

March 2019

Economists Project Fed Funds to Peak with One Final Rate Hike in 2019

The March Bloomberg Survey of Economists showed weaker growth projections for 1Q19, and full-year growth in 2019 and 2020. The weaker growth expectations had little impact on projections for the strong labor market continuing, nor the expectations for inflation. However, interest rate forecasts did trend lower for yet another month. Economists continue to see only one more rate hike from the Fed, likely occurring in the second half of this year.

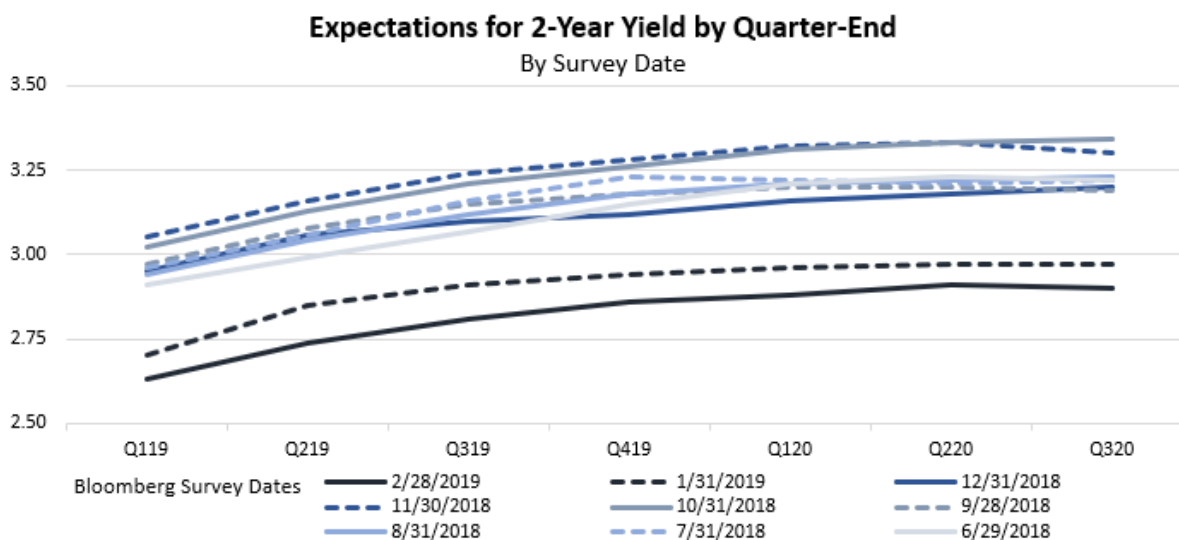
Overall economic growth projections were cut for 1Q19 from 2.0% to 1.5% after a run a weaker economic reports on consumption and business investment. As a result of the recent data, personal consumption is expected to expand just 1.8% in 1Q19 (down from 2.4%) and 2.6% for the full year (down from 2.7%). Projections for private investment were marked lower from 1.9% to 1.6% for 1Q19. Almost all of the revision lower appears to be coming from business spending as residential investment projections were raised fractionally.

Housing activity is expected to stagnate as the year progresses with new home sales expected to average just total just 627k for the full-year, down from 628k in 2018. New sales for full-year 2020 are expected to total just 629k.

While growth forecasts were slightly weaker in the March survey, the labor and inflation data went largely unchanged. The unemployment rate is still expected to end 2019 at 3.7% and 2020 at 3.6%. Nonfarm payroll growth was marked lower after February’s disappointing report. Payrolls are expected to grow 165k per month in 2019 (down from 172k) but 131k in 2020 (up from 130k). Core PCE inflation is still projected to average 2.0% in 2019.

Economists expect, on average, that the Fed will achieve one more rate hike with approximately a 50 percent chance that it occurs in 3Q19 and an equal chance that it occurs in 4Q19. However, Fed Funds projections do not increase in 2020.

