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Principal® Global Investors

On the Other Hand
Economic Insights

May 2010

By Bob Baur, Randy Mundt
and the Principal Global Investors Economic Committee

In essence, the month of May largely turned into a series of financial "Maydays," the international distress signal.

Sell in May and Go Away

Investors apparently took that old saw to heart this month. This was not the worst May ever for stock prices, but it does rank right down there near the bottom. Even after some recovery last week, the S&P 500 plunged 8.2% in May. There have been just five worse months in the last decade, three during the financial crisis and two after the tech bubble burst: February 2009 (-11.0%), October 2008 (-16.9%), June 2008 (-8.6%), September 2002 (-11.0%) and February 2001 (-9.2%). While May 2010 wasn't quite as bad as those, it still was not a pretty sight.

When it came to worrying about things, investors proved themselves quite capable of multi-tasking, focusing on: refunding issues in debt-laden Eurozone countries; decelerating economic growth in China as well as Europe (and to a lesser degree the United States); whether the European Union (EU) and the euro would survive; public policy blunders in capitals around the world (sharply rising taxes and heavy regulation); and potential geopolitical problems on the Korean peninsula. These triggered a flight to safety, and U.S. Treasury bond prices and the U.S. dollar predictably soared. Conversely, stock, bond and commodity prices all plunged in unison.

The rout was felt across the board, encompassing most sectors, regions and countries. Little was spared, but the economically sensitive sectors fared the worst with energy, basic materials, industrials, financials and technology companies absorbing the brunt of the decline. The worst was energy, as the U.S. energy sector sank 11.8% and the MSCI World energy sector plummeted 12.9%. Small-cap stocks did outperform large-cap stocks, but growth and value did about equally poor. As might be expected, many Euro area indices performed dismally; in Greece, the ASE Index collapsed 16.0% and a key Irish index dropped 13.5%.

In essence, the month of May largely turned into a series of financial "Maydays," the international distress signal. The trauma of enormous market declines during the financial crisis is still fresh in every investor's mind, so market participants remain very skittish and jittery and understandably run at the first sign of trouble. Risk managers have much more clout than three years ago; now when volatility spikes and they tell their portfolio managers to take some risk off the table, they do it. It happens in brokerage firms too when bond bids suddenly disappear or during the recent "flash crash" when liquidity vanished in the space of a few minutes. This kind of instant running for cover was likely the source of some of the May market meltdown.

Treasury Yield U-Turn

Interest rates on 10-year U.S. Treasurys hit new cycle highs during the month of April. Bond yields hit 3.99% on April 5, flirting with the 4% level for the first time since 2007 as investors anticipated stronger U.S. growth and associated monetary policy tightening and rate hikes later this year. Since then, however, long-term interest rates have plunged despite the ongoing U.S. cyclical recovery. This decline in Treasury rates coincided with a huge escalation in financial volatility over the past month as investors shifted their focus from surging corporate profits, swelling consumer and capital spending, strong industrial production, expanding exports and the consequent economic expansion to poorly conceived public policies, debt-laden budgets and fiscal austerity programs that are likely to foster slow or no growth.

The catalyst for the mood shift from sunny to sour was the funding pressures within the Club Med countries of the Eurozone: Greece, Italy, Spain, Portugal, plus Ireland. Risk aversion mushroomed even as authorities took aggressive action to contain the budgetary pressures and prevent them from expanding. Despite the huge scale of the support package for Greece at € 750 billion (about US$1 trillion) by the recently enacted European Support Mechanism, the prolonged financial debates have raised basic questions about the effectiveness of Eurozone policy and the sustainability of the euro. Investors are recognizing that the sharp divergence in fiscal restraint and prospective growth paths between core European nations and those on the periphery create risks for a monetary union with limited tools and appetite to deal with growth and financial imbalances (as well as a history of not enforcing compliance with Eurozone rules). Debt and budget problems of peripheral EU members could well move Europe to tighter and more centralized budgetary controls, higher taxes and very conservative economic policies and thus a prolonged period of slower economic growth.

Consistent with the theme of downside risks linked closely to government policy errors, markets also face uncertainty about the unintended consequences of tougher U.S. financial regulation and the massive entitlement programs exemplified by the recently enacted health care bill. Will fears of ever larger U.S. budgets deficits prompt Congress to raise taxes and put in place other policies which may or may not reduce government deficits but would certainly bring slower economic growth? Facing these unquantifiable risks, investors fled to the safety of U.S. Treasury bonds, reducing risk and selling risky assets in the process. Credit spreads widened materially and equity prices plummeted as investors worried about the course and impact of future public policy. The dollar soared and as noted earlier U.S. bond yields nose-dived as investors rushed to safe haven assets. In addition, the U.S. Federal Reserve (Fed) didn't change policy or rate guidance at its April meeting as many had expected, so rates could stay low for a much longer "extended period" than once thought justified. In retrospect, 10-year U.S. Treasury bonds carrying yields that had neared 4% were a great buy. Given these forces, the trend in U.S. Treasury rates has been as follows:

Interest Rates	31 Dec 07	31 Dec 08	31 Dec 09	5 Apr 10 (High)*	25 May 10 (Low)*	28 May 10 Current
2 year	3.05%	0.76%	1.14%	1.17%	0.76%	0.77%
10 year	4.02%	2.21%	3.84%	3.99%	3.16%	3.29%
10-2 spread	0.97%	1.45%	2.70%	2.82%	2.40%	2.52%

*Based on the 10-year Treasury Bond, over the previous 12 months

The direction of U.S. interest rates over the rest of 2010 faces clear countervailing forces. The recovery is gaining momentum, capital spending is rising quickly and consumers are continuing to spend. Yet, core inflation was unchanged in April from March and grew by only 0.9% year-over-year. For the balance of 2010, small gains in rent-equivalent housing costs, substantial excess capacity and lower energy costs suggest inflation will stay very low. Our forecast is for a core (ex-food and energy) inflation rate of only 0.8% in 2010. Not quite deflation, but very close.

The Fed seems more firmly on hold than would have been anticipated earlier in the year. At the April meeting, the Fed committed to keep the federal funds rate low for an "extended period." The minutes of that meeting showed that members saw a significant risk to tightening too soon, which aligns with their expectation that inflation would remain "below rates that would be consistent in the longer run with the Fed's dual objectives of maximum employment and stable prices." Further, the minutes of the April meeting reflected considerable discussion of the risks of financial market contagion beyond Greece. Fed officials, in particular, expressed concern that tight fiscal policy and austerity programs to cut budget deficits in Europe would slow growth and weaken the global recovery as well. All these signals say no Fed tightening anytime soon. So it's less likely that the first hike in the fed funds rate will come in the second half than was the case a month ago. Many commentators now expect no rate or policy changes until next year, and that view is gaining credibility. The following represents our latest estimates of year-end interest rates:

	2010
Federal Funds Rate	0.25%
10-year Treasury Rate	4.25%
2-year Treasury Rate	2.00%
2-10 year curve slope	2.25%

Despite lowering our estimate of the pace of Fed tightening in 2010, it is conceivable that there will still be one rate hike in the fourth quarter. Despite the on-going Euro area debt problems and China's sharp clampdown on credit expansion, especially in the property sector, we expect moderate but sustained U.S. economic growth. So at some point this year, the Fed will likely have to respond to that strength and make monetary policy slightly more restrictive. In evaluating when to do so, they will be keeping a close eye on both Europe and China, and their impact on global growth dynamics.

Steady Progress

America's recovery is still underway; the U.S. economy grew at a respectable 3.0% in the first quarter, the third straight quarter of growth since the end of recession last year. Having said that, first quarter GDP was revised down slightly from the advance estimate of 3.2% reported last month. That downward adjustment was a mild disappointment to investors who were primed for a small increase, up to a consensus 3.4%. Still, there is no reason to expect recovery to be derailed, even given the volatility in Europe that has disrupted global capital markets. Corporate profits jumped 5.5% in the first quarter and were up 31% over last year, the biggest gain since 1984. The surge in earnings is the primary reason to expect employment and capital spending will continue to grow. Profits plus higher consumer confidence and spending are causing manufacturing to power up as companies expand production to meet greater demand and, at the same time, replenish depleted inventories.

