

DAILY GLOBAL
COMMENTARY

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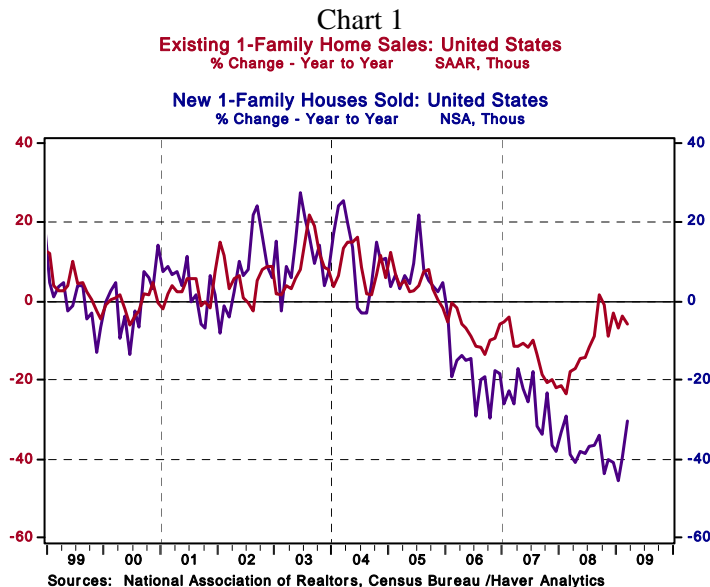
Weekly Policy Update – FOMC Meeting April 28-29

April 24, 2009

The April 28-29 FOMC meeting is unlikely to contain surprises in terms of new programs or expansion of existing programs. The Fed made the announcement after the March meeting to buy Treasury securities, raised the amount of agency debt and mortgage-backed securities it would purchase, and expanded the TALF program. Over the past month, small positive economic signals have emerged across the economy, particularly in the housing market. Going down the list of positive developments since the last FOMC meeting on March 17-18, it appears that economic conditions in a few sectors are stabilizing. That said, it is true that these are premature signs and more confirmation is necessary in a recession that is the most severe in the post-war period. The obvious reason these economic reports are important is because economic data could have continued to point to a further deepening of the crisis underway.

Noteworthy Positive Signals from Economic Reports

- Sales of new homes held nearly steady in March. On a year-to-year basis, sales of new homes fell 30.6% in March, a noticeably smaller decline than what has occurred in the last six months (see chart 1)
- The median price of a new single-family home also showed a decelerating trend in March (see chart 2)
- The inventory-sales ratio of new homes fell to a 10.7-month supply; this indicator has dropped in three out of the last four months. The peak of the inventory-sales ratio of new homes appears to be the 12.5-month mark in January 2009 (see chart 3)
- Sales of existing homes show a decelerating trend on a year-to-year basis, with the March decline the smallest in the first three months of the year. The median price of an existing single-family home appears to have registered a trough in January 2009 (see chart 2)
- The inventory-sales ratio of existing single-family homes is moving sideways for the most part, down from the 11.3-month supply level in November 2008 (see chart 4)



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Chart 2

NAR Median Sales Price: Existing 1-Family Homes, United States
% Change - Year to Year \$

