

STATE OF THE INDUSTRY 2013

Welcome Colleagues

To the Year of Change

Thank You Bob
&
Elite Staff!

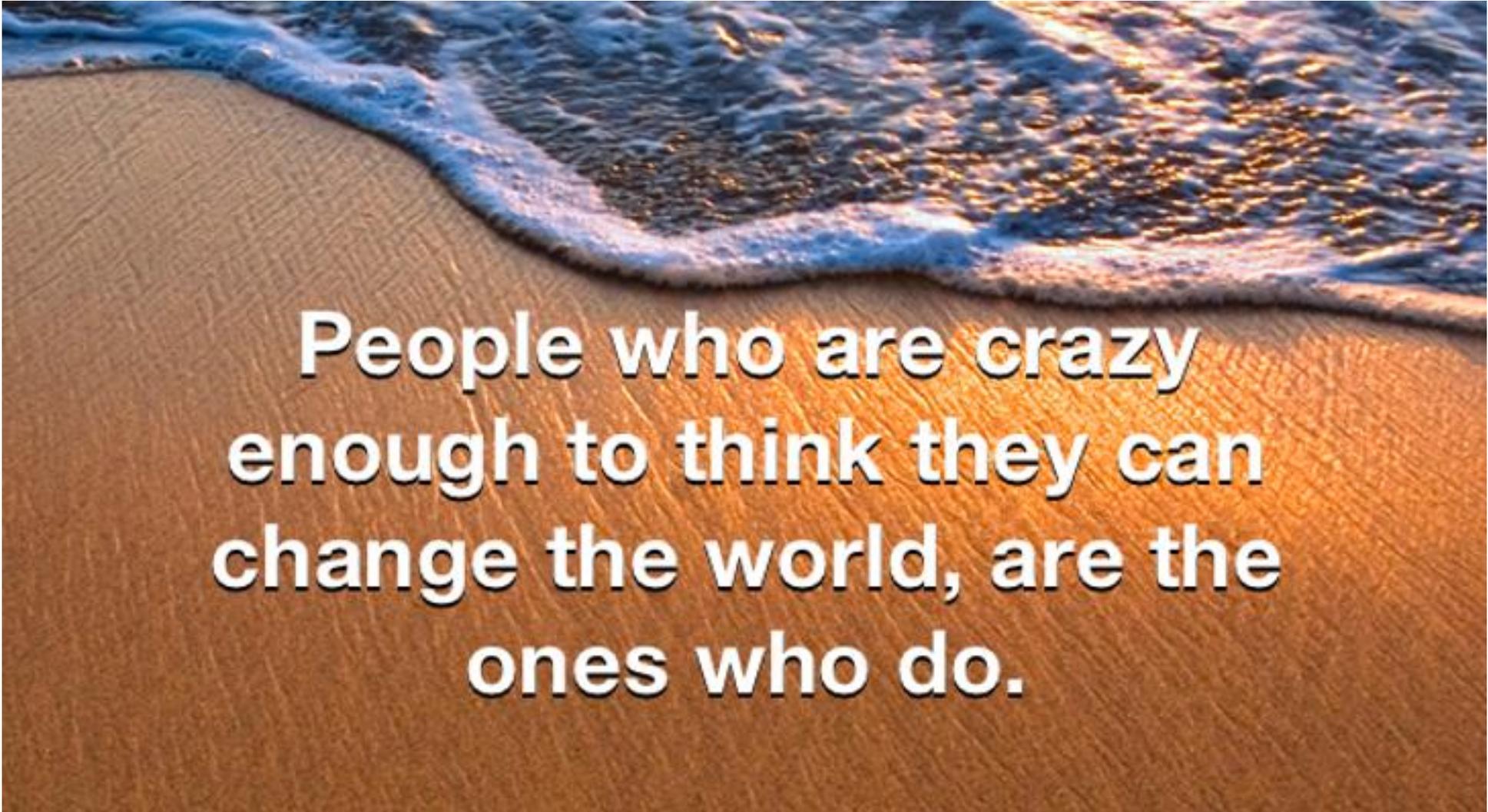




This is me on
a walk

I am an Outdoor Cat
Not an Indoor Cat





**People who are crazy
enough to think they can
change the world, are the
ones who do.**

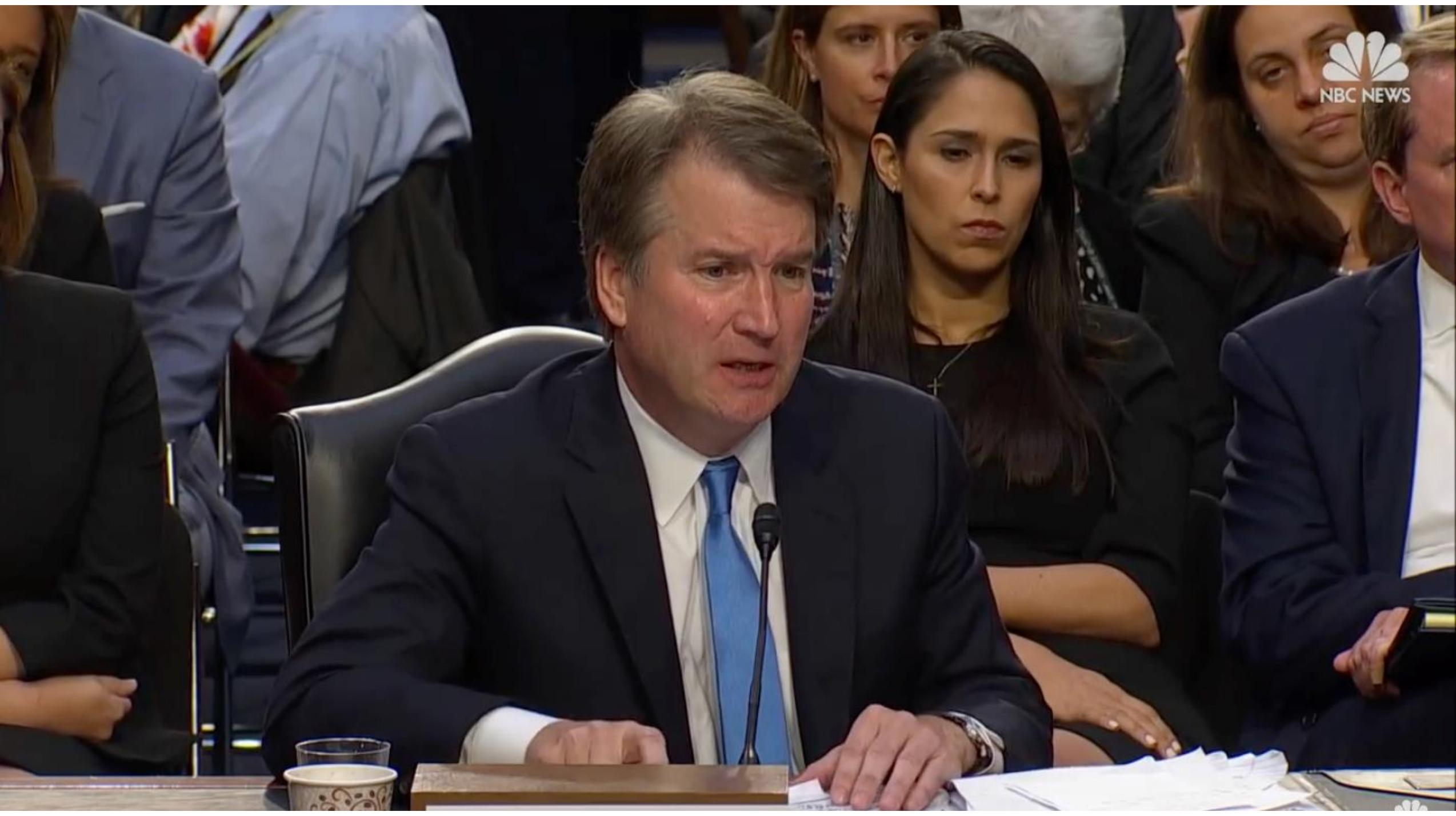


Top Events in 2018

Sorry WE'RE
CLOSED















A large, bold, blue '20' is centered on a black background. The background features a subtle, repeating pattern of dark blue triangles pointing in various directions. Below the '20', the words 'YEARS STRONG' are written in a smaller, blue, sans-serif font.

20

YEARS STRONG

U.S. business cycle scorecard

	Start of cycle	Early cycle	Mid cycle	Late cycle	End of cycle	Recession
Inventories		●	○			
Consumer durables		●	●			
Housing			●	●		
Prices			●	●		
Bonds			●	●		
Monetary policy			●	●		
Equity profitability			●	●		
Leverage			●	●	○	
Economic trend			○	●	○	
Credit			○	●	○	
Sentiment				●		
Business investment				●	○	
Employment				●	○	
Equity direction			○	●	●	
Economic slack				●	●	
Volatility				○	●	
Cycle age					●	
Votes for each stage of business cycle	0	2	9	13.5	6.5	0

Legend: ● = most likely stage of business cycle; ○ = alternative interpretation.

