

Fiscal Forecasting for a Fickle Economy

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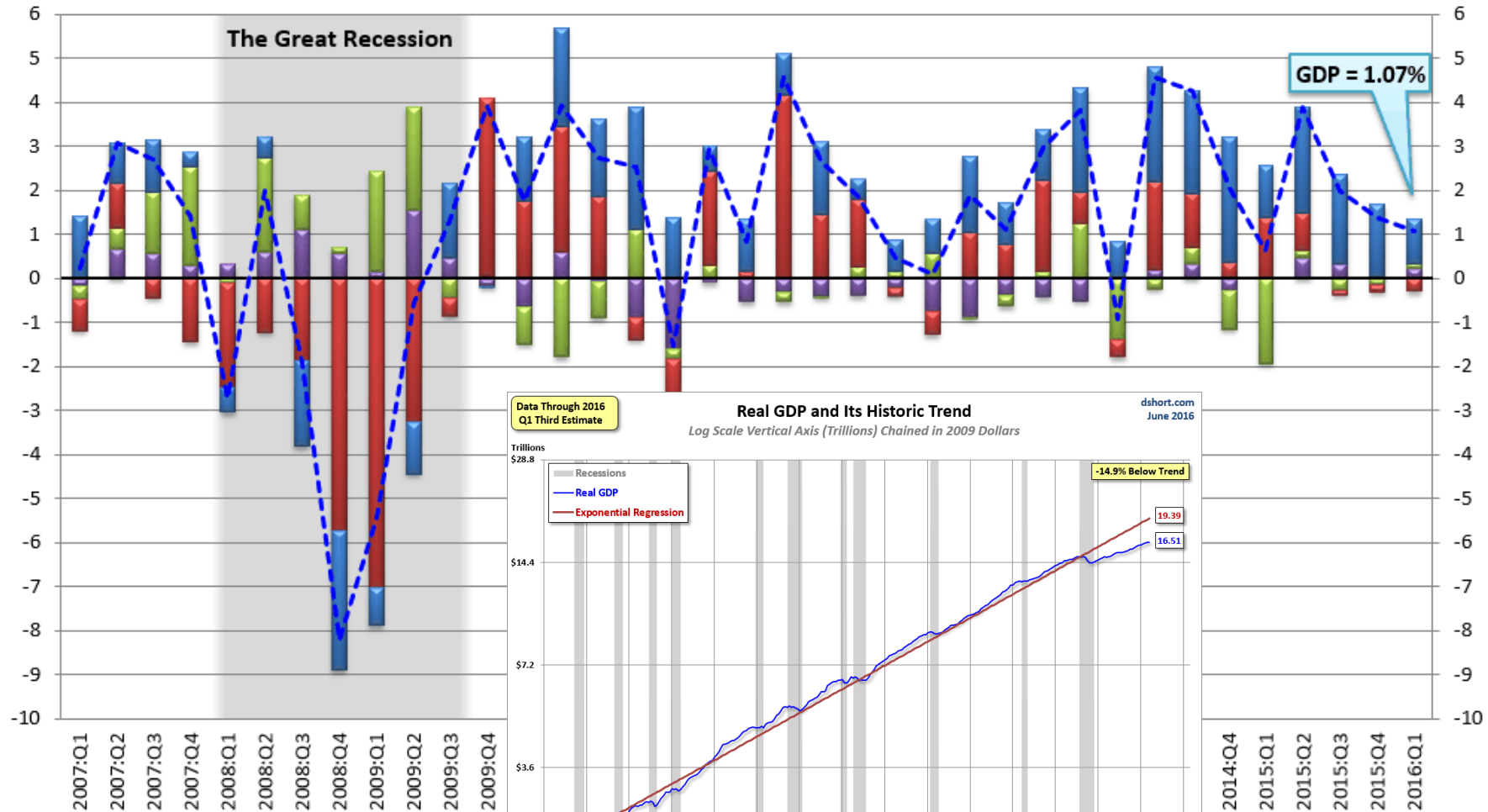
*So, Charlie, how are we doing
right now?*



