Bond Yields Retreat on Signs of Economic Softening

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A flurry of data releases on Tuesday and Wednesday suggest the U.S. economy, although still expanding, is slowing in the first quarter of 2024. Most of this week's numbers came in below forecast.

The composite ISM Services Index for February (released yesterday) slipped from 53.4 to 52.6, *although the subindexes were mixed.*

- The employment index, expected to rise, actually fell from 50.5 *into contraction territory* at 48.0 as purchasing managers expect to hire fewer workers in the coming months.
- The prices paid index retreated from 64.0 to 58.6. Because this inflation measure is still substantially above the 50 mark, companies in general are still experiencing rising prices, but the lower index reading indicates recent softening.
- The forward looking new orders index actually rose from 55.0 to 56.1 indicating an increased number of purchasing managers reported a rise in orders.

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