

Date	Indicator	For	Estimate	Consensus*	Previous Period
10-Apr-2017	Labor Market Conditions Index Change	Mar	NA	NA	1.3
11-Apr-2017	NFIB Small Business Optimism	Mar	104.9	NA	105.3
11-Apr-2017	JOLTS Job Openings	Feb	NA	NA	5626
12-Apr-2017	Import Price Index MoM	Mar	-0.3%	-0.2%	0.2%
13-Apr-2017	PPI Final Demand MoM	Mar	0.0%	0.0%	0.3%
13-Apr-2017	PPI Ex Food and Energy MoM	Mar	0.2%	0.2%	0.3%
13-Apr-2017	Initial Jobless Claims	08-Apr	244K	NA	234K
13-Apr-2017	U. of Mich. Sentiment	Apr P	96.4	97.4	96.9
14-Apr-2017	CPI MoM	Mar	0.0%	0.0%	0.1%
14-Apr-2017	CPI Ex Food and Energy MoM	Mar	0.2%	0.2%	0.2%
14-Apr-2017	Retail Sales Advance MoM	Mar	-0.1%	0.0%	0.1%
14-Apr-2017	Retail Sales Ex Auto MoM	Mar	0.1%	0.2%	0.2%
14-Apr-2017	Business Inventories	Feb	0.3%	0.3%	0.3%

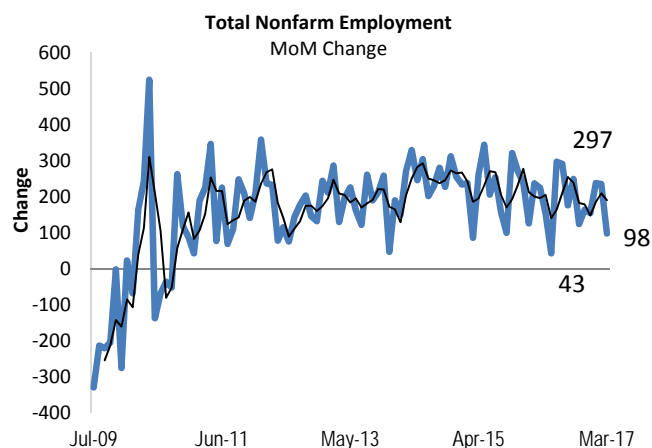
*Consensus from Bloomberg

Job Growth Slips In March

Despite plunging initial jobless claims and a robust ADP employment report for March, the nonfarm payroll report gave us a little head fake this morning. The Bureau of Labor statistics reported that the U.S. economy only created a net 98K jobs in March. This was the weakest nonfarm payroll gain since May 2016, and was well below consensus expectations for a gain of 180K jobs on the month.

While the headline number was a bit of a disappointment, the details in the report revealed underlying labor market strength and momentum. Special factors like Winter Storm Stella, which dumped 10 to 20 inches of snow on the Midwest and East Coast during the March payroll survey week, likely held back payroll gains in a number of major job categories like construction (+6K), leisure and hospitality (+9K), and retail trade (-30K). The three-month moving average payroll gain of 178K jobs a month is probably a better reflection of the underlying pace of job creation in the U.S. economy today.

A Job Growth Head Fake In March

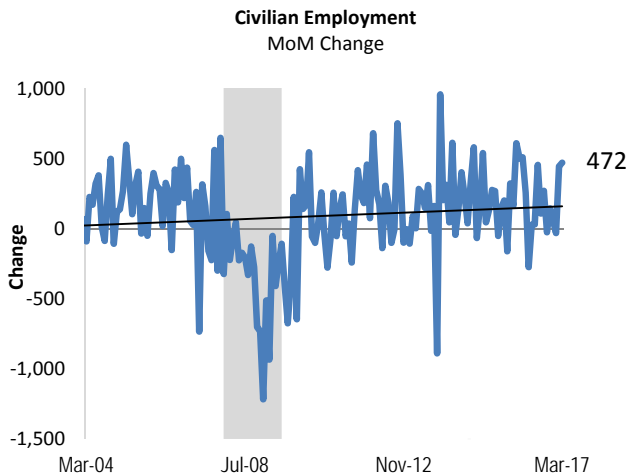


Source: U.S. Bureau of Labor Statistics

Indeed, given underlying labor force growth rate, monthly job creation of 75K to 125K jobs a month should be sufficient to keep the U.S. unemployment rate stable at current levels, according to the Federal Reserve.

