SAMPLE

The ISM Manufacturing & Services PMI

The First Business Day's Direction Pulse — Diffusion Indices, the 50 Line, and What Sent

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Chapter 1: Introduction

On the first business day of each month, at 10:00 AM Eastern, the Institute for Supply Management publishes the Manufacturing PMI — a single number, built from a survey of purchasing managers, that grades whether more of the economy's factory sector reported improvement than deterioration last month. Two business days later, the same construction reports on the services economy — the much larger half. Together they are the calendar's cleanest direction prints: not magnitudes, not levels, but the economy's own supply-side managers voting up or down, aggregated into diffusion indices the market has traded for decades.

The PMIs occupy a peculiar place in the market's culture: they are the most-watched sentiment reads on the calendar and simultaneously the most mistrusted. The manufacturing survey samples a sector that is a small share of GDP; the services survey, though it covers the larger economy, is the newer and noisier print; and both measure direction — the breadth of improvement — rather than the size of anything. And yet: the manufacturing PMI's first-business-day slot makes it the month's first read on the month just closed, the prices-paid sub-index is one of the inflation chain's earliest signals, and the 50 line's crossing is the recession-watch culture's standing drumbeat. The market trades these numbers hard — and the trader who dismisses them as "soft data" misses genuine repricing events; the trader who worships them gets taught by the hard data's verdicts.

This book is the tenth panel of the Impact News series and the first of its sentiment wing. The framework built across the earlier books applies here with a new emphasis the diffusion construction demands: direction over magnitude — the read that a diffusion index cannot tell you how much the economy grew, only that more respondents said "better" than said "worse," and every downstream use of the print must respect that limit. The book's other new discipline is the two-survey composite: manufacturing and services are one economy's two halves, printing on different days at different sizes, and the market's real read assembles both — the manufacturing PMI as the early-cycle signal, the services PMI as the heavyweight confirmation, and the divergence between them as the cycle's own tell.

The chapters, in the series' standing order: what the PMIs are and the diffusion math (Chapter 2), the two surveys and the calendar (Chapter 3), the sub-index hierarchy (Chapter 4), the 50 line's regime arithmetic (Chapter 5), the recession-signal culture (Chapter 6), the expectation gap (Chapter 7), the prices-paid inflation link (Chapter 8), the era's cases (Chapter 9), the release playbooks (Chapter 10), risk and the sheet (Chapter 11), and the plan (Chapter 12).

What this book is not

The differentiation rule cuts both ways for every volume in the series, and this one is no exception: no re-teaching of the hard-data confirmations (the retail wing's Book 9,

the labor wing's books, the GDP's Book 7) — the PMIs are the sentiment read that precedes and previews, and the chain from sentiment to hard data is referenced, not repeated. The trader new to the sentiment wing can run this book standalone; the trader holding the whole binder reads it as the direction layer over the demand and policy wings' magnitude layers.

The reading order

For the time-poor: Chapters 2, 4, and 5 — the diffusion math, the sub-index hierarchy, and the 50 line — are the working core; Chapter 10 turns them into procedure; the whole book is the durable edition. Both beat the standard read, which is the headline's first-decimal move graded as the economy's verdict — the read this book retires.

The diffusion discipline, previewed

The book's organizing discipline, previewed once: the PMI is a breadth vote, not a growth rate — and every skill this book teaches is a version of holding that limit honestly. The market's standing shorthand culture (the PMI-to-GDP rule-of-thumb regressions, the sub-50 reflexes) prices the diffusion index as a magnitude the construction cannot supply, and the series' answer is the discipline the sheet enforces: the weighted surprise (the gap by the sampling band), the 50-line state (the sign, not the level), the depth-duration composite (the real signal structure), and the quadrant map (the two-survey state the single headline compresses). The trader who holds the diffusion discipline reads the PMIs at their honest weight — the earliest direction read on the calendar, priced for the lead, and never mistaken for the magnitude data it previews.

The wing's placement

The sentiment wing's placement, for the binder's architecture: the PMIs are the direction layer over the magnitude wings — the demand wing's retail pulse (Book 9), the labor wing's payroll complex (Book 4), the price wing's chain (Books 5, 6, 11), the policy wing's documents (Books 2, 3, 8) — and the wing's product is the cycle's earliest state read: the quadrant map, the leads, the confirmations pending. The demand wing's first book taught the three-number release; the sentiment wing's first book teaches the two-survey settlement — the binder's architecture grows one discipline at a time, and each new discipline prices the next event better.

