Second-Quarter U.S. Economic Update
August 2017

Summary of Recent Economic Developments

After a slow start to the year, the economy rebounded in the second quarter, bringing real GDP growth for 2017’s first half to 1.9%, equal to its average pace for the past three years. We expect slightly faster (2.0-2.5%) growth over the balance of 2017, but we do not expect substantially faster economic growth until tax, regulatory and fiscal policy reforms are enacted. For the quarter, job growth strengthened and unemployment fell. Wages rose but have yet to accelerate much. Wage and salary growth remained strong, but personal income growth eased as other sources of income weakened. Personal consumption expenditures outpaced income, which pushed the savings rate down. Residential investment slowed, but we expect that to be a pause in an otherwise improving housing market. Industrial production jumped on higher manufacturing and, especially, mining output. Business investment continued to recover after languishing last year. The trade deficit narrowed modestly. Government consumption was subdued. Inflation both overall and excluding more-volatile food and energy prices. Leverage held about flat, though nonfinancial businesses continued to add debt. Interest rates fell despite another rate hike by the Federal Reserve, and credit spreads narrowed. Credit conditions were generally steady. Corporate profits rose and balance sheets remain strong. Consumer loan delinquencies were up, and commercial loan problems declined. Despite political uncertainty and geopolitical risks, we think economic and monetary conditions remain favorable for investors in preferred securities, although prospective returns are likely to fall short of recent very strong results.

Figure 1: Key Macroeconomic Indicators and Interest Rates

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<td>Real GDP, Chg QoQ (%)</td>
<td>2.6</td>
<td>1.2</td>
<td>1.8</td>
<td>2.8</td>
<td>2.2</td>
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<td>Real Personal Consumpn Exspnds, Chg QoQ (%)</td>
<td>2.8</td>
<td>1.9</td>
<td>2.9</td>
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<td>3.8</td>
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<td>Real Business Inventories, Chg QoQ (%)</td>
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<td>5.2</td>
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<td>0.9</td>
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<td>-5.5</td>
<td>-0.4</td>
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<td>Real Residential Investmnt, Chg QoQ (%)</td>
<td>-6.8</td>
<td>11.1</td>
<td>7.1</td>
<td>-4.5</td>
<td>-4.8</td>
<td>13.4</td>
<td>7.3</td>
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<tr>
<td>Real Private Domestic Final Sales, Chg QoQ (%)</td>
<td>2.7</td>
<td>3.1</td>
<td>2.7</td>
<td>2.6</td>
<td>3.3</td>
<td>1.4</td>
<td>1.7</td>
<td>2.9</td>
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<td>Nominal GDP, Chg QoQ (%)</td>
<td>3.6</td>
<td>3.3</td>
<td>3.8</td>
<td>4.2</td>
<td>4.7</td>
<td>0.8</td>
<td>1.3</td>
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<td>Corporate Profits, After Tax, Chg YoY (%)</td>
<td>4.1f</td>
<td>3.7</td>
<td>14.1</td>
<td>-2.2</td>
<td>-8.0</td>
<td>-4.2</td>
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<td>Nonfarm Productivity, Chg QoQ (%)</td>
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<td>1.3</td>
<td>2.5</td>
<td>0.8</td>
<td>-1.2</td>
<td>-2.6</td>
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<td>Nominal Personal Income, Chg YoY (%)</td>
<td>2.6</td>
<td>3.4</td>
<td>1.6</td>
<td>2.4</td>
<td>2.5</td>
<td>2.8</td>
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<td>Personal Savings Rate (%)</td>
<td>3.8</td>
<td>3.9</td>
<td>3.2</td>
<td>4.5</td>
<td>5.1</td>
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<td>Unemployment Rate (%)</td>
<td>4.4</td>
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<td>Nonfarm Payrolls, Chg QoQ (000, SA)</td>
<td>583</td>
<td>498</td>
<td>443</td>
<td>716</td>
<td>493</td>
<td>588</td>
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<td>Household Employment, Chg QoQ (000, SA)</td>
<td>168</td>
<td>889</td>
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<td>-211</td>
<td>1271</td>
<td>1098</td>
<td>190</td>
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<td>Federal Budget, 12-mo Def or Surp (% of GDP)</td>
<td>-3.7</td>
<td>-3.4</td>
<td>-3.1</td>
<td>-3.2</td>
<td>-2.9</td>
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<td>Consumer Price Index, Chg YoY (%)</td>
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<td>2.4</td>
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<td>1.0</td>
<td>0.9</td>
<td>0.7</td>
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<td>CPI ex food &amp; energy, Chg YoY (%)</td>
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<td>Capacity Utilization (%)</td>
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<td>75.8</td>
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<td>75.4</td>
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Rate or Spread (End of Quarter)

