

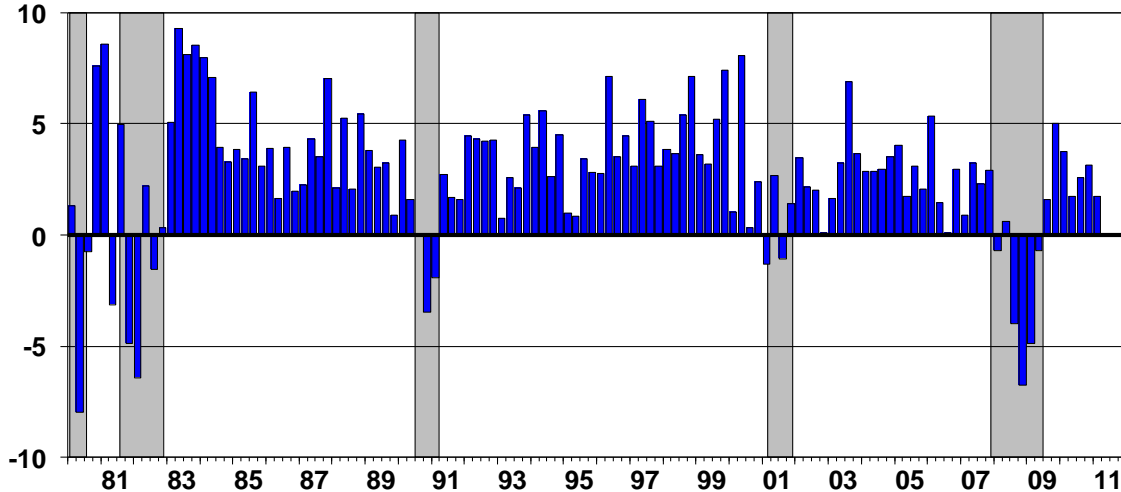
Real gross domestic product

United States



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Compound annual growth rate



Sources: Bureau of Economic Analysis, IHS Global Insight.

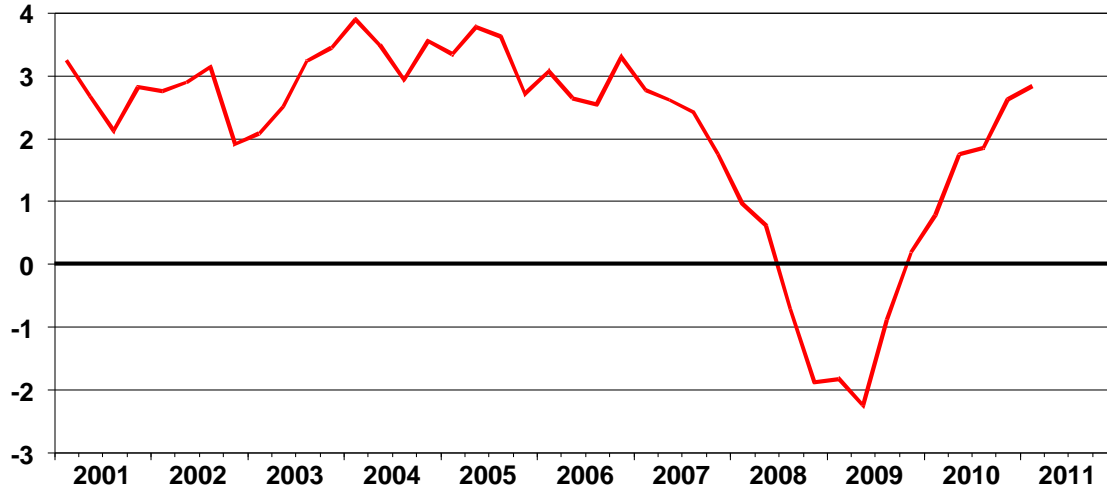
Consumer spending picks up

Real personal consumption expenditures



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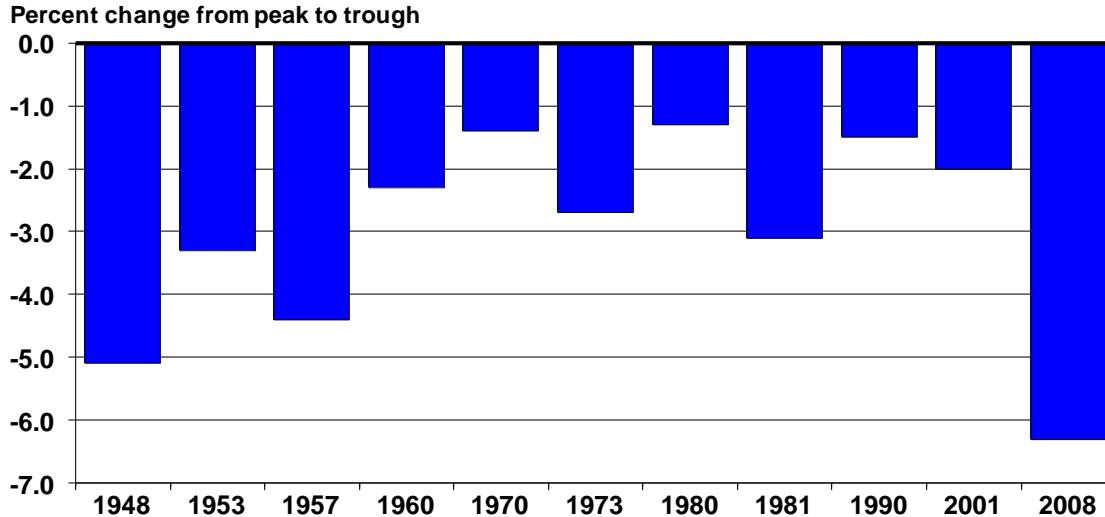
Percent change, year ago



Sources: Bureau of Economic Analysis, IHS Global Insight.

Job declines in postwar recessions

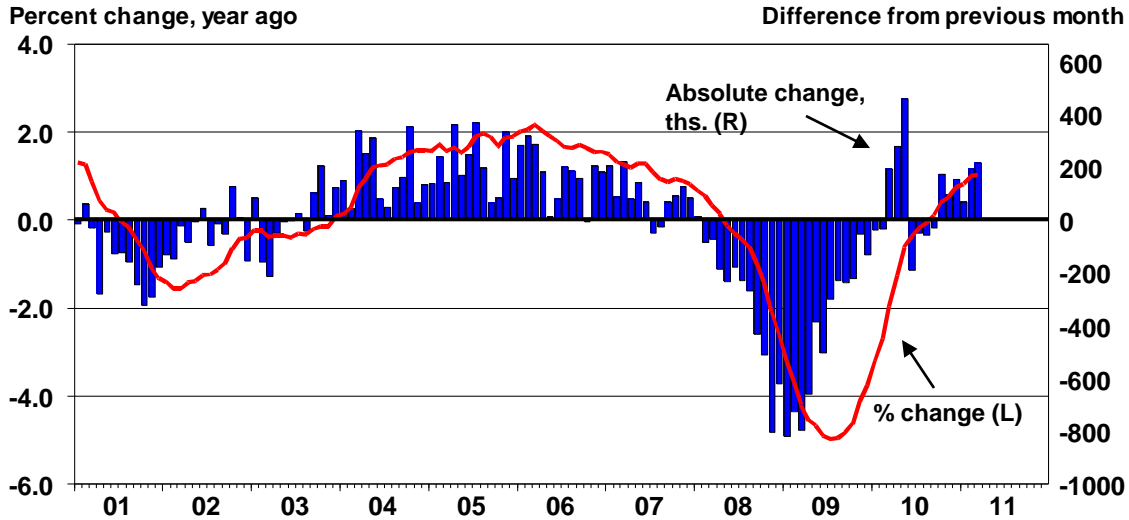
By year of employment peak



Sources: Bureau of Labor Statistics, IHS Global Insight.

Job market showing modest improvement

Non-farm employment, United States



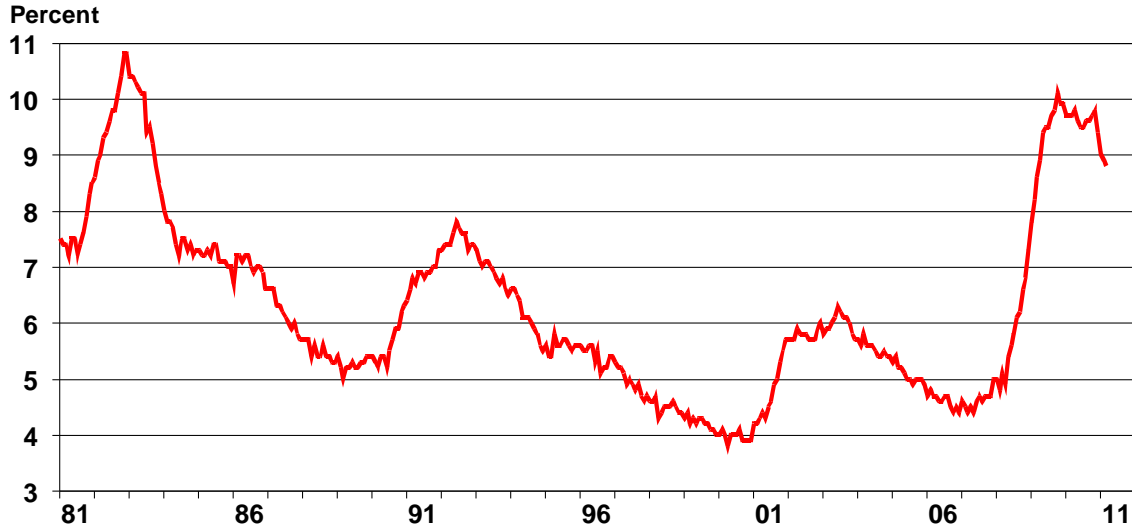
Sources: Bureau of Labor Statistics, IHS Global Insight.

Unemployment rate falls slightly

Civilian unemployment rate



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Sources: Bureau of Labor Statistics, IHS Global Insight.

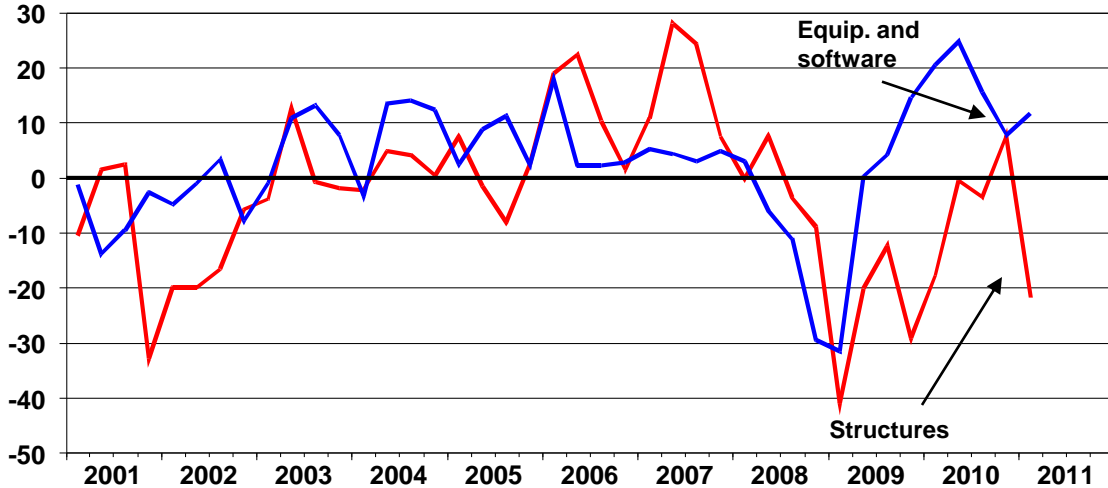
Business investment fuels recovery

Fixed nonresidential private domestic investment



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Compound annual growth rate



Sources: Bureau of Economic Analysis, IHS Global Insight.

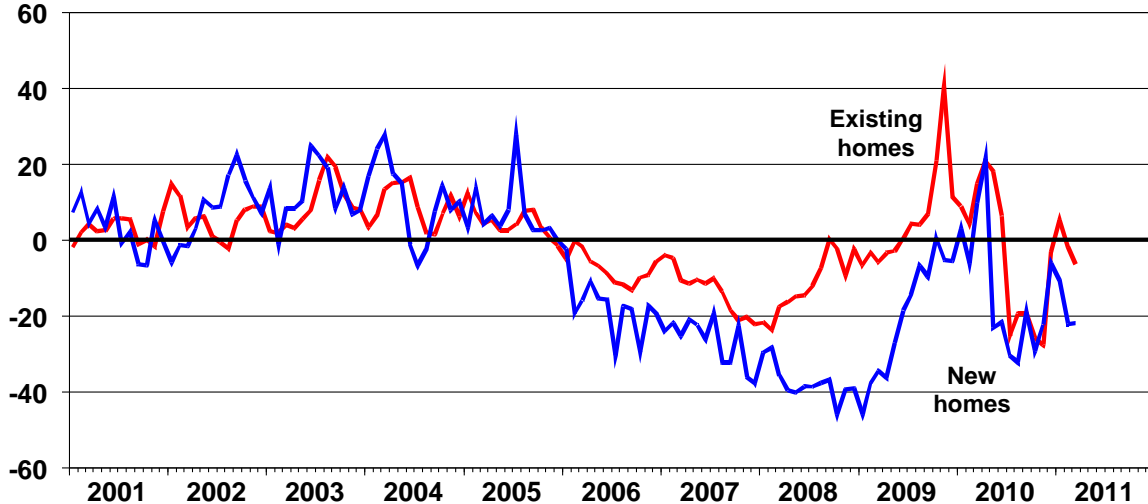
Median single-family home sales

United States



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Percent change, year ago



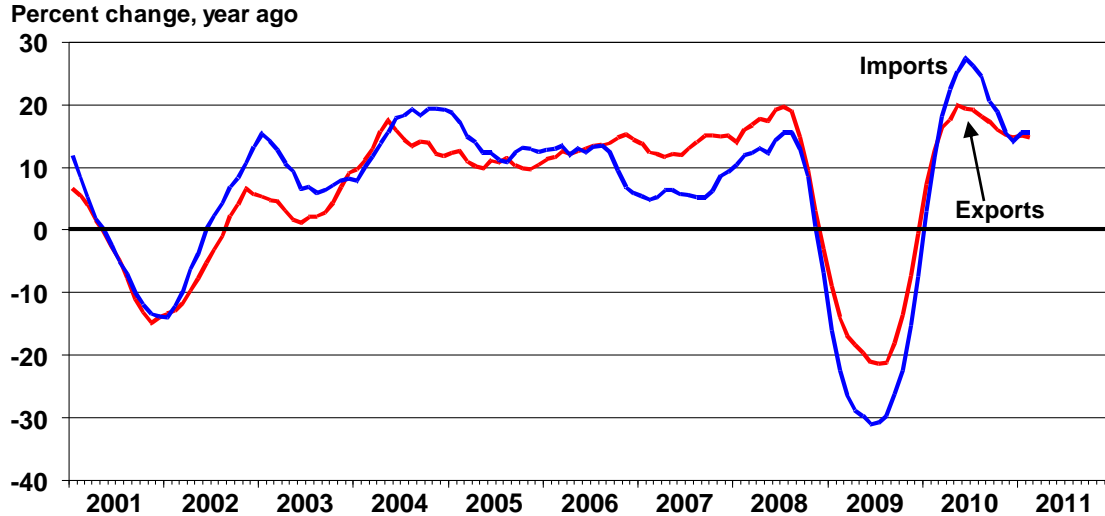
Sources: National Association of Realtors, Moody's Analytics.

U.S. international trade

Exports vs. Imports (goods and services)



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Sources: U.S. Census, IHS Global Insight.

