

# Blue Chip Financial Forecasts<sup>®</sup>

**Top Analysts' Forecasts Of U.S. And Foreign Interest Rates, Currency Values  
And The Factors That Influence Them**

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# BLUE CHIP FINANCIAL FORECASTS®

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## Tapering Still Not Likely To Commence Until Early 2014

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**Domestic Commentary** In November, Treasuries suffered their first monthly loss since August as market participants reacted to generally better-than-expected economic news and minutes from the Federal Open Market Committee's October 29<sup>th</sup>-30<sup>th</sup> meeting that stated policymakers anticipated reducing the size of their \$85 billion monthly bond purchase program "at one of its next few meetings." Exactly when the Fed might begin to reduce the size of its bond buying, however, remains subject to considerable conjecture in the market and among our survey panelists given that such a move remains according to the Fed "data dependent". Some of our panelists continue to predict a tapering announcement at the December 17<sup>th</sup>-18<sup>th</sup> 2013 or January 28<sup>th</sup>-29<sup>th</sup> FOMC meetings, but a sizable majority still assume policymakers will wait until the March 18<sup>th</sup>-19<sup>th</sup> meeting, and a few say still later than that. However, it is now widely assumed that any move to taper will be accompanied by a change in the Fed's forward guidance that would extend policymakers' commitment to holding the federal funds rate target at its current level of essentially zero for an even longer period of time. As a consequence, the spread between 5-year and 10-year Treasury note yields is now at its widest since July 2011.

At the FOMC's late-October meeting policymakers made only minor changes to their assessment of the economy and made no changes to the policy statement. While the partial shutdown of the Federal government in October had played a role in prompting some market participants to assume a tapering of the Fed's bond purchases would occur later than earlier assumed, the policy statement continued to say "downside risks" to the economy have diminished since last fall. Economic data released since then seems to have confirmed that the shutdown had less of a negative impact on the economy's performance than many had earlier assumed.

Minutes of the October FOMC meeting released on November 20<sup>th</sup> confirmed that actual discussion of immediate policy changes was limited. Instead most of the meeting appeared to revolve around what was labeled "policy planning" or changes in tactics to achieve the Fed's intermediate-term policy goals. Among the potential changes discussed was a reduction in the 6.5% unemployment threshold for an eventual increase in the federal funds rate target. This idea could become more important if Congress fails to extend the Emergency Unemployment Compensation program that expires January 1<sup>st</sup>. About 1.3 million people now receive EUC benefits. If a significant percentage of these people stopped looking for work after benefits expired, the labor force participation rate would fall and along with it the unemployment rate. Markets might react by pulling forward the date at which the Fed would begin to tighten policy while in the Fed's opinion conditions in labor markets would really not have improved. Also discussed at the late-October meeting was the addition of an inflation threshold below which the Fed would commit not to raise its funds rate target, a reduction in the interest rate paid by the Fed to banks on excess reserves; a mechanical rule for deciding when to taper bond purchases; and whether open market operations could be used by the Fed to influence market expectations about the expected course of short-term interest rates. None of these ideas seemed to garner overwhelming support from FOMC members, however, and no decisions were made.

Given that the FOMC's December 17<sup>th</sup>-18<sup>th</sup> meeting will involve new economic projections and a press conference by the Chairman – Ben Bernanke's last before his replacement by Janet Yellen – it would seem a more appropriate time for a major policy announcement. However, markets and most analysts appear to believe a lack of unanimity among policymakers on what if any changes need to be made will forestall significant action until sometime in early 2014. A delay also would give Fed policymakers an opportunity to access how Congress will deal with expiration of current Federal government

funding that expires January 15<sup>th</sup>, sizable, scheduled Federal spending reductions in 2014, and expiration of the Federal debt limit on February 7<sup>th</sup>. While most analysts think the spending cuts will be reduced, another government shutdown avoided, and the debt limit raised, there is no such thing as certainty in Washington.

Another reason to think that an announcement from the Fed on tapering or anything else will not come until early next year is that while economic data has generally beat expectations over the past several weeks the outlook still remains cloudy. Real GDP growth in Q3 came in at a stronger-than-expected 2.8% (saar), according to the government's initial estimate. However, the strength was largely accounted for by a surge in private inventories that offset slower growth in personal consumption of only 1.5% and nonresidential fixed investment of just 1.6%. Indeed, final sales to domestic purchasers slowed to 1.7% in Q3 from 2.1% in Q2. The government's second estimate of real GDP growth in Q3 – due out on December 5<sup>th</sup> – is widely expected to show even faster growth last quarter of slightly more than 3.0%, but again, the boost will almost solely result from an even larger contribution from inventories. Indeed, rising inventory levels have contributed considerably to real GDP growth through the first three quarters of this year. The consensus, however, predicts the reverse will be true in the current quarter, and that inventories will subtract considerably from GDP's growth rate. Also likely to weigh on growth this quarter is federal spending and investment due to the partial government shutdown. In Q3, total government consumption and investment increased 0.2%, the first increase in exactly a year. Growth resulted from an outsized gain of 1.5% in state and local spending. This quarter, however, state and local spending is likely to be slower and the contraction in Federal spending larger, due to the partial government shut down. On the other hand, growth in real final sales to domestic purchasers in the current quarter is expected to exceed its Q3 pace by a few tenths of a percentage point on faster growth in personal consumption and business investment.

According to our November 26<sup>th</sup>-27<sup>th</sup> survey, the consensus predicts real GDP will grow 1.9% (saar) in the current quarter, 0.2 of a percentage point less than estimated a month ago. While the consensus continues to forecast that real GDP growth will accelerate thereafter, growing 2.6% in Q1 2014 and 2.7% in Q2, both those estimates slipped 0.1 of a point over the past month. Thereafter, real GDP growth is projected by the consensus to pick up to 2.8% and 2.9%, respectively, in Q3 and Q4 of next year, the same as estimated a month earlier. The consensus forecasts of real GDP's growth rate in Q1 2015 also remained unchanged at 3.0%.

Consensus forecasts of inflation continued to drift lower this month with the Consumer Price Index projected to increase just 1.3% (saar) this quarter, 0.4 of a percentage point less than estimated a month earlier. The CPI is forecast to increase 1.8% in Q1 and Q2 of next year and 2.1% and 2.0% in Q3 and Q4, each 0.1 of a point less than forecast last month. Consensus forecasts of the GDP price index showed similar declines this month.

**Consensus Forecast** Real GDP growth this quarter will be considerably softer than in Q3, according to the consensus, but largely the result of slower inventory building. Economic growth is expected to accelerate in 2014, growing at an above-trend rate by next summer. Headline inflation will remain tame in the near-term, but core inflation will likely creep higher over the course of next year. As the economy improves, Treasury yields will rise and the Fed will reduce the size of its monthly bond purchases. The bond purchase program will likely be concluded by the end of 2014 (*see page 2*).

**Special Questions** On page 14 are results of our twice-yearly, long-range survey with estimates for the years 2015 through 2019 and averages for the 5-year periods 2015-2019 and 2020-2024.

## Consensus Forecasts Of U.S. Interest Rates And Key Assumptions<sup>1</sup>

Interest Rates	-----History-----								Consensus Forecasts-Quarterly Avg.						
	-----Average For Week Ending-----				----Average For Month----				Latest Q	4Q	1Q	2Q	3Q	4Q	1Q
	Nov. 22	Nov. 15	Nov. 8	Nov. 1	Oct.	Sep.	Aug.	3Q 2013		2013	2014	2014	2014	2014	2015
Federal Funds Rate	0.09	0.08	0.08	0.08	0.09	0.08	0.08	0.08	0.1	0.1	0.1	0.2	0.2	0.2	
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.3	3.3	3.3	3.3	3.3	3.3	
LIBOR, 3-mo.	0.24	0.24	0.24	0.24	0.24	0.25	0.26	0.26	0.3	0.3	0.3	0.3	0.4	0.4	
Commercial Paper, 1-mo.	0.06	0.06	0.04	0.05	0.07	0.05	0.05	0.05	0.1	0.1	0.1	0.2	0.2	0.2	
Treasury bill, 3-mo.	0.08	0.08	0.05	0.04	0.05	0.02	0.04	0.03	0.1	0.1	0.1	0.1	0.1	0.2	
Treasury bill, 6-mo.	0.10	0.10	0.09	0.08	0.08	0.04	0.07	0.06	0.1	0.1	0.1	0.2	0.2	0.3	
Treasury bill, 1 yr.	0.13	0.13	0.11	0.11	0.12	0.12	0.13	0.12	0.1	0.2	0.2	0.3	0.4	0.5	
Treasury note, 2 yr.	0.30	0.32	0.31	0.32	0.34	0.40	0.36	0.37	0.3	0.4	0.5	0.7	0.8	1.0	
Treasury note, 5 yr.	1.37	1.40	1.36	1.32	1.37	1.60	1.52	1.51	1.4	1.5	1.7	1.8	2.0	2.1	
Treasury note, 10 yr.	2.74	2.74	2.68	2.57	2.62	2.81	2.74	2.71	2.7	2.8	3.0	3.1	3.2	3.3	
Treasury note, 30 yr.	3.84	3.82	3.76	3.64	3.68	3.79	3.76	3.72	3.7	3.9	4.0	4.1	4.2	4.2	
Corporate Aaa bond	4.65	4.67	4.60	4.48	4.53	4.64	4.54	4.51	4.6	4.7	4.8	4.9	5.0	5.0	
Corporate Baa bond	5.40	5.43	5.36	5.23	5.31	5.47	5.42	5.40	5.4	5.5	5.6	5.7	5.8	5.9	
State & Local bonds	4.60	4.64	4.56	4.48	4.56	4.79	4.82	4.72	4.6	4.6	4.7	4.8	4.8	4.9	
Home mortgage rate	4.22	4.35	4.16	4.10	4.19	4.49	4.46	4.44	4.3	4.5	4.6	4.7	4.8	4.9	

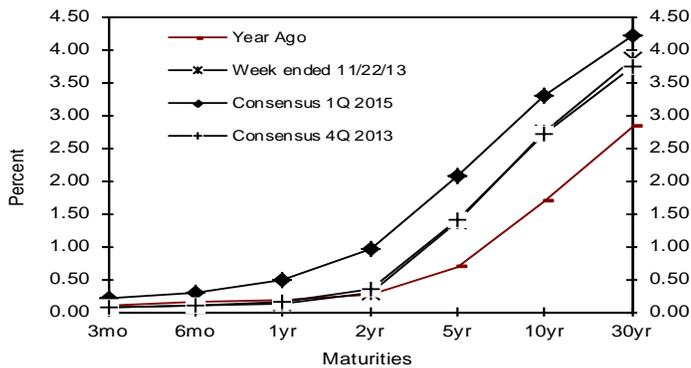
  

Key Assumptions	-----History-----								Consensus Forecasts-Quarterly					
	4Q		1Q		2Q		3Q		4Q	1Q	2Q	3Q	4Q	1Q
	2011	2012	2012	2012	2012	2013	2013	2013						
Major Currency Index	72.4	72.9	73.9	74.0	73.2	74.7	76.4	76.7	76.3	76.5	76.9	77.2	77.4	77.5
Real GDP	4.9	3.7	1.2	2.8	0.1	1.1	2.5	2.8	1.9	2.6	2.7	2.8	2.9	3.0
GDP Price Index	0.5	2.0	1.8	2.3	1.1	1.3	0.6	1.9	1.5	1.7	1.8	1.9	1.9	2.0
Consumer Price Index	1.4	2.3	1.0	2.1	2.2	1.4	0.0	2.6	1.3	1.8	1.8	2.1	2.0	2.2

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

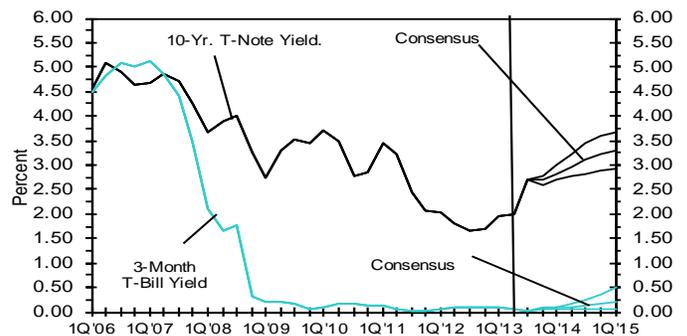
### U.S. Treasury Yield Curve

Week ended November 22, 2013 and Year Ago vs. 4Q 2013 and 1Q 2015 Consensus Forecasts



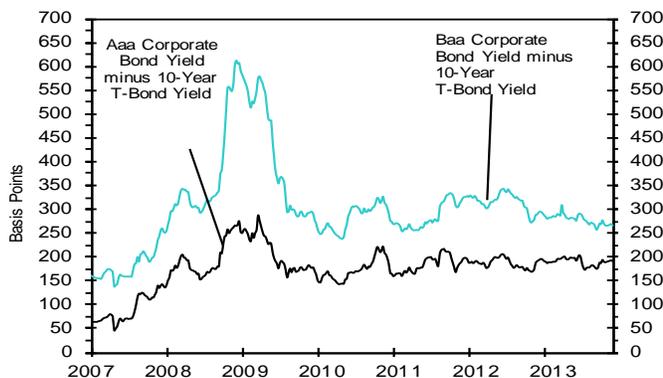
### U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



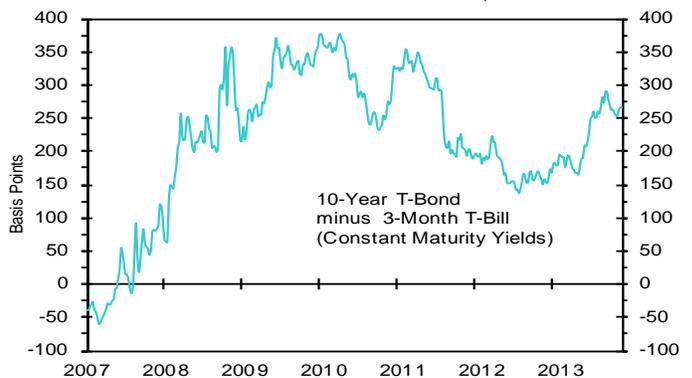
### Corporate Bond Spreads

As of week ended November 22, 2013



### U.S. Treasury Yield Curve

As of week ended November 22, 2013



-----3-Month Interest Rates<sup>1</sup>-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
	Latest:	Ago:	3	6	12	
U.S.	0.28	0.28	0.46	<b>0.39</b>	<b>0.38</b>	<b>0.34</b>
Japan	0.11	0.25	0.35	<b>0.19</b>	<b>0.19</b>	<b>0.19</b>
U.K.	0.55	0.68	0.66	<b>0.50</b>	<b>0.55</b>	<b>0.65</b>
Switzerland	0.05	0.05	0.15	<b>0.02</b>	<b>0.05</b>	<b>0.10</b>
Canada	1.20	1.19	1.25	<b>1.30</b>	<b>1.40</b>	<b>1.90</b>
Australia	2.55	2.55	3.45	<b>2.60</b>	<b>2.80</b>	<b>3.20</b>
Eurozone	0.23	0.26	0.28	<b>0.22</b>	<b>0.22</b>	<b>0.23</b>

-----10-Yr. Government Bond Yields<sup>2</sup>-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
	Latest:	Ago:	3	6	12	
U.S.	2.74	2.50	1.65	<b>2.85</b>	<b>2.97</b>	<b>3.23</b>
Germany	1.71	1.76	1.43	<b>1.90</b>	<b>2.03</b>	<b>2.21</b>
Japan	0.61	0.61	0.74	<b>0.78</b>	<b>0.82</b>	<b>0.98</b>
U.K.	2.77	2.63	1.87	<b>2.95</b>	<b>3.08</b>	<b>3.36</b>
France	2.25	2.33	2.14	<b>2.43</b>	<b>2.53</b>	<b>2.65</b>
Italy	4.07	4.14	4.73	<b>4.25</b>	<b>4.19</b>	<b>4.06</b>
Switzerland	0.88	0.99	0.47	<b>1.10</b>	<b>1.21</b>	<b>1.40</b>
Canada	2.55	2.41	1.73	<b>2.73</b>	<b>2.92</b>	<b>3.32</b>
Australia	4.22	4.00	3.25	<b>4.14</b>	<b>4.26</b>	<b>4.48</b>
Spain	4.15	4.14	5.55	<b>4.23</b>	<b>4.28</b>	<b>4.17</b>

