



Economic Outlook

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Please read the important disclosure information in the Addendum section of this presentation.

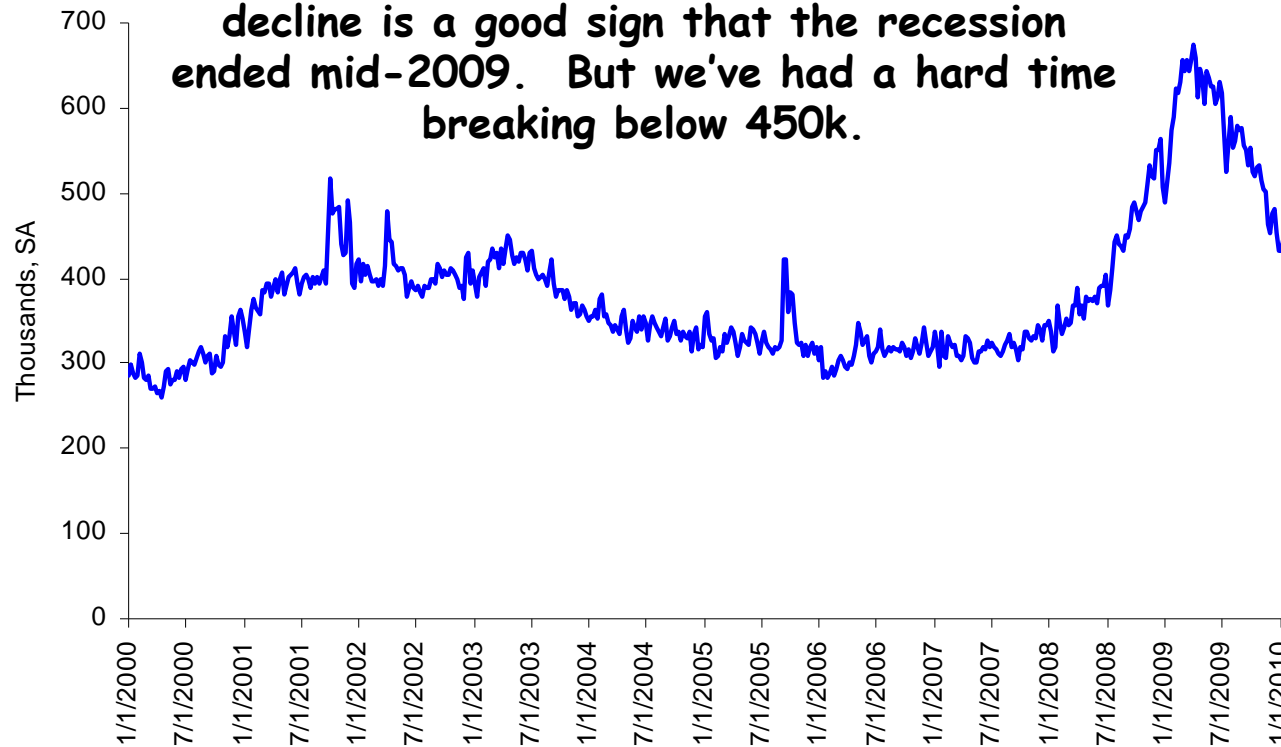
Outlook: Moderate Growth, Rolling Debt Crisis

- **Moderate growth from low base. First half job growth in U.S., but high unemployment and rolling fiscal/debt problems. Key variable: spreading umbrella of too-big-to-fail versus spending concessions by distressed debtors (Greece, U.S. states and municipalities.)**
- **Washington trying more federal spending, but not addressing employment obstacles -- threat of high tax rates, mortgage/housing mess, the regulatory/accounting/bank credit crunch on small businesses, weak dollar policy, broad policy uncertainty.**
- **Continuation of emergency monetary stimulus into the recovery has distorted commodity prices, capital flows (away from the U.S.), the yield curve and interbank lending. Fed speeches suggest too gradual an exit from 2009's emergency stimulus to reach market-clearing funds rate.**

Initial Unemployment Claims

(last obs. February 20, 2010)

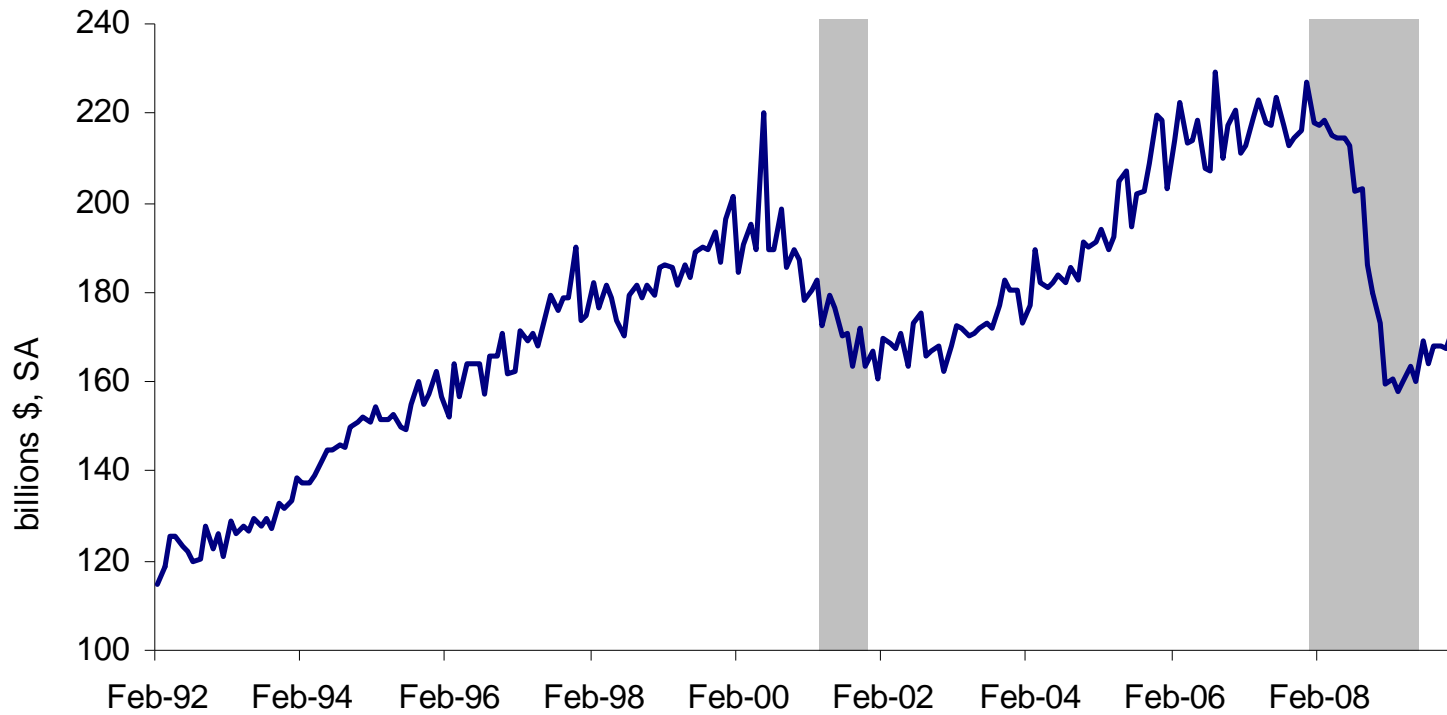
Initial claims have fallen below 500k. The decline is a good sign that the recession ended mid-2009. But we've had a hard time breaking below 450k.



