

DAILY GLOBAL
COMMENTARY

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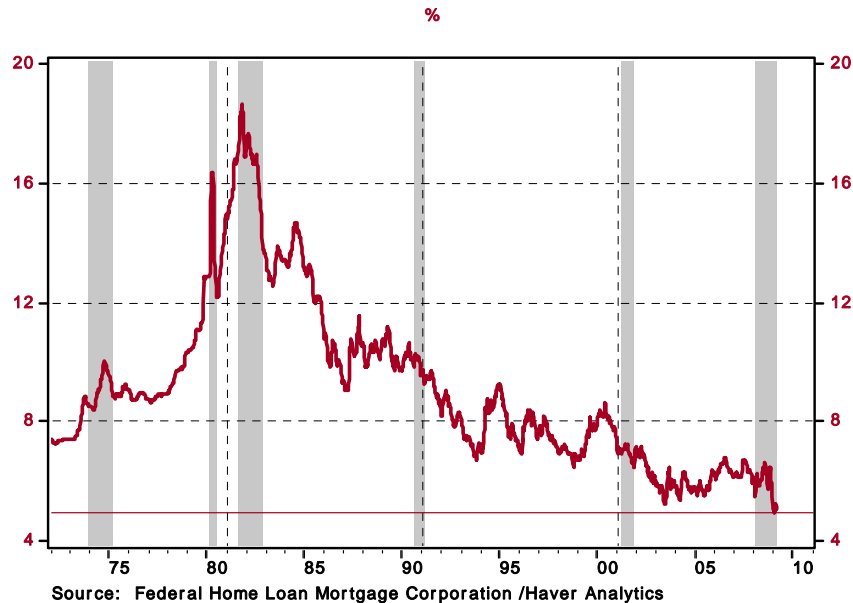
Weekly Policy Update

March 6, 2009

The February employment report drives home the fact that the recession is deepening and confirms expectations of no immediate change in monetary policy. The decline in auto sales to a new low of 9.12 million units is another factor enhancing the gloomy economic situation. The Obama administration has made available details of the Housing Stability Plan which raises expectations of an improvement in the housing market. Mortgage rates are slightly higher than the historic low of 4.96% seen in January 2009 (the latest quote for the week ended March 6 is 5.15%).

Chart 1

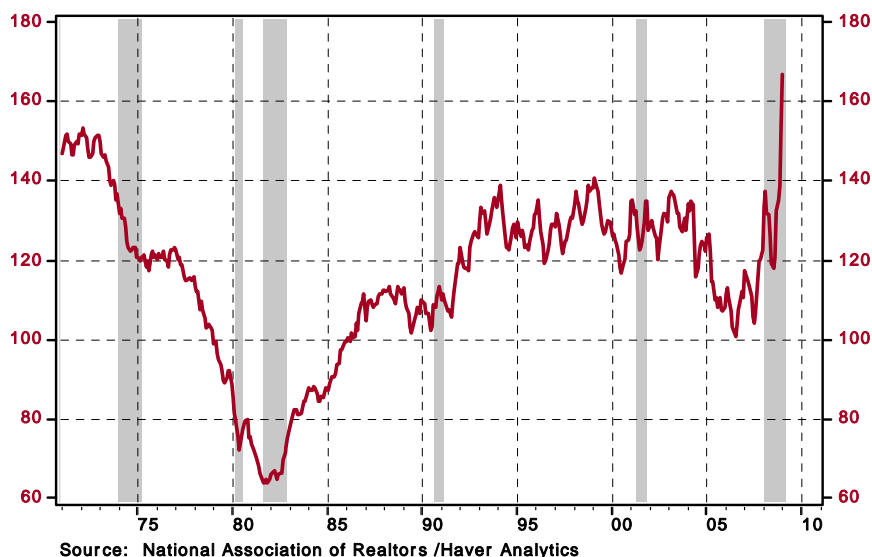
FHLMC: 30-Year Fixed-Rate Mortgages: U.S.



At the same time, there is a sliver lining in the housing market that may have been overlooked. As shown in chart 2, the Housing Affordability Index (HAI) of the National Association of Realtors shot up to a record high of 166.8 in January. The attractive interest rate and price environment needs support from employment conditions to prop up home sales. In other words, favorable conditions for an improvement in home sales are evolving.

