



East Bay Financial Planners Association Conference

Is “The New Normal” Here to Stay?

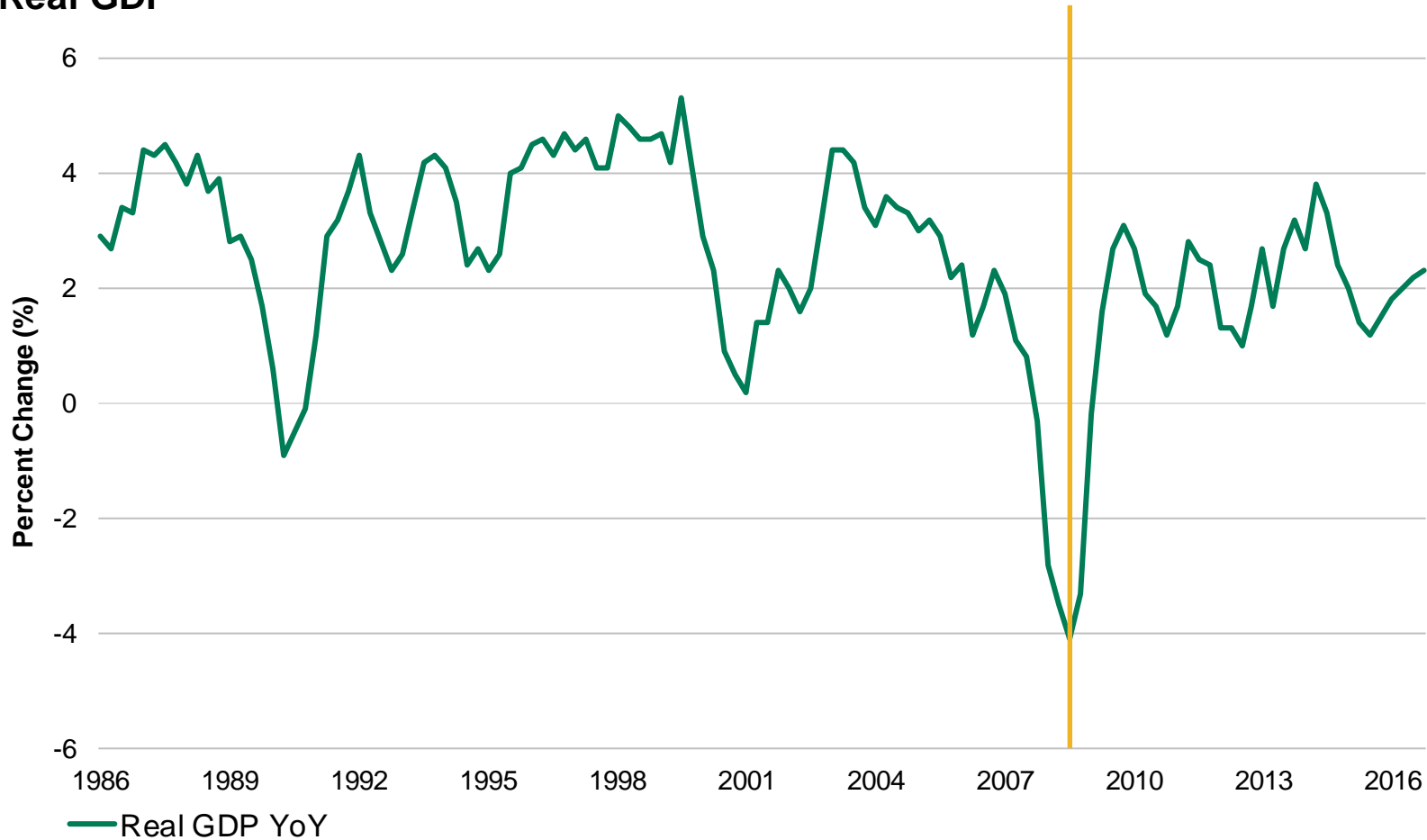
January 10, 2018

Rich Taylor

Vice President
Client Portfolio Manager

Subpar Economic Growth

Real GDP

