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ISM Manufacturing Index Moved Higher

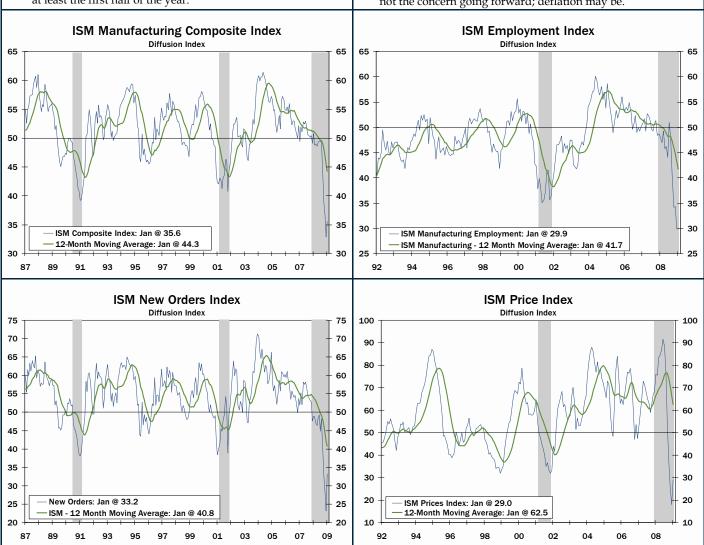
The ISM manufacturing index moved up to 35.6, off of a multi-decade low set in December. Key sub-indices including production and new orders both moved higher. Employment held at 29.9, which would suggest a 500,000 plus job loss is probable in Friday's release. Manufacturing still contracted sharply, despite the increase.

New Orders Jumped Up

 The headline index increased for the first time since June, but remains extremely depressed. New orders also jumped nearly ten points higher. While coming in better than expected, it is too early to celebrate. Manufacturing remains under considerable pressure and output will likely contract through at least the first half of the year.

Employment Flat, Prices Bounced Higher

- The employment index was unchanged in January at 29.9, a 26 year low. This extremely low reading suggests massive losses in manufacturing payrolls in data to be released on Friday.
- The prices paid index bounced back higher, but most manufacturers continued to see lower input costs. Inflation is not the concern going forward; deflation may be.



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