Indicator/Action Economics Survey:	Last Actual:	Regions' View:
Fed Funds Rate: Target Range Midpoint *(After the January 26-27 FOMC meeting):* Target Range Mid-point: 0.000 to 0.125 percent Median Target Range Mid-point: 0.125 percent	Range: 0.00% to 0.25% Midpoint: 0.125%	The last week of 2020 brings a sparse docket of economic data releases. The advance estimate of November's balance of trade in goods will help refine our forecast of Q4 net exports, which we expect to be a modest drag on Q4 real GDP growth. The data on November pending home sales take on added interest in light of last week's report showing a surprisingly, and we think implausibly, large decline in new home sales in November. While some pullback was to have been expected as the pandemic-related surge in housing activity seen over prior months abates, the not seasonally adjusted data show the largest November decline in new home sales since 1988, which is at odds with every other indicator of sales activity and commentary from builders. Still, this raises the possibility that pending home sales, a measure of signed contracts for sales of existing homes, may underperform our expectations of a modest decline. As always, the not seasonally adjusted data will tell the true story; a "typical" November decline would be around 20 percent, so this will be the benchmark by which we assess the November data. But, even if we do see a larger decline this November, it isn't clear whether that would be a sign that the ongoing surge in COVID-19 cases has taken a larger than anticipated toll on housing market activity, a sign that extraordinarily lean inventories are becoming a bigger drag on sales, a sign that the blistering pace of price appreciation fueled by increasingly lean inventories has begun to erode demand, or some combination of each of these factors. The highlight this week, however, will be Thursday's release of the data on initial claims for unemployment insurance. From the start of the pandemic, we've emphasized the not seasonally adjusted claims data, and that is especially the case around the holidays when, in any given year, the degree of seasonal adjustment noise tends to be quite high. While we do look for a modest decline in unadjusted initial claims, the level of filings will nonetheless remain elevated. The four-week moving average of initial claims in the BLS's December establishment survey period was meaningfully higher than during the November survey period, leading many to expect the December employment report will be on the weak side, perhaps to the point of showing a decline in nonfarm employment. Either way, the recovery in the labor market has clearly lost momentum over recent weeks, which is consistent with other indicators showing the same in the broader economy. We learned last week that consumer confidence took a tumble in December. We had anticipated that the ongoing surge in COVID-19 cases would lead to a deterioration in the component measuring current conditions while the expectations component would increase thanks to encouraging news on the vaccine front. Both came to pass, but the decline in the current conditions index was much larger than we anticipated, thus dragging the overall index down with it. Moreover, consumers' assessments of labor market conditions took a dark turn, which is consistent with data from the Census Bureau's *Household Pulse Survey*. Survey results in recent weeks show significant increases in the number of people anticipating a loss of employment-based income and in the number of people reporting they are not working due to the economic effects of the pandemic, including the number reporting they have been laid off due to the pandemic. Deterioration in labor market conditions will weigh on aggregate wage and salary earnings in December, which will extend the run of monthly declines in personal income and may lead to a second straight monthly decline in total consumer spending. Even if this proves to be the case, a strong start to the quarter means we'll still see a decent increase in real consumer spending for Q4 as a whole, but the deterioration in income and spending in November and December sets a weak trajectory for Q1 2021. Against this backdrop, the additional round of financial assistance to households and small businesses recently agreed to by Congress faces what at this writing is an uncertain fate. With or without this bill being signed into law, the pace of economic growth has clearly slowed, the questions now being the extent to which this is the case and how long this slowdown will persist
Nov. Advance Trade Balance: Goods Wednesday, 12/30 Range: -$84.0 to -$80.0 billion Median: -$81.5 billion	Oct = -$80.3 billion	Widening to $82.4 billion.

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