Contributions to Percent Change in Real GDP Since 2007

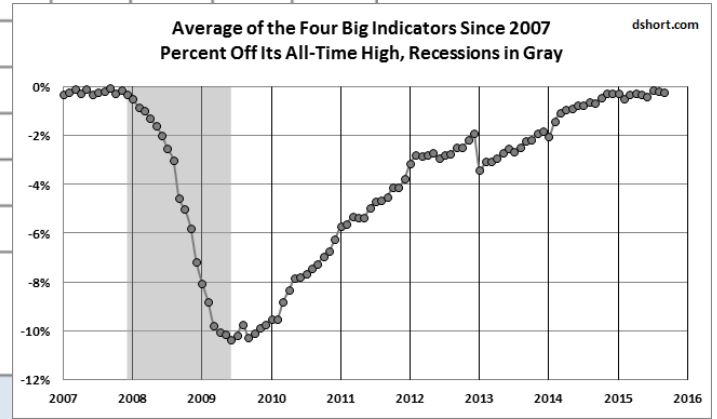
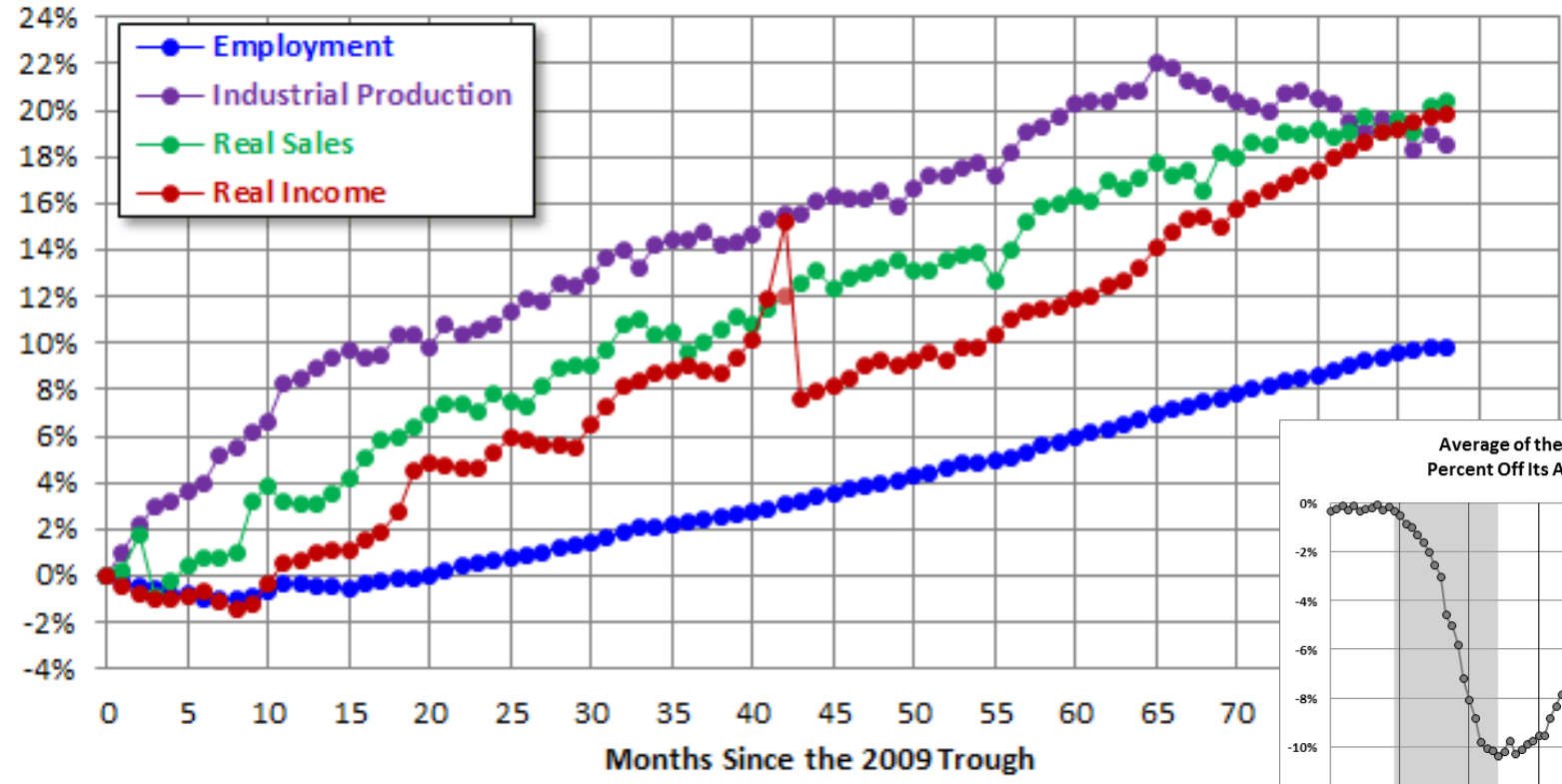
- Personal consumption expenditures
- Gross private domestic investment
- Net exports of goods and services
- Government consumption expenditures and gross investment
- - - Real GDP Sum of above

