

Date	Indicator	For	Estimate	Consensus*	Previous Period
19-Oct-2020	NAHB Housing Market Index	Oct	80.0	83.0	83.0
20-Oct-2020	Building Permits	Sep	1500k	1525k	1476k
20-Oct-2020	Housing Starts	Sep	1430k	1451k	1416k
21-Oct-2020	U.S. Federal Reserve Releases Beige Book				
22-Oct-2020	Initial Jobless Claims	17-Oct	900k	NA	898k
22-Oct-2020	Leading Index	Sep	0.6%	0.8%	1.2%
22-Oct-2020	Existing Home Sales	Sep	6.10m	6.19m	6.00m
22-Oct-2020	Kansas City Fed Manufacturing Activity	Oct	NA	NA	11.0
23-Oct-2020	Markit US Manufacturing PMI	Oct P	53.3	53.5	53.2
23-Oct-2020	Markit US Services PMI	Oct P	54.4	54.8	54.6
23-Oct-2020	Markit US Composite PMI	Oct P	NA	NA	54.3

*Consensus from Bloomberg

September Retail Sales Come Roaring Back

Retail sales increased 1.9% in September, a far stronger pace than economists expected, given tens of millions of Americans remain out of work and supplemental unemployment benefits of \$600 dollars a week began to disappear at the end of July. The surprisingly strong sales gains last month reveal just how much the pandemic and unprecedented government support in an election year has shaken up and disrupted normal consumer spending patterns.

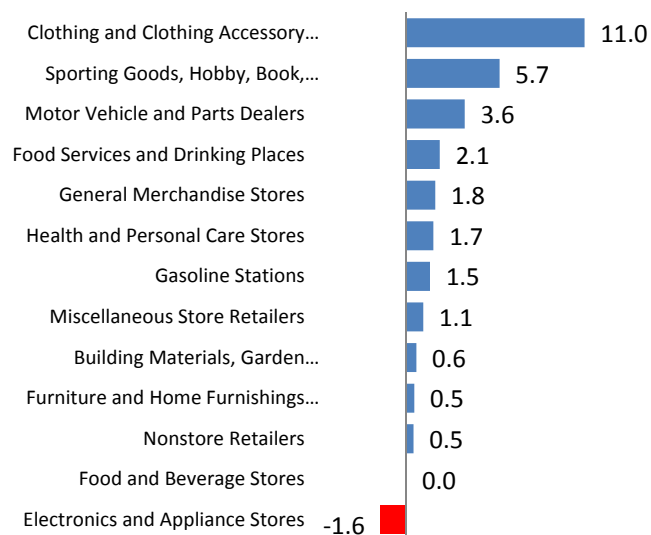
I see the finger prints of pandemic pent-up demand as well as back to school (Fall) demand in the robust increases in clothing (+11.0%), department store sales (9.7%), and sporting goods sales (+5.7%) in September. No doubt rising stock prices and home values are bolstering the wealth and confidence of many higher-income households that been better able to hold onto their jobs.

Strong monthly sales gains continued for motor vehicles (3.6%), health and personal care (+1.7%), eating and drinking establishments (2.1%), and gasoline stations (+1.5%) as well.

Early pandemic retail favorites like building materials, non-store retailers, groceries stores, and electronics saw weak, flat, or even declining sales last month as consumers increasingly got out and about and shifted their spending toward other neglected spending categories.

Robust Pandemic Spending Continues To Surprise

Retail Sales Growth
Sep 2020 - MoM % Change

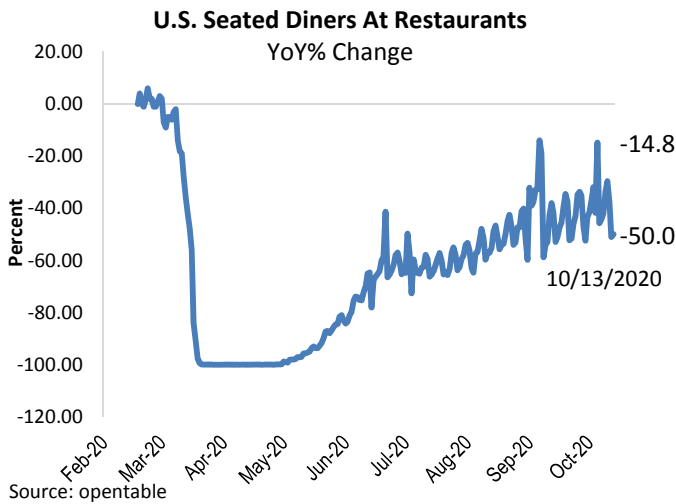


Source: US. Bureau of the Census

While the strength in September retail sales is a welcome development that will undoubtedly increase our real growth forecasts for consumer spending and GDP for the third quarter. I also think this will be one of the better retail sales reports we are likely to see for a while.

