

Date	Indicator	For	Estimate	Consensus*	Previous Period
22-Apr-2019	Chicago Fed Nat Activity Index	Mar	NA	2.55	-0.29
22-Apr-2019	Existing Home Sales	Mar	5.40m	5.30m	5.51m
23-Apr-2019	FHFA House Price Index MoM	Feb	0.8%	0.6%	0.6%
23-Apr-2019	Richmond Fed Manufacturing Index	Apr	9.0	10.0	10.0
23-Apr-2019	New Home Sales	Mar	648k	647k	667k
25-Apr-2019	Durable Goods Orders	Mar P	0.8%	0.7%	-1.6%
25-Apr-2019	Durables Ex Transportation	Mar P	0.2%	0.2%	-0.1%
25-Apr-2019	Initial Jobless Claims	20-Apr	198k	NA	192k
25-Apr-2019	Kansas City Fed Manufacturing Activity	Apr	6.0	9.0	10.0
26-Apr-2019	GDP Annualized QoQ	1Q A	2.6%	2.2%	2.2%
26-Apr-2019	GDP Price Index	1Q A	1.5%	1.3%	1.7%
26-Apr-2019	U. of Mich. Sentiment	Apr F	97.0	97.0	96.9

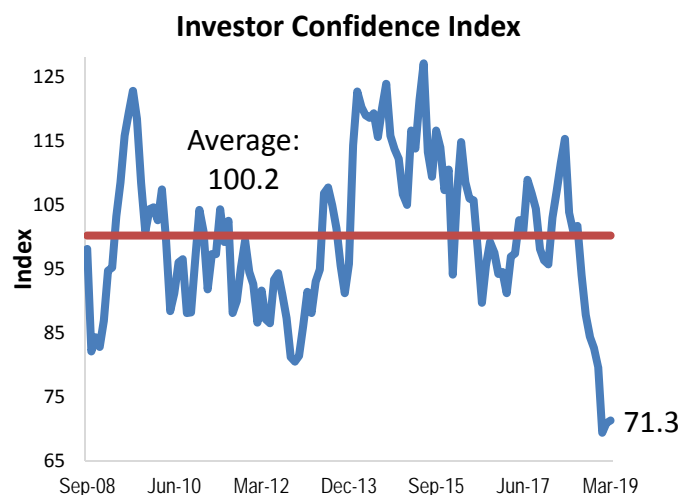
*Consensus from Bloomberg

What to Expect from Next Week's Q1 GDP Release

The time has finally come. No, I'm not talking about the Mueller Report. I'm talking about the advanced release of first quarter GDP. Just four months into 2019 and we have already had a year's worth of GDP estimate revisions and sentiment swings.

We started the year with stocks finishing their worst quarter since 2011, and the bond market sending ominous signals of economic calamity ahead. Flash forward to today and stocks are reaching for new record highs -- the S&P 500 was just 0.9 percentage points below its September 20 record high as of Thursday's close. Yet investor confidence remains in the dumps. An investor confidence index from State Street shows institutional investors on balance are continuing to decrease their long-term allocations to risky assets. As of March, this measure of investor confidence was still well below 2008 levels.

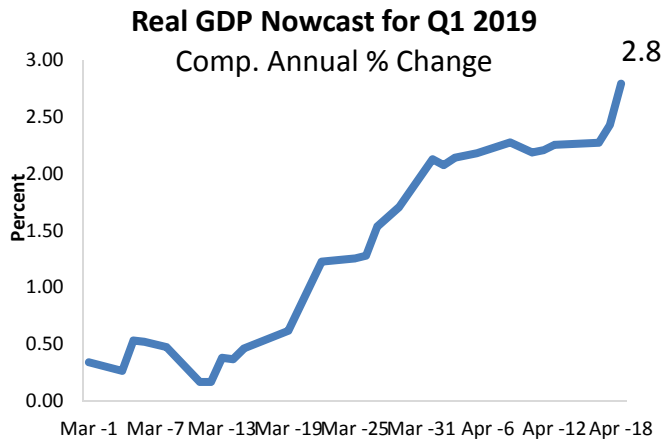
Investor Confidence Currently Worse Than 2008



Source: State Street; Bloomberg

First quarter GDP growth estimates have been on a similar roller coaster. The Atlanta Fed's GDPNow forecast for Q1 2019 started at a paltry 0.17%, before surging in recent weeks to 2.8%.

