Markets Digest Bloom of Fresh Data

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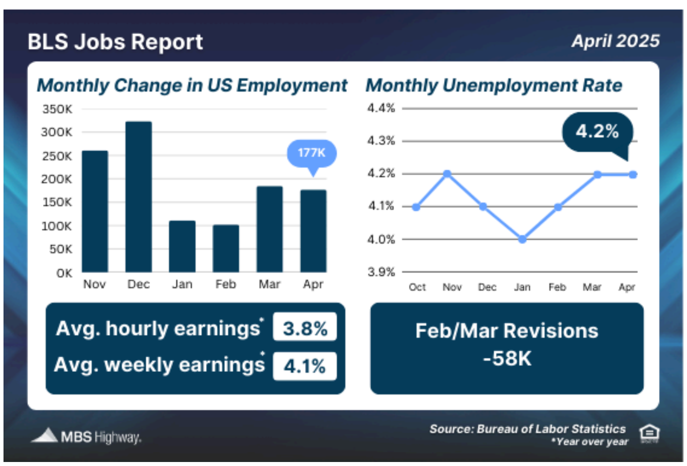
Week of April 28, 2025 in Review

Economic updates last week revealed that the labor market showed some weakness, first quarter economic growth contracted, the Fed's preferred inflation measure slowed, and home prices continued their upward trajectory. Here are more details on these key developments.

April Jobs Report: Looking Beyond the Headlines



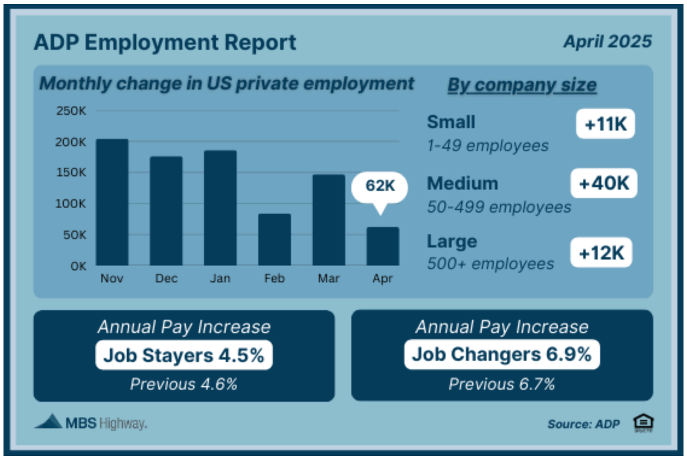
April brought a surprise with 177,000 new jobs added – well above the expected 130,000, according to the Bureau of Labor Statistics (BLS). The unemployment rate remained steady at 4.2%.

What’s the bottom line? While April's headline number appears strong, it's important to remember these figures will be revised in coming months. Recent history suggests caution – the first three months of 2025 all saw significant downward revisions (January: -32K, February: -49K, March: -43K). If April follows this pattern, the actual job growth may fall below forecasts.

In addition, the BLS birth/death model, which estimates small business job creation, added a whopping 393,000 jobs in April. This sharply contradicts ADP's report showing small businesses added just 11,000 jobs – suggesting potential overestimation.

Another concerning trend is the average unemployment duration increased to 23.2 weeks – the highest since December. This aligns with the ongoing elevation in weekly Continuing Jobless Claims, pointing to persistent challenges in the labor market.

Private Payrolls Miss Expectations



April's private sector job growth came in at just 62,000 positions, falling well short of the anticipated 115,000, according to ADP data. This represents the slowest hiring pace since July, as economic uncertainty appears to be influencing employer decisions. Notably, large companies (500+ employees) added only 12,000 jobs – a significant drop from previous months.

Looking at industry breakdown, leisure/hospitality led with 27,000 new positions, followed by trade/transportation/utilities with 21,000 jobs. Both sectors face headwinds, however, with tourism already slowing and goods shipments expected to decline due to tariff impacts.

Wage growth remained steady, though it ticked down slightly to 4.5% (from 4.6%) for existing employees. Job-changers experienced a modest increase to 6.9% (from 6.7%).

What's the bottom line? "Unease is the word of the day," notes ADP Chief Economist Nela Richardson. "Employers are trying to reconcile policy and consumer uncertainty with a run of mostly positive economic data. It can be difficult to make hiring decisions in such an environment."

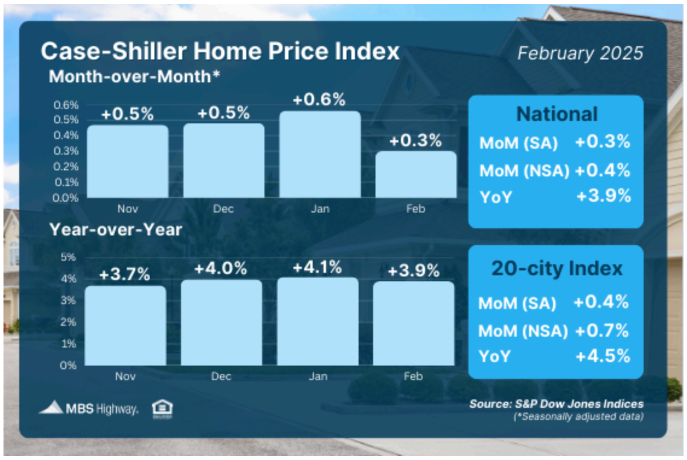
The Fed's Preferred Inflation Measure Shows Progress

Good news on inflation! The latest PCE report reveals headline inflation remained flat month-over-month while dropping to 2.3% year-over-year (down from 2.7%). Core PCE – the Fed's favorite inflation gauge – is now at 2.6%, moving closer to their 2% target.