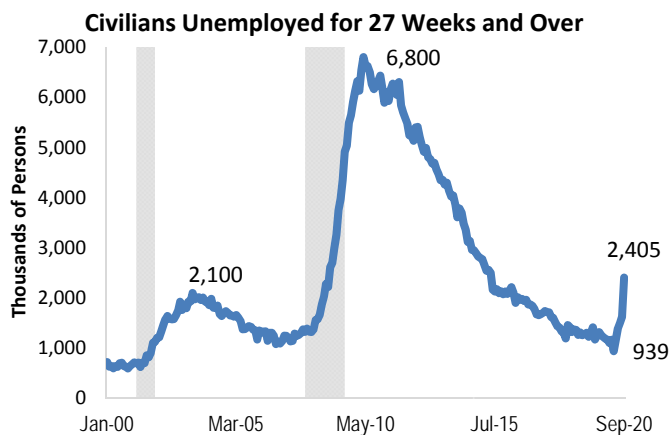
Coronavirus cases are surging once again in a majority of U.S. states and we are already seeing a pullback in restaurant reservations and TSA checkpoint visits in October as a result.

Restaurants and Travel See A Drop in Demand in October



Moreover the retail sales gains since May have largely been the result of government income support, pent-up demand, and the reopening of shuttered businesses. The labor market foundation of recent retail sales gains remain fragile. Job gains are decelerating every month, income growth is slowing, and personal saving rate is slipping. Long-term unemployment is becoming a bigger problem and we expect permanent scaring of household finances and future job prospects for millions of households.

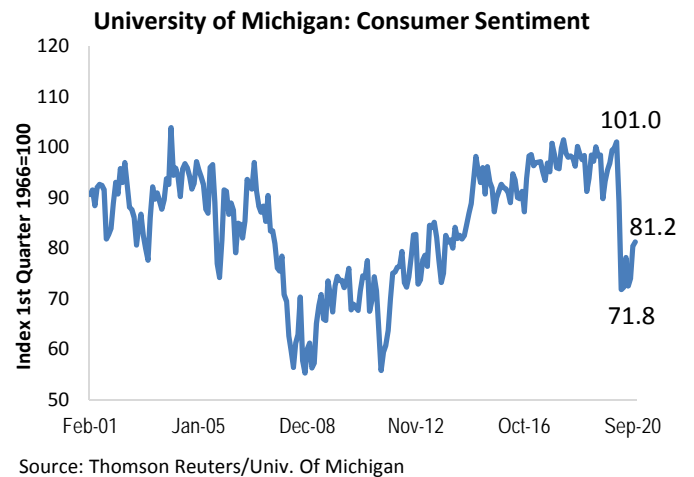
Long-term Unemployment is Back



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Thankfully government support from Washington has been more effective than we dared hope back in May with many households using the funds to bolster their savings, pay down existing debts, and refinance their mortgages. As a result, consumer confidence quickly turned a corner in May. However, additional Federal government support will be needed soon, if we are to limit the permanent damage to household finances that remains and their ability to keep consumer spending growth intact.

Confidence Made A Quick Turn with Gov't Support



In short, as today's surprisingly weak 0.3% manufacturing production drop for September highlights, the U.S. economic and labor market recovery from the pandemic remains a partial and fragile recovery that falls well short of what is needed to return to normal. Motor vehicle production has dropped for two consecutive months now and production declines were also seen in machinery and computer and electronics last month. The easy reopening gains for U.S. manufacturing production may already be over. Payrolls for goods (-4.9%) and service (-6.6%) businesses remain well-below year ago levels and are not expected to fully recover for years, highlighting the longer-term damage still hanging over the economic outlook.

