

Economic Highlights

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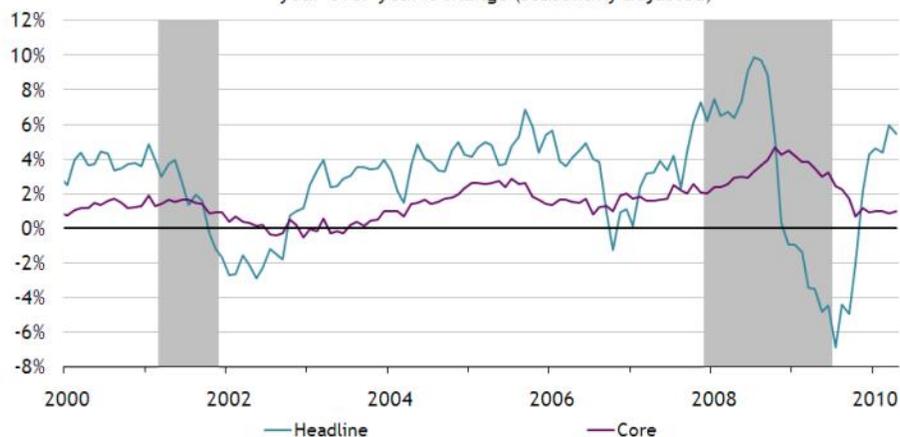
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Summary

Falling energy and food inflation caused finished goods' PPI to decline at a 1.3% annual rate in April. Core PPI accelerated.

Finished Goods Producer Price Index

year-over-year % change (seasonally adjusted)



Source: U.S. Bureau of Labor Statistics (through April)

*assumes recession ended in June 2009

- The headline producer price index (PPI) for finished goods fell 1.3% (annual rate) in April, after rising 8.4% in March. The decline can be attributed to a 9% decline in the energy index and a 1.9% decline in the food index. Headline PPI is up 5.4% year over year.
- Core (less food and energy) PPI for finished goods increased 2.8% (annual rate) in April, its sixth consecutive monthly increase. The gain was led by a 4.8% gain in the passenger cars index. The index for finished core PPI is up 1% year over year.
- Energy prices posted a 51.9% (annual rate) decline in the crude goods category in April, while intermediate energy goods PPI notched up 0.7%.

Producer Price Index by Stage of Processing

	1-month*	3-month*	12-month*	2008**	2003-2008**
Finished	-1.3	0.0	5.4	-1.2	3.2
Less food & energy	2.8	1.4	1.0	4.5	2.5
Intermediate	9.7	5.7	8.5	-2.6	5.0
Less food & energy	13.5	11.3	5.6	2.9	4.8
Crude	-13.2	-6.2	28.9	-24.3	4.1
Less food & energy	59.9	44.2	49.7	-24.1	5.4

*Seasonally adjusted annualized rates of change in price indices for given period ending April 2010

**Seasonally adjusted annualized rates of change in price indices for given period

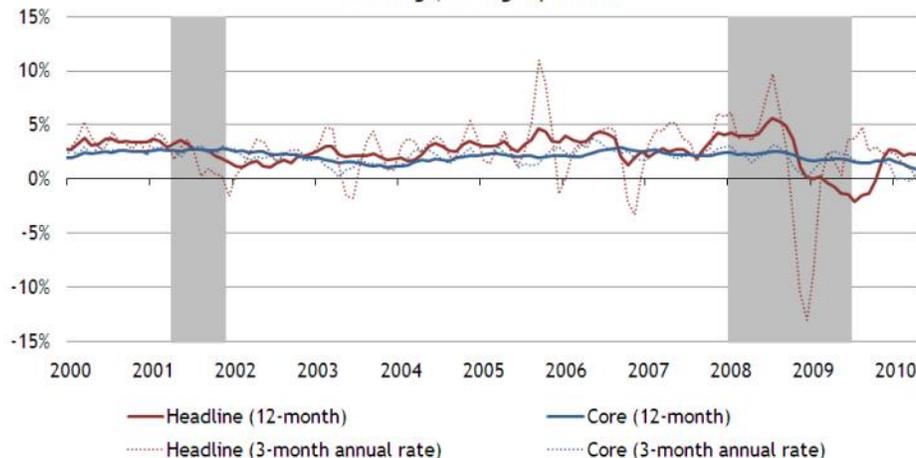
Source: U.S. Bureau of Labor Statistics

Summary

The headline CPI posted the first monthly decline in more than a year, with falling prices for energy, apparel, and household furnishings more than offsetting increasing costs for food, recreation, airline fares, and medical care.

