



**THE ECONOMIC AND FINANCIAL-MARKET  
OUTLOOK THROUGH 2015:**

***“New Normal,” “Old Normal”  
Or Something In Between?***

***A Presentation To The Southern Colorado***

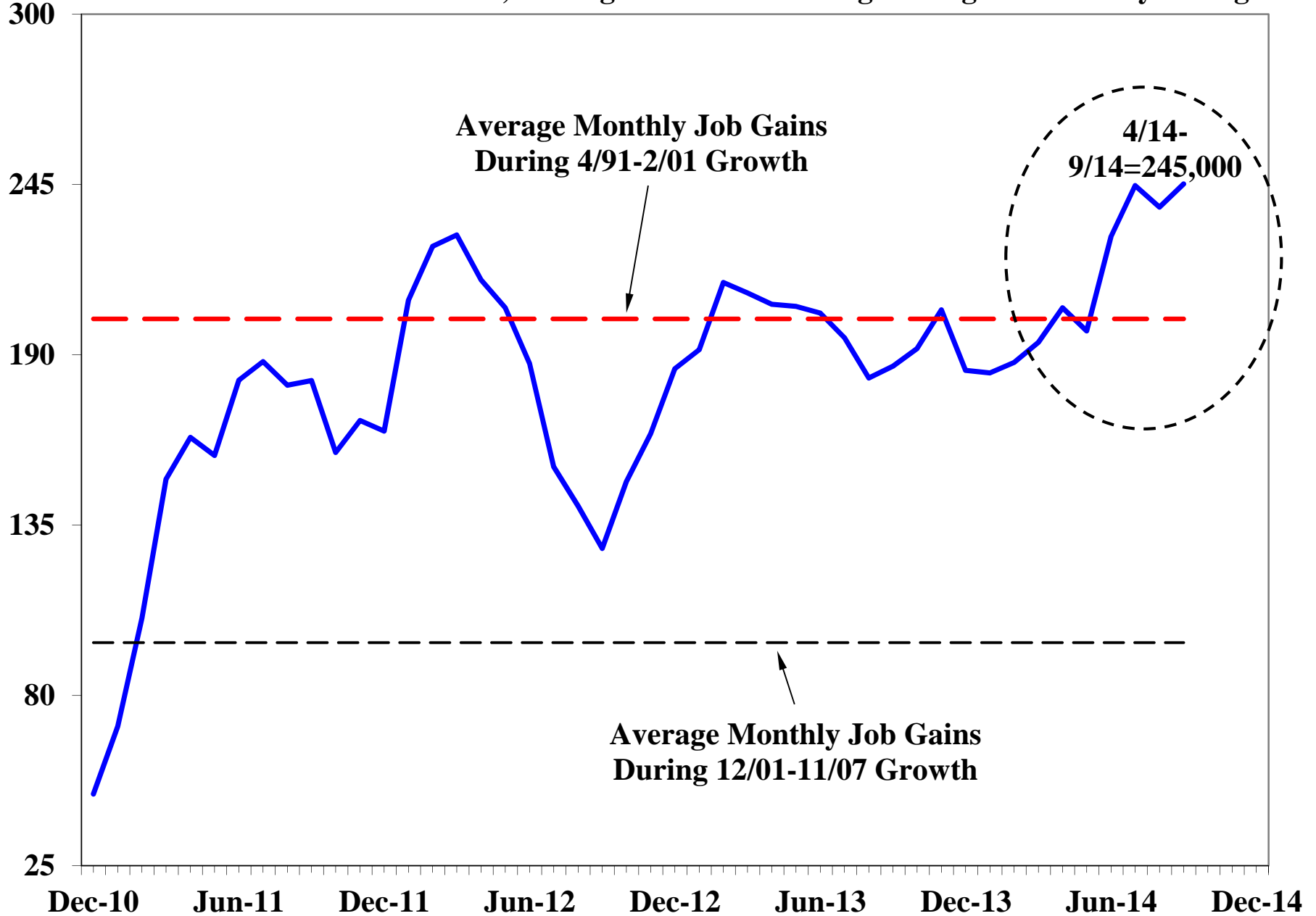
***Economic Forum***

***Colorado Springs, Colorado***

***October 10, 2014***

# THE LABOR MARKET SLOWLY KICKS INTO GEAR

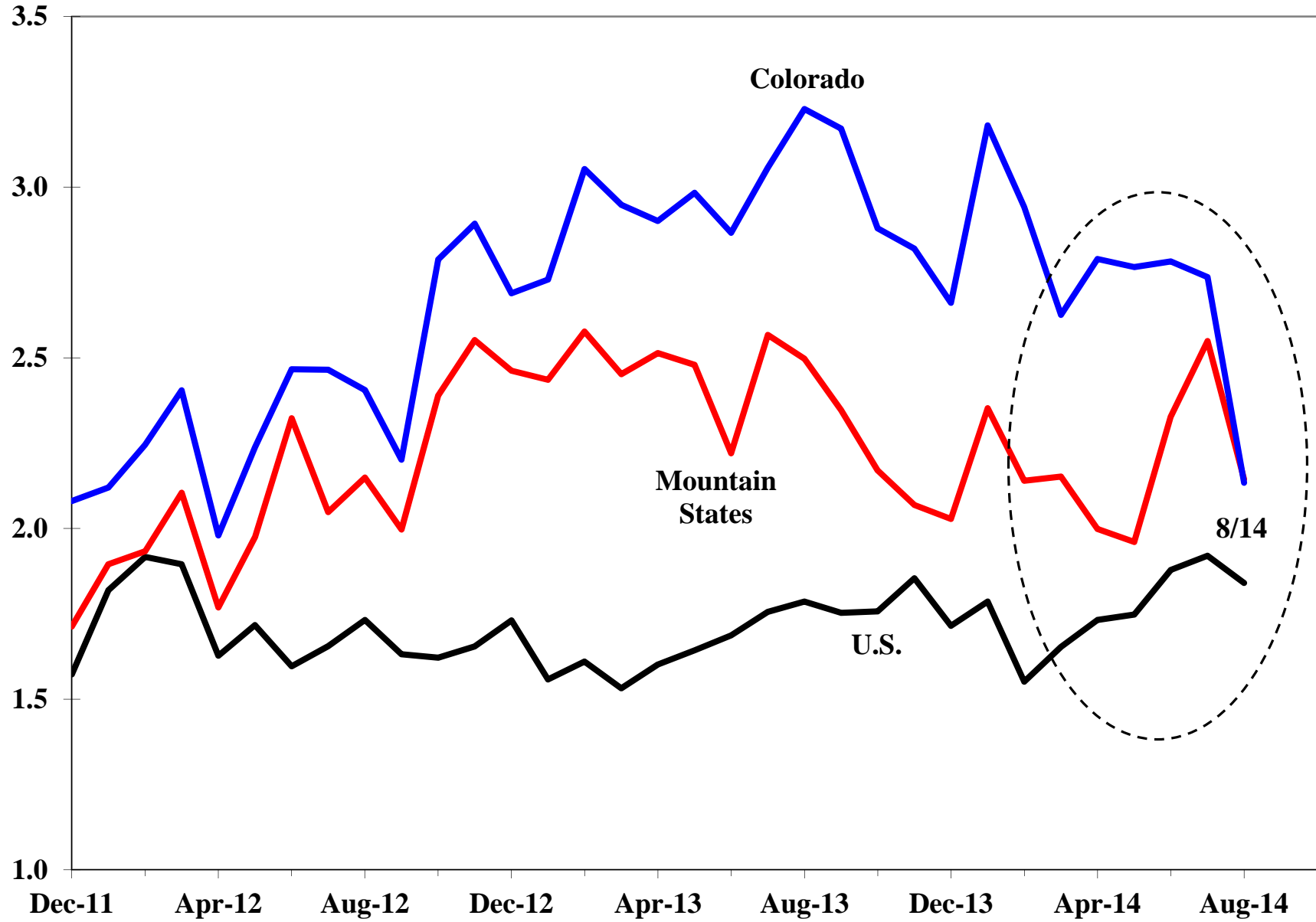
Thousands Of Non-Farm Workers; Rolling Six-Month Moving Average Of Monthly Changes



