



# **U.S. Economic and Market Outlook: Five Considerations for 2017**

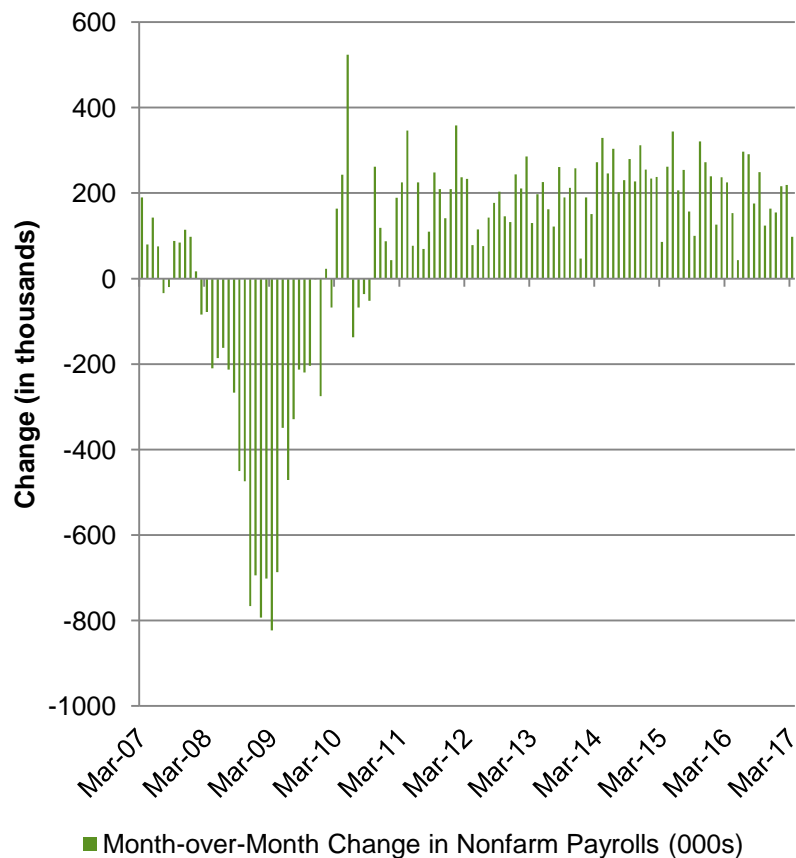
Jeff Korzenik  
Chief Investment Strategist

# Five Considerations for 2017

1. Better domestic growth in 2017
2. More stable global economic picture
3. U.S. interest rates move higher
4. Structural challenges in the labor market remain
5. What you own is more important than that you own

