MORNINGSTAR Wealth

22 West Washington Street
Chicago IL 60602 USA

Investment Insights

April Jobs Beat Expectations—but the Details Tell a Different Story

Morningstar Investment Management LLC

May 2026

Dominic Pappalardo

Chief Multi-Asset Strategist
Morningstar Wealth

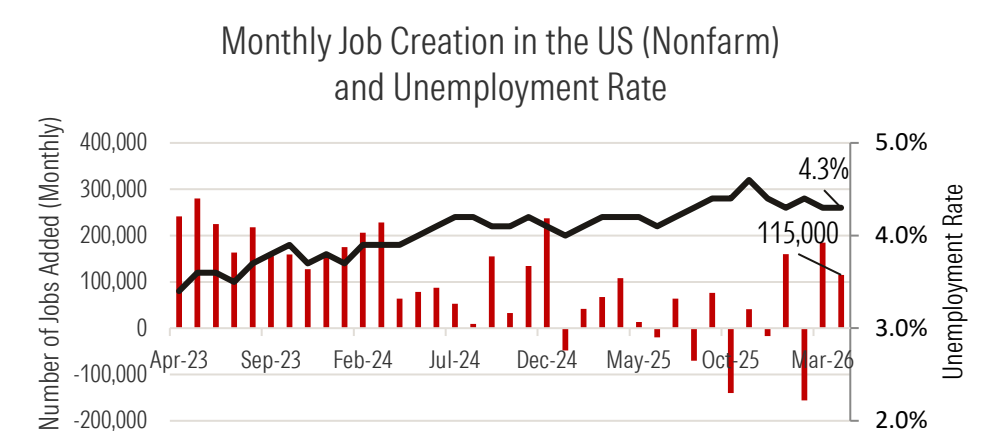
For General Public Use

Key Takeaways

- Today's release of the April employment report showed nonfarm payrolls increased by 115,000—well above the expected 55,000 additions. Revisions to the last two months' data were mixed, with February's total revised lower by 23,000, while March's revised higher by 7,000.
- The unemployment rate held steady at 4.3%, while wages rose slightly less than expected at 3.6% year-over-year, representing a 0.2% increase for the month.
- The healthcare sector remained at the top of the list in terms of job additions, adding 37,000.

Summary

Today's employment report showed that 115,000 jobs were added in April, exceeding expectations, as the Dow Jones forecast predicted an addition of 55,000 new jobs. The unemployment rate remained steady at 4.3%. However, when expanded to two decimal points, the rate increased from 4.26% in March to 4.34% in April. The 0.09% increase washes out of the headline number after rounding. Wage growth was lower than expected, as average hourly earnings rose by 0.2% for the month, bringing the annual rate up to 3.6%, below the expected 0.3% monthly increase and 3.8% annual rate.



Source: BLS data via FRED. Data as of May 8, 2026.

In terms of backward-looking revisions, April's total was revised higher by 7,000, to 185,000; however, March's data decreased by another 23,000 to a loss of 156,000, marking its second downward revision from the originally reported loss of 92,000.

Market Reaction

Market futures were higher this morning prior to the release of the employment report, and those gains are holding. Broad equity market indices are also moving higher although the Morningstar Style Box shows some dispersion among different segments as of 8:45 AM CDT.



Interest rates are lower as yields are declining across the US Treasury curve. The 10-year yield is down to 4.35%, roughly 0.10% lower than its recent peak.

Breaking Down the Headline Number

While healthcare once again led in job creation, information services continued to show contraction. The segment has lost 342,000 jobs since November 2022, representing 11% of employees, according to CNBC.com, as artificial intelligence and offshoring have caused job reductions. The Federal Government shed another 9,000 employees for the month, bringing the cumulative total to nearly 350,000 job cuts from the peak in October 2024, according to the Bureau of Labor Statistics ("BLS"). The decline represents almost 12% of their workforce, resulting from the Administration's efforts to reduce its size.

Furthermore, the size of the labor force continued to decline, with another 226,000 participants dropping out. As participation declines, fewer new jobs are needed to maintain a consistent unemployment rate. After this drop, the labor participation rate moved down to 61.8%, the lowest seen since October 2021. The decline in number of full-time workers is partially a result of decreased immigration rates but also because more people are working part-time, perhaps not by choice. The BLS's measure of discouraged workers and those holding part-time roles rose 0.2%, up to 8.2%. The increase in this rate was driven by an increase in the number of people employed part-time for economic reasons, which rose by 445,000 to 4.9 million per the BLS household survey.