Growth was revised lower for several reasons, none of which should set off any alarm bells for the U.S. economy. Personal consumption expenditures rose by 3.5%, down slightly from the first reported 3.6%. Investment grew by 14.7% rather than the previously estimated 14.8% even with a slightly greater boost from inventories ($33.9 billion rather than $31.1 billion). Investment in equipment and software grew less than in the first report and nonresidential construction declined more upon revision. Housing construction dropped slightly compared to advance estimates, to 10.7% rather than 10.9%. Net exports subtracted slightly more from GDP even though exports grew faster than the initial estimate. Finally, government spending dropped faster, reflecting less growth at the federal level and a bigger drop from state and local governments; the latter plummeted a huge 3.9%.

Nevertheless, the U.S. economy should continue to expand this year and is likely to do so at even a slightly faster pace than the 3% registered in first quarter. The complete data and projections are contained within the attached exhibits. The primary drivers of projected growth are as follows:

- Business investment in equipment and software – strong growth expectations, based upon excellent profits; corporations have huge cash reserves ready for deployment; business confidence levels are rising fast; and companies dramatically under-invested not only during the recession but for much of the past decade.
- Inventory replenishment – businesses will continue to expand their inventories; shelf-refilling will not stop either this year or in 2011.
- Export growth – a new balance of economic growth favors exports as emerging market economies grow much more rapidly than developed nations. A stronger dollar will serve to reduce the rate of export growth, but it should be offset by substantial demands for capital equipment, construction and production machinery from developing countries. The reduced appetite from Europe for imports from the United States (given a weak European economy and strong U.S. dollar) will have an impact on exports, but the Eurozone is not a large enough trade partner with the United States to derail total export growth dynamics.

But some sectors of the economy also carry downside risks:

- Construction – non-residential construction will likely continue to drop throughout 2010 as office development is hampered by high white collar unemployment, retail expansion is held back by modest consumer spending and years of over-building, and commercial loans for construction activities are less available and more expensive. Tight credit is not a problem for home construction, however, financing is available and long-term fixed mortgage rates are below 5%. However, homebuyer tax credits that had surely spurred home purchases have now expired. New housing also faces enormous competition from a vast supply of existing homes for sale, with many foreclosed or distressed properties at rock-bottom prices. While we project some modest growth in residential construction this year, a soft spot in the short-term is likely.
- State and local governments – unprecedented budget deficits will continue to weigh on state and local spending, despite receipt of fiscal stimulus dollars from the federal government.
- Consumer spending – personal consumption spending is unlikely to slump, but growth will likely ease from the sharp rise in the first quarter. Job uncertainty will stay high enough to keep consumer confidence less than ebullient and keep spending growth in the 2.5% range rather than the 4%+ levels of prior expansions.

While it is too early to proclaim that May's setback as regards an otherwise improving wealth effect will disaffect consumer spending, there has been a recent uptick in savings rates and a flattening of personal consumption after six straight months of increase. Personal consumption expenditures on goods declined in April, especially non-durable goods which fell month-over-month by 0.6%, the first decline since December 2009. Still, compared to the very weak year ago period, personal consumption was up 4.6%, partially due to personal income continuing to increase despite high unemployment rates. In fact, personal income has not had a negative month since October 2009.

The subcomponents of personal income are quite varied, with wage, dividend and rental income starting to gain some traction, but with income from savings and transfer payments easing. The latter is not surprising given the meager crediting rates on time deposits and money market funds, as well as the wind down of some of the government transfer payment programs. Given the disparity between flat personal spending and strong income growth, personal savings rates advanced from 3.1% to 3.6% in April. However, this is unlikely to signal the start of a surge in savings, as personal savings rates have been hovering in the 3–4% range for most of the last year.

Spending is closely linked to the wealth effect, and there has admittedly been a speed bump in the wealth effect as a result of a sharp increase in stock market volatility. After a steady first quarter and early second quarter stock market advance that carried the S&P 500 up about 9% for the year, the market has since late April given all that back and slightly more, dropping by nearly 11% and leaving the stock market in negative territory year-to-date. However, if the stock market doesn't go into a sustained bear market and if home prices remain relatively stable, consumer spending should remain relatively strong, particularly as the unemployment rate gradually begins to recede.

Indeed, the U.S. employment outlook is greatly improved since the middle of last year. Household employment has surged an average 416,000 per month in the first four months of the year. Payroll employment is up nearly 600,000 year-to-date. The unemployment rate, while statistically high at 9.86% in April, has been consistently below the 10.15% peak reached in October of last year despite a greater than expected rise in the labor participation rate. A return to the workforce by jobseekers is a very positive sign that they see more job opportunities. We expect job growth to be sufficiently strong to bring the unemployment rate down to 9.3% by year end 2010.

U.S. inflation rates should remain subdued after the core CPI fell to a 44-year low in April. This trend should continue given falling unit labor costs, capacity slack and a drop in housing costs. The trend toward lower inflation may extend to headline CPI as well if the drop in energy prices persists. While we don't expect actual deflation, core CPI may weaken a little more to a 0.8% rate expected for this year and next.

While near term growth prospects seem pretty good, we don't anticipate any "super-strong" quarters, unlike past recoveries when GDP surges of 6% or more were relatively common. We do, however, have concerns about potential U.S. growth longer-term. U.S. fiscal and regulatory policies are decidedly not "growth friendly" and will lead to tighter financial conditions. Government action will become an increasing restraint as the tax cuts of 2001 and 2003 are set to expire; today's ultra-large budget deficits are setting off an inexorable search for more government revenues and further tax hikes are almost certain to occur. There is a nearly insatiable appetite for more revenue, not only to fund past stimulus programs, but also massive new public entitlements as well as to plug state and local budget shortfalls. As a consensus emerges on the need to slow the growth in the federal deficit, there is a significant risk that Congress will shift the burden to higher tax rates rather than reduce spending growth; this will create a further fiscal drag on the economy in the process as higher tax rates dis-incentivize new business initiatives.

As investors have grown increasingly nervous about the Euro area debt crisis, U.S. financial conditions have tightened as well. Stock prices have sunk, credit spreads are wider in most sectors, interest rates on corporate bonds are higher and the dollar is significantly higher. There are offsetting influences like sharply lower Treasury rates and lower oil and gasoline prices, but markets have become more conservative, perhaps doing the tightening we expected the Fed would do. These negative fiscal and financial influences are not sufficient to reduce U.S. economic growth markedly over the balance of the year, but are definitely reducing the probability of an upside surprise.

Trophy Hunting[1]

The return of capital to the commercial real estate markets has included a strong investor interest in core office properties, especially in gateway cities. Given the tendency for tenants to migrate up the quality spectrum during real estate downturns and thereby take advantage of compelling rental rates, investor interest seems particularly acute for higher quality office property, including what is known as trophy office.

