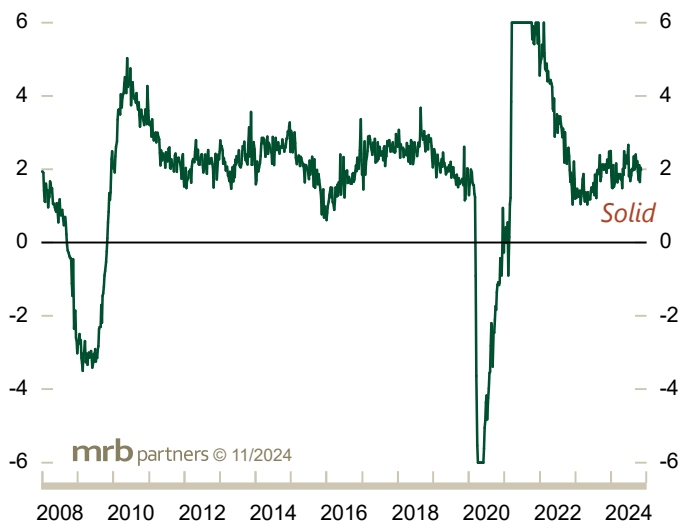


## U.S.: The Economy Is Still Humming

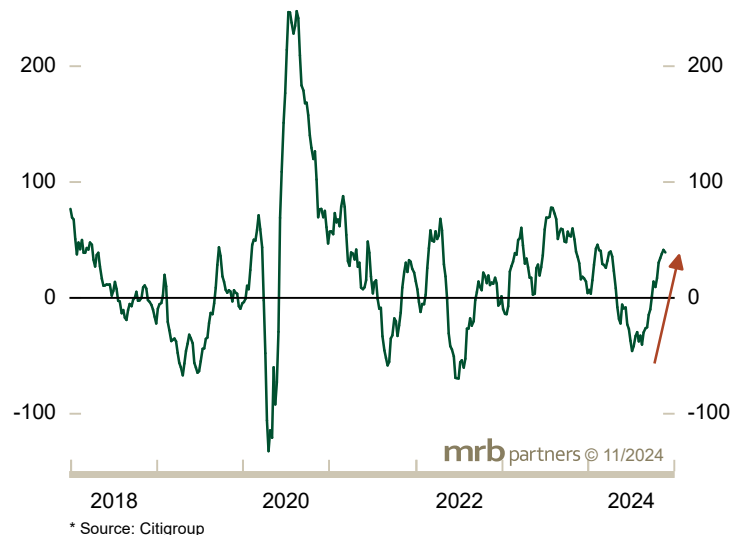
- High frequency data underscore solid economic momentum, with Q4 real GDP growth tracking a 2.6% gain.
- Economic surprises have turned positive over the past two months.
- The outlook for consumption remains upbeat.
- Manufacturing activity is in a funk, though post-election business sentiment surveys have perked up.
- Prospects for the housing market remain tepid.
- Inflation remains sticky above the Fed's target, and risks are tilted to the upside.
- The Fed will likely temper its easing plans in the next dot plot, ultimately easing less than the current (much diminished) market expectations.

## U.S. Growth Momentum Remains Solid

U.S.: Weekly Economic Index\*

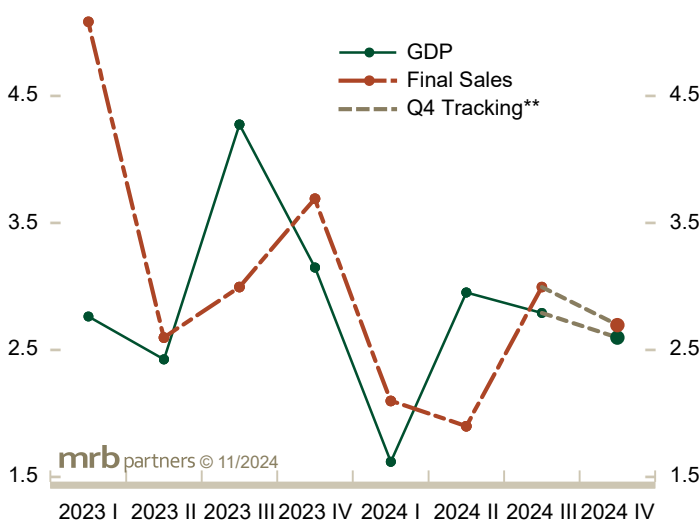


U.S.: Economic Surprise Index\*



## Big Picture

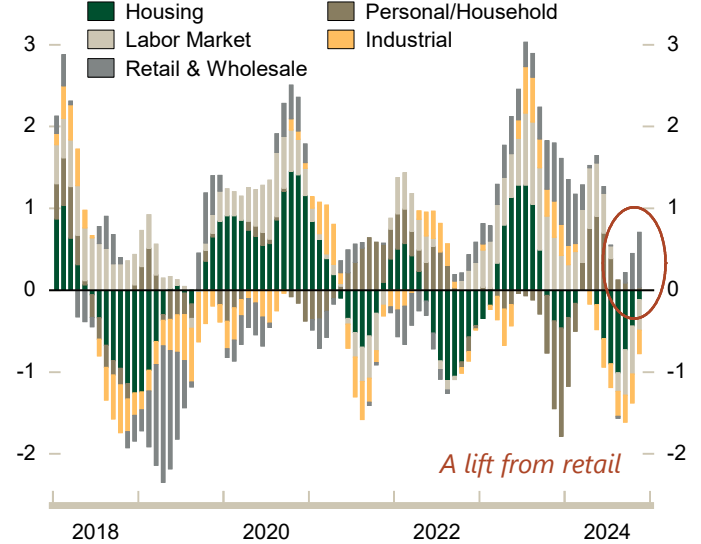
U.S. Real Economic Aggregates\* (%QoQ Ann):



\* Source: U.S. Bureau of Economic Analysis  
\*\* Source: Federal Reserve Bank of Atlanta

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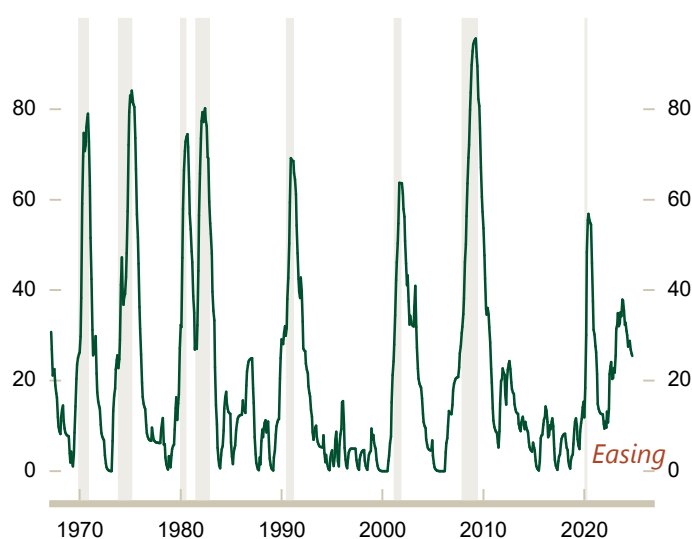
U.S. Economic Surprise Index Contributions\*:



\* Smoothed, source: Bloomberg

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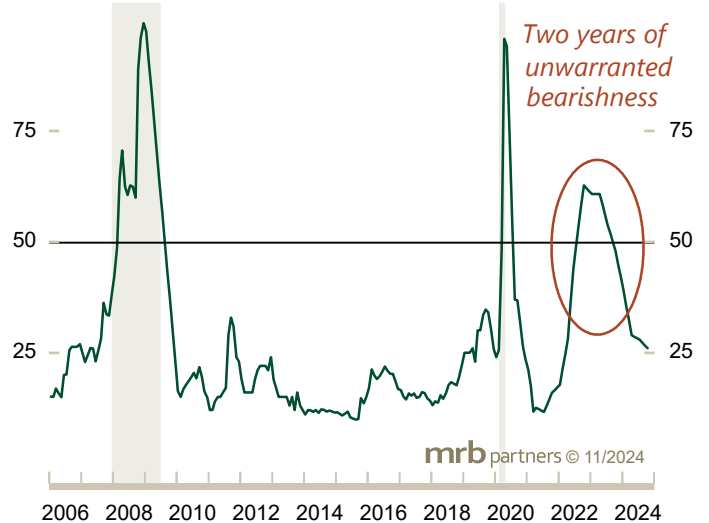
U.S.: MRB Recession Checklist Indicator\* (%)



