

Manufacturing activity continued to deteriorate at an historical pace as 2008 came to a close. Consumer confidence remained on the ropes.

Purchasing managers in manufacturing reported dramatic deterioration in activity across all measures during December. The ISM Index fell to 32.4 for the month, where readings above 50 indicate expansion and readings below 50 indicate contraction. The index was last this low in June 1980. The index reached lower values only briefly in the 1948-49 recession and the 1973-75 recession.

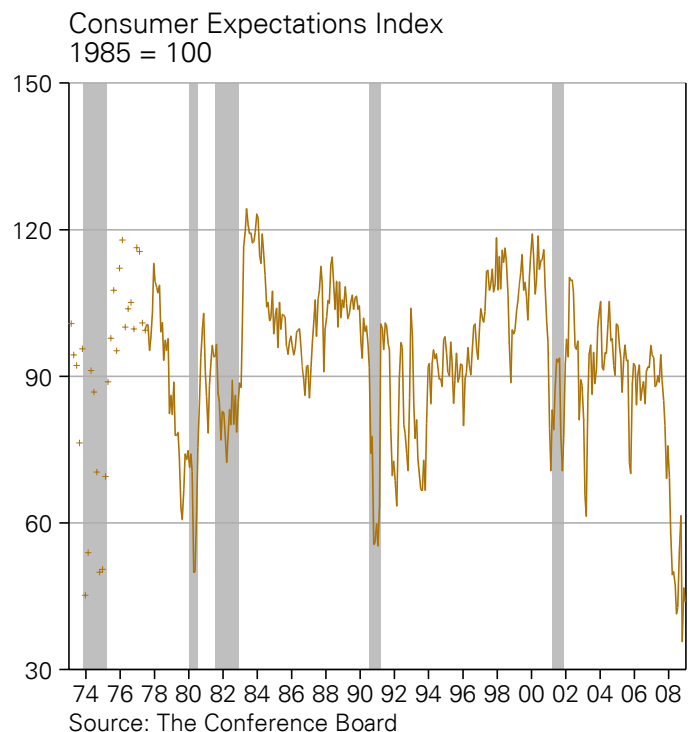
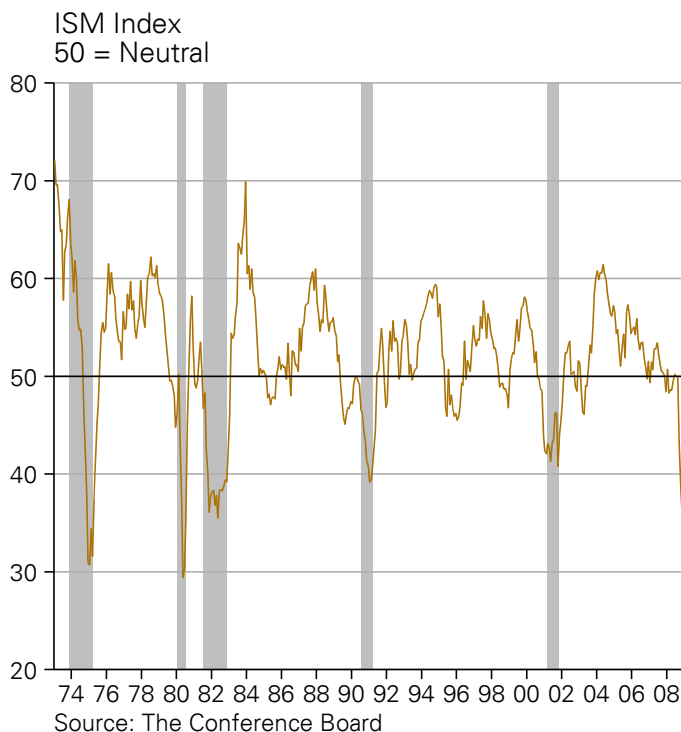
Reports of weaker new orders and weaker production each were more widespread than in any other month in the 60-year history of the survey. Reports of falling new export orders were the most widespread in the 10-year history of that component by a wide margin. Reports of lower employment were the most widespread since the 1981-82 recession. In combination, the report from purchasing managers indicates that manufacturing activity continued to contract as the year ended.

**Manufacturing activity continued to deteriorate at an historical pace as 2008 came to a close. Consumer confidence remained on the ropes.**

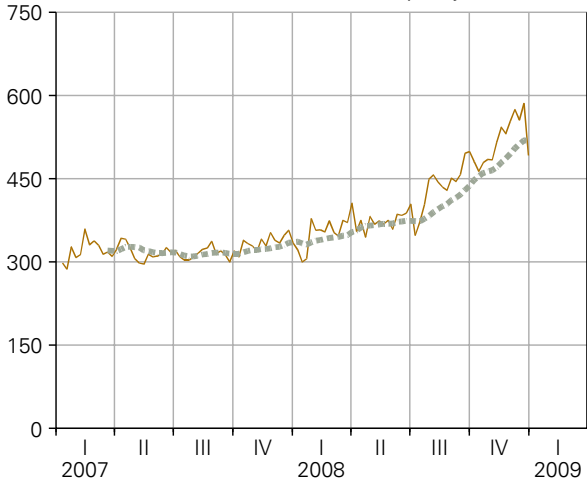
Consumer confidence remain at long-time lows in December, despite improvement in a few measures. The Consumer Confidence Index produced by the Conference Board fell to another new all-time low, dragged down by a seriously darkened view of current circumstances and a modest deterioration in expectations.

In contrast, the Reuters/University of Michigan Consumer Sentiment Index improved to its best level since September. Still near an all-time low, sentiment was somewhat more upbeat with respect to assessments of current conditions and expectations.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



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



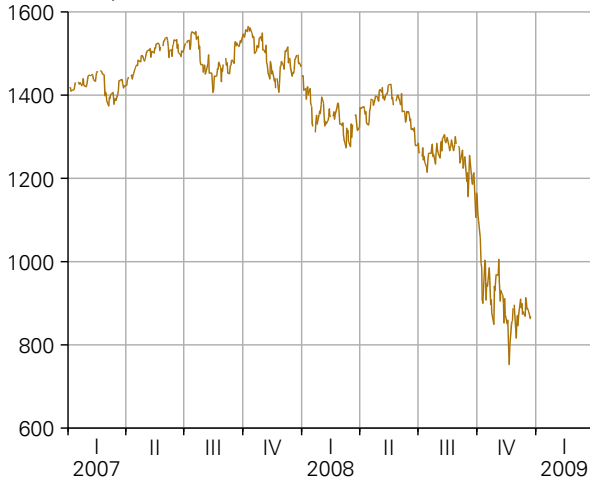
Price of Oil  
West Texas Int, \$/bbl



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

