DR. WILLIAM E. AVERA WORK PAPERS

INDEX

NO.	TITLE
WEA WP-1	Moody's Investors Service, "U.S. Electric Utilities: Uncertain Times Ahead; Strengthening Balance Sheets Now Would Protect Credit," *Special Comment* (Oct. 28, 2010)
WEA WP-2	Moody's Investors Service, Moody's Investors Service, "US Regulated Electric and Gas Utilities: Stable Despite Rising Headline Rhetoric," *Industry Outlook* (Jan. 17, 2012)
WEA WP-3	Moody's Investors Service, "Credit Opinion: Louisville Gas & Electric Co.," *Global Credit Research* (Nov, 16, 2011)
WEA WP-4	Moody's Investors Service, "Credit Opinion: Kentucky Utilities Co.," *Global Credit Research* (Nov, 16, 2011)
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WEA WP-7	Moody's Investors Service, "Regulation Provides Stability As Risks Mount," *Industry Outlook* (Jan. 19, 2011)
WEA WP-8	The Value Line Investment Survey at 547 (Dec. 10, 2010)
WEA WP-9	Fitch Ratings Ltd., New EPA Rules: Ready or Not," *Special Report* (Mar. 1, 2012)
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WEA WP-11	Standard & Poor's Corporation, "Economic Forecast: Still Treading Water," RatingsDirect (Aug. 17, 2011)
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WEA WP-17	Riddell, Kelly, "Cash-Starved Companies Scrap Dividends, Tap Credit," Pittsburgh Post-Gazette (Oct. 2, 2008)
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DR. WILLIAM E. AVERA WORK PAPERS

INDEX

WEA WP-23	The Value Line Investment Survey (Feb. 24, 2012 at 136)
WEA WP-24	Morin, Roger A., "New Regulatory Finance," *Public Utilities Reports, Inc.* at 298 (2006)
WEA WP-25	Morin, Roger A., "New Regulatory Finance," *Public Utilities Reports* at 71 (2006)
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DR. WILLIAM E. AVERA WORK PAPERS

INDEX

	(Nov. 1, 2011)
WEA WP-44	The Value Line Investment Survey, *Forecast for the U.S. Economy* (Feb. 24, 2012)
WEA WP-45	*Blue Chip Financial Forecasts*, Vol. 30, No. 12 (Dec. 1, 2011)
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WEA WP-48	Energy Information Administration, Annual Energy Outlook 2012, Early Release (Jan. 23, 2012).
WEA WP-49	Value Line *Summary & Index* – Combination Utility Group
WEA WP-50	Value Line Source Documents – Combination Utility Group
WEA WP-51	Value Line Source Documents – Non-Utility Proxy Group
WEA WP-52	IBES & Zacks Source Documents – Non-Utility Proxy Group
WEA WP-53	*Morningstar,* "2011 Ibbotson SBBI Valuation Yearbook," at Table 7-5 (2011).
WEA WP-54	Electric Utility Risk Premium – Regulatory Research Assoc. data 1974-2010
WEA WP-55	Electric Utility Risk Premium – Regulatory Research Assoc. data 2011
WEA WP-56	Electric Utility Risk Premium – Bond Yields

MOODY'S
INVESTORS SERVICE

SPECIAL COMMENT

U.S. Electric Utilities: Uncertain Times Ahead; Strengthening Balance Sheets Now Would Protect Credit

Table of Contents:

OVERVIEW 1
DEFENDING THE RATINGS 2
STRENGTHENING THE BALANCE SHEET AND BOLSTERING LIQUIDITY 3
MANAGING REGULATORY RELATIONSHIPS 5
REDUCING EMISSIONS 7
ADDITIONAL CREDIT CONSIDERATIONS 7
CONCLUSION 8
APPENDIX A 9
MOODY'S RELATED RESEARCH 10

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- The U.S. electricity sector's credit outlook appears stable for the next 12 to 18 months, but the industry faces longer-term risks related to increasingly strict environmental mandates and elevated capital investment requirements.
- We see little evidence that electric companies are proactively strengthening their balance sheets and bolstering liquidity reserves to prepare for more challenging business conditions. We'd likely view such proactive action as a credit positive.
- We expect growth in outstanding debt to outpace utilities' cash flow, which could contribute to a decline in projected financial credit metrics that could eventually pressure company ratings.
- Concerns that consumers would resist steadily rising electric rates in a low inflation, high unemployment economy could cause regulators to limit utilities' ability to recover their costs from consumers. If utilities object, a more contentious regulatory environment might arise.

Overview

The U.S electric utility sector is quickly approaching a crossroad, where the 20th century business model of providing universal access for affordable and reliable power ("socialized power costs") is shifting to the 21st century model of consumer empowerment and cleaner power supplies. This transition requires a less carbon-intensive generation fleet and a modernized transmission and distribution grid that provides real time data to consumers. The shift has already begun, whether utilities acknowledge it or not.

To facilitate such a transition, the long-standing system that allows utilities to recover their capital investment costs, plus a reasonable rate of return, from consumers through electricity rates will need to change. Change could come through increased use of specific cost trackers or other suites of recovery adjustment mechanisms. Regardless, it appears that higher costs for end-use consumers are coming.

But a sustained period of sluggish economic growth, characterized by high unemployment, could stress the sector's recovery prospects, financial performance and credit ratings. The quality of the sector's cash flows are already showing signs of decline, partly because of higher operating costs and investments. Utilities also appear reluctant to issue equity as a principal form of financing.

Nevertheless, we continue to incorporate a view that utilities tend to place a high priority on their existing rating categories, and therefore are more prone to take defensive actions. One of the more defensive actions to prepare for more challenging business conditions, and which resides squarely within the control of the boards of directors, is to strengthen the balance sheets (by issuing equity or selling noncore assets to reduce debt) and bolstering their liquidity sources (by issuing debt to raise cash or establishing new, incremental credit facilities).

This Special Comment addresses what we believe to be some of the bigger financial, regulatory and environmental risks facing electric companies today.

TABLE 1
Illustrative Sub-Sector Financial Profile (3-Year Average Totals: 2007 – 2009)

($ billions)	Parent	Vertically	T&D	G&T	Muni*	Merchant
Revenue	$392.1	$185.0	$82.4	$12.3	$44.5	$88.9
Taxes	$10.2	$5.4	$1.4	$ -	$ -	$2.9
CFO	$73.3	$36.6	$12.9	$1.4	$10.3	$16.4
Cap Ex	$80.0	$44.1	$11.5	$2.9	$ -	$12.0
Div	$17.3	$8.0	$4.3	$ -	$ -	$36.6
FCF	$(24.0)	$(15.5)	$(2.9)	$(1.5)	$ -	$(8.2)
Debt	$452.5	$177.9	$78.3	$22.9	$81.3	$104.6
Equity	$265.3	$155.5	$62.4	$4.8	$ -	$50.8
PP&E	$672.7	$372.7	$120.2	$22.8	$206.1	$124.4
Assets	$1,086.9	$516.0	$208.1	$31.8	$ -	$228.8

Source: Moody's

* Comprised of both municipal electric utility systems and Joint Power Authorities. Moody's estimates.

Defending the Ratings

The electricity sector faces a sustained period of elevated capital investment needs, due largely to increasingly stringent environmental mandates. Utilities will also need to adjust their business plans to meet new requirements associated with a modernized, digital grid that provides a two-way flow of information. Investment decisions relating to long-lived infrastructure assets are complicated by shifting legal frameworks and flip-flopping political agendas.

A prolonged weak economy is likely to threaten utilities' ability to recover costs in a timely manner, especially as we expect 3% to 5% annual rate increases over the next few years with little evidence of inflation. The result could be a more contentious regulatory environment - a scenario we currently don't incorporate into our ratings and rating outlooks, but one we view as a potential risk.

Despite these concerns, we believe the regulated utilities are better positioned to deal with a more uncertain future than non-regulated, merchant power generators, which typically sell electricity on the

wholesale market. Merchants, which aren't regulated by local authorities, can't seek direct recovery of their costs from consumers plus a reasonable return. Their financial profile is declining more quickly due to a sustained period of low commodity prices. We've downgraded many of the pure non-regulated merchant power companies over the past year, due largely to our revised expectations for a sustained period of weak cash flow compared to outstanding debt.

We believe the hybrid companies, which own both regulated utilities and non-regulated merchant generation, may increasingly be pressured by their boards of directors to choose a focus. We actually see some political / regulatory risks, especially in cases where the regulated utilities appear to be supporting, perhaps indirectly, the non-regulated business activities. These non-regulated affiliated generators are also suffering under today's low commodity prices, while utilities benefit from reduced purchased power costs. Still, we haven't taken significant rating actions on the hybrid parents or the affiliated generators yet, as most are better positioned within their respective rating categories than the pure merchants. Moreover, we believe most of these hybrid companies may be more willing to defend their existing ratings and they tend to have a wider variety of financing alternatives to achieve that goal. But with an expected period of sustained low commodity prices, their financials might need some infusion of equity, reduction of debt or a revision to dividend policy.

We have taken several negative rating actions on the generation and transmission cooperative utilities. These G&T cooperatives, which generally control their own rate setting authority, have experienced deterioration in their financial profiles, often due to large capital expenditure requirements. Their self-determined rate increases don't appear to be fully covering their elevated costs. Ratings are not being defended, as many G&T cooperatives appear reluctant to fully raise the rates on their own distribution members due to the tough economic environment. This could be a potentially leading indicator for what might soon transpire in the investor-owned sector.

The municipally owned electric utilities continue to enjoy relatively high ratings and stable rating outlooks, even though they also face the same issues as their investor-owned utility peers. These municipal systems generally have autonomous rate-setting flexibility, and for some, costs are back-stopped by property tax authority. Nevertheless, we need to monitor their behavior to see whether rate increases are actually coming with enough regularity to maintain their own financial metric thresholds. This is especially the case given the weak economy, where many municipally owned systems are increasing their transfer payments to municipal governments' general funds in an effort to hold down property taxes. But in times of financial distress, we believe a municipal authority will intervene to support its local utility system.

Strengthening the Balance Sheet and Bolstering Liquidity

Of all the factors that contribute to the sector's rising business and operating risk profile, only the financial and liquidity profile remains squarely in control of management, and more accurately, the board of directors. But we see little evidence that boards are instructing their management teams to pursue material steps to proactively strengthen their balance sheets.

We observe that vertically integrated utilities[1] have produced remarkably stable financials over the past seven years. However, the financial health would likely weaken if we enter a period of increasingly contentious regulatory relations, perhaps due to a prolonged weak economy. Cash flows appear to be more stressed, especially if we exclude the benefits of certain stimulus implications. Debt is rising, both

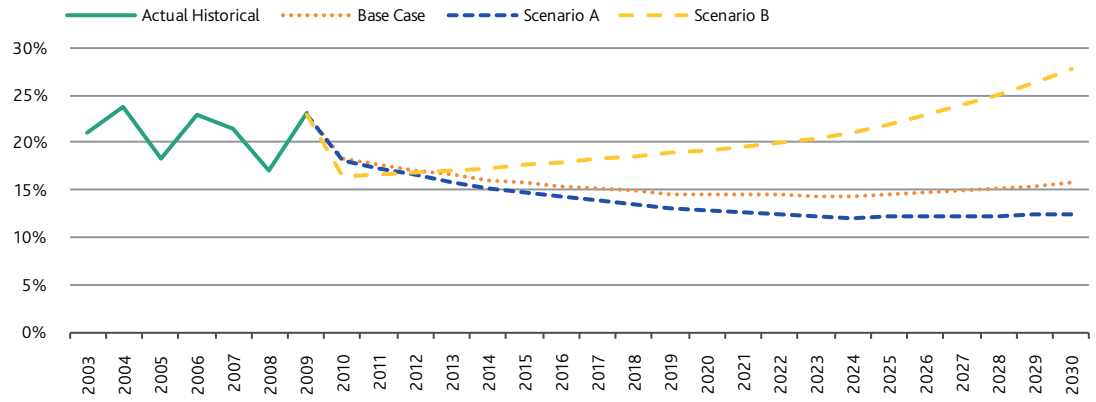
[1] Includes about 60 vertically integrated electric utilities.

due to the negative free cash flow generation, but also due to expected increases in underfunded pension obligations.

By taking a look at the pure, vertically integrated electric utility sub-sector and using some simple straight line projection assumptions regarding annual volume growth (1% - 2.5%), annual rate increases (2% - 5%), and a steady relationship of cash flow from operations (CFO) to revenue (17% - 20%), we forecast a worrisome decline in the CFO to debt metrics.[2]

Of course, these projections provide only a single perspective. Projected metrics are subject to our assumptions regarding capital expenditures, which we keep elevated under all three scenarios. The financial metrics are most positive under Scenario B, where we assume 2.5% annual volume growth and 5% annual rate increases, but the estimated all-in costs to residential consumers (as a percentage of their estimated annual disposable income) rises to an alarmingly high level of almost 10%. We don't, however, believe that scenario is likely given today's weak economy and high (real) unemployment.

CHART 1
Cash Flow to Debt



Source: Moody's

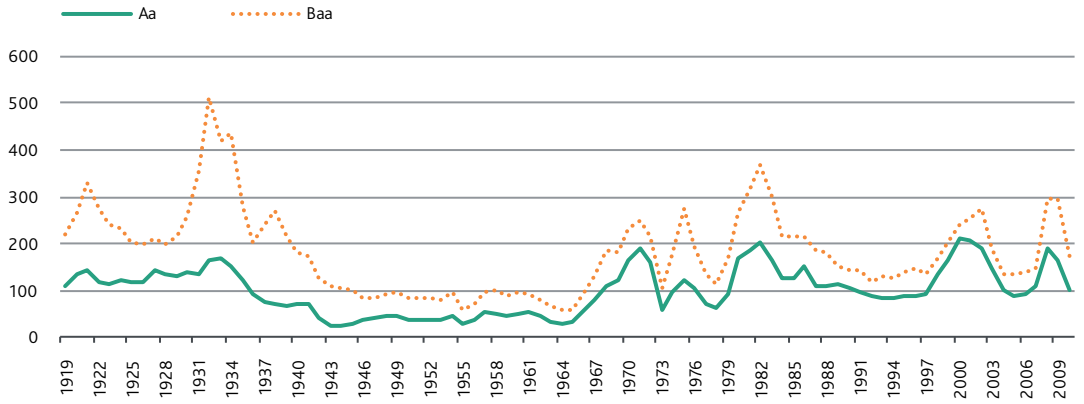
Today, we still view the vast majority of utilities as well-positioned within their respective rating categories, so a modest decline in credit metrics shouldn't immediately trigger rating downgrades. More importantly, we believe utilities will revise their corporate finance policies to defend their existing ratings. But a prolonged period of financial deterioration - a scenario we view as increasingly likely without a change to these corporate finance policies - would eventually lead to rating downgrades. This is especially the case for the hybrid parents, where consolidated financial results are being dragged down by their non-regulated merchant generation activities and where dividend payouts partly rely on their cash flows. Hybrids already have an elevated business and risk profile.

The capital markets remain open and welcoming for the vast majority of regulated utilities, a significant credit positive. The higher the credit rating, the better the access. We believe many companies could take advantage of this access, and of their existing banking relationships, to bolster their liquidity sources while they can. Tapping today's low interest rates with sizeable debt offerings, which can be used to either pre-fund maturities over the next two to three years, resolve increasingly large underfunded pension obligations, or sit on the balance sheet for general corporate purposes

[2] A summary of the assumptions for our different scenarios is included in Appendix A.

would most likely be viewed as a credit neutral event, or even a positive one. This would be especially true for those companies that are already well positioned (or strongly positioned) within their respective rating categories.

CHART 2
Utility Bond Yield Spread Over 30-Year Treasury



Source: Moody's

Increased liquidity could also help utilities offset any negative credit implications associated with a temporary deterioration in CFO-to-debt credit metrics. Should the sector suddenly find itself without a ready source of external capital (which we view as unlikely today), ratings could be impacted. Mismanaging liquidity is one of the fastest ways a company, including a seemingly sound one with a strong business model, can trigger multi-notch rating downgrade or even a default.

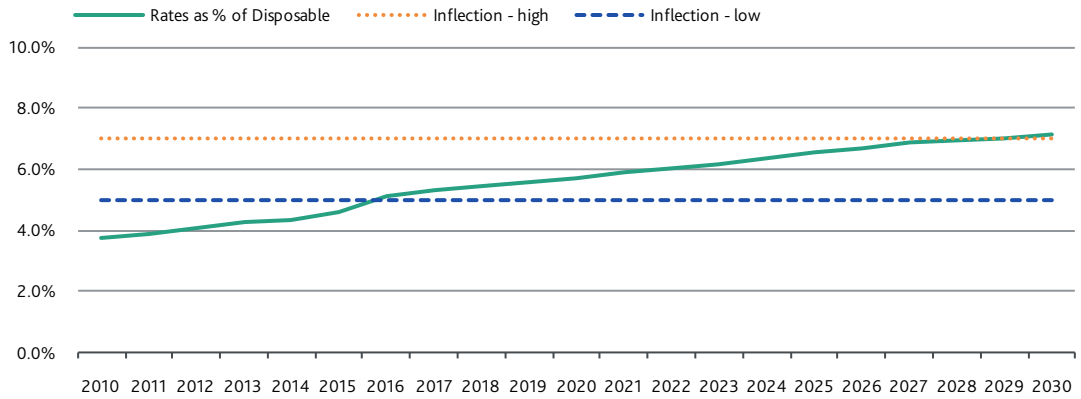
Managing Regulatory Relationships

A utility's regulatory environment and suite of rate recovery mechanisms are among the most critical elements of our credit rating analysis. We believe the existence of regulation (and a utility's corresponding business model) provide relatively predictable and stable revenues and cash flows for years to come. As a result, regulated utilities can attain investment grade ratings with a much weaker financial profile than most of their capital-intensive, industrial peers.

Today, we continue to believe regulators will provide timely recovery of prudently incurred costs and investments with a reasonable return. We also believe regulators would prefer to regulate financially healthy utilities. This doesn't mean utilities are likely to receive 100% of their rate relief requests or that we'd view anything but full cost recovery as a negative. We think the vast majority of regulatory outcomes will be, at a minimum, neutral and more likely slightly positive to a utility's credit profile.

Yet we believe consumers are likely to eventually balk if their annual average electricity bills continues to rise while their incomes remain stagnant. Our opinions associated with this potential risk can be summarized in a ratio of annual residential electricity costs divided by annual disposable income. We refer to this as the inflection point, and it's about 3.5% today, but it varies by region. We are also incorporating a view that consumers would start seriously complaining to their elected officials when this inflection point breaches 5% and approaches 7%.

CHART 3
Projected annual residential electric costs as a % of projected disposable income



Once a chorus of complaints begins, we believe elected officials would quickly press the local regulators (who are, by definition, political, due to their own elections or appointments by elected officials) to limit a utility's financial recovery. This could take the form of lower authorized returns on equity (ROE) or increasingly large deferred balances, which might only postpone future rate hikes. On the heels of the recent Florida regulatory developments (which we continue to evaluate), we are also monitoring Georgia Power's large rate request in Georgia for guidance, given that state's longstanding support for the regulated utility sector. We're also watching Ohio's next round of regulatory restructuring initiatives, developments in California, and the sizeable rate request underway in the economically challenged state of New Mexico, just to name a few.

We increasingly believe the ROE that regulators approve for utilities will slowly decline over the next few years, perhaps to a point where the sector's average authorized ROE consistently falls below the 10% threshold. This falling ROE is due, in part, to our expectation that today's low interest rate environment will continue to reduce a company's all-in cost of capital[3]. But we still don't think ROE is as important as a utility's cash flow, although we acknowledge that equity returns will influence management and board behavior. Absent adequate returns, utilities might begin to pare back their regulated investments, theoretically in pursuit of better returns elsewhere. Regulators could also implement more formulaic rate structures, giving utilities better visibility into future ROE. We believe most utilities would prefer the certainty of a lower earned return than the uncertainty of a potentially higher allowed return.

Additionally, we think the popularity of specific cost and recovery trackers and the certainty they provide for utility profits causes regulators to view the utility business as having a fundamentally lower risk profile than other types of capital-intensive companies. A formulaic rate structure would also likely be perceived by regulators as contributing to a lower business and operating risk profile. We generally agree with this argument, especially when comparing the electric sector to non-regulated corporate industrial peers. In addition, a more material revision to rate structure might help utilities transition their business plans to better empower customers to control their electricity use. With increased consumer empowerment, the political pressure associated with steadily rising rates could be mitigated.

[3] See the section on open and welcoming capital markets noted above.

Reducing Emissions

The prospect of increasingly stringent environmental mandates continues to represent a critical credit issue, despite the outlook for a material delay in comprehensive legislation pertaining to climate change (formerly known as global warming).

We continue to view comprehensive, federal environmental legislation as preferable to the current patchwork system of regulations emanating from numerous federal, state and local regulators. We remain concerned that the current patchwork of regional approaches would cause complications for large, multi-state utility holding companies. We also believe the Environmental Protection Agency (EPA) will continue to push for reduced emissions standards. Empowered by certain U.S. Supreme Court rulings, the rules the agency has proposed, but not yet fully implemented, are likely to raise operating costs for most large, coal-fired generation fleets. These increased costs will not be accompanied by increased electricity production volumes, so the benefits are less tangible. We believe regulators will provide recovery of these costs for the regulated utilities, but recovery by the non-regulated merchants is not assured. Nevertheless, as we mentioned above, the economy could contribute to an environment where recovery may not be as timely, especially if consumers object forcefully to their elected officials.

Additional Credit Considerations

Catalyst Needed to Spur Consolidation

The industrial logic behind consolidating homogenous, capital-intensive companies like electric utilities can spread fixed costs across a larger asset base is sound. We expect to see a continued steady pace of merger and acquisition activity. We believe the economics of a transaction and social issues remain the most important consolidation criteria. Regulators look most favorably on tie-ups that can limit annual rate increases. Non-regulated merchant power consolidation is also expected to continue, perhaps at an even quicker pace as the costs associated with increasingly stringent emission regulations become more clear.

Sustained Period of Low Energy Commodity Prices

In our opinion, a modest shift in the generation supply mix that results from older coal plants closing permanently or temporarily isn't likely to trigger a material change in demand for coal or natural gas that significantly alters the prices of those commodities. Nevertheless, we see natural gas as the fuel of choice for generators that can use multiple fuel types because natural gas emits half the carbon dioxide as coal. Natural gas plants are also faster and less expensive to build than many other types of generators. We expect natural gas prices to remain low, around $4.50 to $5.00/million cubic feet for the next few years. But natural gas prices can be volatile and cause consumers' rates to jump, as regulators typically allow utilities to pass fuel price increases onto customers.

This view, that commodity prices remain low, could easily be proved incorrect, due to the evidence of historical volatility. Low commodity prices can help delay the arrival of the inflection point; but should prices quickly rise, the impact on consumers could be more acute (given the all-in rate increases that were mitigated by lower commodity prices). As we've discussed above, regulators could limit utilities' cost recovery.

Nuclear Development Appears to Have Slowed

We view nuclear development, by itself, as neutral to regulated utilities' credit quality as long as companies take actions that mitigate their higher business and operating risk profile. We believe regulators and lawmakers will continue to support new projects and allow developers to recover their costs through a variety of mechanisms, including the costs of construction work in progress in rates. Still, utilities must bolster their balance sheets and liquidity sources to mitigate their elevated risk, given the long term nature of construction and execution risks .

Conclusion

We see a disconnect developing between our stable 12-to-18-month outlook - which assumes supportive regulatory relationships and utilities adjusting their financial policies to maintain cash flow credit metrics – and material increases to the longer-term industry risk profile. Utilities' free cash flow and credit metrics appear to be declining. Yet regulators, pressured by consumers and legislators, won't allow rates to rise indefinitely. If conditions become more challenging due to stagnant economic growth and continued high employment, companies that fortified their balance sheet and secured access to ample supplies of liquidity are likely to fare better as their weaker counterparts struggle. Companies are best-equipped to take steps to defend their credit ratings when the companies aren't under pressure.

Appendix A

	Assumptions		
	Base Case	Scenario A	Scenario B
Annual volume growth	1.5%	1.0%	2.5%
Annual "all-in" rate increase	3.0%	2.0%	5.0%
Net income margin	10.0%	10.0%	9.0%
CFO as a % revenue	20.0%	20.0%	17.0%
Cap. Ex. As a % of prior yr D&A:			
2010 - 2014	250.0%	225.0%	250.0%
2015 - 2019	225.0%	200.0%	250.0%
2020 - 2024	200.0%	175.0%	225.0%
2025 - 2030	175.0%	150.0%	225.0%
Dividend payout ratio			
2010 - 2014	50.0%	50.0%	45.0%
2015 - 2019	55.0%	50.0%	50.0%
2020 - 2024	60.0%	65.0%	75.0%
2025 - 2030	65.0%	65.0%	80.0%
% FCF financing with debt	75.0%	90.0%	50.0%
% FCF financing with equity	25.0%	10.0%	50.0%
Annual disposable household income	$ 36,000	$ 36,000	$ 36,000
Annual wage inflation	1.0%	1.0%	1.0%
Annual average residential volume (Kwh/yr)	13,200	13,200	13,200
Annual average residential volume growth	1.0%	1.0%	1.0%

Source: Hempstead's Defending the rating – October 2010 file

Moody's Related Research

Industry Outlooks:

- Six-Month Update: U.S. Electric Utilities Stable But Face Increasing Regulatory Uncertainty, July 2010 (125996)
- U.S. Electric Utilities Face Challenges Beyond Near-Term, January 2010 (121717)
- National Gas Transmission Solid but New Concerns Emerge, September 2009 (120250)
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INDUSTRY OUTLOOK

US Regulated Electric and Gas Utilities:

Stable Despite Rising Headline Rhetoric

Table of Contents:

SUPPORTIVE REGULATORY RELATIONSHIPS REMAIN INTACT 2
RATE-SHOCK AND CONSUMER AFFORDABILITY STILL A KEY RISK FACTOR 2
DECLINES IN AUTHORIZED RETURN ON EQUITY RATES EXPECTED TO ACCELERATE 3
TEMPERED VOLUME GROWTH EXPECTATIONS 4
SUSTAINED PERIOD OF LOW NATURAL GAS AND POWER PRICES BENEFIT UTILITIES 5
ENVIRONMENTAL COMPLIANCE MANDATES WILL KEEP CAPITAL EXPENDITURE HIGH 6
CONSOLIDATION ACTIVITY POISED TO INCREASE 6
TRANSMISSION INFRASTRUCTURE REMAINS FRAGMENTED, KEEPING COSTS HIGH AND BENEFITS LOCKED UP 8
FINANCIAL PROFILE BENEFITS FROM TAX POLICIES, BUT EQUITY NEEDS ARE CALLING 8
CONCLUSION 9
APPENDICES 10
MOODY'S RELATED RESEARCH 13

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Our outlook for the investor-owned US regulated electric and gas utility sector is stable. This outlook reflects our expectations for the fundamental business conditions in the industry over the next 12 to 18 months.

» **Our outlook for the US investor-owned regulated electric and gas utility sector is stable.** This outlook is based on our view that supportive regulatory relationships will remain intact, where prudently incurred costs and investments are recovered in a timely manner; that capital markets will remain open and welcoming; and that external cash flow requirements will be financed with a balanced mix of debt and equity.

» **Financing large capital investment programs is a key risk factor to our outlook.** Utilities face a sustained period of outsized capital investment requirements, primarily related to maintenance and environmental compliance. But we've also seen utilities quickly defer or delay discretionary capital investment, in part to mitigate consumer rate shock risks.

» **Capital markets remain open and welcoming.** Utilities continue to enjoy strong access to capital markets, but volatility in the financial institutions sector, and especially European banks, is rising. Should access to capital become limited, it could present a material negative risk to our outlook.

» **The 2012 election cycle will likely bring campaign rhetoric touching on energy policy, infrastructure investment and environmental regulation in the US.** However, we do not expect this to impact credit ratings, as our focus on the political and regulatory environment is primarily at the state and local level.

» **Nevertheless, utilities own and operate critical infrastructure assets, a key ingredient for a functioning economy, and they are major employers in their communities.** This role is not lost on utility management teams whose constituency outreach efforts generally lead to relatively positive regulatory outcomes. Most utilities resemble quasi-governmental tax collecting agents, provide a source of jobs and make timely and sizeable local property tax payments.

Note: Industry outlooks are not explicit signals of the likely direction of ratings in an industry. They are a view of the business conditions that factor into our ratings.

Supportive regulatory relationships remain intact

Today, the vast majority of utilities continue to enjoy healthy relationships with regulators, under which the timely recovery of prudently incurred costs and investments, at a reasonable rate of return, is the norm. As owners of critical infrastructure assets, utilities maintain effective constituent outreach efforts with both regulators and, more importantly, elected officials. The result is evidenced in the regulatory process, where reasonable outcomes underlie our views for low utility default rates and high recovery rates in the event of default. The table below illustrates selected regulatory decisions in 2011:

FIGURE 1

Selected examples of 2011 rate case resolutions

State	Company	Rate Increase ($M)	Return on Equity (%)	Rate Increase Authorized as % of Rate Increase Requested
Missouri	KCP&L Greater Missouri	29.8	10.00	128%
Virginia	Virginia Electric & Power	44.7	12.30	97%
Texas	Southwestern Public Service	52.5	NA	82%
South Carolina	South Carolina Electric & Gas	52.8	11.00	90%
Indiana	Southern Indiana Gas & Elec	28.6	10.40	84%
Missouri	Union Electric	173.2	10.20	82%
Wyoming	PacifiCorp	61.3	10.00	77%
Hawaii	Hawaiian Electric	66.4	10.00	74%
Washington	PacifiCorp	33.5	9.80	70%
Delaware	Delmarva Power & Light	16.4	10.00	68%

NOTE: Rate increases may include fuel and other rider recovery

Source: SNL

We see a sustained pace of more frequent requests for rate relief, and an increasing trend for special, single-issue rate riders and/or trackers as part of the overall rate recovery structure. We view single issue rate riders as a net credit benefit, primarily due to the increased transparency associated with recovery[1].

Rate shock and consumer affordability still a key risk factor

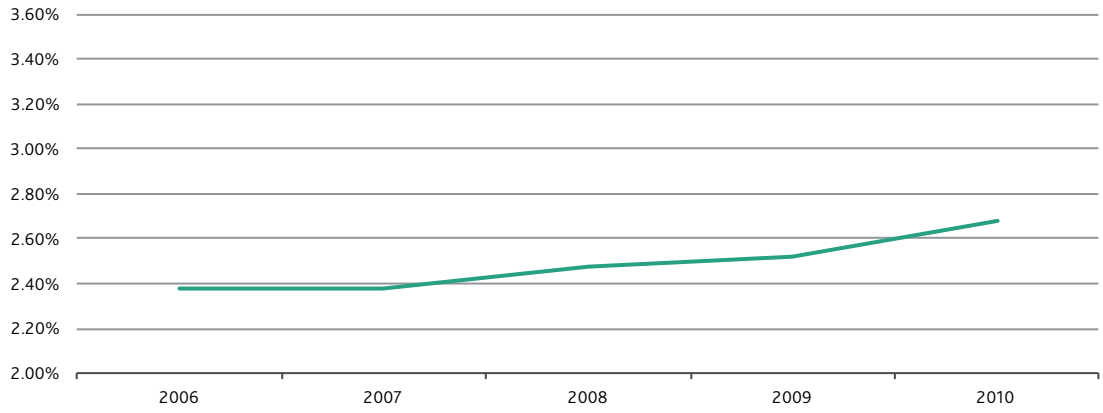
Most utility management teams are very successful in managing consumer rate shock pressures. We see this competency being tested over the next few years, as utilities look to implement annual rate increases of approximately 3% - 5% in the presence of a prolonged weak economy, characterized by high unemployment, low wage inflation and widening income inequality. Should rate increases reach the point where wide-ranging consumer dissatisfaction leads to more contentious regulation (the "inflection point"), the entire sector could be negatively affected. A much larger risk lies in the potential for political intervention, which we see as a more unpredictable and severe event risk, accompanied by material unintended consequences.

[1] See Decoupling and 21st Century Rate Making, November 2011 (136797)

Although we see no signs of wide ranging contentiousness at this time, we have seen recent evidence that our "inflection point" has been breached in several local jurisdictions[2]. To date, utilities have been adept at managing the consequences without materially harming their credit profile.

Prospectively, we will continue to monitor the landscape for signs indicating a rise in regulatory contention. These signs could include a material increase in litigated rate cases (as compared with settlements), more lengthy (or less timely) recovery periods, and sizeable increases in deferred assets. Our assessment is not likely to be materially affected by any heightened political rhetoric emanating from the US presidential election cycle, since we will focus primarily on the local level.

