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# **Blue Chip Financial Forecasts<sup>®</sup>**

**Top Analysts' Forecasts Of U.S. And Foreign Interest Rates, Currency Values  
And The Factors That Influence Them**

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# BLUE CHIP FINANCIAL FORECASTS<sup>®</sup>

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## Uncertainty Creeps Back Into Outlook For U.S. Growth

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**Domestic Commentary** Consensus predictions of U.S. economic growth and inflation eased lower over the past month as our panelists factored in ongoing spillover effects related to Europe's debt crisis and signs of slowing growth in China. Nonetheless, the consensus continues to anticipate relatively healthy real GDP growth of about 3.0% over the forecast horizon. Most analysts believe that "contagion" effects on the U.S. will be limited as lower energy prices and mortgage rates largely serve to offset declines in equity prices and weaker exports. However, should a broader credit shock evolve in Europe, China slow more than expected, and financial markets fail to stabilize, risks for the U.S. economy would undoubtedly increase, forcing our panelists to reassess their outlook.

Based on our May 24<sup>th</sup>-25<sup>th</sup> survey, the consensus now forecasts seasonally-adjusted annual real GDP growth rates of 3.2% in Q2, 2.9% in Q3 and 3.1% in Q4 of this year. Each of these estimates slipped 0.1 of a percentage point since our last survey. In 2011, the consensus now forecasts Q1 real GDP growth of 3.0%, Q2 growth of 3.1% and Q3 growth of 3.2%. The Q1 2011 forecast also fell 0.1 of a point this month but the Q2 and Q3 forecasts were unchanged.

These estimates compare with downwardly revised real GDP growth of 3.0% in Q1 of this year and growth rates of 2.2% and 5.6%, respectively, in Q3 and Q4 of last year. The government's second estimate of Q1 growth was unexpectedly trimmed by 0.2 of a percentage point. Most analysts had expected a stronger figure based on recent upward revisions to retail sales growth during the quarter. This was expected to produce an upward revision to Q1's growth rate in personal consumption expenditures (PCE). However, while consumer purchases of durable goods were revised higher the government slashed its estimate of spending on services, leaving growth in real PCE a little weaker than initially estimated. Elsewhere there were downward revisions to business investment in structures as well as equipment and software. Net exports were revised a bit lower but inventory accumulation a bit higher. Indeed, higher business inventories accounted for more than half of the growth in Q1 real GDP just as they did in Q4.

Forecasts of inflation also declined this month. Consensus estimates of the annual rate of change in the GDP price index were lower this month than last for four of the next six quarters while forecasts for the Consumer Price Index slipped across all six quarters of the forecast horizon. Not until Q3 of next year is the CPI predicted to increase at an annual rate of 2.0% or more.

Increased uncertainty about the pace of economic growth, coupled with further diminishment of inflationary expectations, also prompted many of our panelists to push even further into the future the initiation of interest rate increases by the Federal Reserve. The consensus now strongly suggests there will be no rate hike from the Federal Open Market Committee (FOMC) until early next year. In turn, a later start implies a lower level for the target funds rate in the second half of next year than earlier thought.

Consensus forecasts of Treasury yields over the forecast horizon also came down this month. In large part, this simply represents a mark-to-market of forecasts by the panelists in light of the sharp rally that ensued during the month on a surge in safe-haven demand. If equity markets rebound, Treasury prices will most likely give up a goodly portion of these gains. However, the adjustment in forecasts also may reflect panelists increased uncertainty about the economy, easing of inflation expectations and shift in expectations about Fed tightening.

The fall in consensus forecasts of inflation over the past month represents the continuation of a trend in place for some time, driven in large part by repeatedly lower-than-expected monthly readings on prices. The core CPI was unchanged for a fourth consecutive month in April. That dropped its 12-month rate of change to 0.9%, the low-

est level since February 1961. Moreover, its annualized rate of change over the past six months fell to 0.3% in April. The sharp sell-off in commodity prices of late may add to the disinflationary trend. Although crude oil prices have bounced off their recent lows, they remain close to \$10 per barrel lower than in mid-April, likely ensuring that gasoline prices work their way lower for a time.

Consumer housing costs also continue their deflationary trend. Shelter prices were flat in April, with 0.0% readings on both the rent and Owner's Equivalent Rent (OER) components. Indeed, OER has not posted an increase in eight months and is down 0.2% on a 12-month basis as record high vacancy rates drive rents lower.

In contrast to the recent trend in inflation forecasts, this month's downgrading of consensus estimates of economic growth is a new phenomenon. Indeed, growth expectations had drifted steadily upward since May 2009. While European "contagion" effects were almost certainly the primary catalyst for this month's pull-back, some panelists also may have factored in a few other indicators that suggest the pace of growth may moderate in the second half of this year.

The Economic Cycle Research Institute's weekly leading index of U.S. economic activity has been giving ground for some time and in mid-May slipped to a level consistent with real GDP growth of just 1.5% or so in a few months. Moreover, some recent regional surveys of manufacturing activity suggest activity in the factory sector may be moderating now that business inventories have largely been replenished. With the home-buyers tax credit now a thing of the past, there also are hints that housing activity may be set to swoon anew. April building permits for single-family homes plunged as did mortgage applications for new purchases during the first three weeks of May. Also disconcerting, real PCE was unchanged in April, the weakest reading since September, and the recent plunge in equity markets is unlikely to have encouraged a spending splurge in May. The failure of initial weekly unemployment claims to break decisively lower also remains worrisome, suggesting that private sector additions to nonfarm payrolls in May could be softer than expected. However, peak hiring for the census may produce a total increase in May payrolls of four-to-five hundred thousand.

All of the above may just be straws in the wind. However, Congress will be taking no chances, given upcoming elections, and is working on a package of additional stimulus measures to shore up growth.

Given greater uncertainty about the recovery, the Fed is even more likely to tread lightly for some time to come. Minutes of the FOMC's April 27<sup>th</sup>-28<sup>th</sup> meeting noted that some members were concerned about the debt crisis in Europe. Since the meeting occurred before the crisis intensified in May, these concerns could only have increased.

While policymakers raised their forecasts of economic growth a bit they reduced their forecasts of inflation, noting that core PCE prices are likely to remain "below rates that policymakers considered to be consistent...with the Federal Reserve's dual mandate" through 2012.

The minutes did offer some clarification on the sequencing of tightening when policymakers finally deem it appropriate to move. Interest rates will be raised first then asset sales will occur "some time after the first increase in the target for short-term interest rates." That could mean anywhere from a month to a year or more, but the majority favor postponing sales until the recovery is "well established."

**Consensus Forecast** A recovery remains in place. Uncertainty has increased of late, but odds of a double-dip recession remain low. Moderate growth and low inflation likely will preclude any tightening of policy from the Fed until sometime next year (*see page 2*).

**Special Questions** On page 14 are results of our twice-yearly long-range survey results with forecasts for the years 2012 through 2016 and averages for the 5-year periods 2012-2016 and 2017-2021.

## Consensus Forecasts Of U.S. Interest Rates And Key Assumptions<sup>1</sup>

Interest Rates	History								Consensus Forecasts-Quarterly Avg.						
	Average For Week End				Average For Month				Latest Q	2Q	3Q	4Q	1Q	2Q	3Q
	May 21	May 14	May 7	April 30	Apr.	Mar.	Feb.	1Q 2010	2010	2010	2010	2011	2011	2011	
Federal Funds Rate	0.20	0.20	0.20	0.20	0.20	0.16	0.13	0.13	0.2	0.2	0.3	0.7	1.0	1.4	
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.2	3.3	3.4	3.7	4.1	4.5	
LIBOR, 3-mo.	0.48	0.43	0.38	0.34	0.31	0.27	0.25	0.25	0.4	0.5	0.6	1.0	1.4	1.8	
Commercial Paper, 1-mo.	0.22	0.21	0.20	0.20	0.19	0.15	0.13	0.14	0.3	0.3	0.5	0.8	1.2	1.7	
Treasury bill, 3-mo.	0.17	0.16	0.14	0.16	0.16	0.15	0.11	0.11	0.2	0.2	0.4	0.7	1.1	1.6	
Treasury bill, 6-mo.	0.23	0.22	0.22	0.24	0.24	0.23	0.18	0.19	0.3	0.3	0.6	0.9	1.3	1.8	
Treasury bill, 1 yr.	0.35	0.38	0.39	0.43	0.45	0.40	0.35	0.37	0.4	0.5	0.8	1.2	1.6	2.0	
Treasury note, 2 yr.	0.78	0.85	0.88	1.03	1.06	0.96	0.86	0.92	1.0	1.1	1.4	1.8	2.1	2.5	
Treasury note, 5 yr.	2.10	2.25	2.29	2.50	2.58	2.43	2.36	2.42	2.4	2.5	2.7	3.0	3.3	3.5	
Treasury note, 10 yr.	3.33	3.54	3.56	3.76	3.85	3.73	3.69	3.72	3.6	3.7	3.9	4.1	4.3	4.5	
Treasury note, 30 yr.	4.21	4.42	4.36	4.60	4.69	4.64	4.62	4.62	4.4	4.5	4.7	4.9	5.0	5.2	
Corporate Aaa bond	4.87	5.07	5.00	5.20	5.29	5.27	5.35	5.29	5.1	5.2	5.3	5.5	5.7	5.8	
Corporate Baa bond	6.00	6.12	5.98	6.14	6.25	6.27	6.34	6.29	6.1	6.2	6.4	6.5	6.7	6.9	
State & Local bonds	4.27	4.32	4.29	4.37	4.41	4.36	4.36	4.35	4.3	4.4	4.5	4.6	4.8	4.9	
Home mortgage rate	4.84	4.93	5.00	5.06	5.10	4.97	4.99	5.00	5.0	5.1	5.3	5.5	5.8	6.0	

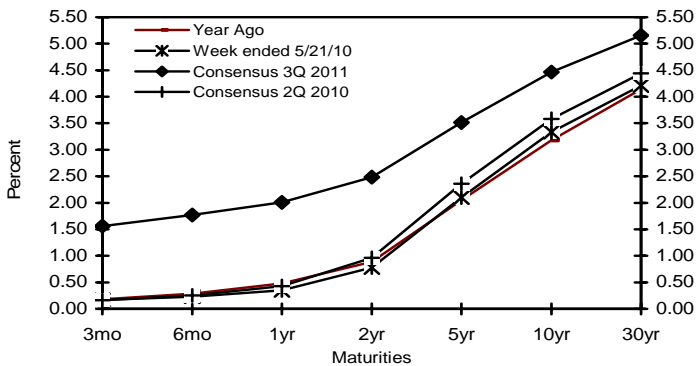
  

Key Assumptions	History								Consensus Forecasts-Quarterly					
	2Q		3Q		4Q		1Q		2Q	3Q	4Q	1Q	2Q	3Q
	2008	2008	2008	2009	2009	2009	2009	2009	2010	2010	2010	2011	2011	2011
Major Currency Index	70.9	73.5	81.3	82.7	79.4	75.4	73.6	75.5	77.8	79.1	79.5	79.8	80.0	80.2
Real GDP	1.5	-2.7	-5.4	-6.4	-0.7	2.2	5.6	3.0	3.2	2.9	3.1	3.0	3.1	3.2
GDP Price Index	1.8	4.0	0.1	1.9	0.0	0.4	0.5	1.0	1.0	1.5	1.3	1.7	1.6	1.7
Consumer Price Index	5.2	6.4	-9.2	-2.2	1.9	3.7	2.6	1.5	0.7	1.6	1.8	1.9	1.9	2.1

Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

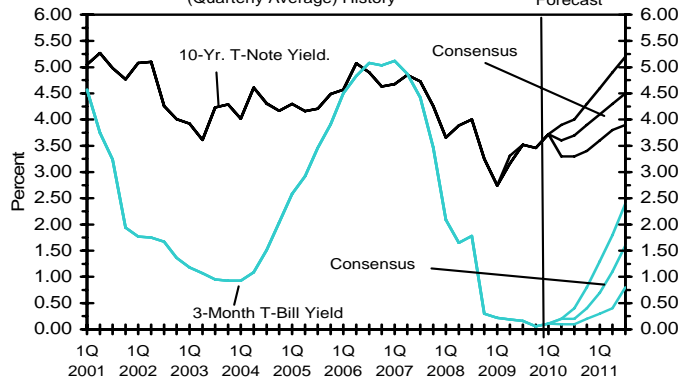
### U.S. Treasury Yield Curve

Week ended May 21, 2010 and Year Ago vs. 2Q 2010 and 3Q 2011 Consensus Forecasts



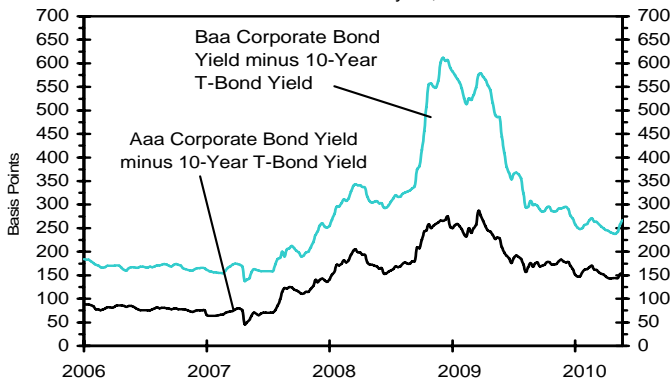
### U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

(Quarterly Average) History Forecast



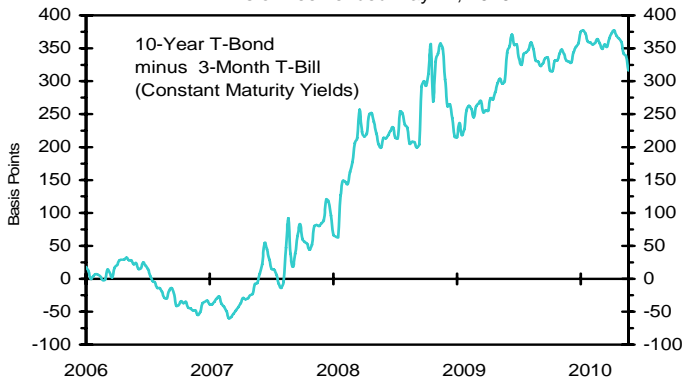
### Corporate Bond Spreads

As of week ended May 21, 2010



### U.S. Treasury Yield Curve

As of week ended May 21, 2010



-----3-Month Interest Rates<sup>1</sup>-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
Latest:	Ago:	Ago:	3	6	12	
U.S.	0.36	0.72	1.06	<b>0.45</b>	<b>0.65</b>	<b>1.45</b>
Japan	0.50	0.42	0.58	<b>0.25</b>	<b>0.26</b>	<b>0.28</b>
U.K.	0.91	0.91	1.32	<b>0.69</b>	<b>0.71</b>	<b>1.69</b>
Switzerland	0.30	0.42	0.55	<b>0.25</b>	<b>0.45</b>	<b>0.95</b>
Canada	1.16	0.95	0.70	<b>0.62</b>	<b>1.02</b>	<b>2.12</b>
Australia	4.79	4.50	3.80	<b>4.65</b>	<b>4.85</b>	<b>5.03</b>
Eurozone	0.70	0.69	1.30	<b>0.75</b>	<b>0.82</b>	<b>1.46</b>

-----10-Yr. Government Bond Yields<sup>2</sup>-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
Latest:	Ago:	Ago:	3	6	12	
U.S.	3.13	3.69	3.45	<b>3.77</b>	<b>3.99</b>	<b>4.28</b>
Germany	2.58	2.93	3.58	<b>3.03</b>	<b>3.19</b>	<b>3.43</b>
Japan	1.20	1.31	1.44	<b>1.37</b>	<b>1.39</b>	<b>1.57</b>
U.K.	3.47	3.95	3.72	<b>3.60</b>	<b>3.75</b>	<b>4.07</b>
France	2.86	3.26	3.91	<b>3.43</b>	<b>3.58</b>	<b>3.86</b>
Italy	3.96	3.95	4.48	<b>4.34</b>	<b>4.42</b>	<b>4.68</b>
Switzerland	1.46	1.83	2.39	<b>1.92</b>	<b>2.16</b>	<b>2.40</b>
Canada	3.23	3.61	3.27	<b>3.79</b>	<b>3.96</b>	<b>4.18</b>
Australia	5.27	5.80	5.38	<b>5.89</b>	<b>6.04</b>	<b>6.14</b>
Spain	4.14	4.03	4.25	<b>4.22</b>	<b>4.32</b>	<b>4.64</b>
Eurozone	3.89	4.35	4.29	<b>3.24</b>	<b>3.46</b>	<b>3.84</b>

-----Foreign Exchange Rates<sup>1</sup>-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
Latest:	Ago:	Ago:	3	6	12	
U.S.	78.864	76.184	79.03	<b>82.0</b>	<b>83.1</b>	<b>83.8</b>
Japan	90.21	94.18	96.66	<b>91.5</b>	<b>95.3</b>	<b>96.6</b>
U.K.	1.4466	1.5363	1.5878	<b>1.45</b>	<b>1.46</b>	<b>1.47</b>
Switzerland	1.1486	1.0743	1.0872	<b>1.14</b>	<b>1.13</b>	<b>1.14</b>
Canada	1.0564	1.0026	1.1253	<b>1.01</b>	<b>1.01</b>	<b>1.02</b>
Australia	0.8302	0.9229	0.7874	<b>0.89</b>	<b>0.89</b>	<b>0.88</b>
Euro	1.2375	1.3360	1.3990	<b>1.23</b>	<b>1.22</b>	<b>1.21</b>

	Consensus 3-Month Rates vs. U.S. Rate			Consensus 10-Year Gov't Yields vs. U.S. Yield	
	Now	In 12 Mo.		Now	In 12 Mo.
Japan	0.14	<b>-1.17</b>	Germany	-0.55	<b>-0.85</b>
U.K.	0.55	<b>0.24</b>	Japan	-1.93	<b>-2.71</b>
Switzerland	-0.06	<b>-0.50</b>	U.K.	0.34	<b>-0.22</b>
Canada	0.80	<b>0.67</b>	France	-0.27	<b>-0.43</b>
Australia	4.43	<b>3.58</b>	Italy	0.83	<b>0.40</b>
Eurozone	0.34	<b>0.01</b>	Switzerland	-1.67	<b>-1.88</b>
			Canada	0.10	<b>-0.10</b>
			Australia	2.14	<b>1.86</b>
			Spain	1.01	<b>0.36</b>
			Eurozone	0.76	<b>-0.44</b>

Forecasts of individual panel members are on pages 10 and 11. Definitions of variables are as follows: <sup>1</sup>Three month rate on interest-earning money market deposits denominated in selected currencies. <sup>2</sup>Government bonds are yields to maturity. 10-year yield for Eurozone is average for currency zone. <sup>3</sup>Foreign exchange rate forecasts for U.K., Australia and the Euro are U.S. dollars per currency unit. For the U.S. dollar, forecasts are of the U.S. Federal Reserve Board's Major Currency Index.

**International Commentary** Global markets in stocks, spread product and commodities were sent reeling over the past month as investors shed riskier assets on concerns about future economic growth and the potential for deflation. Prompting the rout was intensification of Europe's debt crisis, signs of slowing activity in China and tentative hints that U.S. growth may be on the verge of moderating a bit. Especially worrisome to many analysts were signs of increased stress in interbank dollar lending markets where 3-month Libor rates have doubled over the past several months. While still well below the level seen in the during the height of the credit crisis, the rise reflects rising concern about counterparty risk among banks

In an attempt to contain the crisis, EMU nations have approved a EMU/IMF financed bailout package for Greece, the EU has agreed on a nearly trillion dollar emergency funding facility of loan guarantees and credits, and the ECB has announced measures to ease strains in bank funding and secondary markets for public and private debt. Moreover, the Fed has pitched in by reinstating swap lines with major central banks. However, worries persist about the potential for eventual default by some Eurozone members, the solvency of European financial institutions, and in the longer run, the viability of the currency zone itself as currently constituted.

Markets would dearly love to see the ECB cut interest rates and/or engage in an outright quantitative easing of policy, massively expanding its balance sheet with unsterilized purchases of both public and private sector debt. However, officials remain reluctant, arguing that doing so further undermine its political independence. Absent a Lehman-like event that shatters confidence the ECB likely will stick with its current policy, but a rate hike now seems much further off.

Real GDP in the Eurozone grew 0.2% (q/q) in Q1 after no gain in Q4 2009. The sharp decline in the euro should continue to bolster export growth in the currency zone, but household spending may remain modest due to high unemployment, tight credit and general economic uncertainty. GDP growth in core members, like Germany and France, should continue to be significantly stronger than in southern periphery nations where implementation of fiscal austerity measures, designed to rein in exploding deficits, will undoubtedly weigh on activity.

Real GDP in the U.K. grew an upwardly revised 0.3% (q/q) in Q1 of this year. A harsh winter restrained growth in factory activity and retail sales during the quarter and helped produce a contraction in construction. While the economy now has grown for two straight quarters after a six-quarter string of declines, future performance is likely to remain relatively subdued. Government spending contributed significantly to the return to positive GDP growth over the last two quarters but the necessity of fiscal restraint due to exploding deficits now looms large as Britain's new government takes charge. Given that outlook, most analysts now believe the Bank of England is likely to refrain from hiking interest rates until the first half of next year.

The Reserve Bank of Australia hiked its cash rate by 25 basis points to 4.5% in early May, the third consecutive increase. However, the knock-on effects of the European debt crisis, questions about future demand out of China and the potential for a bust in the Australian property market, has many analysts anticipating the RBA now will hold policy unchanged for a time to access the outlook. The Bank of Canada, on the other hand, may go ahead and hike rates by 25 basis points at its upcoming meeting.

Japan's economy registered its third consecutive quarter of growth in Q1, with real GDP growing at an annual rate of 4.9%. The expansion was more broad based than in Q4, but exports still led the advance. Despite accelerating growth, deflation persisted, with the GDP deflator falling at an annual rate of 3.0% in Q1. On May 21<sup>st</sup>, the Bank of Japan announced that it would begin offering one-year, 0.1% loans to eligible banks in an effort to spur lending (see 10 and 11 for individual panel members' forecasts).









