JAN'17 FRB PHILADELPHIA COINCIDENT&LEADING INDEX MAPS/ATLANTA FED SURVEY/CPI & RETAIL RELEASE

Good day everyone. This is Jamie Sumner, Chief Analyst of Seifried&Brew. For this week's webcast we want to look at a couple of releases that came out last week.

It was a busy week and the first things we want to look over [Slide 2] are the maps from the ***Federal Reserve Bank of Philadelphia***. If you recall they put these out monthly throughout the year, however during the first quarter of the year they are kind of doing some revisions to their model so it takes them a little time until they have the numbers to put forth. So we just got the ***January Coincident Index and the Leading Index*** over the past couple of weeks. So we are going to look at the January numbers today and over the next couple of weeks we are going to start to roll out, as they give us the February and March numbers. So when we are looking at the January numbers throughout the United States you can see primarily green. We have three red states here, and then pink states, which would indicate a reduction in their GDP over the past three months of about a 0.1% to a 0.5% (Michigan, Tennessee and Alaska). But overall when we look at the United States, we are at a three-month growth rate of 0.72% for January. Now we have been talking about this (if you look back to January and previously), how overall this trend in growth has continued, but it has been moderated for the most part moving forward. We had a peak in the average growth rate in 2014 at 0.87%, and then from that point on the average for the years 2015 and 2016 were all below that 0.87% growth rate. And for January, which is also the year to date average for 2017, we are at the 0.72%. So we continue to see that reduction in the growth rates.

We are going to look at the ***Leading Index*** [Slide 3] and if you recall the Leading Index is forecasting that Coincident Index out 6 months. So overall for the United States we are looking at a 1.76% for the January Leading Index which is above the average for 2016, at 1.53%. So that's a positive in here looking forward. Also we noticed that we only have two of these pink states here (Kentucky and Tennessee) and that's putting the growth rate of a -1.5% to -0.2% that are in the negative. Predominantly though, all the states for the most part are showing growth rates in here over the next 6 months (and this is looking out to June of 2017) so that's a positive within here.

What we do want to look at, though, are some notable economic releases from last week [Slide 4]. First off is the ***Atlanta Fed Business Inflation Expectations report***. Basically what that does, is it questions a little more than 200 businesses about what their expectations are for raise in prices withinside their goods. And we can see that it was at 1.9% over the next year and that is down from 2.1% from their last survey. So we saw a pull back a little bit in their inflation expectations from these businesses. With that, we follow that up with the ***Consumer Price Index report (CPI)*** that came out last week. And that showed a -0.38% change in CPI month over month. So we actually saw a contraction there by 0.38%. The core contraction, (removing out food, fuel and energy), were at a -0.1%. Still that contraction is below expectations, maybe foreshadowing, maybe not as strong of an inflation as we anticipated, or as the economists have anticipated. But year over year we are still at that 2.4% change year over year in CPI and the core is at 2% change. Then we had the ***retail sales*** come out, a little bit of a disappointing release here. The change actually went down; its -0.2% change in month over month retail sales. So we had a contraction, and also the February release was revised, and that went down to -0.3%. So we saw that revision showing a pullback in those retail sales for February. So that's no boding so well as we are getting in to the season where we are starting to see, or in the next week when we are going to have that ***first quarter GDP advanced release*** put out there.

That being said all the different economic news that came out last week then resulted in ***the Federal Reserve Bank of Atlanta*** reducing down their ***GDP Now forecast*** [Slide 5] down to a 0.5%. If you recall the last time we went over

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this it was at 0.6% because of the unexpected softness with inside of the economic numbers that came out last week. They pulled that down another tenth of a percent, going down to that 0.5% growth rate in GDP in the first quarter. Of course this is just a forecast or an expectation in here, but that is a fairly low level of growth that we are seeing.

That's what we have for you this week. We look forward to talking to you next week. Throughout this week we will be releasing our ***Top 15th Percentile Banks*** on our website. If you find yourself on that list congratulations! I'm sure you will be receiving an email or some kind of snail mail from us. Have a great week everyone, and we will see you back here next 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*

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