Chart 2
Composite Housing Affordability Index

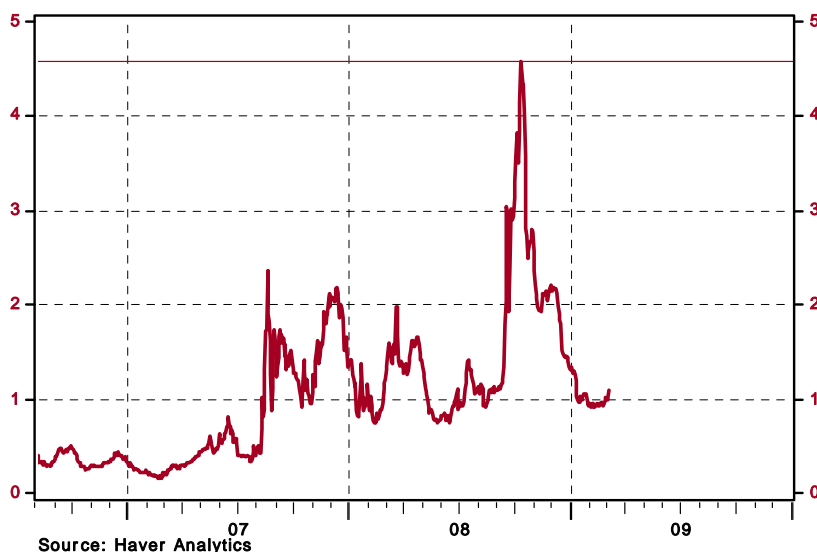
Median Inc=Qualifying Inc=100



At the same time, credit market spreads have widened in recent days. The spread between the 3-month Libor and 3-month Treasury bill rate was around 110 bps as of this writing, up from 91 bps on February 9, 2009 (see chart 3).

Chart 3
Spread: 3-Month Libor less 3-Month Treasury Bill Rate

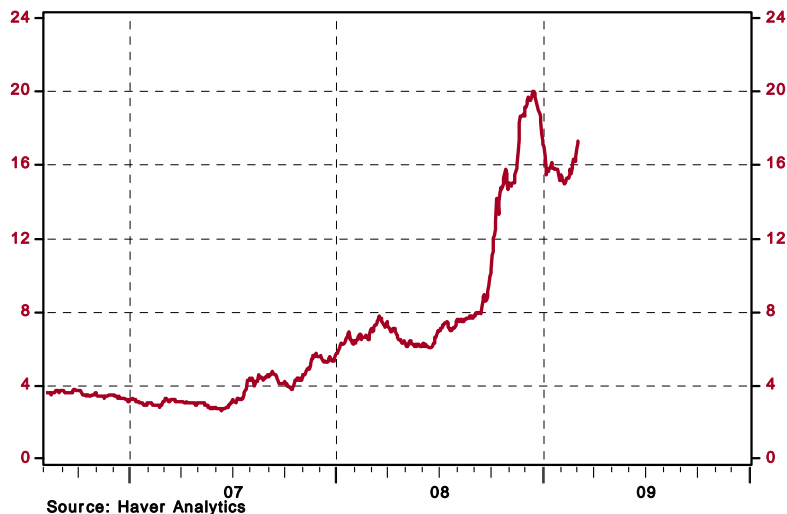
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At the more risky-end, the spread between the yield on junk bonds and 10-year Treasury note yield has moved up to 17.33% on March 4 from a low of 14.95% on February 9, 2009. Therefore, the financial and economic environment remains challenging.

Chart 4
Merrill Lynch Junk Bond yield less 10-year Treasury Note yield
 percent



Also, the difference between Moody's Baa and the 10-year Treasury note yield has risen to 533 bps on March 4 from 518 bps on February 25.

Chart 5
Moody's Baa less 10-year U.S. Treasury Note Yield
 percent



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February Employment Report Underscores Severity of Recession

Civilian Unemployment Rate: 8.1% in February vs. 7.6% in January, cycle low is 4.4% in March 2007.

Payroll Employment: -651,000 in February vs. -655,000 in January, net loss of 161,000 jobs after revisions of payroll estimates for December and January.

Hourly earnings: +3 cents to \$18.47, 3.59% yoy change vs. 3.77% yoy change in January, cycle high is 4.28% yoy change in Dec. 2006.

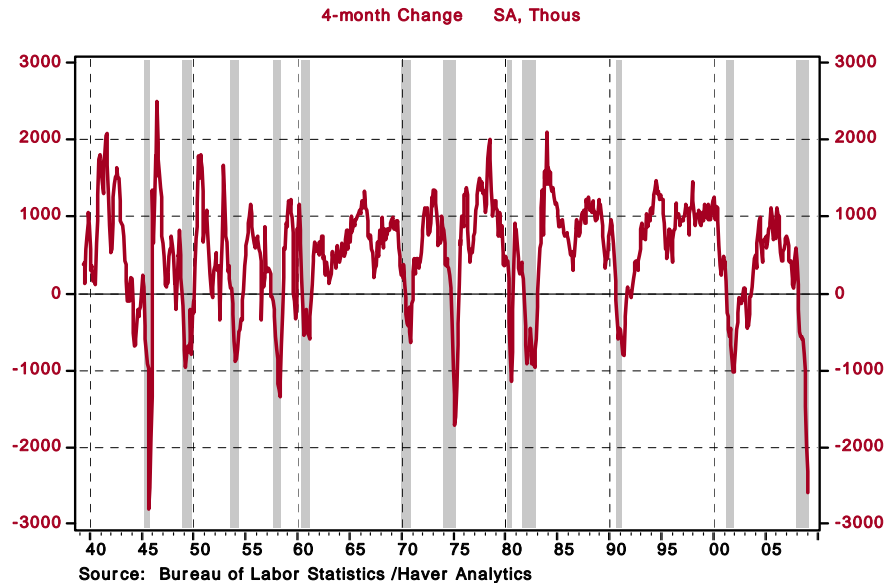
HIGHLIGHTS OF THE FEBRUARY 2009 EMPLOYMENT REPORT