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<td>Federal Funds Rate Target (%)</td>
<td>1.25</td>
<td>1.00</td>
<td>0.75</td>
<td>0.50</td>
<td>0.50</td>
<td>0.50</td>
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<td>3-month LIBOR (%)</td>
<td>1.30</td>
<td>1.15</td>
<td>1.00</td>
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<td>0.65</td>
<td>0.63</td>
<td>0.61</td>
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<td>10-Yr Treasury Note Yield (%)</td>
<td>2.30</td>
<td>2.39</td>
<td>2.43</td>
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<td>1.49</td>
<td>1.78</td>
<td>2.27</td>
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<td>30-Yr Treasury Bond Yield (%)</td>
<td>2.84</td>
<td>3.01</td>
<td>3.05</td>
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<td>3.21</td>
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<td>3.01</td>
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<td>BAML U.S. Corp. Bond Index Yield to Worst vs Govt</td>
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<td>120</td>
<td>126</td>
<td>138</td>
<td>158</td>
<td>165</td>
<td>168</td>
<td>172</td>
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<tr>
<td>10-Yr Interest Rate Swap Spread (bp)</td>
<td>-2.3</td>
<td>-0.8</td>
<td>-11.3</td>
<td>-14.0</td>
<td>-11.3</td>
<td>-14.0</td>
<td>-8.8</td>
<td>-5.5</td>
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* Figures are either quarterly or, if more frequent, end of period. 
<sup>f</sup> = Forecast; N/A = not available

Source: Macrobond, Bloomberg LP

Legend for all Figures: AR = Annual Rate; SA = Seasonally Adjusted; MA = Moving Average; C.O.P. = Change over Period
Economic Outlook

The U.S. economy rebounded in the second quarter after a slow start to the year, but a sustained acceleration in growth remains elusive. Second-quarter inflation-adjusted gross domestic product (real GDP) expanded by 2.6%. Combined with Q1’s tepid 1.2% expansion, first-half growth remained stuck at 1.9%, equal to the economy’s average growth rate since the end of 2014. Looking ahead, economists expect 2.5% real GDP growth for the second half of 2017 and 2.3% next year, roughly in-line with our own 2.0-2.5% forecast.¹

We are not surprised by a lack of meaningful acceleration in the economy in recent quarters, despite widespread expectations of faster growth under a Trump administration. The U.S. labor market is approaching full employment as steady job growth has outpaced working-age population growth. Political polarization has left health care, tax, immigration and trade policy in a state of limbo – unchanged to date but targeted for overhaul. Labor force participation and productivity are not likely to rise because incentives to work and invest haven’t changed. Until policy changes, we should not expect much faster economic growth.

There has been some progress on reducing regulatory burdens on business, and that should boost productivity over time. Indeed, this is the primary reason we expect growth to improve a bit from its recent sub-2% pace. However, progress is constrained by both a large and often slow-moving bureaucracy as well as a large number of Assistant and Deputy Secretary positions that remain unfilled, either because there is no nominee or the nominee is awaiting Senate confirmation. Policy change needs policy leaders, and they are missing in many areas of the federal government. For now, we continue to think tax, fiscal and regulatory policy change is likely to have a limited impact on near- to medium-term economic growth.

We now turn our attention to major sectors of the economy to see how they are faring. The labor market posted another quarter of solid gains (Figure 2). Payroll jobs rose by an average of

194,000 jobs per month in Q2 and another 209,000 in July. Job growth edged down over the past several years. Nonfarm payrolls rose 1.5% YoY in July, compared to over 2% during most of 2015. However, jobs continued to outpace population gains, which pushed the employment-to-population ratio to 60.2% in July, up from 59.8% a year ago (Figure 2). The more-volatile household employment survey showed gains of only 56,000 jobs per month in the second quarter, but that followed blistering gains of 296,000 per month in Q1. Both payroll and household surveys show similar job growth over longer periods.