FIGURE 2
Illustrative Inflection Point Risk
(Average US annual residential electric costs / Median income)



EIA & Economy.com

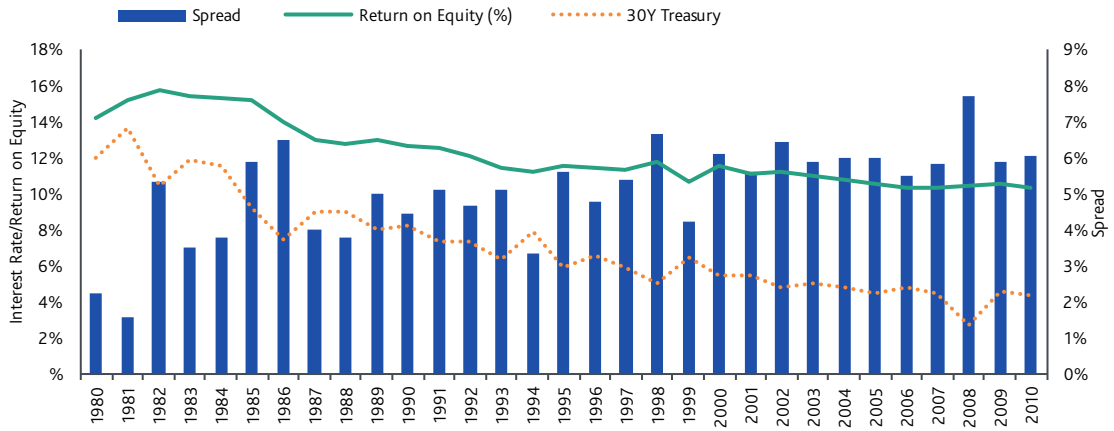
Declines in authorized return on equity rates expected to accelerate

Over the next two years, we see regulatory commissions scrutinizing authorized returns on equity (ROEs) more closely, in part due to the spread between authorized ROEs and the risk-free, long term US Treasury yield. In addition, many regulators appear to be increasingly questioning the overall risk profile of utilities, which enjoy authorized recovery (through base rates and riders) for the vast majority of their operating costs and infrastructure investment requirements.

We see authorized ROEs continuing a downward trajectory over the next few years, offset by depreciation, amortization, and tax strategies. Although we do not attribute a material weighting in our methodology to authorized ROEs by themselves, they represent a leading indicator of longer-term regulatory support and potential earnings power.

[2] Some examples include Virginia, Ohio, Illinois, Maryland, Hawaii

FIGURE 3
Authorized Return on Equity & 30 Year US Treasury yield



SNL & Bloomberg:

FIGURE 4
Authorized ROEs Don't Always Correlate to Earnings and Cash Flow

			CFO Pre-W/C / Debt			Earned, Adjusted ROEs	
	Issuer Rating / Senior Unsecured	Outlook	2010	2002 - 2010 Average	Latest Authorized ROE	2010	2002 - 2010 Average
Historically More Supportive Regulatory Environments							
Florida Power & Light Company	A2	Stable	27.5%	39.6%	10.00%	10.32%	10.14%
Virginia Electric and Power Company	A3	Stable	21.5%	21.7%	10.70%	10.39%	9.84%
Georgia Power Company	A3	Stable	21.5%	21.3%	11.15%	10.30%	10.69%
Historically Less Supportive Regulatory Environments							
Arizona Public Service Company	Baa2	Stable	24.5%	20.5%	11.00%	8.72%	7.78%
Public Service Company of New Mexico	Baa3	Stable	17.9%	16.3%	10.00%	4.61%	2.14%
Commonwealth Edison Company	Baa3	Stable	19.6%	18.8%	10.50%	4.76%	5.16%
Nevada Power Company	Ba1	Stable	15.7%	12.7%	10.19%	6.46%	3.02%

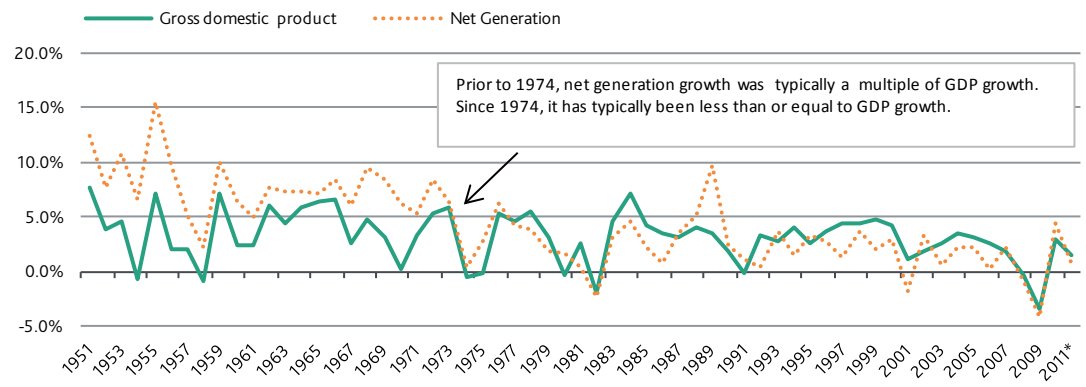
Source: Moody's MFM (Earned, Adjusted ROEs)

Tempered volume growth expectations

A sector-wide reliance on rising volume growth represents a risk factor to individual issuers and the industry as a whole. Specifically, if volume growth does not materialize as projected, utilities will be faced with a more difficult regulatory strategy with respect to their overall rate structure and prospects for recovery of invested capital. This issue of lower volume projections is expected to take on more prominence given the sizeable capital investment decisions that are currently being made, for instance with respect to environmental compliance, replacement of older plants with more efficient/compliant units and transmission upgrades.

While a weak economic scenario is probably the biggest risk to volume growth, we also see risks rising from a steady improvement in energy efficiency programs, which have produced sizeable volume reductions in the public power sector.

FIGURE 5
Growth in GDP versus Net Generation

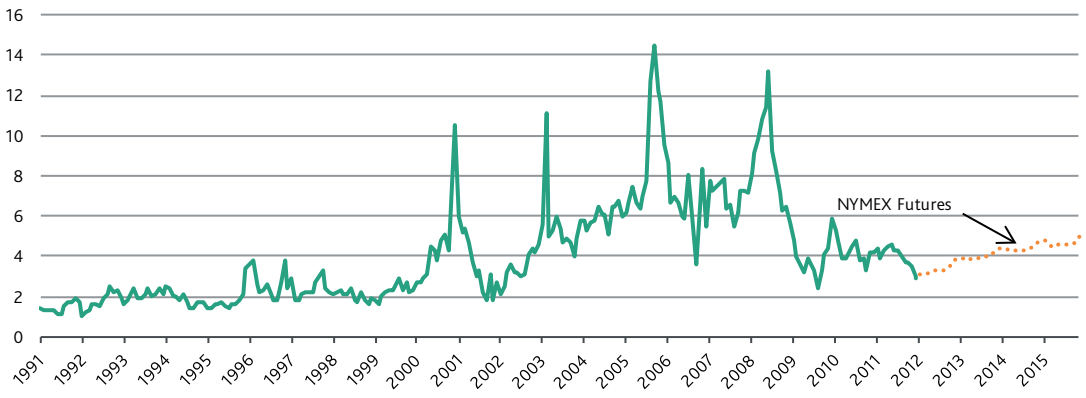


Source: EIA & U.S. Bureau of Economic Analysis

Sustained period of low natural gas and power prices benefit utilities

We see a sustained period of relatively low natural gas and power prices, a material credit positive. Regulated utilities generally benefit from falling fuel and power prices because they may be able to offset base rate or other rate rider increases (which can include a profit margin) with reductions in the fuel cost pass-through trackers (which typically exclude any margin opportunities) while keeping all-in rates relatively steady. Natural gas prices are viewed as a key indicator for power prices in many regions of the US, so the benefit of a sustained period of relatively low natural gas prices will be felt broadly, even in regions which tend to be dominated by coal prices on the margin. In addition, we see good liquidity implications associated with lower fuel and purchased power bills.

FIGURE 6
Henry Hub Natural Gas Spot Price and NYMEX Futures



Source: Bloomberg

This favorable pricing scenario could have an unpleasant corollary when it reverses. Consumers, who are indifferent to the components of their electric rates, will become accustomed to the size of their monthly bills, which have only increased modestly as large rate base increases have been offset by falling fuel prices. Should fuel and commodity costs rise, utilities will face growing underfunded fuel balances or potential rate shock issues when they seek to recover the higher costs. Liquidity profiles

could become strained. Our 12-18 month view does not incorporate an expectation of such a pricing reversal.

Environmental compliance mandates will keep capital expenditures high

We see a sustained investment need over the next three to five years, in part to address increasingly stringent environmental compliance mandates associated with fossil-fired generation assets. Regardless of whether the capital investment is required for maintenance, compliance or growth, from a credit perspective the expanded capital investment program will contribute to a more challenging business environment for utilities, especially those issuers that primarily rely on debt financing. Over the longer term horizon, capital investment in utilities' rate base is viewed positively, but the benefits could be offset by a more leveraged capital structure or overly biased shareholder reward programs.

Recent US Environmental Protection Agency (EPA) regulations add to the rising capital investment trajectory, but for regulated utilities we see very little risk associated with recovery at this time. In our opinion, regulated utilities are better positioned to manage the costs associated with increasingly stringent environmental mandates than are unregulated power companies. For example, regulated utilities can address their compliance strategy on a fleet-wide basis, enjoy a more transparent recovery path and can amortize their investment decisions over a longer period of time. In contrast, unregulated power companies are more likely to make plant-by-plant investment decisions, principally based on shorter-term forward commodity curves. They lack the benefit of a regulated generation fleet and are forced to recover their investments through market prices[3].

With respect to recent and pending EPA regulations, we see most utilities as very well positioned to address the increasingly stringent mandates, while others appear more exposed and caught off-guard. Even among the most vocal objectors, we observe that many of their larger, more critical coal-fired generation plants are already compliant, after installation of environmental controls over the past decade.

Given that environmental issues have long been politically divisive, we see the EPA as a reasonably transparent regulatory agency, where regulations have been proposed and implemented on a regular basis over the past few decades. We continue to incorporate a view that utility management teams maintain a deep understanding of environmental regulations, including the potential risks of pending regulations. In addition, we continue to observe that the EPA's increasingly stringent regulations produce a steady stream of rate base growth for utilities, a credit positive. Nevertheless, these regulations are complex, and accompanied by a rising operating cost structure and higher capital investment requirements. These higher costs could pressure consumer affordability risks and our inflection point.

Consolidation activity poised to increase

Utility consolidation and merger activity will likely increase over the next 2 years. Strategically, the industrial logic behind consolidating a homogenous, highly fragmented sector and spreading fixed costs across a wider asset platform is difficult to challenge. Moreover, regulatory authorities appear more open and willing to facilitate utility consolidation, especially if the merger results in a lower trajectory of rate increases. Today, the biggest regulatory challenges appear to revolve around head-count reductions and the location of the headquarters building. Less critical is the identification and allocation of projected cost synergies[4].

[3] See Credit Implications Associated with Increasingly Stringent Environmental Regulations, November 2011 (136831)
[4] See Credit Quality Emphasized More in Recent US Utility M&A, November 2011 (136790)

The biggest impediment to further consolidation, in our opinion, is the selection of the Chief Executive Officer, followed by the equity accretion analysis. Utilities with older, retiring CEOs or CEOs willing to relinquish their role are considered the most ripe for consolidation activity. We also see consolidation as a means to create scale and scope, and to diversify geographical and industrial exposure and regulatory jurisdictions. Nevertheless, even the largest US utilities pale in comparison to the size of their European counterparts.

FIGURE 7

Key Financials for Selected US Utilities and EMEA Utilities

Company	Rating	Outlook	Assets	Debt	Revenue
Largest U.S. Utilities - LTM 9/30/2011					
Duke Energy / Progress Energy	Baa2	Stable	95,794,860	35,242,860	24,097,000
Exelon Corp. / Constellation Energy	Baa1	RUR-Down	75,095,600	33,353,700	24,287,900
Southern Company	Baa1	Stable	58,385,000	22,278,000	17,732,000
NextEra Energy, Inc.	Baa1	Stable	56,510,000	21,784,000	14,890,000
Edison International	Baa2	Stable	53,801,000	21,719,000	12,816,000
American Electric Power Company	Baa2	Stable	53,192,000	20,781,000	15,106,000
FirstEnergy Corp.	Baa3	Stable	48,879,553	21,360,553*	15,528,000
PG&E Corporation	Baa1	Stable	47,596,974	15,397,724	14,762,000
MidAmerican Energy Holdings Co.	Baa1	Stable	46,930,000	20,934,000	11,107,000
Dominion Resources Inc.	Baa2	Stable	44,941,000	20,326,750	14,947,000
Largest EMEA Utilities - LTM 9/30/2011					
Company	**Rating**	**Outlook**	**Assets**	**Debt**	**Revenue**
Electricite de France**	Aa3	Stable	327,807,728	85,528,388	88,773,997
GDF SUEZ SA**	A1	Stable	307,718,962	86,671,596	119,759,315
ENEL S.p.A.**	A2	RUR-Down	244,758,094	101,152,625	102,132,853
E.ON AG	A2	RUR-Down	195,553,588	44,022,702	148,439,207
Iberdrola S.A.* * *	A3	Stable	134,722,752	73,595,465	41,313,682
RWE AG	A2	Negative	100,155,710	50,020,198	70,186,831
Vattenfall AB	A2	Stable	77,011,771	28,142,162	28,655,904
Gas Natural SDG, S.A.	Baa2	Stable	61,715,134	28,825,906	28,808,902
Energias de Portugal, S.A.	Baa1	Negative	54,165,269	28,731,392	21,051,642
Fortum Oyj	A2	Stable	28,961,243	11,073,625	8,920,495

* FirstEnergy's consolidated revenue reflects the merger with Allegheny Energy effective 2/25/2011.

** LTM as of 6/30/2011

*** LTM as of 3/31/2011

Transmission infrastructure remains fragmented, keeping costs high and benefits locked up

The US transmission infrastructure remains disjointed, with multiple oversight authorities and parochial protectionism. As a result, utilities do not fully coordinate their individual transmission investment projects to the benefit of wider audiences. Instead, large high-voltage projects tend to be favored by Regional Transmission Organizations (RTOs) or Independent System Operators (ISOs), while smaller, local solutions tend to be favored by local and state political and regulatory interests. Nevertheless, we believe additional transmission-only activity is poised to become a bigger issue in 2012 and beyond.

The Federal Energy Regulatory Commission (FERC) continues to provide incentive returns for interstate transmission, but we question how long this incentive can last. For example, we believe the recent transaction between Entergy and ITC Holdings could provide a catalyst for more scrutiny regarding the impact on local consumer rates.

But aside from FERC and the larger projects, we have seen a considerable amount of transmission congestion relief, characterized by smaller, local projects emerging from the consolidation of two neighboring systems - such as when FirstEnergy acquired Allegheny. We expect similar benefits to emerge if the merger of Duke Energy and Progress Energy is completed.

Financial profile benefits from tax policies, but equity needs are calling

Utility financial profiles exhibit good stability, despite the pressures of a weak economic environment. Cash flows have been higher in recent years, even though revenues have yet to return to pre-recession levels. This is primarily due to the windfall benefit of federal tax policies, especially with respect to bonus depreciation[5].

The effects of bonus depreciation are temporary, in our opinion, since they essentially represent a borrowing of future cash flow. As a result, we will continue to analyze the impact of this benefit on utilities' cash flow credit metrics to gain a more accurate view of fundamental performance.

Eventually, all else being equal, utilities will need to inject sizeable amounts of equity into their capital structures. Based on our simple projections for revenue growth, cash flow, capital expenditures and dividends, we see the utility sector remaining in a state of sizeable negative free cash flow for the next several years. If the recently exhibited bias to finance this shortfall primarily through borrowing continues, our key credit metrics will eventually exert pressure on the rating.

5 See US Investor-Owned Utilities: Bonus Depreciation Provides Material Near-Term Benefit For The Sector But Raises Longer-Term Questions, February 2011 (131078) and US Utility Cash Flow Ratios Less Robust Than They First Appear, November 2011 (136794)

Conclusion

Today, the US investor-owned utility sector benefits from the nature of its critical infrastructure assets; a supportive and constructive regulatory environment; welcoming capital markets; and stable-to-slightly improving financial profiles. Liquidity availability remains strong, evidenced by multi-year syndicated facilities with modest covenant terms replacing expiring facilities, albeit at a slightly higher cost.

We see a headline-heavy year in 2012 due to the expected rhetoric associated with the November elections. With a sputtering economic recovery in the background, the rhetoric is likely to include posturing on increasingly stringent environmental regulations, the need for capital investment to refurbish electricity infrastructure, federal loan guarantees and other tax credit policies, nuclear generation, renewable energy, energy efficiency and cyber security.

We have been highlighting many of these longer-term risks for several years, always focusing on the potential emergence of increased regulatory contention or political intervention. Although these risks have not yet risen to an alarming trend, they are appearing on our radar screen more frequently. To date, the credit implications have been manageable. As always, we will endeavor to look through the rhetoric and remain focused on credit fundamentals.

Appendices – Select Financial Data by Subsector

Appendix A: Selected Parent Holding Companies

Company Name	Issuer or Sen. Unsec. Rating
Ameren Corporation	Baa3
CenterPoint Energy, Inc.	Baa3
Consolidated Edison, Inc.	Baa1
Dominion Resources Inc.	Baa2
DTE Energy Company	Baa2
Duke Energy Corporation	Baa2
Edison International	Baa2
Entergy Corporation	Baa3
FirstEnergy Corp.	Baa3
NextEra Energy, Inc.	Baa1
Northeast Utilities	Baa2
Pepco Holdings, Inc.	Baa3
PG&E Corporation	Baa1
PNM Resources, Inc.	Ba1
PPL Corporation	Baa3
SCANA Corporation	Baa3
Sempra Energy	Baa1
Southern Company (The)	Baa1
Wisconsin Energy Corporation	A3
Xcel Energy Inc.	Baa1

Appendix B: Selected Integrated Companies

Company Name	Issuer or Sen. Unsec. Rating
Alabama Power Company	A2
Appalachian Power Company	Baa2
Columbus Southern Power Company	A3
Duke Energy Carolinas, LLC	A3
Duke Energy Indiana, Inc.	Baa1
Entergy Arkansas, Inc.	Baa2
Entergy Mississippi, Inc.	Baa3
Florida Power & Light Company	A2
Georgia Power Company	A3
Indiana Michigan Power Company	Baa2
Kansas City Power & Light Company	Baa2
Mississippi Power Company	A2
Northern States Power Company (M	A3
Oklahoma Gas & Electric Company	A2
Pacific Gas & Electric Company	A3
Portland General Electric Company	Baa2
Public Service Company of New Me	Baa3
Union Electric Company	Baa2
Virginia Electric and Power Company	A3
Wisconsin Electric Power Company	A2

Appendix C: Selected Transmission & Distribution Companies

Company Name	Issuer or Sen. Unsec. Rating
AEP Texas Central Company	Baa2
Ameren Illinois Company	Baa3
Baltimore Gas and Electric Company	Baa2
CenterPoint Energy Houston Elect	Baa2
Cleveland Electric Illuminating	Baa3
Connecticut Light and Power Company	Baa1
Consolidated Edison Company of N	A3
Delmarva Power & Light Company	Baa2
Duquesne Light Company	Baa2
Jersey Central Power & Light Company	Baa2
NSTAR Electric Company	A1
Ohio Edison Company	Baa2
Oncor Electric Delivery Company	Baa1
PECO Energy Company	A3
Pennsylvania Electric Company	Baa2
Potomac Electric Power Company	Baa2
Superior Water, Light and Power	Baa1
Toledo Edison Company	Baa3

Moody's Related Research

Industry Outlooks:

- U.S. Coal Industry: U.S. Coal Producers Lean on Export Markets Amid Challenges at Home, December 2011 (137742)
- EMEA Electric and Gas Utilities: Industry Outlook 2011, November 2011 (137305)
- Outlook Update: Global Integrated Oil & Gas Industry: Moderation in Oil Prices and Pressure on Downstream Activities are Likely to Dampen Earnings Growth in 2012, September 2011 (136270)
- Six-Month Update: U.S. Regulated Utilities – Stable Outlook But Financial Policy Revisions Increasingly Necessary to Maintain Ratings Amid Persistent Longer-Term Uncertainty, July 2011 (134002)
- Annual Industry Outlook: Global Integrated Oil and Gas Industry: Elevated Crude Oil Prices and Asset Disposals Support Investment Efforts, June 2011 (134051)
- Annual Outlook: U.S. Power Companies – Regulation Provides Stability As Risks Mount, January 2011 (129930)

Special Comments:

- Oil and Natural Gas: High Prices to Keep Oil Production Brisk in 2012, Helping Midstream and OFS Sectors, January 2012 (138669)
- U.S. Utility Cash Flow Ratios Less Robust Than They First Appear, November 2011 (136794)
- Credit Implications Associated with Increasingly Stringent Environmental Regulations, November 2011 (136831)
- Decoupling and 21st Century Rate Making, November 2011 (136797)
- Riders on the Storm: Utility Sector Ratings Well Insulated from Severe Weather Impacts, November 2011 (136820)
- Credit Quality Emphasized More in Recent U.S. Utility M&A, November 2011 (136790)
- Rise in Utility Unfunded Pensions Are Credit Negative, October 2011 (136505)
- Wider Rating Differentials Seen for a Number of U.S. Utility and Parent Companies, October 2011 (136354)
- U.S. Investor-Owned Utilities: Bonus Depreciation Provides Material Near-Term Benefit For The Sector But Raises Longer-Term Questions, February 2011 (131078)

Rating Methodologies:

- Regulated Electric and Gas Utilities, August 2009 (118481)
- Unregulated Utilities and Power Companies, August 2009 (118508)
- Natural Gas Pipelines, December 2009 (121678)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

» contacts continued from page 1

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MOODY'S INVESTORS SERVICE

MOODY'S
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Credit Opinion: Louisville Gas & Electric Company

Global Credit Research - 16 Nov 2011

Louisville, Kentucky, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Sr Unsec Bank Credit Facility	Baa1
Ult Parent: PPL Corporation	
Outlook	Stable
Issuer Rating	Baa3
Parent: LG&E and KU Energy LLC	
Outlook	Stable
Issuer Rating	Baa2
Senior Unsecured	Baa2

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Opinion

Rating Drivers

Regulatory environment provides for timely recovery of costs

Constructive outcome of most recent rate case and recently announced settlement fortifies credit supportive regulatory environment

Elevated capital expenditure spending program due to environmental initiatives

Lack of fuel diversity relating to its electric generating portfolio

Healthy and stable financial metrics

PPL's acquisition strategy has reduced family-wide business risk

Corporate Profile

Louisville Gas and Electric Company (LG&E) is a regulated public utility engaged in the generation, transmission and distribution of electricity and the storage, distribution and sale of natural gas. It provides electricity to approximately 397,000 customers in Louisville and adjacent areas and delivers natural gas service to approximately 321,000 customers in its electric service area and eight additional counties in Kentucky. LG&E's service area covers approximately 700 square miles and almost 77% of LG&E's 2010 revenues were derived from electric operations. LG&E's coal-fired electric generating plants produce most of its electricity.

LG&E is a wholly-owned subsidiary of LG&E and KU Energy LLC (LKE: Baa2 Senior Unsecured). LG&E and its

affiliate, Kentucky Utilities (KU: Baa1 Issuer Rating), are separate operating entities of LKE, wholly owned by PPL Corporation (PPL: Baa3 Issuer Rating), a diversified energy holding company headquartered in Allentown, PA.

SUMMARY RATING RATIONALE

LG&E's Baa1 Issuer Rating reflects its sound financial performance and the credit supportive regulatory environment in which it operates offset in part by a lack of fuel diversity relating to its electric generating portfolio, a modestly sized service territory, and a large capital expenditure program.

DETAILED RATING CONSIDERATIONS

SUPPORTIVE REGULATION PROVIDES FOR TIMELY COST RECOVERY

In July 2010, the Kentucky Public Service Commission (KPSC) issued an order relating to KU and LG&E's January 2010 rate case filings with new rates effective August 1, 2010. Specifically, LG&E was granted a $74 million electric rate increase, or 78% of its requested $95 million increase and a $17 million gas rate increase (74% of the $23 million requested). KU was granted a $98 million electric rate increase, or 73% of its requested $135 million increase. The KPSC order was based on an ROE range of 10.0 to 10.5%.

Moody's considers the regulatory authorities in Kentucky as being supportive to long term credit quality and notes that the KPSC has approved various tracking mechanisms that provide for timely cost recovery outside of a rate case. As part of a settlement agreement relating to the PPL's acquisition and approved by the KPSC, LG&E and KU agreed to a moratorium on any base rate increase until January 2013. As such, the utilities may be challenged to control their respective operating expenses during this period; however, approved tracking mechanisms in LG&E's electric rates include a Fuel Adjustment Clause (FAC), an Environmental Cost Recovery Surcharge (ECR) and a Demand-Side Management Cost Recovery Mechanism (DSM) should help in managing the operating margin during the interim period. The FAC is adjusted monthly and allows the company to adjust rates for the difference between the fuel cost component of base rates and the actual fuel costs. Additional charges (or credits) to customers occur if actual fuel costs exceed (or are below) the embedded cost component. The KPSC requires public hearings at six-month intervals to examine past fuel adjustments.

The ECR provides LG&E recovery of costs associated with complying with the Clean Air Act as Amended and environmental requirements which applies to coal combustion wastes and byproducts. This is an important factor given that KU and LG&E continue to invest significantly in emission control devices. Proceedings are conducted every six-months to evaluate the operation of the ECR. LG&E's rates also include a DSM provision which includes a rate mechanism that provides for concurrent recovery of DSM costs and provides an incentive for implementing DSM programs.

LG&E's natural gas rates contain a Gas Supply Clause (GSC) that provides for quarterly rate adjustments to reflect the expected cost of gas supply in that quarter. The GSC also includes a mechanism whereby any over (or under) recoveries of gas supply cost from prior quarters is refunded (or recovered) from ratepayers.

SETTLEMENT WITH INTERVENORS LARGELY ADDRESSES MAJOR ENVIRONMENTAL OVERHANG

In June 2011, LG&E and KU Energy filed a new ECR to request approval to install environmental upgrades for their coal-fired plants along with the recovery of the expected $2.5 billion in costs. The applications sought approval to install environmental upgrades at certain of the plants during 2012-2016, including recovery through the ECR surcharge mechanism of approximate capital costs of $1.4 billion at LG&E and $1.1 billion at KU, plus operating expenses. On November 9, 2011, LG&E & KU entered into a settlement agreement with the interveners in their proceedings before the KPSC relating to their proposed ECR plans. The settlement provides that the parties will favorably recommend to the KPSC for approval, or not oppose, approximately $2.25 billion of the $2.5 billion in capital projects for which approval was originally requested, constituting approximately $1.4 billion and $883 million at LG&E and KU, respectively. Under the settlement, the $217 million in remaining capital costs are deferred and may be the subject of future regulatory proceedings for approval to construct the deferred projects and recover the associated costs through the ECR surcharge mechanism. The deferred projects relate to certain proposed environmental upgrades at KU's E.W. Brown plant, for which KU retains the right to operate and dispatch in accordance with applicable environmental standards. The settlement confirms an existing 10.63% authorized return on equity for projects remaining from earlier ECR plans and provides for an authorized return on equity of 10.10% for this filing.

As part of the settlement agreement, provisions exist requiring both companies to increase funding levels for certain heating assistance programs for low-income customers. The settlement remains subject to approval by the KPSC which is expected in December 2011.

In light of the outcome of the company's 2010 rate case, the settlement reached with parties on the ECR proposal, and the menu of recovery mechanisms that exist in the state, we view the regulatory environment at the upper end of the Baa rating category for Factor 1: Regulatory Framework within Moody's methodology, and at the lower end of the A category for Factor 2: Ability to Recover Costs and Earn Returns.

COAL-FIRED BASELOAD GENERATION, WHILE COST COMPETITIVE, EXPOSED TO FUTURE ENVIRONMENT REGULATION OR POLICIES

Coal-fired generation accounts for approximately 77% of LG&E's owned capacity, and 95% of its energy. The significant amount of coal-fired generation exposes the company to future potential legislative or regulatory policies aimed at reducing CO2 and other emissions. Our rating incorporates the view that this concentration and future exposure risk is mitigated by the ability to recover such costs under the ECR surcharge.

Moody's acknowledges that a core aspect of this concentration risk is the fact it continues to provide the modestly sized service territory with reliable, low-cost electric generation sourced in large measure by regional fuel sources.

That being said, some of LG&E's coal fleet will be shut down following existing and pending EPA regulations, which mandates reductions in NOx and SO2 emissions starting in 2012. On September 15th, LG&E and KU filed a certificate of public convenience (CPCN) to construct a 640-MW natural gas combined cycle facility at the Cane Run coal site. LG&E intends to shut down all three coal units at Cane Run by 2015. The companies filed their application with Louisville Metro Air Pollution Control District in June 2011 and expect the KPSC to rule on the CPCN by April 2012. Once approved, construction at Cane Run is expected to begin in 2012 and be completed by 2016, replacing all coal generation with natural gas.

Moody's observes that the EPA's revised National Ambient Air Quality Standards will further restrict NOx and SO2 emissions beginning in 2016 and 2017, which could further impact LG&E's and KU's coal generating units.

In light of this fuel concentration risk, we score LG&E a "B" for Factor 3: Sub-factor 2 , Generation and Fuel Diversification to reflect the lack of fuel diversification as substantially all its generation is produced from coal-fired power plants.

SUBSTANTIAL CAPITAL EXPENDITURE PROGRAM

Capital expenditures for LGE are expected to be $215 million for 2011, of which $24 million is earmarked for environmental related requirements. Capital expenditures over the next four years are expected to substantially increase to $500 million in 2012, $859 million in 2013, $765 million in 2014, and $632 million in 2015. Environmental capital expenditures represent the primary reason for the increase with such costs accounting for $271 million in 2012, $586 million in 2013, $501 million in 2014, and $396 million in 2015. These environmental capital costs are expected to be recovered under the company's ECR surcharge mechanism should the proposed settlement be approved by the KPSC.

HEALTHY FINANCIAL PROFILE

LG&E's financial metrics have remained relatively healthy, with a ratio of consolidated cash flow before changes in working capital (CFO pre W/C) to debt slightly exceeding 20%, retained cash flow to debt averaging 15.9% and CFO pre-W/C interest coverage averaging 5.7x over the past three years. While these standalone credit metrics might warrant consideration of a higher rating for LG&E, the rating also considers the incremental debt that exists at holding company LKE as well as the likely strain on the balance sheet given the substantial size of future capital spending. An important rating consideration will be the manner in which future capital investment is financed to include, when necessary, an anticipated issuance of PPL common equity to help finance the very large amount of planned capital investment.

PPL'S ACQUISITIONS HAVE TRANSFORMED STRATEGY, LOWERING OVERALL BUSINESS RISK

PPL's acquisitions of LKE, which closed in November 2010, was followed in April 2011, with the acquisition of the Central Networks electricity distribution business (since renamed PPL WEM Holdings (PPL WEM, rated Baa3), for £3.6 billion ($5.7 billion) in cash, inclusive of certain permitted pre-closing adjustments, plus £500 million ($800

million) of existing public debt assumed through consolidation.

Completion of these two acquisitions have reduced PPL's overall business risk, making it less commodity sensitive, which we believe indirectly benefits the operations at LG&E. We estimate that at least 70% of consolidated results going forward will be provided by predictable, rate regulated businesses from three different jurisdictions, two of which have, in our opinion, an above-average regulatory profile. Together, we estimate that the UK and Kentucky operations alone will provide about 55% of the company's earnings and cash flow in most years.

Liquidity Profile

LG&E maintains a $400 million senior unsecured revolving credit facility, expiring in October 2016, of which the entire facility was available at September 30, 2011. The credit facility requires a MAC representation only as a condition of effectiveness and the only financial covenant is a maximum 70% debt-to-capitalization ratio requirement. Additionally, LG&E participates in an intercompany money pool agreement whereby LKE and/or KU can make available to LG&E excess funds (up to $400 million) at market-based rates. At September 30, 2011, there was no balance outstanding under the money pool. As capital investment increases, Moody's anticipates LG&E being a more active short-term borrower with an eye towards permanently funding the short-term debt with periodic issuances of long-term debt and equity contributions.

In January 2011, LG&E remarketed $163 million of variable rate tax-exempt revenue bonds, which were issued on its behalf by Louisville/Jefferson County, Kentucky, to unaffiliated investors in a term rate mode, bearing interest at 1.90% into 2012. At December 31, 2010, such bonds were held by LG&E and reflected as "Short-term investments" on LG&E's Balance Sheet. The proceeds from the remarketing were used to repay a $163 million borrowing under LG&E's syndicated credit facility.

Rating Outlook

The stable outlook considers the continued above-average performance in LG&E's financial metrics over the near-term driven in part by credit supportive regulatory outcomes including a strong suite of recovery mechanisms. The stable outlook further considers our belief that the sizeable capital investment program will be financed in a credit benign manner to include the issuance of equity when needed..

What Could Change the Rating - Up

In light of a very large multi-year capital spending program, prospects for an upgrade may be challenging in the near-term. However, should the proposed ECR settlement be adopted and LG&E finances its material capital expenditures in a conservative fashion, LG&E's rating could be upgraded, particularly if its ratios of CFO pre-WC to debt and retained cash flow to debt exceed 22% and 17%, respectively, on a sustained basis.