	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09
Household Survey						
Chg. in Civilian Labor Force (000)	-202	257	-258	-173	-731	498
Chg. in Civilian Employed (000)	-244	-372	-513	-806	-1239	-351
Civilian Unemployment Rate	6.2	6.6	6.8	7.2	7.6	8.1
Participation Rate	66.0	66.0	65.8	65.7	65.5	65.6
Employment-Population ratio	61.9	61.7	61.4	61.0	60.5	60.3
Establishment Survey						
Chg. in Total Nonfarm Payrolls (000)	-321	-380	-597	-681	-655	-651
Chg. in Private Nonfarm Payrolls (000)	-300	-384	-601	-670	-686	-660
Chg. in Manufacturing Payrolls (000)	-65	-119	-121	-180	-257	-168
Chg. in Services - Private Sector (000)	-196	-200	-352	-388	-307	-384
Chg. in Government payrolls (000)	-21	4	4	-11	31	9
Total Workweek (Hours)						
Manufacturing Workweek (Hours)	40.5	40.4	40.2	39.9	39.8	39.6
Manufacturing Overtime (Hours)	3.5	3.5	3.2	2.9	2.8	2.6
Average Hourly Earnings						
	18.21	18.28	18.34	18.40	18.44	18.47
Chg. from prior month	0.2%	0.4%	0.3%	0.3%	0.2%	0.2%
Chg. from year ago	3.6%	3.9%	3.9%	3.9%	3.8%	3.6%
Average Weekly Earnings						
	611.86	612.38	612.56	612.72	614.05	615.05
Chg. from prior month	-0.1%	0.1%	0.0%	0.0%	0.2%	0.2%
Chg. from year ago	3.0%	2.9%	2.6%	2.4%	2.5%	2.1%
Index of Aggregate Weekly Hours:						
Chg. from prior month in Total Index	-0.6%	-0.8%	-0.9%	-0.9%	-0.6%	-0.7%
Chg. from prior month in Mfg. Index	-1.4%	-1.5%	-1.6%	-2.3%	-2.6%	-2.0%

The February employment report is bleak, with the unemployment rate at 8.1% vs. 7.6% in January. In February, 651,000 jobs were lost, with the total job losses since the recession commenced in December 2007 amounting to 4.38 million. A little over one-half of the losses (2.6 million) have occurred in the last four months. This staggering decline in employment is the largest four-month loss of jobs since the war-related drop in jobs during the latter half of 1945 (see chart 6).

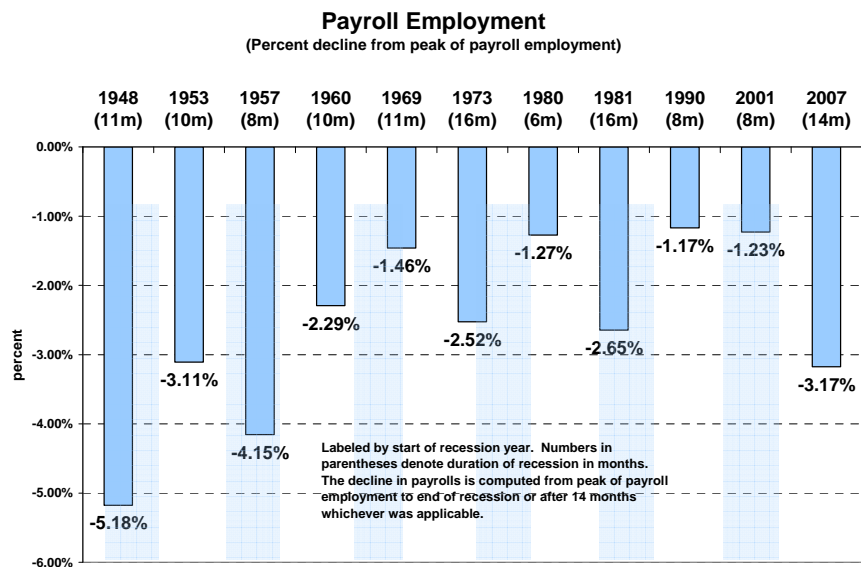
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Chart 6
All Employees: Total Nonfarm



Even so, the sharp plunge in payroll employment needs to be evaluated within the context of the growth of the labor force. Chart 7 takes into account the growth of the labor force and indicates the extent of job losses in each recession in the post-war period from the peak of payroll employment to the end of a recession or after 14 months whichever is applicable (recessions vary in duration). The 3.17% drop in payroll employment in the current recession of 14 months is the largest percentage drop in jobs since the 1957 recession.

Chart 7



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The unemployment rate has risen to 8.1% in February from 6.2% six months ago. This is the largest six-month change in the unemployment rate since the 1973-75 recession (see chart 9).

