

Interest Rate Forecast

March 2017

D.J.'s ECONOMIX

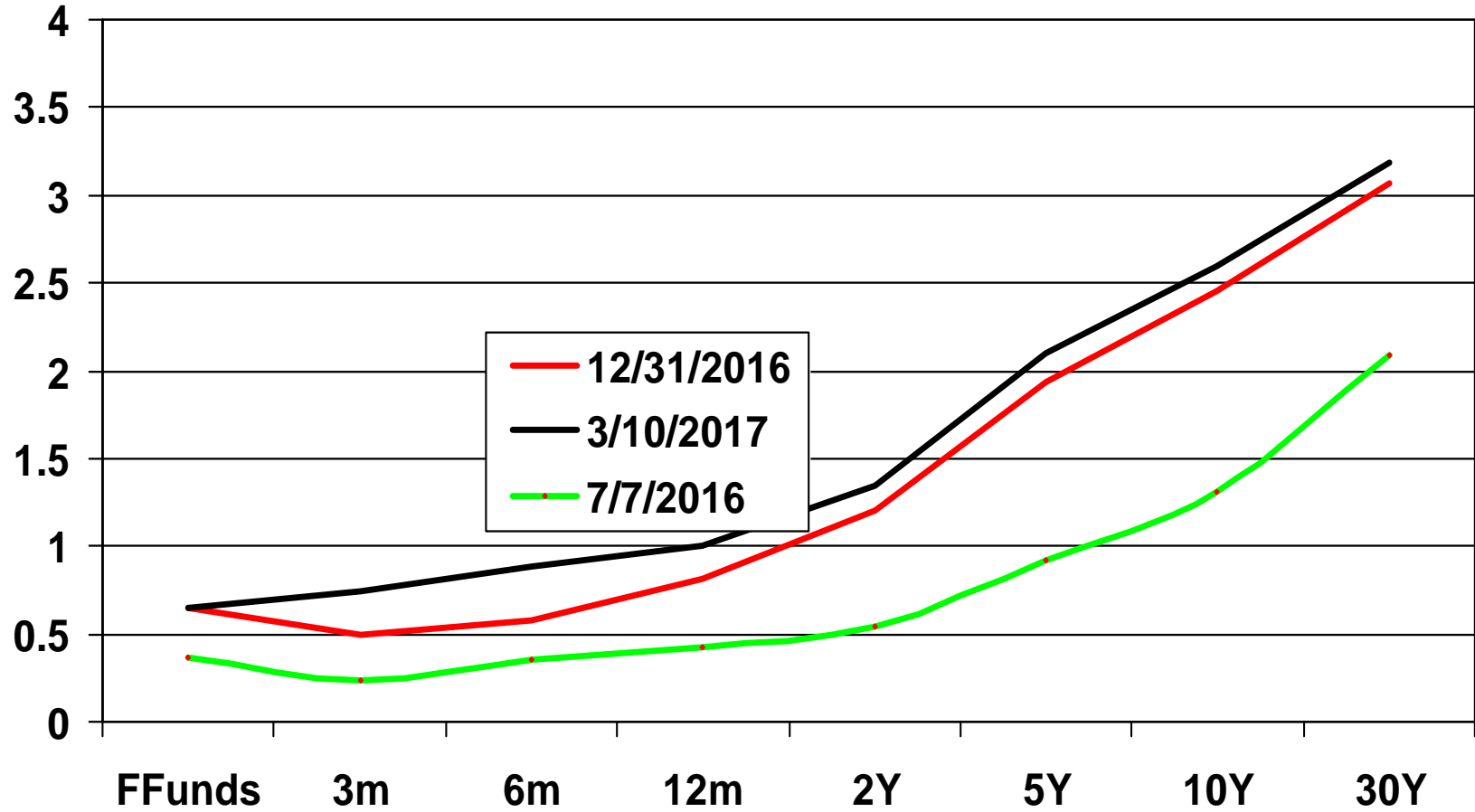