Consumer Price Index

% change, through April 2010



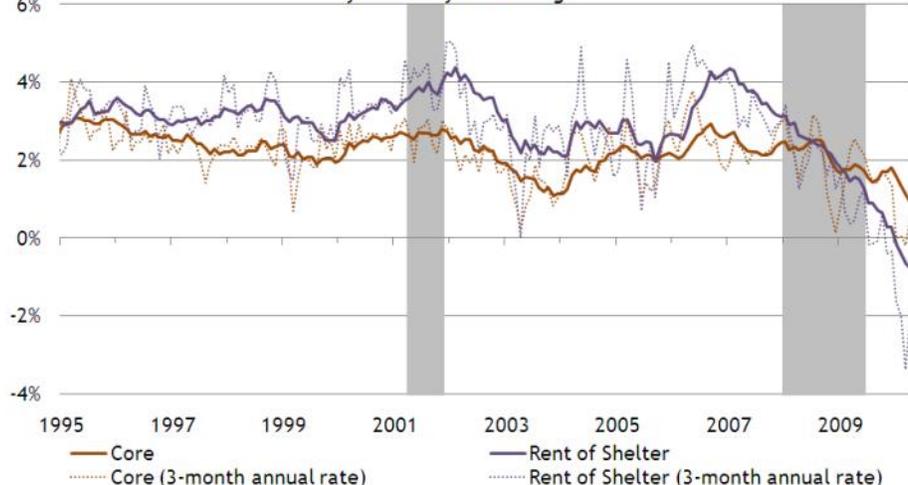
Source: U.S. Bureau of Labor Statistics

*assumes recession ended in June 2009

- **Headline inflation**, measured by the consumer price index (CPI), was **down 0.8% (annual rate) in April** from the previous month. A 25.2% decline in the gasoline index and a 5.8% decline in the index for natural gas accounted for the seasonally adjusted fall in the overall index. The index for food increased at a 2% annual rate in April. Headline CPI is 2.2% above year-ago levels (note that much of the year-over-year strength comes from a lower comparison level).
- The **core** (excluding food and energy) measure of **consumer prices increased 0.6%** (annual rate) from the month before, as increases in the indexes for recreation, airline fares, and medical care were offset by declines in indexes for apparel and household furnishings and operations.
- Year-over-year core CPI increased 0.9% in April, the smallest annual increase since January 1966, a result of historically soft core prices during the past 12 months.

CPI: Core and Rent of Shelter

year-over-year % change



Source: U.S. Bureau of Labor Statistics

*assumes recession ended in July 2009

- The **shelter** index—which makes up about a third of the overall CPI index—**inched up 0.2%** (annual rate) in April, following three consecutive months of declines. Year over year, shelter prices continue to trend downward.

