



BRAZOS RIVER AUTHORITY

Long Range Market Outlook

January 27, 2020



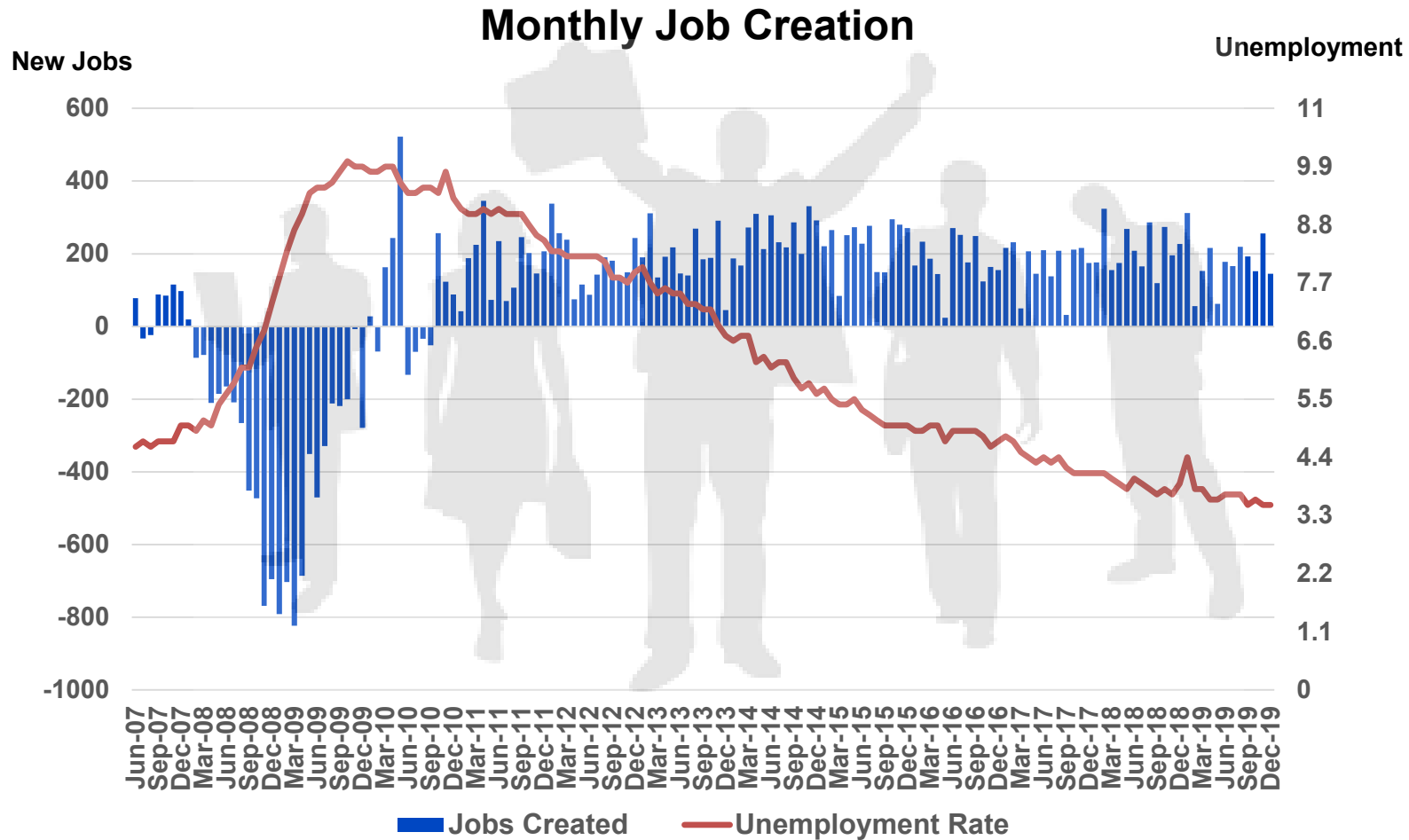
Valley View Consulting, L.L.C.