The direction pulse, then — diffusion-honest, quadrant-graded, two-survey-settled, and compounding in the binder. The chapters build the read in the series' standing order; begin with the math, and let the 50 line do the rest.

The PMIs' market weight, stated

The book's honest opening claim, stated once before the chapters earn it: the PMI complex is the calendar's most over-cited and under-read event family — the headline

culture quotes the composite reflexively (the 50-line shorthand), and the professional culture reads the six pulls, the quadrant, and the comments the reflex never touches. The gap between the two cultures is the book's edge: the trader who holds the diffusion discipline, the hierarchy, and the two-survey settlement prices the prints the professionals' way while the reflex culture provides the liquidity — the sentiment wing's standing structure, and the quietest version of the preparation edge this series has claimed from its first page.

The PMI complex's one-line identity

The identity the chapters build, stated in one line: the supply-side managers' breadth votes, published first and third, graded by the 50 line, settled by the two-survey composite — the direction pulse, the earliest read, and the magnitude data's confirmation the whole binder waits for. The sentiment wing's first book earns the wing's whole method on the diffusion construction's honest terms.

The direction pulse, opened — diffusion-honest, quadrant-graded, settlement-settled. The chapters do the work; the binder compounds the rest.

Chapter 2: What the PMIs Are

The PMIs are diffusion indices: aggregates of a survey's direction votes, constructed so that 50 is the boundary between net expansion and net contraction. Understanding the construction is the foundation for every read this book teaches, because the diffusion form drives both the print's power (its early signal, its breadth read) and its limits (no magnitude, no size, no level).

The survey

The Institute for Supply Management — the purchasing managers' professional body — surveys its member panel monthly. The manufacturing survey asks the purchasing and supply executives across the factory sector whether conditions in ten-plus activity areas (new orders, production, employment, deliveries, inventories, prices, and the rest) are better, the same, or worse than the last month. The services survey asks the non-manufacturing panel the same construction's questions. The panels are a few hundred respondents each — a judgment sample of the sector's actual purchasing decisions, weighted toward the larger and more engaged firms — and the month's response set is the index's raw material.

The diffusion math

The index construction, specified once: for each sub-index, the survey's direction votes are aggregated as the percent reporting improvement plus half the percent reporting unchanged — a diffusion number where 50 is the neutral point (more "better" than "worse" prints above 50; more "worse" prints below). The composite headline index is the average of the key sub-indices (the manufacturing PMI averages

new orders, production, employment, supplier deliveries, and own inventories; the services PMI averages its own basket — the constructions differ slightly between the two surveys, a definitional note the desk holds). The math's honest consequences: a 52 and a 55 both mean "more firms improving" — the distance above 50 is a breadth reading, not a growth rate, and the market's standing shorthand ("the PMI at 55 means 3% GDP growth" style rules of thumb) are regression heuristics, not identity.

The diffusion form's edges

No magnitude. The PMI cannot distinguish "slightly better" from "dramatically better" — a 54 could be a broad mild improvement or a narrower strong one. Fast and forward. The purchasing managers are the first corporate function to see the month's order flow — the buy-side desks see the demand before the income statements do — and the PMIs' whole signal value rests on this lead. Survey noise. The panels are small samples; the month-to-month moves carry real sampling error; the revisions are minimal (the diffusion construction's own stability), but the print's sampling band is honest and the desk treats the 1-point moves inside the band carefully. The seasonal filter. The indices are seasonally adjusted with the standard filter's quirks (the January-and-April effects the coverage documents), and the desk's calendar box holds the known seasonal hazards.

The document, then: a fast, forward, breadth-only read of the supply side's own direction — the economy's earliest vote, priced for its lead, and read best by traders who know exactly what a diffusion index cannot say.

The diffusion math, worked

The construction worked once, for the instinct: a month's new-orders panel returns 40% reporting better, 45% the same, 15% worse — the diffusion index prints 40 + (45 ÷ 2) = 62.5, the breadth vote's arithmetic in one line. The next month the votes shift to 35/45/20: the index prints 57.5, the improvement's breadth narrowing though no respondent reported anything worse than before — the diffusion move's honest meaning (the breadth's change, not the magnitude's). The worked math's lessons: the index's level is the breadth (62.5 = comfortably more improving); the index's move is the breadth's change (the -5 = the narrowing, whatever the individual firms' actual experiences); and the index's construction means two very different months can print the same number (the broad-mild improvement and the narrow-strong one, both 57.5, indistinguishable at the headline) — the form's limit, held at instinct, and the reason the sub-index detail and the respondents' comments carry the depth the composite cannot.

