

| Date | Indicator | For | Estimate | Consensus* | Previous Period |
|-------------|--|--------|----------|------------|-----------------|
| 22-May-2017 | Chicago Fed Nat Activity Index | Apr | NA | NA | 0.08 |
| 23-May-2017 | New Home Sales | Apr | 623k | 620k | 621k |
| 23-May-2017 | Richmond Fed Manufacturing Index | May | 17 | 15 | 20 |
| 24-May-2017 | FHFA House Price Index MoM | Mar | 0.4% | NA | 0.8% |
| 24-May-2017 | Markit US Manufacturing PMI | May P | 52.5 | NA | 52.8 |
| 24-May-2017 | Markit US Services PMI | May P | 53.0 | NA | 53.1 |
| 24-May-2017 | Markit US Composite PMI | May P | NA | NA | 53.2 |
| 24-May-2017 | Existing Home Sales | Apr | 5.65m | 5.67m | 5.71m |
| 25-May-2017 | Advance Goods Trade Balance | Apr | -\$64.8b | -\$64.0b | -\$64.2b |
| 25-May-2017 | Wholesale Inventories MoM | Apr P | 0.2% | NA | 0.2% |
| 25-May-2017 | Initial Jobless Claims | 20-May | 238K | NA | 232K |
| 25-May-2017 | Kansas City Fed Manufacturing Activity | May | 10 | NA | 7 |
| 26-May-2017 | GDP Annualized QoQ | 1Q S | 0.7% | 0.9% | 0.7% |
| 26-May-2017 | GDP Price Index | 1Q S | 2.3% | 2.3% | 2.3% |
| 26-May-2017 | Durable Goods Orders | Apr P | -1.4% | -1.5% | 1.7% |
| 26-May-2017 | Durables Ex Transportation | Apr P | 0.4% | 0.3% | 0.0% |
| 26-May-2017 | U. of Mich. Sentiment | May F | 97.5 | 97.5 | 97.7 |

*Consensus from Bloomberg

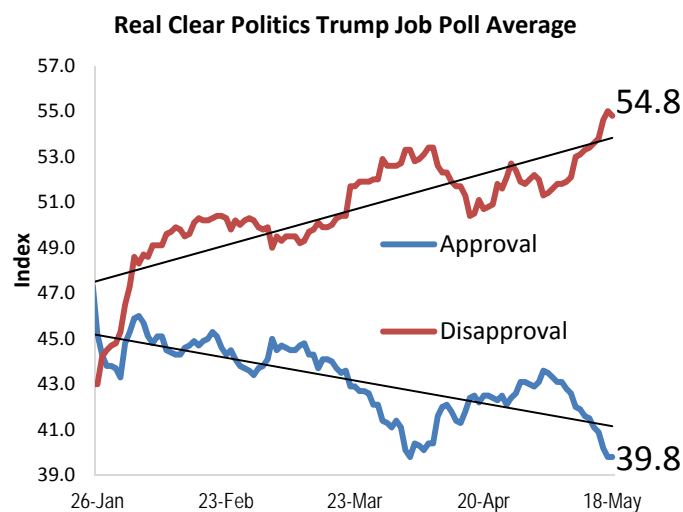
Intrigue Hijacks the Policy Agenda - Risk on the Rise

Daily economic indicators continue to show the second-quarter U.S. economic rebound remains on track. The Conference Board's Leading Economic Indicator Index continued to rise through April, up another 0.3%, and initial jobless claims last week were even lower than the week before at 232K. However, beyond this quarter, the economic and policy outlooks are becoming cloudy again.

The political drama in Washington, D.C., intensified this week with the firing of FBI Director Comey, the appointment of a special counsel to investigate any Trump administration and Russia linkages, possible charges of presidential obstruction of justice, and calls for impeachment on the floor of the House of Representatives. These events and actions have already raised the political stakes, hardened party divisions in Congress, and have potentially damaged and/or delayed the Trump administration's business-friendly economic policy agenda.

Recent polls tell the story. President Trump's job approval rating remained in the basement at 39.8% on Thursday, according to a Real Clear Politics poll. His ratings are once again revisiting their lowest levels since he took office.

