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Morning Briefing

Copper, Semis & Nvidia's Buying Spree

Check out the accompanying chart collection.

Executive Summary: The copper price has skyrocketed in recent months, but not for the usual reason of strong global growth. Instead, Jackie reports, a perfect storm of circumstances has created an unusually tight market, with uncommon supply constraints at a time of rising demand. … Also: Semiconductor companies' March-quarter earnings reports have shown that demand for AI chips and demand for all other types of semiconductors are on two different trajectories: The former has been soaring, the latter languishing. … And in our Disruptive Technologies segment, a look inside the acquiring mind of Nvidia.

Materials: Copper's Confusing Signal. The price of copper has risen so far, so fast—20.1% ytd through Tuesday's close—that one would think the global economy was booming. That's what such an ascent normally would signal. But this time around, the tight supplies of copper, with a dearth of new supply entering the market, may be just as—or more—important a price driver than the rising demand for the red metal.

Freeport McMoRan President Kathleen Quirk recently cited both strong demand and a lack of supply to explain the copper market's tight market conditions, which she said may last for an extended period of time. "New massive investment in the power grid, renewable generation, technology infrastructure and transportation are driving increased demand for copper," she said on the company's earnings *conference call*. "This is occurring at a time when there are constraints on existing supplies, an absence of major new copper development projects and extended multiyear lead times for supply development."

Copper is in all sorts of economically sensitive items, like the wires used to transport electricity and pipes in buildings and homes (*Fig. 1*). However, the price of other economically sensitive commodities have had a mixed performance ytd, indicating that more than demand is driving the price of copper higher.

Here's the performance derby for industrial metals prices ytd through Tuesday's close: tin

(28.5%), copper (20.1), zinc (10.4), aluminum (9.0), lead (7.7), platinum (-4.1), palladium (-14.6), iron ore (-15.8), and steel (-27.0) (*Fig. 2*).

Let's take a look at some of the industry trends driving the price of copper higher:

(1) *Uncooperative foreign governments.* Mining in foreign countries is getting increasingly difficult as expenses rise, countries want a larger slice of the profits, and permitting takes longer as citizens grow more concerned about environmental issues.

Panama's courts recently ruled that Canadian miner First Quantum Minerals must close its Cobre copper mine because its contract is unconstitutional. The mine accounts for 5% of Panama's GDP and 1% of global copper production, a November 29 Reuters *article* reported. Panama's citizens had been marching to demand the annulment of the miner's contract, on the grounds that the mine violates Panama's sovereignty and threatens the environment. After a May 5 presidential election, the country will finally need to decide whether the mine will be closed, whether it will be nationalized, or whether a new correct contract with First Quantum will be negotiated.

(2) *Not enough water.* Drought in many regions around the world is affecting copper mines' operations. Copper mines in Zambia are facing power shortages because drought is reducing the amount of hydroelectric power produced. Water shortages in Chile have forced miners to use seawater. And water-related problems aren't expected to end soon. By 2050, more than half of the world's copper mines will be in areas exposed to drought risk that's deemed significant, high, or extreme, an April 29 Mining.com *article* reported, citing a PwC study.

(3) *Russian supplies off limits.* In reaction to Russia's invasion of Ukraine, the US and UK banned the consumption of Russian aluminum, copper, and nickel produced after April 12. Russia produces about 4% of the world's copper. As it did with oil, China is expected to benefit from this decision by purchasing these commodities at a discount on the black market, an April 27 oilprice.com *article* reported.

(4) *Anglo American disappoints.* Anglo American sharply cut its 2025 production guidance to 730,000-790,000 metric tons, down 18% from its previous estimate. Production from its Los Bronces mine in Chile has been lower than expected due to the lower grades and hardness of the rock. The situation won't improve until it receives the approval to expand production at the mine. Anglo American now finds itself the target of a $39 billion acquisition offer from BHP Group, which Anglo rejected as it undervalues the company.

(5) *Green tech needs copper.* China consumes about half of the world's supply of copper, and its demand for the metal has jumped 18% y/y over the past five months, an April 25 *WSJ* *article* reported. But its demand could wane if it stops overproducing electric vehicles and solar panels. China will produce 500 gigawatts of excess solar panels this year, which is almost four times the new solar capacity installed in the rest of the world last year, the *WSJ* article reported.

