Economic Report - Full
January 2018

Prepared for Commerce National Bank & Trust

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COMMERCE NATIONAL BANK & TRUST

Report Overview

Late 2017 Recap & The New Year (1/3): Stock Market & labor market

- In December of 2017, President Donald Trump signed the tax bill which slashed the corporate tax rate from 35 to 21%.
- Stocks rallied through the end of 2017 in celebration of tax reform, which should add to already good stock market fundamentals in 2018.

  (+ 28% in NASDAQ, + 19% in S&P).
- The U.S. economy added 611,000 jobs in Q4 of last year, and unemployment has dipped to a 17-year low of 4.1%.
- Given the rather slow economic recovery from 2010 to 2016, among reliable indicators of strength, this expansion is likely to continue through 2019.
- The current economic expansion (102 months) is expected to become the 2^{nd} longest on record.

Late 2017 Recap & The New Year (2/3): Stock Market & labor market (2)

- Under the new tax law, companies are required to make a one-time payment of just 15.5% on repatriated funds, compared to 35% previously.
- On January 17th, Apple announced that it will pay $38 billion in taxes to bring money held overseas back to the United States, and will expand hiring alongside the construction of a new HQ.
- Analysts are raising their price targets for FAANG stocks due to anticipation of even higher future earnings.
- In 2018, Amazon ($658B), Apple ($887B), and Google ($816B) will race to become the world's first trillion dollar company.
- There has been a recent synchronization in global growth, unseen since 2010, with the MSCI Emerging Markets Growth Index breaking out to new highs.

Late 2017 Recap & The New Year (3/3): The Federal Reserve

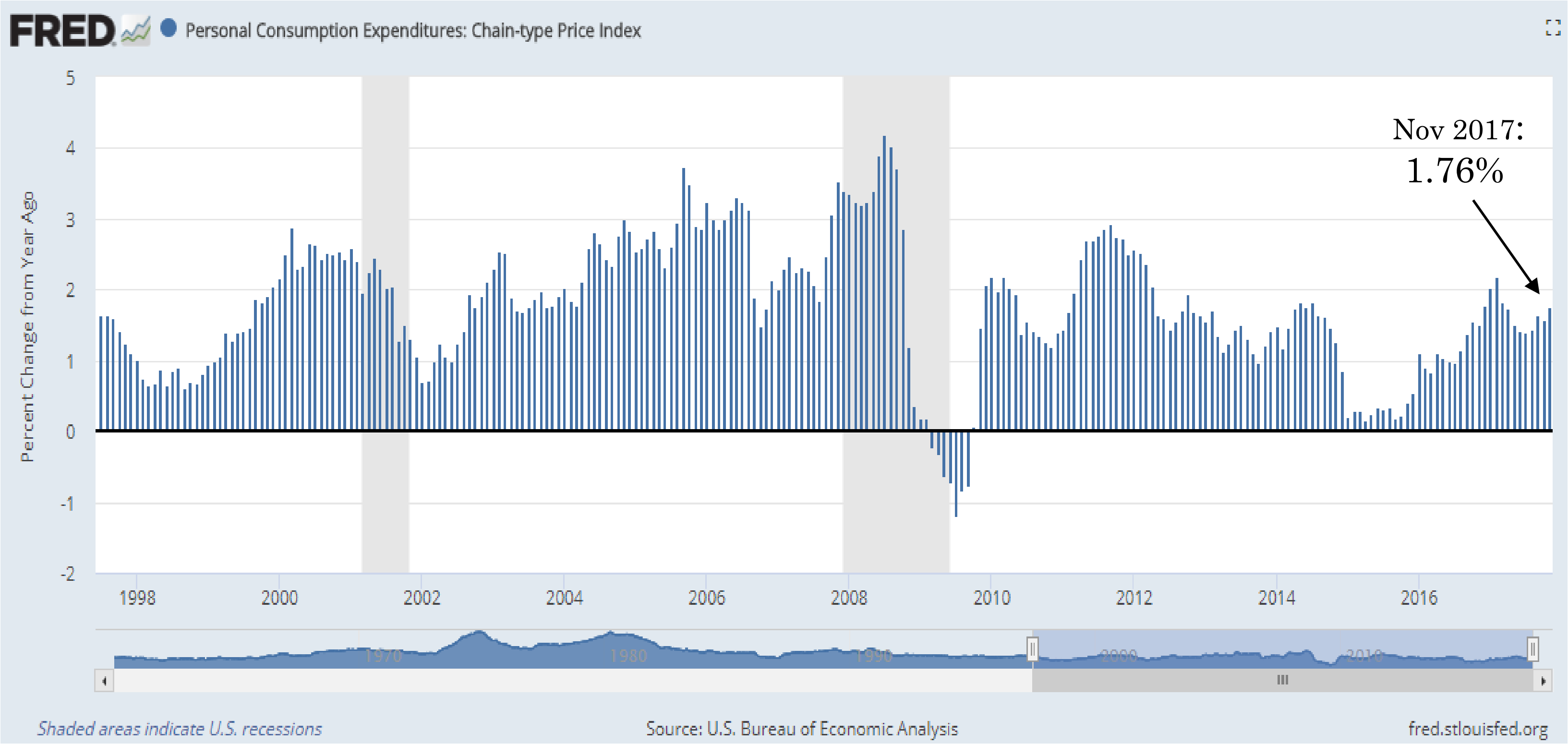
- On December 13th, 2017, The FOMC hiked interest rates by 0.25%
  - New fed funds range: 1.25% to 1.50%. There were three rate hikes in 2017 – on 3/15, 6/14, and 12/13.
- As planned, <u>the Fed has begun to unwind its balance sheet</u> (beginning Sept. 20, 2017)

  Highlights from FOMC's meeting in June 2017:
  - The Fed will start to reduce its reinvestment in Treasuries and mortgage-backed securities.
  - Beginning in Q4 of 2017, $10 billion in assets will be shed each month, increasing by $10 billion each quarter thereafter, until $50 billion worth of assets are cleared from the Fed's balance sheet each month.
  - This gradual process will unwind Quantitative Easing by contracting the money supply, raising rates.
- The $4.5 trillion balance sheet is expected to runoff $400 billion of assets in 2018.
- For the FOMC, a balance sheet in the trillions is likely the "new normal" for years to come.
  - The next recession will occur before the FOMC is able to shrink its balance sheet to pre-financial crisis levels.
- In November of 2017, Jerome Powell was selected to replace Janet Yellen as Fed Chair.
  - As long as the economy remains strong, he will continue with the gradualist approach of slow and steady rate hikes. 3 more rate increases are expected in 2018.

