Quarterly Economic and Market Update

March 2019
# Economic and Market Update

**3/31/2019**

<table>
<thead>
<tr>
<th>Item</th>
<th>3/31/2019</th>
<th>12/31/2018</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Payrolls Monthly Change</td>
<td>196,000</td>
<td>227,000</td>
<td>(31,000)</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>3.8%</td>
<td>3.9%</td>
<td>(0.1%)</td>
</tr>
<tr>
<td>Labor Force Participation</td>
<td>63.0%</td>
<td>63.1%</td>
<td>(0.1%)</td>
</tr>
<tr>
<td>Effective Fed Funds Rate</td>
<td>2.43%</td>
<td>2.40%</td>
<td>0.03%</td>
</tr>
<tr>
<td>3 Month T-Bill</td>
<td>2.39%</td>
<td>2.36%</td>
<td>0.03%</td>
</tr>
<tr>
<td>2 Year T-Note</td>
<td>2.26%</td>
<td>2.49%</td>
<td>(0.23%)</td>
</tr>
<tr>
<td>3 Year T-Note</td>
<td>2.21%</td>
<td>2.46%</td>
<td>(0.25%)</td>
</tr>
<tr>
<td>5 Year T-Note</td>
<td>2.23%</td>
<td>2.51%</td>
<td>(0.28%)</td>
</tr>
<tr>
<td>10 Year T-Note</td>
<td>2.41%</td>
<td>2.69%</td>
<td>(0.28%)</td>
</tr>
<tr>
<td>U.S. Fed Debt Avg Yield*</td>
<td>2.50%</td>
<td>2.46%</td>
<td>0.04%</td>
</tr>
<tr>
<td>30 Year Mortgage Rate</td>
<td>4.08%</td>
<td>4.51%</td>
<td>(0.43%)</td>
</tr>
<tr>
<td>1-5 Yr Agency Spread</td>
<td>0.04%</td>
<td>0.06%</td>
<td>(0.02%)</td>
</tr>
<tr>
<td>1-5 Yr A-AAA Corporate Spread</td>
<td>0.56%</td>
<td>0.58%</td>
<td>(0.02%)</td>
</tr>
<tr>
<td>Dow Jones</td>
<td>25,929</td>
<td>23,327</td>
<td>11.2%</td>
</tr>
<tr>
<td>S&amp;P 500</td>
<td>2,834</td>
<td>2,507</td>
<td>13.1%</td>
</tr>
<tr>
<td>Consumer Price Index YOY*</td>
<td>1.6%</td>
<td>1.9%</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>U.S. Avg Regular Unleaded</td>
<td>$2.69</td>
<td>$2.26</td>
<td>$0.44</td>
</tr>
<tr>
<td>Retail Sales YOY*</td>
<td>2.0%</td>
<td>1.6%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Case-Shiller Home Prices YOY*</td>
<td>3.6%</td>
<td>4.1%</td>
<td>(0.6%)</td>
</tr>
<tr>
<td>Gold (per ounce)</td>
<td>$1,292.38</td>
<td>$1,282.49</td>
<td>$9.89</td>
</tr>
<tr>
<td>Dollar Index</td>
<td>97.28</td>
<td>96.17</td>
<td>1.11</td>
</tr>
<tr>
<td>Consumer Confidence</td>
<td>124.1</td>
<td>126.6</td>
<td>(2.5)</td>
</tr>
</tbody>
</table>

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

Sources: FTN Main Street and Bloomberg
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3/31/2019

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

* Real Rate (Inflation Adjusted)

Source: Bureau of Economic Analysis

Estimate: Bloomberg's Survey of Economists
As of: 2/28/19
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U.S. Annual GDP *

* Real Rate (Inflation Adjusted)

Source: Bureau of Economic Analysis

Estimate: Bloomberg's Survey of Economists
As of: 2/28/19
**Economic and Market Update**

**3/31/2019**

**U.S. Monthly Non-Farm Payrolls Change**

**Unemployment Rates**

**12 Month Average Job Change**

211,417

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
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U.S. Real* Retail Sales YOY % Change

