



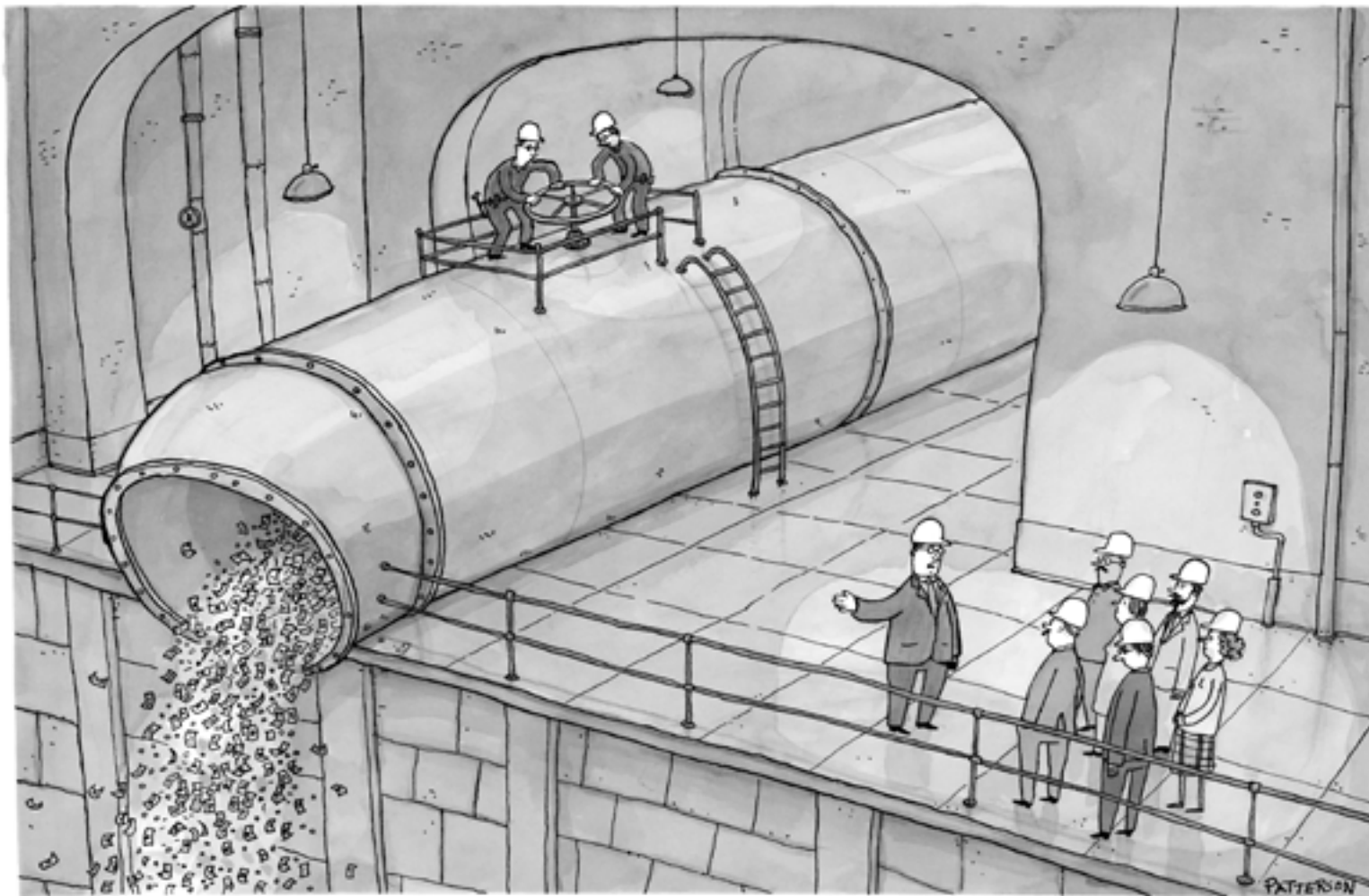
PANTHEON[™]
MACROECONOMICS

INDEPENDENT • INCISIVE • ILLUMINATING

STILL WAITING FOR CONSUMPTION TO SURGE BUT IN THE MEANTIME, THE LABOR MARKET IS TIGHTENING

U.S. ECONOMIC CHARTBOOK, MAY 2015

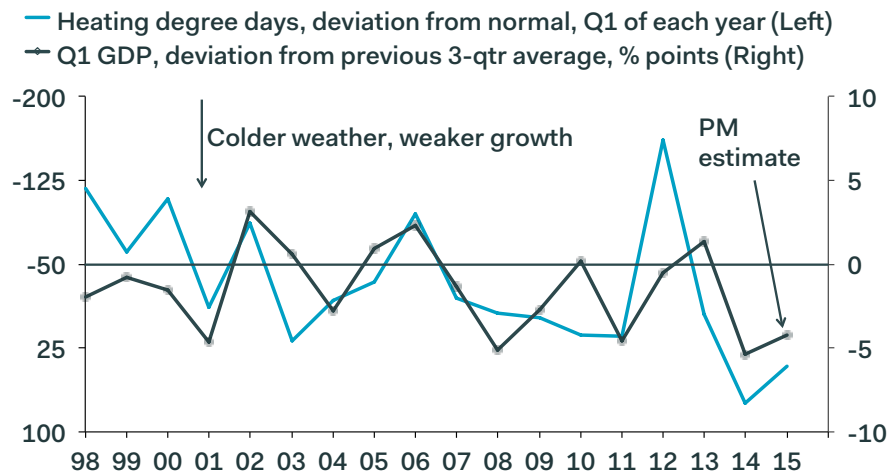
DATA AS AT MAY 12 | IAN C. SHEPHERDSON, CHIEF ECONOMIST
WWW.PANTHEONMACRO.COM | +1 914 610 3830



“And this is where we adjust the interest rate.”



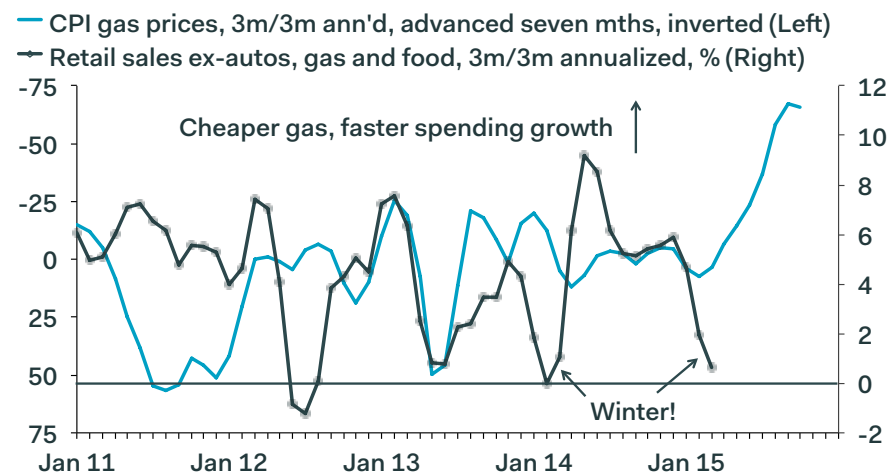
1. THE WINTER HIT WAS REAL, AND SUBSTANTIAL...



