

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint
(After the FOMC meeting on April 28-29):
Target Range Midpoint: 0.125 to 0.125 percent
Median Target Range Midpoint: 0.125 percent

0.125%

A relatively light week of top-tier data releases will help close the book on what was (yet another) Q1 to basically forget. Much of the March data has shown activity bouncing back from a cold and dismal February, but the bounce in the March data was on the uninspiring side, leaving some worrying about the true underlying health of the U.S. economy. Still, we continue to expect significantly faster real GDP growth in Q2 than the 1.2 percent (annualized) growth we see for Q1 (the BEA will put out their first estimate next week).

March Existing Home Sales Wednesday, 4/22 Feb = 4.880 mil
Range: 4.850 to 5.160 million units
Median: 5.030 million units SAAR

Up to an annual sales rate of 5.160 million units. Pending home sales have risen smartly over the past two months and the year-over-year increases, which are a more relevant signal of existing home sales, are even more solid. Should our call for total sales be on or close to the mark, it would be driven by an even stronger reading on "traditional" sales to mortgage reliant buyers. We have for the past several months been playing the role of the proverbial broken record on this point – with distress sales and investor sales accounting for progressively smaller shares of overall sales, traditional sales have been posting steady and solid gains even as the headline sales number has seemed to be on the soft side. In our view, this steady build in traditional sales has been an underappreciated aspect of the existing home sales data, and the March sales data should show both a solid top-line sales number and a sizeable increase in traditional sales. That said, what remain lean inventories have held down sales over recent months while a smaller than normal presence of first-time buyers has been a persistent drag on sales for some time now. These are the two data points we will be most interested in as we move past headline sales and work our way through the details of the March data.

March New Home Sales Thursday, 4/16 Feb = 539,000
Range: 470,000 to 529,000 units
Median: 522,000 units SAAR

Down to an annual sales rate of 474,000 units. They say seeing is believing but, while we see the February new home sales number, celebrated as the fastest monthly sales rate since February 2008, we simply don't believe it. As reported on a seasonally adjusted annual rate basis, sales in the Northeast are reported to have risen 152 percent in February, while sales in the South region are reported to have risen by a more modest 10 percent, both of which are so far out of proportion to the increases reported in the raw, i.e., not seasonally adjusted monthly sales, data as to not be believable. Moreover, there is nothing in either the data on completions of single family homes for sale or standing inventories of new homes for sale to support the February headline sales number (true, sales of new homes on which construction has not yet started could account for the jump in total sales, but there is again nothing in the underlying data to support this). So, one of two things will happen when we get the March data – either reported February sales will be revised sharply lower, or February sales will survive revision but there will be a large decline reported for March sales. As we repeatedly note in our discussions of the data on new residential construction and new home sales, instead of trying to make sense out of the month-to-month gyrations in the data as reported on a seasonally adjusted annual rate basis, the better indicator of underlying trends is the 12-month moving sum of the raw (i.e., unadjusted) data, and our headline call would be more in line with the trend rate on this basis. Whatever the fate of the headline sales number, two under the headlines data points we will be looking at are inventories of new homes for sale and the split of sales by price – sales of homes priced at or above \$300,000 have, over the past year or so, accounted for an abnormally high share of total new home sales, another telling sign of the relative lack of first-time buyers.

March Durable Goods Orders Friday, 4/24 Feb = +0.2%
Range: 0.0 to 1.5 percent
Median: 0.8 percent

Up by 1.3 percent. Whereas disbelief would best characterize our reaction to the new home sales data of late, bewilderment would better characterize our reaction to the durable goods orders data. One glaring inconsistency is the yawning gap between Boeing's order book and the dollar volume of orders for nondefense aircraft reported in the monthly Commerce Department data. Still, the underlying trend of core capital goods orders has been soft, helped along by what has been a dramatic decline in orders for gas and oilfield equipment. Orders fell to the lowest level since November 2011 in February and will likely have fallen further in March, and orders in some of the metals categories are also impacted by cuts in cap ex in the energy sector. We do look for higher motor vehicle orders and a small gain in orders for industrial machinery, but still look for ex-transportation orders to be up by just 0.2 percent.

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