

Monitor

US: ISM preview, May month

- April's ISM figure increased significantly to 40.1 from 36.3. The important subindices Production, New Orders and Employment all contributed to the increase. Especially the new orders – inventories balance rose markedly. The price index was merely unchanged.
- 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 41.3.
- Taking other variables into account as well, we expect Monday's ISM index to post a small increase to 42.6, which is slightly higher than the consensus forecast of 42.0.
- Going forward, we still expect to see a continued recovery in the ISM over the coming quarter. However, problems in the auto sector posts a risk to the short term outlook for the manufacturing sector, which is likely also behind the weakness in some of the regional indices this month. The underlying trend nevertheless remains up as production needs to pick up to close the huge gap between demand and supply growth.

ISM (May)			
	DB	Cons	Last
ISM	42.6	42.0	40.1
Prices	32.6	34.0	32.0

Bloomberg and Danske Markets

Danske Markets' ISM targets			
	Today	3 mth	6 mth
ISM	42.6	49.0	52.0

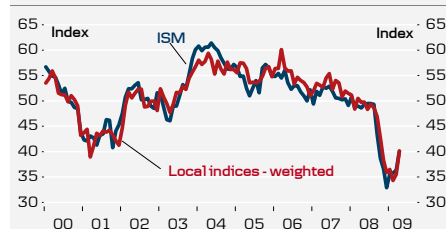
Danske Markets

Local indices (ISM weighted and volatility adjusted)

	This month	Last month	Change 1 mth	Change 3 mths	Change 6 mths
Empire	42.0	41.1	↑ 0.9	↑ 3.4	↑ 3.3
Philly Fed	35.4	29.8	↑ 5.6	↑ 5.6	↓ -0.6
Richmond	53.9	48.7	↑ 5.2	↑ 23.4	↑ 16.8
Dallas	39.3	39.4	↓ -0.1	↑ 3.2	↑ 1.6
Kansas	44.1	40.6	↑ 3.6	↑ 10.9	↑ 7.2
Chicago	37.4	39.5	↓ -2.1	↑ 0.1	↓ -2.2
Cincinnati	39.0	31.4	↑ 7.6	↑ 4.0	↓ -14.5
Milwaukee	39.5	31.5	↑ 8.0	↑ 4.6	↓ -0.9
Weighted	41.3	38.9	↑ 2.4	↑ 6.6	↑ 1.6
Actual ISM		40.1		↑ 4.5	↑ 1.4
Prices					
Weighted	34.3	30.9	↑ 3.4	↑ 0.2	↓ -8.8
Actual prices		32.0	↑ 1.0	↑ 3.0	↓ -5.0

Source: Reuters Ecowin and Danske Markets

Local indices



Source: Reuters Ecowin and Danske Markets

Senior Analyst

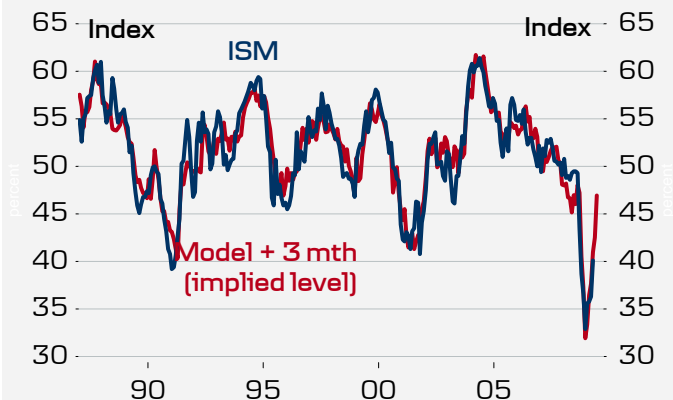
Signe Roed Frederiksen
+45 45 12 82 29
sroe@danskebank.dk

