

# MARKET EXPECTATIONS SURVEY

Gus Faucher  
Chief Economist

Stuart Hoffman  
Senior Economic Advisor

William Adams  
Senior Economist

Kurt Rankin  
Economist

Abbey Omodunbi  
Economist

THE PNC FINANCIAL SERVICES GROUP | The Tower at PNC Plaza | 300 Fifth Avenue | Pittsburgh, PA 15222-2401

According to the minutes from the March 19 and 20 meeting of the Federal Open Market Committee, members were in no hurry to raise interest rates. Specifically, the minutes say that “a majority of participants expected that the evolution of the economic outlook would likely warrant leaving the target range [for the federal funds rate] unchanged for the remainder of the year.” This view was based on slow growth in the first quarter of 2019, although participants did expect growth to pick back up in the second quarter; “significant uncertainties surrounding their economic outlooks;” and “muted inflation pressures.” The minutes further say that “participants generally agreed that a patient approach to determining future adjustments to the target range for the federal funds rate remained appropriate.”

The minutes also say that “several...participants noted that the current target range for the federal funds rate was close to their estimates of its long-run neutral level,” suggesting that the Fed is close to, or perhaps at, the end of its tightening cycle. However, they also say that “some participants indicated that if the economy evolved as they currently expected, with economic growth above its longer-run trend rate, they would likely judge it appropriate to raise the target rate for the federal funds rate modestly later this year.” There was apparently no discussion of a rate cut, despite the fed funds futures market projecting that the FOMC’s next move is more likely to be a rate cut than a rate increase.

There was also discussion of “alternative interpretations of subdued inflation pressures in current economic circumstances and the associated policy implications.” Some participants suggested that low inflation at the time of historically low unemployment suggested that “very low inflation expectations were exerting downward pressure on inflation relative to the Committee’s 2 percent inflation target.” It was also suggested that current low inflation “could indicate a less tight labor market than suggested by common measures of resource utilization.” Because of this, “some participants noted that the appropriate response of the federal funds rate to signs of labor market tightening could be modest provided that signs of inflation pressures continued to be limited.”

The minutes suggest that the FOMC is comfortable keeping the fed funds rate where it is for now, although the committee could raise the rate later this year if inflation appears to be picking up. This view is consistent with PNC’s baseline forecast for no change in the federal funds rate in 2019. However, the FOMC projections from the meeting (the “dot plot”) indicate that the median FOMC participant does expect the fed funds rate to move a bit higher over the next couple of years. PNC’s forecast is for the fed funds rate to remain in its current range of 2.25 to 2.50 percent throughout the remainder of 2019 and 2020.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<p><b>Fed Funds Rate Target Range Mid-Point</b>  <i>(after the FOMC meeting on 5/1/19)</i>                      Range: 2.25 to 2.50 percent                      Median: 2.38 percent</p>	<p><b>1.88%</b></p>	<p>The FOMC molted its most dovish feathers at its meeting on March 19-20. No rate hikes this year as “patience” remains the Fed’s guiding star; a downgrade of economic growth and inflation outlooks for 2019-2020; and an “early” end to balance sheet shrinkage in September. Fed funds futures are pricing in a 45 percent chance of at least one 25 bps rate CUT by December 2019. We respectfully completely disagree. We forecast no rate hikes or cuts through the end of 2020.</p>