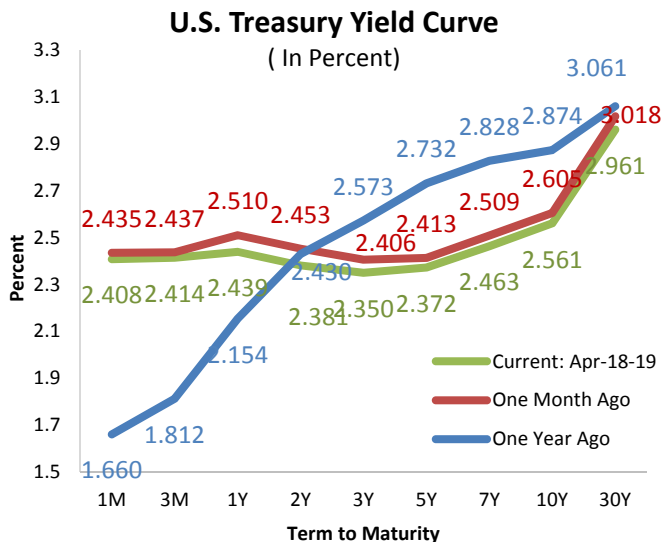
Estimates of Q1 GDP Have Been on a Data Roller Coaster



Source: Federal Reserve Bank of Atlanta

If all these conflicting signals aren't confusing enough, the U.S. Treasury market is still sending strong signals of economic trouble ahead. The Treasury yield curve remained inverted between the one-year and five-year maturities, even as the 2-10 spread has widened out to one-month highs.

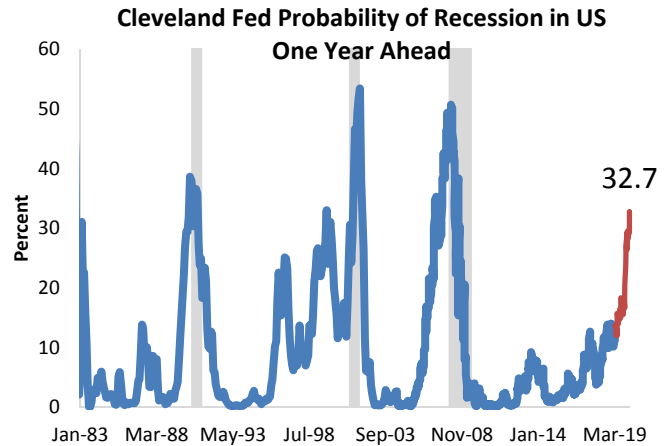
Treasury Yield Curve Inversion Remains



Source: BOTW Economics, Bloomberg

The Cleveland Fed's recession probability model, largely tied to the Treasury yield curve signal, estimates the probability of a recession one year from now at an elevated 32.7%.

Recession Probability One-Year Ahead Still Elevated



Source: Federal Reserve Bank of Cleveland

So what can we really expect from next week's Q1 GDP report, and what will it tell us about our economic future? First, don't be fooled by the strong headline GDP print. We expect the advance estimate of Q1 GDP to be a comfortable 2.6%, even higher than the fourth quarter's 2.2% performance. But the devil is in the details. And those details point to an economic slowdown in the second quarter and beyond.

About one percentage point of that 2.6% Q1 growth rate is expected to come from an inventory build (0.4 percentage points) and an improvement in the trade deficit (0.6 percentage points). Neither boost is expected to be repeated in the second quarter. The improvement in the trade deficit in the first quarter is largely driven by a drop in U.S. imports that is likely a one-off anomaly, while business inventories are expected to be a drag on second-quarter GDP growth. Meanwhile, the combined contribution to Q1 growth from consumer spending and business investment is likely to only tally to around 1.1 percentage points of GDP growth. A lackluster performance from the private sector that sets the U.S. up for a slower growth rate ahead. Q1 GDP growth could have been far worse, but the U.S. economy isn't out of the woods yet.

