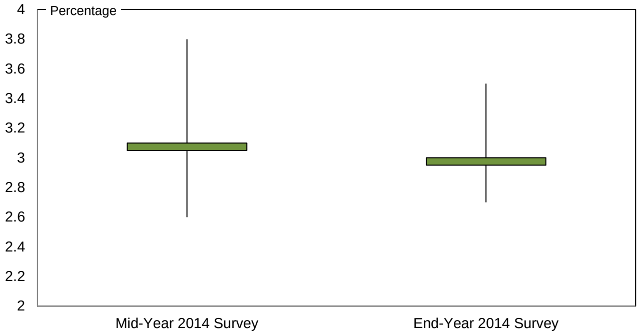
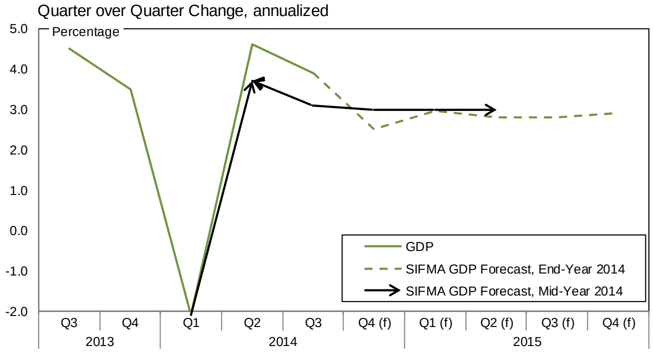
Full Year 2015 GDP Growth Estimates
Mid-Year 2014 vs End-Year 2014



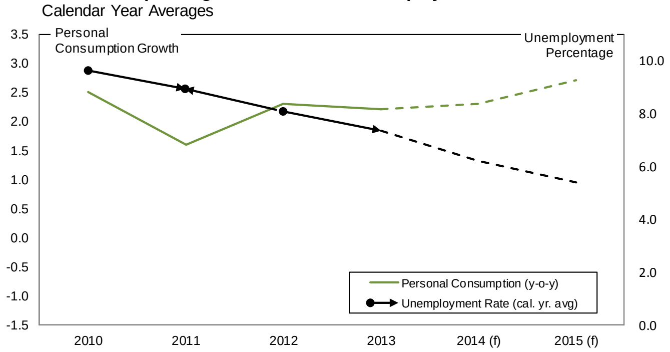
Sources: Responses to the SIFMA Economic Advisory Roundtable Mid-Year 2014 and End-Year 2014 Economic Outlook Survey

Real GDP Growth Rate
Quarter over Quarter Change, annualized



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis; Forecasts: Median Response to the SIFMA Economic Advisory Roundtable End-Year 2014 Economic Outlook Survey

Consumer Spending Growth Rate and Unemployment Rate
Calendar Year Averages



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis (Personal Consumption) & Bureau of Labor Statistics (Unemployment); Forecasts: Median Response to the SIFMA Economic Advisory Rountable End-Year 2014 Economic Outlook Survey

2015 GDP OUTLOOK WEAKENS SLIGHTLY TO 3.0 PERCENT; GLOBAL GROWTH CONCERNS, MONETARY POLICY WEIGH ON FORECAST

SIFMA's Economic Advisory Roundtable forecasted that the U.S. economy will grow at a 2.3 percent rate in full-year 2014, rising to 3.0 percent in full-year 2015.[1] The outlook for full-year 2014 is slightly higher than the Roundtable's previous prediction of 2.2 percent, while the outlook for 2015 has been lowered slightly from 3.1 percent mainly due to concerns over global growth deceleration and monetary policy uncertainty.

Forecast Highlights

MONETARY POLICY The Roundtable continues to expect the Federal Open Market Committee (FOMC) to maintain its current 0.0 to 0.25 percent target federal funds rate range through mid-year 2015, with half the respondents still expecting the first rate hike in 2Q'15, 44 percent in the second half of 2015 and the balance in 1Q'16. Unlike the wide range of views expressed in the mid-year survey, the current expectation of when the FOMC would begin shrinking the Federal Reserve's balance sheet by curtailing reinvestment of proceeds from its asset holdings converged on the first quarter of 2016: a third expected reinvestment to end in 4Q'15, a little more than half in 1Q'16 and the balance later in 2016. As predicted in the previous survey, the FOMC wound up its asset purchase program before the end of this year.

