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**Flash Macro Update (04/17/2019)**

US trade balance data for February was released today. The February data surprised, as the trade balance continued to shrink from a 10-year high mainly due to declining trade deficit with China. This was exactly the same case in January. Trade deficit (goods and services) in February materialized at US\$49.4 bn compared to a deficit of US\$51.1 bn in January. Market was forecasting a deficit of US\$53.5 bn for February. So, the data suggested that there was a material improvement in the trade deficit in the first two months of the year.

We prefer to look at the goods trade balance in order to see the real economic activity. Overall trade balance includes services too and it overshadows the impact of US foreign trade policy implementations, especially towards China. US goods trade balance in February was US\$72.0 bn, which was US\$73.2 bn in January. Exports in February were up by 2.7% y-o-y, whereas goods imports declined by 1.0% y-o-y. These resulted in an improvement of US goods trade deficit by 7.6% y-o-y in February, which appears to be good news for US Administration, as they want to reduce overall US trade deficit and the deficit with China.

When we look at the details of the data, we see that capital goods exports of the US recorded a slight increase in February and in the first two months of the year, whereas auto exports declined slightly on a y-o-y basis. On the import front, we again observe a rise in capital goods imports of the US in the first two months of the year that hints that a recession in the US is not in the horizon yet.

Naturally, the details about the US-China trade capture most part of the attention, as it is still the hottest topic on agenda. February figures indicate that US' exports to China rose by 18%, whereas US' import from China declined by around 20% in February. These declines resulted in a narrowing US trade deficit with China. Trade deficit with China shrank to US\$27.8 bn in February from US\$34.5 bn in January.

We think that the February trade data should please US Administration, but it is worth noting that ongoing talks and responses affected trade actions between American and Chinese companies. In other words, trade data going forward could continue to be volatile but heading to the 'right' direction for now. It is worth noting that Chinese 1Q19 GDP growth, which was also released today and which was 6.4% y-o-y against consensus of 6.3%, satisfied financial markets. Recent data in the US and China suggested that global growth-related concerns might diminish by a notch despite ongoing problems in the EU.

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