

## U.S. Purchasing Managers Signal Higher Growth and Prices

The latest survey from the *Institute for Supply Management* (ISM) indicated the service sector had accelerated in May with the composite services index rising from 51.7 to 54.5, the highest since February and a considerable improvement from the 49.9 reading 12 months earlier. Underlying measures suggest further advancement is on the horizon as the new orders index rose nearly four points while supplier delivery times shortened.

*Scott McIntyre, CFA*  
HilltopSecurities Asset Management  
Co-Head of Investment Management  
Managing Director  
512.481.2009  
scott.mcintyre@hilltopsecurities.com

One downside to the otherwise healthy services report was a retreat in the employment index, which was already flashing contraction (below 50). The apparent improvement in the overall well-being of the largest sector of the U.S. economy, paired with a reduction in hiring expectations, suggests technology is filling the gap. However, that apparent automation gain failed to cool inflation as the prices paid index reached a four-year high of 71.3.

*Greg Warner, CTP*  
HilltopSecurities Asset Management  
Co-Head of Investment Management  
Managing Director  
512.481.2012  
greg.warner@hilltopsecurities.com

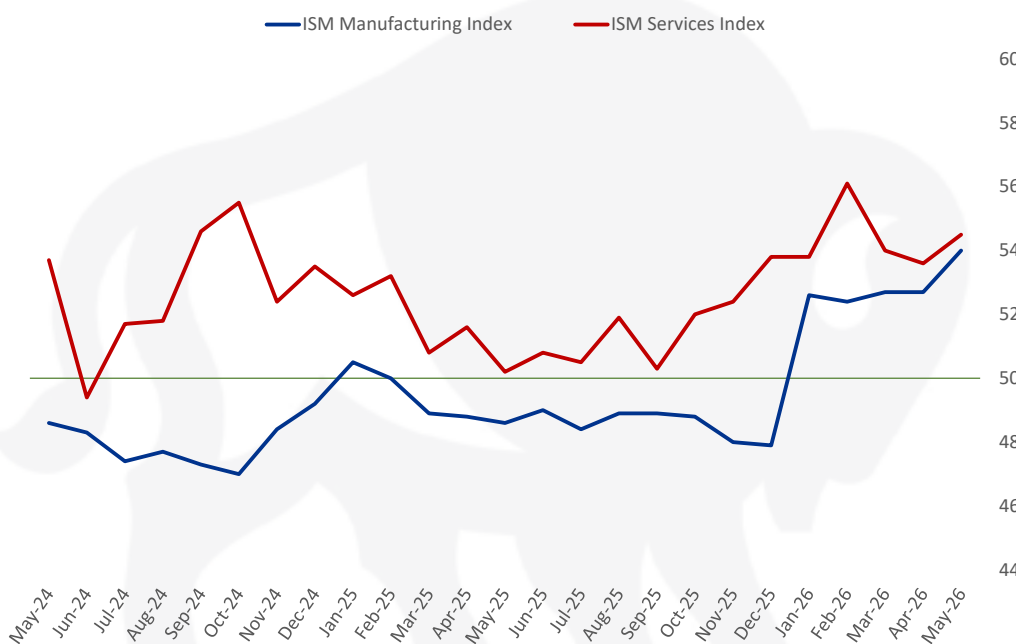
On Monday, the ISM *manufacturing* index jumped from 52.7 to 54.0, the strongest measure since May 2022. This factory composite has now signaled expansion (above 50) for five consecutive months for the first time since 2022. Similar to the services survey, the new orders index surged further into expansion territory (57.3) while the employment index seeped further into contraction (47.9).

*Matt Harris, CFA*  
HilltopSecurities Asset Management  
Senior Portfolio Advisor  
Senior Vice President  
512.340.1845  
matt.harris@hilltopsecurities.com

While the price index slipped a notch from the four-year high reached back in April, the 82.1 May reading indicates the vast majority of factory managers are still seeing their input prices rise.

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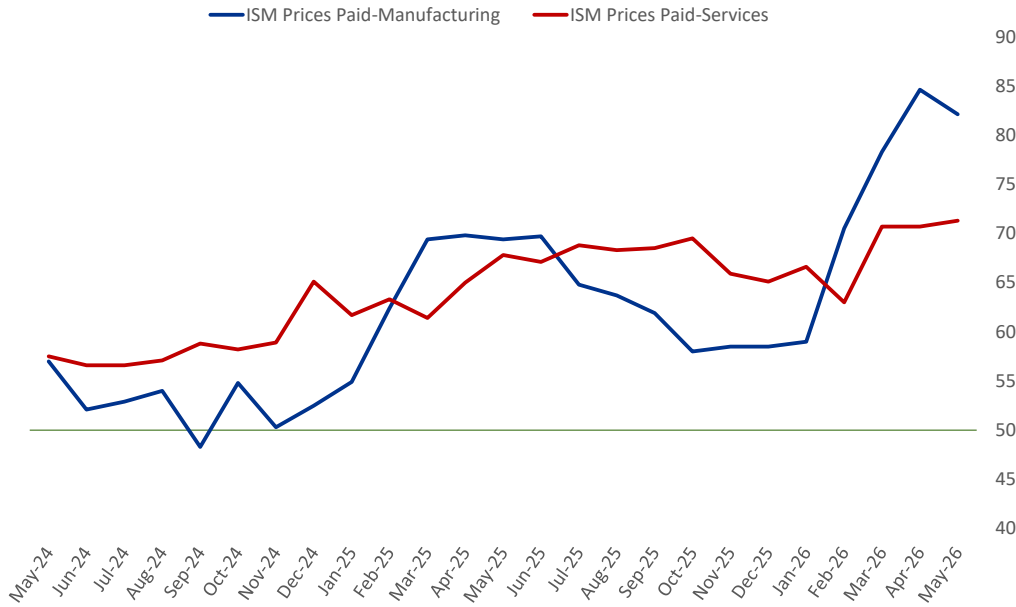
### ISM Purchasing Managers Composite Index



Source: Institute for Supply Management

The inflation problem doesn't seem to be going away, and stronger economic growth is normally consistent with higher prices in the future. On a positive note, a manufacturing revival seems to be afoot, but so far signs of life haven't ushered in new hires.

### ISM Purchasing Managers Prices Paid Index



Source: Institute for Supply Management

Although stocks and bonds sold off today (yields higher), the sell-off was the result of renewed bombing in the Middle East, suggesting the fragile ceasefire has broken. Oil prices are up for the third straight day, with WTI now back above \$96 and approaching a two-week high.

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### Market Indications as of 3:31 P.M. Central Time

DOW	Down -621 to 50,687 (HIGH: 51,308)
NASDAQ	Down -240 to 26,854 (HIGH: 27,094)
S&P 500	Down -56 to 7,554 (HIGH: 7,610)
1-Yr T-bill	current yield 3.81%; opening yield 3.79%
2-Yr T-note	current yield 4.08%; opening yield 4.05%
3-Yr T-note	current yield 4.13%; opening yield 4.10%
5-Yr T-note	current yield 4.21%; opening yield 4.18%
10-Yr T-note	current yield 4.49%; opening yield 4.44%
30-Yr T-bond	current yield 4.99%; opening yield 4.97%

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