

U.S. Outlook

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



Date	Indicator	For	Estimate	Consensus*	Previous Period
29-Feb-2016	Chicago Purchasing Manager	Feb	53.0	53.8	55.6
29-Feb-2016	Pending Home Sales MoM	Jan	0.7%	1.0%	0.1%
29-Feb-2016	Dallas Fed Mfg. Activity	Feb	-32	-30	-34.6
1-Mar-2016	Markit US Manufacturing PMI	Feb F	51.2	NA	51
1-Mar-2016	ISM Manufacturing	Feb	49.2	48.5	48.2
1-Mar-2016	Construction Spending MoM	Jan	0.5%	0.5%	0.1%
1-Mar-2016	Wards Total Vehicle Sales	Feb	17.79m	17.65m	17.46m
2-Mar-2016	ADP Employment Change	Feb	198k	185k	205k
2-Mar-2016	ISM New York	Feb	NA	NA	54.6
2-Mar-2016	U.S. Federal Reserve Beige Book				
3-Mar-2016	Nonfarm Productivity	4Q F	-3.3%	-3.3%	-3.0%
3-Mar-2016	Unit Labor Costs	4Q F	4.8%	4.8%	4.5%
3-Mar-2016	Initial Jobless Claims	27-Feb	274K	NA	272K
3-Mar-2016	Markit US Services PMI	Feb F	50.0	50.0	49.8
3-Mar-2016	Markit US Composite PMI	Feb F	NA	NA	50.1
3-Mar-2016	ISM Non-Mfg. Composite	Feb	53.8	53.0	53.5
3-Mar-2016	Factory Orders	Jan	1.6%	2.0%	-2.9%
3-Mar-2016	Durable Goods Orders	Jan F	NA	NA	4.9%
3-Mar-2016	Durables Ex Transportation	Jan F	NA	NA	1.8%
4-Mar-2016	Trade Balance	Jan	-\$43.9	-\$43.25b	-\$43.36b
4-Mar-2016	Change in Nonfarm Payrolls	Feb	210k	195k	151k
4-Mar-2016	Change in Mfg. Payrolls	Feb	20k	0k	29k
4-Mar-2016	Unemployment Rate	Feb	4.9%	4.9%	4.9%
4-Mar-2016	Average Hourly Earnings MoM	Feb	0.3%	0.2%	0.5%
4-Mar-2016	Average Weekly Hours All Employees	Feb	34.6	34.6	34.6

*Consensus from Bloomberg

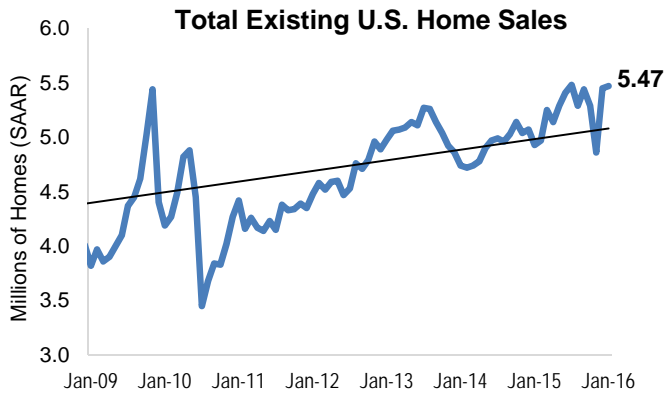
The Housing Sector Still on Solid Ground

Despite a disappointing new home sales report for January, the U.S. housing market is poised for continued gains in the months to come. More winter-weather in January led to mixed readings on housing starts and new home sales, but it is too early to call time on the U.S. housing market recovery. Bucking the trend, the National Association of Realtors (NAR) reported that existing home sales advanced to an annualized 5.47 million, crushing analysts' expectations for 5.33 million and signaling that the sector will continue recovering in 2016. This was the second-highest reading since February 2007 for existing

home sales which comprise more than 90 percent of all residential home sales. Near record-low mortgage rates, steady job growth across major knowledge-based and service-providing industries and improving wages provide strong incentives to potential buyers (including first-time home purchasers) especially when rents are rising rapidly across major metro areas. Moreover, the housing sector remains a very attractive investment for domestic and foreign investors as uncertainty prevails in financial, global equity and commodity markets.

The discussions and information contained in this document are the opinions of BOTW chief economist Dr. Scott Anderson and economist Myasnik "Nik" Poghosyan and should not be construed or used as a specific recommendation for the investment of assets, and is not intended as an offer, or a solicitation of an offer, to purchase or sell any security or financial instrument. Nor does the information constitute advice or an expression of the Bank's view as to whether a particular security or financial instrument is appropriate for you or meets your financial objectives. Economic and market observations and forecasts, such as those offered by Dr. Anderson and Poghosyan, reflect subjective judgments and assumptions, and unexpected events may occur. There can be no assurance that developments will transpire as forecasted. Nothing in this document should be interpreted to state or imply that past results are an indication of future performance.

