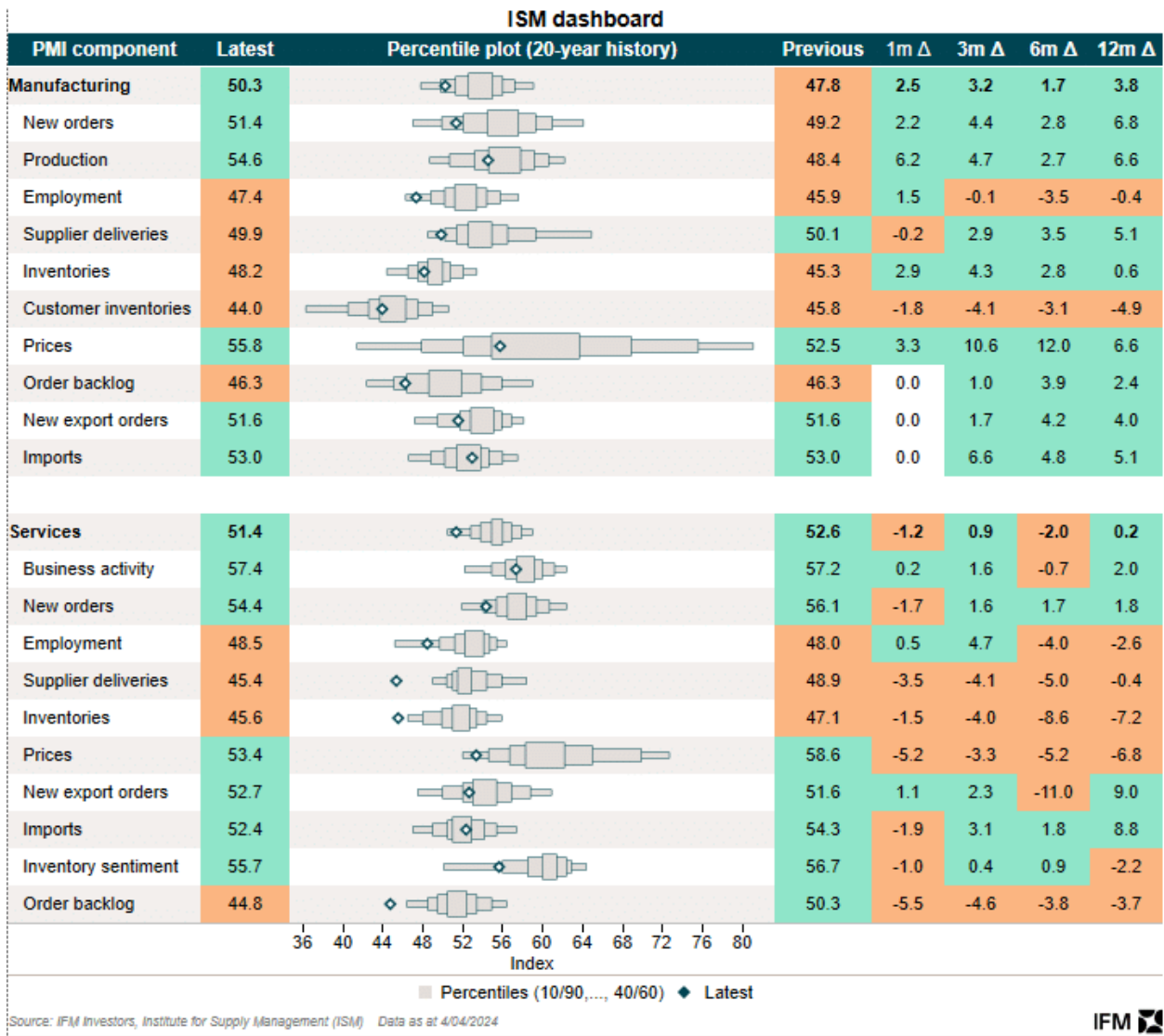




This past week's ISM service and manufacturing surveys continue to show divergence between the two major economic sectors. However, this divergence differs from what we have seen over the past few years. For the first time in 16 months, the ISM manufacturing was above 50. 50 is the distinction between economic expansion and contraction. The manufacturing sector may be coming out of a recession, but the service sector is weakening. Keep in mind the service sector accounts for over three-quarters of economic activity. This explains why economic growth has been robust despite the weakness of manufacturing. It is also worth noting that the divergence between the two indices is abnormal. Typically, they are closely aligned.

