

U.S. Outlook

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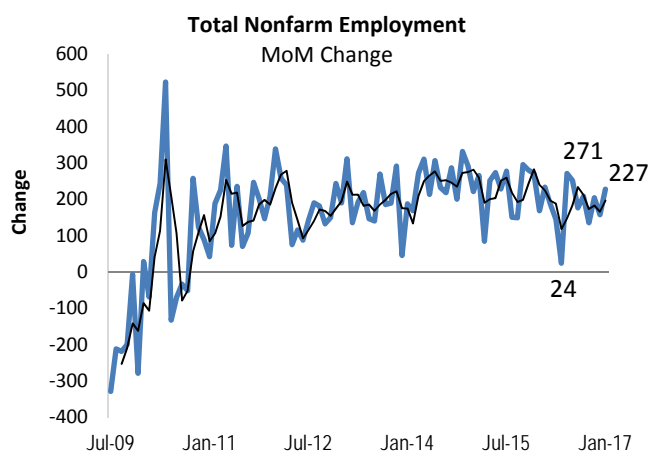
Date	Indicator	For	Estimate	Consensus*	Previous Period
7-Feb-2017	Trade Balance	Dec	-\$45.4b	-\$45.0b	-\$45.2b
7-Feb-2017	JOLTS Job Openings	Dec	NA	NA	5522
7-Feb-2017	Consumer Credit	Dec	\$19.8b	\$20.0b	\$24.5b
9-Feb-2017	Initial Jobless Claims	04-Feb	249K	NA	246K
9-Feb-2017	Wholesale Inventories MoM	Dec F	0.9%	1.0%	1.0%
10-Feb-2017	Import Price Index MoM	Jan	0.3%	0.4%	0.4%
10-Feb-2017	U. of Mich. Sentiment	Feb P	96.5	97.8	98.5

*Consensus from Bloomberg

A Rock Solid Payroll Report for January

Job growth in January exceeded economists' expectations (+227K), adding some "hard data" weight to rising animal spirits reflected in recent consumer and business sentiment surveys. The monthly job gain handily beat consensus expectations for +180K jobs on the month and was a large step up from revised job gains in November and December that averaged just +161K a month. Today's release included benchmark job revisions for all of 2016 that showed a firmer pace of overall job gains for the year – a net 2.24 million nonfarm payroll jobs were created last year.

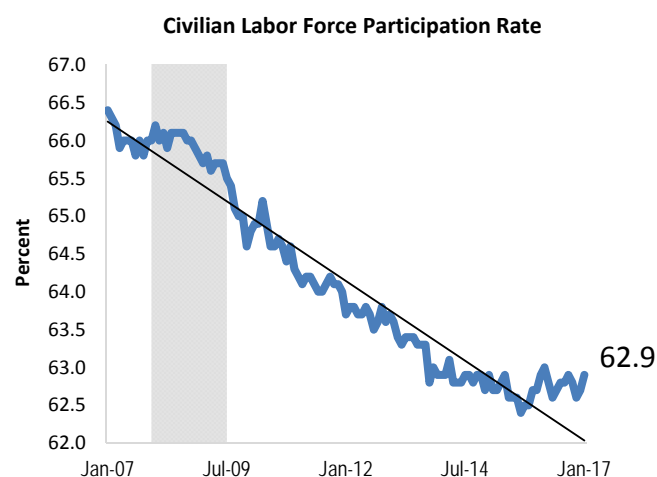
Job Growth Reaccelerated in January



Source: U.S. Bureau of Labor Statistics

More people are staying in the labor force. The labor force increased by 1.354 million over the past twelve months, and the labor force participation rate improved to 62.9% in January from 62.7% in December.

Labor Force Participation Improves

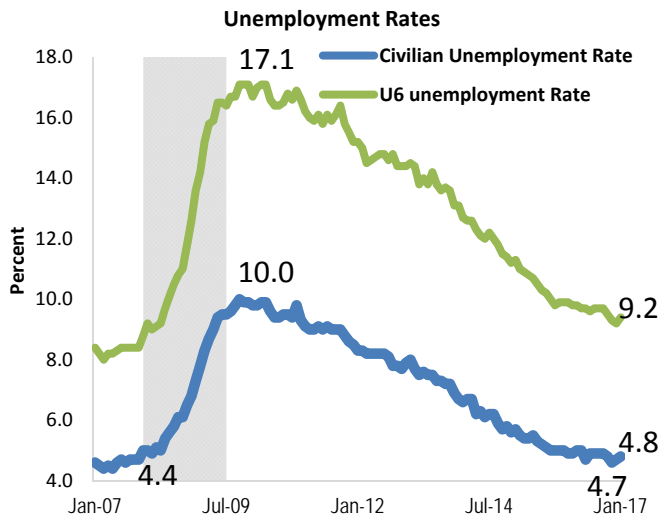


Source: U.S. Bureau of Labor Statistics

The unemployment rate did tick up to 4.8% from 4.7%, but that has more to do with more people staying in the labor force and is not a sign of labor market weakness.

