

*Market Commentary*

*January 2011*



**ZACKS INVESTMENT MANAGEMENT**

**INDEPENDENT**

Research | Thinking | Results

**Zacks**

## ECONOMIC OUTLOOK

### *The Outlook in Brief*

#### Healing Takes Time

**The qualitative features of the outlook remain unchanged. We expect GDP to grow 3.7% next year—two tenths faster than in our last forecast—primarily as a result of revised policy assumptions. For 2012, we lowered our growth forecast by four tenths, to 4.0%.<sup>1</sup>**

- We now assume a (temporary) extension of all the Bush tax cuts, rather than for just the two lower brackets. This boosted projected growth in 2011 by two tenths.
- The greater stimulus provided by fiscal policy is partly offset by our new monetary policy assumption: We lowered our call for large-scale asset purchases (LSAPs) between now and the end of 2011, from \$1.5 trillion to \$1 trillion.
- The main drivers of the pick-up in growth remain the same as in our previous forecast: continued healing of household balance sheets, a delayed release of pent-up demand, and improved consumer and business sentiment.
- The modest downward revision to 2012 growth results primarily from a stronger dollar, a lower projected path for home prices, and higher long-term interest rates.

**The upward revision to growth next year contributes to a slightly faster decline in the unemployment rate than in our last forecast, to 9.3% at the end of 2011 and 8.2% at the end of 2012.**

- We expect the unemployment rate to average 9.7% through the first quarter of 2011.
- The unemployment rate starts to decline meaningfully in the second half of 2011, when GDP growth reaches nearly 4.5%.
- With both core personal consumption expenditures (PCE) and core consumer price index (CPI) inflation (excludes food and energy prices) running below 1%, our forecast of below 1% core PCE inflation in 2011 and 2012 looks to be on the mark.
- Persistent slack continues to put downward pressure on inflation, though stable long-term inflation expectations will help to limit the decline.
- We revised down core inflation by one tenth in 2011 and 2012—to 0.7% and 0.8%, respectively—mostly reflecting much weaker recent core inflation than we had anticipated.

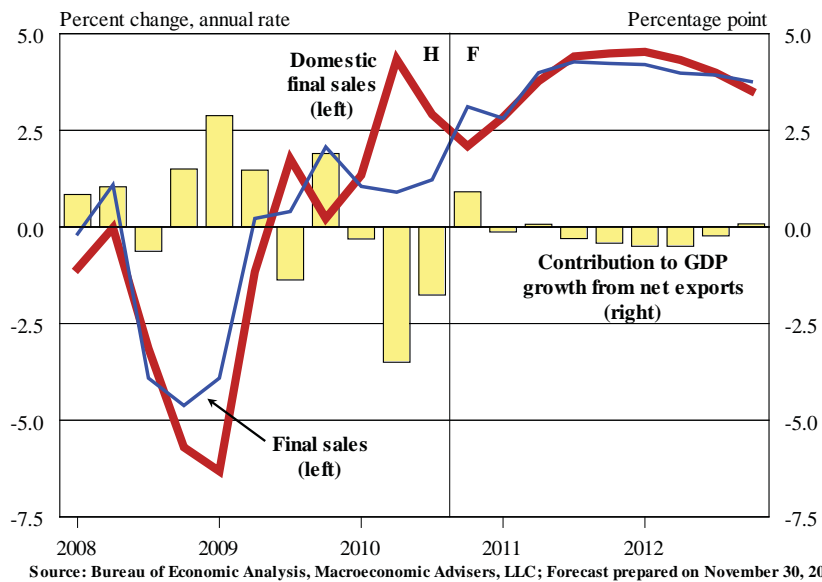
**The downward revision to our LSAPs assumption reflects our reading that the Fed seems a bit more cautious than we had anticipated.**

- Given our view that even \$1.5 trillion in asset purchases would have a quite modest macro effect, our new monetary policy assumption made little difference in the forecast, though it did, at the margin, partially offset the change in fiscal assumptions.
- The market, too, apparently was disappointed by the Federal Open Market Committee (FOMC) statement, as suggested by the higher jump-off for longer-term interest rates for this forecast. Naturally, the higher jump-off for rates dampened the growth outlook a bit.<sup>2</sup>
- Our lower LSAPs assumption also reflects the prospect of more fiscal stimulus than we had previously anticipated.

