

Date	Indicator	For	Estimate	Consensus*	Previous Period
28-Aug-2017	Wholesale Inventories MoM	Jul P	0.2%	0.3%	0.7%
28-Aug-2017	Advance Goods Trade Balance	Jul	-\$65.0b	-\$64.5b	-\$64.0b
28-Aug-2017	Dallas Fed Manufacturing Activity	Aug	17.8	NA	16.8
28-Aug-2017	Retail Inventories MoM	Jul	0.3%	NA	0.6%
29-Aug-2017	S&P CoreLogic CS 20-City HPI MoM	Jun	0.2%	NA	0.1%
29-Aug-2017	Conf. Board Consumer Confidence	Aug	119.5	119.0	121.1
30-Aug-2017	ADP Employment Change	Aug	185k	180k	178k
30-Aug-2017	GDP Annualized QoQ	2Q S	2.9%	2.7%	2.6%
30-Aug-2017	GDP Price Index	2Q S	1.0%	1.0%	1.0%
31-Aug-2017	Personal Income	Jul	0.3%	0.3%	0.0%
31-Aug-2017	Personal Spending	Jul	0.4%	0.4%	0.1%
31-Aug-2017	Initial Jobless Claims	26-Aug	236k	NA	234k
31-Aug-2017	PCE Deflator MoM	Jul	0.1%	0.1%	0.0%
31-Aug-2017	PCE Core MoM	Jul	0.1%	0.1%	0.1%
31-Aug-2017	Chicago Purchasing Manager	Aug	59.8	58.0	58.9
31-Aug-2017	Pending Home Sales MoM	Jul	0.5%	0.6%	1.5%
1-Sep-2017	Change in Nonfarm Payrolls	Aug	190k	180k	209k
1-Sep-2017	Change in Manufacturing Payrolls	Aug	9k	4k	16k
1-Sep-2017	Unemployment Rate	Aug	4.2%	4.3%	4.3%
1-Sep-2017	Average Hourly Earnings MoM	Aug	0.2%	0.2%	0.3%
1-Sep-2017	Average Weekly Hours All Employees	Aug	34.5	34.5	34.5
1-Sep-2017	Markit US Manufacturing PMI	Aug F	52.7	NA	52.5
1-Sep-2017	ISM Manufacturing	Aug	57.0	56.3	56.3
1-Sep-2017	U. of Mich. Sentiment	Aug F	97.4	NA	97.6
1-Sep-2017	Construction Spending MoM	Jul	0.4%	0.5%	-1.3%
1-Sep-2017	Wards Total Vehicle Sales	Aug	16.7m	16.6m	16.69m

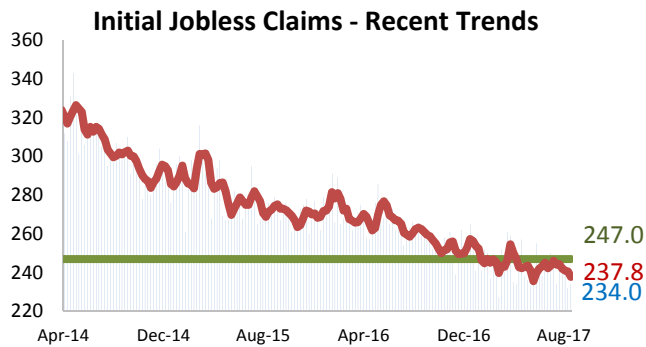
*Consensus from Bloomberg

Growth Without Inflation

Next week's economic indicators should highlight the strength and resilience of the U.S. economic expansion. But whether it will be enough to distract investors from the near-term political risks coming from Washington, including raising the debt ceiling, passing a FY 2018 federal budget, and getting tax reform done, is still an open question. For what it's worth, the August employment report, released next Friday, is expected to continue the recent string of robust monthly job creation with another 190K net new jobs created.

