

September 7, 2010

## DR. RATAJCZAK'S WEEKLY ECONOMIC COMMENTARY

ECONOMIC INDICATORS FOR THE WEEK BEGINNING SEPTEMBER 7, 2010									
Date	Announcement	Estimate				Last Announcement			
09/08/10	Consumer Installment Debt	-0.5%	a.r.	\$ 2,417.49	Jul	-4.5%	a.r.	\$ 2,418.50	Jun
09/09/10	Trade - Deficit			\$ (48,245)	Jul			\$ (49,898)	Jun
09/09/10	Goods - Exports	2.0%		\$ 107,076	Jul	-2.2%		\$ 104,976	Jun
09/09/10	- Imports	0.5%		\$ 167,843	Jul	3.3%		\$ 167,008	Jun
09/09/10	Services - Exports	0.7%		\$ 45,793	Jul	0.8%		\$ 45,475	Jun
09/09/10	- Imports	-0.2%		\$ 33,270	Jul	1.7%		\$ 33,337	Jun
09/10/10	Monthly - M1	<b>1.1%</b>		<b>\$ 1,737.30</b>	<b>Aug</b>	-0.3%		\$ 1,718.40	Jul
09/10/10	- M2	<b>0.5%</b>		<b>\$ 8,653.95</b>	<b>Aug</b>	0.0%		\$ 8,610.90	Jul

Changes denoted by bold type. All percent changes are from the previous period unless the next column shows a.r. which means the percentage change then is the annual rate. Payroll changes are in thousands, not percentages.

## WEEKLY COMMENTARY FOR WEEK BEGINNING SEPTEMBER 7, 2010

**COMMENTARY** - The government is losing more jobs than the private sector is creating, but wages are beginning to rise in the private sector. As a result, small doses of real purchasing power are being created. Clearly, strong recovery cannot occur before more jobs are created, pushing the growth cycle forward with rising purchasing power. However, this anemic recovery is not expiring.

I would submit that this raises the likelihood that a double dip will not occur. However, remember that policy decisions are responsible for double dips and we still might have a dramatic increase in taxes if the Bush tax codes are allowed to expire without some offsetting stimulus program.

As I will mention below, the biggest surprise was in construction, where specialty contractors apparently are retrofitting buildings. I cannot see this as persisting, but it did add to job totals in August. The sales shifting from the housing and appliance incentives apparently are not going to be enough to push activity into negative territory. Indeed, the strong growth in manufacturing inventories in July led me to raise my estimates for the quarter.

Now that the double dip argument is diminishing, the need for another stimulus package is growing. If it is like the last one, handing out funds to pained groups rather than spending on infrastructure or behavior changing incentives, then we certainly can forego it. However, if the Bush tax code expires, we will need a stimulus package. Let's do it now with the infrastructure spending that should have been in the first bill. At least at the end of the effort we will have safe bridges, effective highways, dredged ports, a new power grid, and whatever other infrastructure projects can be justified.

The President can do more good by using his office to build confidence rather than continue the party confrontation and the mangled messages to business. As this is Labor Day weekend, I will keep the commentary short. Remember, the danger of a double dip is not that the recovery runs out of steam, the latest data suggest that is not happening. Rather, are

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*"Dr. Ratajczak's Weekly Economic Commentary" is prepared by Dr. Donald Ratajczak, PhD., Morgan Keegan's Consulting Economist. This report is a transcript of comments made by Dr. Ratajczak and should be read in that context. Additional information is available upon request.*

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we going to make a policy shift (Bush tax codes expiring) without offsetting the adverse macroeconomic impact that it will create?

**GDP** - The inventory holdings in manufacturing were much higher than I expected. Although much of this was in nondurables and reflected petroleum price changes (since reversed), I thought enough reflected increased stocks to justify shifting my inventory estimates from a slight subtract to a slight add during the third quarter. Of course, this does little to impact the underlying growth, but only its timing. (That growth still remains less than 2% at annual rates.)

