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**Flash Macro Update (05/16/2019)**

Retail sales data for April was below expectations yesterday but it was somewhat acceptable as retail sales were unusually and unexpectedly strong in March. Another important data release was today. Housing starts, which shows the appetite of the construction sector for new investments, clearly provided a strong signal that US economy maintained its economic activity pace in April. In addition to the April data, the March housing starts data was revised up significantly. Again, today, weekly jobless claims were lower than expected, while May Philly FED index was higher than forecasted. All data herald that there was no slowdown in US economy yet.

Housing starts in the US, which is the most important housing data among others, in our view, recorded a m-o-m increase of 5.7% in April with 1.235 mn units compared to the consensus of 1.205 mn. On a y-o-y basis, housing starts were down by 2.5% in April. In addition, March data was revised up from -0.3% m-o-m to +1.7% m-o-m. With the April data, we compute that despite upward revisions and better than expected April reading housing starts were down by 7.4% y-o-y in the first four months of the year. Apparently, housing did not make a good start to year 2019 but it started to recover. We know that existing home sales accounts for most of the sector, but housing starts provides a clear guide where the market is heading.

When we look at the details of the data, we see a broad-based recovery in single-family housing (which accounts for the largest share of the housing market) and also in the multi-family housing. We also observe that Northeast housing starts finally recovered along with Midwest this time, whereas West and South were relatively weak in April.

It is worth noting that housing permits also rose in April, which indicates continued appetite for construction in the coming period. However, details of permits suggest that permit increase was mainly on the multi-family housing front rather than single-family front. Overall, seeing a recovery in housing market is encouraging in April after a weak start to the year. Mortgage rates are on a declining trend according to mortgage finance agency Freddie Mac and this could be one of the reasons why appetite in construction started to pick up. However, the problem for developer still seems to be building affordable houses amid rising labor and materials costs. The macro data releases today should be perceived as positive for the equity market and slightly negative for the fixed income market, in our view.

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