PERIGON

THE ECONOMY AT A GLANCE

ECONOMIC HIGHLIGHTS

September 8, 2009
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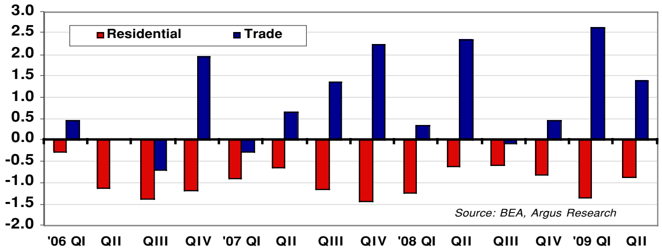
TRADE BIG ECON BOOSTER

The U.S. international trade balance registered a $27.0 billion deficit in June. Total exports rose 0.2% to $125.8 billion, while imports jumped 2.3% to $152.8 billion — the first increase in eleven months. A significant influence on the increase in imports was the price of crude. Trade played an integral role of propping up the economy while the housing recession lingered for years and ultimately dragged the economy into the deepest and longest recession in post-WWI history.

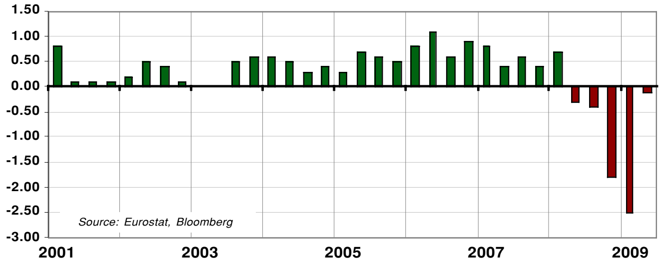
CONTRIBUTION TO GDP
RESIDENTIAL SPENDING & TRADE



EUROPEAN ECONOMY RECOVERS

The European economy contracted by a mere 0.1% (Q/Q) in the second quarter, a monumental reversal from the record 2.5% decline posted during the first three months of the year. Many believe that this rebound implies a stronger — and quicker — recovery for the Eurozone than will be the case in the U.S. We aren't so sure. The bulk of the fiscal stimulus in the U.S. is set to provide a vibrant boost in 2010, while several nations in Europe are still showing no signs of recovery.

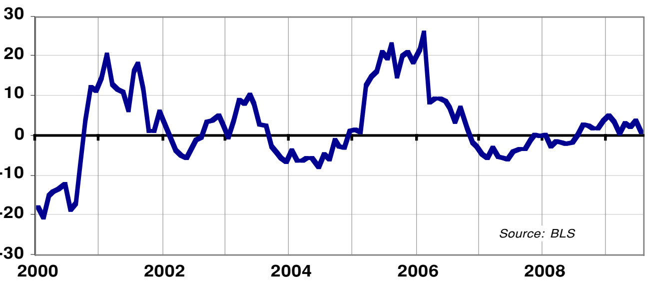
EU GDP (Q/Q%)



SUGAR SOARING

Weather problems in two of the world's major sugar consuming and producing nations (Brazil and India) sent futures on U.S.-traded sugar to 28-year highs. Some of the bigger brand users in the U.S. have voiced concern about a sugar shortage. This may put upward pressure on other commodities (such as corn prices) as food companies substitute other sweeteners (such as high fructose corn syrup). This also may have an influence on energy prices, as half of Brazil's sugar crop is used in ethanol.

