



# **Structural Reforms Globally**

## **July 14, 2010**

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

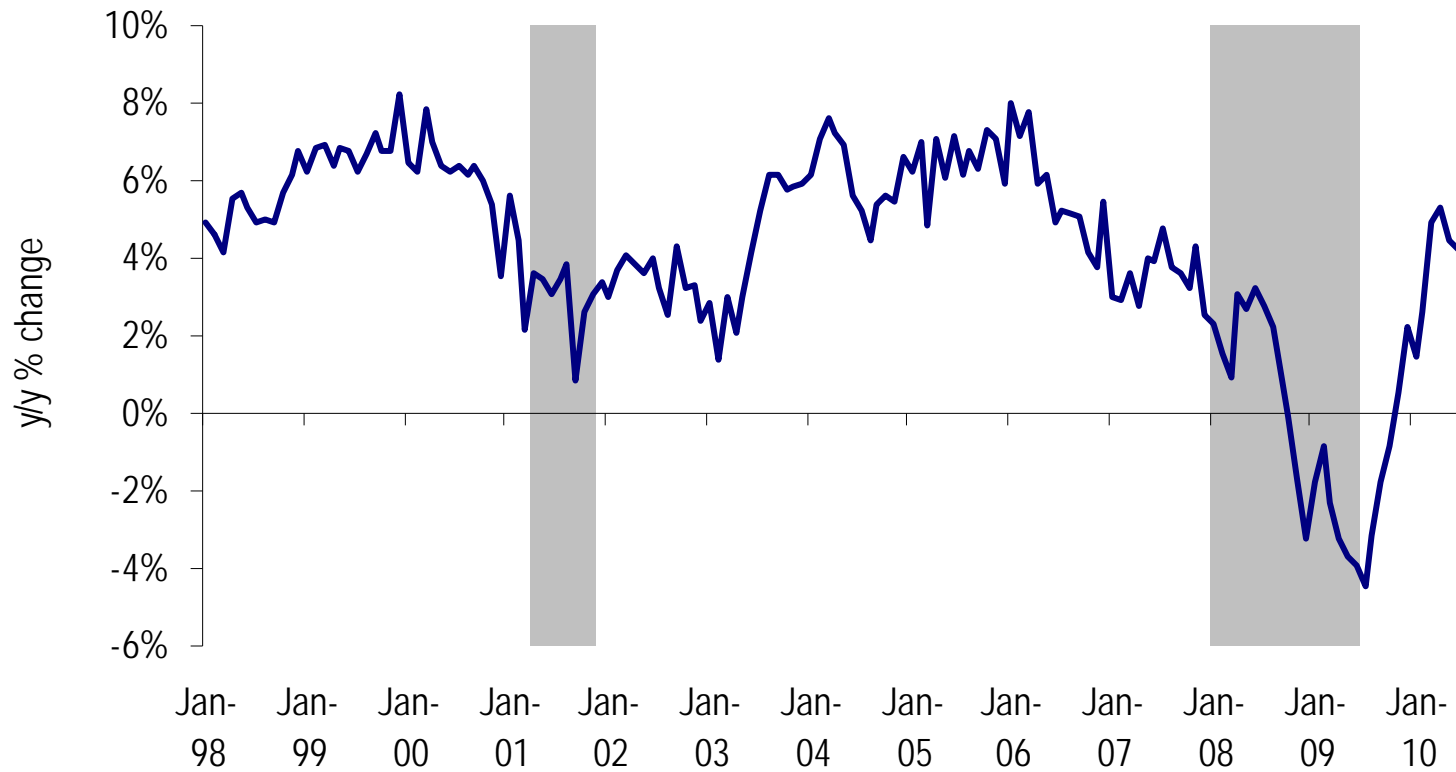
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## **Global Recovery; Structural Reforms Matter**

- **We continue to expect moderate growth from the low economic base established in the 2009 recession, not a V or a double dip. The ECB and China are taking supportive actions to offset their slowdowns.**
- **Drags on growth: High levels of government spending in slow-growing countries; the shift to big entities doing the capital allocation rather than smaller ones; in the U.S., the looming tax increase, regulatory drag and the credit problems facing small businesses.**
- **Emerging markets are growing fast. Interest rates and bond yields in developed countries are very low, creating a rapid shift in global capital structures.**

# Retail Sales ex Autos and Gas

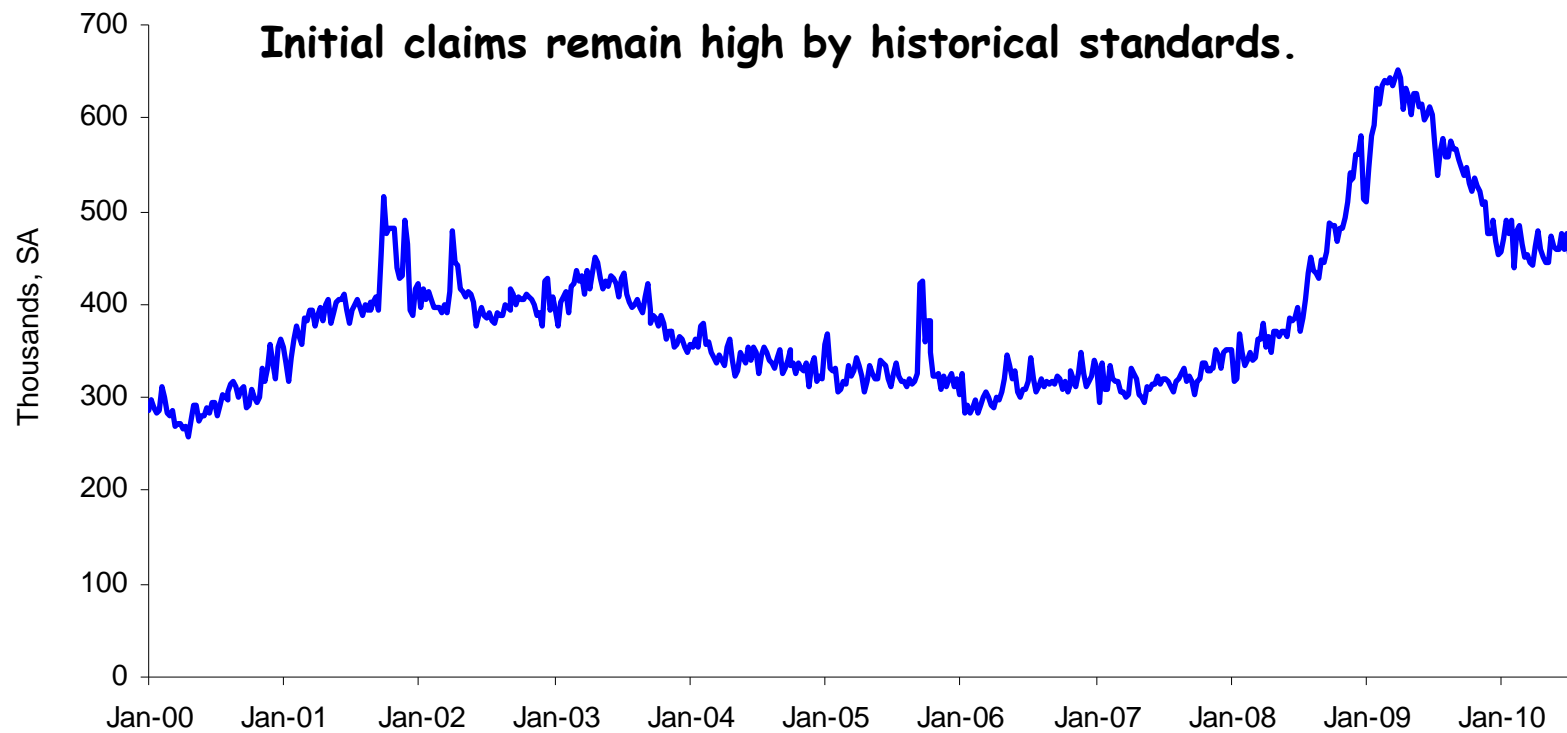
(last obs. June 2010)



