

November 16, 2009

## DR. RATAJCZAK'S WEEKLY ECONOMIC COMMENTARY

ECONOMIC INDICATORS FOR THE WEEK BEGINNING NOVEMBER 16, 2009							
Date	Announcement	Estimate			Last Announcement		
11/16/09	Business Inventories	-0.7%	\$ 1,302.56	Sep	-1.5%	\$ 1,311.75	Aug
11/16/09	- Sales	-0.5%	\$ 984.60	Sep	1.0%	\$ 989.55	Aug
11/16/09	Retail Sales	<b>0.8%</b>	<b>\$ 347.45</b>	<b>Oct</b>	-1.5%	\$ 344.69	Sep
11/16/09	Nonauto Retail Sales	<b>0.4%</b>	<b>\$ 289.61</b>	<b>Oct</b>	0.5%	\$ 288.45	Sep
11/17/09	Industrial Production	0.4%	98.9	Oct	0.7%	98.5	Sep
11/17/09	Capacity Utilization rate	0.5%	70.9	Oct	0.9%	70.5	Sep
11/17/09	Producer Price Index	<b>0.7%</b>	<b>177.2</b>	<b>Oct</b>	-0.6%	176.0	Sep
11/17/09	PPI less food and energy	<b>0.1%</b>	<b>174.9</b>	<b>Oct</b>	-0.1%	174.7	Sep
11/18/09	Real Weekly Earnings	0.0%	\$ 282.79	Oct	-0.4%	\$ 282.76	Sep
11/18/09	Housing - Starts	1.7%	0.601	Oct	0.5%	0.591	Sep
11/18/09	- Single Family	0.0%	0.501	Oct	3.9%	0.501	Sep
11/18/09	- Multi Family	11.1%	0.100	Oct	-14.3%	0.090	Sep
11/18/09	- Permits	0.8%	0.578	Oct	-1.2%	0.573	Sep
11/18/09	Consumer Price Index	<b>0.4%</b>	<b>216.6</b>	<b>Oct</b>	0.2%	215.7	Sep
11/18/09	CPI less food and energy	0.2%	220.5	Oct	0.2%	220.1	Sep
11/19/09	Leading Indicators Index	0.4%	103.9	Oct	1.0%	103.5	Sep

Changes denoted by bold type. All percent changes are from the previous period unless the next column shows a.r. which means the percentage change then is the annual rate. Payroll changes are in thousands, not percentages.

## WEEKLY COMMENTARY FOR WEEK BEGINNING NOVEMBER 16, 2009

**COMMENTARY** – International trade and the dollar took center stage on this week of little information. Chain store sales were mixed, though a modest return to upscale purchases seemed to be signaled by increasing comp store sales at Nordstrom and Saks. Also, initial claims dropped to the lowest rate in nearly a year. Although 502,000 claims remained above the 450,000 I consider the new break even level for jobs.

As the trade deficit unfolded with a surprise deficit, the dollar actually rallied. The rally was surprising because import prices clearly showed strong petroleum price gains in October. Unless something unusual happens to exports or the volume of petroleum imported, another leap upward in the trade deficit is likely. Nevertheless, central banks signaled attempts to hold the dollar when the euro reached 1.50, and the initial effort was successful.

The President went to Asia and was told by the smaller countries that either the dollar must be strong or the yuan must appreciate for them to maintain their recoveries. (The Chinese currency has been stable relative to the dollar since just after the Olympics after having appreciated nearly 20% in the previous eighteen months.) As we will be holding our interest rates near zero for an extended period of time, a strong dollar could be achieved if investment

*“Dr. Ratajczak's Weekly Economic Commentary” is prepared by Dr. Donald Ratajczak, PhD., Morgan Keegan's Consulting Economist. This report is a transcript of comments made by Dr. Ratajczak and should be read in that context. Additional information is available upon request.*

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returns in the U.S. are superior to other places (and I am still advocating emerging market instruments, which is counter to that), or the trade deficit remains small even as global liquidity demands expand. The world economy is expanding, but at a relatively sedate rate. And we now know that our trade deficits will be climbing above \$40 billion in the next month or two. In other words, shorting the dollar remains a viable investment objective.

