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Economy Growing, But Challenges Remain

ZIONS BANK.
Trade & Business
CONFERENCE



May 21, 2014

Navigating Our VUCA World



Volatility
Uncertainty
Complexity
Ambiguity

Challenges can be opportunities

Ever-changing Competitive Marketplace



Creativity
Innovation
New technology
Price risk well
Adaptability
Flexibility
Productivity
Diversity
Think globally

Global Outlook Improves



Europe recovering

China soft landing

US among strongest in G7

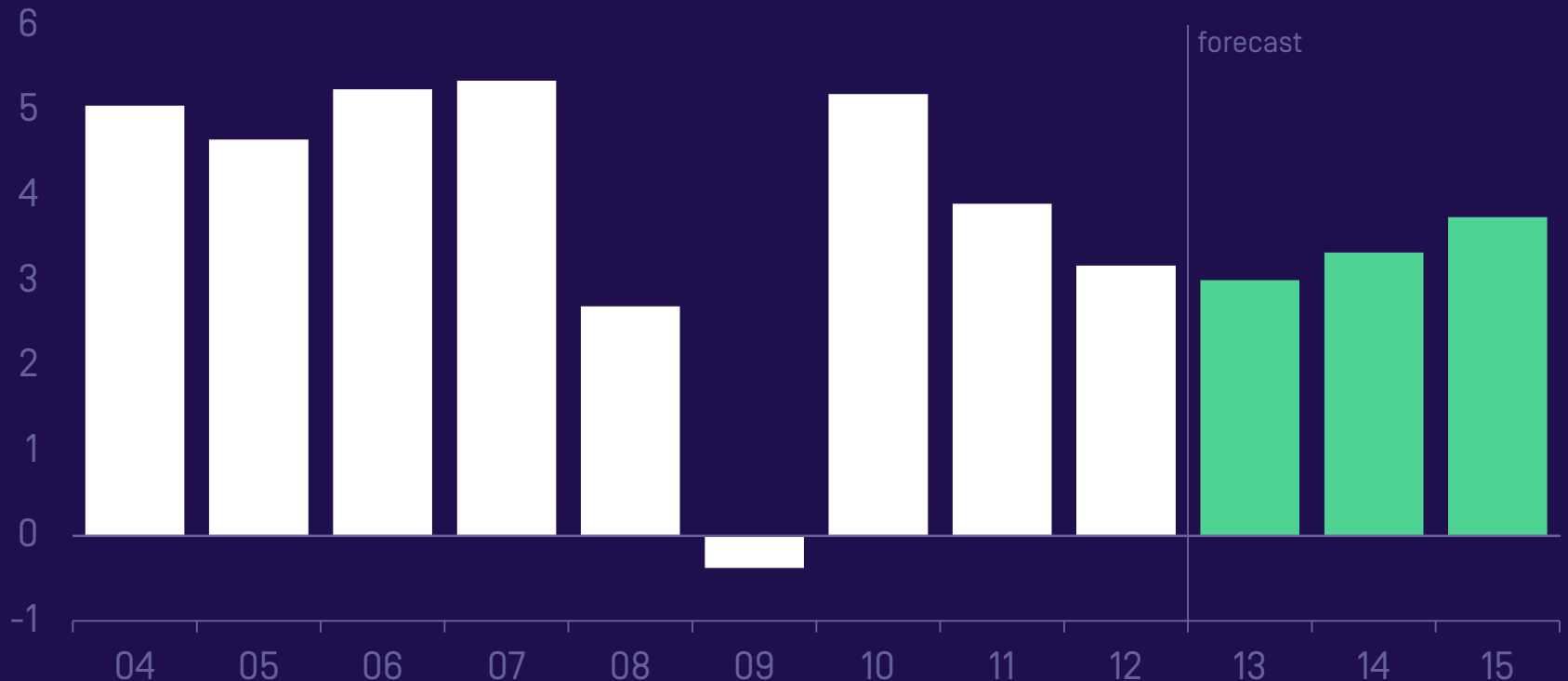
Still suffering from post-traumatic
stress of the financial crisis

Global Growth Edges Upward

[year/year % change]