Assistant Analyst

Niels Blomquist
+45 45 12 81 57
nblo@danskebank.dk

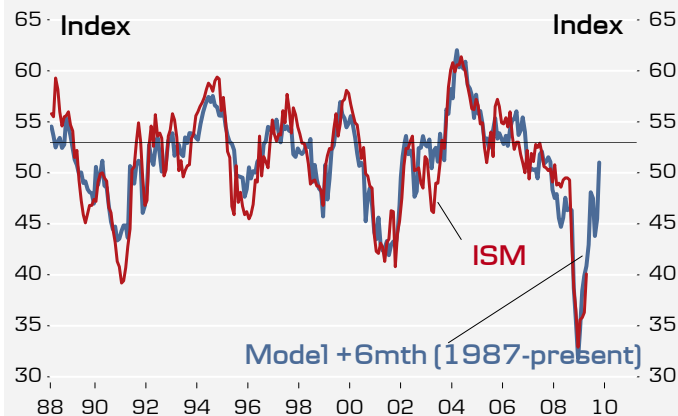
Charts

3-mth model – implied level



Source: Reuters Ecowin and Danske Markets

6-mth model – levels



Source: Reuters Ecowin and Danske Markets

Tables

Local indices detailed

Empire	May 09	Apr 09	Mar 09	Feb 09
Shipments	1.3	-1.8	-26.7	-8.1
New Orders	-9.0	-3.9	-44.8	-30.5
Employment	-23.9	-28.1	-38.2	-39.1
Delivery time	-13.6	-5.6	-12.4	-12.6
Inventories	-21.6	-36.0	-27.0	-8.1
ISM Weighted	36.6	34.9	20.2	30.3
Volatility adjusted	42.0	41.1	33.2	38.6
Philly Fed	May 09	Apr 09	Mar 09	Feb 09
General business activity	1.3	-1.8	-26.7	-8.1
New orders	-9.0	-3.9	-44.8	-30.5
Number of employees	-23.9	-28.1	-38.2	-39.1
Delivery time	-13.6	-5.6	-12.4	-12.6
Inventories	-21.6	-36.0	-27.0	-8.1
ISM weighted	36.6	34.9	20.2	30.3
Volatility adjusted	35.4	29.8	24.3	29.8
Richmond	May 09	Apr 09	Mar 09	Feb 09
Shipments	9.0	-3.0	-15.0	-56.0
New orders	10.0	-2.0	-20.0	-54.0
Employment	-12.0	-26.0	-28.0	-41.0
Vendor	-4.0	-9.0	-16.0	-22.0
Inventories	35.0	40.0	44.0	40.0
ISM weighted	57.6	50.0	43.0	23.4
Volatility adjusted	53.9	48.7	44.0	30.6

Source: Reuters Ecowin

Local indices detailed (cont.)				
Dallas	May 09	Apr 09	Mar 09	Feb 09
Production	-12.0	-8.9	-22.3	-36.1
Growth rate of orders	-23.0	-22.7	-35.9	-40.2
Number of employees	-27.0	-37.4	-46.6	-36.1
Delivery time	-20.0	-14.9	-20.4	-21.6
Finished goods inventories	-29.0	-26.0	-10.8	-12.4
ISM weighted	27.8	28.0	22.8	20.7
Volatility adjusted	39.3	39.4	37.0	36.0
Kansas	May 09	Apr 09	Mar 09	Feb 09
Production index	-3.0	-6.0	-21.0	-24.0
Volume of new orders	3.0	-10.0	-16.0	-28.0
Number of employees	-13.0	-23.0	-41.0	-40.0
Delivery time	-7.0	-5.0	-5.0	-4.0
Inventories, finished goods	-11.0	-15.0	-19.0	-20.0
ISM weighted	27.8	38.2	29.6	26.8
Volatility adjusted	39.3	40.6	35.1	33.3
Chicago PMI	May 09	Apr 09	Mar 09	Feb 09
Production	38.1	38.1	32.7	34.7
New orders	37.3	42.1	30.9	30.6
Employment	25.0	31.8	28.1	25.2
Supplier deliveries	43.0	45.4	48.4	51.0
Inventories	31.5	30.6	34.9	33.0
ISM weighted	35.0	37.6	35.0	34.9
Volatility adjusted	37.4	39.5	37.4	37.3
Cincinnati	May 09	Apr 09	Mar 09	Feb 09
Production	-20.0	-50.0	-46.0	-45.0
New orders	-23.0	-36.0	-52.0	-43.0
Employment	-39.0	-31.0	-39.0	-43.0
Deliveries	14.0	23.0	4.0	17.0
Inventories	-17.0	0.0	-25.0	-24.0
ISM weighted	-17.0	-18.8	-31.6	-27.6
Volatility adjusted	39.0	31.4	33.8	35.0
Milwaukee	May 09	Apr 09	Mar 09	Feb 09
Production	38.0	38.0	24.0	25.0
New orders	47.0	41.0	28.0	24.0
Blue collar employment	40.0	35.0	35.0	28.0
White collar employment	45.0	43.0	37.0	38.0
Deliveries	58.0	62.0	62.0	54.0
Inventories	38.0	23.0	21.0	30.0
ISM weighted	44.7	40.6	34.2	33.2
Volatility adjusted	39.5	31.5	30.2	34.8

Source: Reuters Ecowin

Local price indices detailed

	May 09	Apr 09	Mar 09	Feb 09
Empire	-11.4	-14.6	-14.6	-13.8
Philly	-21.6	-36.0	-27.0	-8.1
Richmond	1.0	0.3	-0.2	0.8
Dallas	-28.0	-34.7	-41.7	-35.1
Kansas	-20.0	-28.0	-29.0	-27.0
Chicago	29.8	28.4	34.1	37.8
Cincinnati	37.4	45.8	36.7	39.4
Milwaukee	50.2	38.9	26.0	22.8
Weighted and volatility adjusted	34.3	30.9	29.3	34.1

Source: Reuters Ecowin

Disclosure

This report has been prepared by Danske Research, which is part of Danske Markets, a division of Danske Bank. Danske Bank is under supervision by the Danish Financial Supervisory Authority. The author of this report is Signe Roed Frederiksen, Senior Analyst.

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