### The Outlook in Full

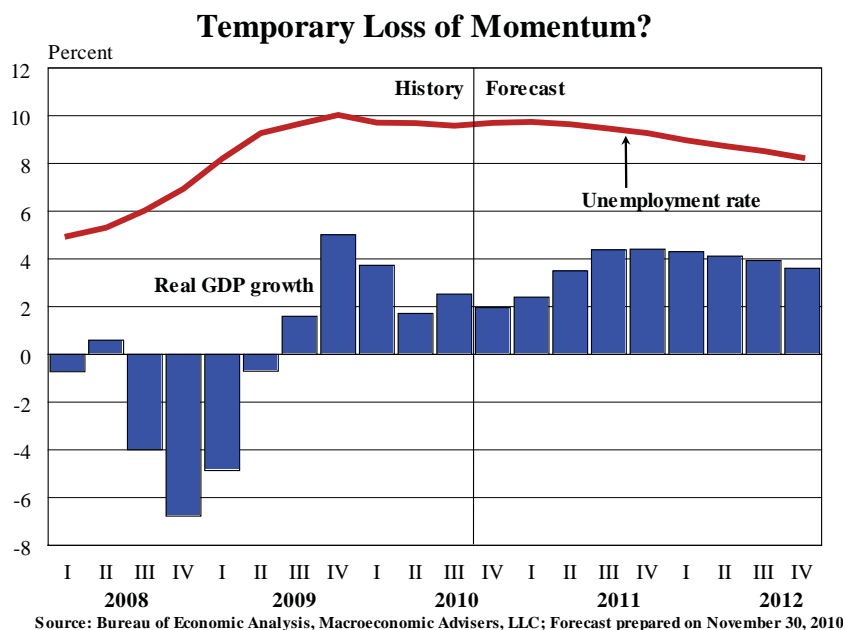
GDP growth in third quarter was revised up by ½ percentage point to 2.5%, which was nearly a percentage point higher than the 1.7% GDP growth reported for the second quarter. Indeed, the revisions reported in the “second estimate” on third-quarter GDP were almost uniformly positive and promising, although growth remained at a rate slightly below trend. Importantly, the composition of the revisions to growth, an upward revision to growth of final sales and a slightly smaller increase in inventory investment, suggest faster growth ahead than we previously expected. In particular, domestic final sales rose at a slightly above-trend 2.9% pace.

#### Recent Drag from Net Exports



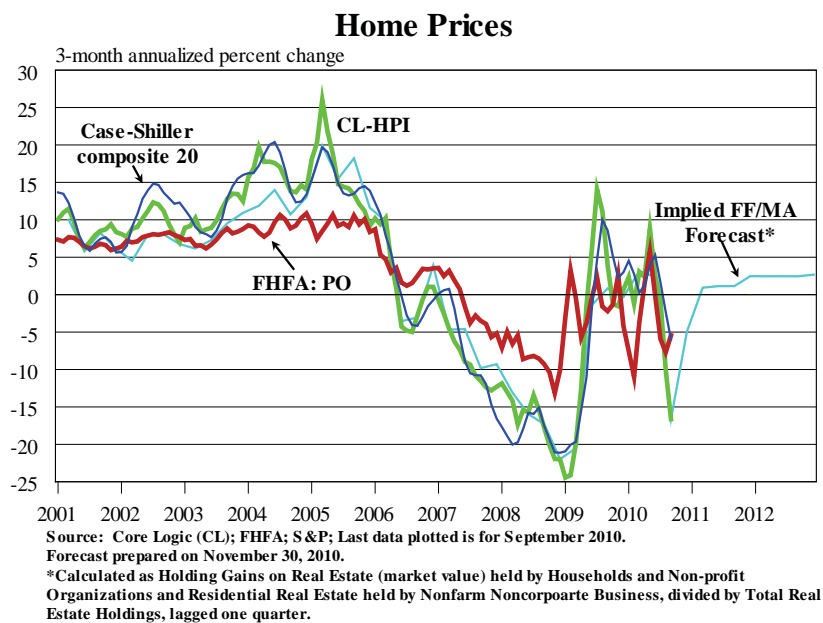
Also encouraging in the third-quarter revisions, growth in consumer spending was marked up two tenths, to 2.8%, and the already-strong expansion in business investment in equipment and software was revised to 16.8%, from 12.0%. The pace of growth in consumer spending in the third-quarter continued the gradual upward trend seen over the last several quarters, which reached a level consistent with trend growth in GDP, and thus to a level that provides a good base for a return to trend growth or above in GDP in the not-too-distant future. The upward revision to business spending on equipment and software in the third quarter followed robust growth in the first half of the year and highlights the important role of this spending category as a driver of overall growth in coming quarters. Roughly half of the growth in GDP over the first three quarters of this year resulted from the expansion in business spending on equipment and software.

Final sales growth was significantly lower than growth of domestic final demand, reflecting another quarter where the drag from net exports weighed down final sales, principally reflecting another surge in imports. On average over the last two quarters, falling net exports have subtracted a whopping 2¾ percentage points from GDP growth, while the annualized growth in imports has averaged 25%. After the 33% surge in imports in the second quarter, we doubted we would again see such a dramatic advance in imports, but the 16.8% annualized gain in the third quarter was still quite robust. While we have been expecting strong growth in imports, reflecting the fact that the level of imports appears to be very low relative to income, growth was still much higher than we had expected in the third quarter.



