

U.S. Outlook

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Date	Indicator	For	Estimate	Consensus*	Previous Period
26-Oct-2015	New Home Sales	Sep	545k	550k	552k
26-Oct-2015	Dallas Fed Manf. Activity	Oct	-7.0	-6.0	-9.5
27-Oct-2015	Durable Goods Orders	Sep	-1.1%	-1.0%	-2.3%
27-Oct-2015	Durables Ex Transportation	Sep	-0.2%	0.0%	-0.2%
27-Oct-2015	S&P/CS 20 City MoM SA	Aug	0.1%	0.2%	-0.2%
27-Oct-2015	Markit US Composite PMI	Oct P	55.2	NA	55.0
27-Oct-2015	Markit US Services PMI	Oct P	55.4	NA	55.1
27-Oct-2015	Consumer Confidence Index	Oct	102.8	102.4	103.0
27-Oct-2015	Richmond Fed Manufacturing. Index	Oct	-3	-2	-5
28-Oct-2015	FOMC Rate Decision (Upper Bound)	28-Oct	0.25%	0.25%	0.25%
28-Oct-2015	FOMC Rate Decision (Lower Bound)	28-Oct	0.00%	0.00%	0.00%
29-Oct-2015	Initial Jobless Claims	24-Oct	261K	NA	259K
29-Oct-2015	GDP Annualized QoQ	3Q A	1.6%	1.9%	3.9%
29-Oct-2015	GDP Price Index	3Q A	1.3%	1.5%	2.1%
29-Oct-2015	Pending Home Sales MoM	Sep	1.0%	0.5%	-1.4%
30-Oct-2015	Employment Cost Index	3Q	0.5%	0.6%	0.2%
30-Oct-2015	Personal Income	Sep	0.2%	0.2%	0.3%
30-Oct-2015	Personal Spending	Sep	0.2%	0.2%	0.4%
30-Oct-2015	PCE Deflator MoM	Sep	-0.1%	-0.1%	0.0%
30-Oct-2015	PCE Core MoM	Sep	0.2%	0.2%	0.1%
30-Oct-2015	Chicago Purchasing Manager	Oct	49.7	49.5	48.7
30-Oct-2015	U. of Mich. Sentiment	Oct F	92.5	92.6	92.1

*Consensus from Bloomberg

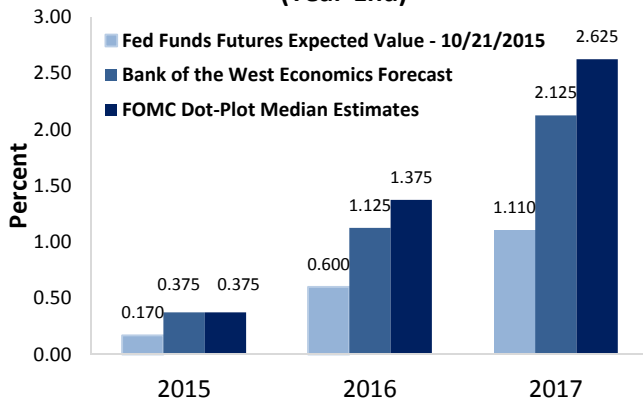
Economy is Looking Better in October

Following August and September's abrupt slowdown, the economic data points so far for October suggest the U.S. economy is picking up some momentum in the fourth quarter. This should help to raise expectations of a better Q4 GDP report and could make a December rate hike from the Fed a more likely scenario than the market is currently pricing in. Fed funds futures show an implied probability of only 36% for a December rate hike. Our current forecast is Q4 real GDP growth of 2.5% for the United States and a December rate hike from the Federal Reserve.

As the chart on the following page illustrates, our rate hike expectations from the Fed over the next two years are somewhat below the Fed's September dot-plot median, but not as pessimistic about the prospect for future rate hikes as the futures market.

A Wide Divergence On Rate Hike Expectations

Fed Funds Rate Outlook (Year-End)



Source: Chicago Board of Trade; Federal Reserve; Bank of the West

Let's review what we know so far for October and what this likely means for fourth quarter GDP growth.

First, the U.S. consumer appears to be shaking off economic concerns from abroad. A healthy labor market, lower energy prices, and continued low interest rates helped to boost consumer confidence in October. The University of Michigan's preliminary consumer sentiment index rebounded to 92.1 from 87.2 in September.

Consumer Sentiment Rebounds in October

University of Michigan: Consumer Sentiment



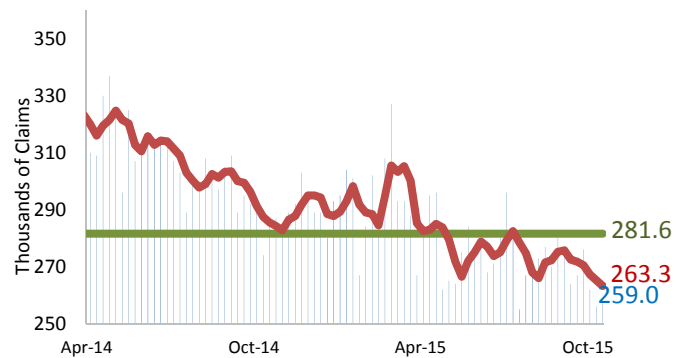
Source: Thomson Reuters/Univ. Of Michigan

So far the slowdown in job creation seen in the payroll report is not even visible in the initial jobless claims data, suggesting the labor market isn't as weak as the headlines suggest and employers remain reluctant to part with their workers. This is a healthy sign of resilient U.S. economic growth into 2016.

