

Monitor

US: ISM preview, June

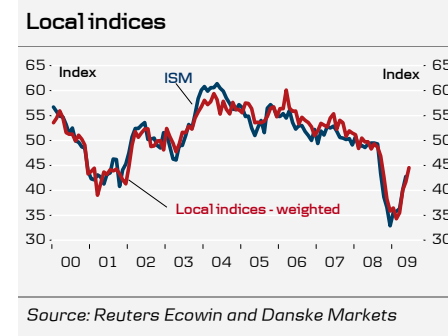
- The US ISM manufacturing index breached the 42 level in May, indicating that the overall economy is now expanding again. The details strongly suggest that the ISM will move higher in the coming months. The New Orders index increased to 51.1 indicating that order growth is back in the black and the balance between inventories and new orders is signalling a very bullish trend for the ISM.
- The readings from the local indices have again been slightly mixed this month, but overall the reading from the local surveys is positive. The local indices suggest an ISM reading of 44.5. Taking other variables into account as well, we expect Monday's ISM index to post an increase to 45.6, which is slightly higher than the consensus forecast of 44.6.
- Going forward we continue to expect that the ISM index will move higher. Our target is for the index to breach 50 by late-summer. That said the problems in the auto industry are a near-term factor of uncertainty. The underlying trend nevertheless remains up, as production growth is expected to pick up in order to close the massive gap between demand and supply.

ISM (June)			
	DB	Cons	Last
ISM	45.6	44.6	42.8
Prices	41.0	47.0	43.5

Bloomberg and Danske Markets

Danske Markets' ISM targets			
	Today	3 mth	6 mth
ISM	45.6	50.0	55.0

Danske Markets



Local indices (ISM weighted and volatility adjusted)

	This month	Last month	Change 1 mth	Change 3 mths	Change 6 mths
Empire	41.6	42.0	↓ -0.4	↑ 8.4	↑ 1.5
Philly Fed	43.0	35.4	↑ 7.6	↑ 18.8	↑ 10.8
Richmond	55.7	53.8	↑ 1.9	↑ 12.0	↑ 26.9
Dallas	41.9	39.3	↑ 2.6	↑ 4.9	↑ 5.5
Kansas	47.0	44.0	↑ 3.0	↑ 12.1	↑ 9.1
Chicago	39.4	37.4	↑ 2.0	↑ 2.0	↓ -0.8
Cincinnati	46.1	40.3	↑ 5.8	↑ 14.4	↑ 10.5
Milwaukee	45.5	44.8	↑ 0.7	↑ 13.8	↑ 15.8
Weighted	44.5	41.7	↑ 2.8	↑ 9.0	↑ 8.7
Actual ISM		42.8		↑ 7.0	↑ 6.2
Prices					
Weighted	41.0	34.5	↑ 6.4	↑ 11.4	↑ 4.2
Actual prices		43.5	↑ 11.5	↑ 14.5	↑ 18.0

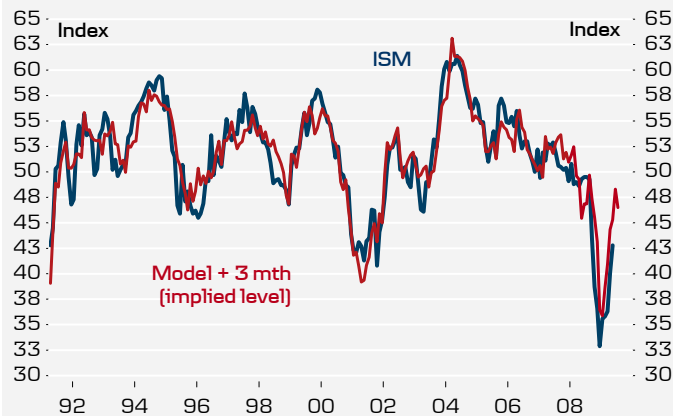
Source: Reuters Ecowin and Danske Markets

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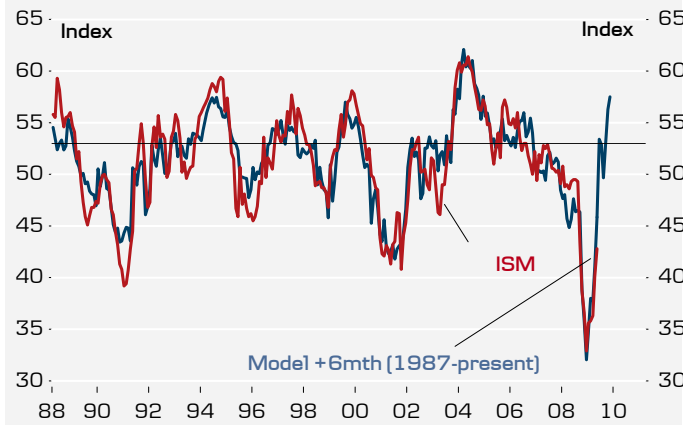
Charts

