

DAILY GLOBAL COMMENTARY

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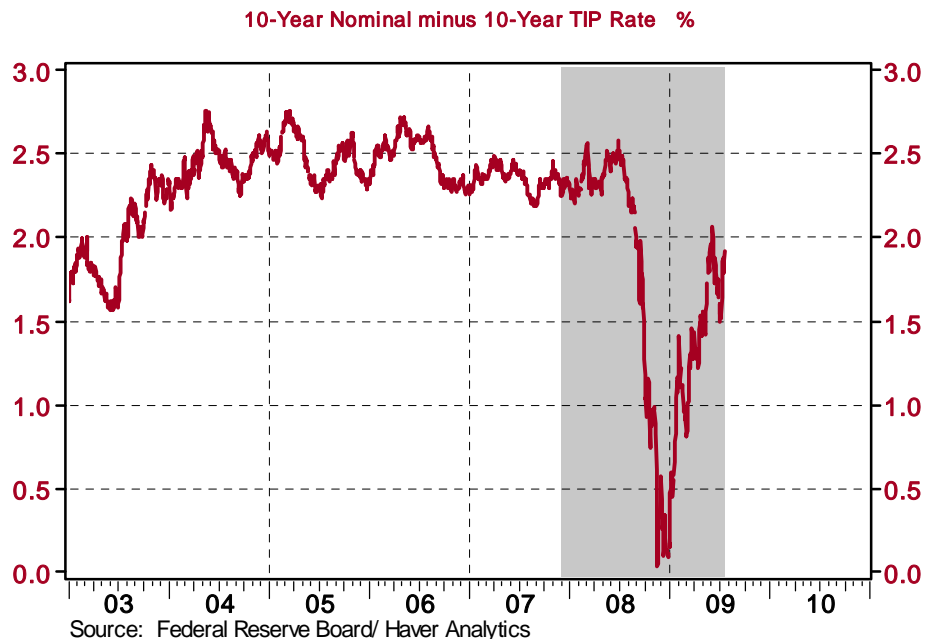
Tracking a Few of the Fed's Extraordinary Programs July 24, 2009

The Fed announced the plan on March 18, 2009 to purchase \$300 billion of long-dated Treasury securities over a six-month period. As of July 23, 2009, the Fed has bought \$219.7 billion or roughly 73% of the plan. There are mixed opinions within the FOMC about raising the amount of purchases under this plan.

“Some participants thought that increases in purchases of Treasury securities might have little or no effect on long-term interest rates unless the increases were very sizable, given the large amount of current and projected supply of Treasury securities. Others were concerned that announcements of substantial additional purchases could add to perceptions that the federal debt was being monetized. While most members did not see large-scale purchases of Treasury securities as likely to be a source of inflation pressures given the weak economic outlook, public concern about monetization could have adverse implications for inflation expectations.”

Inflation expectations, as measured by the difference between 10-year nominal Treasury note yield and the 10-year TIP rate, are well contained at the present (see chart 1), dispelling concerns about rising inflation expectations.

Chart 1
Inflation Expectations



The program to purchase agency debt (\$200 billion) and mortgage-backed securities (\$1.25 trillion) announced in November 2008 and expanded at a later date has not been fully utilized. As of July 22, \$102.7 billion of agency debt and \$545 billion of mortgage-backed securities have

