

# U.S. Data Review

- Durable goods orders: continued sluggish flow
- New home sales: shy of expectations, but still firm by recent standards

**Michael Moran**

Daiwa Capital Markets America  
 212-612-6392  
[michael.moran@us.daiwacm.com](mailto:michael.moran@us.daiwacm.com)

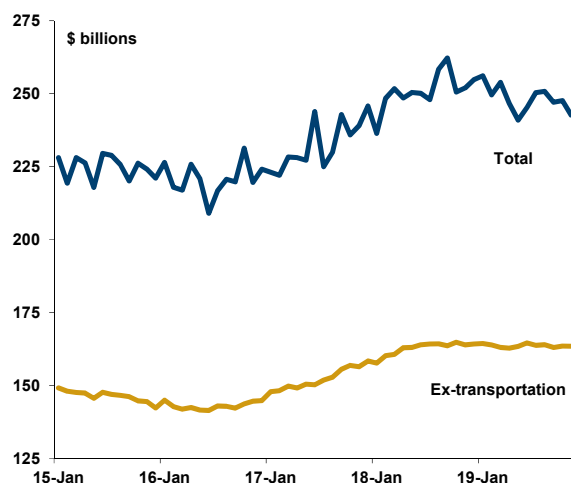
## Durable Goods Orders

New orders for durable goods tumbled 2.0 percent in November, notably softer than the expected increase of 1.5 percent. The surprise occurred in the volatile aircraft category. We suspect that most analysts were looking for favorable results in the commercial aircraft category because of firm order flows reported by Boeing. However, this area posted a dip of 1.8 percent. In addition, bookings for defense-related aircraft plummeted 72.7 percent, offsetting a strong reading in October and moving to the low portion of the range from the current expansion (lowest since early 2015).

While the downside surprise was focused in the volatile aircraft category, bookings elsewhere were unimpressive, as shown by a flat reading excluding all transportation items and an increase of only 0.1 percent excluding aircraft only. The lethargic performance reinforced the downward drift that began in the latter part of 2018 (chart, left). Some commentators speak of a recession in the manufacturing sector. That characterization is probably too strong, but it certainly is a soft area.

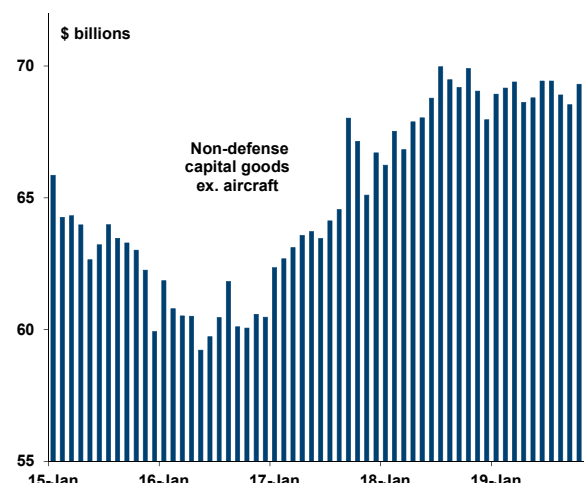
Much of the softness in manufacturing is the result of slow capital spending by businesses. Orders for nondefense capital goods other than aircraft provide insight into the outlook for investment demand, and the results were not encouraging, as such orders rose only 0.1 percent in November. The increase followed a gain of 1.1 percent in the prior month, but the underlying trend is still best described as flat or drifting downward (chart, right). The easing of trade tensions associated with the phase one agreement between the U.S. and China might ease some of the uncertainty and lead to an improvement in this area, but for now, activity remains slow.

### New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

### New Orders for Durable Goods



Source: U.S. Census Bureau via Haver Analytics

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.

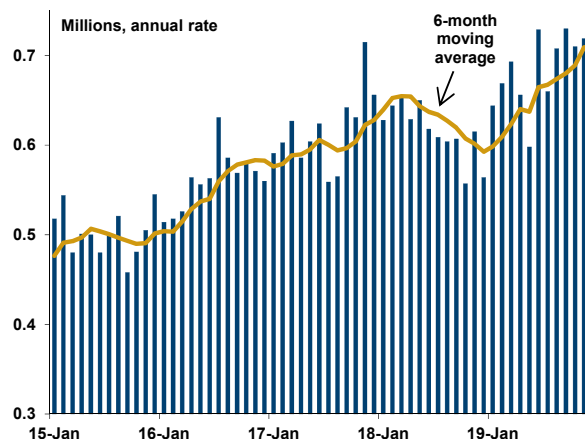
## New Home Sales

Sales of new homes rose 1.3 percent in November, but the increase occurred from a downward revised level in the prior month. The combination of changes left the number of sales at 719,000 (annual rate), shy of the expected reading of 730,000. The revisions covered the prior three months, with August a tad firmer than previously believed, but September and October lighter than previously estimated. All told, the level of activity in October was 3.1 percent lighter than previously believed.

Although the results were lighter than expected, the performance could still be viewed as favorable, as activity was in the upper portion of the range from the current expansion (chart, left). Sales activity slowed during much of 2018, but the drop in interest rates that began last year has stirred activity. Rates are off their lows, but they are still at attractive levels by historical standards and seem to be providing support.

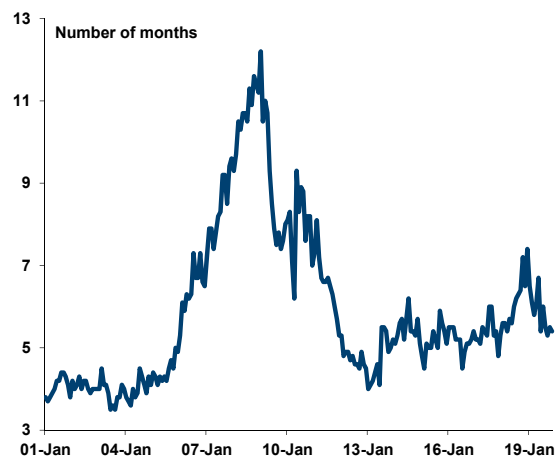
The number of homes for sale was unchanged in November, and thus had no influence on the downward trend that began at the start of the year (homes for sale are off 6.9 percent from the recent peak in January). With flat inventories, the pickup in sales led to a dip in the months' supply of homes (5.4 months in November versus 5.5 in October; chart, right). The months' supply is off noticeably from the 6.7 in the spring, but it is still close to long-run historical norms.

### New Home Sales



Source: U.S. Census Bureau via Haver Analytics

### Inventory of Unsold New Homes



Source: U.S. Census Bureau via Haver Analytics