Global Real GDP

| | 13 | 14 | 15 |
|-------|-----|-----|-----|
| World | 3.0 | 3.3 | 3.7 |



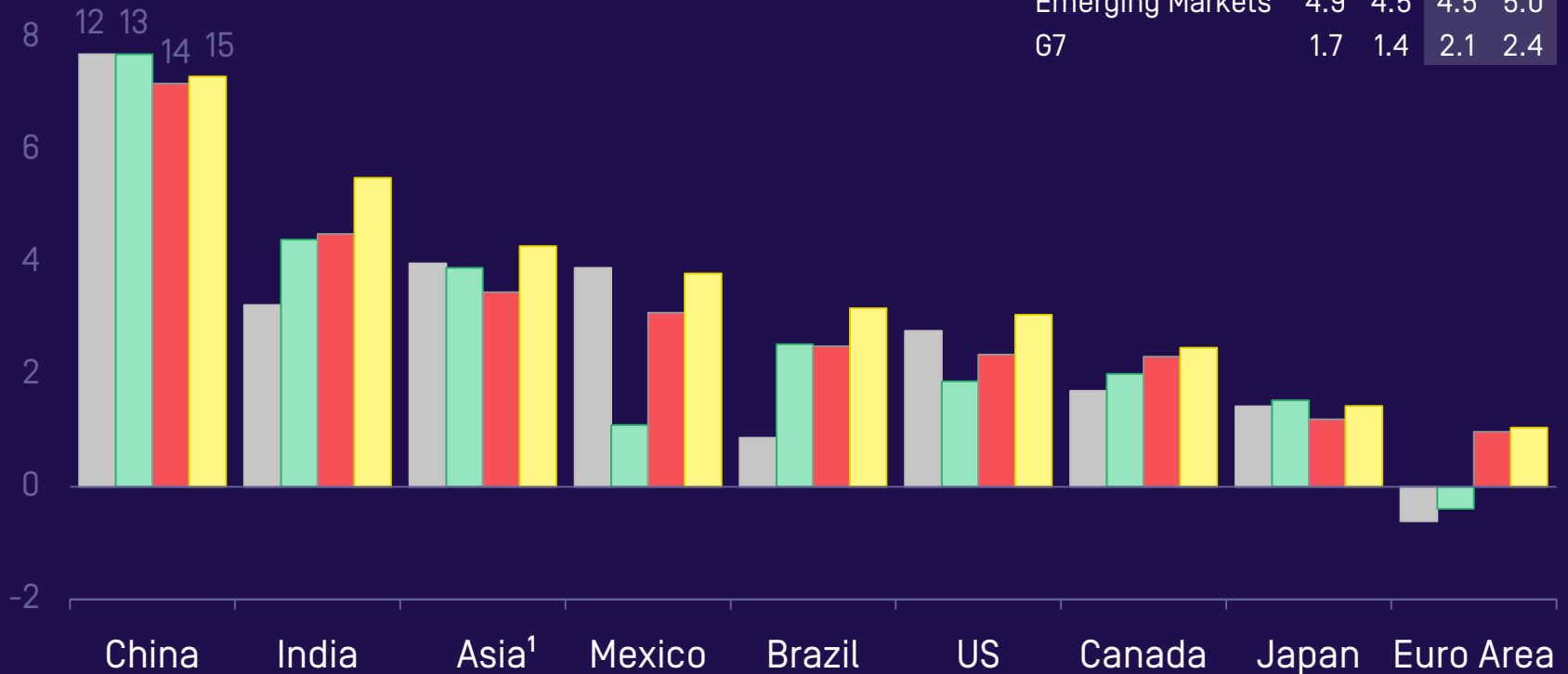
Stronger US is key

forecast = BMO Capital Markets forecasts

Global Growth: Moderate Pick-up

[annual % chng]

Real GDP



| | 12 | 13 | 14 | 15 |
|------------------|-----|-----|-----|-----|
| World | 3.2 | 3.0 | 3.3 | 3.7 |
| Emerging Markets | 4.9 | 4.5 | 4.5 | 5.0 |
| G7 | 1.7 | 1.4 | 2.1 | 2.4 |

Ranked by 2014 ¹ Excluding China, Japan & India

Source: [2014-15] BMO Capital Markets forecasts

© BMO Capital Markets www.bmocm.com/economics

Emerging Economies' Manufacturing Activity Cools

Industrial Production
[year/year % change]



forecast = BMO Capital Markets for China, using Bloomberg forecast for India and Mexico

Major Factors Impacting US



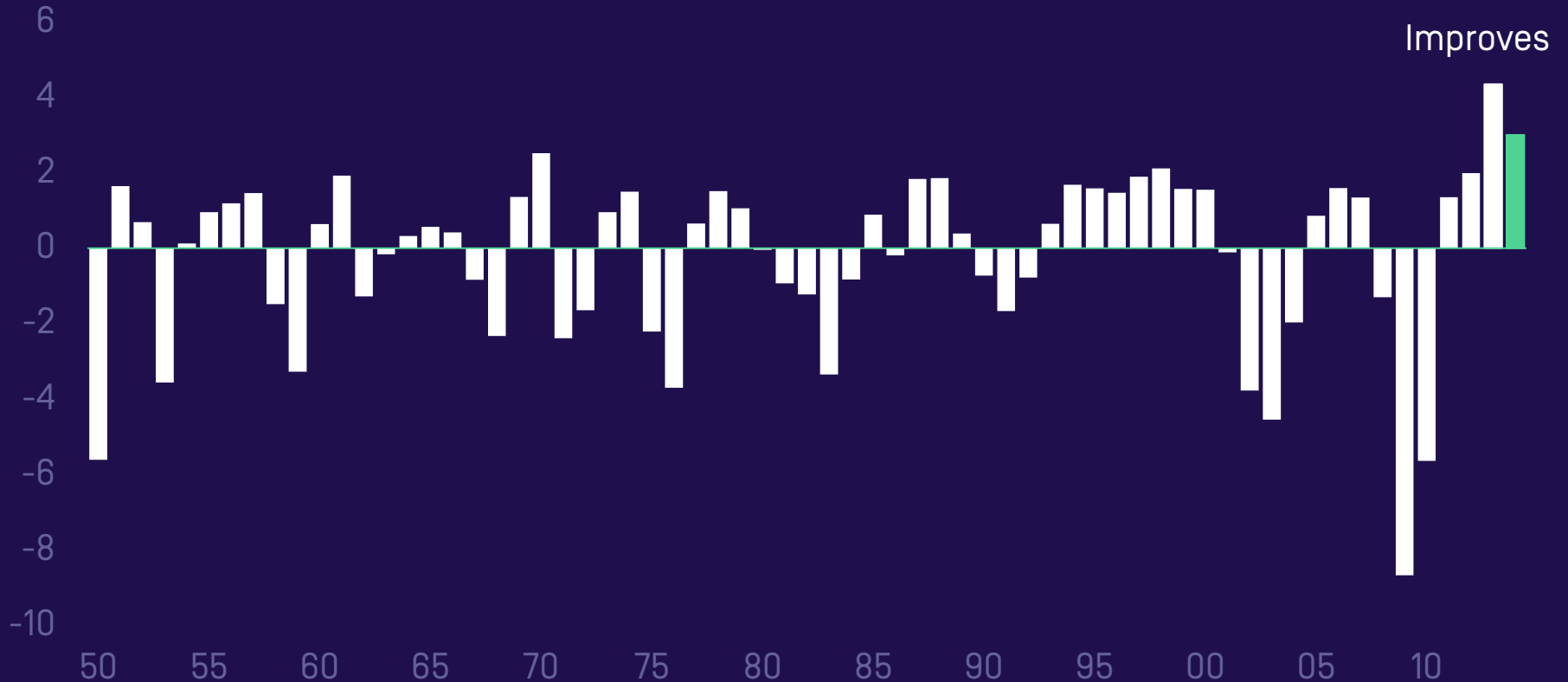
Fiscal Tightening
Taxes
Spending

Consumer Confidence
Slow Job Growth

Boom in Shale Energy
Auto Sector Strong
Housing Recovery Began
Export Growth
Reshoring
Wealth Effects

