ECONOMIC PREVIEW

REGIONS

Week of July 23, 2018

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the July31-August1 FOMC meeting):* Target Range Midpoint: 1.875 to 1.875 percent Median Target Range Midpoint: 1.875 percent	Range: 1.75% to 2.00% Midpoint: 1.875%	This week's data on existing and new home sales will be a study in contrast. While we think existing home sales have passed their cyclical peak, we do see room for further increases in new home sales, albeit at only a grudging pace. New home sales have a much larger impact on GDP, as the only direct contribution of existing home sales to GDP is broker commissions. Hence, in terms of what it means for the broader economy, it will be much more of a story when new home sales pass their peak.
June Existing Home Sales Monday, 7/23 Range: 5.340 to 5.520 million units Median: 5.440 million units SAAR	May = 5.430 million units SAAR	Down to an annualized sales rate of 5.360 million units. We look for not seasonally adjusted sales of 582,000 units, down 3.0 percent year-on-year in part due to there being one fewer selling day this year. Our forecast would put the running 12-month total of unadjusted sales, which we see as the best gauge of sales trends, at 5.464 million units. This would be the lowest such total since December 2016, further evidence of sales heading in the wrong direction. Though not all agree, we see this as a sign that notably lean inventories have been a persistent drag on sales, and we do not see much relief on the horizon. We look for inventories to have fallen to 1.840 million units, with June the 37th consecutive month with listings down year-on-year.
June New Home Sales Wednesday, 7/25 Range: 645,000 to 692,000 units Median: 670,000 units SAAR	May = 689,000 units SAAR	Up to an annualized sales rate of 692,000 units. Though we look for not seasonally adjusted sales to have slipped to 63,000 units, a friendlier seasonal adjustment factor in June than in May should push the headline (i.e., seasonally adjusted annualized) sales number higher. Of more relevance, at least to us, is that our forecast would put the running 12-month total of not seasonally adjusted sales at 645,000 units, the highest since April 2008 in a continuation of what has been a slow but steady climb. Other than (unadjusted) sales, the metrics we'll be watching most closely are the share of sales accounted for by units not yet under construction and the price distribution of sales – sales have been notably concentrated in the upper ends of the price range for some time now and we don't look for that to change any time soon.
June Durable Goods Orders Thursday, 7/26 Range: -0.7 to 6.0 percent Median: 2.8 percent	May = -0.4%	Up by 4.3 percent. As usual, transportation orders will have an outsized impact on the headline orders number. In addition to the usual noise from highly volatile orders for nondefense aircraft, we think motor vehicle orders will also inject considerable noise into the headline number. Motor vehicle orders fell sharply in May which to a large extent reflected supply chains being disrupted in the wake of a fire at a major parts producing plant. Our forecast anticipates a reversal of that decline in the June data which, along with a sizeable increase in nondefense aircraft orders, will lead to a spike in headline orders, though there will be less here than meets the eye.
June Durable Goods Orders: Ex-Trnsp. Thursday, 7/26 Range: 0.0 to 1.5 percent Median: 0.5 percent	May = 0.0%	Ex-transportation orders will be up by 0.5 percent. We look for core capital goods orders, the single most important number in the durable goods report each month, to also have risen by 0.5 percent.
June Advance Trade Balance: Goods Thursday, 7/26 Range: -$80.0 to -$62.0 billion Median: -$67.0 billion	May = -$64.8 billion	Widening to -$70.8 billion. Various ports around the U.S. indicate a surge in imports in June, most likely reflecting retailers having front loaded orders to beat possible tariffs on a wider range of imported consumer goods, mainly from China. Though unsure of the extent to which this activity will be captured in the June trade data, we nonetheless look for a significant increase in imports. At the same time, we look for much of the spike in exports seen in May, which could have reflected foreign buyers pulling orders forward to avoid tariffs imposed on goods made in the U.S., to have unwound. If we are correct, then the deficit in the goods account will be much larger in June than was the case in May. Even so, trade would still be a significant positive for Q2 real GDP growth, though that support will be fleeting.
Q2 Real GDP – 1st estimate Friday, 7/27 Range: 3.0 to 5.4 percent Median: 4.2 percent SAAR	Q1 = +2.0% SAAR	Up at an annualized rate of 4.7 percent, which would mark the second fastest quarterly growth rate in an expansion now in its tenth year. In addition to the typical large margin of error in the initial estimate of GDP in any given quarter, the initial print on Q2 GDP incorporates the BEA's comprehensive revisions to the historical data, injecting added uncertainty to our forecast. Consumer spending, government spending, net exports, and business investment were drivers of Q2 growth. Neither the middling Q1 growth rate nor the robust Q2 growth rate truly reflect trend growth, which is best seen in the year-on-year percentage change. Our forecast would leave real GDP up 3.2 percent year-on-year in Q2, after 2.8 percent growth in Q1.
Q2 GDP Price Index – 1st estimate Friday, 7/27 Range: 1.5 to 2.8 percent Median: 2.4 percent SAAR	Q1 = +2.2% SAAR	Up at an annualized rate of 2.0 percent.

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