The stock market reached new rebound highs, led by some strong earnings e.g. Disney, and some consumer staples companies. However, those gains must be offset by international investors to compensate for the dollar's decline. The net returns are not as strong as investors can get in other parts of the world. (Even the Dubai exchange is beginning to restore some of its lost value.)

The two questions I am being asked is a) will all this stimulus lead to inflation (or else why is gold doing so well) and b) will the recession resume when the stimulus is removed.

My answer to the first question is that the surge in monetary base is to offset collapsing lending activity at banks. Rapid growth in the monetary base is inflationary only when bank money creation is strong. Without lending, there is very little bank money being created. Therefore, the monetary stimulus is not inflationary. Of course, it might become a problem if bank lending resumes and monetary stimulus remains present. In the past, the Fed has been slow to withdraw the excesses because "growth was slow, job growth was sluggish, or even that higher interest rates would put undue burden upon the costs of financing the government." There is no certainty that any of these factors will again prevent the Fed from doing the right thing, though past history is not comforting.

The answer to the second question is more complex. I have been mentioning that real purchasing power is not being generated despite growth in economic activity. Without growth in real purchasing power, economic growth cannot be sustained without continuing stimulus. Of course, the problem of financing the government only gets worse if more stimulus is used. Anyway, we have experienced real growth since July, but have experienced real earnings growth only in July. Unless something changes, the danger of a relapse is very significant.

How can we add to real purchasing power? Obviously, creating more paychecks would help. So far, we continue to see a decline in job loss, but no net job growth. We could also add hours paid, hopefully because more goods and services are needed. I am more hopeful here, and even expect to see a slight gain in the workweek in the next employment report. That currently just counters the impact of job loss. We can experience declining prices, which would mean the flimsy wage gains still would add more purchasing power. As the October import prices show, any declining prices will not come from abroad. Indeed, I have raised my inflation estimates for that month, virtually assuring that real purchasing power fell again.

I still believe that commodity prices will ease during the winter while hours worked will gradually grow. I do not expect many gains in hourly wages, however. Nevertheless, the net impact might be a modest growth in real purchasing power that could allow meager gains in economic growth when the stimulus impact subsides next spring. Auto replacement and household formations will begin an uptrend in autos and housing during 2010. As housing prices stabilize, I expect conventional mortgages to become more available. The banks still need to deal with refinancing of commercial real estate, but modest loan growth could add slightly to spending activity and generate new paychecks. Thus, by next fall, the economy may show the sustained gains in real purchasing power that will lead to strong growth in 2011.

The above story is the most reasonable one, but I cannot yet rule out the alternative that stimulus fades without gains in sustainable real purchasing power, causing a second dip (though much more mild) than the plunge we had at the end of 2008. However, this time, the world does not decline, so the correction is over by year end. Clearly, stock market investors believe the first, more likely story, while bond market investors are increasingly confident about the second. One of them is wrong, but we may not know which until spring has begun.

**GDP** - I have trimmed my GDP forecasts and also show a lowered revised GDP for the summer. The summer declines are caused by higher than expected trade deficits and lower than expected moderation in inventory liquidations. I also trimmed my estimates of profit growth, though they remain strong. While the chain store estimates were mixed, apparently more of retail sales gains will be from higher prices than originally expected. For that reason, I cut my estimates of fall growth, though I certainly expect to see growth in the fall.