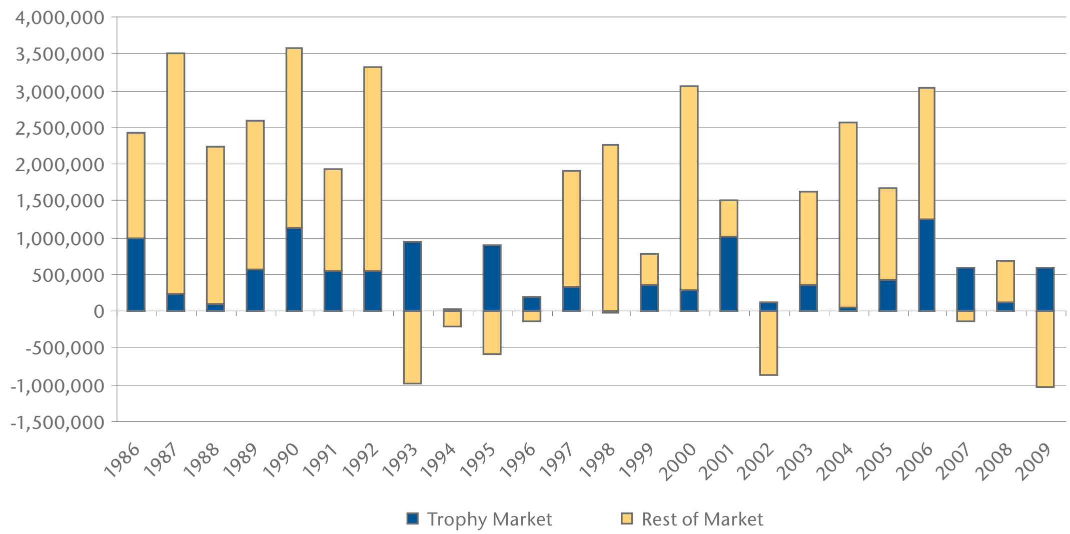
While there is no universally sanctioned definition, a trophy office building typically is characterized by: a premier location and prestigious address within a given market; high quality construction with distinctive features; top tier building amenities; a high profile

[1] This section of Economic Insights authored by Jim Halliwell of Principal Real Estate Investors

image; often (but not always) located in or near central business districts; impressive vistas; and distinguished tenancy. Although the definition is somewhat nebulous, there is a degree of consistency among leasing firms as to which buildings get classified as trophy buildings in any given market. For example, in comparing the trophy lists compiled by Cassidy/Turley and Jones Lang LaSalle for the Washington, D.C. market, their lists differ by just four properties, or less than 0.2% of the total market office property count of 2,223[2].

Intuitively, most real estate participants believe trophy properties outperform the greater market. But do they? Some insight can be gained by comparing two components of performance (operational and total return metrics) in the markets of Washington, D.C. and New York City across trophy and non-trophy property subsets. Exhibit 1 shows the comparative net user demand for office space (net absorption) in Washington, DC for the trophy and non-trophy subset of the office market over the last 25 years.

Exhibit 1

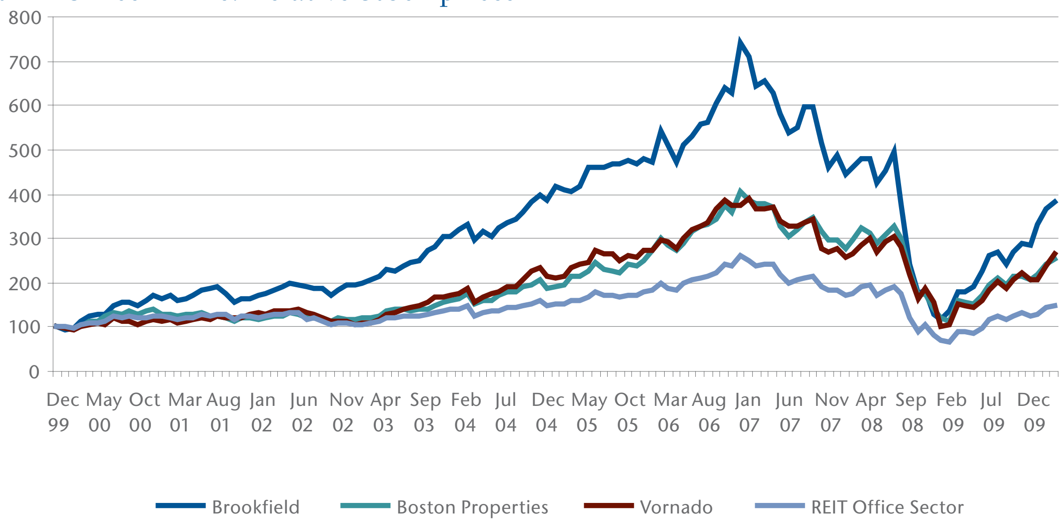


Source: Jones Lang LaSalle

During the last three recessions, while the overall market experienced negative net absorption, the trophy subset had positive absorption. Other studies by Cassidy/Turley show that over the last 17 years, the trophy subset has had lower vacancy rates than the greater market about 75% of the time, and the average rent growth in trophy assets exceeded the overall market by approximately 95 basis points per annum, implying consistently stronger landlord pricing power for trophy office properties. Similarly, a study by CB Richard Ellis Group on midtown Manhattan indicated that trophy office buildings had superior occupancy performance in nine of the last 10 years, including a current vacancy rate that is about 500 basis points lower than the non-trophy office universe.

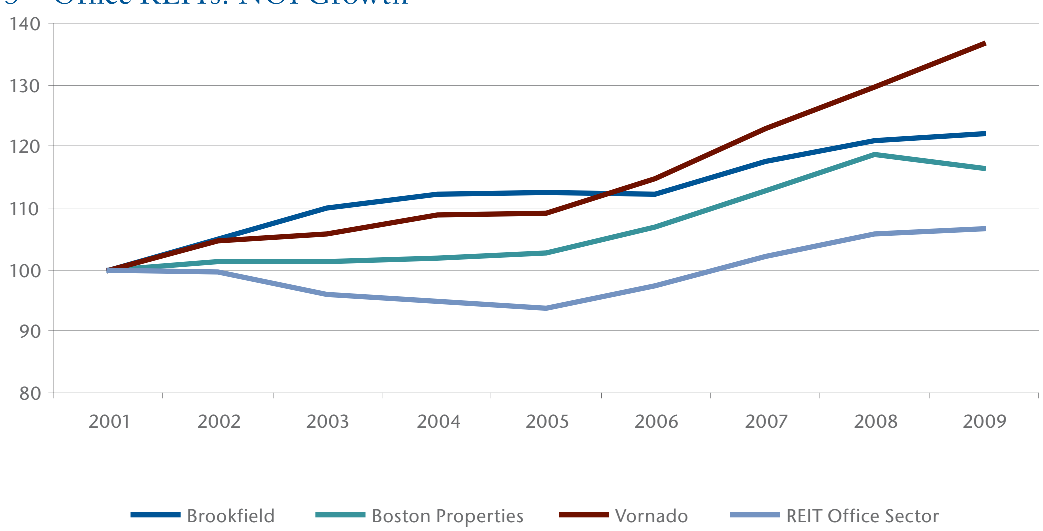
From a return standpoint, it is difficult on the private real estate front to obtain meaningful data as many of the trophy owners (including high net worth individuals and publicly traded REITs) are not data contributors to National Council of Real Estate Investment Fiduciaries (NCREIF) Index, the most widely followed U.S. private real estate benchmark. However, the public quadrant can provide some insight into the correlation between ownership of high quality office properties and total returns. In the office REIT sector, Boston Properties, Brookfield, and Vornado are considered the firms that have on average the highest quality properties. Exhibits 2 and 3 compare stock price performance and income growth of these companies to the broader REIT office sector. Both charts suggest that quality of assets has had a favorable influence on stock prices and income growth.

Exhibit 2 – Office REITs: Relative Stock prices



Source: Factset, May 2010

Exhibit 3 – Office REITs: NOI Growth



Source: Greenstreet, January 2010

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Based on the previous data, an argument can proffered that trophy buildings do tend to outperform the overall office market. If so, what are some of the factors that may explain this?