Economic Recovery

- US Economy Is Moderating
- Housing, Employment and Production
 - Fed Employment Targets Met – Full Employment
 - Housing is Heating Up
 - Inflation Targets Still Elusive
- Fed Lowered the Fed Funds Rate Range
 - Current Range is 1.50% to 1.75%
 - Lowered Rates Three Times in 2019
 - Last year at this time range was 2.25% to 2.50%
 - Rate Changes May Be Paused

Economic Recovery

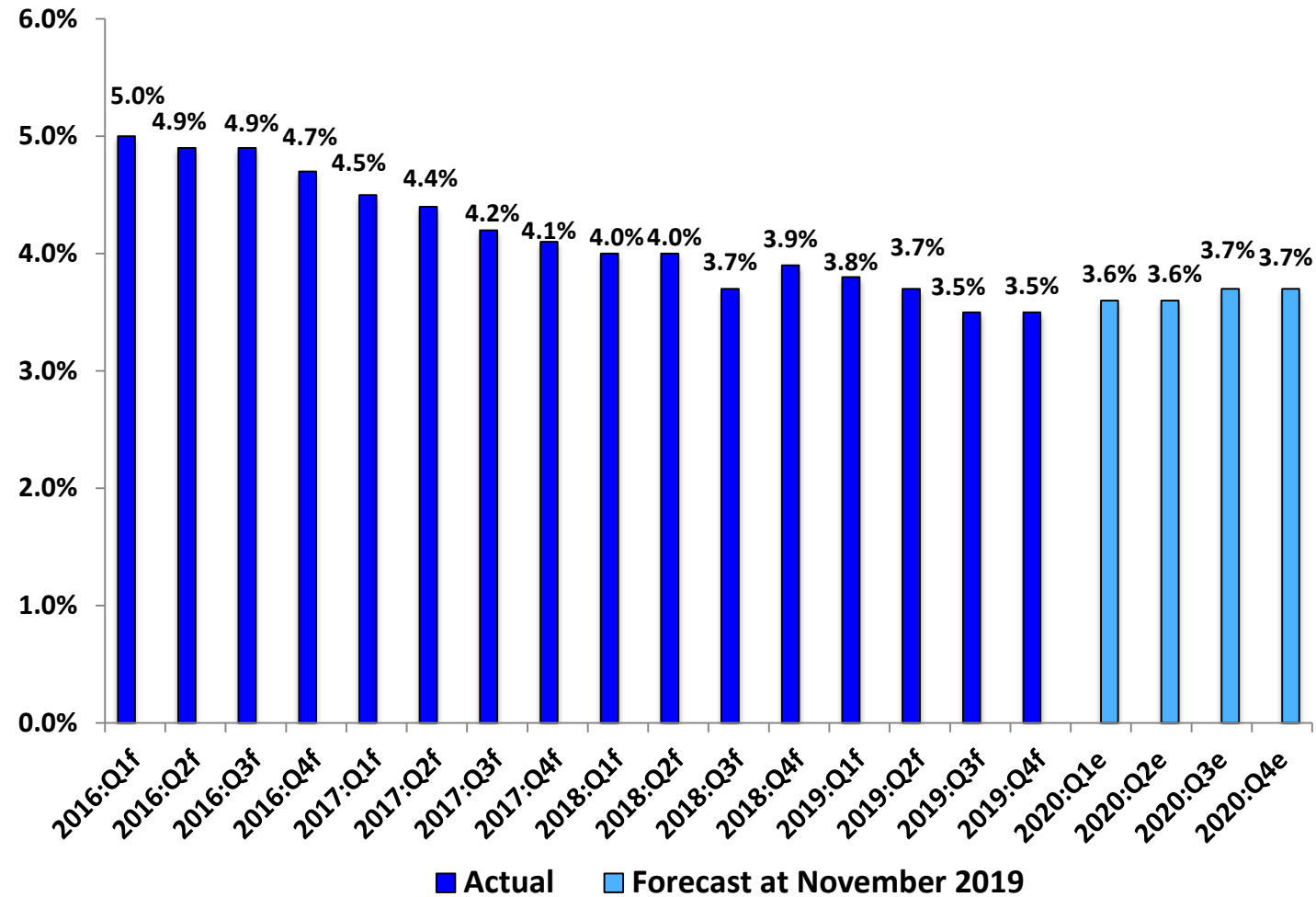
- Long range strength is still uncertain
 - Trade Policy Developing
- Fed Outlook in December was for continued improvements, but Lowered 2020 Projections
 - FOMC projected Fed Funds Rate will stay static until late 2020



