

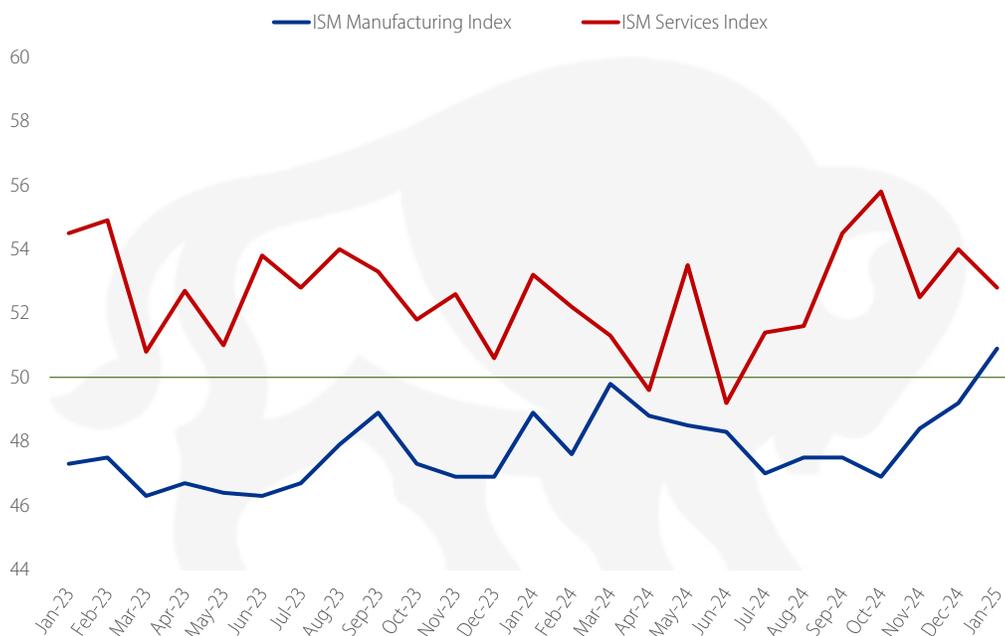
Service Managers Express Caution

The Institute for Supply Management (ISM) Services Index declined from 54 to 52.8 in January, still indicating expansion (above 50), *just at a lesser pace*. Fourteen service industry categories expanded last month, while three contracted. Among the weaker three were real estate, and rental and leasing.

- The business activity index slipped from 58 to a five-month low of 54.5. *Comments from purchasing managers suggested inclement weather had impacted activity.*
- The forward-looking new orders index dropped from 54.4 to 51.3, the lowest level since last June. *A number of survey participants indicated that tariff concerns prompted the more cautious outlook.*
- The employment index signaled expansion for the fourth straight month, with January's 52.3 measure being the highest since September 2023. *This is obviously positive as service industries have experienced hiring challenges for years.*
- The prices paid index retreated from a two-year high of 64.4 to 60.4, although still elevated as 11 of 17 service industries reported paying higher prices in January.

The ISM surveys are considered timely and reliable indicators. The January report signals caution and a less confident outlook among the nation's purchasing managers. Input prices are still rising, which suggests inflation continues to be a problem. But the notion that increases are tied to tariff concerns means prices could retreat when the tariff threat eventually passes.

ISM Purchasing Managers Index



Source: Institute for Supply Management

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In other news, Canada followed Mexico's lead late Monday in striking a last minute agreement with the Trump administration to bolster border security in exchange for a 30-day extension on imposed tariffs. When no agreement was reached with China, an additional 10% levy was placed on Chinese goods imported into the United States. China immediately announced it would impose a 15% tariff on U.S. coal and natural gas, as well as a 10% tariff on oil, farm equipment and select vehicles. In addition, China threatened to investigate Google for possible antitrust violations.

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Yesterday, sales of light vehicles fell from 16.8 to 15.6 million in January, well below forecast. Fewer cars and trucks are typically sold in the first month of the year, but the California fires and the extreme winter weather likely amplified the January sales miss.

The December JOLTS report was a mixed bag, with job openings lower, while other data suggested continued labor tightness. Job openings fell from a revised 8.16 million to a three-month low of 7.6 million. With 6.9 million Americans looking for work in December, the ratio of available jobs to active job seekers is still around 1.1 to 1.

The hiring rate and pace of layoffs remained near historical lows, while the so-called quits rate held steady at 2.0%, down from a high of 3.0% in early 2021. The sectors reducing their job postings included professional and business services, healthcare and social assistance, and finance and insurance. Analysts have questioned the reliability of the JOLTS data due a low response rate and significant revisions, but counting the number of available jobs every month is a clear benefit.

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Market Indications as of 10:40 A.M. Central Time

DOW	Up 70 to 44,626 (HIGH: 45,014)
NASDAQ	Down -53 to 19,601 (HIGH: 20,174)
S&P 500	Down -14 to 6,024 (HIGH: 6,119)
1-Yr T-bill	current yield 4.15%; opening yield 4.17%
2-Yr T-note	current yield 4.17%; opening yield 4.22%
3-Yr T-note	current yield 4.19%; opening yield 4.26%
5-Yr T-note	current yield 4.24%; opening yield 4.33%
10-Yr T-note	current yield 4.42%; opening yield 4.52%
30-Yr T-bond	current yield 4.65%; opening yield 4.76%

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