New 1-Family Houses: Median Sales Price
% Change - Year to Year Dollars

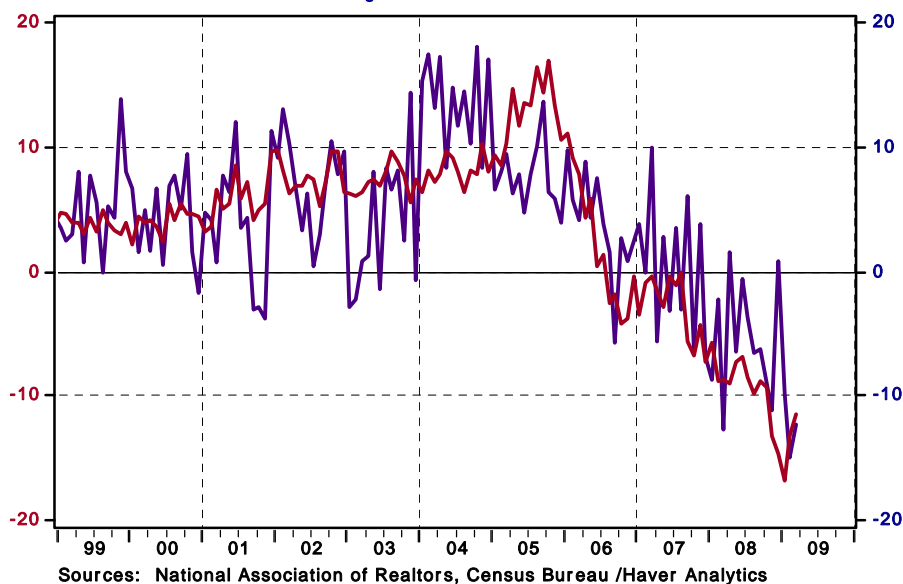


Chart 3

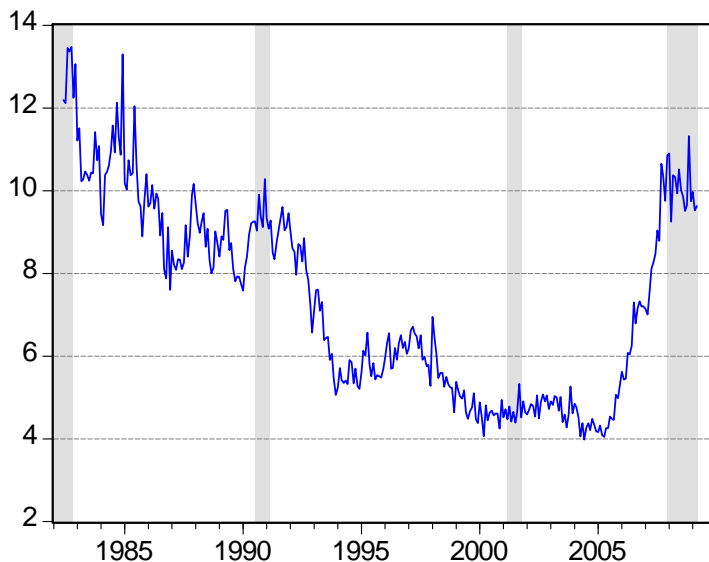
New 1-Family Houses For Sale: Months Supply

SA, Ratio



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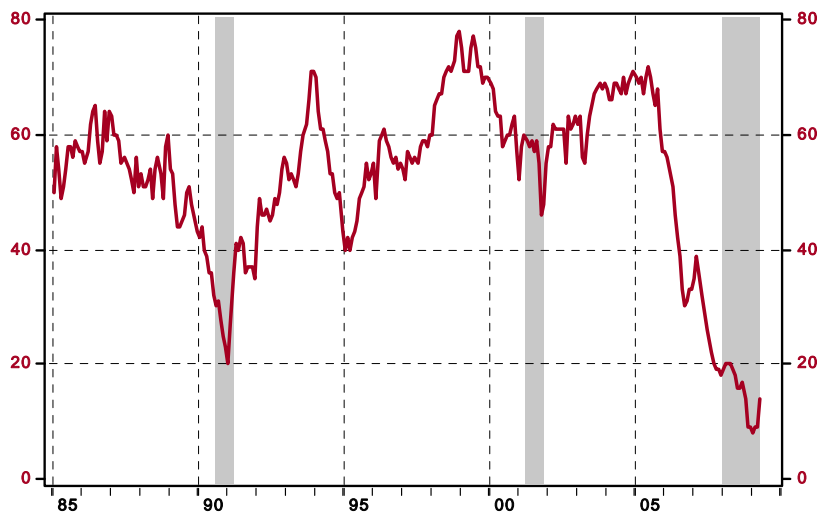
Chart 4
Existing Single-Family Homes - Inventory-Sales Ratio
Months' Supply, SA



- The April survey of the National Association of Home Builders contained indications of less gloomy home builders. The Housing Market Index (HMI) increased to 14 in April from 9 in March (see chart 5). The index tracking current sales has risen for three straight months (see chart 6).

Chart 5
Home Builders: Housing Market Index {Composite}

SA, All Good = 100



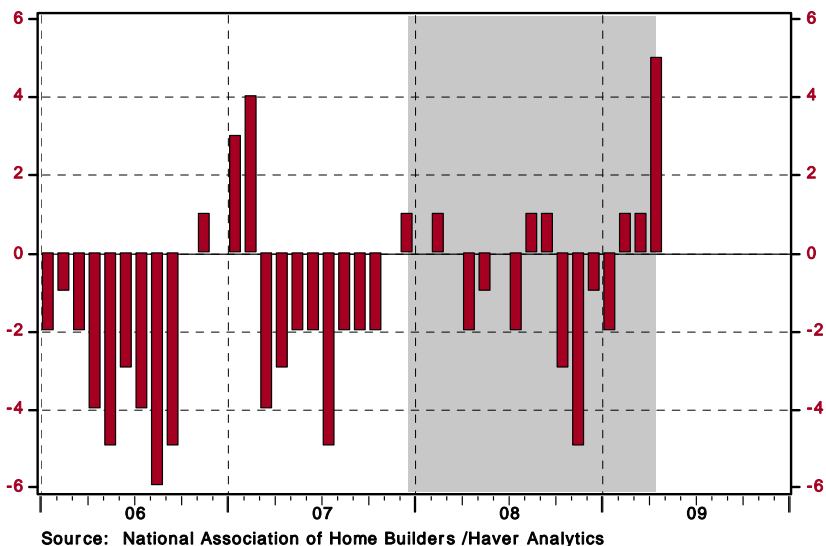
Source: National Association of Home Builders /Haver Analytics

