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WESTMINSTER
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**BANK OF
UTAH**

So when is this party going to be over?



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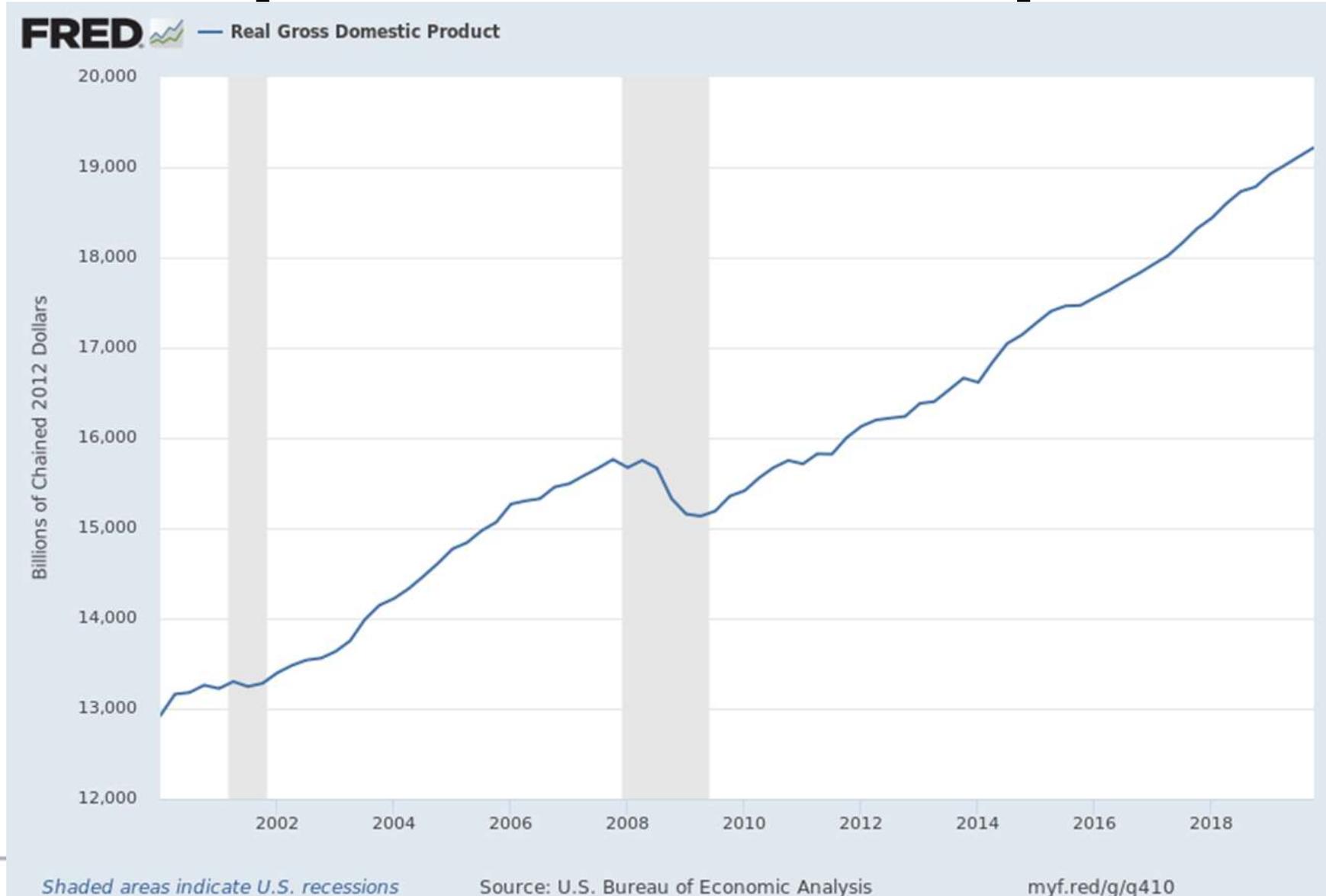
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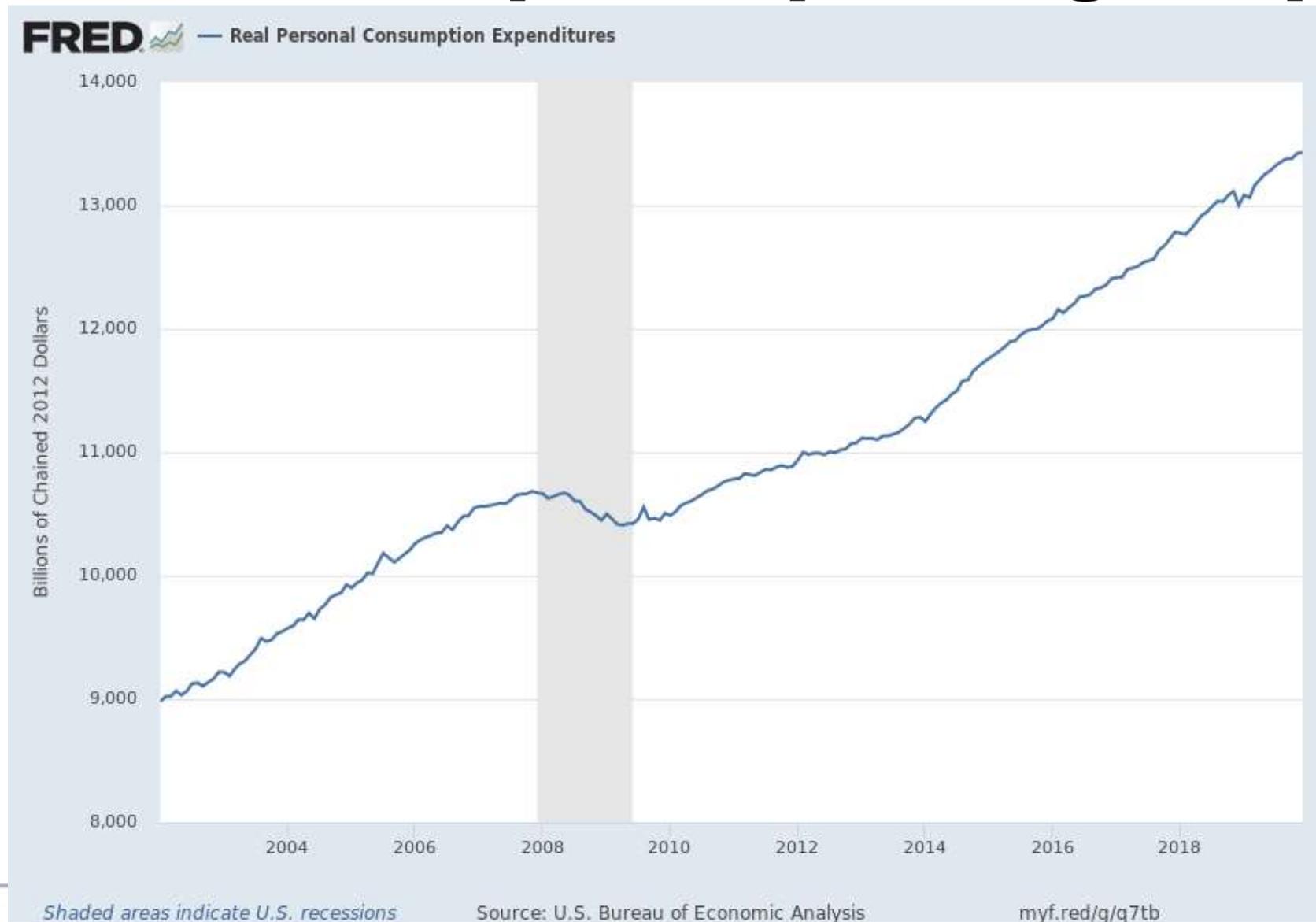
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Real GDP is up about 27% since depths of last crisis



