MARCH 2017 FOMC MEETING PROJECTIONS

Hello everyone. I'm Jamie Sumner from Seifried&Brew. Today, we want to talk about last week's ***Fed FOMC meeting*** and where they came out as they increased rates by 25 basis points (bps). And they also (with this meeting) put out their new projections for the next couple of years in terms of ***GDP, unemployment, inflation*** and ***core inflation***, as well as where they anticipate that ***Fed Funds rate*** to go. So let us look at the projections they put out.

As you can see here [on Slide 2] there is very little change from their December projections. In fact, one statement during the press conference, Chair Janet Yellen, indicated that they have yet to incorporate any type of ***fiscal policy*** that might be pushed through, or tax cuts with inside of these projections. So we can anticipate as the year moves along that these should start to pick up at least somewhat in order to take into consideration those policies or perspective policies.

Overall, the growth that we are looking at over the next three years based off of these numbers is not that exciting. In fact, you have a 2.1% median change in real ***GDP*** for 2017 and 2018, and then moving down to 1.9% GDP. Now the question could be raised, if we are only looking at this type of economic growth, (and basically the FOMC is saying we are going to flat line with inside of the unemployment rate), *why then would we be anticipating this continual increase within side the federal funds rate?* Right now they are looking at the federal funds rate at the end of 2017 to get up to that 1.4% median. So that would be a spread between 1 and 1.25, or 1.25 and 1.50. So when we are looking [on Slide 2] at this overall rate increase (and then when we look at the dot plot [Slide 3]), we are showing about two more rate increases this year.

Now, with last week's increase we can anticipate very little change that will be needed on our ***core deposit rates***. However, as we move throughout 2017, and begin to see maybe the continual increase of the federal funds rate, we are going to need to rethink that strategy and start bumping up these core deposit rates little by little. The suggestion that I have been giving some of our banks is: *when you start to go through that process, you might want to start off by creating a new account, that is, when individuals come in and they are asking for a higher rate, instead of raising the rate broadly across all of your core deposits, you can push them into a new product that has a slightly higher rate*. This way you don't have to reprice your entire liability structure, just that one new product, until we can utilize that process as we move along here, when we begin this process of rising rates.

Next week we will talk about the impact of the overall ***yield curve*** and what would happen, when we start to see that short term rates begin to increase while the long rates stay where they are and potentially even move down and what type of strategies we can have in place. So that's what we have for you this week we look forward to talking to you next week. Have a great week.

Materials set forth above are based on transcripts/slides presented from the Seifried & Brew Briefing transmitted on the above date. For further reference please click on *http://seifriedbrew.com/briefings.html*

800 445 4430

www.seifriedbrew.com

DISCLAIMER

The statements and information contained herein are our opinions only, and not a guarantee, and are based on public information available as of the date of the briefing only and may be based on both internal and/or external sources that S&B reasonably believes to be reliable. However, S&B cannot and does not guarantee the accuracy, timeliness or completeness of such information for any particular purpose and such information is not to be considered to be all-inclusive. This shall not be construed as an offer or as a solicitation of an offer to sell or purchase any securities that may be mentioned herein. S&B's opinions expressed herein are based on information deemed current only at the date of this briefing and is subject to change without notice or any further obligation on the part of S&B to update the same. No person should make an investment decision solely in reliance on the information contained herein. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, COMPLETENESS, TIMELINESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR USE OR PURPOSE OR OTHER OPINION OR INFORMATION CONTAINED HEREIN IS GIVEN OR MADE BY S&B IN ANY FORM OR MANNER WHATSOEVER.

800 445 4430
www.seifriedbrew.com