

State of the U.S. Economy

Quick Summary

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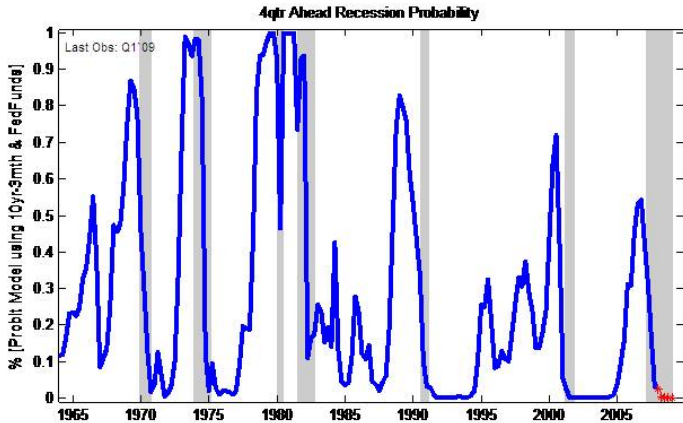
April 16, 2009

Outline

- 1 Is this for real?
- 2 How can we recover with the labor market in shambles?
- 3 Hungry for risk again?
- 4 Survival of the fittest
- 5 Old School Banking
- 6 Policy Risks
 - Trade Policy
 - Fiscal & Regulatory Policy
 - Monetary & Credit Policy

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ISM Manufacturing: PMI Composite Index (NAPM)

Source: Institute for Supply Management

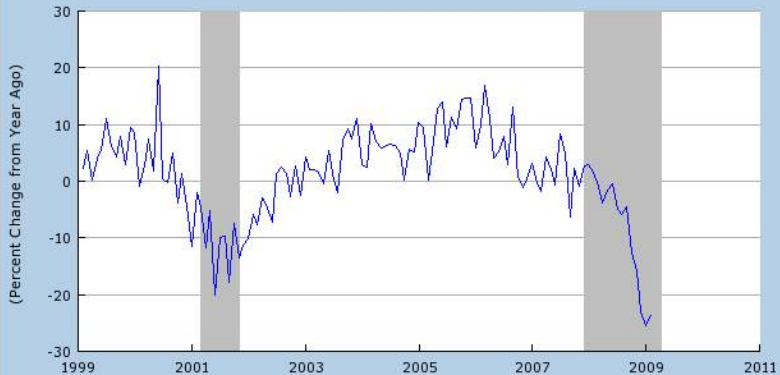


Shaded areas indicate US recessions.

2009 research.stlouisfed.org

Manufacturers' New Orders: Durable Goods (DGORDER)

Source: U.S. Department of Commerce: Census Bureau



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Industrial Production: Durable Manufacturing (NAICS) (IPDMAN)

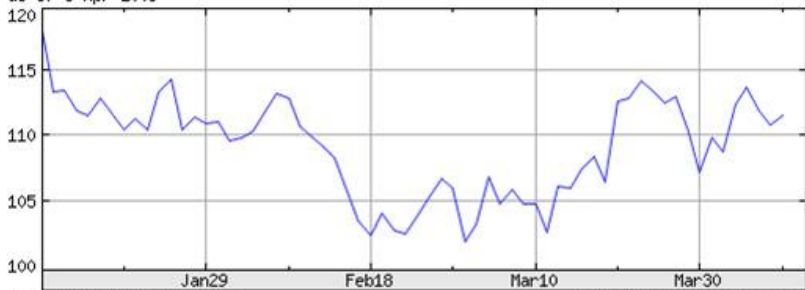
Source: Board of Governors of the Federal Reserve System



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DOW JONES COMMODITY AVE
as of 8-Apr-2009