-----Foreign Exchange Rates<sup>1</sup>-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
	Latest:	Ago:	3	6	12	
U.S.	76.349	74.712	73.364	<b>77.4</b>	<b>78.1</b>	<b>80.0</b>
Japan	101.29	97.770	82.340	<b>102.3</b>	<b>104.5</b>	<b>108.1</b>
U.K.	1.6211	1.6184	1.6032	<b>1.59</b>	<b>1.58</b>	<b>1.56</b>
Switzerland	0.9072	0.9013	0.9296	<b>0.96</b>	<b>0.98</b>	<b>1.03</b>
Canada	1.0534	1.0287	0.9927	<b>1.06</b>	<b>1.06</b>	<b>1.07</b>
Australia	0.9163	0.9671	1.0451	<b>0.92</b>	<b>0.90</b>	<b>0.89</b>
Euro	1.3547	1.3693	1.2959	<b>1.31</b>	<b>1.29</b>	<b>1.25</b>

	Consensus 3-Month Rates vs. U.S. Rate			Consensus 10-Year Gov't Yields vs. U.S. Yield	
	Now	In 12 Mo.		Now	In 12
Japan	-0.17	<b>-0.15</b>	Germany	-1.03	<b>-1.02</b>
U.K.	0.27	<b>0.31</b>	Japan	-2.13	<b>-2.26</b>
Switzerland	-0.23	<b>-0.24</b>	U.K.	0.03	<b>0.13</b>
Canada	0.92	<b>1.56</b>	France	-0.49	<b>-0.58</b>
Australia	2.27	<b>2.86</b>	Italy	1.33	<b>0.83</b>
Eurozone	-0.05	<b>-0.11</b>	Switzerland	-1.86	<b>-1.84</b>
			Canada	-0.19	<b>0.09</b>
			Australia	1.48	<b>1.25</b>
			Spain	1.41	<b>0.94</b>

**International Commentary** The European Central Bank surprised markets in early November, announcing a 25 basis point cut in its main refi rate to 0.25% in reaction to a collapse in consumer price inflation to 0.7% (y/y) in October, well below the bank's 2.0% target. The ECB also cut its emergency lending rate to 0.75%. However, the deposit rate that sets the floor for money markets was left unchanged at zero. Nonetheless, there continues to be speculation that the ECB might enact a negative interest rate on deposits at some point in an attempt to force banks into lending. The ECB also reaffirmed at its November meeting its forward guidance that interest rates would remain at current or lower levels for an extended period of time. Real GDP growth in the Eurozone slowed more than expected in Q3, dipping to 0.4% (saar) from 1.1% in Q2. Real GDP in France and Italy contracted, while Spain moved out of recession and German growth slowed to 1.3% from 2.9% in Q2. While some of the Q3 slowdown represented a correction from special effects that boosted Q2 growth, it underscored the fact that the recovery in the Eurozone remains fragile. So, too, did the latest PMI figures. The preliminary manufacturing PMI for November rose slightly while the services PMI fell, dropping the composite PMI to 51.5 from 51.9 in October. The ECB's December 5<sup>th</sup> meeting is not expected to generate major headlines although ECB president's Draghi's comments are likely to remain dovish. Some have speculated the ECB is considering a conditional LTRO designed to force banks into stepped up lending, but its usefulness at present is questionable given the current lack of borrowing demand.

The Bank of England's Monetary Policy committee also is expected to generate little fresh news when it meets December 5<sup>th</sup>, leaving in place its forward guidance that policy will remain on hold until the unemployment rate falls to 7.0% unless one or more "knock-out" provisions exist. They include: 1) an increase in consumer price inflation to 2.5% within 18-24 months; 2) indications that inflationary expectations are "no longer sufficiently well anchored"; and 3) a determination by the Financial Policy Committee that current policy poses a "significant threat to financial stability that cannot be contained by tools available to the bank". However, the bank did make news in recent days, announcing that its Funding for Lending Scheme would cease to offer banks incentives for mortgage lending. The U.K. economy is growing faster and unemployment falling faster than previously assumed by the MPC. Real GDP grew 3.2% (saar) in Q3 after 2.7% growth in Q2 and the jobless rate dropped to 7.6% in September. Luckily, inflation has eased, dropping to 2.2% (y/y) in October from 2.7% in September. Nonetheless, it seems increasingly likely that policymakers will begin raising interest rates sooner than presumed last August when they predicted it might take until 2016 before they acted.

Speculation also has increased that the Bank of Japan will need to enact additional monetary easing next spring if it is too achieve its goal of lifting inflation to its target of 2.0% and offset an expected slowdown in economic growth that will result when the scheduled increase in the value added tax takes effect next April. Core CPI inflation has increased to 0.3% (y/y) but remains far from the BoJ goal, recently prompting several BoJ members to express skepticism about the achievability of the 2.0% target by mid-2015. Real GDP growth decelerated to 1.9% in Q3 from 3.8% in Q2 as consumer spending slowed to a trickle and exports fell. While consumer spending is expected to accelerate this quarter and next ahead of the April 1<sup>st</sup> tax increase, stronger export demand and increased business investment is sorely needed if real GDP growth next year is to match that in 2013.

Elsewhere, the Bank of Canada is expected to leave its policy rate unchanged at 1.0% when it meets December 4<sup>th</sup>. While inflation remains very subdued, stronger than expected real GDP growth of 2.7% (saar) in Q3 and high levels of household debt reduces pressure on the bank to adopt an explicit easing bias. The Reserve Bank of Australia also will likely stick with its current policy stance when it meets December 3<sup>rd</sup> (see pages 10-11 for individual panelists' forecasts).

Forecasts of panel members are on pages 10 and 11. Definitions of variables are as follows: <sup>1</sup>Three month rate on interest-earning money market deposits denominated in selected currencies. <sup>2</sup>Government bonds are yields to maturity. Foreign exchange rate forecasts for U.K., Australia and the Euro are U.S. dollars per currency unit. For the U.S. dollar, forecasts are of the U.S. Federal Reserve Board's Major Currency Index.

# Fourth Quarter 2013

## Interest Rate Forecasts

## Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum -- Average For Quarter-----															Avg. For ---Qtr.--- Fed's Major Currency \$ Index	------(Q-Q % Change)----- ------(SAAR)-----			
	Short-Term					Intermediate-Term					Long-Term						A. Real GDP	B. Price Index	C. GDP Price Index	D. Cons. Price Index
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bonds 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate					
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3 H	0.4	0.2 H	0.1 H	0.2 H	0.2	0.4	1.4	2.8	3.9 H	4.5	5.3	4.7	4.3	76.0	2.2	1.3	0.1 L	
Societe Generale	0.3 H	na	0.2 L	na	na	na	na	0.3 L	1.4	2.7	3.7	na	na	na	na	na	2.7	1.8	1.1	
RBC Capital Markets	0.3 H	3.3	na	na	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	na	na	na	na	na	2.3	na	1.4	
Scotiabank Group	0.3 H	3.3	na	na	0.1 H	na	na	0.3 L	1.3	2.5 L	3.6	na	na	na	na	na	2.3	1.8	1.6	
Swiss Re	0.3	3.3	0.3	0.2 H	0.1 H	0.1	0.2	0.4	1.5	2.7	3.8	4.6	5.5	na	4.7 H	na	1.7	2.4	2.6	
Fannie Mae	0.2	3.3	na	na	0.1 H	na	0.1 L	0.3 L	1.4	2.7	3.8	4.6	5.4	na	4.2 L	na	1.5	0.8	1.2	
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.9 H	4.8	5.5	4.6	4.4	76.0	1.6	1.7	1.7	
Kellner Economic Advisers	0.2	3.3	0.3	0.1 L	0.1 H	0.1	0.2	0.3 L	0.9 L	2.7	3.5	4.5	5.4	4.8 H	4.4	77.0	1.6	1.5	1.8	
Naroff Economic Advisers	0.2	3.3	0.3	0.1 L	0.1 H	0.1	0.2	0.3 L	1.4	2.7	3.8	4.6	5.4	4.6	4.3	76.2	2.0	1.6	1.1	
Mesirov Financial	0.2	3.3	0.3	0.1 L	0.0 L	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.6	5.4	4.6	4.2 L	76.0	2.0	1.1	1.2	
Woodworth Holdings	0.2	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.4	1.4	2.7	3.8	4.7	5.4	4.7	4.3	76.0	1.5	1.4	1.4	
AIG	0.2	na	na	na	0.1 H	0.0 L	0.3 H	0.6 H	1.4	2.5 L	3.4 L	4.3 L	5.5	na	na	na	2.8	1.6	1.5	
Chase Wealth Management	0.2	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.4	1.4	2.8	3.8	4.7	5.4	4.6	4.4	76.2	2.1	1.8	1.5	
BMO Capital Markets	0.1 L	3.3	0.3	na	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	na	na	na	4.3	76.0	1.5	0.7 L	0.3	
Moody's Capital Markets Group	0.1 L	3.3	0.2 L	0.1 L	0.1 H	0.1	0.2	0.3 L	1.4	2.7	3.8	4.6	5.4	4.4	4.2 L	75.8	1.5	1.6	0.4	
Bank of America Merrill Lynch	0.1 L	na	0.3	na	0.0 L	na	na	0.3 L	1.4	2.8	3.8	na	na	na	na	na	1.7	1.1	0.9	
J.P. Morgan Chase	0.1 L	na	0.2 L	na	na	na	na	0.3 L	1.4	2.8	3.8	na	na	na	na	na	1.5	1.4	0.9	
PNC Financial Services Corp.	0.1 L	3.3	0.3	na	0.1 H	0.1	0.2	0.5	1.6	2.7	na	na	5.2 L	4.6	4.3	75.9	1.9	0.9	1.0	
Nomura Securities, Inc.	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.4	1.4	2.5 L	3.6	4.3 L	5.2 L	na	4.4	76.9	1.9	1.4	1.0	
RidgeWorth Investments	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.2	0.4	1.4	2.6	3.7	4.5	5.3	4.6	4.2 L	77.1	2.2	1.7	1.0	
UBS	0.1 L	na	0.3	na	0.1 H	na	na	0.4	1.4	2.6	3.7	na	na	na	na	na	2.3	2.0	1.4	
High Frequency Economics	0.1 L	3.3	na	na	0.1 H	0.1	0.2	0.4	1.5	2.7	3.8	na	na	na	na	na	2.5	1.5	1.5	
Economist Intelligence Unit	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.4	1.4	2.7	3.8	na	na	na	4.3	na	2.0	na	2.0	
BNP Paribas Americas	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1	0.1 L	0.4	1.6	2.9 H	3.9 H	4.7	5.5	4.7	4.5	na	1.5	1.9	2.7 H	
Daiwa Capital Markets America	0.1 L	3.3	0.2 L	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.7	5.5	4.6	4.3	76.0	1.8	1.5	1.1	
Standard & Poor's Corp.	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.4	1.5	2.7	na	4.5	5.4	4.6	4.3	na	2.3	2.0	1.1	
Wells Capital Management	0.1 L	3.3	0.2 L	0.1 L	0.1 H	0.1	0.2	0.3 L	1.4	2.7	3.8	4.6	5.3	4.5	4.2 L	76.0	1.8	1.1	1.1	
GLC Financial Economics	0.1 L	3.3	0.2 L	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.7	4.7	5.4	4.5	4.3	75.2	1.9	0.9	1.5	
Chmura Economics & Analytics	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.6	na	na	4.3	75.7	1.9	1.5	1.9	
RDQ Economics	0.1 L	3.3	0.2 L	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.6	5.4	4.7	4.2 L	75.9	2.1	1.5	0.5	
Goldman Sachs & Co.	0.1 L	na	0.3	na	0.1 H	na	na	0.4	1.5	2.8	3.8	na	na	na	na	na	1.6	1.1	0.8	
Nat'l Assn. of Realtors	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.7	5.4	4.7	4.3	na	1.8	1.0	1.0	
RBS Securities	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.6	5.4	4.6	4.3	76.0	1.2	1.7	1.0	
Loomis, Sayles & Company	0.1 L	3.3	0.2 L	0.1 L	0.1 H	0.1	0.2	0.4	1.5	2.7	3.8	4.7	5.5	4.6	4.3	76.5	1.6	1.4	1.1	
Georgia State University	0.1 L	3.3	na	na	0.1 H	0.1	0.2	0.4	1.6	2.8	3.8	4.6	5.6	na	4.5	na	2.0	1.2	1.3	
Barclays	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.2	0.4	1.4	2.7	3.8	4.7	5.5	4.8 H	4.5	na	2.0	1.8	1.3	
Russell Investments	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.2	0.4	1.4	2.7	3.7	4.6	5.4	4.3 L	4.4	75.9	2.5	1.8	1.3	
MacroFin Analytics	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.6	5.4	4.6	4.3	76.0	2.0	1.4	1.4	
Oxford Economics	0.1 L	3.3	0.3	na	0.0 L	0.1	0.1 L	0.4	1.4	2.7	3.7	na	na	na	4.2 L	76.0	1.7	2.0	1.5	
Wells Fargo	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1	0.1 L	0.3 L	1.3	2.6	3.7	4.7	5.4	4.6	4.3	76.5	1.8	1.3	1.8	
The Northern Trust Company	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.3	2.7	3.8	4.6	5.4	4.6	4.4	na	1.6	1.6	1.8	
Comerica Bank	0.1 L	3.3	0.2 L	na	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	na	na	na	na	na	1.7	1.5	0.6	
Action Economics	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.6	5.5	4.6	4.4	75.6	1.5	0.9	0.7	
ClearView Economics	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.6	5.4	4.6	4.2 L	75.5	2.4	1.1	0.8	
Stone Harbor Investment Partners	0.1 L	3.3	0.2 L	0.1 L	0.1 H	0.1	0.2	0.3 L	1.4	2.7	3.8	4.4	5.4	na	4.3	75.0	1.2	1.9	1.2	
DePrince & Assoc.	0.1 L	3.3	0.3	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.6	5.4	4.6	4.3	76.1	2.9 H	1.8	1.4	
Moody's Analytics	0.1 L	3.3	0.6 H	0.1 L	0.1 H	0.1	0.1 L	0.4	1.7 H	2.9 H	3.8	4.9 H	5.7 H	4.5	4.7 H	85.2 H	2.2	2.5 H	1.1	
Pierpont Securities	0.1 L	3.3	0.2 L	0.1 L	0.1 H	0.1	0.1 L	0.3 L	1.4	2.7	3.8	4.6	5.4	4.6	4.3	76.0	0.3 L	2.2	1.3	
SunTrust Banks	0.1 L	3.3 L	0.6 H	0.1 L	0.1 H	0.1	0.2	0.4	1.7 H	2.9 H	3.7	4.6	5.2 L	4.7	4.4	74.8 L	2.3	1.4	1.8	
<b>December Consensus</b>	<b>0.1</b>	<b>3.3</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.3</b>	<b>1.4</b>	<b>2.7</b>	<b>3.7</b>	<b>4.6</b>	<b>5.4</b>	<b>4.6</b>	<b>4.3</b>	<b>76.3</b>	<b>1.9</b>	<b>1.5</b>	<b>1.3</b>	
Top 10 Avg.	0.2	3.3	0.4	0.1	0.1	0.1	0.2	0.4	1.6	2.8	3.8	4.7	5.5	4.7	4.5	77.4	2.5	2.0	2.0	
Bottom 10 Avg.	0.1	3.3	0.2	0.1	0.0	0.1	0.1	0.3	1.3	2.6	3.6	4.5	5.3	4.5	4.2	75.5	1.3	1.0	0.6	
November Consensus	0.1	3.3	0.3	0.1	0.1	0.1	0.1	0.4	1.4	2.7	3.7	4.5	5.4	4.6	4.4	75.7	2.1	1.7	1.7	
<b>Number of Forecasts Changed From A Month Ago:</b>																				
Down	11	0	13	12	9	6	14	29	24	13	6	3	7	9	18	9	28	23	36	
Same	36	43	24	20	19	26	27	18	14	11	12	7	9	10	10	5	10	12	10	
Up	2	0	6	2	19	10	2	2	11	25	29	25	16	9	10	15	11	12	3	
Diffusion Index	41 %	50 %	42 %	35 %	61 %	55 %	36 %	22 %	37 %	62 %	74 %	81 %	64 %	50 %	39 %	60 %	33 %	38 %	16 %	

