



BRAZOS RIVER AUTHORITY

Long Range Market Outlook

January 31, 2022



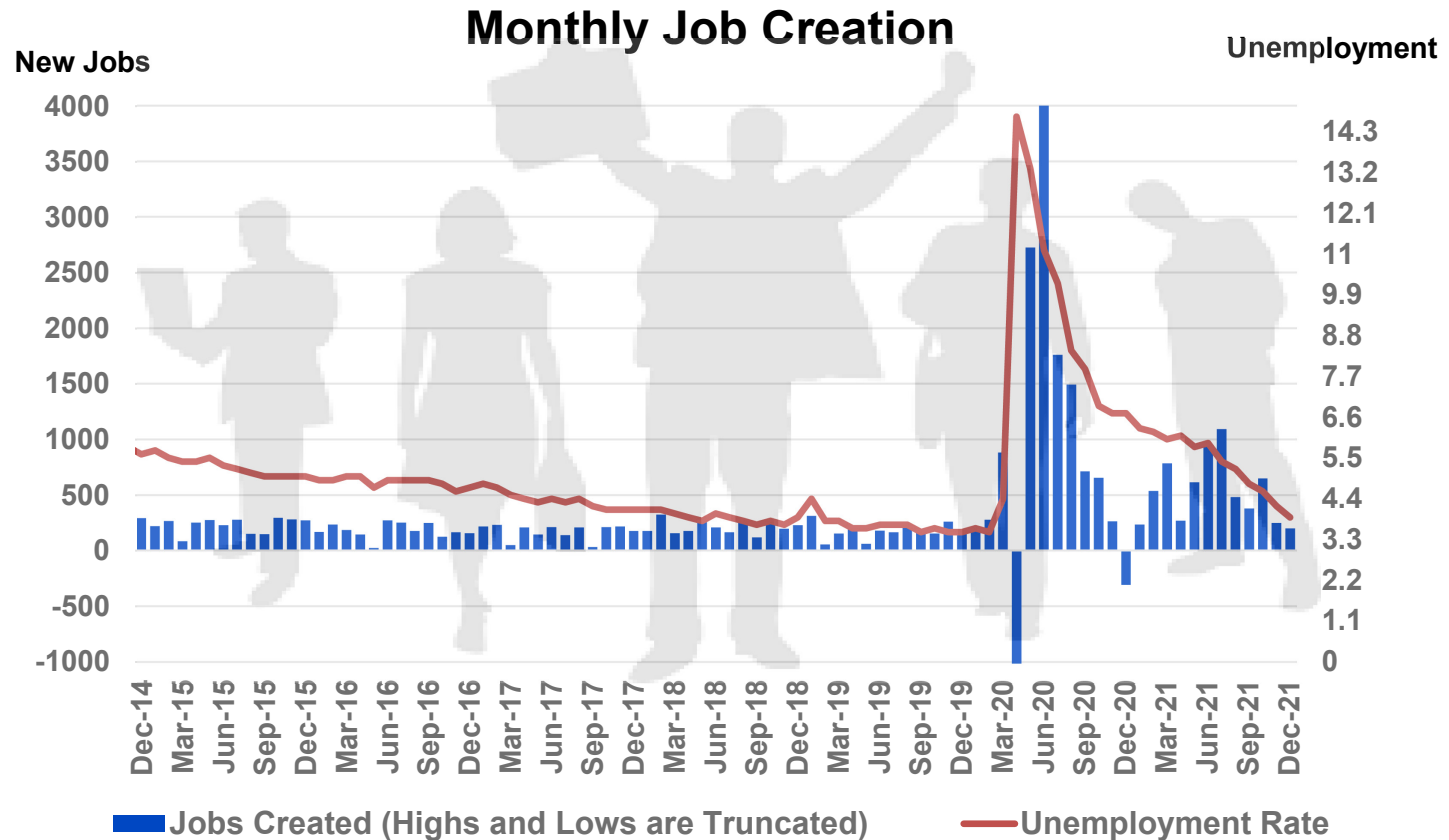
Valley View Consulting, L.L.C.