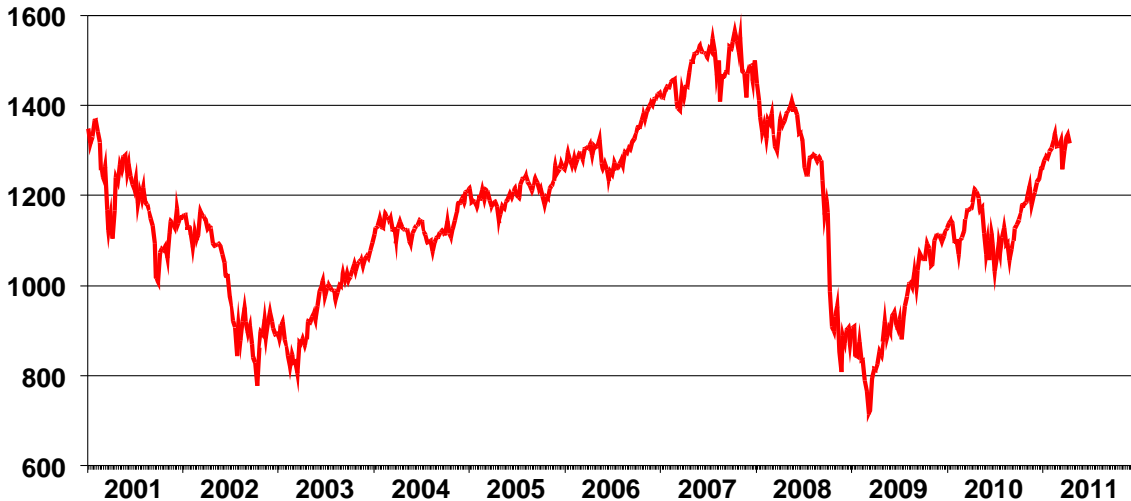
S&P 500 composite

Price index



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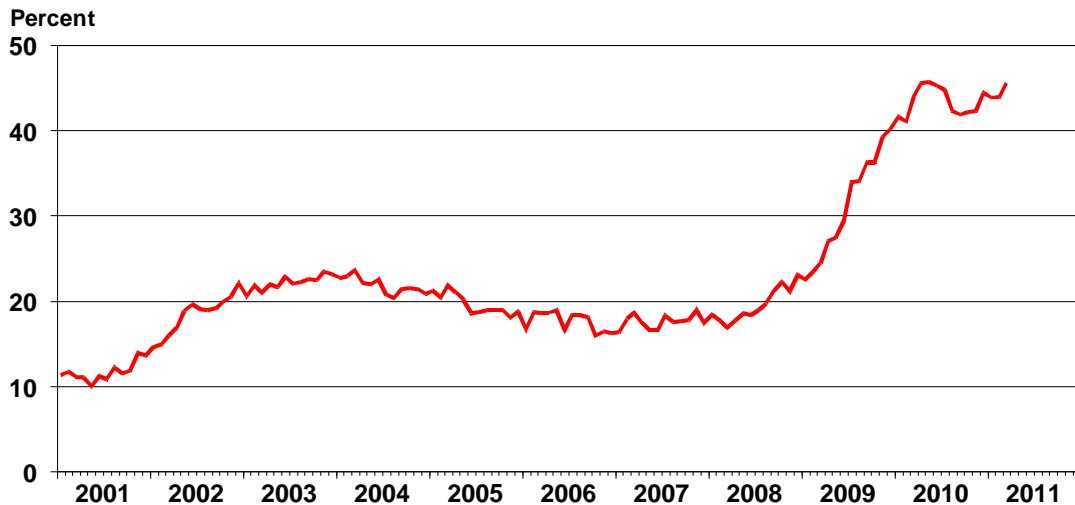
S&P 500 Index



Sources: S&P, IHS Global Insight.

Unemployed waiting longer for work

Percent of the unemployed who are out of work for 27 weeks or more



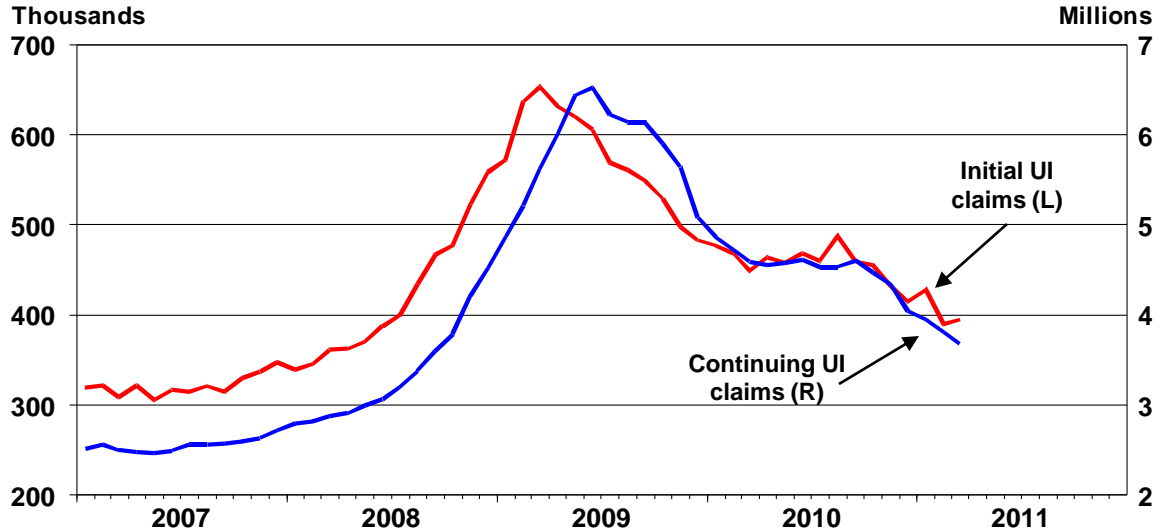
Sources: Bureau of Labor Statistics, Moody's Analytics.

Claims fall as hiring picks up

Average weekly unemployment insurance claims



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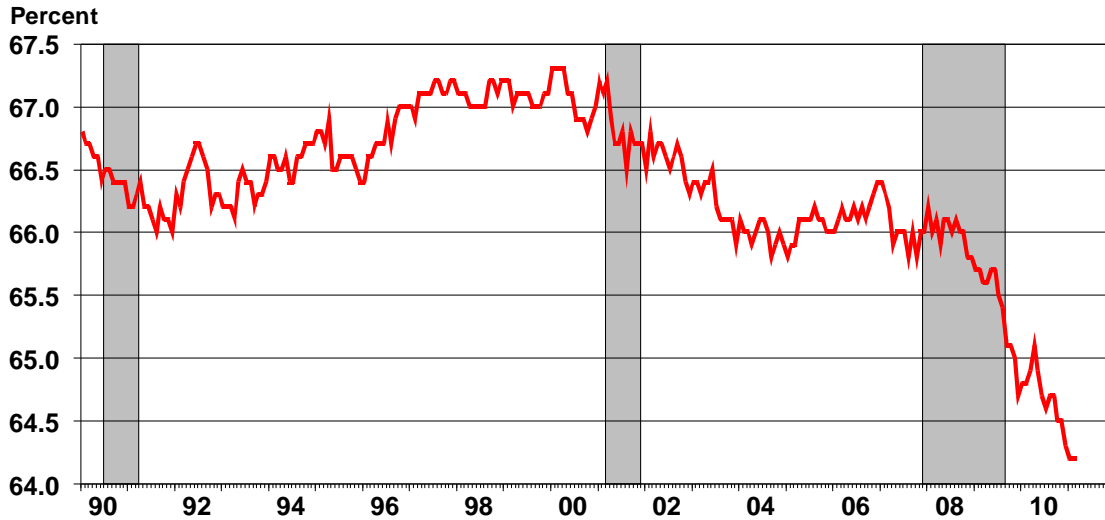
Sources: Bureau of Labor Statistics, Moody's Analytics.

Labor force participation rate

United States



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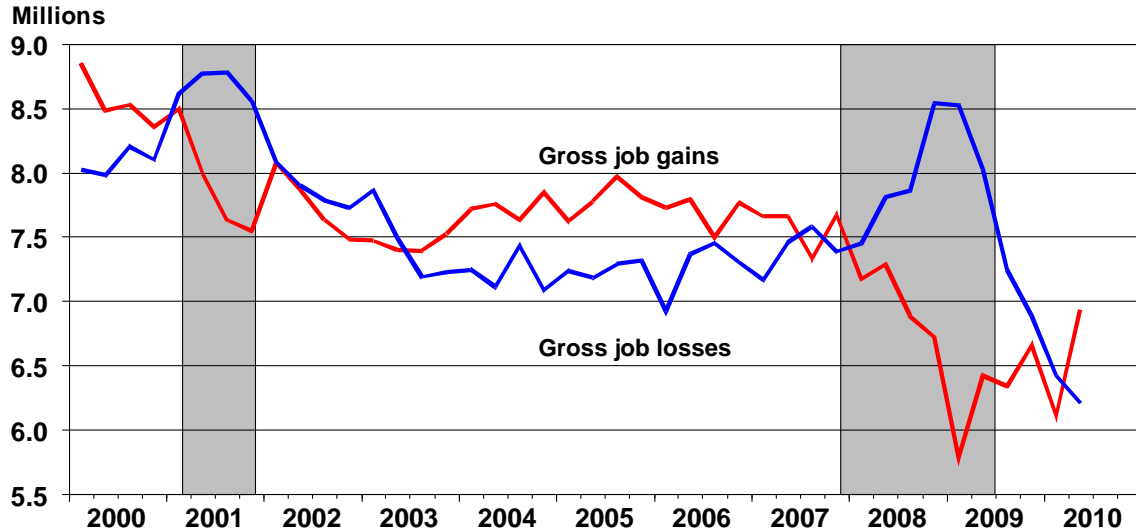


Sources: Bureau of Labor Statistics, Moody's Analytics.

2010 Q2 marked first positive net employment change since start of recent recession



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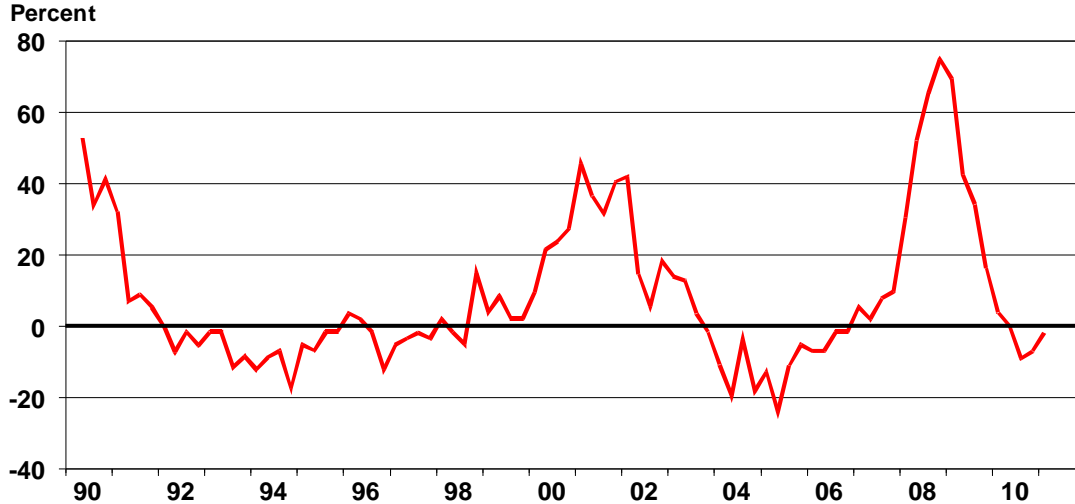
Sources: Bureau of Labor Statistics, Moody's Analytics.

Small businesses facing tight underwriting



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Net percent of lenders tightening C&I loans to small businesses



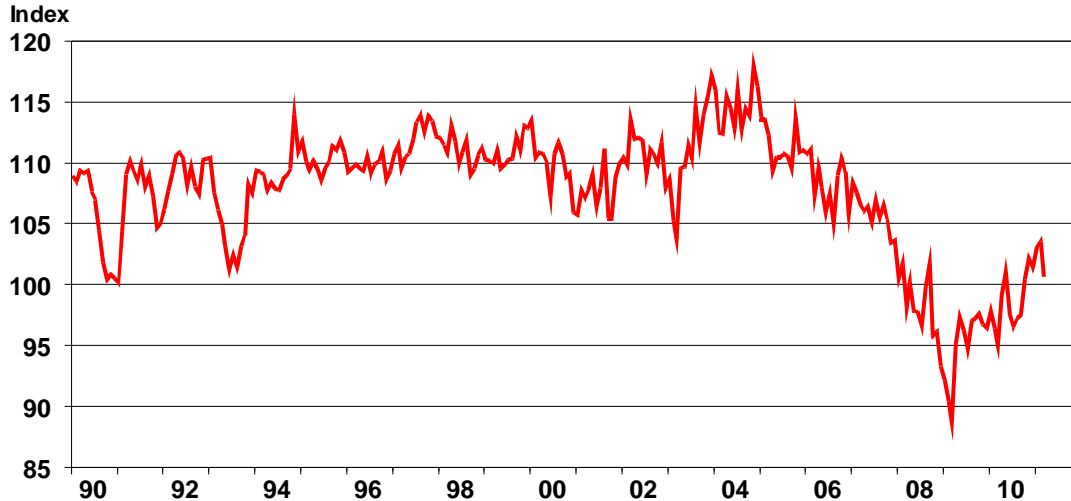
Sources: Federal Reserve, Senior Loan Officer Opinion Survey, Moody's Analytics.

Small businesses mood still gloomy

Small Business Optimism Index



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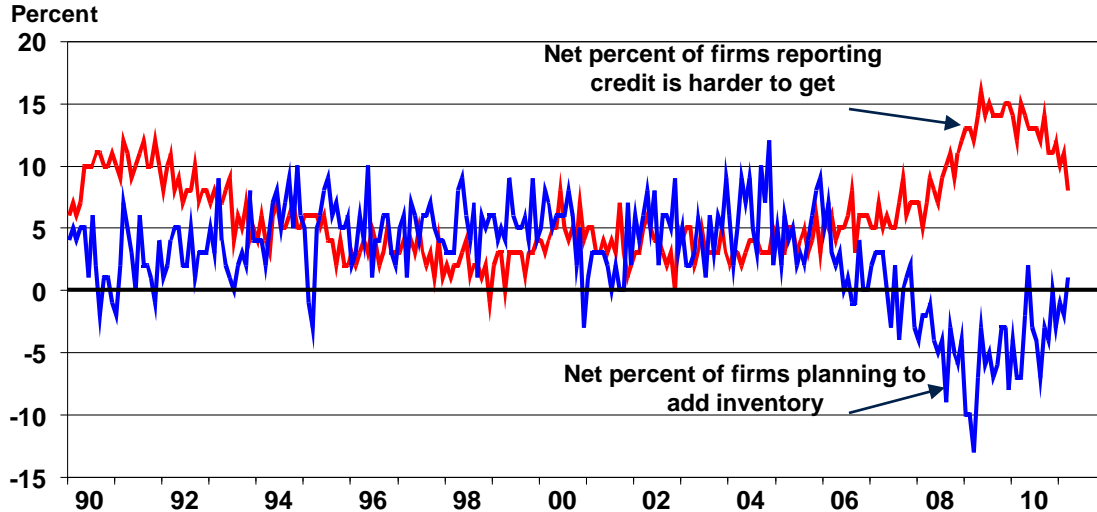
Sources: National Federation of Independent Business, Moody's Analytics.

Lack of credit hurting small businesses

Small Business Optimism Index



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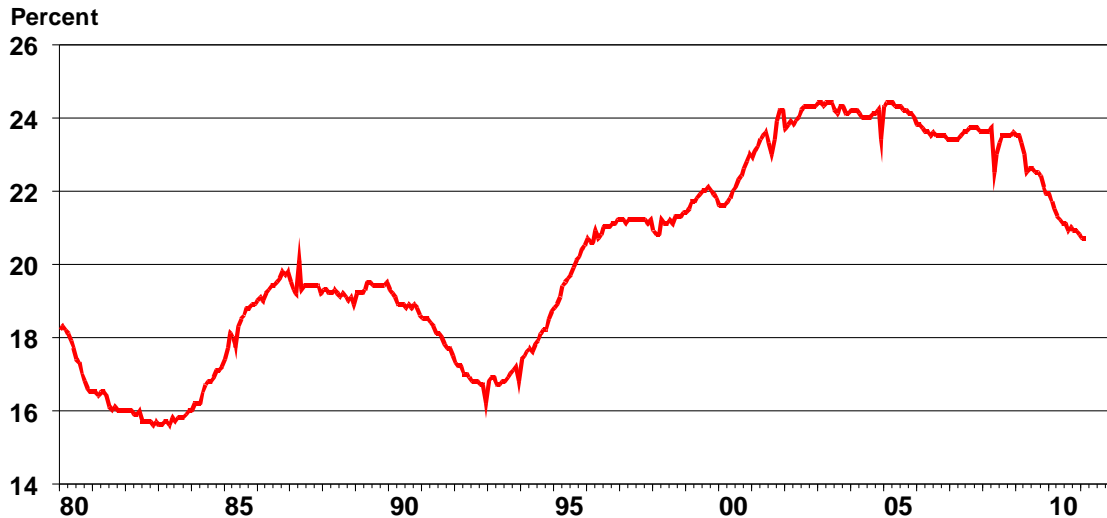
Sources: National Federation of Independent Business, Moody's Analytics.

Households deleveraging



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Total consumer credit as percent of disposable income



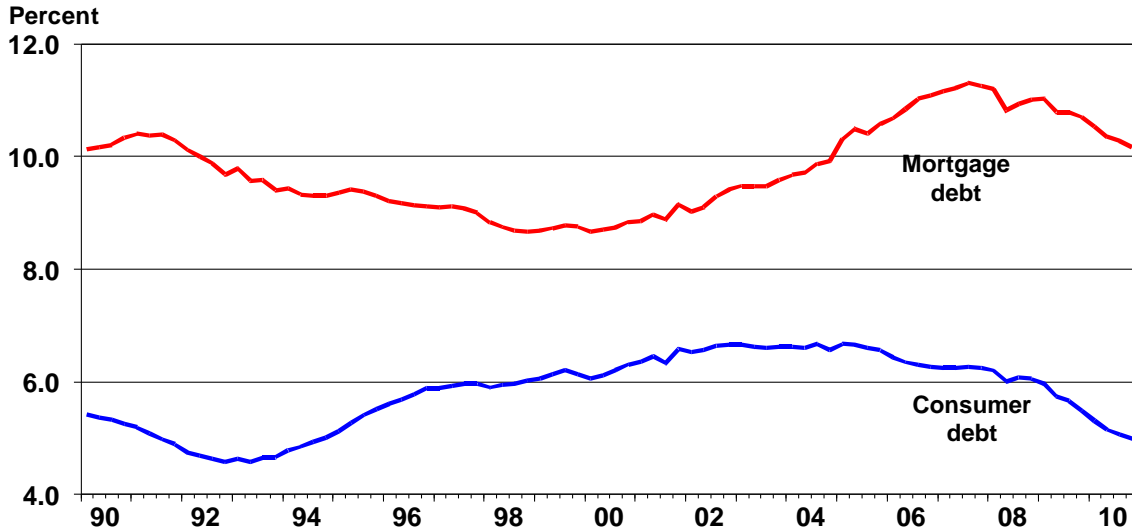
Sources: Federal Reserve Board, Moody's Analytics.