The graph below from IFM Investors helps us compare the two reports and their components. The two most important to the Fed are prices and employment. The manufacturing prices index surged to its highest level since July 2022. However, the services price index dropped to its lowest level since March 2020. Employment in both services and manufacturing remained below 50, pointing to net job losses, but both rose slightly. Today's Tweet of the Day points to a divergence between the aggregate manufacturing and service sector surveys and the BLS employment data. 8 of the 11 service sector components were lower than last month, while 9 of the 11 manufacturing components were flat or higher.



What To Watch Today

Earnings

- *No notable earnings releases*

Economy

Time	Event	Impact	Actual	Dev	Consensus	Previous
FRIDAY, APRIL 5						
12:30	USD Average Hourly Earnings (MoM)(Mar)		-	-	0.3%	0.1%
12:30	USD Average Hourly Earnings (YoY)(Mar)		-	-	4.1%	4.3%
12:30	USD Average Weekly Hours(Mar)		-	-	34.3	34.3
12:30	USD Labor Force Participation Rate(Mar)		-	-	-	62.5%
12:30	USD Nonfarm Payrolls(Mar)		-	-	200K	275K
12:30	USD U6 Underemployment Rate(Mar)		-	-	-	7.3%
12:30	USD Unemployment Rate(Mar)		-	-	3.9%	3.9%
15:00	USD Fed's Logan speech				SPEECH	
16:15	USD Fed's Bowman speech				SPEECH	
17:00	USD Baker Hughes US Oil Rig Count		-	-	-	506
19:00	USD Consumer Credit Change(Feb)		-	-	\$15B	\$19.49B

Market Trading Update

As [noted yesterday](#), the market bounced off the 20-DMA and followed through early yesterday morning, rallying out of the gate. However, a rash of Fed speakers left the markets uncertain about the "certainty of rate cuts" this year, sending stocks lower mid-afternoon. Furthermore, international tensions between Iran and Israel raised commodity prices, weighing on market outlooks as the risk of war increased. That selloff broke the market below the 20-DMA trend line, violating that support. Furthermore, Relative Strength (RSI) and the MACD sell signal triggered, suggesting that the risk of a deeper correction may increase.



While the initial break is a warning, it is not valid until that break is confirmed. A close below the 20-DMA and trendline on Friday will be important. However, we need a failed attempt to retake the 20-DMA to confirm the trend has broken. Such would suggest raising cash levels somewhat and

