

U.S. Outlook

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BNP PARIBAS GROUP

Date	Indicator	For	Estimate	Consensus*	Previous Period
5-Oct-2015	Markit US Composite PMI	Sep F	NA	NA	55.3
5-Oct-2015	Markit US Services PMI	Sep F	55.6	55.7	55.6
5-Oct-2015	ISM Non-Manf. Composite	Sep	57.1	57.5	59.0
5-Oct-2015	Labor Market Conditions Index Change	Sep	NA	NA	2.1
6-Oct-2015	Trade Balance	Aug	-\$48.7b	-\$44.3b	-\$41.9b
7-Oct-2015	Consumer Credit	Aug	\$19.5b	\$19.3b	\$19.1b
8-Oct-2015	Initial Jobless Claims	03-Oct	278K	275K	277K
8-Oct-2015	FOMC Minutes from Sept. Meeting	Sep			
9-Oct-2015	Import Price Index MoM	Sep	-0.7%	-0.5%	-1.8%
9-Oct-2015	Wholesale Inventories MoM	Aug	-0.2%	0.0%	-0.1%

*Consensus from Bloomberg

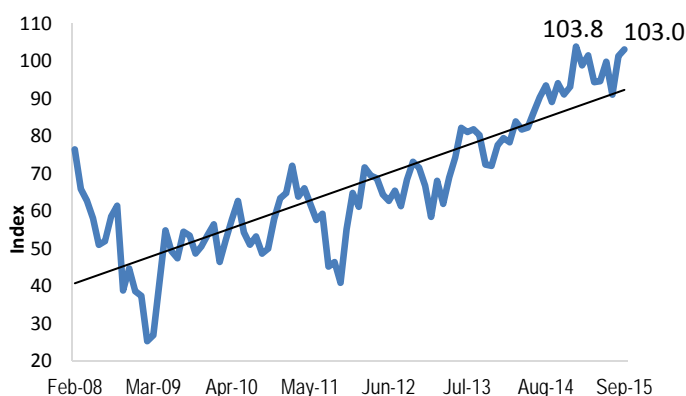
The U.S. Consumer Hangs In There- For Now

We got encouraging reports this week that consumers continued to spend at a rapid clip in August and their confidence in September may not be as dented by global market turmoil as stock market behavior implies.

The Conference Board's Consumer Confidence Index improved again in September to 103.0, bucking several other consumer confidence measures that show anxiety rising along with financial market volatility.

Consumer Confidence Nearly Back to Expansion Highs

Conference Board's Consumer Confidence Index



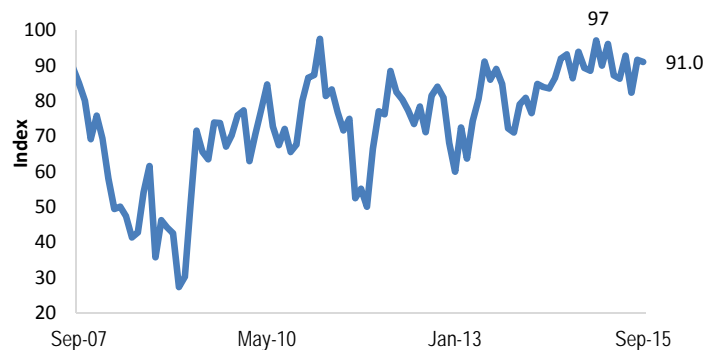
Source: Conference Board

The Conference Board's measure of consumer confidence tends to be more sensitive to improvements in the labor market and spending power, while the University of Michigan Sentiment Index, which has fallen back dramatically over the last few months, tends to be more sensitive to movements in stock prices.

The Present Situation component of the Conference Board's measure of consumer confidence hit another expansion high this month and is now at its best level in eight years. On the other hand, the future for consumer spending might not be as bright as the recent past as the expectations component of the consumer confidence measure has been trending modestly lower since January.

A Less Certain Economic and Financial Future Ahead?