Economic Recovery

- US Economy Is Recovering from the COVID Pandemic
- Housing, Employment and Production
 - Housing continues to surge, but will likely moderate in 2022
 - Employment close to pre-pandemic levels
 - Unemployment at 3.9% compared to 3.5% pre-pandemic
 - Inflation Is Becoming Problematic
- Fed Held the Fed Funds Rate Range Throughout 2021
 - Current Range is 0% to 0.25%, unchanged since March 2020
 - Fed has indicated that they may raise the rate three times in 2022
 - Each increase will likely be 25 basis-points, so Rate Range is projected to be 0.75% to 1.00% at end of 2022

Economic Recovery

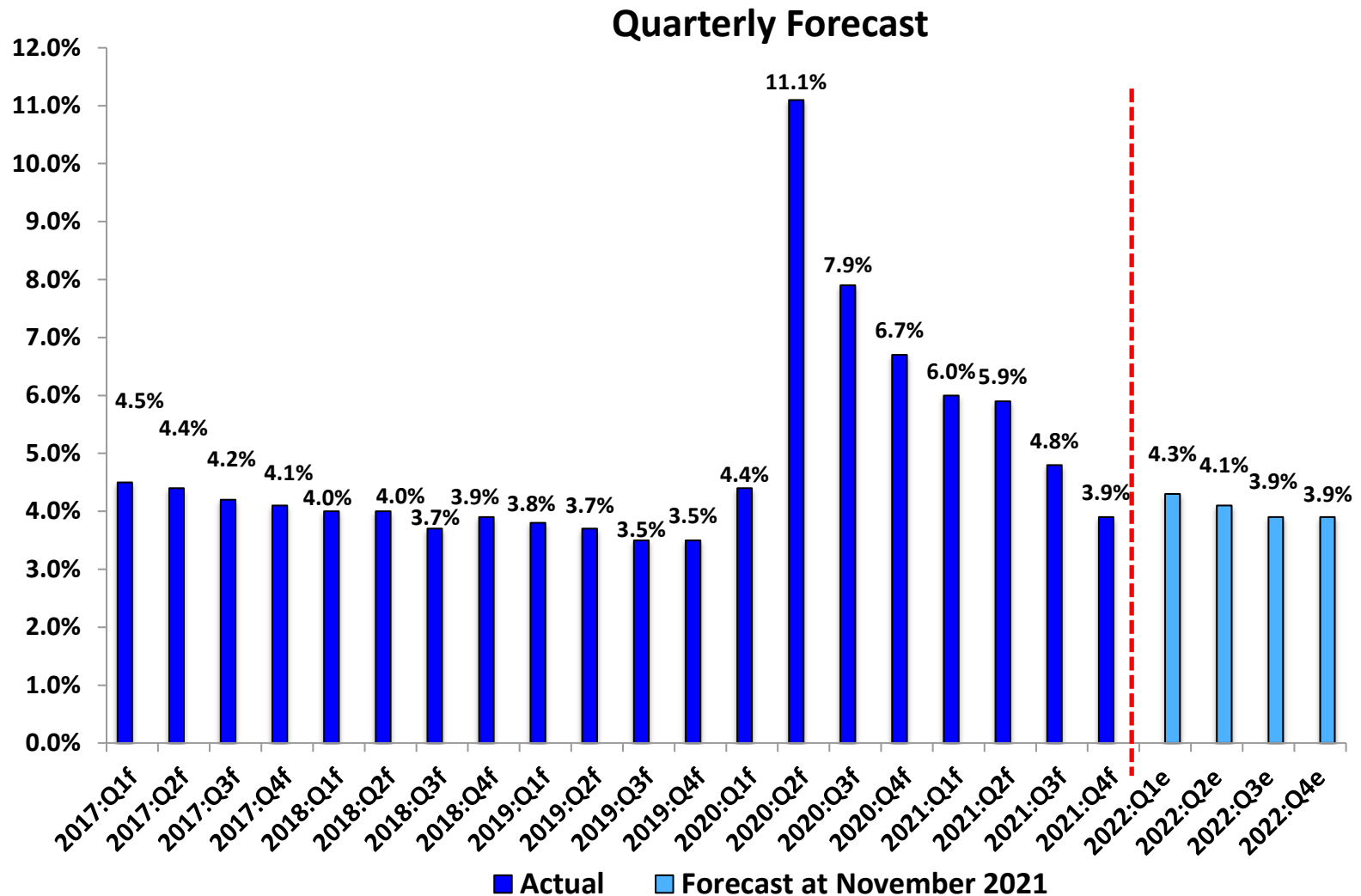
- Long range strength appears more positive
 - Pace of recovery dependent upon COVID progression
 - Businesses are returning to a more normal operation level
- Fed Outlook has Improved
 - FOMC projected Fed Funds Rate will rise three times during 2022 to a range of 0.75% to 1.00%