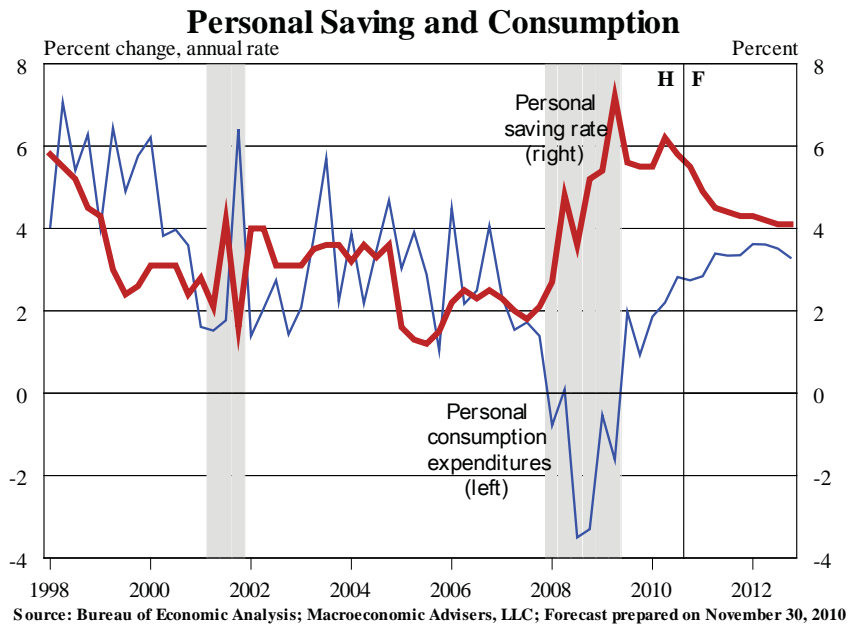
In this round, we have changed our assumption about the extension of the Bush tax cuts. We had assumed in recent forecasts that the Bush tax cuts for the upper two brackets would be allowed to sunset, in line with the President’s proposals. In the last few rounds, we recognized the uncertainty about this assumption and assigned about even odds to our sun-setting assumption. Given the changing political landscape, however, we now judge that the prospects of sun-setting the upper income tax cuts have fallen to well below 50%. Indeed, this forecast assumes a full temporary extension, for two years, of all Bush tax cuts.

Our new tax-cut assumption reduces prospective federal tax revenue by roughly \$60 billion next year, adding a roughly equal amount to disposable personal income, and boosts GDP growth by roughly 0.2 percentage points next year (more like 0.3 percentage points in the first half of the year). Indeed, the full tax-cut extension accounts for all the upward revision in growth in the first half of next year.



We also changed our monetary policy assumption regarding the level of large-scale asset purchases (LSAPs) by the FOMC between now and the end of 2011, from the \$1.5 trillion of purchases assumed in our last forecast to \$1 trillion. Our reading of the November FOMC decision on LSAPs, discussed further below, suggests that the Fed appears likely to be more cautious than we had expected with respect to the scale of asset purchases. Nonetheless, given the modest effect of even \$1.5 trillion of purchases, the lower LSAPs figure assumed in this round had only a very small effect on the forecast, though, at the margin, it did partially offset the effect of the change in fiscal stimulus.

We revised up slightly our projection of growth in the current and next quarters, to 2.0% and 2.4%, respectively. However, growth in this range remains somewhat below our estimate of the rate of growth in potential output (the trend rate) of roughly 2¾%. In this case the unemployment rate should rise very slightly before resuming a downward trend, and that is what we show in our forecast.



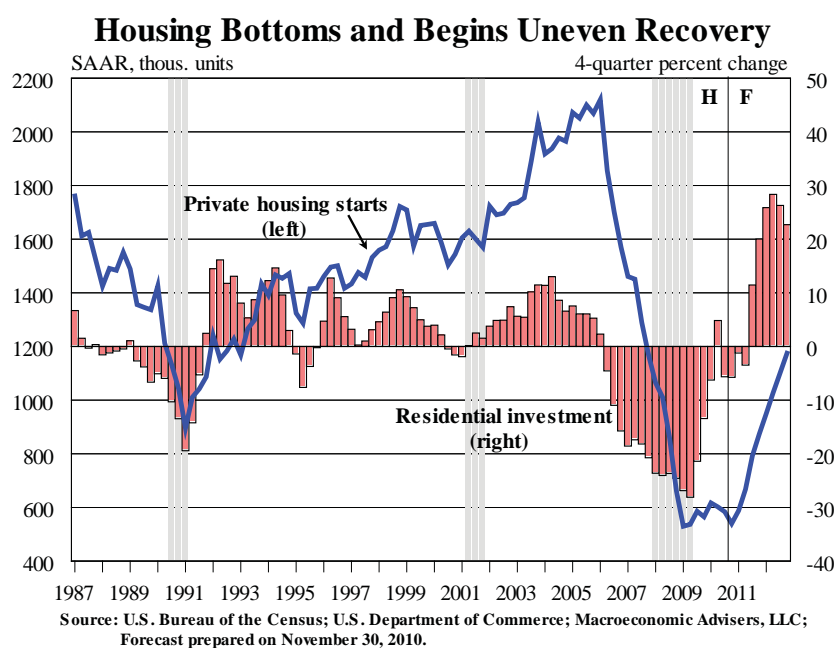
In the current quarter, we expect large but offsetting contributions to GDP growth from rising net exports and falling inventory investment (each adding and subtracting about one percentage point). Still, net exports and inventories are both volatile components that can be subject to substantial data revisions and changes in direction. Thus, swings in these components may importantly determine where we end up in terms of current-quarter growth. For the next quarter, we expect swings in these components to subside, but growth in final sales will likely remain modest.

The below-trend growth in the first quarter reflects, in part, the combined ½ percentage point drag on GDP growth from falling inventory investment and net exports, mostly the former, and higher jump-offs for the dollar and long-term rates than in our previous forecast. These factors partly offset the boost provided by our revised fiscal assumption.

Why does growth remain so weak over the current and next quarter? To be sure some of the weakness must be attributed to the ongoing healing in the economy. For example, de-leveraging by some households has contributed to the rise in the saving rate since the onset of the financial crisis and could restrain the cyclical

recovery in consumer spending. Indeed, while there are other forces that have been boosting the saving rate and keeping it relatively high—such as the cyclical weakness in the labor market and the sharp decline in household net worth since 2007—the on-going de-leveraging process has also played a part.