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*	2.9	1.5	2.6	2.4	-5.0	-31.4	30.6	3.1	2.0	2.8	3.4	3.5	3.0	2.2	-3.5	3.6
Personal Consumption Expenditures*	1.8	3.7	2.7	1.6	-6.9	-33.2	38.0	4.8	2.0	3.1	2.8	2.7	2.7	2.4	-3.5	4.5
Non-residential Fixed Investment*	4.2	0.0	1.9	-0.3	-6.7	-27.2	21.7	3.4	1.4	2.4	3.2	3.1	6.9	2.9	-4.5	2.7
Private Housing Starts (000s units)	1,204	1,257	1,288	1,433	1,484	1,064	1,435	1,385	1,365	1,360	1,350	1,365	1,208	1,296	1,342	1,360
Vehicle Sales (mill. Units, annualized)	16.9	17.0	17.0	16.8	15.0	11.4	14.9	14.7	14.8	15.0	15.2	15.3	17.2	16.9	14.0	15.1
Industrial Production*	-1.9	-2.3	1.1	0.4	-6.8	-43.2	34.0	2.5	4.8	5.3	4.5	4.4	3.9	0.9	-7.6	4.0
Nonfarm Payroll Employment (mil.)	150.2	150.6	151.2	151.8	151.9	133.7	140.8	142.2	143.4	144.6	145.8	147.1	146.6	150.9	142.2	145.2
Unemployment rate	3.9	3.6	3.6	3.5	3.8	13.0	8.8	7.7	7.5	7.1	6.7	6.3	4.4	3.7	8.3	6.9
Consumer Price Index* (percent)	0.9	3.0	1.8	2.4	1.2	-3.5	5.2	1.6	1.4	1.4	1.4	1.4	2.4	1.8	1.2	1.6
"Core" CPI* (percent)	2.2	2.2	2.8	2.0	2.0	-1.6	4.4	2.0	1.3	1.4	1.4	1.5	2.1	2.2	1.7	1.7
PPI (finished goods)* (percent)	-2.7	4.7	-1.2	3.0	-3.4	-11.4	7.1	2.2	0.1	0.9	1.6	1.7	3.0	0.8	-1.4	1.0
Trade Weighted Dollar (Fed BOG, major)	114.5	115.4	116.5	116.4	117.9	122.2	118.1	116.5	116.0	115.8	115.7	115.5	91.1	115.7	118.7	115.8
Crude Oil Prices -WTI (\$ per barrel)	55	60	56	57	45	28	41	40	40	40	41	41	51	57	39	40

*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	3,320						2,449	2,911		
Dow Jones Industrial Average	25,147	26,096	26,676	27,537	26,554	24,571	27,299						21,745	26,364		
Federal Funds Rate (effective)	2.40	2.40	2.20	1.65	1.23	0.06	0.13	0.13	0.13	0.13	0.13	0.13	1.00	2.16	0.39	0.13
Treasury-3 Month Bills (yield)	2.44	2.35	2.03	1.61	1.10	0.14	0.11	0.11	0.12	0.13	0.13	0.14	0.95	2.11	0.36	0.13
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.08	0.19	0.15	0.16	0.18	0.20	0.21	0.23	1.40	1.97	0.39	0.20
Treasury-5 Year Notes (yield)	2.46	2.12	1.63	1.61	1.14	0.36	0.29	0.32	0.34	0.37	0.40	0.42	1.91	1.96	0.53	0.38
Treasury-10 Year Notes (yield)	2.65	2.34	1.80	1.79	1.37	0.69	0.68	0.72	0.75	0.78	0.85	0.90	2.33	2.15	0.86	0.82
Treasury-30 Year Notes (yield)	3.01	2.78	2.29	2.25	1.87	1.38	1.38	1.47	1.52	1.56	1.64	1.70	2.90	2.58	1.52	1.60
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	0.60	0.26	0.26	0.27	0.27	0.27	0.27	1.26	2.33	0.66	0.27
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.52	3.24	2.95	2.97	3.05	3.05	3.05	3.10	3.99	3.94	3.17	3.06
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.91	3.91	3.33	3.45	3.65	3.78	4.05	4.10	4.44	4.38	3.65	3.89

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