Source - RBC Global Asset Management

Major economic indicators still in expansion mode

RBC Wealth Management U.S. economic indicator scorecard

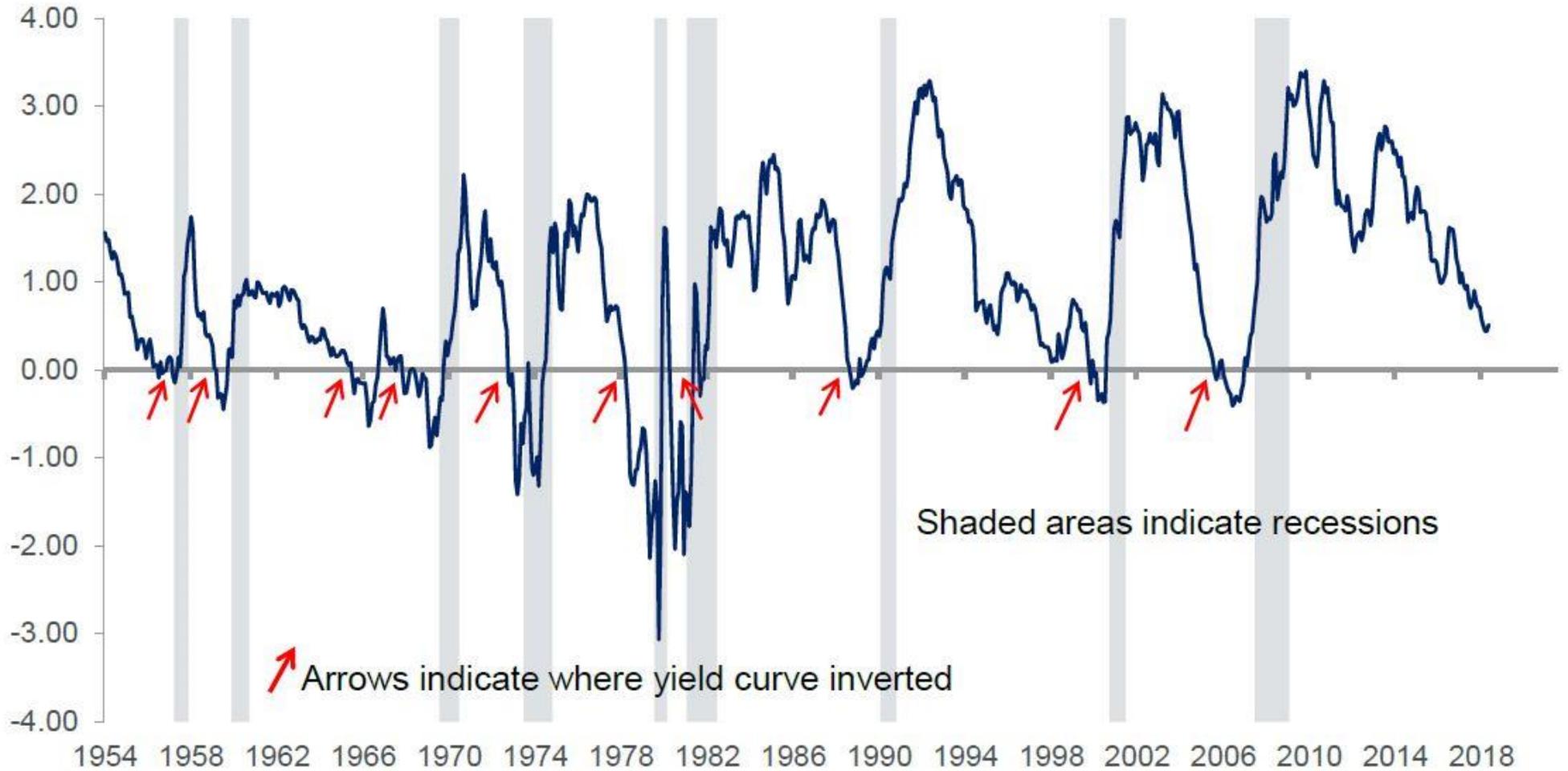
Indicator	Status		
Yield curve (12-month to 10-year)	✓	–	–
Unemployment claims	✓	–	–
Unemployment rate	✓	–	–
Conference Board Leading Index	✓	–	–
ISM new orders minus inventories	✓	–	–
Fed funds vs. nominal GDP growth	✓	–	–
Expansion Neutral Recessionary			

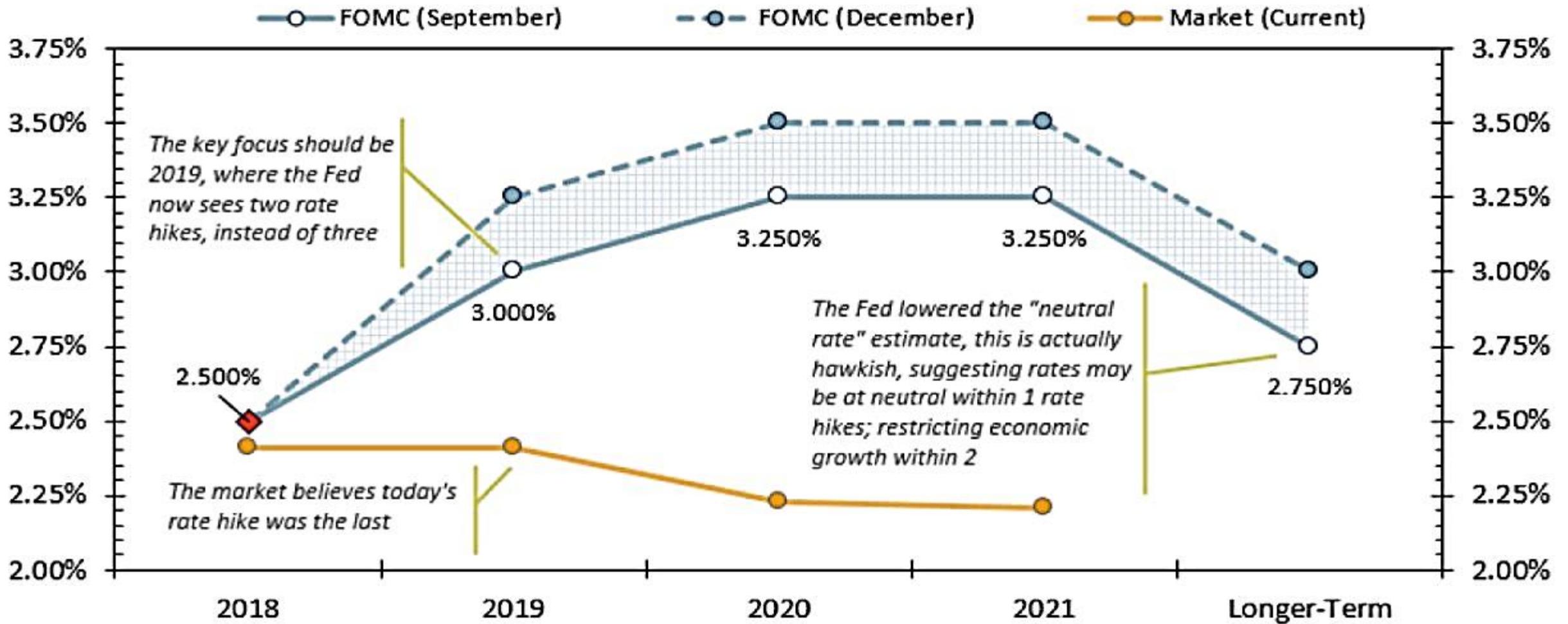
No U.S. recession in sight so far.

