

Date	Indicator	For	Estimate	Consensus*	Previous Period
16-Apr-2018	Retail Sales Advance MoM	Mar	0.3%	0.4%	-0.1%
16-Apr-2018	Retail Sales Ex Auto MoM	Mar	0.2%	0.2%	0.2%
16-Apr-2018	Empire Manufacturing	Apr	18.6	19.6	22.5
16-Apr-2018	Business Inventories	Feb	0.4%	0.6%	0.6%
16-Apr-2018	NAHB Housing Market Index	Apr	69.0	70.0	70.0
17-Apr-2018	Housing Starts	Mar	1276k	1269k	1236k
17-Apr-2018	Building Permits	Mar	1330k	1330k	1321k
17-Apr-2018	Industrial Production MoM	Mar	0.3%	0.3%	0.9%
17-Apr-2018	Capacity Utilization	Mar	77.9%	77.9%	77.7%
18-Apr-2018	U.S. Federal Reserve Releases Beige Book				
19-Apr-2018	Initial Jobless Claims	14-Apr	228k	NA	233k
19-Apr-2018	Philadelphia Fed Business Outlook	Apr	20.8	21.0	22.3
19-Apr-2018	Leading Index	Mar	0.2%	0.3%	0.6%

\*Consensus from Bloomberg

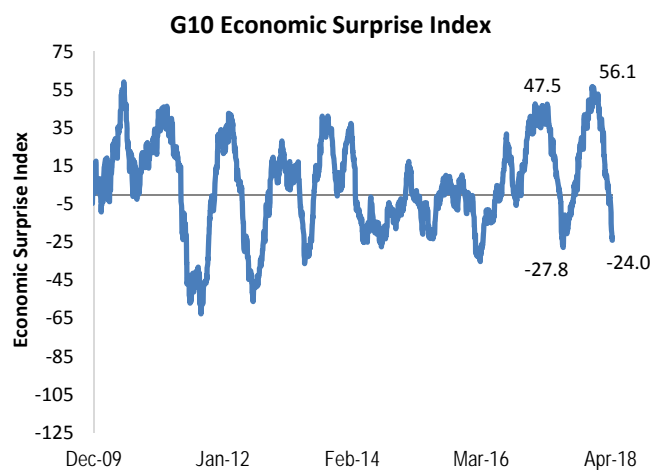
## Has U.S. and Global Growth Already Peaked?

What if the consensus is wrong? This is going to seem like a far-out notion, given all the optimism for U.S. tax reform and government spending, and central bank nervousness at the March FOMC meeting about an overheating economy pushing inflation higher and forcing additional Fed interest rate hikes as far as the eye can see (which for the FOMC is through the year 2020). Yet, I am seeing growing evidence in the daily economic indicators that U.S. and global growth may have already peaked.

That is not to say Q2 growth won't accelerate from moribund Q1 rates, but we believe U.S. GDP growth year-on-year probably will peak in the first quarter at around 2.7% and gradually moderate to around 2.4% by the end of 2018, even with a rebound in Q2 consumer spending and sizable government spending ahead.

Here is what we are seeing, and you can judge for yourself. Citigroup's G10 economic surprise index continues to deteriorate and turned net negative for the first time since last June. Economic indicators in the Eurozone, Japan, United Kingdom, and Canada are all underperforming economists' expectations in April.