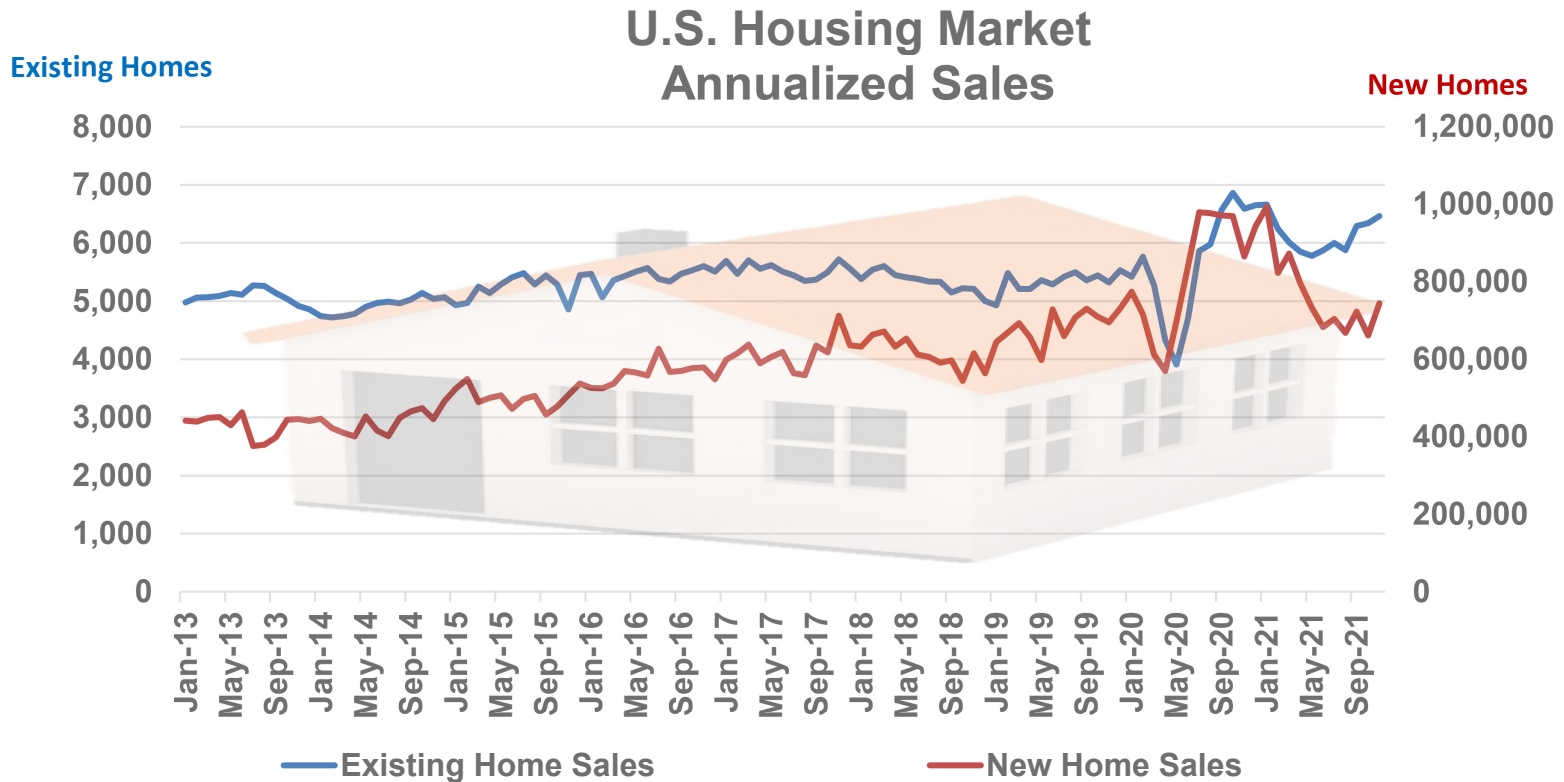
- Almost 22 Million Jobs Lost During COVID
- Many Jobs Have Returned But Over 5 Million People Remain Unemployed
- Unemployment Soared Above 14% but has Recovered to 3.9%
- Currently Over 10 Million Jobs Available
- Record Number of People Leaving their Jobs for Better Opportunities
- Applicants are Shopping for Opportunities for Better Pay/Benefits

