2018 Outlook by the Numbers

		2014	2015	2016	2017	Most Recent	2018E	Trend
ECONOMY	**Real GDP Growth SAAR (Annual Average)**	**2.60%**	**2.90%**	**1.50%**	**2.30%**	**2.30%***	**2.80%**	
	The US economy slowed to 2.3% in Q1. Consumer spending grew at it's weakest pace in nearly five years as auto consumption fell 15% after the strong reading in Q4 following the Hurricanes in Q3 that destroyed a significant number of vehicles. Clearly, this is temporary. We expect 2018 GDP of 2.8%.							
LABOR MARKET	**Unemployment Rate (Annual Average)**	**6.20%**	**5.30%**	**4.90%**	**4.30%**	**3.90%****	**4.00%**	
	The unemployment rate dropped to a 17 year low of 3.9%. Importantly, the marginally attached unemployment rate (U-6) dropped below 8.0% for the first time since 2006. The average workweek remained at 34.5 hours while the labor force participation rate dropped slightly to 62.8%.							
	Payroll Employment (Annual Average)	**251k**	**229k**	**187k**	**182k**	**164k****	**185k**	
	The US added 164k jobs in April, which were lower than expectations of nearly 200k. The six and twelve month averages remained steady at 198k and 190k, respectively. This suggests the labor market continues to be healthy. Average hourly earnings rose 2.6% y/y. Wage growth is still range bound.							
HOUSING	**Housing Starts (Annual Average)**	**1,003k**	**1,111k**	**1,166k**	**1,207k**	**1,319k*****	**1275k**	
	U.S. housing starts increased by 1.9% in March to an annual rate of 1,319k units. Multi-family starts increased by 14.4% while single-family starts fell by 3.7%. All regions were flat except for the Midwest, which saw an increase of 22.5%.							
	Building Permits (Annual Average)	**1,053k**	**1,178k**	**1,172k**	**1,258k**	**1,379k*****	**1325k**	
	Building permits increased by 4.4% to an annual rate of 1,379k units in March. Multi-family permits rose 22.2% while single-family permits fell by 4.3%. All regions had gains above 5.0% except for the Northeast which saw a drop of 7.5%.							
	Housing Prices Y/Y (Annual Average)	**4.30%**	**5.60%**	**5.30%**	**5.90%**	**6.80%******	**4.00%**	
	Single-family home prices rose by 6.8% in February. Home prices continue to increase, driven by low inventories and a tightening labor market. We believe rising home prices combined with an increase in mortgage rates could slow the pace of home prices gains.							

		2014	2015	2016	2017	Most Recent	2018E	Trend
INFLATION	**PCE Index Y/Y (Annual Average)**	1.50%	0.30%	1.10%	1.70%	2.00%***	2.20%	
	The US PCE price index rose by 2.0% y/y in March. This is the first time since February 2017 that PCE came in at 2.0%. Rising commodity prices have put upward pressure on headline inflation. We expect inflation to increase moderately due to a tight labor market and rising wage growth.							
	Core PCE Index Y/Y (Annual Average)	1.60%	1.30%	1.80%	1.50%	1.90%***	2.00%	
	The core PCE price index, which excludes food and energy, rose 1.9% y/y in March. We believe core inflation will pick up gradually to the Fed's 2.0% target by the end of the year as wage growth begins to increase due to the tightening labor market.							
	Consumer Price Index (CPI) Y/Y (Annual Average)	1.60%	0.10%	1.30%	2.10%	2.40%***	2.30%	
	Consumer prices in March rose 2.4% y/y. A rebound in commodity prices continues to put some upward pressure on headline inflation. Price gains were also seen in gasoline, shelter, clothing, medical care, and food. We expect inflation to increase modestly over the next few years.							
	Core CPI Y/Y (Annual Average)	1.70%	1.80%	2.10%	1.80%	2.10%***	2.10%	
	Excluding the volatile food and energy categories, core consumer prices increased 2.1% y/y in March. We expect modest increases in core CPI over the next few years as wage growth improves. We believe wage growth is what leads to sustainable inflation in the economy.							
CONSUMER	**Consumer Spending (PCE) (Annual Average)**	2.90%	3.20%	2.70%	2.90%	2.40%***	2.90%	
	US consumer spending rose by 2.4% y/y in March. Consumption growth has been fairly steady between 2.5%-3.0% for nearly two years. We believe consumer spending will likely remain well supported given a solid labor market and business backdrop in the US.							
	Consumer Confidence (U of MI) (Annual Average)	84.1	92.9	91.8	96.8	98.8**	98.0	
	Consumer confidence came in at 98.8 for April, which is the lowest level in three months, but still remains at a healthy level. The positive effects from the strength in the labor market and lower taxes are being somewhat offset by concerns over potential trade tariffs.							

2018 Outlook by the Numbers

May 2018

		2014	2015	2016	2017	Most Recent	2018E	Trend
INTEREST RATES	**Fed Funds Rate**	**0.25%**	**0.50%**	**0.75%**	**1.50%**	**1.75%****	**2.25%**	
	We believe the Fed will raise the Fed Funds rate two more times in 2018, reaching 2.25% by year end. Fed rate increases are a positive reflection of the improvement in economic conditions, but at the same time tighten financial conditions.							
	10 Year Treasury Yield	**2.17%**	**2.30%**	**2.44%**	**2.41%**	**2.95%****	**3.25%**	
	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 2018 and end the year at 3.25%.							
EQUITIES	**S&P 500 Price**	**2,059**	**2,044**	**2,239**	**2,674**	**2,648****	**3,000**	
	Market fundamentals remain strong due to robust earnings and revenue growth. The recently passed tax reform has boosted corporate earnings. We believe total returns will be in the low double digit range over the next 12 months.							
	S&P 500 Operating EPS Growth	**6.30%**	**-3.30%**	**0.00%**	**13.00%**	**23.70%*******	**15.00%**	
	We believe earnings will grow by 20.0% y/y in 2018 due to an improving economy and tax reform. Tax reform will be a tailwind to EPS growth by 10.0% in 2018. Additionally, global synchronized growth and share buybacks will drive sales and earnings growth.							
GLOBAL ECONOMY	**World GDP (Annual Average)**	**3.40%**	**3.10%**	**3.10%**	**3.60%**	**3.90%***	**3.80%**	
	We believe global growth will accelerate in 2018 to 3.8%, driven by both a rebound in emerging markets (China) and better developed market growth (U.S. and Eurozone). However, longer-term slowing labor force population, weak productivity, and high levels of debt will limit the expansion.							
	Emerging Markets GDP (Annual Average)	**4.60%**	**4.40%**	**5.40%**	**4.40%**	**5.40%***	**5.00%**	
	The recent strength in commodity prices confirms our belief that emerging markets have bottomed. As such, we expect growth to pick up to around 5.0% in 2018. China continues to be the economic growth engine in the emerging markets.							

*Quarter over Quarter Seasonally Adjusted Annualized Rate, as of Q1 2018
**As of April 2018
***As of March 2018
****As of February 2018
*****Trailing 4 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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