

## February ISM Surveys Point to Expansion

The Institute of Supply Management (ISM) surveys kick off each month’s economic data and provide an early read on how the economy is shaping up ahead of the Friday jobs report and the Consumer Price Index (CPI) next week. The monthly Purchasing Managers Index (PMI) gives us a gauge on business activity and whether conditions are expanding or contracting, with readings above 50 indicating growth. For February, both the manufacturing and services PMIs showed solid improvement and pointed to a firmer first quarter compared with the end of last year.

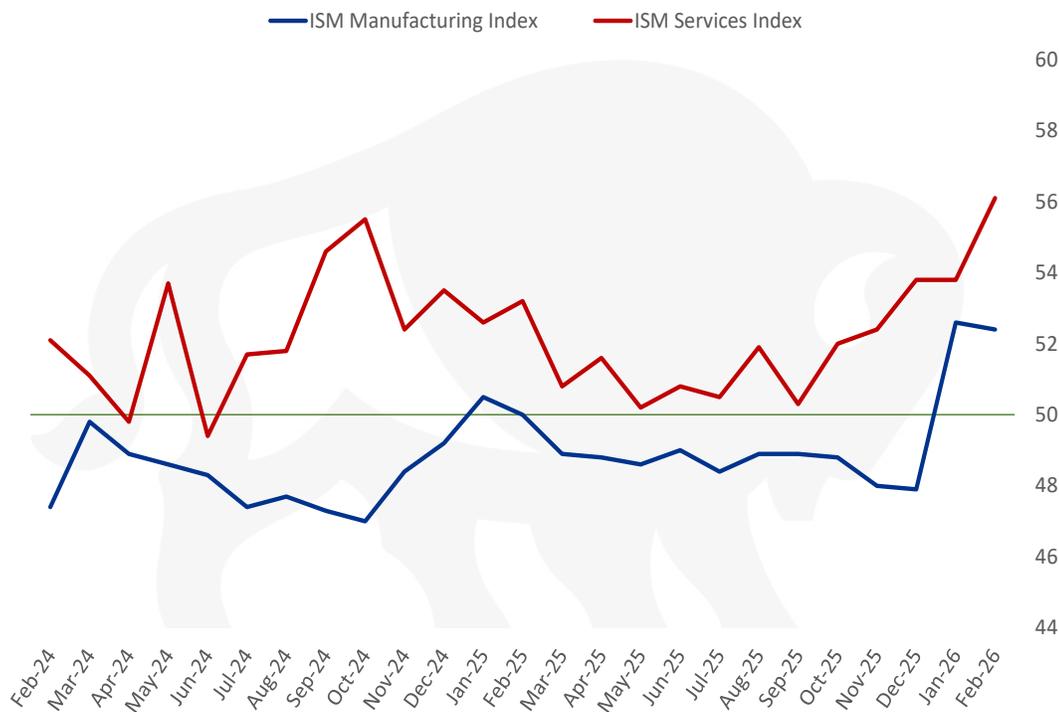
Starting with manufacturing, Monday’s release slipped slightly to 52.4 from 52.6 in January but remained in expansion for a second straight month after spending almost all of 2025 in contraction. Manufacturing is a smaller share of the U.S. economy, but the improvement is notable. What stood out in the report was a sharp twelve point jump in the Prices Paid component to 70.5, driven by higher steel and aluminum costs along with other tariff related pressures. We also received the February auto sales report yesterday, which showed a rebound from January’s weather related weakness, although sales remain below the prior year’s pace as higher oil prices continue to weigh on demand.

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### ISM Purchasing Managers Index



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Source: Institute for Supply Management

Turning to the larger services sector, today's ISM Services Index continued to expand. *The PMI rose to 56.1 from 53.8, the highest reading since July 2022 and a clear sign that service sector activity accelerated in February.* Demand strengthened across the board, with new orders jumping to 58.6 from 53.1 and continued gains in exports and backlogs. Employment also improved as firms reported adding staff, and production increased to keep up with rising demand, returning to levels last seen in mid 2024. Unlike the manufacturing survey, the prices paid index for services moved lower to 63.0, suggesting that cost pressures are becoming less widespread even as activity expands. Some economists described the report as a "Goldilocks" outcome because of the combination of strong activity and easing price pressure. Fourteen industries reported growth in February, three more than in January, and the number reporting contraction shrank to three.

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Looking ahead to Friday, the labor market will be in focus with the release of the February employment report. As a preview, ADP's private payrolls estimate today showed 63k new jobs, while current forecasts for the official nonfarm payrolls figure sit around 58k with the unemployment rate expected to hold at 4.3%. High level, the two ISM surveys for February provide a picture of an improving economy. Manufacturing is stabilizing after a long stretch of weakness, and the services sector posted its strongest gain in nearly four years. The contrast between rising input costs in manufacturing and easing price pressures in services will be a key dynamic to watch in next week's CPI release. Later today, the Federal Reserve will publish its Beige Book, which offers a regional snapshot of economic conditions based on business and community feedback.

## Market Indications as of 10:29 A.M. Central Time

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|--------------|--|
| DOW          | Up 275 to 48,776 (HIGH: 50,188)          |
| NASDAQ       | Up 291 to 22,808 (HIGH: 23,958)          |
| S&P 500      | Up 43 to 6,859 (HIGH: 6,979)             |
| 1-Yr T-bill  | current yield 3.55%; opening yield 3.53% |
| 2-Yr T-note  | current yield 3.52%; opening yield 3.52% |
| 3-Yr T-note  | current yield 3.52%; opening yield 3.52% |
| 5-Yr T-note  | current yield 3.65%; opening yield 3.65% |
| 10-Yr T-note | current yield 4.07%; opening yield 4.06% |
| 30-Yr T-bond | current yield 4.71%; opening yield 4.71% |

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