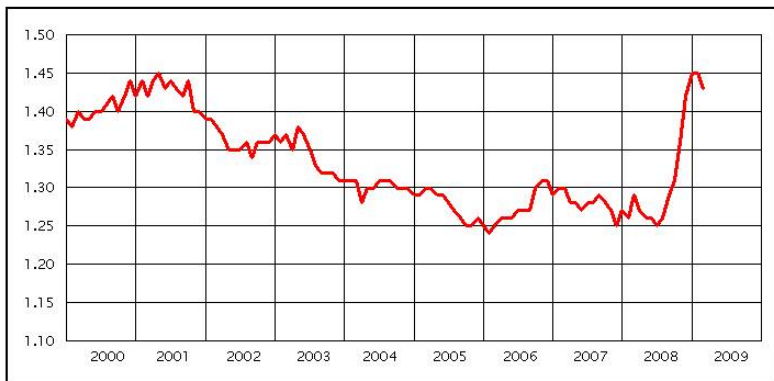


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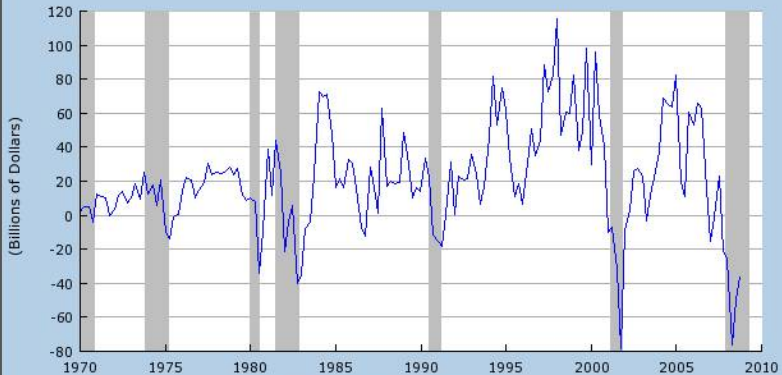
Total Business Inventories/Sales Ratios: 2000 to 2009

(Data adjusted for seasonal, holiday and trading-day differences but not for price changes)



Change in Private Inventories (CBI)

Source: U.S. Department of Commerce: Bureau of Economic Analysis



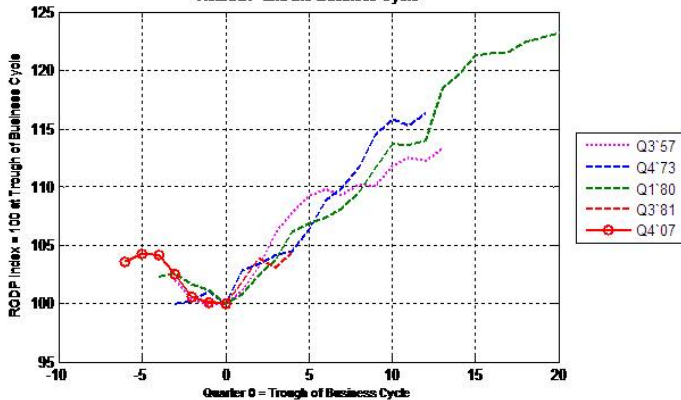
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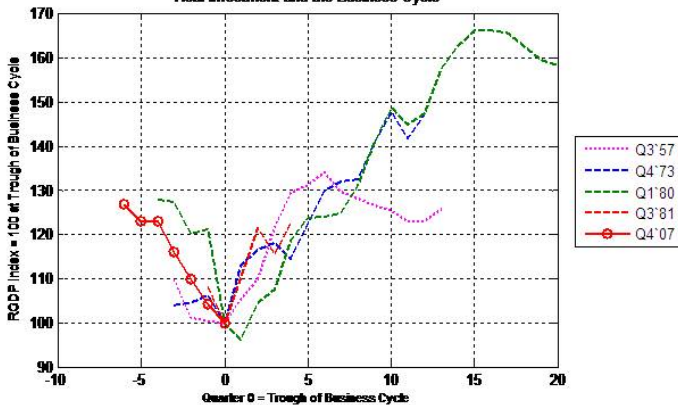
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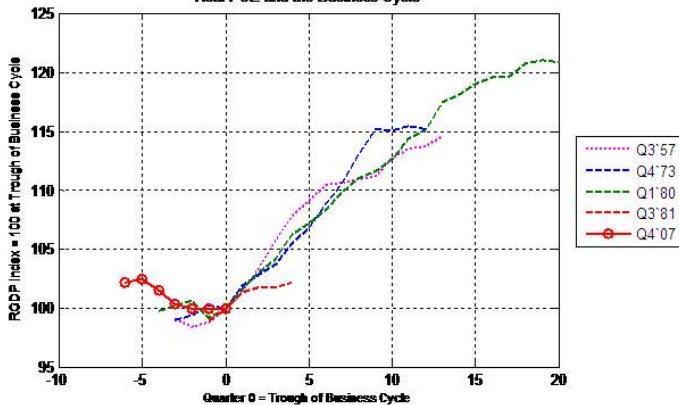
RealGDP and the Business Cycle



