

Current Overview of the U.S. and Global Economies

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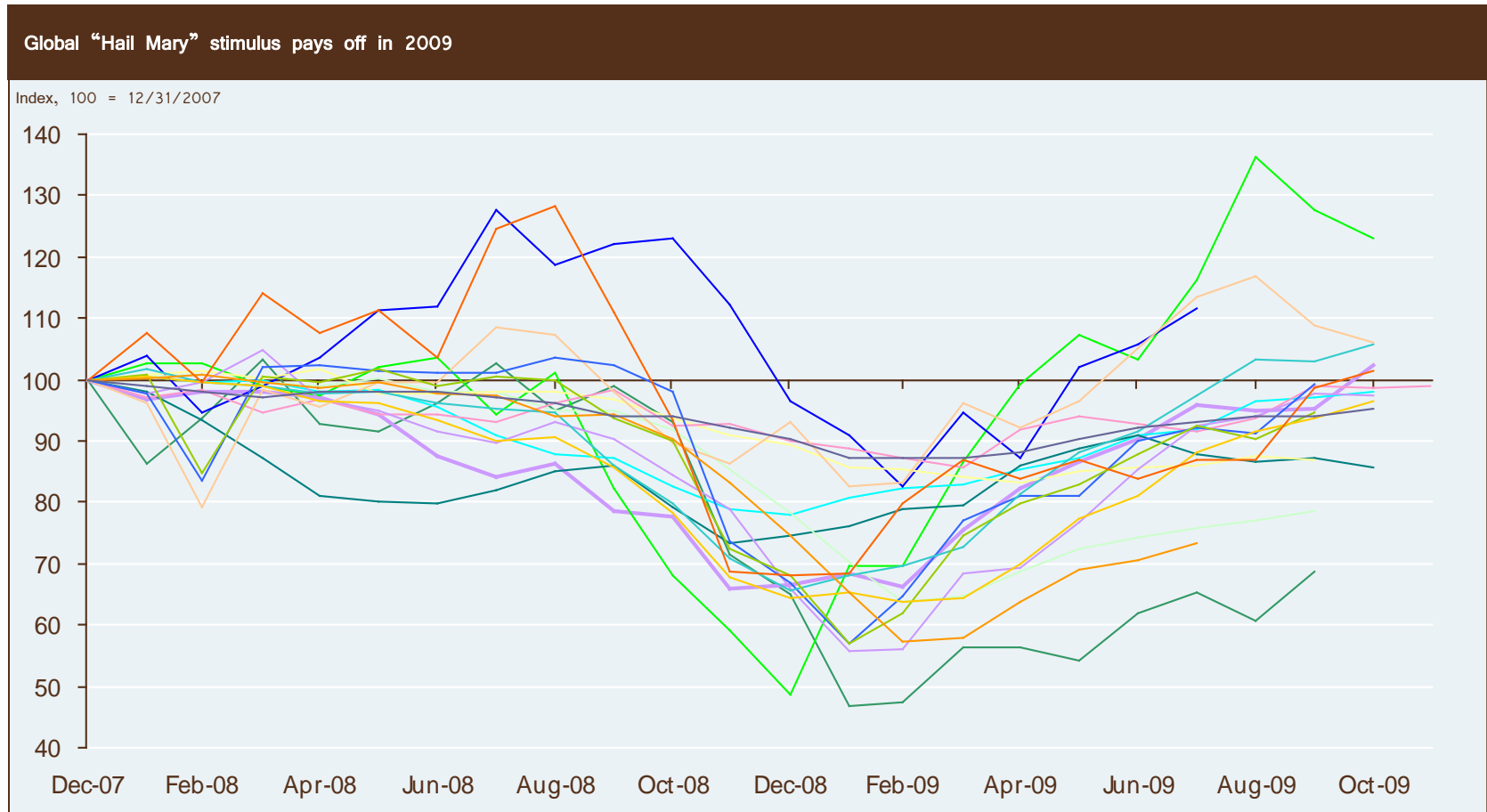


Investment products: Not FDIC insured • No bank guarantee • May lose value

Please see important information at the end of this presentation.

## A gaggle of worldwide indicators have rebounded from their early 2009 lows

- The first-order benefits of stimulus are hard to ignore, but headwinds remain
  - Focus has now shifted to sustainability, as households adjust to new levels of wealth and continued job losses, alongside a cautious corporate sector

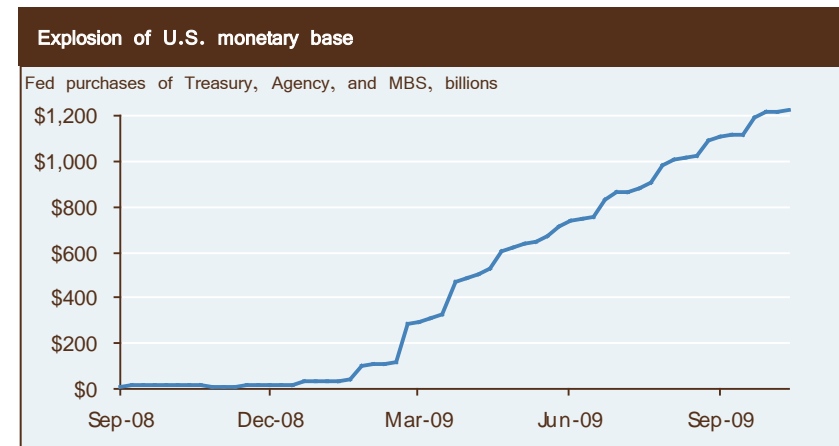
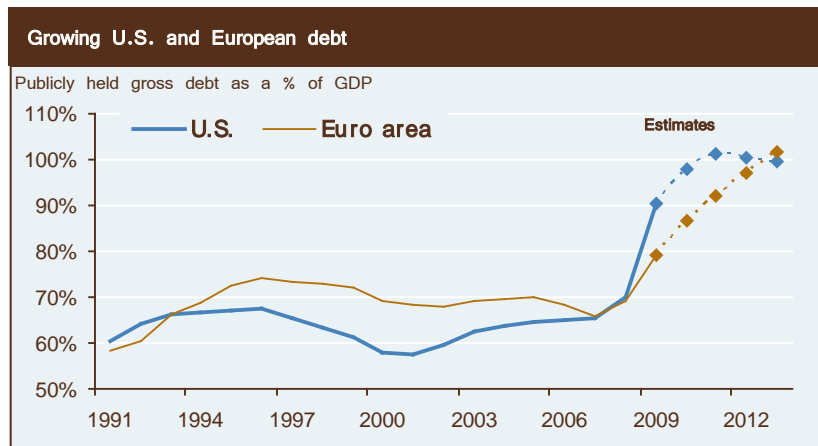


Source: Bloomberg. Data as of 10/30/2009.