PPI: RAW CANE SUGAR & BYPRODUCTS



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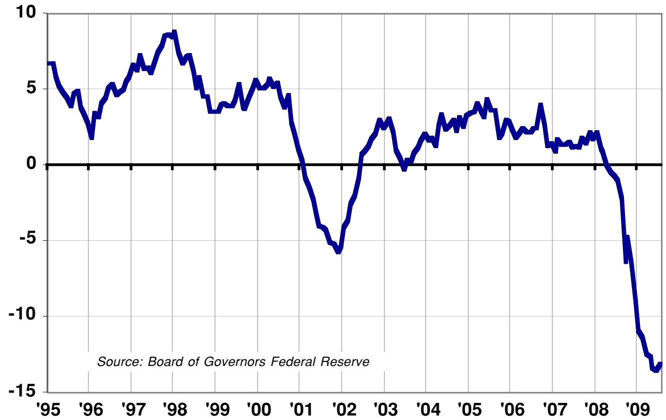
MONETARY HIGHLIGHTS

INDUSTRIAL PRODUCTION REBOUNDS

The level of total industrial output increased by 0.5% in July. This was the first gain in nine months, and was bolstered by the government's "cash-for-clunkers" program. This increase followed a revised 0.4% decline in June. Usually, automakers idle plants and factories during July and August for annual re-tooling (for the new model year). This time, however, GM and Chrysler — both in bankruptcy — keep production running and benefited a great deal from the "clunkers" program incentives. In July, auto and truck assemblies totaled 5.87 million units — a notable surge from 4.11 million units assembled in June. While we are comforted by this increase, the program will not last – and once it ends, so too will much of the consumer desire to purchase in an uncertain environment.

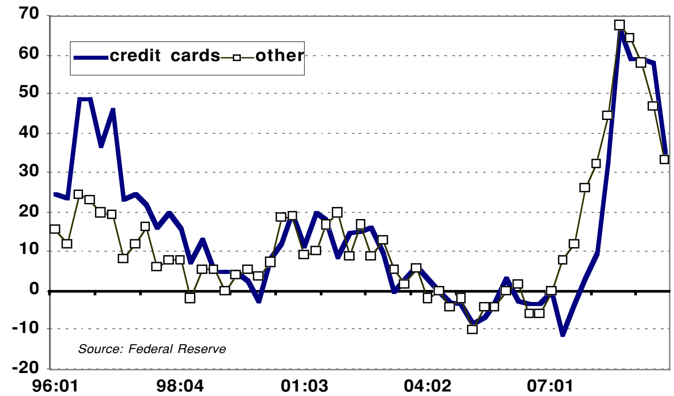
INDUSTRIAL PRODUCTION (Y/Y%)



BANKS TIGHTEN STANDARDS

The Federal Reserve's latest Senior Loan Officer Survey revealed a continued tightening in lending standards amid weak demand for all types of loans during the second quarter. According to the survey, about 30% of domestic respondents, on net, reported tighter standards on commercial & industrial loans to large firms, and about 35% claimed to have tightened lending standards to small firms. The household lending situation continues to be restrictive as 35% of those polled tightened standards to consumers. Loans and conditions on credit card and other consumer loans were also tighter, though not as tight as in April. This just doesn't seem like an environment that will result in greater organic economic activity.

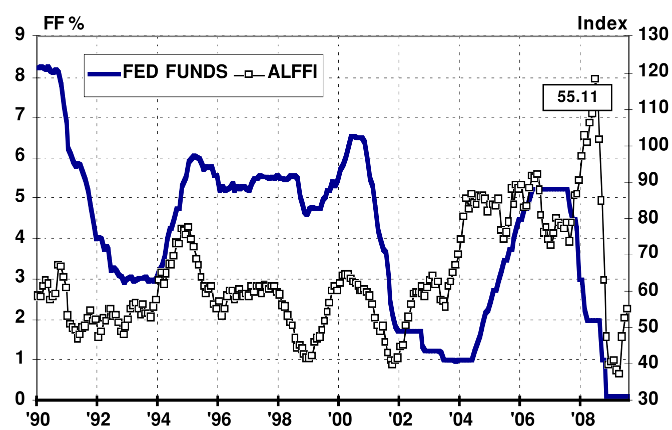
NET % TIGHTENING STANDARDS FOR CONSUMER LOANS



ARGUS FED INDEX RISES

The Argus Leading Fed Funds Index (ALFFI), our internal barometer of changes in the Federal Reserve's overnight borrowing target rate, increased again last month – the third consecutive gain and the fifth increase in seven months. This created the highest reading in the ALFFI since October 2008, when the collapse of Lehman sent the economy and financial markets into a tailspin and forced the Fed to open up the monetary spigots. Four of the six components registered increases. Despite the recent reversal in the ALFFI, we don't believe the Fed is about to tap on the brakes any time soon. Several of the broader inflation gauges are mired in deflationary territory, while many of the 'core' measures are indicating a deep disinflationary situation.

