Morgan Stanley & Co. LLC

U.S. Data Watch

Forecast: April 17 to April 28

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MONDAY	*TUESDAY*	*WEDNESDAY*	*THURSDAY*	*FRIDAY*
17 Empire State Manufacturing Survey (8:30am, April)* NAHB Housing Market Index (10am, April)* *Fed buys up to $1.45 bil. of 30-Year Fannie and Freddie 3.5's and 4's (11:45am)* TICS (4pm, February)*	18 HOUSING STARTS (8:30am, March) INDUSTRIAL PRODUCTION (9:15am, March) *Fed buys up to $0.6 bil. of 15-Year Fannie and Freddie 2.5's and 3's (11:45am)*	19 *Fed buys up to $1.45 bil. of 30-Year Fannie and Freddie 3.5's and 4's (9:45am)* *Fed buys up to $1.2 bil. of 30-Year Ginnie 3's, 3.5's, and 4's (11:45am)* Beige Book (2pm)	20 JOBLESS CLAIMS (8:30am) MS Forecast: 230,000 Philadelphia Fed Manufacturing Survey (8:30am, April)* LEADING INDICATORS (10am, March) *Announce 2-Year, 5-Year and 7-Year Treasury Notes (11am)* *Fed buys up to $1.45 bil. of 30-Year Fannie and Freddie 3.5's and 4's (11:45am)* *Auction 5-Year TIPS (1pm)*	21 EXISTING HOME SALES (10am, March) *Fed buys up to $0.975 bil. of 30-Year Ginnie 3.5's and 4's (11:45am)*
24 *Fed buys up to $1.45 bil. of 30-Year Fannie and Freddie 3.5's and 4's (9:45am)* Dallas Fed Manufacturing Survey (10:30am, April)* *Fed buys up to $0.6 bil. of 15-Year Fannie and Freddie 2.5's and 3's (2:30pm)*	25 S&P/Case-Shiller Home Price Index (9am, February)* FHFA House Price Index (9am, February)* CONFERENCE BOARD CONSUMER CONFIDENCE INDEX (10am, April) NEW HOME SALES (10am, March) Richmond Fed Manufacturing Survey (10am, April)* *Fed buys up to $0.975 bil. of 30-Year Ginnie 3.5's and 4's (11:45am)* *Auction 2-Year Treasury Note (1pm)*	26 *Fed buys up to $1.45 bil. of 30-Year Fannie and Freddie 3.5's and 4's (9:45am)* *Fed buys up to $0.6 bil. of 15-Year Fannie and Freddie 2.5's and 3's (11:45am)* *Auction 5-Year Treasury Note (1pm)*	27 Advance Indicators Report (8:30am, March)* DURABLE GOODS (8:30am, March) Pending Home Sales Index (10am, March)* Kansas City Fed Manufacturing Survey (11am, April)* *Auction 7-Year Treasury Note (1pm)*	28 GDP (8:30am, Q1) EMPLOYMENT COST INDEX (8:30am, Q1) Chicago PMI (9:45am, April)* University of Michigan Consumer Confidence Index (10am, April)*

**Items due for release, but not included in the forecast at this time.*

Date	Indicator	MS Forecast	Comment
4/18/17	Housing Starts (March)	1,250,000	The homebuilders' survey jumped to a twelve-year high in March, as builders cheered regulatory changes that could help ease some of the "supply-side restraints" they've complained have slowed homebuilding even as inventories of unsold homes have fallen to record lows. That should support a lot more new home construction going forward, but the 6.5% surge in single-family starts in February to a cycle higher 872,000 units annualized was probably exaggerated by the unusually warm weather, and we look for a 2.5% pullback to 850,000 in March. A drop in multi-family permits to a one-year low also points to slower multi-family starts, leaving overall starts down 2.9% we expect.
4/18/17	Industrial Production Capacity Utilization (March)	+ 0.5 % 76.1%	The swing from the second warmest February to ninth coldest March in government data back to the 1890's should result in a big rebound in utility output, boosting headline IP. Sharply rebounding oil and gas drilling and a turn higher in oil and gas extraction we estimate will also result in another strong gain in mining. But softness in manufacturing hours worked in the employment report, probably negatively impacted by the turn in the weather, and a pullback in auto assemblies amid lower sales and rising inventories point to a 0.3% drop in manufacturing output after the best two-month gain, 1.1% combined in February and January, in three years.
4/20/17	Leading Indicators (March)	+ 0.2 %	Available components point to a further 0.2% gain in the index in March, even with drags from what were probably mostly temporary weather hits to jobless claims and the average manufacturing workweek, after a run of three straight 0.6% increases from December to February Positive contributions should come from ISM new orders, consumer expectations, stock prices, and the yield curve.