Source: Census Bureau; Encima Global

# Initial Unemployment Claims Remain High

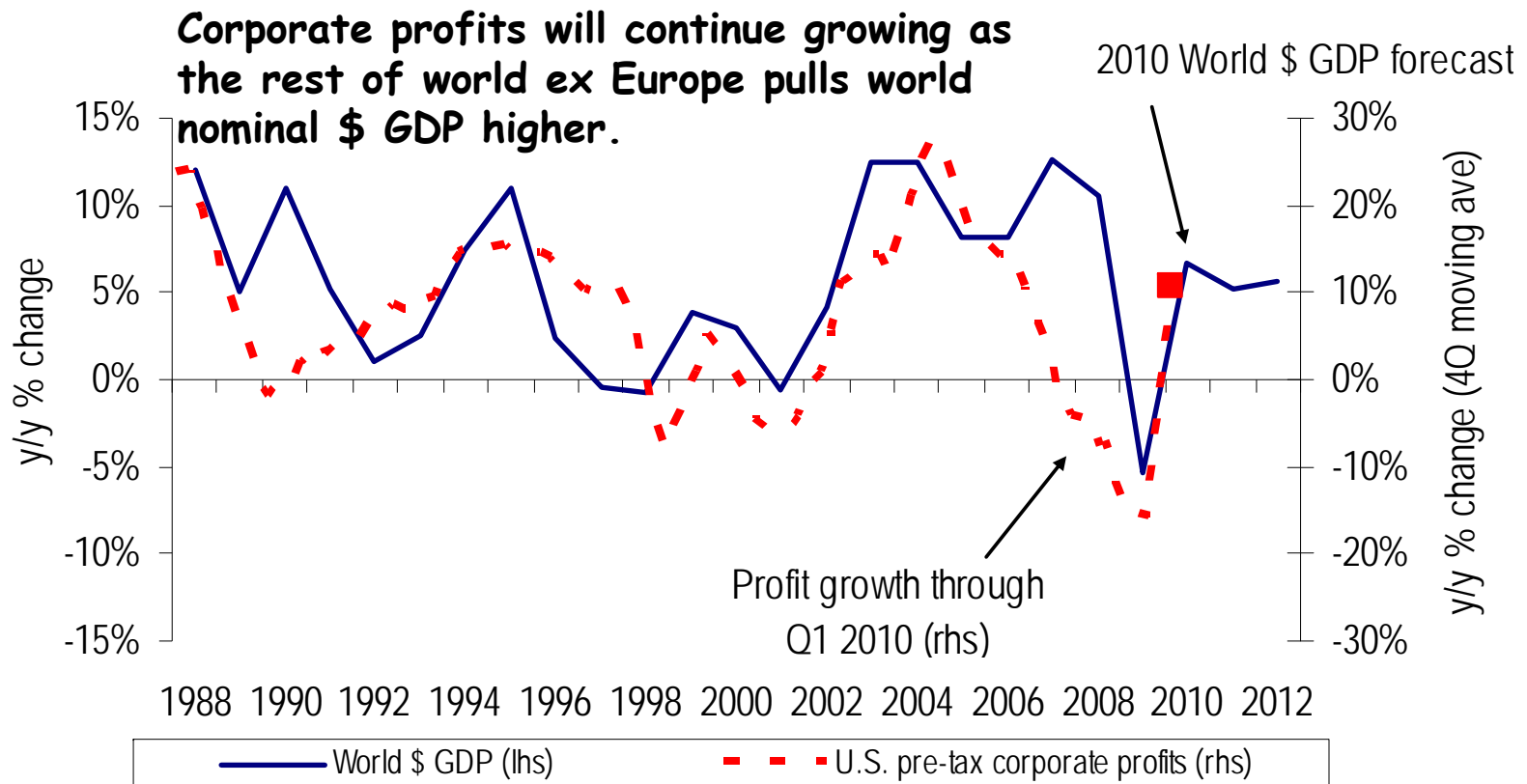
(last obs. July 3, 2010)



Source: Bureau of Labor Statistics; Encima Global

# World Nominal \$ GDP and US NIPA Corporate Profits

(last obs. Q1 2010)

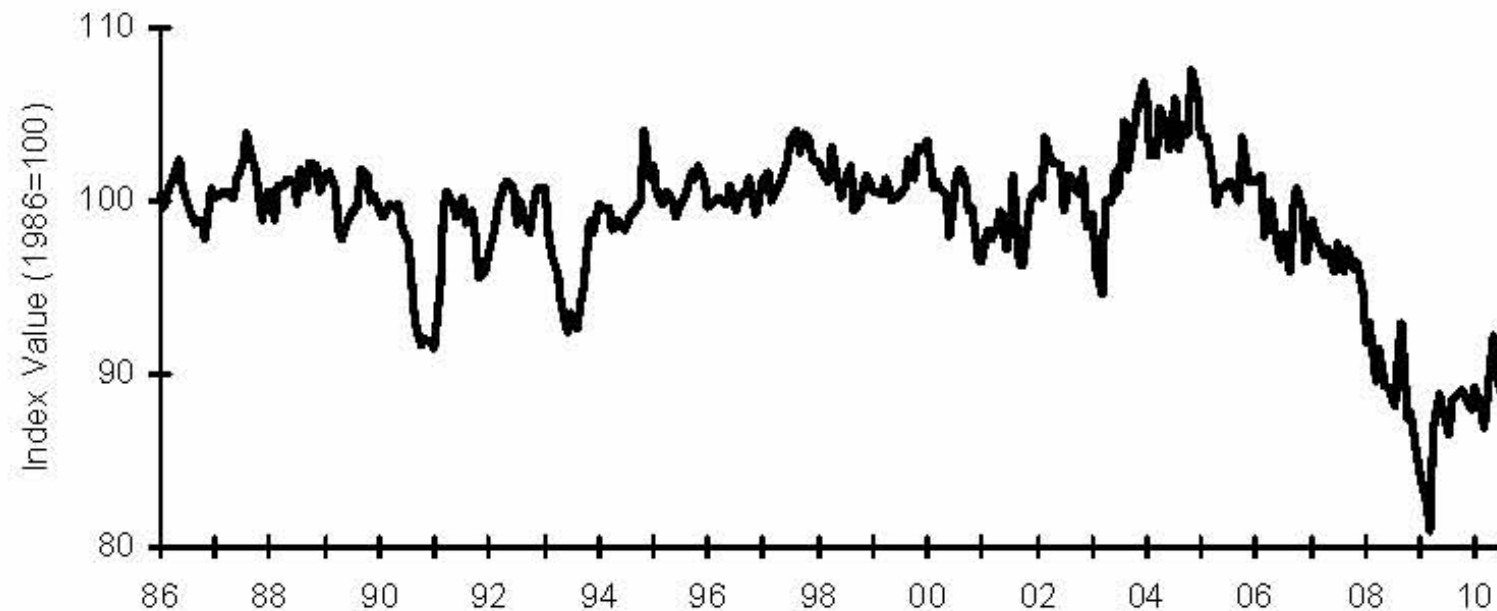


Source: IMF; Bureau of Economic Analysis; Encima Global

# Small Business Optimism Retreats

(last obs. June 2010)

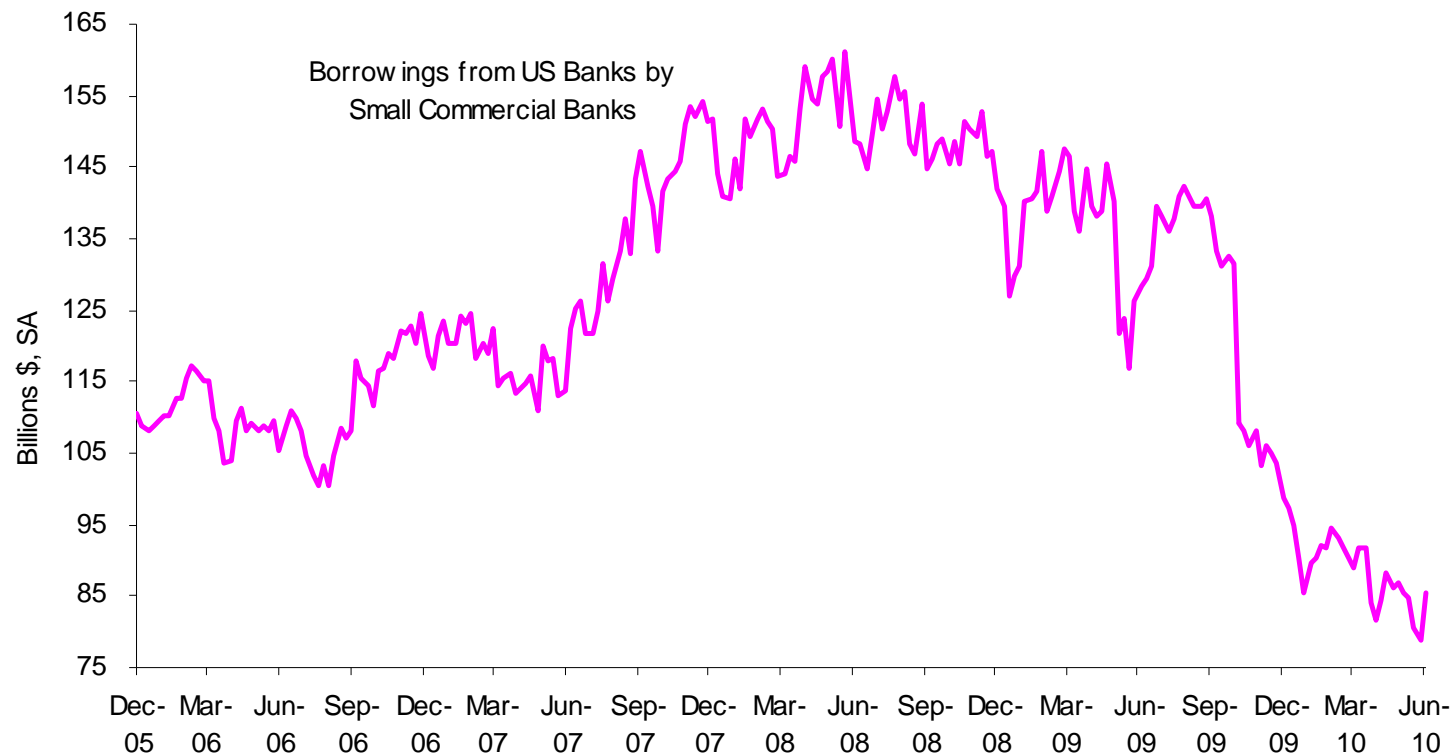
Based on Ten Survey Indicators  
*(Seasonally Adjusted 1986=100)*



