

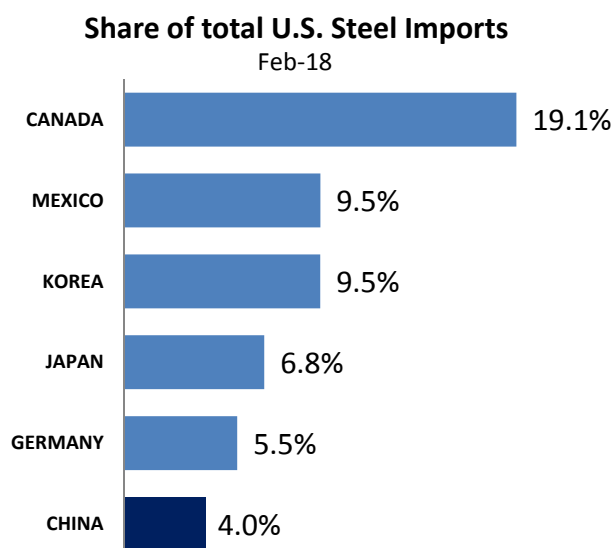
Date	Indicator	For	Estimate	Consensus*	Previous Period
26-Mar-2018	Chicago Fed Nat Activity Index	Feb	NA	NA	0.12
26-Mar-2018	Dallas Fed Manufacturing Activity	Mar	34.0	33.0	37.2
27-Mar-2018	S&P CoreLogic CS 20-City MoM SA	Jan	0.70%	0.50%	0.64%
27-Mar-2018	Richmond Fed Manufacturing Index	Mar	22.0	21.0	28.0
27-Mar-2018	Conf. Board Consumer Confidence	Mar	129.5	131.0	130.8
28-Mar-2018	Advance Goods Trade Balance	Feb	-\$74.4b	-\$74.0b	-\$75.3b
28-Mar-2018	Wholesale Inventories MoM	Feb P	0.5%	NA	0.8%
28-Mar-2018	GDP Annualized QoQ	4Q T	2.8%	2.7%	2.5%
28-Mar-2018	GDP Price Index	4Q T	2.3%	2.3%	2.3%
28-Mar-2018	Pending Home Sales MoM	Feb	2.1%	2.0%	-4.7%
29-Mar-2018	Personal Income	Feb	0.3%	0.4%	0.4%
29-Mar-2018	Personal Spending	Feb	0.2%	0.2%	0.2%
29-Mar-2018	PCE Deflator MoM	Feb	0.2%	0.2%	0.4%
29-Mar-2018	PCE Core MoM	Feb	0.2%	0.2%	0.3%
29-Mar-2018	Initial Jobless Claims	24-Mar	233k	NA	229k
29-Mar-2018	Chicago Purchasing Manager	Mar	61.0	61.5	61.9
29-Mar-2018	U. of Mich. Sentiment	Mar F	101.8	102.0	102.0

\*Consensus from Bloomberg

## A China Trade Fight Takes Center Stage

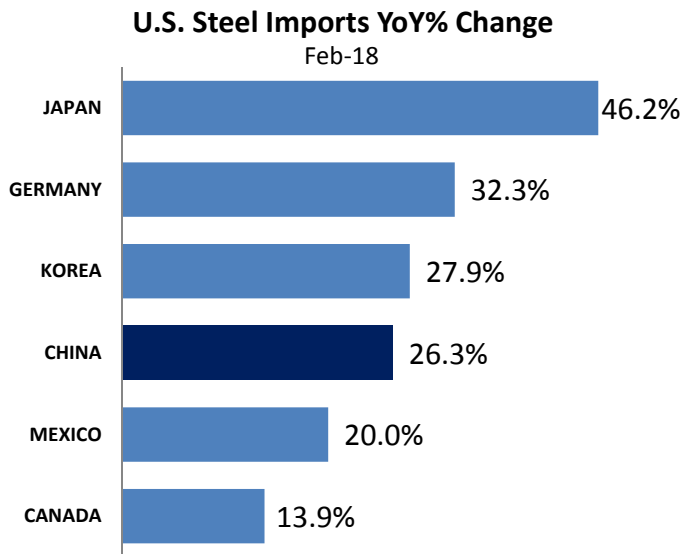
U.S. stock declines slowed and longer-term Treasury bond yields are rising modestly after heavy losses overnight in Asian and European equity markets in reaction to the Trump Administration's \$50B tariff announcement against China. China responded swiftly overnight, striking back on U.S. steel and aluminum tariffs by rolling out new tariffs of its own on 128 products or \$3B of U.S. imports, including California wine, fruit, and almonds. China also warned it would take legal action at the WTO.

