ECONOMIC PREVIEW

REGIONS

Week of February 18, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on March 19-20)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	"We interrupt this summit to bring you the following important message: we have been, are, and will remain committed to market determined exchange rates." There – was that so hard? Apparently, for the G20 Finance ministers, it's much too simple, so they instead opted for multiple and sometimes confusing statements that took much longer to say much less. That the G20 has spent so much time discussing exchange rates is to a large extent a function of "currency wars" having become the latest hot topic of debate. As we note in our latest *Monthly Economic Outlook*, however, we find much of this discussion off the mark. Central banks around the globe are trying to contain long-term interest rates as a means of stimulating domestic demand, and in this regime home currencies are innocent bystanders with depreciating currency values a byproduct of, not the direct target of, central bank policies. Regardless of how it is characterized, however, central bank accommodation has yet to do a lot to prompt faster economic growth. Wednesday brings the minutes of the January 29-30 FOMC meeting. The minutes figure to be of interest mainly to see whether there are any clues as to the potential timing of the paring back or the end of the Fed's large-scale asset purchases. We do not think the FOMC close to a consensus on this matter but the minutes could tell us whether there has been progress made in getting there.
January Producer Price Index Range: -0.1 to 0.5 percent Median: 0.4 percent	Wednesday, 2/20	Dec = -0.2%	Up by 0.5 percent, mainly due to higher energy costs. On a year-over-year basis, this translates into an increase of 1.6 percent.
January PPI – Core Range: 0.1 to 0.5 percent Median: 0.2 percent	Wednesday, 2/20	Dec = +0.1%	Up by 0.2 percent, for an over-the-year increase of 1.7 percent.
January Housing Starts Range: 873,000 to 956,000 units Median: 920,000 units SAAR	Wednesday, 2/20	Dec = 954,000	Down to an annualized rate of 910,000 units. After both single family and multi-family starts surged in December, we look for each to have settled back a bit in January, though more so with single family starts as they have been running well ahead of permits over recent months. Still, should our call be correct, January will be a pause rather than a retreat and we continue to expect starts to be ahead of the 1 million units annualized pace by year-end. We look for total housing permits to have been flat in January, with an annualized pace of 905,000 units compared to the preliminary December print of 903,000 units.
January Consumer Price Index Range: 0.0 to 0.3 percent Median: 0.1 percent	Thursday, 2/21	Dec = 0.0%	Up by 0.1 percent. Most of January's increase in retail gasoline prices came in the last week of the month so would not be fully incorporated into the January CPI data. Along with a favorable seasonal adjustment factor, this means gasoline should act as a drag on the headline CPI – but there will be a payback in February. On a year-over-year basis, we look for the total CPI to have risen by just 1.6 percent.
January CPI – Core Range: 0.1 to 0.2 percent Median: 0.2 percent	Thursday, 2/21	Dec = +0.1%	Up by 0.2 percent, which translates into an over-the-year increase of 1.8 percent.
January Leading Economic Index Range: 0.1 to 0.4 percent Median: 0.3 percent	Thursday, 2/21	Dec = +0.5%	Up by 0.3 percent.
January Existing Home Sales Range: 4.700 to 5.100 million units Median: 4.900 million units SAAR	Thursday, 2/21	Dec = 4.940 mil	Down to an annualized sales rate of 4.880 million units. Note that this release will incorporate the NAR's annual benchmark revisions, with monthly data going back to 2010 subject to revision. For the most part, these revisions are typically very modest and, as such, should not alter the fundamental view of the housing market over the past three years. As we have noted over the past few months, we are awaiting signs that traditional mortgage-reliant buyers are accounting for a larger share of purchases, which we believe a necessary condition for sales to be sustained at the pace seen over the latter months of 2012. To this point, we are not so much looking for an increase in the level of sales in 2013, but we are looking for a change in the composition of buyers.

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