Source: National Federation of Independent Small Business; Encima Global

# Near-Zero Fed Funds Rate Causing Interbank Credit Rationing

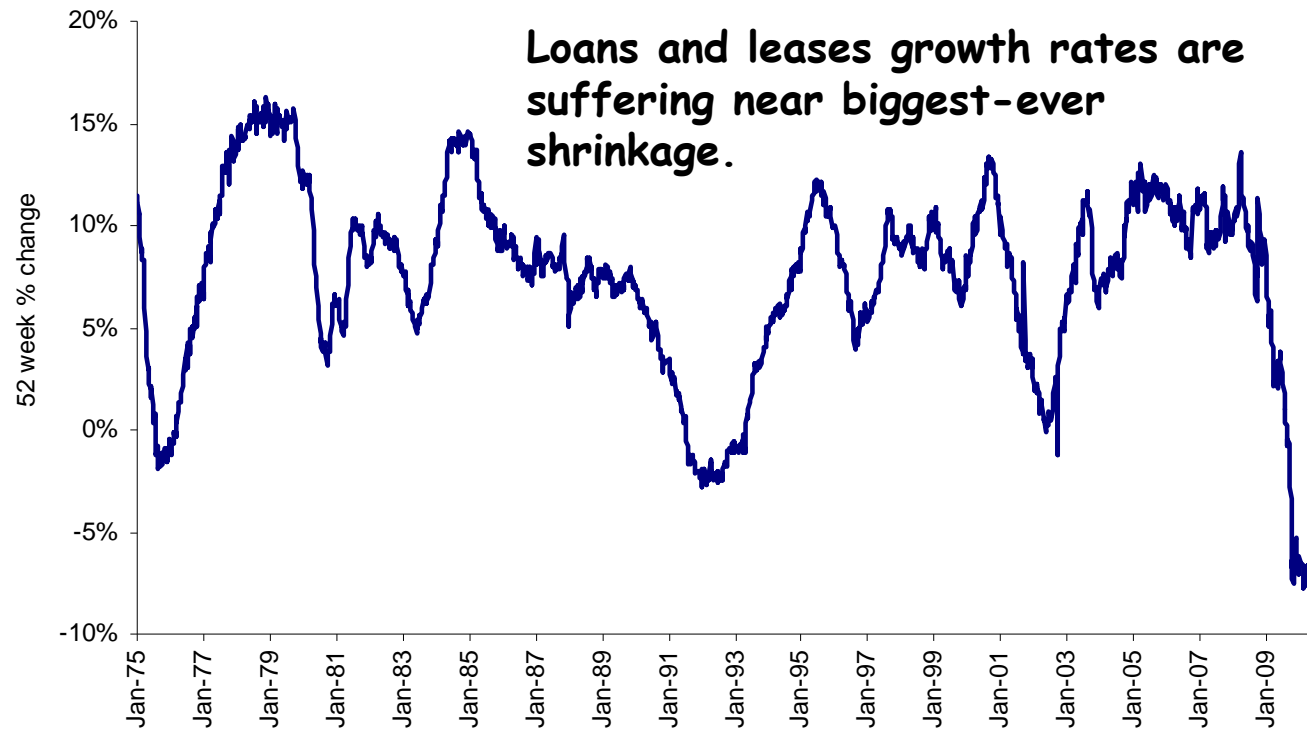
(last obs. July 2, 2010)



Source: Federal Reserve Board; Encima Global

# Loans and Leases y/y

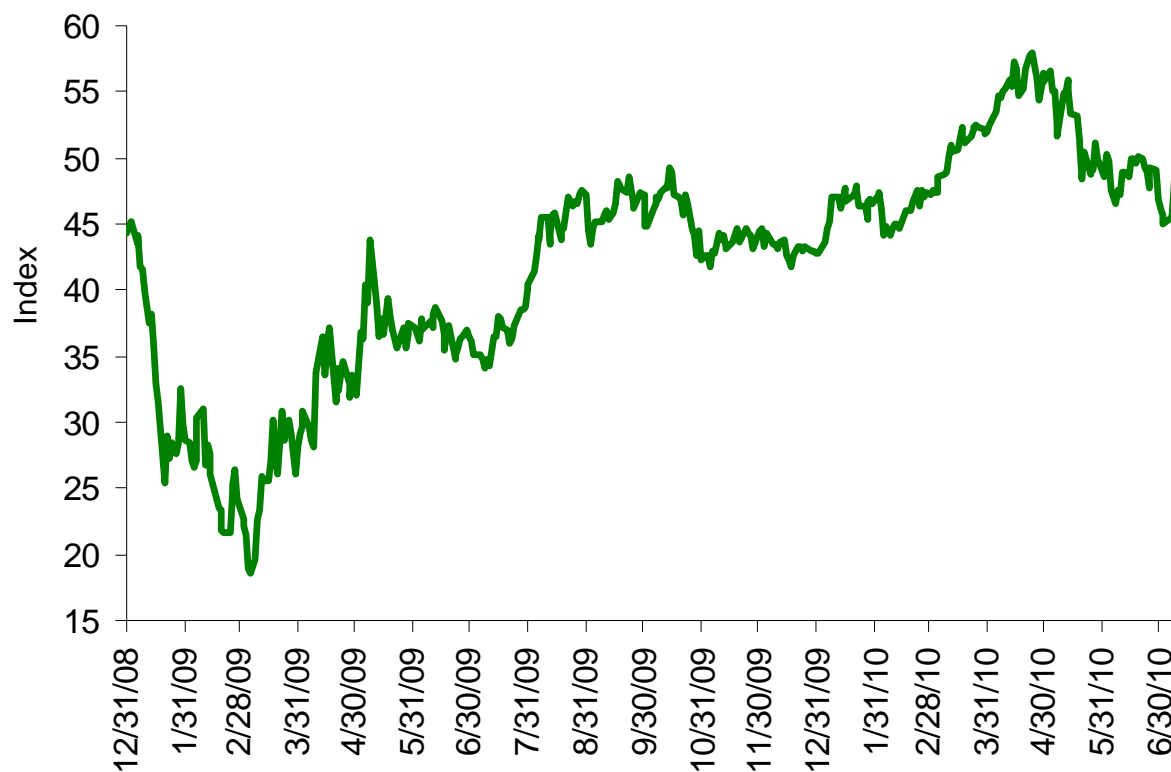
(last obs. June 30, 2010)



Source: Federal Reserve; Encima Global

# BKX – Bank Index

(last obs. July 13, 2010)