## First Quarter 2011 Interest Rate Forecasts

### Key Assumptions

<b>Blue Chip Financial Forecasts Panel Members</b>	-----Percent Per Annum -- Average For Quarter-----															Avg. For ---Qtr--- A. Fed's Major Currency \$ Index	------(Q-Q % Change)----- ------(SAAR)-----		
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						B.	C.	D.
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		Real	GDP	Price
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bonds 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate		Real GDP	Price Index	Cons. Price Index
																	Index	Index	Index
Bank of Toyko-Mitsubishi UFJ	1.8 H	4.8 H	2.0 H	1.9 H	1.7 H	1.8 H	1.9	2.3	3.2	4.2	4.9	5.3	6.5	4.5	5.7	80.0	3.4	2.7	2.4
Stone Harbor Investment Partners	1.5	4.5	1.7	1.7	1.6	1.8 H	2.2 H	3.0 H	4.1 H	4.8	5.5	6.2	7.1	na	6.2	80.0	4.4	1.7	2.9
PNC Financial Services Corp.	1.5	4.5	1.8	1.9	1.4	1.5	1.6	1.9	3.1	4.1	5.0	5.7	6.9	4.8	5.7	80.0	3.3	1.0	2.0
Nat'l Assn. of Realtors	1.3	4.3	1.5	1.4	1.4	1.6	2.0	2.5	3.1	4.3	5.1	5.7	6.6	4.8	5.8	na	2.2	1.8	2.1
Naroff Economic Advisors	1.3	4.3	1.9	1.9 H	1.3	1.4	1.5	2.1	3.6	4.4	5.3	6.2	7.2	5.0	5.6	75.0	1.9	2.0	3.2 H
ClearView Economics	1.1	4.1	1.6	1.1	1.0	1.3	1.5	2.1	3.2	4.2	4.8	5.4	6.5	4.6	5.6	81.0	2.6	1.6	2.0
Cycledata Corp.	1.0	4.0	1.2	1.1	1.1	1.2	1.4	1.9	2.9	4.0	5.0	5.8	6.9	4.9	5.1	73.0	2.5	1.7	2.2
Barclays Capital	1.0	4.0	1.2	1.1	1.0	1.3	1.7	2.3	3.5	4.4	5.3	6.0	6.9	5.0	6.0	na	2.5	1.5	2.4
Georgia State University	1.0	4.0	na	na	1.3	1.5	1.7	2.3	3.5	4.6	5.3	6.2	7.3	na	6.0	na	2.0	2.1	1.6
Wayne Hummer Investments	0.9	3.9	1.1	1.0	1.0	1.1	1.4	2.0	3.0	4.1	4.8	5.4	6.4	4.6	5.5	80.2	2.7	1.4	1.7
Standard & Poor's Corp.	0.9	3.9	1.6	1.4	1.2	1.4	1.5	2.1	3.4	4.5	na	6.0	7.0	5.1	5.8	na	2.9	1.9	1.8
Chmura Economics & Analytics	0.9	3.9	1.0	0.9	0.8	0.9	1.0	1.5	2.8	3.9	4.8	5.4	na	na	5.3	75.9	3.1	1.7	1.9
J.W. Coons Advisors LLC	0.8	3.8	1.4	0.8	0.8	0.9	1.1	1.5	2.8	3.9	4.6	5.4	6.5	na	5.4	74.2	1.4 L	2.1	2.3
Moody's Capital Markets	0.8	3.8	1.2	0.8	0.7	0.9	1.1	1.2	3.0	3.9	4.7	5.3	6.3	4.6	5.4	81.0	2.8	1.8	2.1
Action Economics	0.8	3.8	1.1	0.8	0.7	1.0	1.4	2.0	3.1	4.3	5.1	5.2	6.3	4.7	5.1	76.9	4.0	1.8	1.9
GLC Financial Economics	0.8	3.8	1.0	0.8	0.7	0.9	1.0	1.4	2.8	4.0	4.8	5.5	6.6	4.8	5.6	78.4	2.5	1.7	2.3
MacroFin Analytics	0.8	3.8	0.8	0.9	1.1	1.3	1.5	1.8	3.2	4.3	4.9	5.5	7.2	4.6	5.5	77.0	2.5	1.4	1.4
Moody's Economy.com	0.7	3.7	0.9	0.6	0.7	0.7	1.0	1.9	2.9	4.4	5.6	5.6	6.7	na	5.8	na	3.9	0.6 L	2.1
Fannie Mae	0.7	3.6	na	na	0.9	na	na	na	na	3.9	4.7	5.1	na	na	5.5	na	3.9	1.0	1.0
RBS Securities	0.7	3.7	1.1	0.8	0.7	1.0	1.2	1.8	3.3	4.3	4.9	5.6	6.6	4.6	5.8	84.0	4.8 H	2.9 H	2.6
DePrince & Associates	0.7	3.7	0.6	0.9	0.7	0.8	1.1	1.5	2.7	3.9	4.7	5.5	6.6	4.5	5.8	83.7	3.2	1.5	2.1
Woodworth Holdings	0.7	3.8	0.8	0.8	0.6	0.7	0.9	1.4	2.8	3.9	4.7	5.2	6.1	4.5	5.0	85.0	3.5	1.2	1.7
Societe Generale	0.7	3.7	1.1	na	0.8	1.2	na	2.2	3.6	4.5	5.0	5.9	7.0	na	5.8	87.0 H	2.5	1.5	2.0
UBS	0.6	na	0.9	na	0.8	na	na	1.8	3.0	4.1	4.7	na	na	na	na	na	3.0	1.6	2.3
BMO Capital Markets	0.6	3.6	0.9	0.8	0.7	1.0	1.4	2.0	3.0	4.0	4.7	5.4	6.7	4.7	5.4	82.0	3.1	2.0	1.4
Thredgold Economic Assoc.	0.5	3.5	0.8	0.7	0.5	0.7	0.9	1.2	2.6	3.7	4.6	5.4	6.3	4.7	5.2	76.0	2.6	1.7	2.0
Kellner Economic Advisers	0.5	3.5	0.8	0.8	0.5	0.7	0.9	1.3	2.7	4.1	4.8	6.0	7.1	5.2	5.5	82.0	2.2	1.7	2.9
Daiwa Securities America	0.5	3.5	0.7	0.6	0.5	0.6	0.7	1.5	2.6	3.7	4.5	5.3	6.5	4.3	5.5	80.0	2.2	0.9	0.9
Comerica Bank	0.5	3.5	0.8	0.5	0.5	0.7	1.1	1.6	3.0	4.1	4.9	5.4	6.4	4.4	5.5	82.0	3.5	2.3	1.4
Pierpont Securities	0.5	3.5	1.4	0.6	0.8	1.1	1.5	2.4	3.9	5.0 H	5.9 H	6.3	7.4 H	5.6 H	6.6	86.0	4.8 H	2.4	3.2
Woodley Park Research	0.4	3.5	0.9	0.5	0.6	0.6	0.8	1.3	2.5	3.6	4.5	5.2	6.4	4.2	5.4	78.3	3.2	2.1	1.9
RidgeWorth Investments	0.4	3.4	0.8	0.5	0.3	0.5	0.8	1.3	2.6	3.7	4.7	4.9	6.0	3.7 L	5.2	70.0 L	3.0	2.0	2.4
Russell Investments	0.4	3.4	0.7	0.4	0.6	0.9	1.3	1.9	3.1	4.0	4.9	5.4	6.2	4.6	5.3	79.9	3.5	2.0	1.8
Swiss Re	0.4	3.4	0.4	0.7	0.3	0.5	0.7	1.5	2.9	3.9	4.7	5.3	6.3	na	5.0	na	4.0	2.4	2.4
Banc of America-Merrill Lynch	0.4	na	0.9	na	0.8	na	na	1.7	3.2	4.3	5.0	na	na	na	na	na	3.1	1.4	1.6
MF Global	0.3	3.4	na	na	0.7	1.3	2.0	3.0 H	4.1 H	4.6	na	na	na	na	na	na	3.7	0.9	0.9
Loomis, Sayles & Company	0.3	3.4	0.6	0.5	0.4	0.5	1.0	1.9	3.1	4.1	4.8	5.4	6.3	4.5	5.5	79.7	2.6	1.0	1.1
Wells Fargo	0.3	3.3	0.6	0.3 L	0.2	0.3 L	0.4 L	1.2	2.3	3.5	4.3	5.0	6.2	4.4	5.1	85.0	2.3	1.3	1.5
RDQ Economics	0.3	3.3	0.6	0.4	0.4	0.6	0.9	1.6	3.3	5.0 H	5.9 H	6.5 H	7.4 H	5.6	6.8 H	80.9	2.6	2.6	2.3
Wells Capital Management	0.3	3.4	0.7	0.6	0.5	0.6	0.9	1.4	2.8	4.1	4.7	5.0	5.7	4.3	5.5	82.4	4.2	2.7	3.2
Nomura Securities, Inc.	0.2	3.3	0.5	0.3 L	0.2	0.3 L	0.5	1.4	2.6	3.8	4.5	5.0	6.0	na	5.1	80.5	2.2	1.4	1.3
Mesirow Financial	0.2	3.3	0.6	0.3 L	0.5	0.8	1.2	1.9	3.0	4.0	4.8	5.4	6.5	4.7	5.4	79.8	4.0	1.2	1.1
JPMorgan Private Banking	0.2	3.3	0.6	0.4	0.3	0.5	0.6	1.1	2.6	3.3 L	3.6 L	4.2 L	4.4 L	3.8	4.6 L	77.9	2.9	1.3	1.5
Goldman Sachs	0.2	3.3	0.3 L	na	0.1 L	na	na	1.0 L	2.3 L	3.4	4.4	5.1	na	na	5.2	na	2.5	0.7	0.5 L
Economist Intelligence Unit	0.1 L	3.1 L	0.3 L	0.3 L	0.2	0.3 L	0.5	1.1	2.5	3.9	4.9	na	na	na	5.5	na	1.8	na	1.6
J.P. Morgan Chase	0.1 L	na	0.5	na	0.3	na	na	1.7	3.7	4.6	5.2	na	na	na	na	na	2.5	1.1	0.5 L

<b>June Consensus</b>																			
	0.7	3.7	1.0	0.8	0.7	0.9	1.2	1.8	3.0	4.1	4.9	5.5	6.5	4.6	5.5	79.8	3.0	1.7	1.9
Top 10 Avg.	1.2	4.2	1.6	1.4	1.3	1.5	1.8	2.4	3.6	4.6	5.4	6.1	7.2	5.1	6.1	83.9	4.2	2.4	2.8
Bottom 10 Avg.	0.2	3.3	0.5	0.4	0.3	0.5	0.7	1.2	2.5	3.6	4.4	5.0	5.9	4.2	5.0	75.4	2.1	1.0	1.0
May Consensus	0.9	4.0	1.2	1.1	1.0	1.2	1.4	2.0	3.3	4.3	5.1	5.7	6.8	4.8	5.8	77.5	3.1	1.7	2.1
<b>Number of Forecasts Changed From A Month Ago:</b>																			
Down	20	21	17	21	23	25	25	28	28	31	27	28	24	21	30	2	14	12	15
Same	23	20	18	13	19	12	11	13	14	14	14	10	8	6	12	7	20	23	21
Up	3	2	8	4	3	3	3	4	3	1	3	3	6	4	0	24	11	9	9
Diffusion Index	32 %	28 %	40 %	28 %	28 %	23 %	22 %	23 %	22 %	17 %	23 %	20 %	26 %	23 %	14 %	83 %	47 %	47 %	43 %

