Quarterly Economic and Market Update

March 2018
<table>
<thead>
<tr>
<th>Item</th>
<th>3/31/2018</th>
<th>12/31/2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Payrolls Monthly Change</td>
<td>103,000</td>
<td>175,000</td>
<td>-72,000</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.1%</td>
<td>4.1%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Labor Force Participation</td>
<td>62.9%</td>
<td>62.7%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Effective Fed Funds Rate</td>
<td>1.68%</td>
<td>1.33%</td>
<td>0.35%</td>
</tr>
<tr>
<td>Next Fed Funds Hike**</td>
<td>Jul 2018</td>
<td>Dec 2018</td>
<td>+5 Months</td>
</tr>
<tr>
<td>3 Month T-Bill</td>
<td>1.71%</td>
<td>1.38%</td>
<td>0.32%</td>
</tr>
<tr>
<td>2 Year T-Note</td>
<td>2.27%</td>
<td>1.89%</td>
<td>0.38%</td>
</tr>
<tr>
<td>3 Year T-Note</td>
<td>2.38%</td>
<td>1.97%</td>
<td>0.41%</td>
</tr>
<tr>
<td>5 Year T-Note</td>
<td>2.56%</td>
<td>2.21%</td>
<td>0.36%</td>
</tr>
<tr>
<td>10 Year T-Note</td>
<td>2.74%</td>
<td>2.41%</td>
<td>0.33%</td>
</tr>
<tr>
<td>U.S. Fed Debt Avg Yield*</td>
<td>2.18%</td>
<td>2.00%</td>
<td>0.18%</td>
</tr>
<tr>
<td>30 Year Mortgage Rate</td>
<td>4.27%</td>
<td>3.85%</td>
<td>0.42%</td>
</tr>
<tr>
<td>1-5 Yr Agency Spread</td>
<td>0.08%</td>
<td>0.10%</td>
<td>-0.02%</td>
</tr>
<tr>
<td>1-5 Yr Corporate Spread</td>
<td>0.69%</td>
<td>0.47%</td>
<td>0.22%</td>
</tr>
<tr>
<td>Dow Jones</td>
<td>24,103</td>
<td>24,719</td>
<td>-2.5%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>2,641</td>
<td>2,674</td>
<td>-1.2%</td>
</tr>
<tr>
<td>Consumer Price Index YOY*</td>
<td>2.2%</td>
<td>2.1%</td>
<td>0.1%</td>
</tr>
<tr>
<td>U.S. Avg Regular Unleaded</td>
<td>$2.66</td>
<td>$2.49</td>
<td>$0.17</td>
</tr>
<tr>
<td>Retail Sales YOY*</td>
<td>4.0%</td>
<td>5.1%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Case-Shiller Home Prices YOY*</td>
<td>6.4%</td>
<td>6.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Gold (per ounce)</td>
<td>$1,325.50</td>
<td>$1,302.80</td>
<td>$22.70</td>
</tr>
<tr>
<td>Dollar Index</td>
<td>90.15</td>
<td>92.12</td>
<td>-1.97</td>
</tr>
<tr>
<td>Consumer Confidence</td>
<td>127.70</td>
<td>123.10</td>
<td>4.60</td>
</tr>
</tbody>
</table>

*Estimates for the current quarter/month, some data are lagged

**Next Projected Fed Funds Hike is first month Fed Funds Futures are 1.875% or higher

Sources: FTN Main Street and Bloomberg
Economic and Market Update
3/31/2018

U.S. GDP (Quarter over Quarter Annualized)*

* Real Rate (Inflation Adjusted)

Source: Bureau of Economic Analysis

Estimate: Bloomberg's Survey of Economists
As of: 3/31/18
## Economic and Market Update

