Jobs, Jobs, Jobs

Over the past few weeks, I have highlighted that interest rates are trending in the wrong direction, and this is a significant problem.

Debt rolls are coming to the tune of trillions of dollars and at higher interest rates. The massive rebound in stocks makes them less attractive on a risk premium basis relative to government securities.

Stocks benefited from low interest rates, enabling companies to repurchase their shares. As a massive driver of the market for nearly 15 years, that tailwind is gone.

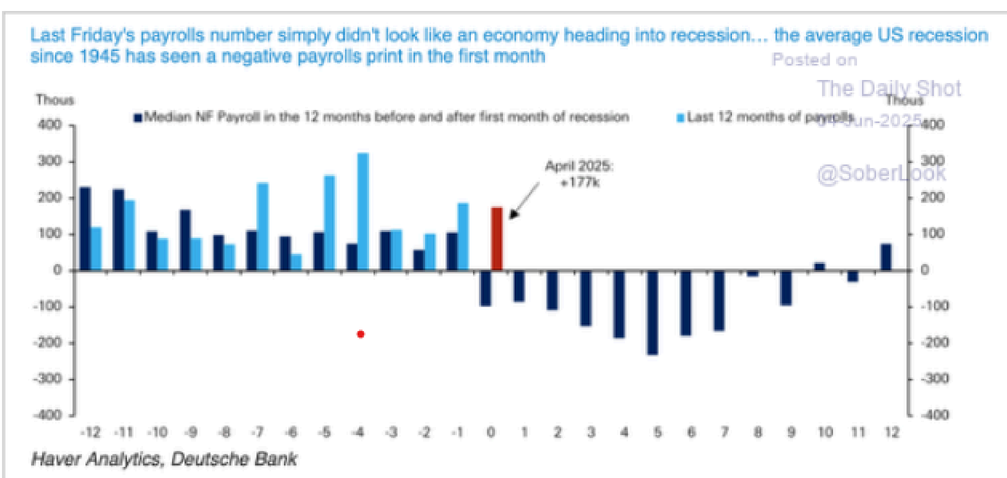
The "Big, Beautiful Bill" might drive interest rates even higher because it's more of the same deficits that we have seen for decades.

And the labor market is stronger than expected.

As the chart below shows, job openings increased for the month and exceeded expectations substantially.

According to Deutsche Bank, strong payrolls in April do not suggest a recession is around the corner.

Since 1945, the average U.S. recession has seen negative payrolls in the first month.



Source: [Deutsche Bank Research]

Interest rates may stay higher longer than expected. It's a problem for stocks like I showed last week. It's a problem on many fronts, as the cost of capital stays elevated beyond expectations.

Since politicians aren't serious about cutting spending *at all*, we should expect increased volatility from the constant news cycle and lower stock returns, as equities aren't as attractive relative to other investments.