

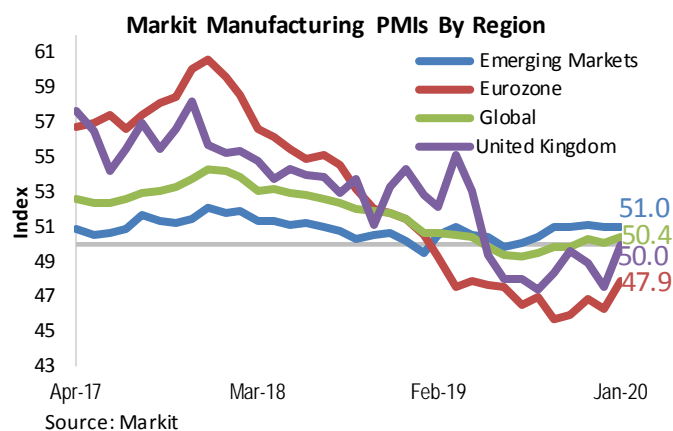
Date	Indicator	For	Estimate	Consensus*	Previous Period
24-Feb-2020	Chicago Fed Nat Activity Index	Jan	NA	NA	-0.4
24-Feb-2020	Dallas Fed Manufacturing Activity	Feb	1.8	NA	-0.2
25-Feb-2020	FHFA House Price Index MoM	Dec	0.3%	NA	0.2%
25-Feb-2020	S&P CoreLogic CS 20-City MoM SA	Dec	0.4%	NA	0.5%
25-Feb-2020	Conf. Board Consumer Confidence	Feb	132.0	132.5	131.6
25-Feb-2020	Richmond Fed Manufacturing Index	Feb	15.0	NA	20.0
26-Feb-2020	New Home Sales	Jan	703k	710k	694k
27-Feb-2020	GDP Annualized QoQ	4Q S	2.2%	2.2%	2.1%
27-Feb-2020	GDP Price Index	4Q S	1.4%	NA	1.4%
27-Feb-2020	Durable Goods Orders	Jan P	-1.5%	-1.5%	2.4%
27-Feb-2020	Durables Ex Transportation	Jan P	0.2%	0.2%	-0.1%
27-Feb-2020	Initial Jobless Claims	22-Feb	212k	NA	210k
27-Feb-2020	Pending Home Sales MoM	Jan	1.7%	2.0%	-4.9%
27-Feb-2020	Kansas City Fed Manufacturing Activity	Feb	-3.0	NA	-1.0
28-Feb-2020	Advance Goods Trade Balance	Jan	-\$68.6b	-\$68.4b	-\$68.3b
28-Feb-2020	Wholesale Inventories MoM	Jan P	-0.1%	NA	-0.2%
28-Feb-2020	Personal Income	Jan	0.2%	0.3%	0.2%
28-Feb-2020	Personal Spending	Jan	0.2%	0.3%	0.3%
28-Feb-2020	PCE Deflator MoM	Jan	0.1%	NA	0.3%
28-Feb-2020	PCE Core Deflator MoM	Jan	0.2%	0.2%	0.2%
28-Feb-2020	U. of Mich. Sentiment	Feb F	100.7	100.5	100.9

\*Consensus from Bloomberg

## Bulls Get Corralled As Coronavirus Hits Global Economy

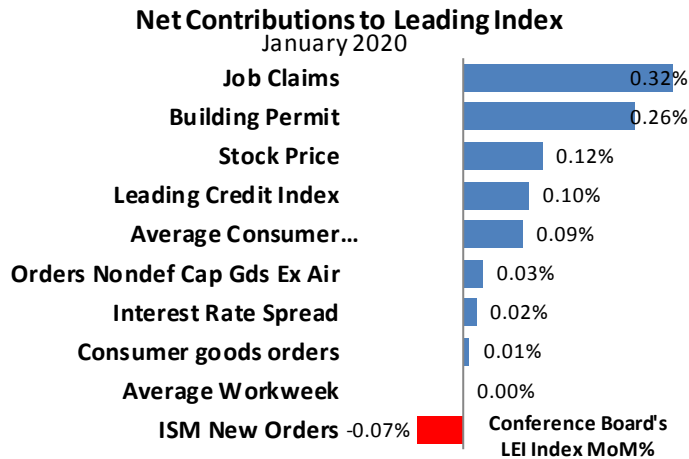
A brief period of global economic and financial market optimism over the past four months is quickly going dormant as the global economic impact of the Novel Coronavirus (COVID-19) comes into greater focus. There was a brief “Goldilocks” period of improved global purchasing managers’ indexes late last year into January due to global central bank easing in 2019, an easing of global trade tensions with the signing of the U.S.–China Phase 1 trade agreement, and the U.K. election creating a way forward for Brexit after two years of heightened economic uncertainty. Investors became convinced a global economic bottom was forming. That global economic rebound forecast by the IMF and others may yet prove to be a mirage.

