

## Feb. 2019 ISM Non-Manufacturing and Manufacturing Indexes, Dec. New Home Sales

### *U.S. Service Sector Index Rebounds Strongly*

- The ISM Non-Manufacturing Index for February increased to a strong 59.7 percent.
- The ISM Manufacturing Index for February dipped to a still-positive 54.2.
- New Home Sales for December increased by 3.7 percent to a 621,000 unit annual rate.

The ISM Non-Manufacturing Index for February increased more than expected, to a strong 59.7. This was the highest index value since November 2018. The index shows that the bulk of the U.S. economy is still performing well, even though downside risk factors have increased this year. The production and new orders sub-indexes both increased to strong levels in February. The employment sub-index eased, to a still-positive 55.2, consistent with ongoing hiring in the service sector. Anecdotal comments were generally positive. However, some firms were concerned about trade tariffs. All 18 reporting industries said they grew in February.

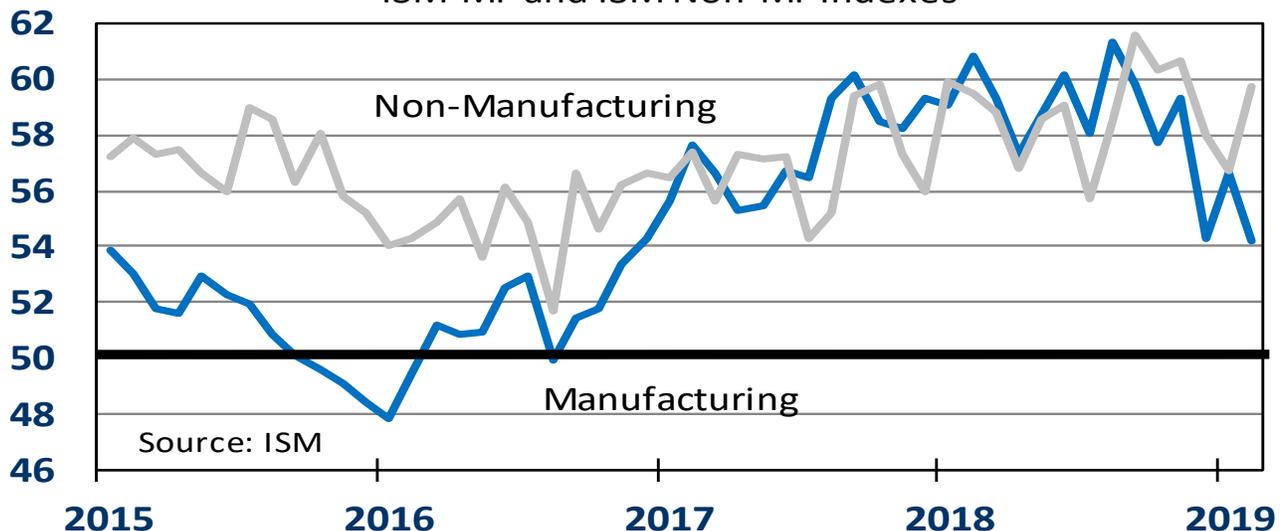
The ISM Manufacturing Index for February fell to a still moderately positive 54.2, well down from the recent peak of 60.8 from August 2018. The production, new orders and employment sub-indexes all remained above the break-even 50 mark. Most anecdotal comments were positive, although some comments mentioned heightened uncertainty and slowing demand. Sixteen out of 18 industries reported growth in February. The only industry reporting contraction was nonmetallic mineral products, which are often linked to construction.

New home sales for December increased by 3.7 percent, to a 621,000 unit annual rate. The interesting story with the new homes sales data is the significant downward revision to the November sales rate, down to 599,000, after originally being reported at 657,000. New home sales data has been delayed due to the government shutdown. Now with the major revision to the November numbers, the story is still less than clear. What we can say is that the trend for new home sales still looks soft, and that the December sales rate of 621,000 remains well below the recent peak of 712,000 from November 2017. The months' supply of new homes on the market ticked up to 6.8 months' worth in December, still moderately over-supplied.

**Market Reaction:** U.S. equity markets open with losses. The yield on 10-Year Treasury bonds is up to 2.74 percent. NYMEX crude oil is up to \$56.74/barrel. Natural gas futures are down to \$2.84/mmbtu.

## Service Sector Improved in February

ISM-MF and ISM Non-MF Indexes



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