On the other hand, Nvidia got the copper industry excited when it announced that it would use copper cables instead of optical fiber cables for data transmission over short distances in AI data centers, a March 28 *Investor's Business Daily* *article* reported. JPMorgan estimates that data centers will require about 2.6 million metric tons of cumulative new copper by 2030, or about 2% of expected global copper demand in 2030, the IBD article noted.

(6) *New tech could boost supply.* Looking to get every last bit of copper out of their rock, miners have developed new leaching technologies that can extract very low amounts of copper from waste rock. Doing so allows the companies to sidestep the need for permits required for new mines. But the process has attracted critics due to the potential threat to water supplies.

Freeport's leach technology helped the company produce more than 200 million pounds per year of copper, and it hopes to increase leach-based production to 300-400 million pounds per annum over the next two years. Producing copper this way is low cost and expected to improve productivity.

Analysts are extremely optimistic about Freeport's future. They expect the miner's revenue to increase 8.1% this year and 4.7% in 2025 (*Fig. 3*). Its earnings are forecast to be up only 1.9% this year and up 29.7% in 2025 (*Fig.4*). Its forward P/E has risen to an unusually high 29.0, but should fall as the company's earnings improve (*Fig.5*).

Technology: There Are AI Chips & Everything Else. A handful of semiconductors companies reported earnings and made it clear that the rabid demand for chips used to run artificial intelligence (AI) does not carry over to demand for chips in other segments of the market. Skyworks Solutions highlighted the weakness in chips for mobile phones. NXP Semiconductors laid out the inventory destocking that has plagued the auto industry. And while Advanced Micro Devices' (AMD) AI chips had a banner quarter, the rest of the companies' operations struggled.

Here's a quick look at what these chip players had to say about business in the March quarter:

(1) *Chips in phones.* Skyworks' fiscal Q2 (ended March) revenue declined by 9.2%, and its adjusted net income fell 22.4% to $250.7 million. Weakness continued into the current quarter. In March and April, Skyworks saw below-normal end-market demand in its mobile business, which resulted in a buildup of inventories. As a result, the company expects the mobile business in the June quarter will decline 20%-25% q/q, which is well below seasonal patterns. Company officials implied that those declines are due to its Apple business, as the company said the Android inventory correction is over.

In other markets—like auto, industrial, solar, and gaming—Skyworks execs see some "modest sequential growth" in the current quarter, building on the modest sequential growth they saw in the March quarter. Altogether, the company forecasts earnings per share will decline to roughly $1.21 in the current quarter, down 30.0% y/y.

In the future, Skyworks is optimistic that AI will drive a mobile phone upgrade cycle. When generative AI migrates to mobile phones, it will use so much computing power that it will "burn up your battery." So the company is working on solutions to make its offerings more power efficient, noted CEO Liam Griffin in the company's earnings *conference call*. Skyworks is comfortable with its current inventory position, having reduced internal inventory for the past five quarters in a row.

(2) *Chips in cars.* The inventory correction in auto semiconductors continues. NXP's auto segment revenue fell 1% y/y in Q1 to $1.8 billion. "We continue to manage an orderly process of inventory digestion with our major direct automotive Tier 1 customers," said CEO Kurt Sievers on the earnings *conference call*. That digestion will continue in Q2, and revenue should decline in the high-single-digit percent range y/y. As auto is the company's largest segment, its revenue decline will drag down NXP's Q2 revenues, which are expected to fall by about 5% y/y.

Sales in NXP's other segments were mixed. Industrial and Internet-of-Things revenue rose 14% y/y in Q1 to $574 million, and mobile revenue rose 34% y/y to $349 million. Both segments are expected to grow revenue in Q2 as well. However, revenue in the Communication Infrastructure & other segment fell 25% y/y to $399 million during Q1, and it's expected to fall in the mid-20% range y/y during Q2.

NXP officials sounded more optimistic about the second half of the year, as they believe the

auto inventory correction is in the rearview mirror and see signs of improving demand in all end markets. “Hence, during quarter two, we will begin to state slightly higher inventory in the channel to support our competitiveness for the anticipated second-half growth,” said Sievers.