INFLATION: PCE DEFLATOR INDEX

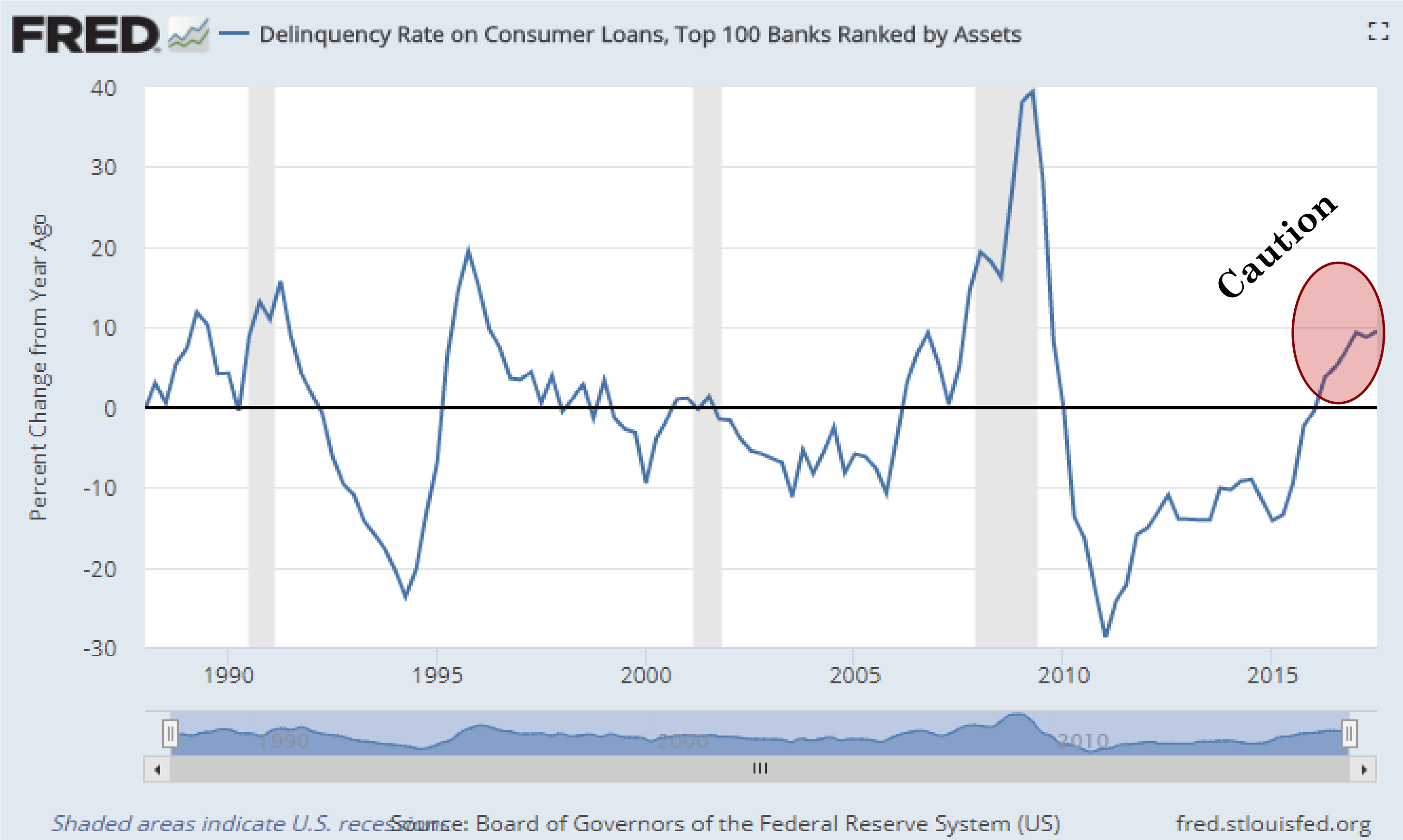
- The PCE Deflator Index (shown below) is the Fed's preferred measure of inflation.
- Data is collected by The U.S. Bureau of Economic Analysis.
- The index measures personal consumption expenditures over a broad range of goods and services.
- A sudden rise in inflation well above the Fed's 2% target may indicate the economy is overheating.
  - Historical examples:

    early 1987 – late 1990 early 1998 – early 2000 mid 2004 – mid 2005 late 2006 – mid 2008



Consumer loans

- The delinquency rate for consumers at the 100 largest banks loans increased 9% in 2017.
- Auto-loan delinquencies are above pre-crisis levels – at around 2.3%.
- Credit card charge-offs have increased sharply in Q3 of 2017 to 3.6%.
- Over the last two years, credit card growth has outpaced income growth.
- Credit card debt will become more expensive to carry with each additional rate hike by the Fed.



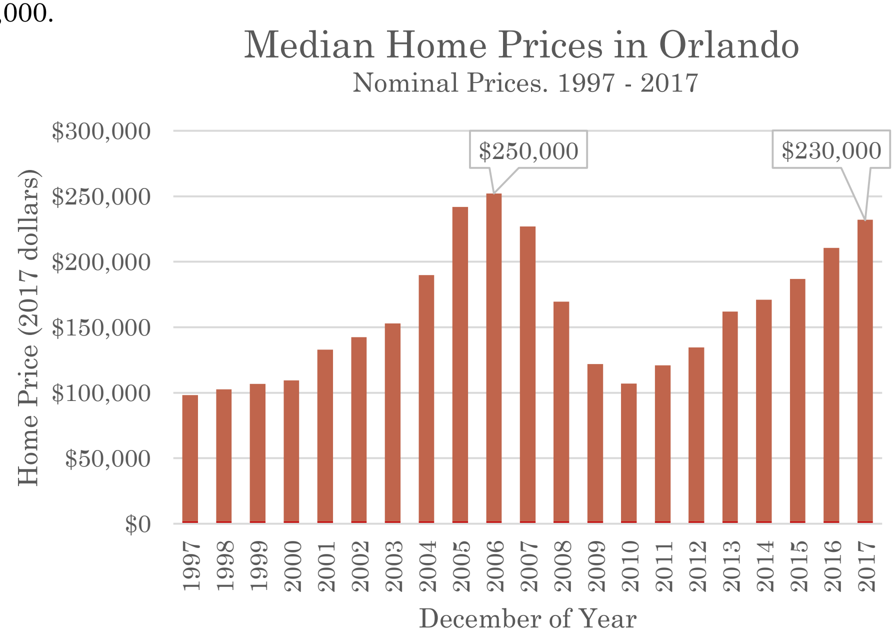
Our 2018 Housing Market (1/9): Nominal Prices, Inventory, Builder Confidence

- Sales for December 2017 were up 1.2% compared to December 2016
- At 2.50 months supply, inventory remains very low in the Orlando market
- Supply is especially tight for homes that are priced under $300,000.

