

# U.S. Outlook

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Date	Indicator	For	Estimate	Consensus*	Previous Period
25-Apr-2016	New Home Sales	Mar	517k	522k	512k
25-Apr-2016	Dallas Fed Manf. Activity	Apr	-10.0	-9.0	-13.6
26-Apr-2016	Durable Goods Orders	Mar P	1.7%	1.9%	-3.0%
26-Apr-2016	Durables Ex Transportation	Mar P	0.2%	0.5%	-1.3%
26-Apr-2016	S&P/CS 20 City MoM SA	Feb	0.7%	0.75%	0.8%
26-Apr-2016	Markit US Services PMI	Apr P	NA	NA	51.3
26-Apr-2016	Markit US Composite PMI	Apr P	NA	NA	51.3
26-Apr-2016	Consumer Confidence Index	Apr	96.0	95.8	96.2
26-Apr-2016	Richmond Fed Manufacturing Index	Apr	14.0	10.0	22.0
27-Apr-2016	Advance Goods Trade Balance	Mar	-\$63.10b	-\$63.150b	-\$62.864b
27-Apr-2016	Pending Home Sales MoM	Mar	0.2%	0.0%	3.5%
27-Apr-2016	FOMC Rate Decision (Upper Bound)	27-Apr	0.50%	0.50%	0.50%
27-Apr-2016	FOMC Rate Decision (Lower Bound)	27-Apr	0.25%	0.25%	0.25%
28-Apr-2016	Initial Jobless Claims	23-Apr	259K	NA	247K
28-Apr-2016	GDP Annualized QoQ	1Q A	1.0%	0.7%	1.4%
28-Apr-2016	Personal Consumption Annualized QoQ	1Q A	1.7%	1.7%	2.4%
28-Apr-2016	GDP Price Index	1Q A	0.5%	0.5%	0.9%
28-Apr-2016	Kansas City Fed Manufacturing Activity	Apr	NA	NA	-6.0
29-Apr-2016	Employment Cost Index	1Q	0.7%	0.6%	0.6%
29-Apr-2016	Personal Income	Mar	0.3%	0.3%	0.2%
29-Apr-2016	Personal Spending	Mar	0.2%	0.2%	0.1%
29-Apr-2016	PCE Deflator MoM	Mar	0.1%	0.1%	-0.1%
29-Apr-2016	PCE Core MoM	Mar	0.1%	0.1%	0.1%
29-Apr-2016	Chicago Purchasing Manager	Apr	53.0	53.2	53.6
29-Apr-2016	U. of Mich. Sentiment	Apr F	90.0	90.4	89.7

\*Consensus from Bloomberg

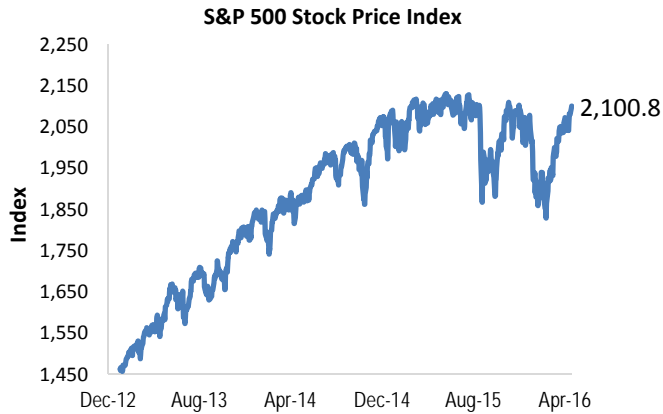
## Gearing Up For the Big Week Ahead

Next week will be a big one for investors. A full plate of tier-one economic indicators – from March durable goods orders to the advanced estimate of first-quarter GDP – are due to be released. If that isn't enough to get your engine revving, we have the April FOMC decision to provide a bit more excitement into the mix. The U.S. equity market has moved off its February lows and returned to record-high levels as somewhat better economic data out of China, a weaker dollar, and a rebound in oil prices have stoked a return to the risk-on

trade. The S&P 500 is up nearly 15.0% since the February 11, 2016 low.