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Chart 6

HMI: Sales of New Single Fam Det Homes Index: Current

Difference - Period to Period SA, All Good = 100

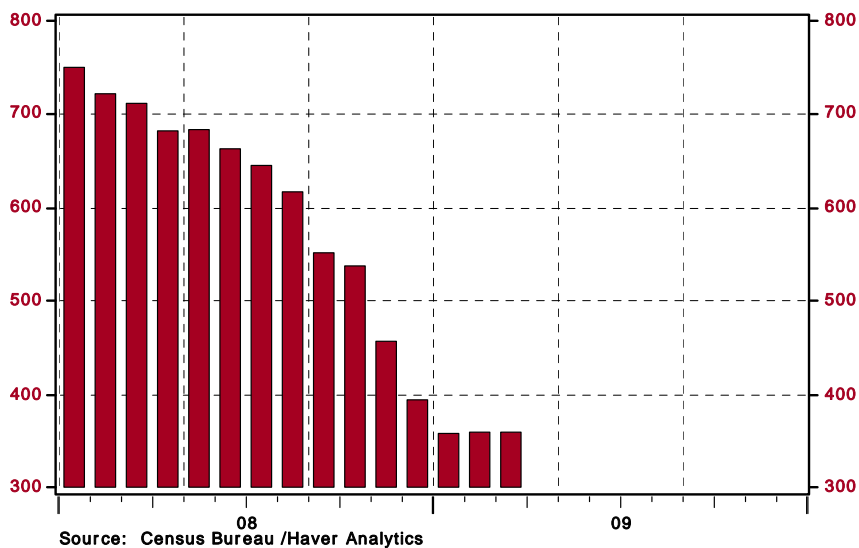


- Starts of single-family homes have held steady for three straight months (see chart 7).

Chart 7

Housing Starts: 1 Unit

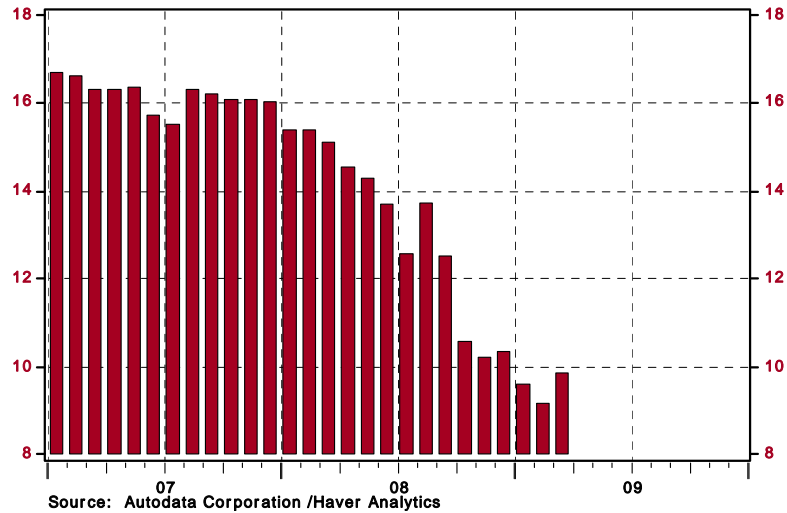
SAAR, Thous. Units



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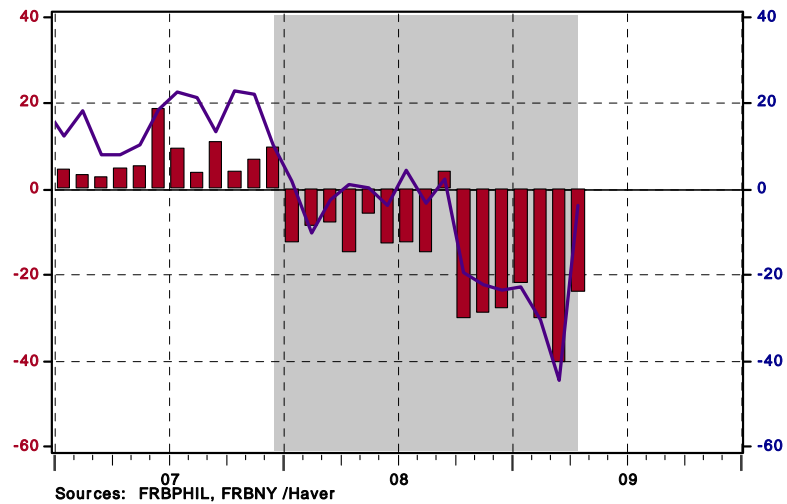
- Unit auto sales rose in March to 9.8 million units from 9.12 million in February. J.D. Power reported that auto sales appear to be stable in April.

Chart 8
Total Light Vehicle Retail Sales (Imported+Domestic)
 SAAR, Mil. Units



- Factory production data indicate a severe slump in March. Although regional factory surveys indicate a contracting factory sector, the pace of decline has stabilized (see chart 9). The national ISM manufacturing survey results will be published on May 1.

Chart 9
Phila FRB Bus Outlook: New Orders, Current, Diffusion Index
 SA, %
Empire State Mfg: New Orders: Diffusion Index
 SA, Net%



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- The credit market front is also encouraging. Spreads between more risky securities and less risky securities have narrowed in recent days (see charts 10-13) but more is necessary to announce that the coast is clear.