# First Quarter 2014

## Interest Rate Forecasts

## Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter--															Avg. For ---Qtr.---	------(Q-Q % Change)-----				
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						Fed's Major Currency \$ Index	------(SAAR)-----			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15			A.	B.	C.	D.
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bonds 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate				Real GDP	GDP Price Index	Cons. Price Index
Scotiabank Group	0.3 H	3.3 H	na	na	0.1	na	na	0.4	1.5	2.9	3.8	na	na	na	na	na	2.4	1.8	1.7		
Societe Generale	0.3 H	na	0.2 L	na	na	na	na	0.3 L	1.4	2.9	3.9	na	na	na	na	na	3.0	2.0	1.8		
RBC Capital Markets	0.3 H	3.3	na	na	0.1	0.1 L	0.1 L	0.4	1.6	2.8	3.9	na	na	na	na	na	2.1	na	2.8		
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3	0.4	0.2 H	0.1	0.2 H	0.2	0.6	1.5	2.8	3.9	4.6	5.4	4.7	4.3	75.0	3.2	1.9	2.9		
Swiss Re	0.3 H	3.3	0.3	0.2 H	0.1	0.1 L	0.2	0.5	1.7	2.8	3.8	4.7	5.5	na	4.7	na	2.3	3.2 H	3.2 H		
Fannie Mae	0.2	3.3	na	na	0.1	na	0.2	0.4	1.5	2.8	3.7	4.7	5.4	na	4.4	na	2.3	0.8 L	1.4		
Georgia State University	0.2	3.3	na	na	0.1	0.1 L	0.1 L	0.4	1.8 H	3.0	4.0	4.9	5.9 H	na	4.7	na	1.9	1.4	1.4		
Kellner Economic Advisers	0.2	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.3 L	0.9 L	2.7	3.5 L	4.5	5.4	4.8	4.4	77.0	2.0	1.5	1.8		
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.1	0.1 L	0.1 L	0.3 L	1.5	3.0	4.1 H	5.0	5.7	4.8	4.6	76.0	1.9	1.8	1.8		
Standard & Poor's Corp.	0.2	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.6	2.8	na	4.6	5.5	4.7	4.5	na	2.3	2.0	1.8		
Woodworth Holdings	0.2	3.3	0.3	0.1 L	0.1	0.1 L	0.1 L	0.4	1.5	2.8	3.9	4.7	5.5	4.7	4.4	76.5	1.5 L	1.4	1.3		
Mesirow Financial	0.2	3.3	0.3	0.2 H	0.1	0.1 L	0.1 L	0.4	1.6	2.7	3.8	4.6	5.4	4.6	4.3	76.7	2.3	0.9	1.4		
AIG	0.2	na	na	na	0.0 L	0.1 L	0.4 H	0.7 H	1.7	2.8	3.5 L	4.6	5.6	na	na	na	2.6	1.6	1.4		
Chase Wealth Management	0.2	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.4	2.8	3.9	4.7	5.5	4.6	4.4	76.3	2.6	1.8	1.5		
Chmura Economics & Analytics	0.2	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.5	2.7	3.8	4.7	na	na	4.4	74.6	2.5	1.7	1.8		
RidgeWorth Investments	0.2	3.3	0.3	0.1 L	0.1	0.2 H	0.2	0.4	1.5	2.7	3.7	4.4 L	5.3	4.6	4.3	78.0	2.5	1.8	1.8		
Naroff Economic Advisors	0.2	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.5	2.9	3.9	4.8	5.5	4.7	4.4	75.8	4.3 H	2.0	1.9		
PNC Financial Services Corp.	0.2	3.3	0.4	na	0.2 H	0.2 H	0.2	0.6	1.8 H	3.0	na	na	5.5	4.7	4.7	75.8	2.5	1.9	2.0		
Wells Capital Management	0.2	3.3	0.2 L	0.1 L	0.1	0.2 H	0.2	0.4	1.4	2.7	3.8	4.6	5.3	4.4	4.3	76.5	2.6	1.7	2.1		
J.P. Morgan Chase	0.1 L	na	0.2 L	na	na	na	na	0.4	1.6	3.0	4.0	na	na	na	na	na	2.5	1.4	1.2		
Bank of America Merrill Lynch	0.1 L	na	0.3	na	0.1	na	na	0.4	1.6	3.1 H	4.1 H	na	na	na	na	na	2.5	1.3	1.4		
Moody's Capital Markets Group	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.3	0.4	1.4	2.8	3.8	4.7	5.5	4.5	4.4	76.0	2.4	1.6	1.4		
BMO Capital Markets	0.1 L	3.3	0.3	na	0.1	0.1 L	0.1 L	0.3 L	1.5	3.0	4.1 H	na	na	na	4.6	77.2	3.0	1.6	1.4		
UBS	0.1 L	na	0.3	na	0.1	na	na	0.5	1.4	2.6 L	3.7	na	na	na	na	na	3.0	2.0	1.4		
Goldman Sachs	0.1 L	na	0.3	na	0.1	na	na	0.4	1.5	2.8	3.8	na	na	na	na	na	3.0	1.3	1.7		
Comerica Bank	0.1 L	3.3	0.3	na	0.1	0.1 L	0.2	0.4	1.6	2.9	4.0	na	na	na	na	na	2.1	1.8	1.8		
Economist Intelligence Unit	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.5	1.5	2.8	3.8	na	na	na	4.4	na	2.6	na	2.1		
Nomura Securities, Inc.	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.5	1.7	2.9	3.7	4.7	5.5	na	4.8	77.5	2.6	1.8	2.3		
High Frequency Economics	0.1 L	3.3	na	na	0.1	0.1 L	0.2	0.6	1.7	2.9	3.9	na	na	na	na	na	3.3	2.3	2.3		
BNP Paribas Americas	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1 L	0.2	0.4	1.8 H	3.1 H	4.0	4.8	5.7	4.9 H	4.7	na	2.1	2.0	2.4		
GLC Financial Economics	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1 L	0.1 L	0.3 L	1.4	2.8	3.9	4.9	5.6	4.7	4.4	75.4	3.0	1.9	2.1		
Action Economics	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.1 L	0.5	1.7	2.9	4.0	4.6	5.6	4.7	4.7	75.7	2.1	2.0	1.7		
Daiwa Capital Markets America	0.1 L	3.3	0.2 L	0.1 L	0.1	0.1 L	0.1 L	0.3 L	1.4	2.7	3.8	4.7	5.5	4.6	4.6	76.0	2.4	1.6	1.8		
MacroFin Analytics	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.5	2.8	3.8	4.7	5.5	4.7	4.4	76.4	2.6	1.5	1.6		
Oxford Economics	0.1 L	3.3	0.3	na	0.0 L	0.1 L	0.1 L	0.4	1.5	2.7	3.9	na	na	na	4.3	76.7	2.5	1.3	2.0		
RBS Securities	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.5	2.7	3.8	4.7	5.5	4.7	4.4	77.0	2.3	2.0	0.5 L		
ClearView Economics	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.1 L	0.3 L	1.4	2.8	3.8	4.7	5.4	4.6	4.2 L	76.0	2.7	1.3	1.2		
Barclays	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.6	2.9	3.9	4.8	5.6	4.9 H	4.6	na	2.5	2.3	1.6		
Loomis, Sayles & Company	0.1 L	3.3	0.2 L	0.1 L	0.1	0.1 L	0.2	0.4	1.6	2.9	4.0	4.7	5.6	4.7	4.5	76.4	2.6	0.9	1.7		
The Northern Trust Company	0.1 L	3.3	0.3	0.1 L	0.1	0.2 H	0.2	0.5	1.5	2.7	3.8	4.6	5.4	4.5	4.3	na	2.8	1.5	1.8		
Stone Harbor Investment Partners	0.1 L	3.3	0.2 L	0.1 L	0.1	0.1 L	0.2	0.4	1.5	2.8	3.9	4.5	5.6	na	4.5	74.0 L	2.7	1.8	1.8		
Russell Investments	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.3	0.5	1.7	2.9	3.9	4.8	5.6	4.6	4.6	76.6	3.2	1.9	1.8		
RDQ Economics	0.1 L	3.3	0.3	0.2 H	0.1	0.1 L	0.3	0.5	1.6	2.9	4.0	4.8	5.6	4.8	4.6	76.0	2.3	1.9	1.9		
Wells Fargo	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.1 L	0.3 L	1.4	2.7	3.8	4.7	5.4	4.6	4.4	77.3	2.1	1.8	2.0		
Nat'l Assn. of Realtors	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.5	1.7	2.9	4.0	4.9	5.6	4.9 H	4.5	na	2.6	2.0	2.5		
DePrince & Associates	0.1 L	3.3	0.3	0.2 H	0.1	0.1 L	0.2	0.3 L	1.4	2.7	3.9	4.6	5.4	4.4	4.4	76.5	2.4	1.8	1.5		
SunTrust Banks	0.1 L	3.3	0.6 H	0.1 L	0.1	0.2 H	0.3	0.6	1.7	3.0	3.8	4.6	5.1 L	4.2 L	4.6	74.2	3.3	1.7	1.9		
Moody's Analytics	0.1 L	3.3	0.6 H	0.1 L	0.1	0.2 H	0.3	0.6	1.8 H	3.0	3.9	5.2 H	5.9 H	4.5	4.9 H	85.3 H	3.0	1.8	1.9		
Pierpont Securities	0.1 L	3.3 L	0.2 L	0.1 L	0.1	0.1 L	0.2	0.4	1.5	2.8	3.9	4.7	5.5	4.7	4.3	76.5	2.4	2.1	3.1		
<b>December Consensus</b>	<b>0.1</b>	<b>3.3</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>1.5</b>	<b>2.8</b>	<b>3.9</b>	<b>4.7</b>	<b>5.5</b>	<b>4.6</b>	<b>4.5</b>	<b>76.5</b>	<b>2.6</b>	<b>1.7</b>	<b>1.8</b>		
Top 10 Avg.	0.2	3.3	0.4	0.1	0.1	0.2	0.3	0.6	1.7	3.0	4.0	4.9	5.7	4.8	4.7	77.9	3.2	2.2	2.6		
Bottom 10 Avg.	0.1	3.3	0.2	0.1	0.0	0.1	0.1	0.3	1.4	2.7	3.7	4.5	5.4	4.5	4.3	75.3	2.0	1.2	1.3		
November Consensus	0.1	3.3	0.3	0.1	0.1	0.1	0.2	0.4	1.6	2.8	3.8	4.6	5.5	4.6	4.5	75.8	2.7	1.8	1.9		
<b>Number of Forecasts Changed From A Month Ago:</b>																					
Down	7	0	9	11	10	16	15	25	19	12	9	5	10	12	13	5	22	16	17		
Same	39	44	28	20	24	20	22	18	16	15	13	6	8	4	15	9	19	22	21		
Up	3	0	6	1	14	7	7	6	14	22	25	22	15	13	11	18	8	9	11		
Diffusion Index	46 %	50 %	47 %	34 %	54 %	40 %	41 %	31 %	45 %	60 %	67 %	76 %	58 %	52 %	47 %	70 %	36 %	43 %	44 %		