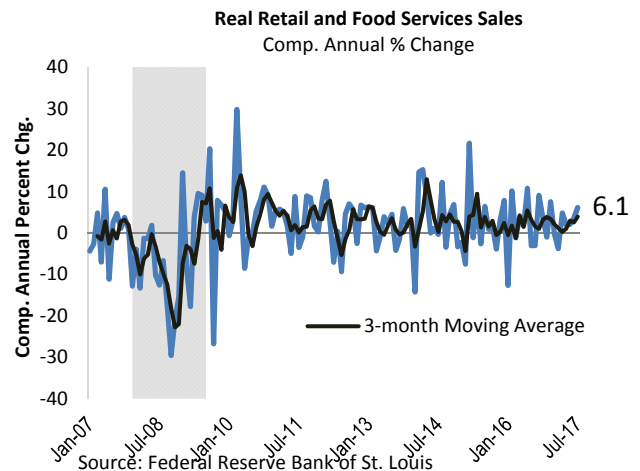
The labor market is showing no signs of cooling down. Initial jobless claims are trending well below economists' expectations again this month.

Low Initial Claims Reveal Rock Solid Labor Market



Source: US Employment & Training Administration

Consumers Driving GDP Growth Higher



We think job growth is sufficiently strong that the U.S. unemployment rate could drop again to an expansion low 4.2% in August. This would be the lowest unemployment rate since January 2001. If realized, it would mean the U.S. unemployment rate hits that level a full four months earlier than the FOMC expected. Many FOMC members could see this as a good reason to stick with their original plan for balance sheet shrinkage and one more rate hike before the end of the year, even with inflation still holding below their targets.

A strong jobs report is expected to cap a week of stronger economic data. On Wednesday, the second estimate of second quarter GDP is set to be released. We are forecasting an upward revision of the initial 2.6% growth rate to an even stronger 2.9% annualized pace. The jump in July retail sales and upward revision to June sales suggests a solid upward revision in real consumer spending growth for the second quarter and set us up for a repeat performance in the third quarter. We are looking for solid gains in personal income (+0.3%) and spending (+0.4%) for July when they are released next Thursday. The U.S. consumer is back in the driver's seat when it comes to U.S. economic performance.

We are also looking for the ISM manufacturing PMI for August to improve to 57.0 from 56.3. Inventory rebuilding and a weaker dollar should help support U.S. manufacturing activity near-term.

Also of interest to the markets and the Fed will be the PCE deflator. We expect subdued gains in both the core and overall PCE deflator of 0.1% for July. Oil and commodity prices could remain stuck near their current range as growth slows in China, keeping a longer-than-expected lid on overall consumer inflation despite the tightening labor market. We subsequently lowered our near-term inflation forecasts a tad this week. We don't expect the Fed to achieve its 2.0% core PCE inflation target until Q4 2019. The lackluster PCE deflator numbers released next week will remind us all that faster inflation is still a ways away.

We are not forecasting a long pause in Fed rate hikes as a result, but we have modestly lowered on longer-term interest rate forecasts based on the lower near-term inflation outlook. We now see the 10-Year Treasury yield at around 2.5% at year-end.