Global economic indicators include: Japan Exports, UK Manufacturing PMI, ISM Manufacturing New Orders, German Business Expectations, Brazil Retail Sales of Construction Materials, Turkey Consumer Confidence, Japan Industrial Production, France Industrial Production, U.S. Small Business Optimism, Japan Small Business Confidence, China Electricity Production, Taiwan Exports, J.P.Morgan Global Manufacturing PMI, Taiwan Industrial Production, Eurozone Manufacturing PMI, Japan Capacity Utilization, South Africa Steel Production, Denmark Business Confidence, and South Korea Real GDP.

## The unprecedented nature of the stimulus and the potential unwind of the largest policy experiment ever lead us to approach with caution

- Aggressive intervention from central banks has been effective in stabilizing markets, but as the impact from stimulus begins to fade, governments will soon have to address the repercussions of their fiscal and monetary policies
- High government debt balances appear unsustainable, dramatic changes in the monetary base could fuel asset speculation, the pace of loan growth in China suggests inefficient capital formation, and expanded bank deposit insurance creates distorted incentives and raises the possibility of catastrophic government losses where caps have been removed



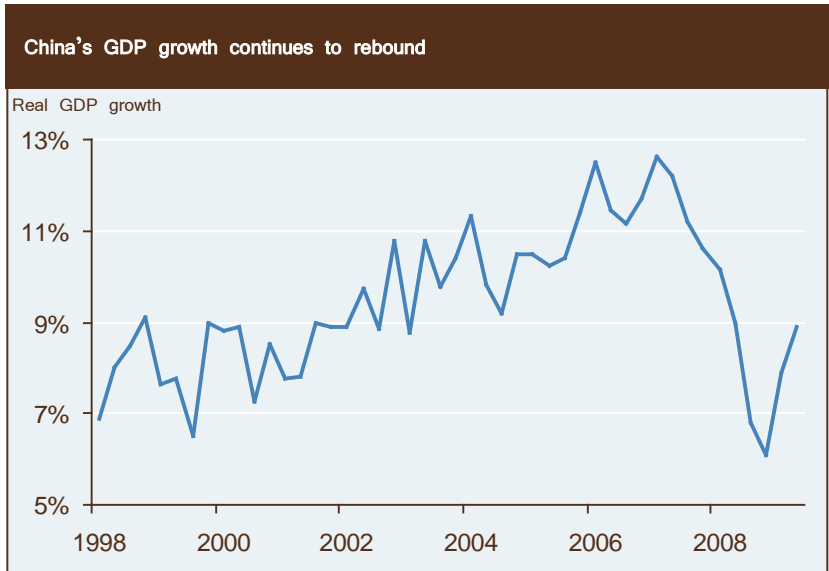
### Expanded bank deposit insurance

Country	Currency	Old guarantee	New guarantee
United States	USD	100,000	250,000
United Kingdom	GBP	35,000	50,000
Germany	EUR	20,000	50,000
Ireland	EUR	20,000	Unlimited*
Spain	EUR	20,000	100,000
Switzerland	CHF	30,000	100,000
Sweden	SEK	250,000	500,000
Denmark	DKK	300,000	Unlimited

\*Unlimited until September 2010.  
Source: Bureau of Labor Statistics. Data as of 10/31/2009.

## China's rapid GDP growth is a story of capital formation

- China is quickly recovering from the worst global recession in 50 years, courtesy of what might be the largest loan expansion in a modern economy on record
- During Q3 Chinese GDP grew at an impressive 8.9%, however, growth during the quarter was largely the result of capital investment which comprised over 95% of total GDP
- With the money supply growing at more than 25% YoY, the prospects for inflation are high and on the minds of Chinese leaders and investors alike



Source: J.P. Morgan Securities Inc. Data as of 9/30/2009.

