

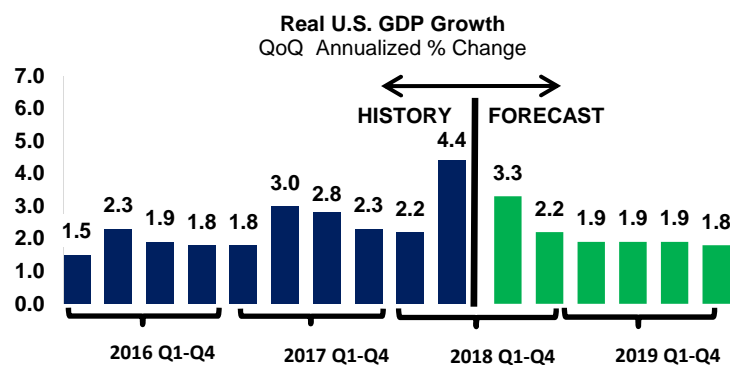
Date	Indicator	For	Estimate	Consensus*	Previous Period
24-Sep-2018	Chicago Fed Nat Activity Index	Aug	NA	NA	13.0%
24-Sep-2018	Dallas Fed Manufacturing Activity	Sep	32.0	31.0	30.9
25-Sep-2018	FHFA House Price Index MoM	Jul	0.1%	0.2%	0.2%
25-Sep-2018	S&P CoreLogic CS 20-City MoM SA	Jul	-0.1%	-0.2%	0.1%
25-Sep-2018	Richmond Fed Manufacturing Index	Sep	20.0	21.0	24.0
25-Sep-2018	Conf. Board Consumer Confidence	Sep	131.5	131.0	133.4
26-Sep-2018	New Home Sales	Aug	630k	631k	627k
26-Sep-2018	FOMC Rate Decision (Upper Bound)	26-Sep	2.25%	2.25%	2.00%
26-Sep-2018	FOMC Rate Decision (Lower Bound)	26-Sep	2.00%	2.00%	1.75%
27-Sep-2018	Advance Goods Trade Balance	Aug	-\$71.0b	-\$70.5b	-\$72.0b
27-Sep-2018	Wholesale Inventories MoM	Aug P	0.3%	NA	0.6%
27-Sep-2018	GDP Annualized QoQ	2Q T	4.4 %	4.3%	4.2%
27-Sep-2018	GDP Price Index	2Q T	3.0%	3.0%	3.0%
27-Sep-2018	Durable Goods Orders	Aug P	1.6%	1.6%	-1.7%
27-Sep-2018	Durables Ex Transportation	Aug P	0.4%	0.4%	0.1%
27-Sep-2018	Initial Jobless Claims	22-Sep	206k	NA	201k
27-Sep-2018	Pending Home Sales MoM	Aug	-0.2%	-0.4%	-0.7%
27-Sep-2018	Kansas City Fed Manufacturing Activity	Sep	16.0	NA	14.0
28-Sep-2018	Personal Income	Aug	0.4%	0.4%	0.3%
28-Sep-2018	Personal Spending	Aug	0.4%	0.3%	0.4%
28-Sep-2018	PCE Deflator MoM	Aug	0.1%	0.1%	0.1%
28-Sep-2018	PCE Core MoM	Aug	0.1%	0.1%	0.2%
28-Sep-2018	Chicago Purchasing Manager	Sep	61.0	62.0	63.6
28-Sep-2018	U. of Mich. Sentiment	Sep F	99.8	100.1	100.8

\*Consensus from Bloomberg

## Bracing for a Hawkish FOMC Meeting

The U.S. economy is in a good place right now. Second quarter's GDP growth estimate looks like it will be revised up to around 4.4% next week, from 4.2% and an initial reading of 4.1%. Upward revisions in second quarter consumer spending and structural investment are expected. The third quarter is also on track to see GDP growth well above potential at around 3.3%.

