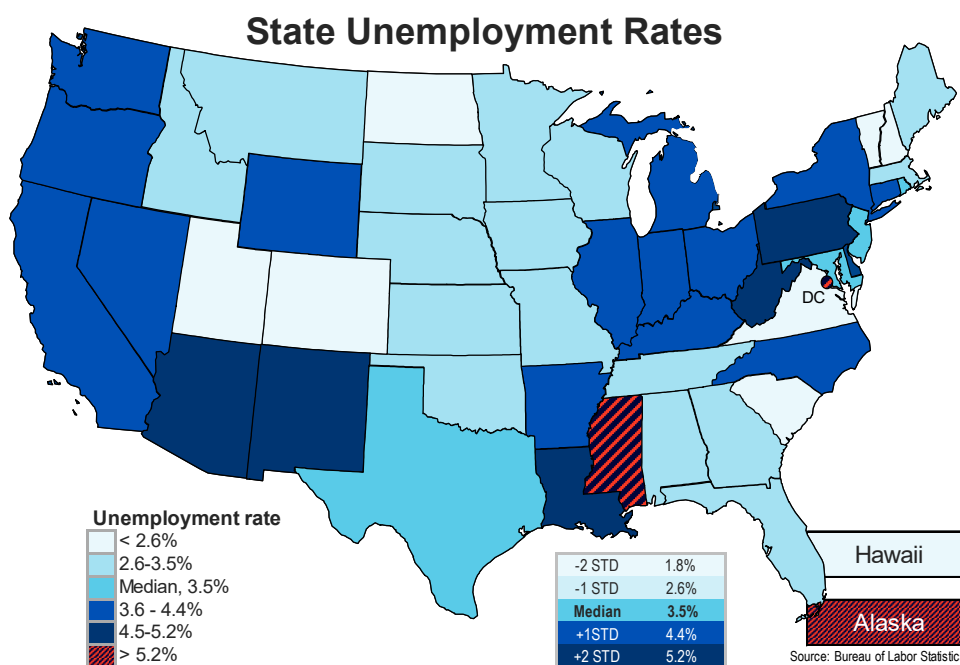


State Employment Data Reveals Key National Trends

Diving into state-level economic data this week is valuable, and not just because it reveals where the strongest and weakest regions are. It also sheds light on the elusive NAIRU — likely much lower than you think — and reveals unexpected demographic challenges investors cannot afford to ignore.

Unemployment is low across the United States, but it is lowest in the Midwest, Southeast, and New England, and highest in the far West and the former rust belt. The national unemployment rate is 3.5%, which is also the median unemployment rate of the 50 states and District of Columbia. South Carolina, Utah, and Vermont have the lowest unemployment rates, just 2.3%, while Alaska is the only state with unemployment above 6%. DC and Mississippi are the only other two with unemployment rates above 5%.¹



Each high unemployment state has unique challenges

In Alaska, state census data show six straight years of net outmigration. So many people left in 2018 and 2019, the population shrank. Alaska's labor force fell at about a 0.5% annual rate from 2013 to 2018. Last year, it plunged 2%. The lure of

¹ The Bureau of Labor Statistics offers a ton of information on its [Local Area Unemployment Statistics website](#). Click on the chart icon next to the individual state names, for example, to see any state's historical labor force, employment, unemployment, and unemployment rate in chart form along with Excel data downloads.

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ECONOMICS

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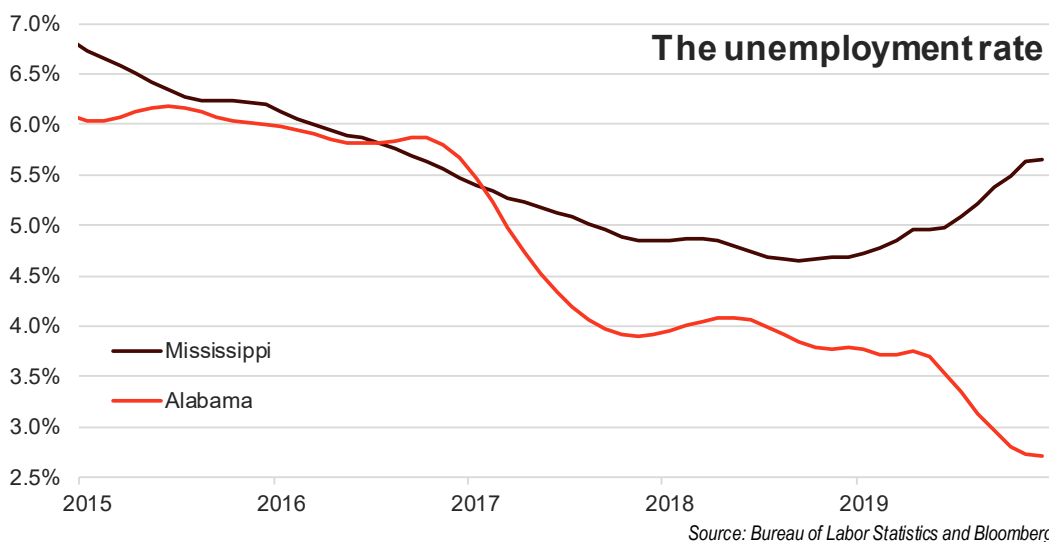
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greener employment pastures is pulling Alaska's working age population South. The state's 6.1% unemployment rate is its lowest ever, but it is by far the highest of the 50 states. With a shrinking labor force and shrinking population, Alaskan employment has fallen in five consecutive years. Because the labor force is falling faster than employment, however, the unemployment rate continues to drop.

