

Economic Insights

Commentary by Bob Baur, Robin Anderson, and the Economic Committee



Topic summaries:

- **To pause or not to pause:**

That is the question. With inflation tame and wage gains modest, will the Federal Reserve (Fed) pause when the fed funds rate reaches estimates of neutral? We think it's likely.

- **Stock and bond markets:**

The good returns of August may not be repeated in sad September, the worst month on average. While another equity rally is likely ahead, investors may want to use it to lessen their portfolio risk.

- **Interest rates:**

Another wave higher in long-term U.S. Treasury yields is likely coming and will be a sizeable headwind for financial markets.

- **Regional economic updates:**

U.S. growth is booming; it will surely be the longest expansion in U.S. history. Other than China, growth in the rest of the world is modestly rebounding from a weak first half.



For the month of August 2018

To pause or not to pause

“To pause or not to pause; that is the question.
Whether 'tis nobler in the mind for investors
To suffer the slings and arrows of high inflation;
Or in advance take arms by raising rates more,
And doing so, prevent inflation but slow growth.
Aye, there's the respect that makes calamity
Of so much quantitative easing. Thus, choices
Doth bring uncertainty to the Fed; And thus the
Native hue of Fed resolve for four hikes next year
Is tainted: Soft you now; gradual is the word.”

That's not how the issue was phrased at the recent Federal Reserve (Fed) shindig at Jackson Hole (apologies to Shakespeare). But, that was the clear question for investors after Fed Chair Powell's inaugural speech at the event: whether the Fed might pause its rate hikes once the fed funds rate reaches some estimate of neutral. The answer: it's a definite possibility.

> Powell's speech:

Powell is a master of plain talk and was able to succinctly describe the Fed's dilemma. He noted that on one side the Fed could be very slow to raise rates since inflation was staying quite modest. The risk is that inflation is a lagging indicator and when it does worsen, it may already be entrenched and difficult to stop. On the other side, the Fed could raise rates into restrictive territory to preempt inflation; the risk is that could slow economic growth, curtail wage gains, and stop the stream of workers coming back into the labor force. These are risks the Fed must balance; Powell rated them about equal now.

A pause could have negative implications for the U.S. dollar, especially since market participants are already dollar-bullish.

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> A pause?

Powell gave interest rate doves some real ammunition. As in past speeches, he noted the genuine uncertainty surrounding the neutral fed funds rate (which is neither accommodative nor restrictive) and the natural rate of joblessness (which does not promote inflation). No one knows for sure when the fed funds rate becomes restrictive; nor at what level joblessness will push up wage gains and inflation. Powell emphasized caution: "...when you are uncertain about the effects of your actions, you should move conservatively." Hence Powell's inclination to gradualism. This emphasis suggested that a 2019 pause was not out of the question.

> Channeling Greenspan:

What got pundit tongues wagging in Jackson Hole was Powell's kind words about former Fed Chair Alan Greenspan's tenure in 1996 when the economy was booming and many were calling for tighter policy and higher interest rates. Greenspan followed a hunch that, below the surface, U.S. productivity growth was surging and would support faster economic growth without a resurgence of inflation. He was right; the cycle extended while the Fed stayed cautious. Powell could argue similarly: wage gains are moderate; productivity growth is picking up; inflation is tame. Why not give the economy some real room to run?

> Not unreasonable:

A pause does make some sense: with the next hike in September almost a sure thing, and a second in December, a third hike next March would bring the top of the fed funds rate range to 2.75%, near where some currently peg the neutral rate. With inflation only edging higher, wage growth modest, new workers streaming back into the labor force, and few financial excesses evident, should the Fed take preemptive action that may or may not be needed and slow the economy? Yes, in the 1950s, former Fed Chair William Martin noted that it was the Fed's job to take the punch bowl away just as the party got going. Outside of perhaps sky-rocketing tech stocks, this economy's revelers still seem well contained.

> Inversion aversion:

A pause would also make sense to St. Louis Fed President James Bullard and Atlanta Fed President Raphael Bostic who do not want Fed Governors to, "knowingly invert the yield curve," i.e., they should ensure that yields on short-term U.S. Treasury bonds stay below the yields on long-term bonds. An inverted yield curve usually means that short-term rates are restrictive as investors push long-term yields lower believing the economy will soon slow. And in the past, that inversion has been a nearly infallible harbinger of recessions.

