

ECONOMIC AND FINANCIAL HIGHLIGHTS

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JULY 11, 2012



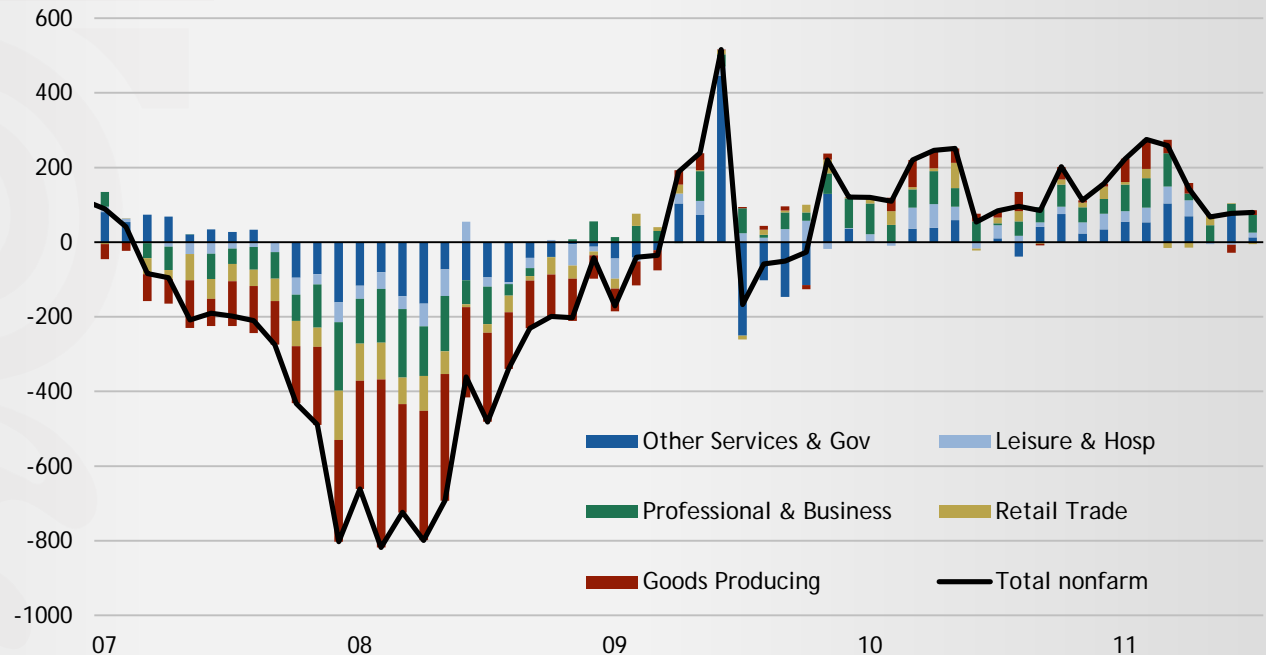
EMPLOYMENT

SUMMARY

The U.S. Bureau of Labor Statistics announced last week that, on net, 80,000 new nonfarm payrolls were added during the month of June. Consensus expectations were for a 100,000 increase in payrolls for the month.

Professional and business services was the sector with the greatest number of payroll additions, adding 47,000 in June; 25,000 of these payrolls were in temporary help services.

