

Surveys Show Service Sector Quickly Gaining Momentum

Fed officials have made it clear that their primary objective is full employment. Admittedly, the labor market still has a long way to go, but the pace of jobs recovery is quickening. This morning, the BLS released its February Job Openings and Labor Turnover Survey (JOLTS) showing the number of job openings increased from 7.1 million to 7.4 million, easily topping the median forecast and far exceeding pre-Covid levels. The February JOLTS breakdown shows nearly 900k postings for leisure and hospitality jobs, and over 800k in retail. Both of these industries have been ravished by the pandemic. The fact that there are already so many open positions in these two labor pockets suggests employers may have to pay more to entice unemployed workers to give up enhanced federal benefits and return to work.

Yesterday, the ISM non-manufacturing index for March unexpectedly surged from 55.3 to 63.7, the highest level in the 24-year history of the index, while the 8.4 point increase was the second largest on record. Within the composite, the key sub-indexes of current business activity and new orders both climbed to new highs. The business activity index rose from 55.5 to 69.4, while forward-looking new orders index rocketed from 51.9 to 67.2. The employment index increased from 52.7 to 57.2, as more service managers expect to hire back employees in the coming months, while the prices paid index rose from 71.8 to 74.0, reinforcing the idea that future inflationary pressure will rise.

Service sector managers have grown considerably more optimistic as more Americans gain Covid immunity. Friday's employment report indicated the pace of hiring in the leisure and hospitality sector has already begun to increase and the February JOLTS report only adds to the recovery story. The Fed intends to maintain its extremely accommodative rate policy until full employment is reached, and the return of service jobs is key to achieving this objective. The ISM non-manufacturing report suggests the service sector is poised to take a big step forward, and is likely add jobs quicker than analysts had expected.

The last several weeks have brought a flurry of much improved data, while the \$1.9 trillion American Rescue Plan has only just begun to ripple through the economy. The S&P500 is has reached progressively higher record highs in each of the last three days. *Momentum is building.*

Scott McIntyre, CFA
HilltopSecurities Asset Management
Senior Portfolio Manager
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Senior Portfolio Manager
Director
512.481.2012
greg.warner@hilltopsecurities.com

The fact that there are already so many open positions in these two labor pockets suggests employers may have to pay more to entice unemployed workers to give up enhanced federal benefits and return to work.

The ISM non-manufacturing report suggests the service sector is poised to take a big step forward, and is likely add jobs quicker than analysts had expected.

Market Indications as of 12:00 P.M. Central Time

DOW	Down 45 to 33,483 (HIGH: 33,527)
NASDAQ	Up 46 to 13,752 (HIGH: 14,095)
S&P 500	Up 4 to 4,082 (NEW HIGH)
1-Yr T-bill	current yield 0.06%; opening yield 0.05%
2-Yr T-note	current yield 0.16%; opening yield 0.17%
5-Yr T-note	current yield 0.88%; opening yield 0.92%
10-Yr T-note	current yield 1.66%; opening yield 1.70%
30-Yr T-bond	current yield 2.33%; opening yield 2.34%

The paper/commentary was prepared by Hilltop Securities Asset Management (HSAM). It is intended for informational purposes only and does not constitute legal or investment advice, nor is it an offer or a solicitation of an offer to buy or sell any investment or other specific product. Information provided in this paper was obtained from sources that are believed to be reliable; however, it is not guaranteed to be correct, complete, or current, and is not intended to imply or establish standards of care applicable to any attorney or advisor in any particular circumstances. The statements within constitute the views of HTS and/or HSAM as of the date of the document and may differ from the views of other divisions/departments of affiliates Hilltop Securities Inc. In addition, the views are subject to change without notice. This paper represents historical information only and is not an indication of future performance. Sources available upon request.

Hilltop Securities Asset Management is an SEC-registered investment advisor. Hilltop Securities Inc. is a registered broker-dealer, registered investment adviser and municipal advisor firm that does not provide tax or legal advice. HTS and HSAM are wholly owned subsidiaries of Hilltop Holdings, Inc. (NYSE: HTH) located at 1201 Elm Street, Suite 3500, Dallas, Texas 75270, (214) 859-1800, 833-4HILLTOP.