The healing process is also still under way in both the residential and nonresidential construction sectors, where credit terms have tightened markedly over the past four years, and by some measures have only recently stopped tightening. In the case of housing, higher down payment and credit score requirements, along with limited access to jumbo mortgages are examples of tighter credit terms. Such terms, in turn, have contributed to weak demand for residential real estate, weakness in home prices and still-high levels of inventories, replenished by ongoing foreclosures. As a result, housing starts remain at a depressed level with little sign of a break-out, and consumer balance sheets are slow to recover because falling home prices partly offset gains in the value of equity holdings.



Weak growth in real disposable personal income (DPI) also helps explain the softness we see in the current and next quarters. For instance, PCE is expected to grow at a 2.8% pace over this period, barely at trend, restrained by the weak income growth. DPI growth has been restrained by a number of factors, including still-lackluster gains in employment—aggravated by still-slowing growth of hourly compensation—declines in transfer income related to the loss of unemployment benefits for many unemployed, and a sharp rise in gasoline prices in the fourth quarter. Over the current and next quarter, real DPI growth averages just 0.6%.

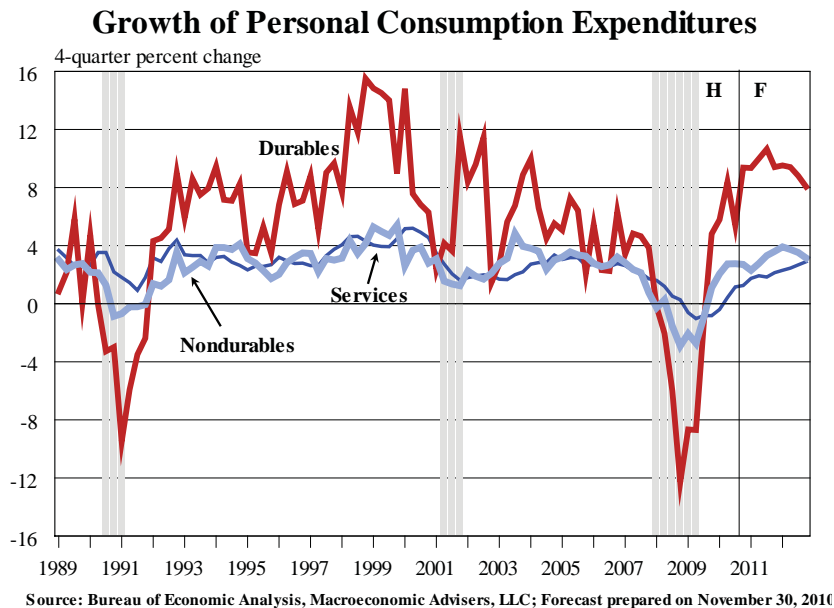
Lastly, we would note that lingering heightened macro uncertainty about the vigor and sustainability of the recovery have likely continued to weigh on hiring and spending decisions in recent months. We expect this elevated uncertainty to gradually dissipate as further positive signs of a transition to self-sustaining above-trend GDP growth start emerging in the first quarter of next year. Indeed, while we expect first-quarter growth to remain below 2½%, we anticipate a solid acceleration in both final sales and domestic demand to a pace that at least could support trend growth in GDP going forward.

By the second quarter of next year we finally see signs of an economy gathering strength, with GDP growth rising to a comfortably above-trend 3.5% rate, sufficiently strong to begin a downward trend in the unemployment

rate. We expect a broad-based acceleration in private final demand at that time, with growth of PCE and non-residential fixed investment together adding roughly  $\frac{3}{4}$  percentage point more to GDP growth in the second quarter than they did in the first. Even residential investment is expected to materially strengthen, advancing nearly 15% and adding about three tenths to GDP growth. Indeed, while we expect inventory investment to be a drag on growth by then, final sales and domestic demand are projected to grow nearly 4%.

We expect the recovery to strengthen significantly in the second half of 2011, with GDP growth moving to 4% or better from the middle of 2011 through most of 2012.

There are many forces that are expected to drive the economy to comfortably above-trend growth from mid-2011 forward. First, the post-crisis healing of balance sheets and market conditions has been underway for some time and will soon run its course. For instance, the de-leveraging of household balance sheets, mentioned above, is captured in our model by a temporary increase in the saving rate. That is, to allow households to pay down debt, they must save more, that is, consume less, for a period of time. As the de-leveraging diminishes and then disappears, the saving rate should fall toward its “normal” level. This process of diminishing de-leveraging began slowly in the second half of this year, as evidenced by the decline in the saving rate. We expect it to pick up steam over the next couple of quarters, with the saving rate returning essentially back to normal (at least as seen through the lenses of our model) by the end of 2011. This decline in the saving rate, and the corresponding continued solid growth of PCE, is one of the most important factors underpinning our forecast. Indeed, the failure of the saving rate to fall, or worse, a resumption of a gradual rise in the saving rate, would be enough to prevent GDP growth from moving above trend.