Source: US Bureau of Labor Statistics

Unemployment Rate



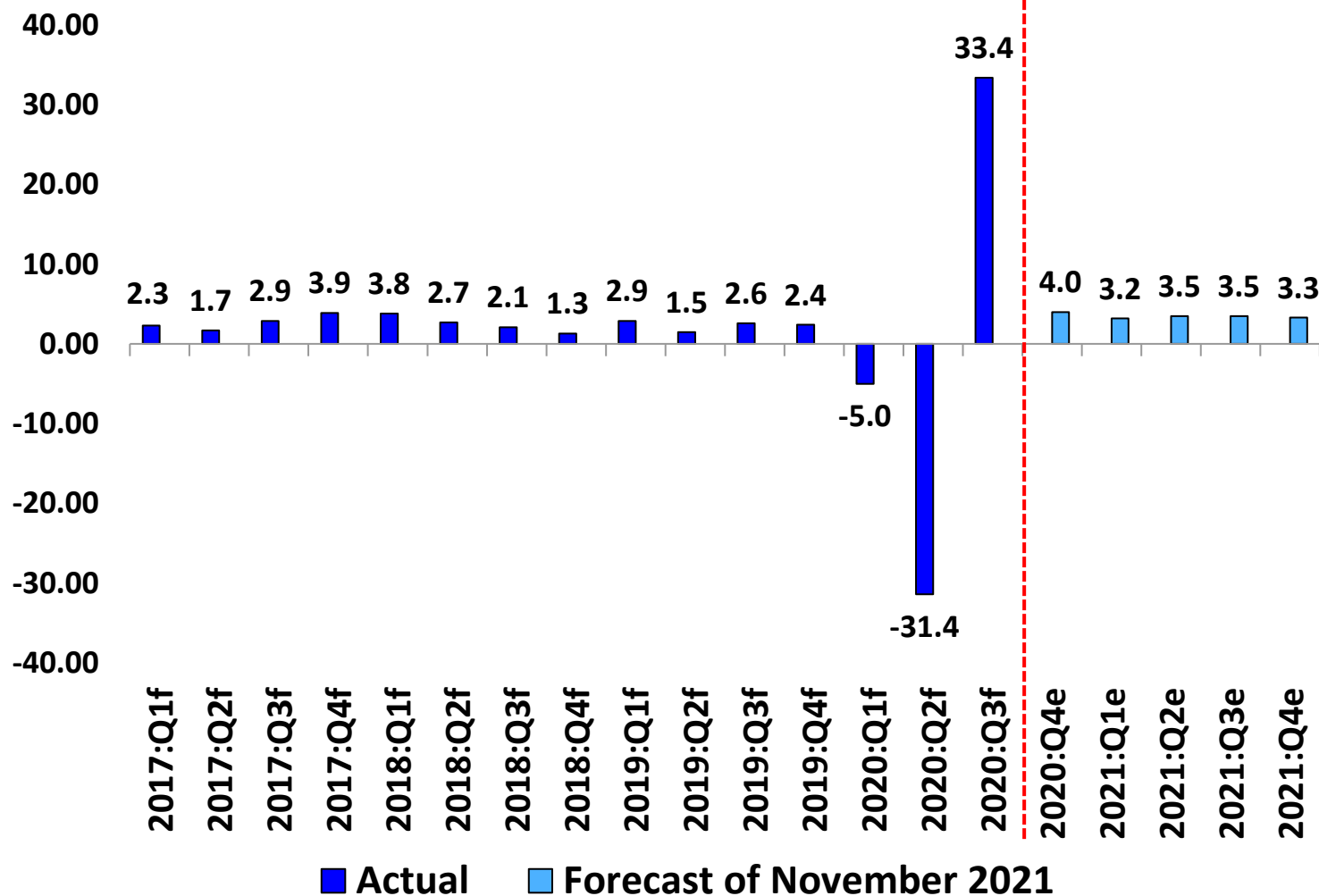
Source: Federal Reserve Bank of Philadelphia (November 2021)