Source: U.S. Labor Dep't, Bureau Of Labor Statistics

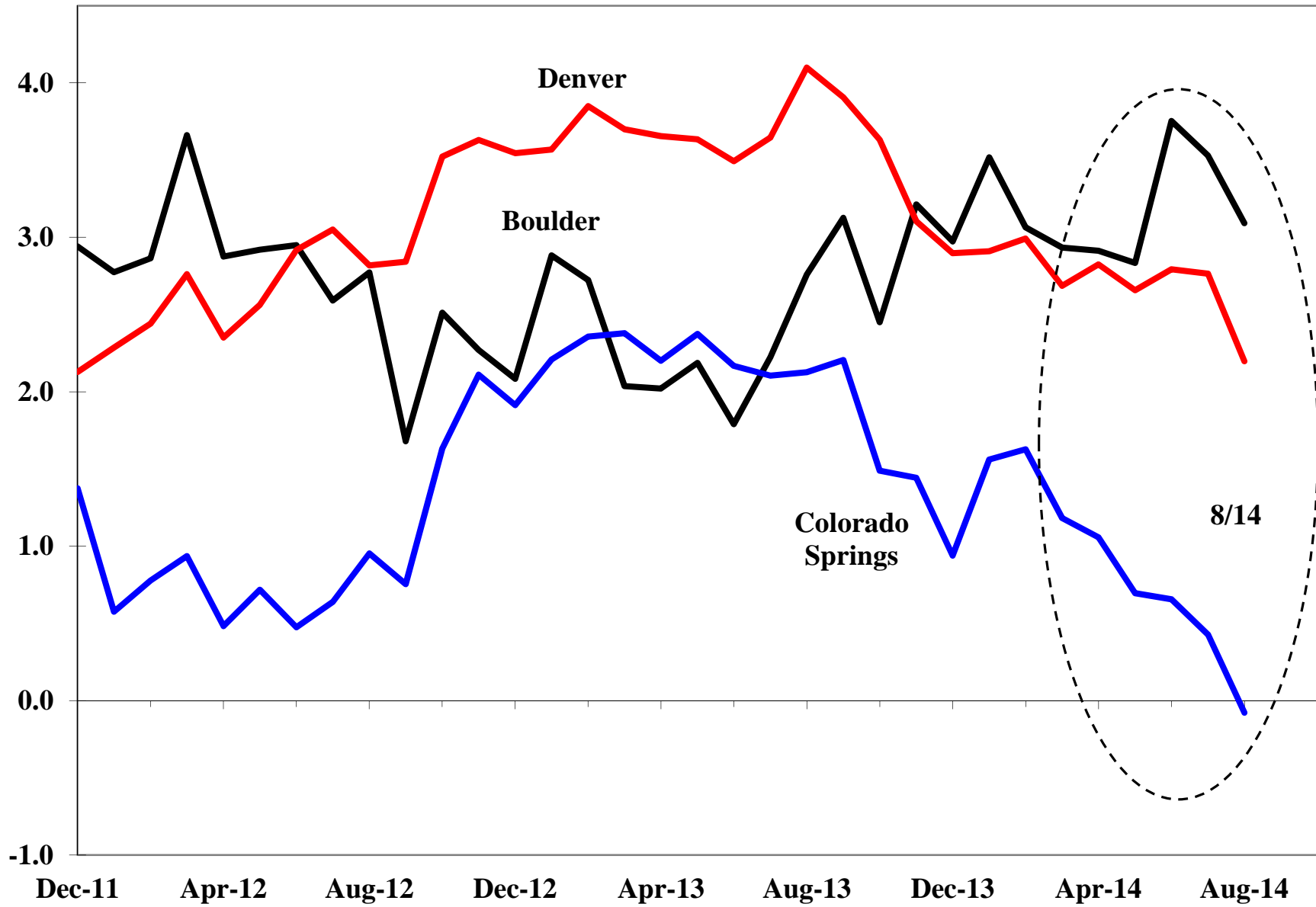
# COLORADO JOB GROWTH CONVERGES WITH THE REGIONAL AND U.S. AVERAGE

## Year-Ago Percent Change In Non-Farm Employment; In Percent



Source: U.S. Department Of Labor

### A NORTH-SOUTH SPLIT IN THE STATE'S JOB GROWTH Year-Ago Percent Change In Non-Farm Employment; In Percent



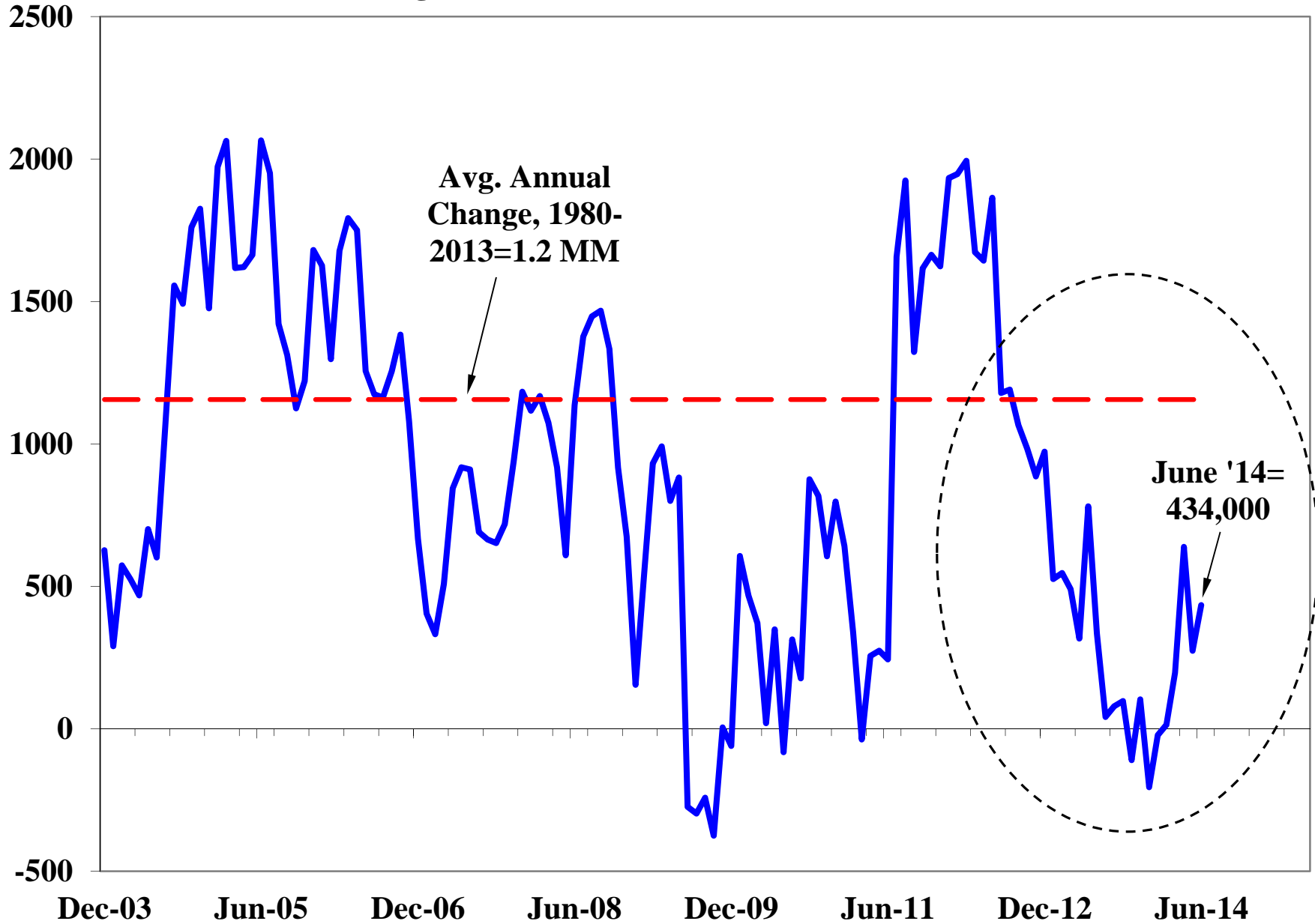
Source: U.S. Department Of Labor

# TOWARD SATISFACTORY, SELF-SUSTAINING U.S. ECONOMIC GROWTH

- **Moderate, Broad-Based Growth Through The Third Quarter**
