

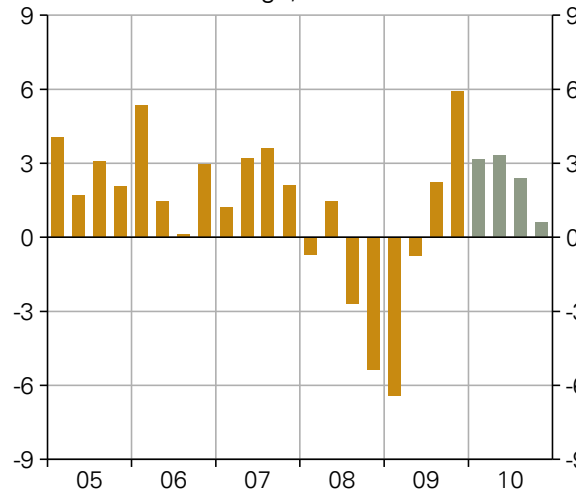
Economic Forecast

After expanding 5.9% in the fourth quarter of 2009, real GDP is projected to have increased by approximately 3% in the first half of 2010 before slowing in the second half. The 2007-09 recession ended in the May-July period, and growth is projected to remain solid for a few quarters before weakening to a below trend rate perhaps as soon as the second half of 2010. A key factor behind the expected slowdown is the deleveraging of household balance sheets.

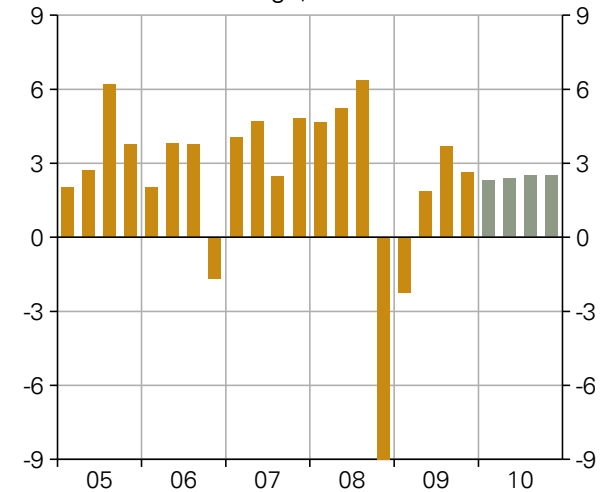
Growth in the next few quarters will be supported by inventory rebuilding and a stabilizing of consumer spending, reflecting recent monetary policy actions and substantial federal government spending. In addition, the composition of real GDP recently remains consistent with a stronger initial snapback in growth than had been widely anticipated – in large part due to the steep drawdown in business inventories. Regardless of the near-term course of the economy, growth is expected to be well below the trend rate of 3% to 3.5% for an extended period after the initial recovery phase.

The Federal Reserve is expected to anchor short-term interest rates near historic lows well into 2010. Intermediate and longer-term interest rates are expected to fluctuate in a wide trading range during the period, with signs of renewed economic growth and concerns about inflation pushing rates up. Credit spreads have peaked, and are expected to trend erratically lower through 2010.

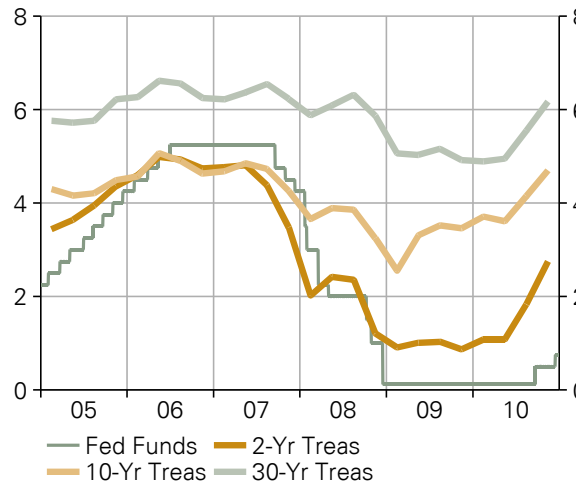
Real GDP
1-Quarter % Change, Annual Rate



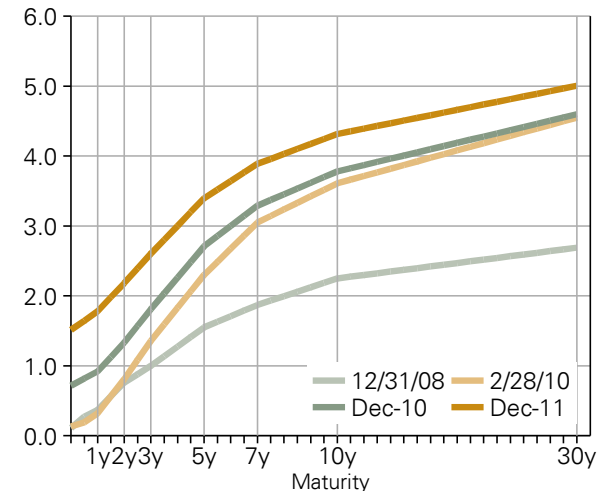
Consumer Price Index
1-Quarter % Change, Annual Rate