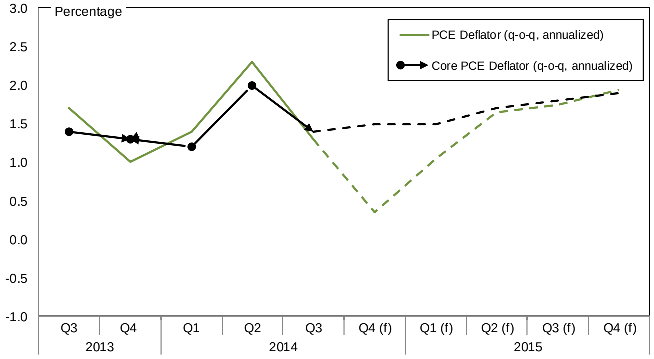
THE ECONOMY The median end-year forecast called for 2014 gross domestic product (GDP) to grow by 2.3 percent on a year-over-year basis and by 2.2 percent on fourth quarter-to-fourth quarter basis, slightly stronger than predicted in the mid-year survey.[2]

Respondents expected 4Q'14 GDP growth to be 2.5 percent on an annualized basis.[3] For full-year 2015, GDP growth is expected climb slightly to 3.0 percent on a year-over-year basis and by 2.8 percent on a fourth quarter-to-fourth quarter basis, slightly weaker than predicted in the mid-year survey.[4] On a quarterly basis, annualized GDP growth is expected to rise to 3.0 percent in the first quarter of 2015 before dropping to 2.8 percent in the second and third quarters and then rising again to 2.9 percent in fourth quarter 2015.

Unemployment is expected to continue to improve. Survey respondents forecast full-year average unemployment rate will decline to 6.2 percent in 2014 and fall further to 5.4 percent in 2015.[5] Full-year nonfarm payroll employment gains were expected to reach 2.7 million

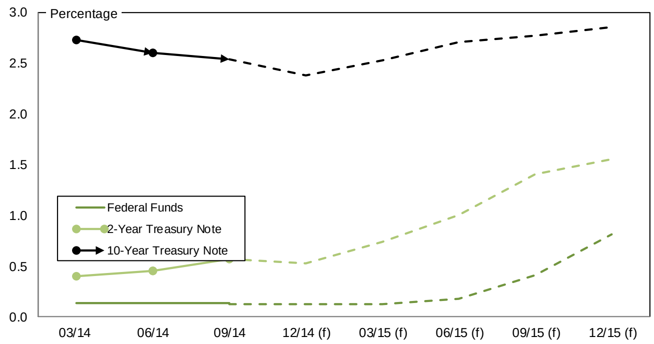
[1] The survey was conducted from November 18, 2014 to December 2, 2014. The forecasts discussed in the text and appearing in the accompanying data tables and graphs are the median values of the individual member firms' submissions, unless otherwise specified.
[2] The full-year 2014 GDP growth forecasts ranged from 2.1 percent to 2.6 percent and on a fourth-quarter-to-fourth quarter basis ranged from 2.0 percent to 2.7 percent.
[3] On a quarterly basis, annualized GDP growth forecasts ranged from 1.6 percent to 4.2 percent in 4Q'14.
[4] The full-year 2015 GDP growth forecasts ranged from 2.7 percent to 3.5 percent and on a fourth-quarter-to-fourth quarter basis ranged from 2.3 percent to 3.2 percent. On a quarterly basis, annualized GDP growth forecasts ranged from 2.4 percent to 4.1 percent in 1Q'15, 1.8 percent to 3.7 percent in 2Q'15, 2.5 percent to 3.3 percent in 3Q'15, and 1.0 percent to 3.5 percent in 4Q'15.
[5] The full-year 2014 average unemployment rate forecast ranged from 5.8 percent to 6.3 percent and for 2015 ranged from 5.0 percent to 5.7 percent.