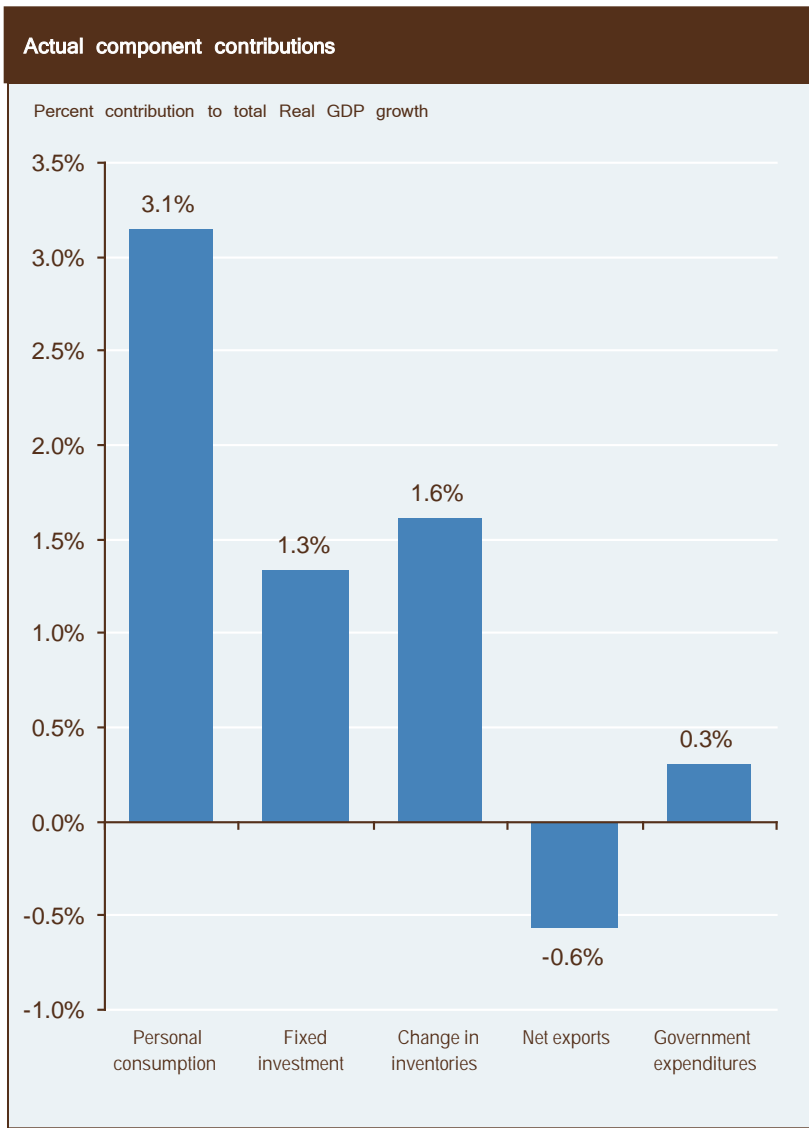


Source: People's Bank of China. Data as of 9/30/2009.

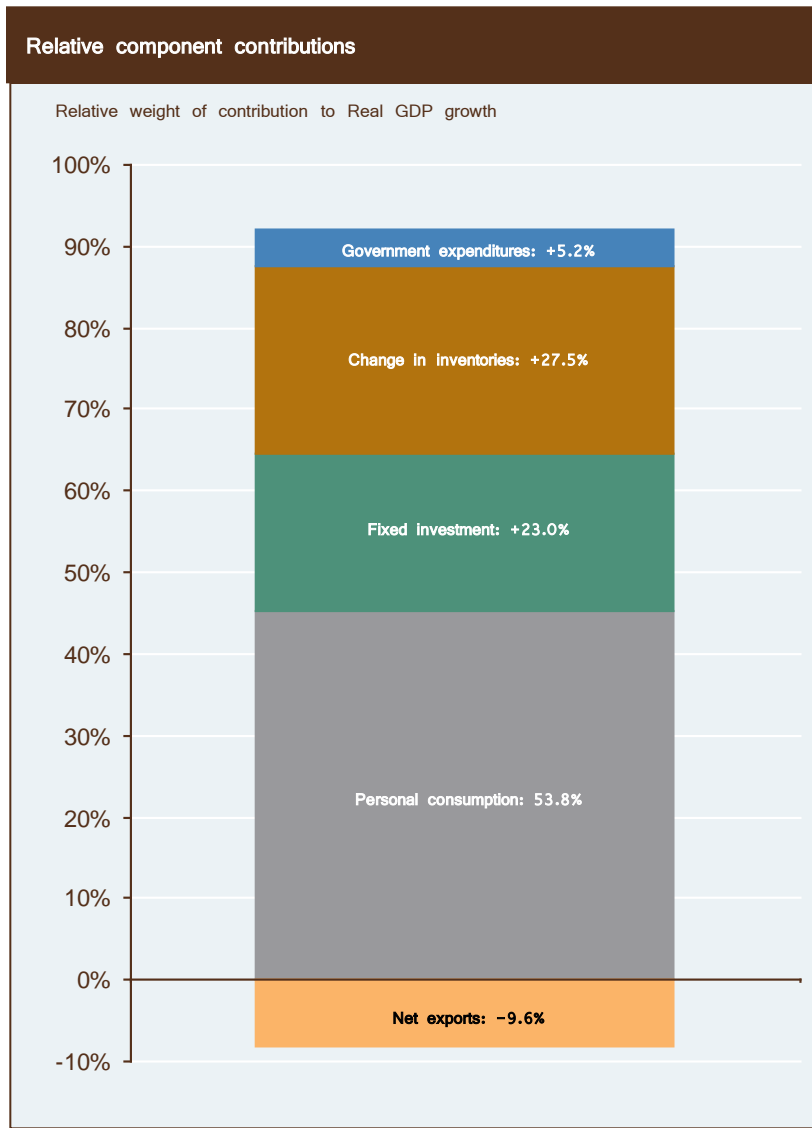


Source: Gavekal Dragonomics.