**EMPLOYMENT** - The decline in claims to 502,000 is good news. This still means job losses, but the rate of decline has slowed further. I believe jobs will continue to decay until claims fall below 450,000. Of course, recalls could also add to job growth, and that activity is reflected in the continuing claims, which fell 100k in the past four week average to 5.770 million, a million less than at its peak. I do believe a bit of recalled employees is in that decline, but most of it reflects the exhaustion of benefits. When the new 20 week extension is enforced, we will see a jump in those continuing to receive benefits.

There were significant decreases in claims in California, Florida, Georgia and New York. Claims rose, but much less dramatically than those declines, in Wisconsin, Illinois, Michigan and Texas. Reduced construction claims were cited in almost all the states showing declines while construction only accounted for increased claims in Wisconsin.

**CONSUMER ACTIVITY** - The chain stores showed some weakness in the discounters and some strength in the upscale stores. The return of bonuses might reflect some of this shift in pattern. Also, the discounters have accepted their additional patrons with less aggressive price discounting, which might lead to some roaming from their aisles. Most retailers are looking for a decline in Christmas sales from last year's disaster. I still believe sales will be better, at a gain of 1-1.5%. That is not a barn burner, but it shows modest gains, and will require some post Christmas restocking. That need for increased production might further add to prospects for continued growth after the stimulus begins to fade.

The weakness in discount stores led to some moderation in my projections for sales other than autos. At the same time, slight movement upscale in autos led to my revising overall retail sales upward for the month.

**INTERNATIONAL TRADE** - The surge in petroleum imports for September was a surprise, as import prices for fuel had fallen in that month. With fuel prices rising in October, another large gain in fuel imports seems likely. The surge in petroleum imports appears to reflect price expectations more than need, as inventories remain unusually high. (All oil product inventories other than propane remain well above their five year averages. The unusual wetness in the grain belt is exhausting some propane stocks as the crops are dried before storing, so some propane pressures are likely this winter.) Indeed, natural gas now is reaching storage capacity with substantial downside price pressure (though the first draw probably will cause prices to rebound as oil now is selling at nearly three times the BTU equivalent of natural gas—a 25% premium is the historic norm).

After fuel, the next largest import was autos and parts as the industry began restocking after the cash for clunker program. This, too, may persist for another month or so. The gains in capital goods imports, consumer goods imports and other goods imports are more difficult to explain, though a reduction in inventory liquidation may be the culprit. If so, they may continue to grow as well. In other words, much of our goods are now produced abroad. As inventory liquidations ease, what had been a surge in domestic production is now a jump in international activity to meet domestic consumption. I'm overstating the case, but by less than those seeing a V recovery wish to believe. The implications are that imports may roar and trade deficits may rise for several months with adverse impact upon the dollar.

Of course, the dollar's woes aid exporters, who sharply increased their export of capital goods. Some of this is lumpy, such as aircraft, so the growth will be intermittent. Also, the gains in consumer goods exports were modest and the auto exports (which usually mean parts to Canada for re-import) were unusually modest relative to auto imports. While exports should jump next month as well, imports will jump higher, causing a trade deficit over \$40 billion and a serious dollar headache. (A second interpretation, however, is that more than a month's worth of trade was recorded and neither exports nor imports will grow much, but the trade deficit still will widen further.)

Potential good news could develop in service exports, as passenger fares to Asia, which fell 4% in September, rebounded in October. That should add to other transportation services as world trade rebounds. Hopefully, the passenger fares will favor tourists to the states, so the import of services should not rise so rapidly. However, the gains in September were from transportation services (no surprise) and other services, which usually reflects financial fees, such as re-insurance commissions. That segment could continue to expand next month as well.

Despite the volatile capital goods exports, which might decline in October, I am assuming the weak dollar will allow either higher prices or more product shipping abroad. Of course, the weak dollar also will cause higher prices coming here and we still are building petroleum product despite the strong inventory holdings. At some point, the

speculators will recognize that the high inventories are incompatible with their high price expectations, though the inventory carrying costs are so low that many believe “black gold” is the best way to play a falling dollar.

