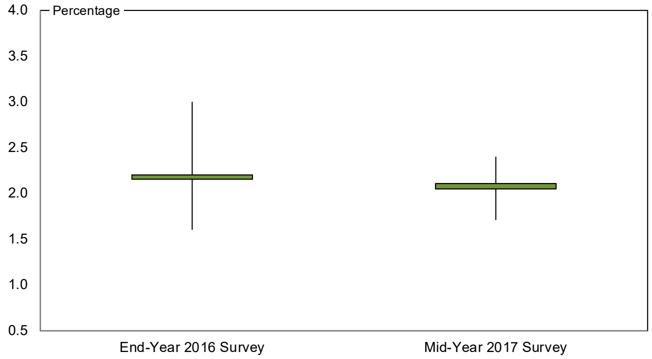
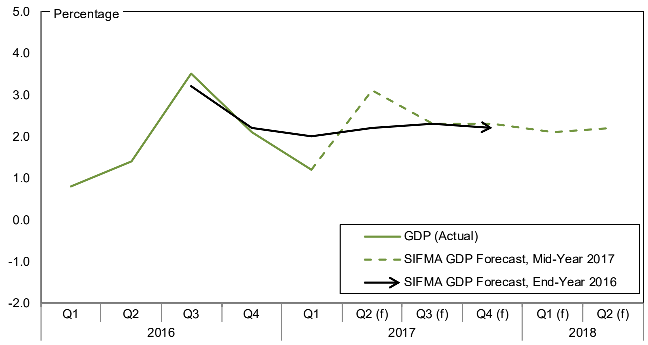
Full Year 2017 GDP Growth Estimates
End-Year 2017 vs Mid-Year 2017



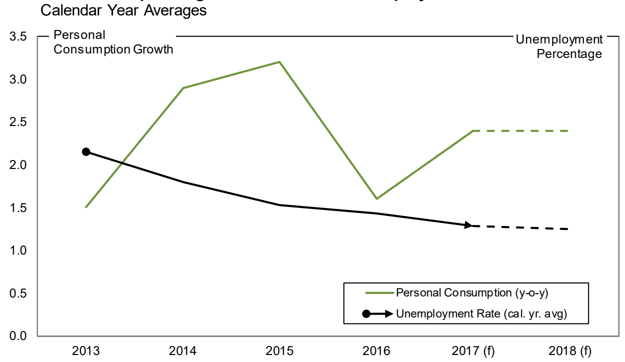
Sources: SIFMA Economic Advisory Roundtable End-Year 2016 and Mid-Year 2017 Economic Outlook Surveys

Real GDP Growth Rate
Quarter over Quarter Change, annualized



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis; Forecasts: SIFMA Economic Advisory Roundtable Mid-Year 2017 Economic Outlook Survey

Consumer Spending Growth Rate and Unemployment Rate
Calendar Year Averages



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis (Personal Consumption) & Bureau of Labor Statistics (Unemployment); Forecasts: SIFMA Economic Advisory Roundtable Mid-Year 2017 Economic Outlook Survey

2017 GDP OUTLOOK WEAKENS SLIGHTLY TO 2.1 PERCENT; BUSINESS SPENDING AND U.S. FISCAL POLICY KEY FACTORS

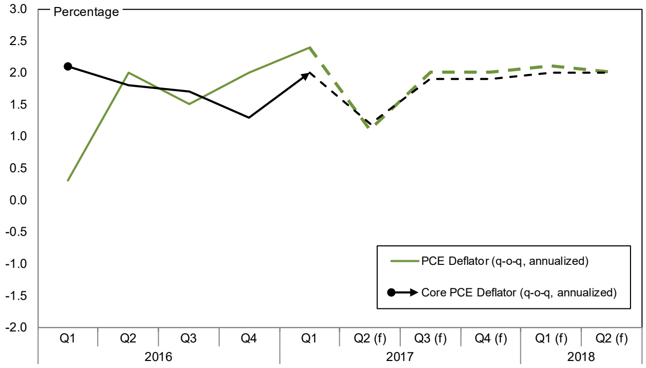
SIFMA's Economic Advisory Roundtable forecasted that the U.S. economy will grow 2.1 percent in 2017, strengthening[1] to 2.3 percent in 2018. The current outlook for 2017 is slightly weaker than the Roundtable's end-year 2016 prediction.

