

Date	Indicator	For	Estimate	Consensus*	Previous Period
5-Nov-2018	Markit US Services PMI	Oct F	54.6	NA	54.7
5-Nov-2018	Markit US Composite PMI	Oct F	NA	NA	54.8
5-Nov-2018	ISM Non-Manufacturing Index	Oct	59.8	59.4	61.6
6-Nov-2018	JOLTS Job Openings	Sep	NA	NA	7136.0
7-Nov-2018	Consumer Credit	Sep	\$17.500b	\$16.000b	\$20.078b
8-Nov-2018	Initial Jobless Claims	03-Nov	217k	NA	214k
8-Nov-2018	FOMC Rate Decision (Upper Bound)	08-Nov	2.25%	2.25%	2.25%
8-Nov-2018	FOMC Rate Decision (Lower Bound)	08-Nov	2.00%	2.00%	2.00%
9-Nov-2018	PPI Final Demand MoM	Oct	0.3%	0.2%	0.2%
9-Nov-2018	PPI Ex Food and Energy MoM	Oct	0.2%	0.2%	0.2%
9-Nov-2018	U. of Mich. Sentiment	Nov P	98.1A	97.9	98.6
9-Nov-2018	Wholesale Inventories MoM	Sep F	0.3%	NA	0.3%

*Consensus from Bloomberg

Thanksgiving Comes Early This Year

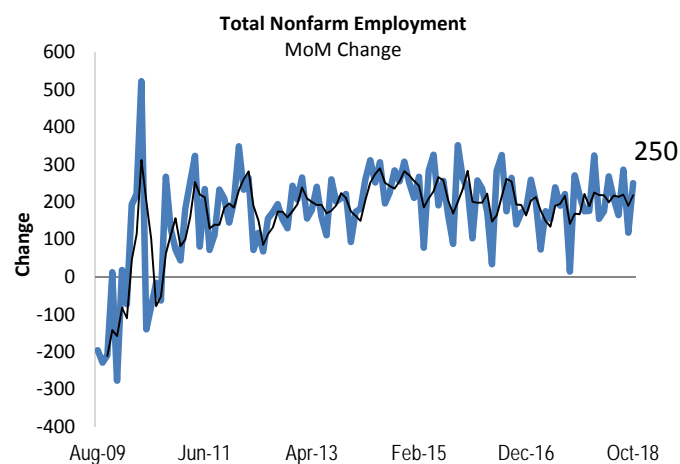
Rather than a scary October payroll report appropriate for the Halloween season, investors and analysts received an early Thanksgiving surprise. Nonfarm payrolls jumped by 250k in October up from 118k in September and well above the consensus forecast for 200k jobs. Another surprisingly robust jobs report that leaves very little to complain about.

Clearly, there was a strong bounce back from Hurricane Florence baked into October's job gains. September job gains were revised down to 118k from the 134k initially reported. But the Labor Department reported that Hurricane Michael "had no discernable effect" on jobs. Bad weather prevented 198k people from working last month. Average monthly job gains over the past three months of 218k is probably a better indicator of trend monthly U.S. job growth today, given the noise from the Fall hurricanes over the past two months.

Bottom-line, the U.S. job growth engine shows no sign of slowing down as yet. This will give the bulls on Wall Street more ammunition to drive prices higher today. It also raises the odds of another rate hike from the Fed in December. The Fed funds futures market is putting a 76.3% probability of a December rate hike this morning

in the wake of the strong October jobs report - an increase from 71.3% yesterday.

A Strong Bounce in Payroll Growth in October



Source: U.S. Bureau of Labor Statistics

Strong job growth was visible in manufacturing, construction, transportation and warehousing, and health care last month.

