Economic Recovery

• US Economy Improving

• Housing, Employment and Production
  – Fed Employment Targets Met – Full Employment?
  – Inflation Targets Still Allusive

• Fed Raised the Fed Funds Rate Range
  – Previous Range was 0.25% to 0.50%
  – Current Range is 0.50% to 0.75%
Economic Recovery

• Long range strength is uncertain
  – New Administration with Congressional Majority
  – Policy Positions Still Unknown

• Fed Outlook in December was for continued improvements
  – FOMC projected up to three Fed Funds Rate increases during 2017
• New Home Sales reached an annualized high of 1.389 Million in July 2005
• New Home Sales reached an annualized low of 0.270 Million in February 2011
Source: US Census Bureau
• Approximately 9 Million Jobs Lost during 2008/2009
• Approximately 15.5 Million Jobs Created since 2010
• Approximately 2.2 Million Jobs Created in 2016
• Unemployment Back to Pre-Recession Levels

Unemployment Rate

Quarterly Forecast

Source: Federal Reserve Bank of Philadelphia (November 2016)
GDP – Historical Results

1-quarter % change, annualized

Source: Federal Reserve Bank of Dallas
GDP – Forecast Likely to Improve

Quarterly Forecast

<table>
<thead>
<tr>
<th>Quarter</th>
<th>GDP Actual</th>
<th>GDP Forecast in 11/2016</th>
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<td>2015:Q4</td>
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</tbody>
</table>

Source: Federal Reserve Bank of Philadelphia November 2016
Inflation Moderately Increasing

Annual Forecast

Source: Federal Reserve Bank of Philadelphia (November 2016)
Considerations

• New Administration Policies

• Global Economic Environment
  – Patriotism Movements (ex. Brexit)

• Domestic Job Creation/Earnings Pressures

• Inflation Prospects
  – Rising Interest Rates
  – Trade Implications

• Domestic Housing Market
U.S. Treasury Yield Curves
DISCLAIMER

• This document is intended for discussion purposes only and is intended for the exclusive use of the BRA.

• All numbers discussed herein are forecast and indicative of market conditions on the date prepared, and you should determine the economic risks and merits as well as the legal and tax consequences of relying on this data, keeping in mind that potential future events may or may not occur.

• Primary Source: The Federal Reserve Bank of Philadelphia – November 2016