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Mar New Home Sales</b> (4/23, Tuesday) Range: 0.610 to 0.675 million Median: 0.648 million	<b>0.667M</b> <b>(Feb)</b>	<u>Down</u> to 0.630 million.
<b>Mar Durable Goods Orders</b> (4/25, Thursday) Range: 0.0 to 2.0 percent Median: 0.8 percent	<b>-1.6%</b> <b>(Feb)</b>	<u>Up</u> 1.3 percent on a rebound in civilian aircraft orders. Shipments <u>up</u> 0.2 percent.
<b>Q1 GDP Advance Report</b> (4/26, Friday) Range: 1.2 to 2.8 percent Median: 1.9 percent	<b>2.2%</b> <b>(Q4)</b>	<u>Up</u> 2.2 percent. Consumer spending was up close to 1 percent but finished the quarter on a strong note in March. This sets up a solid rise in real consumer spending in the spring quarter, lifting real GDP growth to over 3 percent per annum this quarter.
<b>Q1 Chain Price Index Advance Report</b> (4/26, Friday) Range: 0.9 to 1.8 percent Median: 1.2 percent	<b>1.7%</b> <b>(Q4)</b>	<u>Up</u> 1.2 percent.
<b>Apr U. Mich. Consumer Sentiment (final)</b> (4/26, Friday) Range: 96.3 to 98.4 Median: 97.0	<b>96.9</b> <b>(Mar)</b>	<u>Up</u> to 97.5.
<b>Mar Personal Income</b> (4/29, Monday) Range: 0.3 to 0.4 percent Median: 0.4 percent	<b>0.2%</b> <b>(Feb)</b>	<u>Up</u> 0.3 percent.
<b>Feb Personal Consumption Expend.</b> (4/29, Monday) Range: 0.2 to 0.6 percent Median: 0.4 percent  <b>Mar Personal Consumption Expend.</b> (4/29, Monday) Range: 0.4 to 0.8 percent Median: 0.7 percent	<b>0.1% (Jan)</b> <b>0.1% (Feb)</b>	February <u>up</u> 0.3 percent and March <u>up</u> a strong 0.8 percent. The February total and core PCE price index was up 0.2 and 0.1 percent, respectively. The March total and core PCE price index was up 0.3 and 0.1 percent, respectively. The March Y/Y rise was 1.7 for both the total and core PCE price index, both well below the FOMC's 2 percent inflation goal.
<b>Q1 Employment Cost Index</b> (4/30, Tuesday) Range: 0.6 to 0.8 percent Median: 0.8 percent	<b>0.7%</b> <b>(Q4)</b>	Up 0.8 percent and 2.9 percent from a year ago.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Apr Consumer Confidence</b> (4/30, Tuesday) Range: 124.8 to 130.0 Median: 125.4	<b>124.1</b> <b>(Mar)</b>	<u>Up</u> to 130.
<b>Apr ADP Employment Survey</b> (5/1, Wednesday) Range: 120K to 190K Median: 178K	<b>129</b> <b>(Mar)</b>	<u>Up</u> 175,000.
<b>Apr ISM (Manufacturing)</b> (5/1, Wednesday) Range: 54.4 to 55.5 Median: 55.0	<b>55.3%</b> <b>(Mar)</b>	A <u>dip</u> to 55.0.
<b>Mar Construction Spending</b> (5/1, Wednesday) Range: 0.0 to 0.5 percent Median: 0.3 percent	<b>1.0%</b> <b>(Feb)</b>	<u>Up</u> 0.5 percent.
<b>Q1 Nonfarm Productivity (Prelim)</b> (5/1, Wednesday) Range: 0.0 to 1.8 percent Median: 0.8 percent	<b>1.9%</b> <b>(Q4)</b>	<u>Up</u> 1.0 percent.
<b>Q1 Unit Labor Costs (Prelim)</b> (5/1, Wednesday) Range: 2.1 to 3.1 percent Median: 2.5 percent	<b>2.0%</b> <b>(Q4)</b>	<u>Up</u> 2.0 percent.
<b>Mar Factory Orders</b> (5/2, Thursday) Range: 0.3 to 1.0 percent Median: 0.5 percent	<b>-0.5%</b> <b>(Feb)</b>	<u>Up</u> 1.0 percent. Shipments <u>up</u> 0.5 percent.
<b>Apr Nonfarm Payrolls</b> (5/3, Friday) Range: 146,000 to 211,000 Median: 185,000	<b>196</b> <b>(Mar)</b>	<u>Up</u> 175,000.
<b>Apr Private Nonfarm Payrolls</b> (5/3, Friday) Range: 144,000 to 204,000 Median: 175,000	<b>182</b> <b>(Mar)</b>	<u>Up</u> 180,000.
<b>Apr Manufacturing Payrolls</b> (5/3, Friday) Range: 0 to 15,000 Median: 8,000	<b>-6</b> <b>(Mar)</b>	<u>Up</u> 5,000.
<b>Apr Unemployment Rate</b> (5/3, Friday) Range: 3.7 to 3.8 percent Median: 3.8 percent	<b>3.8%</b> <b>(Mar)</b>	<u>Steady</u> at 3.8 percent.

