

It has been an active week for economic developments. U.S. economic data was generally positive this week, despite the miss on March payroll employment. We saw some discussion in the minutes of the March Federal Open Market Committee meeting that suggests that they will begin to roll-off maturing assets before the end of this year. On Thursday evening, the United States launched a Tomahawk missile attack on an airbase in Syria, resulting in a small upward movement in crude oil futures. Syria is not a major oil producer and its production capacity has deteriorated significantly in recent years. However, Syria's proximity to other major oil producers and oil distribution routes adds some uncertainty to future oil prices. There are reports of a possible terrorist incident in Sweden this morning.

Despite the strong ADP jobs report for March, released on Wednesday, the official Bureau of Labor Statistics jobs report for March showed a much weaker-than-expected 98,000 net new payroll jobs. In contrast to the weak payroll survey, the household survey of employment recorded another very strong month, surging by 472,000 jobs after a similar 447,000 job gain in February. The household employment numbers feed into the unemployment rate, and brought it down more than expected, to a tight 4.5 percent.

We expect to see a stronger jobs report for April, to be released on May 5, after the upcoming FOMC meeting over May 2 and 3. The weak March payroll data will not, by itself, change Federal Reserve monetary strategy. The Fed will see two more jobs reports before the June 13 and 14 FOMC meeting. We expect the Fed to leave interest rates unchanged on May 3 and then to increase the fed funds rate range by 25 basis points on June 14. The implied odds of a fed funds rate hike on June 14

are about 63 percent, according to the fed funds futures market.

The ISM Non-Manufacturing Index fell from 57.6 in February, to a still-positive 55.2 in March. The ISM Manufacturing Index for March eased to a still-positive 57.2 in March, indicating ongoing improvement in the nation's manufacturing sector. Together, the two ISM reports suggest that the rate of overall business activity remained positive, but eased at the end of Q1.

Construction spending for February gained 0.8 percent, boosted by private multi-family projects.

Vehicle sales for March stepped down to a 16.7 million unit annual rate, after hitting a 17.6 million unit rate in February. Bad weather was a possible factor, but the step down in March vehicle sales is consistent with widely held expectations of lower auto sales this year, after last year's record rate. Several factors suggest that there could be a flat top to the auto sales cycle, rather than a steep peak, following by a valley. First, the unemployment rate, at 4.5 percent is very low. Conversely, consumer confidence is up. The percent of household income spent on autos is low, suggesting that there is upside potential and the average age of the auto fleet remains high.

Applications for home mortgages for purchase increased through the second half of March, while applications for refinance fell. According to the Mortgage Bankers Association, rates for 30-year fixed-rate mortgages eased through the second half of March.

U.S. crude oil inventories increased through the second half of March, putting downward pressure on prices. However, increased tensions in the Middle East will add a risk premium to prices, likely offsetting the effect of the U.S. inventory gain.

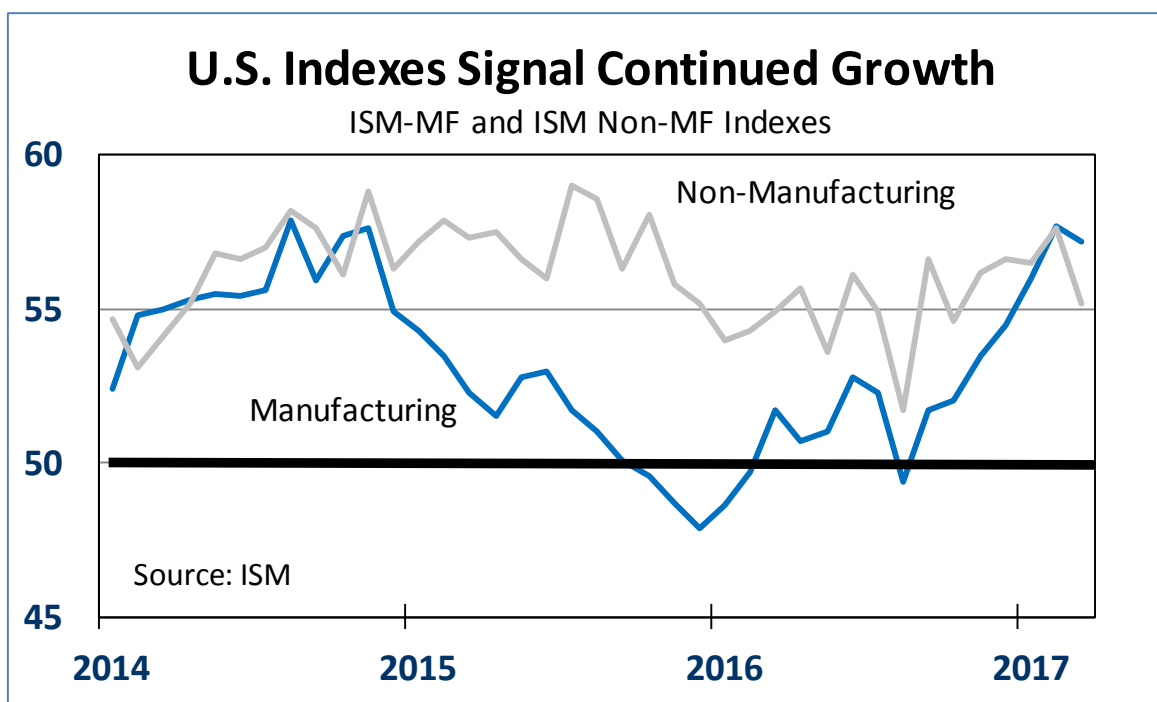
Survey	Last Actual	Comerica Economics Commentary
Fed Funds Rate (Effective) <i>(after the FOMC meeting of 5/2-5/3)</i>	0.79 % (Mar)	After increasing the fed funds rate range on March 15, the Fed will stand pat on May 3. The implied odds of a June 14 rate hike are up to 63 percent according to the fed funds futures market.
March PPI (4/13, Thursday) Consensus: 0.0 percent	0.3 % (Feb)	<u>Unchanged</u> . Lower oil prices in March take some pressure off of inflation.
March PPI Ex-Food, Energy & Trade (4/13, Thursday) Consensus: 0.2 percent	0.3 % (Feb)	<u>Up</u> by 0.2 percent.

