ECONOMIC PREVIEW

REGIONS

Week of June 24, 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on July 30-31)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	So, this is what greater transparency around a still uncertain policy buys us? In part, the less than enthusiastic reaction in the financial markets to Chairman Bernanke laying out a prospective path of the Fed dialing down the rate of its monthly asset purchases reflects a fundamental disagreement over which matters more, stocks or flows. More specifically, when it comes to assessing whether and to what degree policy is accommodative, the Fed believes it is the stock of assets on its balance sheet that matters, while the markets believe it is the rate of change. Thus, while the Fed maintains even should it dial back the pace of asset purchases along the lines laid out by Chairman Bernanke at his June 19 press conference policy will remain accommodative, the view from the markets is that this represents tighter policy. Moreover, the market view either discounts or dismisses what the Fed holds to be a key distinction between balance sheet policy and interest rate policy. To this we will add the following points. First, the prospective timeline laid out by Chairman Bernanke is, as if by magic coincidence, right in line with where expectations have been for some time now. Second, nothing about that timeline is set in stone – it is dependent on further improvement in the labor market and broader economy and the rate of inflation accelerating and moving towards the Fed's 2.0 percent target. There will be no change in the rate of asset purchases without both of those boxes being checked. In short, the pace of asset purchases has been, is, and will remain, all about the evolution of the economic data.
May Durable Goods Orders Range: -2.4 to 5.8 percent Median: 2.5 percent	Tuesday, 6/25	Apr = +3.5%	Up by 4.1 percent, mostly on the back of rising aircraft and motor vehicle orders. Excluding transportation goods, we look for orders to be up by 0.5 percent.
May Consumer Confidence Index Range: 73.2 to 77.5 Median: 75.2	Tuesday, 6/25	Apr = 76.2	Up slightly to 77.0 though, admittedly, we do not know the extent to which the recent financial market turmoil will be reflected in the data. Of greater interest will be the questions specific to the labor market – the "jobs plentiful" "jobs hard to find" split is a useful indicator of changes in labor market conditions.
May New Home Sales Range: 450,000 to 475,000 units Median: 462,000 units SAAR	Tuesday, 6/25	Apr = 454,000	Up to an annualized rate of 466,000 units. With new home sales recorded at contract signing, the May report could bring an early read on whether higher mortgage interest rates are impacting home sales. At this stage of the game, however, we see higher mortgage interest rates as having more of an impact on refinancing than on sales. Builders are bringing more supply to market but are likely just keeping pace with advancing sales, so we don't look for much of a change in the months supply of inventory metric.
Q1 Real GDP – 3rd estimate Range: 1.9 to 2.5 percent Median: 2.4 percent SAAR	Wednesday, 6/26	2nd est = +2.4%	Up at an annualized rate of 2.2 percent due to a slight markdown in growth in real consumer spending, with a smaller nonfarm inventory build also possible.
Q1 GDP Price Index – 3rd estimate Range: 0.5 to 1.2 percent Median: 1.1 percent SAAR	Wednesday, 6/26	2nd est = +1.1%	Up at an annualized rate of 1.1 percent, matching the previous estimate.
May Personal Income Range: 0.1 to 0.5 percent Median: 0.2 percent	Thursday, 6/27	Apr = 0.0%	Up by 0.3 percent with the by now usual suspects, dividends and rental income, leading the way as private sector earnings improve after being flat in April. Earnings in the government sector will be a drag on top-line income growth, as the impact of sequestration related furloughs becomes more apparent. Actually, make that "a bigger drag" on top-line income growth, given the average monthly change in government sector earnings over the past twelve months – before the furloughs – has been 0.04 percent.
May Personal Spending Range: 0.1 to 0.4 percent Median: 0.3 percent	Thursday, 6/27	Apr = -0.2%	Up by 0.3 percent led by spending on consumer durables (mainly motor vehicles) and a modest increase in spending on household services. We don't look for much of a change in spending on nondurable consumer goods, but this is in part a function of price effects holding down nominal receipts. The report on personal income and spending will also include the latest print on the PCE deflator, the Fed's preferred gauge of inflation. We expect the total and core deflators to have each risen by 0.1 percent, leaving headline and core inflation running at 1.1 percent, well below the Fed's target rate.

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