ACTION ECONOMICS SURVEY	Last Actual	PNC FINANCIAL SERVICES GROUP COMMENT
<b>Apr Average Hourly Earnings</b> (5/3, Friday) Range: 0.2 to 0.3 percent Median: 0.3 percent	<b>0.1%</b> <b>(Mar)</b>	<u>Up</u> 0.3 percent edging the Y/Y change <u>up</u> to 3.3 percent.
<b>Apr Hours Worked</b> (5/3, Friday) Range: 34.4 to 34.5 hours Median: 34.5 hours	<b>34.5hrs</b> <b>(Mar)</b>	<u>Unchanged</u> at 34.5 hours.
<b>Apr ISM-NMI</b> (5/3, Friday) Range: 56.0 to 58.2 Median: 57.2	<b>56.1</b> <b>(Mar)</b>	A slight <u>rise</u> to 56.4.

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# MONTHLY CALENDAR OF ECONOMIC DATA

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**Apr/May 2019**

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY																																																																																																																																																																																		
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<p><b>29</b></p> <p><b>PERSONAL</b></p> <table border="1"> <thead> <tr> <th></th> <th>Income</th> <th>Spending</th> </tr> </thead> <tbody> <tr> <td>Jan</td> <td>-0.1%</td> <td>0.1%</td> </tr> <tr> <td>Feb</td> <td>0.2</td> <td>0.1</td> </tr> <tr> <td>Mar</td> <td></td> <td></td> </tr> </tbody> </table>		Income	Spending	Jan	-0.1%	0.1%	Feb	0.2	0.1	Mar			<p><b>30</b></p> <p><b>Employment Cost Index</b></p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>W&amp;S</th> <th>Fringes</th> </tr> </thead> <tbody> <tr> <td>1Q'18</td> <td>0.8</td> <td>0.9</td> <td>0.7</td> </tr> <tr> <td>2Q'18</td> <td>0.6</td> <td>0.5</td> <td>0.9</td> </tr> <tr> <td>3Q'18</td> <td>0.8</td> <td>0.9</td> <td>0.4</td> </tr> <tr> <td>4Q'18</td> <td>0.7</td> <td>0.6</td> <td>0.7</td> </tr> <tr> <td>1Q'19</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><b>CASE-SHILLER HPI 20-City Composite(SA)</b></p> <table border="1"> <thead> <tr> <th></th> <th>M/M</th> <th>Y/Y</th> </tr> </thead> <tbody> <tr> <td>Dec</td> <td>0.2%</td> <td>4.1%</td> </tr> <tr> <td>Jan</td> <td>0.2</td> <td>3.6</td> </tr> <tr> <td>Feb</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>CB CONSUMER CONFIDENCE</b></p> <table border="1"> <thead> <tr> <th></th> <th>Total</th> <th>Current</th> <th>Expect</th> </tr> </thead> <tbody> <tr> <td>Feb</td> <td>131.4</td> <td>172.8</td> <td>103.8</td> </tr> <tr> <td>Mar</td> <td>124.1</td> <td>160.6</td> <td>99.8</td> </tr> <tr> <td>Apr</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p>Chicago PMI (Apr)</p>		Total	W&S	Fringes	1Q'18	0.8	0.9	0.7	2Q'18	0.6	0.5	0.9	3Q'18	0.8	0.9	0.4	4Q'18	0.7	0.6	0.7	1Q'19					M/M	Y/Y	Dec	0.2%	4.1%	Jan	0.2	3.6	Feb				Total	Current	Expect	Feb	131.4	172.8	103.8	Mar	124.1	160.6	99.8	Apr				<p><b>May 1</b></p> <p><b>ISM MFG INDEX</b></p> <table border="1"> <tbody> <tr> <td>Feb</td> <td>54.2%</td> </tr> <tr> <td>Mar</td> <td>55.3</td> </tr> <tr> <td>Apr</td> <td></td> </tr> </tbody> </table> <p><b>CONSTRUCTION SPENDING</b></p> <table