As for Treasury yields, the 2-year yield forecast was revised lower with it now expected to end 2019 at 2.82% (down from 2.86%) and end 2020 at 2.76% (down from 2.84%). The lower 2-year yield forecasts have come as economists have become more convinced that the Fed is near their terminal rate for this cycle. Forecasts for the 10-year Treasury yield were also revised lower. The 10-year is now expected to end 2019 at 2.98% (down from 3.03%) and end 2020 at 3.02% (down from 3.08%).



Survey of Economists

March Survey

		Q119	Q219	Q319	Q419	Q120	Q220	2019	2020
GDP									
<i>Vining Sparks Projections</i>	3/15/2019	1.5	2.8	2.3	2.3	1.0	1.9	2.4	1.8
March Survey	3/14/2019	1.5	2.6	2.3	2.1	1.8	1.9	2.4	1.9
February Survey	2/7/2019	2.0	2.5	2.2	2.0	1.9	2.0	2.5	2.0
Personal Consumption									
March Survey	3/14/2019	1.8	2.6	2.4	2.3	2.1	2.1	2.6	2.1
February Survey	2/7/2019	2.4	2.5	2.4	2.2	2.1	2.1	2.7	2.1
Private Investment									
March Survey	3/14/2019	1.5	3.8	3.8	3.4	2.8	2.7	4.1	2.9
February Survey	2/7/2019	2.8	4.0	3.9	3.2	3.1	2.7	3.8	3.0
Government Expenditures									
March Survey	3/14/2019	1.6	2.6	1.7	1.6	1.1	1.3	1.8	1.4
February Survey	2/7/2019	1.9	2.3	1.7	1.4	1.0	1.4	2.2	1.4
Headline CPI									
<i>Vining Sparks Projections</i>	3/15/2019	2.1	2.0	1.9	1.9	2.0	1.9	1.9	1.9
March Survey	3/14/2019	1.7	1.8	1.9	2.1	2.4	2.2	1.8	2.2
February Survey	2/7/2019	1.8	1.9	2.0	2.2	2.3	2.2	2.0	2.2
Core PCE									
<i>Vining Sparks Projections</i>	3/15/2019	1.9	1.9	1.9	2.0	2.0	1.9	1.9	1.9
March Survey	3/14/2019	1.9	1.9	2.0	2.0	2.1	2.1	2.0	2.0
February Survey	2/7/2019	1.9	1.9	2.0	2.0	2.1	2.1	2.0	2.1
Unemployment Rate									
<i>Vining Sparks Projections</i>	3/15/2019	3.8	3.7	3.8	3.8	3.9	3.9	3.8	3.9
March Survey	3/14/2019	3.8	3.7	3.7	3.6	3.6	3.8	3.7	3.6
February Survey	2/7/2019	3.8	3.7	3.6	3.6	3.6	3.7	3.7	3.6
Nonfarm Payroll (Monthly)									
<i>Vining Sparks Projections</i>	3/15/2019	175	155	155	150	140	130	167	130
March Survey	3/14/2019	175	170	160	150	141	135	165	131
February Survey	2/7/2019	201	171	159	150	138	144	172	130
New Home Sales									
March Survey	3/14/2019	617	618	620	624	627	625	627	629
February Survey	2/7/2019	615	618	622	632	634	628	626	636
Existing Home Sales									
March Survey	3/14/2019	5,180	5,300	5,330	5,320	5,350	5,370	5,300	5,360
February Survey	2/7/2019	5,300	5,360	5,360	5,350	5,350	5,400	5,370	5,400
Fed Funds Target¹									
<i>Vining Sparks Projections</i>	3/15/2019	2.38	2.38	2.63	2.63	2.63	2.63	2.63	2.63
March Survey	3/14/2019	2.38	2.43	2.53	2.63	2.63	2.63	2.58	2.53
February Survey	2/7/2019	2.38	2.48	2.58	2.68	2.68	2.68	2.68	2.63
2-Year Treasury¹									
<i>Vining Sparks Projections</i>	3/15/2019	2.55	2.60	2.65	2.65	2.65	2.50	2.50	2.50
March Survey	3/14/2019	2.54	2.65	2.75	2.82	2.84	2.83	2.83	2.76
February Survey	2/7/2019	2.63	2.74	2.81	2.86	2.88	2.91	2.90	2.84
10-Year Treasury¹									
<i>Vining Sparks Projections</i>	3/15/2019	2.75	2.90	2.90	2.85	2.75	2.70	2.70	2.70
March Survey	3/14/2019	2.73	2.83	2.92	2.98	3.01	3.03	3.04	3.02
February Survey	2/7/2019	2.82	2.91	2.99	3.03	3.08	3.09	3.10	3.08

