

# Tariffs Announced, Labor Data Surprises



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## Week of March 31, 2025 in Review

March saw stronger-than-expected job growth, but the labor sector continues to deliver mixed messages. However, this news was overshadowed by the announcement of reciprocal tariffs. Read on for these updates and more.

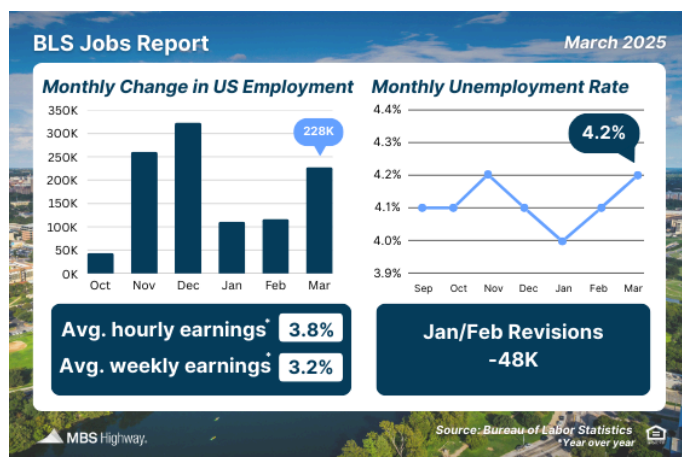
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## Global Reciprocal Tariffs Announced

Last week, President Trump announced a new 10% "baseline" tariff on imports, along with country-specific tariffs set at roughly half the rates those countries charge on US exports. These sweeping new tariffs have created significant market uncertainty, as it remains unclear how other nations will respond.

In the short term, the announcement sparked a sharp selloff in stocks, with bonds (including mortgage-backed securities) benefiting from a flight to safety. Given the fluid nature of these ongoing market dynamics, I will continue to closely monitor developments in the days and weeks ahead.

## March Sees Stronger Job Growth, But With Caveats



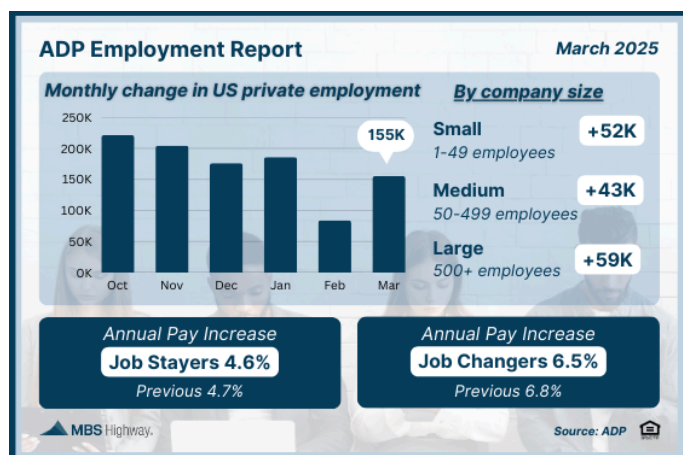
March delivered a surprising upside in job growth, with 228,000 new positions added – significantly exceeding the expected 135,000 to 140,000, according to the Bureau of Labor Statistics (BLS). However, this headline figure may be subject to revision in the coming months, as January and February saw downward adjustments totaling 48,000 fewer jobs.

Additionally, a closer look at the March data reveals some underlying weaknesses. The unemployment rate ticked up slightly from 4.1% to 4.2%, and average weekly earnings only increased 0.3% from February and 3.2% year-over-year – down from 3.7% in the prior report. Hours worked also remained at 34.2 for a second straight month, just above the lowest level since 2010 outside of the COVID-19 period.

Furthermore, the job gains were also concentrated in specific age groups, with 20-24 year olds and those 55 and over seeing the biggest increases, while those in the prime earning ages of 25-54 actually lost 107,000 jobs.

**What's the bottom line?** While the headline job growth figure was stronger than expected, the March employment report comes with several important caveats that suggest underlying weakness in the labor market.

