

Date	Indicator	For	Estimate	Consensus*	Previous Period
10-Oct-2017	NFIB Small Business Optimism	Sep	105.4	104.8	105.3
11-Oct-2017	JOLTS Job Openings	Aug	NA	NA	6170
11-Oct-2017	FOMC Meeting Minutes	Sep			
12-Oct-2017	PPI Final Demand MoM	Sep	0.5%	0.4%	0.2%
12-Oct-2017	PPI Ex Food and Energy MoM	Sep	0.2%	0.2%	0.1%
12-Oct-2017	Initial Jobless Claims	07-Oct	252k	NA	260k
13-Oct-2017	CPI MoM	Sep	0.5%	0.6%	0.4%
13-Oct-2017	CPI Ex Food and Energy MoM	Sep	0.2%	0.2%	0.2%
13-Oct-2017	Retail Sales Advance MoM	Sep	1.4%	1.6%	-0.2%
13-Oct-2017	Retail Sales Ex Auto MoM	Sep	0.8%	0.9%	0.2%
13-Oct-2017	U. of Mich. Sentiment	Oct P	95.6	95.0	95.1
13-Oct-2017	Business Inventories	Aug	0.4%	0.5%	0.2%

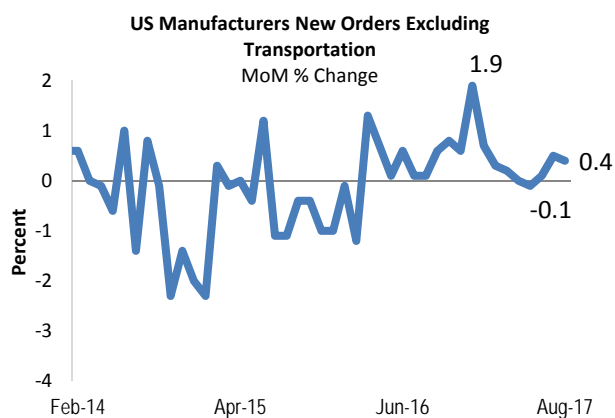
\*Consensus from Bloomberg

## Light at the End of the Tunnel

The hurricanes put a temporary hold on the labor market expansion for September, but the economic data released this week already point to a solid rebound in economic activity in the fourth quarter.

Factory orders are moving higher, foretelling a solid rebound in U.S. industrial production growth in the months ahead. Factory order growth, excluding the volatile transportation sector, hit bottom in May and has been on a steady growth rebound since.

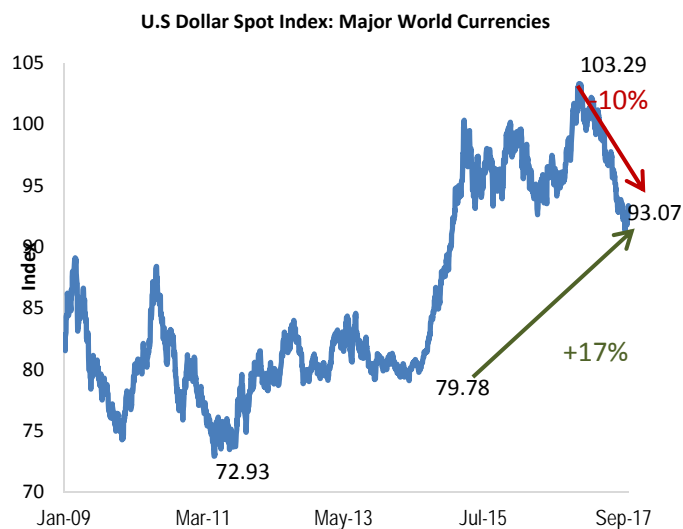
### Factory Orders Show Resilience Despite Hurricane Disruptions



Source: U.S. Census Bureau

The U.S. dollar has weakened about 10% so far this year, making U.S. manufacturing exports more price competitive in global markets. At the same time, the global economy is getting its mojo back, adding to demand for U.S. production.