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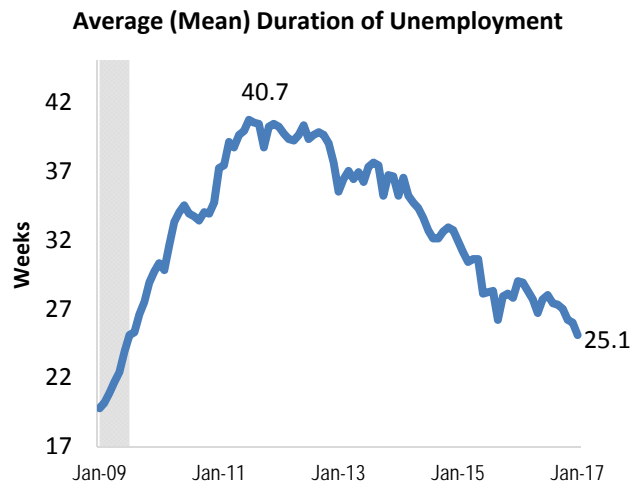
Unemployment Rates Tick Higher in January



Source: U.S. Bureau of Labor Statistics

Another sign of the tightening U.S. labor market is the fact that the duration of unemployment continues to drop. The average duration of unemployment fell to 25.1 weeks from 26.0 weeks in December. Immediately following the “Great Recession” the duration of unemployment was a whopping 41 weeks.

Average Duration of Unemployment Dips to Just 25 Weeks

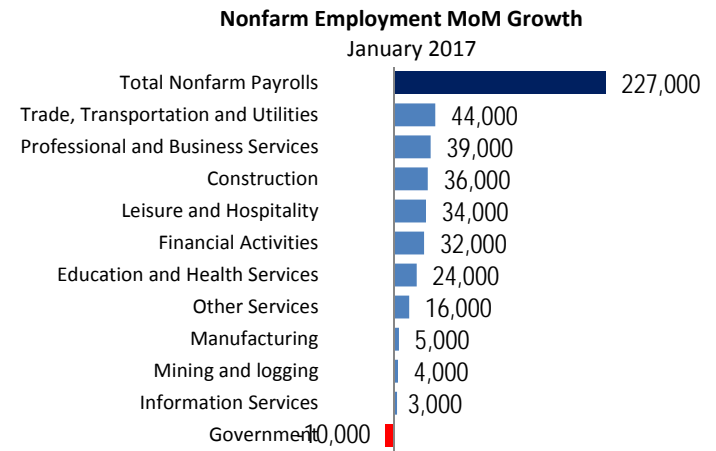


Source: U.S. Bureau of Labor Statistics

Job growth was broad-based in January with strong contributions from construction, retail trade, and finance, along with the usual increases coming from business services, education and health, and leisure and hospitality. Government lost 10 jobs last month and more can be expected from the Federal Government in the

months ahead as the Trump Administration put in place a hiring freeze.

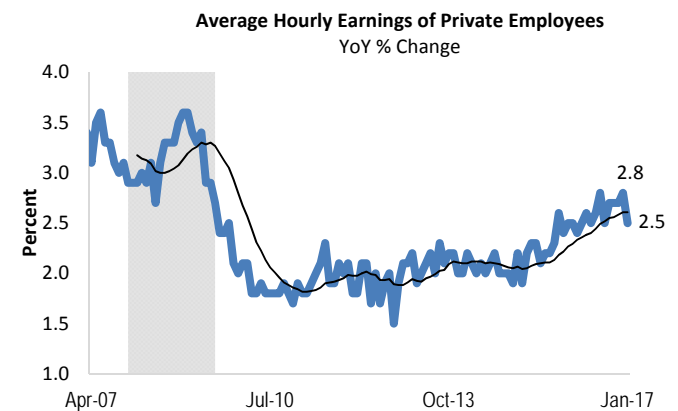
Broad-Based Job Growth Across Sectors



Source: BLS, Bank of the West

The only draw-back in the January payroll report was a disappointing slowdown in average hourly earnings to just a +0.1% monthly gain in January. December hourly earnings growth was also revised down to a +0.2% gain from a previously reported +0.4%. The year-on-year gain in average hourly earnings slipped to 2.5% from 2.8% in December. Economists have been anticipating faster wage growth as the labor market approaches full-employment. However, the latest figures from the Labor Department provide little convincing evidence that is actually happening yet. This will give the doves on the FOMC more reason to take their time in normalizing interest rates and supports our forecast for the next rate hike from the Fed not occurring until June of this year.

