ECONOMIC PREVIEW

REGIONS

Week of August 19, 2013

Indicator/Action Economics Survey: | Last Actual: | Regions' View:

Fed Funds Rate
(after the FOMC meeting on September 17-18)
Range: 0.00 to 0.25 percent
Median: 0.125 percent (mid-point of target range)

Last Actual: 0.00% to 0.25%

In last week's preview we characterized the week as being one heavy on data but light on data that would do much to alter perceptions of the economy's path over the second half of 2013. This week is light on both counts, though the data on home sales will be scoured for clues as to any material adverse effects from higher mortgage interest rates.

Of course, a week with so much on economic data being followed by one with so little raises an interesting question: which is worse, a week extra heavy on data in which every single release sets off a frenzy of speculation as to what it might mean for Fed policy, or a week extra light on data in which every single release is given disproportionate weight as to what it might mean for Fed policy?

The particular Fed policy in question is the path of the Fed's large-scale asset purchases, i.e., will the FOMC vote to dial down the rate of monthly purchases at their September meeting, if so then by how much and if not then when will they do so. We're still sticking with our call that, yes, the FOMC will vote to dial down the rate of asset purchases, though our expectation of a $20 billion cut in the size of monthly purchases may be a bit on the aggressive side for an initial move.

The minutes to the July 30-31 FOMC meeting, set for release Wednesday 8/21 at 2:00 EST, will give more insight into the Committee's deliberations, not only over the potential timing of tapering but also over potential changes to the previously stated thresholds for changes to the Fed funds rate. There has been some discussion as to whether the FOMC lowering the threshold for the unemployment rate from 6.5 percent to 6.0 percent would reinforce the distinction made within the Fed – but not always in the markets – between balance sheet policy and interest rate policy. If the Committee is to make such a change, it is our view the announcement would go hand-in-hand with that on any reduction in the rate of monthly asset purchases.

Indicator/Action Economics Survey	Date	Last Actual	Regions' View
July Existing Home Sales Range: 5.080 to 5.300 million units Median: 5.150 million units SAAR	Wednesday, 8/21	June = 5.080 mil	Up to an annualized rate of 5.270 million units.
July Leading Economic Index Range: 0.3 to 0.6 percent Median: 0.5 percent	Thursday, 8/22	June = 836,000	Up by 0.6 percent, with the heavy lifting being done by lower initial jobless claims, the increase in new orders reported in the ISM manufacturing survey, and a snap back in building permits.
July New Home Sales Range: 470,000 to 510,000 units Median: 492,000 units SAAR	Friday, 8/23	June = 497,000	Up to an annualized rate of 507,000 units. We won't be surprised if June's estimate is revised lower, but expect the broader theme of positive momentum in new home sales to remain intact. Inventories of new homes available for sales remain lean, acting as a drag on sales.

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