

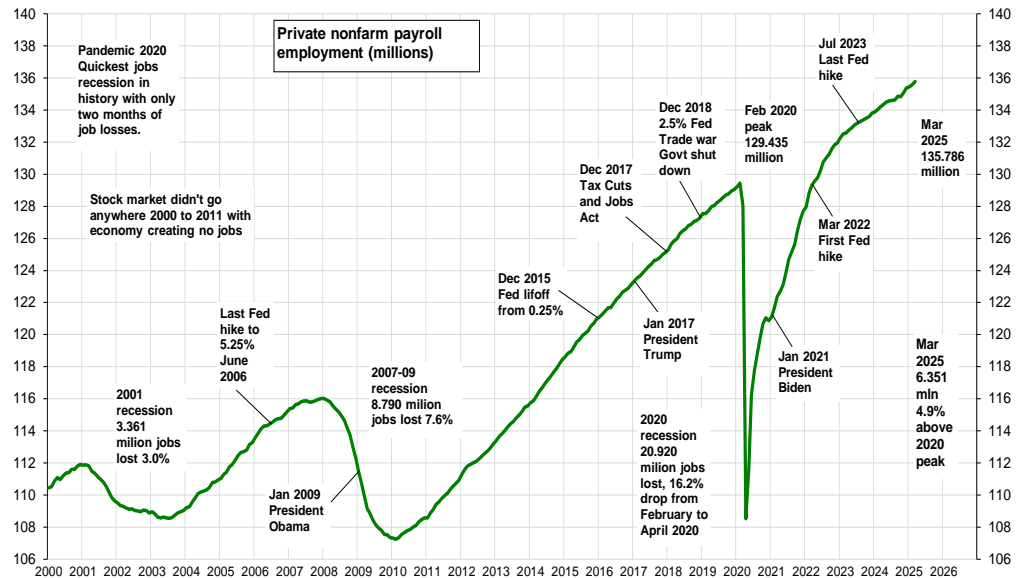
# Financial Markets This Week

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## GREAT JOB NUMBERS

228 thousand increase in total nonfarm payroll jobs in March. It never really works to brag about jobs creation with the long term chart here of the private nonfarm payroll employment level having very long trends and rarely going off course unless there is a sudden drop during a recession. Trump 1.0 took office in January 2017, the Tax Cuts and Jobs Act signed in



December 2017, a trade war, higher 2.5% “peak” Fed rates and a Federal government shutdown in December 2018, all these major events doing little to change the labor market’s trajectory. This week’s “special topic” is supposed to be about the monthly employment report. But there was other news, coming from the Rose Garden at the White House in Washington DC. The President went back to how the Great Depression got started in his shocking trade tariff remarks shortly after 4pm ET on Wednesday. While it is true economists continue to this day to argue over the causes of the Great Depression, the President did omit one important factor behind the world economy’s fall which was the imposition of punitive import tariffs that shut down world trade and economic growth. The industrial production index we always look at fell 53.6% from 1929 to 1932 during the Great Depression. That is the magnitude of potential economic loss. Hopefully the factories will come back to American shores and produce more goods before that happens. If America is first then others of course will come last and this seems to be true of other White House policies like immigration. Foreign born workers took most of the jobs the last year if you want to look at it that way even though they are 18.5% of the population. The year-year population changes were adjusted higher in a one-off adjustment to population made late last year. But you can guess at the trend, and

Foreign Born 18.5% of Population			
	Mar 2025	Mar 2024	Change
<u>Foreign born</u>			
Population	50,447	49,034	1,413
Employed	32,225	31,114	1,111
Unemployed	1,494	1,178	316
Unempl rate	4.4	3.6	0.8
Not in labor force	16,728	16,742	-14
<u>Native born</u>			
Population	222,576	218,850	3,726
Employed	131,186	130,242	944
Unemployed	5,748	5,426	322
Unempl rate	4.2	4.0	0.2
Not in labor force	85,641	83,182	2,459
Civilian noninstitutional population			
16 years and over, not seasonally adjusted			

see why economists will lower potential economic growth. It makes little sense to make America great again like the 1960s, 70s, if there is no one around to enjoy it or at least work on the factory shop floors.

So payroll employment rose 228K, but January's total was revised down by 14K and February's gain was revised down by 34K, so 228K minus 48K in downward revisions means 180K more nonfarm payroll jobs are out there than we knew coming in this morning. The big Federal worker layoffs have not hit yet. Payroll employment still is not as strong as November and December. January's 111K had the cold weather effect, and February's 117K was not much warmer. You can see the inclement weather effect in the roughly 30K loss of bar and restaurant jobs in January and February which rebounded in March. February was also held

down by a 17K drop in striking workers at food stores (Kroger), helping the 228K March jobs by rebounding 21K. Food & beverage jobs only added 19K jobs for the entire 2024 year. Unemployment was 4.2% but little changed really at 4.152 from 4.139 in February. Stay tuned. Stocks have lost 17.5%, and the best days are still ahead for the US economy.