**PRICES** - Discussing September trade flows and October trade prices in the same report seems odd, but that is how the data develop. The report finally uses fuel rather than petroleum so I do not need to continue explaining that industrial materials includes natural gas prices. Indeed, the gas prices fell in October and may decline further in November. However, petroleum prices were considerably higher in October. Moreover, prices other than fuel showed large price gains for the third consecutive month. We are importing inflation because of a weak dollar.

Because of the dollar and its impact upon world commodity prices, chemical and metal prices rose sharply both for exports and imports. However, finished goods prices also rose significantly. Auto prices were up 0.6%, consumer goods rose 0.3%, and even capital goods showed a 0.2% price gain with electrical generating equipment leading that price surge. This will have implications for the capital goods portion of the PPI. Thus, I have increased that estimate and raised the expected core inflation rate for the PPI. Of course, capital goods are not in the CPI, but autos are. I still held that core, but raised the headline number because of the gain in fuel prices despite the plunge in natural gas prices.

Import transportation services also had large price gains, with passenger fare prices jumping 6.4%, mostly to Europe. Import air freight prices also increased 1.5%, which might have implications on domestic air freight as well.

Agricultural export prices fell, a surprise as domestic prices rose sharply, especially for the crops that are exported. Perhaps the wet grains lowered export demand, but that certainly should be reversed next month. Our finished goods prices did not show the same jump as for the imports. The gains were 0.2% for capital goods and 0.1% for autos. Consumer goods exported actually fell in price. Apparently, the weak domestic economy is impacting prices even with a weak dollar. The implications are favorable, however, as this might mean that the higher shipments are reflecting increased market share for U.S. produced goods.

Air fares for export were not as robust as for imports, although European fares and cruise fares showed some gains. Export air freight fell for the first time since June.

While petroleum prices will be a smaller factor next month, they still should add to import prices. The weak dollar also should add, although the auto prices might not show the same gains. If a surprise develops, it will be on the agricultural side to reflect those high domestic crop prices.

**MONETARY ACTIVITY** - Stop worrying about excessive money growth. That surge in the monetary base is because banks are less efficient at creating money so the Fed must supply more to get the same results. Of course, the danger of inflation will arise when bank efficiency rises in money creation (led by higher leverage when capital no longer is needed to offset bad loans and reflected in rising loans outstanding—currently falling 6% for all loans and 14.5% for commercial and industrial loans). The jump in deposits is the residue of those not knowing what to do with their liquid assets. Remember, we had a run on money market accounts which led to the commercial paper crisis and the collapse in economic activity. Not surprisingly, bank deposits have become a “safer” place for liquidity. That explains the surge in **M1**. Economists have long discovered that the growth of other liquid instruments has marginalized the importance of **M1**.

Statistically, however, **M2** remains important and remains a leading indicator after adjustment for current inflation. Notice what has happened to its growth. In the past year, while **M1** has soared 13.5%, **M2** has crawled to a 5.4% gain. The 13 week growth spans, which I find more interesting, actually show a decline of 1.1%. There currently is no monetary risk of soaring inflation despite the jump in gold. At best, **M2** growth is marginally supportive of recovery.

I also talk about currency demand. This is the coinage and currency held domestically (not foreign exchange). To some extent, it reflects concern about bank solvency. For example, in October of last year, currency holdings leaped \$14.9 billion, or more than 26% at annual rates. Smaller but still very large gains occurred through March. As the stock market stabilized, so did bank solvency fears. Apparently, this no longer is a concern, as currency is off \$2.6 billion from the previous month (and the correlation with stock market performance remains intact).

Actually, I am concerned that monetary policy is becoming restrictive because of the lowered bank efficiency in creating money. Nevertheless, the Fed has declared that it will begin allowing its portfolio of mortgage backed and long term treasuries to run off after March. The impact will be higher rates, but it also may mean slower recovery or even relapse. Those calling for tighter Fed policy than what already is announced better reconsider.