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Survey	Last Actual	Comerica Economics Commentary
March Retail Sales (4/14, Friday) Consensus: 0.0 percent	0.1 % (Feb)	<u>Unchanged</u> . Held down by lower auto sales and bad weather.
March Retail Sales Ex-Auto (4/14, Friday) Consensus: 0.2 percent	0.2 % (Feb)	<u>Up</u> by 0.2 percent. Brick-and-mortar outlets are under increasing pressure from internet sales and new delivery options.
March CPI (4/14, Friday) Consensus: 0.0 percent	0.1 % (Feb)	<u>Unchanged</u> . Lower energy prices will offset other gains.
March CPI Ex. Food & Energy (4/14, Friday) Consensus: 0.2 percent	0.2 % (Feb)	<u>Up</u> by 0.2 percent. Housing is still feeding core inflation.

Chart of the Week



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April 2017

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<p>April 3</p> <p>AUTO SALES (mln-SAAR)</p> <p>Jan 17.6 Feb 17.6 Mar 16.6</p> <p>ISM MFG INDEX</p> <p>Jan 56.0 Feb 57.7 Mar 57.2</p> <p>CONSTRUCTION SPENDING</p> <p>Dec -0.2% Jan -0.4% Feb 0.8%</p>	<p>4</p> <p>TRADE BALANCE (bln)</p> <p>Dec -\$44.3 Jan -\$48.2 Feb -\$43.6</p>	<p>5</p> <p>ISM NON-MFG INDEX</p> <p>Jan 56.5 Feb 57.6 Mar 55.2</p> <p>ADP Employment FOMC Minutes</p>	<p>6</p> <p>UNEMPLOYMENT CLAIMS (ths)</p> <p>Jan Feb Mar Apr 245 237 252 234 241 248 246 252 247 261 250 227 259</p>	<p>7</p> <p>EMPLOYMENT REPORT</p> <p>U. Rate Jobs (ths)</p> <p>Jan 4.8% +216 Feb 4.7% +219 Mar 4.5% +98</p> <p>Consumer Credit</p>
<p>10</p>	<p>11</p> <p>NFIB JOLTS</p>	<p>12</p>	<p>13</p> <p>PRODUCER PRICE INDEX</p> <p>Total Core</p> <p>Dec 0.2% 0.1% Jan 0.6% 0.2% Feb 0.3% 0.3%</p> <p>U of M Consumer Sentiment (Prelim)</p>	<p>14</p> <p>RETAIL SALES</p> <p>Total Ex-Autos</p> <p>Dec 1.0% 0.4% Jan 0.6% 1.2% Feb 0.1% 0.2%</p> <p>CONSUMER PRICE INDEX</p> <p>Total Core</p> <p>Dec 0.3% 0.2% Jan 0.6% 0.3% Feb 0.1% 0.2%</p> <p>Business Inventories</p>
<p>17</p> <p>Empire State Survey</p>	<p>18</p> <p>HOUSING (ths)</p> <p>Starts Permits</p> <p>Dec 1,275 1,228 Jan 1,251 1,293 Feb 1,288 1,213</p> <p>IND PROD CAP UTIL</p> <p>Dec 0.6% 75.6% Jan -0.1% 75.5% Feb 0.0% 75.4%</p>	<p>19</p> <p>Beige Book</p>	<p>20</p> <p>LEADING INDICATORS</p> <p>Dec 0.6% Jan 0.6% Feb 0.6%</p> <p>Philly Fed Survey</p>	<p>21</p> <p>EXISTING HOME SALES (ths)</p> <p>Dec 5,510 Jan 5,690 Feb 5,480</p>
<p>24</p> <p>CFNAI TX MFG Survey</p>	<p>25</p> <p>CASE-SHILLER HPI COMP-20 (SA)</p> <p>Nov 192.0 Dec 193.8 Jan 195.5</p> <p>NEW HOME SALES (ths-SAAR)</p> <p>Dec 530 Jan 558 Feb 592</p> <p>Richmond Fed Survey Consumer Confidence</p>	<p>26</p>	<p>27</p> <p>ADV DURABLE GOODS</p> <p>Total Ex-Transp</p> <p>Dec -0.9% 0.9% Jan 2.3% 0.2% Feb 1.7% 0.4%</p> <p>Pending Home Sales Kansas City Fed Survey</p>	<p>28</p> <p>GROSS DOMESTIC PRODUCT</p> <p>Real GDP Price Index</p> <p>'16Q2 1.4% 2.3% '16Q3 3.5% 1.4% '16Q4 2.1% 2.1%</p> <p>U of M Consumer Sentiment (Final)</p>