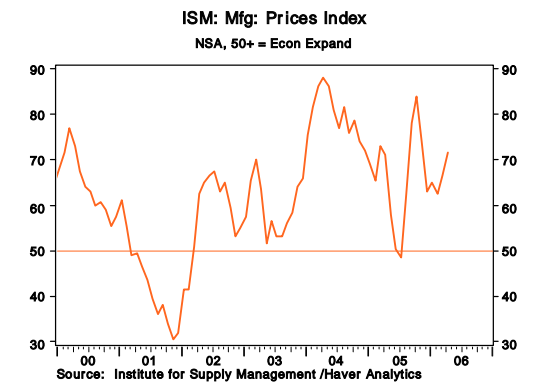
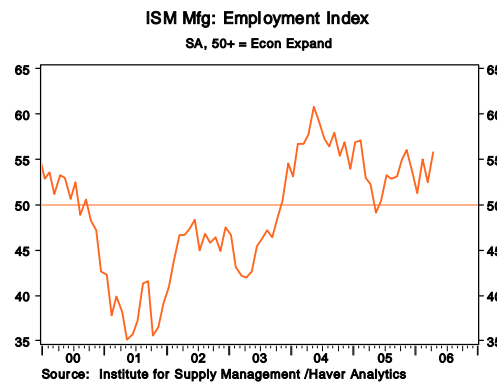
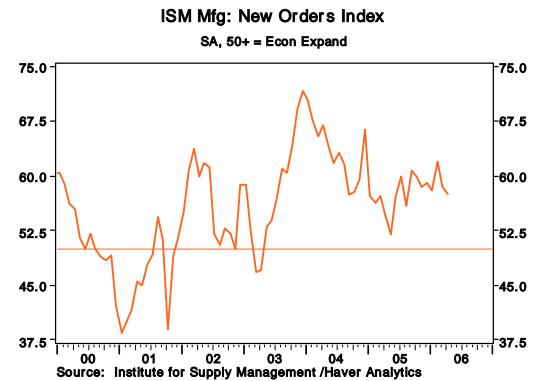
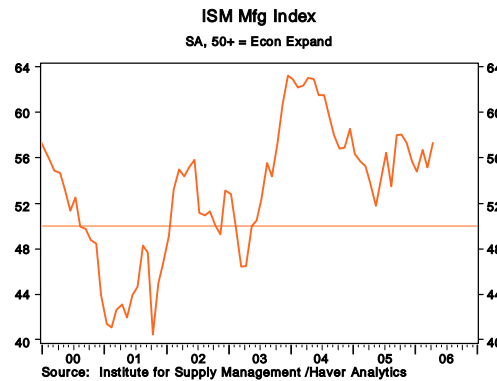


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## APRIL ISM MANUFACTURING INDEX

- The ISM Manufacturing index increased to 57.3 in April versus 55.2 in March. This was above consensus estimates of a 55.0 level.
- The new orders component fell to 57.6 last month from 58.4 in March. The production index rose to 60.4 in April versus 57.5 in the previous month. The employment component increased to 55.8 in April - the highest level in 14 months.
- The prices paid component increased to 71.5 in April from 66.5 in March. Supplier deliveries increased to 57.7 last month, an indication of tight capacity.



**Implications:** The ISM manufacturing index increased to a five-month high in April, suggesting that activity in the manufacturing sector is accelerating. The ISM is one of the earliest pieces of data available for April and should calm the fears of those that worried higher energy prices would sink the economy. In fact, if the ISM is any indication, the themes of the economy were unchanged in April – growth is accelerating, employment is rising and inflationary pressures continue to build. The Fed will be especially concerned about the slowdown in supplier deliveries (a supplier deliveries index above 50 percent indicates slower deliveries and below 50 percent indicates faster). This is a sign of tight capacity and will increase fears on the Fed about rising inflationary pressures in the economy. We have yet to see any data that will give a reason for the data-dependent Fed to pause. We continue expect a 5.25% fed funds rate by June and a 5.75% rate before the end of the year.

<b>Institute for Supply Management Index</b> <i>Data seasonally adjusted unless noted; 50+ = Econ Growth</i>	<b>Apr-06</b>	<b>Mar-06</b>	<b>Feb-06</b>	<b>3-month moving avg</b>	<b>6-month moving avg</b>	<b>Year-ago level</b>
<b>Business Barometer</b>	57.3	55.2	56.7	56.4	56.2	53.8
<i>New Orders</i>	57.6	58.4	61.9	59.3	58.9	54.7
<i>Production</i>	60.4	57.5	57.4	58.4	58.3	57.2
<i>Inventories</i>	51.3	48.7	49.6	49.9	48.8	48.2
<i>Employment</i>	55.8	52.5	55.0	54.4	54.0	52.3
<i>Supplier Deliveries</i>	57.7	53.1	52.2	54.3	54.7	52.1
<i>Order Backlog (NSA)</i>	57.0	59.5	54.5	57.0	54.5	53.0
<i>Prices Paid (NSA)</i>	71.5	66.5	62.5	66.8	67.1	71.0
<i>New Export Orders (NSA)</i>	53.4	57.3	57.0	55.9	56.4	57.0

Source: National Association of Purchasing Management

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