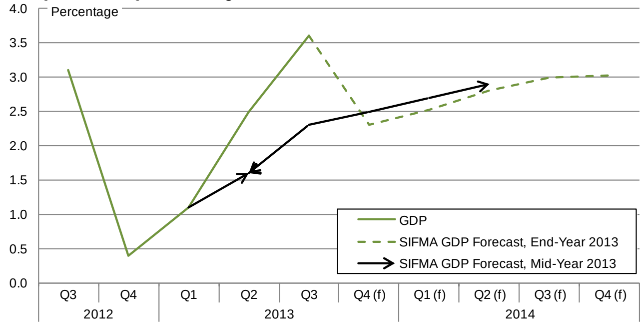
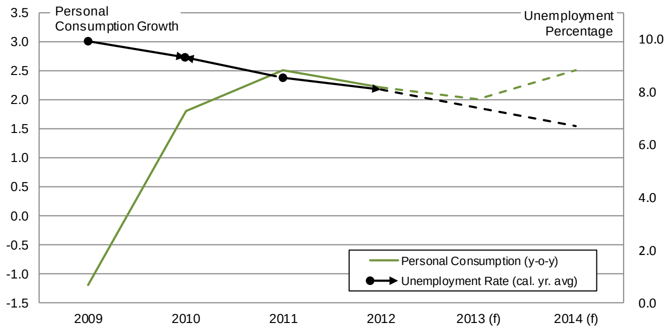
Real GDP Growth Rate
Quarter over Quarter Change, annualized



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis; Forecasts: Median Response to the SIFMA Economic Advisory Roundtable End-Year 2013 Economic Outlook Survey

Consumer Spending Growth Rate and Unemployment Rate
Calendar Year Averages



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis (Personal Consumption) & Bureau of Labor Statistics (Unemployment); Forecasts: Median Response to the SIFMA Economic Advisory Rountable End-Year 2013 Economic Outlook Survey

U.S. ECONOMIC FORECAST REMAINS STEADY

Members of SIFMA's Economic Advisory Roundtable forecast that the U.S. economy has grown at a 1.9 percent rate in full-year 2013 and will grow 2.7 percent in 2014.[1] Concerns are spread across interest rates, job growth and spending in this end-year 2013 outlook, which is little changed from the Roundtable's mid-year prediction of 1.7 percent and 2.6 percent growth rates for 2013 and 2014, respectively.

Forecast Highlights

MONETARY POLICY The Roundtable was unanimous in its opinion that the Federal Open Market Committee (FOMC) would maintain its current 0.0 to 0.25 percent target federal funds rate range through at least the second quarter of 2015, one quarter later than the mid-year prediction. There was also consensus that FOMC securities purchases would cease no later than the fourth quarter of 2014.

THE ECONOMY The median forecast called for 2013 gross domestic product (GDP) growth to be 1.9 percent on a year-over-year basis, and 2.4 percent on a fourth quarter-to-fourth quarter basis.[2] Respondents expected 4Q'13 GDP growth to be 2.3 percent, on an annualized basis, slightly weaker than its previous estimate.[3] For full year 2014, GDP growth was expected climb to 2.7 percent, slightly stronger than the 2.6 percent growth forecast in the mid-year survey. The first two quarters of 2014 were expected to reach 2.5 and 2.8 percent annualized GDP growth, respectively, while 3Q'14 and 4Q'14 are both forecast to be 3.0 percent.[4]

Unemployment was expected to continue to improve in 2014. Survey respondents expected the full-year average unemployment rate to decline to 7.4 percent in 2013, a slight improvement from the mid-year forecast of 7.5 percent; a further decline to 6.7 percent was expected in 2014, which also improved from the mid-year 6.9 percent forecast.[5] Full-year 2013 non-farm payroll employment gains were estimated to total 2.2 million jobs;[6] the median expectation was slightly higher for 2014, at 2.3 million jobs.[7] Expectations about consumer spending trends, however, tempered slightly from mid-year, with personal consumption estimated to rise to 2.0 percent in 2013 (compared to the median expectation of 2.1 percent in the previous survey), and then rise further to 2.5 percent in 2014 (unchanged from the mid-year forecast).[8]