*Sources: Bloomberg Survey of Economists, ¹ Economists' Real-Time Updates, Vining Sparks

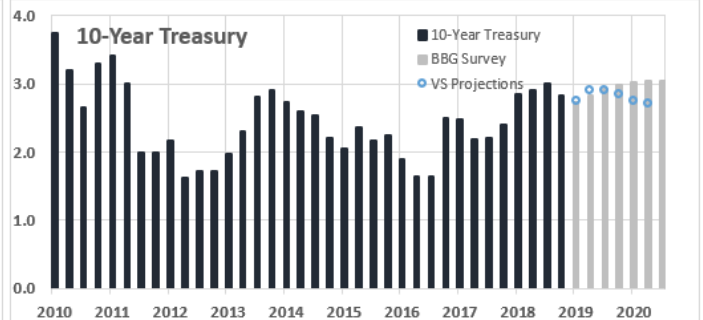
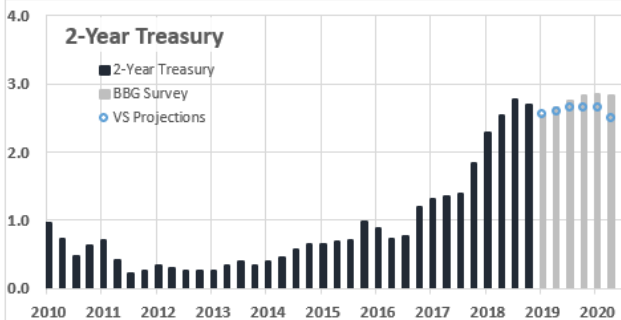
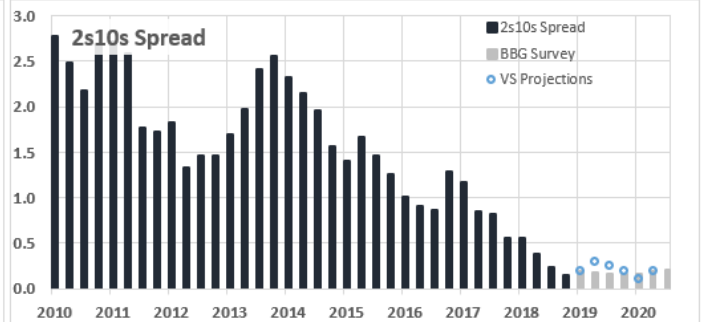
