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Bonds rise after weak jobs report

Treasury prices climb after the Labor Department says 80,000 jobs were eliminated in March, renewing recession fears.

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NEW YORK-- Bonds closed higher Friday after a disappointing report on the U.S. job market raised fears that the economy is in a recession.

The Labor Department's March jobs report showed a loss of 80,000 jobs, marking the third consecutive month of job declines. Economists were expecting a loss of 50,000 jobs in March, according to a consensus estimate compiled by Briefing.com.

Job cuts in the previous two months were also revised higher.

Meanwhile, the unemployment rate shot up to 5.1% from 4.8% in February. That reading was also higher than expected.

The monthly jobs report is a key indicator about the health of the economy and many economists believe that sustained weakness in the labor market is evidence that a recession is underway. It also juiced the Treasury market, which usually rises when investors are concerned about the economy and look for less risky investments.

"Certainly some of the movement is in response to the labor market numbers that came out this morning," said Barrett Capital Management Chief Information Officer Russell Lundeberg Jr.

But much of the bond movement came because of a much weakened dollar, which fell sharply against the 15-nation euro, British pound, and Japanese yen Friday.

"When the dollar is weakened, foreign central banks move money into U.S. dollars to help support the currency so they don't see more weakening than they want, Lundeberg added."

The benchmark 10-year Treasury note rose 26/32 to 100 5/32 with a yield of 3.47%, down from 3.60% late Thursday.

The 2-year note gained 4/32 at 99 27/32 with a yield of 1.81%, down from 1.90%.

The 30-year long bond rose 1 12/32 to 101 1/32 with a yield of 4.31%, down from 4.49% the day before.

Bond prices and yields move in opposite directions.

The state of the labor market will be an important factor influencing the Federal Reserve's thinking on interest rates. The central bank is scheduled to meet on April 29-30.

Investors who place bets using Chicago Board of Trade options were pricing in a 100% chance of at least another quarter-point cut before the job report was released. After the jobs report was released, the chance of a half-point cut rose to 38% from 20% late Thursday.