ECONOMIC PREVIEW

REGIONS

Week of July 3, 2017

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 25-26 FOMC meeting):* Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent	0.875%	Goodness. If this is what even a slight hint of perhaps possibly moving in the general direction of normality does, imagine what actual normality would do. We are of course referring to the reaction in global financial markets to the recent run of central bankers taking turns pointing out that it might be time to start thinking about dialing down the high degree of monetary accommodation. Which is a far cry from them stating the time is right to return to more normal monetary policy. To be fair, market participants can be excused for not making this distinction. After all, does anyone really remember what "normal" monetary policy looks like after the past several years? If nothing else, the past week is a good reminder that no matter how much central bankers try to prep the markets ahead of time, which is perfectly appropriate, every actual step on the road to actual policy normalization is likely to trigger a response in the markets that is far out of proportion to the size of the step actually taken by the central banks. To paraphrase a noted observer of financial markets, rumors of the demise of volatility have been greatly exaggerated.
June ISM Manufacturing Index Monday, 7/3 Range: 53.5 to 56.5 percent Median: 55.0 percent	May = 54.9%	Up to 55.6 percent. We expect motor vehicle production to be a drag on the overall manufacturing sector over coming months, but not enough of one to offset what has become increasingly broad based growth across other industry groups.
May Construction Spending Monday, 7/3 Range: -1.2 to 0.7 percent Median: 0.2 percent	Apr = -1.4%	Down by 0.2 percent. The initial print of this series in any given month, is becoming increasingly less useful as an indicator of, well, anything thanks to large revisions that can change the whole tone of the report. So, if you don't like the May report, wait a month and it will change.
May Factory Orders Wednesday, 7/5 Range: -1.2 to 0.3 percent Median: -0.5 percent	Apr = -0.2%	Down by 0.4 percent thanks to a decline in durable goods orders.
June ISM Non-Manufacturing Index Thursday, 7/6 Range: 54.0 to 57.0 percent Median: 56.5 percent	May = 56.9%	Down to 56.4 percent.
May Trade Balance Thursday, 7/6 Range: -$47.5 to -$44.9 billion Median: -$46.2 billion	Apr = -$47.6 billion	Narrowing to -$46.4 billion.
June Nonfarm Employment Friday, 7/7 Range: 115,000 to 219,000 jobs Median: 173,000 jobs	May = +138,000	Up by 212,000 jobs with private payrolls up by 195,000 jobs and government payrolls up by 17,000 jobs. The short May survey period suppressed reported job growth and in past years in which this has been the case there has been a notable bounce back in reported job growth for June. We expect this to have been the case this year; if we are correct, the average of May and June will yield a much better reflection of the underlying trend rate of job growth than either month's data.
June Manufacturing Employment Friday, 7/7 Range: -5,000 to 10,000 jobs Median: 5,000 jobs	May = -1,000	Up by 4,000 jobs.
June Average Weekly Hours Friday, 7/7 Range: 34.4 to 34.5 hours Median: 34.4 hours	May = 34.4 hours	Unchanged at 34.4 hours. We have referred to the still short workweek as an underappreciated form of labor market slack. Even if firms were running out of workers to hire – an argument we do not buy, at least not at this point – that still leaves hours worked as a means through which firms can add to their aggregate labor input without putting upward pressure on wages.
June Average Hourly Earnings Friday, 7/7 Range: 0.2 to 0.3 percent Median: 0.3 percent	May = +0.2%	Up by 0.3 percent, for a 2.7 percent year-on-year increase. The calendar effect was in play in the May data, and it took some upward rounding to get the change in AHE up to 0.2 percent. We look for a sturdier increase in the June data. Our calls on AHE, average hours worked, and the change in private sector payrolls would push aggregate private sector earnings up 0.5 percent (up 4.6 percent year-on-year).
June Unemployment Rate Friday, 7/7 Range: 4.1 to 4.4 percent Median: 4.3 percent	May = 4.3%	Up to 4.4 percent. As we noted last month, the May and June labor force data are prone to large swings stemming from the varying timing of the school year. To that point, the not seasonally adjusted data show the smallest number of 16-to-24 year-olds entering the labor force this May than any other May since 2001, helping account for the large decline in the seasonally adjusted labor force that pushed the jobless rate lower. We look for payback in the June data, resulting in a much larger reported inflow of younger adults into the labor force and a higher jobless rate.

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