### Real Rate (Inflation Adjusted)

Source: Bureau of Economic Analysis

Estimate: Bloomberg's Survey of Economists

As of: 3/31/18

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>-0.6</td>
</tr>
<tr>
<td>1951</td>
<td>-0.7</td>
</tr>
<tr>
<td>1952</td>
<td>2.1</td>
</tr>
<tr>
<td>1953</td>
<td>2.1</td>
</tr>
<tr>
<td>1954</td>
<td>-2.8</td>
</tr>
<tr>
<td>1955</td>
<td>-2.8</td>
</tr>
<tr>
<td>1956</td>
<td>-1.9</td>
</tr>
<tr>
<td>1957</td>
<td>0.2</td>
</tr>
<tr>
<td>1958</td>
<td>2.7</td>
</tr>
<tr>
<td>1959</td>
<td>3.6</td>
</tr>
<tr>
<td>1960</td>
<td>6.1</td>
</tr>
<tr>
<td>1961</td>
<td>6.9</td>
</tr>
<tr>
<td>1962</td>
<td>6.1</td>
</tr>
<tr>
<td>1963</td>
<td>6.6</td>
</tr>
<tr>
<td>1964</td>
<td>6.5</td>
</tr>
<tr>
<td>1965</td>
<td>6.5</td>
</tr>
<tr>
<td>1966</td>
<td>6.6</td>
</tr>
<tr>
<td>1967</td>
<td>5.6</td>
</tr>
<tr>
<td>1968</td>
<td>5.4</td>
</tr>
<tr>
<td>1969</td>
<td>4.9</td>
</tr>
<tr>
<td>1970</td>
<td>4.1</td>
</tr>
<tr>
<td>1971</td>
<td>7.1</td>
</tr>
<tr>
<td>1972</td>
<td>3.2</td>
</tr>
<tr>
<td>1973</td>
<td>4.6</td>
</tr>
<tr>
<td>1974</td>
<td>4.6</td>
</tr>
<tr>
<td>1975</td>
<td>7.3</td>
</tr>
<tr>
<td>1976</td>
<td>5.4</td>
</tr>
<tr>
<td>1977</td>
<td>7.3</td>
</tr>
<tr>
<td>1978</td>
<td>5.6</td>
</tr>
<tr>
<td>1979</td>
<td>3.7</td>
</tr>
<tr>
<td>1980</td>
<td>3.8</td>
</tr>
<tr>
<td>1981</td>
<td>5.3</td>
</tr>
<tr>
<td>1982</td>
<td>4.6</td>
</tr>
<tr>
<td>1983</td>
<td>4.2</td>
</tr>
<tr>
<td>1984</td>
<td>3.5</td>
</tr>
<tr>
<td>1985</td>
<td>3.5</td>
</tr>
<tr>
<td>1986</td>
<td>4.2</td>
</tr>
<tr>
<td>1987</td>
<td>4.1</td>
</tr>
<tr>
<td>1988</td>
<td>4.4</td>
</tr>
<tr>
<td>1989</td>
<td>4.4</td>
</tr>
<tr>
<td>1990</td>
<td>3.7</td>
</tr>
<tr>
<td>1991</td>
<td>4.5</td>
</tr>
<tr>
<td>1992</td>
<td>4.4</td>
</tr>
<tr>
<td>1993</td>
<td>4.1</td>
</tr>
<tr>
<td>1994</td>
<td>4.1</td>
</tr>
<tr>
<td>1995</td>
<td>4.7</td>
</tr>
<tr>
<td>1996</td>
<td>4.4</td>
</tr>
<tr>
<td>1997</td>
<td>4.7</td>
</tr>
<tr>
<td>1998</td>
<td>4.6</td>
</tr>
<tr>
<td>1999</td>
<td>3.8</td>
</tr>
<tr>
<td>2000</td>
<td>3.2</td>
</tr>
<tr>
<td>2001</td>
<td>2.7</td>
</tr>
<tr>
<td>2002</td>
<td>2.5</td>
</tr>
<tr>
<td>2003</td>
<td>2.5</td>
</tr>
<tr>
<td>2004</td>
<td>2.6</td>
</tr>
<tr>
<td>2005</td>
<td>2.6</td>
</tr>
<tr>
<td>2006</td>
<td>2.5</td>
</tr>
<tr>
<td>2007</td>
<td>2.6</td>
</tr>
<tr>
<td>2008</td>
<td>2.5</td>
</tr>
<tr>
<td>2009</td>
<td>2.8</td>
</tr>
<tr>
<td>2010</td>
<td>2.5</td>
</tr>
<tr>
<td>2011</td>
<td>2.5</td>
</tr>
<tr>
<td>2012</td>
<td>2.6</td>
</tr>
<tr>
<td>2013</td>
<td>2.6</td>
</tr>
<tr>
<td>2014</td>
<td>2.7</td>
</tr>
<tr>
<td>2015</td>
<td>2.7</td>
</tr>
<tr>
<td>2016</td>
<td>2.7</td>
</tr>
<tr>
<td>2017</td>
<td>2.7</td>
</tr>
<tr>
<td>2018</td>
<td>2.8</td>
</tr>
</tbody>
</table>