	Change	Dec 2017	Dec 2016	Dec 2015
Median Home Price	+ 10.3%	$230,000	$208,500	$185,000
Inventory (months supply)	- 12.9%	2.50	2.87	4.03
Home Builder Confidence	+ 7.1%	75	70	61
	Change	**Dec 2007**	**Dec 2006**	**Dec 2005**
Median Home Price	- 6%	$235,000	$250,000	$243,900
Inventory (months supply)	+ 274%	27.12	9.89	2.29
Home Builder Confidence	- 44%	24	43	73

The "Change" column shows increases/decreases over the past year.

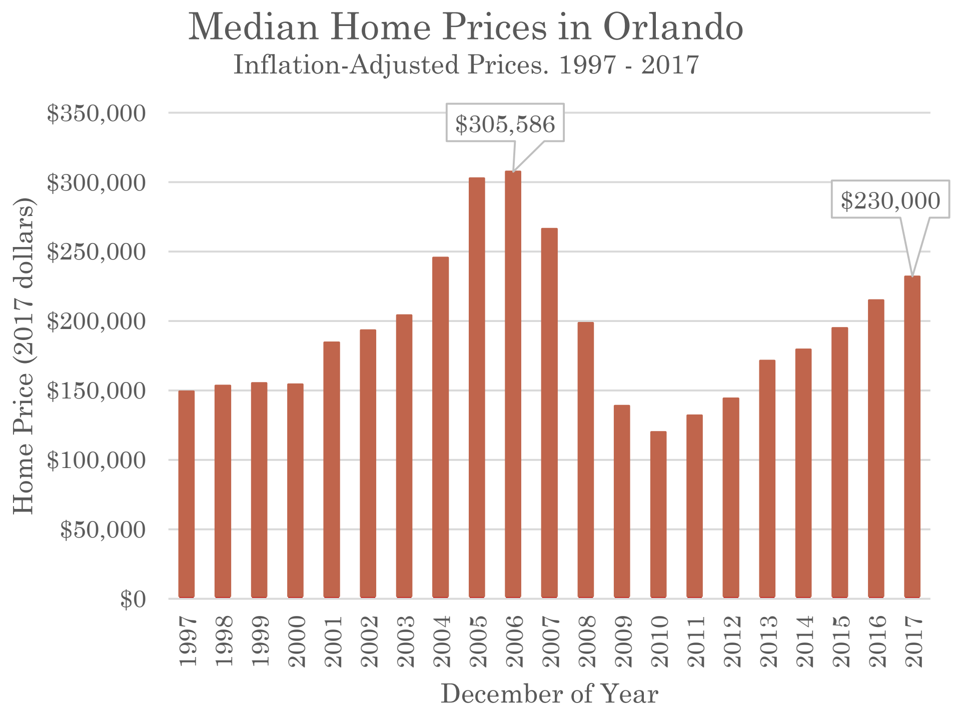
Orlando home prices last peaked in July of 2007.



source: ORRA
Last update: January, 2018

Our 2018 Housing Market (2/9): Real Prices (Inflation-Adjusted)

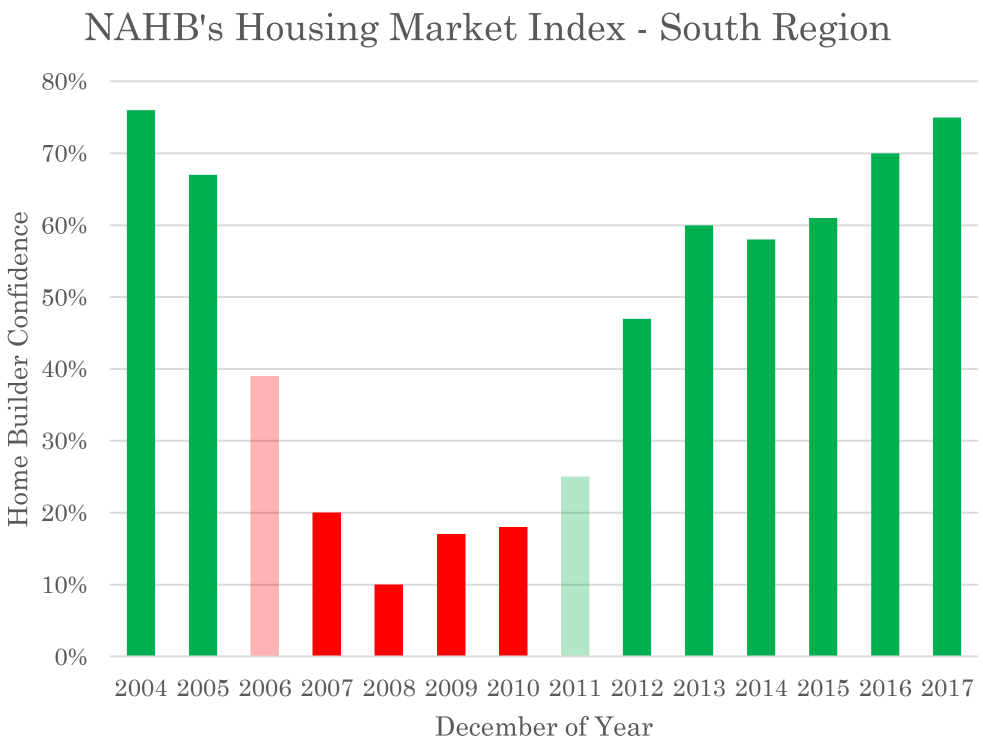
- The graph: inflation–adjusted home values for Orlando (In 2017 dollars).
- Today's prices are comparable to those of 2004.
- Adjusted for inflation, today's home prices are 25% below their 2006 peak.
- Since July of 2011, the ORRA has reported year-over-year increases in median home values (a 78 month streak).
- Among other factors, we will continue to monitor prices to determine our place in the current real estate cycle.
- We are more interested in inventory because prices can be a lagging indicator.



