

ECONOMIC AND FINANCIAL HIGHLIGHTS

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JUNE 6, 2012

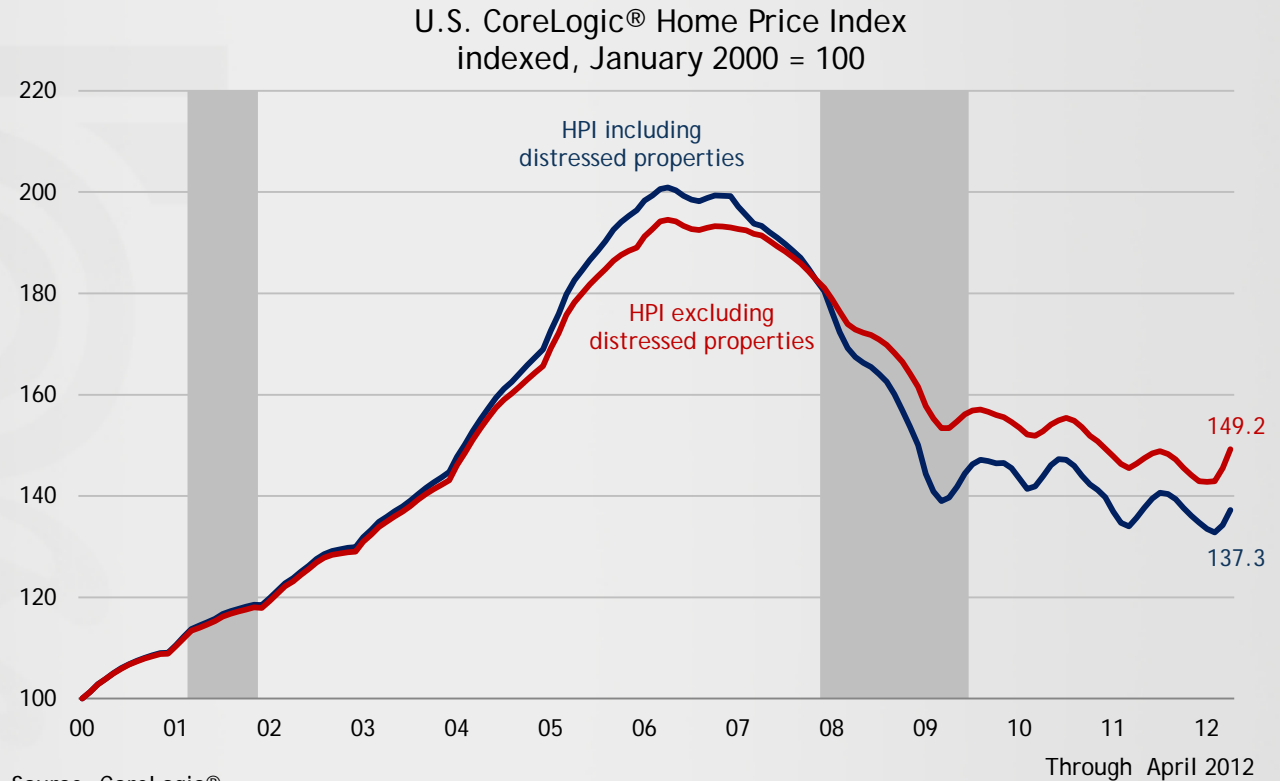


REAL ESTATE

SUMMARY

The April CoreLogic home price index including distressed properties increased 1.1 percent compared with a year earlier and increased 2.2 percent from March.

The home price index excluding distressed properties increased 1.9 percent on a year-over-year basis in April and gained 2.6 percent from March.