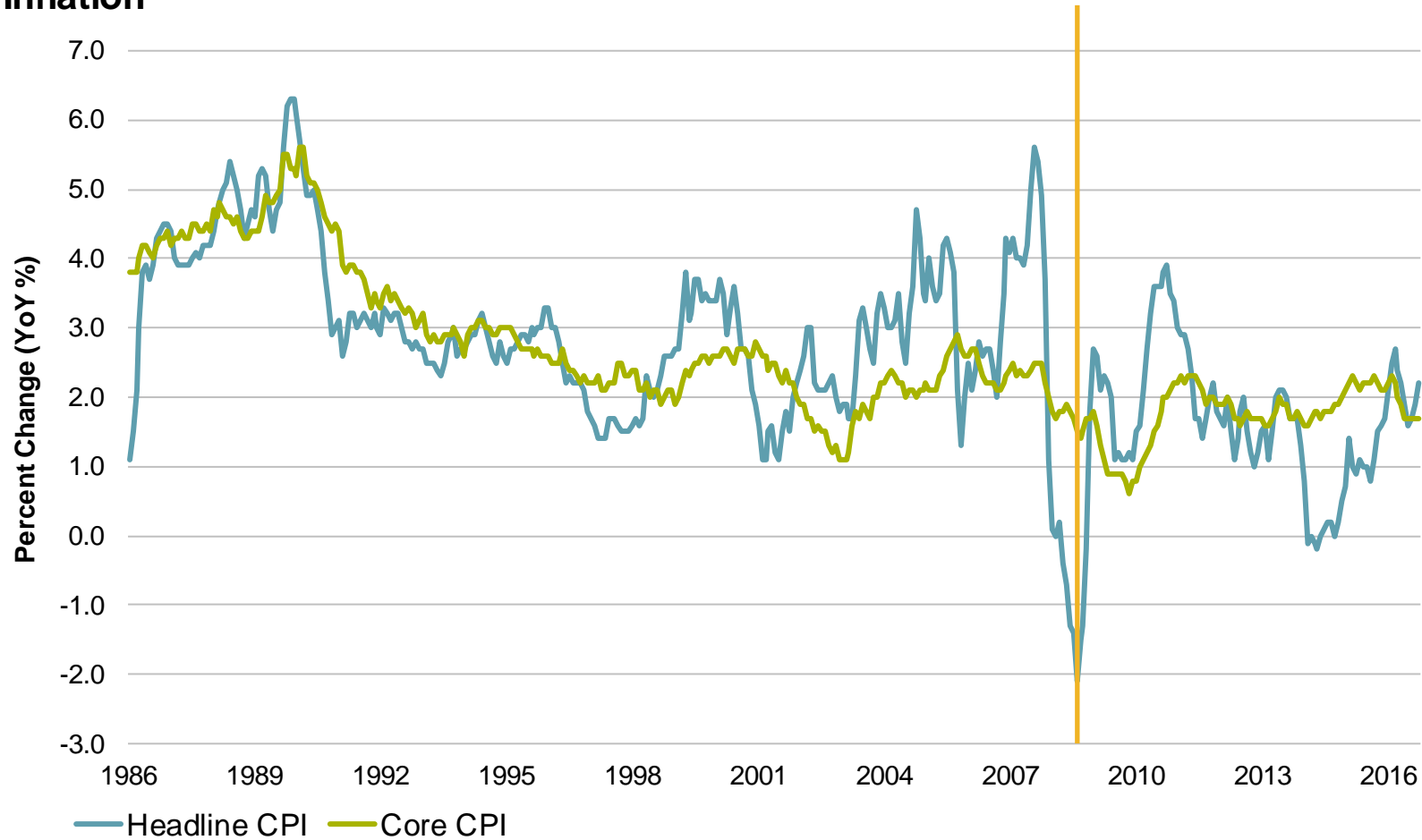


Data from 12/31/1986 to 9/30/2017
Source: Bloomberg



Tame Inflation

Inflation

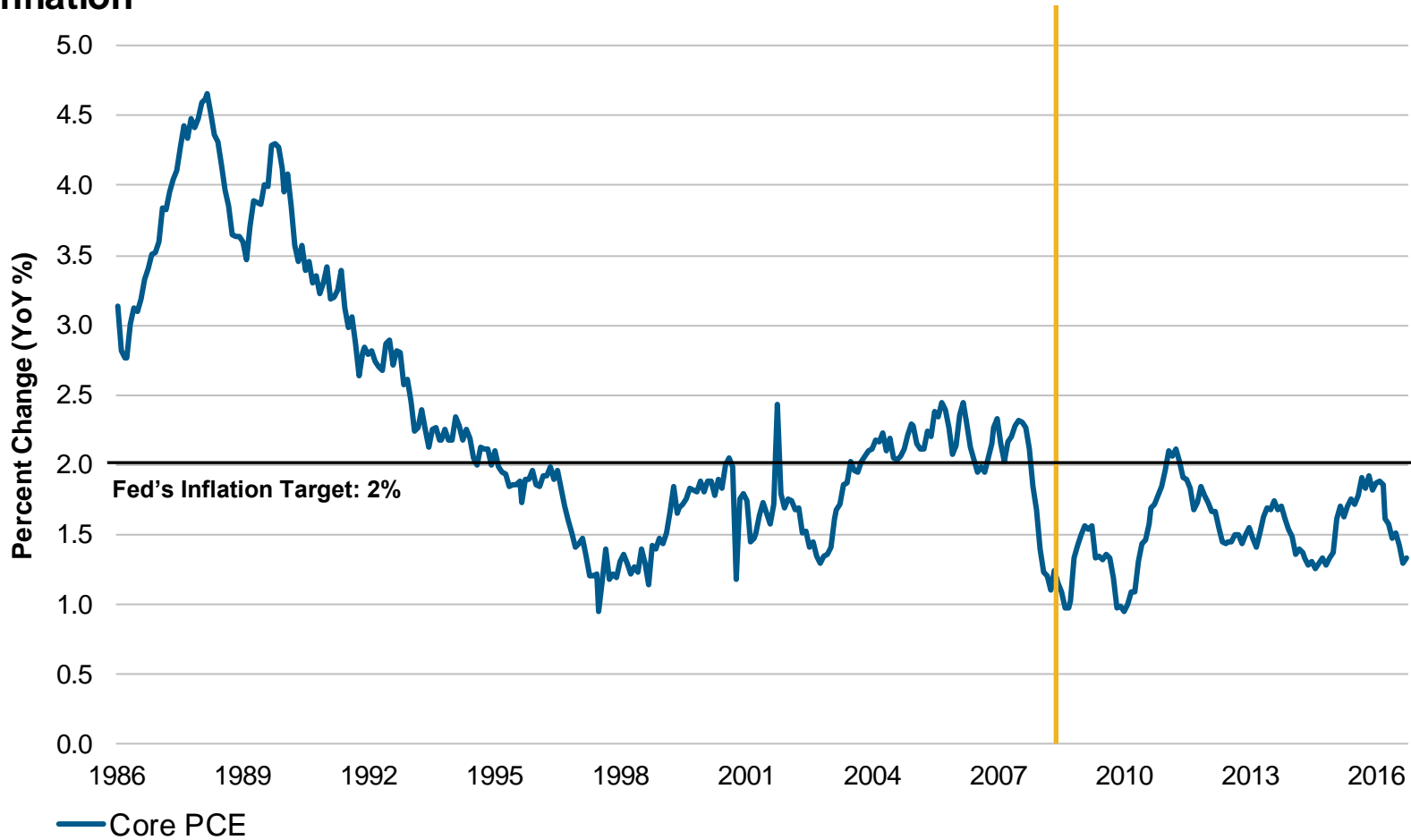


Data from 12/31/1986 to 9/30/2017
Source: Bloomberg



Fed's Focus

