

Blue Chip Financial Forecasts[®]

**Top Analysts' Forecasts Of U.S. And Foreign Interest Rates, Currency Values
And The Factors That Influence Them**

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BLUE CHIP FINANCIAL FORECASTS®

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It's Now Or Never As The Consensus Anticipates Above-Trend GDP Growth

Domestic Commentary Real GDP growth in Q1 of this year was even weaker than the downwardly-revised consensus forecast, according to the government's initial estimate. Moreover, subsequently released data hint that the government's second estimate will indicate that real GDP actually contracted slightly during the quarter. Nonetheless, much of the softness in Q1 still is thought by our panelists to result from temporary factors including disruptive winter weather, an ongoing correction in private inventories, a tax-related hit to capital spending, a decline in defense spending, and a sharper-than-expected fall in exports. Moreover, job growth in Q1 was only slightly slower than in Q4 and the unemployment rate last quarter averaged 0.2 of a percentage point less than its Q4 2013 average. As a consequence, the results of our May 21st-22nd survey indicate that the consensus still predicts real GDP growth will rebound to a well-above-trend pace in the current quarter and continue to grow at a clip only slightly slower over the remainder through Q3 2015. The consensus predicts the Federal Reserve's Open Market Committee, too, will look through the softness in Q1 real GDP, continuing its "measured" reductions in the size of its monthly asset purchases at upcoming and subsequent meetings, wrapping up the purchase program in Q4 of this year. A move by the FOMC to begin hiking interest rates still is not expected by the consensus until the middle of next year.

Real GDP grew at a seasonally-adjusted annual rate of just 0.1% in Q1 of this year, according to the initial estimate from the Bureau of Economic Analysis. That marked the poorest performance since Q4 2012 and compares with last month's consensus forecast of 1.3% (saar). Moreover, data on trade, inventories, retail sales, and construction released since BEA's initial estimate suggests BEA's second estimate due out on May 29th will show that real GDP actually contracted by 0.5 (saar) or more in Q1, marking the first outright decline since Q1 2011. In the current quarter, however, the consensus now predicts real GDP will grow 3.4% (saar), 0.3 of a percentage point faster than forecast by the consensus a month ago. Real GDP still is estimated by the consensus to grow 3.0% in Q3 and 3.1% in Q4 of this year. While the consensus forecast of real GDP growth in Q1 2015 remained at 3.0% this month, consensus forecasts of growth in Q2 and Q3 of next year each slipped by 0.1 of a point to 3.0%.

The expected rebound in real GDP growth over coming quarters is predicated upon continued strength in consumer spending, rebounds in residential and nonresidential fixed investment, lessening drag from private inventories, a pick-up in exports, and modest contributions to GDP from government spending and consumption. Net exports subtracted nearly 0.83 of a percentage point from Q1's rate of real GDP growth, but the consensus predicts a positive contribution in Q2. Private inventories subtracted almost 0.6 of a percentage point from real GDP growth last quarter. While another smaller subtraction may occur in the current quarter, inventories are likely to neither add nor subtract much from GDP in the second half of this year. Government spending and investment in Q2 is likely to rebound after contracting 0.5% (saar) in Q1 on top of the 5.2% fall in Q4 2013.

Residential and nonresidential fixed investment also are expected to reverse course in Q2 after suffering contractions in Q1 of this year. Nonetheless, most panelists seem to have reduced their forecasts of expected growth that each will register over the remaining three quarters of 2014. Well below normal household formation, high prices, and still tight credit standards continue to hamper home sales, while a scarcity of labor and higher input costs are cited by builders as capping housing starts. Equipment spending likely snapped back in Q2 following a 5.5% (saar) contraction in Q1 that likely reflected payback following a year-end surge as faster depreciation allowances came to an end. Nonetheless, firms continue to exhibit more reticence than anticipated about equipment purchases. That will leave personal consumption expenditures to make up the difference in meeting con-

sensus expectations about GDP growth over the rest of this year. Growth in real PCE exceeded consensus forecasts in each of the past two quarters, growing 3.0% in Q1 of this year and 3.3% in Q4 2014. That marked the best back-to-back quarterly gains since the second half of 2010. Underpinning the strength in consumer spending are continued improvement in labor markets conditions, the end of deleveraging on the part of households, and the wealth effects associated with higher equity prices and home values.

There were relatively minor changes in consensus expectations about inflation over the past month. Consensus forecasts of consumer price inflation this quarter and next increased a bit, likely reflecting sharp increases in food prices due to drought and other factors, somewhat higher energy prices, and the steadily increasing cost of rent. The y/y change in the CPI inched back up to 2.0% in April, the core CPI to 1.8%, from their respective lows last year of 1.0% and 0.9%. While the PCE price index and the core PCE price index have not rebounded as much as the CPI, they are at least moving in the direction of the Fed's policy goal of about 2.0% inflation.

The FOMC's June 17th-18th meeting is widely expected to produce another \$10 billion cut to the Fed's monthly asset purchases program, dropping it to \$35 billion. The FOMC's policy statement likely will recognize that economic growth continues to recover from its Q1 swoon and that while labor market conditions continue to improve the unemployment remains elevated. It also will likely note that inflation has picked up a bit but continues to fall short of the Fed's policy goal. As a result of these factors, policymakers will reaffirm the Fed's intention to refrain from beginning to hike interest rates for a considerable period of time after its asset purchase program is concluded. The upcoming June meeting will include updated economic forecasts from the Fed and a Janet Yellen press conference.

Minutes of the FOMC's April 29th-30th meeting contained an extensive discussion about the Fed's plans for exiting its extraordinarily low interest rate policy. The ballooning in the size of the Fed's balance sheet due to three rounds of quantitative easing has left trillions of dollars of excess liquidity sitting outside the fed funds market. As a result, there seems to be general recognition among FOMC members that this has likely rendered the fed funds rate a much less effective tool when the time comes to begin tightening policy. Instead, other tools, including fixed-rate overnight reverse repo operations, term reverse repo operations, the interest rate paid on excess reserves and the Term Deposit Facility will likely be employed, perhaps in conjunction with one another, to push up interest rates when the time comes for tightening policy. However, no decisions were made at the April meeting and the minutes emphasized that the discussion was simply part of "prudent planning and did not imply that normalization would necessarily begin sometime soon".

Of more recent note, both New York Fed bank President Bill Dudley and San Francisco Fed bank president John Williams recently argued in speeches against the Fed halting reinvestment of mortgage-backed and other principal payments before the Fed begins to hike interest rates. That would represent a reversal of earlier intentions and no doubt reflects concern about the sub-standard housing recovery.

Consensus Forecast After the poor Q1 performance, real GDP growth is poised to rebound to an above-trend pace of 3.0%-plus over the next six quarters. As a result, the unemployment will continue to fall, sliding below 6.0% early next year. Inflation will inch up from recent levels, but remain non-threatening over the forecast horizon. The Fed's asset purchase program will conclude late this year. Fed interest rate hikes are expected to start in mid-2015 (*see page 2*).

