

The Week Ahead in US Economics – December 26-30, 2011



Monday	Tuesday	Wednesday	Thursday	Friday
26 <div>Christmas Day (Observed)</div>	27 S&P Case-Shiller Idx (Oct) (09:00) Consumer Confidence (Dec) (10:00) Richmond Fed Survey (Dec) (10:00) Dallas Fed Survey (Dec) (10:30) <ul style="list-style-type: none"> Treasury announces 4-week bills (11:00) Treasury auctions 3- and 6-month bills (11:30) 	28 <ul style="list-style-type: none"> Treasury auctions 4-week bills (11:30) 	29 Initial Claims (12/24) (08:30) Pending Home Sales Idx (Nov) (10:00) Kansas City Fed Survey (Dec) (11:00) <ul style="list-style-type: none"> Treasury announces 3- and 6-month bills (11:00) 	30 Chicago PMI (Dec) (09:45)

all times are ET: **FOMC voters in bold**

Bottom Line

The week of December 19-23 saw mostly positive data, notably from the housing sector in the form of NAHB, new and existing home sales (though levels were revised down for the latter) and housing starts and permits, though FHFA house price data was negative. Also positive were further improvements in the Michigan CSI, leading indicators, initial claims and an aircraft-led increase in durable goods orders. Less positive was a downward revision to Q3 GDP on service spending, and subdued personal income and spending data.

The coming week will see a modest number of releases, with the S&P Case-Shiller house price index and consumer confidence due on Tuesday, the former seen still soft but some improvement expected in the latter. Thursday's initial claims data will be closely watched for signs of further improvement but data can be volatile in the holiday season. A few regional manufacturing surveys will appear during the week, Friday's Chicago PMI the most significant.

The Treasury will announce 4-week bills (e: \$30 bln) on Tuesday for auction Wednesday. The \$29 bln 3- month bills along with \$27 bln 6-month bills will be auctioned on Tuesday. On

Wednesday the Fed will conduct an outright Treasury coupon sale (e: \$8.0-\$8.75 bln) maturing 4/15/2014-11/30/2014.

IFR Commentary

S&P Case-Shiller Idx (Oct) (Tue)

The October yr/yr figure from the S&P case-Shiller house price index should rise to -3.0% from -3.6% in September, a 5th straight improvement from -4.5% in May, a number that was depressed by comparison with a peak of +4.6% in May 2010 as a tax credit for home buyers came to an end. After the tax credit ended the seasonally adjusted index saw its most rapid fall in October 2010, when the index fell by 0.9%. Despite the recent less negative yr/yr data, the data has looked weak on a monthly basis, with September's index falling by 0.6% seasonally adjusted, the sharpest fall since March. With some housing market indicators looking improved and pessimism on the economy having faded, October's decline is unlikely to be quite as steep after seasonal adjustment, with our expectation being for a 0.3% decline. Atlanta in particular looks due for a correction after plunging by a massive 7.1% in the last two months. Before however an adjusted fall of 0.3%

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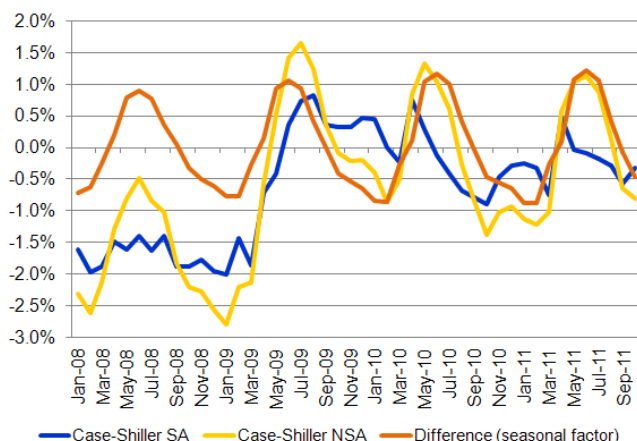
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would mean a fall of 0.8% before seasonal adjustment on the month, and that would be the sharpest fall since March. /ds

