

Strong ISM Report is Another Log on the Fire

The outlook of U.S. factory managers in March was the brightest it's been in over 38 years. The overall manufacturing index climbed from 60.8 to 64.7, a level *not seen since 1983*. In this series, any reading above 50 indicates expansion, while levels above 60 are relatively rare.

- The forward-looking new orders Index rose from 64.8 to 68.0, while the production index increased from 63.2 to 68.1. *Both key indexes were at 17-year highs.*
- The orders backlog Index rose to an *all-time high* of 67.5, and the employment index climbed to a three-year high of 59.6.
- The prices paid index slipped from 86.0 to 85.6, but at this extremely elevated level, it's safe to say most factory managers are experiencing inflated input prices which will likely result in higher consumer prices down the line.
- The customer inventory index dropped to an all-time low of 29.9. Obviously, lean inventories paired with increased demand bodes well for future production.

17 of 18 manufacturing industries reported expansion in March, with the six largest industries *indicating strong growth*. No industries reported contraction in March. The ratio of positive to negative comments was 8-to-1 last month, up from 5-to-1 in February. Commonly mentioned comments were increased or strong demand, positive business conditions, challenges in hiring and retaining employees, rising input prices and supply chain disruptions. On a related note, Bloomberg News reported that semiconductor shortages have forced Ford to temporary idle production of its top-selling F-150 pickup trucks.

The ISM manufacturing index has a high correlation with GDP growth, despite the fact that factory activity contributes just 10% of U.S. economic growth. Today's surprisingly strong report adds to a growing stack of support for *robust 2021* economic growth, and the extremely elevated price index suggests inflation could climb beyond most forecasts.

All three major stock indexes are rallying, with the S&P500 reaching a new record high, as equity investors factor in the latest in a long string of better-than-expected data.

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Market Indications as of 11:41 A.M. Central Time

DOW	Down 154 to 33,136 (HIGH: 33,171)
NASDAQ	Up 203 to 13,450 (HIGH: 14,095)
S&P 500	Up 38 to 4,011 (NEW HIGH)
1-Yr T-bill	current yield 0.06%; opening yield 0.05%
2-Yr T-note	current yield 0.16%; opening yield 0.16%
5-Yr T-note	current yield 0.90%; opening yield 0.93%
10-Yr T-note	current yield 1.68%; opening yield 1.74%
30-Yr T-bond	current yield 2.34%; opening yield 2.41%

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