The unemployment rate fell to 4.4% in July, down from 4.9% a year ago (Figure 3), and alternative measures of unemployment also registered declines over the same period. Labor participation rose to 62.9% from a low of 62.7% in May, but it is nearly unchanged from a year ago and has remained broadly stable since 2014. An ageing population should gradually drive down labor participation, and it will take higher wages or labor policy changes to pull people back into the labor force. The fact that labor participation has held about steady indicates those things already are happening to some degree. Lower unemployment and steady labor participation mean that labor market slack has diminished, although recent moderation in wage growth suggests the economy is not yet at full employment.

Despite sturdy job gains and lower unemployment, average hourly earnings growth eased to 2.5% YoY in July compared to 2.8% a year ago (Figure 3). This wage slowdown was accompanied by flat productivity in the first quarter (+0.1%) but a better result in Q2 (+0.9%; see Figure 1). This may indicate employer resistance to faster wage growth without sustained gains in productivity. At +1.2% YoY, productivity growth is near its average for the past few years but a full percentage point below its long-term average. Whatever the reason, if wage growth does not pick up, the Federal Reserve may decide to slow its projected pace of tightening next year.

Although job and earnings gains generated a 4.4% advance in wage and salary income, overall personal income growth slowed to 3.0% in the second quarter, down from 5.5% in Q1 (Figure 4); it was up 2.6% YoY. Slower growth in proprietor’s income (0.7%), investment income
(2.1%) and current transfers (1.7%) each played a role. After inflation, income was up about 2.7% in Q2 but only 1.2% YoY. Moreover, personal income was revised down in 2016 and the first half of 2017. That helped lower the savings rate to an average of 4.1% over the past four quarters, compared to about 5.3% prior to the revisions; it ended Q2 at 3.8%.

Real personal consumption expenditure (PCE) rose 2.8% in the second quarter, edging out income gains (Figure 4). A strong job market, stable-to-lower energy prices and moderately rising wages resulted in strong consumer assessments of current economic conditions (Figure 5). However, a lack of legislative progress in Washington and a series of missteps and personnel changes at the White House probably contributed to lower consumer expectations during the quarter. This suggests a somewhat fragile consumer outlook that contributes to volatility in monthly retail sales and other high-frequency consumer indicators. However, spending is more a function of income and wealth than outlook, and we expect consumer spending will continue to grow moderately over coming quarters.

After two strong quarters averaging 9% growth, the housing market pulled back in the second quarter. Residential investment dropped 6.8% in Q2, leaving it up 1.4% YoY. New and existing home sales slowed to 6.1 million units in June (Figure 6). We judge this to be a pause in an otherwise improving market for housing. Rising employment, pent-up demand from the housing bust and still-attractive affordability should boost new home building and spending on home improvements (i.e., residential investment) over coming quarters. Home prices continued to rise moderately faster than overall inflation. The S&P/Case-Shiller 20-city home price index was up 5.7% YoY in May (latest data available), signaling strong demand. We expect housing will be a bright spot for the U.S. economy over the next several years.

Industrial production rose 4.7% in the second quarter, its fastest pace since 2014 (Figure 7); it was up 1.9% YoY. Manufacturing picked up modestly: 1.6% for the quarter and 1.5% YoY. Utility output rose sharply (+18.5%) in Q2 as weather normalized after an unusually warm winter, but it was off 1.1% compared to a year ago. Mining, which includes oil and gas extraction, was the star. It jumped 18.5% in Q2 and 8.0% YoY in response to higher energy and
commodity prices. Looking ahead, the Institute for Supply Management’s manufacturing survey remains strong at 56.3 in July (over 50 signals expansion), and orders for core capital goods (nondefense, excluding aircraft) rose 3.5% in Q2. These indicators suggest further moderate gains in industrial output ahead.

Real business investment rose 5.2% in the second quarter and 3.9% YoY after stalling in 2016. Increases in capacity utilization and prospects for further gains in industrial output should drive continued gains in core (excluding structures) business investment. We don’t anticipate an investment boom – investment spending remained pretty well-aligned with changes in capacity utilization in recent years (Figure 8) – but we think core business investment will modestly outpace overall GDP over coming quarters.