Inflation

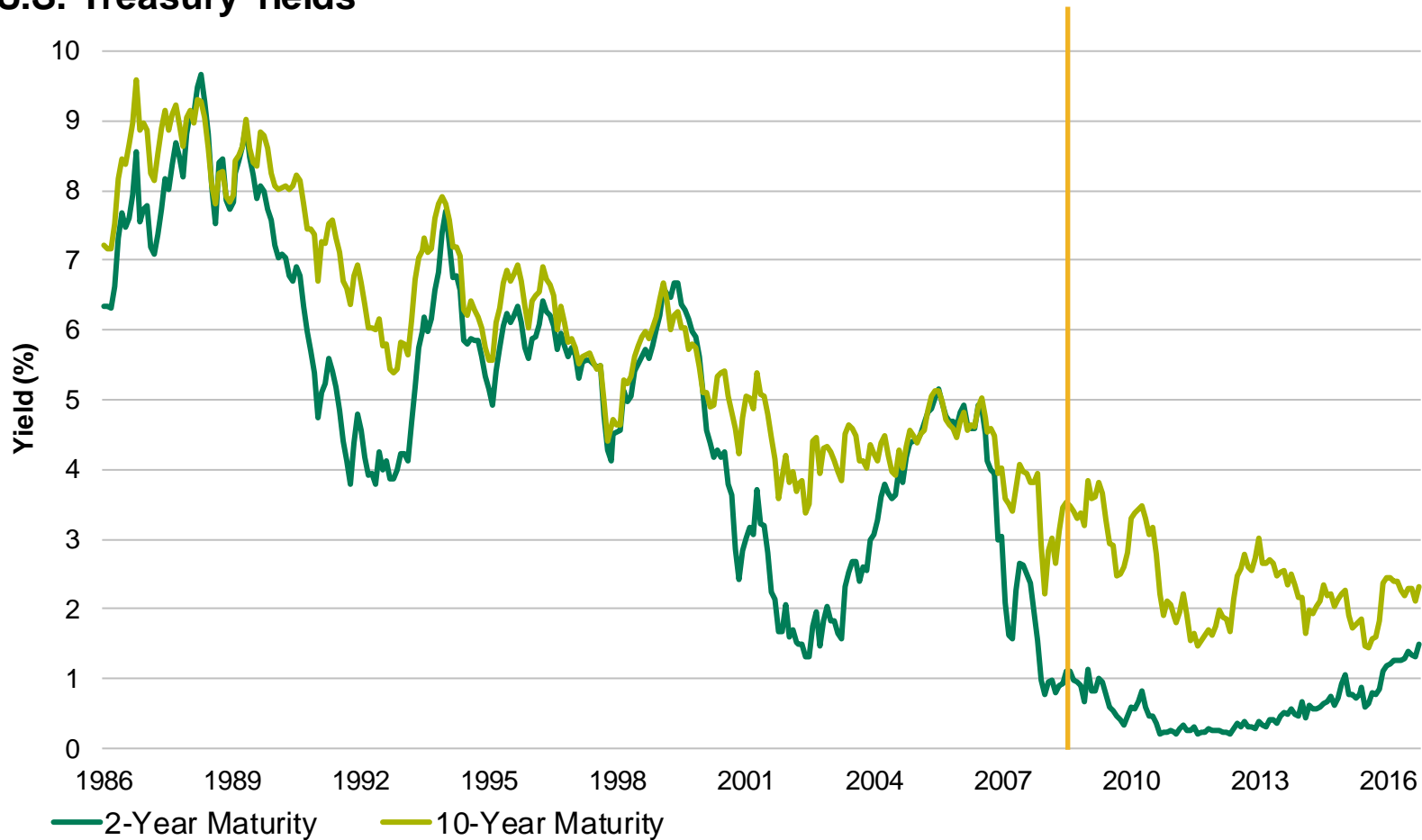


Data from 12/31/1986 to 9/30/2017
Source: Bloomberg



U.S. Treasury Yields Remain Stubbornly Low

U.S. Treasury Yields

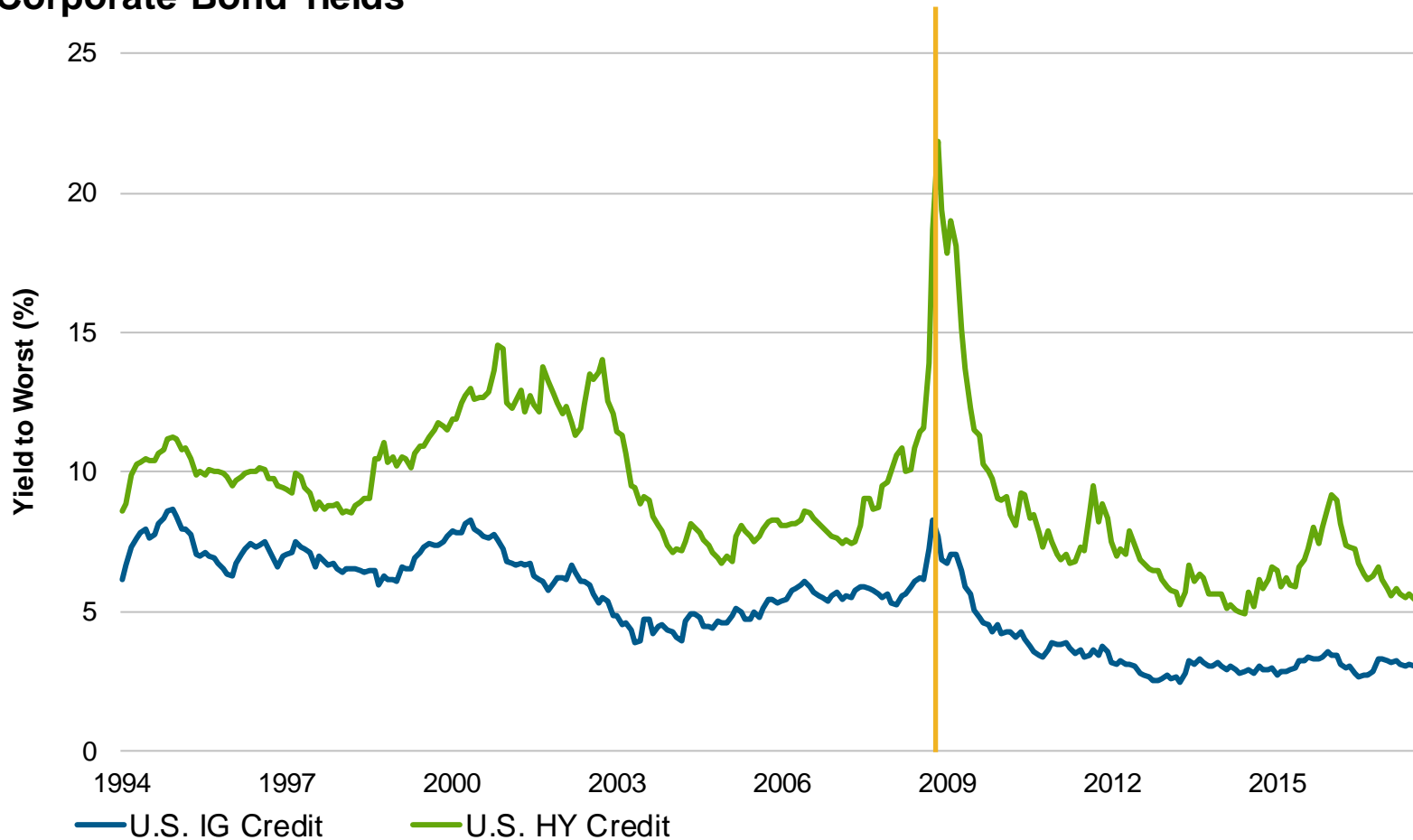


Data from 12/31/1986 to 9/30/2017