Chart 10
3-month Libor less Discount Rate

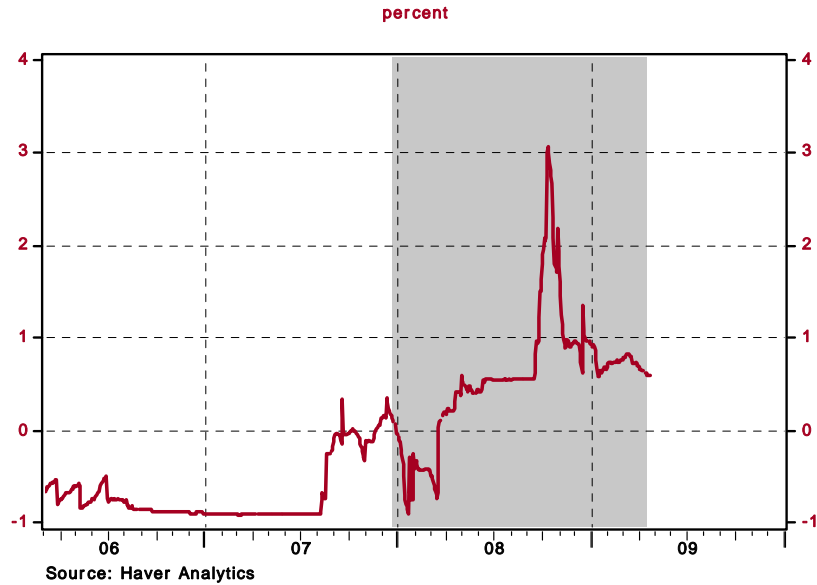
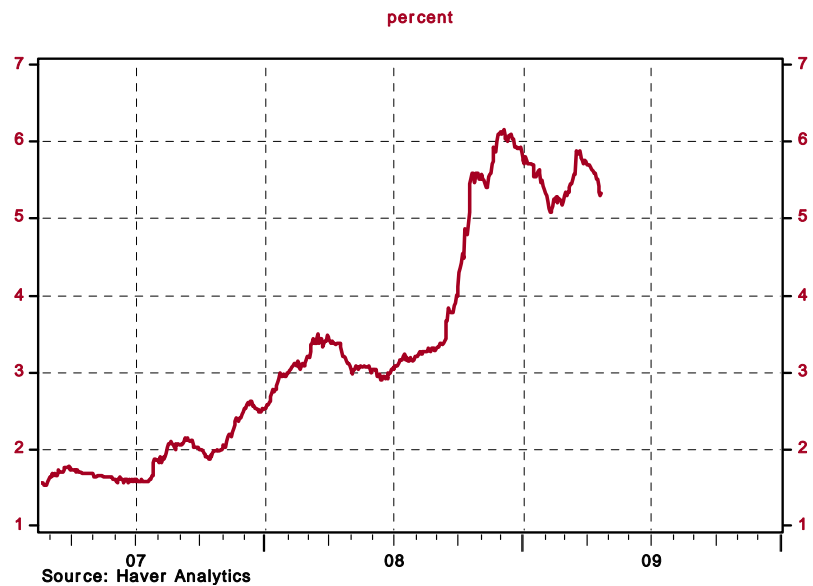


Chart 11
Spread: Moody's Baa less 10-year U.S. Treasury Note Yield



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Chart 12

Merrill Lynch Asset-Backeds: Automobiles Fixed Rate: Yld to Maturity
EOP %

Merrill Lynch Asset-Backeds: Credit Cards Fixed Rate: Yield to Maturity
EOP %

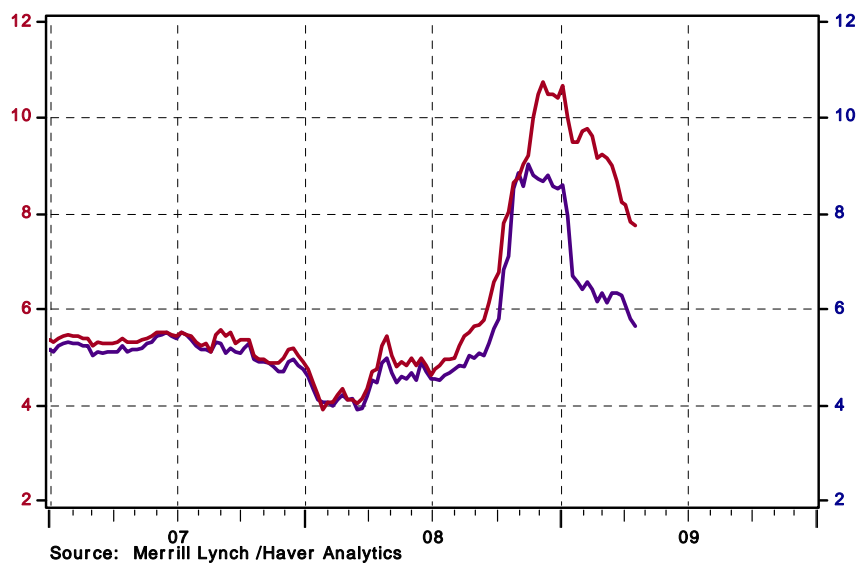
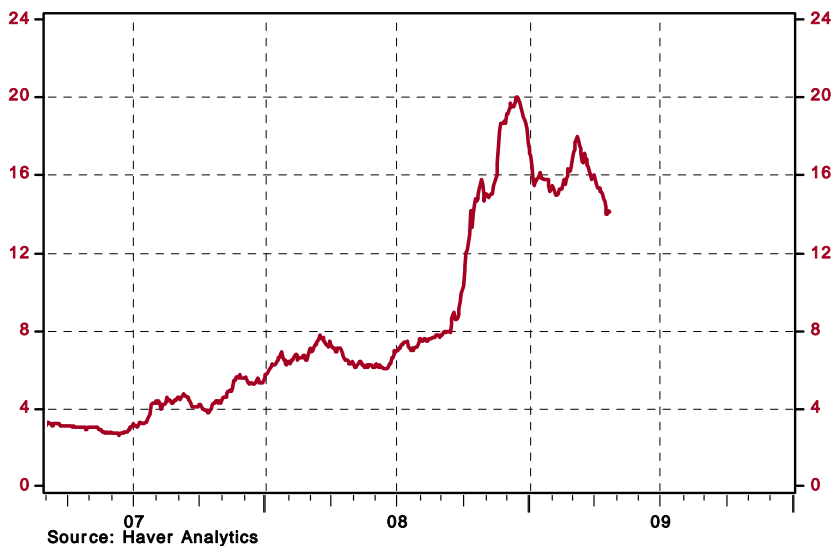