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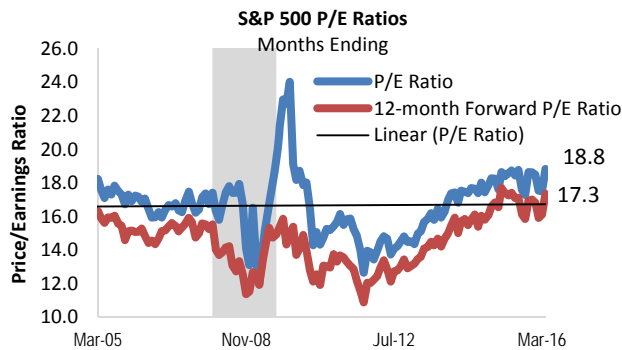
**U.S. Stocks Get Hot**



Source: Standard and Poor's

But in this price range, S&P 500 P/E ratios are rich by historical standards, suggesting high stock valuations that could be setting the equity market up for disappointment, especially if Janet Yellen starts sounding a bit more hawkish in next week's FOMC statement. Here is what to look out for next week.

**U.S. Equities Starting to Look Pricy If History Is Any Guide**

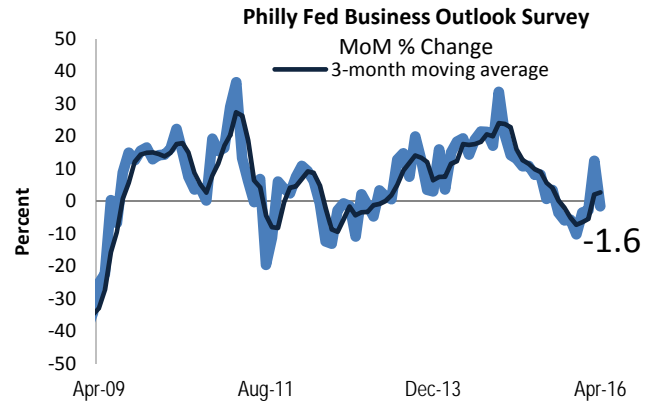


Source: Bloomberg

Much investor attention will be given to the durable goods orders report for March released on Tuesday, given the Philadelphia Fed Business Outlook index turned down again for April and the Chicago National Activity index, a weighted average index of 85 U.S. economic indicators, was negative in February and March, and has been negative in 7 of the past 8 months. A negative reading on this measure implies that the U.S. economy is performing below its growth potential.

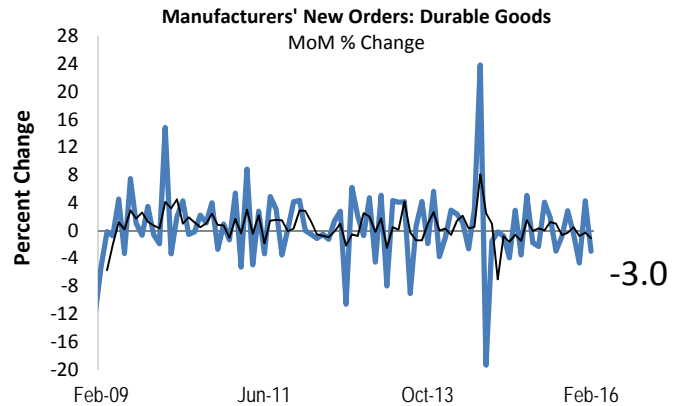
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**Philly Fed Index Moves Back Into Contraction in April**



Investors will need to see more signs that U.S. durable goods orders are rebounding if this rally is to be sustained. A convincing rise in durable goods orders is a leading indicator that U.S. manufacturers are indeed turning the corner.

**Durable Goods Orders Need A Positive Bounce**



Source: U.S. Census Bureau

Equities will also need to look past an ugly Real GDP print for Q1 2016, which we forecast to come in at a dower 1.0% at a seasonally adjusted rate. Retail sales, industrial production, and housing starts all disappointed economists' expectations in the first quarter, setting the economy up for a disappointing growth performance in the first quarter.

We do not expect any change in the Fed Fund Funds target rate at next week's FOMC meeting and the statement will likely remain focused on the downside growth risks, yet a shift toward a more balanced assessment could be seen as a hawkish move, increasing the odds of another FOMC rate hike within the next few meetings. This would be a clear headwind to further equity market gains.