This underlying data does take away a little bit of the positive "pop" of the headline number but suggests the labor market is somewhere between stable and mildly weakening despite the job additions. Layoffs are holding near their lowest levels in decades, which suggests less hiring is the main constraint against more robust job growth recently.

Looking Ahead

CME Fed Funds' futures show there is a 94% probability that the Fed will leave rates unchanged following their June meeting, with a 6% chance of an interest rate cut. The June meeting is expected to be Kevin Warsh's first as Chairman, although he is still awaiting final confirmation by the Senate. Last week, the Fed announced they decided to hold rates unchanged despite meaningful dissension as the 8–4 vote had the most "no" votes since 1992.

While inflation concerns from spiking energy prices will most likely remain the number one topic, potential changes in the health of the labor market will be the second most significant factor in terms of impact on the path of Fed rate decisions. Should improvement, or even just stability in the employment data persist, the next Fed move could be to increase rates as inflation has remained above their stated 2% target for some time.

For Additional Information

+1 (800) 886-1749

wealth.us@morningstar.com

mp.morningstar.com

About Morningstar Investment Management

Your investment goals matter to us. Our mission is to empower investor success by building investment portfolios selected by your financial advisor. Our world-class investment strategies draw on our core capabilities in research, asset allocation, investment selection and portfolio construction. Our investment professionals are located around the world, which provides both a global point of view and local market expertise.

Based on a proprietary valuation-driven asset-allocation process, our strategies offer investors a range of multi-asset, risk- and outcome-based strategies designed to help meet a variety of goals. Also, our separately managed accounts offer concentrated portfolios of our portfolio managers' best ideas. We put more than 40 years of investment experience to work in every portfolio we manage to offer you a better investing experience, because your journey matters.

For General Educational Use Only

Opinions expressed are as of the current date; such opinions are subject to change without notice. Morningstar Investment Management shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, the information, data, analyses or opinions or their use. This commentary is for general educational and informational purposes only. The information, data, analyses, and opinions presented herein are designed to provide general information about investing, to inform investors about developments in the broader financial ecosystem, and/or to help investors interpret market and regulatory shifts. This material is not an offer of our investment advisory services or an offer to buy or sell a security. Please note that references to specific securities or other investment options within this piece should not be considered an offer (as defined by the Securities and Exchange Act) to purchase or sell that specific investment. Performance data shown represents past performance. Past performance does not guarantee future results.

All investments involve risk, including the loss of principal. There can be no assurance that any financial strategy will be successful. Morningstar Investment Management does not guarantee that the results of their advice, recommendations or objectives of a strategy will be achieved. This commentary contains certain forward-looking statements. We use words such as "expects", "anticipates", "believes", "estimates", "forecasts", and similar expressions to identify forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results to differ materially and/or substantially from any future results, performance or achievements expressed or implied by those projected in the forward-looking statements for any reason. Past performance does not guarantee future results.

Morningstar Wealth includes: (i) investment product (ii) Morningstar Funds Trust, (iii) Morningstar Office℠, Morningstar's RIA portfolio software service; (iv) Morningstar® ByAllAccounts®, Morningstar's investment data aggregation service; and (v) Morningstar.com®, Morningstar's individual investor site offering.

Advisory services under Morningstar Wealth are offered by Morningstar Investment Management LLC, a registered investment adviser and subsidiary of Morningstar, Inc

Investing in international securities involve additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may increase these risks. Emerging markets are countries with relatively young stock and bond markets. Typically, emerging-markets investments have the potential for losses and gains larger than those of developed-market investments. A debt security refers to money borrowed that must be repaid that has a fixed amount, a maturity date(s), and usually a specific rate of interest. Some debt securities are discounted in the original purchase price. Examples of debt securities are treasury bills, bonds and commercial paper. The borrower pays interest for the use of the money and pays the principal amount on a specified date. The indexes noted are unmanaged and cannot be directly invested in. Individual index performance is provided as a reference only. Since indexes and/or composition levels may change over time, actual return and risk characteristics may be higher or lower than those presented. Although index performance data is gathered from reliable sources, Morningstar Investment Management cannot guarantee its accuracy, completeness or reliability. Morningstar Manager Research or Morningstar's Manager Research team refers to various wholly owned subsidiaries of Morningstar, Inc. including but not limited to Morningstar Research Services LLC (USA), Morningstar UK Limited and Morningstar Australasia Pty Limited that produce investment analysis and opinions on mutual funds, exchange-traded funds and collective investment schemes.

©2026 Morningstar Investment Management LLC. All Rights Reserved. The Morningstar name and logo are registered marks of Morningstar, Inc.
Morningstar Investment Management LLC is a registered investment adviser and subsidiary of Morningstar, Inc. | MIMCOMP-18881 | 05/2026