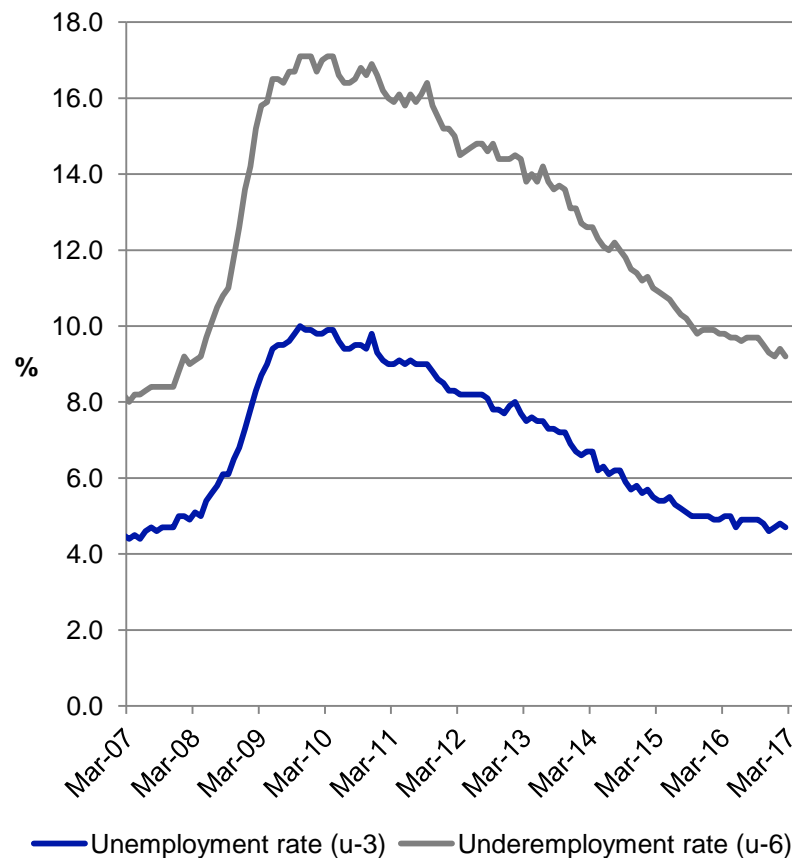
# Better Domestic Growth in 2017

## Nonfarm Payrolls



Source: Bloomberg

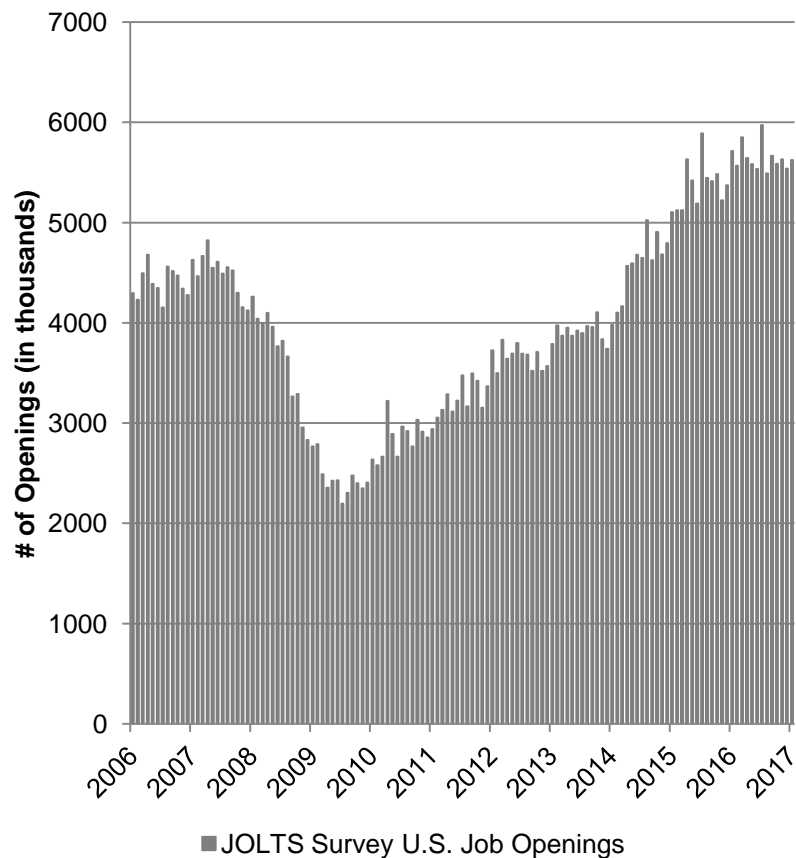
## Unemployment



Source: Bloomberg

# Better Domestic Growth in 2017

## Job Openings



Source: Bloomberg

## Wage Growth



Source: Bloomberg

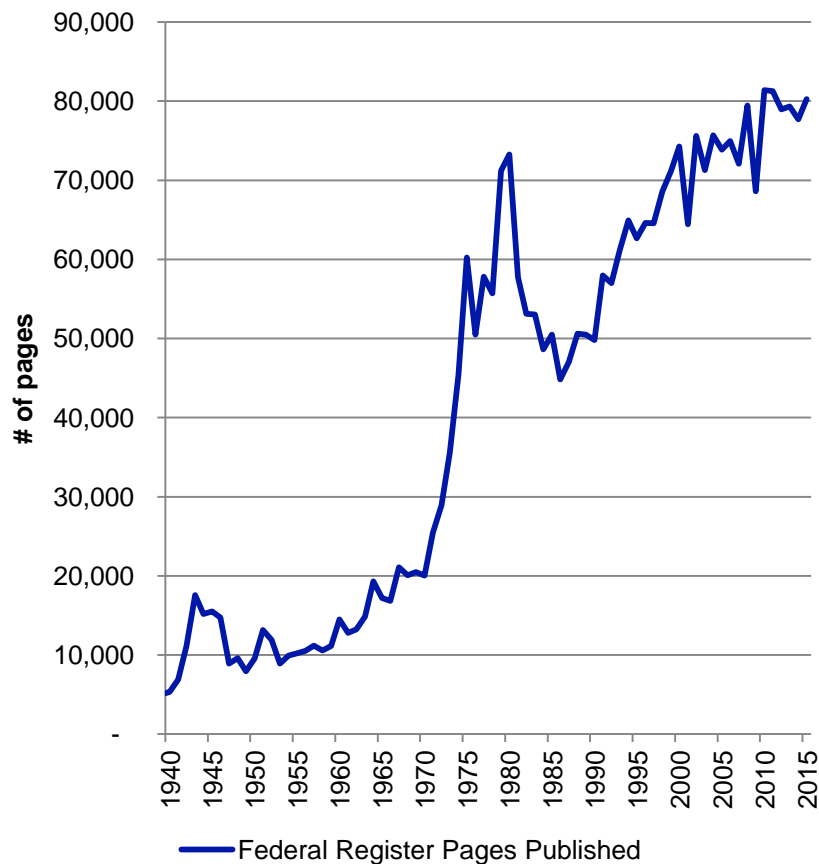
# Better Domestic Growth in 2017

- Prospective Policy Changes
  - Deregulation
  - Tax reform
  - Fiscal stimulus/infrastructure
- Prospective Policy Risks
  - Execution/digestion risk
  - Excessively higher dollar
  - Foreign policy/trade crisis