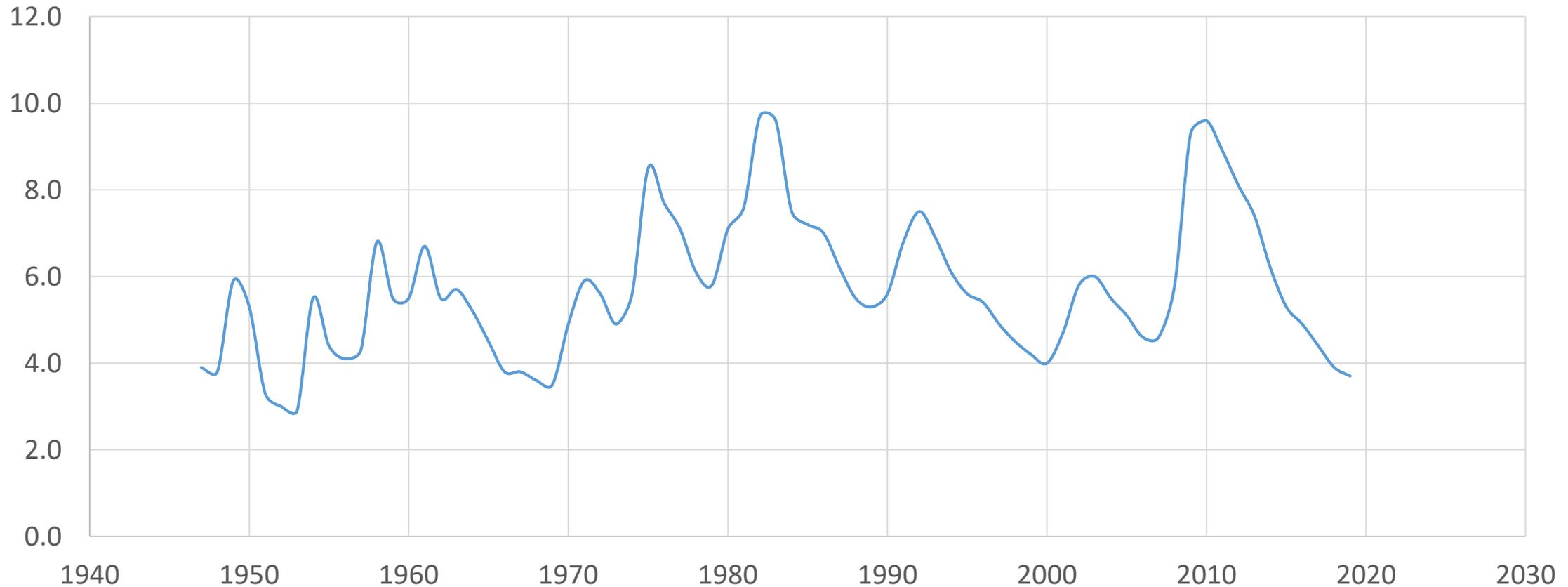
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Household consumption spending is up nearly



The national unemployment rate hasn't been this low in over 50 years (now 3.6%)