Source: Bloomberg; Encima Global

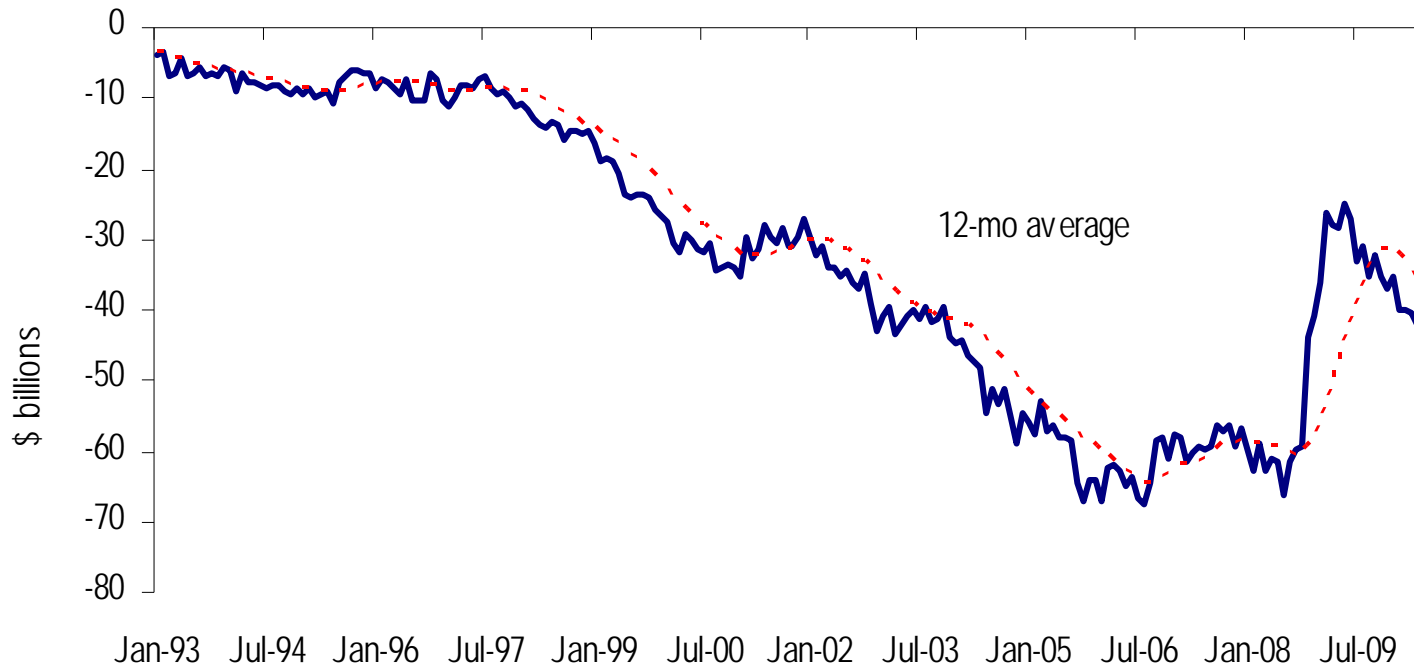
## Most Tax Rates Heading Higher

	<u>Current Rate</u>	<u>Current Law after 2010</u>	<u>Possible Rate</u>	<u>Possible Effective Date</u>
Tax rates on dividends	15%	up to 39.6%	23%	January 1, 2011
Tax rates on capital gains	15%	20%	23%	January 1, 2011
Individual income tax rates	10%	N/A	10%	January 1, 2011
	15%	15%	15%	
	25%	28%	25%	
	28%	31%	28%	
	33%	36%	35%	
	35%	39.6%	>39.6%	
Estate taxes	0%	55%	45%	January 1, 2011
		\$1 million exemption	with \$3.5 million exemption	

Source: various congressional sources; Encima Global

# Trade Balance for Goods and Services

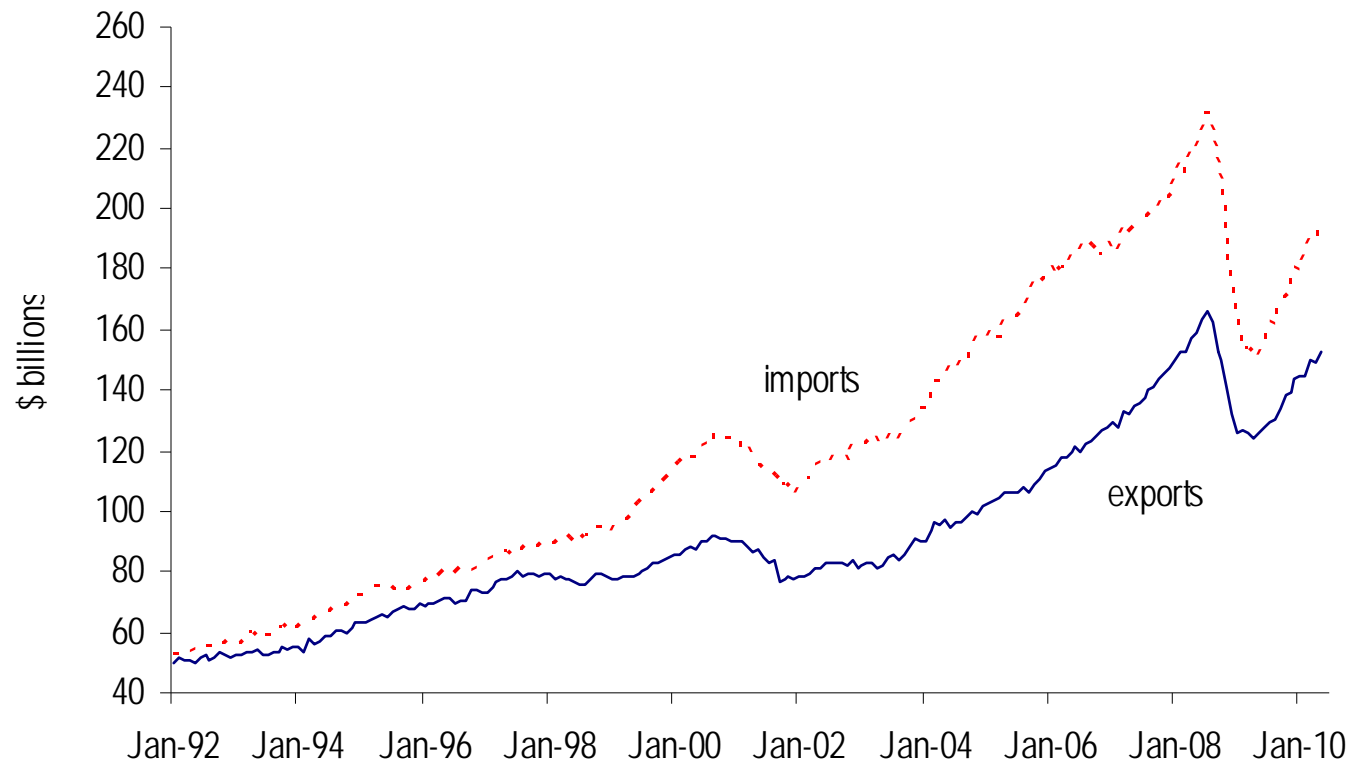
(last obs. May 2010)



