

## Bond Yields Rise on Expectedly Strong ADP and ISM Reports

The monthly ADP report showed +497k jobs added to private payrolls in June, *more than double the median forecast with the biggest increase in 16 months*. Most of the job gains were concentrated in the worker-starved industries of leisure and hospitality (+232k) and construction (+97k). Notable job drain was evident in manufacturing (-42k). The May ADP survey also showed a rise in the quits rate and a decrease in layoffs. *Both are consistent with an improving labor market.*

This morning's unexpectedly strong ADP data suggests an upside surprise to tomorrow's release of the June employment report from Bureau of Labor Statistics. It also solidifies Fed resolve to resume rate hikes at the July FOMC meeting.

In other news this morning, the Job Openings and Labor Turnover Survey (JOLTS) showed a disappointingly slight decrease in the number of available jobs in May. The still bloated 9.8 million total was down from an upwardly revised 10.3 million in April. By comparison, there were 6.1 million unemployed Americans actively seeking work in May, *meaning available jobs still outnumber jobseekers by a considerable margin.*

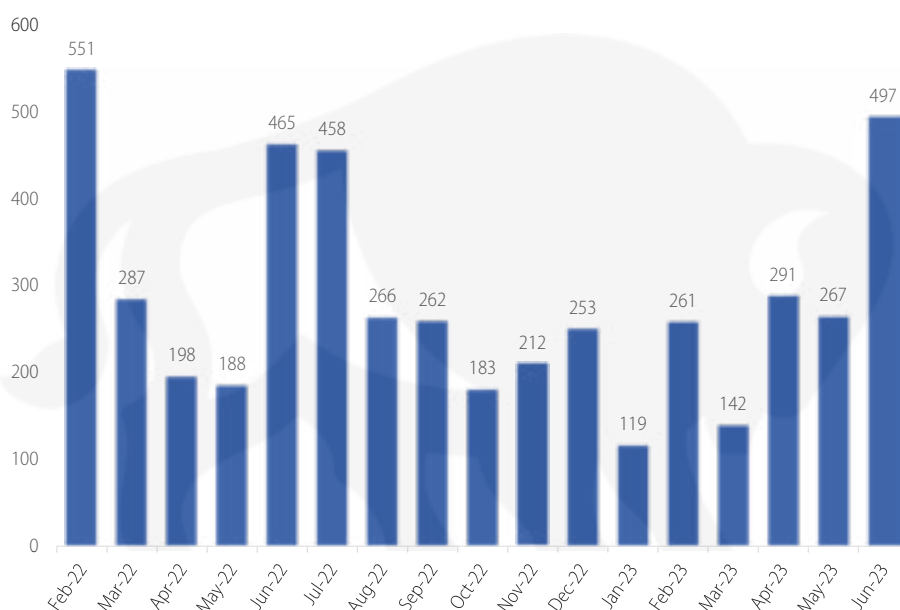
**Scott McIntyre, CFA**

HilltopSecurities Asset Management  
Senior Portfolio Manager  
Managing Director  
512.481.2009  
scott.mcintyre@hilltopsecurities.com

**Greg Warner, CTP**

HilltopSecurities Asset Management  
Senior Portfolio Manager  
Managing Director  
512.481.2012  
greg.warner@hilltopsecurities.com

### ADP Payrolls Total Change (in thousands)



Source: Automatic Data Processing, Inc / Bloomberg

The ISM service index, a reliable leading indicator, climbed to a four-month high of 53.9 in June, *exceeding all 60 forecasts in the Bloomberg economist survey*. In the ISM reports, any number above 50 indicates *expansion*. Fifteen service industries experienced growth in June, while just three contracted.