## GDP component contributions (since 1954) during the first year of expansions

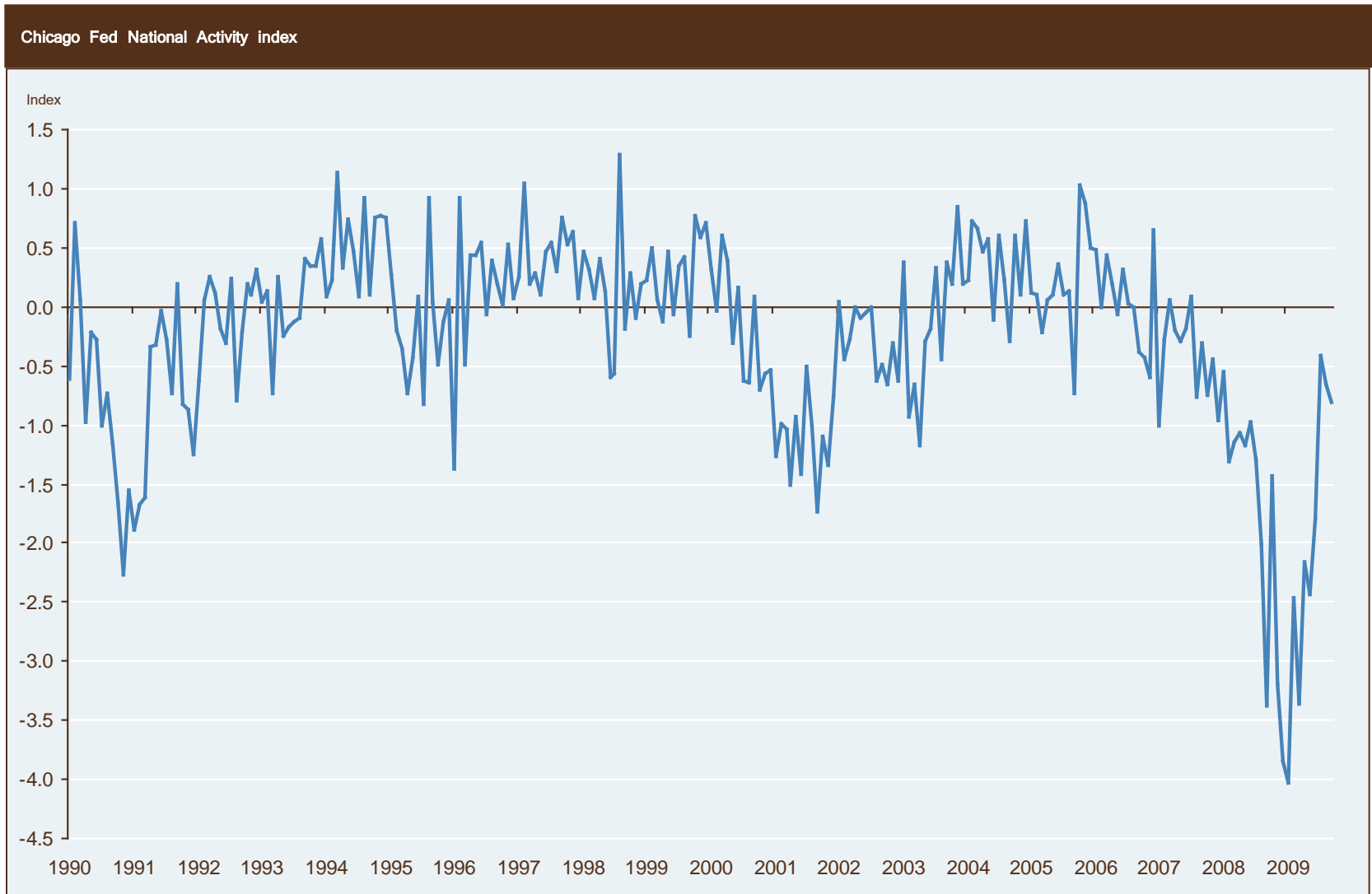


Source: Bureau of Economic Analysis. Data as of November 2009.



Source: Bureau of Economic Analysis. Data as of November 2009.

## Chicago Fed National Activity Index



Source: Federal Reserve Bank of Chicago. Data as of September 2009.

Chicago Fed National Activity Index (CFNAI) is a monthly index designed to better gauge overall economic activity and inflationary pressure. The CFNAI is a weighted average of 85 existing monthly indicators of national economic activity. It is constructed to have an average value of zero and a standard deviation of one. The 85 economic indicators underlying the CFNAI are drawn from five broad categories of data: output and income, employment, unemployment and hours; personal consumption, housing starts and sales; manufacturing and trade sales; and inventories and orders.

**Past performance is no guarantee of future results. You can not invest directly in an index.**

# Core Capital Good Orders vs. Equipment & Software

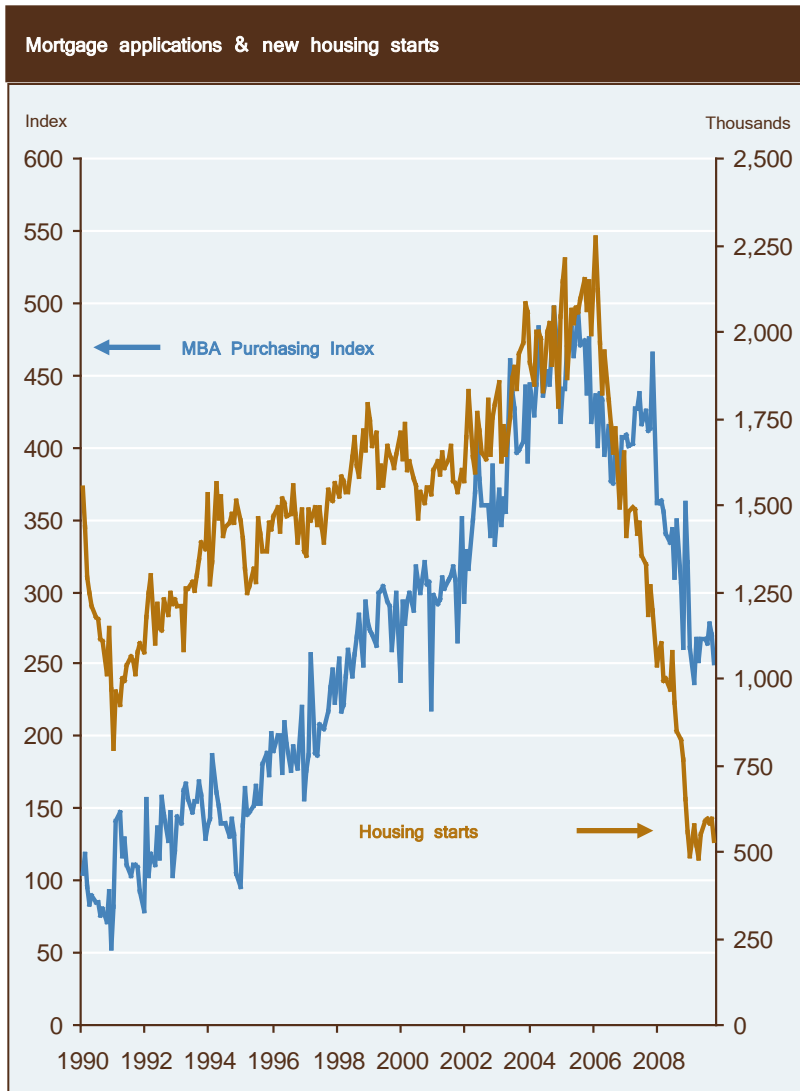


Source: BEA, U.S. Census Bureau. Data as of 3Q09.

