

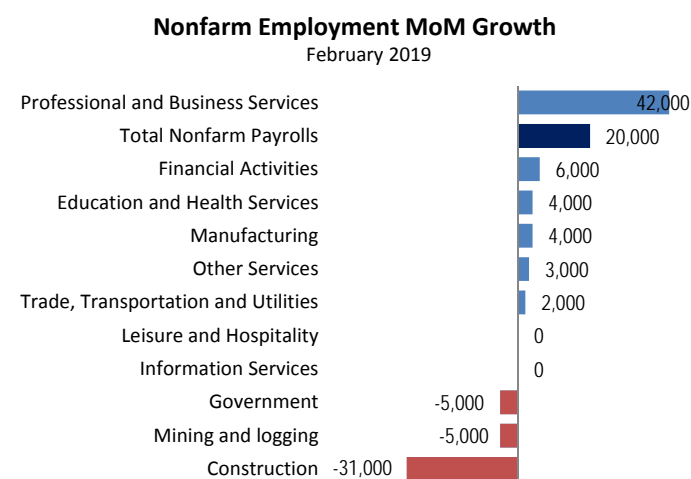
Date	Indicator	For	Estimate	Consensus*	Previous Period
11-Mar-2019	Retail Sales Ex Auto MoM	Jan	0.1%	0.4%	-1.8%
11-Mar-2019	Retail Sales Advance MoM	Jan	-0.2%	0.1%	-1.2%
11-Mar-2019	Business Inventories	Dec	0.6%	0.6%	-0.1%
12-Mar-2019	NFIB Small Business Optimism	Feb	102.0	102.5	101.2
12-Mar-2019	CPI MoM	Feb	0.2%	0.2%	0.0%
12-Mar-2019	CPI Ex Food and Energy MoM	Feb	0.2%	0.2%	0.2%
13-Mar-2019	PPI Final Demand MoM	Feb	0.2%	0.2%	-0.1%
13-Mar-2019	PPI Ex Food and Energy MoM	Feb	0.2%	0.2%	0.3%
13-Mar-2019	Durable Goods Orders	Jan P	-0.9%	-0.6%	1.2%
13-Mar-2019	Durables Ex Transportation	Jan P	0.0%	0.3%	0.1%
13-Mar-2019	Construction Spending MoM	Jan	0.3%	NA	-0.6%
14-Mar-2019	Import Price Index MoM	Feb	0.1%	0.3%	-0.5%
14-Mar-2019	Initial Jobless Claims	09-Mar	228k	NA	223k
14-Mar-2019	New Home Sales	Jan	620k	625k	621k
15-Mar-2019	Empire Manufacturing	Mar	10.0	10.0	8.8
15-Mar-2019	Industrial Production MoM	Feb	0.2%	0.6%	-0.6%
15-Mar-2019	Capacity Utilization	Feb	78.5%	78.8%	78.2%
15-Mar-2019	JOLTS Job Openings	Jan	NA	NA	7335.0
15-Mar-2019	U. of Mich. Sentiment	Mar P	96.0	95.8	93.8
15-Mar-2019	Net Long-term TIC Flows	Jan	NA	NA	-\$48.3b

*Consensus from Bloomberg

U.S. Job Gains Fall Far Short Joining Global Slowdown

We can now add the U.S. labor market to the chorus of global economic indicators pointing to a sharp slowdown in economic activity in the first quarter. Nonfarm payrolls increased only by 20K jobs in February, down from 311K in January. However, snowy weather during the survey week may be exaggerating the extent of the deterioration in labor market conditions as construction payrolls fell by 31K in February after gaining 53K in January. But weather doesn't explain all of the weakness. U.S. manufacturing payrolls only managed a 4K net job gain, down from a 21K gain in January.

U.S. Job Growth Falls Far Short in February



Source: BLS, Bank of the West

Net job losses were also recorded in retail trade (-6K) and government sectors (-5K). Meanwhile, the information and leisure and hospitality sectors recorded no job gains last month. Even the traditionally rock-solid education and health sector managed to squeeze out only 4K net new jobs last month. Financial services added only 6K jobs as well.

If you find these downbeat headlines depressing, the glass half-full folks can point to a much more respectable monthly average growth-rate of 186K jobs during the last three months, and hope much of this weakness is due to bad winter weather and faulty seasonal adjustment. Backing up this argument is a historically low and relatively stable initial jobless claims series that shows little sign that a worrying pick-up in employer layoffs is yet underway.

More encouraging developments were seen in average hourly earnings. Average hourly earnings rebounded a robust 0.4% in February, lifting the year-on-year gains to a new expansion record of 3.4%. However, hours worked slipped to 34.4 hours from 34.5 hours, another sign that weather may have negatively impacted the job numbers last month.