Contributions to Change in Nonfarm Payroll Employment
thousands, SA



Source: U.S. Bureau of Labor Statistics

through June 2012

ADDITIONAL DETAIL

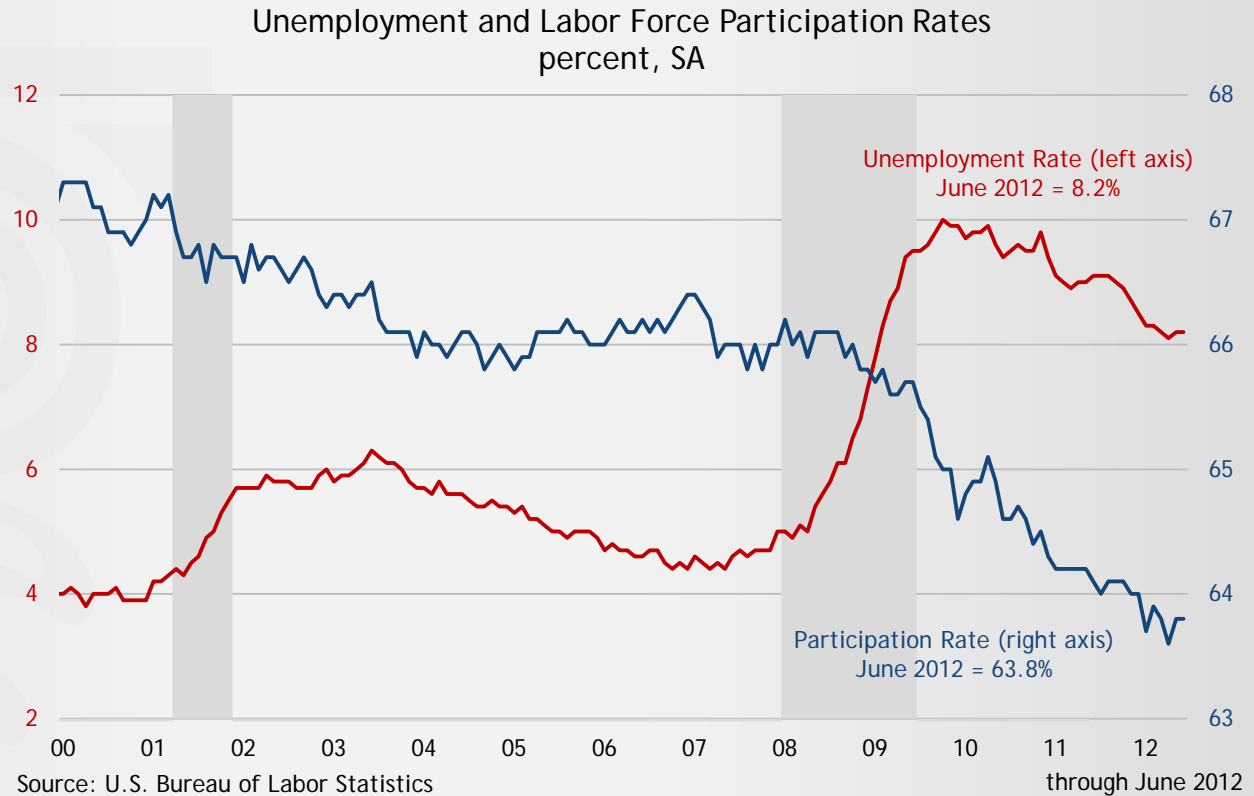
- Revisions to past months' payroll figures were mild compared with larger revisions seen earlier this year. April's level of payroll growth was revised downward from 77,000 to 68,000; this revision was nearly offset by an upward revision to the May figure, which went from 69,000 to 77,000.
- Other sectors with gains in June included goods-producing sectors (13,000 new payrolls, 11,000 of which were in manufacturing) and leisure and hospitality, which also added 13,000 payrolls. "Other services" added 9,000 for the month.
- Retail trade lost 5,000 payrolls in June, while the government contracted by 4,000 payrolls.

EMPLOYMENT

SUMMARY

The unemployment rate remained unchanged in June at 8.2 percent.

The labor force grew by 157,000 last month; 128,000 of these added participants were employed, while 29,000 were unemployed. This growth, however, did not change the labor force participation rate, which remained at 63.8 percent for the month.