  - Still Waiting For A Weak, “Upside Down” Housing Recovery To Right Itself*
- **Economic Growth’s “Drivers” Intact**
  - Gains In Household Income And Wealth*
  - Falling Energy Prices*
  - Factory Operating Rates, Aging Equipment, Healthy Cash Flow*
- **Adjusting To The Financial “Meltdown’s” After-”Shocks”**
  - ”Re-Leveraging,” Bank Lending And Cash “Dis-Hoarding”*

# AN UNUSUALLY LOW HOUSEHOLD-FORMATION RATE WEIGHS ON HOUSING

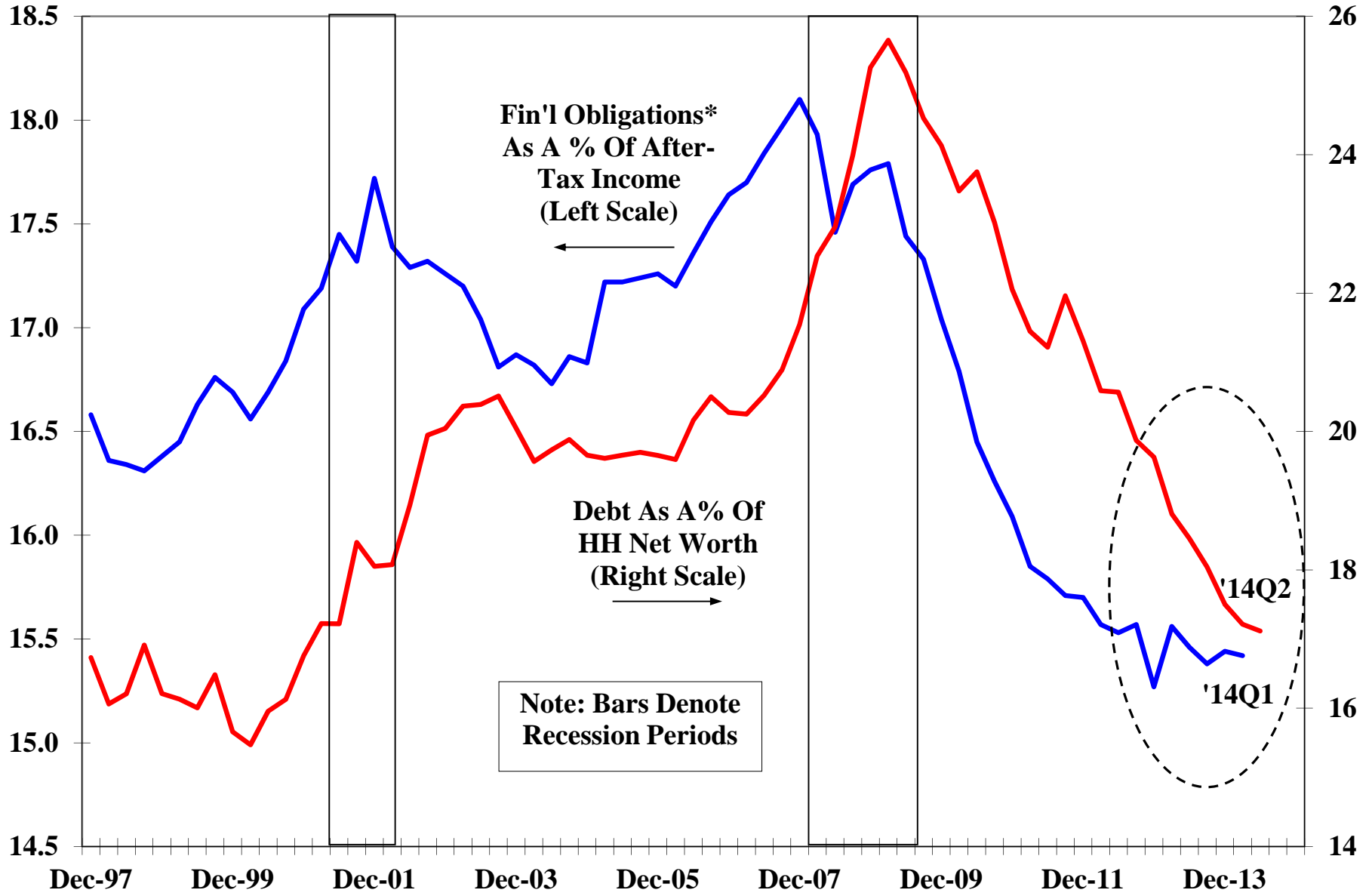
## Twelve-Month Change In The Number Of Number of Households; In Thousands



