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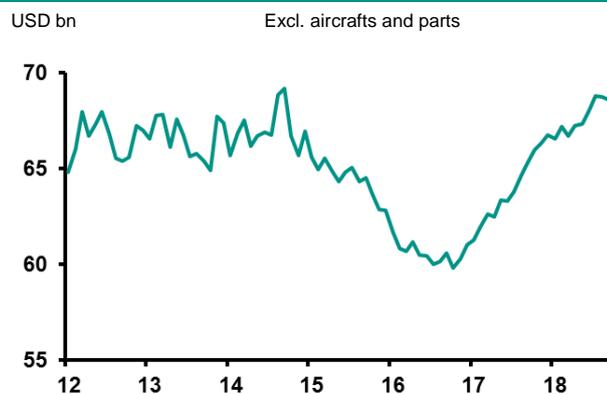
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## How slow will it go?

- **US interest-rate sensitive sectors softening**
- **Dutch consumer confidence weakens further**
- **Asian trade data erratic**

In a recent interview Fed chair Powell said that interest sensitive sectors are softening. He is right. US investment spending, for example, has grown strongly since early 2017, but growth is now slowing. Orders for non-defence capital goods, ex aircraft, were unchanged in October, but this followed drops of 0.5% and 0.2% in September and August, respectively. Shipments of capital goods, excluding defence and aircraft, rose 0.3%, but that was also after two monthly declines. The yoy growth rate amounted to a healthy 5.4%, but this was just below 10% earlier in the year. The graph below shows that these shipments, have recovered nicely from the dip in 2015-2016, but growth is decelerating.

### US non-defence capital goods shipments



Source: Bloomberg

The building sector is definitely interest-rate sensitive and it is also clearly softening. Building permits, for example, fell 0.6% mom in October and, more importantly, 6.0% yoy. Housing starts were up 1.5% mom in October but down 3.0% yoy. Finally, existing home sales were up 1.4% mom, but down 5.0% yoy. The conclusion I draw is similar to what Powell is saying. Housing construction is soft. That must at least be partly the result of the rise in borrowing costs. The overall growth rate of the economy is still very healthy, but that is partly due to the fiscal stimulus provided by the Trump administration. That stimulus will fade in the course of 2019. Add to the mix that the economy outside the US has weakened and the growth outlook for the US becomes unclear. It is right, I think, to wonder how much more the Fed will hike. The Fed's September dot plot was saying five more times before the end of 2020, but that looks like an overshoot that would risk causing a recession.

### US Building permits

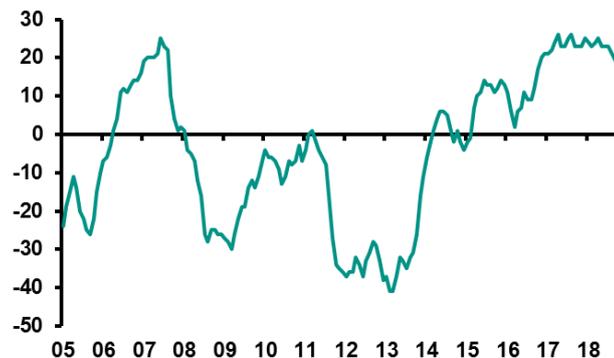


Source: Bloomberg

### Dutch consumer confidence down

Dutch consumer confidence is high but falling. It fell to 13 in November, down from 15 in the month before and a high this year of 25 in April. Consumer confidence is now at its lowest level since September 2016. A similar pattern is seen in the rest of the eurozone. Eurozone consumer confidence also fell again in November and reached its lowest level since March last year. It likely reflects turmoil in financial markets but also lower growth.

### Netherlands consumer confidence



Source: Bloomberg

### Erratic trade data in Asia

Regular readers know that I closely follow trade data in Asia as I consider it the pulse of world trade. The data has been strong recently. To what extent this strength has been caused by companies bringing forward their trade in order to get them in and out before tariffs apply (front loading) is impossible to assess. But front loading must have boosted trade in recent months. Taiwan published export orders for October. They were up 5.1% yoy, a little better than the 4.2% of the month before, but below the average for the year.

The first sign of November trade comes from Korea, which publishes data on the first 20 days of each month. Exports were up 5.7% yoy in the first 20 days of November. The numbers for September and October were 26.0% and 21.6%, respectively. This data is volatile, so we must not read too much in one month's data, but it does not look strong.

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