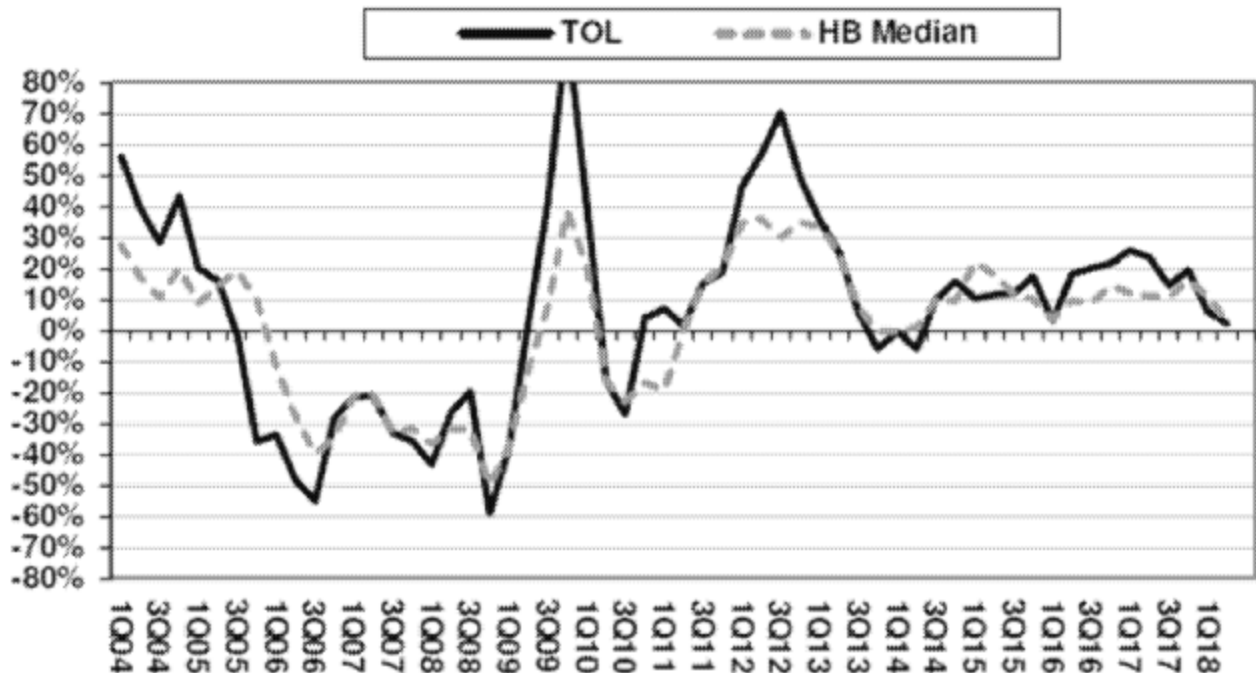


Instead, Toll is the only builder amongst the June/July quarter reports to deliver an order beat against consensus and even came in ahead of expectations for gross margins. **So do these results then mean that the housing recovery is still going strong? Not really** - order consensus had likely been lowered post the other builders' results, especially since higher-end builders seemed to do worse than lower-end builders; also, a gross margin beat of 30 bps is well below the 100-150 bps beats that other builders reported for 2Q18. Investors were also likely heartened by management's comments that it was order strength in July that overcame weakness in May and June. While this would seem to indicate that calendar 2Q18 order weakness was a temporary lull, we are reluctant to read too much into an individual builder's monthly results given that they are notoriously volatile. **Our view remains the same as we expressed in our recently updated housing view (link) - we expect that housing demand downshifted in 2Q18 and that this lower level of demand is likely to persist into 2H18 and 1H19.** TOL

Figure 3: TOL's orders versus the group



Trade deals take time (Slok): Negotiating a new trade deal normally takes many years, see chart below. For more see also here.