In contrast, the District of Columbia's job market is the healthiest ever. Employment is growing, labor force participation is rising, unemployment is at an all-time low, and the unemployment rate at 5.3% has achieved the Fed's NAIRU estimate from six years ago. Of course, the Fed has only revised it down since then. Still, no one thought the nation could do better than a 5.25% unemployment rate through the first half of this expansion. The fact only two states have higher unemployment rates than DC says more about the health of the nation than the health of DC.

Mississippi stands out as the only state with relatively high unemployment and a clearly deteriorating job picture. The 1.0% increase in unemployment last year is the biggest of the 50 states, far exceeding the next-biggest 0.4% increase in Minnesota and Wisconsin. For years, the unemployment rate in Mississippi tracked the unemployment rate of its larger eastern neighbor, Alabama. In February 2017, Mississippi's unemployment rate dropped from 5.4% to 5.3%, while Alabama's fell from 5.5% to 5.2%. From there, the two have diverged.

While Alabama's unemployment continued to fall — at 2.7% it is now the ninth lowest in the country — Mississippi's leveled off in 2018 and rose in 2019 to the second highest behind Alaska at 5.7%. Since the Great Recession, two prior significant unemployment increases disappeared in later revisions, suggesting this increase could be revised away, too. But the state's reliance on low-skilled manufacturing has made it vulnerable to trade disputes in the past, suggesting last year's trade disputes are the problem. If so, unemployment should fall now that we have deals with Mexico, Canada, and China.

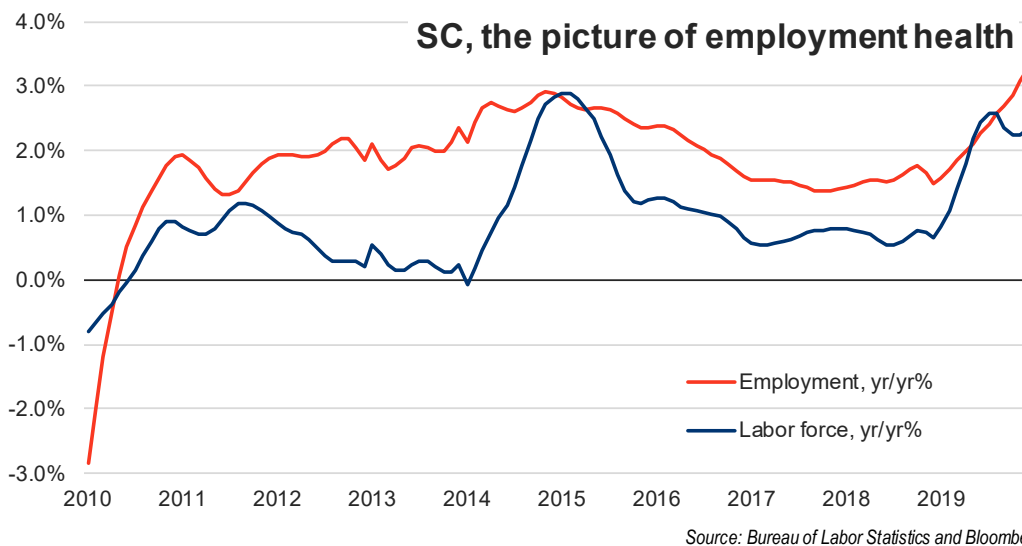


In its rebuild after Hurricane Katrina, the Mississippi Department of Transportation refitted Gulfport, the state's biggest saltwater port, with state-of-the-art cranes designed to unload bigger ships from China sailing through the recently widened Panama Canal. Quick access to the Tennessee River, the Mississippi, and the interstate system has attracted steady growth of Asian container shipping since the Panama Canal expansion in 2017. A boom in synthetic resin production in 2018 prompted a call for more Asian container shipping from Mississippi, but the 2018 and 2019 tariffs on Chinese trade prevented a deal. Now that Phase One has passed, however, the port is close to a deal with shipping giant Yilport expected to significantly increase export volumes.

The lowest of the low

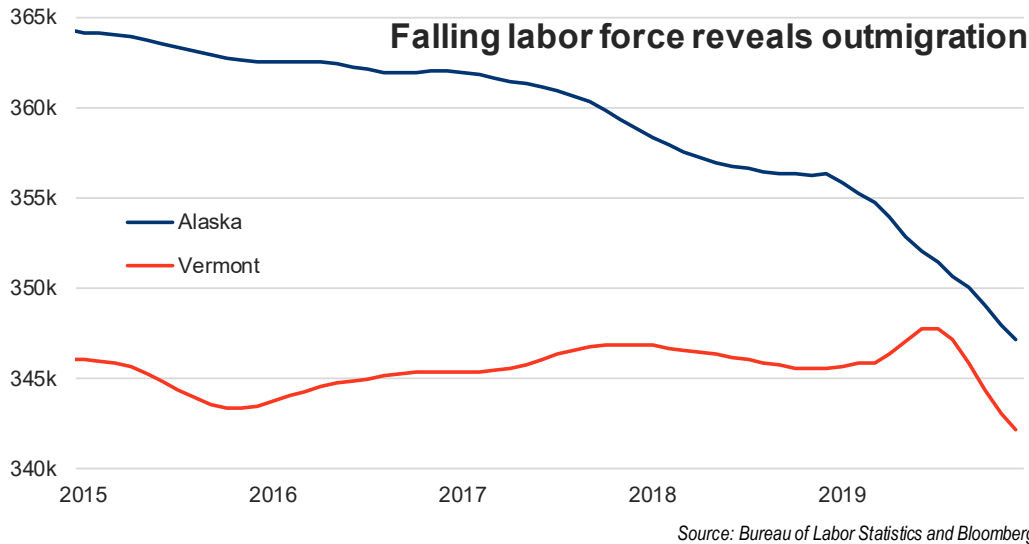
South Carolina's economy is roaring. Behind its record low 2.3% unemployment rate is rapid employment growth, rapid labor force growth, and even more rapid employment growth. South Carolina's strength comes from diversification. There are some big employers in the state, but a look at the top employers includes quite a few midsized operations, suggesting there must be myriad smaller employers down the list.