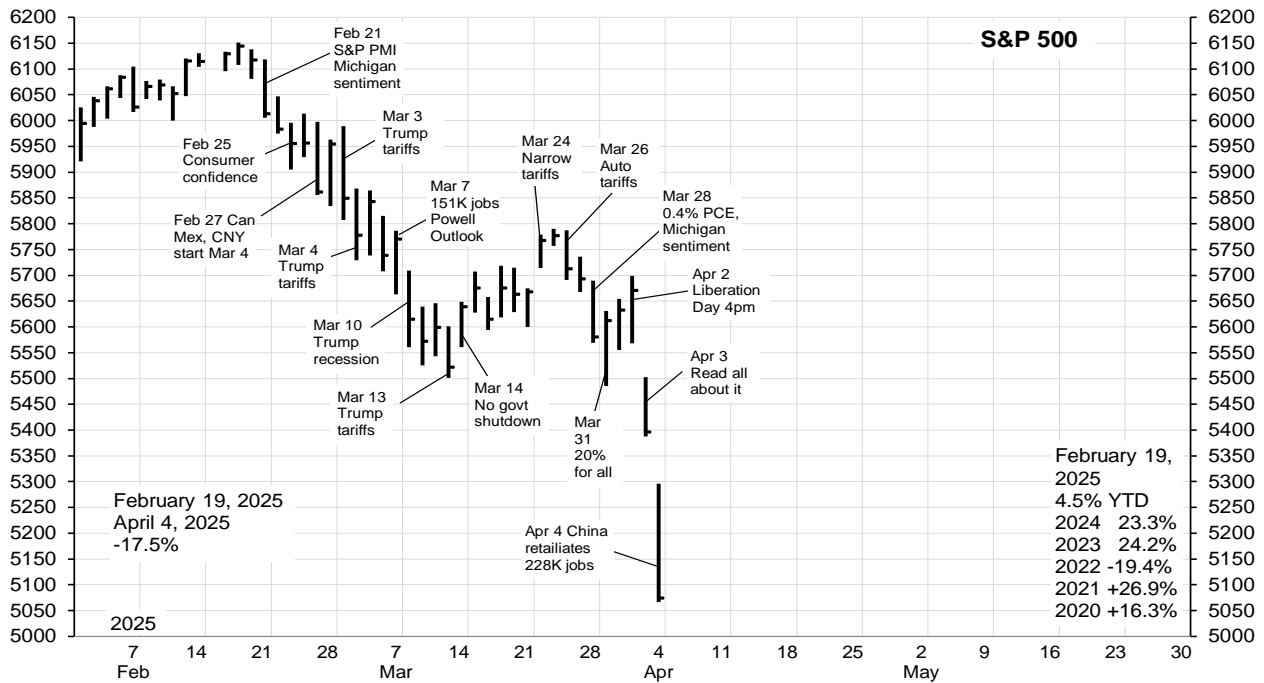
**Payroll jobs rebound after two-month slowdown**