The revisions' character

The PMIs' revision culture, specified: the diffusion indices are barely revised (the full response set's final print published with the next release, the standard month's revision tiny) — the contrast with the demand wing's heavily-revised retail and the

labor wing's benchmarked payrolls. The honest consequence: the PMI print's grade is settled on release morning (the two-day settlement aside), the sampling noise is the noise (not a revision risk), and the sheet's revision block is the sentiment wing's simplest — the print stands, the grade stands, and the confirmations run forward, not backward. The culture's quiet gift to the desk: the sentiment read's verdict arrives whole, and the hard data's confirmations are the only settlements that follow.

The construction, closed: the survey, the math, the edges, the revisions' character — the diffusion form's honest architecture, and the read's honest foundation. The calendar next.

The panels' composition notes

The panels' honest composition, the construction's last layer: the ISM's member panel is a judgment sample (the professional body's own members — the purchasing managers the institute certifies and convenes), not a statistical random draw — the desk's honest note is the panel's quality-for-breadth trade (the respondents' professional authority against the sample's formal representativeness), and the coverage's own methodology notes hold the same caveat. The trader's use: the panel's judgment character means the prints' information quality is the managers' own quality (the front-row cost-and-demand reads the desk prices), and the sampling's formal limits (the band, the noise) are held honestly alongside — the construction's whole character in one sentence: authoritative informants, small sample, direction votes — and the read that respects all three phrases is the read this book teaches.

The construction's last line: authoritative informants, small sample, direction votes — the three phrases held together, and the read built on their honest terms.

The diffusion arithmetic, worked

The index's math is simple enough to hold in your head, and holding it there changes what the number means to you. Each respondent answers a direction question — better/same/worse, not by how much — and each sub-index is built from the share reporting improvement plus half the share reporting no change. The composite manufacturing PMI is then a weighted blend: new orders at 30 percent, production and employment and supplier deliveries at 20 percent each, inventories at 10. The reading of 50 is arithmetic, not opinion: it is the point at which the reporters saying "better" exactly balance the reporters saying "worse," and the distance from 50 is the breadth of the imbalance, not its magnitude.

The worked implications are the number's fine print. A 52 means modestly more firms improving than declining — the index says nothing about the size of any firm's improvement, so a 52 in a heavy-investment boom and a 52 in a sluggish recovery are the same print. The sub-indices can disagree inside a headline: the composite can print 48 while new orders print 52 and employment prints 45, which is not a mixed economy but an economy in transition, and the composite's job is to average the

transition rather than resolve it. And the survey's respondents are purchasing managers — the economy's procurement nerve endings — which is why the index leads hard data: managers re-grade the month in days, while the agencies compile for weeks. When the sheet records a print, record it as breadth, weight it by sub-index, and let the magnitude live in the hard data that follows. The PMI is the economy's direction dial, and the dial reads in fractions of the room, not in degrees of temperature.

The construction's transfer note

The construction's transfer note, the binder's context: the diffusion-index form is global — the world's major economies run their own PMI families (the eurozone's PMI complex, China's official-and-private reads, the UK's and Japan's prints) on the same construction the ISM uses, and the global PMI calendar is a monthly cross-border portrait of the same breadth votes. The trader's transfer, in the series' standing form: this book's skills — the diffusion discipline, the band's grading, the sub-index hierarchy, the two-survey settlement — transfer to every PMI family, and the global prints' correlation structure (the synchronized cycles the coverage documents) makes the U.S. PMI's grade a global-direction input as well. The ISM prints are the deepest market's direction pulse; the global family's prints are the same read at the world's scale, and the binder's macro file holds both.

Chapter 3: The Two Surveys and the Calendar

The PMI calendar is the sentiment wing's structure: manufacturing first, services two days later, both at 10:00 AM Eastern — and the two-day stagger is itself a trade. This chapter maps the calendar and the two surveys' different characters.