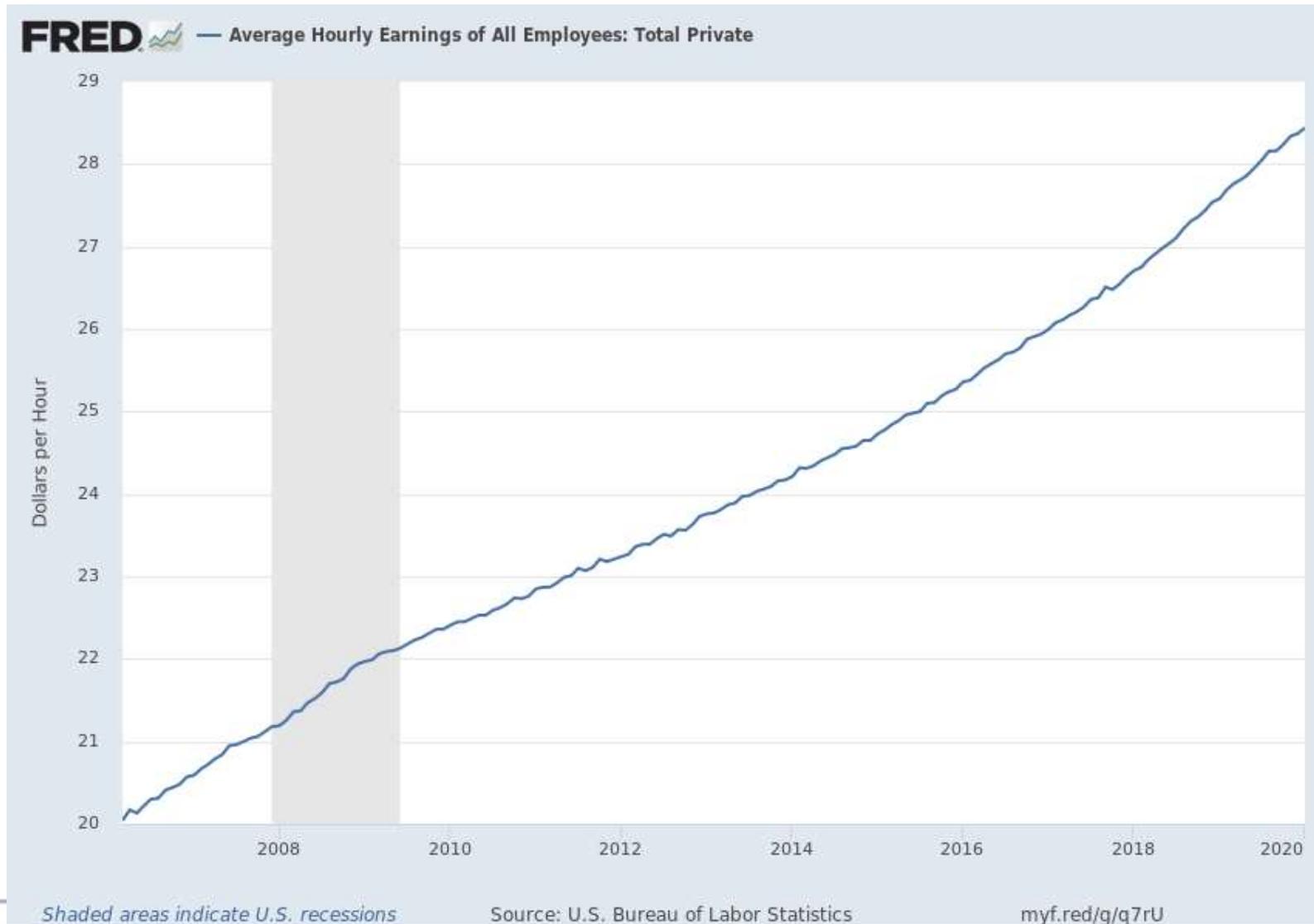
Annual National Unemployment Rate



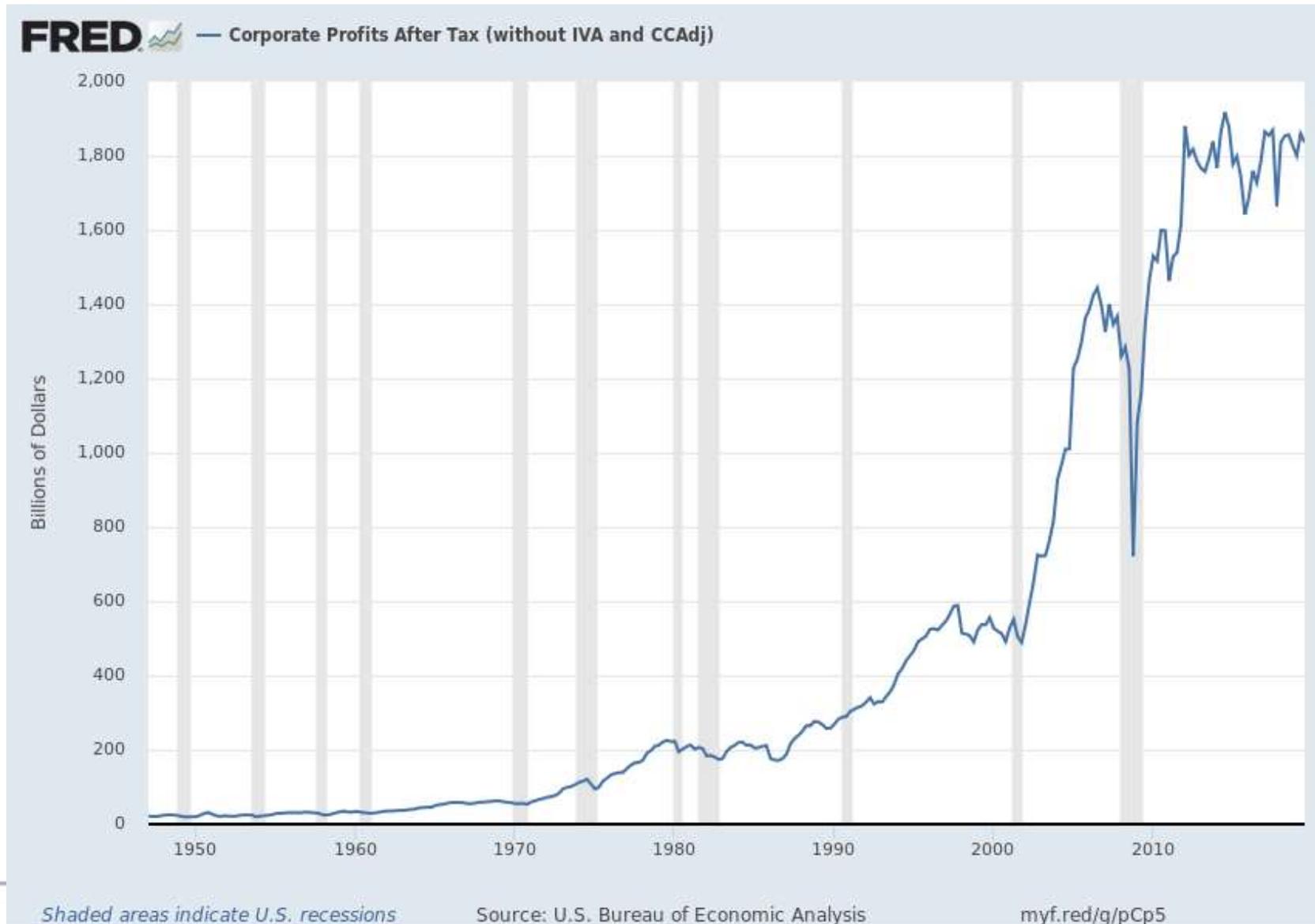
We have definitely slain the beast of inflation (last reading of consumer rate is 2.3%)



Hourly pay is up nearly 35% since the crisis



Corporate profits are up over 150% since the depths of the crisis

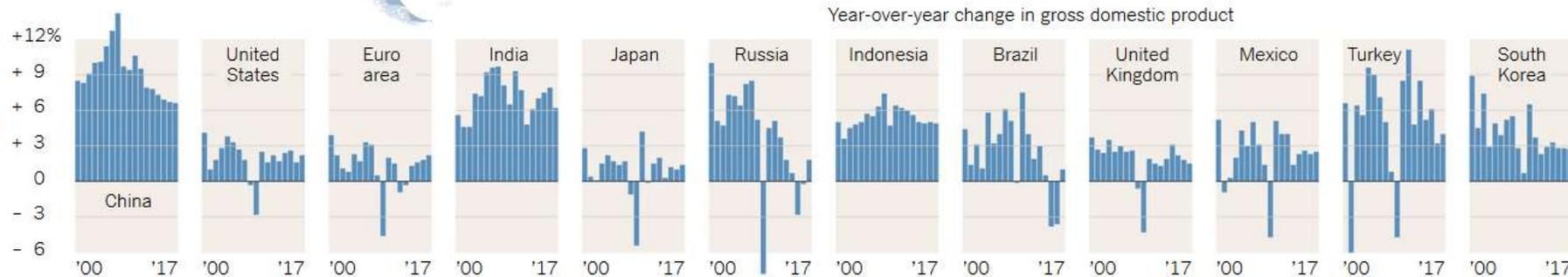
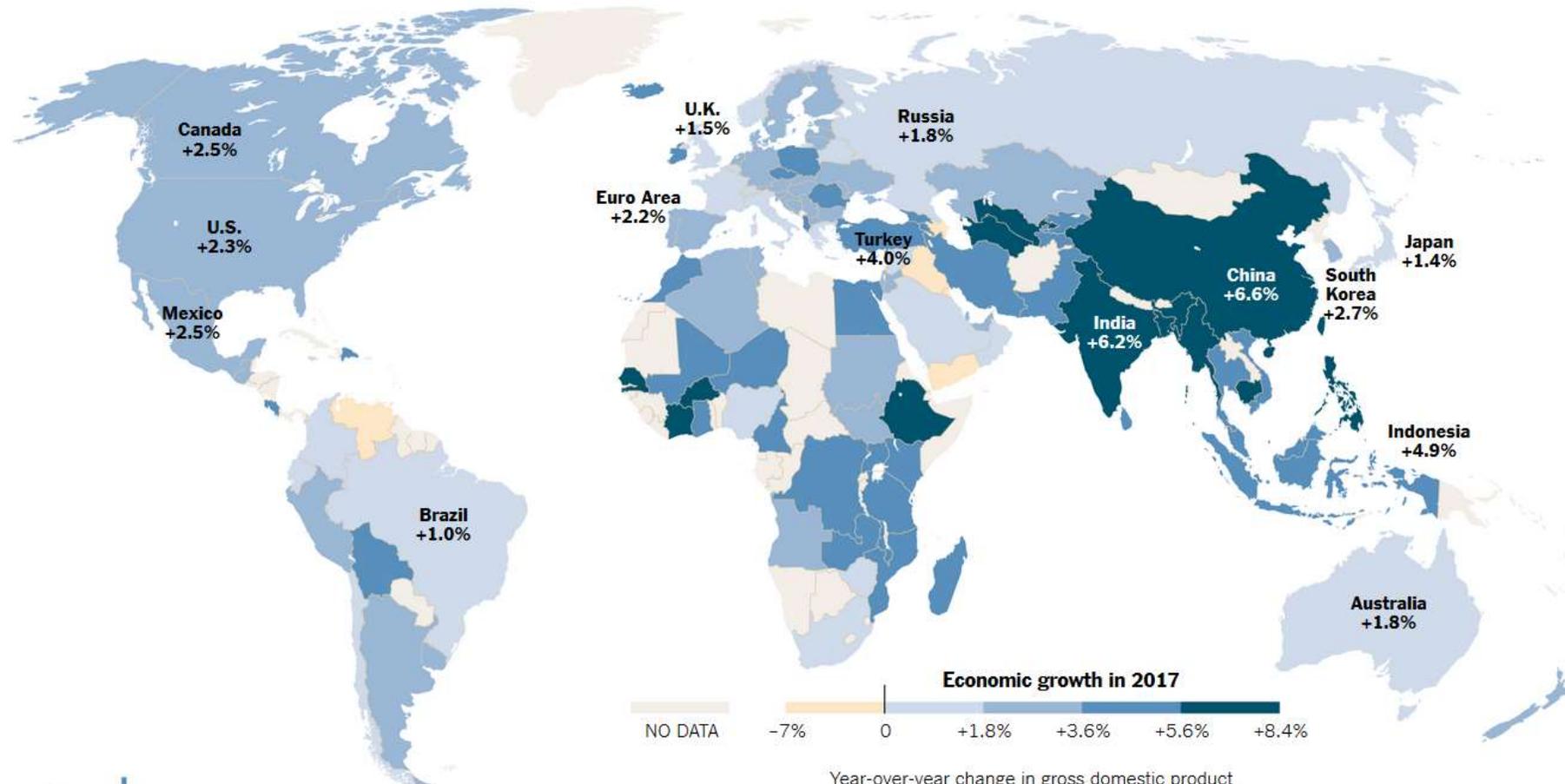


