

# *Interest Rate Forecast*

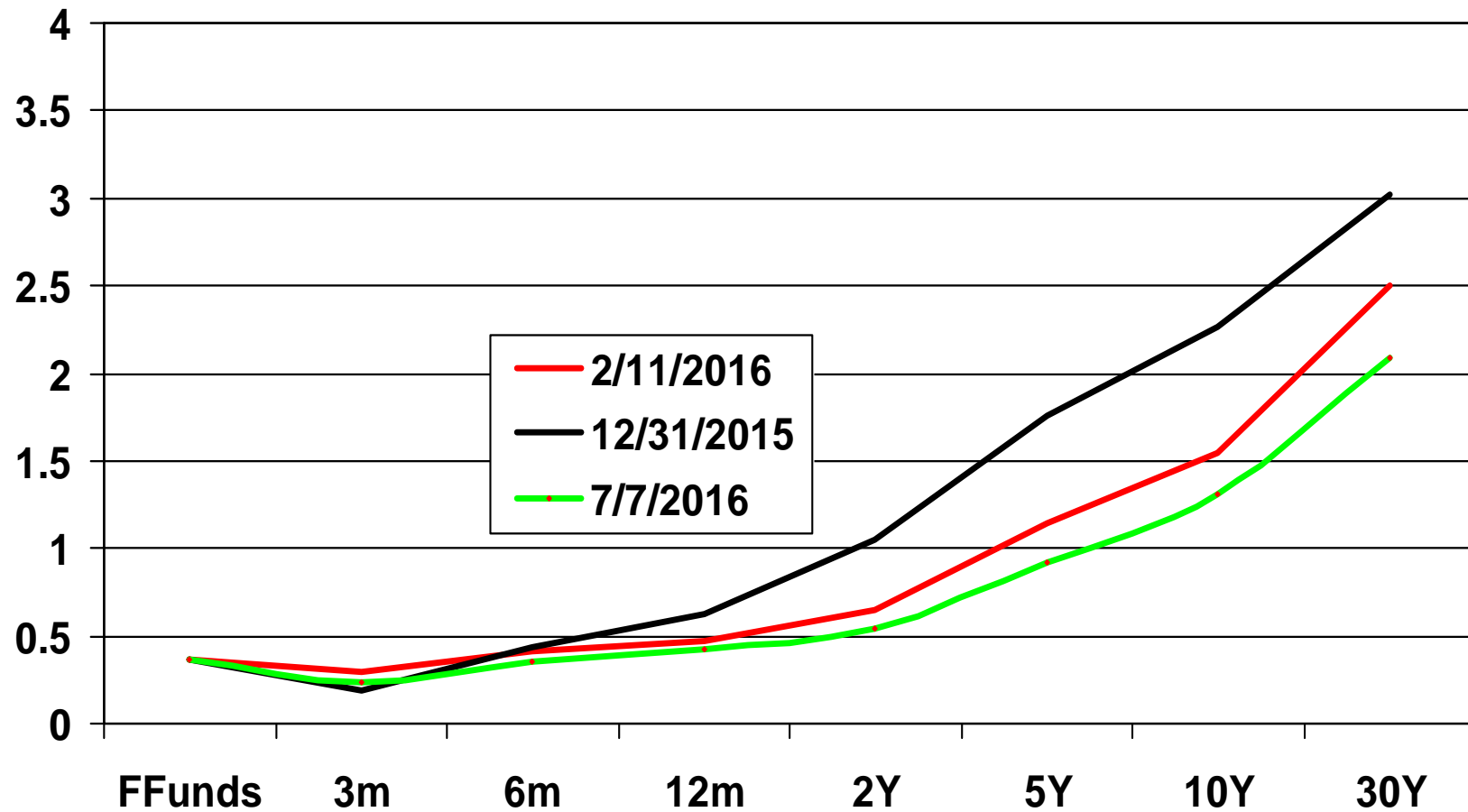
July 2016

D.J.'s ECONOMIX

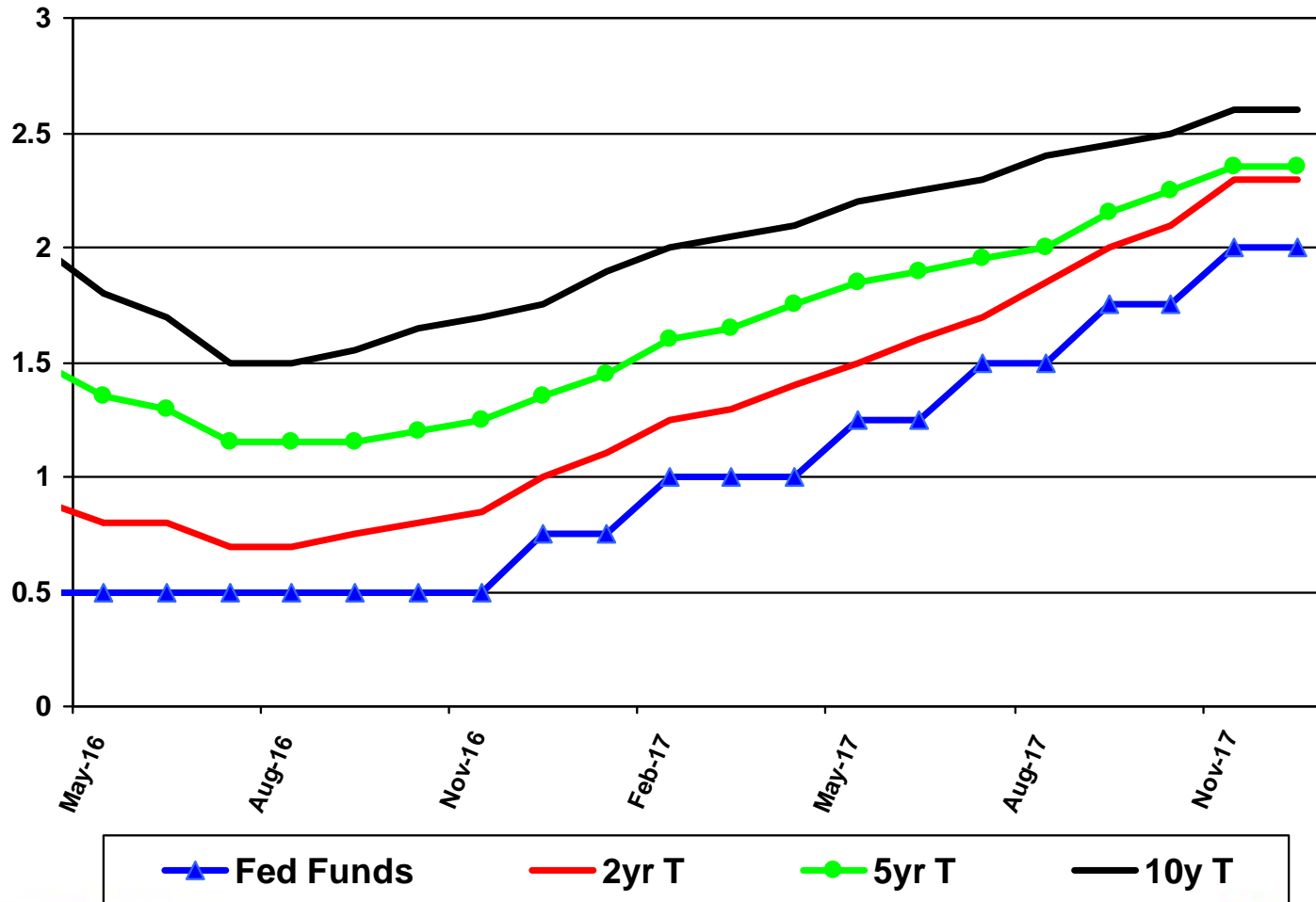
California CREDIT UNION LEAGUE NEVADA CREDIT UNION LEAGUE



# Longer-term yields hit *record lows*



# Interest Rate Forecast — D.J.'s Economix



# Range of Expectations for 06/30/2017

(July 2016 Bloomberg poll – 83 economists)

	Low	Median	High
<b>GDP</b>	-1.00%	<b>2.40%</b>	3.00%
<b>UR</b>	4.00%	<b>4.60%</b>	5.50%
<b>CPI</b>	0.50%	<b>2.25%</b>	3.40%
<b>Fed Funds</b>	0-0.25%	<b>0.75-1.00%</b>	2.00-2.25%
<b>2-Year</b>	.20%	<b>1.15%</b>	2.50%
<b>10-Year</b>	1.00%	<b>2.25%</b>	3.50%