What Could Change the Rating - Down

LG&E's ratings could be downgraded should the company encounter unexpected problems obtaining ECR cost recovery or if unanticipated changes were made to the regulatory compact that currently provides for timely recovery of costs leading to the company's ratios of CFO pre-WC to debt and retained cash flow to debt dropping below 16% and 11%, respectively.

Other Considerations

Moody's evaluates LG&E's consolidated financial performance relative to the Regulated Electric and Gas Utilities rating methodology published in August 2009 and as depicted in the grid below, LG&E's indicated rating under this methodology on both a historical and projected basis is Baa1 consistent with current Issuer Rating.

Rating Factors

Louisville Gas & Electric Company

Regulated Electric and Gas Utilities Industry [1][2]	**Current 12/31/2010**	**Moody's 12-18 month**

				Forward View* As of June 2011	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**		**Measure**	**Score**
a) Regulatory Framework		Baa			Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)					
a) Ability To Recover Costs And Earn Returns		A			A
Factor 3: Diversification (10%)					
a) Market Position (5%)		Baa			Baa
b) Generation and Fuel Diversity (5%)		Ba			Ba
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)					
a) Liquidity (10%)		A			A
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	5.7x	A		5-6.5x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	20.4%	Baa		18-22%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	15.9%	Baa		14-18%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	42.7%	A		40-45%	A
Rating:					
a) Indicated Rating from Grid		Baa1			Baa1
b) Actual Rating Assigned		Baa1			Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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MOODY'S
INVESTORS SERVICE

Credit Opinion: Kentucky Utilities Co.

Global Credit Research - 16 Nov 2011

Lexington, Kentucky, United States

Ratings

Category	Moody's Rating
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Outlook	Stable
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Opinion

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PPL's acquisition strategy has reduced family-wide business risk

Corporate Profile

Kentucky Utilities (KU: Baa1 Issuer Rating) is a regulated public utility engaged in the generation, transmission and distribution of electricity. KU provides electric service to approximately 516,000 customers in Kentucky and 30,000 customers in Virginia. Its service territory covers approximately 6,600 square miles. KU's coal-fired electric generating plants produce most of its electricity.

KU is a wholly-owned subsidiary of LG&E and KU Energy LLC (LKE: Baa2 Issuer Rating). KU and its affiliate, Louisville Gas and Electric Company (LG&E: Baa1 Issuer Rating), are separate operating entities of LKE, wholly owned by PPL Corporation (PPL: Baa3 Issuer Rating), a diversified energy holding company headquartered in

Allentown, PA.

SUMMARY RATING RATIONALE

KU's Baa1 Issuer Rating reflects its sound financial performance and the credit supportive regulatory environment offset in part by a lack of fuel diversity relating to its electric generating portfolio, a modestly sized service territory, and a large capital expenditure program.

DETAILED RATING CONSIDERATIONS

SUPPORTIVE REGULATION PROVIDES FOR TIMELY COST RECOVERY

In July 2010, the Kentucky Public Service Commission (KPSC) issued an order relating to KU and LG&E's January 2010 rate case filings with new rates effective August 1, 2010. Specifically, KU was granted a $98 million electric rate increase, or 73% of its requested $135 million increase. LG&E was granted a $74 million electric rate increase, or 78% of its requested $95 million increase and a $17 million gas rate increase (74% of the $23 million requested). The KPSC order was based on an ROE range of 10.0 to 10.5%.

Moody's considers the regulatory authorities in Kentucky as being generally supportive to long term credit quality and notes that the KPSC has approved various tracking mechanisms that provide for timely cost recovery outside of a rate case. As part of a settlement agreement relating to the PPL's acquisition and approved by the KPSC, KU and LG&E agreed to a moratorium on any base rate increase until January 2013. As such, the utilities may be challenged to control their respective operating expenses during this period; however, approved tracking mechanisms in KU's electric rates include a Fuel Adjustment Clause (FAC), an Environmental Cost Recovery Surcharge (ECR) and a Demand-Side Management Cost Recovery Mechanism (DSM) should help in managing the operating margin during the interim period. The FAC is adjusted monthly and allows the company to adjust rates for the difference between the fuel cost component of base rates and the actual fuel costs. Additional charges (or credits) to customers occur if actual fuel costs exceed (or are below) the embedded cost component. The KPSC requires public hearings at six-month intervals to examine past fuel adjustments.

The ECR provides KU recovery of costs associated with complying with the Clean Air Act as Amended and any other environmental requirement which applies to coal combustion wastes and byproducts. This is an important factor given that KU and LG&E continue to invest significantly in emission control devices. Proceedings are conducted every six-months to evaluate the operation of the ECR. LG&E's rates also include a DSM provision which includes a rate mechanism that provides for concurrent recovery of DSM costs and provides an incentive for implementing DSM programs.

In Virginia, KU filed an application in April 2011 with the Virginia Commission requesting an annual increase in base rates for its Virginia customers of $9.3 million or approximately 14%, which is equivalent to an 11% return on equity. In September 2011, a settlement stipulation was reached between KU and the Virginia Commission staff. In October 2011, the Virginia Commission approved the stipulation with two modifications that were accepted by KU. The approved annual revenue increase is $7 million with new base rates effective November 1, 2011.

SETTLEMENT WITH INTERVENORS LARGELY ADDRESSES MAJOR ENVIRONMENTAL OVERHANG

In June 2011, KU and LG&E filed a new ECR to request approval to install environmental upgrades for their coal-fired plants along with the recovery of the expected $2.5 billion in costs. The applications sought approval to install environmental upgrades at certain of the plants during 2012-2016, including recovery through the ECR surcharge mechanism of approximate capital costs of $1.1 billion at KU and $1.4 billion at LG&E, plus operating expenses. On November 9, 2011, KU and LG&E entered into a settlement agreement with the interveners in their proceedings before the KPSC relating to their proposed ECR plans. The settlement provides that the parties will favorably recommend to the KPSC for approval, or not oppose, approximately $2.25 billion of the $2.5 billion in capital projects for which approval was originally requested, constituting approximately $883 million and $1.4 billion at KU and LG&E, respectively. Under the settlement, the $217 million in remaining capital costs are deferred and may be the subject of future regulatory proceedings for approval to construct the deferred projects and recover the associated costs through the ECR surcharge mechanism. The deferred projects relate to certain proposed environmental upgrades at KU's E.W. Brown plant, for which KU retains the right to operate and dispatch in accordance with applicable environmental standards. The settlement confirms an existing 10.63% authorized return on equity for projects remaining from earlier ECR plans and provides for an authorized return on equity of 10.10% for this filing.

As part of the settlement agreement, provisions exist requiring both companies to increase funding levels for certain heating assistance programs for low-income customers. The settlement remains subject to approval by the KPSC which is expected in December 2011.

In light of the outcome of the company's 2010 rate case, the settlement reached with parties on the ECR proposal, and the menu of recovery mechanisms that exist in the state, we view the regulatory environment at the upper end of the Baa rating factor for Factor 1: Regulatory Framework within Moody's methodology, and at the lower end of the A category for Factor 2: Ability to Recover Costs and Earn Returns.

COAL-FIRED BASELOAD GENERATION, WHILE COST COMPETITIVE, EXPOSED TO FUTURE ENVIRONMENTAL REGULATION OR POLICES

Coal units account for approximately 60% of KU's owned capacity, and 98% of its generation. This significant amount of coal-fired generation exposes KU to impending legislative or regulatory policies aimed at reducing CO2 and other emissions. Our rating incorporates the view that this concentration and future exposure risk is mitigated by the ability to recover such costs under the ECR surcharge.

Moody's acknowledges that a core aspect of this concentration risk is the fact it continues to provide the modestly sized service territory with reliable, low-cost electric generation sourced in large measure by regional fuel sources.

That being said, some of LG&E's coal fleet will be shut down following existing and pending EPA regulations, which mandates reductions in NOx and SO2 emissions starting in 2012. On September 15th, LG&E and KU filed a certificate of public convenience (CPCN) for the construction of a 640-MW natural gas combined cycle facility at the Cane Run coal site. LG&E intends to shut down all three coal units at Cane Run by 2015. The companies filed their application with Louisville Metro Air Pollution Control District in June 2011 and expect the KPSC to rule on the CPCN by April 2012. Once approved, construction at Cane Run is expected to begin in 2012 and be completed by 2016, replacing all coal generation with natural gas.

Moody's observes that the EPA's revised National Ambient Air Quality Standards will further restrict NOx and SO2 emissions beginning in 2016 and 2017, which could further impact LG&E's and KU's coal generating units.

In light of this fuel concentration risk, we score KU a "B" for Factor 3: Sub-factor 2 , Generation and Fuel Diversification to reflect the lack of fuel diversification as substantially all its current generation is produced from coal-fired power plants.

EXPANDING CAPITAL EXPENDITURE PROGRAM

Capital expenditures for KU are expected to be $330 million for 2011, of which $139 million is earmarked for environmental related requirements. Capital expenditures over the next four years are expected to substantially increase to $657 million in 2012, $787 million in 2013, $789 million in 2014, and $679 million in 2015. Environmental capital expenditures represent the primary reason for the increase with such costs accounting for $440 million in 2012, $554 million in 2013, $564 million in 2014, and $428 million in 2015. The majority of these environmental capital costs are expected to be recovered under the company's ECR should the proposed settlement be approved by the KPSC.

HEALTHY FINANCIAL PROFILE

KU's financial metrics have remained relatively healthy, with a ratio of consolidated cash flow before changes in working capital (CFO pre W/C) to debt averaging nearly 19%, retained cash flow to debt averaging a healthy 18% and CFO pre-W/C interest coverage averaging 5.2 times over the past three years. While these standalone credit metrics strongly position KU in the current rating category, the rating also considers the incremental debt that exists at holding company LKE as well as the likely strain on the balance sheet given the substantial size of future capital spending. An important rating consideration will be the manner in which future capital investment is financed to include, when necessary, anticipated issuance of PPL common equity to help finance the very large amount of planned capital investment.

PPL'S ACQUISITIONS HAVE TRANSFORMED STRATEGY, LOWERING OVERALL BUSINESS RISK

PPL's acquisitions of LKE, which closed in November 2010, was followed in April 2011, with the acquisition of the Central Networks electricity distribution business (since renamed PPL WEM Holdings (PPL WEM, rated Baa3), for £3.6 billion ($5.7 billion) in cash, inclusive of certain permitted pre-closing adjustments, plus £500 million ($800

million) of existing public debt assumed through consolidation.

Completion of these two acquisitions have reduced PPL's overall business risk, making it less commodity sensitive, which we believe indirectly benefits the operations at KU. We estimate that at least 70% of consolidated results going forward will be provided by predictable, rate regulated businesses from three different jurisdictions, two of which have, in our opinion, an above-average regulatory profile. Together, we estimate that the UK and Kentucky operations alone will provide about 55% of the company's earnings and cash flow in most years.

Liquidity Profile

KU maintains a $400 million senior unsecured revolving credit facility, that expires in October 2016, of which the entire $400 million is available at September 30, 2011. The facility contains a financial covenant requiring KU's debt to total capitalization not to exceed 70%, as calculated in accordance with the credit facility. In addition, in April 2011, KU entered into an additional $198 letter of credit facility expiring in April 2014, which KU uses to support outstanding tax-exempt bonds. Additionally, KU participates in an intercompany money pool agreement whereby LKE and/or LG&E can make available to KU excess funds (up to $400 million) at market-based rates. At September 30, 2011, there was no balance outstanding under the money pool. As capital investment increases, Moody's anticipates KU being a more active short-term borrower with an eye towards permanently funding the short-term debt with periodic issuances of long-term debt and equity contributions.

At September 30, 2011, KU's tax-exempt revenue bonds that are in the form of auction rate securities and total $96 million continue to experience failed auctions. Therefore, the interest rate continues to be set by a formula pursuant to the relevant indentures. For the nine months ended September 30, 2011, the weighted-average rate on KU's auction rate bonds in total was 0.29%.

Rating Outlook

The stable outlook considers the continued above-average performance in KU's financial metrics over the near-term driven in part by credit supportive regulatory outcomes including a strong suite of recovery mechanisms. The stable outlook further considers our belief that the sizeable capital investment program will be financed in a credit benign manner to include the issuance of equity when needed.

What Could Change the Rating - Up

In light of a very large multi-year capital spending program, prospects for an upgrade may be challenging in the near-term. However, should the proposed ECR settlement be adopted and KU finances its material capital expenditures in a conservative fashion, KU's rating could be upgraded, particularly if its ratios of CFO pre-WC to debt and retained cash flow to debt exceed 22% and 17%, respectively, on a sustained basis.

What Could Change the Rating - Down

KU's ratings could be downgraded should the company encounter unexpected problems obtaining ECR cost recovery or if unanticipated changes were made to the regulatory compact that currently provides for timely recovery of costs leading to the company's ratios of CFO pre-WC to debt and retained cash flow to debt dropping below 16% and 11%, respectively.

Other Considerations

Moody's evaluates KU's consolidated financial performance relative to the Regulated Electric and Gas Utilities rating methodology published in August 2009 and as depicted in the grid below, KU's indicated rating under the grid is Baa1 on both a historical and projected basis consistent with KU's existing Baa1 Issuer Rating.

Rating Factors

Kentucky Utilities Co.

Regulated Electric and Gas Utilities Industry [1][2]	**Current 12/31/2010**	**Moody's 12-18 month**

				Forward View* As of June 2011	
Factor 1: Regulatory Framework (25%)	**Measure**	**Score**		**Measure**	**Score**
a) Regulatory Framework		Baa			Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)					
a) Ability To Recover Costs And Earn Returns		A			A
Factor 3: Diversification (10%)					
a) Market Position (5%)		Baa			Baa
b) Generation and Fuel Diversity (5%)		Ba			Ba
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)					
a) Liquidity (10%)		A			A
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	5.2x	A		5-6.5x	A
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	18.7%	Baa		18-22%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	17.9%	A		14-18%	A
e) Debt/Capitalization (3 Year Avg) (7.5%)	43.6%	A		40-45%	A
Rating:					
a) Indicated Rating from Grid		Baa1			Baa1
b) Actual Rating Assigned		Baa1			Baa1

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2010(L); Source: Moody's Financial Metrics

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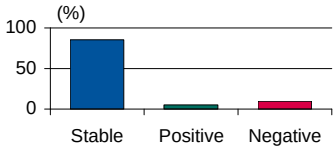
2012 Outlook: Utilities, Power, and Gas

Crosscurrents
Outlook Report

Rating Outlook
Utility Parent Companies
STABLE

Investor-Owned Utilities — Electric and Gas
STABLE

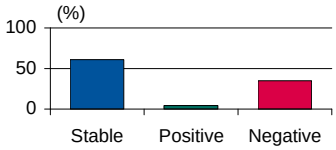
UPC and IOU Sector Outlooks



Source: Fitch Ratings.

Competitive Generators
NEGATIVE

Competitive Generation Companies Sector



Source: Fitch Ratings.

Related Research

What a Difference a Summer Makes … in ERCOT, Nov. 18, 2011

Heating Season Update 2011–2012 — Modest Price Increases and Warmer Weather Expected to Keep Costs in Check, Oct 28, 2011

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Rating Outlook — Investor-Owned Utilities and Parent Companies

Favorable Operating Environment: Operating and market conditions are expected to remain favorable in 2012 for investor-owned utilities (IOUs) and utility parent companies (UPCs), driven by good capital markets access, low interest rates, and low natural gas prices.

Risk Factors Present: UPCs with competitive generation subsidiaries and regulated utilities with wholesale power sales continue to face a challenging environment, with most regional power markets suffering from excess capacity and weak power prices. Managing through an extended period of high capital investment is the other principal risk to bondholders, should adequate and timely returns on investment not be authorized.

Economic Backdrop: Within the broader context of a sustained but modest U.S. economic growth forecast for 2012, company credit profiles and ratings are expected to remain stable. Industry consensus forecasts for a slight decline in electricity sales in 2012 are largely due to strong weather-related sales in 2011.

Divergence Expected: Integrated electric utilities have higher risk profiles than transmission and distribution (T&D) electrics and gas utilities, reflecting their exposure to new power-generation builds or environmental upgrades of existing facilities. UPCs with diversified activities also exhibit a higher risk profile than those with a pure regulated model.

Rating Outlook — Competitive Generators

Negative Credit Outlook: The operating environment is expected to remain challenging for the competitive generators (gencos) given the slow recovery in power prices, tightening environmental regulations, and choppy capital markets. Uncontrolled coal generation in markets where natural gas is on the margin is especially vulnerable. Unlike the pure play generators, affiliated gencos may benefit from strong parent or affiliate linkages.

No Relief from Gas Prices: The natural gas price forward curve continues to shift lower, and consensus price forecasts have been lowered for both prompt and outer periods. This, coupled with sluggish demand, has conspired to keep power price recovery from the 2009 lows modest.

Longer Term Outlook Brighter: Fitch Ratings expects power market recovery to gradually accelerate as coal-fired generation retirements bring supply more in line with demand, although timing varies by market. Fitch believes Texas could turn around the earliest, as evidenced by the spikes in power prices during the prolonged 2011 summer heat wave.

What Could Change the 2012 Outlook

Capital Markets Freeze: Significant tightening or loss of capital markets and bank access would have a deleterious affect on sector creditworthiness in the face of high capex budgets.

Double-Dip Recession: Weaker than projected economic growth would further erode prospects for weather-adjusted electricity sales, which Fitch expects to be essentially flat in 2012. In such an event, ratings of companies with Negative Outlooks, or exposure to wholesale power markets, could be downgraded.

What Could Change the Two- to Five-Year Outlook

The utilities, power, and gas sector is characterized by investment decisions, regulatory frameworks, and rules and regulations that are planned and implemented over a multi-year time horizon. Credit factors over this longer term time period include the following.

Secular Flattening in Electricity Sales

There is growing evidence that longer term consensus forecasts of electricity sales growth of 1%–2% per annum may be optimistic. Technological and manufacturing improvements in lighting, heating, and air conditioning systems, along with smart meter, thermostatic, and software interfaces, have the potential to reduce electricity consumption growth to flat to +1% over the next two to five years, in Fitch's opinion. Even a small decline in electricity sales growth rates can be harmful to the industry's credit profile, as higher costs are spread over fewer units of sales and would require more frequent rate relief. Unlike other renewable energy sources, the economics of conservation investments is compelling, with cost savings providing relatively short payback periods.

Many large commercial consumers of electricity are pursuing efficiency and conservation programs outside the traditional utility channels. Many big box retailers and commercial real estate owners are in the early stages of energy efficiency programs that will significantly reduce their power-consumption needs.

Natural Gas Price Shocks

The power sector is becoming addicted to low natural gas prices, and the generation mix will increase from approximately 25% gas-fired generation in 2011 to almost 40% by 2025, according to most industry forecasts. While some uncertainty exists as to the ultimate supply of shale natural gas due to lingering environmental concerns, given prospects for substantially increased domestic demand and exports of liquid natural gas, a more balanced supply-demand picture will likely result in higher natural gas prices. Higher gas prices will raise power prices and customer bills, possibly stimulating further conservation efforts.

Environmental Effects Unknown

Implementation of the Environmental Protection Agency's (EPA) Cross-State Air Pollution Rule (CSAPR) in 2012 will be a wild card, and will leave a clear mark on power markets in the regions affected. The EPA's Mercury Air Toxics Standard is to take effect in 2015 or 2016, and compliance costs are expected to be high. Capital costs to remediate a typical 500-MW coal-fired plant can run approximately $800,000 per MW for a total cost of approximately $400 million. The per-MW cost is even higher for smaller coal-fired units. Many operators will simply chose to shut their plants, especially owners of older inefficient plants, rather than incur such a large capital cost with uncertain return on investment.

On the operating side, in the absence of an established emission credit trading market, environmental compliance costs are uncertain and difficult to quantify. Financial penalties under CSAPR for exceeding state limits will not be applied until Jan. 1, 2014. In the interim, companies will be implementing strategies to comply with emission reductions that will include substantial increases in environmental capex, plant closures, and higher operating expenses from fuel switching or blending. Given the many uncertainties, the known and unknown financial and strategic implications of CSAPR will weigh on the power sector.

The national elections in November 2012 may represent a referendum on many issues of concern, including environmental rules and policies. A change in administration may cause a postponement, change, or elimination of impending rules by the EPA.

Company-Specific Strategies or Developments

For individual companies, rate case outcomes, shifts in corporate strategy, and merger and acquisition activity are the most likely causes for an outlook change. Event risks, such as forced plant outages, storm damages, or extreme weather could also trigger an outlook revision. Fitch does not consider shareholder activities involving treasury share buybacks to be a primary concern, but would be a source of rating pressure if enacted.

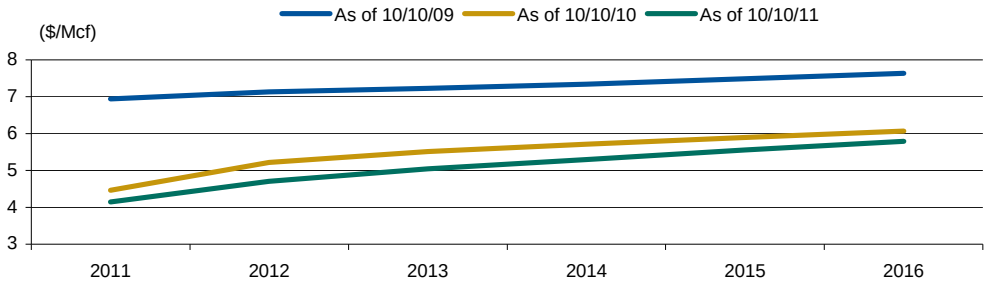
Fitch expects greater divergence for competitive gencos over time, reflecting regional power market, fuel mix, and environmental exposures. Gencos situated in the Electric Reliability Council of Texas (ERCOT) region and operators with natural gas or scrubbed coal fleets are best positioned.

Key Issues and Drivers of the Outlook

Natural Gas, Power Prices, and Electricity Sales

Abundant supplies and sustained low prices of natural gas are having a transforming effect on the entire utilities, power, and gas sector. However, subsectors and individual companies are correlated to natural gas differently. Regulated utilities, T&D electrics, and gas distributors generally benefit the most from low natural gas prices, which have the concomitant beneficial effect on customers through lower prices for power, and keep customer bills affordable.

Natural Gas Forward Prices — Henry Hub



Mcf – Thousand cubic feet.
Source: Fitch Ratings, Bloomberg.

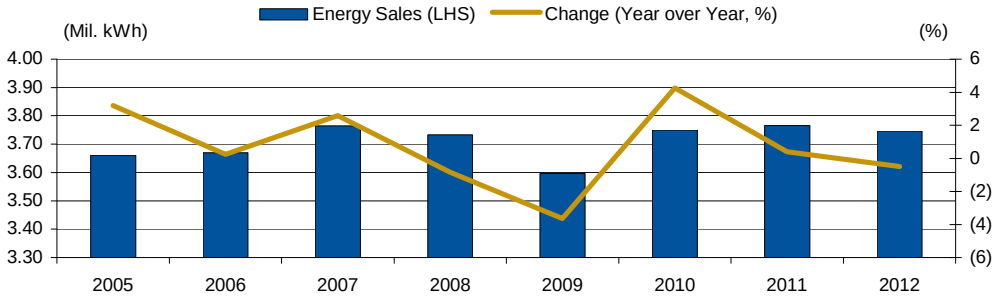
Power prices increase only gradually in Fitch's financial models and forecasts, reflecting the dampening effect of low natural gas prices and excess reserve margins. Fitch's power market consultant, Wood MacKenzie, also projects a slow increase in power price through 2015, although prices remain below pre-2008 recessionary levels.

Low natural gas prices tend to depress wholesale power prices for gencos, particularly in markets where natural gas is on the margin. Low natural gas prices improve the mid-merit dispatch of gencos with large natural gas fleets, resulting in higher capacity utilization.

Consensus forecasts are for 2012 electricity sales to decline slightly from 2011 levels due largely to favorable weather patterns in 2011, and to a lesser extent, continued weak economic

growth. Electricity sales are projected to be essentially flat when adjusted for weather. Efficiency and conservation programs will also dampen electricity sales growth, in Fitch's opinion. Longer term, lower sales will result in higher unit costs, which impede margins for individual utilities and require more frequent rate relief. The modestly lower sales forecasts in 2012 will largely be offset by earnings from capex projects, which have been completed and entered into the rate base.

Power Consumption Trends

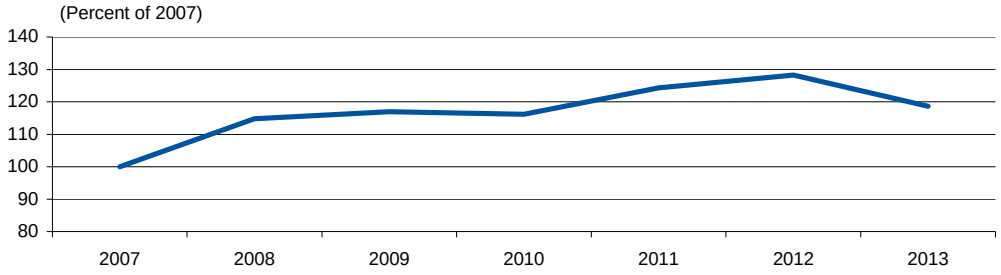


Source: E.I.A.

High Capex with Reliance on External Financing

Capex is expected to remain robust in 2012. Fitch projects capex to increase 5.7% in 2012, in addition to increases of 6.4% in 2010 and 4.6% in 2011. High capex typically places stress on credit metrics and bond spreads. However, bonus depreciation and low financing costs have ameliorated most of the cash flow pressures from high capex. Many investments such as transmissions projects under the Federal Energy Regulation Commission jurisdiction also enjoy timely recovery through construction work in progress (CWIP) tariffs. Consequently, during this capex period, earnings and credit quality have not been negatively affected.

Capital Expenditures

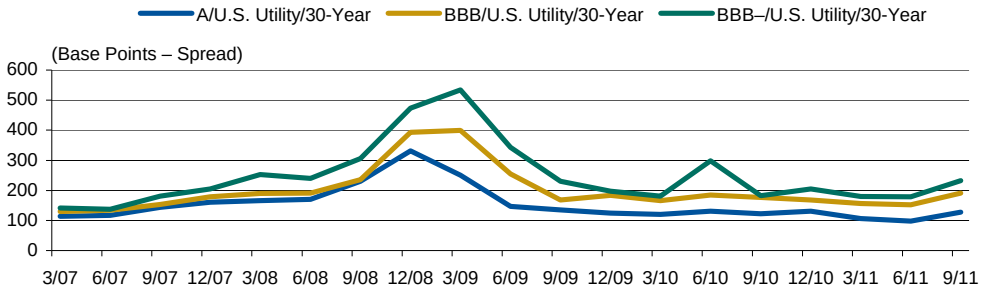


Source: Fitch Ratings.

Fitch expects the regulated utility sector to enjoy a continuation of strong capital market and bank access, along with favorable pricing similar to 2011. Financing costs for long-term first mortgage bonds are at historic lows, reflecting the defensive nature of the regulated utility sector. Investors have demonstrated a strong appetite for utility paper, given a general risk

aversion among institutional and retail investors. Gencos face a more challenging environment, particularly high-yield issuers. Fitch expects non-investment grade issuers will face difficult market conditions given continued economic uncertainty.

Spread Over 30-Year Treasury by Rating Category



Source: Bloomberg.

Regulatory Actions

Fitch sees continued downward pressure on authorized return on equity (ROE), which has moved lower over the last couple of years, from around 10.5% to approximately 10%, according to a recent Fitch study. Regulators' decisions in rate cases remain a key credit factor for regulated utilities. The political and regulatory environment affecting regulated utilities varies state by state.

Economic Stimulus Expiry

The utilities, power, and gas industry was a primary beneficiary of the various economic stimulus packages, including bonus depreciation and investment tax credits put in place over the last few years. Cash flow, particularly funds from operations (FFO) measures, has been particularly robust in 2010 and 2011. With the bonus depreciation phase-out starting in 2012, and full expiration of such incentives in 2013, Fitch expects cash flow measures to revert to pre-2008 normalized levels.

Stringent Environmental Rules

The EPA issued CSAPR on July 7, 2011. The rule is effective Jan. 1, 2012, essentially covers the eastern half of the U.S., including Texas, and mandates substantial reductions in power plant emissions. Emission reductions vary by state. Fitch considers 80 gigawatts of coal capacity at risk for closure as a result of the rule.

Mergers and Acquisitions (M&A)

Fitch expects continued consolidation in the industry. However, Fitch feels the rating implications are limited, since existing ratings for most of the larger utility holding companies fall within a narrow band, and mergers are typically consummated using stock as currency. For operating subsidiaries, little rating effect would be expected among large traditional utility combinations. Rating risk would be present in combinations where the acquirer is a merchant

genco (such as DPL Inc.'s acquisition by AES Corporation), or where the acquirer is a nonstrategic or private equity firm.

Consolidation among gencos is also likely driven by the need for regional diversity, high environmental capex requirements, and the desire to gain necessary size and scale.

2011 Review

For the utilities, power, and gas sector, 2011 could best be described as the quiet before the storm. Despite many headline news events, including the adoption of new EPA rules, reduced economic growth forecasts, record low interest rates, and further reductions in natural gas prices and forward curves, the industry performance was largely on par with 2010 and within Fitch's, and general industry consensus, expectations.

The Fukushima Daiichi nuclear accident on March 11, 2011, left an indelible mark on the future of nuclear energy globally. Nuclear power supplies approximately 20% of total U.S. power consumption, and is a relatively cost-effective source of low-emitting generating capacity. Fitch believes the strong safety-oriented oversight by the Nuclear Regulatory Commission, the power and utility industry's generally favorable safety record, and the importance of nuclear in managing system load support the continued operation and relicensing of such facilities. Higher capex for safety upgrades and resultant higher operating costs are not expected to alter the favorable generation profile of the existing nuclear fleet.

The future of new nuclear development in the U.S. is problematic. A few utilities are pursuing nuclear development within regulated rate base and strong tariff recovery mechanisms. Forward market prices do not support nuclear development on a merchant basis.

Enactment of a comprehensive national energy power policy again proved elusive, reflective of a general political stalemate and lack of leadership in Washington, which will likely persist through the presidential elections in November 2012. Strategic planning of long-term capital investments is increasingly problematic, particularly in relation to environmental upgrades and renewable and other forms of new generation.

Median Ratings and Rating Activity

Median senior unsecured ratings for parent holding companies and their regulated operating subsidiaries have remained stable over the last few years at 'BBB' and 'BBB+', respectively. Within the relative safety of higher electricity sales, low interest rates, and low natural gas prices, 2011 rating activity within Fitch's regulated utility portfolio was muted, but biased to upgrades and Positive Outlook revisions.

Gencos did not enjoy such security, as lower wholesale power prices continued to pressure margins, resulting in a large number of rating downgrades and Outlook revisions to Negative. Within the merchant rating portfolio, affiliated gencos have tended to face less pressure and largely retain investment-grade ratings, with the notable exception of Edison Mission and related entities. Independent power producers, (IPPs) tend to have non-investment grade ratings.

Utilities, Power and Gas Rating Activity — 2011

	Upgrades	Downgrades
UPCs	4	5
IOUs	16	6
Gencos	1	11

UPC – Utility parent companies. IOU – Investor-owned utilities.
Source: Fitch Ratings.

There was no particular pattern or trend among the 2011 upgrades for utility parent companies (UPCs). Among the regulated companies upgraded in 2011, seven are part of the First Energy family following consummation of the merger with Allegheny. Other upgrades include Westar and Kansas Gas & Electric, which continues to recover from earlier stresses, and Oncor, the regulated subsidiary of Energy Future Holdings (EFH). Three gas local distribution companies (LDCs), Atmos Energy, Southwest Gas, and Mountaineer Gas, were upgraded.

The first major casualty of depressed wholesale power market conditions was Dynegy Holdings, Inc., which filed bankruptcy in November 2011. Other notable rating downgrades within Fitch's merchant genco portfolio included EFH and subsidiary Texas Competitive Energy Holding, and genco affiliates of Ameren and Edison International.

M&A Activity and Consolidation

The case for continued industry consolidation remains strong given the fragmented structure of the industry. Drivers of consolidation include the scale of capital investments needed relative to the book capital and market capitalization of individual companies, strategic synergies, particularly in competitive activities, and operational cost savings. The regulatory structure typically requires a one-year or longer timeframe to complete combinations of UPCs and IOUs.

Major Merger and Acquisition Announcements — 2011

($ Mil.)

Buyer	Seller	Target	Price	Valuation
Duke Energy Corp.	Progress Energy, Inc.	Progress Energy, Inc.	25,700	8.6x EBITDA
AES Corp.	DPL Inc.	DPL Inc.	4,600	7.5x EBITDA
Exelon Corp	Constellation Energy Group	Constellation Energy Group	10,600	7.6x EBITDA
Fortis Inc.	Central Vermont PS	Central Vermont PS	702	7.1x EBITDA
PPL Corp.	E.ON UK plc	Central Networks UK	5,600	Not Disclosed

PS – Public service.
Source: Fitch Ratings.