Source: Census Bureau; Encima Global

# Import and Exports of Goods and Services

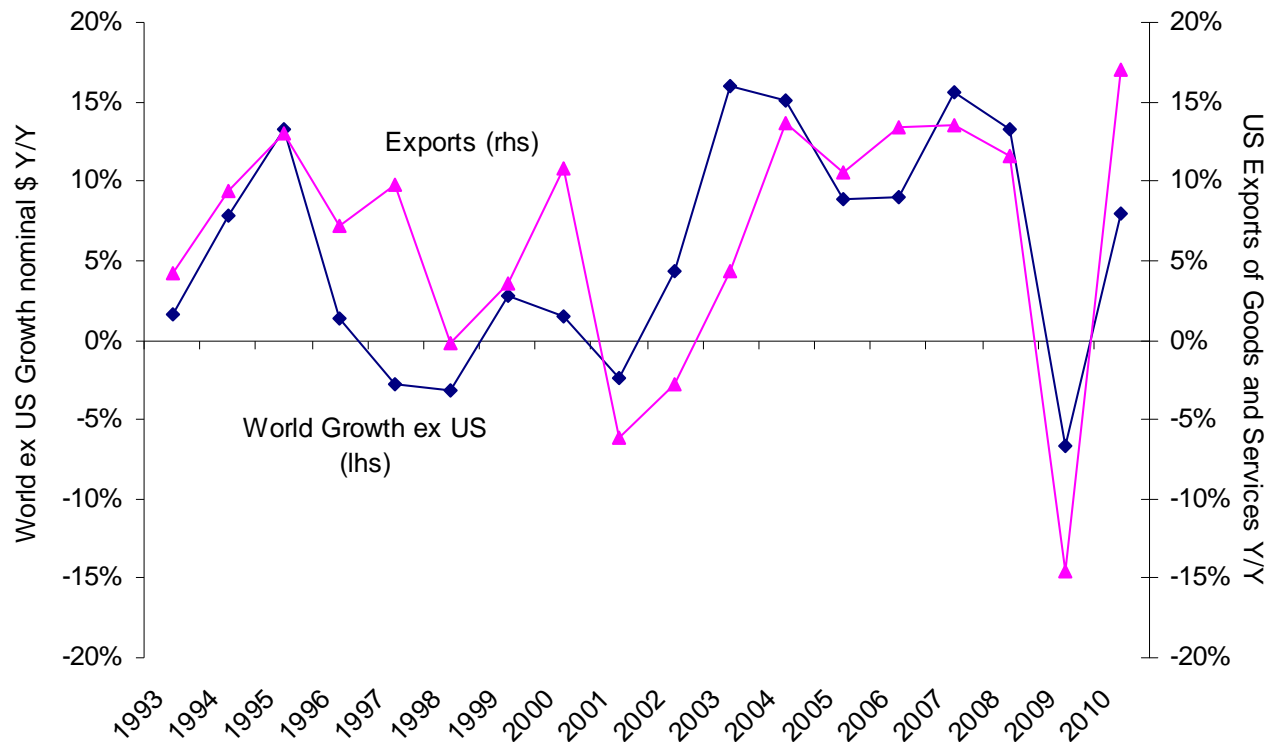
(last obs. May 2010)



Source: Census Bureau; Encima Global

# Exports of Goods and Services vs. World ex US Nominal GDP

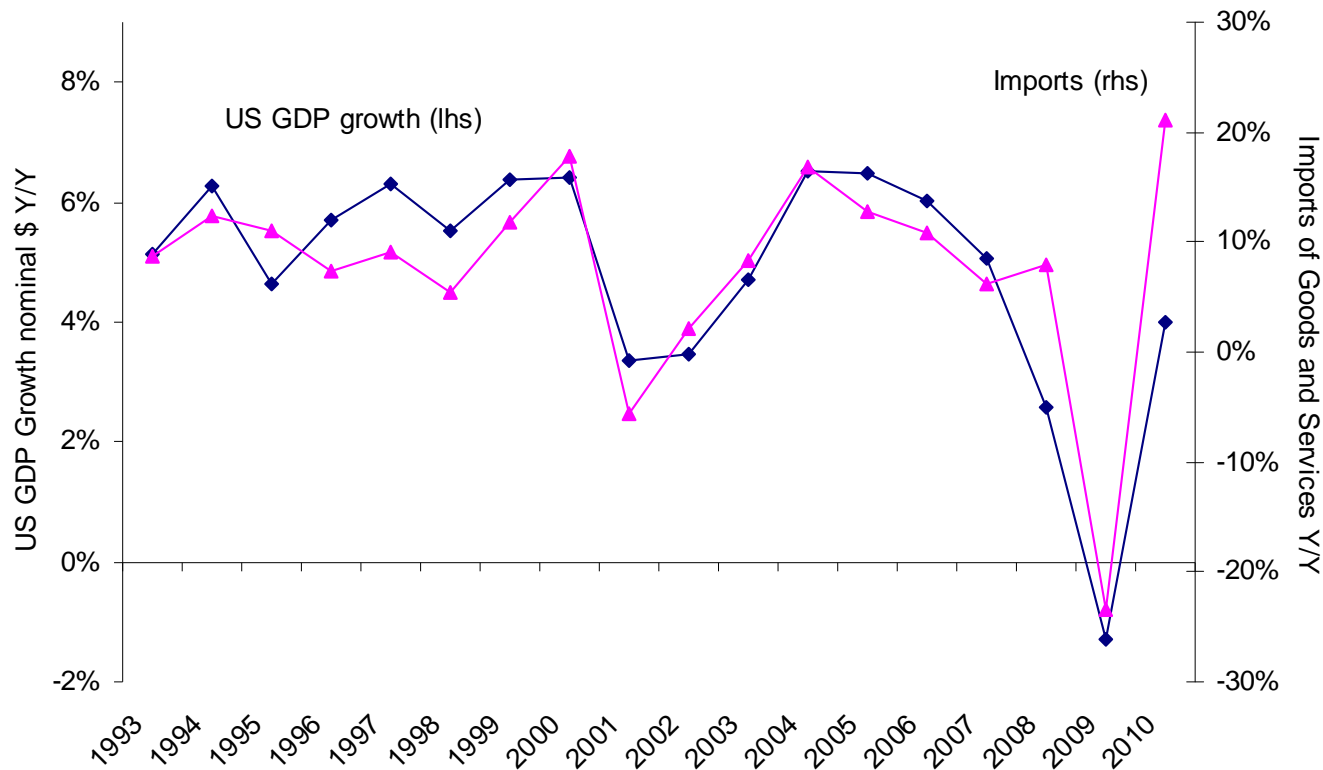
(market exchange rate \$ based GDP; last obs. 2009, export estimates based on YTD reports through May 2010)



Source: Census Bureau; IMF; Encima Global

# Imports of Goods and Services vs. US Nominal GDP

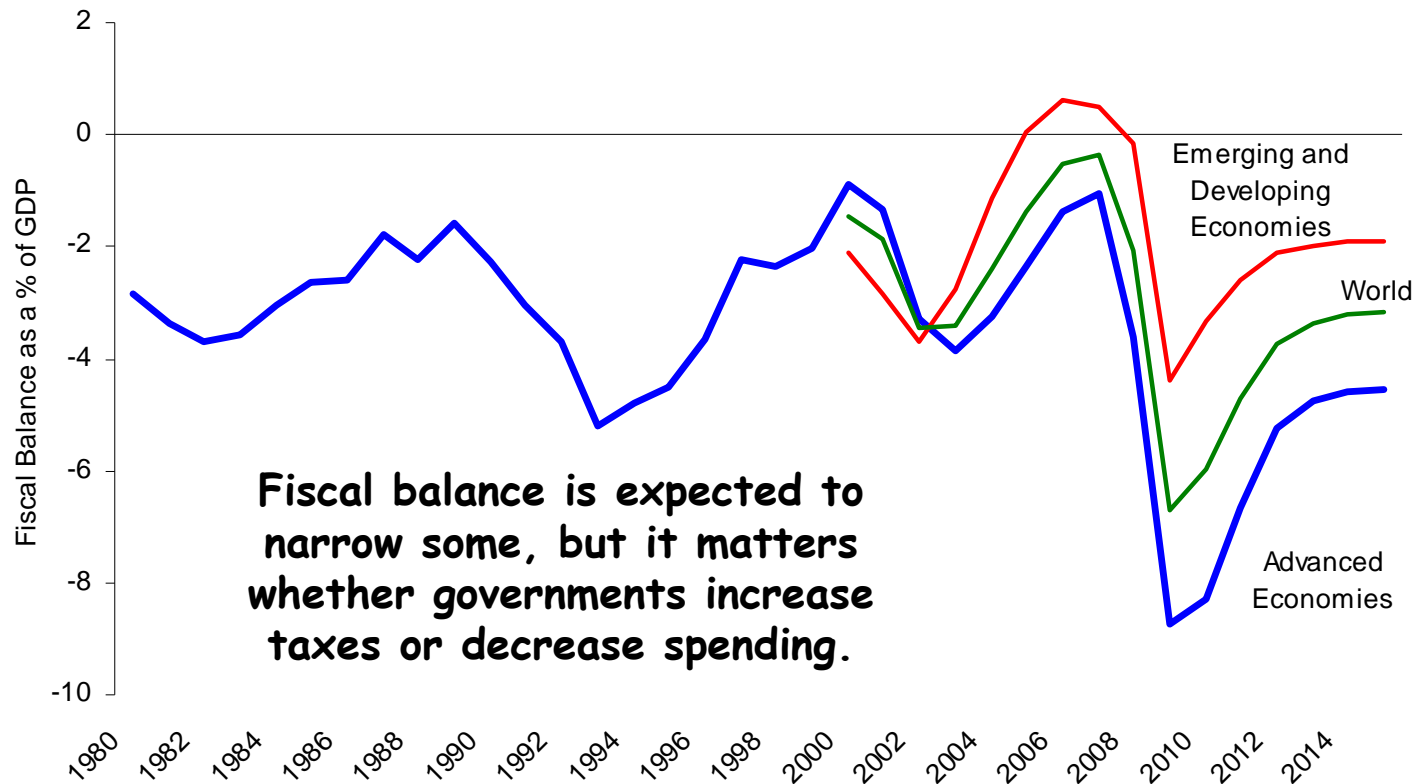
(last obs. 2009, import estimate based on YTD reports through May 2010)