- Existing Home Sales recorded an annualized 6.47 Million in November 2021
- New Home Sales recorded an annualized 744,000 in November 2021
- Low Mortgage Rates have Stimulated Growth since 2020, but rates are rising
- Rising Rents may motivate home buyers to lock in housing costs

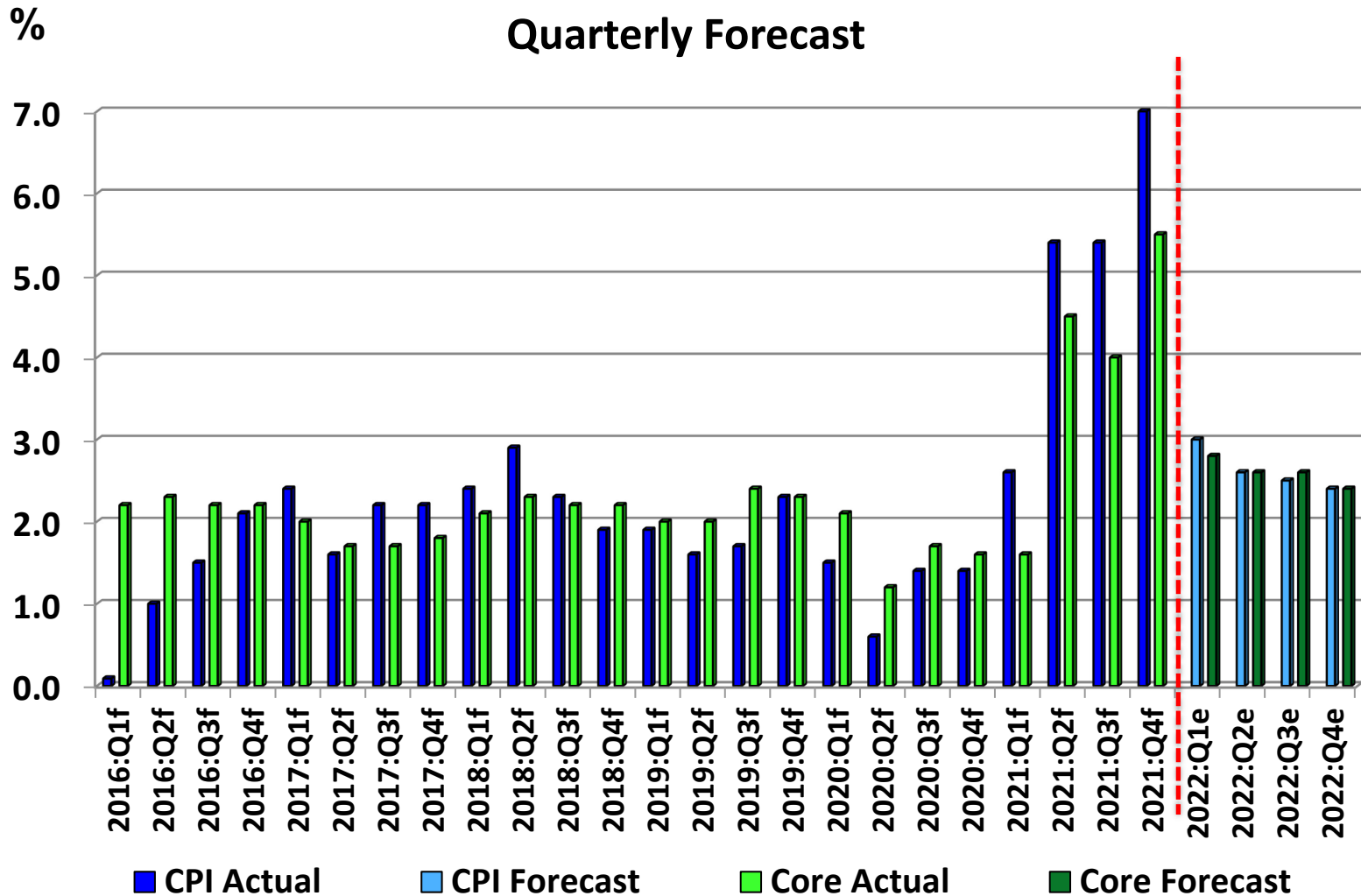
GDP – Recovery

Quarterly Forecast



Source: Federal Reserve Bank of Philadelphia November 2021

Inflation Flat

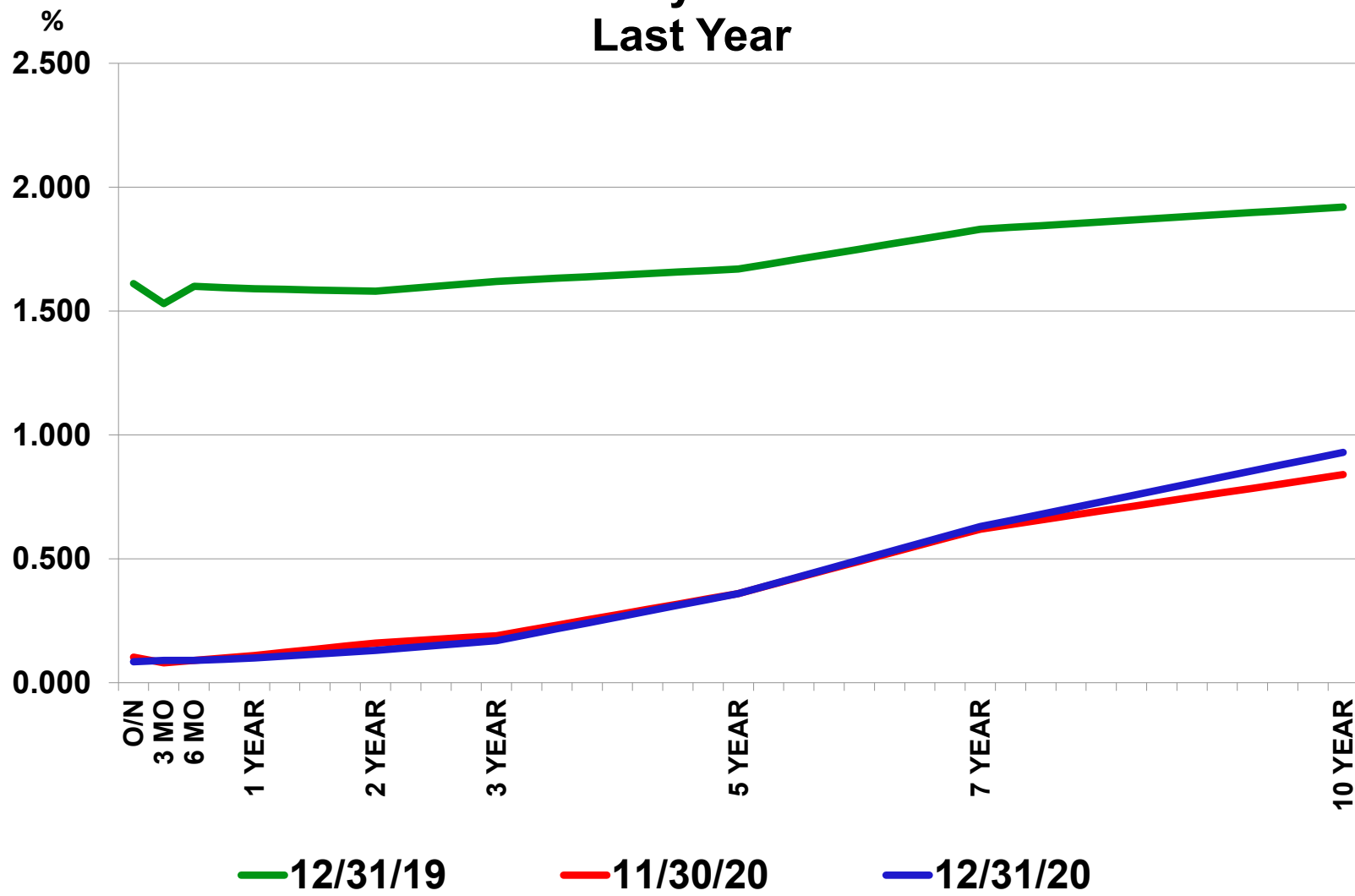


Source: Federal Reserve Bank of Philadelphia (November 2021)

