2019 Outlook by the Numbers

		2015	2016	2017	2018	Most Recent	2019E	Trend
ECONOMY	**Real GDP Growth SAAR (Annual Average)**	2.90%	1.50%	2.20%	2.90%	3.10%*	2.50%	
	The U.S. economy grew 3.1% in Q1 of 2019. Q1 growth was driven by net exports, inventory restocking, and government spending. We expect Q2 GDP to come in at 2.1% as the economy is slowing from waning fiscal stimulus in 2018 and trade uncertainty. We forecast full-year 2019 GDP at 2.5%.							
LABOR MARKET	**Unemployment Rate (Annual Average)**	5.30%	4.90%	4.40%	3.90%	3.60%**	3.70%	
	The unemployment rate was 3.6% in May. The unemployment rate remains at the lowest rate since December 1969. The labor market continues to be strong, as initial unemployment claims remain low, and wages continue to grow at a rate north of 3.0% (average hourly earnings are up 3.1% y/y).							
	Payroll Employment (Annual Average)	229k	187k	182k	223k	75k**	175k	
	The U.S. added 75k jobs in May, below expectations of 180k jobs. The pace of job growth has slowed recently, but the three-month average gain is still healthy at 151k. We expect a slightly slower pace of job gains in 2019 vs. 2018 due to limited availability of labor and a slowing economy.							
HOUSING	**Housing Starts (Annual Average)**	1,111k	1,166k	1,211k	1,241k	1,235k***	1225k	
	U.S. housing starts rose 5.7% in April to an annual rate of 1,235k units. Gains were led by single-family, gaining 6.2% to 854k units, while multi-family starts increased 4.7% to 381k units. Labor availability and affordability remain concerns for housing, but lower interest rates could be a positive factor.							
	Building Permits (Annual Average)	1,178k	1,172k	1,260k	1,313k	1,290k***	1300k	
	Building permits rose by 0.2% to an annual rate of 1,290k units in April. Permits are outpacing starts, which suggests a pick-up in homebuilding in the months ahead. Multi-family permits increased by 6.8% to a rate of 504k units, while single-family permits were down 3.7% to a rate of 786k units.							
	Housing Prices Y/Y (Annual Average)	5.60%	5.30%	5.90%	5.80%	2.70%****	4.00%	
	Housing prices continue to slow, posting a gain of 2.7% in March. Home price gains have decelerated from 6.7% to 2.7% over the last year. This trend is likely to continue as home prices continue to increase at a faster rate than wages, which is negatively impacting affordability.							

		2015	2016	2017	2018	Most Recent	2019E	Trend
INFLATION	**PCE Index Y/Y** (Annual Average)	0.30%	1.10%	1.70%	2.00%	1.50%***	1.70%	
	The U.S. PCE Price Index posted a 1.5% y/y increase in April. We expect inflation to increase moderately throughout the year due to tightening in the labor market, which will in turn result in wage growth and the prospects for higher energy costs.							
	Core PCE Price Index Y/Y (Annual Average)	1.30%	1.80%	1.60%	1.90%	1.60%***	1.80%	
	The Core PCE Price Index, which excludes food and energy, rose to 1.6% y/y in April. This is below the Fed's 2.0% target, which supports the case for the Fed's patient approach and the case for interest rate cuts. We expect some continued upward pressure on core inflation as wages increase.							
	Consumer Price Index (CPI) Y/Y (Annual Average)	0.10%	1.30%	2.10%	2.50%	1.80%**	1.90%	
	Consumer prices came in at 1.8% y/y in May. Headline inflation appears to have bottomed in February at 1.5%. The recent 30bps increase in the inflation rate can largely be attributed to a rise in gasoline prices. We expect inflation to increase modestly over the next few years.							
	Core CPI Y/Y (Annual Average)	1.80%	2.10%	1.80%	2.10%	2.00%**	2.00%	
	Excluding the volatile food and energy categories, core consumer prices came in at 2.0% y/y in May. Core CPI has been steady at 2.1% to 2.2% for the last nine months. We expect increases in core CPI over the next few years as wage growth improves. Average hourly earnings are up 3.1% y/y.							
CONSUMER	**Consumer Spending (PCE)** (Annual Average)	3.70%	2.70%	2.50%	2.60%	2.70%***	2.60%	
	U.S. consumer spending rose by 2.7% y/y in April. Consumption growth has been fairly steady, ranging between 2.5% to 3.0% for nearly two years. We believe consumer spending will likely remain well-supported, given a solid labor market, low interest rates and high consumer confidence.							
	Consumer Confidence (U of MI) (Annual Average)	92.9	91.8	96.8	98.4	100.0**	98.0	
	Consumer confidence came in at 100.0 in May, the highest reading since September 2018. The increase in consumer sentiment was due largely to the continued strength in the labor market (lowest unemployment rate in 49 years) and robust stock market returns.							

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		2015	2016	2017	2018	Most Recent	2019E	Trend
INTEREST RATES	**Fed Funds Rate**	**0.50%**	**0.75%**	**1.50%**	**2.50%**	**2.50%****	**2.25%**	
	We believe the Fed will begin an easing cycle to prolong the economic recovery given low inflation and slowing growth. We expect the Fed to cut the Fed Funds rate once, by 25bps, in 2019, which means it will end the year at 2.25%. We expect the Fed to cut again by another 25bps in March 2020.							
	10-Year Treasury Yield	**2.30%**	**2.44%**	**2.41%**	**2.68%**	**2.12%****	**2.50%**	
	The 10-Year Treasury Yield will likely be driven by modestly increasing inflation expectations. We expect the 10-Year Treasury Yield to trend higher throughout 2019 and end the year at 2.50%.							
EQUITIES	**S&P 500 Price**	**2,044**	**2,239**	**2,674**	**2,507**	**2,752****	**2,800**	
	The equity market has rebounded following the sharp Q4 sell-off due to a more patient approach from the Fed, a pending trade deal between the U.S. and China, and stabilizing earnings growth expectations for 2019. We think the market, which is currently at 16.5x earnings, is fairly valued.							
	S&P 500 Operating EPS Growth	**-2.9%**	**0.1%**	**12.8%**	**23.6%**	**1.2%*******	**7.00%**	
	We believe earnings will grow by 7.0% y/y in 2019 (5% revenue growth plus 2% from share repurchases) due to above-trend U.S. economic growth at 2.5%. A key risk to our forecast is slower global growth and escalating trade tensions.							
GLOBAL ECONOMY	**World GDP (Annual Average)**	**3.50%**	**3.30%**	**3.70%**	**3.70%**	**3.90%***	**3.50%**	
	We believe global growth will slow somewhat in 2019 to 3.5%, down from 3.7% in 2018. Slowing labor force population, weak productivity and high levels of debt are limiting the extent to which economies can grow.							
	Emerging Markets GDP (Annual Average)	**4.40%**	**4.40%**	**4.90%**	**5.00%**	**5.50%***	**4.90%**	
	We expect the growth in emerging markets to remain somewhat stable in 2019. China continues to be the economic growth engine in the emerging markets and growth is slowing. That said, we expect stimulus from China to somewhat stabilize growth estimates.							

*Quarter over Quarter Seasonally Adjusted Annualized Rate, as of Q1 2019
**As of May 2019
***As of April 2019
****As of March 2019
*****Trailing four quarters
E = Estimate

Disclosure and Important Considerations

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Trend Key
Positive
Trending Down
Trending Up
Neutral
Trending Down
Trending Up
Negative

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