

FACTORY ORDERS MORE AS SERVICE SECTOR GROWTH SLOWS

In October, the U.S. service sector activity growth eased to its slowest level in three months. New orders for goods from the factories rose unexpectedly, which suggests that economic growth remains quite patchy. On Thursday the U.S. data reported that new claims for unemployment benefits fell below 400,000 last week for the first time in five weeks. This suggests that a modest improvement is in the labor market, but the chain store retailers reported some disappointing October sales. "Based on the ISM manufacturing and service data, the economy is still crawling at a pace that is so anemic," says Bernard Baumohl, who is chief global economist, at The Economic Outlook Group LLC, in Princeton New Jersey. "For most Americans, it makes no difference whether the economy is stuck at this pace or we are in a recession. This is very lackluster growth that will not lead to a pick-up in hiring. The U.S. Institution for Supply Management has recently said that its services index eased to 52.9 last month from 53.0 the month before. According to a Reuters survey, the reading fell shy of economists' forecasts for 53.5, and it was the lowest in level since July of this year. With a reading above 50, it indicates some expansion in that sector has occurred. A gauge of new orders fell from 56.5 to 52.4, but the employment component improved to its highest level since June of this year from 48.7 to 53.3. According to a government report on Thursday that showed underlying strength in manufacturing, new orders for U.S. factory goods unexpectedly rose in September of this year and capital spending by businesses surged. Orders for manufactured goods increased 0.3 percent after revised 0.1 percent gain in August, the Commerce Department says, previously reported as a 0.2 percent fall. Economists had expected orders to slip 0.1 percent. After edging down 0.1 percent the prior month, orders excluding transportation rise 1.3 percent in September. Seen as a measure of business confidence and spending plans, orders for non-defense capital goods, excluding aircraft, jumped 2.9 percent in September after advancing 0.9 percent the prior month. This increase in this particular category was the largest in six months. For the first time in five weeks, new U.S. claims for unemployment benefits fell below 400,000 last week. This suggests a modest improvement in the still moribund labor market, but retailers reported disappointing October sales. The Labor Department said on Thursday that initial claims for state unemployment benefits dropped by 9,000 in the week ending October 29 to a seasonally adjusted 397,000. "The labor market continues to stabilize in terms of the amount of people losing their jobs but...the pace of adding new ones still remains underwhelming," Says



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