Slowing, Slowing, Gone?

With baseball season in full swing, I couldn't think of a better way to start this quick economic update.

Since we highlighted Excess Inventory, Increasing Delinquencies, and Falling Shipping last week, April has provided us with largely weak economic data.

- **Manufacturing PMI** fell further to 46.3 (the 5th month in a row below 50).
- **JOLTS job openings** actually fell and are back to levels last seen in the summer of 2021 (the "Quit Rate" at 2.6% was still higher than the historical average of 2.4%, but well off its peak of 3%).
- Factory orders and durable goods remain in decline.
- **ADP** was "only" 145k, down from allegedly 261k last month.
- While the service sector is still hanging on, **ISM Services came in at 51.2** (down from 55.1 and compared to expectations of 54.4), making some people wonder if the 49.9 print back in December wasn't just an anomaly after all. The employment component also reverted lower again. Finally, new orders dropped substantially (62.2 from 62.6).

Every bit of data this month has hinted at a slowing economy.

The inflation front is not being helped by oil (**WTI surged from $69 to $80 in less than two weeks**). This was supported by OPEC+ cutting production as opposed to solid global growth prospects (I'm assuming that the world's leading oil exporters have a sense of where demand is heading).

Maybe we are just "catching up" after we saw some overly good data in recent months (the Citi Economic Surprise Index shot from -10 in early February to above 60, and was still at 48 before today's data). Or maybe the data released recently was skewed by "bad seasonal adjustments," "low response rates", or a "shifting economy that isn't fully captured in current data".

We get NFP on Friday, and while the stock market is closed, it should make for some interesting trading late on Thursday and on Monday.

From a positioning standpoint, I'm updating some things since Sunday's Fortune Favored the Bold:

- **Neutral on bonds.** It felt foolish being constructive on bonds with the 10-year at 3.47%, but it fit my models. Here at 3.3%, I'm neutral and would be tempted to be short, except for the fact that NFP on Friday will be on a day with incredibly low liquidity (even by already low liquidity standards) and almost anything could happen. The 2-year at 3.7% holds little appeal and I am bearish on the economy!
- **Medium bearish on risk assets.** I am now firmly entrenched in the medium-bearish camp and will maintain that view. Stocks (and credit spreads) seem to be trading on recession and earnings fears and less on the hope that the Fed is done hiking (or on the view that the Fed finishing should send stocks significantly higher).

On the bright side, in the first week of April, everyone's team is in the running to win the World Series!

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