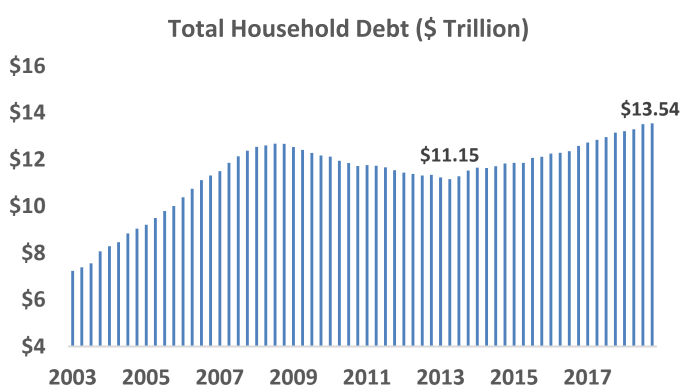
Date	Indicator	For	Estimate	Consensus*	Previous Period
19-Feb-2019	NAHB Housing Market Index	Feb	58.0	59.0	58.0
21-Feb-2019	Philadelphia Fed Business Outlook	Feb	13.0	14.5	17.0
21-Feb-2019	Initial Jobless Claims	16-Feb	234k	NA	239k
21-Feb-2019	Durable Goods Orders	Dec P	1.1%	1.7%	0.7%
21-Feb-2019	Durables Ex Transportation	Dec P	-0.1%	0.3%	-0.4%
21-Feb-2019	Markit US Manufacturing PMI	Feb P	54.2	55.0	54.9
21-Feb-2019	Markit US Services PMI	Feb P	54.3	NA	54.2
21-Feb-2019	Markit US Composite PMI	Feb P	NA	NA	54.4
21-Feb-2019	Leading Index	Jan	0.1%	0.2%	-0.1%
21-Feb-2019	Existing Home Sales	Jan	5.10m	5.00m	4.99m

*Consensus from Bloomberg

Household Debt Rises Again in the Fourth Quarter

Aggregate household debt stood at $13.5 trillion in the fourth quarter of 2018 and has now increased for 18 consecutive quarters, according to a recently released quarterly report from the New York Federal Reserve. This is a 0.2% increase from the third quarter and a 3.0% rise from a year ago. Household debt has now increased on an annual basis for 21 straight quarters after declining for 19 successive quarters from Q1 2009 to Q3 2013. Moreover, household debt is now 21.4% above the Q2 2013 trough of $11.2 trillion.

Household Debt Has Risen For 18 Consecutive Quarters



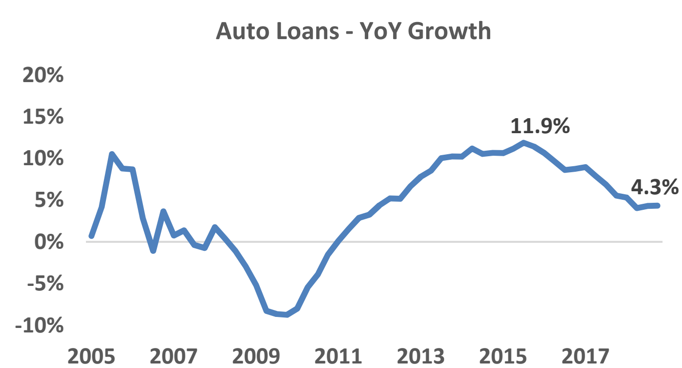
Source: New York Fed Consumer Credit Panel

Student loans led the way with a 5.7% year-on-year rise in the fourth quarter, followed by auto loans and credit cards with growth of 4.3%. Mortgage balances increased 2.7%, while balances on home equity lines of credit declined 7.2% and have now been negative compared to a year ago since the first quarter of 2010.

Auto Lending Growth Peaked in 2015

Annual growth across all products – except for student loans where the risk in some instances isn't borne solely by the borrower – declined during the recession and/or early stages of the recovery. Auto lending, however, was the first loan product to turn positive. Indeed, auto loan growth has been positive since the first quarter of 2011 and grew at double-digit rates for almost three years from Q3 2013 to Q1 2016. And while growth has slowed since peaking at 11.9% in late 2015, it remains steady at 4.3%.