University of South Carolina economists predicted slower job growth last year as tax cut stimulus faded and trade disputes weighed on exports. While true for the national economy, they were wrong about South Carolina. Employment growth accelerated, again likely because small businesses are driving job growth. Also, small business tends to focus domestically. Boeing is the state's single largest employer, but even there the state has dodged a bullet, because Boeing's South Carolina facility makes 787s, a plane that has seen orders increase this year as airlines move away from the 737-Max.



Utah's 2.3% unemployment rate reflects a state economy dominated by education and government. Universities and the Defense Department account for four of the five biggest employers in the state. Delta Airlines, at #2, is the only private company in the top five. A well-diversified economy protected Utah from employment declines in every recession from the mid-70s until 2008. The state experienced substantial job losses in the Great Recession, however, and the unemployment rate climbed from 2.4% to 8%. In November, it finally recovered to the 2007 low and in December, it broke new ground.

For a brief time last year, Vermont had a 2.1% unemployment rate, the lowest in the country. Yet, its labor market is far from healthy, making Vermont the perfect bookend for Alaska. Vermont job losses in the Great Recession continued through 2015, making it one of the last states to recover from the Global Financial Crisis. The state chalked up solid job gains in 2016 and 2017, but lost jobs in 2018. The first half of last year started strong, but employment plunged to a two-and-a-half year low in the fourth quarter. The only thing keeping Vermont's unemployment rate from rising more than two tenths from its low last year was a commensurate drop in the labor force.



It has been an unusually mild winter in the Northeast this year, with as much rain as snow in the Green Mountains. Tourism is a big part of the economy and it hasn't been much of a ski season. There is some hope job growth will bounce in the spring. Nevertheless, with employment at a four-year low and well under its 2006 peak, the extraordinarily low unemployment rate in Vermont is primarily a reflection of how easy it is to move to a nearby state with job opportunities, like Massachusetts or New Hampshire, both of which are thriving.

Bottom line: NAIRU clues and demographic challenges

In addition to information on the states, state employment data reveals important national trends. Two in particular stand out. The unemployment rate has stopped falling in states with the lowest unemployment, while it is still falling in most states with median or higher unemployment, suggesting the NAIRU is likely near a 2.25-2.5% range.

It is possible for the unemployment rate to fall below the NAIRU, but not by much. Once the unemployment rate approaches 2%, companies start recruiting out of state. The FOMC's median NAIRU estimate is 4.1%, but it should drop when the FOMC processes staff findings in the policy review. Bear in mind when reading the Beige Book, anecdotal reports of companies struggling to find workers include companies in the thirteen states with unemployment rates under 3%, including eight under 2.6%.

State-level labor force data show working-age people are moving from state to state. People moved from high-tax states — including California, New York, Connecticut, New

Jersey, and Illinois — to low tax states after Congress cut the SALT deduction in the 2018 tax reform, but this trend appears to have ended last year. Both New York and California enjoyed labor force growth in 2019.

Behind that, however, is a more prominent migration from states with poor job opportunities – including Vermont and Hawaii, both among the lowest unemployment rates – to states with better opportunities, including Alabama, Iowa, South Carolina, Tennessee, Virginia, and West Virginia, all of which are experiencing rapid labor force growth. It's a clear reminder that a low unemployment rate is not necessarily a sign of a strong labor market. In some cases, it's a sign of people giving up and moving on.

Outmigration poses huge demographic challenges. A state with a declining working population suffers from lost tax revenue, lost income, and lost output. Alaska's unemployment rate is the lowest it has ever been, but the state's GDP has fallen 6.6% since 2012. Vermont is one of three states tied for the lowest unemployment rate at a time when the national average is at a 50-year low, yet its GDP growth rate averaged just 0.2% in the past five years, including an outright recession in 2013-14. In his January State of the State address, according to the [St. Albans Messenger](#), Governor Phil Scott noted that only three Vermont counties have added workers in the past 12 years. The other 11 have lost a total of 18,000 jobs, more than the entire population of every town or city in the state with the exception of Burlington.

Vermonters largely blame their demographic crisis on a national trend of migration from the countryside to cities in the past decade. Vermont is a rural state. But New Hampshire added 48,000 jobs in the last 12 years and it is almost as rural as Vermont. Kansas and Nebraska experienced job growth, too. Part of the problem is Vermont's tough environmental rules, which keeps the state pristine, but makes it difficult to build commercial or residential projects. The state is redrawing its zoning rules now. The [Burlington Free Press](#) describes the current rules thus:

“Vermont's historic land use law, Act 250, strikes fear and loathing in the hearts of some who find the law onerous and obstructive; and love and gratitude in the hearts of others, who believe Act 250 has played a major role in preserving Vermont's natural character.”

A developer cited in the story says permitting on two recent Vermont supermarket projects cost \$700,000 each. Permits for the same supermarkets built in New Hampshire cost \$300,000. During the Great Recession and its immediate aftermath, none of this mattered very much. No state economies were growing, development was at a standstill nationwide, and jobs were scarce all over. Now, however, business-friendly states have opportunities and workers are responding.

State-level demographics play out against a background of a national and global demographic challenge. Birth rates are dropping, populations are shrinking and the trends portend a darker demographic future. Japan's working age population crested years ago, resulting in stagnant GDP. China's working age population crested in 2015, and US population growth has slowed. States with good employment dynamics can overcome this challenge by attracting workers from elsewhere.

