

Date	Indicator	For	Estimate	Consensus*	Previous Period
10-Jul-2017	Labor Market Conditions Index Change	Jun	NA	NA	2.3
10-Jul-2017	Consumer Credit	May	\$12.0b	\$13.0b	\$8.2b
11-Jul-2017	NFIB Small Business Optimism	Jun	104.2	NA	104.5
11-Jul-2017	JOLTS Job Openings	May	NA	NA	6044
11-Jul-2017	Wholesale Inventories MoM	May F	0.3%	0.3%	0.3%
12-Jul-2017	U.S. Federal Reserve Releases Beige Book				
13-Jul-2017	PPI Final Demand MoM	Jun	0.1%	0.0%	0.0%
13-Jul-2017	PPI Ex Food and Energy MoM	Jun	0.1%	0.2%	0.3%
13-Jul-2017	Initial Jobless Claims	08-Jul	246K	NA	248K
14-Jul-2017	CPI MoM	Jun	0.1%	0.1%	-0.1%
14-Jul-2017	CPI Ex Food and Energy MoM	Jun	0.2%	0.2%	0.1%
14-Jul-2017	Retail Sales Advance MoM	Jun	0.2%	0.1%	-0.3%
14-Jul-2017	Retail Sales Ex Auto MoM	Jun	0.2%	0.2%	-0.3%
14-Jul-2017	Industrial Production MoM	Jun	0.2%	0.3%	0.0%
14-Jul-2017	Capacity Utilization	Jun	76.7%	76.8%	76.6%
14-Jul-2017	U. of Mich. Sentiment	Jul P	94.7	95.0	95.1
14-Jul-2017	Business Inventories	May	0.3%	0.3%	-0.2%

*Consensus from Bloomberg

Job Growth Back On Track in June

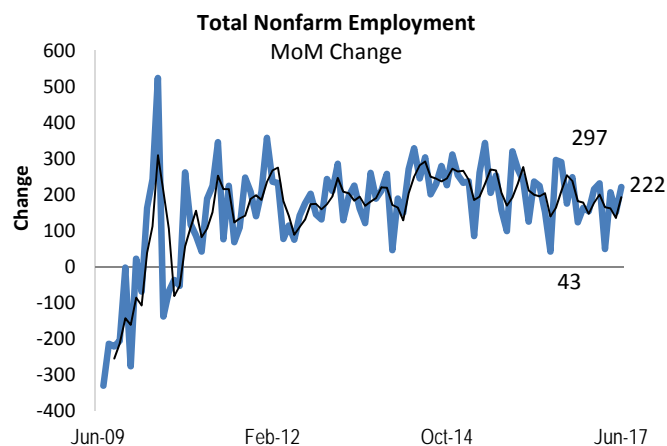
June nonfarm job growth easily surpassed analysts' expectations, increasing by 222K jobs on the month. Job gains for April and May were also revised higher by a net 47K jobs. The three-month average of monthly job gains improved to a respectable 194K jobs a month. Last year, the average monthly job gain was 180K jobs a month.

Overall this was a solid payroll report that reinforces the notion that the U.S. labor market remains a bright spot for the U.S. economic expansion. This upbeat report on the labor market caught analysts and the market a bit by surprise this morning, as many had been bracing for a worse-than-expected job print given the below-consensus ADP report for June earlier in the week.

As long as the U.S. economy can continue to put up job numbers like this, the FOMC will remain on its rate-hike and balance-sheet-reduction schedules this year. Moreover, we expect the majority of the FOMC members to continue to lean toward the hawkish side in their speeches and policy statements. Our forecast on Fed

monetary policy going forward is unchanged, given this new labor market information. We continue to expect a statement on balance sheet reduction at the September FOMC meeting and one more quarter-point fed funds rate hike at the December meeting.

