SCOTT ANDERSON, Ph.D. | Chief Economist | 415.765.8020 | bankofthewest.com

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Date	Indicator	For	Estimate	Consensus*	Previous Period
10-Apr-2018	NFIB Small Business Optimism	Mar	106.5	NA	107.6
10-Apr-2018	PPI Final Demand MoM	Mar	0.2%	0.1%	0.2%
10-Apr-2018	PPI Ex Food and Energy MoM	Mar	0.2%	0.2%	0.2%
10-Apr-2018	Wholesale Inventories MoM	Feb F	0.8%	0.5%	1.1%
11-Apr-2018	CPI MoM	Mar	0.1%	0.0%	0.2%
11-Apr-2018	CPI Ex Food and Energy MoM	Mar	0.2%	0.2%	0.2%
12-Apr-2018	Import Price Index MoM	Mar	0.2%	0.1%	0.4%
12-Apr-2018	Initial Jobless Claims	07-Apr	230k	NA	242k
13-Apr-2018	JOLTS Job Openings	Feb	NA	NA	6312.0
13-Apr-2018	U. of Mich. Sentiment	Apr P	100.2	100.8	101.4

*Consensus from Bloomberg

China Trade War Trumps a Disappointing Jobs Report

Within the last 24 hours investors received two pieces of new information that challenge the sanguine view of the U.S. economy and economic outlook that has dominated the consensus view so far this year.

Last night President Trump decided to double-down on his budding trade war with China, and the March employment report came in well below consensus expectations at 103K net new jobs. Both pieces of information are likely to boost stock, interest rate, and currency market volatility in the months ahead, but investors need to pay the closest attention to the evolving tit-for-tat tariff retaliation between the world's biggest economies to divine the ultimate direction of the markets.

President Trump has instructed the U.S. Trade Representative (USTR) to consider additional tariffs on another $100B of imports from China in response to the $50B in retaliatory tariffs announced by China. For those of you following along at home, this would be on top of the tariffs that have already been announced on Chinese steel and aluminum imports, and the tariffs on $50B of Chinese imports. Many analysts are dismissing the latest threat as a negotiating tactic, but China has already responded, saying it won't hesitate to retaliate again and has very detailed retaliatory plans that involve new and comprehensive counter measures. Bottom line: Investors need to brace for headline risk and additional surprises in the months ahead as trade negotiations between the U.S. and China continue. It is important to note that the recent U.S. tariff announcements and China retaliation announcements have not yet gone into effect. The USTR has the $50B tariffs open for a comment period until May 22, and the additional $100B in tariffs announced by the president last night wouldn't go into effect until well after that, giving plenty of time for a negotiated settlement between then and now.

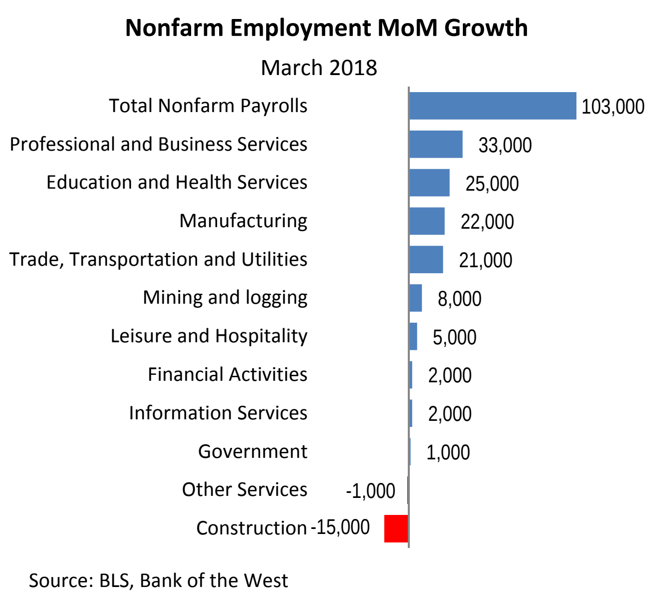
The heated rhetoric on both sides could still prove to be posturing before getting down to serious negotiations, but then again national and personal pride could just as easily win the day with these two world leaders. Neither will want to be seen as backing down to the other, which is why we expect some tariffs will indeed be imposed. The real question remains: Where does this tit-for-tat tariff retaliation end?