As for the states losing working age people, they face a double burden. As [Glassdoor](#) notes, young people are the most likely to relocate for a job. That means the labor force in these shrinking states is aging out even faster than their populations are dropping. Retirees and people on disability are the least likely to leave, so that the loss of revenue associated with outmigration occurs against a backdrop of rising costs associated with medical care and assistance programs. Contrast Vermont's budget process, which has included tax hikes and spending cuts in recent years, with South Carolina's. Governor Henry McMaster's 2020 budget starts with a \$2bn surplus which will be spent on \$425m in tax cuts and rebates, as well as investment in education, economic and workforce development (attracting more Vermonters!), and public safety. It's night and day.

– Chris Low, Chief Economist

Three Things to Note on the Fed

It was a busy week for the Fed. Below, we recap Chair Powell's Humphrey-Hawkins testimony, an interesting proposal by Supervisory Vice Chair Randy Quarles, and the Senate Banking Committee's grilling of two candidates to the Fed Board of Governors.

The Humphrey-Hawkins

Aside from a takedown for attending the wrong cocktail party — "I will put a photo up on the screen and show you this one in my hand. Is this you at Jeff Bezos' house in a tuxedo?" — Jay Powell's two-day trip to Capitol Hill for his February Humphrey-Hawkins testimony passed without incident.

- The Fed is confident policy is appropriate and will remain appropriate this year. Translation: No change in rates. But policy is not on auto pilot. The Fed is monitoring incoming information. This message is the same delivered at both October and December press conferences, suggesting the Fed feels good about its forecast.
- Powell was baited with the usual political chum. New Jersey Senator Menendez, for instance, asked him to tell the rest of the Senate the New Jersey rail link is vital to the national economy, presumably to bolster support for increased Federal funding for ongoing repairs. Others asked him to tell Congress the economy has failed to grow at the growth rates predicted by President Trump during the 2017 tax debate or to comment one way or the other on minimum wage legislation. For the most part, he did a good job steering clear of politics without offending anyone with a nonanswer. It was easier than it might have been because Congress generally loves him because the President doesn't.
- The press and markets were waiting for Powell to weigh in on Covid-19 risks. *Bloomberg News'* Daniel Moss argues it is defensible for central bankers to say "I don't know" in this case, as long as it's followed by reassurance the Fed will do what's necessary when they do know. That was pretty much the message from Powell. The virus will "very likely" have some effect on the US, he explained, and the Fed will act if it "leads to a material reassessment of the outlook." Otherwise, Powell said nothing about the virus.
- Contrast Powell's assessment with Reserve Bank of Australia's Philip Lowe when he told legislators "There are reasonable prospects of a quick bounce back," a comment so sanguine it invited backlash. One of the RBA's own economists, Alexandra Heath, warned the forecast might be too optimistic. "Something that we don't have in here, and is a very serious downside risk to the forecasts," she explained, "is that we haven't really taken into account that China sits in the middle of a lot of supply chains." One wonders why that had not occurred to them, especially given Australia's remarkable codependence with China.
- If Powell's Covid-19 comments sound familiar, it's because a material reassessment of the outlook has been the condition for a rate change since October. As *The Wall Street Journal's* Nick Timiraos notes, the old guidance plus the new Covid-19 additions pretty much amounts to an easing bias, because the choice from here is to hold policy steady or to cut.

- Senator Toomey did a terrific job explaining why SOFR is not a good rate to benchmark floating loans against because banks need a benchmark that rises and falls with the liabilities and, unlike LIBOR, SOFR does not reflect bank credit spreads. Powell explained he is aware of this concern and the Fed has convened a working group of bankers to build yet another benchmark, this time with a credit component. It sounds like the work is still in its early stages, and one wonders why they didn't think of this in the first place, but at least the Fed is aware.
- Powell reiterated his opposition to creating a permanent Fed repo facility. Instead, he endorsed a Quarles proposal that would use the discount window to change the Fed's CCAR treatment of Bank Treasury holdings and would alleviate some of the regulatory problems contributing to the repo squeeze. We explain the Quarles proposal below.

Quarles' Proposal

Randy Quarles addressed the links between Fed balance sheet policies, reserve demand, and supervision and regulation in [a recent speech](#) to NYU's Money Marketeters in New York. He advocated a tweak to the Fed's discount window that would allow supervisory forbearance and alleviate shortages in the repo market with fewer excess reserves. It could be accomplished without a permanent Fed repo facility.

- Balance sheet manipulation is now part of the Fed's conventional toolkit, Quarles explained. QE will be more effective in the future if the balance sheet is small when QE is needed again. Quarles added, "I believe that balance sheet policies are more credible if we can show that there is not a persistent ratcheting-up effect in the size of the Fed's asset holdings."
- The September spike in repo rates — SOFR and Fed funds, too — not only explains why the Fed is growing its balance sheet now, but it also explains "a number of firms and analysts who estimate that the amount of reserves consistent with an ample framework was higher than they previously had thought."
- Quarles noted the Liquidity Coverage Ratio (LCR), Regulation YY's enhanced prudential standards, and resolution planning all require large firms to demonstrate they hold sufficient liquidity in stressed scenarios and resolution. These three things amount to "self insurance." They also partially account for the repo market breakdown last fall.
- Large banks have doubled high quality liquid asset (HQLA) holdings to meet this self-insurance burden. HQLA assets include reserves, Treasuries, and Ginnie Maes.
- **In the original LCR, all HQLA assets are the same. But the Fed's stress tests under Regulation YY's enhanced prudential standards take into account potential losses on asset sales. As a result, large firms are required to maintain liquidity buffers sufficient to cover potential one-day outflows primarily in the form of reserves.**
- The primary purpose of the Federal Reserve System — indeed, the reason Congress named it the Federal Reserve — is to allow cash (reserves) to pass easily from banks that have it to banks that need it. Regulations make that more difficult.

