



# BRAZOS RIVER AUTHORITY

Long Range Market Outlook

January 31, 2017



Valley View Consulting, L.L.C.

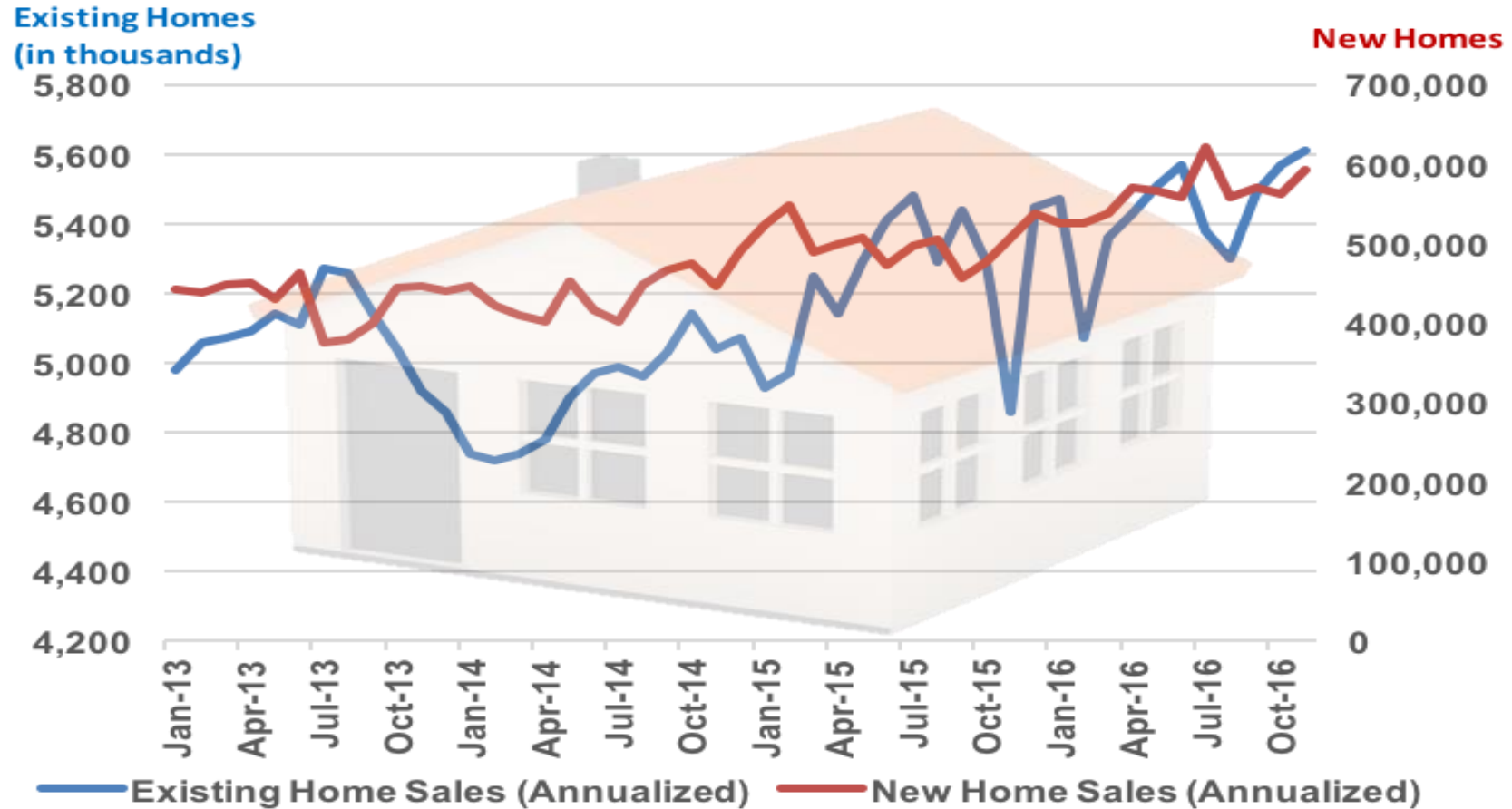
# Economic Recovery

- US Economy Improving
- Housing, Employment and Production
  - Fed Employment Targets Met – Full Employment?
  - Inflation Targets Still Allusive
- Fed Raised the Fed Funds Rate Range
  - Previous Range was 0.25% to 0.50%
  - Current Range is 0.50% to 0.75%

