ECONOMIC PREVIEW

REGIONS

Week of April 6, 2015

Indicator/Action Economics Survey:

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

Last Actual:

0.125%

Regions' View:

It's an age-old question – if there is a preview for a week in which there are no top-tier data releases, is it still a preview? Perhaps not, but, in any event, the week ahead is an oddly quiet one as far as the economic data go. We will note the following three items, however, so the week won't be a total loss for you.

First, the JOLTS data (or, for the acronym-challenged, Job Openings and Labor Turnover Survey) come out Tuesday, April 7. While not considered "top-tier" the JOLTS data nonetheless get more attention than has historically been the case given Fed Chairwoman's interest. With job openings running at around five million over recent months, two things to watch for in this week's data will be the hiring rate and the quits rate – of interest is whether these are picking up, which would indicate increased confidence among firms and workers, respectively.

Second, the March FOMC meeting minutes come out Wednesday. Given Chairwoman Yellen's post-meeting press conference and the release of the latest round of FOMC central tendency forecasts, the minutes may seem anti-climactic, particularly given the change in the FOMC's forward guidance around the path of the Fed funds rate. But, it will nonetheless be worth scouring the minutes for hints of whether the internal discussion was as dovish as the post-meeting statement and the "dot plot" imply.

Finally, while we don't normally tip the weekly MBA data on mortgage applications, we have been most interested in the solid increases reported in mortgage purchase applications over the past two weeks. This gives us a bit more confidence in the most recent round of data on home sales – new home sales were surprisingly strong and while the headline number on existing home sales was not all that impressive, we again point to the ongoing shift in the underlying mix of sales that shows nondistress sales to mortgage reliant buyers have been steadily increasing, even if under the radar of most analysts. So, against that backdrop, we will be interested to see if purchase applications build on the gains of the past two weeks or whether they exhibit the same two steps forward one step back pattern so frustratingly evident in so much of the data for some time now.

Speaking of which, there was little, if anything, to like about last week's March employment report. Nevertheless, we caution against extrapolating the March data into broad, sweeping conclusions as to the underlying health of the U.S. economy. After all, the 12-month gains in both total and private sector nonfarm employment have been over 3 million jobs for four months running. We do not see March as the beginning of the end of this run, particularly when consumer confidence, motor vehicle sales, and home sales suggest otherwise, not to mention that initial claims for Unemployment Insurance are at lows consistent with job gains double those seen in March. Sure, Q1 looks to have been one to forget – our call is annualized real GDP growth of just 1.2 percent – but there is a lot of transitory noise in that number and we expect a smart bounce back in Q2. True, the energy sector continues to struggle and a stronger U.S. dollar is taking a bite out of manufacturing activity, and those factors will weigh on growth but are not in and of themselves sufficient to slow the economy to a crawl on a lasting basis. After the void of this week, incoming data on March consumer spending and residential construction should help allay concerns over the underlying health of the U.S. economy. In the meantime, with the *Final Four* and the start of the last run of *Mad Men* episodes on tap over the next few days, we'd suggest not losing too much sleep over that March employment report and coming back rested and ready the week of April 13, as will the *Economic Preview*.

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