

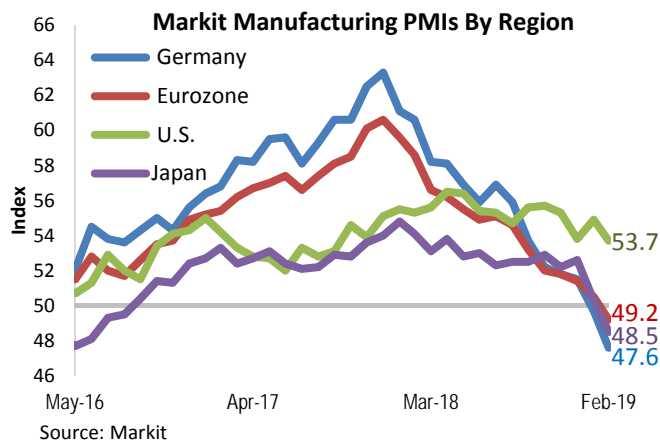
Date	Indicator	For	Estimate	Consensus*	Previous Period
25-Feb-2019	Chicago Fed Nat Activity Index	Jan	NA	NA	0.27
25-Feb-2019	Wholesale Inventories MoM	Dec P	0.4%	0.4%	0.3%
25-Feb-2019	Dallas Fed Manufacturing Activity	Feb	3.0	5.4	1.0
26-Feb-2019	Housing Starts	Dec	1248k	1255k	1256k
26-Feb-2019	Building Permits	Dec	1286k	1290k	1322k
26-Feb-2019	FHFA House Price Index MoM	Dec	0.3%	NA	0.4%
26-Feb-2019	S&P CoreLogic CS 20-City MoM SA	Dec	0.2%	NA	0.3%
26-Feb-2019	Richmond Fed Manufacturing Index	Feb	1.0	8.0	-2.0
26-Feb-2019	Conf. Board Consumer Confidence	Feb	123.5	124.2	120.2
27-Feb-2019	Advance Goods Trade Balance	Dec	-\$72.1b	-\$75.3b	NA
27-Feb-2019	Wholesale Inventories MoM	Dec F	0.4%	0.4%	0.3%
27-Feb-2019	Pending Home Sales MoM	Jan	0.8%	NA	-2.2%
27-Feb-2019	Factory Orders	Dec	1.4%	1.4%	-0.6%
28-Feb-2019	Initial Jobless Claims	23-Feb	221k	NA	216k
28-Feb-2019	GDP Annualized QoQ	4Q A	2.2%	2.5%	3.4%
28-Feb-2019	GDP Price Index	4Q A	1.7%	1.7%	1.8%
28-Feb-2019	Chicago Purchasing Manager	Feb	57.5	58.0	56.7
28-Feb-2019	Kansas City Fed Manufacturing Activity	Feb	4.0	8.0	5.0
1-Mar-2019	Personal Income	Jan	0.3%	0.3%	NA
1-Mar-2019	Personal Spending	Dec	-0.5%	0.3%	0.4%
1-Mar-2019	PCE Deflator MoM	Dec	0.0%	0.0%	0.1%
1-Mar-2019	PCE Core MoM	Dec	0.1%	0.2%	0.1%
1-Mar-2019	Markit US Manufacturing PMI	Feb F	53.6	NA	53.7
1-Mar-2019	ISM Manufacturing	Feb	55.4	56.0	56.6
1-Mar-2019	U. of Mich. Sentiment	Feb F	95.8	96.0	95.5
1-Mar-2019	Wards Total Vehicle Sales	Feb	16.90m	16.80m	16.60m

*Consensus from Bloomberg

The Pause That Refreshes, or a Sign of Dark Days Ahead?

The first quarter economic slowdown is coming into focus as recent economic indicators confirm a continuing U.S. and global manufacturing slowdown that appears to be intensifying in February. The preliminary Markit Manufacturing PMIs for February fell into contraction territory in the Japanese and the Eurozone economies and revealed softening growth in the U.S. manufacturing sector as well.

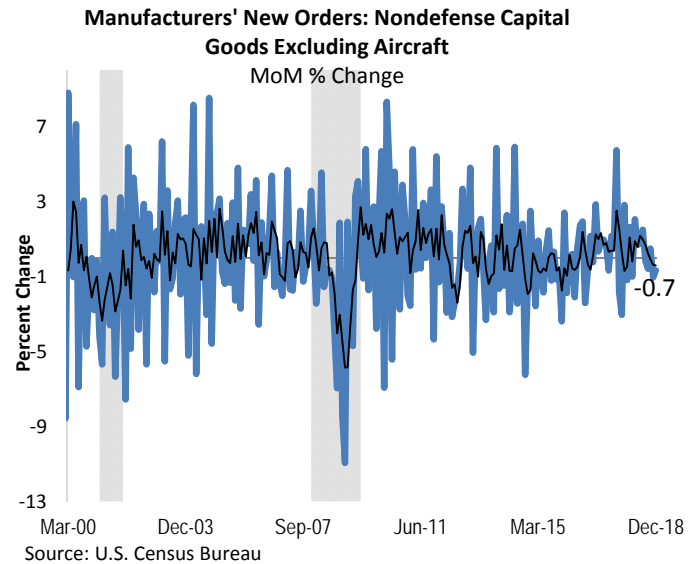
Global Manufacturing Slowdown Intensified in February



Some of the drop in the PMI is likely a response to uncertainties around U.S. – China trade negotiations and the possibility of a hard Brexit from the Eurozone. Manufacturers are reporting that the uncertainty is causing them to delay orders and curtail near-term business investment plans. The sharp drop in global oil prices late last year is also likely weighing on capital expenditure plans in the energy sector.

