

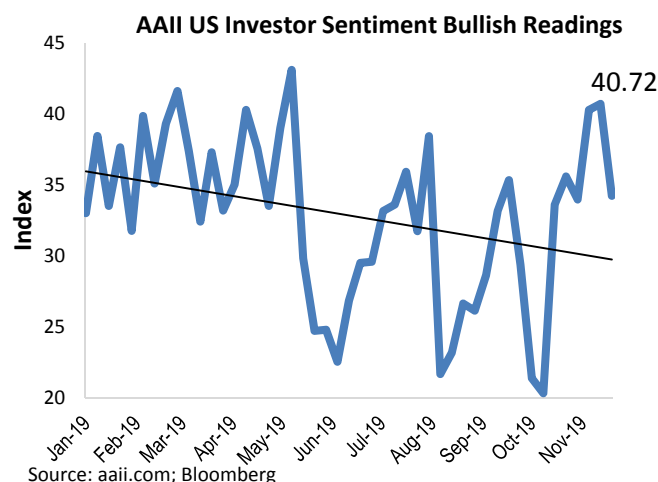
Date	Indicator	For	Estimate	Consensus*	Previous Period
25-Nov-2019	Chicago Fed Nat Activity Index	Oct	NA	NA	-45.0%
25-Nov-2019	Dallas Fed Manufacturing Activity	Nov	-3.0	-2.9	-5.1
26-Nov-2019	Advance Goods Trade Balance	Oct	-\$71.5b	-\$71.3b	-\$70.4b
26-Nov-2019	Wholesale Inventories MoM	Oct P	0.2%	NA	-0.4%
26-Nov-2019	FHFA House Price Index MoM	Sep	0.3%	0.5%	0.2%
26-Nov-2019	S&P CoreLogic CS 20-City MoM SA	Sep	0.40%	0.35%	-0.16%
26-Nov-2019	Richmond Fed Manufacturing Index	Nov	5.0	6.0	8.0
26-Nov-2019	New Home Sales	Oct	710k	707k	701k
26-Nov-2019	Conf. Board Consumer Confidence	Nov	126.3	126.8	125.9
27-Nov-2019	GDP Annualized QoQ	3Q S	2.0%	1.9%	1.9%
27-Nov-2019	GDP Price Index	3Q S	1.7%	1.7%	1.7%
27-Nov-2019	Durable Goods Orders	Oct P	-0.8%	-0.5%	-1.2%
27-Nov-2019	Durables Ex Transportation	Oct P	-0.1%	0.2%	-0.4%
27-Nov-2019	Initial Jobless Claims	23-Nov	225k	NA	227k
27-Nov-2019	Personal Income	Oct	0.3%	0.3%	0.3%
27-Nov-2019	Personal Spending	Oct	0.2%	0.3%	0.2%
27-Nov-2019	PCE Deflator MoM	Oct	0.2%	0.3%	0.0%
27-Nov-2019	PCE Core Deflator MoM	Oct	0.1%	0.2%	0.0%
27-Nov-2019	PCE Core Deflator YoY	Oct	1.7%	1.7%	1.7%
27-Nov-2019	Pending Home Sales MoM	Oct	0.4%	0.2%	1.5%
27-Nov-2019	U.S. Federal Reserve Releases Beige Book				

*Consensus from Bloomberg

Why a Soft Landing for the U.S. Economy Rings Hollow

With U.S. stock prices near all-time highs, equity investors have already positioned themselves for a soft landing for the U.S. economy and an acceleration in earnings and economic growth next year. Encouraging tweets on the prospects for a phase 1 U.S.-China trade agreement, and a Fed pause in the recent rate cut cycle were the initial catalysts, but then the stock price gains themselves created their own wave of investor enthusiasm as the Dow moved above 27,000 and then in less than a month 28,000.

Investor Confidence Returns With a Vengeance in Nov.



The rose colored glasses have gotten so thick that few can even recall how shrill the recession warnings became this summer. At this point, it is important to remind ourselves that the stock market isn't the economy. In fact, only 55% of Americans report owning any individual stocks, including mutual funds, 401Ks or IRAs.

