

Date	Indicator	For	Estimate	Consensus*	Previous Period
29-Jun-2020	Pending Home Sales MoM	May	13.0%	18.9%	-21.8%
29-Jun-2020	Dallas Fed Manufacturing Activity	Jun	-29.0	-30.0	-49.2
30-Jun-2020	S&P CoreLogic CS 20-City MoM SA	Apr	0.50%	0.50%	0.47%
30-Jun-2020	Conf. Board Consumer Confidence	Jun	91.0	90.0	86.6
1-Jul-2020	ADP Employment Change	Jun	2000k	2750k	-2760k
1-Jul-2020	Markit US Manufacturing PMI	Jun F	49.6	NA	49.6
1-Jul-2020	Construction Spending MoM	May	0.5%	1.0%	-2.9%
1-Jul-2020	ISM Manufacturing	Jun	48.0	49.0	43.1
1-Jul-2020	Wards Total Vehicle Sales	Jun	13.00m	13.00m	12.21m
2-Jul-2020	Trade Balance	May	-\$52.3b	-\$50.5b	-\$49.4b
2-Jul-2020	Change in Nonfarm Payrolls	Jun	1900k	3000k	2509k
2-Jul-2020	Change in Manufacturing Payrolls	Jun	425k	500k	225k
2-Jul-2020	Unemployment Rate	Jun	12.5%	12.4%	13.3%
2-Jul-2020	Average Weekly Hours All Employees	Jun	34.5	34.5	34.7
2-Jul-2020	Average Hourly Earnings MoM	Jun	-0.5%	-0.4%	-1.0%
2-Jul-2020	Initial Jobless Claims	27-Jun	1.300k	NA	1480k
2-Jul-2020	Factory Orders	May	8.0%	7.8%	-13.0%

*Consensus from Bloomberg

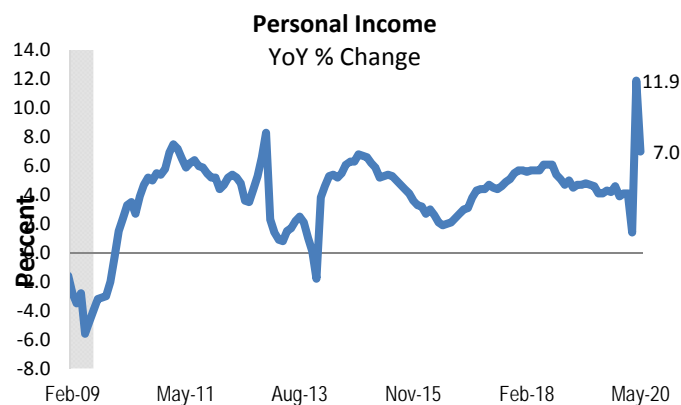
Personal Spending Rebound Falls Short Of Forecasts

What is the old phrase, you can lead a horse to water but you can't make him drink? Using that analogy, the Federal Government and Federal Reserve have been pumping an unprecedented amount of water into our economy, trying to entice consumer back into the stores and restaurants, and resume their old patterns of spending once businesses are able to reopen. That reopening started in nearly all 50 states in May and we got an important update on how it's all going this morning with the release of the May Personal Income and Spending report from the Bureau of Economic Analysis.

This fire hose approach to economic recovery is clearly visible in the aggregate personal income data from this report. While personal income fell 4.2% in May, the drop was less than the 6.0% drop economists were forecasting and follows a huge 10.8% gain in April as many household's received large checks from the government and more folks found their way onto the unemployment insurance rolls. The personal income windfall was so large over the past two months that personal income growth from a year ago jumped to new expansion highs, despite

a national unemployment rate of 13.3% – a level of unemployment that far exceeds any seen during the Great Recession.

