# Decline in Yields Halted by JOLTS

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The first data release of the new month brought an abrupt halt to the rally in bonds as the JOLTS figures for May failed to reinforce the view that a weak labor market would prompt the FOMC to cut interest rates at its late-July meeting. Job openings unexpectedly rose in May to the highest level since November. The number of available positions rose by 374k to 7.77 million, exceeding all estimates in Bloomberg's survey. The ratio of job openings per unemployed worker climbed modesty from 1.03 to 1.07. The Job Openings and Labor Turnover Survey (JOLTS) apparently benefitted from the de-escalation in tariff conflicts in May as tariff impacted industries such as transportation & warehousing (+60k) and manufacturing (+22k) saw gains. The lion's share of the increase came in leisure & hospitality services (+279k), an industry benefitting from demographic trends as baby boomers enjoy their retirement years. The JOLTS report presents a counter to the recent increase in continuing claims for unemployment benefits.

This morning also brought the ISM Manufacturing index which saw a very slight gain in June, ticking up from 48.8 to 49.0, indicating contraction for a fourth straight month (30 of the last 32 months have been below 50). The gain in the headline was driven by an increase in the production index, but nearly every other component, except for prices, fell. New orders dropped from 47.6 to 46.4; employment decreased from 46.8 to 45; order backlogs plunged 2.8 points, the most in a year, from 47.1 to 44.3 and have contracted for 33 straight months. The prices paid component ticked up to 69.7, the highest since June 2022. Although not awful, the ISM manufacturing report overall was weaker than the slight gain in the headline might suggest.

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Nine out of ten purchasing managers mentioned tariffs in their response and the highlighted comments, coming from the very industry the tariffs are supposed to help, were telling. These two examples succinctly capture the mood:

- "The tariff mess has utterly stopped sales globally and domestically. Everyone is on pause. Orders have collapsed."

- "Tariffs, chaos, sluggish economy, rising prices, Ukraine, Iran, geopolitical unrest around the world — all make for a landscape that is hellacious, and fatigue is setting in due to dealing with these issues across the spectrum. Unfortunately, this is just the beginning unless something drastically changes, but the supply chain implications will grow — depots will not be stocked, less material will be available, and it will take years for domestic production to handle the needs (if companies even want to)."

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In other news today, the president's "One Big Beautiful Bill" passed the Senate 51-50 as Vice President JD Vance cast the tie-breaking vote. The measure now goes back to the House where a vote is expected this week, though passage is not a sure thing.

The recent rally in bonds, which had pushed yields on the two-year Treasury into the low 3.70s and the ten-year below 4.20% was stymied by the JOLTS data this morning.

*Please see disclosure starting on page 2.*

Concern about the U.S. fiscal outlook probably plays some role in today's rise in yields as well. The yield on the two-year T-note rose 6bps to 3.78% while the 10-year inched up 3bps to 4.25%.

The next major data comes on Thursday with the June employment report from the BLS, which is being released a day early due to the fourth of July holiday on Friday. We'll also see jobless claims, the ISM services index, and durable goods orders that same day. Given the importance of these indicators, the week could end with a bang.

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## Market Indications as of 1:56 P.M. Central Time

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| DOW | Up 481 to 44,575 (HIGH: 45,014) |
| NASDAQ | Down -130 to 20,240 (HIGH: 20,370) |
| S&P 500 | Up 0 to 6,205 (NEW HIGH) |
| 1-Yr T-bill | current yield 4.00%; opening yield 3.96% |
| 2-Yr T-note | current yield 3.78%; opening yield 3.72% |
| 3-Yr T-note | current yield 3.75%; opening yield 3.69% |
| 5-Yr T-note | current yield 3.84%; opening yield 3.80% |
| 10-Yr T-note | current yield 4.25%; opening yield 4.23% |
| 30-Yr T-bond | current yield 4.78%; opening yield 4.78% |