Source: Department of Labor; Encima Global

Durable Goods New Orders – Medium Growth, Lower Base

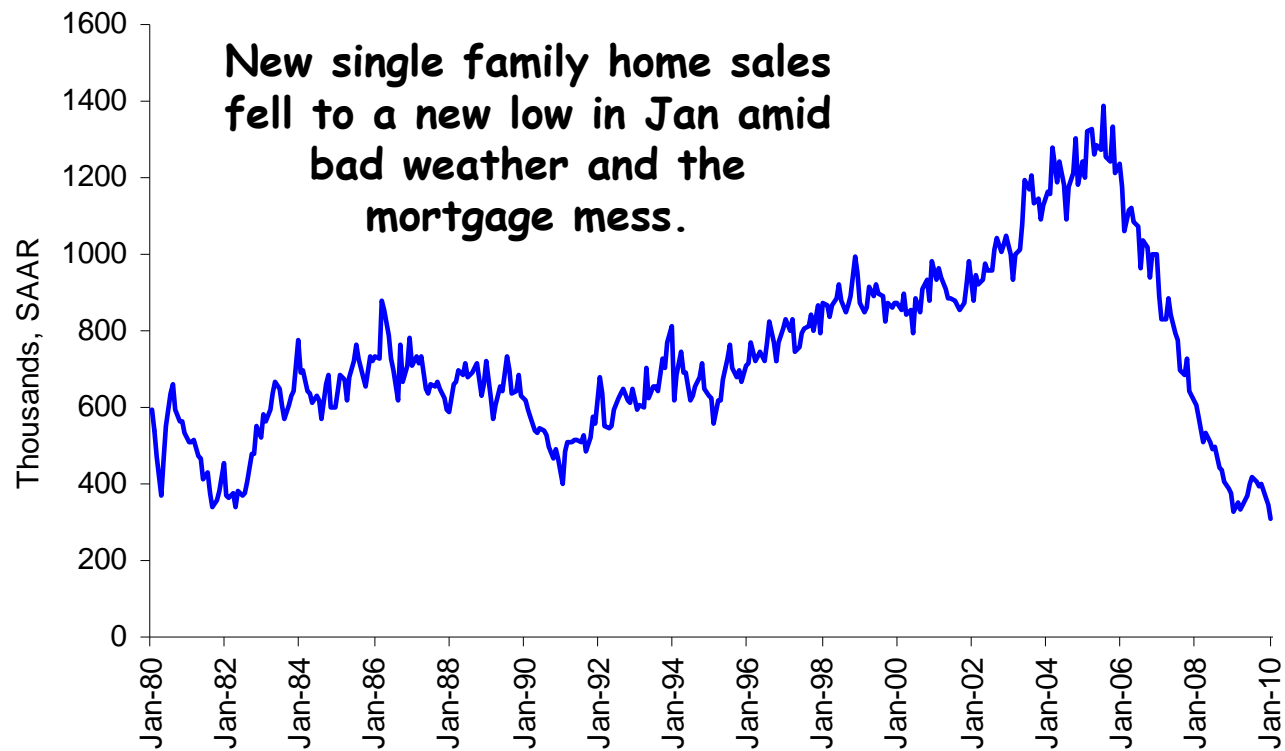
(last obs. January 2010)



Source: Census Bureau; Encima Global

New Single Family Home Sales

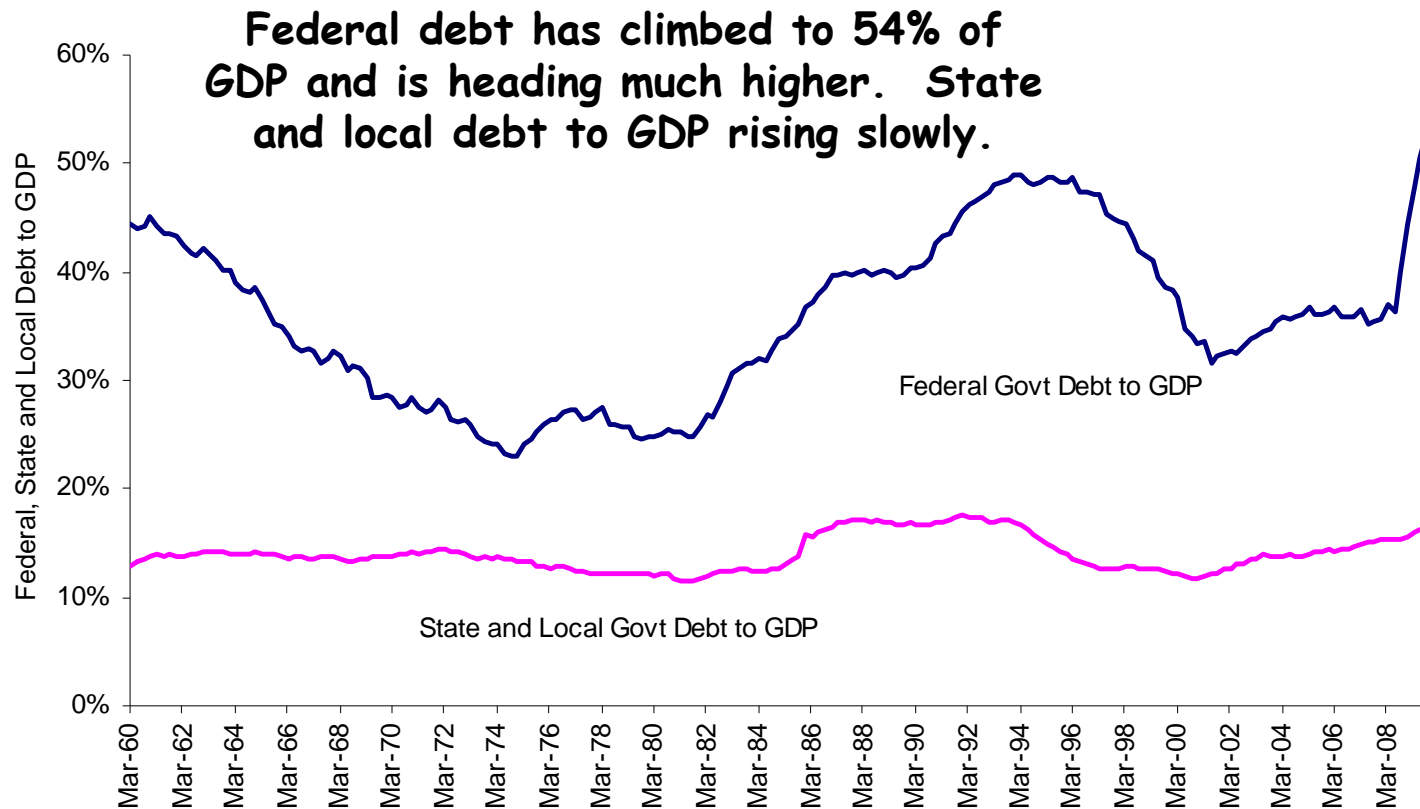
(last obs. January 2010)