Dec. 2024		Mar 25	Feb 25	Jan 25	3 months Dec 24 to Mar 25	12 months Dec 23 to Dec 24
Totals						
158.942	Nonfarm Payroll Employment	228	117	111	456	2012
135.382	Total Private (ex-Govt)	140	140	81	404	1559
21.673	Goods-producing	12	26	-11	27	72
0.585	Mining	-1	4	-3	-1	-9
12.760	Manufacturing	1	8	-5	4	-105
1.008	Motor Vehicles & parts	0	9	-10	-2	-20
1.015	Computer/electronics	0	-2	-2	-4	-28
1.770	Food manufacturing	1	0	-1	0	17
8.289	Construction	13	14	-3	24	190
5.248	Specialty trade contractors	6	10	-6	10	112
113.709	Private Service-providing	197	90	90	377	1487
29.033	Trade, transportation, utilities	48	21	54	123	179
15.538	Retail stores	24	-2	36	58	-6
3.273	General Merchandise	-5	11	23	29	48
3.235	Food & Beverage stores	21	-17	3	7	19
6.723	Transportation/warehousing	23	16	21	60	136
1.517	Truck transport	10	-3	2	9	-18
0.569	Air transportation	1	3	2	6	7
1.153	Couriers/messengers	16	24	20	60	79
1.844	Warehousing and storage	-9	-5	-7	-22	15
2.944	Information	-2	1	-4	-5	-18
0.484	Computing, data, web hosting	2	1	4	6	0
9.206	Financial	9	16	14	39	30
3.019	Insurance	3	3	11	17	37
2.481	Real Estate	3	7	6	16	11
1.369	Commercial Banking	0	-5	-2	-8	-17
1.128	Securities/investments	5	6	-2	9	16
22.614	Professional/business	3	7	-35	-25	-50
2.552	Temp help services	-6	-10	-8	-25	-159
2.622	Management of companies	7	2	-4	5	7
1.729	Architectural/engineering	4	4	7	16	54
2.446	Computer systems/services	-8	-10	1	-17	-6
1.192	Legal services	4	-2	2	3	-10
1.141	Accounting/bookkeeping	-1	0	1	0	-9
26.931	Education and health	77	60	62	199	999
5.641	Hospitals	17	13	9	40	209
8.934	Ambulatory health care	20	19	19	58	330
3.992	Educational services	-1	9	-1	7	80
16.979	Leisure and hospitality	43	-17	-14	12	251
1.949	Hotel/motels	1	3	-2	2	29
12.365	Eating & drinking places	30	-28	-27	-26	130
23.560	Government	19	1	32	52	453
2.413	Federal ex-Post Office	-3	-7	-2	-12	48
5.512	State government	6	-4	12	14	134
2.630	State Govt Education	5	-9	10	6	37
15.036	Local government	17	16	17	50	273
8.186	Local Govt Education	9	8	9	25	109

Monthly changes (000s)	Mar	Feb	Jan	Dec	Nov
Payroll employment	228	117	111	323	261
Private jobs	209	116	79	287	244
Leisure/Hospitality jobs	43	-17	-14	47	54
HH Employment Survey*	201	-588	2234	478	-273
Unemployment rate %	4.2	4.1	4.0	4.1	4.2
Participation rate %	62.5	62.4	62.6	62.5	62.5
Not in labor force (mln)	102.431	102.487	101.941	101.091	101.159
... and Want A Job (mln)	5.915	5.893	5.479	5.505	5.483
Average hourly earnings	\$36.00	\$35.91	\$35.83	\$35.68	\$35.61
MTM % Chg	0.3	0.2	0.4	0.2	0.4
YOY % Chg	3.8	4.0	3.9	4.0	4.2

\* Household (telephone) Survey of employment behind unemployment rate

INTEREST RATES



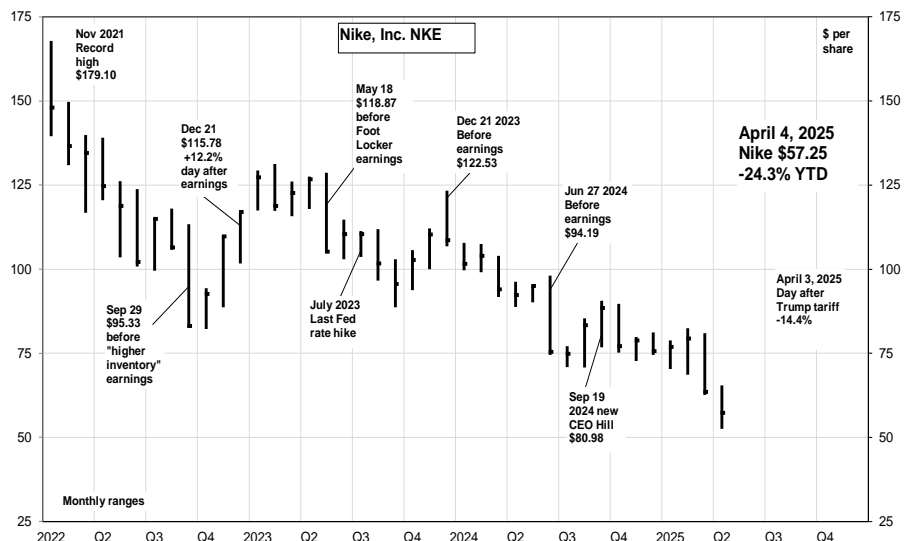
We hardly know what to say this week. If there is going to be a recession from Trump’s trade war with the world, a recession magnitude loss for stocks is 20%. Through Wednesday the S&P 500 had fallen a max of 10.7% from the February 19 record high. But it was chaotic after the close on Wednesday when Trump gave his Liberation Day trade remarks. Stock futures thought they heard him say tariffs of only 10% and rallied up 1.2%, but then the poster board came out with tariffs at absurdly high levels for many countries and futures went into reverse, falling 3.6% from those highs in the after session. China matched the 34% tariffs the US put on them, and stocks tumbled further on Friday with investors barely noticing the most important economic number in the world: U.S. nonfarm payroll jobs. On Friday, the S&P 500 fell as much as 17.5% from February 19; bonds closed at 4.01% (3.86 at low).

