

Date	Indicator	For	Estimate	Consensus*	Previous Period
27-Apr-2020	Dallas Fed Manufacturing Activity	Apr	-80.0	-75.0	-70.0
28-Apr-2020	Advance Goods Trade Balance	Mar	-\$55.0b	-\$54.3b	-\$59.9b
28-Apr-2020	Wholesale Inventories MoM	Mar P	-0.5%	NA	-0.7%
28-Apr-2020	S&P CoreLogic CS 20-City MoM SA	Feb	0.3%	0.4%	0.3%
28-Apr-2020	Conf. Board Consumer Confidence	Apr	80.0	87.2	120.0
28-Apr-2020	Richmond Fed Manufacturing Index	Apr	-42	-38	2.0
29-Apr-2020	GDP Annualized QoQ	1Q A	-3.0%	-3.0%	2.1%
29-Apr-2020	GDP Price Index	1Q A	1.0%	1.0%	1.3%
29-Apr-2020	Pending Home Sales MoM	Mar	-20.0%	-10.5%	2.4%
29-Apr-2020	FOMC Rate Decision (Upper Bound)	29-Apr	0.25%	0.25%	0.25%
29-Apr-2020	FOMC Rate Decision (Lower Bound)	29-Apr	0.00%	0.00%	0.00%
30-Apr-2020	Personal Income	Mar	-3.8%	-1.5%	0.6%
30-Apr-2020	Personal Spending	Mar	-7.0%	-5.0%	0.2%
30-Apr-2020	PCE Deflator MoM	Mar	-0.3%	-0.3%	0.1%
30-Apr-2020	PCE Core Deflator MoM	Mar	-0.1%	-0.1%	0.2%
30-Apr-2020	Initial Jobless Claims	25-Apr	3150k	3500k	4427k
30-Apr-2020	Employment Cost Index	1Q	0.6%	0.6%	0.7%
1-May-2020	Markit US Manufacturing PMI	Apr F	36.7	36.7	36.9
1-May-2020	Construction Spending MoM	Mar	-3.2%	-3.6%	-1.3%
1-May-2020	ISM Manufacturing	Apr	38.0	36.7	49.1
1-May-2020	Wards Total Vehicle Sales	Apr	5.50m	7.00m	11.37m

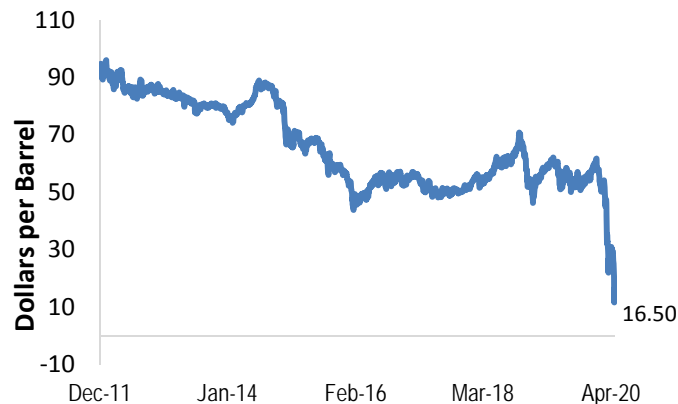
*Consensus from Bloomberg

Whither Oil Prices and Inflation

At the start of the year expectations were for flat, but stable oil prices in 2020. But, the reality has been decidedly different with spot West Texas Intermediate oil prices plunging from \$61.46 at the start of the year to just \$16.50 on April 23, a decline of over 70.0%. WTI oil prices are now at their lowest level since 1999. The COVID-19 pandemic has decimated global demand for oil and gasoline, while OPEC+ has been unable to cut oil supply enough to rebalance the oil market. As a result, global oil storage capacity is running low, and prices for temporarily storing oil at sea in oil tankers is skyrocketing - front month WTI futures prices actually went sharply negative for a time. Panicked investors were basically paying buyers to take their physical oil.

Oil Prices Have Plummeted Over The Past Month

Crude Oil Prices: West Texas Intermediate (WTI)



Source: Bloomberg

There Will Be Unwelcome Consequences

The sharp and unexpected drop in crude oil prices in March and April will create a significant decline in oil drilling and other economic activity in states like Texas, Oklahoma, Louisiana, Colorado, Wyoming and North Dakota in the months to come. These states are heavily dependent and on the oil industry for their overall economic performance. Already reeling from the COVID-19 pandemic, these states will be hit with a one-two punch to employment and state tax revenues.