# Three Scenarios

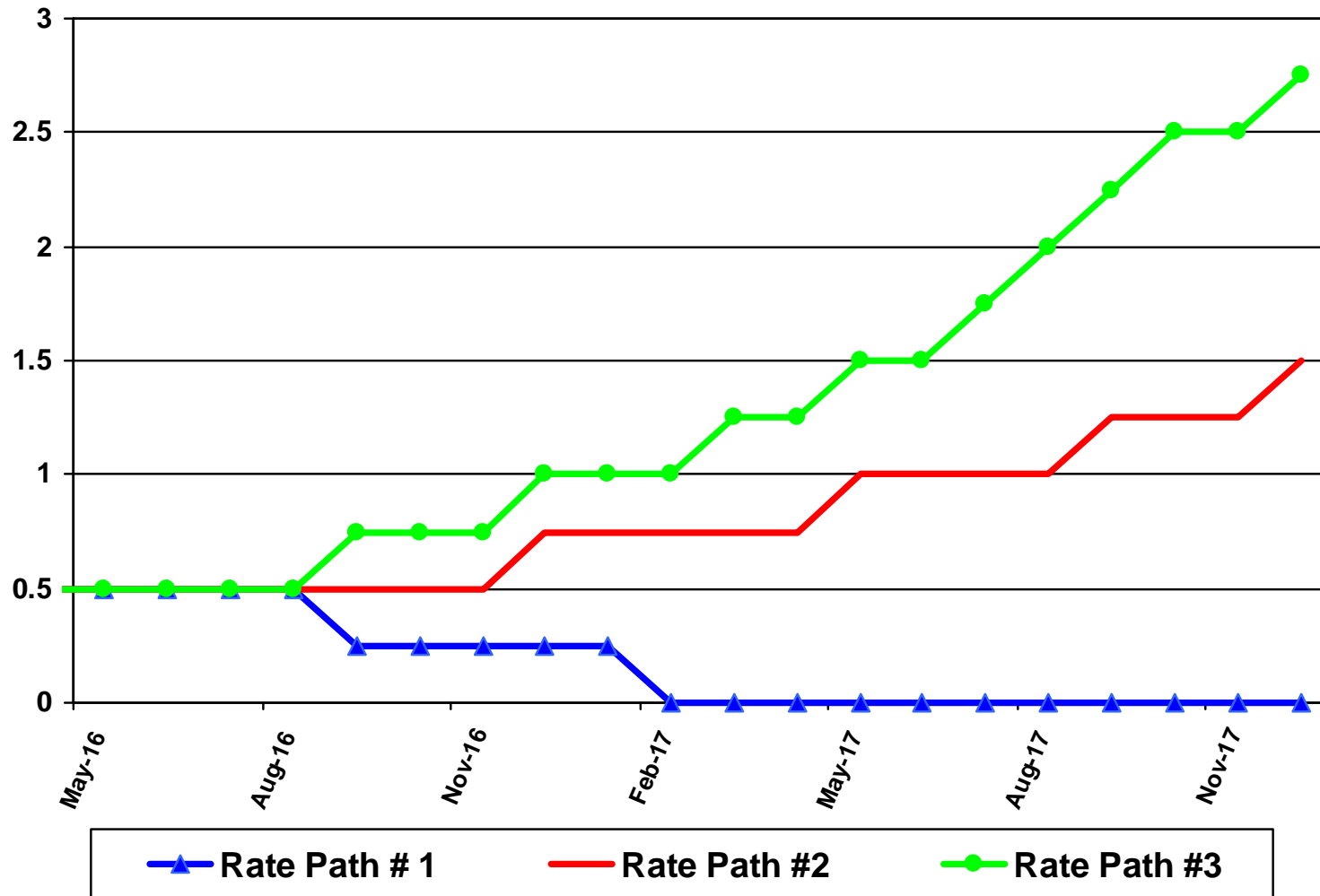
- **Low rate view** – U.S. job growth falters; Asia and Europe stymie global economy; commodities retreat again; deflationary fears emerge (49%)
- **Consensus** – Consumers boost spending; job growth improves slowly; EU crisis avoided; moderate rise in rates; no global slowdown (49%)
- **Inflation Case** – Monetarist case; Fed stays too easy too long; rates and inflation will surge as money supply and money velocity surge (2%)

# Comments on forecasts

- Fed tightening path depends on market volatility and global developments
- September Fed move still possible but unlikely
- Bond market priced to no tightening until 2018
- The key to longer-term rate path depends on inflation and EU outcome — not the Fed
- Currently, odds are even between rate path #1 and #2

# Fed Funds Scenarios

(Rate is high end of Fed range)



# Ten-year Note Scenarios