Source: Census Bureau; IMF; Encima Global

# Fiscal Balance as a % of GDP

(last obs. 2009, IMF forecasts to 2015)



Source: IMF; Encima Global

# Greece, Spain, Germany Yield

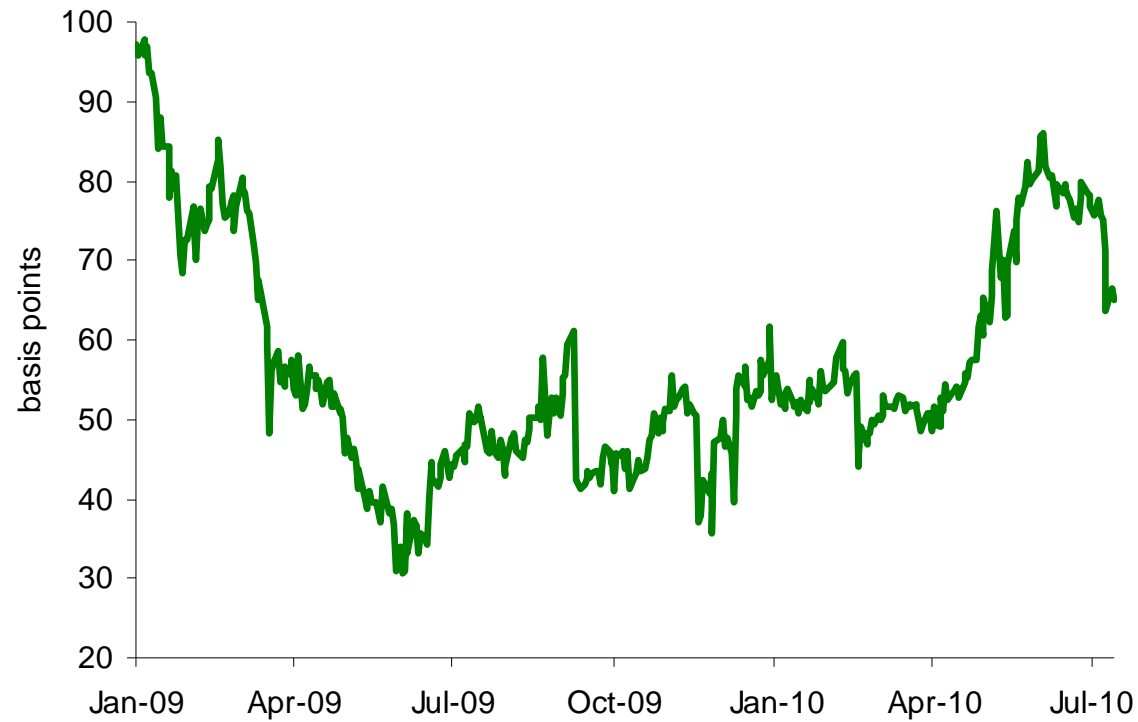
(last obs. July 13, 2010)



Source: Bloomberg; Encima Global

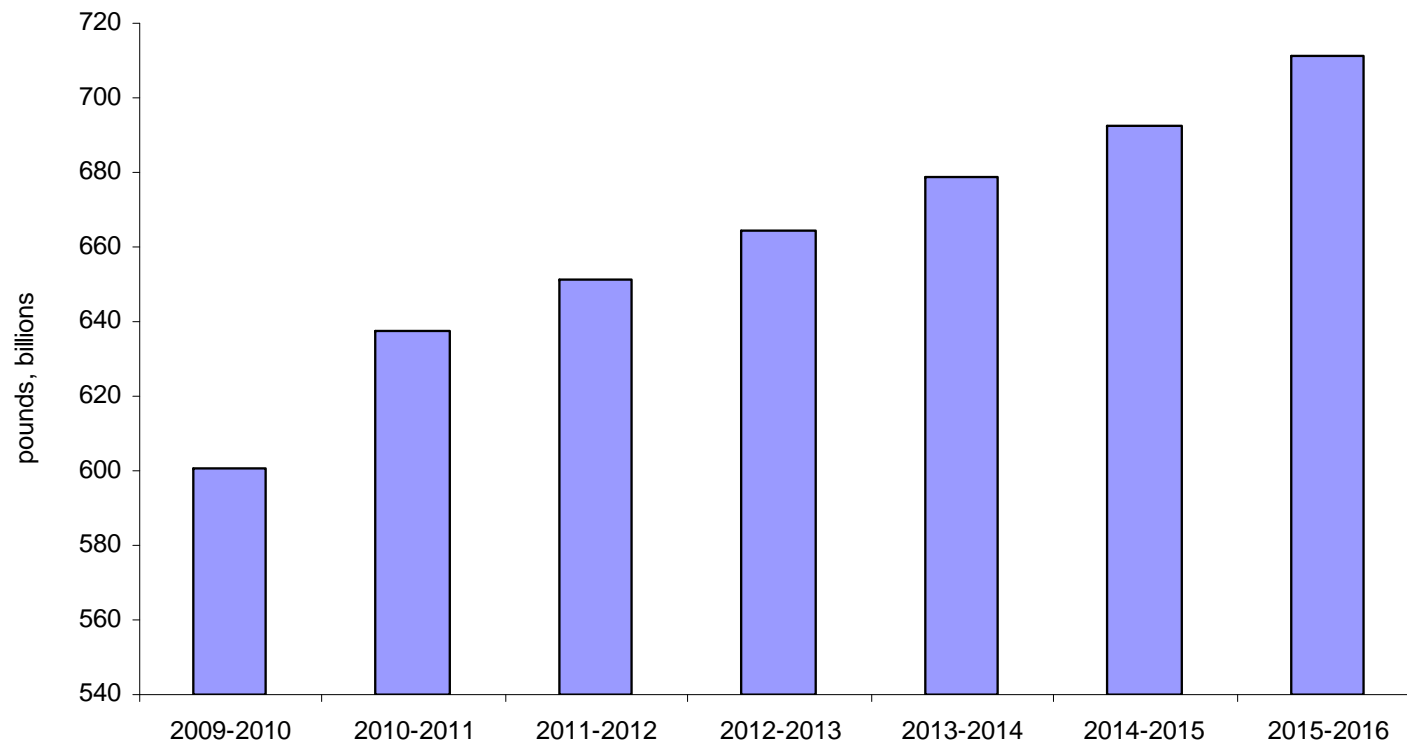
## 2 Year Euro Swap Spread

(last obs. July 13, 2010)