Gencos face similar pressures to combine. Prior to Dynegy Holdings' bankruptcy filing, two separate merger agreements collapsed in the face of shareholder opposition.

Fitch expects the M&A pace to continue into 2012.

2012 Credit Outlook Summary by Sub-Sector

The segment credit outlooks in the left column reflect fundamental analysis of factors influencing developments in the sub-sectors, not the aggregate Rating Outlooks of the entities. Median ratings indicated are based on the IDRs of entities rated by Fitch Ratings.

Segment	Key Trends and Credit Issues for 2011
Utility Parent Companies Median IDR: BBB **Credit Outlook** Stable	• Stable cash flow from regulated utilities; declining cash flow from competitive generation business as existing hedges expire and volume is recontracted or sold at prevailing market prices. • Capital investment levels for organic growth projects and environmental upgrades remain high, requiring external financing. • Equity issuance needed to maintain balanced capital mix. • Favorable environment for consolidation and M&A activity.
Investor-Owned Electric Utilities Median IDR Integrated Electric: BBB Median IDR Electric Distribution: BBB **Credit Outlook** Stable	• Fitch assumes electricity sales down less than 1% in 2012 (flat on a weather normalized basis); longer term, flat to +1% weather normalized. • Increased mandates for energy efficiency and conservation to restrict electricity sales growth. • Serial base rate cases needed to recover infrastructure investments in 2011 and longer term. State regulatory climate varies by state, and remains a key driver. • Relatively low gas and power purchase costs are favorable to utilities, reducing the upward pressures on customer bills. • Sustained high capital spending on infrastructure (environmental compliance, renewables mandates, transmission projects, and automated metering.) • External funding needed for capex, but companies are expected to maintain liquidity and good access to capital markets. Dependent on parent companies for equity to maintain capital structures.
Gas Distribution Utilities (LDCs) Median IDR: A– **Credit Outlook** Stable	• Expected low natural gas commodity prices contribute to stable cash flow and improve relations with consumers, politicians, and regulators. • Rate decoupling or fixed/variable tariff structures help to minimize sensitivity to variations in sales volumes. • Pipeline safety issues will be a focus. However, overall, capital expenditures will remain manageable. • Low risk growth potential from optionality of natural gas in new uses (transportation) as well as continued gains from fuel switching. • Expect consistent regulatory treatment and manageable external funding.
Competitive Generation Companies **Generating Companies and Energy Trading** Median IDR: BB **Credit Outlook** Negative	• Flat electricity sales in 2012 and beyond with excess power capacity relative to required reserve margins to remain for several years; balance achieved through expected closings of older coal-fired units. • Low gas and power price environment will depress margins for most generators; as existing hedge contracts expire, revenues per unit will reflect the weak market environment. • New environmental regulations for air and water emissions will affect the outlook for coal-fired power generation and accelerate retirements of older, smaller, and less efficient coal plants. • The challenges to competitive generators listed above are likely to stimulate an active M&A environment, divestitures, and consolidation. • Higher power prices necessary to support investment in new build generation or environmental upgrades to uncontrolled coal plants.

IDR – Issuer default rating. M&A – Mergers and acquisitions.
Source: Fitch Ratings.

Utility Parent Companies: Stable

Key Issues

UPCs reflect the underlying business conditions of their regulated and nonregulated subsidiaries. Risks specific to UPCs include discretionary decisions such as consolidation and M&A activities, treasury share repurchases, dividend policy, and financial-management policies, as well as external factors including capital markets access, cost of capital, and inflationary cost pressure. Fitch expects UPC operating conditions in 2012 to mirror 2011, although there is greater event risk due to market disruption and contagion from the banking sector, commodities volatility, and the ongoing Eurozone crisis.

Tax Policies

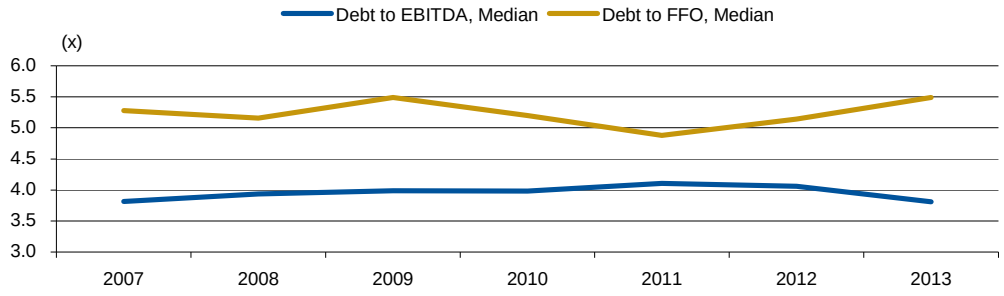
The preferential U.S. tax treatment of dividends and capital gains in effect since 2003, if not extended, would be considered a negative development for UPCs. Lower dividend taxes help utilities attract capital, which is important given their high-capital intensity. If favorable tax treatment of dividends is extended, it aids utilities and infrastructure companies that pay dividends to fund their investments at a favorable overall cost of capital. Fitch assumes the dividend tax preference continues.

Compared to other industries, U.S. utilities have a relatively high common dividend payout to net earnings ratio of approximately 60%–70%, but this is consistent with prior sector norms. Fitch anticipates modest increases in common dividends, but payout levels will likely remain within targeted levels of 60%–70%. Fitch views dividends as part of the overall corporate capital-maintenance and capital-raising objectives. Companies with regular dividend increases are more highly valued by equity investors and are at an advantage when they need to raise equity capital.

UPC Forecast Financial Trends

Given a generally benign economic outlook in 2012, Fitch's base forecasts, on a company consolidated basis, are for aggregate earnings to improve in 2012, while key credit metrics show a mixed picture. EBITDA growth in 2012 reflects the completion and maturation of investments over the preceding years. However, FFO declines with the phase-out of bonus depreciation beginning in 2012 and absence of bonus depreciation in 2013, along with the expiration of production tax credits and other incentives that bolstered 2009 and 2010 results. Consequently, Fitch does not have specific concerns as to the decline in FFO, since it only reflects a return to normalized recurring levels.

Leverage Ratios

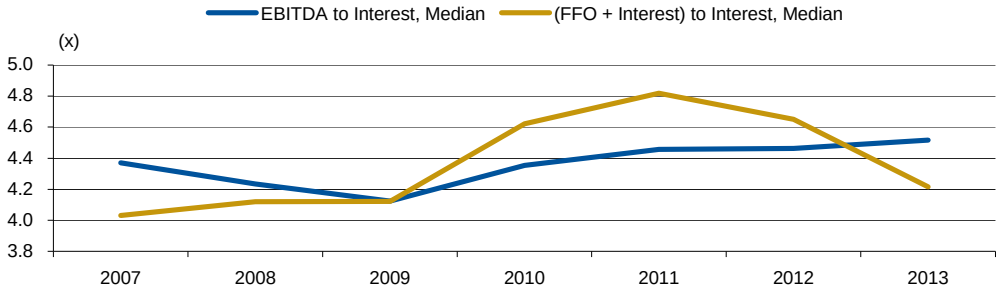


Source: Fitch Ratings.

Debt leverage reflects similar divergence as coverage measures. Debt to EBITDA improves, reflecting the higher EBITDA Fitch envisions for the sector, while debt to FFO increases, reflecting the lower FFO levels Fitch expects in the absence of new tax incentives. However, in both cases the baseline returns to the 2007 period, reflecting a return to the norm.

Economic stimulus by Washington in the form of extensions of bonus depreciation and tax credits would provide upside to Fitch's FFO projections. Higher debt levels reflect funding for capex projects within a typical 50% debt/50% equity capital structure. Interest coverage measures in 2012 reflect the divergence in aggregate EBITDA and FFO measures. Over the next two years, EBITDA-to-interest measures remain relatively flat at around 4.0x coverage. At the same time, FFO to interest declines, particularly in 2013, and returns to the baseline of 2007.

Interest Coverage Ratios



Source: Fitch Ratings.

Electric Utilities: Stable

Fitch's Outlook for the electric utility sector in 2012 remains stable. The sector benefits from low interest rates, modest inflationary pressures, open capital markets, and low natural gas and power prices. Fitch expects these conditions to persist into 2013.

The favorable funding environment helps to offset any stress that would otherwise result during an extended period of high projected capital investment. Capex is expected to remain elevated, increasing 5%–6% over 2011 levels.

Many utilities have reduced regulatory risk by shifting cost recovery from general rate case proceedings to standardized tariffs that provide greater certainty and timeliness of cost recovery. Moreover, utility investment in this construction cycle seems to be aligned with the goals of regulators and policymakers, enhancing prospects for timely and full investment recovery, in Fitch's opinion.

Fitch's outlook for the sector presumes an extended period of cyclically low power and natural gas prices. Electric utilities, particularly T&D utilities, are beneficiaries of low commodity prices. Low prices for fuel commodities provide crucial headroom for utilities to recover anticipated investment in plant and equipment through base rate increases. All else equal, stable to lower natural gas and power prices remove a source of upward pressure on monthly utility bills, and reduce potential consumer resistance/political backlash to higher rates. Similarly, a low inflation and interest rate environment would stabilize utilities' costs and rates.

Longer term, risks to the Stable Outlook become more pronounced as secular and cyclical factors come into play. Sales growth expectations, already modest at 1%–2% per annum, may prove optimistic given the subdued economic growth outlook and a growing demand for energy efficiency and conservation. The industry faces the double threat of both disruptive technologies, such as efficiencies in lighting, refrigeration, and software interface, combined with competitors promoting such products and services. The industry will be challenged to adjust business models to face the new competitive landscape.

A more immediate threat might be a change in the operating environment in 2013 and beyond. Fitch has specific concerns regarding upward pressure on electricity rates owing to reliance on higher cost, non-emitting renewable and other energy resources, and potentially higher interest rates, inflation, natural gas, and power costs from the current cyclically low levels. The upward pressure on electricity rates in this scenario could lead to political resistance to future rate increase requests and the potential inability to fully recover prior costs and investments, resulting in credit rating downgrades.

State Tariff Regulation

A 2011 Fitch survey of authorized ROEs reflects a continued trend of lower ROEs. Authorized ROEs are now trending down to the 10% level from a range of 10.25% to 10.50% registered at Fitch's last survey in 2009. The trend is not surprising given the overall low interest rate environment and cost of capital benchmarks for alternative investments. Lower ROEs are also associated with features increasingly common in tariff structures that minimize cash flow volatility. Still, the trend will pressure earnings and key coverage and leverage credit measures, including EBITDA to interest and debt to EBITDA.

There has been a notable increase in recent years in the utilization of fuel-adjustment clauses, pre-approval of major construction projects, environmental riders, the use of CWIP in rate base, and other tariff mechanisms designed to move cost recovery out of general rate case proceedings and/or provide greater assurance of cost recovery. Such mechanisms reduce earnings attrition and business risk, and are viewed favorably in Fitch's credit rating decisions.

The electricity industry, particularly in the northeast, suffered a number of storms that resulted in substantial damage to the system infrastructure and long periods of customer outages. Typically, such expenses and capital costs are recoverable, frequently through a tariff monetization financing. However, in cases where the regulators feel the utility did not respond properly, a portion of such expenses would likely be absorbed by the utility. Fourth-quarter 2011 results may reflect such items.

Gas Utilities: Stable

Fitch's 2012 Outlook for LDCs remains Stable. Gas utilities are advantaged by low natural gas prices, which minimize customer conservation, and long-term forecasts of abundant and low-priced natural gas supplies, which stimulate conversions to natural gas from other fuel sources. While the slow pace of economic recovery has limited sales growth, LDCs remain well positioned with modest capex requirements, mostly related to system reliability and maintenance.

Natural gas prices are expected to remain at low levels in the wake of abundant domestic supplies. Entering the 2011–2012 winter heating season, storage levels remain robust and should allow all-in rates to consumers to remain manageable. While many LDCs either have or are pursuing some form of rate decoupling or weather normalization that shields financial

results from the effects of changes in volumes sold, low gas prices are nevertheless positive as lower overall rates alleviate concerns related to bad debt expense and regulatory pressures. The lower cost of gas inventories in storage and carrying customer receivables during the peak winter season have also had a meaningful effect on reduced liquidity needs for many LDCs.

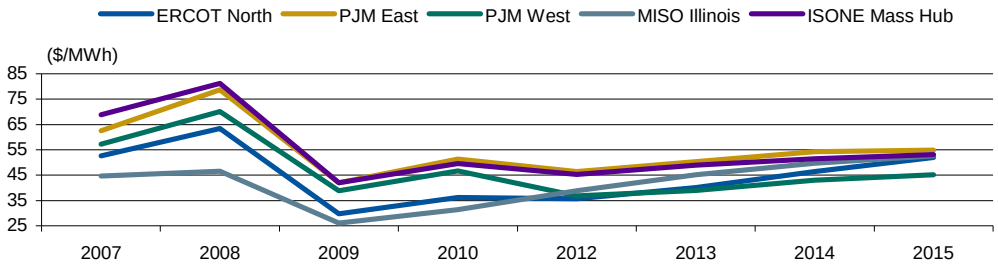
Weather, especially for gas utilities without decoupling mechanisms, is the biggest variable in financial performance.

Limited concerns will be centered on the increased focus on pipeline and system safety following several high-profile accidents. Fitch believes the enhanced inspection and testing programs being enacted across the industry will largely be recoverable in future rate cases.

Competitive Generators: Negative

Fitch expects the competitive gencos to continue to face a challenging operating environment in 2012. Some gencos are affiliated merchant generators, which are subsidiaries of large utility holding companies, while others are stand-alone IPPs. Both types of companies are adversely affected by a depressed commodity environment, expiring above-market hedges, and more stringent environmental regulations that could adversely affect uncontrolled coal-fired generation. However, unlike IPPs, affiliated gencos tend to benefit from strong parent or affiliate linkages and better access to capital during periods of volatile capital market conditions.

Historical and Forecast Round-the-Clock Power Prices
(As of Oct. 10, 2011)



ERCOT – Electric Reliability Council of Texas. ISONE – ISO New England. MISO – Midwest ISO.
Source: Wood MacKenzie.

Fitch expects aggregate credit metrics for gencos to weaken in 2012. This primarily reflects the effect of lower power prices as older, higher priced contracts expire and get remarketed in a weaker commodity environment. Implementation of CSAPR will also impinge on profitability and cash flows at several coal-fired plants due to curtailment of production and higher costs from fuel switching and blending. Fitch considers it quite likely that such conditions persist well into 2013, until demand supply becomes more balanced in various regional power markets, leading to a stronger recovery in power prices.

Liquidity remains a key rating consideration for high-yield gencos. Fitch believes liquidity is adequate for 2012. However, rising capital requirements at coal-fired generators will deplete excess cash balances. For the gencos with natural gas assets and/or a more diversified portfolio, excess cash could likely be diverted toward stock purchases, investment in new generation (natural gas-fired/renewables), or vertical integration into the retail business. Fitch

will continue to evaluate these actions in the context of overall management strategy and credit metrics.

AES, NRG Energy Co., and Calpine have each announced their intention to return capital to shareholders. Rating pressures could appear if there is an outsized return of capital to shareholders. Fitch believes capital market conditions for high-yield issuers have not normalized, and any disruptions due to macroeconomic events could periodically shut market access for them.

Aside from credit metrics, individual issuer rating and outlook are also influenced to a large extent by fuel mix, location, age, and extent of environmental compliance of its power-generation assets. Fitch believes emission-free generators are likely to be beneficiaries of stringent environmental regulations as old and inefficient coal plants retire, thereby rendering the demand supply balance more favorable to supporting higher power prices. Among the various regional markets, Fitch believes ERCOT is particularly attractive, as evidenced by the squeeze in reserve margin during the 2011 summer heat wave. This should aid the gencos that have a significant exposure to ERCOT.

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February 2, 2010

Industry Economic And Ratings Outlook:

Slightly Positive Outlook For U.S. Regulated Electric Utilities Supports Rating Stability

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Table Of Contents

Effects On Ratings

Solid Industry Fundamentals Support Stable Outlook

Industry Economic And Ratings Outlook:

Slightly Positive Outlook For U.S. Regulated Electric Utilities Supports Rating Stability

(Editor's Note: This article, originally published on Jan. 29, 2010, incorrectly stated the amount of external financing activity for the regulated electric utility industry as $49.8 million in 2009. The correct amount is $49.8 billion.)

Standard & Poor's Ratings Services' base-case 2010 outlook for the U.S. investor-owned regulated electric utility industry is slightly positive, based on the following fundamentals:

- The deep recession in the U.S.;
- The resulting contraction in electricity consumption; and
- The limited effect on rate-regulated electric utilities.

Effects On Ratings

A vast majority of U.S. investor-owned electric utility companies we rate have stable outlooks on their ratings. Recent rating activity has been moderate, with a small number of upgrades and downgrades. This reflects an industry economic outlook that, despite the overall U.S. economy, is slightly positive in our base case. The rating trend, as measured by outlooks and CreditWatch listings, is slightly negative but still largely biased toward stability.

Regulated electric utilities have been, and are expected to continue, weathering the difficult economy with little lasting effect on the collective financial risk profile of the industry, and we assess ratings and outlooks based on our stable view of industry and company-specific factors. Outlooks and ratings should remain predominantly unchanged, even if industry conditions worsen in the near term, as described in our pessimistic scenario (see table 1). However, if lack of economic growth persists for an extended period, regulatory risk could rise if concerns about the plight of ratepayers leads to resistance to rate increases.

Table 1

2010 Scenarios For The U.S. Regulated Utilities Industry

	--January forecast/scenarios*--						
	--Pessimistic--		--Baseline--		--Optimistic--		--Actual--
	2009	2010	2009	2010	2009	2010	2008
Macroeconomic indicators							
Real GDP (% change)	(2.64)	(0.44)	(2.54)	2.35	(2.49)	4.08	0.44
CPI (% change)	(0.34)	2.40	(0.31)	2.19	(0.28)	2.28	3.80
Core CPI (% change)	1.70	1.47	1.70	1.53	1.72	1.67	2.30
Number of households (mil.)	117.40	118.30	117.40	118.50	117.40	118.60	116.90
Yearly % change	0.47	0.74	0.47	0.89	0.47	0.97	0.42
ECI, wages and salaries (% change)	1.49	1.16	1.49	1.45	1.51	1.63	3.03
Unemployment rate (%)	9.30	11.20	9.30	10.30	9.27	9.71	5.80
Household obligations ratio (%)	17.90	16.90	17.90	17.40	17.90	16.70	18.50

Table 1

2010 Scenarios For The U.S. Regulated Utilities Industry (cont.)

Industry drivers							
Housing starts (mil. units)	0.55	0.60	0.56	0.75	0.56	0.96	0.90
Disposable income, 2000 $ (% change)	1.14	(0.11)	1.25	1.41	1.13	1.78	0.51
Disposable income (% change)	1.34	1.97	1.45	3.26	1.38	3.80	3.88
Consumer spending, electricity (% change)	0.91	(2.06)	0.89	0.59	0.92	(1.23)	5.62
Deflator electricity prices (% change)	2.84	(2.01)	3.05	(0.11)	2.86	(1.80)	6.41
Natural gas % of electricity fuel use	0.22	0.21	0.22	0.21	0.22	0.21	0.22
Coal % of electricity fuel use	0.47	0.47	0.47	0.47	0.47	0.47	0.48
Petroleum % of electricity fuel use	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Power plant nonresidential (% change)	7.60	(23.30)	5.80	(25.00)	7.70	(21.90)	45.60
Investment in public utilities (% change)	(0.70)	(21.50)	(1.80)	(22.10)	(0.70)	(19.70)	24.80
Investment in electric and gas utilities (% change)	6.30	(21.60)	4.80	(23.00)	6.40	(20.30)	40.80
Employment, utilities (mil. employees)	0.57	0.56	0.57	0.56	0.57	0.56	0.56
Employment, private (mil. employees)	109.40	107.00	109.50	108.50	109.50	109.80	114.50
PPI electricity (% change)	2.64	0.12	2.64	0.47	2.66	0.30	4.96
PPI coal (% change)	12.80	(7.50)	12.80	(3.00)	12.80	(4.80)	23.70
'BBB' bond yield (%)	7.37	7.79	7.37	7.00	7.27	6.31	7.45
10-yr. Treasury note yield (% change)	3.30	4.28	3.29	4.16	3.26	3.81	3.67
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Industry economic outlook	**Stable**	**Stable**	**Stable**	**Slightly positive**	**Stable**	**Slightly positive**	

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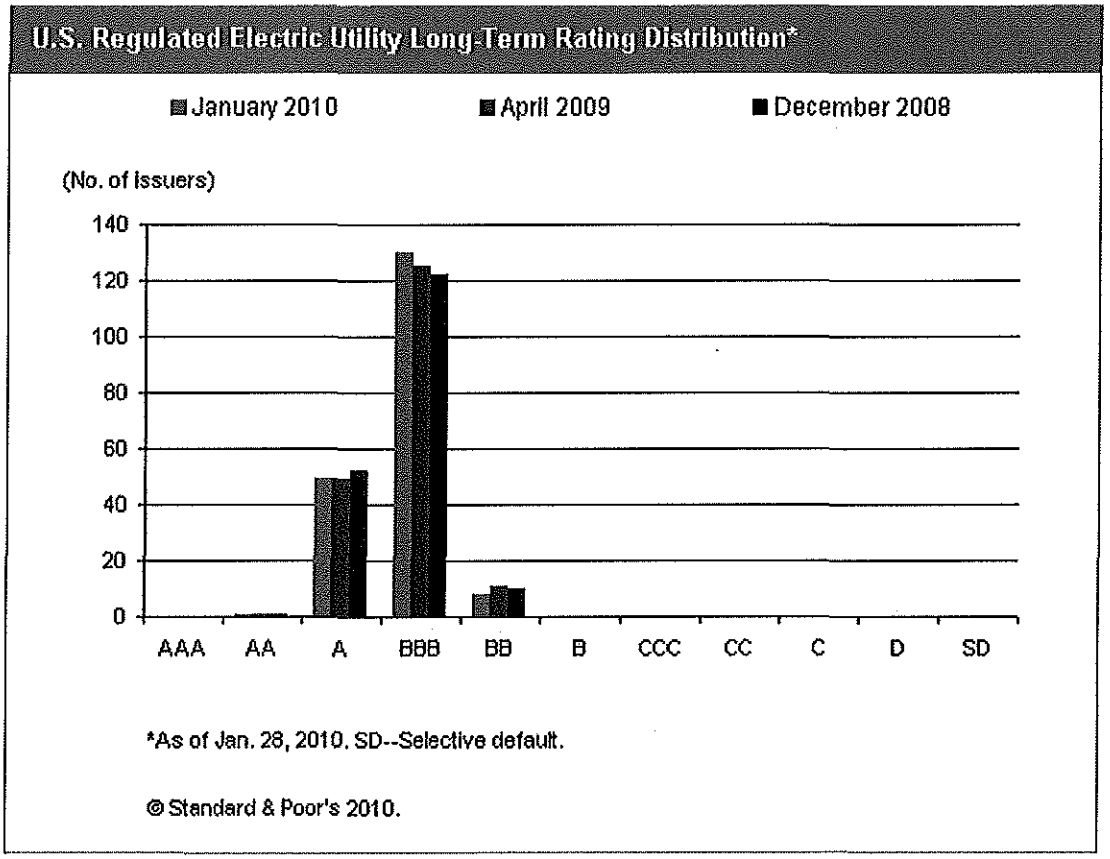

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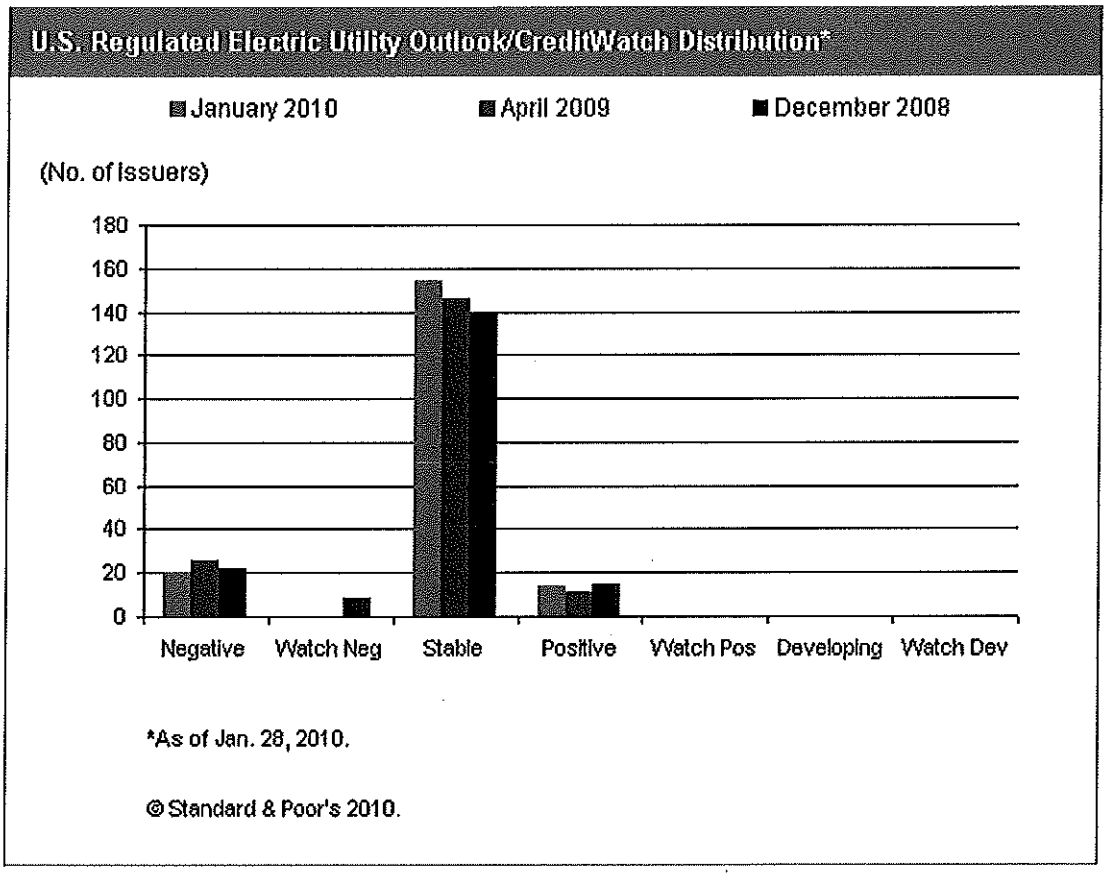

Table 2

U.S. Regulated Electric Utilities

As of Jan. 27, 2010

Company	Corp. credit rating*
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AEP Texas North Co.	BBB/Stable/--
Alabama Power Co.	A/Stable/A-1
Allegheny Energy Inc.	BBB-/Stable/--
ALLETE Inc.	BBB+/Negative/A-2
Alliant Energy Corp.	BBB+/Stable/A-2
Ameren Corp.	BBB-/Stable/A-3
American Electric Power Co. Inc.	BBB/Stable/A-2
American Transmission Co.	A+/Stable/A-1
Appalachian Power Co.	BBB/Stable/--
Arizona Public Service Co.	BBB-/Stable/A-3
Atlantic City Electric Co.	BBB/Stable/A-2
Avista Corp.	BBB-/Positive/A-3
Baltimore Gas & Electric Co.	BBB+/Stable/A-2
Black Hills Corp.	BBB-/Stable/--

Table 2

U.S. Regulated Electric Utilities (cont.)	
Black Hills Power Inc.	BBB-/Stable/--
California Independent System Operator Corp.	A/Stable/--
Carolina Power & Light Co. d/b/a Progress Energy Carolinas Inc.	BBB+/Stable/A-2
CenterPoint Energy Houston Electric LLC	BBB/Negative/--
CenterPoint Energy Inc.	BBB/Negative/A-3
CenterPoint Energy Resources Corp.	BBB/Negative/A-3
Central Hudson Gas & Electric Corp.	A/Stable/--
Central Illinois Light Co.	BBB-/Stable/--
Central Illinois Public Service Co.	BBB-/Stable/--
Central Maine Power Co.	BBB+/Stable/--
CILCORP Inc.	BBB-/Stable/--
Cinergy Corp.	A-/Positive/A-2
Cleco Corp.	BBB/Stable/--
Cleco Power LLC	BBB/Stable/--
Cleveland Electric Illuminating Co.	BBB/Stable/--
CMS Energy Corp.	BBB-/Stable/A-3
Columbus Southern Power Co.	BBB/Stable/--
Commonwealth Edison Co.	BBB/Stable/A-2
Connecticut Light & Power Co.	BBB/Stable/--
Connecticut Natural Gas Corp.	A-/Stable/--
Consolidated Edison Co. of New York Inc.	A-/Stable/A-2
Consolidated Edison Inc.	A-/Stable/A-2
Consumers Energy Co.	BBB-/Stable/--
Dayton Power & Light Co.	A-/Stable/--
Delmarva Power & Light Co.	BBB/Stable/A-2
Detroit Edison Co.	BBB/Stable/A-2
Dominion Resources Inc.	A-/Stable/A-2
DPL Inc.	A-/Stable/--
DTE Energy Co.	BBB/Stable/A-2
Duke Energy Carolinas LLC	A-/Positive/A-2
Duke Energy Corp.	A-/Positive/A-2
Duke Energy Indiana Inc.	A-/Positive/A-2
Duke Energy Kentucky Inc.	A-/Positive/--
Duke Energy Ohio Inc.	A-/Positive/A-2
Duquesne Light Co.	BBB-/Stable/--
Duquesne Light Holdings Inc.	BBB-/Stable/--
E.ON U.S. LLC	BBB+/Stable/--
Edison International	BBB-/Stable/--
El Paso Electric Co.	BBB/Stable/--
Empire District Electric Co.	BBB-/Stable/A-3
Enogex LLC	BBB+/Stable/--
Entergy Arkansas Inc.	BBB/Stable/--

Table 2

U.S. Regulated Electric Utilities (cont.)	
Entergy Corp.	BBB/Stable/--
Entergy Gulf States Louisiana LLC	BBB/Stable/--
Entergy Louisiana LLC	BBB/Stable/--
Entergy Mississippi Inc.	BBB/Stable/--
Entergy New Orleans Inc.	BBB-/Stable/--
Entergy Texas Inc.	BBB/Stable/--
FirstEnergy Corp.	BBB/Stable/--
Florida Power & Light Co.	A/Stable/A-1
Florida Power Corp. d/b/a Progress Energy Florida Inc.	BBB+/Stable/A-2
FPL Group Inc.	A/Stable/--
Georgia Power Co.	A/Stable/A-1
Great Plains Energy Inc.	BBB/Negative/--
Green Mountain Power Corp.	BBB/Stable/--
Gulf Power Co.	A/Stable/A-1
Hawaiian Electric Co. Inc.	BBB/Negative/A-3
Hawaiian Electric Industries Inc.	BBB/Negative/A-3
Iberdrola USA	A-/Stable/A-2
IDACORP Inc.	BBB/Stable/A-2
Idaho Power Co.	BBB/Stable/A-2
Illinois Power Co.	BBB-/Stable/--
Indiana Michigan Power Co.	BBB/Stable/--
Indianapolis Power & Light Co.	BBB-/Stable/--
Integrys Energy Group Inc.	BBB+/Negative/A-2
International Transmission Co.	BBB/Stable/--
Interstate Power & Light Co.	BBB+/Stable/A-2
IPALCO Enterprises Inc.	BBB-/Stable/--
ITC Holdings Corp.	BBB/Stable/--
ITC Midwest LLC	BBB/Stable/--
Jersey Central Power & Light Co.	BBB/Stable/--
Kansas City Power & Light Co.	BBB/Negative/A-3
Kansas Gas & Electric Co.	BBB-/Positive/--
KCP&L Greater Missouri Operations Co.	BBB/Negative/--
Kentucky Power Co.	BBB/Stable/--
Kentucky Utilities Co.	BBB+/Stable/A-2
KeySpan Energy Delivery Long Island	A/Stable/--
KeySpan Energy Delivery New York	A/Stable/--
Louisville Gas & Electric Co.	BBB+/Stable/--
Madison Gas & Electric Co.	AA-/Stable/A-1+
Massachusetts Electric Co.	A-/Stable/A-2
Metropolitan Edison Co.	BBB/Stable/--
Michigan Consolidated Gas Co.	BBB/Stable/A-2
Michigan Electric Transmission Co.	BBB/Stable/--