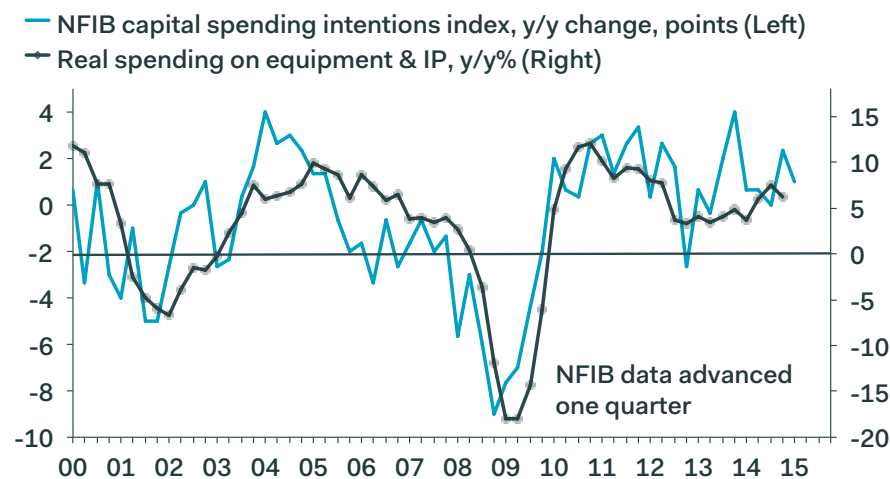
3. BUT OIL COMPANIES APPEAR TO BE SLASHING THEIR CAPEX



2. ...SPRING SPENDING WILL BE MUCH STRONGER

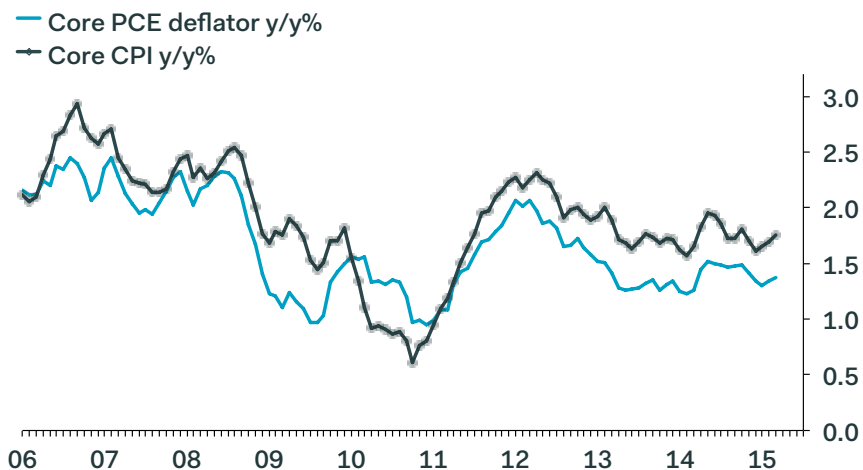


4. ...CAN SMALL BUSINESSES TAKE UP THE SLACK?

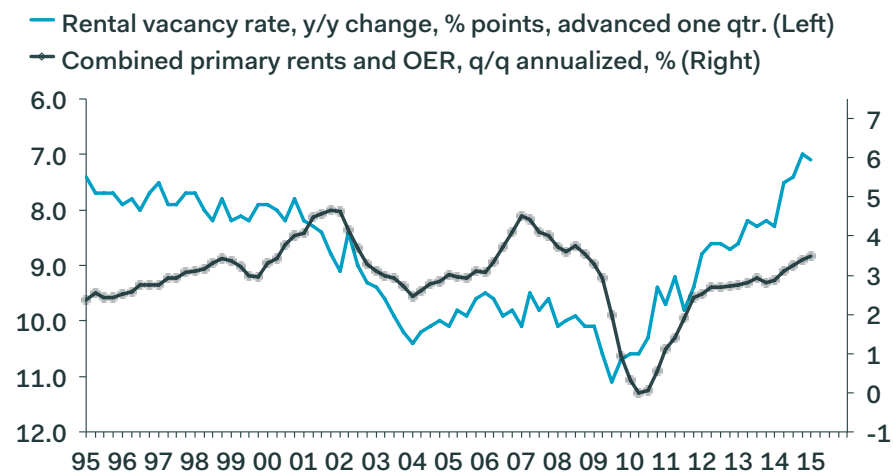




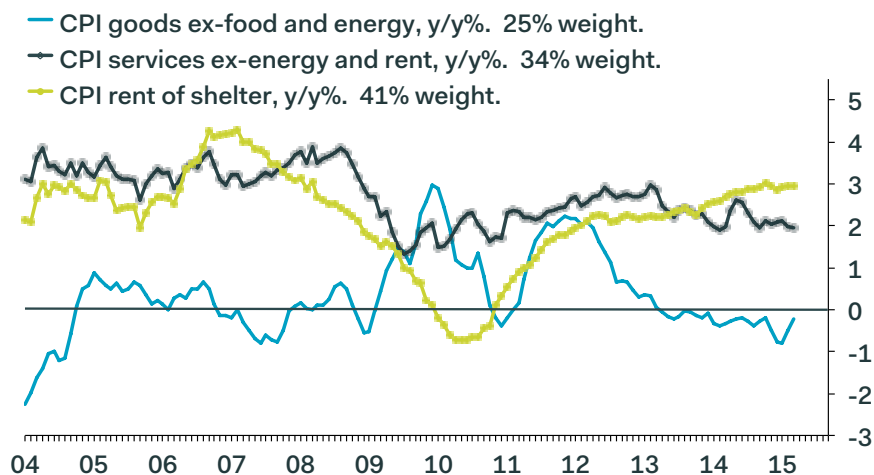
5. CORE DISINFLATION IS OVER; DEFLATION IS A EUROPEAN STORY



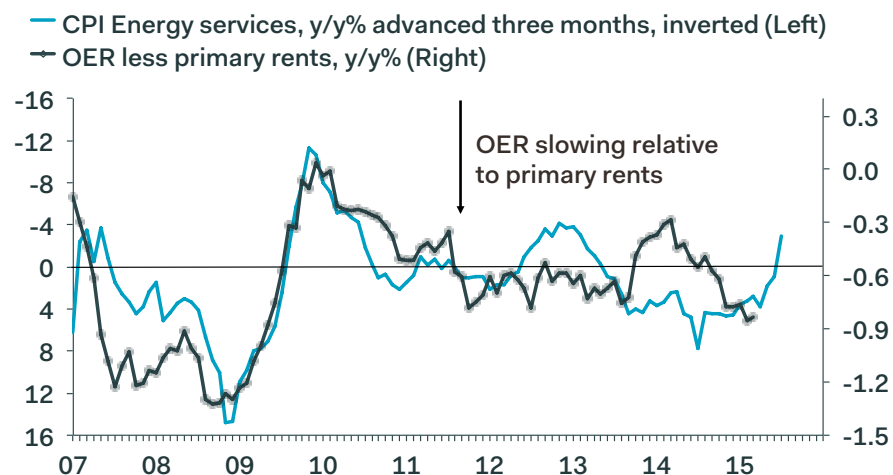
7. THE TIGHTENING RENTAL MARKET IS THE BIGGEST SINGLE THREAT...