# Economic Recovery

- Long range strength is uncertain
  - New Administration with Congressional Majority
  - Policy Positions Still Unknown
- Fed Outlook in December was for continued improvements
  - FOMC projected up to three Fed Funds Rate increases during 2017

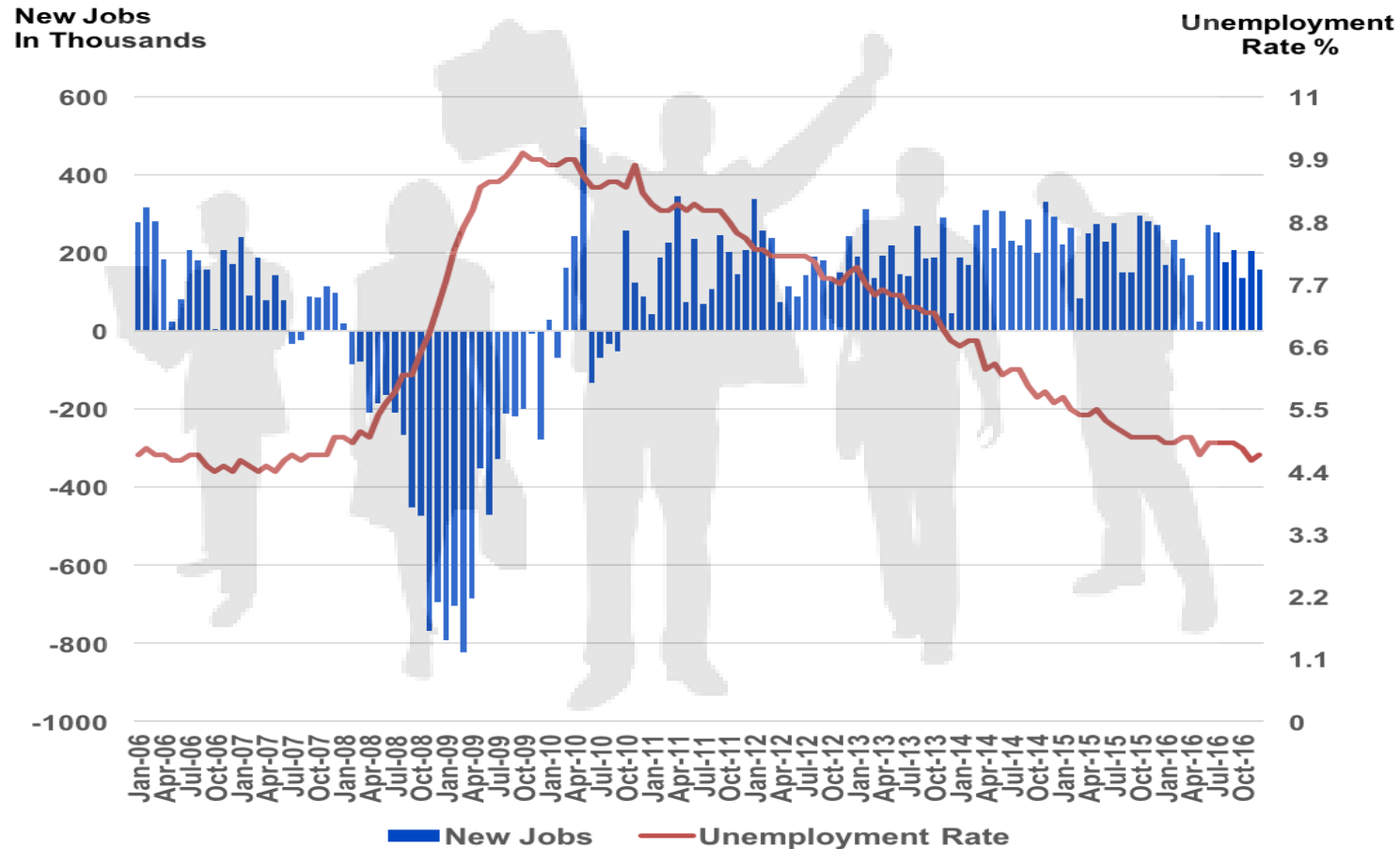
# U.S. Housing Market



- New Home Sales reached an annualized high of 1.389 Million in July 2005
- New Home Sales reached an annualized low of 0.270 Million in February 2011