\* Smoothed; percent of bearish components in Table 1 of the MRB U.S. Research Highlight, U.S. Recession Risks Are Still Low, July 5, 2016  
Note: Shaded for NBER-designated U.S. recessions

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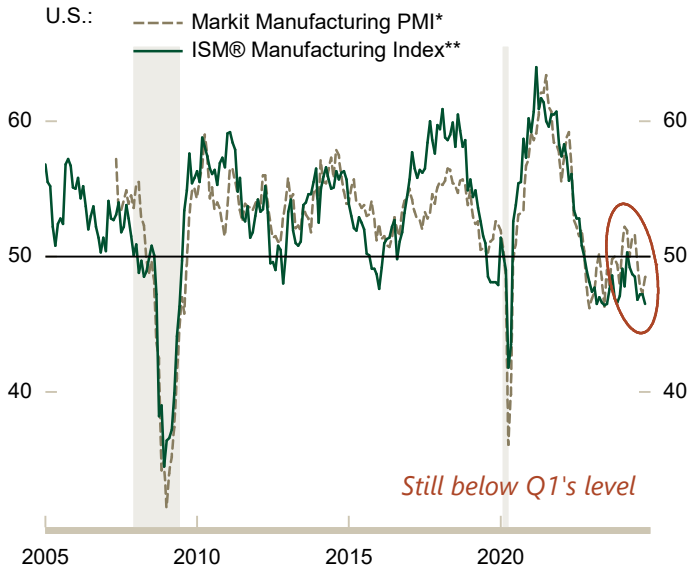
U.S.: Economists' Consensus Recession Probability\* (%)



\* Source: The Wall Street Journal  
Note: Shaded for NBER-designated U.S. recessions

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## Business Indicators

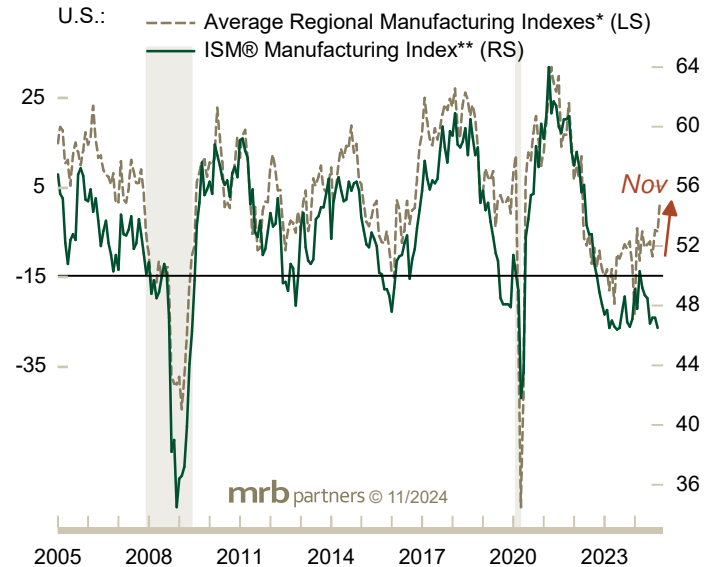


\* Source: IHS/Markit

\*\* Source: Institute for Supply Management®

Note: Shaded for NBER-designated U.S. recessions

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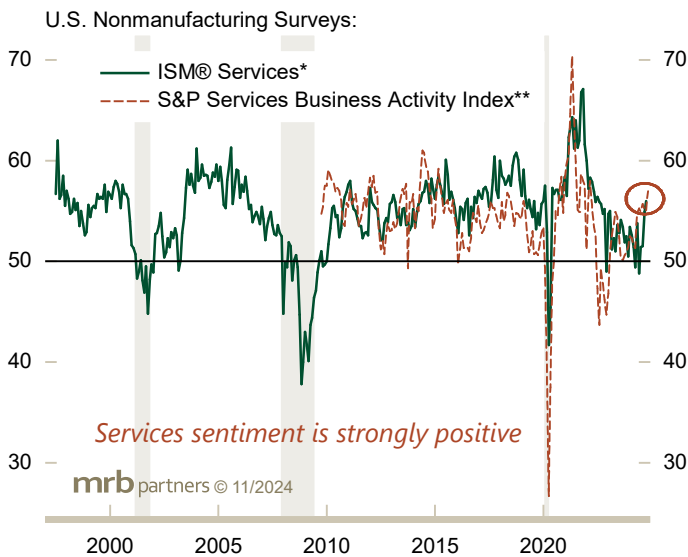


\* Source: Federal Reserve Banks of New York, Philadelphia, Dallas & Richmond

\*\* Source: Institute for Supply Management

Note: Shaded for NBER-designated U.S. recessions

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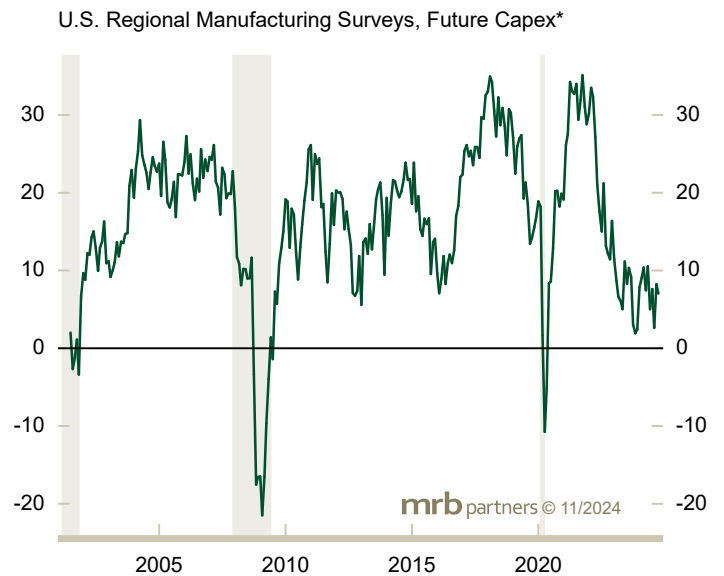


\* Source: Institute for Supply Management®

\*\* Source: Markit Economics

Note: Shaded for NBER-designated U.S. recessions

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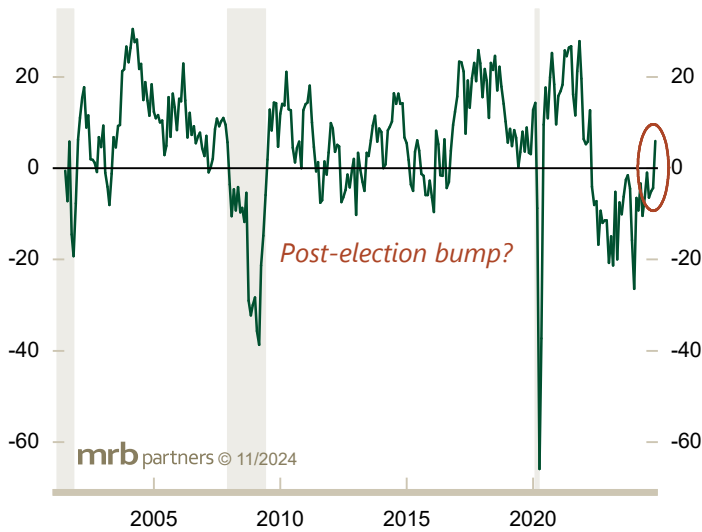
\* Source: Federal Reserve Banks of New York, Kansas City, Philadelphia & Richmond