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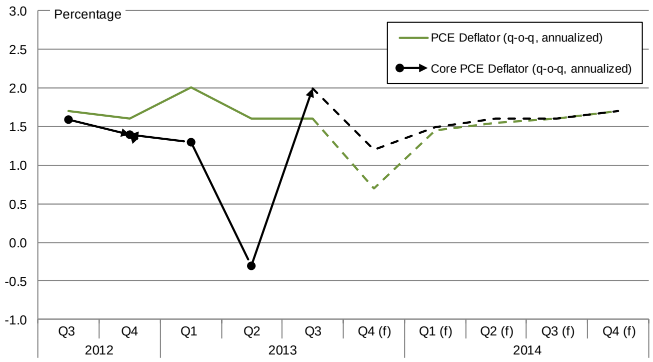
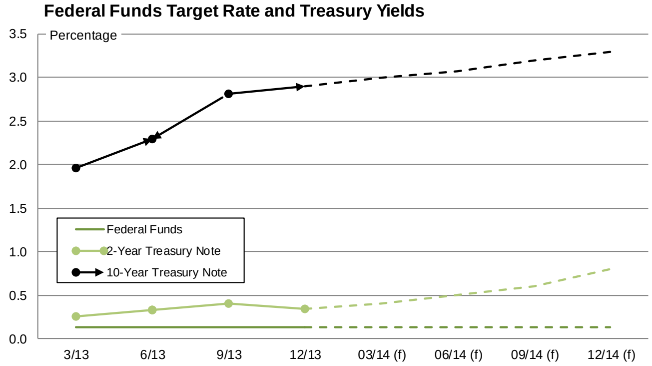
[1] The survey was conducted from December 19, 2013 to January 7, 2014. The forecasts discussed in the text and appearing in the accompanying data tables and graphs are the median values of the individual member firms' submissions, unless otherwise specified.
[2] The full-year 2013 GDP growth forecasts ranged from 1.6 percent to 2.7 percent and on a fourth-quarter-to-fourth quarter basis ranged from 2.1 percent to 2.6 percent.
[3] On a quarterly basis, annualized GDP growth forecasts ranged from 1.3 percent to 3.0 percent in 4Q'13.
[4] The full-year 2014 GDP growth forecasts ranged from 2.0 percent to 3.4 percent and on a fourth-quarter-to-fourth quarter basis ranged from 2.0 percent to 3.4 percent. On a quarterly basis, annualized GDP growth forecasts ranged from 1.8 percent to 3.3 percent in 1Q'14, 1.6 percent to 3.5 percent in 2Q'14, 1.7 percent to 3.5 percent in 3Q'14, and 2.5 percent to 3.7 percent in 4Q'14.
[5] The full-year 2013 average unemployment rate forecast ranged from 7.4 percent to 7.5 percent and for 2014 ranged from 6.5 percent to 7.0 percent.
[6] The full-year 2013 non-farm payroll employment growth forecasts ranged from 1.9 million jobs to 2.4 million jobs.
[7] The full-year 2014 non-farm payroll employment growth forecasts ranged from 2.1 million jobs to 2.7 million jobs.
[8] Personal consumption growth forecasts ranged from 1.9 percent to 2.5 percent in 2013, and 2.2 percent to 3.2 percent in 2014.

PCE Deflator & Core PCE Deflator



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis; Forecasts: Median Response to the SIFMA Economic Advisory Roundtable End-Year 2013 Economic Outlook Survey

Federal Funds Target Rate and Treasury Yields



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis, Federal Reserve; Forecasts: Median Response to the SIFMA Economic Advisory Roundtable End-Year 2013 Economic Outlook Survey

The business capital investment growth estimate for full-year 2013 moderated considerably to 2.6 percent from the 4.6 percent forecasted at mid-year. Growth is still expected to strengthen in 2014, with a median expectation of 5.0 percent growth, but less so than the 7.2 percent forecast previously.[9] The outlook for state and local government spending strengthened modestly, with a median estimate of 0.2 percent contraction in 2013 (versus 1 percent decline forecast at mid-year), followed by 1.2 percent growth in 2014, up from the previous projection of 0.4 percent.[10]