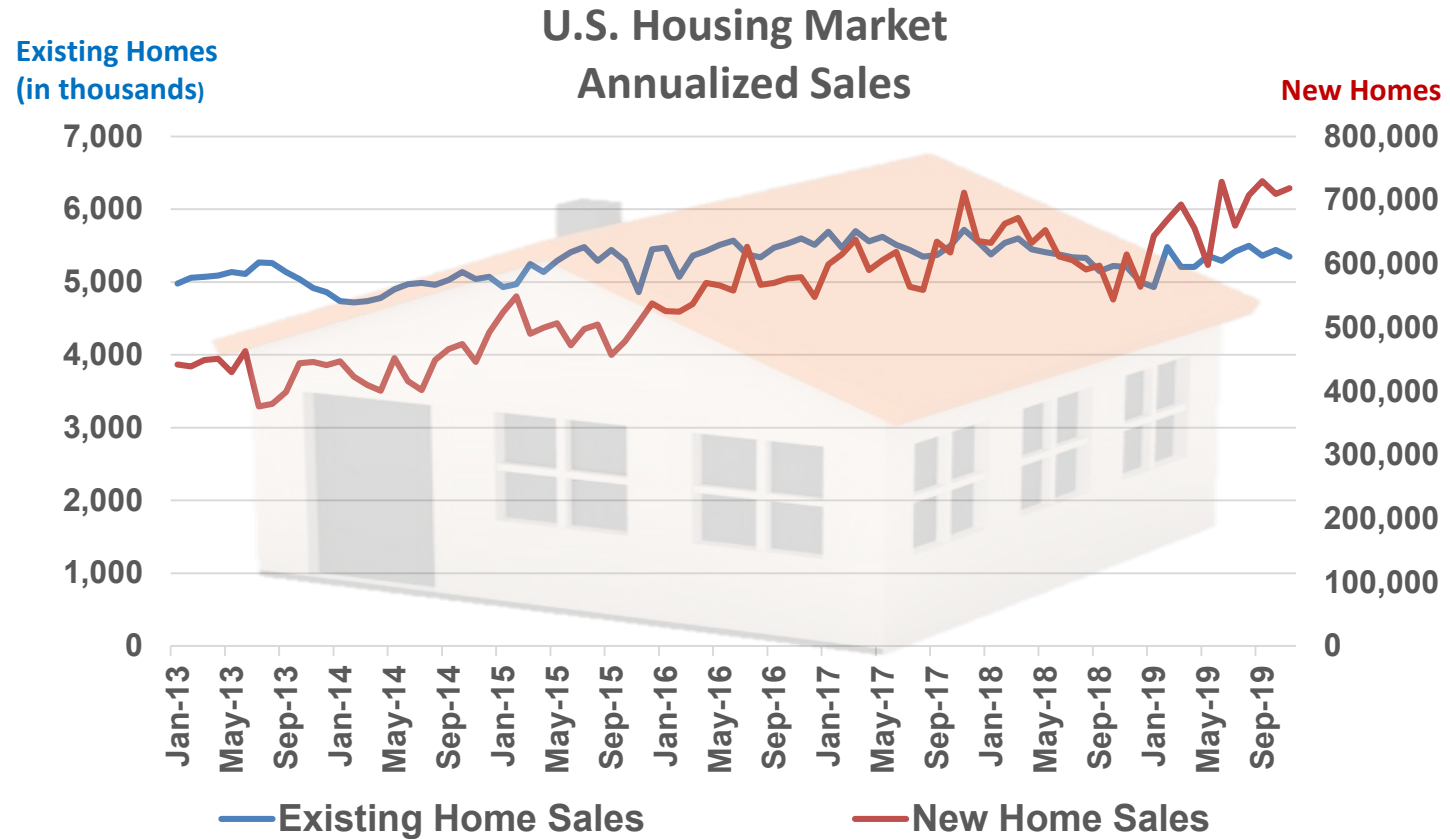
- Almost 2.1 Million Jobs Created During 2019
- 2.9 Million Added During 2018
- More Job Openings than Available Job Seekers
- Unemployment At Lowest Levels in 50 Years

