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ISM

The headline January ISM index is a bit shy of expectations, rising 1.0 point (Consensus: +1.8 points; Decision Economics: +2.9 points) from a prior-month level which annual revisions raised by 0.4 point. The new level was at a solid-growth level of 54.1.

Importantly, the new orders index jumped 2.8 points, to 57.6. However, manager confidence did not flip to ebullience on that development, with the employment index slipping 0.5 point, to a still-solid 54.3.

Production growth actually eased a bit, with that index falling 2.2 points, to 55.7, and inventories, nevertheless, firmed taking that index up 4.0 points, to 49.5. Those movements together hinted at restrained growth in shipments--helping to arrest a longstanding decline in backlogs, with that index moving up 4.5 points, to 52.5.

None of this is negative, but it does seem that decisionmakers are hesitating about pulling out all the stops in response to the strengthening in orders. That is understandable, given the uneven pattern of growth over the last year, and probably healthy too.

For the moment, Fed hawks' perception that the economy is gaining strength naturally finds support. Doves will remain very impatient with progress on employment.

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