Data Through 2016
Q1 Third Estimate



Big Four Indicators Since the End of the Last Recession

dshort.com
June 2016



Big Four Indicators Month-over-Month

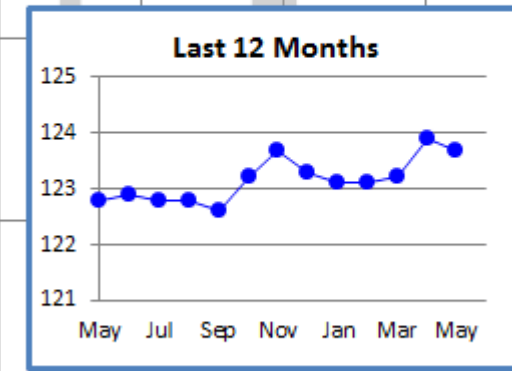
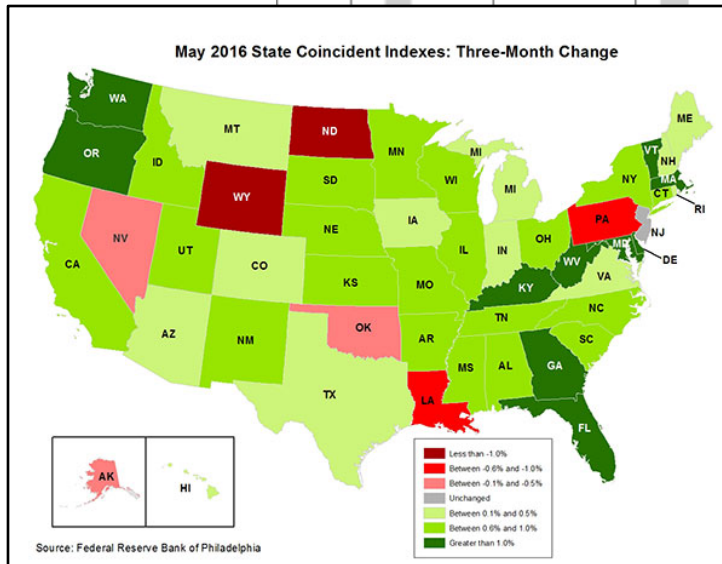
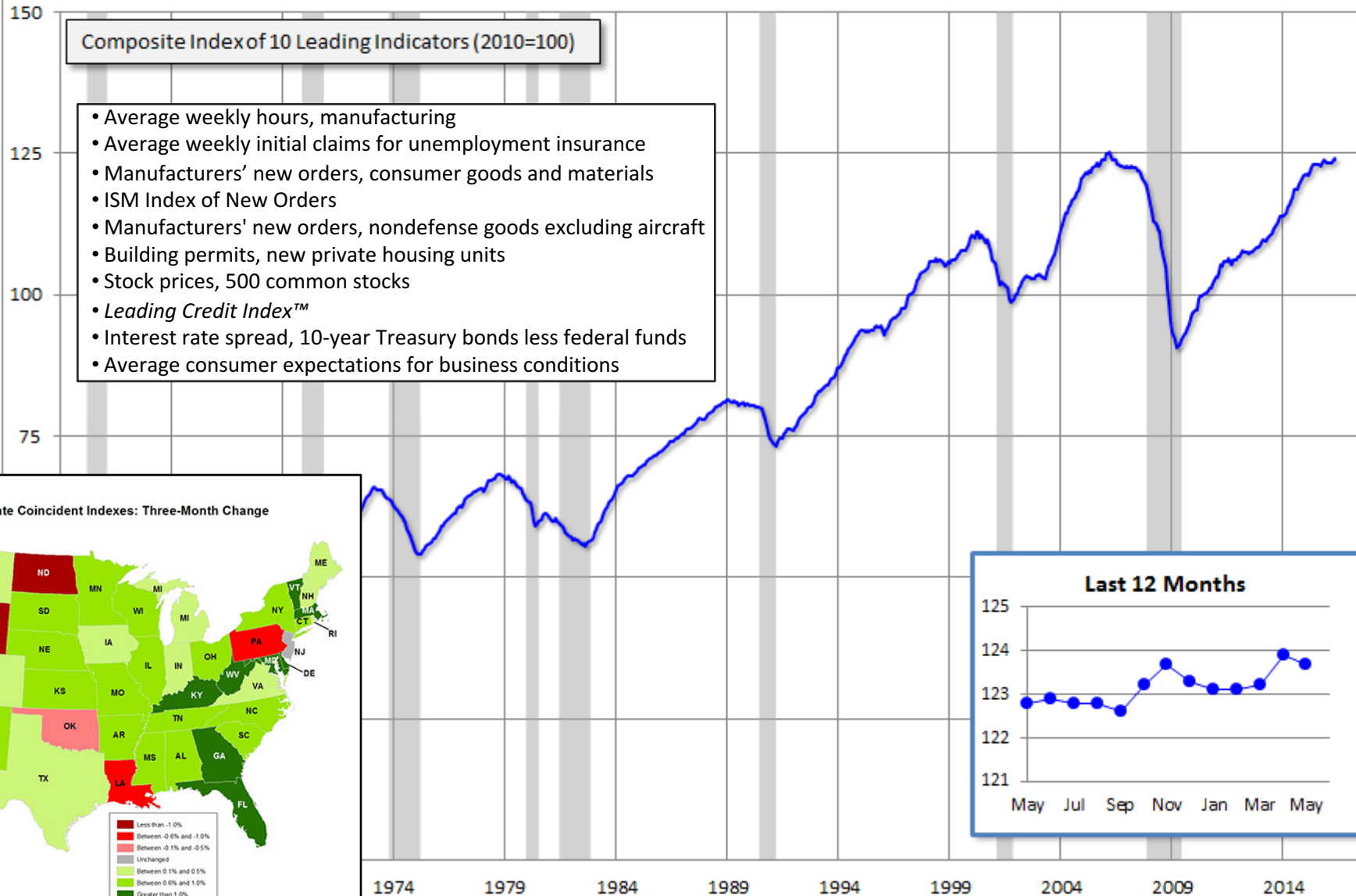
Indicator	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May
Employment	0.16%	0.20%	0.11%	0.10%	0.21%	0.20%	0.19%	0.12%	0.16%	0.13%	0.09%	0.03%
Industrial Production	-0.16%	0.59%	0.10%	-0.26%	-0.14%	-0.64%	-0.42%	0.54%	-0.18%	-0.98%	0.57%	-0.42%
Real Sales	-0.10%	0.47%	-0.12%	0.14%	-0.22%	0.16%	0.55%	-0.56%	0.45%	-0.40%	0.86%	0.23%
Real Income	0.31%	0.22%	0.29%	0.17%	0.47%	0.27%	0.33%	0.31%	0.12%	0.29%	0.18%	0.08%

Employment is released the first week of the month, Income the last week, Industrial Production and Sales mid-month.

Do you think this growth will continue?