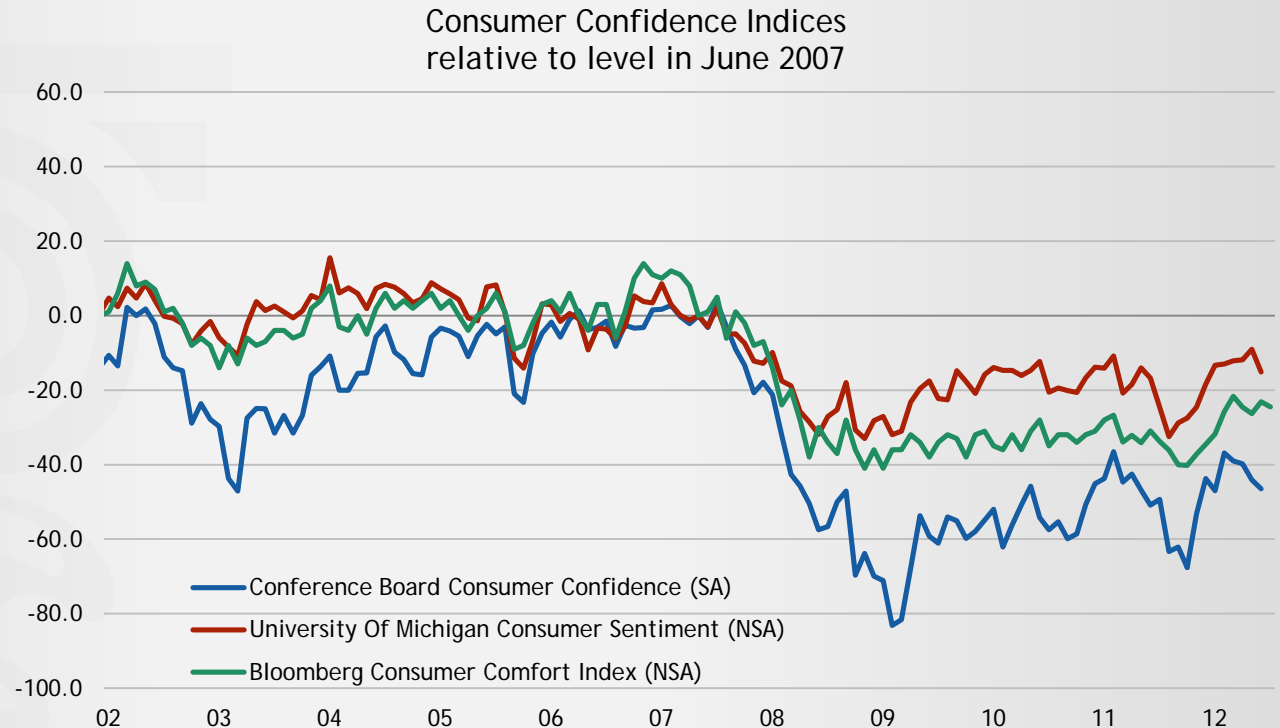


CONSUMERS

SUMMARY

Final measures of overall consumer sentiment as measured Reuters/University of Michigan and the Conference Board indicated a deterioration of consumer attitudes in June.

The weekly Bloomberg Consumer Comfort Index, however, has been mostly flat since February.



Sources: The Conference Board, Reuters/University of Michigan, Bloomberg through June 2012/July 01

ADDITIONAL DETAIL

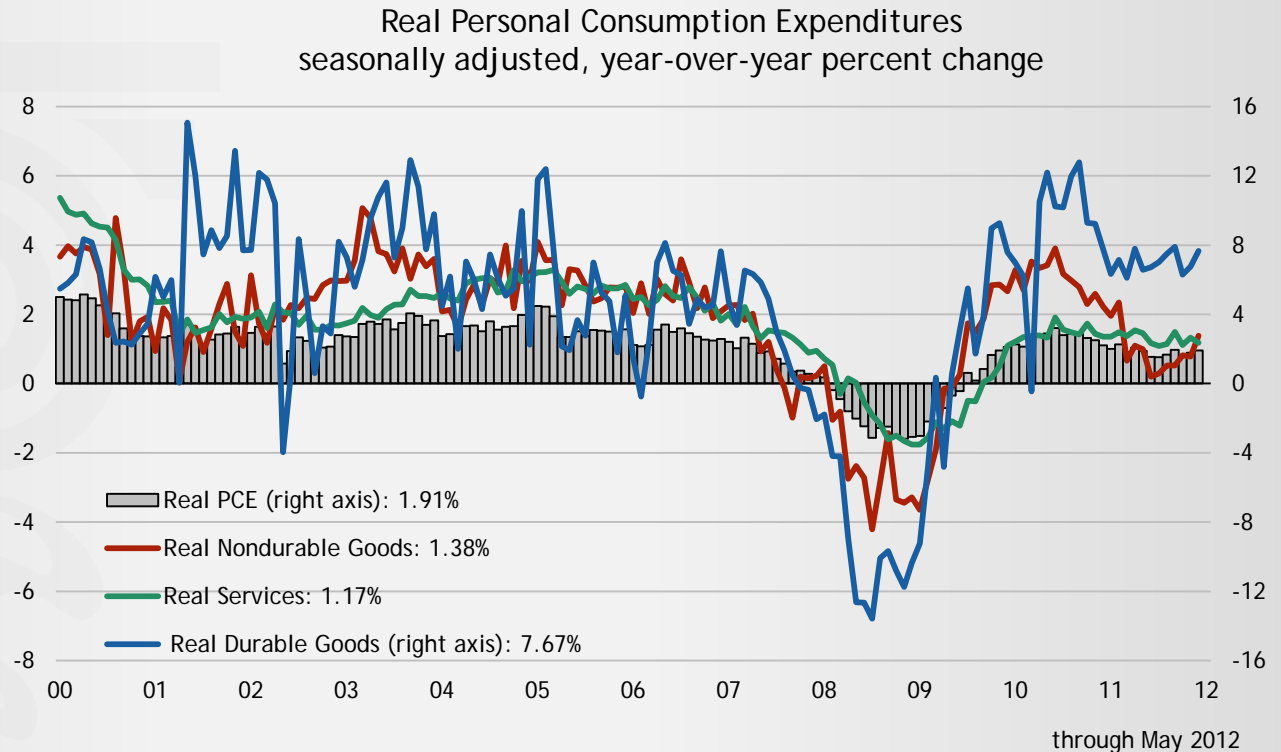
- The future component of the Conference Board's Consumer Confidence Index and the Reuters/University of Michigan's Consumer Sentiment Index both declined in June.
- While the future components of both the Conference Board and Reuters/University of Michigan survey have fairly similar underlying questions, the present components are notably different. The Conference Board's Present Situation Index is based on consumers' perceptions of local business conditions and local availability of jobs. The Reuters/University of Michigan Current Conditions asks about attitude towards big-ticket purchases and whether personal finances have improved over the past year. The Bloomberg Consumer Comfort Survey, is somewhat of a hybrid, probing consumers about their perception of the current state of the national economy, their personal finances, and the buying climate.