**EMPLOYMENT** - Large upward revisions in previous months led to higher jobs than had been expected for June before the July declines fell short of the dip in census workers. There no longer are another 114,000 census workers to be dismissed (maybe half that). While the 54,000 reduction in payrolls was gratifyingly small, it contained several surprises.

I should first report about my internal dynamics. The workweek was unchanged, but agency employment rose almost 17,000. I admit this is a mixed signal, as the reluctance to add new staff suggests that employers are uncertain about future sales strength. Nevertheless, if they keep hiring the temporaries, some will be converted into permanent jobs. Thus, the internal forces suggest some growth in employment ahead.

Unemployment was only marginally lower than a year ago. However, many sectors exhibited substantial changes in their unemployment status over that time. Agriculture and information sectors showed unemployment falling out of double digits, the former because so few reported agriculture as their last activity (going back home perhaps). No sector fell into double digit unemployment which was not already there. After agriculture, the fastest falling unemployment is in durable manufacturing. Transportation and leisure showed some of the sharpest declines in their unemployment rates. Rates increased significantly for education and health and financial activities.

Mining continued to churn out about 1% more jobs per month with about half in support operations. We shall see if some of that reverses when the Gulf cleanup slows.

The gains in construction were totally unexpected and were concentrated in the specialty trades and heavy construction. Some infrastructure projects must have received some funding. I certainly do not expect to see job growth in construction next month.

On the other hand, almost all the job loss in manufacturing was in motor vehicles. This does not mean that plants are closing. Rather, GM continued producing in July, when model changeovers normally close plants and had no need to rehire in August, which is what was expected by the seasonal adjustment factor. Manufacturing job growth was not robust. It still would have declined slightly because of weakness in wood products, fabricated metals, furniture, textile mills, and printing; that were not fully offset by strength in technology and the plastic and rubber products. I would expect small gains in manufacturing job growth next month.

Wholesale trade continued a modest improvement with electronic markets showing the way. Despite a surprising and unsustainable gain in auto dealers, retail trade lost jobs. Building material, warehouse retailers and sporting goods stores showed the largest weakness while grocers, electronics stores, drug stores and department stores all added positions.

The transportation sector continued to struggle, but the 12k drop in ground passenger transportation merely reversed a similar gain last month. Take away that blip and the remainder of transportation showed little change, though couriers had some action.

The information sector showed little growth with traditional telecommunications continuing to shed jobs. Some growth occurred in movies and broadcasting, but data processing had a surprising dip.

Almost all the job loss in financial activities now relates to real estate and insurance carriers. Commercial banks are beginning to hire again, though very slowly.

The only negative sector in professional and technical services was a modest drop in management of companies. Architecture employment may have stabilized, a precursor of growth in construction, while accounting, legal, and computer systems designers all continue to expand.

As I mentioned above, that 16.8k growth in temporary help services is a mixed sign. It shows lack of confidence in the current sales growth. However, it also means that if sales growth continues, some of those jobs will be converted to permanent positions.

Education and health showed normal gains, though hospital employment may have jumped a bit quickly. However, the 12k gain in social services probably is a blip that will be partially erased next month.

Despite the hard times, arts continue to grow while gambling is fading (new facilities near China may be permanently undermining growth here). The growth in accommodations and dining are gratifying, but probably cannot be sustained at these rates.

When all the possibilities are considered, I see about the same growth in private payrolls for September as in August. However, government job losses will be much less. Only about 40,000 census workers will hit the streets as the total pool dwindles. State and local governments continue to struggle, and I believe some seasonal factor must be causing the gain in local government other than education.

When government payrolls are added to the mix, we will see job growth in September, but at a very low level. This is the time when the workforce also changes dramatically as college kids go back to school and leave the workforce. As fewer than normal entered, my guess is that the labor force will rise after seasonal adjustment and could push unemployment up. However, I am assuming no change in unemployment rates at this time.

Aside from the higher than expected job gains in the private sector, the report showed a healthy 0.3% gain in hourly wages. This will translate into about the same gain in wage earnings in the personal income report. As the CPI remains well behaved, this adds to purchasing power, though not by much.