Source: U.S. Census Bureau

# HOUSEHOLD "DELEVERAGING" LEAVES CONSUMERS PRIMED FOR BORROWING

## Financial Obligations\* Ratio & Debt/ Net Worth, In Percent

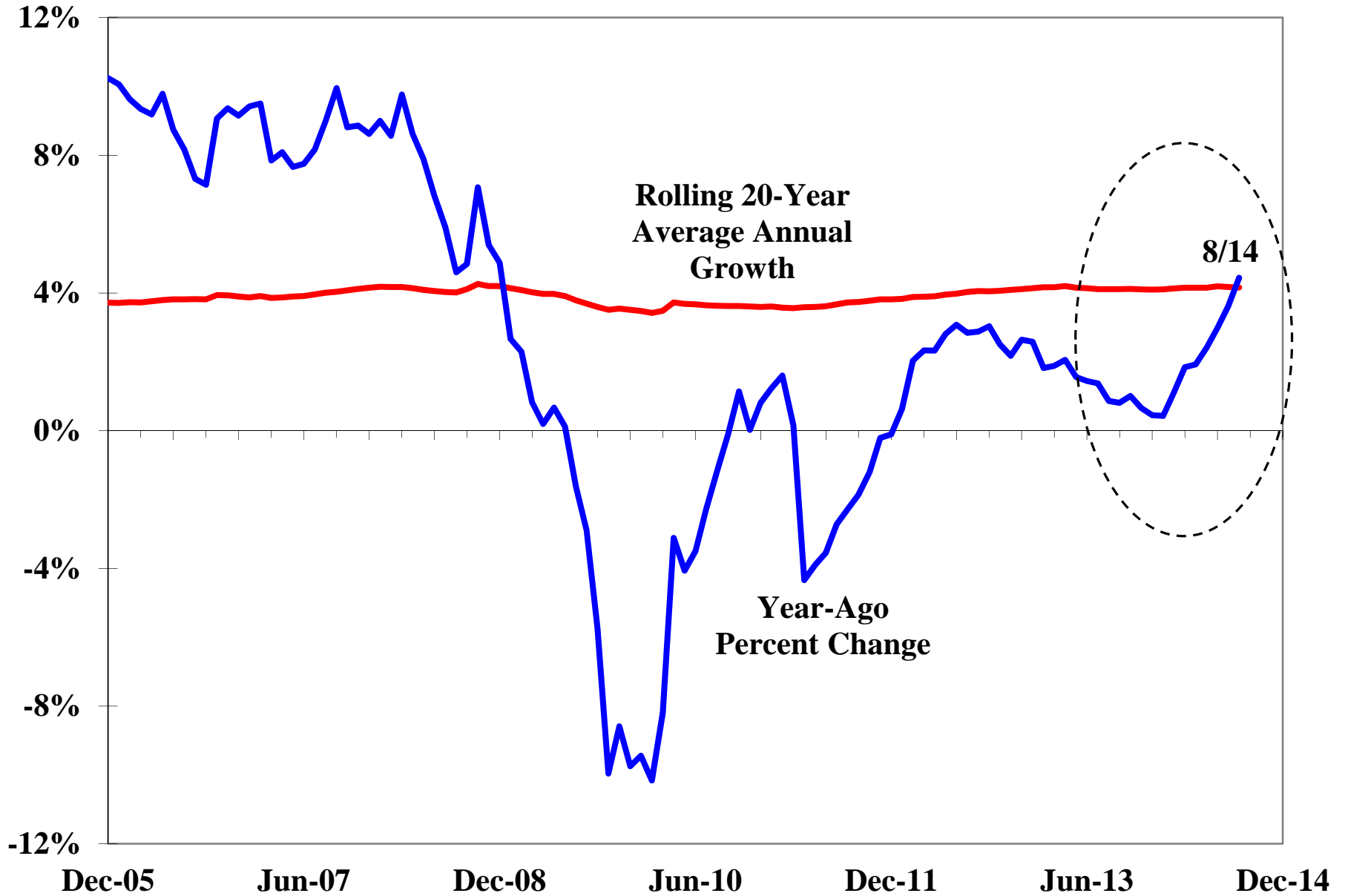


\* Interest, principal & auto-lease pymts, rent, home owner property taxes & insurance.

