

U.S. Outlook

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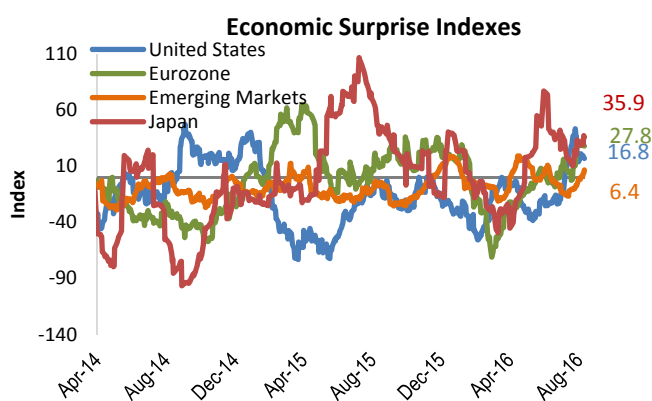
Date	Indicator	For	Estimate	Consensus*	Previous Period
15-Aug-2016	Empire Manufacturing	Aug	4.0	2.0	0.6
15-Aug-2016	NAHB Housing Market Index	Aug	60	60	59
15-Aug-2016	Net Long-term TIC Flows	Jun	NA	NA	\$41.1b
16-Aug-2016	Housing Starts	Jul	1186k	1176k	1189k
16-Aug-2016	Building Permits	Jul	1150k	1160k	1153k
16-Aug-2016	CPI MoM	Jul	0.0%	0.0%	0.2%
16-Aug-2016	CPI Ex Food and Energy MoM	Jul	0.2%	0.2%	0.2%
16-Aug-2016	Industrial Production MoM	Jul	0.3%	0.2%	0.6%
16-Aug-2016	Capacity Utilization	Jul	75.6%	75.6%	75.4%
17-Aug-2016	FOMC Minutes July 26-27 th Meeting	27-Jul	NA	NA	NA
18-Aug-2016	Initial Jobless Claims	13-Aug	265K	NA	266K
18-Aug-2016	Philadelphia Fed Business Outlook	Aug	2.0	1.3	-2.9
18-Aug-2016	Leading Index	Jul	0.3%	0.3%	0.3%

*Consensus from Bloomberg

The Global Economy Holds In There

The economic indicators out of the Eurozone and emerging markets have come in somewhat better than expected over the past few weeks. Generally, global economic surprise indexes have turned more positive, excluding data out of the United Kingdom. Eurozone Q2 GDP increased 0.3%, in-line with economist expectations, and Eurozone industrial production increased a better than expected 0.6% in June.

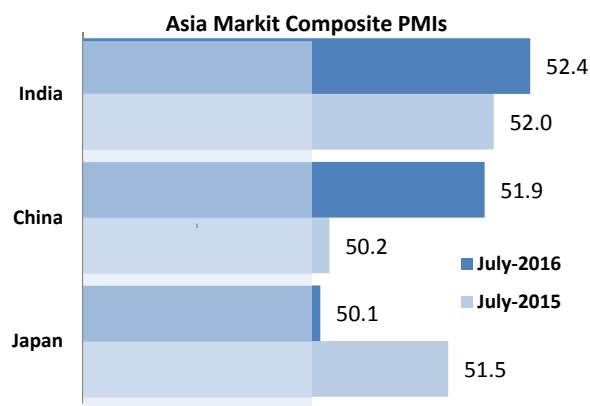
Global Economic Surprises More Positive in August



Source: Bloomberg

Global manufacturing purchasing manager indexes (PMIs) improved in July, according to Markit, especially for emerging markets. Importantly, composite PMI's that encompass both manufacturing and service businesses point to a pick-up in activity in India and China compared to a year ago.