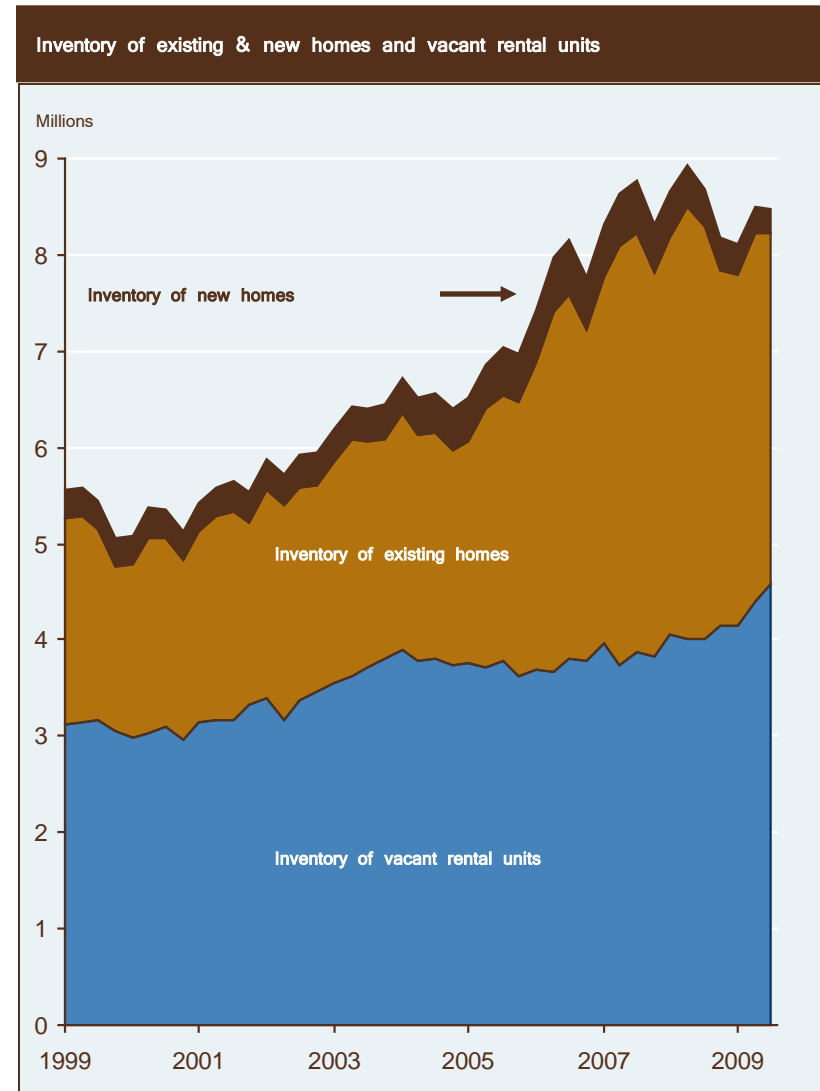
Note: Core Capital Goods New Orders and Shipments is deflated by the GDP deflator.

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## Housing has showed some signs of stabilization

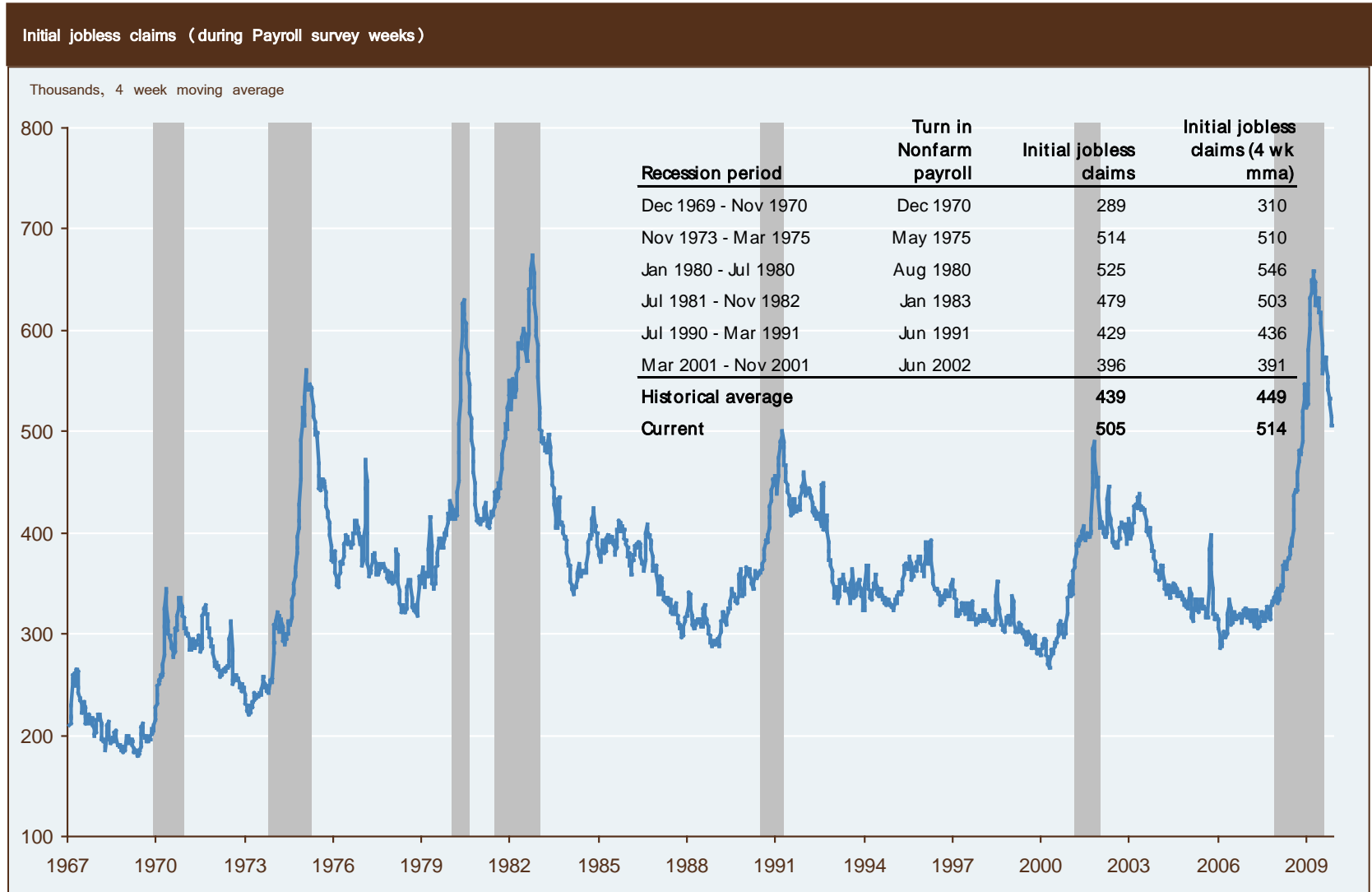


Source: Mortgage Bankers Association, Department of Commerce.  
Data as of 10/31/2009.



Source: U.S. Census Bureau, National Association of Realtors.  
Data as of 10/31/2009.