**Nike, Inc. (NKE) down 24.3% YTD with tariffs ahead, rallies 3.0% Friday**

There have been some spectacular falls the day after earnings for the company as it seeks to restructure, like 20.0% in June 2024, 6.8% in October 2024, and earnings on March 20 this year declining 5.5% the next day. Shares originally jumped from \$80.98 last September with a new/old CEO announced. The Trump tariffs of 46% for Vietnam taking place on April 9 will hit Nike hard. But shares jumped Friday on news of a call between Trump and Vietnam.

**Nike Footwear Sales (\$millions)**

Quarter	North America	Europe (EMEA)	Greater China	Asia Pac LatAm
2.28.2025	3132	1742	1282	1052
11.30.2024	3236	1982	1203	1234
8.31.2024	3212	1952	1246	1052
5.31.2024	3587	2067	1357	1226
2.29.2024	3460	1960	1547	1195
11.30.2023	3757	2186	1361	1303
8.31.2023	3733	2260	1287	1141
5.31.2023	3807	2174	1336	1230
2.28.2023	3322	2011	1496	1141



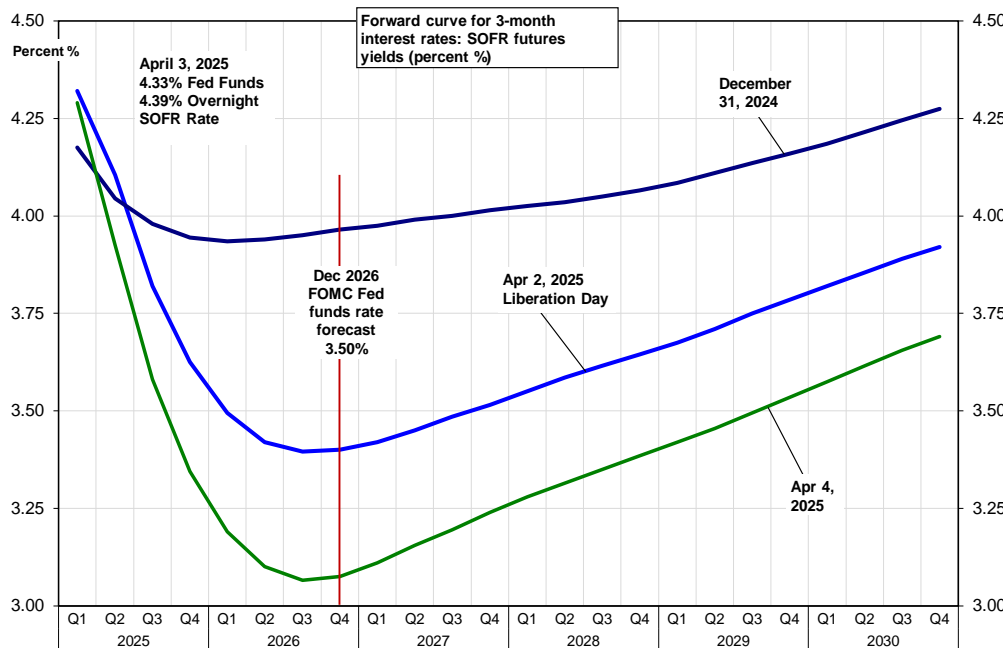
**FEDERAL RESERVE POLICY**

The Fed meets May 6-7, 2025 to consider its monetary policy. Maybe get this out of the way first: the President asked Powell to cut rates right before Powell spoke on Friday at 1130am ET. We only point this out because it looks like Trump 2.0 might want a Trump 2.0-style loyalist in the Fed Chair, someone who will turn the place upside down. Powell made one of the biggest policy mistakes in fifty years with the inflation outbreak on his watch. Rates were zero and stayed there as inflation started moving up and instead Powell focused on returning every last worker who lost their job in the pandemic recession back to work. All he needed to do was follow the “theory” of prior Fed officials that interest rates should be normal when the economy is, meaning push rates from zero to the Fed forecasts neutral level of 2.5% at the time. We cannot know what would have happened if Powell had moved rates up to “neutral” levels after the first signs of inflation, but it seems like a big mistake was made. Anyway, we assume a new Fed Chair 2.0 will drive interest rates lower when he/she/them take office. DOGE might be called in as well.

