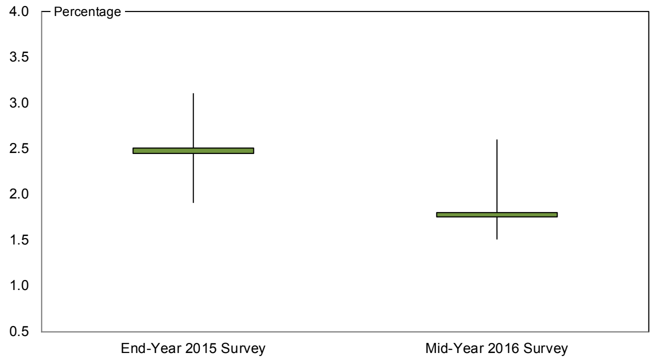
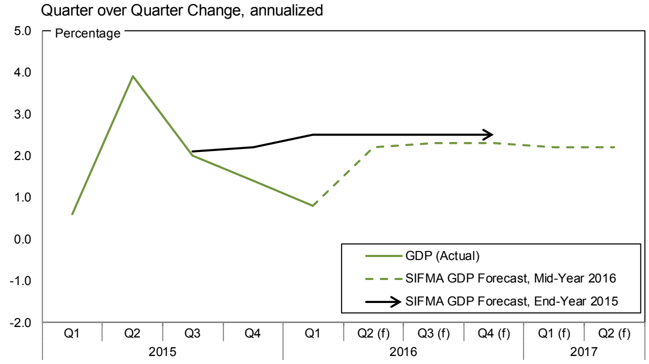
Full Year 2016 GDP Growth Estimates
End-Year 2015 vs Mid-Year 2016



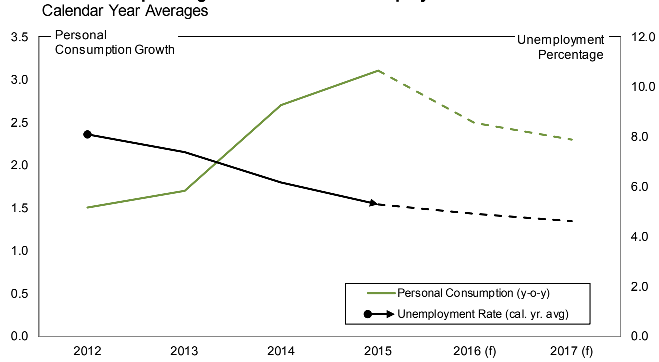
Sources: SIFMA Economic Advisory Roundtable End-Year 2015 and Mid-Year 2016 Economic Outlook Surveys

Real GDP Growth Rate
Quarter over Quarter Change, annualized



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis; Forecasts: SIFMA Economic Advisory Roundtable Mid-Year 2016 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: SIFMA Economic Advisory Roundtable Mid-Year 2016 Economic Outlook Survey

2016 GDP OUTLOOK WEAKENS TO 1.8 PERCENT FROM 2.5 PERCENT; BUSINESS SPENDING AND CONSUMER CONSUMPTION KEY FACTORS

SIFMA's Economic Advisory Roundtable forecasted that the U.S. economy will grow 1.8 percent this year, strengthening[1] to 2.3 percent in 2017. The current outlook for 2016 is considerably weaker than the Roundtable's end-year prediction, mainly due to weaker than expected growth in the first half of the year.

THE ECONOMY The median mid-year forecast called for 2016 gross domestic product (GDP) to grow by 1.8 percent on a year-over-year basis and by 2.0 percent on fourth-quarter-to-fourth-quarter basis, weaker than the 2.5 percent predicted on both year-over-year and fourth-quarter-to-fourth-quarter basis in the end-year 2015 survey.[2]

Fourth quarter 2015 and first quarter 2016 real GDP growth came in considerably lower than the end-year forecast: 4Q'15 real GDP growth was 1.4 percent on an annualized basis versus a forecast of 2.2 percent and 1Q'16 was 0.8 percent versus an estimate of 2.5 percent.