PCE Deflator & Core PCE Deflator



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis; Forecasts: Median Response to the SIFMA Economic Advisory Roundtable End-Year 2014 Economic Outlook Survey

Federal Funds Target Rate and Treasury Yields



*(f) Forecast
Source: Actuals: Bureau of Economic Analysis, Federal Reserve; Forecasts: Median Response to the SIFMA Economic Advisory Roundtable End-Year 2014 Economic Outlook Survey

jobs in full-year 2014[6], falling somewhat to 2.5 million jobs in 2015.[7] Expectations for consumer spending trends fell below those in mid-year 2014, with personal consumption estimated to be 2.3 percent in 2014 (compared to the median expectation of 2.8 percent in the mid-year survey) and 2.7 percent in 2015(down from expectations of 2.8 percent in the mid-year survey).[8]

The business capital investment growth estimate for full-year 2014 strengthened considerably to 6.0 percent from 3.6 percent forecasted at mid-year; estimates improved only modestly for 2015, with a median forecast of 5.8 percent growth (from 5.7 percent growth in the mid-year survey).[9] The outlook for state and local government spending also strengthened, with a median estimate of 1.0 percent growth in 2014 (versus 0.2 percent growth forecast at mid-year), followed by 1.6 percent growth in 2015 (compared to 1.3 percent growth expected mid-year).[10]

The median forecast for "headline" inflation, measured by the personal consumption expenditures (PCE) chain price index, weakened from the mid-year forecast, with 1.4 percent growth expected for full-year 2014 (compared to 1.5 percent previously forecast) and 1.3 percent for full-year 2015 from 1.8 percent expected mid-year.[11] The median forecast for the core PCE chain price index was 1.4 percent (unchanged from mid-year) for full-year 2014 and 1.6 percent forecast for full-year 2015 (down from 1.8 percent forecasted mid-year).[12]

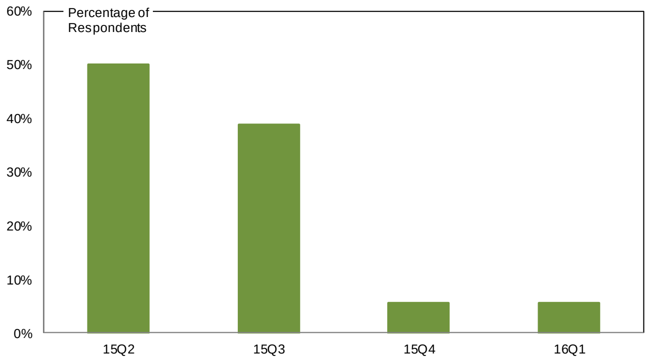
The outlook for inflation remains moderate for the first half of 2015. None of the respondents expressed upside concern about inflation in the first half of 2015. Respondents expressed greater levels of concern, however, about below target inflation in the first half of 2015: although roughly 40 percent continued to express no worry about inflation coming in below target, half of respondents expressed moderate worry and the balance were very worried.

Economic slack/employment continued to be the most oft-cited factor in the inflation outlook, as in prior surveys; however, oil prices moved up to second place. The strength of the U.S. dollar and global economic conditions were ranked third and fourth in importance. Several respondents also noted low inflation expectations as an important factor in the outlook, with one respondent noting: "Inflation expectations appear to be falling; this needs to be watched closely by the Fed." Another respondent noted that given "volatile energy prices, both the markets and the Fed will focus on core inflation;" another noted that "Fed officials keep emphasizing [that their 2.0 percent inflation] is a goal, not a ceiling. They tolerated inflation below their goal and will also tolerate inflation above it."

INTEREST RATES As referenced earlier, the Roundtable expected the FOMC to maintain its 0.0 to 0.25 percent target federal funds rate through 2014 and early 2015, although there was a notable range of expectations. Approximately half of respondents expected the Fed's first rate hike to

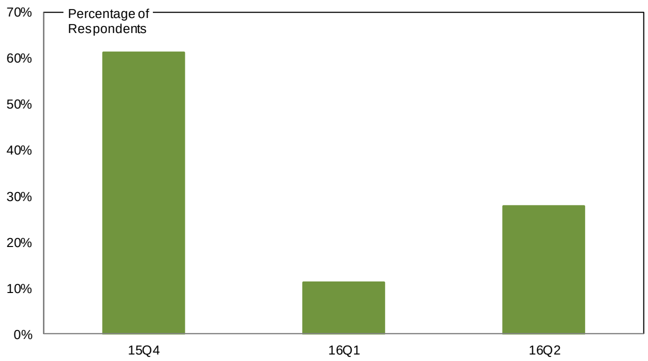
[6] The full-year 2014 non-farm payroll employment growth forecasts ranged from 1.7 million jobs to 2.8 million jobs.
[7] The full-year 2015 non-farm payroll employment growth forecasts ranged from 2.1 million jobs to 2.9 million jobs.
[8] Personal consumption growth forecasts ranged from 2.1 percent to 2.5 percent in 2014, and 2.4 percent to 3.0 percent in 2015.
[9] The full-year 2014 business fixed investment forecasts ranged from 5.6 percent to 7.5 percent and for 2015 ranged from 3.7 percent to 8.0 percent.
[10] The full-year 2014 real state and local government spending forecasts ranged from 0.8 percent to 1.2 percent and for 2015 ranged from (0.3) percent to 2.7 percent.
[11] The full-year 2014 PCE deflator forecasts ranged from 1.1 percent to 1.4 percent and for 2015, from 1.0 percent to 2.1 percent.
[12] The full-year 2014 core PCE deflator forecasts ranged from 1.2 percent to 1.7 percent and for 2015, from 0.9 percent to 2.1 percent.