Source: Federal Reserve Board

# BANKS' LENDING GROWTH RETURNS TO NORMAL...

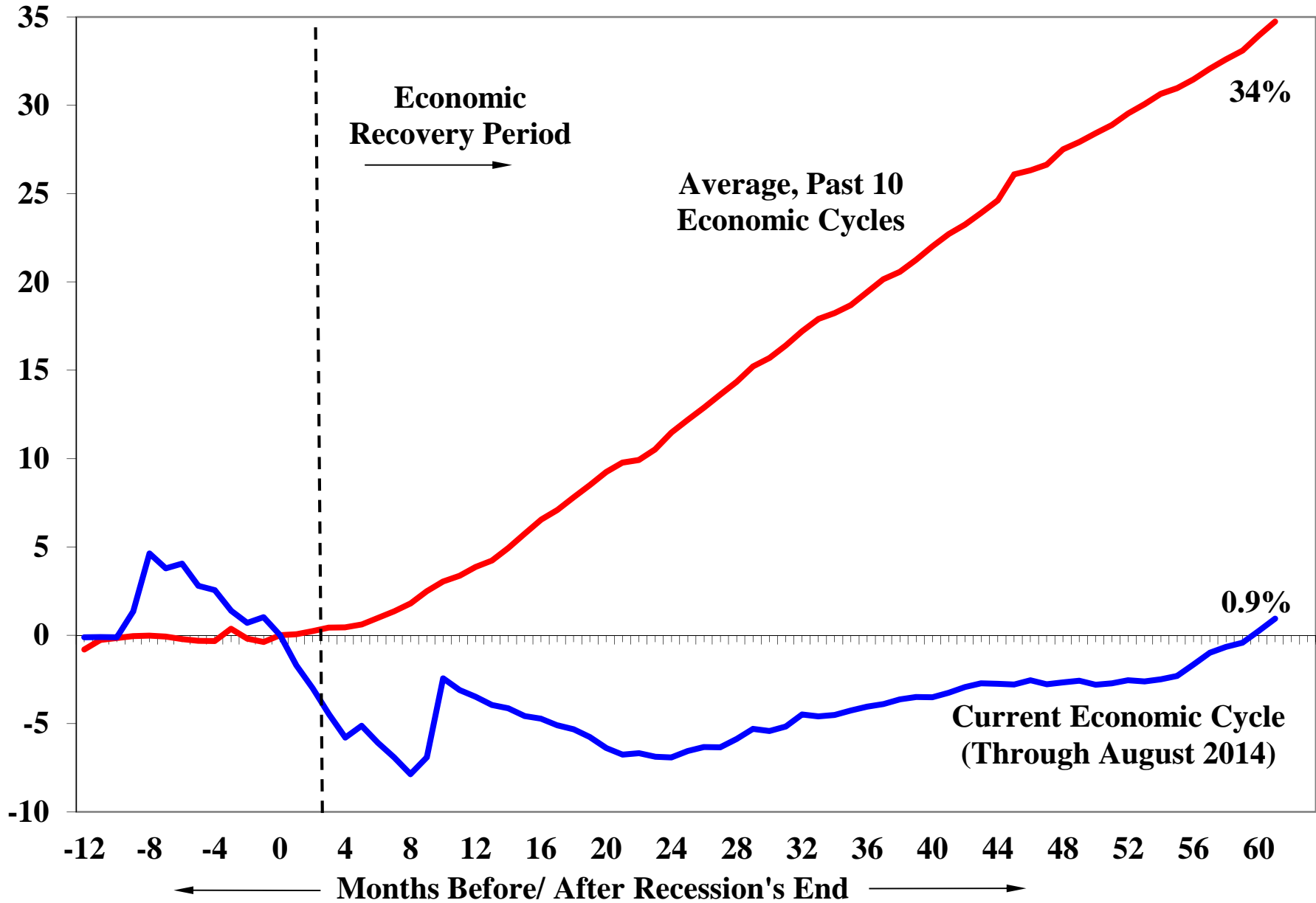
*Year-Ago Percent Change In Banks Inflation-Adjusted Loans*



Source: Federal Reserve Board



### ...FOLLOWING YEARS IN THE FINANCIAL "MELTDOWN'S" SHADOW Cumulative % Change In Inflation-Adjusted Bank Loans Outstanding



