

Industrial production increased 0.8% in November – the fifth straight month without a decrease. The 0.1% increase originally reported for October was revised to unchanged. Production in manufacturing increased 1.1% in November after slipping 0.2% in October. Manufacturing output has increased at a 10.8% annualized pace since reaching the low for the cycle in June.

The upturn in industrial production is a convincing sign that the recession ended in the May-July period, because production (which troughed in June 2009) reached its trough within one month of the end of each of the previous ten recessions. The trough in production was one month early at the 1954 trough and one month late at the 1975 and 1982 troughs. The timing of the production trough exactly matched the timing of the end of recession in the other seven cycles.

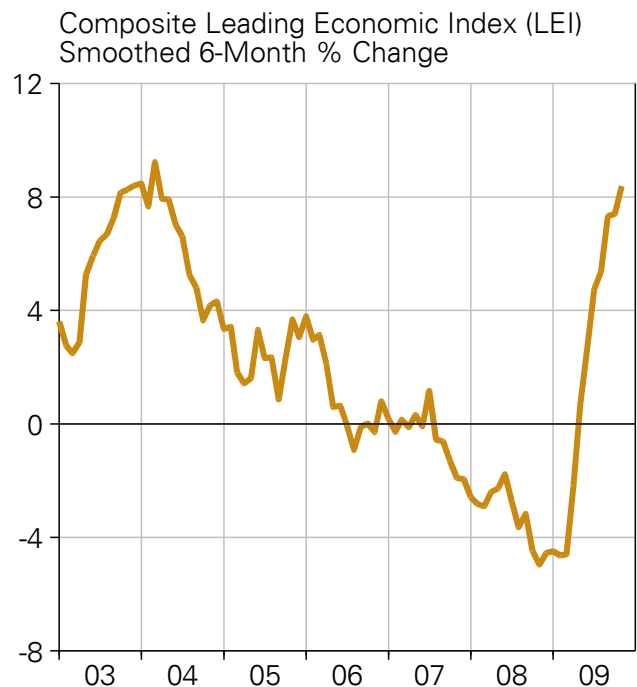
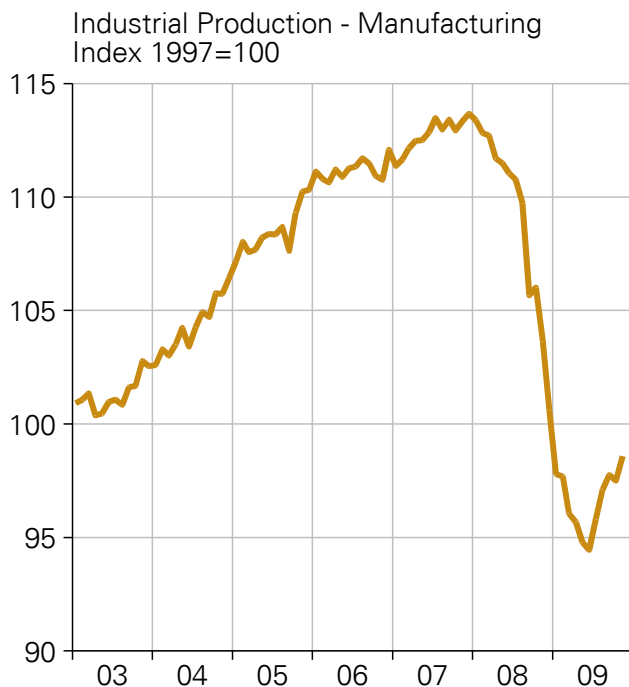
Midwest manufacturing output increased 1.2% in November. Production increased across all four sectors for the second month in a row. Although Midwest manufacturing output remained 9.9% below the year earlier level, it has increased 7.9% from the cyclical low reached in June, according to the Federal Reserve Bank of Chicago. Steel production led the sector gains, rising 2.5%. Auto sector production increased 1.1%.

Industrial production stretched its win streak to five months without a decrease. Production reached its trough in past cycles within one month of the end of recession. The recovery signal from leading indicators also strengthened.

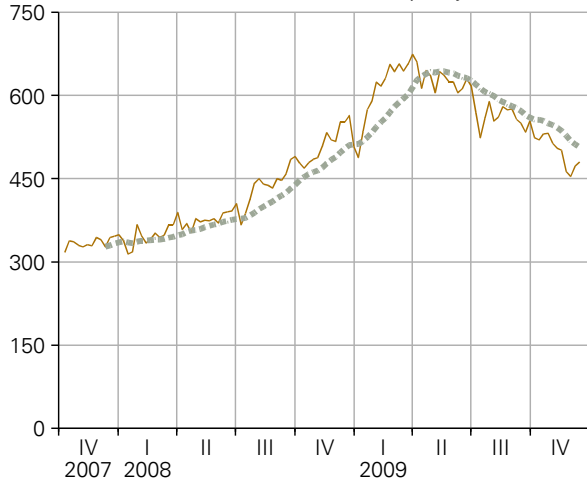
The Leading Economic Index published by the Conference Board increased 0.9% in November – the eighth consecutive monthly rise. The smoothed six-month rate of change increased to 8.4% – the seventh consecutive positive change and the best since March 2004. The sharp upturn is very strong evidence that economic recovery is underway.

The Ratio of the Coincident to Lagging Economic Index increased for the eighth straight month. The ratio has reached its cyclical trough at approximately the same time that recessions have ended on many occasions in the past.

Jim Coons



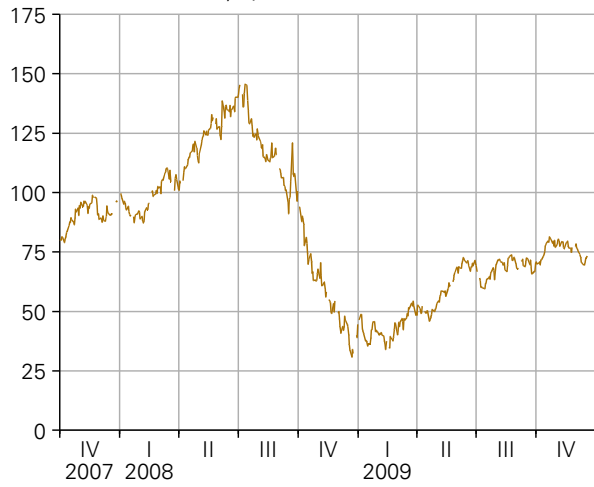
Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



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