> Implications:

A pause in Fed rate hikes would be unlike any cycle except the 1990s. On balance, it seems like a good idea. A Fed that lets the expansion extend would be great news for workers: more jobs, faster wage gains, less risk of becoming unemployed, and a longer upturn. A more cautious Fed might keep the stock market rally going a while longer; in fact, Powell's speech on August 24 may have propelled the next few days' surge. A pause could have negative implications for the U.S. dollar, especially since market participants are already dollar-bullish. A weaker dollar might be positive for emerging market currencies and bonds, even though overall credit risk would remain.

Stock and bond markets

One key to the best stock market returns is to stay in tune with market leadership, i.e., own the leaders. For most of the stock market rally since March 2009, the leaders were U.S. indices. With hearty profit gains and a booming economy, that outperformance continued in August. The MSCI U.S. Index jumped 6.7% in the month for a year-to-date gain of 8.7%. The Dow Jones Transportation Average surged 9.3% in August, the best of the 60 plus indices we track. For the year, the top performing indices were the Russell 2000 Growth, the Nasdaq Composite, and the Russell 1000 Growth, up 18.0%, 17.5%, and 15.4% in price, respectively.

Emerging economies in general continued their dismal financial market performance. The MSCI Emerging Market Index fell 1.3% in August, 2.9% in the third quarter so far, and 8.8% in all of 2018 to date. India was the rare exception with its world-beating economic growth pushing the Sensex Index up 9.1% in August and 13.5% for the year. Emerging market bonds also fared poorly with falling currencies and severe credit stress in Turkey and Argentina.

> Sorrowful September?

Seasonal averages say that September will be a sad month for stock investors, the worst of the year. Our admonition last month to be cautious for the summer was ill-advised, or maybe just early since the summer isn't over. We don't know what news could tip markets lower, but there is plenty to worry about. A downdraft could come from trade issues, credit stress in emerging economies, slower growth in China, or higher long-term interest rates. Defensive sectors have stabilized versus cyclicals in the U.S. equity uptrend since the last major low in early April. The healthcare sector outperformed the broader index rather handily. That rotation into defensive stocks suggests investors are less confident about the resilience of the four-month uptrend and the recent new highs in some U.S. indices.

> Equity outlook:

It's hard to recall a stock market uptrend with a return that surpasses that of the S&P 500 Index from end-March 2009 through last year-end. The average annual compound return with dividends reinvested for those 8.75 years was an incredible 17.3%. The driving force of that surge was the fall in the cost of debt, where ultra-slow growth, central bank policy, fears of deflation, and widespread financial crises pushed interest rates to the lowest in recorded history.

But, those fears and that super-slow growth, which propelled stocks have vanished. The underlying economic fundamentals are vastly different: growth is no longer a problem; few are worried about deflation; and monetary accommodation is fading while policy trends toward normal. Those changes suggest to me that the investment cycle, and thus the stock market surge from 2009, is in a very late stage.

We have been expecting another move higher in U.S. and world stocks yet this year and perhaps into 2019. If a September swoon materializes, that could create the wall of worry for stocks to climb one more time. If September ends on a positive note for stock averages, then we are already a part of that last push higher. Either way, at some point later this year, those investors who can't afford or don't want to suffer through a potential and perhaps significant market downdraft should reduce the risk in their portfolios. We would much rather be optimistic about markets as we have been openly writing and advising that way since January 2011. But, there could be another wave higher in long-term U.S. Treasury bond yields later this year; yields of 3.5% on 10-year U.S. Treasury bonds would likely bring credit stress and disruption to world stock and bond markets.

Interest rates

> Range bound:

Developed country interest rates fluctuated in a narrow range during August. Yields on 10-year Japanese government bonds ended August a speck above 0.1%, as the Bank of Japan widened the acceptable yield range on those bonds in late July. German yields on 10-year bunds fell about 0.25% during the month, to end at an incredibly low 0.33%. Long-term yields on U.S. Treasury bonds stayed in a 0.2% range but ended the month lower at 2.86%. Yields on two-year U.S. Treasury bonds were mostly flat in August above 2.6%, but had soared over the past year, up 1.4 percentage points. That surge in U.S. short rates caused the yield curve to flatten more, a worry for recession watchers. U.S. rate history is shown below.