## Second Quarter 2014 Interest Rate Forecasts

### Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum----- Average For Quarter-----															-----Q-Q % Change-----				
	Short-Term					Intermediate-Term					Long-Term					Avg. For ---Qtr.---	----- (SAAR) -----			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	A.	B.	C.	D.	
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bonds 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate	Fed's Major Currency \$ Index	Real GDP	GDP Price Index	Cons. Price Index	
Societe Generale	0.3 H	na	0.2 L	na	na	na	na	0.4	1.7	3.2	4.2	na	na	na	na	na	2.9	1.6	0.0 L	
Swiss Re	0.3 H	3.3 H	0.3	0.2	0.1	0.1 L	0.2	0.6	1.7	2.9	3.9	4.7	5.5	na	4.8	na	3.6	1.4	1.6	
Scotiabank Group	0.3 H	3.3	na	na	0.1	na	na	0.6	1.8	3.0	4.0	na	na	na	na	na	2.7	1.8	1.9	
RBC Capital Markets	0.3 H	3.3	na	na	0.1	0.1 L	0.1 L	0.4	1.9	3.1	4.0	na	na	na	na	na	2.5	na	1.9	
Bank of Tokyo-Mitsubishi UFJ	0.3 H	3.3	0.4	0.2	0.1	0.2	0.2	0.8	1.5	2.8	3.9	4.6	5.4	4.8	4.3	73.0 L	2.9	2.3	3.2 H	
Georgia State University	0.2	3.3	na	na	0.1	0.1 L	0.1 L	0.4	1.9	3.2	4.2	5.1	6.2 H	na	4.9	na	2.0	1.4	1.5	
Kellner Economic Advisers	0.2	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.3 L	0.9 L	2.7 L	3.5 L	4.5	5.4	4.8	4.4	77.0	2.2	1.5	1.8	
Fannie Mae	0.2	3.3	na	na	0.1	na	0.2	0.6	1.7	2.9	3.7	4.8	5.6	na	4.5	na	2.5	1.7	1.8	
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.1	0.1 L	0.1 L	0.3 L	1.5	3.2	4.3 H	5.2	5.9	4.9	4.8	77.0	2.2	1.9	1.9	
Standard & Poor's Corp.	0.2	3.3	0.3	0.2	0.1	0.1 L	0.2	0.4	1.7	2.9	na	4.6	5.7	4.8	4.6	na	2.8	1.9	2.0	
Wells Capital Management	0.2	3.3	0.3	0.1 L	0.2 H	0.2	0.3	0.5	1.6	3.0	4.0	4.7	5.4	4.6	4.6	76.7	3.5	1.4	1.2	
Woodworth Holdings	0.2	3.3	0.3	0.1 L	0.1	0.1 L	0.1 L	0.5	1.5	2.8	3.9	4.8	5.5	4.8	4.4	77.0	1.5 L	1.5	1.3	
AIG	0.2	na	na	na	0.1	0.1 L	0.5 H	0.9 H	2.0 H	3.1	3.6	4.8	5.7	na	na	na	2.7	1.4	1.6	
DePrince & Assoc.	0.2	3.3	0.4	0.3 H	0.2 H	0.2	0.4	1.4	2.8	3.9	4.6	5.4	4.3	4.4	4.4	77.3	2.5	1.8	1.6	
Chmura Economics & Analytics	0.2	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.6	2.8	3.9	4.7	na	na	4.5	74.8	2.7	1.7	1.7	
Chase Wealth Management	0.2	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.4	1.5	2.8	3.9	4.7	5.5	4.7	4.5	76.0	2.6	1.9	1.7	
Mesirow Financial	0.2	3.3	0.3	0.2	0.1	0.1 L	0.2	0.5	1.7	2.8	3.8	4.6	5.5	4.7	4.3	77.7	2.3	1.8	1.8	
Action Economics	0.2	3.3	0.4	0.1 L	0.1	0.2	0.2	0.7	1.9	3.0	4.1	4.7	5.7	4.6	4.8	75.8	2.3	1.6	1.9	
Comerica Bank	0.2	3.3	0.3	na	0.1	0.1 L	0.2	0.5	1.7	3.1	4.1	na	na	na	na	na	2.8	1.6	1.9	
PNC Financial Services Corp.	0.2	3.3	0.5 H	na	0.2 H	0.2	0.2	0.7	1.9	3.1	na	na	5.8	4.8	4.9	75.8	2.7	1.9	2.0	
Naroff Economic Advisors	0.2	3.3	0.4	0.2	0.2 H	0.2	0.3	0.6	1.6	3.0	4.1	4.9	5.7	4.9	4.5	75.2	3.6	2.4 H	2.3	
RidgeWorth Investments	0.2	3.3	0.3	0.1 L	0.1	0.2	0.2	0.4	1.6	2.7 L	3.8	4.4 L	5.3	4.7	4.3	78.0	2.5	2.0	2.4	
Bank of America Merrill Lynch	0.1 L	na	0.3	na	0.1	na	na	0.5	2.0 H	3.4 H	4.3	na	na	na	na	na	3.0	1.5	1.5	
BNP Paribas Americas	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1 L	0.3	0.5	2.0 H	3.3	4.1	4.9	5.8	5.1 H	4.9	na	2.2	2.0	1.5	
Goldman Sachs & Co.	0.1 L	na	0.3	na	0.1	na	na	0.5	1.7	3.0	3.9	na	na	na	na	na	3.5	0.6 L	1.7	
J.P. Morgan Chase	0.1 L	na	0.2 L	na	na	na	na	0.4	1.7	3.2	4.2	na	na	na	na	na	2.5	1.4	1.8	
Nomura Securities, Inc.	0.1 L	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.6	1.8	3.0	3.9	4.8	5.6	na	5.0	78.1	2.9	1.5	1.8	
Moody's Capital Markets Group	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.5	3.0	4.0	4.8	5.6	4.7	4.6	76.1	2.9	1.7	1.8	
BMO Capital Markets	0.1 L	3.3	0.3	na	0.1	0.1 L	0.1 L	0.3 L	1.6	3.2	4.2	na	na	na	4.7	78.4	2.9	1.9	1.9	
UBS	0.1 L	na	0.3	na	0.1	na	na	0.6	1.6	2.8	3.8	na	na	na	na	na	3.3	2.0	2.0	
Economist Intelligence Unit	0.1 L	3.3	0.4	0.2	0.2 H	0.2	0.2	0.6	1.6	3.0	4.0	na	na	na	4.5	na	2.4	na	2.1	
High Frequency Economics	0.1 L	3.3	na	na	0.1	0.1 L	0.2	0.8	1.9	3.1	4.0	na	na	na	na	na	3.3	2.3	2.3	
GLC Financial Economics	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1 L	0.1 L	0.3 L	1.4	2.8	3.9	4.8	5.7	4.7	4.3	75.6	2.8	2.1	2.3	
RBS Securities	0.1 L	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.6	1.7	2.8	3.9	4.7	5.6	4.7	4.4	80.0	2.0	1.5	0.8	
MacroFin Analytics	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.6	2.9	3.9	4.7	5.5	4.8	4.6	76.6	2.7	1.6	1.7	
ClearView Economics	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.1 L	0.3 L	1.4	2.8	3.8	4.7	5.4	4.6	4.2 L	76.5	2.9	1.5	1.8	
Daiwa Capital Markets America	0.1 L	3.3	0.3	0.1 L	0.1	0.2	0.2	0.5	1.6	2.9	3.9	4.8	5.6	4.7	4.9	75.0	2.6	1.8	2.0	
Loomis, Sayles & Company	0.1 L	3.3	0.2 L	0.1 L	0.1	0.1 L	0.3	0.5	1.8	3.0	4.0	4.8	5.7	4.7	4.6	76.7	2.8	1.6	1.7	
Oxford Economics	0.1 L	3.3	0.3	na	0.0 L	0.1 L	0.2	0.6	1.6	2.8	4.1	na	na	na	4.4	77.7	3.0	1.8	2.0	
Stone Harbor Investment Partners	0.1 L	3.3	0.2 L	0.1 L	0.1	0.2	0.3	0.6	1.6	3.0	4.0	4.7	5.7	na	4.7	76.0	2.1	2.2	1.7	
Russell Investments	0.1 L	3.3	0.3	0.2	0.1	0.2	0.3	0.6	1.8	2.9	4.0	4.8	5.6	4.7	4.5	76.4	3.1	2.0	1.8	
Barclays	0.1 L	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.5	1.8	3.0	4.0	4.8	5.7	5.0	4.6	na	2.5	2.3	1.8	
The Northern Trust Company	0.1 L	3.3	0.3	0.1 L	0.1	0.2	0.3	0.7	1.7	2.9	3.9	4.8	5.6	4.4	4.5	na	2.9	1.8	1.9	
Wells Fargo	0.1 L	3.3	0.3	0.1 L	0.1	0.2	0.2	0.4	1.5	2.8	3.9	4.8	5.5	4.7	4.5	77.5	2.5	1.9	1.9	
RDQ Economics	0.1 L	3.3	0.3	0.2	0.1	0.1 L	0.4	0.7	1.9	3.2	4.3 H	5.0	6.0	5.0	4.9	76.0	2.6	2.1	2.3	
Nat'l Assn. of Realtors	0.1 L	3.3	0.3	0.1 L	0.1	0.2	0.3	0.9 H	1.9	3.1	4.2	5.1	5.8	5.1 H	4.8	na	2.7	2.4 H	2.7	
Pierpont Securities	0.1 L	3.3	0.2 L	0.1 L	0.1	0.1 L	0.2	0.5	1.7	2.9	4.1	4.7	5.5	4.7	4.4	78.0	2.1	1.9	2.3	
SunTrust Banks	0.1 L	3.3	0.5 H	0.2	0.1	0.3 H	0.5 H	0.7	1.8	3.2	3.8	4.7	5.0 L	4.0 L	4.8	75.7	3.4	2.1	2.0	
Moody's Analytics	0.1 L	3.3 L	0.5 H	0.1 L	0.1	0.2	0.3	0.7	2.0 H	3.2	4.1	5.4 H	6.0	4.6	5.1 H	85.7 H	3.9 H	1.9	2.1	
<b>December Consensus</b>	<b>0.1</b>	<b>3.3</b>	<b>0.3</b>	<b>0.1</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.5</b>	<b>1.7</b>	<b>3.0</b>	<b>4.0</b>	<b>4.8</b>	<b>5.6</b>	<b>4.7</b>	<b>4.6</b>	<b>76.9</b>	<b>2.7</b>	<b>1.8</b>	<b>1.8</b>	
Top 10 Avg.	0.2	3.3	0.4	0.2	0.1	0.2	0.4	0.8	1.9	3.2	4.2	5.0	5.9	4.9	4.9	78.8	3.4	2.2	2.4	
Bottom 10 Avg.	0.1	3.3	0.2	0.1	0.0	0.1	0.1	0.3	1.4	2.8	3.8	4.6	5.4	4.5	4.3	75.3	2.1	1.4	1.3	
November Consensus	0.2	3.3	0.3	0.1	0.1	0.1	0.2	0.6	1.7	2.9	3.9	4.7	5.6	4.7	4.6	76.3	2.8	1.8	1.9	
<b>Number of Forecasts Changed From A Month Ago:</b>																				
Down	6	0	8	8	8	10	9	27	18	14	10	5	8	13	13	6	16	13	17	
Same	42	43	26	25	28	24	29	17	20	15	15	7	14	9	16	10	22	24	21	
Up	1	0	9	1	11	8	5	5	11	20	22	23	13	9	9	14	11	10	11	
Diffusion Index	45 %	50 %	51 %	40 %	53 %	48 %	45 %	28 %	43 %	56 %	63 %	76 %	57 %	44 %	45 %	63 %	45 %	47 %	44 %	

## Third Quarter 2014 Interest Rate Forecasts

### Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum----- Average For Quarter-----															Avg. For ---Qtr.--- A. Fed's Major Currency \$ Index	------(Q-Q % Change)----- ------(SAAR)----- B. C. D.						
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						Real GDP	Price Index	Price Index				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					Rate	GDP	Price	Price
	Federal Rate	Prime Bank Rate	LIBOR 3-Mo. Rate	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bonds 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate								
Bank of Toyko-Mitsubishi UFJ	0.5 H	3.5 H	0.9 H	0.4 H	0.5 H	0.6 H	0.6	1.6 H	2.1	3.0	4.0	4.8	5.7	4.9	4.5	70.0 L	2.9	1.5	1.5				
Swiss Re	0.3	3.3 L	0.3	0.2	0.1	0.1 L	0.2	0.6	1.8	3.0	3.9	4.7	5.4	na	4.9	na	3.6	1.4	1.6				
Bank of America Merrill Lynch	0.3	na	0.3	na	0.1	na	na	0.6	2.3 H	3.8 H	4.6 H	na	na	na	na	na	3.2	1.6	1.6				
Scotiabank Group	0.3	3.3 L	na	na	0.1	na	na	0.9	2.2	3.3	4.3	na	na	na	na	na	2.8	1.8	2.0				
RBC Capital Markets	0.3	3.3 L	na	na	0.1	0.1 L	0.1 L	0.6	2.1	3.2	4.1	na	na	na	na	na	2.7	na	2.0				
Societe Generale	0.3	na	0.2 L	na	na	na	na	0.5	1.8	3.4	4.4	na	na	na	na	na	3.2	2.3	3.3				
Georgia State University	0.2	3.3 L	na	na	0.1	0.1 L	0.1 L	0.5	2.1	3.5	4.4	5.4	6.6 H	na	5.1	na	2.1	1.3 L	1.4 L				
Kellner Economic Advisers	0.2	3.3 L	0.3	0.1 L	0.1	0.1 L	0.2	0.3 L	0.9 L	2.7 L	3.5 L	4.5	5.4	4.8	4.4	77.0	2.4	1.5	1.8				
Fannie Mae	0.2	3.3 L	na	na	0.2	na	0.3	0.7	1.8	3.0	3.6	4.9	5.7	na	4.7	na	2.6	1.7	1.8				
Cycledata Corp.	0.2	3.3 L	0.4	0.1 L	0.1	0.1 L	0.1 L	0.3 L	1.5	3.3	4.4	5.3	5.9	4.9	4.9	77.0	2.2	2.0	1.9				
Wells Fargo	0.2	3.3 L	0.3	0.2	0.1	0.2	0.3	0.5	1.6	2.9	4.0	4.9	5.6	4.8	4.6	77.8	3.1	1.9	2.0				
DePrince & Assoc.	0.2	3.3 L	0.5	0.3	0.2	0.3	0.3	0.5	1.5	2.8	3.9	4.6	5.5	4.3	4.5	76.9	2.5	1.8	1.7				
Action Economics	0.2	3.3 L	0.5	0.2	0.2	0.2	0.3	0.9	2.0	3.2	4.2	4.8	5.6	4.6	4.9	75.9	2.6	1.6	2.1				
Standard & Poor's Corp.	0.2	3.3 L	0.3	0.2	0.1	0.1 L	0.2	0.4	1.7	3.0	na	4.7	5.7	4.8	4.6	na	2.9	1.7	1.7				
Woodworth Holdings	0.2	3.3 L	0.3	0.1 L	0.1	0.1 L	0.2	0.5	1.6	2.9	4.0	4.8	5.6	4.8	4.5	78.0	2.0 L	1.5	1.4 L				
Wells Capital Management	0.2	3.3 L	0.3	0.2	0.2	0.3	0.4	0.6	1.7	3.3	4.1	4.8	5.5	4.7	4.8	76.6	2.7	1.6	1.5				
AIG	0.2	na	na	na	0.1	0.1 L	0.7	1.1	2.1	3.2	3.7	4.9	5.7	na	na	na	3.2	1.6	1.7				
Mesirow Financial	0.2	3.3 L	0.3	0.2	0.1	0.1 L	0.3	0.7	1.8	2.9	3.8	4.7	5.5	4.7	4.4	78.8	2.3	1.8	1.7				
Chase Wealth Management	0.2	3.3 L	0.4	0.2	0.1	0.2	0.2	0.4	1.5	2.8	3.9	4.7	5.5	4.7	4.5	76.0	2.7	2.0	1.8				
Comerica Bank	0.2	3.3 L	0.3	na	0.1	0.1 L	0.3	0.6	1.8	3.2	4.2	na	na	na	na	na	2.8	1.8	1.9				
PNC Financial Services Corp.	0.2	3.3 L	0.6	na	0.3	0.3	0.3	0.9	2.1	3.3	na	na	6.1	4.9	5.1	75.8	2.5	1.9	2.0				
RidgeWorth Investments	0.2	3.3 L	0.3	0.1 L	0.1	0.2	0.2	0.4	1.7	2.8	3.8	4.4 L	5.3	4.9	4.4	78.0	2.5	2.2	2.4				
Chmura Economics & Analytics	0.2	3.3 L	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.7	2.9	3.9	4.8	na	na	4.6	76.0	2.9	2.0	2.6				
Naroff Economic Advisors	0.2	3.3 L	0.4	0.3	0.3	0.3	0.4	0.7	1.8	3.2	4.2	5.1	5.9	5.1	4.7	74.4	2.8	2.6 H	3.0				
RBS Securities	0.2	3.3 L	0.4	0.1 L	0.1	0.2	0.3	0.8	1.9	2.9	3.9	4.7	5.6	4.7	4.5	81.0	2.4	1.7	3.4				
MacroFin Analytics	0.1 L	3.3 L	0.4	0.1 L	0.1	0.1 L	0.2	0.5	1.6	2.9	3.9	4.7	5.6	4.9	4.6	77.0	2.8	1.7	1.8				
BNP Paribas Americas	0.1 L	3.3 L	0.3	0.1 L	0.0 L	0.1 L	0.4	0.7	2.2	3.3	4.1	4.9	5.8	5.1	5.0	na	2.3	2.0	1.5				
Nomura Securities, Inc.	0.1 L	3.3 L	0.4	0.1 L	0.1	0.2	0.2	0.7	1.9	3.1	4.0	4.9	5.7	na	5.1	79.1	3.0	1.5	1.7				
J.P. Morgan Chase	0.1 L	na	0.3	na	na	na	na	0.5	1.9	3.4	4.3	na	na	na	na	na	3.0	1.5	1.8				
Loomis, Sayles & Company	0.1 L	3.3 L	0.3	0.1 L	0.1	0.1 L	0.3	0.8	2.0	3.2	4.0	4.8	5.7	4.7	4.8	76.9	3.0	1.7	1.8				
Goldman Sachs & Co.	0.1 L	na	0.3	na	0.1	na	na	0.6	1.9	3.1	3.9	na	na	na	na	na	3.5	1.9	1.8				
Moody's Capital Markets Group	0.1 L	3.3 L	0.3	0.1 L	0.1	0.1 L	0.2	0.4	1.6	3.1	3.9	4.7	5.5	4.6	4.6	76.3	2.8	2.0	2.0				
BMO Capital Markets	0.1 L	3.3 L	0.3	na	0.1	0.1 L	0.2	0.5	1.7	3.3	4.3	na	na	na	4.9	79.6	2.9	2.1	2.1				
ClearView Economics	0.1 L	3.3 L	0.3	0.1 L	0.1	0.1 L	0.2	0.3 L	1.4	2.8	3.8	4.7	5.4	4.6	4.2 L	77.0	3.1	1.6	2.2				
High Frequency Economics	0.1 L	3.3 L	na	na	0.1	0.1 L	0.4	1.1	2.1	3.2	4.0	na	na	na	na	na	3.3	2.3	2.3				
Economist Intelligence Unit	0.1 L	3.3 L	0.4	0.3	0.2	0.3	0.3	0.7	1.7	3.1	4.2	na	na	na	4.7	na	2.8	na	2.3				
UBS	0.1 L	na	0.3	na	0.1	na	na	0.7	1.7	3.0	4.0	na	na	na	na	na	3.5	2.0	4.4 H				
GLC Financial Economics	0.1 L	3.3 L	0.4	0.2	0.1	0.1 L	0.2	0.4	1.4	2.8	4.0	5.0	5.9	4.8	4.3	75.9	2.4	2.2	2.4				
Daiwa Capital Markets America	0.1 L	3.3 L	0.3	0.1 L	0.1	0.2	0.2	0.6	1.7	3.0	4.0	4.9	5.7	4.9	5.0	75.0	2.7	1.8	2.0				
Oxford Economics	0.1 L	3.3 L	0.3	na	0.0 L	0.1 L	0.3	0.8	1.7	2.9	4.2	na	na	na	4.5	78.8	3.2	1.8	2.1				
Pierpont Securities	0.1 L	3.3 L	0.3	0.1 L	0.1	0.1 L	0.2	0.6	1.9	3.1	4.3	4.9	5.7	4.9	4.6	79.0	2.2	2.0	2.4				
Stone Harbor Investment Partners	0.1 L	3.3 L	0.3	0.1 L	0.1	0.2	0.3	0.8	1.8	3.2	4.2	4.8	5.8	na	4.8	78.0	3.0	1.9	1.9				
The Northern Trust Company	0.1 L	3.3 L	0.3	0.1 L	0.1	0.3	0.4	0.9	1.8	3.0	4.0	4.9	5.6	4.3	4.6	na	3.1	1.8	2.0				
Russell Investments	0.1 L	3.3 L	0.3	0.2	0.2	0.2	0.4	0.7	1.9	3.1	4.0	4.9	5.7	4.8	4.7	76.2	2.8	2.0	2.0				
RDQ Economics	0.1 L	3.3 L	0.3	0.2	0.1	0.2	0.5	0.8	2.2	3.5	4.6 H	5.3	6.4	5.2	5.2	76.1	2.6	2.4	2.4				
Nat'l Assn. of Realtors	0.1 L	3.3 L	0.4	0.1 L	0.2	0.4	0.5	1.3	2.1	3.3	4.5	5.3	6.0	5.2 H	5.0	na	2.8	2.4	2.8				
Barclays	0.1 L	3.3 L	0.3	0.1 L	0.1	0.1 L	0.2	0.6	2.0	3.2	4.1	4.9	5.8	5.0	4.7	na	2.5	2.3	3.1				
Moody's Analytics	0.1 L	3.3 L	0.4	0.1 L	0.1	0.2	0.4	0.7	2.1	3.5	4.4	5.7 H	6.2	4.8	5.3 H	86.0 H	4.4 H	1.9	2.1				
SunTrust Banks	0.1 L	3.3 L	0.4	0.2	0.1	0.6 H	1.1 H	0.7	1.9	3.5	3.9	4.8	5.1 L	4.1 L	4.9	77.3	3.2	2.5	2.1				
<b>December Consensus</b>	<b>0.2</b>	<b>3.3</b>	<b>0.3</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.7</b>	<b>1.8</b>	<b>3.1</b>	<b>4.1</b>	<b>4.9</b>	<b>5.7</b>	<b>4.8</b>	<b>4.7</b>	<b>77.2</b>	<b>2.8</b>	<b>1.9</b>	<b>2.1</b>				
Top 10 Avg.	0.3	3.3	0.5	0.3	0.2	0.3	0.5	1.0	2.1	3.4	4.4	5.2	6.1	5.0	5.1	79.6	3.4	2.3	3.0				
Bottom 10 Avg.	0.1	3.3	0.2	0.1	0.0	0.1	0.1	0.4	1.5	2.8	3.8	4.6	5.4	4.5	4.4	75.1	2.3	1.5	1.6				
November Consensus	0.2	3.3	0.3	0.2	0.1	0.2	0.3	0.7	1.8	3.1	4.0	4.8	5.7	4.8	4.7	76.6	2.8	1.9	2.2				
<b>Number of Forecasts Changed From A Month Ago:</b>																							
Down	8	0	9	4	6	10	9	22	18	12	11	4	8	10	12	9	12	11	14				
Same	40	43	25	28	34	24	27	19	20	18	19	13	13	9	16	6	27	26	21				
Up	1	0	9	2	7	8	7	8	11	19	17	18	14	10	10	14	10	10	14				
Diffusion Index	4 %	4 %	6 %	3 %	2 %	3 %	2 %	2 %	3 %	4 %	5 %	9 %	5 %	4 %	5 %	3 %	4 %	5 %	2 %				