- **If the Fed allowed banks to pledge Treasuries at the discount window in exchange for cash, however, the Fed and internal liquidity reviews could treat all HQLAs equally.** The beauty of this is that banks need not actually approach the window and pledge their assets. The change in regulatory treatment depends on nothing more than their ability to do so.
- If all HQLAs are equal, banks could lend reserves against Treasury collateral or convert reserves into Treasuries without increasing their HQLA holdings.
- Quarles did not dismiss a permanent repo facility outright, but he did say, “There may be benefits to working first with the tools we already have at our immediate disposal.”

Powell was more forceful than Quarles in opposing permanent repo. He doesn’t want to expand the Fed’s role in the market, especially if it usurps a function the private sector already does on its own. In contrast, he suggested Quarles’ discount window plan is well worth considering.

Senate Considers Two Fed Nominees

Senate Banking Committee members grilled Chris Waller and Judy Shelton in a nomination hearing Thursday. More accurately, Shelton was grilled; Waller faced something more like a gentle toasting.

- Chris Waller is the head of research at the St. Louis Fed. He is an outlier in the sense that he was the one mentoring his boss, James Bullard, who convinced Bullard to walk an increasingly dovish line. But it is, and always was, a line determined by rigorous, traditional Fed research.
- Judy Shelton sounded smart and capable, but not at all like a Fed traditionalist. She once advocated the gold standard. Recently, she advocated cutting rates to weaken the dollar. She also advocated cutting rates to encourage banks to draw down reserves and shrink the Fed’s balance sheet. That last suggestion came just after the September repo blowout – unfortunate timing at best.
- Mr. Waller is certain to pass through committee. He faced mostly routine questions and avoided commenting on policy. Like most traditional Fed candidates, Waller said as little as possible. No Senator from either party expressed concerns about him when asked by the press after the hearing.
- Approval of Ms. Shelton’s nomination is less certain. Democrats on the committee are likely to object to a controversial Trump appointee, which means confirmation could easily depend on a yes vote from all 13 Republicans.
- Committee Chairman Mike Crapo supports Shelton. He said he’d have a problem if every board member was a maverick, but one maverick on the committee is a useful antidote to groupthink. Others are not so sure.
- After the hearing, reporters asked Senator Richard Shelby how he felt about Shelton. “Concerned,” was his one word answer.

- During the hearing, Senator Pat Toomey warned Shelton against cutting rates to devalue to the dollar. “That’s a very, very dangerous path to go down,” he told her. “This beggar-thy-neighbor mutual currency devaluation is not in our interest, and it is not in the mandate of the Fed to pursue it.” After the hearing he told reporters he still thinks she might advocate cutting rates to devalue the dollar.
- Republican Senator John Kennedy told reporters he is still undecided. “Nobody wants anybody on the Federal Reserve that has a fatal attraction to nutty ideas,” he explained. “Now I’m not saying that’s the case here, but that was sort of the dialectic going on.”

Whatever the outcome, this is shaping up as a win for Trump. It’s a big win if Waller and Shelton are confirmed, of course, but it’s still a win if Shelton is rejected but Waller sails through. The FOMC is about to get at least one permanent voter almost certain to be as dovish as the two biggest current doves — Bullard and Kashkari — in the person of Chris Waller. Sure, no one knows who he is now, but if Trump survives the election, don’t be surprised if Waller is nominated to replace Powell as Chair in February 2022.

– Chris Low, Chief Economist

The Week Ahead

This Week's Numbers		CONSENSUS				
		PRIOR	HIGH	LOW	MEDIAN	FHN
Tuesday, February 18	Empire Manufacturing - Feb	4.8	10.1	2.5	5.0	5.0
	NAHB Housing Market Index - Feb	75	77	73	75	77
Wednesday, February 19	Building Permits - Jan	1416k	1470k	1400k	1450k	1460k
	Building Permits MoM - Jan	-3.9%	3.5%	-1.4%	2.1%	3.1%
	Housing Starts - Jan	1608k	1600k	1351k	1400k	1550k
	Housing Starts MoM - Jan	16.9%	-0.5%	-16.0%	-12.9%	-3.6%
	PPI Final Demand MoM - Jan	0.1%	0.3%	0.0%	0.1%	0.1%
	PPI Ex Food and Energy MoM - Jan	0.1%	0.4%	0.0%	0.2%	0.2%
	PPI Final Demand YoY - Jan	1.3%	1.7%	1.4%	1.6%	1.5%
	PPI Ex Food and Energy YoY - Jan	1.1%	1.4%	1.1%	1.3%	1.3%
Thursday, February 20	FOMC Meeting Minutes					
	Philadelphia Fed Business Outlook - Feb	17.0	12.5	6.0	10.0	10.0
	Leading Index - Jan	-0.3%	0.6%	0.1%	0.4%	0.3%
Friday, February 21	Markit US Manufacturing PMI - Feb P	51.9	51.7	51.0	51.5	51.0
	Markit US Services PMI - Feb P	53.4	54.0	53.0	53.5	53.0
	Existing Home Sales - Jan	5.54m	5.56m	5.25m	5.48m	5.50m
	Existing Home Sales MoM - Jan	3.6%	0.4%	-5.2%	-1.2%	-0.7%

Review

This week, Chair Powell testified before Congress, indicating a moderately dovish stance. Powell said it was too early to speculate how the coronavirus will impact the economy, but warned the impact will likely be substantial. The key question for policymakers is whether it causes “a material change to the outlook.”