CONSUMERS

SUMMARY

Month-over-month, consumer spending in May as measured by real personal consumption expenditures increased at an annual rate of 1.7 percent.

Month-over-month, purchases of durable goods contracted at an annual rate of 5 percent while spending on services rose at a 2 percent annual rate and spending on nondurables rose at a 4 percent annual rate.



Source: U.S. Bureau of Economic Analysis

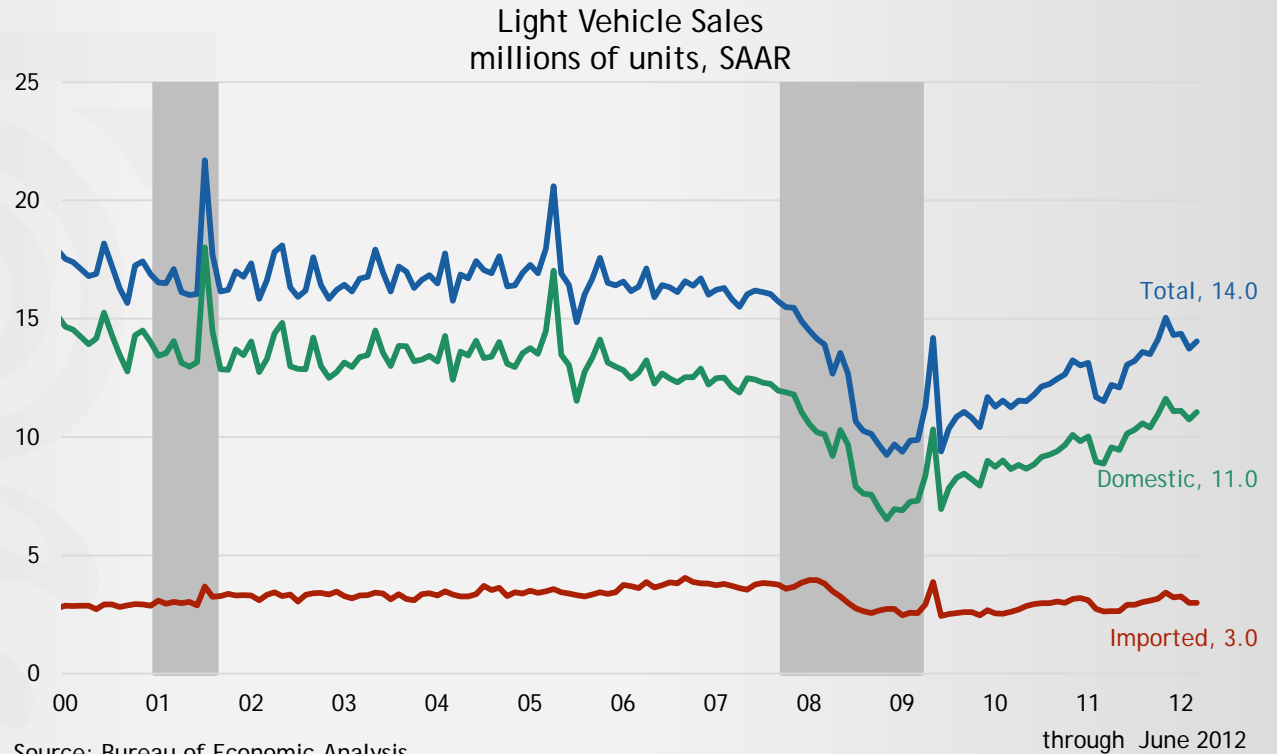
ADDITIONAL DETAIL

- According to the U.S. Bureau of Economic Analysis, real personal disposable income rose 0.3 percent from April to May and was 1.1 percent higher than year-ago levels. Real disposable personal income has increased for six consecutive months, rising an average of 0.16 percent per month and currently 3 percent below its May 2008 peak.