Source: US Census Bureau

## Monthly Job Creation

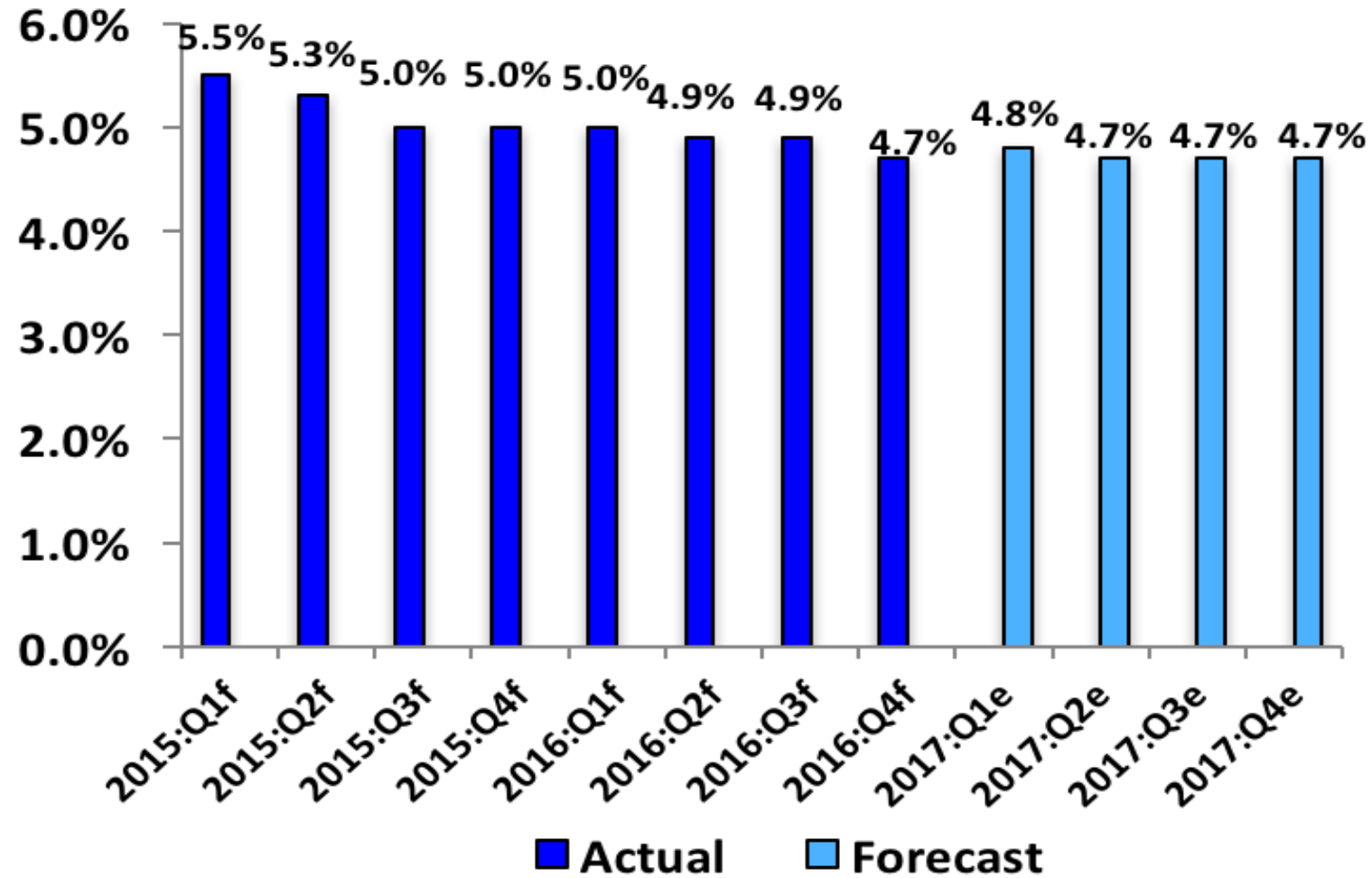


- Approximately 9 Million Jobs Lost during 2008/2009
- [Approximately 15.5 Million Jobs Created since 2010](#)
- Approximately 2.2 Million Jobs Created in 2016
- [Unemployment Back to Pre-Recession Levels](#)

