ECONOMIC PREVIEW

REGIONS

Week of September 26 2016

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on November 1-2):* Target Range Midpoint: 0.375 to 0.375 percent Median Target Range Midpoint: 0.375 percent		0.375%	So, it's December. Unless of course it isn't. Though stating the case for a hike in the Fed funds rate target range had "strengthened," the FOMC held steady at last week's meeting, opting instead to wait for "further evidence of continued progress" towards its inflation and employment objectives. With the November FOMC meeting all but out of play given it comes the week before the election, all eyes are now turned to the December meeting, particularly given the FOMC noted last week that they now see the risks to their near-term outlook as being balanced. We'll note, however, this is a necessary but not sufficient condition for a rate hike, and the data will have to clear the path for a December move, but this is by no means a done deal. To us, though, when the next rate hike comes is of far less significance than the likelihood that there won't be many more to follow, given the FOMC's diminished view of the economy's longer term growth prospects.
August New Home Sales Range: 565,000 to 628,000 units Median: 597,000 units SAAR	Monday, 9/26	Jul = 654,000	Down to an annual rate of 622,000 units but, even if our call is on or close to the mark, there will be much less here than meets the eye. We look for unadjusted sales to fall to 52,000 units in August from 57,000 (pending revision) in July, which was the best single month for sales since October 2007. But, the seasonal adjustment factor for the month of August tends to be on the generous side, which is what we think will yield a seasonally adjusted annualized headline number that will sound more impressive than it actually is. This goes right to our point about the importance of tracking the trends in the not seasonally adjusted data. Either way, the underling details on inventories – still exceptionally lean – and the mix of sales by price – still atypically skewed towards the high end of the price scale – will be main points of interest for us. If our call on not seasonally adjusted sales is correct, that will leave the running 12-month total – which we view as the most relevant gauge of underlying sales trends – at 552,000 units, the highest since August 2008.
September Consumer Confidence Range: 97.0 to 100.5 Median: 98.8	Tuesday, 9/27	Aug = 101.1	Down to 98.7
August Durable Goods Orders Range: -3.0 to 1.0 percent Median: -1.4 percent	Wednesday, 9/28	Jul = +4.4%	Down by 1.4 percent, with ex-transportation orders down by 0.4 percent. A large decline in new civilian aircraft orders implies a weak headline print, but as August aircraft orders typically exhibit seasonal weakness there is some uncertainty as to how this will map into the dollar volume of orders. More significantly, as evidenced by our call on ex-transportation orders, we think this will be a soft report, reflecting ongoing weakness in business capital spending.
August Adv. Trade Balance: Goods Range: -$63.1 to -$59.2 billion Median: -$62.3 billion	Thursday, 9/29	Jul = -$58.8 bil	Widening to -$61.9 billion.
Q2 Real GDP – 3rd estimate Range: 1.1 to 1.5 percent Median: 1.3 percent SAAR	Thursday, 9/29	Q2 2nd est = +1.1%	Up at an annualized rate of 1.4 percent, up a bit from prior estimates thanks to more support from, or should we say less of a drag from, inventories and business spending. Still, growth over the first half of 2016 will prove to be forgettable in an expansion that is not lacking for forgettable quarters.
Q2 GDP Price Index – 3rd estimate Range: 2.3 to 2.3 percent Median: 2.3 percent SAAR	Thursday, 9/29	Q2 2nd est = +2.3%	Up at an annualized rate of 2.3 percent.
August Personal Income Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 9/30	Jul = +0.4%	Up by 0.2 percent. The income details from the August employment report imply only a modest gain in private sector labor earnings, which sets a soft tone for growth in total personal income for the month. Government sector labor earnings, rental income, and dividends will provide some support. Our call would leave total personal income up 3.1 percent year-on-year and, even with only a meager gain in August private sector wage and salary earnings will be up 4.0 percent year-on-year.
August Personal Spending Range: 0.1 to 0.3 percent Median: 0.1 percent	Friday, 9/30	Jul = +0.3%	Up by 0.1 percent. The August retail sales report, particularly the decline in control retail sales, set the stage for a weak report on total personal spending. Keep in mind the retail sales report does not account for spending on household services, which account for roughly two-thirds of all consumer spending and are captured in the personal spending data. But, we don't look for much support from services, particularly as lower utilities outlays will act as a drag. Even though the increase in the PCE deflator figures to be smaller than the increase in the CPI for August, real spending will likely be a wash, thus tempering our expectations for growth in real consumer spending for Q3 as a whole.

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