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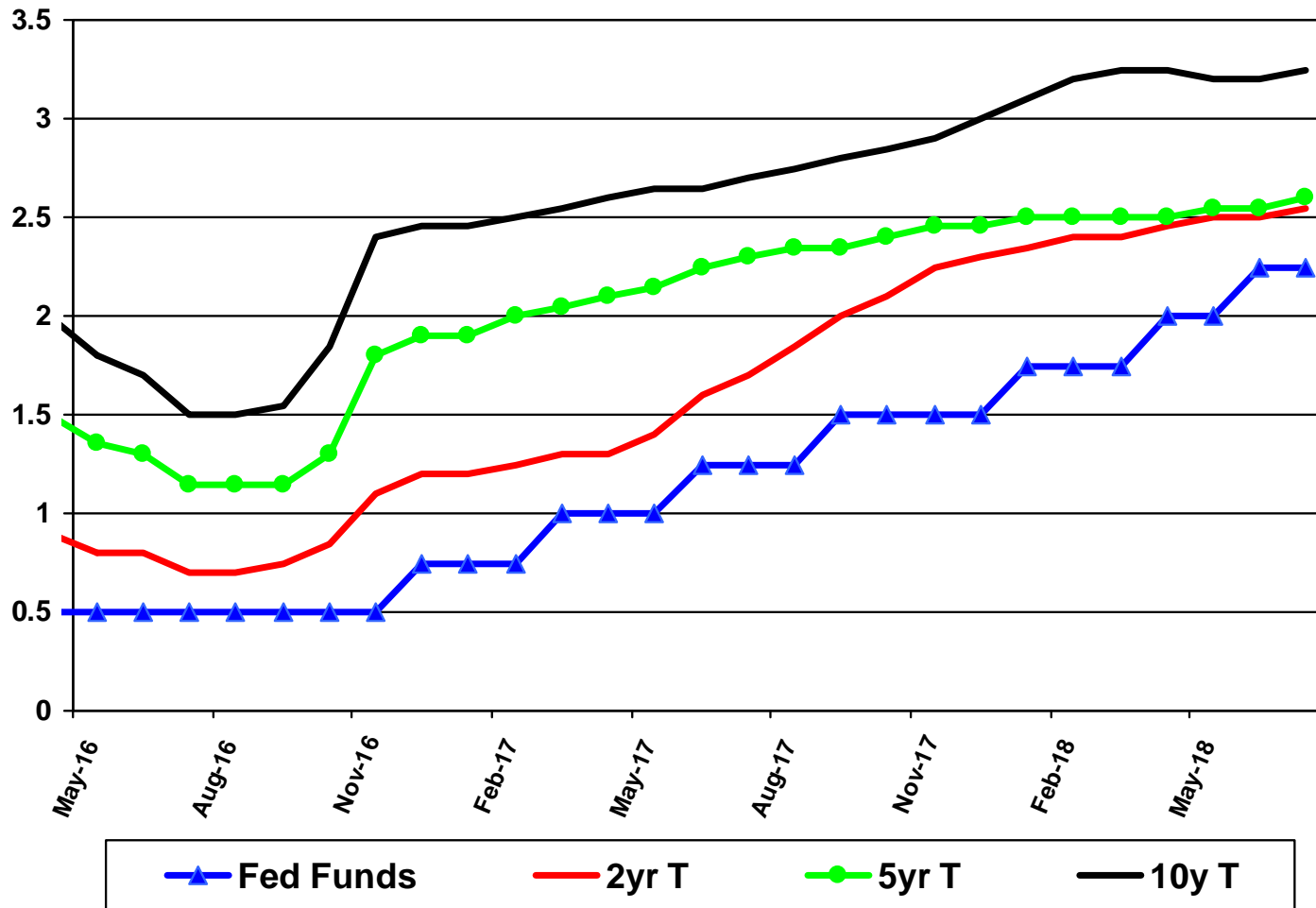
Highlights