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Labor Market Improves - Jobless Claims Keep Falling

Initial Jobless Claims - Recent Trends

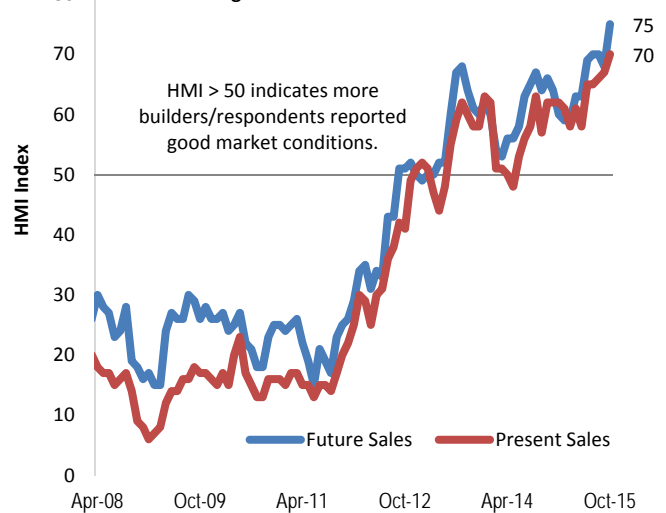


Source: US Employment & Training Administration

Housing and homebuilder data exceed expectations. The NAHB housing market index for October hit expansion highs with big increases in present and future expected sales.

Home Builders an Optimistic Bunch in October

NAHB Housing Market Index - Future Sales and Present Sales



Source: National Association of Home Builders

Lastly, the U.S. manufacturing deterioration may have moderated in October. The U.S. Markit and Kansas City Fed Manufacturing PMIs, the first PMIs released for October, showed notable from a month ago. We will be watching other manufacturing PMI's to see if manufacturing conditions are truly on the mend nationally. Putting it all together, the fourth quarter is off to a good start. We expect 3.2% annualized real consumer spending growth in the fourth quarter and 10% annualized residential investment growth. Add a smaller drag from inventories, and U.S. GDP growth should rebound to around 2.5% annualized in the fourth quarter.

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	2013.0	2014	2015	2016
Real GDP*	-0.9	4.6	4.3	2.1	0.6	3.9	1.6	2.5	2.4	2.3	2.5	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	3.3	3.2	3.0	3.0	2.9	2.8	1.7	2.7	3.2	3.1
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	142.2	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	1.6	1.8	2.0	2.0	2.0	2.1	1.5	1.6	0.2	2.0
"Core" CPI* (percent)	1.8	2.2	1.4	1.5	1.7	2.5	1.7	1.5	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	-11.2	3.6	0.8	1.7	1.7	1.7	1.8	1.8	1.2	1.9	-2.8	1.7
Trade Weighted Dollar (Fed BOG, major)	76.9	76.4	77.5	82.5	89.3	90.0	91.8	91.5	92.0	92.0	92.5	92.4	75.9	78.4	90.7	92.2
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	2009	2,064	2102	2027						1,644	1,930		
Dow Jones Industrial Average	16,177	16,604	16,954	17345	17,808	18,004	17,077						15,010	16,770		
Federal Funds Rate (effective)	0.07	0.09	0.09	0.10	0.11	0.12	0.13	0.15	0.38	0.63	0.71	0.96	0.11	0.09	0.13	0.67
Treasury-3 Month Bills (yield)	0.05	0.03	0.03	0.02	0.02	0.02	0.09	0.06	0.32	0.57	0.65	0.90	0.06	0.03	0.05	0.61
Treasury-2 Year Notes (yield)	0.37	0.42	0.52	0.54	0.60	0.61	0.68	0.69	1.07	1.36	1.47	1.73	0.31	0.46	0.65	1.41
Treasury-5 Year Notes (yield)	1.60	1.66	1.70	1.60	1.46	1.53	1.55	1.45	1.89	2.09	2.24	2.37	1.17	1.64	1.50	2.15
Treasury-10 Year Notes (yield)	2.77	2.62	2.50	2.28	1.97	2.16	2.21	2.20	2.47	2.60	2.65	2.88	2.35	2.54	2.14	2.65
Treasury-30 Year Notes (yield)	3.68	3.44	3.27	2.97	2.55	2.88	2.96	2.95	3.13	3.19	3.28	3.41	3.44	3.34	2.84	3.25
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.31	3.50	3.75	3.83	4.08	3.25	3.25	3.26	3.79
Libor 3-Mo. U.S. Dollar	0.26	0.25	0.24	0.25	0.30	0.30	0.31	0.33	0.57	0.82	0.90	1.15	0.28	0.25	0.31	0.86
Mortgage-30 Year (yield)	4.36	4.23	4.14	3.96	3.72	3.82	3.95	3.98	4.18	4.31	4.36	4.59	3.98	4.17	3.87	4.36
BAA Corporate (yield)	5.12	4.82	4.74	4.73	4.50	4.83	5.24	5.30	5.51	5.66	5.77	6.00	5.10	4.86	4.97	5.74

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