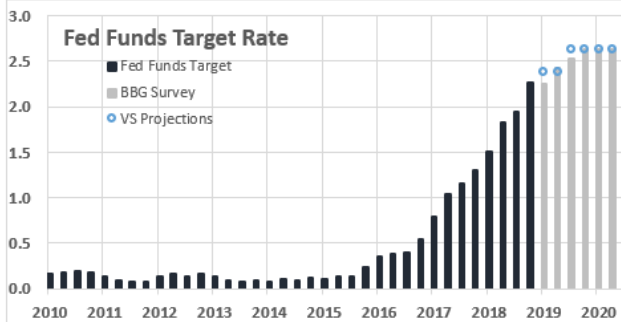
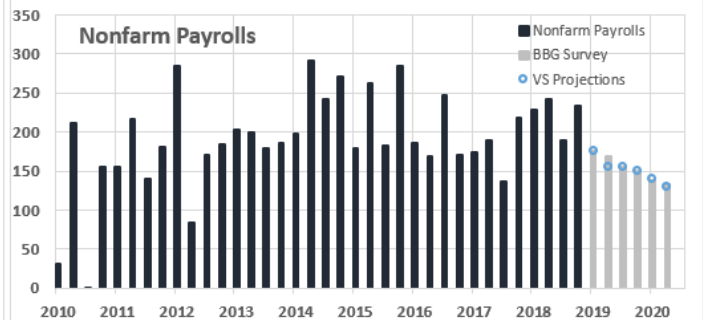
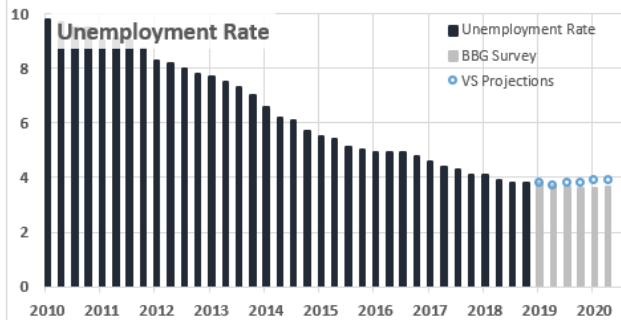
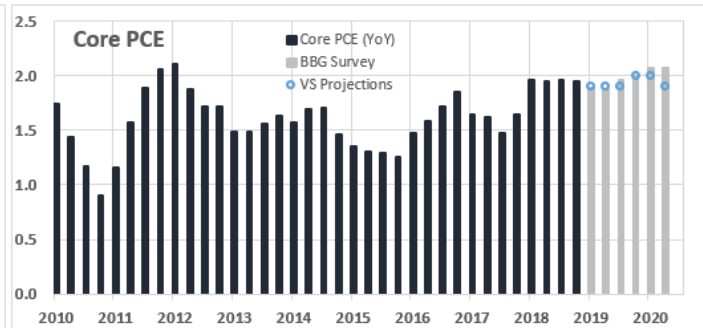
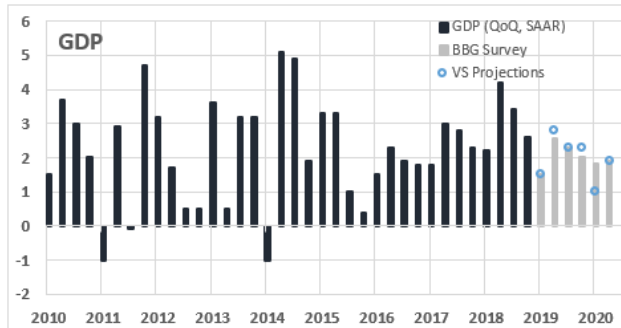
Vining Sparks Projections

