

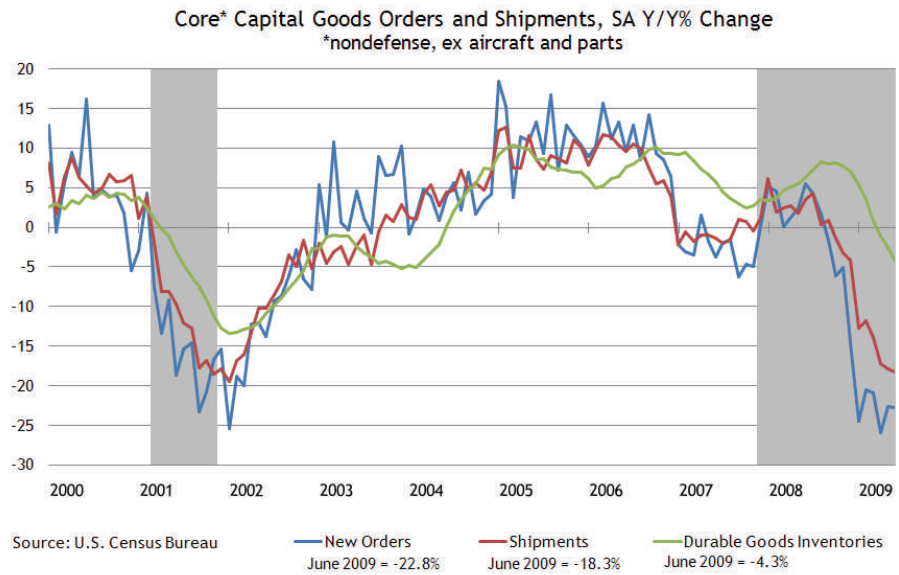
Economic Highlights

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Manufacturing

Summary

New orders for core capital goods increased 1.4% in June despite a negative headline reading. June witnessed the first positive figure for core manufacturer's shipments in more than a year.

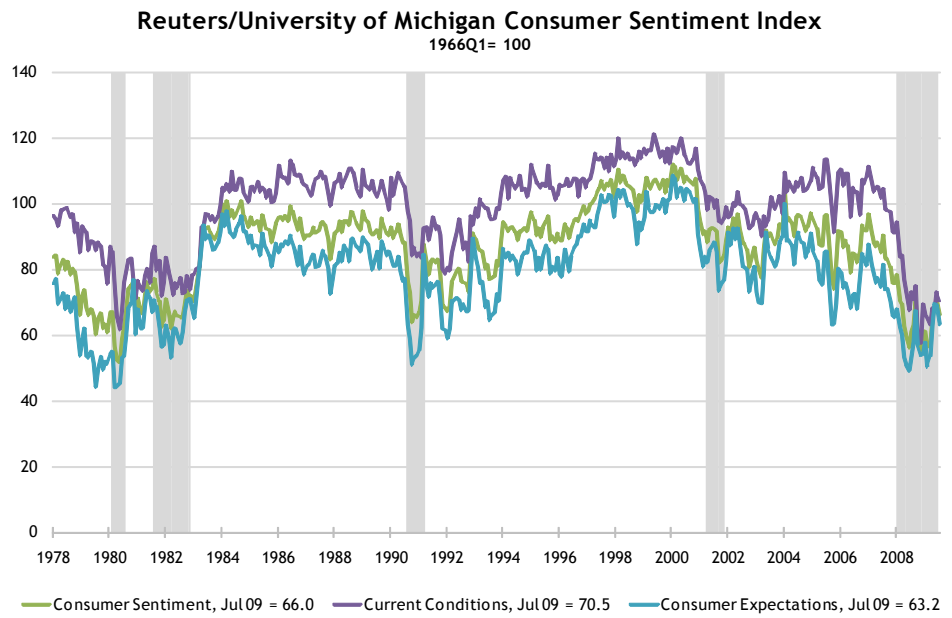


- Despite a negative headline reading for new orders (-2.5% month over month), **new orders for core capital goods increased by 1.4% in June** but is still down a hefty 22.8% year over year.
- Over half of the decline in the headline figure for new orders was due to a large decline in orders for civilian aircraft. New orders for defense capital, down 28.3% month over month, was another significant drag on the headline figure.
- An interesting component of this release is a turnaround in **manufacturer's shipments for durable goods**, which showed the first positive month-over-month change in shipments since September 2008.
- **Inventories** for manufactured durable goods continued their six-month decline, dropping 0.9% in June following a 1.1% decline in May.

Consumer Spending

Summary

The Reuters/University of Michigan Consumer Sentiment Index fell after two months of positive gains.



