ECONOMIC PREVIEW

REGIONS

Week of August 5, 2019

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the September 17-18 FOMC meeting):* Target Range Midpoint: 1.875 to 2.125 percent Median Target Range Midpoint: 2.125 percent		Range: 2.00% to 2.25% Midpoint: 2.125%	You can't have a race to the bottom if there isn't actually a bottom to race to. That was our response when, in the aftermath of last week's FOMC meeting, we were asked if the Fed and foreign central banks were engaged in a race to the bottom. With the FOMC now having delivered a Fed funds rate cut, they have joined the ranks of central banks providing further monetary accommodation in an attempt to drive interest rates even lower. Our point, however, is that having already breached zero with negative interest rates increasingly common across the globe, there is by definition no longer a bottom to race to. As if to illustrate our point, the entire yield curve for Germany's sovereign debt went negative on Friday. Be that as it may, the broader point is that if seemingly endless doses of monetary accommodation had a material impact on either growth or inflation, let alone both, wouldn't we kind of know it by now? Despite a considerable body of evidence to the contrary, that it will boost inflation, and inflation expectations, is repeatedly cited as grounds for further monetary accommodation. Both here in the U.S. and abroad, inflation has been steadily decelerating for more than two decades, answering far more to globalization, technology, and demographics than to monetary policy. To the extent ongoing and, apparently, intensifying trade disputes are acting as a drag on global economic growth by eroding business confidence and making firms unwilling to pull the trigger on capital spending, lower interest rates offer no relief, nor will all the monetary accommodation in the world cure the festering structural ills that have long weighed on growth in the Euro Zone. Yet, undaunted, central bankers will press on. There are those who argue that whether or not all of this monetary accommodation is actually making growth better or boosting inflation is beside the point, on the grounds that things would clearly be worse without it. Which, if you're big on using counter-factual "evidence" to answer questions that can never actually be answered, is fine. All we can say is that if it has taken this much monetary accommodation by this many central banks to support this slow of an expansion for this long, then heaven help us all when the next downturn comes.
July ISM Non-Manufacturing Index Range: 54.5 to 56.5 percent Median: 55.5 percent	Monday, 8/5	Jun = 55.1%	Up to 55.8 percent.
July PPI: Final Demand Range: 0.1 to 0.3 percent Median: 0.2 percent	Friday, 8/9	Jun = +0.1%	Up by 0.3 percent, for a year-on-year increase of 1.9 percent.
July PPI: Core Range: 0.1 to 0.2 percent Median: 0.2 percent	Friday, 8/9	Jun = +0.3%	Up by 0.2 percent, which yields a year-on-year increase of 2.4 percent.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com