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ECONOMIC TALKING POINTS

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Weekly Economic Reports Should Now Be in the Spotlight

Perhaps most on the minds of Federal Reserve officials these days is whether the economy will snap back now that the crippling winter season is over.

Of course we won't get any economic data for the month of April until May, but it is possible to get at least a sneak preview from the very latest set of weekly reports. And what they reveal so far is very encouraging. The data shows the first few first days of spring have begun to re-energize consumers and businesses --- and that augurs well for the economy as a whole.

Here are some of the most significant weekly metrics we've tracked:

- **Weekly mortgage applications: Mortgage Bankers Association:**

Their index of new mortgage applications for the purpose of buying a home jumped 7% during the week ending April 3rd, compared with the previous week. That drove the purchase index to its highest since July 2013. The number of purchase applications has now risen for three straight weeks on a seasonally adjusted basis.

Some of this may reflect pent-up demand, since weather conditions kept many homebuyers from getting to mortgage bankers. But another factor could be that ubiquitous talk of the Federal Reserve possibly raising rates this summer prompted prospective homeowners to finally get off the fence and sign-up before mortgages become more expensive.

Let's not forget we already saw incipient signs of a housing recovery this year as both new and existing home sales increased in February. This uptrend was further underscored late March when the National Association of Realtors reported pending home sales, which is a leading indicator of future closings, leaped to its highest level since June 2013.

If the housing market, which has been quite lackluster this business cycle, begins to show fresh vitality this season it will contribute more significantly to GDP growth.

- **The Weekly Retail Chain Store Sales Index by the International Council of Shopping Centers**

With temperatures now warming, are consumers itching to get out and boost spending?

It sure looks like it. These early metrics suggest Americans are heading back to stores to resume shopping. The Weekly Retail Chain Store Sales Index rose 1.1% in the week ending April 4th from the previous week, and that marks the second consecutive rise. The pace of spending increases at same store sales is now at levels we last saw during the 2014 holiday shopping season. So prepare to see household outlays surprise on the upside this spring.

Initial weekly claims for unemployment benefits by the BLS:

First time applications for jobless benefits did jump 14,000, to 281,000 during the week ending April 4th. Some observers may find this troubling because it suggests further weakness in the job market. After all, this news comes after last week's disappointing report that employers added just 126,000 to March payrolls, the slowest in more than a year.

But, again, let's not lose perspective here. The 281,000 new filings for benefits is still historically low and correlates well with job growth well above a 200,000 monthly pace.

Secondly, it stands to reason that the winter weather made it difficult for many to travel to state government offices and fill out applications to receive unemployment benefits. With weather conditions now improving, those who postponed filings took the opportunity to do so in the latest week and that probably swelled the numbers last week.

Third, the more stable four-week moving average of new applications still managed to plummet to 282,250, which happened to be the lowest in more than a decade.

Finally, and perhaps most meaningful was release this week of the Jobs Openings and Labor Turnover Survey (JOLTS). While the onslaught of winter storms clearly depressed hiring, it hasn't change one iota the fact that companies are eagerly looking to fill more positions than at anytime in 14 years! The number of job openings surged to 5.13 million in the latest month (February), the highest since 2001. This is hardly evidence of labor market in a slump!

Bottom line:

If the upcoming monthly indicators do confirm the latest weekly reports and show the economy has shaken off the winter doldrums, then odds are high Fed will proceed with a rate increase this summer, with June still likely for that lift off. But don't expect to see rates increase with each subsequent FOMC meeting. There are just to many US and foreign economic and financial variables for the Fed to monitor as it begins to normalize monetary policy. Indeed, it may be more interesting to watch paint dry than track changes in the benchmark rate.

Such emphasis on gradualism means the Fed will remain very accommodative this year and next and that, in turn, should keep the expansion on solid footing.

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