

Bond Yields Rise on Signs of Factory Improvement

The Institute for Supply Management (ISM) manufacturing index rose 2.5 percentage points in March to 50.3, well above the 48.3 median forecast and *signaling expansion (above 50) in the factory sector for the first time since October 2022.*

The current production index was the primary driver, up 6.2 points, well into expansion territory at 54.6. The forward-looking new orders index also moved into expansion territory at 51.4, suggesting this apparent rise in factory outlook could have legs.

The prices paid index climbed from 52.5 to 55.8 as an increasing number of factory managers reported higher prices last month. The employment sub-index rose from 45.9 to 47.4, still indicating contraction (below 50) but suggesting some improvement in hiring.

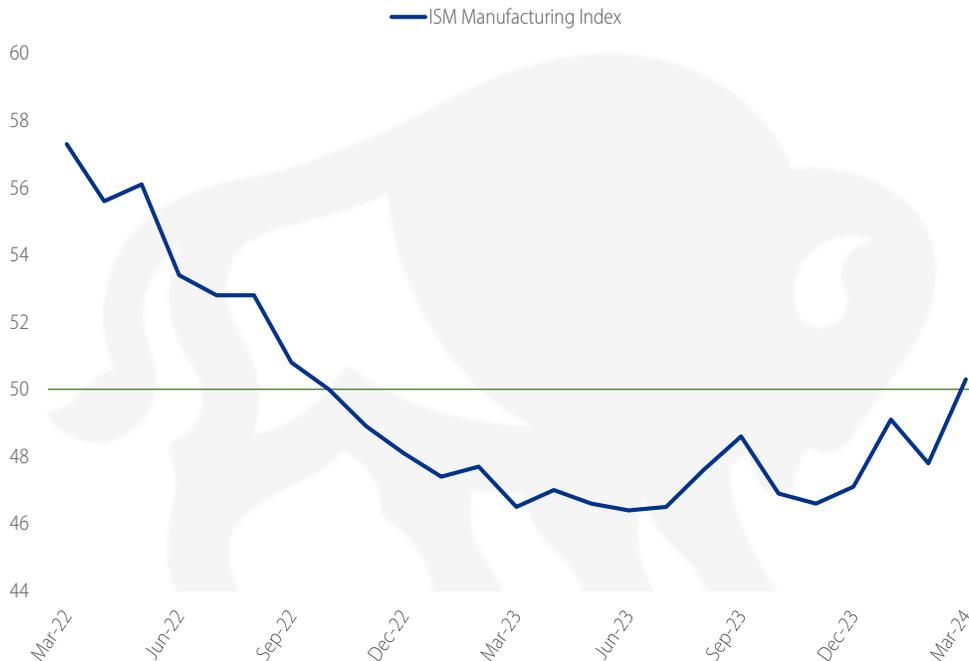
According to the Institute of Supply Management, four of the six biggest industries, representing 54% of manufacturing GDP (Food, Beverage & Tobacco Products; Fabricated Metal Products; Chemical Products; and Transportation Equipment) registered growth in March.

The combination of improved factory output, higher factory prices and increased hiring expectations in a sector of the economy believed to be struggling has unnerved the markets this morning.

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ISM Purchasing Managers Index



The forward-looking new orders index also moved into expansion territory at 51.4, suggesting this apparent rise in factory outlook could have legs.

Source: Institute for Supply Management

The ISM surveys are timely and comprehensive but in the case of the manufacturing index, pessimism was assumed and accepted. The surprise improvement suggests stronger economic growth going forward and questions the narrative that the service sector is the sole driver of GDP.

Bond yields are higher across the board as investors anticipate Fed rate cuts to be further delayed.

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Market Indications as of 10:58 A.M. Central Time

DOW	Down -297 to 39,511 (HIGH: 39,807)
NASDAQ	Down -43 to 16,336 (HIGH: 16,429)
S&P 500	Down -18 to 5,237 (HIGH: 5,254)
1-Yr T-bill	current yield 5.08%; opening yield 4.99%
2-Yr T-note	current yield 4.72%; opening yield 4.60%
3-Yr T-note	current yield 4.52%; opening yield 4.39%
5-Yr T-note	current yield 4.34%; opening yield 4.20%
10-Yr T-note	current yield 4.33%; opening yield 4.19%
30-Yr T-bond	current yield 4.46%; opening yield 4.35%

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