March 2019

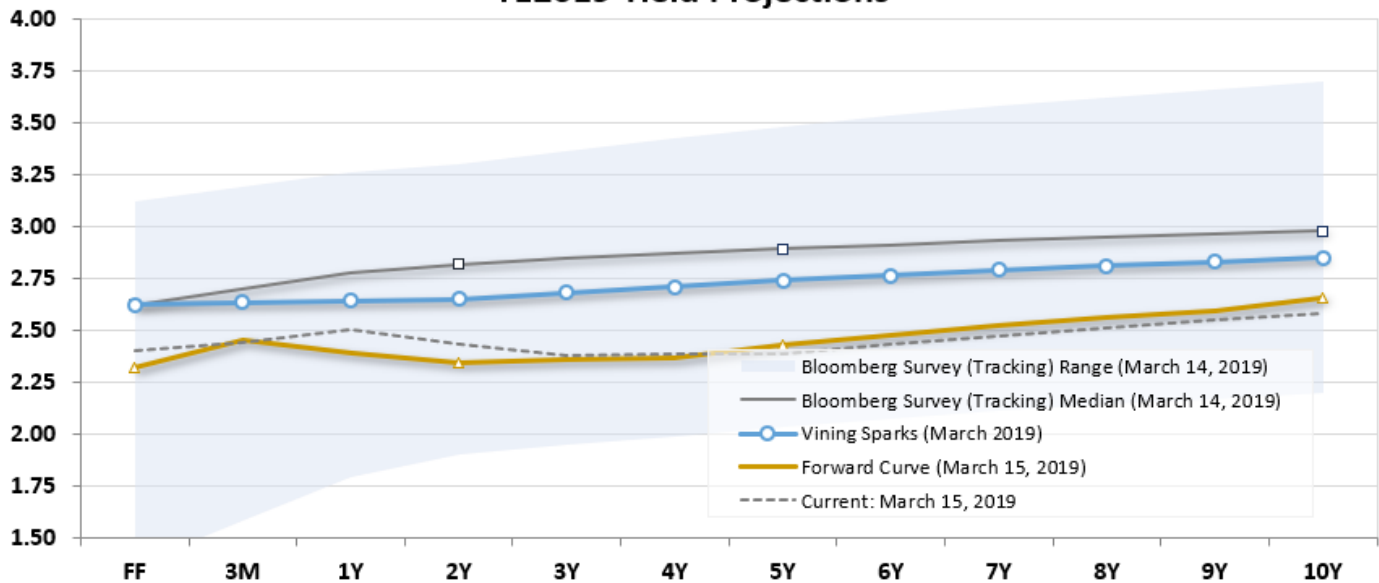
	Q119	Q219	Q319	Q419	Q120	Q220	2019	2020
GDP (QoQ, SAAR)	1.5	2.8	2.3	2.3	1.0	1.9	2.4	1.8
Headline CPI (YoY)	2.1	2.0	1.9	1.9	2.0	1.9	1.9	1.9
Core PCE (YoY)	1.9	1.9	1.9	2.0	2.0	1.9	1.9	1.9
Unemployment Rate	3.8	3.7	3.8	3.8	3.9	3.9	3.8	3.9
Nonfarm Payrolls (Monthly)	175	155	155	150	140	130	167	130

	Q119	Q219	Q319	Q419	Q120	Q220	Q320	Q420
Fed Funds Target	2.38	2.38	2.63	2.63	2.63	2.63	2.63	2.63
2-Year Treasury Yield	2.55	2.60	2.65	2.65	2.65	2.50	2.50	2.50
10-Year Treasury Yield	2.75	2.90	2.90	2.85	2.75	2.70	2.70	2.70
30-Year Treasury Yield	2.82	3.00	2.98	2.92	2.78	2.77	2.77	2.77
Prime Rate	5.50	5.50	5.75	5.75	5.75	5.75	5.75	5.75
30-Year Mortgage Rate	4.40	4.55	4.55	4.50	4.40	4.35	4.35	4.35

Sources: ¹ Bloomberg Survey of Economists, ² Economists' Real-Time Tracking Updates, Vining Sparks



YE2019 Yield Projections



Maturities without published projections interpolated based on historical spread differentials

