ECONOMIC PREVIEW

REGIONS

Week of November 20, 2017

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 12-13 FOMC meeting):* Target Range Midpoint: 1.375 to 1.375 percent Median Target Range Midpoint: 1.375 percent	Range: 1.00% to 1.25% Midpoint: 1.125%	In the wake of the October CPI report one observer argued the 0.2 percent increase in the core CPI gave the FOMC the green light to raise the Fed funds rate at their December meeting, on the basis that it was a "firm" 0.2 percent increase as opposed to a "soft" 0.2 percent increase. To understand the difference, keep in mind that a reported 0.2 percent increase could in reality range from 0.16 to 0.24 percent, so October's 0.2 percent increase having rounded down from 0.22 percent is somehow more meaningful for the FOMC than had it rounded up from, say, 0.16 percent. Okay, this is how you know you're looking just a little too hard to find some inflation. The minutes to their November 1 meeting (due for release Wednesday at 2:00 EST) will no doubt shed more light on just how hard the FOMC is looking for inflation. While we don't expect to see any record of a debate over whether a "soft" 2.0 percent inflation rate would still count as hitting the FOMC's target or whether it has to be a "firm" 2.0 percent inflation rate (we really, really hope not to see signs of any such debate), the minutes should at least help clarify the extent to which the FOMC is rethinking their inflation outlook. We've thought all along that the FOMC was going ahead with a funds rate hike at their December meeting no matter how soft the inflation data. But, that there were signs in the October CPI report that non-shelter core inflation is starting to stir will likely help firm up the resolve of any Committee members who may have been thinking of softening their inflation outlook.
October Leading Economic Index Monday, 11/20 Range: 0.3 to 1.1 percent Median: 0.5 percent	Sep = -0.2%	Up by 1.1 percent.
October Existing Home Sales Tuesday, 11/21 Range: 5.340 to 5.500 million units Median: 5.410 million units SAAR	Sep = 5.390 million units SAAR	Up to an annualized sales rate of 5.490 million units. There will likely be further catching up in the South region as closings put off by Harvey (late-August closings in Texas) and to a larger degree Irma (September closings in Florida) get put on the books in October (recall existing home sales are recorded at closing, new home sales at the signing of the sales contract). It is likely sales in the West region will have been held down, at least to some degree, by the fires in California. These factors inject an added degree of uncertainty into our forecast for October sales, but once this noise has faded from the data, our take on the housing market won't be much different than it has been for some time now, i.e., healthy demand being thwarted by notably lean inventories. On a not seasonally adjusted basis, we look for sales of 461,000 units, again with sales in the South region supported by post-hurricane catching up. In line with typical seasonal patterns, we look for listings of existing homes for sale to have fallen in October (the last time inventories rose in the month of October was 2007), leaving them down year-on-year for a 29th consecutive month. Lean inventories continue to support robust price appreciation, which to some extent has already priced prospective first-time buyers out of the market and which becomes a more pressing issue should mortgage interest rates continue to trek higher.
October Durable Goods Orders Wednesday, 11/22 Range: -0.5 to 1.3 percent Median: 0.5 percent	Sep = +2.0%	Up by 0.2 percent. As usual, the transportation segment is the wild card here, and our forecast anticipates transportation orders being a drag on growth in total orders. After large increases in September, we look for the October data to show declines in the dollar volume of civilian aircraft orders and orders for ships/boats. Motor vehicle orders will be interesting – inventories of smaller fuel efficient automobiles are still elevated and motor vehicle assemblies have been drifting lower for the past several months, but still-solid demand for SUVs/light trucks could support orders. The reality is that in any given month, transportation orders are much more noise than signal, and what matters far more are the details in the remaining segments of the durable goods data. Our forecast anticipates ex-transportation orders will be up by 0.6 percent with modest, but broad based, gains across most industry groups. We look for core capital goods orders to be up by 0.5 percent, which would be the ninth increase in the past ten months and would leave core capital goods orders up by better than 8.0 percent year-on-year. We have for the past several months been pointing to the improvement in capital spending as the most notable bright spot in the economic data, and continued growth in core capital goods orders suggests that will remain the case.

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