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ISM Survey: Less downside risk

The headline ISM index unexpectedly slips 0.8 point (Consensus: +0.4 point; Decision Economics: +1.2 points) to 50.8, in a pattern of mainly narrowly mixed component-index changes that is firmer than the headline might suggest.

The strength in the report was in new orders (+2.8 point, to 52.4), and, to a lesser degree, in employment, where a marginal decline (-0.3 point, to 53.5) preserved most of 2-point gain, to a fair-growth level, scored last month.

Other indexes factored into the headline declined by larger--though still relatively small--amounts, led by inventories (-5.3 points, to 46.7), followed by production (-1.1 points, to 50.1), and the supplier-delivery index (-0.1 point, to 51.3).

As always, it is unclear whether the inventory decline--which accounted for about a full-point drop in the headline number--is really "bad" news, particularly since it was accomplished with a relatively slight pullback in production. Goods, evidently, were sucked off the shelves.

Thus, the overall report, while not "strong," was reassuring as to stability, and minimization of downside risk. And, the most important of the components--orders--broke out of a 3-month funk of sub-50 levels.

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