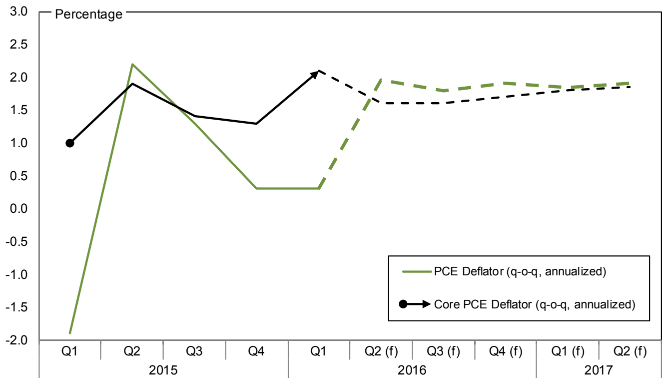
Looking forward, respondents expected real GDP to grow by 2.2 percent in 2Q'16 on an annualized basis, rising to 2.3 in the second half of 2016 before falling back to 2.2 percent in the first half of 2017. This is more restrained than the end-year 2015 quarterly forecast of 2.5 percent growth in every quarter of 2016.[3] On a full year basis, GDP growth is expected to be 2.3 percent in 2017.[4]

Employment is expected to continue to improve. Survey respondents predict the unemployment rate to fall from an average of 4.9 percent in 2016 to 4.6 percent in 2017.[5] Employers are expected to add 2.3 million workers to their payrolls in 2016,[6] falling slightly to 2.0 million in 2017.[7] The Roundtable expects personal consumption to weaken from 2.5 percent in 2016 to 2.3 percent in 2017.[8]

---

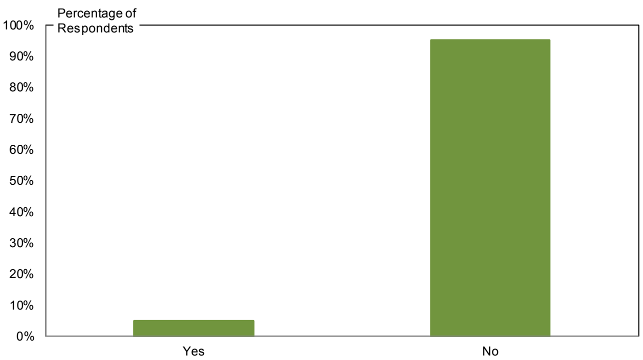
[1] The mid-year 2016 survey was conducted from May 16, 2016 to June 6, 2016. The forecasts discussed in the text and appearing in the accompanying data tables and graphs are the median values of the individual member firms' submissions, unless otherwise specified.
[2] The full-year 2016 GDP growth forecasts ranged from 1.5 percent to 2.6 percent and on a fourth-quarter-to-fourth-quarter basis ranged from 1.4 percent to 2.5 percent.
[3] On a quarterly basis, annualized GDP growth forecasts ranged from 1.0 percent to 3.0 percent in 2Q'16, 1.2 percent to 3.5 percent in 3Q'16, 1.6 percent to 3.0 percent in 4Q'16, 1.2 percent to 3.0 percent in 1Q'17, and 1.1 percent to 3.2 percent in 2Q'17.
[4] The full-year 2017 GDP growth forecasts ranged from 1.6 percent to 2.7 percent.
[5] The full-year 2016 average unemployment rate forecast ranged from 4.6 percent to 5.1 percent and for 2017 ranged from 4.4 percent to 5.3 percent.
[6] The full-year 2016 non-farm payroll employment growth forecasts ranged from 1.9 million jobs to 3.2 million jobs.
[7] The full-year 2017 non-farm payroll employment growth forecasts ranged from 1.1 million jobs to 2.4 million jobs.
[8] Personal consumption growth forecasts ranged from 2.3 percent to 3.5 percent in 2016, and 1.5 percent to 3.5 percent in 2017.

