PERIGON

THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

March 23, 2009
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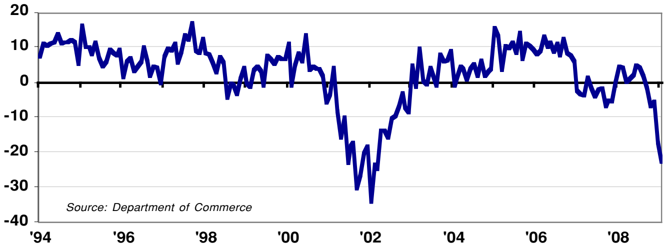
NEW ORDERS DIVE

New orders for durable goods fell 5.2% in January, the largest monthly decline since October. Excluding the volatile transportation component, durable goods orders fell 2.5%. This is a critical indicator used in the determination of economic recoveries; only when conditions improve will households and businesses pick up the pace of new orders for high-ticket goods. Unfortunately, things aren't yet set to improve as the manufacturing industry should continue to slump in coming months.

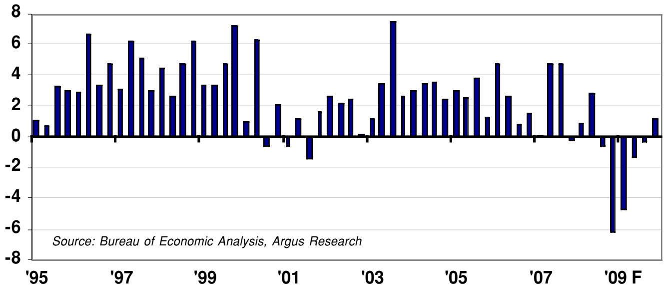
NEW ORDERS NON DEFENSE CAPITAL GOODS EX-AIRCRAFT (Y/Y%)



REVISED 4Q GDP PLUNGES

U.S. economic activity contracted by a downwardly revised 6.2% during the fourth quarter – the steepest drop since 1Q82. The drivers behind slump were weaker inventories and exports. Despite the implementation of the massive $787 billion fiscal stimulus package, we expect economic growth to continue to contract during the first three quarters of 2009 – with a fair chance of a gain during 4Q09. We believe the quarterly postings (while still negative) will improve, creating a "V-shaped" recession.

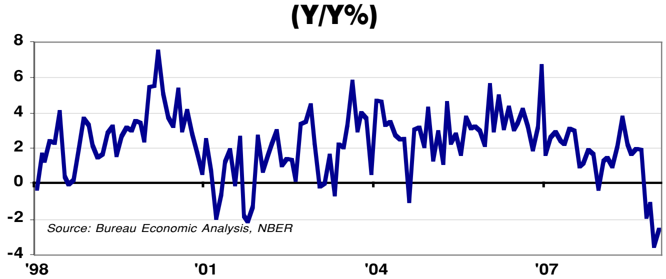
REAL GDP (%)



'FAB FIVE' STILL SOFT

Personal incomes rose 0.4% in January, while those adjusted for inflation and taxes — real disposable personal incomes — jumped 1.5%. Real consumer spending increased 0.4% in January, which, if sustained, may result in a less caustic reading in 1Q consumer spending. Our 'Fab Five' indicators of discretionary spending all remain in negative territory, but some managed to record improvements in January.

SPENDING: MEALS AT OTHER EATING PLACES (Y/Y%)



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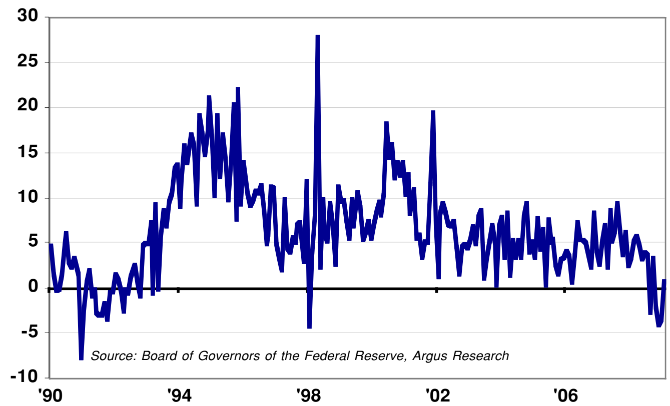
MONETARY HIGHLIGHTS

CONSUMER CREDIT REVERSES SLUMP

For the first time in four months, consumers actively increased the level of borrowing. Total outstanding consumer credit rose an annualized 0.8% in January, driven by a 1.2% increase in revolving (or credit card) debt, and a 0.6% gain in non-revolving debt. Non-revolving debt is largely comprised of automotive loans. In addition, rates are restrictive on auto loans. New car loans at auto finance companies had an associated interest rate of 8.23% in January, considerably higher than the 4.85% posted during the first quarter of 2008. Despite these increases, we aren't convinced consumers have returned to spending. Job losses have accelerated and will likely increase in the spring. This should suppress any widespread thought of additional borrowing.

