



Strategas Securities, LLC

Norbert Ore (404) 488-7380

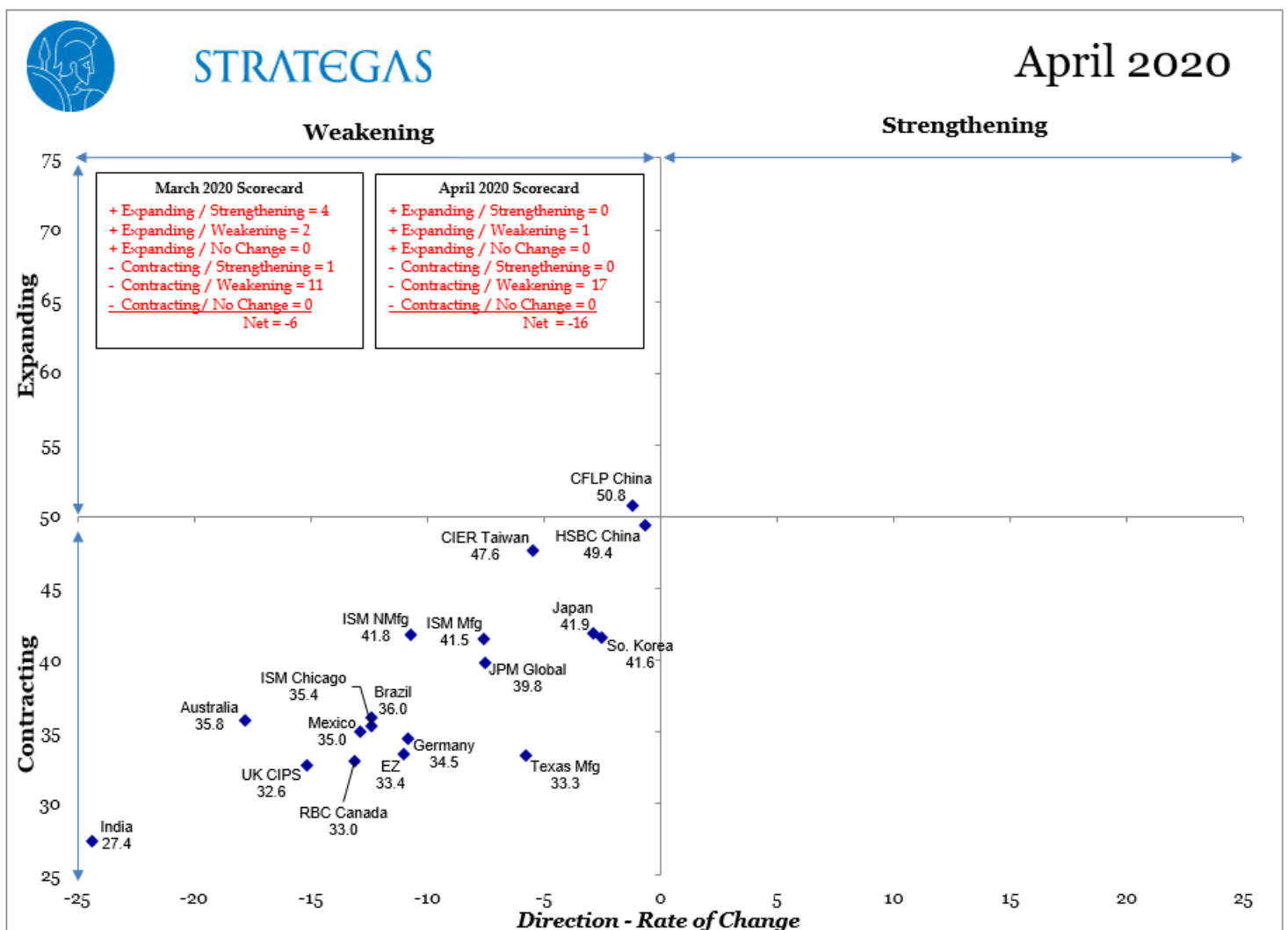
[nore@strategasrp.com](mailto:nore@strategasrp.com)