Source - RBC Wealth Management, Bloomberg, FRED Economic Data St. Louis Fed

Inversions lead recessions by about a year

Yield differential between the U.S. 10-year and 1-year Treasury (%)





Central bank balance sheet

U.S. dollars (trillion)

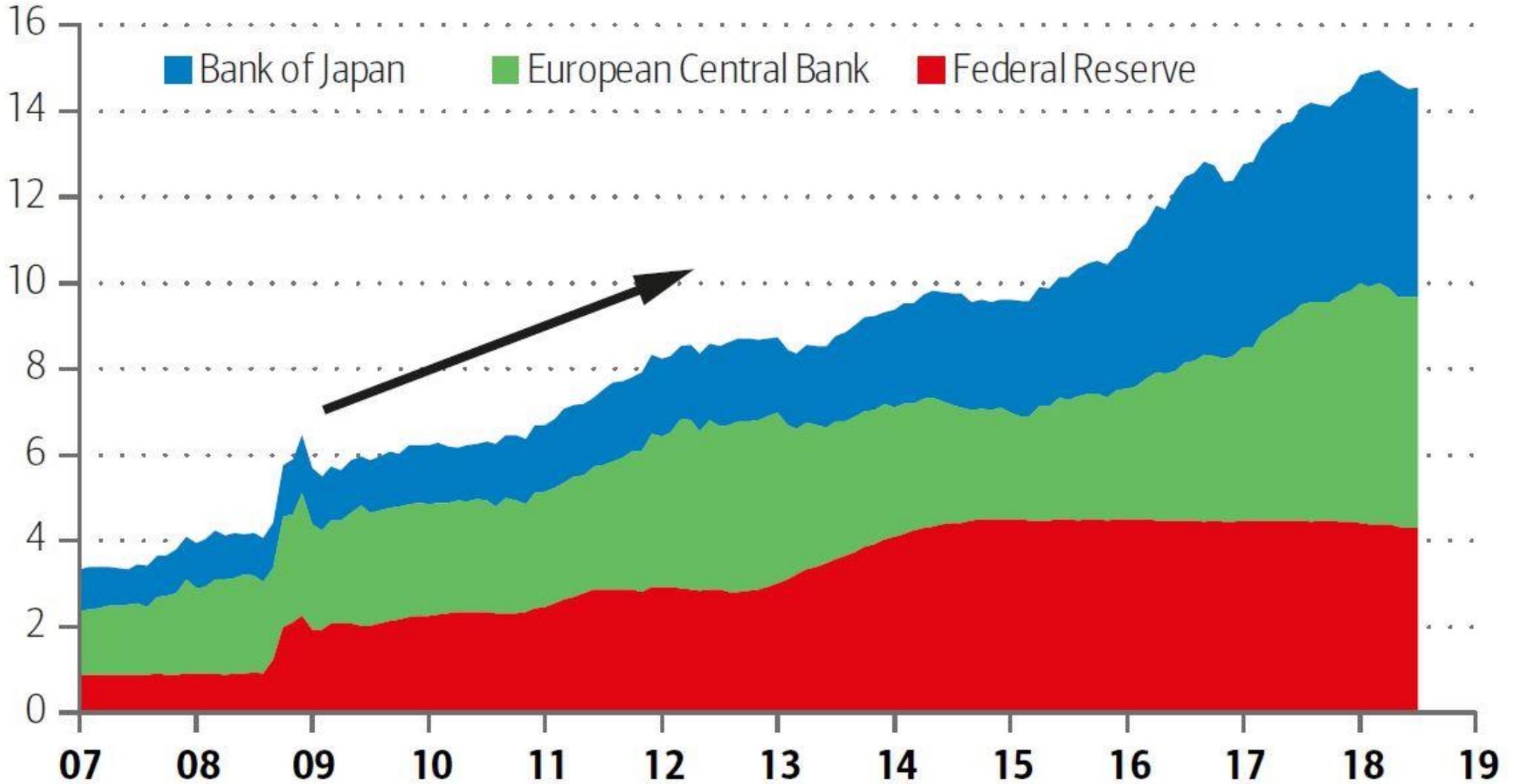
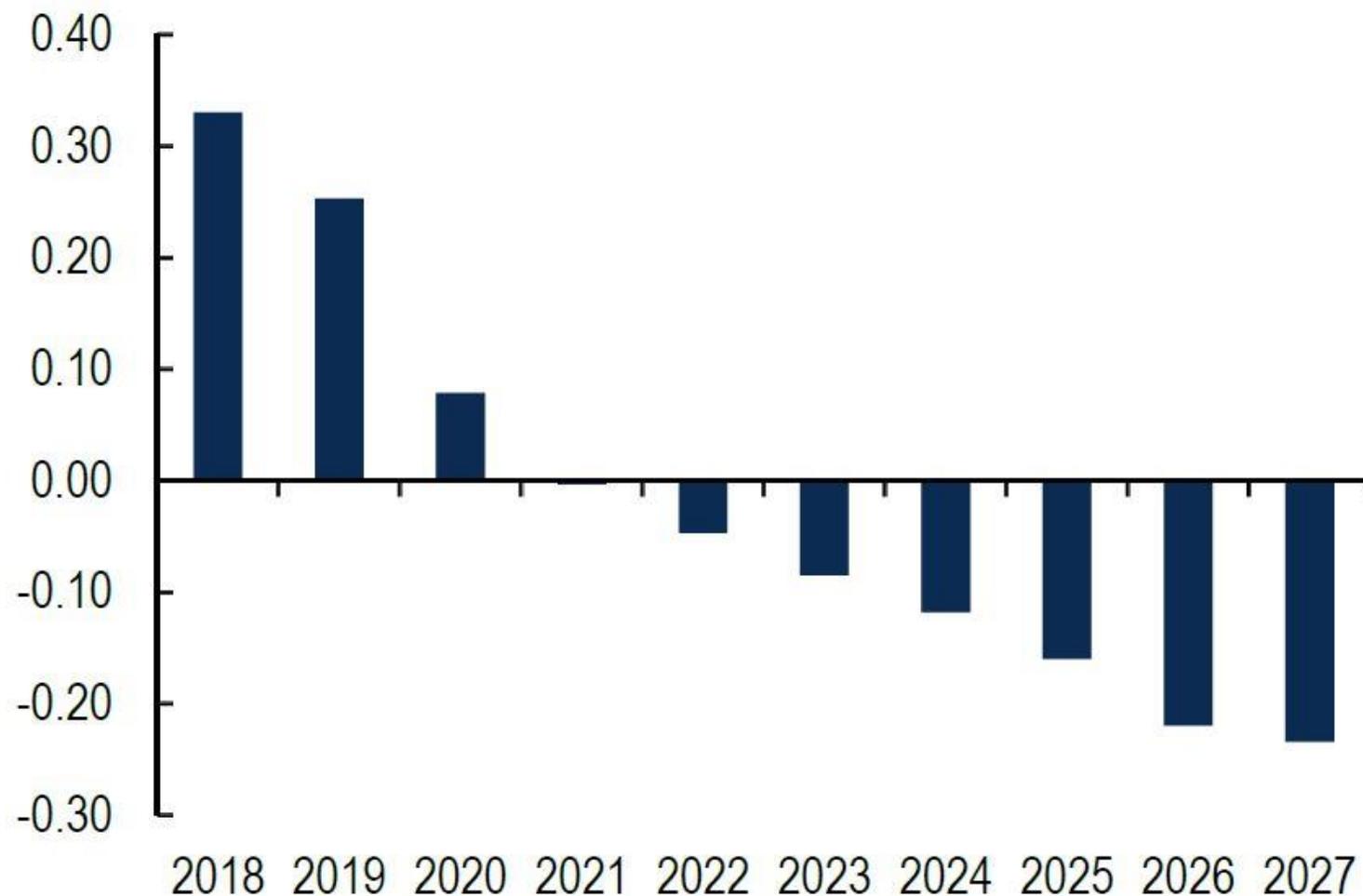
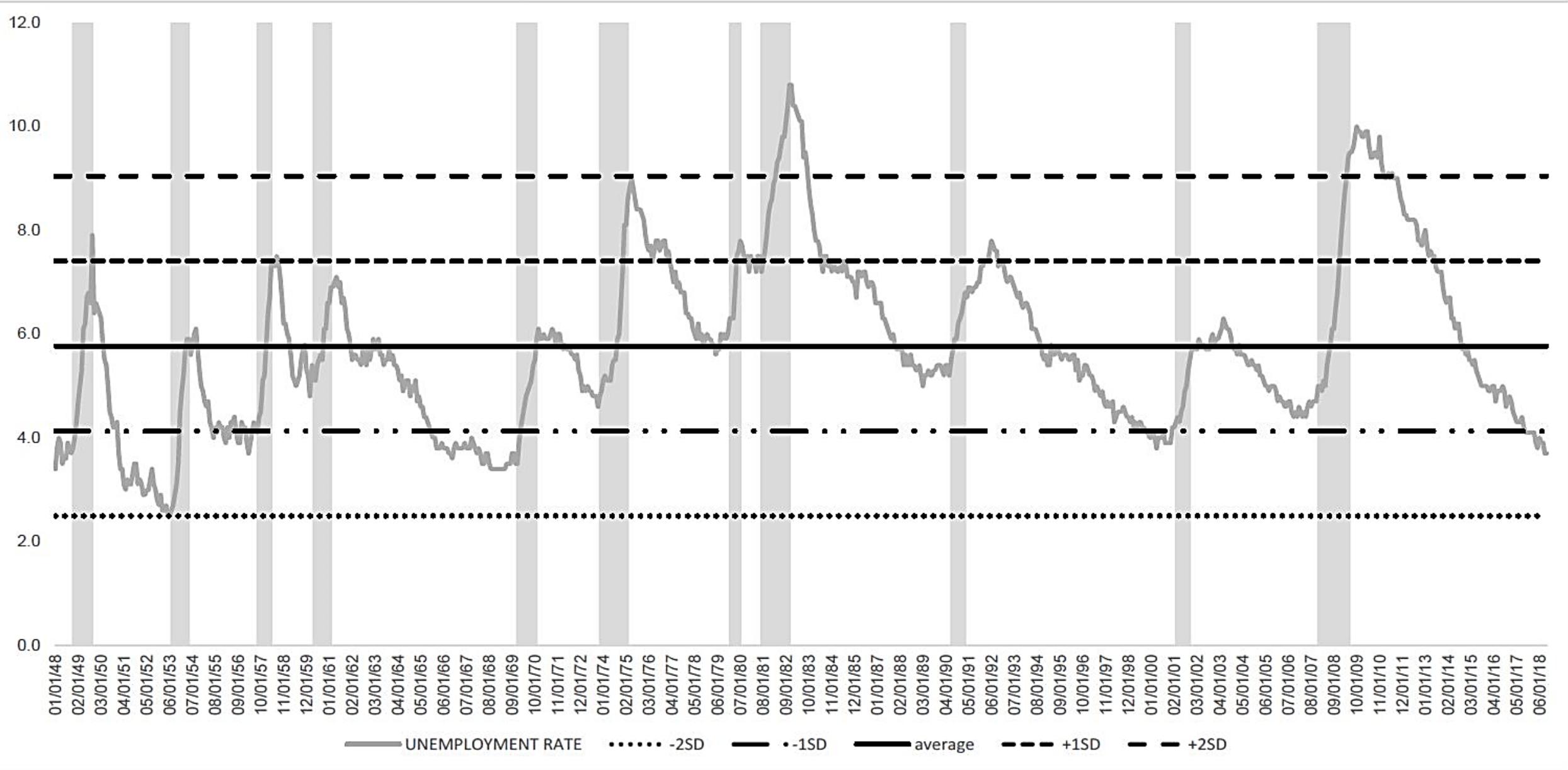