(As for bank efficiency, just think what the regulators are doing with their scoring of loans and their demand for higher collateral even for performing loans.) Except for that imported stuff, there is little danger of soaring inflation anytime soon, though I could see errors later when banks begin to improve their money creating capabilities.

**INTEREST RATES** - As I just mentioned, Fed concern about its unusual portfolio probably will lead to rising long term rates in the spring. That coincides with my greatest fear about a relapse, so the timing is terrible, but I do not see the policy changing. Of course, the policy rate near zero is expected to persist through the summer. Indeed, the two year note now is predicting little change in rates for much of 2010. I believe that is a reasonable prediction, but the two year yield should begin rising as the year unfolds. Because of pressure for exit strategies, I have assumed that the Fed will raise rates late in the fourth quarter and continue pushing them up toward equilibrium in 2011. To some extent, this is counter to my economic outlook, as I have sluggish growth through the spring. That means unemployment rates at 11% and only modestly declining in the fall. Will the Fed raise rates when double digit unemployment persists?

Of course, as the Fed shifts portfolio holdings I expect the long yields to rise. The gains will be less spectacular for corporate yields, as they are not held by the Fed, though some increase in yields is likely. The spread between the Aaa and Baa is now normal, but the spread between the Aaa and treasuries of comparable maturity remain wide. I expect the treasury yields to rise while the corporates earn their coupons.

I expect the unusually wide spread between the 2 and 10 year tax exempts to narrow as well with little impact upon the longer yields. In short, most rates will nearly earn their coupons in the next year, except for the treasuries and mortgage backed securities.

**CURRENCY MARKETS** - The dollar rallied, but without economic justification. Trade balances are deteriorating and appear headed for more than \$40 billion monthly deficits. Despite the rebound in world activity, this is too much additional reserve currency for the world to absorb (something in the \$30 billion range would be more appropriate). Furthermore, our interest yields will remain unusually low relative to other countries, some of which already have begun to raise rates e.g. Australia and Norway. The ECB hinted it would not raise rates until February, but implied that all bets are off then. I do not expect the BOE to raise rates until growth is more assured despite improvement in their real estate prices. Under these circumstances I see the dollar remaining under pressure in 2010 (though intervention may hold the Euro below 1.50 before then). The pound also could lose relative to the Euro while the yen might rally further to 85 before giving ground when our rates begin to rise. (Because of expected deflation into 2011, the BOJ probably will not raise rates until well after the U.S. does, which should bring the carry trade back to the island nation.)

Obviously, a lot of events are impacting currency markets at the current time. This uncertainty explains the flight to gold and also the acquisition of excessive oil inventory. Remember the carrying cost is unusually low because of low interest rates. When rates rise, those anomalies should disappear.

**EQUITIES** - The rally has not lost steam and even with the stronger earnings, stocks now are 19 times this year's earnings in the S&P. Analysts have only marginally scaled back their earnings growth for 2010 to 23%. This compares to a 14.5% estimated profit gain for the Morgan Keegan universe and about a 16% gain projected by my relatively optimistic profit forecasts for next year. In short, the expected future is rosier than I anticipate. Of course, I can be wrong, but I believe the stock market is running ahead of reality, though it is not seriously overpriced at this time. (Indeed, my formula suggests that it remains underpriced by about 10-12%.)

Following six strong days of advances, the S&P ended last week up 5.8% for the month. All segments advanced, with materials showing the strongest gains. This clearly reflected the surge in commodity prices caused by the weak dollar. As the dollar is now stabilizing, should we not expect at least the same for materials? Industrials were the next best performers with consumer discretionary showing substantial strength as well. The laggards, to the extent that more than 3% gains are lagging, were the usual suspects of telecommunications and utilities along with energy and consumer staples.

The shift in spending patterns appears to justify some gains in consumer discretionary, but the gains in materials and industrials almost certainly cannot be sustained. Notice, however, that the recent financial leadership has vanished and energy is now lagging.