The Senate held hearings for Fed nominees, Judy Shelton and Christopher Waller. Leading up to Shelton’s hearing, Senator Rounds (R-SD) asked Chair Powell if he thought it was important for the Fed board to reject groupthink and consider a variety of different viewpoints. Powell said yes, “it’s critical to have diverse perspectives.”

- **Chair Powell’s testimony indicated the Fed would use QE “aggressively”** in an economic downturn. Powell also said the Fed will explore using every “scrap of policy space” in its upcoming policy review despite being pressed against the lower bound. Powell sounded much like ECB President Lagarde who warned EU lawmakers last week, after a huge drop in Germany factory orders, that a decade of fighting the financial crisis has driven interest rates down and “significantly reduced the scope” central banks have to ease policy in the case of an economic downturn. Powell also stressed to lawmakers that lowering interest rates to fight a recession is not really a choice anymore, as fiscal policy must be in a place “as it always has been to support the economy in a downturn.” Powell, like Lagarde, indicated support for fighting climate change but stopped short of offering a green QE portfolio.

With respect to Covid-19, Representative Kustoff (R-TN) cited a quote from global port tracker and an AXIOS report indicating traffic at US ports is expected to decline in February almost 13% and in March between 9% and 10% year-over-year. Powell said:

"I think there's a lot of uncertainty around what the ultimate economic effects will be outside of China and the United States, and the question will be, we do expect that, consistent with that report, that there would be some effects. The question, really will be, what will be the size and scope of them, and also will they be persistent or will it be something that just passes through? **And ultimately, the bottom line question for us is does it...does it represent a material change in the outlook, something that we should react to with monetary policy?** That...that's really the question for us, and it's too early to say. We'll be monitoring it with everyone else very carefully and that's where we are."

With respect to climate change, Representative Lucas (R-OK) asked what the Fed was doing in terms of research and portfolio risk on climate change. Powell said:

"I should begin by saying that climate risk is...is a very important issue that Congress has largely assigned to other agencies. **It does play into our work, however, as it relates to the public's very reasonable expectation that we would make sure that the financial sector, or the banks and utilities that we supervise, are resilient against the longer term risks of climate change.**"

"We're in the very early days of understanding what all that means. And so, there's work going on around the world, at central banks, to try to figure that out. You talked about the Bank of England stress tests. You know, those are not intended to inform current capital requirements, but more inform — to understand what might be the effects on...on banks from climate change."

Representative Lucas followed up, asking if the Fed was planning to join the Network for Greening the financial system. Powell said:

"We haven't made a decision about that. We've always attended their meetings. I mean, I guess my theory is, when you join an organization like that, there isn't...you're not necessarily signing up for everything that everybody there believes. You can...you can benefit from the work that's being done there. We're kind of doing that now. We have not make a decision about membership."

Senator Schatz (D-HI) also asked Powell about climate change. His reply:

"Like other central banks, we are beginning the process of understanding how climate change affects our work. I think one way we know it will affect our work is that the public will count on us to make sure that financial institutions that we regulate, central counterparties, things like that, will be robust to the risks that come from climate change. As I said, we're at the beginning of knowing what the means."

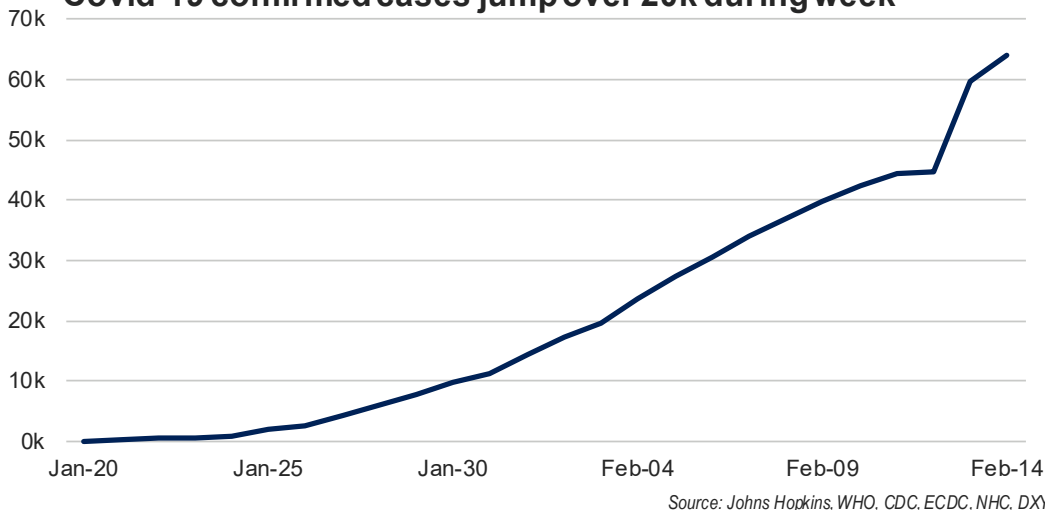
In terms of disclosure, you know it's more really an FDIC issue. They're the ones who regulate appropriate disclosure, and they've been doing some work on this lately."

Schatz followed up by asking Powell to elaborate on the climate change stress testing he was watching at the Bank of England.

“So they are doing stress tests which are not at all related to the CCAR process, which is the one that relates to the amount of dividends and the distributions that a company can have. This is more of an exploratory... scenario[s] and we’re very closely monitoring that work. You know, we have good relationships with all the major central banks, especially the Bank of England and others, so we’ll be looking at that. It’s something we’ll be thinking about. We haven’t made any decision. We’re actually doing, you know, a fair amount of work all through the Federal Reserve System on understanding this emerging risk.”

