Durables Offer a Glimmer of Stabilization in Manufacturing

_Durable goods orders surprised to the upside in October, increasing 0.6%. Core capital goods orders jumped 1.2% and suggest equipment spending could rebound in Q4. The trend in spending, however, remains lackluster._

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**Q4 Equipment Spending Looks Off to a Good Start**
- The October durable goods report offers further hints that manufacturing activity is beginning to stabilize. Orders were up 0.6% last month. Some of the gain was driven by a 10.7% jump in aircraft. More telling, however, was the 1.2% increase in core capital goods orders. Along with a 1.4% increase in nondefense capital goods shipments, equipment spending in Q4 is off to a good start and looks poised for a rebound after declining in Q3.

**Still Cautious on Equipment Spending**
- Nevertheless, the trend in orders growth remains generally uninspiring. Core orders remain down over the past three months, while the regional PMIs for November show orders remaining weak. With global growth still struggling and uncertainty about trade policy still lingering, we expect capex to remain lackluster.
- The fallout from the GM strike, looked fairly small, with motor vehicles & parts down 1.9% after a 2.9% decline the prior month.

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**New Orders: ISM & Regional Fed Surveys**

**Nondefense Capital Goods Orders, Ex-Aircraft**
- 3-Month Annualized Rate: Oct @ -0.4%
- Year-Over-Year: Oct @ -0.8%

**New Automotive Durable Goods Orders**
- 3-Month Annual Rate: Oct @ -12.2%
- Year-over-Year Percent Change: Oct @ -0.8%

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