Chart 4: Impact to real GDP growth from tax reform over the next 10 years (growth rate relative to baseline, pp)



Source: BofA Merrill Lynch Global Research

Unemployment Rate Still below 4%

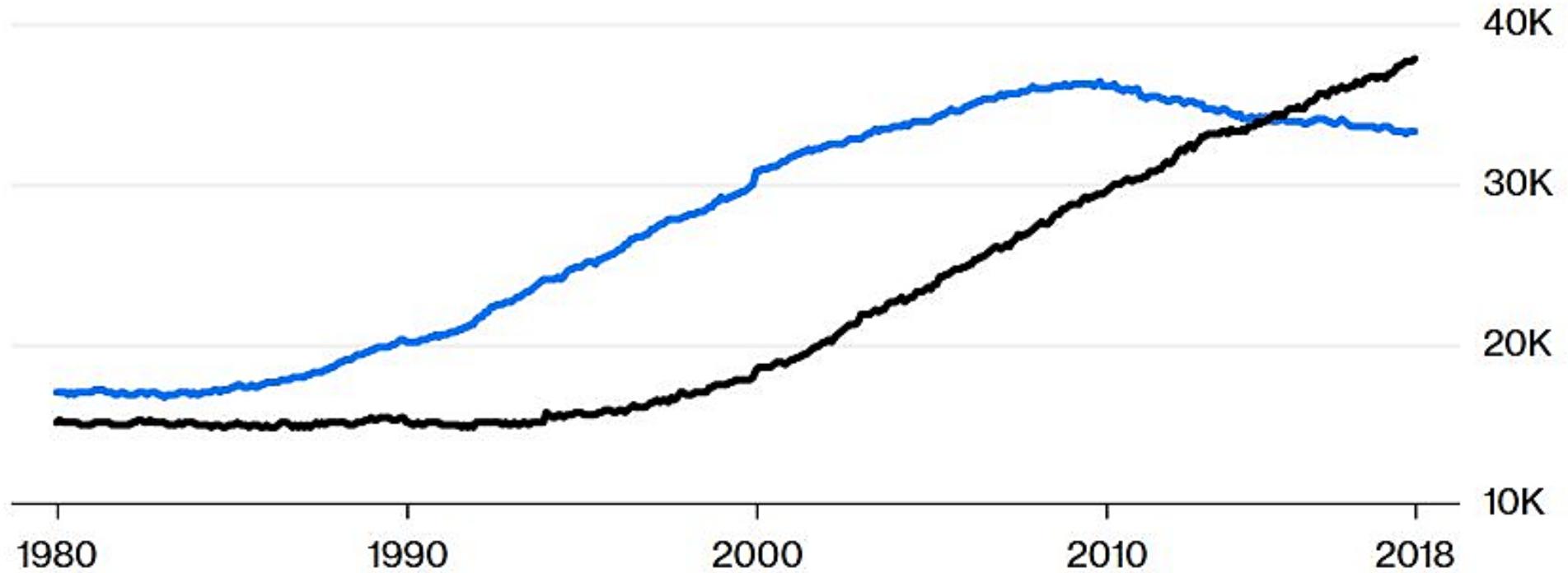


SD: Standard Deviation

Boomers Dominate Job Growth, But Not for Much Longer

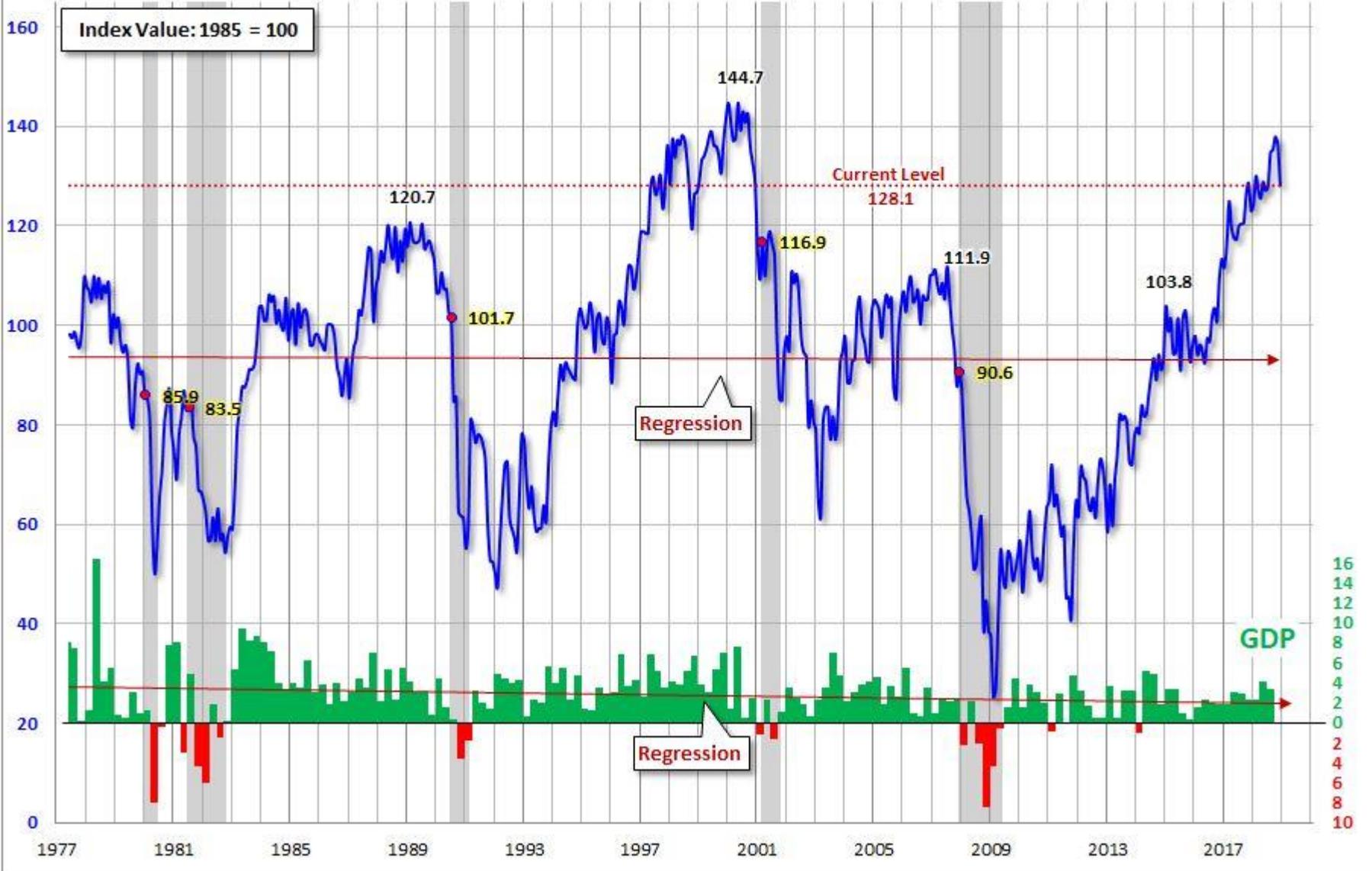
Their share of the workforce will start to shrink as soon as this year.

