

## US Core Durable Goods Orders Rise, But Is This A Temporary Respite From Trade Concerns?

- Collapsing plane orders dragged the headline lower on Boeing's troubles;
- Core orders registered a decent gain with modest breadth;
- Core orders are still tracking a Q2 decline;
- May's orders may be stale and not fully capture Mex/China trade concerns;
- Shipments point to soft contributions to GDP growth.

### United States, durable goods orders/ex-transportation, m/m %, May:

Actual: -1.3 / 0.3

Consensus: -0.3 / 0.1

Scotia: 0.0 / 0.1

Prior: -2.8 / -0.1 (revised from -2.1 / 0.0)

- Is this a temporary respite from trade concerns weighing on the capital goods order book? Core capital goods orders registered the biggest single month gain since January, but it is possible this only happened because of the prior month's substantial weakness and that the print is stale.
- Markets shook off the figures. They're also largely shaking off Trump's latest wide-ranging attacks as perhaps markets are accustomed to his unglued moments especially when Mueller hits headlines. Trump is threatening 10% tariffs against China if no deal arises from the G20 while stating his 'right' to fire Fed Chair Powell, claiming that Mueller engaged in unspecified illegal tactics, threatening to sue Google and Facebook and lashing out at Vietnam as apparently the worst abuser of trade practices but so is everyone else. Except poor America of course.
- Nondefense aircraft orders plummeted and took the headline durables number with them. Nondefense aircraft orders fell 28% m/m in May in seasonally adjusted terms after a 39% m/m drop in April. The order book for planes has simply collapsed, with Boeing's challenges playing a major role.
- Core capital goods orders that exclude defense and aircraft increased by 0.4% m/m after falling by 1% the prior month. The updated chart below still shows a weak trend.
- Despite the upturn in May, core orders are tracking a decline of 1.7% q/q at a seasonally adjusted and annualized rate in Q2. This follows a tepid rise of 1.1% q/q in Q1.
- For Q2 GDP purposes, total shipments are tracking a 6.6% q/q annualized decline in Q2 after a 1.3% rise in Q1. Core shipments are up 1.9% q/q in Q2 after a 4.0% rise in Q1.
- Breadth was ok but not great with five of nine categories pushing higher. There were gains in orders of primary metals (+0.35% m/m), machinery (+0.66%), computers and electronics (+0.8%), communications equipment (+1.7%) and motor vehicles and parts (+0.56%). There were declines in orders of fabricated metals (-0.4%), computers (-2.4%), electrical equipment (-0.4%) and overall transportation equipment (-4.6%) thanks to a 28% m/m drop in orders of nondefense aircraft.

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