Households shedding debt



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Financial obligations ratio – Homeowner's debt as percent of disp. income



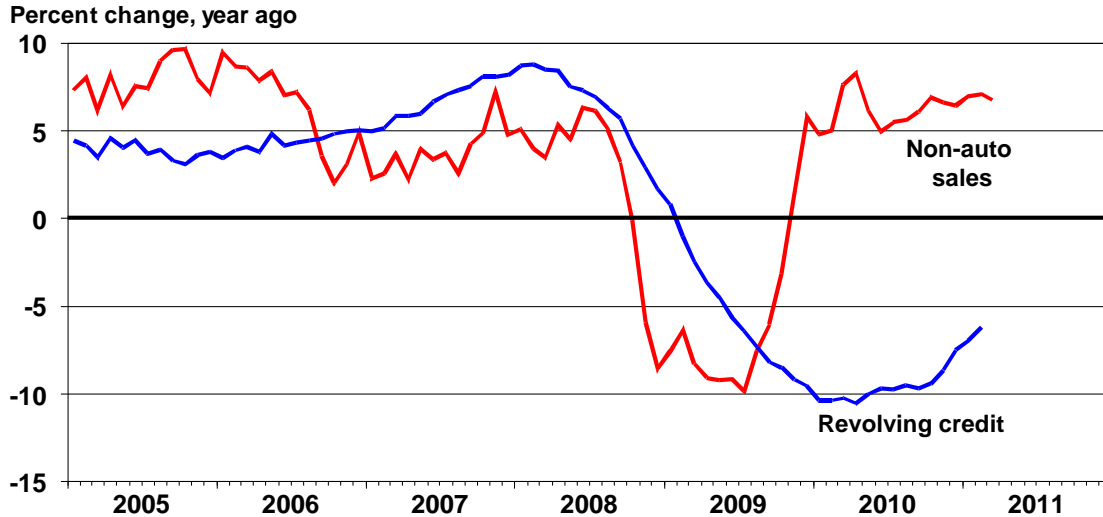
Sources: Federal Reserve Board, Moody's Analytics.

Consumers purchase more without credit

Non-auto retail sales vs. revolving installment credit



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Sources: Federal Reserve Board, Moody's Analytics, U.S. Census Bureau.

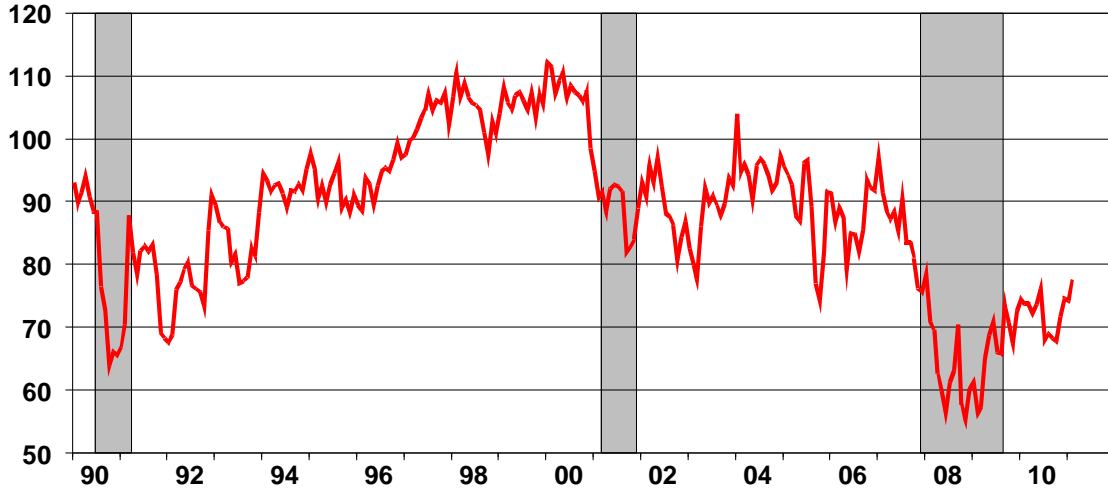
Consumer Sentiment Index

University of Michigan



MILKEN INSTITUTE

Index 1966Q1= 100



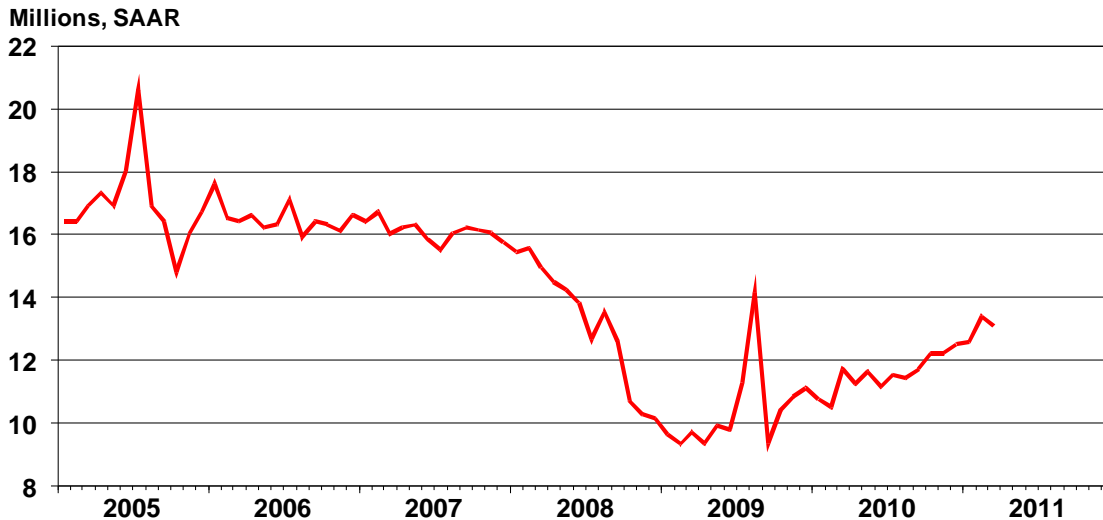
Sources: Federal Reserve Bank of St. Louis, University of Michigan, Moody's Analytics.

Auto sales improving but slowly

Light vehicle sales



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Sources: Bureau of Economic Analysis, IHS Global Insight.

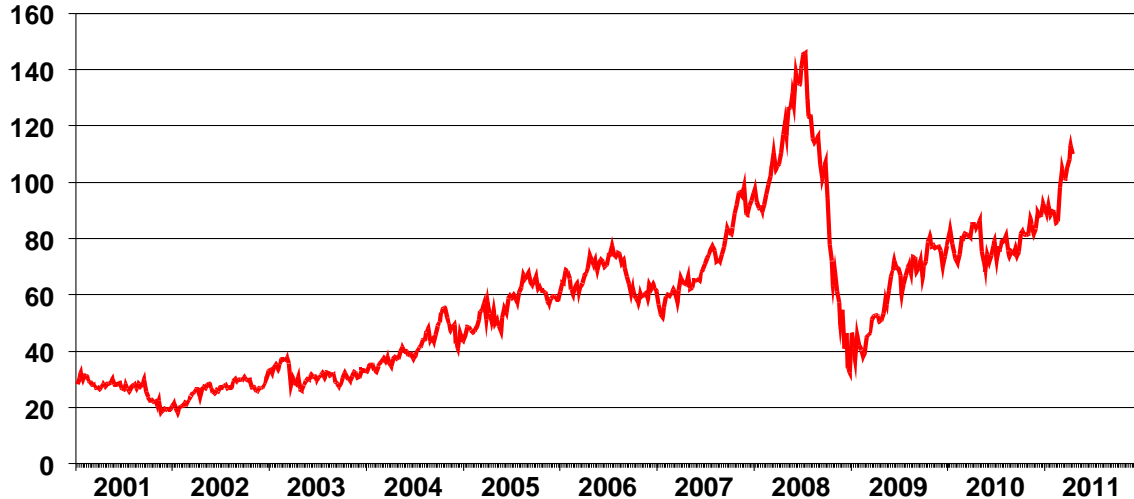
Middle East turmoil causes oil prices to rise

West Texas Intermediate Crude



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Dollars per barrel



Sources: Wall Street Journal, IHS Global Insight.

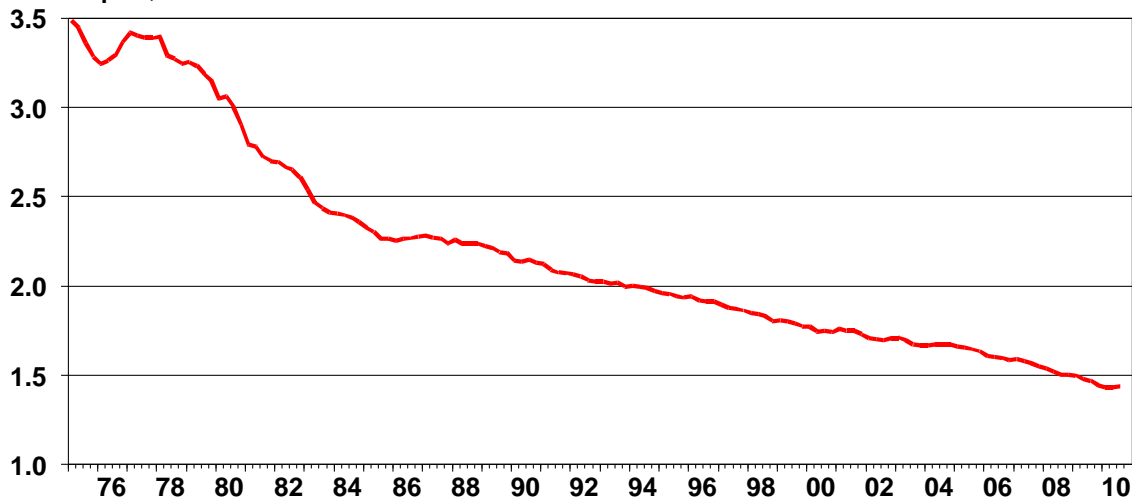
Oil consumption (average per day) per unit of GDP



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United States

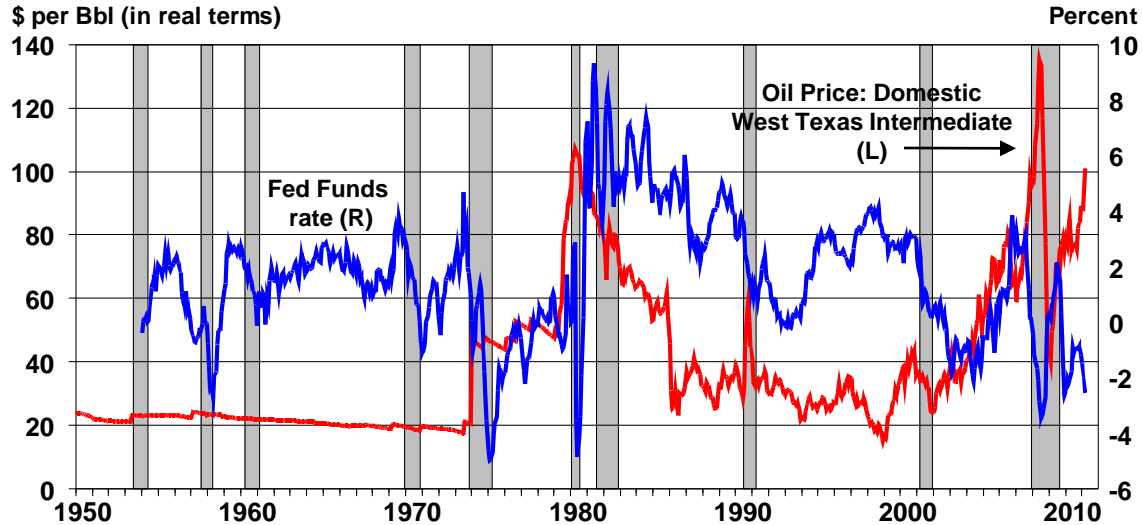
Barrels per \$1 Million of real GDP



Sources: Energy Information Administration, Bureau of Economic Analysis, Milken Institute.

Real oil prices vs. real Fed Funds rate

United States



Impact of \$10 increase in oil prices

Over next four quarters, United States



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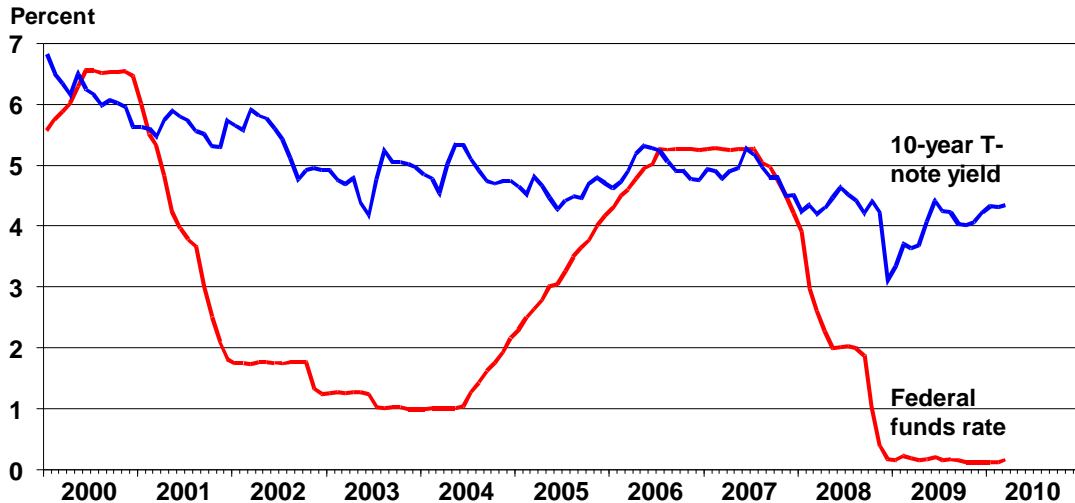
Category	Percent change
Real gross private residential investment	-1.4
Consumer spending on all goods and services	-0.4
Real gross private fixed nonresidential investment	-0.2
Exports	-0.3
Total non-farm	-0.1
Civilian unemployment rate (DIFF)	0.1
Real gross domestic product	-0.2

Interest rates



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Fed funds rate vs. 10-year bond yield



Sources: Federal Reserve Board, IHS Global Insight.

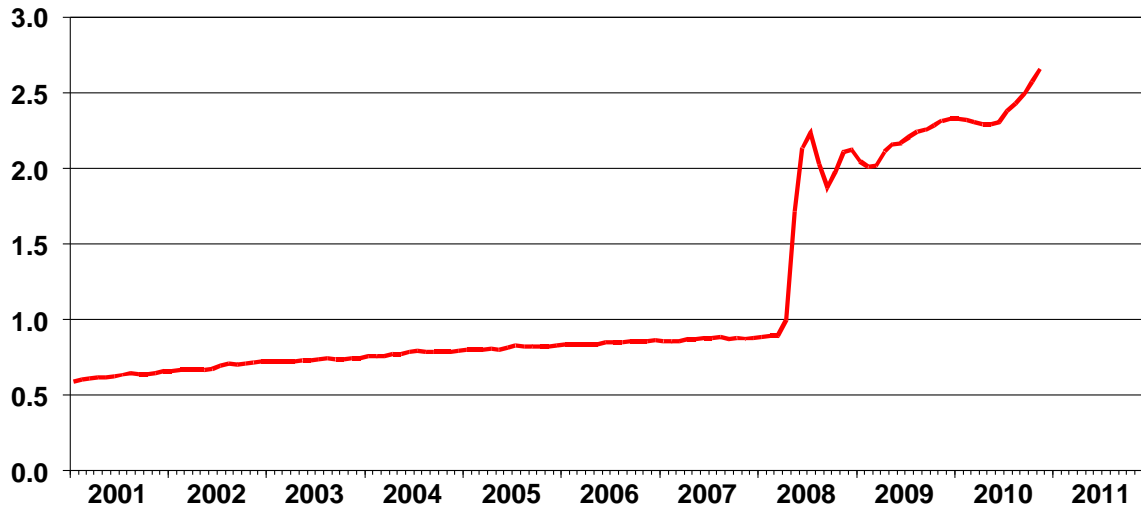
Federal Reserve balance sheet

United States



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US\$ trillions



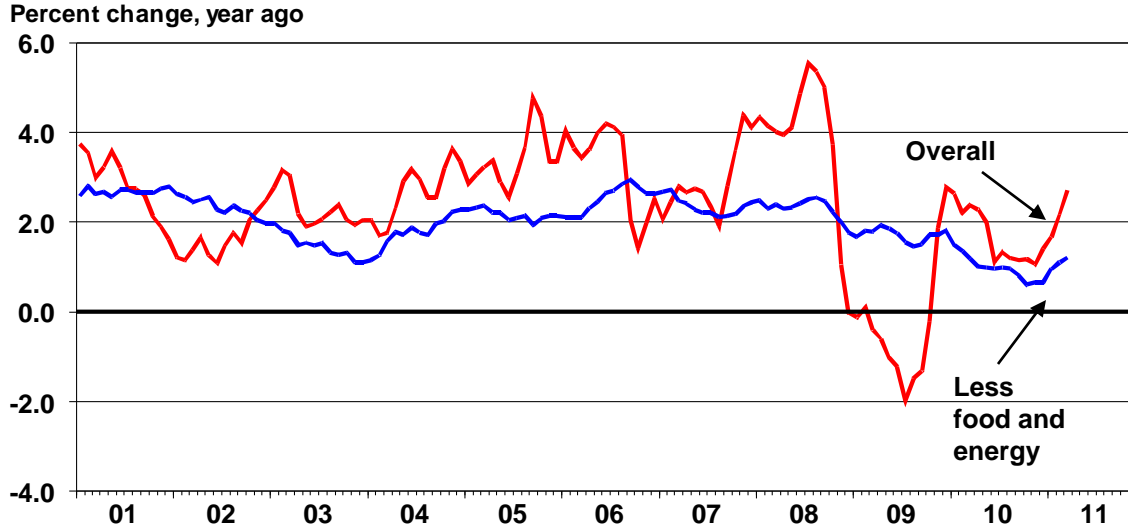
Sources: Federal Reserve, Moody's Analytics.