Table 2

U.S. Regulated Electric Utilities (cont.)	
MidAmerican Energy Co.	A-/Stable/A-2
MidAmerican Energy Holdings Co.	BBB+/Stable/--
Midwest Independent Transmission System Operator Inc.	A+/Stable/--
Mississippi Power Co.	A/Stable/A-1
Monongahela Power Co.	BBB-/Stable/--
Montana-Dakota Utilities Co.	BBB+/Stable/--
Narragansett Electric Co.	A-/Stable/A-2
National Grid USA	A-/Stable/A-2
Nevada Power Co.	BB/Stable/--
New England Power Co.	A-/Stable/A-2
New York State Electric & Gas Corp.	BBB+/Stable/A-2
Niagara Mohawk Power Corp.	A-/Stable/A-2
North Shore Gas Co.	BBB+/Negative/--
Northeast Utilities	BBB/Stable/--
Northern Indiana Public Service Co.	BBB-/Stable/--
Northern Natural Gas Co.	A/Stable/--
Northern States Power Co.	BBB+/Positive/A-2
Northern States Power Wisconsin	A-/Positive/--
NorthWestern Corp.	BBB/Stable/--
NSTAR	A+/Stable/A-1
NSTAR Electric Co.	A+/Stable/A-1
NSTAR Gas Co.	A+/Stable/--
NV Energy Inc.	BB/Stable/B-2
OGE Energy Corp.	BBB+/Stable/A-2
Ohio Edison Co.	BBB/Stable/A-2
Ohio Power Co.	BBB/Stable/--
Ohio Valley Electric Corp.	BBB-/Stable/--
Oklahoma Gas & Electric Co.	BBB+/Stable/A-2
Oncor Electric Delivery Co. LLC	BBB+/Stable/--
Orange and Rockland Utilities Inc.	A-/Stable/A-2
Otter Tail Corp.	BBB-/Stable/--
Otter Tail Power Co.	BBB-/Stable/--
Pacific Gas & Electric Co.	BBB+/Stable/A-2
PacifiCorp	A-/Stable/A-2
PECO Energy Co.	BBB/Stable/A-2
Pennsylvania Electric Co.	BBB/Stable/--
Pennsylvania Power Co.	BBB/Stable/--
Peoples Energy Corp.	BBB+/Negative/--
Peoples Gas Light & Coke Co. (The)	BBB+/Negative/A-2
PEPCO Holdings Inc.	BBB/Stable/A-2
PG&E Corp.	BBB+/Stable/--
Pinnacle West Capital Corp.	BBB-/Stable/A-3

Table 2

U.S. Regulated Electric Utilities (cont.)	
PNM Resources Inc.	BB-/Stable/B-2
Portland General Electric Co.	BBB/Stable/A-2
Potomac Edison Co.	BBB-/Stable/--
Potomac Electric Power Co.	BBB/Stable/A-2
PPL Electric Utilities Corp.	A-/Negative/A-2
Progress Energy Inc.	BBB+/Stable/A-2
Public Service Co. of Colorado	BBB+/Positive/A-2
Public Service Co. of New Hampshire	BBB/Stable/--
Public Service Co. of New Mexico	BB-/Stable/B-2
Public Service Co. of North Carolina Inc.	BBB+/Stable/A-2
Public Service Co. of Oklahoma	BBB/Stable/--
Public Service Electric & Gas Co.	BBB/Stable/A-2
Puget Energy Inc.	BB+/Stable/--
Puget Sound Energy Inc.	BBB/Stable/A-2
Rochester Gas & Electric Corp.	BBB/Stable/--
Rockland Electric Co.	A-/Stable/--
San Diego Gas & Electric Co.	A/Negative/A-1
SCANA Corp.	BBB+/Stable/--
Sierra Pacific Power Co.	BB/Stable/--
South Carolina Electric & Gas Co.	BBB+/Stable/A-2
Southern California Edison Co.	BBB+/Stable/A-2
Southern Co.	A/Stable/A-1
Southern Connecticut Gas Co.	A-/Stable/--
Southern Indiana Gas & Electric Co.	A-/Stable/--
Southwestern Electric Power Co.	BBB/Stable/--
Southwestern Public Service Co.	BBB+/Positive/A-2
System Energy Resources Inc.	BBB/Stable/--
Tampa Electric Co.	BBB/Stable/A-2
TECO Energy Inc.	BBB/Stable/--
Texas-New Mexico Power Co.	BB-/Stable/--
The Berkshire Gas Co.	BBB+/Stable/--
Toledo Edison Co.	BBB/Stable/--
Tucson Electric Power Co.	BB+/Stable/B-2
UIL Holdings Corp.	BBB/Stable/--
Union Electric Co. d/b/a AmerenUE	BBB-/Stable/A-3
United Illuminating Co. (The)	BBB/Stable/--
Virginia Electric & Power Co.	A-/Stable/A-2
West Penn Power Co.	BBB-/Stable/--
Westar Energy Inc.	BBB-/Positive/--
Western Massachusetts Electric Co.	BBB/Stable/--
Wisconsin Electric Power Co.	A-/Stable/A-2
Wisconsin Energy Corp.	BBB+/Stable/A-2

Table 2

U.S. Regulated Electric Utilities (cont.)	
Wisconsin Gas LLC	A-/Stable/A-2
Wisconsin Power & Light Co.	A-/Stable/A-2
Wisconsin Public Service Corp.	A-/Negative/A-2
Xcel Energy Inc.	BBB+/Positive/A-2
Yankee Gas Services Co.	BBB/Stable/--

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February 2, 2010

Industry Economic And Ratings Outlook:

Slightly Positive Outlook For U.S. Regulated Electric Utilities Supports Rating Stability

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Senior Economist:
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Secondary Credit Analyst:
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Table Of Contents

Effects On Ratings

Solid Industry Fundamentals Support Stable Outlook

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Slightly Positive Outlook For U.S. Regulated Electric Utilities Supports Rating Stability

(Editor's Note: This article, originally published on Jan. 29, 2010, incorrectly stated the amount of external financing activity for the regulated electric utility industry as $49.8 million in 2009. The correct amount is $49.8 billion.)

Standard & Poor's Ratings Services' base-case 2010 outlook for the U.S. investor-owned regulated electric utility industry is slightly positive, based on the following fundamentals:

- The deep recession in the U.S.;
- The resulting contraction in electricity consumption; and
- The limited effect on rate-regulated electric utilities.

Effects On Ratings

A vast majority of U.S. investor-owned electric utility companies we rate have stable outlooks on their ratings. Recent rating activity has been moderate, with a small number of upgrades and downgrades. This reflects an industry economic outlook that, despite the overall U.S. economy, is slightly positive in our base case. The rating trend, as measured by outlooks and CreditWatch listings, is slightly negative but still largely biased toward stability.

Regulated electric utilities have been, and are expected to continue, weathering the difficult economy with little lasting effect on the collective financial risk profile of the industry, and we assess ratings and outlooks based on our stable view of industry and company-specific factors. Outlooks and ratings should remain predominantly unchanged, even if industry conditions worsen in the near term, as described in our pessimistic scenario (see table 1). However, if lack of economic growth persists for an extended period, regulatory risk could rise if concerns about the plight of ratepayers leads to resistance to rate increases.

Table 1

2010 Scenarios For The U.S. Regulated Utilities Industry

	--January forecast/scenarios*--						
	--Pessimistic--		--Baseline--		--Optimistic--		--Actual--
	2009	2010	2009	2010	2009	2010	2008
Macroeconomic indicators							
Real GDP (% change)	(2.64)	(0.44)	(2.54)	2.35	(2.49)	4.08	0.44
CPI (% change)	(0.34)	2.40	(0.31)	2.19	(0.28)	2.28	3.80
Core CPI (% change)	1.70	1.47	1.70	1.53	1.72	1.67	2.30
Number of households (mil.)	117.40	118.30	117.40	118.50	117.40	118.60	116.90
Yearly % change	0.47	0.74	0.47	0.89	0.47	0.97	0.42
ECI, wages and salaries (% change)	1.49	1.16	1.49	1.45	1.51	1.63	3.03
Unemployment rate (%)	9.30	11.20	9.30	10.30	9.27	9.71	5.80
Household obligations ratio (%)	17.90	16.90	17.90	17.40	17.90	16.70	18.50

Table 1

2010 Scenarios For The U.S. Regulated Utilities Industry (cont.)

Industry drivers							
Housing starts (mil. units)	0.55	0.60	0.56	0.75	0.56	0.96	0.90
Disposable income, 2000 $ (% change)	1.14	(0.11)	1.25	1.41	1.13	1.78	0.51
Disposable income (% change)	1.34	1.97	1.45	3.26	1.38	3.80	3.88
Consumer spending, electricity (% change)	0.91	(2.06)	0.89	0.59	0.92	(1.23)	5.62
Deflator electricity prices (% change)	2.84	(2.01)	3.05	(0.11)	2.86	(1.80)	6.41
Natural gas % of electricity fuel use	0.22	0.21	0.22	0.21	0.22	0.21	0.22
Coal % of electricity fuel use	0.47	0.47	0.47	0.47	0.47	0.47	0.48
Petroleum % of electricity fuel use	0.01	0.01	0.01	0.01	0.01	0.01	0.01
Power plant nonresidential (% change)	7.60	(23.30)	5.80	(25.00)	7.70	(21.90)	45.60
Investment in public utilities (% change)	(0.70)	(21.50)	(1.80)	(22.10)	(0.70)	(19.70)	24.80
Investment in electric and gas utilities (% change)	6.30	(21.60)	4.80	(23.00)	6.40	(20.30)	40.80
Employment, utilities (mil. employees)	0.57	0.56	0.57	0.56	0.57	0.56	0.56
Employment, private (mil. employees)	109.40	107.00	109.50	108.50	109.50	109.80	114.50
PPI electricity (% change)	2.64	0.12	2.64	0.47	2.66	0.30	4.96
PPI coal (% change)	12.80	(7.50)	12.80	(3.00)	12.80	(4.80)	23.70
'BBB' bond yield (%)	7.37	7.79	7.37	7.00	7.27	6.31	7.45
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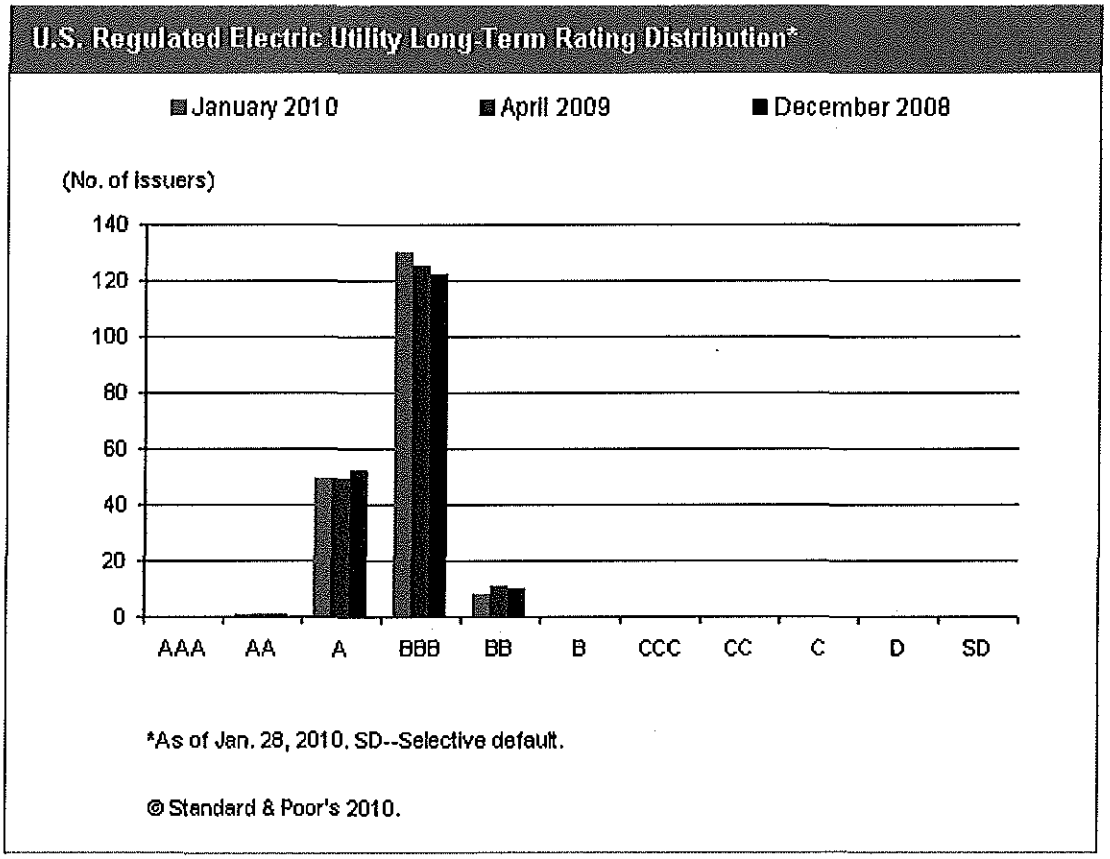

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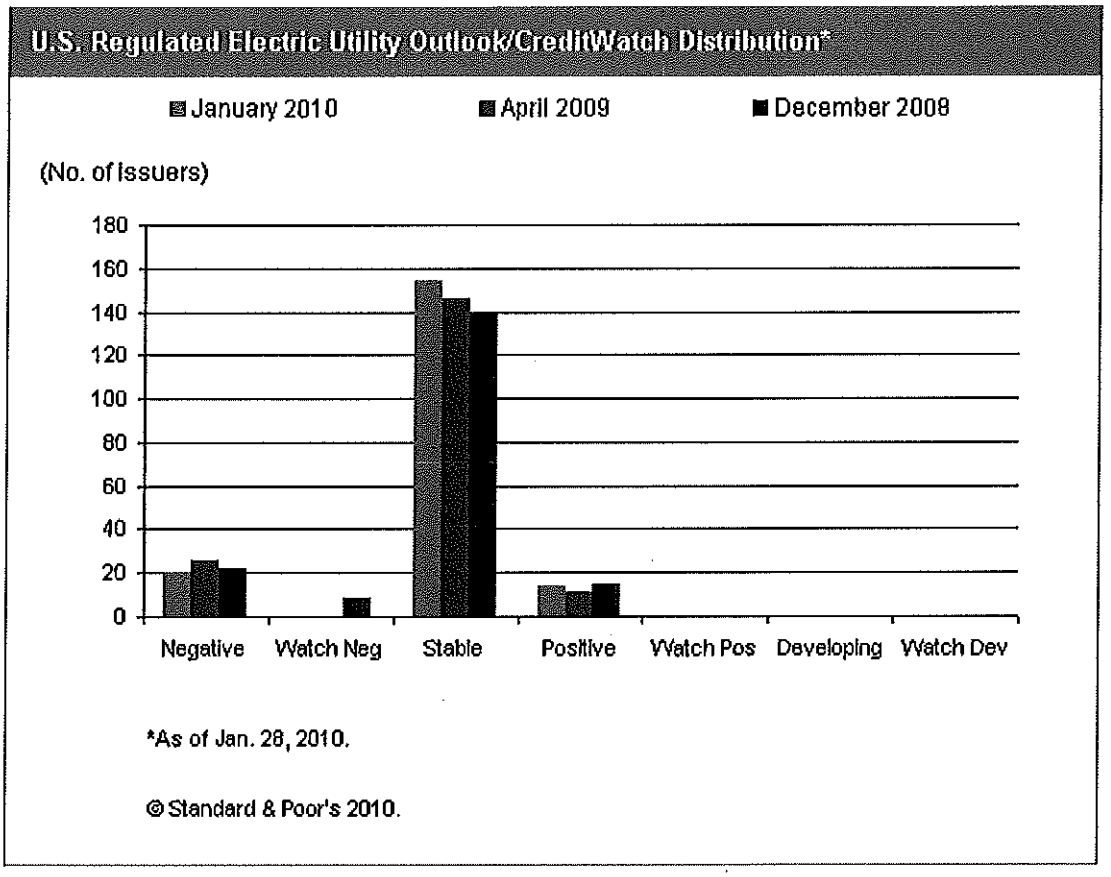

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Arizona Public Service Co.	BBB-/Stable/A-3
Atlantic City Electric Co.	BBB/Stable/A-2
Avista Corp.	BBB-/Positive/A-3
Baltimore Gas & Electric Co.	BBB+/Stable/A-2
Black Hills Corp.	BBB-/Stable/--

Table 2

U.S. Regulated Electric Utilities (cont.)	
Black Hills Power Inc.	BBB-/Stable/--
California Independent System Operator Corp.	A/Stable/--
Carolina Power & Light Co. d/b/a Progress Energy Carolinas Inc.	BBB+/Stable/A-2
CenterPoint Energy Houston Electric LLC	BBB/Negative/--
CenterPoint Energy Inc.	BBB/Negative/A-3
CenterPoint Energy Resources Corp.	BBB/Negative/A-3
Central Hudson Gas & Electric Corp.	A/Stable/--
Central Illinois Light Co.	BBB-/Stable/--
Central Illinois Public Service Co.	BBB-/Stable/--
Central Maine Power Co.	BBB+/Stable/--
CILCORP Inc.	BBB-/Stable/--
Cinergy Corp.	A-/Positive/A-2
Cleco Corp.	BBB/Stable/--
Cleco Power LLC	BBB/Stable/--
Cleveland Electric Illuminating Co.	BBB/Stable/--
CMS Energy Corp.	BBB-/Stable/A-3
Columbus Southern Power Co.	BBB/Stable/--
Commonwealth Edison Co.	BBB/Stable/A-2
Connecticut Light & Power Co.	BBB/Stable/--
Connecticut Natural Gas Corp.	A-/Stable/--
Consolidated Edison Co. of New York Inc.	A-/Stable/A-2
Consolidated Edison Inc.	A-/Stable/A-2
Consumers Energy Co.	BBB-/Stable/--
Dayton Power & Light Co.	A-/Stable/--
Delmarva Power & Light Co.	BBB/Stable/A-2
Detroit Edison Co.	BBB/Stable/A-2
Dominion Resources Inc.	A-/Stable/A-2
DPL Inc.	A-/Stable/--
DTE Energy Co.	BBB/Stable/A-2
Duke Energy Carolinas LLC	A-/Positive/A-2
Duke Energy Corp.	A-/Positive/A-2
Duke Energy Indiana Inc.	A-/Positive/A-2
Duke Energy Kentucky Inc.	A-/Positive/--
Duke Energy Ohio Inc.	A-/Positive/A-2
Duquesne Light Co.	BBB-/Stable/--
Duquesne Light Holdings Inc.	BBB-/Stable/--
E.ON U.S. LLC	BBB+/Stable/--
Edison International	BBB-/Stable/--
El Paso Electric Co.	BBB/Stable/--
Empire District Electric Co.	BBB-/Stable/A-3
Enogex LLC	BBB+/Stable/--
Entergy Arkansas Inc.	BBB/Stable/--

Table 2

U.S. Regulated Electric Utilities (cont.)	
Entergy Corp.	BBB/Stable/--
Entergy Gulf States Louisiana LLC	BBB/Stable/--
Entergy Louisiana LLC	BBB/Stable/--
Entergy Mississippi Inc.	BBB/Stable/--
Entergy New Orleans Inc.	BBB-/Stable/--
Entergy Texas Inc.	BBB/Stable/--
FirstEnergy Corp.	BBB/Stable/--
Florida Power & Light Co.	A/Stable/A-1
Florida Power Corp. d/b/a Progress Energy Florida Inc.	BBB+/Stable/A-2
FPL Group Inc.	A/Stable/--
Georgia Power Co.	A/Stable/A-1
Great Plains Energy Inc.	BBB/Negative/--
Green Mountain Power Corp.	BBB/Stable/--
Gulf Power Co.	A/Stable/A-1
Hawaiian Electric Co. Inc.	BBB/Negative/A-3
Hawaiian Electric Industries Inc.	BBB/Negative/A-3
Iberdrola USA	A-/Stable/A-2
IDACORP Inc.	BBB/Stable/A-2
Idaho Power Co.	BBB/Stable/A-2
Illinois Power Co.	BBB-/Stable/--
Indiana Michigan Power Co.	BBB/Stable/--
Indianapolis Power & Light Co.	BBB-/Stable/--
Integrys Energy Group Inc.	BBB+/Negative/A-2
International Transmission Co.	BBB/Stable/--
Interstate Power & Light Co.	BBB+/Stable/A-2
IPALCO Enterprises Inc.	BBB-/Stable/--
ITC Holdings Corp.	BBB/Stable/--
ITC Midwest LLC	BBB/Stable/--
Jersey Central Power & Light Co.	BBB/Stable/--
Kansas City Power & Light Co.	BBB/Negative/A-3
Kansas Gas & Electric Co.	BBB-/Positive/--
KCP&L Greater Missouri Operations Co.	BBB/Negative/--
Kentucky Power Co.	BBB/Stable/--
Kentucky Utilities Co.	BBB+/Stable/A-2
KeySpan Energy Delivery Long Island	A/Stable/--
KeySpan Energy Delivery New York	A/Stable/--
Louisville Gas & Electric Co.	BBB+/Stable/--
Madison Gas & Electric Co.	AA-/Stable/A-1+
Massachusetts Electric Co.	A-/Stable/A-2
Metropolitan Edison Co.	BBB/Stable/--
Michigan Consolidated Gas Co.	BBB/Stable/A-2
Michigan Electric Transmission Co.	BBB/Stable/--

Table 2

U.S. Regulated Electric Utilities (cont.)	
MidAmerican Energy Co.	A-/Stable/A-2
MidAmerican Energy Holdings Co.	BBB+/Stable/--
Midwest Independent Transmission System Operator Inc.	A+/Stable/--
Mississippi Power Co.	A/Stable/A-1
Monongahela Power Co.	BBB-/Stable/--
Montana-Dakota Utilities Co.	BBB+/Stable/--
Narragansett Electric Co.	A-/Stable/A-2
National Grid USA	A-/Stable/A-2
Nevada Power Co.	BB/Stable/--
New England Power Co.	A-/Stable/A-2
New York State Electric & Gas Corp.	BBB+/Stable/A-2
Niagara Mohawk Power Corp.	A-/Stable/A-2
North Shore Gas Co.	BBB+/Negative/--
Northeast Utilities	BBB/Stable/--
Northern Indiana Public Service Co.	BBB-/Stable/--
Northern Natural Gas Co.	A/Stable/--
Northern States Power Co.	BBB+/Positive/A-2
Northern States Power Wisconsin	A-/Positive/--
NorthWestern Corp.	BBB/Stable/--
NSTAR	A+/Stable/A-1
NSTAR Electric Co.	A+/Stable/A-1
NSTAR Gas Co.	A+/Stable/--
NV Energy Inc.	BB/Stable/B-2
OGE Energy Corp.	BBB+/Stable/A-2
Ohio Edison Co.	BBB/Stable/A-2
Ohio Power Co.	BBB/Stable/--
Ohio Valley Electric Corp.	BBB-/Stable/--
Oklahoma Gas & Electric Co.	BBB+/Stable/A-2
Oncor Electric Delivery Co. LLC	BBB+/Stable/--
Orange and Rockland Utilities Inc.	A-/Stable/A-2
Otter Tail Corp.	BBB-/Stable/--
Otter Tail Power Co.	BBB-/Stable/--
Pacific Gas & Electric Co.	BBB+/Stable/A-2
PacifiCorp	A-/Stable/A-2
PECO Energy Co.	BBB/Stable/A-2
Pennsylvania Electric Co.	BBB/Stable/--
Pennsylvania Power Co.	BBB/Stable/--
Peoples Energy Corp.	BBB+/Negative/--
Peoples Gas Light & Coke Co. (The)	BBB+/Negative/A-2
PEPCO Holdings Inc.	BBB/Stable/A-2
PG&E Corp.	BBB+/Stable/--
Pinnacle West Capital Corp.	BBB-/Stable/A-3

Table 2

U.S. Regulated Electric Utilities (cont.)	
PNM Resources Inc.	BB-/Stable/B-2
Portland General Electric Co.	BBB/Stable/A-2
Potomac Edison Co.	BBB-/Stable/--
Potomac Electric Power Co.	BBB/Stable/A-2
PPL Electric Utilities Corp.	A-/Negative/A-2
Progress Energy Inc.	BBB+/Stable/A-2
Public Service Co. of Colorado	BBB+/Positive/A-2
Public Service Co. of New Hampshire	BBB/Stable/--
Public Service Co. of New Mexico	BB-/Stable/B-2
Public Service Co. of North Carolina Inc.	BBB+/Stable/A-2
Public Service Co. of Oklahoma	BBB/Stable/--
Public Service Electric & Gas Co.	BBB/Stable/A-2
Puget Energy Inc.	BB+/Stable/--
Puget Sound Energy Inc.	BBB/Stable/A-2
Rochester Gas & Electric Corp.	BBB/Stable/--
Rockland Electric Co.	A-/Stable/--
San Diego Gas & Electric Co.	A/Negative/A-1
SCANA Corp.	BBB+/Stable/--
Sierra Pacific Power Co.	BB/Stable/--
South Carolina Electric & Gas Co.	BBB+/Stable/A-2
Southern California Edison Co.	BBB+/Stable/A-2
Southern Co.	A/Stable/A-1
Southern Connecticut Gas Co.	A-/Stable/--
Southern Indiana Gas & Electric Co.	A-/Stable/--
Southwestern Electric Power Co.	BBB/Stable/--
Southwestern Public Service Co.	BBB+/Positive/A-2
System Energy Resources Inc.	BBB/Stable/--
Tampa Electric Co.	BBB/Stable/A-2
TECO Energy Inc.	BBB/Stable/--
Texas-New Mexico Power Co.	BB-/Stable/--
The Berkshire Gas Co.	BBB+/Stable/--
Toledo Edison Co.	BBB/Stable/--
Tucson Electric Power Co.	BB+/Stable/B-2
UIL Holdings Corp.	BBB/Stable/--
Union Electric Co. d/b/a AmerenUE	BBB-/Stable/A-3
United Illuminating Co. (The)	BBB/Stable/--
Virginia Electric & Power Co.	A-/Stable/A-2
West Penn Power Co.	BBB-/Stable/--
Westar Energy Inc.	BBB-/Positive/--
Western Massachusetts Electric Co.	BBB/Steble/--
Wisconsin Electric Power Co.	A-/Stable/A-2
Wisconsin Energy Corp.	BBB+/Stable/A-2

Table 2

U.S. Regulated Electric Utilities (cont.)	
Wisconsin Gas LLC	A-/Stable/A-2
Wisconsin Power & Light Co.	A-/Stable/A-2
Wisconsin Public Service Corp.	A-/Negative/A-2
Xcel Energy Inc.	BBB+/Positive/A-2
Yankee Gas Services Co.	BBB/Stable/--

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MOODY'S
INVESTORS SERVICE

INDUSTRY OUTLOOK

Annual Outlook: U.S. Power Companies

Regulation Provides Stability As Risks Mount

Table of Contents:

OVERVIEW 1
CONSUMER TOLERANCE TO RISING RATES IS A PRIMARY CONCERN 2
REGULATORY LEGISLATIVE INTERVENTION POSES RISKS 3
INCREASINGLY STRINGENT ENVIRONMENTAL MANDATES COMING AT A MEASURED PACE 4
LOW NATURAL GAS PRICES HELP REDUCE UTILITIES' OPERATING COSTS 5
MANAGING LIQUIDITY RESOURCES IS KEY 6
BONUS DEPRECIATION: A SHORT-TERM, INTEREST-FREE LOAN FROM FUTURE CASH FLOWS 7
CONSOLIDATION ACTIVITY, BY ITSELF, IS CREDIT NEUTRAL 8
CONCLUSION 9
APPENDIX A: HISTORICAL FINANCIAL PROFILES 11
APPENDIX B: SUB-SECTOR FINANCIAL PERFORMANCE 12
APPENDIX C: PARENT UTILITY HOLDING COMPANY FINANCIALS 13
APPENDIX D: PROJECTED FINANCIAL SCENARIOS 14
APPENDIX E: 2010 SUMMARY RATINGS ACTIVITY 16
APPENDIX F: SELECTED SUB-SECTOR PEER GROUP: ISSUER COMPOSITION 17
MOODY'S RELATED RESEARCH 26

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The outlook for the U.S. power sector is stable. This outlook reflects our expectations for the sector's fundamental credit conditions over the next 12 to 18 months.

- Our stable industry outlook is based largely on the regulated nature of investor-owned electric utilities, which account for the majority of the companies in the sector.
- We believe regulators will continue allowing utilities to recover their capital and operating costs through consumer rates in a timely manner.
- Other factors supporting our outlook include power companies' current unrestricted access to capital markets, a sustained period of low natural gas and purchased power costs (the single largest cost item on a utility's income statement), and; a more measured pace of increasingly strict environmental regulations.
- Yet we also see the sector's overall business and operating risks increasing, owing primarily to rising costs associated with upgrading and expanding the nation's trillion dollar electric infrastructure.
- But consumer intolerance to absorb higher electric rates can lead to pressure for regulators to limit utilities' financial recovery. A prolonged weak economic recovery could exacerbate this risk.

Overview

We see few catalysts that could change our stable industry outlook over the next 12 to 18 months. The power sector's stability stems largely from its primary business activity of providing an essential service – safe and reliable electricity – within a defined monopoly service territory. In exchange, utilities' revenue collections are regulated.

Our expectations for continued low natural gas prices and corresponding low prices for wholesale electricity should limit increases in utilities' overall cost structure. Utilities should therefore be able to hold their customers' electric rates steady or mitigate annual rate increases. That, in turn, reduces the risk that consumers will object to steadily rising rates.

In addition, the measured pace of increasingly strict environmental regulations has allowed generation owners, which include utilities, more time to prepare and assess financial and strategic alternatives. Some of the more likely alternatives include closing inefficient plants or installing new emission-reduction equipment.

Meanwhile, capital markets continue to remain open and welcoming, interest rates are expected to remain low and the sector's financial profile should benefit from improving cash flows. Recently enacted federal tax rules effectively allow companies to borrow their future cash flows today. We estimate that the benefit to our various cash flow to debt metrics could be as much as 200 basis points in some instances.

Nevertheless, we remain concerned about longer term risks that are beyond the timeframe of this report. We think the industry's business and operating risk profile is increasing. Utilities will, for example, need to expand and upgrade their electric infrastructure - an expensive and complicated endeavor - to keep pace with changes in projected power consumption and the addition of renewable power sources. These developments could spur additional consolidation as companies seek competitive advantages. They'll also almost certainly mean higher costs for utilities and, ultimately, consumers.

This Outlook covers the broad U.S. power sector, which includes the country's entire electric generation, transmission and distribution infrastructure. The sector is large, with roughly $1 trillion in assets, $400 billion in revenue and more than $600 billion in debt. Investor-owned regulated utilities account for the bulk of the industry, although other sizeable segments with widely divergent ownership and corporate governance structures also exist.

Consumer Tolerance To Rising Rates Is A Primary Concern

As utilities' capital and operating costs increase, we become concerned with consumers' willingness to absorb steadily rising electric rates. We refer to consumers' tolerance threshold as the inflection point, which varies by region. We don't know whether an inflection point actually exists, but we are collecting examples on specific situations, such as those recently experienced in Virginia, Ohio and Florida as early indicators of its existence.

Over the near-term, we see the sector moving further away from the hypothetical inflection point primarily because of sustained low natural gas and power commodity prices. These commodity costs tend to be volatile, however. If prices rise materially for a sustained period of time, we would expect to see signs of a more contentious regulatory environment. Regulators, under pressure from legislators, could easily limit rate increases or their timing.

A prolonged and weak economic recovery accompanied by high unemployment and wage stagnation - such as the one we're experiencing now - also raises inflection point risk. Moody's macroeconomic central scenario calls for U.S. gross domestic product growth of 2% to 3% and an unemployment rate of 9% to 10% in 2011.

Today, utilities' relationships with regulators appear to be supportive. We continue to see state regulators generally allowing utilities to recover their operating costs and capital expenses in a timely manner with a reasonable profit margin. Over time, this transparent cost-recovery process has allowed utilities to maintain fairly predictable and stable revenues and cash flows, thus lowering their overall

business and operating risk profile as compared to their capital-intensive, commodity-exposed industrial peers.

The municipal and generation and transmission (G&T) cooperative sectors look even better insulated because they can set their own rates. But they've been limiting their more recent rate increases amid concerns over consumers' sensitivity to rising rates - a potential indicator of inflection point risk. As a result, many municipal and G&T utilities are not fully recovering their costs or maintaining their financial profiles, in our opinion.

Unregulated power companies face the greatest risks partly because of their exposure to volatile commodity prices and their inability to recover their costs from customers.

Regulatory Legislative Intervention Poses Risks

Regulation and intervention risks represent key credit drivers for the sector. These risks are associated with legislative and / or regulatory changes and revisions or amendments that impact the traditional, vertically integrated utility market structure.

In the U.S., different regions have engaged in various forms of market structure intervention. For example, most states in the southeast remain largely traditionally regulated, while most states in the mid-Atlantic, upper midwest and northeast regions, along with Texas and California, engaged in certain deregulation initiatives[1]. For the utilities with service territories in these deregulated regions, we observe that only the G&T and municipal sub-sectors were exempt from market structure intervention, or they were provided an option to participate (though none did).

The credit implications associated with intervention can be either positive or negative. We see constructive intervention in some states, such as Georgia, Virginia and South Carolina, which passed laws to encourage certain infrastructure investment. But we also see intervention efforts that increase uncertainty, which is generally viewed as a credit negative. The continued evolution of market restructuring in Ohio or the complete turnover of commissioners (but not staff) in Florida are examples of unwelcome uncertainty.