China and India PMI's Point To Stronger EM Growth

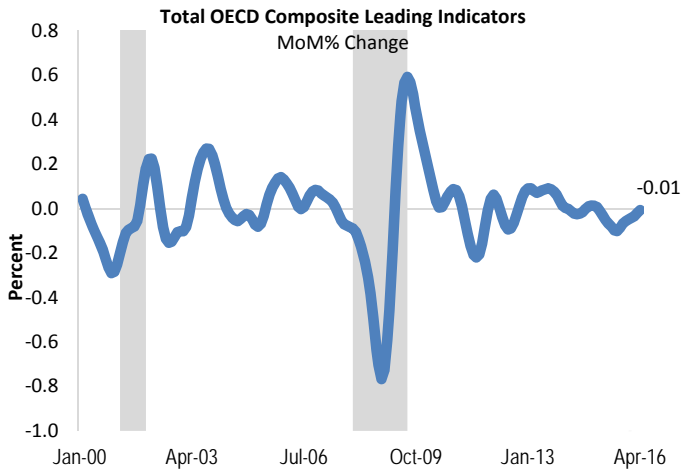


Source: Markit

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The OECD's global composite leading indicators have also been slowly improving since last August, pointing to the fact that stabilization of the global economy may have started gathering pace late last year.

Global Leading Indicators Point to Stabilization



Source: Organization for Economic Cooperation and Development

At the same time, readings of financial stress have continued to improve since the knee-jerk post-Brexit vote tightening. A financial stress indicator compiled by the St. Louis Fed is at its lowest level since last summer. This indicator compiles 18 weekly indicators of financial stress: 7 interest rate series, 6 yield spread indicators, and 5 other indicators of financial stress. A reading of zero on this measure represents a period of normal financial stress, so the current reading of -1.1 implies a relatively low level of financial stress remains in place.

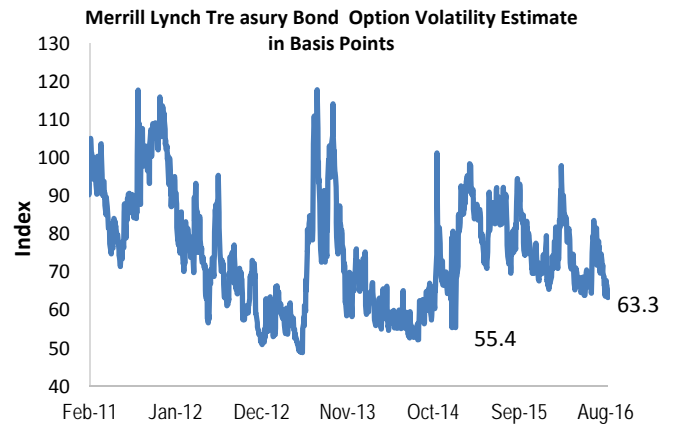
Financial Stress Lowest Since Summer 2015



Source: Federal Reserve Bank of St. Louis

Other measures of Treasury bond and stock market volatility are well below average levels as well. A measure of bond option volatility is the lowest since December 2014. The Chicago Board Option Exchange VIX index, a measure of S&P 500 volatility, recently slipped below 12 compared to an average level of 17.96 over the past 12 months. The lack of financial stress in the global economy means the shock from Brexit may largely be limited to the United Kingdom and some of its major trading partners.

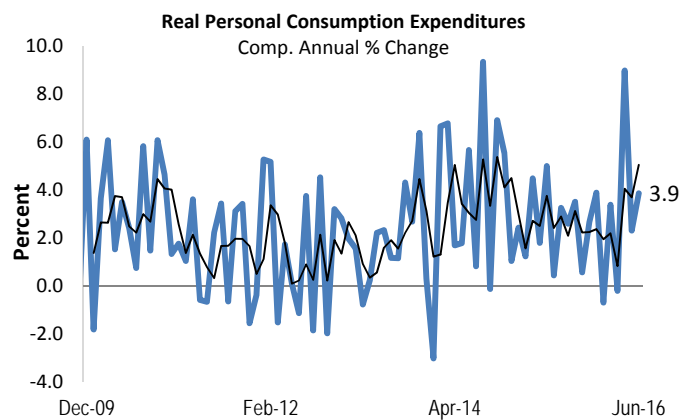
Treasury Bond Volatility Lowest Since 2014



Source: Bloomberg

Finally, steady job growth and healthy real consumption expenditures in the United States will help the global economy, but looser economic policies abroad may also start to have a positive effect on the global outlook. Downside risks to the global economy from Brexit continue to diminish and a goldilocks scenario is gaining some credibility.