Selected Fed assets and liabilities						Change from 3/11/20 to Apr 2
Fed H.4.1 statistical release billions, Wednesday data	2-Apr	26-Mar	19-Mar	12-Mar	3/11/20*	
<b>Factors adding reserves</b>						
U.S. Treasury securities	4219.049	4237.419	4236.787	4242.202	2523.031	1696.018
Federal agency debt securities	2.347	2.347	2.347	2.347	2.347	0.000
Mortgage-backed securities (MBS)	2188.999	2188.999	2203.257	2203.309	1371.846	817.153
Repurchase agreements	0.000	0.000	0.001	0.001	242.375	-242.375
Primary credit (Discount Window)	2.154	2.234	2.136	2.417	0.011	2.143
Bank Term Funding Program	0.000	0.000	0.000	0.000		
FDIC Loans to banks via Fed	0.000	0.000	0.000	0.000		
Paycheck Protection Facility	1.834	1.853	1.858	1.870		
Main Street Lending Program	7.294	7.285	7.276	7.346		
Term Asset-Backed Facility (TALF II)	0.000	0.000	0.000	0.000		
Gold stock	11.041	11.041	11.041	11.041	11.041	0.000
Central bank liquidity swaps	0.095	0.086	0.113	0.142	0.058	0.037
<b>Federal Reserve Total Assets</b>	<b>6774.3</b>	<b>6791.2</b>	<b>6807.0</b>	<b>6810.8</b>	<b>4360.0</b>	<b>2414.299</b>
3-month Libor %	4.37	4.35	4.29	4.31	1.15	3.220
SOFR %						
<b>Factors draining reserves</b>						
Currency in circulation	2376.726	2373.074	2368.395	2366.425	1818.957	557.769
Term Deposit Facility	0.000	0.000	0.000	0.000	0.000	0.000
U.S. Treasury Account at Fed	301.624	315.970	415.799	450.713	372.337	-70.713
Treasury credit facilities contribution	3.461	3.461	3.461	3.461		
Reverse repurchases w/others	233.488	241.371	193.378	131.055	1.325	232.163
<b>Federal Reserve Liabilities</b>	<b>3347.276</b>	<b>3340.689</b>	<b>3381.331</b>	<b>3351.095</b>	<b>2580.036</b>	<b>767.240</b>
<b>Reserve Balances (Net Liquidity)</b>	<b>3427.049</b>	<b>3450.550</b>	<b>3425.713</b>	<b>3459.687</b>	<b>1779.990</b>	<b>1647.059</b>
Treasuries within 15 days	62.513	54.915	43.578	14.872	21.427	41.086
Treasuries 16 to 90 days	210.743	216.641	228.023	260.757	221.961	-11.218
Treasuries 91 days to 1 year	417.119	421.797	421.666	425.586	378.403	38.716
Treasuries over 1-yr to 5 years	1445.359	1463.220	1462.947	1461.721	915.101	530.258
Treasuries over 5-yrs to 10 years	530.587	528.686	528.615	527.883	327.906	202.681
Treasuries over 10-years	1552.728	1552.159	1551.958	1551.383	658.232	894.496
Note: QT starts June 1, 2022						
Change	4/2/2025	6/1/2022				
U.S. Treasury securities	-1551.730	4219.049	5770.779			
Mortgage-backed securities (MBS)	-518.447	2188.999	2707.446			

Fed Policy-key variables				Long Term
	2025	2026	2027	
Fed funds	3.9	3.4	3.1	3.0
PCE inflation	2.7	2.2	2.0	2.0
Core inflation	2.8	2.2	2.0	
Unemployed	4.4	4.3	4.3	4.2
GDP	1.7	1.8	1.8	1.8

March 2025 median Fed forecasts



Three 25 bps rate cuts by September after stock market rout following Liberation Day.

Fed funds futures call Fed policy	
Current target: April 4 -- 4.50%	
Rate+0.17 Contract	Fed decision dates
4.135 Jul 2025	May 7, Jun 18*
3.730 Oct 2025	Adds Jul 30, Sep 17*
Last trade, not settlement price	
*Not strictly true, Jul 2025 could be 1 day at a new rate; 2 days new rate for Oct 2025	

