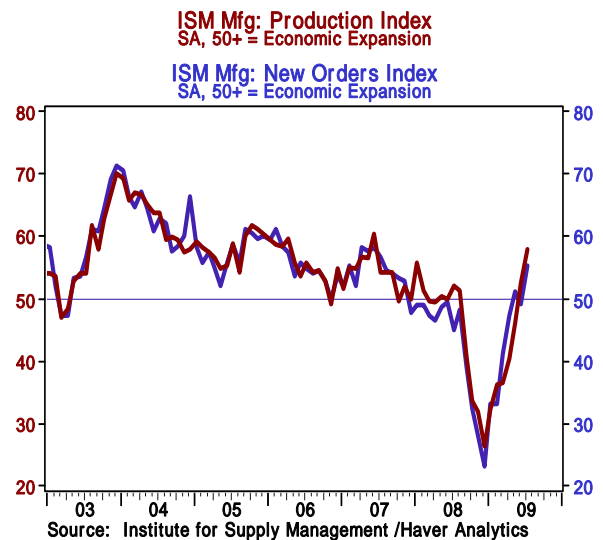
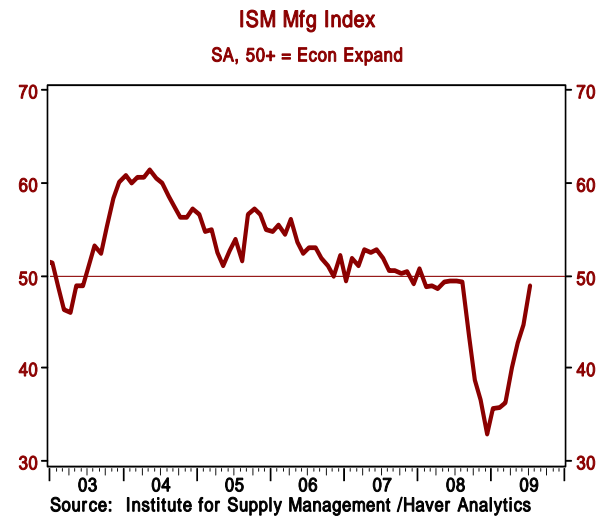


JULY ISM MANUFACTURING INDEX

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- The ISM Manufacturing index increased to 48.9 in July from 44.8 in June, beating the consensus expected increase to 46.5. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- All of the output components of the overall index improved in July. The new orders index increased into positive territory to 55.3 from 49.2, the production index increased to 57.9 from 52.5, and the employment index increased to 45.6 from 40.7.
- The prices paid index increased to 55.0 in July from 50.0 in June, the highest reading since the collapse of Lehman Brothers in September 2008.

Implications: Today's report on manufacturing further supports that we are in a "V" shaped recovery. The new orders index broke into positive territory in July at 55.3, the highest level in two years. This, along with the strong increase in production, sets the stage for future growth. A big take away from today's report is that the new export orders index increased to 50.5, breaking into positive territory for the first time since September of 2008. This signals that not only is the US recovering, but a recovery is also taking place on a global level. Although the ISM Manufacturing index is still below 50, it has been above the 41.2 level for the past three months that the Institute for Supply Management says signals overall economic expansion. Meanwhile, the inflation threat is percolating as the ISM prices paid index increased 5.0 points in July to 55.0. Continue to be on the lookout for higher inflation over the next couple years as the Fed is looser than it has ever been, and the "V" shaped recovery has taken hold. In other news this morning, construction spending increased 0.3% in July, much higher than the consensus expected drop of 0.5%. The increase in construction was led by public construction (particularly amusement and recreation and transportation). Private residential construction was up 0.5% signaling a near term turnaround in home building.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Jul-09	Jun-09	May-09	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	48.9	44.8	42.8	45.5	41.5	49.5
New Orders	55.3	49.2	51.1	51.9	46.2	44.9
Production	57.9	52.5	46.0	52.1	44.9	52.0
Inventories	33.5	30.8	32.9	32.4	33.3	45.4
Employment	45.6	40.7	34.3	40.2	34.9	51.0
Supplier Deliveries	52.0	50.6	49.8	50.8	47.9	54.1
Order Backlog (NSA)	50.0	47.5	48.0	48.5	42.1	43.0
Prices Paid (NSA)	55.0	50.0	43.5	49.5	40.1	88.5
New Export Orders	50.5	49.5	48.0	49.3	44.8	54.0

Source: National Association of Purchasing Management