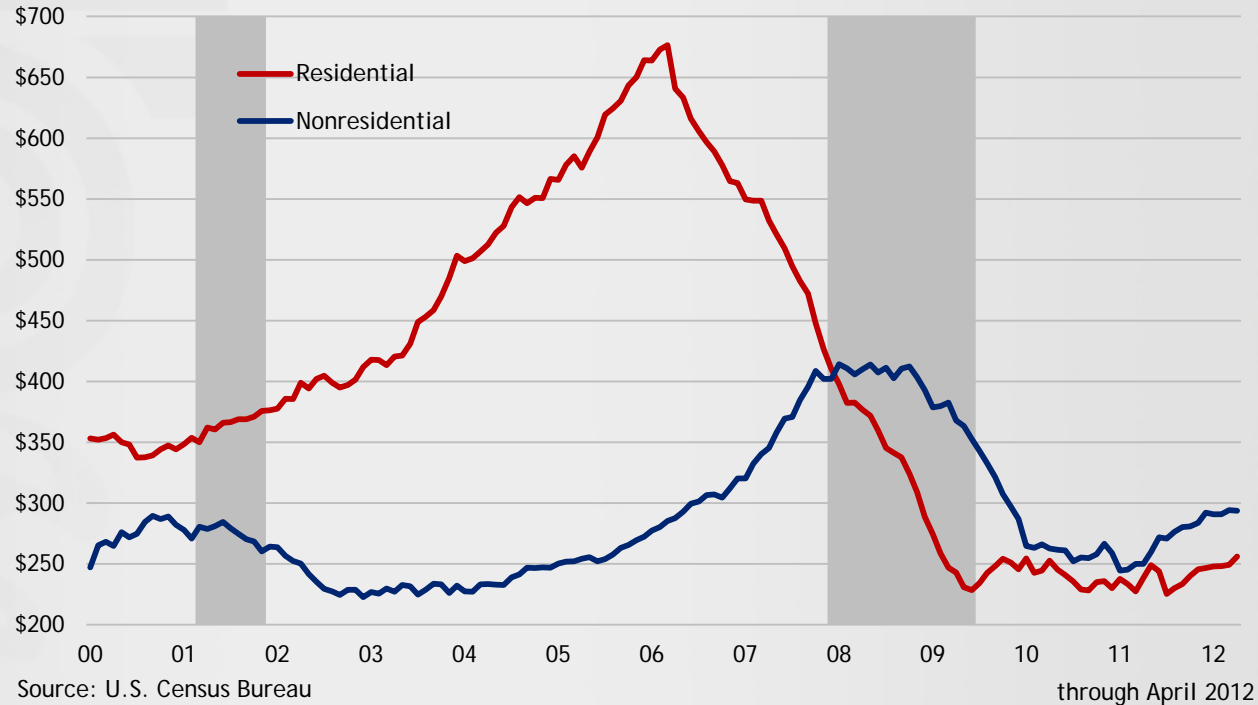


REAL ESTATE

SUMMARY

The U.S. Census Bureau reported that total construction spending was essentially unchanged from March to April and remained ahead of the year-earlier level. Private residential construction spending increased 2.8 percent while private nonresidential spending was little changed from March's level.

U.S. Private Construction Spending
billions, SAAR



April 2012 Construction Spending Put in Place

	Total	Total Private	Total Public	Total Nonresidential	Private Nonresidential	Public Nonresidential	Total Residential	Private Residential
Billions, SAAR	820.7	549.7	271.0	558.3	293.6	264.8	262.3	256.1
M/M	0.3%	1.2%	-1.4%	-0.7%	-0.2%	-1.2%	2.6%	2.8%
Y/Y	6.8%	12.5%	-3.2%	7.1%	17.4%	-2.3%	6.2%	7.5%

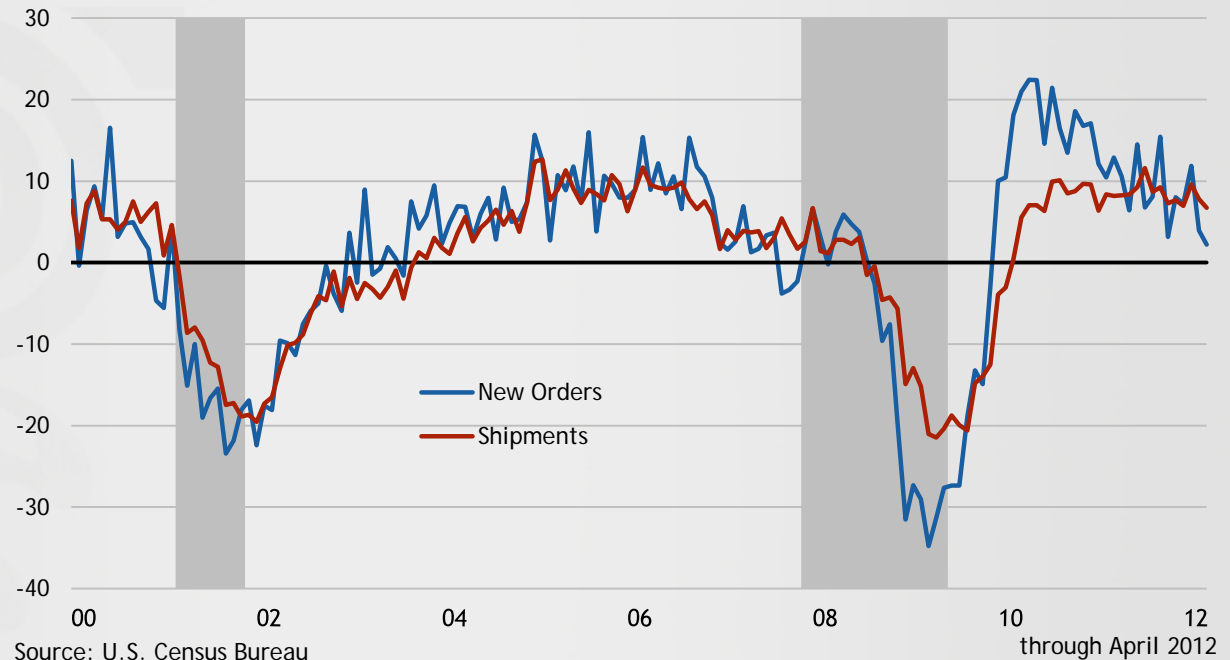
MANUFACTURING

SUMMARY

New orders for manufactured goods fell 0.6 percent in April from month-earlier levels.

Over the same period, shipments of nondefense capital goods excluding aircraft fell 1.5 percent while orders for these goods decreased 2.1 percent.

Core Capital Goods, excluding aircraft and parts and defense
year-over-year percent change



