

U.S. Outlook

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Date	Indicator	For	Estimate	Consensus*	Previous Period
22-Jun-2015	Chicago Fed Nat Activity Index	May	NA	NA	-0.15
22-Jun-2015	Existing Home Sales	May	5.28M	5.25M	5.04M
23-Jun-2015	Durable Goods Orders	May	0.2%	-0.5%	-1.0%
23-Jun-2015	Durables Ex Transportation	May	0.7%	0.6%	-0.2%
23-Jun-2015	FHFA House Price Index MoM	Apr	0.5%	0.5%	0.3%
23-Jun-2015	Markit US Manufacturing PMI	Jun P	NA	54.2	54
23-Jun-2015	New Home Sales	May	525K	518K	517K
23-Jun-2015	Richmond Fed Manufacturing Index	Jun	NA	1.0	1.0
24-Jun-2015	GDP Annualized QoQ	1Q T	-0.1%	-0.2%	-0.7%
24-Jun-2015	GDP Price Index	1Q T	-0.1%	-0.1%	-0.1%
25-Jun-2015	Personal Income	May	0.4%	0.5%	0.4%
25-Jun-2015	Personal Spending	May	0.6%	0.7%	0.0%
25-Jun-2015	PCE Deflator MoM	May	0.4%	0.5%	0.0%
25-Jun-2015	PCE Core MoM	May	0.1%	0.1%	0.1%
25-Jun-2015	Initial Jobless Claims	20-Jun	272K	NA	267K
25-Jun-2015	Markit US Composite PMI	Jun P	NA	NA	56.0
25-Jun-2015	Markit US Services PMI	Jun P	NA	56.5	56.2
25-Jun-2015	Kansas City Fed Manf. Activity	Jun	NA	NA	-13
26-Jun-2015	U. of Mich. Sentiment	Jun F	95.0	94.9	94.6

*Consensus from Bloomberg

More Signs of a Stronger Second Half

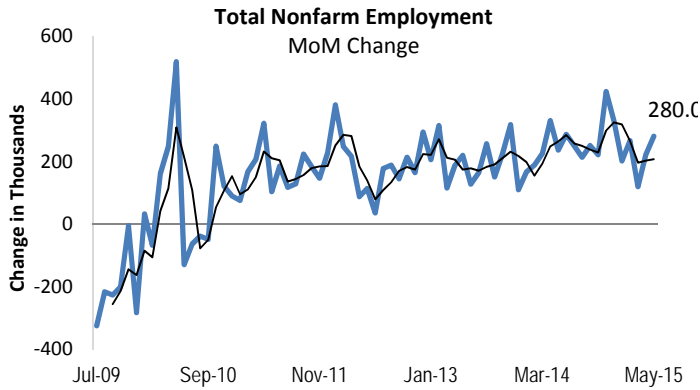
Markets this week cheered the Fed's somewhat dovish "dot-plot" of interest rate projections and Janet Yellen's soothing tone at her press conference, but U.S. economic data continue to improve through June, and the near-term economic outlook appears to be shaping up pretty close to our forecast expectations. We still anticipate the first Fed rate hike could come as soon as September.

The U.S. economy is in the midst of a moderate growth rebound in the second quarter; our current estimate is 2.5%, on an annual rate. The rebound so far is being driven primarily by improving consumer spending and residential construction activity.

The consumer is in good shape right now. Labor market momentum is real. The GDP hick-up in the first quarter hardly touched the labor market. The unemployment rate is on track to drop toward 5.1% by the end of the year with another 3.0 million net non-farm jobs created in 2015. Job openings are at their highest level in more than 15 years, and initial jobless claims through mid-June remain at ultra-low historical levels.

