

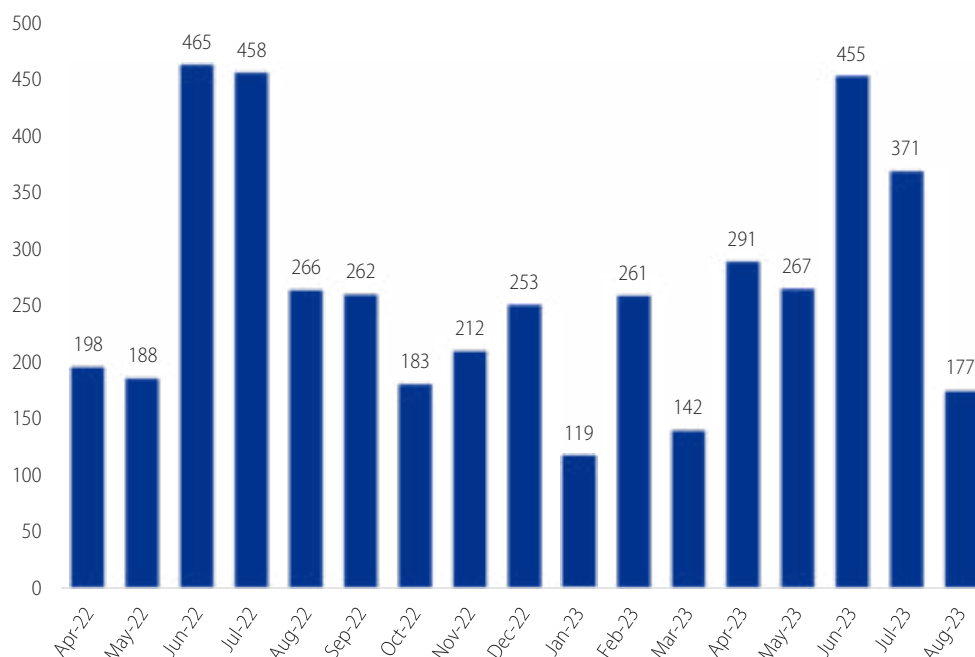
Bond Yields Lower on Slightly Weaker Data

This morning, second quarter GDP was revised downward from +2.4% to +2.1%, while the GDP price index was lowered from +2.2% to +2.0%. Neither of these admittedly stale releases are significant on their own, but any indication of lower economic growth and easing price pressure suggest Fed policy might be having the desired effect. The consumer spending component of GDP was actually revised higher, but business fixed investment and net inventories were lowered.

In other news from this morning, the ADP employment change report showed +177k net jobs were added to company payrolls in August, less than half the revised number reported in July. Although there is very little month-to-month correlation between the ADP and the more important Bureau of Labor Statistics report, the slighter weaker ADP data hints at downside risk to Friday's BLS payroll number.

Yesterday, the Job Openings and Labor Turnover Survey (JOLTS) showed a significant decline in the number of available jobs, narrowing the still wide gap between jobs and jobseekers. Posted openings fell by -338k to 8.8 million, the lowest in more than two years, and well below the 11.5 million peak in March 2022. Unfortunately, there are only 5.8 million unemployed Americans who have looked for work in the past 30 days. Although the labor imbalance was heightened by the pandemic, it had been a problem before COVID struck. Posted job openings are now back to their pre-pandemic trend.

ADP Payrolls Total Change (in thousands)



Source: Automatic Data Processing, Inc / Bloomberg

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Another small bright spot within the July JOLTS report is “the quits rate,” which fell to 2.3%, also back to pre-pandemic levels. This decline in workers voluntarily leaving their jobs suggests fading confidence that a better position can easily be found at another company.

Yields have fallen across the curve over the past week as investors recognize value in bonds trading near their cheapest levels in decades. The Fed may or may not have concluded its tightening campaign after hiking rates by a combined 525 basis points over a 16-month period, but with real yields now squarely in positive territory, value is apparent.

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Market Indications as of 10:53 A.M. Central Time

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| DOW | Up 43 to 34,896 (HIGH: 36,800) |
| NASDAQ | Up 72 to 14,016 (HIGH: 16,057) |
| S&P 500 | Up 18 to 4,516 (HIGH: 4,797) |
| 1-Yr T-bill | current yield 5.39%; opening yield 5.37% |
| 2-Yr T-note | current yield 4.87%; opening yield 4.91% |
| 3-Yr T-note | current yield 4.56%; opening yield 4.60% |
| 5-Yr T-note | current yield 4.25%; opening yield 4.29% |
| 10-Yr T-note | current yield 4.10%; opening yield 4.13% |
| 30-Yr T-bond | current yield 4.23%; opening yield 4.24% |

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