ECONOMIC PREVIEW

REGIONS

Week of May 20, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the June 18-19 FOMC meeting):* Target Range Midpoint: 2.375 to 2.375 percent Median Target Range Midpoint: 2.375 percent	Range: 2.25% to 2.50% Midpoint: 2.375%	What the week is lacking in data, with only three top-tier releases on tap, will be more than made up for in Fed speak. Wednesday brings the release of the minutes of the May 1 FOMC meeting, and we count nine different events at which FOMC members will speak. As one of these is a panel discussion featuring four regional Fed bank Presidents, you can decide for yourself whether you want to count that as one event (as we did) or as four events (who said the FOMC can't deliver inflation?). What to watch, or, listen, for is the extent to which FOMC members see weakness in some of the recent data as transitory and, on a not unrelated note, the degree to which they see the U.S. economy as being vulnerable to further escalation of trade disputes. Friday's report on durable goods orders will be a reminder of that vulnerability.
April Existing Home Sales Tuesday, 5/21 Range: 5.200 to 5.480 million units Median: 5.330 million units SAAR	Mar = 5.210 million units SAAR	Up to an annualized sales rate of 5.380 million units. On a not seasonally adjusted basis, we look for sales of 449,000 units, down 2.9 percent from last April (despite one more sales day this year), but which would nonetheless reflect an 12.3 percent increase over March sales, a larger increase than typical for the month of April. This illustrates a point we're making often these days when it comes to the housing market data, which is that while we are seeing sequential improvement as 2019 wears on, the abrupt slowdown in housing market activity in late-2018 continues to weigh on the data, as reflected in the year-on-year decline in sales our forecast anticipates. Pending home sales, a measure of signed sales contracts which leads existing home sales by 1-to-2 months, sizzled in March, which bodes well for April sales (existing home sales are booked at closing). We'll be equally interested in the details on inventory in the April data – historically, April has seen the largest increase in listings of any month of the year, and we expect that to be the case this year as well. Our forecast puts listings at 1.790 million units, up 6.6 percent from March, but this is smaller than the typical April increase. With healthy demand-side drivers and favorable mortgage interest rates, inventories hold the key to whether or not this year's Spring sales season will be deemed a success or a flop.
April New Home Sales Thursday, 5/23 Range: 630,000 to 707,000 units Median: 671,000 units SAAR	Mar = 692,000 units SAAR	Down to an annualized sales rate of 669,000 units. The first order of business here will be the revisions to the March data. Recall that March new home sales surprised to the upside, with not seasonally adjusted sales of 68,000 units, making March the best month for new home sales since July 2007. At least for now, as we won't be surprised to see a downward revision to that initial March estimate. Either way, we expect a solid April sales number, with not seasonally adjusted sales of 64,000 units. That there is momentum in home sales can be seen in rising applications for purchase mortgage loans and rising builder confidence, and builders are wisely broadening the base of sales by targeting first-time buyers, as reflected in the shifting mix of sales across price ranges. This is a trend we've been pointing to for some time now. Our forecast would put the running 12-month total of not seasonally adjusted sales at 623,000 units, which would mark a third straight monthly increase but which would nonetheless be well off of last fall's cycle high of 640,000 units. This is another illustration of our point that the weakness in home sales in Q4 2018 will continue to weigh on the trending data even as we see sequential improvement in 2019 sales.
April Durable Goods Orders Friday, 5/24 Range: -4.5 to 0.0 percent Median: -2.0 percent	Mar = +2.6%	Down by 3.1 percent. Spoiler alert – we're looking for the report on April durable goods orders to be notably weak, and not just the headline number. Civilian aircraft orders typically decline in the month of April, but this year's decline in unit orders was larger than normal, and at some point already canceled orders for Boeing's 737 MAX will turn up in the data on durable goods orders. Or, we should say, will drag down the data on durable goods orders, as cancellations will be deducted from the dollar volume of orders. And, sure, each month we say that the headline orders number is mainly noise and the details beneath the headline number are what matter, and that holds for the April report. We don't, however, expect to find much solace in the details of the April report, as evidenced by our forecasts for ex-transportation orders and core capital goods orders. We think a slower global trade environment, a sizable inventory overhang, and waning motor vehicle production are acting as drags on the manufacturing sector and expect this to remain the case in the near term. At some point inventories will be slimmed down and motor vehicle production will stabilize, leaving trade/trade policy as the key driver of manufacturing activity.
April Durable Goods Orders: Ex-Transp. Friday, 5/24 Range: -0.7 to 0.8 percent Median: 0.2 percent	Mar = +0.3%	We look for ex-transportation orders to be down by 0.2 percent, and for core capital goods orders to be down by 0.8 percent.

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