# Second Quarter 2011

## Interest Rate Forecasts

### Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum -- Average For Quarter-----															Avg. For ---Qtr.--- A. Fed's Major Currency \$ Index	------(Q-Q % Change)-----			
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						------(SAAR)-----			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		B.	C.	D.	
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bonds 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate		Real GDP	Price Index	Cons. Price Index	
	Rate	Rate	3-Mo.	1-Mo.	3-Mo.	6-Mo.	1-Yr.	2-Yr.	5-Yr.	10-Yr.	30-Yr.	Bond	Bond	Bonds	Rate		GDP	Index	Index	
Naroff Economic Advisors	2.3 H	5.3 H	3.0 H	2.9 H	2.4 H	2.5 H	2.7 H	3.1	3.7	4.7	5.4	6.6	7.5	5.5	6.1	72.0	1.6	2.2	2.7	
Bank of Toyko-Mitsubishi UFJ	2.3 H	5.3 H	2.5	2.4	2.2	2.3	2.4	3.0	3.6	4.2	4.8	5.3	6.5	4.5	5.7	81.0	3.4	2.8	2.6	
Stone Harbor Investment Partners	2.0	5.0	2.2	2.2	2.1	2.2	2.5	3.3 H	4.2	4.9	5.6	6.3	7.2	na	6.3	78.0	2.8	2.1	2.5	
PNC Financial Services Corp.	1.9	4.9	2.3	2.3	1.8	1.9	2.0	2.3	3.2	4.4	5.2	6.0	7.1	5.1	6.1	80.0	3.0	1.1	2.1	
RBS Securities	1.6	4.6	2.1	1.7	1.6	1.9	2.2	3.0	4.3	5.0	5.4	6.2	7.2	5.0	6.5	86.0	4.5	2.4	3.0	
ClearView Economics	1.5	4.5	2.1	1.6	1.5	1.7	1.9	2.5	3.5	4.4	4.9	5.6	6.7	4.8	5.9	80.0	2.8	1.8	2.2	
Nat'l Assn. of Realtors	1.5	4.5	1.8	1.6	1.6	1.8	2.4	2.9	3.2	4.3	5.1	5.8	6.7	4.9	5.9	na	2.8	1.8	2.1	
Cycledata Corp.	1.5	4.5	1.7	1.6	1.6	1.7	1.9	2.4	3.4	4.5	5.5	6.3	7.4	5.4	6.3	72.0	2.4	1.7	2.9	
Georgia State University	1.4	4.4	na	na	1.8	2.0	2.1	2.8	4.0	4.9	5.6	6.5	7.6	na	6.3	na	2.3	1.6	1.8	
Moody's Economy.com	1.4	4.3	1.5	1.2	1.3	1.3	1.6	2.3	3.2	4.7	5.9	5.8	6.9	na	6.2	na	5.0 H	1.2	2.7	
Pierpont Securities	1.3	4.3	2.5	1.4	1.7	2.0	2.5	3.3 H	4.7 H	5.5 H	6.2	6.7	7.8 H	6.0	7.2 H	88.0	4.8	2.1	3.4 H	
Chmura Economics & Analytics	1.3	4.3	1.5	1.3	1.3	1.4	1.4	1.8	3.0	4.0	5.0	5.5	na	na	5.4	76.7	3.9	1.8	2.7	
Action Economics	1.3	4.3	1.7	1.3	1.4	1.4	1.9	2.5	3.5	4.6	5.4	5.4	6.6	5.0	5.3	76.3	4.0	2.5	1.8	
Moody's Capital Markets	1.3	4.3	1.7	1.3	1.3	1.4	1.5	1.7	3.1	4.1	4.7	5.3	6.3	4.6	5.6	80.5	3.4	1.8	2.0	
Societe Generale	1.3	4.3	1.6	na	1.4	1.7	na	2.6	3.8	4.7	5.2	6.0	7.0	na	5.8	89.0 H	2.3	1.6	2.2	
GLC Financial Economics	1.2	4.2	1.5	1.3	1.2	1.4	1.5	2.0	3.3	4.5	5.3	6.2	7.4	5.3	6.4	78.1	2.1	1.9	2.1	
Standard & Poor's Corp.	1.2	4.2	1.5	1.5	1.4	1.6	1.8	2.3	3.2	4.2	4.8	5.4	6.4	4.6	5.6	80.9	2.8	1.5	1.9	
Wayne Hummer Investments	1.2	4.2	1.5	1.5	1.4	1.6	1.8	2.3	3.2	4.2	4.8	5.4	6.4	4.6	5.6	80.9	2.8	1.5	1.9	
DePrince & Assoc.	1.2	4.2	1.2	1.4	1.2	1.3	1.6	2.0	3.1	4.1	4.8	5.8	6.8	4.7	5.8	83.7	3.2	1.5	2.1	
Comerica Bank	1.2	4.2	1.3	1.2	1.1	1.2	1.4	1.8	3.1	4.2	5.0	5.6	6.5	4.5	5.7	82.0	3.5	1.3	1.4	
BMO Capital Markets	1.1	4.1	1.4	1.3	1.2	1.5	2.0	2.5	3.4	4.3	4.9	5.7	7.0	4.8	5.7	83.0	3.2	2.0	2.1	
J.W. Coons Advisors LLC	1.0	4.0	1.6	1.1	1.1	1.2	1.3	1.7	2.9	3.9	4.6	5.5	6.6	na	5.6	74.5	0.6 L	2.0	2.4	
Barclays Capital	1.0	4.0	1.3	1.2	1.0	1.4	1.9	2.7	3.9	4.6	5.5	6.2	7.0	5.0	6.2	na	3.0	1.5	0.4 L	
Daiwa Securities America	1.0	4.0	1.2	1.1	1.0	1.1	1.7	2.2	3.2	4.2	5.0	5.7	6.9	4.6	6.1	78.0	2.6	0.8	0.8	
MacroFin Analytics	1.0	4.0	1.2	1.2	1.3	1.7	1.8	2.0	3.5	4.5	5.0	5.6	7.3	4.6	5.6	77.5	2.7	1.5	1.5	
Woodley Park Research	0.9	3.9	1.4	1.0	1.1	1.1	1.3	1.7	2.8	3.7	4.5	5.3	6.5	4.3	5.5	78.1	3.5	1.8	1.9	
Woodworth Holdings	0.9	4.0	1.0	1.0	0.9	0.9	1.1	1.6	2.9	4.0	4.8	5.2	6.2	4.5	5.0	87.0	4.0	1.3	1.7	
RDQ Economics	0.9	3.9	1.3	1.0	1.0	1.3	1.5	2.0	3.7	5.4	6.4 H	6.9 H	7.7	6.1 H	7.2	80.2	2.8	2.9 H	2.7	
UBS	0.9	na	1.2	na	1.1	na	na	2.0	3.2	4.2	4.8	na	na	na	na	na	3.0	1.6	0.4	
Fannie Mae	0.9	3.8	na	na	1.2	na	na	na	na	4.0	4.8	5.1	na	na	5.6	na	3.8	0.6	1.1	
Wells Capital Management	0.8	3.8	1.2	1.0	1.0	1.0	1.3	1.8	3.0	4.3	4.9	5.2	5.8	4.5	5.7	82.7	4.3	2.9	3.2	
Kellner Economic Advisers	0.8	3.8	1.2	1.2	0.9	1.1	1.5	1.7	3.1	4.4	5.0	6.5	7.6	5.4	5.9	86.0	2.5	2.1	3.1	
Loomis, Sayles & Company	0.8	3.8	1.1	0.9	0.8	1.0	1.3	2.1	3.3	4.3	5.0	5.6	6.5	4.5	5.8	79.7	2.9	0.4 L	1.0	
RidgeWorth Investments	0.8	3.8	1.1	0.8	0.6	0.9	1.1	1.6	2.7	3.8	4.8	5.1	6.2	3.7 L	5.3	70.0 L	2.5	2.1	2.4	
Swiss Re	0.8	3.4	0.4	0.7	0.3	0.5	0.7	1.5	2.9	3.9	4.7	5.3	6.3	na	5.3	na	4.1	1.7	1.9	
Thredgold Economic Assoc.	0.7	3.7	1.0	0.9	0.7	0.9	1.1	1.4	2.8	3.9	4.8	5.6	6.5	4.9	5.4	76.0	2.6	1.7	2.0	
MF Global	0.6	3.6	na	na	1.0	1.0	1.6	2.2	3.2	4.2	4.7	na	na	na	na	na	3.7	1.0	1.0	
Russell Investments	0.6	3.6	1.1	0.8	0.8	1.1	1.5	2.1	3.3	4.1	5.0	5.5	6.3	4.6	5.4	80.3	3.4	2.1	2.1	
Wells Fargo	0.4	3.4	0.6	0.4	0.4	0.5	0.6	1.4	2.5	3.7	4.4	5.2	6.3	4.5	5.3	86.0	2.4	1.5	1.6	
Banc of America-Merrill Lynch	0.4	na	1.2	na	1.1	na	na	1.8	3.3	4.4	5.0	na	na	na	na	na	3.6	1.0	1.6	
Mesirow Financial	0.3	3.3	0.8	0.3 L	0.7	1.1	1.7	2.5	3.3	4.0	4.9	5.4	6.5	4.7	5.4	79.5	3.8	1.0	1.4	
JPMorgan Private Banking	0.3	3.3	0.7	0.5	0.4	0.6	0.7	1.2	2.7	3.4 L	3.7 L	4.3 L	4.5 L	3.9	4.7 L	77.7	3.0	1.2	1.4	
Nomura Securities, Inc.	0.3	3.3	0.5	0.3 L	0.3	0.3 L	0.5 L	1.6	2.8	3.9	4.6	5.1	5.9	na	5.3	80.0	2.8	1.0	1.2	
Goldman Sachs & Co.	0.2	3.3	0.3 L	na	0.1 L	na	na	1.1 L	2.4 L	3.5	4.5	5.3	na	na	5.3	na	3.0	0.4 L	0.5	
Economist Intelligence Unit	0.1 L	3.1 L	0.4	0.3 L	0.2	0.3 L	0.5 L	1.1 L	2.6	4.0	5.0	na	na	na	5.6	na	1.7	na	1.6	
<b>June Consensus</b>	<b>1.0</b>	<b>4.1</b>	<b>1.4</b>	<b>1.2</b>	<b>1.1</b>	<b>1.3</b>	<b>1.6</b>	<b>2.1</b>	<b>3.3</b>	<b>4.3</b>	<b>5.0</b>	<b>5.7</b>	<b>6.7</b>	<b>4.8</b>	<b>5.8</b>	<b>80.0</b>	<b>3.1</b>	<b>1.6</b>	<b>1.9</b>	
Top 10 Avg.	1.7	4.7	2.2	1.9	1.8	2.0	2.3	2.9	3.9	4.9	5.7	6.4	7.5	5.4	6.5	85.3	4.2	2.4	2.9	
Bottom 10 Avg.	0.4	3.4	0.7	0.6	0.4	0.7	0.9	1.4	2.7	3.8	4.5	5.1	6.0	4.3	5.2	75.1	2.0	0.9	0.9	
May Consensus	1.3	4.4	1.6	1.5	1.4	1.6	1.8	2.3	3.5	4.5	5.2	5.9	6.9	4.9	6.0	77.7	3.1	1.7	2.0	
<u>Number of Forecasts Changed From A Month Ago:</u>																				
Down	20	22	18	20	23	24	24	25	29	29	25	25	20	16	28	3	19	14	13	
Same	23	19	17	13	19	13	11	15	12	15	16	12	10	9	13	7	16	20	23	
Up	2	2	7	5	2	3	4	4	3	1	3	4	8	6	1	24	9	9	8	
Diffusion Index	30%	27%	37%	30%	26%	24%	24%	26%	20%	19%	25%	24%	34%	34%	18%	81%	39%	44%	44%	