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Major Economic Indicators

Economic Data	History						Forecast						Yr/Yr % chg or Annual Avg.			
	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2015	2016	2017	2018
Real GDP*	0.6	2.2	2.8	1.8	1.2	2.6	2.8	2.2	2.0	2.1	2.1	2.1	2.6	1.5	2.1	2.2
Personal Consumption Expenditures*	1.8	3.8	2.8	2.9	1.9	2.8	2.9	2.4	2.2	2.2	2.1	2.1	3.2	2.7	2.7	2.4
Non-residential Fixed Investment*	-4.0	3.3	3.4	0.2	7.2	5.2	3.7	2.9	2.8	3.4	3.9	4.4	2.1	-0.6	4.0	3.4
Private Housing Starts (000s units)	1,153	1,158	1,150	1,248	1,238	1,165	1,230	1,256	1,263	1,265	1,275	1,285	1,108	1,177	1,222	1,272
Vehicle Sales (mill. Units, annualized)	17.3	17.2	17.5	17.8	17.1	16.8	16.8	16.8	16.7	16.6	16.6	16.5	17.4	17.5	16.9	16.6
Industrial Production*	-1.3	-0.7	0.8	0.7	1.6	5.2	1.8	1.9	2.2	2.3	2.2	2.2	0.3	-1.2	1.9	2.3
Nonfarm Payroll Employment (mil.)	143.4	144.0	144.7	145.2	145.7	146.2	146.8	147.3	147.8	148.3	148.7	149.2	141.8	144.3	146.5	148.5
Unemployment rate	4.9	4.9	4.9	4.7	4.7	4.4	4.2	4.1	4.1	4.0	4.1	4.2	5.3	4.9	4.4	4.1
Consumer Price Index* (percent)	0.1	2.3	1.8	3.0	3.1	-0.3	1.9	2.2	2.2	2.0	2.0	2.0	0.1	1.3	2.0	1.9
"Core" CPI* (percent)	2.5	2.1	2.1	2.0	2.5	0.6	1.9	2.0	2.1	2.1	2.1	2.1	1.8	2.2	1.9	2.0
PPI (finished goods)* (percent)	-3.9	3.0	1.7	3.4	6.3	0.4	3.2	2.8	2.1	1.8	1.6	1.6	-3.3	-1.0	3.3	2.1
Trade Weighted Dollar (Fed BOG, major)	93.2	89.5	90.3	93.5	94.5	93.1	89.0	89.7	90.2	90.5	90.2	90.0	90.9	91.6	91.6	90.2
Crude Oil Prices -WTI (\$ per barrel)	33	45	45	49	52	48	47	48	49	49	50	50	50	43	49	50

*Quarterly Data Percent Change At Annual Rate; Annual Data Year-on-Year % Chg, or Annual Average.

Financial Data	History						Forecast						Annual Average			
	2016.1	2016.2	2016.3	2016.4	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2015	2016	2017	2018
S & P 500	1,951	2,075	2,162	2,185	2,326	2,398							2,061	2,093		
Dow Jones Industrial Average	16,663	17,764	18,372	18,865	20,406	20,994							17,591	17,916		
Federal Funds Rate (effective)	0.36	0.37	0.39	0.45	0.70	0.94	1.15	1.21	1.46	1.71	1.96	2.13	0.13	0.39	1.00	1.81
Treasury-3 Month Bills (yield)	0.29	0.26	0.30	0.43	0.61	0.91	1.03	1.10	1.36	1.63	1.90	2.07	0.05	0.32	0.91	1.74
Treasury-2 Year Notes (yield)	0.84	0.77	0.73	1.01	1.24	1.30	1.33	1.50	1.75	2.06	2.30	2.48	0.69	0.84	1.34	2.15
Treasury-5 Year Notes (yield)	1.37	1.24	1.13	1.61	1.95	1.81	1.82	2.00	2.30	2.52	2.72	2.98	1.53	1.34	1.90	2.63
Treasury-10 Year Notes (yield)	1.91	1.75	1.56	2.14	2.45	2.26	2.28	2.50	2.77	3.00	3.26	3.45	2.14	1.84	2.37	3.12
Treasury-30 Year Notes (yield)	2.72	2.57	2.28	2.83	3.05	2.90	2.88	3.10	3.37	3.62	3.90	4.05	2.84	2.60	2.98	3.74
Prime Rate	3.50	3.50	3.50	3.55	3.80	4.05	4.25	4.30	4.55	4.80	5.00	5.25	3.26	3.51	4.10	4.90
Libor 3-Mo. U.S. Dollar	0.62	0.64	0.79	0.92	1.07	1.21	1.31	1.40	1.66	1.92	2.17	2.35	0.34	0.74	1.25	2.03
Mortgage-30 Year (yield)	3.74	3.59	3.45	3.84	4.17	3.98	3.95	4.18	4.45	4.72	4.98	5.18	3.85	3.66	4.07	4.83
BAA Corporate (yield)	5.30	4.66	4.26	4.64	4.66	4.49	4.35	4.65	5.03	5.25	5.52	5.78	5.00	4.71	4.54	5.40

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