(3) *AMD’s an AI competitor.* AMD proved a worthy competitor to Nvidia as AMD’s chip sales to data centers surged 80.5% to $2.3 billion, bolstered by sales to cloud providers and large companies looking to boost their AI computing capacity. The company’s client segment—which includes chips in PCs—also posted strong revenue growth of 85.1% to $1.4 billion. “[W]e believe the market is on track to return to annual growth in 2024, driven by the start of an enterprise refresh cycle and AI PC adoption. We see AI as the biggest inflection point in PC since the Internet, with the ability to deliver unprecedented productivity and usability gains,” said CEO Lisa Su in the company’s *conference call*.

Despite such heady growth, AMD’s total revenue only rose 2.2% to $5.5 billion. Results were dragged down by a 47.5% drop in gaming revenue to $922 million. Likewise, revenue in its embedded segment—which includes chip sales to communications, automotive, and industrial companies—dropped 45.8% to $846 million.

The company forecasts a roughly 6% y/y increase in Q2 revenue to about $5.7 billion, reflecting sharp climbs in the data center and client segments, gradual recovery in the embedded segment, and continued declines in gaming.

Investors appeared to be disappointed that the company boosted its 2024 estimate for data center chips only to $4.0 billion from the prior $3.5 billion, as AMD shares fell 8.9% on Wednesday.

(4) *Looking beyond AI.* As the earnings reports made clear, the semiconductor industry is working through downturns in most non-AI areas. Semiconductor manufacturers’ worldwide sales slid to $46.2 billion in February (three-month moving average) from a recent peak of $48.7 billion in December (*Fig. 6*). Industrial production of semiconductors also peaked in December. Yet the S&P 500 Semiconductor industry’s forward earnings has continued to climb to new heights (*Fig. 7*).

Joe notes that if Nvidia’s earnings estimates were backed out of the S&P 500 Semiconductors industry’s forward earnings, the industry’s forward earnings growth rate would be 25.5% y/y instead of being 40.2% (*Fig. 8*). Likewise, the industry’s forward revenues growth rate would be 12.3% excluding Nvidia but instead it’s 40.2% (*Fig. 9*).

Finally, the S&P 500 Semiconductors stock price index would be up 5.4% ytd without Nvidia, but instead it's up 34.2% (*Fig. 10*). Nvidia makes up 53% of the industry's market capitalization, up from 40% at the start of this year.

If company executives are correct that the semiconductor inventory correction in non-AI areas has run its course, the industry's earnings growth could be much more evenly balanced going forward.

Disruptive Technologies: Watching Nvidia's Acquisitions. Like Cisco, Intel, and Microsoft before it, Nvidia has become an active acquirer of and an investor in companies that use its chips or that develop technologies that Nvidia believes will be useful to own or learn about. In recent weeks, Nvidia added two more names to its roster: Run:ai and Deci AI. Let's take a look at Nvidia's latest acquisitions and its acquisition strategy:

(1) *Efficiently using GPUs.* Run:AI designs software that allows companies to optimize their computing infrastructure wherever it's based—on premises, in the cloud, or in hybrid environments—an April 24 Nvidia *press release* states. Run:AI allows customers to pool graphics processing units (GPUs) and share computing power for separate tasks. Optimizing computing infrastructure is of growing importance given the complexity and heavy workloads involved with AI programs.

Nvidia, which had been working with Run:AI since 2020, reportedly purchased the Israel-based company for $700 million, according to an April 24 TechCrunch *article*. This acquisition would help solve some of the cost, availability, and infrastructure issues that have held AI adopters back from scaling it up.

(2) *Efficient AI language models.* Though it hasn't been confirmed by the companies, Nvidia is reportedly on the verge of purchasing Deci AI, according to an article in The Information cited by an April 25 Globes *article*. The Israel-based company's software compresses generative AI language models so they can run more efficiently on Nvidia servers.

Deci AI had been working with Nvidia since at least August 2022, when it announced it was joining Nvidia Metropolis, "a partner program, application framework and set of developer tools that bring to market a new generation of [AI vision] applications and solutions to make … operations safer and more efficient," a Deci *press release* stated.

(3) *An acquisition machine.* Nvidia appears to have three arms that invest in companies: the corporate investment arm focused on strategic investments to extend the company's

offerings; the venture capital (VC) arm NVentures; and Nvidia Inception VC Alliance, which provides free technology and marketing support to startups and connects them to VC firms. Each helps Nvidia to stay on the cutting edge of technology.

