

Notes on the June Bloomberg Economists Survey

Once a month, Bloomberg surveys more than 70 of the nation's economists on their economic and interest rate outlook. The most recent survey was conducted June 5 to 10.

These numbers are still *guesses* as evidenced by the *extreme forecast variance* from economist to economist.

Gross Domestic Product (QoQ%) median

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
-35.0%	19.9%	8.8%	5.1%	4.0%	3.7%	3.0%

Source: Bloomberg.

- The Bloomberg median GDP forecast for Q2 2020 is -35% easily the worst quarterly drop on record, but a snapback is expected in Q3 with a median growth forecast of +19.9%. *Note: the range of forecasts is still extreme.*
- Compared to the May survey, the Q2 negative growth forecast has worsened, while the forecast for the Q3 GDP rebound has improved.
- Consumer spending is expected to drop -40% in Q2 2020 before rebounding +23.7% in Q3 and +9.8% in Q4. *This is the engine that will drive (or stall) GDP growth.* The degree of spending will depend on the jobs rebound.
- Private investment is expected to drop -36.5% in Q2 2020 and -1.7% in Q3, before rebounding +9.0% in Q4 and +10.0% in Q1 2021.
- *Global* GDP is expected to contract by -3.9% in 2020 before rebounding +5.0% in 2021. *The previous survey had shown a lesser -3.3% decline for 2020.*
- Note: The Fed expects the U.S. economy to contract by -6.5% for all of this year before expanding +5.0% in 2021 and +3.5% in 2022.

Unemployment Rate (median)

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
13.5%	10.9%	9.5%	8.7%	7.9%	7.2%	6.6%

Source: Bloomberg.

- Economists now expect the unemployment rate to peak in Q2 2020 with a median quarter end forecast of 13.5%, a considerable upgrade from 16.1% in the May survey.
- By the end of the year, the survey indicates a 9.5% unemployment rate. *This is still uncomfortably high.*
- Note: The Fed expects 9.3% unemployment at the end of this year, dropping to 6.5% in 2021 and 5.5% in 2022.

Inflation - Core PCE (YoY%) median

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
0.9%	0.7%	0.7%	0.8%	1.2%	1.4%	1.6%

Source: Bloomberg.

Scott McIntyre, CFA
HilltopSecurities Asset Management
Senior Portfolio Manager
Managing Director
512.481.2009
scott.mcintyre@hilltopsecurities.com

Greg Warner, CTP
HilltopSecurities Asset Management
Senior Portfolio Manager
Director
512.481.2012
greg.warner@hilltopsecurities.com

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Inflation - Overall CPI (YoY%) median

Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
0.4%	0.5%	0.4%	0.8%	1.9%	1.9%	2.0%

Source: Bloomberg.

Energy costs are expected to depress headline inflation until global growth picks up.

- The median forecast for the core Personal Consumption Expenditures Index (PCE) falls to +0.8% year-over-year by Q1 2021, but is expected to climb to +1.6% by the end of 2021 as growth picks up.
- The median forecast for overall CPI (annualized) in the next three quarters is +0.4%, +0.5%, and +0.4%. Although still extremely low, the forecast is slightly above the previous survey.
- Energy costs are expected to depress headline inflation until global growth picks up.
- Economists seem to believe overall CPI will return to the Fed's +2.0% target sometime next year.
- Note: Core CPI has declined over three consecutive months, the first time this has happened in 60+ years of history.

Overnight fed funds target rate

- The overnight target range is currently 0.00% to 0.25%. *It was 2.25% to 2.50% a year ago.*
- Citigroup is still the only Primary Dealer in the survey calling for an increase within the next two years.
- The median survey forecast indicates no change in the overnight rate until Q3 2022.
- The median forecast still indicates only one hike in 2022.
- *None of the economists surveyed expect the Fed to cut the overnight rate below zero.*
- The Fed would only consider raising the overnight rate to slow economic growth and inflation expectations.

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2-year Treasury note yield (median)

Current	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
0.19%	0.20%	0.25%	0.30%	0.35%	0.40%	0.49%	0.57%	0.63%	0.70%	0.80%

Source: Bloomberg.

10-year Treasury note yield (median)

Current	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022
0.68%	0.75%	0.80%	0.90%	1.00%	1.10%	1.15%	1.21%	1.25%	1.36%	1.45%

Source: Bloomberg.

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