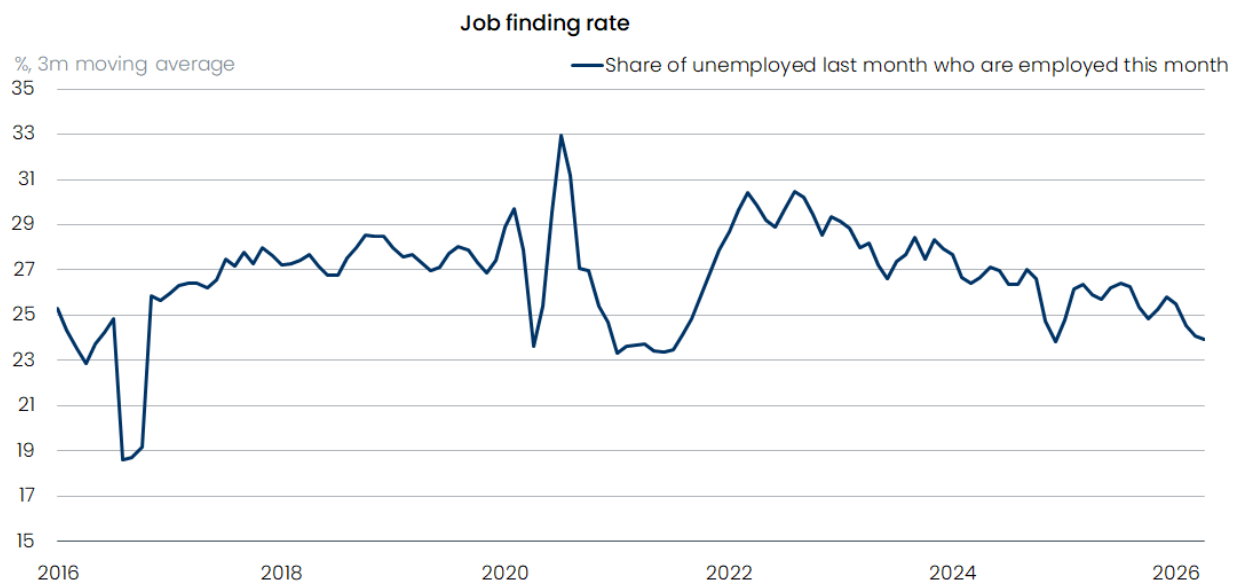


double-edged sword, at least temporarily. It is eliminating jobs by automating tasks, such as writing software code, previously done by tech-savvy workers. Most of those workers were in the information sector, which lost 13 thousand jobs last month and more than 300 thousand since peaking late last year. At the same time, it is generating jobs for those same workers outside of the information sector by the rapidly expanding swath of companies newly adopting AI, hoping to reap the productivity rewards the early adopters are getting.

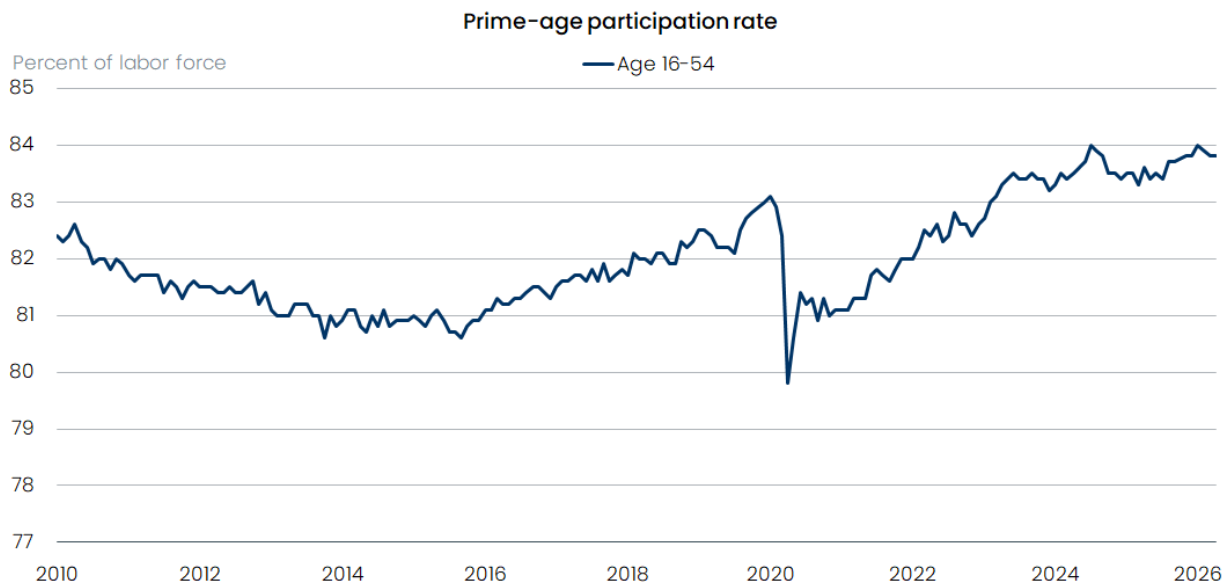
That said, it is more than likely that the balance is one-sided, with more tech related workers losing than gaining jobs and landing on the unemployment lines. Their prospects, as well as those for new graduates, are more daunting as finding a job is a challenging endeavor. Outside of the pandemic era, the job-finding rate over the past three months is the lowest since 2015. For those collecting unemployment benefits, the low-hiring, low-firing narrative remains loud and clear. No doubt, their plight also resonates with workers receiving paychecks, contributing to the historically low rate of voluntary job quitters.