First, the trophy subset typically attracts the more creditworthy tenants. This is particularly true of the legal sector. Of those law firms that occupy trophy office buildings in Washington, DC, the vast majority are ranked in the top 75 in the country[3]. Accordingly, the trophy subset may be less prone to negative absorption due to reduced bankruptcy or other credit risk. To further this premise, a recent study by Property and Portfolio Research (PPR) and Costar reveals the average sizes of tenants in Class “A” buildings is over twice that of the “B” and “C” counterparts. This suggests that lower quality office buildings may possess greater vulnerability to smaller, often less credit worthy tenants that pose enhanced event risk. Additional studies by PPR show a linear correlation between tenant size and lease duration. Accordingly, trophy buildings with larger tenants likely have longer leases, resulting in less interruption of income.

Secondly, trophy buildings are generally owned by well capitalized landlords, especially in the Washington, D.C. and New York markets. In reviewing the list of trophy properties in these markets, most are owned by publicly traded REITs, wealthy private families and pension funds. These owners generally have the financial wherewithal to spend money on tenant procurements and thus offer increased certainty of landlord performance to a prospective tenant.

Thirdly, occupancy in a trophy building can serve as a valuable recruiting tool. In New York and Washington, D.C., law firms and financial services collectively represent a very large subset of the overall market (37% in D.C., and 48% in New York)[4]. To recruit a coveted legal or investment banking candidate who will spend extensive hours at their office, a firm needs to offer facilities that are of the highest caliber to enhance its capture rate. Recruitment also applies to clients. When a company is seeking top tier clients, a distinctive building with an impressive view can be a valuable part of the marketing process.

Lastly, there is a relative scarcity factor that helps trophy office buildings. In both New York and Washington, D.C., less than 2% of the total number of office buildings is considered a trophy. Therefore, the supply and demand pendulum often favors the trophy owners. Given the limited supply, it is neither easy nor inexpensive for investors to acquire trophy properties. However, the occupancy, rent growth and share performance benefits over time have historically seemed to reward owners of trophy office property.

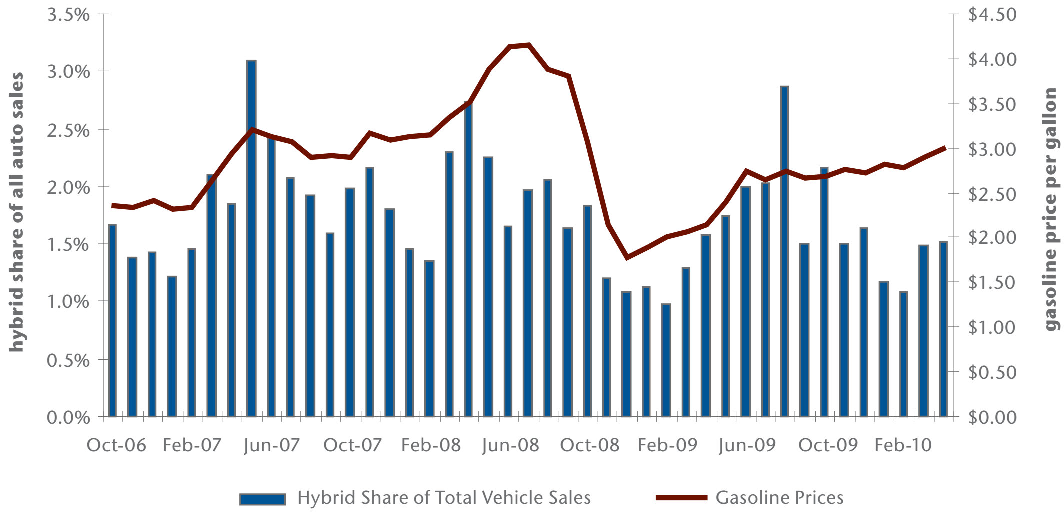
Plugged In

With the Obama administration recently mandating for the first time ever minimum fuel mileage standards for medium and heavy duty trucks and buses (beginning in 2014) and revising upwards existing fuel standards for automobiles and light duty trucks (starting in 2017), is the stage being set for the breakthrough of green vehicles across the spectrum of motor transportation? If so, it still has a considerable way to go.

Despite elevated gasoline prices, sales of hybrid cars have yet to take off in either absolute or relative terms. Consistent with the general malaise in the automotive industry, hybrid car sales in the United States reached only 290,000 in 2009 after peaking at 352,000 in 2007. And while the market share of hybrid cars has doubled since 2004, reaching 2.7% in 2009 as shown in Exhibit 4, it has been a very uneven road with hybrid market share generally in decline for much of the past year.

[3] Source: American Lawyer, Q1 2010
[4] Source: Cassidy Turley, CB Richard Ellis, May 2010

Exhibit 4 – Hybrid Share of Total U.S. Vehicle Sales and Gasoline Prices



Sources: Hybridcars.com, Bureau of Economic Analysis, Moody's Economy.com, April 2010

While the correlation between gasoline prices and hybrid vehicle market share has been a positive 0.5 over the four year period 2006 - 2009, that correlation has turned negative over the past year as a series of events knocked the trajectory of green vehicle sales off track despite gradually rising energy prices. The primary factors were the Cash for Clunkers program which initially spurred sales, but ultimately caused a depletion of the inventory of hybrid automobiles (thus taking market share from future sales periods). In addition, Toyota's well publicized problems hurt overall hybrid car sales, given that the Prius model has historically accounted for approximately half of the total hybrid sales in the United States.

Further, prospective buyers looking for a hybrid vehicle currently face a fairly narrow array of offerings to select from. At the end of 2009, there were only 24 models available in hybrid form, although that will gradually change over as more manufacturers roll out non-traditionally powered vehicles. For example, both Nissan and General Motors are banking on electrical vehicles (the Leaf and Volt, respectively) to be a significant catalyst for stronger sales revenue growth.

Others are not sure electric cars will really take off, given the high cost of not only the vehicle itself but also its special charging base, as well as limited range between charges and inadequate national re-charging infrastructure. Manufacturers of electrical vehicles have estimated that over a five year period the ownership costs of such vehicles will be lower than that of hybrid vehicles. But until the manufacturing costs of electrical vehicles comes down significantly through increased economies of scale, that advantage appears to be largely due to a significant federal tax subsidy (of up to $7,500) on the first 200,000 electrical plug-in vehicles purchased. Perhaps it is just another small example of the invisible hand of the markets being brushed aside by the visible hand of government intervention into ever more areas, in turn adding to a rapidly expanding budget deficit.

Robert F. Baur, Ph.D. – Bob is a managing director and chief global economist for Principal Global Investors. In this capacity, he establishes and directs global economic policy and strategy, oversees and conducts macroeconomic and quantitative research, forecasts economic trends and anticipates market movements, and advises the investment staff in making economically sound investment decisions. Bob also serves as chair of the firm's Economic Resource Group. He joined The Principal in 1995, and prior to assuming his current role, oversaw equity, fixed income and currency trading. Bob received a Ph.D. in economics and a bachelor's degree in mathematics from Iowa State University. Bob also completed post-doctoral study in finance and economics at the University of Minnesota.

