

Date	Indicator	For	Estimate	Consensus*	Previous Period
26-Oct-2020	Chicago Fed Nat Activity Index	Sep	NA	NA	0.79
26-Oct-2020	New Home Sales	Sep	1030k	1024k	1011k
26-Oct-2020	Dallas Fed Manufacturing Activity	Oct	13.0	13.5	13.6
27-Oct-2020	Durable Goods Orders	Sep P	-0.4%	1.0%	0.5%
27-Oct-2020	Durables Ex Transportation	Sep P	0.2%	0.4%	0.6%
27-Oct-2020	FHFA House Price Index MoM	Aug	0.8%	0.7%	1.0%
27-Oct-2020	S&P CoreLogic CS 20-City MoM SA	Aug	0.50%	0.40%	0.55%
27-Oct-2020	Conf. Board Consumer Confidence	Oct	102.0	101.9	101.8
27-Oct-2020	Richmond Fed Manufacturing Index	Oct	17.0	18.0	21.0
28-Oct-2020	Advance Goods Trade Balance	Sep	-\$85.4b	-\$85.0b	-\$82.9b
28-Oct-2020	Wholesale Inventories MoM	Sep P	0.5%	NA	0.4%
29-Oct-2020	Initial Jobless Claims	24-Oct	785k	NA	787k
29-Oct-2020	GDP Annualized QoQ	3Q A	31.0%	32.0%	-31.4%
29-Oct-2020	GDP Price Index	3Q A	2.9%	2.9%	-1.8%
29-Oct-2020	Pending Home Sales MoM	Sep	4.5%	3.5%	8.8%
30-Oct-2020	Personal Income	Sep	0.0%	0.3%	-2.7%
30-Oct-2020	Personal Spending	Sep	1.3%	1.0%	1.0%
30-Oct-2020	PCE Deflator MoM	Sep	0.2%	0.2%	0.3%
30-Oct-2020	PCE Core Deflator MoM	Sep	0.2%	0.2%	0.3%
30-Oct-2020	Employment Cost Index	3Q	0.5%	0.6%	0.5%
30-Oct-2020	U. of Mich. Sentiment	Oct F	81.1	81.2	81.2

*Consensus from Bloomberg

Deteriorating Fundamentals vs. Rising Expectations

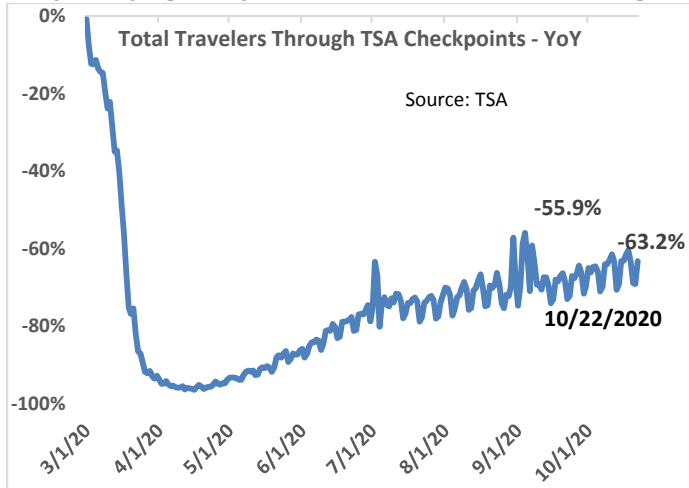
Are you a glass “half-full” or a glass “half-empty” investor these days? Over the near-term, U.S. economic growth fundamental looks set to deteriorate. Yet U.S. stock prices remain close to record highs and long-term Treasury yields have moved up 10 to 15 basis points in the last week alone on prospects for sizable fiscal stimulus and a new Democratic Administration. The markets are clearly trying to look past near-term signs of trouble, while focusing on a brighter 2021. While we remain hopeful that 2021 will be a better year from a public health and economic perspective, we still have some sizable headwinds to clear out of the way to get there.

An important driver of our slowdown forecast in the fourth quarter is the resurgence of coronavirus cases and hospitalizations that are now impacting 40 of the 50 states with 33 states experiencing high and rising case counts,

according to the New York Times. The U.S. had 75,064 new cases yesterday, the second highest number since the pandemic began, and a 32% increase over the last 14 days. (The highest number new cases was back on July 16th at 75,687.) Hospitalizations are up 40% over the last month as well.

While we are not forecasting another national shutdown of restaurants and bars and other service businesses that could precipitate a double-dip U.S. recession, the increases in case counts alone will stifle budding demand even without government restrictions, and we certainly can’t rule out the possibility of regional roll-backs and tightening of public health policies like we saw last summer. Restaurant reservations and TSA checkpoint visits are already moving in the wrong direction compared to September.