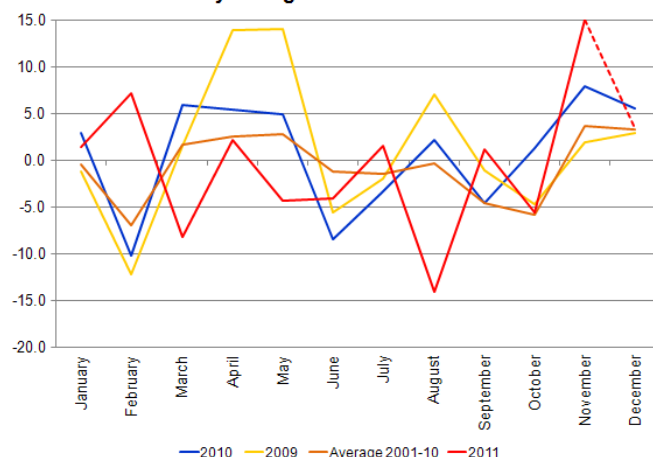
Case-Shiller, m/m, Seasonal Effects



Consumer Confidence (Dec) (Tue)

The Conference Board's consumer confidence index, after a surge of 15.1 points in November, should see a more modest rise of 3.5 points in December, to 59.5. This would put the index at its highest since May. Other indices, such as the Michigan CSI and the IBD/TIPP survey, have shown continued recovery in December, though given a particularly large Conference Board November increase, it is not obvious that a further gain is needed to achieve consistency with the other surveys. The recent recovery may in fact not have much further to run given concerns on Europe and whether the payroll tax holiday will be extended for 2012. Still, there does seem to be a seasonal tendency for the Conference Board index to rise in November and December after slippage in October. November's increase was unusually large (reversing an unseasonal plunge in August). The December increase we expect should be fairly typical. While our economic view is more positive on Q4 2011 than 2012, the Michigan CSI breakdown suggests the December rise will be led by expectations, which we see at 73.5 versus 67.8. Current conditions should edge up only to 38.5 from 38.3. November saw a particularly sharp rise in this component led by labor market perceptions, an improvement that is more likely to be sustained than extended. /ds

Monthly Change in Consumer Confidence

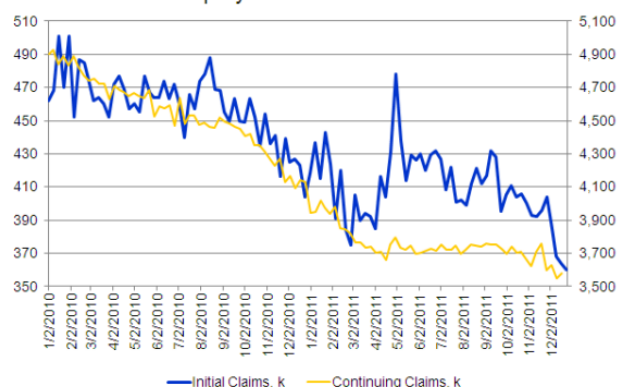


Initial Claims (12/24) (Thu)

This time assisted more by a seasonal factor, initial claims will continue to decline, falling to 360,000 in the week ending December 24. Claims' current reading of 364k (a drop of 4k) is the second consecutive report at levels seen in H1 of 2008. The latest reading will be the lowest since April 2008 and claims filed in the week ending December 10 (originally 366k and now 368k) were the lowest since May 2008. Unadjusted claims just fell (nearly twice as much as expected) and while they are due for a rebound having fallen for three straight weeks (seasonally expected by nearly 14%), it would not be the first time the NSA rise "under shot" forecasts (it has happened in four of the seven forecasted Q4 increases).

Continuing claims should move back up to 3.58mln after just slipping to 3.546mln, which was a surprise given a recent tendency to hang around 3.7mln. After nearly eight months at such a level, continuing claims fell from 3.76mln in just three weeks. Future readings should show a rebound. /vn

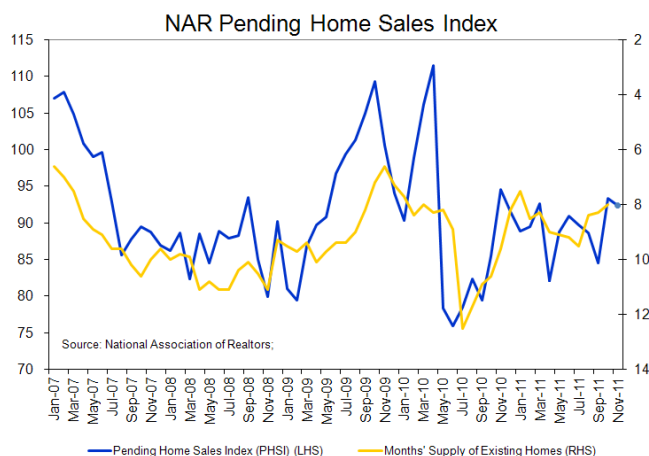
Unemployment Insurance Claims



Pending Home Sales Idx (Nov) (Thu)

After rocketing up 10.4% in October, the Pending Home Sales Index should recede by about 1.0%. That's not much of a decline after such a strong advance, but the PHSI remains low by historical standards, even as mortgage rates have continued to plumb new depths. With median prices sliding, both sides of the affordability index are coming down, which, together with at least weak improvement in the labor market, should support an upward trend in existing home sales.