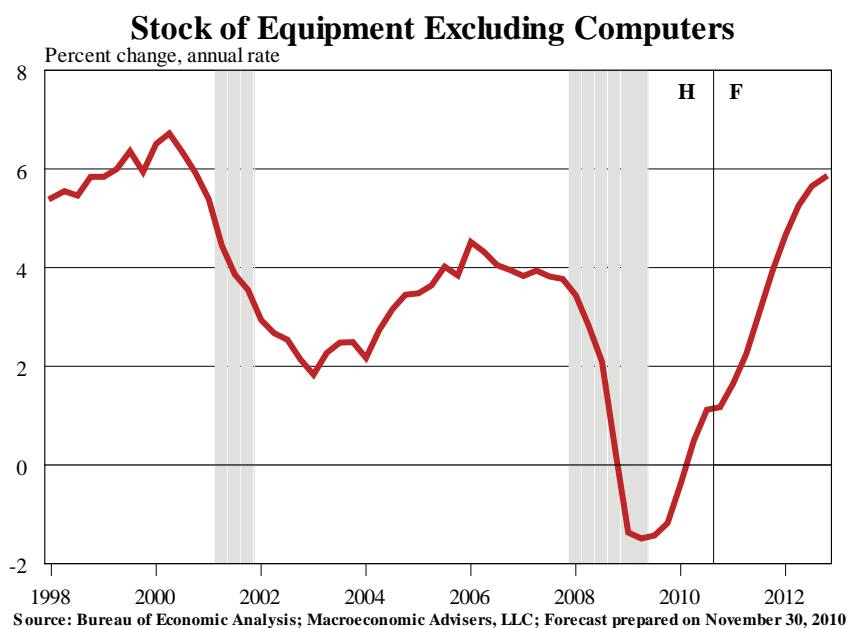


Another important aspect of the healing process is to clear the “debris” from housing markets. This requires some combination of rising housing demand and falling inventories of unsold homes. Large inventories appear to still be putting downward pressure on home prices, which lowers household wealth, slows consumer spending, and discourages new home construction. The foreclosure process will continue to add incremental supply to the market, although at a pace that hopefully has begun to slow. Expected improvements in labor markets and mortgage credit availability will aid household formation and generally support improving housing demand. All of this helps to “wake up” residential investment, which in turn helps to push overall growth still higher.

Housing construction is expected to begin to turn the corner in the second quarter of next year and then gather steam, growing at a rate near 30% for a few quarters. For 2011, we expect residential investment to rise an impressive 20%, followed by another very solid 23% gain in 2012.

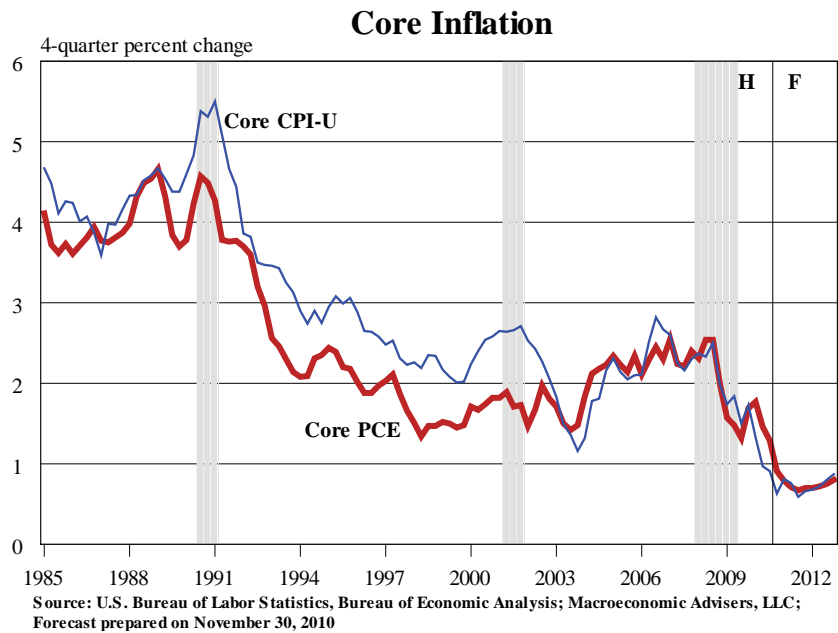
A second driver of the expected strengthening of the recovery is the continued, albeit delayed, release of pent-up demand. Purchases that were postponed during the recession and early recovery, especially on durable goods, tend to be made up quickly once confidence about the sustainability of the recovery becomes more widespread and as the wherewithal to complete these purchases improves. Indeed, a little-appreciated fact of the recovery thus far seems to be the strength of spending on consumer durables, which is on track to rise over 9% this year. Moreover, durables spending is ending 2010 on a strong note, with spending on motor vehicles and parts projected to rise at a 28% rate in the fourth quarter, while spending on other durables is expected to rise at a 9% pace. With further gains in equities, an expected upturn in house prices, and a steadily improving labor market, another 9% rise in spending on durables next year seems quite achievable.

A similar release of pent-up demand may also be reflected in the strength of equipment spending over the last few quarters and in the forecast. Investment in equipment other than computers fell to such a low level during the recession that the stock of this type of capital actually declined over 2009. As such, the sharp recovery in business spending on equipment and software in large measure reflects the release of pent-up demand, as well as a move to a sustainable level of investment outlays. Growth of spending on computers, which did not fall nearly as much as spending on other equipment during the recession, has also been quite strong over the past year: We expect it to grow 12% this year and nearly 17% next year.



