

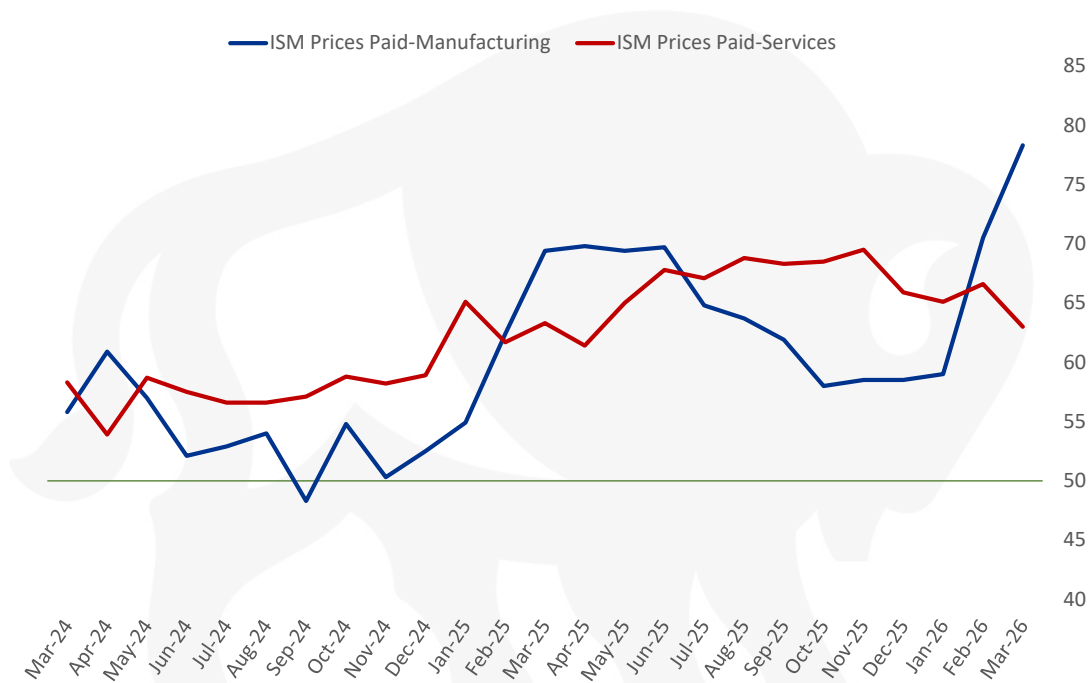
Yields Edge Lower as Retail & Manufacturing Surprise to the Upside

Treasury yields are slightly lower this morning while stocks are higher following stronger-than-expected economic data to start the month. February retail sales and the March ISM Manufacturing Survey both beat expectations, helping offset a flurry of geopolitical headlines tied to tensions in the Middle East and concerns over control of the Strait of Hormuz.

Retail sales increased 0.6% in February, topping the 0.5% forecast, while the control group, which feeds directly into GDP, rose a solid 0.5%. This marked one of the strongest monthly retail prints since mid 2025 and should push near term GDP estimates higher, including the Atlanta Fed’s GDPNow model, currently tracking around 2% growth. Spending at restaurants and bars rebounded 0.4% after a January decline that was partly weather-related. Worth mentioning, this data is from February and predates the recent surge in energy prices when gasoline averaged closer to \$3 per gallon versus over \$4 today.

Manufacturing data was also stronger, with the March ISM rising to 52.7, the third consecutive month in expansion territory and the highest reading since 2022. However, **inflation pressures re-emerged as the prices paid index jumped to 78.3, nearly 20 points higher over the past two months.** With energy prices elevated amid the conflict with Iran, higher input costs could begin flowing through to consumer prices, prompting many economists to revise inflation forecasts higher.

ISM Purchasing Managers Prices Paid Index



Source: Institute for Supply Management

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Looking ahead to Friday's jobs report, today ADP showed payroll gains of 62k in March, led by small businesses. The Good Friday employment report is currently expected to show payroll growth of roughly 65k with the unemployment rate holding steady at 4.4%.

Market pricing has shifted notably in recent weeks, assigning higher probabilities to rate hikes, an outcome that still appears unlikely. However, if elevated oil prices persist or rise further, the greater risk may be a growth slowdown or recession, a scenario that would ultimately pull the Fed back toward easing.

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Market Indications as of 11:26 A.M. Central Time

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|--------------|--|
| DOW | Up 388 to 46,729 (HIGH: 50,188) |
| NASDAQ | Up 359 to 21,950 (HIGH: 23,958) |
| S&P 500 | Up 74 to 6,602 (HIGH: 6,979) |
| 1-Yr T-bill | current yield 3.65%; opening yield 3.65% |
| 2-Yr T-note | current yield 3.79%; opening yield 3.78% |
| 3-Yr T-note | current yield 3.81%; opening yield 3.80% |
| 5-Yr T-note | current yield 3.94%; opening yield 3.93% |
| 10-Yr T-note | current yield 4.30%; opening yield 4.31% |
| 30-Yr T-bond | current yield 4.89%; opening yield 4.90% |

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