Headline CPI inflation gaining momentum

Overall vs. core Consumer Price Index



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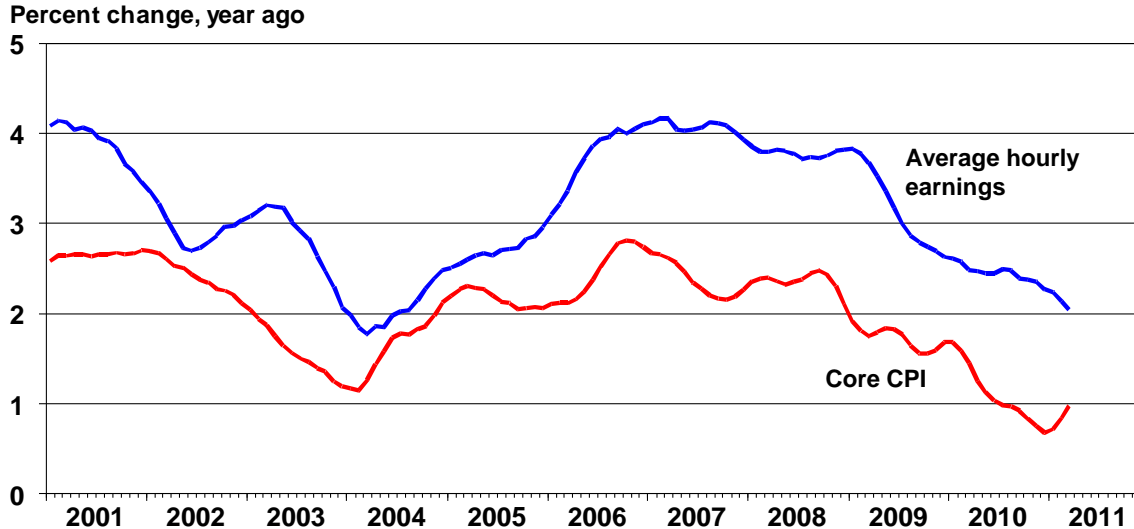


Sources: Bureau of Labor Statistics, IHS Global Insight.

Decline in consumer inflation rate indicative of excess capacity in labor market



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Sources: Bureau of Labor Statistics, IHS Global Insight.

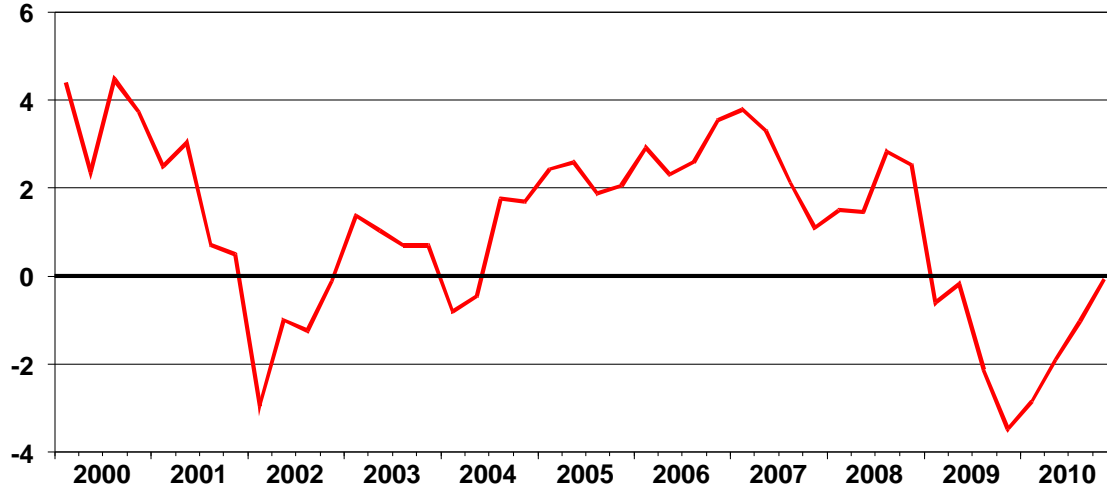
Unit labor costs

United States



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Percent change, year ago



Sources: Bureau of Labor Statistics, IHS Global Insight.

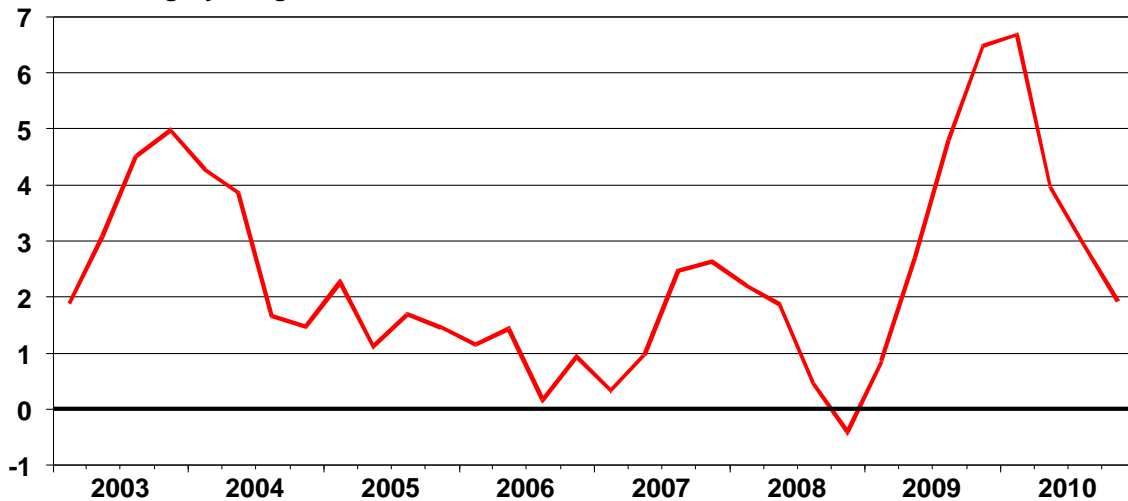
Productivity growth

Output per hour among non-farm businesses



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Percent change, year ago



Sources: Bureau of Labor Statistics, Moody's Analytics.

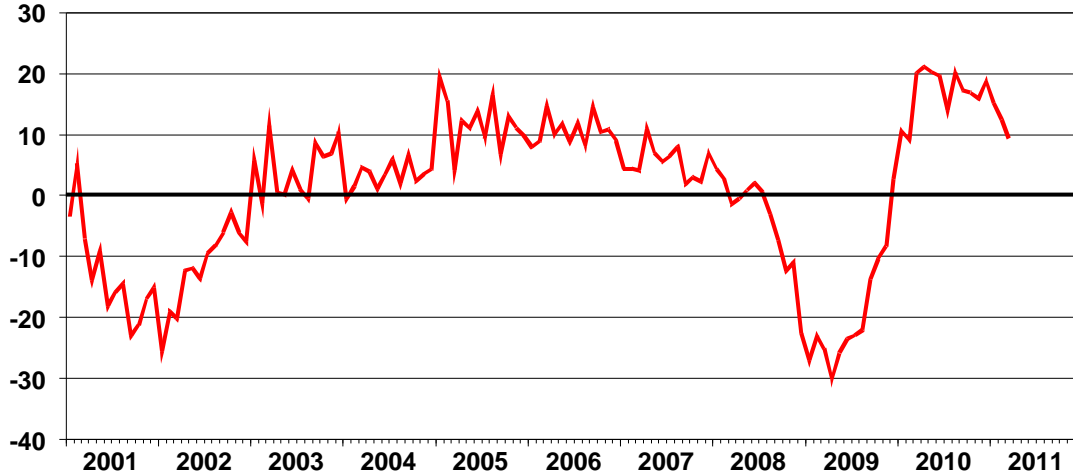
Non-defense capital spending (excl. aircraft)

Value of new orders



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Percent change, year ago



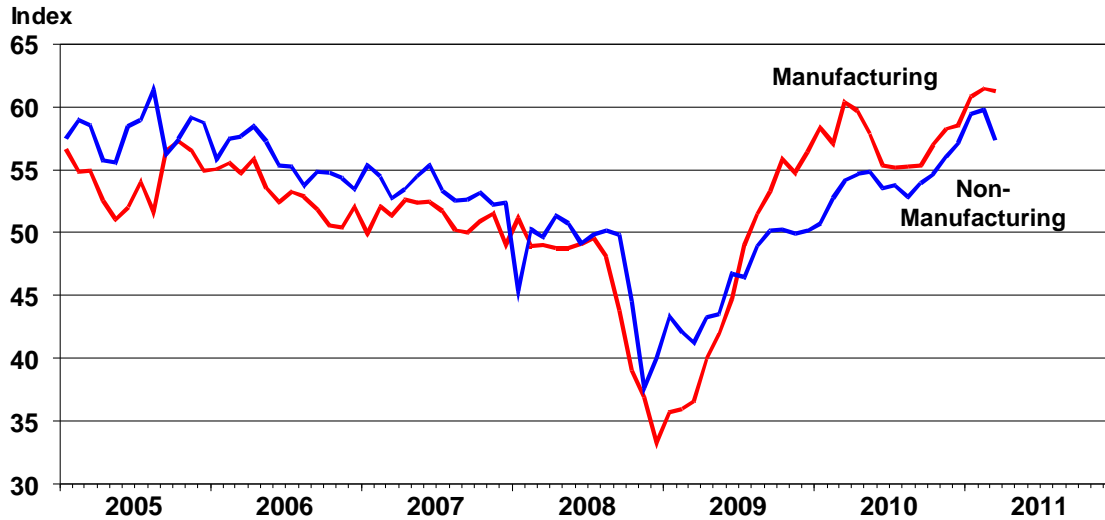
Sources: U.S. Census Bureau, IHS Global Insight.

Purchasing manager's index indicates expansion

ISM diffusion indices



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Sources: Institute for Supply Management, IHS Global Insight.

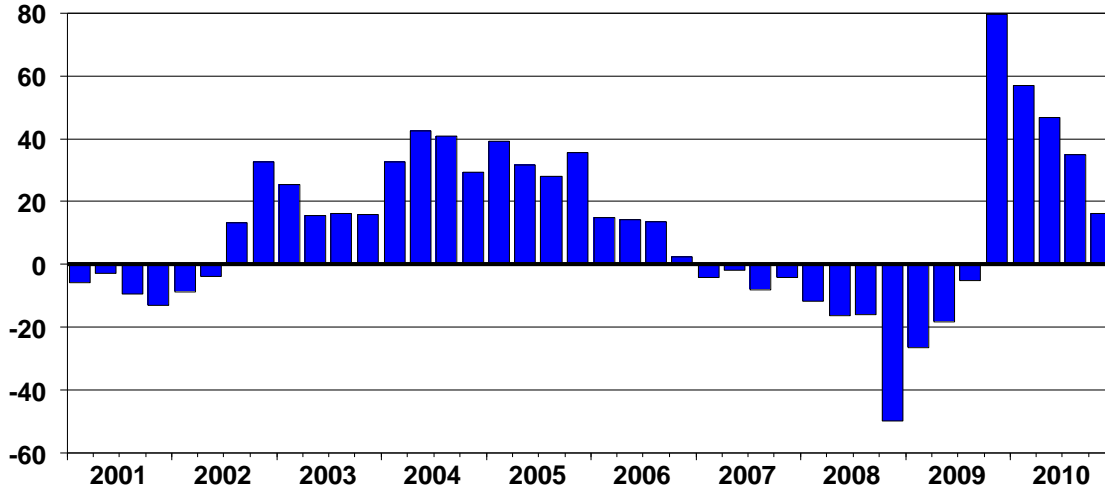
Corporate profits

Profits before tax (without IVA and CCadj.)



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Percent change, year ago



Sources: Federal Reserve Board, IHS Global Insight.

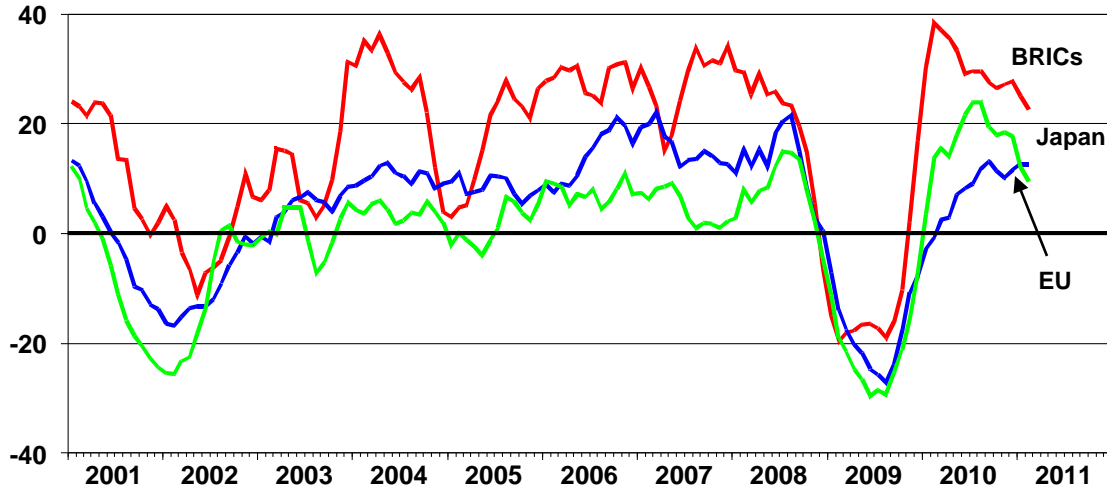
Exports to BRICs, Japan and EU

Merchandise exports



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Percent change, year ago



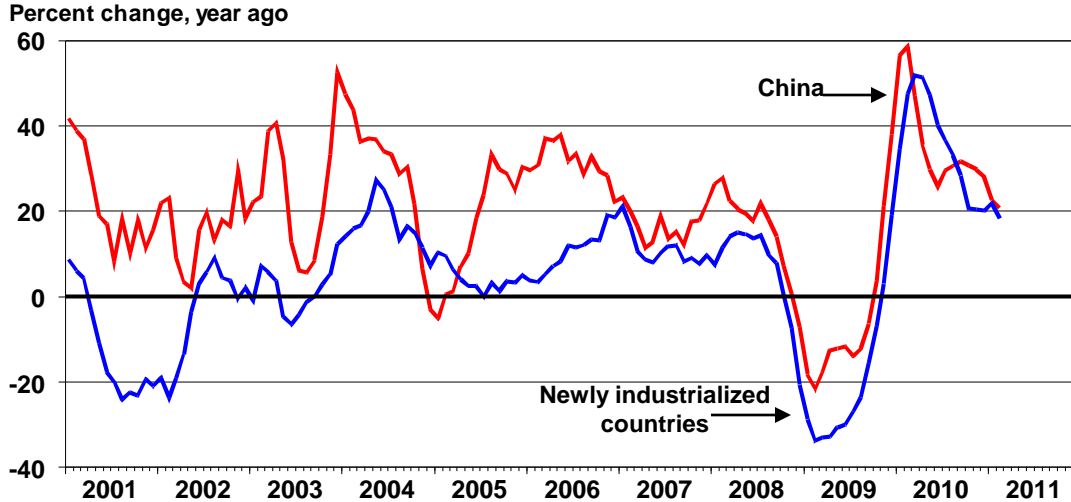
Sources: U.S. Census, IHS Global Insight.

Exports to newly industrialized countries and China



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Merchandise exports



Sources: U.S. Census, IHS Global Insight.