The above prices are adjusted for inflation.
source: My Florida MLS
Last update: January, 2018

Our 2018 Housing Market (3/9): National Builder Confidence

- Based on 400 survey responses from NAHB members.
- Respondents asked to rate the current market conditions:
  - Sale of new homes
  - Prospective buyer traffic
- Responses formulated into a confidence scale of 0 to 100.
- Rising confidence indicates an improving seller's market, as well as expansion in the construction cycle.
- A decline in regional home builder confidence will occur near the next peak in our housing market.



https://www.nahb.org/en/research/housing-economics
Last update: January, 2018

Our 2018 Housing Market (4/9): Real Estate Inventory, Overview

This measure is calculated by dividing the existing number of homes for sale by the average number of sales per month.

The average figure for Orlando is 6 months of inventory.

At this level, the market is considered at equilibrium, and it would take 6 months to deplete the market's supply of real estate if no new homes were listed.

UPDATE:
As of December 2017, the Orlando market has 2.50 months of inventory, which is very low for our market. This data suggests that residential real estate is not overbought, and that homes prices will rise until inventory exceeds 7 months supply.

Our 2018 Housing Market (5/9): Real Estate Inventory, Start of Housing Crisis

<u>In 2006, 7 more months of inventory</u> indicated an oversupply of homes, which led to price decreases in the Orlando Metro Market. 6 months is considered balanced for this market.

ORLANDO REGIONAL REALTOR® ASSOCIATION

Ten Year History 2006 - 2016
Compiled from ORRA's Monthly Sales and Inventory Reports

Month	Year	Interest Rate	Sales	Sales (+/-) Last Yr	Sales (+/-) L Mon	Median Price	Median (+/-) LY	Average List Price	Average Sale Price	% Diff Sell/List	Total Pending	Avg DOM	Inventory Current	Inventory (+/-) LM	Months
Jan *	2006	5.77%	1,917	13.10%	-30.92%	$241,000	24.87%	$301,542	$293,775	97.42%	n/a	46	12,015	2,087	6.27
Feb *	2006	6.07%	2,269	14.13%	18.36%	$240,000	22.45%	$301,544	$293,935	97.48%	n/a	48	12,966	951	5.71
Mar *	2006	6.17%	2,878	13.80%	26.84%	$240,000	18.81%	$305,719	$296,171	96.88%	n/a	50	14,559	1,593	5.06
Apr *	2006	6.27%	2,467	-3.52%	-14.28%	$249,000	15.81%	$304,181	$296,018	97.32%	n/a	53	16,036	1,477	6.50
May *	2006	6.39%	2,842	1.28%	15.20%	$250,000	11.68%	$317,318	$308,237	97.14%	n/a	56	18,179	2,143	6.40
Jun *	2006	6.45%	2,841	-8.91%	-0.04%	$249,000	3.97%	$312,153	$301,325	96.53%	n/a	57	18,437	258	6.49
Jul *	2006	6.53%	2,361	-17.85%	-16.90%	$254,900	4.04%	$311,083	$300,034	96.45%	n/a	61	19,827	1,390	8.40
Aug *	2006	6.20%	2,249	-28.24%	-4.74%	$250,000	2.04%	$312,329	$302,329	96.80%	n/a	62	21,077	1,250	9.37
Sep *	2006	6.09%	2,054	-30.70%	-8.67%	$250,000	2.50%	$313,464	$302,664	96.55%	n/a	67	20,319	-758	9.89
Oct *	2006	6.05%	1,896	-19.86%	-7.69%	$253,745	2.82%	$322,013	$310,532	96.43%	3,186	73	21,324	1,005	11.25
Nov *	2006	6.10%	1,840	-24.06%	-2.95%	$250,000	0.04%	$307,889	$297,022	96.47%	2,952	74	21,122	-202	11.48
Dec *	2006	5.74%	1,945	-29.91%	5.71%	$250,000	4.21%	$306,531	$295,347	96.35%	2,557	78	19,537	-1,585	10.04
Jan *	2007	5.91%	1,469	-23.37%	-24.47%	$249,900	3.69%	$327,370	$314,389	96.03%	2,504	90	21,266	1,729	14.48
Feb *	2007	5.92%	1,541	-32.08%	4.90%	$255,000	6.25%	$322,163	$310,103	96.26%	3,096	91	22,055	789	14.31
Mar *	2007	5.83%	1,779	-38.19%	15.44%	$240,000	0.00%	$310,282	$297,458	95.87%	2,893	90	23,547	1,492	13.24
Apr *	2007	5.93%	1,530	-37.98%	-14.00%	$242,100	-2.77%	$312,597	$298,514	95.49%	2,948	97	24,435	888	15.97
May *	2007	5.94%	1,745	-38.60%	14.05%	$250,000	0.00%	$336,094	$320,727	95.43%	2,611	94	25,463	1,028	14.59
Jun *	2007	6.40%	1,524	-46.36%	-12.66%	$252,500	1.41%	$331,051	$314,202	94.91%	2,700	98	25,923	460	17.01
Jul *	2007	6.50%	1,524	-35.45%	0.00%	$264,436	3.74%	$335,257	$317,369	94.66%	2,571	96	26,018	95	17.07
Aug *	2007	6.60%	1,467	-34.77%	-3.74%	$244,000	-2.40%	$334,242	$317,587	95.02%	2,194	108	26,313	295	17.94
Sep *	2007	6.21%	970	-52.78%	-33.88%	$235,000	-6.00%	$306,913	$286,675	93.41%	2,012	111	26,310	-3	27.12
Oct *	2007	6.21%	1,090	-42.51%	12.37%	$235,000	-7.39%	$303,162	$284,874	93.97%	1,923	111	26,330	20	24.16
Nov *	2007	6.08%	1,029	-44.08%	-5.60%	$234,900	-6.04%	$320,801	$300,812	93.77%	1,806	114	26,172	-158	25.43
Dec *	2007	5.93%	1,076	-44.68%	4.57%	$225,000	-10.00%	$314,151	$291,371	92.75%	1,559	113	24,298	-1,874	22.58
Jan *	2008	5.60%	813	-44.66%	-24.44%	$221,500	-11.36%	$331,473	$312,125	94.16%	1,731	117	25,724	1,426	31.64
Feb *	2008	5.87%	951	-38.29%	16.97%	$223,000	-12.55%	$297,930	$276,893	92.94%	2,175	123	25,984	260	27.32

Hyper supply

http://tinyurl.com/h5ncf6p

Excess inventory signaled real estate devaluation on <u>October, 2006</u> (There were 3 consecutive periods above 7 months supply).

