



BRAZOS RIVER AUTHORITY

Long Range Market Outlook

January 28, 2019



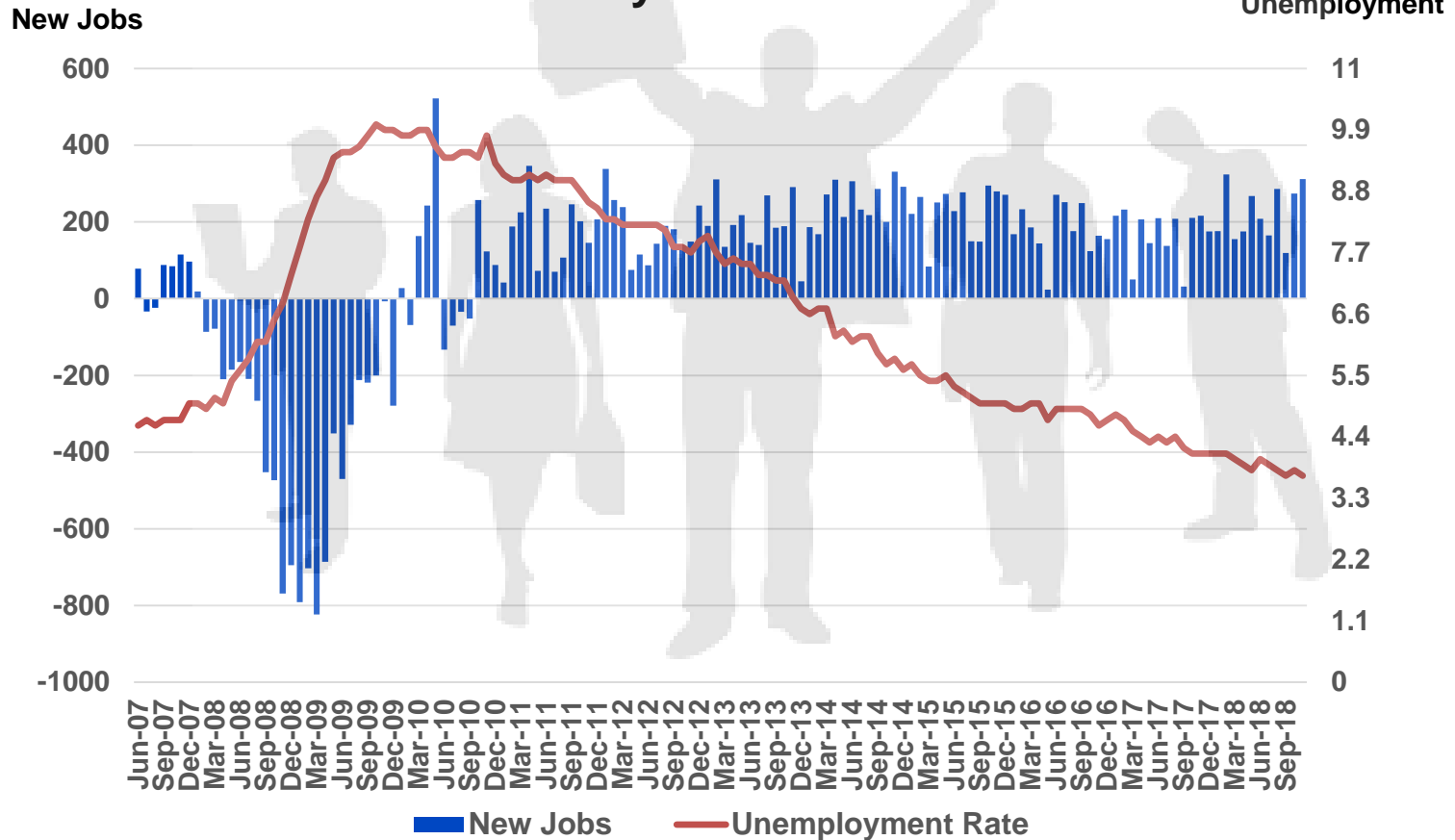
Economic Recovery

- US Economy Is Experiencing Some Stress
- Housing, Employment and Production
 - Fed Employment Targets Met – Full Employment?
 - Inflation Targets Still Elusive
- Fed Raised the Fed Funds Rate Range
 - Current Range is 2.25% to 2.50%
 - Rate Increases May Be Paused
- Policy Decisions Are Causing Uncertainty

