Manufacturing drives strong US hiring; wage growth cools

WASHINGTON — US job growth increased more than expected in April as manufacturers boosted hiring, underscoring the economy's strong fundamentals despite a decline in output in the first quarter.

Though the Labor Department's closely watched employment report on Friday showed a moderation in wage gains last month, wage price pressures are likely to continue to build amid record job openings. About 363,000 people left the labor force in April, pulling down the participation rate from a two-year high and potentially worsening worker shortages.

The Federal Reserve is trying to tighten monetary policy to bring down high inflation without tipping the economy into recession. The economy contracted last quarter under the weight of a record trade deficit.

"The firm payroll data is good in that it confirms that the labor market is strong and suggests the US economy may be sufficiently resilient to deal with the forthcoming monetary tightening," said Seema Shah, chief strategist at Principal Global Investors. "For the Fed, there is nothing in today's report to suggest they can take their foot off the brake."

The survey of establishments showed nonfarm payrolls rose by 428,000 jobs last month. But the economy created 38,000 fewer jobs in February and March than previously reported. It was the 12th straight month of employment gains in excess of 400,000.

Economists polled by Reuters had forecast payrolls would rise by 391,000 jobs. Estimates ranged from a low of 188,000 to a high of 517,000. Employment is now 1.2 million jobs below its pre-pandemic level.

The broad increase in hiring last month was led by the leisure and hospitality sector, which added 78,000 jobs. Restaurants and bars contributed 44,000 jobs to those gains, leaving employment in the industry 1.4 million below its Feb. 2020 level.

Manufacturing payrolls rose by 55,000 jobs after increasing by 43,000 in March, indicating that demand for goods remains strong, which should help to underpin consumer spending.

Transportation and warehousing employment increased by 52,000 jobs, pushing it 674,000 above its Feb. 2020 level. Employment in the professional and business services also rose and is now 738,000 above its pre-pandemic level.

Employment in most industries is now at or above the Feb. 2020 levels, though healthcare and manufacturing are thousands of jobs away from achieving that milestone. The leisure and hospitality sector still has a gap of 1.4 million jobs.

The Fed on Wednesday raised its policy interest rate by half a percentage point, the biggest hike in 22 years, and said it would begin trimming its bond holdings next month. The US central bank started raising rates in March. Fed Chair Jerome Powell told reporters "the labor market is extremely tight, and inflation is much too high."

Average hourly earnings increased 0.3% after advancing 0.5% in March. That lowered the year-on-year increase in wages to a still robust 5.5% from 5.6% in March, but did nothing to ease fears of a wage price spiral.

RECORD JOB OPENINGS

There were a record 11.5 million job openings on the last day of March, almost double the 5.9 million people who were unemployed in April.

Compensation for American workers logged its largest increase in more than three decades in the first quarter, helping to keep domestic demand supported.

"The combination of a tight labor market, ample job opportunities and rising prices gives workers a significant amount of leverage in bargaining for higher wages," said Sophia Koropeckyj, a senior economist at Moody's Analytics in West Chester, Pennsylvania. "Hence, the Fed's success in slowing the economy and tempering wage and price pressures is of paramount importance."

Though Mr. Powell on Wednesday said a 75-basis-point rate hike was not on the table, some economists believe the Fed could raise its benchmark interest rate above its neutral rate, which is estimated to be between 2% and 3%.

That fear continued to dominate investor sentiment. Stocks on Wall Street fell, extending a recent rout. The dollar slipped against a basket of currencies. Longer-dated US Treasury yields rose.

Details of the household survey from which the unemployment rate is derived were weak. Household employment dropped by 353,000 jobs, the first decline since April 2020, after months of robust gains. Some economists viewed the drop as a warning sign, while others said it was due to the scarcity of workers.

The stream of people rejoining the labor force virtually dried up, with 363,000 exiting. As a result, the unemployment rate was unchanged at 3.6% in April. A total of 722,000 people entered the labor force in February and March.

"The fact employment and the labor force moved together suggests both declines were caused by trouble finding seasonal workers and, therefore, an overlarge seasonal adjustment rather than layoffs," said Chris Low, chief economist at FHN Financial in New York.

The labor force participation rate, or the proportion of working-age Americans who have a job or are looking for one, fell to 62.2% from a two-year high of 62.4% in March. That drop occurred despite reports of retirees returning to the workforce because of the rising cost of living, with annual inflation surging at its quickest pace in more than 40 years.

Some economists said the largest monthly decrease in the participation rate since 2020 suggested most of the prime-age workers who left during the COVID-19 pandemic had returned, while others cautioned against reading too much into the drop.