Special Questions On page 14 are results of our twice-yearly, long-range survey with consensus estimates for the years 2016 through 2020 and averages for the 5-year periods 2016-2020 and 2021-2025.

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

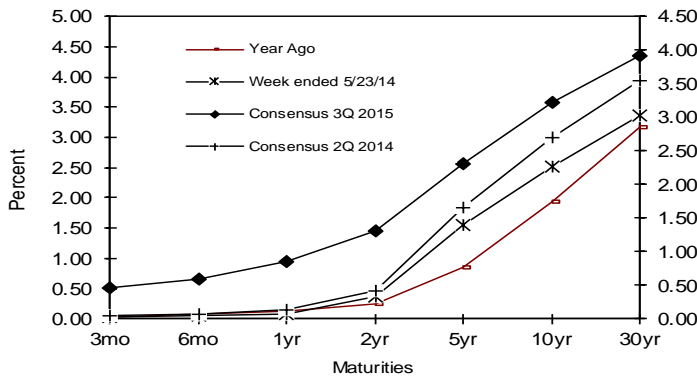
Interest Rates	-----History-----								Consensus Forecasts-Quarterly Avg.					
	-----Average For Week Ending-----				-----Average For Month-----				Latest Q	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015
	May 23	May 16	May 9	May 2	Apr.	Mar.	Feb.	1Q 2014	2014	2014	2014	2015	2015	2015
Federal Funds Rate	0.09	0.08	0.09	0.09	0.09	0.08	0.07	0.07	0.1	0.1	0.1	0.2	0.3	0.5
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.3	3.3	3.3	3.3	3.3	3.6
LIBOR, 3-mo.	0.23	0.23	0.23	0.23	0.23	0.23	0.24	0.24	0.2	0.3	0.3	0.4	0.5	0.7
Commercial Paper, 1-mo.	0.14	0.06	0.05	0.05	0.05	0.06	0.06	0.06	0.1	0.1	0.1	0.2	0.3	0.6
Treasury bill, 3-mo.	0.03	0.03	0.03	0.03	0.03	0.05	0.05	0.05	0.0	0.1	0.1	0.2	0.3	0.5
Treasury bill, 6-mo.	0.05	0.05	0.05	0.05	0.05	0.08	0.08	0.08	0.1	0.1	0.2	0.2	0.4	0.7
Treasury bill, 1 yr.	0.09	0.09	0.10	0.10	0.11	0.13	0.12	0.12	0.1	0.2	0.3	0.4	0.6	0.9
Treasury note, 2 yr.	0.37	0.39	0.41	0.43	0.42	0.40	0.33	0.37	0.4	0.5	0.7	0.9	1.2	1.5
Treasury note, 5 yr.	1.55	1.59	1.65	1.70	1.70	1.64	1.52	1.59	1.7	1.8	2.0	2.2	2.4	2.6
Treasury note, 10 yr.	2.52	2.57	2.62	2.66	2.71	2.72	2.71	2.76	2.7	2.9	3.1	3.3	3.4	3.6
Treasury note, 30 yr.	3.37	3.40	3.42	3.44	3.52	3.62	3.66	3.69	3.5	3.7	3.9	4.1	4.2	4.3
Corporate Aaa bond	4.13	4.15	4.17	4.19	4.24	4.38	4.45	4.45	4.3	4.5	4.6	4.8	4.9	5.1
Corporate Baa bond	4.75	4.77	4.79	4.81	4.90	5.06	5.10	5.13	5.0	5.2	5.4	5.5	5.6	5.8
State & Local bonds	4.28	4.26	4.31	4.33	4.35	4.46	4.44	4.50	4.3	4.4	4.6	4.7	4.8	4.9
Home mortgage rate	4.14	4.20	4.21	4.29	4.34	4.34	4.30	4.35	4.3	4.5	4.7	4.8	5.0	5.2

Key Assumptions	-----History-----								Consensus Forecasts-Quarterly					
	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	3Q 2015
Major Currency Index	73.9	74.0	73.2	74.7	76.4	76.7	76.0	77.1	76.7	77.0	77.4	77.6	77.8	78.1
Real GDP	1.2	2.8	0.1	1.1	2.5	4.1	2.6	0.1	3.4	3.0	3.1	3.0	3.0	3.0
GDP Price Index	1.8	2.3	1.1	1.3	0.6	2.0	1.6	1.3	1.8	1.9	1.9	1.9	1.9	2.0
Consumer Price Index	1.4	1.7	2.4	1.2	0.4	2.2	1.1	1.9	2.2	2.1	1.9	2.0	2.0	2.1

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

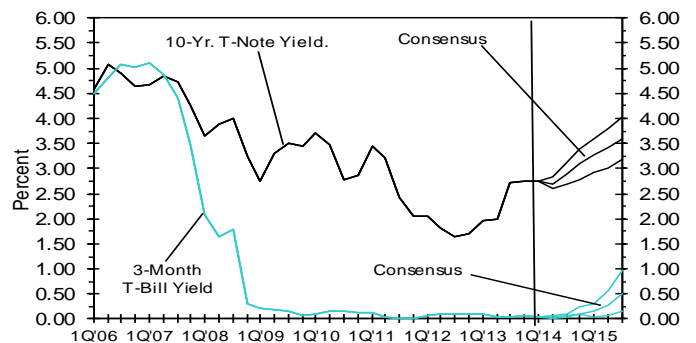
U.S. Treasury Yield Curve

Week ended May 23, 2014 and Year Ago vs. 2Q 2014 and 3Q 2015 Consensus Forecasts



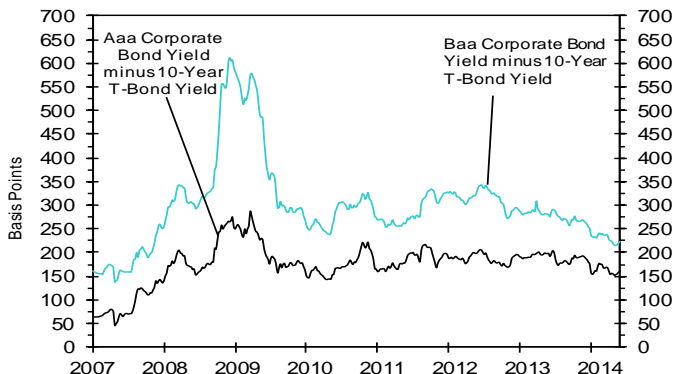
U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