Note: Shaded for NBER-designated U.S. recessions

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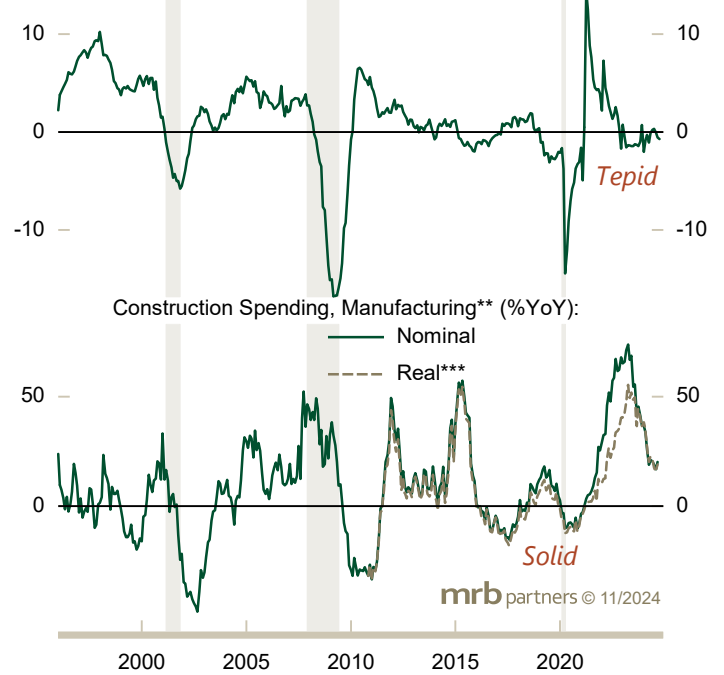
## Business Indicators

U.S. Regional Manufacturing Surveys, New Orders\*



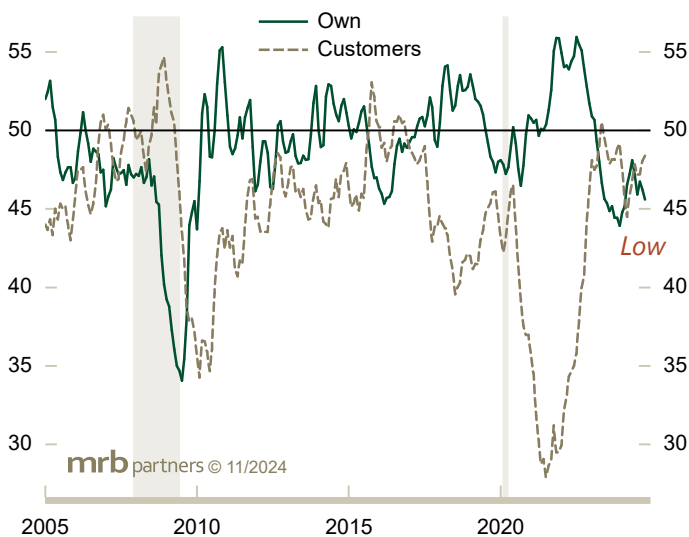
\* Source: Federal Reserve Banks of New York, Philadelphia & Richmond  
Note: Shaded for NBER-designated U.S. recessions

U.S.: Manufacturing Production Excluding Autos And Parts\*



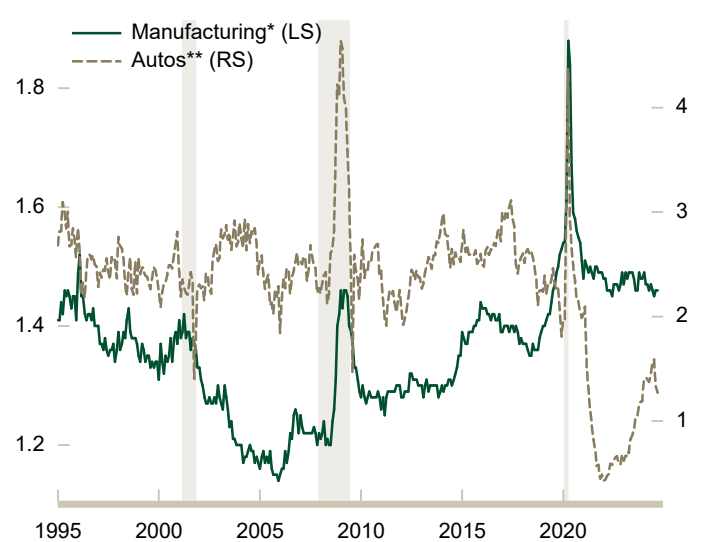
\* Source: Federal Reserve  
\*\* Source: U.S. Census Bureau  
\*\*\* Deflated by the new industrial building construction PPI  
Note: Shaded for NBER-designated U.S. recessions

U.S. ISM Manufacturing® Inventories Index\*:



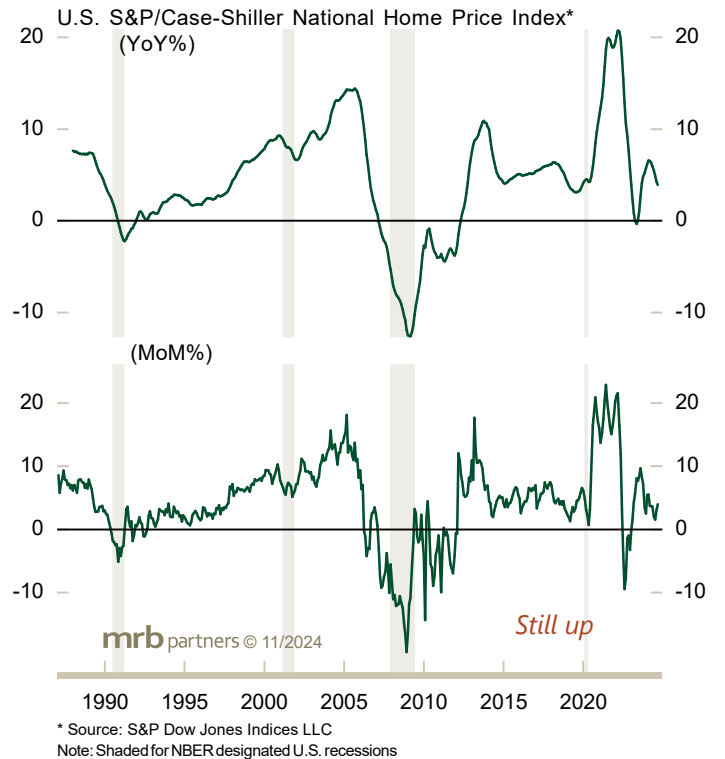
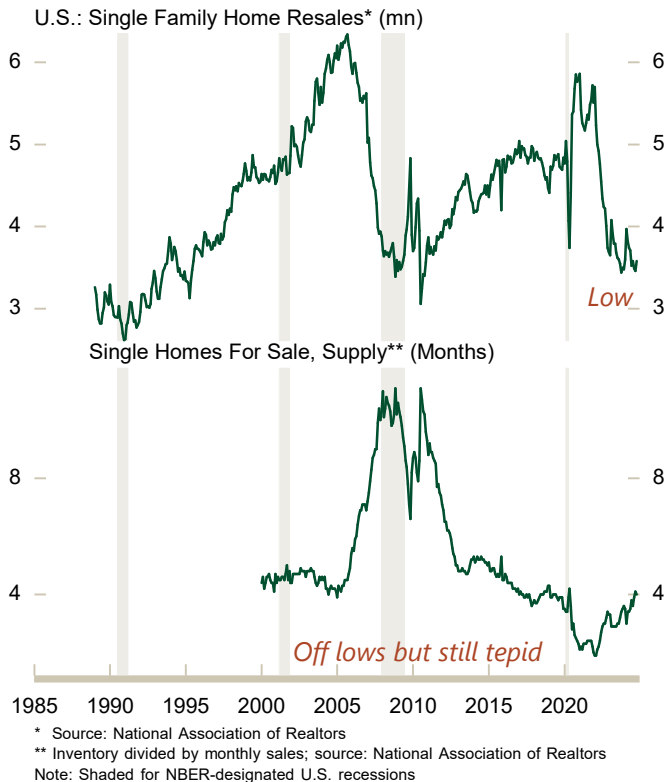
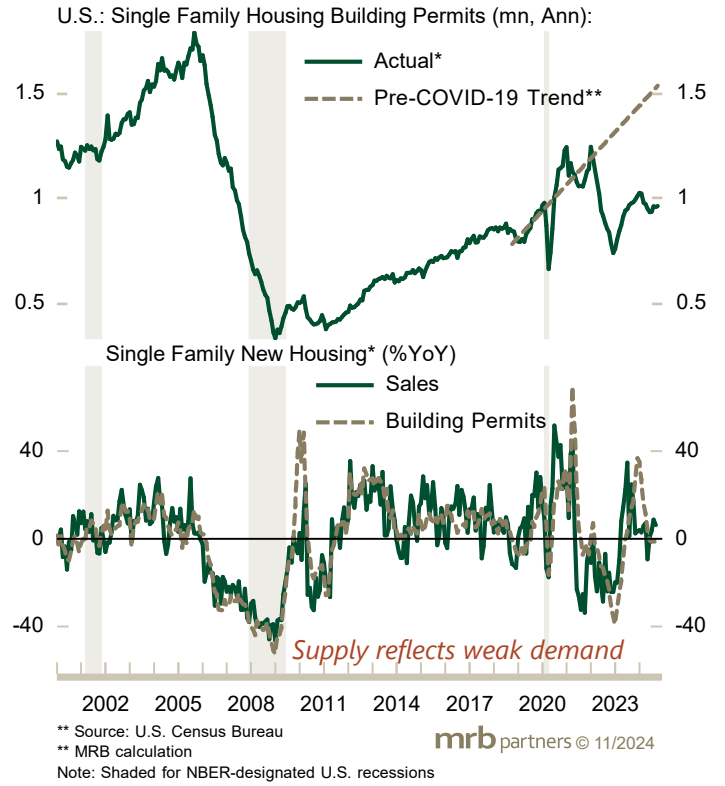
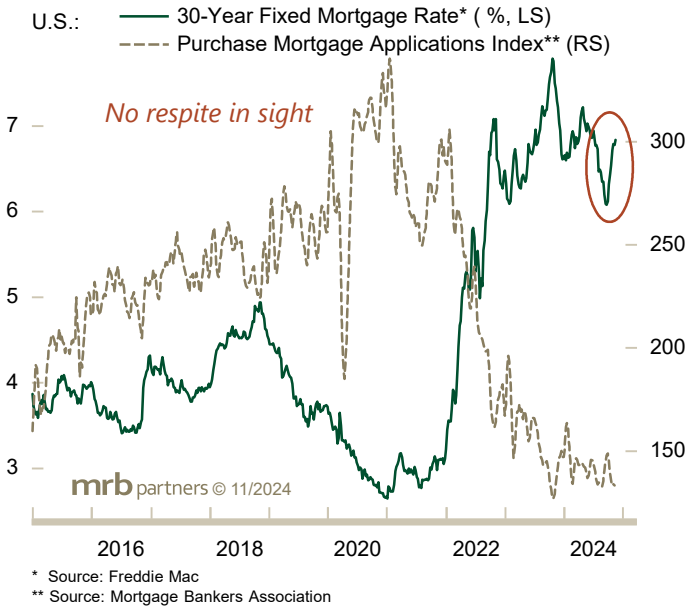
\* Smoothed; source: Institute for Supply Management®  
Note: Shaded for NBER-designated U.S. recessions