So while the stock market has bounced, we have yet to see a meaningful pickup in business investment or exports that would change our view of our economic future. Instead, we have seen more concerning signs that consumer spending, the last leg of the stool supporting the U.S. economy, may no longer be on solid ground. Allow me to share a few observations for your consideration.

Consumers' willingness to spend on big-ticket items like automobiles has plunged since May. According to the Conference Board, only 9.9% of consumers plan to buy a automobile over the next six months, down from the 15.1% who said they would buy a car back in May. That is the lowest percentage reported for this question since October 2015.

Consumer Spending on Autos Cooling Fast

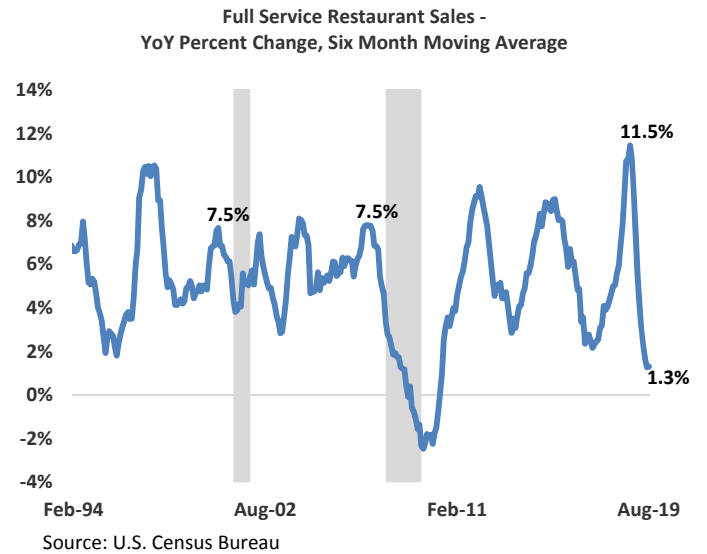


Source: Conference Board

Consumers also appear to be cutting back sharply on discretionary spending like visits to full-service restaurants. This is usually one of the first areas where

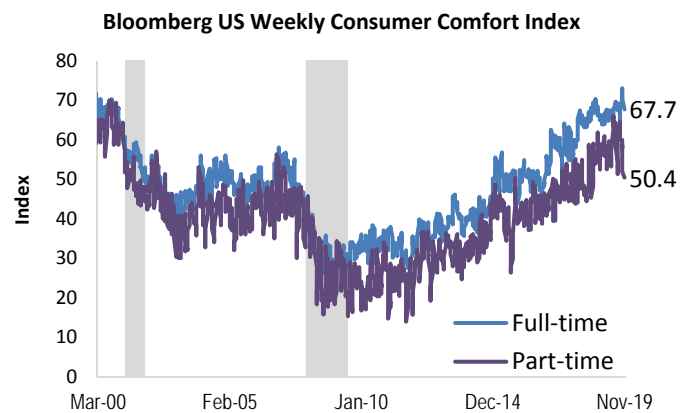
consumers pull back when budgets get tight. In this category, consumer spending hasn't been this slow since 2010.

Consumers Have Stopped Eating Out Too



The Bloomberg consumer comfort index shows a sharp drop in consumer confidence for part-time workers and renters, suggesting lower-income households that are likely sharing in the outsized stock market gains, may be increasingly falling on harder times.

Part-time Workers and Renters Feeling Less Confident



Source: Bloomberg

It's still early days, but these signs of consumer reluctance are a good reminder that stock market isn't the economy and record stock prices are no guarantee of a soft landing for the U.S. economy in 2020.