Broad-based Job Creation Continues Across Sectors

Nonfarm Employment MoM Growth

October 2018



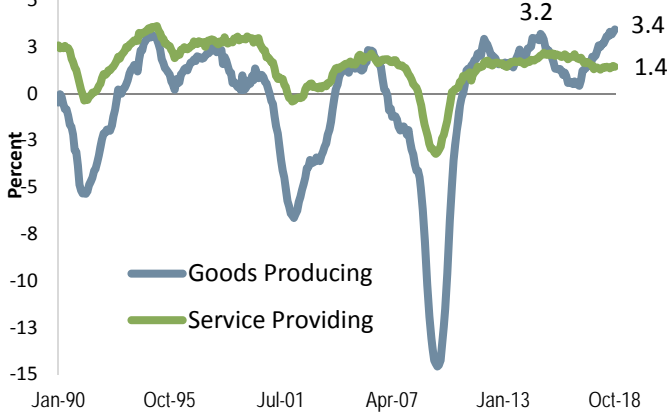
Source: BLS, Bank of the West Economics

One can clearly see the improvement in manufacturing and construction sector payroll growth over the past two years, while service sector payroll growth has downshifted a bit. In fact, goods sector payroll growth year-on-year hit a new expansion high in October at 3.4%.

Delivering On a Promise- Goods Production Is Back in the USA

Goods and Services Employment Growth

YoY % Change



Source: U.S. Bureau of Labor Statistics

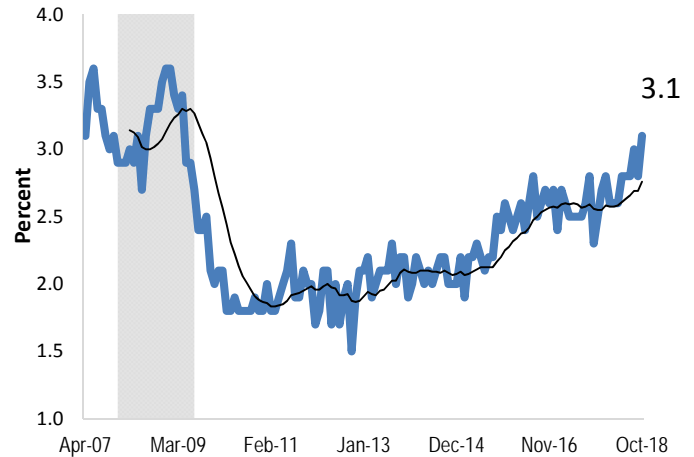
More good news came on the average hourly earnings growth front. Low unemployment rates finally appear to be lifting average hourly earnings growth. For the first time

in this expansion the average hourly earnings growth moved above 3.0%.

Earnings Growth Hits a New Milestone

Average Hourly Earnings of Private Employees

YoY % Change



Source: Bureau of Labor Statistics

Not only did the U.S. unemployment rate hold at a historically low 3.7% last month, but the labor force participation rate improved to 62.9% from 62.7% in September. Abundant job openings and rising wages are drawing people on the sidelines back into the labor force.

The labor market shows the resilience and strength of the U.S. economic expansion today, despite the headwinds expected from trade, slowing global growth, and heightened financial volatility. While we expect job growth to slow in the months ahead, that slowdown should be gradual. Today's jobs data will give the Federal Reserve the greenlight they need to continue with gradual rate hikes well into 2019. We continue to forecast three additional rate hikes from the Fed by the middle of 2019 before they pause with the next hike coming in December.