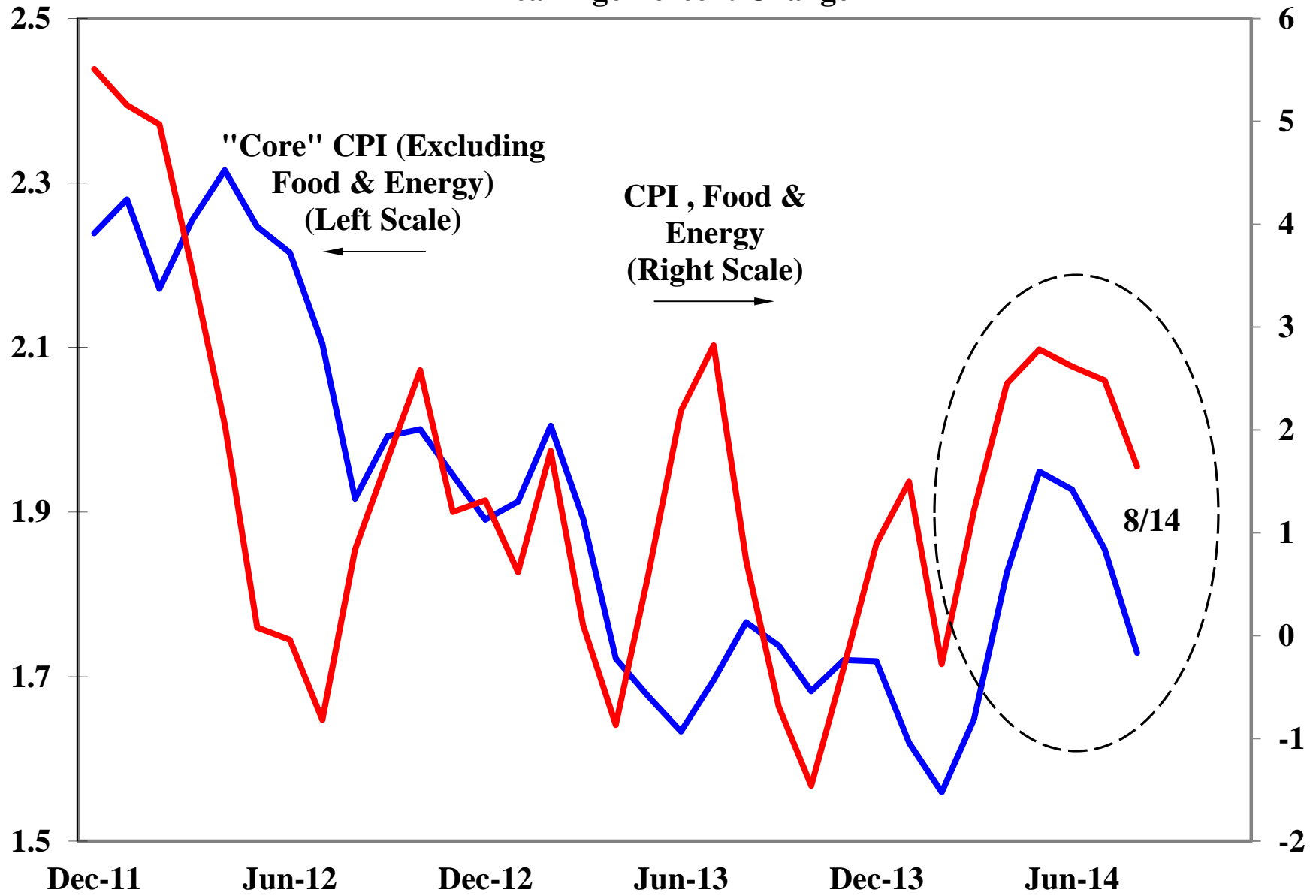
Source: Federal Reserve Board

# MODEST INTEREST-RATE INCREASES IN 2014-15

- **A Still-”Friendly” Backdrop For Long-Term Rates**
  - Moderate Growth, Subdued Inflation*
  - Divergent Central-Bank Policies, Periodic “Flight” Capital*
- **A More Policy-Driven Rise In Interest Rates**
  - Policy-Sensitive, Intermediate Rates Drive A “One-Phase” “Steepening” Of The Treasury Yield Curve*
- **A “Bumpy” Ride Higher?**
  - Artificially Low Yield Premiums, Untested Policy Tools And Asset-Price Adjustment To A Changing Fed-Policy Backdrop*

