

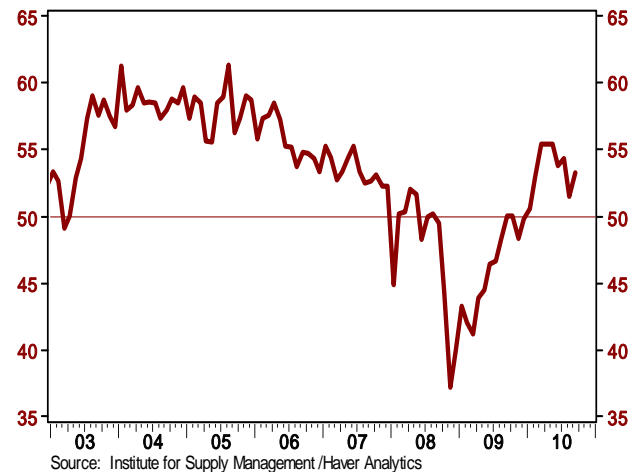
SEPTEMBER ISM NON-MANUFACTURING INDEX

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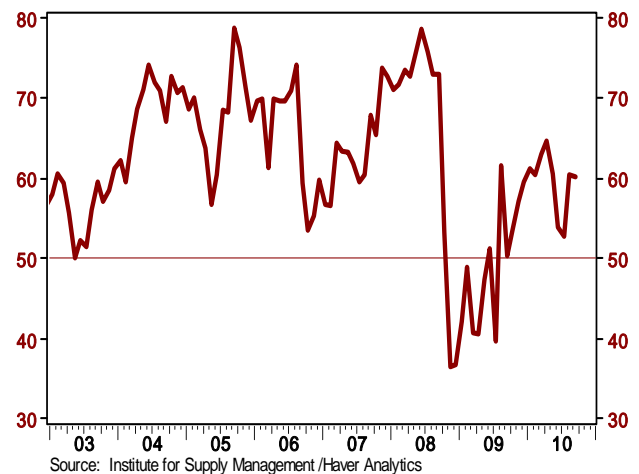
- The ISM non-manufacturing composite index rose to 53.2 in September from 51.5 in August, beating the consensus expected gain of 52.0. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- The key sub-indexes were mostly higher in September, and all remain at levels indicating economic growth. The new orders index increased to 54.9 from 52.4 and the employment index rose to 50.2 from 48.2. The supplier deliveries index climbed to 55.0 from 51.0 while the business activity index declined to 52.8 from 54.4.
- The prices paid index fell to 60.1 in September from 60.3 in August.

Implications: After the August decline, the ISM non-manufacturing index bounced back in September, coming in above the consensus expected increase to 52.0. This is now the ninth consecutive month that the overall index has remained above the critical 50 level, indicating the service sector of the economy is still growing. With a strong increase in equities in September, today's report may have also been influenced by sentiment, as is often the case. On the inflation front, the prices paid index remains at an elevated level of 60.1, signaling upward price pressure similar to the levels seen earlier this year. With easy money from the Federal Reserve, we expect inflation to accelerate beginning next year. In other recent news, pending home sales, which are contracts to purchase existing homes, increased 4.3% in August, beating a consensus expected gain of 2.5%. The rise in pending sales suggests an increase in existing home sales in September. Late last week, automakers reported that cars and light trucks were sold at an 11.76 million annual rate in September, beating consensus expectations and the fastest pace since the collapse of Lehman Brothers in September 2008. Look for more gains in the year ahead as worker pay is rising and consumer debts are much lower than a year ago.

ISM Nonmanufacturing: NMI Composite Index
SA, 50+=Increasing



ISM: Nonmfg: Prices Index
SA, 50+ = Econ Expand



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Sep-10	Aug-10	Jul-10	3-month moving avg	6-month moving avg	Year-ago level
Composite Index	53.2	51.5	54.3	53.0	53.9	50.1
Business Activity	52.8	54.4	57.4	54.9	57.4	53.2
New Orders	54.9	52.4	56.7	54.7	55.6	53.1
Employment	50.2	48.2	50.9	49.8	49.8	44.1
Supplier Deliveries (NSA)	55.0	51.0	52.0	52.7	52.9	50.0
Prices	60.1	60.3	52.7	57.7	58.7	50.2

Source: Institute for Supply Management