ECONOMIC PREVIEW

REGIONS

Week of July 4, 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%	A week ago we were preparing what we feared might be our last *Economic Preview*. After all, watching the carnage in global financial markets that followed the Brexit vote made it seem as though the whole world might come to an end. Okay, so that was perhaps possibly a bit of an overreaction, and we know the start of the Tour de France (July 2-July 24) means the world will last at least three more weeks. But, just as the outlook for the world was not as dire as the reaction in the markets in the first few days following the vote implied, we'd caution that neither is it as sanguine as the reaction in the markets – at least equity markets – over the past few days has implied. The reality is the UK's formal exit from the European Union will be a long process, fraught with uncertainty, and no one yet knows what the implications will be for the global economy. To that point, it is telling that while the bond market reacted in step with equity and currency markets in the immediate aftermath of the vote, it did not in subsequent days when equity prices leapt higher and currency values retraced some of their early moves. That yields on long-term government bonds remain so low is a signal of heightened uncertainty and expectations that global central banks will push for even more policy accommodation in the months ahead (whether or not that will do any good is another discussion {short version: it won't} for another day). Bottom line: get ready for what figures to be a prolonged period of highly volatile markets with risks to the economic outlook weighted to the downside.
May Factory Orders Range: -1.2 to 0.0 percent Median: -0.8 percent	Tuesday, 7/5	Apr = +1.9%	Down by 1.0 percent, with lower orders for durable goods dragging the headline number down. While recent swings in durable goods orders mainly reflect noise in the data on aircraft orders, the underlying details on core capital goods orders remain weak, implying listless business investment spending in the near term.
May Trade Balance Range: -$42.5 to -$38.4 billion Median: -$40.0 billion	Wednesday, 7/6	Apr = -$37.4 billion	Widening to -$39.7 billion.
June ISM Non-Manufacturing Index Range: 51.5 to 54.4 percent Median: 53.4 percent	Wednesday, 7/6	May = 52.9%	Up to 53.3 percent. While the recent stability in the ISM's Manufacturing Index is encouraging, we were somewhat taken aback by the decline in the Non-Manufacturing Index in May, particularly the declines in the components gauging employment and business activity. We look for both to have turned up in June.
June Nonfarm Employment Range: 110,000 to 235,000 jobs Median: 179,000 jobs	Friday, 7/8	May = +38,000	Up by 213,000 jobs with private payrolls up by 209,000 jobs and government payrolls up by 4,000 jobs. Our headline number reflects adding back the roughly 37,000 job decline in telecom payrolls seen in May thanks to the Verizon strike. Net of this we look for job growth of around 176,000, in line with what, beneath what has been a string of noisy headline numbers, we see as the underlying trend rate. To the extent the unusually low response rate to the May survey was a factor, there could be sizeable revision to the weak initial estimate of job growth in May. More significantly, we'll be watching to see whether the one-month hiring diffusion index rebounded in June after showing the breadth of hiring across private sector industries narrowed sharply over the prior two months.
June Manufacturing Employment Range: -10,000 to 15,000 jobs Median: 0 jobs	Friday, 7/8	May = -10,000	Up by 4,000 jobs.
June Average Weekly Hours Range: 34.4 to 34.5 hours Median: 34.4 hours	Friday, 7/8	May = 34.4 hrs	Unchanged at 34.4 hours.
June Average Hourly Earnings Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 7/8	May = +0.2%	Up by 0.2 percent, which translates in to an over-the-year increase of 2.7 percent, though we'd caution this is more a reflection of a weak print last June than a sign of meaningfully faster wage growth this June. Along with our calls on job growth and hours worked, this would leave aggregate private sector earnings up 0.4 percent (4.4 percent year-over-year).
June Unemployment Rate Range: 4.7 to 4.9 percent Median: 4.8 percent	Friday, 7/8	May = 4.7%	Up to 4.8 percent. After a sharp decline in May, we look for at least a mild rebound in labor force participation to nudge the jobless rate higher. Either way, other indicators, such as the number of those working part-time for economic reasons, suggest a greater degree of slack in the labor market than does the headline unemployment rate, and those are the metrics from the household survey we remain more focused on.

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