U.S. shale oil producers and their employees will be devastated by lower oil prices too. Shale producers have much higher production costs than OPEC producers and need oil prices in the low \$40s per barrel to cover costs according to Enverus, an energy consulting firm. Oil prices at these low levels will force many more shale producers to slash drilling and well completions and lay off employees to maintain cash flow. Moreover, shale producers assumed too much debt during the good times and may not be able to survive the steep drop in oil prices.

U.S. oilfield service providers are also likely to suffer from lower prices as shale producers have asked for service cost cuts of at least 25.0% after budgeting based on crude prices between \$55 and \$65 per barrel. Service providers have responded by furloughing and laying off employees, with oil giant Halliburton furloughing 3,500 employees in late March. Defaults, bankruptcies and consolidation in the U.S. oil industry are next on the agenda.

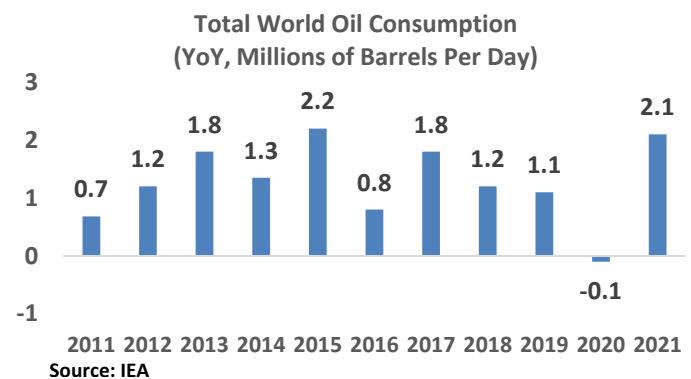
Not Many Winners From Lower Oil Prices This Time

Most consumers would normally benefit from lower oil prices once they translate into lower prices at the pump. The national average gas price is expected to fall from \$2.33 in March to \$1.56 in May and remain under \$2.00 through the end of the year, according to the latest forecasts from the Energy Information Administration. Lower gas prices would normally allow consumers to increase discretionary spending, but with shelter-at-home orders still very much in place in much of the country, and job losses totaling over 26 million over the past five weeks, that is not likely to occur this time.

Consumer Price Deflation On The Horizon? Maybe

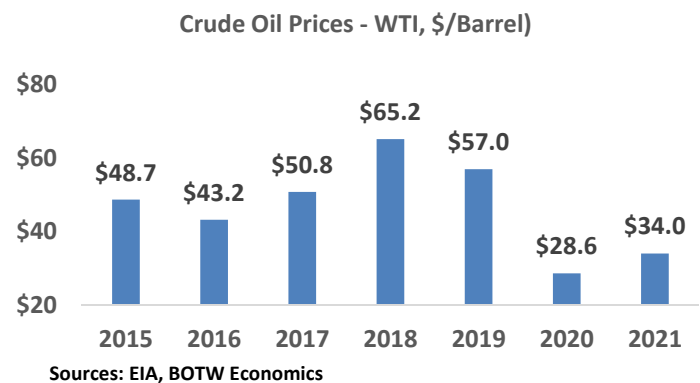
The International Energy Agency expects worldwide oil demand to decline by 90,000 barrels a day in 2020 with the U.S. and global economies in recession. The actual drop in daily global oil demand may end up being even greater. We forecast U.S. real GDP will contract by an astounding 6.3% this year with the global economy likely to shrink by 3.2%. As second COVID pandemic wave across the U.S. and Europe in the Fall and Winter would cut these U.S. and global growth forecasts even more.

Oil Demand Forecast to Drop for First Time Since 2009



Our current forecast is that WTI crude oil prices will average \$28.60 this year and \$34.00 in 2021 – still well below breakeven for many shale oil producers. This will accelerate deflationary pressures on consumer and producer prices that are already surfacing as global demand weakens. U.S. CPI inflation Q4/Q4 is projected to be zero in 2020 – lower than 2015's meager 0.4% gain.