Unemployment Rate

Quarterly Forecast



Source: Federal Reserve Bank of Philadelphia (November 2019)

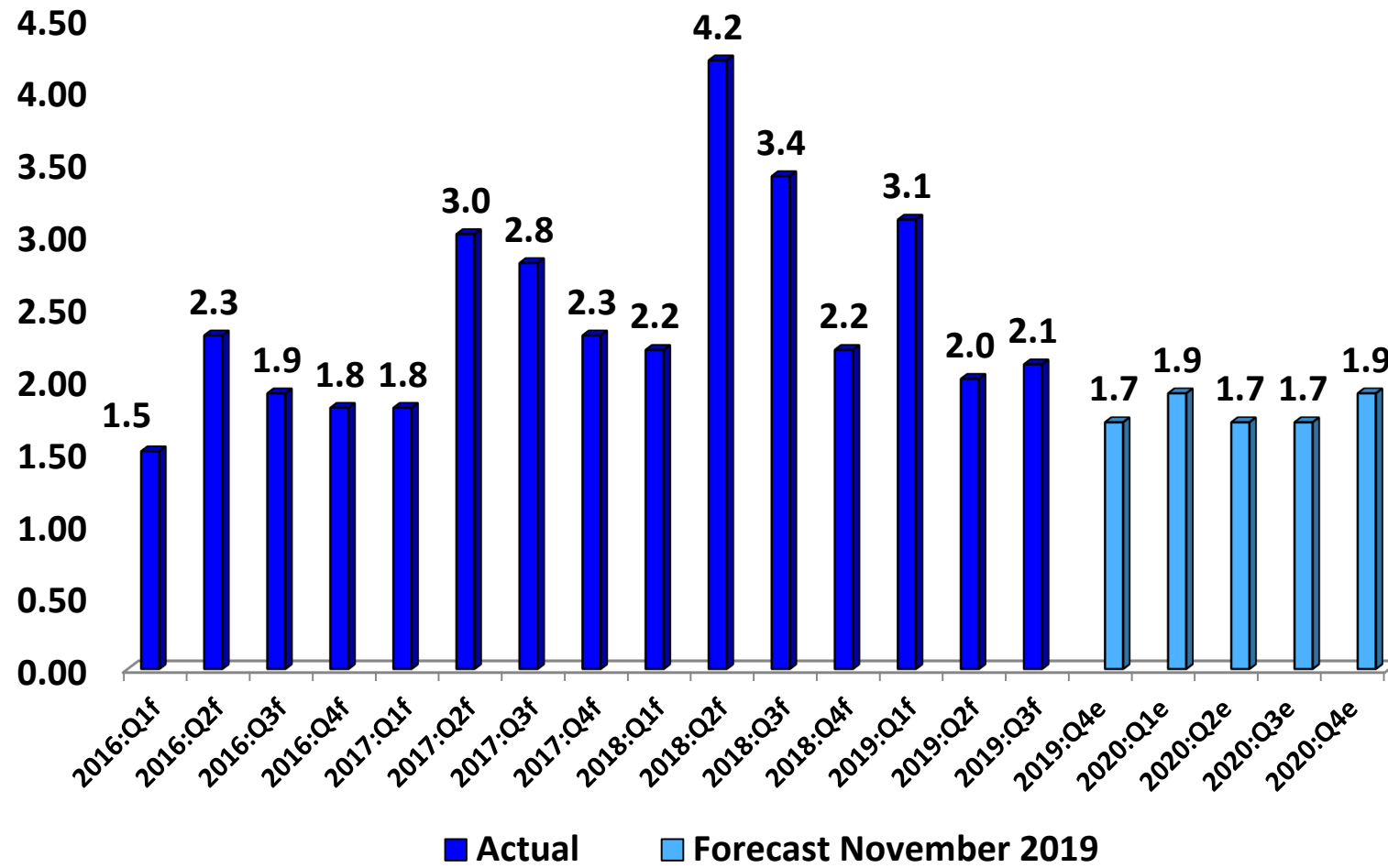


- Existing Home Sales recorded an annualized 5.35 Million in November 2019 (5.5 Million in August, Hit high in November 2017 at 5.72 Million)
- New Home Sales recorded an annualized 719,000 in November 2019 (729,000 in July, Hit high in September 2019 at 730,000)
- Low Mortgage Rates are Stimulating Housing Sector