Conference Board Leading Economic Index with Recessions Highlighted

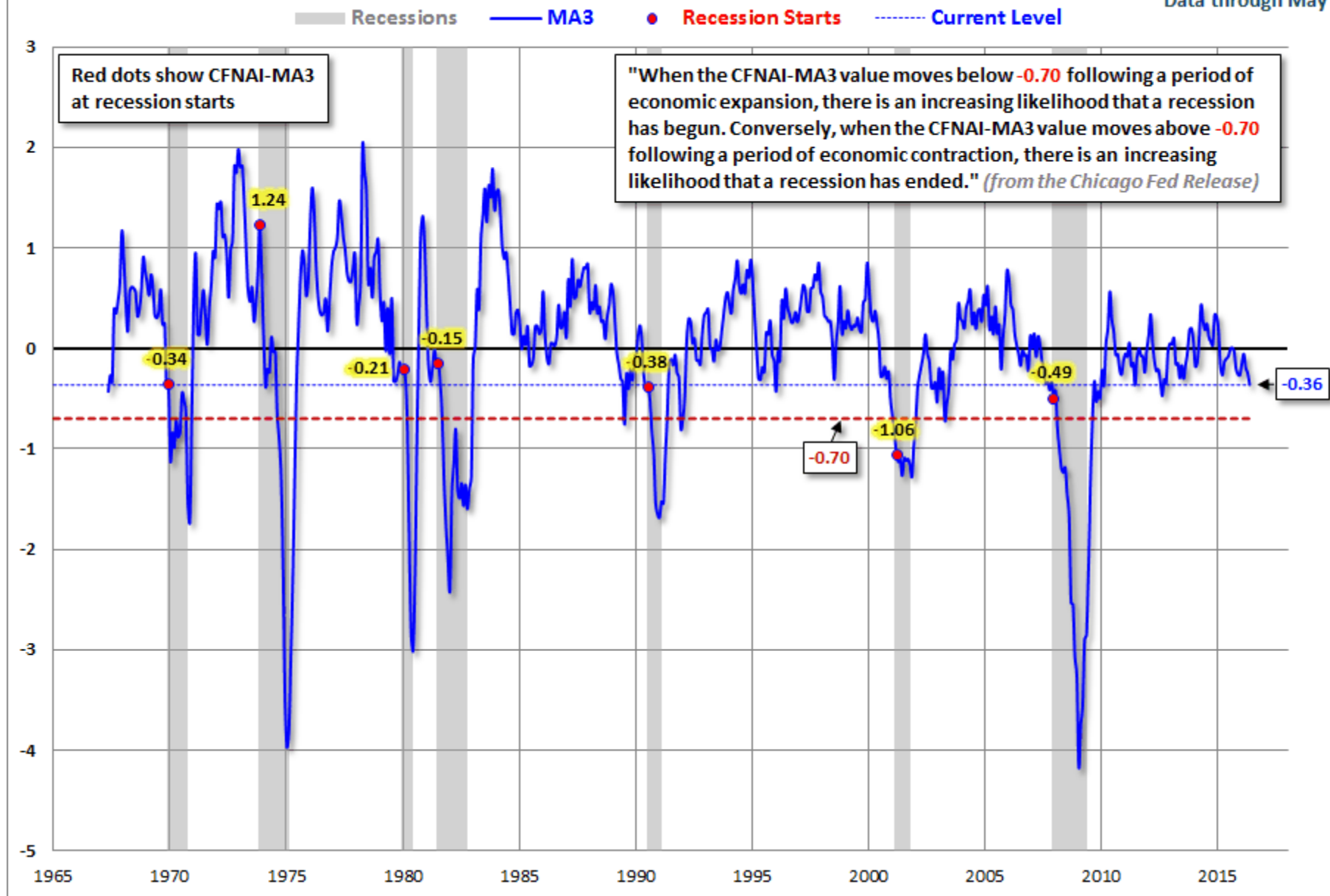
dshort.com
June 2016
Data through May



I hear some folks starting to talk about recession.

What's up with that?

Chicago Fed National Activity Index

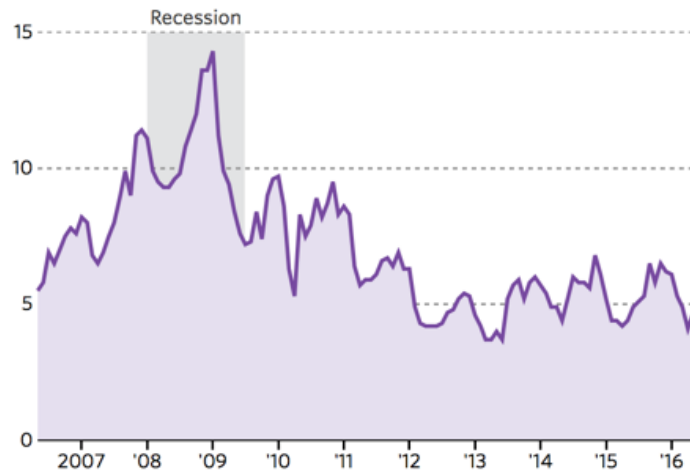


We are obviously correlated with housing.

What's going on with that sector?

