

## Tensions Ease as Mexican Tariffs Postponed

The financial markets opened this morning amid extreme uncertainty and concerns that trade tariffs, set to begin after midnight, could quickly escalate. But shortly after the markets opened, the trade narrative shifted on the announcement that tariffs on Mexico would be postponed for a month after Mexican President Claudia Sheinbaum agreed to send 10,000 soldiers to the border to focus on drug trafficking. This preliminary agreement hints at a willingness to negotiate and deescalates concerns of a lengthy global trade war (*for now*). It also illustrates how quickly this situation can evolve.

In other news this morning, the ISM manufacturing index climbed above the 50 mark in January, indicating *expansion* for the first time since October 2022. The composite factory measure rose from 49.2 to 50.9 as both the current production and new orders subindexes logged significant gains. A second consecutive rise in the prices paid index was the negative counterbalance, indicating that factory managers were bracing for tariff-related future increases.

### Market Indications as of 11:01 A.M. Central Time

DOW	Down -154 to 44,391 (HIGH: 45,014)
NASDAQ	Down -252 to 19,376 (HIGH: 20,174)
S&P 500	Down -35 to 6,006 (HIGH: 6,119)
1-Yr T-bill	current yield 4.18%; opening yield 4.14%
2-Yr T-note	current yield 4.24%; opening yield 4.27%
3-Yr T-note	current yield 4.27%; opening yield 4.30%
5-Yr T-note	current yield 4.33%; opening yield 4.38%
10-Yr T-note	current yield 4.52%; opening yield 4.56%
30-Yr T-bond	current yield 4.75%; opening yield 4.79%

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*This preliminary agreement hints at a willingness to negotiate and deescalates concerns of a lengthy global trade war (for now).*

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