**Today, the potential policy benefits outweigh potential policy risks.**

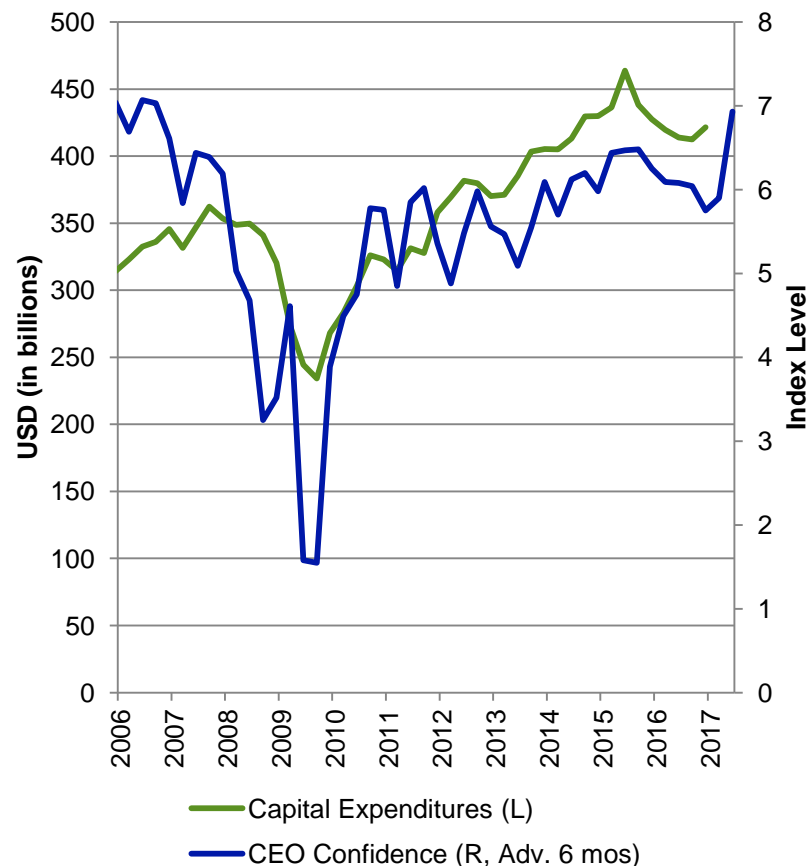
# Better Domestic Growth in 2017

Pages in the Federal Register



Source: Federal Register

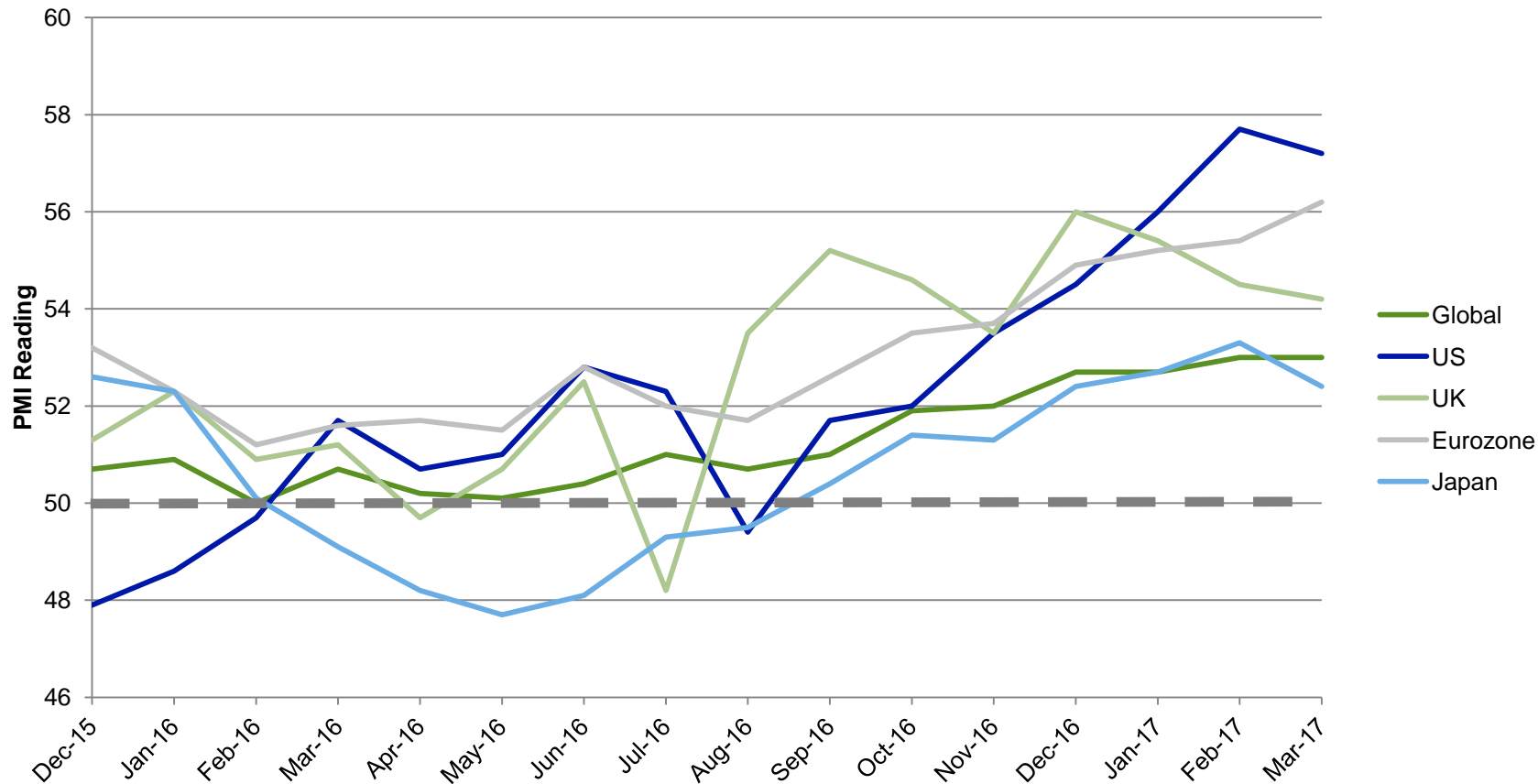
CEO Confidence Leads Capital Expenditures



Source: Bloomberg

# More Stable Global Economic Picture

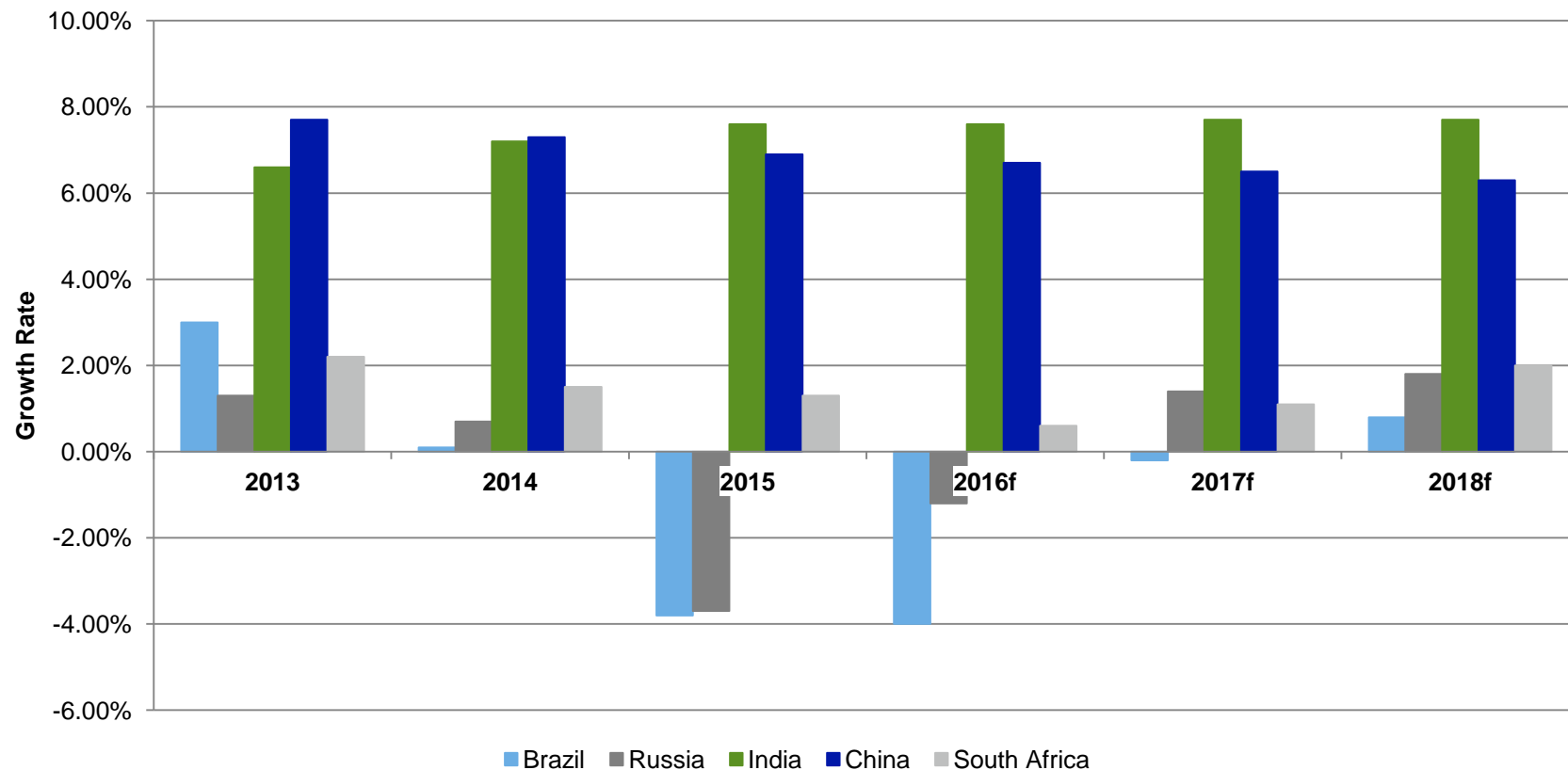
Global & Major Economy Manufacturing PMIs