Trump Likely Doing Real Damage to his Economic Policy Agenda



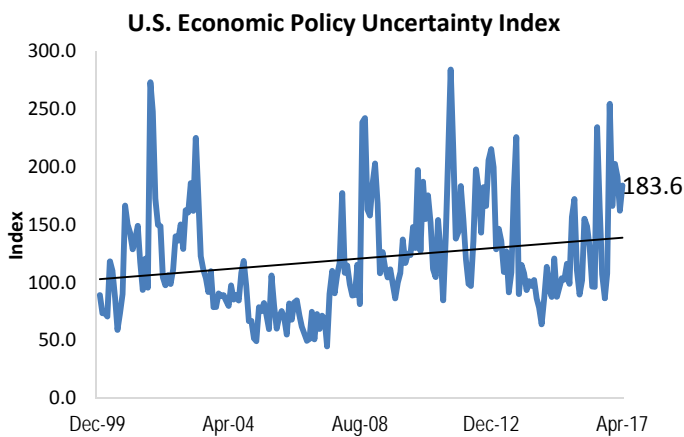
The concern, of course, is that an unpopular president with only a limited window to pass his economic policy agenda before the 2018 midterm elections is wasting political capital

fighting battles that don't involving passing comprehensive tax reform, renegotiating trade agreements, or pursuing new infrastructure investments. At the same time, Republican lawmakers may be more willing to distance themselves from elements of the president's tax reform and budget plan — for example, whether to make the tax cuts revenue-neutral or not. Moreover, Democrats in Congress will be more willing to dig in and “join the resistance” rather than work toward common policy goals.

At a minimum this increases economic policy uncertainty both in terms of the content of those policies and the timing of passage (think 2018 or beyond). The risks of policy delay, a scaling back, or even inaction on key economic policy proposals by the new administration are now very real possibilities that must be considered and priced in by investors today.

The Economic Uncertainty Index we track reached levels seen only a handful of times over the last 20 years following Trump's election, and it remains at elevated levels today. Economic policy uncertainty can dampen business and consumer sentiment and economic growth, as it can cause businesses to delay or cancel investment plans and cause consumers to avoid or delay large purchases. It can also lead banks to make more conservative lending decisions that can compound the spending problems. This can swiftly lead to less hiring and fewer raises for workers.

U.S. Economic Policy Uncertainty Returns

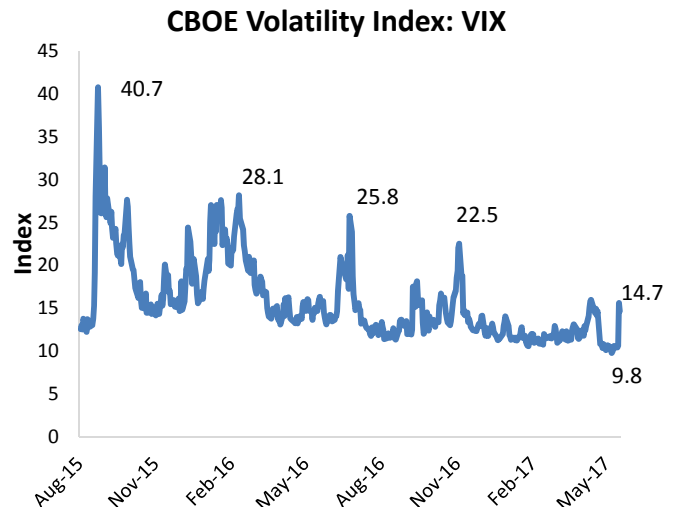


Source: Professors Baker, Bloom and Davis

Wall Street has been desperately trying to ignore the slow-motion train wreck that has been festering since the inauguration, refusing to deviate from the rally that began shortly following the November election. Measures of stock market volatility and credit risk show a level of complacency that seems oddly out of place with the dire political headlines

of the day. The S&P 500 VIX index dropped below 10 before jumping higher with this week's events.

Stock Volatility Hits Historically Low Levels on May 8



Source: Chicago Board Options Exchange

Senator John McCain's comparisons of today's events in Washington, D.C. to the Watergate scandal don't seem to jive with investors' views of calm waters and smooth sailing ahead. Economists have a saying —“buyer beware” — that seems highly appropriate when talking about new “risk-on” trades today.

The stock market sell-off we had on Wednesday may just be a preview of what could be coming. Politics and congressional policy outcomes are not likely to have much of an impact on near-term economic performance. But they will definitely impact our, and the Fed's, forecasts for 2018 and beyond. Following the Trump election we boosted our forecast for U.S. GDP in 2018 by around a half a percentage point, assuming some gain from a substantial fiscal stimulus package. This week's events now call that forecast into question and tip the balance of risks more toward the downside than the upside in my view.