Source: Census Bureau; Encima Global

Government Debt to GDP

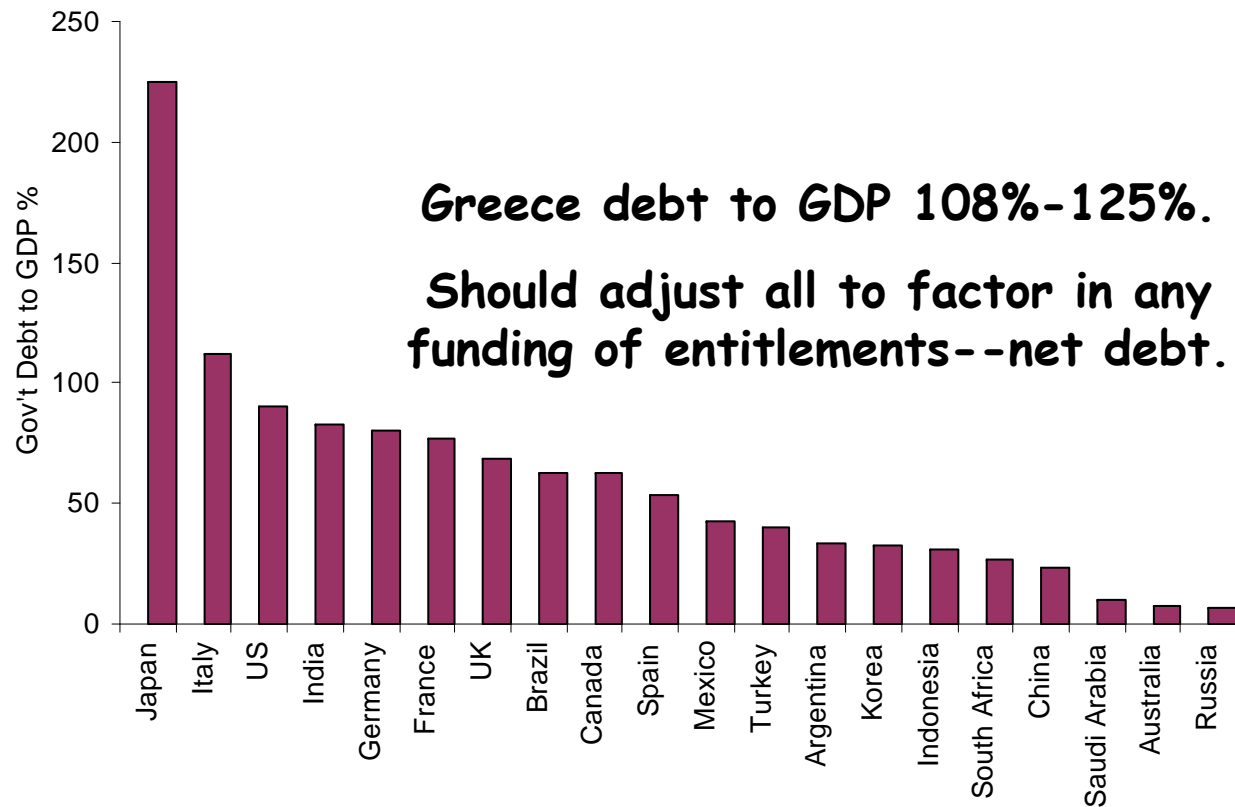
(last obs. federal Q4 2009, state and local Q3 2009)



Source: Federal Reserve Flow of Funds; Bureau of Economic Analysis; Encima Global

G-20 Countries Government Gross Debt to GDP

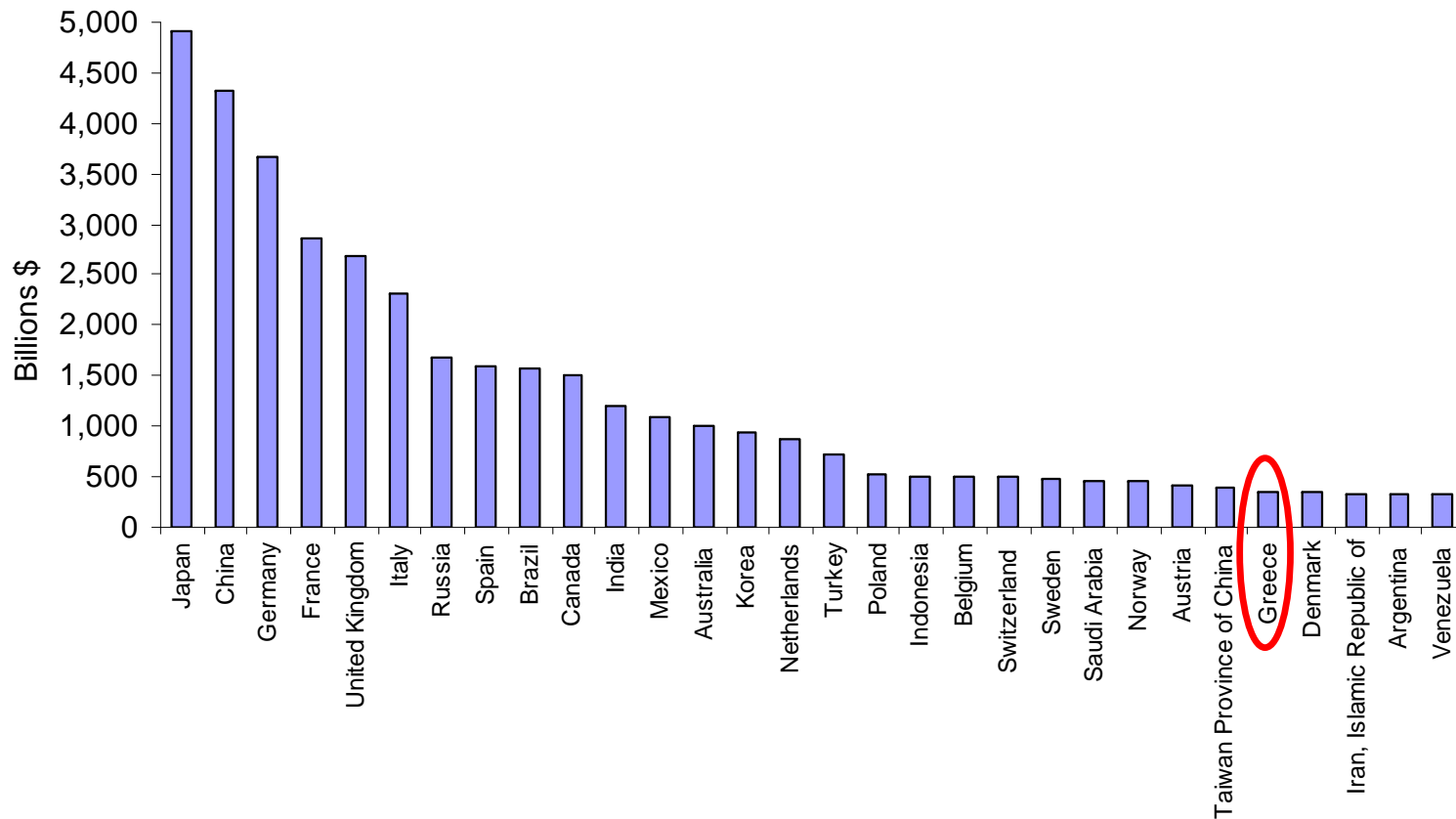
(estimated for 2010)



Source: International Monetary Fund: Encima Global

World ex US 2008 Nominal \$ GDP

(last obs. 2008)