When Will the FOMC Raise the Fed Funds Target Rate?



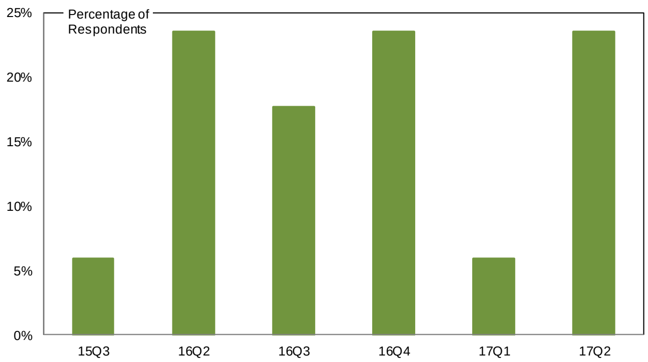
Source: SIFMA Economic Advisory Rountable End-Year 2014 Economic Outlook Survey

When Will the Fed Funds Target Rate Rise to 1%?



Source: SIFMA Economic Advisory Rountable End-Year 2014 Economic Outlook Survey

When Will the Fed Funds Target Rate Rise to 2%?



Source: SIFMA Economic Advisory Rountable End-Year 2014 Economic Outlook Survey

occur in the second quarter of 2015, nearly two-fifths in 3Q'15 and the remainder in late 2015 or early 2016. As of December 2, 2014 (the end of the survey period), the 10-year U.S. Treasury yield was 2.28 percent; and the median forecasts for 10-year Treasury rates were 2.38 percent in December 2014, 2.53 percent in March 2015, 2.71 percent in June 2015, 2.77 percent in September 2015 and 2.85 percent in December 2015.[13]

Survey respondents were divided about the source of the greatest impact on long-term Treasury yields in the first half of 2015. The most frequently cited "greatest impact" was expected from FOMC interest rate policy (43 percent), followed by inflation or inflationary expectations (21 percent), economic growth prospects (14 percent) and credit mark risk aversion/flight to quality (14 percent).

Half the respondents expected the Treasury yield curve (Fed funds-to-ten year Treasury yield spread) to steepen through the first half of 2015, 44 percent expected it to flatten and one expected no change. Nearly 60 percent of survey respondents expected the TED (Treasury bill less LIBOR) spread to remain the same in the first half of 2015, a third expected the spread to widen while one respondent expected the spread to narrow.

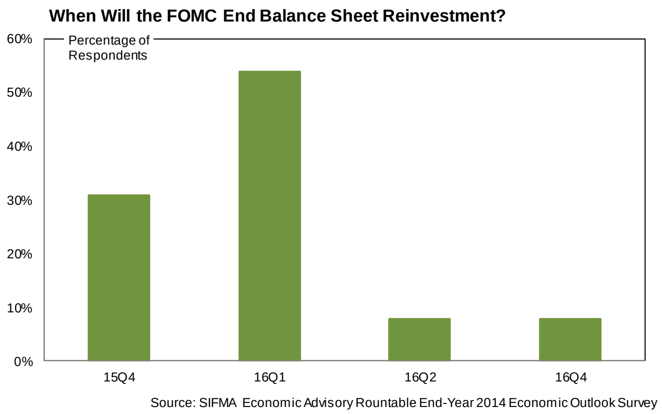
Opinions were similarly dispersed over the path of investment-grade (IG) and high-yield (HY) spreads. Two-fifths of respondents expected IG spreads to narrow in the first half of 2015, a third expected spreads to remain the same and the balance expected spreads to widen. Half of respondents, however, expected HY spreads to widen, whereas the balance were split between expecting spreads to remain unchanged or narrow.