U.S. Consumer Confidence

*Real: Inflation Adjusted

Source: U.S. Census Bureau

Source: Conference Board
CPI and CPIX YOY % Change

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

U.S. New and Existing Home Sales

Source: Case-Shiller

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

U.S. Treasury Interest Bearing Debt Avg Rate

Source: U.S. Treasury
Fed Funds vs. Fed’s Anticipated Fed Funds Rate (Fed Dots)

Fed Funds Futures
Fed’s Anticipated Rates

Fed Funds Anticipated Rate from the December 19, 2018 FOMC Meeting

Source: Bloomberg
U.S. Treasury Yield Curve Change

Source: Bloomberg
Figures may not total due to rounding
Source: Bloomberg
U.S. Treasury Yields 2Yr and 5Yr - Fed Funds Target Rate

Source: Bloomberg
Global Treasury Rates

2 Year Yields
- USA: 2.26%
- Canada: 1.55%
- Australia: 1.46%
- England: 0.63%
- Italy: 0.23%
- Japan: -0.18%
- Portugal: -0.32%
- Spain: -0.38%
- France: -0.54%
- Germany: -0.61%
- Switzerland: -0.80%

5 Year Yields
- USA: 2.23%
- Canada: 1.52%
- Italy: 1.50%
- England: 0.75%
- Portugal: 0.16%
- Spain: 0.06%
- France: -0.27%
- Germany: -0.45%
- Switzerland: -0.71%

10 Year Yields
- USA: 2.49%
- Italy: 2.41%
- Australia: 1.78%
- Canada: 1.62%
- England: 1.25%
- Spain: 1.09%
- France: 0.32%
- Germany: 0.07%
- Japan: -0.09%
- Switzerland: -0.41%

Source: Bloomberg
**Spread: 1-5Yr Agency* vs Treasury**

Current Spread is 4

*ICE BofAML Index (option adjusted spread vs. Treasury)
Agency (GVP0)

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

Current Spread is 56

*ICE BofAML Index (option adjusted spread vs. Treasury)
Corporate A-AAA Excluding Yankee (CVAC)

Source: ICE BofAML Indices
Spread: AAA Asset Backed vs Treasury

Current Spread is 41

Spread: 0-3Yr Agency CMO vs Treasury

Current Spread is 48

*ICE BofAML Index (option adjusted spread vs. Treasury)
AAA Rated ABS (R0A1)

*ICE BofAML Index (option adjusted spread vs. Treasury)
CMO Agency 0-3Yr PAC (CM1P)

Source: ICE BofAML Indices
Selected Sector Quarterly Total Returns

Source: Bloomberg
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Sources: Bloomberg, FTN Main Street

- ISM Manufacturing Falls to a 2 Year Low
- Fed Chairman Powell States Case for Raising Interest Rates is Weakening
- Solid Jobs Report Boosts Confidence
- Trade Talks with China Progress Forward
- Trump Hints Willingness to Extend Deadline of Raising Tariffs on China
- GDP Beats 2.2% Expectation with 2.6% as Business Investments Rebound
- Soft Chinese Trade Data
- Fed Lowers Expected 2019 Hikes from 2 to 0 and Plans to End the Balance Sheet Reduction in Sept 2019

Sources: Bloomberg, FTN Main Street
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Sources: Bloomberg, FTN Main Street

Dow Jones Industrial Index

- Jay Powell Asserts the Fed Will Be Patient with Rate Increases
- S&P Exits Correction Territory on Boeing Earnings and Dovish Fed
- Banks Push Stocks Higher on Positive Earnings
- Strong Earnings Move Stocks Higher
- IMM Cuts its Forecast for Global Growth
- Positive Hope on Trade Talks Fuels Confidence
- Weaker Global Economic Data
- Worries an Inverted Yield Curve May Portent Economic Weakness Ahead
- Weaker Global Economic Data

Apple Revenue

Warning

Bank of England Warns of Weakest Growth in a Decade

Sources: Bloomberg, FTN Main Street
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