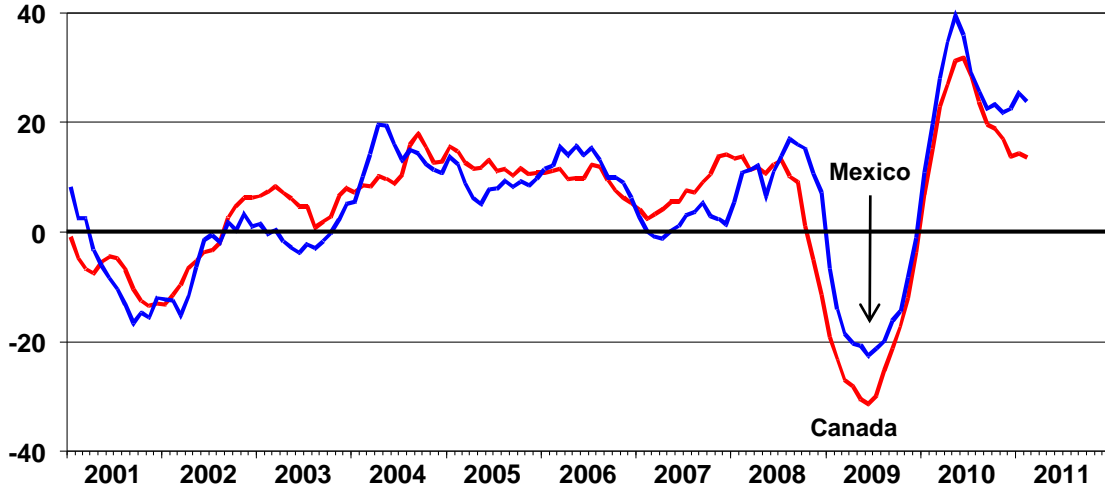
Exports to NAFTA

Merchandise exports



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Percent change, year ago



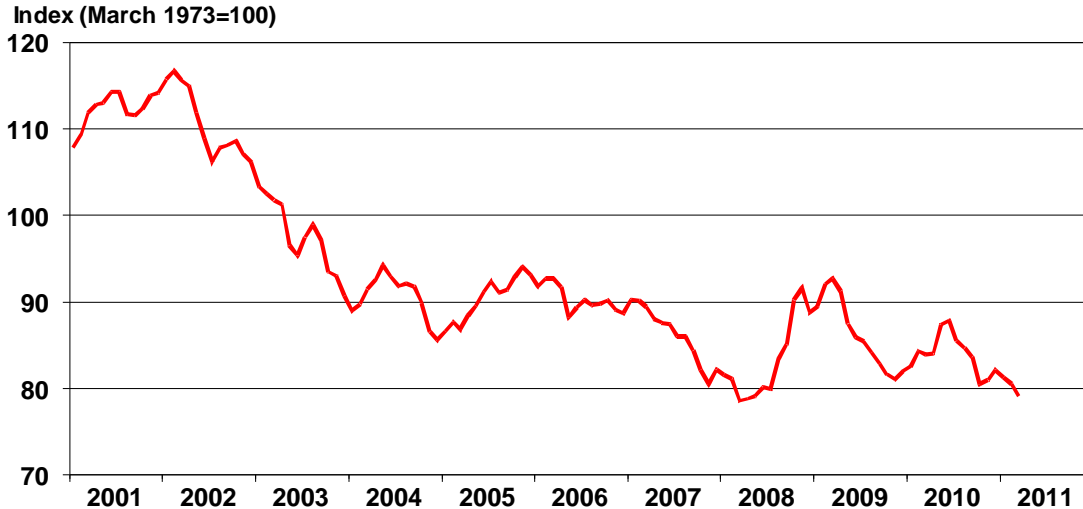
Sources: U.S. Census, IHS Global Insight.

Weighted average exchange value of U.S. Dollar

Major Currencies Index, In real terms



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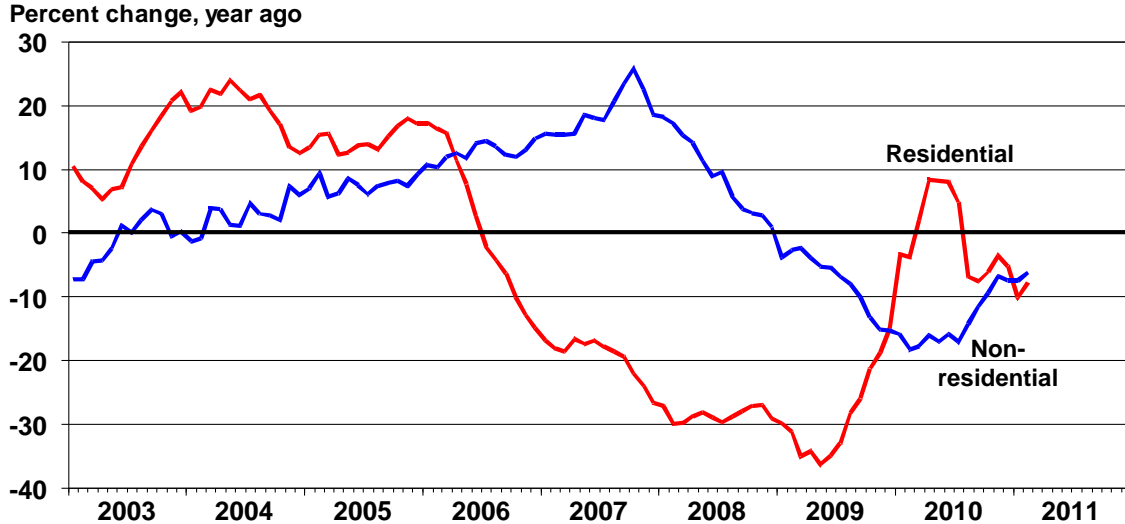
Sources: U.S. Board of Governors of the Federal Reserve System, Moody's Analytics.

Construction put-in-place

United States



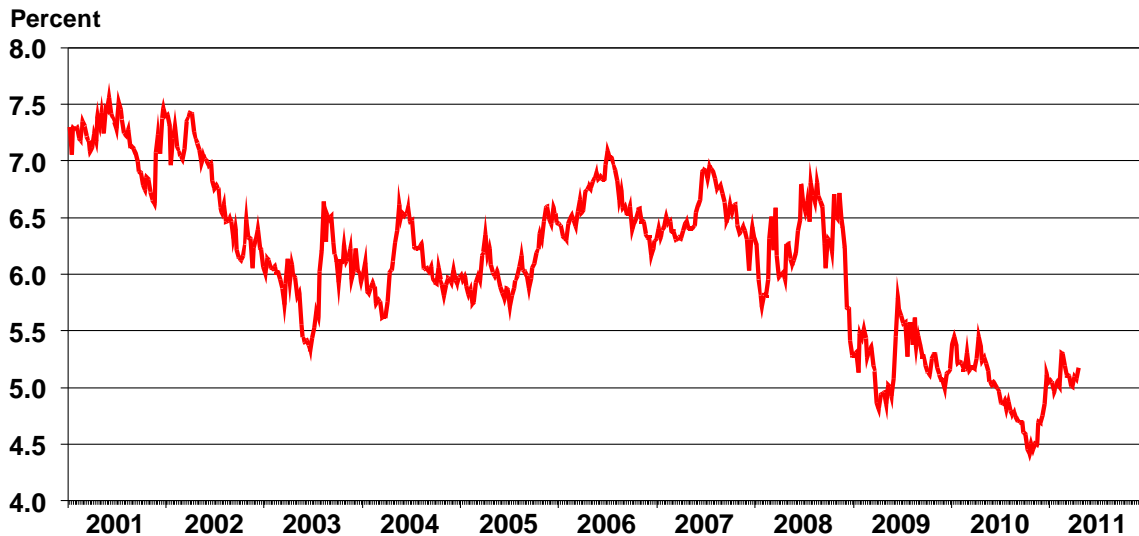
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Sources: U.S. Census, Moody's Analytics.

30-year fixed mortgage rate

United States



Sources: Mortgage Bankers Association, Moody's Analytics.

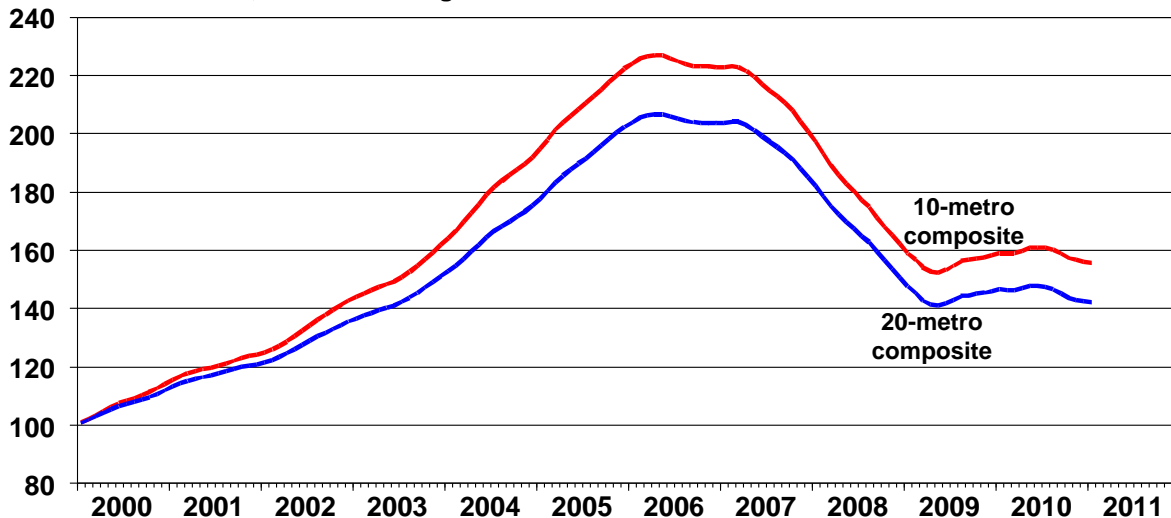
S&P/Case Shiller index

Home price index



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Index Jan. 2000=100, 3 month ending



Sources: Standard & Poor's and Fiserv, Inc., Moody's Analytics.

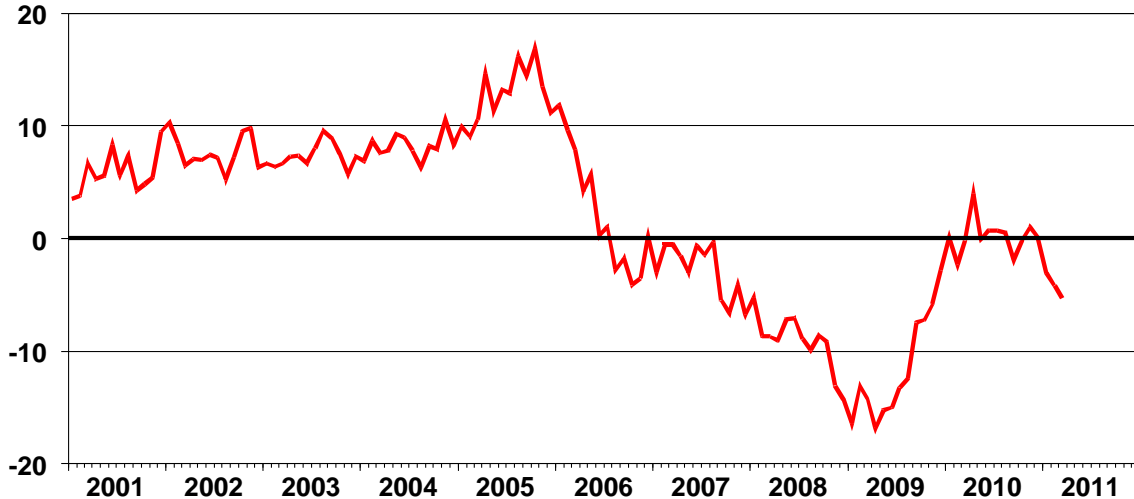
Median existing single-family home price

United States



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Percent change, year ago



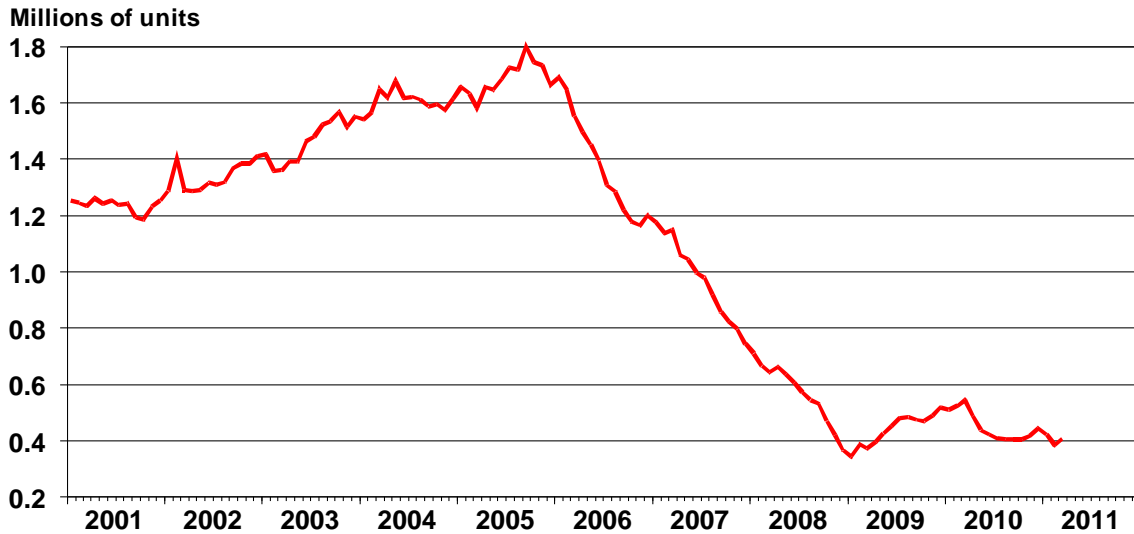
Sources: National Association of Realtors, Moody's Analytics.

Single-family housing starts

United States



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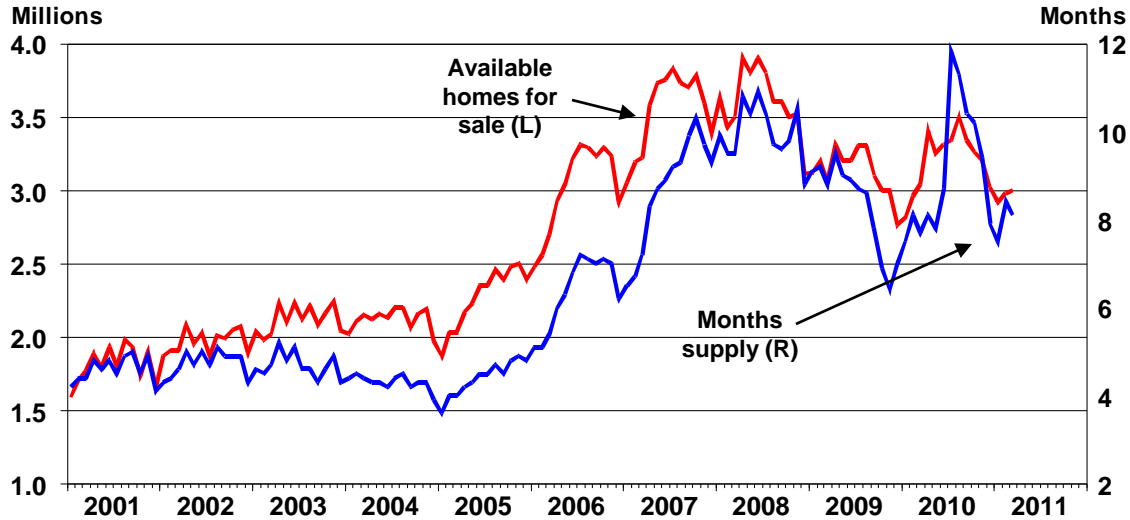
Sources: U.S. Census Bureau, IHS Global Insight.

Housing inventory

Existing, Single-family homes, United States



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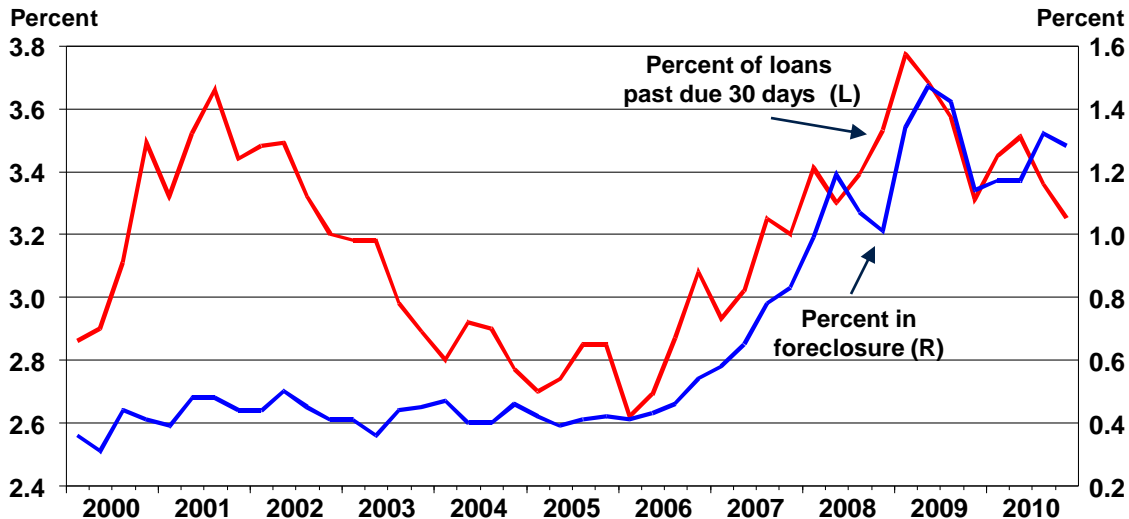
Sources: NAR, Moody's Analytics.