Erica Halie Comp, CBE (646) 292-7951

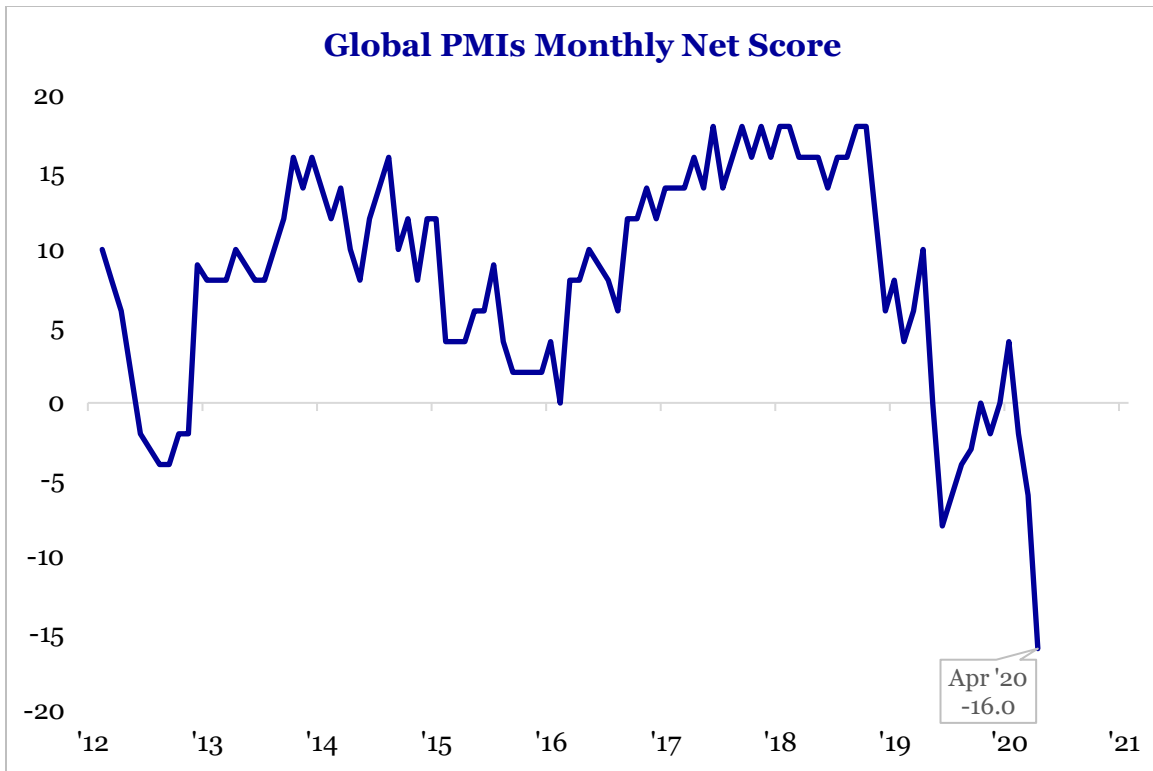
[ecomp@strategasrp.com](mailto:ecomp@strategasrp.com)