U.S. Inventory To Sales Ratio:

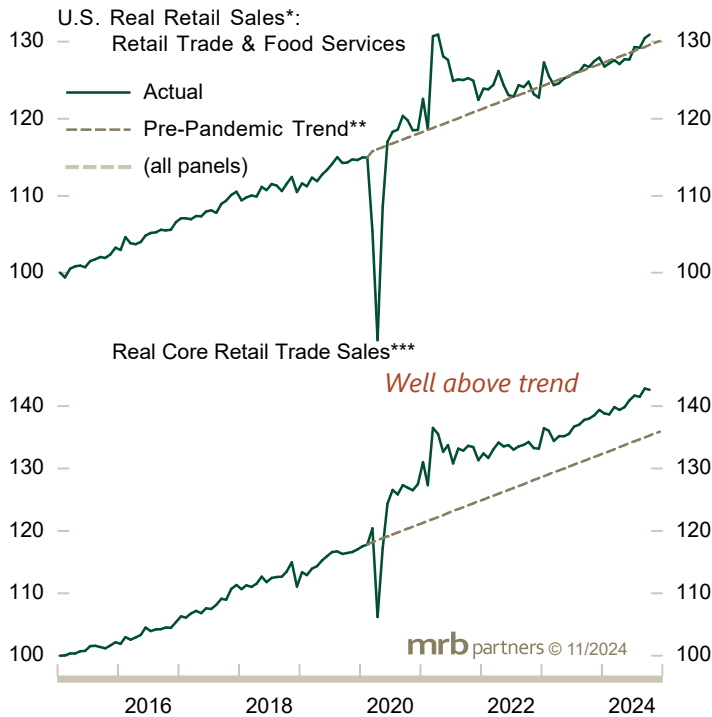


\* Source: U.S. Census Bureau  
\*\* Source: U.S. Bureau of Economic Analysis  
Note: Shaded for NBER-designated U.S. recessions