## China Not a Huge Direct Exporter of Steel to the U.S.



Source: U.S. Department of Commerce, Enforcement and Compliance

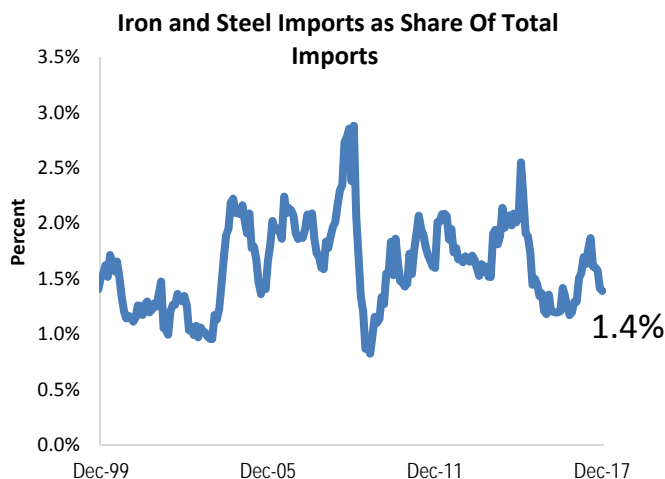
**Steel Imports Rising Faster from Japan and Germany**



Source: U.S. Department of Commerce, Enforcement and Compliance,

For now, China is holding its fire on retaliation for the sweeping tariffs announced by the Administration against China yesterday, but that retaliation is assuredly coming. So does this tit-for-tat between the U.S. and China end here, or will the U.S. retaliate against the China retaliation? I would not describe this trade dispute as a full-blown trade war at this stage, but it is certainly an opening salvo in what could become one.

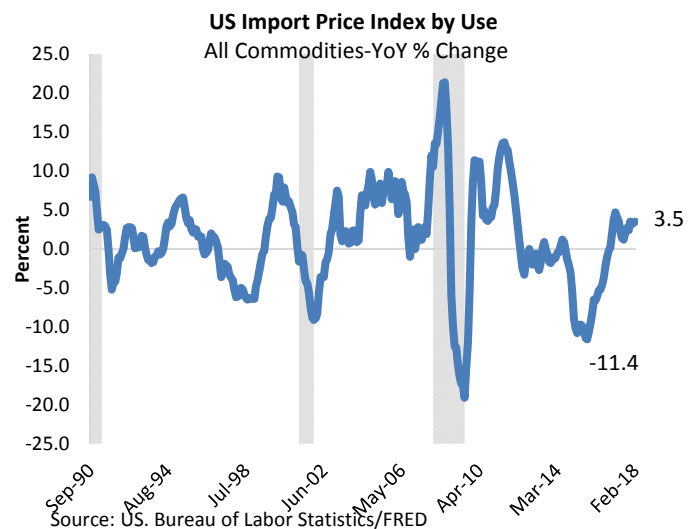
**Steel Imports Are Only A Small Share of Total U.S. Imports**



Source: U.S. Census Bureau (BOC); U.S. Bureau of Economic Analysis (BEA); US Trade in Goods, HTSUSA; Moody's Analytics Calculated, Bank of the West Economics

The economic impacts of what has just occurred appear modest for now. Assuming China's eventual retaliation to the \$50B tariffs announced yesterday is proportional to the U.S. action, we don't see a huge impact on the U.S. and global economic growth outlook. Early estimates put the negative impact on U.S. and global GDP growth of around 0.1 percentage points of real GDP at most so far. It will also likely modestly increase inflationary pressures on U.S. consumers and could eventually force the Fed onto a faster rate hike path. Of course, if we go further down this road of protectionism and trade wars, the downsides for the U.S. economic outlook build.

**Import Price Inflation Already Building – Tariffs Add To It**



Moreover, this trade dispute with China might not stay in the trade realm. China could retaliate financially, by reducing its purchases of U.S. Treasury bonds at a time when the U.S. Treasury is looking at issuing around \$1.0 trillion of new bonds this year. This would likely force U.S. interest rates higher than they otherwise would be, hitting demand in interest rate sensitive sectors of consumer spending like housing and automobiles.