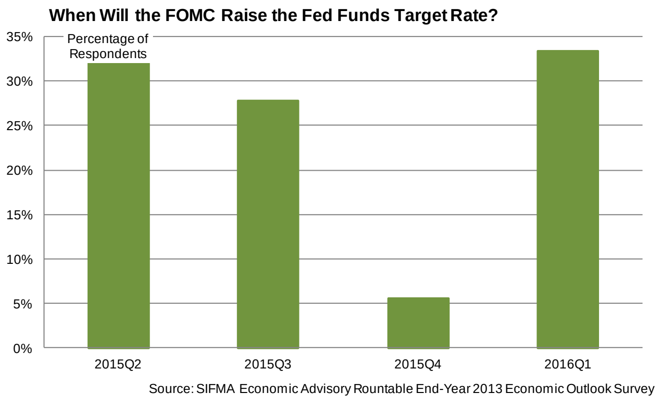
The median forecast for "headline" inflation, measured by the personal consumption expenditures (PCE) chain price index, is 1.1 percent for full-year 2013 and 1.3 percent for full-year 2014.[11] Although the forecast for 2013 is unchanged from the mid-year survey, the 2014 outlook of 1.3 percent is lower than the previous 1.6 percent forecast. The median forecast for the core PCE chain price index was also unchanged at 1.2 percent for full-year 2013, and 1.5 percent rise forecast for full-year 2014 was down slightly from the previously forecast 1.6 percent.[12]

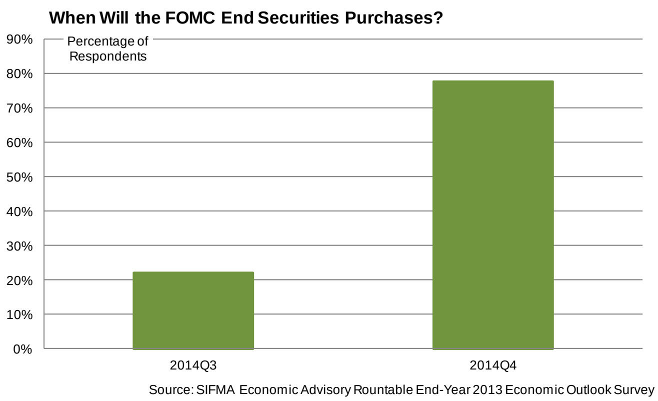
The outlook for inflation remains moderate going into 2014. All but one respondent expressed no concern about inflation in the first half of 2014, with one expressing "moderate worry." Only a slightly larger number of respondents (three) expressed "moderate worry" about deflation with the overwhelming majority answering they were not worried about deflation either. Economic slack/employment continued to be the dominant factor in the inflation outlook, followed by global economic conditions; these factors were the same noted in the mid-year survey. The Federal Reserve's balance sheet and fiscal policy/deficit trends were ranked a distant third and fourth in importance. One respondent noted "well-anchored inflationary expectations should help prevent inflation," but that continued low inflation could generate "problems for the economy."

INTEREST RATES As referenced earlier, the Roundtable expected the FOMC to maintain its 0.0 to 0.25 percent target federal funds rate throughout 2013 and 2014, with the median expectation for the first rate hike to occur in the third quarter of 2015, one quarter later than in the mid-year survey. As of January 7, 2014 (the end of the survey period), the 10-year U.S. Treasury yield was 2.96 percent; and the median forecasts for 10-year Treasury rates were 3.0 percent in March, 3.1 percent in June, 3.2 percent in September and 3.3 percent in December, 2014.[13] Survey respondents were divided on the source of the greatest impact on long-term Treasury yields in 2014; the most frequently cited "greatest impact" was expected from economic growth prospects (38 percent), followed by FOMC interest rate policy (25 percent) and FOMC quantitative easing policy (19 percent).