U.S. Consumers Open Their Wallets



Source: U.S. Bureau of Economic Analysis

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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*	2.0	2.6	2.0	0.9	0.8	1.2	2.6	2.2	2.2	2.1	2.0	1.8	2.4	2.7	1.5	2.1
Personal Consumption Expenditures*	2.4	2.9	2.7	2.3	1.6	4.2	2.5	2.8	2.5	2.5	2.4	2.3	2.7	3.1	2.6	2.7
Non-residential Fixed Investment*	1.3	1.6	3.9	-3.3	-3.4	-2.2	2.4	2.0	2.7	2.8	2.9	2.8	6.2	2.4	-0.9	2.3
Private Housing Starts (000s units)	986	1,156	1,156	1,135	1,151	1,160	1,200	1,220	1,240	1,250	1,280	1,300	1,001	1,108	1,183	1,268
Vehicle Sales (mill. Units, annualized)	16.9	17.2	17.7	17.8	17.3	17.1	17.0	17.1	17.0	17.0	16.9	16.9	16.4	17.4	17.1	17.0
Industrial Production*	-1.9	-2.7	1.5	-3.3	-1.8	-1.0	1.9	1.8	1.7	1.8	1.7	1.7	3.7	-0.5	-0.4	1.8
Nonfarm Payroll Employment (mil.)	140.8	141.5	142.2	142.9	143.5	144.0	144.5	145.0	145.5	146.0	146.6	147.1	138.9	141.8	144.3	146.3
Unemployment rate	5.6	5.4	5.2	5.0	4.9	4.9	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	2.5	2.0	2.1	2.2	2.2	2.3	2.3	1.6	0.1	1.1	2.2
"Core" CPI* (percent)	1.7	2.3	1.8	2.2	2.7	2.1	1.9	2.0	2.0	2.0	2.1	2.1	1.7	1.8	2.2	2.0
PPI (finished goods)* (percent)	-11.0	3.4	-0.4	-4.8	-4.9	3.2	2.1	2.5	2.4	2.2	2.0	2.0	1.9	-3.3	-1.3	2.2
Trade Weighted Dollar (Fed BOG, major)	89.3	90.1	91.7	93.1	93.3	89.6	91.9	93.1	93.4	92.8	92.3	91.9	78.4	91.1	92.0	92.6
Crude Oil Prices -WTI (\$ per barrel)	48	58	46	42	33	45	44	46	46	46	47	48	93	49	42	47

*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	2,075							1,930	2,061		
Dow Jones Industrial Average	17,808	18,004	17,077	17,475	16,663	17,764							16,770	17,591		
Federal Funds Rate (effective)	0.11	0.13	0.13	0.16	0.36	0.37	0.38	0.46	0.63	0.63	0.88	0.96	0.09	0.13	0.39	0.78
Treasury-3 Month Bills (yield)	0.02	0.02	0.04	0.13	0.29	0.26	0.27	0.35	0.53	0.53	0.80	0.88	0.03	0.05	0.29	0.69
Treasury-2 Year Notes (yield)	0.60	0.61	0.69	0.84	0.84	0.77	0.65	0.80	1.04	1.06	1.31	1.41	0.46	0.69	0.77	1.21
Treasury-5 Year Notes (yield)	1.46	1.53	1.56	1.58	1.37	1.24	1.05	1.20	1.49	1.57	1.77	1.87	1.64	1.53	1.22	1.68
Treasury-10 Year Notes (yield)	1.97	2.16	2.22	2.19	1.91	1.75	1.50	1.75	2.02	2.17	2.32	2.47	2.54	2.14	1.73	2.25
Treasury-30 Year Notes (yield)	2.55	2.88	2.96	2.96	2.72	2.57	2.26	2.50	2.77	2.92	3.12	3.32	3.34	2.84	2.51	3.03
Prime Rate	3.25	3.25	3.25	3.29	3.50	3.50	3.50	3.58	3.75	3.75	4.00	4.08	3.25	3.26	3.52	3.90
Libor 3-Mo. U.S. Dollar	0.30	0.30	0.33	0.43	0.67	0.65	0.64	0.72	0.89	0.90	1.14	1.22	0.25	0.34	0.67	1.04
Mortgage-30 Year (yield)	3.72	3.82	3.95	3.90	3.74	3.59	3.50	3.64	3.91	4.06	4.21	4.36	4.17	3.85	3.62	4.14
BAA Corporate (yield)	4.50	4.83	5.24	5.42	5.30	4.66	4.35	4.62	5.00	5.16	5.32	5.60	4.85	5.00	4.73	5.27

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