The number of people classified as unemployed fell by a large 300K last month, down to 6.235 million, helping to push the U.S. unemployment rate back down to 3.8% from 4.0% in January. The labor force participation rate held at recent highs of 63.2%, suggesting that the underlying labor market still remains tight despite the lack of net new jobs last month.

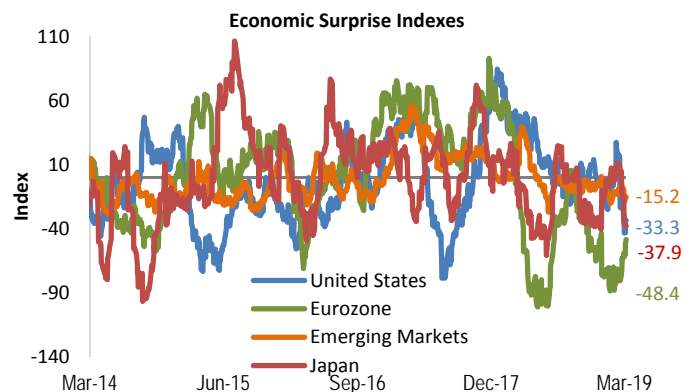
Investors will need to try and tease out the signal from the noise in today's jobs report. Unfortunately, they will find no clear signal from the February employment report and will have to await for more evidence of labor market slowing or rebounding in the months ahead.

We see ample evidence in today's report that weather is likely behind some of the lackluster jobs numbers last month. It didn't help that job gains in January were well

above trend levels, stealing some of February's thunder. However, we are forecasting a job growth slowdown in 2019 and the jobs "miss" in February does fit the sharp slowdown we are expecting for U.S. GDP growth in the first quarter of 2019 to 1.3% annualized.

February's employment weakness is also consistent with the bigger global economic slowdown that is already well underway. Economic surprise indices are now missing analysts' expectations pretty much across the board from Japan, Europe, U.S., and Emerging Markets. The global economy hasn't missed forecasts this badly since early 2016. Just this week, both the ECB and OECD drastically reduced their forecasts for Eurozone growth for this year and next. We cut our Eurozone forecast for 2019 to 1.1% from 1.4% as well.

Global Economic Surprises Getting Uglier and Uglier



Source: Bloomberg

While not yet a recession signal, today's jobs data add to the growing chorus of economic indicators pointing to a sharp deterioration in global economic activity in Q1. Following the strong global equity market rebound we have seen since the beginning of the year, this will surely keep investors on edge and financial market volatility above-normal until we see more evidence that policy easing in China, Europe, and an extended pause in the U.S. are helping to restore global demand.

Key Economic and Interest Rate Forecasts

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	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	2.6	1.3	2.0	1.8	1.7	1.0	0.6	0.5	0.5	2.2	2.9	2.2	1.1
Personal Consumption Expenditures*	0.5	3.8	3.5	2.8	1.3	2.3	2.1	1.9	1.5	1.0	1.0	1.0	2.5	2.6	2.3	1.5
Non-residential Fixed Investment*	11.5	8.7	2.5	6.2	4.2	4.1	3.7	3.4	1.5	1.5	1.5	1.5	5.3	7.0	4.5	2.3
Private Housing Starts (000s units)	1,317	1,261	1,234	1,167	1,260	1,240	1,220	1,210	1,190	1,185	1,180	1,175	1,208	1,245	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	5.2	4.9	4.6	2.1	2.0	1.7	1.5	-0.5	-1.0	-1.0	-1.0	1.6	4.0	3.0	0.1
Nonfarm Payroll Employment (mil.)	148.0	148.7	149.4	150.1	150.6	151.1	151.6	152.1	152.4	152.0	151.6	151.4	146.6	149.1	151.4	151.8
Unemployment rate	4.1	3.9	3.8	3.8	3.8	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)	3.2	2.1	2.0	1.5	1.1	2.1	2.1	2.1	1.8	1.8	1.7	1.6	2.1	2.4	1.7	1.9
"Core" CPI* (percent)	2.7	1.9	2.0	2.2	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	91.3	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	54	54	53	53	51	50	47	46	51	65	54	49

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

Financial Data	History				Forecast								Annual Average			
	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	2.43	2.56	2.65	2.40	2.15	1.89	0.95	1.97	2.44	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	2.71	2.71	2.72	2.87	2.95	2.70	2.42	2.13	1.26	2.31	2.75	2.55
Mortgage-30 Year (yield)	4.28	4.54	4.57	4.78	4.41	4.45	4.60	4.75	4.85	4.70	4.50	4.40	3.99	4.54	4.55	4.61
BAA Corporate (yield)	4.47	4.78	4.81	5.14	5.02	5.20	5.40	5.70	6.10	6.20	6.20	6.10	4.44	4.80	5.33	6.15

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