We should not leave out the effects of extraordinarily accommodative monetary policy as an important driver of the recovery. Not only the fact that the Fed has aggressively expanded its balance sheet, but the fact that policy remains accommodative (with the funds rate near zero) through most of the forecast. Some may say that the fact that the unemployment rate is so high is proof that monetary policy has been largely ineffective. There is no question, however, that long-term Treasury yields and private borrowing costs are lower today as a result of the Fed's aggressive policy. This has both facilitated balance sheet repair and supported aggregate

demand. In addition, monetary policy actions have surely reduced downside tail risks and prevented a still-worse outcome.

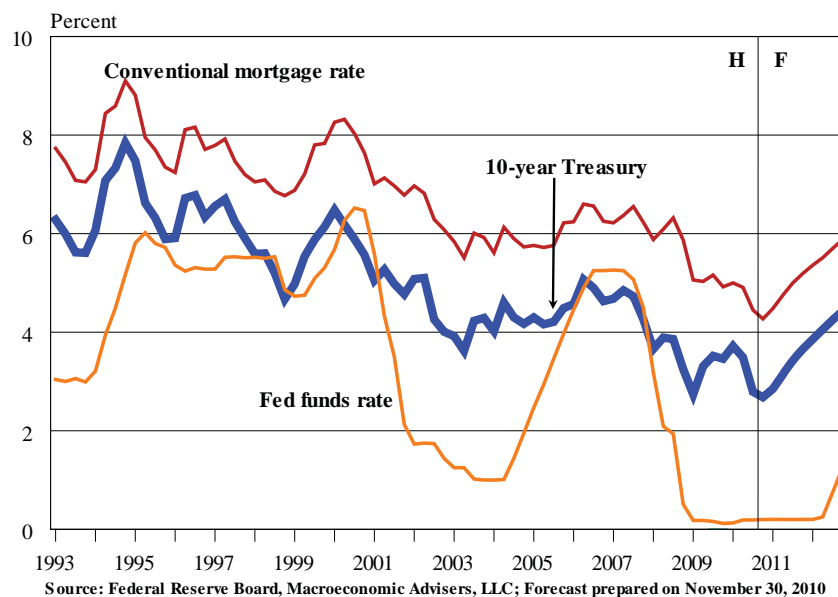


Core inflation has continued to trend lower. The 12-month inflation rates for core PCE and core CPI have now both fallen to below 1%, to 0.9% and 0.6% respectively. Inflation rates for these series measured over the last three months are 0.4% and 0.2%, respectively. While some continue to worry about a reversal of the restraining effect of declining or very low increases in the imputed rent of owner-occupied housing (IROOH), the weight of this component in the core PCE suggests that a return to normal will raise this measure only modestly, by perhaps ¼ percentage point. In addition, and more important for the short-run, house prices have resumed a decline, so any reversal seems further away. In any case, the further moderation in core inflation is widespread across components, and other inflation gauges, less influenced by IROOH, are tracking core PCE and core CPI well. For example, market-based core PCE has been essentially flat over the past three months, and rose just 0.7 in the 12 months to October. We expect core PCE inflation next year to be just 0.7%, and 0.8% in 2012. The corresponding core CPI inflation rates are 0.7% and 0.9%, respectively.

How persistent this rate of inflation will be, specifically what the forecast is over the next few years, and the degree to which deflation risk has risen is very important to the assessment of monetary policy going forward. We judge inflation, from the perspective of monetary policy, to be too low, and that such low and perhaps still-declining inflation was one of the thresholds that moved the FOMC to resume LSAPs in November. We continue to see core inflation below 1% over the next two years, rising only gradually thereafter as the unemployment rate begins to move back toward its equilibrium level.<sup>3</sup>

After Greece, several peripheral Euro economies remained possible, even probable, targets for the spread of the sovereign debt crisis. It was clear at that time that Ireland, Portugal, and Spain were the likely next countries to face a market attack, and, given its size, Spain could be a game changer. That is, if the crisis were to spread to Spain, it could have very destabilizing implications for the euro area and beyond. Indeed, when the crisis in Greece escalated and massive intervention was necessary, there were clear spillovers to U.S. financial markets, warranting a downward revision in our forecast for growth, though the spillovers dissipated very quickly.

## Short- and Long-Term Interest Rates



At that time, we wrote that there were several channels through which the effects of such a crisis spread to other countries and specifically to the U.S. The first, and most obvious one, is via trade flows. A reduction in income growth in the crisis country has inevitable spillover effects to countries that are more closely connected to the country in crisis via trade. This spillover, however, tends to be very weak in the U.S., given both the very small trade between most of the crisis countries and the U.S. and given the share of imports and exports in the U.S. relative to GDP. Second, exchange rates depreciated in the affected (and surrounding) countries, leading to an appreciation of the dollar, in this case relative to the euro. This reinforces any effect on trade flows, slows GDP growth in the U.S., and marginally lowers inflation here. The third effect is on broader financial markets and reflects a declining appetite for risk. As a result, the prices of all risk assets fall, along with household net worth. This last channel was the one that was most important in our analysis of the crisis in Greece. Finally, depending on banks' exposures to the crisis countries, banks may find themselves with depleted capital, and, in the extreme, closer to insolvency and likely at least to face liquidity strains. There is not such concentration of loans to the peripheral countries in U.S. banks. However, a threat to the European banking system would still reinforce all the financial market spillovers we just mentioned, especially given the interrelated nature of the global banking system.

Given our assumptions about the intensity and duration of the initial crisis, we assumed that the initial deterioration in financial conditions would last for about a year, and, as a result, revised downward growth by 0.4 percentage point in the second half of this year and by 0.1 percentage point next year. In fact, the impact on financial conditions was very brief and we took out even this small effect in subsequent forecasts.