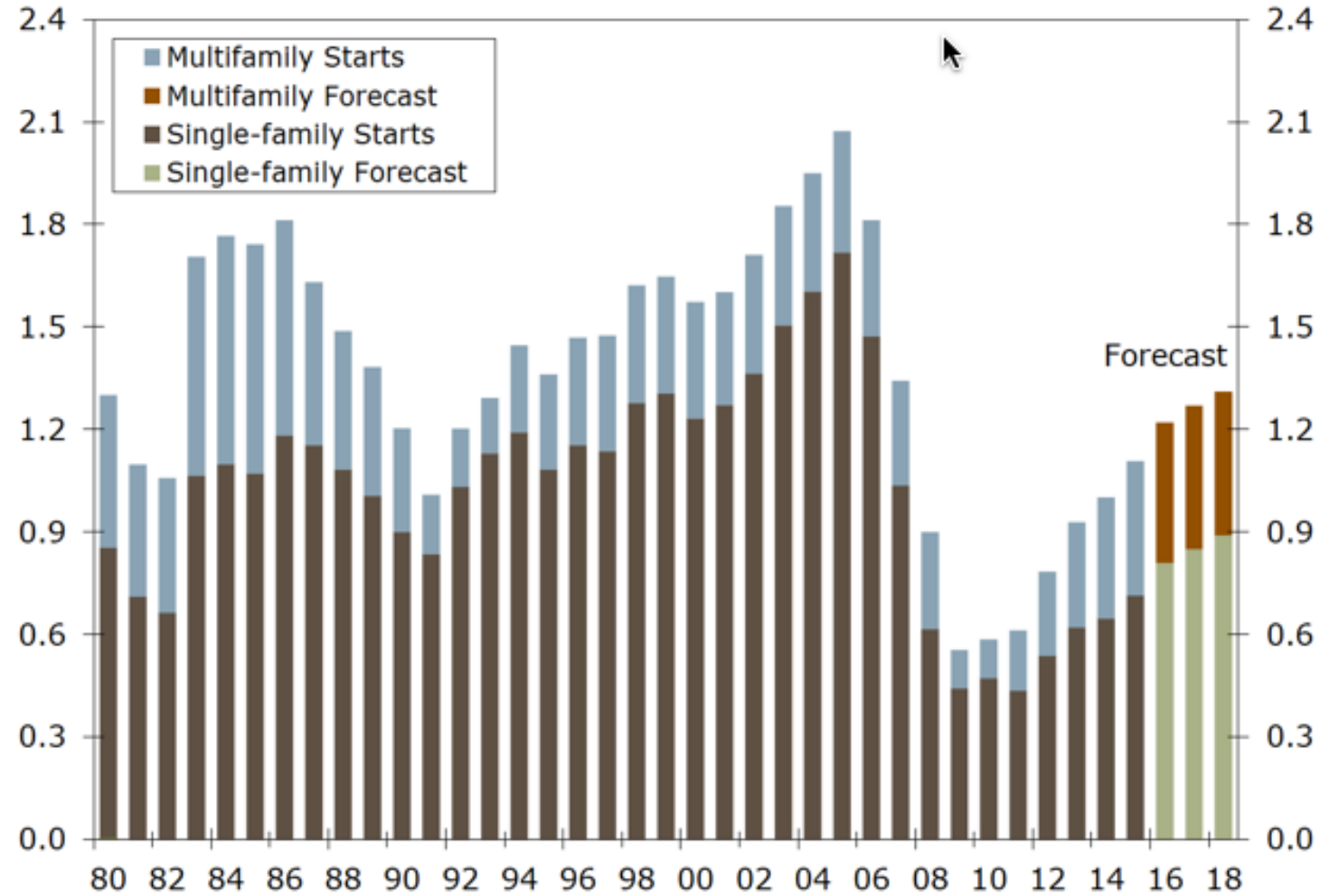


Months' supply of newly-built homes for the past 10 years



Housing Starts

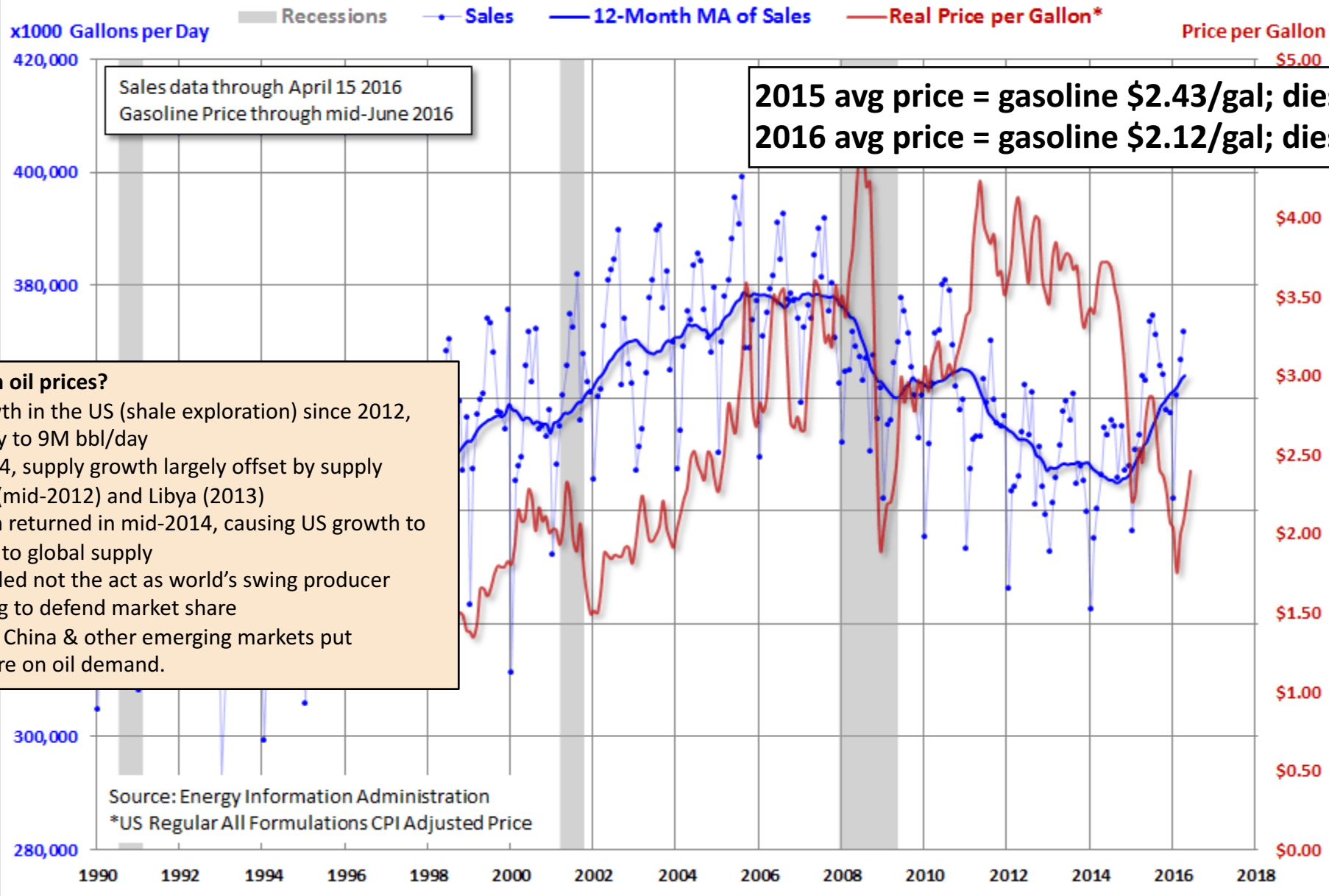
Millions of Units



What about the effect of these lower fuel prices?