Economic Recovery

- Long range strength is uncertain
 - Trade Policy Still Developing
- Fed Outlook in December was for continued improvements, but Lowered 2019 Projections
 - FOMC projected two Fed Funds Rate increases during 2019 (had previously forecast three)

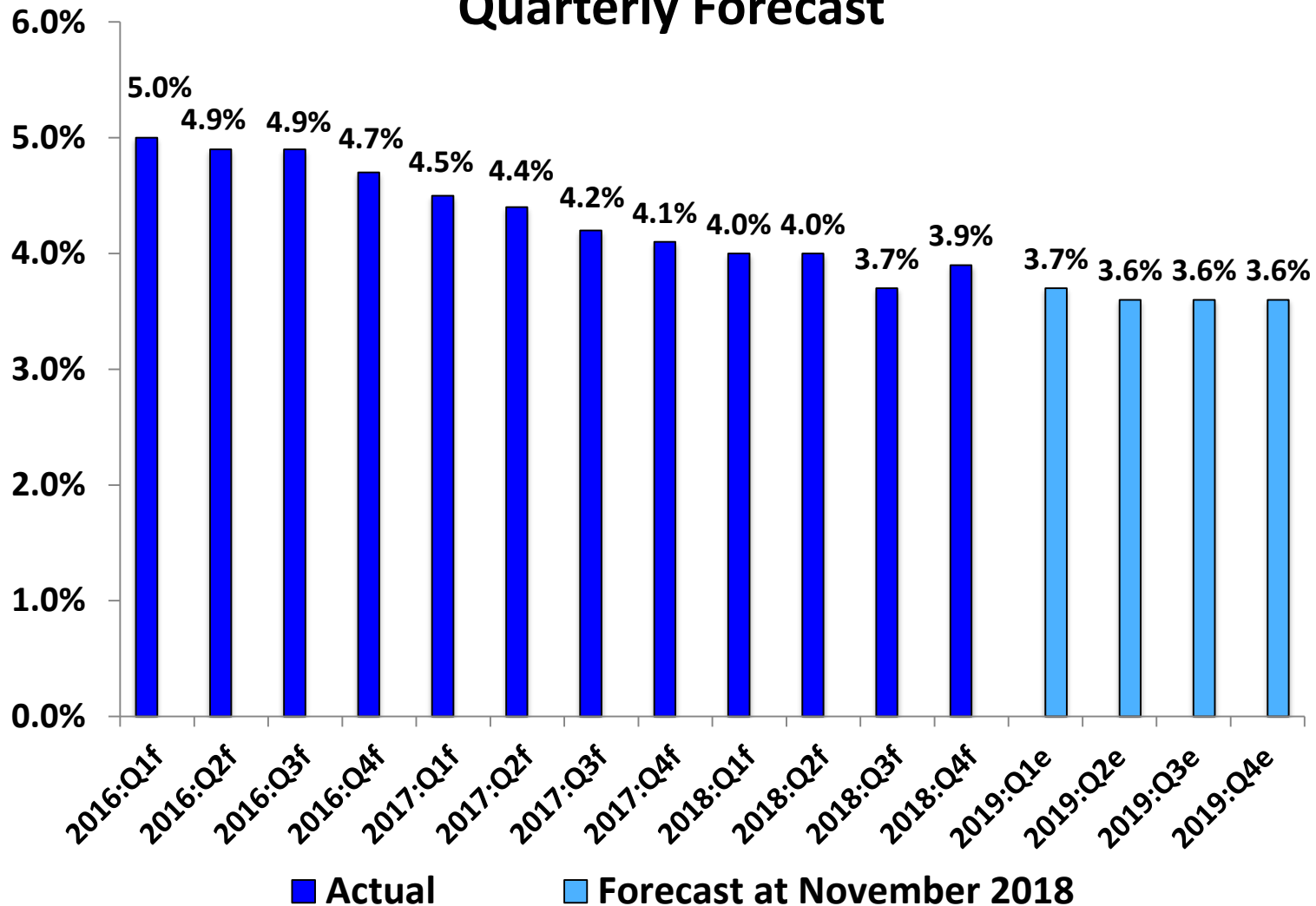
Monthly Job Creation



