Bond Yields Steady Despite Soft ISM Data and Stagflation Concerns

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The July ISM Services PMI came in at 50.1, avoiding contraction (< 50) but falling short of expectations for 51.5. The report revealed a mix of weak demand and rising costs. The employment index dropped to 46.4, one of the lowest levels since the pandemic, and contracted for the fourth time in five months. The prices paid measure for materials and services climbed to the highest level since October of 2022. Bloomberg noted that *hiring is slowing even as firms face rising input costs, painting a picture of stagflation*, slowing growth alongside elevated inflation. The services sector is important because it accounts for roughly 70% of U.S. GDP and employs most American workers.

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