ECONOMIC PREVIEW

REGIONS

Week of July 22, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July 30-31 FOMC meeting):* Target Range Midpoint: 2.125 to 2.125 percent Median Target Range Midpoint: 2.125 percent	Range: 2.25% to 2.50% Midpoint: 2.375%	"As a general rule, we've always preferred central bankers to be competent and quiet, in that order. While we still see those as desirable traits, we're just about at the point where we change the order in which we rank those qualities in terms of importance." Okay, we're quoting ourselves here – that is how we opened our September 2016 *Monthly Economic Outlook*. But, if we felt that way then, imagine how we felt by the end of last week, a week in which the dovish chorus of the FOMC was in full voice. Fed Vice Chairman Richard Clarida and New York Fed President John Williams each stressed that the time for rate cuts is before the economic data actually deteriorate. So, apparently, being "data dependent" no longer means actually seeing the data before you let the data dictate your next move, but instead means your next move is dictated by worries over how the data may look. To be sure, some FOMC members argue that rate cuts are not warranted by current economic conditions. Our point all along, however, has been this: what is the actual value of these endless streams of public pronouncements? Unless of course you're really into watching markets dance to the tune of ever-shifting probabilities of what the FOMC may do and when they may do it (that a rate cut, however large, will not at all diminish the main downside risks to growth is its own discussion). That the New York Fed felt compelled to walk back some of Dr. Williams' comments on the same day he made them only reinforces the absurdity of all of this. Fortunately, the blackout period ahead of the July 30-31 FOMC meeting is now in effect. All we can say is enjoy the blessed silence.
June Existing Home Sales Tuesday, 7/23 Range: 5.250 to 5.400 million units Median: 5.340 million units SAAR	May = 5.340 million units SAAR	Down to an annualized sales rate of 5.280 million units. The reports on April and May existing home sales had much in common. In each case, the not seasonally adjusted, data showed exceptionally strong sales which were effectively turned into mush by the curiously low seasonal adjustment factors used by the NAR, thus yielding only middling "headline," or, seasonally adjusted and annualized, sales numbers. We don't know the basis on which NAR arrived at these seasonal adjustment factors – which were much lower than those our software calculated – but all of this goes straight to a point we constantly make, which is that when it comes to the housing market data, the only numbers that matter are found in the not seasonally adjusted data. Except, apparently, when it comes to the instant "analysis" of the data, which is based on nothing more than whatever the headline number happens to be. This is how the largest April increase in sales since 2014 and the second largest May increase in sales on record went virtually unnoticed, having been buried under a wave of "see, not even low mortgage rates can save the housing market" nonsense. So, after all of that, why does our forecast anticipate only, well, middling, existing home sales for June? In a word, payback. As in payback for sales in April and May having been so strong. If it seems odd to think of demand for home purchases being, effectively, pulled forward, keep in mind that many prospective buyers had been pushed to the sidelines in late-2018 by affordability constraints made more pressing by sharply higher mortgage interest rates. As rates fell in 2019, buyers were quick to respond – for homes sold in April, the median time on market was 24 days and for those sold in May it was 26 days. So, yes, it is possible that sales were effectively pulled forward, which is what the indicators we watch are suggesting. As such, we look for not seasonally adjusted sales in June (553,000 units) to be softer than is normal for the month, as reflected in our forecast of headline sales. But, who knows, maybe we'll get a headline-friendly seasonal adjustment factor, in which case no one will even notice if we are correct about unadjusted sales.
June New Home Sales Wednesday, 7/24 Range: 602,000 to 680,000 units Median: 650,000 units SAAR	May = 626,000 units SAAR	Up to an annualized sales rate of 667,000 units. On a not seasonally adjusted basis, we look for 62,000 new home sales in June. Due to the inherent volatility in, and often large revisions to, the new home sales data, we never have much conviction in our forecasts for new home sales, and we have even less in our June forecast. Sales were surprisingly soft in May, and that was due to not seasonally adjusted sales being much weaker than we anticipated rather than being the result of an unfriendly seasonal adjustment factor. We can't rule out an upward revision to that initial estimate of May sales, but if so, our June forecast goes right out the window. More fundamentally, curiously weak single family permit issuance in June helps shape our forecast of June new home sales. Furthermore, unadjusted new home sales were notably strong in March and April so, as with existing homes, the May and June data on new home sales could reflect be some element of sales having been pulled forward. Still, our forecast would leave new home sales up 4.9 percent year-on-year.

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

ECONOMIC PREVIEW

REGIONS

Week of July 22, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
June Durable Goods Orders Thursday, 7/25 Range: -1.5 to 1.7 percent Median: 0.8 percent	May = -1.3%	Up by 1.7 percent. Transportation orders will be a support for top-line orders, in addition to help from orders for nondefense aircraft, our forecast anticipates orders for defense aircraft and for motor vehicles will contribute to a jump in total transportation orders, and in turn top-line orders.
June Durable Goods: Ex-Trnsp. Thursday, 7/25 Range: -0.5 to 0.7 percent Median: 0.2 percent	May = +0.4%	Up by 0.2 percent. Our forecast anticipates orders for core capital goods will also be up by 0.2 percent. In each case, the gains would be smaller than those seen in May, but orders have been somewhat choppy over recent months as business sentiment has flagged. Rate cuts or not, until there is clarity on trade policy, growth in business investment spending will remain slow and uneven.
June Advance Trade Balance: Goods Thursday, 7/25 Range: -$74.7 to -71.0 billion Median: -$72.2 billion	May = -$74.5 billion	Narrowing to -$72.4 billion.
Q2 Real GDP – 1st estimate Friday, 7/26 Range: 1.5 to 2.2 percent Median: 1.8 percent SAAR	Q1= 3.1% SAAR	Up at an annualized rate of 1.8 percent. The Q2 data will pretty much be the reverse of the Q1 data. Whereas inventories and net exports combined to add 1.5 percentage points to top-line Q1 growth, they will team up to be a sizable drag on top-line Q2 growth, while Q2 growth in consumer spending will be far stronger than was the case in Q1. Business investment spending looms as a downside risk to our forecast, the unevenness of the high frequency data over recent months makes it harder to get a sense of how the GDP data will shape up, and our forecast here could be a bit on the ambitious side. As a side, note, the Q2 release will incorporate the BEA's annual revisions to the historical GDP data. This year's revisions are confined to the past five years of data, and we do not expect any material changes in previously reported rates of growth, though there may be changes to the composition of growth.
Q2 GDP Price Index – 1st estimate Friday, 7/26 Range: 1.0 to 3.0 percent Median: 2.2 percent SAAR	Q1= 0.9% SAAR	Up at an annualized rate of 2.7 percent.

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