ECONOMIC PREVIEW

REGIONS

Week of August 26, 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: 1.625 to 1.875 percent Median Target Range Midpoint: 1.875 percent	Range: 2.00% to 2.25% Midpoint: 2.125%	Sometimes you just can't win for losing. While we can't say whether or not that thought crossed Fed Chairman Powell's mind in the wake of his speech at last week's Jackson Hole conference, we wouldn't be at all surprised if it did. Ahead of his speech, it seemed as though job one for Mr. Powell was to avoid rattling the financial markets. Mr. Powell deftly managed to avoid doing so, noting that the economy is in a "favorable place" but leaving the door to further Fed funds rate cuts wide open by again pledging the FOMC would "act as appropriate to sustain the expansion" in light of the "significant risks" to growth. Of particular note is that the "mid-cycle adjustment" phrase used by Mr. Powell to characterize the July funds rate cut was not repeated in his Jackson Hole speech. That markets were little changed after the release of the text of Mr. Powell's speech was a sign that he had hit his mark. Nonetheless, as Mr. Powell finished delivering his speech, equity prices and yields on U.S. Treasury securities began heading sharply lower, reflecting further escalation of trade tensions between the U.S. and China. That his speech was not the catalyst for the moves in the markets is probably of little comfort to Mr. Powell. But, what is likely causing he and other FOMC members considerable discomfort is knowing that all the monetary accommodation in the world, literally, is not enough to undo the harm being done to the global economy by trade disputes that at present seem further and further away from being resolved in a benign manner.
July Durable Goods Orders Monday, 8/26 Range: -1.2 to 2.3 percent Median: 1.4 percent	Jun = +1.9%	Up by 2.1 percent. While the headline orders number should get a lift from aircraft orders, both defense and nondefense, we look for the rest of the July data to be fairly weak. With manufacturing activity in the doldrums and listless capital spending, core capital goods orders will lack clear direction as long as uncertainty over trade policy continues to loom over the global economy.
July Durable Goods Orders: Ex-Trsnp. Monday, 8/26 Range: -1.1 to 0.5 percent Median: 0.0 percent	Jun = +1.0%	We look for ex-transportation durable goods orders to be unchanged, and for core capital goods orders to be up by just 0.1 percent.
August Consumer Confidence Tuesday, 8/27 Range: 125.0 to 133.4 Median: 128.0	Jul = 135.7	Down to 126.8 in keeping with other measures of consumer sentiment. Both the Bloomberg *Consumer Comfort Index* and the University of Michigan's *Consumer Sentiment Index* have deteriorated in recent weeks, which is not surprising given the volatility in financial markets, ongoing uncertainty about trade policy, and increasing talk of recession. Interestingly enough, the University of Michigan survey revealed that, rather than allaying fears of recession, the Fed funds rate cut at the July FOMC made consumers more anxious, along the lines of "they cut rates, something must be wrong." While we expect a decline in the Conference Board's headline index for August, the most important details of the August data will be those pertaining to consumers' perceptions of labor market conditions. It is when consumers start to perceive labor market conditions are deteriorating and feel less secure about their own jobs that they begin to pull in the reins on spending.
Q2 Real GDP – 2nd estimate Thursday, 8/29 Range: 1.8 to 2.1 percent Median: 2.0 percent	Q2 (1st est.) = +2.1% SAAR	Up at an annualized rate of 1.8 percent. We look for an upward revision to consumer spending to be offset by downward revisions to construction outlays and business investment, with the net result being a downward revision to the initial estimate of top-line real GDP growth. This release will include the first look at Q2 corporate profits, though the view likely won't be all that at attractive. The downward revision to corporate profits in the recent benchmark revisions to the GDP data did not capture updates to the data on labor productivity and costs, which show unit labor costs grew at a significantly pace over the Q1 2016-Q1 2019 period than previously reported. Those revisions will be captured here and will be a negative for corporate profits.
Q2 GDP Price Index – 2nd estimate Thursday, 8/29 Range: 2.4 to 2.4 percent Median: 2.4 percent	Q2 (1st est.) = +2.4% SAAR	Up at an annualized rate of 2.4 percent.
July Advance Trade Balance: Goods Thursday, 8/29 Range: -\$75.0 to -\$73.2 billion Median: -\$74.3 billion	Jun = -\$74.2 billion	Narrowing to -\$73.4 billion.
July Personal Income Friday, 8/30 Range: 0.2 to 0.4 percent Median: 0.3 percent	Jun = +0.4%	Up by 0.3 percent. The decline in aggregate hours worked in July will act as a material drag on growth in labor earnings, which in turn will weigh on top-line income growth. Our forecast would leave total personal income up 4.7 percent year-on-year.

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

ECONOMIC PREVIEW

REGIONS

Week of August 26, 2019

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
July Personal Spending Friday, 8/30 Range: 0.3 to 0.6 percent Median: 0.5 percent	Jun = +0.3%	Up by 0.6 percent. The July retail sales data point to a sizable increase in spending on nondurable consumer goods with consumer durables being more or less a neutral factor. Notably high July temperatures should lift overall spending on services. The net result will be a healthy increase in total consumer spending in July, which gets Q3 growth in consumer spending off to a solid start. We expect Q3 growth to fall between the snail-like pace seen in Q1 and the blistering pace seen in Q2.
July PCE Deflator Friday, 8/30 Range: 0.1 to 0.3 percent Median: 0.2 percent	Jun = +0.1%	Up by 0.2 percent, for a year-on-year increase of 1.4 percent. We look for the core PCE deflator to be up by 0.2 percent, good for a year-on-year increase of 1.6 percent. There are signs in the Consumer Price Index (CPI) data that inflation pressures are becoming more broad based and at least somewhat more intense, but those signs are not yet present in the PCE Deflator, and it is the latter that is the FOMC's preferred gauge of inflation. For those, including Fed Chairman Powell, who see the FOMC's role as that of a risk manager, that inflation pressures remain so muted means that the costs of the FOMC erring by cutting the Fed funds rate too fast and too far are much lower than the costs of the FOMC erring by waiting too long and cutting by too little. As such, goodbye mid-cycle adjustment and hello preemptive easing cycle.

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