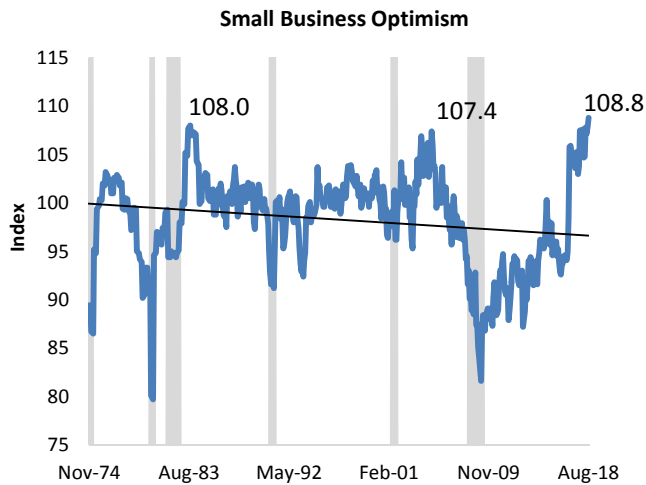
## Fiscal Stimulus Stoking Growth



Source: Bureau of Economic Analysis; Bank of the West Economics

There are growing signs of moderation in some U.S. economic indicators, such as home sales and prices, but business sentiment and consumer confidence remain high.

**Business and Consumer Confidence at Cyclical Highs**

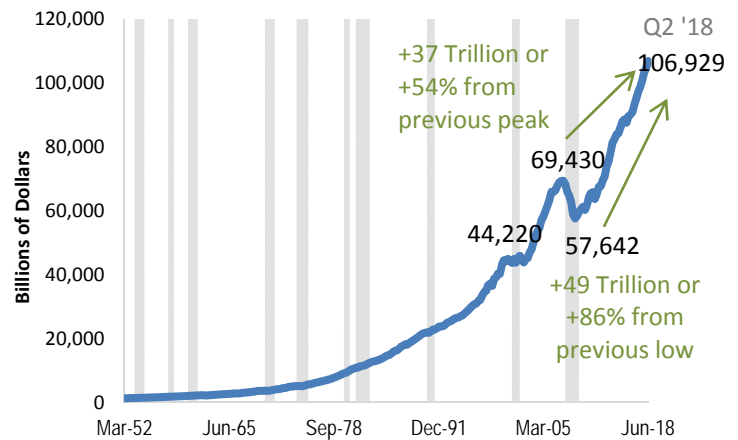


Source: National Federation of Independent Business

Many households are finally reaping the benefits from a robust job market that has been steadily creating jobs since 2010 and rising asset prices that have sent U.S. household net worth to new record heights. Household net worth hit \$106.9 trillion in the second quarter, an increase of \$49.3 trillion since the end of the Great Recession. Household net worth jumped another \$2.19 trillion in the second quarter alone, nearly a trillion more than in the first quarter, according to the Federal Reserve’s latest Flow of Funds report. During the Great Recession household net worth plunged by \$12.0 trillion.

**Household Net Worth Goes Parabolic**

**Total Net Worth - Balance Sheet of Households and Nonprofit Organizations**



Source: Federal Reserve System

**What to Expect from Next Week’s FOMC?**

We expect a more upbeat assessment of current economic conditions from the FOMC statement and from Powell’s press conference comments. The Summary of Economic Projections could also see an upward revision in median GDP growth and inflation forecasts for 2018. Fiscal stimulus is clearly stoking growth — and with the economy already achieving the Fed’s goal of full employment and 2.0% core inflation — there is nothing to stop the FOMC from raising the Fed funds target range once more at this meeting and signaling more rate hikes ahead. We think the next one will happen in December.

Looking into 2019 and beyond, however, we expect little revision to the FOMC’s median forecasts for interest rates, inflation, or economic growth. We are a little concerned about froth and turbulence in the financial markets in the quarters ahead. Stock valuations appear stretched to me, and optimistic future earnings expectations could soon come up against the reality of tighter monetary policy, trade protectionism, and slowing and unbalanced global growth. It will be like a cold front colliding with a warm front; there are bound to be some thunderstorms touched off.