3-mth model - implied estimated level



Source: Reuters Ecowin and Danske Markets

6-mth model - estimated ISM level



Source: Reuters Ecowin and Danske Markets

Tables

Local indices detailed

Empire	Jun 09	May 09	Apr 09	Mar 09
Shipments	-4.8	1.3	-1.8	-26.7
New Orders	-8.2	-9.0	-3.9	-44.8
Employment	-21.8	-23.9	-28.1	-38.2
Delivery time	-10.3	-13.6	-5.6	-12.4
Inventories	-25.3	-21.6	-36.0	-27.0
ISM Weighted	35.9	36.6	34.9	20.2
Volatility adjusted	41.6	42.0	41.1	33.2
Philly Fed	Jun 09	May 09	Apr 09	Mar 09
General business activity	-4.8	1.3	-1.8	-26.7
New orders	-8.2	-9.0	-3.9	-44.8
Number of employees	-21.8	-23.9	-28.1	-38.2
Delivery time	-10.3	-13.6	-5.6	-12.4
Inventories	-25.3	-21.6	-36.0	-27.0
ISM weighted	35.9	36.6	34.9	20.2
Volatility adjusted	43.0	35.4	29.8	24.3
Richmond	Jun 09	May 09	Apr 09	Mar 09
Shipments	2.0	9.0	-3.0	-15.0
New orders	16.0	10.0	-2.0	-20.0
Employment	-6.0	-12.0	-26.0	-28.0
Vendor	0.0	-4.0	-9.0	-16.0
Inventories	40.0	35.0	40.0	44.0
ISM weighted	60.4	57.6	50.0	43.0
Volatility adjusted	55.7	53.8	48.6	43.7

Source: Reuters Ecowin

Local indices detailed (cont.)				
Dallas	Jun 09	May 09	Apr 09	Mar 09
Production	-7.0	-12.0	-8.9	-22.3
Growth rate of orders	-18.1	-23.0	-22.7	-35.9
Number of employees	-25.2	-27.0	-37.4	-46.6
Delivery time	-15.2	-20.0	-14.9	-20.4
Finished goods inventories	-17.2	-29.0	-26.0	-10.8
ISM weighted	33.5	27.8	28.0	22.8
Volatility adjusted	41.9	39.3	39.4	37.0
Kansas	Jun 09	May 09	Apr 09	Mar 09
Production index	9.0	-3.0	-6.0	-21.0
Volume of new orders	11.0	3.0	-10.0	-16.0
Number of employees	-10.0	-13.0	-23.0	-41.0
Delivery time	-4.0	-7.0	-5.0	-5.0
Inventories, finished goods	-14.0	-11.0	-15.0	-19.0
ISM weighted	33.5	43.8	38.2	29.6
Volatility adjusted	41.9	44.0	40.4	34.9
Chicago PMI	Jun 09	May 09	Apr 09	Mar 09
Production	39.3	38.1	38.1	32.7
New orders	41.6	37.3	42.1	30.9
Employment	28.9	25.0	31.8	28.1
Supplier deliveries	43.1	43.0	45.4	48.4
Inventories	34.2	31.5	30.6	34.9
ISM weighted	37.4	35.0	37.6	35.0
Volatility adjusted	39.4	37.4	39.5	37.4
Cincinnati	Jun 09	May 09	Apr 09	Mar 09
Production	-22.0	-20.0	-50.0	-46.0
New orders	-18.0	-23.0	-36.0	-52.0
Employment	-15.0	-39.0	-31.0	-39.0
Deliveries	16.0	14.0	23.0	4.0
Inventories	3.0	-17.0	0.0	-25.0
ISM weighted	-7.2	-17.0	-18.8	-31.6
Volatility adjusted	46.1	40.3	39.2	31.6
Milwaukee	Jun 09	May 09	Apr 09	Mar 09
Production	53.0	38.0	38.0	24.0
New orders	45.0	47.0	41.0	28.0
Blue collar employment	40.0	40.0	35.0	35.0
White collar employment	43.0	45.0	43.0	37.0
Deliveries	58.0	58.0	62.0	62.0
Inventories	29.0	38.0	23.0	21.0
ISM weighted	45.3	44.7	40.6	34.2
Volatility adjusted	45.5	44.8	39.7	31.7

Source: Reuters Ecowin

Local price indices detailed

	Jun 09	May 09	Apr 09	Mar 09
Empire	-5.8	-11.4	-14.6	-14.6
Philly	-25.3	-21.6	-36.0	-27.0
Richmond	0.8	1.0	0.3	-0.2
Dallas	-5.1	-28.0	-34.7	-41.7
Kansas	-8.0	-20.0	-28.0	-29.0
Chicago	36.3	29.8	28.4	34.1
Cincinnati	53.6	37.4	45.8	36.7
Milwaukee	50.2	50.2	38.9	26.0
Weighted and volatility adjusted	41.0	34.5	31.1	29.5

Source: Reuters Ecowin

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