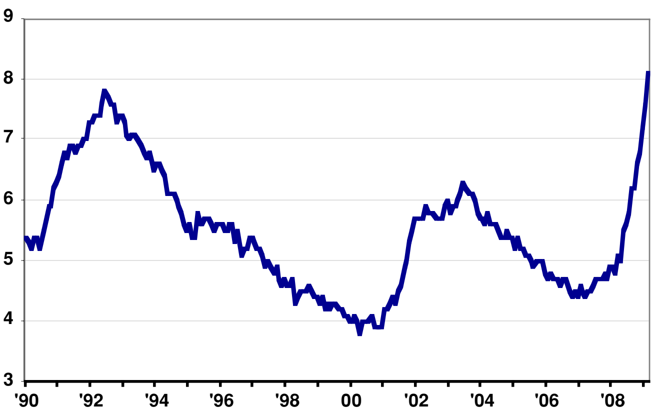
CONSUMER OUTSTANDING CREDIT %



FREE FALLIN'

The U.S. economy lost 651,000 nonfarm payroll jobs in February – near the Street estimate of 650,000 and less than our forecast of 705,000. January's nonfarm payroll job loss was revised higher to 655,000 from 598,000. The manufacturing sector jettisoned 168,000 workers, business services eliminated 180,000 positions and the service-providing sector shed 375,000 jobs. Not surprisingly, the only group to add jobs was the government. Equally disturbing, the unemployment rate surged to 8.1% in February from 7.6% in January – and is at the highest level in more than 25 years. As the economy hemorrhages jobs, one million or more monthly job losses have moved from possible to probable. We continue to expect economic conditions to worsen before they get better.

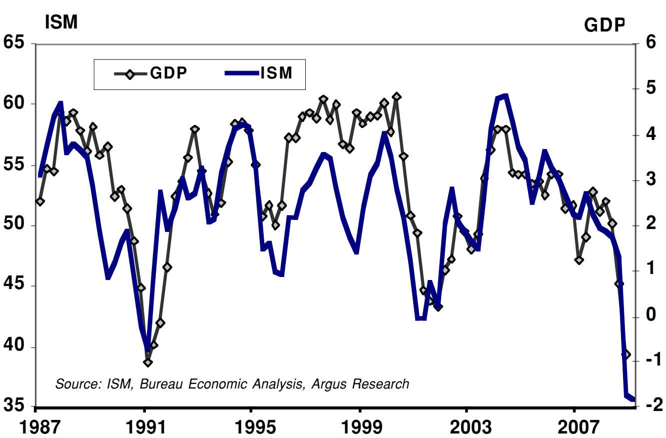
UNEMPLOYMENT RATE (%)



ISMS SIGNAL STEEP DECLINE

The Institute of Supply Management's (ISM) barometers of economic activity are signaling profound overall economic weakness. In February, the ISM Non-Manufacturing, or services, index was a lowly 41.6 — down from 42.9 in January. Meanwhile, the ISM's Manufacturing Index registered a reading of 35.8 in February — essentially unchanged from January. It is this lowly level that has led us to believe that the pace of aggregate demand pulled back by 5.0%-6.0% during the first three months of the year. One comment from a construction purchasing manager summed up the underlying issues plaguing the economy: "General market conditions are still retracting, with financing being the largest barrier for new orders." Until that barriers recedes, investors should expect continued deterioration.

REAL GDP (Y/Y%) VS. ISM PMI

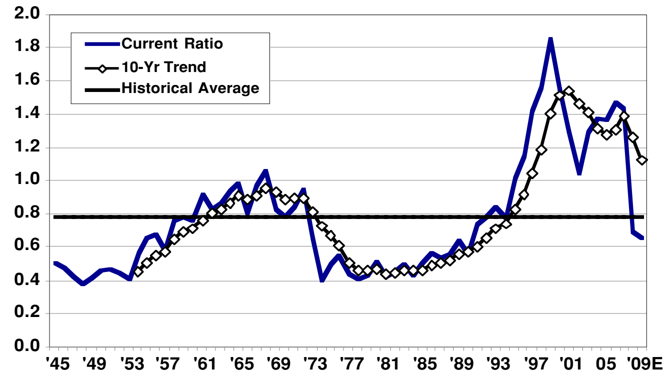


FINANCIAL MARKET HIGHLIGHTS

VALUATIONS APPEAR ATTRACTIVE

Based on his market valuation model, Peter Canelo, Chief Investment Strategist for Argus Institutional Partners, has noted that stocks are priced at a 40% discount to fair value — this as expressed by the ratio of the government bond yield and the S&P 500 earnings yield. An analysis of Price/Sales trends also suggests that U.S. stocks are undervalued. Currently, the ratio of U.S. Market Cap to U.S. GDP is 66%, versus the post World War II average ratio of 79%. Yet valuation alone is not a clear buy signal for stocks. Note that the last time the Price/Sales ratio dipped below the historical trend line, it remained at depressed levels for 20 years.