## Global Economy – A False Bottom?



The Coronavirus is rapidly slowing the momentum of the global economy and sucking the oxygen out of financial markets. While the Conference Board's Leading Economic Index jumped 0.8% in January, the rebound could prove short-lived as the global growth slowdown accelerates and gradually saps the U.S. labor market and consumer spending of its relative strength.

**U.S. Off To A Promising Start in January**



Source: Conference Board

In recent days, we have received some sobering news on the health of the global economy in the fourth quarter, even before the negative economic impacts of the Coronavirus began to be felt. Japan, the third largest economy in the world, released fourth quarter GDP and it was shockingly bad, down 6.3% on an annualized basis in the wake of the typhoon and increase in Japan's consumption tax. Early reports suggest that Japan's supply chains and tourism and travel industry are being significantly impacted in the first quarter nearly ensuring that Japan's economic contraction is extended into the first quarter of 2020.

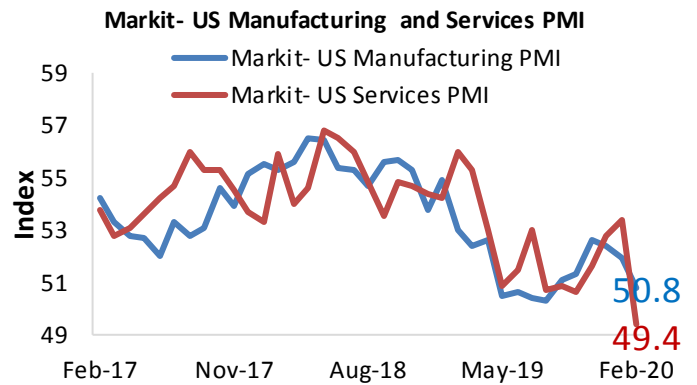
China's growth rebound is not expected to be realized in 2020. China will likely see outright declines in its GDP growth on an annualized basis in the first quarter, which will do significant damage to China's ability to achieve its 6.0% growth target this year. China is still probably operating at around 50-60% of capacity and auto sales and travel in China are down about 90% or more from a year

ago. The impacts are just now starting to be felt on global supply chains beyond China's borders and we think U.S. companies could see more negative fallout in the second quarter than they acknowledge in the first. So the premise that it will be a one quarter shock and done is looking less and less likely.

Eurozone growth also downshifted in the fourth quarter with outright real GDP declines for France, Italy, and no growth in Germany. Eurozone retail sales and industrial production both contracted more than the consensus forecast in December.

The preliminary U.S. Markit PMIs for February highlight the challenges that may be ahead for the U.S. and global economy in the months ahead. The Markit manufacturing PMI for February is rapidly revisiting the lows seen last summer, but the biggest surprise was the sharp decline in the Markit service PMI to 49.4, well into contraction territory, for the first time since 2013.

**U.S. Rebound Going Into Hibernation in February**



Source: Bloomberg

Bottom-line, February's shockingly bad U.S. Markit PMI data, if confirmed by additional economic indicators in the weeks ahead, are probably bad enough to force the Fed off of the monetary sidelines and into an additional rate cut before the elections. Our baseline forecast is that the U.S. and global economic slowdown remains in place and the U.S. and global economic risks to that forecast remain firmly on the downside. A cautious investment stance is warranted given currently high valuations.

