ECONOMIC PREVIEW

REGIONS

Week of February 23, 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *After March 17-18 FOMC Meeting:* Target Range Midpoint: 0.125 to 0.150 percent Median: 0.125 percent (midpoint of target range)		0.125% to 0.125%	Far be it from us, sartorially challenged as we are, to offer up unsolicited fashion advice to Fed Chairwoman Yellen but we suggest she bring her dancing shoes with her when she heads to Capitol Hill this week for her semi-annual testimony and report on monetary policy (Senate Banking Committee Tuesday and House Financial Services Committee Wednesday). Amidst dovish shaded minutes from the January FOMC meeting, the softer tone of recent economic data, what on the surface looks to be deflation even if it really isn't, and concern over the impact of an appreciating U.S. dollar, her hosts will surely try to pin Dr. Yellen down as for what all of this means for monetary policy, particularly the timing of an initial hike in the Fed funds rate. You know, the type of questions central bankers always get and always do their best to dance around.
January Existing Home Sales Range: 4.800 to 5.120 million units Median: 5.000 million units SAAR	Monday, 2/23	Dec = 5.040 mil	Down to an annual sales rate of 4.940 million units as inventories continue to act as a drag on sales. Listings fell sharply in December (even accounting for normal seasonal patterns) to one of the lowest readings in the past two decades, leaving months supply at an extraordinarily low 4.4 months. The NAR's inventory data are not seasonally adjusted and normally decline in January, but a further sizeable decline from December's low level would not be an encouraging sign. One thing to watch this year in the existing home sales data will be the year-over-year comparisons, which will be cleaner this year than has been the case over the past few as the effects of distress sales and investor purchases will have largely washed through the data. Despite a month-to-month decline, our call for January would leave sales up 6.9 percent year-over-year.
February Consumer Confidence Index Range: 95.0 to 104.0 Median: 99.0	Tuesday, 2/24	Jan = 102.9	Down to 99.3, mirroring other measures of consumer and business sentiment that have eroded slightly of late, thanks in part to what have been rising retail gasoline prices, but yet remain near post-recession highs. What continues to be an improving labor market seems to be putting a floor under confidence. To that point, consumers' assessments of the labor market improved markedly in January, so we will be eager to see whether February saw further improvement or a retrenchment mirroring what we expect to see in the headline index.
January New Home Sales Range: 450,000 to 504,000 units Median: 470,000 units SAAR	Wednesday, 2/25	Dec = 481,000	Down to an annual sales rate of 454,000 units. One thing we will be watching in the new home sales data in 2015 is whether, and to what degree, builders work their way back down the price scale, as 2014 saw homes priced $300,000 and above account for an unusually high share of overall sales. Sure, for the most part builders build where the demand is but a move down the price scale would be a sign of increased first time buyer and initial move-up buyer activity, something which is necessary for meaningful improvement in overall home sales this year.
January Consumer Price Index Range: -0.8 to -0.2 percent Median: -0.6 percent	Thursday, 2/26	Dec = -0.4%	Down by 0.8 percent, leaving the headline index down 0.3 percent year-over-year. The primary culprit here is the 16 percent decline in retail gasoline prices in January, which will be slightly amplified by seasonal adjustment factors as unadjusted gasoline prices tend to rise in January. After back-to-back declines better than 1 percent, we are interested to see how apparel prices fared in January.
January Core CPI Range: 0.0 to 0.2 percent Median: 0.1 percent	Thursday, 2/26	Dec = 0.0%	Up by 0.1 percent, for an over-the-year increase of 1.6 percent. Even as headline inflation (or is it now headline deflation?) has faded, core inflation has been fairly stable as services inflation, including steadily rising rents, has run around 2.5 percent. As such, the FOMC will not be too troubled over softer headline prints.
January Durable Goods Orders Range: -1.3 to 2.8 percent Median: 1.6 percent	Thursday, 2/26	Dec = -3.3%	Up 2.3 percent but, honestly, who knows. A seasonally soft month for aircraft orders should not have much of an impact on the headline number but over recent months the dollar volume of nondefense aircraft orders reported in the Commerce Department data has been ridiculously out of alignment with new aircraft orders reported by Boeing, and we look for some payback in the January data. More significantly, we look for ex-transportation orders to be up 0.6 percent.
Q4 Real GDP – 2nd estimate Range: 1.7 to 2.4 percent Median: 2.1 percent SAAR	Friday, 2/27	Q4 1st est = +2.6%	Up at an annualized rate of 2.1 percent. If we are correct in our calculations showing a wider trade gap and a smaller inventory build as the sources of the downward revision, growth in real private domestic demand should be little changed from the initial estimate of 3.9 percent (annualized) after growth of 4.1 percent in Q3 and 4.0 percent in Q2. As we discussed at length in our February *Monthly Economic Outlook*, private domestic demand offers a more clear view of the underlying health of the U.S. economy than the headline growth number.

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