

Indicator/Action Economics Survey:

Last Actual:

Regions' View:

Fed Funds Rate: Target Range Midpoint <i>(After the November 7-8 FOMC meeting):</i> Target Range Midpoint: 2.125 to 2.125 percent Median Target Range Midpoint: 2.125 percent	Range: 2.00% to 2.25% Midpoint: 2.125%	We're not quite sure which one it is, but the current U.S. economic expansion has discovered the fountain of youth, is in the midst of a mid-life crisis, or has gone all-in on one final fling so as not to end with any lingering regrets. In other words, the expansion, now in its tenth year and less than a year from becoming the longest expansion on record, is hardly acting its age. Last week alone we saw roughly 50-year lows in initial jobless claims and the unemployment report, the second-highest reading on record for the ISM Non-Manufacturing Index, and further acceleration in the rate of job growth, while consumer and business confidence remain notably elevated. And, as if bored by seemingly endless discussion of whether or not we should worry about an inverted yield curve, yields on 10-year U.S. Treasury notes have jumped to an over seven-year high. To be sure, higher rates will be felt in the more interest rate sensitive sectors of the economy, but those who have rushed to put the expansion on death watch seem not to have noticed that rates have jumped on a more constructive growth outlook as opposed to a spike in inflation expectations. As Fed Chairman Powell put it last week, "there's no reason to think this cycle can't continue for quite some time, effectively indefinitely." We don't know about that last part, and, yes, there are downside risks to be mindful of but, as we see it, this expansion still has plenty of living to do, even if it does settle down some.
September PPI: Final Demand Wednesday, 10/10 Range: 0.0 to 0.3 percent Median: 0.2 percent	Aug = -0.1%	<u>Up</u> by 0.1 percent, which would yield a year-on-year increase of 2.7 percent.
September PPI: Core Wednesday, 10/10 Range: 0.0 to 0.3 percent Median: 0.2 percent	Aug = -0.1%	<u>Up</u> by 0.2 percent, good for a year-on-year increase of 2.6 percent.
September Consumer Price Index Thursday, 10/11 Range: 0.1 to 0.3 percent Median: 0.2 percent	Aug = +0.2%	<u>Up</u> by 0.2 percent, which would translate into a year-on-year increase of 2.5 percent. Our forecasts for the total CPI and the core CPI have been off in recent months, primarily because our forecasts have anticipated rebounds in apparel prices and medical care costs that have not materialized. We continue to find it odd that these two categories have been so weak over recent months, but when it came time for us to produce our forecast of the September CPI we had to make a choice. Either continue to cling to our expectation of a rebound and risk our forecast (again) being too high, or abandon our expectation of a rebound and risk our forecast being too low. We knew, however, that whichever choice we made would be wrong given that the economic forecasting gods have clearly had it in for us since day one (that's our story, anyway, and we're sticking to it). In any event, we opted to again incorporate rebounds in both components, which added one-tenth of a point to our forecasts of the change in the total and core CPI, so the risks to our forecasts are to the downside. Either way, the broader point is that there is nothing in the inflation data that would make the FOMC feel compelled to pick up the pace of Fed funds rate hikes.
September Core CPI Thursday, 10/11 Range: 0.1 to 0.3 percent Median: 0.2 percent	Aug = +0.1%	<u>Up</u> by 0.3 percent, which would leave the core CPI up 2.3 percent year-on-year. As noted above, apparel prices and medical care costs are behind our above-consensus call on the core CPI, and the risk to our forecast is to the downside. Elsewhere in the data, we look for another solid increase in prices for used motor vehicles, continuing the pattern seen over the past few months (any price bump from post-hurricane replacement demand won't show up until the October CPI data). We look for a more trend-like increase in market rents in the September data after an outsized 0.4 percent increase in August; more generally, rents on single family homes are doing more of the heavy lifting in this category, offsetting softer growth in apartment rents. Owners' equivalent rents should also post a trend-like increase. Going forward, it will be interesting to see whether decelerating rates of house price appreciation will act as a drag on owners' equivalent rents, though admittedly this category was not as sensitive to the robust pace of house price appreciation over the past several quarters as we anticipated would be the case. We'll also be watching core goods prices, which surprised to the downside in August with the largest monthly decline since April 2010 after prior months suggested some firming in core goods prices. If we are correct on apparel prices, however, that would go a long way towards supporting the broader core goods category and could even bring only the third year-on-year increase in core goods prices in the past 66 months. The path of the U.S. dollar and the specifics of U.S. tariffs on imported goods will be the key drivers of core goods prices over coming months.

This Economic Preview may include opinions, forecasts, projections, estimates, assumptions and speculations (the “Contents”) based on currently available information which is believed to be reliable and on past, current and projected economic, political, and other conditions. There is no guarantee as to the accuracy or completeness of the Contents of this Economic Preview. The Contents of this Economic Preview reflect judgments made at this time and are subject to change without notice, and the information and opinions herein are for general information use only. Regions specifically disclaims all warranties, express or implied, with respect to the use of or reliance on the Contents of this Economic Preview or with respect to any results arising therefrom. The Contents of this Economic Preview shall in no way be construed as a recommendation or advice with respect to the taking of any action or the making of any economic, financial, or other plan or decision.