## Private Payrolls Rebound



In March, the private sector exceeded expectations, adding 155,000 new jobs – well above the forecasted 105,000. Gains were seen across companies of all sizes, with small businesses adding a notable 52,000 positions after several months of weak or negative growth.

While the bulk of hiring occurred in the service sector (+132,000 jobs), there were also positive signs on the goods side, as manufacturing delivered stronger-than-average job gains for the second consecutive month.

Wage growth remained solid, though it dipped slightly for existing employees (from 4.7% to 4.6%). Those changing jobs saw a larger decline (from 6.8% to 6.5%), and the pay premium for job transitions matched a series low at 1.9%, suggesting less poaching and enticement to switch roles.

**What's the bottom line?** According to ADP's chief economist Nela Richardson, "Despite policy uncertainty and downbeat consumers, the bottom line is this: The March topline number was a good one for the economy and employers of all sizes, if not necessarily all sectors."

## Job Openings Fall in February

The number of open jobs declined modestly in February, down from 7.76 million in January to 7.57 million, falling short of estimates. The drop was particularly pronounced in sectors like trade, finance, and leisure and hospitality.

The hiring rate (3.4%) and quit rate (2%) remained near decade lows, excluding the COVID-19 period. The low hiring rate poses challenges for the unemployed seeking new roles, while the soft quit rate indicates diminished confidence in the job market, aligning with ADP data showing lower pay premium incentives for switching jobs.

**What's the bottom line?** Job openings continue a downward trend, well below the 2022 peak of 1.2 million. Remote work has also led to job listings being posted across multiple states, potentially inflating the JOLTS data and indicating even fewer openings than reported. Additionally, the ratio of job openings to unemployed persons has significantly decreased from over 2 in 2022 to 1.1, which is another signal of underlying labor market weakness.

## Continuing Jobless Claims Reach 3-Year Peak

Weekly initial jobless claims declined slightly to 219,000, staying low historically. However, the more concerning indicator is the persistent rise in continuing unemployment claims, which increased by 56,000 to reach 1.9 million – the highest level since November 2021.

Additionally, recent data from Challenger, Gray & Christmas showed a 60% surge in job cut announcements in March, reaching 275,240 – the third highest monthly total on record. These cuts were concentrated in the federal government sector. Furthermore, hiring totals in the first quarter were the lowest for that period since 2012.

**What's the bottom line?** While new unemployment filings have mostly stayed muted, the elevated continuing claims, along with surging job cut announcements and declining hiring, collectively point to ongoing challenges in the employment landscape.

## Family Hack of the Week

April is National Grilled Cheese Month, so why not try a delicious twist on this classic sandwich? This Tomato Bacon Grilled Cheese from Allrecipes is a scrumptious option that yields 4 sandwiches.

First, cook 8 slices of bacon in a large skillet over medium heat until evenly browned. Drain the bacon and set it aside. Then, gather 8 slices of American or cheddar cheese and 8 slices of beefsteak tomato.

To assemble the sandwiches, heat a large skillet over medium heat. Spread butter on one side of 8 slices of bread. Place 4 of the slices, butter-side down, in the skillet. Top each with a slice of cheese, 2 slices of tomato, 2 pieces of bacon, and another slice of cheese. Cover with the remaining 4 slices of bread, butter-side out.

Fry the sandwiches until golden brown on both sides. These sandwiches are fantastic on their own or paired with a warm cup of tomato soup.

### **What to Look for This Week**

Inflation data will highlight this week's calendar, with the release of March's Consumer Price Index on Thursday and the Producer Price Index on Friday. Additionally, the minutes from the Fed's most recent meeting will be released on Wednesday, which could impact the markets.

### **Technical Picture**

Mortgage Bonds experienced a strong rally last week, though they surrendered some of those gains on Friday and closed the week below a key resistance level at 100.46. Similarly, the 10-year Treasury yield dropped sharply over the course of the week, ending Friday's session struggling to stay beneath the 4% threshold.