

U.S. economic data remains positive at the end of a fairly quiet week. January housing data bounced back after a weak December. The Federal Reserve released the minutes of the January 31/February 1 Federal Open Market Committee. We heard more discussion of tax reform this week from Washington. President Trump plans to release his plan by mid-March. Treasury Secretary Mnuchin hopes to have a deal by the end of the summer.

Sales of new single-family houses increased in January by 3.7 percent, after falling in December. Still, at an annual rate of 555,000 units, new home sales in January 2017 were weaker than all but four months of 2016. Months' supply of new homes stayed at 5.7 months' worth. The median sales price of a new single-family house was 7.5 percent higher in January than a year ago.

Existing home sales bounced back in January, gaining 3.3 percent, to a 5,690,000 unit rate. This is the fastest sales rate since February 2007. The months' supply of existing homes for sale has dwindled to 3.6 months' worth over December and January, which ties the all-time low for that metric, set in January 2005. The median sale

price of an existing home was up 7.1 percent in January over the previous 12 months.

Labor markets remain tight. We expect average hourly earnings to reaccelerate in the February jobs data, to be released March 10. Initial claims for unemployment insurance increased inconsequentially, by 6,000, for the week ending February 18 to reach 244,000. Continuing claims fell by 17,000 to hit 2,060,000 for the week ending February 11.

The minutes of the January 31/February 1 FOMC meeting show concern by committee members over appropriate communications strategy as they prepare to raise the fed funds rate again this year. The minutes confirm the consensus view for ongoing gradual rate hikes this year and next. Some committee members stressed that a "gradual pace" means more than one or two rate hikes this year. We expect three rate hikes this year. The next rate hike could come as early as March 15, but financial markets are still discounting that possibility. We expect the next fed funds rate hike to come on May 3. The fed funds futures market still slightly favors June 14.

Survey	Last Actual	Comerica Economics Commentary
Fed Funds Rate (Effective) <i>(after the FOMC meeting of 3/14-3/15)</i>	0.66 % (Jan)	We have moved up our expectation for the next 25 basis point fed funds range hike to May 3. March 15 remains in play, as does June 14.
January Durable Goods (2/27, Monday) Consensus: 1.6 percent	-0.4 % (Dec)	<u>Up</u> by 2.0 percent. Regional manufacturing indicators have been strong.
2016Q4 GDP, 2nd Estimate (2/28, Tuesday) Consensus: 2.1 percent	1.9 % (1st Est.)	<u>Revised up</u> to a 2.1 percent annualized growth rate.
2016Q4 GDP Price Index 2nd Est. (2/28, Tuesday) Consensus: 2.1 percent	2.1 % (1st Est.)	No revision.
December Case-Shiller 20-City (2/28, Tuesday) Consensus: 5.3 percent	5.3 % (Nov)	<u>Up</u> by 5.4 percent over the year. Tight supply will keep upward pressure on prices.
January Construction Spending (3/1, Wednesday) Consensus: 0.6 percent	-0.2 % (Dec)	<u>Up</u> by 0.6 percent. Housing starts dipped in January. Public projects should rebound. Private non-res moderate increase.

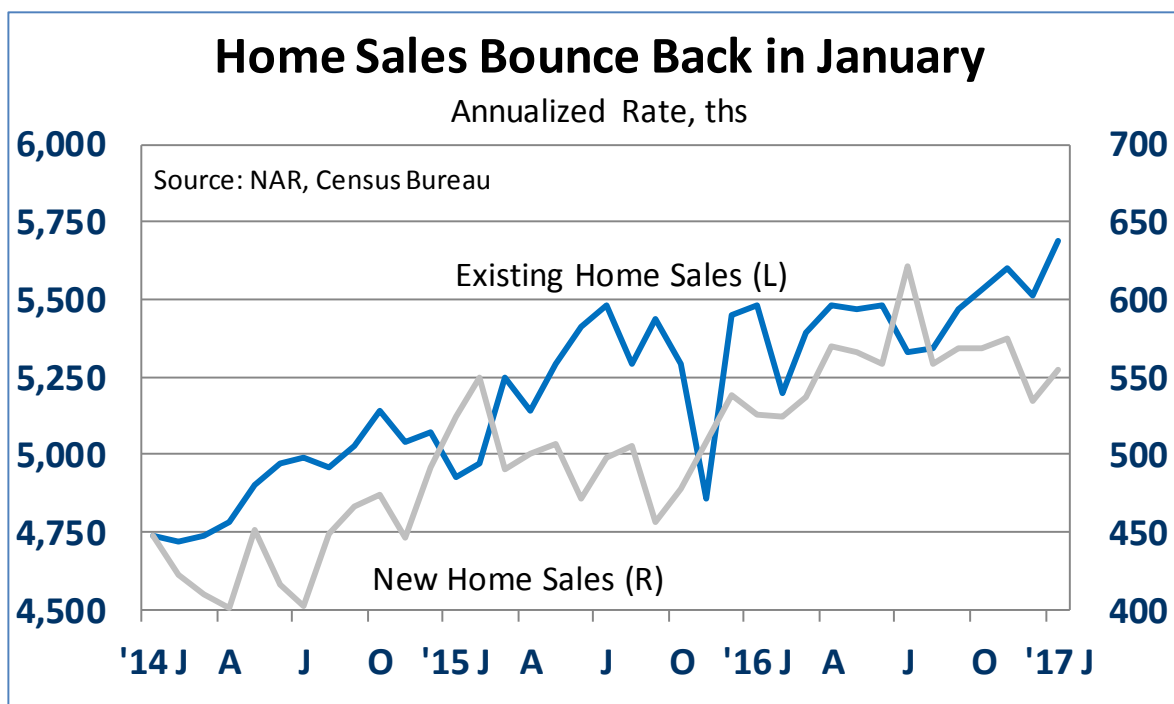
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Survey	Last Actual	Comerica Economics Commentary
January Personal Income (3/1, Wednesday) Consensus: 0.3 percent	0.3 % (Dec)	<u>Up</u> by 0.4 percent. Job growth was good in January.
January Personal Spending (3/1, Wednesday) Consensus: 0.3 percent	0.5 % (Dec)	<u>Up</u> by 0.3 percent. Weighed down by declining auto sales.
February Auto Sales (3/1, Wednesday) Consensus: 17.6 mln	17.6 mln (Jan)	<u>Up</u> to a 17.7 million unit rate. Job growth and consumer confidence are positives.
February ISM MFG Index (3/1, Wednesday) Consensus: 56.0	56.0 (Jan)	<u>Down</u> to 55.5. Still a positive number indicating good conditions for U.S. manufacturers. The Market Composite U.S. PMI dipped in January.
February ISM Non-MFG Index (3/3, Friday) Consensus: 56.5	56.5 (Jan)	<u>Unchanged</u> . Still indicating improving conditions.