Source: Reuters/University of Michigan

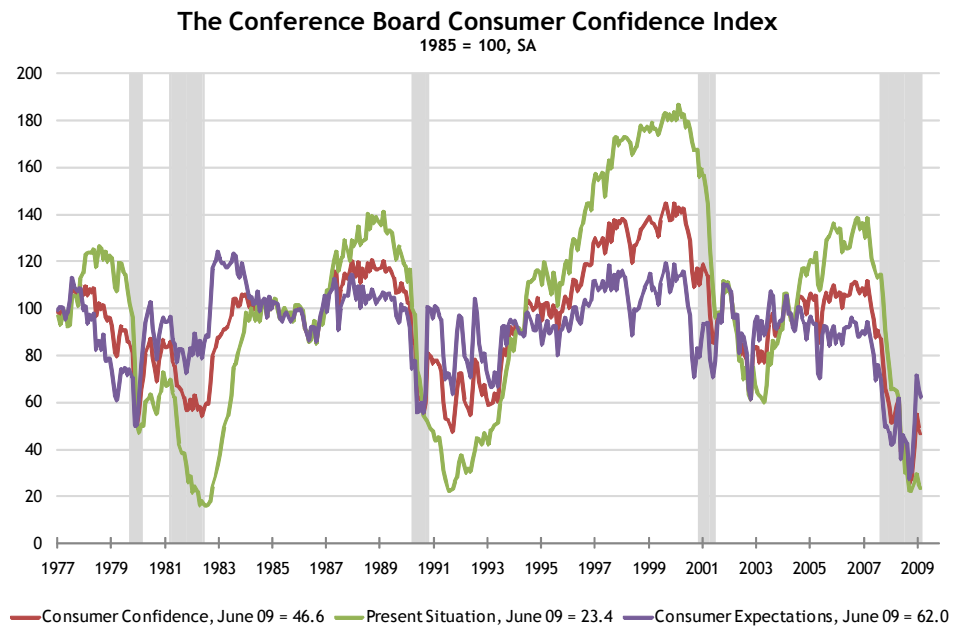
- In July, the Reuters/University of Michigan Consumer Sentiment Index decreased to 66.0 points, the lowest level since April.
- The decline was led by the expectations component, which fell 6.0 points from June to 63.2. The present conditions component also fell in July to 70.5 points from 73.2 in June.
- One-year-ahead inflation expectations fell 0.1% in July to 2.9%, while five-to-ten-year inflation expectations remained unaltered at 3% for the month of July.
- Among the factors contributing to this decline in consumer confidence, analysts point to increasing job losses, declining house prices, volatile gas prices, and unstable stock prices.

Consumer Spending

Summary

The Conference Board's Consumer Confidence Index decreased for second consecutive month in July.

Both the expectations and the present conditions components fell in July.



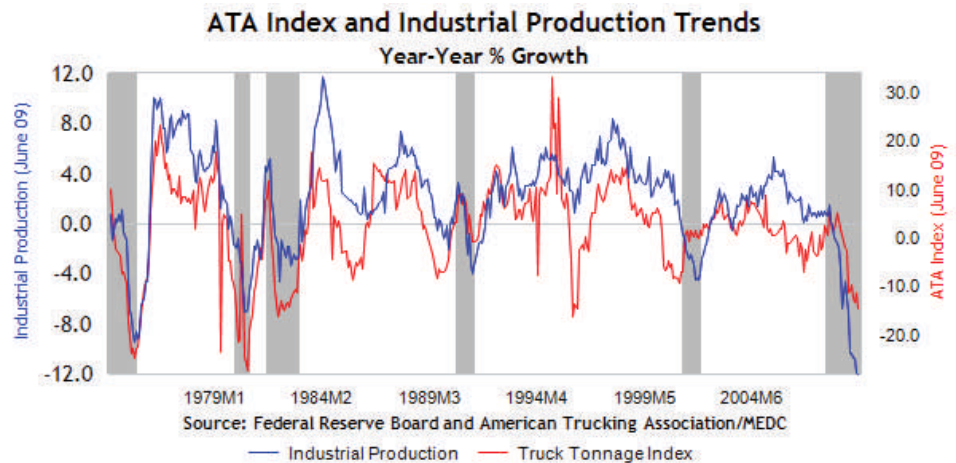
Source: The Conference Board

- The Conference Board's consumer confidence index decreased 2.7 points to 46.6 in July.
- This decline was fairly widespread across both components; expectations led the decline, falling 3.5 points to 62.0, and present conditions fell 1.6 points to 23.4.
- The number of respondents who reported that they believe jobs are plentiful fell to 3.6%, the lowest level in more than 26 years.