Conference Board's Consumer Confidence Future Expectations
1985 = 100 (Seasonally Adjusted)



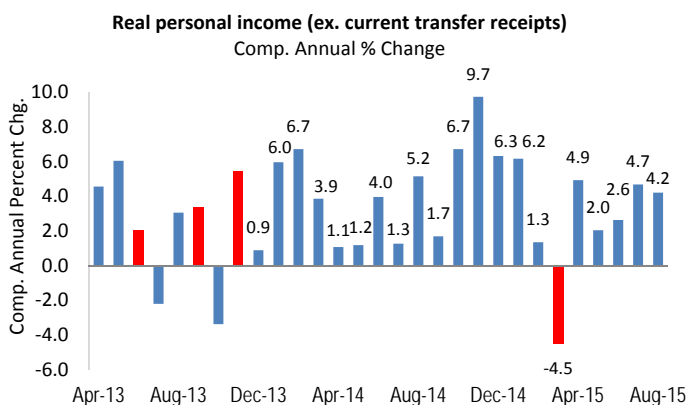
Source: Conference Board

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The mixed picture for consumer confidence in September shows that the drop in oil prices and labor market improvements may be providing lift to consumer spending and confidence, while rising financial markets volatility is working in the opposite direction.

So what's helping the U.S. consumer look past recent downbeat financial market headlines? Real income growth picked up in July and August to over 4.0% on an annualized basis as inflation slowed, this gives U.S. consumer spending some much needed room to run a little hotter.

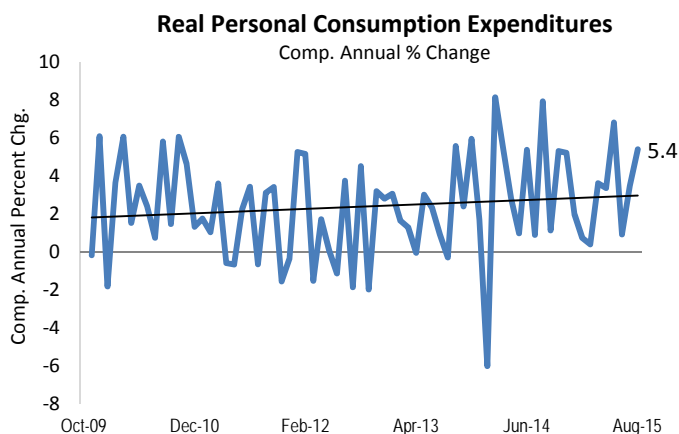
Consumers Seeing Better Real Personal Income Growth



Source: U.S. Bureau of Economic Analysis

Real consumer spending increased a rock solid 5.4% annualized pace in August.

Real Consumer Spending Growth Rebounds in August



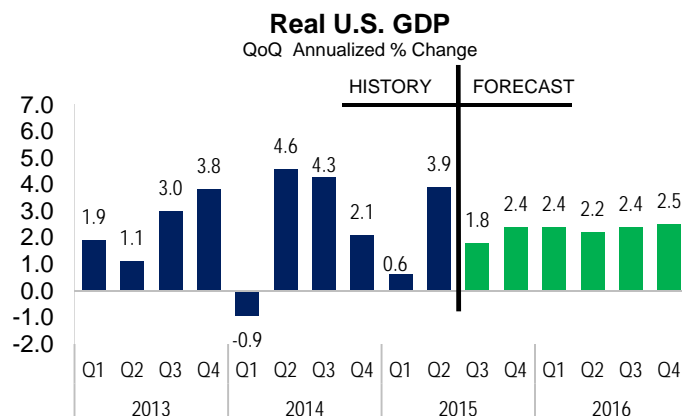
Source: U.S. Bureau of Economic Analysis

We currently estimate third quarter consumer spending will increase at a 3.6% annualized rate, among the strongest growth seen in this expansion.

Even so, we had to cut our Q3 2015 GDP estimate to 1.8% at an annualized rate this week due to an advanced trade in goods report for August, released by the Census Bureau which flags a large drop in goods exports and a big increase in goods imports on the month. This sets the U.S. economy up for meager export growth of around 1.4% annualized in the third quarter, while imports are expected to jump 3.9%. A drop in inventory growth will also be a big drag on GDP growth this quarter.

Weak export growth in August is a reflection of the economic damage from a strong dollar and lackluster global demand. On the other hand, the relative strength in imports, suggests the U.S. consumer is still alive and well. So far, a firming labor market and lower gasoline prices have offset financial market volatility and weaker growth from abroad.

Scaled Back Expectations for U.S. Growth



Source: Bureau of Economic Analysis

For U.S. GDP to return to 2.0% plus growth in the quarters ahead, we need consumer spending growth of 3.0% or better to continue for a while longer. That still looks achievable given this week's unblemished reading on the health of the consumer.