6. GOODS PRICES WILL DIP FURTHER, BUT SERVICES AND RENTS WON'T

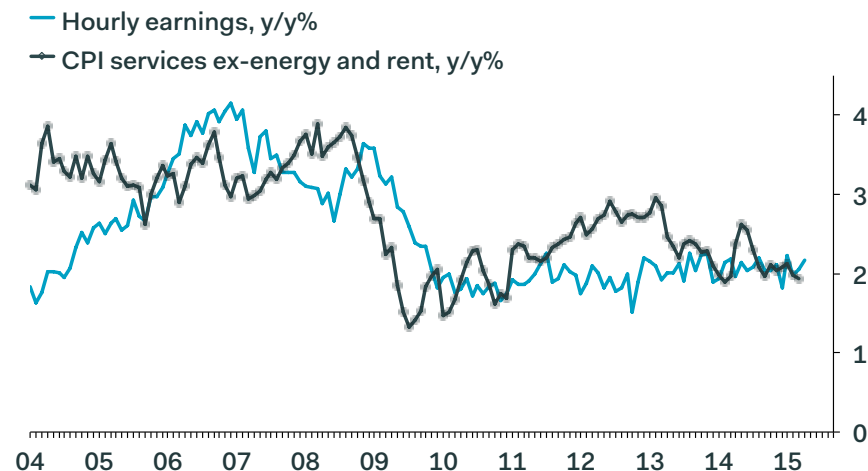


8. ...THE ENERGY QUIRK WILL LIFT OER TOO

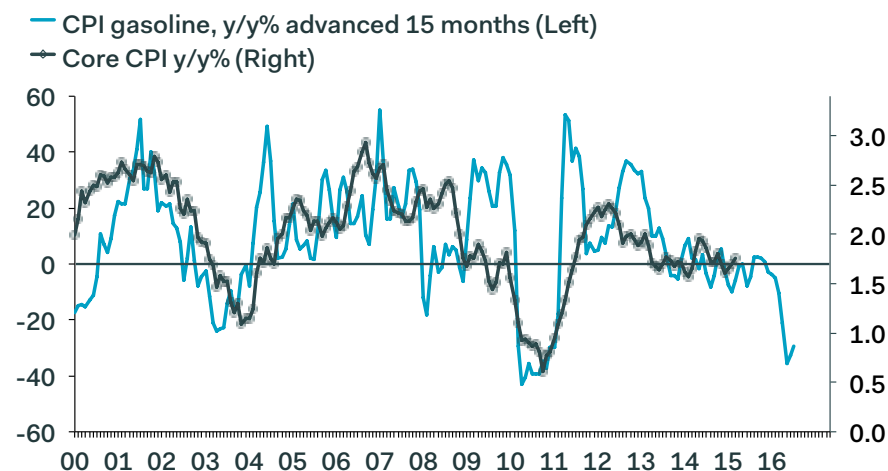




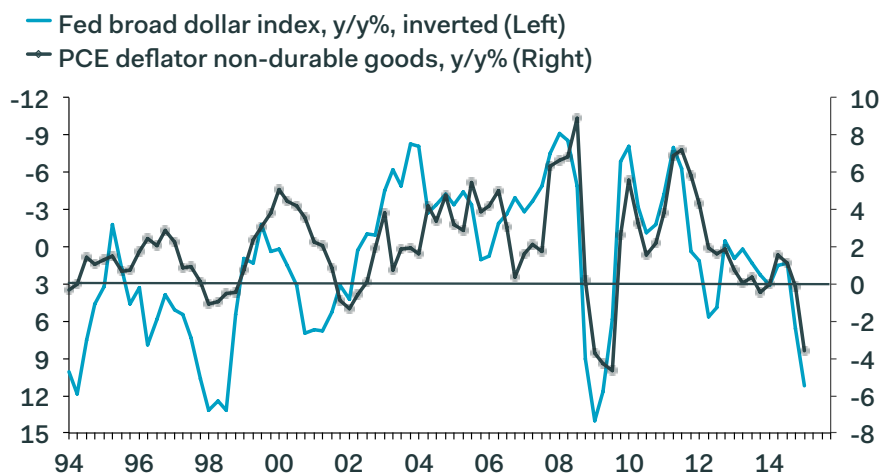
9. UPSIDE RISK FOR OTHER CORE SERVICES IF WAGES ACCELERATE



