

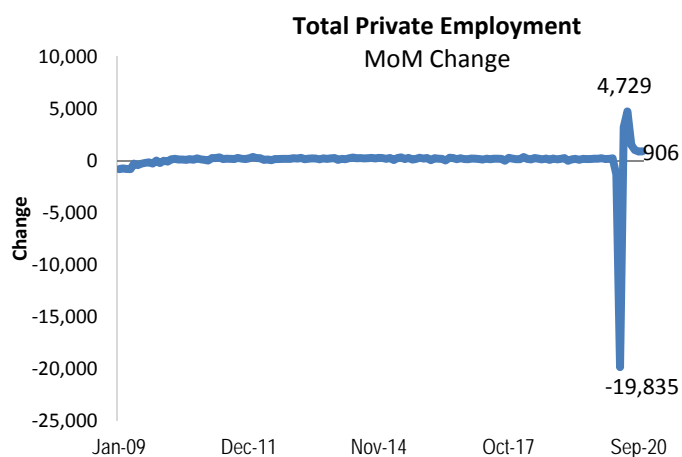
Date	Indicator	For	Estimate	Consensus*	Previous Period
10-Nov-2020	NFIB Small Business Optimism	Oct	104.5	104.4	104.0
10-Nov-2020	JOLTS Job Openings	Sep	NA	6500	6493
12-Nov-2020	CPI MoM	Oct	0.2%	0.2%	0.2%
12-Nov-2020	CPI Ex Food and Energy MoM	Oct	0.2%	0.2%	0.2%
12-Nov-2020	Initial Jobless Claims	07-Nov	745k	NA	751k
13-Nov-2020	PPI Final Demand MoM	Oct	0.2%	0.2%	0.4%
13-Nov-2020	PPI Ex Food and Energy MoM	Oct	0.2%	0.3%	0.4%
13-Nov-2020	U. of Mich. Sentiment	Nov P	80.0	82.0	81.8

*Consensus from Bloomberg

Another Better Than Expected Jobs Report For October

The U.S. labor market recovery continued in October at a fairly rapid clip, though the pace of net job creation slowed for the fourth consecutive month to a gain of 638k jobs down from a 672k gain in September. The job recovery last month was stronger in the private sector, which increased payrolls by 906k jobs – a 226k job overshoot of consensus forecasts.

Hundreds of Thousands of Private Sector Job Recreated

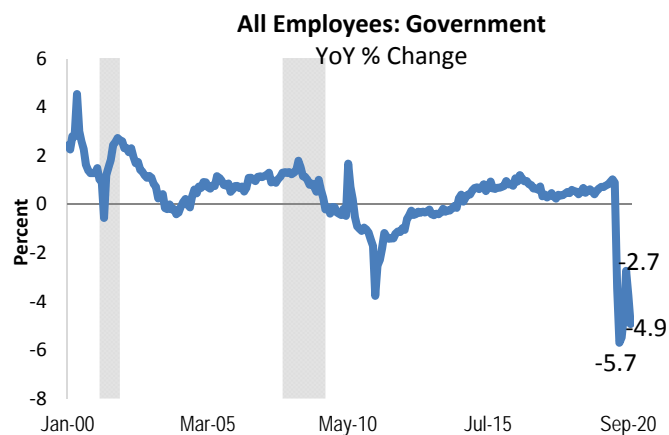


Source: U.S. Bureau of Labor Statistics

The headline nonfarm payroll increase would have been stronger, but was held back by a large drop in government jobs, which sank by 268k last month as state education jobs declined by 61k, local governments shed 98k jobs, and 148k Census workers were let go. In the last expansion, following the Great Recession, the loss of government jobs held back overall job growth for four years. A similar pattern may begin to appear in this

expansion if more Federal government support is not rushed to state and local governments across the country.

Lost Census Jobs Help Push Down Government Payrolls



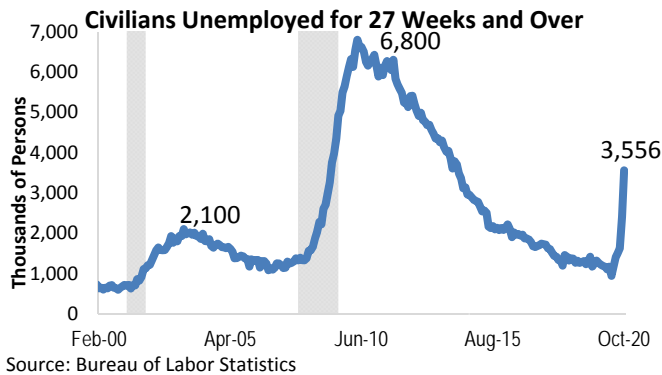
Source: U.S. Bureau of Labor Statistics

The best news from the October payroll report comes from another 1.0 percentage point decline in the official unemployment rate to 6.9% from 7.9% in September. The number of unemployed declined by 1.5 million to 11.1 million people and the labor force participation ratio improved to 61.7% from 61.4% in September. The number classified as unemployed on temporary layoff dropped by 1.4 million to 3.2 million in October. This number was as high as 18.1 million in April.