- Almost 19 Million Jobs Created Since January 2011
- 2.5 Million Added Between December 2017 and November 2018
- More Job Openings than Available Job Seekers
- Unemployment Back to Lowest Levels in 50 Years

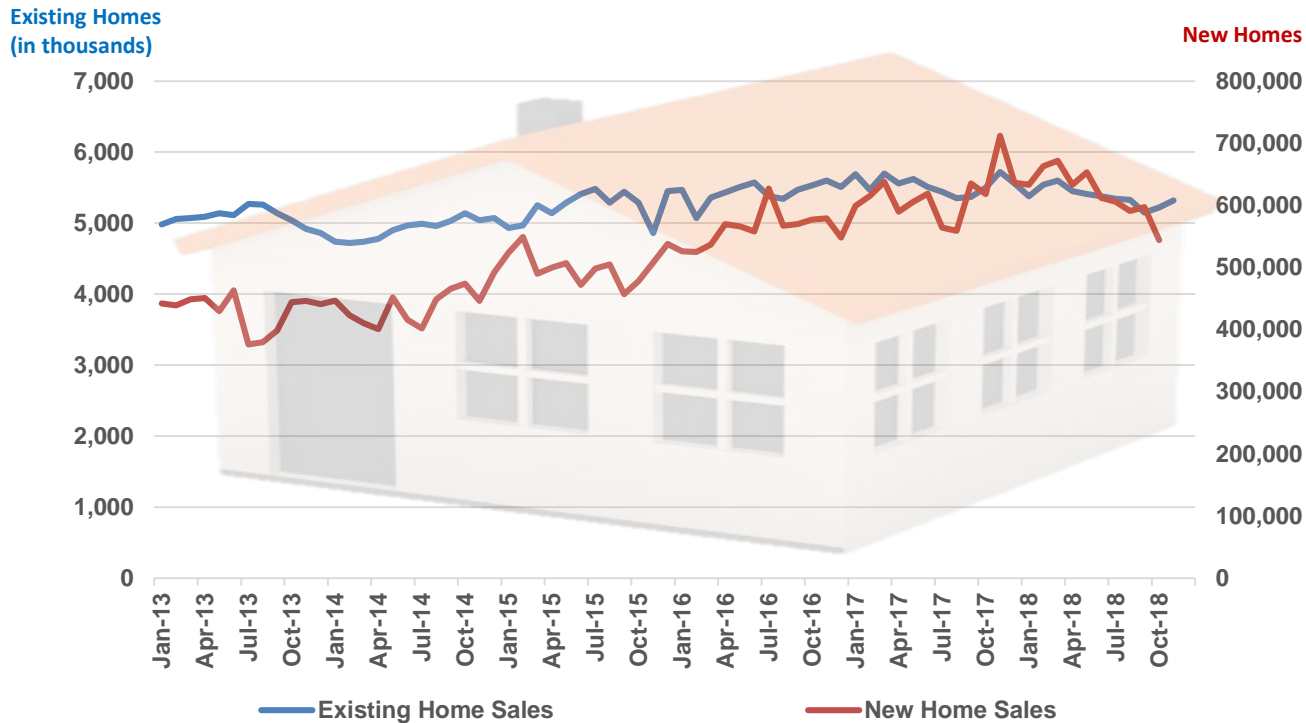
Unemployment Rate

Quarterly Forecast



Source: Federal Reserve Bank of Philadelphia (November 2018)