Chart 13

Spread: Merril Lynch Junk Bond yield less 10-year Treasury Note yield
percent



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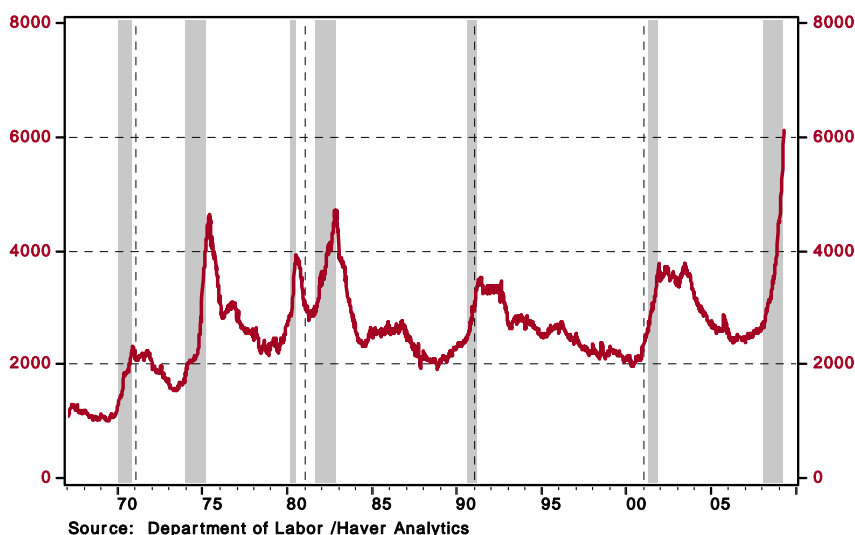
Worrisome Signals from Economic Reports

- Within in the overall weakness of the economy, problems in a few sectors are more overwhelming than others. The Fed is most concerned about the rapid pace of job losses and the relentless upward trend of continuing claims. Continuing claims are at a record high of 6.14 million.

Chart 14

Insured Unemployment, State Programs

SA, Thous



- Although there is a small improvement, the elevated level of inventories of unsold homes remains troubling (see charts 3 and 4). Despite the Housing Stability Plan and the drop in mortgage rates, according to Realty Trac, filings for home foreclosures in March rose 46% from a year ago.
- The spillover effects of the auto industry's woes are significant. GM announced it would shutdown 13 plants in North America for an extended period, with the objective of cutting down inventories. GM reportedly ended March with 122 days of supply when 60 days of supply is considered ideal. The impending bankruptcy of Chrysler is another troubling aspect of the auto industry.

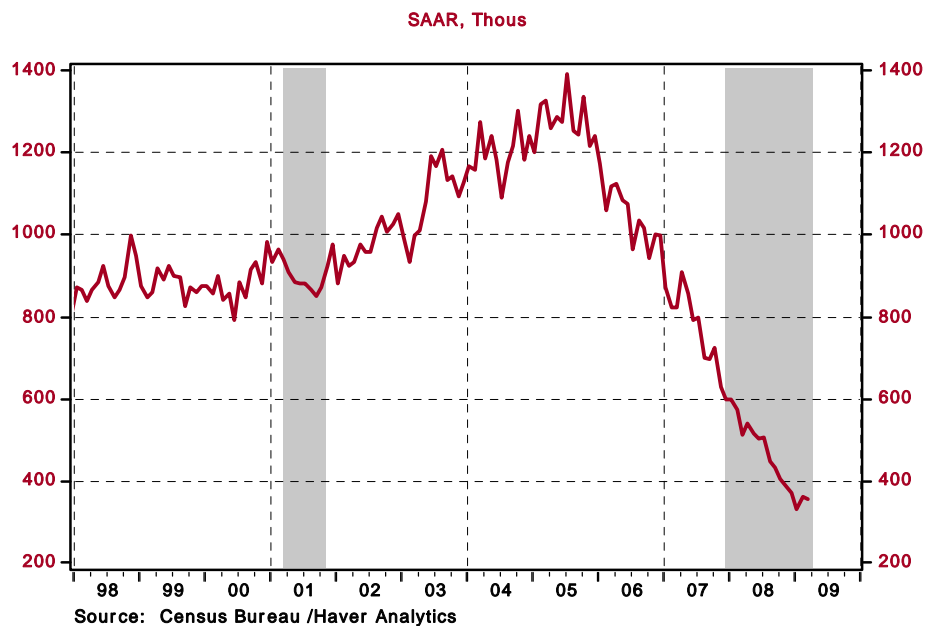
How will the FOMC view these developments? Guarded optimism is the most likely opinion that will surface in the policy statement. There is another camp that views these positive signs as a false dawn and maintains that weak economic conditions will prevail well into 2010. We continue to hold that the odds favor a turnaround by the end of the year given the extraordinary monetary and fiscal policy changes implemented to stem the economic crisis.