11. ...AND CHEAPER GAS WILL CONSTRAIN CORE, EVENTUALLY



10. THE STRONG DOLLAR WILL PUSH DOWN GOODS PRICES...

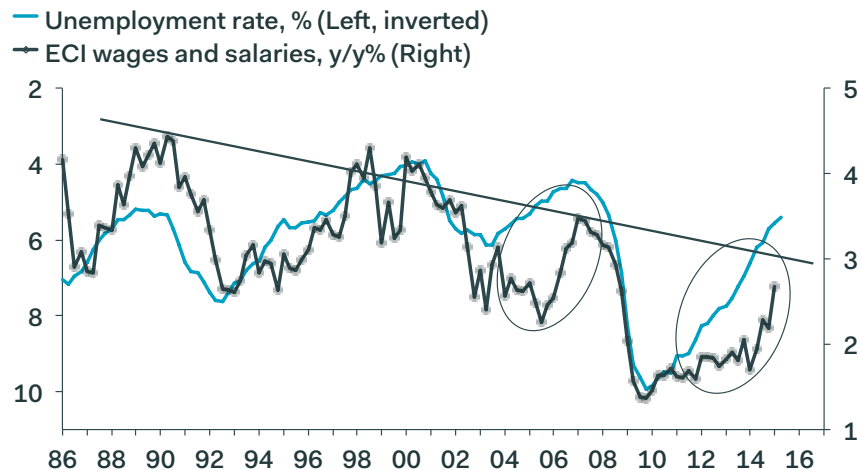


12. BUT WAGES WILL ACCELERATE LONG BEFORE THAT HAPPENS...

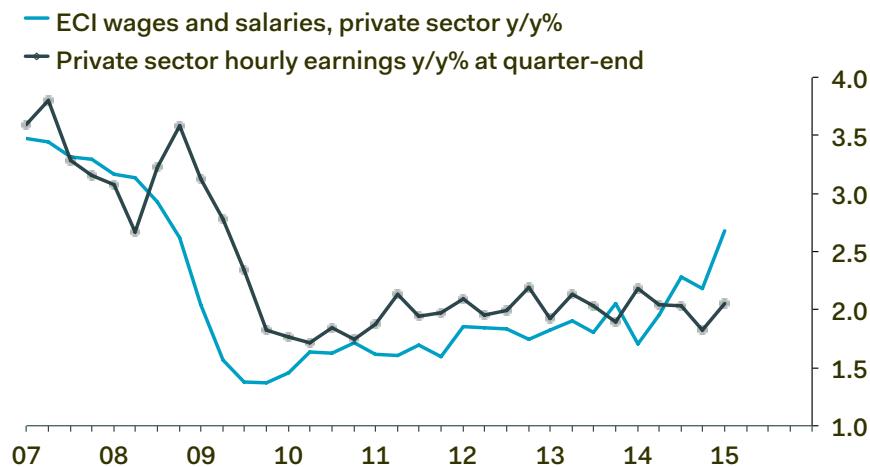




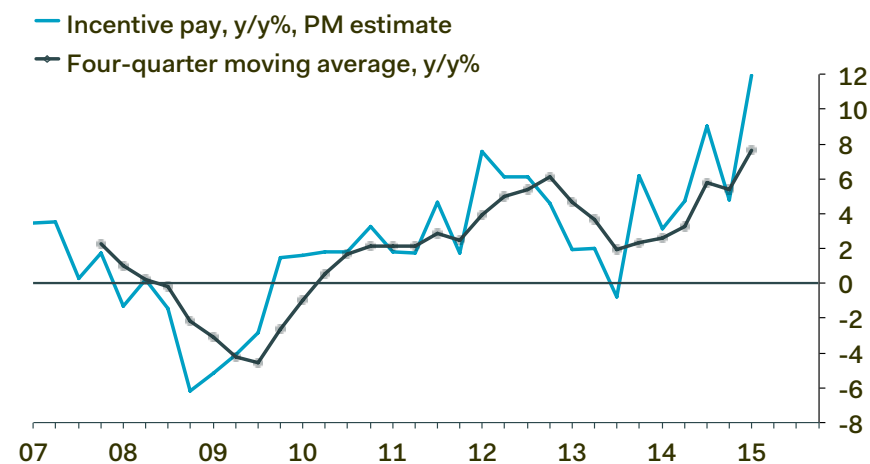
13. ...THE UNEMPLOYMENT RATE SENDS THE SAME SIGNAL



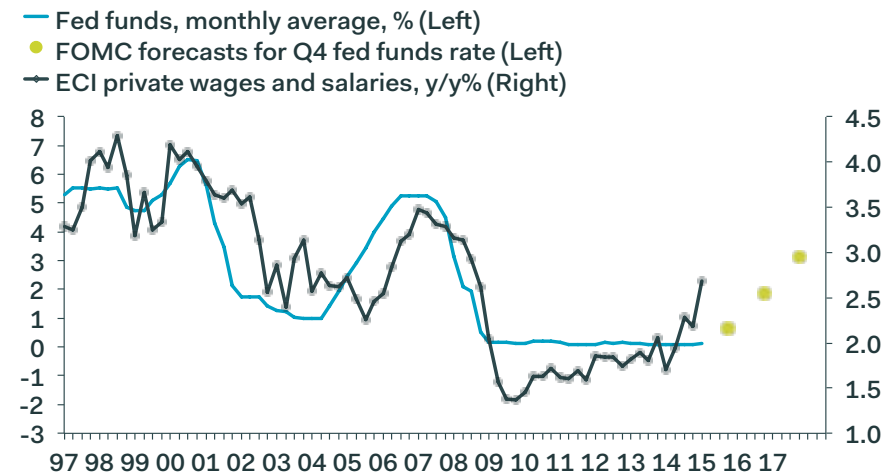
14. THE ECI SAYS WAGES ALREADY ARE ACCELERATING