Nvidia's corporate arm has made about 14 investments since the start of last year, according to a December 11 company *blog post*. The company has invested in Ayar Labs, which has developed silicon photonics technology that uses light instead of electricity to transfer data between chips or servers; Hugging Face, a hub for advanced AI models; Cohere, which provides enterprise automation through AI; drug discovery companies Recursion, Kore.ai, and Utilidata; Ready Robotics, which is developing an operating system for industrial robotics; Skydio, which builds autonomous drones, and CoreWeave, a provider of cloud services.

NVentures, the VC arm, aims to generate a return on investment while investing companies that use Nvidia's platform. NVentures has made 19 investments to date, many of which are in the health care arena. These include companies focused on improving drug discovery, using AI to improve laparoscopic surgery, and accelerating medical imaging data development. Other companies are using AI to automate building systems and to tap into enterprise data.

Nvidia Inception VC Alliance, launched in 2016, supports more than 17,000 startups in more than 125 countries. Nvidia can help these companies by providing technology help, engineering resources, marketing support, and capital, the blog noted.

Nvidia's three-pronged strategy helps many AI-focused companies remain private, which ironically leaves Nvidia as one of the few ways to play the AI trend in the public markets. Win-win?

Calendars

US: Thurs: Nonfarm Productivity & Unit Labor Costs 0.8%/3.2%; Total Vehicle Sales; Factory Orders 1.6%; Trade Balance -$69.3b; Initial Claims 212k; Natural Gas Storage. **Fri:** Payroll Employment Total, Private, and Manufacturing 243k/180k/7k; Average Hourly Earnings 0.3%; Average Weekly Hours 34.4; Unemployment Rate 3.8%; ISM N-PMI 52.0; S&P Global C-PMI & NM-PMI 50.9/50.9; Baker-Hughes Oil Rig Count. (FXStreet estimates)

Global: Thurs: Eurozone, Germany, France, Italy, and Spain M-PMIs 45.6/42.2/

44.9/50.3/51.3; Japan Household Confidence 39.7; Lane; Rogers; Macklem. **Fri:** Eurozone Unemployment Rate 6.5%; France Industrial Production 0.3%; Italy Unemployment Rate 7.5%; UK C-PMI & NM-PMI 54.0/54.9. (FXStreet estimates)

Strategy Indicators

Stock Market Sentiment Indicators (*link*): The *Bull-Bear Ratio* rose for the first time in four weeks to 2.39 this week, after falling from 4.43 four weeks ago—which was the highest reading since February 5, 2018—to 2.15 last week. *Bullish* sentiment increased to 47.0% this week after retreating the prior three weeks from 62.5% to 46.2%, which was the lowest percentage since late October. Meanwhile, *bearish* sentiment slipped to 19.7% this week, after climbing to 21.5% last week, from 14.5% in each of the prior two weeks; it was at 14.1% four weeks ago—which was the fewest bears since 12.6% in late January 2018. The *correction count* rose for the fourth week to 33.3% this week, the highest since early October 2023. Turning to the *AAII Sentiment Survey* (as of April 25), neutral sentiment among individual investors about the short-term outlook soared during the latest reporting week, while optimism decreased and pessimism was unchanged. The *percentage expecting stock prices will stay essentially unchanged over the next six months* jumped 6.2ppts to 33.9%, exceeding its historical average of 31.5% for the second time in six weeks. The *percentage expecting stock prices to rise over the next six months* sank 6.1ppts to 32.1%, falling below its historical average of 37.5% for the first time in 25 weeks. The *percentage expecting stocks to fall over the next six months* was unchanged at 33.9%, with pessimism above its historical average of 31.0% for the second time in 26 weeks.

S&P 500 Earnings, Revenues, Valuation & Margins (*link*): The S&P 500's forward profit margin remained steady w/w at 12.9% during the April 25 week, down 0.1pt from an 18-month high of 13.0% during the April 4 week. That's up from a 24-month low of 12.3% during the March 30, 2023 week, and is just 0.5pt below its record high of 13.4% achieved intermittently in 2022 from March to June. It's now 2.6pts above its seven-year low of 10.3% during April 2020. Forward revenues edged down less than 0.1% w/w from a record high. Forward earnings ticked up 0.1% w/w to less than 0.1% below its record high, also during the April 4 week. It had hit that mark during the September 21 week for the first time since the June 16, 2022 week. Revenues and earnings had been steadily making new highs from the beginning of March 2021 to June 2022; prior to that, they peaked just before Covid-19 in February 2020. The consensus expectations for forward revenues growth fell 0.1pt w/w to 5.2% from an 18-month high of 5.3%. It has gained 2.9pts from its 33-month low of 2.3% during the February 23, 2023 week. That's down from a record high of 9.6% growth at the

