

# U.S. Outlook

SCOTT ANDERSON, Ph.D | Chief Economist | 415.765.8020  
www.bankofthewest.com

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Date	Indicator	For	Estimate	Consensus*	Previous Period
02-February -2015	Personal Income	DEC	0.3%	0.2%	0.4%
02-February -2015	Personal Spending	DEC	-0.1%	-0.2%	0.6%
02-February -2015	PCE Deflator MoM	DEC	-0.3%	-0.3%	-0.2%
02-February -2015	PCE Core MOM	DEC	0.0%	0.0%	0.0%
02-February -2015	Construction Spending MoM	DEC	0.7%	0.7%	-0.3%
02-February -2015	ISM Manufacturing Index	JAN	54.0	55.0	55.1
03-February -2015	Factory Orders	DEC	-2.0%	-0.3%	-0.7%
03-February -2015	Total Vehicle Sales	JAN	16.9M	16.9M	16.8M
04-February -2015	ADP Employment Change	JAN	230K	220K	241K
04-February -2015	ISM Non-Mfg Composite Index	JAN	57.0	56.5	56.5
05-February -2015	Nonfarm Productivity	Q4	1.0%	1.0%	2.3%
05-February -2015	Unit Labor Costs	Q4	1.0%	1.0%	-1.0%
05-February -2015	Initial Jobless Claims	01/31	280K	N/A	265K
05-February -2015	Trade Balance	DEC	-\$37.5B	-\$38.0B	-\$39.0B
06-February -2015	Nonfarm Payrolls	JAN	243K	233K	252K
06-February -2015	Mfg Payrolls	JAN	15K	10K	17K
06-February -2015	Unemployment Rate	JAN	5.5%	5.6%	5.6%
06-February -2015	Average Hourly Earnings MoM	JAN	0.3%	0.3%	-0.2%
06-February -2015	Average Weekly Hours MoM	JAN	34.6	34.6	34.6
06-February -2015	Consumer Credit	DEC	\$13.50B	\$15.00B	\$14.08B

\*Consensus from Bloomberg

## Shifting Prices Create New Winners

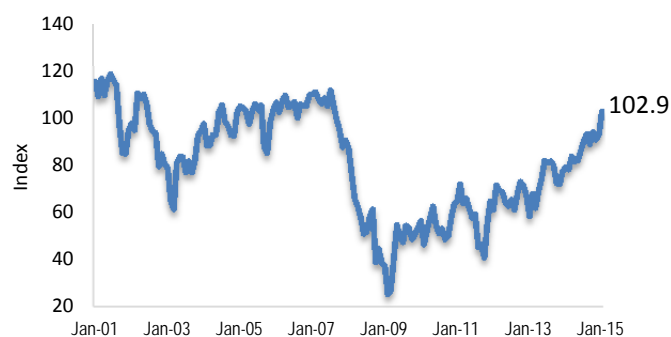
The data released this week was a dramatic illustration of the cross-currents impacting the U.S. economy, and a good indicator of how the year is likely to shape up. The good news is the overall growth outlook for the United States remains intact, even as shifting prices create new winners and losers, and the mix of growth is changing.

The winners include the U.S. consumer and housing market, which are benefiting from a stronger labor market, lower energy prices, a rising dollar, and falling interest rates. Look no further than this month's consumer confidence index that skyrocketed above 100 to 102, the best reading on this measure since August of 2007. Consumer strength and resilience has been a missing ingredient in the expansion so far, but recent readings

suggest the consumer will have more staying power this time around.

## Consumer Confidence Breaks Out Of Post-Recession Rut

Conference Board's Consumer Confidence Index



Source: Conference Board

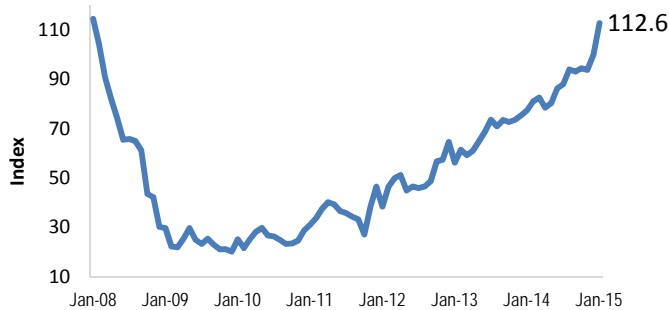
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Both the present situation and future expectations components of consumer confidence have been on the rise this year, but the improvement in the present situation index has turned nearly parabolic in the last two months. This bolsters our forecast expectations that the oil price shock is a net positive for the U.S. consumer and in turn a net positive for the U.S. economy.

