

Date	Indicator	For	Estimate	Consensus*	Previous Period
28-Jan-2019	Chicago Fed Nat Activity Index	Dec	NA	NA	0.22
28-Jan-2019	Dallas Fed Manufacturing Activity	Jan	4.0	-2.1	-5.1
29-Jan-2019	Advance Goods Trade Balance	Dec	NA	NA	NA
29-Jan-2019	Wholesale Inventories MoM	Dec P	NA	NA	NA
29-Jan-2019	S&P CoreLogic CS 20-City MoM SA	Nov	0.4%	NA	0.4%
29-Jan-2019	Conf. Board Consumer Confidence	Jan	125.0	126.0	128.1
30-Jan-2019	ADP Employment Change	Jan	180k	170k	271k
30-Jan-2019	GDP Annualized QoQ	4Q A	2.7%	2.6%	3.4%
30-Jan-2019	GDP Price Index	4Q A	1.9%	1.7%	1.8%
30-Jan-2019	Pending Home Sales MoM	Dec	0.5%	1.0%	-0.7%
30-Jan-2019	FOMC Rate Decision (Upper Bound)	30-Jan	2.50%	2.50%	2.50%
30-Jan-2019	FOMC Rate Decision (Lower Bound)	30-Jan	2.25%	2.25%	2.25%
31-Jan-2019	Employment Cost Index	4Q	0.7%	0.8%	0.8%
31-Jan-2019	Personal Income	Dec	0.5%	0.5%	0.2%
31-Jan-2019	Personal Spending	Dec	0.3%	0.3%	0.4%
31-Jan-2019	PCE Deflator MoM	Dec	0.1%	NA	0.1%
31-Jan-2019	PCE Core MoM	Dec	0.2%	0.2%	0.1%
31-Jan-2019	Initial Jobless Claims	26-Jan	210k	NA	199k
31-Jan-2019	Chicago Purchasing Manager	Jan	62.0	60.0	65.4
1-Feb-2019	Change in Nonfarm Payrolls	Jan	175k	160k	312k
1-Feb-2019	Change in Manufacturing Payrolls	Jan	19k	15k	32k
1-Feb-2019	Unemployment Rate	Jan	3.8%	3.8%	3.9%
1-Feb-2019	Average Hourly Earnings MoM	Jan	0.3%	0.3%	0.4%
1-Feb-2019	Average Weekly Hours All Employees	Jan	34.5	34.5	34.5
1-Feb-2019	Markit US Manufacturing PMI	Jan F	54.8	NA	54.9
1-Feb-2019	ISM Manufacturing	Jan	54.3	54.3	54.1
1-Feb-2019	Construction Spending MoM	Dec	NA	NA	NA
1-Feb-2019	U. of Mich. Sentiment	Jan F	91.0	NA	90.7
1-Feb-2019	Wards Total Vehicle Sales	Jan	17.10m	17.20m	17.50m

\*Consensus from Bloomberg

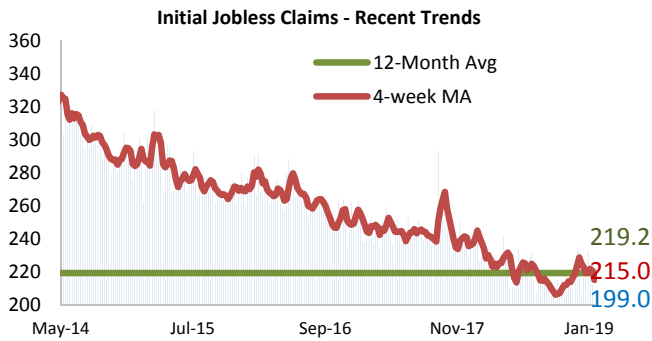
### Moderate Growth Continues in January

Here we are at day 35 of the federal government shutdown and economic releases are getting scarce. But next week should be an interesting one. We get January employment data from both ADP and the Bureau of Labor Statistics. We are expecting some deceleration in job growth from December's blistering 312K pace, but our forecasts remain somewhat above the consensus expectations.

The drop in initial jobless claims in January to a new 49-year low is both unexpected during a month's long federal government shutdown and a testament to the residual strength of the U.S. expansion. It also suggests the U.S. labor market remains ultra-tight and job growth could once again out-distance economists' predictions. We are forecasting a nonfarm payroll gain of 175K jobs in January, with the unemployment rate dropping to 3.8% and healthy monthly average hourly earnings growth of 0.3%.