### Weaker Dollar Paying Dividends for Manufacturers

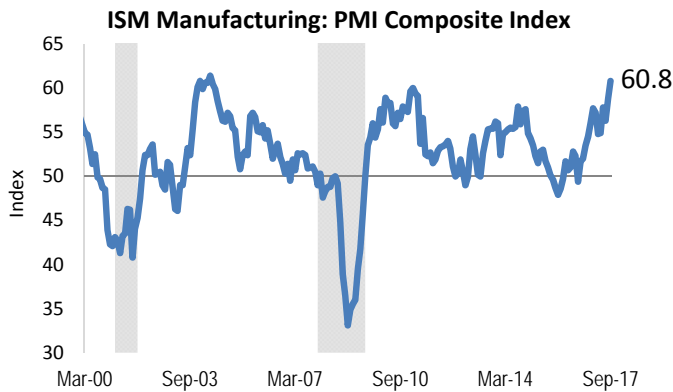


Source: Bloomberg

As a result, U.S. manufacturing PMIs are rising in the face of hurricane disruptions in production. The ISM

manufacturing index hit its highest level since January 2004 in September.

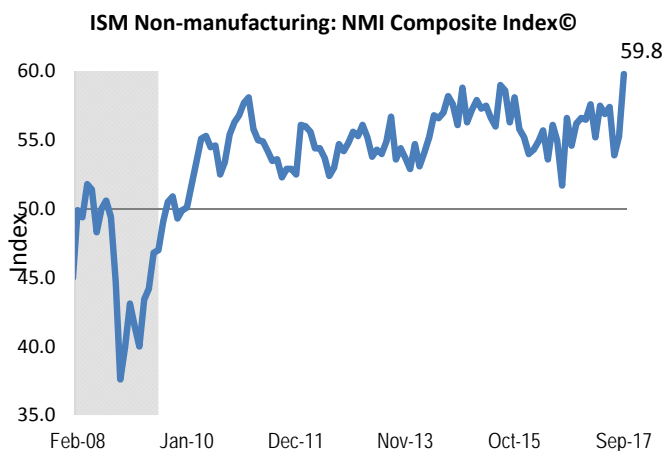
**ISM Manufacturing Index Surges in September**



Source: Institute for Supply Management

Not to be outdone, service businesses are also a confident bunch these days. The ISM non-manufacturing index jumped to a new expansion high in September.

**ISM Non-Manufacturing Index Confirms Acceleration**



Source: Institute for Supply Management

So the stutter-step we are seeing in the labor market is just a temporary setback that the market and Federal Reserve will largely look past.

Indeed, despite two rate hikes so far this year and an announcement of quantitative tightening beginning this month, overall financial conditions continue to loosen. The St. Louis Fed's Financial Stress Index a composite index of interest rates, interest rate spreads and other

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measures of financial stress continues to plumb new lows. A measure below zero on this index means below normal financial stress.

**ISM Manufacturing Index Surges in September**



Source: Federal Reserve Bank of St. Louis

So don't be surprised if the hawkish talk from Fed governors continues and the FOMC goes ahead with another rate hike in December.

U.S. equity markets aren't even flinching at the prospect of another Fed rate hike, as the major equity indexes set new highs almost daily, and the VIX remains near expansion lows.

**U.S. Stocks Hitting New Highs Almost Daily**



Source: Standard and Poor's

The bulls foresee light at the end of the tunnel, and a sanguine economic outlook ahead.