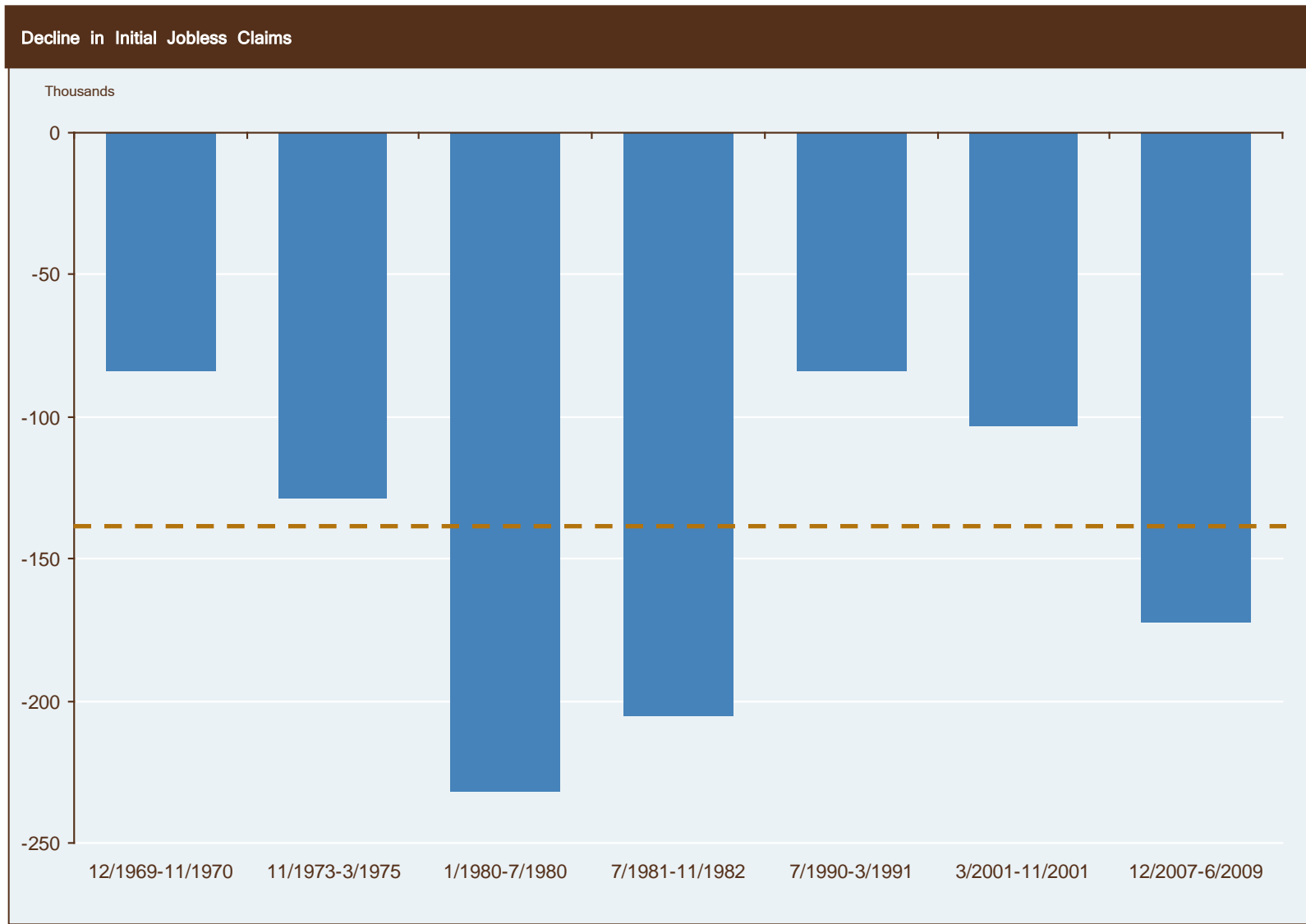
Initial jobless claims must decline further before a meaningful improvement in Payrolls can be seen



Source: Department of Labor. Data as of 11/20/2009.

Note: Initial jobless claims figures in the table represent the initial jobless claims (actual and 4 week moving average) during the week of the employment report when the Nonfarm payroll figure becomes positive after the end of the recession period. Gray bars in the chart represent periods of recession.

Decline in Initial Jobless Claims from the peak observed during the Recession through the 5th month of the start of an expansion