Source: Bloomberg; Encima Global

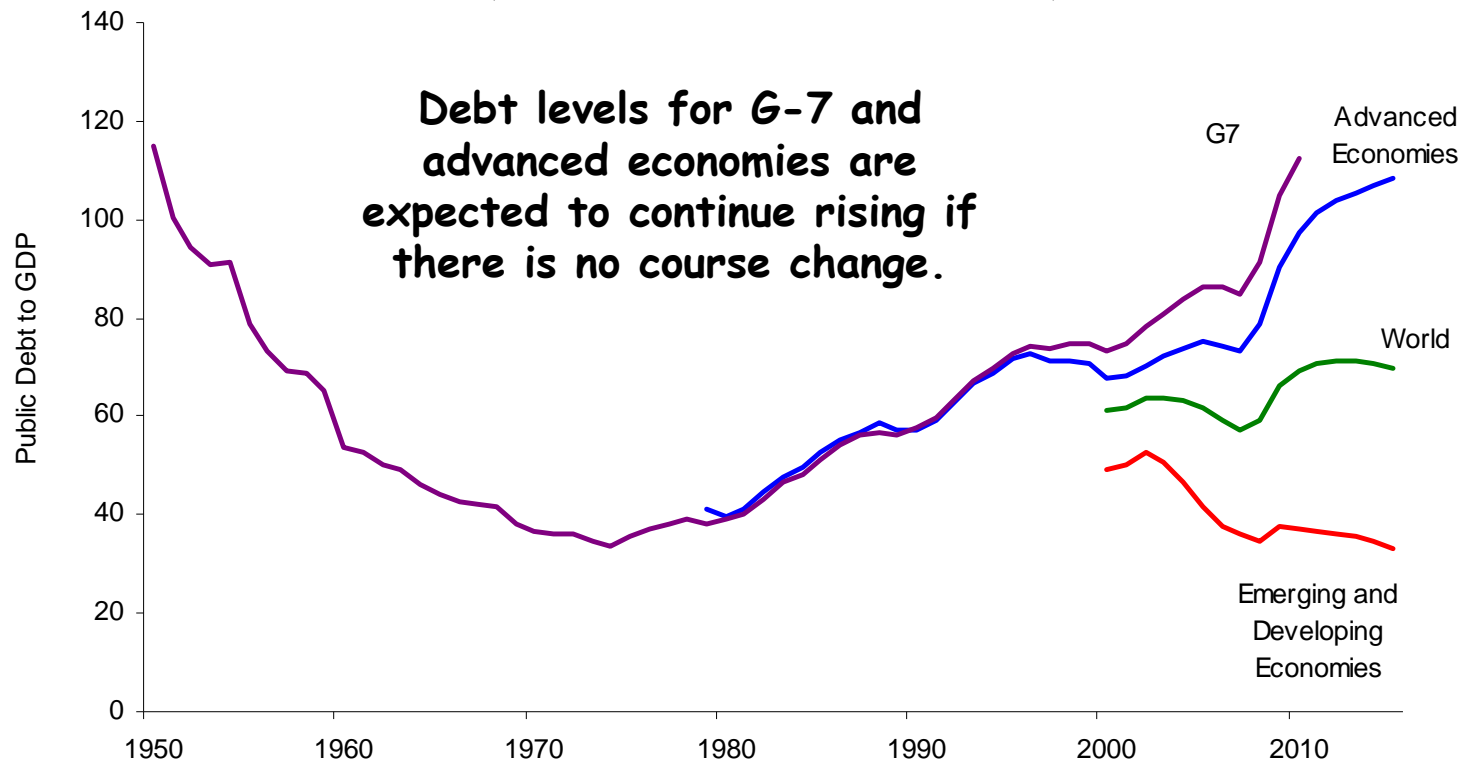
## UK “Austerity” Public Sector Expenditures



Source: HM Treasury; Encima Global

# Public Debt as a % of GDP

(last obs. 2009, IMF forecasts to 2015)



Source: IMF; Encima Global

# 10 Year US Treasury Yield

(last obs. July 13, 2010)



Source: Federal Reserve Board; Encima Global

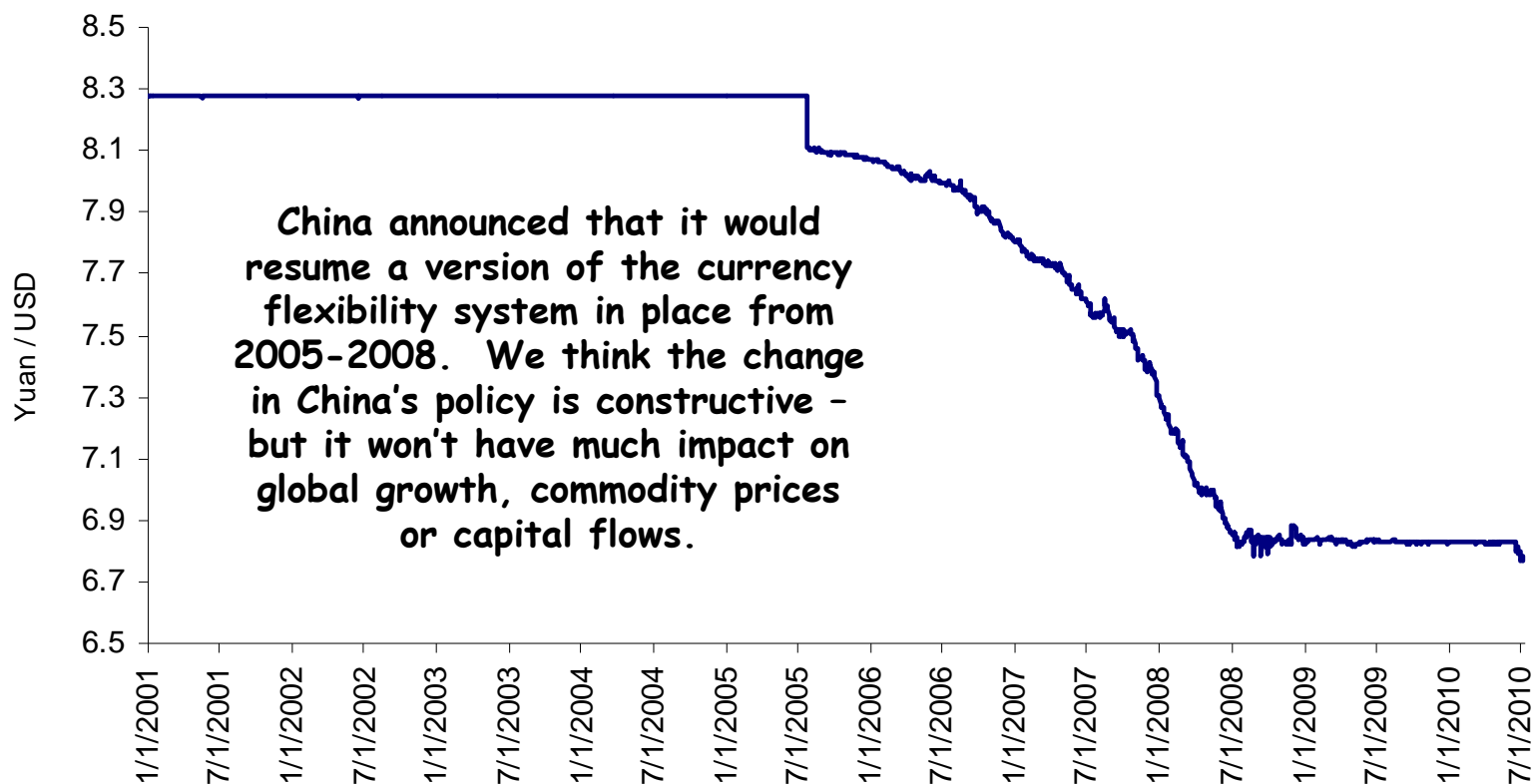
# World Real GDP Growth 2010

	July-2010	April-2010	January-2010	October-2009
	<u>Real GDP Y/Y</u>	<u>Real GDP Y/Y</u>	<u>Real GDP Y/Y</u>	<u>Real GDP Y/Y</u>
<b>World</b>	3.6%	3.3%	3.0%	2.3%
<b>US</b>	3.3%	3.1%	2.7%	1.5%
<b>Europe</b>	1.0%	1.0%	1.0%	0.3%
<b>China</b>	10.5%	10.0%	10.0%	9.0%
<b>Brazil</b>	7.1%	5.5%	4.7%	3.5%