A Disappointing Step Back On Wage Growth



Source: Bureau of Labor Statistics

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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	1.9	2.1	2.1	2.2	2.2	2.2	2.3	2.4	2.4	2.6	1.6	2.2	2.3
Personal Consumption Expenditures*	1.6	4.3	3.0	2.5	2.6	2.5	2.5	2.4	2.4	2.4	2.4	2.4	3.2	2.7	2.7	2.4
Non-residential Fixed Investment*	-3.4	1.0	1.4	2.4	4.5	2.8	2.9	2.8	2.7	3.4	3.9	4.4	2.1	-0.4	2.9	3.2
Private Housing Starts (000s units)	1,151	1,159	1,145	1,216	1,200	1,210	1,220	1,240	1,252	1,265	1,275	1,285	1,108	1,168	1,218	1,269
Vehicle Sales (mill. Units, annualized)	17.3	17.1	17.5	18.0	17.5	17.5	17.4	17.4	17.3	17.3	17.2	17.2	17.4	17.5	17.5	17.3
Industrial Production*	-1.7	-0.8	1.8	-0.6	1.5	1.7	1.7	1.7	1.9	2.0	2.0	2.0	0.3	-1.0	1.1	1.9
Nonfarm Payroll Employment (mil.)	143.5	144.0	144.6	145.1	145.6	146.1	146.7	147.2	147.7	148.2	148.7	149.2	141.8	144.3	146.4	148.5
Unemployment rate	4.9	4.9	4.9	4.7	4.6	4.6	4.5	4.5	4.4	4.5	4.5	4.5	5.3	4.9	4.6	4.5
Consumer Price Index* (percent)	-0.3	2.5	1.6	3.4	2.2	2.5	2.3	2.3	2.3	2.2	2.2	2.2	0.1	1.3	2.5	2.3
"Core" CPI* (percent)	2.7	2.1	1.9	2.0	2.5	2.0	2.1	2.1	2.2	2.2	2.2	2.3	1.8	2.2	2.1	2.2
PPI (finished goods)* (percent)	-5.3	3.6	1.9	4.0	0.4	3.0	2.7	2.5	2.4	2.1	2.0	2.1	-3.3	-1.0	2.4	2.4
Trade Weighted Dollar (Fed BOG, major)	93.2	89.5	90.3	93.3	94.5	95.9	97.0	96.7	97.2	97.8	97.2	97.0	90.9	91.6	96.0	97.3
Crude Oil Prices -WTI (\$ per barrel)	33	45	45	49	53	54	54	54	55	55	55	56	50	43	54	55

*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									2,061	2,093		
Dow Jones Industrial Average	16,663	17,764	18,372	18,865									17,591	17,916		
Federal Funds Rate (effective)	0.36	0.37	0.39	0.45	0.63	0.71	0.96	1.21	1.46	1.71	1.88	2.13	0.13	0.39	0.88	1.79
Treasury-3 Month Bills (yield)	0.29	0.26	0.30	0.43	0.55	0.72	0.95	1.18	1.47	1.73	1.92	2.17	0.05	0.32	0.85	1.82
Treasury-2 Year Notes (yield)	0.84	0.77	0.73	1.01	1.23	1.36	1.56	1.75	1.99	2.26	2.40	2.66	0.69	0.84	1.48	2.33
Treasury-5 Year Notes (yield)	1.37	1.24	1.13	1.61	1.97	2.17	2.41	2.61	2.86	3.06	3.23	3.49	1.53	1.34	2.29	3.16
Treasury-10 Year Notes (yield)	1.91	1.75	1.56	2.14	2.53	2.64	2.87	3.05	3.30	3.50	3.67	3.93	2.14	1.84	2.77	3.60
Treasury-30 Year Notes (yield)	2.72	2.57	2.28	2.83	3.14	3.27	3.48	3.68	3.90	4.10	4.26	4.53	2.84	2.60	3.39	4.20
Prime Rate	3.50	3.50	3.50	3.55	3.75	3.85	4.10	4.35	4.60	4.85	5.00	5.25	3.26	3.51	4.01	4.93
Libor 3-Mo. U.S. Dollar	0.62	0.64	0.79	0.92	1.05	1.13	1.35	1.56	1.80	1.97	2.17	2.42	0.34	0.74	1.27	2.09
Mortgage-30 Year (yield)	3.74	3.59	3.45	3.84	4.20	4.31	4.50	4.70	4.90	5.10	5.39	5.65	3.85	3.66	4.43	5.26
BAA Corporate (yield)	5.30	4.66	4.26	4.64	4.80	4.94	5.24	5.49	5.85	6.01	6.20	6.45	5.00	4.71	5.12	6.13

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