THE ECONOMY The median mid-year forecast calls for 2017 gross domestic product (GDP) to grow by 2.1 percent both on a year-over-year basis and on a fourth-quarter-to-fourth-quarter basis, slightly weaker than the 2.2 percent and 2.1 percent predicted on a year-over-year and fourth-quarter-to-fourth-quarter basis, respectively, in the 2016 end-year survey.[2] Respondents expect real GDP to grow by 2.3 percent in 3Q'17 and 4Q'17 on an annualized basis, by 2.1 percent in the first quarter of 2018 and 2.2 percent by the second quarter of 2018. [3] On a full year basis, GDP growth is expected to be 2.3 percent in 2018.

Employment is expected to continue improving, and on a stronger basis than expected in the end-year survey. Survey respondents predict the unemployment rate to average 4.4 percent in 2017 (compared to an expectation of 4.7 percent in the end-year 2016 survey) and 4.3 percent in 2018.[4] Employers are expected to add 2.1 million workers to their payrolls in 2017 (compared to an expectation of 1.9 million in the 2016 year-end survey[5]), falling to 1.8 million in 2018.[6] The Roundtable expects personal consumption to remain unchanged from 2.4 percent in both 2017 and 2018.[7]

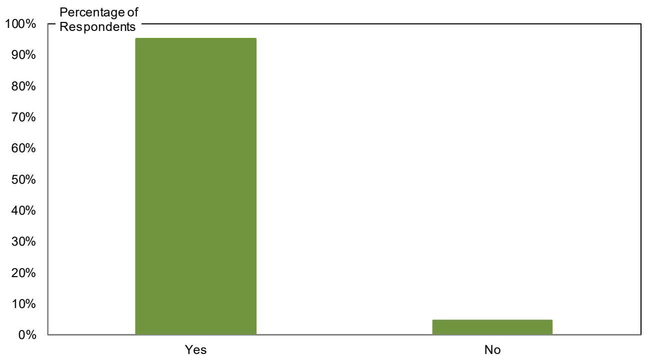
[1] The mid-year 2017 survey was conducted from May 16, 2017 to June 2, 2017. The forecasts discussed in the text and appearing in the accompanying data tables and graphs are the median values of the individual member firms' submissions, unless otherwise specified.
[2] The full-year 2017 GDP growth forecasts ranged from 1.7 percent to 2.4 percent and on a fourth-quarter-to-fourth-quarter basis ranged from 1.6 percent to 2.7 percent.
[3] On a quarterly basis, annualized GDP growth forecasts ranged from 2.1 percent to 3.8 percent in 2Q'17, 1.5 percent to 3.3 percent in 3Q'17, 1.8 percent to 2.8 percent in 4Q'17, 1.7 percent to 3.0 percent in 1Q'18, and 1.7 percent to 3.4 percent in 2Q'18.
[4] The full-year 2017 average unemployment rate forecast ranged from 4.3 percent to 4.7 percent and for 2018 ranged from 3.7 percent to 4.8 percent.
[5] The full-year 2017 non-farm payroll employment growth forecasts ranged from 1.5 million jobs to 3.1 million jobs.
[6] The full-year 2018 non-farm payroll employment growth forecasts ranged from 1.0 million jobs to 2.8 million jobs.
[7] Personal consumption growth forecasts ranged from 3.4 percent to 5.1 percent in 2017, and 1.8 percent to 3.1 percent in 2018.

PCE Deflator & Core PCE Deflator



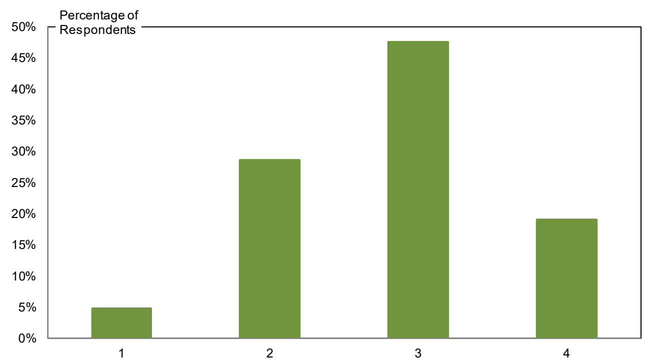
*(f) Forecast
Source: Actuals: Bureau of Economic Analysis; Forecasts: SIFMA Economic Advisory Roundtable Mid-Year 2017 Economic Outlook Survey

Do You Expect the FOMC Raise the Fed Funds Target Rate Range at June 2017 Meeting?



Source: SIFMA Economic Advisory Rountable Mid-Year 2017 Economic Outlook Survey

How Many Rate Hikes Are Expected in 2018?