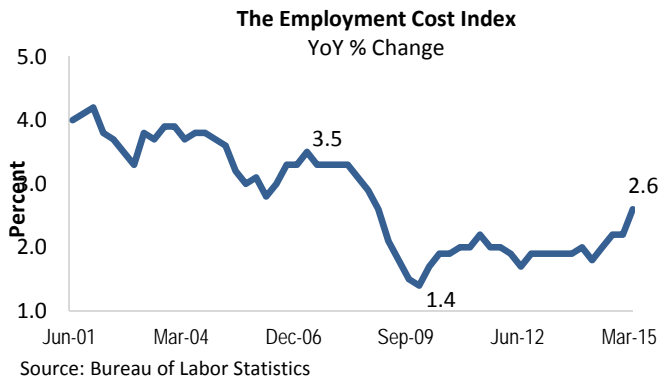
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On Track for Another 3.0 Million Jobs This Year



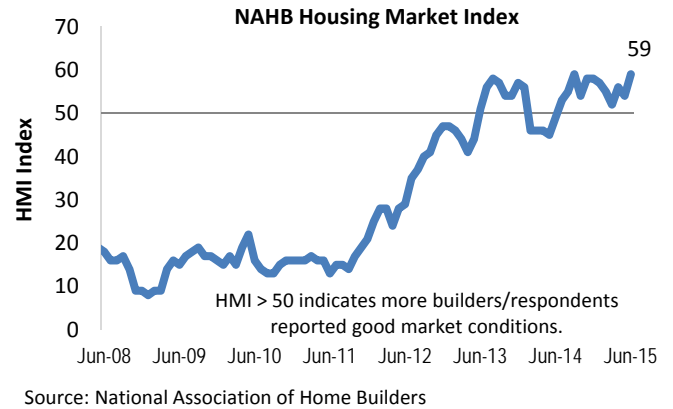
Wage growth already appears to be lifting as the labor market tightens and that trend should accelerate over the coming year. At the same time, household net worth continues to increase on robust and broad-based stock and home price gains. Consumer spending growth is forecast to ramp-up toward 3.5% SAAR in the second half of the year.

U.S. Wage Growth Already Improving



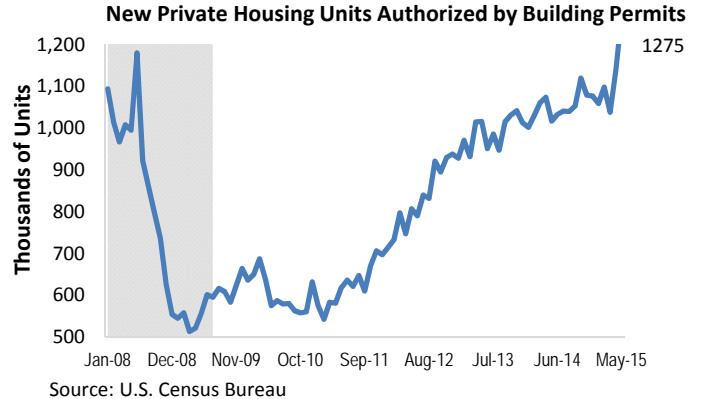
There are more signs of life coming from the housing market as well. The housing market is rebounding from lackluster activity in 2014. Housing demand is much improved on rising job and income growth, while mortgage-rate increases have not poisoned the momentum. The NAHB home market index returned to expansion highs in June with the buyer traffic index holding well above last year's levels at this time of the year.

Homebuilder Confidence at Expansion Highs in June



Building permits also hit their highest level since before the Great Recession in May, jumping 25% from a year ago. At the same time, mortgage rates, which have been rising in recent weeks, have not dampened the demand for mortgage credit. Mortgage purchase applications are running about 15% above last year's levels through mid-June. So while I don't expect home sales to break any records, steady growth in homebuilding, home prices, and new and existing home sales should continue over the rest of the year and into 2016.

Home Building Permits Jump in May



Export growth is also expected to snap back from the first quarter West Coast port slowdown. By the second half of the year, real GDP growth is forecast to move back toward 3.0% growth as business investment and industrial production join the consumer and housing in the economic revival.