U.S. Housing Market

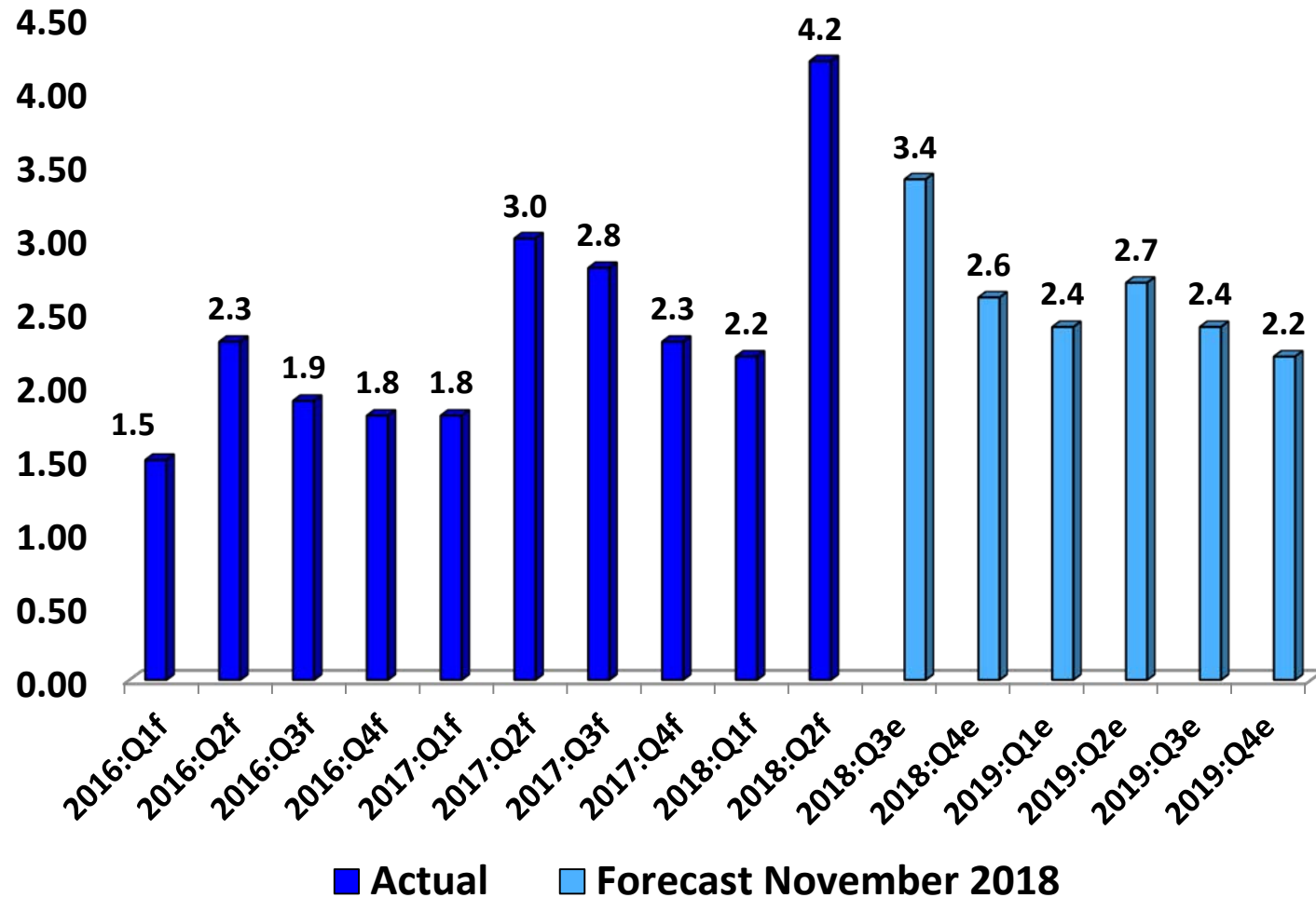


- Existing Home Sales recorded an annualized 5.32 Million in November 2018 (5.33 Million in August, Hit high in November 2017 at 5.72 Million)
- New Home Sales recorded an annualized 544,000 in October 2018 (606,000 in July, Hit high in November 2017 at 712,000)
- Desire for Homeownership May Be Waning

