

U.S. Durable Goods Orders — January Signs of Durability

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U.S. durable goods orders rose a better-than-expected 0.4% in January (consensus was for a like-sized decline), while the details were quite solid and revisions positive. Excluding transportation, orders slipped 0.1%, but **core capital goods orders** (excluding defense and aircraft) jumped a much better-than-expected 0.8%. That's the strongest gain since July, and follows declines (some chunky ones) in four of the past five months. Computers, communications, machinery and electrical equipment were all strong. Year-over-year growth in core orders also shows signs of stabilizing (4.1% in the month) after decelerating for the past year. If it sticks, this could be a good sign that momentum could stabilize, if not improve, after the Q1 washout.

However, **non-defense capital goods shipments** fell 1.6%, with the decline concentrated in aircraft (shipments ex-aircraft rose 0.8%). That's not a great start to Q1 business investment, but we're already assuming a sharp slowdown in M&E growth to just 1.0% after steady 7.5% growth in calendar 2018. And, the jump in new orders provides some optimism that the weakness will be fleeting.

In a separate release, **producer prices** rose a softer-than-expected 0.1% in February, leaving annual inflation a tick below expectations at 1.9% y/y. That's the first time below 2% since June 2017. Core prices were similarly soft, rising 0.1% in the month, with year-over-year inflation trimmed a tick to 2.5%. Combined with yesterday's stable CPI report, inflation trends look well behaved.

The Bottom Line: We're still grinding through turn-of-the-year data plagued by the government shutdown and trade tensions. The durables report gives a hint of smoother seas beyond the start of Q1, and it certainly helps that the Fed has backed off and financial conditions have improved. And, there's still not much on the inflation front either to change the tune at the Fed.



Durable Goods Orders

United States (m/m % change : seasonally adjusted)	(% change : a.r.)				
	Jan	Dec	Nov	3-mo.	12-mo.
New Orders	0.4	1.3	0.9	10.6	8.4
Ex. Transportation	-0.1	0.3	-0.2	-0.1	4.5
Primary Metals	-1.5	0.0	1.7	0.6	8.6
Fabricated Metals	0.0	1.5	1.8	14.1	7.0
Machinery	1.4	-0.6	-2.0	-5.0	3.4
Computers	7.6	-8.0	-1.3	-9.1	3.0
Communications	3.8	-5.0	-0.9	-8.7	5.9
Transportation	1.2	3.1	3.1	33.8	16.1
Electrical Equipment	1.7	-0.2	-2.6	-4.4	6.6
Non-Defense ex. Air	0.8	-0.9	-1.1	-5.0	4.1
Shipments	-0.5	0.7	1.0	4.7	6.0
Unfilled Orders	0.1	-0.1	-0.2	-0.5	4.3

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