Transportation

Summary

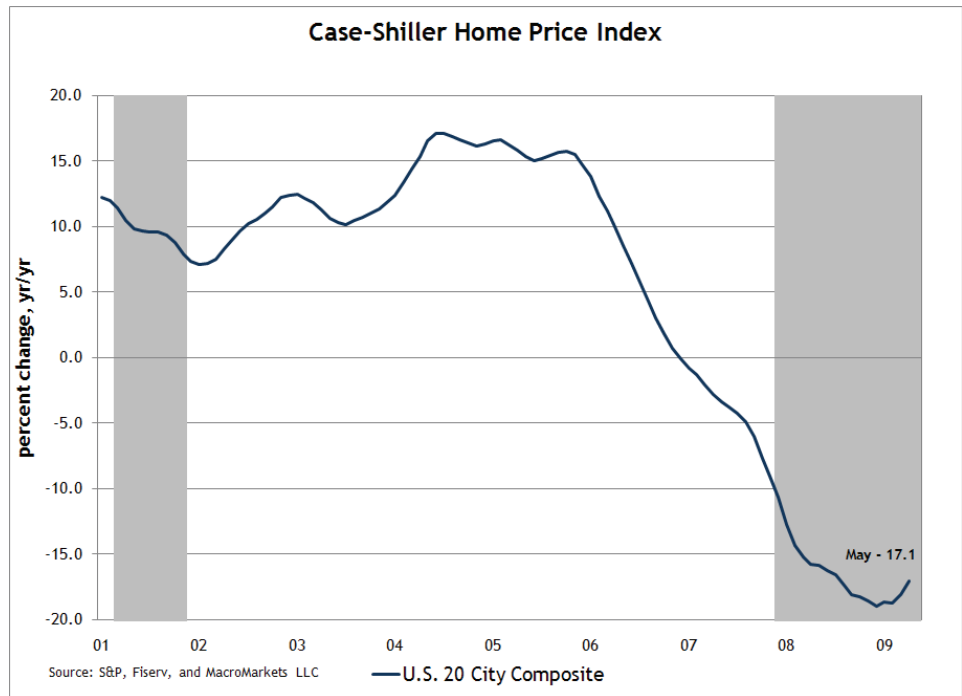
In June 2009, the American Trucking Associations' (ATA) tonnage levels dropped dramatically (13.6%), the sharpest year-over-year fall ever reported.



- According to the U.S. Department of Transportation, in 2008 more than four-fifths of tonnage shipments in the United States came from trucking (69%) and rail (14%).
- The ATA data have clearly mirrored most turns in Industrial production trends.
- The sharp drop in auto production between NAFTA countries in 2009 has clearly affected surface transportation trade. Through April 2009, surface U.S transportation trade values plunged 33% from 2008 levels, the largest drop ever reported. During the same period, the value of U.S truck and rail shipments with Canada and Mexico declined 38 and 23%, respectively.

Summary

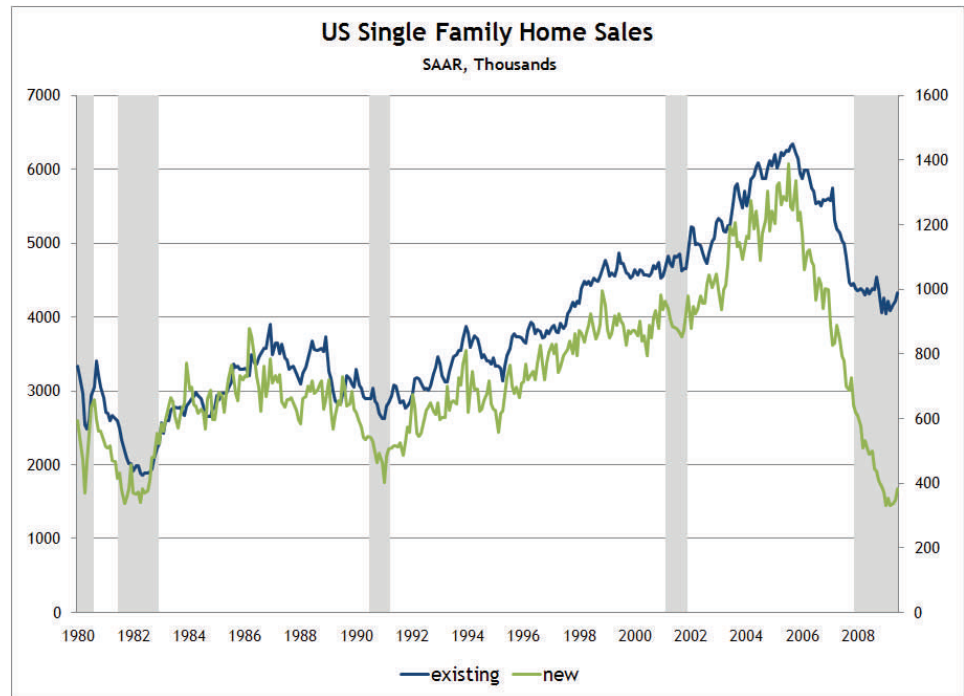
The May Case-Shiller Home Price Index continued to indicate that single-family home prices are recovering from record lows.