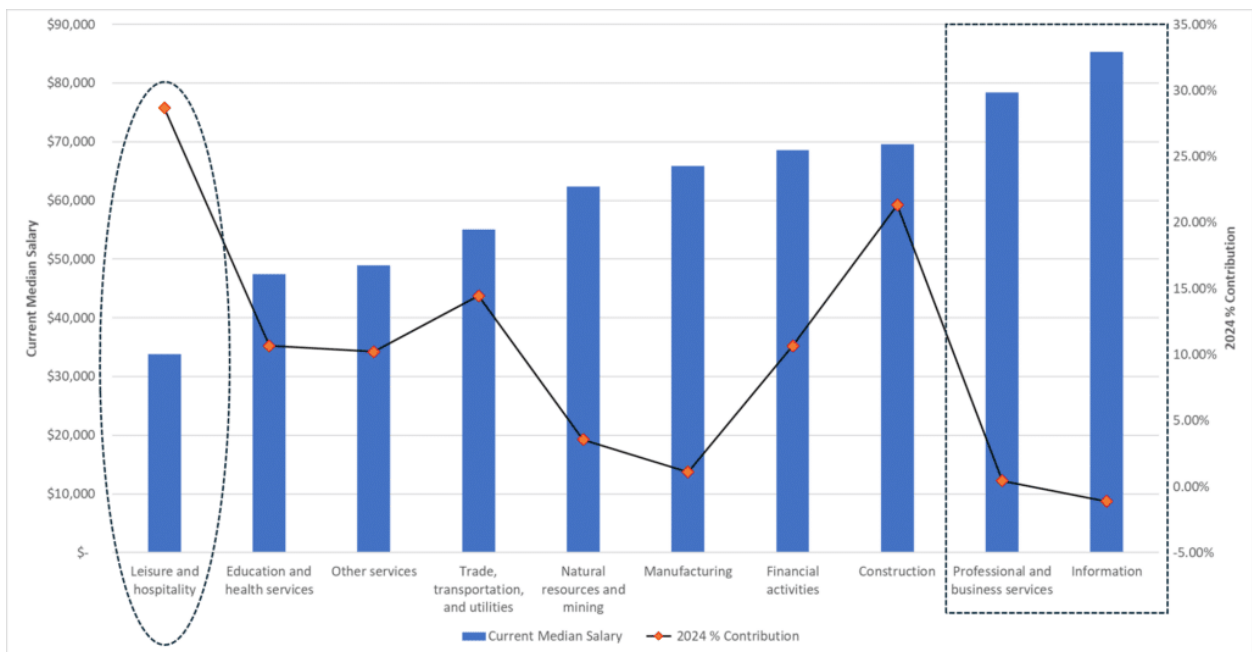
rebalancing risk across portfolios. We will watch the market close today for our first sign of the bears regaining short-term control of the narrative.



Recent Job Growth Has A Lot To Be Desired

The graph below shows that recent net new additions to the job forces are not all it's cracked up to be. The chart below, provided to us by one of our clients, highlights that about 30% of the job growth this year has been in the leisure and hospitality industry. This industry has a median annual salary of approximately \$34k, which is not only the lowest-paid industry but 15k below the next lowest one in line. More disturbing is that job growth in the two highest-paid industries, information and professional and business services, has been flat this year. Our client also put historical context around the recent data.

- Notice that the average contribution for Leisure jobs was around 13% from 2011 to 2019; however, recently, that has ratcheted up to roughly 33%, or a third of the jobs.
- Professional jobs contributed around 22.5% before COVID-19, but their contribution post-COVID-19 has more than halved recently to only 10%, with most of that contribution in 2021 - 22.