Perhaps of more interest to the Fed today than the modest headline job gain was the strong increase in the household employment survey that showed a contradictory net gain of 472K jobs in March. The household survey appears to be more in-line with the strong labor market trends we are seeing in initial jobless claims, ADP reports, and purchasing manager surveys.

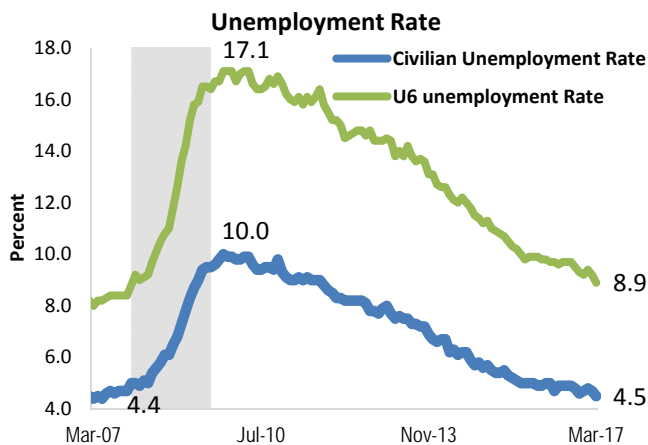
Household Employment Survey Shows Job Growth Acceleration



Source: U.S. Bureau of Labor Statistics

This robust household job gain sent the U.S. unemployment rate to a cyclical low of 4.5%, just a touch above the last expansion’s nadir of 4.4%, and well below a level most economists consider a fully employed economy today. Even the broader U6 measure of unemployment, which includes marginally attached workers and those working part-time of economic reasons, fell below 9.0% for the first time in this expansion.

Low Unemployment Rates Will Catch the FOMC’s Attention

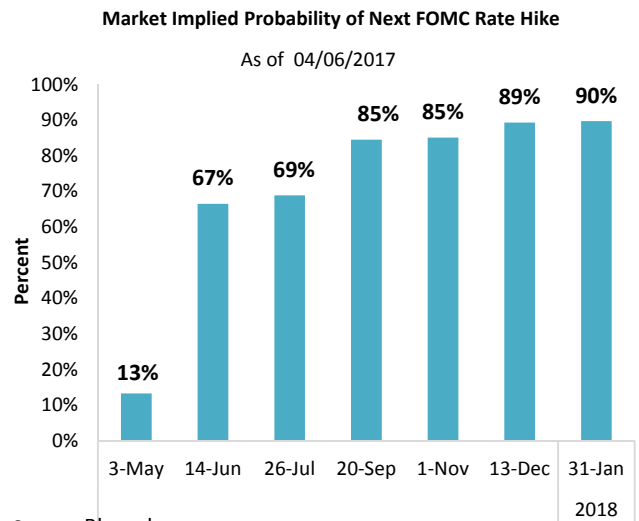


Source: U.S. Bureau of Labor Statistics

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The two-tenths of a percentage point drop in the unemployment rate again today will keep pressure on the FOMC to keep gradually hiking interest rates this year. In the wake of the March FOMC minutes release and today’s unemployment rates, we are pushing forward our forecast for the next rate hike from the Fed to June from September. We expect another rate hike from the Fed in September and a start of the phase-out of portfolio reinvestment from the Fed before the end of the year, likely at the December FOMC meeting.

Another Fed Rate Hike in Q2 Appears Likely



Source: Bloomberg

Returning to the establishment survey data, job gains slowed in nearly every major job category last month, except for business services, which saw the largest net gain in jobs in March of 56K. Net jobs were lost in retail trade (30K), information (3K), and federal government (1K). Manufacturers added 11K jobs last month, down from 26K in February.

Bottom line: We believe the disappointing headline gain in net nonfarm payrolls in March is a bit of a head fake that doesn’t reflect the underlying strength and momentum in the labor market we are seeing from a number of other indicators. The Fed will likely keep its focus on the cumulative progress made in the U.S. labor market to date and the expectation that moderate growth in GDP and net jobs are likely to continue in the months ahead. One month of lackluster jobs data will not likely be enough to dissuade the FOMC from the gradual rate hike course it laid out in March.