# Fourth Quarter 2014

## Interest Rate Forecasts

## Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum -- Average For Quarter-----															Avg. For ---Qtr--- A. Fed's Major Currency \$ Index	----- (Q-Q % Change) -----		
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						----- (SAAR) -----		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		B.	C.	D.
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate		Real GDP	Price Index	Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	1.0 H	4.0 H	1.3 H	0.9 H	1.0 H	1.1 H	1.1	2.0 H	2.4	3.2	4.1	5.1	5.9	5.0	4.7	69.0 L	2.8	1.9	2.3
Bank of America Merrill Lynch	0.3	na	0.3	na	0.1	na	na	0.7	2.6 H	3.8 H	4.6	na	na	na	na	na	3.2	1.6	1.6
Swiss Re	0.3	3.3 L	0.3	0.2	0.1	0.1 L	0.2	0.7	1.9	3.1	4.0	4.7	5.4	na	5.1	na	3.6	1.7	1.9
Scotiabank Group	0.3	3.3 L	na	na	0.1	na	na	1.2	2.4	3.4	4.4	na	na	na	na	na	2.9	1.8	2.0
RBC Capital Markets	0.3	3.3 L	na	na	0.1	0.1 L	0.2	0.9	2.5	3.6	4.4	na	na	na	na	na	2.4	na	2.0
Naroff Economic Advisors	0.3	3.3 L	0.5	0.4	0.4	0.4	0.5	0.9	2.0	3.5	4.5	5.4	6.2	5.5 H	4.9	74.0	3.3	2.8 H	2.7
Societe Generale	0.3	na	0.2 L	na	na	na	na	0.5	2.0	3.6	4.5	na	na	na	na	na	3.2	2.3	3.0 H
DePrince & Associates	0.2	3.3 L	0.5	0.4	0.3	0.3	0.3	1.0	1.8	3.0	4.0	4.7	5.6	4.4	4.7	77.2	2.8	1.9	1.8
Georgia State University	0.2	3.3 L	na	na	0.1	0.1 L	0.1	0.6	2.3	3.8 H	4.7	5.8 H	7.0 H	na	5.4	na	1.8 L	1.1	1.2 L
Kellner Economic Advisors	0.2	3.3 L	0.3	0.1	0.1	0.1 L	0.2	0.3	0.9 L	2.7 L	3.5 L	4.5	5.4	4.8	4.4	77.0	2.2	1.5	1.8
Fannie Mae	0.2	3.3 L	na	na	0.2	na	0.4	0.9	2.0	3.1	3.7	5.0	5.7	na	4.8	na	2.7	1.8	1.8
Cycledata Corp.	0.2	3.3 L	0.4	0.1	0.1	0.1 L	0.1 L	0.3 L	1.5	3.3	4.4	5.3	5.9	4.9	4.9	77.0	2.2	2.0	2.0
Action Economics	0.2	3.3 L	0.5	0.2	0.2	0.2	0.5	1.0	2.2	3.3	4.3	4.9	5.7	4.6	5.0	76.0	2.9	1.7	2.2
Wells Fargo	0.2	3.3 L	0.3	0.2	0.2	0.3	0.4	0.6	1.7	3.0	4.0	5.0	5.7	4.8	4.7	78.3	3.0	2.1	2.3
Standard & Poor's Corp.	0.2	3.3 L	0.3	0.2	0.1	0.1 L	0.2	0.4	1.7	3.0	na	4.7	5.7	4.8	4.7	na	3.3	1.6	1.6
MacroFin Analytics	0.2	3.3 L	0.4	0.2	0.1	0.2	0.2	0.5	1.6	2.9	3.9	4.8	5.7	5.0	4.7	77.4	3.0	1.8	1.9
Wells Capital Management	0.2	3.3 L	0.3	0.3	0.3	0.4	0.5	0.8	1.8	3.4	4.2	4.8	5.4	4.7	4.8	76.9	2.6	1.4	1.2 L
Woodworth Holdings	0.2	3.3 L	0.3	0.1	0.1	0.1 L	0.2	0.6	1.6	2.9	4.0	4.9	5.6	4.9	4.5	79.0	2.0	1.5	1.5
AIG	0.2	na	na	na	0.1	0.1 L	0.9	1.3	2.3	3.3	3.7	5.0	6.0	na	na	na	3.2	1.7	1.7
Mesirow Financial	0.2	3.3 L	0.3	0.2	0.1	0.1 L	0.5	1.0	2.0	3.0	3.9	4.8	5.7	4.7	4.5	79.8	2.8	1.8	1.7
Comerica Bank	0.2	3.3 L	0.3	na	0.1	0.1 L	0.3	0.7	1.9	3.2	4.2	na	na	na	na	na	2.9	1.9	1.8
PNC Financial Services Corp.	0.2	3.3 L	0.6	na	0.3	0.3	0.3	1.0	2.2	3.5	na	na	6.4	5.0	5.3	75.8	2.5	1.9	2.0
Chase Wealth Management	0.2	3.3 L	0.4	0.2	0.2	0.2	0.2	0.5	1.5	2.9	3.9	4.8	5.5	4.7	4.5	76.2	2.8	2.1	2.0
Chmura Economics & Analytics	0.2	3.3 L	0.3	0.1	0.1	0.1 L	0.2	0.4	1.8	3.0	3.9	4.9	na	na	4.6	76.2	3.1	1.9	2.1
ClearView Economics	0.2	3.3 L	0.3	0.1	0.1	0.2	0.2	0.3 L	1.4	2.8	3.9	4.7	5.4	4.6	4.3 L	77.5	3.1	1.7	2.4
RidgeWorth Investments	0.2	3.3 L	0.3	0.1	0.1	0.2	0.2	0.5	1.8	3.0	4.0	4.5 L	5.3	5.2	4.6	78.0	2.5	2.2	2.4
RBS Securities	0.2	3.3 L	0.5	0.2	0.1	0.2	0.3	1.0	2.1	3.1	4.1	4.8	5.7	4.8	4.7	82.0	2.6	1.7	2.5
Loomis, Sayles & Company	0.1 L	3.3 L	0.3	0.1	0.1	0.2	0.4	0.9	2.0	3.3	4.0	4.8	5.7	4.7	4.9	77.2	3.1	1.7	1.6
UBS	0.1 L	na	0.4	na	0.2	na	na	0.8	1.9	3.2	4.1	na	na	na	na	na	3.6	2.0	1.6
Goldman Sachs & Co.	0.1 L	na	0.3	na	0.1	na	na	0.7	2.1	3.2	4.0	na	na	na	na	na	3.5	0.9 L	1.8
Nomura Securities, Inc.	0.1 L	3.3 L	0.4	0.1	0.1	0.2	0.2	0.8	2.0	3.2	4.1	5.0	5.8	na	5.3	79.7	3.0	1.5	1.8
J.P. Morgan Chase	0.1 L	na	0.3	na	na	na	na	0.6	2.1	3.6	4.5	na	na	na	na	na	3.0	1.5	1.8
BMO Capital Markets	0.1 L	3.3 L	0.3	na	0.1	0.1 L	0.3	0.7	1.9	3.5	4.4	na	na	na	5.0	79.9	3.0	1.9	1.9
Moody's Capital Markets Group	0.1 L	3.3 L	0.3	0.1	0.1	0.2	0.3	0.4	1.7	3.1	3.9	4.7	5.5	4.6	4.7	76.7	2.9	1.8	2.0
Oxford Economics	0.1 L	3.3 L	0.3	na	0.0 L	0.2	0.4	0.9	1.7	2.9	4.2	na	na	na	4.5	79.8	3.2	1.7	2.0
BNP Paribas Americas	0.1 L	3.3 L	0.3	0.1	0.0 L	0.1 L	0.6	0.9	2.3	3.5	4.2	5.0	5.9	5.3	5.1	na	2.3	2.0	2.3
High Frequency Economics	0.1 L	3.3 L	na	na	0.1	0.2	0.6	1.5	2.3	3.3	4.1	na	na	na	na	na	3.3	2.3	2.3
Economist Intelligence Unit	0.1 L	3.3 L	0.4	0.3	0.3	0.4	0.4	0.8	1.9	3.2	4.3	na	na	na	4.9	na	2.8	na	2.4
GLC Financial Economics	0.1 L	3.3 L	0.5	0.2	0.1	0.1 L	0.2	0.4	1.5	2.9	4.1	5.3	6.1	4.9	4.4	76.0	2.9	2.1	2.4
Daiw a Capital Markets America	0.1 L	3.3 L	0.4	0.2	0.2	0.2	0.3	0.7	1.8	3.1	4.1	5.0	5.8	5.0	5.1	75.0	2.9	2.0	2.0
Pierpont Securities	0.1 L	3.3 L	0.3	0.1	0.1	0.1 L	0.2	0.7	2.0	3.3	4.5	5.2	5.9	5.0	4.9	80.0	2.4	2.2	2.5
Stone Harbor Investment Partners	0.1 L	3.3 L	0.3	0.1	0.1	0.2	0.4	1.0	2.0	3.3	4.2	5.0	6.0	na	4.9	76.0	3.3	2.1	2.0
Russell Investments	0.1 L	3.3 L	0.3	0.2	0.2	0.2	0.4	0.9	2.0	3.2	4.2	4.9	5.7	4.8	4.8	76.1	3.0	2.2	2.0
The Northern Trust Company	0.1 L	3.3 L	0.3	0.1	0.1	0.3	0.5	1.1	2.0	3.2	4.2	5.0	5.7	4.2	4.8	na	3.1	1.9	2.2
Barclays	0.1 L	3.3 L	0.4	0.1	0.1	0.1 L	0.2	0.8	2.3	3.4	4.3	4.9	5.9	5.0	4.7	na	2.5	2.3	2.5
RDQ Economics	0.1 L	3.3 L	0.3	0.2	0.1	0.2	0.6	0.9	2.3	3.7	4.8 H	5.5	6.6	5.4	5.5 H	76.3	2.7	2.6	2.5
Nat'l Assn. of Realtors	0.1 L	3.3 L	0.5	0.3	0.3	0.5	0.7	1.5	2.3	3.5	4.7	5.5	6.3	5.4	5.2	na	2.8	2.5	2.9
Moody's Analytics	0.1 L	3.3 L	0.4	0.0 L	0.1	0.2	0.4	0.7	2.2	3.6	4.5	5.7	6.2	4.9	5.4	86.7 H	4.5 H	2.3	2.0
SunTrust Banks	0.1 L	3.3 L	0.4	0.3	0.1	0.7	1.2 H	0.7	2.1	3.3	4.1	4.9	5.1 L	4.1 L	5.1	76.7	3.5	2.6	2.1
<b>December Consensus</b>	<b>0.2</b>	<b>3.3</b>	<b>0.4</b>	<b>0.2</b>	<b>0.1</b>	<b>0.2</b>	<b>0.4</b>	<b>0.8</b>	<b>2.0</b>	<b>3.2</b>	<b>4.2</b>	<b>5.0</b>	<b>5.8</b>	<b>4.8</b>	<b>4.8</b>	<b>77.4</b>	<b>2.9</b>	<b>1.9</b>	<b>2.0</b>
Top 10 Avg.	0.3	3.3	0.6	0.3	0.3	0.5	0.7	1.2	2.4	3.6	4.6	5.4	6.3	5.2	5.2	80.3	3.5	2.4	2.6
Bottom 10 Avg.	0.1	3.3	0.2	0.1	0.0	0.1	0.2	0.4	1.5	2.9	3.8	4.7	5.4	4.5	4.5	75.0	2.3	1.4	1.6
November Consensus	0.2	3.3	0.4	0.2	0.2	0.2	0.4	0.8	1.9	3.2	4.1	4.9	5.8	4.8	4.8	77.0	2.9	2.0	2.1
<b>Number of Forecasts Changed From A Month Ago:</b>																			
Down	5	2	10	6	5	7	7	16	14	9	9	4	7	7	12	9	13	13	12
Same	42	41	27	25	35	28	28	25	24	21	21	14	13	13	15	8	26	22	26
Up	2	0	5	2	7	7	8	8	11	19	17	17	14	10	11	10	10	12	11
Diffusion Index	4 %	4 %	6 %	3 %	2 %	3 %	2 %	2 %	3 %	4 %	5 %	9 %	5 %	4 %	5 %	3 %	4 %	5 %	2 %