ARGUS LEADING FED FUNDS INDEX

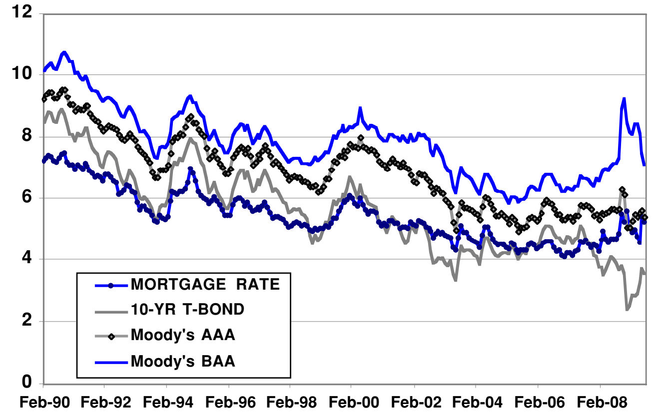


FINANCIAL MARKET HIGHLIGHTS

CORPORATE BONDS STILL A GOOD BUY

According to our calculations, the average spread between the government long bond and an AAA-rated corporate bond over the past 55 years is 80 basis points. As of July, the gap was 185 basis points, down from 189 bps a month earlier. The gap between the government long-bond yield and a BBB-rated bond (still investment grade) is now 353 basis points, versus a historical average of 178 bps. A month ago, the gap was 378 basis points. The wide gaps signify that investors continue to discount the strength of the U.S. economic recovery. We continue to think that the market is overweighting the default risks of Corporate America, and believe that corporate bonds are still a good buy.

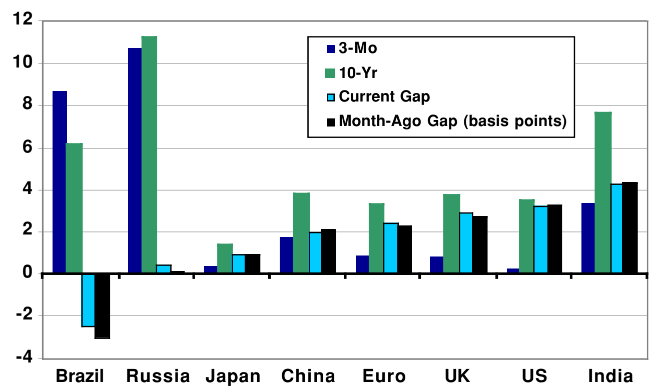
BOND GAPS (%)



RATES RISING IN CHINA

U.S. long-term rates are currently in the same 3.25%-3.75% range as rates in other industrialized nations, such as the Euro area, China and the U.K.. Interestingly, interest rates in China have moved higher over the summer as the economy awakened and potential inflationary pressures percolated. But not all yield curves in emerging markets are signaling growth. The yield gaps in Brazil and Russia are low, as governments work to bring inflation under control. That said, short-term rates have been coming down in both countries, as they moves into position to benefit from a potential boom in commodities once global growth takes hold.