# Housing



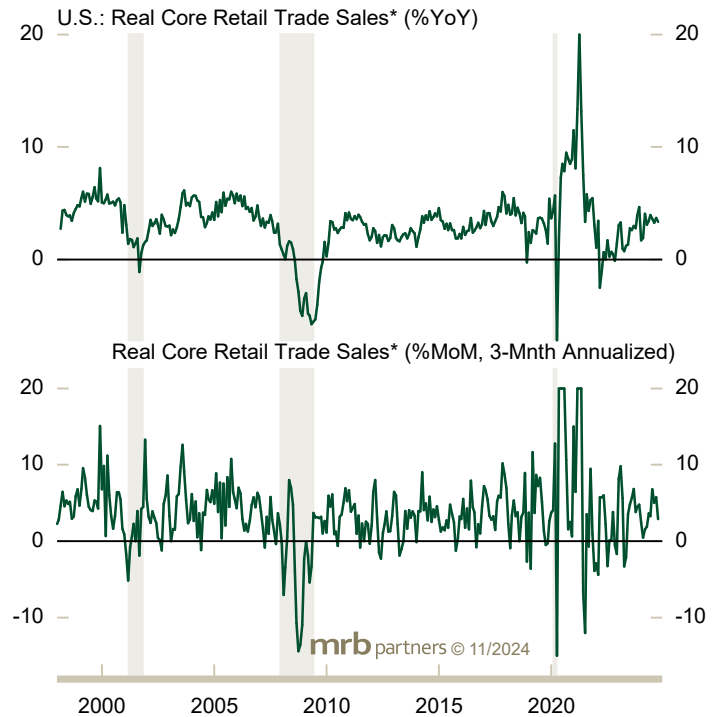
# Consumption



\* Deflated by the relevant CPI; rebased; source: U.S. Census Bureau

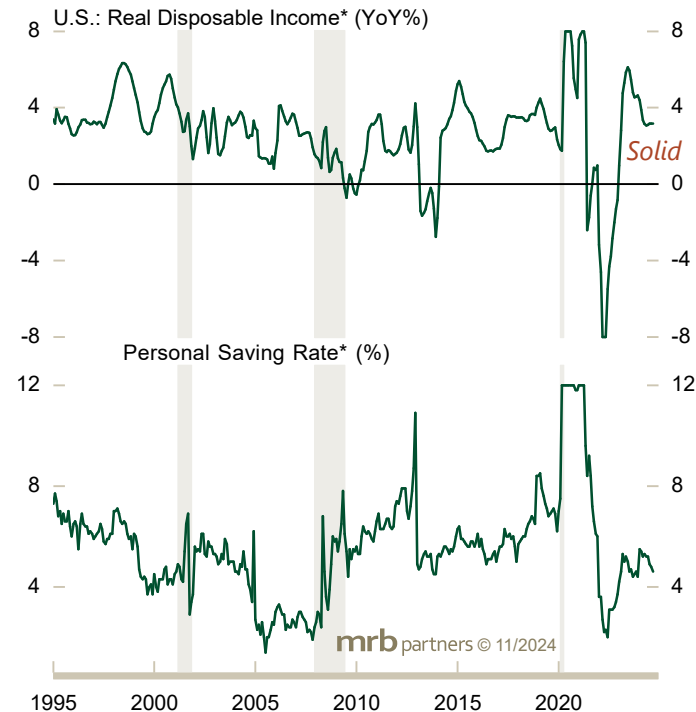
\*\* MRB calculation

\*\*\* Excludes sales of gasoline stations, autos & building materials



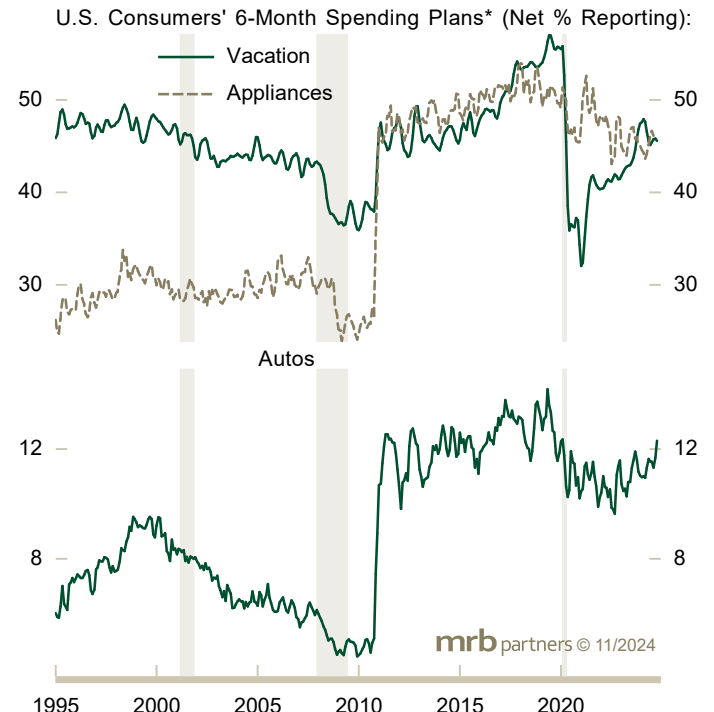
\* Truncated above 20%; omits gasoline stations, autos & building materials sales; deflated by CPI goods ex autos & energy; source: U.S. Census Bureau

Note: Shaded for NBER-designated U.S. recessions



\* Smoothed; source: U.S. Bureau of Economic Analysis; savings rate truncated above 12% & disposable income growth truncated beyond +/-8%

Note: Shaded for NBER designated U.S. recessions

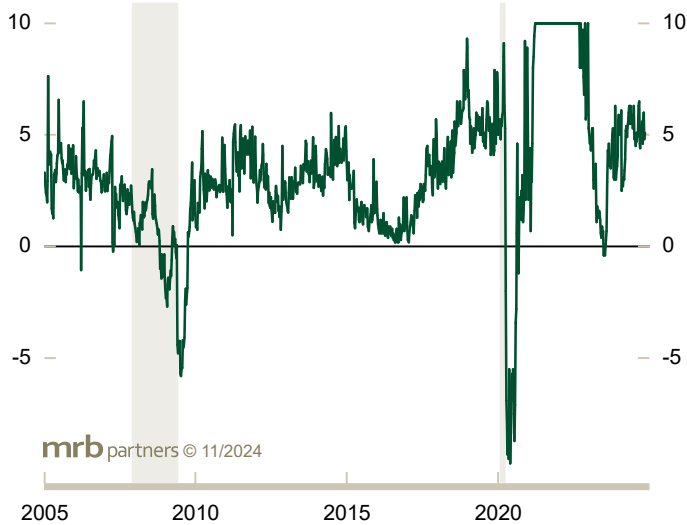


\* Smoothed, seasonally adjusted; source: Conference Board

Note: Shaded for NBER-designated U.S. recessions

# Consumption

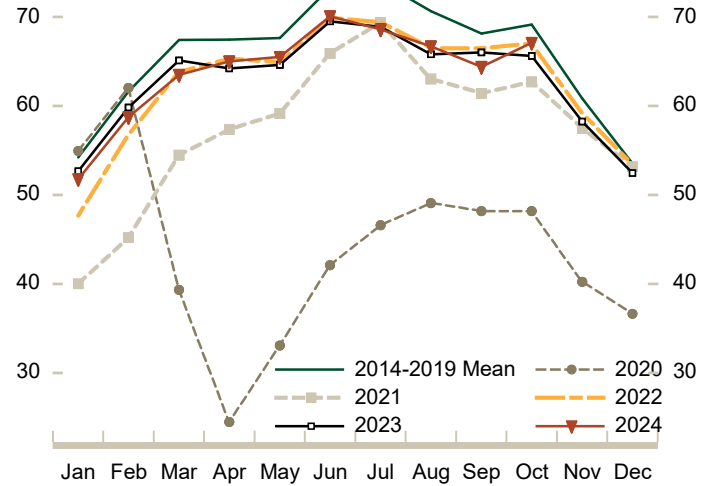
U.S. Same Store Weekly Retail Sales\* (%YoY)



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\* Truncated at +/- 10%; source: Redbook Research Inc.  
Note: Shaded for NBER-designated U.S. recessions

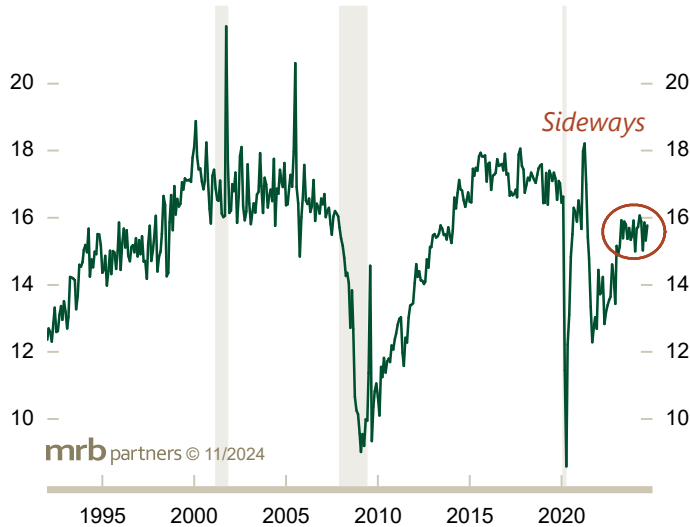
U.S. Hotel Occupancy Rate\* (%):



\* Source: STR

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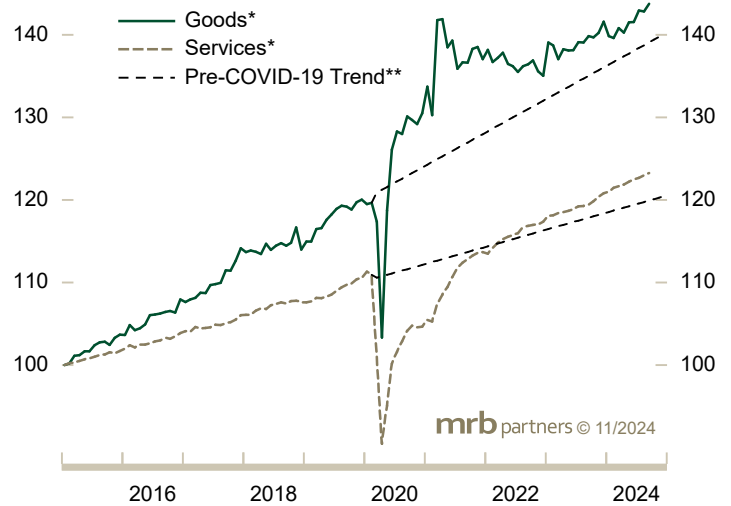
U.S. Light Weight Vehicle Sales\* (mn, Ann)\*



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\* Source: U.S. Bureau of Economic Analysis  
Note: Shaded for NBER-designated U.S. recessions

U.S. Real Personal Consumption:

