

	2013	2014	2015	2016	Most Recent	2017E	Trend	
ECONOMY	Real GDP Growth SAAR (Annual Average)	1.70%	2.40%	2.60%	1.60%	1.20%*	2.20%	
	As has been typical over the last few years, first quarter real GDP rose 1.2% - less than expected. Consumer spending only increased 0.6% after increasing 3.5% in the prior quarter. Consumer weakness was related to a slowdown in automobile purchases and reduced spending on utilities.							
LABOR MARKET	Unemployment Rate (Annual Average)	7.40%	6.20%	5.30%	4.90%	4.30%**	4.40%	
	The unemployment rate fell to 4.3% in May, its lowest level since May 2001. The drop in unemployment came as many Americans stopped looking for work, pushing the participation rate down. A decline in the number of involuntary part-time workers lowered the U6 to 8.4%, the lowest level since 2007.							
LABOR MARKET	Payroll Employment (Annual Average)	193k	251k	229k	187k	138k**	165k	
	U.S. employers pulled back on hiring in May, adding only 138k new non-farm jobs. Restaurants, health care firms, and construction contributed a large portion of May's jobs. Workers continued to see modest wage growth, with average hourly earnings up 2.5% y/y.							
HOUSING	Housing Starts (Annual Average)	925k	1,003k	1,111k	1,166k	1,172k***	1,250k	
	U.S. housing starts fell 2.6% in April to an annual rate of 1,172k units, leaving home building at its lowest point in five months. The weakness was led by a large drop in apartment construction, a volatile sector.							
	Building Permits (Annual Average)	987k	1,053k	1,178	1,172k	1,228k***	1,250k	
Building permits for future construction fell 2.5% to an annual rate of 1,228k. The decline was driven by a 4.5% drop in the single-family segment while multi-family permits rose 1.4%.								
HOUSING	Housing Prices Y/Y (Annual Average)	13.40%	4.30%	5.60%	5.30%	5.9%****	4.00%	
	Home values continued to climb in March, up 5.9% y/y to a nearly three-year high. Tight supply continues to put upward pressure on home prices, which are now rising at three times the rate of incomes. More sellers listed their homes in April, but the number of listings was still 9% lower than a year ago.							

	2013	2014	2015	2016	Most Recent	2017E	Trend	
INFLATION	PCE Index Y/Y (Annual Average)	1.30%	1.50%	0.3%	1.10%	1.70%***	1.70%	
	The U.S. PCE Index rose 0.2% month over month in April after falling 0.2% in March. In the 12-month period ending in April, the PCE price index increased 1.7%. We expect inflation to increase over the next few years as wage gains accelerate due to the tightening labor market.							
	Core PCE Index Y/Y (Annual Average)	1.50%	1.60%	1.40%	1.70%	1.50%***	2.00%	
	The core PCE deflator rose 0.2% in April after dipping 0.1% in March. Despite the increase, the year-on-year rate still decelerated to 1.5%. We expect an upward trend to core inflation over the next few years.							
INFLATION	Consumer Price Index (CPI) Y/Y (Annual Average)	1.50%	1.60%	0.1%	1.30%	2.20%***	1.90%	
	Following twelve months of gains, consumer prices rose 2.2% y/y in April, a deceleration from March's 2.4% rate. Declines in the gasoline and energy indices were the largest factors in April's moderate inflation.							
	Core CPI Y/Y (Annual Average)	1.80%	1.70%	1.80%	2.10%	1.90%***	2.40%	
Core consumer prices, which excludes volatile food and energy, dropped 0.1% in April after a flat February. Over the past 12 months, core prices have risen 1.9%.								
CONSUMER	Consumer Spending (PCE) (Annual Average)	1.50%	2.90%	3.20%	2.70%	2.60%***	2.90%	
	U.S. consumer spending increased 2.6% y/y in April. Consumer spending will likely remain supported amid the growing optimism surrounding the economy, low unemployment, and rising wages.							
CONSUMER	Consumer Confidence (U of MI) (Annual Average)	79.2	84.1	92.9	91.8	97.1**	96.0	
	Measures of consumer confidence for May rose slightly to 97.1, lower than market expectations of 97.6. Consumers' attitudes about economic conditions remain favorable despite the retreat, due largely to division among political party lines.							

	2013	2014	2015	2016	Most Recent	2017E	Trend	
INTEREST RATES	Projected Fed Funds	0.25%	0.25%	0.50%	0.75%	1.00%**	1.50%	
	We believe the Fed will raise the Fed Funds rate three times in 2017, reaching 1.5% by year-end. Fed rate increases are a positive reflection of the improvement in economic conditions, but at the same time tighten financial conditions.							
INTEREST RATES	Projected 10 Year Treasury	3.00%	2.17%	2.30%	2.44%	2.20%**	3.00%	
	The 10 year Treasury yield will likely be driven by increasing inflation expectations from an improved fiscal policy outlook. We expect the 10 year Treasury yield to trend higher throughout 2017.							
EQUITIES	S&P 500 Price	1,848	2,059	2,044	2,239	2,412**	2,440	
	The market continues to trade near highs as investors weigh the potential economic and earnings benefit of a more growth-focused fiscal policy from the Federal government under the new administration. We believe returns will be in the upper-single to low-double digit range over the next 12 months.							
EQUITIES	S&P 500 Operating EPS Growth	6.80%	6.30%	-3.30%	0.00%	17.72%*****	15.00%	
	We believe earnings will grow by 15% y/y in 2017 as the drag from the energy sector wanes. There is meaningful upside to our earnings estimates if we get corporate tax reform sometime in 2017, as the S&P 500 effective tax rate is around 28% compared to proposals of 15-20%.							
GLOBAL ECONOMY	World GDP (Annual Average)	3.30%	3.40%	3.10%	3.10%	2.90%*	3.20%	
	Global economic growth continues to be subdued at around 3% given secular challenges, such as a slowing labor force population, weak productivity, and high levels of debt. We feel political risk is waning, which is beneficial for economic growth.							
GLOBAL ECONOMY	Emerging Markets GDP (Annual Average)	5.00%	4.60%	4.40%	5.40%	5.10%*	4.60%	
	Emerging market growth has been pressured as commodity prices have been weak and China is attempting to stimulate its economy. We believe the recent rebound in commodity prices could help stabilize growth. China continues to be the economic growth engine in the emerging markets.							

2017 Outlook by the Numbers

Disclosure and Important Considerations

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