STRATEGY INSIGHT

March 2019

People's United Advisors

Economic Overview

	2Q'18	3Q'18	4Q'18	1Q'19	2Q'19	3Q'19	4Q'19
Real GDP*	4.2%	3.4%	2.6%	2.0%	2.5%	2.2%	1.9%
CPI (year over year)†	2.8%	2.3%	2.2%	1.8%	1.9%	2.0%	2.2%
Unemployment Rate†	4.0%	3.7%	3.8%	3.8%	3.7%	3.6%	3.6%

-------------------- Estimates are shaded --------------------

* Quarter-over-quarter annualized † end-of-period

Increase from last reported Decrease from last reported

Source: Bloomberg

The State of the Consumer

No single factor is more important to the state of the U.S. economy than the state of the consumer. Between personal consumption and new home purchases, the consumer accounts for almost three-fourths of the U.S. economy. The good news for investors is that by almost every key measure, U.S. consumers are in the best condition in decades.

Employment, income, household finances, and homeowners' equity are all at historic high points. Job openings are plentiful. Energy prices are moderate. Homes are affordable. Consumers are saving and being careful not to overextend their use of credit. Per-capita disposable income, adjusted for inflation, rose 3.2% in 2018 – more than double the average rate since 1999 – to the highest level in history (see the chart to the right).

All of these positive conditions have been reflected in consumer surveys that show consumers assess their current condition as being the best in 20 years and near to the best in a generation.

Paradoxically, the solid state of the consumer is largely to blame for the slow-to-moderate growth rate of the U.S. economy while at the same time being the reason for our conviction that economic growth is likely to continue for the foreseeable future.

Consumer consumption during the post-financial crisis period has not been fueled by rapid credit growth but by the slower and more sustainable processes of growth in employment and real incomes. No sector of the economy is anywhere near overheating at this time because consumers have generally been cautious in their spending. Growth has been slow but remains sustainable because consumers are in good condition.

The implication for investors is that they should be skeptical of warnings of a recession right around the corner. Current conditions can change, and consumer confidence can be eroded, but with consumers in the best position in decades, it would take a major shock to derail the slow but steady consumer-driven growth of the U.S. economy.