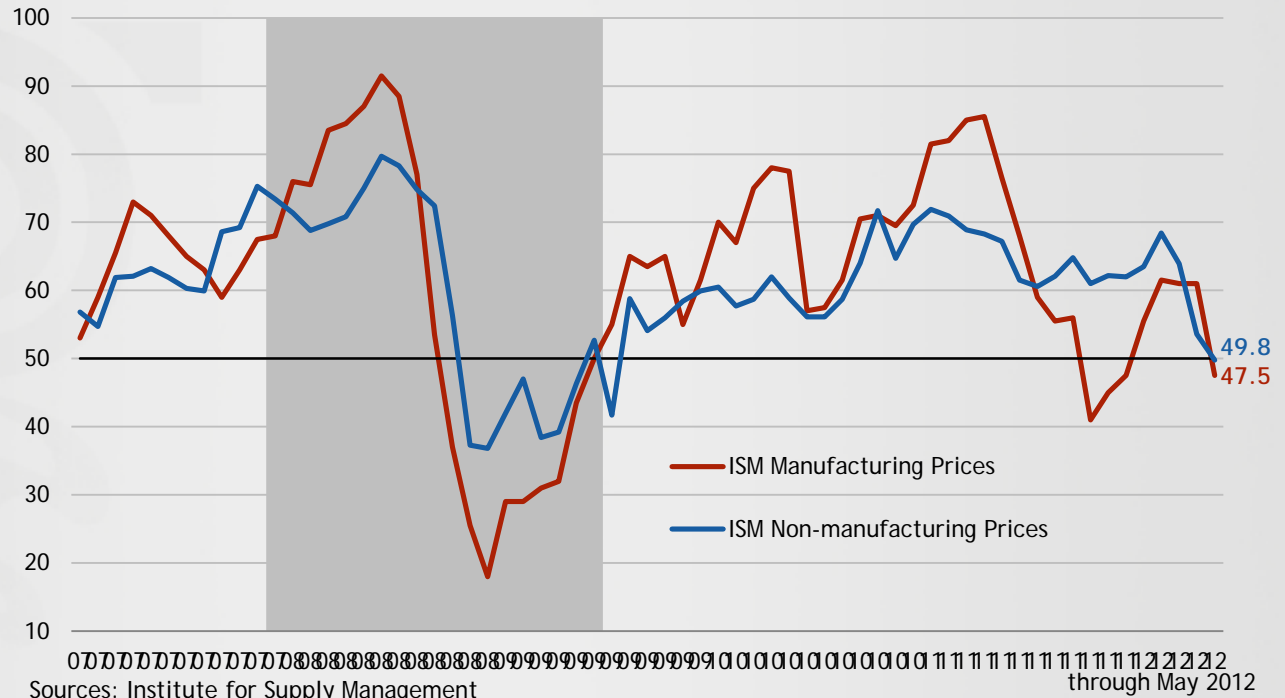
MANUFACTURING

SUMMARY

Institute for Supply Management (ISM) reports on purchasing managers indicated that input prices began to contract for both manufacturers and nonmanufacturers in May.

The prices-paid index for manufacturers dropped a substantial 13.5 index points in May, from a reading of 61 to 47.5. The nonmanufacturers indicated a less dramatic change over the month but still indicated prices had eased a bit over the month. The nonmanufacturing prices index dropped 3.8 points, from 53.6 to 49.8.

ISM Manufacturing and Nonmanufacturing Input Price Indices
index, 50+ = expansion; Manufacturing Prices NSA, Non-manufacturing Prices SA



ADDITIONAL DETAIL

- Of the 18 manufacturing industries, six reported paying increased prices during the month of May: nonmetallic mineral products; furniture and related products; printing and related support activities; apparel, leather, and allied products; paper products; and primary metals.
- The nine industries reporting paying lower prices during May are: wood products; fabricated metal products; chemical products; electrical equipment, appliances, and components; plastics and rubber products; miscellaneous manufacturing; food, beverage, and tobacco products; machinery; and transportation equipment.

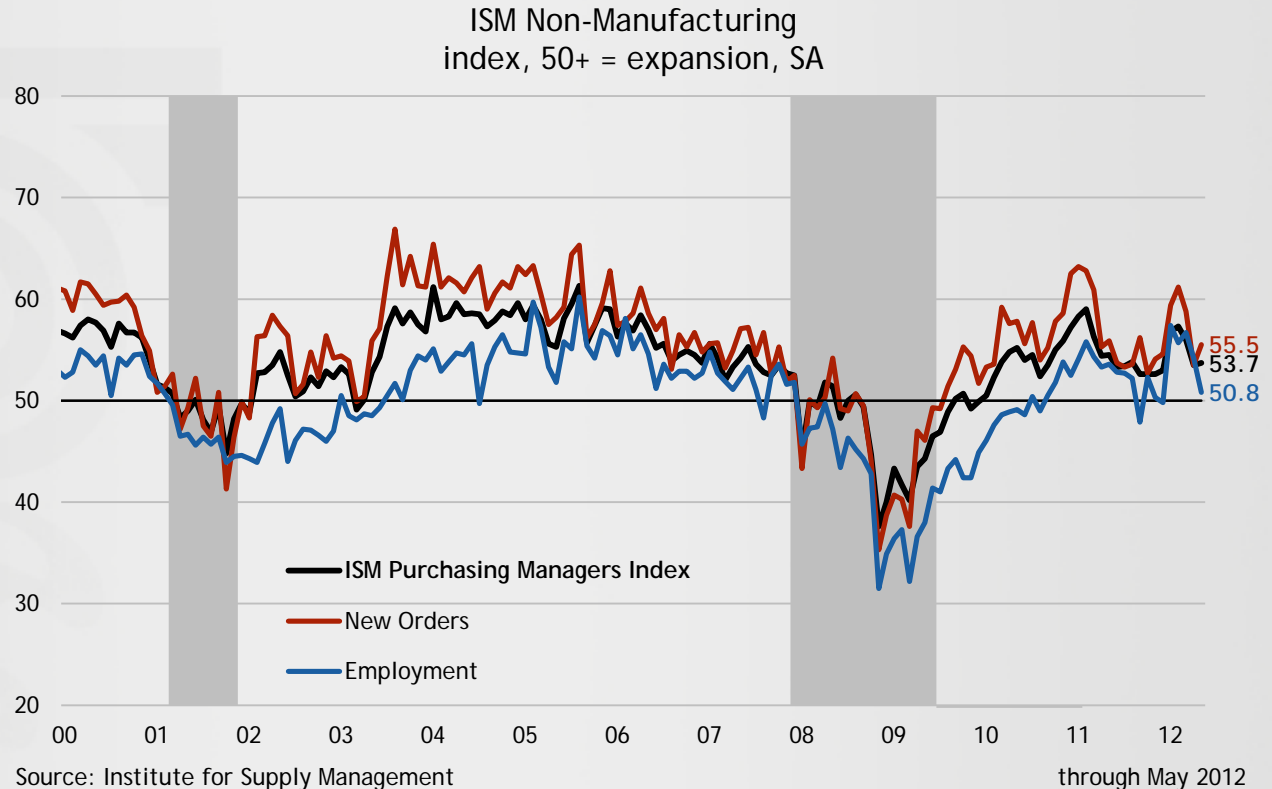
MANUFACTURING

SUMMARY

Last week's Advance Report on Manufacturers' Shipments, Inventories, and Orders revealed new orders for core capital goods slipped 1.9 percent in April, while shipments fell 1.4 percent from the March levels.