15. INCENTIVE PAY BOOSTED THE Q1 ECI, BUT THE TREND IS RISING

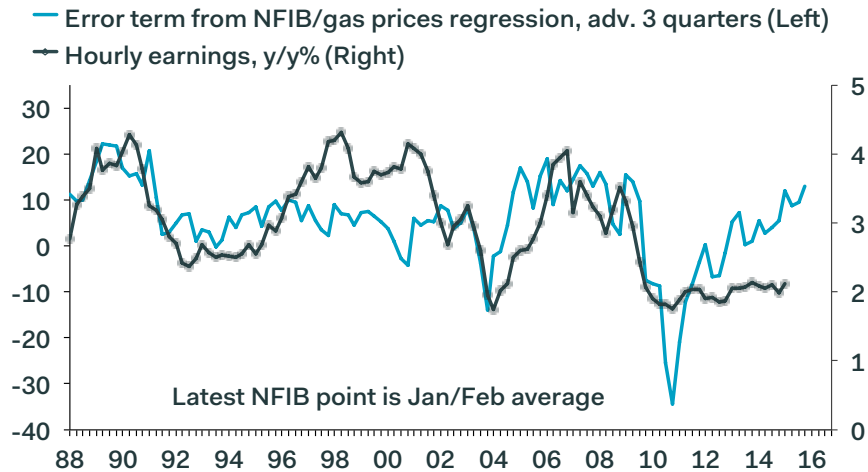


16. AND NOTHING MATTERS MORE TO THE FED THAN WAGE GAINS

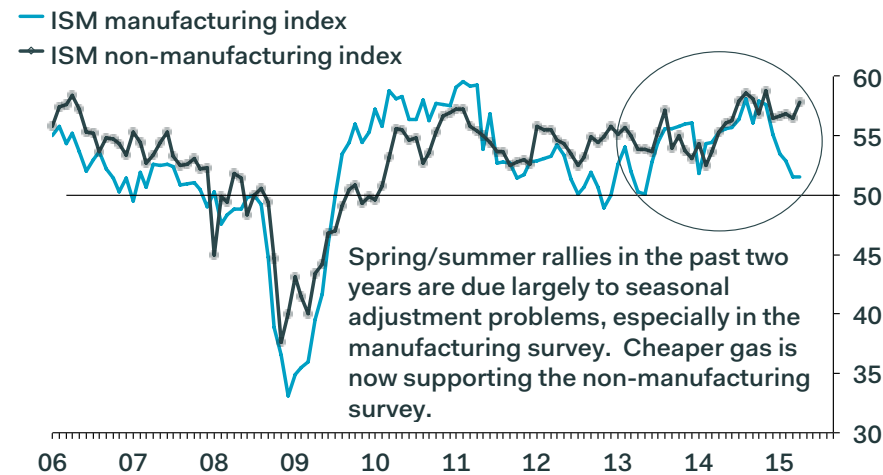




17. LET'S HOPE WAGES DON'T LAG INFLATION



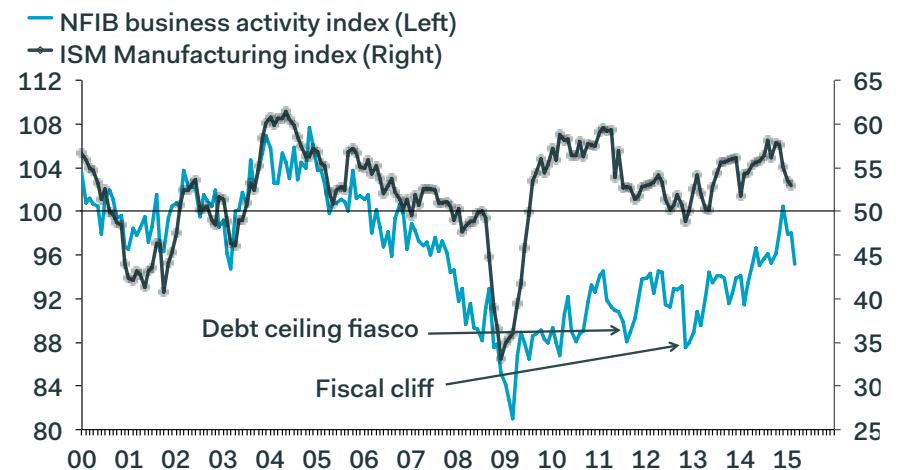
18. ...ISMS HAVE OVERSTATED GROWTH, BUT SEASONAL ISSUES FADING



19. CHINA'S PMI IS PROBABLY A BETTER GUIDE TO U.S. MANUFACTURING

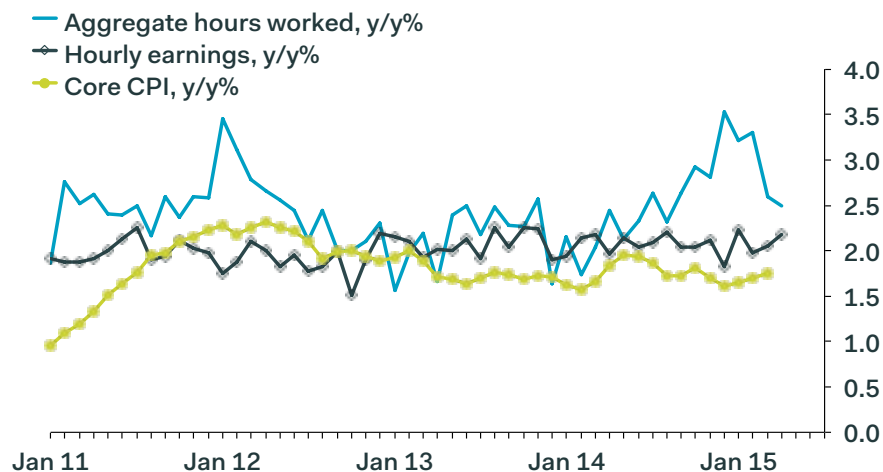


20. SMALL FIRMS HAVE NARROWED THE GAP, BUT THE WINTER HURT

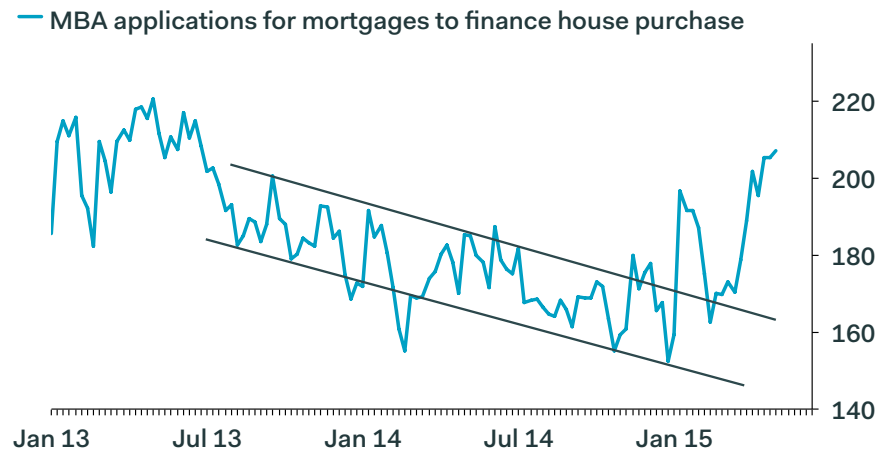




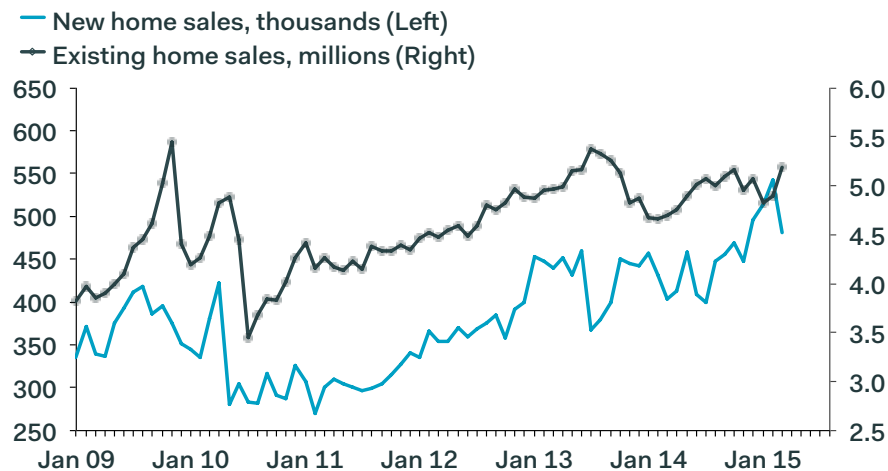
21. KEY CONSUMER FUNDAMENTALS EX-OIL ARE STARTING TO IMPROVE...



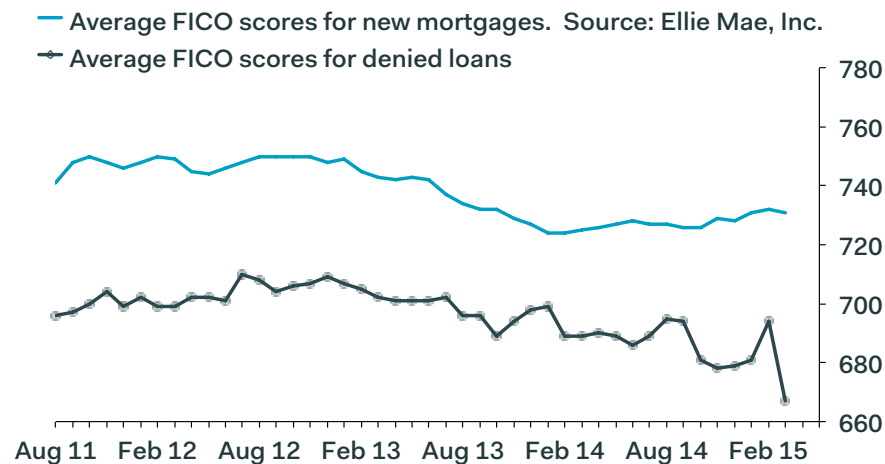
23. MORTGAGE DEMAND SEEMS TO BE PICKING UP...



22. FINALLY, SIGNS OF LIFE IN THE HOUSING MARKET, DESPITE WEATHER

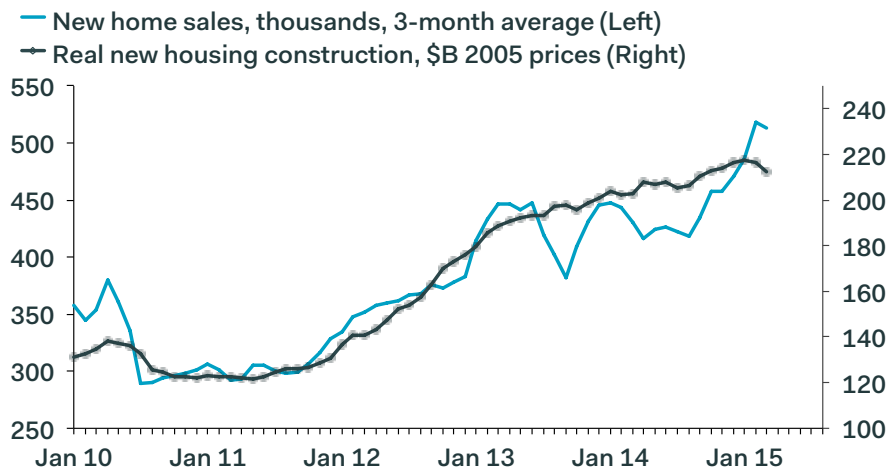


24. ...AMID HINTS THAT LENDERS MIGHT BE EASING STANDARDS, A BIT?