## Third Quarter 2011 Interest Rate Forecasts

## Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum -- Average For Quarter-----															Avg. For ---Qtr.--- A. Fed's Major Currency \$ Index	------(Q-Q % Change)-----		
	-----Short-Term-----							-----Intermediate-Term-----					-----Long-Term-----				------(SAAR)-----		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		B.	C.	D.
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bonds 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate		Fed's Major Currency \$ Index	Real GDP	Price Index
Naroff Economic Advisors	3.3 H	6.3 H	3.7 H	4.0 H	3.4 H	3.5 H	3.6 H	3.9	4.4	5.1	5.5	7.2 H	8.1 H	6.1	6.5	70.0 L	2.7	2.4	3.0
RBS Securities	2.6	5.6	3.1	2.7	2.6	3.0	3.3	4.0 H	4.8	5.3	5.6	6.4	7.4	5.1	6.9	88.0	4.3	2.4	3.1
Stone Harbor Investment Partners	2.5	5.5	2.7	2.7	2.5	2.7	2.9	3.6	4.4	5.0	5.6	6.3	7.2	na	6.3	76.0	2.7	3.2	2.7
PNC Financial Services Corp.	2.4	5.4	2.7	2.8	2.2	2.4	2.5	2.7	3.6	4.5	5.3	6.1	7.3	5.3	6.2	80.0	3.2	1.0	2.1
Pierpont Securities	2.3	5.3	3.5	2.4	2.6	3.0	3.4	4.0	5.3 H	5.8 H	6.3	6.9	8.0	6.2	7.5 H	90.0	4.6	2.3	3.7 H
Bank of Toyko-Mitsubishi UFJ	2.3	5.3	2.5	2.4	2.2	2.3	2.4	3.0	3.1	4.2	4.8	5.3	6.5	4.5	5.7	80.0	3.3	2.7	2.5
ClearView Economics	2.0	5.0	2.5	2.0	1.9	2.1	2.2	2.8	3.7	4.6	5.1	5.7	6.9	4.9	6.1	79.0	2.9	2.0	2.4
Moody's Economy.com	2.0	4.9	2.1	1.7	1.8	1.8	2.2	2.8	3.6	5.0	6.1	6.1	7.0	na	6.6	na	5.2 H	1.5	3.2
Comerica Bank	1.9	4.9	2.0	2.0	1.8	1.9	2.1	2.4	3.4	4.4	5.2	5.6	6.5	4.7	5.9	82.0	3.5	1.4	1.5
Georgia State University	1.9	4.9	na	na	2.3	2.5	2.6	3.2	4.4	5.1	5.7	6.7	7.9	na	6.6	na	2.4	1.8	1.8
Nat'l Assn. of Realtors	1.8	4.8	2.0	1.9	1.9	2.0	2.6	3.0	3.3	4.4	5.2	5.9	6.8	5.0	6.0	na	3.5	1.9	2.2
Societe Generale	1.8	4.8	2.1	na	2.0	2.1	na	2.8	4.1	5.0	5.4	6.0	7.0	na	5.8	90.0 H	2.6	1.6	2.2
Moody's Capital Markets	1.8	4.8	2.1	1.8	1.8	1.9	2.1	2.2	3.2	4.1	4.6	5.3	6.2	4.5	5.7	80.3	2.8	1.6	2.4
Action Economics	1.8	4.8	2.1	1.8	1.7	1.9	2.5	2.9	3.8	4.7	5.5	5.5	6.7	5.1	5.4	75.7	4.1	1.7	2.1
GLC Financial Economics	1.7	4.7	2.0	1.8	1.7	1.8	1.9	2.4	3.7	4.8	5.6	6.7	8.0	5.9	7.1	78.0	3.2	2.3	2.6
Chmura Economics & Analytics	1.7	4.7	1.9	1.7	1.7	1.8	1.9	2.0	3.1	4.2	5.1	5.5	na	na	5.5	77.3	3.3	2.0	2.7
DePrince & Assoc.	1.7	4.7	1.9	1.9	1.7	1.8	2.1	2.6	3.5	4.4	5.0	6.1	7.1	4.9	6.1	84.2	3.9	1.6	2.2
Woodley Park Research	1.6	4.6	2.0	1.7	1.7	1.8	2.0	2.3	3.2	4.0	4.7	5.5	6.7	4.4	5.8	77.9	4.0	1.7	2.2
BMO Capital Markets	1.5	4.5	1.8	1.7	1.6	2.0	2.4	3.0	3.8	4.6	5.1	5.9	7.2	4.9	6.0	82.5	3.4	2.0	1.9
Cycledata Corp.	1.5	4.5	1.7	1.6	1.6	1.7	1.9	2.4	3.4	4.5	5.5	6.3	7.4	5.4	6.3	71.0	2.4	1.7	3.0
Daiwa Securities America	1.5	4.5	1.7	1.6	1.5	1.6	1.7	2.8	3.7	4.6	5.4	6.0	7.1	4.8	6.5	77.0	3.0	0.8	0.8
Swiss Re	1.5	4.5	1.6	1.8	1.3	1.5	1.6	2.4	3.6	4.4	5.1	5.7	6.6	na	5.6	na	4.2	1.0	1.2
MacroFin Analytics	1.5	4.5	1.6	1.7	1.7	1.9	2.0	2.4	3.6	4.9	5.4	5.7	7.3	4.7	5.8	80.0	2.8	1.5	1.5
Standard & Poor's Corp.	1.3	4.3	1.8	1.8	1.8	2.0	2.1	2.6	3.4	4.4	5.1	5.7	6.4	4.7	5.7	81.4	2.8	1.5	1.9
Wayne Hummer Investments	1.3	4.3	1.8	1.8	1.8	2.0	2.1	2.6	3.4	4.4	5.1	5.7	6.4	4.7	5.7	81.4	2.8	1.5	1.9
RDQ Economics	1.3	4.3	1.7	1.5	1.4	1.7	1.9	2.4	4.1	5.7	6.7 H	7.2 H	8.0	6.4 H	7.5	79.3	3.0	3.0	3.2
J.W. Coons Advisors LLC	1.3	4.3	1.9	1.3	1.3	1.4	1.5	1.9	3.0	4.0	4.7	5.6	6.7	na	5.7	74.6	1.7 L	2.0	2.3
Wells Capital Management	1.3	4.3	1.8	1.7	1.6	1.6	1.8	2.2	3.2	4.6	5.1	5.4	6.0	4.7	5.9	82.2	3.8	3.3 H	3.3
Loomis, Sayles & Company	1.3	4.3	1.6	1.4	1.3	1.5	1.8	2.4	3.3	4.3	5.0	5.6	6.5	4.3	5.8	79.7	3.0	0.2 L	1.2
UBS	1.3	na	1.7	na	1.5	na	na	2.5	3.5	4.4	4.9	na	na	na	na	na	3.0	1.6	2.3
Thredgold Economic Assoc.	1.2	4.2	1.5	1.4	1.2	1.4	1.5	1.8	3.2	4.2	5.0	5.8	7.0	5.0	5.6	76.0	2.6	1.7	2.0
Woodworth Holdings	1.2	4.3	1.3	1.3	1.1	1.2	1.4	1.8	3.1	4.1	4.9	5.3	6.2	4.5	5.1	89.0	4.0	1.3	1.7
Barclays Capital	1.2	4.2	1.6	1.4	1.2	1.6	2.4	3.1	4.1	4.8	5.6	6.2	7.1	5.0	6.2	na	3.5	1.8	2.9
Fannie Mae	1.1	4.2	na	na	1.4	na	na	na	na	4.1	4.9	5.2	na	na	5.7	na	4.1	0.4	1.0
Kellner Economic Advisers	1.0	4.0	1.4	1.4	1.3	1.5	1.9	2.0	3.3	4.5	5.0	6.7	7.6	5.5	6.5	88.0	2.7	2.5	3.3
RidgeWorth Investments	1.0	4.0	1.3	1.1	0.9	1.1	1.3	1.8	2.8	3.8	4.8	4.8	5.9	3.7 L	5.3	72.0	2.5	2.2	2.4
Wells Fargo	1.0	4.0	0.7	1.0	0.9	1.0	1.1	1.8	2.9	4.0	4.6	5.5	6.6	4.5	5.6	87.5	2.8	1.5	1.7
MF Global	1.0	4.0	na	na	1.3	1.3	1.8	2.4	3.3	4.3	4.8	na	na	na	na	na	3.7	1.0	1.0
Russell Investments	0.8	3.8	1.3	1.1	1.1	1.3	1.7	2.3	3.4	4.2	5.0	5.5	6.4	4.7	5.5	80.3	3.1	2.1	2.1
Mesirow Financial	0.8	3.8	1.3	0.8	1.1	1.5	2.1	2.8	3.7	4.4	5.1	5.7	6.8	5.1	5.8	80.1	4.1	0.6	0.9
Nomura Securities, Inc.	0.6	3.8	0.8	0.6	0.6	0.7	0.9	1.8	2.9	3.9	4.6	5.0	5.9	na	5.3	80.0	2.8	1.2	1.2
JPMorgan Private Banking	0.5	3.5	0.9	0.7	0.6	0.8	0.9	1.4	2.9	3.6 L	3.9 L	4.5 L	4.7 L	4.1	4.9 L	77.5	3.1	1.3	1.5
Banc of America-Merrill Lynch	0.4	na	1.5	na	1.3	na	na	1.8	3.4	4.5	5.0	na	na	na	na	na	3.6	0.9	1.0
Economist Intelligence Unit	0.3	3.3 L	0.4 L	0.4 L	0.4	0.5 L	0.7 L	1.3 L	2.8	4.1	5.1	na	na	na	5.7	na	1.8	na	1.6
Goldman Sachs & Co.	0.2 L	3.3 L	0.4 L	na	0.2 L	na	na	1.4	2.6 L	3.6 L	4.6	5.4	na	na	5.4	na	3.5	0.6	0.5 L
<b>June Consensus</b>	<b>1.4</b>	<b>4.5</b>	<b>1.8</b>	<b>1.7</b>	<b>1.6</b>	<b>1.8</b>	<b>2.0</b>	<b>2.5</b>	<b>3.5</b>	<b>4.5</b>	<b>5.2</b>	<b>5.8</b>	<b>6.9</b>	<b>4.9</b>	<b>6.0</b>	<b>80.2</b>	<b>3.2</b>	<b>1.7</b>	<b>2.1</b>
Top 10 Avg.	2.3	5.3	2.7	2.5	2.4	2.5	2.8	3.4	4.3	5.2	5.8	6.7	7.7	5.6	6.8	86.3	4.3	2.6	3.1
Bottom 10 Avg.	0.6	3.7	1.0	1.0	0.8	1.1	1.2	1.7	2.9	3.9	4.6	5.2	6.0	4.4	5.3	74.7	2.4	0.8	1.0
May Consensus	1.7	4.8	2.0	2.0	1.8	2.0	2.2	2.7	3.7	4.6	5.3	6.0	7.0	5.1	6.1	78.0	3.2	1.8	2.2
<u>Number of Forecasts Changed From A Month Ago:</u>																			
Down	22	21	18	19	21	24	23	24	27	24	22	23	16	14	24	2	16	13	14
Same	22	20	20	15	21	14	14	15	14	17	16	13	12	9	14	10	15	24	21
Up	1	2	4	4	1	2	2	5	3	4	5	5	10	8	4	22	13	6	9
Diffusion Index	27 %	28 %	33 %	30 %	27 %	23 %	23 %	28 %	23 %	28 %	30 %	28 %	42 %	40 %	26 %	79 %	47 %	42 %	44 %

International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotia Capital	na	na	na
Moody's Economy.com	0.35	0.33	1.49
Nomura Securities Int'l	0.45	0.55	0.60
Barclays Capital	0.62	1.20	1.30
Wells Fargo	0.40	0.65	2.15
ING Financial Markets	0.40	0.50	1.50
Moody's Capital Markets	0.45	0.65	1.65
Mizuho Research Institute	na	na	na
<b>June Consensus</b>	<b>0.45</b>	<b>0.65</b>	<b>1.45</b>
High	0.62	1.20	2.15
Low	0.35	0.33	0.60
Last Months Avg.	0.43	0.61	1.47

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotia Capital	na	na	na
Moody's Economy.com	na	na	na
Nomura Securities Int'l	na	na	na
Barclays Capital	0.20	0.20	0.20
Wells Fargo	0.25	0.25	0.25
ING Financial Markets	0.30	0.30	0.30
Moody's Capital Markets	0.25	0.30	0.35
Mizuho Research Institute	na	na	na
<b>June Consensus</b>	<b>0.25</b>	<b>0.26</b>	<b>0.28</b>
High	0.30	0.30	0.35
Low	0.20	0.20	0.20
Last Months Avg.	0.27	0.27	0.33

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotia Capital	na	na	na
Moody's Economy.com	na	na	na
Nomura Securities Int'l	na	na	na
Barclays Capital	0.65	0.65	1.70
Wells Fargo	0.65	0.65	2.00
ING Financial Markets	0.70	0.70	1.30
Moody's Capital Markets	0.75	0.85	1.75
Mizuho Research Institute	na	na	na
<b>June Consensus</b>	<b>0.69</b>	<b>0.71</b>	<b>1.69</b>
High	0.75	0.85	2.00
Low	0.65	0.65	1.30
Last Months Avg.	0.69	0.87	1.61

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotia Capital	na	na	na
Moody's Economy.com	na	na	na
Nomura Securities Int'l	na	na	na
Barclays Capital	na	na	na
Wells Fargo	na	na	na
ING Financial Markets	0.25	0.45	0.95
Moody's Capital Markets	na	na	na
Mizuho Research Institute	na	na	na
<b>June Consensus</b>	<b>0.25</b>	<b>0.45</b>	<b>0.95</b>
High	0.25	0.45	0.95
Low	0.25	0.45	0.95
Last Months Avg.	0.28	0.43	0.83

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotia Capital	na	na	na
Moody's Economy.com	na	na	na
Nomura Securities Int'l	na	na	na
Barclays Capital	na	na	na
Wells Fargo	0.50	1.00	3.00
ING Financial Markets	0.95	1.50	1.90
Moody's Capital Markets	0.40	0.55	1.45
Mizuho Research Institute	na	na	na
<b>June Consensus</b>	<b>0.62</b>	<b>1.02</b>	<b>2.12</b>
High	0.95	1.50	3.00
Low	0.40	0.55	1.45
Last Months Avg.	0.60	0.96	2.16

United States		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
3.95	4.19	4.74
3.50	3.75	3.90
4.20	4.30	4.70
3.80	3.90	4.20
3.60	4.00	4.10
3.55	3.80	4.05
na	na	na
<b>3.77</b>	<b>3.99</b>	<b>4.28</b>
4.20	4.30	4.74
3.50	3.75	3.90
4.01	4.24	4.43

Japan		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
1.74	1.67	2.17
1.30	1.40	1.50
1.15	1.15	1.25
1.35	1.35	1.45
1.35	1.40	1.60
1.30	1.35	1.45
na	na	na
<b>1.37</b>	<b>1.39</b>	<b>1.57</b>
1.74	1.67	2.17
1.15	1.15	1.25
1.36	1.40	1.56

United Kingdom		
10 Yr. Gilt Yields %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
4.08	4.18	4.60
4.15	4.50	4.75
4.20	4.50	5.10
1.35	1.35	1.45
3.90	3.90	4.10
3.90	4.05	4.40
na	na	na
<b>3.60</b>	<b>3.75</b>	<b>4.07</b>
4.20	4.50	5.10
1.35	1.35	1.45
4.19	4.37	4.64

Switzerland		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
2.41	2.63	2.81
na	na	na
na	na	na
na	na	na
1.70	1.90	2.20
1.65	1.95	2.20
na	na	na
<b>1.92</b>	<b>2.16</b>	<b>2.40</b>
2.41	2.63	2.81
1.65	1.90	2.20
2.17	2.38	2.60