Today, we do not yet see strong signs of spillover of the latest signs of stress in Europe to U.S. financial markets. As a result the escalation and spread of the European sovereign debt crisis did not affect our forecast, beyond its possible role in the recent strengthening of the dollar and the softening in equity prices in late November. However, the recent developments do raise uncertainty about spillovers and constitute a downside risk to our forecast. Eurozone intervention seems likely for Portugal and, maybe, for other member countries, but the core of our view about the limited effect on the U.S., even if other peripheral countries are threatened, is that

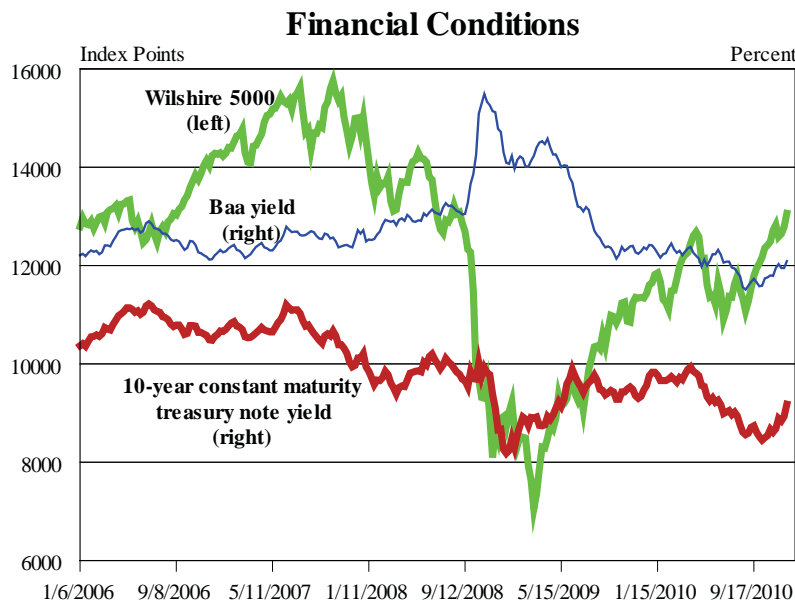
European governments and the European Central Bank (ECB), supported by the International Monetary Fund (IMF), will do “whatever it takes” to contain the crisis. The failure to do so could threaten the existence of the Eurozone, and that is an intolerable outcome for all the governments involved, however unpopular further government intervention has become.

As discussed earlier, we lowered our expectation of total LSAPs between now and the end of 2011, from \$1.5 trillion to \$1 trillion. On net, the FOMC signaled last month a smaller appetite to engage in LSAPs than we had anticipated. The initial level of purchases, \$600 billion, was close to our expectations, but it was spread over a longer period than we had anticipated (an average pace of purchases of \$75 billion a month, compared to our expectation of \$100 billion a month). The language of the FOMC statement was not as forceful as we expected in pointing to further purchases after the initial \$600 billion, despite the still-grim outlook. We interpret the FOMC as having taken a “time out,” a six-month quiet time during which the FOMC will reassess its plans for the second half of 2011 in light of the incoming data.

At the margin, higher odds of greater fiscal stimulus than we anticipated in our last forecast, in the form of a possible extension of the “Bush tax cuts” for the higher income brackets, may also have reduced the FOMC’s willingness to provide additional monetary policy accommodation.

We still expect the FOMC’s funds rate target to remain unchanged through mid-2012. Shortly thereafter, or perhaps at the same time, we continue to anticipate that the FOMC will also begin to gradually sell some of its long-term securities holdings.

On net, financial conditions have tightened since early November, reversing most of the easing of conditions during the period leading up to our last forecast. Yields on coupon-bearing Treasuries have risen sharply, and the dollar has appreciated. These developments apparently were driven, in part, by a scaling back of market expectations of future LSAPs in the aftermath of the November FOMC announcement, and the dollar was likely boosted as well by the renewed fiscal turmoil in the Eurozone.



The two- to ten-year sector of the Treasury yield curve moved up substantially since our last forecast, with yields moving 20 to 50 basis points higher. This is all the more remarkable given that the global context has been one of renewed anxiety over the fate of peripheral euro-area countries, which would normally put some downward pressure on Treasury yields. Our current-quarter jump-offs for the two- and ten-year yields are five and 20 basis points higher than our previous forecast. Looking ahead, our downwardly revised LSAPs call contributes to a slightly higher path for longer-dated yields next year than in our previous projection. We now expect the ten-year yield to end next year at 3.7%, approximately 15 basis points above our previous forecast. Our forecast for the ten-year yield at the end of 2012 is little changed from last month, at 4.4%.

Our forecast calls for conditions outside the Treasury market to remain benign. Most corporate spreads have narrowed a bit since our last forecast, consistent with the notion that changing LSAPs expectations would have a more direct effect on Treasury yields. Going forward, we still expect corporate spreads to narrow as the economy improves. The Baa spread over Treasuries is expected to close by roughly an additional 85 basis points through the end of 2012. Our forecast for the conforming mortgage spread is little changed from last month; we continue to expect only a quite modest narrowing of roughly 14 basis points through the end of 2012.

We have revised upward our expectations for the dollar to reflect both our downgraded views on prospective monetary policy accommodation and lingering concerns about the Eurozone. As for the stock market, we expect broad equity indexes to rise 10%-13% in each of the next two years, supported by rising profits, strong dividend growth, and improved risk appetite.