Nearly 80 percent of respondents expected the Treasury yield curve (Fed funds-to-ten year Treasury yield spread) to steepen through the first half of 2014 compared with the roughly 50 percent

[9] The full-year 2013 business fixed investment forecasts ranged from 2.2 percent to 3.7 percent and for 2014 ranged from 3.4 percent to 8.6 percent.
[10] The full-year 2013 real state and local government spending forecasts ranged from (1.8) percent to 1.2 percent and for 2014 ranged from (0.7) to 3.2 percent.
[11] The full-year 2013 PCE deflator forecasts ranged from 0.9 percent to 1.5 percent and for 2014, from 0.8 percent to 2.6 percent.
[12] The full-year 2013 core PCE deflator forecasts ranged from 1.1 percent to 1.8 percent and for 2014, from 1.0 percent to 1.9 percent.
[13] The average 10-year Treasury yield forecasts ranged from 2.70 percent to 3.25 percent for March 2014, 2.60 percent to 3.50 percent for June 2014, from 2.45 percent to 3.75 percent for September 2014; and from 2.50 percent to 4.00 percent for December 2014.





that expected steepening in the mid-year survey. The remainder is split three-to-one on remaining the same vs. flattening. Roughly 75 percent of survey respondents expected the TED (Treasury bill less LIBOR) spread to remain the same in the first half of 2014 with a small minority expecting it to narrow or widen (split three to one). Opinions diverged significantly over the path of investment-grade (IG) and high-yield (HY) spreads. Forecasts for IG spreads changed significantly, with approximately half of respondents expecting IG spreads to remain the same, 40 percent to narrow and the remainder expecting spreads to widen, compared to a roughly three-way tie in mid-year. Opinions on HY spreads were closer to previous results with nearly half expecting spreads to narrow, a 30 percent expecting them to remain the same, and the balance expecting them to widen.

Monetary Policy

In its December 18, 2013 statement, the FOMC announced that it would "modestly reduce" the pace of its securities purchases to $40 billion of Treasury securities (from $45 billion) and $35 billion of mortgage-backed securities (from $40 billion) per month beginning in January 2014. This is somewhat later than forecast in mid-year when three-fourths of survey respondents expected the FOMC to reduce the pace of securities purchases as early as September 2013. While the FOMC stated that if economic and financial developments continue to support the Committee's expectation of ongoing improvement in labor market conditions and inflation moving towards its longer-run objective, the pace of purchases would likely be reduced in "measured steps at future meetings."[14] As one respondent commented, "[t]he Fed will remain extremely accommodative…tapering does not equate to tightening."

Although the FOMC noted that the tapering of securities purchases was not on a predetermined timetable, the survey respondents were unanimous in their opinion that the FOMC would end securities purchases no later than in the fourth quarter of 2014, with roughly 20 percent forecasting purchases would end in 3Q'14. In the midyear survey, opinions diverged, with over half expecting an end in the second quarter of 2014, a little less than a third expecting an end in the first quarter of 2014, and the balance in the third quarter of 2014.

Regarding the timing to the first hike in the federal funds target rate, the median expectation is for third quarter 2015, with two thirds of respondents expecting a hike sometime before the end of 2015 and one third expecting the first hike to occur in 1Q'16. One respondent noted that "[t]he Fed will be taking the foot off the gas pedal in 2014, but it will still be some time before they need to hit the brakes."

Risks to Economic Growth: Housing, Consumer Spending and Employment on the Upside; Interest Rates, Oil Prices and Global Conditions, the Downside

The continued correction in business and real estate markets took center stage for promoting GDP growth in the first half of 2014 outlook, with 65 percent the respondents considering it the most

[14] Federal Reserve Press Release, December 18, 2013, http://www.federalreserve.gov/newsevents/press/monetary/20131218a.htm.

important factor, followed by normalization of private credit markets.

Upside and downside risks to the growth forecasts varied among respondents. A stronger than expected recovery of the housing market, consumer spending and job growth were the most oft-cited upside risks to the economic forecast. Other upside factors cited were lower gasoline prices, higher stock prices and the recovery of business spending.

Disappointing capital spending and housing recovery, as well as rising interest rates and oil prices were cited as the main downside risks to the economic outlook. Respondents also noted that bad fiscal or government policy and slower than expected growth in Europe could be factors to the downside.

Impact of Sequestration, Gridlock

Sequestration, the result of budget negotiations from 2011 and 2012, came into effect on March 1, 2013, impacting approximately $85 billion of federal spending. Roughly 75 percent of respondents believed the impact of sequestration lowered GDP growth in 2013 by up to 100 basis points and a further 16 percent estimate the impact was between 100 and 200 basis points, with the remainder estimating no impact. One respondent, who answered "up to 100 basis points" impact in 2013, also noted, however, that the negative drag was expected to be considerably lower than 100 basis points.