Selected Interest Rates
Percent



Treasury Yield Curve
Percent Yield



**U.S. Economic Forecast
March 2010**

								Annual Average			Q4-Q4 Change		
	09-II	09-III	09-IV	10-I	10-II	10-III	10-IV	2008	2009	2010	2008	2009	2010
REAL GDP (bln 2000\$)	12,902	12,973	13,161	13,271	13,380	13,456	13,472	13,312	12,990	13,395	(249.3)	19.1	311.0
% change	-0.7	2.2	5.9	3.4	3.3	2.3	0.5	0.4	(2.4)	3.1	-1.9	0.1	2.4
NOMINAL GDP (bln \$)	14,151	14,242	14,461	14,640	14,810	14,966	15,063	14,441	14,258	14,870	9.4	114.1	601.8
% change	-0.8	2.6	6.3	5.0	4.7	4.3	2.6	2.6	-1.3	4.3	0.1	0.8	4.2
CONSUMER PRICE INDEX (% change)	1.9	3.7	2.6	2.3	2.4	2.5	2.5	3.8	-0.3	2.6	1.6	1.5	2.4
U.S. DOLLAR (FRB Index)	79.4	75.4	73.6	72.0	67.9	67.2	68.1	74.4	77.8	68.8	10.9	-9.5	-7.4
CORPORATE PROFITS, PRE-TAX (bln \$)	1337.1	1495.0	1595.8	1660.4	1728.3	1776.5	1816.3	1462.8	1418.6	1745.4	-723.0	535.7	220.4
% change	32.4	56.3	29.8	17.2	17.4	11.6	9.3	-17.6	-3.0	23.0	-40.5	50.5	13.8
INDUSTRIAL PRODUCTION (% change)	-10.4	6.4	6.7	4.3	4.3	2.5	1.7	-2.2	-9.7	3.6	-6.7	-4.7	3.2
CAPACITY USE (%)	68.7	70.0	71.4	73.1	75.3	76.8	77.7	77.6	70.1	75.7	-6.3	-2.8	6.3
TOTAL EMPLOYMENT (mln)	131.1	130.1	129.6	129.4	129.5	129.7	130.0	136.8	130.9	129.7	-2.8	-5.4	0.3
AVERAGE MONTHLY CHANGE (thous)	-478	-260	-103	-22	52	84	101	-302	-398	54	nm	nm	nm
UNEMPLOYMENT RATE (%)	9.3	9.7	10.0	10.2	10.1	10.0	9.8	5.8	9.3	10.0	2.1	3.1	-0.3
HOUSING STARTS (mln)	0.55	0.59	0.56	0.62	0.64	0.66	0.63	0.90	0.56	0.64	-0.51	-0.10	0.07
TOTAL MOTOR VEHICLE SALES (mln)	9.6	11.5	10.8	11.7	12.4	13.0	13.5	13.1	10.3	12.7	-5.7	0.5	2.7
PRIME COMM. BANK RATE (%)	3.25	3.25	3.25	3.17	3.13	3.16	3.55	5.09	3.25	3.25	-3.46	-0.81	0.30
FEDERAL FUNDS RATE (%)	0.18	0.16	0.12	0.13	0.13	0.16	0.55	1.93	0.16	0.24	-3.99	-0.39	0.43
3-MONTH T-BILL, Equiv. Bond Yield (%)	0.17	0.14	0.06	0.11	0.19	0.27	0.62	1.37	0.15	0.30	-3.09	-0.24	0.56
1-YEAR T-NOTE (%)	0.52	0.45	0.35	0.33	0.30	0.45	0.82	1.82	0.47	0.48	-2.63	-0.64	0.47
2-YEAR T-NOTE (%)	1.01	1.03	0.87	0.85	0.72	0.89	1.24	2.00	0.96	0.93	-2.27	-0.34	0.37
3-YEAR T-NOTE (%)	1.49	1.56	1.39	1.38	1.22	1.40	1.73	2.24	1.43	1.43	-2.02	-0.09	0.34
5-YEAR T-NOTE (%)	2.23	2.47	2.30	2.35	2.16	2.35	2.64	2.80	2.19	2.38	-1.61	0.12	0.34
7-YEAR T-NOTE (%)	2.88	3.12	2.98	3.06	2.82	2.98	3.23	3.17	2.80	3.02	-1.35	0.35	0.25
10-YEAR T-NOTE (%)	3.31	3.52	3.46	3.58	3.34	3.51	3.72	3.67	3.21	3.54	-1.01	0.21	0.26
30-YEAR T-BOND (%)	4.17	4.32	4.33	4.47	4.26	4.39	4.56	4.28	4.07	4.42	-0.93	0.65	0.23
MORTGAGE RATE, 30-Year Fixed (%)	5.03	5.16	4.92	4.97	4.87	5.08	5.35	6.04	5.04	5.07	-0.36	-0.95	0.43

Note: Data and percent changes are at seasonally adjusted annual rates, where applicable.

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