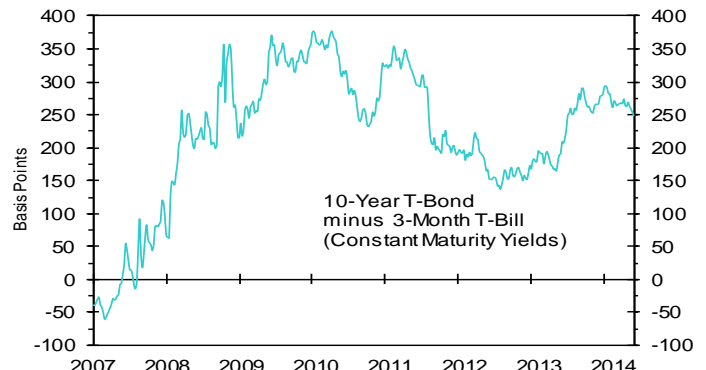
Corporate Bond Spreads

As of week ended May 23, 2014



U.S. Treasury Yield Curve

As of week ended May 23, 2014



-----3-Month Interest Rates¹-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
Latest:	Ago:	Ago:	3	6	12	
U.S.	0.36	0.33	0.42	0.30	0.32	0.34
Japan	0.22	0.18	0.28	0.17	0.17	0.17
U.K.	0.69	0.56	0.66	0.53	0.57	0.67
Switzerland	0.03	0.08	0.07	0.02	0.02	0.10
Canada	1.17	1.14	1.28	1.30	1.30	1.30
Australia	2.65	2.61	3.21	2.70	2.80	3.20
Eurozone	0.37	0.40	0.25	0.23	0.23	0.28

-----10-Yr. Government Bond Yields²-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
Latest:	Ago:	Ago:	3	6	12	
U.S.	2.56	2.69	2.02	3.01	3.22	3.49
Germany	1.41	1.52	1.44	1.72	1.83	2.03
Japan	0.60	0.62	0.84	0.74	0.81	0.98
U.K.	2.65	2.68	1.92	3.03	3.23	3.53
France	1.83	2.01	1.94	2.19	2.27	2.41
Italy	3.24	3.09	4.04	3.37	3.39	3.52
Switzerland	0.97	0.87	0.65	1.08	1.18	1.35
Canada	2.33	2.43	1.96	2.67	2.90	3.19
Australia	3.76	3.95	3.34	4.24	4.31	4.45
Spain	3.05	3.05	4.30	3.01	3.04	3.17

-----Foreign Exchange Rates¹-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
Latest:	Ago:	Ago:	3	6	12	
U.S.	76.428	76.614	77.862	77.3	77.8	79.2
Japan	101.50	102.43	102.98	105.5	106.9	108.6
U.K.	1.6827	1.6792	1.5173	1.67	1.67	1.66
Switzerland	0.8910	0.8832	0.9731	0.91	0.94	0.98
Canada	1.0883	1.1024	1.0268	1.11	1.11	1.11
Australia	0.9367	0.9330	0.9737	0.91	0.90	0.90
Euro	1.3708	1.3816	1.2818	1.35	1.33	1.29

Consensus
3-Month Rates
vs. U.S. Rate

	Now	In 12 Mo.
	Japan	-0.14
U.K.	0.33	0.32
Switzerland	-0.33	-0.24
Canada	0.81	0.96
Australia	2.29	2.86
Eurozone	0.01	-0.07

Consensus
10-Year Gov't
Yields vs. U.S. Yield

	Now	In 12
	Germany	-1.15
Japan	-1.96	-2.51
U.K.	0.09	0.03
France	-0.73	-1.09
Italy	0.68	0.02
Switzerland	-1.59	-2.14
Canada	-0.23	-0.30
Australia	1.20	0.96
Spain	0.49	-0.33

International Commentary Sovereign yields in most major developed nations continued to inch lower over the past month, reflecting, with the exception of Japan, slower-than-expected economic growth and inflation in Q1. Some of the softness in global growth was attributed to temporary factors, according to most analysts, and as a result, the pace of growth is expected to rebound in the current quarter. The exception, again, will be Japan, where the economy surged in Q1 during the run-up to the April 1st hike in the Value Added Tax that is expected to produce a contraction in real GDP this quarter. If, as anticipated by most analysts, global economic growth rebounds in Q2 and beyond, and inflation first stabilizes and then moves modestly higher, sovereign yields are expected to rise from current levels.

Also underpinning the continued decline in Eurozone yields is an expected easing of policy by the ECB on June 5th. Real GDP in the Eurozone grew less than 1.0% (saar) for a second consecutive quarter in Q1 and high-frequency data suggests the pace of growth in Q2 may improve more modestly than previously believed. Moreover, the y/y change in consumer price inflation remains less than 1.0%, well short of the ECB's 2.0% target. In the press conference following the bank's May meeting, Mario Draghi said members of the governing council were "dissatisfied with the prospect of a long period of low inflation and were comfortable with acting at its June meeting. Subsequent press reports have suggested the ECB will cut interest rates and enact targeted measures to increase lending to small- and mid-sized companies. With the bank's deposit rate already at zero, a further reduction would push it into negative territory. Not anticipated at the June meeting is announcement of a large-scale quantitative easing (QE) program similar to those previously enacted by central banks in the U.S., U.K. and Japan. The anticipated action by the ECB is likely to put renewed downward pressure on the value of the Euro.

In contrast to the Eurozone, economic growth in the U.K. continues to match or exceed expectations. Real GDP grew 3.3% (saar) in Q1 and was up 3.1% y/y, the best such performance of the recovery. Moreover, while still low, inflation appears to have bottomed, with consumer prices up (y/y) 1.8% in April from 1.6% in March. Minutes of the Bank of England's May Monetary Policy Committee meeting noted that while there remains considerable slack in the economy "for some members the monetary policy decision was becoming more balanced", hinting that at least some MPC members are beginning to anticipate a move to hike rates. As a result, markets have moved forward a bit when tightening is likely to begin –mostly likely Q1 2015. Increased speculation about a move to hike rates should keep the British pound well bid in coming months.

Economic growth in Japan during Q1 exceeded expectations. Real GDP grew 5.9% (saar) as consumer spending soared at its fastest pace since Q1 1997, the quarter prior to the last time the VAT was hiked. However, other segments of the economy also registered strong growth in Q1 with capital spending jumping at its fastest pace since Q4 2011 in the aftermath of the 2011 earthquake and tsunami. At its late-May meeting, the Bank of Japan refrained from increasing monetary stimulus and boosted its expectations for growth in business investment saying the economy showed better-than-expected signs of weathering the impact of the VAT increase. Private analysts, however, are less certain and project that real GDP will contract 3%-4% in Q2 and register growth of 1%-2% in the second half of this year. The BoJ's efforts to boost inflation have stalled in recent months, the y/y change remaining at 1.3% for a fourth month in March. April's figure will jump, but primarily reflect the increase in the VAT, according to analysts. Despite the recent show of optimism by the BoJ, a large majority of analysts believe weak growth, low inflation and a stronger-than-desired yen will prompt the BoJ to enact additional stimulus measures by the end of this year (see pages 10-11 for individual panelists' forecasts).