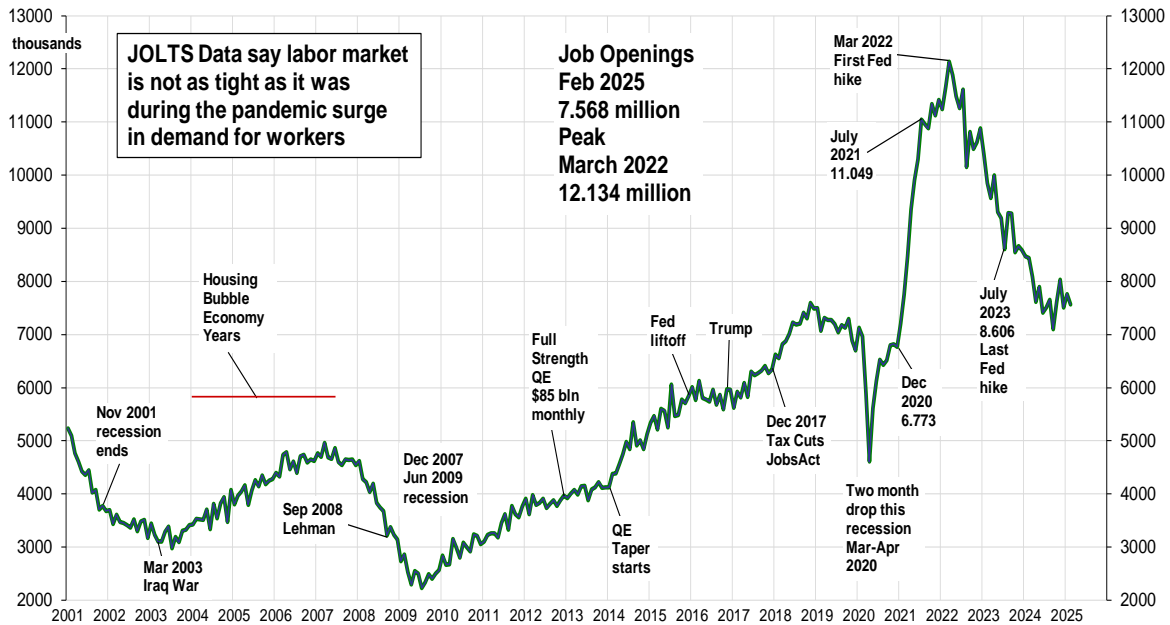
**Next up: March CPI inflation report Thursday, April 10**

Monthly % Changes	2025												2024			2023		
	Feb	Jan	Dec	Nov	Oct	Sep	Aug	Jul	Jun	May	Apr	Mar	Feb	Jan	Dec			
Core CPI inflation	0.2	0.4	0.2	0.3	0.3	0.3	0.3	0.2	0.1	0.1	0.3	0.4	0.4	0.4	0.3			
Core PCE inflation	0.4	0.3	0.2	0.1	0.3	0.3	0.2	0.2	0.2	0.1	0.3	0.3	0.2	0.5	0.2			
Core PCE YOY	2.8	2.7	2.9	2.8	2.8	2.7	2.7	2.7	2.6	2.7	2.9	3.0	2.9	3.1	3.0			
Core CPI YOY	3.1	3.3	3.2	3.3	3.3	3.3	3.2	3.2	3.3	3.4	3.6	3.8	3.8	3.9	3.9			

OTHER ECONOMIC NEWS

Jolts and ISM mfg down, construction spending up (Tuesday)

Breaking economy news. JOLTS, the job openings data, for the end of February fell 194K to 7.568 million from 7.762 million at the end of January. The Jolts January data were 7.740 million when first reported a month ago. Hard to see much of a trend in the graph here besides noting there are fewer openings than there were during the pandemic surge for workers. Also at 10am ET, the ISM manufacturing index fell back to 49.0 in March where the 50.0 level is the divide between an expanding manufacturing sector from one where manufacturing is contracting.