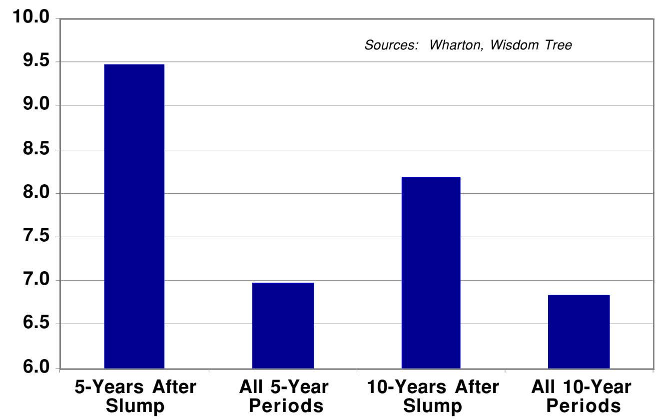
PRICE/SALES RATIO (US EQUITY MARCAP/GDP)



EQUITIES FOR THE LONG TERM

In a recent study in Barron's, Wharton Professor Jeremy Siegel concluded that after market slumps of five or 10 years, stocks generated above-average returns in the subsequent five- and 10-year periods. Our chart shows that during the five-year periods after the weakest five-year periods, stocks generated average annual returns of 9.5%,versus 7% returns over all five-year periods. (During those weak five-year periods, stock returns ranged from +2.3% to -10.7% on an average annual basis.) The same study also held true for 10-year returns. This study may be particularly important for investors nearing retirement age who may be inclined to exit stocks entirely given the weak economic and market environment. According to the data, stocks still outperform over the long term.

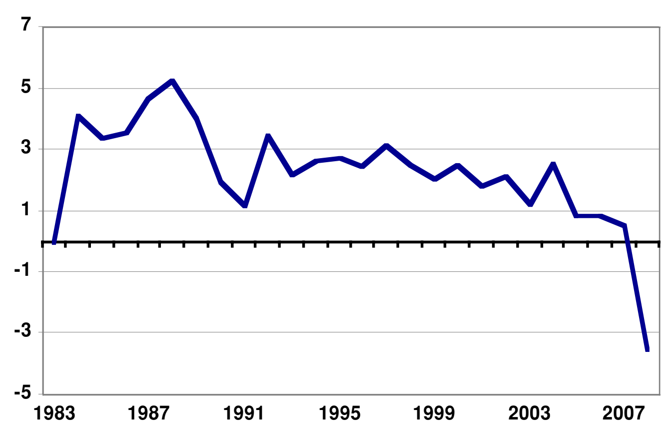
STOCK MARKET RETURNS (%)



FINDING A NEW BASE

From time to time, we will look at key sectors of the economy, and attempt to decide if the decline from 2007 to the current time represents the achievement of a base or is still a work in progress. Argus Senior Auto Analyst Kevin Tynan thinks that auto sales, currently running at just a tad above 9 million per year, have fallen below a base level, which should be 10 million. Despite a decline in vehicle miles driven for the first time in almost 30 years, Kevin thinks the status and fashion statements that can be made through an auto will drive sales back to the 15-million per-year level by 2015. If Kevin is right, or if even 9 million is a new base, then this important part of the economy — and by extension the stock market — may be poised for stabilization.

VEHICLE MILES DRIVEN (% CHANGE YOY)



