ECONOMIC PREVIEW

REGIONS

Week of December 23, 2024

Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the January 28-29 FOMC meeting):* Target Range Mid-point: 4.375 to 4.375 percent Median Target Range Mid-point: 4.125 percent	Range: 4.25% to 4.50% Midpoint: 4.375%	Much of what the FOMC did at last week's meeting, including cutting the Fed funds rate by twenty-five basis points, was widely expected, yet the financial markets were still somewhat wrong-footed. The Committee's updated economic projections indicated a faster pace of real GDP growth and a faster pace of inflation for 2024 on a Q4/Q4 basis, as was widely expected. The updated dot plot implied fewer Fed funds rate cuts in 2025 than the four twenty-five basis point cuts implied in the September edition, as was also widely expected. That the updated dot plot implied just two, rather than three, funds rate cuts in 2025 may have been a bit of a surprise, but not enough of a surprise to warrant the reaction in the markets. Where things went somewhat sideways for many market participants, however, was in the details of the FOMC's decisions. For instance, there was one dissent – by Cleveland Fed President Hammack – in the vote to lower the funds rate, the first dissent by a regional bank president since June 2022. Moreover, though only one was a voting member, the updated dot plot shows four members did not think a rate cut at last week's meeting to be appropriate. At his post-meeting press conference, Chair Powell noted that the decision to cut the funds rate was a "closer call" than was the case when the FOMC cut the funds rate at their November meeting – this despite the lone dissenting vote. Perhaps even more unsettling to market participants is that, despite having upped their forecasts for total and core inflation in 2024, 2025, and 2026, fifteen of the nineteen Committee members assessed the risks to their inflation forecasts as being weighted to the upside. This was quite a shift from the September projections, when sixteen of the nineteen members saw the risks to their inflation forecasts as being balanced, the most in the history of the projections. Despite Chair Powell pointing to downside risks in a softening labor market, the Committee's focus squarely shifted to the upside risks to inflation, which market participants saw as dimming the odds of seeing even the two 2025 rate cuts implied in the dot plot. In what almost amounted to an "oh by the way" moment, the median estimate of the neutral funds rate did tick up to 3.00 percent, and whether or not that is what one sees as the "true" value of the neutral funds rate, it does at least serve as a marker against which to assess the current stance of monetary policy. At the same time, however, "median" and "consensus" are not exactly the same in this context, as eight members see the neutral rate as being below 3.00 percent and eight members see it as being above 3.00 percent. In other words, the median estimate of neutral is not all that useful of a guide to the ultimate settling point for the Fed funds rate in this cycle. For all the wild swings in the markets last week, we're not sure all that much changed. Inflation is proving to be more stubborn than many had anticipated, and there is considerable uncertainty around the changes on tap for fiscal, regulatory, trade, and immigration policy in 2025, though the perception is that the policy mix will, on net, be at least mildly inflationary. As such, while there may be further room for funds rate cuts, there is not as much room as had been thought a few months ago. All of this, however, was well established prior to last week's FOMC meeting.
December Consumer Confidence Monday, 12/23 Range: 110.0 to 114.5 percent Median: * percent	Nov = 111.7	Up to 113.9
November Durable Goods Orders Tuesday, 12/24 Range: -1.5 to 0.6 percent Median: -0.3 percent	Oct = +0.3%	Down by 0.6 percent.
Nov. Durable Goods Orders: Ex-Trnsp. Tuesday, 12/24 Range: -0.2 to 0.5 percent Median: 0.3 percent	Oct = +0.2%	We look for ex-transportation orders to be up by 0.4 percent and for core capital goods orders (nondefense capital goods excluding aircraft and parts) to be up by 0.4 percent.
November New Home Sales Tuesday, 12/24 Range: 640,000 to 740,000 units Median: 665,000 units SAAR	Oct = 610,000 units SAAR	Up to an annualized rate of 664,000 units.
November Advance Trade Balance: Goods Friday, 12/27 Range: -$110.0 to -$96.5 billion Median: -$101.1 billion	Oct = -$98.3 billion	Widening to -$103.9 billion.

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