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Global Stock Markets

	Friday Close	Low	High	Week	QTD	12 Month
		12 Month			Percentage Change	
U.S. Dow Jones Industrials	10,137	8,147	11,205	-0.56%	-6.63%	19.25%
U.S. S&P 500	1,089	879	1,217	0.16%	-6.84%	18.52%
U.S. S&P 400 Midcap	763	547	850	1.71%	-3.44%	32.53%
U.S. S&P 600 Smallcap	353	256	395	1.08%	-1.94%	33.38%
NASDAQ Composite Index	2,257	1,746	2,530	1.26%	-5.88%	27.21%
London FTSE 100	5,188	4,127	5,825	2.48%	-8.65%	17.44%
Germany DAX	5,946	4,573	6,332	2.01%	-3.37%	15.63%
Canada TSX	11,671	9,653	12,281	1.30%	-3.04%	10.07%
Japan Nikkei 225	9,763	9,050	11,339	-0.22%	-11.97%	0.88%
Hong Kong Hang Seng	19,767	17,255	22,944	-1.88%	-6.93%	4.65%
South Korea KOSPI	1,623	1,361	1,752	-4.30%	-4.14%	14.68%
India Sensex 30	16,863	13,400	17,970	2.54%	-3.79%	13.63%
China Shanghai Composite	2,656	2,556	3,471	2.80%	-14.58%	-2.41%
Brazil Bovespa	61,947	48,873	71,785	2.80%	-11.97%	13.69%
MSCI EAFE	1,367	1,252	1,642	0.90%	-13.71%	1.38%

Global Interest Rates

	Central Bank Official Rank	3 Month	2 Year	10 Year	2-10 Spread
			Government Debt		
U.S.	0.25	0.15	0.77	3.29	2.52
UK	0.50	0.50	0.88	3.56	2.69
Eurozone	1.00	0.20	0.49	2.62	2.13
Japan	0.10	0.20	0.17	1.25	1.09
Australia	3.00	4.40	4.40	5.34	0.94
Canada	0.50	0.47	1.8[2]	3.32	1.52
Brazil	9.50	67.41	2.57	5.01	2.44
China	5.31[1]	1.20	2.15	3.28	1.13

[1]China one-year best lending rate; [2]Brazil generic government three-year bond (USD)

U.S. Credit Spreads (in basis points)

	Friday	1 Week	1 Month	12 Month
Investment Grade	187	179	143	325
High Yield	679	692	548	941
CMBS	306	282	239	803

Exchange Rates (to USD)

	Friday	1 Week	1 Month	12 Month
European euro	1.227	1.235	1.320	1.416
Chinese renminbi	6.831	6.831	6.825	6.827
Japanese yen	91.060	90.230	94.530	96.600
Brazilian real	1.818	1.845	1.727	1.952
Canadian dollar	1.055	1.068	1.011	1.093
Australian dollar	0.848	0.828	0.926	0.810

Sources: Bloomberg, Barclays Capital Live

Economic Releases

U.S.	Date	For Period	Actual	Prior
Existing Home Sales MoM	5/24/10	Apr	7.60%	6.80%
Durable Goods Orders	5/26/10	Apr	2.90%	-1.30%
GDP QoQ Annualized	5/27/10	1Q S	3.00%	3.20%
Personal Spending	5/28/10	Apr	0.00%	0.60%
Euro-Zone Industrial New Orders SA MoM	5/25/10	Mar	5.20%	1.50%
UK GDP QoQ	5/25/10	1Q P	0.30%	0.20%
Japan Retail Trades MoM SA	5/27/10	Apr	0.50%	0.80%
Australia Westpac Leading Index MoM	5/25/10	Mar	0.90%	0.50%

Sources: Bloomberg, Barclays Capital Live

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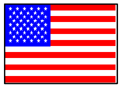
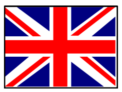
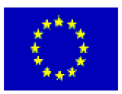
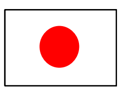
CHICAGO 312-541-0250, DES MOINES 800-533-1390, HONG KONG 852-2596-7882, KUALA LUMPUR 603-2084-2000, LONDON 44-20-7710-0220
MUNICH 49-89-2421-8155, NEW YORK 212-603-3600, SINGAPORE 65-6332-0683, SYDNEY 612-8226-9000, TOKYO 81-3-3519-7880

TABLE II: Global Economic Trends

			Real GDP	CPI	Unemploy. Rate	Benchmark Rate (EOP)	10 yr. Rate (EOP)
	US:	2006	2.7%	3.2%	4.6%	5.25%	4.70%
		2007	2.1%	2.9%	4.6%	4.25%	4.02%
		2008	0.4%	3.9%	5.8%	0.13%	2.21%
		2009	-2.4%	-0.4%	9.9%	0.13%	3.84%
		2010F	3.2%	1.7%	9.6%	0.50%	4.00%
		2011F	3.3%	1.5%	8.5%	1.50%	4.50%
	Canada:	2006	2.9%	2.0%	6.3%	4.25%	4.09%
		2007	2.5%	2.1%	6.0%	4.25%	3.99%
		2008	0.7%	2.4%	6.2%	1.50%	2.88%
		2009	-2.5%	0.3%	8.3%	0.25%	3.61%
		2010F	3.7%	2.0%	8.0%	1.00%	4.00%
		2011F	3.5%	2.5%	7.5%	2.00%	4.50%
	UK:	2006	2.8%	2.3%	5.4%	5.00%	4.73%
		2007	3.0%	2.3%	5.4%	5.50%	4.54%
		2008	0.7%	3.6%	5.7%	2.00%	3.25%
		2009	-4.7%	2.0%	7.5%	0.50%	4.01%
		2010F	1.5%	3.0%	8.1%	0.50%	4.00%
		2011F	2.5%	2.5%	7.8%	1.50%	4.25%
	Euroland:	2006	3.1%	2.2%	8.3%	3.50%	3.92%
		2007	2.7%	2.1%	7.5%	4.00%	4.33%
		2008	0.7%	3.3%	7.6%	2.50%	2.95%
		2009	-4.0%	0.3%	9.4%	1.00%	3.38%
		2010F	1.0%	1.5%	9.8%	1.00%	3.25%
		2011F	1.5%	1.0%	9.6%	1.56%	4.00%
	Japan:	2006	2.4%	0.3%	4.1%	0.25%	1.69%
		2007	2.4%	0.1%	3.9%	0.50%	1.51%
		2008	-0.6%	1.4%	4.3%	0.10%	1.17%
		2009	-5.0%	-1.3%	5.1%	0.10%	1.28%
		2010F	3.0%	-1.5%	4.5%	0.10%	1.40%
		2011F	2.5%	-0.5%	4.3%	0.10%	1.50%
	Australia:	2006	2.9%	3.6%	4.8%	6.25%	5.88%
		2007	4.0%	2.4%	4.4%	6.25%	6.34%
		2008	2.1%	4.4%	4.2%	4.25%	4.00%
		2009	0.9%	1.9%	5.6%	3.75%	5.64%
		2010F	3.5%	3.0%	5.0%	5.00%	6.00%
		2011F	3.5%	2.7%	4.8%	5.50%	6.25%

E - Estimate; F - Forecast

Source: Economic Intelligence Unit, International Monetary Fund, OECD & Sovereign Group

TABLE IV: EMPLOYMENT TRENDS

Labor Force (in thousands)

	2007 Average	%change*	2008 Average	%change*	2009 Average	%change*	2010 April	%change*	2010 Average (E)	%change*	2011 Average (E)	%change*
Civilian Labor Force	153,126	1.1%	154,329	-0.09%	154,206	-0.1%	154,715	-0.2%	155,180	0.6%	158,128	1.9%
Civilian Employment	146,050	1.1%	145,368	-3.8%	139,881	-3.8%	139,455	-1.0%	140,269	0.3%	144,758	3.2%
Total Unemployment	7,077	1.2%	8,961	37.4%	14,325	59.9%	15,260	10.4%	14,911	4.1%	13,371	-12.6%

* Year-over-year; (E) - Expected

Selected Unemployment Rates (%)
(Seasonally Adjusted)