U.S. Total Gasoline Sales Versus Price Per Gallon

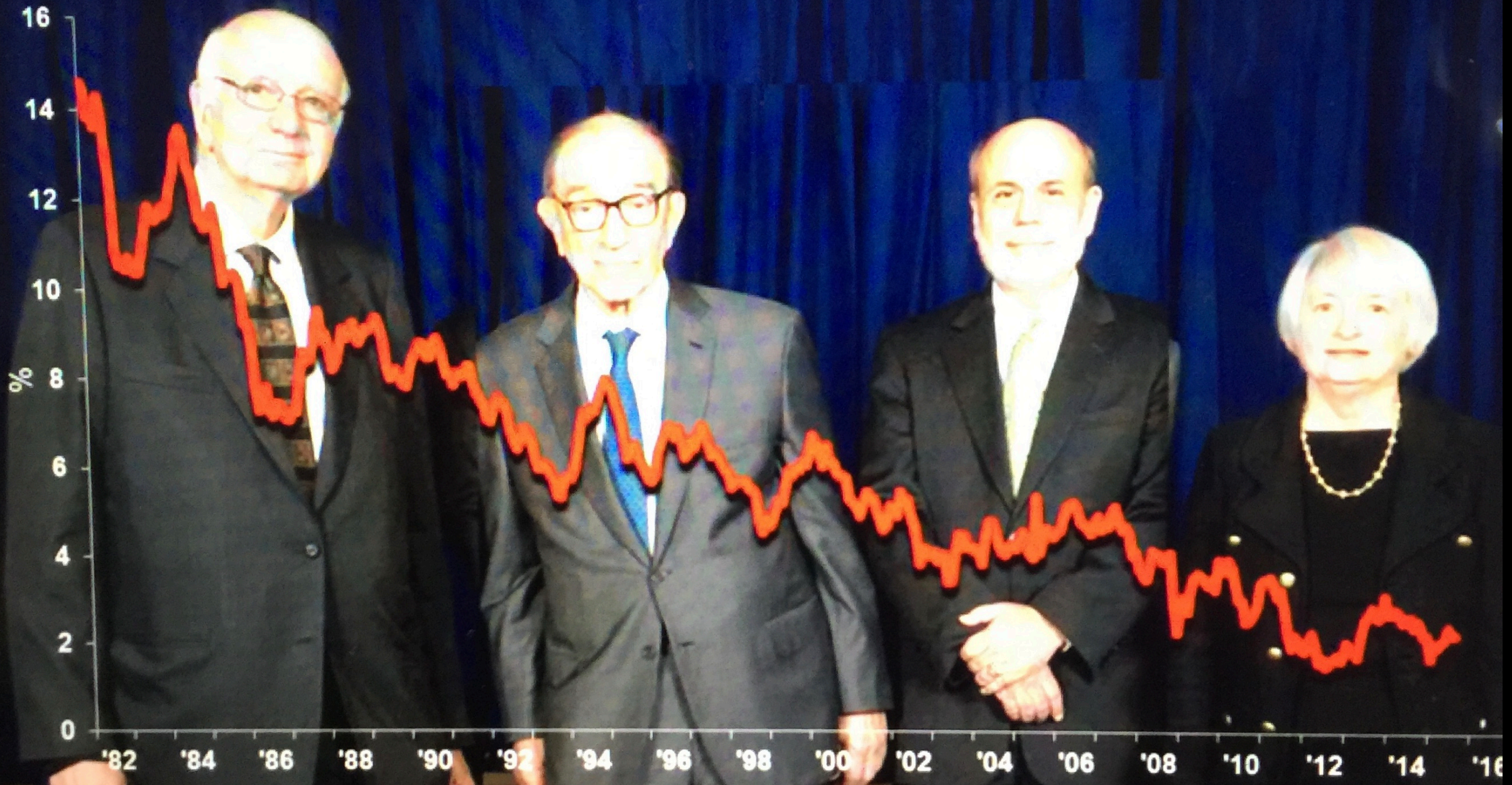
dshort.com
June 2016



What's the deal with oil prices?

- Rapid supply growth in the US (shale exploration) since 2012, from 5.5M bbl/day to 9M bbl/day
- Until summer 2014, supply growth largely offset by supply disruption in Iran (mid-2012) and Libya (2013)
- Libyan production returned in mid-2014, causing US growth to add 1.5M bbl/day to global supply
- Saudi Arabia decided not to act as world's swing producer anymore, choosing to defend market share
- Slowing growth in China & other emerging markets put downward pressure on oil demand.

Are interest rates going to go up again?