Auto Loan Growth Peaked in the Third Quarter of 2015



Source: New York Fed Consumer Credit Panel

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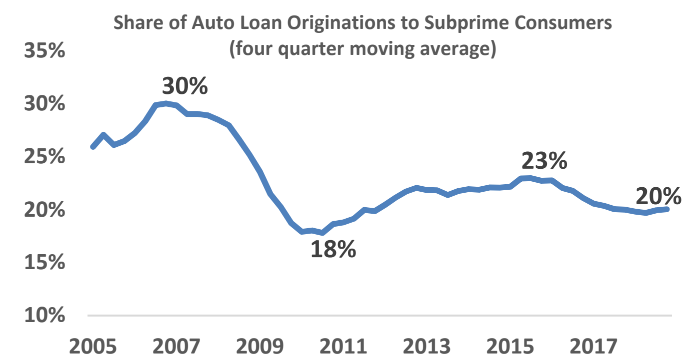
Subprime Credit - No Problem

In addition to auto lenders being the first to resume extending credit in the aftermath of the 2007-2009 recession, they were also willing to assume more risk by offering loans to consumers with less-than-pristine credit histories. The share of the dollar volume of auto loan originations to subprime consumers with a risk score below 620 – viewed on a four-quarter moving average basis to better identify the underlying trends – peaked in early 2007 at 30% and reached a trough of 18% in the third quarter of 2010. The share then began to rise again until early 2016 when lenders began to reduce their exposure to risk.

Auto Loans Extended to Subprime Consumers



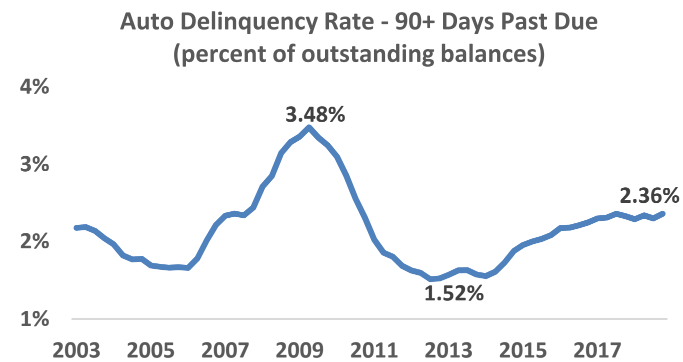
Source: New York Fed Consumer Credit Panel

Auto Loan Delinquencies Are on the Upswing

An inherent downside risk in extending credit to subprime consumers is a rising delinquency rate as loans mature. The 90-day or more delinquency rate – defined as seriously delinquent – jumped from 1.52% in late 2012 to 2.36% in the fourth quarter of 2018.

While the fourth quarter serious delinquency rate is well-below the peak of 3.48% in the second quarter of 2009, it has been mostly rising for the past six years and stands at the highest level since the third quarter of 2010. Plus, it is atypical to experience rising delinquency rates when the unemployment rate is at the historically low level of 4.0% and the number of job openings are at an all-time high. Perhaps this is an indication that auto lenders assumed a sizable amount of risk in extending credit to subprime consumers, especially when a record 7 million Americans are presently 90-days or more behind on their auto loan payments, according to the Federal Reserve Bank of New York.

The Auto Delinquency Rate Has Been Rising Since 2013



Source: New York Fed Consumer Credit Panel

Household Debt and Credit Quality Outlook

Results from the fourth quarter 2018 Federal Reserve Senior Loan Officer Survey show that on balance, banks are tightening their lending standards on most loan types. This suggests that growth in household debt will at the very least slow, if not contract over the near term. Moreover, banks could be inclined to tighten standards even more as economic growth slows and the probability of a recession rises.

Credit quality has historically deteriorated as the economy begins to slow. Real GDP is estimated to have expanded 3.1% Q4/Q4 last year, but is forecast to slow to 1.8% this year and slow further in 2020. In addition, labor market conditions have a big impact on a consumer's ability to service their debt obligations and labor market conditions are projected to worsen over the next two years. Lenders credit losses still remain low by historical standards, but the best days may be over and lenders will need to prepare for worsening credit quality in the quarters ahead.

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Key Economic and Interest Rate Forecasts

