

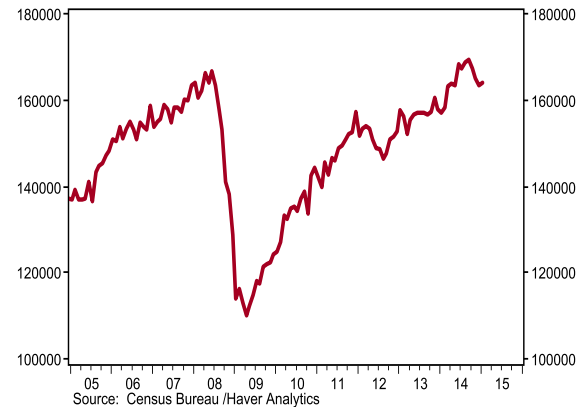
January Durable Goods

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- New orders for durable goods increased 2.8% in January (+2.4% including revisions to prior months), above the consensus expected gain of 1.6%. Orders excluding transportation rose 0.3% in January and were up 0.2% including revisions to prior months, slightly below the consensus expected gain of 0.5%. Orders are up 5.4% from a year ago while orders excluding transportation are up 4.5%.
- The increase in overall orders was led by civilian aircraft and machinery. The largest decline was for autos.
- The government calculates business investment for GDP purposes by using shipments of non-defense capital goods excluding aircraft. That measure declined 0.3% in January (-0.1% including revisions to prior months). If unchanged in February and March these shipments will be down at a 1.0% annualized rate in Q1 versus the Q4 average.
- Unfilled orders slipped 0.2% in January but are up 9.8% from last year.

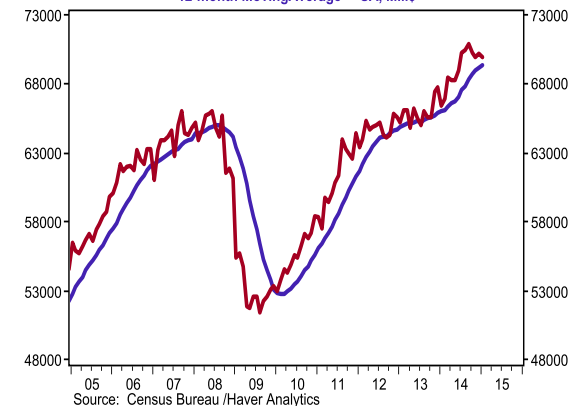
Implications: New orders for durable goods started off January on a positive note, increasing for the first time in three months. However, the gains were led by civilian aircraft, which are very volatile from month to month. Outside the transportation sector, orders were up a very Plow Horse-like 0.3%, led by machinery. Orders ex-transportation are up a healthy 4.5% from a year ago. The worst news in today’s report was that “core” shipments, which exclude defense and aircraft, declined 0.3% in January. However, these shipments are still up 5.3% from a year ago and unfilled orders for “core” capital goods rose 0.3% in January, hit a new record high, and are up 8.1% from a year ago. So the report suggests an impending rebound in shipments over the next few months. Although lower oil prices may hurt the Oil Patch, we expect to see higher production outside the oil sector. Orders and shipments for durables should accelerate in the year ahead. Consumer purchasing power is growing with more jobs and higher incomes, while debt ratios remain very low, leaving room for an upswing in big-ticket spending. Meanwhile, profit margins are high, corporate balance sheets are loaded with cash, and capacity utilization is breaching long-term norms, leaving more room (and need) for business investment. In other news this morning, new claims for unemployment insurance rose 31,000 last week to 313,000. The four week average is now 294,500. Continuing claims for regular state benefits fell 21,000 to 2.40 million. Plugging these figures into our models suggests another solid month of job growth in February, with payrolls expanding around 250,000. On the housing front, the FHFA index, which measures prices for homes financed with conforming mortgages, increased 0.8% in December, the largest gain since May 2013. In the past year, the FHFA index is up 5.4% versus a gain of 7.7% in the year ending in December 2013. We expect further gains in home prices in 2015, although at a slower pace.

Manufacturers' New Orders: Durable Goods Excl Transportation
SA, Mil.S



Mfrs' Shipments: Nondefense Capital Goods ex Aircraft
SA, Mil.S

Mfrs' Shipments: Nondefense Capital Goods ex Aircraft
12-month MovingAverage SA, Mil.S



Durable Goods <i>All Data Seasonally Adjusted</i>	Jan-15	Dec-14	Nov-14	3-mo % ch. annualized	6-mo % ch. annualized	Yr to Yr % Change
New Orders for Durable Goods	2.8%	-3.7%	-2.2%	-12.0%	-38.0%	5.4%
<i>Ex Defense</i>	3.0%	-3.3%	-1.4%	-7.1%	-38.9%	5.1%
<i>Ex Transportation</i>	0.3%	-0.9%	-1.3%	-7.4%	-4.0%	4.5%
<i>Primary Metals</i>	-0.3%	-2.7%	-3.5%	-23.2%	-11.1%	2.6%
<i>Industrial Machinery</i>	1.9%	-3.5%	-0.8%	-9.3%	-12.1%	-2.1%
<i>Computers and Electronic Products</i>	1.0%	-1.8%	-0.6%	-5.4%	-3.4%	5.0%
<i>Transportation Equipment</i>	9.1%	-10.1%	-4.0%	-21.4%	-70.3%	7.5%
Capital Goods Orders	8.0%	-10.5%	-2.7%	-21.6%	-63.6%	3.9%
Capital Goods Shipments	-0.5%	1.2%	-0.9%	-0.9%	0.5%	6.1%
<i>Defense Shipments</i>	-12.0%	5.1%	1.7%	-21.7%	-7.6%	-4.4%
<i>Non-Defense, Ex Aircraft</i>	-0.3%	0.3%	-0.5%	-1.9%	-1.0%	5.3%
Unfilled Orders for Durable Goods	-0.2%	-0.9%	0.2%	-3.8%	1.0%	9.8%

Source: Bureau of the Census