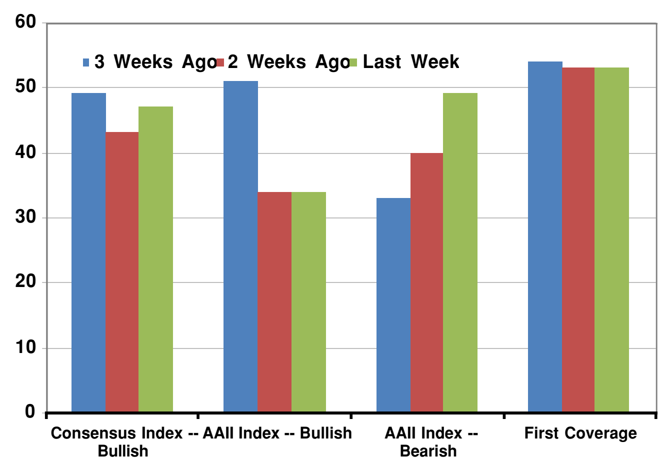
GLOBAL YIELD GAPS (%)



INDIVIDUALS GROWING BEARISH ON STOCKS

The small guy is growing worried about the strength of the market recovery in 2009, and may be ready to start taking some profits. That's the view expressed by the AAII Bullish and Bearish indexes. In the past week, individual investor bullishness has declined and bearishness has increased. The view contrasts a bit with the outlook by the professionals. According to Consensus Inc., Financial Advisors bullish sentiment is in the middle of the neutral range of 35%-55%, and is basically stable. The hedge funds remain bullish, according to First Coverage, with the highest percentage of bulls at 53%. The hedge funds have consistently been correct in August. For our part, we continue to have a bullish view on the near-term stock market performance.

INVESTMENT SENTIMENT (%)