In some jurisdictions, the credit implications associated with intervention are mixed. In 2007, Virginia passed material legislation that effectively moved to re-regulate the electric utility sector. This legislation created some intermediate-term liquidity problems for Potomac Edison Company (Baa3 senior unsecured / stable outlook) but was largely viewed as a material credit positive for the utilities in the state. In January 2010, a new (Republican) governor and legislature in Virginia quickly adopted legislation that eliminated Appalachian Power's (Baa2 senior unsecured / stable outlook) ability to collect interim rates, which went uncontested by Appalachian Power.

More recently, we see interesting activity in both New Jersey and Maryland, where legislation is being considered to encourage the development of new generation supplies in a competitive, deregulated market. This intervention could be positive for the transmission and distribution (T&D) utilities in the state but negative for the unregulated power companies. Regardless, the situation in New Jersey provides a good example of intervention risk, even for competitive, deregulated markets. It raises the

[1] At the time, the regions that were most engaged in market revisions were also viewed as having higher costs than the nation's average. In general, this cost disparity still exists today.

question of where intervention might stop or how far it can go. For example, New Jersey might take similar action in the future to encourage the construction of a new nuclear generating facility.

For several years now, we maintained that most utilities enjoy credit supportive relationships with their state regulators. Nevertheless, as an essential service, utilities are exposed to rapidly changing social and political agendas and macroeconomic factors. The character of the relationship can change quickly such as, for example, when a new administration takes control of either executive or legislative branches of government or if a state experiences economic turmoil.

Several utilities in economically challenged regions (e.g. Michigan) have weathered, to date, the economic storm reasonably well. We believe most policymakers view the sector as a source of job creation. But the sustainability of this approach could become problematic if the state's economic hardships are severe and prolonged.

While each state will manage these issues differently, during 2011 we believe we might see a shift in the degree of credit supportiveness in some states due to the depth of the region's or state's economic challenges. Depending on the severity of the shift or change in our view with respect to support, credit rating implications could result.

Increasingly Stringent Environmental Mandates Coming At A Measured Pace

We believe the sector is exposed to increasingly stringent environmental mandates. These mandates include various air emissions, water issues, mercury and other hazardous pollutants, coal-ash by-products and, eventually, carbon dioxide emissions. The sector has been facing these risks for decades.

We believe most legislators and regulators, regardless of political affiliation, want to reduce harmful emissions from power plants and increase the efficiency of power transmission and distribution systems. But they also understand that a long-term solution might be necessary, given the costs associated with transitioning a trillion dollar utility infrastructure.

The Environmental Protection Agency will, in our opinion, propose and implement new rules over the next few years, which will have an impact on the nation's electric generation supplies. We also believe delays will be common, largely due to political influences, economic considerations and legal challenges. At this time, we still think a broad legislative solution would be better for the sector's credit profile than more narrow regulation.

Today, we believe rules will be implemented at a relatively slow and measured pace and that the sector will eventually move to mothball or otherwise close down older, inefficient plants or convert them to natural gas. These plants, for the most part, do not produce a material amount of electricity, so the impact on regional power prices should be modest and the credit implications for the sector should be neutral. Of course, these plants also don't produce much pollution (since they rarely operate), so their closures will do little to reduce emissions.

While delays and political influence create uncertainty, we do not think the risks of increasingly stringent environmental regulations will disappear anytime soon. We recall that over the past 30 years, the sector has been addressing numerous environmental issues related to generating electricity. In fact, in the 1970s and 1980s, the sector invested several billion dollars in emission-scrubber equipment for its vast coal-fired generation fleet. These costs were generally associated with the original Clean Air Act

requirements. While costly, the investment proved to be somewhat positive for the sector over time, as regulators included the costs in their suite of rate-based recovery mechanisms.

But in many regions today, large portions of the generation fleet are no longer protected by the regulatory environment. If similar expenditures were required over the intermediate to longer-term horizon, it should, theoretically, be neutral for regulated utilities due to their recovery mechanisms and negative for the unregulated power companies.

We believe regulated utilities are likely to act more quickly than the unregulated power companies, owing partly to their ability to recover costs through rates and partly to their longer-term integrated resources supply studies, which are also conducted in conjunction with regulatory oversight.

Unregulated power companies are more likely to base their generating supply decisions solely on strict economic evaluations. Although they can argue over reliability, unregulated power companies cannot ascribe value to the qualitative benefits associated with fuel supply diversity, longer-term dispatch planning or the ability to employ a complementary suite of energy efficiency efforts to lower volume demands.

Additionally, political agendas continue to encourage a shift toward renewable energy sources, which will also require utilities to upgrade and expand their transmission networks. Based on current economic conditions, the result will be higher costs for consumers. Nevertheless, we see strong near-term growth prospects for renewable energy supplies, but growth continues to be tied to tax and accounting incentives. In general, we view these resources as more costly than traditional fossil-fired supplies (which also benefit from material tax and accounting incentives), but that could change over time with technological advancements.

Low Natural Gas Prices Help Reduce Utilities' Operating Costs

Fuel and purchased power costs typically represent the single largest expense on a utility's income statement. These costs are generally viewed as a "pass-through" item in the suite of regulatory recovery mechanisms, meaning utilities pass the costs directly onto their customers. Similar to many other regulated cost-tracking mechanisms, fuel and purchased power pass-through clauses are designed to minimize working capital impacts. The big difference is that fuel and purchased power costs typically exclude any authorized profit margins.

Since natural gas influences the price of power in many regional power markets, we believe regulated utilities have benefited, from a credit perspective, as regulators have authorized base rate increases net of fuel and purchased power decreases. Low natural gas and power commodity prices should benefit the regulated utility sectors but hurt the unregulated power companies, which rely on market economics to generate their margins.

The price of natural gas has fallen recently and is likely to remain relatively low for a sustained period of time. We believe natural gas prices will remain near $4.00 to $5.00 per million cubic feet for the foreseeable future. Since consumers focus on their total electricity bill, rather than on the individual components, regulated utilities have been able to mitigate against potential rate shocks while still improving their net margins by pursuing regulatory rate proceedings.

But energy prices are volatile. If commodity prices jump quickly back to levels last seen in 2006 and 2007, the unregulated power companies could benefit. Regulated utilities, by contrast, would likely experience some stress on working capital and our hypothetical inflection point risks would rise.

Another aspect of commodity prices that continues to challenge our analysis is regional capacity prices. Higher capacity prices benefit the generators that receive the payments but hurt the regulated utilities that make the payments (to the regional power grid operator, which pays the generator). However, should capacity prices, which are reflected in consumers' electric rates, rise too quickly or stay elevated without producing the desired effect of new generation supplies, we believe the likelihood for intervention by regulators or legislators would increase.

Managing Liquidity Resources Is Key

Liquidity is a critical factor for regulated utilities, which rely heavily on the capital markets to refinance their debt as it matures. Companies face a total of over $100 billion in credit-facility expirations during 2011 (~$35 billion) and 2012 (~$65 billion), according to our estimates. We believe most companies will be able to renew these facilities and maintain adequate liquidity. We also believe debt and equity markets will remain open and welcoming for the sector.

But our strict liquidity analysis, which assumes a company is not able to access the capital markets to refinance pending debt maturities or other funding requirements, exposes a material credit weakness to the sector's investment-grade rating category. We also remain concerned with the potential for rising liquidity needs. These needs could be related to changes in hedging strategies due to commodity volatility, under-funded pension obligations or incremental costs and investment needs associated with increasingly stringent environmental mandates.

Over the past few months, we have been reminded that global financial markets, which are still receiving extraordinary intervention benefits by sovereign governments, are exposed to turmoil. Access to the capital markets could therefore become intermittent, even for safer, more defensive sectors like the power industry.

The mismanagement of liquidity represents a material risk factor for credit ratings, which can be revised swiftly and often by multiple notches. Regulated utilities, which we view as generally adopting relatively conservative financial management plans, appear to be well-insulated from these risks. We, however, would view the bolstering of liquidity reserves as a material credit positive. We view the opportunity costs of insufficient liquidity as too large, especially in situations where debt and equity market access is denied, even if on a temporary basis.

The municipal utility sector manages liquidity very differently from the investor-owned sector. For the muni sector, companies essentially engage in a practice of self-liquidity, by holding larger cash balances. Some of these large cash balances were originally developed in response to deregulation, such as the $700 million at LADWP (Aa3 senior secured / stable outlook) or the $900 million at MEAG (A1 senior secured / stable outlook). Municipal utilities do not typically maintain large, multi-year, fully syndicated credit facilities, but they also tend to pre-finance their long-term capital expenditure projects. MEAG represents a good example, where the utility has already financed the vast majority of its share of the estimated construction costs related to a new nuclear generating facility (Vogtle).

TABLE 1
Selected liquidity ($ Billions)

	Cash	Cash / Debt	Current Assets	Current Liabilities	Current Ratio
Parents	$15.1	5.1%	$88.6	$85.0	104%
Integrated	$1.9	1.7%	$34.7	$33.5	104%
T&D	$2.3	3.7%	$0.9	$0.6	163%
LDC	$0.2	1.7%	$6.7	$7.7	88%
G&T Cooperative	$1.6	6.5%	$5.1	$4.7	111%
Municipal*	$4.8	9.6%	$11.9	$10.4	114%
Un-Reg Affiliated	$1.4	5.2%	$13.1	$11.3	116%
Un-Reg Merchant	$7.9	10.7%	$27.4	$18.7	147%

Source: Moody's

Bonus Depreciation: A Short-Term, Interest-Free Loan From Future Cash Flows

We are harboring some concerns related to the sustainability of cash flow, which in recent years has benefited from extraordinary federal stimulus efforts, such as bonus depreciation. The accounting and tax regulations are complex, and they do not require companies to disclose or quantify the impact of bonus depreciation on cash flow. As a result, we believe transparency related to our critical cash flow figures might decline, and our credit assessment may need to be revised.

Nevertheless, utilizing bonus depreciation is expected to result in a material cash flow benefit due to lower cash tax payments. On the balance sheet, regulated utilities will see an increase in deferred federal income tax liabilities. Thus, bonus depreciation incentives encourage utilities to invest in their infrastructure by providing accelerated depreciation deductions in the tax books, which reduce, in some cases dramatically, cash taxes. This could create an incentive to accelerate planned capital investments that are currently budgeted for 2013 and 2014 in order to capture the benefit.

While we are still studying these implications for our credit analysis, we believe the inclusion of bonus depreciation will lift a company's reported cash flow from operations by several hundred million dollars per large company. We estimate that, for the parent company sub-sector described in this report, the cash flow benefit could be as large as $12 to $15 billion and, for some issuers, can improve our cash flow to debt ratios by as much as 200 basis points.

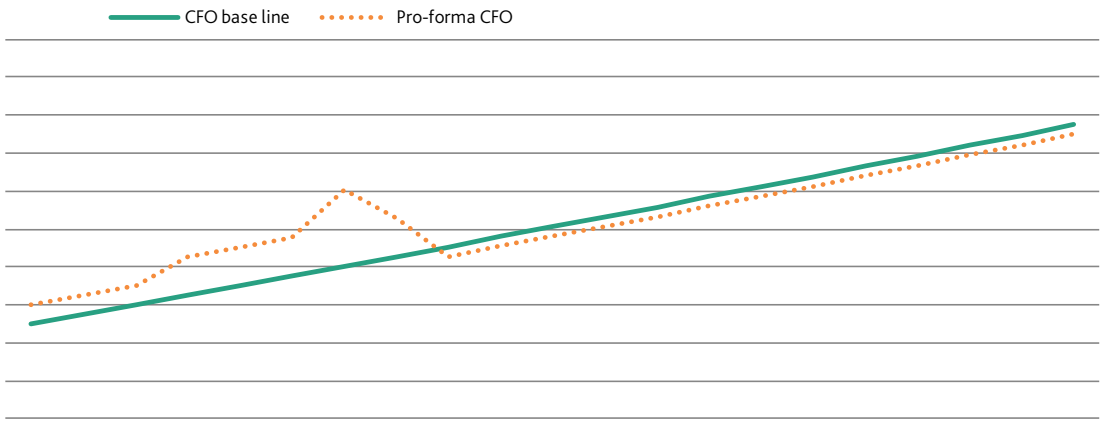
In general, bonus depreciation is available for new property placed in service after September 8, 2010 and before December 31, 2011. Almost all capital expenditures qualify, with the exception of real estate. The determination of what assets qualify is imbedded in recent tax legislation, which looks to an asset's taxable depreciation life, where anything less than 20 years qualifies. For the power sector, this includes most transmission and distribution assets (15-year taxable deprecation life), generation (20-year taxable depreciation life), as well as office supplies, computers, automobiles, etc. (generally, a seven-year taxable depreciation life).

Bonus depreciation has been around for several years, and the rate was increased recently to 50% for assets placed in service for 2009. For assets acquired and placed in service in 2011, the bonus depreciation rate is 100%. For 2012, the rate is expected to return to 50%. There are special rules for self-constructed assets that take into consideration expenditures during the construction period, and the bonus rate could easily be extended for a sustained period of time.

But companies can only depreciate 100% of their asset over the life of the asset, so bonus depreciation represents an acceleration of future cash flow rather than incremental cash flow. Simplistically, bonus depreciation represents an interest-free loan. In the table below, we illustrate how projected cash flows are expected to behave by incorporating the benefits of bonus depreciation, which, in some ways, is similiar to how a reverse mortgage works.

CHART A

Illustrative projected bonus depreciation cash flow relationship



Source: Moody's

How companies use these accelerated cash flows could become a key ratings driver. If bonus depreciation becomes a sustainable alternative, positive credit benefit might emerge if issuers use the accelerated cash flow to delever, such as Exelon Corp.'s recent decision to reduce its underfunded pension obligations. A negative reaction might materialize if the incremental cash flows are levered, perhaps through incremental share repurchases.

We do not see bonus depreciation providing a similar benefit to the unregulated power companies with large, net operating loss balances. In addition, the municipal and G&T sectors are not likely to experience any material benefit from these provisions.[2]

Consolidation Activity, By Itself, Is Credit Neutral

We continue to believe the logic behind consolidating a large, capital-intensive sector remains sound (i.e., spreading fixed costs across a larger asset platform). We expect continued slow and steady consolidation and believe the primary impediment to additional mergers is the selection of the combined company's chief executive officer, not the regulatory approval process. We often observe that before announcing a merger transaction, many industry participants cite the regulatory approval process as the principal impediment to consolidation. But once the chief executive officer position is determined and a transaction is announced, the regulatory approval process is expected to represent only a timing issue. Other impediments include earnings accretion and managing other social issues, such as targeted headcount reductions and the location of headquarters.

[2] The municipal and G&T sectors continue to receive extraordinary benefits from the federal government associated with financing subsidies. For the municipal sector, there are tax-advantaged efforts associated with "Build America Bonds" and for the G&T sector, there is the Rural Utilities Service (part of the Department of Agriculture) financing programs.

Consolidation activities are unlikely to trigger a negative credit bias, assuming the combined companies' overall business and operating risks are similar and the transaction is financed with a balanced portion of debt and equity. We believe some of the longer-term risk factors highlighted in our reports could act as an accelerant for consolidation. Long-term capital allocations and proposed EPA regulations are two examples. Smaller and medium-sized companies might conclude that a larger scale provides better efficiencies to access capital and meet emission mandates.

We expect a continued push toward consolidation for the unregulated power companies, where scale is more compelling due to market exposure and fuel and geographic diversity. In addition, the ability to capture and retain cost synergies does not require regulatory approval.

We do not see any sizeable leveraged buyout activity among regulated utilities over the near-term. Although capital availability appears high, we believe the vast majority of regulatory commissions will object to the concept of aggressive and/or double leverage on a vertically integrated utility system even if portions of the system, such as generation, have been deregulated.

Conclusion

The U.S. power sector has long faced the interrelated trio of environmental, regulatory and financial risks. We believe the industry is now approaching a crossroad, where traditional business models are intersecting with new technologies, new regulations and new economic conditions. Still, we think the industry's fundamental credit conditions will remain stable through at least mid-2012. More often than not, regulatory and environmental change comes slowly, giving companies time to respond. And companies can usually take proactive steps to insulate themselves from fast-moving financial pressures.

Open and welcoming capital markets and the continued support of the regulatory authorities help underpin utilities' credit quality. An aggressive balance sheet strengthening program, perhaps accelerated through the use of bonus depreciation that borrows future cash flows today, could help improve companies' key financial credit metrics, possibly on a sustained basis and result in rating upgrades.

But negative credit pressure could also arise if more contentious regulatory relationships develop, potentially associated with a breach of our hypothetical inflection point. If access to capital becomes intermittent due to global events or if interest rates rise materially, the sector's key financial credit metrics could show some deterioration.

We'll expect more clarity on several key issues as we move into 2012. While it is premature to identify any particular state, we would not be surprised if during 2011, the regulatory landscape at a state level changes, either negatively or positively, based upon a new administration influencing state government or the state's own economic condition.

We hope to see some details regarding proposed EPA regulations and the sector's initial response. We also expect the Nuclear Regulatory Commission to issue several combined nuclear plant construction and operating licenses to Georgia Power and South Carolina Electric and Gas. Finally, we expect to see litigation obstructing the recent intervention in New Jersey and generally constructive settlements in Ohio.

The passage of time will also reveal whether commodity prices remain low, as we expect, or increase and raise utilities' costs. We expect to gain better strategic clarity from the parent holding companies

with unregulated affiliated power companies. These "hybrids" could be forced to revise their internal corporate finance policies in light of today's commodity price environment. Finally, we will see how the sector is positioning its financial profile – whether, for example, companies are bolstering their balance sheets and ensuring their access to liquidity sources.

Appendix A: Historical Financial Profiles

We summarized below financial information for a selected group of the largest parent utility holding companies, vertically integrated utilities, T&D utilities, LDCs, G&T cooperatives, unregulated power companies and municipally owned utility systems based on 2009 year-end revenue, debt and assets. We excluded some companies that represent special situations, such as Energy Future Holdings Corp. Data for the other sub-sector peer groups can be found in the Appendix titled "Selected Sub-Sector Peer Group: Issuer Composition."

The power sector's financial profile has been reasonably stable over the past few years, which supports our assumption about its defensive characteristics. This is especially the case considering the more recent financial market turmoil and economic recession.

The ratio of cash flow from operations (CFO) to debt is illustrated over the past seven years (2003 – 2009), five years (2005 – 2009) and three years (2007 – 2009), as well as the year ended 2009 and latest twelve months (LTM) ended September 30, 2010.

TABLE 2

Historical average CFO pre-w/c to debt (%)

	7-yr	5-yr	3-yr	2009	LTM 3Q 2010
Parents	19%	19%	20%	22%	21%
Integrated	23%	22%	23%	24%	24%
T&D	18%	18%	18%	20%	19%
LDC	20%	20%	21%	24%	23%
G&T Cooperative	7%	7%	6%	7%	8%
Municipal*	8%	8%	8%	8%	8%
Un-Reg Affiliated	34%	38%	41%	37%	37%
Un-Reg Merchant	9%	11%	9%	10%	9%

Source: Moody's

*Moody's estimates.

We believe all companies within the sector could benefit from fortifying their position within a given rating category and we think this is best accomplished by proactively strengthening the balance sheet and bolstering liquidity sources.

We see strong evidence of cyclicality throughout the sector, which exists over the near-term (i.e., weather), the intermediate-term (i.e., commodity prices) and the long-term (i.e., regulatory support). As a conservatively managed provider of an essential service, we believe the capitalization for this investment-grade sector should be capable of withstanding these various cycles.

Appendix B: Sub-Sector Financial Performance

In the table below, we summarize selected financials for the total (not average) 2009 year-end results for some of the largest companies within the various sub-sectors of the broad power industry.

From a credit perspective, we believe the regulated vertically integrated utilities, transmission and distribution utilities (T&D) and local natural gas distribution companies (LDC) are more defensive and stable but also less volatile and profitable than other types of capital-intensive industrial companies.

TABLE 3

Illustrative sub-sectors: selected 2009 financials and financial ratios[3]

							Unregulated Power	
	Parent	Vertically Integrated	Transmission & Distribution	Local Distribution Companies	Generation &Transmission Cooperatives	Municipal*	Affiliated	Merchant
Number of Issuers	20	20	19	18	15	13	8	8
Rate Regulated		State / FERC	State / FERC	State / FERC	Self / State	Self / City	Market	Market
Selected financials ($ millions)								
Revenue	$242,064	$99,479	$63,095	$19,821	$11,484	$25,890	$31,666	$33,955
CFO	$63,362	$25,043	$13,305	$3,968	$ 1,584	$5,420	$9,974	$6,424
Total Debt	$294,112	$109,814	$63,004	$14,076	$24,426	$50,449	$27,609	$73,919
Net PP&E	$488,624	$235,988	$101,214	$29,945	$24,122	$58,479	$46,551	$74,228
Total Assets	$758,669	$325,444	$170,672	$44,214	$33,475	$89,366	$76,833	$132,489
CapX	$56,583	$27,097	$8,905	$2,150	$3,395	$5,268	$5,757	$4,432
Dividends	$12,934	$4,736	$3,155	$653	$55	$ 1,547	$3,432	$580
Selected financial ratios								
Revenue / Assets	32%	31%	37%	45%	34%	29%	41%	26%
Debt / Revenue	122%	110%	100%	71%	213%	195%	87%	218%
CFO / Debt	22%	23%	21%	28%	6%	11%	36%	9%
Debt / PP&E	60%	47%	62%	47%	101%	86%	59%	100%
PP&E / Assets	64%	73%	59%	68%	72%	65%	61%	56%

* Moody's estimates.

Source: Moody's

The municipal and generation and transmission cooperative sectors are the most defensive, owing largely due to their rate-setting authority. This ability to set their own rates leads us to ascribe a much lower business and operating risk profile, which allows these companies to attain a specific rating category with lower financial metric thresholds. But this holds true only if the municipals and G&T cooperatives are willing to avail themselves of their rate-setting flexibility.

We view the unregulated power companies, both standalone merchant generators and those affiliated with utilities, as more risky in part due to their exposure to volatile commodity prices. These sectors do not enjoy the benefits of regulatory support and therefore require a higher financial metric threshold to attain a given rating.

[3] Please see Appendix C for a list of individual issuers included in each sub-sector.

Appendix C: Parent Utility Holding Company Financials

The regulated operations of these parent companies include vertically integrated utilities, T&D utilities and local natural gas distribution (LDC) utilities. As a percentage of revenue, earnings, cash flow from operations (CFO), debt and assets, we estimate that, on average, regulated operations represented roughly 70% of consolidated parent business activities.[4] The higher the percentage of regulated business activities, the lower the overall business risk profile. Therefore, a lower financial credit metric threshold would be required to attain a specific rating category.

TABLE 4

Composition of our selected large parent utility holding companies (Parents)

				3-Year Averages				
Name	Rating	Outlook	LTM 3Q10 Debt	CFO	RCF	CFO pre-WC / Debt	CFO pre-WC / Interest	Debt / Cap
Consolidated Edison, Inc.	Baa1	Stable	$14,321	$1,727	$1,293	14%	3.4x	45%
Exelon Corporation	Baa1	Stable	$17,225	$5,818	$4,904	34%	6.6x	50%
MidAmerican Energy Holdings Co.	Baa1	Stable	$21,044	$2,958	$3,072	14%	3.1x	58%
NextEra Energy, Inc.	Baa1	Stable	$19,323	$3,839	$3,309	25%	5.9x	47%
PG&E Corporation	Baa1	Stable	$14,997	$2,745	$2,137	27%	5.1x	50%
Sempra Energy	Baa1	Stable	$10,478	$1,728	$1,253	23%	5.0x	47%
Southern Company	Baa1	Stable	$22,777	$3,425	$2,392	19%	4.6x	49%
Xcel Energy Inc.	Baa1	Stable	$9,829	$1,790	$1,487	20%	4.2x	48%
American Electric Power Company	Baa2	Stable	$22,790	$2,683	$1,995	15%	3.6x	56%
Dominion Resources Inc.	Baa2	Stable	$17,942	$2,140	$2,164	13%	3.4x	55%
DTE Energy Company	Baa2	Stable	$9,252	$1,674	$1,412	17%	3.7x	54%
Duke Energy Corporation	Baa2	Stable	$19,536	$3,828	$2,960	28%	5.8x	38%
Edison International	Baa2	Stable	$20,188	$3,054	$2,920	17%	3.8x	54%
Progress Energy, Inc.	Baa2	Stable	$14,098	$1,655	$1,403	15%	3.7x	57%
Public Service Enterprise Group	Baa2	Stable	$10,299	$2,469	$2,062	24%	4.4x	46%
Ameren Corporation	Baa3	Stable	$8,740	$1,523	$1,348	17%	3.8x	48%
Constellation Energy Group, Inc.	Baa3	Stable	$4,889	$1,675	$1,520	23%	4.1x	48%
Entergy Corporation	Baa3	Stable	$14,366	$2,743	$2,647	22%	4.9x	47%
FirstEnergy Corp.	Baa3	Stable	$17,888	$2,498	$2,140	15%	3.6x	60%
PPL Corporation	Baa3	Stable	$11,539	$1,700	$1,452	19%	4.0x	55%
		Total	**$301,520**	**$51,672**	**$43,869**			
		As a % debt		**17%**	**15%**			

Source: Moody's

[4] This is similar to the regulated / deregulated mix of Dominion Resources (~ 65% regulated) and Duke Energy (~ 75% regulated), but higher than Exelon Corporation (~20% regulated) and NextEra Energy (~50% regulated) and lower than American Electric Power (~90% regulated) and Xcel Energy (~95% regulated).

Appendix D: Projected Financial Scenarios

We created several illustrative scenarios to help inform the potential direction of projected financial profiles, and thus, potential credit rating trends by sub-sector. In scenario 1, we assume that the financial relationships that existed over the past five-year historical average (2005 – 2009) remain steady over the next five-years (2011 – 2015). This five-year period captures both the bullish economic environment during 2005 through the end of 2007, as well as the more tumultuous and recessionary period of late 2007 through 2009. This scenario tends to result in a financial credit positive for some sectors (Municipals, Affiliated) and a credit negative for others (Integrated).

In scenario 2, we hold the financial relationships that were calculated for the latest twelve-month period ended September 2010 (LTM 3Q 2010) steady over the next five years (2011 – 2015). This snapshot scenario reflects the most recent financial conditions and assumes today's environment remains constant, which is a credit positive for some sectors (Parents, Integrated, Unregulated power) and a credit negative for others (T&D, LDC, G&T).

In scenario 3, which we call the reversion case, we walk backward to apply the latest calculated financial relationships in the front years and the longer-term averages over the later years. This scenario tends to result in a financial credit positive for some sectors (Affiliated) and a credit negative for others (Parents, Integrated, T&D, LDC and G&T).

We also include two Moody's base case scenarios, which reflect our own views regarding the direction of selected financial assumptions. In the table below, we summarize the assumption drivers for our illustrated projection scenarios.

TABLE 5

Illustrated projected financial profile scenarios

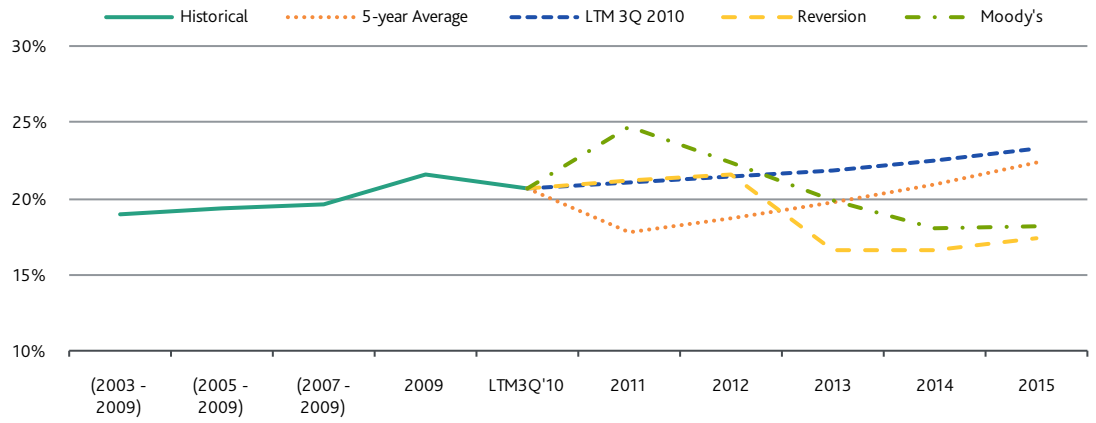
Scenario	Projection assumptions driven by:	Comment
1	5-year average	5-yr historical average financial drivers are applied across the next 5 years. Said another way, projected financial drivers quickly revert back to the 5-year average (2005 – 2009) and remain near that level for the next 5 years (2011 – 2015).
2	LTM 3Q 2010	LTM 3Q 2010 historical average financial drivers are applied across the next 5 years. Said another way, projected financial drivers remain exactly as they are today (LTM 3Q 2010) and stay near these current levels for the next 5 years (2011 – 2015).
3	Reversion	The projected financial metrics reflect a mirror image of how they performed over the past 5 years. Said another way, the drivers for 2011 are the same as they were in LTM 3Q 2010; for 2012, the drivers are the same as they were in 2009; in 2013, the drivers are the same as they were for the 3-year historical average; in 2014 and 2015, the 5-year historical average.
4	Moody's	Moody's base case of projected financial drivers. These assumptions include revenue growth of approximately 3%; low near-term interest rates that slowly rise over time; a relatively flat EBITDA margin and tax rate; modest dividend growth rates; and modestly growing capital expenditures.

Not surprisingly, our projection scenarios produce a wide range of potential credit rating outcomes, based solely on the projected financial profiles. While this is largely due to the assumption drivers we used to drive our simple, illustrative forecast, we interpret the overall results as good evidence supporting our stable fundamental sector outlook.

Given the sector's strong revenue and cash flow stability, we continue to believe that companies would have ample time to revise their corporate financial policies, if necessary.

CHART B

Historical and projected cash flow before working capital adjustments (CFO pre-w/c) to debt ratios



Source: Moody's

We believe regulated utilities have more financial flexibility than most unregulated power companies, which don't benefit from direct recovery of their costs from end-use consumers. Instead, the cash flows of unregulated power companies depend largely on wholesale market fundamentals and the delivery contracts that generators negotiate with utilities and large industrial consumers.

In the table below, we compare our projected 2015 CFO pre-w/c to debt ratio by sub-sector. For each scenario, we indicate whether the ratio is higher or lower than the LTM3Q 2010 ratio. We use a band of roughly 100 basis points (plus or minus) to determine if the ratio is increasing or decreasing. By way of example, for the Parents, if the 2015 projected metric is between 20% and 22%, we would indicate stable; if it's below 20%, decreasing; and if it's above 22%, increasing.

TABLE 6

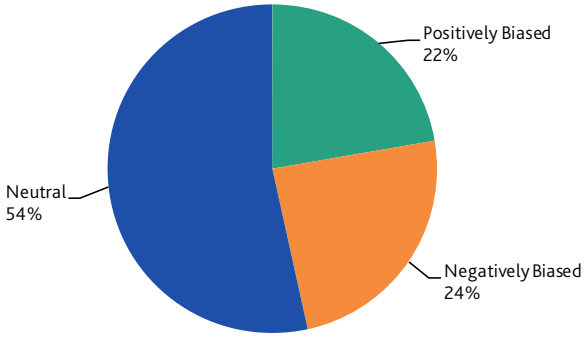
Projected CFO pre w/c to debt trend – LTM 3Q 2010 vs 2015 projected

	LTM 3Q 2010	5yr-avg	LTM 3Q 2010	Reversion	Base Case
Parents	21%	Stable	Increasing	Decreasing	Decreasing
Integrated	24%	Decreasing	Increasing	Decreasing	Decreasing
T&D	19%	Stable	Decreasing	Decreasing	Increasing
LDC	23%	Stable	Decreasing	Decreasing	Decreasing
G&T	8%	Stable	Decreasing	Decreasing	Decreasing
Municipal	12%	Increasing	Stable	Stable	Stable
Un-Reg Affiliated	37%	Increasing	Increasing	Increasing	Decreasing
Un-Reg Merchant	9%	Stable	Increasing	Stable	Stable

Source: Moody's estimates

Appendix E: 2010 Summary Ratings Activity

CHART C
2010 Rating Actions



Source: Moody's
Note:
1. "Positively biased" represents outlook changes from negative to stable or from stable to positive, or upgrades or reviews for possible upgrade; "Negatively biased" represents outlook changes from stable to negative or from positive to stable, or downgrades or revews for possible downgrade. "Neutral" refers to rating affirmations.
2. Actions do not include outlook changes or reviews for possible upgrades or downgrades that were subsequently resolved in the same year.
3. Data range: Jan 1, 2010 through December 13, 2010

For the year ended 2010, we upgraded and downgraded an equal amount of debt in the sector and an equal amount of individual issuers. These actions are completely separate and unrelated to the fundamental sector outlook, which considers only the sector's fundamental credit conditions.

Going forward, we are more likely to take individual company rating actions than we are to change the fundamental sector outlook, in part due the sector's sheer size and the diversity among state regulatory commissions.

Over a longer-term historical perspective, we recall that the sector has been in a state of credit rating decline for decades. We believe the sector's monopoly structure of regulatory oversight provides approximately three notches of credit rating benefit as compared to other capital-intensive, commodity-exposed industrial peers. Assuming an average senior unsecured rating of A3 / Baa1 for the investor-owned, vertically integrated regulated utility sector, this implies that utilities are roughly three notches away from the non-investment grade ratings threshold (i.e., Baa3 / Ba1).