The pending homes series typically foreruns existing home sales by about a month and a half, so all told we expect to see a nice bump in the December existing homes print. Working down the inventory of existing homes will be critical to getting the construction industry back as a contributor to economic growth, so hopefully an improved sales pace will prove durable. /tml

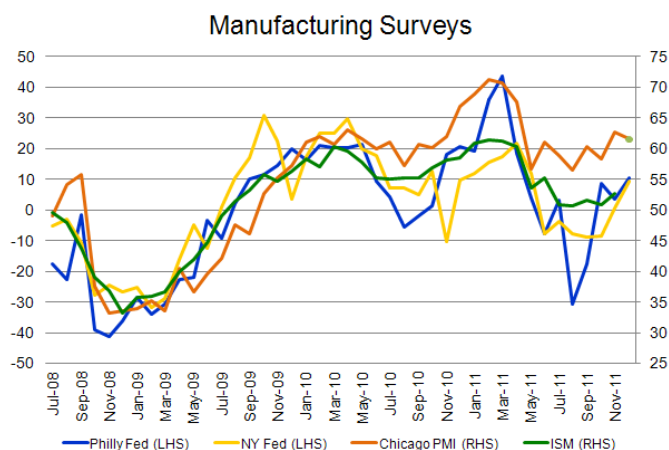


Chicago PMI (Dec) (Fri)

The Chicago Purchasing Managers Index should continue to show relatively strong growth in December, though we suspect that it will slip back down from 62.6 to about 61.5. That would represent some giveback after November saw strong gains in the production index (up 3.9 points to 67.3) and particularly the new orders index (up 61.3 to 70.2). The employment index took a hit, however, dropping from 62.3 to 56.9, and we hope to see a bit of rebound there as

employers hire in order to fulfill that surge in new orders.

The Chicago series will almost certainly still indicate stronger growth than the Fed's regional manufacturing surveys, as the Chicago region continues to benefit from solid trend growth in capital goods and autos orders. We don't expect the index to rise too much further in coming months, as auto supply chains work out the last of their post-Japan and Thailand disaster kinks, and capex order growth (now back above pre-recession levels) tapers a bit. /tml



Week Ahead Calendar:

Date	ET	Release	Unit	Period	IFR Est	Prev	Median	Range	
27-Dec	09:00	S&P Case-Shiller Index	%y/y	Oct	-3.0	-3.6	-3.2	-3.6	-1.9
27-Dec	10:00	Consumer Confidence	Idx	Dec	59.5	56.0	58.3	52.0	63.0
27-Dec	10:00	Richmond Fed Mfg Idx	Idx	Dec		0			
27-Dec	10:00	Richmond Fed Svcs Idx	Idx	Dec		1			
27-Dec	10:30	Dallas Fed Survey	Idx	Dec		3.2			
29-Dec	08:30	Initial Claims	k	wk 12/24	360	364	375	275	385
29-Dec	08:30	Continuing Claims	k	wk 12/17	3580	3546	3560	3540	3630
29-Dec	10:00	Pending Home Sales	%m/m	Nov	-1.0	10.4	2.0	-4.6	5.0
29-Dec	11:00	Kansas City Fed Survey	Idx	Dec		4			
30-Dec	09:45	Chicago PMI	Idx	Dec		62.6	59.0	64.0	62.6

Consensus (median) forecasts supplied by Reuters News.

On the Horizon:

Date	ET	Release	Unit	Period	IFR Est	Prev	Median	Range	
03-Jan	10:00	Construction Spending	%m/m	Nov		0.8	53.2	52.0	54.5
03-Jan	10:00	ISM Mfg Index	Idx	Dec		52.7	46.0	43.0	53.0
04-Jan	10:00	Factory Orders	%m/m	Nov		-0.4	1.5	0.2	2.5
04-Jan	10:00	Factory Orders ex-Trans	%m/m	Nov		0.2			
04-Jan	n/a	Light Vehicle Sales	M,AR	Dec		13.60			
04-Jan	n/a	Domestic Car Sales	M,AR	Dec		4.55	4.57	4.40	5.50
04-Jan	n/a	Domestic Truck Sales	M,AR	Dec		5.98	5.95	5.80	6.10
05-Jan	07:30	Challenger Job Cuts	k	Dec		42474			
05-Jan	08:15	ADP Employment	k	Dec		206	180	150	223
05-Jan	08:30	Initial Claims	k	12/31					
05-Jan	08:30	Continuing Claims	k	12/24					
05-Jan	10:00	ISM Non-Mfg Index	Idx	Dec		52.0	53.0	51.5	54.0
06-Jan	00:00	Monster Employment	Idx	Dec		147			
06-Jan	08:30	Nonfarm Payrolls	k	Dec		120	148	80	198
06-Jan	08:30	Private Payrolls	k	Dec		140	160	100	210
06-Jan	08:30	Manufacturing Payrolls	k	Dec		2	5	0	15
06-Jan	08:30	Unemployment Rate	%	Dec		8.6	8.7	8.6	8.8
06-Jan	08:30	Avg Hourly Earnings	%m/m	Dec		-0.1	0.2	-0.2	0.3
06-Jan	08:30	Work Week	hrs	Dec		34.3	34.3	34.3	34.4