Forecasts of panel members are on pages 10 and 11. Definitions of variables are as follows: ¹Three month rate on interest-earning money market deposits denominated in selected currencies. ²Government bonds are yields to maturity. Foreign exchange rate forecasts for U.K., Australia and the Euro are U.S. dollars per currency unit. For the U.S. dollar, forecasts are of the U.S. Federal Reserve Board's Major Currency Index.

International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	na	na	na
BMO Capital Markets	na	na	na
BNP Paribas Americas	na	na	na
ING Financial Markets	2.70	2.80	3.20
Mizuho Research Institute	na	na	na
Moody's Analytics	na	na	na
Moody's Capital Markets	na	na	na
Nomura Securities	na	na	na
Scotiabank Group	na	na	na
UBS	na	na	na
Wells Fargo	na	na	na
June Consensus	2.70	2.80	3.20
High	2.70	2.80	3.20
Low	2.70	2.80	3.20
Last Months Avg.	2.70	2.80	3.20

Australia		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
na	na	na
4.30	4.40	4.65
4.20	4.40	4.60
na	na	na
4.60	4.60	4.69
3.68	3.63	3.50
4.25	4.35	4.55
na	na	na
4.40	4.50	4.70
na	na	na
4.24	4.31	4.45
4.60	4.60	4.70
3.68	3.63	3.50
4.41	4.48	4.64

USD/AUD		
In 3 Mo.	In 6 Mo.	In 12 Mo.
0.88	0.87	0.85
0.91	0.91	0.94
0.92	0.92	0.93
0.89	0.89	0.87
na	na	na
0.87	0.85	0.84
0.92	0.90	0.88
0.88	0.86	na
0.94	0.92	0.89
na	na	na
0.96	0.97	0.96
0.91	0.90	0.90
0.96	0.97	0.96
0.87	0.85	0.84
0.89	0.89	0.89

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Barclays	na	na	na
BMO Capital Markets	0.15	0.15	0.30
BNP Paribas Americas	na	na	na
ING Financial Markets	0.25	0.25	0.30
Mizuho Research Institute	0.20	0.20	0.20
Moody's Analytics	na	na	na
Moody's Capital Markets	na	na	na
Nomura Securities	0.30	0.30	0.30
Scotiabank Group	na	na	na
UBS	na	na	na
Wells Fargo	na	na	na
June Consensus	0.23	0.23	0.28
High	0.30	0.30	0.30
Low	0.15	0.15	0.20
Last Months Avg.	0.27	0.27	0.28

Eurozone

USD/EUR		
In 3 Mo.	In 6 Mo.	In 12 Mo.
1.37	1.32	1.27
1.36	1.36	1.36
1.32	1.30	1.27
1.35	1.33	1.25
1.37	1.36	1.34
1.36	1.34	1.29
1.36	1.33	1.30
1.38	1.35	na
1.33	1.30	1.26
na	na	na
1.34	1.30	1.28
1.35	1.33	1.29
1.38	1.36	1.36
1.32	1.30	1.25
1.36	1.34	1.30

Blue Chip Forecasters	10 Yr. Gov't Bond Yields %											
	Germany			France			Italy			Spain		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
ING Financial Markets	1.70	1.80	2.00	2.15	2.20	2.40	3.20	3.20	3.30	3.20	3.20	3.30
BMO Capital Markets	1.75	1.85	2.20	na	na	na	na	na	na	na	na	na
BNP Paribas Americas	1.70	1.80	2.10	1.95	2.05	2.35	2.70	2.80	3.20	2.70	2.80	3.20
Mizuho Research Institute	1.65	1.75	1.95	na	na	na	na	na	na	na	na	na
Moody's Analytics	1.60	1.73	1.88	2.29	2.41	2.47	3.75	3.72	3.78	3.07	3.09	3.16
Moody's Capital Markets	1.40	1.45	1.50	1.85	1.90	1.92	3.20	3.25	3.20	3.05	3.05	3.00
Nomura Securities	1.75	1.80	2.00	na	na	na	na	na	na	na	na	na
UBS	2.30	2.40	2.50	2.70	2.80	2.90	4.00	4.00	4.10	na	na	na
Wells Fargo	1.60	1.90	2.10	na	na	na	na	na	na	na	na	na
June Consensus	1.72	1.83	2.03	2.19	2.27	2.41	3.37	3.39	3.52	3.01	3.04	3.17
High	2.30	2.40	2.50	2.70	2.80	2.90	4.00	4.00	4.10	3.20	3.20	3.30
Low	1.40	1.45	1.50	1.85	1.90	1.92	2.70	2.80	3.20	2.70	2.80	3.00
Last Months Avg.	1.74	1.86	2.07	2.18	2.22	2.37	3.28	3.21	3.36	3.20	3.14	3.32

	Consensus Forecasts			
	10-year Bond Yields vs U.S. Yield			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-1.96	-2.27	-2.42	-2.51
United Kingdom	0.09	0.02	0.00	0.03
Switzerland	-1.59	-1.94	-2.05	-2.14
Canada	-0.23	-0.34	-0.33	-0.30
Australia	1.20	1.23	1.09	0.96
Germany	-1.15	-1.30	-1.39	-1.47
France	-0.73	-0.82	-0.95	-1.09
Italy	0.68	0.36	0.17	0.02
Spain	0.49	-0.01	-0.19	-0.33

	Consensus Forecasts			
	3 Mo. Deposit Rates vs U.S. Rate			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-0.14	-0.13	-0.49	-0.17
United Kingdom	0.33	0.23	0.25	0.32
Switzerland	-0.33	-0.28	-0.30	-0.24
Canada	0.81	1.00	0.98	0.96
Australia	2.29	2.40	2.48	2.86
Eurozone	0.01	-0.08	-0.10	-0.07

Viewpoints:

A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

Sticking With Stronger

Six months ago, we predicted that the US recovery would accelerate from the 2¼% average over the prior four years to a 3%+ pace in 2014-2015. The rationale for this forecast was that the post-bubble adjustments in the private sector seemed to be ending, and the fiscal retrenchment that held growth back in 2013 was set to end in 2014 as well.

So far, the GDP data have told a different story. Growth in the first quarter was initially reported at a disappointing 0.1% (annualized), and we currently estimate that it will be revised down further to -0.7%. This would be a very large disappointment, on a par with that seen in early 2011 when many economists—ourselves included—predicted a pickup in growth but were then wrong-footed by a sharp slowdown in most indicators, including a reading for real GDP growth in 2011Q1 that started out as only mildly disappointing but was eventually revised into negative territory.