Source: US Census Bureau and National Association of Realtors

GDP – Forecast Somewhat Lower

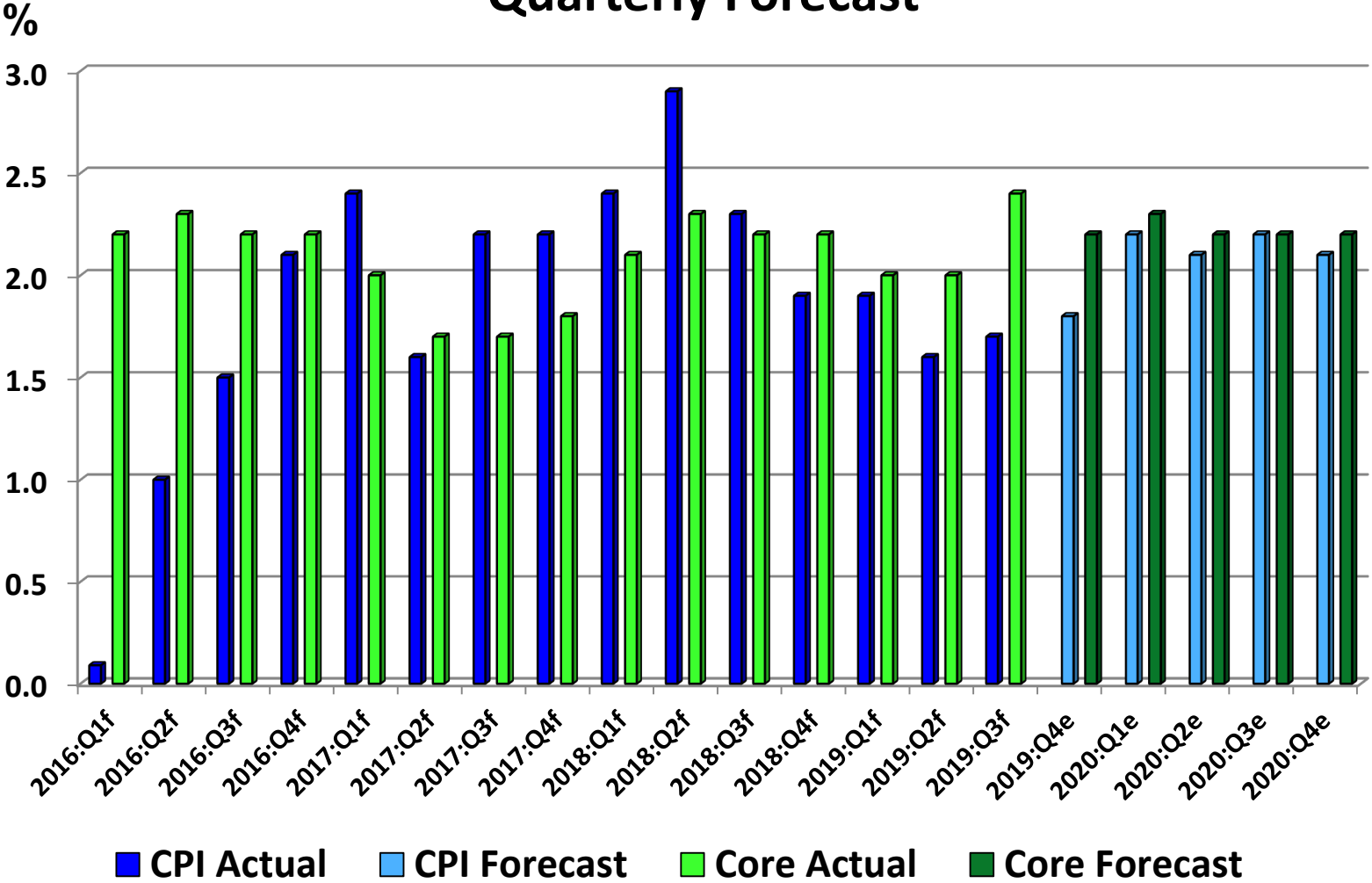
Quarterly Forecast