New orders for communication equipment were particularly hard hit over the month, while orders for motor vehicles and parts jumped nearly 6 percent.

On a year-over-year basis, new orders were 2.6 percent better than April 2011 levels, while shipments improved 6.9 percent over the 12-month period.



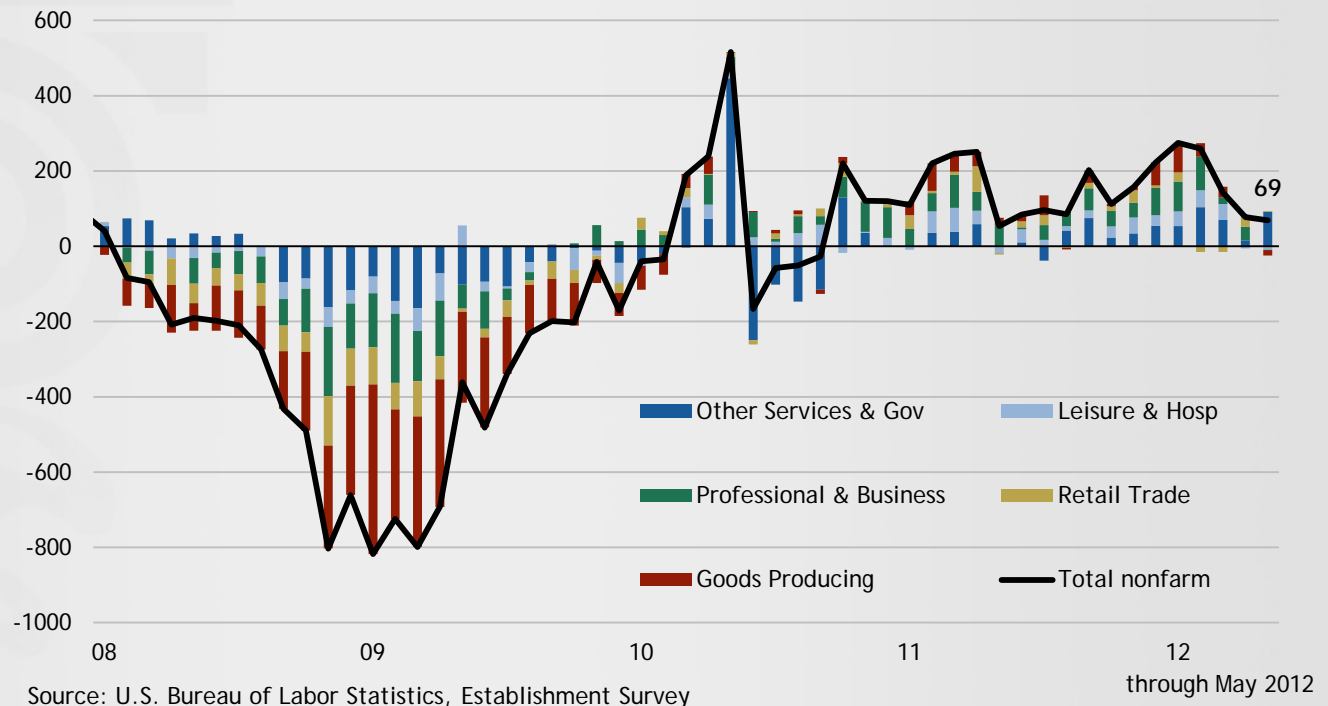
EMPLOYMENT

SUMMARY

According to the Employment Situation Report for May from the U.S. Bureau of Labor Statistics, 69,000 new payrolls were created last month, well below consensus expectations of 150,000 new jobs. April's figures were revised downward from 115,000 new payrolls to 77,000 new payrolls.

According to the May report, job gains were in health care, transportation and warehousing, and wholesale trade. The major sector shedding jobs was construction.

