



MONDAY BRIEFING POINTS – Andrew Wroblewski, London/Andrew Husby, New York/Francisco Larios, Miami

United States: NAHB Index. The May NAHB Housing Market index should rise moderately as the spring building and buying seasons get under way.

Canada: Manufacturing Rebound? After declining for four of the last five months, expectations are for a partial rebound in manufacturing activity during March.

U.S. DATA AND EVENTS OUTLOOK – Andrew Husby, New York

Today brings just the May NAHB Housing Market Index, at 10:00 EDT/15:00 BST.

Forecasts:

NAHB Housing Market Index (May): Consensus and DE; +1 point to 57.

WESTERN HEMISPHERE ANALYSIS

UNITED STATES – Andrew Husby, New York

IP: Headwinds Remain

April data show another softer than expected result for industrial production, the headline falling 0.3% (Consensus: unch; DE -0.1%). Revision to prior months effectively offset, with February now reported at -0.1% (previously +0.1%) and March -0.3% (previously -0.6%).

Data Details

The broad breakdown fell along expected lines, with manufacturing unchanged, mining down 0.8%, and utilities down 1.3% as temperatures continued to normalize after a harsh winter. Oil and gas well drilling dropped 14.5%, halving since late-summer 2014.

Manufacturing ex-vehicles and parts remained very soft, down 0.1%, after January -0.5%, Feb unch, and March +0.1%.

Durable goods posted 0.1% for a second month, but after three consecutive declines of a cumulative 1.7%. Vehicle production rose 1.3%, after 4.3% in March.

As expected, total industry capacity utilization fell to 78.2%, from 78.6% (Consensus: -0.1 pp to 78.3%; DE: -0.2 pp) from a prior-month level revised up to 79.0%.

Conclusions

At the very least, April results do not suggest renewed contraction given stable manufacturing results, but instead that the sector continues to struggle against dollar headwinds and acute impacts to the oil sector. Manufacturing production is up just 0.5% annualized from the first quarter (which posted -1.1% ann.) and ex-vehicles still trending lower (-0.5% ann., after -0.8% ann. in Q1).

Data will not shift Fed views given these headwinds have been well-advertised in survey data and recent results, but do reinforce a partially-transitory, partially-not-transitory read on the recent slowdown, particularly with port backlogs and weather now receding in importance.

The new orders component of the April ISM Manufacturing Survey did tick slightly higher (to 53.5, still moderate and well down from 60+ posted on average in the second half of 2014). That will keep expectations of a slow grind higher intact in coming months, but no rebound echoing that of mid-year 2014.

CANADA – Ethan Ward, Boston

Manufacturing Rises Fastest Since 2011

Due to a rebound in production of both planes and automobiles, **manufacturing** sales rose 2.9% M/M, the largest increase since the middle of 2011. Motor vehicle sales rose 12.8% and aerospace receipts increased 42.3%. The weaker Canadian dollar is helping manufacturers sell to foreign customers and faster U.S. growth is also helping sales.

WESTERN EUROPE – Andrew Wroblewski, London

EUROZONE

ITALY – Exports Strengthen Further. The seasonally adjusted March trade balance showed a smaller surplus of € 3 894 mln. This reflected a 1.8% M/M further rise in exports juxtaposed with a 4.0% M/M jump in imports.

DE View: Exports are more clearly showing signs of strength.

OTHER WESTERN EUROPE

UNITED KINGDOM – House Prices Consolidate. May Rightmove house price numbers showed prices consolidating after clear gains in previous months. Indeed, overall prices slipped 0.1% M/M and with prices in London falling back even more clearly. Moreover, the Y/Y rate actually moderated further to 2.5%.

SWITZERLAND – Mixed Retail Signals. Real retail sales, adjusted for working days, fell by 2.8% Y/Y in March, reinforcing the swing to the negative seen in the two previous months. This continued Y/Y weakness rate came in spite of a recovery in seasonally adjusted M/M terms. Meanwhile, Y/Y growth in nominal working-day adjusted sales worsened too, with the implied sales deflator more negative at -1.8% Y/Y.

JAPAN – Andrew Wroblewski, London

Orders Recover. Core machinery orders (excluding shipping and utilities) recovered in March and by a higher-than-expected 2.9% M/M after a 1.4% fall in February.

As a result, the Cabinet Office maintained its orders assessment, still suggesting that orders are showing a modest pick-up.

Industrial Production Drop Confirmed. Final data for March showed industrial production dropping back by 0.8% in M/M terms, a little more pronounced a fall than preliminary data had pointed to but still very much accentuating the 3.1% correction back seen in the previous month.

ASIA PACIFIC ANALYSIS – Andrew Wroblewski, Jack Stokes, London

THAILAND – Mixed Growth Signals. National accounts data showed GDP slowed in seasonally adjusted Q/Q terms to 0.3% in Q1, after a 1.1% increase in the previous quarter. However, on a

Y/Y basis, GDP growth accelerated to 3.0% Y/Y after rising 2.1% in Q4, the highest since Q1 2013.

The Y/Y expenditure side breakdown showed a significant acceleration in investment (10.7% Y/Y from 3.2%) and a pick-up in private consumption (2.4% Y/Y from 2.1%). Government expenditure, however, moderated to 2.5% Y/Y from 3.6% and net trade also saw some moderation.

On the output side, the breakdown revealed continued slower growth in the primary sector coming alongside another pick-up in the health of the secondary sector and mixed results in the tertiary sector.

SINGAPORE – Exports Correct! Seasonally adjusted non-oil export growth fell sharply in April and by 8.7% M/M after rising by 23.1% in March. Additionally, export growth in Y/Y terms actually rose by 2.2% after an 18.5% rise in the previous month. The breakdown revealed a slowing in electronics export growth (-3.8% Y/Y from 10.4%) and also chemical exports (-0.8% Y/Y from 17.4%).

Notably, the sharp increase seen in export growth last month was a reflection of a surge in pharmaceutical product export growth (+65.9%) and computer export growth (+123.0% Y/Y).

NEW ZEALAND – Services Moderate. The Bank of New Zealand compiled Services PMI showed activity moderating to 56.5 from 57.6 last month but remaining in expansion territory for the thirty-second successive month. The breakdown revealed a slight reduction in employment and also supplier deliveries.