Fiscal Tightening

United States: 2-year Change in Federal Budget Balance
[percent of GDP]

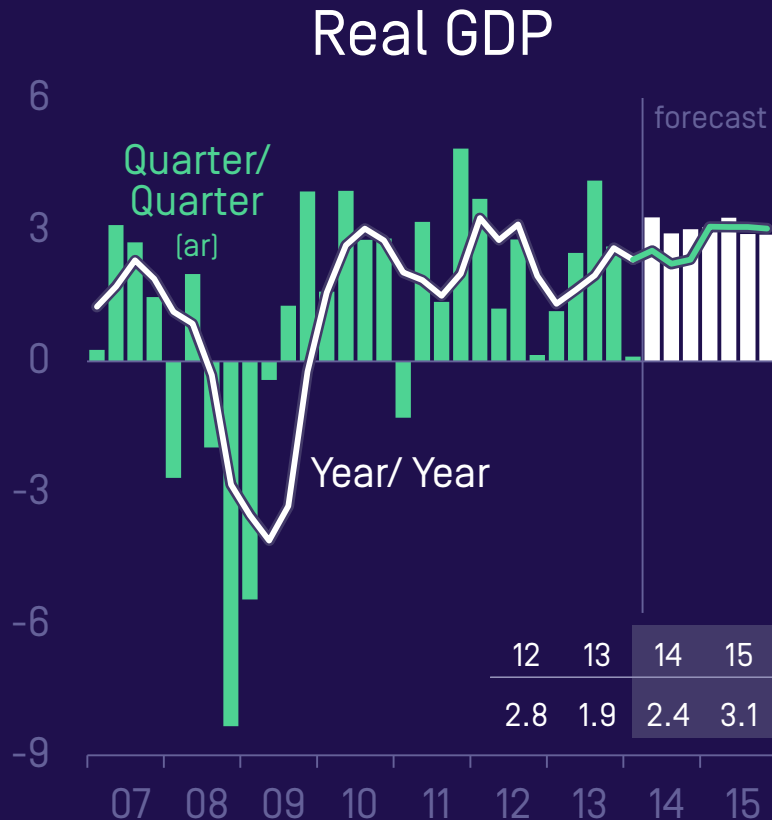


Huge Improvement, but Drag on Economy

Sources: CBO, OMB 2014 = OMB Estimate

US Growth Moves to 3% Range

United States
[% change]



Energy production

Record stock market

Consumer spending

Monetary ease

Long-term jobless and still a drag

forecast = BMO Capital Markets forecasts

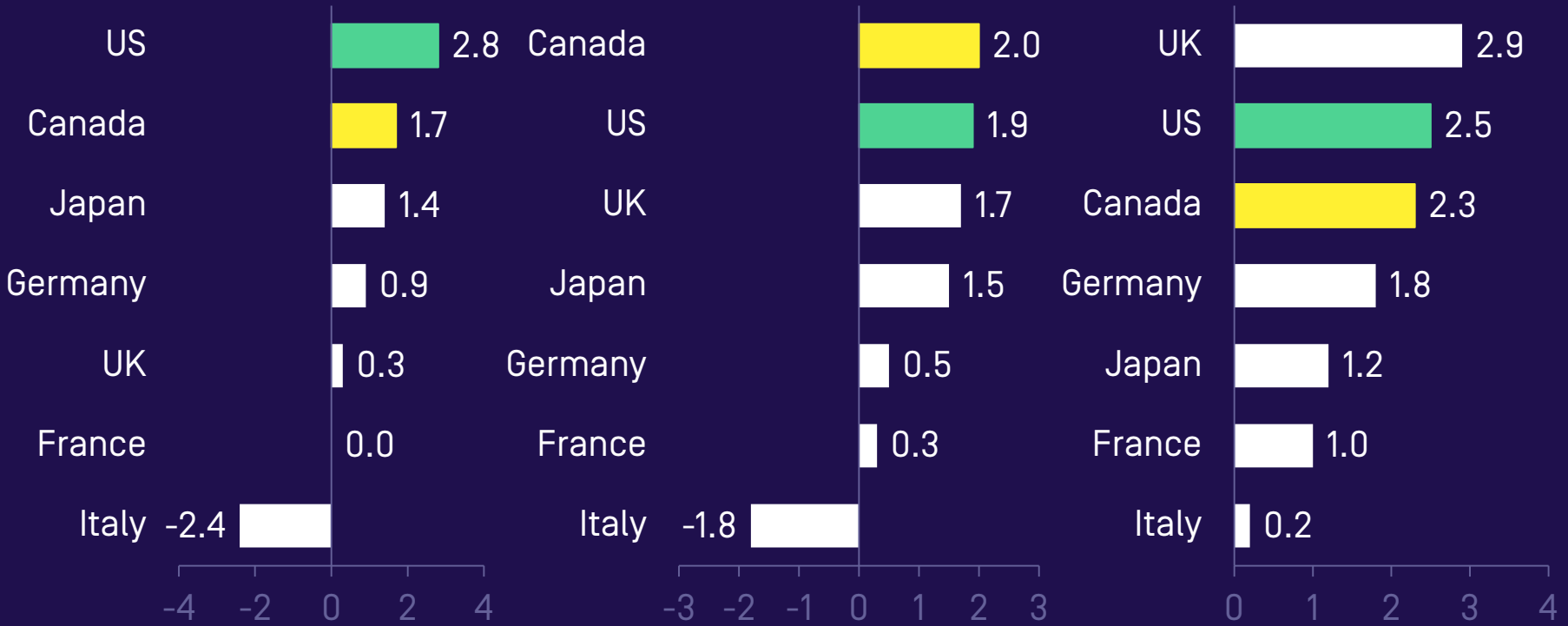
North America Outperforms

Real GDP: G7 Countries
[year/year % change]