Source: Bloomberg

# More Stable Global Economic Picture

**World Bank Global Outlook**  
**Historical and Forecasted GDP Growth for BRICS Countries**

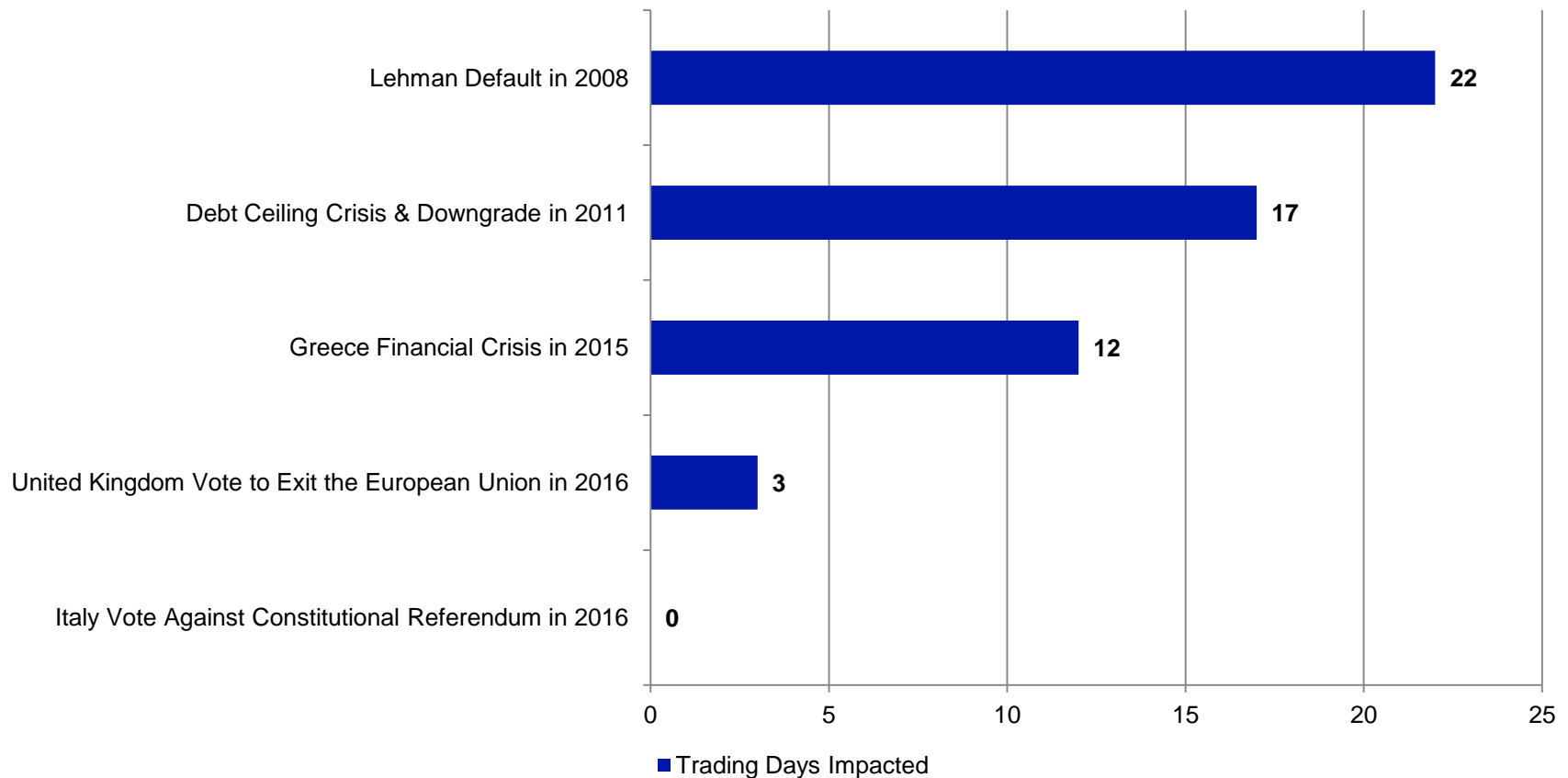


Source: World Bank 2016 Global Economic Prospects



# More Stable Global Economic Picture

## Market Reaction to Crises/Surprises



Source: Bloomberg, Fifth Third Research

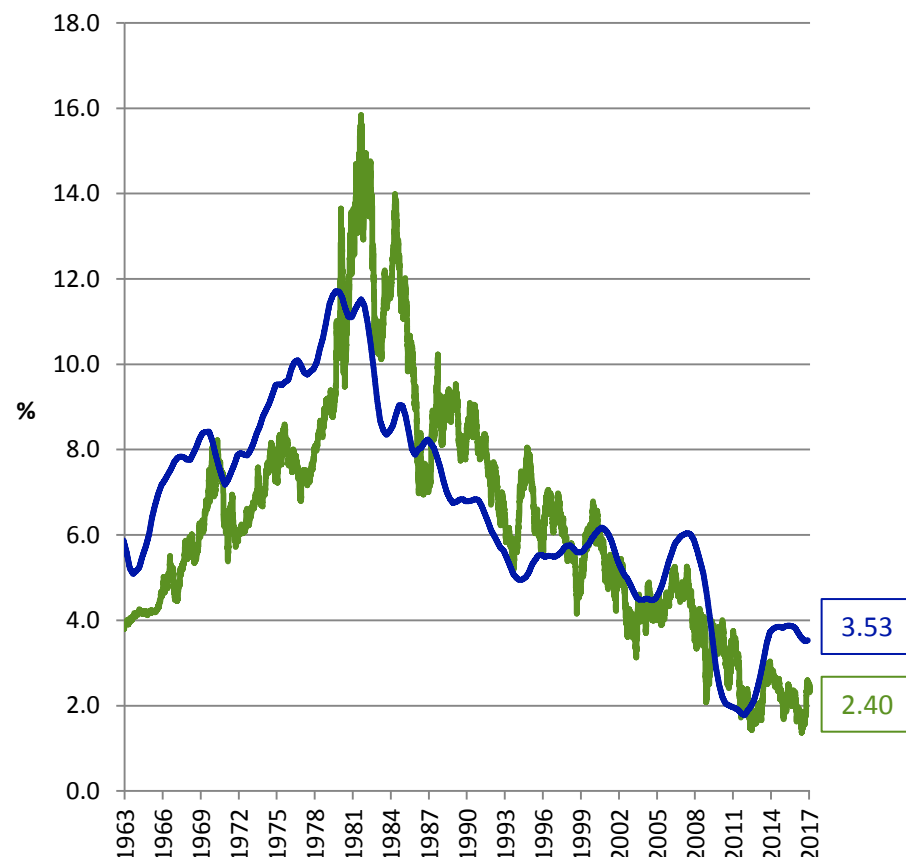
# U.S Interest Rates Move Higher

**10-Year Treasury Yield**



Source: Bloomberg, as of 3/31/17