Manufacturing

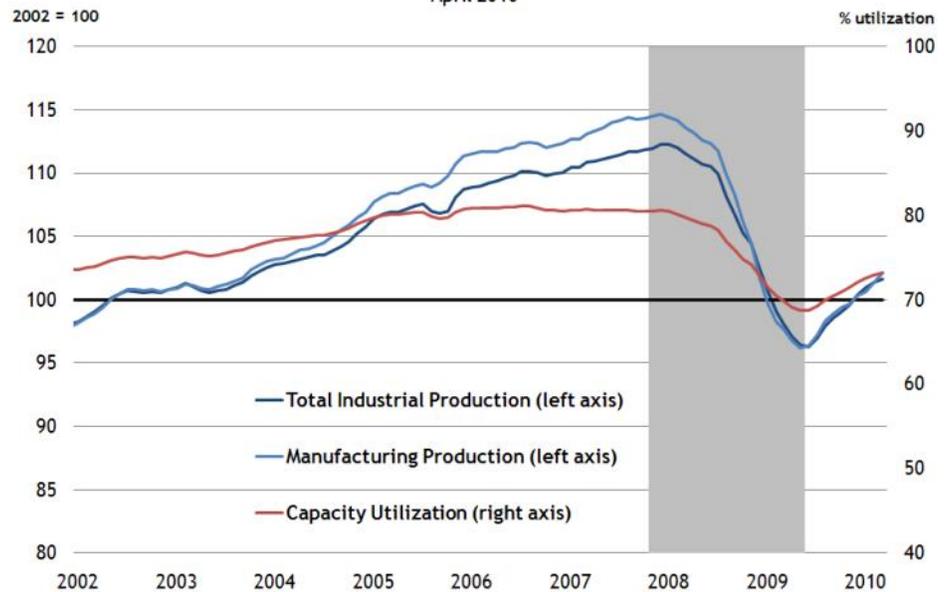
Summary

Industrial production rose 0.8% in April, a result of increases in the production of manufacturers and mines. The production of utilities was down again in April due to warmer-than-average temperatures.

Capacity utilization added 0.6 percentage points in April to reach 73.7% but is still 6.9 percentage points below its 1972-2009 average. In April, capacity utilization was 4.5 percentage points higher than its year-ago level.

The production of business equipment gained 1.2 percentage points in April. The measure has been increasing for six months.

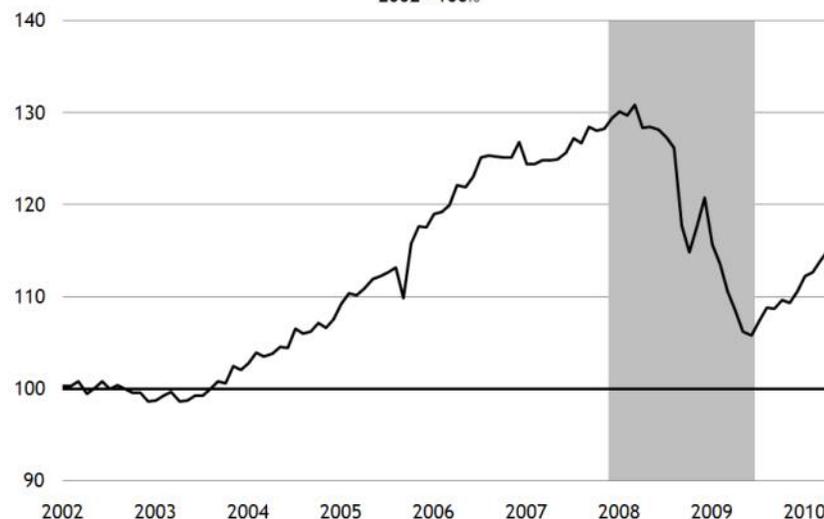
Industrial Production and Capacity Utilization, 3mma, SA
April 2010



Source: Federal Reserve Board

- Total industrial production (IP) rose 0.8% in April, following a 0.2% increase in March. In April, IP was 5.3% above its year-ago level.
- Manufacturing production, IP's largest component, gained 1 percent in April, the same amount of gain as in March. The production index for durable goods increased 1.1 percent in April. All categories of durable goods production increased with the exception of motor vehicles and parts, aerospace, and miscellaneous transportation equipment. Nonmetallic mineral products (+2.8%), machinery (+2.3%), and primary metals (+2.1%) led the gain in the production of durable goods.
- The production of nondurable goods was up 1% in April, largely a result of gains in the output of petroleum and coal (+3.6%), plastics and rubber products (+2.7%), and paper (+2.4%).
- Mining production advanced 1.4% in April, while the production of utilities dropped 1.3% after a 6.1% drop in March.

