

DAILY GLOBAL COMMENTARY

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Factory Sector Maintains Expansionary Trend

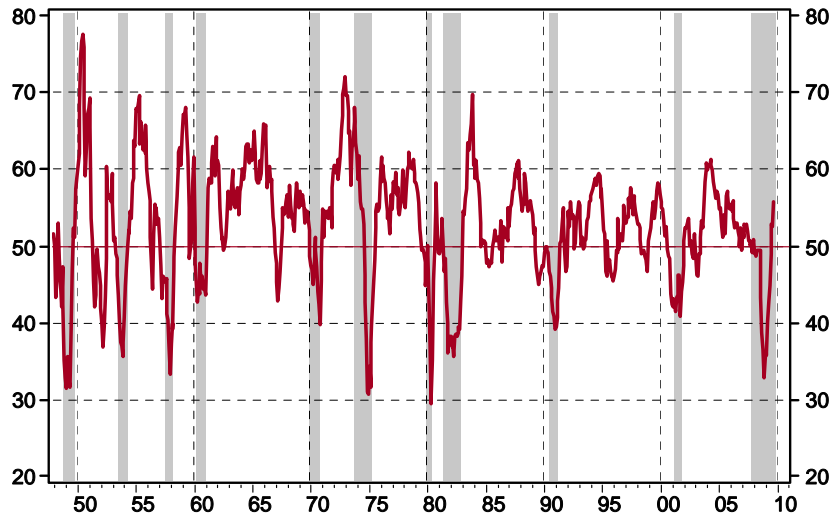
November 2, 2009

The ISM manufacturing composite index rose to 55.7 in October, marking the third consecutive monthly reading that exceeds 50.0. Readings in excess of 50 denote an expanding factory sector. The new orders index (58.5 vs. 60.8 in September) edged down slightly in October implying that orders are growing but at a slower pace compared with the prior month. The sharp increase of the production index (+7.6 to 63.3) puts it at the highest in nearly five years. The main message is that the factory sector continued to grow and registered a more rapid pace in October compared with September.

Chart 1

ISM Manufacturing: PMI Composite Index

SA, 50+=Increasing



Source: Institute for Supply Management /Haver Analytics

More importantly, the index tracking employment rose to 53.1 in October from 46.2 in September, the first reading that is higher than 50.0 since November 2007 (excluding the July 2008 mark). In other words, factories increased payroll employment in October. The October employment report will be published on November 6.

Chart 2

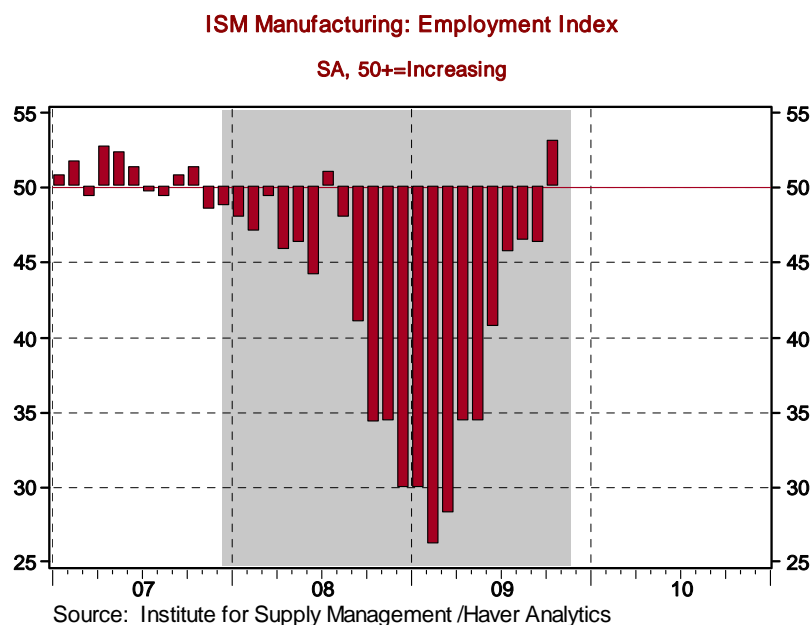


Table 1 ISM Manufacturing Survey – October 2009

| | May-2009 | Jun-2009 | Jul-2009 | Aug-2009 | Sep-2009 | Oct-2009 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Composite Index | 42.8 | 44.8 | 48.9 | 52.9 | 52.6 | 55.7 |
| New Orders | 51.1 | 49.2 | 55.3 | 64.9 | 60.8 | 58.5 |
| Production | 46.0 | 52.5 | 57.9 | 61.9 | 55.7 | 63.3 |
| Employment | 34.3 | 40.7 | 45.6 | 46.4 | 46.2 | 53.1 |
| Vendor Deliveries | 49.8 | 50.6 | 52.0 | 57.1 | 58.0 | 56.9 |
| Inventories | 32.9 | 30.8 | 33.5 | 34.4 | 42.5 | 46.9 |
| Prices | 43.5 | 50.0 | 55.0 | 65.0 | 63.5 | 65.0 |
| Backlog of Orders | 48.0 | 47.5 | 50.0 | 52.5 | 53.5 | 53.5 |
| New Export Orders | 48.0 | 49.5 | 50.5 | 55.5 | 55.0 | 55.5 |
| Imports | 42.5 | 46.0 | 50.0 | 49.5 | 52.0 | 51.0 |