2012

2013

2014 Forecast

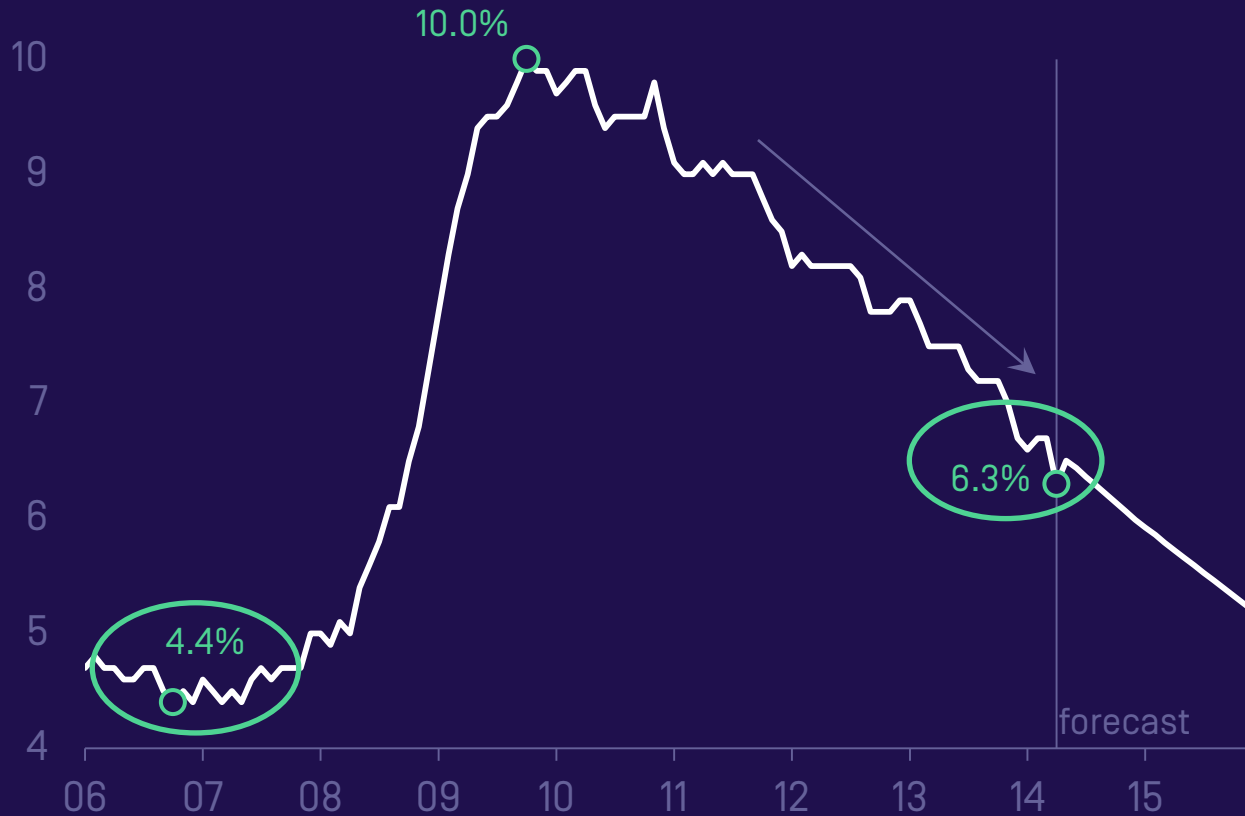


Fiscal Austerity Weighs on Europe

Source: Forecast by BMO Nesbitt Burns Economics

Jobless Rate Falls

United States: Unemployment Rate
[percent]



| | |
|-----------|------------|
| Greece | 26.5 |
| Spain | 25.3 |
| Portugal | 15.2 |
| Italy | 12.7 |
| Ireland | 11.8 |
| France | 10.4 |
| UK | 6.7 |
| Canada | 6.9 |
| US | 6.3 |
| Australia | 5.8 |
| Germany | 5.1 |
| Japan | 3.6 |

forecast = BMO Capital Markets forecasts

Long-Term Unemployed Still Waiting

United States

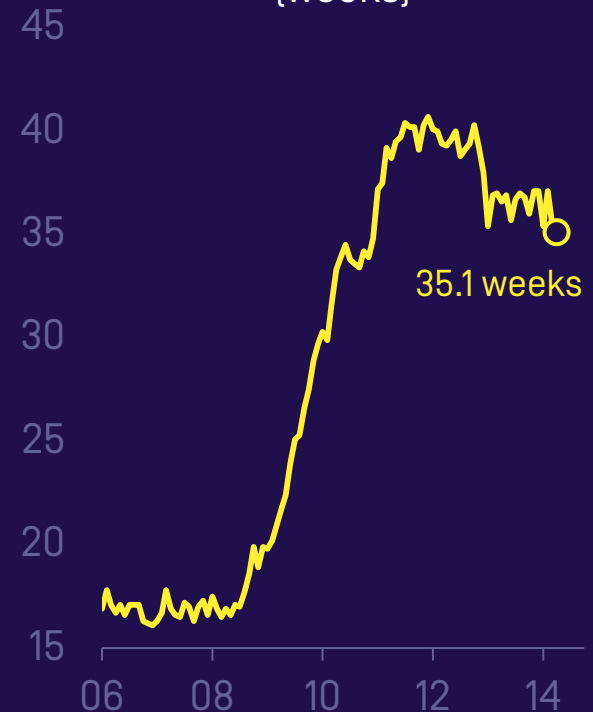
Broader Unemployment Rate¹ [%]



Labour Force Participation Rate of Men [%]



Average Duration of Unemployment [weeks]



Many Still Unemployed

¹ Comprehensive measure

When Will We See Full Employment?