border="1"> <tbody> <tr> <td>Jan</td> <td>2.5%</td> </tr> <tr> <td>Feb</td> <td>1.0</td> </tr> <tr> <td>Mar</td> <td></td> </tr> </tbody> </table> <p><b>5/2 Nonfarm Business (Q1 1st) Productivity &amp; Costs</b></p> <table border="1"> <thead> <tr> <th></th> <th>Productivity</th> <th>Unit Labor Costs</th> </tr> </thead> <tbody> <tr> <td>1Q'18</td> <td>0.6</td> <td>3.5</td> </tr> <tr> <td>2Q'18</td> <td>2.8</td> <td>-2.8</td> </tr> <tr> <td>3Q'18</td> <td>1.8</td> <td>1.6</td> </tr> <tr> <td>4Q'18</td> <td>1.9</td> <td>2.0</td> </tr> <tr> <td>1Q'19(1<sup>st</sup>)</td> <td></td> <td></td> </tr> </tbody> </table> <p>Apr ADP Employment Survey</p>	Feb	54.2%	Mar	55.3	Apr		Jan	2.5%	Feb	1.0	Mar			Productivity	Unit Labor Costs	1Q'18	0.6	3.5	2Q'18	2.8	-2.8	3Q'18	1.8	1.6	4Q'18	1.9	2.0	1Q'19(1 <sup>st</sup> )			<p><b>2</b></p> <p><b>MANUFACTURERS'</b></p> <table border="1"> <thead> <tr> <th></th> <th>Ship</th> <th>Inv</th> <th>Orders</th> </tr> </thead> <tbody> <tr> <td>Jan</td> <td>-0.3%</td> <td>0.5%</td> <td>0.0%</td> </tr> <tr> <td>Feb</td> <td>0.4</td> <td>0.3</td> <td>-0.5</td> </tr> <tr> <td>Mar</td> <td></td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Unemployment Claims (000)</b></p> <table border="1"> <thead> <tr> <th></th> <th>Jan</th> <th>Feb</th> <th>Mar</th> <th>Apr</th> </tr> </thead> <tbody> <tr> <td>216</td> <td>235</td> <td>223</td> <td>197</td> <td></td> </tr> <tr> <td>212</td> <td>239</td> <td>224</td> <td>192</td> <td></td> </tr> <tr> <td>200</td> <td>217</td> <td>216</td> <td></td> <td></td> </tr> <tr> <td>253</td> <td>226</td> <td>212</td> <td></td> <td></td> </tr> <tr> <td></td> <td></td> <td>204</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>Autos Light</b></p> <table border="1"> <thead> <tr> <th></th> <th>Dom</th> <th>For</th> <th>Truck</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Jan</td> <td>3.9</td> <td>1.5</td> <td>11.3</td> <td>16.7</td> </tr> <tr> <td>Feb</td> <td>3.6</td> <td>1.4</td> <td>11.6</td> <td>16.6</td> </tr> <tr> <td>Mar</td> <td>3.8</td> <td>1.5</td> <td>12.2</td> <td>17.5</td> </tr> </tbody> </table>		Ship	Inv	Orders	Jan	-0.3%	0.5%	0.0%	Feb	0.4	0.3	-0.5	Mar					Jan	Feb	Mar	Apr	216	235	223	197		212	239	224	192		200	217	216			253	226	212					204				Dom	For	Truck	Total	Jan	3.9	1.5	11.3	16.7	Feb	3.6	1.4	11.6	16.6	Mar	3.8	1.5	12.2	17.5	<p><b>3</b></p> <p><b>EMPLOYMENT REPORT</b></p> <table border="1"> <thead> <tr> <th></th> <th>U.Rate</th> <th>Jobs(000)</th> </tr> </thead> <tbody> <tr> <td>Feb</td> <td>3.8%</td> <td>+33</td> </tr> <tr> <td>Mar</td> <td>3.8</td> <td>+196</td> </tr> <tr> <td>Apr</td> <td></td> <td></td> </tr> </tbody> </table> <p><b>ISM NON-MFG INDEX</b></p> <table border="1"> <tbody> <tr> <td>Feb</td> <td>59.7</td> </tr> <tr> <td>Mar</td> <td>56.1</td> </tr> <tr> <td>Apr</td> <td></td> </tr> </tbody> </table>		U.Rate	Jobs(000)	Feb	3.8%	+33	Mar	3.8	+196	Apr			Feb	59.7	Mar	56.1	Apr	
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