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**Jobless Claims Hit a New Expansion Low in January**

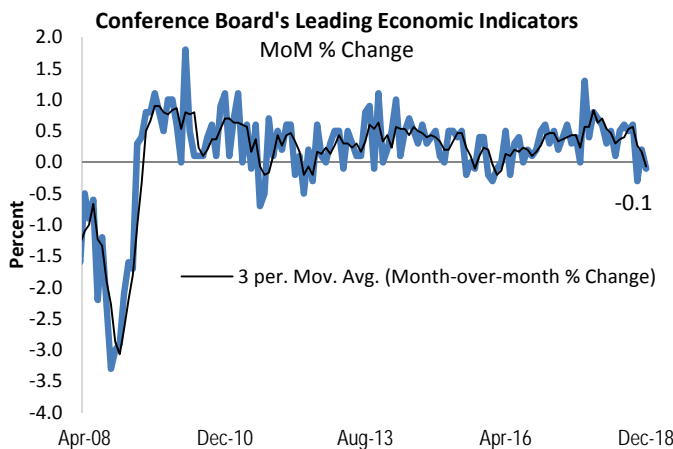


Source: US Employment & Training Administration

Despite the stock market’s panic that the economy was about to fall off a cliff last December, the few economic indicators we have gotten so far for January, suggest only a more mild deceleration is underway.

The Conference Board’s Leading Economic Indicators did drop 0.1% last month and the three-month average fell into contraction territory as well. But the drop in this index is more consistent with the 2015 economic slowdown than the start of a new recession. GDP growth was trending at a 3.3% growth rate in the first half of 2015 only to slow to 0.4% six months later.

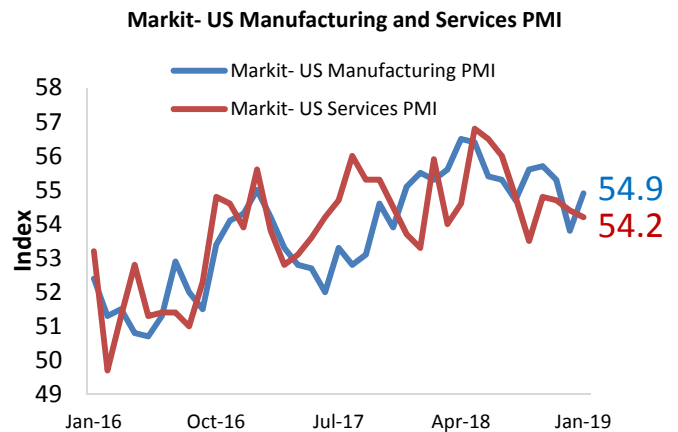
**Drop in Leading Indicators Similar to 2015 Slowdown**



Source: Conference Board

The preliminary Markit PMI for manufacturers actually improved by 1.1 points in January, more than offsetting a slight drop in the services PMI this month. Overall, both PMI measures point to a continuation of the solid expansion we have seen in recent months. Any measure above 50.0 indicates expansion on this diffusion index.

**Markit PMIs Reveal Solid Private Sector Expansion Continues**



Source: Bloomberg

So don’t expect total capitulation from the Federal Reserve at next week’s FOMC meeting. While Powell and the FOMC will use the words like “patience” and “data dependent”, I don’t think they will completely rule out the possibility of further rate hikes this year. In fact, job growth could remain strong enough in the first half of 2019 to justify another rate hike by June. The real wildcard for the Fed is near-term inflation. The drop in oil and commodity prices is likely to keep headline consumer inflation below the Fed’s target for much of this year.