Finally, the diffusion index was disappointing. Manufacturing fell to 47% while the private economy slipped to 53%. This suggests that manufacturing employment no longer is expanding, though some gains are occurring in a majority of other sectors.

Fortunately, the claims improved further, though a revision made the 6,000 gain from last week look miniscule. The four week average of continuing claims continued to fall, declining by 28.5 thousand to 4.485 million. At 472,000, few private jobs are being created, but I expect this to improve to 465,000 next week.

The only state with significant gains in claims in the previous week was Florida, where construction and service were cited. Claims fell fastest in California, but also declined in Ohio, Michigan and Wisconsin among others. Service, construction and textiles (Alabama) were cited for the improvements.

**BUSINESS ACTIVITY** - Because of the very high assembly rates for automobiles last month, I still anticipate that industrial production will decline this month. However, there appears to be enough growth in hours worked to justify growth other than in the auto sector. For that reason, I have trimmed the expected decline in industrial production.

My big surprise was in the prices of nondurables that impacted the shipments and inventories of that part of the manufacturing report. I had expected some price declines to impact petroleum and chemicals, but that did not happen in this report. As reported in the advance durable goods report, the large gains in shipments were in the nondefense aircraft with defense communications, computer storage, SUVs, and ships and boats also adding to the totals.

I do not expect the SUVs to grow next month and the aircraft deliveries should slow. I have factored in a return to higher petroleum prices, but that might not happen because the lower July prices also were not reflected. Even so, shipments should fall slightly despite some growth in manufacturing hours worked. This is the number I am least comfortable with this month.

Except for the growth in aircraft orders, manufacturing orders would have dropped sharply. Orders for defense communications were strong while declines in mining machinery followed unsustainably strong gains in the previous month. The decline in computer orders also was a problem. Excluding transportation, orders would have dipped 1.5%. Only about a third of that decline can be attributed to the volatility in mining equipment.

Unfilled orders, which had been growing nicely in the past few months, again declined. Primary metals, mining machinery, household appliances and computers accounted for the largest declines, suggesting reduced activity in those sectors. Construction and industrial machinery as well as material handling equipment increased backlogs, but not enough to overcome the declines cited above.

A lot of the activity stayed in the warehouses, as inventories jumped by 1%. In the short run, this led to my upward revision in third quarter GDP. Of course, these now are goods already produced but not sold, so implications for later are not so positive. Nondurable inventories grew even more rapidly, as petroleum inventory gains accounted for most of the nondurable gains. By stage of processing, the largest inventory gains were at the finished goods level (except for the gain in crude petroleum). This suggests that some unexpected slowing in sales may be developing.

The higher nondurable inventories push up my estimates for business inventories. I was tempted to raise my sales estimates as well to reflect the higher manufacturing shipments, but chose not to do so. It now appears that inventories no longer are depleted relative to current sales.

**CONSUMER ACTIVITY** - Auto sales were down sharply from the clunker distorted August of 2009, but seasonally adjusted sales appear to be about 11.6 million units, up slightly from the previous month. As a result, it now appears that autos will enhance retail sales rather than reduce them.

Despite expected seasonally adjusted declines at gasoline stations I still am assuming modest growth in retail sales excluding autos. The additional information on auto sales leads to a 0.4% estimate for all retail sales gains in August. This is about the same as in July, which also should translate into about the same gains in consumption as in July.

Personal income grew about the amount I expected, but spending was a little more robust. As a result, the savings rate dipped to 5.9%. I still maintain that something near 7% is needed under current conditions to restore balance to household spending relative to wealth.

Almost all the \$30 billion gain in personal income came from compensation of employees. That compensation should add about the same this month. The big rise in farm income may not be sustained, though crop prices remain robust. On the other hand, the dip in nonfarm is out of line with what is happening in the corporate sphere. I would not expect the large dip in personal income to persist at that rate, though further declines are likely.

Transfer receipts are being restrained by the drop in unemployment compensation, though some of that was because of legislative logjams that since have been removed. Core inflation remains in the center of the Fed target range, at 1.4% above previous year levels. I am expecting little change in that inflation measure in the months ahead.