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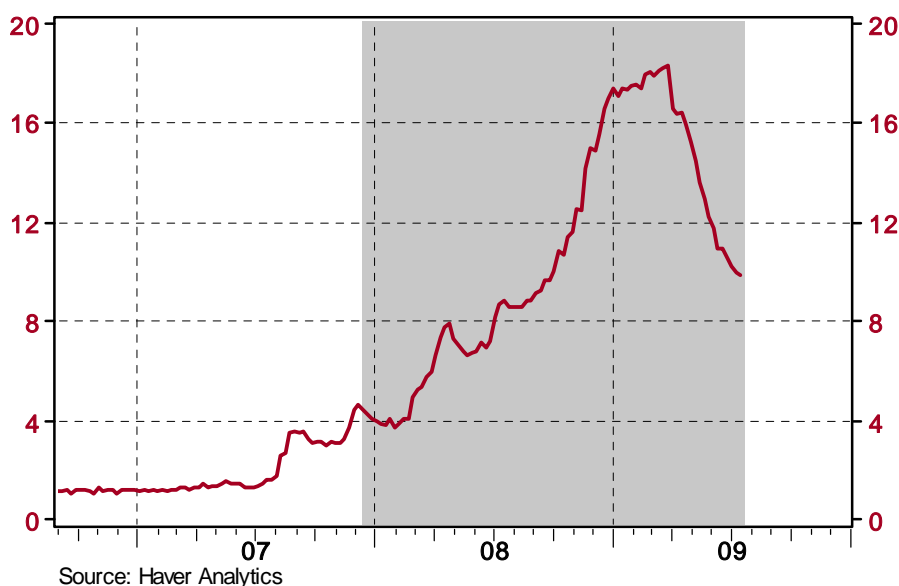
been purchased, implying that the Fed has yet to purchase a little over 50% of the planned amount.

The Term Asset-Backed Securities Loan Facility is designed to support the working of the asset-backed securities market and help meet the credit needs of households and small businesses. By the week ended July 22, 2009, the Fed has had made available \$237.3 billion. The scope of the TALF program is \$1 trillion of non-recourse loans. The spread between asset-backed securities and the 10-year Treasury note yield has narrowed significantly following Fed actions to stem the elevated spreads (see chart 2) but has yet to return to levels seen prior to the onset of the crisis in the fall of 2007.

There is sufficient room under the provisions of current programs to provide support for the working of the financial system, and the Fed, as implied in the minutes of the June meeting and Bernanke's testimony, is currently focused on promoting growth and designing a suitable exit strategy.

Chart 2

Spread: Asset-Backed Securities Master less 10-year U.S. Treasury note yield



Key Interest Rates

	7/24/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	0.50	0	-12	-229
2-year U.S. Treasury note yield	1.01	-1	-29	-169
10-year U.S. Treasury note yield	3.67	0	-14	-46

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Next Week's Highlights

Date	Economic Indicator	TNT	Consensus	Previous
7/27/2009	New Home Sales (June)		0.35 mln	0.342 mln.
7/28/2009	Case/Shiller Home Price Index (May)		-0.5%	-0.9%
	Consumer Confidence (July)		49.0	49.3
7/29/2009	Durable goods orders (June)	-0.7%	-0.7%	1.8%
	Beige Book			
7/31/2009	Real GDP 2009:Q2 Advance est.	-2.2%	-1.5%	-5.5%

Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		%		year-ago	%		year-ago
United States	-2.5	Q1-09	-1.4	May-09	9.5	Jun-09	5.6	0.13	Jun-09	2.00
Euro-Area	-4.9	Q1-09	-0.1	May-09	9.5	May-09	7.4	1.00	Jun-09	4.00
Japan	-8.4	Q1-09	-1.1	May-09	5.2	May-09	4.0	0.10	Jun-09	0.50
UK	-4.9	Q1-09	1.8	May-09	4.8	Jun-09	2.6	0.50	Jun-09	5.00
Australia	0.4	Q1-09	1.5	Q1-09	5.8	Jun-09	4.2	3.00	Jun-09	7.25
Canada	-2.1	Q1-09	-0.3	May-09	8.6	Jun-09	6.2	0.25	Jun-09	3.00
China	7.9	Q2-09	-1.6	May-09	4.3	Q2-09	4	0.81	May-09	2.53
India	5.7	Q1-09	8.6	May-09	--	--	--	3.25	Jun-09	6.00
New Zealand	-2.2	Q1-09	1.9	Q1-09	5.0	Q1-09	3.7	2.50	Jun-09	8.25
Norway	-0.3	Q1-09	3.4	May-09	3.1	Q1-09	2.5	1.25	Jun-09	5.75
Singapore	-3.7	Q1-09	-0.5	May-09	3.3	Q1-09	2.3	0.21	Jun-09	0.71
South Korea	-2.5	Q1-09	2.0	Jun-09	4.0	Jun-09	3.2	2.00	Jun-09	5.00
Sweden	-6.4	Q1-09	-0.8	May-09	8.0	Jun-09	6.6	0.50	Jun-09	4.25
Switzerland	-1.6	Q1-09	-1.0	May-09	3.8	Jun-09	2.5	0.40	Jun-09	2.79
Taiwan	-10.9	Q1-09	0.0	Jun-09	5.9	Jun-09	3.9	1.25	Jun-09	3.63
Thailand	-7.1	Q1-09	-4.0	Jun-09	1.8	May-09	1.3	1.75	Jun-09	3.75
* UK - Claimant Count Unemployment Rate										
* Thailand - GDP Non-Seasonally Adjusted										
* EA-13, UK, Sweden - Harmonized Unemployment										