Our 2018 Housing Market (6/9): Real Estate Inventory, End of Housing Crisis

In 2011, when inventory had fallen below 5 months supply, home prices began to rebound.

Orlando Realtor Association – Monthly Sales & Inventory Reports

Month	Year	Interest Rate	Sales	Sales (+/-) Last Yr	Sales (+/-) L Mon	Median Price	Median (+/-) LY	Average List Price	Average Sale Price	% Diff Sell/List	Total Pending	Avg DOM	Inventory Current	Inventory (+/-) LM	Inventory Months
Jan *	2011	4.84%	2,041	12.14%	-17.27%	$94,900	-6.96%	$141,071	$133,350	94.53%	8,777	96	14,398	-595	7.05
Feb *	2011	4.88%	2,170	9.98%	6.32%	$95,000	-9.52%	$140,585	$132,956	94.57%	9,223	99	13,480	-918	6.21
Mar *	2011	4.91%	2,613	0.11%	20.41%	$102,000	-7.27%	$142,146	$135,528	95.34%	9,510	103	12,533	-947	4.80
Apr *	2011	4.89%	2,464	-6.81%	-5.70%	$105,000	-8.70%	$156,115	$146,916	94.11%	9,955	104	11,480	-1,053	4.66
May *	2011	4.66%	2,483	-10.78%	0.77%	$110,000	-4.35%	$151,455	$143,962	95.05%	10,210	104	10,969	-511	4.42
Jun *	2011	4.56%	2,611	-14.65%	5.16%	$110,000	-4.35%	$159,721	$151,925	95.12%	10,087	102	10,559	-410	4.04
Jul *	2011	4.53%	2,294	-8.82%	-12.14%	$115,500	6.26%	$163,898	$155,819	95.07%	9,869	101	10,349	-210	4.51
Aug *	2011	4.26%	2,500	-2.57%	8.98%	$114,700	14.81%	$156,182	$148,501	95.08%	9,502	101	10,055	-294	4.02
Sep *	2011	4.19%	2,243	-5.52%	-10.28%	$112,500	7.14%	$160,366	$150,552	93.88%	9,369	102	9,931	-124	4.43
Oct *	2011	4.21%	2,132	9.17%	-4.95%	$112,500	7.14%	$160,105	$151,561	94.66%	8,937	106	9,973	42	4.68
Nov *	2011	4.10%	2,027	4.70%	-4.92%	$115,000	9.52%	$161,622	$153,853	95.19%	8,909	99	10,136	163	5.00
Dec *	2011	3.99%	2,213	-10.30%	9.18%	$119,000	13.33%	$184,835	$171,088	92.56%	8,095	102	9,732	-404	4.40

Last updated: May, 2017

Mar *	2016	3.70%	3,058	-2.36%	26.63%	$195,000	10.12%	$237,549	$230,798	97.16%	5,798	70	10,583	-113	3.46
Apr *	2016	3.63%	3,172	2.09%	3.73%	$192,000	9.71%	$237,122	$230,282	97.12%	6,075	69	10,447	-136	3.29
May *	2016	3.62%	3,347	7.38%	5.52%	$203,000	12.15%	$250,905	$243,790	97.16%	6,169	67	10,553	106	3.15
Jun *	2016	3.45%	3,556	-1.30%	6.24%	$207,000	15.00%	$258,957	$251,011	96.93%	5,512	62	10,629	76	2.99
Jul *	2016	3.45%	3,353	-5.97%	-5.71%	$206,000	12.38%	$250,564	$243,762	97.29%	5,178	60	10,648	19	3.18
Aug *	2016	3.49%	3,451	8.01%	2.92%	$205,000	13.26%	$249,867	$243,149	97.31%	4,955	56	10,505	-143	3.04
Sep *	2016	3.53%	3,110	3.22%	-9.88%	$205,000	12.33%	$254,381	$246,957	97.08%	4,594	60	10,362	-143	3.33
Oct *	2016	3.57%	2,701	-6.12%	-13.15%	$205,000	13.95%	$255,842	$247,950	96.92%	4,719	61	10,025	-337	3.71
Nov *	2016	3.82%	2,523	8.52%	-6.59%	$201,000	9.24%	$250,548	$243,012	96.99%	5,122	66	9,270	-755	3.67
Dec *	2016	4.32%	2,997	13.57%	18.79%	$208,500	12.70%	$246,758	$239,907	97.22%	4,476	65	8,590	-680	2.87
Jan *	2017	4.30%	2,213	3.12%	-26.16%	$199,900	11.06%	$253,086	$245,541	97.02%	5,145	70	8,550	-40	3.86
Feb *	2017	4.29%	2,482	2.77%	12.16%	$206,500	11.62%	$248,266	$240,101	96.71%	5,849	69	8,457	-93	3.41
Mar	2017	4.29%	3,437	12.39%	38.48%	$217,000	11.28%	$261,787	$253,985	97.02%	6,125	64	8,537	80	2.48

