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Flash Macro Update (03/13/2019)

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 January were released. January durable goods orders posted an increase of 0.4%, which was significantly better than the consensus of -0.5%.

We also observe a small upward revision in the December data from +1.2% to +1.3% that also shows that things are doing well in the U.S. so far. 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% decline in January compared to consensus of +0.1%.

Headline data looks strong, while the details also point that durable goods orders made a good start to year 2019. Especially, commercial aircraft orders posted an eye-catching 16% increase in January that pushed the headline figure beyond expectations.

There is also one item, which is the proxy for future capital expenditures of companies, that bolstered hopes that a recession in the U.S. is not imminent. That proxy, non-defence capital orders excluding aircraft, recorded a 0.8% increase in January after contracting by around 2% in the last two months. This might mean that investment appetite of companies could still be strong in the coming months.

We do not expect a major market reaction to the data, as it looks balanced for now. In addition to the durable goods orders the PPI inflation for February released as well. Headline and core PPI inflation, which excludes food and energy, increased by 0.1% compared to consensus of 0.2% bringing the annual PPI inflation from 2.0% to 1.9%. The data indicates that cost-push inflation lost some pace in February.

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