United States
[percent]

Output Gap



Employment/Population Ratio

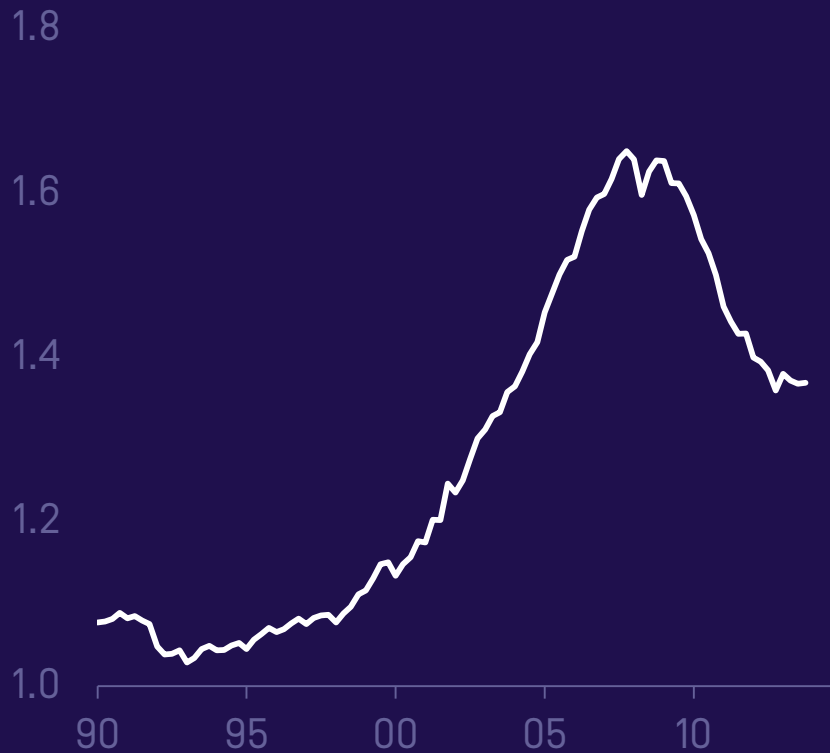


Household Debt Burden Down

United States: Households

Debt¹

[ratio to personal disposable income]



Credit²

[year/year % change]



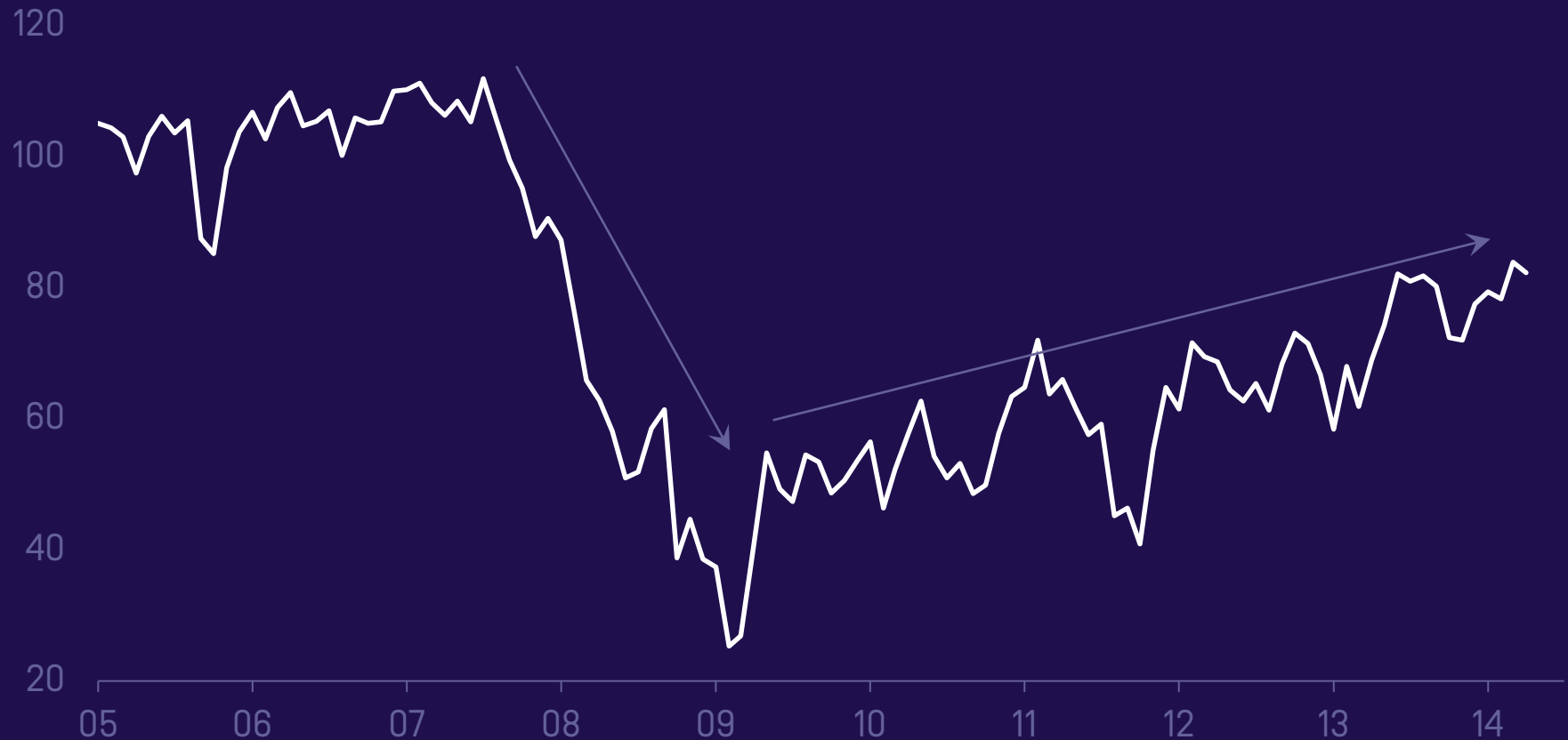
¹ Includes households, non-profits and unincorporated businesses

² Consumer credit and residential mortgages only

Consumer Confidence On the March ...