Contributions to Change in Nonfarm Payroll Employment
thousands of jobs, SA



ADDITIONAL DETAIL

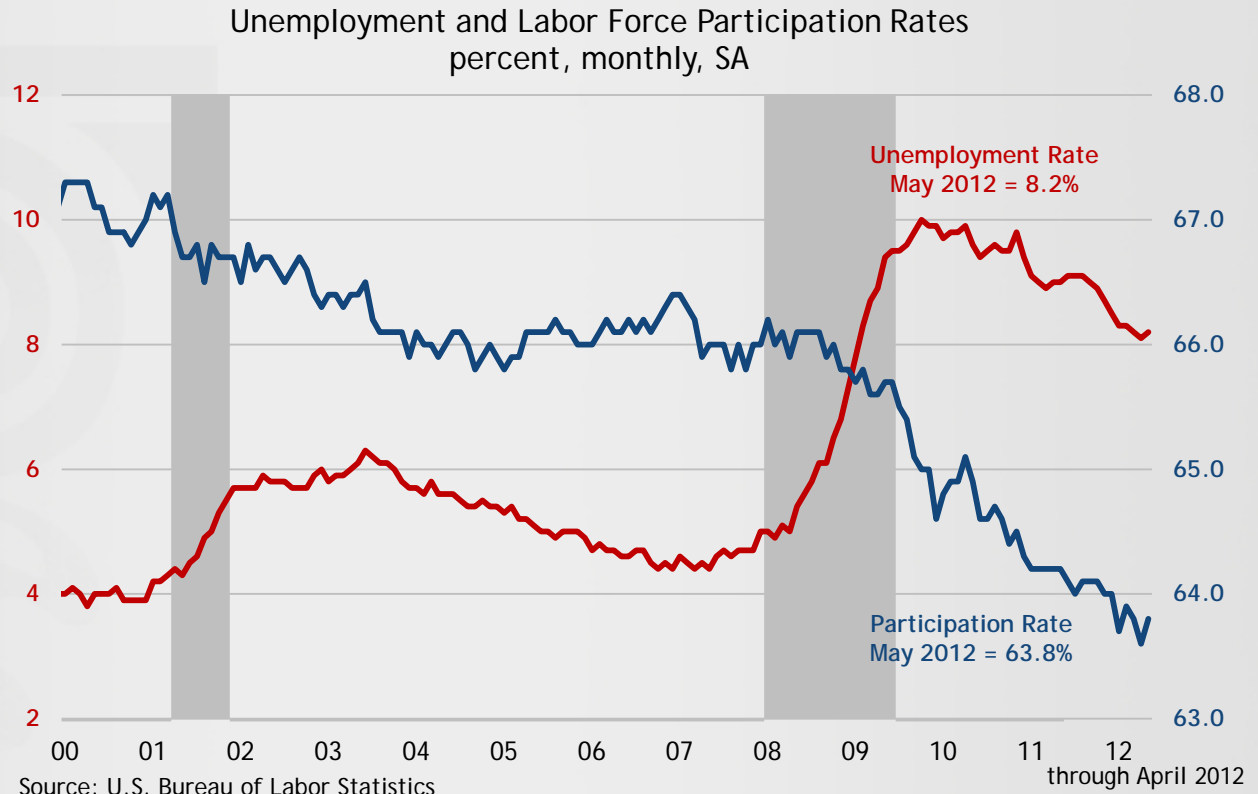
- Nonfarm payrolls grew by 69,000 in May, while total private (nongovernment) employment was up by 82,000.
- Education and health services payrolls were up by 46,000 in May; transportation and warehousing added 36,000 jobs.
- The construction sector shed 28,000 payrolls in May, the largest decrease of any sector for the month.
- April's downward revisions were largely concentrated in the professional and business services sector. One initial estimate had payrolls increasing by 62,000 in April, but May's report revealed the number was closer to 37,000. The sector shed 1,000 payrolls in May.

EMPLOYMENT

SUMMARY

The unemployment rate edged up 0.1 percentage point to reach 8.2 percent in May.

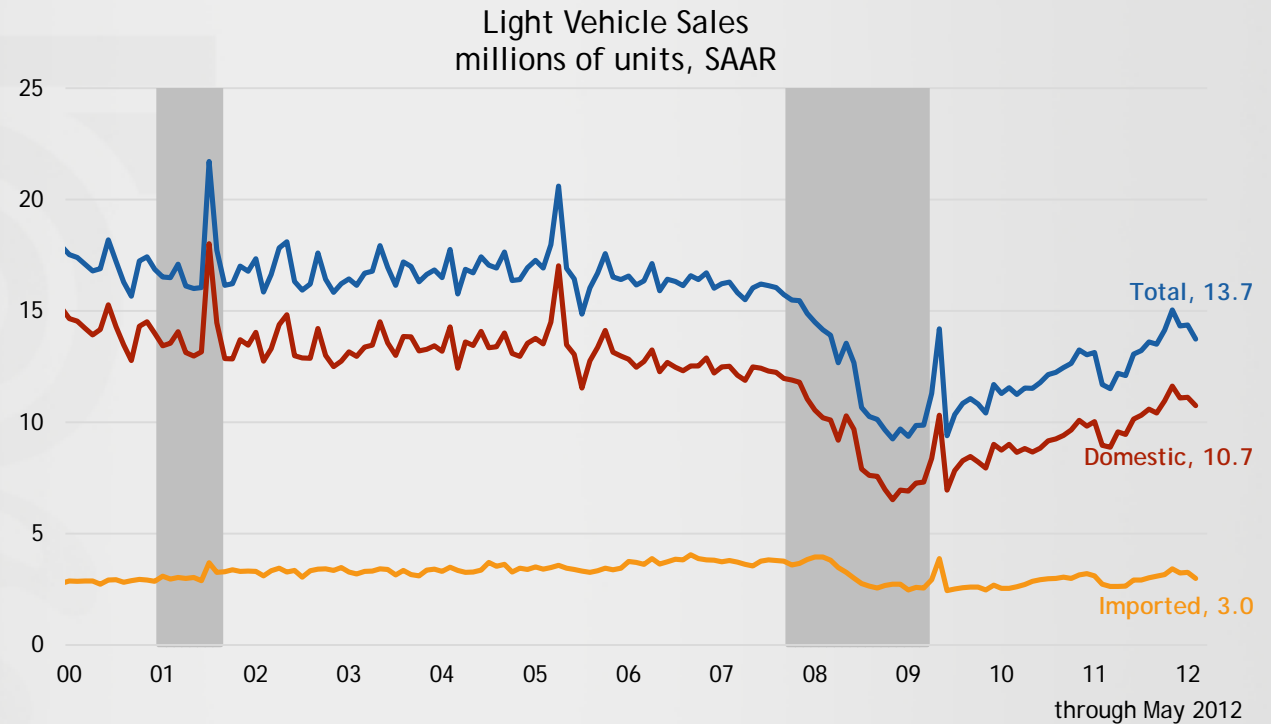
A total of 642,000 new people entered the labor force in May, which was the largest one-month increase since November 2007. Of that total, 422,000 were employed, and 220,000 were unemployed. The labor force participation rate (LFPR) added 0.2 percentage points in May, after losing 0.2 percentage points in April. The current LFPR is 63.8 percent.