Interest Rates

| | 12/31/2015 | 12/31/2016 | 12/29/2017 | 05/17/2018 (High)* | 09/07/2017 (Low)* | 08/31/2018 Current |
|-------------|------------|------------|------------|-----------------------|----------------------|-----------------------|
| FFR** | 0.5% | 0.75% | 1.5% | | | 2.00% |
| 2-year | 1.05% | 1.19% | 1.88% | 2.56% | 1.27% | 2.63% |
| 10-year | 2.27% | 2.44% | 2.41% | 3.11% | 2.04% | 2.86% |
| 10-2 spread | 1.22% | 1.25% | 0.53% | 0.55% | 0.77% | 0.23% |
| 30-year | 3.02% | 3.07% | 2.74% | 3.25% | 2.66% | 3.02% |

*12-month high and low, based on the 10-year Treasury bond high and low over the prior 12 months

**Upper bound on the range of the fed funds rate

Source: Bloomberg

Once again and over time, theory would suggest that yields on long-term safe-haven bonds would trade moderately near the pace of nominal growth. Over the last year, U.S. nominal growth was 5.4% and is why we still expect another wave higher in long-term Treasury yields as U.S. growth is vigorous, the labor market is on fire, confidence is not far from record heights, and the world economy except the United States is rebounding modestly from early-year weakness. Also, by year-end, the European Central Bank will begin to lessen its monetary easing, which should push euro area rates higher, relieving some of the down pressure on U.S. rates.

With very large short positions in U.S. Treasury bond futures, i.e., traders expect yields to rise, the next move for yields might be lower, say, below 2.8% or 2.75%. If 10-year Treasury yields do rise to 3.5%, that would be a big headwind for markets, so yields might not stay there very long. However, bonds with those yields would be a good buy for risk-averse investors for the next year or so.

> Short rates:

We expect the Fed to raise the fed funds rate in September and again in December. As noted, if pausing the rate hike schedule gains adherents at the Fed, a third hike next March may become optional. Another wave higher in long-term bond yields could tighten financial conditions and do the Fed's heavy lifting. If a March hike materializes, it would be the last one for a while. We think it makes sense for the Fed to pause and take stock of markets and the economy before pushing rates into what is likely restrictive territory. It's hard to forecast the extent of disruption in markets; our forecasts in the table below presume no significant stock market downdraft in 2019, likely not a safe assumption.

| Interest Rates | Year-end 2018 | Year-end 2019 |
|-------------------|---------------|---------------|
| Federal Funds | 2.38% | 2.88% |
| 2-Year UST Yield | 2.5%-2.75% | 2.75%-3.0% |
| 10-Year UST Yield | 3.0%-3.25% | 3.0%-3.25% |
| 2-10 Year Spread | 0.25%-0.5% | 0.0%-0.5% |

> Investment implications:

If long-term developed country interest rates do make another move higher, that would push the investment cycle toward the end of its long, prosperous journey. U.S. Treasury bond yields over 3% on 2-years and near 3.5% on 10-years would be good investments. Fixed income investors should opt for higher quality bonds later this year. With monetary policy on a path to normal, good financial returns may be very hard to find. Having a safe portfolio will be paramount.

Regional economic updates

> United States:

Robust, roaring, ripping are all words that aptly describe the U.S. economy this year. Consumer spending and business investment will remain drivers of growth. The labor market is on a tear; investment spending continues to recover from its late 2015 collapse, up nearly 8% annualized over the last six quarters. While consumption

may not sustain its nearly 4% recent pace, it will stay near 3% this year. Low joblessness and healthy job growth keep consumer confidence indices near record highs. More households expect incomes to rise, a good sign for future income and spending. If wage gains pick up, consumer spending could surprise on the upside.

The 2017 corporate tax cuts have made company balance sheets healthy. Robust corporate earnings align well with national income and product account profits (which measure all companies, not just publicly traded ones), which grew at the fastest pace since 2012. Nondefense capital goods orders ex-aircraft, a key leading indicator of investment, has risen four straight months. Vigorous capital spending will spur productivity growth, which could then boost potential economic growth and extend the expansion significantly. We expect U.S. growth in the 3% to 3.5% range this year and next; our forecasts are in the tables at the end of the commentary.

> Europe:

Euro area data are stabilizing after a weak first half. Reports have positive surprises for the first time since February. The composite survey of purchasing managers has been steady since March and is consistent with 2% growth. Germany's IFO Business Climate Index increased sharply to the best level since February, likely in response to easing trade tensions

Like the United States, household spending should be the big driver of growth. Labor markets are solid. Germany's unemployment rate maintained its historic low of 5.2%. The Eurozone unemployment rate has declined nearly a point over the last year to 8.2%, which is encouraging faster wage growth. Core inflation unexpectedly edged lower last month, but better wage gains suggest the drop is temporary. We expect Eurozone growth to be 1.75% to 2% this year.

