

DAILY GLOBAL COMMENTARY

Northern Trust
 Global Economic Research
 50 South LaSalle
 Chicago, Illinois 60603
 northerntrust.com

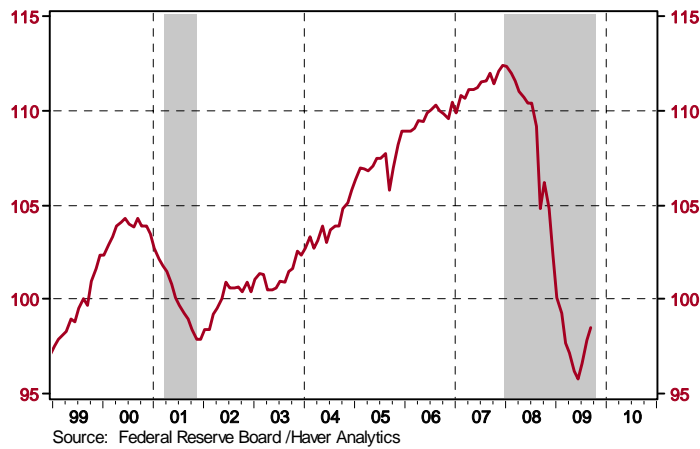
Asha G. Bangalore
agb3@ntrs.com

Widespread Strength in Factory Report
 October 16, 2009

Industrial production increased 0.7% in September, following an upwardly revised 1.2% gain in the prior month. The industrial production index hit the cycle low in June (see chart) and has since risen every month.

Chart 1

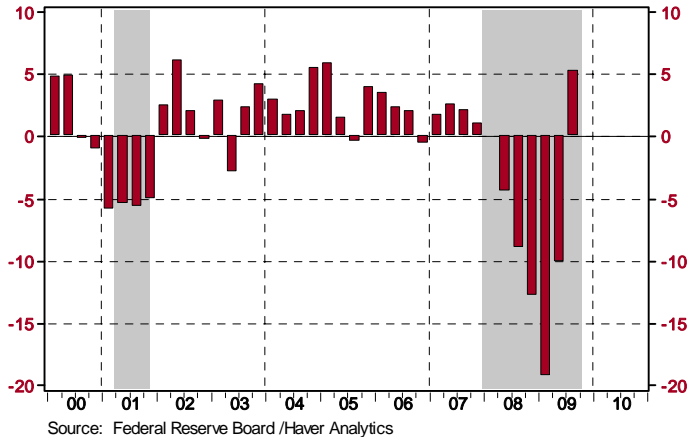
Industrial Production Index
 SA, 2002=100



In the third quarter, industrial production rose at an annual rate of 5.2%, the first increase since the first quarter of 2008. Production at the nation’s mines (0.7%) advanced while that of utilities (-0.7%) fell in September.

Chart 2

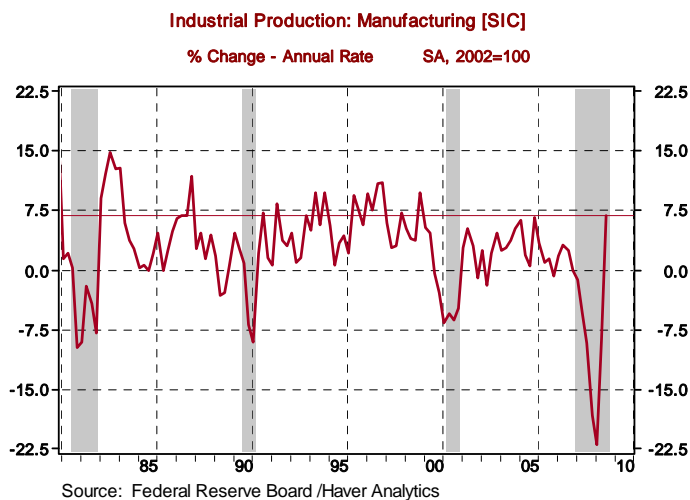
Industrial Production Index
 % Change - Annual Rate SA, 2002=100