Since China only imported about $131B in U.S. exports last year, the Chinese side will soon run out of U.S. exports to impose tariffs on; however, China has many additional levers it can pull — U.S. company access to the Chinese market, devaluing its currency, and/or dumping U.S. Treasury bonds. Market reaction so far has been relatively calm. We are seeing an orderly sell-off in U.S. and European stocks. Ten-Year Treasury bond yields are down about 4.6 basis points, while the Bloomberg U.S. dollar index is down about 0.13% from yesterday's level.

At the same time, the March employment report released by the Bureau of Labor Statistics this morning came with a bitter aftertaste. Like an open Coke can that has been in the refrigerator too long, the jobs report was flat. Expectations were poised for an upside surprise, given initial jobless claims that hit new 49-year lows last month and an ADP report released earlier in the week that foreshadowed another strong monthly job gain; but, alas, it wasn't to be.

Instead the BLS reported only 103K net new jobs were created last month and revised down previous job estimates by a net 50K jobs. The consensus had been forecasting 185K jobs last month, and we had thought the number could be even higher at around 245K. Moreover, the household employment data used to calculate the unemployment rate showed a job loss of 37K jobs last month, with the labor force shrinking by 158K, which was enough to keep the unemployment rate steady at 4.1% instead of expectations of a drop to 4.0%.

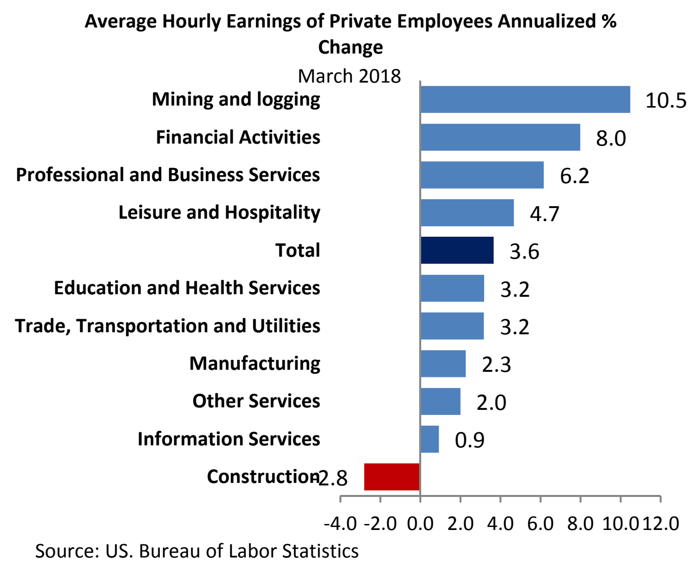
March Job Gains Fall Flat – Disappointing Expectations



Job growth slowed in nearly all major categories last month and net job loss occurred in construction (-15K), retail trade (-4K), temporary help (-1K), and federal government (-1K) sectors. Higher-than-average snowfall in March, especially in the Northeast, probably contributed to some of the weakness in job creation last month. The drop in construction, retail trade, and temporary help jobs are telltale signs of weather impacting job numbers.

On a brighter note, average hourly earnings growth did pick up as expected last month, rising 0.3% and improving to 2.7% from a year ago. On a three-month annualized basis, average hourly earnings growth improved to 3.15%. Last month average hourly earnings increased at a blistering double-digit 10.5% annualized pace in the mining and logging sector, and strong 8.0% in financial services.

Average Hourly Earnings Growth on the Rise



In short, it was a weak first quarter for U.S. GDP growth, and the labor market appeared to cool in the final month of the quarter, which will raise new questions about whether the consumer spending recovery forecast for the second quarter will actually materialize. Stronger average hourly earnings growth in Q1 suggests a consumer spending rebound this quarter is still far more likely than not.