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Key Economic and Interest Rate Forecasts

Economic Data	History				Forecast								Yr/Yr % chg or Annual Avg.			
	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2021.1	2021.2	2021.3	2021.4	2018	2019	2020	2021
Real GDP*	3.1	2.0	2.1	2.1	1.7	1.6	1.2	1.1	1.3	1.2	1.3	1.3	2.9	2.3	1.7	1.3
Personal Consumption Expenditures*	1.1	4.6	3.2	1.8	1.8	1.5	1.4	1.4	1.5	1.5	1.7	1.7	3.0	2.6	2.0	1.5
Non-residential Fixed Investment*	4.4	-1.0	-2.3	-1.5	2.8	0.9	0.7	0.7	2.1	2.1	2.1	2.2	6.4	2.1	0.4	1.6
Private Housing Starts (000s units)	1,213	1,256	1,282	1,449	1,344	1,318	1,285	1,255	1,220	1,200	1,212	1,245	1,208	1,300	1,301	1,219
Vehicle Sales (mill. Units, annualized)	16.9	17.0	17.0	16.8	16.6	16.3	16.0	15.9	16.2	16.2	16.4	16.4	17.2	16.9	16.2	16.3
Industrial Production*	-1.9	-2.3	1.1	0.1	-1.2	-1.0	-0.8	-0.5	1.3	1.3	1.4	1.5	3.9	0.8	-0.6	0.6
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	152.3	152.8	153.1	153.3	153.6	153.9	154.2	154.5	146.6	150.9	152.9	154.0
Unemployment rate	3.9	3.6	3.6	3.5	3.6	3.6	3.7	3.8	4.0	4.1	4.1	4.1	4.4	3.7	3.7	4.1
Consumer Price Index* (percent)	0.9	3.0	1.8	2.4	1.8	1.6	1.1	0.7	1.8	2.1	2.2	2.2	2.4	1.8	1.8	1.6
"Core" CPI* (percent)	2.2	2.2	2.8	2.0	2.2	2.0	1.9	1.8	1.9	2.0	2.0	2.0	2.1	2.2	2.1	1.9
PPI (finished goods)* (percent)	-2.3	5.3	-2.1	3.2	1.9	1.3	0.4	-0.5	0.6	1.7	2.6	2.7	3.1	0.8	1.4	1.0
Trade Weighted Dollar (Fed BOG, major)	91.5	92.2	92.1	92.3	91.9	91.5	90.5	90.0	89.5	88.7	89.0	89.3	91.1	92.0	91.0	89.1
Crude Oil Prices -WTI (\$ per barrel)	55	60	56	57	57	55	52	50	50	52	55	56	51	57	54	53

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

Financial Data	History				Forecast								Annual Average			
	2019.1	2019.2	2019.3	2019.4	2020.1	2020.2	2020.3	2020.4	2021.1	2021.2	2021.3	2021.4	2018	2019	2020	2021
S & P 500	2,721	2,882	2,958	3,083									2,449	2,911		
Dow Jones Industrial Average	25,147	26,096	26,676	27,537									21,745	26,364		
Federal Funds Rate (effective)	2.40	2.40	2.20	1.65	1.63	1.63	1.63	1.54	1.38	1.38	1.38	1.46	1.00	2.16	1.61	1.40
Treasury-3 Month Bills (yield)	2.44	2.35	2.03	1.61	1.55	1.55	1.56	1.51	1.35	1.35	1.35	1.44	0.95	2.11	1.54	1.37
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.42	1.52	1.58	1.57	1.50	1.55	1.58	1.66	1.40	1.97	1.52	1.57
Treasury-5 Year Notes (yield)	2.46	2.12	1.63	1.61	1.43	1.53	1.59	1.58	1.58	1.66	1.70	1.86	1.91	1.96	1.53	1.70
Treasury-10 Year Notes (yield)	2.65	2.34	1.80	1.79	1.55	1.63	1.68	1.69	1.78	1.81	1.90	2.01	2.33	2.15	1.64	1.88
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	2.02	2.10	2.18	2.20	2.31	2.36	2.45	2.56	2.90	2.58	2.13	2.42
Prime Rate	5.50	5.50	5.31	4.83	4.75	4.75	4.75	4.66	4.50	4.50	4.50	4.58	4.10	5.29	4.73	4.52
Libor 3-Mo. U.S. Dollar	2.69	2.51	2.20	1.93	1.73	1.73	1.73	1.71	1.55	1.57	1.58	1.64	1.26	2.33	1.73	1.59
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.57	3.63	3.70	3.71	3.78	3.76	3.85	3.96	3.99	3.94	3.65	3.84
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.73	3.88	4.13	4.49	4.88	5.16	5.25	5.33	4.44	4.38	4.06	5.16

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