Business Equipment Index
Industrial Production Report, April 2010
2002= 100%

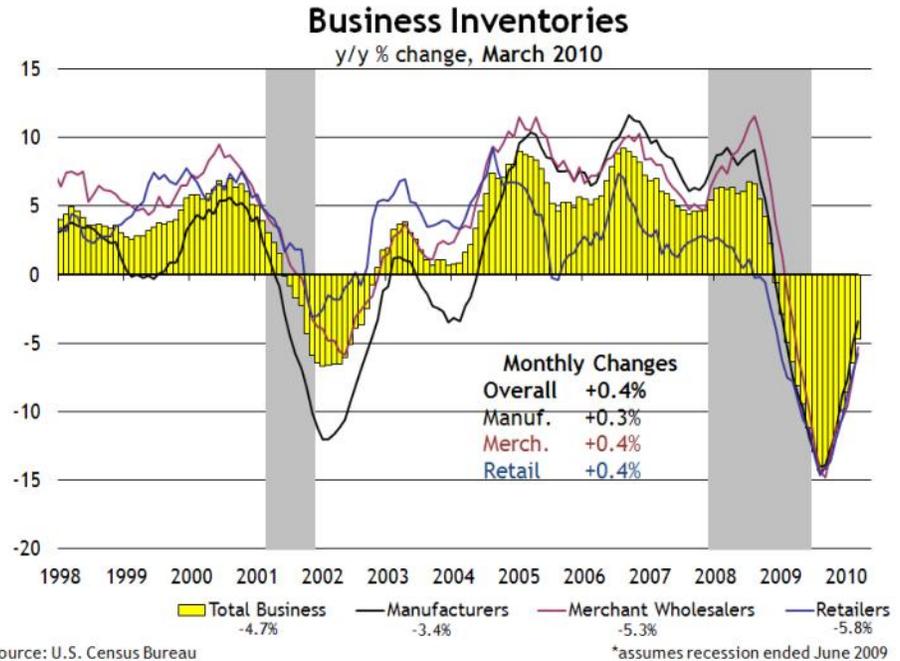


Source: Federal Reserve Board

Manufacturing

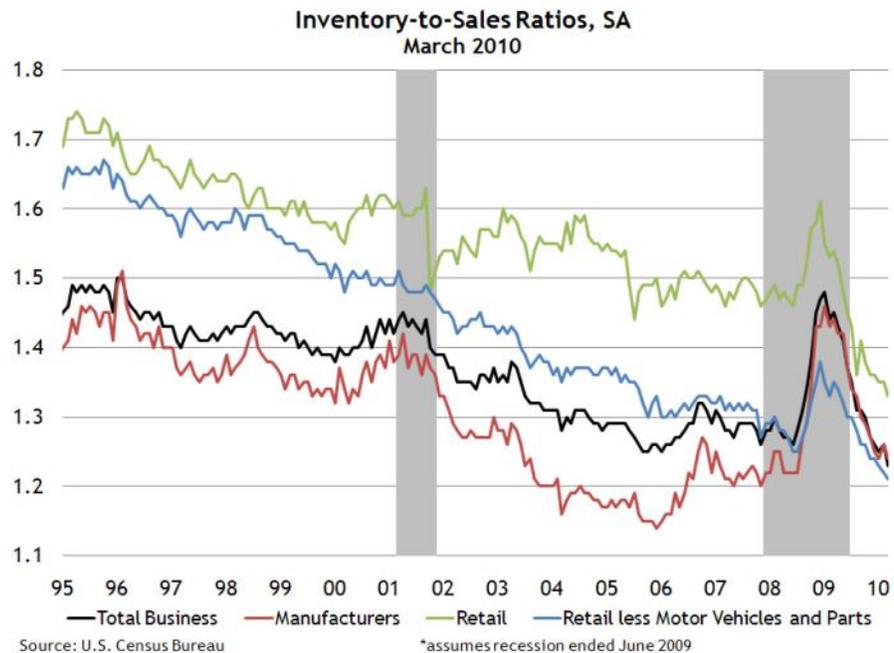
Summary

Business inventories gained 0.4% from February to March. All categories of inventories increased roughly at the same pace.



- Total business inventories added 0.4% in April.
- In April, inventories of manufacturers added 0.3%, while inventories of merchant wholesalers and retailers both grew by 0.4%. All categories of inventory are still below year-ago levels.

The total business inventory-to-sales ratio for April was 1.23. The April 2009 ratio was 1.46.



- In March, the inventory-to-sales (I/S) ratio was down from 1.26 to 1.23, down considerably from the March 2009 I/S ratio of 1.46.
- As sales increased faster than inventory growth, the I/S ratio for retail dropped to 1.33. Retail excluding motor vehicles and parts had an I/S ratio of 1.21. Manufacturers' I/S ratio also declined in April to reach 1.24.