Source: IMF, Encima Global

Largest US States 2008 Nominal \$ GDP

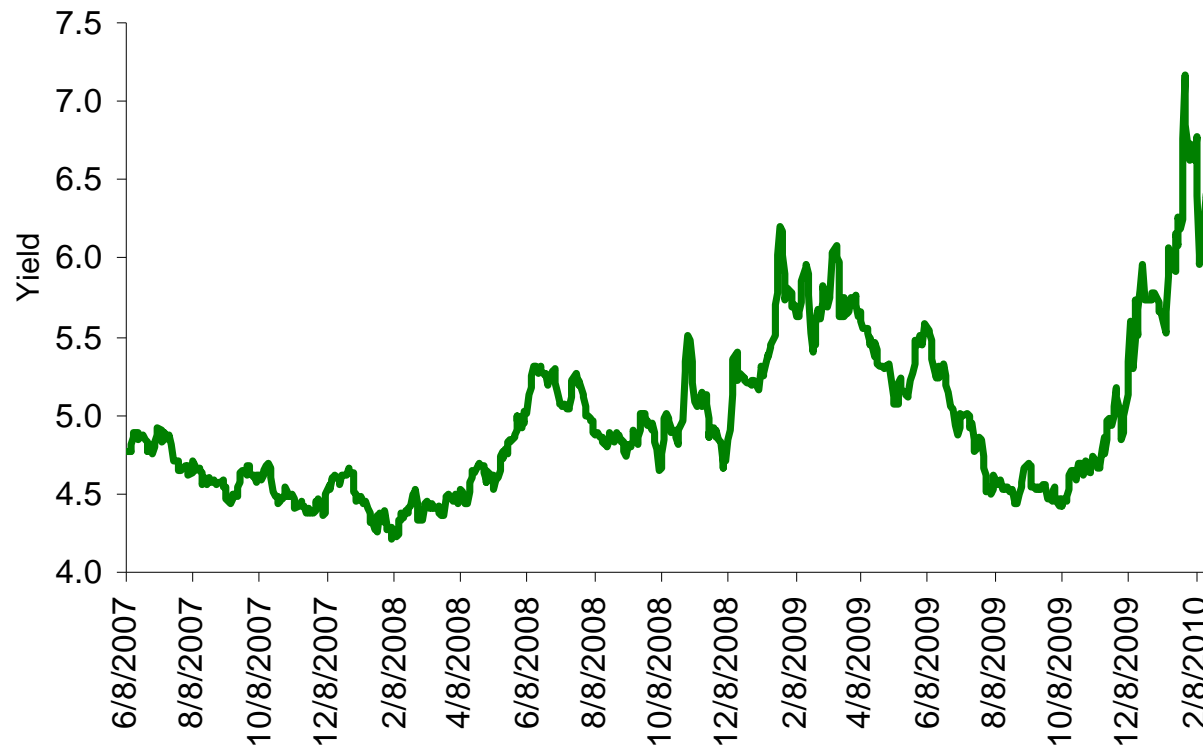
(last obs. 2008)



Source: Census Bureau; Encima Global

Greece Yield

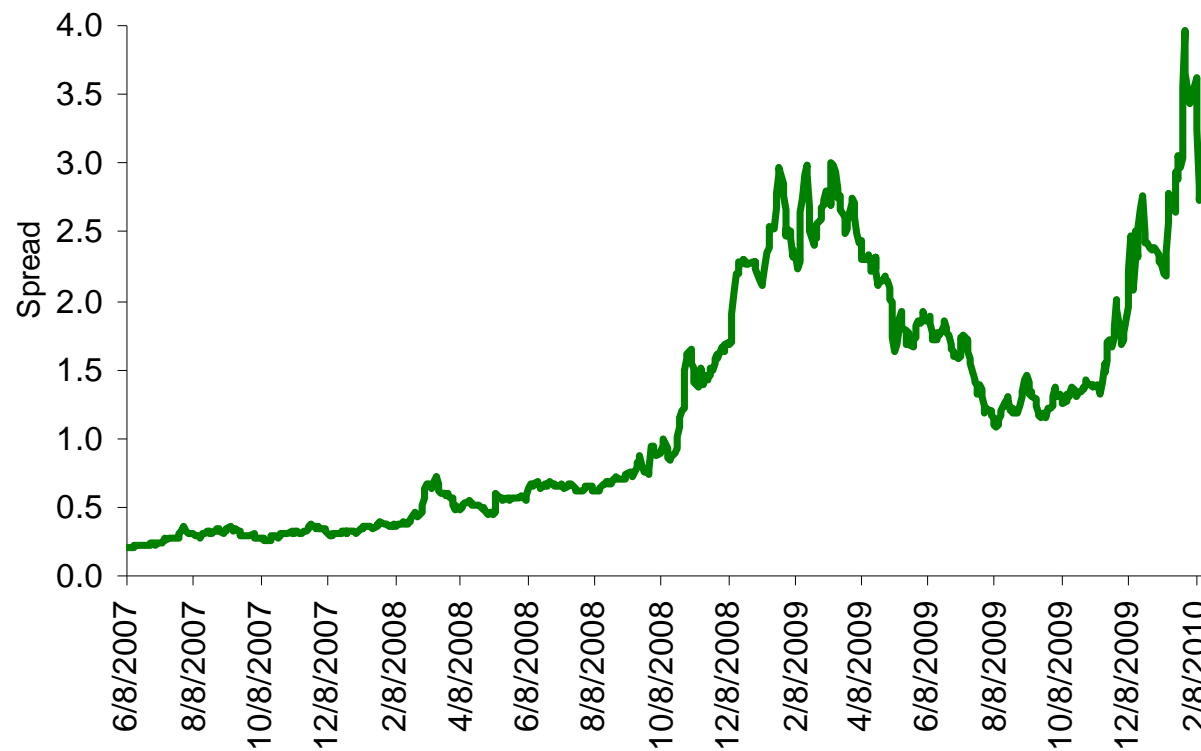
(last obs. February 25, 2010)



Source: Bloomberg; Encima Global

Greece – Germany 10-Yr Bond Spread

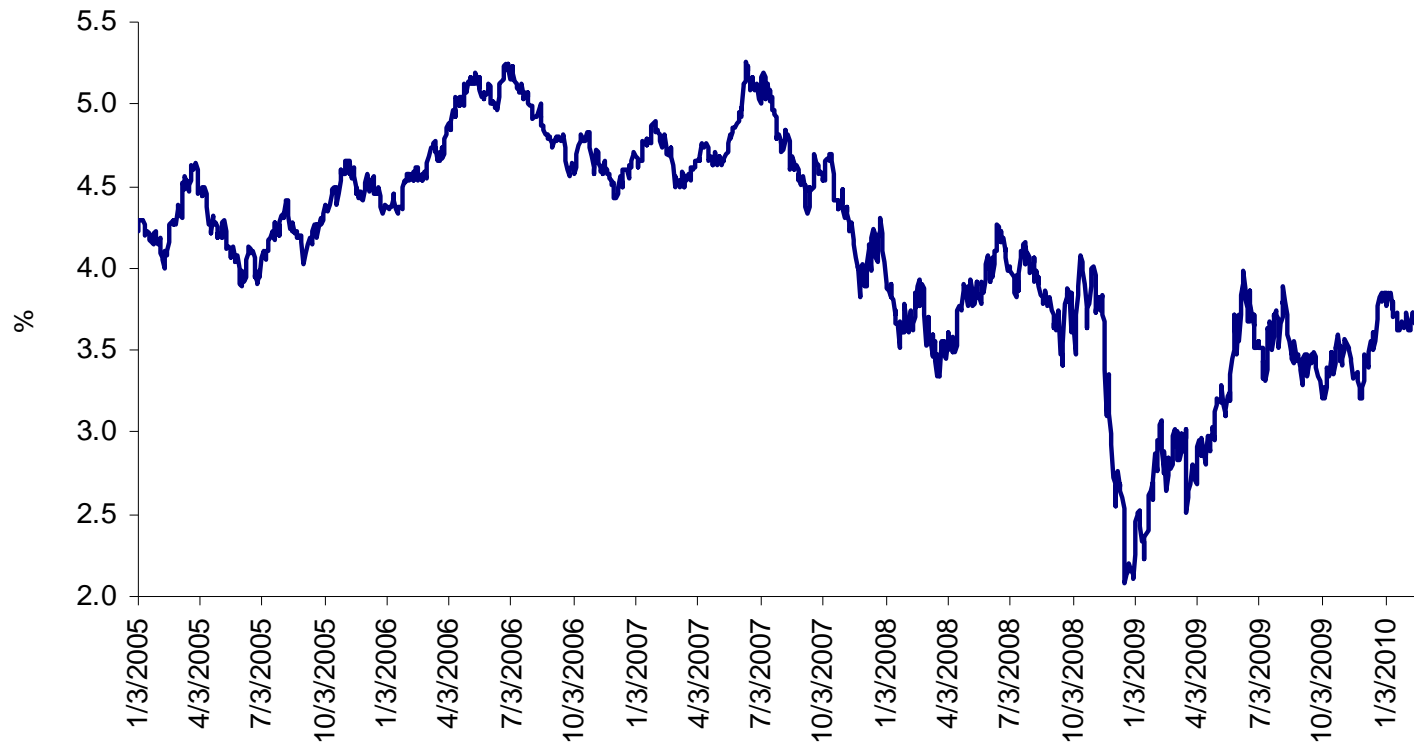
(last obs. February 25, 2010)



