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# Durable Goods: Confidence Evaporation

Overall July durable goods orders come in even firmer than expected, jumping 4.2% (Consensus and Decision Economics: +3.0%) from a prior-month level revised up by 0.3%. Commercial aircraft orders (+78.0%) were the big factor.

But, in a crucial hint of deteriorating business confidence, nondefense capital goods excluding aircraft fell 3.4%, after falling 2.7% last month--putting the level at the lowest point since February 2011. At the level of detail provided in the report, the latest decline appears to have been broad based--involving components of machinery (-3.6%), electrical equipment (-2.1%) and communications equipment (-4.0%).

FOMC doves will, of course read that as an indication that interest rate reductions so far are having little effect in stimulating investment--and see a yet stronger case for more easing.

Hawks will discount any potential for monetary policy to encourage investment, given what they see as the fiscal and regulatory policy discouragements and uncertainties that are forcing potential investment returns down relative to the risks involved.

Doves, by virtue of numbers, will win that argument eventually, but probably need a more dramatic indication of weakness--like poor payroll employment, or a notable rise in the unemployment rate, to give them political cover for any move at this point in the election season.

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