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Historical US Economic Data

	Jun-09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08	Sep-08	Aug-08	Jul-08
Payroll Employment (000)	-467	-322	-519	-652	-681	-741	-681	-597	-380	-321	-175	-128
% Change, Year Ago *	-4.1	-3.9	-3.8	-3.5	-3.1	-2.7	-2.2	-1.6	-1.1	-0.7	-0.4	-0.3
Unemployment Rate (%)	9.5	9.4	8.9	8.5	8.1	7.6	7.2	6.8	6.6	6.2	6.2	5.8
Avg. Hourly Earnings (% Chg.)	0.0	0.2	0.0	0.2	0.2	0.2	0.3	0.3	0.4	0.2	0.4	0.3
% Change, Year Ago	2.7	3.0	3.1	3.4	3.5	3.7	3.9	3.9	3.9	3.6	3.8	3.5
PPI (% Chg.)	1.8	0.2	0.3	-1.1	-0.1	0.9	-1.8	-2.7	-2.6	-0.1	-0.5	1.3
% Change, Year Ago *	-4.6	-5.0	-3.7	-3.5	-1.4	-0.9	-0.9	0.4	5.2	8.8	9.7	9.9
CPI (% Chg.)	0.7	0.1	0.0	-0.1	0.4	0.3	-0.8	-1.7	-0.8	0.0	0.0	0.7
% Change, Year Ago *	-1.4	-1.3	-0.7	-0.4	0.2	0.0	0.1	1.1	3.7	4.9	5.4	5.6
ISM Diffusion Index (%)	44.8	42.8	40.1	36.3	35.8	35.6	32.9	36.6	38.7	43.4	49.3	49.5
Industrial Production (% Chg.)	-0.4	-1.2	-0.7	-1.7	-0.8	-2.2	-2.3	-1.3	1.3	-4.0	-1.1	-0.1
% Change, Year Ago	-13.6	-13.5	-12.7	-12.5	-11.3	-10.9	-8.9	-6.5	-4.7	-6.4	-2.2	-1.0
Capacity Utilization (Goods)	68.0	68.2	69.0	69.5	70.6	71.1	72.7	74.4	75.4	74.5	77.6	78.6
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)		4.7	-3.5	-1.4	4.1	-12.3	-5.9	1.1	-6.7	-3.4	-2.3	0.3
% Change, Year Ago *		-23.9	-27.3	-20.0	-25.0	-25.4	-14.7	-7.9	-7.2	0.1	-0.2	6.6
- Shipments (% Chg.)		-0.3	-2.9	-1.7	-0.2	-9.4	0.1	-1.3	-3.7	1.7	-2.1	0.3
% Change, Year Ago *		-19.6	-18.3	-14.3	-15.6	-13.4	-4.7	-5.2	-2.2	2.7	-1.6	6.1
Retail Sales (% Chg.)	0.6	0.5	-0.3	-1.2	0.4	1.7	-3.2	-2.1	-3.1	-1.5	-0.5	-0.5
% Change, Year Ago	-7.8	-11.3	-9.2	-10.6	-11.6	-8.4	-8.8	-10.1	-4.2	-0.2	-0.6	3.8
Real Personal Consumption (% Chg.)		0.2	-0.1	-0.2	0.0	0.7	-0.6	0.4	-0.8	-0.5	-0.1	-0.6