PCE Deflator & Core PCE Deflator



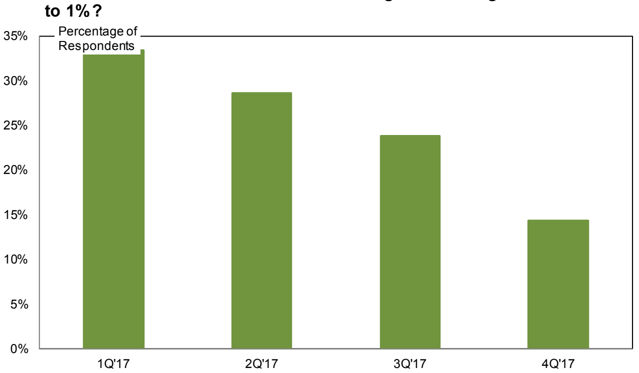
*(f) Forecast
Source: Actuals: Bureau of Economic Analysis; Forecasts: SIFMA Economic Advisory Roundtable Mid-Year 2016 Economic Outlook Survey

Do You Expect the FOMC Raise the Fed Funds Target Rate Range at June 2016 Meeting?



Source: SIFMA Economic Advisory Rountable Mid-Year 2016 Economic Outlook Survey

When Will the Lower End of Fed Funds Target Rate Range Rise to 1%?



Source: SIFMA Economic Advisory Rountable Mid-Year 2016 Economic Outlook Survey

Estimates for business capital investment for full-year 2016 weakened considerably to a 0.4 percent decline (from the 3.7 percent growth forecasted in the end-year survey); although it is expected to improve to 3.5 percent in 2017.[9] The outlook for state and local government spending weakened slightly to 1.6 percent growth in 2016 (versus 1.8 percent growth forecast at end-year), and 1.7 percent growth in 2017.[10]

The forecast for "headline" inflation, measured by the personal consumption expenditures (PCE) chain price index, of 1.2 percent was lower than the end-year forecast 1.6 percent and is expected to rise to 1.9 percent for full-year 2017.[11] The projection for the core PCE chain price index, which excluded food and energy prices, was 1.7 percent for full-year 2016 (up from 1.6 percent from end-year) and 1.8 percent for full-year 2017.[12] These forecasts are still below the FOMC's target of two percent.

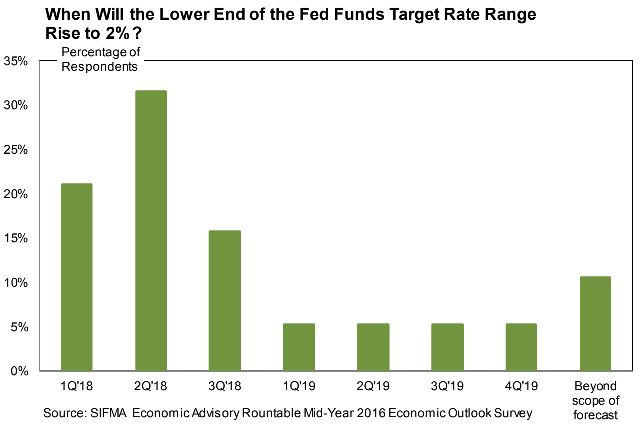
Economic slack/unemployment remained the dominant factor cited in the core inflation outlooks, similar to prior surveys, followed by inflation expectations and the strength of the U.S. dollar. Several respondents noted that strong housing/rent was an additional important factor in the inflation outlook; with one respondent noting that "housing and medical services are the biggest threats to price stability," while another commented that "[inflation was] likely to remain low but mixed – not much inflation in stuff, but higher services [such as] rent [and] healthcare."

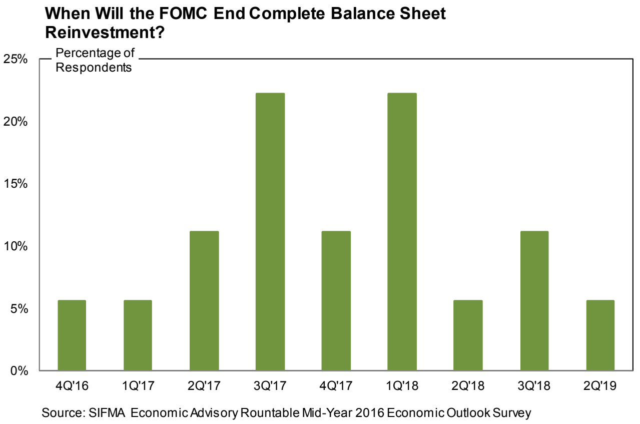
MONETARY POLICY Over 90 percent of respondents expect the Federal Open Market Committee (FOMC) to not hike the Federal Reserve's target rate range at the June 14-15, 2016 meeting. When questioned about the timing of the next rate hike, nearly two thirds of respondents expected it will occur in the third quarter of 2016, with the balance expecting the fourth quarter of 2016.