I certainly see nothing to suggest this rally is running out of steam. However, some rest probably is appropriate. I am looking for quiet trading, but with slight upside potential, through the holidays. Gains then could develop early next year.

Obviously, with the best performance up 9.9% and the worst still gaining 3.1%, not a lot of benefit was derived from choosing sectors. The smaller stocks lagged, which is unusual this early in a bull market, but they were not that far out of the picture.

I am expecting the small stocks to regain prominence and believe the technology will join selected consumer discretionary in exerting leadership. The financials now are 14.7% of the S&P, which may be slightly too low, suggesting that above average gains may return there, but I would not expect to see leadership from that sector until loan loss provisions begin to decline.

**MORGAN KEEGAN UNIVERSE** - The MK universe was not far off the benchmark, but it suffered slightly because of the small capitalization that it holds. The strong performers were, safety and security; communications components; and Warren Buffett's railroads. Of course, rising commodity prices also aided railroads, which increasingly are correlated with commodity price swings. Despite the updraft in railroad values, I would expect a correction soon in that sector if energy prices fall, as that will take more trucks off the rails. Not surprisingly, one of the negative performers was LTL trucking. Also declining was the regional banks. I simply cannot believe that their conditions are deteriorating further, though regulatory restraint and higher FDIC contributions are not helping them sustain profitability.

Not surprisingly, most sectors qualify as turnaround candidates. Despite job losses, however, restaurant earnings have been too consistent to be called turnarounds. Their consistency and expected profit improvement may justify further price gains. This also may be true for some of the upscale customer providers in specialty retail. However, remember that the discounters pushed for margin over market and may lose a bit of both as the economy recovers.

If energy prices sag slightly, as I expect, then little opportunity exists here in the near term. However, any improvement in natural gas prices could promote the significance of oilfield service companies.

I already made my comments on regional banks. Of course, we must stop the regulators from destroying the industry in their efforts to save it first. Notice that the specialty financing is beginning to improve, strongly suggesting that regulators rather than economic climate now is punishing the financial services (those with fewer regulators are doing better).

Despite relatively rich prices, healthcare technology continues to soar. Nothing else is moving in the health sector as uncertainty about regulations abound. Notice, however, that our group seriously underperformed their benchmark so far this month, so something else also must be working here.

While our numbers clearly show strong gains in safety and security, the monthly gains are not consistent with the year to date estimates. Some opportunities exist there, but we need to clean up the records first.

We also trailed our benchmarks in the industrial/construction groups. I believe profit growth for residential building products will be stronger than we project while they probably will be weaker than our projections for the non-residential.

Our REITs trailed the relatively strong performance of the NAREIT index though they did show gains. Perhaps concern about real estate values in the Southeast remain elevated relative to other geographic areas. I would agree with that concern.

The communications components showed the strongest gains in technology and remain the best value. I would like to see better orders to sustain those gains. The semiconductors also roared back, probably because they may actually show profit growth next year. However, they are not bargains at these prices. Although the transaction processing lagged the technology group, I would anticipate gains there next year.

In transportation, the rails and air freight did better than the S&P while the other modes did worse. Trucking especially struggled despite anticipations of improved profits. Apparently, investors now want to see results or they will look elsewhere. On the other hand, I would not follow Warren in his railroad interests. In fact, I would take these gains as an opportunity to sell.

The Morgan Keegan universe has returned 34% as compared to 21% for the S&P so far this year. They should hold to at least a 10 point gap and might even widen their lead in the remaining weeks of this year. At least, I expect to see small capital stocks regain momentum, and that should aid the MK universe.