United States: Conference Board Consumer Confidence

[seasonally adjusted: 1985 = 100]



... But Nowhere Near as Strong as Before the Crisis

Kickstarting the Housing-Jobs Cycle

United States: Homes

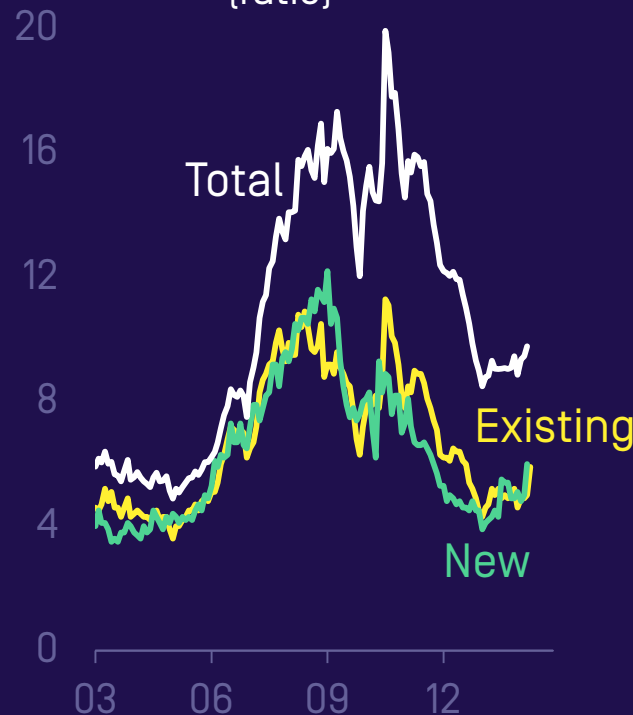
Sales and Inventories

[mlns]



Months' Supply

[ratio]



Housing Units

[mlns]



Housing Recovery

¹ [not seasonally adjusted] include new and existing homes available for sale, and homes in foreclosure

Mortgage Rates Rising

United States : 30-year Fixed Mortgage Rate
[percent]

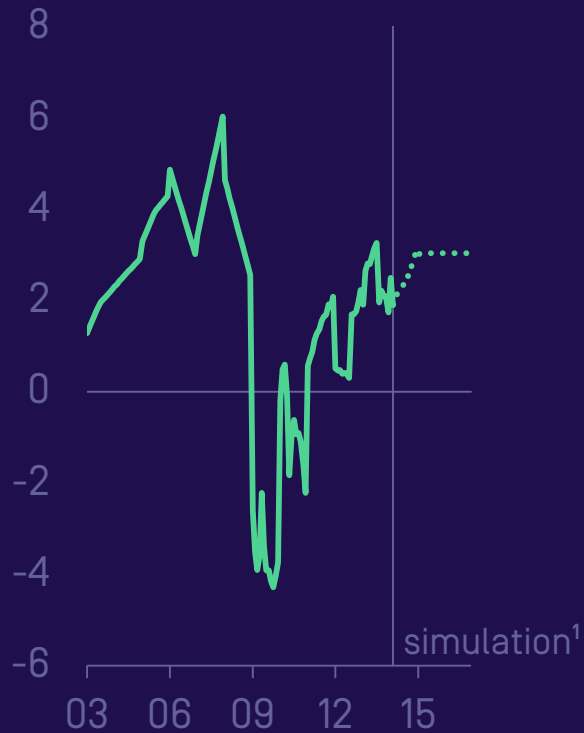


First-time buyers
43% max debt
servicing ratio

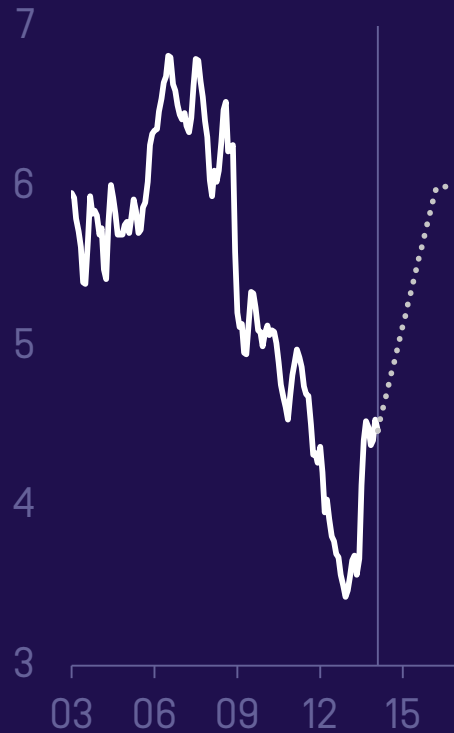
US Housing Recovery vs The Fed

United States

Median Family Income
[y/y % chng]



Mortgage Rate
[effective rate : %]



Housing Affordability
[mortgage payment²]



¹ BMO Capital Markets simulations Affordability: ² [% of median income], horizontal lines = pre-bubble range