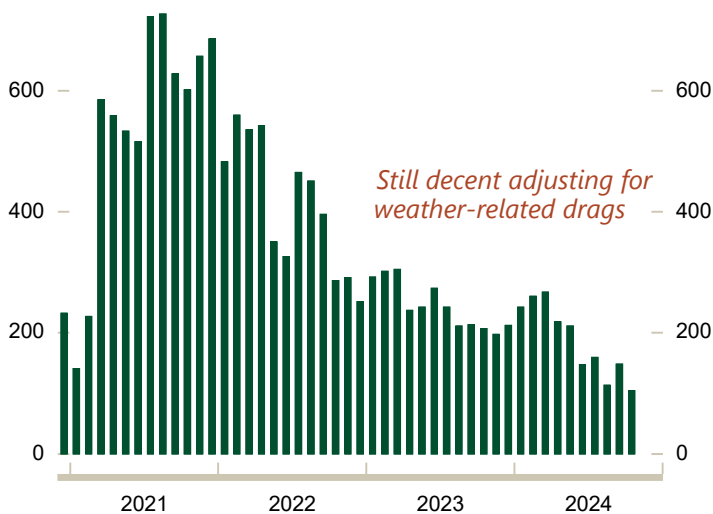


\* Rebased to 100 in January 2015; source: U.S. Bureau of Economic Analysis  
\*\* MRB calculation

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# Labor Market

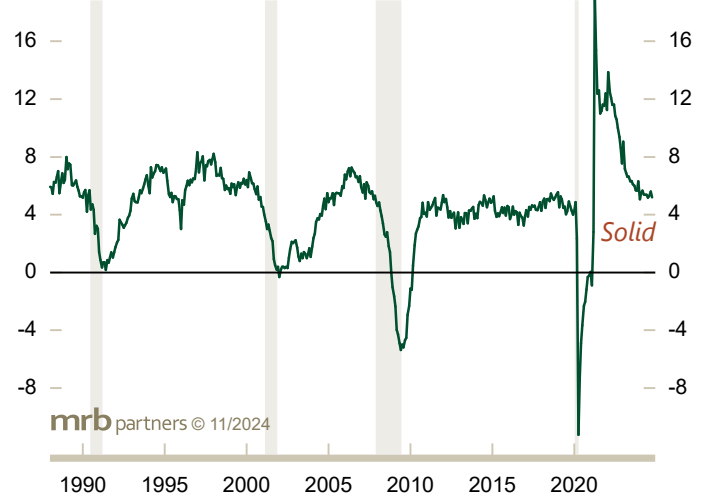
U.S. Nonfarm Payroll Employment\* (Mth Chg, 000s):



\* Smoothed; source: U.S. Bureau of Labor Statistics

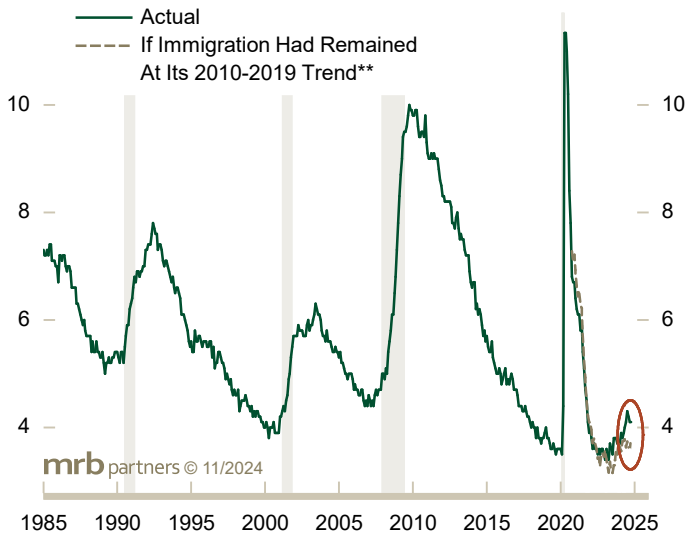
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U.S.: Aggregate Weekly Payrolls, Private Production & Nonsupervisory Workers\* (%YoY)



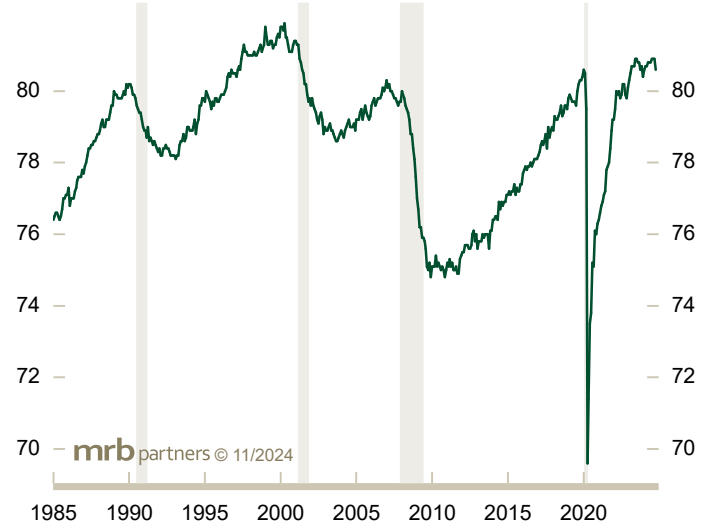
\* Source: U.S. Bureau of Labor Statistics

U.S. Unemployment Rate\* (%)



\* Truncated at 11.3%; source: U.S. Bureau of Labor Statistics\*\* MRB calculation  
Note: Shaded for NBER-designated U.S. recessions

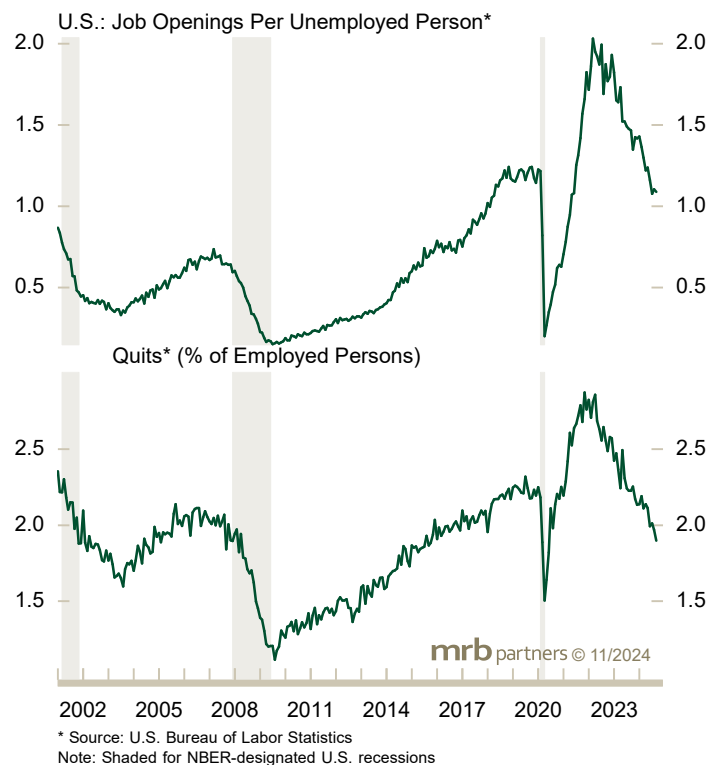
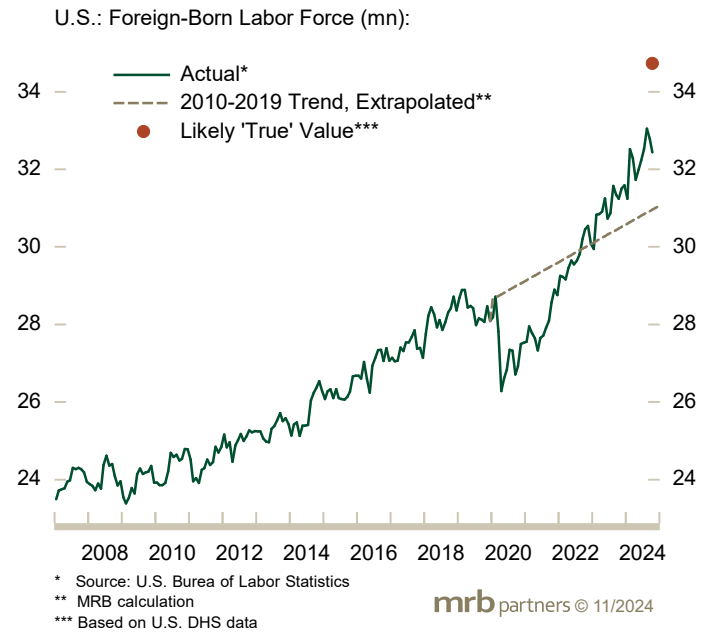
U.S: Employment To Population Ratio, Age 24-54 Years\* (%)