# First Quarter 2015

## Interest Rate Forecasts

## Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum -- Average For Quarter-----															Avg. For ---Qtr--- Fed's Major Currency \$ Index	------(Q-Q % Change)-----		
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						B. Real GDP	C. GDP Price Index	D. Cons. Price Index
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15				
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Notes 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate				
Bank of Toyko-Mitsubishi UFJ	1.5 H	4.5 H	1.8 H	1.4 H	1.5 H	1.6 H	1.7 H	2.5 H	3.0 H	3.5	4.5	5.2	6.2	5.2	5.1	68.0 L	2.9	2.0	2.7
Nat'l Assn. of Realtors	0.5	3.5	0.7	0.6	0.7	1.0	1.5	2.2	2.8	3.8 H	5.0 H	5.8 H	6.6	5.8 H	5.5	na	2.8	2.6	2.9
Swiss Re	0.4	3.4	0.4	0.4	0.2	0.2	0.3	0.9	2.1	3.2	4.2	4.8	5.5	na	5.2	na	3.6	2.5	2.5
Naroff Economic Advisors	0.4	3.5	0.6	0.5	0.6	0.6	0.8	1.1	2.2	3.8 H	4.9	5.7	6.6	5.8 H	5.3	73.2	4.3 H	2.6	3.3 H
Scotiabank Group	0.3	3.3 L	na	na	0.1	na	na	1.5	2.6	3.7	4.6	na	na	na	na	na	3.0	2.0	2.1
DePrince & Associates	0.2	3.3 L	0.6	0.5	0.3	0.4	0.4	1.6	2.1	3.2	4.1	4.9	5.8	4.6	4.9	77.5	3.1	1.9	1.8
Action Economics	0.2	3.3 L	0.6	0.2	0.2	0.3	0.8	1.3	2.4	3.4	4.4	5.0	5.7	4.7	5.0	76.0	3.0	2.0	2.3
GLC Financial Economics	0.2	3.3 L	0.6	0.3	0.1	0.2	0.3	0.5	1.6	3.0	4.2	5.5	6.4	5.1	4.7	76.1	3.7	2.5	2.6
Georgia State University	0.2	3.3 L	na	na	0.1	0.1 L	0.1	0.5	2.1	3.6	4.5	5.6	6.8 H	na	5.4	na	2.4	1.4	1.6
Kellner Economic Advisers	0.2	3.3 L	0.3 L	0.1 L	0.1	0.1 L	0.2	0.3 L	0.9 L	2.7 L	3.5 L	4.5 L	5.4	4.8	4.4	77.0	2.4	1.5	1.8
Fannie Mae	0.2	3.3 L	na	na	0.2	na	0.6	1.1	2.1	3.2	3.7	5.1	5.8	na	4.9	na	2.7	2.0	1.9
MacroFin Analytics	0.2	3.3 L	0.4	0.2	0.1	0.2	0.3	0.5	1.7	3.0	4.0	4.8	5.8	5.1	4.8	78.0	3.2	1.8	2.0
Cycledata Corp.	0.2	3.3 L	0.4	0.1 L	0.1	0.1 L	0.1 L	0.3 L	1.7	3.5	4.6	5.5	6.1	5.0	5.1	77.0	2.2	2.1	2.0
Russell Investments	0.2	3.3 L	0.4	0.2	0.2	0.3	0.5	1.1	2.2	3.3	4.3	5.0	5.8	4.8	4.9	76.0	2.7	2.0	2.1
Wells Fargo	0.2	3.3 L	0.3 L	0.2	0.2	0.3	0.4	0.7	1.8	3.1	4.1	5.1	5.8	4.9	4.8	78.5	3.0	2.1	2.4
Standard & Poor's Corp.	0.2	3.3 L	0.3 L	0.2	0.1	0.1 L	0.2	0.5	1.7	3.1	na	4.8	5.8	4.8	4.8	na	3.3	1.9	1.7
ClearView Economics	0.2	3.3 L	0.3 L	0.1 L	0.1	0.2	0.2	0.3	1.4	2.8	3.9	4.7	5.4	4.6	4.3 L	78.0	3.1	1.7	2.4
Woodworth Holdings	0.2	3.3 L	0.3 L	0.1 L	0.1	0.2	0.2	0.6	1.7	3.0	4.1	4.9	5.7	4.9	4.6	80.0	2.0 L	1.6	1.5 L
Comerica Bank	0.2	3.3 L	0.3 L	na	0.1	0.1 L	0.3	0.7	1.9	3.3	4.2	na	na	na	na	na	3.0	1.9	1.7
Mesirow Financial	0.2	3.3 L	0.3 L	0.2	0.1	0.1 L	0.7	1.3	2.3	3.2	4.0	5.0	5.8	4.9	4.7	80.6	3.0	1.9	1.8
AIG	0.2	na	na	na	0.2	0.2	1.1	1.4	2.4	3.4	3.8	5.1	6.2	na	na	na	3.4	1.9	1.8
Wells Capital Management	0.2	3.3 L	0.4	0.4	0.4	0.4	0.5	1.0	1.9	3.6	4.3	4.9	5.5	4.8	4.9	77.2	2.8	1.8	2.0
PNC Financial Services Corp.	0.2	3.3 L	0.7	na	0.4	0.4	0.3	1.1	2.4	3.6	na	na	6.6	5.1	5.5	75.8	2.5	2.0	2.1
Chase Wealth Management	0.2	3.3 L	0.4	0.2	0.2	0.2	0.2	0.5	1.5	2.9	4.0	4.8	5.5	4.7	4.5	76.4	2.9	2.1	2.1
RidgeWorth Investments	0.2	3.3 L	0.3 L	0.1 L	0.1	0.2	0.2	0.5	1.9	3.0	4.0	4.5 L	5.4	5.3	4.6	76.0	3.0	2.2	2.4
Chmura Economics & Analytics	0.2	3.3 L	0.3 L	0.2	0.1	0.1 L	0.2	0.5	1.8	3.0	3.9	4.9	na	na	4.7	76.1	3.1	2.2	2.5
RBS Securities	0.2	3.3 L	0.6	0.2	0.2	0.2	0.5	1.2	2.3	3.3	4.3	4.9	5.8	4.9	4.9	83.0	2.6	1.8	3.0
Loomis, Sayles & Company	0.1 L	3.3 L	0.3 L	0.2	0.1	0.4	0.6	1.0	2.2	3.3	4.0	4.8	5.7	4.7	4.9	77.5	3.1	1.8	1.8
Pierpont Securities	0.1 L	3.3 L	0.3 L	0.1 L	0.1	0.2	0.3	0.9	2.2	3.5	4.5	5.3	6.1	5.1	5.1	82.0	2.5	2.6	2.7
Moody's Capital Markets Group	0.1 L	3.3 L	0.3 L	0.1 L	0.1	0.2	0.3	0.4	1.8	3.1	3.8	4.5 L	5.3	4.4	4.7	77.0	3.0	1.9	1.6
Goldman Sachs & Co.	0.1 L	na	0.3 L	na	0.1	na	na	0.9	2.4	3.3	4.0	na	na	na	na	na	3.0	1.3 L	1.8
Nomura Securities, Inc.	0.1 L	3.3 L	0.4	0.1 L	0.2	0.2	0.3	0.8	2.1	3.2	4.1	5.0	5.9	na	5.3	79.7	3.1	1.6	1.9
Oxford Economics	0.1 L	3.3 L	0.3 L	na	0.0 L	0.2	0.4	1.0	1.7	3.0	4.3	na	na	na	4.6	80.6	3.3	1.7	2.0
BMO Capital Markets	0.1 L	3.3 L	0.3 L	na	0.1	0.1 L	0.5	1.0	2.2	3.6	4.5	na	na	na	5.1	79.3	3.1	2.1	2.2
Economist Intelligence Unit	0.1 L	3.3 L	0.4	0.3	0.3	0.5	0.5	0.9	2.0	3.3	4.3	na	na	na	5.0	na	2.5	na	2.3
High Frequency Economics	0.1 L	3.3 L	na	na	0.2	0.3	1.0	1.7	2.4	3.4	4.1	na	na	na	na	na	2.9	2.5	2.5
UBS	0.1 L	na	0.5	na	0.3	na	na	1.0	2.1	3.3	4.2	na	na	na	na	na	2.7	2.3	2.7
BNP Paribas Americas	0.1 L	3.3 L	0.3 L	0.1 L	0.0 L	0.1 L	0.9	1.1	2.5	3.6	4.2	5.1	5.9	5.4	5.1	na	2.5	2.0	3.3 H
Daiwa Capital Markets America	0.1 L	3.3 L	0.4	0.2	0.2	0.3	0.3	0.9	2.0	3.3	4.2	5.1	5.9	5.2	5.3	75.0	3.1	2.1	2.2
Moody's Analytics	0.1 L	3.3 L	0.4	0.1 L	0.1	0.2	0.4	0.8	2.4	3.8 H	4.6	5.8 H	6.3	4.9	5.6 H	86.0 H	4.3	2.0	2.1
SunTrust Banks	0.1 L	3.3 L	0.4	0.3	0.1	0.7	1.3	0.8	2.2	3.8 H	4.2	5.0	5.2 L	4.2	5.2	76.1	3.7	2.9 H	2.2
Stone Harbor Investment Partners	0.1 L	3.3 L	0.3 L	0.1 L	0.2	0.3	0.5	1.2	2.2	3.3	4.2	5.0	6.0	na	4.9	74.0	3.3	1.9	2.2
The Northern Trust Company	0.1 L	3.3 L	0.5	0.1 L	0.3	0.4	0.6	1.2	2.1	3.3	4.3	5.0	5.7	3.9 L	4.9	na	3.5	1.9	2.2
<b>December Consensus</b>	<b>0.2</b>	<b>3.3</b>	<b>0.4</b>	<b>0.2</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>1.0</b>	<b>2.1</b>	<b>3.3</b>	<b>4.2</b>	<b>5.0</b>	<b>5.9</b>	<b>4.9</b>	<b>4.9</b>	<b>77.5</b>	<b>3.0</b>	<b>2.0</b>	<b>2.2</b>
Top 10 Avg.	0.4	3.4	0.7	0.5	0.5	0.6	1.0	1.6	2.5	3.7	4.6	5.5	6.4	5.3	5.3	80.8	3.6	2.5	2.8
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.1	0.2	0.4	1.6	2.9	3.8	4.7	5.5	6.4	4.5	4.6	74.6	2.4	1.6	1.7
November Consensus	0.2	3.3	0.4	0.3	0.2	0.3	0.5	1.0	2.1	3.2	4.2	5.0	5.9	4.9	4.9	77.0	3.0	2.0	2.2
Number of Forecasts Changed From A Month Ago:																			
Down	6	1	9	7	10	8	7	11	10	6	8	7	10	10	10	8	8	6	11
Same	35	38	23	21	26	22	23	25	27	20	20	10	10	9	13	10	20	26	24
Up	2	1	6	3	7	9	10	7	6	17	13	15	12	9	13	10	15	10	8
Diffusion Index	4 %	4 %	6 %	3 %	2 %	3 %	2 %	2 %	3 %	4 %	5 %	9 %	5 %	4 %	5 %	3 %	4 %	5 %	2 %

International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na
Moody's Analytics	0.61	0.58	0.46
BNP Paribas Americas	na	na	na
Nomura Securities	na	na	na
Barclays	na	na	na
BMO Capital Markets	na	na	na
Mizuho Research Institute	0.25	0.25	0.25
UBS	na	na	na
Wells Fargo	na	na	na
ING Financial Markets	0.30	0.30	0.30
Moody's Capital Markets	na	na	na
<b>December Consensus</b>	<b>0.39</b>	<b>0.38</b>	<b>0.34</b>
High	0.61	0.58	0.46
Low	0.25	0.25	0.25
Last Months Avg.	0.29	0.30	0.26

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na
Moody's Analytics	na	na	na
BNP Paribas Americas	na	na	na
Nomura Securities	na	na	na
Barclays	na	na	na
BMO Capital Markets	na	na	na
Mizuho Research Institute	0.22	0.22	0.22
UBS	na	na	na
Wells Fargo	na	na	na
ING Financial Markets	0.15	0.15	0.15
Moody's Capital Markets	na	na	na
<b>December Consensus</b>	<b>0.19</b>	<b>0.19</b>	<b>0.19</b>
High	0.22	0.22	0.22
Low	0.15	0.15	0.15
Last Months Avg.	0.19	0.19	0.19

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na
Moody's Analytics	na	na	na
BNP Paribas Americas	na	na	na
Nomura Securities	na	na	na
Barclays	na	na	na
BMO Capital Markets	na	na	na
Mizuho Research Institute	0.50	0.50	0.50
UBS	na	na	na
Wells Fargo	na	na	na
ING Financial Markets	0.50	0.60	0.80
Moody's Capital Markets	na	na	na
<b>December Consensus</b>	<b>0.50</b>	<b>0.55</b>	<b>0.65</b>
High	0.50	0.60	0.80
Low	0.50	0.50	0.50
Last Months Avg.	0.50	0.50	0.63

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na
Moody's Analytics	na	na	na
BNP Paribas Americas	na	na	na
Nomura Securities	na	na	na
Barclays	na	na	na
BMO Capital Markets	na	na	na
Mizuho Research Institute	na	na	na
UBS	na	na	na
Wells Fargo	na	na	na
ING Financial Markets	0.02	0.05	0.10
Moody's Capital Markets	na	na	na
<b>December Consensus</b>	<b>0.02</b>	<b>0.05</b>	<b>0.10</b>
High	0.02	0.05	0.10
Low	0.02	0.05	0.10
Last Months Avg.	0.02	0.02	0.05

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na
Moody's Analytics	na	na	na
BNP Paribas Americas	na	na	na
Nomura Securities	na	na	na
Barclays	na	na	na
BMO Capital Markets	na	na	na
Mizuho Research Institute	na	na	na
UBS	na	na	na
Wells Fargo	na	na	na
ING Financial Markets	1.30	1.40	1.90
Moody's Capital Markets	na	na	na
<b>December Consensus</b>	<b>1.30</b>	<b>1.40</b>	<b>1.90</b>
High	1.30	1.40	1.90
Low	1.30	1.40	1.90
Last Months Avg.	1.30	1.30	1.50

United States			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
2.85	3.00	3.40	
2.85	2.99	3.46	
3.10	3.25	3.45	
2.85	2.95	3.15	
2.89	2.97	3.41	
na	na	na	
2.85	2.95	3.20	
2.50	2.60	2.80	
2.70	2.80	3.00	
3.10	3.20	3.30	
2.85	3.00	3.15	
<b>2.85</b>	<b>2.97</b>	<b>3.23</b>	
3.10	3.25	3.46	
2.50	2.60	2.80	
2.78	2.95	3.19	

Japan			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
na	na	na	
0.91	0.92	0.95	
0.70	0.60	0.80	
0.75	0.75	0.82	
na	0.93	1.03	
0.70	0.75	1.00	
0.75	0.75	0.90	
1.00	1.00	1.20	
0.70	0.75	0.90	
0.90	1.00	1.30	
0.65	0.75	0.85	
<b>0.78</b>	<b>0.82</b>	<b>0.98</b>	
1.00	1.00	1.30	
0.65	0.60	0.80	
0.83	0.85	0.97	

United Kingdom			
10 Yr. Gilt Yields %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
na	na	na	
2.86	3.01	3.49	
3.10	3.25	3.35	
3.00	3.05	3.15	
na	3.07	3.43	
2.90	3.10	3.50	
2.95	3.10	3.40	
3.10	3.15	3.30	
2.90	3.00	3.30	
2.90	3.10	3.60	
2.82	2.95	3.10	
<b>2.95</b>	<b>3.08</b>	<b>3.36</b>	
3.10	3.25	3.60	
2.82	2.95	3.10	
2.89	3.02	3.31	

Switzerland			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
na	na	na	
1.20	1.29	1.58	
1.20	1.30	1.40	
na	na	na	
na	na	na	
na	na	na	
1.10	1.20	1.50	
na	na	na	
1.10	1.30	1.50	
0.90	0.95	1.00	
<b>1.10</b>	<b>1.21</b>	<b>1.40</b>	
1.20	1.30	1.58	
0.90	0.95	1.00	
1.01	1.09	1.33	