Source: US Bureau of Labor Statistics

# Unemployment Rate

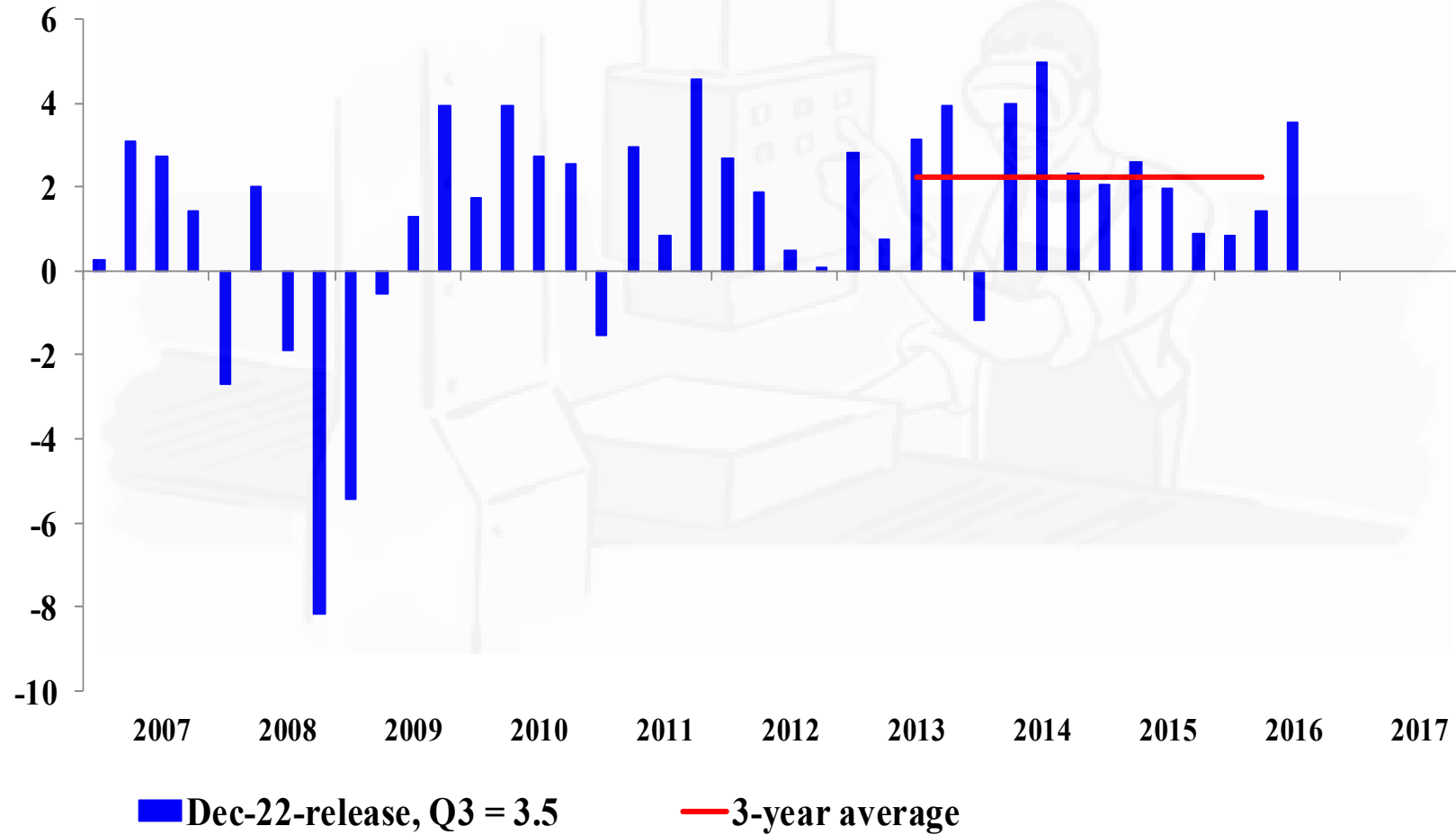
## Quarterly Forecast



Source: Federal Reserve Bank of Philadelphia (November 2016)