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4/21/17	Existing Home Sales (March)	5.75 million units	Near record low inventories of homes listed for sale are a problem for home sales moving into the key spring selling season, but the pending home sales index surged 5.5% in February to only slightly below the cycle high reached in April 2016 after falling to the lowest level in a year and second lowest in two years in January. According to the National Association of Realtors, a "modest, seasonal uptick in listings was enough to fuel an increase in contract signings throughout the country." We look for a corresponding 5% rise in closings of existing home sales in March to a cycle high after they fell to a five-month low in February.
4/25/17	Consumer Confidence (April)	124.0	We look for the Conference Board survey to pull back a point and a half and surging ten points in March to a sixteen-year high. The University of Michigan survey caught up to the March Conference Board upside with a jump to the highest level since 2000 in early April, and the Bloomberg weekly consumer comfort survey has also risen to cycle highs in the latest readings, indicating high levels of optimism have continued this month.
4/25/17	New Home Sales (March)	600,000	Weather was more challenging, but the homebuilders' survey surged to an twelve-year high in March and mortgage purchase applications to a seven-year high. We look for a further 1.4% gain in new home sales, adding to a an 11.7% surge in January and February, to 600,000 units annualized, which would be the second highest reading since 2008.
4/27/17	Durable Goods Orders Nondef Cap Gds Ex Air (March)	+ 1.2 % + 0.6 %	Core ex aircraft capital goods orders flattened out in January (0.2%) and February (-0.1%) after rebounding 3.6% in the last three months of last year following an 11.3% drop over the prior two years. Business surveys continue to show rising capex plans (US Economics: Capex Plans Index: Extending Gains (29 Mar 2017)), so we look for resumed upside. Industry figures point to upside in aircraft orders that should provide an additional boost to overall durable goods orders.
4/28/17	GDP (Q1)	+ 1.6 %	A sharp deceleration in consumer spending appears to have been only partly offset by encouraging acceleration in business and residential investment and exports, resulting in sluggish first quarter GDP growth. A brief jump in gasoline prices boosting headline inflation in January, temporary delays in tax refunds, and unusually warm weather reducing utility bills left real PCE down 0.2% in January and another 0.1% in February, the worst two months since 2009. A pickup in March as temporary drags faded points to a rebound in spending moving into Q2, but we see Q1 consumption rising only 0.7%, a seven-year low. Meanwhile, however, a post-election turn higher in equipment demand and a sharp rebound in oil and gas drilling we estimate resulted in 5.5% growth in business investment, high since 2014 after a 0.1% decline in 2016, one of the worst years on record outside of a recession. Residential investment we estimate also accelerated to 14.1% Q1 growth after what homebuilders have been describing as "supply-side restraints" led to declines in Q2 and Q3 last year. Amid signs of accelerating global growth, real exports we estimate gained 8.7% after declining in Q4, swinging net exports to an estimated 0.2pp boost to growth.
4/28/17	Employment Cost Index (Q1)	+ 0.6 %	Average hourly earnings figures in the employment report showed a deceleration in private sector wage growth in Q1, but we're building in some reversal in the ECI gauge of drags in Q4 and Q3 from volatile incentive-paid occupations to boost wages and salaries slightly to 0.6% from 0.5% the past two quarters. Almost no growth in PPI gauges of private health insurance costs in Q1 and market gains reducing pension underfunding we expect will leave benefits growth at a muted 0.4% for a second quarter. A 0.6% gain in the overall ECI in Q1 would leave it back at the pace through the first three quarters of last year before a slowdown to 0.5% in Q4 and keep the year/year pace unchanged at 2.2%.

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