## Major Economic Indicators

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2014	2015	2016	2017
Real GDP*	0.6	3.9	2.0	1.4	1.0	2.1	2.4	2.2	2.2	2.3	2.2	1.9	2.4	2.4	1.8	2.2
Personal Consumption Expenditures*	1.7	3.6	3.0	2.4	1.7	2.9	2.9	2.8	2.5	2.5	2.4	2.3	2.7	3.1	2.6	2.6
Non-residential Fixed Investment*	1.6	4.1	2.6	-2.1	-2.5	3.3	2.7	3.0	3.2	3.4	3.4	3.4	6.2	2.8	0.7	3.2
Private Housing Starts (000s units)	978	1,158	1,158	1,135	1,133	1,195	1,200	1,220	1,240	1,250	1,280	1,300	1,001	1,107	1,187	1,268
Vehicle Sales (mill. Units, annualized)	16.7	17.1	17.8	17.8	17.1	17.7	17.6	17.6	17.5	17.5	17.4	17.4	16.4	17.3	17.6	17.5
Industrial Production*	-1.9	-2.7	1.5	-3.3	-2.2	1.4	1.9	1.8	1.7	1.8	1.7	1.7	3.7	-0.5	-0.6	1.8
Nonfarm Payroll Employment (mil.)	140.8	141.5	142.2	142.9	143.5	144.2	144.7	145.3	145.9	146.5	147.1	147.7	138.9	141.8	144.4	146.8
Unemployment rate	5.6	5.4	5.2	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.6	4.5	6.2	5.3	4.8	4.6
Consumer Price Index* (percent)	-2.9	2.4	1.4	0.8	-0.3	2.0	2.0	2.1	2.2	2.2	2.3	2.3	1.6	0.1	1.5	2.2
"Core" CPI* (percent)	1.7	2.3	1.8	2.2	2.7	1.8	1.9	2.0	2.0	2.0	2.1	2.1	1.7	1.8	1.9	2.0
PPI (finished goods)* (percent)	-11.0	3.4	-0.4	-4.8	-4.9	1.6	2.1	2.5	2.4	2.2	2.0	2.0	1.9	-3.3	-0.4	2.2
Trade Weighted Dollar (Fed BOG, major)	89.3	90.1	91.7	93.1	93.2	91.5	93.4	94.6	94.9	94.3	93.8	93.4	78.4	91.0	93.2	94.1
Crude Oil Prices -WTI (\$ per barrel)	48	58	46	42	33	39	39	40	41	42	44	45	93	49	38	43

\*Quarterly Data Percent Change At Annual Rate; Annual Data Year-on-Year % Chg, or Annual Average.

Financial Data	History				Forecast								Annual Average			
	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2014	2015	2016	2017
S & P 500	2,064	2,102	2,027	2,052	1,951								1,930	2,061		
Dow Jones Industrial Average	17,808	18,004	17,077	17,475	16,663								16,770	17,591		
Federal Funds Rate (effective)	0.11	0.13	0.13	0.16	0.36	0.44	0.61	0.69	0.94	1.11	1.36	1.69	0.09	0.13	0.53	1.28
Treasury-3 Month Bills (yield)	0.02	0.02	0.04	0.13	0.33	0.35	0.56	0.64	0.90	1.07	1.32	1.65	0.03	0.05	0.47	1.24
Treasury-2 Year Notes (yield)	0.60	0.61	0.69	0.84	0.83	0.86	1.02	1.25	1.48	1.65	1.90	2.23	0.46	0.69	0.99	1.82
Treasury-5 Year Notes (yield)	1.46	1.53	1.56	1.58	1.36	1.42	1.67	1.79	2.01	2.18	2.43	2.71	1.64	1.53	1.56	2.33
Treasury-10 Year Notes (yield)	1.97	2.16	2.22	2.19	1.91	2.00	2.20	2.37	2.55	2.70	2.85	3.10	2.54	2.14	2.12	2.80
Treasury-30 Year Notes (yield)	2.55	2.88	2.96	2.96	2.72	2.71	2.82	3.01	3.20	3.30	3.45	3.65	3.34	2.84	2.82	3.40
Prime Rate	3.25	3.25	3.25	3.29	3.50	3.58	3.75	3.83	4.08	4.25	4.50	4.83	3.25	3.26	3.67	4.42
Libor 3-Mo. U.S. Dollar	0.30	0.30	0.33	0.43	0.63	0.65	0.83	0.91	1.16	1.33	1.58	1.89	0.25	0.34	0.76	1.49
Mortgage-30 Year (yield)	3.72	3.82	3.95	3.90	3.74	3.83	4.00	4.17	4.35	4.45	4.60	4.80	4.17	3.85	3.94	4.55
BAA Corporate (yield)	4.50	4.83	5.24	5.42	5.30	4.96	5.13	5.36	5.63	5.79	5.93	6.18	4.85	5.00	5.19	5.88

Source: Bank of the West Economics, Bloomberg, Federal Reserve