THE ARGUS ECONOMIC OUTLOOK

March 17, 2009

	2007 A				2008 A				2009 E				2010 E			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Real Gross Domestic Product	0.0	4.8	4.8	-0.2	0.9	2.8	-0.5	-6.2	-4.5	-1.7	-0.2	1.4	2.8	2.8	1.4	1.2
Annual:				2.4				-0.8				-1.3				2.0
Personal Consumption	3.9	2.0	2.0	1.0	0.9	1.2	-3.8	-4.3	-1.7	-1.7	-0.6	0.7	1.8	0.9	1.2	0.9
Durables	9.2	5.0	2.3	0.4	-4.3	-2.8	-14.8	-22.1	-16.4	-20.8	-7.4	-1.6	1.2	1.9	2.3	3.0
Non-Durables	3.5	1.9	1.2	0.3	-0.4	3.9	-7.1	-9.2	0.8	2.8	2.1	1.4	2.0	1.4	0.7	0.7
Services	3.1	1.4	2.4	1.4	2.4	0.7	-0.1	1.4	1.9	0.9	0.8	0.9	0.5	0.5	1.2	0.6
Gross Domestic Investment	-9.6	6.2	3.5	-11.9	-5.8	-11.5	0.4	-20.8	-12.4	-4.8	-2.6	3.5	6.9	8.4	1.3	0.7
Fixed Investment	-3.4	3.0	-0.9	-6.2	-5.6	-1.7	-5.3	-21.3	-10.7	-4.7	-3.8	-1.8	4.2	5.7	1.3	2.0
Non-Residential	3.4	10.3	8.7	3.4	2.4	2.5	-1.7	-21.0	-7.5	-3.3	-1.8	-0.6	4.5	6.4	1.2	1.9
Structures	11.2	18.3	20.6	8.6	8.7	18.4	9.6	-5.9	2.2	-13.2	-2.4	-5.9	8.9	4.9	2.4	2.4
Equip. & Software	0.0	6.9	3.6	1.0	-0.5	-5.0	-7.5	-28.8	2.0	0.4	-1.6	1.2	3.1	6.9	0.8	1.8
Residential	-16.2	-11.6	-20.6	-27.0	-25.0	-13.3	-16.1	-22.2	-17.1	-9.7	-11.2	-6.5	1.9	1.9	1.8	1.7
Change in Pvt. Inventories	-15.0	-2.8	16.0	-8.1	-10.2	-50.6	-29.6	-19.9	-30.0	-30.0	-25.0	-5.0	5.0	15.0	15.0	10.0
Net Exports																
Exports	0.6	8.8	23.0	4.4	5.1	12.3	3.0	-23.6	-0.9	0.8	1.5	2.3	3.8	7.3	2.1	2.4
Goods	2.1	6.8	21.8	5.1	4.6	16.3	3.6	-33.6	-0.7	0.8	1.6	3.3	4.5	9.6	1.9	2.5
Services	-2.7	13.3	26.0	2.7	6.4	3.7	1.4	3.5	0.0	0.8	1.2	0.3	2.3	2.3	2.6	2.1
Imports	7.7	-3.7	3.0	-2.3	-0.8	-7.3	-3.5	-16.0	0.7	-0.1	0.3	1.1	0.6	0.6	1.3	1.2
Goods	8.4	-4.0	2.4	-2.6	-1.9	-7.1	-4.7	-19.4	0.3	-0.3	-0.1	0.7	0.4	0.2	0.8	0.8
Services	4.2	-2.0	6.3	-0.8	5.5	-8.1	3.3	2.7	3.0	0.9	2.4	3.2	1.8	2.6	3.4	3.5
Gov't Purch.of Goods & Svcs.	0.9	3.9	3.8	0.8	1.9	3.9	5.8	1.6	-2.3	1.5	1.1	1.4	1.2	0.8	1.6	1.8
Federal	-3.7	6.7	7.2	-0.5	5.8	6.6	13.8	6.7	-6.0	3.2	2.2	3.3	2.1	0.9	2.3	3.0
National Defense	-5.9	8.4	10.1	-0.9	7.2	7.3	18.0	3.2	-6.8	3.3	0.4	1.8	2.7	-0.8	1.3	2.3
Non-Defense	1.3	3.1	1.1	0.5	2.7	5.0	5.1	15.1	-3.5	3.0	6.1	6.6	0.9	4.4	4.3	4.4
State & Local	3.6	2.4	1.9	1.6	-0.3	2.5	1.4	-1.4	-0.5	0.3	0.3	0.2	0.7	0.8	1.1	0.9
Final Sales of Domestic Prod.	1.1	4.3	4.0	0.8	0.9	4.4	-1.3	-6.4	-4.2	-1.7	-0.4	0.7	2.5	2.4	1.4	1.3
Final Sales to Dom. Purch.	2.2	2.5	1.9	-0.1	0.1	1.3	-2.2	-5.7	-3.5	-1.8	-0.5	0.5	2.0	1.5	1.3	1.2
Addendum:																
Nominal GDP	4.3	6.9	6.4	2.3	3.5	4.1	3.4	-5.8	-3.5	0.2	3.1	4.5	6.1	6.4	4.9	4.3
Personal Con Exp Deflator	3.4	3.6	2.5	4.3	3.6	4.3	5.0	-5.0	1.0	2.0	3.0	3.0	2.9	3.2	2.9	3.3
GDP Price Deflator (implicit)	4.2	2.0	1.5	2.5	2.6	1.3	3.9	0.5	1.0	2.0	3.3	3.1	3.2	3.5	3.5	3.1

Richard Yamarone, Director of Economic Research