CONSUMER SECTOR

SUMMARY

Light vehicles sales decreased for the third consecutive month, decreasing 4.5 percent over the month to a seasonally adjusted annual rate of 13.7 million units.



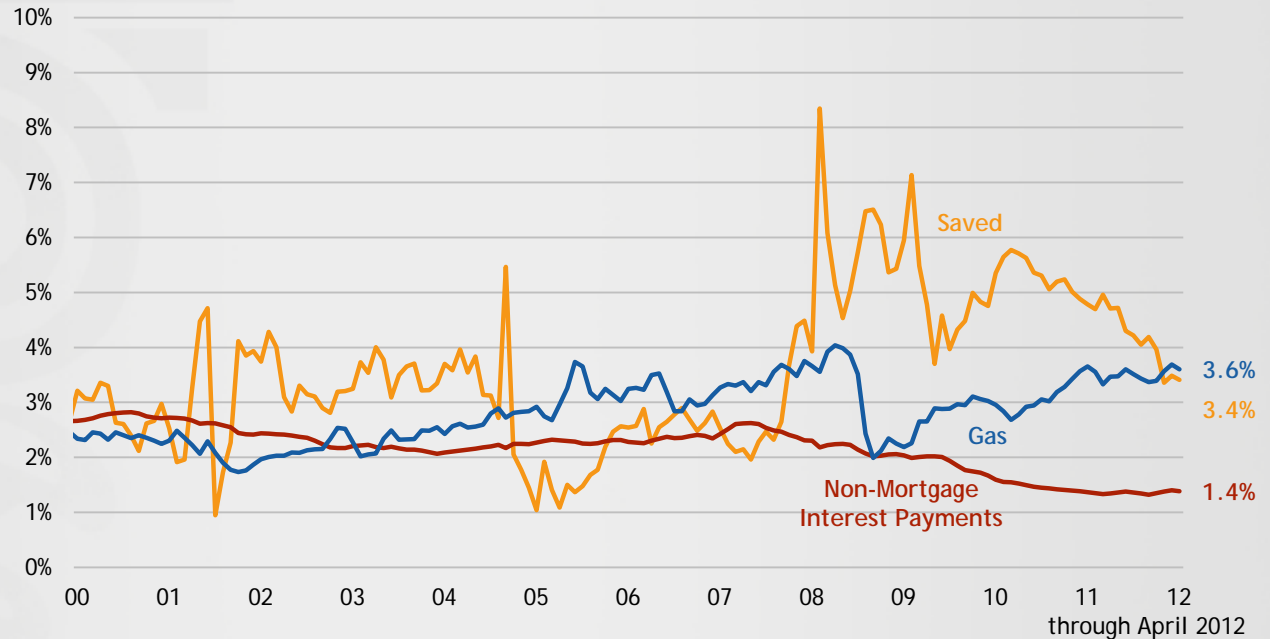
Source: Bureau of Economic Analysis

CONSUMER SECTOR

SUMMARY

Decreases in interest payments and contributions to savings, which have both fallen relative to personal disposable income, have left more room in consumers' budgets to purchase other goods and services.

Portion of Personal Disposable Income used for Gasoline, Savings, and Interest Payments



Source: BEA

ADDITIONAL DETAIL

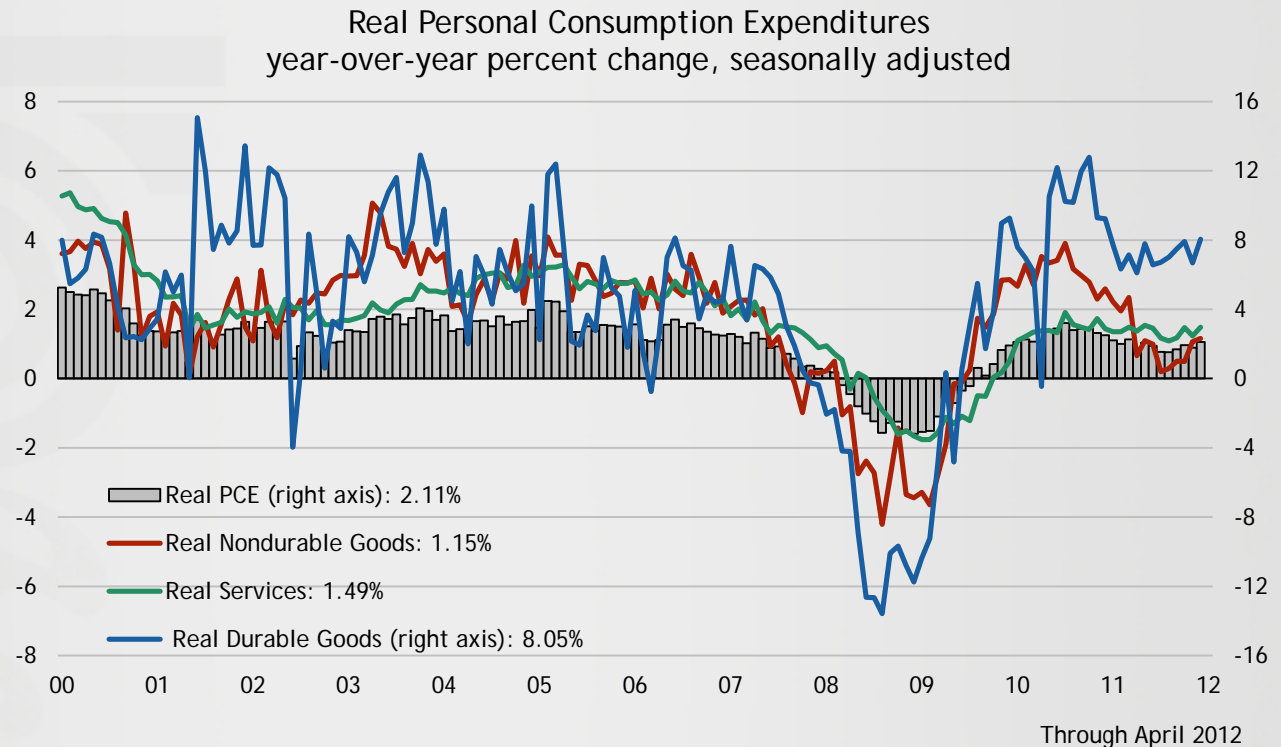
- The savings rate has been trending down since June 2010, while the portion of disposable personal income used to purchase gas has been steadily rising.
- Interest payments (excluding mortgage interest) has been trending downward since the onset of the recession.
- After decreasing in January and February, real disposable income increased 0.19 percent in March and 0.17 percent in April.