end of May 2021 and compares to 0.2% forward revenues growth during April 2020, which was the lowest reading since June 2009. The forward earnings growth forecast rose less than 0.1pt w/w to a 29-month high of 11.6%. It's now 8.3pts above its 31-month low of 3.3% during the February 16, 2023 week. That's down from its 23.9% reading at the end of April 2021, which was its highest since June 2010, and up substantially from its record low of -5.6% at the end of April 2020. Analysts expect revenues to rise 4.5% in 2024 (unchanged w/w) and 5.7% in 2025 (down 0.1pt w/w) compared to a revenues gain of 2.2% in 2023. They expect an earnings gain of 9.6% in 2024 (up 0.1pt w/w) and a 14.2% rise in 2025 (down 0.1pt w/w) compared to an earnings gain of 2.3% in 2023. Analysts expect the profit margin to rise 0.6ppt y/y to 12.5% in 2024 (unchanged w/w), compared to 11.9% in 2023, and to rise 1.0ppt y/y to 13.5% in 2025 (unchanged w/w). The S&P 500's weekly reading of its forward P/E rose 0.2pt w/w to 20.2 from an 11-week low of 20.0 a week earlier and is down from a 26-month high of 21.1 at the end of March. That's up from a 30-month low of 15.3 in October of 2022. It also compares to 23.1 in early September 2020, which was the highest level since July 2000, and to a 77-month low of 14.0 in March 2020. The S&P 500 weekly price-to-sales ratio rose 0.02pt w/w to 2.61 from an 11-week low of 2.59 a week earlier and is down from a 25-month high of 2.71 at the end of March. That's up from a six-month low of 2.22 during the October 26 week and compares to a 31-month low of 1.98 in October 2022. That also compares to a record high of 2.88 at the end of 2021 and a 49-month low of 1.65 in March 2020.

S&P 500 Sectors Earnings, Revenues, Valuation & Margins (*link*): Looking at the 11 S&P 500 sectors during the April 25 week, three had their forward revenues rise w/w, and nine had forward earnings move higher. The broad gain in forward earnings helped to boost forward profit margins moved higher w/w for nine of the 11 sectors too. Two sectors have forward revenues at post-pandemic or record highs this week: Industrials and Information Technology. Among the remaining nine sectors, six are less than 1.3% from their recent record highs and only three have forward revenues more than 5.0% below their post-pandemic highs: Energy, Financials, and Materials. Communication Services and Information Technology are the only sectors with record-high forward earnings this week. These four sectors were in that camp in very recent weeks: Consumer Discretionary, Consumer Staples, Industrials, and Utilities. Among the remaining five sectors, three have forward earnings down more than 10.0% from their post-pandemic highs: Energy, Health Care, and Materials. Looking at the forward profit margin, nearly all of the sectors are showing signs of recovering from their early 2023 forward profit margin lows. Communication Services, Consumer Discretionary, and Information Technology are the only sectors with their forward profit margin at a record high this week. In recent weeks, Industrials was in that camp as well. Energy's forward margin is improving now from its 23-

month low of 10.4% in February, while those of Consumer Staples and Health Care remain at or close to their record lows. The annual profit margin is expected to fall y/y in 2024 for Energy, Materials, and Real Estate and improve for the other eight sectors. Here's how the S&P 500 and its 11 sectors rank based on their current forward profit margin forecasts along with their record highs: Information Technology (26.6%, a record high this week), Financials (18.9, down from its 19.8 record high in August 2021), Communication Services (17.1, a new record high this week), Real Estate (16.5, down from its 19.2 record high in 2016), Utilities (13.7, down from its 14.8 record high in April 2021), S&P 500 (12.9, down from its record high of 13.4 achieved intermittently in 2022 from March to June), Energy (10.9, down from its 12.8 record high in November 2022), Materials (10.8, down from its 13.6 record high in June 2022), Industrials (10.6, down from its 10.8 record high in early April), Consumer Discretionary (8.8, a new record high this week), Health Care (8.5, a new record low this week and down from its 11.5 record high in February 2022), and Consumer Staples (6.9, down from its 7.7 record high in June 2020).