Source: Bloomberg



Corporate Bond Yields Remain Stubbornly Low

Corporate Bond Yields

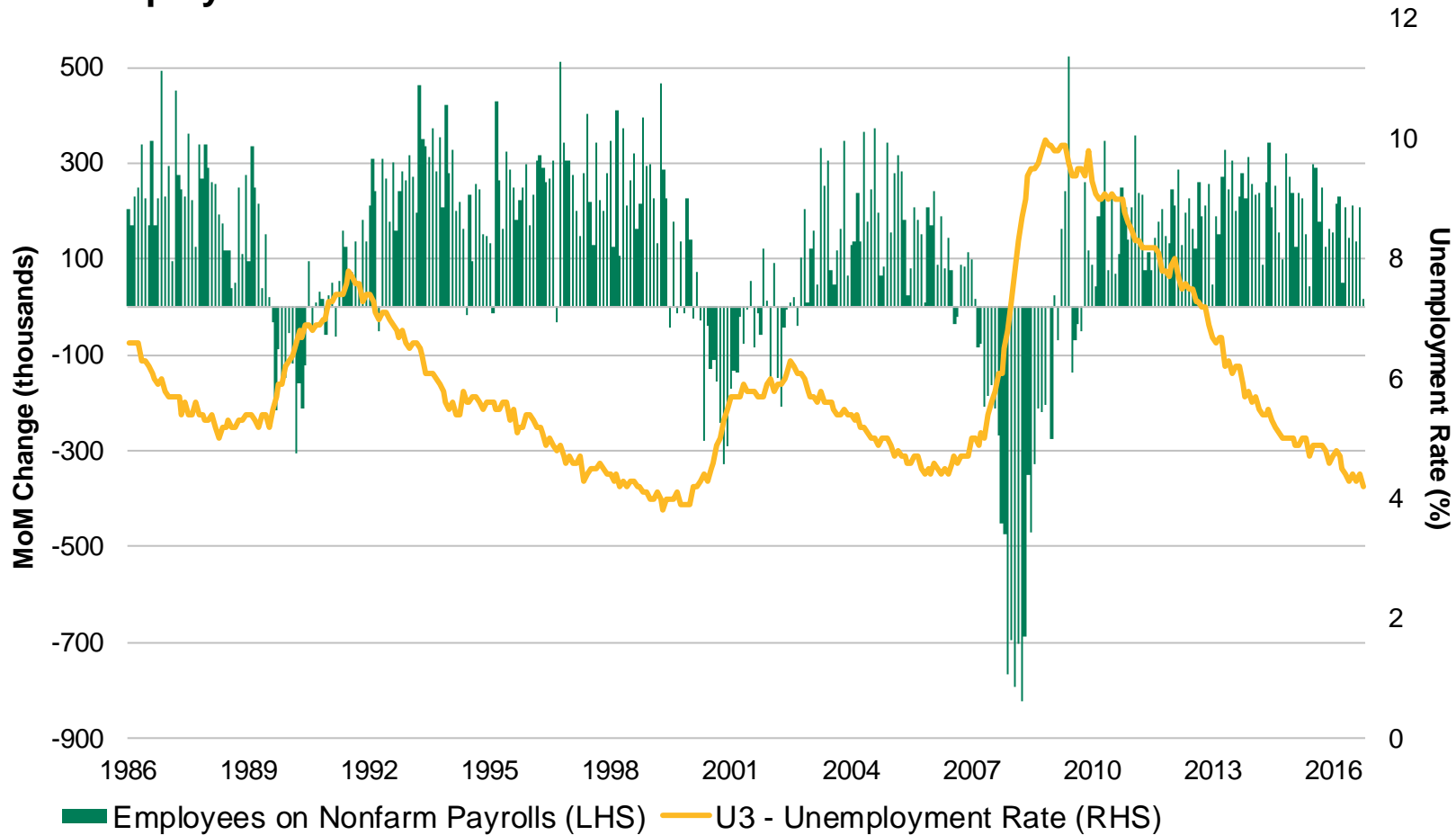


Data from 1/31/1994 to 9/30/2017
Source: Bloomberg



Employment Picture Looks Bright, Right?