Today, we view it as unlikely, but not improbable, that the sector could slide into the non-investment grade rating category over the longer-term horizon, but that would require both a highly contentious regulatory environment and a materially declining financial profile.

Appendix F: Selected Sub-Sector Peer Group: Issuer Composition

The vertically integrated utilities are typically fully regulated and generally viewed as well positioned within their average A3 / Baa1 senior unsecured rating category. While these utilities all face the same near, intermediate and longer-term risk factors that we have been highlighting over the past few years, they are also well insulated from negative implications due to their regulated status.

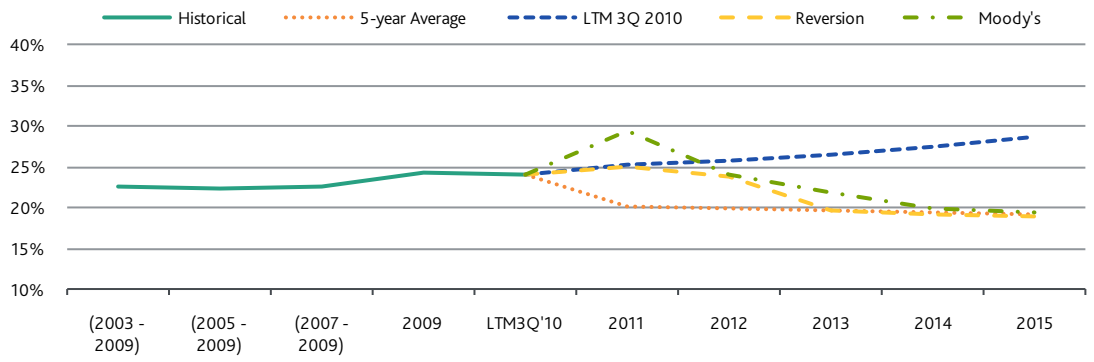
TABLE 7

Integrated Utility

				3-Year Averages				
Name	Rating	Outlook	LTM 3Q10 Debt	CFO	RCF	CFO pre-WC / Debt	CFO pre-WC / Interest	Debt / Cap
San Diego Gas & Electric Company	A2	Stable	$3,932	$664	$614	27%	6.3x	44%
Wisconsin Electric Power Company	A2	Stable	$2,284	$520	$278	27%	6.2x	40%
Duke Energy Carolinas, LLC	A3	Stable	$8,151	$1,670	$1,670	26%	5.8x	42%
Georgia Power Company	A3	Stable	$9,401	$1,538	$822	21%	5.2x	44%
Northern States Power Co (MN)	A3	Stable	$3,553	$842	$612	27%	5.2x	44%
Pacific Gas & Electric Company	A3	Stable	$14,661	$2,715	$2,148	27%	5.3x	48%
Progress Energy Carolinas, Inc.	A3	Stable	$4,489	$1,183	$1,069	30%	6.4x	45%
Southern California Edison	A3	Stable	$9,085	$2,640	$2,336	32%	6.2x	45%
Virginia Electric and Power	A3	Stable	$7,662	$1,442	$1,015	22%	4.9x	45%
Detroit Edison Company	Baa1	Stable	$6,278	$1,207	$902	20%	4.3x	54%
Duke Energy Ohio, Inc.	Baa1	Stable	$2,998	$789	$558	29%	6.4x	27%
Ohio Power Company	Baa1	Stable	$3,477	$451	$418	17%	4.0x	49%
PacifiCorp	Baa1	Stable	$6,901	$1,126	$1,126	21%	4.4x	43%
Progress Energy Florida, Inc.	Baa1	Stable	$5,186	$663	$663	17%	4.2x	53%
Public Service Company of Colorado	Baa1	Stable	$3,124	$633	$366	22%	4.4x	38%
South Carolina Electric & Gas Co	Baa1	Negative	$3,525	$454	$ 291	16%	3.8x	46%
Appalachian Power Company	Baa2	Stable	$4,090	$181	$166	12%	3.1x	51%
Arizona Public Service Company	Baa2	Stable	$4,253	$900	$730	22%	4.8x	46%
Consumers Energy Company	Baa2	Stable	$5,589	$931	$654	21%	4.3x	55%
Nevada Power Company	Ba2	Stable	$4,038	$476	$411	15%	3.1x	51%
		Total	**$112,678**	**$21,026**	**$16,847**			
		As a % debt		**19%**	**15%**			

Source: Moody's

CHART D
Integrated: CFO pre-W/C to Debt



Source: Moody's

The T&D utilities generally represent the legacy vertically integrated utilities but without the rate base generation assets. These utilities are typically fully regulated, and they are generally viewed as having a lower overall business and operating risk profile than their vertically integrated utility peers. As a result, T&D utilities can attain a given rating with lower financial metrics.

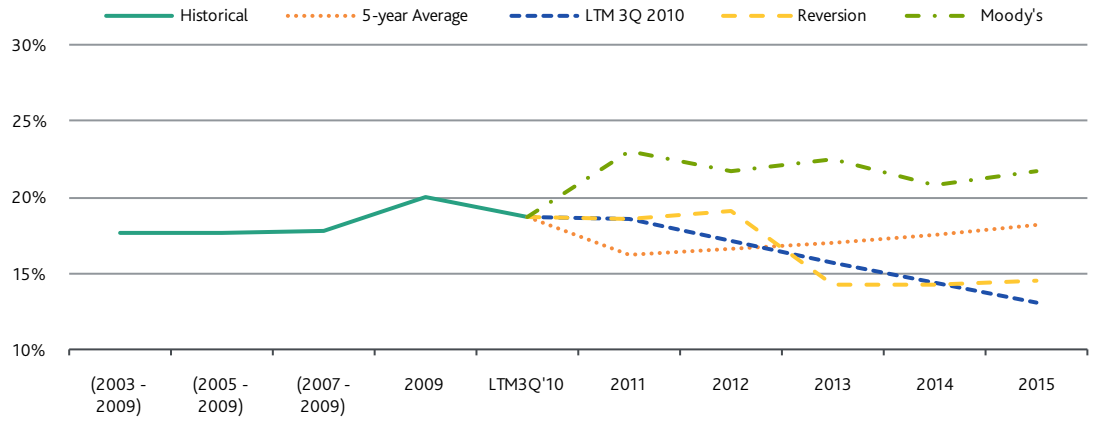
TABLE 8
Transmission & Distribution (T&D) Utilities

				3-Year Averages				
Name	Rating	Outlook	LTM 3Q10 Debt	CFO	RCF	CFO pre-WC / Debt	CFO pre-WC / Interest	Debt / Cap
NSTAR Electric Company	A1	Stable	$2,477	$539	$408	21%	5.1x	44%
Consolidated Edison Company of NY	A3	Stable	$13,088	$1,555	$949	14%	3.4x	45%
Niagara Mohawk Power Corporation	A3	Stable	$2,779**	$824	$658	32%	8.0x	32%
PECO Energy Company	A3	Stable	$3,230	$1,059	$608	29%	5.7x	45%
Connecticut Light and Power Company	Baa1	Stable	$2,902	$432	$332	18%	4.2x	50%
Oncor Electric Delivery Company	Baa1*	Stable	$6,595	$870	$561	15%	3.6x	41%
Public Service Electric and Gas	Baa1	Stable	$6,164	$902	$836	17%	3.7x	47%
Atlantic City Electric Company	Baa2	Stable	$1,256	$86	$33	11%	2.7x	53%
Baltimore Gas and Electric Company	Baa2	Positive	$2,560	$383	$291	17%	3.9x	54%
CenterPoint Energy Houston Electric	Baa2	Stable	$5,605	$632	$386	13%	3.6x	66%
Jersey Central Power & Light Company	Baa2	Stable	$1,947	$432	$177	25%	5.2x	35%
Metropolitan Edison Company	Baa2	Stable	$791	$154	$154	23%	4.7x	38%
Ohio Edison Company	Baa2	Stable	$2,128	$413	$135	19%	4.0x	54%
Pennsylvania Electric Company	Baa2	Stable	$1,293	$141	$59	15%	3.9x	49%
Potomac Electric Power Company	Baa2	Stable	$1,729	$459	$401	20%	4.4x	47%
Rochester Gas & Electric Corporation	Baa2	Stable	$836	$143	$112	16%	3.3x	50%
Ameren Illinois Company	Baa3	Stable	$525	$108	$79	14%	3.2x	43%
Commonwealth Edison Company	Baa3	Stable	$6,710	$923	$843	18%	3.7x	40%
Illinois Power Company***	Baa3	Stable	$1,361	$215	$164	13%	2.7x	49%
		Total	**$61,197**	**$10,274**	**$7,186**			
		As a % debt		**17%**	**12%**			

*Senior secured.
**NIMO Debt amount as of 2009 year end
*** Merged with Ameren Illinois on October 5, 2010.
Source: Moody's

CHART E

T&D: CFO pre-W/C to Debt



Source: Moody's

Much like the T&D utility sector, the natural gas local distribution company (LDC) utilities are generally viewed as having a much lower overall business and operating risk profile than the vertically integrated utilities. LDCs also represent a good model for various rate structure adjustments, such as the adjustments associated with revenue decoupling.

TABLE 9

Local Distribution Companies (LDC)

				3-Year Averages				
Name	Rating	Outlook	LTM 3Q10 Debt	CFO	RCF	CFO pre-WC / Debt	CFO pre-WC / Interest	Debt / Cap
New Jersey Natural Gas Company	Aa3*	Stable	$448	$117	$72	22%	6.0x	42%
Alabama Gas Corporation	A1	Stable	$274	$118	$88	44%	8.5x	41%
Southern California Gas Company	A2	Stable	$2,129	$542	$375	31%	6.9x	53%
Washington Gas Light Company	A2	Stable	$907	$187	$ 119	24%	5.5x	43%
Wisconsin Gas LLC	A2	Stable	$401	$110	$51	24%	6.2x	40%
Indiana Gas Company, Inc.	A3	Stable	$456	$119	$72	22%	4.7x	46%
KeySpan Gas East Corporation**	A3	Stable	$510	$90	$90	23%	2.6x	20%
North Shore Gas Company	A3	Stable	$94	$17	$8	20%	4.8x	38%
Northwest Natural Gas Company	A1*	Stable	$946	$163	$ 123	19%	4.6x	49%
Piedmont Natural Gas Company	A3	Stable	$967	$226	$ 150	20%	5.0x	49%
Questar Gas Company	A3	Stable	$489	$97	$70	22%	4.8x	46%
Terasen Gas Inc.	A3	Stable	$1,671	$164	$78	10%	2.5x	66%
UGI Utilities, Inc.	A3	Stable	$868	$154	$98	20%	4.5x	50%
South Jersey Gas Company	Baa1	Positive	$493	$84	$70	19%	4.9x	42%
Bay State Gas Company	Baa2	Stable	$267	$84	$79	19%	5.2x	33%
Southern Connecticut Gas Company	Baa2	Stable	$270	$52	$43	16%	3.1x	33%
Southwest Gas Corporation	Baa2	Stable	$1,444	$381	$ 342	19%	3.9x	54%
Yankee Gas Services Company	Baa2	Stable	$420	$50	$29	17%	3.9x	36%
		Total	**$ 13,054**	**$2,755**	**$1,956**			
		As a % debt		**21%**	**15%**			

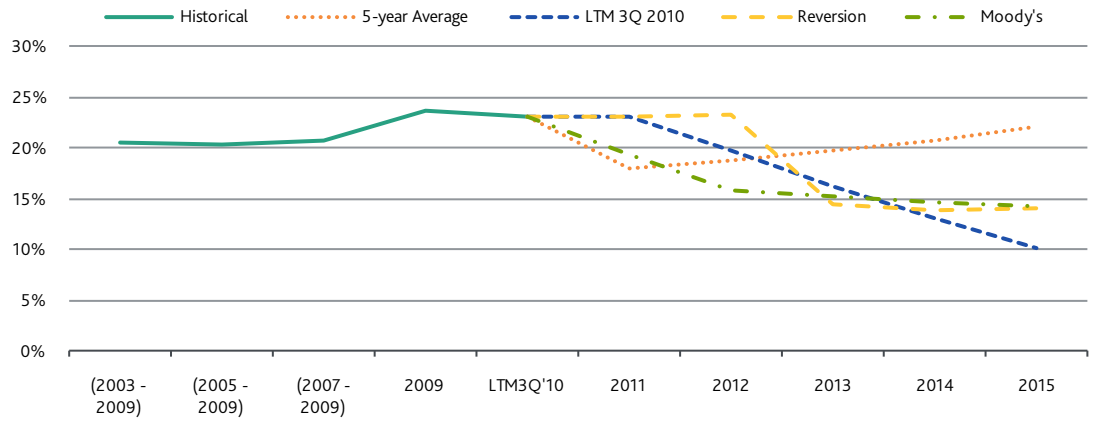
*senior secured

**KeySpan Gas East Debt amount as of 2009 year end

Source: Moody's

CHART F

LDCs: CFO pre-W/C to Debt



Source: Moody's

The G&T cooperative sector enjoys a special structure in which the end-use consumers are also the owners. As a result, G&T cooperatives are generally exempt from state regulatory authorities and can self-regulate their own rate structures. G&T cooperatives also maintain sizable long-term all-requirement contracts associated with generation supplies with their distribution members. Because of these unique characteristics, we maintain a separate ratings methodology for the G&T cooperative sector.

TABLE 10

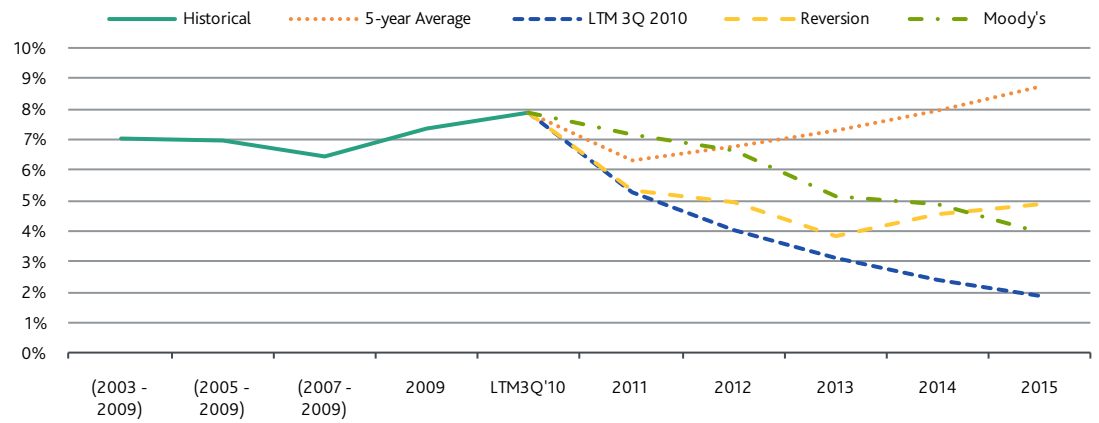
Generation &Transmission (G&T) Cooperatives

				3-Year Averages				
Name	Sr. Most Rating	Outlook	2009 Year End Debt	CFO	RCF	FFO / Debt	FFO / Interest	Equity / Cap
Arkansas Electric Cooperative	Aa3*	Stable	$708	$55	$52	8%	2.4x	39%
Basin Electric Power Cooperative	A1	Negative	$3,334	$99	$83	8%	2.6x	28%
Associated Electric Cooperative	A2	Stable	$1,702	$49	$43	7%	2.3x	19%
Buckeye Power, Inc.	A3	Negative	$1,389	$53	$38	5%	2.2x	22%
Chugach Electric Association	A3	Stable	$363	$34	$30	11%	2.8x	30%
Dairyland Power Cooperative	A3	Stable	$977	$(7)	$(7)	3%	1.7x	12%
Great River Energy	A3	Negative	$2,495	$80	$80	5%	2.0x	12%
Old Dominion Electric Cooperative	A3	Stable	$811	$70	$70	7%	2.2x	26%
Seminole Electric Cooperative	A3	Stable	$1,498	$74	$74	5%	2.0x	8%
PowerSouth Energy Cooperative	A3	Stable	$1,387	$47	$47	5%	2.1x	10%
Tri-State G&T Association Inc.	A3	Stable	$2,641	$174	$162	9%	2.7x	19%
Minnkota Power Cooperative, Inc	Baa1	Stable	$351	$1	$1	3%	1.8x	28%
Oglethorpe Power Corporation	Baa1	Stable	$4,944	$226	$226	5%	1.8x	11%
South Mississippi Electric Power	Baa1	Stable	$764	$71	$71	8%	2.4x	16%
Hoosier Energy Rural Electric	Baa2	Positive	$1,061	$104	$104	9%	2.7x	14%
		Total	**$24,426**	**$1,129**	**$1,073**			
		As a % debt		**5%**	**4%**			

*Arkansas Electric's Aa3 is a defeased, secured lease bond rating

Source: Moody's

CHART G
Coops: CFO pre-W/C to Debt



Source: Moody's

For the unregulated power companies, we generally evaluate their credit profiles under a separate rating methodology than for the regulated utilities. This is primarily due to our view that the unregulated power companies have a significantly higher overall business and operating risk profile than the regulated utility sectors.

But within the unregulated power companies, we also see material differences in the ratings between the unregulated affiliated power companies, where the parent holding companies maintained ownership of both the legacy T&D utility as well as the legacy generation assets, and the unregulated merchant power companies. This is primarily due to the leverage on the balance sheets of the affiliated unregulated power companies, along with their more conservative approach to financial policy.

TABLE 11
Unregulated Affiliated Power Companies

				3-Year Averages				
Name	Rating	Outlook	LTM 3Q10 Debt	CFO	RCF	CFO pre-WC / Debt	CFO pre-WC / Interest	FCF / Debt
Exelon Generation Company, LLC	A3	Stable	$5,603	$3,811	$1,752	86%	14.6x	1%
PSEG Power LLC	Baa1	Stable	$3,867	$1,548	$710	43%	7.4x	-3%
Southern Power Company	Baa1	Stable	$1,445	$292	$195	22%	4.3x	4%
FirstEnergy Solutions Corp.	Baa2	Stable	$6,330	$1,050	$996	20%	6.6x	-6%
PPL Energy Supply, LLC*	Baa2	Stable	$7,202	$1,228	$1,228	17%	3.7x	-1%
Allegheny Energy Supply Company	Baa3	Stable	$1,844	$487	$405	26%	4.4x	5%
Ameren Energy Generating Company	Baa3	RUR - Dn	$1,180	$239	$168	27%	5.2x	-9%
System Energy Resources, Inc.	(P)Ba1	Stable	$953	$287	$186	35%	6.7x	12%
		Total	**$28,424**	**$8,943**	**$5,641**			
		As a % debt		**31%**	**20%**			

**Results include financial performance of WPD Holdings*

Source: Moody's

The unregulated merchant power companies are generally rated in the deep speculative-grade rating categories. These companies are basically comparable to capital-intensive, industrial peers, and do not enjoy the support provided by state regulatory commissions to recover costs. With an expectation for continued low natural gas and power commodity prices, these companies are most exposed to margin compressions, especially as more profitable hedges expire. In general, these companies have good liquidity supplies, which we believe they will manage carefully while waiting for better market conditions.

TABLE 12

Unregulated Merchant Power Companies

				3-Year Averages				
Name	Corporate Family Rating	Outlook	LTM 3Q10 Debt	CFO	RCF	CFO pre-WC / Debt	CFO pre-WC / Interest	FCF / Debt
Covanta Holding Corporation	Ba2	Stable	$2,569	$413	$413	16%	4.0x	12%
NRG Energy, Inc.	Ba3	Negative	$10,457	$1,745	$ 1,745	20%	3.6x	10%
Calpine Corporation	B1	Stable	$11,089	$521	$521	2%	1.3x	3%
Edison Mission Energy	B2	Negative	$7,295	$723	$414	11%	2.8x	-4%
GenOn Energy	B2	Stable	$2,814	$450	$450	11%	2.2x	3%
Dynegy Holdings Inc.	Caa1	Negative	$5,381	$401	$94	9%	2.2x	-7%
Texas Competitive Electric Holdings	Caa3*	Negative	$31,134	$1,222	$(6,156)	5%	2.0x	-26%
Mirant Corporation	WR	WR	$3,829	$841	$841	22%	4.0x	3%
		Total	**$74,567**	**$6,315**	**$(1,679)**			
		As a % debt		**8%**	**-2%**			

**Senior unsecured*

Source: Moody's

The municipal utility systems are typically more highly rated than their investor-owned utility peers. This is primarily a function of their self-rate setting flexibility, which allows them to revise rates quickly. We are aware of some municipal utilities revising rates with a simple conference call among their governing authorities, or it could take roughly a week or month. Regardless, these utilities do not experience the same regulatory recovery lag as the investor-owned utilities.

TABLE 13

Municipal utility systems

				3-Year Averages				
Name	Rating	Outlook	2009 Debt	FFO	RCF	FFO / Debt	FFO / Interest	Debt / Cap
Salt River Project	Aa1	Stable	$4,339	$595	$ 557	16%	5.5x	51%
San Antonio CPS	Aa1	Stable	$4,203	$715	$ 460	17%	5.1x	58%
Orlando Utilities Commission	Aa1	Stable	$1,673	$238	$ 192	15%	4.2x	63%
New York Power Authority	Aa2	Stable	$2,033	$432	$ 372	20%	4.7x	46%
Santee Cooper	Aa2	Stable	$4,877	$476	$ 459	11%	3.3x	73%
Jacksonville Electric Authority	Aa2	Stable	$6,356*	$617	$ 520	10%	3.4x	80%
Memphis	Aa2	Stable	$1,004	$159	$ 122	14%	4.5x	52%
Colorado Springs	Aa2	Stable	$1,750	$132	$ 107	8%	3.1x	58%
Seattle	Aa2	Stable	$1,380	$214	$ 214	15%	4.3x	65%
Los Angeles LADWP	Aa3	Stable	$5,460	$668	$ 474	14%	4.2x	53%
Sacramento Municipal Utility District	A1	Stable	$3,317	$273	$ 273	8%	2.9x	87%
Long Island Power Authority	A3	Stable	$6,832	$610	$ 610	9%	2.8x	96%
Puerto Rico Electric Power Authority	A3	Stable	$7,224	$633	$ 633	9%	3.0x	97%
		Total	**$ 50,449**	**$5,760**	**$4,993**			
		As a % debt		**11%**	**10%**			

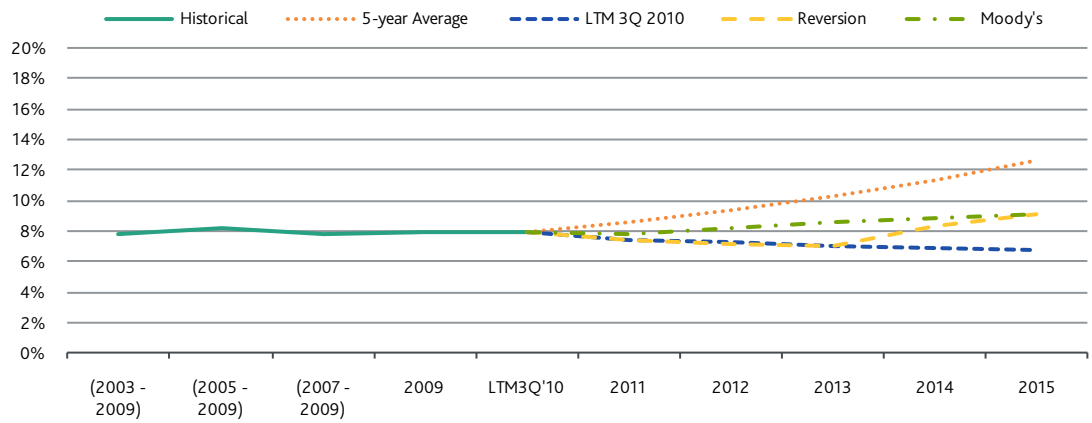
- *Includes water and sewer bonds.*

Source: Moody's

We incorporate a view that the all-in rates to consumers are roughly 15% to 20% lower for the muni-utilities than for the investor-owned peers. Conceptually, this make sense to us, given their leverage and tax-exempt cost of capital. But they also have a materially lower cost structure associated with general and administrative expenses, and they are exempt from individual state restricting initiatives.

CHART H

Munis: CFO pre-W/C to Debt



Source: Moody's

Moody's Related Research

Industry Outlooks:

- U.S. Electric Utilities Stable But Face Increasing Regulatory Uncertainty, July 2010 (125996)
- U.S. Electric Utilities Face Challenges Beyond Near-Term, January 2010 (121717)
- Offtake Contracts Shelter US Power Projects Through the Market Cycle, March 2010 (123409)

Rating Methodologies:

- Regulated Electric and Gas Utilities, August 2009 (118481)
- Unregulated Utilities and Power Companies, August 2009 (118508)
- Natural Gas Pipelines, December 2009 (121678)
- U.S. Electric Generation & Transmission Cooperatives, December 2009 (121189)

Special Comments:

- Oil Prices Signal Buoyant 2011 for Energy, But Natural Gas and Capacity Issues Pose Risks, January 2011 (129899)
- Key Drivers For U.S. Electric Generation and Transmission Cooperative Rating Actions in 2010, December 2010 (129639)
- Investment-Grade, Unregulated Power: Not Immune to Rating Pressures, November 2010 (128985)
- U.S. Electric Utilities: Uncertain Times Ahead; Strengthening Balance Sheet Now Would Protect Credit, October 2010 (128462)
- Key Drivers for Utility and Power Sector Rating Actions in 2010, October 2010 (128381)
- Regulatory Frameworks – Ratings and Credit Quality for Investor-Owned Utilities, June 2010 (125664)
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- U.S. Wholesale Merchant Energy: Bigger is Better, April 2010 (124300)

Special Comments on Liquidity/Hedging:

- Liquidity: A Key Component to Investor-Owned Utility Ratings and Credit Quality, September 2010 (127546)
- Refinancing Risk for Unregulated Power: All Eyes On 2012, March 2010 (123877)
- U.S. Electric G&T Cooperatives Not Immune to Liquidity Concerns, February 2010 (123245)
- Investor-Owned Utilities Face Significant Bank Facility Refinancing Risk as Substantial 2011-2012 Maturities Approach, October 2009 (120596)
- Right-Way Hedging for Power Companies, June 2009 (117978)

Special Comments on Natural Gas :

- Marcellus Stokes Pipeline Competition for the New York Gas Market, June 2010 (125833)
- Low Natural Gas Prices Chill North American Energy Sectors, While Others See Some Gains, April 2010, (124884)
- Evaluating Natural Gas Companies, February 2010 (123063)
- Oil and natural gas outlook: Supply and demand pressures persist, January 2010 (122453)

Special Comments on Environmental Risks:

- The 21st Century Electric Utility: Substantial uncertainties exist when assessing long-term credit implications, May 2010 (124891)
- U.S. Electric Utilities See Some Clarity in Evolving Federal Energy Policies, February 2010 (123062)
- Carbon Risks Becoming More Imminent for U.S. Electric Utility Sector, March 2009 (115175)

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MOODY'S INVESTORS SERVICE

The Natural Gas Utility Industry remains near the bottom of our Industry spectrum. This group continues to face a difficult operating environment due to a tough regulatory climate and weakness in the economy. Many of these companies are searching for new ways to drive growth. Still, prospects appear to be limited in this sector.

INDUSTRY TIMELINESS: 74 (of 100)

Macroeconomic Climate

The economy remains weighed down by tight credit, a soft housing market, and high unemployment. The weakness in the housing sector has particularly affected this industry. The large inventory of unsold houses has limited the need for natural gas. This is particularly troubling for these utilities as we enter the peak heating season. Moreover, customer growth has declined, which continues to pressure revenues across this group. Additionally, more-conservative consumer spending has impacted customer usage, which has hurt volumes. Lastly, bill collection has been difficult given high unemployment rates. Looking ahead, these factors will likely continue to play on these companies as the calendar turns to 2011.

Business Structure

Many of these utilities have to settle cases with their respective state commissions when trying to change their current rates. The local governments evaluate these rates and determine the return on equity these companies can achieve for a certain period of time. Rate cases generally occur when operational costs pressure profitability. Thus, at any given time, there are usually a few rate cases pending here. As a result, the status of rate cases remains carefully watched in this sector. A favorable ruling can increase what a company can charge its customers and in turn bolster profits. The state commissions generally try to strike a balance between consumer and shareholder interests when making these decisions. At present, the regulatory environment remains relatively quiet. Such a situation typically keeps earnings flat from year to year. In response, utilities often look to cost cutting and nonregulated businesses (discussed below) to drive earnings growth. Another opportunity these companies have been taking advantage of is energy-efficiency programs. These initiatives are offered by the government and help these utilities adapt to changing industry trends by compensating them for any losses that may be incurred from promoting conservation to their customer base.

Nonregulated Activities

Many natural gas utilities have invested in nonregulated businesses to spur growth. These secondary operations do not answer to the aforementioned state commissions. Additionally, these businesses diversify these companies' top lines. While these ventures currently account for only a small portion of this group's revenues, we expect these ventures to become a more important opportunity for this group over the long term.

Weather

Weather is another factor that typically affects the performance of utility companies. Unseasonably warm or cold weather can create abnormal volatility for natural gas prices. Some of these companies offset this risk through weather-adjusted rate mechanisms. Therefore, investors interested in utilities with more-stable results, year to year, should look for companies that hedge this risk.

Conclusion

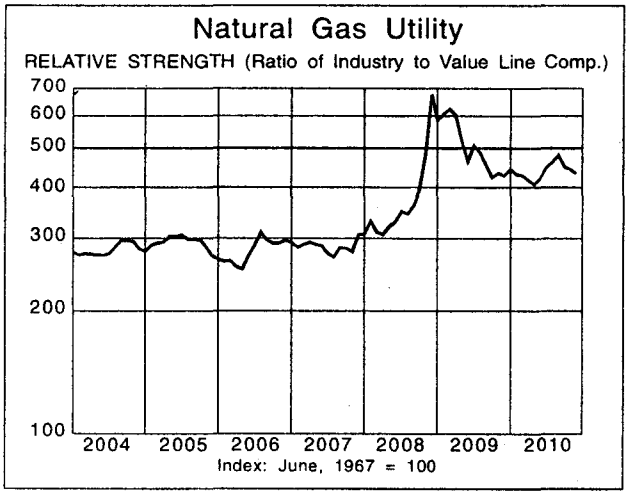
Near-term prospects are widely unattractive here. The majority of these equities are not timely. Moreover, at present, none of these stocks stand out for total return potential over the 3- to 5-year pull. In fact, a number of them have below-average long-term appeal. All told, most investors would be better off to look elsewhere, due to the limited potential of this group.

The primary appeal of this industry is its above-average dividend yield. The average yield for this sector is about 3.9%, well above the *Value Line* median. Thus, conservative income-oriented investors may find some of the stocks here of interest.

Richard Gallagher

Composite Statistics: Natural Gas Utility

2006	2007	2008	2009	2010	2011		13-15
38273	38528	44207	34909	*42000*	*44500*	Revenues ($mill)	*50750*
1553.3	1562.4	1694.2	1677.6	*1650*	*1725*	Net Profit ($mill)	*2075*
35.3%	33.9%	35.7%	33.8%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
4.0%	4.1%	3.8%	4.8%	*3.9%*	*3.9%*	Net Profit Margin	*4.1%*
51.2%	50.4%	50.6%	49.9%	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
48.7%	49.5%	49.4%	50.1%	*48.0%*	*48.0%*	Common Equity Ratio	*46.0%*
30847	32263	32729	33974	*34750*	*36250*	Total Capital ($mill)	*42000*
32543	33936	35342	37292	*38500*	*40250*	Net Plant ($mill)	*48250*
6.6%	6.5%	6.8%	6.5%	*6.5%*	*6.5%*	Return on Total Cap'l	*7.0%*
10.2%	9.8%	10.5%	10.0%	*10.5%*	*10.0%*	Return on Shr. Equity	*10.5%*
10.2%	9.8%	10.5%	10.0%	*10.5%*	*10.0%*	Return on Com Equity	*10.5%*
4.0%	3.7%	4.3%	3.8%	*4.5%*	*4.0%*	Retained to Com Eq	*4.5%*
61%	62%	59%	61%	*63%*	*61%*	All Div'ds to Net Prof	*65%*
15.6	16.6	13.9	12.8	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.0*
.84	.88	.83	.88			Relative P/E Ratio	*.85*
3.9%	3.7%	4.2%	4.1%			Avg Ann'l Div'd Yield	*4.6%*
327%	336%	358%	381%	*375%*	*375%*	Fixed Charge Coverage	*400%*



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New EPA Rules: Ready or Not

Special Report

Overview

Frequently Asked Questions: In this report, Fitch provides answers to questions asked by investors and other interested parties regarding emerging regulations from the EPA, and their affect on electric utilities and unregulated power-generating companies.

Rationalizing the Coal Fleet: Concerns about new Environmental Protection Agency (EPA) air emissions rules are driving a rationalization of power plant capacity, a process that will play out over the balance of this decade. In Fitch Ratings' view, it will not be economical to retrofit the oldest and smallest coal-fired power generation units to comply with new rules, resulting in the likely retirement of older plants.