- **Small business owner optimism rose 1.6 points in January to 104.3.** Three key factors drove the increase: a jump in job openings (+4 points to 37%), higher sales volumes expected (+7 points to 23%), and current conditions supportive of business expansion (+3 points to 28%). Nineteen percent of respondents plan to create new jobs, and 36% of those are planning to raise compensation to attract qualified workers.
- **The coronavirus case count jumped nearly 15k overnight Thursday after China modified its testing method. More than 5k were added on Friday. China also disclosed 1,716 health workers are infected, 1,100 of them in Wuhan. They have not previously disclosed this number.** Confirmed cases are now estimated at 64,460 according to Johns Hopkins, which compiles data from WHO, the CDC and the Chinese government. The numbers include cases confirmed by a test kit as well as a “clinically diagnosed” category, which includes people tested with CT scans, X-rays, and the like. China’s death toll jumped by 242 to 1,367 and Japan reported its first virus-related death.

Covid-19 confirmed cases jump over 20k during week



The Atlanta Fed’s Q1 GDPNow forecast fell from 2.7% last week to 2.4%, driven by downward revisions in retail trade, import/export prices, and the drop in industrial production. The NY Fed revised its Nowcast from 1.67% to 1.39%, led by the declines in industrial production and capacity utilization.

Preview

Note: ★ = High Impact Event

All times Eastern

Sunday, February 16

- ★ 6:50pm – Japan:
 - GDP – Q4 P (Last: 0.4% q/q; Con: -1.0% q/q)
 - GDP Annualized – Q4 P (Last: 1.8% q/q; Con: -3.8% q/q)
 - GDP Nominal – Q4 P (Last: 0.6% q/q; Con: -0.6% q/q)
 - GDP Deflator – Q4 P (Last: 0.6% y/y; Con: 1.1% y/y)
- ★ 8:30pm – China: New Home Prices – Jan (Last: 0.35% m/m)
- 11:30pm – Japan:
 - Industrial Production – Dec F (Last: 1.3% m/m)
 - Industrial Production – Dec F (Last: -3.0% y/y)
 - Capacity Utilization – Dec F (Last: -0.3% m/m)

Monday, February 17

- ★ US: Public Holiday

Tuesday, February 18

- 3:30am – Hong Kong: Unemployment Rate – Jan (Last: 3.3%; Con: 3.4%)
- 4:30am – UK:
 - Unemployment Rate – Dec (Last: 3.8% 3Mths; Con: 3.8% 3Mths)
 - Average Weekly Earnings – Dec (Last: 3.2% 3M/YoY; Con: 3.0% 3M/YoY)
- ★ 5:00am – Germany:
 - ZEW Survey Expectations – Feb (Last: 26.7; Con: 20.7)
 - ZEW Survey Current Situation – Feb (Last: -9.5; Con: -11.0)
- 8:30am – US: Empire Manufacturing – Feb (Last: 4.8; Con: 5.0)
- 10:00am – US: NAHB Housing Market Index – Feb (Last: 75; Con: 75)
- ★ 4:00pm – US:
 - Net Long-Term TIC Flows – Dec (Last: \$22.9b)
 - Total Net TIC Flows – Dec (Last: \$73.1b)
- ★ 6:50pm – Japan:
 - Core Machine Orders – Dec (Last: 18.0% m/m; Con: -8.9% m/m)
 - Core Machine Orders – Dec (Last: 5.3% y/y; Con: -1.3% y/y)
 - Trade Balance – Jan (Last: -¥152.5b; Con: -¥1684.8b)
 - Exports – Jan (Last: -6.3% y/y; Con: -7.0% y/y)
 - Imports – Jan (Last: -4.9% y/y; Con: -2.0% y/y)

Wednesday, February 19

- 4:30am – UK:
 - CPI – Jan (Last: 0.0% m/m; Con: -0.4% m/m)
 - CPI – Jan (Last: 1.3% y/y; Con: 1.6% y/y)

- Core CPI – Jan (Last: 1.4% y/y; 1.5% y/y)
- PPI Output – Jan (Last: 0.0% m/m; Con: 0.1% m/m)
- PPI Output – Jan (Last: 0.9% y/y; Con: 0.8% y/y)
- 8:10am – US: Atlanta Fed President Raphael Bostic speaks on US economy. (FOMC voter in 2021)
- ★ 8:30am – US:
 - PPI Final Demand – Jan (Last: 0.1% m/m; Con: 0.1% m/m)
 - PPI Final Demand – Jan (Last: 1.3% y/y; Con: 1.6% y/y)
 - Core PPI – Jan (Last: 0.1% m/m; Con: 0.2% m/m)
 - Core PPI – Jan (Last: 1.1% y/y; Con: 1.3% y/y)
 - PPI Ex Food, Energy, and Trade – Jan (Last: 0.1% m/m; Con: 0.1% m/m)
 - PPI Ex Food, Energy, and Trade – Jan (Last: 1.5% y/y)
 - Building Permits – Jan (Last: 1416k; Con: 1450k)
 - Building Permits – Jan (Last: -3.9% m/m; Con: 2.1% m/m)
 - Housing Starts – Jan (Last: 1608k; Con: 1400k)
 - Housing Starts – Jan (Last: 16.9% m/m; Con: -12.9% m/m)
 - Cleveland Fed President Loretta Mester speaks at forum of executive women. (FOMC voter)
- 8:30am – Canada:
 - CPI – Jan (Last: 2.2% y/y; Con: 2.4% y/y)
 - CPI – Jan (Last: 0.0% m/m; Con: 0.3% m/m)
- ★ 11:45am – US: Minneapolis Fed President Neel Kashkari speaks. (FOMC voter)
- ★ 1:30pm – US: Dallas Fed President Robert Kaplan speaks. (FOMC voter)
- ★ 2:00pm – US: FOMC Meeting Minutes
- 4:30pm – US: Richmond Fed President Thomas Barkin speaks. (FOMC voter in 2021)

