

## Yields Climb as Q1 Employment Costs Exceed Forecasts

The Bureau of Labor Statistics reported the employment cost index (ECI), which includes both wages and benefits, rose by a higher-than-expected +1.2% in the first quarter. This matched the highest reading in a year, and was above the +0.9% measure from the fourth quarter of 2023 as well as the +1.0% median forecast. On a seasonally-adjusted annual basis, overall ECI was up +4.2%, only marginally lower than the prior 12-month period.

According to the *Economic Policy Institute*, 21 states boosted the minimum wage on January 1st, with an estimated annual increase ranging from \$458 to \$3,120. This clearly impacted wages in the first quarter, but *should be a one-off occurrence*. Unfortunately, confirmation is three months away.

The two-day May FOMC meeting begins today. Committee members consider the ECI to be a more appropriate inflation measure than average hourly earnings. As a result, the bond market is selling off once again under the impression that Fed officials will see this morning's hot data and strike a more hawkish tone. The bar is still relatively high for any additional rate hikes, but rate cuts are being pushed further out with every disappointing inflation reading. At this point, the bond market is signaling *just one quarter point cut for 2024*.

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

### Market Indications as of 8:46 A.M. Central Time

DOW	Down -148 to 38,238 (HIGH: 39,807)
NASDAQ	Down -42 to 15,941 (HIGH: 16,442)
S&P 500	Down -17 to 5,100 (HIGH: 5,254)
1-Yr T-bill	current yield 5.23%; opening yield 5.18%
2-Yr T-note	current yield 5.01%; opening yield 4.97%
3-Yr T-note	current yield 4.88%; opening yield 4.81%
5-Yr T-note	current yield 4.70%; opening yield 4.64%
10-Yr T-note	current yield 4.66%; opening yield 4.61%
30-Yr T-bond	current yield 4.78%; opening yield 4.73%

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