# GDP – Historical Results

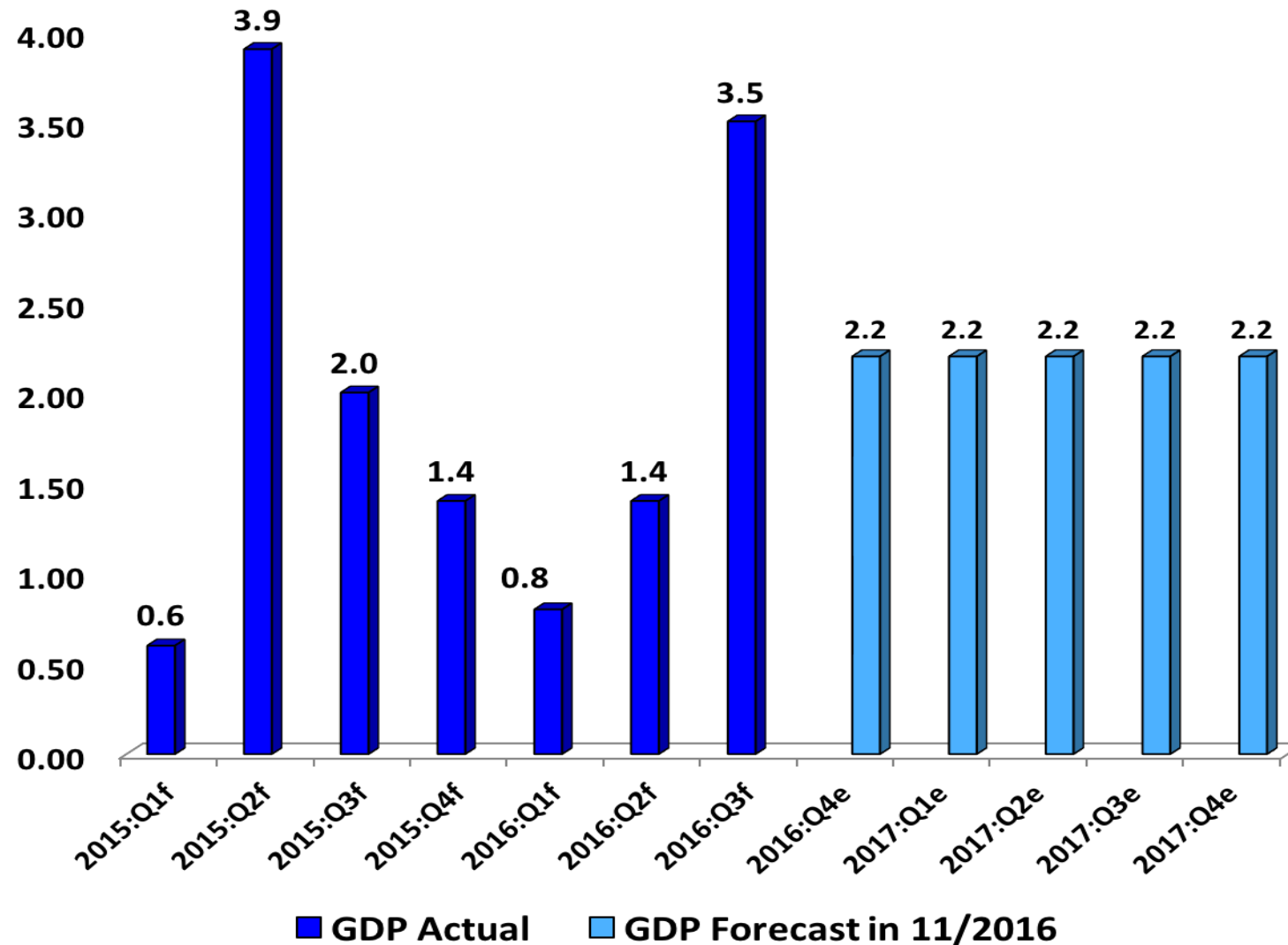
1-quarter % change,  
annualized



Source: Federal Reserve Bank of Dallas

# GDP – Forecast Likely to Improve

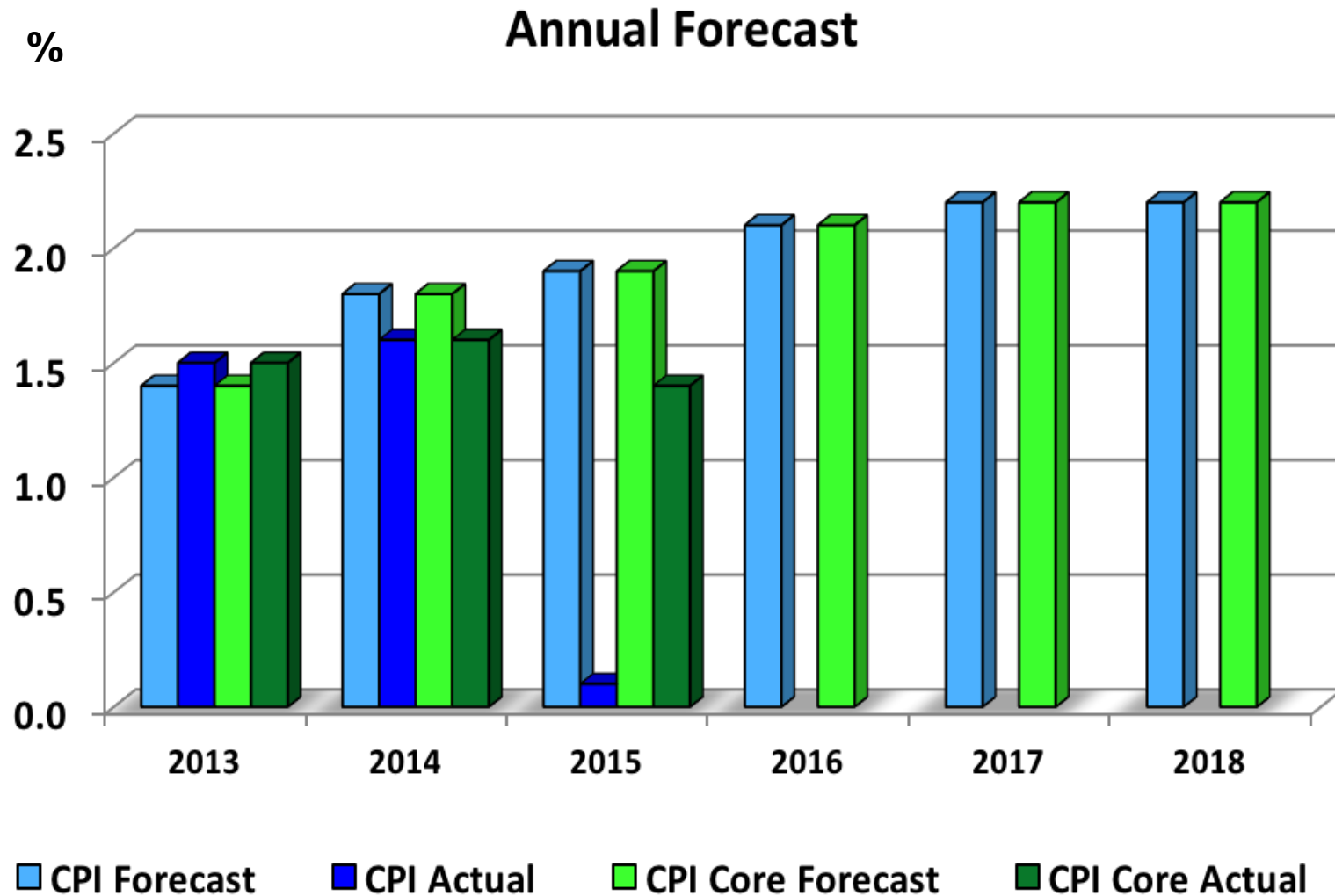
## Quarterly Forecast



Source: Federal Reserve Bank of Philadelphia November 2016