The first-quarter disappointment has resonated among economists and market participants for two reasons. First, it brings to mind the 2011 precedent, and more broadly the repeated downside surprises on growth in recent years. Second, it comes in the wake of the debate around “secular stagnation” that was kicked off by the speech by Lawrence Summers at the November 2013 IMF research conference. If the US economy cannot accelerate to a clearly above-trend pace even after the end of the private and public sector retrenchment at a time when monetary policy and financial conditions still look very supportive, then it is certainly appropriate to ask whether the forces holding the economy back are deeper and more structural in nature. In that sense, it is really “showtime for the recovery”, the title of our 2014 outlook article published last November.

We therefore ask whether the evidence still supports the notion of a fundamental US growth acceleration in 2014-2015. Our answer, broadly, is yes. Although the weak first quarter is likely to hold down real GDP for 2014 as a whole, the underlying trends in economic activity are still pointing to significant improvement.

For many people, the Commerce Department’s GDP report is the benchmark for how quickly the US economy is growing. It tells an unpleasant story. After climbing to a 4.1% pace in the third quarter of 2013, growth slowed in Q4 and likely turned negative in Q1. Given these numbers, it will be mathematically difficult for GDP growth in the year as a whole to be much above 2½%, and a lower outcome is very possible.

But more fundamentally, we believe the quarterly GDP report is often a poor measure of economic growth. It is reported with a lag of 2½ months after the midpoint of the quarter to which it refers. Its scope is narrowly focused on aggregate dollar expenditure, as it puts no weight on survey measures of activity, employment, or income. Its quarterly moves are disproportionately affected by noisy indicators such as inventory investment and net foreign trade. And it is heavily revised.

We therefore prefer broader measures of economic growth such as our current activity indicator (CAI), a weighted average of the 25 most important weekly and monthly indicators of US economic activity. We can calculate a preliminary version of the CAI just three weeks after the midpoint of the month to which it refers, which makes the CAI almost two months more timely than the quarterly GDP report. The CAI includes not just measures of aggregate expenditure but also business and consumer surveys as well as various labor market indicators. It is much less sensitive to noisy measures such as inventories. And it is much less subject to revisions than the GDP report.

It is therefore noteworthy that the CAI showed a much less pronounced disappointment over the winter than the Commerce Department’s real GDP numbers. While real GDP growth disappointed by about three percentage points in Q1, the CAI slowed by just one point. We have argued that about ½ point of this disappointment can be explained by the unusually severe winter, which leaves just ½ percentage point, a relatively trivial number in the imprecise world of economic forecasting. Moreover, the March/April CAI shows a respectable bounce-back to a 3¼% average pace.

From a longer-term perspective the picture also looks encouraging. The year-on-year CAI has shown only three inflection points since 2008—a pickup off the bottom in mid-2009, a slowdown in early 2011, and a reacceleration in early 2013. Since the last of these, the CAI has accelerated from 1.7% to 2.6%, with no sense of a significant slowdown in the early part of 2014 when the quarter-on-quarter GDP numbers showed such a pronounced dip. As a matter of “nowcasting,” our conclusion is that the acceleration in US economic activity remains intact.

The basic rationale for our acceleration forecast of late 2013 was twofold—(1) an end to the fiscal drag that had weighed on growth so heavily in 2013 and (2) a positive impulse from the private sector following the completion of the balance sheet adjustments specifically among US households. Both of these points remain intact.

On the fiscal side, the picture now actually looks a bit more supportive for growth than it did six months ago. The reason is that the impact of the Affordable Care Act (ACA) on healthcare consumption is a bit bigger than we had expected, at least in the near term. Including this effect, we now think that the net impact of fiscal policy on GDP growth is likely to be about zero in the remainder of this year, whereas we had previously thought it would be slightly negative.

On the private-sector side, one key development is the end to the household deleveraging process in 2013. Both the Financial Accounts of the United States (formerly known as the Flow of Funds) from the Federal Reserve Board and the Quarterly Report on Household Debt and Credit from the New York Fed suggest that the decline in the debt/income ratio has now ended. Over the next few years, we expect a mild upward trend, implying that household debt may grow a bit faster than disposable income. At the margin, this implies a boost to aggregate demand and real GDP growth compared with the first 4-5 years of the current recovery.

Another key development is the healing in the housing sector. Admittedly, we just have shaved our estimates for the growth contribution of residential investment in 2014H2, and to a lesser extent 2015H1. But these changes were small in terms of the contribution to real GDP growth, averaging only about 0.1 percentage point at an annual rate. The more important point is that the underlying trends in the housing sector are still pointing toward recovery. As discussed in greater detail last week, we can explain the decline in the housing indicators in the last two quarters with a combination of higher mortgage rates and bad weather, and this drag should wane in coming months.

Meanwhile, some of the longer-term trends that have been weighing on the housing sector seem to be ending or reversing. An important one is the “doubling-up” of more people in one home. The share of 18-34 year olds who live with their parents increased by five percentage points from 2006 to 2012, which is equivalent to 3½ million individuals. In 2013 the share began to edge down, and we expect further significant declines in coming years. This should bring down the average household size, pushing the growth rate in the number of households from below the 0.8% population growth rate to (*continued on next page*)

Viewpoints

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above the population growth rate. Consistent with this, we expect household formation in absolute terms to rise from the 800,000 average of the past six years to 1.2-1.3 million by 2015-2016. Assuming demolitions of existing homes of around 300,000 per year, this implies that total housing starts can rise from the current level of about 1 million to the 1.5-1.6 million range.

We conclude with an update of our financial balances model, which consists of equations for ex ante changes in the different components of the private sector financial balance (personal saving, net residential investment, and the corporate financing gap), the external balance, and the fiscal impulse. Our model suggests that the net impulse from all sectors combined points to clearly above-trend growth in 2014-2015. We thus continue to expect a pickup in growth from the 2¼% pace of the recovery so far to a 3%+ pace in the next couple of years.

Jan Hatzius, Goldman Sachs, New York, NY

On Normalization And Confirmation

The recent release of the FOMC minutes from April 29-30 and comments by Fed officials showed that the U.S. central bank has formally started thinking about exit strategy again. The minutes emphasized that this was “*part of prudent planning and did not imply that normalization would necessarily begin sometime soon.*” The discussion involved how the Fed’s various tools (rate of interest paid on excess reserves, fixed-rate overnight reverse repurchase operations, term reverse repurchase agreements, and the Term Deposit Facility) could be employed to immobilize excess reserves and push up policy rates, and revealed some interesting things.

First, the FOMC has moved from specifically mentioning the fed funds rate as the policy rate to a more general “short-term” interest rate. With so much liquidity sloshing around outside the fed funds market, the Fed is recognizing that they might not be able to micromanage the funds rate like they used to.

