ECONOMIC PREVIEW

REGIONS

Week of January 20, 2025

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: 4.375 percent	Range: 4.25% to 4.50% Midpoint: 4.375%	The week ahead will be a light one in terms of the flow of economic data but could prove to be rather busy in other areas. More specifically, many are bracing for a flurry of executive orders as the incoming Trump administration hits the ground running. Orders pertaining to tariffs and immigration reform cannot be ruled out, but any such orders next week would likely mark the beginning, not the end, of policy changes in these areas. Market participants, analysts, and central bankers will no doubt be busy in the months ahead trying to keep up with and assess the implications of what figure to be sweeping changes to a range of policies.
December Leading Economic Index Wednesday, 1/22 Range: -0.2 to 0.1 percent Median: -0.1 percent	Nov = +0.3%	Down by 0.1 percent.
December Existing Home Sales Friday, 1/24 Range: 4.00 to 4.30 million units Median: 4.20 million units SAAR	Nov = 4.15 million units SAAR	Up slightly to an annualized rate of 4.16 million units. On a not seasonally adjusted basis, we look for sales of 323,000 units, up 2.5 percent from November and up 8.8 percent year-on-year. The over-the-year comparison, however, is flattered by there having been one more December sales day in 2024 than in 2023 and adjusting for that differential yields a year-on-year increase of 3.6 percent. Either way, this would mark a third straight month in which sales would be up year-on-year, but that brief run may come to an end sooner rather than later given the recent upturn in mortgage interest rates. Note that existing home sales are booked at closing, so December sales would mostly reflect sales contracts signed from late-October through November, a period in which mortgage rates were rising. One offset, albeit a somewhat limited one, to higher mortgage interest rates has been a higher share of all-cash transactions, which from 2022 through 2024 accounted for a much higher share of existing home sales than had been the case before interest rates began so rudely rising. We continue to note that, though having risen some, days on market remain easily below pre-pandemic norms, which we point to as a sign of underlying demand. That said, given the added burden of higher mortgage interest rates, sellers have had to become more flexible on price to help facilitate sales, and reductions in asking prices have been increasingly common. As we've noted, however, there is a difference between cutting asking prices and taking a loss, as the degree to which house prices have appreciated over the past several years gives sellers more leeway to cut asking prices and still book a gain on the sale. Still, by no means an ideal set of market conditions. Moreover, not only are we into the part of the year in which inventories are typically falling, but December has historically been the month of the year in which inventories see the largest decline. Even if we see a "typical," i.e., double-digit, December decline, such has been the state of inventories that this would still yield a year-on-year increase of over fifteen percent. Our forecast anticipates the median existing home sales price being up by around 5.3 percent year-on-year. Our forecast of not seasonally adjusted sales would yield a full-year 2024 total of 4.056 million units, which would give 2024 the somewhat dubious and most unwelcome distinction of replacing 2023 as the lowest annual total in the life of the current series on existing home sales. Our baseline forecast anticipates mortgage interest rates hovering around seven percent for 2025, with one beacon of hope being that a narrowing of the spread between mortgage interest rates and yields on 10-year U.S. Treasury notes, which remains well above historical norms, brings some relief to mortgage rates. But, as we also see some upside risk to our forecast of inflation, mortgage rates could be higher than we now anticipate. The bottom line is we do not hold out much hope for a meaningful increase in existing home sales in 2025.

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