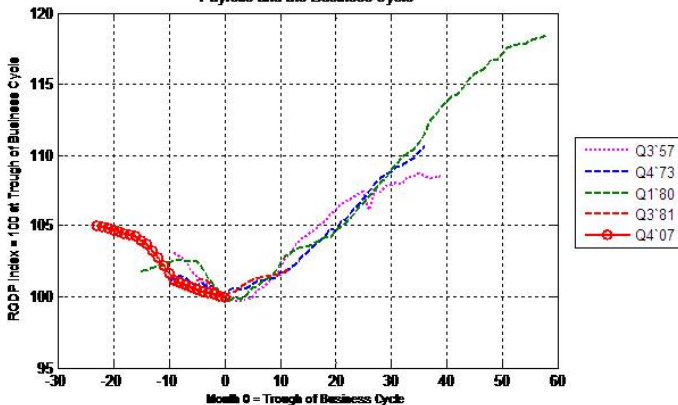
Real Investment and the Business Cycle



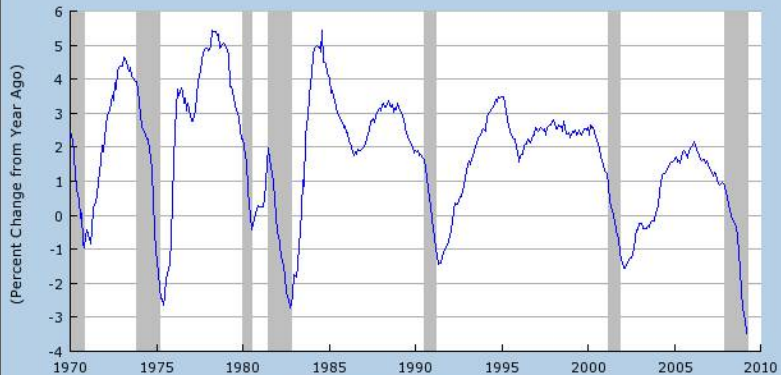
Real PCE and the Business Cycle



Payrolls and the Business Cycle



Total Nonfarm Payrolls: All Employees (PAYEMS)
Source: U.S. Department of Labor; Bureau of Labor Statistics

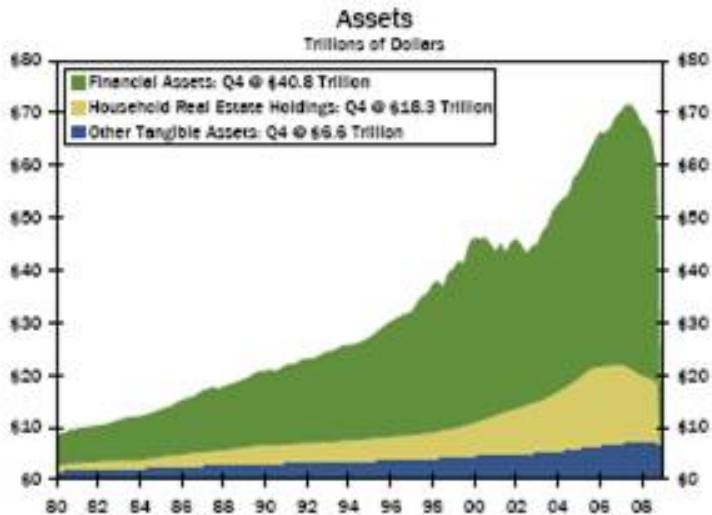


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Figure 2



Source: Federal Reserve Board and Wachovia



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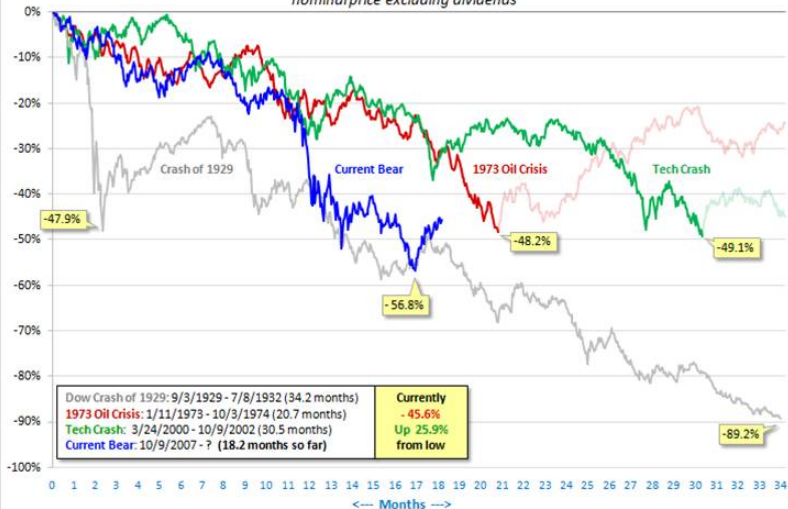
Four Bad Bear Markets

dshort.com

4/15/2009

Dow in 1929-1932; S&P 500 in 1973-74, 2000-02, 2007-09

nominal price excluding dividends





XLP = Consumer Staples

XLY = Consumer Discretionary

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CBOE SPX MARKET VOLATILITY INDE

as of 15-Apr-2009



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MSCI Emerging Markets



Trade Weighted Exchange Index: Broad (DTWEXB)
Source: Board of Governors of the Federal Reserve System