Second, the FOMC seems to be moving to a cocktail approach to immobilizing excess reserves, recognizing that each of the above tools has its own implications “*for financial intermediation and financial markets, including the federal funds market, and... financial stability.*” The cocktail approach could result in less negative consequences than any single tool employed in isolation. We’ll be hearing much more from the Fed on this subject (“*participants requested additional analysis from the staff and agreed that it would be helpful to continue to review these issues at upcoming meetings.*”)

It has been nearly three years (June 2011) since the Fed first published its “Exit Strategy Principles” and they have since become outdated, if not irrelevant. For example, they envisaged the fed funds rate being the primary policy rate and employing temporary reserve-draining operations to steer it higher. This process has now become much more complicated with QE3’s probable \$1.6 trillion boost to excess reserves and the necessity of employing all tools to address the “soggy floor” for overnight rates. They mentioned eventual sales of securities that Fed officials have since backed away from. Another feature was ceasing reinvestment of MBS (and other) principal payments before rate hikes begin. But, this week, NY Fed President Dudley and San Francisco’s Williams argued that reinvestments should continue, both no doubt eyeing the now less-robust housing sector recovery.

Finally, the Senate confirmed Stanley Fischer’s nomination to the Fed’s Board of Governors this week (the vote was 68 to 27), but opted to hold

another separate vote on his vice chairman nod. The latter vote along with the confirmation of Lael Brainard’s nomination and Jerome Powell’s re-nomination are expected to be held before the next FOMC meeting on June 17-18 (but you just never know in Washington).

However, it was critically important to get another body on the Board of Governors as soon as possible (hence the Senate’s two-prong vote), with Jeremy Stein heading back to Harvard on May 28. Stein’s departure would have left only three sitting Board members, which meant that a quorum would be two (set at a majority of sitting members). In the event, contact between any of the three sitting Board members (Chair Janet Yellen, Daniel Tarullo and Powell, who keeps his seat pending renomination) would constitute an official meeting of the Fed’s Board of Governors. Under federal “sunshine” laws, the Board would have to provide notification each time any two members met that this “official” meeting was closed to the public, an extremely onerous exercise. This could have even resulted in less informal discussion and deliberation among Board members, much to the detriment of the Board’s supervisory and regulatory roles and its contribution to monetary policy formation. This would constitute a crisis, proving once again that it’s only the latter that truly compels Congress to act.

Michael Gregory, BMO Capital Markets, Toronto, Canada

The Long Bond Yield Conundrum

Despite improving economic data in recent weeks, the yield on the 10-Year Treasury bond has been stuck in a low narrow range over the past week and reached a cycle low of 2.49 percent during the week ended May 23rd. The rally in U.S. Treasury bonds continues to be motivated by a flight to safety reflecting geopolitical fears and uncertainty over global economic growth – especially in the Eurozone and China.

With market participants factoring in some upward bias in the U.S. 10-Year Treasury bond this year, long-bond speculators covered short positions last week, which means they were buying back borrowed securities to close open short positions. According to the Commodity Futures Trading Commission, the number of short positions in the U.S. 10-Year Treasury futures market exceeded the amount of long positions for the week ending May 13th. However, short covering has likely run its course as traders appear to be in a “wait and see” mode.

Forecasts for the U.S. 10-Year Treasury yield in 2014 still show an expected increase. One rule of thumb that supports the notion of an upward bias in nominal rates is the improvement in nominal GDP. The year-over-year change in nominal GDP and the U.S. 10-Year Treasury yield are closely correlated. In the first quarter, nominal GDP was up 3.7 percent and suggests long rates should also increase over the course of the year.

Although the flow of economic data was light this week, we were not short on communication from the Fed. FOMC minutes were released and a number of Fed officials delivered speeches. All communication from the Fed this week continued to suggest it would keep short rates low for an extended period following the end of asset purchases. However, N.Y. Fed President Dudley made headlines with his comments on the exit strategy. Although the initial exit strategy included reinvesting some or all payments of principal on securities holdings, Dudley noted, “I think that the language in the June 2011 exit principles with respect to reinvestment needs to be revisited.”

Wells Fargo Economics Group, Charlotte, NC

Long-Range Estimates:

The table below contains the results of our twice-year long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are estimates for the years 2016 through 2020 and averages for the five-year periods 2016-2020 and 2021-2025. Apply these projections cautiously. Few economic, demographic and political forces can be evaluated accurately over such long time spans.