About 181,000 women aged 20 and older left the labor force. Though the average workweek was unchanged at 34.6 hours, aggregate weekly hours increased 0.4% after being flat in March.

"The solid increase in hours worked at the beginning of the quarter suggests GDP (gross domestic product) should rebound from last quarter's pothole," said Michael Feroli, chief US economist at JPMorgan in New York.

"While financial conditions have tightened lately, the effect on aggregate demand, and on labor demand, probably won't be felt until the second half." — ***Reuters***

REUTERS

A CLOSED STREET is pictured during lockdown amid the coronavirus disease 2019 (COVID-19) pandemic, in Shanghai, China, May 5.

Japanese factories in Shanghai struggling to resume operations

BEIJING — Japanese firms are struggling to reopen their factories in Shanghai, a new survey shows, indicating strains in the municipal government's push to help key businesses resume production amid an ongoing strict lockdown in the city.

The Shanghai Japanese Commerce & Industry Club said on Thursday of 54 firms that responded to a survey it conducted between Apr. 27-30, 63 percent responded that their factories had yet to resume operations.

Out of the 37 percent that have resumed operations, over three-quarters said production was at or below 30% of normal levels.

The club has over 2,300 members, according to its wesbite.

One of these difficulties firms faced was the government's requirement that they implement "closed loop management" to reopen, a process akin to a bubble-like arrangment, where workers sleep, live and work in isolation to prevent virus transmission.

This was especially difficult for plants without dormitories on site and many employees still faced movement restrictions, the club said.

"A condition for an operation permit is that it requires a sealed-off life at the factory but then there are problems with bathing, sleeping, eating, it is impossible to live," the survey said. "The zero-COVID policy has a negative impact on personnel interactions, logistics, the ability to work," it said.

Shanghai implemented a city-wide lockdown on April 1 at the behest of the central government, which has stuck with a zero-tolerance policy to eliminate coronavirus disease 2019 (COVID-19) even as it battles China's worst outbreak since the virus first emerged in Wuhan in late 2019.

While authorities in the economic hub have said that they are eager to help businesses reopen and have drawn up a priority list of close to 2,000 companies, business chambers and companies say the onerous requirements have made it difficult to restart work.

The European Chamber of Commerce in China published the results of a member survey on Thursday revealing that almost a quarter of respondents were considering moving current or planned investments out of China, more than double the number at the start of the year. — ***Reuters***

SPOT PRICES

FRIDAY, MAY 6, 2022

METAL	
PALLADIUM free $/troy oz	2,076.65
PALLADIUM JMI base, $/troy oz	2,110.00
PLATINUM free $/troy oz	971.08
PLATINUM JMI base $/troy oz	971.00
KRUGGERAND, fob $/troy oz	1,881.00
IRIDIUM, whs rot, $/troy oz	4,990.00
RHODIUM, whs rot, $/troy oz	16,790.00
GRAINS (May 5, 2022)	
(FOB Bangkok basis at every Thursday)	
FRAGRANT (100%) 1st Class, $/ton	910.00
FRAGRANT (100%) 2nd Class, $/ton	880.00
RICE (5%) White Thai- $/ton	468.00
RICE (10%) White Thai- $/ton	465.00
RICE (15%) White Thai- $/ton	462.00
RICE (25%) White Thai- $/ton (Super)	462.00
BROKER RICE A-1 Super $/ton	417.00
FOOD	
COCOA ICCO Dly (SDR/mt)	1,773.86
COCOA ICCO $/mt	2,386.00
COFFEE ICA comp '2001 cts/lb	193.85
SUGAR ISA FOB Daily Price, Carib. port cts/lb	18.97
SUGAR ISA 15-day ave.	19.33

LIFFE COFFEE

New Robusta 10 MT - $/ton

	High	Low	Sett	Psett
July	2132	2076	2083	2136
Sept.	2127	2075	2079	2131
Nov.	2119	2068	2072	2122
Jan.	2100	2059	2063	2113

LIFFE COCOA

(Ldn)-10 MT-£/ton

	High	Low	Sett	Psett
May	1714	1694	1708	1711
July	1801	1771	1787	1798
Sept.	1815	1793	1806	1814
Dec.	1831	1809	1821	1829

COCONUT

MANILA COPRA (based on 6% moisture)	
Peso/100kg	Buyer/Seller
Lag/Qzn/Luc	5,700.00/5,750.00
Philippine Coconut Oil - Crude	
CIF NY/NOLA	87.50
FOB RAIL/NOLA	90.00
COCONUT OIL (PHIL/IDN),$ per ton, CIF Europe	
May/June'22	0.00/1,840.00
June/July'22	1,775.00/1,800.00
July/Aug.'22	0.00/1,780.00
Aug./Sept.'22	0.00/1,780.00