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**Key Economic and Interest Rate Forecasts**

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2017	2018	2019	2020
Real GDP*	2.2	4.2	3.4	2.5	1.7	2.0	1.8	1.7	1.0	0.6	0.5	0.5	2.2	2.9	2.3	1.1
Personal Consumption Expenditures*	0.5	3.8	3.5	3.5	1.5	2.3	2.1	1.9	1.5	1.0	1.0	1.0	2.5	2.7	2.5	1.5
Non-residential Fixed Investment*	11.5	8.7	2.5	5.7	4.3	4.1	3.7	3.4	1.5	1.5	1.5	1.5	5.3	6.9	4.5	2.3
Private Housing Starts (000s units)	1,317	1,261	1,234	1,250	1,260	1,240	1,220	1,210	1,190	1,185	1,180	1,175	1,208	1,266	1,233	1,183
Vehicle Sales (mill. Units, annualized)	17.1	17.1	16.9	17.5	16.9	16.8	16.7	16.5	16.2	15.9	15.6	15.9	17.2	17.1	16.7	15.9
Industrial Production*	2.5	5.3	4.7	3.8	2.1	2.0	1.7	1.5	-0.5	-1.0	-1.0	-1.0	1.6	4.0	2.8	0.1
Nonfarm Payroll Employment (mil.)	148.1	148.7	149.3	150.0	150.5	151.0	151.5	151.8	152.1	151.8	151.4	151.2	146.6	149.0	151.2	151.6
Unemployment rate	4.1	3.9	3.8	3.8	3.7	3.6	3.6	3.7	3.9	4.2	4.5	4.8	4.4	3.9	3.7	4.4
Consumer Price Index* (percent)	3.5	1.7	2.0	1.8	0.6	2.0	2.1	2.1	1.8	1.8	1.7	1.6	2.1	2.4	1.6	1.9
"Core" CPI* (percent)	3.0	1.8	2.0	2.0	2.2	2.1	2.1	2.1	2.0	1.9	1.8	1.8	1.8	2.1	2.1	2.0
PPI (finished goods)* (percent)	3.6	2.9	2.2	-0.2	-0.1	2.1	1.8	1.8	1.3	1.4	1.4	1.4	3.2	3.0	1.1	1.6
Trade Weighted Dollar (Fed BOG, major)	86.2	88.2	90.2	91.4	91.0	90.6	89.6	88.5	88.3	88.0	87.5	87.0	91.1	89.0	89.9	87.7
Crude Oil Prices -WTI (\$ per barrel)	63	68	70	60	47	49	48	48	47	47	44	45	51	65	48	46

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

Financial Data	History				Forecast								Annual Average			
	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2017	2018	2019	2020
S & P 500	2,733	2,703	2,850	2,699									2,449	2,746		
Dow Jones Industrial Average	25,127	24,556	25,595	24,916									21,745	25,048		
Federal Funds Rate (effective)	1.45	1.74	1.92	2.22	2.38	2.46	2.63	2.63	2.54	2.29	2.04	1.79	1.00	1.83	2.53	2.17
Treasury-3 Month Bills (yield)	1.58	1.87	2.07	2.36	2.45	2.56	2.73	2.74	2.65	2.40	2.15	1.94	0.95	1.97	2.62	2.29
Treasury-2 Year Notes (yield)	2.16	2.48	2.67	2.80	2.55	2.67	2.85	2.80	2.75	2.60	2.35	2.15	1.40	2.53	2.72	2.46
Treasury-5 Year Notes (yield)	2.53	2.77	2.81	2.88	2.56	2.69	2.86	2.80	2.70	2.50	2.30	2.25	1.91	2.75	2.73	2.44
Treasury-10 Year Notes (yield)	2.76	2.92	2.92	3.04	2.72	2.87	3.02	2.96	2.93	2.80	2.60	2.50	2.33	2.91	2.89	2.71
Treasury-30 Year Notes (yield)	3.03	3.09	3.06	3.27	2.95	3.12	3.29	3.25	3.22	3.10	2.90	2.80	2.90	3.11	3.15	3.01
Prime Rate	4.53	4.80	5.01	5.28	5.50	5.58	5.73	5.73	5.63	5.38	5.13	4.87	4.10	4.90	5.64	5.25
Libor 3-Mo. U.S. Dollar	1.93	2.34	2.34	2.62	2.80	2.88	3.05	3.04	2.95	2.70	2.42	2.13	1.26	2.31	2.94	2.55
Mortgage-30 Year (yield)	4.28	4.54	4.57	4.78	4.53	4.72	4.85	4.85	4.85	4.70	4.50	4.40	3.99	4.54	4.74	4.61
BAA Corporate (yield)	4.47	4.78	4.81	5.14	5.20	5.40	5.60	5.90	6.10	6.20	6.20	6.10	4.44	4.80	5.53	6.15

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