ECONOMIC INDICATORS FOR THE WEEK BEGINNING NOVEMBER 16, 2009												
	2009				2010				2011	Ann.	Ann.	Ann.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	H1	2008	2009	2010
91-Day Bills	0.21	0.17	0.16	0.05	0.07	0.10	0.14	0.28	1.14	1.32	0.15	0.15
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.46	4.32	5.06	3.25	3.30
Fed. Funds	0.20	0.18	0.16	0.13	0.13	0.14	0.23	0.34	1.26	1.86	0.17	0.21
2-Yr. Note	0.92	1.01	1.03	0.93	0.90	0.93	0.99	1.21	1.98	1.90	0.97	1.01
5-Yr. Note	1.85	2.23	2.47	2.37	2.29	2.34	2.40	2.63	3.21	2.75	2.23	2.42
10-Yr. Note	2.73	3.31	3.52	3.45	3.46	3.62	3.80	4.01	4.33	3.63	3.25	3.72
30-Yr. Bond	3.59	4.17	4.32	4.30	4.34	4.49	4.65	4.80	5.04	4.27	4.10	4.57
Aaa	5.31	5.51	5.27	5.28	5.33	5.44	5.59	5.81	6.14	5.64	5.34	5.54
Baa	8.22	7.98	6.66	6.42	6.47	6.56	6.72	6.92	7.22	7.45	7.32	6.67
S&P	809	892	997	1083	1194	1269	1343	1428	1564	1221	945	1309
Dow Jones	7774	8324	9230	10162	10893	11528	12243	12689	13246	11253	8873	11838
NASDAQ	1485	1731	1985	2134	2306	2429	2582	2751	2889	2163	1834	2517

Aaa and Baa corporate bond yields represent Dr. Ratajczak's forecast of Moody's index of longer-dated seasoned corporate bonds with maturities ranging between 20 and 30 years.

SHORT TERM FINANCIAL PROJECTIONS				
	Past Week	This Week	30 Days	60 Days
Federal Funds	0.13	0.13	0.14	0.14
Commer. Paper	0.16	0.17	0.19	0.21
10-Yr Treasury	3.48	3.43	3.50	3.51
30-Yr Treasury	4.39	4.35	4.41	4.42
Aaa	5.27	5.25	5.31	5.32
Baa	6.40	6.37	6.42	6.43
Blm. 20 Yr Muni	4.18	4.17	4.19	4.21
Blm. 30 Yr. Mtg.	5.02	5.00	5.01	5.03
Dow Jones	10270 *	10143 *	10298 *	10522 *
S&P	1093 *	1085 *	1099 *	1161 *
NASDAQ	2168 *	2134 *	2182 *	2243 *

\*Friday Estimates

CURRENCY MARKETS				
	Friday	This Week	End of 2009	End of 2010
Euro	1.490	1.492	1.509	1.545
Pound	1.668	1.672	1.685	1.742
Yen	89.7	89.6	90.5	94.3
Canadian	1.051	1.050	1.063	1.098
Broad Index	101.3	101.0	100.8	100.1

MONEY MEASURES			
M-1	\$ 27.9	\$(1.3)	13 week annual rate 6.6%
M-2	\$(6.5)	\$ 3.2	13 week annual rate -1.1%