## DEEP PLUNGE SETS BOTTOM TO CYCLE?? APRIL 2020 BUSINESS SURVEY INSIGHTS

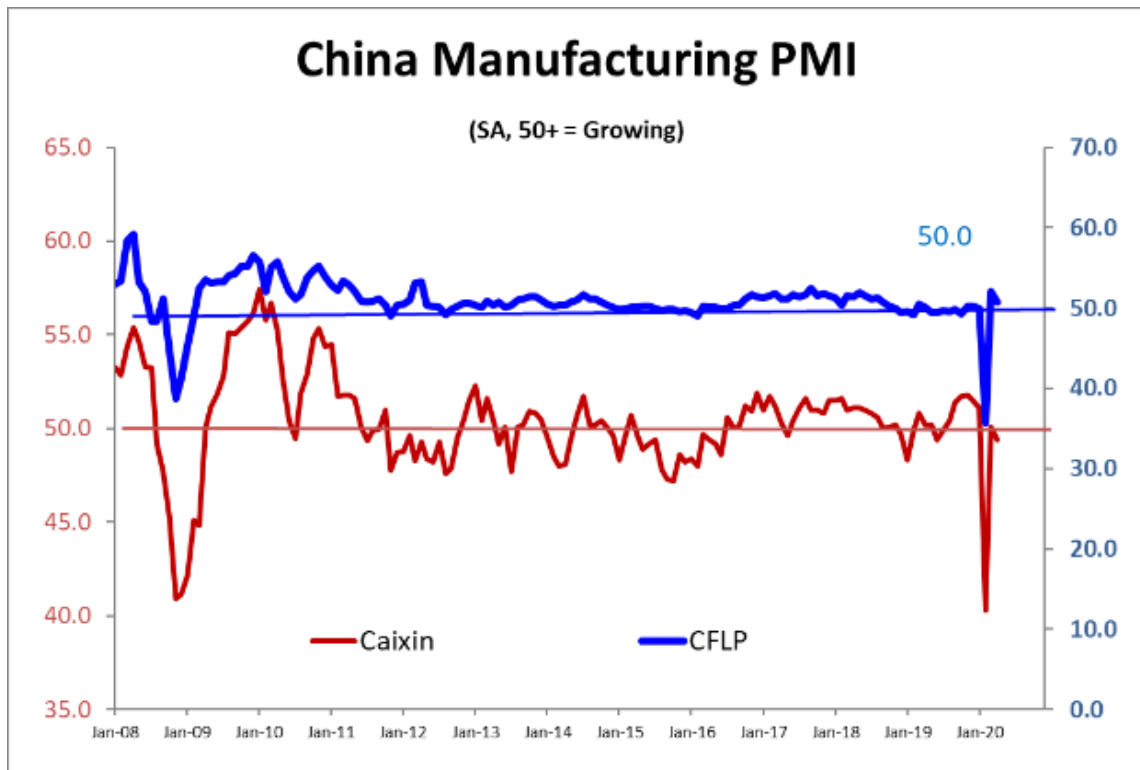
April 2020 will long be remembered for the economic devastation that wrought global activity. There are typically winners and losers in an economic cycle, but in this pandemic-induced crisis, winners are scarce and [assets are stranded](#) so the best we can hope for is break-even. This month's PMI numbers showed almost every major economy is struggling. The one exception is China as its manufacturing sector weathered what looks like a micro recession – one month – a first.



