

## **Manufacturing Index**

**eResearch Corporation** and **PINNACLEDIGEST** have agreed to collaborate and populate each other's website with research reports and analyst articles.

**eResearch** and **PINNACLEDIGEST** share a common mission: to provide their Subscribers and the investing public with quality investment research analysis, both written corporate research and insightful analyst articles, by ensuring that the research is a credible resource that investors can rely on.

**eResearch** was established in 2000 as Canada's first equity issuer-sponsored research organization. Our various research packages allow corporate management to choose the form of research coverage that best meets their company's needs.

**PINNACLEDIGEST** has fast become a leading investor portal for interesting and timely investment information. Its website hosts a weekly column, "featured company" research commentary, community blogs, the Managing Director's personal blog, market analysis, a monthly stock challenge, IPO listings, plus a host of other investor-oriented market information.

**eResearch Corporation** is pleased to provide a **PINNACLEDIGEST** article entitled:  
**Manufacturing Index**

Bob Weir, CFA  
Managing Director, Research Services

February 8, 2010

**Note:** All of the comments, views, opinions, suggestions, recommendations, etc., contained in the **PINNACLEDIGEST** articles, reports, files, documents, essays, etc., and which are distributed by **eResearch Corporation**, are strictly those of **PINNACLEDIGEST** and do not necessarily reflect those of **eResearch Corporation**.



## Manufacturing Index

February 7, 2010

The Dow rallied 120 points in the final hour of trading Friday on speculation the EU will bail out Greece and Spain as soon as this weekend. In addition, The Federal Reserve reported that consumer credit declined in December by \$1.7 billion. Unemployment in the USA dropped to 9.7% as 11,000 workers were added to payrolls in January. This is the first increase since January 2007 and the biggest since April 2006. Make of it what you will, just be aware of the seasonal hiring increase which played a major role in the 'positive numbers'.

The US economy is expanding and recovering, but is it sustainable?

The rules and parameters of the game have changed as our debt balloons and we continue to print and lend money at levels never before seen or even imagined. Bernanke and the Obama camp are attempting to pull off one of the greatest balancing acts in the history of monetary systems. What is at stake is the long term health of the US dollar which, more than likely, all or most of our assets are directly or indirectly tied to.

President Obama has projected a record \$1.56-trillion US government deficit for 2010. This is following a \$1.4 trillion deficit in 2009. The 2011 deficit is predicted to be \$1.3 trillion. Deficits are expected to remain above \$700 billion for the rest of the decade, according to the projections. These predictions were taken from Bloomberg.

Obama has a plan and is hopeful the economy can slowly but surely dig itself out of unfathomable debt. So why is it that even amidst a week when President Obama stated plans to expand the US deficit exponentially, the market finishes strong?

Fundamentals are moving the markets back up. The ISM's (Institute for Supply Management) Manufacturing Index came in at 58.4 for January. This was a significant and dramatic rise from December which came in at 54.9. It was also the fastest monthly growth in US factory output since August 2004.

Our team at Pinnacle Digest has long spoken about the Manufacturing Index numbers and how important it is to the US economy and overall market sentiment.

Whenever the number is above 50, GDP is almost always expanding and the markets are usually following suit. Economic activity in the manufacturing sector expanded in January for the sixth consecutive month - positive fundamentals that cannot be ignored. The overall economy has grown for the ninth consecutive month.

[PINNACLEDIGEST.COM](http://PINNACLEDIGEST.COM)

MANUFACTURING AT A GLANCE JANUARY 2010						
Index	Series Index January	Series Index December	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
PMI	58.4	54.9	+3.5	Growing	Faster	6
New Orders	65.9	64.8	+1.1	Growing	Faster	7
Production	66.2	59.7	+6.5	Growing	Faster	8
Employment	53.3	50.2	+3.1	Growing	Faster	2
Supplier Deliveries	60.1	56.8	+3.3	Slowing	Faster	8
Inventories	46.5	43.0	+3.5	Contracting	Slower	45
Customers' Inventories	32.0	35.0	-3.0	Too Low	Faster	10
Prices	70.0	61.5	+8.5	Increasing	Faster	7
Backlog of Orders	56.0	50.0	+6.0	Growing	From Unchanged	1
Exports	58.5	54.5	+4.0	Growing	Faster	7
Imports	56.5	55.0	+1.5	Growing	Faster	5
<b>OVERALL ECONOMY</b>				Growing	Faster	9
<b>Manufacturing Sector</b>				Growing	Faster	6

The Institute for Supply Management's official website gives excellent monthly breakdowns.

**HERE'S WHAT RESPONDENTS ARE SAYING...**

- \* "Commodity prices are moving up again." (Printing & Related Support Activities)
- \* "We now believe that we will not have a good upturn until the 3rd quarter of 2010." (Primary Metals)
- \* "Overall activity is significantly higher than we typically see this time of year." (Machinery)
- \* "Orders from automotive very strong." (Electrical Equipment, Appliances & Components)
- \* "Lead times continue to be a problem for electronic components." (Computer & Electronic Products)

View the detailed report and more commentary at: <http://www.ism.ws/ISMReport/MfgROB.cfm>

All the best with your investments,

**PINNACLEDIGEST.COM**