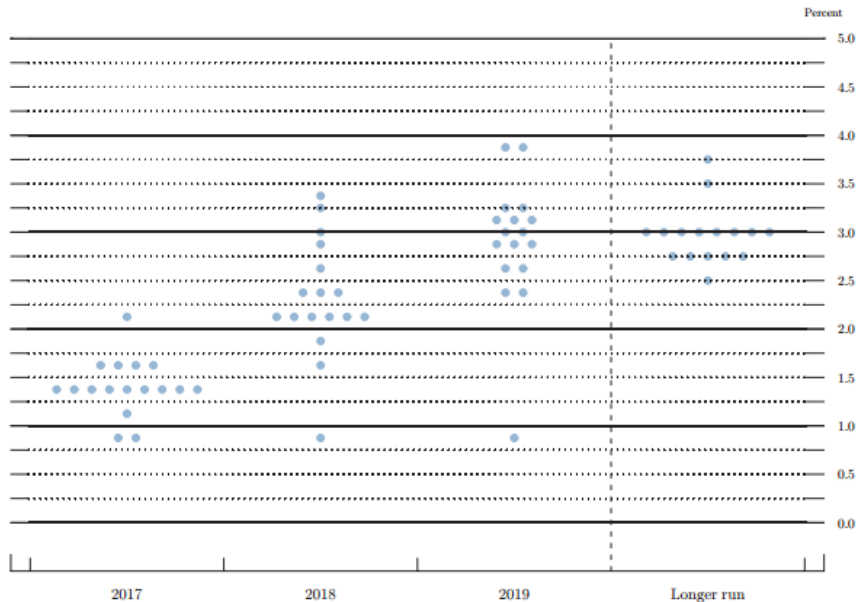
10-Year Treasury Constant Maturity Rate  
U.S. Nominal GDP Growth (m.a. 4 years)



Source: Macrobond, as of 3/31/17

# U.S. Interest Rates Move Higher

## Federal Reserve “dot plot”



\*FOMC participants' assessments of appropriate monetary policy: Midpoint of target range or target level for the federal funds rate

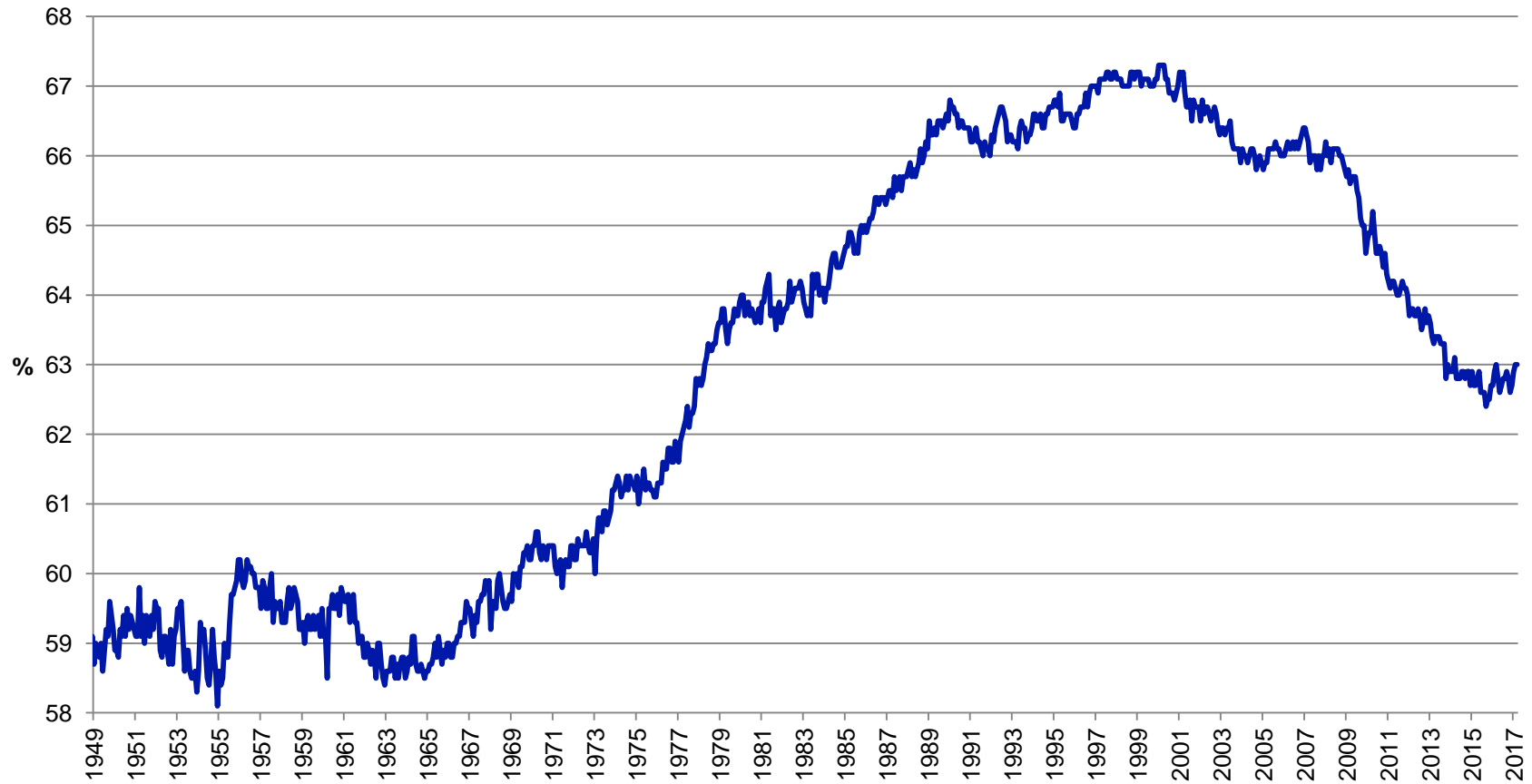
## Inflationary Policies Ahead?