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New Home Sales Appear to be Stabilizing

Sales of new homes dropped 0.6% to an annual rate of 356,000 in March following an upwardly revised gain in sales during February (358,000 vs. earlier estimate of 337) and January (331,000 vs. earlier estimate of 322,000). The level of new home sales suggests that sales are stabilizing. As mentioned earlier, the year-to-year decline in sales in new homes (see chart 1) in March was smaller than in prior months. Regionally, sales of new homes fell in Northeast (-32.1%), Midwest (-7.8%) but held steady in the South and increased in the West (+15.1%).

Chart 15
New 1-Family Houses Sold: United States



The median price of a new single-family home fell 12.2% in March from a year ago, compared with a 14.9% drop in February (see chart 2). The inventory-sales ratio also is indicating an improvement (see chart 3).

Durable Goods Orders Report – Weak, but Pace of Decline is Moderating

Orders of durable goods fell 0.8% in March, after a 2.1% increase in February. In five out of the six months ended January, orders of durable goods were falling at a rapid clip (see chart 16). The March drop is noticeably smaller and on a year-to-year basis orders of durable goods and that of non-defense capital goods show a moderation in the pace of decline (see chart 17).

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Chart 16
Manufacturers' New Orders: Durable Goods

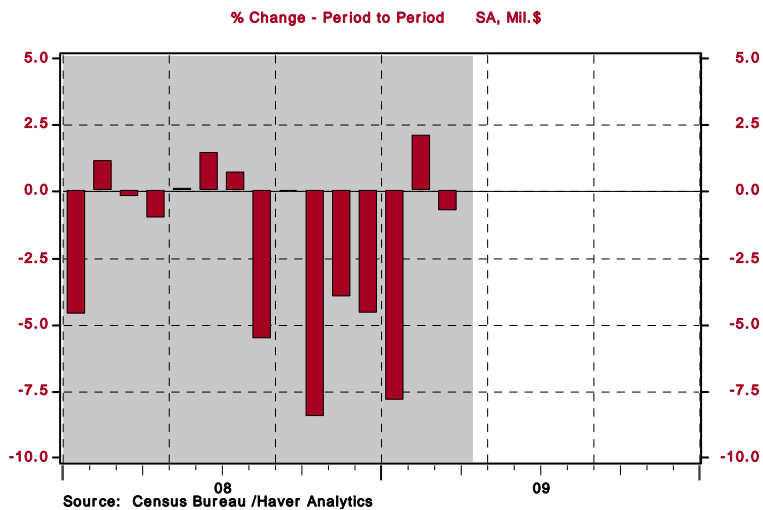
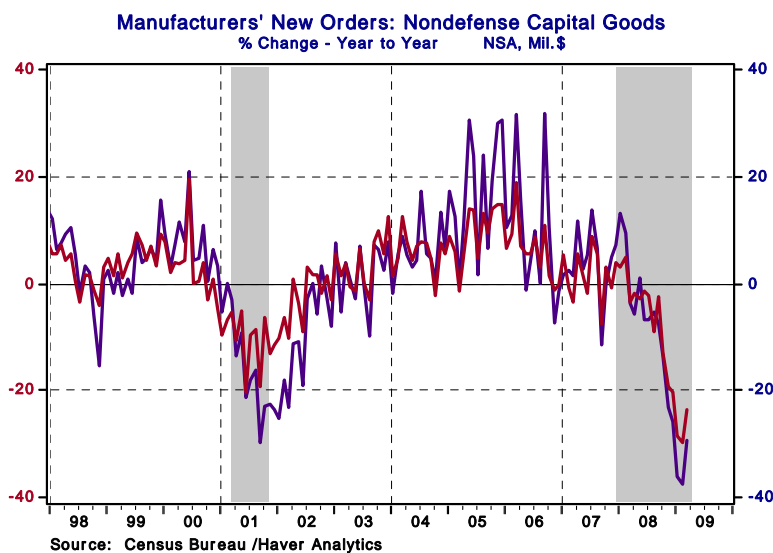


Chart 17
Manufacturers' New Orders: Durable Goods
% Change - Year to Year NSA, Mil.\$

