ECONOMIC PREVIEW

REGIONS

Week of June 20, 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on July 26-27):* Target Range Midpoint: 0.375 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.375%	If you had to say something but really didn't want to say anything, the policy statement issued by the FOMC following last week's meeting is exactly what you would say. For all that was said, though, between the policy statement and in Dr. Yellen's post-meeting press conference, the underlying theme was uncertainty. Specifically, there is uncertainty as to just what the surprisingly weak May employment report really means, there is uncertainty over the extent to which conditions in the corporate sector have weakened and what that may mean for the broader economy, and there is now heightened uncertainty over the global growth outlook with the looming "Brexit" vote (Thursday, 6/23). And, of course we and everyone else on the face of the earth know there is always uncertainty, so hopefully no one will feel compelled to send an angry e-mail pointing that out to us. But, as with most things in life, it's a matter of degree and, at least at present, we'd say the degree of uncertainty is uncomfortably high for market participants, businesses, and policy makers alike. Though the questions will likely be all over the map, as is typically the case with these events, we don't look for much variance in Dr. Yellen's message this week when she delivers the "Semiannual Monetary Policy Report to the Congress" – Senate Banking Committee Tuesday 6/21; House Financial Services Committee Wednesday 6/22 (both 10:00 EST). As a side note, the summer session would normally take place in July but scheduling issues pulled it into June this year.
May Existing Home Sales Range: 5.370 to 5.680 million units Median: 5.540 million units SAAR	Wednesday, 6/22	Apr = 5.450 million	Up to an annualized sales rate of 5.540 million. We look for not seasonally adjusted sales of 523,000 units, which would leave the running 12-month total at 5.360 million units, the highest since September 2007. Inventory, or lack thereof, remains a drag on existing home sales. It will take a much larger increase in listings in May than is typical for the month to avoid a 12th consecutive over-the-year decline in existing home inventories. One off-shoot of lean inventories is a faster pace of price appreciation (the various repeat-sales price indexes are a much better gauge than the median sales price), and while we continue to think rapid price appreciation will at some point draw more supply to the market, it doesn't seem that we've arrived at that point just yet.
May New Home Sales Range: 540,000 to 610,000 units Median: 567,000 units SAAR	Thursday, 6/23	Apr = 619,000	Down to an annualized sales rate of 566,000 units, with not seasonally adjusted sales of 56,000 units. Even if it does survive revision, we don't think the April sales rate is close to being sustainable, at least at this point in time and, as such, look for May sales to have come back down to earth. Still, the underlying trend shows continued growth, albeit at a frustratingly slow pace, in new home sales. What is interesting to note, however, is that builders are in many cases struggling to keep up with that slow pace of sales growth, as reflected in the elevated share of sales accounted for by units on which construction has not yet started. In addition to shortages of labor and materials, builders are also being constrained by what has become a more cumbersome and, in many markets, costly entitlement process, which is acting to limit the supply of buildable lots, or at least to delay their availability. One consequence is that builders in many markets have concentrated their efforts on the higher end of the price range, which has been one of the trends we have been pointing to for some time now. While lower volume and higher margins have worked for builders so far, we think we could be either at or near the point where high end demand begins to fade. When we do get there, the question will be whether builders can profitably build to the lower price points, though we do believe there is sufficient demand on that end of the market.
May Leading Economic Index Range: -0.4 to 0.3 percent Median: 0.2 percent	Thursday, 6/23	Apr = +0.6%	Down by 0.1 percent.
May Durable Goods Orders Range: -2.8 to 2.0 percent Median: -0.7 percent	Friday, 6/24	Apr = +3.4%	Up by 0.5 percent. Even after a large increase in the dollar volume of civilian aircraft orders in April, we look for further growth in May based on the number of orders reported by Boeing. That said, one never really knows when orders reported by Boeing will turn up in the monthly durable goods data, so our call could easily be off the mark. Far more significant than the headline number will be core capital goods orders, which have been disturbingly weak of late – April's dollar volume was the lowest since April 2011. We look for ex-transportation orders to be up 0.3 percent.

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