

ECONOMIC PREVIEW



Week of August 21, 2017

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

<p>Fed Funds Rate: Target Range Midpoint <i>(After the September 19-20 FOMC meeting):</i> Target Range Midpoint: 1.125 to 1.125 percent Median Target Range Midpoint: 1.125 percent</p>	<p>1.125%</p>	<p>What this week's data slate is lacking in volume is made up for in volatility, as new home sales and durable goods orders are amongst the most volatile of all of the data series. If you're looking for something more sedate, Fed Chairwoman Yellen and ECB President Draghi each address the Kansas City Fed's Jackson Hole symposium on Friday, with both likely to carefully avoid dropping any hints on policy moves.</p>
<p>July New Home Sales Wednesday, 8/23 Range: 590,000 to 650,000 units Median: 610,000 units SAAR</p>	<p>Jun = 610,000 units SAAR</p>	<p><u>Up</u> to an annualized sales rate of 644,000 units. On a not seasonally adjusted basis, we look for sales of 58,000 units, which would leave the running 12-month total of unadjusted sales at 597,000 units, the highest such total since June 2008. Beneath what are in most months sharp swings in the headline sales number, the running 12-month total has been increasing at a slow but steady pace over the past few years, and we don't look for much of an acceleration any time soon as builders remain hamstrung by shortages of labor and buildable lots coupled with what in many markets are cumbersome and costly entitlement processes. The "beneath the headlines" numbers we'll be most interested in are inventories of physical homes for sale, the share of sales accounted for by units on which construction has not yet started, and the price mix of sales. These metrics have been the best illustrations of the supply constraints builders have faced and how they have responded to them.</p>
<p>July Existing Home Sales Thursday, 8/24 Range: 5.460 to 5.680 million units Median: 5.570 million units SAAR</p>	<p>Jun = 5.520 million units SAAR</p>	<p><u>Down</u> to an annualized sales rate of 5.460 million units. June was either a disappointingly soft month for existing home sales or the best month for existing home sales since August 2006, depending on how you prefer to look at the data. On a seasonally adjusted annualized basis, June's "headline" sales number was weaker than expected. What got very little attention, however, is that on a not seasonally adjusted basis, the 601,000 existing home sales in June marked the highest monthly total in over a decade. In most years, June sets the high point for sales (not seasonally adjusted), and we expect that to be the case this year as well. Our forecast calls for unadjusted sales to slip to 548,000 units in July, which would leave the running 12-month total of unadjusted sales, which we see as the most relevant gauge of the trend rate of sales, at 5.565 million units, the highest such total since August 2007. So, even if the seasonally adjusted annualized headline number is as low as we expect, the underlying trend shows continued gradual improvement in sales.</p> <p>Of course, an ongoing frustration is that sales could be even better were it not for extraordinarily lean inventories. In any given year July is typically the seasonal peak for inventories, and while we look for a modest increase in listings from June, our forecast for July would nonetheless leave listings down year-on-year for a 26th consecutive month. One way to think about that is 2017 will be the third consecutive year in which the seasonal peak in listings is lower than in the year before. Lean inventories are, in turn, fueling rapid price appreciation, but at least thus far the lack of an appreciable increase in mortgage interest rates has blunted the adverse impact on affordability. While we continue to maintain the demand side of the market remains quite healthy, we don't look for much relief on the supply side any time soon.</p>
<p>July Durable Goods Orders Friday, 8/25 Range: -7.5 to 0.0 percent Median: -5.8 percent</p>	<p>Jun =+6.4%</p>	<p><u>Down</u> by 7.2 percent. We look for a soft headline print on the July report on durable goods to cover up a solid report, but the issue here is not seasonal adjustment. Instead, in the topsy-turvy world of durable goods orders, it is not at all uncommon for swings in orders for civilian aircraft to skew the headline number and lead many to lose sight of the details of the report. The July report will likely fall into this category. The soft headline print will come courtesy of a steep decline in orders for civilian aircraft, but keep in mind it was a spike in civilian aircraft orders that propelled (sorry, couldn't help it) the June headline number so high. Setting aside the noise from this series, we look for the details of the July report to show a broad based increase in ex-transportation orders and a healthy gain in core capital goods orders.</p>
<p>July Durable Goods Orders: Ex-Trnsp. Friday, 8/25 Range: -0.2 to 0.8 percent Median: 0.4 percent</p>	<p>Jun =+0.1%</p>	<p>We look for <u>ex-transportation</u> orders to be <u>up</u> by 0.6 percent, with <u>core capital goods</u> orders <u>up</u> by 0.5 percent. We've noted the modest but steady improvement in core capital goods orders over the past several months. One explanation is that, after having underinvested for much of the current expansion, firms are playing catch-up and investing as necessary to maintain, not so much grow, their capital stocks. Even if business confidence remains elevated, were firms truly acting on lofty expectations we'd be seeing more vigorous growth in capital spending. Still, at this point, we'll take any growth in capital spending we can find, no matter what the motivation.</p>

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