

ISM Services Is Good For Growth, Bad News For Bonds

ISM non-manufacturing, index, January:

Actual: 59.9

Scotia: 56.3

Consensus: 56.7

Prior: 56 (revised from 55.9)

- This report is a strong plus for growth, but bad news to bond land. The headline reading climbed to its highest since July 2005 but barely above the October 2017 reading. The components are hawkish to the FOMC.
- The prices paid subindex picked up to 61.9 which is the highest on record.
- The order book is rising at a quickening pace. Sharply quickening that is, as new orders climbed from 54.5 to 62.7. **That's the strongest reading since January 2011** by a whisker above the October 2017 reading as the softening in November and December was reversed.
- Employment growth also accelerated to 61.6 from 56.3. **That's the strongest employment reading for this sub-gauge since....well, ever!**
- The inventories sub-gauge is the lowest since last March. It has swung from 57.5 last June down to 49 now which signals a slight contraction. That suggests that **production gains through the order book will occur in the context of relatively soft inventories which means either stronger production than would otherwise be the case or exercising some pricing power.**

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