Financial Markets



Fed tapers

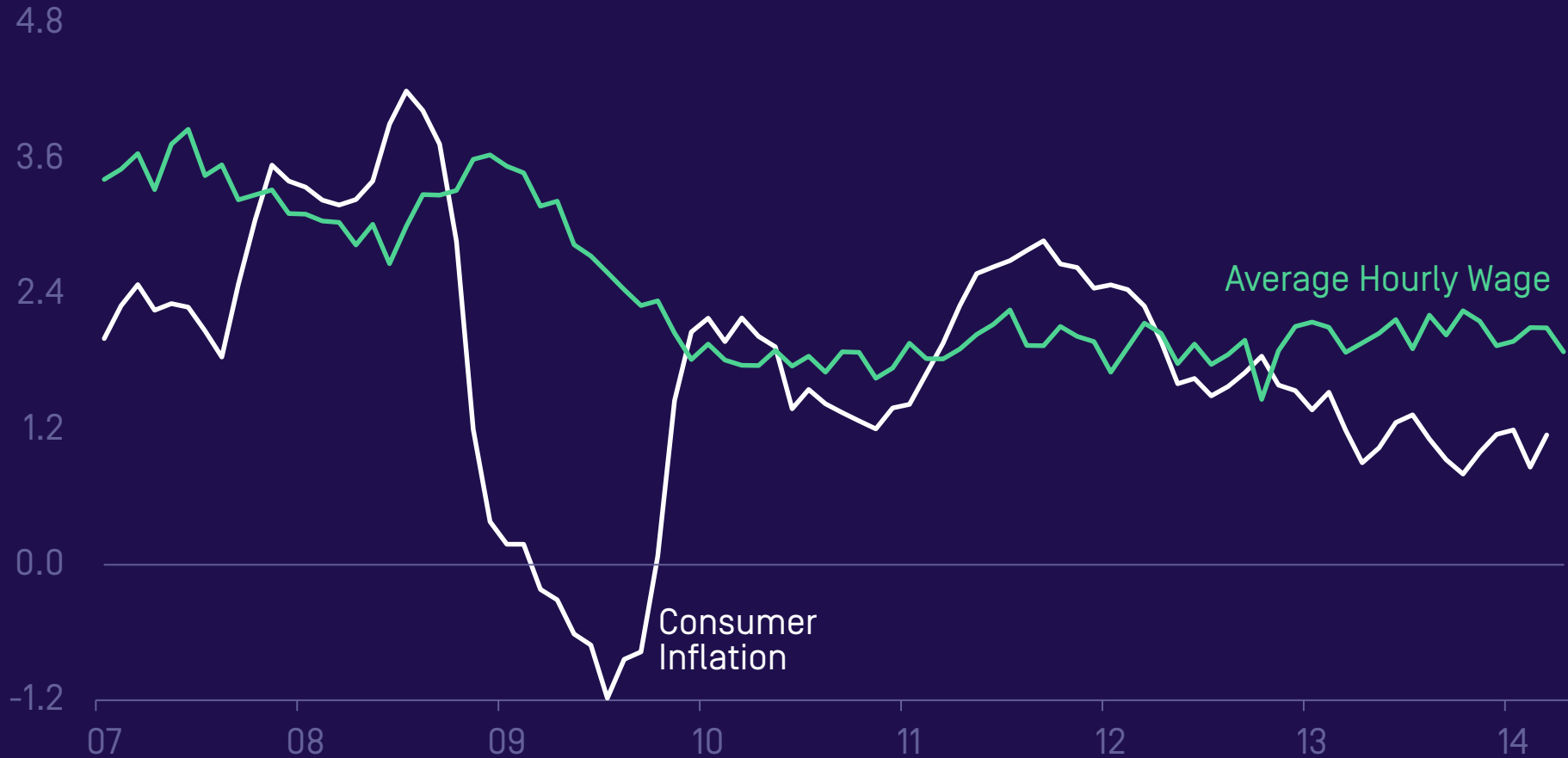
Fed rate hike summer 2015

Interest rates edging higher

US stocks perform well

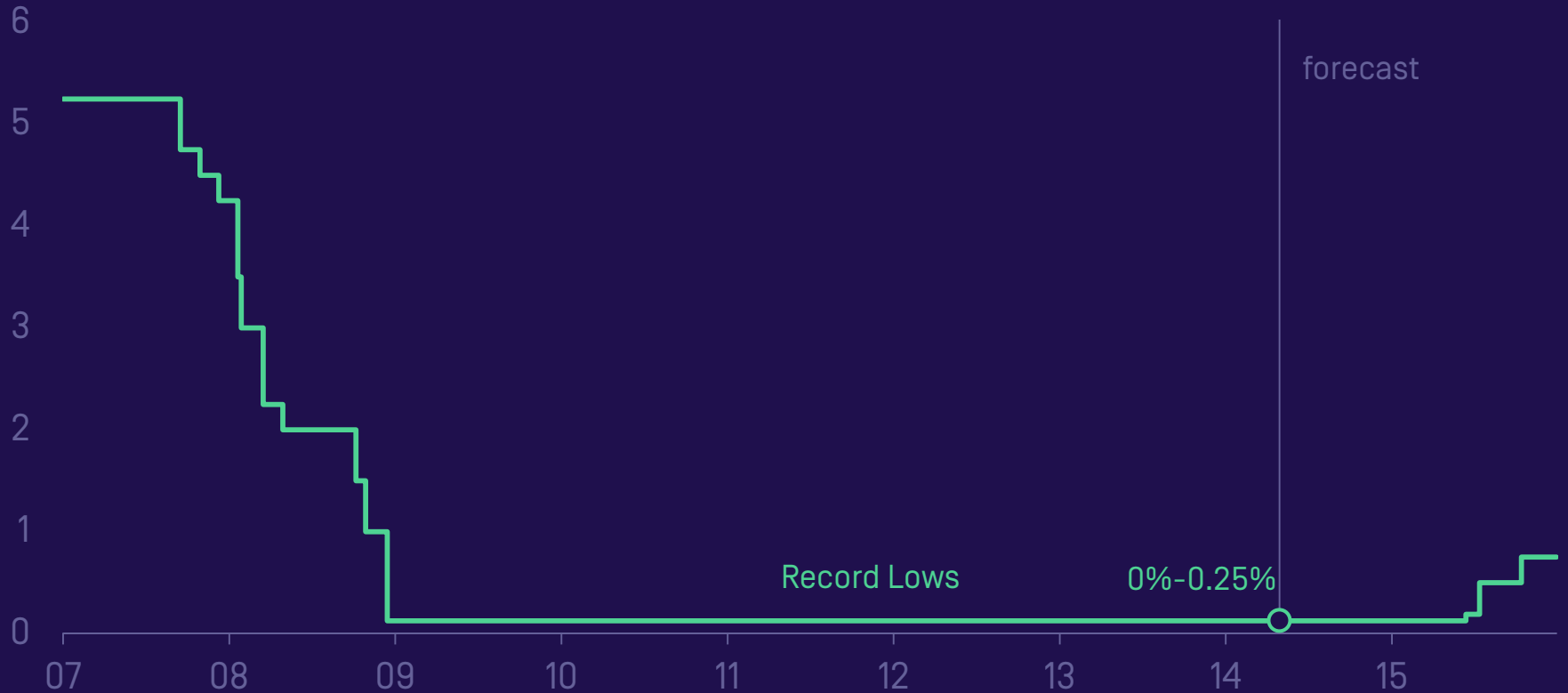
Tepid Wage Growth – A Still Fragile Economy