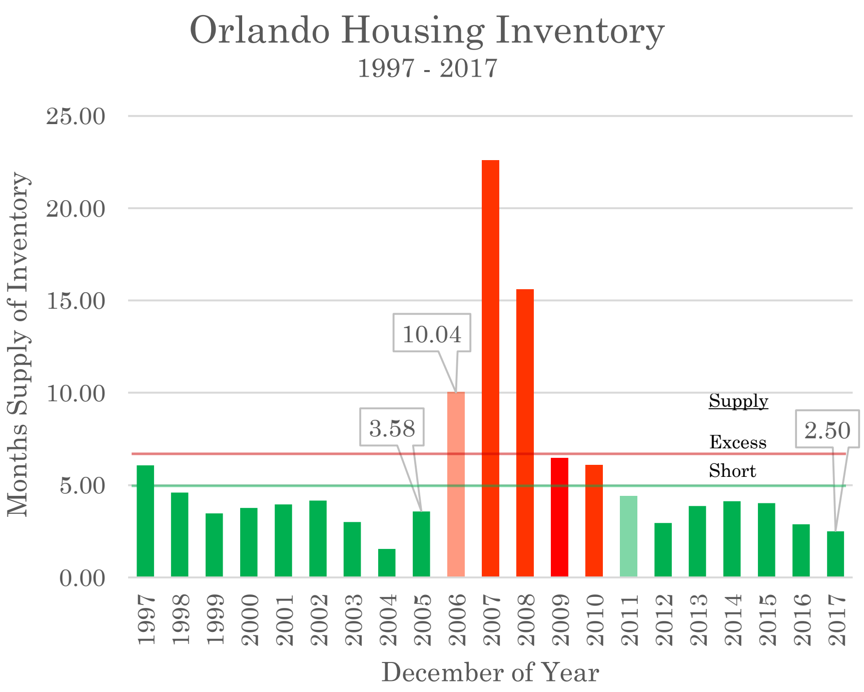
http://tinyurl.com/h5ncf6p

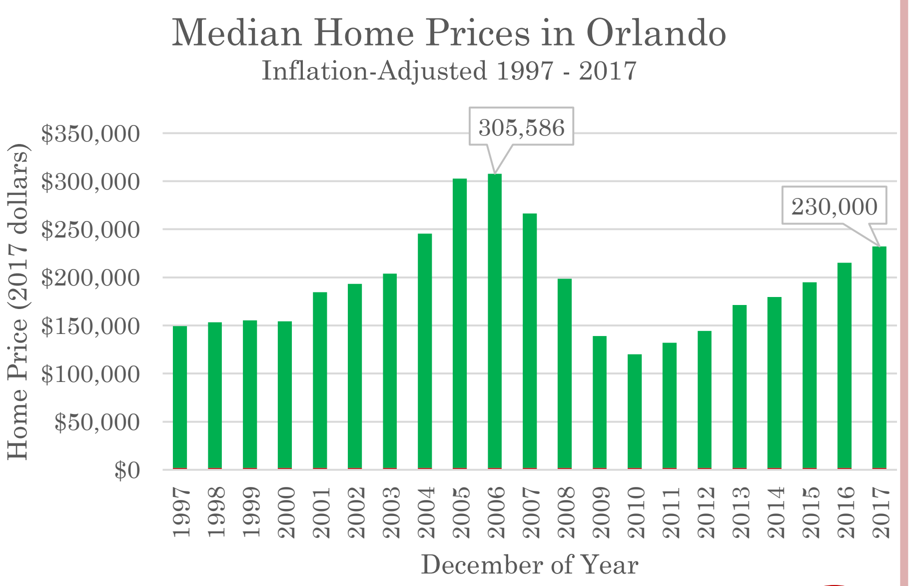
Low inventory signaled a recovery in real estate on June, 2011. (There were 3 consecutive periods below 5 months supply)

OUR 2018 HOUSING MARKET (7/9): REAL ESTATE INVENTORY

2.50 months of inventory on December, 2017 indicates a stable real estate market in Orlando.

Given the tight supply of homes in our market, home prices are expected to rise through 2019.





As shown above, there is a strong negative relationship between housing inventory and price changes one year later (R ~ -0.814).

Our 2018 Housing Market (8/9): Housing Affordability Index, Overview

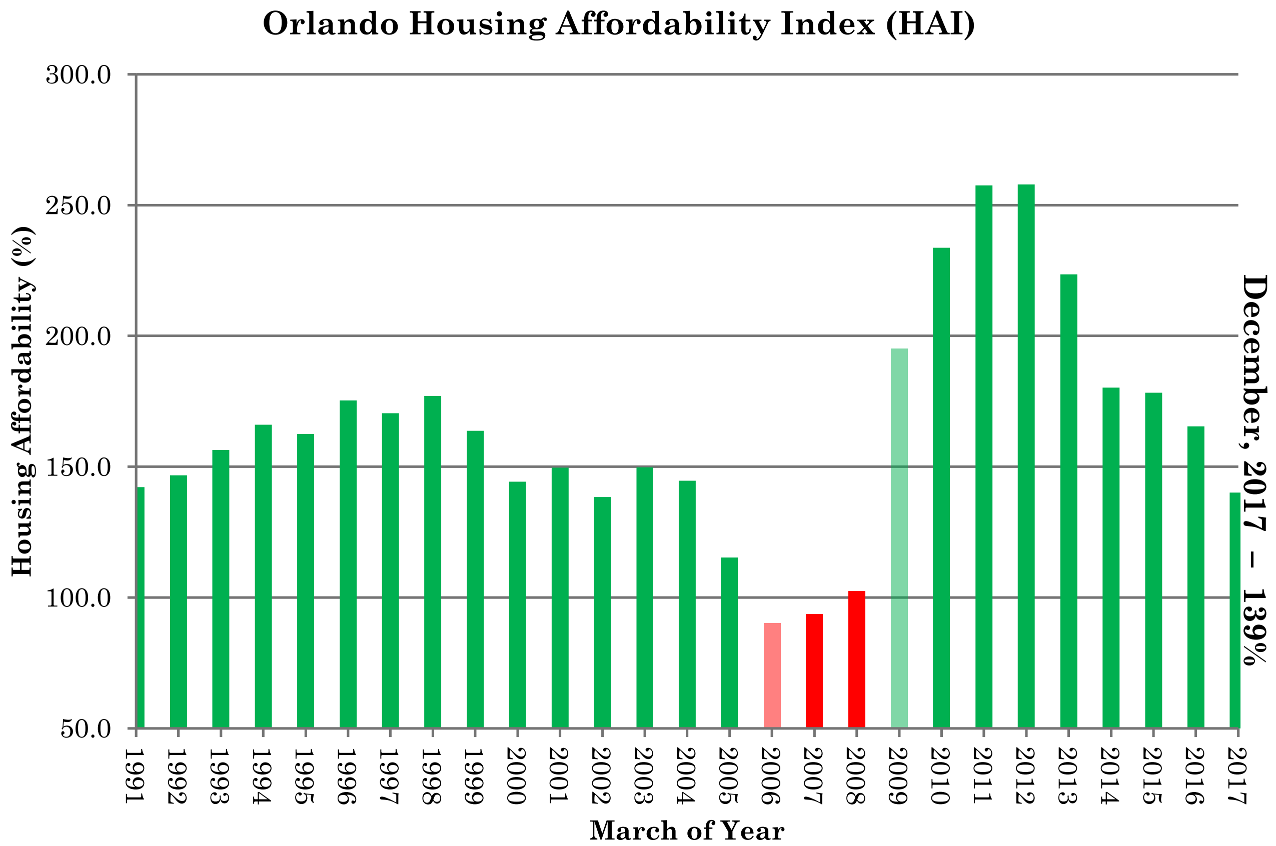
The Housing Affordability Index (HAI) measures whether the typical family could qualify for a mortgage on a typical home.