CONSUMER SECTOR

SUMMARY

Month-over-month, consumer spending in April as measured by real personal consumer expenditures increased at annual rate of 3.3 percent.

Purchases of durable goods increased the most, rising at a 9.4 percent annual rate. Spending on services and nondurable goods both rose at a 2.6 percent annual rate.



Source: BEA

ADDITIONAL DETAIL

- New motor vehicles continue to support growth in PCE, accounting for 6 percent of growth in nominal PCE over the past six months.
- Unadjusted for price changes, household spending on electricity and natural gas services has decreased 7 percent over the past six months.
- The dollar amount spent on motor vehicle fuels is up 4 percent over the past six months, but after adjusting for price changes, the amount spent is essentially unchanged.

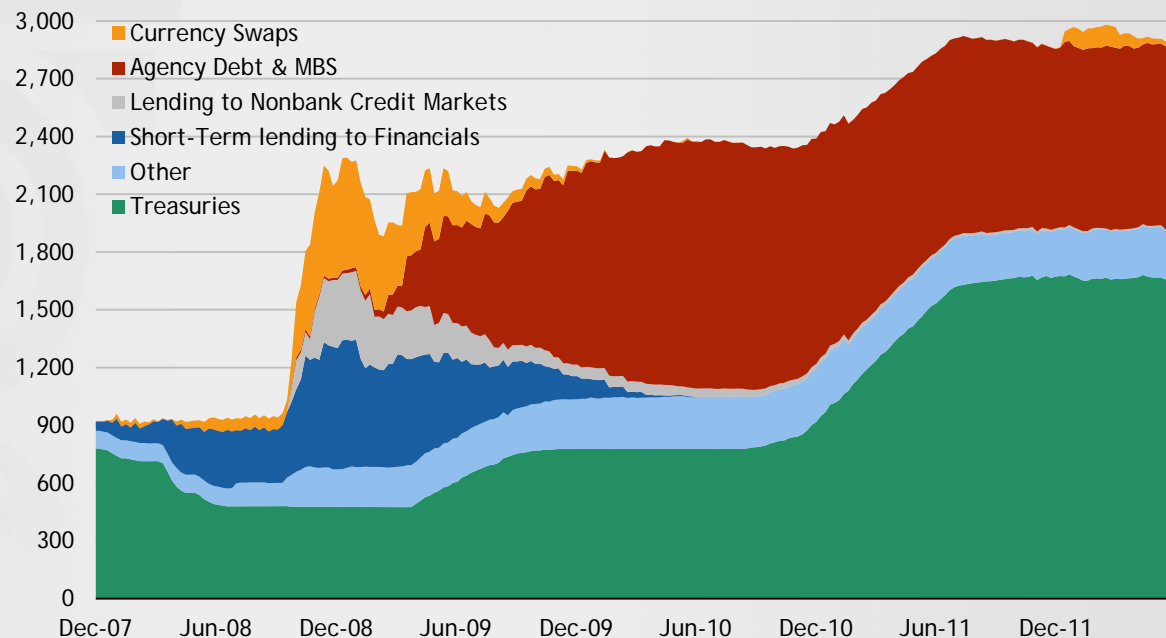
FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between May 23 and May 30 the balance sheet decreased by \$17.3 billion, remaining essentially unchanged at \$2.9 trillion.

Since mid-December, increased use of swap lines by foreign central banks has caused the balance sheet to expand by \$20 billion.

Federal Reserve Assets (Uses of Funds)
\$ billions



Source: [Federal Reserve Board](#)