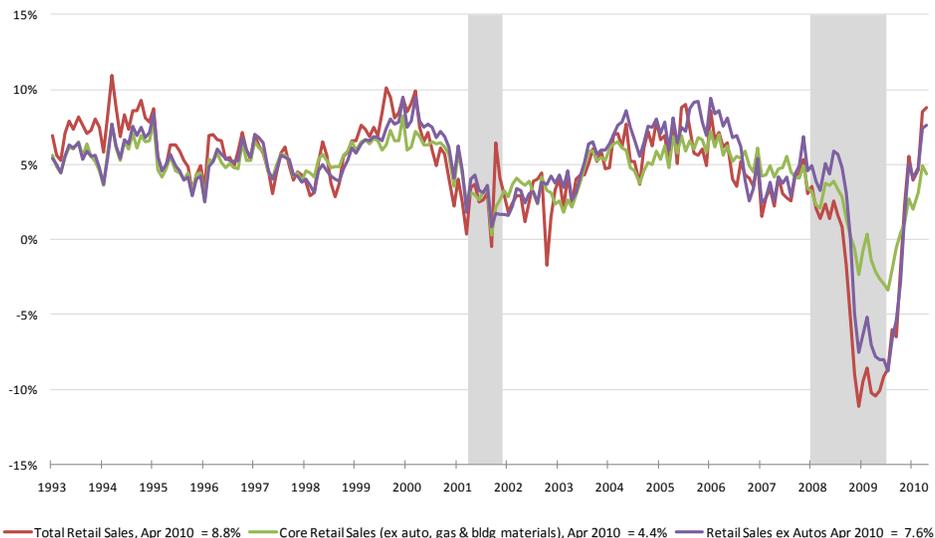
Consumer Spending

Summary

April retail sales were modest outside of building materials store sales, following three months of strong gains.

Despite the modest April retail sales, surveys of economists expect real personal consumption expenditures in the second quarter to grow about 3 percent which, is lower than 3.6 percent in the first quarter of the year, but near the average of the last expansion.

Retail Sales
Year-over-Year % Change



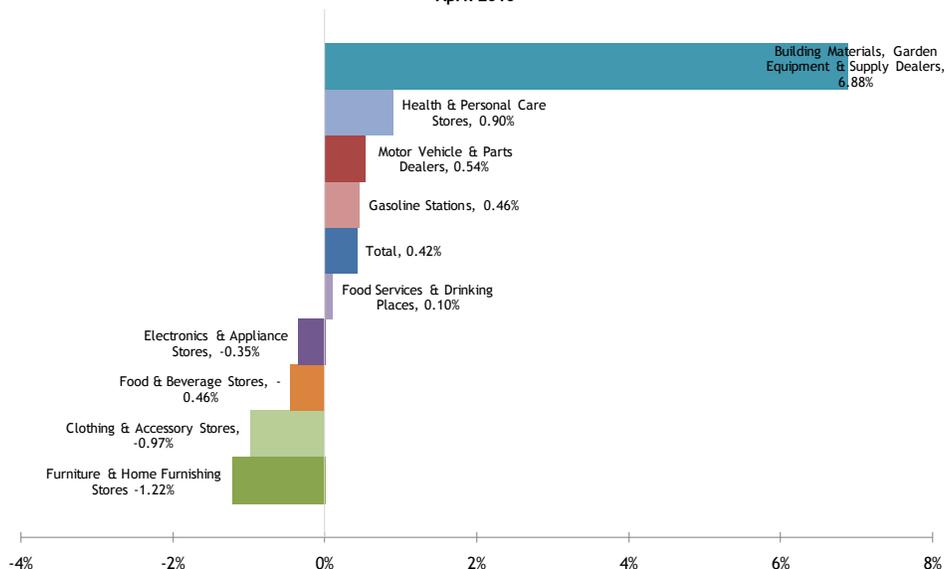
Source: U.S. Census Bureau

Assumes recession ended June 2009

- Retail sales posted modest gains in April, increasing 0.4 percent from March. Both February and March retail sales were revised up, to 0.6 percent and 2.1 percent gains, respectively. On a year-over-year basis, total retail sales were up 8.8 percent in April.
- From March to April, core retail sales (total excluding gas, automobiles, and building supplies) declined 0.2 percent; this small decline followed three straight sizable gains. On a year-over-year basis, core retail sales were up 4.4 percent from April of 2009.
- The increase in retail sales over the month was led by building material and garden equipment stores, which increased 6.9 percent. Part of the surge is attributed to the sales of appliances, the result of an energy-efficient appliance rebate from the federal fiscal stimulus package.