U.S. Employment

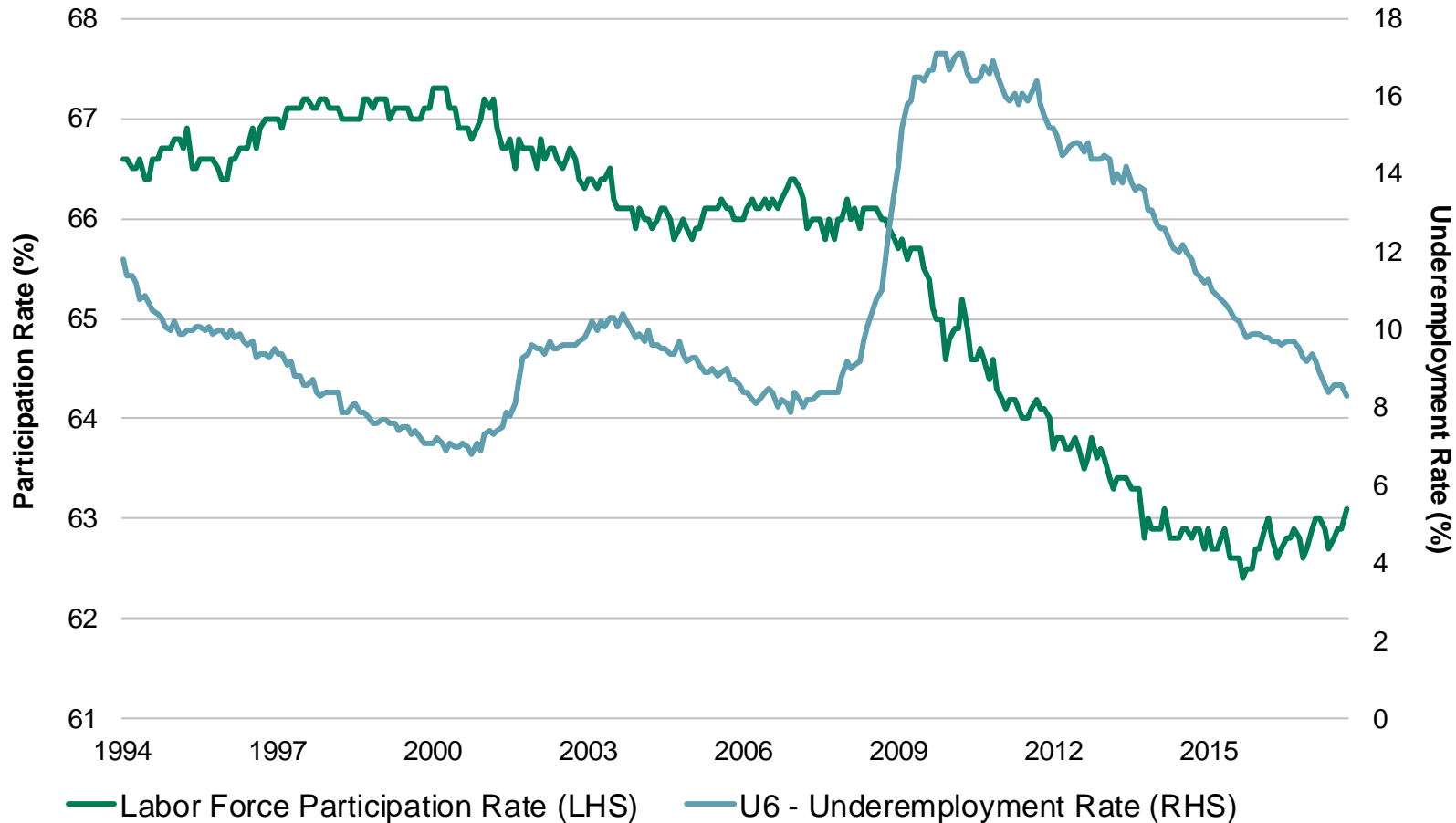


Data from 12/31/1986 to 9/30/2017
Source: Bloomberg



“Fully Employed” Economy?