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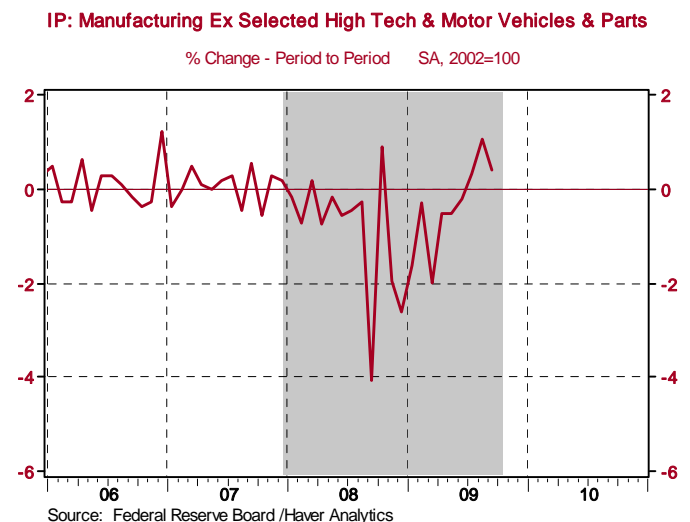
Factory activity, which excludes mining and utilities and makes up roughly 85% of industrial production, moved up 0.9% after revised gains of 1.2% in each of the prior two months. In the third quarter, factory production advanced at an annual rate of 6.9%.

Chart 3



Underlying the strong performance of the factory sector were positive contributions from several components. Motor vehicles (+8.0%), primary metals (+3.5%), computer and electronic products (+0.5%), and non-durables (+0.7%) were some of the components posting gains in September. Excluding autos and high-tech, factory production has risen for three straight months.

Chart 4



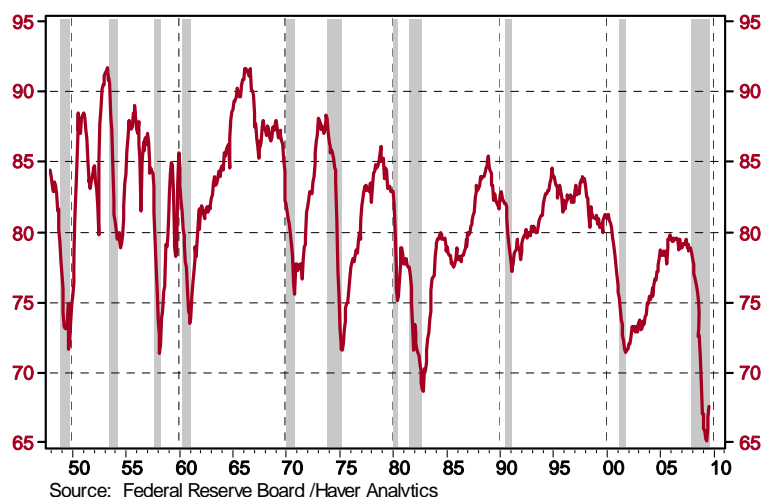
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The operating rate of the factory sector has increased to 67.5% in September from a record low of 65.1% in June 2009. The overall tone of the industrial production report is positive and confirms that an economic recovery is underway.

Chart 5

Capacity Utilization: Manufacturing [SIC]

SA, Percent of Capacity



Industrial Production – September 2009

	<u>Apr-09</u>	<u>May-09</u>	<u>Jun-09</u>	<u>Jul-09</u>	<u>Aug-09</u>	<u>Sep-09</u>
Industrial Production*	-0.5	-1.1	-0.4	0.9	1.2	0.7
Total Capacity Utilization	69.2	68.5	68.3	69.0	69.9	70.5
Manufacturing output*	-0.4	-0.9	-0.3	1.2	1.2	0.9
Man. Capacity Utilization	65.8	65.2	65.1	66.0	66.8	67.5
Capacity Utilization ex. High-tech industries	65.9	65.4	65.3	66.1	67.0	67.8

* - percent change from prior month

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Key Interest Rates

	10/16/2009	1-wk. change, bps	4-wk. change, bps	1-yr. change, bps
3-month Libor	0.28	0	-1	-413
2-year U.S. Treasury note yield	0.99	1	-4	-65
10-year U.S. Treasury note yield	3.47	7	-2	-51