Delinquency rate



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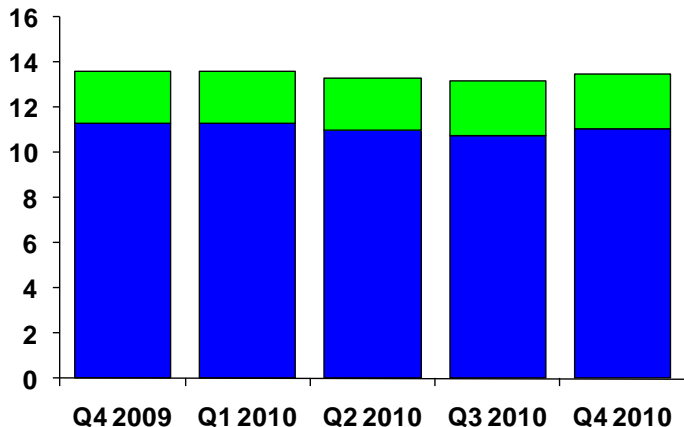
Percent of loans past due vs. those in foreclosure



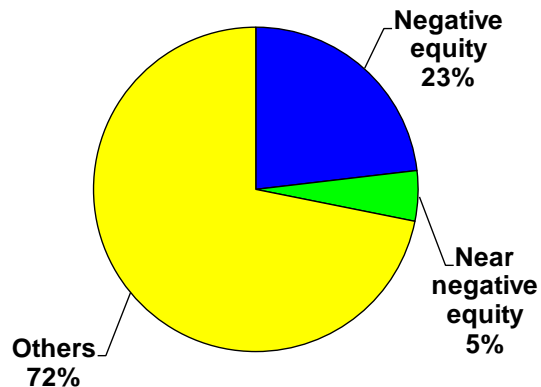
Sources: Mortgage Bankers Association, Moody's Analytics.

Eleven million homes are still under water

Number of mortgages, millions



2010



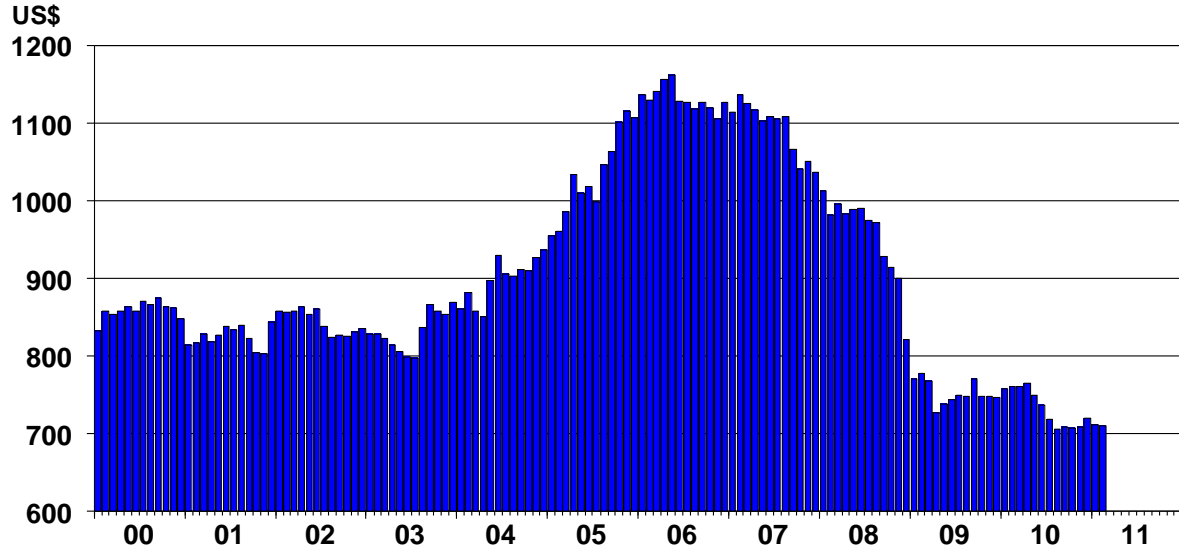
Source: CoreLogic.

Mortgage principal and interest payments

Monthly payment amounts



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Sources: National Association of Realtors, Moody's Analytics.

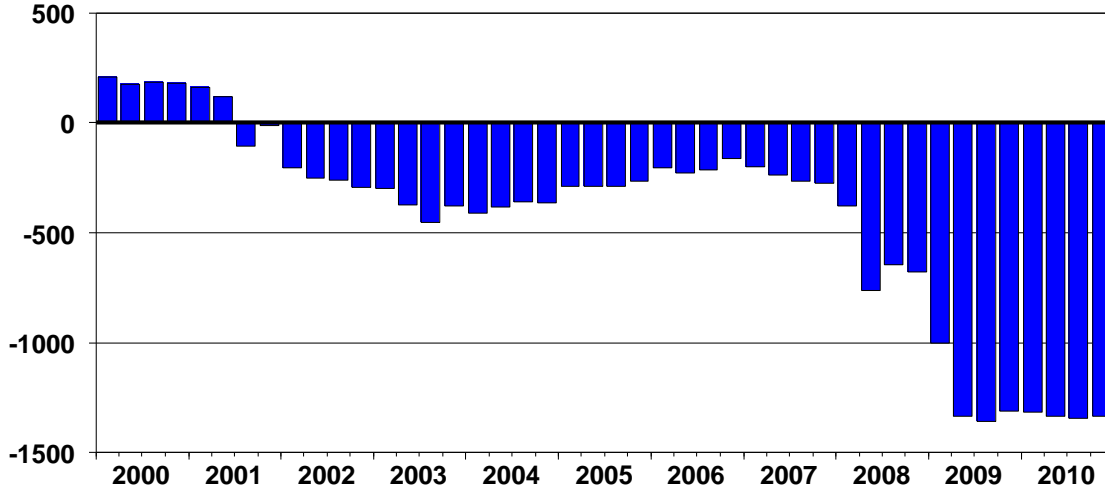
Federal government net saving

United States



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US\$ billions, SAAR



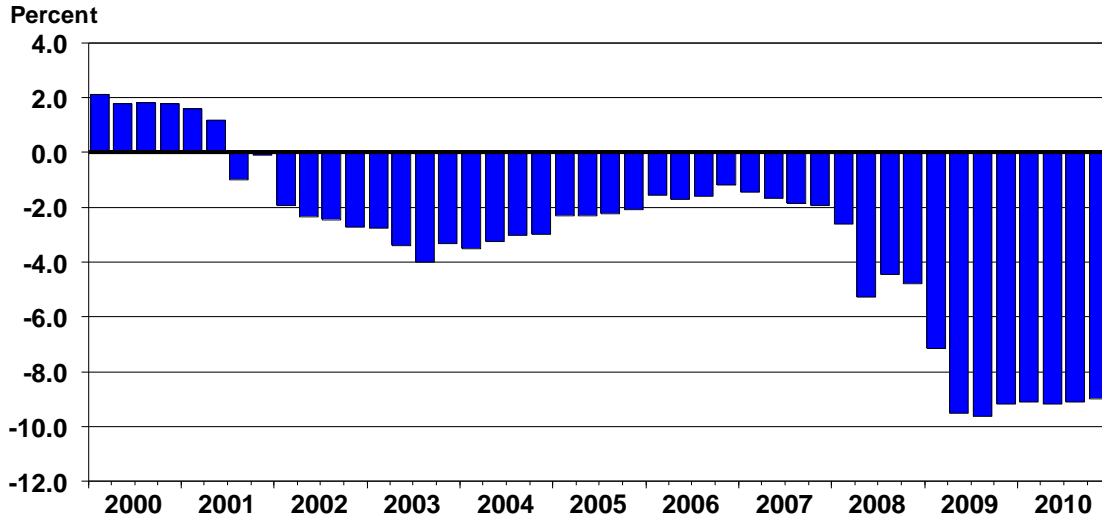
Sources: Bureau of Economic Analysis, IHS Global Insight.

Federal government deficit as percent of GDP

United States



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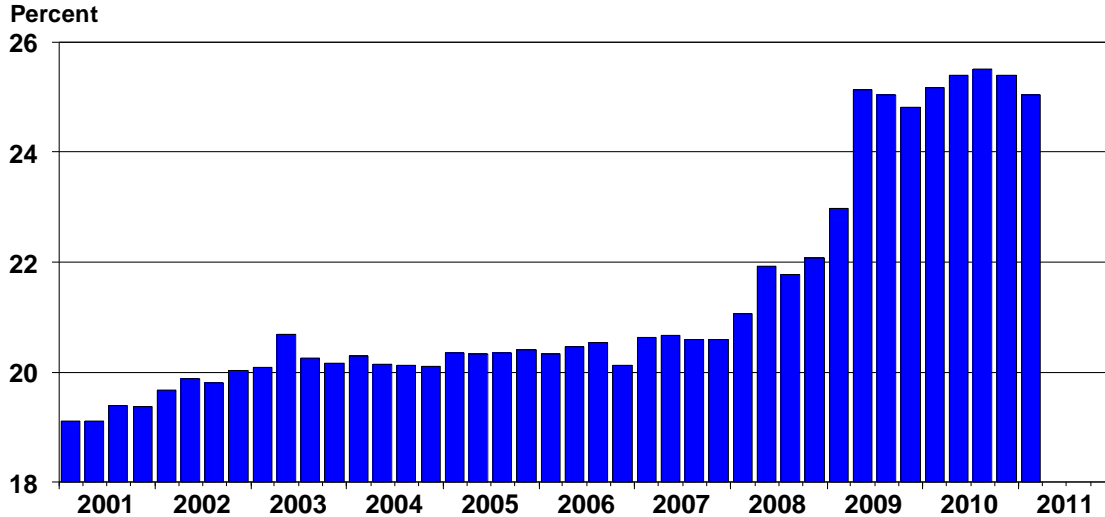
Sources: Bureau of Economic Analysis, IHS Global Insight.

Federal expenditures as percent of GDP

United States



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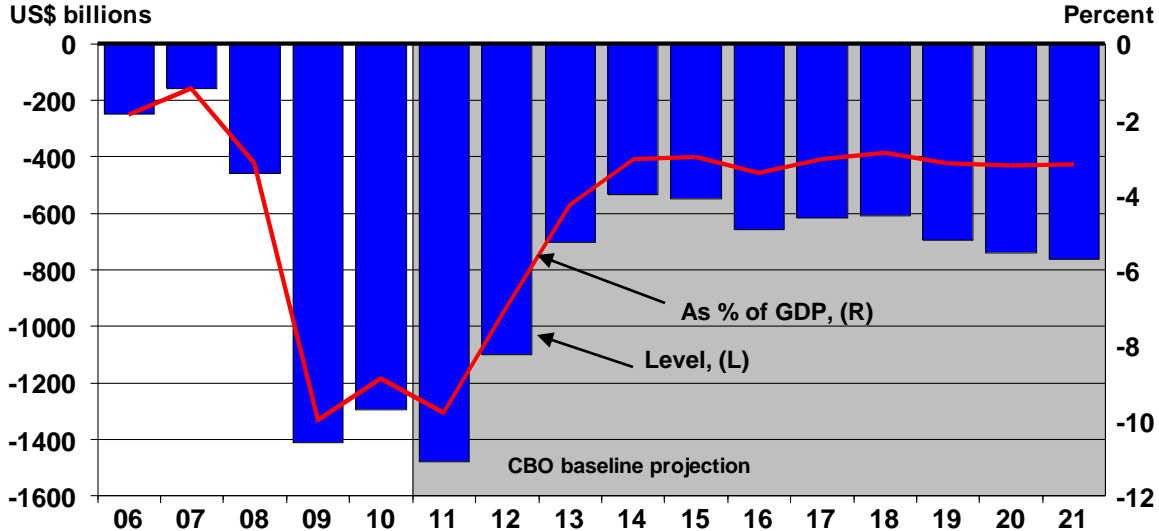
Sources: Bureau of Economic Analysis, IHS Global Insight.

Federal budget deficit trajectory



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CBO budget outlook



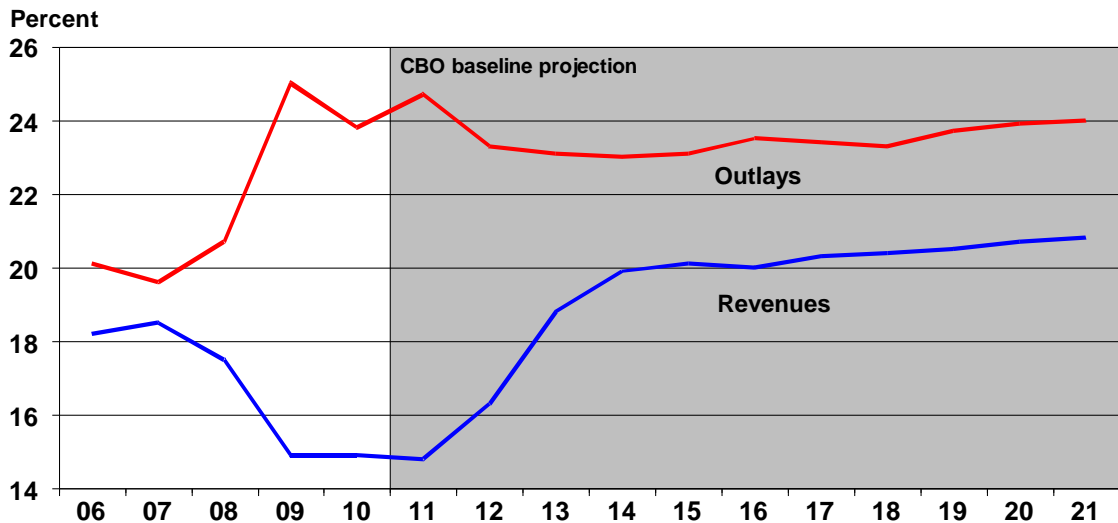
Source: Congressional Budget Office.

Revenues and outlays as share of GDP

CBO budget outlook



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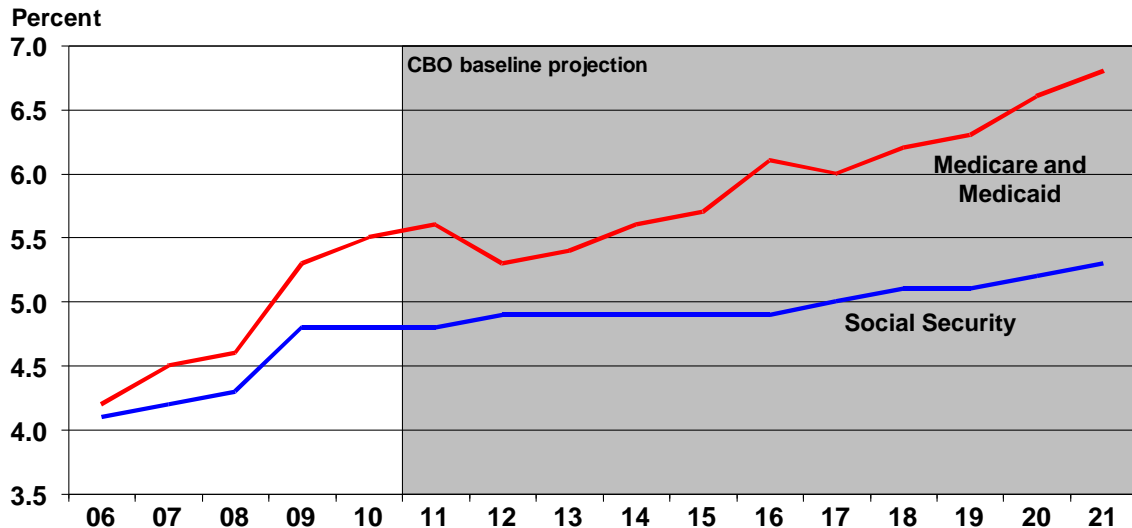
Source: Congressional Budget Office.

