Bonds Rally on Fewer Job Openings

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The Job Openings and Labor Turnover Survey (JOLTS) showed a significant reduction in the number of available jobs in October. Total job openings fell from a revised 9.35 million to 8.73 million, *the lowest level since March 2021* and well below forecasts. At this point, there are 1.3 jobs available for every active jobseeker. It's still a mismatch, but recent improvement is evident. As balance is restored, wages should continue to moderate which supports an overall reduction in inflation.

The "quits rate," which many believe is a better indicator than job openings, held steady at 2.3% for the fourth straight month. This still-elevated level suggests workers remain confident that a better job will become available.

Also this morning, the ISM services survey showed purchasing managers were a little more optimistic at the end of November. The composite services index climbed from 51.8 to 52.7, signaling expansion (above 50) for the 11th consecutive month, in direct contrast to the goods-producing sector of the economy which has indicated contraction (below 50) for 13 straight months.

The current activity index rose from 54.1 to 55.1 while the new orders index was unchanged at 55.5, *both solid*. The employment index increased from 50.2 to 50.7, which suggests that purchasing managers are experiencing the more balanced labor conditions signaled by the October JOLTS report. And the prices paid index dropped from 58.6 to 58.3, the lowest since July, hinting at further reduction in inflation.

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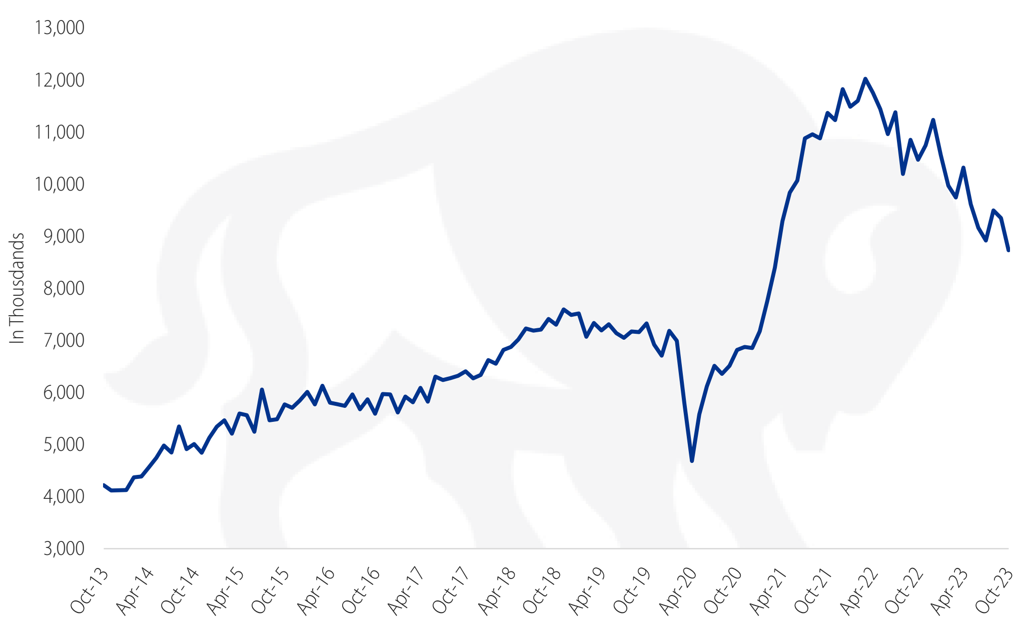
Job Opening and Labor Turnover Survey (JOLTS)



Source: Bureau of Labor Statistics

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The bond market could have gone either way this morning. The improved service sector outlook bodes well for the economy, but the considerable drop in job postings indicates the opposite. *In early trading, the bond market is rallying once again*. Sentiment has shifted. Although the economy seems to be holding up reasonably well, investors clearly have doubts about the near future.

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The Bloomberg economic team now expects the Fed to begin easing at the March 22 FOMC meeting and believes the committee will cut by a total of 125 basis points next year. The bond market, after rallying hard over a six-week period, is mirroring this forecast. Policymakers will release their first "dot plot" since September at the conclusion of next Wednesday's meeting, and Fed Chair Powell will have another opportunity at the post-meeting press conference to redirect if he doesn't agree with the market's path.

Market Indications as of 10:08 A.M. Central Time

DOW	Down -68 to 36,136 (HIGH: 36,800)
NASDAQ	Up 95 to 14,280 (HIGH: 15,871)
S&P 500	Up 5 to 4,575 (HIGH: 4,797)
1-Yr T-bill	current yield 5.07%; opening yield 5.07%
2-Yr T-note	current yield 4.60%; opening yield 4.63%
3-Yr T-note	current yield 4.35%; opening yield 4.39%
5-Yr T-note	current yield 4.15%; opening yield 4.21%
10-Yr T-note	current yield 4.17%; opening yield 4.25%
30-Yr T-bond	current yield 4.31%; opening yield 4.41%