Weak ISM Report Reverses Employment Report Selloff

Scott McIntyre

The bond market sold off in early trading following an unexpected rise in wages and a drop in the labor force participation rate, but reversed course and rallied big after the ISM service index showed U.S. purchasing managers had suddenly become less optimistic.

Nonfarm payrolls rose +216k in December, topping the +175k median forecast. However, revisions to the previous two months subtracted -71k, *so net payrolls were actually a bit weaker.* Employment gains moderated in the second half of 2023 with an average of +213k jobs added to company payrolls, down from +311k in the first half, but the labor market remains surprisingly solid despite the Fed's efforts to cool the economy.

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