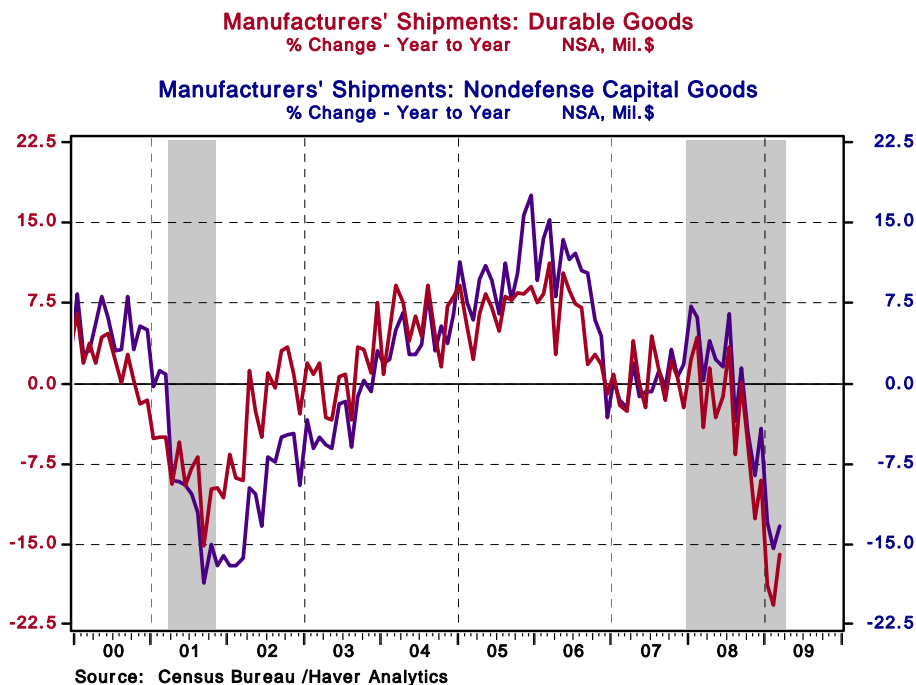


DATE	DURABLE GOODS ORDERS - % CHANGE M-M					
	TOTAL	DEFENSE	NON-DEFENSE CAPITAL GOODS	NON-DEFENSE CAPITAL GOODS EX-AIRCRAFT	COMPUTERS AND ELECTRONIC PRODUCTS	
Oct-08	-8.5	-35.4	-6.5	-6.7	-4.9	
Nov-08	-4.0	8.6	-5.3	1.1	4.0	
Dec-08	-4.6	45.6	-10.3	-5.9	-6.8	
Jan-09	-7.8	-40.5	-9.9	-12.3	-7.3	
Feb-09	2.1	35.6	4.9	4.3	7.5	
Mar-09	-0.8	-14.4	1.9	1.5	-0.1	

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Shipments of durable goods declined 1.7% in March, with the component non-defense capital goods excluding aircraft showing a similar decline. The main take away here is that on a quarterly basis, after adjusting for inflation, the data point to extremely weak capital spending in the first quarter GDP report. However, on a year-to-year basis, overall shipments of durable goods and that of non-defense capital goods show a slower decline than in the prior months (see chart 18).

Chart 18



DURABLE GOODS SHIPMENTS- % CHANGE M-M				
DATE	TOTAL	NON-DEFENSE CAPITAL CAPITAL GOODS	NON-DEFENSE CAPITAL GOODS EX-AIRCRAFT	COMPUTERS AND ELECTRONIC PRODUCTS
Oct-08	-3.4	-4.5	-3.7	2.2
Nov-08	-4.2	-2.0	-1.3	-5.0
Dec-08	-1.5	2.6	0.1	0.7
Jan-09	-5.5	-6.6	-9.4	-4.6
Feb-09	-0.8	-3.0	0.1	-1.8
Mar-09	-1.7	-0.9	-1.7	-2.6

Key Interest Rates

	4/24/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	1.07	-3	-15	-184
2-year U.S. Treasury note yield	0.95	-4	5	-149
10-year U.S. Treasury note yield	2.99	1	21	-92

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Next Week's Highlights: FOMC Meeting April 28-29

Date	Economic Indicator	TNT	Consensus	Previous
4/28/2009	Case-Shiller Home Price Index (Feb.)		-18.7%	-19.0%
	Consumer Confidence Index (Apr.)		29.5	26.0
4/29/2009	Real GDP 2009:Q1 Advance est.	-3.80%	-5.0%	-6.3%
4/30/2009	Personal Income (Mar.)	-0.2%	-0.2%	-0.2%
	Personal Consumption Exp. (Mar.)	0.0%	-0.2%	0.2%
	Initial claims ('000s)		645	640
	Employment Cost Index (2009:Q1)		0.5%	0.5%
5/1/2009	ISM Manufacturing (Apr.)		38	36.3
	Auto sales (Apr.) mln.		9.75	9.8
	Factory Orders (Mar.)		-0.6%	1.1%

Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		% year-ago			% year-ago		
United States	-0.8	Q4-08	-0.4	Feb-09	8.5	Mar-09	5.1	0.13	Mar-09	2.25
Euro-Area	-1.5	Q4-08	0.6	Feb-09	8.5	Feb-09	7.2	1.50	Mar-09	4.00
Japan	-4.3	Q4-08	-0.1	Feb-09	4.4	Feb-09	3.9	0.10	Mar-09	0.50
UK	-2.0	Q4-08	2.9	Feb-09	4.5	Mar-09	2.4	0.50	Mar-09	5.25
Australia	0.3	Q4-08	2.5	Q4-08	5.7	Mar-09	4	3.25	Mar-09	7.25
Canada	-0.7	Q4-08	1.2	Feb-09	8.0	Mar-09	6.1	0.50	Mar-09	3.50
China	6.1	Q1-09	-1.1	Feb-09	4.2	Q4-08	4.1	0.81	Mar-09	2.07
India	5.4	Q4-08	9.6	Feb-09	--	--	--	3.50	Mar-09	6.00
New Zealand	-2.3	Q4-08	3.0	Q4-08	4.7	Q4-08	3.8	3.00	Mar-09	8.25
Norway	0.8	Q4-08	2.5	Feb-09	2.9	Q4-08	2.8	2.00	Mar-09	5.25
Singapore	-4.0	Q4-08	1.6	Feb-09	2.5	Q4-08	2.8	0.43	Mar-09	0.83
South Korea	-4.4	Q4-08	3.9	Mar-09	3.7	Mar-09	3.1	2.00	Mar-09	5.00
Sweden	-4.4	Q4-08	0.2	Feb-09	7.7	Mar-09	5.9	1.00	Mar-09	4.25
Switzerland	-0.1	Q4-08	-0.4	Feb-09	3.3	Mar-09	2.5	0.40	Mar-09	2.89
Taiwan	-8.1	Q4-08	0.0	Mar-09	5.7	Mar-09	3.9	1.25	Mar-09	3.50
Thailand	-4.3	Q4-08	-0.2	Mar-09	1.7	Feb-09	1.4	2.00	Mar-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