## 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*	0.6	2.2	2.8	1.8	1.2	3.1	2.5	2.8	2.2	2.1	2.1	2.1	2.6	1.5	2.2	2.4
Personal Consumption Expenditures*	1.8	3.8	2.8	2.9	1.9	3.3	1.9	3.1	2.4	2.2	2.1	2.1	3.2	2.7	2.7	2.4
Non-residential Fixed Investment*	-4.0	3.3	3.4	0.2	7.2	6.7	2.0	3.8	3.2	3.4	3.9	4.4	2.1	-0.6	4.2	3.6
Private Housing Starts (000s units)	1,153	1,158	1,150	1,248	1,238	1,167	1,185	1,256	1,263	1,265	1,275	1,285	1,108	1,177	1,212	1,272
Vehicle Sales (mill. Units, annualized)	17.3	17.2	17.5	17.8	17.1	16.8	16.2	16.8	16.7	16.4	16.4	16.4	17.4	17.5	16.7	16.5
Industrial Production*	-1.3	-0.7	0.8	0.7	1.5	5.7	1.8	1.9	2.2	2.3	2.2	2.2	0.3	-1.2	2.0	2.3
Nonfarm Payroll Employment (mil.)	143.4	144.0	144.7	145.2	145.7	146.2	146.7	147.2	147.7	148.2	148.7	149.2	141.8	144.3	146.5	148.4
Unemployment rate	4.9	4.9	4.9	4.7	4.7	4.4	4.3	4.2	4.2	4.1	4.2	4.3	5.3	4.9	4.4	4.2
Consumer Price Index* (percent)	0.1	2.3	1.8	3.0	3.1	-0.3	1.9	2.2	2.2	2.0	2.0	2.0	0.1	1.3	2.0	1.9
"Core" CPI* (percent)	2.5	2.1	2.1	2.0	2.5	0.6	1.9	2.0	2.1	2.1	2.1	2.1	1.8	2.2	1.9	2.0
PPI (finished goods)* (percent)	-3.9	3.0	1.7	3.4	6.3	0.6	3.2	2.8	2.1	1.8	1.6	1.6	-3.3	-1.0	3.3	2.1
Trade Weighted Dollar (Fed BOG, major)	93.2	89.5	90.3	93.5	94.5	93.1	88.4	89.7	90.2	90.5	90.2	90.0	90.9	91.6	91.4	90.2
Crude Oil Prices -WTI (\$ per barrel)	33	45	45	49	52	48	48	48	49	49	50	50	50	43	49	50

\*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	2,326	2,398	2,467						2,061	2,093		
Dow Jones Industrial Average	16,663	17,764	18,372	18,865	20,406	20,994	21,891						17,591	17,916		
Federal Funds Rate (effective)	0.36	0.37	0.39	0.45	0.70	0.94	1.16	1.21	1.38	1.46	1.63	1.71	0.13	0.39	1.00	1.55
Treasury-3 Month Bills (yield)	0.29	0.26	0.30	0.43	0.61	0.91	1.05	1.10	1.28	1.38	1.57	1.67	0.05	0.32	0.92	1.48
Treasury-2 Year Notes (yield)	0.84	0.77	0.73	1.01	1.24	1.30	1.36	1.45	1.71	1.92	2.17	2.29	0.69	0.84	1.34	2.02
Treasury-5 Year Notes (yield)	1.37	1.24	1.13	1.61	1.95	1.81	1.81	1.92	2.18	2.36	2.58	2.69	1.53	1.34	1.87	2.45
Treasury-10 Year Notes (yield)	1.91	1.75	1.56	2.14	2.45	2.26	2.24	2.44	2.68	2.90	3.06	3.17	2.14	1.84	2.35	2.95
Treasury-30 Year Notes (yield)	2.72	2.57	2.28	2.83	3.05	2.90	2.82	3.01	3.27	3.52	3.75	3.84	2.84	2.60	2.95	3.60
Prime Rate	3.50	3.50	3.50	3.55	3.80	4.05	4.25	4.30	4.50	4.55	4.75	4.82	3.26	3.51	4.10	4.66
Libor 3-Mo. U.S. Dollar	0.62	0.64	0.79	0.92	1.07	1.21	1.31	1.36	1.51	1.59	1.75	1.83	0.34	0.74	1.24	1.67
Mortgage-30 Year (yield)	3.74	3.59	3.45	3.84	4.17	3.98	3.88	4.14	4.40	4.62	4.80	4.98	3.85	3.66	4.04	4.70
BAA Corporate (yield)	5.30	4.66	4.26	4.64	4.66	4.49	4.33	4.60	4.90	5.13	5.32	5.48	5.00	4.71	4.52	5.21

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