In late December 2013, a budget deal was reached that tempered the impact of sequestration going forward. Nearly 75 percent of respondents forecast that tempering will improve 2014 growth by up to 100 basis points, with 20 percent forecasting no impact and 5 percent forecasting a negative impact of up to 100 basis points. Several respondents commented that the impact from fiscal policy will be less negative in 2014 than in 2013. One respondent opined that the drag on GDP growth caused by federal fiscal policy in 2014 would be significantly lower than in 2013 and would "likely be more than offset by an expansion in state and local government."

Respondents were asked to rank the impact of "gridlock" delaying a number of potentially economically significant issues pending in Washington DC. Corporate tax reforms, followed by immigration reform were noted as the two pending issues with the greatest impact. Trade talks were also noted, with Asia talks (China, ASEAN, etc.) ranked slightly higher than talks with the EU and NAFTA, which ranked similarly. One respondent noted that "some negotiation on long-term budget reduction, while unlikely, would be much more important that any of" the above mentioned issues.

Impact of Regulatory Policy

When asked about the impact of concern or uncertainty over the direction of financial regulatory policy had had on US economic growth, 67 percent of respondents estimated up to 100 basis points reduction of GDP growth in both 2013 and 2014.

Oil Prices

Panelists placed a 73 percent chance on WTI oil prices remaining between $75 per barrel to $125 per barrel in 2014, with a 16 percent chance of prices moving below $75 and an 11 percent chance for oil prices moving above $125 per barrel. The most likely scenario – oil prices remaining between $75 and $125 per barrel – was expected to have no effect on GDP growth. The sub-$75 per barrel scenario was predicted to boost GDP growth by approximately a 36 basis points, while the $125+ per barrel scenario would have the effect of reducing GDP growth by 43 basis points. A panelist noted that tensions in the Middle East would be the highest risk to higher prices.

SIFMA ECONOMIC ADVISORY ROUNDTABLE FORECAST

Inflation adjusted year-over-year percentage change, unless otherwise specified.

	2013	2014
Real GDP	1.9	2.7
Real GDP (4Q – 4Q)	2.4	2.9
CPI	1.5	1.5
CPI (4Q – 4Q)	1.4	1.8
Core CPI	1.8	1.8
Core CPI (4Q – 4Q)	1.7	1.9
PCE deflator	1.1	1.3
PCE deflator (4Q – 4Q)	0.9	1.5
Core PCE deflator	1.2	1.5
Core PCE deflator (4Q – 4Q)	1.1	1.6
Personal Consumption	2.0	2.5
Nonresidential Fixed Investment	2.6	5.0
Housing Starts (millions)	0.9	1.1
Real State & Local Government Spending	(0.2)	1.2
Current Account Deficit ($ billions)	391.0	392.7
New Home Sales (millions of units)	0.4	0.5
Existing Home Sales (millions of units)	5.1	5.3
Nonfarm Payroll Employment (change in millions)	2.2	2.3
Unemployment Rate (calendar year average)	7.4	6.7
Federal Budget (FY, $ billions)	(680.0)	(561.3)

Quarter-to-Quarter % Changes in Annual Rates

	2013	2014			
	IV	I	II	III	IV
Real GDP	2.3	2.5	2.8	3.0	3.0
CPI	0.9	1.5	1.8	1.8	1.9
Core CPI	1.6	1.7	1.9	2.0	1.9
PCE deflator	0.7	1.5	1.6	1.6	1.7
Core PCE deflator	1.2	1.5	1.6	1.6	1.7
Personal Consumption	3.7	2.5	2.5	2.6	2.7
Nonresidential Fixed Investment	4.5	4.7	5.4	5.5	5.7

Interest Rates (monthly average %)

	Mar. '14	Jun. '14	Sep. '14	Dec. '14
Fed Funds	0.13	0.13	0.13	0.13
2 Year Treasury Note	0.40	0.50	0.60	0.80
10 Year Treasury Note	3.00	3.08	3.20	3.30
30 Year Fixed-Rate Home Mortgages	4.6	4.7	4.8	5.0

Exchange Rates (monthly average %)

	Mar. '14	Jun. '14	Sep. '14	Dec. '14
Yen/Dollar	104.	105.0	107.0	109.0
Dollar/Euro	1.34	1.32	1.32	1.28

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