Canada			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
2.70	2.80	3.15	
2.68	2.89	3.37	
2.65	3.00	3.45	
2.75	2.85	3.05	
na	na	na	
2.90	3.10	3.45	
na	na	na	
2.60	2.80	3.40	
2.70	2.80	3.25	
2.90	3.20	3.80	
2.70	2.85	3.00	
<b>2.73</b>	<b>2.92</b>	<b>3.32</b>	
2.90	3.20	3.80	
2.60	2.80	3.00	
2.70	2.86	3.22	

Fed's Major Currency \$ Index			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
na	na	na	
na	na	na	
na	na	na	
77.5	78.1	79.7	
na	na	na	
76.8	78.0	80.0	
78.0	79.0	81.0	
na	na	na	
77.3	77.5	78.3	
78.6	79.9	84.6	
76.2	76.2	76.5	
76.2	77.4	79.3	
<b>77.4</b>	<b>78.1</b>	<b>80.0</b>	

Yen/USD			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
102.0	104.0	109.0	
99.2	100.2	101.9	
108.0	114.0	118.0	
104.0	106.0	110.0	
100.0	102.0	105.0	
100.0	103.0	109.0	
100.0	101.0	103.0	
na	na	na	
102.0	104.0	106.0	
105.0	108.0	115.0	
102.5	103.0	104.0	
<b>102.3</b>	<b>104.5</b>	<b>108.1</b>	
108.0	114.0	118.0	
99.2	100.2	101.9	
101.3	103.1	106.7	

USD/Pound Sterling			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
1.58	1.57	1.55	
1.60	1.58	1.55	
1.54	1.56	1.58	
1.62	1.63	1.60	
1.57	1.54	1.52	
1.59	1.57	1.55	
na	na	na	
na	na	na	
1.60	1.61	1.63	
1.59	1.58	1.50	
1.60	1.59	1.56	
<b>1.59</b>	<b>1.58</b>	<b>1.56</b>	
1.62	1.63	1.63	
1.54	1.54	1.50	
1.58	1.57	1.56	

CHF/USD			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
0.95	0.96	1.00	
0.95	0.99	1.08	
1.04	1.06	1.08	
0.94	0.96	1.07	
0.97	1.02	1.08	
0.94	0.96	0.99	
na	na	na	
na	na	na	
0.95	0.97	0.99	
0.95	0.98	1.06	
0.91	0.92	0.93	
<b>0.96</b>	<b>0.98</b>	<b>1.03</b>	
1.04	1.06	1.08	
0.91	0.92	0.93	
0.94	0.96	1.01	

CAD/USD			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
1.07	1.08	1.06	
1.05	1.04	1.03	
1.05	1.06	1.08	
1.07	1.09	1.10	
1.05	1.07	1.07	
1.05	1.06	1.07	
na	na	na	
na	na	na	
1.06	1.05	1.03	
1.06	1.07	1.12	
1.06	1.06	1.06	
<b>1.06</b>	<b>1.06</b>	<b>1.07</b>	
1.07	1.09	1.12	
1.05	1.04	1.03	
1.04	1.05	1.05	

**International Interest Rate And Foreign Exchange Rate Forecasts**

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na
Moody's Analytics	na	na	na
BNP Paribas Americas	na	na	na
Nomura Securities	na	na	na
Barclays	na	na	na
BMO Capital Markets	na	na	na
Mizuho Research Institute	na	na	na
UBS	na	na	na
Wells Fargo	na	na	na
ING Financial Markets	2.60	2.80	3.20
Moody's Capital Markets	na	na	na
<b>December Consensus</b>	<b>2.60</b>	<b>2.80</b>	<b>3.20</b>
High	2.60	2.80	3.20
Low	2.60	2.80	3.20
Last Months Avg.	2.50	2.60	2.90

Australia		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
4.41	4.49	4.97
4.35	4.60	4.75
4.05	4.20	4.50
na	na	na
na	na	na
na	na	na
3.60	3.70	4.00
na	na	na
4.20	4.30	4.40
4.25	4.25	4.25
<b>4.14</b>	<b>4.26</b>	<b>4.48</b>
4.41	4.60	4.97
3.60	3.70	4.00
4.10	4.19	4.42

USD/AUD		
In 3 Mo.	In 6 Mo.	In 12 Mo.
0.90	0.91	0.93
0.89	0.87	0.83
1.01	0.98	0.95
0.90	0.89	0.88
0.91	0.86	0.82
0.92	0.90	0.88
na	na	na
na	na	na
0.92	0.93	0.95
0.93	0.90	0.88
0.90	0.89	0.89
<b>0.92</b>	<b>0.90</b>	<b>0.89</b>
1.01	0.98	0.95
0.89	0.86	0.82
0.93	0.91	0.90

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na
Moody's Analytics	na	na	na
BNP Paribas Americas	na	na	na
Nomura Securities	0.20	0.21	0.23
Barclays	na	na	na
BMO Capital Markets	na	na	na
Mizuho Research Institute	0.25	0.25	0.25
UBS	na	na	na
Wells Fargo	na	na	na
ING Financial Markets	0.20	0.20	0.20
Moody's Capital Markets	na	na	na
<b>December Consensus</b>	<b>0.22</b>	<b>0.22</b>	<b>0.23</b>
High	0.25	0.25	0.25
Low	0.20	0.20	0.20
Last Months Avg.	0.21	0.22	0.30

**Eurozone**

USD/EUR		
In 3 Mo.	In 6 Mo.	In 12 Mo.
1.30	1.29	1.25
1.34	1.34	1.31
1.28	1.25	1.23
1.33	1.30	1.20
1.30	1.28	1.25
1.32	1.30	1.28
1.33	1.30	1.25
na	na	na
1.30	1.28	1.24
1.30	1.28	1.20
1.32	1.30	1.28
<b>1.31</b>	<b>1.29</b>	<b>1.25</b>
1.34	1.34	1.31
1.28	1.25	1.20
1.33	1.30	1.26

Blue Chip Forecasters	10 Yr. Gov't Bond Yields %											
	Germany			France			Italy			Spain		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
ING Financial Markets	1.90	2.10	2.20	2.40	2.60	2.60	4.10	4.10	4.00	4.10	4.20	4.10
Wells Fargo	1.90	2.10	2.40	na								
BNP Paribas Americas	1.90	2.05	2.10	2.50	2.60	2.65	4.15	4.00	3.85	4.05	3.95	3.60
UBS	2.20	2.30	2.60	2.70	2.75	3.00	4.55	4.40	4.10	na	na	na
Nomura Securities	2.00	2.00	2.10	na								
Mizuho Research Institute	1.75	1.80	1.95	na								
BMO Capital Markets	1.90	2.15	2.70	na								
Moody's Capital Markets	1.85	1.95	2.05	2.32	2.44	2.55	4.25	4.45	4.60	4.27	4.40	4.43
Moody's Analytics	1.68	1.79	1.80	2.22	2.28	2.45	4.20	4.00	3.74	4.49	4.55	4.56
<b>December Consensus</b>	<b>1.90</b>	<b>2.03</b>	<b>2.21</b>	<b>2.43</b>	<b>2.53</b>	<b>2.65</b>	<b>4.25</b>	<b>4.19</b>	<b>4.06</b>	<b>4.23</b>	<b>4.28</b>	<b>4.17</b>
High	2.20	2.30	2.70	2.70	2.75	3.00	4.55	4.45	4.60	4.49	4.55	4.56
Low	1.68	1.79	1.80	2.22	2.28	2.45	4.10	4.00	3.74	4.05	3.95	3.60
Last Months Avg.	1.94	2.03	2.21	2.49	2.60	2.70	4.42	4.32	4.12	4.49	4.44	4.35

Consensus Forecasts				
10-year Bond Yields vs U.S. Yield				
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-2.13	-2.07	-2.15	-2.26
United Kingdom	0.03	0.09	0.11	0.13
Switzerland	-1.86	-1.75	-1.76	-1.84
Canada	-0.19	-0.12	-0.05	0.09
Australia	1.48	1.29	1.29	1.25
Germany	-1.03	-0.96	-0.94	-1.02
France	-0.49	-0.43	-0.44	-0.58
Italy	1.33	1.40	1.22	0.83
Spain	1.41	1.37	1.30	0.94

Consensus Forecasts				
3 Mo. Deposit Rates vs U.S. Rate				
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-0.17	-0.20	-0.56	-0.15
United Kingdom	0.27	0.11	0.17	0.31
Switzerland	-0.23	-0.37	-0.33	-0.24
Canada	0.92	0.91	1.02	1.56
Australia	2.27	2.21	2.42	2.86
Eurozone	-0.05	-0.17	-0.16	-0.11

## Viewpoints:

### A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

#### Growth: No, No, No, Yes

In the last several years, the US growth debate has come down to two questions: (1) will positive cyclical forces or negative structural headwinds dominate and (2) how will the economy handle negative shocks. At this time in each of the last three years, the consensus has gone into the new year expecting growth to pick up and in each year we have argued the consensus is wrong. In our view, the economy has been stuck in “rehab”, healing the wounds of the crisis, and until the rehab is well advanced, structural headwinds will dominate cyclical bounce. At the same time we have underscored that events in Europe, the Middle East and Washington would undercut US growth.

Entering 2013 we were expecting another subpar year for growth. We had been writing about the risks of the fiscal cliff since the fall of 2011, arguing that anticipation of the cliff would hurt growth in late 2012 and implementation of about half of the cliff would mean another weak year in 2013. At the same time, we argued that inflation concerns were overdone and, yet again, the markets were prematurely anticipating a Fed exit. When the Fed announced QE3, surveys showed that economists were expecting between \$250 billion and \$2 trillion in additional quantitative easing. We were the \$2 trillion.

As expected, QE3 asset purchases have already reached \$1.1 trillion and, if our slow exit call is right, should total about \$1.9 trillion when the program ends next December.

As we have been arguing for more than a year, we think 2014 is the year when the economy finally exits rehab and starts growing at a healthy 3% (4Q/4Q). In our view, the economy would have already exited rehab this year if the politicians had not hit the economy with a double dose of austerity and confidence shocks. Two keys to better growth—the housing market and the banking sector—had already shown serious signs of improvement in 2012, with solid gains in home prices and construction and a modest improvement in bank lending. The Senior Loan Officer Survey showed a modest easing of lending standards and loan growth finally showed signs of life. Absent the shocks out of Washington, we believe growth this year would have been 3 to 3.5%.

Balance sheet repair is the unsung success story of easy Fed policy. Abundant liquidity has not spawned inflation or systemically risky bubbles, as critics contended. Instead, households have taken advantage of low interest rates to lower their monthly debt service costs to the lowest in at least 30 years; and banks and corporations have rebuilt their balance sheets. Importantly, easy credit has not spawned imbalances in the real economy: there is no overhang of overinvestment in tech like we saw during the dot-com bubble and there is no overhang of single family homes as we saw during the subprime bubble. Instead, we have small pockets of excess in the credit market.

Not only are structural headwinds fading, we expect Washington to be less shocking. While the sequester shock is not over—there is about a 0.2pp hit to GDP in 2014—the vast majority of the 2%-plus in fiscal austerity has already been absorbed into the economy. At the same time, with the election looming, we expect moderate politicians in each party to assert themselves and avoid another shutdown. Moreover, even if there is a brief shutdown, we are impressed with the resilience of investor, consumer and business confidence in the face of this fall’s shutdown.

While some of the cyclical bounce has already happened, it is important to recognize that the US is still in the early stage of the business cycle.

Business cycles don’t die of old age, they die from overexpansion and inflation. As Chart 3 shows, the most cyclical sectors—consumer durables and business fixed investment—have not even recovered to their normal recession share in GDP, let alone a full recovery. In our view, the auto recovery is fairly well-advanced, but there is a long way to go in other consumer durables, housing, and business investment. Even more important, as we note below, inflation seems a distant concern.

One of the puzzling things in recent years is how bad forecasts don’t seem to impact the economic debate. Every year critics of QE argue that this is the year that inflation is going to pick up, and every year it doesn’t happen. As our readers know, we think these arguments oversimplify the monetary transmission mechanism. In a challenging environment, banks are focused on rebuilding their balance sheet. Reserve creation is not “money” unless it spurs rapid growth in lending and spending. That ain’t happened.

Meanwhile the real driver of inflation is weak growth and abundant spare capacity in the US and global economy. Even extreme estimates of the structural damage from the crisis suggest there is plenty of spare capacity. Moreover, inflation is a long lagging indicator: as growth picks up inflation continues to fall until slack in the economy is eliminated. Wage growth remains feeble, commodity markets are calm and core inflation is falling in many parts of the world.

The natural counterpart to overly strong growth and inflation forecasts has been repeated premature forecasts of the Fed exit. We saw this in the first two years of the expansion when the markets seemed to always see rate hikes in 6 to 12 months. When the Fed moved to forward guidance, the mispricing declined but didn’t entirely disappear. More recently, as we noted above, most forecasters grossly underestimated the size and duration of QE3.

After many false alarms, and given our more optimistic growth forecast, we now think a Fed exit is coming. However, we expect the Fed to move slower than consensus or market expectations. In our view, the consensus is underestimating both the persistence of low inflation and the strong Fed reaction to the undershooting of its target. The current Fed directive is highly asymmetric. The FOMC has acknowledged that “inflation persistently below its 2 percent objective could pose risks to economic performance.” But while they make clear that persistent 2.5%-plus inflation could trigger a rate hike, they offer no guidance on how persistent sub-1.5% inflation would impact policy.

Is the Fed going to accept the low inflation? No, we think they are just having a tough time making up their minds on how to respond. As Janet Yellen noted recently, the Fed recognizes that while QE is still helping the economy, the net marginal return is declining. Hence they don’t want to double down on QE. Instead, we expect four things from the Fed that are not fully incorporated into the consensus: (1) a very slow tapering process that extends all the way from March to December, (2) a cut in the Fed’s unemployment guide post to at least 6% but perhaps even lower, (3) an extension of guidance on the first rate hike to 1Q 2016, and (4) specific acknowledgement that pushing inflation back to target may require “overshooting” full employment.

We go into the New Year not only with a more optimistic baseline, but with more balanced concern about risks. On the downside, the pickup in growth remains very much a forecast. As this goes to print, the economy seems to have weathered the government shutdown in good shape but the data have not picked up in a convincing fashion. There are also some signs of hesitation in housing, autos (*continued on next page*)

## Viewpoints

### A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

and capital spending. We cannot entirely rule out another government shutdown. The problems in implementing the Affordable Care Act may embolden opponents to reassess the political costs of a shutdown and make another determined attempt to delay the new law. Finally, there is a risk of an even worse taper tantrum in the markets as the Fed removes the economy from life support.

On the other hand, history could repeat itself and fading headwinds could give way to surprisingly strong growth. In each of the last two business cycles, the economy recovery started out weak, and then without any clear warning finally kicked into gear. As we showed above, there is still plenty of room for a cyclical bounce and Fed liquidity may finally lubricate this rusty-gate recovery.

*Ethan S. Harris, Bank of America-Merrill Lynch, New York, NY*

#### Ho, Ho, Hold The Taper

The FOMC anticipates starting to taper “at one of its next few meetings,” according to the Minutes from the October meeting. This means we’ll probably get the first announcement of slower asset purchases on December 18, January 29 or March 19. Of course, this assumes the economy cooperates with requisite job creation and financial markets don’t get hit with a new crisis. Waiting for the tale of the (cash-register) tape on Thanksgiving spending and with November payrolls slated for release next Friday, it’s harder to hang probabilities on these dates. Nevertheless, we judge that December sports lower odds than January, for several reasons.

First, the data tone for this data-dependent decision might not be sufficiently firm within the next 2½ weeks. Housing indicators remain mixed, still reeling from the lingering double-whammy of higher mortgage rates and lower confidence (the latter thanks to the government shutdown and default scare). Moreover, with real GDP growth in Q3 (2.8% annualized) likely to be revised up owing to an even larger build-up in inventories, Q4 growth could be hit even harder by inventory paring, augmenting the temporary impact of the government shutdown and continued confidence fragility in the face of the new fiscal deadlines. There’s simply still too much economic uncertainty at this point.