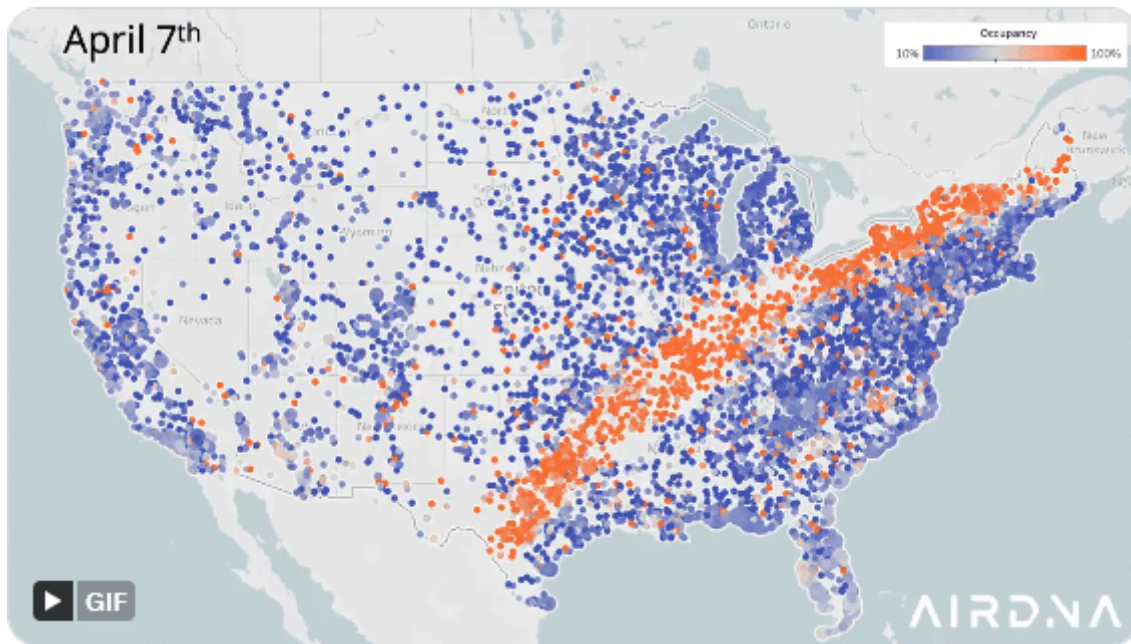


Eclipse Economics

During this coming Monday's solar eclipse, those business owners and towns in the path of totality will receive a nice economic boost. For instance, the graph below, courtesy of AIRDNA, shows that Airbnb bookings are near 100% for those in the path. Most other locations are 50% or less. Hospitality, transportation, and retail merchandise businesses should benefit on Monday as tourists flock to see the total eclipse.

A Bloomberg article entitled [Eclipse Boomtowns Await Their Moment In The \(Blocked\) Sun](#) sheds light on Carbondale, Illinois, one of the towns in the path of totality. The town of 32,000 people is expecting anywhere from 50,000 to 150,000 visitors. The extra spending should nicely pad the

business owners' pockets and the town's coffers.



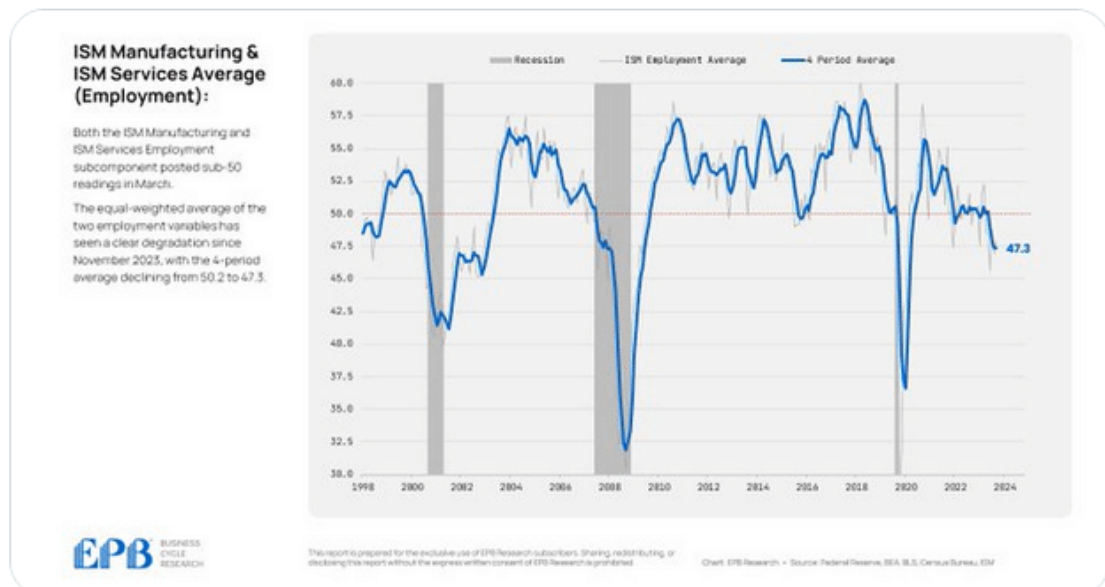
Tweet of the Day



Eric Basmajian @EPBResearch · 20h

The **ISM Manufacturing & Services** Employment components are showing continued weakness that is not mirrored by the BLS nonfarm payroll figures.

ISM data shows a degradation in employment starting November 2023.



?Want to have better long-term success in managing your portfolio? Here are our [15-trading rules for managing market risks.](#)?

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