# ANOTHER BOUT OF "DISINFLATION" SUPPRESSING LONG-TERM RATES WHILE KEEPING THE FED AT BAY

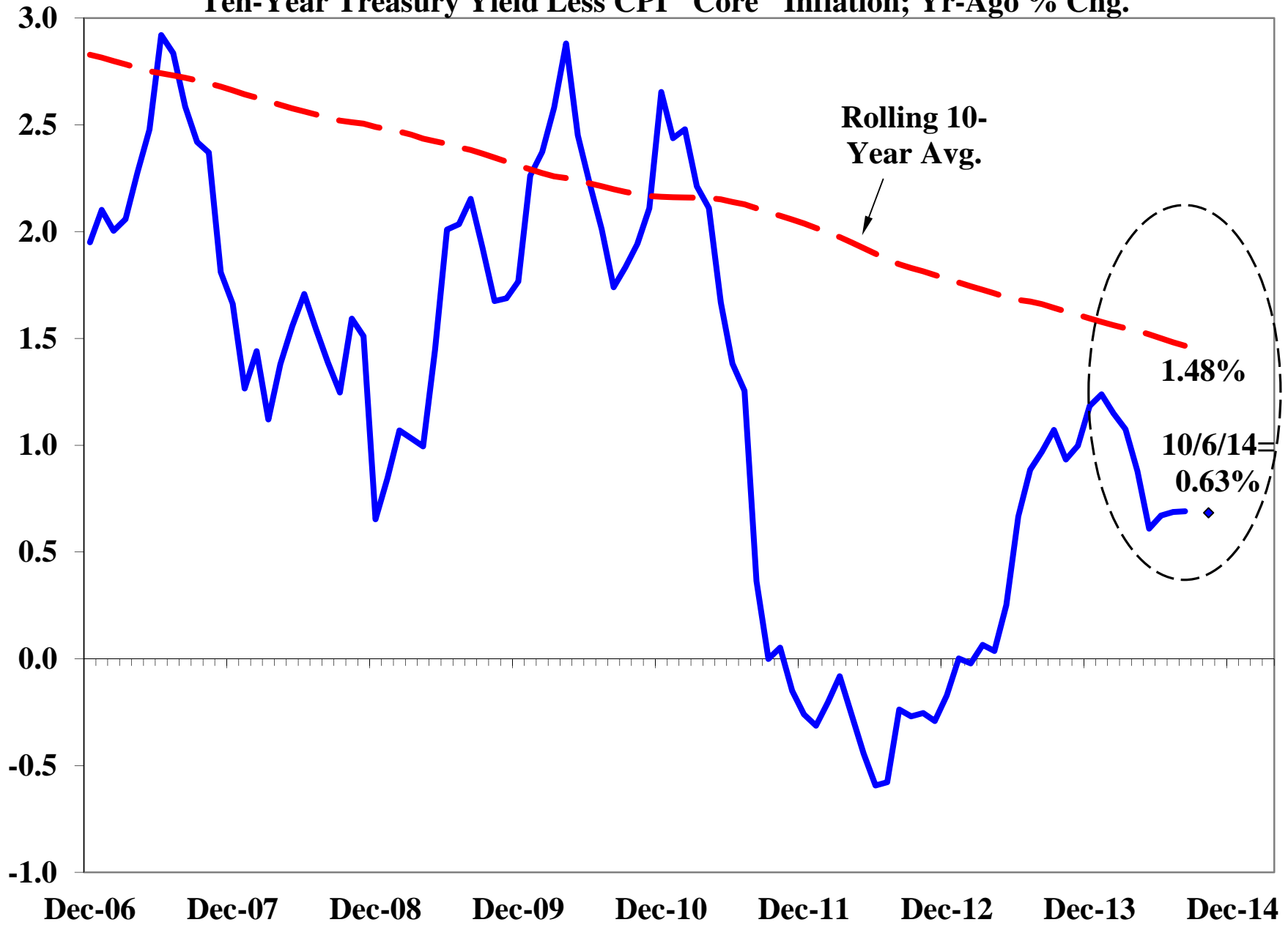
Year-Ago Percent Change



Source: U.S. Dep't Of Labor

# "LEAN" INFLATION PREMIUMS LEAVE BOND YIELDS EXPOSED TO INCREASES

## Ten-Year Treasury Yield Less CPI "Core" Inflation; Yr-Ago % Chg.



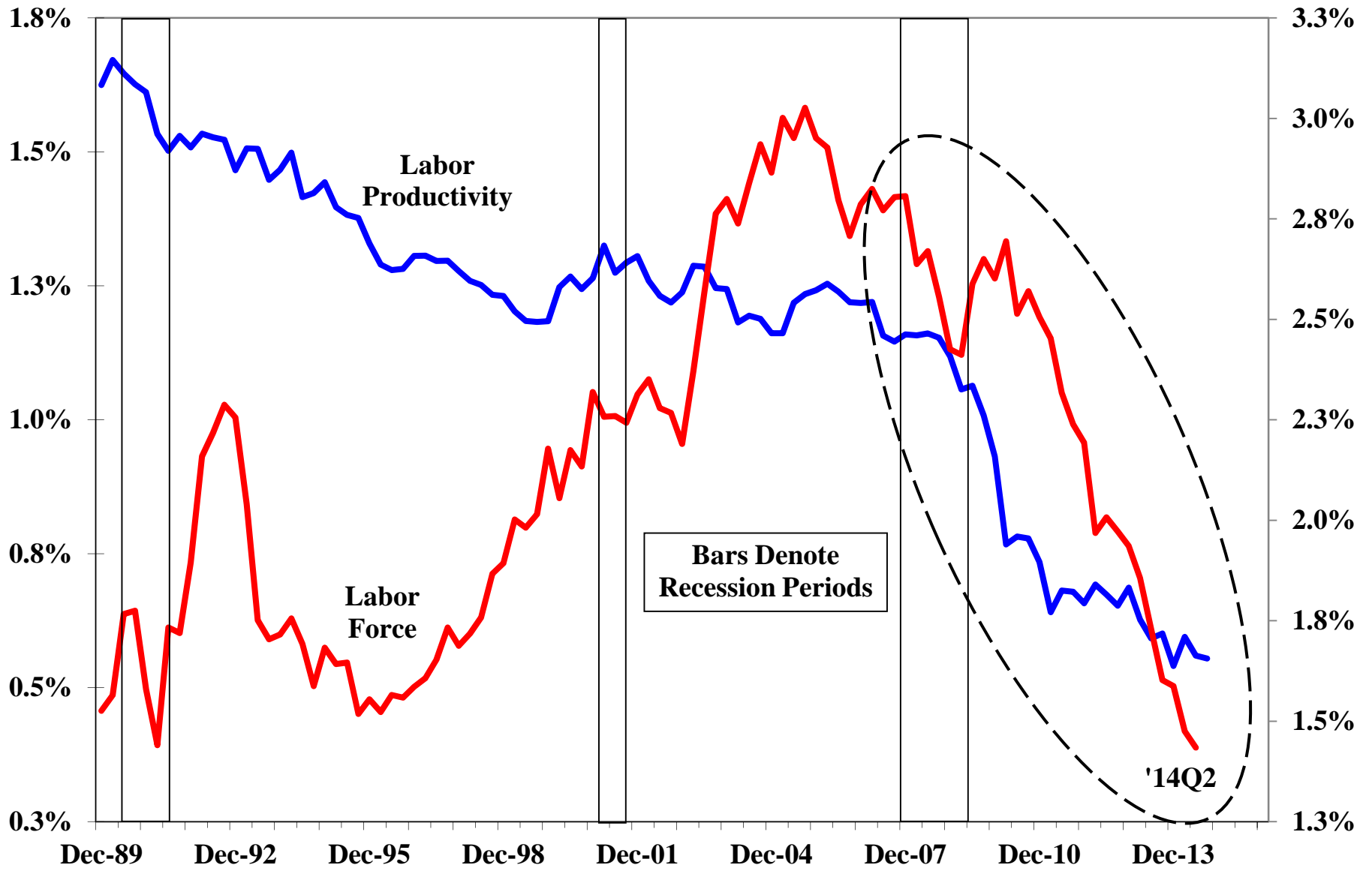
Sources: Federal Reserve Board; U.S. Labor Department

## **A “NEW NORMAL” FOR THE U.S. ECONOMY?**

- **Growth Potential Cut By Slower Labor-Force, Productivity Gains**
- **Cost Cutting Spurred By Weak “Pricing Power”**
  - Double-Barrel “Headwinds” From A Strengthening Dollar*
- **Lingering Fall-Out From The 2008-09 Financial “Meltdown”**
- **Policy Uncertainties In The U.S., Structural Adjustment Abroad**
- **A Jobs Mismatch In An Aging, Slower Growing Workforce**
- **Potentially Volatile, “Asset-Driven” Economic Cycles**