**ECONOMIC INDICATORS FOR THE WEEK BEGINNING NOVEMBER 16, 2009**

<b>Date</b>	<b>Announcement</b>	<b>Estimate</b>			<b>Last Announcement</b>				
11/24/09	GDP - Real (Q)	<b>2.6%</b>	a.r.	<b>\$ 13,098.59</b>	<b>IV</b>	3.0%	r	\$ 13,014.00	III
11/24/09	Implicit Price Deflator (Q)	1.6%	a.r.	110.3	IV	0.8%	a.r.	109.9	III
11/24/09	Chain-Type Price Index (Q)	1.5%	a.r.	110.3	IV	0.8%	a.r.	109.9	III
11/24/09	After-Tax Corp. Profits (Q)	4.6%		\$ 1,078.53	III	5.6%		\$ 1,031.10	II
11/24/09	After-Tax Oper. Profits (Q)	5.3%		\$ 969.39	III	0.9%		\$ 920.60	II
11/25/09	Durable Goods - Shipments	0.2%		\$ 173.52	Oct	1.1%		\$ 173.17	Sep
11/25/09	- Orders	-0.3%		\$ 165.71	Oct	1.4%		\$ 166.21	Sep
11/25/09	Nondefense Capital Orders	-0.2%		\$ 53.39	Oct	2.3%		\$ 53.50	Sep
11/25/09	New Single Family Sales	3.1%		0.414	Oct	-3.6%		0.402	Sep
11/25/09	Personal Income	0.2%		\$ 11,985.92	Oct	0.0%		\$ 11,962.00	Sep
11/25/09	Personal Consumption	0.4%		\$ 10,207.37	Oct	-0.5%		\$ 10,166.70	Sep
11/25/09	Core PCE y/y	1.3%			Oct	1.3%			Sep
11/30/09	Agricultural Prices	1.5%		137.0	Nov	7.1%		135.0	Oct
12/01/09	Construction Spending	-0.4%		\$ 936.52	Oct	0.8%		\$ 940.28	Sep
12/04/09	Payroll Employment	<b>(112)</b>		<b>130,736</b>	<b>Nov</b>	(190)		130,848	Oct
12/04/09	Civilian Unemployment Rate			10.2%	Nov			10.2%	Oct
12/04/09	Manufacturers' - Shipments	0.7%		\$ 365.59	Oct	0.8%		\$ 363.05	Sep
12/04/09	- Inventories	-0.6%		\$ 489.69	Oct	-1.0%		\$ 492.65	Sep
12/04/09	- Orders	0.3%		\$ 357.16	Oct	0.9%		\$ 356.09	Sep
12/07/09	Consumer Installment Debt	-6.5%	a.r.	\$ 2,442.50	Oct	-7.2%	a.r.	\$ 2,455.80	Sep
<b>12/10/09</b>	<b>Trade - Deficit</b>			<b>\$ (42,486)</b>	<b>Oct</b>			<b>\$ (36,472)</b>	<b>Sep</b>
<b>12/10/09</b>	<b>Goods - Exports</b>	<b>1.2%</b>		<b>\$ 91,423</b>	<b>Oct</b>	<b>4.0%</b>		<b>\$ 90,339</b>	<b>Sep</b>
<b>12/10/09</b>	<b>- Imports</b>	<b>5.2%</b>		<b>\$ 145,127</b>	<b>Oct</b>	<b>7.1%</b>		<b>\$ 137,953</b>	<b>Sep</b>
<b>12/10/09</b>	<b>Services - Exports</b>	<b>0.4%</b>		<b>\$ 41,784</b>	<b>Oct</b>	<b>0.4%</b>		<b>\$ 41,618</b>	<b>Sep</b>
<b>12/10/09</b>	<b>- Imports</b>	<b>0.3%</b>		<b>\$ 30,567</b>	<b>Oct</b>	<b>0.6%</b>		<b>\$ 30,476</b>	<b>Sep</b>
12/11/09	Import Prices	0.4%		122.7	Nov	0.7%		122.2	Oct
12/11/09	- Less Petroleum	0.3%		112.8	Nov	0.4%		112.5	Oct
12/11/09	Export Prices	0.4%		118.7	Nov	0.3%		118.2	Oct
12/11/09	- Less Agriculture	0.2%		115.7	Nov	0.3%		115.5	Oct
12/17/09	Monthly - M1	1.3%		\$ 1,695.66	Nov	0.8%		\$ 1,673.90	Oct
12/17/09	- M2	0.4%		\$ 8,393.24	Nov	0.3%		\$ 8,359.80	Oct

**changes denoted by bold type**

all percent changes are from the previous period unless the next column shows a.r. which means the percentage change then is the annual rate

**Payroll changes are in thousands, not percentages**