Canada		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
4.24	4.30	4.43
na	na	na
na	na	na
3.90	4.10	4.40
3.40	3.60	3.80
3.60	3.85	4.10
na	na	na
<b>3.79</b>	<b>3.96</b>	<b>4.18</b>
4.24	4.30	4.43
3.40	3.60	3.80
3.95	4.22	4.37

Fed's Major Currency \$ Index		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
na	na	na
81.0	82.0	80.0
na	na	na
79.0	81.0	84.0
87.6	88.9	90.8
80.5	80.5	80.5
na	na	na
<b>82.0</b>	<b>83.1</b>	<b>83.8</b>
87.6	88.9	90.8
79.0	80.5	80.0
78.5	79.5	82.0

Yen/USD		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
82.4	94.1	96.0
93.0	95.0	90.0
96.0	98.0	100.0
na	na	na
95.0	98.0	105.0
91.0	91.5	92.0
na	na	na
<b>91.5</b>	<b>95.3</b>	<b>96.6</b>
96.0	98.0	105.0
82.4	91.5	90.0
92.3	94.3	98.0

USD/Pound Sterling		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
1.50	1.49	1.47
1.40	1.45	1.50
1.48	1.57	1.57
na	na	na
1.40	1.34	1.35
1.45	1.46	1.48
na	na	na
<b>1.45</b>	<b>1.46</b>	<b>1.47</b>
1.50	1.57	1.57
1.40	1.34	1.35
1.50	1.53	1.55

CHF/USD		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
1.07	1.06	1.05
na	na	na
1.23	1.20	1.24
na	na	na
1.12	1.14	1.13
na	na	na
na	na	na
<b>1.14</b>	<b>1.13</b>	<b>1.14</b>
1.23	1.20	1.24
1.07	1.06	1.05
1.09	1.07	1.08

CAD/USD		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
1.00	1.00	1.02
na	na	na
0.97	1.00	1.03
na	na	na
1.00	0.97	0.97
1.06	1.05	1.05
na	na	na
<b>1.01</b>	<b>1.01</b>	<b>1.02</b>
1.06	1.05	1.05
0.97	0.97	0.97
1.00	1.01	1.03

## International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotia Capital	na	na	na
Moody's Economy.com	na	na	na
Nomura Securities Int'l	4.80	5.20	5.50
Barclays Capital	na	na	na
Wells Fargo	na	na	na
ING Financial Markets	na	na	na
Moody's Capital Markets	4.50	4.50	4.55
Mizuho Research Institute	na	na	na
<b>June Consensus</b>	<b>4.65</b>	<b>4.85</b>	<b>5.03</b>
High	4.80	5.20	5.50
Low	4.50	4.50	4.55
Last Months Avg.	4.65	4.75	4.78

Australia		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
6.01	6.16	6.17
6.00	6.25	6.50
na	na	na
na	na	na
na	na	na
5.65	5.70	5.75
na	na	na
<b>5.89</b>	<b>6.04</b>	<b>6.14</b>
6.01	6.25	6.50
5.65	5.70	5.75
5.89	6.02	6.16

USD/AUD		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
0.91	0.92	0.91
0.98	1.00	1.00
0.88	0.84	0.82
na	na	na
0.90	0.90	0.89
0.80	0.79	0.78
na	na	na
<b>0.89</b>	<b>0.89</b>	<b>0.88</b>
0.98	1.00	1.00
0.80	0.79	0.78
0.92	0.92	0.92

Blue Chip Forecasters	3 Mo. Interest Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotia Capital	na	na	na
Moody's Economy.com	0.65	0.65	1.25
Nomura Securities Int'l	0.90	1.10	1.30
Barclays Capital	1.00	1.00	2.25
Wells Fargo	0.60	0.80	1.50
ING Financial Markets	0.70	0.70	1.20
Moody's Capital Markets	0.65	0.65	1.25
Mizuho Research Institute	na	na	na
<b>June Consensus</b>	<b>0.75</b>	<b>0.82</b>	<b>1.46</b>
High	1.00	1.10	2.25
Low	0.60	0.65	1.20
Last Months Avg.	0.74	0.89	1.50

Eurozone		
10 Yr. Euro Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
3.29	3.62	4.26
na	na	na
3.60	3.80	4.00
3.15	3.40	3.80
2.90	3.00	3.30
na	na	na
na	na	na
<b>3.24</b>	<b>3.46</b>	<b>3.84</b>
3.60	3.80	4.26
2.90	3.00	3.30
3.32	3.50	3.98

USD/EUR		
In 3 Mo.	In 6 Mo.	In 12 Mo.
na	na	na
1.30	1.30	1.31
1.18	1.15	1.15
1.20	1.25	1.25
na	na	na
1.23	1.18	1.15
1.23	1.21	1.18
na	na	na
<b>1.23</b>	<b>1.22</b>	<b>1.21</b>
1.30	1.30	1.31
1.18	1.15	1.15
1.33	1.34	1.33

Blue Chip Forecasters	10 Yr. Gov't Bond Yields %											
	Germany			France			Italy			Spain		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotia Capital	na	na	na	na	na	na	na	na	na	na	na	na
Moody's Economy.com	na	na	na	3.82	3.99	4.32	4.70	4.80	5.38	3.90	4.10	4.83
Moody's Capital Markets	3.10	3.46	3.85	3.30	3.64	4.00	4.35	4.64	4.95	4.46	4.66	5.04
ING Financial Markets	2.90	3.00	3.30	3.20	3.30	3.70	4.30	4.30	4.40	4.50	4.50	4.70
Mizuho Research Institute	3.10	3.10	3.15	3.40	3.40	3.40	4.00	3.95	4.00	4.00	4.00	4.00
<b>June Consensus</b>	<b>3.03</b>	<b>3.19</b>	<b>3.43</b>	<b>3.43</b>	<b>3.58</b>	<b>3.86</b>	<b>4.34</b>	<b>4.42</b>	<b>4.68</b>	<b>4.22</b>	<b>4.32</b>	<b>4.64</b>
High	3.10	3.46	3.85	3.82	3.99	4.32	4.70	4.80	5.38	4.50	4.66	5.04
Low	2.90	3.00	3.15	3.20	3.30	3.40	4.00	3.95	4.00	3.90	4.00	4.00
Last Months Avg.	3.14	3.28	3.44	3.51	3.62	3.82	4.25	4.30	4.51	4.10	4.16	4.38

	Consensus Forecasts			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-1.93	-2.40	-2.60	-2.71
United Kingdom	0.34	-0.17	-0.24	-0.22
Switzerland	-1.67	-1.85	-1.83	-1.88
Canada	0.10	0.02	-0.03	-0.10
Australia	2.14	2.12	2.05	1.86
Germany	-0.55	-0.73	-0.80	-0.85
France	-0.27	-0.34	-0.41	-0.43
Italy	0.83	0.57	0.43	0.40
Spain	1.01	0.45	0.32	0.36
Eurozone	0.76	-0.53	-0.54	-0.44

	Consensus Forecasts			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	0.14	-0.20	-0.91	-1.17
United Kingdom	0.55	0.24	0.07	0.24
Switzerland	-0.06	-0.20	-0.20	-0.50
Canada	0.80	0.17	0.37	0.67
Australia	4.43	4.21	4.20	3.58
Eurozone	0.34	0.31	0.17	0.01

## Viewpoints:

### A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

#### Fed: An Even Longer Hold

While the US economy seems to have plenty of upward momentum, the crisis in Europe is likely to hurt US growth in two ways. First, on the margin, the fiscal tightening in Europe will add to the pressure for fiscal tightening in the US. Second, the crisis has tightened US financial conditions. A 10%-plus correction has more than reversed the rally in equities this year. Since its low in November, the dollar has risen 18% against the Euro and 6% for the Fed's broad trade-weighted index. LIBOR spreads have widened 25 bp. And, while private borrowing costs have been stable—with the drop in Treasury yields offsetting the rise in spreads—corporate bond issuance is starting to wane. Not all is bad: the drop in oil prices has roughly offset the wealth shock to consumers.

We expect markets to regain their feet in the coming weeks, but we have decided to give a mild hair cut to our forecasts for exports, equipment investment and consumption over the coming quarters. This lowers GDP growth by a couple tenths per quarter from Q4 of this year to Q2 of next year.

For some time, one of our core calls has been that inflation will remain weaker than consensus forecasts and weaker than the Fed would like. In the early stages of business cycle abundant spare capacity puts ongoing downward pressure on inflation. Recent data add to that argument. If anything, core inflation has been even weaker than expected: the core CPI has been almost flat over the last three months. And, the correction in the commodity markets means renewed downward pressure on headline inflation. As such, we have lowered overall CPI inflation by a couple tenths going forward.

In economic recoveries the Fed operates on a different schedule than the markets and market pundits. The markets see the Fed on a time clock, with each passing day bringing rate hikes closer. By contrast, the Fed focuses on the underlying healing process in the economy. Specifically, with inflation a distant concern, the Fed is watching for substantial healing in the labor market, the banking system and the housing market. They are also keeping a close eye on any offsetting tightening in fiscal policy or financial conditions.

Last September, when we initiated our forecast, we noted that “the toughest sell in our forecast is that we have an *above* consensus growth forecast, but a *slower* than- consensus policy tightening from the Fed.” Specifically, while the market was pricing in 100 bp of rate hikes in 2010, we forecast none. In recent months our call on the Fed has shifted from “first hike next March” to “first hike next March, with risks skewed to later.” Now we are centering our call: we expect the first rate hike to come next August, with a relatively flat distribution of outcomes for rate hikes starting anywhere from March 2011 to some time in 2012.

Our Interest Rate Committee is also marking to market our 10-year Treasury yield call. Even though rates should have headed higher to account for the supply-demand mismatch, we were already priced for much of that. And, the tail-risk event of sovereign credit concerns leading to renewed demand for US Treasuries from foreign reserves has come to the forefront, driving the recent rally in rates.

Looking ahead, we see a few forces at play. On the one hand, weak inflation and a super-easy Fed should prevent a big rise in yields. Also, the Euro crisis could cause an ongoing focus on fiscal austerity measures and contagion risk. Foreign participation in the US Treasury mar-

ket has been very robust, and even more so in 10-year equivalent terms, as demand has shifted from bills to further out the curve. However, as the intensity of the crisis lessens, the liquidity driven demand for Treasuries should subside.

We also expect some upward pressure on yields as the underlying economy heals, and as the Fed begins its reserve draining operations late this year or early next year. Further, even though the Treasury has signaled that the peak in coupon auction sizes is behind us, Treasury debt issuance should remain heavy. Most of the coupon size cuts occur in the front end, limiting the effect of this announcement on supply in 10-year equivalent terms. Thus we see a modest increase in rates, ending the year marginally higher than the forwards.

Our new path for 10-year yields is lower than the old path: we now expect yields to rise to 3.75% by the end of this year and 4.25% by the end of next year. We do expect the Treasury curve to stay steeper than the forwards imply, reflecting the supply-demand dynamics in the long end. We have also revised our Libor forecast to reflect a wider Libor-OIS going forward, given funding and solvency concerns in Europe.

It is always dangerous to change a forecast during a period of market turbulence. If the crisis quickly reverses, the change in call looks panicky. If the crisis deepens, the forecast change looks trivial. The current crisis is a long way from the post-Lehman disaster and policy makers have the tools to avert another such event. However, the slow, uncertain policy response in Europe has increased the risk of a recession in Europe and the US.

It is extremely rare for an economy to slip back into recession once the recovery is in place. It takes a very big shock to undo the positive feedback loop that kicks in between the economy and the markets early in recoveries. Thus, there has been only one early-cycle double dip in modern US history: in 1982, just 12 months into the recovery, Fed Chairman Volcker's frontal assault on inflation caused a double dip recession.

Today, while a double dip is unlikely, the deep wounds of the crisis have left the global economy more vulnerable than normal. Banking systems have not fully recovered from the last crisis. Populist pressure is encouraging anti-market and anti-growth policies. Governments are under pressure to prematurely tighten fiscal policy. And the major central banks are almost out of conventional policy medicine.

While it is hard to be precise, we think the risk of the economy dipping into a recession in the next 12 months is about 15%, or roughly the historic average probability.