### Wind at their Back, U.S. Consumers See The Upside

#### Consumer Confidence Present Situation

1985 = 100 (Seasonally Adjusted)

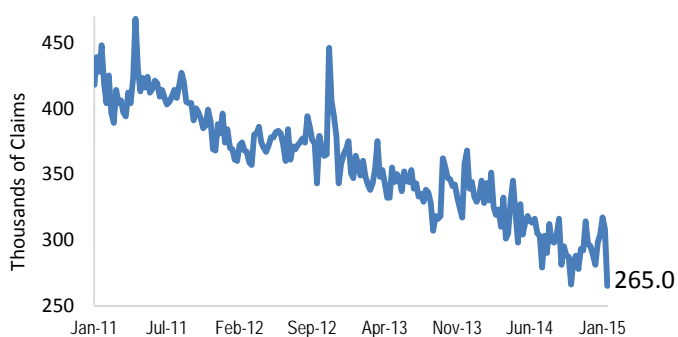


Source: Conference Board

Initial jobless claims (which hit a 15 year low last week) and the high level of job openings seen in the JOLTS (Job Openings and Labor Turnover Survey) data are strong signals that the solid labor market progress seen in recent months is likely to continue. On Friday, next week, we get January payrolls, which we forecast will show another 243K jobs created with the unemployment rate dropping again to 5.5 percent. Rising real incomes and more employment and employment opportunities are a powerful driver of increased household spending.

### Weekly Jobless Claims Fall to 15 Year Low in January

#### Initial Jobless Claims



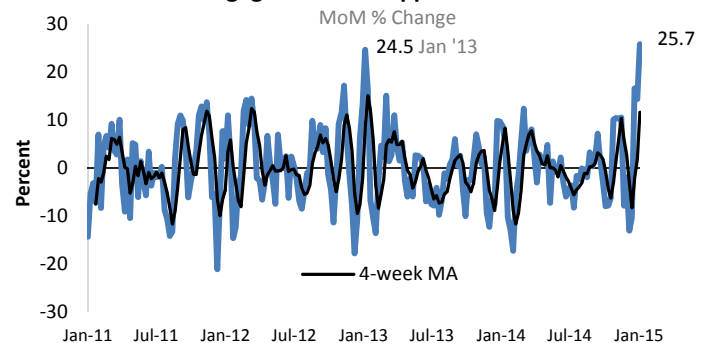
Source: U.S. Employment and Training Administration

Another winner should be the housing market. Unexpectedly-low mortgage rates early this year are bolstering mortgage purchase applications. New home sales for December jumped more than expected and in the existing home market, the latest Case-Shiller home price measures suggest home prices are resuming their

upward trend after a brief period of back tracking last summer. We believe the confidence of the consumer will eventually spillover into the housing market as traditional and first-time buyers begin to eye home ownership as an attractive option to renting. Stronger income growth and more job opportunities will aid them in qualifying for mortgages, while improved confidence will help them take the plunge and invest in their housing future.

### Encouraging Signs From Mortgage Purchase Applications

#### Mortgage Purchase Applications Growth

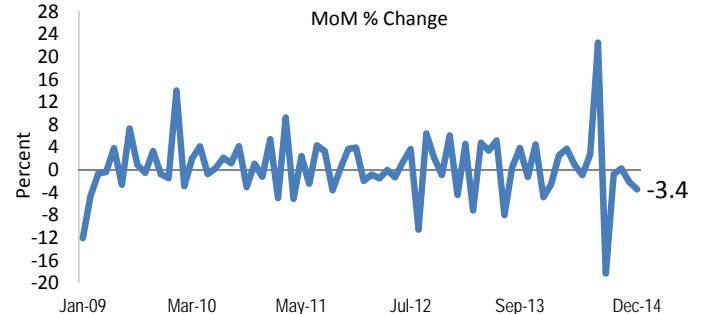


Source: Mortgage Bankers Association

The losers are the energy patch regions of the country, national business equipment spending (especially in the energy space), and exporting manufacturers that now need to deal with sluggish global growth and a far stronger U.S. dollar. Highlighting the downside risks, durable goods orders have been weaker than the consensus expected for four consecutive months now, setting up the U.S. for a very sluggish business spending environment.

### Downbeat Orders Signal Business Spending Slowdown

#### Manufacturers' New Orders: Durable Goods



Source: U.S. Census Bureau

As employers in the loser industries start shedding jobs, or slowing their hiring in the months ahead, this could temper some of the enthusiasm we are seeing from the consumer today. On net, we see the mix of growth visibly changing, but not the overall positive outlook for the U.S. economy.

