

ISM Survey Indicates Fading Service Demand and Higher Prices

The ISM Service Index for April dropped from 51.4 to 49.4, indicating *contraction* (sub-50) for the first time since late 2022. Within the composite, the business activity index (a measure of current production) dropped from 57.4 to 50.9, *a four-year low*. The employment sub-index (already in contraction) slipped from 48.5 to 45.9 as purchasing managers expect to hire fewer workers in the coming months. The forward-looking new orders index declined from 54.4 to 52.2, *still expanding but at a lesser pace*.

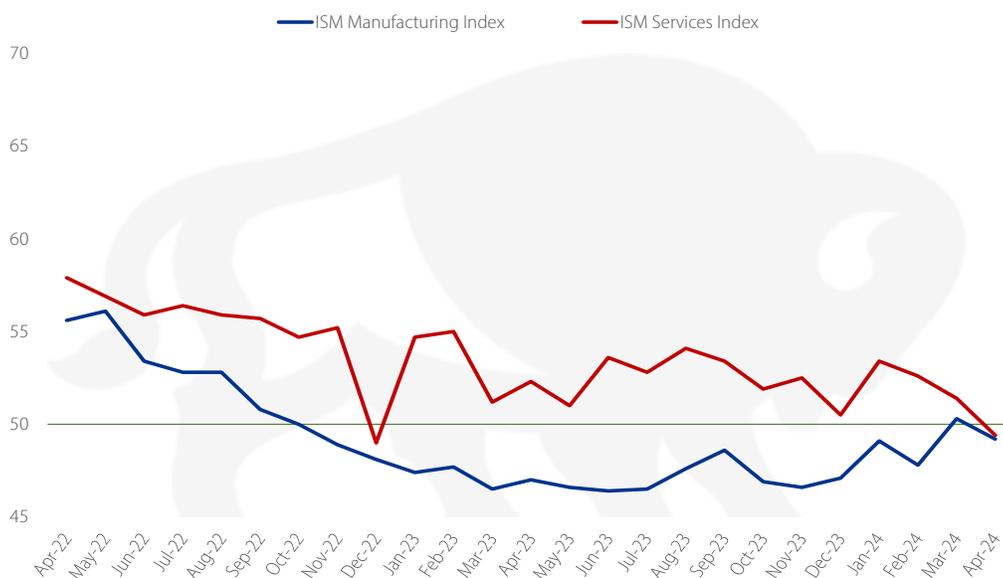
The only major index not supporting a market rally was the inflation gauge. The prices paid index jumped from 53.4 to a three-month high of 59.2 as an increased number of service managers reported higher costs.

Earlier this week, the ISM *manufacturing* index for April dipped back into mild contraction territory, although the headline was less important than the inflation sub-index which indicated factory costs were rising. The overall factory composite index slipped from 50.3 to 49.2, not an especially big move, but below the theoretical line separating expansion from contraction.

The employment index rose from 47.4 to 48.6. Most factory managers still expect to hire fewer workers in the coming months, but there is some improvement. The new orders index fell from 51.4 to 49.1, reflecting slightly less future demand. And, the prices paid index climbed from 55.8 to 60.9 as an increasing number of factory managers reported higher costs in April.

The ISM surveys are normally reliable indicators, so while reports of slowing demand are welcome, signs of lingering price pressure is not.

ISM Purchasing Managers Index



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

The only major index not supporting a market rally was the inflation gauge. The prices paid index jumped from 53.4 to a three-month high of 59.2 as an increased number of service managers reported higher costs.

While reports of slowing demand are welcome, signs of lingering price pressure is not.

Market Indications as of 10:18 AM. Central Time

DOW	Up 355 to 38,581 (HIGH: 39,807)
NASDAQ	Up 265 to 16,106 (HIGH: 16,442)
S&P 500	Up 43 to 5,107 (HIGH: 5,254)
1-Yr T-bill	current yield 5.13%; opening yield 5.10%
2-Yr T-note	current yield 4.81%; opening yield 4.88%
3-Yr T-note	current yield 4.64%; opening yield 4.72%
5-Yr T-note	current yield 4.49%; opening yield 4.57%
10-Yr T-note	current yield 4.52%; opening yield 4.57%
30-Yr T-bond	current yield 4.68%; opening yield 4.72%

The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.

Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 717 N. Harwood St., Suite 3400, Dallas, Texas 75201, (214) 859-1800, 833-4HILLTOP.