Outlays for mandatory spending as share of GDP

CBO budget outlook



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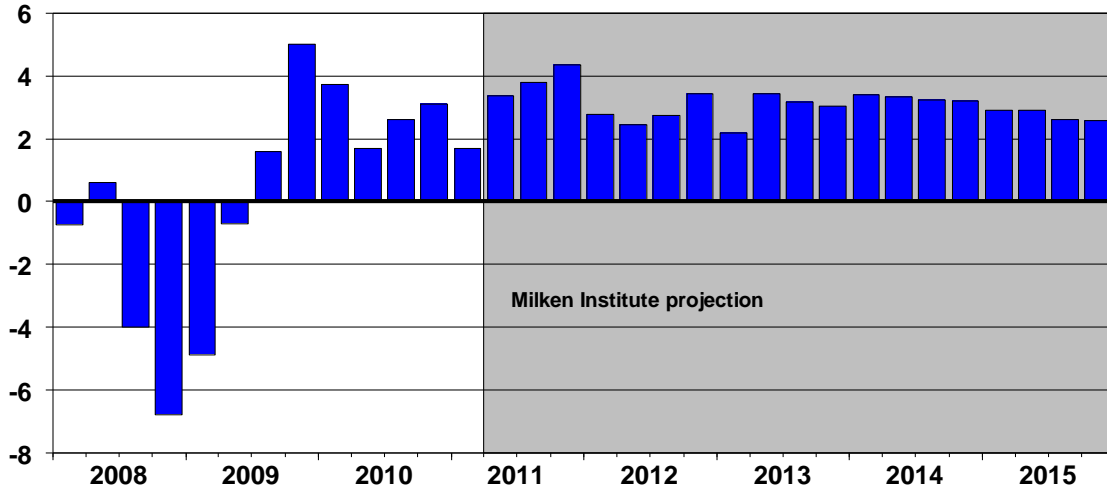
Source: Congressional Budget Office.

Real GDP outlook

United States



Compound annual growth rate



Sources: Bureau of Economic Analysis, IHS Global Insight, Milken Institute.

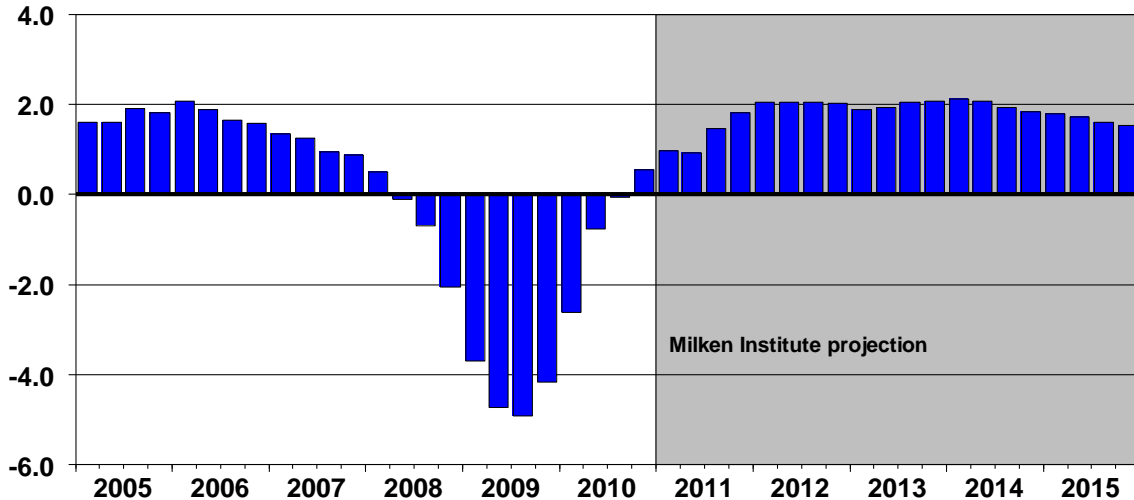
Employment outlook

United States



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Percent change, year ago



Sources: Bureau of Labor Statistics, IHS Global Insight, Milken Institute.

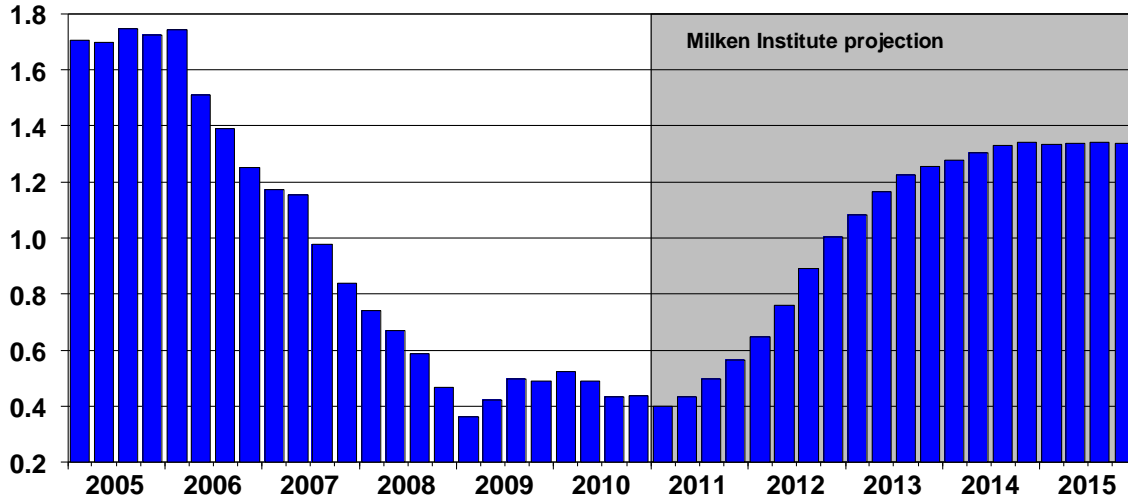
Housing starts outlook

United States



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Millions, annual rate



Sources: U.S. Census, IHS Global Insight, Milken Institute.

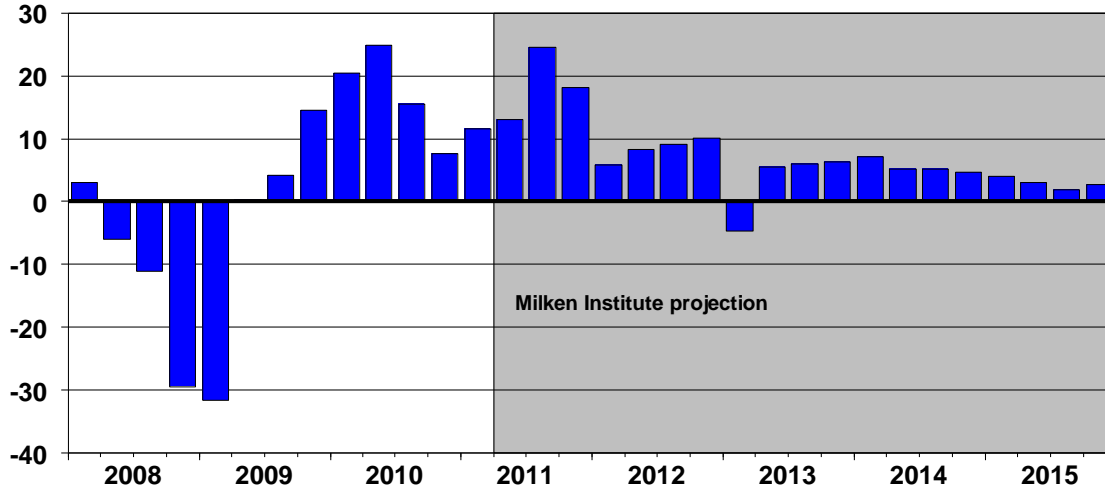
Business investment in equipment and software outlook

United States



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Compound annual growth rate



Sources: Bureau of Economic Analysis, IHS Global Insight, Milken Institute.

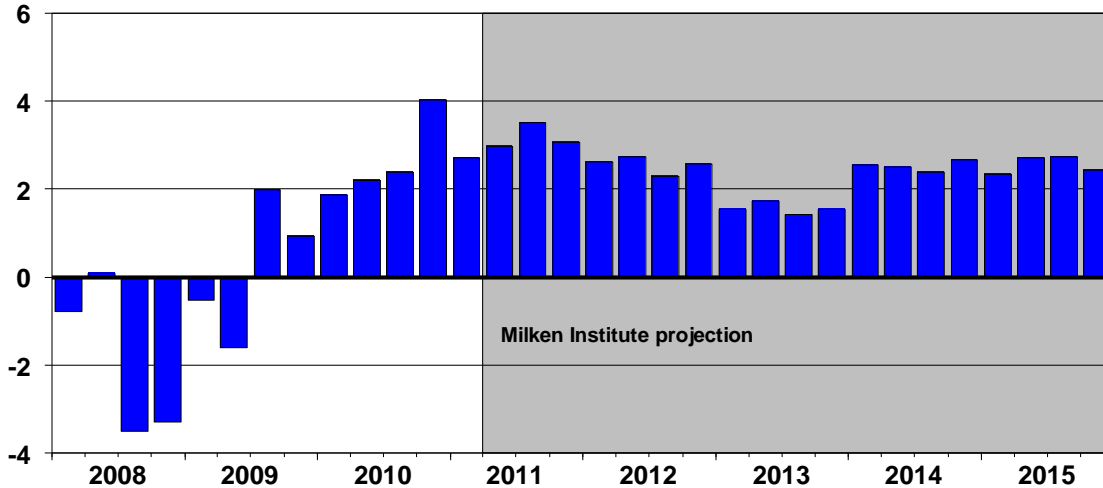
Real consumer spending outlook

United States



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Compound annual growth rate



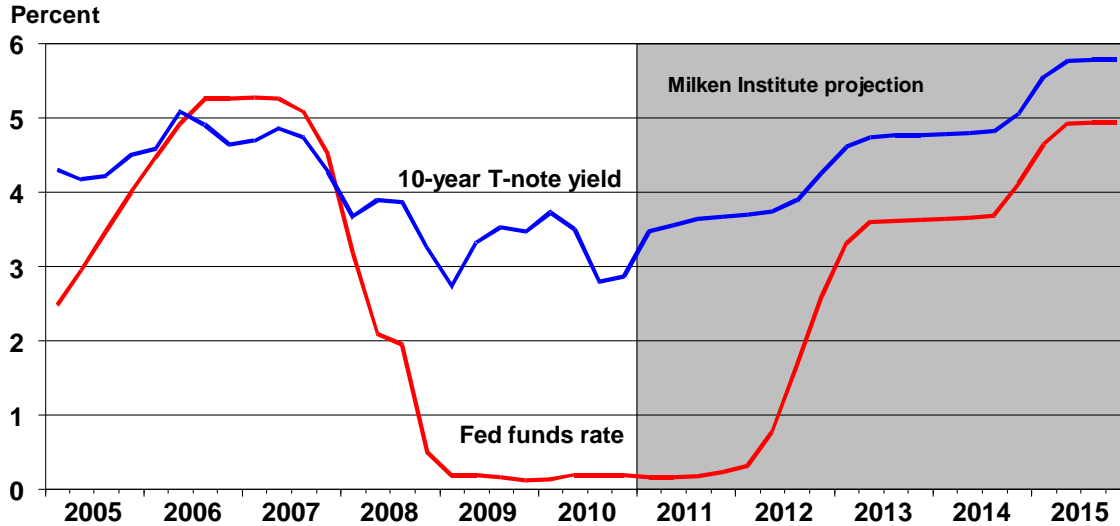
Sources: Bureau of Economic Analysis, IHS Global Insight, Milken Institute.

Interest rate outlook

United States



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Sources: Federal Reserve Board, IHS Global Insight, Milken Institute.

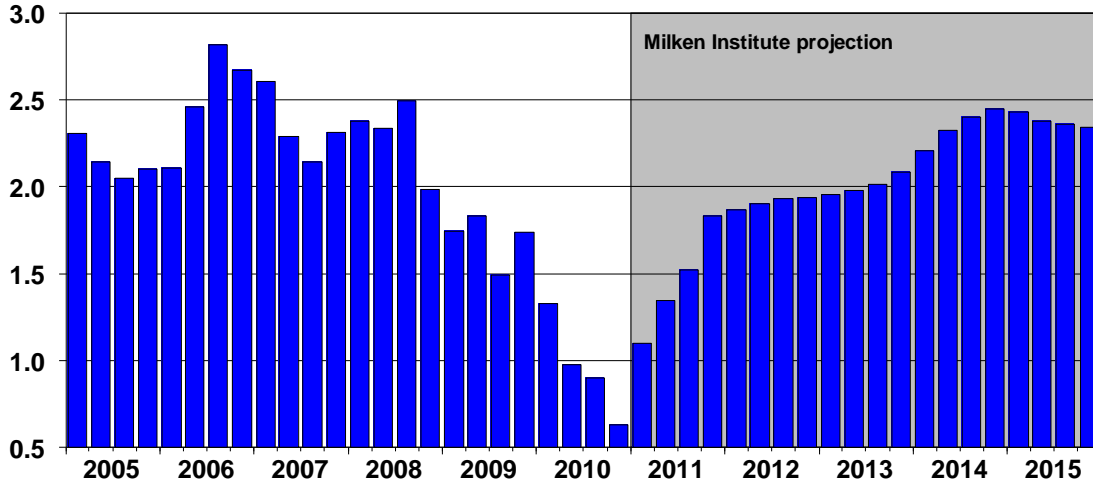
Core CPI outlook

United States



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Percent change, year ago



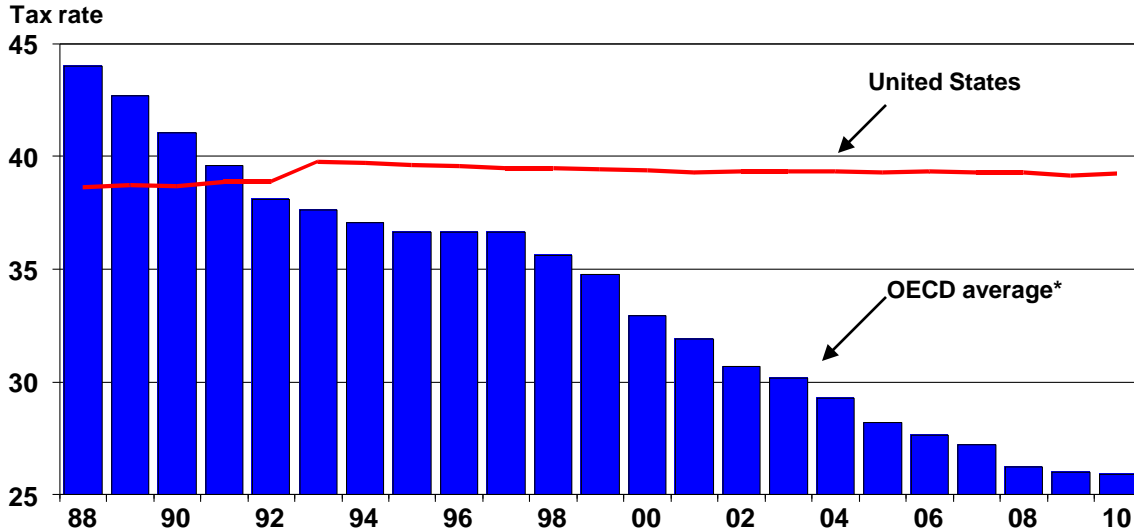
Sources: Bureau of Labor Statistics, IHS Global Insight, Milken Institute.

Statutory corporate income tax rates

OECD average vs. United States



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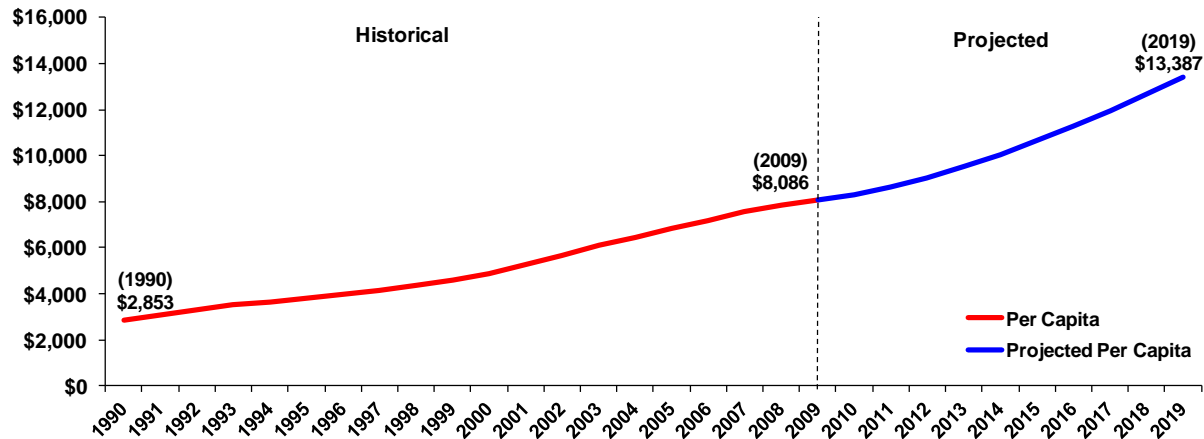


Sources: OECD, Milken Institute.