Bloomberg Survey Tracking Index and Vining Projections

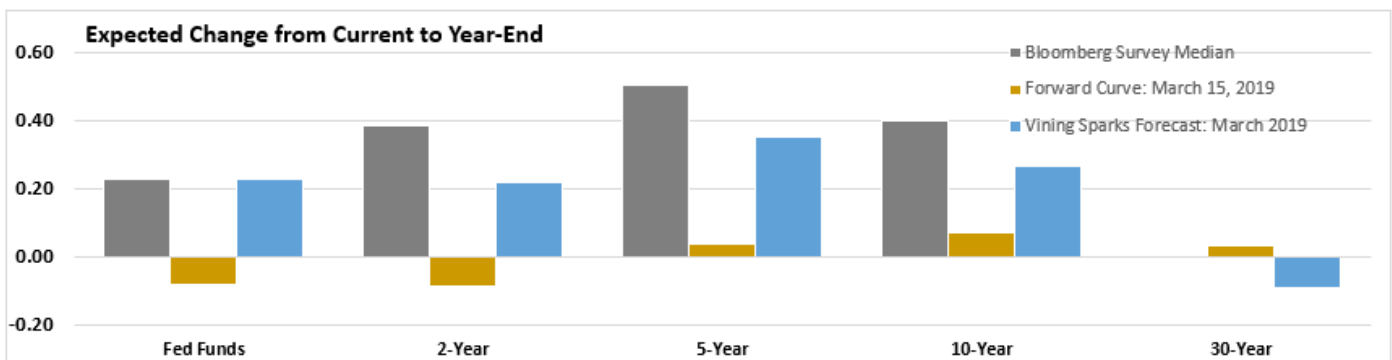
Interest Rate Projections

March 15, 2019

	Fed Funds	3M T-Bill	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	30-Year
Bloomberg Survey - Tracking: March 14, 2019									
Low Forecast	1.38			1.90		2.04		2.20	
Median Forecast	2.63			2.82		2.89		2.98	
High Forecast	3.13			3.30		3.48		3.70	
Forward Curve: March 15, 2019	2.32	2.46	2.39	2.35	2.36	2.43	2.52	2.65	3.04
Vining Sparks Forecast: March 2019	2.63	2.64	2.65	2.65	2.68	2.74	2.79	2.85	2.92
Current: March 15, 2019	2.40	2.44	2.51	2.43	2.38	2.39	2.48	2.58	3.01

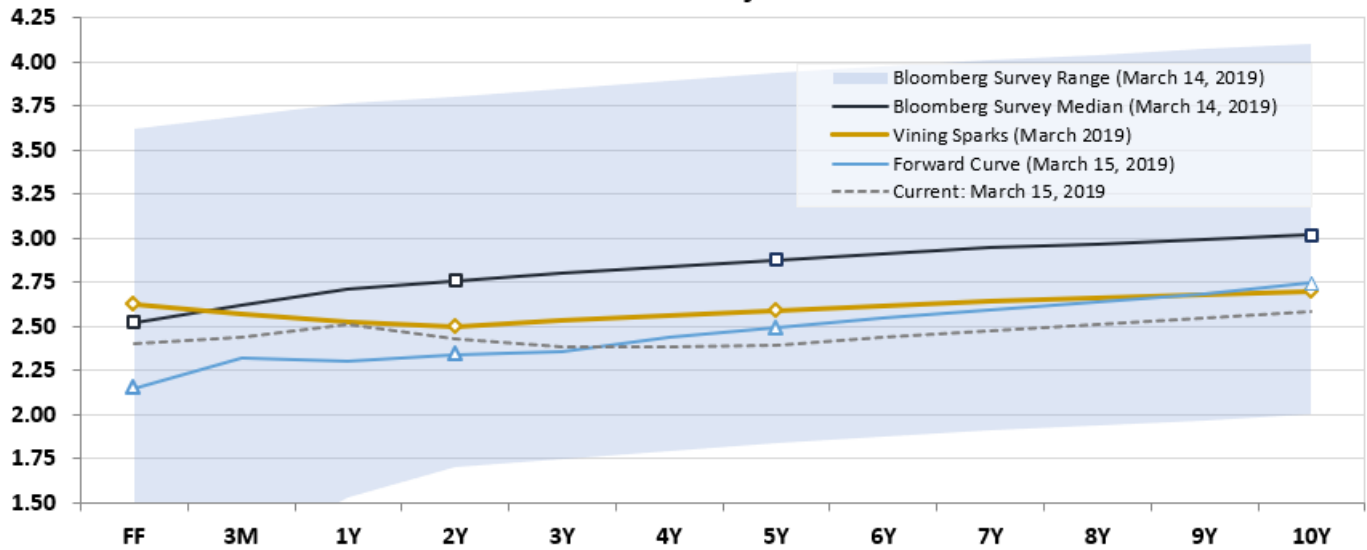
Projected Δ by Year-End

	Fed Funds	3M T-Bill	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	30-Year
Bloomberg Survey - Tracking: March 14, 2019									
Low Forecast	-1.03			-0.53		-0.35		-0.38	
Median Forecast	0.23			0.39		0.50		0.40	
High Forecast	0.73			0.87		1.09		1.12	
Forward Curve: March 15, 2019	-0.08	0.02	-0.12	-0.09	-0.03	0.04	0.05	0.07	0.03
Vining Sparks Forecast: March 2019	0.23	0.20	0.14	0.22	0.30	0.35	0.32	0.27	-0.09