CONSUMERS

SUMMARY

Light vehicles sales edged up in June, increasing 2.3 percent over the month to a seasonally adjusted annual rate of 14 million units.



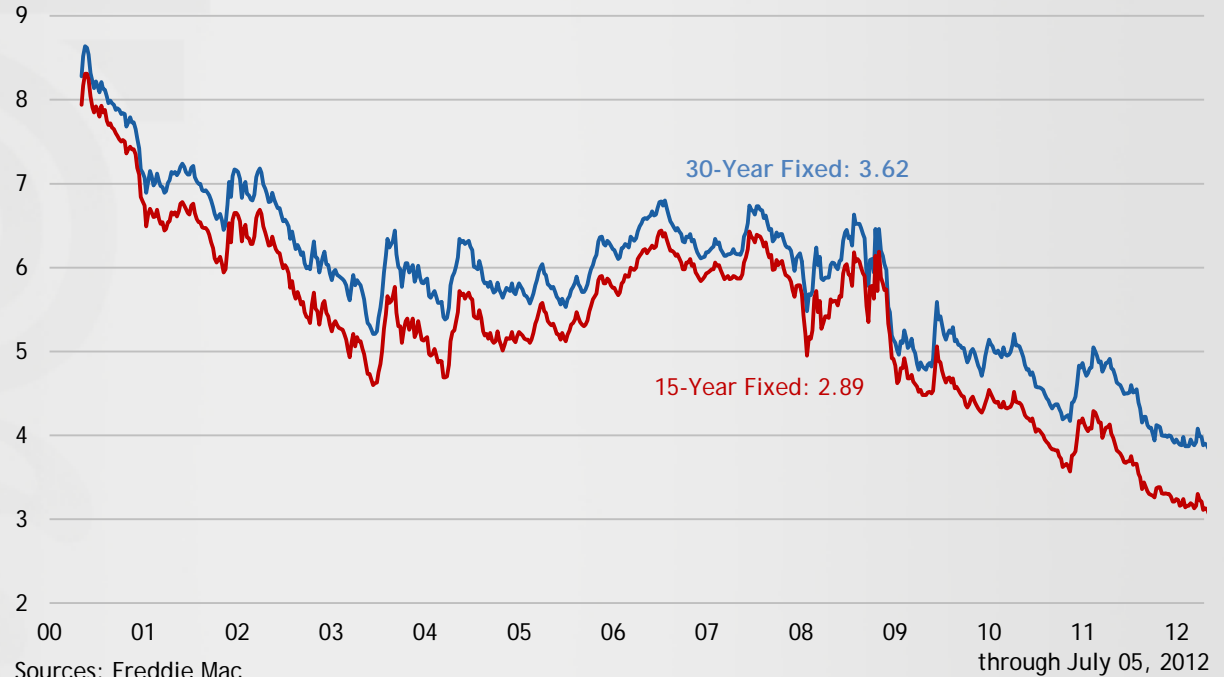
HOUSING

SUMMARY

The average rate for a 30-year fixed-rate mortgage decreased to a new series low of 3.62 percent.

The average rate of a 15-year fixed-rate mortgage also fell to a new series low of 2.89 percent.