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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*	2.5	3.5	2.9	1.1	3.1	2.0	1.9	1.5	1.3	1.0	0.4	0.4	2.4	2.9	2.3	1.2
Personal Consumption Expenditures*	1.7	4.0	3.5	1.4	1.1	4.6	2.9	2.3	1.7	1.3	1.2	1.2	2.6	3.0	2.6	2.0
Non-residential Fixed Investment*	8.8	7.9	2.1	4.8	4.4	-1.0	-3.0	0.9	1.3	0.8	0.7	0.7	4.4	6.4	2.2	0.3
Private Housing Starts (000s units)	1,321	1,260	1,233	1,185	1,213	1,256	1,282	1,220	1,185	1,170	1,155	1,150	1,208	1,250	1,243	1,165
Vehicle Sales (mill. Units, annualized)	17.1	17.1	16.9	17.5	16.9	17.0	16.9	16.7	16.3	15.9	15.6	15.9	17.2	17.1	16.9	15.9
Industrial Production*	2.3	4.6	5.2	3.9	-1.9	-2.2	1.2	-0.5	-1.0	-1.0	-1.0	-1.0	2.3	3.9	0.8	-0.7
Nonfarm Payroll Employment (mil.)	148.0	148.7	149.4	150.1	150.7	151.1	151.6	152.0	152.4	152.6	152.6	152.6	146.6	149.1	151.4	152.6
Unemployment rate	4.1	3.9	3.8	3.8	3.9	3.6	3.6	3.7	3.8	3.9	4.1	4.3	4.4	3.9	3.7	4.0
Consumer Price Index* (percent)	3.2	2.1	2.0	1.5	0.9	2.9	1.8	1.7	1.7	1.7	1.7	1.6	2.1	2.4	1.8	1.8
"Core" CPI* (percent)	2.7	1.9	2.0	2.2	2.3	1.8	3.0	2.0	2.0	1.9	1.8	1.8	1.8	2.1	2.2	2.1
PPI (finished goods)* (percent)	3.8	2.7	2.0	0.4	-2.3	5.2	-1.9	1.2	1.2	1.3	1.3	1.3	3.2	3.1	0.7	1.1
Trade Weighted Dollar (Fed BOG, major)	86.2	88.2	90.2	91.4	91.5	92.2	92.2	92.5	92.3	91.8	91.5	90.0	91.1	89.0	92.1	91.4
Crude Oil Prices -WTI (\$ per barrel)	63	68	70	60	55	60	56	55	53	52	50	48	51	65	56	51

*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	2,882	2,958						2,449	2,746		
Dow Jones Industrial Average	25,127	24,556	25,595	24,916	25,147	26,096	26,676						21,745	25,048		
Federal Funds Rate (effective)	1.45	1.74	1.92	2.22	2.40	2.40	2.20	1.63	1.54	1.29	1.13	1.13	1.00	1.83	2.16	1.27
Treasury-3 Month Bills (yield)	1.58	1.87	2.07	2.36	2.44	2.35	2.03	1.55	1.50	1.30	1.14	1.11	0.95	1.97	2.09	1.26
Treasury-2 Year Notes (yield)	2.16	2.48	2.67	2.80	2.49	2.13	1.69	1.58	1.47	1.31	1.21	1.25	1.40	2.53	1.97	1.31
Treasury-5 Year Notes (yield)	2.53	2.77	2.81	2.88	2.46	2.12	1.63	1.63	1.50	1.35	1.28	1.39	1.91	2.75	1.96	1.38
Treasury-10 Year Notes (yield)	2.76	2.92	2.92	3.04	2.65	2.34	1.80	1.70	1.56	1.49	1.48	1.53	2.33	2.91	2.12	1.52
Treasury-30 Year Notes (yield)	3.03	3.09	3.06	3.27	3.01	2.78	2.29	2.30	2.11	2.05	2.05	2.10	2.90	3.11	2.60	2.08
Prime Rate	4.53	4.80	5.01	5.28	5.50	5.50	5.31	4.75	4.64	4.39	4.26	4.26	4.10	4.90	5.26	4.38
Libor 3-Mo. U.S. Dollar	1.93	2.34	2.34	2.62	2.69	2.51	2.20	1.92	1.84	1.57	1.42	1.32	1.26	2.31	2.33	1.54
Mortgage-30 Year (yield)	4.28	4.54	4.57	4.78	4.37	4.01	3.66	3.75	3.61	3.54	3.58	3.63	3.99	4.54	3.95	3.59
BAA Corporate (yield)	4.47	4.78	4.81	5.14	4.97	4.60	4.03	3.97	4.06	4.29	4.56	4.81	4.44	4.80	4.39	4.43

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