



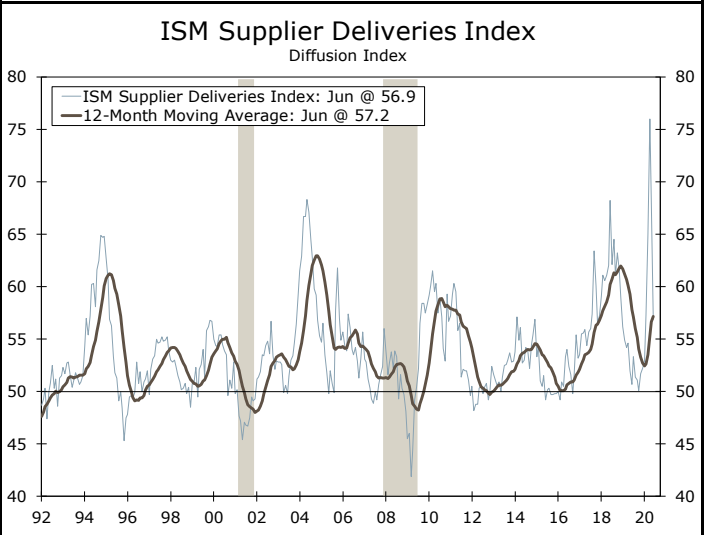
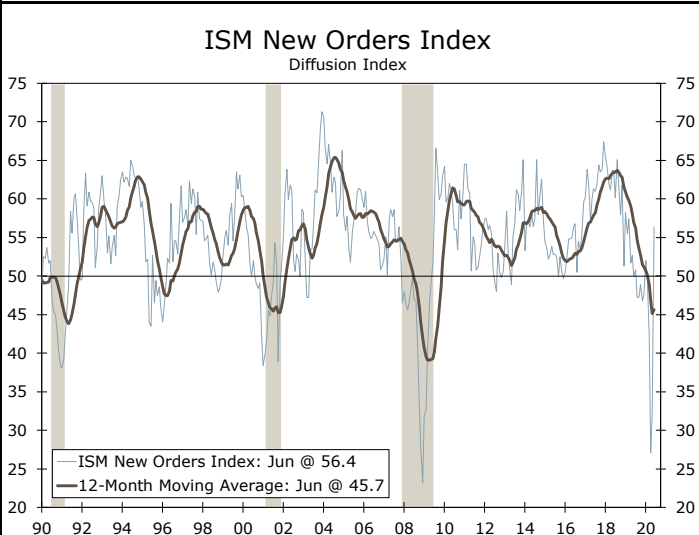
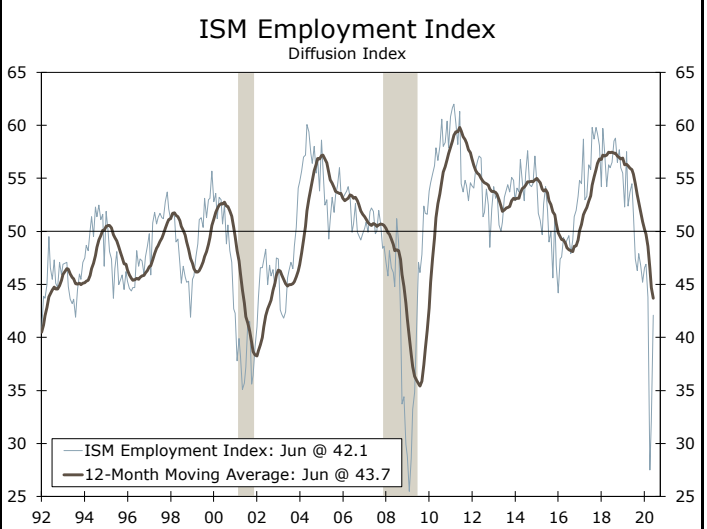
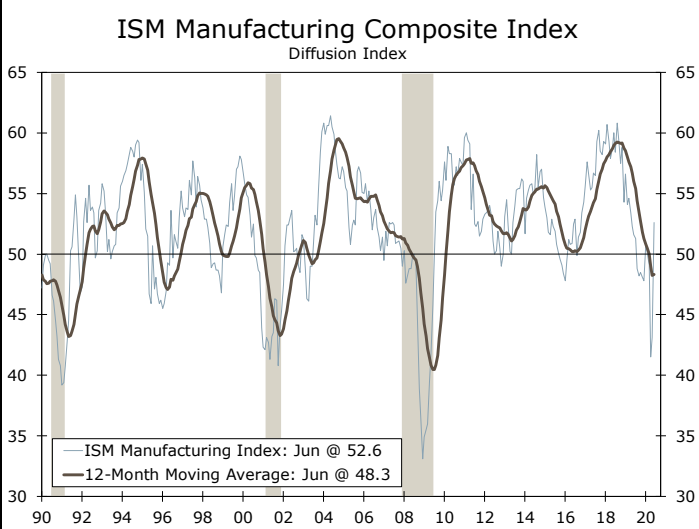
# Economics Group

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## Re-opening Euphoria Lifts ISM to 14-Month High

*The ISM report crushed expectations, but you should still temper yours when it comes to the manufacturing outlook. Orders surged from a low base and while factories aren't firing people, they're not yet hiring either.*

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| <p><b>Solid Report, But Orders Are Coming Off a Low Base</b></p> <ul style="list-style-type: none"> <li>• The ISM manufacturing index jumped to 52.6 in June, much better than the 49.8 that was expected. This factory bellwether is now higher than at any point over the past year.</li> <li>• In a stunning turn for the positive, new orders climbed to 56.4 from 31.8 the prior month. Order backlogs rebounded as well and although the 45.3 reading here is still in contraction, it too had a big jump from 38.2 the prior month.</li> </ul> | <p><b>This Is Not the All Clear</b></p> <ul style="list-style-type: none"> <li>• Today's report is clearly positive news for the factory sector, but the jump may just reflect the relief about reopening rather than a signal full rebound for a sector that still faces major headwinds.</li> <li>• Factories are not laying off workers to the extent that they were in May, but a below-50 read for employment, while an improvement, still suggests major rehiring is not happening yet.</li> <li>• The supplier deliveries index still signals supply chain constraints.</li> </ul> |
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Source: Institute for Supply Management and Wells Fargo Securities

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