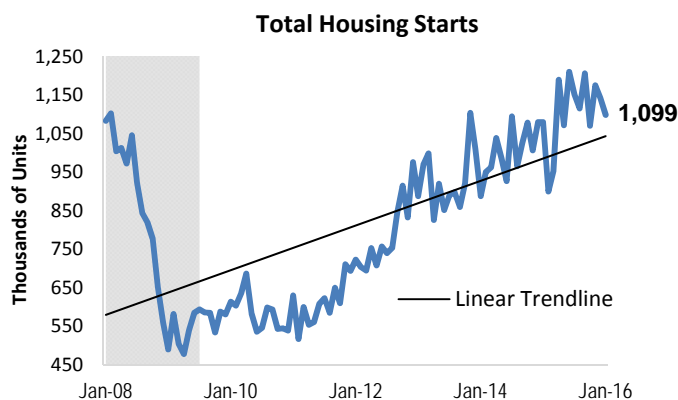
Existing Home Sales at Expansion Highs in January



Source: National Association of Realtors

Housing starts did slip 3.8 percent to 1.099 million units in January, but remains well above their linear trend line over the past eight years and about in-line with 2015 average of 1.106 million units. Severe weather conditions adversely affected construction activity in the Midwest, where starts plunged 12.8 percent from a month ago, while they dropped 3.7 percent in the Northwest. The South (the largest region) and the West saw 3.7 percent and 0.4 percent slippage in January. We believe that the January setback in housing starts data was mainly weather-induced and is not a sign of evaporating housing activity longer-term.

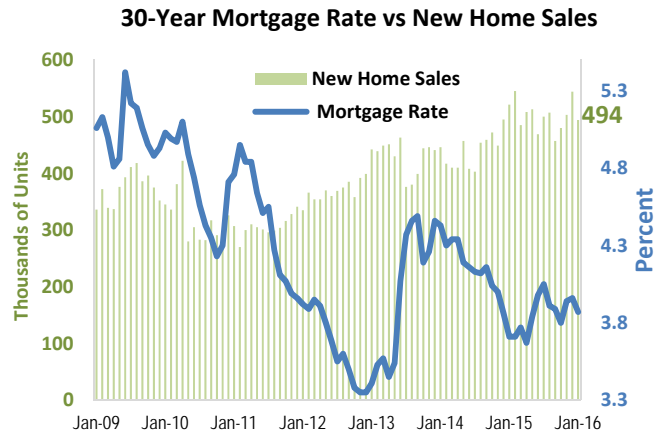
Housing Starts Still In a Solid Up Trend



Source: U.S. Census Bureau

Looking forward, housing construction seems to be on a firm footing with building permits that still point to increased residential building activity in the months ahead. January building permits at 1.202 million units are still above the 2015 average of 1.164 million units.

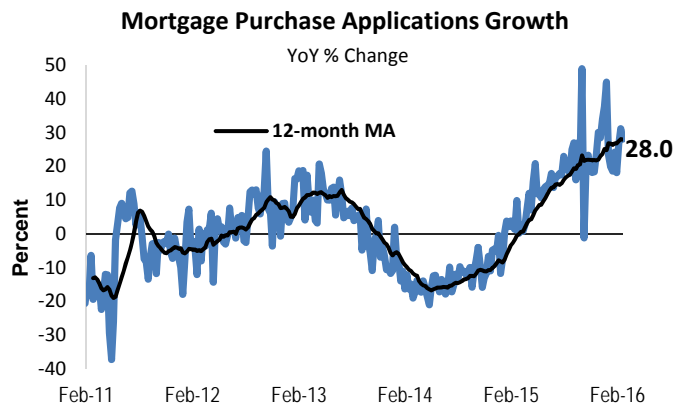
Low Mortgage Rates Will Support New Home Sales



Source: Federal Reserve; US. Census

New home sales fell 9.2% in January, but we are coming off a strong December at 544,000 units, the second highest level of new home sales since February 2008. Perhaps the clearest indicator of improving housing demand comes from the mortgage purchase applications data – up 28.0% from a year ago.

Mortgage Applications Reveal Strong Demand for Housing



Source: Mortgage Bankers Association

So despite issues with housing affordability and lack of housing supply in some regional markets like the San Francisco Bay Area or Southern California, our outlook for another solid year of growth for the U.S. housing market remains intact. We are expecting a 10.2 percent increase in total housing starts in 2016 to an average of 1.22 million units as rising jobs and personal incomes allow more traditional buyers to qualify for a mortgage and give them the confidence to buy.

The discussions and information contained in this document are the opinions of BOTW chief economist Dr. Scott Anderson and economist Myasnik "Nik" Poghosyan and should not be construed or used as a specific recommendation for the investment of assets, and is not intended as an offer, or a solicitation of an offer, to purchase or sell any security or financial instrument. Nor does the information constitute advice or an expression of the Bank's view as to whether a particular security or financial instrument is appropriate for you or meets your financial objectives. Economic and market observations and forecasts, such as those offered by Dr. Anderson and Poghosyan, reflect subjective judgments and assumptions, and unexpected events may occur. There can be no assurance that developments will transpire as forecasted. Nothing in this document should be interpreted to state or imply that past results are an indication of future performance.