Sources: Bloomberg Survey of Economists Real-Time Tracking Index, Vining Sparks

YE2020 Yield Projections



Maturities without published projections interpolated based on historical spread differentials

Bloomberg Survey Tracking Index and Vining Projections

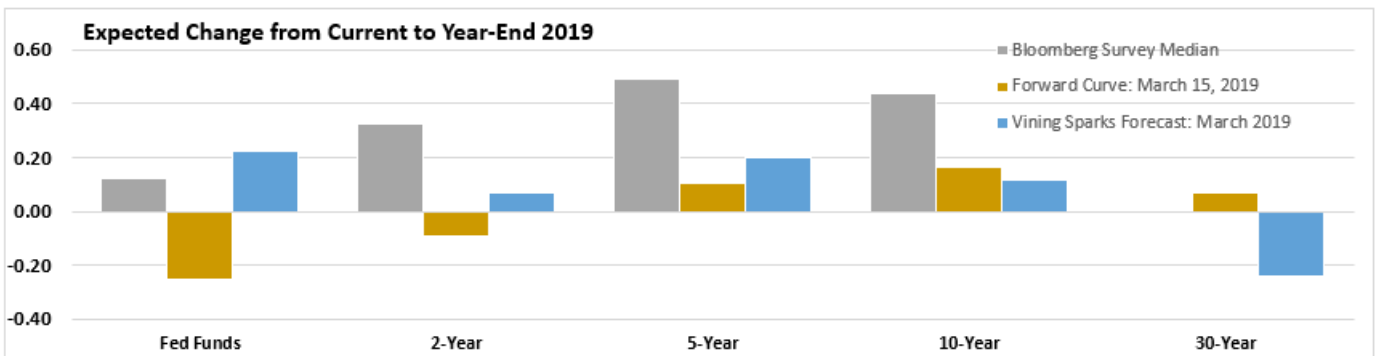
Interest Rate Projections

March 15, 2019

	Fed Funds	3M T-Bill	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	30-Year
Bloomberg Survey - Tracking: March 14, 2019									
Low Forecast	0.88			1.70		1.84		2.00	
Median Forecast	2.53			2.76		2.88		3.02	
High Forecast	3.63			3.80		3.94		4.10	
Forward Curve: March 15, 2019	2.15	2.32	2.30	2.34	2.36	2.49	2.59	2.75	3.08
Vining Sparks Forecast: March 2019	2.63	2.58	2.53	2.50	2.53	2.59	2.64	2.70	2.77
Current: March 15, 2019	2.40	2.44	2.51	2.43	2.38	2.39	2.48	2.58	3.01

Projected Δ by Year-End 2019

	Fed Funds	3M T-Bill	1-Year	2-Year	3-Year	5-Year	7-Year	10-Year	30-Year
Bloomberg Survey - Tracking: March 14, 2019									
Low Forecast	-1.53			-0.73		-0.55		-0.58	
Median Forecast	0.13			0.33		0.49		0.44	
High Forecast	1.23			1.37		1.55		1.52	
Forward Curve: March 15, 2019	-0.25	-0.12	-0.21	-0.09	-0.02	0.10	0.11	0.16	0.07
Vining Sparks Forecast: March 2019	0.23	0.14	0.02	0.07	0.15	0.20	0.17	0.12	-0.24



Sources: Bloomberg Survey of Economists Real-Time Tracking Index, Vining Sparks

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