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Survival of the fittest

- Bed Bath Beyond vs Linens 'N Things
- Best Buy vs Circuit City

- Cisco buying Tidal software
- Pulte buying Centex
- Express Scripts buying (part of) Wellpoint
- Glaxo and Pfizer teaming up

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Savings and Small Time Deposits at Commercial Banks (SVSTCBSL)

Source: Board of Governors of the Federal Reserve System



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China / U.S. Foreign Exchange Rate (DEXCHUS)
Source: Board of Governors of the Federal Reserve System

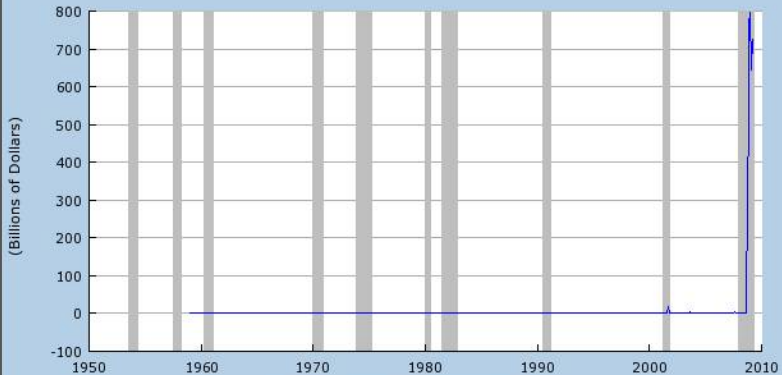


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- Sec. Gates is pushing weapons cuts.
- Estate tax plans hit hurdles.
- Cali and NY compete for top taxer.
- EPA may regulate auto emissions.
- Mark to Market.
- Regulate VC firms?
- Uptick rule.

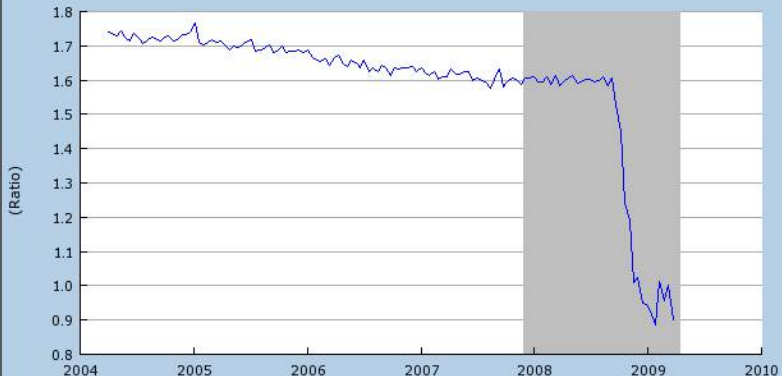
- Senate 96-2: Re-evaluate the Fed's structure and costs.
- Fed to host regular press conferences?

Excess Reserves of Depository Institutions (EXCRESNS)
Source: Board of Governors of the Federal Reserve System



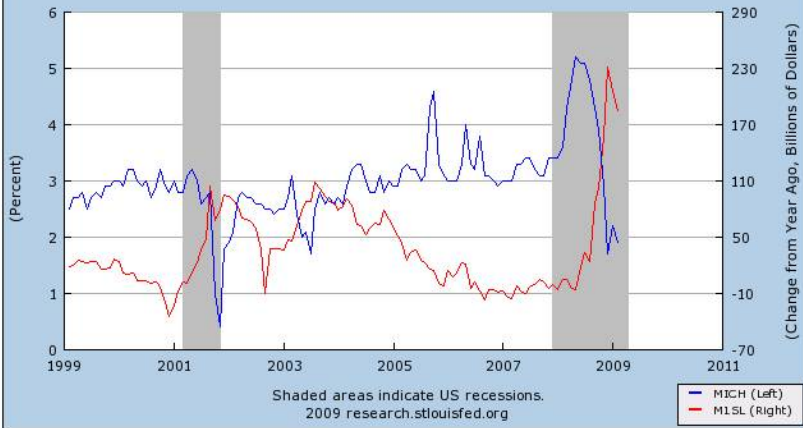
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M1 Money Multiplier (MULT)
Source: Federal Reserve Bank of St. Louis



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University of Michigan Inflation Expectation (MICH)
M1 Money Stock (M1SL)



Sources: WSJ, FRED, Yahoo Finance, Wachovia, MSCI, BEA, dshort.com