Freddie Mac, Primary Mortgage Market Survey
percent

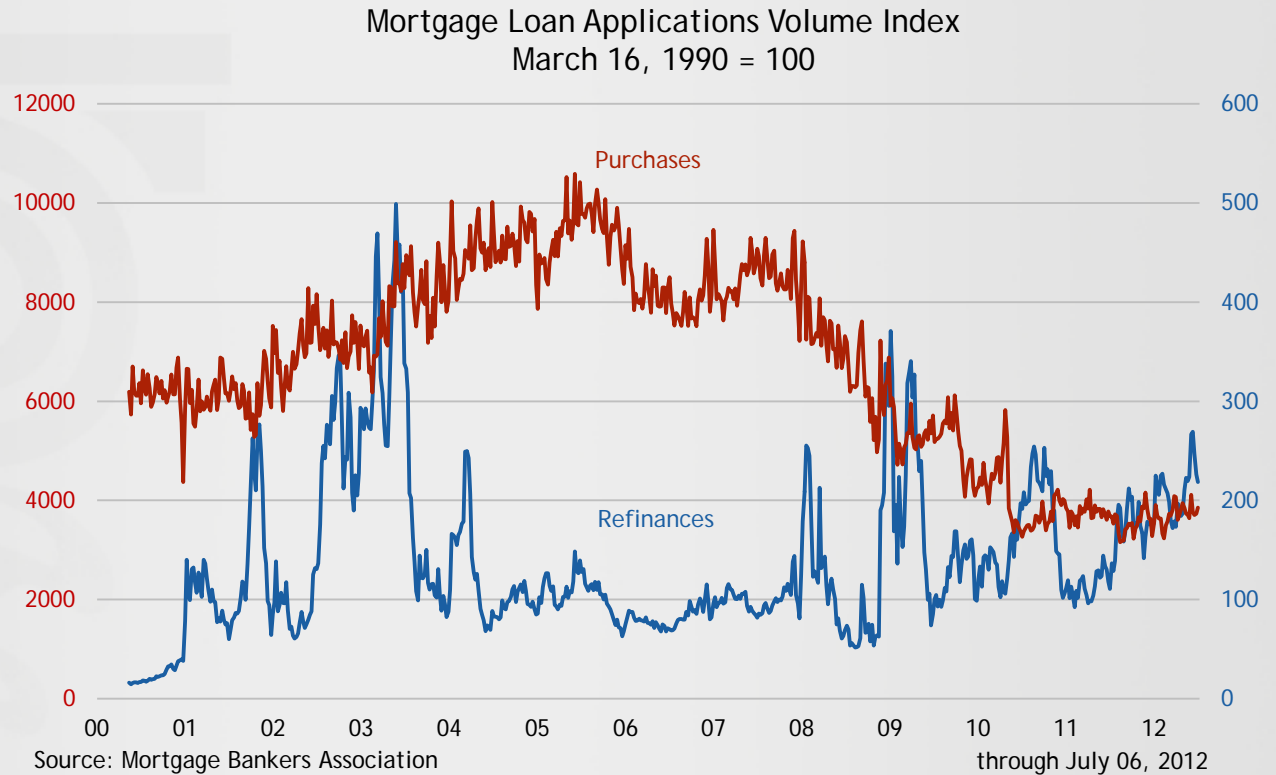


HOUSING

SUMMARY

Applications for refinances are up approximately 97 percent over the year but down approximately 18 percent over the month, the first month-over-month decrease since April 6.

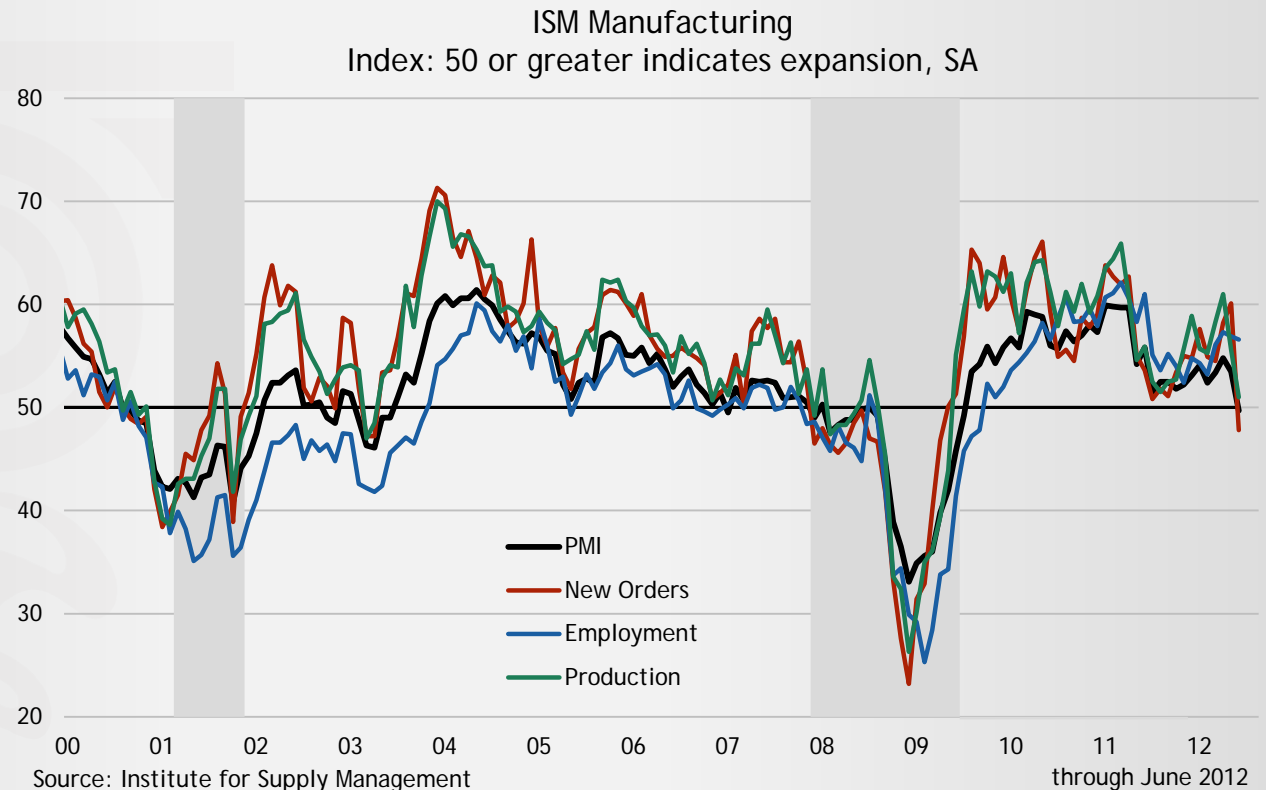
Applications for purchase are up 4.7 percent over the year but down 6.3 percent over the month.