- The 20-city composite index fell 0.2% from April, the slowest rate of decline in two years.
- On a year-over-year basis, the index was down 17.1%.

Summary

In June, both new and existing home sales increased for the third consecutive month. Both gains were above consensus expectations.



June sales:	Level (SAAR, thousands)	Y/Y % change	M/M % change
Existing	4,890	-0.2	3.6
New	384	-21.3	1.0

- In the South, existing home sales fared better than new home sales.
- In Florida, existing home sales increased 25% from a year ago. Anecdotal responses from Florida realtors confirmed this improvement in sales, mostly at the low end of the market.
- The South was the only region in the United States not to see an increase in new home sales.
- According to results from our District homebuilder survey, weakness in new home sales was most pronounced in Georgia.

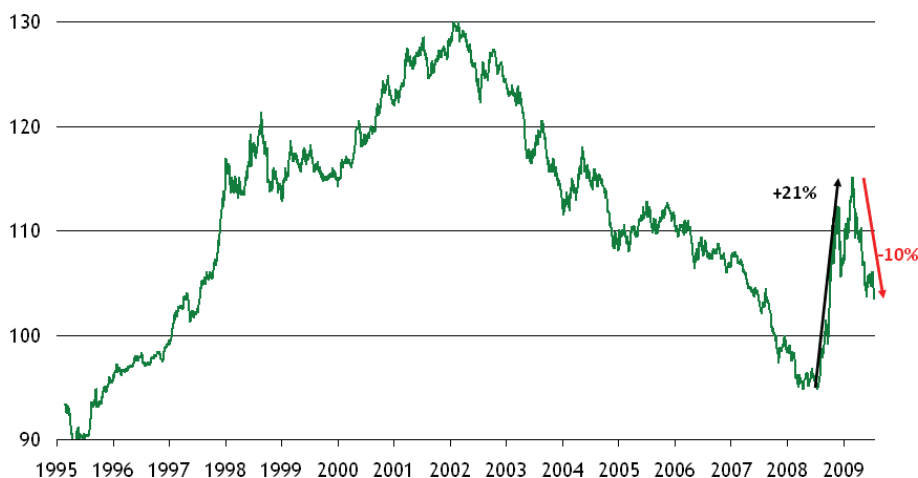
International Developments

Summary

Having peaked in early March, the nominal broad trade-weighted dollar index has since declined 10%.

The Dollar

nominal broad trade-weighted index, 1997=100



Source: FRB

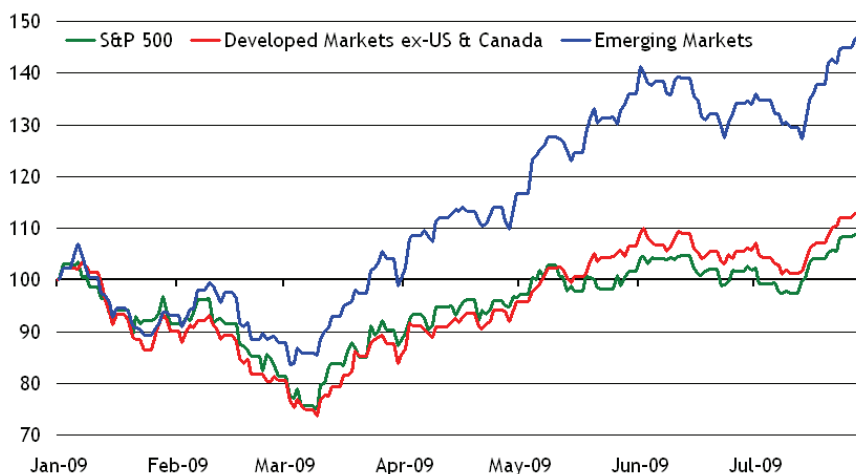
- The drop in the **trade-weighted dollar index** was led by the dollar's 16% depreciation against the Canadian dollar and a 12% decline against the euro.
- **Rising commodity prices** (as shown in the Commodity Research Bureau's spot commodity price index, which has risen 20% since early March) have apparently boosted such "commodity" currencies as the Canadian dollar and the Australian dollar.
- **Improved sentiment toward emerging markets** (reflected, for example, in a considerable increase in their equity markets) have supported their currencies, with Brazil's and South Korea's currencies outperforming other major emerging markets. Since March, the dollar has depreciated about 20% against the Korean won and the Brazilian *real*.

World Equity Markets (year-to-date)

index, 1/1/2009 = 100

Emerging market equities have outperformed developed markets since the beginning of the year.

Emerging Asia's equities recorded the largest increases, in line with upward revisions to the region's growth outlook.



Source: Morgan Stanley Capital International, Bloomberg