ECONOMIC PREVIEW

REGIONS

Week of June 17, 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%	At present, it seems a matter of when, not if, the FOMC will cut the Fed funds rate. That said, we see virtually no chance of a funds rate cut at this week's FOMC meeting. We do, however, expect the Committee to lay the groundwork for a rate cut, using their post-meeting policy statement, the updated "dot plot," and Chairman Powell's post-meeting press conference to this end. We do not expect to see the word "patient" in the post-meeting statement, with "closely monitoring developments" and "act as appropriate" the new catchphrases. Recall that the March dot plot showed 11 members who saw no changes in the funds rate by year-end, and 6 who saw at least one rate hike by year-end. Watch and see whether any members now see at least one rate cut by year-end, and whether any still see a rate hike by year-end. Also, we expect that, in his post-meeting press conference, Chairman Powell will not be using the word "patient" but will patiently repeat, as many times as possible, his now familiar statement that the FOMC will "act as appropriate to sustain the expansion."
May Housing Permits Tuesday, 6/18 Range:1.270 to 1.350 million units Median: 1.290 million units SAAR	Apr = 1.290 million units SAAR	Up to an annualized rate of 1.306 million units. On a not seasonally adjusted basis, we look for total permits of 121,500 units, up from 118,700 units in April but a smaller than normal increase for the month of May. This reflects two things; first, April's increase in permits (not seasonally adjusted) was much stronger than typical for the month, particularly in the multi-family segment, some of which was likely pulled forward from May. Second, flooding in parts of the Midwest and South regions likely acted as a drag on construction activity in May. Of more importance is that, after stumbling badly in late-2018/early-2019, single family permits continue to respond to lower mortgage interest rates, and we expect this to continue over coming months as long as a strong labor market (a weak May employment report notwithstanding) holds up consumer confidence while mortgage rates remain low.
May Housing Starts Tuesday, 6/18 Range:1.195 to 1.265 million units Median: 1.240 million units SAAR	Apr = 1.235 million units SAAR	Up to an annualized rate of 1.253 million units. A common theme in the April data on residential construction and sales is that the not seasonally adjusted data were strong across the board, but were rendered somewhat meek by pernicious seasonal adjustment factors. One way this impacts our May forecasts is that our forecasts of the unadjusted data anticipate smaller increases than normally seen in the month of May, which is true of both housing permits and starts. In particular, our forecast calls for not seasonally adjusted housing starts of 116,400 units, up from 114,100 units in April but some of the gains that would have otherwise been seen in May were pulled forward into April. Again, though, as with housing permits, we think the most meaningful aspect of the starts data is that single family starts are responding to lower mortgage interest rates, and we expect that to remain the case over coming months. As a side note, the data on multi-family completions also bear watching; as of yet, there have been few signs of progress in paring down the immense backlog of multi-family units under construction, and we expect no such signs in the May data.
Q1 Current Account Balance Thursday, 6/20 Range: -$128.1 to -$119.7 billion Median: -$125.0 billion	Q4 2018 = -$134.4 billion	Narrowing to -$124.3 billion. A much smaller trade deficit is the primary factor behind our forecast of a narrower current account deficit in Q1, with an assist from a slightly larger net surplus on the income account.
May Leading Economic Index Thursday, 6/20 Range: 0.0 to 0.2 percent Median: 0.1 percent	Apr = +0.2%	Unchanged.
May Existing Home Sales Friday, 6/21 Range:5.120 to 5.500 million units Median: 5.250 million units SAAR	Apr = 5.190 million units SAAR	Up to an annualized sales rate of 5.400 million units. On a not seasonally adjusted basis, existing home sales were up 13.8 percent in April, the strongest April for existing home sales since 2014. That not so trivial detail was basically lost in the hysteria over a weak "headline" sales number that reflected nothing more than a less than friendly seasonal adjustment factor. The same pattern held for April pending home sales, a "weak" headline number masked what the raw data showed to be a stronger than normal April (pending sales tend to lead existing sales by 30-45 days). The unadjusted April pending home sales data along with further declines in mortgage interest rates suggest another solid increase in existing home sales in May, at least in the raw data. Our forecast anticipates not seasonally adjusted existing home sales of 529,000 units in May, a 16.3 percent increase from April. The raw sales number will tell you much more about the state of home sales than will the headline sales number, and so too will listings. Our forecast anticipates inventories of existing homes for sale will rise to 1.890 million units, marking a tenth consecutive year-over-year increase in listings.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com