> Japan:

As expected, Japan's economy rebounded from its first-quarter contraction in gross domestic product. Consumption and investment spending picked up nicely. The incredible strength in the labor market will support consumer spending. The jobless rate is an unbelievably low 2.5%; there are 1.6 job openings for every job applicant. The labor force participation rate for females is soaring and above that of the United States. According to

Bloomberg, that ultra-tight labor market may be fueling investment. Industrial data has been more mixed than labor market numbers. Business surveys in August rebounded whereas industrial production dropped a second consecutive month. Since peaking late last year, export growth is still trending down. Economic growth in Japan should be 1% to 1.5%.

> **China:**

Economic growth in China slowed in July. Official data disappointed with fixed-asset investment growth dropping to a record low in July (data goes back to 1999). Other less opaque statistics such as airline passengers, commercial vehicle sales, and container throughput confirmed the weakness. However, August brought tentative signs of stabilization as business surveys ticked up a bit. Survey results for smaller companies rose into expansionary territory for the first time since April. Government easing may modestly boost domestic demand in the second half. However, oversized debt burdens, attempts to slow the growth of debt, and the goal of reducing pollution means that easing financial conditions may be less effective than previously. By year-end 2018, growth will likely be in the low 6% range.

> **Emerging markets:**

They just can't seem to catch a break. The ongoing crises in Turkey and Argentina only worsened in August and the growth slowdown in China doesn't help either. Raw industrial commodity prices plunged in mid-August and have only marginally rebounded, not a positive sign for commodity exporters. A U.S. dollar that doesn't seem to weaken and the potential for higher U.S. interest rates mean financial conditions could stay tight. Robust U.S. growth and rebounds in the Eurozone and Japan will provide support. India is a huge outlier in this group and in an asynchronous cycle with a world-best 8.2% real economic growth in the second quarter, following an equally astounding 7.7% in the first quarter. Unfortunately, for developing countries, credit stress could easily worsen later this year or into next.

> **Looking forward:**

We expect global growth to pick up a bit the rest of the year, while first-half weakness in Europe and Japan turns around. Developed-country labor markets are robust and will be a strong support for domestic demand. U.S. growth may decelerate from its super-robust second-quarter pace; but, if wage and productivity growth pick up, there is easily room for upside surprises. In fact, with U.S. risks tilted to the upside, the recent U.S. stock market outperformance versus the rest of the world could continue. Chinese growth may stabilize but risks are to the downside.