Major Economic Indicators

	History				Forecast								Yr/Yr % chg or Annual Avg.			
Economic Data	**2017.1**	**2017.2**	**2017.3**	**2017.4**	**2018.1**	**2018.2**	**2018.3**	**2018.4**	**2019.1**	**2019.2**	**2019.3**	**2019.4**	**2016**	**2017**	**2018**	**2019**
Real GDP*	1.2	3.1	3.2	2.9	1.7	2.6	2.6	2.5	2.3	2.2	2.1	2.0	1.5	2.3	2.5	2.4
Personal Consumption Expenditures*	1.9	3.3	2.2	4.0	1.1	2.7	2.4	2.4	2.1	2.0	2.0	2.0	2.7	2.8	2.5	2.2
Non-residential Fixed Investment*	7.2	6.7	4.7	6.8	5.6	4.8	5.6	5.7	5.1	5.1	4.4	4.1	-0.6	4.7	5.7	5.2
Private Housing Starts (000s units)	1,238	1,167	1,172	1,256	1,269	1,265	1,275	1,285	1,294	1,303	1,312	1,321	1,176	1,208	1,274	1,308
Vehicle Sales (mill. Units, annualized)	17.1	16.8	17.1	17.7	17.0	16.9	16.9	16.9	16.5	16.5	16.4	16.3	17.5	17.2	16.9	16.4
Industrial Production*	1.5	5.6	-1.2	8.4	2.2	2.3	2.2	2.2	2.0	1.7	1.6	1.5	-1.2	2.0	3.1	2.0
Nonfarm Payroll Employment (mil.)	145.9	146.3	146.9	147.4	148.1	148.6	149.2	149.8	150.2	150.7	151.1	151.5	144.3	146.6	148.9	150.9
Unemployment rate	4.7	4.3	4.3	4.1	4.1	3.9	3.8	3.6	3.8	3.9	4.0	4.1	4.9	4.4	3.9	4.0
Consumer Price Index* (percent)	3.0	0.1	2.1	3.3	3.2	2.2	2.0	2.0	2.0	2.0	2.1	2.1	1.3	2.1	2.5	2.0
"Core" CPI* (percent)	2.2	0.8	1.8	2.2	2.4	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2	1.8	2.1	2.1
PPI (finished goods)* (percent)	5.7	1.0	1.4	6.0	2.4	1.8	1.6	1.6	1.6	1.6	1.7	1.7	-1.0	3.2	2.6	1.6
Trade Weighted Dollar (Fed BOG, major)	94.4	93.0	88.3	88.9	87.2	87.8	87.5	87.2	88.0	87.7	87.0	86.5	91.6	91.2	87.4	87.3
Crude Oil Prices -WTI ($ per barrel)	52	48	48	55	63	62	62	62	63	62	61	58	43	51	62	61

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

	History					Forecast							Annual Average			
Financial Data	**2017.1**	**2017.2**	**2017.3**	**2017.4**	**2018.1**	**2018.2**	**2018.3**	**2018.4**	**2019.1**	**2019.2**	**2019.3**	**2019.4**	**2016**	**2017**	**2018**	**2019**
S & P 500	2,326	2,398	2,467	2,603	2,733								2,093	2,449		
Dow Jones Industrial Average	20,406	20,994	21,891	23,689	25,127								17,916	21,745		
Federal Funds Rate (effective)	0.70	0.95	1.15	1.20	1.44	1.71	1.88	1.96	2.13	2.38	2.38	2.38	0.39	1.00	1.75	2.32
Treasury-3 Month Bills (yield)	0.61	0.91	1.05	1.23	1.58	1.75	1.90	2.00	2.15	2.40	2.40	2.36	0.32	0.95	1.81	2.33
Treasury-2 Year Notes (yield)	1.24	1.30	1.36	1.69	2.16	2.39	2.47	2.55	2.69	2.86	2.88	2.85	0.84	1.40	2.39	2.82
Treasury-5 Year Notes (yield)	1.95	1.81	1.81	2.07	2.53	2.60	2.78	2.85	2.96	3.15	3.10	3.15	1.34	1.91	2.69	3.09
Treasury-10 Year Notes (yield)	2.45	2.26	2.24	2.37	2.76	2.87	2.98	3.10	3.30	3.53	3.52	3.50	1.84	2.33	2.93	3.46
Treasury-30 Year Notes (yield)	3.05	2.90	2.82	2.82	3.03	3.10	3.28	3.40	3.69	3.85	3.90	3.96	2.60	2.90	3.20	3.85
Prime Rate	3.80	4.05	4.25	4.29	4.52	4.80	4.98	5.06	5.23	5.48	5.48	5.48	3.51	4.10	4.84	5.42
Libor 3-Mo. U.S. Dollar	1.07	1.21	1.31	1.46	1.93	2.20	2.27	2.33	2.40	2.50	2.50	2.46	0.74	1.26	2.18	2.47
Mortgage-30 Year (yield)	4.17	3.98	3.88	3.92	4.28	4.38	4.50	4.63	4.83	5.08	5.15	5.25	3.66	3.99	4.45	5.08
BAA Corporate (yield)	4.66	4.49	4.33	4.27	4.47	4.75	4.98	5.25	5.60	5.80	6.00	6.30	4.71	4.44	4.86	5.93

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