Global Economic Data

	Real GDP		CPI		Unemployment Rate			Central Bank Rate		
	SAAR, yoy %		NSA, yoy%		% year-ago			% year-ago		
United States	-3.8	Q2-09	-1.3	Sep-09	9.8	Sep-09	6.2	0.13	Sep-09	2.00
Euro-Area	-4.8	Q2-09	-0.3	Aug-09	9.6	Aug-09	7.6	1.00	Sep-09	4.25
Japan	-7.2	Q2-09	-2.2	Aug-09	5.5	Aug-09	4.1	0.10	Sep-09	0.50
UK	-5.5	Q2-09	1.1	Aug-09	5.0	Sep-09	2.9	0.50	Sep-09	5.00
Australia	0.6	Q2-09	1.5	Q2-09	5.7	Sep-09	4.3	3.00	Sep-09	7.00
Canada	-3.2	Q2-09	-0.8	Aug-09	8.4	Sep-09	6.2	0.25	Sep-09	3.00
China	7.9	Q2-09	0.0	Aug-09	4.3	Q2-09	4	1.16	Aug-09	2.66
India	6.2	Q2-09	11.7	Aug-09	--	--	--	3.25	Sep-09	6.00
New Zealand	-1.1	Q2-09	1.7	Q2-09	6.0	Q2-09	3.6	2.50	Sep-09	7.50
Norway	-2.5	Q3-09	1.2	Aug-09	3.1	Q2-09	2.5	1.25	Sep-09	5.75
Singapore	0.6	Q2-09	-0.3	Aug-09	3.3	Q2-09	1.7	0.25	Sep-09	1.28
South Korea	-2.2	Q2-09	2.2	Sep-09	3.6	Sep-09	3.2	2.00	Sep-09	5.25
Sweden	-6.1	Q2-09	-1.6	Aug-09	8.9	Aug-09	5.7	0.25	Sep-09	4.75
Switzerland	-2.1	Q2-09	-0.9	Aug-09	4.1	Sep-09	2.6	0.29	Sep-09	2.96
Taiwan	-7.0	Q2-09	0.0	Sep-09	6.1	Aug-09	4.0	1.25	Sep-09	3.50
Thailand	-5.0	Q2-09	-1.0	Sep-09	1.5	Aug-09	1.3	1.75	Sep-09	4.25

