

Yields Rise on Expectations for Less Aggressive Rate Cuts

This morning, the ISM Services Index for January rose from 50.5 to 53.4, well above the 52.0 median forecast. Several key components unexpectedly climbed, including the forward-looking new orders index (52.8 to 55.0) and the employment index (43.8 to 50.5). The current production index was unchanged with a solid 55.8 reading, while the prices paid index jumped from 56.7 to 64.0 as purchasing managers reported higher transport costs as a result of conflict in the Red Sea.

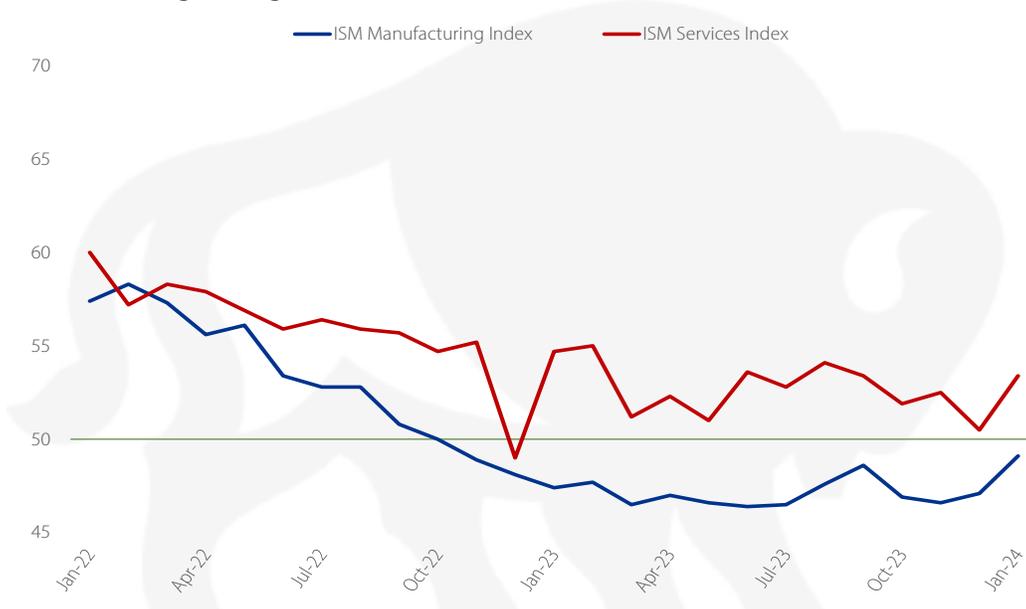
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Fed Chairman Powell has been reluctant to declare victory on inflation and has repeatedly emphasized the prevailing global uncertainty. Last night, Powell had an unusually large audience listening on *60 Minutes*, and his overriding message was that *the Fed is in no hurry to cut rates*. This morning, the recent bond market selloff that began with Friday's strong labor market report continues as investors embrace Powell's patience.

ISM Purchasing Managers Index



Source: Institute for Supply Management

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

DOW	Down -379 to 38,277 (HIGH: 38,654)
NASDAQ	Down -110 to 15,519 (HIGH: 15,629)
S&P 500	Down -29 to 4,930 (HIGH: 4,959)
1-Yr T-bill	current yield 4.87%; opening yield 4.79%
2-Yr T-note	current yield 4.47%; opening yield 4.39%
3-Yr T-note	current yield 4.27%; opening yield 4.17%
5-Yr T-note	current yield 4.13%; opening yield 4.02%
10-Yr T-note	current yield 4.17%; opening yield 4.05%
30-Yr T-bond	current yield 4.35%; opening yield 4.24%

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