	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08	Jun-08	May-08	Apr-08
Payroll Employment (000)	-663	-651	-741	-681	-597	-380	-321	-175	-128	-161	-137	-160
% Change, Year Ago *	-3.5	-3.1	-2.7	-2.2	-1.6	-1.1	-0.7	-0.4	-0.3	-0.2	-0.1	0.2
Unemployment Rate (%)	8.5	8.1	7.6	7.2	6.8	6.6	6.2	6.2	5.8	5.6	5.5	5.0
Avg. Hourly Earnings (% Chg.)	0.2	0.2	0.2	0.3	0.3	0.4	0.2	0.4	0.3	0.3	0.3	0.2
% Change, Year Ago	3.4	3.6	3.7	3.9	3.9	3.9	3.6	3.8	3.5	3.6	3.7	3.8
PPI (% Chg.)	-1.2	0.1	0.8	-1.8	-2.7	-2.6	-0.1	-0.5	1.3	1.3	1.5	0.2
% Change, Year Ago *	-3.5	-1.3	-1.0	-0.9	0.4	5.2	8.8	9.7	9.9	9.1	7.3	6.4
CPI (% Chg.)	-0.1	0.4	0.3	-0.8	-1.7	-0.8	0.0	0.0	0.7	0.9	0.5	0.2
% Change, Year Ago *	-0.4	0.2	0.0	0.1	1.1	3.7	4.9	5.4	5.6	5.0	4.2	3.9
ISM Diffusion Index (%)	36.3	35.8	35.6	32.9	36.6	38.7	43.4	49.3	49.5	49.5	49.3	48.6
Industrial Production (% Chg.)	-1.5	-1.5	-2.1	-2.2	-1.2	1.3	-4.0	-1.1	-0.1	-0.2	-0.3	-0.6
% Change, Year Ago	-12.8	-11.8	-10.7	-8.8	-6.4	-4.7	-6.4	-2.2	-1.0	-0.7	-0.4	0.0
Capacity Utilization (%)	69.3	70.3	71.3	72.8	74.5	75.4	74.5	77.6	78.6	78.7	78.9	79.2
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)	1.5	4.3	-12.3	-5.9	1.1	-6.7	-3.4	-2.3	0.3	1.6	-0.3	3.1
% Change, Year Ago *	-18.3	-24.9	-25.4	-14.7	-7.9	-7.2	0.1	-0.2	6.6	3.4	3.4	2.6
- Shipments (% Chg.)	-1.7	0.1	-9.4	0.1	-1.3	-3.7	1.7	-2.1	0.3	0.6	0.2	1.0
% Change, Year Ago *	-14.5	-15.3	-13.4	-4.7	-5.2	-2.2	2.7	-1.6	6.1	2.0	2.7	3.7
Retail Sales (% Chg.)	-1.1	0.3	1.9	-3.1	-2.4	-3.4	-1.6	-0.7	-0.6	0.1	0.8	0.2
% Change, Year Ago	-10.6	-11.5	-8.1	-8.6	-10.0	-4.0	0.1	-0.4	4.1	1.4	2.5	3.7
Real Personal Consumption (% Chg.)		-0.2	0.7	-0.6	0.4	-0.8	-0.5	-0.1	-0.6	-0.2	0.2	0.1
% Change, Year Ago		-1.4	-1.4	-1.9	-1.4	-1.3	-0.6	-0.2	0.2	1.1	1.4	1.3
Personal Income (% Chg.)		-0.2	0.2	-0.3	-0.5	-0.1	0.1	0.3	-0.8	0.1	1.8	0.0
% Change, Year Ago		1.0	1.4	1.3	2.1	3.0	3.4	3.9	4.0	5.3	5.6	4.0
New Home Sales (SAAR, mn)	0.36	0.36	0.33	0.37	0.39	0.40	0.43	0.45	0.51	0.50	0.52	0.54
% Change, Year Ago *	-30.6	-39.6	-45.5	-40.9	-40.0	-43.9	-34.0	-36.7	-36.8	-38.4	-38.0	-41.0
Existing Home Sales (SAAR, mn)	4.57	4.71	4.49	4.74	4.54	4.94	5.10	4.93	4.99	4.90	4.95	4.85
% Change, Year Ago *	-4.0	-10.3	-7.6	0.3	-17.0	-1.9	6.8	-15.0	-11.3	-16.7	-16.3	-15.7
Housing Starts (SAAR, mn)	0.51	0.57	0.49	0.56	0.66	0.77	0.82	0.85	0.95	1.09	0.98	1.00
% Change, Year Ago *	-49.0	-49.6	-54.9	-45.3	-46.5	-40.7	-27.2	-37.0	-32.2	-25.6	-32.8	-34.0
International Trade (Bils \$)		-26.0	-36.2	-39.9	-42.5	-58.0	-58.1	-60.2	-62.5	-59.1	-60.5	-61.8
	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06	Q2-06
Real GDP, Chain Weighted, SAAR		-6.3	-0.5	2.8	0.9	-0.2	4.8	4.8	0.0	1.5	0.8	2.7
% 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
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
% 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
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
% 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
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
% 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
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
% 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
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
% 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

Source: Haver Analytics

* NSA

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