Source: Bloomberg; Encima Global

Ten Year US Treasury Yield

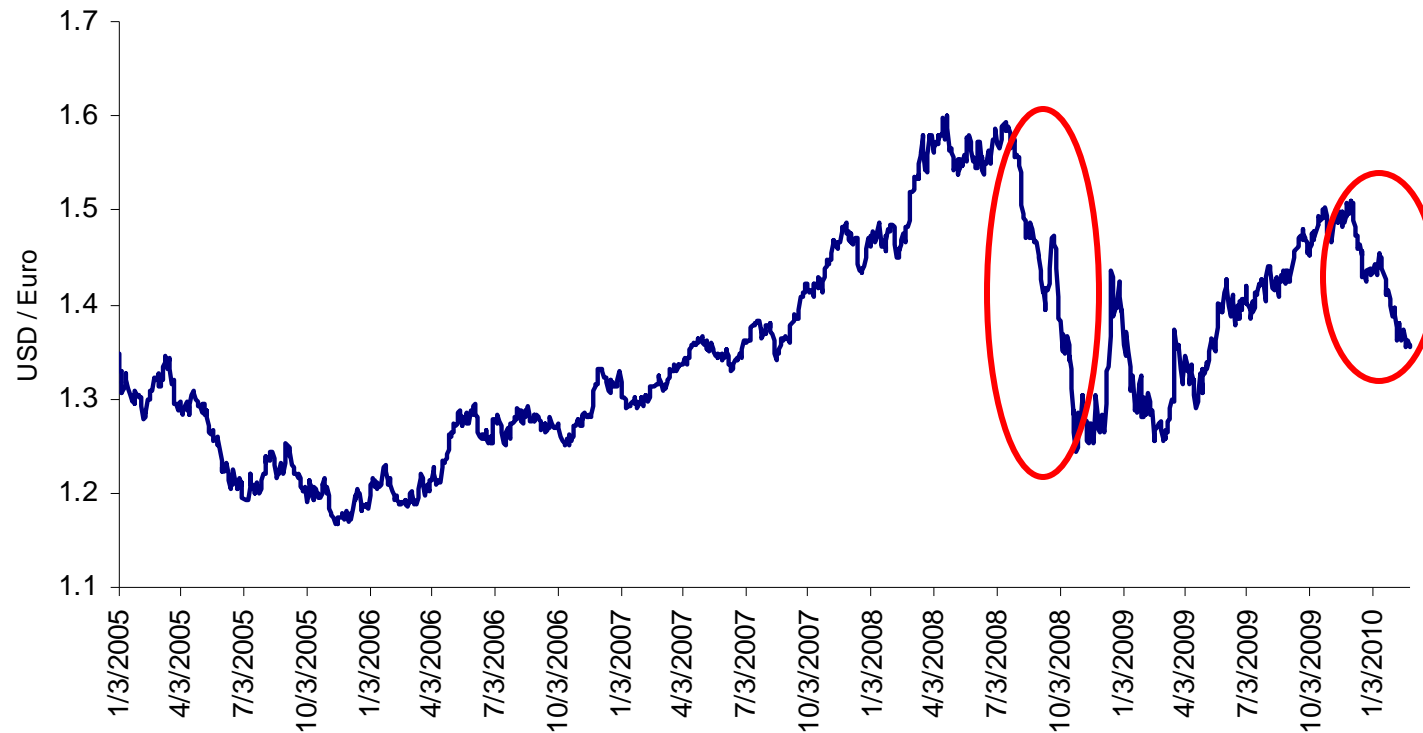
(last obs. February 25, 2010)



Source: Federal Reserve; Encima Global

USD / Euro

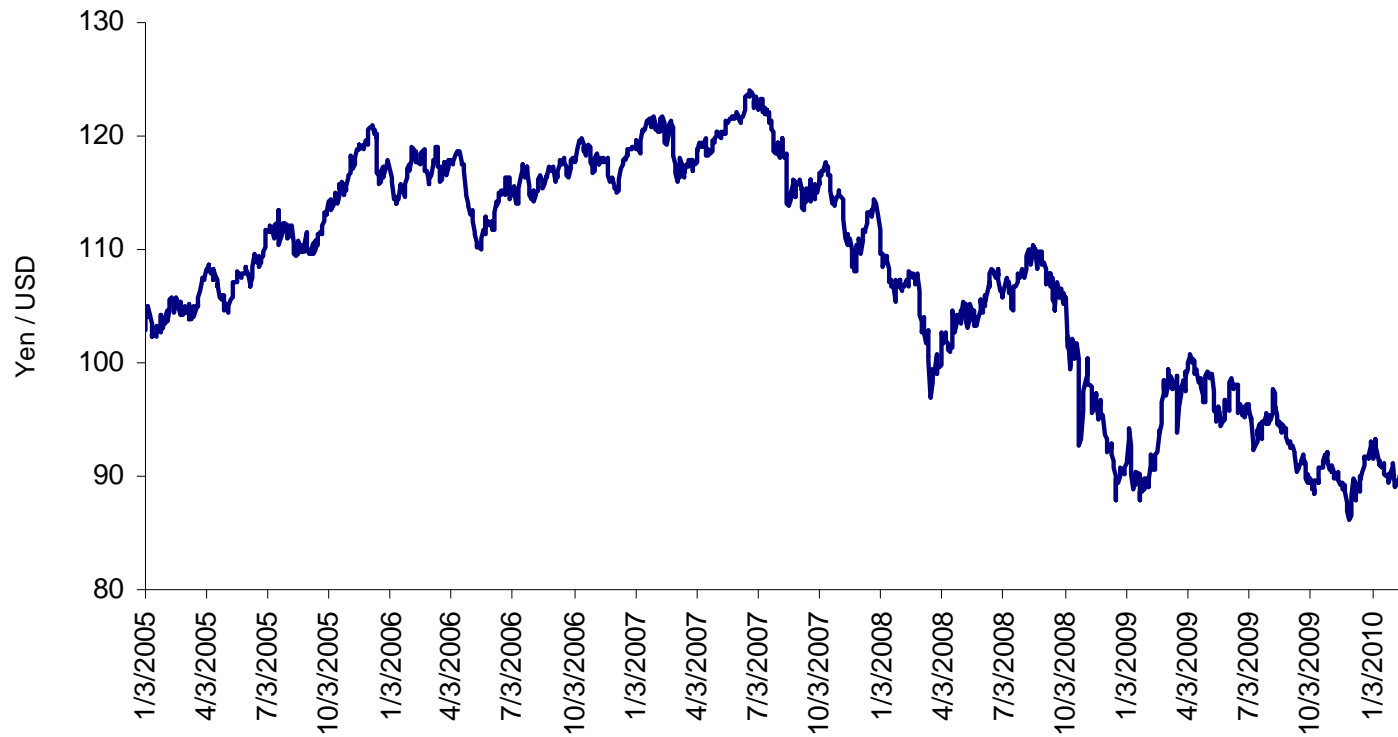
(last obs. February 25, 2010)