<u>Interest Rates</u>		-----Average For The Year-----					Five-Year Averages	
		2016	2017	2018	2019	2020	2016-2020	2021-2025
1. Federal Funds Rate	CONSENSUS	1.8	3.0	3.6	3.8	3.7	3.2	3.8
	Top 10 Average	2.5	3.6	4.2	4.3	4.2	3.7	4.1
	Bottom 10 Average	1.1	2.1	2.8	3.0	3.1	2.4	3.2
2. Prime Rate	CONSENSUS	4.9	6.0	6.5	6.7	6.7	6.2	6.7
	Top 10 Average	5.5	6.6	7.1	7.2	7.1	6.7	7.1
	Bottom 10 Average	4.2	5.2	5.8	6.0	6.0	5.4	6.1
3. LIBOR, 3-Mo.	CONSENSUS	2.1	3.2	3.8	4.0	4.0	3.4	4.0
	Top 10 Average	2.7	3.8	4.4	4.6	4.5	4.0	4.5
	Bottom 10 Average	1.4	2.4	3.0	3.2	3.3	2.7	3.4
4. Commercial Paper, 1-Mo.	CONSENSUS	2.0	3.0	3.5	3.7	3.7	3.2	3.7
	Top 10 Average	2.4	3.5	4.2	4.3	4.2	3.7	4.1
	Bottom 10 Average	1.4	2.4	2.8	3.0	3.1	2.6	3.2
5. Treasury Bill Yield, 3-Mo.	CONSENSUS	1.8	2.9	3.4	3.6	3.6	3.1	3.7
	Top 10 Average	2.4	3.5	4.0	4.3	4.2	3.7	4.2
	Bottom 10 Average	1.2	2.1	2.7	2.9	3.0	2.3	3.1
6. Treasury Bill Yield, 6-Mo.	CONSENSUS	2.0	3.0	3.6	3.8	3.8	3.2	3.8
	Top 10 Average	2.6	3.7	4.2	4.4	4.3	3.9	4.3
	Bottom 10 Average	1.3	2.2	2.8	3.0	3.1	2.5	3.2
7. Treasury Bill Yield, 1-Yr.	CONSENSUS	2.3	3.2	3.7	3.9	3.9	3.4	4.0
	Top 10 Average	3.0	4.0	4.4	4.7	4.6	4.1	4.5
	Bottom 10 Average	1.6	2.3	2.9	3.1	3.2	2.6	3.4
8. Treasury Note Yield, 2-Yr.	CONSENSUS	2.7	3.6	4.0	4.2	4.2	3.7	4.3
	Top 10 Average	3.4	4.4	4.8	4.9	4.9	4.5	4.9
	Bottom 10 Average	2.0	2.7	3.1	3.3	3.5	2.9	3.7
10. Treasury Note Yield, 5-Yr.	CONSENSUS	3.4	4.0	4.4	4.5	4.5	4.2	4.6
	Top 10 Average	3.8	4.6	5.0	5.3	5.3	4.8	5.3
	Bottom 10 Average	2.9	3.4	3.6	3.7	3.8	3.5	4.0
11. Treasury Note Yield, 10-Yr.	CONSENSUS	4.1	4.5	4.8	5.0	5.0	4.7	5.0
	Top 10 Average	4.6	5.1	5.6	5.9	5.9	5.4	5.9
	Bottom 10 Average	3.6	3.9	4.0	4.2	4.2	4.0	4.3
12. Treasury Bond Yield, 30-Yr.	CONSENSUS	4.7	5.1	5.4	5.5	5.6	5.3	5.6
	Top 10 Average	5.3	5.9	6.3	6.6	6.6	6.1	6.6
	Bottom 10 Average	4.1	4.3	4.4	4.6	4.7	4.4	4.7
13. Corporate Aaa Bond Yield	CONSENSUS	5.5	5.9	6.3	6.4	6.4	6.1	6.4
	Top 10 Average	5.9	6.5	7.0	7.2	7.2	6.8	7.3
	Bottom 10 Average	4.9	5.3	5.5	5.6	5.6	5.4	5.6
13. Corporate Baa Bond Yield	CONSENSUS	6.3	6.8	7.1	7.2	7.3	6.9	7.3
	Top 10 Average	6.8	7.4	7.8	8.1	8.1	7.6	8.1
	Bottom 10 Average	5.7	6.0	6.2	6.4	6.5	6.2	6.5
14. State & Local Bonds Yield	CONSENSUS	5.1	5.4	5.6	5.8	5.8	5.5	5.8
	Top 10 Average	5.6	6.0	6.4	6.7	6.8	6.3	6.8
	Bottom 10 Average	4.7	4.8	4.8	4.9	4.9	4.8	4.9
15. Home Mortgage Rate	CONSENSUS	5.6	6.1	6.4	6.6	6.6	6.3	6.7
	Top 10 Average	6.1	6.7	7.2	7.4	7.5	7.0	7.5
	Bottom 10 Average	5.0	5.3	5.5	5.7	5.7	5.4	5.8
A. FRB - Major Currency Index	CONSENSUS	77.7	78.1	78.6	79.2	79.3	78.6	79.5
	Top 10 Average	80.5	81.3	82.1	83.1	83.5	82.1	84.2
	Bottom 10 Average	74.7	74.8	75.1	75.5	75.2	75.1	75.0
		-----Year-Over-Year, % Change-----					Five-Year Averages	
		2016	2017	2018	2019	2020	2016-2020	2021-2025
B. Real GDP	CONSENSUS	2.9	2.8	2.5	2.5	2.4	2.6	2.4
	Top 10 Average	3.3	3.1	3.0	2.9	2.7	3.0	2.7
	Bottom 10 Average	2.5	2.3	2.0	2.1	2.0	2.2	2.0
C. GDP Chained Price Index	CONSENSUS	2.0	2.2	2.2	2.2	2.1	2.1	2.1
	Top 10 Average	2.4	2.7	2.6	2.6	2.4	2.5	2.4
	Bottom 10 Average	1.7	1.8	1.9	1.9	1.9	1.8	1.9
D. Consumer Price Index	CONSENSUS	2.2	2.5	2.5	2.4	2.3	2.4	2.3
	Top 10 Average	2.7	3.1	3.0	2.9	2.7	2.9	2.7
	Bottom 10 Average	1.8	1.9	2.0	2.0	2.0	2.0	2.0

2014 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	-0.9	0.9	1.5	0.1								
Auto & Light Truck Sales (b)	15.16	15.28	16.33	15.98								
Personal Income (a, current \$)	0.4	0.4	0.5									
Personal Consumption (a, current \$)	0.2	0.5	0.9									
Consumer Credit (e)	5.2	5.0	6.7									
Consumer Sentiment (U. of Mich.)	81.2	81.6	80.0	84.1								
Household Employment (c)	638	42	476	-73								
Non-farm Payroll Employment (c)	144	222	203	288								
Unemployment Rate (%)	6.6	6.7	6.7	6.3								
Average Hourly Earnings (All, cur. \$)	24.22	24.29	24.31	24.31								
Average Workweek (All, hrs.)	34.4	34.3	34.5	34.5								
Industrial Production (d)	3.0	3.4	3.8	3.4								
Capacity Utilization (%)	78.1	78.8	79.3	78.6								
ISM Manufacturing Index (g)	51.3	53.2	53.7	54.9								
ISM Non-Manufacturing Index (g)	54.0	51.6	53.1	55.2								
Housing Starts (b)	0.897	0.928	0.947	1.072								
Housing Permits (b)	0.939	1.011	1.000	1.080								
New Home Sales (1-family, c)	470	437	407	433								
Construction Expenditures (a)	-0.4	-0.2	0.2									
Consumer Price Index (nsa., d)	1.6	1.1	1.5	2.0								
CPI ex. Food and Energy (nsa., d)	1.6	1.6	1.7	1.8								
Producer Price Index (n.s.a., d)	1.2	0.9	1.4	2.1								
Durable Goods Orders (a)	-1.4	2.1	2.6									
Leading Economic Indicators (g)	0.0	0.5	1.0	0.4								
Balance of Trade & Services (f)	-39.3	-41.9	-40.4									
Federal Funds Rate (%)	0.07	0.07	0.08	0.09								
3-Mo. Treasury Bill Rate (%)	0.04	0.05	0.05	0.03								
10-Year Treasury Note Yield (%)	2.86	2.71	2.72	2.71								