On a less positive note, the number of long-term unemployed now comprise approximately 32.5% of the total unemployed. Those unemployed for 27 weeks or more increased by 1.2 million to 3.6 million. The Labor Department also noted that the official unemployment

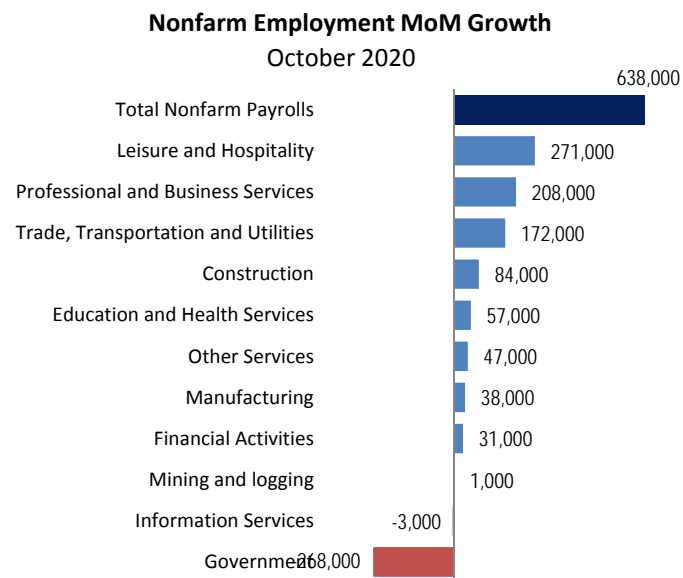
rate may be as much as 0.3 percentage points higher at 7.2%, if the unemployed were being classified accurately.

Long-term Unemployment On The Rise



The largest job gains last month came from sectors of the U.S. economy where payrolls were devastated earlier in the year and have been slower to recover as businesses reopened. Job gains were solid last month for leisure and hospitality, professional and business services, trade and transportation, and construction sectors. However, with coronavirus cases resurging as we enter the winter months, it is unlikely these service sector businesses will be able to keep up this job creation pace in the months ahead.

The Laggards Become The Leaders in Job Creation



Despite an overall solid employment report for October, notes of lingering weakness can be seen in the lackluster employment gains coming from some very big and important sectors like education and health care, manufacturing, financial services, and information services. Without stronger follow-through from these sectors, the reopening job recovery we have seen over the past six months will quickly fade.

It is important to remember that despite the progress in job recreation over the past six months, the pandemic labor market scar remains deep and will be with us for years to come. Nonfarm payrolls are still 10.1 million below their February peak in October and both goods and services job losses are equivalent to deep recessionary levels of the past. No longer at Great Depression levels, but for service businesses far worse than what was seen during the worst of the Great Recession.

Service Job Losses Far Worse Than Great Recession



The October jobs report will prompt a downward revision in our unemployment rate forecasts for the fourth quarter of 2020 and early 2021, but the pandemic's resurgence remains an imminent threat to these sanguine forecasts if state and local governments are forced to re-impose large scale business shutdown again to contain the virus.

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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	33.1	4.0	1.9	2.8	2.9	3.0	3.0	2.2	-3.5	3.5
Personal Consumption Expenditures*	1.8	3.7	2.7	1.6	-6.9	-33.2	40.7	4.0	2.0	3.1	2.8	2.7	2.7	2.4	-3.8	4.1
Non-residential Fixed Investment*	4.2	0.0	1.9	-0.3	-6.7	-27.2	20.3	5.8	1.4	2.4	3.2	3.1	6.9	2.9	-4.7	2.8
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	15.4	16.3	15.0	15.2	15.3	15.5	17.2	16.9	14.5	15.3
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	0.09	0.13	0.13	0.13	0.13	0.13	1.00	2.16	0.38	0.13
Treasury-3 Month Bills (yield)	2.44	2.35	2.03	1.61	1.10	0.14	0.11	0.10	0.11	0.12	0.12	0.13	0.95	2.11	0.36	0.12
Treasury-2 Year Notes (yield)	2.49	2.13	1.69	1.59	1.08	0.19	0.14	0.15	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	0.27	0.34	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	0.65	0.75	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	1.36	1.55	1.53	1.56	1.64	1.70	2.90	2.58	1.54	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	0.25	0.23	0.23	0.23	0.23	0.23	1.26	2.33	0.65	0.23
Mortgage-30 Year (yield)	4.37	4.01	3.66	3.70	3.52	3.24	2.95	3.00	3.05	3.05	3.05	3.10	3.99	3.94	3.18	3.06
BAA Corporate (yield)	4.97	4.60	4.03	3.91	3.91	3.91	3.32	3.48	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