CONY

CONY Flash Macro Note April 8, 2019

www.corpny.com

Flash Macro Update (04/08/2019)

US factory orders for February was in the negative territory but it was slightly better than expected. In February, factory orders were down by 0.5% m-o-m compared to expectations of -0.6% m-o-m. In addition, factory orders for all industries data for January revised down from +0.1% m-o-m to 0.0% m-o-m. Overall, the data looks weak but still points to a y-o-y growth.

When we check y-o-y changes, we still observe that US factory orders continue to grow but at a decelerating pace. We compute that factory orders posted a 1.5% y-o-y increase in February after registering a 4.5% y-o-y increase in January. It is clear that the US economy slows down but it is not in a recession yet.

Equity market reacted positively to the data despite the negative headline. We think that the core factory orders were the main reason behind the positive reaction. The so-called core factory orders, which exclude transportation sector, posted a 0.3% m-o-m increase in February and also the January figure was revised up from -0.2% to -0.1%.

Factory order details in February indicated that there were order declines in transportation, computers, electrical equipment and non-defence aircraft. It is worth noting that the sharpest decline was seen in the non-defence aircraft industry that might continue in the coming months due to the recent developments in the US aviation sector.

Overall, number of high-frequency data that suggest a sizeable slowdown in US economic activity increased to four in February, according to our observation. So far, in February housing starts, factory orders, retail sales and durable goods orders registered m-o-m declines hinting that US economic growth will lose pace in 2019. Whether it will be in form of a recession or not is yet to be seen.

Ozgur ALTUG
Chief Economist
CONY Global Macro Strategy