Workers 45 to 54 years old Workers 55 and over



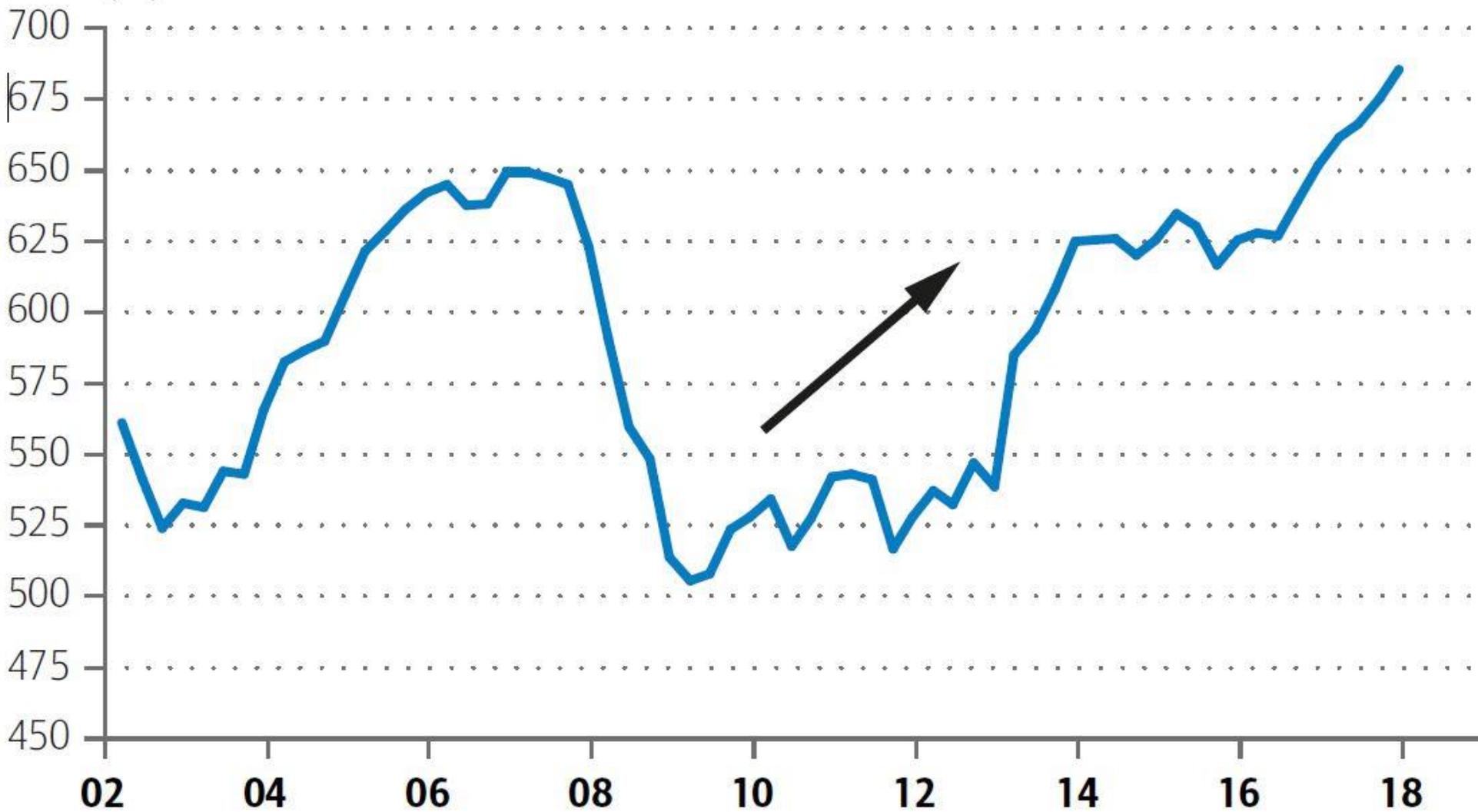
Source: U.S. Bureau of Labor Statistics

Conference Board Consumer Confidence Index Recessions Highlighted in Gray, Real GDP Shown Below



Net worth to disposable income

Share (%)



The Long Road Back: Rebound in U.S Household Wealth