Source: Federal Reserve Bank of Philadelphia November 2019

Inflation Flat

Quarterly Forecast

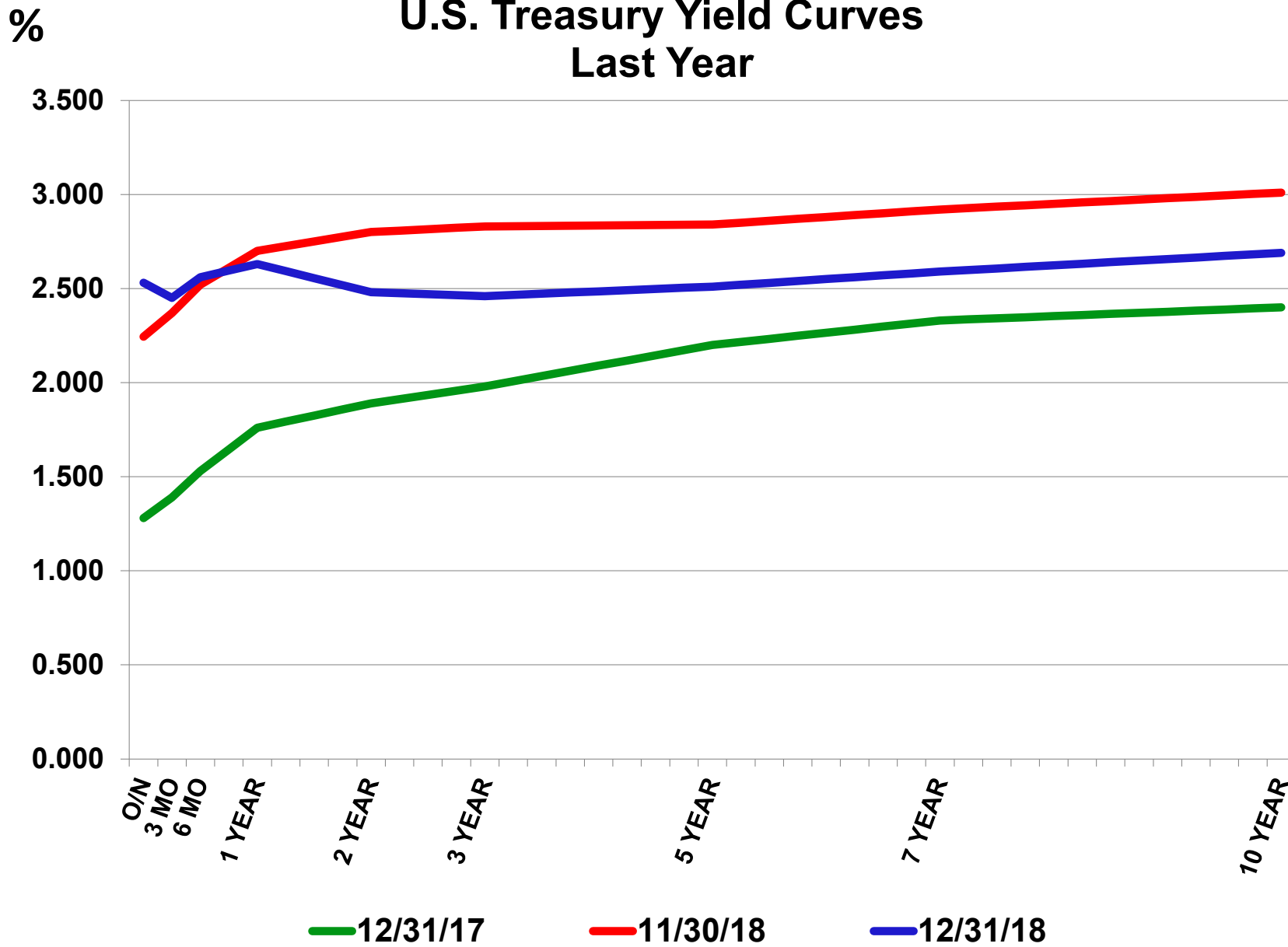


Source: Federal Reserve Bank of Philadelphia (November 2019)