* Real Rate (Inflation Adjusted)

Source: Bureau of Economic Analysis

**U.S. Annual GDP**

- **1950s 4.25%**
- **1960s 4.53%**
- **1970s 3.25%**
- **1980s 3.15%**
- **1990s 3.22%**
- **2000s 1.82%**
- **2010s 2.11%**

### Historical GDP Growth (%) for Selected Decades:

- **1950s**: 4.25%
- **1960s**: 4.53%
- **1970s**: 3.25%
- **1980s**: 3.15%
- **1990s**: 3.22%
- **2000s**: 1.82%
- **2010s**: 2.11%
Economic and Market Update
3/31/2018

U.S. Monthly Non-Farm Payrolls Change

Unemployment Rates

12 Month Average Job Change  188,417

Source: Bureau of Labor Statistics
Source: Bureau of Labor Statistics
Weekly Initial Jobless Claims is the actual number of people who have filed for Unemployment benefits for the first time. The following five eligibility criteria must be met in order to file for unemployment benefits: 1. Meet the requirements of time worked during a 1 year period (full time or not). 2. Become unemployed through no fault of your own (cannot be fired). 3. Must be able to work; no physical or mental holdbacks. 4. Must be available for work. 5. Must be actively seeking work.

Source: Department of Labor and Bloomberg
Economic and Market Update  
3/31/2018

**U.S. Real* Retail Sales YOY % Change**

*Real: Inflation Adjusted

**U.S. Consumer Confidence**

Source: U.S. Census Bureau  
Source: Conference Board
CPI and CPIX YOY % Change

CPI: Consumer Price Index, excluding food and energy

PCE and PCEC YOY % Change

PCEC: Personal Consumption Expenditure Core

Source: Bureau of Labor Statistics and Bureau of Economic Analysis
Economic and Market Update
3/31/2018

Source: Case-Shiller

Case-Shiller 20 City U.S. Home Price Index
YOY % Increase

U.S. New and Existing Home Sales

Sources: New (U.S. Census Bureau), Existing (National Assoc. of Realtors)
Seasonally Adjusted Annual Rate
U.S. Federal Debt Outstanding

Trillions


$9 $10 $11 $12 $13 $14 $15 $16 $17 $18 $19 $20 $21 $22

U.S. Treasury Interest Bearing Debt Avg Rate

Percent


1.5 2.0 2.5 3.0 3.5 4.0 4.5

Source: U.S. Treasury
Fed Funds vs. Fed's Anticipated Fed Funds Rate

Fed's Anticipated Rates
Fed Funds Futures

Fed Funds Anticipated Rate from the March 21, 2018 FOMC Meeting

Source: Bloomberg
Source: Bloomberg
Figures may not total due to rounding.
Economic and Market Update
3/31/2018

Source: Bloomberg

U.S. Treasury Yields: 3M and 1Y

U.S. Treasury Yields: 2Y and 5Y

Source: Bloomberg
U.S. Treasury Yields 2Yr and 5Yr - Fed Funds Target Rate

Source: Bloomberg
Global Treasury Rates

2 Year Yields

USA: 2.27%
Australia: 2.01%
Canada: 1.77%
England: 0.82%
Japan: -0.15%
Portugal: -0.23%
Italy: -0.34%
Spain: -0.37%
France: -0.51%
Germany: -0.61%
Switzerland: -0.93%

5 Year Yields

USA: 2.56%
Australia: 2.30%
Canada: 1.97%
England: 1.11%
Italy: 0.47%
Portugal: 0.25%
Spain: 0.07%
France: 0.01%
Germany: -0.11%
Japan: -0.11%
Switzerland: -0.55%

10 Year Yields

USA: 2.74%
Australia: 2.60%
Canada: 2.09%
England: 1.78%
Portugal: 1.60%
Spain: 1.35%
France: 0.72%
Germany: 0.49%
Japan: 0.04%
Switzerland: 0.00%