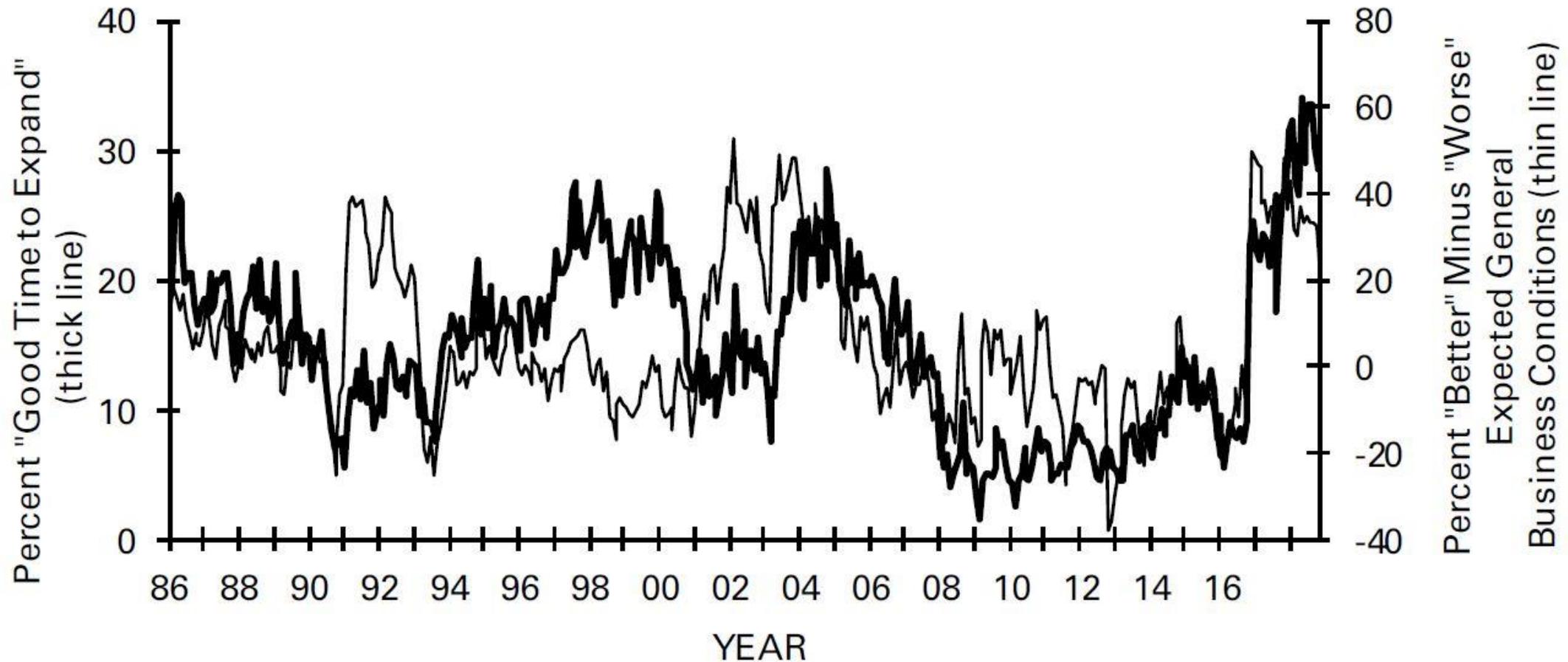
SMALL BUSINESS OUTLOOK

OUTLOOK

Good Time to Expand and Expected General Business Conditions

January 1986 to November 2018

(Seasonally Adjusted)





Overall Business Outlook Looks Good



Sea of Change
on the Horizon
For the Auto Industry