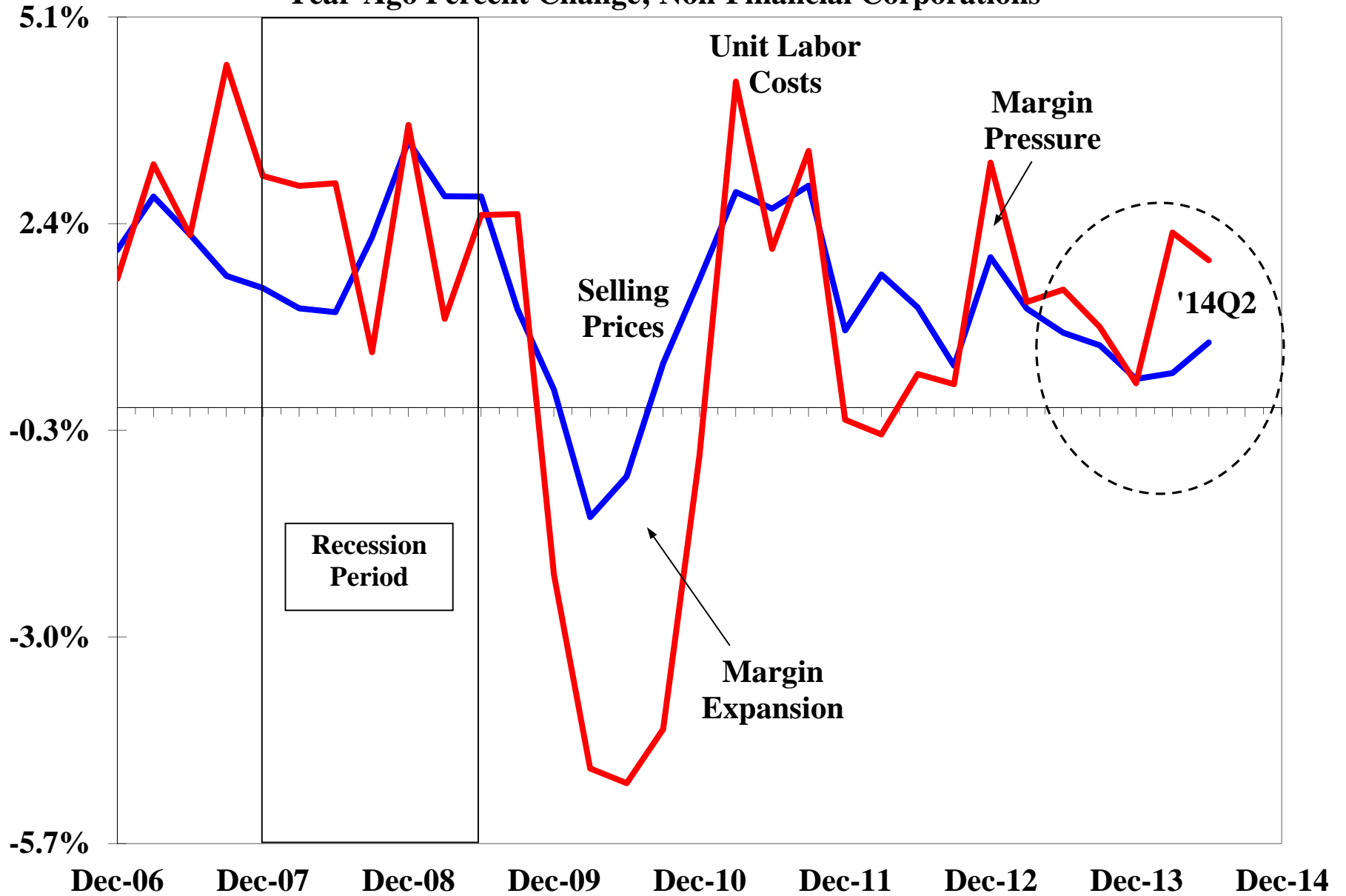
### GROWTH POTENTIAL BLUNTED BY SLOWING LABOR-FORCE, PRODUCTIVITY GAINS

Rolling Ten-Year Average Annual Growth; Non-Farm Sector



Source: U.S. Department Of Labor

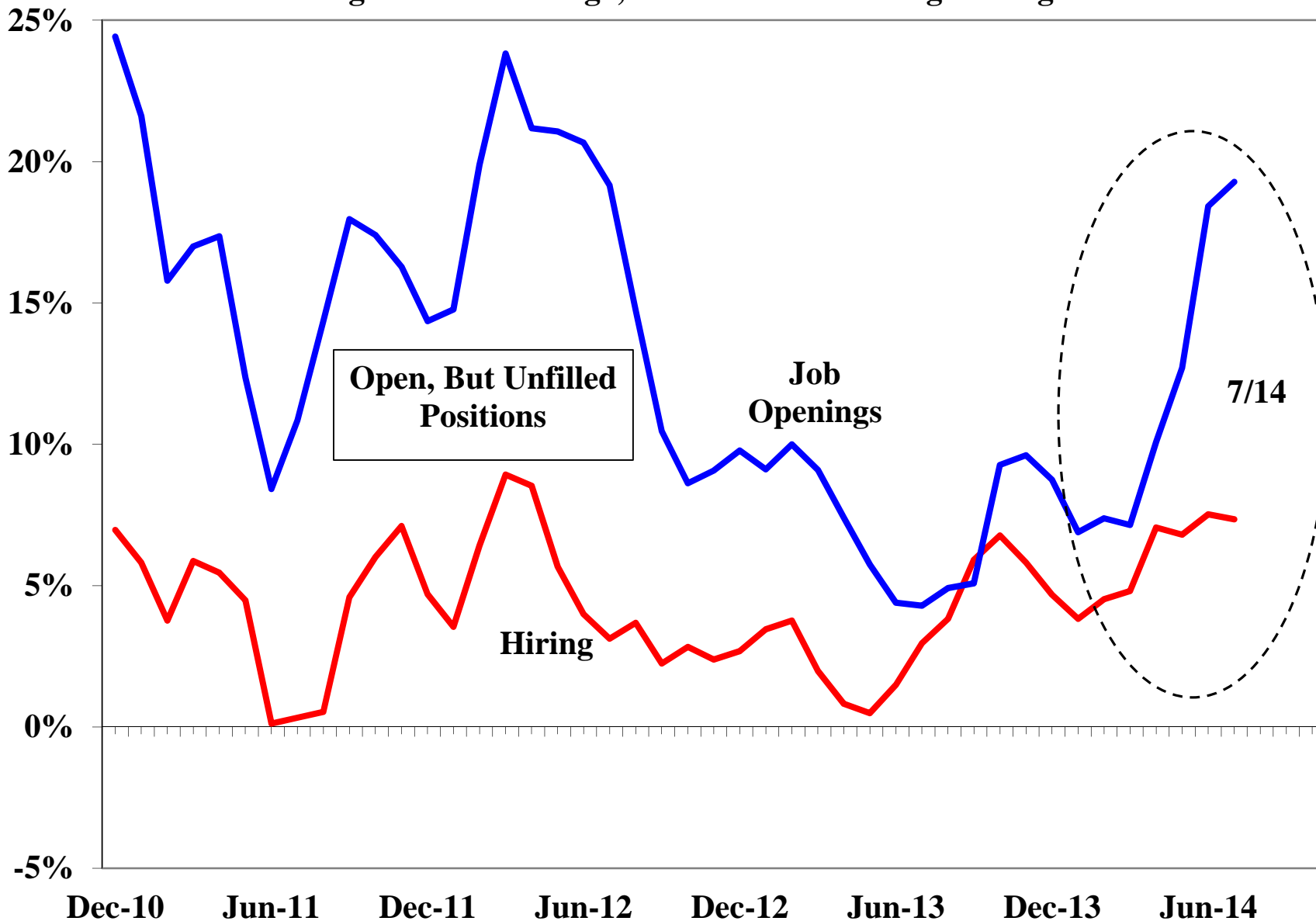
**MARGIN PRESSURE/ COST CUTTING'S "HEADWIND" TO GROWTH  
VIA HIRING AND WAGE RESTRAINT  
Year-Ago Percent Change; Non-Financial Corporations**



Source: U.S. Commerce Dep't.

# IS A LABOR MISMATCH LEAVING THE JOB MARKET "TIGHTER" THAN IT APPEARS? <sup>16</sup>

Year-Ago Percent Change; Three-Month Moving Average Data



Source: U.S. Bureau of Labor Statistics



## **SUPPORTING THE RETURN TO “OLD NORMALCY”**

- **Well-Positioned In A Highly Competitive Global Economy**

  - U.S. Entrepreneurial, Innovative & “Commercialization” Strengths*

  - Demonstrated Cost-Cutting, Efficiency-Raising Ability*

- **The Promise—And Implications—Of Low-Cost Energy**

  - Manufacturing’s Energy-Led Growth And “Re-Shoring”*

  - A Direct And Indirect Lift To U.S. “Purchasing Power”*

- **Immigration Reform As An Antidote For Weak Demographics,**

**Labor-Market Imbalances**

- **Emerging-Market Opportunities**

  - U.S. Multinationals And The Rise Of The Middle Class*