Second, heading into calendar year-end, financial market liquidity is going to dry up considerably. This means the market impact of any policy shift will be magnified. With last spring’s spike in Treasury yields still fresh in memory, we suspect the Fed would prefer to have deeper markets when it comes time to start crimping QE.

Third, we’re still waiting for a “deal” out of D.C. The self-imposed December 13 deadline for a budget deal is starting to appear optimistic, with tweaking the sequestered spending cuts (their timing and distribution but not their overall size) the probable consolation prize. More important for the economy, markets and the Fed is what happens to the other fiscal deadlines: the January 15 expiration of the current spending resolution and the February 7 reactivation of the debt limit. The former risks another government shutdown and the latter risks another default scare within a month or so (Treasury’s coffers are lean and the ability to employ special measures is constrained owing to tax refund season). Our working assumption is that these two deadlines will get pushed back past the November elections, but perhaps not in time for the FOMC’s December confab. Waiting until January affords time... for the data tone to firm further... for market liquidity to be fully restored...

and for the politicians to kick the can down the road again.

*Michael Gregory, BMO Capital Markets, Toronto, Canada*

#### Another Curve Ball For The Taper

The release of the minutes of the October FOMC meeting temporarily raised concerns that the Fed may opt to begin scaling back its monthly security purchases in December, but attitudes appear to have shifted as more economic data point to slower economic growth in the fourth quarter. Most of this past week’s economic reports either met or came in slightly below expectations. Retail sales were one notable exception, with both overall and the more important core “control group” sales rising 0.4 percent in October. Overall sales were revised 0.1 percentage point lower in September, while the control group, which excludes motor vehicles, gasoline, food, and building materials, was revised 0.1 percentage point higher.

Most of the data for the third quarter that have been released since third quarter GDP printed suggest that growth will be revised slightly higher from the initially reported 2.8 percent pace. Inventory building, which added 0.8 percentage points to growth during the quarter, now appears to have added at least a percentage point to growth, while the decline in business fixed investment appears to have been less severe than first reported.

The huge contribution that inventory building made to third quarter growth sets up for an equally huge payback in the current quarter. Aside from the slightly better-than-expected retail sales figures, most reports show the economy losing momentum, and early reports from retailers have raised considerable concerns about consumer spending in November and the holiday season in general. A number of other economic reports are also flashing warning signs, including the most recent survey from the Federal Reserve Bank of Philadelphia, which tumbled 13.3 points to 6.5 in November. The Wells Fargo/NAHB housing market index also weakened in November, falling 1 point to 54, and existing home sales fell by a larger-than-expected 3.2 percent in October.

Inflation also has come in below expectation. The CPI fell 0.1 percent in October, largely due to declining gasoline prices. But even excluding food and energy, inflation is slowing. The overall CPI has risen just 1.0 percent over the past year, while the core CPI is up just 1.7 percent. Core goods prices have actually fallen 0.1 percent over the past year, which helps explain why so many consumer products companies and retailers have had difficulty boosting revenues. Inflationary pressures also are diminishing further back in the production pipeline. The headline PPI fell 0.2 percent in October and is up just 0.3 percent over the past year. Excluding food and energy, prices are up 1.4 percent on a year ago basis. Prices for core intermediate goods, which are a good precursor of future gains at the consumer level, fell 0.1 percent in October and are up just 0.9 percent year-over-year.

Lower inflation appears to be a rising concern for Fed policymakers and may come to rival the unemployment rate as a guidepost for policy changes. The latest New York Fed Survey of primary dealers shows most market participants now expect the Fed to begin tapering in March and puts the first hike in the federal funds rate in the third quarter of 2015.

*Wells Fargo Economics Group, Charlotte, NC*



**2013 Historical Data**

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.1	1.1	-0.3	0.2	0.5	0.7	0.4	0.2	0.0	0.4		
Auto & Light Truck Sales (b)	15.18	15.31	15.27	15.16	15.43	15.83	15.74	16.03	15.21	15.15		
Personal Income (a, current \$)	-4.4	1.3	0.3	0.0	0.3	0.3	0.2	0.5	0.5			
Personal Consumption (a, current \$)	0.1	0.7	0.2	-0.2	0.2	0.6	0.1	0.3	0.2			
Consumer Credit (e)	5.5	8.3	3.6	4.2	6.8	5.8	4.4	5.6	5.4			
Consumer Sentiment (U. of Mich.)	73.8	77.6	78.6	76.4	84.5	84.1	85.1	82.1	77.5	73.2	75.1	
Household Employment (c)	17	170	-206	293	319	160	227	-115	133	-735		
Non-farm Payroll Employment (c)	148	332	142	199	176	172	89	238	163	204		
Unemployment Rate (%)	7.9	7.7	7.6	7.5	7.6	7.6	7.4	7.3	7.2	7.3		
Average Hourly Earnings (All, cur. \$)	23.78	23.82	23.83	23.89	23.90	24.00	24.00	24.05	24.08	24.10		
Average Workweek (All, hrs.)	34.4	34.5	34.6	34.5	34.5	34.5	34.4	34.5	34.4	34.4		
Industrial Production (d)	2.1	2.2	3.1	2.0	2.0	2.2	1.4	2.8	3.2	3.3		
Capacity Utilization (%)	77.7	78.1	78.2	77.9	77.9	77.9	77.7	77.9	78.3	78.1		
ISM Manufacturing Index (g)	53.1	54.2	51.3	50.7	49.0	50.9	55.4	55.7	56.2	56.4		
ISM Non-Manufacturing Index (g)	55.2	56.0	54.4	53.1	53.7	52.2	56.0	58.6	54.4	55.4		
Housing Starts (b)	0.898	0.969	1.005	0.852	0.919	0.835	0.883	0.891				
Housing Permits (b)	0.915	0.952	0.890	1.005	0.985	0.918	0.954	0.926	0.974	1.034		
New Home Sales (1-family, c)	458	445	443	446	429	454	390	421				
Construction Expenditures (a)	-4.0	0.8	-0.1	1.1	2.0	0.1	1.4	0.6				
Consumer Price Index (nsa., d)	1.6	2.0	1.5	1.1	1.4	1.8	2.0	1.5	1.2	1.0		
CPI ex. Food and Energy (nsa., d)	1.9	2.0	1.9	1.7	1.7	1.6	1.7	1.8	1.7	1.7		
Producer Price Index (n.s.a., d)	1.5	1.8	1.1	0.5	1.6	2.3	2.1	1.4	0.3	0.3		
Durable Goods Orders (a)	-3.7	6.4	-5.9	3.6	5.5	3.9	-8.1	0.5	4.1	-2.0		
Leading Economic Indicators (g)	0.4	0.5	-0.3	0.8	0.2	0.0	0.4	0.7	0.9	0.2		
Balance of Trade & Services (f)	-42.4	-43.5	-36.8	-39.5	-43.7	-34.5	-38.6	-38.7	-41.8			
Federal Funds Rate (%)	0.14	0.15	0.14	0.15	0.11	0.09	0.09	0.08	0.08	0.09		
3-Mo. Treasury Bill Rate (%)	0.07	0.10	0.09	0.06	0.04	0.05	0.04	0.04	0.02	0.05		
10-Year Treasury Note Yield (%)	1.91	1.98	1.96	1.76	1.93	2.30	2.58	2.74	2.81	2.62		

**2012 Historical Data**

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.7	1.3	0.7	-0.3	0.0	-0.9	0.7	1.2	1.1	0.0	0.4	0.3
Auto & Light Truck Sales (b)	13.90	14.43	14.17	14.30	14.11	14.33	14.16	14.43	14.71	14.33	15.26	15.18
Personal Income (a, current \$)	0.9	0.7	0.4	0.2	0.0	0.3	-0.1	0.1	0.6	0.4	1.2	3.1
Personal Consumption (a, current \$)	0.6	0.8	0.2	0.3	-0.1	0.1	0.4	0.2	0.7	0.1	0.2	0.1
Consumer Credit (e)	8.4	4.0	6.1	4.0	8.7	6.0	-1.1	8.4	5.3	6.1	7.0	6.3
Consumer Sentiment (U. of Mich.)	75.0	75.3	76.2	76.4	79.3	73.2	72.3	74.3	78.3	82.6	82.7	72.9
Household Employment (c)	712	411	1	-86	368	146	-198	-86	810	354	-51	28
Non-Farm Payroll Employment (c)	311	271	205	112	125	87	153	165	138	160	247	219
Unemployment Rate (%)	8.3	8.3	8.2	8.1	8.2	8.2	8.2	8.1	7.8	7.9	7.8	7.8
Average Hourly Earnings (All, cur. \$)	23.28	23.33	23.37	23.40	23.43	23.50	23.52	23.52	23.60	23.59	23.66	23.75
Average Workweek (All, hrs.)	34.5	34.6	34.5	34.5	34.4	34.4	34.4	34.4	34.5	34.3	34.4	34.5
Industrial Production (d)	3.9	4.9	3.2	4.6	4.5	4.3	4.3	2.9	3.0	2.2	3.3	2.8
Capacity Utilization (%)	77.7	77.9	77.3	77.7	77.8	77.7	77.9	77.2	77.2	77.0	77.9	77.8
ISM Manufacturing Index (g)	53.7	51.9	53.3	54.1	52.5	50.2	50.5	50.7	51.6	51.7	49.9	50.2
ISM Non-Manufacturing Index (g)	56.0	56.1	55.0	53.7	54.1	52.7	52.9	54.3	55.2	54.8	54.8	55.7
Housing Starts (b)	0.723	0.713	0.707	0.754	0.711	0.757	0.741	0.749	0.854	0.864	0.842	0.983
Housing Permits (b)	0.714	0.739	0.785	0.749	0.806	0.785	0.839	0.827	0.921	0.908	0.933	0.943
New Home Sales (1-family, c)	339	366	352	358	369	360	369	374	384	365	398	396
Construction Expenditures (a)	-0.7	-0.4	-0.3	0.9	1.7	0.8	0.2	1.1	0.7	1.6	0.9	0.1
Consumer Price Index (s.a., d)	2.9	2.9	2.7	2.3	1.7	1.7	1.4	1.7	2.0	2.2	1.8	1.7
CPI ex. Food and Energy (s.a., d)	2.3	2.2	2.3	2.3	2.3	2.2	2.1	1.9	2.0	2.0	1.9	1.9
Producer Price Index (n.s.a., d)	4.1	3.4	2.8	1.8	0.6	0.7	0.5	1.9	2.1	2.3	1.5	1.4
Durable Goods Orders (a)	-4.9	2.0	-3.7	-0.3	1.5	1.6	3.3	-13.1	9.1	1.1	0.6	3.6
Leading Economic Indicators (g)	0.0	0.7	0.2	-0.1	0.3	-0.5	0.4	-0.5	0.5	0.2	0.0	0.4
Balance of Trade & Services (f)	-51.4	-43.8	-47.8	-46.6	-46.2	-42.4	-43.5	-44.0	-41.6	-42.7	46.4	-38.3
Federal Funds Rate (%)	0.08	0.10	0.13	0.14	0.16	0.16	0.16	0.13	0.14	0.16	0.16	0.16
3-Mo. Treasury Bill Rate (%)	0.03	0.09	0.08	0.08	0.09	0.09	0.10	0.10	0.11	0.10	0.09	0.07
10-Year Treasury Note Yield (%)	1.97	1.97	2.17	2.05	1.80	1.62	1.53	1.68	1.72	1.75	1.65	1.72

(a) month-over-month % change; (b) millions, saar; (c) month-over-month change, thousands; (d) year-over-year % change; (e) annualized % change; (f) \$ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

## Calendar Of Upcoming Economic Data Releases

Monday	Tuesday	Wednesday	Thursday	Friday
<b>December 2</b> ISM Manufacturing (Nov) Markit Manufacturing PMI (Nov, Final) Construction Spending (Sep, Oct) Senior Loan Officer Survey (Q4, tentative)	<b>3</b> ISM New York (Nov) Motor Vehicles Sales (Nov) ABC Consumer Comfort Index Weekly Store Sales	<b>4</b> ADP Employment (Nov) ISM Non-Manufacturing (Nov) Markit Services PMI (Nov, final) New Home Sales (Sep, Oct) International Trade (Oct) New Home Sales (Sep, Oct) Fed's Beige Book EIA Crude Oil Stocks Mortgage Applications	<b>5</b> Real GDP (Q3, second estimate) Corporate Profits (Q3, Preliminary) Factory Orders (Oct) Chain Store Sales (Nov) Weekly Jobless Claims Weekly Money Supply	<b>6</b> Employment Situation (Nov) Personal Income and Consumption (Oct) Consumer Sentiment (University of Michigan, Preliminary, Dec) Consumer Credit (Oct)
<b>9</b>	<b>10</b> Wholesale Trade (Oct) JOLTS (Oct) NFIB survey (Nov) ABC Consumer Comfort Index Weekly Store Sales	<b>11</b> Federal Budget (Nov) EIA Crude Oil Stocks Mortgage Applications	<b>12</b> Retail Sales (Nov) Export and Import Prices (Nov) Quarterly Services Survey (Q3) Business Inventories (Oct) Weekly Jobless Claims Weekly Money Supply	<b>13</b> Producer Price Index (Nov)
<b>16</b> Industrial Production (Nov) New York FRB Manufacturing Survey (Dec) Productivity and Costs (Q3, final) Markit Manufacturing PMI (Dec flash) TIC Data (Oct)	<b>17</b> <b>FOMC Meeting</b> Consumer Price Index (Nov) Real Earnings (Nov) Current Account (Q3) NAHB Survey (Dec) ABC Consumer Comfort Index Weekly Store Sales	<b>18</b> <b>FOMC Meeting</b> <b>FOMC Statement and Projections 2:00</b> <b>Press Conference 2:30</b> Housing Starts (Sep, Oct, Nov) Markit Services PMI (Dec, flash) EIA Crude Oil Stocks Mortgage Applications	<b>19</b> Philadelphia FRB Manufacturing Survey (Dec) Existing Home Sales (Nov) Leading Indicators (Nov) Weekly Jobless Claims Weekly Money Supply	<b>20</b> Real GDP (Q3, final) Kansas City Fed survey (Dec)
<b>23</b> Personal Income and Consumption (Nov) Chicago FRB National Activity Index (Nov) Consumer Sentiment (University of Michigan, Final, Dec)	<b>24</b> Durable Goods (Nov) New Home Sales (Nov) Richmond Fed survey (Dec) ABC Consumer Comfort Index Weekly Store Sales	<b>25</b> <b>Christmas Day</b> <b>U.S. Markets Closed</b>	<b>26</b> EIA Crude Oil Stocks Mortgage Applications Weekly Jobless Claims Weekly Money Supply	<b>27</b>
<b>30</b> Pending Home Sales (Nov) Dallas Fed Index (Dec) Agricultural Prices (Dec)	<b>31</b> S&P/Case-Shiller Home Price Index (Oct) Consumer Confidence (Conference Board, Dec) Chicago ISM (Dec) ABC Consumer Comfort Index Weekly Store Sales	<b>January 1</b> <b>New Year's Day</b> <b>Markets Closed</b>	<b>2</b> Markit Manufacturing PMI (Dec, final) ISM Manufacturing (Dec) Construction Spending (Nov) EIA Crude Oil Stocks Mortgage Applications Weekly Jobless Claims Weekly Money Supply	<b>3</b> Vehicle Sales (Dec)
<b>6</b> Markit Services PMI (Dec, final) ISM Non-Manufacturing (Dec) Factory Orders (Nov)	<b>7</b> International Trade (Nov) ABC Consumer Comfort Index Weekly Store Sales	<b>8</b> ADP Employment (Dec) Consumer Credit (Nov) FOMC Minutes EIA Crude Oil Stocks Mortgage Applications	<b>9</b> Chain Store Sales (Dec) Weekly Jobless Claims Weekly Money Supply	<b>10</b> Employment (Dec) Wholesale Trade (Nov)

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