

Signs of Economic Strengthening Nudge Bond Yields Higher

Job openings rose for the second consecutive month, reaching a six-month high, while a key purchasing managers index showed increased service activity and an unwelcome surge in prices paid. While the incoming president proposes stimulative measures to add fuel to an economy (that doesn't seem to be slowing down), inflation expectations have increased.

The Job Openings and Labor Turnover Survey (JOLTS) indicated the number of posted jobs climbed from 7.8 to 8.1 million in November, with large increases in business and professional services, finance and insurance. Job postings fell in the manufacturing sector, as well as lower paying leisure and hospitality. At this point, the ratio of available jobs to jobseekers is just below 1.2 to 1. However, the voluntary "quits rate" fell from 2.1% to 1.9%, matching the lowest point since May 2020. This is consistent with an uncertain outlook and waning confidence that an alternate job can easily be found.

In other news, the Institute for Supply Management's services index rose from 52.1 to 54.1, indicating expansion (above 50) for the sixth consecutive month. ISM reported the strength was primarily due to improved supplier deliveries and business activity, *some of which was driven by preparation for possible port strikes and trade tariffs in early 2025.*

The prices paid index jumped from 58.2 to a 22-month high of 64.4 as an increased number of purchasing managers reported higher prices last month. A significant number of respondent's comments were focused on tariffs and uncertainty surrounding Trump administration policies.

Nine of 15 service sectors reported growth in December (notably finance & insurance, retail trade, health and social assistance and food services), while six contracted. Among the service areas weakening last month were interest-sensitive real estate and labor-intensive agriculture.

Bond yields are higher in early trading, with the 10-year Treasury note touching 4.70% for the first time since April, and the 30-year bond reaching 4.90% for the first time since November 2023.

Market Indications as of 10:34 A.M. Central Time

DOW	Up 13 to 42,720 (HIGH: 45,014)
NASDAQ	Down -210 to 19,655 (HIGH: 20,174)
S&P 500	Down -28 to 5,947 (HIGH: 6,090)
1-Yr T-bill	current yield 4.19%; opening yield 4.15%
2-Yr T-note	current yield 4.30%; opening yield 4.28%
3-Yr T-note	current yield 4.37%; opening yield 4.34%
5-Yr T-note	current yield 4.48%; opening yield 4.43%
10-Yr T-note	current yield 4.69%; opening yield 4.63%
30-Yr T-bond	current yield 4.92%; opening yield 4.85%

Please see disclosure starting on page 2

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