Baseline Economic Forecasts for 2018 - 2019

A. Growth in Real GDP - Qtr-Qtr (% Change, Annualized):

| | 1st Quarter 18 Actual | | 2nd Quarter 18 Actual | | 3rd Quarter 18 Forecast | | 4th Quarter 18 Forecast | | 2016 Actual | | 2017 Actual | |
|--|----------------------------|-----------------|----------------------------|-----------------|----------------------------|-----------------|----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Real GDP | 18,324.0 | 2.2% | 18,514.6 | 4.2% | 18,676.4 | 3.5% | 18,835.1 | 3.4% | 17,659.2 | 1.6% | 18,050.7 |
| Personal Consumption Expenditures | 12,722.8 | 0.5% | 12,841.2 | 3.8% | 12,947.5 | 3.4% | 13,039.1 | 2.9% | 12,248.2 | 2.7% | 12,558.7 | 2.5% |
| Durable Goods | 1,628.2 | -2.0% | 1,662.2 | 8.6% | 1,678.6 | 4.0% | 1,695.1 | 4.0% | 1,476.8 | 5.5% | 1,577.9 | 6.8% |
| Non-Durables | 2,858.6 | 0.1% | 2,884.9 | 3.7% | 2,909.8 | 3.5% | 2,935.0 | 3.5% | 2,763.9 | 2.7% | 2,822.0 | 2.1% |
| Services | 8,267.9 | 1.0% | 8,330.6 | 3.1% | 8,380.1 | 2.4% | 8,429.9 | 2.4% | 8,022.5 | 2.3% | 8,184.5 | 2.0% |
| Gross Private Domestic Invest. | 3,321.0 | 9.6% | 3,324.4 | 0.4% | 3,395.4 | 8.8% | 3,476.6 | 9.9% | 3,050.5 | -1.3% | 3,196.6 | 4.8% |
| Bus. Fixed Invest. | 2,654.0 | 11.5% | 2,708.9 | 8.5% | 2,755.4 | 7.0% | 2,802.0 | 6.9% | 2,411.2 | 0.5% | 2,538.1 | 5.3% |
| Structures | 533.3 | 13.9% | 550.1 | 13.2% | 558.1 | 6.0% | 566.3 | 6.0% | 494.7 | -5.0% | 517.5 | 4.6% |
| Equipment | 1,250.9 | 8.5% | 1,264.5 | 4.4% | 1,289.1 | 8.0% | 1,314.2 | 8.0% | 1,116.2 | -1.5% | 1,183.7 | 6.1% |
| Intellectual Property Products | 875.7 | 14.1% | 898.9 | 11.0% | 912.1 | 6.0% | 925.5 | 6.0% | 803.9 | 7.5% | 841.1 | 4.6% |
| Residential Invest. | 615.3 | -3.4% | 612.8 | -1.6% | 617.3 | 3.0% | 621.9 | 3.0% | 591.3 | 6.5% | 611.1 | 3.3% |
| Change in Inventory | 30.3 | - | -26.9 | - | 0.0 | - | 30.0 | - | 23.4 | - | 22.5 | - |
| Net Exports | -902.4 | - | -843.8 | - | -867.8 | - | -892.2 | - | -786.2 | - | -858.7 | - |
| Exports | 2,517.8 | 3.6% | 2,573.1 | 9.1% | 2,582.7 | 1.5% | 2,592.3 | 1.5% | 2,378.1 | -0.1% | 2,450.1 | 3.0% |
| Imports | 3,420.1 | 3.0% | 3,416.8 | -0.4% | 3,450.5 | 4.0% | 3,484.5 | 4.0% | 3,164.4 | 1.9% | 3,308.7 | 4.6% |
| Gov't Purchases of Goods & Services | 3,152.2 | 1.5% | 3,170.6 | 2.4% | 3,182.3 | 1.5% | 3,192.7 | 1.3% | 3,132.5 | 1.4% | 3,130.4 | -0.1% |
| Federal | 1,213.1 | 2.6% | 1,224.2 | 3.7% | 1,228.2 | 1.3% | 1,231.3 | 1.0% | 1,187.8 | 0.4% | 1,196.4 | 0.7% |
| National Defense | 722.8 | 3.0% | 733.4 | 6.0% | 736.2 | 1.5% | 738.0 | 1.0% | 709.2 | -0.6% | 713.8 | 0.7% |
| Non-Defense | 489.5 | 2.1% | 490.2 | 0.5% | 491.4 | 1.0% | 492.6 | 1.0% | 478.0 | 1.9% | 481.9 | 0.8% |
| State & Local | 1,937.7 | 0.9% | 1,945.2 | 1.6% | 1,952.5 | 1.5% | 1,959.7 | 1.5% | 1,942.8 | 2.0% | 1,932.3 | -0.5% |
| Final Sales of Dom. Product | 18,274.4 | 1.9% | 18,509.9 | 5.3% | 18,658.5 | 3.3% | 18,787.2 | 2.8% | 17,617.5 | 2.1% | 17,769.1 | 0.9% |
| Final Sales to Dom. Purchasers | 19,141.3 | 1.9% | 19,327.1 | 3.9% | 19,504.0 | 3.7% | 19,657.0 | 3.2% | 18,387.2 | 2.3% | 18,550.0 | 0.9% |