THE ARGUS ECONOMIC OUTLOOK

September 1, 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	1.2	3.2	3.6	2.1	-0.7	1.5	-2.7	-5.4	-6.4	-1.0	**2.2**	**-0.1**	**1.8**	**1.7**	**1.0**	**1.1**
Annual:				2.5				-1.8				**-1.3**				**1.4**
Personal Consumption	3.7	1.1	1.9	1.2	-0.6	0.1	-3.5	-3.1	0.6	-1.0	**0.3**	**0.1**	**0.5**	**1.9**	**1.2**	**0.9**
Goods	4.0	0.2	3.1	3.0	-5.1	-0.5	-7.7	-10.0	2.5	-3.4	**-0.4**	**1.4**	**1.9**	**1.7**	**1.3**	**0.4**
Durables	5.5	2.1	5.2	5.5	-8.9	-5.7	-11.7	-20.3	3.9	-5.8	**6.0**	**-4.3**	**-3.3**	**7.3**	**3.7**	**1.5**
Non-Durables	3.1	-0.8	2.1	1.8	-3.0	2.2	-5.6	-4.9	1.9	-2.2	**0.2**	**1.2**	**1.6**	**2.4**	**2.2**	**2.3**
Services	3.6	1.6	1.3	0.3	1.8	0.4	-1.3	0.5	-0.3	0.2	**0.2**	**0.6**	**0.8**	**0.8**	**0.4**	**0.4**
Gross Domestic Investment	-6.0	5.7	0.8	-7.7	-7.4	-10.4	-6.9	-24.2	-50.5	-24.4	**16.5**	**-3.9**	**7.6**	**3.5**	**2.1**	**0.5**
Fixed Investment	-2.6	3.6	-0.4	-4.2	-6.2	-2.7	-8.3	-20.2	-39.0	-13.5	**-19.8**	**-3.8**	**0.7**	**0.8**	**0.8**	**1.3**
Non-Residential	4.2	11.4	9.6	6.7	1.9	1.4	-6.1	-19.4	-39.2	-10.9	**-8.3**	**-5.0**	**2.5**	**0.2**	**0.3**	**1.1**
Structures	15.6	22.7	26.5	11.2	6.7	14.5	-0.1	-7.2	-43.6	-15.1	**2.4**	**-4.8**	**1.0**	**3.0**	**4.4**	**0.8**
Equip. & Software	-0.4	6.5	2.2	4.4	-0.5	-5.0	-9.4	-25.9	-36.4	-8.4	**-7.7**	**-5.1**	**3.2**	**-1.2**	**-1.6**	**1.3**
Residential	-16.2	-12.8	-22.4	-29.5	-28.2	-15.8	-15.9	-23.2	-38.2	-22.8	**-12.0**	**1.2**	**-5.8**	**3.3**	**2.5**	**1.9**
Change in Pvt. Inventories	14.5	23.3	29.8	10.3	0.6	-37.1	-29.7	-37.4	-113.9	-159.2	**-30.0**	**-30.0**	**-5.0**	**5.0**	**10.0**	**7.0**
Net Exports																
Exports	3.5	5.2	18.5	14.5	-0.1	12.1	-3.6	-19.5	-29.9	-5.0	**-5.1**	**3.3**	**2.7**	**3.3**	**4.3**	**5.8**
Goods	3.0	6.3	14.8	12.4	4.2	14.0	-1.7	-25.5	-36.9	-7.0	**-5.0**	**2.6**	**3.0**	**3.4**	**4.7**	**7.7**
Services	4.8	2.7	27.1	19.2	-8.9	7.7	-7.7	-4.3	-13.6	-1.0	**-4.1**	**4.7**	**2.0**	**3.0**	**3.5**	**2.1**
Imports	4.3	-0.5	3.7	-3.6	-2.5	-5.0	-2.2	-16.7	-36.4	-15.0	**-6.6**	**-2.5**	**-3.9**	**4.1**	**4.7**	**5.6**
Goods	5.0	-1.0	2.8	-3.8	-3.5	-4.6	-3.7	-19.6	-41.0	-16.5	**-5.7**	**-3.1**	**-4.0**	**4.2**	**4.1**	**3.8**
Services	0.3	2.1	8.7	-2.9	3.0	-7.0	6.0	-0.9	-11.5	-9.0	**-9.6**	**0.4**	**-3.6**	**3.7**	**7.1**	**13.1**
Gov't Purch.of Goods & Svcs.	0.0	4.4	3.9	1.6	2.6	3.6	4.8	1.2	-2.6	6.4	**2.2**	**-2.3**	**-1.1**	**0.6**	**0.1**	**2.4**
Federal	-5.1	7.4	9.3	2.7	8.2	7.8	13.2	6.5	-4.3	10.9	**4.7**	**-3.2**	**0.4**	**1.9**	**1.9**	**3.3**
National Defense	-7.6	8.6	10.0	0.5	8.2	7.0	19.8	3.8	-5.1	13.3	**3.1**	**-5.3**	**-1.1**	**0.8**	**0.6**	**2.2**
Non-Defense	0.4	4.9	7.9	7.6	8.0	9.7	0.1	12.6	-2.4	6.2	**8.4**	**1.2**	**3.6**	**4.2**	**4.6**	**5.5**
State & Local	3.1	2.6	0.9	1.0	-0.5	1.2	0.1	-2.0	-1.6	3.6	**-0.1**	**-1.6**	**-2.1**	**-0.3**	**-1.0**	**1.8**
Final Sales of Domestic Prod.	1.8	2.9	3.4	2.8	-0.5	2.7	-2.9	-4.7	-4.1	0.4	**-2.3**	**-0.1**	**1.0**	**1.4**	**0.8**	**1.2**
Final Sales to Dom. Purch.	2.0	2.1	1.9	0.4	-0.9	0.3	-2.7	-4.9	-6.4	-1.2	**-2.3**	**-0.8**	**0.2**	**1.5**	**0.9**	**1.3**
Addendum:																
Nominal GDP	5.5	6.0	5.3	4.5	1.0	3.5	1.4	-5.4	-4.6	-1.0	**4.3**	**2.0**	**4.4**	**5.7**	**5.0**	**4.7**
Personal Con Exp Deflator	3.7	3.2	2.3	5.1	3.7	3.9	4.7	-5.0	-1.5	1.3	**1.9**	**1.8**	**1.9**	**1.9**	**2.2**	**2.6**
GDP Price Deflator (implicit)	4.2	2.7	1.6	2.3	1.9	1.8	4.0	0.1	1.9	0.0	**2.2**	**2.2**	**2.5**	**4.0**	**4.0**	**3.6**

Richard Yamarone, Director of Economic Research