Chart 8
Civilian Unemployment Rate: 16 yr +
 SA, %

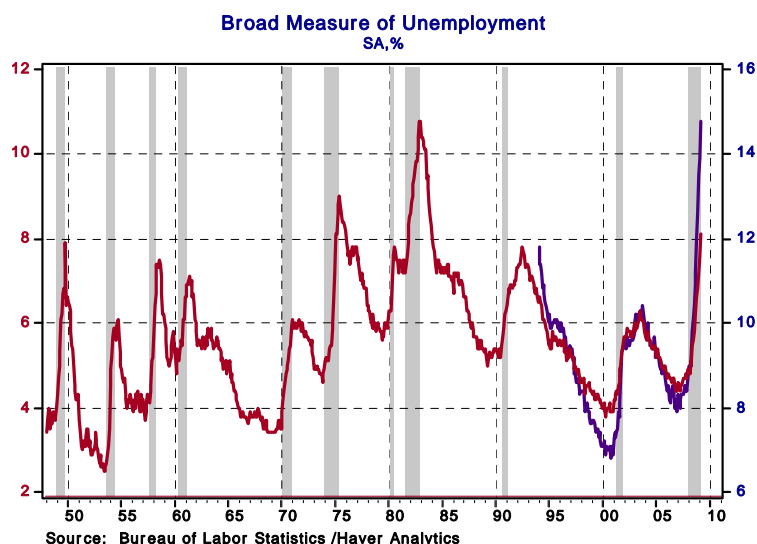
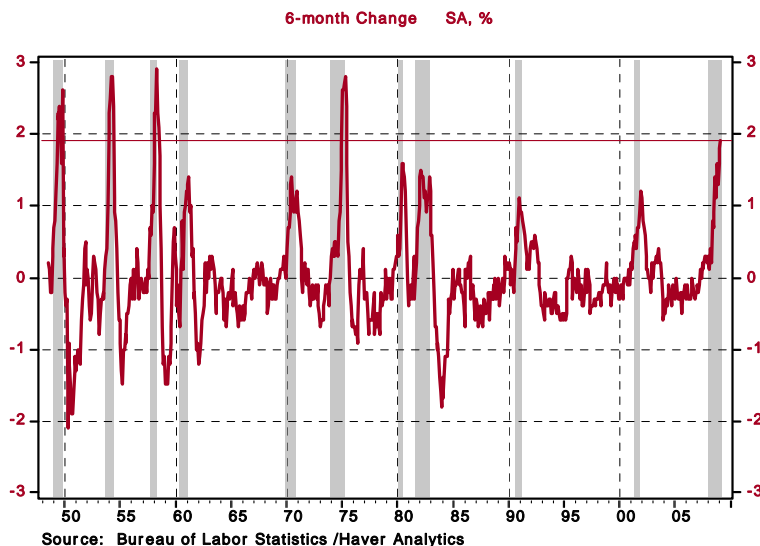


Chart 9
Civilian Unemployment Rate: 16 yr +
 6-month Change SA, %



The unemployment rate has now risen 3.7 percentage points from a cycle low of 4.4% in March 2007, which exceeds the median increase (3.2 percentage points) in the jobless rate during business cycles of the post-war period. The average increase of the jobless rate from cycle low to cycle high is 3.24 percentage points.

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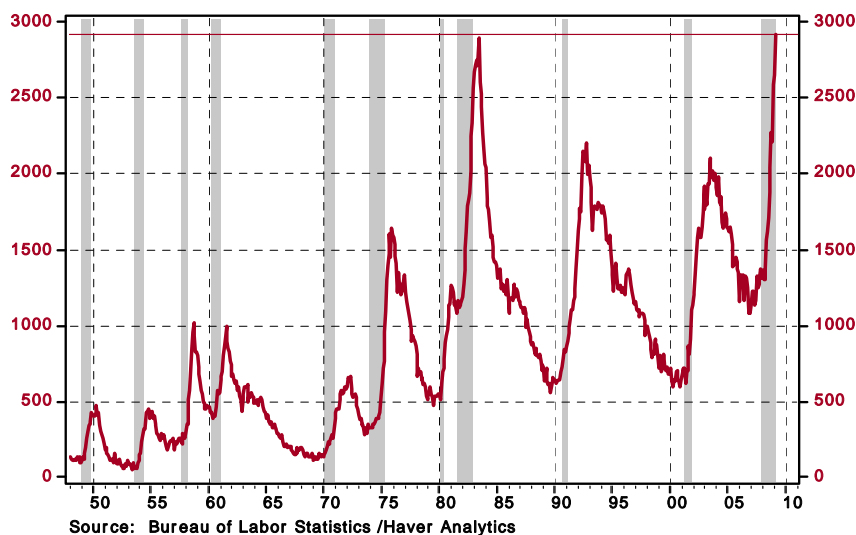
Unemployment Rate across Business Cycles

