

U.S. Data Review

- Durable goods orders: constraint from aircraft; solid gain in orders ex-transportation
- New home sales: a drop from an upwardly revised reading
- Consumer confidence: restrained by views on the outlook

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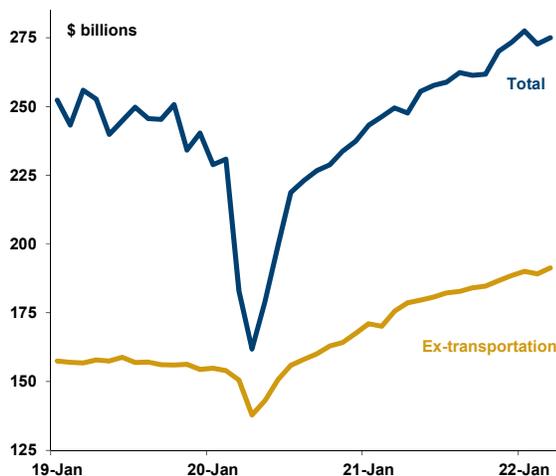
Durable Goods Orders

New orders for durable goods rose 0.8 percent in March, a bit lighter than the expected increase of 1.0 percent. Bookings excluding transportation showed more vigor, advancing 1.1 percent (versus the consensus view of 0.6 percent; chart, left). Both total bookings and orders ex-transportation were revised slightly higher in February, now showing smaller declines (total orders fell 1.7 percent versus an initial estimate of -2.1 percent; ex-transportation slipped 0.5 percent rather than a dip of 0.6 percent).

Aircraft bookings constrained transportation-related orders in March, with orders for commercial and defense-related planes falling a combined 13.7 percent. Commercial aircraft orders eased 9.9 percent after a drop of 27.3 percent in February, but the slide followed a jump around the turn of the year and orders remain on solid ground after a plunge during the early stages of the pandemic. The drop of 25.6 percent in defense aircraft marked the fourth decline in the past six months, moving orders from the upper portion of the recent range to the lower portion. On an encouraging note, orders for motor vehicles rose 5.0 percent, perhaps signaling an easing in supply constraints. Orders excluding transportation jumped 1.1 percent. A surge of 3.9 percent in electrical equipment that pushed activity sharply above the underlying trend stood out, but the change likely reflected a random one-off shift. Other areas posted solid results, with some adding to upward trends and others reversing a portion of soft results in the prior few months; for example, orders for communication equipment gained 7.0 percent, but the change followed a cumulative decline of 17.6 percent in the prior three months.

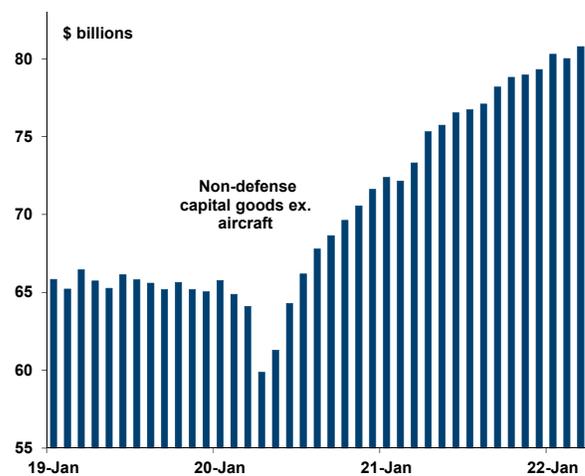
Orders for nondefense capital goods excluding aircraft, which provide insight into capital spending plans by businesses, rose 1.0 percent -- the 21st increase in the past 23 months (chart, right). Shipments of nondefense capital goods excluding aircraft advanced only modestly in March (0.2 percent), but results for all of Q1 were brisk (up 15.8 percent, annual rate), suggesting that capital spending in Thursday's GDP report will be firm.

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

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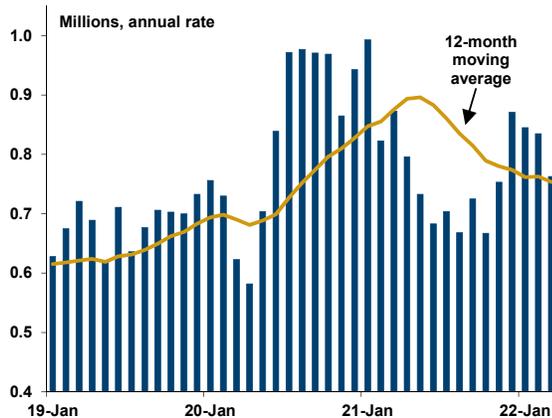
New Home Sales

Sales of new homes were modestly below expectations in levels (763,000, annual rate, versus 768,000), but they deviated sharply in percentage-change terms (-8.6 percent versus -0.6 percent expected) because of sharp upward revisions to activity in the prior three months. The revisions left a brisk pace of activity from December through February, which seems to reflect efforts by individuals to beat increases in interest rates signaled by suggestions of tighter monetary policy. Now, higher interest rates and elevated prices are starting to weigh on activity.

Although the March reading trailed by a wide margin the performance in the second half of 2020 and first quarter of 2021 (average sales of 932,000, annual rate), it was still above all readings in the prior expansion and should be considered a firm performance from a longer-term perspective (chart, left).

The inventory of homes for sales rose 3.8 percent in March to 407,000. Inventories trail those during the frothy market of the mid-to-late 2000s, but they are above those in three of the prior four expansions. The increase in inventories and slowing in sales led to a jump in the months' supply of homes available for sale to 6.4 from 5.6 months, a reading in the upper end of the range of the current expansion (chart, right).

New Home Sales



Source: U.S. Census Bureau via Haver Analytics

Months' Supply of Unsold Homes



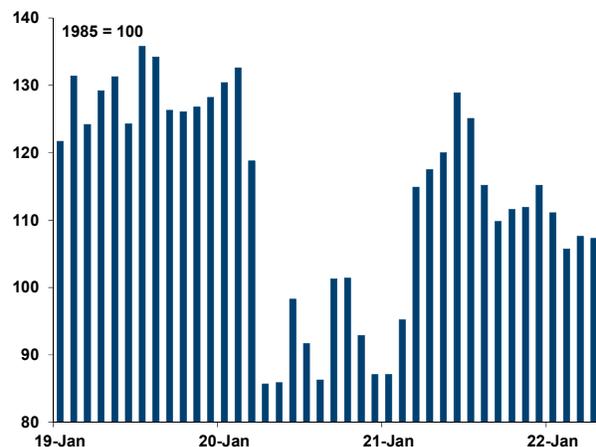
Source: U.S. Census Bureau via Haver Analytics

Consumer Confidence

The index of consumer confidence showed little change in April, dipping 0.3 index point to 107.3. Results in the prior month were revised upward, but only slightly so (0.4 percentage point). The measure remained noticeably below readings last spring and summer and well below pre-pandemic totals (chart).

Assessments of the current situation lag previous results, but recent observations are still respectable by historical standards. Firm labor market conditions are having a positive influence on this assessment, as the share of respondents viewing jobs as readily available exceeds by a wide margin the share viewing jobs as hard to get (55.2 percent versus 10.6 percent). The net assessment of 44.6 percent is not quite a record, but it is near the top of the historical range. Consumer moods in total are being restrained by assessments of future conditions, as the expectations component is in the low portion of ranges seen in prior expansions.

Consumer Confidence



Source: The Conference Board via Haver Analytics