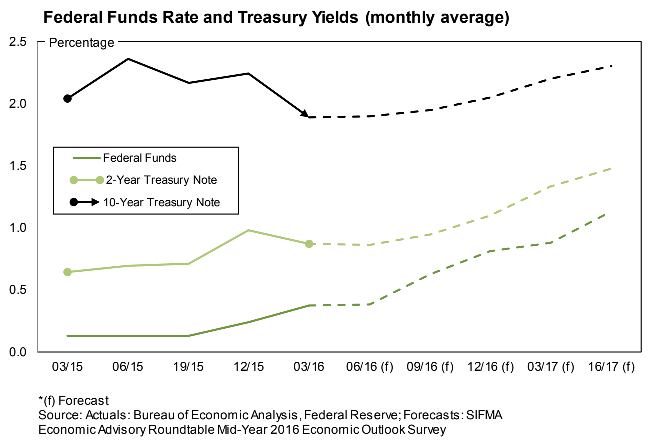
Survey respondents were near evenly split as to how many rate hikes they expect in the remainder of 2016: a little under half of the respondents expected only one rate hike, while the remainder expected two.

Responses were mixed as well for 2017: a little over two thirds of the respondents expect either two or three rate hikes in 2017, while the balance expects four. Survey respondents considered labor market conditions the most important factor in the FOMC's decision to raise rates, followed by readings of financial developments, inflation or inflationary expectations, and real economic activity. One respondent noted that the U.S. dollar strength would also play a factor.

[9] The full-year 2016 business fixed investment forecasts ranged from (1.2) percent to 3.3 percent and for 2017 ranged from 0.7 percent to 5.2 percent.
[10] The full-year 2016 real state and local government spending forecasts ranged from 0.9 percent to 2.2 percent and for 2017 ranged from 0.4 percent to 2.9 percent.
[11] The full-year 2016 PCE deflator forecasts ranged from 0.5 percent to 1.7 percent and for 2017, from 0.5 percent to 2.3 percent.
[12] The full-year 2016 core PCE deflator forecasts ranged from 0.9 percent to 1.9 percent and for 2017 from 1.0 percent to 2.1 percent.







Asked when the lower end of the target federal funds rate range would reach one percent, a third of respondents predicted 1Q'17, 29 percent forecast 2Q'17 and the balance in 3Q'17 or 4Q'17. Expectations for when the lower end of the target federal funds rate range would reach two percent spanned from 1Q'18 to 4Q'19, with responses clustering around the first half of 2018 (53 percent).

Although the Fed concluded its asset purchase program in October 2014, it has continued to maintain accommodative financial conditions through its policy of rolling over Treasury securities as well as reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities into agency mortgage-backed securities. Asked when the Fed's complete reinvestment policy would end, views were mixed, with responses ranging from the fourth quarter of 2016 to the second quarter of 2019, with most clustered around late 2017 or early 2018. One respondent noted that "the latest guidance from Dudley is that he would like to be 'some ways' above zero on the target rate before turning to the balance sheet . . . taken at face value this would imply balance sheet remains steady for a few more years." Another noted that there were "too many headwinds to normalize," while others noted the Fed's current cautious stance.

INTEREST RATES When the survey was completed on June 3, 2016, the 10-year U.S. Treasury yield was 1.71 percent and the median survey forecasts for 10-year Treasury rates were: 1.90 percent for June 2016, 1.95 percent for September 2016, 2.05 percent for December 2016, 2.20 percent for March 2017 and 2.30 percent for June 2017.[13] FOMC interest rate policy was cited as the dominant factor impacting Treasury yields in the second half of 2016, followed by economic growth prospects and inflationary expectations.

The majority of respondents expected the Treasury yield curve (Fed funds-to-10-year Treasury yield spread) to flatten by end-2016 (72 percent), with the balance split between expecting the curve to either steepen or remain unchanged.

The majority of survey respondents also expected the TED (Treasury bill less LIBOR) spread to remain unchanged through the end of2016, while less than a fifth expected the spread to widen and a lone dissenter expected the spread to narrow.

