

Highlights **Chicago Federal Reserve 2015 Forecasting Conference**

December 4, 2015

The Conference Participants met at the Chicago Federal Reserve to present, hear and discuss the US and Global Economic outlook for 2016.

Forecast – The economic forecast presented by the Leir Bubble Center Director at the Conference sponsored by the Chicago Federal Reserve reflected the views developed during the Leir Bubble Conference in September plus subsequent economic and political events. He has thus projected relatively slow growth in 2016 similar to 2015 including very low growth in the first quarter with a pick-up in the second quarter and a dip in the 3d quarter before ending the year with relatively moderate growth. Overall he has projected 2015-2016 US real GDP growth at 2.5% with the unemployment rate falling to 4.6%. A detailed Excel spreadsheet has been posted along with this summary.

The *Consensus* forecast by the Conference participants was for 2.6% real growth, 1.7% inflation and unemployment of 4.9% with little volatility in real annualized growth from quarter to quarter [2.5%, 2.5%, 2.7% and 2.6%]. Housing starts are projected at 1.24 million with the ten-year Treasury rate rising to 2.7% from 2.25% and the dollar getting slightly stronger as a result.

Among the sector presentations the overall outlook for steel and mining equipment was relatively negative given the slowdown in Chinese growth. However within steel, auto and construction related demand, including appliances, should be positive while energy will be a big negative. The latter development will also dampen the demand for mining equipment.

The Consumer sector will be the most positive contributor to overall GDP due to continued job growth, improving wages and lower gas

prices. These effects will particularly spillover into continued growth in autos [18.1 million] and housing demand. Thus while not spectacular the US economy is expected to continue as a steady growth engine with consumers still playing a leading role.

Actionable Results – China continues to signal slowing and low growth putting continued downward pressure on global energy and commodity prices and therefore the stocks and high yield debt of companies directly or indirectly involved in these businesses. On the other hand autos, consumer technology and housing should be bright spots. But since financial firms have exposures to both sectors their outlook will be mixed.