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<sup>1</sup> Unless otherwise noted, all quarterly growth rates are expressed as compound annual rates, all expenditure components of GDP are chained 2005 dollars, and all annual growth rates are stated as fourth-quarter over fourth-quarter.

<sup>2</sup> The FOMC is the Fed's main policy-making body comprised of the seven governors of the Federal Reserve and presidents of 8 of the 12 Federal District banks on a rotating basis..

<sup>3</sup> In the FOMC's last forecast, released with the minutes of the November meeting, the median forecast for core PCE inflation was 1.1% next year and 1.3% in 2012, both down one tenth from the June forecast.

## ZACKS INVESTMENT MANAGEMENT

	History									2009	2010	2011	2012
	2010.1	2010.2	2010.3	2010.4	2011.1	2011.2	2011.3	2011.4	2012.1				
<b>Real GDP &amp; Components</b>													
	<b>% change annual rate</b>									<b>q4/q4</b>			
<b>GDP</b>	3.7	1.7	2.5	2.0	2.4	3.5	4.4	4.4	4.3	0.2	2.5	3.7	4.0
<b>Personal Consumption Expenditures</b>	1.9	2.2	2.8	2.7	2.8	3.4	3.3	3.4	3.6	0.2	2.4	3.2	3.5
<b>Business Fixed Investment</b>	7.8	17.2	10.3	3.2	10.3	13.2	16.4	16.4	15.3	-12.7	9.5	14.0	11.8
<b>Real Activity</b>	<b>quarterly averages, unless noted</b>									<b>annual avg.</b>			
<b>Private Housing Starts (thous units)</b>	617	602	584	540	588	668	793	874	950	554	586	731	1064
<b>Light Vehicle Sales (mil units)</b>	11.0	11.3	11.6	12.1	12.3	13.0	13.5	13.8	14.2	10.4	11.5	13.2	14.7
<b>Industrial Production (% ch, a.r.)</b>	7.1	7.1	5.2	1.7	3.4	3.7	5.0	5.4	4.9	-3.8	5.3	4.4	4.0
<b>Manuf. Capacity Util. (%)</b>	70.0	71.6	72.3	73.0	73.6	73.9	74.4	74.9	75.2	67.2	71.7	74.2	75.2
<b>Unemployment Rate (%)</b>	9.7	9.7	9.6	9.7	9.7	9.6	9.5	9.3	9.0	9.3	9.7	9.5	8.6
<b>Prices, Productivity, &amp; Costs</b>	<b>% change annual rate, unless noted</b>									<b>q4/q4</b>			
<b>CPI (all urban)</b>	1.5	-0.7	1.5	2.2	1.4	0.0	0.6	0.7	0.8	1.5	1.1	0.7	0.9
<b>Core CPI (all urban)</b>	0.0	0.9	1.2	0.4	0.7	0.7	0.6	0.7	0.8	1.7	0.6	0.7	0.9
<b>PPI (finished goods)</b>	8.5	-0.5	0.9	3.8	1.1	0.5	-0.2	-0.3	0.0	1.5	3.1	0.3	0.0
<b>Compensation Per Hour</b>	-0.9	2.9	2.3	2.1	2.2	2.0	2.1	2.2	2.2	2.5	1.6	2.1	2.0
<b>Output Per Hour</b>	3.9	-1.8	2.6	0.5	1.4	1.7	2.6	2.5	1.9	6.2	1.3	2.1	1.9
<b>Price of Imported Oil (\$/barrel)</b>	75.2	74.4	74.4	81.2	79.4	79.2	79.3	79.6	79.9	59.4	76.3	79.4	80.6
<b>Selected Interest Rates</b>	<b>quarterly average (%)</b>									<b>annual avg</b>			
<b>Federal Funds Rate</b>	0.13	0.19	0.19	0.20	0.20	0.20	0.20	0.20	0.20	0.16	0.18	0.20	0.61
<b>10-Year Treasury Bond Yield</b>	3.72	3.49	2.79	2.68	2.85	3.14	3.42	3.66	3.86	3.26	3.17	3.27	4.15
<b>Aaa Corporate Bond Yield</b>	5.29	5.04	4.58	4.77	4.75	4.94	5.13	5.26	5.36	5.31	4.92	5.02	5.55
<b>Incomes &amp; Related Measures</b>	<b>% change annual rate, unless noted</b>									<b>q4/q4</b>			
<b>Corporate Profits</b>	48.9	12.7	11.5	2.6	5.1	1.3	8.4	7.6	5.8	42.5	17.7	5.6	5.2
<b>HH Net Worth, Equities (qrtrly rate)</b>	5.5	-11.7	11.1	4.4	2.1	2.6	2.2	3.3	3.5	26.1	8.0	10.6	12.6
<b>Federal Surplus (FY, Uni, bills \$)</b>	-1316	-1148	-1161	-1483	-1627	-1010	-1226	-1284	-1448	-1416	-1294	-1336	-1189

Source: Macroeconomic Advisers, LLC<sup>SM</sup>

### *About Zacks Investment Management*

Zacks Investment Management, a wealth management boutique, is a leading expert on earnings and using earnings estimates in the investment process. We are a wholly owned subsidiary of our parent company, Zacks Investment Research, one of the largest providers of independent research in the U.S.

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