

In a data-light week, fear filled the void, leading to unprecedented volatility and declines in equity prices. The Dow Jones Industrials Average traded in the widest-ever point range from the daily high to low on Friday and ended the week with the largest percentage decrease in history. With little economic data released during the week, the moves reflected ongoing efforts to arrest the panic that has gripped financial markets for several weeks.

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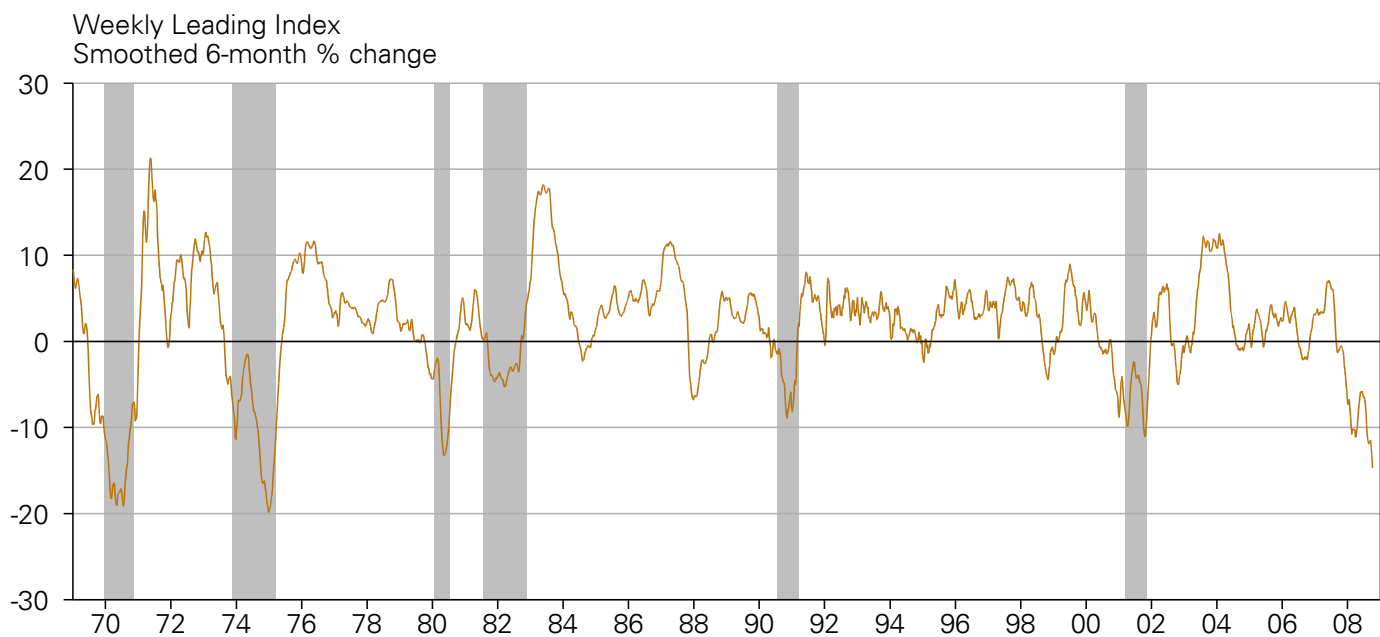
On the economic front, year-over-year growth in same-store retail sales in September was only 1.0%, down from 4.3% as recently as June. Not surprisingly in light of mounting economic strains, strength was concentrated in wholesale clubs and drug stores, where sales increased 7.4% and 3.8%, respectively, from a year earlier. Sales at department stores and clothing retailers fell 9.8% and 7.6%, respectively, year-over-year. Sales at luxury stores decreased by 10.9% from a year ago. The recent pattern of same-store retail sales is consistent with a large decline in the broader retail sales measure that will be released on Wednesday.

Initial unemployment claims fell 20,000 in the latest week, but remained above 400,000 for the twelfth straight week. Continuing claims increased to a new cycle

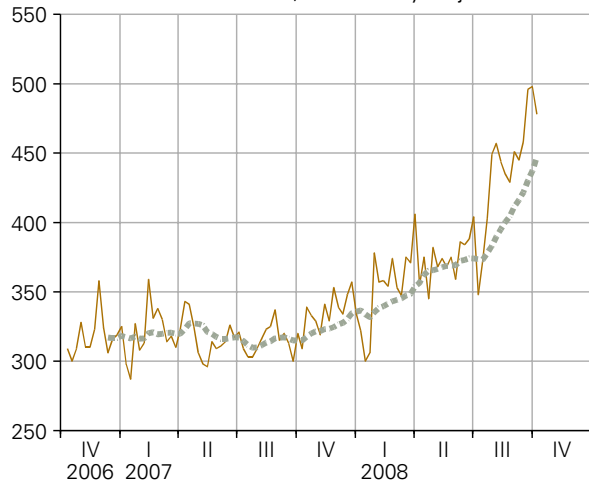
high of 3.6 million, up 46% from the low reached at the end of September 2007. Adding to the number of claimants since mid-year has been the 3-month extension of benefits signed into law on June 30 and a number of hurricanes and labor strikes. Even so, the trend appears consistent with deterioration in labor markets in particular and the economy in general.

The ECRI Weekly Leading Index fell during the week ending October 3 to its lowest level since 2003. The smoothed 6-month rate of change decreased to -14.7% – the steepest rate of decline since the 1973-75 recession. The rate of descent in the index has corresponded loosely with the severity of recessions in the past.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate  
FRB Major Currency Index, 1973 = 100



Price of Oil  
West Texas Int, \$/bbl



Price of Gold  
London PM Fixing, \$/oz



S&P 500 Stock Prices  
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations  
MBA Purchase Index 3/16/90=100 SA

