

Date	Indicator	For	Estimate	Consensus*	Previous Period
6-Jul-2020	Markit US Services PMI	Jun F	46.9	NA	46.7
6-Jul-2020	Markit US Composite PMI	Jun F	NA	NA	46.8
6-Jul-2020	ISM Non-Manufacturing Index	Jun	48.0	48.2	45.4
7-Jul-2020	JOLTS Job Openings	May	NA	NA	5046.0
8-Jul-2020	Consumer Credit	May	-\$25.0b	-\$17.500b	-\$68.779b
9-Jul-2020	Initial Jobless Claims	04-Jul	1400k	NA	1427k
9-Jul-2020	Wholesale Inventories MoM	May F	-1.2%	-1.2%	-1.2%
10-Jul-2020	PPI Final Demand MoM	Jun	0.4%	0.4%	0.4%
10-Jul-2020	PPI Ex Food and Energy MoM	Jun	0.1%	0.1%	-0.1%

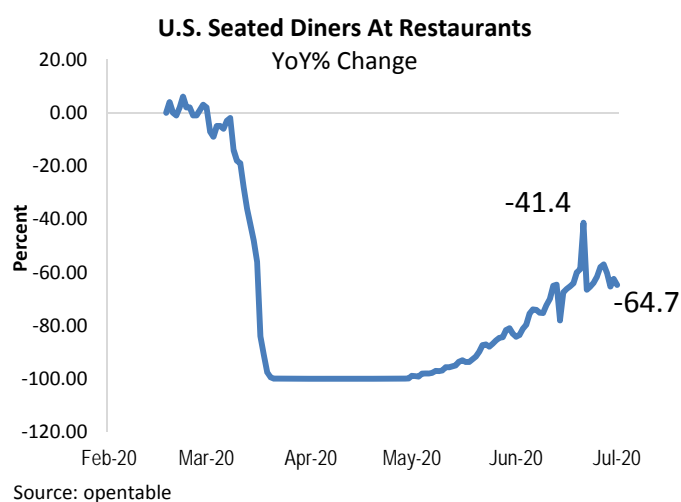
*Consensus from Bloomberg

Reopening Brings Back Millions Of Jobs

The June employment report came in on the hot side, beating most economists' forecasts. The U.S. economy added another 4.8 million jobs in June on top of an upwardly revised 2.699 million jobs created in May. The better than expected job gains were likely driven by the reopening of big states like California that didn't really begin opening up until late May and early June.

It is also important to note that the June employment report is really a backward looking snapshot of the U.S. labor market right now. The health of the labor market and outlook has already changed since these statistics were collected only a few weeks ago. Virus cases have surged in 34 states over the last two weeks, and at least 19 states have already paused or reversed their reopening, including the big states of California, Texas, and Florida. Consumers were already starting to shy away again from restaurants even before the states announced the reopening pauses and reversals as the fear of virus spread began to change consumer behavior.

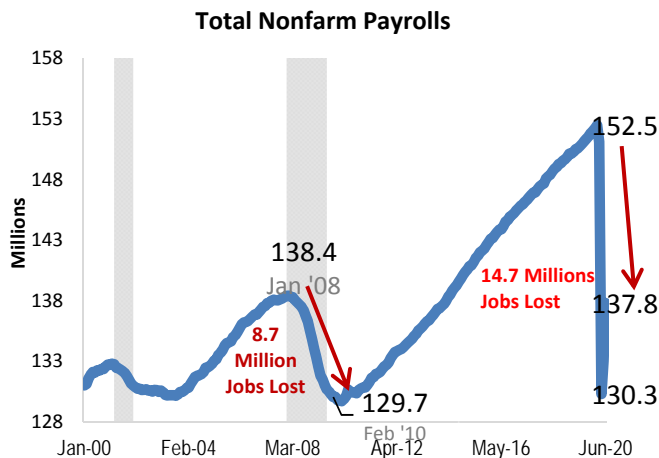
Consumers Going Back Into Hibernation



The 1.427 million initial jobless claims filed last week and 19.29 million of continuing claims is a timely reminder that further labor market gains will be a much tougher slog from here.

The June jobs report is really a reopening story. Economic reopening across the country since the beginning of May has brought back a net 7.499 million jobs, about a third of the 22.160 million jobs that were lost in March and April as shelter-at-home orders and business shutdowns spread across the country. Yet U.S. nonfarm employment today is still below the level first seen more than a decade ago. The job gains over the past two months have been large enough to push the U.S. unemployment rate down to 11.1% in June from a peak of 14.7% in April.

