

Bond Yields Climb on Inflation Concerns

Bond yields are up today as investors view the prospect of higher energy prices as a reason for Fed officials to further delay future rate cuts. Saturday morning's attack on Iran has resulted in a jump in crude oil with West Texas Intermediate (WTI) topping \$73 per barrel briefly this morning before backing off. The last time WTI was this high was in July 2024. Typically, bond yields fall in response to significant military conflict as investors seek the "safe harbor" of the U.S. Treasuries. Today's counterintuitive market move signals inflation is the more dominant concern.

January PCE and last week's warmer than expected PPI report had already indicated the last mile of the inflation battle could be a slog. This morning, the results of the February ISM manufacturing survey added to those concerns as the prices paid index unexpectedly surged 11.5 points to 70.5. By comparison, the factory price index averaged 53.7 in 2024 and 63.4 in 2025. Any number in this series above 50 indicates a majority of purchasing managers are experiencing rising prices.

The overall report from the Institute of Supply Management was relatively favorable as the composite manufacturing index came in at 52.4, marking the first back-to-back expansion signals in a year. Although the new orders index slipped from 57.1 to 55.8, it was the highest consecutive two-month reading in four years. The employment index remained in contraction territory last month, but the 48.8 measure reached a 12-month high. Finding qualified factory workers is still a challenge, contributing to higher labor costs.

There's quite a bit of data on the schedule this week highlighted by the February employment report and January retail sales, both on Friday, but tone and direction of the financial markets will likely be dictated by the evolving situation in the Middle East.

Market Indications as of 11:53 A.M. Central Time

DOW	Down -14 to 48,964 (HIGH: 50,188)
NASDAQ	Up 100 to 22,768 (HIGH: 23,958)
S&P 500	Down -1 to 6,878 (HIGH: 6,979)
1-Yr T-bill	current yield 3.54%; opening yield 3.45%
2-Yr T-note	current yield 3.49%; opening yield 3.37%
3-Yr T-note	current yield 3.50%; opening yield 3.36%
5-Yr T-note	current yield 3.63%; opening yield 3.49%
10-Yr T-note	current yield 4.05%; opening yield 3.93%
30-Yr T-bond	current yield 4.70%; opening yield 4.60%

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