MANUFACTURING

SUMMARY

The Institute for Supply Management's (ISM) Purchasing Manager's Index (PMI) dropped 3.8 index points in June to reach 49.7. This decline indicates that the manufacturing sector contracted in June, following 36 months of expansion.



ADDITIONAL DETAIL

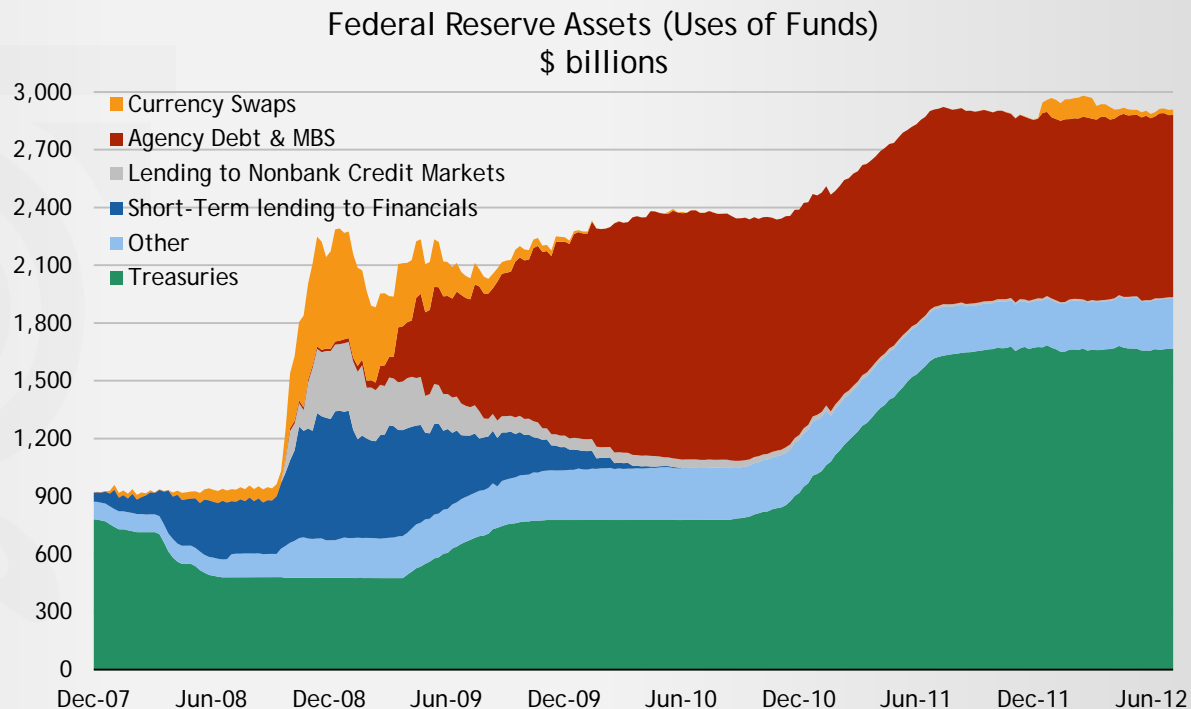
- Among the variables used to calculate the overall Purchasing Manager's Index, the leading indicator component—new orders—had the most substantial drop in June. The **new orders index fell 12.3 index points to reach 47.8**, also indicating contraction.
- The **production index, a current measure of manufacturing activity, gave up 4.6 index points** in June to reach 51.0.
- The manufacturer's employment index, a lagging variable, lost just 0.3 of an index point in June to reach 56.6.
- Though not included in the calculation of the PMI, the **prices paid index dropped a notable 10.5 index points over the month to reach 37.0**.

FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between June 27 and July 4, the balance sheet increased by \$1.9 billion, remaining essentially unchanged at \$2.9 trillion.