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

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Historical US Economic Data

	Sep-09	Aug-09	Jul-09	Jun-09	May-09	Apr-09	Mar-09	Feb-09	Jan-09	Dec-08	Nov-08	Oct-08
Payroll Employment (000)	-263	-201	-304	-463	-303	-519	-652	-681	-741	-681	-597	-380
% Change, Year Ago *	-4.2	-4.3	-4.2	-4.1	-3.9	-3.8	-3.5	-3.1	-2.7	-2.2	-1.6	-1.1
Unemployment Rate (%)	9.8	9.7	9.4	9.5	9.4	8.9	8.5	8.1	7.6	7.2	6.8	6.6
Avg. Hourly Earnings (% Chg.)	0.1	0.4	0.3	0.1	0.2	0.0	0.2	0.2	0.2	0.3	0.3	0.4
% Change, Year Ago	2.5	2.6	2.7	2.8	3.0	3.1	3.4	3.5	3.7	3.9	3.9	3.9
PPI (% Chg.)		1.7	-0.9	1.8	0.0	0.4	-0.9	-0.1	0.9	-1.8	-2.7	-2.6
% Change, Year Ago *		-4.3	-6.8	-4.6	-5.0	-3.5	-3.4	-1.4	-0.9	-0.9	0.4	5.2
CPI (% Chg.)	0.2	0.4	0.0	0.7	0.1	0.0	-0.1	0.4	0.3	-0.8	-1.7	-0.8
% Change, Year Ago *	-1.3	-1.5	-2.1	-1.4	-1.3	-0.7	-0.4	0.2	0.0	0.1	1.1	3.7
ISM Diffusion Index (%)	52.6	52.9	48.9	44.8	42.8	40.1	36.3	35.8	35.6	32.9	36.6	38.7
Industrial Production (% Chg.)	0.7	1.2	0.9	-0.4	-1.1	-0.5	-1.6	-0.8	-2.2	-2.3	-1.3	1.3
% Change, Year Ago	-6.1	-10.4	-12.5	-13.3	-13.1	-12.4	-12.5	-11.3	-10.9	-8.9	-6.5	-4.7
Capacity Utilization (%)	70.5	69.9	69.0	68.3	68.5	69.2	69.5	70.6	71.1	72.7	74.4	75.4
Nondefense Cap. Goods ex Aircraft												
- Orders (% Chg.)		-0.9	-1.3	3.8	4.3	-3.5	-1.4	4.1	-12.3	-5.9	1.1	-6.7
% Change, Year Ago *		-20.6	-20.4	-19.1	-24.4	-27.3	-20.0	-25.0	-25.4	-14.7	-7.9	-7.2
- Shipments (% Chg.)		-2.0	0.3	1.4	-0.4	-2.9	-1.7	-0.2	-9.4	0.1	-1.3	-3.7
% Change, Year Ago *		-16.5	-15.7	-16.2	-19.6	-18.3	-14.3	-15.6	-13.4	-4.7	-5.2	-2.2
Retail Sales (% Chg.)	-1.5	2.2	-0.1	0.9	0.5	-0.3	-1.2	0.4	1.7	-3.2	-2.1	-2.8
% Change, Year Ago	-5.4	-6.4	-8.2	-7.6	-11.3	-9.2	-10.6	-11.6	-8.4	-8.8	-10.1	-4.2
Real Personal Consumption (% Chg.)		0.9	0.2	0.2	0.0	-0.2	-0.2	0.1	0.6	-0.7	0.1	-0.3
% Change, Year Ago		0.3	-0.7	-1.5	-1.8	-1.9	-1.7	-1.3	-1.6	-2.2	-1.7	-1.5
Personal Income (% Chg.)		0.2	0.2	-1.1	1.3	0.2	-0.5	-0.8	-1.3	-0.3	-0.3	-0.3
% Change, Year Ago		-2.6	-2.5	-3.4	-2.4	-2.1	-2.2	-1.6	-0.8	0.4	1.1	1.8
New Home Sales (SAAR, mn)		0.43	0.43	0.40	0.37	0.35	0.33	0.35	0.33	0.37	0.39	0.41
% Change, Year Ago *		0.0	-11.6	-17.8	-30.6	-34.7	-36.7	-39.6	-45.5	-40.9	-40.0	-43.9
Existing Home Sales (SAAR, mn)		5.10	5.24	4.89	4.72	4.66	4.55	4.71	4.49	4.74	4.54	4.94
% Change, Year Ago *		2.0	5.6	3.4	-7.5	-4.8	-4.8	-10.3	-7.6	0.3	-17.0	-1.9
Housing Starts (SAAR, mn)		0.60	0.59	0.59	0.55	0.48	0.52	0.57	0.49	0.56	0.66	0.76
% Change, Year Ago *		-27.9	-34.8	-42.3	-43.1	-52.5	-48.1	-49.2	-54.9	-45.3	-46.5	-40.7
International Trade (Bils \$)		-30.7	-31.9	-27.5	-26.4	-29.1	-28.9	-26.6	-37.0	-41.9	-43.2	-59.4
	Q3-09	Q2-09	Q1-09	Q4-08	Q3-08	Q2-08	Q1-08	Q4-07	Q3-07	Q2-07	Q1-07	Q4-06
Real GDP, Chain Weighted, SAAR		-0.7	-6.4	-5.4	-2.7	1.5	-0.7	2.1	3.6	3.2	1.2	3.0
% Change, Year Ago		-3.8	-3.3	-1.9	0.0	1.6	2.0	2.5	2.7	1.9	1.4	2.4
Chain-Weighted Price Index, SAAR		0.0	1.9	0.1	4.0	1.8	1.9	2.3	1.6	2.7	4.2	1.8
% Change, Year Ago		1.5	1.9	1.9	2.5	1.9	2.1	2.7	2.6	3.0	3.2	2.9
Nominal GDP, SAAR		-0.8	-4.6	-5.4	1.4	3.5	1.0	4.5	5.3	6.0	5.5	4.8
% Change, Year Ago		-2.4	-1.4	0.1	2.6	3.6	4.2	5.3	5.4	4.9	4.6	5.4
Employment Cost Index (%)		0.4	0.3	0.6	0.6	0.7	0.7	0.8	0.8	0.9	0.8	0.9
% Change, Year Ago		1.8	2.1	2.6	2.9	3.1	3.3	3.3	3.3	3.3	3.5	3.3
Productivity Nonfarm, SAAR		6.6	0.3	0.8	-0.1	3.1	-0.1	2.0	5.5	2.8	1.2	2.4
% Change, Year Ago		1.9	1.0	0.9	1.2	2.6	2.5	2.8	2.9	1.1	0.5	0.9
Unit Labor Costs, Nonfarm, SAAR		-5.9	-5.0	2.0	4.6	-1.8	1.7	3.0	-2.7	-0.7	3.5	6.5
% Change, Year Ago		-1.2	-0.1	1.6	1.9	0.1	0.3	0.7	1.6	3.1	3.7	3.5

Source: Haver Analytics

* NSA

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