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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	2.2	-0.7	2.5	3.0	2.9	2.7	2.8	2.7	2.7	2.2	2.4	2.2	2.8
Personal Consumption Expenditures*	1.2	2.5	3.2	4.4	1.8	3.0	3.5	3.4	3.1	3.1	2.9	2.8	2.4	2.5	3.1	3.2
Non-residential Fixed Investment*	1.6	9.7	8.9	4.7	-2.8	1.2	5.0	5.0	4.7	4.6	4.6	4.2	3.0	6.3	3.0	4.6
Private Housing Starts (000s units)	934	984	1,029	1,055	975	1,080	1,101	1,133	1,145	1,170	1,230	1,250	928	1,001	1,072	1,199
Vehicle Sales (mill. Units, annualized)	15.7	16.5	16.7	16.8	16.6	17.0	17.2	17.1	17.2	17.2	17.3	17.3	15.5	16.4	17.0	17.3
Industrial Production*	3.9	5.7	4.1	4.6	-0.7	-0.8	3.3	3.2	3.4	3.4	3.4	3.4	2.9	4.2	2.0	3.1
Nonfarm Payroll Employment (mil.)	137.8	138.6	139.4	140.2	141.0	141.8	142.5	143.2	143.9	144.6	145.3	146.0	136.4	139.0	142.1	145.0
Unemployment rate	6.6	6.2	6.1	5.7	5.6	5.4	5.2	5.1	5.0	4.9	4.9	4.8	7.4	6.2	5.3	4.9
Consumer Price Index* (percent)	2.1	2.4	1.2	-0.9	-3.0	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)	1.8	2.2	1.4	1.5	1.9	1.8	1.8	1.9	1.9	1.9	2.0	2.0	1.8	1.7	1.8	1.9
PPI (finished goods)* (percent)	4.1	3.5	0.4	-5.1	-11.5	0.3	1.0	1.1	1.3	1.3	1.4	1.4	1.2	1.3	0.3	1.8
Trade Weighted Dollar (Fed BOG, major)	76.9	76.4	77.5	82.2	89.3	90.5	91.4	91.7	91.0	91.8	92.5	92.4	76.1	78.3	90.7	91.9
Crude Oil Prices -WTI (\$ per barrel)	99	103	98	73	49	58	60	60	62	63	64	65	98	94	57	64

*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	2,009	2,064								1,644			
Dow Jones Industrial Average	16,177	16,604	16,954	17,345	17,808								15,010			
Federal Funds Rate (effective)	0.07	0.09	0.09	0.10	0.11	0.13	0.21	0.38	0.63	0.88	1.13	1.38	0.11	0.08	0.21	1.00
Treasury-3 Month Bills (yield)	0.05	0.03	0.03	0.02	0.02	0.03	0.11	0.30	0.55	0.78	1.03	1.28	0.06	0.03	0.12	0.91
Treasury-2 Year Notes (yield)	0.37	0.42	0.52	0.54	0.60	0.61	0.78	0.98	1.35	1.65	1.90	2.23	0.31	0.45	0.74	1.78
Treasury-5 Year Notes (yield)	1.60	1.66	1.70	1.60	1.46	1.55	1.72	1.95	2.34	2.54	2.79	2.92	1.17	1.63	1.67	2.65
Treasury-10 Year Notes (yield)	2.77	2.62	2.50	2.28	1.97	2.17	2.35	2.51	2.71	2.84	2.95	3.18	2.35	2.54	2.25	2.92
Treasury-30 Year Notes (yield)	3.68	3.44	3.27	2.97	2.55	2.85	3.10	3.20	3.26	3.37	3.50	3.63	3.44	3.34	2.93	3.44
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.33	3.50	3.75	4.00	4.25	4.50	3.25	3.25	3.33	4.13
Libor 3-Mo. U.S. Dollar	0.26	0.25	0.24	0.25	0.30	0.30	0.33	0.50	0.75	1.00	1.25	1.50	0.28	0.25	0.36	1.13
Mortgage-30 Year (yield)	4.36	4.23	4.14	3.96	3.72	3.82	4.16	4.30	4.52	4.65	4.76	4.99	3.98	4.19	4.00	4.73
BAA Corporate (yield)	5.12	4.82	4.74	4.73	4.50	4.78	4.97	5.10	5.35	5.50	5.62	5.85	5.10	4.86	4.84	5.58

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