% Change, Year Ago		-1.9	-1.8	-1.7	-1.2	-1.4	-1.9	-1.4	-1.3	-0.6	-0.2	0.2
Personal Income (% Chg.)		1.4	0.7	-0.3	-0.3	0.0	-0.2	-0.4	-0.2	0.1	0.3	-0.8
% Change, Year Ago		0.3	0.8	0.1	0.8	1.3	1.3	2.0	2.9	3.4	3.9	4.0
New Home Sales (SAAR, mn)		0.34	0.34	0.34	0.35	0.33	0.37	0.39	0.41	0.44	0.44	0.50
% Change, Year Ago *		-34.7	-34.7	-34.7	-39.6	-45.5	-40.9	-40.0	-43.9	-34.0	-36.7	-36.8
Existing Home Sales (SAAR, mn)	4.89	4.72	4.66	4.55	4.71	4.49	4.74	4.54	4.94	5.10	4.93	4.99
% Change, Year Ago *	3.8	-7.5	-4.8	-4.8	-10.3	-7.6	0.3	-17.0	-1.9	6.8	-15.0	-11.3
Housing Starts (SAAR, mn)	0.58	0.56	0.48	0.52	0.57	0.49	0.56	0.66	0.76	0.82	0.85	0.93
% Change, Year Ago *	-43.1	-41.8	-52.5	-48.1	-49.2	-54.9	-45.3	-46.5	-40.7	-27.2	-37.0	-32.2
International Trade (Bils \$)		-26.0	-28.8	-28.5	-26.1	-36.6	-41.9	-43.2	-59.4	-60.1	-60.9	-64.9
	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06	Q3-06
Real GDP, Chain Weighted, SAAR		-5.5	-6.3	-0.5	2.8	0.9	-0.2	4.8	4.8	0.0	1.5	0.8
% Change, Year Ago		-2.5	-0.8	0.7	2.1	2.5	2.3	2.8	1.8	1.3	2.4	2.4
Chain-Weighted Price Index, SAAR		2.8	0.5	3.9	1.1	2.6	2.8	1.5	2.0	4.1	2.2	2.8
% Change, Year Ago		2.1	2.0	2.6	2.0	2.3	2.6	2.5	2.8	2.9	2.8	3.2
Nominal GDP, SAAR		-2.9	-5.8	3.4	4.1	3.5	2.3	6.4	6.9	4.3	3.7	3.6
% Change, Year Ago		-0.4	1.2	3.3	4.1	4.7	4.9	5.3	4.6	4.3	5.3	5.7
Employment Cost Index (%)		0.3	0.6	0.6	0.7	0.7	0.8	0.8	0.9	0.8	0.9	0.9
% Change, Year Ago		2.1	2.6	2.9	3.1	3.3	3.3	3.3	3.3	3.5	3.3	3.3
Productivity Nonfarm, SAAR		1.6	-0.6	2.2	4.7	2.6	-0.5	7.0	4.8	-0.6	-0.4	-1.6
% Change, Year Ago		1.9	2.2	2.2	3.4	3.5	2.6	2.6	0.5	-0.1	0.6	0.3
Unit Labor Costs, Nonfarm, SAAR		3.0	5.1	3.5	-2.8	1.1	5.0	-2.5	-3.3	4.8	9.6	3.9
% Change, Year Ago		2.2	1.7	1.6	0.1	0.0	0.9	2.0	3.6	4.2	3.7	2.6

Source: Haver Analytics

* NSA

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