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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 | 0.7 | 2.9 | 2.2 | 2.2 | 2.3 | 2.3 | 2.4 | 2.4 | 2.6 | 1.6 | 2.1 | 2.3 |
| Personal Consumption Expenditures* | 1.6 | 4.3 | 3.0 | 3.5 | 0.3 | 2.5 | 2.5 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 3.2 | 2.7 | 2.3 | 2.4 |
| Non-residential Fixed Investment* | -3.4 | 1.0 | 1.4 | 0.9 | 9.4 | 4.6 | 2.9 | 2.9 | 2.8 | 3.4 | 3.9 | 4.5 | 2.1 | -0.5 | 4.1 | 3.3 |
| Private Housing Starts (000s units) | 1,153 | 1,158 | 1,150 | 1,248 | 1,242 | 1,250 | 1,255 | 1,261 | 1,263 | 1,265 | 1,275 | 1,285 | 1,108 | 1,177 | 1,252 | 1,272 |
| Vehicle Sales (mill. Units, annualized) | 17.3 | 17.1 | 17.5 | 18.0 | 17.2 | 17.1 | 17.1 | 17.0 | 16.9 | 16.9 | 16.8 | 16.8 | 17.4 | 17.5 | 17.1 | 16.9 |
| Industrial Production* | -1.3 | -0.7 | 0.8 | 0.7 | 1.8 | 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 | 145.7 | 146.3 | 146.8 | 147.3 | 147.8 | 148.3 | 148.8 | 149.4 | 141.8 | 144.3 | 146.5 | 148.6 |
| Unemployment rate | 4.9 | 4.9 | 4.9 | 4.7 | 4.7 | 4.4 | 4.3 | 4.2 | 4.1 | 4.1 | 4.2 | 4.3 | 5.3 | 4.9 | 4.4 | 4.2 |
| 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 | 2.5 | 2.3 |
| "Core" CPI* (percent) | 2.5 | 2.1 | 2.1 | 2.0 | 2.5 | 2.2 | 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 | 3.4 | 6.3 | 3.0 | 2.7 | 2.5 | 2.4 | 2.1 | 2.0 | 2.1 | -3.3 | -1.0 | 3.7 | 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 | 0.94 | 1.21 | 1.38 | 1.46 | 1.71 | 1.96 | 2.13 | 0.13 | 0.39 | 1.06 | 1.81 |
| Treasury-3 Month Bills (yield) | 0.29 | 0.26 | 0.30 | 0.43 | 0.61 | 0.85 | 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 | 1.28 | 1.51 | 1.70 | 1.94 | 2.21 | 2.35 | 2.61 | 0.69 | 0.84 | 1.43 | 2.28 |
| Treasury-5 Year Notes (yield) | 1.37 | 1.24 | 1.13 | 1.61 | 1.95 | 1.92 | 2.19 | 2.39 | 2.67 | 2.87 | 3.03 | 3.30 | 1.53 | 1.34 | 2.11 | 2.97 |
| Treasury-10 Year Notes (yield) | 1.91 | 1.75 | 1.56 | 2.14 | 2.45 | 2.38 | 2.60 | 2.80 | 3.10 | 3.30 | 3.47 | 3.73 | 2.14 | 1.84 | 2.56 | 3.40 |
| Treasury-30 Year Notes (yield) | 2.72 | 2.57 | 2.28 | 2.83 | 3.05 | 3.07 | 3.31 | 3.51 | 3.78 | 3.98 | 4.15 | 4.43 | 2.84 | 2.60 | 3.24 | 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 | 1.19 | 1.47 | 1.65 | 1.73 | 1.97 | 2.15 | 2.40 | 0.34 | 0.74 | 1.35 | 2.06 |
| Mortgage-30 Year (yield) | 3.74 | 3.59 | 3.45 | 3.84 | 4.17 | 4.17 | 4.38 | 4.58 | 4.85 | 5.05 | 5.29 | 5.55 | 3.85 | 3.66 | 4.33 | 5.19 |
| BAA Corporate (yield) | 5.30 | 4.66 | 4.26 | 4.64 | 4.66 | 4.65 | 4.92 | 5.17 | 5.52 | 5.75 | 5.92 | 6.18 | 5.00 | 4.71 | 4.85 | 5.84 |

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