As I have more consumption than earnings growth, the savings rate probably fell slightly last month. This also is providing a floor for economic activity, but is moving the household spending patterns slightly away from equilibrium requirements.

**PRICES** - A sharp jump in crop prices led to higher agricultural prices for August. (The livestock prices were only up marginally and could even fall if the higher feed costs lead to stock reductions prior to the winter.) Wheat prices continue to rise, but yields are developing well in the U.S. For that reason and a possible drop in livestock prices, I am anticipating only a small gain in September prices received by farmers.

I already assumed a large increase in agricultural prices exported so I did not adjust the import price estimates. Neither did I believe the higher food prices were sufficient to alter my other price estimates, although we must now believe that prices could rise more sharply.

**MONETARY ACTIVITY** - The demand for currency continued to rise despite no apparent change in the cash based economy. I still do not believe this reflects concern about the viability of banks. **M1** now is expected to rise more sharply than initially believed. **M2** also is showing more growth than in recent months. Note that the 13 week growth comparisons are now at respectable rates of expansion. There also remain a lot of precautionary balances, which means that investment capacity remains strong even if decisions remain lacking.

There really is no need for the Fed to consider money growth at this time, except to the extent that bank money remains anemic.

**INTEREST RATES** - The enormous rally in treasury bonds finally reversed last week. Apparently, enough investors became convinced that the risk of the double dip was not rising to begin acquiring equities again. While some precautionary balances were used, the bulk of the buying came at the expense of the bond market.

As I mentioned several times, seasonal factors normally lead to higher interest rates in September-October, but much of that is reversed in the next February. However, yields on 10 year treasuries below 2.5% suggested that low inflation would persist for the next decade. Also, that risk aversion could be met by treasury holdings, even if such weak economic conditions meant that deficits would be growing much faster than activity, undermining the credit worthiness of treasuries. In short, the story that yields could be justified at those low levels could not be sustained.

Despite signs that higher yields will be needed to encourage investors, I assumed that the recovery would be sufficiently weak to prevent the Fed from changing policy at all next year. Thus, I pushed out the timing for a rise in policy rates to the beginning of 2012.

This timing already is more than fully priced in the two year bond, so some increases in those rates should be expected. We also saw rising yields for longer maturities.

The tax exempt market had been rallying behind the treasuries, but I suspect that some backsliding now will develop there. As risk aversion begins to recede, I assumed a new narrowing of the gap between the corporate and comparable treasury maturities. I also narrowed the spreads between the Aaa and Baa. In other words, the high yield market may hold their gains, but the risk averse instruments, such as treasuries and high grade corporate bonds will become slightly more expensive.

Notice that I did extend the near zero period for policy rates, so changes in yields on the risk averse instruments should not be very dramatic from here (they did rise nearly 30 basis points in 3 days, but are not likely to rise another 30 basis points in the next two months).

**CURRENCY MARKETS** - The loonie has regained some of its footing while the Japanese still will not buy other currencies using the yen until the yen falls sufficiently to import some inflation. I'm sure this reluctance is cultural, but doesn't anyone in Japan care that the exporters are losing markets because of an overvalued yen and deflation at home.

While the dollar has been losing ground, the European currencies appear to be stalled near current rates. No one is talking about serious sovereign debt problems and the euro is above the rate at which the facility to support such debt was put together. Furthermore, the double dip sounds like a U.S. event rather than a part of the global recovery. (China is showing some slowing, but that is being engineered rather than the result of exhausted policies.)

I am assuming the dollar will rally from these levels because of favorable agricultural exports, stable energy prices and some growth in exports. While the trade deficit is larger than required for world liquidity, it could fall below \$40 billion before the end of this year. That is why I am assuming a slight upside to the dollar.

**EQUITIES** - With most of this year in the books and with 70% of all reporting companies beating estimates, the estimated 11.9 PE for this year's S&P may even be low. Of course, profits could slump next year in a double dip recession, but few see even a drop in profits, let alone the 25% pasting that would be needed to restore trend PE values. Furthermore, the low interest rate regime would argue for higher rather than lower PE ratios. In other words, in terms of current earnings, U.S. equities are cheap.