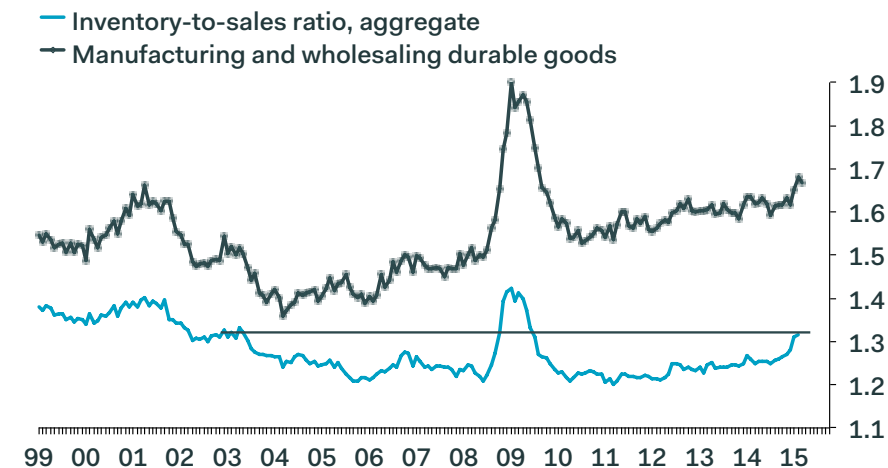




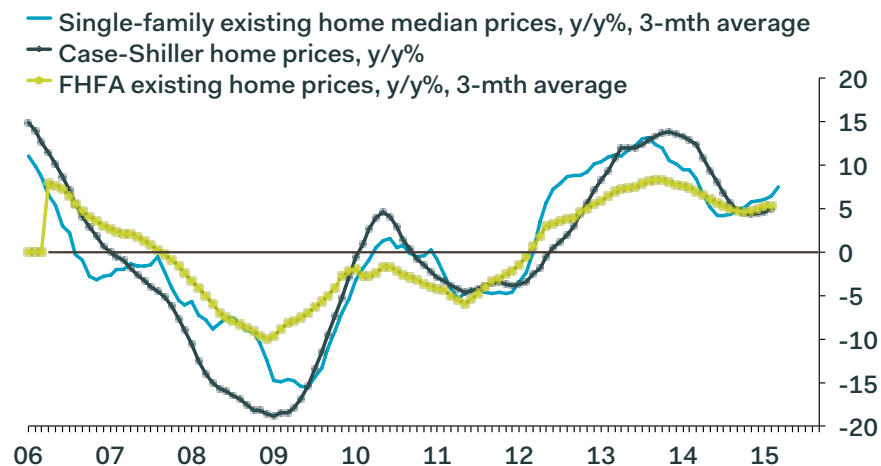
25. HOUSING CONSTRUCTION HIT BY WEATHER, WILL REBOUND?



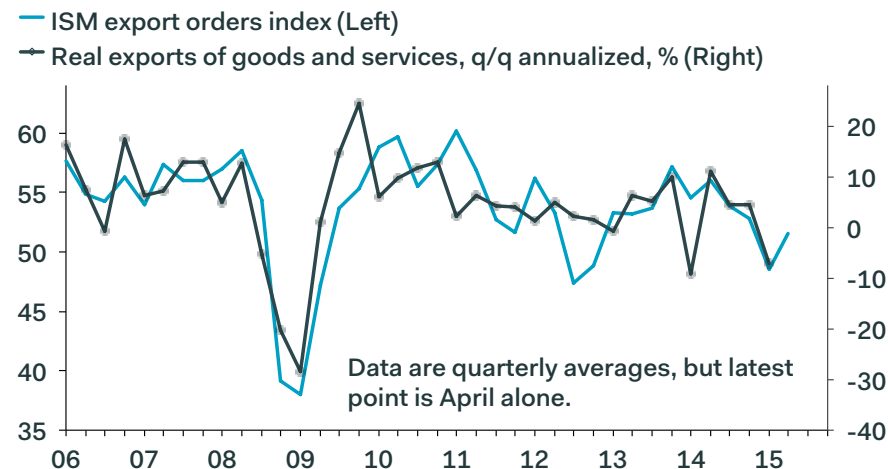
27. INVENTORIES LOOK HIGH BUT DISTORTED BY WEATHER, GAS PRICES



26. HOME PRICE GAINS HAVE SLOWED SHARPLY

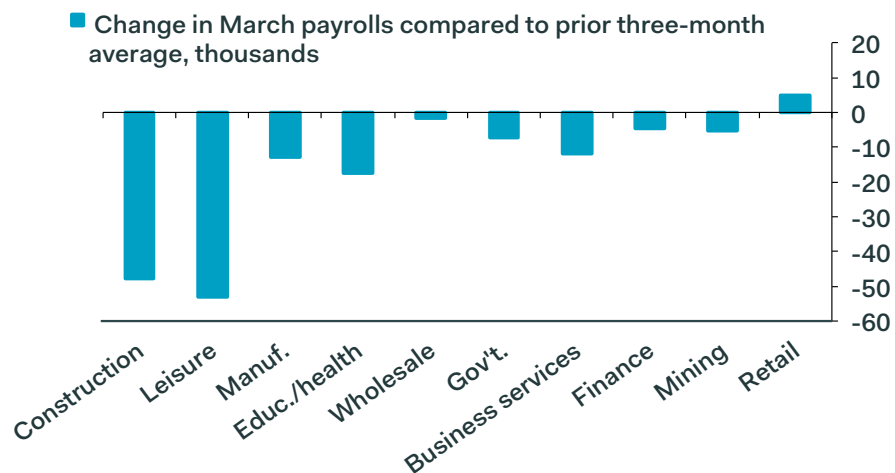


28. EXPORT ORDERS REBOUNDING AFTER THE PORT DISPUTE

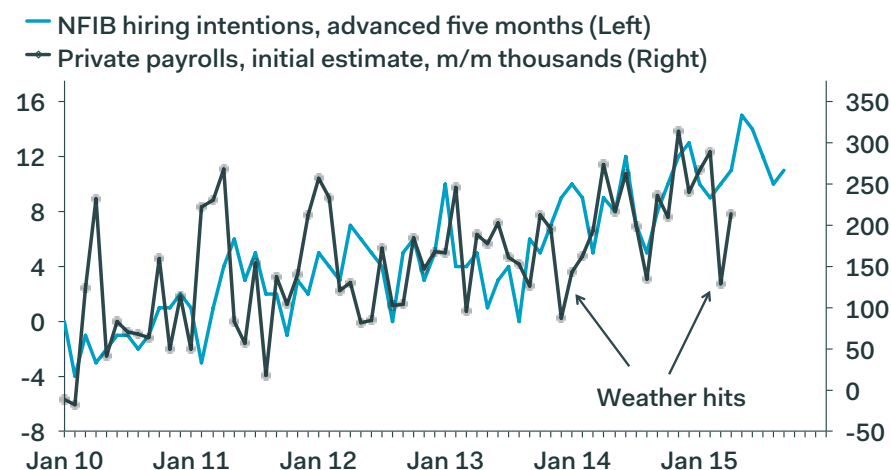




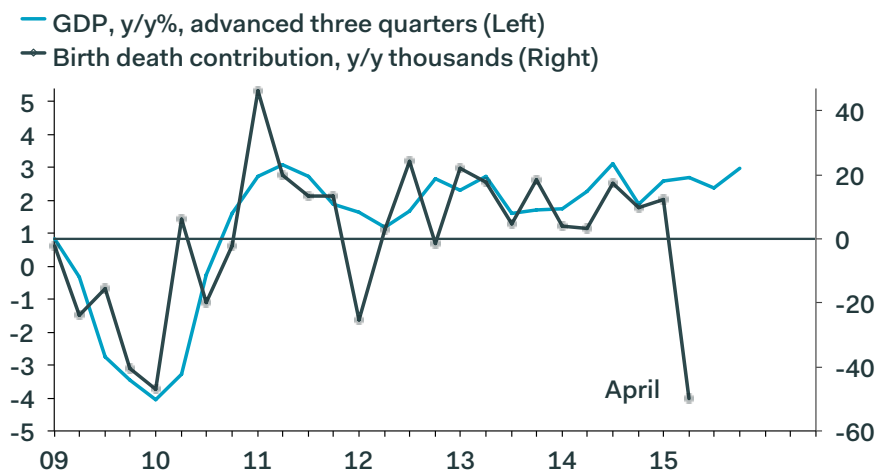
AFTER MARCH PAYROLLS WERE HIT BY THE SEVERE WEATHER...