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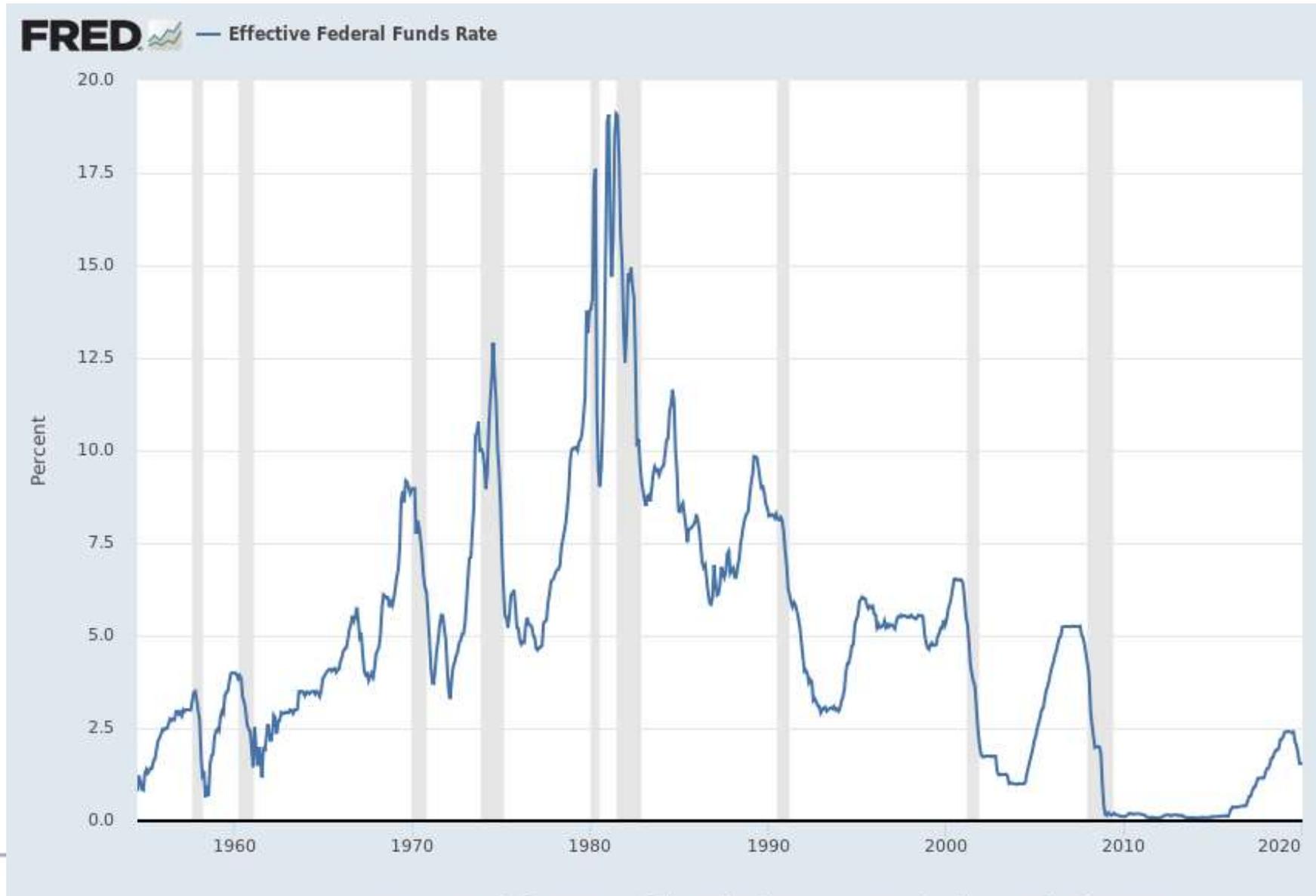
This is the longest economic expansion in US history

- 128 months old
- Part of a global expansion
- Fueled by easy money, global growth, technological advances, tax reform, and deregulation
- Consensus among economists is that Trump tax and regulatory policies have contributed to *prolonging* of expansion, but seeds for expansion planted long before Trump took office





Much of the expansion is driven by easy money....



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...which has helped drive a 270% increase in the S&P 500 since 2010

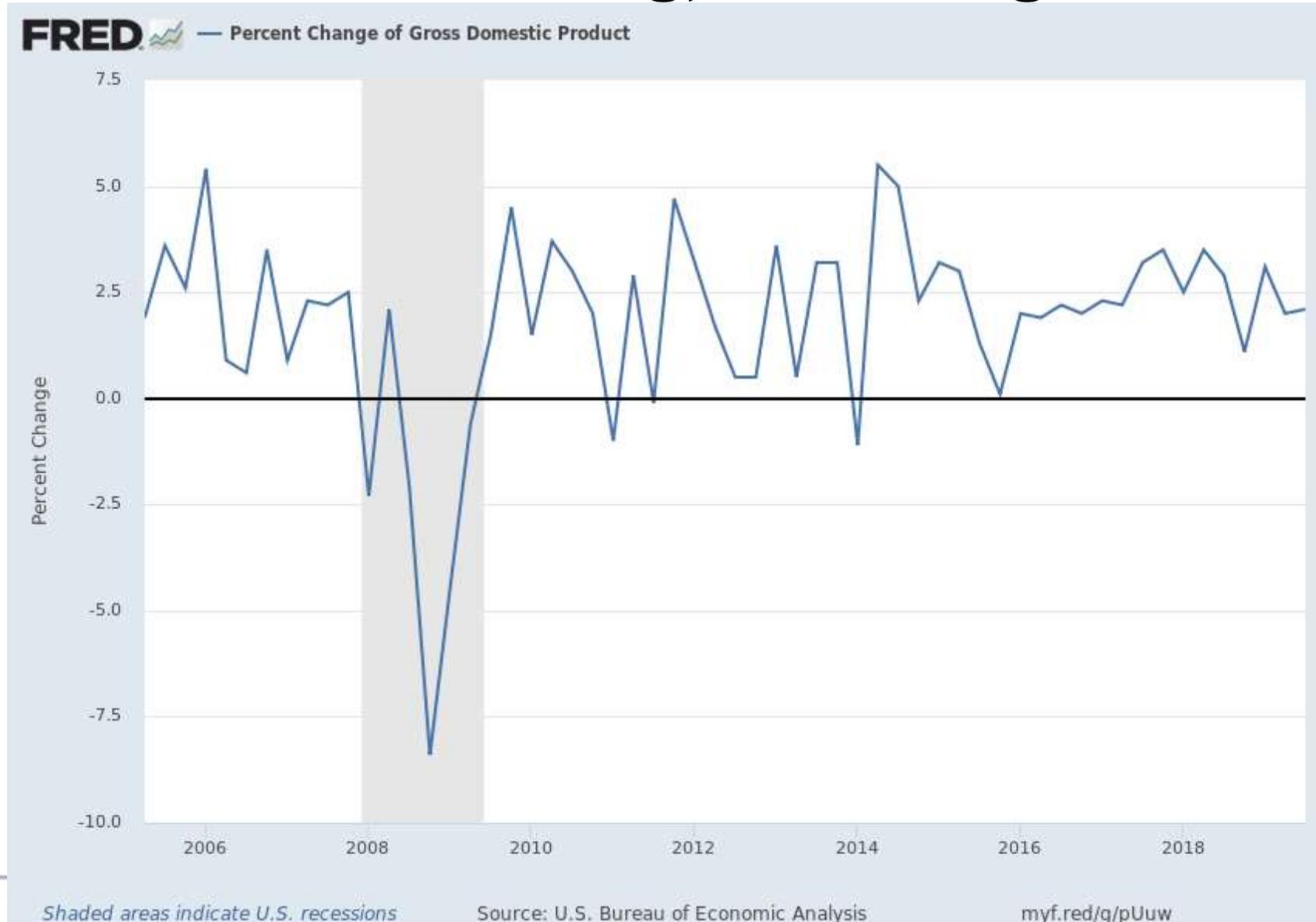


Three questions about this expansion?

- Is it actually winding down?
- Are there any flies in the ointment?
- Are the equity markets overvalued?