LONDON METAL EXCHANGE

LME FINAL CLOSING PRICES, US$/MT

	3 MOS
ALUMINUM H.G.	2,916.00
ALUMINUM Alloy	2,185.00
COPPER	9,489.50
LEAD	2,277.00
NICKEL	30,114.00
TIN	40,500.00
ZINC	3,904.50

Oil posts another weekly rise on supply worries

HOUSTON — Oil prices rose nearly 1.5% on Friday, posting a second straight weekly increase as impending European Union (EU) sanctions on Russian oil raised the prospect of tighter supply and had traders shrugging off worries about global economic growth.

Brent futures rose $1.49, or 1.3%, to settle at $112.39 per barrel. US West Texas Intermediate (WTI) crude climbed $1.51, or 1.4%, to end at $109.77 a barrel.

For the week, WTI gained about 5%, while Brent nearly 4% after the EU set out an embargo on Russian oil as part of its toughest-yet package of sanctions over the conflict in Ukraine.

The EU is tweaking its sanctions plan, hoping to win over reluctant states and secure the needed unanimous backing from the 27 member countries, three EU sources told Reuters. The initial proposal called for an end to EU imports of Russian crude and oil products by the end of this year.

Ignoring calls from Western nations to hike output more, the Organization of the Petroleum Exporting Countries, Russia and allied producers (OPEC+), stuck with its plan to raise its June output target by 432,000 barrels per day.

However, analysts expect the group's actual production rise to be much smaller due to capacity constraints.

"There is zero chance of certain members filling that quota as production challenges impact Nigeria and other African members," said Jeffrey Halley, senior market analyst Asia Pacific at OANDA.

On Thursday, a US Senate panel advanced a bill that could expose OPEC+ to lawsuits for collusion on boosting oil prices.

On the supply side, US oil rig count, an early indicator of future output, rose five to 557 this week, the highest since April 2020.

Money managers cut their net long US crude futures and options positions in the week to May 3, the US Commodity Futures Trading Commission (CFTC) said.

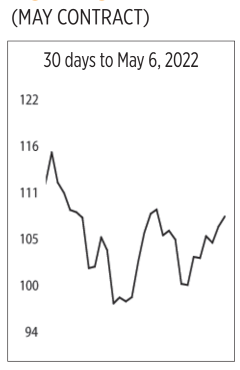
Investors expect higher demand from the United States this autumn as Washington unveiled plans to buy 60 million barrels of crude to replenish emergency stockpiles. Yet signs of a weakening global economy fed demand concerns, limiting oil price gains.

On Thursday, the Bank of England warned Britain risks a double-whammy of a recession and inflation above 10%. It raised interest rates a quarter of a percentage point to 1%, their highest since 2009.

Strict COVID-19 curbs in China are creating headwinds for the world's second-largest economy and leading oil importer.

Beijing authorities said all non-essential services would shut in its biggest district Chaoyang, home to embassies and large offices. — ***Reuters***

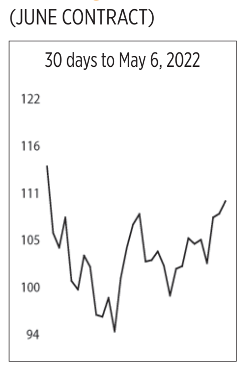
ASIA-DUBAI
(MAY CONTRACT)



DOLLARS PER BBL

April	28	29	4	5	6
$/bbl	102.80	105.45	104.65	106.60	107.80
Average (May 4-6)					**$106.35**
Average (April 1-29)					**$102.79**

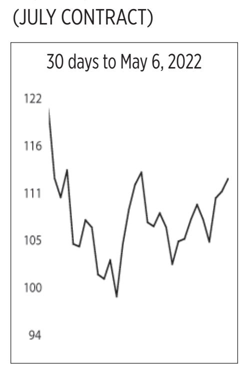
NEW YORK-WTI
(JUNE CONTRACT)



DOLLARS PER BBL

May	2	3	4	5	6
$/bbl	105.17	102.41	107.81	108.26	109.77
Average (May 2-6)					**$106.68**
Average (April 1-29)					**$101.64**

LONDON-BRENT
(JULY CONTRACT)



DOLLARS PER BBL

May	2	3	4	5	6
$/bbl	107.58	104.97	110.14	110.90	112.39
Average (May 2-6)					**$109.20**
Average (April 1-29)					**$105.92**

Source: REUTERS

Wall St. falls on fears inflation will force Fed tightening

WALL STREET's main indexes extended losses on Friday as investors worried that the Federal Reserve will need to be more aggressive than expected in raising interest rates to combat inflation.

