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**Flash Macro Update (09/27/2019)**

Consumers are doing fine in the US despite some signs of expenditure fatigue, but investment appetite of US companies remains weak mainly due to global uncertainties and ongoing trade war between US and China. In that context, US August durable goods orders were important, since the data shows mostly the state of investment appetite of US companies. The August data provided mixed signals about investment appetite, but one thing was clear that investment appetite remained still weak as of end-August in the US.

August durable goods orders posted a m-o-m increase of 0.2%, which was better than the consensus of -1.0%. Although the monthly data was significantly better than forecasts, the details of the data was not that encouraging. With the August data, we calculate that durable goods orders recorded only 0.1% y-o-y increase in the first eight months of the year, which is not that promising.

The market also likes to follow the so-called core durable goods orders that excludes transportation items. Core durable goods orders were up by 0.5% m-o-m in August compared to the consensus of 0.4%. It is worth reminding that core durable goods were down by 0.5% m-o-m in July. Core durable goods orders in the third quarter signal that 3Q GDP growth will be slower than 2Q GDP growth. Please note that the final revision of the second quarter GDP growth data was out yesterday and it was +2.1%.

There is also one important item, which is the proxy for future capital expenditures of companies. That proxy, non-defence capital orders excluding aircraft, recorded a 0.2% m-o-m decline in August compared to consensus of 0.0%. In addition, the July data was revised down from +0.2% to +0.0% which also confirmed the weakness in investments.

Regarding the FED's monetary policy, the data validates FED's view that investment appetite is not collapsing but it is significantly weak compared to personal consumption. FED can't do much with its monetary policy to offset that. We, therefore, do not think that August durable goods will convince FED that they should continue to cut in the upcoming FOMC meeting. More is probably needed on the consumption front. For instance, another data release today showed that personal expenditures grew less than expected in August that might be more important than the investments for FED. Please note that the next FOMC meeting will be held on October 29/30.

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