Opinions were dispersed over the path of investment-grade (IG) and high-yield (HY) spreads. Respondents were split evenly three ways over the path of IG spreads. Opinions were less divisive over the path of HY spreads, with a small majority expecting spreads to widen, a quarter to narrow, and the balance to remain the same.

Risks to Growth: Consumer Spending and Housing on the Upside; Global Economic Weakness and Business Spending Declines on the Downside

Respondents were asked to rank factors by their potential impact on U.S. economic growth in the second half of 2016. Business confidence was considered the most important factor impacting U.S.

[13] The average 10-year Treasury yield forecasts ranged from 1.55 percent to 2.00 percent for June 2016, from 1.45 percent to 2.40 percent for September 2016, from 1.75 percent to 2.70 percent for December 2016; from 1.85 percent to 3.00 percent in March 2017, and from 1.85 percent to 3.20 percent for June 2017.

economic growth, followed by private credit market conditions and Federal Reserve interest rate actions. Developments in emerging markets, U.S. fiscal policy and developments in the Eurozone were ranked a distant fourth through sixth. One respondent noted the upcoming presidential election as a factor as well.

Upside and downside risks to the growth forecasts were relatively uniform among respondents. Stronger than expected consumer spending, followed by housing and labor markets were common themes among respondents for upside risks.

On the downside, the main areas of concern were the negative impact of a downshift in global economic growth and business spending weakness. One respondent noted that the "biggest mysteries are the lack of capital spending despite the means to fund business investment and low productivity growth." Other potential downside risks cited include financial market volatility, the job market, and a strong dollar. Looking forward, one respondent noted, "China's fading credit stimulus is underway and is a key risk."

Oil Prices

Panelists placed a 20 percent chance on West Texas Intermediate (WTI) crude oil prices dropping to below $40 by the end of 2016, a 40 percent chance of prices between $41 and $50 a barrel, a 20 percent chance of prices between $51 and $60, and the 20 percent chance for prices rising to $61 or higher. Respondents estimated that the most likely scenario – oil prices remaining in the $41 and $50 per barrel range – would have no impact on economic growth, similar to the end-year 2015 forecast. Only the two outer ranges were broadly predicted to have an impact on GDP growth: prices below $40 per barrel would raise GDP growth by 10 basis points (bps), while prices above $61 per barrel would lower growth by 20 bps.

Respondents estimated that WTI would settle at an equilibrium price of $62.50 per barrel three years from now, assuming continued moderate global growth.[14]

Election Cycle & Brexit

A slim majority (57 respondents) agreed that the upcoming presidential election would impact GDP growth, largely through the suppression of both consumer and business spending due to uncertainty. One respondent noted the "election uncertainty add[s] to the list of worries making business cautious." Other respondents, however, were unsure: one respondent noted "[w]e have seen an impact on business and consumer surveys thus far but no measurable impact as yet on the real economy," another simply expected no change due to "partisan gridlock after the elections, and a third noted "[the] 2016 election is a referendum on regulation."

When asked about the upcoming vote on the potential exit of the United Kingdom from the European Union in June ("Brexit"), respondents unanimously expected the UK to stay in the EU. When asked about the potential impact of a UK exit, respondents were unconcerned, with one noting that "the remainder of the Euro-zone is unlikely to curb its trade with the UK as a result. . . they already have separate currencies anyway."

When asked about the impact of concern or uncertainty over the direction of financial regulatory policy on 2016 economic growth, respondents were a bit more optimistic than in the previous survey: 28 percent of respondents (14 percent at end-year) expected no impact; 50 percent (65 percent at midyear) expected a negative impact of up to 50 bps, and 22 percent (21 percent at end year) expected a negative impact of more than 50 bps.

[14] The range for estimates of the equilibrium oil price was $50 per barrel to $80 per barrel.