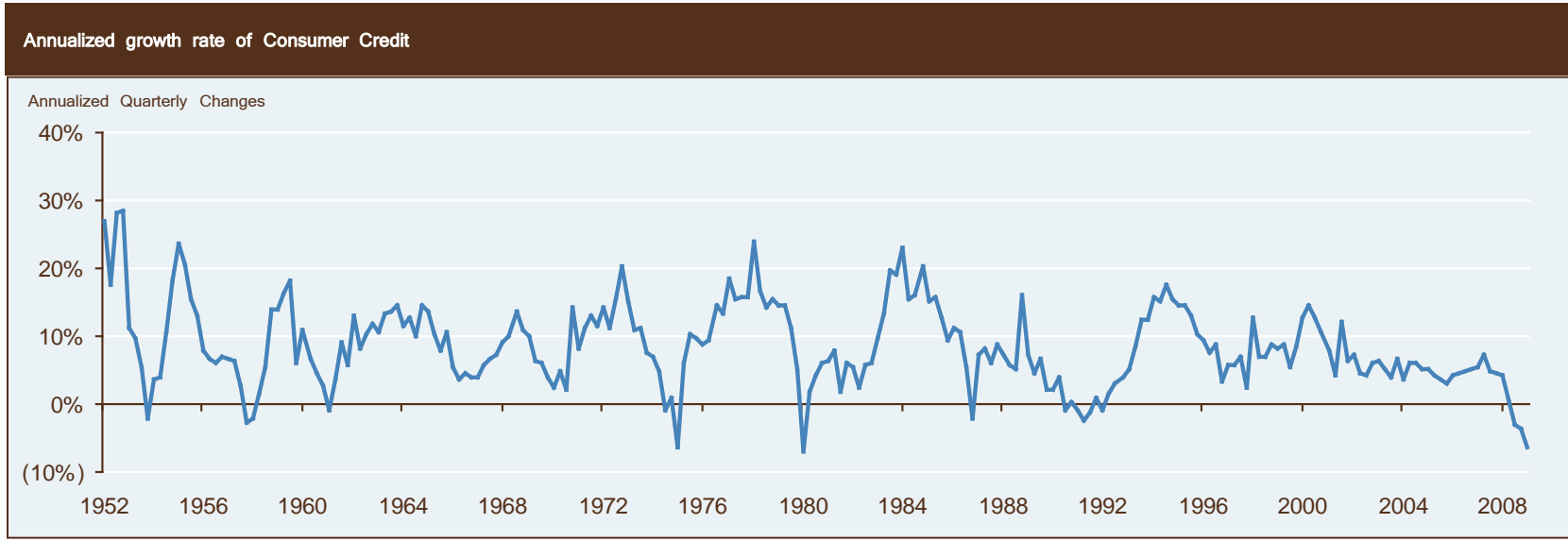
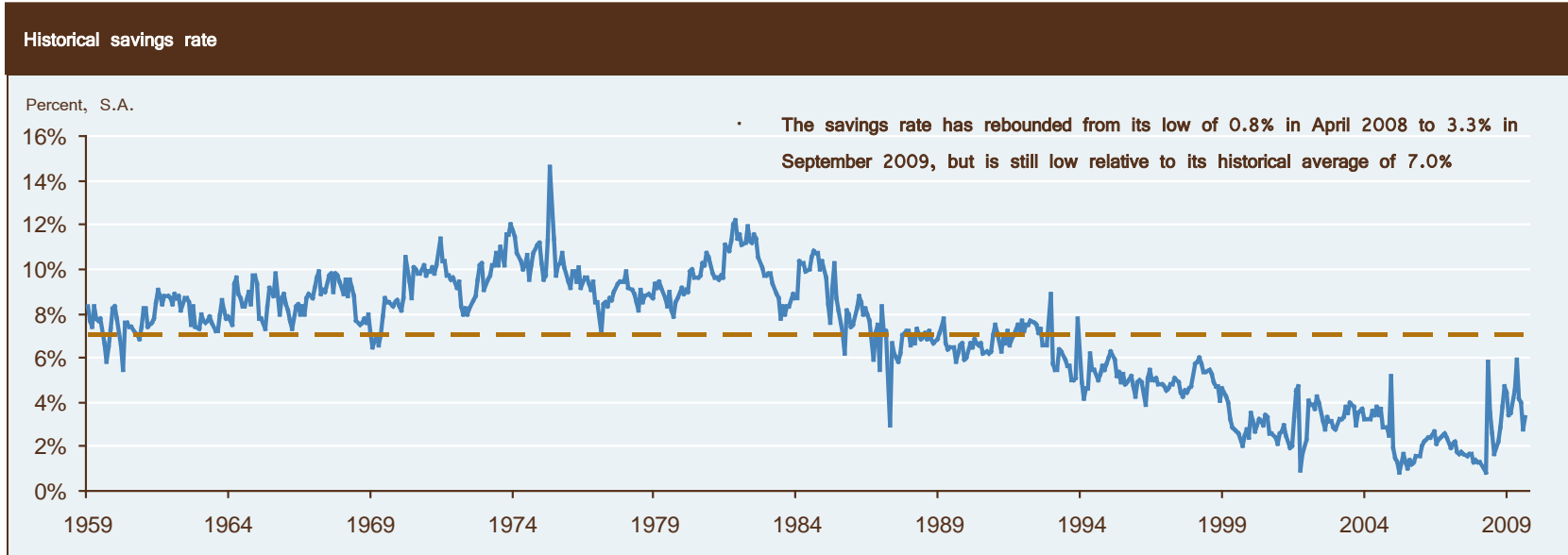


Source: Department of Labor Data as of November 2009.

Note: Dashed line represents the average decline over prior recessions (excluding most recent recession). Assumes that the recession ended in June 2009.

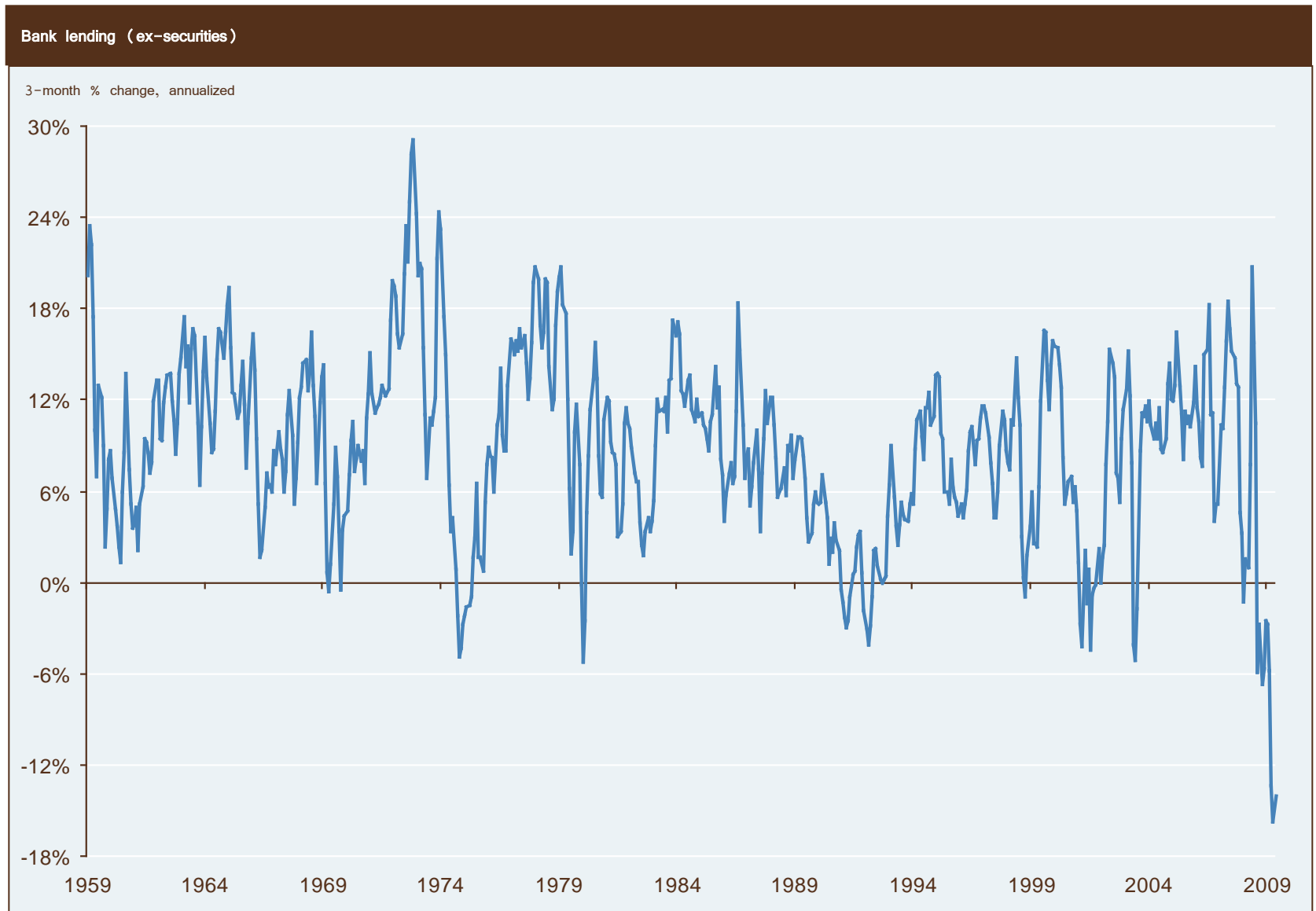
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There are signs that households have begun to de-lever