U.S. Retail Sales Components

Month-to-Month Percent Change
April 2010



Source: U.S. Census Bureau

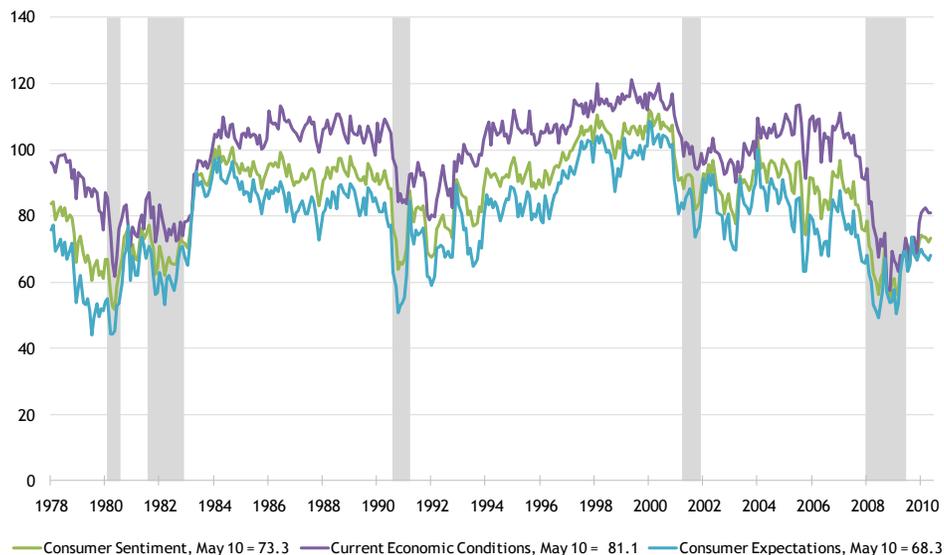
The increase in retail sales was boosted by sales at building material stores and garden equipment and supply stores.

Consumer Spending

Summary

Consumer Sentiment edged up in May, according to the University of Michigan's preliminary report.