This was reflected in yesterday's release on nondefense capital-goods orders for the United States, which dropped another 0.7% in December and have declined in four of the last five months. The drop continued the worst string of monthly declines on this measure since 2015. Nondefense capital-goods orders are a leading indicator of future business-equipment spending.

Business Equipment Orders Slump on Rising Uncertainty



We expect the initial release on fourth quarter U.S. GDP growth next week will show that GDP growth slowed to around 2.2% annualized from 3.4% in the third quarter. Weaker than expected retail sales and industrial production in December lead to further trimming of our Q4 U.S. growth estimate in recent weeks.

The U.S. growth slowdown is seen intensifying in the first quarter too. We forecast U.S. GDP growth at a modest 1.5% annual rate in Q1. Slowing global manufacturing activity, tighter financial conditions, sluggish business equipment spending, and lackluster federal government spending (due in part to the government shutdown in January) are all contributing to the weakest quarter for U.S. growth in two years.

However, should the uncertainties in the U.S. – China trade negotiations and U.K. – EU Brexit negotiations be resolved, the worst-case scenarios may be avoided, and there is a good chance U.S. GDP growth will rebound in the second quarter. I should note this is our base case forecast, as none of the parties involved in the negotiations want to see the worst case outcomes realized. If for some reason either of the negotiations go seriously off-track, however, the 2019 U.S. and global economic outlook will become considerably bleaker.

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	1.5	2.0	1.8	1.7	1.0	0.6	0.5	0.5	2.2	2.9	2.2	1.1
Personal Consumption Expenditures*	0.5	3.8	3.5	3.5	1.3	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	2.2	4.1	3.7	3.4	1.5	1.5	1.5	1.5	5.3	6.9	4.0	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	5.2	4.9	4.6	2.1	2.0	1.7	1.5	-0.5	-1.0	-1.0	-1.0	1.6	4.0	3.0	0.1
Nonfarm Payroll Employment (mil.)	148.0	148.7	149.4	150.1	150.7	151.2	151.7	152.1	152.4	152.0	151.6	151.4	146.6	149.1	151.4	151.9
Unemployment rate	4.1	3.9	3.8	3.8	3.9	3.7	3.6	3.7	3.9	4.2	4.5	4.8	4.4	3.9	3.7	4.4
Consumer Price Index* (percent)	3.2	2.1	2.0	1.5	1.1	2.1	2.1	2.1	1.8	1.8	1.7	1.6	2.1	2.4	1.7	1.9
"Core" CPI* (percent)	2.7	1.9	2.0	2.2	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	91.1	90.6	89.6	88.5	88.3	88.0	87.5	87.0	91.1	89.0	90.0	87.7
Crude Oil Prices -WTI (\$ per barrel)	63	68	70	60	52	54	53	53	51	50	47	46	51	65	53	49

*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	2.38	2.38	2.46	2.54	2.29	2.04	1.79	1.00	1.83	2.40	2.17
Treasury-3 Month Bills (yield)	1.58	1.87	2.07	2.36	2.37	2.39	2.48	2.56	2.65	2.40	2.15	1.89	0.95	1.97	2.45	2.27
Treasury-2 Year Notes (yield)	2.16	2.48	2.67	2.80	2.51	2.50	2.60	2.65	2.75	2.60	2.35	2.15	1.40	2.53	2.57	2.46
Treasury-5 Year Notes (yield)	2.53	2.77	2.81	2.88	2.50	2.52	2.65	2.70	2.70	2.50	2.30	2.25	1.91	2.75	2.59	2.44
Treasury-10 Year Notes (yield)	2.76	2.92	2.92	3.04	2.68	2.70	2.80	2.88	2.95	2.77	2.57	2.50	2.33	2.91	2.77	2.70
Treasury-30 Year Notes (yield)	3.03	3.09	3.06	3.27	3.02	3.08	3.20	3.28	3.30	3.10	2.90	2.80	2.90	3.11	3.15	3.03
Prime Rate	4.53	4.80	5.01	5.28	5.50	5.50	5.50	5.58	5.66	5.38	5.13	4.87	4.10	4.90	5.52	5.26
Libor 3-Mo. U.S. Dollar	1.93	2.34	2.34	2.62	2.77	2.76	2.79	2.87	2.95	2.70	2.42	2.13	1.26	2.31	2.80	2.55
Mortgage-30 Year (yield)	4.28	4.54	4.57	4.78	4.43	4.45	4.60	4.75	4.85	4.70	4.50	4.40	3.99	4.54	4.56	4.61
BAA Corporate (yield)	4.47	4.78	4.81	5.14	5.10	5.30	5.50	5.80	6.10	6.20	6.20	6.10	4.44	4.80	5.43	6.15

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