Consensus (median) forecasts supplied by Reuters News.

Review of the December 19 - 23 Week

Date	Release	Unit	Period	Actual	Rev	Previous	Median	Range	
19-Dec	NAHB Index	Idx	Dec	21	19	20	20	18	23
20-Dec	Housing Starts	k,AR	Nov	685	627	628	635	600	653
20-Dec	Building Permits	k,AR	Nov	681	644	644	635	610	668
21-Dec	Existing Home Sales	k	Nov	4.42	4.25	4.97	5.05	4.38	5.25
22-Dec	CFNAI	Idx	Nov	-0.37	-0.11	-0.13			
22-Dec	GDP (Final)	%,AR	Q3	1.8		2.0	2.0	1.5	2.3
22-Dec	Core PCE Deflator (Final)	%,AR	Q3	2.1		2.0	2.0	2.0	2.0

23 December 2011



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Date	Release	Unit	Period	Actual	Rev	Previous	Median	Range
22-Dec	GDP Final Sales (Final)	%,AR	Q3	3.2		3.6	3.6	3.4 3.6
22-Dec	Initial Claims	k	12/17	364	368	366	375	355 400
22-Dec	Continuing Claims	k	12/10	3546	3625	3603	3600	3560 3650
22-Nov	Michigan Sentiment (Final)	Idx	Dec	69.9		67.7	68.0	64.0 70.0
22-Nov	Current Conditions (Final)	Idx	Dec	79.6		77.9	78.0	77.9 78.5
22-Dec	Expectations (Final)	Idx	Dec	63.6		61.1	61.1	60.5 62.0
22-Dec	FHFA House Price Index	%y/y	Oct	-0.2	0.4	0.9		
22-Dec	Leading Indicators	%m/m	Nov	0.5		0.9	0.3	0.1 1.0
23-Dec	Durable Goods	%m/m	Nov	3.8	0.0	-0.5	2.0	0.6 7.5
23-Dec	Curable Goods ex-Trans	%m/m	Nov	0.3	1.5	1.1	0.5	-0.4 1.5
23-Dec	Nondef Capex Ex-Air	%m/m	Nov	-1.2	-0.9	-0.8	1.0	0.3 2.0
23-Dec	Personal Income	%m/m	Nov	0.1		0.4	0.2	0.0 0.4
23-Dec	Consumption (PCE)	%m/m	Nov	0.2	0.2	0.1	0.3	0.2 0.6
23-Dec	Core PCE Deflator	%m/m	Nov	0.1		0.1	0.1	0.0 0.2
23-Dec	Core PCE Deflator	%y/y	Nov	1.7		1.7		
23-Dec	New Home Sales	k,AR	Nov	315	310	307	313	300 330

Consensus (median) forecasts supplied by Reuters News.

Treasury Financing Calendar

Security	Type	Amount	Announcement	Auction	Settlement
13-Week	BILL	\$29B	22-Dec	27-Dec	29-Dec
26-Week	BILL	\$27B	22-Dec	27-Dec	29-Dec
4-Week	BILL	e:\$30B	27-Dec	28-Dec	29-Dec
13-Week	BILL	e:\$29B	29-Dec	03-Jan	05-Jan
26-Week	BILL	e:\$27B	29-Dec	03-Jan	05-Jan

R denotes reopening

Federal Reserve Purchase Schedule

Operation Date	Settlement Date	Operation Type	Maturity Range	Expected Purchase Size
28-Dec	29-Dec	Fed Outright Tsy Coupon Sales	4/15/2014-11/30/2014	\$8.00- \$8.75 bln

*The next tentative outright Treasury operation schedule will be released on December 30, 2011 at 2PM