Source: SIFMA Economic Advisory Rountable Mid-Year 2017 Economic Outlook Survey

Estimates for business capital investment for full-year 2017 strengthened considerably to 4.4 percent from the previous survey's forecast of 2.7, although it is expected to drop to 3.0 percent in 2018.[8] The outlook for state and local government spending continued to weaken with an expectation of 0.3 percent growth in 2017 (from 1.0 percent estimated in end-year 2016), before strengthening to 1.5 percent in 2018.[9]

The forecast for 2017 "headline" inflation, measured by the personal consumption expenditures (PCE) chain price index, weakened slightly from the end-year 2016 forecast of 1.9 percent to 1.8 percent in the mid-year survey. For 2018, the PCE chain price index was expected to rise slightly to 1.9 percent.[10] The projection for the core PCE chain price index, which excludes food and energy prices, was 1.6 percent for full-year 2017 (down from 1.8 percent projected in end-year 2016) and 2.0 percent for full-year 2018.[11]

Economic slack/unemployment remained the dominant factor cited in the core inflation outlooks, followed by commodity prices. Inflation expectations were muted: one respondent noted that "a sharp reduction in consumer confidence could limit inflation in the near term," while another added "each percentage point drop in the unemployment rate adds less to inflation risk compared to the past."

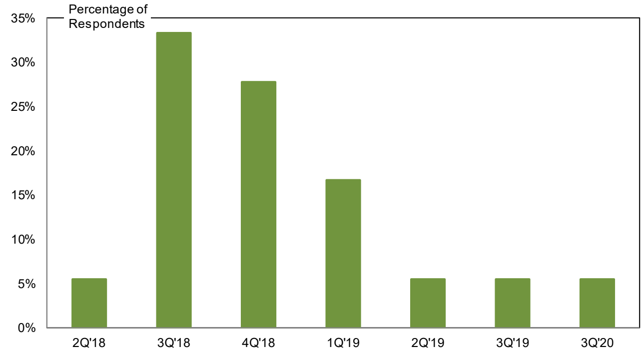
MONETARY POLICY All but one respondent expect the Federal Open Market Committee (FOMC) to raise the Federal Reserve's target rate range at the June 13-14, 2017 meeting.

Respondents were also nearly unanimous for the number of rate hikes they expect in 2017; all but one respondent expect two rate hikes in 2017, inclusive of the rate hike in June. The dissenting respondent only expected one rate hike in 2017. Opinions were more varied for 2018, with half of respondents expecting three rate hikes, nearly a third (28.6 percent) expecting two rate hikes, about a fifth (19.0 percent) expecting four rate hikes, and the balance one rate hike.

Survey respondents considered labor market conditions the most important factor in the FOMC's decision to raise rates, followed by inflation or inflationary expectations. One respondent noted that political conditions could also be a factor.

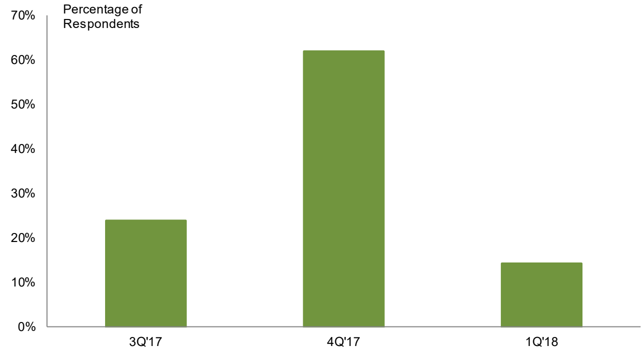
[8] The full-year 2017 business fixed investment forecasts ranged from 3.4 percent to 5.1 percent and for 2018 ranged from 2.0 percent to 5.3 percent.
[9] The full-year 2017 real state and local government spending forecasts ranged from 0.6 percent to 1.5 percent and for 2018 ranged from 0.3 percent to 1.9 percent.
[10] The full-year 2017 PCE deflator forecasts ranged from 1.0 percent to 2.1 percent and for 2018 from 1.1 percent to 2.3 percent.
[11] The full-year 2017 core PCE deflator forecasts ranged from 1.4 percent to 1.9 percent and for 2018 from 1.1 percent to 2.3 percent.

When Will the Lower End of the Fed Funds Target Rate Range Rise to 2%?



