

U.S. Data Review

- Durable goods orders: surge in transportation category; dip elsewhere
- Consumer confidence: pickup in January

Michael Moran

Daiwa Capital Markets America
 212-612-6392
 michael.moran@us.daiwacm.com

Durable Goods Orders

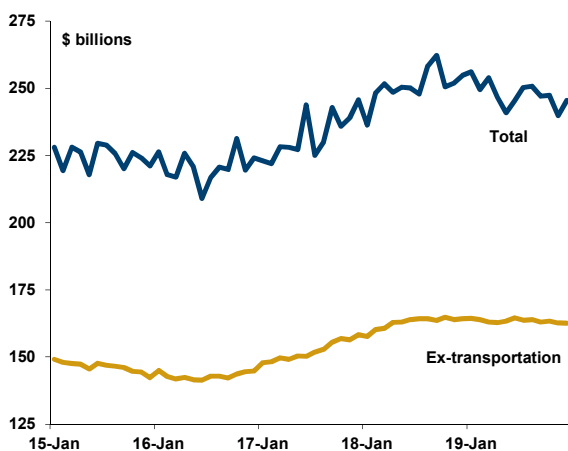
New orders for durable goods jumped 2.4 percent in December, far stronger than the consensus estimate of 0.3 percent. The strong results were tempered somewhat by a downward revision of 1.0 percent to bookings in the prior month (-3.1 percent rather than -2.1 percent, primarily because of commercial aircraft), but the new results were still much stronger than expected. The surprise occurred in the transportation category, where an unusual degree of volatility led to a net increase of 7.6 percent.

Within transportation, orders for commercial aircraft were decidedly soft, as orders plunged 74.7 percent after a decline of 28.4 percent in the prior month (revised from -2.2 percent). The level of orders for commercial aircraft was not a record low, but it was near the bottom of the historical range (some months in the past have involved negative totals for commercial aircraft, as cancellations offset new orders). Orders for motor vehicles fell 0.9 percent, continuing a soft patch that now stretches over four months. These weak areas were more than offset by a surge of 168.3 percent in orders for defense-related aircraft. A sharp increase in this area was not surprising, as orders had moved to the low portion of the historical range in November. We had looked for a return to the mid-point of the recent range, but they surged to the upper portion. Another big surprise occurred in miscellaneous transportation items (transportation less motor vehicles and aircraft), where orders surged 71.7 percent and moved to a record level (chart, below right). Unfortunately, the report does not contain detail for this area, but spikes occur from time to time and are obviously driven by big-ticket items, perhaps ships.

The report elsewhere was generally soft, with orders ex-transportation declining 0.1 percent. The dip continued a pattern of unimpressive results that began in the closing months of last year and have left a downward drift in new orders ex-Transportation (off 1.0 percent in the past 12 months).

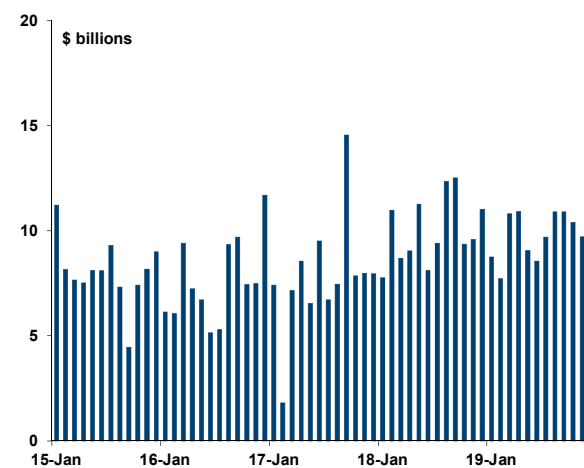
Orders for nondefense capital goods other than aircraft merit special attention because of the insight provided for capital spending, and this category posted disappointing results with a drop of 0.9 percent (and a slight downward revision to orders in November). This area has traced a downward drift from the cyclical highs registered in the fall of 2018 (chart, next page, left).

Durable Goods Orders



Source: U.S. Census Bureau via Haver Analytics

Durable Goods Orders*

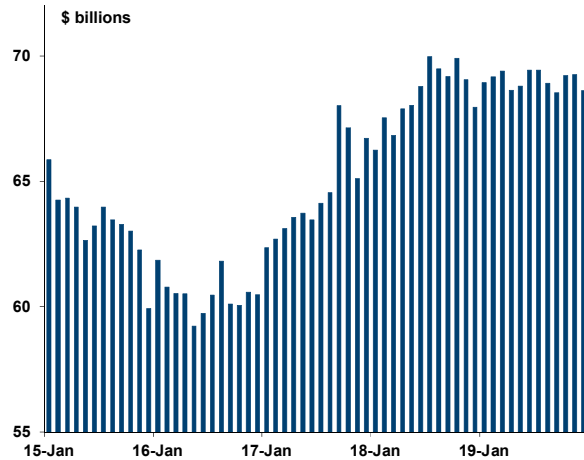


* Orders for transportation goods excluding motor vehicles and aircraft (civilian and defense-related).

Source: U.S. Census Bureau via Haver Analytics

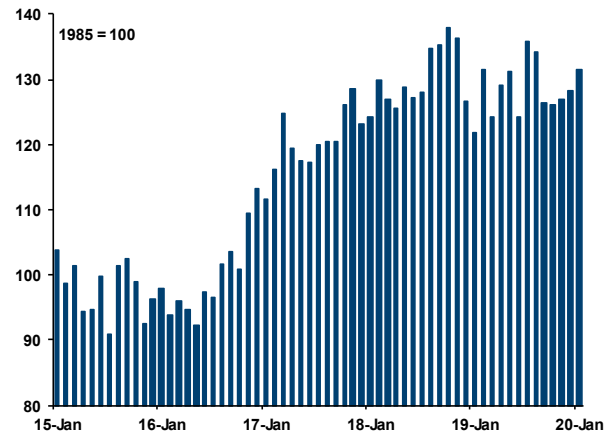
This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. 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. broker-dealer 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.

Durable Goods Orders*



* New orders for nondefense capital goods excluding aircraft.
Source: U.S. Census Bureau via Haver Analytics

Consumer Confidence



Source: The Conference Board via Haver Analytics

Consumer Confidence

The consumer confidence index rose 3.4 index points in January to 131.6 (an increase of 2.7 percent). The pickup exceeded the expected increase of 1.5 points, and it occurred from an upward revised level in December (1.7 index points or 1.3 percent firmer than initially estimated). Readings in the prior four months, while favorable by historical standards, were light relative to the best observations in the current cycle. The new results pushed the index closer to recent peaks, although six months in the current cycle posted better results, with the best occurring in October 2018 (137.9, chart right).

The current conditions and expectations components contributed about equally to the gain in the headline measure (up 2.8 percent and 2.5 percent, respectively). New record reading in the stock market probably affected attitudes, and the signing of the Phase One trade agreement also might have been noted by some individuals. A favorable view of the labor market also played a role. The share of individuals indicating that jobs were plentiful rose 2.5 percentage points to 49.0 percent; the share indicating that jobs were hard to get fell 1.4 percentage points to 11.6 percent. The net reading (plentiful less hard to get) rose 3.9 percentage points to 37.4 percent, the second best reading of the current expansion (trailing only the 38.3 percent in August 2019).