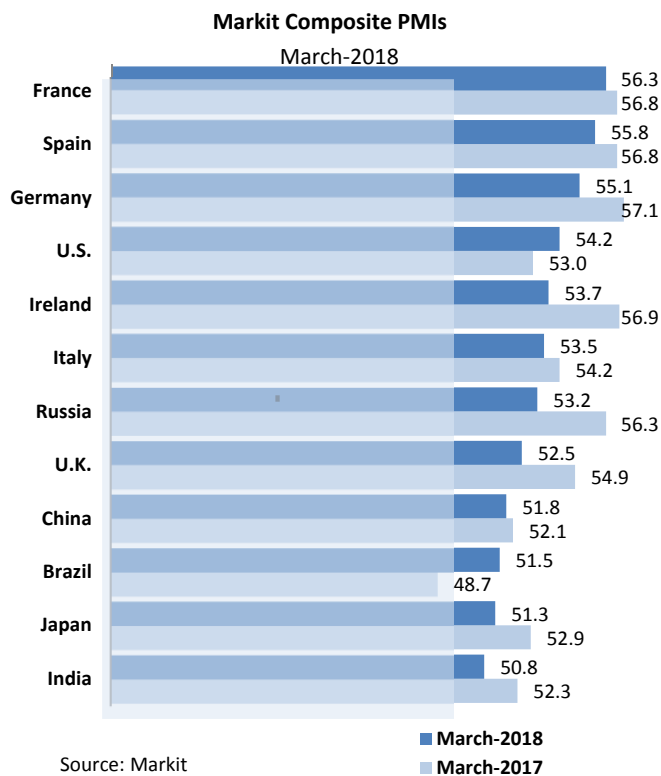
## What Goes Up Must Come Down



Source: Citigroup Global Markets

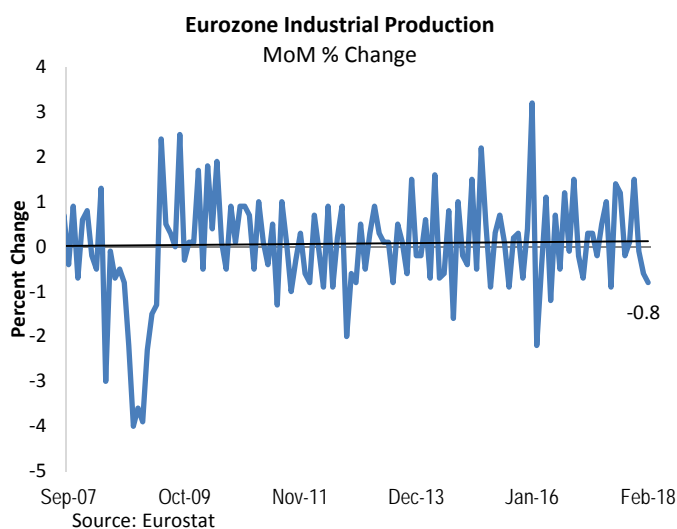
Markit Composite PMIs, which track the health of both manufacturing and service businesses for a broad cross-section of countries, were generally lower in March 2018 than they were in March 2017, except for the U.S. and Brazil.

**Global Manufacturing and Service PMIs Moderating**



The slowdown is particularly pronounced in the Eurozone. Eurozone retail sales declined in December and January and were essentially flat in February. Eurozone industrial production has declined for three consecutive months for the first time since 2012.

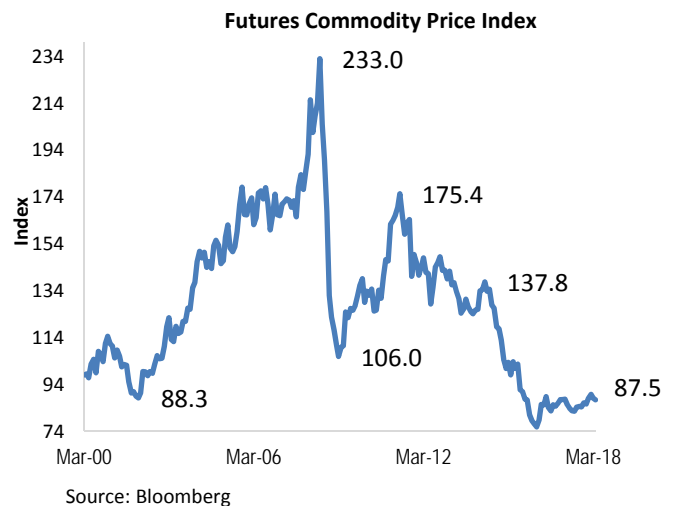
**Strong Euro Taking a Toll On Eurozone Manufacturers**



The euro has appreciated about 5.7% against the dollar since last November and is up 16% over the last 12 months. Such a swift appreciation is clearly taking a toll on Eurozone manufacturing and economy, and could be a harbinger of slower global growth as well.

Also, if U.S. and global growth was about to gallop higher in the months ahead, why haven't commodity futures prices budged? The Bloomberg futures price index was up only 2.5% from a year ago through March.

