ECONOMIC PREVIEW

REGIONS

Week of September 23 2013

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on October 29-30)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	Never has a decision by 17 people to do nothing caused so much commotion for so many others. Contrary to widespread expectations, the FOMC decided not to dial down the rate of the Fed's large scale asset purchases at last week's meeting. After a brief initial period of "they did what?" the markets went on a tear with stock prices rising sharply and bond yields tumbling. Things have settled down a bit and market participants and economists have resumed what had developed into their favorite pastime, i.e., trying to decipher the FOMC's course of action, or lack thereof, over the next several months. The FOMC did acknowledge further improvement in the economy but, on the whole, continues to harbor concerns on three fronts. First, what remains an elevated degree of slack in labor market conditions, the falling unemployment rate notwithstanding. Second, they are concerned over the potential adverse effects the recent run-up in long-term interest rates could have on the housing market and the broader economy. Finally, the FOMC remains concerned over the potential for fiscal policy to do more damage to the economy, and rightly so given pointless political posturing seems to have been put ahead of actual policy with (yet another) continuing resolution and the debt ceiling looming on the very near horizon. With these concerns in mind, the FOMC was not, and will not be, in any hurry to start pulling back the degree of monetary accommodation. They have the option to be patient with inflation remaining so tame, and the fact that a new FOMC chair will be taking the helm in January could be a factor that causes tapering to occur later rather than sooner.
September Consumer Confidence Range: 76.2 to 83.0 Median: 80.0	Tuesday, 9/24	Aug = 81.5	Down to 79.8.
August Durable Goods Orders Range: -4.5 to 5.0 percent Median: 0.0 percent	Wednesday, 9/25	Jul = -7.4%	Down by 1.1 percent. Transportation orders will be a mixed bag; given the sharp decline in orders reported by Boeing we look for total aircraft orders to drop by more than enough to offset what we expect to be higher motor vehicle orders. The underlying details, however, should look better than the headline, and we look for ex-transportation orders to have risen by 0.7 percent with a rebound in orders for core capital goods.
August New Home Sales Range: 400,000 to 450,000 units Median: 420,000 units SAAR	Wednesday, 9/25	Jul = 394,000	Up to an annualized sales rate of 428,000 units. Admittedly, we don't profess to have a lot of confidence in this call given what we've seen in this always volatile data series of late. Sales in July were reported to have declined by 13.4 percent while prior months' results were revised significantly lower, all of which is at odds with the NAHB's survey of homebuilder sentiment.
Q2 Real GDP – 3rd estimate Range: 1.8 to 3.1 percent Median: 2.6 percent SAAR	Thursday, 9/26	2nd est = +2.5%	Up at an annualized rate of 2.8 percent, faster than the second estimate and way faster (yes, "way faster" is a highly technical economist term) than the initial estimate of 1.7 percent annualized growth. We look for upward revisions to private sector inventory accumulation and business investment spending to account for the bulk of the upward revision.
Q2 GDP Price Index – 3rd estimate Range: 0.7 to 1.8 percent Median: 0.8 percent SAAR	Thursday, 9/26	2nd est = +0.8%	Up at an annualized rate of 0.8 percent, unchanged from the previous estimate.
August Personal Income Range: 0.2 to 0.6 percent Median: 0.4 percent	Friday, 9/27	Jul = +0.1%	Up by 0.5 percent. Private sector earnings growth rebounded nicely from July's dip, though government sector earnings will continue to reflect the impact of the furloughs (i.e., unpaid leave) tied to the sequestration spending cuts. Elsewhere we look for dividend income and rental income to post solid gains.
August Personal Spending Range: 0.1 to 0.5 percent Median: 0.3 percent	Friday, 9/27	Jul = +0.1%	Up by 0.3 percent with much of the increase coming from growth in spending on consumer durable goods, which have far and away been the healthiest component of consumer spending over the course of the recovery.

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