- Increased infrastructure spending
- Fiscal stimulus
- Immigration restrictions
- Tax reform/border adjustability

Source: Federal Reserve

# Structural Challenges in the Labor Market

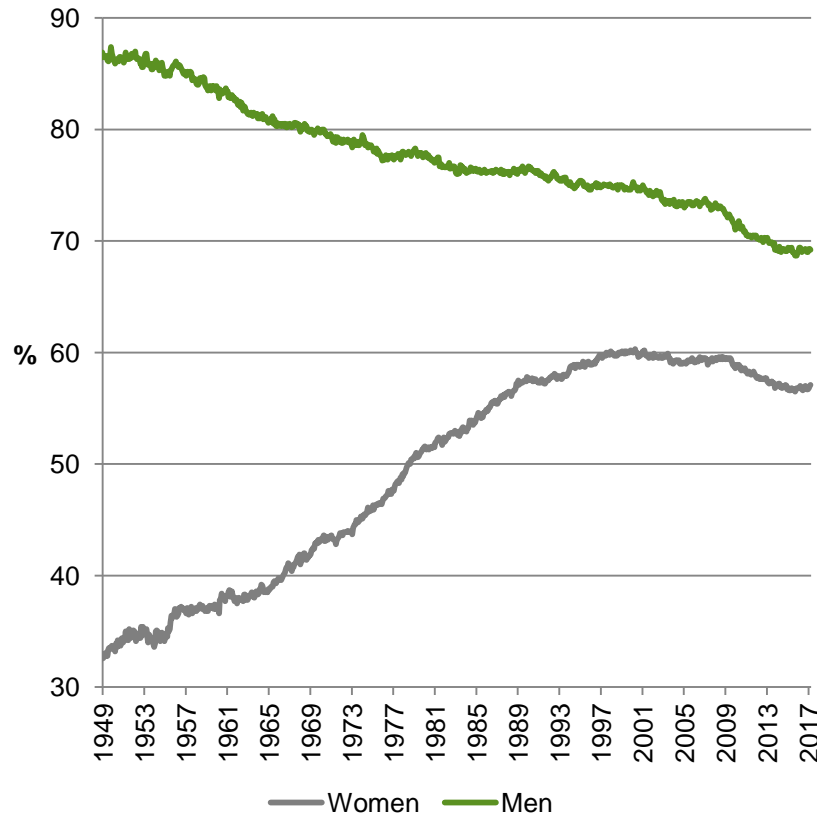
Labor Force Participation Rate



Source: Bloomberg

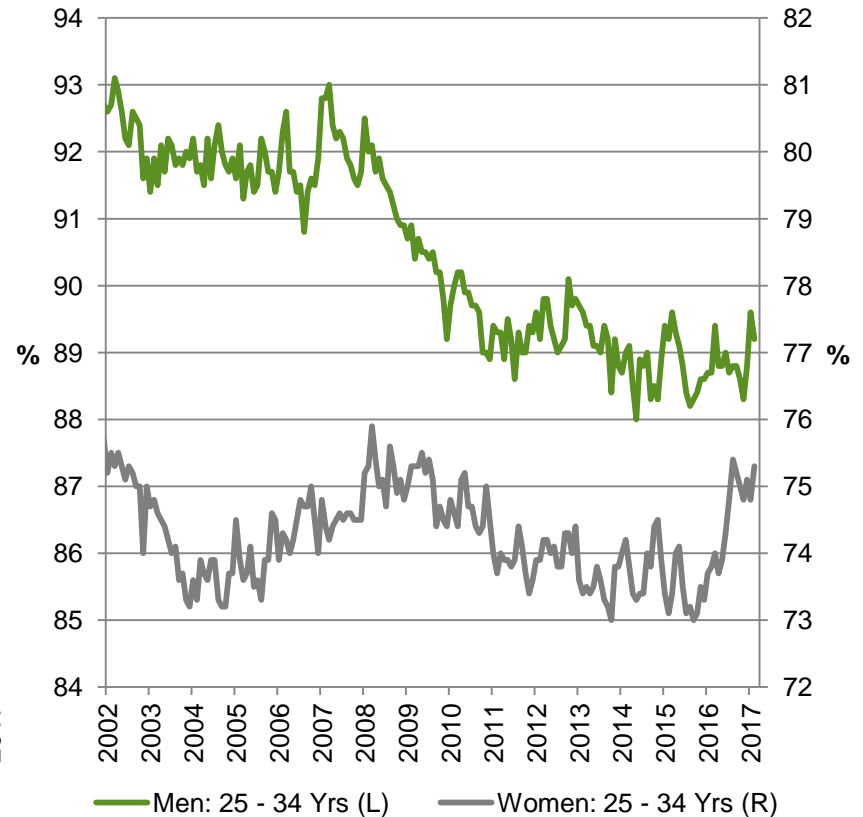
# Structural Challenges in the Labor Market

**Labor Force Participation Rate  
Men and Women**



Source: Bloomberg

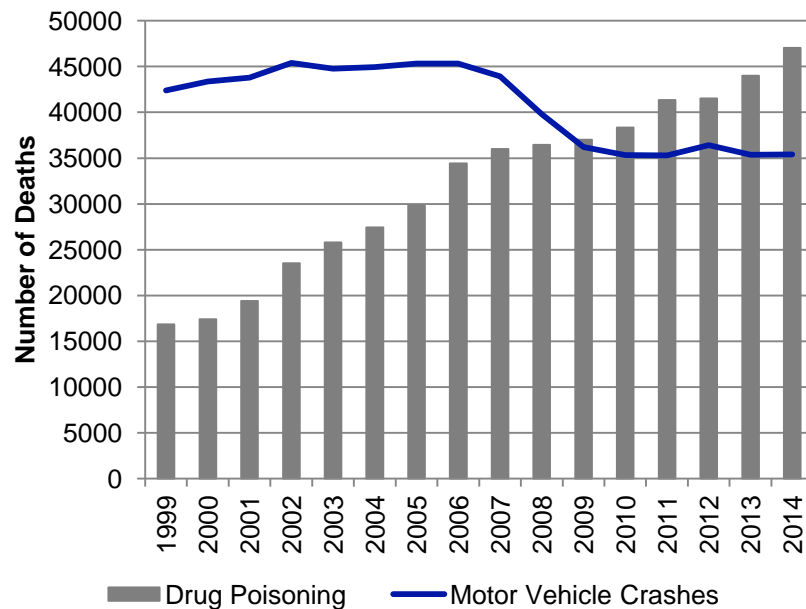
**Labor Force Participation Rate  
Men and Women: 25 – 34 Yrs**