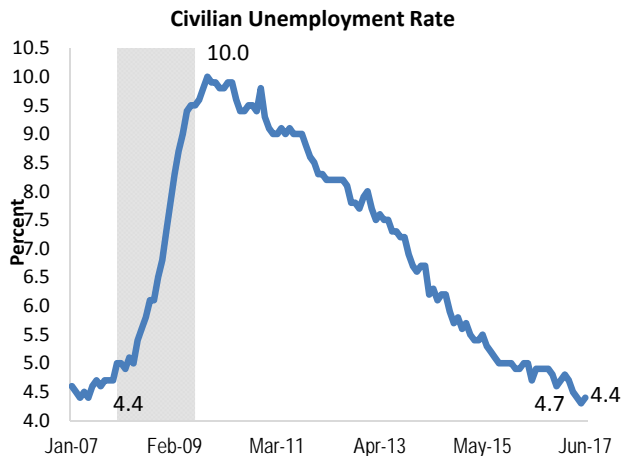
U.S. Job Growth Gets Back on Track in June



Source: U.S. Bureau of Labor Statistics

The U.S. unemployment rate ticked up by a tenth of a percentage point to 4.4% in June, but this was due to a strong monthly inflow into the U.S. labor force (+361K) and not a signal of labor market weakness, according to the Labor Department’s household survey data. Both household employment gains and labor force growth were strong in June. The labor force participation rate improved to 62.8% in June from 62.7% in May.

Unemployment Rate Ticks Up As the Labor Force Grows



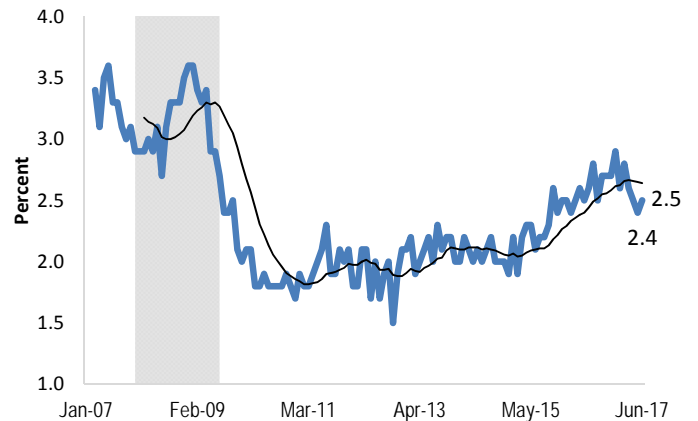
Source: U.S. Bureau of Labor Statistics

If there was any disappointment, it was in average hourly earnings. Average hourly earnings did increase at a slightly faster rate on a monthly basis in June – up 0.2% — but year-on-year and the three-month average annualized growth remain historically weak at 2.5% and 2.0%, respectively.

In short, no strong signal of accelerating wage growth yet as the labor market gets tighter and tighter. So the mystery gets deeper and deeper for the Fed to unravel. Without stronger wage growth to underpin it, it is unlikely we will see sustained acceleration in consumer price inflation anytime soon.

Wage Growth Still Looking Lackluster Despite Strong Job Gains

Average Hourly Earnings of Private Employees
YoY % Change

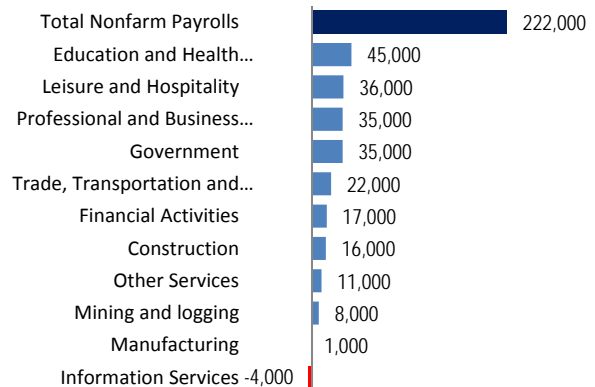


Source: Bureau of Labor Statistics

Looking at the June job gains by industry, we see solid net job growth across most sectors. Education and health care led the way (+45K) followed closely by leisure and hospitality (+36K), professional and business services (+35K), and government (+35K). Trade and transport (+22K), finance (+17K), construction (+16K), and mining (+8K) all added a respectable number of jobs last month. The only industries that appeared to lag on jobs last month were manufacturing (+1K) and information, which lost -4K jobs. Monthly job growth numbers like these should keep consumer spending growing and the economic expansion intact, even in the face of declining monetary accommodation.