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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	2.2	2.6	1.7	1.5	1.5	1.0	0.6	0.5	0.5	2.2	2.9	2.3	1.0
Personal Consumption Expenditures*	0.5	3.8	3.5	2.5	1.2	2.6	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	5.4	1.5	1.7	3.3	2.5	1.5	1.5	1.5	1.5	5.3	6.9	3.1	1.9
Private Housing Starts (000s units)	1,317	1,261	1,234	1,185	1,260	1,240	1,220	1,210	1,190	1,185	1,180	1,175	1,208	1,249	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*	2.3	4.6	5.2	4.0	-0.3	1.0	1.7	1.0	-0.5	-1.0	-1.0	-1.0	1.6	4.0	2.0	0.0
Nonfarm Payroll Employment (mil.)	148.0	148.7	149.4	150.1	150.7	151.2	151.7	152.1	152.4	152.0	151.7	151.5	146.6	149.1	151.4	151.9
Unemployment rate	4.1	3.9	3.8	3.8	3.9	3.7	3.7	3.8	3.9	4.2	4.5	4.8	4.4	3.9	3.8	4.4
Consumer Price Index* (percent)	3.2	2.1	2.0	1.5	0.9	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	2.3	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)	3.8	2.7	2.0	0.5	-2.5	2.1	1.8	1.8	1.3	1.4	1.4	1.4	3.2	3.1	0.6	1.6
Trade Weighted Dollar (Fed BOG, major)	86.2	88.2	90.2	91.4	91.4	91.6	90.6	89.5	89.3	89.0	88.5	88.0	91.1	89.0	90.8	88.7
Crude Oil Prices -WTI (\$ per barrel)	63	68	70	60	56	62	60	59	58	57	53	52	51	65	59	55

*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	2,721								2,449	2,746		
Dow Jones Industrial Average	25,127	24,556	25,595	24,916	25,147								21,745	25,048		
Federal Funds Rate (effective)	1.45	1.74	1.92	2.22	2.40	2.40	2.40	2.40	2.29	2.04	1.79	1.63	1.00	1.83	2.40	1.94
Treasury-3 Month Bills (yield)	1.58	1.87	2.07	2.36	2.44	2.45	2.44	2.43	2.30	2.05	1.80	1.64	0.95	1.97	2.44	1.95
Treasury-2 Year Notes (yield)	2.16	2.48	2.67	2.80	2.51	2.45	2.45	2.46	2.38	2.15	1.92	1.87	1.40	2.53	2.47	2.08
Treasury-5 Year Notes (yield)	2.53	2.77	2.81	2.88	2.50	2.40	2.42	2.48	2.41	2.22	2.10	2.05	1.91	2.75	2.45	2.20
Treasury-10 Year Notes (yield)	2.76	2.92	2.92	3.04	2.65	2.55	2.60	2.68	2.62	2.51	2.30	2.28	2.33	2.91	2.62	2.43
Treasury-30 Year Notes (yield)	3.03	3.09	3.06	3.27	3.02	2.99	3.05	3.06	3.00	2.88	2.85	2.80	2.90	3.11	3.03	2.88
Prime Rate	4.53	4.80	5.01	5.28	5.50	5.50	5.50	5.50	5.38	5.13	4.87	4.69	4.10	4.90	5.50	5.02
Libor 3-Mo. U.S. Dollar	1.93	2.34	2.34	2.62	2.71	2.65	2.65	2.68	2.60	2.35	2.10	1.94	1.26	2.31	2.67	2.25
Mortgage-30 Year (yield)	4.28	4.54	4.57	4.78	4.41	4.33	4.40	4.50	4.53	4.45	4.40	4.38	3.99	4.54	4.41	4.44
BAA Corporate (yield)	4.47	4.78	4.81	5.14	5.01	4.95	5.40	5.70	6.20	6.20	6.10	6.10	4.44	4.80	5.27	6.15

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