

U.S. Data Review

- International trade in goods: a “weak” improvement in the deficit
- New home sales: small decline from an upwardly revised reading
- Consumer confidence: low portion of recent range, but elevated by historical standards

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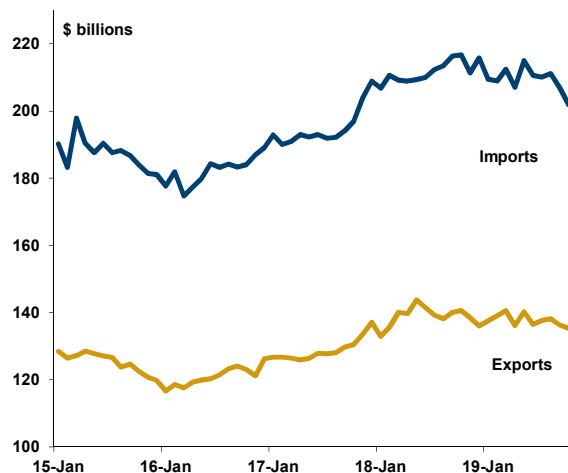
U.S. International Trade in Goods

The U.S. trade deficit in goods totaled \$66.5 billion in October, notably better than the expected shortfall of \$71.0 billion and an improvement from the \$70.5 billion deficit in September. The latest reading was in the low end of the range from the past three years (chart, right).

While the deficit improved noticeably in October, we hesitate to view the report as favorable, as the change was the result of soft performances for both exports and imports. Exports fell 0.7 percent, but the drop of 2.4 percent in imports easily exceeded the softness in exports (chart, left). The declines on both sides of the trade ledger were broadly based, although the auto and consumer goods categories stood as soft for both exports and imports. The latest declines reinforced (even accented) the downward drifts that began last year.

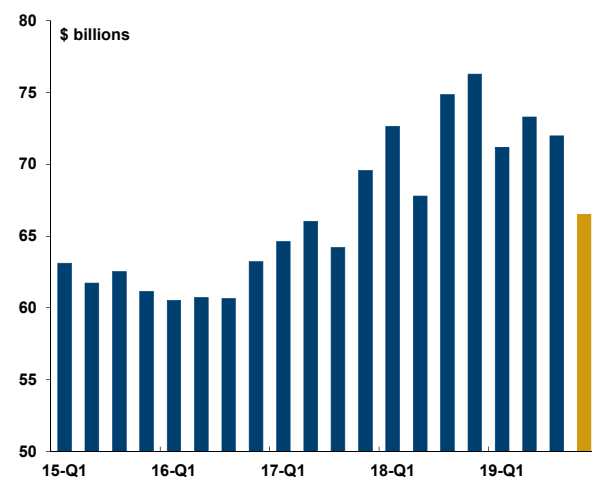
Taken at face value, the new data suggest that net exports could make a positive contribution to GDP growth in Q4. Conclusions, however, should be guarded. The figures in today's report are not adjusted for price changes, and thus real flows could be noticeably different. In addition, today's report covered goods only; trade in services could provide an offset. Finally, the latest results could contain a large dose of random volatility that is reversed in the next two months. As presented, the data raise the possibility of a positive contribution from net exports to Q4 GDP growth in excess of one percentage point, although we suspect it will be considerably smaller for the reasons noted. Even if the contribution is sizeable, the trade performance does not necessarily imply brisk economic growth in the final months of the year, as the weakness in imports might reflect slow demand in other components of GDP.

Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

U.S. Trade Deficit in Goods*



* Quarterly averages of monthly data. The reading for 2019-Q4 (gold bar) is the deficit for October.

Source: U.S. Census Bureau via Haver Analytics

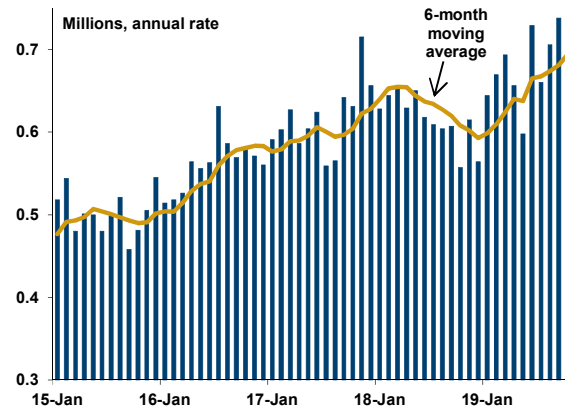
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New Home Sales

Sales of new homes fell 0.7 percent in October, but the drop occurred from a level that was revised sharply higher in September (revised by 5.3 percent; 738,000 homes rather than 701,000). The upward revision pushed the September results to the best of the current expansion, up from fourth best in the preliminary data. The October tally represents the second best of the current expansion, exceeded only by the September total.

The recent results, although touching new highs for the current cycle, are not especially robust by historical standards. The current sales pace of approximately 735,000 homes in September and October pales in comparison to activity in excess of 1.0 million homes every year from 2003 to 2006 (best in 2005 at 1.279 million). That prior cycle represented a bubble and thus is not a good benchmark, but the current pace also lags readings near 880,000 from 1998 to 2000.

New Home Sales



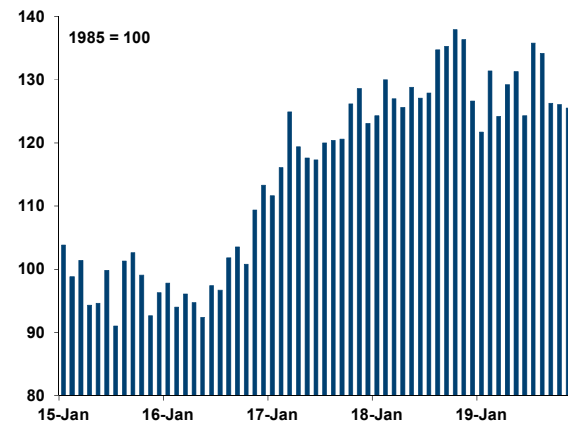
Source: U.S. Census Bureau via Haver Analytics

Consumer Confidence

The Conference Board's index of consumer confidence fell slightly in November (off 0.6 index point to 125.5). The dip stood in contrast to an expected increase of approximately one index point. The measure already was in the low portion of the recent range, and it remained there with the latest shift, although five other observations since December 2017 were lower (chart). Despite some lost ground in the past year, the latest results still compare favorably with the historical performance, as the November reading was above all observations from the long expansions in the 1980s and 2000s (although it lagged results in the late 1990s and 2000).

The drop in November was mildly surprising in that it occurred in a month where equity values moved to record highs. Individuals might have been more focused on the labor market, as assessments of job prospects eased slightly. The share of individuals indicating that jobs were plentiful fell 2.9 percentage points to 44.8 percent; the share indicating that jobs were hard to get rose 1.1 percentage points to 12.7 percent. The net reading of 32.1 percent (plentiful less hard to get) was still favorable by recent and historical standards, but it was off the strongest results (38.3 percent in August).

Consumer Confidence



Source: The Conference Board via Haver Analytics