# LOWEST EVER SURVEY INSIGHTS SCORECARD READING



# CHINA MFG SECTOR SNAPS BACK AS LIFE NORMALIZES

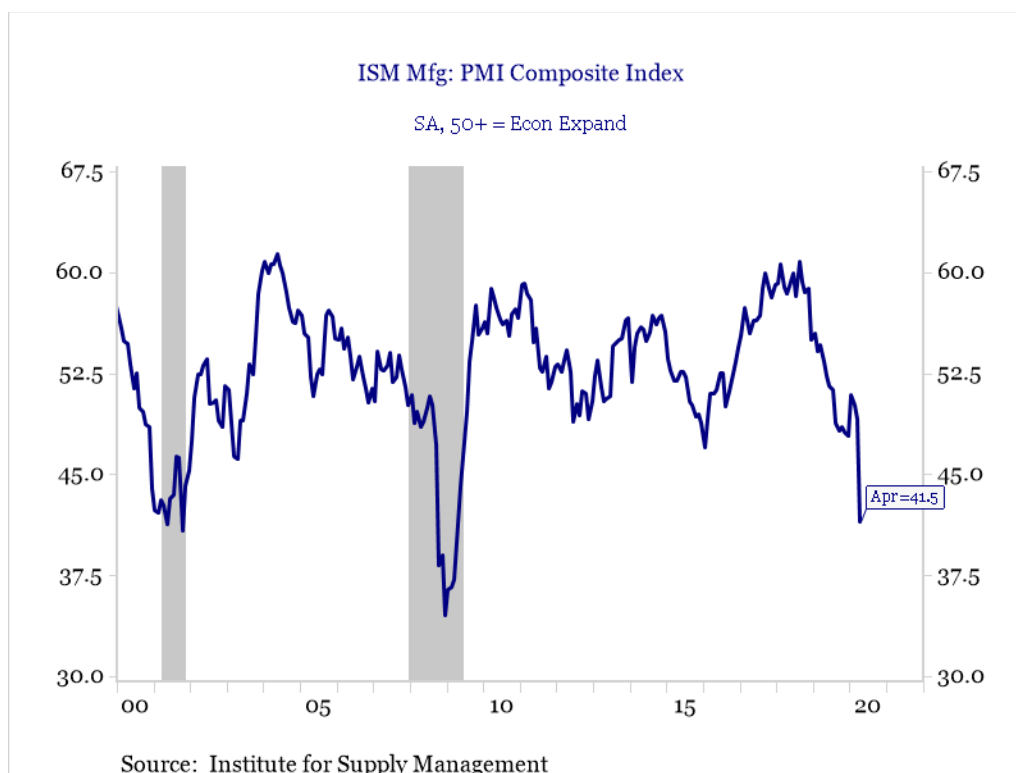


DEEP PLUNGE SETS BOTTOM TO CYCLE?? *Cont'd*

Global Manufacturing Summary						
		Most Recent Data			Current Reading vs.	
		Period	Current Reading	Prior Reading	6 Mo Avg.	12 Mo Avg.
Developed Markets	<b>Americas</b>					
	Canada	Apr-20	33.0	46.1	-14.2	-15.6
	United States	Apr-20	41.5	49.1	-6.4	-7.5
	<b>Europe</b>					
	Austria	Apr-20	31.6	45.8	-13.2	-14.2
	Denmark	Apr-20	38.6	46.5	-9.7	-10.2
	France	Apr-20	31.5	43.2	-14.8	-17.0
	Germany	Apr-20	34.5	45.4	-9.0	-8.9
	Ireland	Apr-20	36.0	45.1	-11.1	-12.3
	Italy	Apr-20	31.1	40.3	-12.7	-15.0
	Netherlands	Apr-20	41.3	50.5	-7.4	-8.6
	Norway	Apr-20	42.0	41.4	-7.3	-8.9
	Spain	Apr-20	30.8	45.7	-14.2	-15.8
	Switzerland	Apr-20	40.7	43.7	-5.8	-6.2
	United Kingdom	Apr-20	32.6	47.8	-13.8	-14.8
	<b>Pacific</b>					
Australia	Apr-20	35.8	53.7	-10.1	-13.2	
Japan	Apr-20	41.9	44.8	-4.9	-6.1	
New Zealand	Feb-20	53.2	49.8	2.3	2.5	
Singapore	Apr-20	44.7	45.4	-3.5	-4.2	
Emerging Markets	<b>Americas</b>					
	Brazil	Apr-20	36.0	48.4	-12.5	-14.0
	Mexico	Apr-20	35.0	47.9	-11.1	-12.8
	<b>Europe</b>					
	Czech Republic	Apr-20	35.1	41.3	-7.4	-8.7
	Greece	Apr-20	29.5	42.5	-18.9	-21.7
	Hungary	Apr-20	33.6	28.5	-11.5	-15.6
	Poland	Apr-20	31.9	42.4	-12.2	-14.1
	Russia	Apr-20	31.3	47.5	-13.4	-15.2
	<b>Asia</b>					
	China (CLFP)	Apr-20	50.8	52.0	2.7	2.0
	China (Caixin)	Apr-20	49.4	50.1	0.4	-0.4
	India	Apr-20	27.4	51.8	-21.4	-22.9
	Indonesia	Apr-20	27.5	45.3	-17.8	-20.0
Korea	Apr-20	41.6	44.2	-5.7	-6.1	
Malaysia	Apr-20	31.3	48.4	-14.8	-15.8	
Philippines	Apr-20	31.6	39.7	-14.9	-17.5	
Taiwan (Markit)	Apr-20	42.2	50.4	-7.0	-6.5	
Thailand	Apr-20	36.8	46.7	-10.3	-11.9	

## The ISM PMI®

In April, the U.S. Manufacturing PMI® (41.5, -7.6) posted its largest one month decline since September 2008 when it fell 9.0 points. The past relationship between the PMI and the overall U.S. economy indicates that the PMI for April (41.5) corresponds to a 0.4 percent decrease in real GDP on an annualized basis, according to the ISM press release. However, this is based on the *historical* relationship between the ISM Manufacturing PMI® and U.S. GDP. It does not include provisions for the impact of the Covid-19 Global Pandemic which has already radically disrupted supply and demand.



**Drivers:** New Orders, Production, and Employment – all indicators of demand – collectively averaged 27.4 percent. That is the largest slowing of economic activity since April 1974! Given the plunge, April could represent the bottom of the cycle. Past recoveries suggest it takes five to six months to get the sector back to growth mode. Since 2001, the average monthly performance for these drivers has been 53.8 percent.

A Supplier Deliveries reading above 50 is typically associated with demand increasing/delivery times slowing. The sub index surged 11.0 points to 76.0 (a new high) last month. However, April's reading is misleading and inflates the headline PMI number as supply chains remain strained from Covid-19 personnel shortages, limited operating hours, and plant closures. Thus, slowing delivery times are an indication of weakness in this case.

**New Orders Minus Inventories:** This key measure shows New Orders (27.1) contracted faster than Inventories (49.7). Compared to the average gap between the two (+7.0 pp beginning in 2011), an inventory correction must occur to balance supply and demand.