Source: US Census Bureau and National Association of Realtors

GDP – Forecast Somewhat Lower

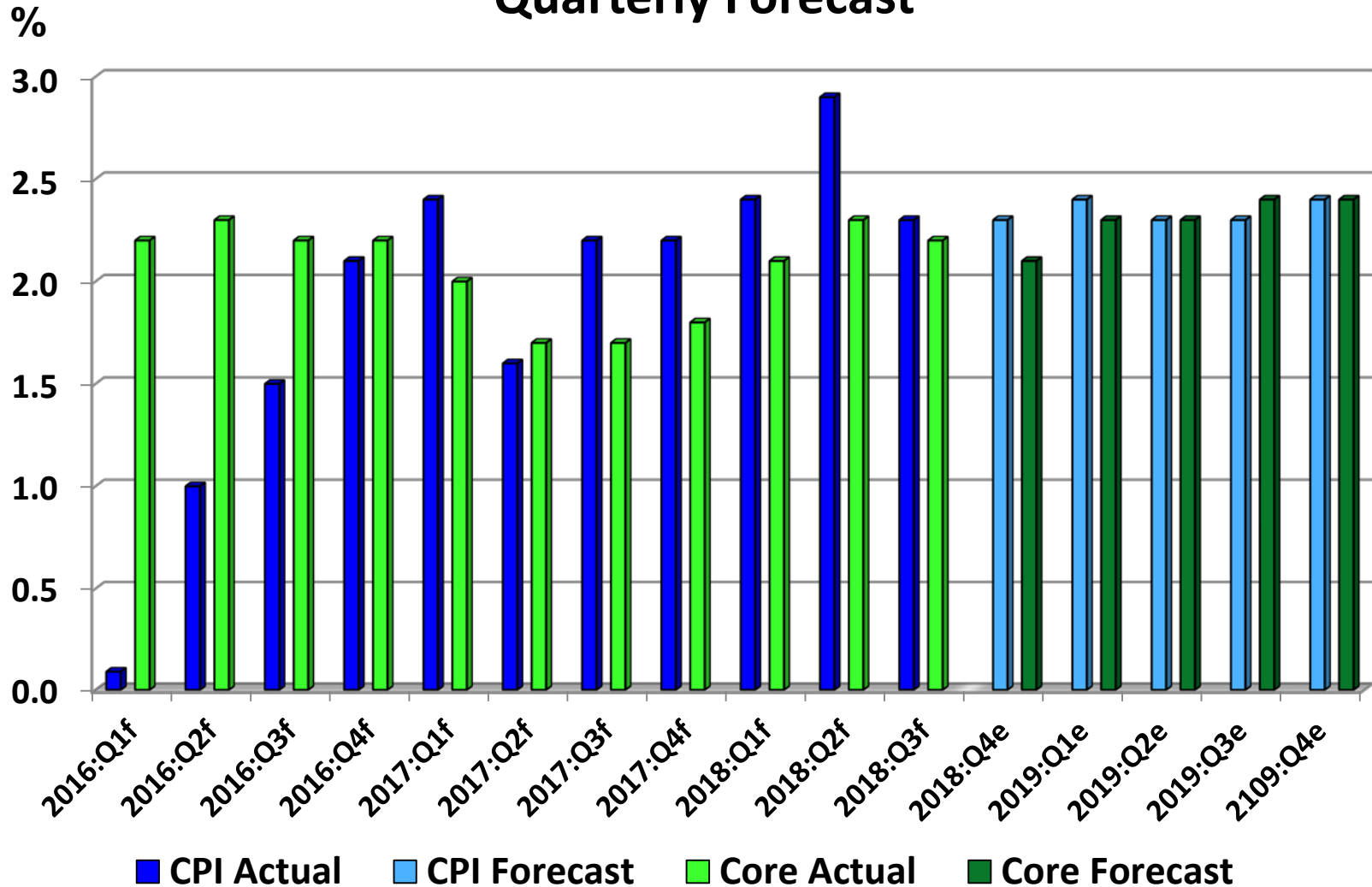
Quarterly Forecast