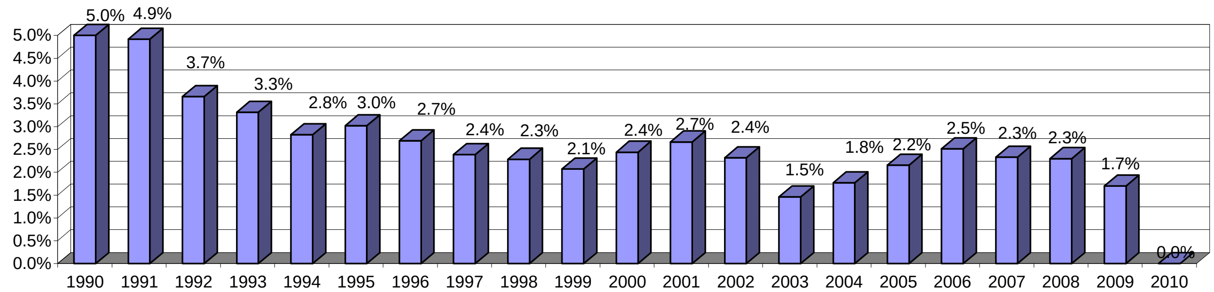
Total	All Workers	Adult Men	Adult Women	Teenagers (16 - 19)	Married Men Spouse Present	Unemployed (> 15 weeks)^
1970	5.0%	3.5%	4.8%	15.3%	2.6%	0.8%
1981	7.6%	6.3%	6.8%	19.6%	4.3%	2.1%
1982	9.7%	8.8%	8.3%	23.2%	6.5%	3.2%
1983	9.6%	8.9%	8.1%	22.4%	6.4%	3.7%
1984	7.5%	6.6%	6.8%	18.9%	4.6%	2.4%
1985	7.2%	6.2%	6.6%	18.6%	4.3%	2.0%
1986	7.0%	6.1%	6.2%	18.4%	4.4%	1.9%
1987	6.2%	5.4%	5.4%	16.9%	3.9%	1.7%
1988	5.5%	4.8%	4.9%	15.3%	3.2%	1.3%
1989	5.3%	4.5%	4.7%	15.0%	3.1%	1.1%
1990	5.6%	5.0%	4.9%	15.6%	3.4%	1.2%
1991	6.9%	6.4%	5.7%	18.7%	4.4%	1.9%
1992	7.5%	7.1%	6.3%	20.1%	5.1%	2.7%
1993	6.9%	6.4%	5.9%	19.1%	4.4%	2.4%
1994	6.1%	5.4%	5.4%	17.6%	3.7%	2.2%
1995	5.6%	4.8%	4.9%	17.3%	3.3%	1.8%
1996	5.4%	4.6%	4.8%	16.7%	3.0%	1.7%
1997	4.9%	4.2%	4.4%	16.0%	2.7%	1.5%
1998	4.5%	3.7%	4.1%	14.6%	2.3%	1.2%
1999	4.2%	3.5%	3.8%	13.9%	2.2%	1.1%
2000	4.0%	3.3%	3.6%	13.1%	2.0%	0.9%
2001	4.7%	4.2%	4.1%	14.7%	2.7%	1.2%
2002	5.8%	5.3%	5.1%	16.5%	3.6%	2.0%
2003	6.0%	5.7%	5.1%	17.4%	3.8%	2.3%
2004	5.5%	5.0%	4.8%	17.0%	3.1%	2.1%
2005	5.1%	4.4%	4.6%	16.5%	2.8%	1.5%
2006	4.6%	4.1%	4.1%	15.3%	2.4%	1.5%
2007	4.6%	4.1%	4.0%	15.7%	2.5%	1.5%
2008	5.8%	5.5%	4.9%	18.7%	3.4%	2.1%
2009	9.9%	9.6%	7.4%	24.1%	6.7%	4.7%
2010 (E)	9.6%					
Jan	9.7%	10.0%	7.9%	26.4%	6.6%	5.8%
Feb	9.7%	10.0%	8.0%	25.0%	6.8%	5.8%
Mar	9.7%	10.0%	8.0%	26.1%	6.7%	5.8%
Apr	9.9%	10.1%	8.2%	25.4%	6.6%	5.8%
2011 (E)	8.5%					

^ Calculated as a % of the Total Civilian Labor Force

Source: Historical - U.S. Dept. of Labor, Bureau of Labor Statistics (http://stats.bls.gov/news.release/empsit.toc.htm); Projections - Internal Forecasts.

TABLE V: CONSUMER PRICE INDEX

CORE CPI: ALL ITEMS LESS FOOD AND ENERGY



HISTORICAL CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS:

U.S. average, by commodity, service group and detailed expenditure catagories.

(Annual Average: 1982-84=100)

YR\INDEX	ALL ITEMS	% CHANGE*	MEDICAL CARE	% CHANGE*	ALL ITEMS LESS FOOD, ENERGY	% CHANGE*
1990	130.7	5.4%	162.8	9.1%	135.5	5.0%
1991	136.2	4.2%	177.0	8.7%	142.1	4.9%
1992	140.3	3.0%	190.1	7.4%	147.3	3.7%
1993	144.5	3.0%	201.4	6.0%	152.2	3.3%
1994	148.2	2.6%	211.0	4.8%	156.5	2.8%
1995	152.4	2.8%	220.5	4.5%	161.2	3.0%
1996	156.9	2.9%	228.3	3.5%	165.6	2.7%
1997	160.5	2.3%	234.6	2.8%	169.5	2.4%
1998	163.0	1.5%	242.1	3.2%	173.4	2.3%
1999	166.6	2.2%	250.6	3.5%	177.0	2.1%
2000	172.2	3.4%	260.8	4.1%	181.3	2.4%
2001	177.0	2.8%	272.8	4.6%	186.1	2.7%
2002	179.9	1.6%	285.6	4.7%	190.4	2.3%
2003	184.0	2.3%	297.1	4.0%	193.2	1.5%
2004	188.9	2.7%	310.1	4.4%	196.6	1.8%
2005	195.3	3.4%	323.3	4.2%	200.9	2.2%
2006	201.6	3.2%	336.2	4.0%	205.9	2.5%
2007	207.3	2.9%	351.1	4.4%	210.7	2.3%
2008	215.3	3.9%	364.1	3.7%	215.6	2.3%
2009	214.5	-0.4%	375.6	3.2%	219.2	1.7%
2010F	218.2	1.7%	386.9	3.0%	220.8	0.7%
Jan	216.69	2.6%	382.69	3.5%	220.09	1.6%
Feb	216.74	2.1%	385.91	3.6%	220.60	1.3%
Mar	217.63	2.3%	387.14	3.7%	221.06	1.1%
Apr	218.01	2.2%	387.70	3.6%	221.17	0.9%
2011F	221.4	1.5%	398.5	3.0%	222.3	0.7%

* Year-over-year

(P) Preliminary; (E) Estimated

Source: Historical Statistics - U.S. Dept. of Labor, Bureau of Labor Statistics (http://data.bls.gov/cgi-bin/surveymost?cu); Projections - Internal Forecasts.