**Customers' Inventories:** Three industries reported higher customers' inventories in April: Nonmetallic Mineral Products; Transportation Equipment; and Textile Mills. Nine industries reported customers' inventories as too low: Wood Products; Printing & Related Support Activities; Apparel, Leather & Allied Products; Fabricated Metal Products; Furniture & Related Products; Chemical Products; Paper Products; Primary Metals; and Computer & Electronic Products. Six industries reported no change.

**Prices:** The Prices Index (35.3, -2.1) largely reflects the recent fall in prices of metals and energy sources.

**Commodities Up in Price:** Caustic Soda; Disinfectants & Soaps; Freight; Personal Protective Equipment (PPE); PPE — Gloves (2); PPE— Masks; and Precious Metals.

**Commodities Down in Price:** Aluminum (3); Copper (3); Corn; Crude Oil (3); Diesel Fuel (2); Distillates; Gasoline; Natural Gas (5); Scrap (3); Steel — Hot Rolled (3); Steel — Stainless; and Steel Products.

**Commodities in Short Supply:** Capacitors; Disinfectants & Soaps; Electrical Cable; Hand Sanitizer (2); Isopropyl Alcohol (2); N95 Masks; PPE — Gloves (2); PPE — Masks (2); and Resistors.

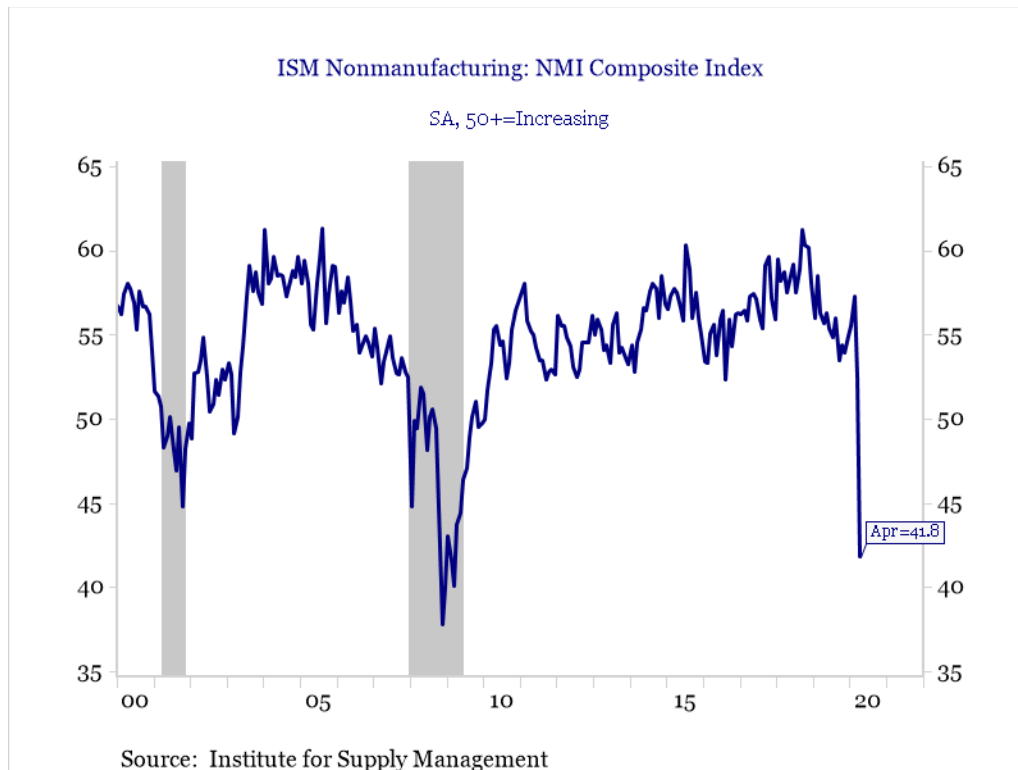
*Note: Parentheses indicate the number of consecutive months the commodity is listed. Asterisk indicates both up and down in price.*

**Sectoral Breakdown:** Of 18 manufacturing industries, two reported growth in April: Paper Products; and Food, Beverage & Tobacco Products. 15 industries reported contraction: Printing & Related Support Activities; Furniture & Related Products; Transportation Equipment; Textile Mills; Fabricated Metal Products; Nonmetallic Mineral Products; Machinery; Plastics & Rubber Products; Electrical Equipment, Appliances & Components; Petroleum & Coal Products; Wood Products; Miscellaneous Manufacturing; Computer & Electronic Products; Primary Metals; and Chemical Products.