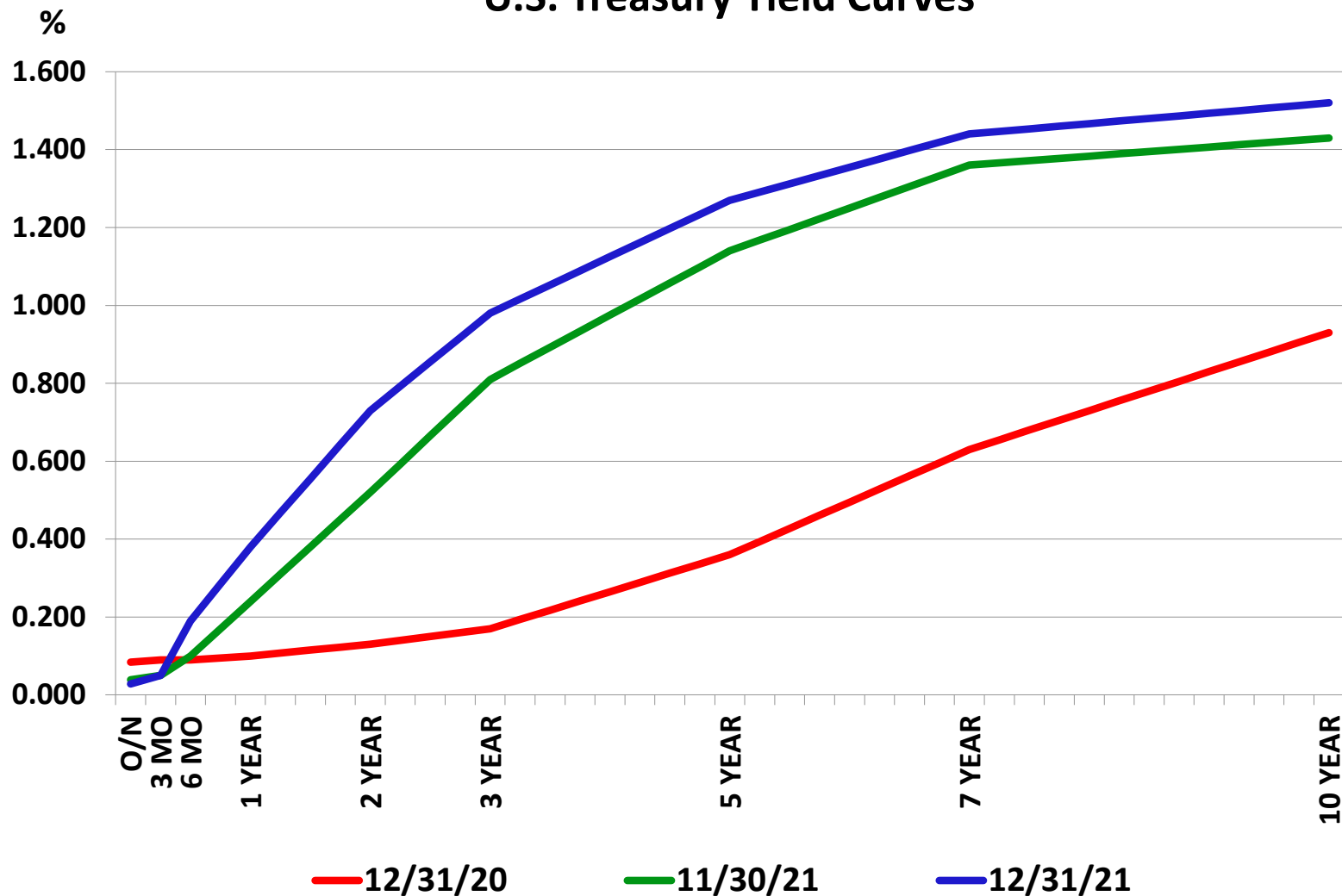
Considerations

- Continued COVID Recovery is Key
- Inflation Targets Adjusted
 - Tolerance Beyond 2%
 - Interest Rates Expected to Rise in 2022
- Domestic Housing Market Strong
- Yield Curve Has Steepened
 - Higher Interest Rates Anticipated
 - Short-end Rates Adjusting Higher