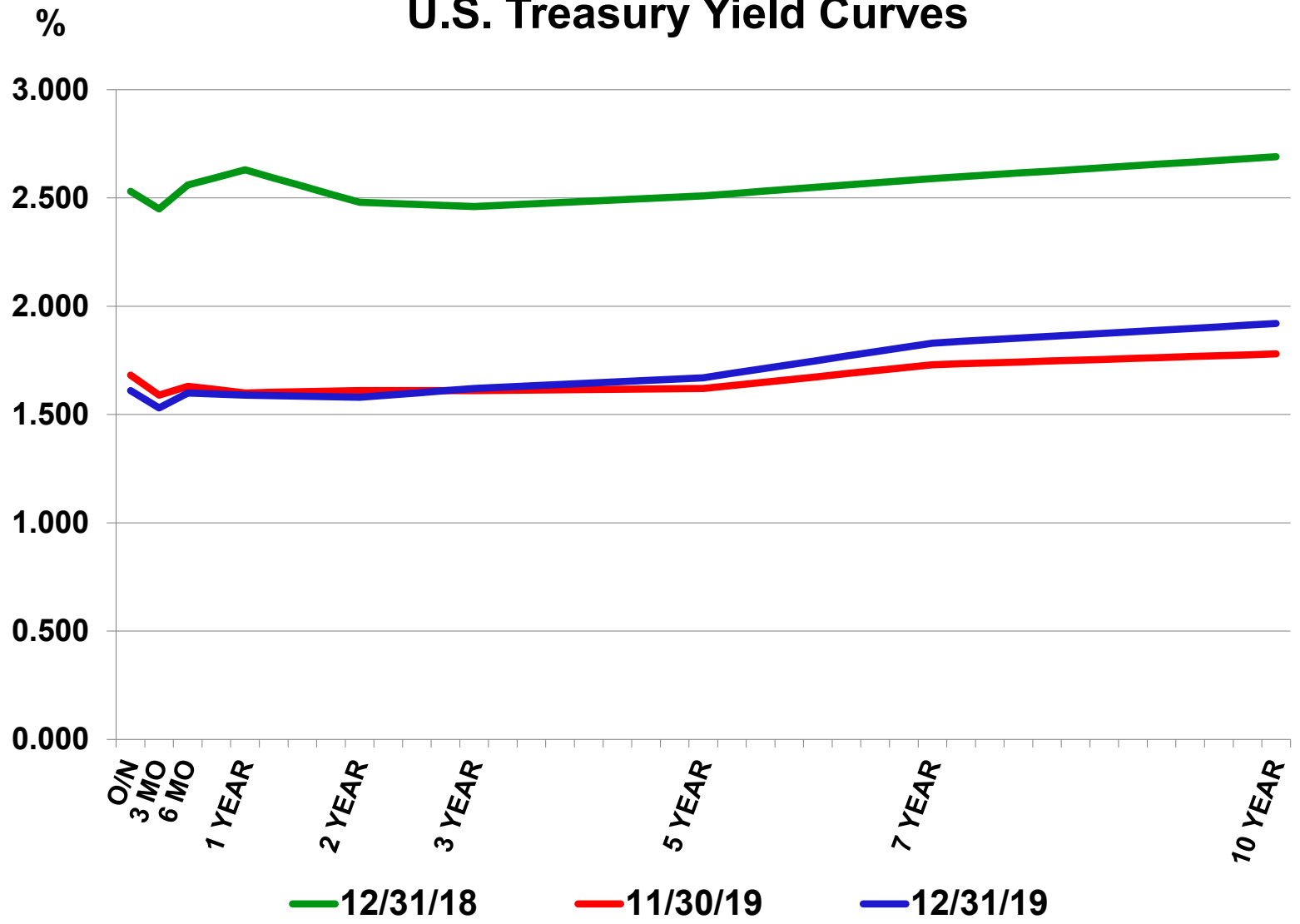
Considerations

- Domestic Job Creation/Earnings Pressures
- Inflation Prospects More Tempered
 - Interest Rates
 - Trade Implications
- Domestic Housing Market
- Flat Yield Curve

