

Jan 2019 Leading Indicators, Existing Home Sales, Dec Durable Goods, Feb UI Claims

Government Shutdown a Consistent Theme in Soft January Data

- The Conference Board's Leading Economic Index for January decreased by 0.1 percent.
- Existing Homes Sales fell by 1.2 percent in January.
- New Orders for Durable Goods increased by 1.2 percent in December.
- Initial Claims for Unemployment Insurance fell by 23,000 for the week ending Feb. 16, to hit 216,000.

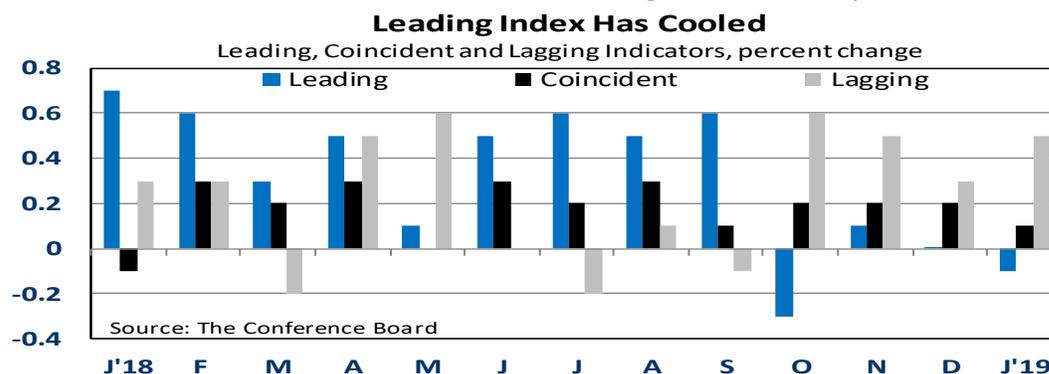
The Conference Board's Leading Economic Index for the U.S. eased for the second time in the last four months in January, off by 0.1 percent. It is fair to say that the monthly change in the Leading Index has centered near zero since last October, and that is not a good thing. The Coincident Index was barely positive in January, up by 0.1 percent. The Lagging Index was still strong, showing a 0.5 percent gain. The Leading Index is still being affected by data delays due to the partial federal government shutdown. This requires the Conference Board to make estimates for manufacturers' orders and building permits. We have no reason to think that the estimates are biased in either direction, so we expect to see no significant revisions when everyone gets caught back up.

Existing home sales were down again in January, falling for the third consecutive month and extending an ugly trend that began in early 2017. Sales dipped by 1.2 percent to a 4,940,000 unit annual rate. This is the weakest sales rate since November 2015, which was a one-month swoon. The weak January sales rate really harkens back to mid-2014. The partial government shutdown and the associated dips in consumer and business confidence were likely negative factors in January. The declining mortgage rates may be an offsetting positive factor in February.

New orders for durables goods increased by 1.2 percent in December, lifted by commercial aircraft orders. Orders for commercial aircraft are very lumpy, and they jumped by 28.4 percent in December. Orders for defense aircraft are also volatile, and they fell by 30.5 percent for the month. Most other categories were positive, but orders for computers and communications equipment fell noticeably. As a result, core durable goods orders, nondefense capital goods excluding aircraft, dipped by 0.7 percent in December after falling by 1.0 percent in November. This leading indicator for the manufacturing sector was soft at the end of 2018 but still within norms. We will not say that this is a cooling trend, but it bears watching in the months ahead.

Initial claims for unemployment insurance fell by 23,000 for the week ending February 16, to hit 216,000. Initial claims data has been choppy since last November and the trend still looks like it is up slightly since the lows from last September. The partial federal government shutdown from late December through the end of January added to the chop. Continuing claims fell by 55,000 for the week ending February 9, to hit 1,725,000.

Market Reaction: U.S. equity markets opened with losses. The 10-year Treasury bond yield is up to 2.69 percent. NYMEX crude oil is down to \$56.99/barrel. Natural gas futures are up to \$2.70/mmbtu.



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