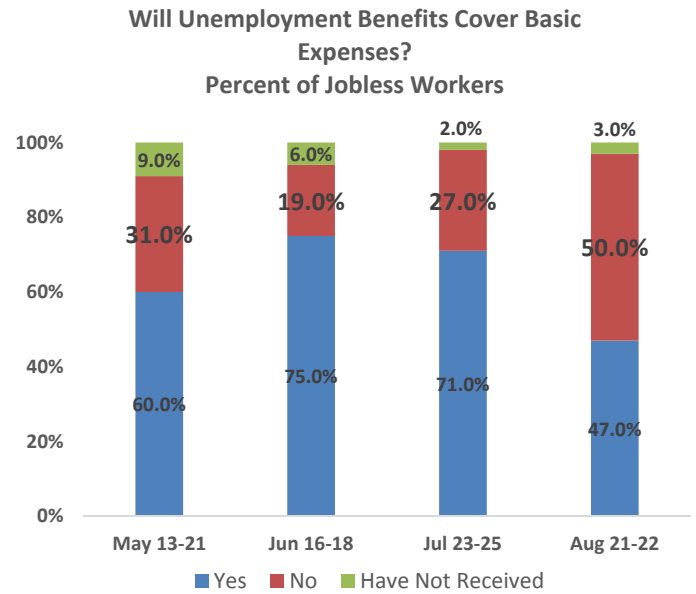
People Shying Away From Travel and Restaurants Again



The other major near-term threat to the growth outlook is the delay of new pandemic fiscal relief from Washington D.C. While Pelosi and Mnuchin continue to work toward another rescue package agreement, the Senate looks unlikely to take up the measure until after the election. If Democrats sweep on Election Day, only a limited package of unemployment assistance and PPP assistance might be passed in a lame duck session, so the economy might have to wait until early next year for comprehensive relief once the new Congress is seated.

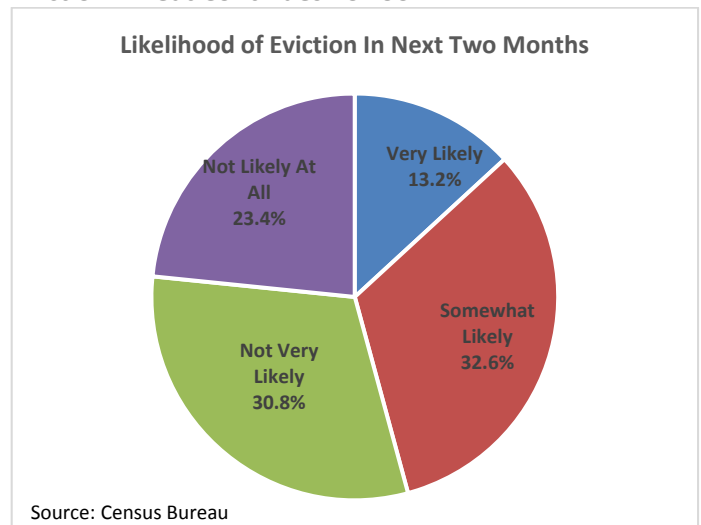
The CARES Act and Federal Reserve have been invaluable in getting the U.S. economic recovery to this point. We expect an unprecedented 31% annualized growth rate in U.S. GDP in Q3 when it is first reported next week. But past performance is no indication of future results. The fiscal and monetary impact of government stimulus is already fading, and more will need to be done to get this economic recovery over the finish line. A survey from Morning Consult shows by late August, 50% of jobless workers reported that their jobless benefits wouldn't even cover their basic expenses up from 19% who said so in the middle of June.

Unemployment Benefits Not Cutting It Anymore



Moreover, at the end of September, almost 45.8% of renters saw eviction over the next two months as “very likely” or “somewhat likely”, according to the Census Bureau.

Eviction Threat Continues To Loom



We have marked our Q4 GDP growth forecast lower in recent weeks to just 2.9% on the dimming outlook due mainly to the coronavirus resurgence and the political delay in additional fiscal stimulus from Congress.

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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*	2.9	1.5	2.6	2.4	-5.0	-31.4	31.0	2.9	2.0	2.8	3.4	3.5	3.0	2.2	-3.4	3.6
Personal Consumption Expenditures*	1.8	3.7	2.7	1.6	-6.9	-33.2	39.0	4.8	2.0	3.1	2.8	2.7	2.7	2.4	-3.4	4.6
Non-residential Fixed Investment*	4.2	0.0	1.9	-0.3	-6.7	-27.2	24.4	3.4	1.4	2.4	3.2	3.1	6.9	2.9	-4.2	3.0
Private Housing Starts (000s units)	1,204	1,257	1,288	1,433	1,484	1,079	1,430	1,385	1,365	1,360	1,350	1,365	1,208	1,296	1,345	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	-42.9	39.8	2.5	4.8	5.3	4.5	4.4	3.9	0.9	-7.4	4.1
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