Labor Force Participation and Underemployment

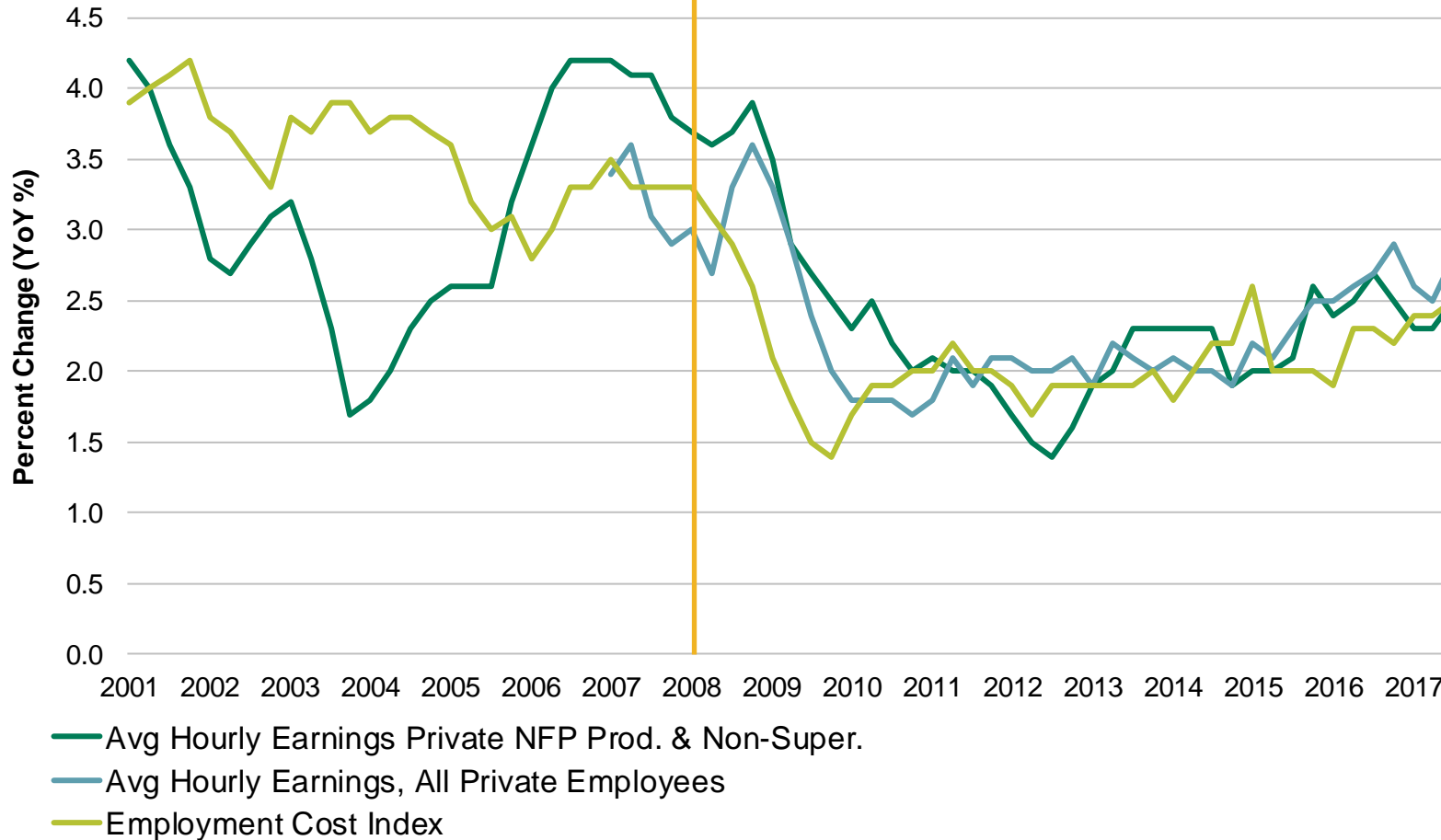


Data from 1/31/1994 to 9/30/2017
Source: Bloomberg



Then Why Is Wage Growth Still Anemic?

Wages

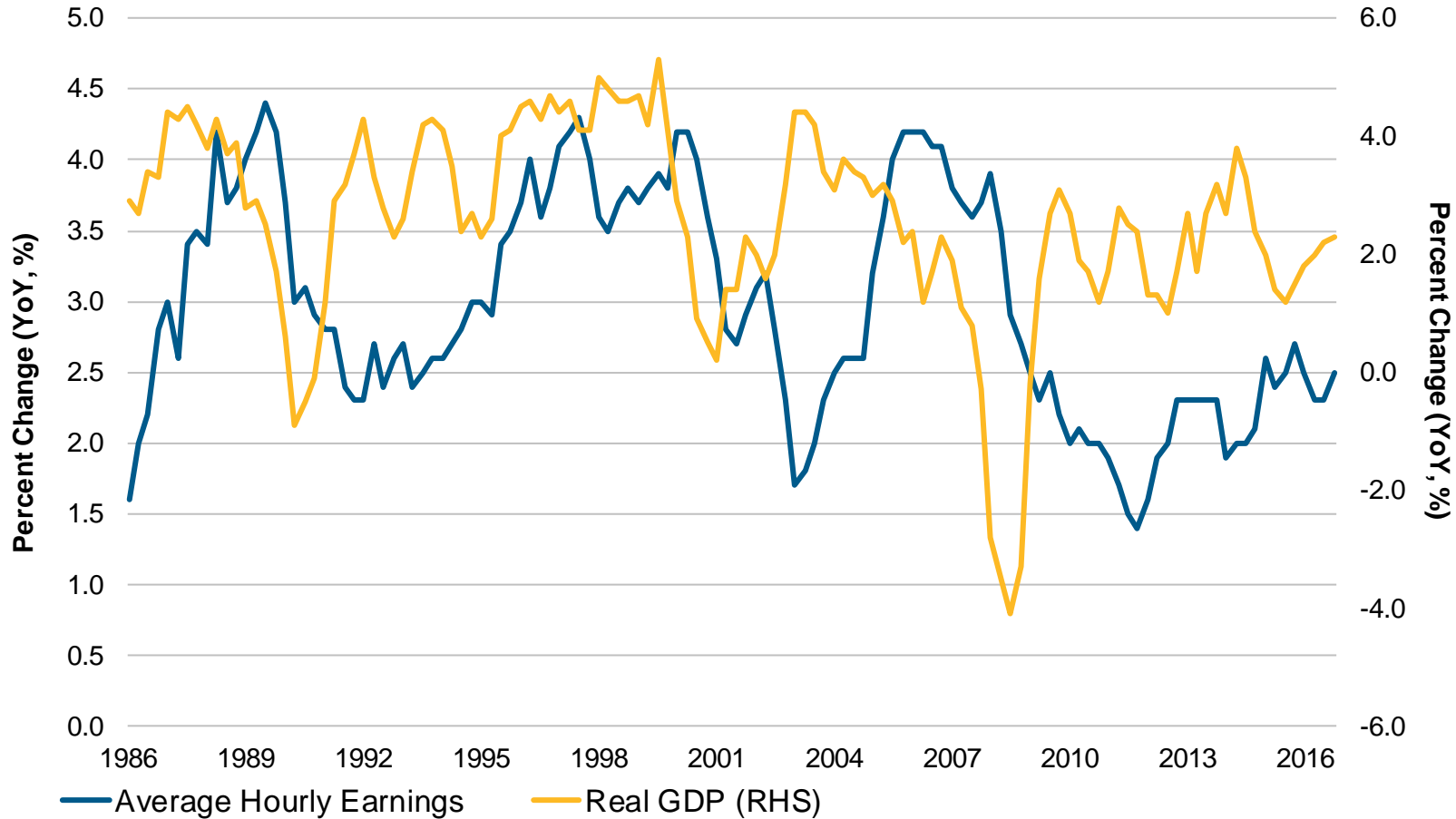


Data from 3/31/2001 to 9/30/2017
Source: Bloomberg



Growth and Wages: Chicken or the Egg?

