

ISM Services Index Hints at Both Stronger Growth and Higher Prices

The Institute for Supply Management (ISM) survey of U.S. service managers flashed unexpected strength in September, climbing further into expansion territory (above 50) with *the highest composite index measure in 20 months*. The solid 54.9 reading, which might have been higher if not for managers expressing election uncertainty, reflected growth in 12 of 17 service industries, up from 10 in August.

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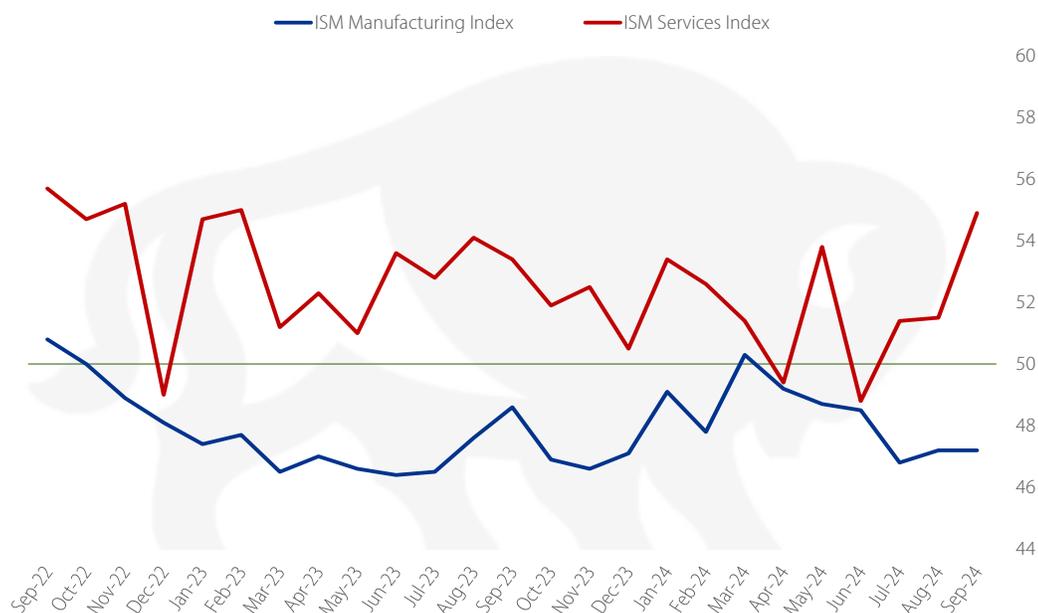
The new orders index jumped 6.4 points, both the largest monthly increase and the highest reading since early 2023. At 59.4, the new orders index is suddenly well into expansion territory. The prices paid index rose for the third straight month in September to 59.4, the highest level since January, as an increasing number of purchasing managers reported higher prices. The employment index was one of few registering weakness, moving from 50.2 into mild contraction at 48.1.

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The results of the ISM services survey draw a sharp contrast to the factory survey released earlier this week, which indicated the sixth straight month of contraction (sub-50). However, a case can be made that the service sector, which contributes roughly 80% of GDP, should command more attention. The September results (in particular new orders) suggest that the fourth quarter began with a healthy head of steam. That, along with the fact that a majority of the nation's service managers are currently experiencing higher prices, doesn't entirely support the aggressive path of monetary policy as indicated by the futures market.

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ISM Purchasing Managers Index



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Source: Institute for Supply Management

Market Indications as of 11:46 A.M. Central Time

DOW	Down -250 to 41,947 (HIGH: 42,330)
NASDAQ	Down -37 to 17,889 (HIGH: 18,647)
S&P 500	Down -5 to 5,705 (HIGH: 5,762)
1-Yr T-bill	current yield 3.99%; opening yield 3.95%
2-Yr T-note	current yield 3.69%; opening yield 3.65%
3-Yr T-note	current yield 3.60%; opening yield 3.56%
5-Yr T-note	current yield 3.61%; opening yield 3.56%
10-Yr T-note	current yield 3.83%; opening yield 3.79%
30-Yr T-bond	current yield 4.16%; opening yield 4.13%

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