Exhibit I

ECONOMIC FORECASTS FOR 2008-2009, BY QUARTER

A. **<u>Growth in Real GDP - Qtr-Qtr (% Change, Annualized) :</u>**

	1st QUARTER 08 Actual		2nd QUARTER 08 Actual		3rd QUARTER 08 Actual		4th QUARTER 08 Actual		2006 ACTUAL		2007 ACTUAL	
Real GDP	**13366.9**	**-0.7%**	**13415.3**	**1.5%**	**13324.6**	**-2.7%**	**13141.9**	**-5.4%**	**12,976.3**	**2.7%**	**13,254.1**	**2.1%**
Personal Consumption												
Expenditures	**9349.6**	**-0.6%**	**9351**	**0.1%**	**9267.7**	**-3.5%**	**9195.3**	**-3.1%**	**9,073.5**	**2.9%**	**9,314.0**	**2.7%**
Durable Goods	1193.2	-8.9%	1175.7	-5.7%	1139.6	-7.5%	1076.8	-20.3%	1,150.4	4.1%	1,200.0	4.3%
Non-Durables	2070.1	-3.0%	2081.4	2.2%	2051.5	-1.0%	2026.1	-4.9%	2,023.6	2.8%	2,074.8	2.5%
Services	6087.1	1.8%	6092.5	0.4%	6072.4	0.5%	6080.4	0.5%	5,899.7	2.7%	6,040.8	2.4%
Gross Private Domestic												
Invest.	**2082.9**	**-7.4%**	**2026.5**	**-10.4%**	**1990.7**	**-6.9%**	**1857.7**	**-24.2%**	**2,230.4**	**2.7%**	**2,146.2**	**-3.8%**
Bus. Fixed Invest.	1591.3	0.0%	1604.4	3.3%	1579.2	-6.1%	1496.1	-19.4%	1,453.9	7.9%	1,544.3	6.2%
Structures	476.8	6.7%	493.2	14.5%	493.1	-3.5%	484	-7.2%	384.1	9.2%	441.5	14.9%
Equipment	1111.9	-0.5%	1097.7	-5.0%	1071	-4.0%	993.7	-25.9%	1,069.6	7.4%	1,097.0	2.6%
Residential Invest.	483.2	-28.2%	462.9	-15.8%	443.3	-10.0%	415	-23.2%	718.2	-7.3%	585.0	-18.5%
Change in Inventory	0.6		-37.1		-29.7		-37.4		59.4	-	19.5	-
Net Exports	**-550.9**		**-476**		**-479.2**		**-470.9**		**-729.2**	**-**	**-647.7**	**-**
Exports	1623.4	-0.1%	1670.4	12.1%	1655.2	4.5%	1568	-19.5%	1,422.1	9.0%	1,546.2	8.7%
Imports	2174.3	-2.5%	2146.5	-5.0%	2134.4	-4.0%	2038.9	-16.7%	2,151.2	6.1%	2,193.8	2.0%
Gov't Purchases of												
Goods & Services	**2484.7**	**2.6%**	**2506.9**	**3.6%**	**2536.6**	**4.8%**	**2544**	**1.2%**	**2,402.1**	**1.4%**	**2,443.1**	**1.7%**
Federal	943.4	8.2%	961.3	7.8%	991.6	13.2%	1007.3	6.5%	894.9	2.1%	906.4	1.3%
National Defense	634.8	8.2%	645.6	7.0%	675.4	2.0%	681.7	3.8%	598.4	1.6%	611.5	2.2%
Non-Defense	308.6	8.0%	315.8	9.7%	315.9	1.5%	325.4	12.6%	296.6	3.2%	294.9	-0.6%
State & Local	1541.9	-0.5%	1546.6	1.2%	1547	1.0%	1539.3	-2.0%	1,507.2	0.9%	1,536.7	2.0%
Real Final Sales	13,366.3	-0.4%	13,453.5	2.6%	13,354.3	-2.9%	13,193.5	-4.7%	12,916.9	2.6%	13,234.6	2.5%
Real Domestic Final Sales	13,917.2	-0.8%	13,923.2	0.2%	13,828.0	-2.7%	13,654.9	-4.9%	13,646.1	2.5%	13,882.3	1.7%

	1st QUARTER 09 Actual		2nd QUARTER 09 Actual		3rd QUARTER 09 Actual		4th QUARTER 09 Actual		2008 ACTUAL		2009 ACTUAL	
Real GDP	**12925.4**	**-6.4%**	**12901.5**	**-0.7%**	**12,973.0**	**2.2%**	**13,149.5**	**5.6%**	**13,312.2**	**0.4%**	**12,987.4**	**-2.4%**
Personal Consumption												
Expenditures	**9209.2**	**0.6%**	**9189.0**	**-0.9%**	**9,252.6**	**2.8%**	**9,289.5**	**1.6%**	**9,290.9**	**-0.2%**	**9,235.1**	**-0.6%**
Durable Goods	1087.2	3.9%	1071.7	-5.6%	1,122.7	20.4%	1,123.7	0.4%	1,146.3	-4.5%	1,101.3	-3.9%
Non-Durables	2035.5	1.9%	2025.7	-1.9%	2,033.3	1.5%	2,053.4	4.0%	2,057.3	-0.8%	2,037.0	-1.0%
Services	6076	-0.3%	6078.8	0.2%	6,090.6	0.8%	6,105.9	1.0%	6,083.1	0.7%	6,087.8	0.1%
Gross Private Domestic												
Invest.	**1558.5**	**-50.5%**	**1456.7**	**-23.7%**	**1,474.4**	**4.9%**	**1,621.0**	**46.1%**	**1,989.5**	**-7.3%**	**1,527.7**	**-23.2%**
Bus. Fixed Invest.	1321.2	-39.2%	1288.4	-9.6%	1,269.0	-5.9%	1,285.5	5.3%	1,567.8	1.5%	1,291.0	-17.7%
Structures	419.4	-43.6%	400.0	-17.3%	380.2	-18.4%	361.7	-18.1%	486.8	10.3%	390.3	-19.8%
Equipment	887.5	-36.4%	876.5	-4.9%	879.8	1.5%	918.9	19.0%	1,068.6	-2.6%	890.7	-16.6%
Residential Invest.	367.9	-38.2%	344.4	-23.2%	359.6	18.9%	362.9	3.7%	451.1	-22.9%	358.7	-20.5%
Change in Inventory	-113.9	-	-160.2	-	-139.2	-	-19.7	-	-25.9	-	-108.3	-
Net Exports	**-386.5**	**-**	**-330.4**	**-**	**-357.4**	**-**	**-348.0**	**-**	**-494.3**	**-**	**-355.6**	**-**
Exports	1434.5	-29.9%	1419.5	-4.1%	1,478.8	17.8%	1,556.8	22.8%	1,629.3	5.4%	1,472.4	-9.6%
Imports	1821	-36.4%	1749.8	-14.7%	1,836.2	21.3%	1,904.8	15.8%	2,123.5	-3.2%	1,828.0	-13.9%
Gov't Purchases of												
Goods & Services	**2527.2**	**-2.6%**	**2568.6**	**6.7%**	**2,585.5**	**2.7%**	**2,576.9**	**-1.3%**	**2,518.1**	**3.1%**	**2,564.6**	**1.8%**
Federal	996.3	-4.3%	1023.5	11.4%	1,043.3	8.0%	1,043.4	0.0%	975.9	7.7%	1,026.6	5.2%
National Defense	672.8	-5.1%	695.2	14.0%	709.3	8.4%	702.8	-3.6%	659.4	7.8%	695.0	5.4%
Non-Defense	323.4	-2.4%	328.2	6.1%	333.8	7.0%	340.5	8.3%	316.4	7.3%	331.5	4.8%
State & Local	1533.3	-1.6%	1548	3.9%	1,545.5	-0.6%	1,537.0	-2.2%	1,543.7	0.5%	1,541.0	-0.2%
Real Final Sales	13,055.8	-4.1%	13,077.8	0.7%	13,127.2	1.5%	13,181.9	1.7%	13,341.9	0.8%	13,110.7	-1.7%
Real Domestic Final Sales	13,432.7	-6.4%	13,401.4	-0.9%	13,477.2	2.3%	13,524.1	1.4%	13,830.8	-0.4%	13,458.9	-2.7%

Source: Historical Statistics - U.S. Dept. of Commerce, Bureau of Economic Analysis (http://www.bea.gov/bea/dn1.htm), Projections - Internal Estimates.