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## Major Economic Indicators

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2016	2017	2018	2019
Real GDP*	1.2	3.1	3.2	2.5	1.8	2.2	2.2	2.3	2.1	2.0	1.9	1.8	1.5	2.3	2.4	2.1
Personal Consumption Expenditures*	1.9	3.3	2.2	3.8	1.6	2.6	2.3	2.3	2.1	2.0	2.0	2.0	2.7	2.7	2.5	2.2
Non-residential Fixed Investment*	7.2	6.7	4.7	6.6	3.3	4.5	5.6	5.7	5.1	5.0	4.4	4.1	-0.6	4.7	5.0	5.2
Private Housing Starts (000s units)	1,238	1,167	1,172	1,251	1,269	1,265	1,275	1,285	1,294	1,303	1,312	1,321	1,176	1,207	1,274	1,308
Vehicle Sales (mill. Units, annualized)	17.1	16.8	17.1	17.7	17.0	16.9	16.9	16.9	16.5	16.5	16.4	16.3	17.5	17.2	16.9	16.4
Industrial Production*	1.5	5.6	-1.2	8.3	2.2	2.3	2.2	2.2	2.0	1.7	1.6	1.5	-1.2	2.0	3.1	2.0
Nonfarm Payroll Employment (mil.)	145.9	146.3	146.9	147.4	148.2	148.7	149.2	149.7	150.0	150.4	150.8	151.2	144.3	146.6	148.9	150.6
Unemployment rate	4.7	4.3	4.3	4.1	4.1	3.9	3.8	3.9	4.0	4.0	4.1	4.2	4.9	4.4	3.9	4.1
Consumer Price Index* (percent)	3.0	0.1	2.1	3.3	3.2	2.2	2.0	2.0	2.0	2.0	2.1	2.1	1.3	2.1	2.5	2.0
"Core" CPI* (percent)	2.2	0.8	1.8	2.2	2.4	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2	1.9	2.1	2.1
PPI (finished goods)* (percent)	5.7	1.0	1.4	6.0	2.4	1.8	1.6	1.6	1.6	1.6	1.7	1.7	-1.0	3.2	2.6	1.6
Trade Weighted Dollar (Fed BOG, major)	94.4	93.0	88.3	88.9	87.2	87.8	87.5	87.2	88.0	87.7	87.0	86.5	91.6	91.2	87.4	87.3
Crude Oil Prices -WTI (\$ per barrel)	52	48	48	55	63	62	62	62	63	62	61	58	43	51	62	61

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

Financial Data	History				Forecast								Annual Average			
	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2016	2017	2018	2019
S & P 500	2,326	2,398	2,467	2,603									2,093	2,449		
Dow Jones Industrial Average	20,406	20,994	21,891	23,689									17,916	21,745		
Federal Funds Rate (effective)	0.70	0.95	1.15	1.20	1.46	1.71	1.88	1.96	2.13	2.38	2.38	2.38	0.39	1.00	1.75	2.32
Treasury-3 Month Bills (yield)	0.61	0.91	1.05	1.23	1.42	1.67	1.85	1.93	2.10	2.35	2.34	2.35	0.32	0.95	1.72	2.29
Treasury-2 Year Notes (yield)	1.24	1.30	1.36	1.69	2.06	2.30	2.47	2.55	2.69	2.86	2.88	2.85	0.84	1.40	2.35	2.82
Treasury-5 Year Notes (yield)	1.95	1.81	1.81	2.07	2.47	2.60	2.78	2.85	2.96	3.15	3.10	3.15	1.34	1.91	2.68	3.09
Treasury-10 Year Notes (yield)	2.45	2.26	2.24	2.37	2.70	2.91	3.02	3.10	3.30	3.53	3.52	3.50	1.84	2.33	2.93	3.46
Treasury-30 Year Notes (yield)	3.05	2.90	2.82	2.82	3.00	3.16	3.33	3.45	3.74	3.90	3.93	4.01	2.60	2.90	3.24	3.90
Prime Rate	3.80	4.05	4.25	4.29	4.58	4.83	5.00	5.08	5.25	5.50	5.50	5.50	3.51	4.10	4.87	5.44
Libor 3-Mo. U.S. Dollar	1.07	1.21	1.31	1.46	1.80	1.95	2.10	2.15	2.30	2.50	2.50	2.46	0.74	1.26	2.00	2.44
Mortgage-30 Year (yield)	4.17	3.98	3.88	3.92	4.18	4.36	4.52	4.63	4.85	5.05	5.15	5.25	3.66	3.99	4.42	5.08
BAA Corporate (yield)	4.66	4.49	4.33	4.27	4.30	4.70	4.98	5.25	5.60	5.80	6.00	6.30	4.71	4.44	4.81	5.93

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