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Weekly Commentary

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Strong jobs report kept Fed on track

The March employment report offered the macroeconomic equivalent of "Don't look a gift horse in the mouth." While it was lower than consensus estimates, the gain of 431,000 jobs and an unemployment rate of 3.6% show a healthy U.S. labor market. As inflation rises, it is good to see more Americans being hired. If you did pry that metaphorical mouth open, you'd see significant upward revisions of January and February figures, so all the better.

Cash managers have a particular reason to applaud the jobs report: a strong employment picture should keep the Federal Reserve on track to raise rates. With the high demand for U.S. Treasuries amid the uncertainty of the Russian/Ukraine war, yields on short-dated bills are depressed. Rising sentiment that the Fed will hike rates by 50 basis points will help alleviate this in the meantime, as an actual increase likely won't come until the May 4 Federal Open Market Committee meeting. It would be something if policymakers convened before that to announce an off-meeting hike, but that is unlikely. The market for commercial paper, asset-backed commercial paper and other "prime" instruments remains robust. Uncertainty will be with us for some time, but it's nice to get some good news for a change.

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