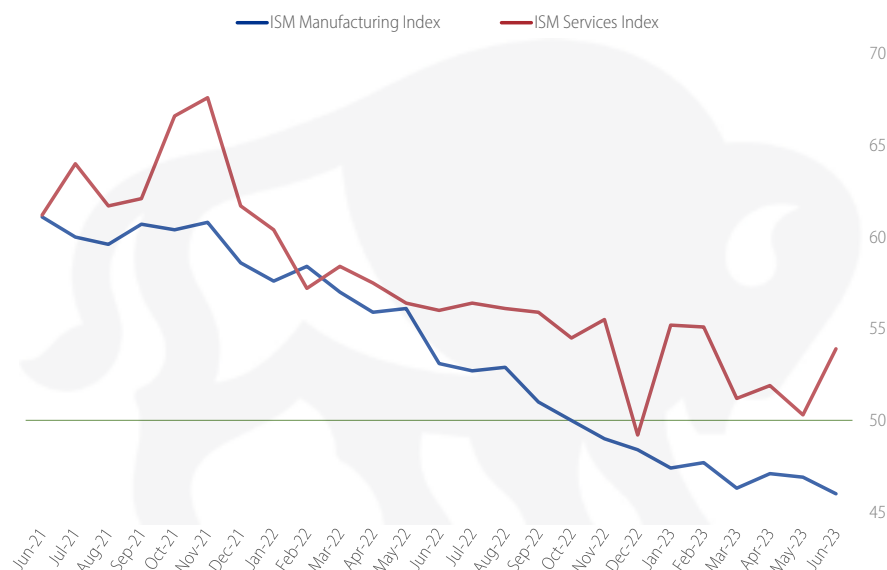
Within the composite, the current business activity index surged from 51.5 to a quite healthy 59.2, while the forward-looking new orders index rose from 52.9 to 55.5. The

*This morning's unexpectedly strong ADP data suggests an upside surprise to tomorrow's release of the June employment report from Bureau of Labor Statistics. It also solidifies Fed resolve to resume rate hikes at the July FOMC meeting.*

*The May ADP survey also showed a rise in the quits rate and a decrease in layoffs. Both are consistent with an improving labor market.*

employment index climbed from 49.2 to 53.1, while the prices paid index fell from 56.2 to 54.1, the lowest since the pandemic began in March 2020.

## ISM Purchasing Managers Index



The June ISM manufacturing survey signaled continued weakness in the factory sector as just four of 18 industries showed growth, a striking contrast to the services report but consistent with consumer preference for services over goods.

Source: Institute for Supply Management

On Monday, the June ISM manufacturing survey signaled continued weakness in the factory sector as just four of 18 industries showed growth, a striking contrast to the services report but consistent with consumer preference for services over goods.

The headline manufacturing index slipped to a three-year low of 46.0, the eighth straight sub-50 reading, indicating contraction, following 28 straight months of expansion. Within the composite, the current production index fell from 51.1 to 46.7, while the forward-looking new orders index actually improved a bit, rising from 42.6 to 45.6. The employment index dropped from 51.4 to 48.1 and the prices paid index declined from 44.2 to 41.8.

Yields are significantly higher across the curve in early trading as investors absorb the latest batch of unexpected strength in the economy, now realizing monetary policy will require higher rates for a longer period.

Yields are significantly higher across the curve in early trading as investors absorb the latest batch of unexpected strength in the economy, now realizing monetary policy will require higher rates for a longer period.

## Market Indications as of 10:27 A.M. Central Time

DOW	Down -485 to 33,803 (HIGH: 36,800)
NASDAQ	Down -210 to 13,581 (HIGH: 16,057)
S&P 500	Down -61 to 4,386 (HIGH: 4,797)
1-Yr T-bill	current yield 5.47%; opening yield 5.34%
2-Yr T-note	current yield 5.07%; opening yield 4.94%
3-Yr T-note	current yield 4.77%; opening yield 4.61%
5-Yr T-note	current yield 4.43%; opening yield 4.25%
10-Yr T-note	current yield 4.08%; opening yield 3.94%
30-Yr T-bond	current yield 4.02%; opening yield 3.93%

*The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.*

*Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.*