Solid Net Job Gains Across Most Industries Last Month

Nonfarm Employment MoM Growth
June 2017



Source: BLS, Bank of the West

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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	1.4	2.5	2.7	2.0	1.9	2.1	2.1	2.2	2.6	1.6	2.2	2.1
Personal Consumption Expenditures*	1.6	4.3	3.0	3.5	1.1	3.0	2.7	2.4	2.2	2.2	2.1	2.1	3.2	2.7	2.6	2.4
Non-residential Fixed Investment*	-3.4	1.0	1.4	0.9	10.4	2.7	3.4	2.8	2.7	3.4	3.9	4.4	2.1	-0.5	4.1	3.3
Private Housing Starts (000s units)	1,153	1,158	1,150	1,248	1,238	1,124	1,230	1,256	1,263	1,265	1,275	1,285	1,108	1,177	1,212	1,272
Vehicle Sales (mill. Units, annualized)	17.3	17.1	17.5	18.0	17.2	16.6	16.8	16.8	16.7	16.6	16.6	16.5	17.4	17.5	16.8	16.6
Industrial Production*	-1.3	-0.7	0.8	0.7	1.5	6.0	1.8	1.9	2.2	2.3	2.2	2.2	0.3	-1.2	2.0	2.4
Nonfarm Payroll Employment (mil.)	143.4	144.0	144.7	145.2	145.7	146.1	146.7	147.1	147.6	148.0	148.5	148.9	141.8	144.3	146.4	148.2
Unemployment rate	4.9	4.9	4.9	4.7	4.7	4.4	4.2	4.1	4.1	4.0	4.1	4.2	5.3	4.9	4.3	4.1
Consumer Price Index* (percent)	0.1	2.3	1.8	3.0	3.1	0.5	2.1	2.1	2.1	2.1	2.1	2.1	0.1	1.3	2.2	2.0
"Core" CPI* (percent)	2.5	2.1	2.1	2.0	2.5	1.0	2.0	2.0	2.1	2.1	2.1	2.1	1.8	2.2	1.9	2.0
PPI (finished goods)* (percent)	-3.9	3.0	1.7	3.4	6.1	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	93.5	94.5	93.1	92.0	92.7	93.2	93.8	93.2	93.0	90.9	91.6	93.1	93.3
Crude Oil Prices -WTI (\$ per barrel)	33	45	45	49	52	48	45	45	46	46	47	48	50	43	47	47

*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	2,398							2,061	2,093		
Dow Jones Industrial Average	16,663	17,764	18,372	18,865	20,406	20,994							17,591	17,916		
Federal Funds Rate (effective)	0.36	0.37	0.39	0.45	0.70	0.94	1.16	1.21	1.46	1.71	1.96	2.13	0.13	0.39	1.00	1.81
Treasury-3 Month Bills (yield)	0.29	0.26	0.30	0.43	0.61	0.91	1.08	1.16	1.41	1.67	1.92	2.08	0.05	0.32	0.94	1.77
Treasury-2 Year Notes (yield)	0.84	0.77	0.73	1.01	1.24	1.30	1.48	1.65	1.90	2.16	2.40	2.58	0.69	0.84	1.42	2.26
Treasury-5 Year Notes (yield)	1.37	1.24	1.13	1.61	1.95	1.81	2.00	2.20	2.50	2.72	2.92	3.15	1.53	1.34	1.99	2.82
Treasury-10 Year Notes (yield)	1.91	1.75	1.56	2.14	2.45	2.26	2.45	2.65	2.92	3.12	3.36	3.55	2.14	1.84	2.45	3.24
Treasury-30 Year Notes (yield)	2.72	2.57	2.28	2.83	3.05	2.90	3.13	3.33	3.57	3.77	4.01	4.20	2.84	2.60	3.10	3.89
Prime Rate	3.50	3.50	3.50	3.55	3.80	4.05	4.32	4.35	4.60	4.85	5.00	5.25	3.26	3.51	4.13	4.93
Libor 3-Mo. U.S. Dollar	0.62	0.64	0.79	0.92	1.07	1.21	1.39	1.47	1.73	1.97	2.22	2.40	0.34	0.74	1.28	2.08
Mortgage-30 Year (yield)	3.74	3.59	3.45	3.84	4.17	3.98	4.23	4.43	4.70	4.92	5.16	5.40	3.85	3.66	4.20	5.05
BAA Corporate (yield)	5.30	4.66	4.26	4.64	4.66	4.50	4.70	4.95	5.33	5.55	5.79	5.98	5.00	4.71	4.70	5.66

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