ECONOMIC PREVIEW

REGIONS

Week of April 4, 2022

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the May 3-4 FOMC meeting):* Target Range Mid-point: 0.625 to 0.875 percent Median Target Range Mid-point: 0.875 percent	Range: 0.25% to 0.50% Midpoint: 0.375%	With a light schedule of top-tier data releases, the minutes to the March FOMC meeting, set for release at 2:00 EST on Wednesday, will be front and center this week. Recall that, when queried about plans to pare down the Fed's balance sheet in his press conference following that March meeting, Chairman Powell intimated that the Committee had a detailed discussion of plans for the balance sheet, but rather than going into the specifics of that discussion he referred people to the meeting minutes. Though Chairman Powell has stated that the balance sheet should basically be background noise, market participants may or may not see it that way once they have some specifics on the rate at which the balance sheet will be allowed to run down. Recall that the last time the Fed's balance sheet was allowed to run down, the rate at which it did so was capped at $50 billion per month, $30 billion in Treasury securities and $20 billion in mortgage-backed securities. With the balance sheet nearly twice as large this time around, it would not be unreasonable to expect the pace of rundown to be twice as high, and that seems to be what many, if not most, market participants are anticipating. Given the current shape of the yield curve, it will be interesting to see whether the maturity profile of the Fed's balance sheet will be altered as the balance sheet runs down. Okay, "runs down" may be too strong of a term; given the size of the Fed's balance sheet, the pace at which it is pared down may seem more like a leisurely stroll. The minutes to the March meeting may help shed light on how much appetite there was for a 50-basis point hike in the Fed funds rate at the time of the March meeting. Either way, that appetite is almost surely bigger now, particularly as the March employment report, the last the Committee will see prior to their May meeting, shows the labor market recovery remains notably strong.
February Factory Orders Monday, 4/4 Range: -2.0 to 0.0 percent Median: -0.6 percent	Jan = +1.4%	Down by 0.6 percent.
February Trade Balance Tuesday, 4/5 Range: -$90.0 to -$70.0 billion Median: -$88.5 billion	Jan = -$89.7 billion	Narrowing to -$89.4 billion. With a rebound in U.S. exports, the deficit in the goods account narrowed a bit in February. At the same time, broadcast rights payments for the winter Olympics should result in a sharp increase in services imports, resulting in a smaller surplus in the services account. The net result will be a modestly smaller overall trade deficit. The monthly data on trade in goods have been highly volatile and will likely remain so as global trade flows remain impaired. To this point, the most recent wave of shutdowns in key manufacturing and shipping hubs across China could weigh on imports of goods in the months ahead.
March ISM Non-Manufacturing Index Tuesday, 4/5 Range: 56.0 to 61.5 percent Median: 58.4 percent	Feb = 56.5%	Up to 60.4 percent. The ISM's gauge of services sector activity fell sharply in February, with the employment index tumbling down below 50.0 percent. This was a reflection of the wide and rapid spread of the Omicron variant weighing on services spending and unsettling the labor market. We expect the March data to show a sharp snapback in services sector activity as case counts faded, and the ISM's employment index should mirror the March employment report, which showed healthy hiring in the services sector. It could also be that renewed supply chain disruptions pushed the delivery times index higher, which would support the headline index. We think, however, that any such effects are more likely to be seen in the April data. The ISM's survey of the manufacturing sector showed price pressures intensified in March, and there is no reason to expect things to have been different in the services sector.

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