Housing Sector – Construction Data and Pending Home Sales Index

The positive news from the housing sector is noteworthy. Total construction spending rose 0.8% in September, with the gain in residential sector spending (+3.9%) and 1.3% increase of public

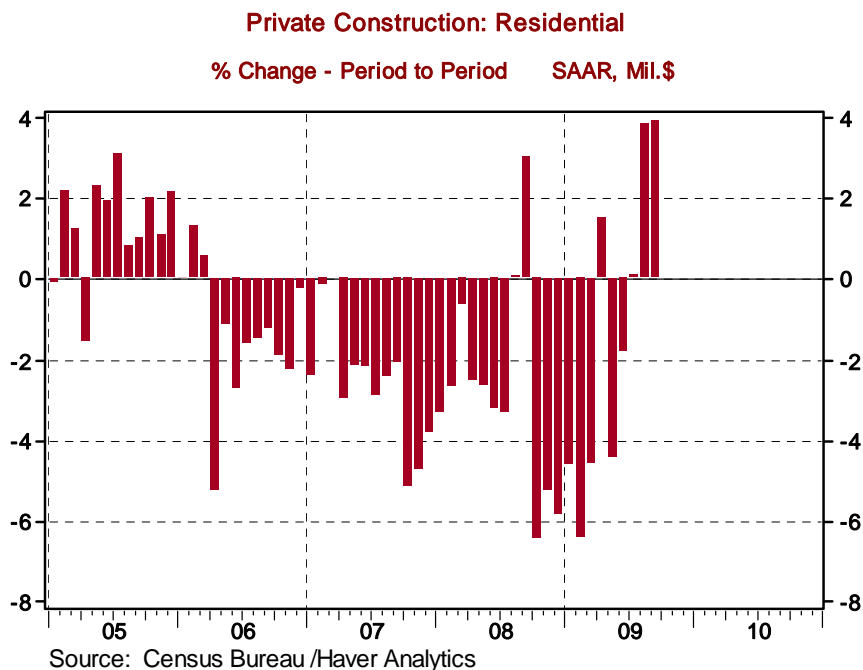
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sector outlays accounting for the overall gain. Residential construction spending has posted strong growth in the August-September months. Non-residential construction spending fell 1.8% in September.

Table 2 – Construction Spending (% change from prior month)

| | Total | Private | Residential | Non-residential | Public |
|----------|-------|---------|-------------|-----------------|--------|
| Apr-2009 | 0.5 | 0.6 | 1.5 | 0.0 | 0.3 |
| May-2009 | -1.3 | -2.2 | -4.5 | -0.8 | 0.4 |
| Jun-2009 | -1.4 | -3.2 | -1.8 | -4.0 | 2.2 |
| Jul-2009 | -1.2 | -1.8 | 0.1 | -3.0 | 0.1 |
| Aug-2009 | -0.1 | 0.4 | 3.8 | -1.8 | -1.1 |
| Sep-2009 | 0.8 | 0.5 | 3.9 | -1.8 | 1.3 |

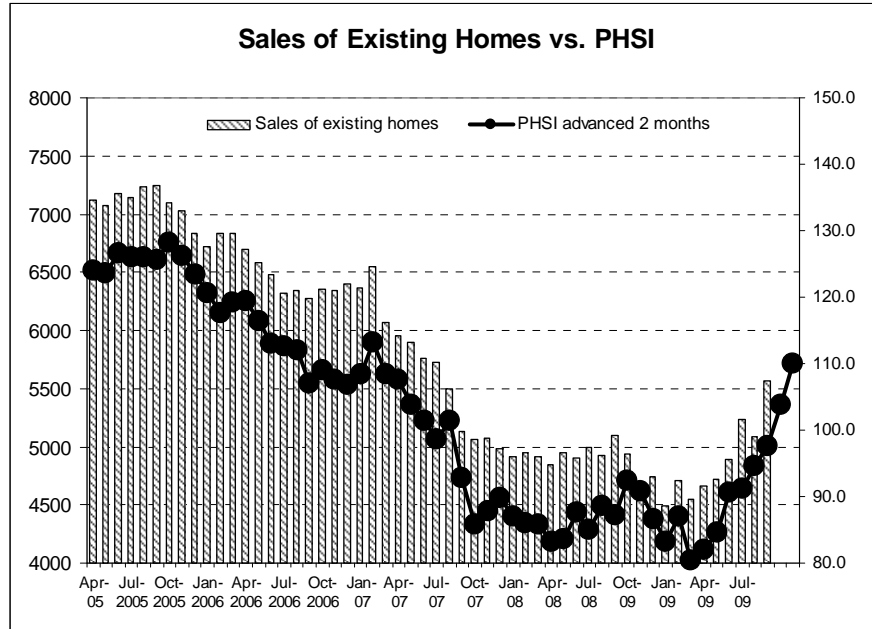
Chart 3



The Pending Home Sales Index (PHSI) of the National Association Realtors increased to 110.1 in September from 103.8 in August. This gain bodes positively for sales of existing homes in the October/November period. The PHSI has risen each month since February. The existing home sales data for October are scheduled for publication on November 23.

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Chart 4



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