Consensus Estimated

** Estimate from Bank of the West Economics

*** Consensus from Bloomberg

**** ↑ means prior reading revised up, ↓ means prior reading revised down

U.S. China Trade Talks End In Discord, Job Growth Disappoints but Unemployment Rate Dips Below 4%

The U.S-China trade talks ended in Beijing with an agreement to keep on talking but little else. The two sides reached agreement in some areas, including increasing exports from the United States to China, trade in services and intellectual property protection. However, the two sides remain far apart on some issues. President Donald Trump had previously called for China to reduce its huge trade surplus with the United States by \$100 billion, a demand experts say Beijing would find it difficult to meet. According to The Wall Street Journal, the US delegation doubled that figure in the Beijing talks, handing the Chinese government a document that demanded a \$200 billion cut in the trade imbalance by the end of 2020.

The economic calendar is light today but the one data release is a market-mover: the monthly employment report. Job growth rebounded to 164k in April from an upwardly revised 135k in March, but it was below the consensus estimate of 193k. Job gains were weaker than expected in the wholesale, transportation and construction sectors, while professional and business services was stronger than anticipated. Manufacturing employment remained solid with a gain of 24k, but service sector hiring cooled to 119k, below the three month trend of 154k. Average monthly job growth this year has been around 200k so the labor market remains strong.

Meanwhile, the unemployment rate dropped to 3.9% from 4.1% in March, a new expansion low. Part of the reason for the large drop in the unemployment rate was a large 410k increase in the number folks classifying themselves as not in the labor force last month. The labor force participation rate fell by 10 basis points to 62.8% in April. This represents the lowest participation rate since January.

The closely watched average hourly earnings number rose 0.1% month-over-month in April, slightly below the consensus estimate of 0.2%. On a year-ago basis, average hourly earnings were up 2.6% in April. This is on par with the March gain but slightly below the consensus of 2.7%. The annual wage gain for nonsupervisory and production workers was unchanged at 2.6%, but wage gains slowed for supervisory workers. Wage growth remains usually tepid despite the sub-4% unemployment rate.



Treasury yields have reversed direction since this morning payroll report release, rising from yesterday's levels. The 10-Year Treasury yield is up 1.5 basis points to 2.961%. The 2-10 Treasury spread is 46.2, down 1.0 basis point from yesterday. The futures market probability of another Fed funds rate hike in June is at 92.1% unchanged from yesterday.

U.S. stock indexes are higher this morning as investors digest the employment report and the outcome of the U.S.-China trade discussions. The Dow is up 1.11% and S&P 500 is up 0.882%, while the NASDAQ is up 1.38%. Gains in the S&P 500 today are led by information technology, materials, and consumer staple stocks.

The U.S. dollar is increasing against the major currencies today. The Bloomberg dollar spot index is up 0.18% from yesterday. The U.S. dollar is increasing the most against the euro, Mexican peso and British pound today.