Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the December 10-11 FOMC meeting):* Target Range Mid-point: 1.625 to 1.625 percent Median Target Range Mid-point: 1.625 percent	Range: 1.50% to 1.75% Midpoint: 1.625%	The ISM Manufacturing Index and the November employment report bookend what will otherwise be a fairly quiet week, figuratively and literally. Though our forecast anticipates the headline index will remain below 50.0 percent, we do look for some signs of improvement in the underlying details of the ISM Manufacturing Index. Though the regional surveys have been mixed, other indicators suggest conditions in the manufacturing sector, domestic and global, are at least stabilizing, and the ISM's gauge of activity will either affirm or dispel that premise. For reasons we discuss on Page 2, we don't have high expectations for the November employment report, even allowing for the return of over 40,000 striking GM workers not counted as employed in the October data. As we are in the blackout period for Fed communications ahead of the December 11 FOMC meeting, market participants won't have grounds on which to assess Committee members' reactions to these two key data releases.
November ISM Manufacturing Index Monday, 12/2 Range: 48.5 to 50.5 percent Median: 49.1 percent	Oct = 48.3%	<u>Up</u> to 49.4 percent. Our forecast would leave the headline index below the 50.0 percent break between contraction and expansion for a fourth straight month. Still, we see conditions in the factory sector beginning to stabilize. Though we confess to a low degree of conviction, our forecast anticipates the index of new orders pushing above the 50 percent mark for the first time since July. If our call here is on the mark, that would offer hope that the headline index will follow suit in coming months. One key detail to watch will be the number of industry groups reporting increased activity in November. Recall that in September, only 3 of 18 industry groups reported growth, the fewest since April 2009, when the economy was still in the clutches of the 2007-09 recession. This number improved slightly in October, with 5 industry groups reporting growth, and a further increase in November would be consistent with our premise that conditions in the manufacturing sector are at least beginning to stabilize.
October Construction Spending Monday, 12/2 Range: 0.3 to 0.6 percent Median: 0.5 percent	Sep = +0.5%	<u>Up</u> by 0.6 percent, with residential construction accounting for the bulk of the increase.
Nov. ISM Non-Manufacturing Index Wednesday, 12/4 Range: 54.0 to 55.5 percent Median: 54.5 percent	Oct = 54.7%	<u>Down</u> to 54.5 percent. The ISM's gauge of activity in the broader services sector has settled into a range consistent with broad based but moderate growth over recent months, and we expect the November data to show more of the same.
October Trade Balance Thursday, 12/5 Range: -$53.5 to -$48.2 billion Median: -$48.7 billion	Sep = -$52.5 billion	<u>Narrowing</u> to -$48.3 billion. The advance data show the trade deficit on goods fell to a 17-month low in October. As we've noted, trade flows have been distorted over the past several months, reflecting firms shifting the timing of orders and shifting supply chains in response to ongoing, and potential, trade spats. In any given year, September and October are typically strong months for imports of consumer goods as retailers stock up for the holiday shopping season, but that was not the case this year as uncertainty over trade led retailers to pull orders forward. The abnormalities in the not seasonally adjusted data have been magnified in the seasonally adjusted data. As such, though exports declined in both September and October, bigger declines in imports, particularly imports of consumer goods, have led to a considerably smaller deficit in the goods account. If our forecast of the October trade deficit is on or close to the mark, it would raise the possibility that trade could actually be a modest support for, rather than a drag on, current quarter real GDP growth, but don't expect that to be the case on a sustained basis.
October Factory Orders Thursday, 12/5 Range: -0.3 to 0.5 percent Median: 0.3 percent	Sep = -0.6%	<u>Up</u> by 0.2 percent. The advance data on October orders for durable goods were surprisingly strong, with total durable goods orders up by 0.6 percent and core capital goods orders up by 1.2 percent. The increase in orders for durable goods should offset what we expect will be a decline in orders for nondurable goods, leaving total orders up slightly. The headline orders number, however, is little more than background noise against the jump in core capital goods orders. Core capital goods orders have been notably weak over the past several months, thus adding to the surprise of the reported 1.2 percent increase in October. What isn't clear to us, at least at this point, is how much to make of that October number. The series on durable goods orders is one of the most inherently volatile data series there is, so it never pays to put too much stock in any one month's data. If core capital goods orders show signs of renewed strength over coming months, however, that would go a long way towards putting to rest our concerns over weak business investment spending ultimately acting as a drag on the broader economy via the labor market. It is far too soon to make that call, as encouraging as the October data may seem.