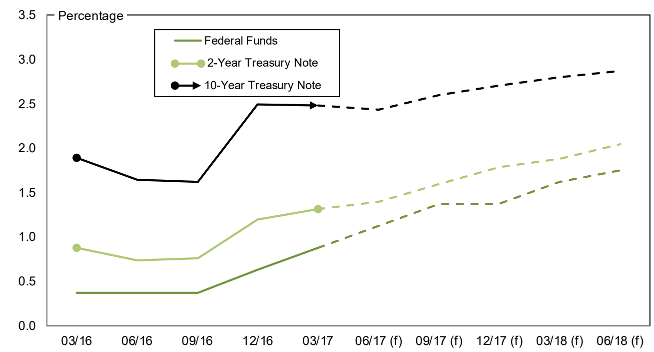
Source: SIFMA Economic Advisory Rountable Mid-Year 2017 Economic Outlook Survey

When Will the FOMC Change its Reinvestment Policy?



Source: SIFMA Economic Advisory Rountable Mid-Year 2017 Economic Outlook Survey

Federal Funds Rate and Treasury Yields (monthly average)



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis, Federal Reserve; Forecasts: SIFMA Economic Advisory Roundtable Mid-Year 2017 Economic Outlook Survey

Respondents' answers for the lower end of the target federal funds rate range clustered around the second half of 2018 and early 2019: a third of respondents predicted 3Q'17, 27.8 percent forecasted 4Q'17, and 16.7 percent forecasted 1Q'19. The remaining respondents expect the rate range to reach two percent in the second quarter of 2018 or after the first quarter of 2019.

Although the Fed concluded its asset purchase program in October 2014, it has continued to maintain accommodative financial conditions through its policy of rolling over Treasury securities as well as reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities into agency mortgage-backed securities. Asked when the Fed's reinvestment policy would change, all respondents expected a change at the end of 2017 or early 2018, with the majority expecting a change in the fourth quarter of 2017. Nearly all respondents predicted the change to be based on a qualitative judgment about economic and financial conditions, with one respondent expecting a specified set path instead. Respondents were unanimous in expecting the change to be implemented through a gradual phase out of reinvestment.

INTEREST RATES When the survey was completed on June 2, 2017, the 10-year U.S. Treasury yield was 2.15 percent. The median survey forecasts for 10-year Treasury rates were the following: 2.43 percent for June 2017, 2.60 percent for September 2017, 2.70 percent for December 2016, 2.80 percent for March 2018 and 2.88 percent for June 2018.[12]

The majority of respondents (86 percent) expected the Treasury yield curve (Fed funds-to-10-year Treasury yield spread) to flatten by end-2017, with the balance expecting the curve to steepen. Economic growth prospects were cited as the dominant factor impacting Treasury yields in the second half of 2017, followed by FOMC interest rate policy. Respondents noted multiple pressures keeping Treasury rates low; one respondent noted that a selloff of equities would keep Treasury yields low, while another noted that low international bond prices would serve as a cap on U.S. Treasury rates.

More than half (58 percent) of survey respondents expected the TED (Treasury bill less LIBOR) spread to remain unchanged through 2017, while a quarter expect the spread to narrow and the remaining balance expect the spread to widen.

Two thirds of the respondents expect investment grade bond spreads to widen, with the balance split evenly between flattening or remaining unchanged. Nearly all respondents expected high yield bonds to widen, however, with only two respondents expecting spreads to remain unchanged.

[12] The 10-year Treasury yield forecasts ranged from 2.28 percent to 3.00 percent for June 2017, from 2.45 percent to 2.95 percent for September 2017, from 2.25 percent to 2.90 percent for December 2017; from 2.35 percent to 3.08 percent in March 2018, and from 2.35 percent to 3.28 percent for June 2018.

Risks to Growth: Fiscal Stimulus, Capital Expenditures and Tax Reform on the Upside; Fiscal/tax Reform and Tight Financial Conditions on the Downside

Respondents were asked to rank factors by their potential impact on U.S. economic growth in the second half of 2017. Business confidence was considered the most important factor impacting U.S. economic growth, followed by U.S. fiscal policy; Federal Reserve interest rate actions were noted as a third, albeit distant, factor as well.

Upside and downside risks to the growth forecasts were relatively dispersed among respondents. Fiscal stimulus, sooner-than-expected tax reform, and business capital expenditures were the most often cited risks among respondents on the upside.

On the downside, policy uncertainty/failure, tight financial conditions and geopolitical risk were the leading causes for concern.

Oil Prices

Panelists placed a 31 percent chance on West Texas Intermediate (WTI) crude oil prices between $41 and $50 a barrel at the end of 2017 and a 43 percent chance of prices between $51 and $60. The remaining 26 percent were roughly evenly split between dropping to $40 per barrel or below and rising to $61 or higher. Respondents estimated that the most likely scenarios would have no impact on economic growth. Only the two outer ranges were broadly predicted to have an impact on GDP growth: prices at $40 or below per barrel would raise GDP growth by 13 basis points (bps), while prices above $61 per barrel would lower growth by 12 bps.