*OECD average includes Chile from 2000 onward

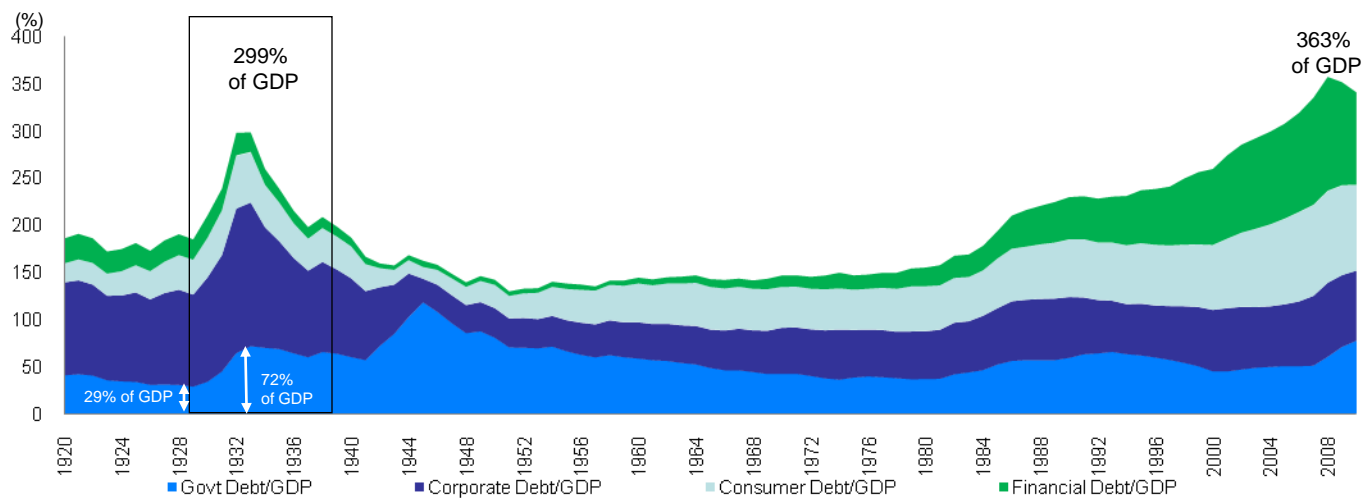
National health expenditures per capita

1990-2019





Deleveraging Has Just Begun

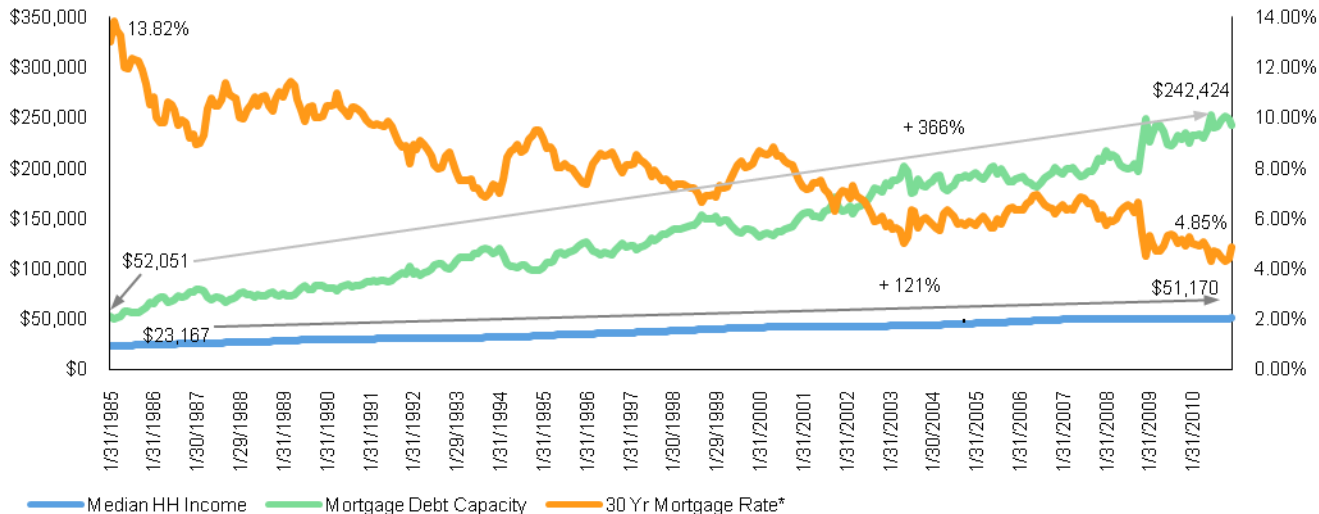


As of 31 December 2010
Source: U.S. Federal Reserve, U.S. Bureau of Economic Analysis, Morgan Stanley

Consumers, in Particular, Embraced Cheap Debt



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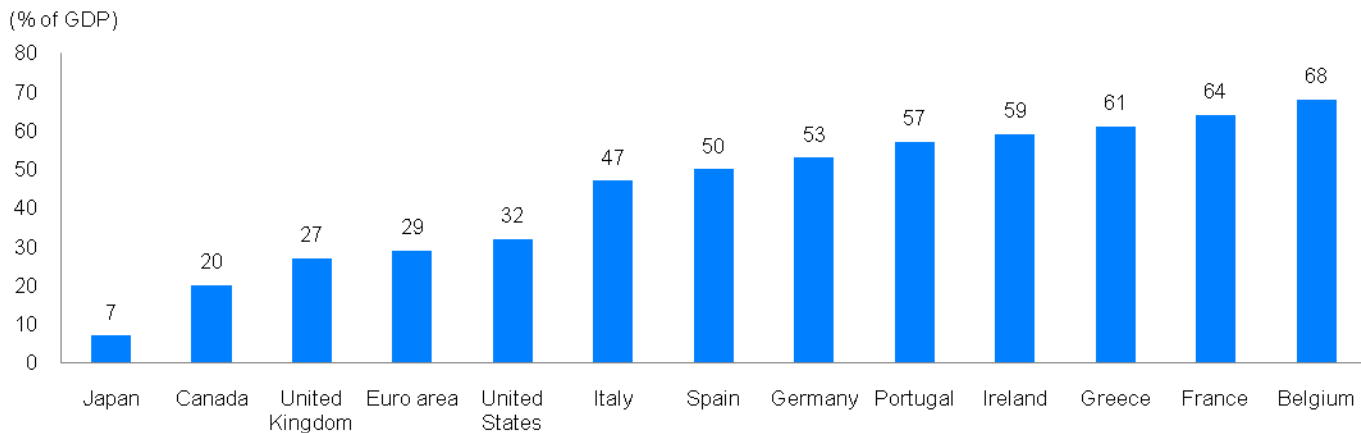
As of 31 December 2010

*The assumed conforming borrowing rate is equal to Fannie Mae 30 Year MBS rate + 60bps from 1985 to 1996. From 1996, borrowing rate is average 30-year fixed rate mortgage rate as published by BanxQuote and Bloomberg.

Source: U.S. Census Bureau, Fannie Mae, Bloomberg, BanxQuote



Government Borrowing from non-Residents



As of April 2011

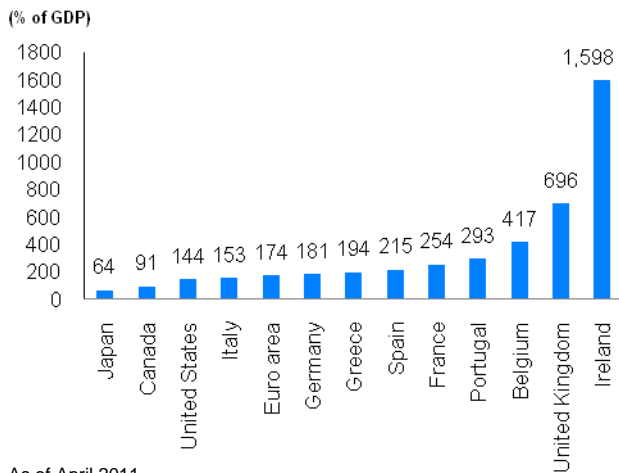
Source: IMF, Global Financial Stability Report

Most recent data for externally held general government debt (from Joint External Debt Hub) divided by 2010 gross general government debt.

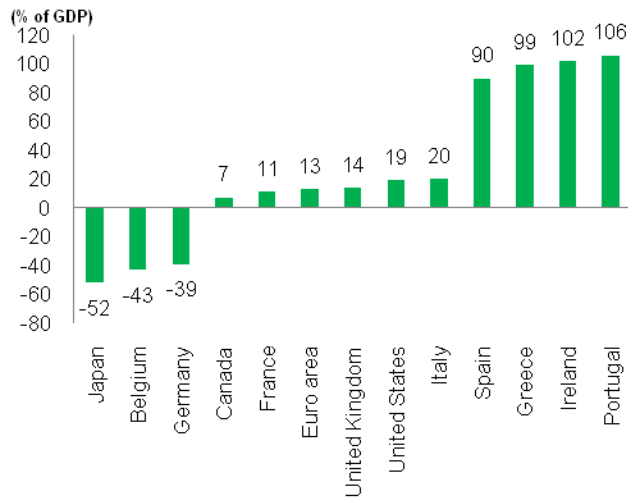


External Debt Across All Sectors

Total Economy Gross External Liabilities^{1,2}



Total Economy Net External Liabilities^{1,2}



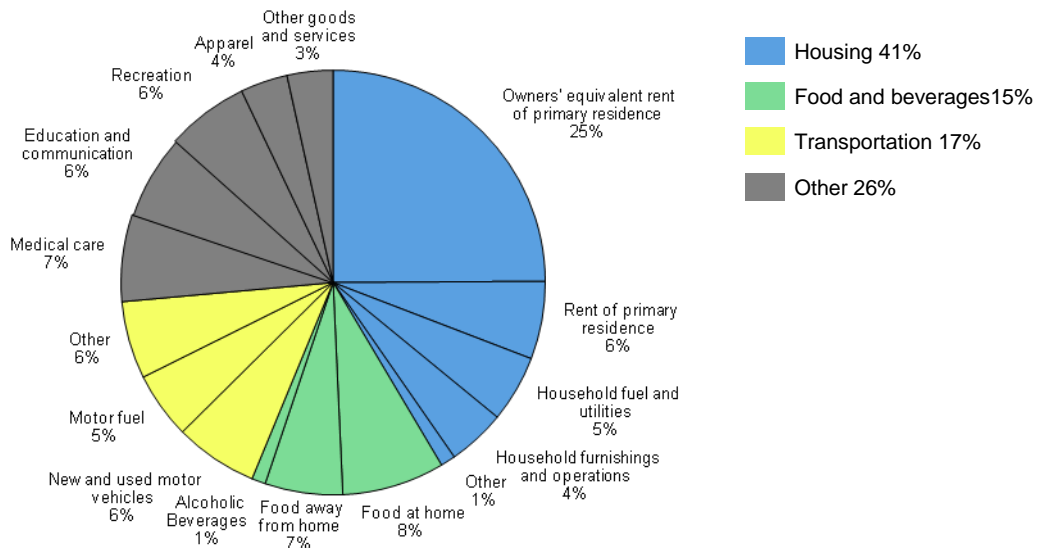
As of April 2011

Source: IMF, Global Financial Stability Report

1 Most recent data divided by 2010 GDP.

2 Calculated from assets and liabilities reported in a country's international investment position.

U.S. CPI Composition



As of December 2010

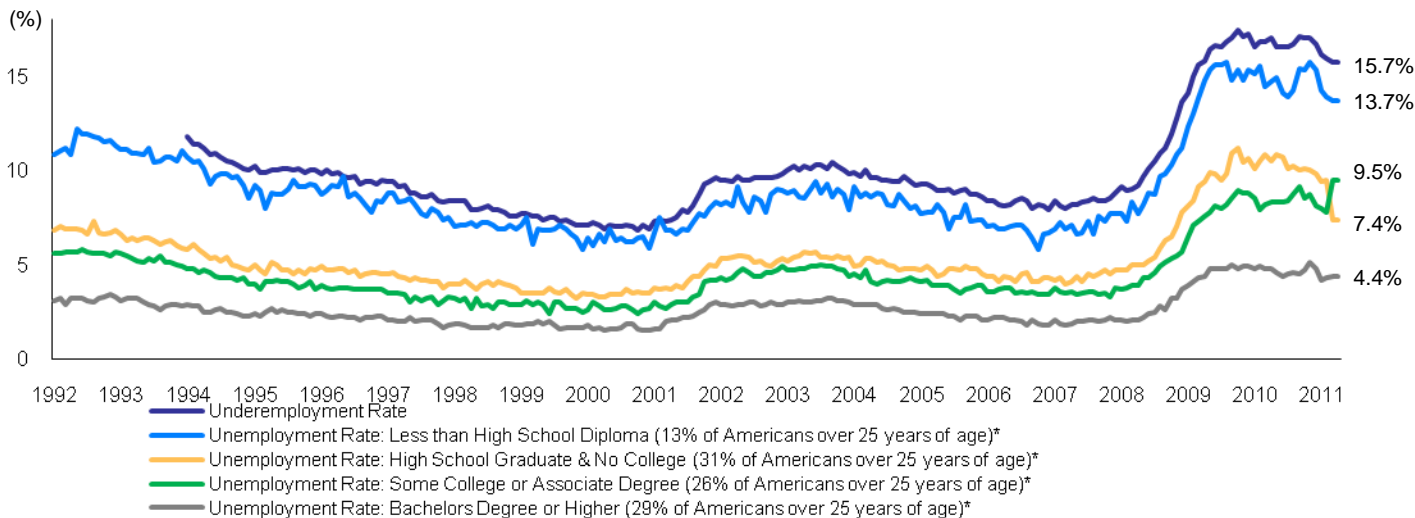
Source: Bureau of Labor Statistics

Sustained Inflation Depends on Labor Pricing Power



MILKEN INSTITUTE

Labor accounts for 65%-70% of the cost of goods sold in the U.S.

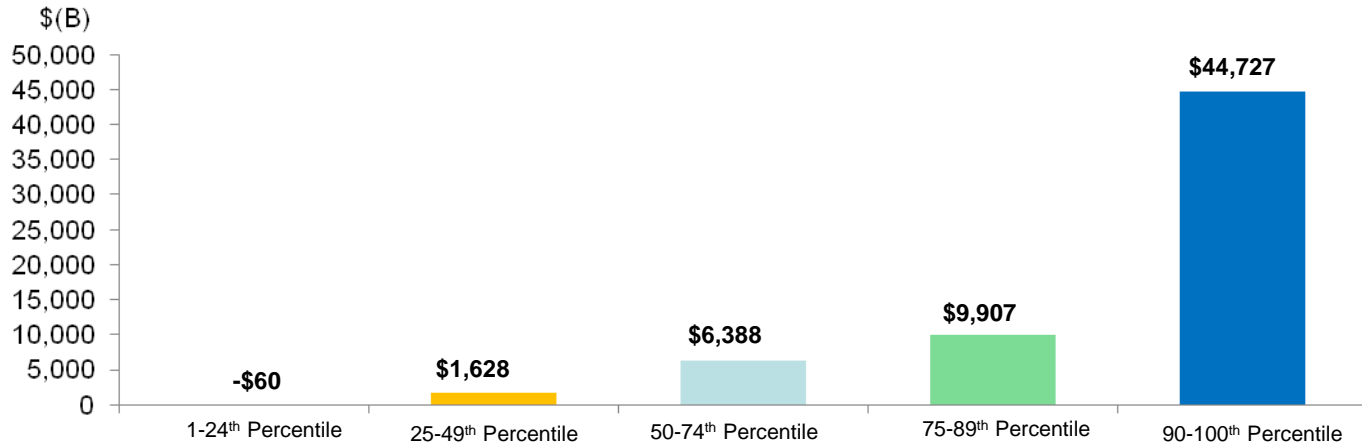


As of 20 April 2011

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Bloomberg

* Source: U.S. Census Bureau, Current Population Survey, 2008 Annual Social and Economic Supplement

The Implications of QE Diverge Based on Net Worth



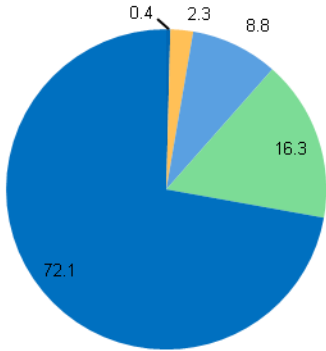
% of Total Net Worth	-0.1%	2.5%	10.2%	15.8%	71.5%
Average Net Worth	-\$2,186	\$58,060	\$227,725	\$588,623	\$3,985,832

As of 2007

Source: Federal Reserve "Survey of Consumer Finances," Census Bureau

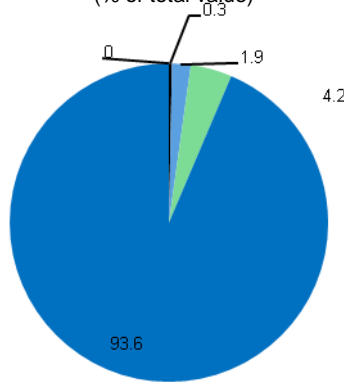
The Implications of QE Diverge Based on Net Worth

Ownership of Financial Assets
(% of total value)



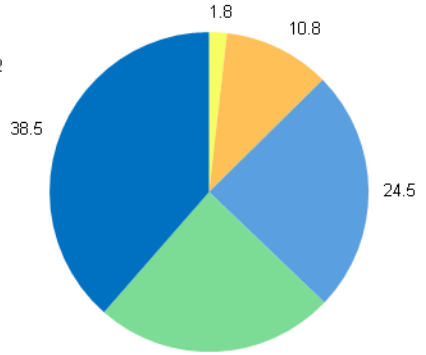
Total Value: \$25.0T

Ownership of Business Assets
(% of total value)



Total Value: \$14.4T

Ownership Residential Assets
(% of total value)



Total Value: \$23.3T

- 1-24th Percentile
- 25-49th Percentile
- 50-74th Percentile
- 75-89th Percentile
- 90-100th Percentile

As of 2007

Source: Federal Reserve "Survey of Consumer Finances," Census Bureau