**Commodity Prices Treading Water**



Finally, we look to the bond market. The 2yr-10yr Treasury bond yield spread shrank to an expansion-low 47 basis points this week, while the bond market's 5-year and 10-year inflation breakeven rates are not much different from where they were back in January of 2017. If a tight labor market was about to throw U.S. inflation into overdrive, why isn't it being priced into the commodity futures markets and bond markets?

While we expect U.S. economic growth to rebound to around 2.6% annualized in the second quarter on rising government spending and a return of the U.S. consumer to the stores, growth could still fall short of the rates the U.S. economy saw in the last three quarters of 2017. In fact, the tailwind of a strengthening Eurozone and global economy appear to be fading. It's a prospect that economic analysts and global investors have yet to fully appreciate.

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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	2.9	1.7	2.6	2.6	2.5	2.3	2.2	2.1	2.0	1.5	2.3	2.5	2.4
Personal Consumption Expenditures*	1.9	3.3	2.2	4.0	1.1	2.7	2.4	2.4	2.1	2.0	2.0	2.0	2.7	2.8	2.5	2.2
Non-residential Fixed Investment*	7.2	6.7	4.7	6.8	5.6	4.8	5.6	5.7	5.1	5.1	4.4	4.1	-0.6	4.7	5.7	5.2
Private Housing Starts (000s units)	1,238	1,167	1,172	1,256	1,269	1,265	1,275	1,285	1,290	1,298	1,300	1,300	1,176	1,208	1,274	1,297
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	8.4	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	148.1	148.6	149.2	149.7	150.1	150.6	151.0	151.4	144.3	146.6	148.9	150.8
Unemployment rate	4.7	4.3	4.3	4.1	4.1	3.9	3.8	3.6	3.8	3.9	4.0	4.1	4.9	4.4	3.9	4.0
Consumer Price Index* (percent)	3.0	0.1	2.1	3.3	3.5	2.2	2.0	2.0	2.0	2.0	2.1	2.1	1.3	2.1	2.6	2.0
"Core" CPI* (percent)	2.2	0.8	1.8	2.2	3.0	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.2	1.8	2.2	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	86.5	86.9	87.2	87.8	87.5	87.1	86.6	85.5	91.6	91.2	87.1	86.7
Crude Oil Prices -WTI (\$ per barrel)	52	48	48	55	63	64	62	62	62	61	61	58	43	51	63	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	2,733								2,093	2,449		
Dow Jones Industrial Average	20,406	20,994	21,891	23,689	25,127								17,916	21,745		
Federal Funds Rate (effective)	0.70	0.95	1.15	1.20	1.44	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	1.58	1.75	1.90	2.00	2.15	2.40	2.40	2.36	0.32	0.95	1.81	2.33
Treasury-2 Year Notes (yield)	1.24	1.30	1.36	1.69	2.16	2.39	2.47	2.55	2.69	2.86	2.88	2.85	0.84	1.40	2.39	2.82
Treasury-5 Year Notes (yield)	1.95	1.81	1.81	2.07	2.53	2.60	2.78	2.85	2.96	3.15	3.10	3.15	1.34	1.91	2.69	3.09
Treasury-10 Year Notes (yield)	2.45	2.26	2.24	2.37	2.76	2.87	2.98	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	3.03	3.10	3.28	3.40	3.69	3.85	3.90	3.96	2.60	2.90	3.20	3.85
Prime Rate	3.80	4.05	4.25	4.29	4.52	4.80	4.98	5.06	5.23	5.48	5.48	5.48	3.51	4.10	4.84	5.42
Libor 3-Mo. U.S. Dollar	1.07	1.21	1.31	1.46	1.93	2.20	2.27	2.33	2.40	2.50	2.50	2.46	0.74	1.26	2.18	2.47
Mortgage-30 Year (yield)	4.17	3.98	3.88	3.92	4.28	4.38	4.50	4.63	4.83	5.08	5.15	5.25	3.66	3.99	4.45	5.08
BAA Corporate (yield)	4.66	4.49	4.33	4.27	4.47	4.75	4.98	5.25	5.60	5.80	6.00	6.30	4.71	4.44	4.86	5.93

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