Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on September 20-21):* Target Range Midpoint: 0.375 to 0.625 percent Median Target Range Midpoint: 0.375 percent		0.375%	After last week's deluge of data, including a disappointing August employment report, there is a dearth of data in this holiday shortened week. On the one hand, that's a good thing, as with only one top-tier release on tap we won't be subject to the "will they or won't they" debate multiple times during the week. On the other hand, now there will be even more discussion of what the August employment report means for the FOMC. In short, our take is that anyone who had depended on the August employment report to settle anything for a data dependent FOMC will have been disappointed by what they saw. To be sure, we and other analysts have repeatedly pointed to the many quirks in the August employment data in any given year that make the initial estimate of job growth prone to significant revision. And, if we know this, then surely the FOMC knows it as well. To some extent, then, the August employment report can be discounted. Which is not to say it can be dismissed out of hand, at least in our view, as we see a number of red flags in the data. These have nothing to do with a decelerating pace of job growth, which no one should be surprised by. Instead, we point to a broad based decline in hours worked, a pullback in the breadth of hiring across private sector industries, particularly within manufacturing, and but a paltry gain in hourly earnings. More significantly, what we see as the best measure of labor market slack, i.e., the combined number of people either unemployed, underemployed, or marginally attached to the labor force, has barely budged to date in 2016 and remains well above a level consistent with a fully healthy labor market. To us, this makes the argument the economy is at or near full employment a very hard sell. Along with the looming uncertainty from the August employment report – is it primarily a reflection of noise in the data, or is there genuine cause for concern – the ISM Manufacturing Index dipping into contractionary territory and motor vehicle sales falling sharply in August don't exactly make a very compelling case for a September funds rate hike. This is especially true with inflation still low and not looking poised to break to the upside any time soon. It would have taken a far stronger August employment report than we ever thought likely in order to move us off of our call that the next funds rate hike would come this December. We see it as highly unlikely that the August employment report we actually got will compel many, if any, FOMC members to think "sooner rather than later" is the way to go.
August ISM Non-Manufacturing Index Range: 52.0 to 56.0 percent Median: 55.5 percent	Tuesday, 9/6	Jul = 55.5%	<u>Down</u> to 54.6 percent. In theory, the sharp decline in the ISM's gauge of the manufacturing sector doesn't portend a similar fate for the non-manufacturing index. That said, we're expecting to see some slowing across the individual components that make up the headline index, including overall business conditions and new orders. Even so, our call would still be consistent with ongoing expansion in the services sector of the U.S. economy, which for some time has fared far better than the goods sector.

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