Exhibit I

BASELINE ECONOMIC FORECASTS FOR 2010-2011, BY QUARTER

Baseline Forecasts

A. **Growth in Real GDP - Qtr-Qtr (% Change, Annualized) :**

	1st QUARTER 10 Forecast		2nd QUARTER 10 Forecast		3rd QUARTER 10 Forecast		4th QUARTER 10 Forecast		2008 ACTUAL		2009 ACTUAL	
Real GDP	**13,248.2**	**3.0%**	**13,354.3**	**3.2%**	**13,453.0**	**3.0%**	**13,547.2**	**2.8%**	**13,312.2**	**0.4%**	**12,987.4**	**-2.4%**
Personal Consumption Expenditures	**9,368.7**	**3.5%**	**9,424.7**	**2.4%**	**9,479.7**	**2.4%**	**9,535.4**	**2.4%**	**9,290.9**	**-0.2%**	**9,235.1**	**-0.6%**
Durable Goods	1,156.6	12.2%	1,179.1	8.0%	1,199.2	7.0%	1,208.1	3.0%	1,146.3	-4.5%	1,101.3	-3.9%
Non-Durables	2,073.5	4.0%	2,083.8	2.0%	2,094.1	2.0%	2,114.8	4.0%	2,057.3	-0.8%	2,037.0	-1.0%
Services	6,136.4	2.0%	6,166.9	2.0%	6,191.4	1.6%	6,217.5	1.7%	6,083.1	0.7%	6,087.8	0.1%
Gross Private Domestic Invest.	**1,677.7**	**14.7%**	**1,695.0**	**4.2%**	**1,728.2**	**8.1%**	**1,754.8**	**6.3%**	**1,989.5**	**-7.3%**	**1,527.7**	**-23.2%**
Bus. Fixed Invest.	**1,295.4**	**3.1%**	**1,297.9**	**0.8%**	**1,316.7**	**5.9%**	**1,338.8**	**6.9%**	1,567.8	1.5%	1,291.0	-17.7%
Structures	347.0	-15.3%	336.1	-12.0%	329.2	-8.0%	325.0	-5.0%	486.8	10.3%	390.3	-19.8%
Equipment	946.8	12.7%	971.8	11.0%	997.5	11.0%	1,023.9	11.0%	1,068.6	-2.6%	890.7	-16.6%
Residential Invest.	352.8	-10.7%	357.1	5.0%	361.5	5.0%	365.9	5.0%	451.1	-22.9%	358.7	-20.5%
Change in Inventory	33.9	-	40.0	-	50.0	-	50.0	-	-25.9	0.0%	-108.3	-
Net Exports	**-368.3**	**-**	**-362.6**	**-**	**-356.3**	**-**	**-347.0**	**-**	**-494.3**	0.0%	**-355.6**	-
Exports	1,584.1	7.2%	1,636.8	14.0%	1,691.4	14.0%	1,747.7	14.0%	1,629.3	5.4%	1,472.4	-9.6%
Imports	1,952.4	10.4%	1,999.5	10.0%	2,047.7	10.0%	2,094.7	9.5%	2,123.5	-3.2%	1,828.0	-13.9%
Gov't Purchases of Goods & Services	**2,564.4**	**-1.9%**	**2,567.4**	**0.5%**	**2,571.7**	**0.7%**	**2,574.3**	**0.4%**	**2,518.1**	**3.1%**	**2,564.6**	**1.8%**
Federal	1,046.5	1.2%	1,053.4	2.7%	1,057.7	1.7%	1,060.3	1.0%	975.9	7.7%	1,026.6	5.2%
National Defense	704.7	1.1%	708.2	2.0%	710.0	1.0%	710.0	0.0%	659.4	7.8%	695.0	5.4%
Non-Defense	341.8	1.5%	345.2	4.0%	347.7	3.0%	350.3	3.0%	316.4	7.3%	331.5	4.8%
State & Local	1,521.7	-3.9%	1,514.0	-2.0%	1,514.0	0.0%	1,514.0	0.0%	1,543.7	0.5%	1,541.0	-0.2%
Real Final Sales	13,226.7	1.4%	13,314.3	2.7%	13,403.0	2.7%	13,497.2	2.8%	13,341.9	0.8%	13,110.7	-1.7%
Real Domestic Final Sales	13,590.5	2.0%	13,676.9	2.6%	13,759.4	2.4%	13,844.2	2.5%	13,830.8	-0.4%	13,458.9	-2.7%
y/y	2.50%		3.51%		3.70%		3.02%					

	1st QUARTER 11 Forecast		2nd QUARTER 11 Forecast		3rd QUARTER 11 Forecast		4th QUARTER 11 Forecast		2010 FORECAST		2011 FORECAST	
Real GDP	**13,682.1**	**4.0%**	**13,790.1**	**3.2%**	**13,889.9**	**2.9%**	**13,985.1**	**2.8%**	**13,400.7**	**3.2%**	**13,836.8**	**3.3%**
Personal Consumption Expenditures	**9,584.1**	**2.1%**	**9,664.1**	**3.4%**	**9,718.9**	**2.3%**	**9,776.1**	**2.4%**	**9,452.1**	**2.4%**	**9,685.8**	**2.5%**
Durable Goods	1,222.9	5.0%	1,266.4	15.0%	1,281.9	5.0%	1,297.7	5.0%	1,185.7	7.7%	1,267.2	6.9%
Non-Durables	2,127.9	2.5%	2,141.0	2.5%	2,156.9	3.0%	2,170.3	2.5%	2,091.5	2.7%	2,149.0	2.7%
Services	6,248.4	2.0%	6,271.7	1.5%	6,295.1	1.5%	6,323.2	1.8%	6,178.0	1.5%	6,284.6	1.7%
Gross Private Domestic Invest.	**1,805.1**	**12.0%**	**1,826.0**	**4.7%**	**1,843.1**	**3.8%**	**1,852.9**	**2.1%**	**1,713.9**	**12.2%**	**1,831.8**	**6.9%**
Bus. Fixed Invest.	1,360.3	6.6%	1,382.2	6.6%	1,395.1	3.8%	1,400.4	1.5%	1,312.2	**1.6%**	1,384.5	5.5%
Structures	326.6	2.0%	330.6	5.0%	333.0	3.0%	333.0	0.0%	334.3	-14.4%	330.8	-1.0%
Equipment	1,043.8	8.0%	1,061.6	7.0%	1,072.0	4.0%	1,077.4	2.0%	985.0	10.6%	1,063.7	8.0%
Residential Invest.	374.8	10.0%	383.8	10.0%	393.1	10.0%	402.5	10.0%	359.3	0.2%	388.5	8.1%
Change in Inventory	70.0	-	60.0	-	55.0	-	50.0	-	43.5		58.8	-
Net Exports	**-327.5**	-	**-326.6**	-	**-307.0**	-	**-286.2**	-	**-358.6**	**0.8%**	**-311.9**	-
Exports	1,807.9	14.5%	1,870.1	14.5%	1,932.4	14.0%	1,996.7	14.0%	1,665.0	13.1%	1,901.8	14.2%
Imports	2,135.4	8.0%	2,196.7	12.0%	2,239.4	8.0%	2,282.9	8.0%	2,023.6	10.7%	2,213.6	9.4%
Gov't Purchases of Goods & Services	**2,580.6**	**1.0%**	**2,586.9**	**1.0%**	**2,595.1**	**1.3%**	**2,602.4**	**1.1%**	**2,569.5**	**0.2%**	**2,591.2**	**0.8%**
Federal	1,064.7	1.7%	1,069.1	1.7%	1,073.5	1.7%	1,077.0	1.3%	1,054.5	2.7%	1,071.1	1.6%
National Defense	712.6	1.5%	715.3	1.5%	717.9	1.5%	719.7	1.0%	708.2	1.9%	716.4	1.2%
Non-Defense	352.0	2.0%	353.8	2.0%	355.5	2.0%	357.3	2.0%	346.3	4.5%	354.7	2.4%
State & Local	1,515.9	0.5%	1,517.8	0.5%	1,521.6	1.0%	1,525.4	1.0%	1,516.0	-1.6%	1,520.2	0.3%
Real Final Sales	13,612.1	3.4%	13,730.1	3.5%	13,834.9	3.1%	13,935.1	2.9%	13,360.3	1.9%	13,778.0	3.1%
Real Domestic Final Sales	13,939.6	2.8%	14,056.7	3.4%	14,141.9	2.4%	14,221.3	2.3%	13,717.8	1.9%	14,089.9	2.7%
y/y	3.28%		3.26%		3.25%		3.23%					

Source: Historical Statistics - U.S. Dept. of Commerce, Bureau of Economic Analysis (http://www.bea.gov/bea/dn1.htm), Projections - Internal Estimates.