*Ethan S. Harris, Bank of America-Merrill Lynch, New York, NY*

#### Disinflationary Winds Continue to Blow

The disinflationary winds continue to sweep across the U.S. economic landscape long after the recession hurricane has passed. The entire increase in consumer price inflation in the past year is due to a reversal in gasoline prices, which already has started to fade. Meantime, food prices have gone on a serious diet. Most other prices—at least those subject to market forces—are either slowing (personal care) or falling (household furnishings, clothing, recreation, and owners' equivalent rent). Accordingly, core inflation has halved to a 44-year low of 0.9%. Admittedly, the bulk of the decline in the core (*continued on next page*)

## Viewpoints

### A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

rate reflects softening rents, which comprise almost four-tenths of the index. Nevertheless, broad weakness in non-shelter costs is meaningful enough to more than offset upward pressure in medical care, education, and, surprisingly, autos.

Core inflation should continue to recede this year. The massive amount of slack in the economy has drained pricing power, while preventing workers from demanding higher wages. Large retailers like Wal-Mart and Amazon are locked in all-out price wars. Manufacturers are largely absorbing higher resource costs, with core finished goods prices rising just 1.0% y/y in April versus 3.4% a year ago, despite a 49% surge in core raw material prices. Hourly wages have climbed just 1.6% y/y in April, half the rate of a year ago, and unit labor costs have fallen 3.7% y/y. Meantime, rents will likely soften further in the face of still-lofty vacancy rates (10.6% in Q1) and record-high mortgage delinquencies and foreclosure inventories (keeping the number of unsold vacant homes high). Auto prices have started to roll over, as demand is barely enough to keep up with replacement rates. Import prices should reverse course given the 6% appreciation of the trade-weighted dollar and 10% slide in commodity prices over the past five months. All in, CPI inflation is expected to slow to 1½% by year's end, and the core rate should remain below 1%, with a modest risk of turning negative. The risk of deflation would increase noticeably should the recovery falter.

Inflation has fallen faster than the Fed expected, spurring a downward revision to its outlook. The Fed still expects core inflation to stabilize near current levels this year, and (perhaps surprisingly) sees the risks to the outlook as mixed. Nonetheless, Bernanke is very mindful of the damage that deflation could inflict upon the economy. Protracted deflation, involving an extended period of falling wages and prices, would raise debt service costs and encourage consumers and businesses to defer spending.

*Sal Guaieri, BMO Capital Markets, Toronto, Canada*

#### Disinflation Continues

Our forecast remains unchanged—a) a slowdown to below-trend GDP growth in H2, followed by a gradual reacceleration in 2011, b) a drop in year-on-year core inflation to near 0% by the end of 2011, and c) no Fed rate hikes until 2012. The risks to our below-consensus growth forecast look more balanced again. On the one hand, the job market has improved by more than we expected over the past couple of months. This could signal bigger “multiplier” effects and stronger consumer spending growth. On the other hand, however, the financial turmoil and the European debt crisis have resulted in fresh downside risks (see below) and the economic activity data in the last few weeks have been a bit softer.

Since the April employment report, we have seen a drop in both auto and core retail sales in April; a softening in the new orders components of the Philly and New York Fed surveys in May; a drop in mortgage purchase applications after the expiration of the homebuyer tax credit at the end of April; and a higher initial jobless claims print last week. None of this is conclusive on its own, but overall the data flow suggests some slowing in momentum even before the dramatic events of the past two weeks could reasonably be expected to show up in the numbers.

So how big will the impact from the European crisis be? The key question is the size of the financial spillover effects. In a “moderate” sce-

nario—where the deterioration in financial conditions stops at current levels and European import demand slows only a little—the net effect on US growth of only about one quarter of a percentage point after taking into account offsets from lower oil prices and lower bond yields. In a “severe” scenario—in which financial conditions tighten further and credit availability also deteriorates more noticeably—the effect would of course be bigger, potentially triggering a renewed recession.

Disinflation continues, with only a 0.3% (annualized) increase in the core CPI over the past six months. Inflation expectations also seem to be falling, with a drop of more than 50bp in 5-year 5-year forward breakeven inflation calculated from nominal and inflation-indexed Treasuries since April. And finally, Fed officials themselves marked down their inflation expectations significantly in the latest set of “central tendency” forecasts. After a long period in which worries about higher inflation predominated, we are therefore getting more questions about deflation and the “Japan analogy” again.

Our view remains that the US is in much better shape than Japan as far as the financial system is concerned—the asset bubble wasn't as large, US banks are a lot more profitable on a pre-provision basis, and the policymakers were much more decisive not just in easing macroeconomic policies but also in forcing loss recognition and equity capital raising by banks. But there are nevertheless some worrisome real economic parallels—inflation well below the target, short-term interest rates already at zero, a very large output gap, and less ability to “export your way out” than in smaller economies. So in our view, deflation remains the more significant risk than inflation for the next few years.

This raises the question of what US policymakers could do to boost activity and reduce deflation risks, and under what circumstances they would do it. Further large-scale fiscal stimulus does not seem likely, partly because the European debt crisis provides a reminder that large public debt loads carry significant risks. Of course, the US fiscal situation is nowhere near as serious, but our analysis a few weeks ago also showed that high public debt levels are statistically associated with worse economic performance in the longer term. In the emergency situation of late 2008/early 2009, we strongly supported large-scale fiscal stimulus and in fact thought that the package should have been even bigger. But now our enthusiasm for additional fiscal measures has cooled a lot, and we suspect the same is true for many other economists both in and out of government.

This leaves monetary policy. What would it take for Fed officials to restart their asset purchase program? We see two possible avenues to such an outcome. The first would be a return to recession in the second half of 2010. If so, we would expect Fed officials to announce a substantial increase in their asset purchase program as soon as the renewed downturn became obvious. The second avenue would be a continued gradual decline in year-on-year inflation to 0% or less in 2011, combined with economic growth that stays stubbornly at or below trend, i.e. an output gap that does not close to a significant degree. In that case, the debate within the FOMC might gradually shift from the need to withdraw monetary stimulus to the need to combat a slide into deflation. This route would take longer, but could result in renewed asset purchases sometime in 2011.

*Jan Hatzius, Goldman Sachs, New York, NY*

## Long Range Forecasts:

The table below contains results of our twice-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are estimates for the years 2012 through 2016 and averages for the five-year periods 2012-2017 and 2017-2021. Apply these projections cautiously. Few economic, demographic and political forces can be evaluated accurately over such long time spans.

<b>Interest Rates</b>		-----Average For The Year-----					Five-Year Averages	
		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2012-2016</b>	<b>2017-2021</b>
1. Federal Funds Rate	<b>CONSENSUS</b>	<b>2.8</b>	<b>3.7</b>	<b>4.1</b>	<b>4.1</b>	<b>4.1</b>	<b>3.8</b>	<b>4.1</b>
	Top 10 Average	3.6	4.5	4.8	4.9	4.9	4.5	4.9
	Bottom 10 Average	2.0	3.0	3.4	3.4	3.3	3.0	3.5
2. Prime Rate	<b>CONSENSUS</b>	<b>5.8</b>	<b>6.7</b>	<b>7.0</b>	<b>7.1</b>	<b>7.1</b>	<b>6.7</b>	<b>7.1</b>
	Top 10 Average	6.6	7.5	7.8	7.9	7.9	7.5	7.9
	Bottom 10 Average	5.0	5.9	6.3	6.3	6.2	5.9	6.5
3. LIBOR, 3-Mo.	<b>CONSENSUS</b>	<b>3.2</b>	<b>4.0</b>	<b>4.3</b>	<b>4.4</b>	<b>4.3</b>	<b>4.1</b>	<b>4.4</b>
	Top 10 Average	3.9	4.8	5.1	5.2	5.2	4.8	5.1
	Bottom 10 Average	2.4	3.3	3.6	3.5	3.4	3.3	3.7
4. Commercial Paper, 1-Mo.	<b>CONSENSUS</b>	<b>3.0</b>	<b>3.8</b>	<b>4.1</b>	<b>4.2</b>	<b>4.1</b>	<b>3.8</b>	<b>4.2</b>
	Top 10 Average	3.7	4.5	4.9	5.0	5.0	4.6	4.9
	Bottom 10 Average	2.3	3.1	3.4	3.3	3.2	3.1	3.4
5. Treasury Bill Yield, 3-Mo.	<b>CONSENSUS</b>	<b>2.8</b>	<b>3.6</b>	<b>4.0</b>	<b>4.0</b>	<b>4.0</b>	<b>3.7</b>	<b>4.0</b>
	Top 10 Average	3.6	4.4	4.7	4.7	4.8	4.4	4.7
	Bottom 10 Average	2.0	2.8	3.3	3.3	3.2	2.9	3.4
6. Treasury Bill Yield, 6-Mo.	<b>CONSENSUS</b>	<b>2.9</b>	<b>3.8</b>	<b>4.1</b>	<b>4.2</b>	<b>4.1</b>	<b>3.8</b>	<b>4.2</b>
	Top 10 Average	3.6	4.6	4.8	4.9	4.9	4.6	4.8
	Bottom 10 Average	2.1	3.0	3.5	3.4	3.3	3.1	3.5
7. Treasury Bill Yield, 1-Yr.	<b>CONSENSUS</b>	<b>3.1</b>	<b>4.0</b>	<b>4.3</b>	<b>4.3</b>	<b>4.3</b>	<b>4.0</b>	<b>4.4</b>
	Top 10 Average	3.9	4.7	5.0	5.1	5.1	4.8	5.0
	Bottom 10 Average	2.4	3.2	3.6	3.6	3.5	3.3	3.7
8. Treasury Note Yield, 2-Yr.	<b>CONSENSUS</b>	<b>3.5</b>	<b>4.3</b>	<b>4.6</b>	<b>4.6</b>	<b>4.6</b>	<b>4.3</b>	<b>4.6</b>
	Top 10 Average	4.2	4.9	4.8	5.4	5.4	5.0	5.3
	Bottom 10 Average	2.7	3.6	3.9	3.8	3.8	3.6	4.0
10. Treasury Note Yield, 5-Yr.	<b>CONSENSUS</b>	<b>4.2</b>	<b>4.8</b>	<b>5.1</b>	<b>5.1</b>	<b>5.0</b>	<b>4.8</b>	<b>5.0</b>
	Top 10 Average	4.8	5.4	5.8	5.9	5.9	5.6	5.7
	Bottom 10 Average	3.6	4.2	4.4	4.3	4.3	4.2	4.3
11. Treasury Note Yield, 10-Yr.	<b>CONSENSUS</b>	<b>4.8</b>	<b>5.2</b>	<b>5.5</b>	<b>5.5</b>	<b>5.5</b>	<b>5.3</b>	<b>5.4</b>
	Top 10 Average	5.4	6.0	6.4	6.5	6.4	6.1	6.2
	Bottom 10 Average	4.1	4.6	4.8	4.8	4.7	4.6	4.7
12. Treasury Bond Yield, 30-Yr.	<b>CONSENSUS</b>	<b>5.3</b>	<b>5.7</b>	<b>5.9</b>	<b>6.0</b>	<b>5.9</b>	<b>5.8</b>	<b>5.8</b>
	Top 10 Average	5.8	6.4	6.8	6.8	6.8	6.5	6.5
	Bottom 10 Average	4.7	5.1	5.3	5.3	5.3	5.1	5.2
13. Corporate Aaa Bond Yield	<b>CONSENSUS</b>	<b>6.0</b>	<b>6.4</b>	<b>6.7</b>	<b>6.7</b>	<b>6.7</b>	<b>6.5</b>	<b>6.6</b>
	Top 10 Average	6.7	7.2	7.4	7.5	7.5	7.3	7.3
	Bottom 10 Average	5.2	5.7	6.0	6.0	5.9	5.8	5.8
13. Corporate Baa Bond Yield	<b>CONSENSUS</b>	<b>7.0</b>	<b>7.5</b>	<b>7.8</b>	<b>7.8</b>	<b>7.7</b>	<b>7.6</b>	<b>7.6</b>
	Top 10 Average	7.8	8.2	8.4	8.5	8.5	8.3	8.4
	Bottom 10 Average	6.2	6.7	7.0	7.0	6.9	6.8	6.6
14. State & Local Bonds Yield	<b>CONSENSUS</b>	<b>5.1</b>	<b>5.5</b>	<b>5.6</b>	<b>5.6</b>	<b>5.6</b>	<b>5.5</b>	<b>5.6</b>
	Top 10 Average	5.7	6.2	6.2	6.2	6.2	6.1	6.2
	Bottom 10 Average	4.5	4.8	5.0	5.0	5.0	4.9	5.1
15. Home Mortgage Rate	<b>CONSENSUS</b>	<b>6.2</b>	<b>6.7</b>	<b>6.9</b>	<b>7.0</b>	<b>6.9</b>	<b>6.7</b>	<b>6.8</b>
	Top 10 Average	6.9	7.5	7.8	7.9	7.8	7.6	7.6
	Bottom 10 Average	5.5	5.9	6.1	6.2	6.1	6.0	6.1
A. FRB - Major Currency Index	<b>CONSENSUS</b>	<b>79.3</b>	<b>79.1</b>	<b>79.2</b>	<b>79.5</b>	<b>79.8</b>	<b>79.4</b>	<b>79.9</b>
	Top 10 Average	85.4	85.8	86.6	87.2	88.3	86.7	89.3
	Bottom 10 Average	74.2	73.0	72.6	72.8	72.4	73.0	71.8
		-----Year-Over-Year, % Change-----					Five-Year Averages	
		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2012-2016</b>	<b>2017-2021</b>
B. Real GDP	<b>CONSENSUS</b>	<b>3.3</b>	<b>3.1</b>	<b>2.9</b>	<b>2.8</b>	<b>2.7</b>	<b>2.9</b>	<b>2.6</b>
	Top 10 Average	4.0	3.8	3.5	3.2	3.1	3.5	2.9
	Bottom 10 Average	2.6	2.4	2.3	2.4	2.4	2.4	2.2
C. GDP Chained Price Index	<b>CONSENSUS</b>	<b>1.9</b>	<b>2.0</b>	<b>2.1</b>	<b>2.2</b>	<b>2.2</b>	<b>2.1</b>	<b>2.2</b>
	Top 10 Average	2.5	2.7	2.6	2.7	2.7	2.6	2.7
	Bottom 10 Average	1.2	1.4	1.5	1.7	1.7	1.5	1.8
D. Consumer Price Index	<b>CONSENSUS</b>	<b>2.2</b>	<b>2.3</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>
	Top 10 Average	2.9	3.0	3.0	3.0	2.9	3.0	2.9
	Bottom 10 Average	1.5	1.6	1.7	1.8	1.9	1.7	2.0