through May 30, 2012

ADDITIONAL DETAIL

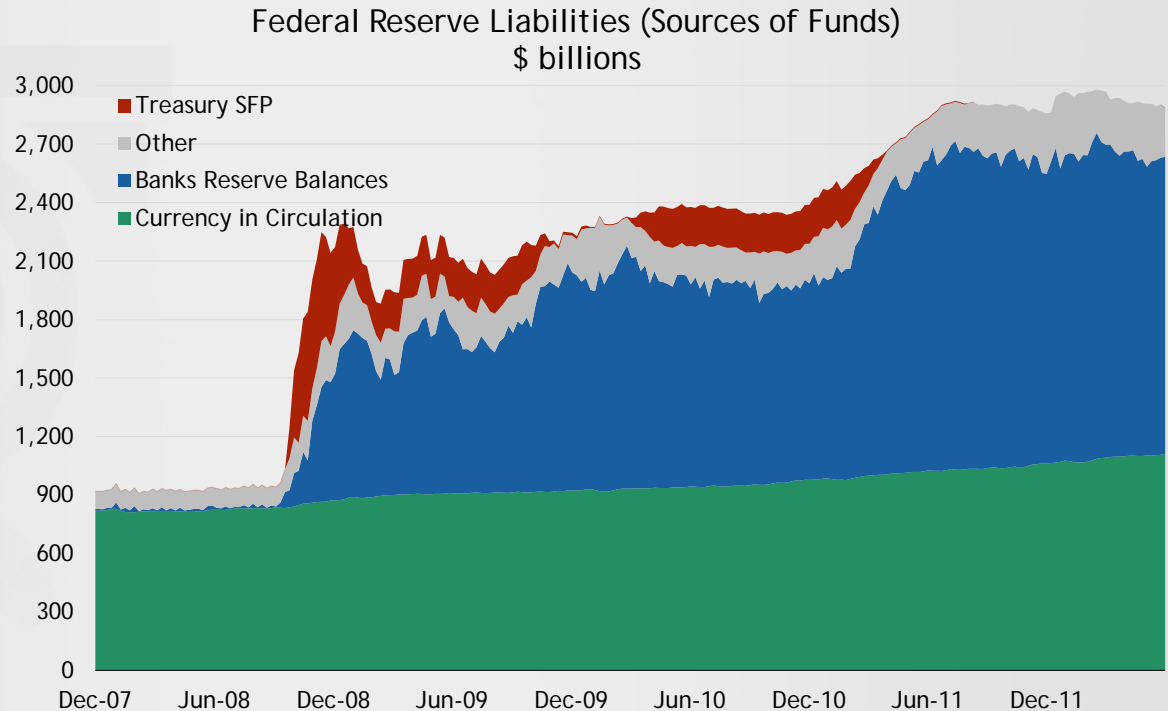
- Treasuries decreased by \$0.1 billion while agency debt and MBS decreased by \$13.2 billion.
- [Central bank liquidity swaps](#) decreased \$4.3 billion.
- According to the [New York Fed's tentative outright Treasury operation schedule](#), and in line with the [maturity extension program](#), the desk plans to purchase approximately \$45 billion in Treasury securities with remaining maturities of from six to 30 years and sell approximately \$43 billion in Treasury securities with remaining maturities of three years or less over the month of June.

FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between May 23 and May 30, bank reserve balances with the Federal Reserve decreased by \$0.1 billion while Treasury deposits with the Federal Reserve decreased by \$12.8 billion.

As of May 30, 2012, bank reserves are \$1.52 trillion.



Source: [Federal Reserve Board](#)
SFP=Supplemental Financing Program

through May 30, 2012

ADDITIONAL DETAIL

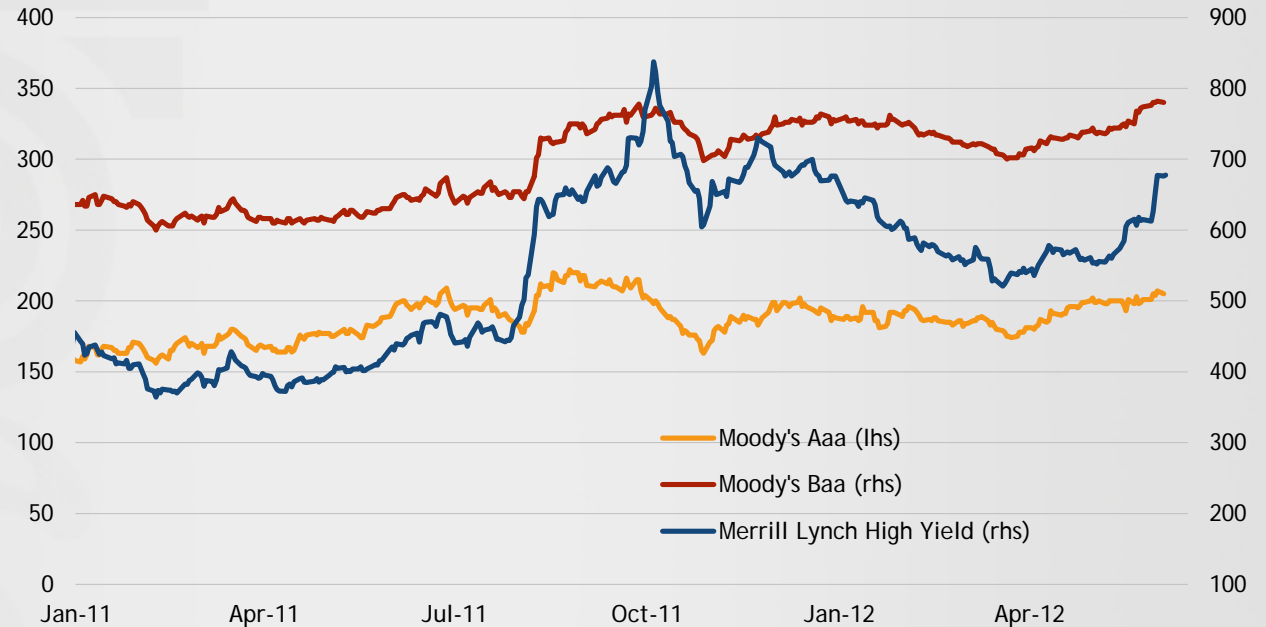
- Nonreserve deposits with the Federal Reserve decreased by \$8.4 billion.

BONDS

SUMMARY

Yields of corporate debt, relative to U.S. Treasuries, have risen recently, especially for high-yield debt. Since the April 25 FOMC meeting, high-yield spreads are up 119 basis points (bps), while Aaa- and Baa-rated debt spreads are 8 bps and 23 bps higher, respectively.

Corporate Yield Spreads over 10-year Treasury basis points



Sources: Moody's; Bank of America/Merrill Lynch

Moody's data through June 4; Merrill Lynch data through June 5

BONDS

SUMMARY

European bond spreads (against German equivalents) continue to be elevated, though they have narrowed in the past week. Of particular concern is Spain and Italy. Spain's spread is now 512 bps, up 93 bps over the past five weeks (since May 1), but unchanged from a week ago. Italy's spread has narrowed slightly over the week to 431 bps, having increased about 50 bps since May 1.