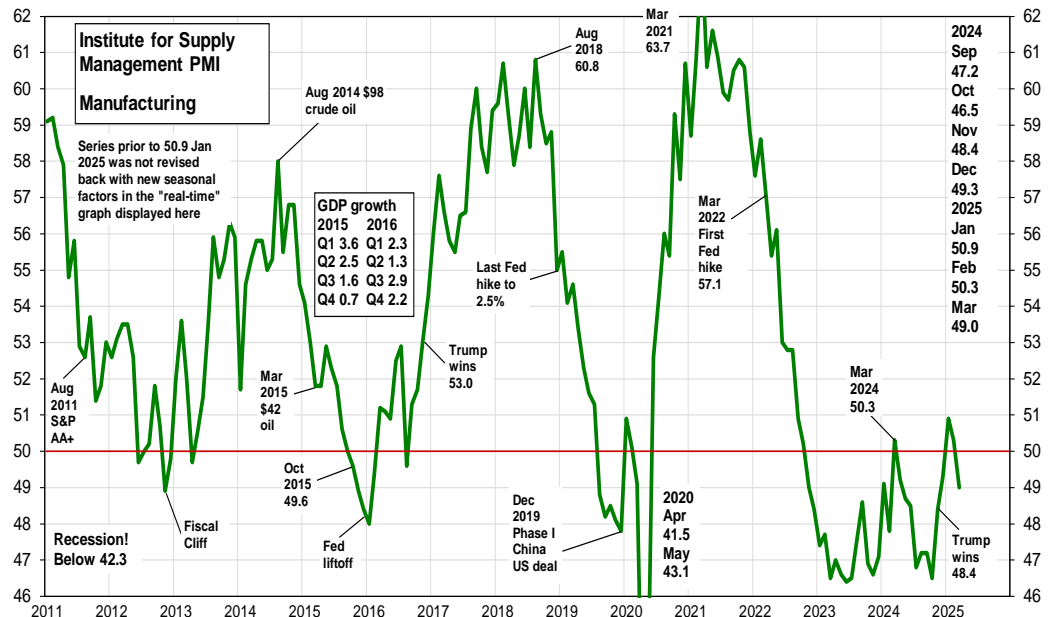


Net, net, the labor market is holding relatively firm based on the job openings data showing a moderate drop, but the increase at the start of the year in January has been largely wiped away by the February data. There is a decided air of unreality about the report, where the job openings for Federal workers increased 6 thousand to 138 thousand at the end of February, because the job cuts by DODGE are certainly coming. Manufacturing jobs that Trump 2.0 is trying to bring back fell 31 thousand to 482 thousand openings in February where the losses were for durable goods and nondurable goods. The clock is ticking on the import tariffs and when the alarm goes off tomorrow, it could be an unmitigated disaster as the new Administration puts a wall around the US economy that keeps out the imports that businesses and consumers have relied on for over thirty years. American manufacturers are big exporters and these factories have a lot to lose if our trading partners put up their own barriers to entry. Job openings may go down not up as the Administration expects.

ISM manufacturing index				
	Mar 25	Feb 25	Jan 25	Dec 24
PMI index	49.0	50.3	50.9	49.2
Prices	69.4	62.4	54.9	52.5
Production	48.3	50.7	52.5	49.9
New orders	45.2	48.6	55.1	52.1
Supplier deliveries	53.5	54.5	50.9	50.1
Employment	44.7	47.6	50.3	45.4
Export orders	49.6	51.4	52.4	50.0
Import orders	50.1	52.6	51.1	49.7

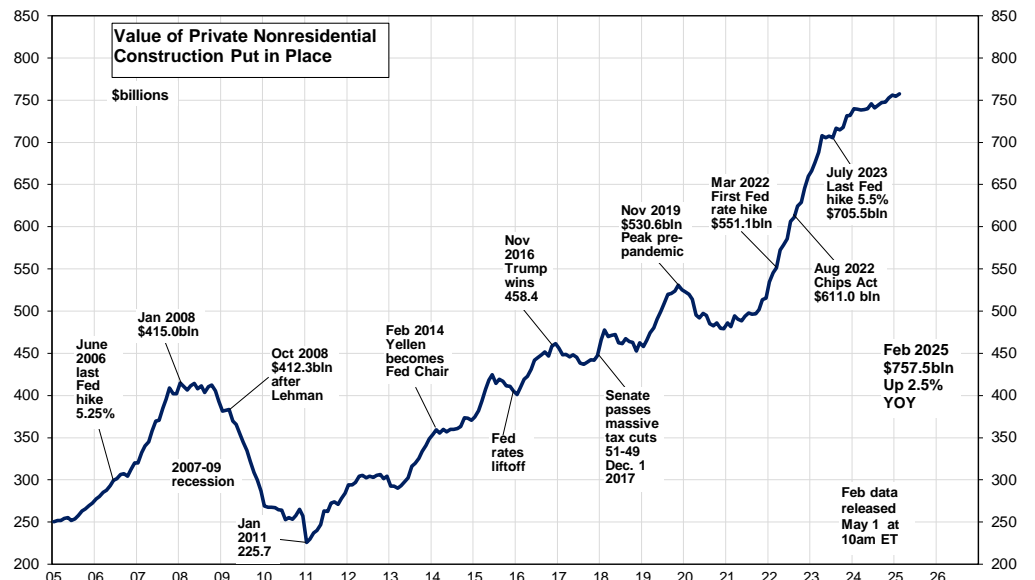
Meanwhile, it was nice for manufacturing while it lasted, but after two months of expansion, the sector is contracting again with big cuts to new orders, production and employment. The ISM manufacturing index fell 1.3 percentage points to 49.0 percent. There is a whiff of stagflation in the air as well with

prices jumping 7.0 points to 69.4. If import tariffs on the whole wide world are supposed to shore up the U.S. manufacturing sector, company executives aren't buying it. Part of the problem with putting up trade tariffs and sanctions is that other countries retaliate, especially if the U.S. pulls the rug out from long-standing trade



relationships developed over decades. Purchasing managers are citing some shortages from restrictions as well as weakness in sales to Canada with talk of boycotts of American products. Liberation Day isn't quite here yet and already the unworkable plan to bring factories back has all the makings of an absolute economic disaster. Based on this latest weak reading on business sentiment, Liberation Day won't be anything to celebrate if it turns into send the US economy down the drain day.