US Economic Indicators

ADP Employment (*link*): "Hiring was broad-based in April," noted Nela Richardson, chief economist of ADP. "Only the information sector—telecommunications, media, and information technology—showed weakness, posting job losses and the smallest pace of pay gains since August 2021." *Private payrolls* increased a larger-than-expected 192,000 (vs 175,000 expected) in April, with service-providing jobs climbing 145,000 last month, while goods-producing industries increased 47,000. Within *servicing-providing* industries, leisure & hospitality (56,000) posted the biggest monthly gain, with trade, transportation & utilities (26,000) and education & health services (26,000) tied for second place, followed by professional & business services (22,000), financial activities (16,000), and other services (3,000); information services (-4,000) once again recorded a decline in payrolls. Within *goods-producing* industries, construction (35,000) jobs continued to lead the pack, followed by manufacturing (9,000) and natural resources/mining (3,000) employment. Turning to ADP's *median annual pay* measures, the yearly rate for *job-stayers* was little changed at 5.0% in April, down from last September's 7.8% peak, while the rate for *job-changers* slowed from 10.1% to 9.3% but remains higher than it was at the beginning of the year.

JOLTS (*link*): Job openings in March fell to the lowest level in more than three years, though remained at historically high levels. *Openings* fell 325,000 to 8.488 million in March—the fewest number of vacancies since February 2021. While there are still lots of job openings, they have declined from the series peak of 12.2 million in March 2022. Prior

to the pandemic in early 2020, the highest level of job openings recorded was 7.6 million. Openings reached 10.0 million in June 2021 for the first time in the history of the series going back to 2000. There were 6.4 million people unemployed in March, so there were 1.3 available jobs for each unemployed person. This ratio was at a recent high of 2.0 during March 2022. *By industry*, the biggest decreases in job openings during March occurred in construction (-182,000) and finance & insurance (-158,000), while the largest increase occurred in state & local education (68,000). *Separations* include quits, which are generally voluntary separations initiated by employees—serving as a measure of workers' willingness or ability to leave jobs. *Total quits* have been in a downtrend since peaking at 4.5 million during April 2022. They fell 198,000 in March to 3.329 million—which was the lowest level since January 2021. *Hirings* fell 281,000 in March to 5.5 million, the lowest since April 2020.

Construction Spending (*link*): Construction spending fell short of expectations in March as higher interest rates once again caused both US companies and the government to scale back on projects. *Total construction spending* hasn't posted a gain since climbing to a record high in December, falling 0.2% in March and 0.8% over the period. Consensus estimates expected a 0.3% increase in spending during March. *Private nonresidential investment* fell for the third straight month by 0.2% in March and 1.1% over the period. Still, this spending remains on a steep uptrend near record highs, up 11.1% y/y. *Private residential spending* fell 0.7% in March, with single-family (-0.2%) and both multifamily (-0.6) spending in the red, though all three were positive on a year-over-year basis, climbing 4.4%, 18.3%, and 3.5%, respectively. *Total public construction investment* remains at record highs, up 17.9% y/y.

ISM Manufacturing PMI (*link*): Manufacturing activity reversed course in April, falling back into contractionary territory, after posting in March its first reading above the breakeven point of 50.0 since September 2022. Meanwhile, price pressures have intensified. The *M-PMI* fell to 49.2 in April, after climbing from 47.8 in February to 50.3 in March. According to the report, the *overall economy* continued its expansion for the 48th month after a one-month contraction in April 2020. (A Manufacturing PMI above 42.5% over a period of time generally indicates an expansion of the overall economy.) The *production* (to 51.3 from 54.6) measure continued to expand in April, though at a slower pace, while the *new orders* (49.1 from 51.4) gauge moved from expansion to contraction during the month. The *inventories* measure was unchanged at 48.2. Meanwhile, the *supplier deliveries* (48.9 from 49.9) measure hovers just below 50.0, with a reading above 50.0 indicating slower deliveries—typical as the economy improves and customer demand strengthens. Meanwhile, manufacturers continued to cut payrolls, but at a slower pace, with employment

(48.6 from 47.4) moving closer to the breakeven point of 50.0. *Turning to prices*, ISM's measure of *prices paid* (60.9 from 52.5) accelerated at the fastest pace since mid-2022.

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