\* Source: U.S. Bureau of Labor Statistics  
Note: Shaded for NBER-designated U.S. recessions

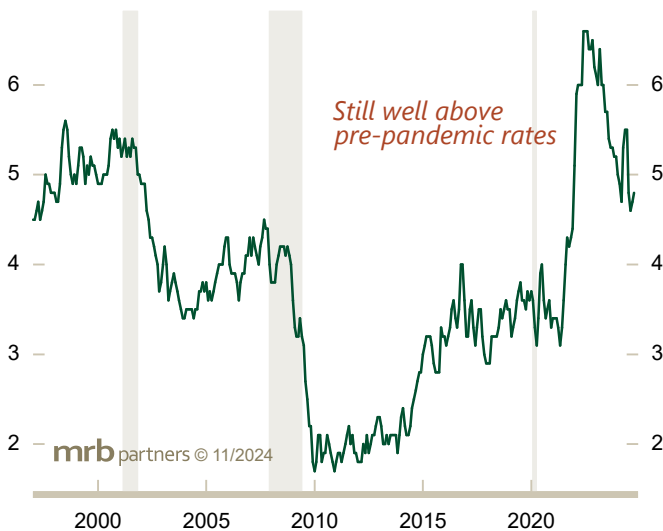


## Labor Market



## Inflation Drivers

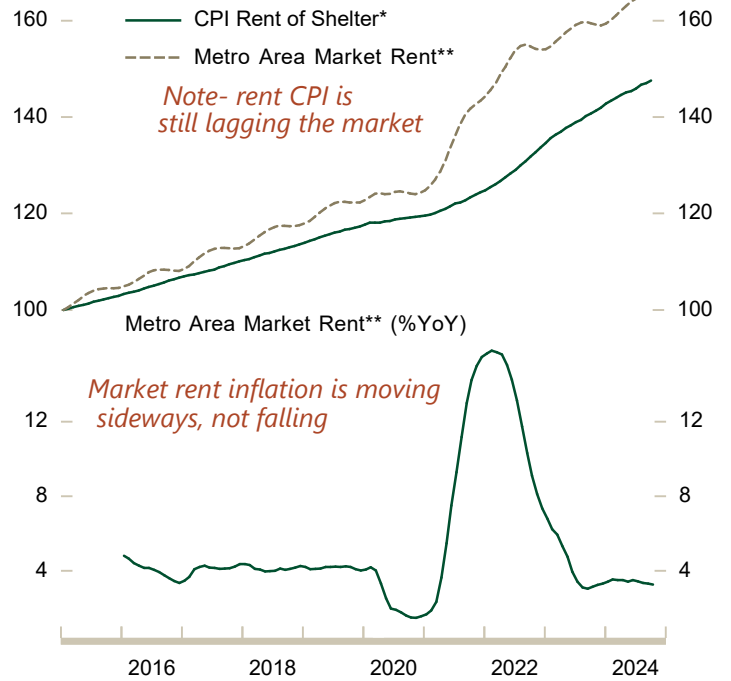
U.S. Median Services Wage Growth Tracker\* (%YoY):



\* Source: Federal Reserve Bank of Atlanta

Note: Shaded for NBER-designated U.S. recessions

U.S.: Rent Inflation Index:

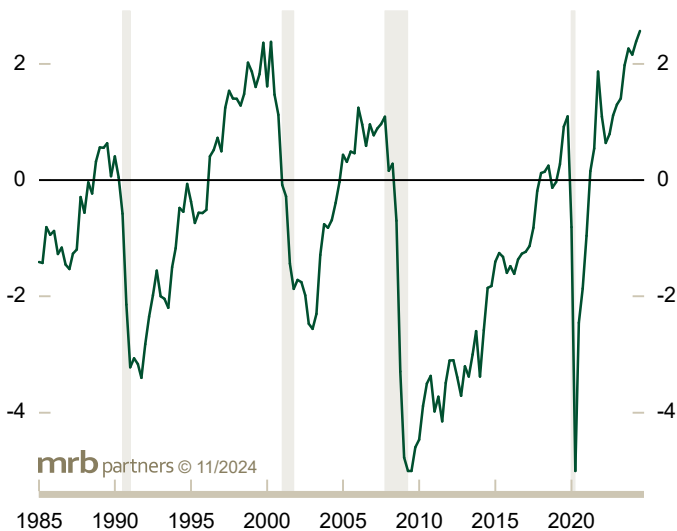


\* Source: U.S. Bureau of Labor Statistics

\*\* Source: Zillow

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U.S.: Output Gap\* (%)



\* GDP as a percent of potential GDP; truncated below -5; sources: Bureau of Economic Analysis and Congressional Budget Office

Note: Shaded for NBER-designated U.S. recessions

U.S.: Consumer Inflation Expectations, 5-Years Ahead\*



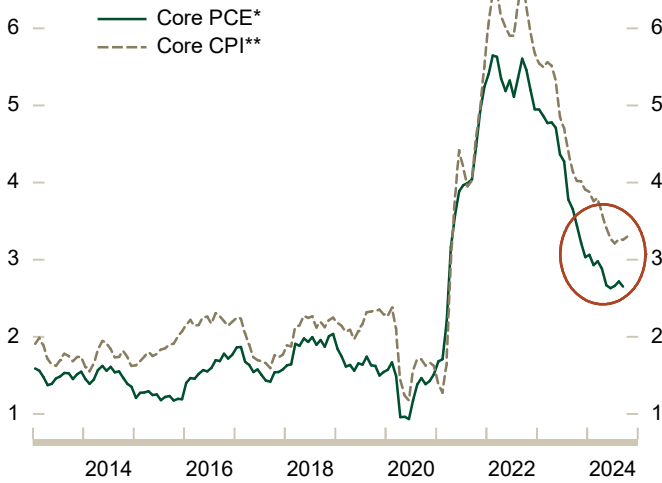
\* Smoothed; source: University of Michigan

\*\* Source: National Federation of Independent Business

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# Inflation

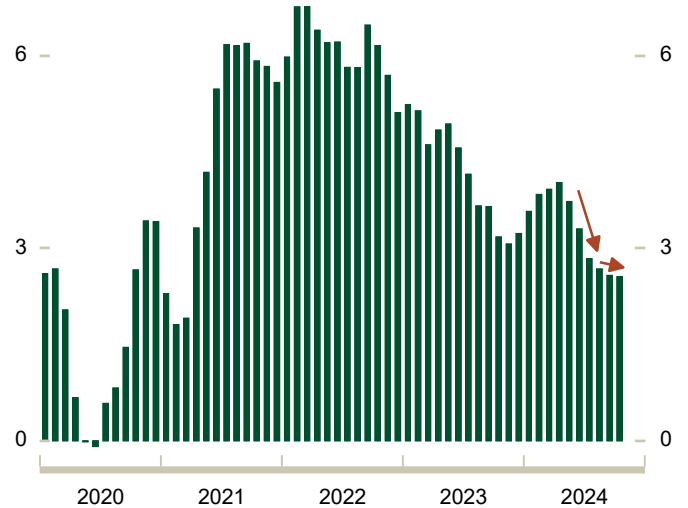
U.S. Core Inflation (%YoY):



\* Source: U.S. Bureau of Economic Analysis  
 \*\* Source: U.S. Bureau of Labor Statistics  
 Note: Core excludes food & energy