Finally, the third economic report released at 10am today, construction spending. Solid increase in February of 0.4% and now 2.5% higher than a year ago. Manufacturing projects rose just 0.1% in February and are 4.7% higher than a year ago. With import tariffs going up, we are sure more factories will be built here soon or perhaps sometime



thereafter. Most of the increase was in so-called commercial building in February, especially for warehouses, then food & beverage, and some auto service/parts structures.

Trade and jobless claims (Thursday)

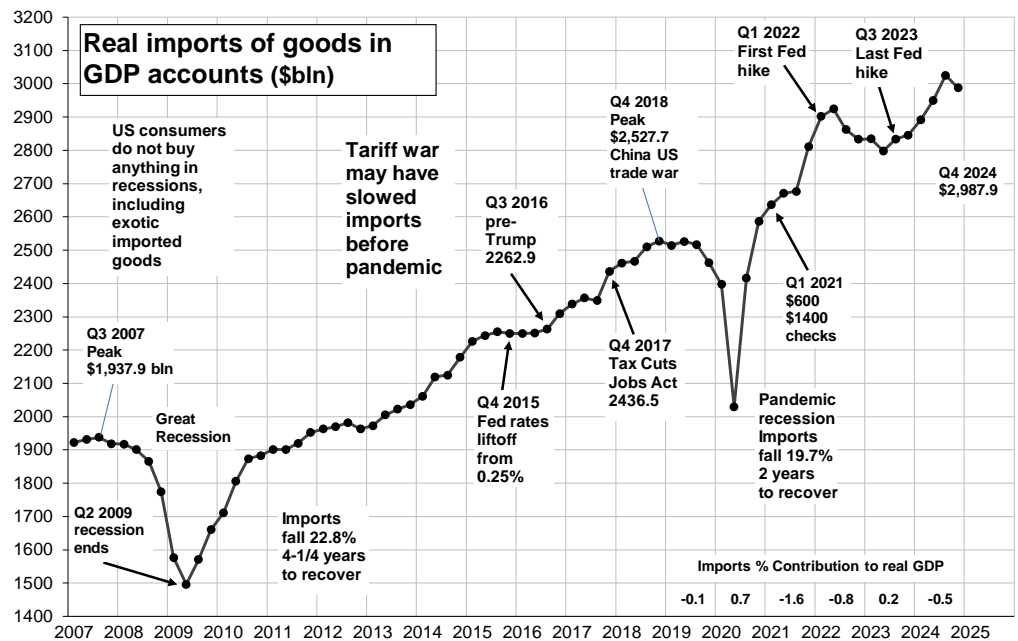
Breaking economy news. Weekly jobless claims fell 6K to 219K in the March 29 week, a minimal level despite the magnitude, that shows the economy is not near to recession. Total benefits, so-called continuing claims, moved to a new high this year. In other data, the trade balance narrowed back in February on the surge in goods exports, probably to beat the mounting trade war between the U.S. and everyone, everywhere across the globe.

\$mIn	Trade balance			Exports			Imports		
	Total	Goods	Services	Total	Goods	Services	Total	Goods	Services
Jan 2025	-130,652	-155,820	25,168	270,506	173,620	96,886	401,158	329,440	71,717
Feb 2025	-122,662	-146,993	24,330	278,458	181,937	96,521	401,120	328,930	72,191
Change	7,990	8,827	-838	7,952	8,317	-365	-38	-510	474

Net, net, the numbers of Americans receiving unemployment benefits surged to a new high this week since the Trump administration took office which is a harbinger of the dark times to come for the US economy. The trade war winds have just started blowing, bringing in higher inflation, product shortages, and disappearing overseas markets for America’s factories which will likely result in more joblessness for workers in the future. This adverse trade news from the White House is an extreme external shock to the economy that is in all the university textbooks, and so too is the need for being on high alert for signs of recession. Weekly job layoffs made by companies are minimal at the moment, but it is too early to forecast what businesses will do in the weeks and months ahead.

The trade deficit red ink fell modestly in February from the record surge in January, but the trade war means that both sides of the trade ledger of imports and exports of goods are going to be coming down. What consumers and businesses will do with the loss of these goods is unknown. Countries

cannot go back to making everything on their own as much as Washington believes they can. Stay tuned. One of the most important days in American history yesterday has caused panic in world markets, and the final result for the US economy is impossible to forecast at this time. If there is a ray of hope in the [White House statement](#) on trade yesterday it is hard to find it.



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