| year-over-year | 2.6% | | 2.9% | | 3.1% | | 3.4% | | | | | |
| | 1st Quarter 19 Forecast | | 2nd Quarter 19 Forecast | | 3rd Quarter 19 Forecast | | 4th Quarter 19 Forecast | | 2018 Forecast | | 2019 Forecast | |
| Real GDP | 18,987.4 | 3.3% | 19,130.7 | 3.1% | 19,258.7 | 2.7% | 19,380.4 | 2.5% | 18,587.5 | 3.0% | 19,189.3 | 3.2% |
| Personal Consumption Expenditures | 13,131.2 | 2.9% | 13,227.7 | 3.0% | 13,314.4 | 2.6% | 13,398.1 | 2.5% | 12,887.7 | 2.6% | 13,267.9 | 3.0% |
| Durable Goods | 1,711.8 | 4.0% | 1,728.7 | 4.0% | 1,741.5 | 3.0% | 1,754.4 | 3.0% | 1,666.0 | 5.6% | 1,734.1 | 4.1% |
| Non-Durables | 2,960.3 | 3.5% | 2,989.5 | 4.0% | 3,019.0 | 4.0% | 3,045.0 | 3.5% | 2,897.1 | 2.7% | 3,003.5 | 3.7% |
| Services | 8,480.1 | 2.4% | 8,530.5 | 2.4% | 8,574.9 | 2.1% | 8,619.6 | 2.1% | 8,352.1 | 2.0% | 8,551.3 | 2.4% |
| Gross Private Domestic Invest. | 3,534.5 | 6.8% | 3,577.7 | 5.0% | 3,614.9 | 4.2% | 3,646.0 | 3.5% | 3,379.3 | 5.7% | 3,593.3 | 6.3% |
| Bus. Fixed Invest. | 2,850.7 | 7.1% | 2,889.2 | 5.5% | 2,921.7 | 4.6% | 2,953.2 | 4.4% | 2,730.1 | 7.6% | 2,903.7 | 6.4% |
| Structures | 576.0 | 7.0% | 584.4 | 6.0% | 593.0 | 6.0% | 600.3 | 5.0% | 552.0 | 6.6% | 588.4 | 6.6% |
| Equipment | 1,339.7 | 8.0% | 1,359.3 | 6.0% | 1,372.7 | 4.0% | 1,386.3 | 4.0% | 1,279.7 | 8.1% | 1,364.5 | 6.6% |
| Intellectual Property Products | 939.1 | 6.0% | 949.5 | 4.5% | 960.0 | 4.5% | 970.6 | 4.5% | 903.1 | 7.4% | 954.8 | 5.7% |
| Residential Invest. | 631.0 | 6.0% | 635.7 | 3.0% | 640.4 | 3.0% | 645.2 | 3.0% | 616.8 | 0.9% | 638.1 | 3.4% |
| Change in Inventory | 30.0 | - | 30.0 | - | 30.0 | - | 25.0 | - | 8.4 | - | 28.8 | - |
| Net Exports | -898.8 | - | -903.1 | - | -907.0 | - | -908.2 | - | -876.5 | - | -904.3 | - |
| Exports | 2,611.5 | 3.0% | 2,631.5 | 3.1% | 2,650.4 | 2.9% | 2,666.8 | 2.5% | 2,566.4 | 4.8% | 2,640.1 | 2.9% |
| Imports | 3,510.3 | 3.0% | 3,534.6 | 2.8% | 3,557.4 | 2.6% | 3,575.0 | 2.0% | 3,443.0 | 4.1% | 3,544.3 | 2.9% |
| Gov't Purchases of Goods & Services | 3,201.5 | 1.1% | 3,209.5 | 1.0% | 3,217.5 | 1.0% | 3,225.5 | 1.0% | 3,174.4 | 1.4% | 3,213.5 | 1.2% |
| Federal | 1,235.2 | 1.3% | 1,238.3 | 1.0% | 1,241.4 | 1.0% | 1,244.5 | 1.0% | 1,224.2 | 2.3% | 1,239.9 | 1.3% |
| National Defense | 740.8 | 1.5% | 742.6 | 1.0% | 744.5 | 1.0% | 746.3 | 1.0% | 732.6 | 2.6% | 743.5 | 1.5% |
| Non-Defense | 493.8 | 1.0% | 495.1 | 1.0% | 496.3 | 1.0% | 497.5 | 1.0% | 490.9 | 1.9% | 495.7 | 1.0% |
| State & Local | 1,964.6 | 1.0% | 1,969.5 | 1.0% | 1,974.4 | 1.0% | 1,979.3 | 1.0% | 1,948.8 | 0.9% | 1,972.0 | 1.2% |
| Final Sales of Dom. Product | 18,939.5 | 3.3% | 19,082.8 | 3.1% | 19,210.8 | 2.7% | 19,337.4 | 2.7% | 18,557.5 | 4.4% | 19,142.6 | 3.2% |
| Final Sales to Dom. Purchasers | 19,816.0 | 3.3% | 19,963.6 | 3.0% | 20,095.5 | 2.7% | 20,223.3 | 2.6% | 19,407.4 | 4.6% | 20,024.6 | 3.2% |
| year-over-year | 3.6% | | 3.3% | | 3.1% | | 2.9% | | | | | |

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis; Principal Global Investors

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