Source: Bloomberg

# Structural Challenges in the Labor Market

**Number of Injury Deaths by Drug Poisoning and Motor Vehicle Crashes in the United States**

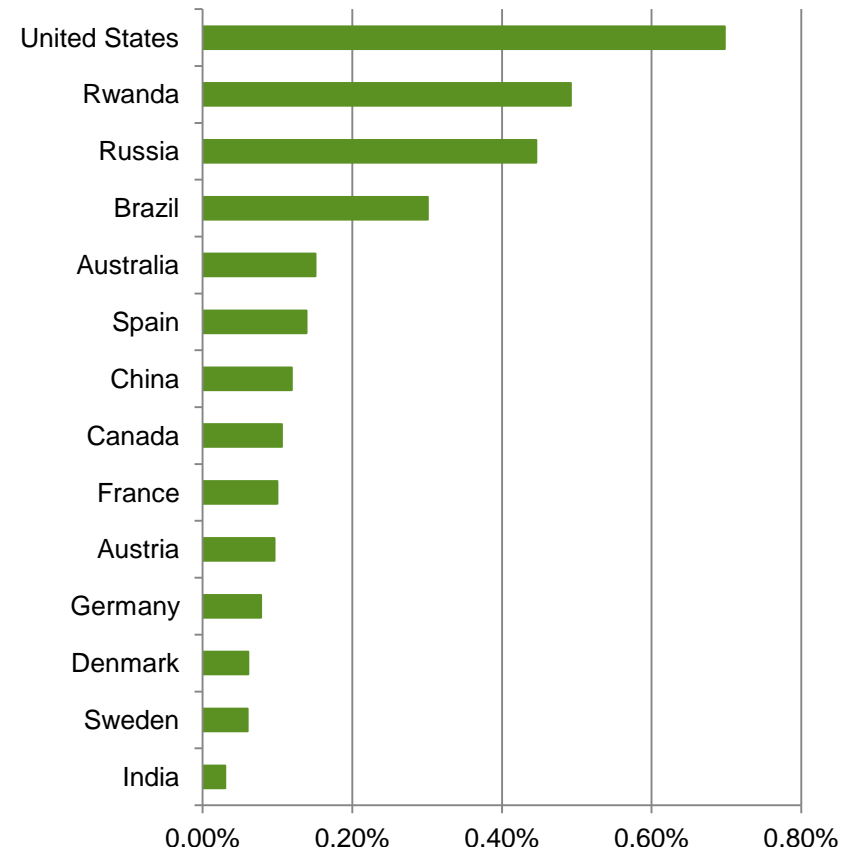


**In recent years, overdose deaths have exceeded deaths caused by motor vehicle accidents. More than half of overdose deaths are due to prescription pain killers.**

Sources: Drug Enforcement Agency 2016 National Drug Threat Assessment, Centers for Disease Control Prevention

Note: Not all drug poisoning deaths specify the drug(s) involved, and a death may involve more than one specific substance.

**International Rates of Incarceration**

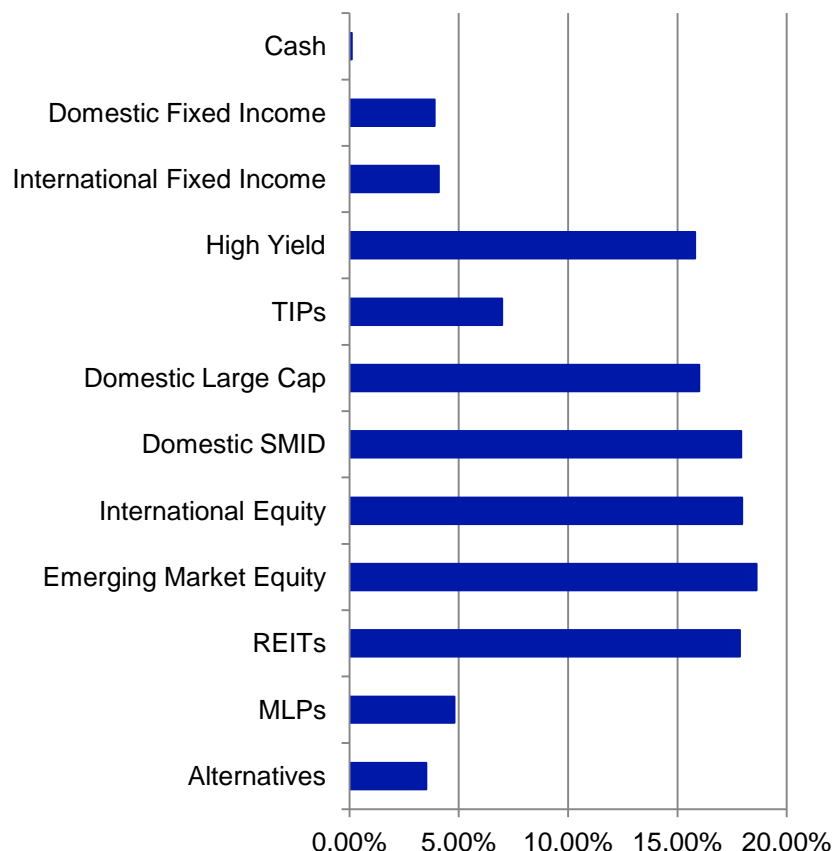


Source: Walmsley, R. (2015). World Prison Brief. London: Institute for Criminal Policy Research.