U.S. Treasury Yield Curves Last Year



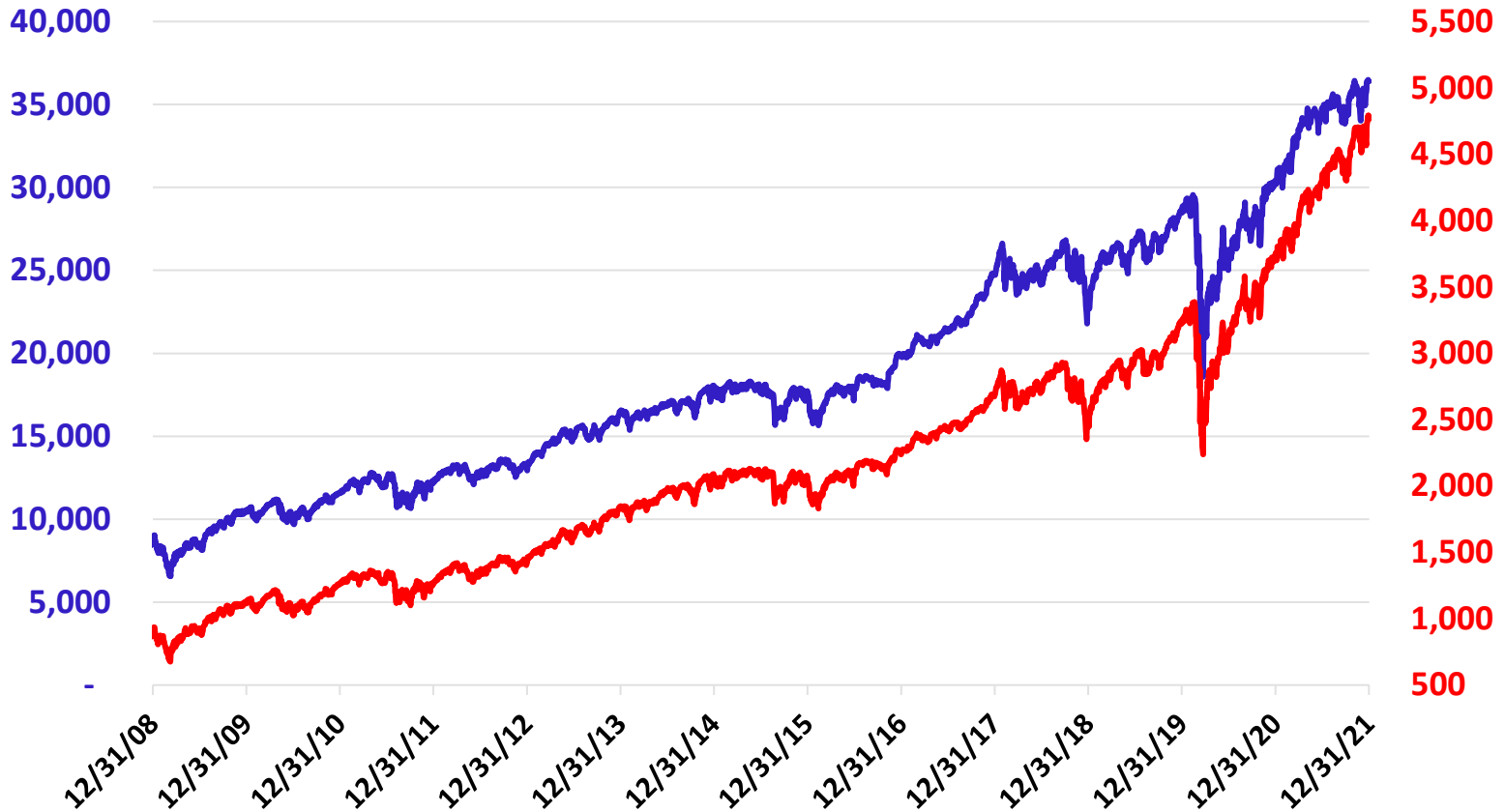
U.S. Treasury Yield Curves



Stock Market Trend is Still Positive

DJIA

S&P 500



— Dow Jones Industrial Average

— S & P 500 Average

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 2021 Survey of Professional Forecasters, US Bureau of Labor Statistics, National Association of Realtors and Bloomberg.