Source: Federal Reserve; Encima Global

Yen / USD

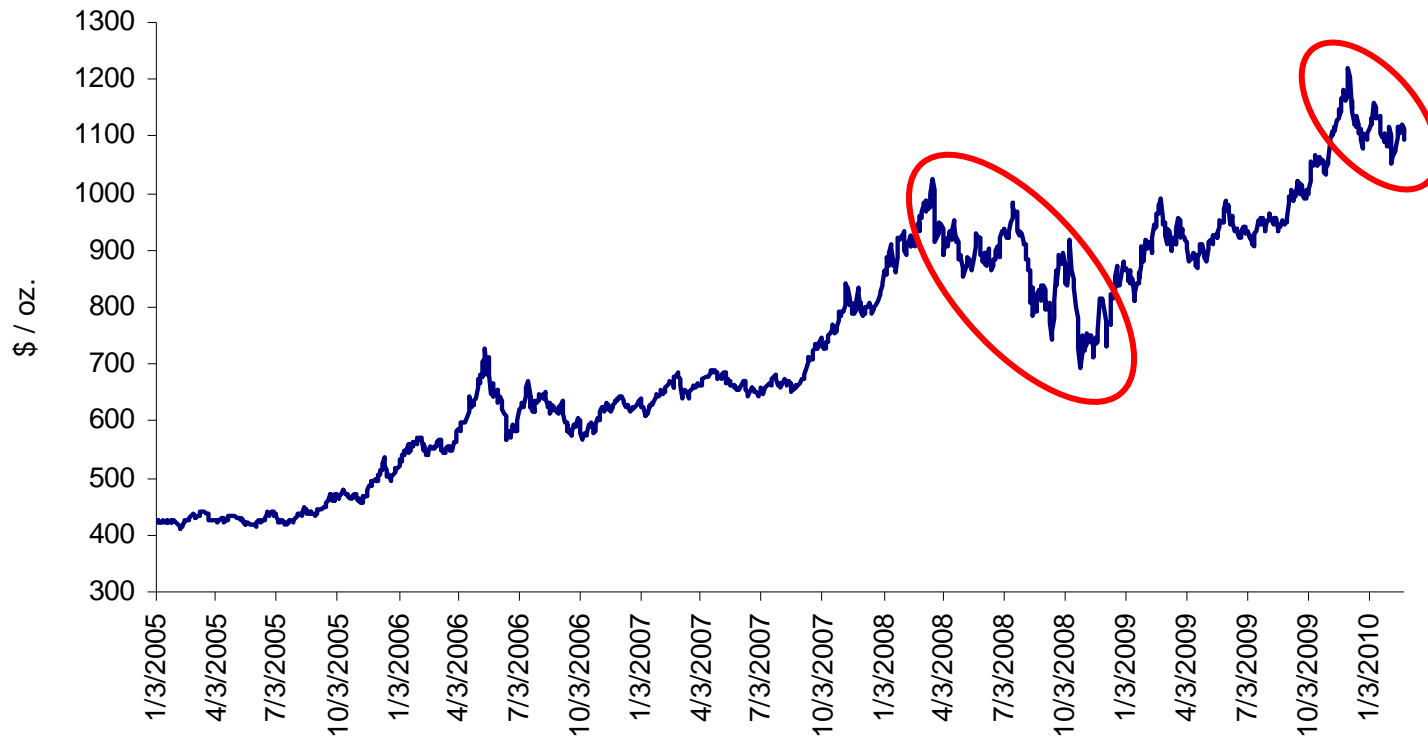
(last obs. February 25, 2010)



Source: Federal Reserve; Encima Global

Gold Price

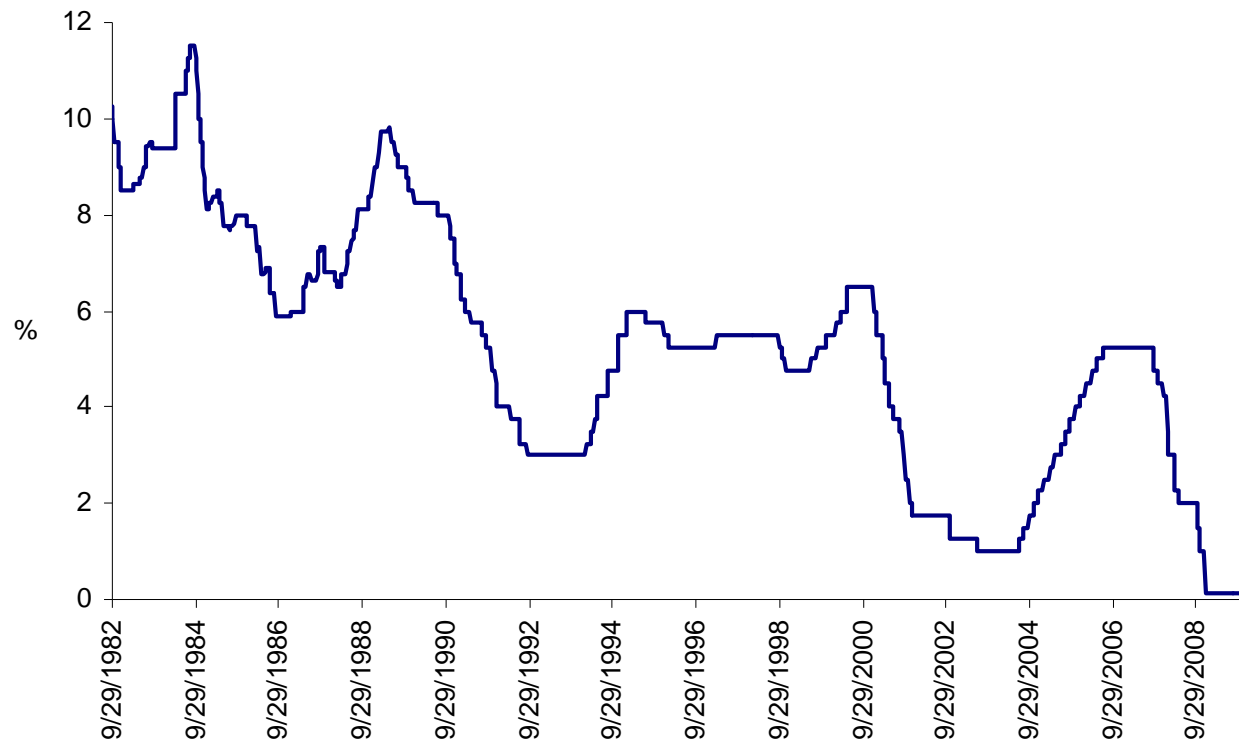
(last obs. February 25, 2010)