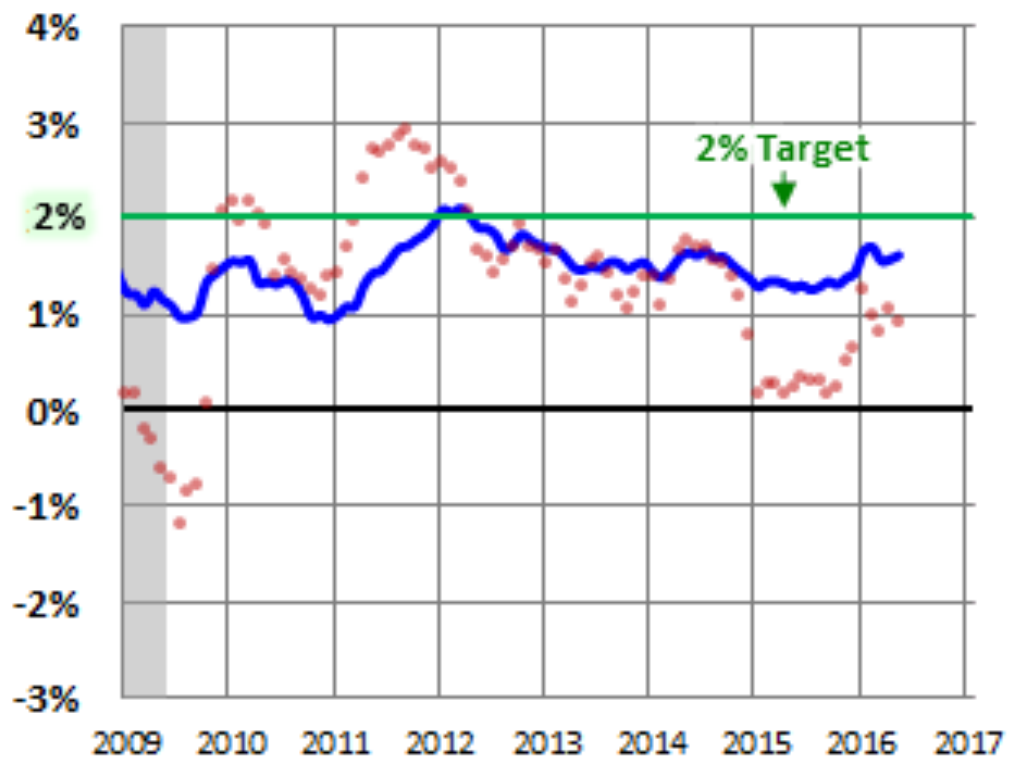


Source: Factset, FRB

— Yield on 10 Year Treasury Note

PCE Price Index

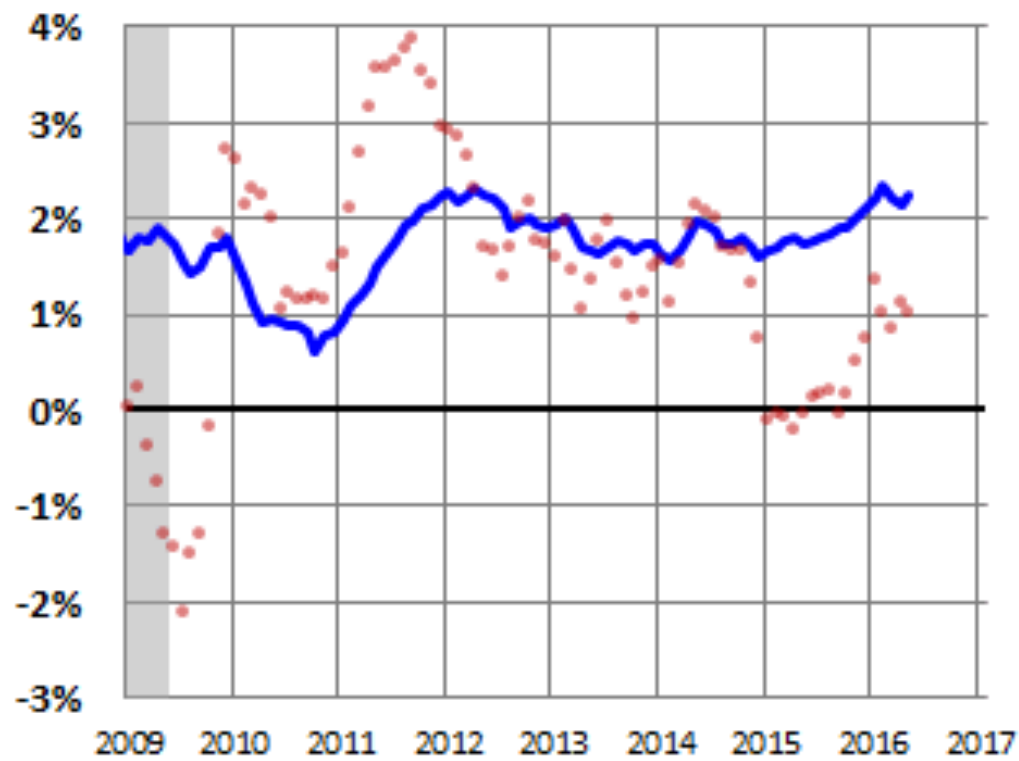
Core: 1.62% Headline = 0.93%



PCE through May

Consumer Price Index

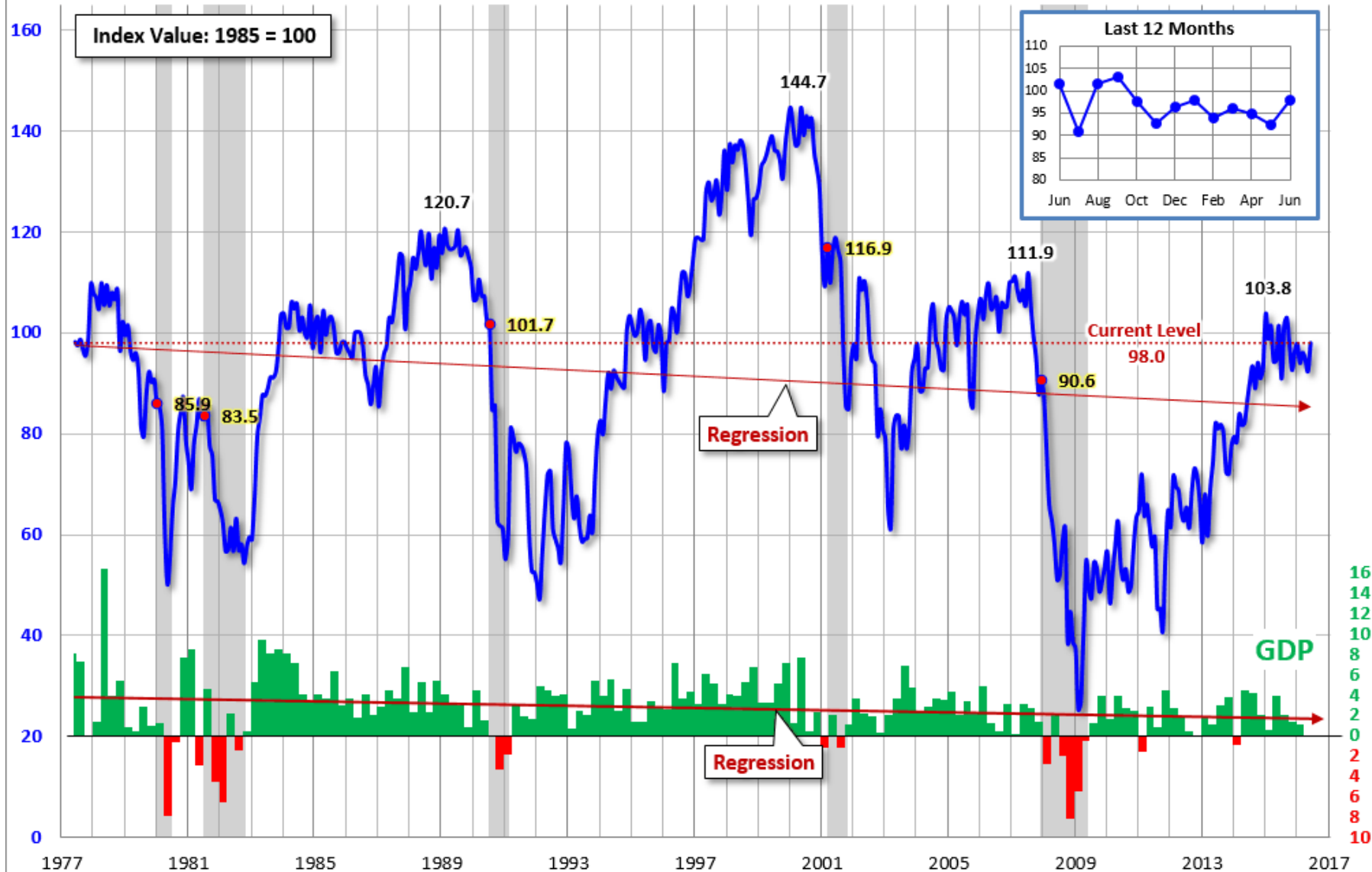
Core: 2.24% Headline: 1.02%



CPI through May

*Have lower gas prices and
interest rates translated
into folks feeling better?*

Conference Board Consumer Confidence Index Recessions Highlighted in Gray, Real GDP Shown Below

