

MID-YEAR ECONOMIC OUTLOOK



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WHERE IS THE ECONOMY NOW?

- 2ND LONGEST GROWTH PERIOD
- ACCELERATING GROWTH
- TIGHT LABOR MARKETS
- RISING INTEREST RATES AND RISING INFLATION



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WHY THE IMPROVEMENT?



- DE-REGULATION
- MARKETS LIKED TAX CUTS
- IMPROVED FOREIGN MARKETS
- CHEAP ENERGY

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BUT HOW LONG WILL IMPROVEMENT LAST?



- BENEFITS OF TAX CUTS BAKED IN
- ENERGY COSTS NOW HIGHER
- UNCERTAINTY ABOUT CONTROL OF CONGRESS
- 3% GROWTH THIS YEAR; REVERT TO 2% IN FUTURE?

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TRADE DEALS OR TRADE WARS?




- * NAFTA
- * CHINA
- * TARIFFS

INTERRUPTION OF TRADE CONSIDERED A NEGATIVE FOR THE ECONOMY

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PUBLIC DEBT IS BACK AS AN ISSUE



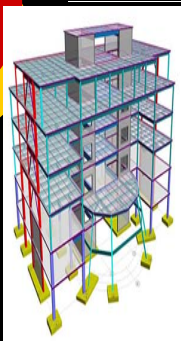
WE SLEEPWALKED THROUGH RECENT DEBT HIKES AS INTEREST RATES FELL

BUT WITH HIGHER RATES AND FASTER DEBT GROWTH:

INTEREST ON DEBT AS % OF BUDGET COULD DOUBLE FROM 7% TO 14% IN 2028

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STRUCTURAL CHALLENGES



SLOW PRODUCTIVITY

AGING POPULATION/SLOW LABOR FORCE GROWTH

"INVISIBLE" UNEMPLOYMENT

HOLLOWING-OUT OF LABOR MARKET

URBAN/RURAL DIVIDE

TECHNOLOGY AND UNEMPLOYMENT

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WHEN'S THE NEXT RECESSION?



NO CURRENT IMBALANCES

CONSUMER DEBT PAYMENT % IS STILL LOW


HOWEVER, WATCH AUTO LOANS AND CREDIT CARDS

WATCH FOR INVERTED YIELD CURVE

NEXT RECESSION: 2020

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OUTLOOK



CONTINUED GROWTH FOR IMMEDIATE FUTURE

SEEING THE "COSTS OF GROWTH"


LOOK FOR TRUMP "WAR OF WORDS" AGAINST THE FED

IN THE "LATE INNINGS" OF THE EXPANSION

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FACTORS FOR INVESTORS TO CONSIDER



IF AN "ACTIVE" INVESTOR:

STOCK MARKET RUN MAY BE COMING TO AN END


COMMODITIES AS INSURANCE AGAINST HIGHER INFLATION

SHORT TERM MONEY YIELDS ARE RISING

BE CAREFUL WITH LONG BONDS

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FACTORS FOR INVESTORS TO CONSIDER



IF A "PASSIVE" INVESTOR:

NOTHING DIFFERENT

CONTINUE TO BUY AND HOLD

CONTINUE TO BE DIVERSIFIED

REALLOCATE AS AGE

REBALANCE ANNUALLY

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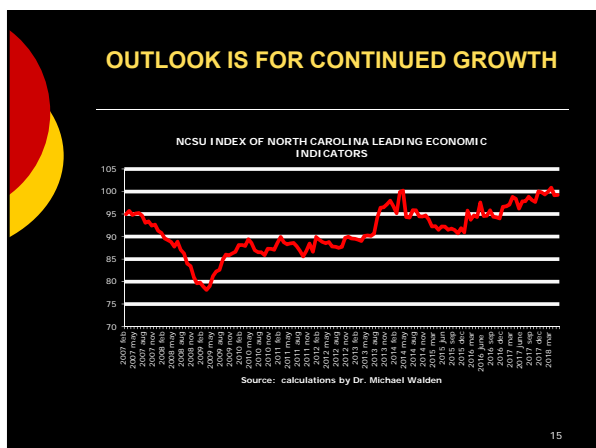


STATE ECONOMY IS IMPROVING




BOTH GDP AND JOB
GROWTH RATES HAVE BEEN
EXCEEDING THE NATION'S

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AND, SOME GOOD NEWS ON THE ECONOMIC GEOGRAPHIC DIVIDE



IN THE LAST YEAR, THE COUNTIES WITH THE LARGEST DROP IN THEIR JOBLESS RATE WERE **RURAL COUNTIES**

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STILL, KEY ISSUES FOR NORTH CAROLINA IN UPCOMING DECADES



- K-12: MAKING GAINS
- COLLEGE: COST, IMPROVING OUTCOMES
- WORKFORCE: RE-TRAINING
- ROADS: FUNDING
- HEALTH CARE: COST, ACCESS
- DEMOGRAPHICS: AGING

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PARTING COMMENT ON JOAN CRAWFORD AND BETTE DAVIS



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