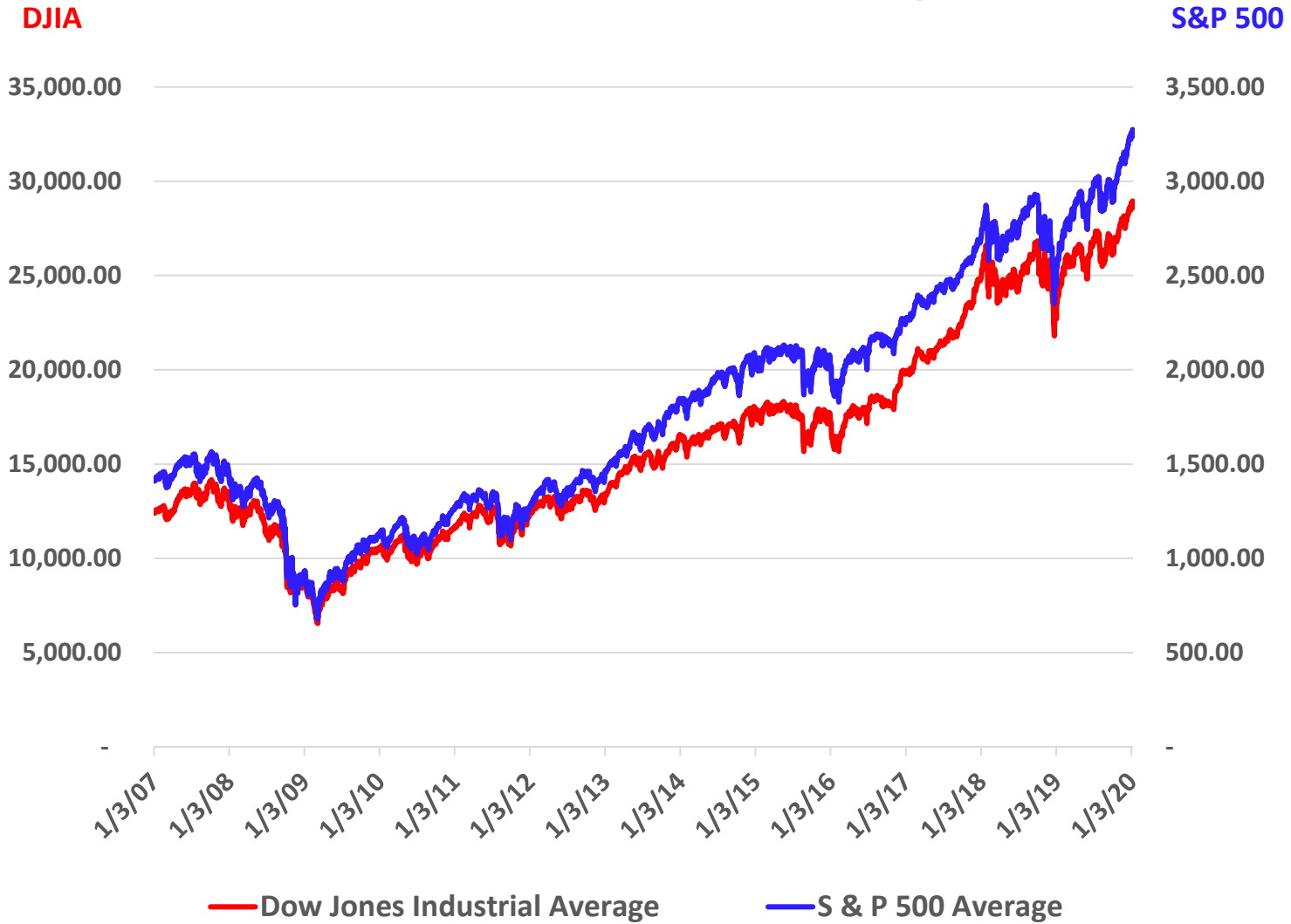
U.S. Treasury Yield Curves Last Year



U.S. Treasury Yield Curves



Stock Markets Are Strong



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 2019
Survey of Professional Forecasters, US Bureau of Labor Statistics, National Association of Realtors and Bloomberg.