It's too early to assess how the climb in gas prices will impact the job market, as the increase has been extremely rapid and households as well as businesses have not had time to adjust. We suspect that the delayed effect will be seen in May, as lower income households are increasingly curtailing other purchases to fill up at the pump; meanwhile, businesses may be holding on to staff until they see how long the drag from elevated oil prices lasts. If the Mideast conflict ends abruptly and oil prices retreat, the risk of not having available workers to rehire, as was the case during the pandemic, looms large.

That risk is already enhanced by a stagnant labor market, reflecting constraints on immigration and the retiring of aging baby boomers. The civilian labor force shrank in five of the last six

months and is no higher now than it was in January 2025. With the supply of labor limited, it does not take much to keep the unemployment rate low, and April was no exception. At 4.3 percent, it has not moved by more than a tenth of a percent since June 2024. We estimate that it could remain at that near-historic low level with zero job growth this year. What's more, fewer people are entering the labor force, as the labor force participation rate slipped to 61.8 percent last month, the lowest since October 2021. The biggest dropouts are the young and older cohorts (age 55 and over). However, the prime-age group remains fully engaged in the job market, as its participation rate, at 83.8 percent, hovers near its all-time high.



We don't see the job market falling off the cliff anytime soon, unless the oil price shock intensifies due to a reescalation of Mideast hostilities. But the surprisingly strong increase in payrolls in recent months does not augur for a corresponding boost to growth. For one, worker earnings are not keeping pace with the increase in jobs. Indeed, average hourly earnings grew by a slim 0.2 percent in April, and by an annual rate of 2.8 percent over the past three months. That matches the slowest three-month growth rate since October 2023 and is off from a nearby peak rate of 4.2 percent last November.

Meanwhile, those wage increases are going a shorter way, as worker purchasing power has been eroded by higher inflation. Until this month, the annual increase in worker pay has exceeded inflation, although by a narrowing margin; but that gap should close this month, as the consumer price Index may have spiked close to 4 percent in April compared to last year, thanks to the surge in gas prices. While gas prices have less than a 3 percent weight in the CPI, it has a much broader impact on the population. About 76 percent of adults (aged 18-64) own or lease a car, and their paycheck will take a significant hit when they fill up old Betsy this month.

FINANCIAL INDICATORS

INTEREST RATES	May 8	Week Ago	Month Ago	Year Ago
3-month Treasury bill	3.69	3.66	3.69	4.33
6-month Treasury bill	3.71	3.70	3.68	4.25
2-year Treasury note	3.90	3.89	3.71	3.91
5-year Treasury note	4.02	4.02	3.84	4.02
10-year Treasury note	4.36	4.38	4.25	4.39
30-year Treasury bond	4.94	4.96	3.91	4.84
30-year fixed mortgage rate	6.37	6.30	6.30	6.76
15-year fixed mortgage rate	5.72	5.64	5.65	5.89

STOCK MARKET				
Dow Jones Industrial Index	49,609.16	49,499.27	49,447.43	41,249.38
S&P 500	7,398.93	7,230.12	7,126.06	5,659.91
NASDAQ	26,247.08	25,114.44	24,468.48	17,928.92

COMMODITIES				
Gold (\$ per troy ounce)	4,723.70	4,623.0	4,849.4	3,329.1
Oil (\$ per barrel) - Crude Futures (WTI)	94.68	102.65	85.57	61.06

ECONOMIC INDICATOR	Latest Month/Quarter	Previous Month/Quarter	Two-Months/ Qtrs Ago	Average-Past Six Months or Quarters
New Home Sales (March) - 000s	682	635	583	671
Nonfarm Payrolls (April) - 000s	115.0	185.0	-156.0	55.0
Unemployment Rate (April) - Percent	4.3	4.3	4.4	4.3
Average Hourly Earnings (April) - % change	0.2	0.2	0.3	0.3

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