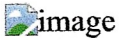


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Bonds Rally, Stocks Dip on Jobs Data

BY VICKY GE HUANG

Bonds rallied and stocks fell after the latest batch of jobs data darkened the outlook for the U.S. economy.

The weak jobs report sparked a rally in U.S. government debt, causing shorterterm treasury yields to settle at their lowest levels since 2022. Traders now think a September interest-rate cut is a virtual lock, and many expect the Federal Reserve to lower the benchmark as many as two more times by the end of the year.

Stocks opened higher and climbed to new intraday records on the prospects of a more assertive Fed. But by midmorning, investors were dwelling on the hiring slowdown.

“You are seeing that the equity market is concerned that with such a weak number today, the economy is doing much worse than anticipated,” said Megan Horneman, chief investment officer at Verden Capital Advisors.

The S&P 500 declined 0.3%, the tech-focused Nasdaq edged lower by less than 0.1% and the Dow Jones Industrial Average decreased 220 points, or 0.5%. Worries over the economic outlook pushed down shares in the S&P energy and financials sectors by 2% and 1.8%, respectively.

For the week, the S&P rose 0.3% and the Nasdaq added 1.1%, while the Dow retreated 0.3%. Stocks reached new highs earlier in the week, with investors betting the economy would slow just enough to justify rate cuts without triggering recessionary fears.

The yield on the 2-year Treasury note, which is especially sensitive to Fed rate policy, dropped to 3.506%. Tenyear yields, an indicator of borrowing costs across the economy, declined to 4.085%. Bond yields and prices move inversely.

The August payrolls report indicates a significant slowdown in the labor market.

The disappointing data, along with this week’s key economic reports, confirmed a slowdown is taking hold. Some traders now see a path to steeper rate cuts, with interest-rate derivatives pricing in a 10% chance of a half-percentage-point cut later this month, according to CME Group data.

President Trump, who has consistently pressured Fed Chair Jerome Powell to lower rates, took to his social-media platform on Friday to criticize the central bank’s timing. “Jerome ‘Too Late’ Powell should have lowered rates long ago,” he wrote. “As usual, he’s ‘Too Late!’”

Some investors believe it is too soon to bet on rate cuts to boost the economy and risk assets. A trifecta of ongoing tariff uncertainty, tightening immigration restrictions and the growing adoption of artificial intelligence could continue to cause labor-market weakness, they said.

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"It's going to take a lot of rate cuts to get economic activity revitalized, because the economy is just not as interest rate sensitive as it has been in the past," said Eric Teal, chief investment officer at Comerica Wealth Management.

Kenvue, the maker of Tylenol, plummeted 9.3% after The Wall Street Journal reported that Health Secretary Robert F. Kennedy Jr. plans to link the pain medication to autism in a report.

Broadcom shares rose 9.4% on the back of a profitable quarter and news that OpenAI is working with the company to develop custom artificialintelligence chips.

Tesla shares gained 3.6% after the electric-vehicle maker's board asked investors to approve a new pay package for CEO Elon Musk.

FRIDAY'S MARKETS

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