Source: Federal Reserve Bank of Philadelphia November 2018

Inflation Flattening

Quarterly Forecast

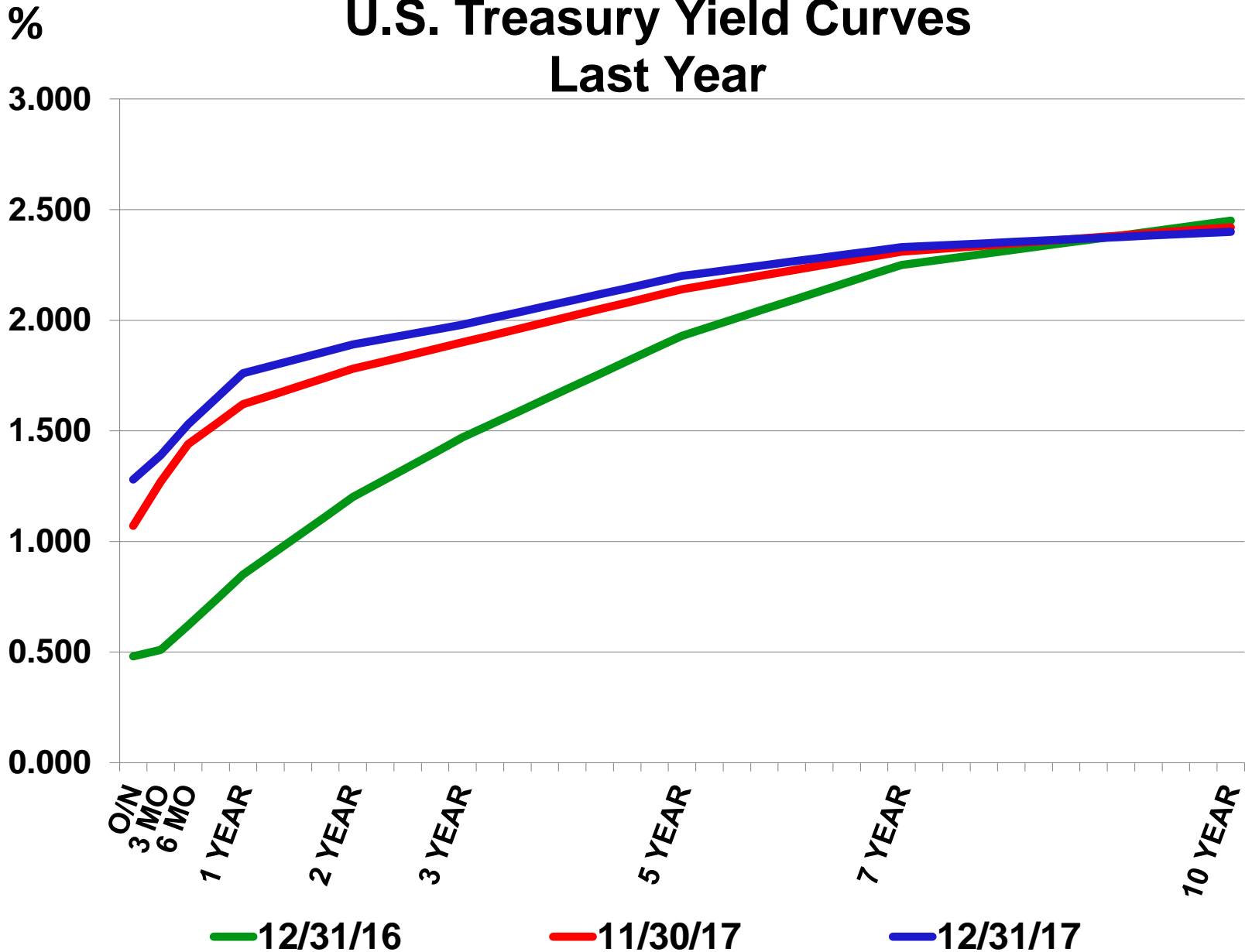


Source: Federal Reserve Bank of Philadelphia (November 2018)