Peak to Trough Business Cycles	Date	Cycle low of unemployment rate prior to onset of recession	Date	Cycle high of unemployment rate after the end of the recession	Increase in jobless rate from cycle low (percentage points)
Nov.1948 - Oct.1949	Jan-48	3.4	Oct-49	7.9	4.5
Jul.1953 - May1954	Jun-53	2.5	Sep-54	6.1	3.6
Aug.1957 - Apr.1958	Mar-57	3.7	Jul-58	7.5	3.8
Apr.1960 - Feb.1961	Feb-60	4.8	May-61	7.1	2.3
Dec.1969 - Nov.1970	May-69	3.4	Dec-70	6.1	2.7
Nov.1973 - Mar.1975	Nov-73	4.6	May-75	9.0	4.4
Jan.1980 - Jul.1980	May-79	5.6	Jul-80	7.8	2.2
Jan.1981 - Nov.1982	Jul-81	7.2	Dec-82	10.8	3.6
Jul.1990 - Mar.1991	Mar-89	5.0	Jun-92	7.8	2.8
Mar. 2001 - Nov.2001	Apr-00	3.8	Jun-03	6.3	2.5
Dec. 2007 - ???	Mar-07	4.4	Feb-09	8.1	3.7

Household Survey - The above discussion gives a historical perspective of the employment situation. The details of the report paint a grimmer picture. A broad measure of unemployment (which includes those working part-time because they cannot find full-time jobs and those not looking for work but want and are available in addition those included in the tally of unemployed in the headline jobless rate) was 14.8% in February, the largest since record keeping for this series began in 1994 (see chart 8). The number of people unemployed for six months and over (2.917 million) is the largest on record, with the tally in June 1983 (2.885 million) following close behind (see chart 10).

Chart 10
Civilians Unemployed for 27 Weeks and Over

SA, Thous.

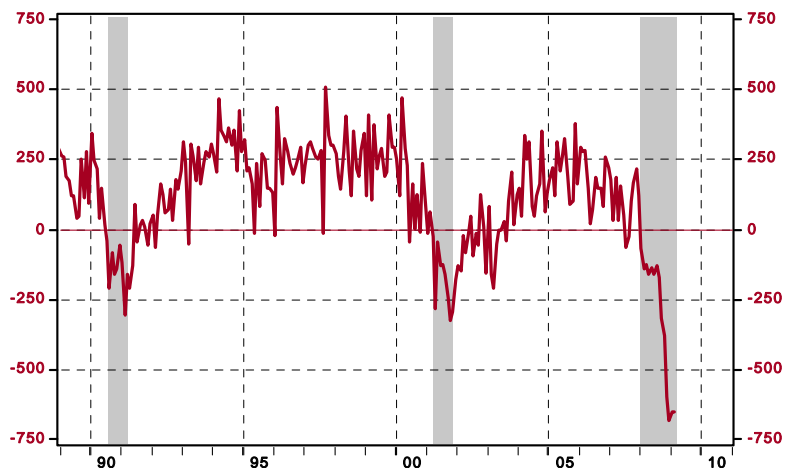


Establishment Survey – Of the 651,000 decline in payrolls in February, a gain of 9,000 government jobs and an increase of 30,000 health care jobs were the only two major components showing an increase in payroll employment. Job losses were widespread across various industries during February, with the diffusion index at 23.8% close to a record low of 23.2% in January (see chart 12).

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Chart 11
All Employees: Total Nonfarm

Difference - Period to Period SA, Thous

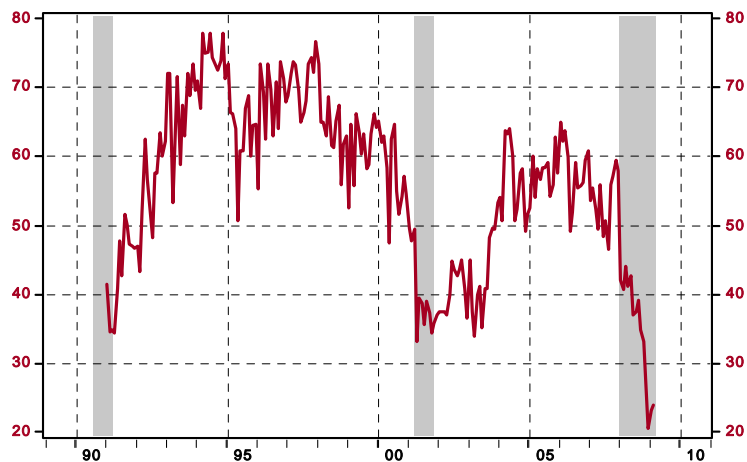


Source: Bureau of Labor Statistics /Haver Analytics

Chart 12

Diffusion Index: Employees On Private Nonag Payrolls

% Rising



Source: Bureau of Labor Statistics /Haver Analytics

Highlights of Job Losses:

Factory jobs: -168,000 in February vs. -257,000 in January.

Autos: -13,300 in February vs. -14,000 in January

Construction jobs: - 104,000 in February vs. -118,000 in January.

