ECONOMIC PREVIEW

REGIONS

Week of May 25, 2015

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the FOMC meeting on June 16-17):* Target Range Midpoint: 0.125 to 0.125 percent Median Target Range Midpoint: 0.125 percent		0.125%	If you're a big fan of volatility Tuesday will be a red letter day for you as the April reports on the two most notoriously volatile data series out there – durable goods orders and new home sales – are set for release. Neither, however, will shed much new light, not so much because of what the headline numbers tell us but because neither will likely show any meaningful change in the underlying trend. Further pullbacks in the energy sector, and related manufacturing of metals and machinery utilized in the energy sector, will continue to weigh on durable goods orders and Q2 business investment will get off to a soft start. Conversely, we look for the details of the April new home sales report to be in line with our theme of steady, if frustratingly slow, improvement in the single family segment of the housing market. As for Friday's release of the BEA's second pass at Q1 real GDP, the trick will be to segregate the transitory factors from the structural factors to help assess the implications for Q2 growth, though the data available thus far offer only a muddled view on current quarter growth.
April Durable Goods Orders Range: -2.6 to 3.5 percent Median: -0.6 percent	Tuesday, 5/26	Mar = +4.7%	Down by 1.3 percent, with ex-transportation orders up a modest 0.3 percent.
April New Home Sales Range: 480,000 to 530,000 units Median: 502,000 units SAAR	Tuesday, 5/26	Mar = 481,000	Up to an annual sales rate of 508,000 units. Purchase mortgage applications were strong during April and single family permits logged a solid gain, both of which point to an improved headline print on the new home sales report. Just as is the case with existing home sales, lean inventories remain a constraint on new home sales. But, that constraint is not as binding here as new home sales can be booked prior to construction being started. Sales of units not yet started accounted for one-third of all sales in March and we look for a similarly elevated figure in the April data. The usual new home sales caveat applies here, as we apparently just can't help but to point out – the new home sales data are notoriously volatile so the focus should be on the underlying trend. Our call would put the 12-month average at 469,000 units, right in line with the running 12-month total in the raw (i.e., not seasonally adjusted) data and further evidence of steady improvement despite the wildly gyrating headline numbers, not to mention the wildly gyrating headlines spawned by the new home sales data.
May Consumer Confidence Index Range: 91.0 to 98.0 Median: 94.5	Tuesday, 5/26	Apr = 94.1	Up to 96.7, reversing some of April's decline, though rising gasoline prices do pose somewhat of a downside risk to the May headline number. To us, the most informative component of the confidence data is the block of questions on consumers' perceptions of labor market conditions. Consumers had a slightly less favorable take on the labor market in April so it will be of interest to see whether that reversed in May.
Q1 Real GDP – 2nd estimate Range: -1.1 to -0.2 percent Median: -0.9 percent	Friday, 5/29	1st est = +0.2%	Down at an annualized rate of 0.9 percent. Trade, inventories, and business investment spending will all come in worse than the figures incorporated into the BEA's first estimate, while consumer spending and residential investment will come in better. As for the cumulative effect, it's no contest with more complete source data and revised estimates showing the economy contracted in Q1. As we have been noting, it was a mix of transitory and structural factors that did the damage in Q1 2015, on top of what seem to be inherent measurement issues that adversely impact Q1 estimates in any given year. The effects from the transitory factors (mainly harsh winter weather and the West Coast port strike) have begun to reverse but the structural factors (mainly the energy sector, the stronger U.S. dollar, and the global growth environment) will remain a drag on top-line growth, albeit likely to a lesser extent in Q2 than was the case in Q1. As was the case in 2014, this year's Q1 contraction will be a one-off, albeit a most unpleasant one-off, happening, but the snap back in Q2 growth figures to be less robust this year than last. Keep in mind the BEA will release their initial estimates of Q1 Gross Domestic Income (GDI) and corporate profits – even though in theory they are two sides of the same coin, GDI is often a more telling sign of the economy's underlying path than is GDP so we will be interested to see the income data and expect the GDI print will be less harsh than the headline GDP number.
Q1 GDP Price Index – 2nd estimate Range: -0.1 to 0.0 percent Median: -0.1 percent	Friday, 5/29	1st est = -0.1%	Down at an annualized rate of 0.1 percent, unchanged from the BEA's initial estimate.

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