

Markets Briefing **US equities**

US stocks jump to highs on strong economic data

Equities traders cheer report showing sharp pick-up in services sector activity



Equity traders have their first chance to respond to a report released on Friday that showed the US economy added 916,000 jobs in March © Angela Weiss/AFP/Getty

Adam Samson in London and **Colby Smith** in New York AN HOUR AGO

US stocks rallied to further highs on Monday after a report showed activity in America's sprawling services sector accelerated last month at the fastest pace on record.

The blue-chip S&P 500 index rose 1.6 per cent in New York dealings, hitting 4,082. The technology-heavy Nasdaq Composite posted similar gains to trade at 13,681, still shy of the all-time high above 14,000 it struck in February.

The advance was broad, with most of the big S&P 500 sectors advancing, led by technology stocks.

Monday's gains accelerated after data from the Institute for Supply Management showed activity in the services sector rose at a rapid clip in March. The gauge, one of the most timely and closely tracked proxies for economic output, rose to 63.7 in March from 55.3 the month before. Economists polled by Bloomberg forecast a rise to 59.

The reading suggested the rate of growth in the industry that accounts for the bulk of gross domestic product surged to an all-time high last month. All 18 services industries reported growth, the report stated.

The strong reading, which is based on a survey of industry executives, follows similarly buoyant data released last week on the manufacturing sector.

“Respondents’ comments indicate that the lifting of coronavirus pandemic-related restrictions has released pent-up demand for many of their respective companies’ services,” said Anthony Nieves, chair of ISM’s business survey committee.

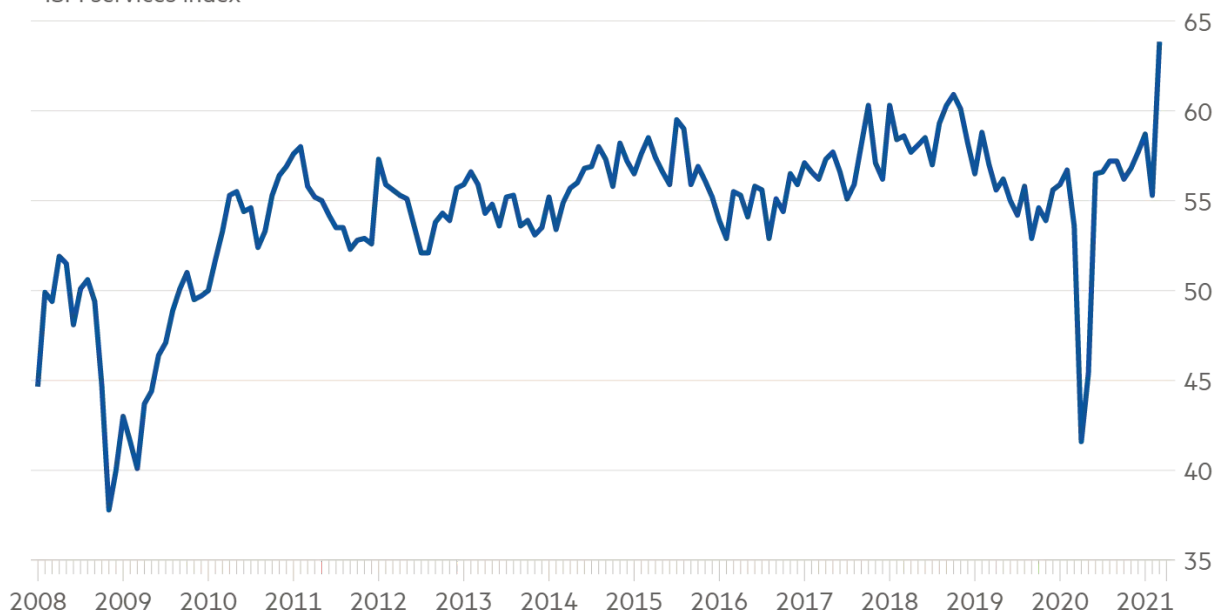
Marvin Loh, senior global macro strategist at State Street, said against this backdrop of strong economic data and a Federal Reserve that was committed to its ultra-loose monetary policy stance, the “path of least resistance” for stocks was higher.

“A lot of the good news is built in . . . but I do see the potential for [investors] to continue to bid up risky assets, just because there is so much liquidity and it remains a supportive environment,” he added.

US service sector growth accelerates at record pace

Readings above 50 point to quickening rate of increase

— ISM services index



Source: Bloomberg
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The report also comes after data released on Friday, while Wall Street equities were closed, showed the US economy [added 916,000 jobs](#) in March, a figure that exceeded economists' expectations and provided the latest indication the labour market was recovering.

“The remarkable March payroll gain is the leading edge of the coming hiring boom,” said Lydia Boussour, lead US economist at Oxford Economics.

“While employment remains 8.4m lower than pre-Covid [levels], it is poised for an impressive run in the coming months as the combination of expanding vaccine distribution and generous fiscal stimulus leads to a hiring spurt.” She forecasts 7.5m jobs will be added this year, with the unemployment rate eventually falling to 4.3 per cent from 6 per cent in March.

US equities have shot higher after reaching a low last March

S&P 500 index



Source: Bloomberg
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Investors and analysts have said the Biden administration's \$1.9tn fiscal stimulus programme has added fuel to the powerful Wall Street equities rally that followed the coronavirus-triggered stock market lows last March.

US government bonds, which unlike equities were open on Friday, came under pressure at the end of last week as investors continued to amplify their expectations for a vigorous [economic recovery](#). The benchmark 10-year yield ended the week at 1.72 per cent, not far from a recent high above 1.77 per cent. The yield slipped roughly 0.01 percentage points on Monday to trade at about 1.7 per cent.

Investors are now looking forward to a huge [infrastructure spending scheme](#) pitched last week by Joe Biden. The president has indicated that this round will be partially funded by increased taxes on US corporations, something expected to place [downward pressure](#) on profits.

In commodities markets, oil prices declined. Brent, the international benchmark, fell around 5 per cent to \$62 a barrel, while US marker West Texas Intermediate slipped by about the same margin to \$58.30.

Elsewhere, Japan's Topix index rose 0.5 per cent while South Korea's Kospi advanced 0.3 per cent. Markets in China, Hong Kong, the UK and most of Europe were closed for holidays.

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