GDP Growth and Wages

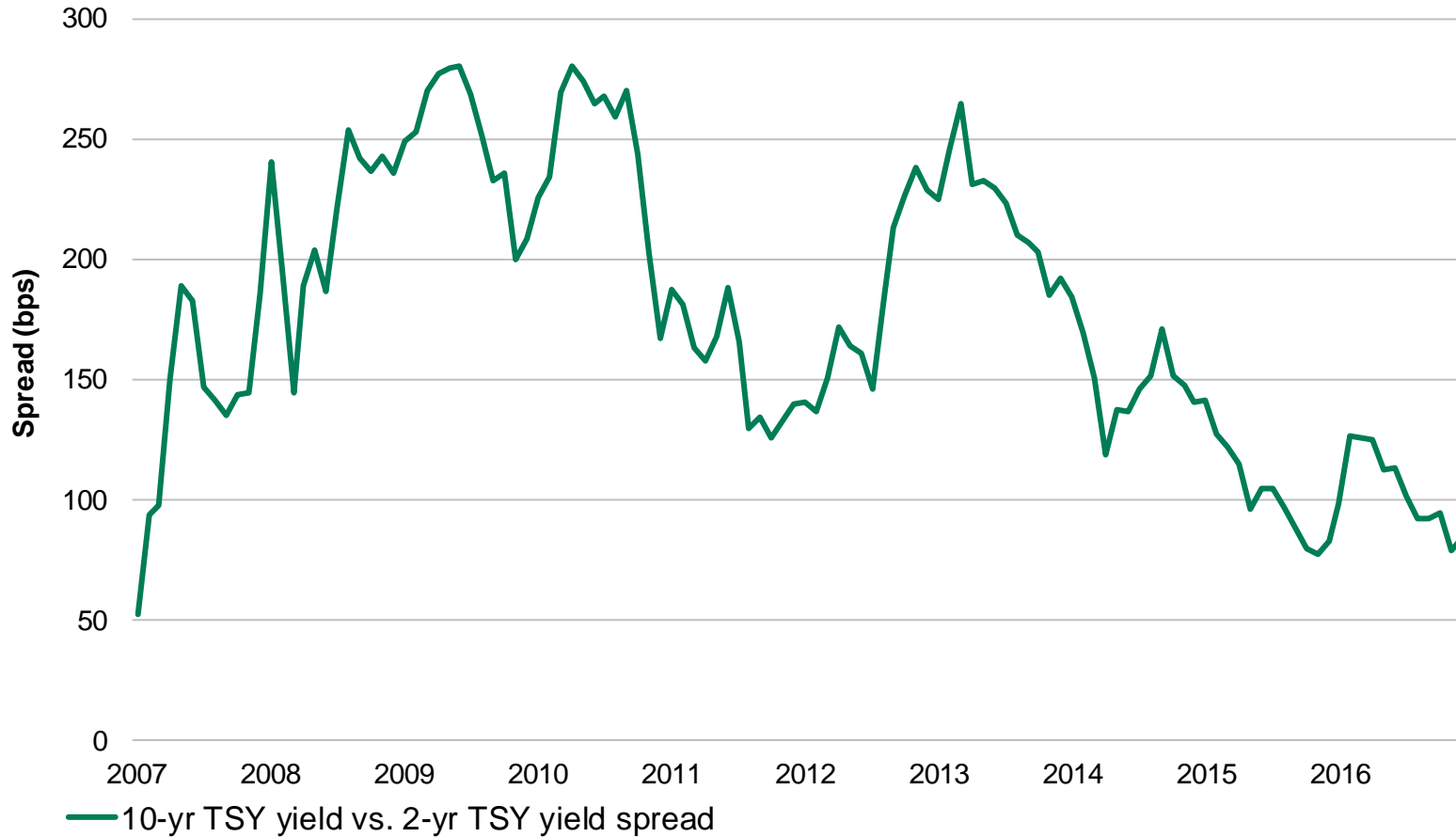


Data from 12/31/1986 to 9/30/2017
Source: Bloomberg



Crystal Ball or Fake News?