Indeed, the hint that enough growth persists to avoid a double dip has reversed a bad August and pushed stocks to the top of the near term trading range (10,500 on the Dow and 1,100 on the S&P). There is no question in my mind that stocks remain cheap, but that does not mean they will continue to rise by more than 100 Dow points per day. This is September and tax uncertainty certainly abounds. We shall see in the next few days if we can travel to the next resistance area (10,800 on the Dow and 1,160 on the S&P).

I certainly would want to preserve my upside potential, but probably should be slightly cautious during this month. Thus, lowered leverage and more large dividend paying stocks would be part of this more cautious portfolio. On the other hand, if I am more than 50% in bonds and cash, then I already am more conservative than warranted by conditions. Even a double dip will not last long. (Housing certainly would lead us out of such a downturn, providing a more typical recovery pattern if the dip occurred.)

With so much of this year in the books, we should begin to speculate what next year's profits will be. The dollar certainly is weak enough to allow double digit export growth and some enhancement when the international profits are returned. I would say about 30% of corporate America should experience another year of strong double digit profit gains.

The small capital sector depends upon financing. Some of the old standbys, GE Capital and CIT, are beginning to stir. The banking sector remains shut. Most of these companies achieved their 2010 success through tight cost controls. Indeed, that 9.2 cent margin for domestic nonfinancial corporations in the latest quarter will be difficult to top (it averaged 8.2 cents in 2007 for example). While there clearly will be standouts, I must assume profit growth in that group will be in the middle to upper single digits.

When capital spending intensifies, it will push up the technology group. So much cash is on the sidelines that strong double digit gains are likely here. Again, the small capital stocks in the group will depend upon financing, which still is not readily available for them.

While this is a brief top-down look at next year's profits, it suggests that high single digit to low double digit profit growth is likely for corporate America. That suggests that even without any change in risk aversion, the indices can grow in the teens. If "happy days" appear again, a burst of explosive price gains is possible. That is why I would not take too many protections for the possible pullback in September.

In only three trading days, the S&P jumped 4.6%. It remains down 1.5% for the year, which is a remarkable sell-off relative to the profit gains that developed (more than 15% profit growth using analyst estimates). Thus, we are at a difficult time of year with a slightly overbought market.

In those three days every sector enjoyed gains. Financials, industrials and consumer discretion led a fairly tightly packed group. The normal laggards developed: telecommunications, utilities, and consumer staples; but the gap between the best and worst was less than 5%. Thus, market sentiment changed, not market fundamentals. A search for yield was not apparent, as the NAREIT only marginally outperformed the S&P (and the utilities are yield instruments as well).

The good news is that precautionary balances remain high. Most of the change was caused by shifts from bonds to stocks. Sideline money remains ample. In short, investors finally decided that bonds could not go further and decided stocks were now under-valued. Until the bonds become attractive again, this rally could persist.

**MORGAN KEEGAN UNIVERSE** - The MK universe outpaced the market (6.1% v 4.6%) and every segment was up as well. The two double digit gainers were communications components and restaurants, but they just crossed the line. The worst performer, energy infrastructure, still gained 2.3%. Once again, these are unusually tight changes by segment for such a large advance. Again, it was the shift in sentiment for equities that caused the rally.

To some extent our financials trailed the market, though they showed solid gains. Apparently, the large companies are getting more rewarded than the regionals, who still have investment quality issues. Our specialty finance continues to be a market follower.

If I am correct about energy prices, then gains in the energy patch will be limited for the remainder of the year. Inventory is high and the hurricanes appear to be in the Atlantic rather than the Gulf. Natural gas inventories have been cut, but remain well above five year averages.

Restaurant activity is improving, but not enough to justify 10% price gains per week. This is one area where analysts may be surprised at how difficult profit growth will be (although McDonald's made an all time high on Friday). The consumer is active, but not leading the charge. I would expect similar performance from their stocks.