2013 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.7	1.0	-0.9	0.2	0.6	0.5	0.4	0.0	0.0	0.6	0.4	-0.1
Auto & Light Truck Sales (b)	15.18	15.31	15.27	15.16	15.43	15.83	15.74	16.03	15.20	15.15	16.31	15.31
Personal Income (a, current \$)	-4.4	1.3	0.3	0.0	0.3	0.4	0.1	0.5	0.4	-0.1	0.3	-0.1
Personal Consumption (a, current \$)	0.1	0.7	0.2	-0.2	0.2	0.6	0.2	0.3	0.3	0.3	0.6	0.1
Consumer Credit (e)	5.5	8.3	3.6	4.2	6.8	5.8	4.4	6.2	6.3	7.0	3.4	7.0
Consumer Sentiment (U. of Mich.)	73.8	77.6	78.6	76.4	84.5	84.1	85.1	82.1	77.5	73.2	75.1	82.5
Household Employment (c)	172	80	-71	283	243	156	210	-106	91	-785	958	143
Non-Farm Payroll Employment (c)	197	280	141	203	199	201	149	202	164	237	274	84
Unemployment Rate (%)	7.9	7.7	7.5	7.5	7.5	7.5	7.3	7.2	7.2	7.2	7.0	6.7
Average Hourly Earnings (All, cur. \$)	23.75	23.79	23.81	23.86	23.89	23.98	23.97	24.03	24.06	24.09	24.15	24.17
Average Workweek (All, hrs.)	34.4	34.5	34.6	34.5	34.5	34.5	34.4	34.5	34.4	34.4	34.5	34.3
Industrial Production (d)	2.5	2.7	3.6	2.6	2.4	2.5	1.7	3.0	3.4	3.6	3.2	3.2
Capacity Utilization (%)	77.4	77.8	78.0	77.8	77.8	77.8	77.5	77.8	78.3	78.2	78.5	78.4
ISM Manufacturing Index (g)	52.3	53.1	51.5	50.0	50.0	52.5	54.9	56.3	56.0	56.6	57.0	56.5
ISM Non-Manufacturing Index (g)	54.9	54.8	54.5	53.8	54.0	53.4	55.9	57.9	54.5	55.1	54.1	53.0
Housing Starts (b)	0.896	0.951	0.994	0.848	0.915	0.831	0.898	0.885	0.863	0.963	1.105	1.034
Housing Permits (b)	0.947	0.976	0.926	1.040	1.010	0.938	0.977	0.948	0.993	1.067	1.037	1.022
New Home Sales (1-family, c)	458	445	443	446	429	450	373	379	403	463	444	441
Construction Expenditures (a)	-4.0	0.8	-0.1	1.1	2.0	0.1	0.6	0.1	1.4	0.7	0.6	2.0
Consumer Price Index (s.a., d)	1.6	2.0	1.5	1.1	1.4	1.8	2.0	1.5	1.2	1.0	1.2	1.5
CPI ex. Food and Energy (s.a., d)	1.6	1.6	1.3	0.9	0.9	1.7	2.0	1.7	1.1	1.2	1.0	1.1
Producer Price Index (n.s.a., d)	1.2	1.6	1.3	0.9	0.9	1.7	2.0	1.7	1.1	1.3	1.1	1.2
Durable Goods Orders (a)	-3.7	6.4	-5.9	3.6	5.5	3.9	-8.1	0.5	4.2	-0.7	2.7	-5.3
Leading Economic Indicators (g)	0.5	0.5	-0.2	0.7	0.2	0.1	0.4	0.7	1.0	0.3	0.9	0.0
Balance of Trade & Services (f)	-42.1	-43.3	-36.6	-39.4	-43.7	-34.4	-38.9	-39.2	-43.4	-39.8	-35.2	-39.0
Federal Funds Rate (%)	0.14	0.15	0.14	0.15	0.11	0.09	0.09	0.08	0.08	0.09	0.08	0.09
3-Mo. Treasury Bill Rate (%)	0.07	0.10	0.09	0.06	0.04	0.05	0.04	0.04	0.02	0.05	0.07	0.07
10-Year Treasury Note Yield (%)	1.91	1.98	1.96	1.76	1.93	2.30	2.58	2.74	2.81	2.62	2.72	2.90

(a) month-over-month % change; (b) millions, saar; (c) month-over-month change, thousands; (d) year-over-year % change; (e) annualized % change; (f) \$ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

Calendar Of Upcoming Economic Data Releases

Monday	Tuesday	Wednesday	Thursday	Friday
May 26 Memorial Day U.S. Markets Closed	27 Markit Services PMI (May, Flash) Durable Goods (Apr) FHFA HPI (Mar, Q1) S&P/Case-Shiller HPI (Mar, Q1) Richmond Fed Survey (Apr) Dallas Fed Survey (May) Consumer Confidence (May, Conference Board)	28 EIA Crude Oil Stocks Mortgage Applications	29 Real GDP (Q1, Second) Pending Home Sales (Apr) Kansas City Fed Survey (Apr) Weekly Jobless Claims Weekly Money Supply	30 Personal Income (Apr) Chicago PMI (May) Consumer Sentiment (May, Final, University of Michigan)
June 2 ISM Manufacturing PMI (May) Markit Manufacturing PMI (May, Final) Construction Spending (Apr)	3 Light Vehicle Sales (May) Factory Orders (Apr) Weekly Store Sales ABC Consumer Comfort Index	4 ADP Employment (May) International Trade (Apr) ISM Non-Manufacturing (May) Markit Services PMI (May, Final) Chicago PMI (Apr) Productivity and Costs (Q1, Revision) Beige Book EIA Crude Oil Stocks	5 Chain Store Sales (May) Weekly Jobless Claims Weekly Money Supply	6 Employment (May) Consumer Credit (Apr)
9	10 NFIB Survey (May) JOLTS (Apr) Wholesale Trade (Apr) ABC Consumer Comfort Index Weekly Store Sales	11 Federal Budget (May) EIA Crude Oil Stocks Mortgage Applications	12 Retail Sales (May) Import Prices (May) Business Inventories (Apr) Weekly Jobless Claims Weekly Money Supply	13 Producer Price Index (May) Consumer Sentiment (University of Michigan, June, Preliminary)
16 Industrial Production (May) NAHB Survey (Jun) Empire State survey (Jun) TIC Data (Apr)	17 FOMC Meeting Consumer Price Index (May) Housing Starts (May) ABC Consumer Comfort Index Weekly Store Sales	18 FOMC Meeting Statement and projections (2:00 pm) Press conference 2:30 Current Account (Q1) EIA Crude Oil Stocks Mortgage Applications	19 Philadelphia Fed Survey (Jun) Leading Indicators (May) Weekly Jobless Claims Weekly Money Supply	20
23 Markit Manufacturing PMI (Jun, Flash) Existing Home Sales (May)	24 New Home Sales (May) FHFA HPI (Apr) S&P/Case-Shiller HPI (Apr) Richmond Fed Survey (Jun) Consumer Confidence (Jun, Conference Board) Weekly Store Sales	25 Real GDP (Q1, Third) Durable Goods (May) Markit Services PMI (Jun, Flash) EIA Crude Oil Stocks Mortgage Applications	26 Personal Income and Consumption (May) Kansas City Fed Survey (May) Weekly Jobless Claims Weekly Money Supply	27 Consumer Sentiment (Jun, Final, University of Michigan)
30 Chicago PMI (Jun) Pending Home Sales (May) Dallas Fed Survey (Jun)	July 1 Light Vehicle Sales (Jun) ISM Manufacturing (Jun) Construction Spending (May) Weekly Store Sales ABC Consumer Comfort Index	2 ADP Employment (Jun) Factory Orders (May) EIA Crude Oil Stocks Mortgage Applications	3 Employment (Jun) International Trade (May) ISM Non-Manufacturing (Jun) Markit Services PMI (Jun, Final) Chain Store Sales (May) Weekly Jobless Claims Weekly Money Supply	4 Independence Day U.S. Markets Closed

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