Treasury Yield Curve Steepness

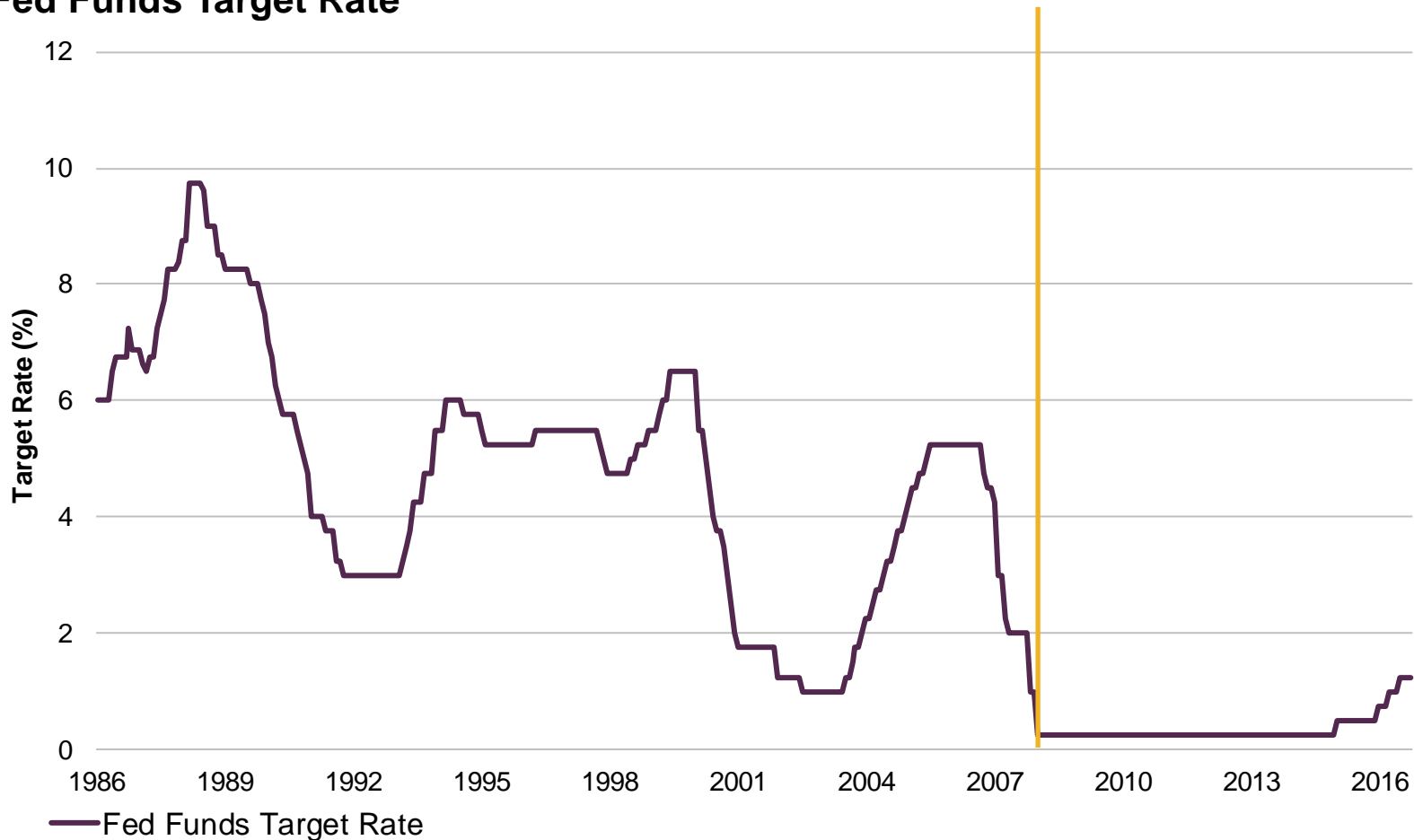


Data from 12/31/1986 to 9/30/2017
Source: Bloomberg



Is Fed Tightening or Renormalizing Rates?



Fed Funds Target Rate



Data from 12/31/1986 to 9/30/2017
Source: Bloomberg



Macroeconomic Outlook

	Global Economy	<ul style="list-style-type: none">▪ Global growth to remain modest, synchronized▪ European growth improving▪ Expansion robust for emerging markets
	U.S. Economy	<ul style="list-style-type: none">▪ Continued moderate growth▪ U.S. tax reform to lift growth marginally▪ Low volatility moderate growth environment will remain for extended period
	Inflation	<ul style="list-style-type: none">▪ Global inflation to moderately increase but remain muted overall▪ Barriers to higher inflation▪ U.S. inflation stabilizes, remains weak in Eurozone, climbing in U.K.
	Monetary Policy	<ul style="list-style-type: none">▪ Most central banks still accommodative▪ Fed normalization continues; status quo with new Fed Chairman▪ Stimulus slowing in Europe, U.K.
	Interest Rates	<ul style="list-style-type: none">▪ Rates stay low globally; higher in U.S. than in other developed markets▪ U.S. rates remain range bound, rise slowly▪ Rate disparity still a factor

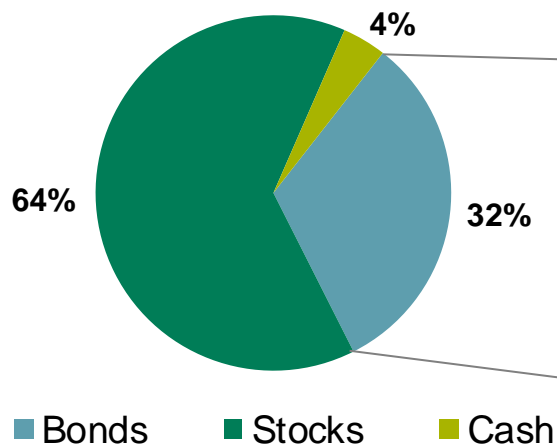
Views as of 12/31/2017. Opinions and estimates offered constitute our judgment and along with other portfolio data, are subject to change without notice.

Source: American Century Investments

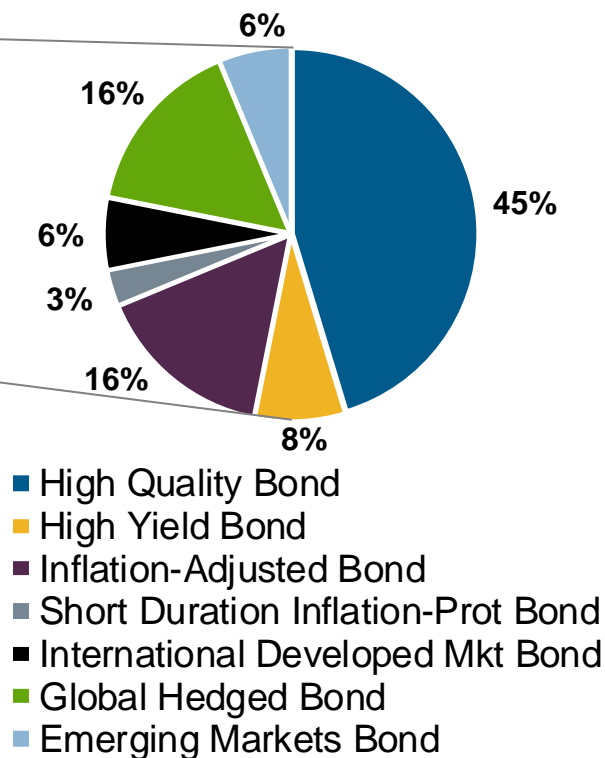


Fixed Income Allocation in Typical Moderate Risk Portfolio

Typical Allocation for Moderate Asset Allocation Portfolio



Typical Fixed Income Allocation for Moderate Asset Allocation Portfolio



Data as of 12/4/2017
Source: American Century Investments



Potential Impact of New Tax Reform Bill on Municipal Market

- Elimination of Tax-Exempt Advance Refundings
- Elimination of Tax-Exempt Private Activity Bonds (PABs)
- Elimination of SALT/Property Taxes Deductibility from Federal Taxes
- Corporate Tax Rate Reduction
- Elimination of Alternative Minimum Tax (AMT)

American Century Investments

- **Performance Focused for Nearly 60 Years**
- **Pure-Play Business Model**
- **Privately Controlled and Independent**
- **Prosper With Purpose[®]**

Managing Money, Making an Impact

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