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CONY Flash Macro Note	February 21, 2019

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Flash Macro Update (02/21/2019)

Another delayed number due to the government shutdown in the U.S. was released today. December durable goods orders posted an increase of 1.2%, which was slightly better than the consensus. There were different surveys indicating that the street expects durable goods orders to increase by 0.8%-1.0% in the last month of 2018. We also observe an upward revision in the November data from +0.7% to +1.0% 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% increase in December compared to consensus of +0.2%. In addition, the November core figure was revised up from -0.4% to -0.2%.

Although the headline figures suggest a strong outlook for durable goods, when we look at the details, we see some signs of weakening. Maybe at this stage they will be called as normalization after the enormously high growth rates in the first three quarters of 2018. But the data will be monitored closer than usual in the coming months.

Especially, non-defence capital orders excluding aircraft that is a proxy for future capital expenditures of companies recorded a 0.7% fall in December against the consensus of +0.2%. The decline came on top of another 1% decline in November in that category. This might mean that investment appetite of companies will decline in the coming months. Overall, it appears that motor vehicles & commercial aircraft saved the day in December.

We do not expect a major market reaction to the data, as it looks balanced for now. Considering the fact that financial markets did not even react to some surprising comments by the FOMC members yesterday about balance sheet contraction and monetary policy tightening cycle we believe that risk appetite seems to be strong in financial markets for now after the massive correction in 4Q18.

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