Healthcare finally showed some gains, but still could not match the market. Even with the rally, medical devices are priced at very favorable terms while healthcare services have the lowest PE ratios in the MK universe (though Obamacare uncertainty continues to plague the group).

Safety and security remains under the radar even as profits are improving. If some stories show the effectiveness of new devices, sharp gains might develop in this sector. But that is an "if".

Just as in the broad market, the industrial/construction sector outperformed the overall market. This is because a double dip appears less likely to investors. I must say, I like the residential products here despite some third quarter earnings difficulty following the energy incentive appliance program. I remain cautious in the non-residential area, though spotty evidence suggests that rents are beginning to stabilize and cap rates may be rising (though mostly for apartments).

Given the sell-off in bonds, the REITs did well. They basically held their ground. Frankly, if I am looking for yield, this is where I would want to look today, not in the risk averse bond issues such as treasuries and high grade corporates.

Technology did not steal the show, but it should be preparing for a good run. Unfilled orders continue to decline in communications equipment, so I am concerned about the jump in those segments of technology. On the other hand, some hiring developed in enterprise storage, so growth may be resuming there. (I am not sure how that related to enterprise software, but there must be some complementary relationship.) Electronic commerce also showed some growth in the latest employment report, which might favor the internet group. Although semiconductors are struggling with excess world capacity, reflected in declining import prices for the products, they did perform with the market. I would like to see some signs that the capacity is being absorbed before I would be aggressive here.

System area networks provide some of the lowest priced earnings in technology. A reversion to normal valuations would significantly increase values here. While transaction processing is not so well priced, it should grow with the market, as it did early in September.

Except for the 9.1% gain in transportation equipment, the transportation segment showed a lot of correlated movement. Maritime was the laggard, up only 3.3%. The others slightly outperformed the market and achieved gains consistent with MK averages. This is not an overwhelming endorsement of growth ahead, but it provided the necessary gains to support further improvement. For the truckers, I would wait until next spring, when I believe we will see rising traffic and better expectations of future activity.

Obviously, a 6.1% gain in 3 days cannot be sustained. I almost believe that we will have similar gains when the month ends (which means not much upside in the next week or two, but no serious reversal either). However, a 10-15% price spurt between now and the end of the year certainly is not unreasonable.

**ECONOMIC INDICATORS FOR THE WEEK BEGINNING SEPTEMBER 7, 2010**

	2009	2010				2011				Ann.	Ann.	Ann.	Ann.
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	2008	2009	2010	2011
91-Day Bills	0.04	0.11	0.15	0.15	0.14	0.15	0.17	0.22	0.26	1.48	0.16	0.14	0.20
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	5.09	3.25	3.25	3.25
Fed. Funds	0.13	0.13	0.19	0.19	0.19	0.21	0.23	0.25	0.25	1.92	0.16	0.18	0.24
2-Yr. Note	0.86	0.92	0.87	0.54	0.54	0.63	0.75	0.84	1.06	1.90	0.96	0.72	0.82
5-Yr. Note	2.30	2.42	2.25	1.53	1.55	1.64	1.77	1.95	2.26	2.80	2.21	1.94	1.91
10-Yr. Note	3.44	3.72	3.49	2.83	2.75	2.85	2.96	3.13	3.41	3.66	3.26	3.20	3.09
30-Yr. Bond	4.40	4.62	4.37	3.95	3.82	3.95	4.06	4.25	4.50	4.28	4.08	4.19	4.19
Aaa	5.20	5.29	5.04	4.66	4.65	4.78	4.86	5.11	5.33	5.63	5.31	4.91	5.02
Baa	6.35	6.29	6.18	5.85	5.84	5.95	6.11	6.23	6.45	6.52	7.30	6.04	6.19
S&P	1086	1130	1135	1083	1146	1195	1252	1294	1337	1220	948	1124	1270
Dow Jones	10325	10454	10570	10356	10825	11243	11672	12148	12529	11253	8876	10551	11898
NASDAQ	2140	2275	2343	2220	2324	2462	2601	2783	2907	2162	1845	2291	2688

