

Market falls the most since May after employers slash hiring, tariffs roll out

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The U.S. stock market had its worst day since May on Friday after the government reported a sharp slowdown in hiring and President Donald Trump imposed sweeping tariffs on imports from a number of U.S. trading partners.

The S&P 500 fell 1.6%, its biggest decline since May 21 and its fourth straight loss. The index also posted a 2.4% loss for the week, marking a sharp shift from last week's record-setting streak of gains.

The Dow Jones Industrial Average fell 1.2%, while the Nasdaq composite fell 2.2%.

Worries on Wall Street about a weakening economy were heavily reinforced by the latest report on job growth in the U.S. Employers added just 73,000 jobs in July. That is sharply lower than economists expected. The Labor Department also reported that revisions shaved a stunning 258,000 jobs off May and June payrolls.

Markets also reacted to the latest tariff news. President Donald Trump announced tariff rates on dozens of countries and pushed back the scheduled effective date to Aug. 7, adding more uncertainty to the global trade picture.

"The market has been felled by a one-two punch of additional tariffs, as well as the weaker-than-expected employment data — not only for this month, but for the downward revisions to the prior months," said Sam Stovall, chief investment strategist at CFRA.

Trump's decision to order the immediate firing of the head of the government agency that produces the monthly jobs figures will only fuel the market's uncertainty, Stovall added.

The surprisingly weak hiring numbers led investors to step up their expectations for an interest rate cut in September. The market's odds of a quarter-point cut by the Federal Reserve rose to around 87% from just under 40% a day earlier, according to data from CME FedWatch.

The question now: Will the Fed's policymakers consider a half-point cut next month, or even a quarter-point cut sometime before their next committee meeting, Stovall said.

The yield on the 10-year Treasury fell to 4.21% from 4.39% just before the hiring report was released. That's a big move for the bond market. The yield on the two-year Treasury, which more closely tracks expectations for Fed actions, plunged to 3.68% from 3.94% just prior to the report's release.

The Fed has held rates steady since December. A cut in rates would give the job market and overall economy a boost, but it could also risk fueling inflation, which is hovering stubbornly above the central bank's 2% target.

An update on Thursday for the Fed's preferred measure of inflation showed that prices ticked higher in June, rising to 2.6% from 2.4% in May. The Fed has remained cautious about cutting interest rates because of worries that tariffs will add more fuel to inflation and weigh down economic growth.

The central bank, though, also counts "maximum employment" as one of its two mandates along with keeping prices stable. Issues with either of those goals could prompt a shift in policy.

The Fed held rates steady again at its most recent meeting this week. Fed Chair Jerome Powell has been pressured by Trump to cut the benchmark rate, though that decision isn't his to make alone, but belongs to the 12 members of the Federal Open Market Committee.

“What had looked like a Teflon labor market showed some scratches this morning, as tariffs continue to work their way through the economy,” said Ellen Zentner, chief economic strategist for Morgan Stanley Wealth Management. “A Fed that still appeared hesitant to lower rates may see a clearer path to a September cut, especially if data over the next month confirms the trend.”