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## Major Economic Indicators

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2014.1	2014.2	2014.3	2014.4	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2013	2014	2015	2016
Real GDP*	-2.1	4.6	5.0	3.2	2.3	2.7	3.1	3.2	2.5	2.8	2.6	2.7	2.2	2.5	3.2	2.8
Personal Consumption Expenditures*	1.2	2.5	3.2	3.8	3.2	3.3	3.5	3.4	2.9	2.9	2.5	2.4	2.4	2.5	3.4	3.0
Non-residential Fixed Investment*	1.6	9.7	8.9	1.7	3.0	5.0	5.0	5.0	4.7	4.6	4.6	4.2	3.0	6.1	4.7	4.8
Private Housing Starts (000s units)	925	985	1,033	1,039	1,070	1,100	1,121	1,143	1,165	1,180	1,240	1,260	930	996	1,109	1,211
Vehicle Sales (mill. Units, annualized)	15.6	16.5	16.7	16.8	17.0	17.1	17.2	17.2	17.2	17.2	17.3	17.3	15.5	16.4	17.2	17.2
Industrial Production*	3.9	5.7	4.0	5.0	3.5	3.3	3.3	3.2	3.4	3.4	3.4	3.4	2.9	4.2	3.9	3.4
Nonfarm Payroll Employment (mil.)	137.8	138.5	139.2	140.1	140.8	141.5	142.1	142.8	143.5	144.1	144.8	145.4	136.4	138.9	141.8	144.4
Unemployment rate	6.7	6.2	6.1	5.7	5.5	5.4	5.3	5.2	5.2	5.1	5.0	5.0	7.4	6.2	5.4	5.1
Consumer Price Index* (percent)	1.9	3.0	1.1	-1.2	-3.5	1.7	1.9	1.9	1.9	1.9	2.0	2.1	1.5	1.6	-0.1	1.9
"Core" CPI* (percent)	1.6	2.5	1.3	1.4	1.2	1.5	1.5	1.6	1.7	1.7	1.8	1.8	1.8	1.7	1.5	1.7
PPI (finished goods)* (percent)	3.9	3.9	0.8	-5.6	-4.7	0.3	1.0	1.1	1.3	1.3	1.4	1.4	1.2	1.9	-1.7	1.2
Trade Weighted Dollar (Fed BOG, major)	76.9	76.4	77.5	82.2	87.5	89.0	89.9	90.2	90.5	91.3	92.0	91.9	76.1	78.3	89.2	91.4
Crude Oil Prices -WTI (\$ per barrel)	99	103	98	76	46	49	54	56	64	65	66	67	98	94	51	66

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

Financial Data	History				Forecast								Annual Average			
	2014.1	2014.2	2014.3	2014.4	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2013	2014	2015	2016
S & P 500	1,835	1,900	1,976										1,644			
Dow Jones Industrial Average	16,177	16,604	16,954										15,010			
Federal Funds Rate (effective)	0.07	0.09	0.09	0.08	0.11	0.18	0.43	0.70	1.12	1.37	1.62	1.95	0.11	0.08	0.35	1.52
Treasury-3 Month Bills (yield)	0.05	0.03	0.03	0.02	0.02	0.10	0.33	0.60	1.08	1.32	1.57	1.90	0.06	0.03	0.26	1.47
Treasury-2 Year Notes (yield)	0.37	0.42	0.52	0.52	0.52	0.65	0.93	1.13	1.60	1.90	2.15	2.48	0.31	0.45	0.81	2.03
Treasury-5 Year Notes (yield)	1.60	1.66	1.70	1.57	1.37	1.58	1.79	2.07	2.54	2.74	2.99	3.12	1.17	1.63	1.70	2.85
Treasury-10 Year Notes (yield)	2.77	2.62	2.50	2.27	1.90	2.15	2.36	2.51	2.71	2.84	2.95	3.18	2.35	2.54	2.23	2.92
Treasury-30 Year Notes (yield)	3.68	3.44	3.27	2.97	2.50	2.63	2.80	2.90	3.11	3.22	3.40	3.48	3.44	3.34	2.71	3.30
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.43	3.70	4.12	4.37	4.62	4.95	3.25	3.25	3.41	4.52
Libor 3-Mo. U.S. Dollar	0.26	0.25	0.24	0.23	0.22	0.25	0.46	0.78	1.19	1.45	1.68	2.03	0.28	0.25	0.43	1.59
Mortgage-30 Year (yield)	4.36	4.23	4.14	4.03	3.71	3.97	4.21	4.35	4.52	4.65	4.76	4.99	3.98	4.19	4.06	4.73
BAA Corporate (yield)	5.12	4.82	4.74	4.74	4.48	4.58	4.76	4.92	5.15	5.30	5.42	5.65	5.10	4.86	4.69	5.38

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