Monetary Policy

As noted earlier, none of the respondents expect the first hike in the federal funds target rate before the second quarter of 2015. Of the three factors mentioned by the FOMC in their October 29 statement as important to their decision-making considerations, members ranked indicators of inflation pressure and inflation expectations as the most important factor (54 percent), closely followed by measures of labor market conditions and more distantly by readings of financial developments[14]. Other factors cited by respondents included growth expectations, global economic conditions and credibility.

[13] The average 10-year Treasury yield forecasts ranged from 2.15 percent to 2.61 percent for December 2014, from 2.35 percent to 2.73 percent for March 2015, from 2.50 percent to 3.00 percent for June 2015; from 2.60 percent to 3.22 percent in September 2015, and from 2.65 percent to 3.35 percent for December 2015.

[14] Minutes of the Federal Open Market Committee, October 28-29, 2014.



Asked when the target federal funds rate would reach 1 percent, 60 percent of respondents expected the rate to be reached by fourth quarter of 2015, 11 percent in the first quarter of 2016 and the balance in the second quarter of 2016. The range of expectations was wider for when the target federal funds rate would reach 2 percent; one respondent forecast that threshold would be reached as early as the third quarter of 2015, 24 percent of respondents expect it by the second quarter of 2016, 18 percent in the third quarter, 24 percent in the fourth quarter and the balance in early 2017.

Although it concluded its asset purchase program in October, the Fed has continued to maintain accommodative financial conditions through continuing its policy of rolling over Treasury securities as well as reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities into agency mortgage-backed securities. Respondents were asked when the reinvestment policy would end; the majority (53 percent) of respondents expected this policy to end in the first quarter of 2016, although a substantial minority (30 percent) expected it to be earlier, in the fourth quarter of 2015. All respondents expected the policy to end before the end of 2016.

In the October statement, the FOMC upgraded its assessment of the economy; when asked about whether this change impacted the respondents' outlooks, all but one respondent answered "no". For the December statement, respondents were split: half the respondents expected no change to the economic outlook, a little under half expected a continued upgrade and one respondent expected a downgrade.

The October statement made no mention of global conditions; respondents, however; were mixed in their interpretation. Half the respondents believed this a sign that the Fed did not consider it a material factor, while the other half did think the Fed still considered the risks material. Roughly half of respondents, however, expected the Fed to discuss global conditions in its December release.

Risks to Growth: Oil prices, Housing, Corporate Capital Expenditures on the Upside; Global Slowdown and Geopolitical Risk on the Downside

Upside and downside risks to the growth forecasts varied among respondents, although there was a clear leader on both sides. Oil prices was the most frequently cited upside risk (40 percent of respondents), followed by housing and, to a much lesser extent, corporate capital expenditures and stronger job and consumption growth.

On the downside, one respondent noted, "In our bear case, the world is a scary place." Global economic slowdown was the most oft-cited downside risk to the economic outlook, and more specifically, risk from the Eurozone. To a lesser extent, geopolitical risks and a strong dollar were other downside risks to the economic outlook. One respondent's downside risk was "the potential for a Fed policy mistake."

Oil Prices

Panelists placed a 60 percent chance on WTI oil prices remaining below $85 a barrel in 2015, with a 35 percent chance of prices moving between $85 and $115 per barrel, and a 5 percent chance for prices moving above $115 per barrel. The most likely scenario – oil prices remaining below $85 per barrel – was expected to boost GDP growth by 33 basis points, while prices between $85 to $115 would reduce GDP growth by 3 basis points and that drag would grow to 67 basis points if oil prices rose above $115 per barrel.

Respondents were asked whether they considered the recent drop in oil prices to be a transitory or a persistent indicator of weak growth: two-thirds considered it a transitory indicator, with the balance considering it a persistent indicator. Among those that perceived the drop as transitory, several respondents considered it a reflection of oversupply rather than weak demand, with one respondent pointing out that the "softening of industrial metals has been much milder than [the] oil price plunge, which indicates a continuation of modest growth for the world economy."