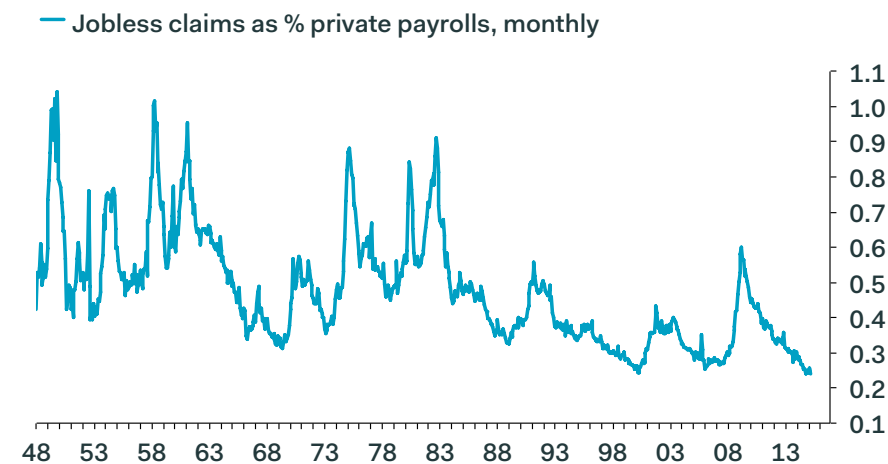
31. THE BEST LEADING INDICATOR POINTS TO SUSTAINED STRENGTH



30. ...APRIL WAS CONSTRAINED BY THE BIRTH/DEATH MODEL

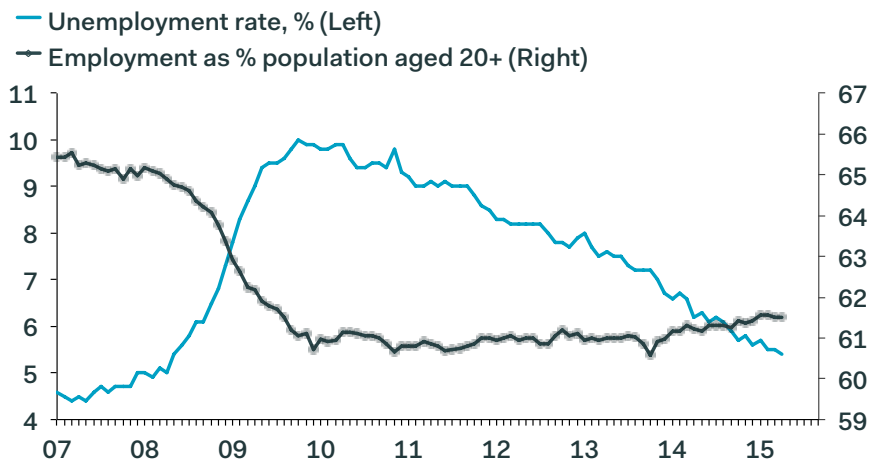


32. ...CONSISTENT WITH NEAR-RECORD LOW JOBLESS CLAIMS

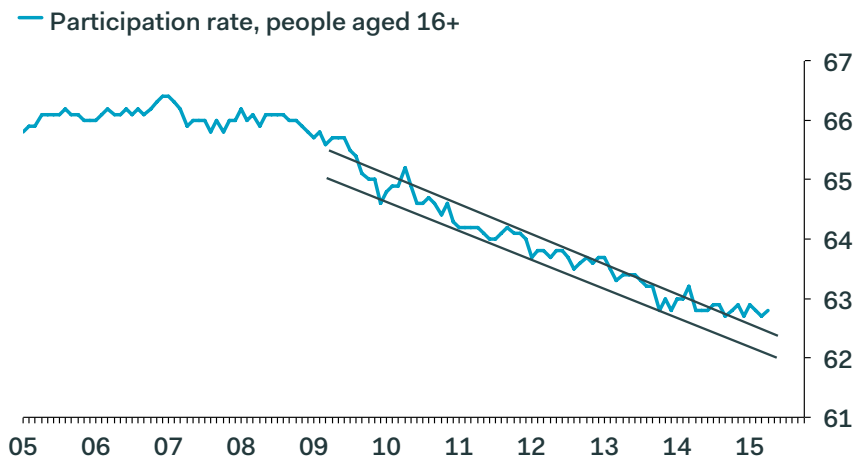




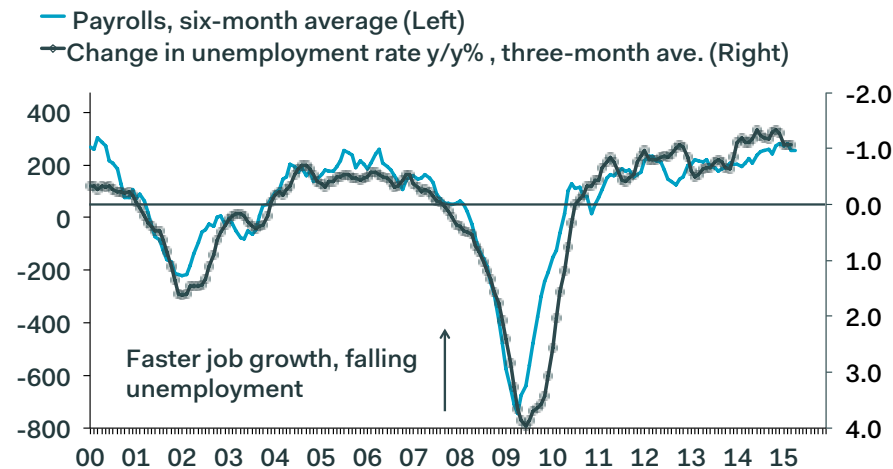
33. EMPLOYMENT IS MUCH WEAKER THAN HEADLINE UNEMPLOYMENT...