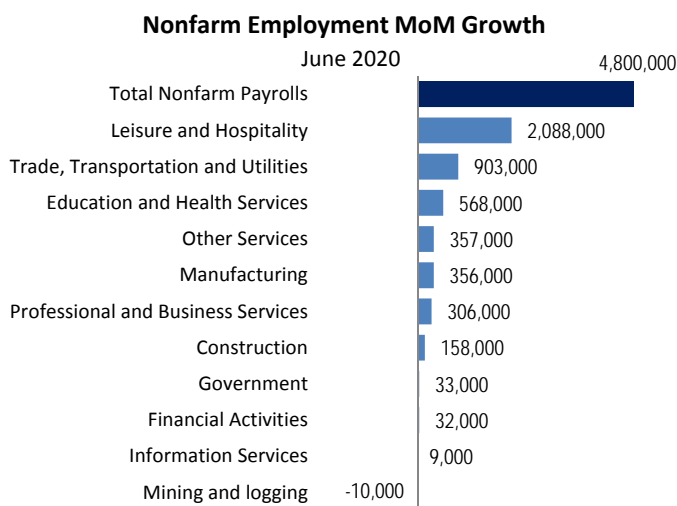
Keeping It In Perspective – A Long Way To Go



Source: U.S. Bureau of Labor Statistics

Job growth was broad based in June with leisure and hospitality (+2.088 million), retail trade (+740 thousand), education and health care (+568 thousand), and manufacturing (+356 thousand) leading the way. Leisure and hospitality lost 8.318 million jobs in March and April and has now brought back 3.491 million jobs or 41.9% of the total lost in May and June.

A Welcome Return Of Millions of Jobs in June



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

There are a few weak spots to note in today’s report. Job gains in information (+9 thousand), financial services (+32 thousand), government (+33 thousand), and construction (+158 thousand) remained on the weak side, and a net 10 thousand jobs were lost in mining in logging.

Also, there are still 17.75 million unemployed Americans up from 5.787 million in February with the average duration of unemployment rising to 15.7 weeks from 6.1 weeks in April. The longer people remain unemployed, the more their skills degrade and the more permanent the losses for the economy and lifetime incomes. The reopenings can only bring us back so far and we still have a long ways to go to get back to any semblance of economic normality. We are still in the midst of an economic and employment crisis.

Average hourly earnings dropped 1.2% in June a bigger decline than the 1.0% decline seen in May. Even so, the average hourly earnings declines over the last few months are not yet too concerning for the consumer spending outlook as it probably means more low wage furloughed workers are coming back to work.

Average hourly earnings surprisingly jumped 4.7% in April alone as more low wage workers temporarily lost their jobs in the early stages of this pandemic, while higher wage workers were able to hold on to them. The April average hourly earnings gain was so large that average hourly earnings are still up 5.0% from a year ago in June well above the 3.0% rate seen in February before the pandemic hit.

Bottom-line, the U.S. labor market moved further away from Great Depression levels of job loss and unemployment in June as the leisure and hospitality, health care and education, retail, and restaurants and bars, reopened for business. Even so the U.S. economy has suffered a staggering loss of jobs and a level of unemployment that continues to exceed the worst of the Great Recession. We must quickly contain this resurgence in virus spread if we are to build on the labor market gains made over the last few months.

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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	-35.1	14.9	4.9	4.8	4.1	3.3	3.3	2.9	2.3	-5.1	3.0	
Personal Consumption Expenditures*	1.1	4.6	3.2	1.8	-6.8	-36.0	20.0	8.5	3.4	3.1	2.6	2.5	3.0	2.6	-4.7	3.6	
Non-residential Fixed Investment*	4.4	-1.0	-2.3	-2.4	-6.4	-31.9	-18.3	-6.1	1.5	2.5	3.2	3.0	6.4	2.1	-10.6	-4.2	
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	-53.0	20.0	8.0	6.0	5.3	4.5	4.4	3.9	0.9	-9.1	3.6	
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	151.9	133.7	134.9	135.9	137.6	139.2	140.7	142.3	146.6	150.9	139.1	139.9	
Unemployment rate	3.9	3.6	3.6	3.5	3.8	13.0	10.1	9.5	8.9	7.9	7.1	6.0	4.4	3.7	9.1	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	2,932							2,449	2,911			
Dow Jones Industrial Average	25,147	26,096	26,676	27,537	26,554	24,571							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