## Databank:

## 2010

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.3	0.6	2.1	0.4								
Auto & Light Truck Sales (b)	10.8	10.3	11.8	11.2								
Personal Income (a, current \$)	0.4	0.0	0.4	0.4								
Personal Consumption (a, current \$)	0.3	0.5	0.6	0.0								
Consumer Credit (e)	3.2	-3.0	1.0									
Consumer Sentiment (U. of Mich.)	74.4	73.6	73.6	72.2								
Household Employment (c)	541	308	264	550								
Non-farm Payroll Employment (c)	14	39	230	290								
Unemployment Rate (%)	9.7	9.7	9.7	9.9								
Average Hourly Earnings (All, cur. \$)	18.90	18.92	18.91	18.96								
Average Workweek (All, hrs.)	33.3	33.1	33.3	33.4								
Industrial Production (d)	1.3	1.9	3.9	5.2								
Capacity Utilization (%)	72.8	72.8	73.1	73.7								
ISM Manufacturing Index (g)	58.4	56.5	59.6	60.4								
ISM Non-Manufacturing Index (g)	50.5	53.0	55.4	55.4								
Housing Starts (b)	.612	.605	.635	.672								
Housing Permits (b)	.629	.650	.685	.606								
New Home Sales (1-family, c)	349	338	439	504								
Construction Expenditures (a)	-0.7	-2.1	0.2									
Consumer Price Index (nsa., d)	2.6	2.1	2.3	2.2								
CPI ex. Food and Energy (nsa., d)	1.6	1.3	1.1	0.9								
Producer Price Index (n.s.a., d)	4.6	4.4	6.0	5.5								
Durable Goods Orders (a)	4.9	0.5	0.0	3.0								
Leading Economic Indicators (g)	0.6	0.4	1.3	-0.1								
Balance of Trade & Services (f)	-37.0	-39.7	-40.4									
Federal Funds Rate (%)	0.11	0.13	0.16	0.20								
3-Mo. Treasury Bill Rate (%)	0.06	0.11	0.15	0.16								
10-Year Treasury Note Yield (%)	3.73	3.69	3.73	3.82								

## 2009

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	1.8	-0.1	-1.3	0.0	0.7	1.1	0.1	2.1	-2.2	1.5	1.6	0.1
Auto & Light Truck Sales (b)	9.5	9.1	9.8	9.3	9.9	9.7	11.2	14.1	9.2	10.4	10.9	11.2
Personal Income (a, current \$)	-1.1	-0.8	-0.5	0.7	1.5	-1.0	-0.5	0.3	0.1	0.2	0.4	0.4
Personal Consumption (a, current \$)	0.8	0.4	-0.3	-0.1	0.1	0.7	0.2	1.3	-0.6	0.6	0.5	0.3
Consumer Credit (e)	3.3	-5.1	-7.3	-8.2	-4.2	-7.4	-6.3	-1.6	-4.3	-2.7	-11.6	-3.7
Consumer Sentiment (U. of Mich.)	61.2	56.3	57.3	65.1	68.7	70.8	66.0	65.7	73.5	70.6	67.4	72.5
Household Employment (c)	-967	-534	-833	48	-464	-400	-221	-384	-665	-526	139	-589
Non-Farm Payroll Employment (c)	-779	-726	-753	-582	-347	-504	-344	-211	-225	-224	64	-109
Unemployment Rate (%)	7.7	8.2	8.6	8.9	9.4	9.5	9.4	9.7	9.8	10.1	10.0	10.0
Average Hourly Earnings (All, cur. \$)	18.43	18.47	18.52	18.53	18.55	18.57	18.62	18.69	18.71	18.78	18.80	18.85
Average Workweek (All, hrs.)	33.3	33.2	33.1	33.1	33.1	33.0	33.1	33.1	33.1	33.0	33.2	33.2
Industrial Production (d)	-10.9	-11.3	-12.5	-12.4	-13.2	-13.2	-12.2	-10.2	-5.8	-6.9	-5.0	-2.4
Capacity Utilization (%)	71.1	70.6	69.5	69.2	68.5	68.3	69.2	70.1	70.6	70.8	71.4	71.9
ISM Manufacturing Index (g)	35.5	35.7	36.4	40.4	43.2	45.3	40.1	52.8	52.4	55.2	53.7	54.9
ISM Non-Manufacturing Index (g)	43.2	42.1	41.2	43.9	44.5	46.3	46.7	48.2	50.1	50.1	48.4	49.8
Housing Starts (b)	.488	.581	.520	.477	.550	.583	.587	.585	.586	.529	.589	.576
Housing Permits (b)	.549	.566	.522	.523	.550	.600	.587	.610	.605	.576	.621	.681
New Home Sales (1-family, c)	329	354	332	345	371	399	419	408	391	400	362	353
Construction Expenditures (a)	-2.8	-0.4	-0.4	0.5	-1.3	-1.4	-1.2	-0.9	-1.6	1.5	-2.5	-3.4
Consumer Price Index (s.a., d)	0.0	0.2	-0.4	-0.7	-1.3	-1.4	-2.1	-1.5	-1.3	-0.2	1.8	2.7
CPI ex. Food and Energy (s.a., d)	1.7	1.8	1.8	1.9	1.8	1.7	1.5	1.4	1.5	1.7	1.7	1.8
Producer Price Index (n.s.a., d)	-0.9	-1.4	-3.4	-3.5	-4.8	-4.4	-6.9	-4.4	-4.9	-2.0	2.2	4.3
Durable Goods Orders (a)	-7.8	1.7	-2.2	1.4	1.4	-1.1	4.8	-3.1	2.5	-0.1	-0.4	0.9
Leading Economic Indicators (g)	-0.3	-0.4	-0.3	1.0	1.3	0.9	1.2	0.6	1.1	0.5	1.1	1.1
Balance of Trade & Services (f)	-36.9	-26.5	-28.8	-28.4	-25.8	-26.9	-31.2	-29.9	-35.3	-32.9	-36.1	-39.9
Federal Funds Rate (%)	0.15	0.22	0.18	0.15	0.18	0.21	0.16	0.16	0.15	0.12	0.12	0.12
3-Mo. Treasury Bill Rate (%)	0.13	0.30	0.21	0.16	0.18	0.18	0.18	0.17	0.12	0.07	0.05	0.05
10-Year Treasury Note Yield (%)	2.52	2.87	2.82	2.93	3.29	3.72	3.56	3.59	3.40	3.39	3.40	3.59

(a) month-over-month % change; (b) millions, saar; (c) thousands, saar; (d) year-over-year % change; (e) annualized % change; (f) \$ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

## Calendar Of Upcoming Economic Data Releases

Monday	Tuesday	Wednesday	Thursday	Friday
<b>31</b> <b>Memorial Day</b> <b>U.S. Markets Closed</b>	<b>June 1</b> ISM Manufacturing (May) Construction spending (Apr) Dallas Fed survey (May) ABC Consumer Comfort Index Weekly Store Sales	<b>2</b> ADP Employment (May) Pending Home Sales (Apr) Vehicle Sales (May) EIA Crude Oil Stocks Mortgage Applications	<b>3</b> ISM Non-Manufacturing (May) Factory Orders (Apr) Chain Store Sales (May) Productivity and Costs (Q1, revision) Weekly Jobless Claims Weekly Money Supply	<b>4</b> Employment (May)
<b>7</b> Consumer Credit (Apr)	<b>8</b> NFIB Survey (May) JOLTS (Apr) ABC Consumer Comfort Index Weekly Store Sales	<b>9</b> Wholesale Trade (Apr) Beige Book EIA Crude Oil Stocks Mortgage Applications	<b>10</b> Trade Balance (Apr) U.S. Budget (May) Weekly Jobless Claims Weekly Money Supply	<b>11</b> Retail Sales (May) Consumer Sentiment (June, Preliminary, University of Michigan) Business Inventories (Apr)
<b>14</b>	<b>15</b> Empire State Survey (Jun) NAHB survey (Jun) TIC data (Apr) Weekly Store Sales ABC Consumer Comfort Index	<b>16</b> Housing Starts (May) Producer Price Index (May) Industrial Production (May) EIA Crude Oil Stocks Mortgage Applications	<b>17</b> Philadelphia Fed Survey (Jun) Consumer Price Index (May) Current Account (Q1) Weekly Jobless Claims Weekly Money Supply	<b>18</b>
<b>21</b>	<b>22</b> <b>FOMC Meeting</b> Existing Home Sales (May) FHFA Home Prices (Apr) Richmond Fed Survey (Jun) Weekly Store Sales ABC Consumer Comfort Index	<b>23</b> <b>FOMC Meeting</b> New Home Sales (May) EIA Crude Oil Stocks Mortgage Applications	<b>24</b> Durable Goods (May) Kansas City Fed Survey (Jun) Weekly Jobless Claims Weekly Money Supply	<b>25</b> GDP (Q1, 3 <sup>rd</sup> release) Consumer Sentiment (June, Final, University of Michigan)
<b>28</b> Personal Income and Consumption (May) Dallas Fed survey (Jun)	<b>29</b> S&P/Case-Shiller Home Price Index (Apr) Consumer confidence (Jun, Conference Board) ABC Consumer Comfort Index Weekly Store Sales	<b>30</b> ADP Employment (Jun) Chicago PMI (Jun) EIA Crude Oil Stocks Mortgage Applications	<b>July 1</b> ISM Manufacturing (Jun) Light Vehicle Sales (Jun) Construction spending (May) Pending Home Sales (May) Chain Store Sales (May) Productivity and Costs (Q1, revision) Weekly Jobless Claims Weekly Money Supply	<b>2</b> Employment (Jun) Factory Orders (May)
<b>5</b> <b>Independence Day (Observed)</b> <b>U.S. Markets Closed</b>	<b>6</b> ISM Non-Manufacturing (Jun) ABC Consumer Comfort Index Weekly Store Sales	<b>7</b> EIA Crude Oil Stocks Mortgage Applications	<b>8</b> Consumer Credit (May) Weekly Jobless Claims Weekly Money Supply	<b>9</b> Wholesale Inventories (May)

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