# Inflation Moderately Increasing

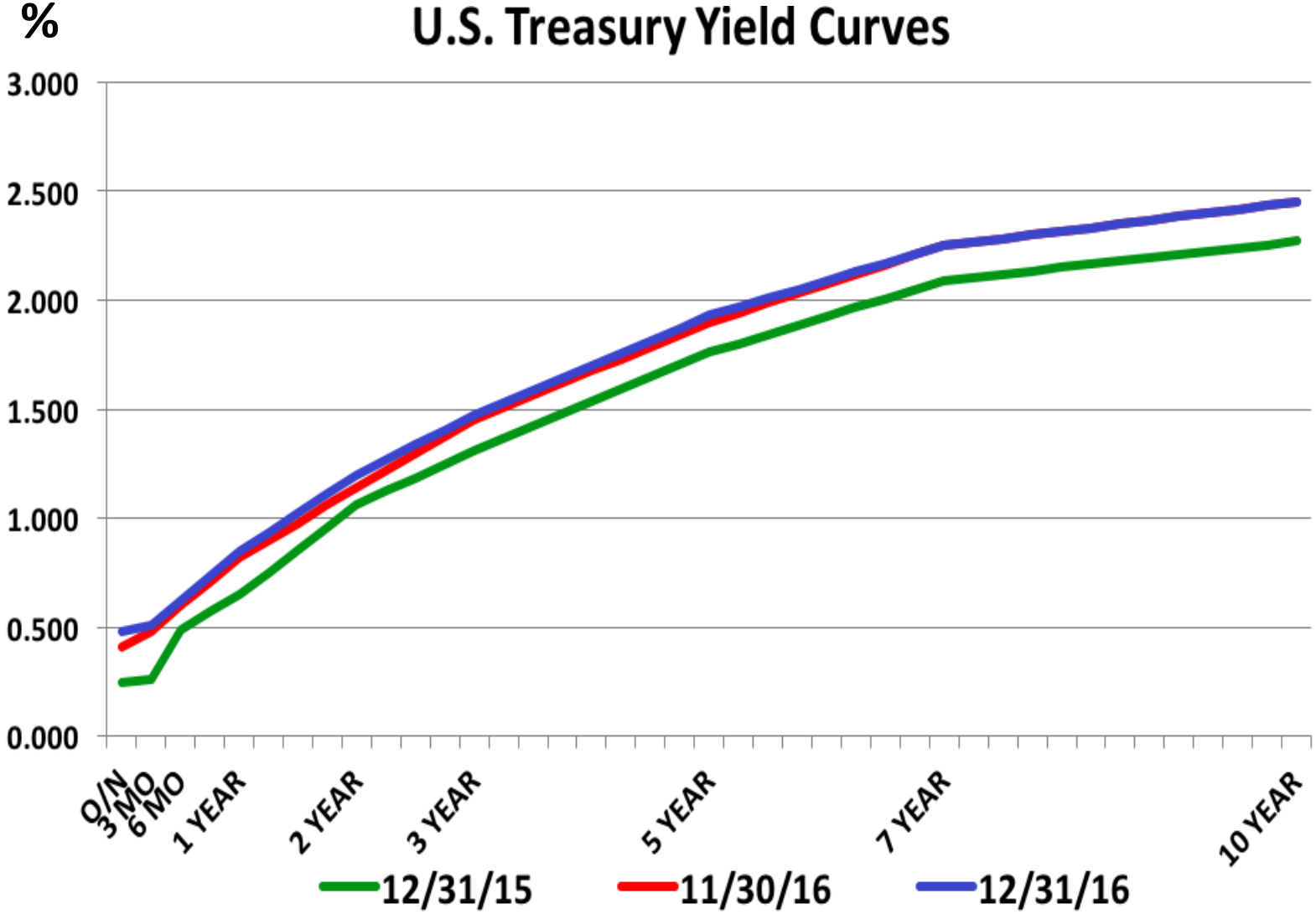


Source: Federal Reserve Bank of Philadelphia (November 2016)

# Considerations

- New Administration Policies
- Global Economic Environment
  - Patriotism Movements (ex. Brexit)
- Domestic Job Creation/Earnings Pressures
- Inflation Prospects
  - Rising Interest Rates
  - Trade Implications
- Domestic Housing Market

# 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 2016  
Survey of Professional Forecasters, US Bureau of Labor Statistics, National Association of Realtors and Bloomberg.