Stocks rally on G20 Trade Optimism as ISM Factory Index Slips Further

Trade Talks With China Resume After G20 Summit
On Saturday, the U.S. and China agreed to restart talks that have been stalled since early May. President Trump promised to freeze existing tariffs at current levels and not to impose new tariffs on an additional $300 billion in Chinese imports. The U.S. also agreed to allow Chinese tech giant Huawei Technologies to buy U.S. made microchips. China in turn promised to buy more U.S. agricultural products. The markets breathed a collective sigh of relief.

Stocks rallied big from the opening bell on optimism that a trade deal would eventually be struck, although this rally of hope has been going on for a while already. The S&P500 is now at a new record high.

Bonds are flat in early trading, adopting a we’ll believe it when we see it stance.

Factory Index Declines In June
The Institute for Supply Management slipped from 52.1 to 51.7 in June as U.S. purchasing managers continue to feel the pressure and uncertainty of trade dispute(s). It was the third straight decline in the ISM factory index and lowest level in nearly three years. The new orders index fell from 52.7 to 50 (the dividing line between expansion and contraction), while the prices paid index dropped from 53.2 to 47.9, reflecting lower energy prices. Oddly enough, the employment index rose from 53.7 to 54.5, signaling that factory managers generally expect to hire more workers in the coming months.

A number of regional factory indexes released over the past couple weeks had been significantly weak, which hinted that this morning’s ISM number could drop below the 50 mark, but for now the expansion continues, albeit at a slower pace.

The national purchasing managers surveys have historically been reliable leading indicators of the economy as a whole.

It’ll be a shortened holiday week, with the always anticipated monthly employment report scheduled for release on Friday morning.

Please see disclosure on page 2.
Market Indications as of 10:30 A.M. Central Time July 1, 2019

DOW Up 122 to 26,722
NASDAQ Up 94 to 8,100
S&P 500 Up 26 to 2,968 NEW RECORD HIGH
1-Yr T-bill current yield 1.93%; opening yield 1.93%
2-Yr T-note current yield 1.77%; opening yield 1.76%
5-Yr T-note current yield 1.77%; opening yield 1.77%
10-Yr T-note current yield 2.01%; opening yield 2.01%
30-Yr T-bond current yield 2.53%; opening yield 2.53%