<u>Formula</u>

HAI = Median Family Income / Qualifying Income * 100

If the HAI is less than 100%, home prices are overinflated and due for correction.

Our 2018 Housing Market (9/9): Housing Affordability Index, Latest Update



A value of 100% or less indicates that residential real estate is overvalued.

http://tinyurl.com/yd9mfgnt

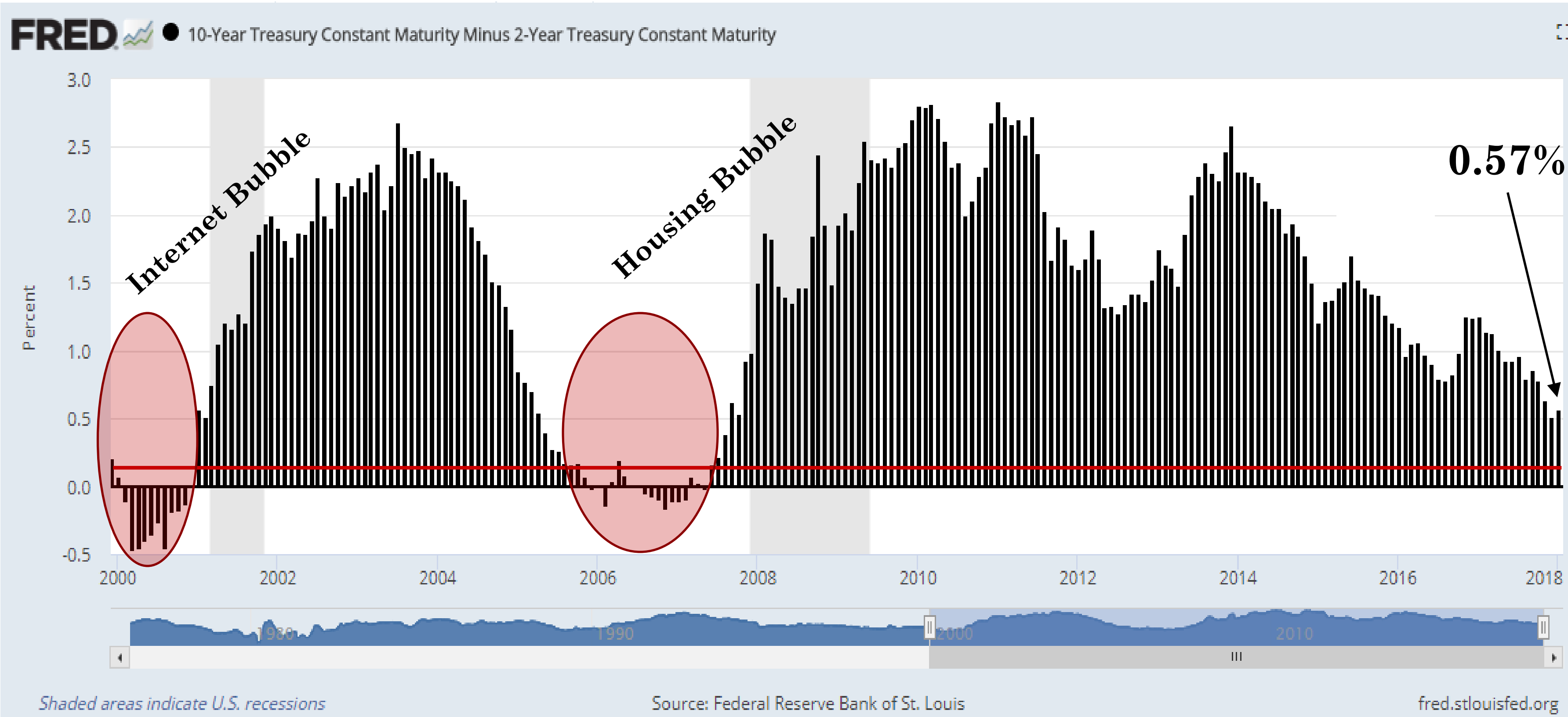
Last update: January 2018

Bond Market Indicator (1/2): 10-2 Year Treasury Spread

- 10 year treasury rate – 2 year treasury rate
- A measure of "monetary tightness"
- What determines these rates?
  - 10 year rate determined by the bond market
  - 2 year rate set by the Federal Reserve
- When the 2 year treasury yield exceeds that of the 10 year, the spread 'inverts' or 'flattens'.
- An inversion of the yield spread results from:
  - A flight to long-term securities (The bond market forecasting a recession)
    - Sale of 2 year treasury bonds, ↓ price & ↑ yield
    - Purchase of 10 year treasury bonds, ↑ price & ↓ yield
  - The Fed raising short-term interest rates to fight off inflation

Bond Market Indicator (2/2): 10-2 Yield Spread: **January, 2018**

If the spread falls below 0.25% (horizontal red line), a recession is expected in 2-3 years.



https://tinyurl.com/y7o54uje

Shaded gray indicates U.S. Recession. The red line is the "*warning mark*" – watch for the spread to fall below this line (.25%).

An inverted yield spread has preceded the past five recessions.

Currently - 0.57%
(1/12/2018)

Our labor Market (1/3): Employment, Overview

An increase in unemployment often occurs in a recession, as seen in both the 2008 Great Recession and The Great Depression of the 1930's.

The U-3 unemployment is used in this report, which does not include discouraged and part time workers. While it is not a perfect indicator of labor market tightness, this figure is used due to the abundance of historical data.

UPDATE:

- As of January 2018, the unemployment figure is still falling, which indicates the economy is still expanding.
- 2.06 million jobs were created in 2017.
- 4.9 million people are working part-time, but would prefer full time employment.
- 474,000 discouraged workers, up slightly from Dec 2016 (11%)
- The unemployment rate has fallen to levels last seen in 2001, which was the peak of the .com/tech bubble.