WTI Crude Price to Decline Sharply in 2020



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	-3.0	-33.8	-1.7	3.8	4.4	3.0	2.3	2.3	2.9	2.3	-6.3	0.3
Personal Consumption Expenditures*	1.1	4.6	3.2	1.8	-3.7	-39.0	-3.0	5.0	3.6	3.4	2.6	2.5	3.0	2.6	-7.3	-0.1
Non-residential Fixed Investment*	4.4	-1.0	-2.3	-2.4	-7.0	-47.6	-7.4	-2.7	1.5	2.5	3.2	3.0	6.4	2.1	-12.2	-3.3
Private Housing Starts (000s units)	1,213	1,256	1,282	1,441	1,466	750	790	850	930	995	1,075	1,245	1,208	1,298	964	1,061
Vehicle Sales (mill. Units, annualized)	16.9	17.0	17.0	16.8	15.5	10.0	13.6	14.1	14.7	15.0	15.2	15.3	17.2	16.9	13.3	15.1
Industrial Production*	-1.9	-2.3	1.1	0.3	-7.5	-65.0	-15.0	1.0	2.0	2.3	2.5	1.8	3.9	0.9	-15.3	-5.1
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	152.2	123.6	122.1	122.2	123.7	125.1	126.4	127.5	146.6	150.9	130.0	125.7
Unemployment rate	3.9	3.6	3.6	3.5	3.8	20.5	22.5	21.7	17.0	14.9	14.3	13.0	4.4	3.7	17.1	14.8
Consumer Price Index* (percent)	0.9	3.0	1.8	2.4	1.2	-1.8	0.1	0.5	1.0	1.0	1.3	1.4	2.4	1.8	0.9	0.7
"Core" CPI* (percent)	2.2	2.2	2.8	2.0	2.0	0.5	0.8	1.2	1.3	1.4	1.4	1.5	2.1	2.2	1.6	1.2
PPI (finished goods)* (percent)	-2.3	5.3	-2.1	3.2	1.9	-4.0	-2.5	-1.0	0.1	0.9	1.6	1.7	3.1	0.8	0.0	-0.3
Trade Weighted Dollar (Fed BOG, major)	114.5	115.4	116.5	116.4	117.7	125.1	127.0	126.3	125.5	124.1	124.1	123.0	91.1	115.7	124.0	124.2
Crude Oil Prices -WTI (\$ per barrel)	55	60	56	57	43	20	23	28	30	33	35	38	51	57	29	34

*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	3,056								2,449	2,911		
Dow Jones Industrial Average	25,147	26,096	26,676	27,537	26,554								21,745	26,364		
Federal Funds Rate (effective)	2.40	2.40	2.20	1.65	1.23	0.13	0.13	0.13	0.13	0.13	0.13	0.13	1.00	2.16	0.40	0.13
Treasury-3 Month Bills (yield)	2.44	2.35	2.03	1.61	1.10	0.03	0.03	0.04	0.05	0.05	0.07	0.07	0.95	2.11	0.30	0.06
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.08	0.23	0.25	0.26	0.26	0.26	0.26	0.28	1.40	1.97	0.45	0.26
Treasury-5 Year Notes (yield)	2.46	2.12	1.63	1.61	1.14	0.38	0.39	0.40	0.50	0.50	0.52	0.54	1.91	1.96	0.57	0.51
Treasury-10 Year Notes (yield)	2.65	2.34	1.80	1.79	1.37	0.63	0.68	0.70	0.82	0.83	0.90	0.93	2.33	2.15	0.84	0.87
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	1.87	1.24	1.31	1.34	1.52	1.53	1.60	1.63	2.90	2.58	1.44	1.57
Prime Rate	5.50	5.50	5.31	4.83	4.43	3.25	3.25	3.25	3.25	3.25	3.25	3.25	4.10	5.29	3.54	3.25
Libor 3-Mo. U.S. Dollar	2.69	2.51	2.20	1.93	1.53	1.36	1.26	1.06	0.81	0.71	0.63	0.63	1.26	2.33	1.30	0.69
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.52	3.63	3.68	3.65	3.77	3.78	3.80	3.83	3.99	3.94	3.62	3.79
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.91	4.13	4.18	4.60	4.62	4.58	4.65	4.63	4.44	4.38	4.20	4.62

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