At the June FOMC meeting, it was decided that the Maturity Extension Program would be extended. According to a [recent press release](#) by the New York Fed, the program is expected to “result in the purchase, as well as the sale and redemption, of about \$267 billion in Treasury Securities by the end of 2012.”



Source: [Federal Reserve Board](#)

through July 04, 2012

ADDITIONAL DETAIL

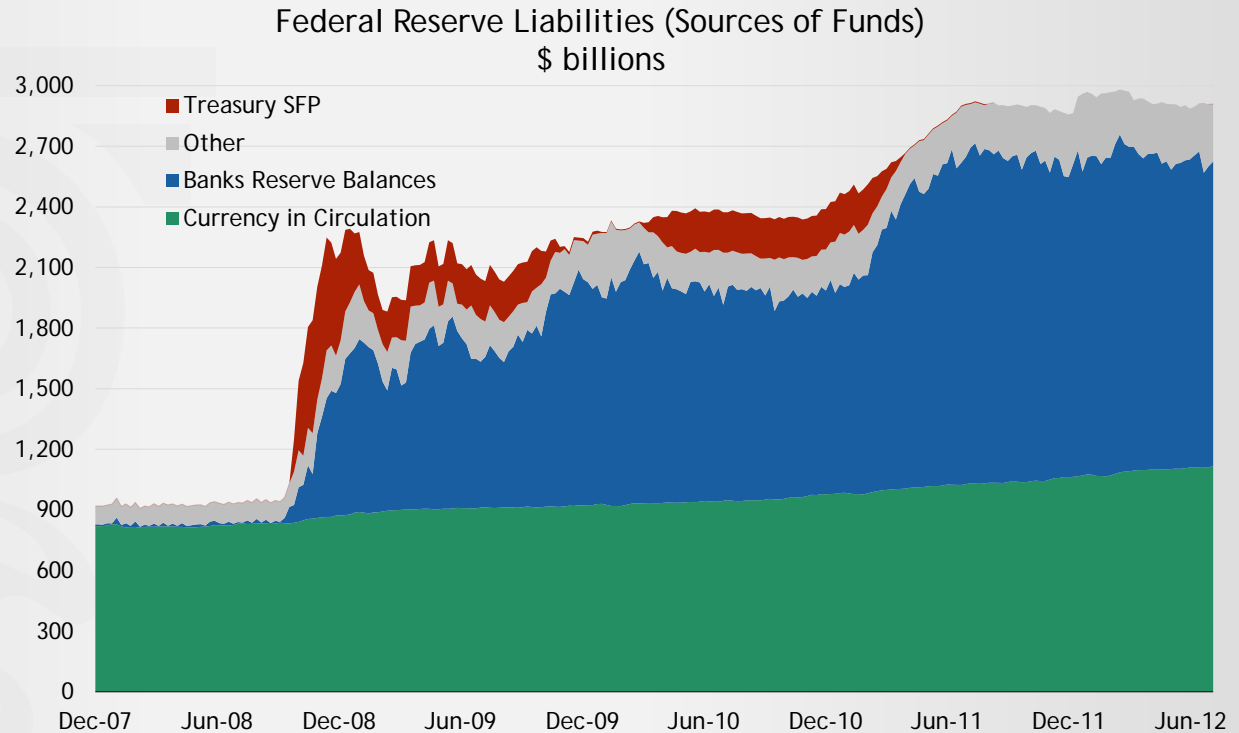
- [Central bank liquidity swaps](#) decreased \$0.9 billion. Since mid-December, increased use of swap lines by foreign central banks has caused the balance sheet to expand by \$26 billion.
- At the June FOMC meeting, the New York Fed was also instructed to continue reinvesting principal payments from its holdings of agency debt and agency MBS into agency MBS but to no longer reinvest maturing Treasury securities into new issues.
- 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, sell approximately \$39 billion with remaining maturities of three years or less, and redeem approximately \$20 billion in Treasury securities over the month of July.

FEDERAL RESERVE BALANCE SHEET

SUMMARY

Between June 27 and July 4, bank reserve balances with the Federal Reserve increased by \$16 billion, while Treasury deposits with the Federal Reserve decreased by \$20.4 billion.

As of July 4, 2012, bank reserves are \$1.51 trillion.



Source: [Federal Reserve Board](#)

SFP=Supplemental Financing Program

through July 04, 2012

ADDITIONAL DETAIL

- Reverse repurchase agreements with foreign officials and international accounts increased by \$4.2 billion.
- Nonreserve deposits with the Federal Reserve decreased by \$7.7 billion.