After being a drag on real GDP in 2015 and 2016, the trade deficit narrowed modestly in the first half of 2017 (Figure 9). Net exports contributed 0.2% to real GDP growth in both Q1 and Q2 – not a big positive, but not the headwind we anticipated coming into 2017. The two main reasons for this are a weaker U.S. dollar and lower oil imports. After rallying sharply following the November 2016 election, the dollar has dropped over 7% since December on a trade-weighted basis (Figure 9), contributing to faster export and slower import growth. At the same time, global economic growth has been a little better than expected, which also aided exports. Rising domestic petroleum production also helped to narrow the trade deficit. In inflation-adjusted (real) terms, the U.S. ran a $10.2 billion monthly deficit in petroleum and petroleum products in 4Q2016. That narrowed to $8.2 billion per month in the second quarter. Barring an unlikely surge in oil prices, that pace of petroleum trade improvement probably will not be repeated, but lagged impact of a weaker dollar and continued economic growth abroad should prevent the deficit from widening sharply in the second half of 2017.

Figure 8: Business Investment Recovering

Figure 9: Weaker Dollar, Narrower Deficit

Inventories were a non-event in the second quarter, subtracting just 0.02% from growth – very much a rounding error (Figure 10). Like net exports, inventory growth can be volatile quarter-to-quarter, although it tends to have minimal impact on long-term GDP, averaging 0.04% growth.
contribution since 1990. However, after Q1’s sizable drawdown, we expect some inventory rebuilding, which should put a little wind in the economy’s sails in the second half of 2017.

Government consumption was also subdued, rising just 0.7% in the second quarter and 0.2% YoY. Federal spending was up 2.3% in Q2 (all due to defense spending) and 0.2% YoY. State and local spending slipped 0.2% in Q2 and was up 0.2% YoY. Until and unless gridlock in Washington DC is unblocked, we think federal government spending is likely to remain sluggish. State and local spending is less constrained by politics, but modest economic growth and taxpayer resistance probably limits spending growth there too. We continue to expect government consumption will lag overall GDP growth in 2017. That could change in 2018 if the Trump administration and Congress can agree to a sizable infrastructure spending program, but it is too late for that to have a material impact on the economy in 2017.

Putting these sectors together, second-quarter real GDP growth of 2.6% added up as follows: Personal Consumption Expenditures (+1.93%), Residential Investment (-0.27%), Business Investment (+0.64%), Inventory Change (-0.02%), Net Exports (+0.18%), and Government Consumption (+0.12%). The first three components equal Private Domestic Final Sales, which grew by 2.7% during the quarter and over the past year (Figure 11). Private sector growth was led by consumer spending and business investment in the first half of the year and was restrained residential investment in Q2. We expect housing to rebound and remain comfortable with our forecast of 2.0-2.5% real GDP growth over the balance of this year.

Inflation eased in the second quarter (Figure 12). For 12 months ending in June, the consumer price index (CPI) was up 1.6% overall and 1.7% excluding food and energy, which is 0.5% lower than in December 2016. Over the same periods, the PCE deflator was up 1.4% overall and 1.5% excluding food and energy in June, 0.4% below December levels. Energy prices fell, which explains larger declines in headline inflation. Lower core inflation reflects softer services prices (Figure 13). A rebound in productivity, noted earlier, may be having a moderating impact on

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2 These three GDP components sum to 2.3%, but their combined growth rate was 2.7% because the former rate’s denominator is total GDP, which is larger than its subset, private domestic final sales.
service inflation, which accelerated in 2015 and 2016 when productivity growth was low or falling.

Figure 12: Inflation Pressure Eased…

Figure 13: …on Lower Energy, Services

As shown in Figure 14 above, broad balance sheet trends in the U.S. held about steady again in the first quarter (latest data available). Overall debt-to-GDP eased to 349%, down slightly from
350% at the end of 2016. Leverage was unchanged among households (78.1% debt-to-GDP), and household balance sheets remain healthy. Financial business leverage (82.4%) continued to edge lower, although most of the deleveraging in that sector appears to be complete. Federal government debt (83.3%) slipped as government spending slowed, but the budget deficit is projected to widen substantially over coming years as baby boomers retire and collect entitlement benefits; government debt is headed up. Nonfinancial businesses leverage edged up to 72.1% of GDP as companies increased capital expenditures and share buybacks. Although we are not worried about companies’ ability to service that debt over the near term, it’s likely to cause some pain when a recession inevitably arrives.