Reuters/University of Michigan Consumer Sentiment Index
1966Q1= 100



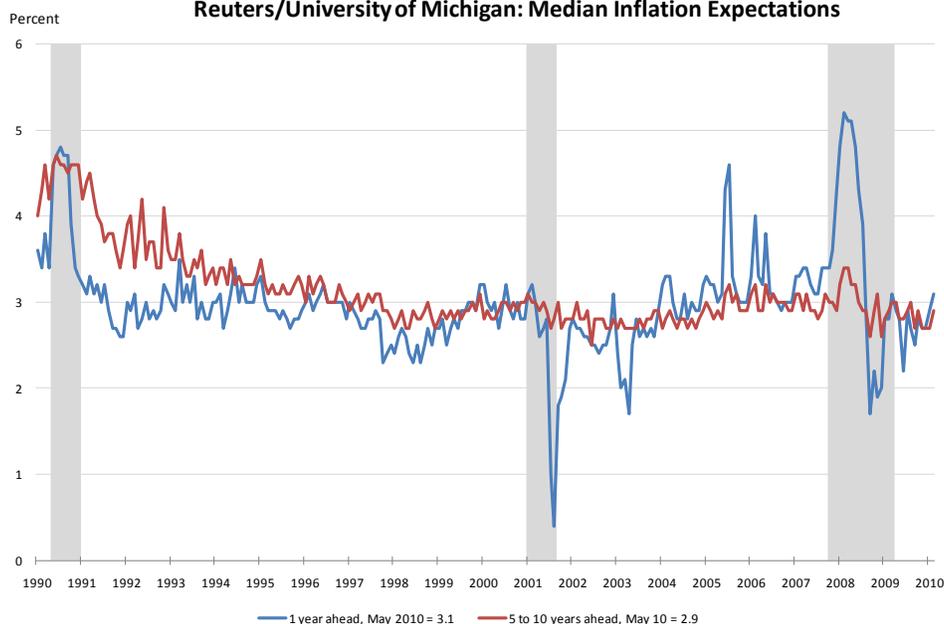
Source: Reuters/University of Michigan

Assumes recession ended June 2009

- The University of Michigan's consumer sentiment index increased 1.1 points in May to 73.3. Most of the increase stemmed from an increase in the future expectations component, which rose 2 points to 68.3. The current economic conditions component remained virtually unchanged since January at 81.1 points.
- The consumer sentiment index has been within a narrow range of the lows 70s since the beginning of the year, which is higher than the average level of 63 during the recession but still not as high as the last expansion, which averaged 90 points.
- Both the near and long term measures of the University of Michigan's inflation expectations rose in May. Median inflation expectations for five to 10 years ahead rose to 2.9 percent after remaining at 2.7 percent for the previous three months. Median one-year inflation expectations also rose, from 2.9 percent to 3.1 percent in May.

Both near-term and long-term inflation expectations rose in May.

Reuters/University of Michigan: Median Inflation Expectations

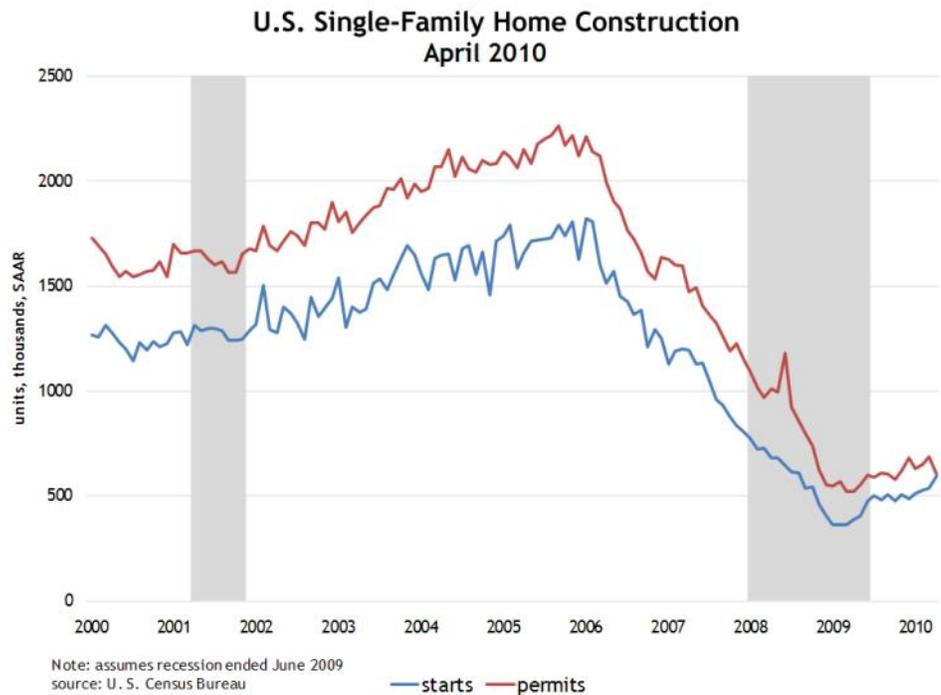


Source: Reuters/University of Michigan

Assumes recession ended June 2009

Summary

U.S. single-family home starts in April increased 10.2% from March. However, single-family permits fell 10.7% during the month.



April Permits, SAAR

Total	606k	-11.5% y/y	-11.5% m/m
Single-family	484k	-10.7% y/y	-10.7% m/m
Multifamily	122k	-4.7% y/y	-14.7% m/m

April Starts, SAAR

Total	672k	40.9% y/y	5.8% m/m
Single-family	593k	53.6% y/y	-10.2% m/m
Multifamily	79k	-13.2% y/y	-18.6% m/m

Source: U.S. Census Bureau