Major Economic Indicators

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2014	2015	2016	2017
Real GDP*	0.6	3.9	2.0	0.7	2.1	2.2	2.5	2.2	2.3	2.3	2.1	2.0	2.4	2.4	2.0	2.3
Personal Consumption Expenditures*	1.7	3.6	3.0	2.2	2.9	3.0	2.9	2.8	2.5	2.5	2.4	2.3	2.7	3.1	2.8	2.6
Non-residential Fixed Investment*	1.6	4.1	2.6	-1.8	2.0	2.4	2.7	3.0	3.2	3.4	3.4	3.4	6.2	2.9	1.7	3.2
Private Housing Starts (000s units)	978	1,158	1,158	1,130	1,170	1,225	1,230	1,250	1,270	1,280	1,310	1,330	1,001	1,106	1,219	1,298
Vehicle Sales (mill. Units, annualized)	16.6	17.1	17.8	17.8	17.9	17.8	17.6	17.6	17.5	17.5	17.4	17.4	16.4	17.3	17.7	17.5
Industrial Production*	-0.3	-2.3	2.8	-3.4	1.8	1.9	1.9	1.8	1.7	1.8	1.7	1.7	3.7	1.3	0.7	1.8
Nonfarm Payroll Employment (mil.)	140.8	141.5	142.2	142.9	143.4	144.0	144.6	145.2	145.7	146.3	146.9	147.5	138.9	141.8	144.3	146.6
Unemployment rate	5.6	5.4	5.2	5.0	4.9	4.8	4.8	4.7	4.6	4.6	4.6	4.5	6.2	5.3	4.8	4.6
Consumer Price Index* (percent)	-3.1	3.0	1.6	0.2	0.9	2.0	2.0	2.1	2.2	2.2	2.3	2.3	1.6	0.1	1.4	2.2
"Core" CPI* (percent)	1.7	2.5	1.7	2.1	1.8	1.8	1.9	2.0	2.0	2.0	2.1	2.1	1.7	1.8	1.9	2.0
PPI (finished goods)* (percent)	-11.2	3.6	0.4	-5.8	-1.0	1.6	2.1	2.5	2.4	2.2	2.0	2.0	1.9	-3.3	-0.4	2.2
Trade Weighted Dollar (Fed BOG, major)	89.3	90.1	91.7	93.1	94.9	95.1	96.2	97.3	96.9	96.3	95.8	95.4	78.4	91.0	95.9	96.1
Crude Oil Prices -WTI (\$ per barrel)	48	58	46	42	31	33	36	38	40	42	44	45	93	49	35	43

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

Financial Data	History				Forecast								Annual Average			
	2015.1	2015.2	2015.3	2015.4	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2014	2015	2016	2017
S & P 500	2,064	2,102	2,027	2,052									1,930	2,061		
Dow Jones Industrial Average	17,808	18,004	17,077	17,475									16,770	17,591		
Federal Funds Rate (effective)	0.11	0.12	0.13	0.16	0.37	0.46	0.63	0.71	0.96	1.13	1.38	1.71	0.09	0.13	0.54	1.30
Treasury-3 Month Bills (yield)	0.02	0.02	0.04	0.13	0.28	0.37	0.58	0.66	0.92	1.09	1.34	1.67	0.03	0.05	0.47	1.26
Treasury-2 Year Notes (yield)	0.60	0.61	0.69	0.84	0.81	0.96	1.12	1.35	1.58	1.75	2.00	2.33	0.46	0.69	1.06	1.92
Treasury-5 Year Notes (yield)	1.46	1.53	1.56	1.58	1.36	1.62	1.77	1.94	2.16	2.33	2.58	2.91	1.64	1.53	1.67	2.50
Treasury-10 Year Notes (yield)	1.97	2.16	2.22	2.19	1.96	2.12	2.30	2.47	2.65	2.80	2.95	3.20	2.54	2.14	2.21	2.90
Treasury-30 Year Notes (yield)	2.55	2.88	2.96	2.96	2.76	2.83	2.92	3.11	3.30	3.40	3.55	3.75	3.34	2.84	2.91	3.50
Prime Rate	3.25	3.25	3.25	3.29	3.50	3.58	3.75	3.83	4.08	4.25	4.50	4.83	3.25	3.26	3.67	4.42
Libor 3-Mo. U.S. Dollar	0.30	0.30	0.33	0.43	0.62	0.67	0.85	0.93	1.18	1.35	1.60	1.91	0.25	0.34	0.77	1.51
Mortgage-30 Year (yield)	3.72	3.82	3.95	3.90	3.81	3.97	4.15	4.32	4.45	4.55	4.70	4.90	4.17	3.85	4.06	4.65
BAA Corporate (yield)	4.50	4.83	5.24	5.42	5.40	5.54	5.65	5.88	6.15	6.30	6.45	6.70	4.85	5.00	5.62	6.40

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