Thursday, February 20

- 1:00am – Japan: Machine Tool Orders – Jan F
- ★ 2:00am – Germany:
 - Gfk Consumer Confidence – Mar (Last: 9.9; Con: 9.8)
 - PPI – Jan (Last: 0.1% m/m; Con: 0.1% m/m)
 - PPI – Jan (Last: -0.2% y/y; Con: -0.5% y/y)
- 2:45am – France:
 - CPI – Jan F (Jan P: -0.4% m/m; Con: -0.4% m/m)
 - CPI – Jan F (Jan P: 1.5% y/y; Con: 1.5% y/y)
 - CPIH – Jan F (Jan P: -0.5% m/m; Con: -0.5% m/m)
 - CPIH – Jan F (Jan P: 1.6% y/y; Con: 1.6% y/y)
- 3:30am – Hong Kong: CPI Composite – Jan (Last: 2.9% y/y; Con: 3.1% y/y)
- 4:30am – UK:
 - Retail Price Index – Jan (Last: 0.3% m/m; Con: -0.6% m/m)
 - Retail Price Index – Jan (Last: 2.2% y/y; Con: 2.6% y/y)
 - Retail Sales Incl Auto Fuel – Jan (Last: 0.9% y/y; Con: 0.6% y/y)
 - Retail Sales Ex Auto Fuel – Jan (Last: 0.7% y/y; Con: 0.5% y/y)

- ★ 7:30am – EU: ECB meeting minutes
- 8:30am – US: Philadelphia Fed Business Outlook – Feb (Last: 17; Con: 10)
- 10:00am – US: Leading Index – Jan (Last: -0.3% m/m; Con: 0.4% m/m)
- 10:00am – EU: Consumer Confidence – Feb A (Last: -8.1; Con: -8.1)
- 1:20pm – US: Richmond Fed President Thomas Barkin speaks at Harvard. (FOMC voter in 2021)
- 6:30pm – Japan:
 - CPI – Jan (Last: 0.8% y/y; Con: 0.7% y/y)
 - CPI Ex Fresh Food – Jan (Last: 0.7% y/y; Con: 0.8% y/y)
 - CPI Ex Fresh Food and Energy – Jan (Last: 0.9% y/y; Con: 0.8% y/y)
- 7:30pm – Japan:
 - Jibun Bank Manufacturing PMI – Feb P (Last: 48.8)
 - Jibun Bank Services PMI – Feb P (Last: 51.0)
 - Jibun Bank Composite PMI – Feb P (Last: 50.1)
- 11:30pm – Japan: All Industry Activity Index – Dec (Last: 0.9% m/m)

Friday, February 21

- ★ 3:15am – France:
 - Markit Manufacturing PMI – Feb P (Last: 51.1; Con: 50.8)
 - Markit Services PMI – Feb P (Last: 51.0; Con: 51.3)
 - Markit Composite PMI – Feb P (Last: 51.1; Con: 50.8)
- ★ 3:30am – Germany:
 - Markit/BME Manufacturing PMI – Feb P (Last: 45.3; Con: 44.8)
 - Markit Services PMI – Feb P (Last: 54.2; Con: 53.9)
 - Markit/BME Composite PMI – Feb P (Last: 51.2; Con: 50.8)
- 4:00am – EU:
 - Markit Manufacturing PMI – Feb P (Last: 47.9; Con: 47.5)
 - Markit Services PMI – Feb P (Last: 52.5; Con: 52.2)
 - Markit Composite PMI – Feb P (Last: 51.3; Con: 51.0)
- ★ 4:30am – UK:
 - Markit Manufacturing PMI – Feb P (Last: 50.0; Con: 49.6)
 - Markit/CIPS Services PMI – Feb P (Last: 53.9; Con: 53.4)
 - Markit/CIPS Composite PMI – Feb P (Last: 53.3; Con: 52.9)
 - Public Finances – Jan
- 5:00am – EU:
 - CPI – Jan (Last: 1.4% y/y)
 - CPI – Jan F (Last: -1.0% m/m)
 - Core CPI – Jan F (Last: 1.1% y/y)
- ★ 9:35am – US: Dallas Fed President Robert Kaplan speaks. (FOMC voter)
- 9:45am – US:
 - Markit Manufacturing PMI – Feb P (Last: 51.9; Con: 51.5)
 - Markit Services PMI – Feb P (Last: 53.4; Con: 53.5)
 - Markit Composite PMI – Feb P (Last: 53.3)

- 10:00am – US:
 - Existing Home Sales – Jan (Last: 5.54m; Con: 5.48m)
 - Existing Home Sales – Jan (Last: 3.6% m/m; Con: -1.2% m/m)
- ★ 10:15am – US: Fed Governor Lael Brainard and Atlanta Fed President Raphael Bostic discuss the 2020 report, “Monetary Policy for the Next Recession,” presented at Chicago Booth’s annual conference on policy. (Bostic votes on the FOMC in 2021.)
- 12:00pm – US: ECB chief economist Philip Lane gives the keynote address at Booth policy forum in NY.
- ★ 1:30pm – US: Cleveland Fed President Loretta Mester moderates a panel discussion on “Hall of Mirrors: Feedback Between Monetary Policy and Financial Markets,” that includes Fed Vice Chair of Supervision Richard Clarida. (Mester votes on the FOMC this year.)

– Rebecca Kooshak, Economic Analyst

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