The manufacturing survey

The manufacturing PMI publishes on the first business day of the following month, at 10:00 AM Eastern. The slot's market identity: it is the month's first read on the month just closed — ahead of the payroll wing, ahead of the demand wing's retail print, ahead of everything but the flash trackers. The manufacturing sector itself is a modest share of the economy (the single-digit-percent GDP weight the coverage cites), and the market's honest weight reflects the paradox: a small sector's sentiment is the whole economy's first vote, priced at the economy's scale because nothing else arrives as fast. The survey's own character: the factory sector is the early-cycle sector — the durables orders, the inventory cycle, the capex pulse — and the manufacturing PMI's turns have historically led the broader cycle's turns, the lead that justifies the market's attention in the growth-scare regimes especially.

The services survey

The services PMI publishes on the third business day, same 10:00 AM slot. The services sector is the economy's dominant share (the high-teens-to-twenty-percent

GDP weight, the majority of private employment), and the survey's character follows: the heavyweight print, the confirmation read, the number that can override the manufacturing PMI's verdict two days later. The services survey's own honest notes: it is the newer construction (the manufacturing survey's decades-long head start), its sampling is noisier (the panel's breadth, the category dispersion across the vast services universe), and its composite index's level-and-band calibration differs from the manufacturing survey's (the services PMI's 50 line is the same boundary, but its typical range sits differently — the desk's calibration file holds the two surveys' distinct distributions, and the 50-line crossing means different things in different distributions).

The two-day stagger

The calendar's stagger is the sentiment wing's built-in two-step: the manufacturing print sets the month's first direction vote, and the services print either confirms or contradicts it two days later. The desks' standing rhythms: the manufacturing-led narrative (the mfg PMI's print sets the cycle story the market trades for two days), the services override (the services print's contradiction reverses the manufacturing print's move — the heavyweight's verdict), and the divergence read (the two surveys disagreeing for months — the "manufacturing recession, services expansion" pattern the era's coverage documents as the two-speed economy's signature). The trader who runs both surveys' sheets holds the stagger's structure: the first print is the setup, the second is the grade, and the composite's verdict is the sentiment wing's monthly product.

The 10:00 AM slot

The release time's mechanical notes: both prints land mid-morning, after the equity open's structure, alongside the month's other 10:00 data (the construction spending releases' standing coincidence on the mfg day). The mid-morning slot's tape behavior: the prints arrive into the morning's flow (not the 8:30 slot's instant repricing), the move runs on thinner headline-algo attention, and the desks' reads carry the tape more than the machines — the sentiment prints' moves are the professionals' moves, and the first-hour drift is the honest verdict, in the series' standing measurement.

The regional cross-checks

The calendar's companion structure, for the sheet's context block: the regional Fed surveys (the Empire State, the Philly Fed, the Texas and Richmond and Kansas City reads) publish their own diffusion indices through the month — the smaller panels, the correlated reads, the standing cross-checks the consensus anchors on. The desks' use: the regional prints' composite (the mid-month readouts' breadth) forecasts the ISM's print with a documented correlation the coverage grades — and the surprise that contradicts the regional composite is the weighted grade's context, the sheet's regional block. The sentiment wing's honest note: the regional surveys are the PMI complex's own preview culture — the smaller samples' noise traded carefully, the

correlations held as tendencies, and the ISM prints' verdicts settling the month's whole sentiment read.

The flash-PMI context

The S&P Global flash PMIs, the private-reads context: the flash prints arrive earlier still (the mid-month advance of the companion series), the coverage cross-reads them with the ISM prints' releases, and the desks hold the two families' differences honestly — the different panels, the different constructions, the correlated-but-distinct prints. The trader's context note: the flash PMIs give the sentiment wing its earliest signal (the mid-month direction vote), the ISM prints are the settlement grade (the official panels' verdicts), and the surprise's structure — the flash-vs-official divergence — is the sheet's standing context line, in the series' honest-comparison form.

The calendar, closed: the first-and-third rhythm, the two surveys' characters, the stagger's built-in settlement, and the regional-and-flash context blocks — the sentiment wing's structure, held on one sheet.

The flash twin, and the timetable's gaps

The ISM's month has a preview, and the preview has a different owner. S&P Global's flash PMI lands in the third week of each month — days before the ISM releases — from a survey that asks similar questions of a different panel, and the flash is the calendar's only early read on the month the ISM will grade. The relationship is a whisper, not a lock: the panels differ (S&P Global's respondents skew differently by size and mix than the ISM's purchasing-manager roster), the seasonal adjustments are computed separately, and the diffusion arithmetic's small-sample noise means a two-point gap between the twins is routine rather than informative. But the flash's direction has historically carried into the ISM print more often than not, and the first business day's positioning begins the moment it lands.

