ECONOMIC PREVIEW

REGIONS

Week of June 23, 2014

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate *(after the FOMC meeting on July 29-30)* Range: 0.00 to 0.25 percent Median: 0.125 percent (mid-point of target range)		0.00% to 0.25%	The June FOMC meeting brought little change in either how the Fed sees the economy or what it sees to be the appropriate policy stance, but that should not be taken to mean monetary policy is on auto pilot. Indeed, during her post-meeting press conference, Chairwoman Yellen stated the Committee was "constructively working through" questions surrounding the normalization of monetary policy. More specifically, the timing of a decision to stop reinvesting proceeds of maturing assets relative to the timing of the initial hike in the Fed funds rate, how to manage down what has become a sizeable Fed balance sheet, and when and in what manner to communicate such decisions to the financial markets. The minutes to last week's meeting, due out on July 9, will be carefully scrutinized for clues as to where the Committee is on these and similar matters.
May Existing Home Sales Range: 4.630 to 4.810 million units Median: 4.740 million units SAAR	Monday, 6/23	Apr = 4.650 mil	Up to an annual sales rate of 4.78 million units. Though up smartly from April this will mark the 7th consecutive month in which sales will be down on an over-the-year basis. But, as we have pointed out before, this is not necessarily a negative sign. With inventories of distress properties dwindling, investors are accounting for an increasingly smaller share of total sales, thus skewing over-the-year comparisons lower even as sales to "traditional" buyers have risen. In short, the level of sales is lower than a year ago but the mix of sales is more favorable. After a spike in April (a typical seasonal occurrence) inventories will bear watching for more meaningful signs of easing supply constraints.
June Consumer Confidence Index Range: 81.0 to 86.0 Median: 83.5	Tuesday, 6/24	May = 83.0	Up to 84.2 as consumer confidence continues to improve but at a grudging pace that will pick up only with more tangible improvement in the rates of job and income growth.
May New Home Sales Range: 415,000 to 462,000 units Median: 440,000 units SAAR	Tuesday, 6/24	Apr = 433,000	Down to an annualized sales rate of 428,000 units. Admittedly we have no conviction in this call whatsoever, which is of course at odds with our "often wrong never in doubt" approach to economic forecasting. It is hard to get a reliable read on the state of the for-sale segment of the housing market these days, on top of which the revisions to the new home sales numbers have been all over the map of late. What we do know is applications for mortgage loans to finance purchases were weak in May and homebuilder sentiment, as measured by the May reading on the NAHB's index, was not exactly positive. The bottom line is whether sales go up or down we don't look for a big change one way or the other.
May Durable Goods Orders Range: -3.0 to 2.0 percent Median: -0.2 percent	Wednesday, 6/25	Apr = +0.6%	Down by 0.2 percent, with ex-transportation orders up by 0.3 percent. Orders for nondefense aircraft will be higher as will motor vehicle orders but we look for orders for ships/boats and defense aircraft to drop sharply after sizeable gains in April. The key series to watch is orders for nondefense capital goods excluding aircraft which, despite April's dip, have been trending solidly higher.
Q1 Real GDP – 3rd estimate Range: -2.4 to -0.9 percent Median: -1.7 percent SAAR	Wednesday, 6/25	Q1 2nd est = -1.0%	Contracting at an annualized rate of 1.8 percent. Data on health care expenditures and trade released subsequent to the BEA's second estimate suggest an even sharper contraction in real GDP than previously estimated. Q1 was clearly a quarter to forget, which would be way easier to do if only the BEA would stop issuing revisions. But, alas, there is one more to come in July when the BEA issues the annual benchmark revisions to the GDP data, so Q1 could become even more forgettable when all is said and done.
Q1 GDP Price Index – 3rd estimate Range: 1.3 to 1.3 percent Median: 1.3 percent SAAR	Wednesday, 6/25	Q1 2nd est = +1.3%	Up at an annualized rate of 1.3 percent.
May Personal Income Range: 0.2 to 0.6 percent Median: 0.4 percent	Thursday, 6/26	Apr = +0.3%	Up by 0.4 percent, with growth in private sector wage & salary earnings, rental income, and dividend income providing most of the support. This would leave total personal income up 3.5 percent year-over-year, with private sector wage & salary earnings up 4.2 percent.
May Personal Spending Range: 0.1 to 0.6 percent Median: 0.4 percent	Thursday, 6/26	Apr = -0.1%	Up by 0.4 percent with the bulk of the gain coming from higher spending on consumer durables via a jump in motor vehicle sales. We look for the PCE deflator to be up by 0.3 percent, leaving only a modest increase in real spending, and a 0.2 percent increase in the core PCE deflator. Year-over-year, the total PCE deflator will be up 1.8 percent with the core PCE deflator up 1.6 percent.

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