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Major Economic Indicators

Economic Data	History								Forecast				Yr/Yr % chg or Annual Avg.			
	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2016	2017	2018	2019
Real GDP*	1.8	3.0	2.8	2.3	2.2	4.2	3.5	2.4	2.2	2.1	1.9	1.8	1.5	2.2	2.9	2.5
Personal Consumption Expenditures*	1.8	2.9	2.2	3.9	0.5	3.8	4.0	2.6	2.3	2.3	2.1	1.9	2.7	2.5	2.7	2.6
Non-residential Fixed Investment*	9.6	7.3	3.4	4.8	11.5	8.7	0.8	5.7	3.9	4.1	3.7	3.4	-0.6	5.3	6.7	4.2
Private Housing Starts (000s units)	1,231	1,171	1,172	1,259	1,317	1,261	1,218	1,280	1,290	1,280	1,277	1,275	1,176	1,208	1,269	1,281
Vehicle Sales (mill. Units, annualized)	17.1	16.8	17.1	17.7	17.1	17.1	17.1	16.9	16.5	16.5	16.4	16.3	17.5	17.2	17.1	16.4
Industrial Production*	1.0	5.0	-1.5	7.7	2.5	5.3	3.3	2.6	2.2	2.0	1.7	1.5	-1.2	1.6	3.7	2.5
Nonfarm Payroll Employment (mil.)	145.9	146.3	146.9	147.4	148.1	148.7	149.3	149.9	150.4	150.9	151.3	151.7	144.3	146.6	149.0	151.1
Unemployment rate	4.7	4.3	4.3	4.1	4.1	3.9	3.8	3.7	3.6	3.6	3.7	3.8	4.9	4.4	3.9	3.7
Consumer Price Index* (percent)	3.0	0.1	2.1	3.3	3.5	1.7	2.0	3.0	2.5	2.0	2.1	2.1	1.3	2.1	2.5	2.3
"Core" CPI* (percent)	2.2	0.8	1.8	2.2	3.0	1.8	2.0	2.3	2.4	2.2	2.1	2.1	2.2	1.8	2.2	2.2
PPI (finished goods)* (percent)	5.7	1.0	1.6	5.7	3.6	2.7	2.2	4.1	1.9	1.8	1.7	1.7	-1.0	3.2	3.2	2.3
Trade Weighted Dollar (Fed BOG, major)	94.4	93.0	88.3	88.9	86.2	88.2	90.2	91.1	90.8	90.4	89.6	88.5	91.6	91.1	88.9	89.8
Crude Oil Prices -WTI (\$ per barrel)	52	48	48	55	63	68	70	70	67	66	65	63	43	51	68	65

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

Financial Data	History								Forecast				Annual Average			
	2017.1	2017.2	2017.3	2017.4	2018.1	2018.2	2018.3	2018.4	2019.1	2019.2	2019.3	2019.4	2016	2017	2018	2019
S & P 500	2,326	2,398	2,467	2,603	2,733	2,703	2,850						2,093	2,449		
Dow Jones Industrial Average	20,406	20,994	21,891	23,689	25,127	24,556	25,595						17,916	21,745		
Federal Funds Rate (effective)	0.70	0.94	1.15	1.20	1.45	1.74	1.92	2.21	2.46	2.71	2.88	2.88	0.39	1.00	1.83	2.73
Treasury-3 Month Bills (yield)	0.61	0.91	1.05	1.23	1.58	1.87	2.07	2.22	2.48	2.73	2.90	2.89	0.32	0.95	1.94	2.75
Treasury-2 Year Notes (yield)	1.24	1.30	1.36	1.69	2.16	2.48	2.67	2.90	2.96	3.06	3.07	3.06	0.84	1.40	2.55	3.04
Treasury-5 Year Notes (yield)	1.95	1.81	1.81	2.07	2.53	2.77	2.81	3.03	3.15	3.25	3.27	3.21	1.34	1.91	2.78	3.22
Treasury-10 Year Notes (yield)	2.45	2.26	2.24	2.37	2.76	2.92	2.92	3.15	3.29	3.42	3.48	3.41	1.84	2.33	2.94	3.40
Treasury-30 Year Notes (yield)	3.05	2.90	2.82	2.82	3.03	3.09	3.06	3.31	3.51	3.65	3.64	3.57	2.60	2.90	3.12	3.59
Prime Rate	3.80	4.05	4.25	4.29	4.53	4.80	5.01	5.25	5.50	5.75	6.00	6.00	3.51	4.10	4.90	5.81
Libor 3-Mo. U.S. Dollar	1.07	1.21	1.31	1.46	1.93	2.34	2.34	2.43	2.66	2.91	3.02	3.03	0.74	1.26	2.26	2.91
Mortgage-30 Year (yield)	4.17	3.98	3.88	3.92	4.28	4.54	4.57	4.80	4.97	5.08	5.13	5.05	3.66	3.99	4.55	5.06
BAA Corporate (yield)	4.66	4.49	4.33	4.27	4.47	4.78	4.81	5.08	5.40	5.60	5.80	6.10	4.71	4.44	4.78	5.73

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