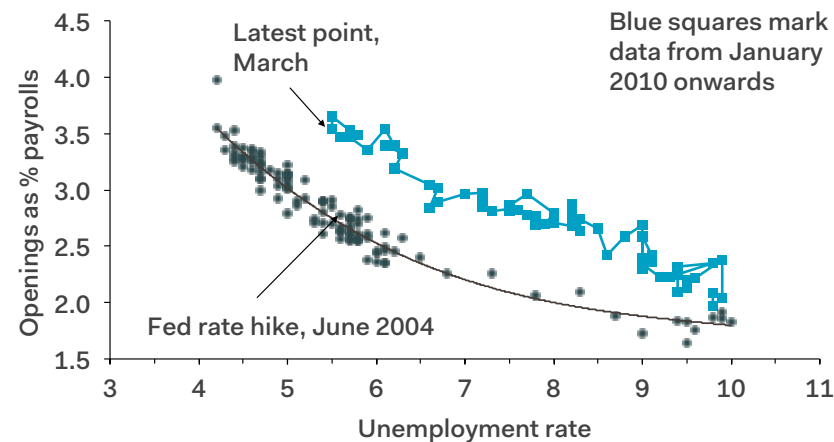
34. ...BUT THE DECLINE IN LABOR PARTICIPATION MAY BE OVER



35. ...FAST JOB GROWTH WILL KEEP UNEMPLOYMENT FALLING

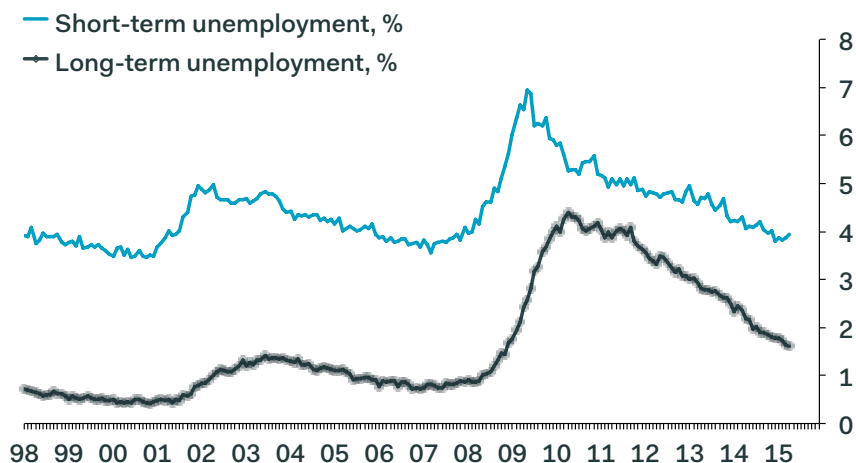


36. IT'S HARD FOR EMPLOYERS TO FIND STAFF

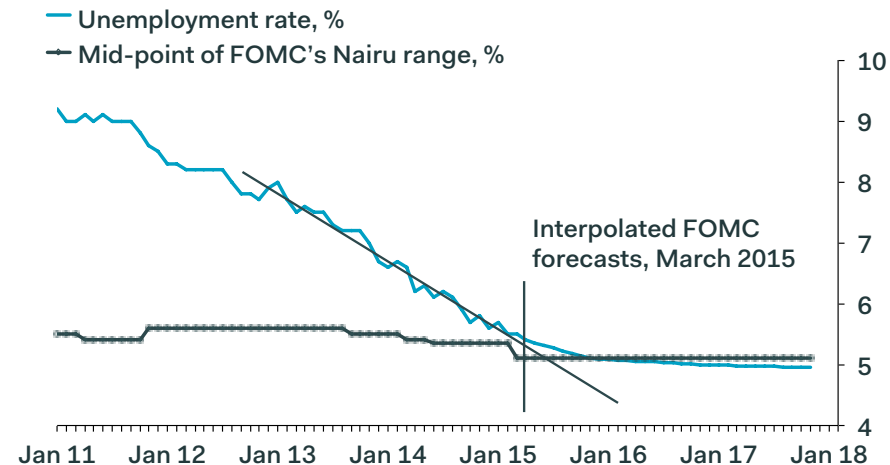




37. LONG-TERM UNEMPLOYMENT IS STILL HIGH, BUT FALLING FAST...



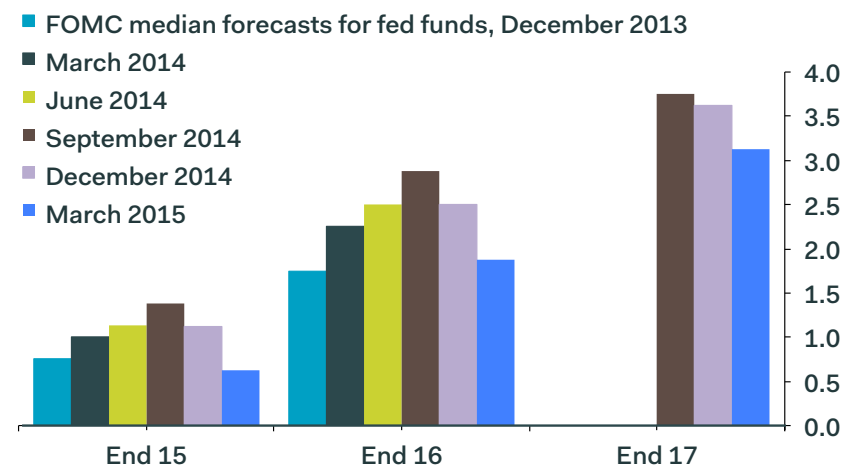
39. UNEMPLOYMENT WILL FALL FASTER THAN FED FORECASTS, AGAIN



38. ...AND U6 IS NOW FALLING FASTER THAN THE HEADLINE RATE



40. ...BUT THE FED FORECASTS VERY SLOW RATE HIKES





Economic Activity (year-over-year, %)	2012	2013	2014	2015	2016
Consumers' spending	1.8	2.4	2.5	3.4	4.0
Fixed investment	8.3	4.7	5.3	2.0	4.0
of which:					
<i>residential</i>	13.5	11.9	1.6	4	6
<i>equipment</i>	6.8	4.6	6.4	2	3
<i>IP</i>	3.9	3.4	4.8	7	5
<i>non-res. structures</i>	13.1	-0.5	8.2	-10	-4
Government spending	-1.4	-2.0	-0.2	1.0	1.0
Inventories, change \$B	58	66	71	110	110
Domestic demand	2.2	2.0	2.5	3.0	3.5
Exports	3.5	3.0	3.2	3.0	4.0
Imports	2.3	1.1	4.0	4.0	4.0
GDP	2.3	2.2	2.4	2.8	3.5

Labor Market, Costs and Prices (year-over-year)

Productivity growth	1.0	0.9	0.7	1.5	2.0
Payrolls, monthly average, thousands	188	199	260	275	250
Unemployment rate (Q4 average)	8.1	7.4	5.7	4.8	4.2
Hourly earnings (Q4 average)	1.8	2.0	2.1	2.8	4.0
CPI (Q4 average)	2.1	1.5	1.2	0.9	2.0
Core CPI (Q4 average)	2.1	1.8	1.7	1.8	2.0
Core PCE deflator (Q4 average)	1.8	1.3	1.5	1.5	1.7

Other

Current account, % GDP	-2.9	-2.4	-2.2	-2.5	-2.8
Budget deficit, \$B FY	1,089	683	483	425	300
Budget deficit, % GDP, FY	-7.0	-3.9	-2.9	-2.1	-1.3
Fed funds, December	0.16	0.09	0.13	0.75	2.50
10-year notes, Q4 average	1.71	2.75	2.28	2.75	4.00
30-year bonds, Q4 average	2.86	3.79	2.97	3.25	4.25
S&P 500, Q4 average	1,408	1,796	2,014	2,125	2,175