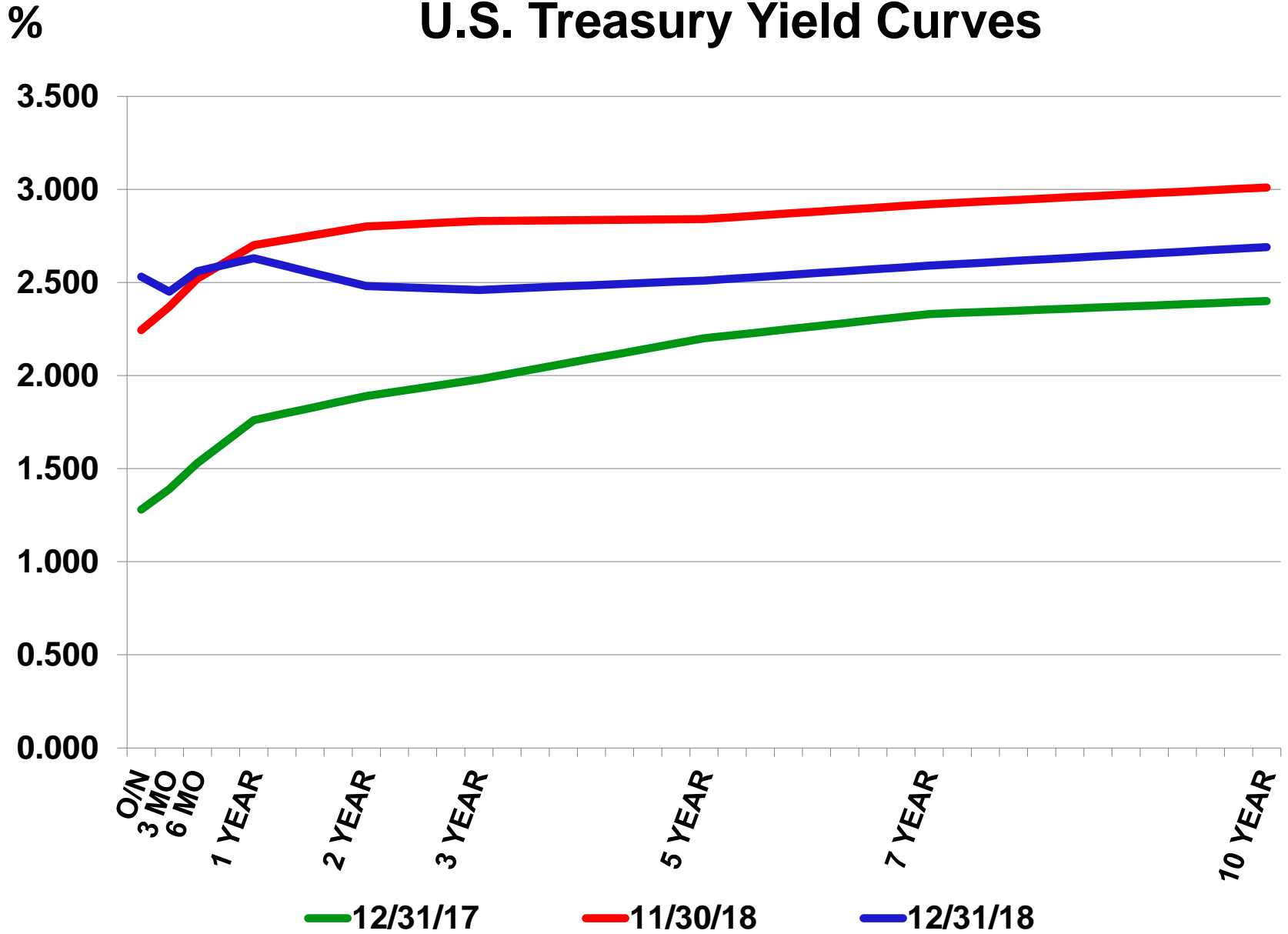
Considerations

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

U.S. Treasury Yield Curves Last Year



U.S. Treasury Yield Curves



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 2018 Survey of Professional Forecasters, US Bureau of Labor Statistics, National Association of Realtors and Bloomberg.