Temporary help: -77,700 in February vs. -80,000 in January.

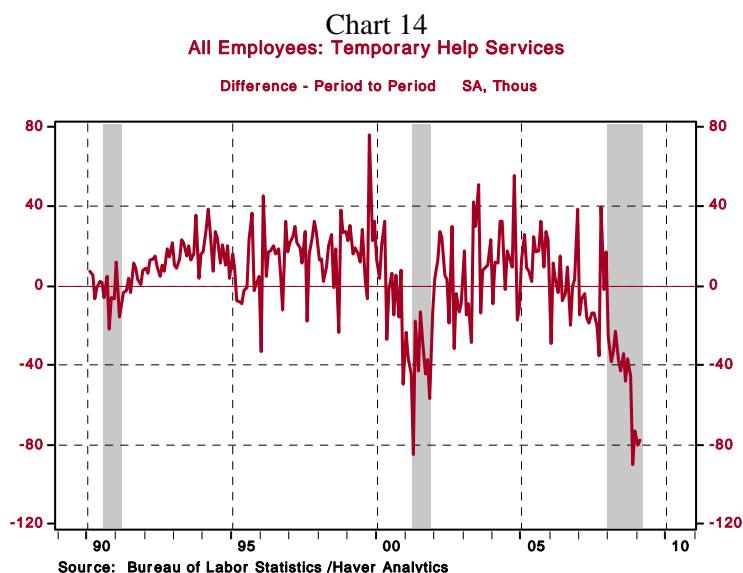
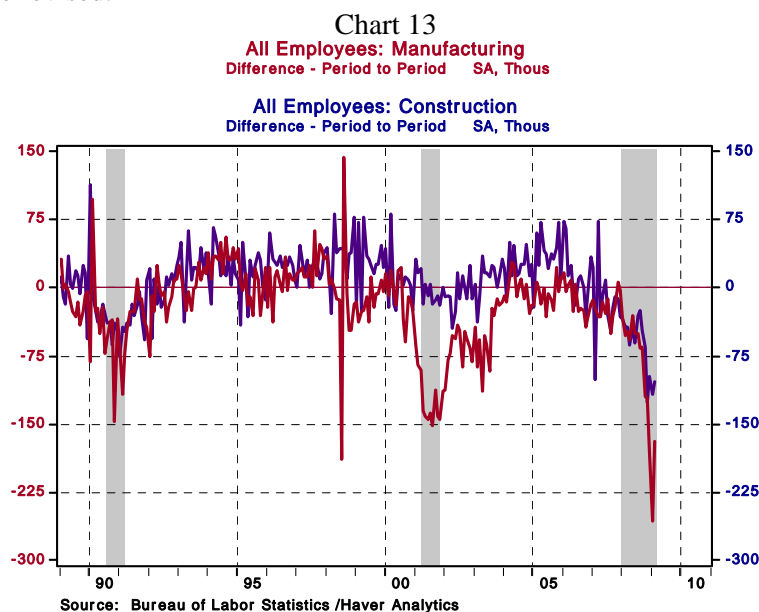
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Retail: -39,500 in February vs. -38,500 in January.

Financial activities: -44,000 in February vs. -52,000 in January.

Professional and Business Services: -180,000 in February vs. -134,000 in January

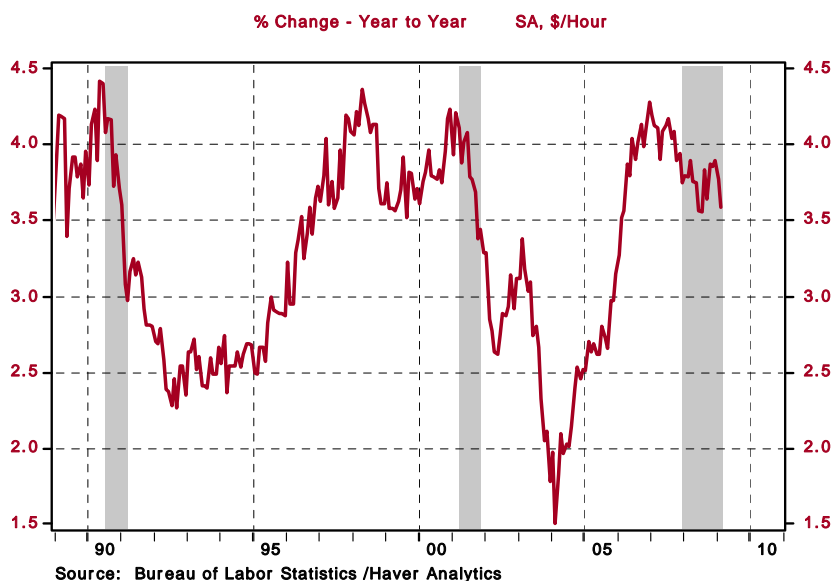
The noteworthy aspect to track in the months ahead is the pace of job losses in the factory and construction sectors and also that of temporary help. As shown in charts 13 and 14, the pace of monthly job declines appears to be stabilizing, which we can confirm only in the months ahead as these data will be revised.