*Aaa and Baa corporate bond yields represent Dr. Ratajczak's forecast of Moody's index of longer-dated seasoned corporate bonds with maturities ranging between 20 and 30 years.*

**SHORT TERM FINANCIAL PROJECTIONS**

	Past Week	This Week	30 Days	60 Days
Federal Funds	0.20	0.20	0.20	0.21
Commer. Paper	0.26	0.26	0.26	0.27
10-Yr Treasury	2.60	2.73	2.91	2.99
30-Yr Treasury	3.68	3.80	4.02	4.11
Aaa	4.40	4.48	4.66	4.75
Baa	5.60	5.67	5.85	5.93
Blm. 20 Yr Muni	3.83	3.88	3.97	4.05
Blm. 30 Yr. Mtg.	4.34	4.40	4.51	4.58
Dow Jones	10390 *	10468 *	10455 *	10627 *
S&P	1098 *	1106 *	1105 *	1131 *
NASDAQ	2219 *	2253 *	2245 *	2301 *

*\*Friday Estimates*

**CURRENCY MARKETS**

	Friday	This Week	End of 2010	End of 2011
Euro	1.287	1.288	1.282	1.275
Pound	1.544	1.544	1.567	1.560
Yen	84.5	84.5	86.7	89.5
Canadian	1.042	1.045	1.062	1.083
Broad Index	102.9	103.0	103.8	105.0

**MONEY MEASURES**

M-1	\$ 22.0	\$ 2.3	13 week annual rate 4.2%
M-2	\$ 11.9	\$ 1.7	13 week annual rate 4.3%