Market Outlook

Long-term Treasury rates edged lower in the second quarter as inflation slowed and domestic economic growth remained moderate, despite another rate hike by the Federal Reserve in June. Moreover, with little progress to date, market participants dialed back expectations for faster economic growth under a Trump administration from fiscal stimulus, tax reform, a healthcare overhaul, and regulatory relief. The 30-year benchmark Treasury yield fell by 17 basis points (bp) to 2.84% on June 30, and the 10-year Treasury note yield fell by 9 bp to 2.30% (Figure 15). Ten- and 30-year yields were 2.25% and 2.82%, respectively, on August 9 – slightly lower than where they ended the second quarter.

Figure 15: Rates and Forwards Mostly Lower

![Graph showing rates and forwards mostly lower](image1)

While markets pushed longer-term yields down, the Federal Open Market Committee (FOMC) hiked short-term rates by 25 bp twice in 2017, most recently at its June 13-14 meeting. The Fed also announced plans to reduce its holdings of Treasuries and mortgage-backed securities. It does not plan to sell securities outright but, rather, to slow the pace of reinvestment of maturing securities. That means investors will have to absorb a larger quantity of those securities (since the Fed won’t be buying as much), but proposed amounts are small relative to the size of the

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3 See “FOMC Communications related to Policy Normalization” on the Federal Reserve’s website for details. Available at: [https://www.federalreserve.gov/monetarypolicy/policy-normalization.htm](https://www.federalreserve.gov/monetarypolicy/policy-normalization.htm)
Treasury and mortgage markets. Nonetheless, the Fed should be the first large central bank to begin unwinding earlier quantitative easing, and market reaction is uncertain. For that reason, the FOMC probably will leave the fed funds rate target unchanged when it begins to wind down the System Open Market Account portfolio, which should commence following its September 19-20 meeting.

As illustrated in Figure 15, markets expect one more rate hike in 2017 (likely in December), which is consistent with Fed forecasts and guidance. Thereafter, markets expect less tightening than the Fed projected at its June FOMC meeting. Markets currently price in just one additional 25 bp rate hike in 2018 and one in 2019. The Fed projects three hikes in each of those years. Thus, markets expect it will take more than ten years for 3-month LIBOR to reach 3%, while Fed forecasts imply it will get there around the end of 2019.

We think short-term rates will fall somewhere between FOMC projections and market forwards. With inflation subdued and wages accelerating only gradually despite diminishing labor market slack, we expect the Fed to move more slowly to raise rates over the next several years than it currently projects. We anticipate the Fed will push its fed funds target, currently 1.0-1.25%, to about 2% by the end of 2019, which would put real short-term rates around zero percent assuming inflation edges back up to the Fed’s 2% target. Because forward curves already anticipate about half of that increase, intermediate-term rates should rise only modestly – perhaps by 50-75 bp over that horizon. Of course, a lot can change over 2½ years, and readers should view our projections as the center of a range of outcomes rather than as pinpoint expectations.

Corporate credit spreads rallied again in the second quarter. Investment-grade corporate bond spreads narrowed by 8 bp to 112 bp on June 30; spreads narrowed slightly further to 109 bp as of August 9. High yield bond spreads did better, narrowing 17 bp to 391 bp on June 30 but widening slightly to 394 bp today (Figure 16). A global hunt for yield that we have talked about for some time continued, and we do not foresee that hunt ending soon.

Yield spreads on preferred securities followed a similar pattern. “Spread to Worst” on a broad Bank of America Merrill Lynch preferred securities index narrowed from 156 bp at the end of Q1 to 73 bp on June 30, retracing a bit to 80 bp today.6 Take that second quarter drop in spreads with a grain of salt, however. Nearly all preferred securities are callable, and yield-to-worst can overstate credit-spread tightening when prices rally strongly, as they have so far in 2017. Total return on the preferred index (+3.55%) outperformed both corporate (+2.42%) and high yield (+2.14%) indices during the second quarter.7

Fundamental credit conditions were mostly steady in the first quarter (latest data available). Corporate earnings rose moderately: up 3.7% in Q12017 compared to a year earlier, and they are expected to be up about 4% YoY in Q2. They remain high as a proportion of GDP, but higher

