

	2013	2014	2015	2016	Most Recent	2017E	Trend	
ECONOMY	Real GDP Growth SAAR (Annual Average)	1.70%	2.60%	2.90%	1.50%	2.60%*	2.30%	
	The economy rebounded in Q2, growing at 2.60%. Growth was broad based. Importantly, consumption grew 2.80%, which bounced back from a weak Q1 reading of 1.90%. Additionally, export demand remains strong due to the pickup in the global economy. We expect 2.30% economic growth for 2017.							
LABOR MARKET	Unemployment Rate (Annual Average)	7.40%	6.20%	5.30%	4.90%	4.30%**	4.40%	
	The unemployment rate fell to 4.30% in July, matching May's 16-year low. The labor force participation rate edged higher to 62.90% while the number of involuntary workers remained largely unchanged at 8.60%							
	Payroll Employment (Annual Average)	193k	251k	229k	187k	209k**	165k	
The U.S. economy added 209k new non-farm jobs in July. Job growth was led by food and beverage services, health care, and professional and business services. Wage growth held steady on an annual basis, with average hourly earnings up 2.50% y/y.								
HOUSING	Housing Starts (Annual Average)	925k	1,003k	1,111k	1,166k	1,215k***	1,250k	
	After declining for three straight months, housing starts rebounded more than expected in June, up 2.10% y/y to an annual rate of 1,215k units. We saw increases in both single-family and multi-family construction.							
	Building Permits (Annual Average)	987k	1,053k	1,178k	1,172k	1,254k***	1,250k	
	Building permits last month shot up 7.40% to 1,254k units, the highest level since March. This jump came from a 13.9% m/m surge in multi-family permits for June after five months of declines.							
Housing Prices Y/Y (Annual Average)	13.40%	4.30%	5.60%	5.30%	5.60%****	4.00%		
Tight supply continues to put upward pressure on home prices, which are now rising at three times the rate of incomes. Single-family home prices increased by 5.60% y/y in May, falling just short of expectations.								

	2013	2014	2015	2016	Most Recent	2017E	Trend	
INFLATION	PCE Index Y/Y (Annual Average)	1.30%	1.50%	0.30%	1.10%	1.40%***	1.70%	
	The U.S. PCE Index rose 0.10% m/m in June after falling 0.10% in May. In the 12-month period ending in June, the PCE price index was unchanged at 1.40%. 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 0.10% in June. As a result, the year-on-year rate now stands at 1.50% and is in line with expectations. We expect an upward trend to core inflation over the next few years.							
	Consumer Price Index (CPI) Y/Y (Annual Average)	1.50%	1.60%	0.10%	1.30%	1.60%**	1.90%	
Consumer prices rose 1.60% in June, decelerating from May's 1.90% rate. A slower rate of inflation can be partially attributed to a pullback in energy prices.								
CONSUMER	Core CPI Y/Y (Annual Average)	1.80%	1.70%	1.80%	2.10%	1.70%**	2.40%	
	Excluding the volatile food and energy categories, core consumer prices rose 0.10% in June after a similar gain in April. Over the past twelve months, core prices have risen a modest 1.70%. While rents saw moderate increases, motor vehicle prices fell slightly for the month.							
	Consumer Spending (PCE) (Annual Average)	1.50%	2.90%	3.20%	2.70%	2.80%***	2.90%	
While households spent more on health care and less on gasoline, U.S. consumer spending increased just 0.10% in June for a 2.80% increase y/y. 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	93.1**	96.0	
	Consumer sentiment fell in July to 93.1 as near-term hopes on fiscal policy initiatives are starting to wane. That said, consumer fundamentals remain robust and support our forecast of continued solid consumption growth.							

	2013	2014	2015	2016	Most Recent	2017E	Trend	
INTEREST RATES	Projected Fed Funds	0.25%	0.25%	0.50%	0.75%	1.25%**	1.50%	
	We believe the Fed will raise the Fed Funds rate one more time in 2017, reaching 1.50% 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%	2.29%**	2.75%	
	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 the second half of 2017.							
EQUITIES	S&P 500 Price	1,848	2,059	2,044	2,239	2,470**	2,440	
	The market trades near all time highs due to robust earnings and revenue growth. Any fiscal stimulus will boost corporate earnings. We believe total returns will be in the low-double digit range over the next 12 months.							
EQUITIES	S&P 500 Operating EPS Growth	6.80%	6.30%	-3.30%	0.00%	15.84%*****	15.00%	
	We believe earnings will grow by 15.0% 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 28.0% compared to proposals of 15.0-20.0%.							
GLOBAL ECONOMY	World GDP (Annual Average)	3.30%	3.40%	3.10%	3.10%	3.00%*	3.40%	
	Global economic growth continues to be subdued at around 3.00% 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%*	4.40%	
	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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