ECONOMIC PREVIEW ▲▲ REGIONS
Week of December 2, 2019

Indicator/Action Economics Survey:		Last Actual:	Regions' View:
November Nonfarm Employment Range: 150,000 to 225,000 jobs Median: 184,000 jobs	Friday, 12/6	Oct = +128,000 jobs	<u>Up</u> by 157,000 jobs, with private sector payrolls <u>up</u> by 168,000 jobs and public sector payrolls <u>down</u> by 11,000 jobs. There are, of course, lots of moving parts in any given monthly employment report, but there will be more moving parts than usual in the November report. First and foremost, the 41,600 striking GM workers (the number given by the BLS) not counted as employed in October will, with the strike having since been settled, be counted as employed in the November data. If our forecast of November job growth, which accounts for the return of the GM workers, strikes you as being on the low side (you see what we did there, right?), that's because we're assuming that restaurant hiring settled back to more normal levels in November after having been on an oddly strong run. If you recall, the October employment report showed that prior estimates of job growth in August and September were revised up by a net 95,000 jobs for the two-month period, but over half of this upward revision was concentrated amongst restaurants. On top of that, restaurants added another 47,500 jobs in October, which helps account for headline job growth coming in well above expectations despite the GM strike. It could be that the robust job gains reported over recent months are little more than statistical noise, countering what were smaller than normal job gains amongst restaurants earlier this year. Or, it could just be that America is really, really hungry but doesn't feel like cooking. We're leaning towards the former explanation, but if it is the latter, then our forecast of total job growth will be too low. Reported November job growth will also be impacted by holiday season hiring amongst retailers and amongst transportation and delivery operations. Given the ongoing structural changes in retail trade, it could be that retail hiring during this holiday season will be notably weaker than in prior years, and if this is indeed the case, this weakness will be exaggerated in the seasonally adjusted data. We further suspect that, with online shopping accounting for a steadily increasing share of total consumer spending, hiring amongst transportation/warehousing/delivery operations has over time become much more evenly distributed during the course of the year, which would diminish the holiday season spike in hiring in these categories seen over the past several years. Again, if we are correct on this point, the drop-off in holiday season hiring will be exaggerated in the seasonally adjusted data. Finally, we expect most of the remaining temporary Census workers who came on over the summer months to do prep work for the 2020 Census will have dropped off the books in November – recall that 20,000 such jobs fell off in October – which will be a drag on top-line job growth. In short, it seems to us that November job growth is more likely to disappoint to the downside, even allowing for the boost from the returning GM workers, than surprise to the upside, but we'd caution against reading too much into whatever the headline number turns out to be.
November Manufacturing Employment Range: 20,000 to 50,000 jobs Median: 40,000 jobs	Friday, 12/6	Oct = -36,000 jobs	<u>Up</u> by 38,000 jobs. That manufacturing payrolls fell by "only" 36,000 jobs in October despite the 41,600-job impact from the GM strike is mainly the result of a curiously large (7,800 jobs) increase in payrolls amongst food manufacturers. Once again, we're going with statistical noise rather than America being really, really hungry, and our forecast reflects a modest decline in manufacturing payrolls outside of motor vehicle & parts producers.
November Average Weekly Hours Range: 34.3 to 34.5 hours Median: 34.4 hours	Friday, 12/6	Oct = 34.4 hours	<u>Unchanged</u> at 34.4 hours.
November Average Hourly Earnings Range: 0.2 to 0.4 percent Median: 0.3 percent	Friday, 12/6	Oct = +0.2%	<u>Up</u> by 0.4 percent, for a year-on-year increase of 3.2 percent. Our calls on job growth, hours worked, and hourly earnings would yield a 0.6 percent increase in aggregate private sector wage and salary earnings, leaving them up 4.7 percent year-on-year.
November Unemployment Rate Range: 3.5 to 3.6 percent Median: 3.6 percent	Friday, 12/6	Oct = 3.6%	<u>Down</u> to 3.5 percent. The labor force participation rate hit a better than six-year high in October, and even so the unemployment rate was but a rounding error from printing at 3.5 percent rather than 3.6 percent. We look for participation to have settled back slightly in November, yielding a 3.5 percent print on the jobless rate.