Impact of Mid-Term Elections

The November 4 mid-term elections resulted in the Republicans winning a majority in the Senate and expanding their base in the House of Representatives. Respondents were asked to opine on the impact of the new Republican majority in the Senate on the Federal Reserve and on fiscal policy. Respondents were uniformly doubtful this change would have any meaningful impact.

In the case of the impact of the Republican majority in the Senate to the Federal Reserve, most respondents expected little to no impact, with a few opining that at worst, the impact would be limited to "heightened scrutiny." While one respondent expected more oversight, others expressed doubt to any meaningful impact: "[We] expect a lot of hot air"; "Hearings will become more intense and legislation to limit the Fed's powers will probably be introduced . . . [but] it is highly doubtful these initiatives will become law"; "The drama in Congress is unlikely to change the direction of policy, nor will it be particularly dramatic . . . there will be smoke but no fire."

As for the impact the Republican Senate majority will have on the fiscal outlook, respondents expected minimal to no impact, with possible slight increases in spending.

Policy-Related Issues

As in prior surveys, resolution of corporate tax reforms, followed by immigration reform, were noted as the two pending issues with the greatest potential impact on the U.S. economy, followed distantly behind by trade talks (TTIP, TPP, etc.). One respondent noted that although tax reform was "clearly needed . . . no one wants to give up their tax break, making tax reform almost impossible to achieve."

Other policy-related issues that merited commentary were: GSE reform, energy legislation, and defense spending. One respondent noted that "tactical politics over tactical policy is hurting the U.S. economy; our elected officials need to drop their swords and break bread."

When asked about the impact of concern or uncertainty over the direction of financial regulatory policy generally, on 2015 economic growth, two-thirds of respondents estimated no impact, while the remaining third estimated a negative impact of up to 50 basis points. A modest majority of respondents (55 percent) expect that the new Republican majority will result in somewhat less intensity of interest in financial regulation, with 45 percent expecting it to have no impact.

SIFMA ECONOMIC ADVISORY ROUNDTABLE FORECAST

Inflation adjusted year-over-year percentage change, unless otherwise specified.

	2014	2015
Real GDP	2.3	3.0
Real GDP (4Q – 4Q)	2.2	2.8
CPI	1.7	1.3
CPI (4Q – 4Q)	1.3	1.7
Core CPI	1.8	1.9
Core CPI (4Q – 4Q)	1.7	1.9
PCE deflator	1.4	1.3
PCE deflator (4Q – 4Q)	1.3	1.6
Core PCE deflator	1.4	1.6
Core PCE deflator (4Q – 4Q)	1.5	1.7
Personal Consumption	2.3	2.7
Nonresidential Fixed Investment	6.0	5.8
Housing Starts (millions)	1.0	1.2
Real State & Local Government Spending	1.0	1.6
Current Account Deficit ($ billions)	412.4	427.5
New Home Sales (millions of units)	0.4	0.5
Existing Home Sales (millions of units)	5.0	5.3
Nonfarm Payroll Employment (change in millions)	2.7	2.5
Unemployment Rate (calendar year average)	6.2	5.4
Federal Budget (FY, $ billions)	(483.0)	(470.0)

Quarter-to-Quarter % Changes in Annual Rates

	2014	2015			
	IV	I	II	III	IV
Real GDP	2.5	3.0	2.8	2.8	2.9
CPI	0.1	1.2	1.9	1.9	2.1
Core CPI	1.7	1.8	1.9	1.9	2.0
PCE deflator	0.4	1.1	1.7	1.8	1.9
Core PCE deflator	1.5	1.5	1.7	1.8	1.9
Personal Consumption	2.7	3.0	2.7	2.8	2.7
Nonresidential Fixed Investment	5.2	5.9	5.7	5.7	5.2

Interest Rates (monthly average %)

	Dec. '14	Mar. '15	Jun. '15	Sep. '15	Dec. '15
Fed Funds	0.13	0.13	0.18	0.41	0.81
2 Year Treasury Note	0.52	0.74	1.0	1.4	1.55
10 Year Treasury Note	2.38	2.53	2.71	2.77	2.85
30 Year Fixed-Rate Home Mortgages	4.00	4.21	4.42	4.45	4.53

Exchange Rates (monthly average %)

	Dec. '14	Mar. '15	Jun. '15	Sep. '15	Dec. '15
Yen/Dollar	118.0	120.0	123.0	124.0	125.0
Dollar/Euro	1.24	1.22	1.20	1.19	1.18

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