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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*	1.8	3.0	2.8	2.3	2.2	4.2	3.3	2.2	1.9	1.9	1.9	1.8	1.5	2.2	2.9	2.3
Personal Consumption Expenditures*	1.8	2.9	2.2	3.9	0.5	3.8	3.5	2.7	2.1	2.1	2.0	1.8	2.7	2.5	2.6	2.5
Non-residential Fixed Investment*	9.6	7.3	3.4	4.8	11.5	8.5	3.2	4.2	3.6	4.0	3.4	2.7	-0.6	5.3	6.9	4.0
Private Housing Starts (000s units)	1,231	1,171	1,172	1,259	1,317	1,254	1,220	1,240	1,270	1,280	1,277	1,275	1,176	1,208	1,258	1,276
Vehicle Sales (mill. Units, annualized)	17.1	16.8	17.1	17.7	17.1	17.1	17.1	16.9	16.5	16.5	16.4	16.3	17.5	17.2	17.1	16.4
Industrial Production*	1.0	5.0	-1.5	7.7	2.5	5.1	3.0	2.6	2.2	2.0	1.7	1.5	-1.2	1.6	3.7	2.4
Nonfarm Payroll Employment (mil.)	145.9	146.3	146.9	147.4	148.1	148.7	149.3	149.8	150.3	150.7	151.1	151.5	144.3	146.6	149.0	150.9
Unemployment rate	4.7	4.3	4.3	4.1	4.1	3.9	3.9	3.8	3.7	3.8	3.9	4.0	4.9	4.4	3.9	3.9
Consumer Price Index* (percent)	3.0	0.1	2.1	3.3	3.5	1.7	2.2	2.1	2.0	2.0	2.1	2.1	1.3	2.1	2.5	2.1
"Core" CPI* (percent)	2.2	0.8	1.8	2.2	3.0	1.8	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	1.6	5.7	3.6	2.7	2.5	2.0	1.8	1.8	1.7	1.7	-1.0	3.2	3.2	2.0
Trade Weighted Dollar (Fed BOG, major)	94.4	93.0	88.3	88.9	86.2	88.2	90.4	91.4	91.1	90.4	89.6	88.5	91.6	91.1	89.0	89.9
Crude Oil Prices -WTI (\$ per barrel)	52	48	48	55	63	68	68	65	63	61	61	59	43	51	66	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	2,703							2,093	2,449		
Dow Jones Industrial Average	20,406	20,994	21,891	23,689	25,127	24,556							17,916	21,745		
Federal Funds Rate (effective)	0.70	0.94	1.15	1.20	1.45	1.74	1.91	2.21	2.46	2.63	2.63	2.63	0.39	1.00	1.83	2.59
Treasury-3 Month Bills (yield)	0.61	0.91	1.05	1.23	1.58	1.87	2.06	2.31	2.56	2.73	2.68	2.68	0.32	0.95	1.96	2.66
Treasury-2 Year Notes (yield)	1.24	1.30	1.36	1.69	2.16	2.48	2.62	2.77	2.91	3.01	3.02	2.97	0.84	1.40	2.51	2.98
Treasury-5 Year Notes (yield)	1.95	1.81	1.81	2.07	2.53	2.77	2.79	2.91	3.05	3.15	3.16	3.11	1.34	1.91	2.75	3.12
Treasury-10 Year Notes (yield)	2.45	2.26	2.24	2.37	2.76	2.92	2.91	3.02	3.19	3.28	3.27	3.21	1.84	2.33	2.90	3.24
Treasury-30 Year Notes (yield)	3.05	2.90	2.82	2.82	3.03	3.09	3.03	3.11	3.26	3.35	3.34	3.28	2.60	2.90	3.07	3.31
Prime Rate	3.80	4.05	4.25	4.29	4.53	4.80	5.00	5.25	5.50	5.75	5.75	5.75	3.51	4.10	4.90	5.69
Libor 3-Mo. U.S. Dollar	1.07	1.21	1.31	1.46	1.93	2.34	2.35	2.50	2.70	2.85	2.80	2.80	0.74	1.26	2.28	2.79
Mortgage-30 Year (yield)	4.17	3.98	3.88	3.92	4.28	4.54	4.52	4.60	4.77	4.87	4.88	4.85	3.66	3.99	4.49	4.84
BAA Corporate (yield)	4.66	4.49	4.33	4.27	4.47	4.78	4.79	5.04	5.40	5.60	5.80	6.10	4.71	4.44	4.77	5.73

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