- Rates hit lows for the year in March but bounced higher on Fed expectations
- Fed will likely tighten on March 15 but indicate “cautious” approach
- Trump’s erratic performance helping to keep rates capped despite upbeat economic news
- Attention on French election not far off—also something that could keep a lid on rates

Yields higher but range bound



Interest Rate Forecast — D.J.'s Economix



Range of Expectations for 3/31/2018

(February 2017 Bloomberg poll — 82 economists)

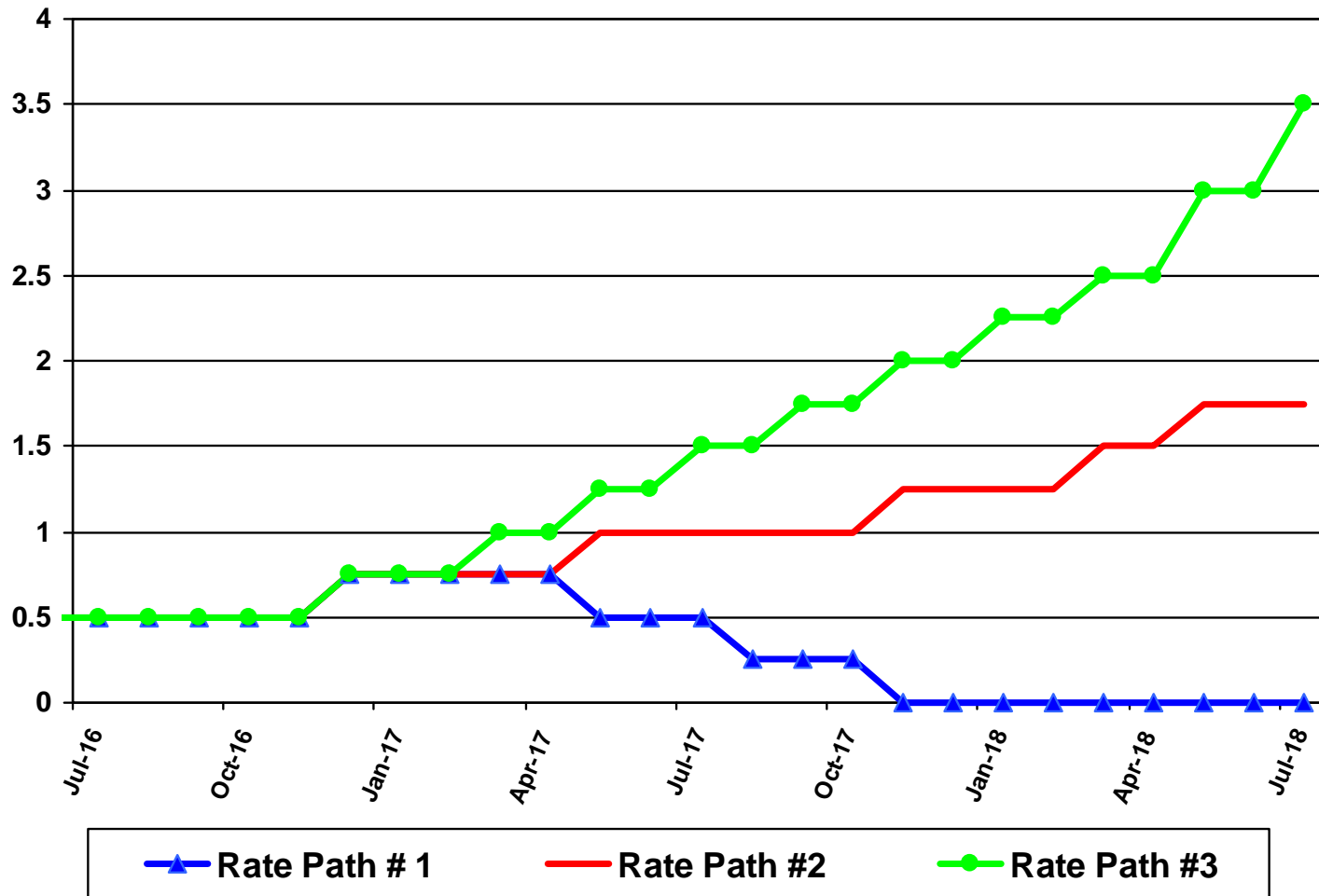
	Low	Median	High
GDP	1.10%	2.40%	4.60%
UR	3.10%	4.50%	5.80%
CPI	1.20%	2.30%	4.00%
Fed Funds	0.50- 0.75%	1.25- 1.50%	1.75- 2.00%
2-Year	.90%	1.85%	2.50%
10-Year	1.35%	2.90%	3.75%

Three Scenarios

- **Low rate view** — Trump optimism fades; China threatens backlash; series of negative outcomes in European votes
- **Consensus** — Optimism drives business growth; wages higher but contained; EU crisis avoided; moderate rise in rates; no global slowdown
- **Inflation Case** — Monetarist case; wages rise more than expected; inflation expectations turn sharply higher; series of liquidations of major bond positions roil bond market

Fed Funds Scenarios

(Rate is high end of Fed range)



Ten-year Note Scenarios