Growth is indeed decelerating, but stronger than 5 years ago

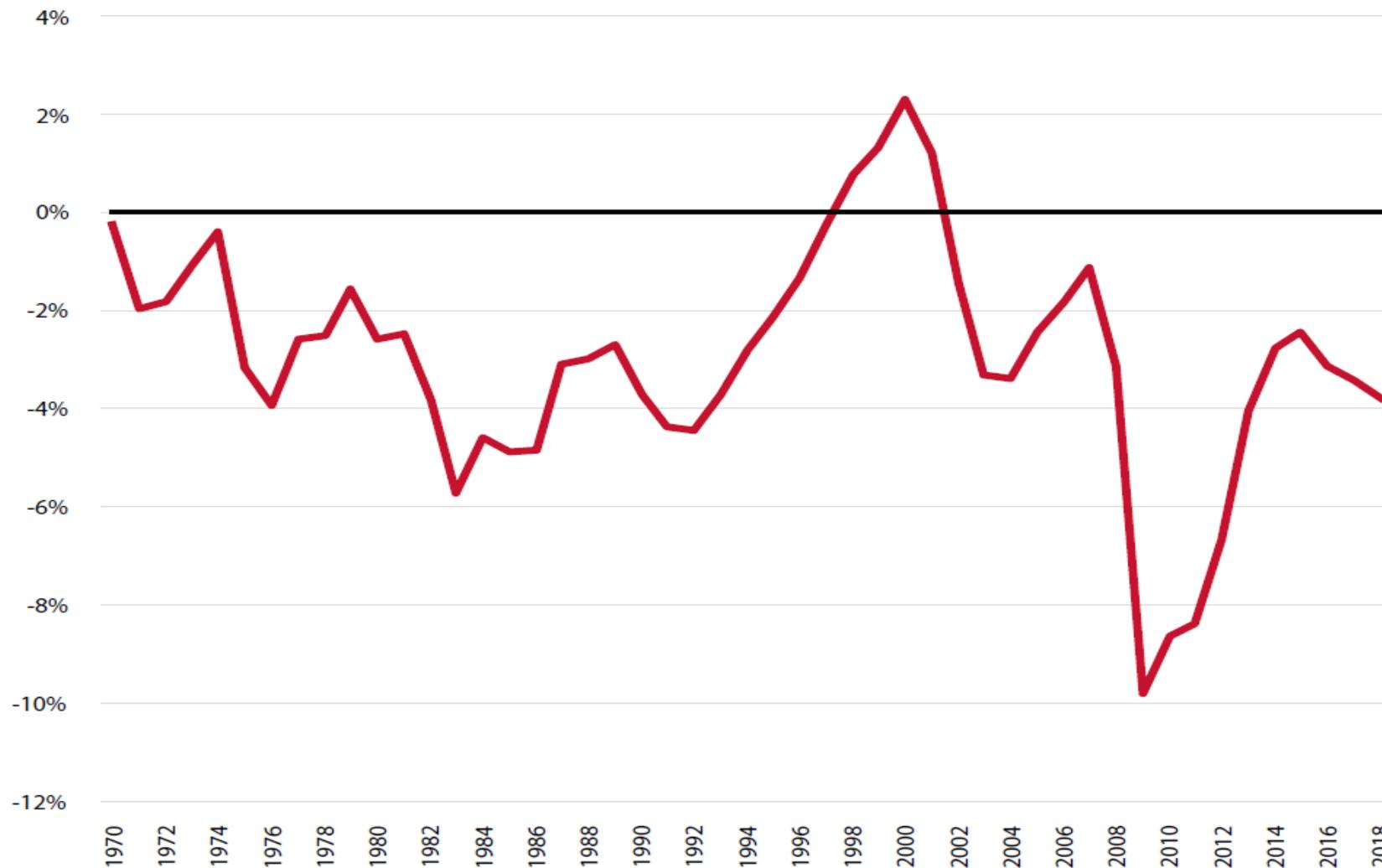


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The gnawing federal budget deficit is a major concern

Source: Federal Reserve Bank of St. Louis; taken from *Utah Informed* (2020 edition)

Federal budget balance as a percent of GDP



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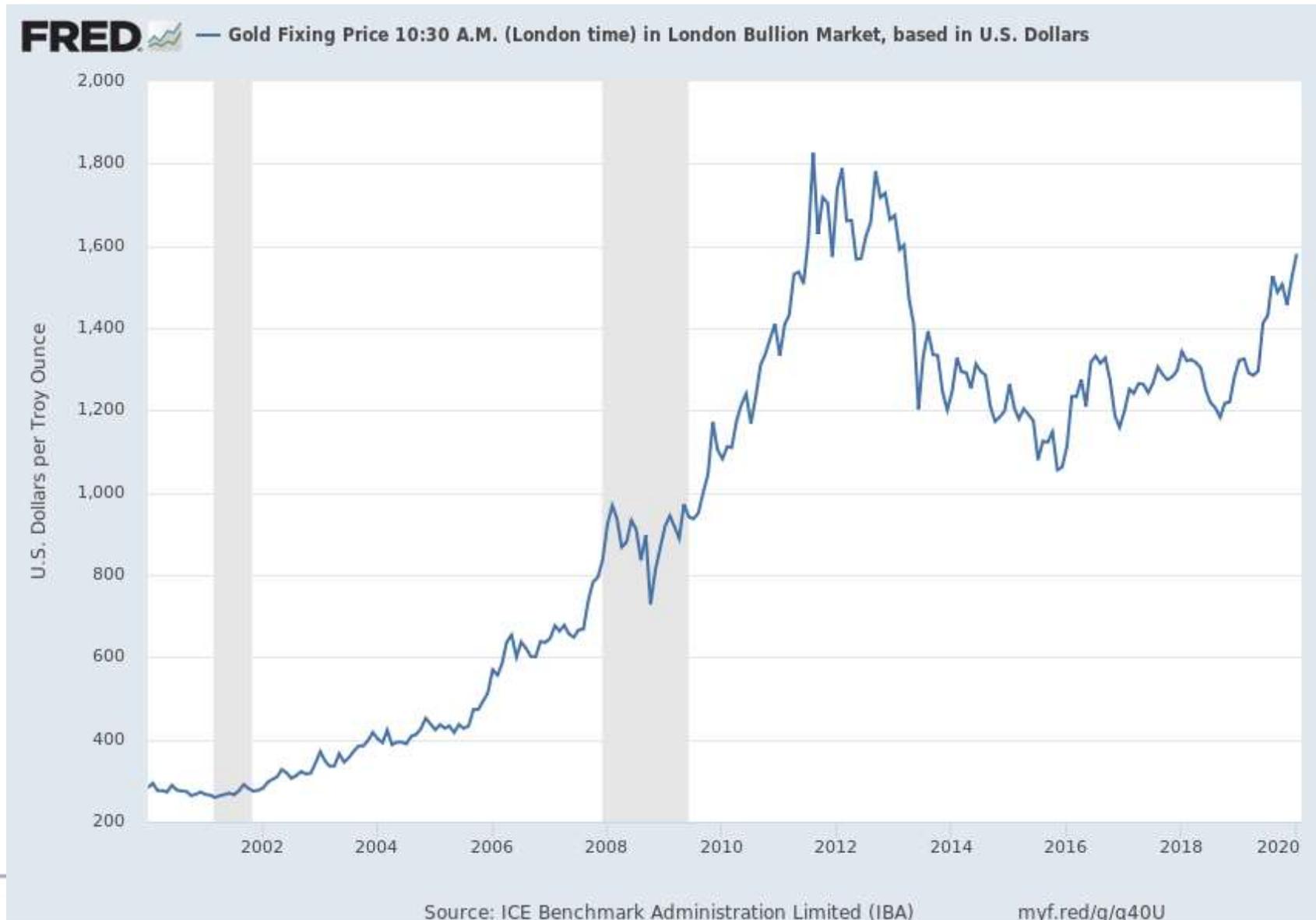
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The yield curve is close to signaling a recession



Price of Gold



Are the equity markets over-valued?