The professional use of the flash is the expectation-gap chapter's method applied twice. A flash that surprises sets the ISM's de facto consensus before the street's number is finalized — the market's ISM expectation quietly migrates toward the flash, and the ISM's surprise is then measured against the migrated number rather than the published one. The sheet's discipline: record the flash, record the ISM consensus, and note the gap between them; when the flash moved and the consensus did not, the ISM release will be traded against the flash's level, and the "surprise" the tape reports is partly a phantom of the timetable. The twins are different instruments — one is the preview, one is the print — and the trader who prices the preview's migration trades the print with an expectation the published consensus cannot see. That is the timetable's quietest edge, and it costs nothing but a line on the sheet.

The month's shape, mapped

The PMI week's full shape, mapped for the desk's calendar sense: the month opens with the mfg print (the first business day, the month's first read), the services print

follows (the third business day, the heavyweight's grade), and the sentiment wing's month is settled by the first week's turn — a full week-plus before the hard data's releases begin. The shape's honest consequences: the sentiment complex's month sets the narrative the hard data grades (the direction vote framing the month's story before the magnitudes arrive), the first week is the sentiment repricing's window (the quadrant's changes traded hardest in the days between the prints and the confirmations), and the desk's monthly rhythm has a natural structure — the PMI week's sheets, then the hard data's confirmations, then the next month's setup. The calendar's shape, held on the binder's map, is the sentiment wing's tempo — and the trader who runs it deliberately holds the whole month's structure before the first release prints.

The calendar's last line: first and third, 10:00 sharp, the two surveys' stagger the built-in settlement — and the desk's month structured by the PMI week's opening verdict.

Chapter 4: The Sub-Indices

The headline is the average; the sub-indices are the information. The market's professional read is a hierarchy: new orders first, prices paid second, employment and deliveries next, and the inventory-and-backlog detail behind them. This chapter builds the hierarchy the desk's pulls follow.

New orders: the lead

The new-orders sub-index is the PMI complex's cleanest forward signal — the demand arriving at the sector's front door, the order books' breadth vote, and the diffusion series the desk's nowcasts and the recession-watch culture weight most heavily. The standing read: new orders lead the composite (the orders' vote this month forecasts the composite's move in the coming prints), and the new-orders' own 50-line crossing is the cycle-turn culture's earliest drumbeat. The pull order's first item, every release.

Prices paid: the inflation vote

The prices-paid sub-index asks the panel what they paid — the input costs' direction vote, the supply-side inflation read that Chapter 8 chains to the PPI. The standing read: the prices-paid series is one of the calendar's earliest inflation signals (the managers' costs move before the finished-goods prices print), the diffusion form's inflation read is a breadth signal (more firms paying more), and the desk's real-inflation work combines the direction vote with the magnitude proxies (the survey's own price comments, the companion hard data).

Employment and deliveries

The employment sub-index is the labor wing's earliest preview — the sector's hiring direction vote, a leading input to the payroll complex's own diffusion (the ISM

employment's correlation with the payrolls' breadth is the desk's standing cross-check). The supplier-deliveries sub-index reads backward and forward at once: slower deliveries index above 50 by construction — the vendor slowdown read as a demand-strength signal in normal times (the busy supply chain), but as a supply-shock signal in the constraint eras (the COVID-era's inversion lesson: the slow deliveries of port backlogs, not booming demand). The desk's honest note: the deliveries index's sign flips by regime, and the read is regime-conditional — the series' standing guard on every backward-looking indicator.

ABOUT THE AUTHOR

Aiman Sterling writes the Impact News series -- a trader's field guides to the market-moving events on the calendar, from the Jackson Hole symposium to the monthly data releases. The series' method is preparation over prediction: written expectations, regime maps, and honest ledgers, applied event by event.

The Impact News books follow a shared framework and stand alone in depth: each event gets its own mechanics, its own history, and its own action plan, with no repeated filler between volumes.

Aiman writes from the practitioner's side of the terminal: systems that survive the first minute, risk rules that survive the first loss, and the discipline of grading every event against the expectations written before it.