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What to watch

Healing job market raises Fed questions

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The job market and Federal Reserve policy are joined at the hip. That's why Friday's blowout April jobs report has started nervous chatter on Wall Street about whether the Fed could start hiking short-term interest rates, currently pegged at an investor-friendly 0%-0.25%, sooner and more aggressively than believed.

The short answer is the better-than-expected 288,000 jobs created last month, coupled with the sharp drop in the unemployment rate to 6.3%, its lowest level since fall 2008, is still likely not enough to prompt the Fed to fast-forward its rate-hike schedule, Jack Allen of Capital Economics told clients after the good news on the jobs front was announced.

"Despite the unexpected strength of the data," Allen wrote, "we do not think they change the outlook for U.S. monetary policy very much."

The hiring surge, for one, could be a temporary post-winter-freeze surge. Allen also points out that Fed Chair Janet Yellen has repeatedly said there are a number of other indicators that point to "plenty of slack" in the labor market. "We think the Fed will wait until midway through next year before hiking rates," he says.

But that doesn't mean Wall Street won't be debating whether the Fed could move sooner rather than later after Friday's great headline numbers on jobs, warns Don Rissmiller of Strategas Research Partners.

"There should be more talk of Fed tightening," he told clients. And Fed talk often leads to market volatility.