SIFMA ECONOMIC ADVISORY ROUNDTABLE FORECAST

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

	2016	2017
Real GDP	1.8	2.3
Real GDP (4Q – 4Q)	2.0	N/A
CPI	1.3	2.2
CPI (4Q – 4Q)	1.7	N/A
Core CPI	2.2	2.1
Core CPI (4Q – 4Q)	2.2	N/A
PCE deflator	1.2	1.9
PCE deflator (4Q – 4Q)	1.4	N/A
Core PCE deflator	1.7	1.8
Core PCE deflator (4Q – 4Q)	1.8	N/A
Personal Consumption	2.5	2.3
Nonresidential Fixed Investment	(0.4)	3.5
Housing Starts (millions)	1.2	1.3
Real State & Local Government Spending	1.6	1.7
Current Account Deficit ($ billions)	500.0	556.0
New Home Sales (millions of units)	0.6	0.6
Existing Home Sales (millions of units)	5.5	5.7
Nonfarm Payroll Employment (change in millions)	2.3	2.0
Unemployment Rate (calendar year average)	4.9	4.6
Federal Budget (FY, $ billions)	(535.0)	(557.5)

Quarter-to-Quarter % Changes in Annual Rates

	2016				2017	
	I	II	III	IV	I	II
Real GDP	0.8	2.2	2.3	2.3	2.2	2.2
CPI	(0.4)	2.5	2.2	2.2	2.1	2.3
Core CPI	2.4	2.1	2.1	2.2	2.1	2.2
PCE deflator	0.3	2.0	1.8	1.9	1.9	1.9
Core PCE deflator	2.1	1.6	1.6	1.7	1.8	1.9
Personal Consumption	1.9	2.8	2.4	2.4	2.3	2.3
Nonresidential Fixed Investment	(6.2)	1.7	3.0	3.0	4.1	3.8

Interest Rates (monthly average %)

	Jun. '16	Sep. '16	Dec. '16	Mar. '17	Jun. '17
Fed Funds	0.38	0.63	0.81	0.88	1.13
2 Year Treasury Note	0.87	0.95	1.10	1.33	1.48
10 Year Treasury Note	1.90	1.95	2.05	2.20	2.30
30 Year Fixed-Rate Home Mortgages	3.70	3.80	3.87	4.01	4.10

Exchange Rates (monthly average %)

	Jun. '16	Sep. '16	Dec. '16	Mar. '17	Jun. '17
Yen/Dollar	109.5	110.5	113.0	114.5	115.0
Dollar/Euro	1.12	1.12	1.11	1.08	1.08
Dollar/GBP	1.45	1.47	1.48	1.47	1.50

ECONOMIC ADVISORY ROUNDTABLE

Stuart Hoffman (Chair)
PNC Financial Services Group

Michael Gapen
Barclays Capital Inc.

Porter Douglas
BMO Financial Group

Michael Moran
Daiwa Capital Markets America, Inc.

Christopher Low
FTN Financial

Ward McCarthy
Jefferies & Co., Inc.

Michael Feroli
J.P. Morgan Chase & Co.

Ellen Zentner
Morgan Stanley & Co. Inc.

Scott J. Brown
Raymond James & Associates, Inc.

Aneta Markowska
Société Générale Corporate and Investment Banking

Barry Bannister
Stifel Financial Corp.

John Silvia
Wells Fargo Securities, LLC

Ethan Harris
Bank of America-Merrill Lynch.

James Sweeney
Credit Suisse AG

Joseph LaVorgna
Deutsche Bank Securities Inc.

Jan Hatzius
Goldman, Sachs & Co.

John Roberts
J.J.B. Hilliard, W.L. Lyons, LLC

John Lonski
Moody's Analytics, Inc.

Lewis Alexander
Nomura Securities International, Inc.

Tom Porcelli
RBC Capital Markets, Inc.

Beth Ann Bovino
Standard & Poor's Rating Services

Maury Harris
UBS Securities, LLC

SIFMA Staff Advisors
Kyle Brandon
Managing Director, Director of Research

Sharon Sung
Assistant Vice President, Research

SIFMA is the voice of the U.S. securities industry. We represent the broker-dealers, banks and asset managers whose nearly 1 million employees provide access to the capital markets, raising over $2.5 trillion for businesses and municipalities in the U.S., serving clients with over $20 trillion in assets and managing more than $67 trillion in assets for individual and institutional clients including mutual funds and retirement plans. SIFMA, with offices in New York and Washington, D.C., is the U.S. regional member of the Global Financial Markets Association (GFMA). For more information, visit http://www.sifma.org.