Source: Bloomberg
Economic and Market Update
3/31/2018

Spread: 1-5Yr Agency* vs Treasury

Current Spread is 8

Spread: 1-5Yr A-AAA Corporate vs Treasury

Current Spread is 69

*BofA/Merrill Index (option adjusted spread vs. Treasury)
Agency (GVPO)

*BofA/Merrill Index (option adjusted spread vs. Treasury)
Corporate A-AAA (CV10)

Source: Bank of America Merrill Lynch Indices
Economic and Market Update
3/31/2018

**Spread: AAA Asset Backed vs Treasury**

- Current Spread is 53

**Spread: 0-3Yr Agency CMO vs Treasury**

- Current Spread is 54

*BoFA/Merrill Index (option adjusted spread vs. Treasury)
AAA Rated ABS (ROA1)

*BoFA/Merrill Index (option adjusted spread vs. Treasury)
CMO Agency 0-3Yr PAC (CM1P)

Source: Bank of America Merrill Lynch Indices
Economic and Market Update
3/31/2018

Selected Sector Quarterly Total Returns

Source: Bloomberg
Economic and Market Update
3/31/2018

Selected Sector Year-Over-Year Total Returns

Source: Bloomberg
Sources: Bloomberg, FTN Main Street

5 Year Treasury Note Yield

- Yields rise and dollar drops over government shutdown fears
- The Fed hints at possible additional increase in Fed Funds Rate
- Bank of Japan unexpectedly scales back long-term bond purchases
- FOMC Minutes suggest the Fed is bullish on growth
- CPI and PPI figures beat expectations stoking inflation concerns
- Investors flock to safety as stock prices experience steep decline
- 2-year hits pre-recession levels as Fed meeting begins
- Trump Administration tariff plans spook markets
- Spreads between 10yr and 2yr treasuries narrow as 10yr falls the most in 6 months
- Tech turmoil bleeds into bond market

ADP Payrolls and ISM Manufacturing point to growth

Sources: Bloomberg, FTN Main Street
Economic and Market Update
3/31/2018

Sources: Bloomberg, FTN Main Street

Dow Jones Industrial Index

In Davos, Trump delivers speech stating the US is "opened for business"

Equity market drops on the back of healthcare stocks

Inflation concerns subside

The Dow drops the most in 6 years wiping out gains for the year

Solid employment report pushes stocks higher

Reports surface of tensions easing between the US and China

Solid earnings from US banks put positive pressure on stocks

Factory orders and durable goods revised upward

Negative momentum fuels investors fears as volatility enters the market

Swearing in statement of Jay Powell soothes markets

Solid employment report pushes stocks higher

Weak retail sales weigh on investors minds

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside

Trade dispute with China heats up

Inflation concerns subside
Disclosure

This report represents the opinions of FTN Financial Main Street Advisors, LLC and should not be considered predictive of any future market performance. Opinions are subject to change without notice. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered investment advice or a recommendation of any particular security, investment strategy, or investment product.

Although this information has been obtained from sources which we believe to be reliable, we do not guarantee its accuracy, and it may be incomplete or condensed. This is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. All herein listed securities are subject to availability and change in price. Past performance is not indicative of future results, while changes in any assumptions may have a material effect on projected results. Ratings on all securities are subject to change.


FTN Financial Municipal Advisors is a registered municipal advisor. FTN Financial Portfolio Advisors is a portfolio manager operating under the trust powers of FTB. FTN Financial Main Street Advisors, LLC is a registered investment advisor. None of the other FTN entities including, FTN Financial Group, FTN Financial Capital Markets, FTN Financial Securities Corp or FTN Financial Capital Assets Corporation are acting as your advisor and none owe a fiduciary duty under the securities laws to you, any municipal entity, or any obligated person with respect to, among other things, the information and material contained in this communication. Instead, these FTN entities are acting for their own interests. You should discuss any information or material contained in this communication with any and all internal or external advisors and experts that you deem appropriate before acting on this information or material.

FTN Financial Group, through FTB or its affiliates, offers investment products and services. Investment Products are not FDIC insured, have no bank guarantee and may lose value.