Meanwhile, consumer spending surged 0.7% in March, possibly as shoppers rushed to beat upcoming tariffs.

What's the bottom line? Shelter costs remain key to reaching the Fed's 2% goal, making up 18% of Core PCE. While these costs have stayed stubbornly high in official data, real-time rental reports from sources like Apartment List and CoreLogic show softer trends. As PCE catches up to these real-world rental conditions, we should see inflation numbers continue to improve.

Home Prices Continue Strong Nationwide Growth



The Case-Shiller Home Price Index – widely recognized as the gold standard for tracking home values – reported a 0.3% seasonally-adjusted increase from January to February.

Year-over-year, national home prices grew by 3.9% in February, slightly down from January's 4.1% gain. Major cities showed even stronger performance, with the 10-city composite rising 5.2% and the 20-city index up 4.5% compared to last year, demonstrating that urban markets are outpacing the national average.

In a separate report, the FHFA House Price Index showed a modest 0.1% monthly increase and a 3.9% yearly gain. Unlike Case-Shiller, FHFA's data only tracks homes with conventional mortgages, excluding cash purchases and jumbo loans.

What's the bottom line? Case-Shiller reports that "home prices have shown notable resilience" despite affordability challenges and high interest rates. This resilience means homeownership continues to be a powerful wealth-building tool. For perspective: if you own a $600,000 home that appreciates by 4% annually, you'd gain $24,000 in equity in just one year – an impressive return on your investment.

Other Economic Highlights

U.S. Economy Contracts: The U.S. economy declined 0.3% in Q1 2025, according to the Bureau of Economic Analysis' advanced GDP report. This contraction primarily stemmed from increased imports (ahead of tariff implementation) and reduced government spending, partially offset by growth in investment, consumer spending and exports.

Housing Market Activity Improves: Pending Home Sales (signed contracts on existing homes) jumped 6.1% from February to March – marking two consecutive monthly increases. NAR Chief Economist Lawrence Yun attributes this surge to lower mortgage rates in March and suggests it "implies a sizable build-up of potential home buyers."

Labor Sector Weakening: Initial Jobless Claims hit their highest level since February at 241,000, while Continuing Claims jumped by 83,000 to 1.916 million – the highest since November 2021. In addition, job openings fell to 7.192 million in March, continuing their decline from 2022 peaks. Remote work may inflate these figures through multi-state postings, potentially concealing even fewer actual openings. The job vacancies to unemployed ratio has dropped from 2:1 in 2022 to 1:1, signaling deteriorating labor market conditions.

Family Hack of the Week

In celebration of National Strawberry Month, try these Strawberry Muffins from Food Network. This easy recipe yields between 16 to 18 delicious muffins.

Preheat your oven to 375 degrees Fahrenheit. Prepare muffin tins by either lining them with paper liners or applying baking spray.

In a large mixing bowl, sift together 3 cups of all-purpose flour, 1 tablespoon of baking powder, 1/2 teaspoon of baking soda, 1/2 teaspoon of kosher salt, and 1 1/2 teaspoons of ground cinnamon. In a separate 2-cup glass measuring container, combine 1 1/4 cups of milk, 2 extra-large lightly beaten eggs, and 1/2 pound (2 sticks) of melted unsalted butter.

Create a well in the center of the dry ingredient mixture and pour the wet ingredients into it, stirring gently until just combined. It is important not to overmix. Next, fold in 2 cups of diced fresh strawberries and 1 1/2 cups of sugar, mixing gently until evenly distributed.

Using an ice cream scoop, portion the batter into the muffin cups. Bake for 20 to 25 minutes, or until a toothpick inserted into the center comes out clean and the tops are golden brown.

What to Look for This Week

In a quieter economic week ahead, the focus turns to the Federal Reserve meeting, which will feature both the Monetary Policy decision and subsequent press conference on Wednesday afternoon.

Technical Picture

Following Friday's jobs report, Mortgage Bonds fell below several key technical indicators – the 50-day, 200-day, and 25-day Moving Averages. They finished last week in the lower portion of their trading range with the 25-day Moving Average acting as the ceiling and the 100-day Moving Average as the floor. Meanwhile, the 10-year Treasury yield pushed higher, breaking above its 200-day, 25-day, and 50-day Moving Averages, but ultimately encountered resistance at the 4.332% Fibonacci level, which halted its advance.