Chart of the Week



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February/March 2017

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
20	21	22	23	24
		EXISTING HOME SALES <u>(ths)</u> Nov 5,600 Dec 5,510 Jan 5,690 FOMC Minutes	UNEMPLOYMENT CLAIMS <u>(ths)</u> Nov Dec Jan Feb 254 258 249 234 233 254 237 238 251 275 260 244 268 267 248 237 CFNAI Kansas City Fed Survey	NEW HOME SALES <u>(ths-SAAR)</u> Nov 575 Dec 535 Jan 555 U of M Consumer Sentiment (Final)
27	28	March 1	2	3
ADV DURABLE GOODS <u>Total Ex-Transp</u> Oct 5.0% 1.1% Nov -4.8% 1.0% Dec -0.4% 0.5% TX MFG Survey Pending Home Sales	GROSS DOMESTIC PRODUCT <u>Real GDP Price Index</u> '16Q2 1.4% 2.3% '16Q3 3.5% 1.4% '16Q4 1.9% 2.1% CASE-SHILLER HPI COMP-20 <u>(SA)</u> Sep 189.3 Oct 190.6 Nov 192.2 Richmond Fed Survey Consumer Confidence	INCOME and SPENDING <u>Income Spending</u> Oct 0.5% 0.4% Nov 0.1% 0.2% Dec 0.3% 0.5% AUTO SALES <u>(mln-SAAR)</u> Nov 17.9 Dec 18.4 Jan 17.6 ISM MFG INDEX Nov 53.5 Dec 54.5 Jan 56.0	CONSTRUCTION SPENDING Oct 0.8% Nov 0.9% Dec -0.2%	ISM NON-MFG INDEX Nov 56.2 Dec 56.6 Jan 56.5
6	7	8	9	10
	TRADE BALANCE <u>(bln)</u> Oct -\$42.7 Nov -\$45.7 Dec -\$44.3 Consumer Credit	ADP Employment Productivity and Costs		EMPLOYMENT REPORT <u>U. Rate Jobs (ths)</u> Nov 4.6% +164 Dec 4.7% +157 Jan 4.8% +227
13	14	15	16	17
	PRODUCER PRICE INDEX <u>Total Core</u> Nov 0.5% 0.2% Dec 0.2% 0.1% Jan 0.6% 0.2% NFIB FOMC Meeting	RETAIL SALES <u>Total Ex-Autos</u> Nov 0.2% 0.3% Dec 1.0% 0.4% Jan 0.4% 0.8% CONSUMER PRICE INDEX <u>Total Core</u> Nov 0.2% 0.2% Dec 0.3% 0.2% Jan 0.6% 0.3% Business Inventories Empire State Survey FOMC Meeting	HOUSING <u>(ths)</u> <u>Starts Permits</u> Nov 1,149 1,212 Dec 1,279 1,228 Jan 1,246 1,285 JOLTS Philly Fed Survey	IND PROD CAP UTIL Nov -0.2% 75.2% Dec 0.6% 75.6% Jan -0.3% 75.3% LEADING INDICATORS Nov 0.2% Dec 0.5% Jan 0.6% U of M Consumer Sentiment (Prelim)