Source: IMF; Encima Global

# Yuan Strengthening Again, Lessening China's \$ Prop

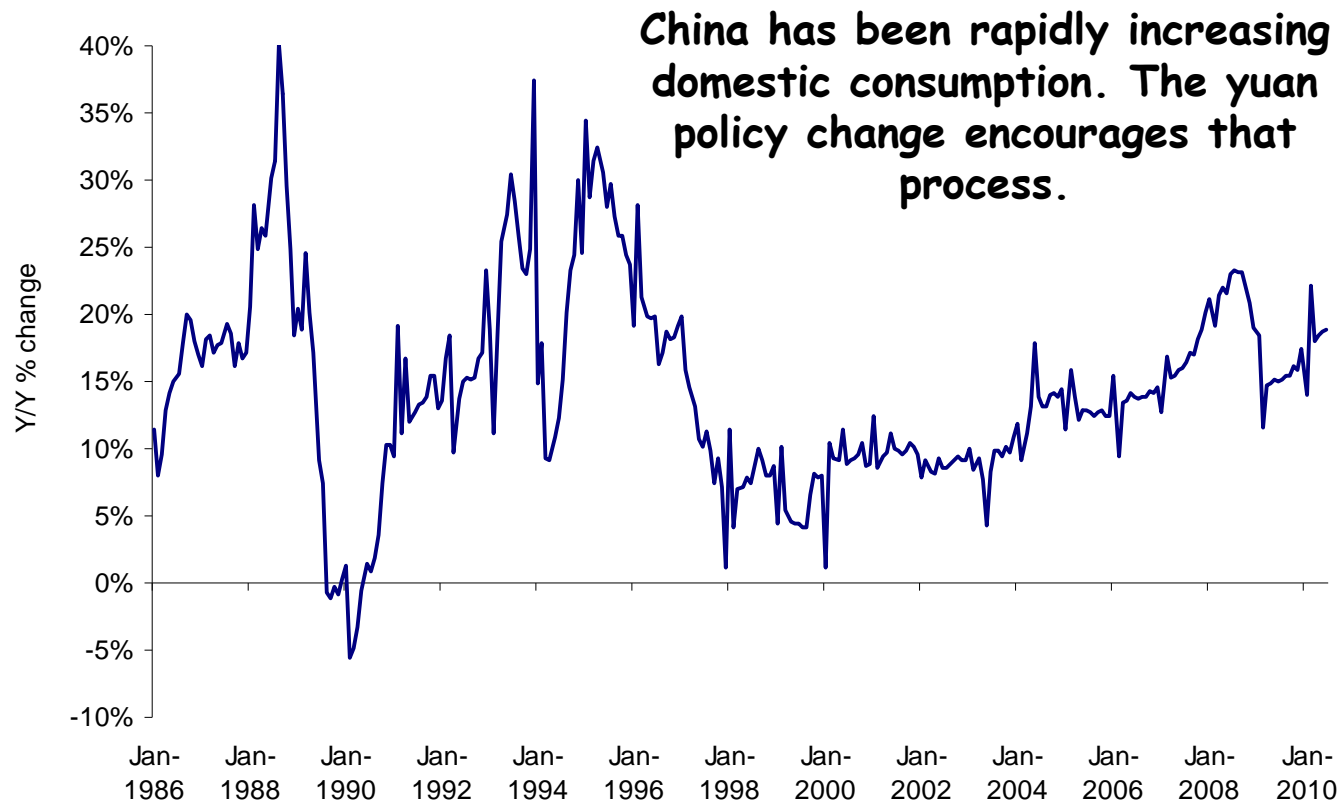
(last obs. July 13, 2010)



Source: Federal Reserve; Encima Global

# China Retail Sales, NSA Y/Y

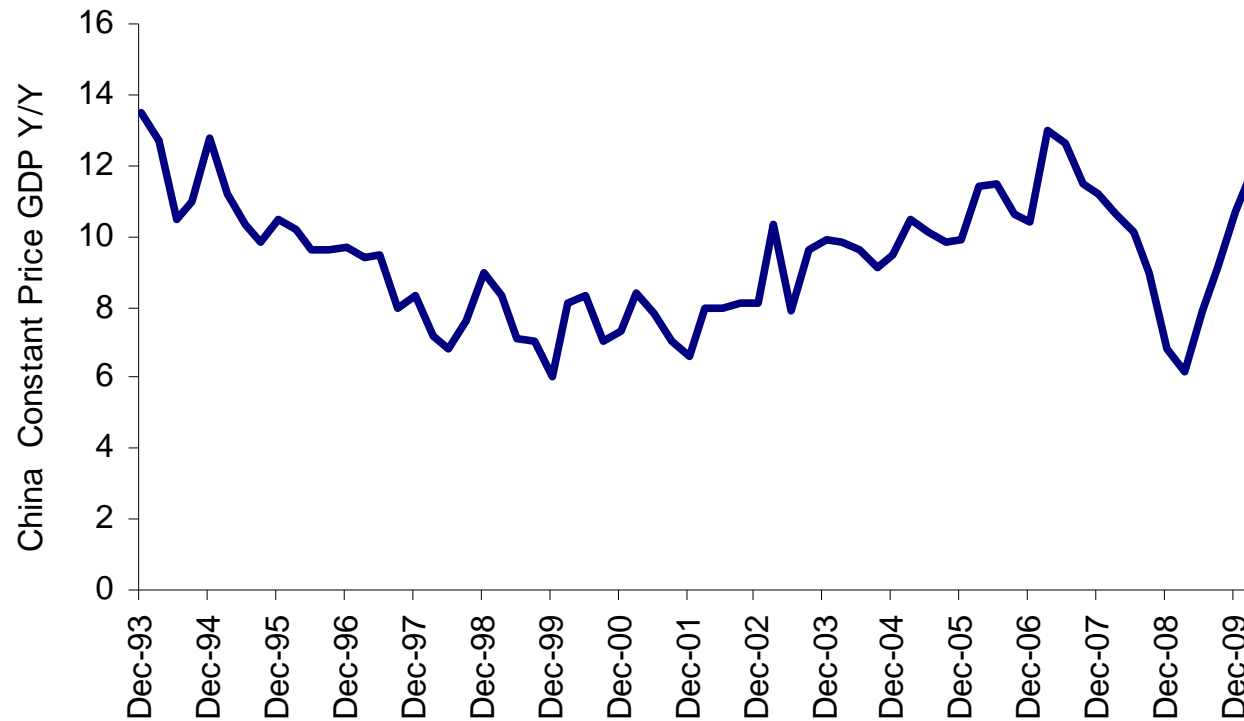
(last obs. May 2010, estimated for June 2010)



Source: China National Bureau of Statistics; Bloomberg; Encima Global

# China Constant GDP Y/Y

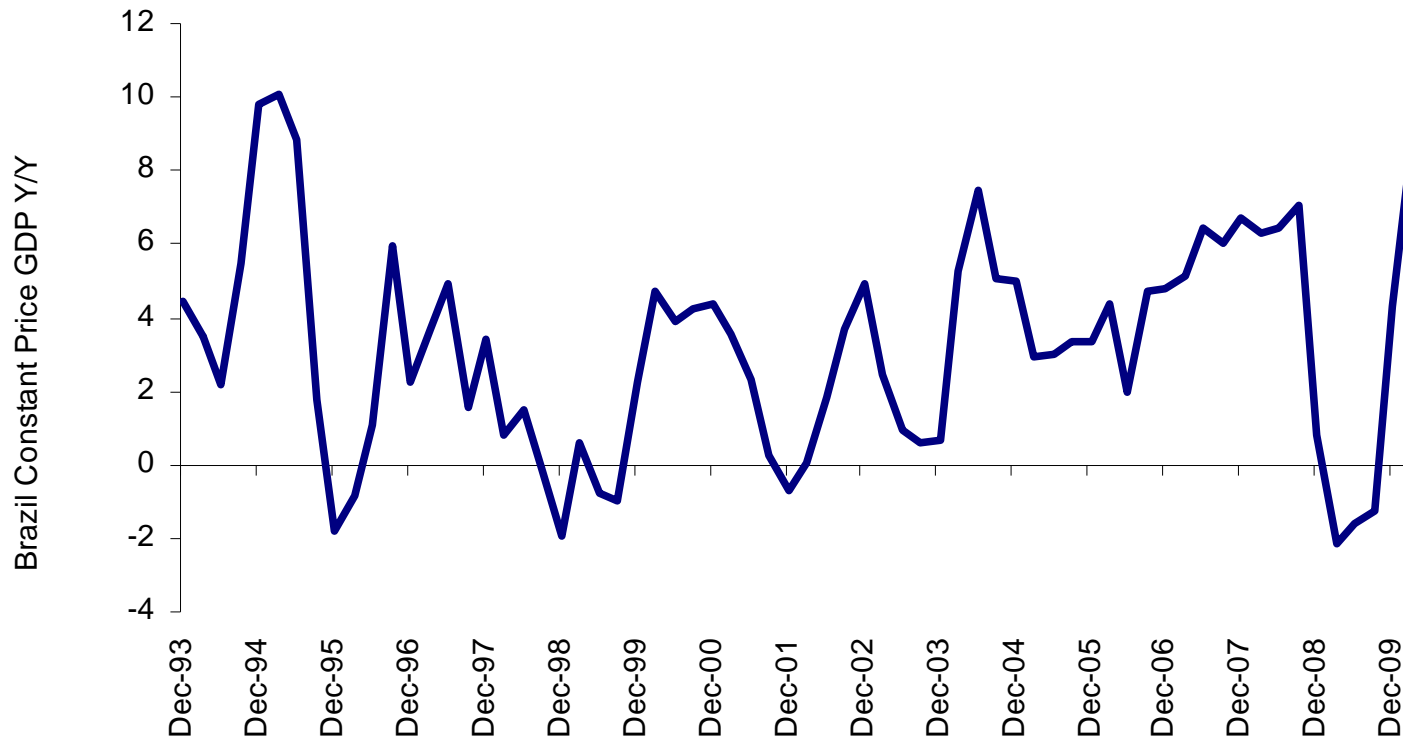
(last obs. Q1 2010)



Source: Bloomberg; Encima Global

# Brazil Constant GDP Y/Y

(last obs. Q1 2010)



Source: Bloomberg; Encima Global



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