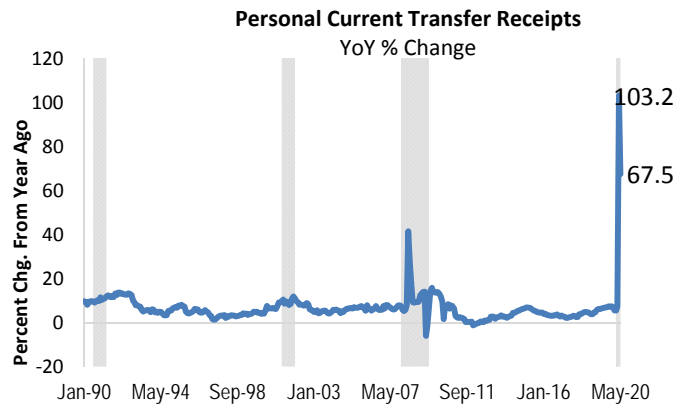
Personal Income Growth Hits New Expansion Highs



Source: U.S. Bureau of Economic Analysis

The details of the report clearly show government transfer payments are almost the only driver of personal income gains today. We are in the midst of a truly historic increase in government payments to U.S. households that dwarfs anything that has come before.

A Gov't Transfer Windfall Washes Over Consumers

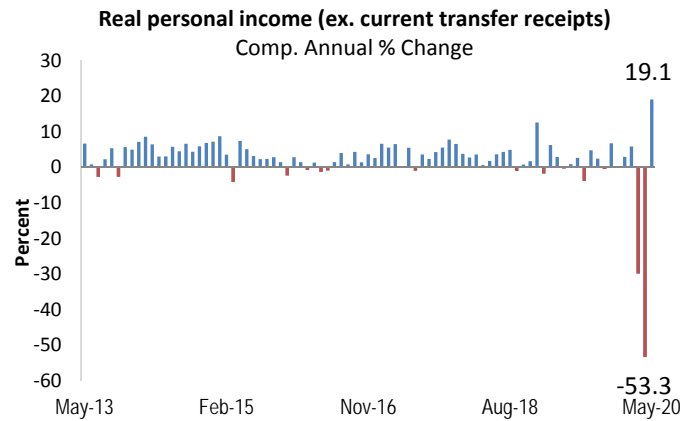


Source: U.S. Bureau of Economic Analysis

However, this government transfer windfall also highlights how the vulnerable the U.S. economy and consumer spending is to any reduction or pull-back of government support as long as the coronavirus pandemic rages. Congress is considering another substantial rescue/spending package in July. Elements that are being considered include extension of unemployment insurance benefits, another direct payment to U.S. households, more support for state and local governments, protection for businesses from litigation, and more spending on infrastructure. If a substantial additional Federal spending package doesn't materialize by the end of July, many small businesses, retailers, and restaurants will begin to feel even more intensely the long-term damage this corona virus has done to the U.S. labor market and consumers' willingness and ability to keep spending.

Stripping out these government transfer payments and one sees the danger of a prolonged slump in real consumer spending from the sharp decline in real personal income that would result without that government support. There was only a modest rebound in real personal income excluding transfer payments in May compared to what was lost in March and April. Real personal income excluding transfer payments were 7.3% lower than a year ago in April and still down 6.0% from a year ago in May.

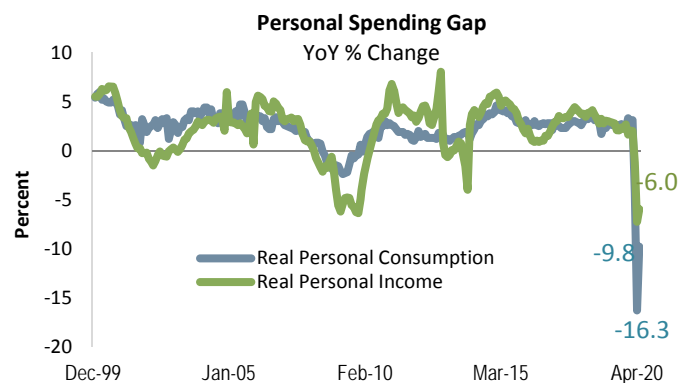
Only A Modest Rebound In Income From The Economy



Source: U.S. Bureau of Economic Analysis

The government reported personal spending increased 8.2% in May following a 12.6% decline in April. But in inflation adjusted terms, consumer spending was still 9.8% lower than a year in May - a 4 times larger decline in real consumer spending than the largest decline seen during the Great Recession. Moreover, real spending continues to lag real personal income growth, suggesting consumer are likely to remain a reluctant bunch as long as coronavirus resurgence remains a threat. The gains made in May could be swiftly undone.