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The 2.0% drop in the manufacturing man-hours index points to a significant decline in industrial production during February, after a 1.8% drop in January. The earnings and employment data suggest that personal income is most likely to post a decline in February.

Chart 15
Average Hourly Earnings: Total Private Industries



Key Interest Rates

	3/6/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	1.29	3	5	-165
2-year U.S. Treasury note yield	0.92	-8	-7	-61
10-year U.S. Treasury note yield	2.85	-17	-20	-71

Highlights of Next Week

Date	Economic Indicator	TNT	Consensus	Previous
3/12/2009	Retail sales (Feb.)	0.0%	-0.5%	1.0%
	Retail sales ex. autos		-0.2%	0.9%
	Initial claims ('000s)		645	639
	Business Inventories (Jan.)		-1.0%	-1.5%
3/13/2009	International Trade (Jan.)	-\$38.5 bln.	-\$38.1 bln.	-\$39.9 bln.
3/13/2009	Consumer Sentiment Index (Feb.)		55.0	56.3

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Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		%	year-ago	%	year-ago		
United States	-0.8	Q3-08	0.0	Jan-09	8.1	Feb-09	4.8	0.13	Feb-09	3.00
Euro-Area	-1.3	Q3-08	1.1	Jan-09	8.2	Jan-09	7.3	2.00	Feb-09	4.00
Japan	-4.6	Q3-08	0.0	Jan-09	4.1	Jan-09	3.8	0.10	Feb-09	0.50
UK	-1.9	Q3-08	3.0	Jan-09	3.8	Jan-09	2.5	1.00	Feb-09	5.25
Australia	0.3	Q3-08	3.7	Q3-08	4.8	Jan-09	4.1	3.25	Feb-09	7.00
Canada	-0.7	Q3-08	1.1	Jan-09	7.2	Jan-09	5.8	1.00	Feb-09	4.00
China	6.8	Q4-08	0.0	Jan-09	4.2	Q4-08	4	0.86	Jan-09	1.98
India	5.4	Q3-08	10.4	Jan-09	--	--	--	4.00	Feb-09	6.00
New Zealand	-1.4	Q3-08	3.4	Q3-08	4.6	Q4-08	3.4	3.50	Feb-09	8.25
Norway	0.8	Q3-08	2.2	Jan-09	2.9	Q4-08	2.5	2.50	Feb-09	5.25
Singapore	-4.0	Q3-08	3.0	Jan-09	2.6	Q4-08	1.7	0.30	Feb-09	1.18
South Korea	-3.6	Q3-08	4.1	Feb-09	3.4	Jan-09	3.1	2.00	Feb-09	5.00
Sweden	-4.4	Q3-08	1.3	Jan-09	6.8	Jan-09	6.0	1.00	Feb-09	4.25
Switzerland	-0.1	Q3-08	0.2	Jan-09	2.9	Jan-09	2.6	0.50	Feb-09	2.80
Taiwan	-7.9	Q3-08	0.0	Feb-09	5.3	Jan-09	3.9	1.25	Feb-09	3.38
Thailand	-4.3	Q3-08	-0.1	Feb-09	2.0	Jan-09	1.2	2.00	Feb-09	3.50

* UK - Claimant Count Unemployment Rate
 * Thailand - GDP Non-Seasonally Adjusted
 * EA-13, UK, Sweden - Harmonized Unemployment