The tech-heavy Nasdaq registered its lowest close since 2020, notching a fifth straight weekly loss, its longest losing streak since the fourth quarter of 2012. The S&P 500 also posted its fifth straight weekly loss, its longest string of weekly losses since the second quarter of 2011.

"Ninety-five percent of the driver of the market right now is long-term interest rates," said Jay Hatfield, founder and chief executive of Infrastructure Capital Management in New York.

The Labor Department presented stronger-than-expected jobs data with nonfarm payrolls increasing by 428,000 jobs in April, versus expectations of 391,000 job additions, underscoring the economy's strong fundamentals despite a contraction in gross domestic product in the first quarter.

The unemployment rate remained unchanged at 3.6% in the month, while average hourly earnings increased 0.3% against a forecast of a 0.4% rise.

Nine of the 11 major S&P sectors declined. Energy had a 2.9% gain as oil prices climbed on supply concerns.

"Oil is up again, continuing the inflationary worries that we are seeing and energy is bucking the trend of a very weak market. But the higher natural gas and crude oil prices have been tailwinds for the energy sector this year," said Ryan Detrick, chief market strategist for LPL Financial.

Megacap growth stocks slipped, with a few exceptions including Apple, Inc., which rose 0.5%. Wells Fargo & Co. declined 0.5% to lead losses among big banks.

The Dow Jones Industrial Average fell 98.6 points, or 0.3%, to 32,899.37, the S&P 500 lost 23.53 points, or 0.57%, to 4,123.34 and the Nasdaq Composite dropped 173.03 points, or 1.4%, to 12,144.66.

Most traders are expecting a 75 basis-point hike at the US central bank's June meeting, despite Fed chief Jerome Powell's ruling that out.

All eyes are on the monthly consumer price index inflation report on Wednesday, as investors seek clues to whether the economy is nearing a peak in inflation.

Under Armour, Inc. slumped 23.8% after the sportswear maker forecast downbeat fiscal 2023 profit. Shares of rival Nike Inc. also slipped.

Coinbase Global, Inc. dropped 9% on Friday to the lowest level since the cryptocurrency exchange's 2021 stock market debut.

Volume on US exchanges was 13.49 billion shares, compared with the 12.10 billion average for the full session over the last 20 trading days.

Declining issues outnumbered advancing ones on the New York Stock Exchange (NYSE) by a 2.49-to-1 ratio; on Nasdaq, a 3.04-to-1 ratio favored decliners.

The S&P 500 posted one new 52-week high and 63 new lows; the Nasdaq Composite recorded 15 new highs and 799 new lows. — ***Reuters***

Gold heads for weekly dip on rate hike bets

GOLD rose on a weaker dollar on Friday but prospects of aggressive rate hikes from the US Federal Reserve put bullion on course for a third consecutive weekly decline, while palladium fell over 8% on demand concerns.

Palladium fell 6.6% to $2,042.14 by 1:08 p.m. ET (1708 GMT), after hitting its lowest since Jan. 2022 at $2,002, en route to an about 11.9% dip for the week.

"There's concerns China's outlook is deteriorating even further and that you might see less demand for some of those metals over the short term and that's kind of driving the move lower for palladium," said Edward Moya, a senior analyst with OANDA.

Used in vehicle exhausts to curb emissions, the metal retreated nearly 10.9% in the second quarter, since hitting an all-time high in early March at $3,440.76 on concerns the war in Ukraine could cut supply from key producer Russia.

Spot gold rose 0.6% to $1,887.39 per ounce, but was down 0.5% for the week. US gold futures rose 0.7% to $1,888.80.

The dollar index slipped 0.3%, making gold less expensive for overseas buyers.

But capping bullion's upside, benchmark US Treasury yield strengthened, with stronger-than-expected US jobs data perceived as building the case for bigger interest rate hikes.

The bond market sell-off would also continue to weigh on gold, Mr. Moya added.

While gold is perceived as an inflation hedge, higher US interest rates lift the opportunity cost of holding zero-yield bullion. Gold is considered a safe store of value during global uncertainties, such as the Ukraine war.

Elsewhere, silver was down 0.3% to $22.43 per ounce and platinum fell 1.4% to $966.72. — ***Reuters***