



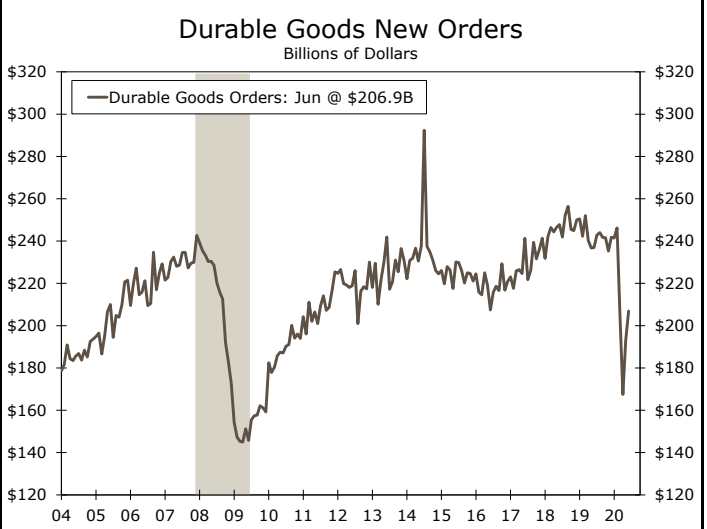
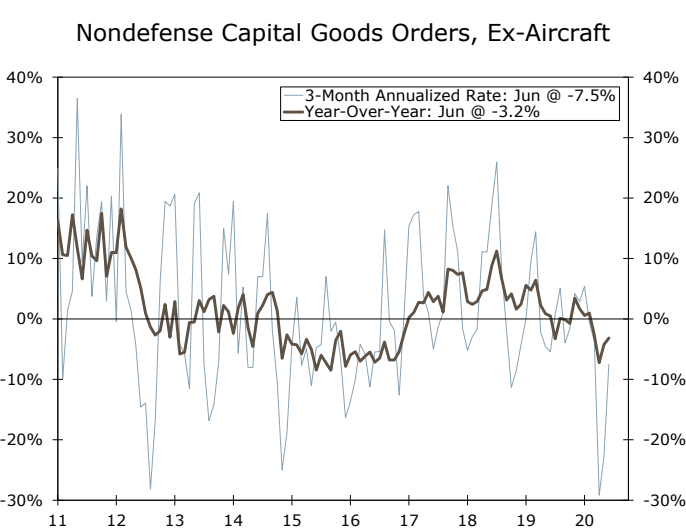
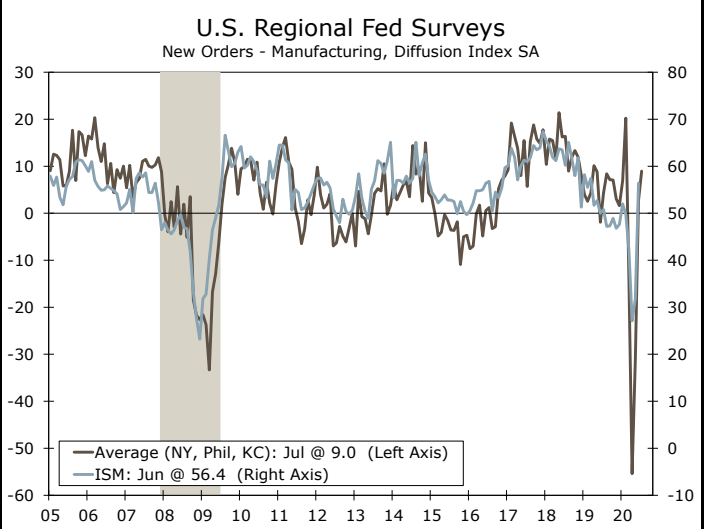
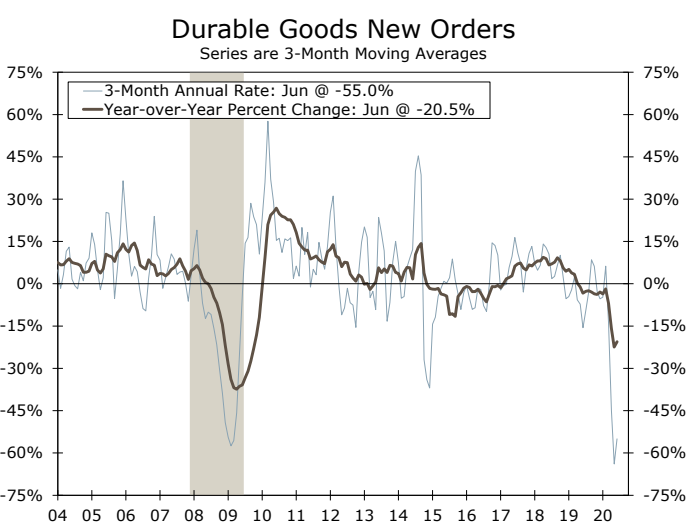
Economics Group

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Durables Retrace Ground, but Investment Trend Still Weak

The 7.3% increase in durable goods orders for June showed that activity recovered further last month. The improvement in core orders was more modest, however, and suggests capital spending is likely to remain weak.

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| <p>Autos Were in Driver’s Seat Last Month</p> <ul style="list-style-type: none"> Durable goods orders clawed back further ground in June, increasing 7.3%. Orders at motor vehicle manufacturers led the gain (+86%). Autos sales over May and June regained about half the drop-off since the outbreak, although order figures may have been boosted by the industry temporarily making medical equipment. Nondefense capital goods ex-aircraft (core orders) pointed to a more modest rebound in activity. | <p>More Ground to Cover</p> <ul style="list-style-type: none"> Shipments of nondefense capital goods rose 4.4% in June, but were down at a 37% annualized pace for the quarter and point to a dismal reading for equipment spending in Thursday’s GDP report. Initial PMIs for July suggest new orders continued to rebound, but with millions of workers unemployed and businesses conserving cash, a complete recovery remains a ways off. |
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Source: U.S. Department of Commerce, Federal Reserve System, Institute for Supply Management and Wells Fargo Securities

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