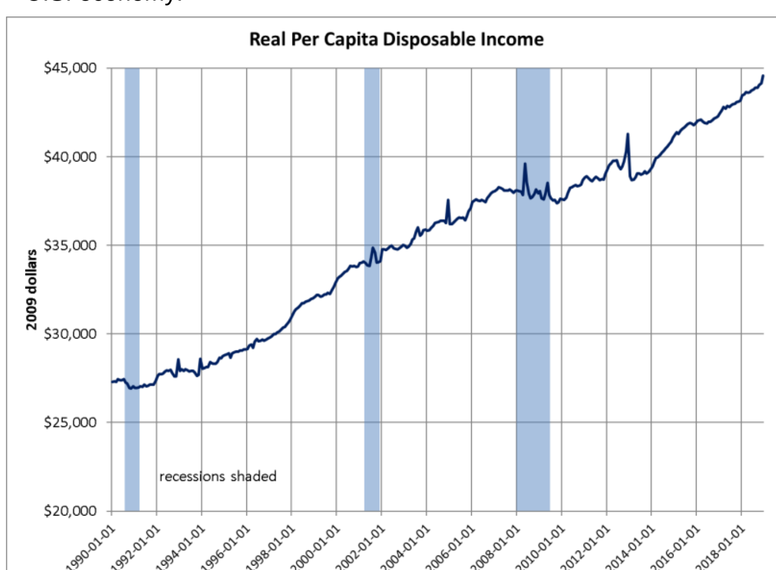


Chart Source: Bureau of Economic Analysis

STRATEGY INSIGHT

March 2019

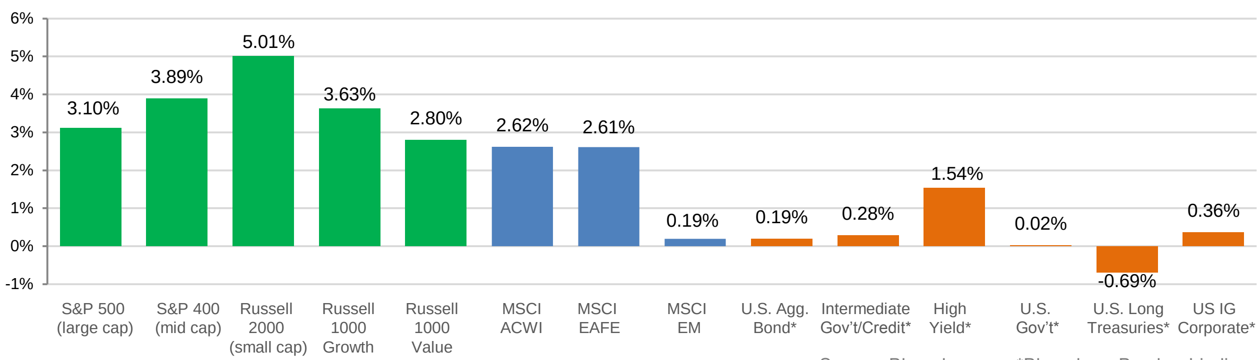
People's United Advisors

Equity: Positive momentum continues in February.

- Optimism over China trade talks, Fed Chairman Powell's comments during congressional testimony, retailers' earnings reports last week, and healthy fourth-quarter GDP growth helped push the market to within 5-6% of its 2018 highs. The market is now up 11.5% year to date, and up over 15% from the December 24th low. Mid caps are up over 15% so far this year and small caps have a gain of 17%. Growth is outpacing value, 12.9% versus 11.2%, while foreign markets are up about 9% year to date.

- Fourth quarter earnings season yielded year-to-year earnings gains of over 13%, with 69% of companies reporting better-than-expected earnings (below historical average) and 61% better-than-expected revenues (higher than historical average). Earnings forecast for the first quarter of 2019 stand at a year-to-year decline of 2.7% and revenue growth of 4.5%. For all of 2019, earnings are expected to increase 4.5%, while revenue is estimated to grow 4.9%.

Market Returns: Year to Date as of February 28, 2019



Source: Bloomberg *Bloomberg Barclays' indices

Fixed Income: Bond market taking cues from Fed pause

- The Fed pausing its rate hike reassured investors that monetary policy would remain supportive of risk-taking in the capital markets.

- This is exactly what happened in the months of January and February – high yield and investment grade corporate bonds were the best performers year to date, while core exposures and duration lagged a bit as some degree of curve steepening happened at the end of February.

- We believe that the Fed's focus on patience will lead to front-end rates staying about where they currently are, while longer rates will continue to price in global growth expectations. We do not necessarily expect significant curve steepening even with the renewed focus on inflation expectations by the Fed, however.

The market outlooks and strategies expressed within reflect the general views of People's United Advisors, but do not necessarily express the views of all investment professionals within the adviser. Others within the adviser may have differing viewpoints and investment strategies. The viewpoints and strategies expressed within are for informational purposes only and may not be suitable for all investors.

Investment Products & Services

- Not insured by FDIC or any Federal Government Agency
- May Lose Value
- Not a Deposit or Guaranteed by a Bank or any Bank Affiliate

People's United Advisors, Inc., is a registered investment adviser and a wholly-owned subsidiary of People's United Bank, N.A.

This is a publication of People's United Advisors, Inc. (PUA).

Economic and market views and forecasts reflect PUA's judgment as of the date of this presentation and are subject to change without notice. Views and forecasts are estimated based on assumptions, and may change materially as economic and market conditions change. PUA has no obligation to provide updates or changes to these views and forecasts. Certain information contained herein has been obtained from third parties. While such information is believed to be reliable for the purpose used herein, PUA assumes no responsibility for the accuracy, completeness, or fairness of such information.

Past performance is not an assurance of future returns.

PUA is not soliciting any action based on this material. It is for general informational purposes only. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual investors.

Information pertaining to PUA's advisory operations, services, and fees is set forth in PUA's current ADV Part II, a copy of which is available from PUA upon request.