

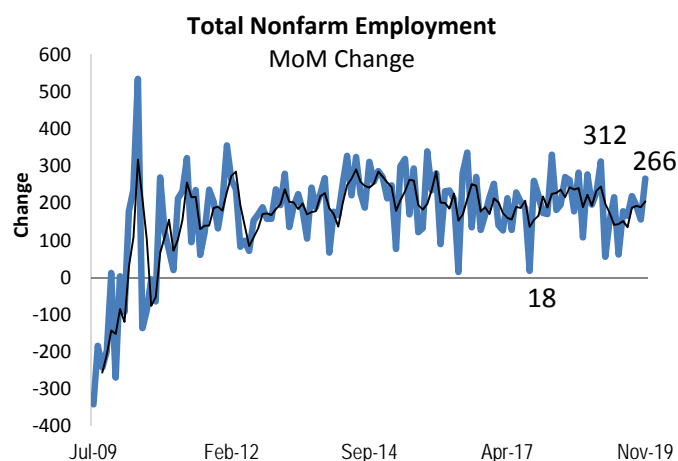
Date	Indicator	For	Estimate	Consensus*	Previous Period
10-Dec-2019	NFIB Small Business Optimism	Nov	102.8	103.1	102.4
10-Dec-2019	Nonfarm Productivity	3Q F	-0.1%	-0.1%	-0.3%
10-Dec-2019	Unit Labor Costs	3Q F	3.4%	3.4%	3.6%
11-Dec-2019	CPI MoM	Nov	0.2%	0.2%	0.4%
11-Dec-2019	CPI Ex Food and Energy MoM	Nov	0.2%	0.2%	0.2%
11-Dec-2019	FOMC Rate Decision (Upper Bound)	11-Dec	1.75%	1.75%	1.75%
11-Dec-2019	FOMC Rate Decision (Lower Bound)	11-Dec	1.50%	1.50%	1.50%
12-Dec-2019	PPI Final Demand MoM	Nov	0.2%	0.2%	0.4%
12-Dec-2019	PPI Ex Food and Energy MoM	Nov	0.1%	0.2%	0.3%
12-Dec-2019	Initial Jobless Claims	07-Dec	211k	NA	203k
12-Dec-2019	Household Change in Net Worth	3Q	NA	NA	\$1830b
13-Dec-2019	Import Price Index MoM	Nov	0.1%	0.2%	-0.5%
13-Dec-2019	Retail Sales Advance MoM	Nov	0.3%	0.4%	0.3%
13-Dec-2019	Retail Sales Ex Auto MoM	Nov	0.3%	0.4%	0.2%
13-Dec-2019	Business Inventories	Oct	0.2%	0.2%	0.0%

*Consensus from Bloomberg

A Positive Surprise From November Payrolls

Nonfarm payroll growth accelerated to 266k jobs last month easily surpassing the consensus forecast looking for a 180k job gain. Manufacturing alone added 54k net jobs in November more than reversing the 43k job loss in October as the GM strike came to an end. There was also a net 41k job upward revision to payrolls for September and October. The job gains proved strong enough to push the U.S. unemployment rate back down to 3.5% from 3.6% in October. In short, all around this was a very strong employment report that will bolster confidence at the Fed that monetary policy is indeed in a “good place” right now and their decision to stop their rate cuts for now appears prescient.

U.S. Job Creation Is Back On Track From Earlier Lull



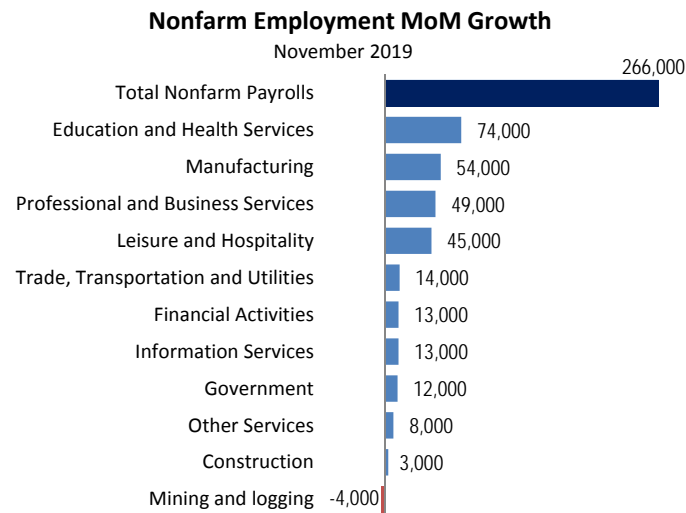
Source: U.S. Bureau of Labor Statistics

The revised nonfarm employment data now show a clear uptrend in payrolls on a longer-term 3 month average basis - a convincing indication that the U.S. labor market has truly strengthened since this summer. In July, the 3 month average monthly nonfarm jobs gain was only 135k. In November, the 3 month average jobs gain improved to

