Outlook themes

• US growth remains strong and labor markets are showing rapid improvement

• Corporate profits may moderate due to US dollar appreciation and sluggish productivity growth

• Inflation is below 2% and faces temporary headwinds, primarily due to the fall in commodity prices

• Global outlook remains uncertain, reflecting risks from Greece
As of Q1 2015, four-quarter growth is likely to be the strongest since 2005

Source: Bureau of Economic Analysis, Kansas City Fed, Haver Analytics
Employment is expanding at its fastest pace since 1997

Total nonfarm payrolls (net change)

Thousands (3-mo avg, sa)

Source: Bureau of Labor Statistics, Haver Analytics
A record number of individuals moved from out of the labor force into employment in January.

Source: Bureau of Labor Statistics, Haver Analytics
Wages and salaries are edging higher, while more firms report plans to raise worker compensation

Source: Bureau of Labor Statistics, NFIB, Haver Analytics

Source: Bureau of Labor Statistics, NFIB, Haver Analytics
Benefits costs have been increasing

Source: Bureau of Labor Statistics, Haver Analytics
Household formation has recently surged

Source: US Census, Haver Analytics
Multifamily starts remain at a high level, while single-family starts show only a modest upward trend

Source: US Census, Haver Analytics
Corporate profits as a share of GDP are down from recent highs, but remain elevated relative to historical norms.

Source: Bureau of Economic Analysis, Haver Analytics
The US Dollar has strengthened further against the euro, though is stabilizing against the yen.

Source: Federal Reserve Board, Haver Analytics
Productivity growth was flat in 2014

Source: Bureau of Labor Statistics, Haver Analytics
Inflation is projected to gradually rise towards the 2% goal

Source: Bureau of Economic Analysis, Haver Analytics

Graph showing Headline PCE inflation and Core PCE inflation from 2003 to 2017, with projections for 2015 and 2017 indicating a rise towards the 2% goal.
Oil prices have stabilized at a lower level compared to six months ago, along with longer-term inflation expectations.

Source: Federal Reserve Board, EIA, Haver Analytics

US Inflation Compensation 5y5y ahead (lhs)

WTI (rhs)

Source: Federal Reserve Board, EIA, Haver Analytics
Oil production and inventories remain elevated

Source: EIA, Haver Analytics

Barrels (million)

Barrels/Day (million)

US stock of crude oil & petroleum products (lhs)

US crude oil field production (rhs)

Source: EIA, Haver Analytics
Oil rig count is adjusting rapidly

Source: Baker Hughes, Haver Analytics
Greek options

grexit
euro
greenspan
eurozone
greece
predicts tsipras
amp
greek
leave
countries
sees
schuldensuehner
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Stress is again building in the euro area stemming from Greece

US recession and financial crisis

Yield on 10-year Greek government bond

Source: Bloomberg
Greek debt levels remain elevated

Source: International Monetary Fund, Haver Analytics
Possible outcomes of Greek negotiations

- Current arrangement
- Further fiscal integration / union
- Austerity + “Extend and pretend”
- Exit

Sustainable solutions
The federal funds rate target remains near zero

Source: Federal Reserve Board, Haver Analytics
The Federal Reserve’s balance sheet has stabilized near $4.5 trillion

Source: Federal Reserve Board, Haver Analytics

Graph showing changes in the Federal Reserve's balance sheet from 2008 to 2015, with assets and liabilities categorized into different sections: Treasury securities and other assets, MBS & agency debt, currency reserves, other short term lending, targeted lending programs, and rescue operations.