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4 Investment-grade corporate bond spread is represented by the Bank of America Merrill Lynch U.S. Corporate IndexSM (C0A0) “Yield to Worst versus Government” yield spread series. See note 5 below for definition.
5 Below-investment-grade corporate bond spread is represented by the Bank of America Merrill Lynch U.S. High Yield IndexesSM (H0A0) “Yield to Worst versus Government” yield spread series. See note 5 below for definition.
6 Preferred index is the Bank of America - Merrill Lynch 8% Constrained Core West Preferred & Junior Subordinated Securities IndexSM (P8JC). “Spread to Worst” is the lower of yield to call and current yield (or yield to maturity for dated hybrids) minus yield on a comparable Treasury security.
7 Total return is not annualized and includes both price change and income.
wages should continue to push profit share of GDP back toward their long-term averages (Figure 17).

Figure 17: Corporate Profits Normalizing?

Corporate Profits (w/IVA & CCAdj) as Share of GDP

Profit Share of GDP (%)

13 12 11 10 9 8 7 6 5 4 3 2 1 0


Corporate Profits, With IVA and CCAdj, Total after tax, Percent of GDP
Corporate Profits, With IVA and CCAdj, Total after tax, Pre-WWII Average
Corporate Profits, With IVA and CCAdj, Total before tax, Percent of GDP
Corporate Profits, With IVA and CCAdj, Total before tax, Pre-WWII Average

Source: Macrobond

Turning to balance sheets, nonfinancial companies continued to take advantage of low interest rates to increase the proportion of long-term liabilities (bonds, mortgages and direct investments) on their balance sheets (Figure 18). That may offset some interest-rate sensitivity that otherwise accompanies rising debt in this sector (see Figure 14 above). Interest expense as a percentage of earnings before interest and taxes has been low and steady around 19%, and we are encouraged to see that it came down a little as profits picked up.

Figure 18: Balance Sheets Steady

Nonfinancial Corporate Balance Sheet Ratios (Flow of Funds)

Debt as A Percentage of Net Worth @ Market Value/Total Liabilities, rhs
Debt as A Percentage of Net Worth @ Historical Cost/Total Liabilities, rhs
Flow of Funds, Long-Term Liabilities/Total Liabilities, rhs

Source: Macrobond

Loan delinquencies and charge-offs remained about flat overall in the first quarter (latest data available), and our survey of second-quarter bank earnings revealed steady or slightly lower credit problems for that subset of banks. Delinquency rates on commercial and industrial loans,
which rose in late 2015 and early 2016 edged lower, while consumer loan delinquencies and charge-offs again rose slightly (Figure 19). Those shifts roughly offset one-another. As short-term interest rates rose, bank earnings generally improved, and a gradual series of rate hikes should further bolster earnings. Bank balance sheets are very strong, but a long period of improvement since the end of the financial crisis has transitioned to one of overall stability.

Internally generated cash relative to spending on capital investments (the “financing gap”) at nonfinancial businesses slipped in the first quarter but remains below levels that preceded credit problems in the past (Figure 20). Nonfinancial companies generated less cash from operations than they used to make new capital investments (a positive financing gap) in Q1. Corporate bond issuance by these companies jumped as a result. We expected this given stronger business investment, and prudent investment during periods of economic expansion is healthy. We remain watchful for signs that debt burdens are becoming too heavy, but for now we think corporate balance sheets generally are in good shape.

Looking ahead, we anticipate 2.0-2.5% real GDP growth over the balance of 2017 – a little better than the 1.9% pace of the past six quarters – with most of the improvement coming from residential investment and perhaps some inventory rebuilding. However, unless we get tax, regulatory and fiscal reform, we should not expect significantly faster economic growth. Policy uncertainty, geopolitical risk, and high federal government and nonfinancial business indebtedness should install caution at the Federal Reserve. We expect the FOMC to nudge the fed funds rate slowly up to about 2% over the next several years, which in turn should limit increases in long-term rates to only modestly above what is projected in current forward rates.

For investors, our main takeaway is that we expect a favorable environment that has generated strong returns in the preferred market in recent years to remain intact. We cannot expect similarly high returns looking forward simply because preferred securities’ prices are higher than they were, and yields are lower. However, credit quality remains sound, interest rate risk is moderate, and yields available on alternative investments are also generally low. While prospective returns are likely to fall short of recent results, we think preferred securities continue to offer an attractive combination of high income and credit quality for long-term investors.

Flaherty & Crumrine Incorporated
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