205k jobs. The fastest 3 month pace for average monthly job gains since January.

Job gains were visible across most sectors last month led by a strong 74k job gain in education and health care. This was a 48% larger monthly gain in education and health care jobs than the prior three month average and more than double the number of jobs created in this category in October. Manufacturing managed to add 54k jobs despite the ISM manufacturing index showing the sector mired in contraction over the last four months. Last month's manufacturing jobs gain surpassed the 43k job loss in October due to the GM strike, suggesting that other manufacturers also added to payrolls last month. There were decent job gains last month for professional and business services and leisure and hospitality too, though the number of jobs created in these sectors slipped a bit from October's pace. Net job gains in retail trade, information, financial services, construction, and mining remained lackluster in comparison.

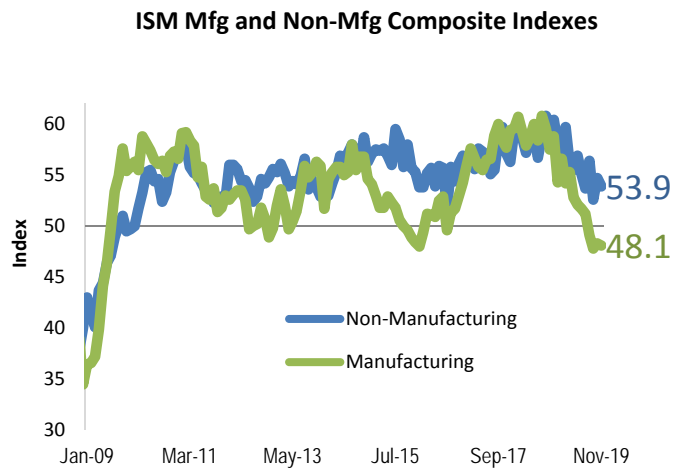
Outsized Job Gains Concentrated in 2 Sectors Last Month



Source: Bureau of Labor Statistics, Bank of the West Economics

Seeing outsized job gains last month in just two categories, manufacturing and education and health care, we don't expect the job growth we saw in November to be repeated again anytime soon. Both ISM manufacturing and non-manufacturing PMIs suggest a deterioration in goods producing and service producing industry growth in the months ahead.

Job Growth Forecast to Weaken in the Months Ahead



Source: Institute for Supply Management

Given the focus on the consumer going into the holiday season and the importance of consumer spending to our economic growth outlook for 2020, earnings growth will be an very important indicator to keep an eye on. Average hourly earnings increased another 0.2% in November, somewhat below the consensus forecast of 0.3%, but in-line with our forecast. On a year-ago basis average hourly earnings are up 3.1%, just a slight deterioration from the February peak of 3.4% growth. However, after subtracting out inflation, real average hourly earnings are still running at a more anemic 1.3% pace. In other words, no sign that the low 3.5% U.S. unemployment rate is yet fueling faster wage growth that will be able to sustain the recent pace of real consumer spending growth next year. Yes, the labor market is in a good place right now, but there is not much assurance in today's jobs report it will stay there next year.

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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	2.1	1.7	1.3	1.0	0.4	0.4	2.4	2.9	2.3	1.3
Personal Consumption Expenditures*	1.7	4.0	3.5	1.4	1.1	4.6	2.9	2.3	1.8	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	-2.7	2.9	1.3	0.8	0.7	0.7	4.4	6.4	2.4	0.7
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	152.2	152.7	153.0	153.2	153.3	146.6	149.1	151.4	153.0
Unemployment rate	4.1	3.9	3.8	3.8	3.9	3.6	3.6	3.6	3.6	3.7	3.9	4.0	4.4	3.9	3.7	3.8
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