- Current P/E ratio (based on historical earnings) on S&P 500 is around 25; Mean P/E ratio since 1980 is 21.3
- Forward P/E ratio for Q4, 2021, is 19.21
- Market is slightly overvalued based on historical earnings, but slightly undervalued based on projected future earnings
- Near-term correction likely after Dow hits 30K, S&P 500 hits 3500, Nasdaq hits 10K, and Russell 2000 hits 1750



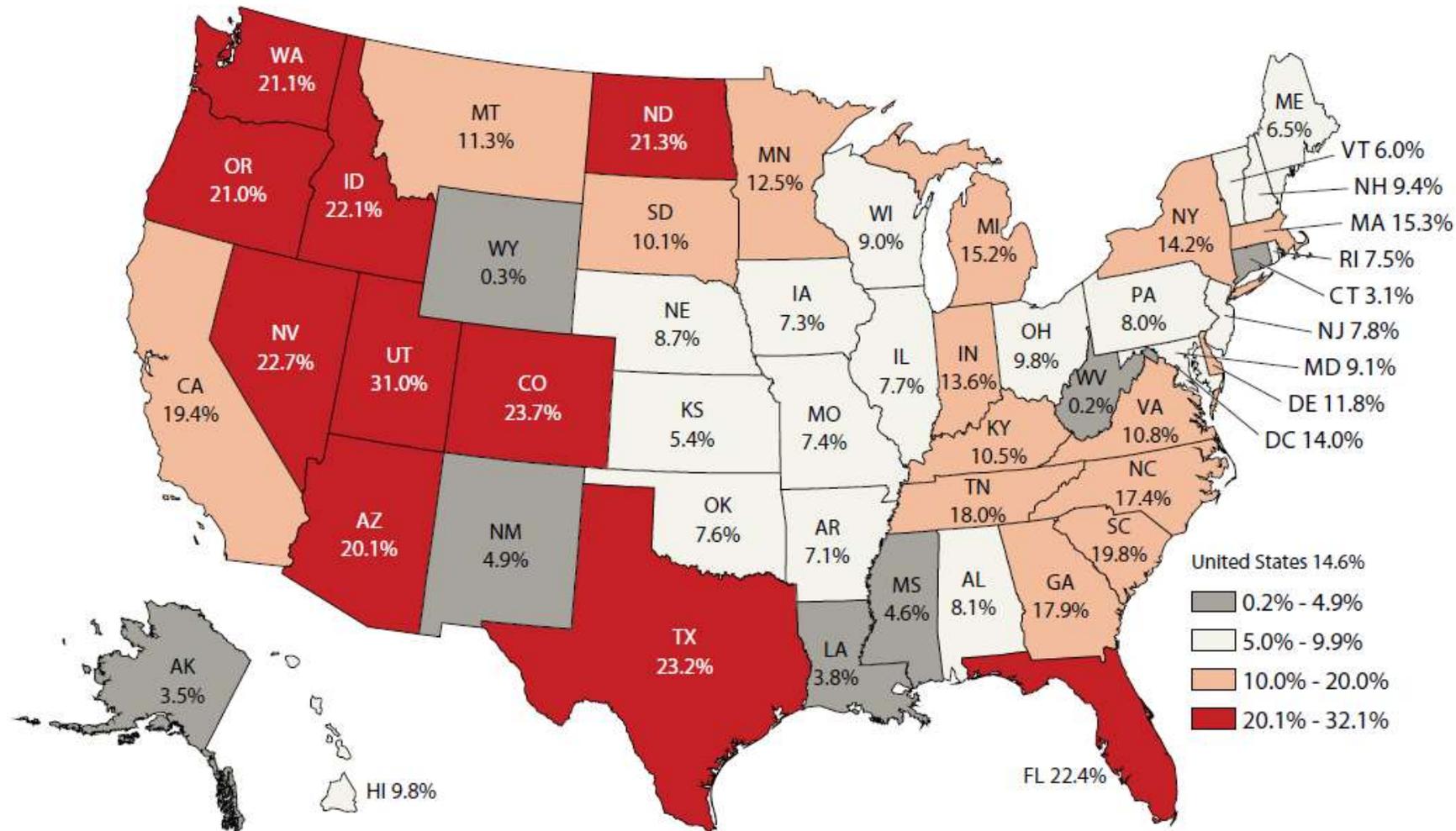
My forecast for the national economy in 2020

- U.S. real GDP staying at around 2%
- No new round of interest rate cuts for foreseeable future
- We should not see a sharp pick-up in business defaults
- Central banks Worldwide will continue to expand balance sheets, supporting the very low interest rate environment
- 7% return on the S&P 500 -- 5% price appreciation and 2% dividends
- Sectors that should do well – financials, health care, and industrials. Energy is a good contrarian play (but be careful)



Utah has led the nation in this expansion

Change in employment since 2009 recession trough, Q2 2009 - Q2 2019



Source: Kem C. Gardner Policy Institute analysis of U.S. Bureau of Labor Statistics data

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Factors helping Utah be #1

- Tax- and regulation-friendly environment
- A portfolio of industries weighted more towards high-growth/leading edge industries compared to the nation
- Population growth; Demographic profile of the state
- Destination of choice
- Stable business-friendly political environment



Flies in the ointment for the state?

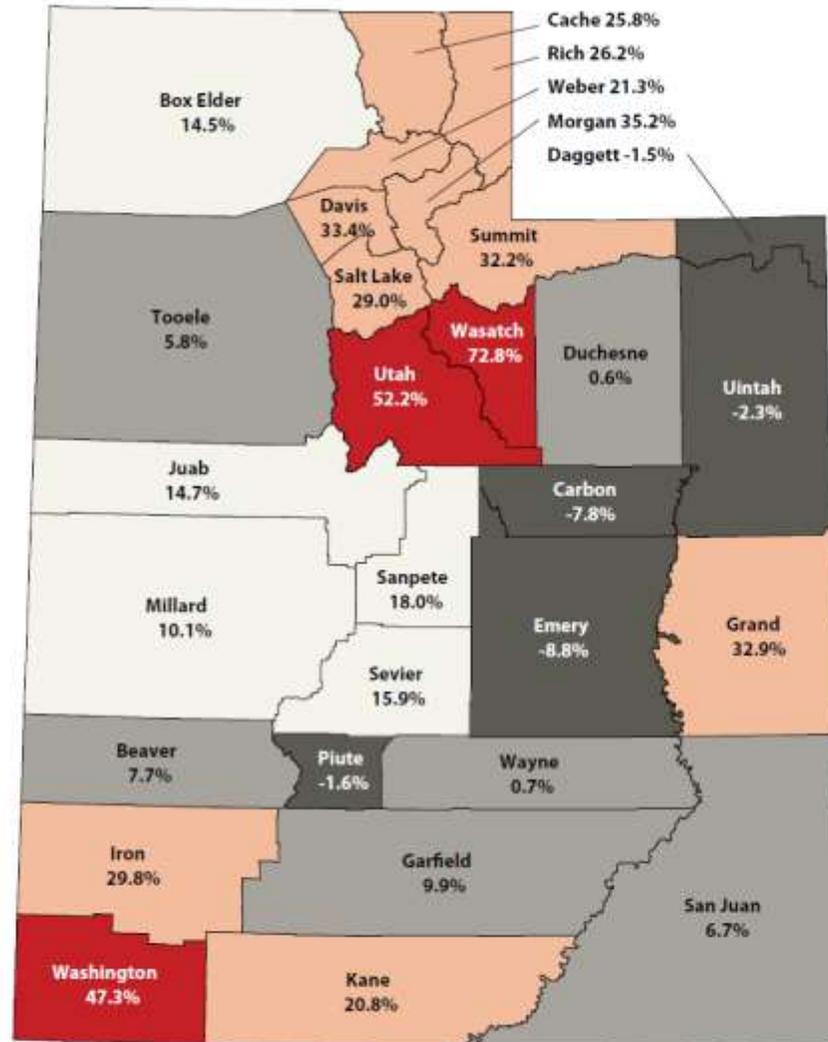
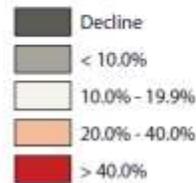
- Not all parts of the state are sharing in the gains
- Higher correlation than we might think between state and national economies
- Housing prices



Utah's prosperity is unevenly spread across the state

Taken from *Utah Informed* (2020 edition)