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Historical US Economic Data

	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08	Jun-08	May-08	Apr-08	Mar-08
Payroll Employment (000)	-651	-655	-681	-597	-380	-321	-175	-128	-161	-137	-160	-122
% Change, Year Ago *	-3.0	-2.7	-2.2	-1.6	-1.1	-0.7	-0.4	-0.3	-0.2	-0.1	0.2	0.3
Unemployment Rate (%)	8.1	7.6	7.2	6.8	6.6	6.2	6.2	5.8	5.6	5.5	5.0	5.1
Avg. Hourly Earnings (% Chg.)	0.2	0.2	0.3	0.3	0.4	0.2	0.4	0.3	0.3	0.3	0.2	0.4
% Change, Year Ago	3.6	3.8	3.9	3.9	3.9	3.6	3.8	3.5	3.6	3.7	3.8	3.9
PPI (% Chg.)		0.8	-1.9	-2.5	-2.7	-0.1	-0.5	1.3	1.3	1.5	0.2	0.9
% Change, Year Ago *		-1.0	-0.9	0.4	5.2	8.8	9.7	9.9	9.1	7.3	6.4	6.7
CPI (% Chg.)		0.3	-0.8	-1.7	-0.8	0.0	0.0	0.7	0.9	0.5	0.2	0.4
% Change, Year Ago *		0.0	0.1	1.1	3.7	4.9	5.4	5.6	5.0	4.2	3.9	4.0
ISM Diffusion Index (%)	35.8	35.6	32.9	36.6	38.7	43.4	49.3	49.5	49.5	49.3	48.6	49.0
Industrial Production (% Chg.)		-1.8	-2.4	-1.2	1.6	-4.1	-1.3	0.0	0.1	-0.2	-0.5	-0.2
% Change, Year Ago		-10.0	-8.2	-5.9	-4.3	-6.2	-2.0	-0.7	-0.1	0.2	0.4	1.5
Capacity Utilization (%)		72.0	73.3	75.2	76.1	75.0	78.3	79.4	79.6	79.6	79.9	80.4
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)		-5.7	-5.9	1.1	-6.7	-3.4	-2.3	0.3	1.6	-0.3	3.1	-1.0
% Change, Year Ago *		-20.4	-14.7	-7.9	-7.2	0.1	-0.2	6.6	3.4	3.4	2.6	-1.1
- Shipments (% Chg.)		-6.7	0.1	-1.3	-3.7	1.7	-2.1	0.3	0.6	0.2	1.0	0.8
% Change, Year Ago *		-10.9	-4.7	-5.2	-2.2	2.7	-1.6	6.1	2.0	2.7	3.7	1.0
Retail Sales (% Chg.)		1.0	-3.0	-2.4	-3.4	-1.6	-0.7	-0.6	0.1	0.8	0.2	0.5
% Change, Year Ago		-9.0	-8.6	-10.0	-4.0	0.1	-0.4	4.1	1.4	2.5	3.7	0.3
Real Personal Consumption (% Chg.)		0.4	-0.5	0.3	-0.8	-0.5	-0.1	-0.6	-0.2	0.2	0.1	0.3
% Change, Year Ago		-1.6	-1.9	-1.4	-1.3	-0.6	-0.2	0.2	1.1	1.4	1.3	1.5
Personal Income (% Chg.)		0.4	-0.2	-0.4	0.0	0.1	0.3	-0.8	0.1	1.8	0.0	0.4
% Change, Year Ago		1.9	1.6	2.2	3.1	3.4	3.9	4.0	5.3	5.6	4.0	3.9
New Home Sales (SAAR, mn)		0.31	0.34	0.38	0.40	0.43	0.45	0.51	0.50	0.52	0.54	0.51
% Change, Year Ago *		-47.7	-45.5	-40.0	-43.9	-34.0	-36.7	-36.8	-38.4	-38.0	-41.0	-38.8
Existing Home Sales (SAAR, mn)		4.49	4.74	4.54	4.94	5.10	4.93	4.99	4.90	4.95	4.85	4.92
% Change, Year Ago *		-7.6	0.3	-17.0	-1.9	6.8	-15.0	-11.3	-16.7	-16.3	-15.7	-22.5
Housing Starts (SAAR, mn)		0.47	0.56	0.66	0.77	0.82	0.85	0.95	1.09	0.98	1.00	0.99
% Change, Year Ago *		-57.3	-44.4	-46.5	-40.7	-27.2	-37.0	-32.2	-25.6	-32.8	-34.0	-33.6
International Trade (Bils \$)			-39.9	-41.6	-57.2	-57.1	-59.4	-61.6	-59.2	-60.5	-61.9	-57.5
	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06	Q1-06
Real GDP, Chain Weighted, SAAR	-6.2	-0.5	2.8	0.9	-0.2	4.8	4.8	0.0	1.5	0.8	2.7	4.8
% Change, Year Ago	-0.8	0.7	2.1	2.5	2.3	2.8	1.8	1.3	2.4	2.4	3.2	3.1
Chain-Weighted Price Index, SAAR	0.5	3.9	1.1	2.6	2.8	1.5	2.0	4.1	2.2	2.8	2.7	3.5
% Change, Year Ago	2.0	2.6	2.0	2.3	2.6	2.5	2.8	2.9	2.8	3.2	3.5	3.4
Nominal GDP, SAAR	-5.8	3.4	4.1	3.5	2.3	6.4	6.9	4.3	3.7	3.6	5.5	8.6
% Change, Year Ago	1.2	3.3	4.1	4.7	4.9	5.3	4.6	4.3	5.3	5.7	6.8	6.6
Employment Cost Index (%)	0.5	0.7	0.7	0.7	0.8	0.8	0.9	0.8	0.8	1.0	0.9	0.6
% Change, Year Ago	2.6	2.9	3.1	3.3	3.3	3.3	3.3	3.5	3.3	3.3	3.0	2.8
Productivity Nonfarm, SAAR	-0.4	2.2	4.7	2.6	-0.5	7.0	4.8	-0.6	-0.4	-1.6	2.4	1.9
% Change, Year Ago	2.2	2.2	3.4	3.5	2.6	2.6	0.5	-0.1	0.6	0.3	1.7	1.3
Unit Labor Costs, Nonfarm, SAAR	5.7	3.5	-2.8	1.1	5.0	-2.5	-3.3	4.8	9.6	3.9	-1.1	2.6
% Change, Year Ago	1.8	1.6	0.1	0.0	0.9	2.0	3.6	4.2	3.7	2.6	2.2	2.9

Source: Haver Analytics

* NSA

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