Major Economic Indicators

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2015	2016	2017	2018
Real GDP*	0.8	1.4	3.5	2.1	1.0	2.4	2.2	2.2	2.3	2.3	2.4	2.4	2.6	1.6	2.0	2.3
Personal Consumption Expenditures*	1.6	4.3	3.0	3.5	0.9	2.5	2.5	2.4	2.4	2.4	2.4	2.4	3.2	2.7	2.5	2.4
Non-residential Fixed Investment*	-3.4	1.0	1.4	0.9	5.7	4.1	2.9	2.8	2.8	3.4	3.9	4.4	2.1	-0.5	3.2	3.3
Private Housing Starts (000s units)	1,151	1,159	1,145	1,248	1,200	1,210	1,220	1,240	1,252	1,265	1,275	1,285	1,108	1,176	1,218	1,269
Vehicle Sales (mill. Units, annualized)	17.3	17.1	17.5	18.0	17.5	17.5	17.4	17.4	17.3	17.3	17.2	17.2	17.4	17.5	17.5	17.3
Industrial Production*	-1.3	-0.7	0.8	0.8	1.5	1.7	2.4	2.5	2.4	2.3	2.2	2.2	0.3	-1.2	1.4	2.3
Nonfarm Payroll Employment (mil.)	143.4	144.0	144.7	145.2	145.9	146.5	147.0	147.6	148.1	148.6	149.1	149.6	141.8	144.3	146.7	148.9
Unemployment rate	4.9	4.9	4.9	4.7	4.7	4.6	4.5	4.5	4.4	4.3	4.4	4.5	5.3	4.9	4.6	4.4
Consumer Price Index* (percent)	0.1	2.3	1.8	3.0	3.1	2.0	2.3	2.3	2.3	2.2	2.2	2.2	0.1	1.3	2.6	2.3
"Core" CPI* (percent)	2.5	2.1	2.1	2.0	2.5	2.1	2.1	2.1	2.2	2.2	2.2	2.3	1.8	2.2	2.2	2.2
PPI (finished goods)* (percent)	-3.9	3.0	1.7	3.6	3.6	3.0	2.7	2.5	2.4	2.1	2.0	2.1	-3.3	-1.0	3.0	2.4
Trade Weighted Dollar (Fed BOG, major)	93.2	89.5	90.3	93.3	94.5	94.8	96.0	95.7	96.2	96.8	96.2	96.0	90.9	91.6	95.3	96.3
Crude Oil Prices -WTI (\$ per barrel)	33	45	45	49	52	49	50	50	51	51	52	53	50	43	50	52

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

Financial Data	History				Forecast								Annual Average			
	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2015	2016	2017	2018
S & P 500	1,951	2,075	2,162	2,185	2,326								2,061	2,093		
Dow Jones Industrial Average	16,663	17,764	18,372	18,865	20,406								17,591	17,916		
Federal Funds Rate (effective)	0.36	0.37	0.39	0.45	0.70	0.96	1.21	1.38	1.46	1.71	1.88	2.13	0.13	0.39	1.06	1.79
Treasury-3 Month Bills (yield)	0.29	0.26	0.30	0.43	0.61	0.87	1.15	1.34	1.47	1.73	1.92	2.17	0.05	0.32	0.99	1.82
Treasury-2 Year Notes (yield)	0.84	0.77	0.73	1.01	1.24	1.30	1.51	1.70	1.94	2.21	2.35	2.61	0.69	0.84	1.44	2.28
Treasury-5 Year Notes (yield)	1.37	1.24	1.13	1.61	1.95	2.02	2.26	2.46	2.71	2.91	3.08	3.34	1.53	1.34	2.17	3.01
Treasury-10 Year Notes (yield)	1.91	1.75	1.56	2.14	2.45	2.50	2.73	2.93	3.15	3.35	3.52	3.78	2.14	1.84	2.65	3.45
Treasury-30 Year Notes (yield)	2.72	2.57	2.28	2.83	3.05	3.12	3.35	3.55	3.78	3.98	4.15	4.43	2.84	2.60	3.27	4.09
Prime Rate	3.50	3.50	3.50	3.55	3.80	4.06	4.32	4.50	4.60	4.85	5.00	5.25	3.26	3.51	4.17	4.93
Libor 3-Mo. U.S. Dollar	0.62	0.64	0.79	0.92	1.07	1.25	1.49	1.67	1.75	1.97	2.17	2.42	0.34	0.74	1.37	2.08
Mortgage-30 Year (yield)	3.74	3.59	3.45	3.84	4.17	4.26	4.45	4.65	4.85	5.05	5.34	5.60	3.85	3.66	4.38	5.21
BAA Corporate (yield)	5.30	4.66	4.26	4.64	4.66	4.74	5.04	5.29	5.65	5.81	6.00	6.25	5.00	4.71	4.93	5.93

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