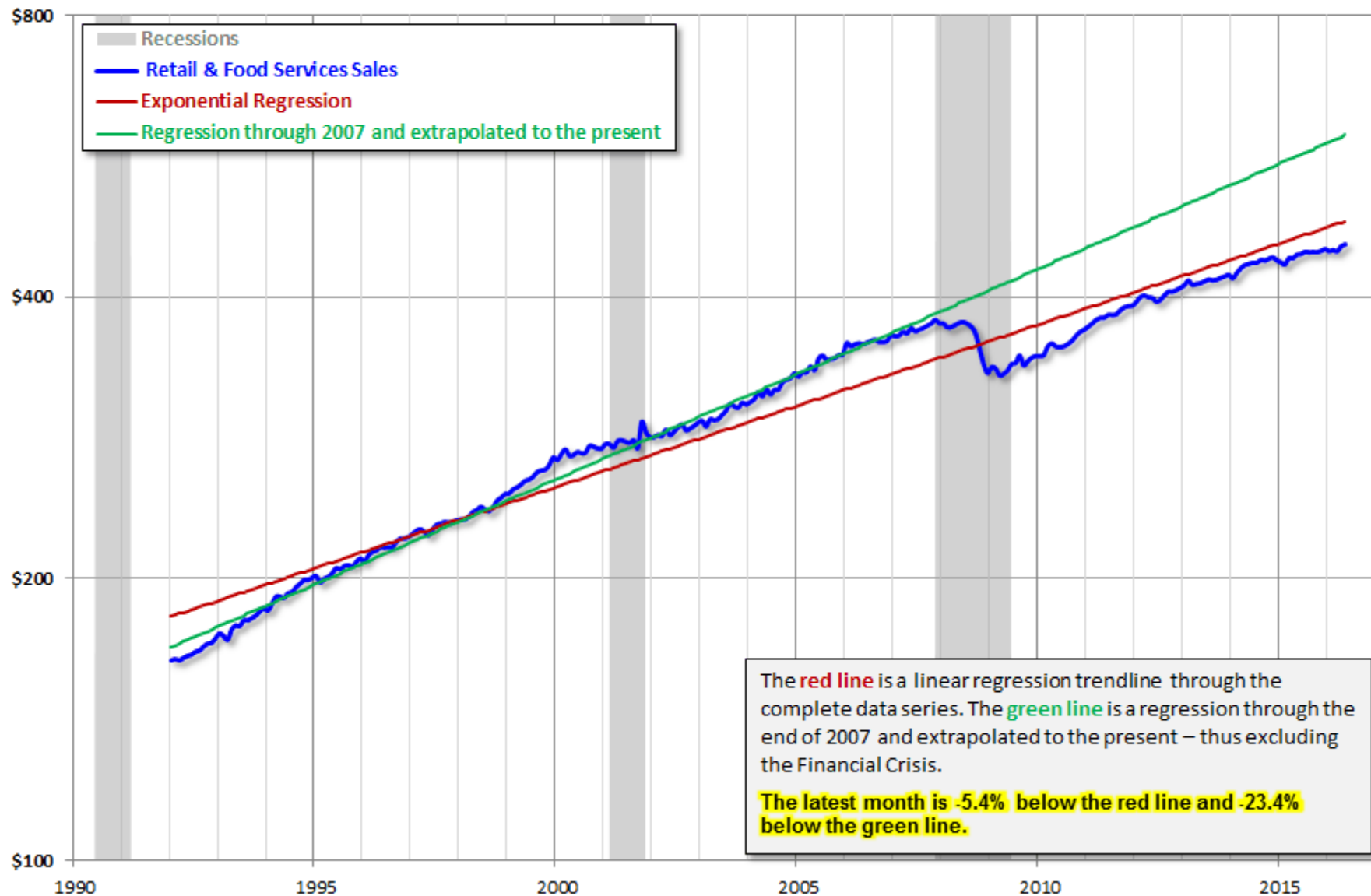


*How have all of these trends
affected retail sales?*

Monthly Retail & Food Services Sales

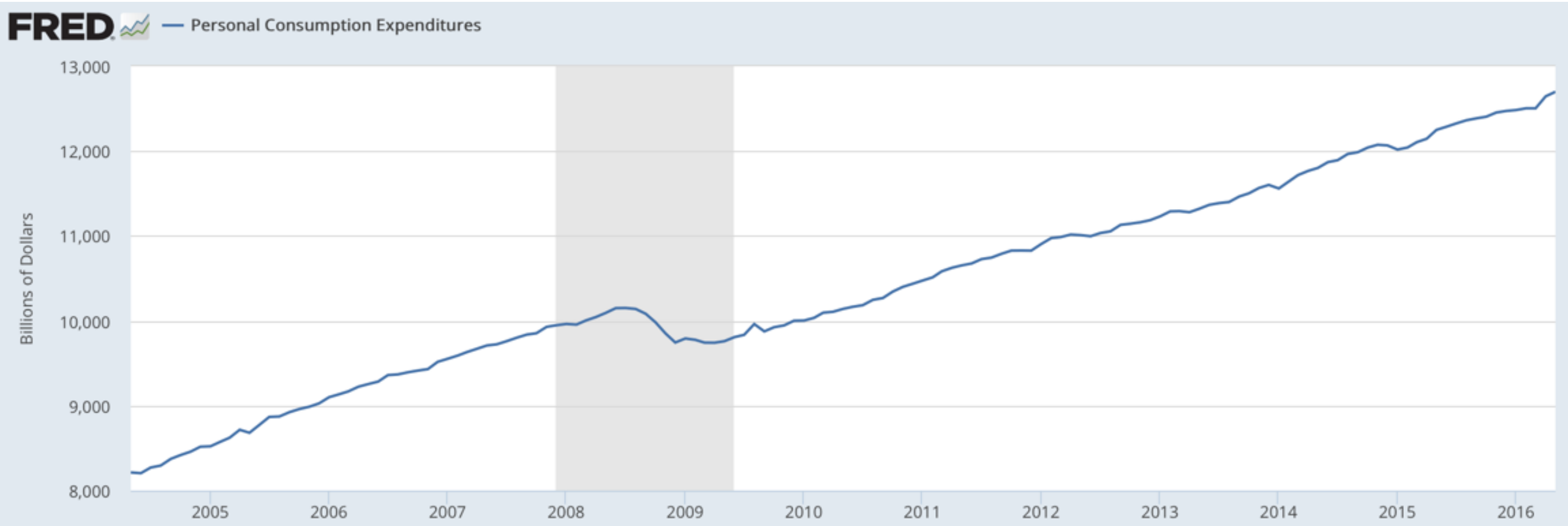
Seasonally Adjusted with Trendlines Added

Billions (Log Scale)



People afford what they want.

-- (Lowell Catlett)



QUESTIONS?

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