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## Bank lending has collapsed to a 50-year low



Source: Federal Reserve Board. Data as of 10/31/2009.

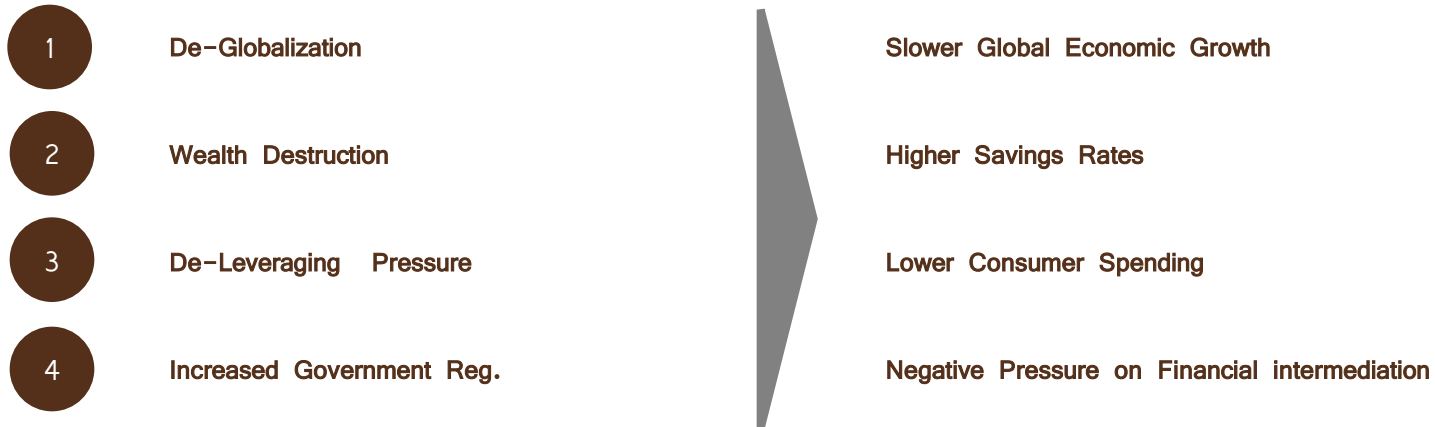
## Credit is becoming more restrictive



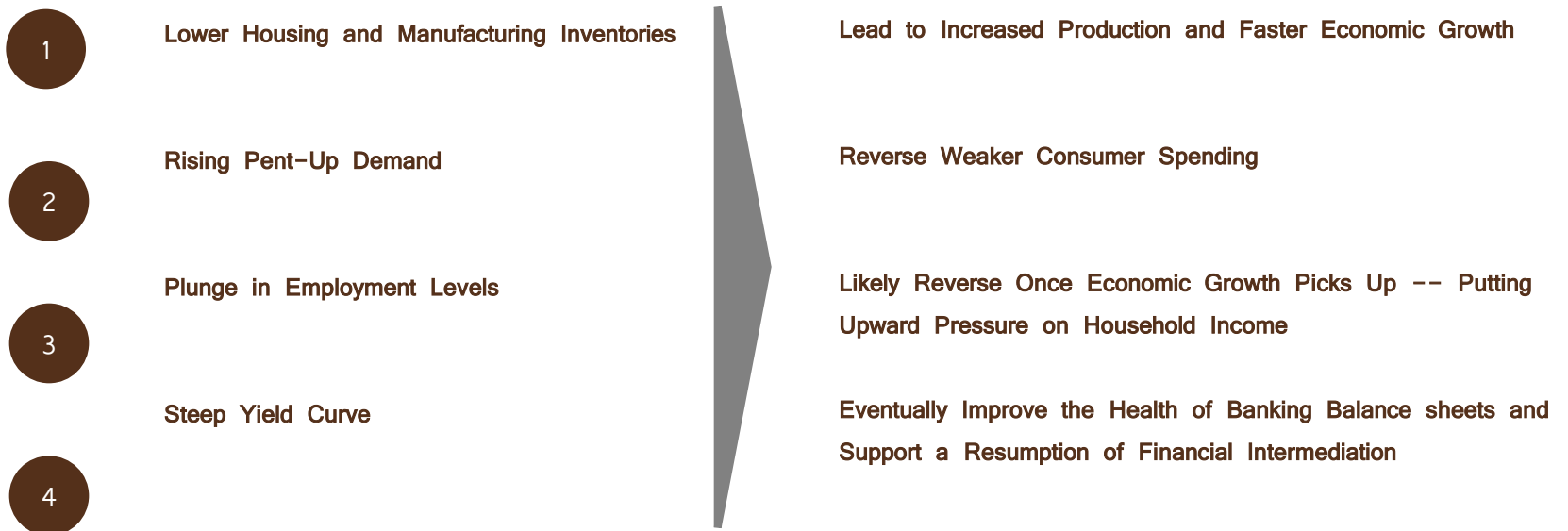
Source: Equifax. Data as 2Q09.

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## “New normal”



## “Return to normal”



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