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Flash Macro Update (04/02/2019)

High frequency data keep on coming these days due to the delayed releases thanks to government shutdown in December/January. Today, durable goods orders for February were released. February durable goods orders posted a m-o-m decline of 1.6%, which was slightly better than the consensus of -1.8%. Although the data was slightly better than expected, it indicated that the economic activity in the US started to cool off.

We also observe a small upward revision in the previous months' data, but this does not change our view. Consumers started to become more cautious along with companies. Probably, the street will not respond to the data, as China related data flow bolstered hopes that the world is not in recession yet, but orange signals from the US are rising, in our opinion.

The market also likes to follow the so-called core durable goods orders that excludes transportation items. Core durable goods orders registered a 0.1% m-o-m increase in February compared to consensus of +0.2%. We should highlight that the January core data revised up from -0.2% to -0.1%, which compensates for the February miss.

After a good start to year 2019, we see that durable goods slowed down in February that shows that companies' investment tendency may not be that strong throughout 2019. When we look at the details of the data, we see that except electrical appliances, metals and defence all other sub-categories posted sizeable m-o-m declines in February, which look discouraging.

There is also one important item, which is the proxy for future capital expenditures of companies, confirms our view. That proxy, non-defence capital orders excluding aircraft, recorded a 0.1% m-o-m decline in February after rising by 0.9% m-o-m in January.

We do not expect a major market reaction to the data, as it still looks balanced for now. But it is worth noting China related concerns, Brexit fears, ongoing trade wars/talks, wearing-off impact of tax cuts and relatively high level of interest rates in the US create uncertainty and that uncertainty started to affect US economy.

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