Source: Wall Street Journal; Encima Global

Fed Funds Rate Target

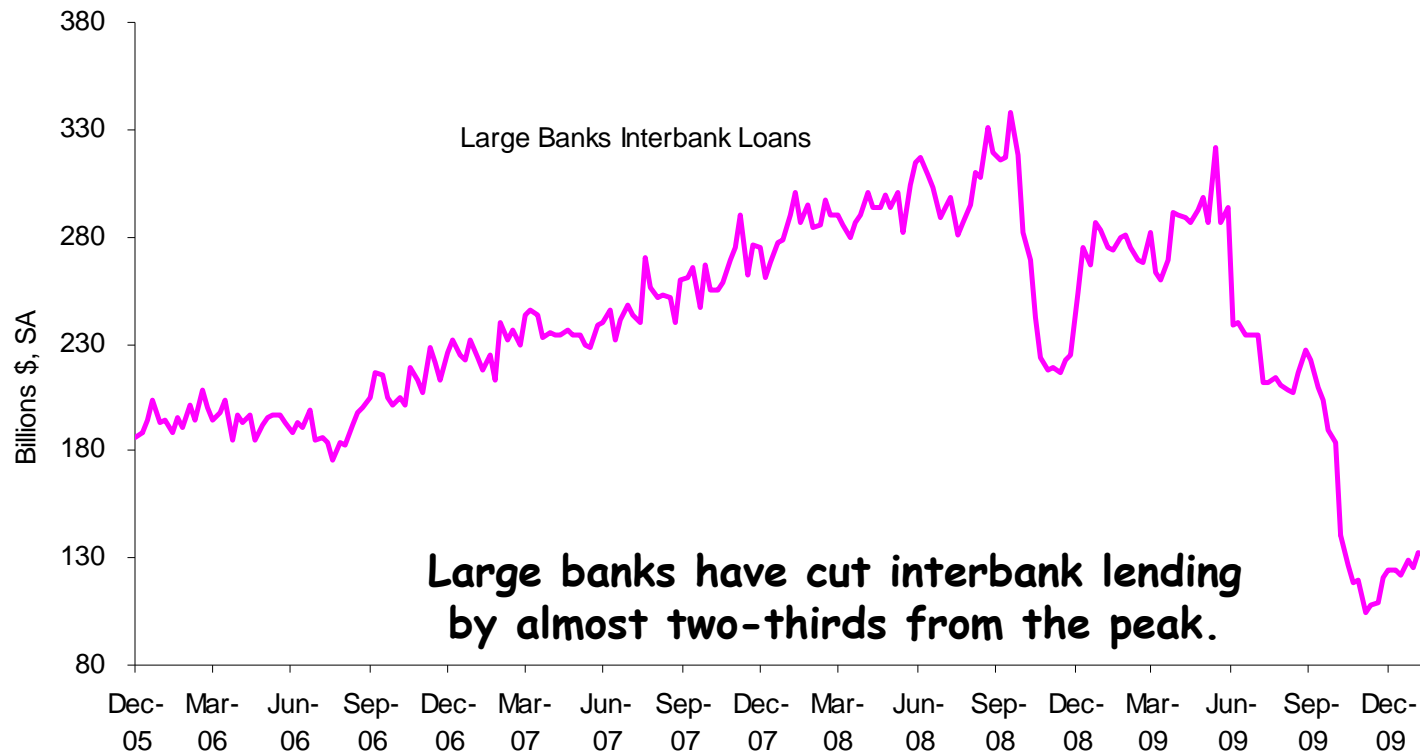
(last obs. February 25, 2010)



Source: Federal Reserve; Encima Global

Interbank Credit Rationing at Large Banks

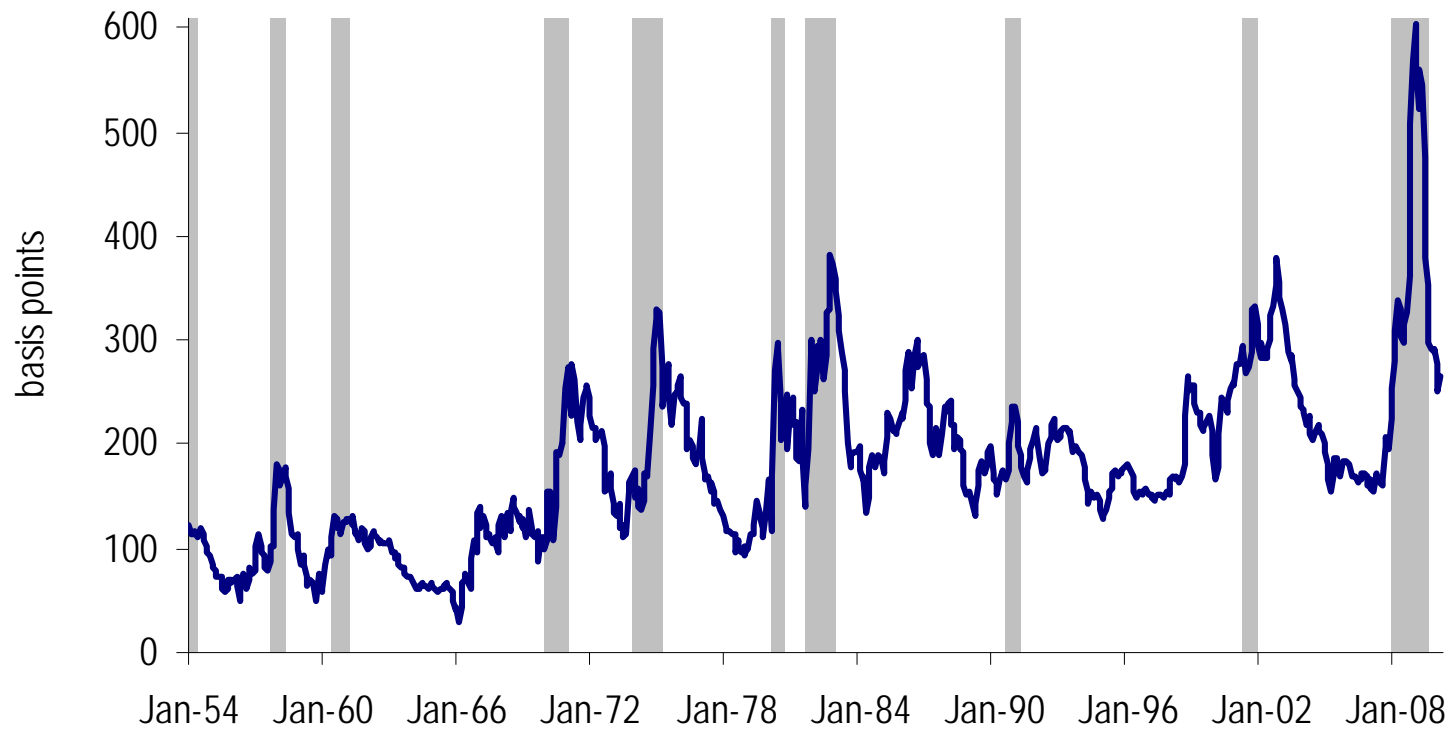
(last obs. February 10, 2010)



Source: Federal Reserve Board; Encima Global

Baa Yield minus 10 Yr US Treasury

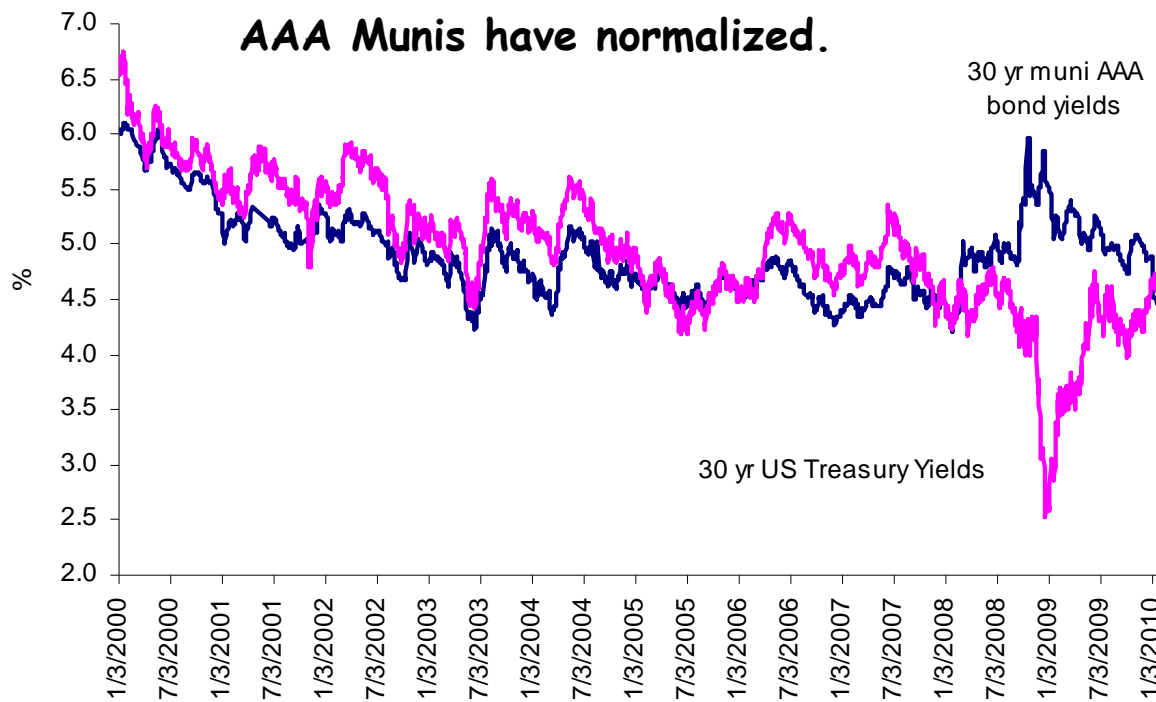
(last obs. February 25, 2010)