Change in Utah employment since 2009 recession trough, Q2 2009 - Q2 2019



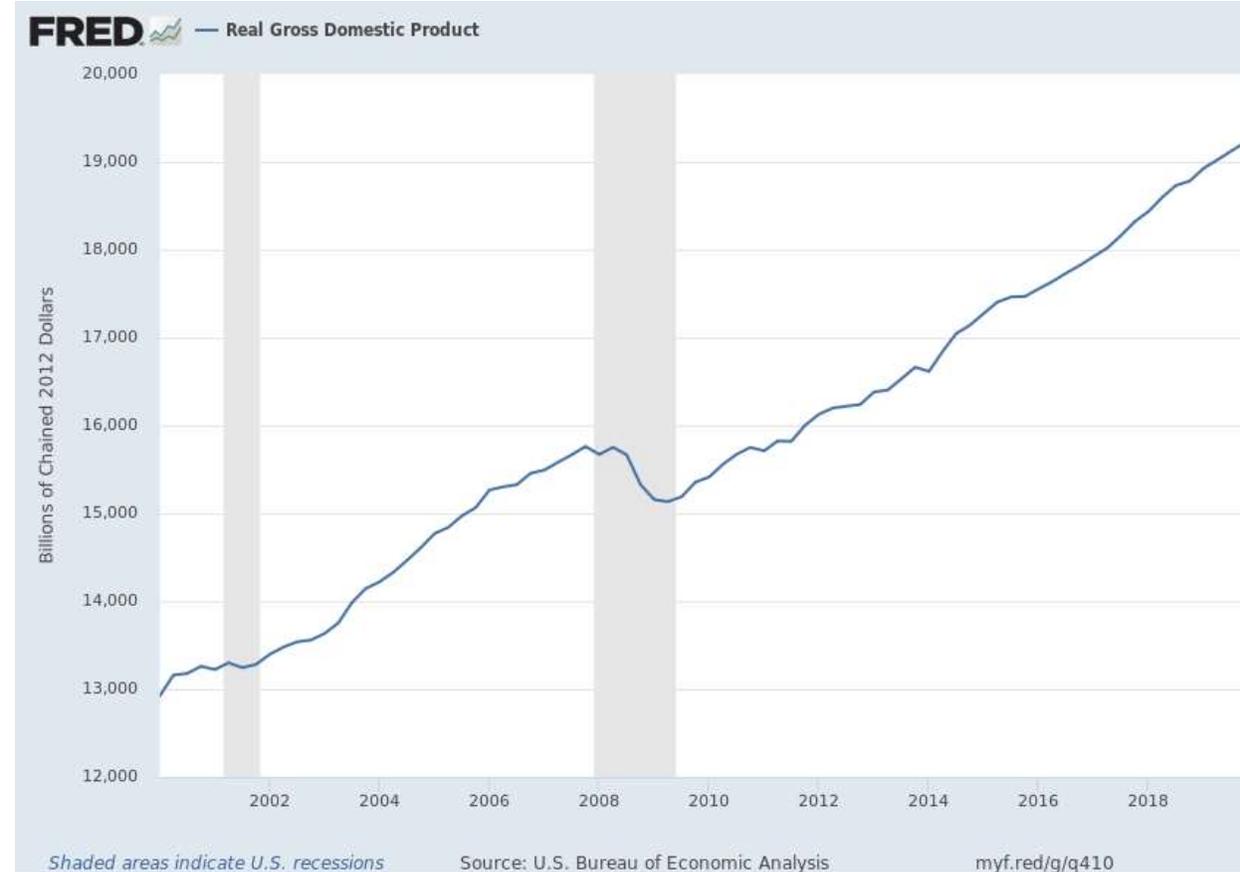
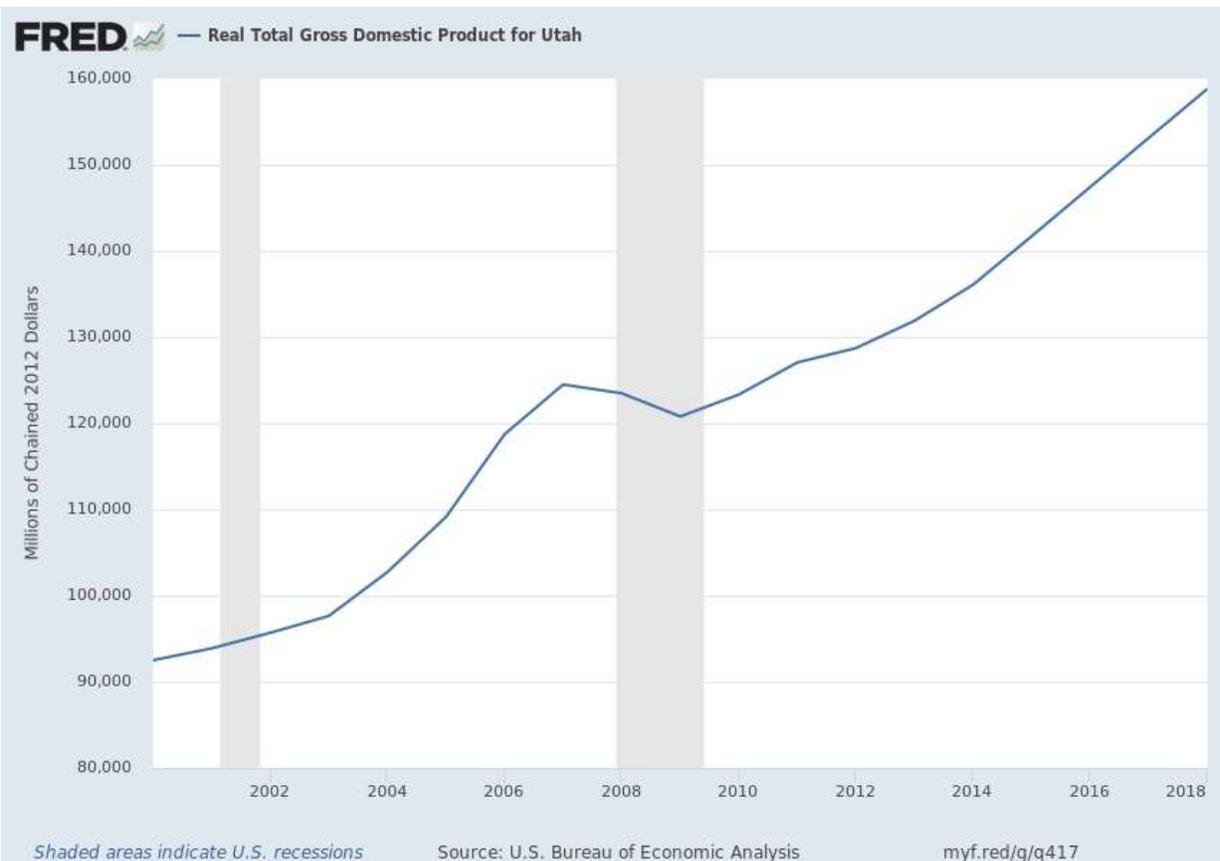
Source: Kern C. Gardner Policy Institute analysis of U.S. Bureau of Labor Statistics data