	History				Forecast								Yr/Yr % chg or Annual Avg.			
Economic Data	**2018.1**	**2018.2**	**2018.3**	**2018.4**	**2019.1**	**2019.2**	**2019.3**	**2019.4**	**2020.1**	**2020.2**	**2020.3**	**2020.4**	**2017**	**2018**	**2019**	**2020**
Real GDP*	2.2	4.2	3.4	2.5	1.7	2.0	1.8	1.7	1.0	0.6	0.5	0.5	2.2	2.9	2.3	1.1
Personal Consumption Expenditures*	0.5	3.8	3.5	3.5	1.5	2.3	2.1	1.9	1.5	1.0	1.0	1.0	2.5	2.7	2.5	1.5
Non-residential Fixed Investment*	11.5	8.7	2.5	5.7	4.3	4.1	3.7	3.4	1.5	1.5	1.5	1.5	5.3	6.9	4.5	2.3
Private Housing Starts (000s units)	1,317	1,261	1,234	1,250	1,260	1,240	1,220	1,210	1,190	1,185	1,180	1,175	1,208	1,266	1,233	1,183
Vehicle Sales (mill. Units, annualized)	17.1	17.1	16.9	17.5	16.9	16.8	16.7	16.5	16.2	15.9	15.6	15.9	17.2	17.1	16.7	15.9
Industrial Production*	2.5	5.3	4.7	3.8	2.1	2.0	1.7	1.5	-0.5	-1.0	-1.0	-1.0	1.6	4.0	2.8	0.1
Nonfarm Payroll Employment (mil.)	148.0	148.7	149.4	150.1	150.7	151.2	151.7	152.1	152.4	152.0	151.6	151.4	146.6	149.1	151.4	151.9
Unemployment rate	4.1	3.9	3.8	3.8	3.9	3.7	3.6	3.7	3.9	4.2	4.5	4.8	4.4	3.9	3.7	4.4
Consumer Price Index* (percent)	3.5	1.7	2.0	1.8	1.1	2.1	2.1	2.1	1.8	1.8	1.7	1.6	2.1	2.4	1.8	1.9
"Core" CPI* (percent)	3.0	1.8	2.0	2.0	2.2	2.1	2.1	2.1	2.0	1.9	1.8	1.8	1.8	2.1	2.1	2.0
PPI (finished goods)* (percent)	3.6	2.9	2.2	-0.2	-0.1	2.1	1.8	1.8	1.3	1.4	1.4	1.4	3.2	3.0	1.1	1.6
Trade Weighted Dollar (Fed BOG, major)	86.2	88.2	90.2	91.4	91.1	90.6	89.6	88.5	88.3	88.0	87.5	87.0	91.1	89.0	90.0	87.7
Crude Oil Prices -WTI ($ per barrel)	63	68	70	60	52	54	53	53	51	50	47	46	51	65	53	49

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

	History				Forecast								Annual Average			
Financial Data	**2018.1**	**2018.2**	**2018.3**	**2018.4**	**2019.1**	**2019.2**	**2019.3**	**2019.4**	**2020.1**	**2020.2**	**2020.3**	**2020.4**	**2017**	**2018**	**2019**	**2020**
S & P 500	2,733	2,703	2,850	2,699									2,449	2,746		
Dow Jones Industrial Average	25,127	24,556	25,595	24,916									21,745	25,048		
Federal Funds Rate (effective)	1.45	1.74	1.92	2.22	2.38	2.38	2.38	2.46	2.54	2.29	2.04	1.79	1.00	1.83	2.40	2.17
Treasury-3 Month Bills (yield)	1.58	1.87	2.07	2.36	2.37	2.39	2.48	2.56	2.65	2.40	2.15	1.89	0.95	1.97	2.45	2.27
Treasury-2 Year Notes (yield)	2.16	2.48	2.67	2.80	2.51	2.50	2.60	2.65	2.75	2.60	2.35	2.15	1.40	2.53	2.57	2.46
Treasury-5 Year Notes (yield)	2.53	2.77	2.81	2.88	2.50	2.52	2.65	2.70	2.70	2.50	2.30	2.25	1.91	2.75	2.59	2.44
Treasury-10 Year Notes (yield)	2.76	2.92	2.92	3.04	2.68	2.70	2.80	2.88	2.95	2.77	2.57	2.50	2.33	2.91	2.77	2.70
Treasury-30 Year Notes (yield)	3.03	3.09	3.06	3.27	3.02	3.08	3.20	3.28	3.30	3.10	2.90	2.80	2.90	3.11	3.15	3.03
Prime Rate	4.53	4.80	5.01	5.28	5.50	5.50	5.50	5.58	5.66	5.38	5.13	4.87	4.10	4.90	5.52	5.26
Libor 3-Mo. U.S. Dollar	1.93	2.34	2.34	2.62	2.77	2.76	2.79	2.87	2.95	2.70	2.42	2.13	1.26	2.31	2.80	2.55
Mortgage-30 Year (yield)	4.28	4.54	4.57	4.78	4.43	4.45	4.60	4.75	4.85	4.70	4.50	4.40	3.99	4.54	4.56	4.61
BAA Corporate (yield)	4.47	4.78	4.81	5.14	5.10	5.30	5.50	5.80	6.10	6.20	6.20	6.10	4.44	4.80	5.43	6.15

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