Available online: <http://www.prisonstudies.org/world-prison-brief>

# What you own is more important...

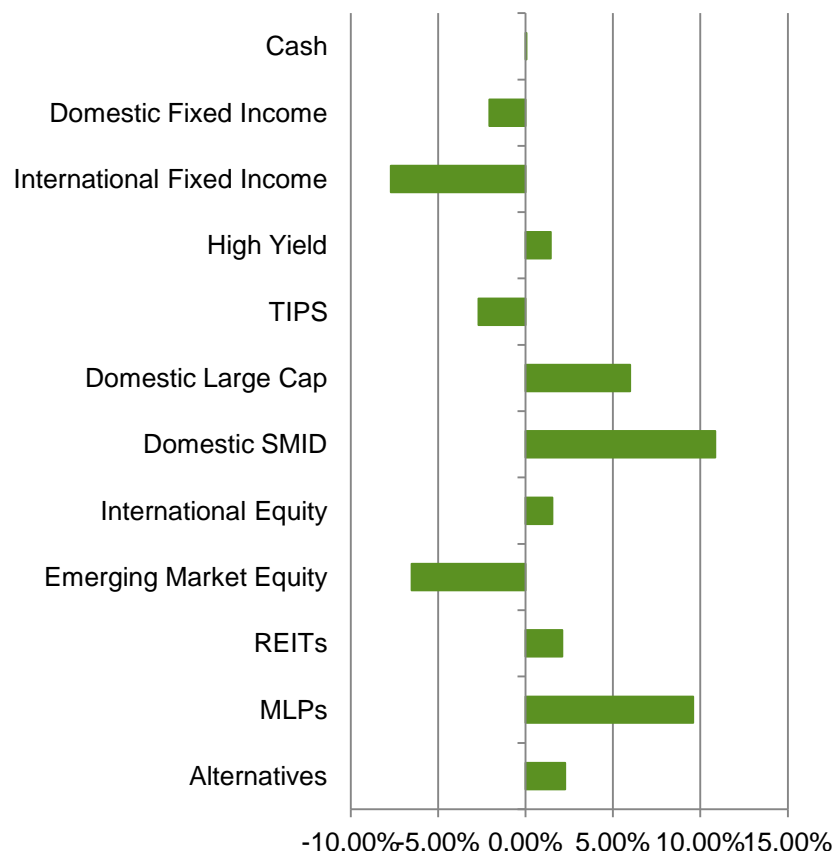
**2012 Total Return**



Source: Bloomberg

Cash – BofA Merrill Lynch US 3-Month Treasury Bill Index; Domestic Fixed Income – Barclays Intermediate Gov/Credit Index; International Fixed Income – Barclays Global Aggregate ex-USD Index; High Yield – Barclays High Yield Index; TIPs – Barclays US Treasury Inflation-Linked Bond Index; Domestic Large Cap – S&P 500 Index; Domestic SMID – Russell 2500 Index; International Equity – MSCI EAFE Index; Emerging Market Equity – MSCI Emerging Markets Index; REITs – MSCI US REIT Index; MLPs – Alerian MLP Infrastructure Index; Alternatives – HFRX Global Index; See disclosures for details.

**2016 Election Day Through Year End**



Source: Bloomberg

# Questions?



# Disclosures & Definitions

Opinions are provided by Fifth Third Private Bank. This information is intended for educational purposes only and does not constitute the rendering of investment advice or a specific recommendation on investment activities and trading. The mention of any specific security does not constitute a solicitation or an offer to buy or sell any security. This information is current as of the date of this presentation and is subject to change at any time, based on market and other conditions.

**Nonfarm payroll employment** is a compiled name for goods, construction and manufacturing companies in the United States and does not include farm workers, household employees, or non-profit organization employees. **U-3 Unemployment Rate** is the total unemployed as a percentage of the civilian labor force. **U-6 Unemployment Rate** is the total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force. **JOLTS Survey U.S. Job Openings** are the number of specific job openings in the U.S. economy. The **Atlanta Fed Median Wage Growth Tracker** tracks the median total remuneration (in cash or in kind) paid to employees in return for work done (or paid leave). The **CEO Confidence Index** measures CEO confidence in the economy 1 year from now. The **Flow of Funds Nonfarm Nonfinancial Corporate Business Total Capital Expenditures Index** is a measure of capital expenditures (**CAPEX**) from the Federal Reserve. The **Federal Register** is the official daily publication for rules, proposed rules, and notices of Federal agencies and organizations, as well as executive orders and other presidential documents. The **Purchasing Managers' Index (PMI)** is an indicator of the economic health of the manufacturing sector based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment. **GDP (Gross Domestic Product)** is the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports. The **U.S. 10-Year Treasury Yield** is the pre-tax yield to maturity on Generic United States on-the-run government bill/note/bond indices. The **Federal Funds Rate** is the short-term interest rate targeted by the Federal Reserve's Open Market Committee (FOMC) as part of its monetary policy. The **Labor Force Participation Rate** refers to the number of people who are either employed or are actively looking for work. The number of people who are no longer actively searching for work would not be included in the participation rate. The **BofA Merrill Lynch US 3-Month Treasury Bill Index** tracks the performance of USD-denominated U.S. Treasury Bills publicly issued in the U.S. domestic market with a remaining term to final maturity of less than 3 months. The **Barclays Intermediate Gov/Credit Index** measures the investment grade, USD-denominated, fixed-rate, taxable corporate and government related bond markets. The **Barclays Global Aggregate ex-USD Index** is a measure of investment grade debt from 24 local currency markets, including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging market issuers. The **Barclays US Corporate High Yield Index** measures the USD-denominated, high yield, fixed-rate corporate bond market. The **Barclays US Treasury Inflation-Linked Bond Index** measures performance of the US Treasury Inflation Protected Securities (TIPS) market. The **S&P 500 Index** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy. The **Russell 2500 Index** is comprised of the smallest 2500 securities in the Russell 3000 Index and is designed to measure the small to mid-cap segment of the U.S. equity universe. The **MSCI EAFE Index** is a free-float weighted equity index covering developed market countries in Europe, Australasia, Israel, and the Far East. The **MSCI Emerging Markets Index** is a free-float weighted equity index that captures large and mid cap representations across Emerging Market countries. The **MSCI US REIT Index** is a free float-adjusted market capitalization index comprised of equity Real Estate Investment Trusts. The **Alerian MLP Infrastructure Index** is a composite of energy infrastructure Master Limited Partnerships (MLPs) in a capped, float-adjusted, capitalization-weighted index. The **HFRX Global Index** is designed to be representative of the overall composition of the hedge fund universe.

# Disclosures & Definitions

Asset Allocation, Diversification, Alternative Investment and Hedging strategies are intended to mitigate the overall risk within your portfolio. Some strategies may be subject to a higher degree of market risk than others. There are no guarantees that any strategy presented will perform as intended.

The Standard & Poor's 500 Stock Index is a composite of the 500 largest companies in the United States and it used as a measure of the overall U.S. stock market.

Indexes are unmanaged and do not incur investment management fees. You cannot invest directly in an index. Past performance is no guarantee of future results.

Fifth Third Private Bank is a division of Fifth Third Bank offering banking, investment and insurance products and services. Fifth Third Bancorp provides access to investments and investment services through various subsidiaries. Investments, investment services and insurance:

Are Not FDIC Insured	Offer Not Bank Guaranteed	May Lose Value
Are Not Insured by Any Federal Government Agency		Are Not a Deposit

Insurance Products are made available through Fifth Third Insurance Agency, Inc.