Source: Federal Reserve; Encima Global

30 Yr AAA Muni Bond Yields and US Treasuries

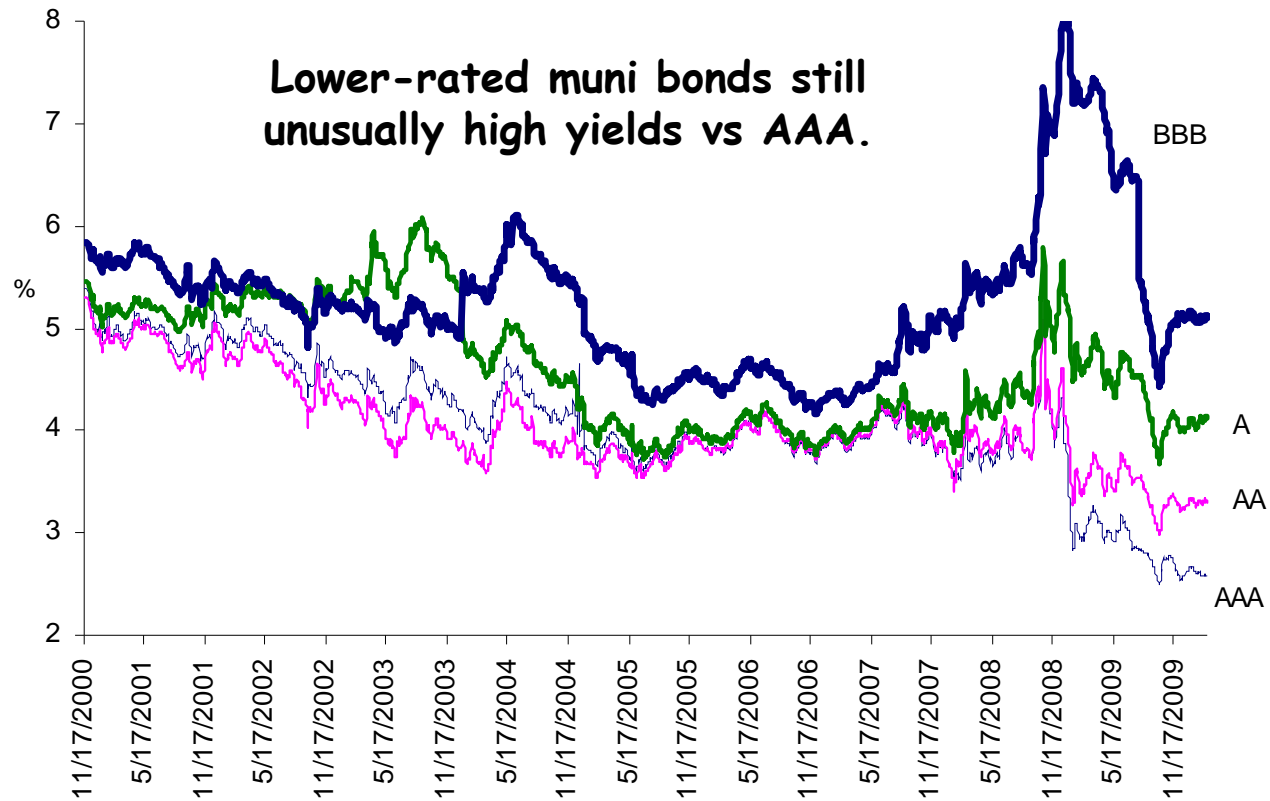
(last obs. February 24, 2010)



Source: Wall Street Journal; Encima Global

Municipal Bonds Effective Yields

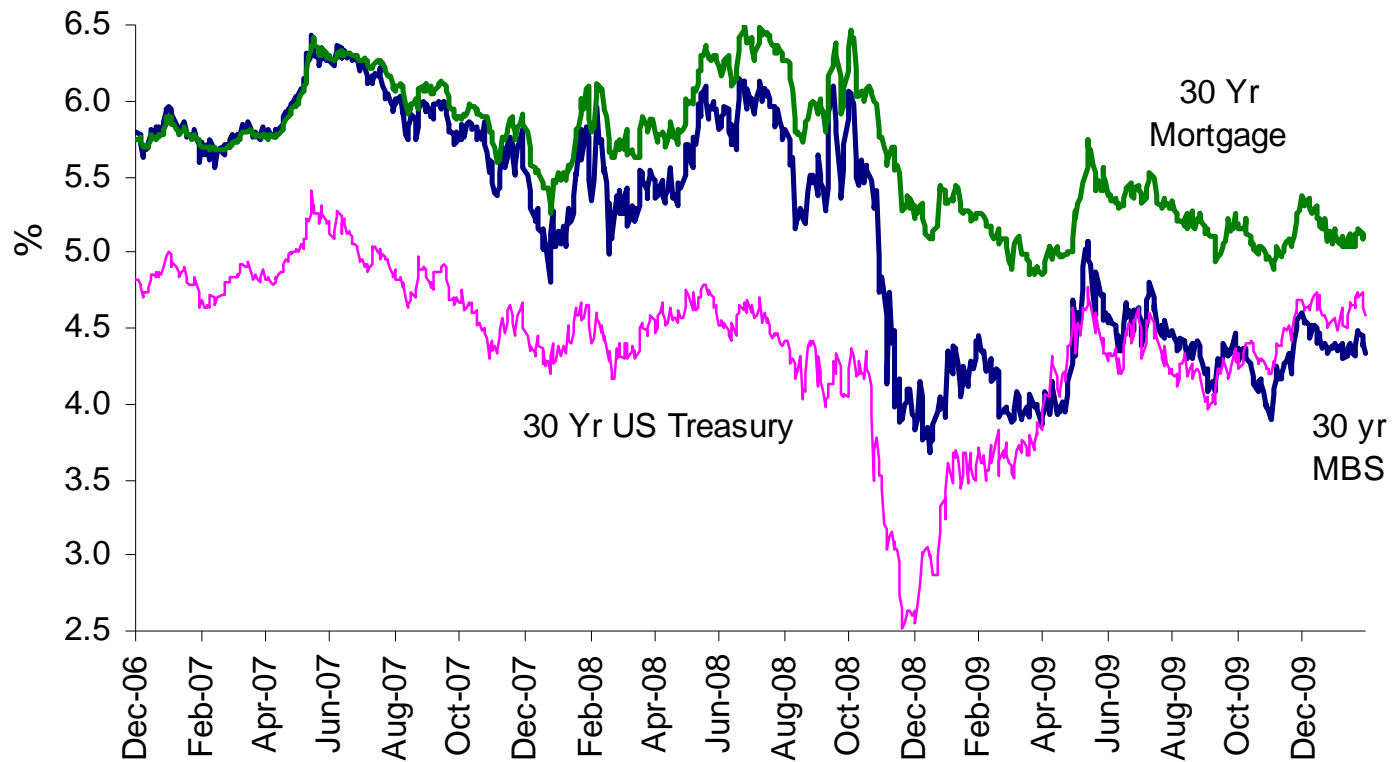
(last obs. February 24, 2010)



Source: Merrill Lynch; Encima Global

MBS Yield Converged with Treasuries

(last obs. February 25, 2010)



Source: Bloomberg; Encima Global



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