	1/31/2020	2/29/2020	3/31/2020	4/30/2020
ISM Mfg PMI (SA)	50.9	50.1	49.1	41.5
New Orders (SA)	52.0	49.8	42.2	27.1
Production (SA)	54.3	50.3	47.7	27.5
Employment (SA)	46.6	46.9	43.8	27.5
Supplier Deliveries (SA)	52.9	57.3	65.0	76.0
Inventories (SA)	48.8	46.5	46.9	49.7
New Orders - Inv	3.2	3.3	-4.7	-22.6
Customers' Inventories (NSA)	43.8	41.8	43.4	48.8
Prices (NSA)	53.3	45.9	37.4	35.3
Backlogs (NSA)	45.7	50.3	45.9	37.8
New Export Orders (NSA)	53.4	51.3	46.6	35.3
Imports (NSA)	51.3	42.6	42.2	42.7

## ISM NMI®

The U.S. Non-Manufacturing PMI® (41.8, -10.7) printed its lowest reading since the index was initiated in 1997. The contraction ended 122 consecutive months of growth.



**Drivers:** Supplier Deliveries (78.3, +16.2) and Inventories (46.9, +5.4) supported the composite index in April. However, the same COVID-19 supply chain issues apply to the non-manufacturing sector. So both the manufacturing and non-manufacturing sectors should be evaluated less Supplier Deliveries, putting the indexes at 29.6 and 33.0, respectively. The more realistic assessment of the data makes the bad situation worse.

**Prices:** The Prices Index (55.1, +5.1) signaled inflation as many commodities rose in price from supply shortages.

**Commodities Up in Price:** Air Freight; Cleaning Products (2); Disinfectants; Gloves (2); Hand Sanitizer (2); Isopropyl Alcohol; Janitorial Supplies; Medical Services; Medical Supplies (3); Personal Protective Equipment (PPE) (3); PPE — Masks (2); Surgical Gowns (2); and Ventilators.

**Commodities Down in Price:** Cheese; Diesel Fuel (4); Fuel (2); Gasoline (3); Pork; and Steel Products (2).

**Commodities in Short Supply:** Alcohol; Cleaning Products (2); Cleaning Supplies (2); Computer Hardware; Disinfectants (2); Face Shields; Gloves; Hand Sanitizer (2); Janitorial Supplies; Labor — Construction; Labor — Temporary (10); Medical Supplies (3); Nasal Swabs; N95 Masks (2); Paper Products (2); Personal Protective Equipment (PPE) (3); PPE — Coveralls

(2); PPE — Gowns; PPE — Masks (2); Surgical Masks (3); Safety Equipment; Sanitary Supplies; Toilet Paper (2); and Viral Transport Media.

*Note: Parentheses indicate the number of consecutive months the commodity is listed.*

**Sectoral Breakdown:** Two non-manufacturing industries reported growth in April: Public Administration; and Finance & Insurance. 16 industries reported a decrease: Arts, Entertainment & Recreation; Agriculture, Forestry, Fishing & Hunting; Retail Trade; Other Services; Wholesale Trade; Construction; Transportation & Warehousing; Mining; Professional, Scientific & Technical Services; Information; Accommodation & Food Services; Management of Companies & Support Services; Educational Services; Real Estate, Rental & Leasing; Utilities; and Health Care & Social Assistance.

	1/31/2020	2/29/2020	3/31/2020	4/30/2020
ISM NMfg PMI (SA)	55.5	57.3	52.5	41.8
Business Activity (SA)	60.9	57.8	48.0	26.0
New Orders	56.2	63.1	52.9	32.9
Employment (SA)	53.1	55.6	47.0	30.0
Supplier Deliveries (SA)	51.7	52.4	62.1	78.3
Prices (SA)	55.5	50.8	50.0	55.1
Inventory Change (NSA)	46.5	53.9	41.5	46.9
Inventory Sentiment (NSA)	54.9	59.3	47.8	62.6
Backlogs (NSA)	45.5	53.2	55.0	47.7
New Export Orders (NSA)	50.1	55.6	45.9	36.3
Imports (NSA)	55.1	52.6	40.2	49.3



**APPENDIX – IMPORTANT DISCLOSURES**

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