United States
[year/year % change]



Fed Tapers

United States: Overnight Rate
[percent: as of May 1, 2014]

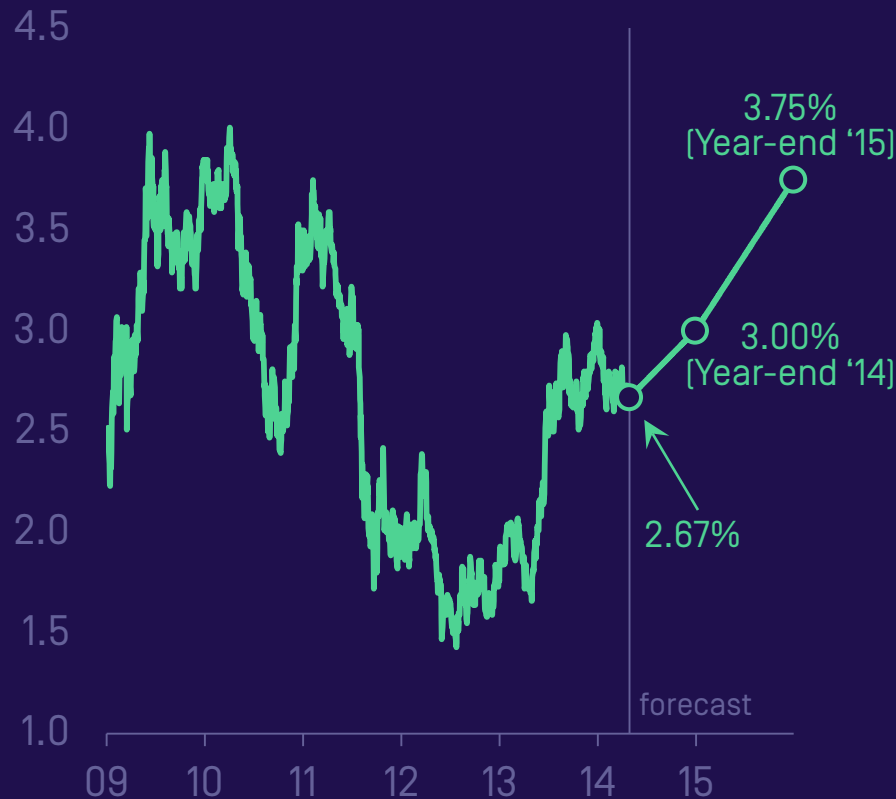


Fed Commits to Low Rates Until Inflation Trends Upward

forecast = BMO Capital Markets forecasts

Long Yields Rising from Extreme Lows

United States: 10-year Treasury Note
[percent: as of April 30, 2014]



Stronger US growth

Fed tapers, end QE by 2015

Low inflation keeps rate rise
modest

forecast = BMO Capital Markets forecasts

Stocks Volatile



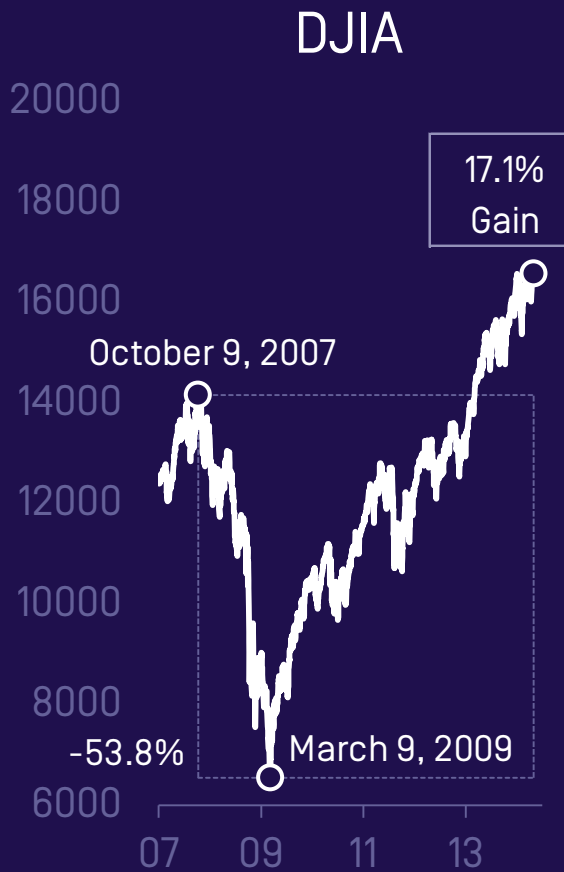
Financial Market Returns (as of May 14, 2014: % change)

| | A Year Ago | 2014 Y-T-D | Dividend Yield | | |
|--------------------|------------|------------|----------------|---------|-----|
| Stocks | | | | | |
| S&P 500 | 15.7 | 2.2 | S&P 500 | Current | 2.4 |
| DJIA | 16.1 | 0.2 | | | |
| Nasdaq | 14.7 | -1.8 | | | |
| Bonds | | | | | |
| US Treasuries | -1.0 | 5.5 | | | |
| Corporate Bonds | 0.4 | 4.8 | | | |
| Commodities | | | | | |
| CRB Index | -2.5 | 9.6 | | | |
| Gold | -13.5 | 8.4 | | | |
| Oil (Brent Crude) | -6.5 | -0.1 | | | |

Dividends Matter

US Stocks Gain, Russian Stocks Lose

[as of April 30, 2014]



¹ Russian Trading System Stock Exchange

Economy Growing, But Challenges Remain



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