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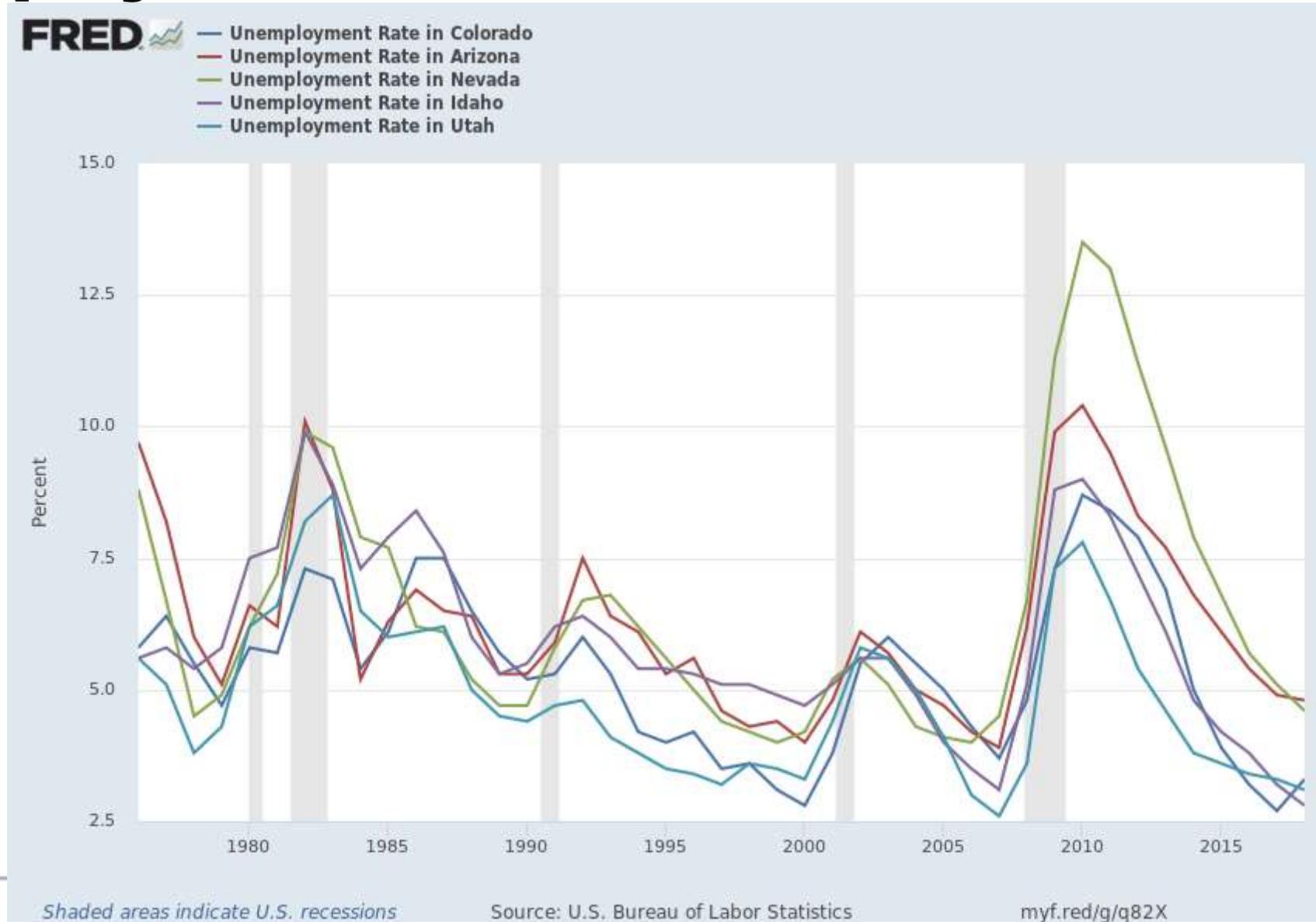
Utah's real GDP has mirrored the nation's



State and national unemployment rates



Unemployment rates for the intermountain region





We have a ways to go before housing prices become a real problem

Home price growth in the West's largest metro areas

Single family existing home median prices

Metro Area	Q3 2019 Median Price	% Change	
		1-year	10-year
Salt Lake City, UT	\$361,000	12.0%	64.9%
Boise City, ID	\$303,100	10.3%	97.6%
Albuquerque, NM	\$228,900	9.6%	24.7%
Las Vegas-Henderson-Paradise, NV	\$313,300	6.3%	126.2%
Phoenix-Mesa-Scottsdale, AZ	\$289,200	6.1%	102.7%
Portland-Vancouver-Hillsboro, OR-WA	\$416,000	4.2%	70.1%
Reno, NV	\$401,100	4.0%	108.7%
Seattle-Tacoma-Bellevue, WA	\$520,500	3.5%	61.9%
Denver-Aurora-Lakewood, CO	\$465,700	3.5%	103.3%
Los Angeles-Long Beach-Glendale, CA	\$649,600	3.3%	88.0%
San Jose-Sunnyvale-Santa Clara, CA	\$1,240,000	-4.6%	119.1%
United States	\$280,200	5.1%	57.2%

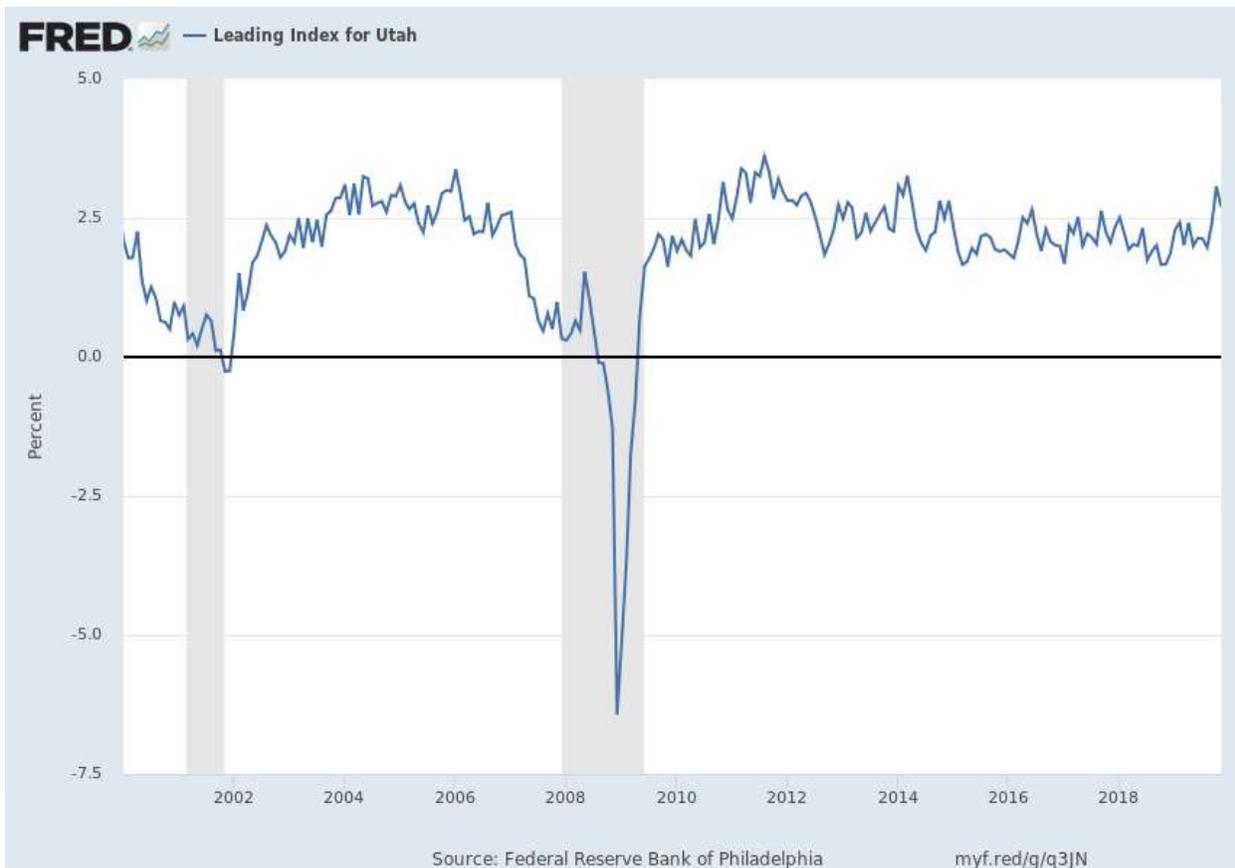
Source: National Association of Realtors; taken from *Utah Informed* (2020 edition)

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Leading economic indicators for the nation and state mirror one another



So, when *will* this party be over for Utah?

- It will be over for Utah when it is over for the nation, but Utah's party may last a little longer and not wind down as much;
- Any exogenous shock to the nation *will* be felt by Utah
- Forecast for 2020: Real GDP growth = 3%, unemployment rate = 2.5%





NORTHERN UTAH ECONOMIC FORECAST



THANK YOU!

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