Our Labor Market (2/3): Early 2000s Recession

Historically, a rise in unemployment (3 consecutive months, year over year) has indicated the start of a recession.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1992	7.3	7.4	7.4	7.4	7.6	7.8	7.7	7.6	7.6	7.3	7.4	7.4
1993	7.3	7.1	7.0	7.1	7.1	7.0	6.9	6.8	6.7	6.8	6.6	6.5
1994	6.6	6.6	6.5	6.4	6.1	6.1	6.1	6.0	5.9	5.8	5.6	5.5
1995	5.6	5.4	5.4	5.8	5.6	5.6	5.7	5.7	5.6	5.5	5.6	5.6
1996	5.6	5.5	5.5	5.6	5.6	5.3	5.5	5.1	5.2	5.2	5.4	5.4
1997	5.3	5.2	5.2	5.1	4.9	5.0	4.9	4.8	4.9	4.7	4.6	4.7
1998	4.6	4.6	4.7	4.3	4.4	4.5	4.5	4.5	4.6	4.5	4.4	4.4
1999	4.3	4.4	4.2	4.3	4.2	4.3	4.3	4.2	4.2	4.1	4.1	4.0
2000	4.0	4.1	4.0	3.8	4.0	4.0	4.0	4.1	3.9	3.9	3.9	3.9
2001	4.2	4.2	4.3	4.4	4.3	4.5	4.6	4.9	5.0	5.3	5.5	5.7
2002	5.7	5.7	5.7	5.9	5.8	5.8	5.8	5.7	5.7	5.7	5.9	6.0
2003	5.8	5.9	5.9	6.0	6.1	6.3	6.2	6.1	6.1	6.0	5.8	5.7
2004	5.7	5.6	5.8	5.6	5.6	5.6	5.5	5.4	5.4	5.5	5.4	5.4
2005	5.3	5.4	5.2	5.2	5.1	5.0	5.0	4.9	5.0	5.0	5.0	4.9

National Bureau of Economic Research (NBER) Dates

In November of 2001, NBER declared recession.

In July of 2003, NBER declared recovery.

The Great Recession

Rising unemployment indicated a recession on April of 2001.

Falling unemployment indicated a recovery on February of 2004.

Our Labor Market (3/3): The Great Recession

Historically, a rise in unemployment (3 consecutive months, year over year) has indicated the start of a recession.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2004	5.7	5.6	5.8	5.6	5.6	5.6	5.5	5.4	5.4	5.5	5.4	5.4
2005	5.3	5.4	5.2	5.2	5.1	5.0	5.0	4.9	5.0	5.0	5.0	4.9
2006	4.7	4.8	4.7	4.7	4.6	4.6	4.7	4.7	4.5	4.4	4.5	4.4
2007	4.6	4.5	4.4	4.5	4.4	4.6	4.7	4.6	4.7	4.7	4.7	5.0
2008	5.0	4.9	5.1	5.0	5.4	5.6	5.8	6.1	6.1	6.5	6.8	7.3
2009	7.8	8.3	8.7	9.0	9.4	9.5	9.5	9.6	9.8	10.0	9.9	9.9
2010	9.8	9.8	9.9	9.9	9.6	9.4	9.4	9.5	9.5	9.4	9.8	9.3
2011	9.1	9.0	9.0	9.1	9.0	9.1	9.0	9.0	9.0	8.8	8.6	8.5
2012	8.3	8.3	8.2	8.2	8.2	8.2	8.2	8.1	7.8	7.8	7.7	7.9
2013	8.0	7.7	7.5	7.6	7.5	7.5	7.3	7.3	7.2	7.2	6.9	6.7
2014	6.6	6.7	6.7	6.2	6.3	6.1	6.2	6.2	5.9	5.7	5.8	5.6
2015	5.7	5.5	5.4	5.4	5.5	5.3	5.2	5.1	5.0	5.0	5.0	5.0
2016	4.9	4.9	5.0	5.0	4.7	4.9	4.9	4.9	4.9	4.8	4.6	4.7
2017	4.8	4.7	4.5	4.4	4.3	4.4	4.3	4.4	4.2	4.1	4.1	4.1

National Bureau of Economic Research (NBER) Dates

In December of 2008, NBER declared recession.

In December of 2010, NBER declared recession recovery.

The Great Recession

Rising unemployment indicated a recession on December of 2007.

Falling unemployment indicated a recovery on September of 2010.

Statistics:
National & Orlando

National	Dec-17	Dec-16	Dec-15	Sep-08	Sep-07
Employment to Population Ratio	60.10%	59.80%	59.60%	61.9	62.9
Unemployment Rate	4.10%	4.70%	5.00%	6.10%	4.70%
Wage Growth (nominal)	2.50%	2.85%	2.52%	3.30%	3.10%
Debt to GDP Ratio	~ 104%	106%	103%	73.50%	61.80%
Orlando Real Estate	Dec-17	Dec-16	Dec-15	Sep-08	Sep-07
Interest Rate (30-Year Fixed)	3.95%	4.20%	3.96%	6.04%	6.38%
Median Home Value	$230,000	$208,500	$185,000	$182,000	$235,000
Median Home Value Change from Previous Year	10%	13%	9.50%	-23%	-6%
Months Supply of Inventory (LT Avg: 6)	2.5	2.87	4.03	17.71	27.12
Home Builder Confidence	75%	70%	61%	20%	24%
Orlando Home Affordability Index	139%	145%	167%	123.74%	92.40%

Summary of Leading Indicators

You may want to keep this at your desk.

General Economy

U-3 Unemployment

Nov-17	**4.1%**	Nov-17	4.9%
Oct-17	**4.1%**	Oct-17	4.6%
Dec-17	**4.1%**	Dec-17	4.7%

http://tinyurl.com/zyq5xlx

Watch for 3 consecutive months of rising unemployment over the same months of the previous year (see above comparison). This will confirm the beginning of our next recession.

10Yr - 2Yr Treasury Yield

1/12/2018	**0.57%**

http://tinyurl.com/h9e4ljh

Historically, an inversion of the 10 - 2 year treasury yield spread has preceded the past 5 recessions. This inversion occurs when the difference in yields becomes negative.

Orlando Real Estate

Housing Affordability

Dec-17	**139%**

http://tinyurl.com/jfayp5s

Housing Affordability gauges the stability of prices in our residential market. When this value falls below 110%, home values are overextended and likely to depreciate in the following 2-3 years.

Housing Inventory

Dec-17	**2.5 months**

http://tinyurl.comjfayp5s

Housing inventory is our key indicator for the residential market. In the coming years, look for the supply of homes to exceed 7 months supply. This will occur near the next peak in home prices.

SOURCES

- Federal Reserve Bank of St. Louis (FRED)
- Federal Reserve Bank of New York
- Orlando Regional Realtors Association
- The U.S. Bureau of Labor Statistics
- The U.S. Bureau of Economic Analysis
- The U.S. Census Bureau
- The Congressional Budget Office
- My Florida Regional MLS
- FreddieMac
- Investopedia
- CNBC