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Factory Orders Were Weaker Than Expected in April

New orders at U.S. factories failed to live up to hopes for a stronger gain, rising only 0.7 percent in April even as orders data for March were revised sharply down. We still do not expect to see strength in equipment & software spending through 2009, with auto shutdowns weighing most heavily on manufacturing in coming months.

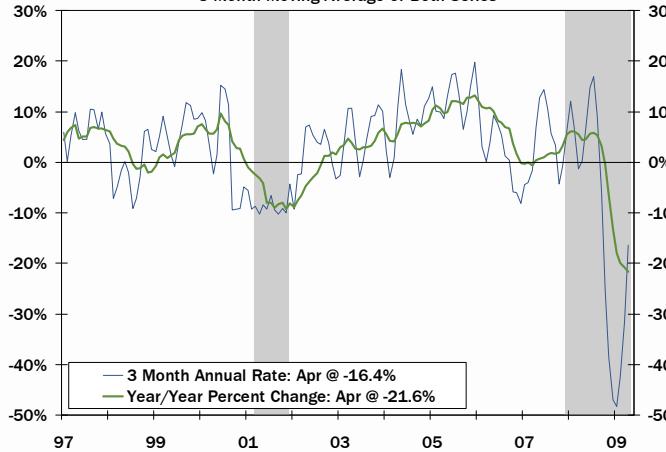
Anticipation Running High, but Today's Data Disappoint

- Not only was the gain in orders less than expected, last month's decline of 0.9 percent was revised even lower to a 1.9 percent drop. The result here is a level in orders that is actually lower than was initially reported for last month.
- Non-defense capital goods orders ex-aircraft, a key measure of business demand, fell 2.4 percent, dashing hopes for a quick recovery in business spending.

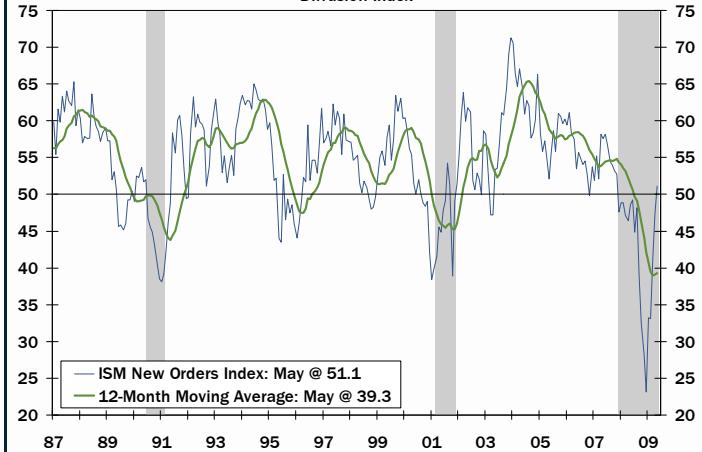
Survey Data Suggest Light at the End of the Tunnel

- Many of the regional purchasing managers' indexes have shown improvement in their new orders series. The ISM Manufacturing survey posted its 4th straight increase in orders and is now above 50 for the 1st time since November 2007, the month before the recession began. Optimism among purchasing managers combined with a major drawdown in inventories sets the stage for a more enduring recovery by year end.

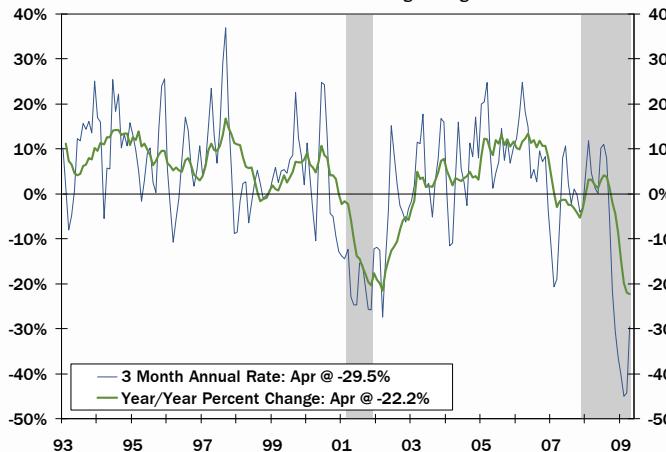
Manufacturers' New Orders
 3 Month Moving Average of Both Series



ISM New Orders Index
 Diffusion Index



New Orders Non-Defense Capital Goods Ex-Aircraft
 Series are 3 Month Moving Averages



Manufacturers' Inventories
 3 Month Moving Average of Both Series

