



Economics Group

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Gain in Factory Orders Overstated

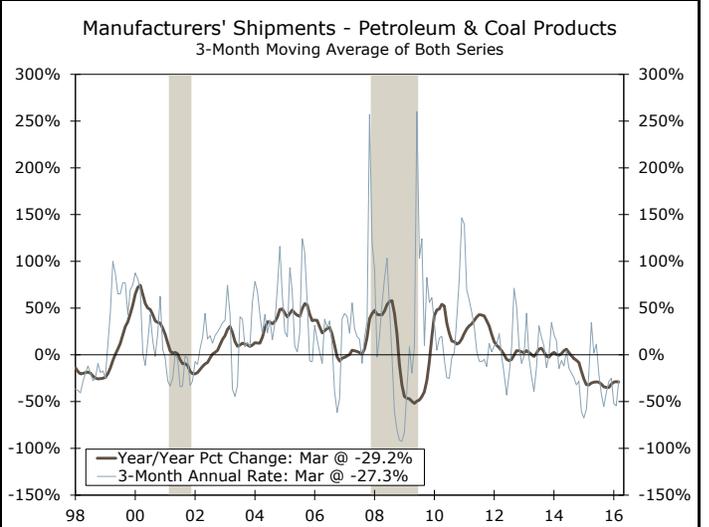
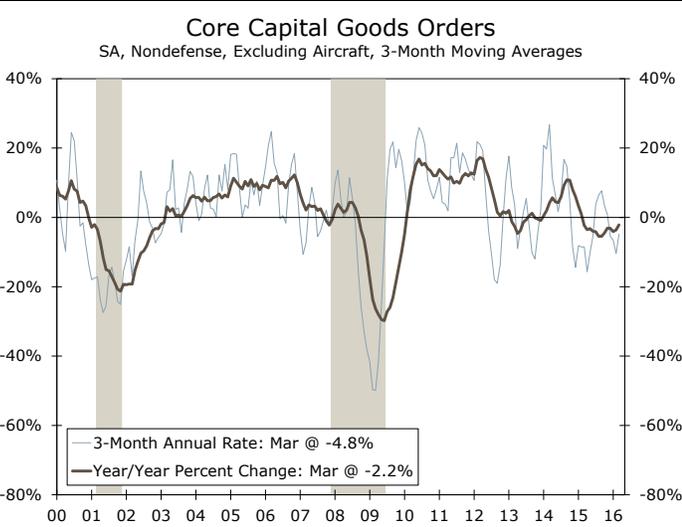
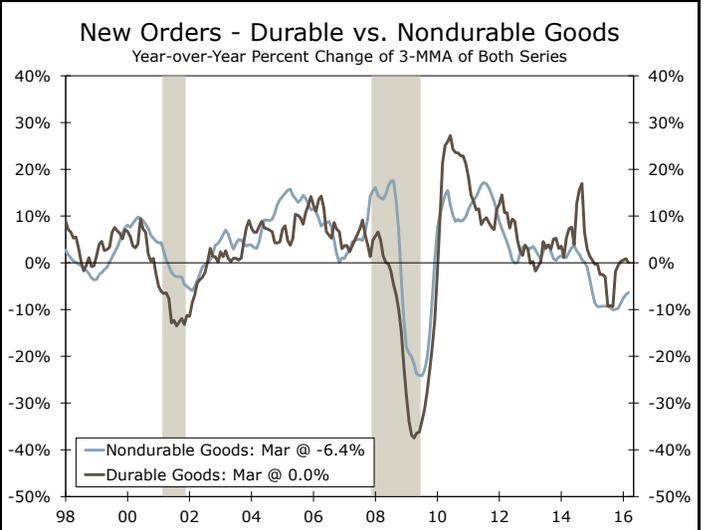
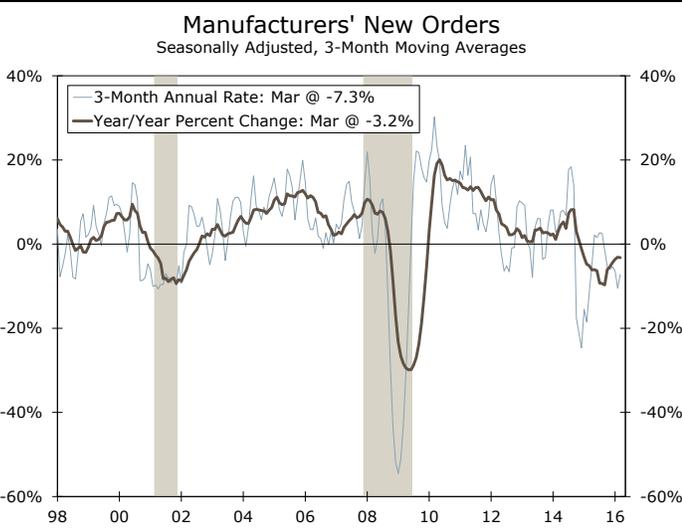
Factory orders rose 1.1 percent in March, but the increase was largely driven by a rise in defense orders and price-related gains in energy nondurables. Core capex orders continue to point to weak equipment spending.

Weak Details of Advanced Durables Report Confirmed

- The 1.1 percent rise in March factory orders is weaker than it appears. Durable goods orders were boosted by nearly a 50 percent rise in defense orders. Ex-defense, durable goods orders fell 1.0 percent, dragged down by lower aircraft orders.
- Nondefense capital goods orders ex-aircraft were revised a tick higher to a 0.1 percent gain, but the trend remains tenuous and points to continued weakness in equipment spending.

Nondurables Boosted by Rebound in Energy Prices

- Nondurable goods orders rose 1.5 percent in March. The report does not break out nondurable orders by industry due to the short lead time. However, nearly 85 percent of the increase in nondurable shipments (also up 1.5 percent) can be traced to an 8.0 percent rise in petroleum and coal shipments as energy prices rebounded in March. Ex-petroleum and coal, nondurable shipments were up a more modest 0.3 percent.



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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