

A Few Things on this Special NFP Day

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A decently strong report.

The total jobs number of 253k is very good, but that number came with downward revisions of 149k, which will help keep the Fed at bay. **It also makes me wonder why the market doesn't pay more attention to ADP.** Last month ADP was 142k versus an original print of 236k on NFP (which just got revised down to 165k). Two months ago, ADP was 261k while NFP was over 311k (which got revised down to 248k). **With low NFP survey response rates and a revised ADP methodology, maybe ADP day should be more important.**

The unemployment rate dropped from 3.5% to 3.4%, though it seems like this is a function of rounding rather than a meaningful drop. The Household Survey only increased by 139k (with the civilian labor force declining a touch). The move from 3.5% to 3.4% isn't as strong as it might appear, but it will catch the Fed's attention.

Earnings could be problematic for the Fed. Last month's annual rate of 4.2% was nudged up to 4.3%. However, more importantly, this month showed a 0.5% increase which is the largest monthly increase since 0.6% in March 2022! (July 2022 tied at 0.5%). There might be some "devil in the details" issues with this number, but for anyone not looking at the nuances of the data, **this will bring up concerns about inflation and the Fed.**

This report will give the inflation hawks at the Fed some pause and keep us in the one and "donish" camp vs. the definite pause camp.

Banks

Bank stocks are bouncing this morning (thankfully), though it might be linked to headlines suggesting that a short sale ban is coming. Maybe it is (and maybe it will help), but my recollection from the GFC and the European Debt Crisis is that all short selling bans do is cause a brief pop as some shorts cover. However, they then create a bigger issue (a lack of short covering bids) if the problems that started the selling attract attention.

Do Stock Buybacks Trump QT?

I do believe that QT acts as a headwind to asset prices, but as we continue through earnings season, more and more companies are announcing their buyback plans. With their blackout periods over, they can initiate discretionary purchases. That is a positive for the market and **should, at the very least, neutralize the impacts of QT.**

Where Do Bond Losses Come From?

I'm not sure that I have a cohesive theory or trade on the back of [yesterday's "Bond Loss" piece](#), but something tells me that it is worth a read as it will gel into a stronger view on the tail risk that all markets are facing.

A Special Day

I like May 5th because it is 5/5 in both Canada and the U.S. which made it easy for me when I moved to the U.S. since it is my birthday and I had to write it on a lot of forms 😊. It is also Cinco de Mayo (and a Friday this year)!

So far risk assets are holding on to gains while bond yields go higher (as they should on this report), but I still cannot bring myself to change my outlook for stocks or credit spreads from being moderately bearish (-4 on a scale of -10 to 10). **Have a great day!** (I certainly plan to!)

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