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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*	-0.9	4.6	4.3	2.1	0.6	3.9	1.8	2.4	2.4	2.2	2.4	2.5	1.5	2.4	2.5	2.4
Personal Consumption Expenditures*	1.3	3.8	3.5	4.3	1.7	3.6	3.6	3.2	3.0	3.0	2.9	2.8	1.7	2.7	3.2	3.2
Non-residential Fixed Investment*	8.3	4.4	9.0	0.7	1.6	4.1	6.5	3.8	2.9	2.9	3.3	3.5	3.0	6.2	3.7	3.7
Private Housing Starts (000s units)	934	984	1,029	1,055	978	1,155	1,150	1,164	1,210	1,235	1,240	1,260	928	1,001	1,112	1,236
Vehicle Sales (mill. Units, annualized)	15.7	16.5	16.7	16.8	16.6	17.1	17.8	17.5	17.4	17.3	17.2	17.2	15.5	16.4	17.3	17.3
Industrial Production*	3.6	5.7	3.9	4.7	-0.3	-2.6	2.2	1.9	2.4	1.9	1.9	1.8	1.9	3.7	1.5	1.8
Nonfarm Payroll Employment (mil.)	137.8	138.6	139.4	140.2	141.0	141.6	142.1	142.7	143.3	143.8	144.4	145.0	136.4	139.0	141.9	144.1
Unemployment rate	6.6	6.2	6.1	5.7	5.6	5.4	5.2	5.0	4.9	4.8	4.8	4.7	7.4	6.2	5.3	4.8
Consumer Price Index* (percent)	2.1	2.4	1.2	-0.9	-3.1	3.0	-0.5	1.8	2.0	2.0	2.0	2.1	1.5	1.6	-0.1	1.7
"Core" CPI* (percent)	1.8	2.2	1.4	1.5	1.7	2.5	1.2	1.5	1.9	1.9	2.0	2.0	1.8	1.7	1.7	1.8
PPI (finished goods)* (percent)	4.1	3.5	0.4	-5.1	-11.2	3.6	-6.0	1.7	1.7	1.7	1.8	1.8	1.2	1.9	-3.6	0.9
Trade Weighted Dollar (Fed BOG, major)	76.9	76.4	77.5	82.5	89.3	90.0	91.8	92.0	92.2	92.2	92.7	92.6	75.9	78.4	90.8	92.4
Crude Oil Prices -WTI (\$ per barrel)	99	103	98	73	48	58	47	46	52	54	56	56	98	93	50	55

*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	2,102							1,644			
Dow Jones Industrial Average	16,177	16,604	16,954	17,345	17,808	18,004							15,010			
Federal Funds Rate (effective)	0.07	0.09	0.09	0.10	0.11	0.12	0.14	0.21	0.46	0.71	0.96	1.21	0.11	0.09	0.15	0.84
Treasury-3 Month Bills (yield)	0.05	0.03	0.03	0.02	0.02	0.02	0.10	0.15	0.40	0.65	0.90	1.15	0.06	0.03	0.07	0.78
Treasury-2 Year Notes (yield)	0.37	0.42	0.52	0.54	0.60	0.61	0.68	0.79	1.18	1.47	1.72	1.98	0.31	0.46	0.67	1.59
Treasury-5 Year Notes (yield)	1.60	1.66	1.70	1.60	1.46	1.53	1.55	1.55	2.04	2.24	2.49	2.62	1.17	1.64	1.52	2.35
Treasury-10 Year Notes (yield)	2.77	2.62	2.50	2.28	1.97	2.16	2.22	2.25	2.51	2.64	2.75	2.98	2.35	2.54	2.15	2.72
Treasury-30 Year Notes (yield)	3.68	3.44	3.27	2.97	2.55	2.88	2.96	3.06	3.16	3.22	3.35	3.48	3.44	3.34	2.86	3.30
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.50	3.75	4.00	4.25	4.50	3.25	3.25	3.31	4.13
Libor 3-Mo. U.S. Dollar	0.26	0.25	0.24	0.25	0.30	0.30	0.32	0.37	0.65	0.90	1.15	1.40	0.28	0.25	0.32	1.03
Mortgage-30 Year (yield)	4.36	4.23	4.14	3.96	3.72	3.82	3.95	3.97	4.22	4.35	4.46	4.69	3.98	4.17	3.87	4.43
BAA Corporate (yield)	5.12	4.82	4.74	4.73	4.50	4.83	5.24	5.40	5.55	5.70	5.82	6.05	5.10	4.86	4.99	5.78

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