Respondents estimated that WTI would settle at an equilibrium price of $59.50 per barrel three years from now, assuming continued moderate global growth.[13]

U.S. Fiscal Policy

Respondents were asked to rank a number of potential policy changes aired by the new Administration in terms of how likely there are to be enacted in 2017. Nearly a third (31.3 percent) considered tax policy to have the greatest chance of enactment, followed by changes to trade policies, immigration and the ACA, with infrastructure policy deemed likely by only one respondent. When asked which policy changes would deliver an impact on economic growth, many policies were expected to have no impact; only tax policy and infrastructure were expected by most to have a positive impact, if enacted, while the impact of a policy change to immigration and to the ACA was seen as more negative.

Overall, the vast majority of respondents (83 percent) did not expect GDP to be affected in any meaningful way by uncertainty over the fate of these policy initiatives in 2017. The panel was generally unconvinced that the Administration would be able to make any meaningful policy changes in the near term. One respondent noted, "… we are currently anticipating that virtually none of the policies espoused by the Administration will be enacted at this point," while another noted that "…[the full] agenda will face a hard time on Capitol Hill. Broad tax reform is unlikely . . .but lower tax rates are still possible."

When asked about financial regulatory reform, respondents considered the Department of Labor fiduciary rule the most likely candidate for regulatory reform by mid-2018. Opinion on the chances for reform of the Comprehensive Capital Analysis and Review (CCAR)/stress testing, leverage rules, prudential capital requirements, and the Volcker Rule were split, while Orderly Liquidations and Securitization requirements were deemed less likely. However, respondents regarded their outlooks on these reforms as having little impact on 2018 GDP growth, with the majority (75 percent) expecting no impact on GDP and the balance expecting reforms to add up to 50 bps to their growth outlooks.

[13] The range for estimates of the equilibrium oil price was $55 per barrel to $66 per barrel.

SIFMA ECONOMIC ADVISORY ROUNDTABLE FORECAST

	2017	2018
Real GDP	2.1	2.3
Real GDP (4Q – 4Q)	2.1	N/A
CPI	2.3	2.2
CPI (4Q – 4Q)	2.1	N/A
Core CPI	2.0	2.3
Core CPI (4Q – 4Q)	2.1	N/A
PCE deflator	1.8	1.9
PCE deflator (4Q – 4Q)	1.9	N/A
Core PCE deflator	1.6	2.0
Core PCE deflator (4Q – 4Q)	1.9	N/A
Personal Consumption	2.4	2.4
Nonresidential Fixed Investment	4.4	3.0
Housing Starts (millions)	1.3	1.3
Real State & Local Government Spending	0.3	1.5
Current Account Deficit ($ billions)	525.2	543.0
New Home Sales (millions of units)	0.6	0.6
Existing Home Sales (millions of units)	5.6	5.6
Nonfarm Payroll Employment (change in millions)	2.1	1.8
Unemployment Rate (calendar year average)	4.4	4.3
Federal Budget (FY, $ billions)	(595.0)	(692.0)

Quarter-to-Quarter % Changes in Annual Rates

	2017			2018	
	II	III	IV	I	II
Real GDP	3.1	2.3	2.3	2.1	2.2
CPI	0.7	2.2	2.3	2.4	2.1
Core CPI	1.1	2.2	2.2	2.3	2.2
PCE deflator	1.1	2.0	2.0	2.1	2.0
Core PCE deflator	1.2	1.9	1.9	2.0	2.0
Personal Consumption	2.8	2.4	2.4	2.3	2.4
Nonresidential Fixed Investment	3.8	3.6	3.7	3.4	3.0

Interest Rates (monthly average %)

	Jun. '17	Sep. '17	Dec. '17	Mar. '18	Jun. '18
Fed Funds	1.13	1.38	1.38	1.63	1.75
2 Year Treasury Note	1.40	1.60	1.79	1.88	2.04
10 Year Treasury Note	2.43	2.60	2.70	2.80	2.88
30 Year Fixed-Rate Home Mortgages	4.23	4.38	4.38	4.43	4.48

Exchange Rates (monthly average)

	Jun. '17	Sep. '17	Dec. '17	Mar. '18	Jun. '18
Yen/Dollar	113.0	115.5	116.2	115.0	114.5
Dollar/Euro	1.10	1.10	1.09	1.10	1.10
Dollar/GBP	1.28	1.28	1.27	1.27	1.28

ECONOMIC ADVISORY ROUNDTABLE

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