The Consumer Spending Outlook Remains Fragile



Source: U.S. Bureau of Economic Analysis

As if to emphasize that point, we received the final reading on the University of Michigan Consumer Sentiment index for June on Friday, which showed a measurable drop in consumer sentiment to 87.1 from the 87.8 initial reading taken at the beginning of the month as coronavirus cases jumped 54% in the U.S. over the last two weeks and is climbing now in 30 states.

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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	-5.0	-38.5	15.2	4.9	4.8	4.0	3.3	3.3	2.9	2.3	-5.7	2.8	
Personal Consumption Expenditures*	1.1	4.6	3.2	1.8	-6.8	-42.0	21.0	9.6	3.6	3.4	2.6	2.5	3.0	2.6	-5.7	3.6	
Non-residential Fixed Investment*	4.4	-1.0	-2.3	-2.4	-6.4	-35.0	-18.2	-6.1	1.5	2.5	3.2	3.0	6.4	2.1	-11.2	-4.4	
Private Housing Starts (000s units)	1,204	1,257	1,288	1,433	1,487	963	980	970	985	1,025	1,075	1,150	1,208	1,296	1,100	1,059	
Vehicle Sales (mill. Units, annualized)	16.9	17.0	17.0	16.8	15.5	11.3	13.6	14.1	14.7	15.0	15.2	15.3	17.2	16.9	13.6	15.1	
Industrial Production*	-1.9	-2.3	1.1	0.3	-7.5	-55.0	20.0	8.0	6.0	5.3	4.5	4.4	3.9	0.9	-9.4	3.5	
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	151.9	132.4	135.7	137.7	139.8	141.7	143.5	145.1	146.6	150.9	139.4	142.5	
Unemployment rate	3.9	3.6	3.6	3.5	3.8	13.2	10.5	9.7	8.9	7.9	7.1	6.0	4.4	3.7	9.3	7.5	
Consumer Price Index* (percent)	0.9	3.0	1.8	2.4	1.2	-3.3	0.1	0.5	1.0	1.0	1.3	1.4	2.4	1.8	0.6	0.6	
"Core" CPI* (percent)	2.2	2.2	2.8	2.0	2.0	0.4	0.8	1.2	1.3	1.4	1.4	1.5	2.1	2.2	1.6	1.2	
PPI (finished goods)* (percent)	-2.7	4.7	-1.2	3.0	-2.5	-10.0	-2.5	-1.0	0.1	0.9	1.6	1.7	3.0	0.8	-2.2	-0.6	
Trade Weighted Dollar (Fed BOG, major)	114.5	115.4	116.5	116.4	117.7	122.3	122.0	122.5	122.0	121.5	121.5	120.5	91.1	115.7	121.1	121.4	
Crude Oil Prices -WTI (\$ per barrel)	55	60	56	57	43	32	38	37	38	38	39	39	51	57	38	39	

*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	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.95	2.11	0.38	0.15	
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.08	0.20	0.20	0.21	0.22	0.23	0.24	0.26	1.40	1.97	0.42	0.23	
Treasury-5 Year Notes (yield)	2.46	2.12	1.63	1.61	1.14	0.36	0.43	0.43	0.43	0.44	0.47	0.48	1.91	1.96	0.59	0.45	
Treasury-10 Year Notes (yield)	2.65	2.34	1.80	1.79	1.37	0.69	0.80	0.80	0.82	0.83	0.90	0.93	2.33	2.15	0.91	0.87	
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	1.87	1.38	1.60	1.60	1.62	1.63	1.70	1.73	2.90	2.58	1.61	1.67	
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	0.61	0.32	0.32	0.32	0.32	0.31	0.31	1.26	2.33	0.69	0.31	
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.52	3.20	3.15	3.30	3.32	3.23	3.30	3.33	3.99	3.94	3.29	3.29	
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.91	3.92	3.80	4.30	4.22	4.23	4.25	4.28	4.44	4.38	3.98	4.24	

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