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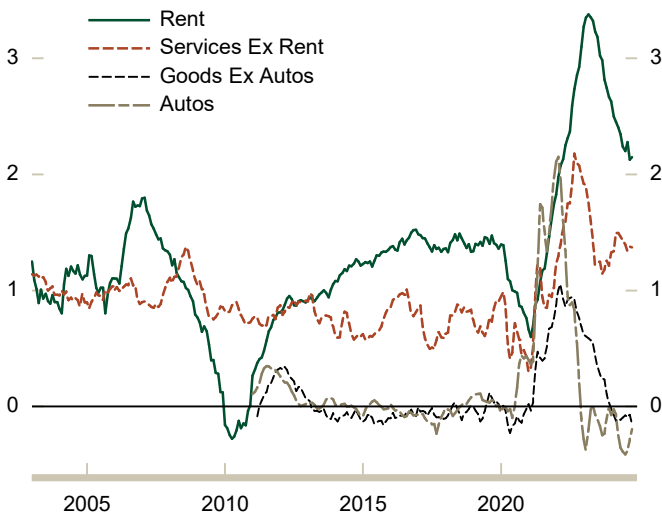
U.S.: Core CPI\* (Annualized % Ch, 6ma)



\* Source: U.S. Bureau of Labor Statistics

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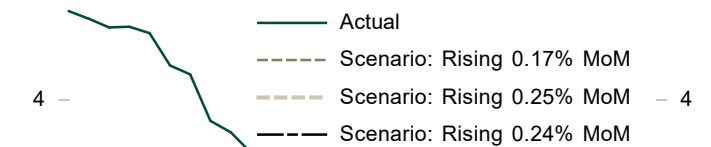
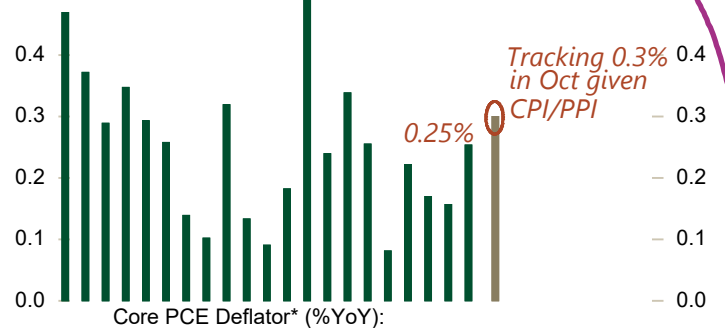
U.S. Core CPI Contribution\* (%YoY):



\* Source: U.S. Bureau of Labor Statistics  
 Note: Shaded for NBER-designated U.S. recessions

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U.S.: Core PCE Deflator\* (%MoM)

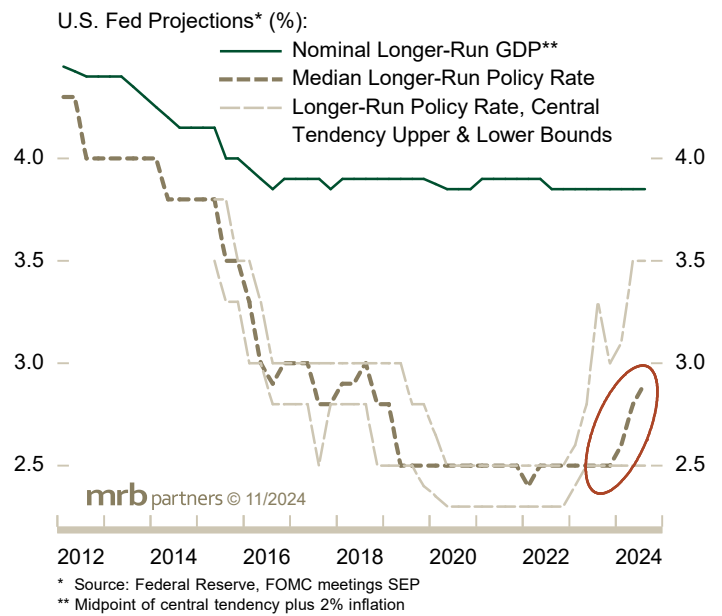
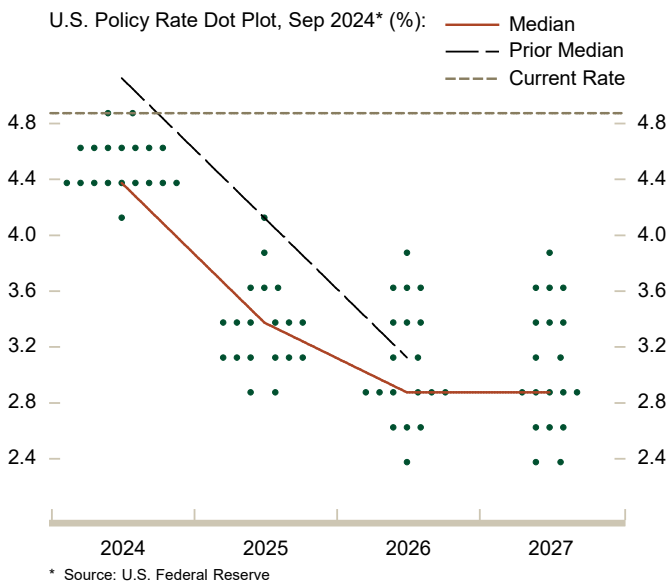
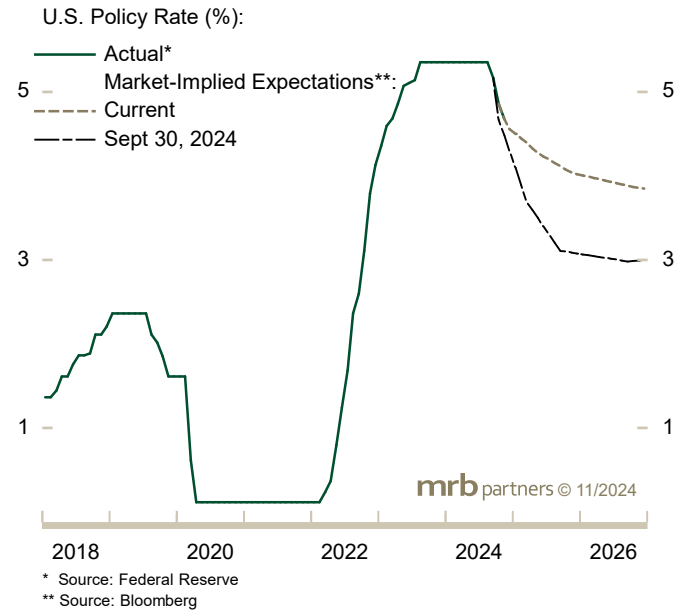
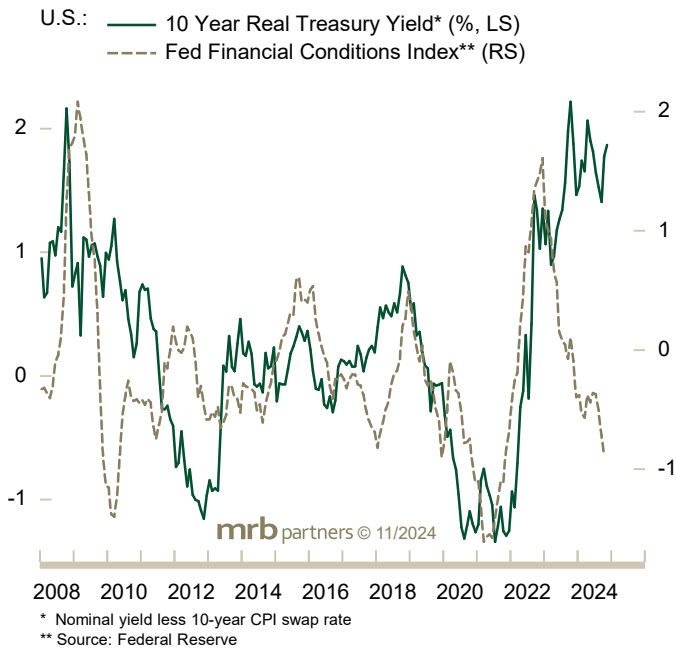


\* Source: U.S. Bureau of Labor Statistics

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The Fed's SEP median has this outcome →

## Fed Policy



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