**ECONOMIC INDICATORS FOR THE WEEK BEGINNING SEPTEMBER 7, 2010**

<b>Date</b>	<b>Announcement</b>	<b>Estimate</b>			<b>Last Announcement</b>				
09/14/10	Business Inventories	<b>0.7%</b>	<b>\$ 1,369.37</b>	<b>Jul</b>	0.3%	\$ 1,359.85	Jun		
09/14/10	- Sales	0.7%	\$ 1,088.05	Jul	-0.6%	\$ 1,080.49	Jun		
09/14/10	Retail Sales	<b>0.4%</b>	<b>\$ 364.14</b>	<b>Aug</b>	0.4%	\$ 362.69	Jul		
09/14/10	Nonauto Retail Sales	<b>0.3%</b>	<b>\$ 300.60</b>	<b>Aug</b>	0.2%	\$ 299.70	Jul		
09/15/10	Industrial Production	<b>-0.2%</b>	<b>93.2</b>	<b>Sep</b>	1.0%	93.4	Aug		
09/15/10	Capacity Utilization rate	<b>-0.2%</b>	<b>74.7</b>	<b>Sep</b>	0.9%	74.8	Aug		
09/15/10	Import Prices	-0.4%	124.7	Aug	0.2%	125.2	Jul		
09/15/10	- Less Fuel	-0.2%	113.9	Aug	-0.3%	114.1	Jul		
09/15/10	Export Prices	0.7%	122.9	Aug	-0.2%	122.0	Jul		
09/15/10	- Less Agriculture	-0.1%	118.8	Aug	-0.2%	118.9	Jul		
09/16/10	Producer Price Index	0.2%	179.2	Jul	0.2%	178.8	Jul		
09/16/10	PPI less food and energy	0.2%	175.7	Jul	0.3%	175.3	Jul		
09/17/10	Real Weekly Earnings	<b>0.1%</b>	<b>\$ 355.41</b>	<b>Aug</b>	0.2%	\$ 355.05	Jul		
09/17/10	Consumer Price Index	0.2%	218.0	Aug	0.3%	217.6	Jul		
09/17/10	CPI less food and energy	0.1%	221.8	Aug	0.1%	221.6	Jul		
09/21/10	Housing - Starts	1.2%	0.552	Aug	1.7%	0.546	Jul		
09/21/10	- Single Family	0.6%	0.435	Aug	-4.2%	0.432	Jul		
09/21/10	- Multi Family	3.4%	0.118	Aug	32.6%	0.114	Jul		
09/21/10	- Permits	1.7%	0.575	Aug	-3.1%	0.565	Jul		
09/23/10	Leading Indicators Index	-0.4%	109.4	Aug	0.1%	109.8	Jul		
<b>09/24/10</b>	<b>Durable Goods - Shipments</b>	<b>-0.6%</b>	<b>\$ 199.42</b>	<b>Aug</b>	<b>2.3%</b>	<b>\$ 200.62</b>	<b>Jul</b>		
<b>09/24/10</b>	<b>- Orders</b>	<b>-0.7%</b>	<b>\$ 191.66</b>	<b>Aug</b>	<b>0.4%</b>	<b>\$ 193.01</b>	<b>Jul</b>		
<b>09/24/10</b>	<b>Nondefense Capital Orders</b>	<b>-2.5%</b>	<b>\$ 63.02</b>	<b>Aug</b>	<b>-2.0%</b>	<b>\$ 64.64</b>	<b>Jul</b>		
09/24/10	New Single Family Sales	7.1%	0.296	Aug	-12.4%	0.276	Jul		
09/30/10	GDP - Real (Q)	<b>2.2%</b>	<b>a.r.</b>	<b>\$ 13,264.05</b>	<b>III</b>	1.6%	a.r.	\$ 13,191.50	II
09/30/10	Implicit Price Deflator (Q)	1.8%	a.r.	111.0	III	2.0%	a.r.	110.5	II
09/30/10	Chain-Type Price Index (Q)	1.7%	a.r.	111.0	III	1.9%	a.r.	110.5	II
09/30/10	After-Tax Corp. Profits (Q)	-1.7%	\$	1,348.38	III	0.1%	\$	1,371.70	II
09/30/10	After-Tax Oper. Profits (Q)	-0.6%	\$	1,189.92	III	2.9%	\$	1,197.10	II
<b>09/30/10</b>	<b>Agricultural Prices</b>	<b>0.7%</b>		<b>146.0</b>	<b>Sep</b>	<b>2.1%</b>		<b>145.0</b>	<b>Aug</b>
<b>10/01/10</b>	<b>Construction Spending</b>	<b>0.2%</b>	<b>\$</b>	<b>814.74</b>	<b>Aug</b>	<b>-1.0%</b>	<b>\$</b>	<b>813.11</b>	<b>Jul</b>
<b>10/01/10</b>	<b>Personal Income</b>	<b>0.3%</b>	<b>\$</b>	<b>12,543.48</b>	<b>Aug</b>	<b>0.2%</b>	<b>\$</b>	<b>12,512.20</b>	<b>Jul</b>
<b>10/01/10</b>	<b>Personal Consumption</b>	<b>0.4%</b>	<b>\$</b>	<b>10,361.64</b>	<b>Aug</b>	<b>0.4%</b>	<b>\$</b>	<b>10,325.50</b>	<b>Jul</b>
<b>10/01/10</b>	<b>Core PCE y/y</b>	<b>1.4%</b>			<b>Aug</b>	<b>1.4%</b>			<b>Jul</b>
<b>10/04/10</b>	<b>Manufacturers' - Shipments</b>	<b>-0.1%</b>	<b>\$</b>	<b>416.67</b>	<b>Aug</b>	<b>1.1%</b>	<b>\$</b>	<b>417.09</b>	<b>Jul</b>
<b>10/04/10</b>	<b>- Inventories</b>	<b>0.6%</b>	<b>\$</b>	<b>529.16</b>	<b>Aug</b>	<b>1.0%</b>	<b>\$</b>	<b>526.00</b>	<b>Jul</b>
<b>10/04/10</b>	<b>- Orders</b>	<b>-0.2%</b>	<b>\$</b>	<b>408.66</b>	<b>Aug</b>	<b>0.1%</b>	<b>\$</b>	<b>409.48</b>	<b>Jul</b>

**changes denoted by bold type**

all percent changes are from the previous period unless the next column shows a.r. which means the percentage change then is the annual rate

**Payroll changes are in thousands, not percentages**