Large Plant Retrofits Likely: Larger and more efficient coal plants are more likely to be upgraded with retrofit equipment to comply with new rules. Many coal plants are owned by independent power producers and captive generating affiliates of utility holding companies that lack the financial capacity or inclination to invest in required environmental upgrades. Some, but not all, of the retired plants will be replaced by higher capacity utilization at existing natural gas-fired plants and new-build power plants fueled by natural gas.

Environmental Challenges to Continue: Fitch expects the Mercury and Air Toxics Rule (MATS, also known as the Hazardous Air Pollutants or HAPs rule) will be effective April 2012. The status and final form of the Cross-State Air Pollution Rule (CSAPR) remains uncertain given the court of appeals stay issued late last year. Nonetheless, Fitch expects the thrust of the EPA's agenda will continue to challenge the creditworthiness of issuers in the utility and power sector.

Related Research

Updating Fitch's Oil and Gas Price Deck, Feb. 6, 2012

2012 Outlook: U.S. Coal Producers, Dec. 20, 2011

Time to Retire? II The Update to Coal Plant Retirements, Nov. 17, 2011

Rating North American Utilities, Power, Gas, and Water Companies, May 16, 2011

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Which EPA Rules Are Driving Coal Plant Rationalization?

Two rules that will have the greatest near- to intermediate-term economic effect on coal-fired power plants are MATS and CSAPR. MATS will regulate emissions of mercury and other toxic substances that were not previously regulated by any of the conventional federal air pollution rules, while CSAPR applies more stringent limits to the conventional air pollutants such as sulfur oxides and nitrous oxides.

These two rules are not the only new or proposed EPA regulations that will affect the coal-fueled generation fleet. Other EPA rules aim to control greenhouse gas emissions, the disposal of coal ash residuals, and the use of cooling water in power plants (intake of water and thermal emissions.)

Which Power Plants Are Candidates for Retirement or Replacement?

Fitch identified up to 80 gigawatts (GW) of coal-fired generating capacity, 25% of all U.S. coal-fired power capacity, that is "at-risk" for retirement later this decade. The report "Time to Retire? II The Update to Coal Plant Retirements" is available on Fitch's Web site (www.fitchratings.com).

The group identified by Fitch is comprised of plants smaller than 400 MW of generating capacity and more than 40 years of age.

Why Does Fitch Consider These Plants to Be 'At Risk'?

Even before key EPA rules such as CSAPR and MATS take effect in 2012–2016, plants smaller than 400 MW and older than 40 years of age have proven to be less efficient than the larger and younger plants in the coal fleet. The plants Fitch identified as "at risk" were dispatched for fewer hours in 2010 (the last year for which public data is available) than the rest of the coal fleet.

Comparing Capacity Utilization of Coal Plants

	2010 Capacity (GW)	2010 Capacity Factor %
Fitch "At Risk" Coal Plants	80	49
All Other Coal Plants	234	73
Total U.S. Coal Fleet	**314**	**67**

Source: SNL, Fitch Ratings.

Collectively, the group of "at-risk" coal plants exhibited a capacity factor of just 49% in 2010. By contrast, the average capacity factor for all other plants in the U.S. coal fleet was 73%, a significant difference. The difference in dispatch is because the plants in Fitch's "at risk" category have higher marginal operating costs or are already limited in their operating hours under the existing emissions rules. As a result, these plants are less competitive relative to combined-cycle natural gas turbines (CCGTs) at prevailing low natural gas prices.

Do All the 'At Risk' Units Face Retirement?

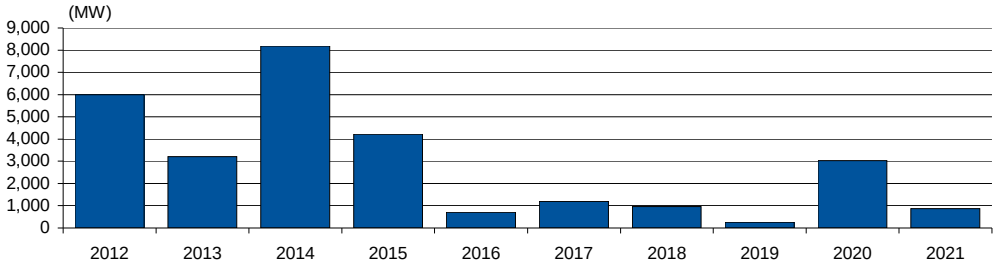
Not all, but a significant proportion will be retired. Owners must decide whether it will pay to retrofit or repower a unit, or simply retire the plant.

To date, the coal plant retirements announced by owners include a high proportion of plants smaller than 400 MW, but there are also some larger plants.

Related Criteria

Corporate Rating Methodology, Aug.12, 2011

Summary of Announced Coal Unit Retirements by Capacity
(2012–2021)



Source: SNL, Fitch Ratings.

What Types of Retrofits Are Needed to Meet EPA Guidelines?

The Appendix "Environmental Control Technologies for Existing Coal Plants" on page 5 is presented by type of pollutant and by what types of retrofit equipment are used for compliance with new regulations.

How Will the U.S. Replace the Power from Retired Coal Plants?

Fitch believes the shortfall in energy created by the rationalization of U.S. coal facilities will be replaced by increased dispatch of existing, efficient CCGTs, new gas-generating facilities, marginal increases in dispatch of the remaining coal fleet, and power from renewable resources. Fitch has modeled a high case based on 80 GW of retired capacity, and a low case with 50 GW of retired capacity. The estimated change in fuel mix in each in these cases is shown in the table below.

Changing Proportional Sources of U.S. Power Generation, 2010–2018

	% of Total Generation		
(%)	2010 Base	2018 with High Retirements (80 GW)	2018 with Lower Retirements (50 GW)
Power Generation Using Coal Fuel	45	38	41
Power Generation Using Natural Gas	24	30	28

Source: 2010 – U.S. Energy Information Agency; 2018 – Fitch Ratings.

How Large Is the Related Increase in Natural Gas Demand?

Total U.S. gas consumption was 24 trillion cubic feet (TCF) per annum of natural gas in 2010, 30.6% of which (approximately 7.4 TCF) was used for electric power production.

In Fitch's high case, with 80 GW of plant retirements, the replacement of power produced by coal boilers with gas CCGT production required 1.88 TCF more gas than in 2010, for an 8% increase in total U.S. natural gas consumption.

In Fitch's low case, with only 50 GW retired, the required incremental gas supply is 1.1 TCF. The increase in total natural gas consumption was 5% in this case.

Will Coal Plant Retirements Affect Electric System Reliability?

The magnitude of potential retirements is significant and presents reliability challenges. The coal plant rationalization process must no doubt be managed carefully, and it injects a measure of risk for investors. Fitch believes this risk will prove to be manageable. The relevant industry constituents, including investor-owned and publicly owned utilities, system operators, and regulator/policy makers, are focused on the issue, and Fitch assumes that they will be able to make appropriate modifications to ensure reliable system operation. Several congressmen and senators have expressed concerns, and are seeking assurances that the system will respond effectively.

Will Coal Plant Retirements Result in Higher Power Prices?

Fitch expects coal retirements will be among the factors that are expected to set the foundation for a rebound in power prices from their current prolonged cyclical downturn. However, Fitch expects the upward movement of energy prices to be constrained by high reserve margins in most regions in the U.S., robust gas supply, and an anemic economic recovery.

What Are the Credit Implications of Coal Plant Retirements for Utility and Merchant Generation Companies?

All else equal, increased capital and operating costs associated with more restrictive environmental rules are a credit negative for both regulated utility and merchant generation companies.

However, Fitch believes low interest rates and natural gas and power prices are significant, offsetting credit positives for electric utility operating companies, and providing headroom for recovery of rising environmental operating and capital costs in jurisdictional rates. While environmental rules pose challenges to utilities, Fitch believes those challenges can be resolved within the industry's current credit rating profile.

Merchant generation companies with high coal exposure have seen margins collapse due to the extended cyclical low in power prices, and could see further credit deterioration, in Fitch's view. Unregulated power companies that, in Fitch's opinion, are vulnerable to future credit rating downgrades are: Edison Mission Energy (issuer default rating [IDR] 'B–'; Negative Outlook), Energy Future Holdings (IDR 'CCC'; Negative Outlook), and GenOn Energy, Inc. (IDR 'B', Negative Outlook).

Appendix

Environmental Control Technologies for Existing Coal Plants

Pollutants	Control Technology	Comments	Relevant EPA Rules
Sulfur Dioxide (SO2)	Wet scrubber; dry scrubber. Also called "flue gas desulfurization systems" (FGDs).	Scrubbers use absorption by sorbents to remove pollutants. Wet scrubbers attain SO2 removal of 95%–99%. Circulating dry scrubbers attain removal of 90%. Dry injection scrubbers have lower capital costs, higher variable costs, and removal efficiency of 50%–70%. As a cobenefit, wet and dry FGDs also remove some hydrochloric acid (HCl), hydrofluoric acid (HF), mercury, arsenic, cadmium, etc.	Clean Air Transport Rule (CATR), replaced withdrawn Clean Air Interstate Rule (CAIR); National Ambient Air Quality Standards (NAAQS). *Legislative basis: Clean Air Act (CAA).*
Nitrous Oxide (NOx)	Selective catalytic reduction (SCR); selective noncatalytic reduction (SNCR).	SCRs reduce NOx to molecular nitrogen (N2) and H2O by the reaction of NOx and ammonia (NH3) within a catalyst bed. SNCR is a chemical process that changes oxides of nitrogen (NOx) into N2. As a cobenefit, both SCRs can be adjusted to remove some Hg.	CATR, successor to vacated CAIR; NAAQS. *Legislative basis: CAA.*
Mercury (Hg)	Sorbent injection with activated carbon.	Hg reduction can be achieved as a cobenefit of FGD along with SCR and baghouse (fabric filter). Higher levels of Hg removal are achieved by active carbon injection systems.	Utility maximum available control technology (MACT) for hazardous air pollutants, successor to vacated Clean Air Mercury Rule (CAMR). *Legislative basis: CAA.*
Particulate Matter (PM)	Fabric filter (baghouse); electrostatic precipitator. Wet scrubber for SO2 removal.	Precipitators use electric charges to remove particles from flue gas; baghouses pass the flue gas through fabric filters. Wet scrubber for SO2 removal also can reduce PM as a cobenefit.	Utility MACT for hazardous air pollutants; NAAQS. *Legislative basis: CAA.*
Greenhouse Gases (GHG), primarily Carbon Dioxide (CO2)	Carbon capture and sequestration (CCS); power plant efficiency improvements.	Permits for air emissions of GHGs will be required, similar to NOx and SO2. EPA guidance acknowledges that CCS is not an available technology, and power plant efficiency improvements are likely to be the only available mitigant at present.	Tailoring rule. *Legislative basis: CAA.*
Coal Combustion Residue (CCR) (i.e. coal ash and FGD residue).	Landfill with liner (eliminate wet ash ponds and dams).	Dams are subject to failure, and CCR includes some toxic minerals that could leach into ground water. The EPA is in the process of identifying dams with high hazard potential ratings.	Regulations expected in 2012. *Legislative basis: Resource Conservation and Recovery Act.*
Intake of cooling water; thermal discharge into bodies of water	Intake fish screens; closed-loop cooling using cooling towers (eliminate once-through cooling).	Intake of water for cooling can harm marine life, requiring better screens and control devices. Thermal discharge alters marine ecology and is more costly to correct. Many baseload coal and nuclear plants use once-through (open loop) cooling. Regulations are still unclear. One state (CA) has mandated elimination of once-through cooling.	*Legislative basis: Clean Water Act, Section 316(b).*

Source: EPA, Institute of Clean Air Companies, Fitch Ratings.

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It has been a turbulent year for the financial markets, to say the least. For one thing, investors have been concerned about the health of the domestic economy, given ongoing difficulties in the housing sector and a stubbornly high unemployment rate (around 9% at present). To further complicate matters, uncertainty surrounds the outcome of the sovereign debt crisis in Europe, given troubles in the continent's weakest economies, such as Greece, Italy, and Spain. A disappointing recent bond auction in powerhouse Germany does not help, either.

It comes as no surprise that stocks across a variety of sectors, including those in *Value Line's* Natural Gas Utility universe, have been affected by these market fluctuations. But the stock prices in our industry have held up relatively well. We attribute that partly to the healthy levels of dividend income, which have provided some much-needed stability.

The Economic Climate

Conditions in the United States remain tough, attributable partially to softness in the housing market. A high unemployment rate has further complicated matters. Indeed, GDP growth was an unspectacular 2.5% in the third quarter, and this moderate pace of expansion will probably continue during the fourth quarter and into the new year. As a result, consumers have been focusing on energy conservation. Of course, all these trends bode ill for the revenues of the companies included in the Natural Gas Utility Industry.

Rate Cases

Rate cases are a very important issue for natural gas utilities. Federal authorities establish wholesale service tariffs and state regulators determine retail distribution rates. Adequate returns on common equity are necessary to keep these businesses viable. Higher rates are sought to pay for the cost of expansion, storm damage and/or to cover the expenses of maintaining reliable service. To promote good relationships with customers and regulators, managements endeavor to keep operating and service costs as low as possible. At times, though, political pressure can compel authorities to limit rates of return, to the detriment of utility companies. But for the most part, regulators attempt to strike a fair balance between the interests of shareholders and customers.

INDUSTRY TIMELINESS: 74 (of 98)

What is the Weather?

Weather is a factor that affects the demand for natural gas, especially from small commercial businesses and consumers. Not surprisingly, earnings for utilities are susceptible to seasonal temperature patterns, with consumption normally at its peak during the winter heating months. Unseasonably warm or cold weather can cause substantial volatility in quarterly operating results. But some companies strive to counteract this exposure through temperature-adjusted rate mechanisms, which are available in many states. Therefore, investors interested in utilities with more-stable profits from year to year are advised to look for companies that hedge this risk.

Dividends

The primary attraction of utility equities is their generous amount of dividend income. At the time of this writing, the average yield for the 12 companies in our group was about 3.7%, considerably higher than the *Value Line* median of 2.4%. Standouts include *AGL Resources*, *NiSource Inc.*, *Laclede Group*, and *Atmos Energy*. Indeed, when the financial markets are turbulent, as has been the case throughout 2011, healthy dividend yields act as an anchor, so to speak, in this category.

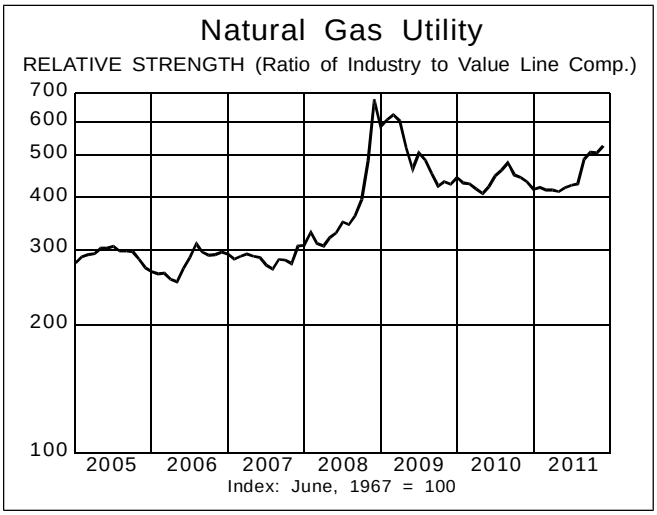
Conclusion

The Natural Gas Utility group is currently ranked in the bottom third of all industries tracked by *Value Line*, in terms of Timeliness. Nonetheless, these shares are most appropriate for income-conscious investors with a conservative bent (given that a number of these issues are ranked favorably for Safety and earn high marks for Price Stability). It should be mentioned, however, that companies with bigger nonregulated operations may offer a higher potential for returns, but profits could be more volatile than companies with a greater emphasis on the more stable utility segment. All things considered, our readers are advised to consider the individual reports before making a commitment.

Frederick L. Harris, III

Composite Statistics: Natural Gas Utility

2007	2008	2009	2010	2011	2012		14-16
38528	44207	34909	34089	***36250***	***42500***	Revenues ($mill)	***50250***
1562.4	1694.2	1677.6	1769.4	***2250***	***2130***	Net Profit ($mill)	***2415***
33.9%	35.7%	33.8%	34.0%	***36.0%***	***36.0%***	Income Tax Rate	***36.0%***
4.1%	3.8%	4.8%	5.2%	***6.2%***	***5.0%***	Net Profit Margin	***4.8%***
50.4%	50.6%	49.9%	46.7%	***52.0%***	***51.0%***	Long-Term Debt Ratio	***54.0%***
49.5%	49.4%	50.1%	53.3%	***48.0%***	***49.0%***	Common Equity Ratio	***46.0%***
32263	32729	33974	33144	***33250***	***35500***	Total Capital ($mill)	***43000***
33936	35342	37292	39294	***40250***	***42250***	Net Plant ($mill)	***50500***
6.5%	6.8%	6.5%	6.9%	***6.5%***	***6.0%***	Return on Total Cap'l	***5.5%***
9.8%	10.5%	10.0%	10.0%	***10.0%***	***10.0%***	Return on Shr. Equity	***10.5%***
9.8%	10.5%	10.0%	10.0%	***10.0%***	***10.0%***	Return on Com Equity	***10.5%***
3.7%	4.3%	3.8%	4.0%	***4.0%***	***3.5%***	Retained to Com Eq	***4.5%***
62%	59%	61%	61%	***61%***	***60%***	All Div'ds to Net Prof	***61%***
16.6	13.9	12.8	14.0	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	***13.0***
.88	.83	.85	.90			Relative P/E Ratio	***.85***
3.7%	4.2%	4.8%	4.3%			Avg Ann'l Div'd Yield	***4.6%***
336%	358%	381%	402%	***400%***	***375%***	Fixed Charge Coverage	***400%***



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August 17, 2011

Economic Research:

U.S. Economic Forecast: Still Treading Water

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Table Of Contents

Just Like Old Times

Ready To Take Another Dip?

It's Only Just Begun

What's Left In The Tool Box?

Economic Research:

U.S. Economic Forecast: Still Treading Water

On August 5, Standard & Poor's Ratings Services lowered its long-term sovereign credit rating on the U.S. to 'AA+' from 'AAA' and kept its negative rating outlook, which increased worries that the economic recovery has faltered. The downgrade and concerns that the eurozone sovereign debt crisis was spreading north to France caused markets to go into a tailspin last week. This likely forced the Federal Reserve to take more policy action, which helped calm markets.

However, while the market panic subsided, recovery concerns that helped launch it are still very real. After the recession officially ended two years ago, the outlook for growth is worsening and the U.S. economy is still treading water trying to stay afloat. The "temporary shocks" sound less convincing, even to the Fed, as an explanation of paltry growth during the last two quarters. The lack of underlying momentum was highlighted in second-quarter GDP report, where backward revisions showed not only how much worse the recession was, but how anemic the recovery really is.

While July data finally showed a slight improvement in the U.S. economy, it's not enough to support expectations that the second half of the year will see a bounce in growth. We now expect to see an even slower recovery than the half-speed we earlier expected. We now expect just 1.9% growth in the third quarter and 1.8% in the fourth, to bring 2011 calendar year growth closer to 1.7% instead of 2.4% we earlier expected. We also downwardly revised growth expectations for 2012 and 2013, as a more drawn-out recovery is factored into our forecast.

It is disturbing that policymakers do not seem to have the weapons or the political resolve to fight the economic crisis. Those policy problems are a large reason why we believe the economy is more vulnerable to another recession. Once again the Fed is willing to step in, just like it did in 2008 when Congress refused to pass legislation (including TARP), as markets spiraled out of control. But this time, the Fed is confronting the collapse with a sling shot, not a bazooka, so its measures will have less bite.

We are not surprised that in the aftermath of the worst recession since the Great Depression, the recovery would be slow and uneven. As history has shown, financial crises are often followed by prolonged recessions, and after that, a long bout of sub-par growth. Several studies measure just how much damage a financial crisis can cause, and how long it can last. According to these studies, economic growth will be slower than normally expected, which most people won't recognize as a recovery.

Just Like Old Times

The markets' violent swings in early August resurrected fears of the market meltdown, such as the one in 2008 when Lehman Brothers went under and Reserve Fund broke the buck. Markets considered the recent crisis to be much more severe, with U.S. sovereign debt at risk of default. The low Treasury yields indicated that markets were expecting Congress to come to its senses and reach a deal. However, the wait and the last-minute deal, which left a lot to be desired, only increased worries that the government will do more harm than good.

Confidence in the recovery and in U.S. policymaking has hit new lows. After U.S. sovereign debt lost its triple-A status and financial markets unwound, consumer confidence hit a 31-year low and manufacturing sentiment

readings contracted. While some hard data, such as the stronger-than-expected July retail sales and recent jobs report, show that not all news is bleak, the preponderance of evidence to the contrary explains the sour moods. Though we still expect weak growth, not a recession, the data indicate a more drawn-out, painful recovery than the half-speed one we earlier expected.

Continued weak growth after sharply downward GDP revisions has made the "temporary argument" a less plausible explanation for the slew of bad news for the first half of the year. At least the GDP revisions make the persistently high unemployment rate make more sense. But the revised data also indicate a much weaker outlook than we previously expected. As the boosts from rebuilding inventories and fiscal stimulus unwound, consumer spending and housing couldn't cover the hole, because the former is still working off excess debts and the latter excess supply. The recovery comprised a first-half average growth of just 0.8%.

The storms that blanketed the U.S. this winter kept people away from the mall and Japan's natural disaster supply-chain disruptions can only be partly blamed for lower sales. More importantly, the consumers have been squeezed by higher commodity prices which wiped out any benefit of the payroll-tax credit. The high unemployment rate, at 9.1%, kept people cautious, worried that even if they have a job, they may lose it next week. Amid sluggish job market and stagnant wages, the wallets are empty after people fill up their gas tanks.

There are some signs that the second half of 2011 won't look as bad as the first; however, anything slightly better than a 0.8% average growth rate is not impressive. The jobs market will likely remain weak into 2013, so housing will remain soft. We expected some improvement in the jobs market to help revive household formation to absorb excess supply. So without that jobs-related boost, housing won't contribute to the recovery. However, maybe it was retail therapy after all the sour news, but the July retail sales data showed that consumers began to spend more. Total sales jumped an upbeat 0.5% over June numbers, and it's not because of a hefty price tag at the pump. Excluding autos, gas, and building materials, sales were up 0.3% in July after a 0.4% increase in June (sharply revised up from a 0.1% gain). This comes while the government payrolls report posted a better-than-expected 117,000 job gain and the unemployment rate slipped to 9.1% from 9.2% in June. The results by no means suggest that we are in the clear. But at least the economy is inching away from a double-dip recession.

Ready To Take Another Dip?

Does the Great Recession have company? Many think that another crisis will follow the Great Recession. The global stock-market plunge reflected fears that a double-dip recession is coming. The bad news during the last few months suggests that these fears may not be unfounded. The supply shock due to the earthquake in Japan, climbing energy prices, and massive storms have certainly contributed to the slowing U.S. economy. But even the Fed admitted that those events alone may not explain the extent of the decline. As I said in my last monthly forecast report, if a couple of one-offs can do so much damage, it shows just how fragile this recovery is.

As the economic data continue to disappoint, we have become more worried about the strength of the recovery. We have been expecting a half-speed recovery for some time. However, the onslaught of dismal news puts even that forecast at risk. We now expect below-potential growth through the end of next year. And while the numbers are still positive, the smaller they get, the greater the risk of dipping into another recession. On August 5, we increased the chance of a recession in the next year to 35% from 30% in June, and well above the 25% odds we expected in March.

Given a lag in the release of economic data, which is often revised, it's hard to identify a recession in real time. It takes the National Bureau of Economic Research (NBER) many months to announce the start of a recession, and in case of the 2001 recession, it ended just when NBER declared that it began. But markets still keep trying to predict. There are a lot of rules of thumb that the investment community uses to signal a recession. One, backed up by a Fed study, says that when real GDP growth drops below 2% year-over-year, a recession follows within a year roughly 70% of the time. Second-quarter GDP growth was 1.6% over last year, so we have a little more time. The three-month unemployment average rate is another important indicator. Since the Second World War, if unemployment rate climbs by more than 0.3%, a recession has always followed. We would need the three-month average rate to reach 9.3%, in order to top the 8.9% trough in March, to say with more certainty that recession has started. Given the July figure edged down 0.1% to 9.1%, we still haven't arrived at that point. While a market sell-off is also watched, a plunge in stocks during the past three weeks doesn't necessarily mean a new recession (the economy avoided a recession after the stock market crash of 1987). However, amid the fragile economy, the shock of another stock market drop and resulting loss of wealth could be the tipping point.

Trying to use various rules of thumb to determine a coming recession can be dangerous. And in this case, where we have a very sluggish recovery, the normal rules may not apply. We may still be in a sustained, though weak, recovery with intermittent declines bringing the growth rate so close to zero, which would imply that the economy is falling into recession. But the signals are disturbing, and at a minimum they show an economy with very feeble growth prospects.

With the odds of a double dip at 35% and climbing every time stock market sells off, credit spreads widening, and consumer confidence dropping, when does a double dip becomes the most likely outcome for the U.S.? As the recovery is on a precipice, there are a few things to watch. Another shock to the economy, even a mild one, could push the recovery back into recession. We'd watch whether the deterioration in financial conditions persists or if leading economic data worsen. Another plunge in the stock market, a deeper contraction in already weak consumer confidence levels, one more spike in initial claims that holds, or sub-50 ISM readings for several months would push the recession gauge to the brink.

It's Only Just Begun

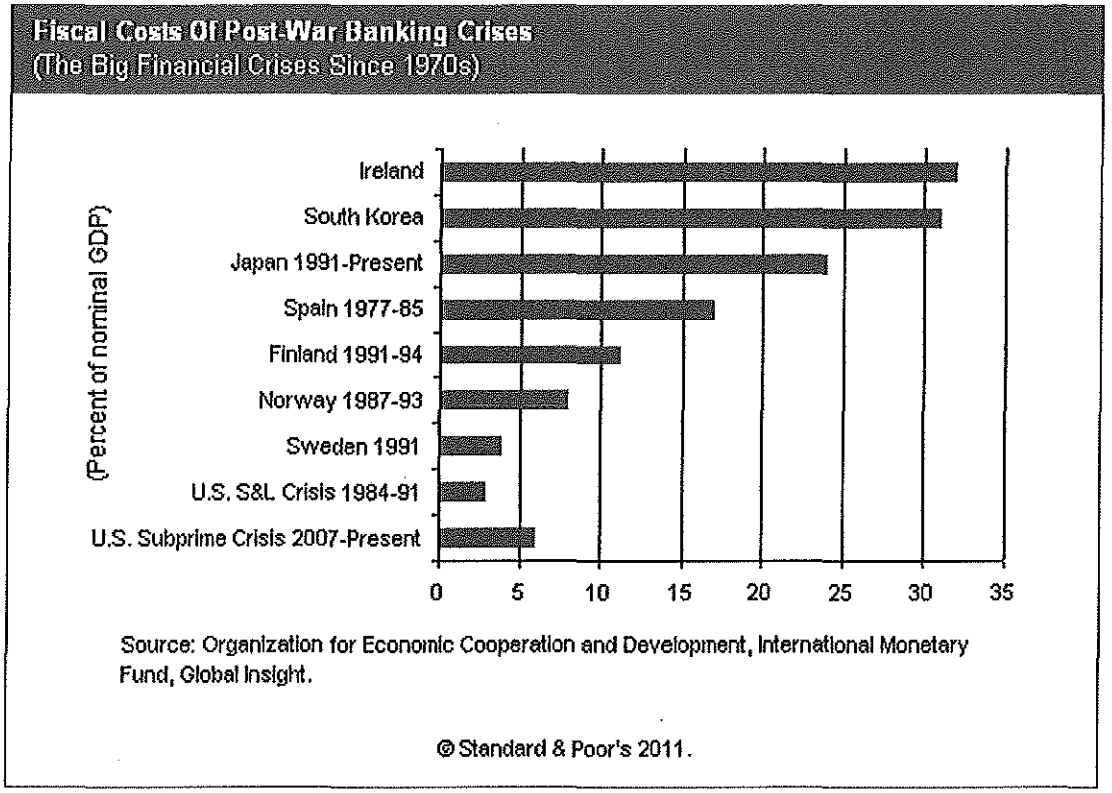
Why are we surprised that in the aftermath of the worst recession since the Great Depression the recovery would also be slow and uneven? As history has shown, financial crises are often followed by prolonged recessions, which is followed by a long bout of sub-par growth. Several studies measure just how much damage a financial crisis can cause and how long it can last. According to these studies, recoveries from financial crises are typically a hard climb. The economic growth will be slower than normally expected and won't be felt as a recovery by most.

The McKinsey report (Debt and deleveraging: The global credit bubble and its economic consequences, 2010) found 45 episodes of deleveraging since the Great Depression, of which 32 followed a financial crisis. The types of deleveraging the report documented included "belt tightening," massive defaults, high inflation, or "growing out of debt" (through strong economic expansion, a war, or a "peace dividend"). The report found that the most common type of deleveraging after a major financial crisis is the "belt tightening" scenario, which is what the U.S. is now experiencing.

The McKinsey report said that if today's economies were to follow that path, they would experience six-seven years of deleveraging where the debt-to-GDP ratio falls by about 25%. As the debt is paid down, GDP growth could be

slower than it would have been otherwise, unemployment consistently high, and inflation low (or deflation for some), which unfortunately sounds all too similar to our current situation.

Chart 1



A paper by Carmen M. Reinhart and Vincent R. Reinhart (After the Fall, 2010) put numbers to the news. According to their study, during the decade following a severe financial crisis, real per capita GDP growth rates were "significantly lower" with the median post-financial crisis GDP growth declining about 1% in the five advanced economies. The study also found that in the 10 years following a severe financial crisis, unemployment rates are significantly higher than in the decade preceding the crisis, with the median unemployment rate for the five advanced economies of about 5% higher. They wrote that "In ten of the fifteen post-crisis episodes, unemployment has never fallen back to its pre-crisis levels, not in the decade that followed now through end-2009." These depressing results support our expectations that the U.S. unemployment rate will remain above 8.5% through 2013 and not reach the estimated 5.5% natural rate for another 10 years.

What's Left In The Tool Box?

In a sharp departure from the usual protocol, the Federal Open Market Committee (FOMC) last week assigned a time frame to its "extended period" phrase. While the statement had the usual caveats, which gives the Fed a way out, it indicated that economic conditions "are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2013." Nevertheless, it's important to note that there were three dissenters to that opinion, which could lead to an interesting struggle between the doves and hawks for the remainder of 2011. In addition to the

Fed's pledge to essentially offer free money to markets for a few more years, the FOMC went on to say that it "discussed the range of policy tools available..." to strengthen the recovery, and "is prepared to employ these tools as appropriate."

The statement noted that the Committee "now expects a somewhat slower pace of recovery over coming quarters" than it did before. The FOMC also finally indicated that not all the weakness in economic growth was transitory. And to no one's surprise, the Committee said that downside risks have increased, suggesting that more easing is likely. We expect no rate hike from the Fed before 2014. Since the Fed has already played its best hand, it will likely attempt another program of quantitative easing similar to the last one, possibly later this year. Both measures should boost financial conditions, though they will only modestly support the economic growth. They will, however, prevent the risk of slipping into outright deflation. Given that the Fed has fewer effective ways to stop deflation but has numerous ways to tighten policy, the Fed will likely project the outlook to remain weak and fight deflation.

Standard & Poor's Economic Outlook--August 2011

	2010	2011										
	Q4	Q1	Q2	Q3e	Q4e	2009	2010	2011e	2012e	2013e	2014e	2015e
Real GDP	2.4	0.4	1.3	1.9	1.8	(3.5)	3.0	1.7	2.0	2.1	3.1	3.2
Consumer spending	3.6	2.1	0.1	1.8	1.7	(1.9)	2.0	2.0	2.0	1.8	2.0	2.4
Equipment investing	8.1	8.7	5.7	6.2	8.7	(16.0)	14.6	9.1	8.2	5.3	6.7	4.8
Nonresidential construction	10.5	(14.3)	8.1	13.1	1.8	(21.2)	(15.8)	2.1	(1.9)	3.3	11.3	10.1
Residential construction	2.4	(2.6)	3.9	5.6	6.8	(22.5)	(4.6)	(1.3)	7.1	15.2	24.0	12.9
Federal government	(3.0)	(9.4)	2.2	(4.7)	1.2	6.0	4.5	(2.2)	(2.8)	(3.6)	(2.8)	(1.8)
State and local government	(2.7)	(3.3)	(3.4)	(3.1)	(3.7)	(0.9)	(1.8)	(2.6)	(2.3)	(0.8)	0.1	0.7
Exports	7.8	7.9	6.0	9.8	6.8	(9.4)	11.3	8.1	7.7	8.1	8.1	7.8
Imports	(2.3)	8.3	1.3	3.2	5.0	(13.6)	12.5	5.3	3.7	4.3	5.0	3.8
CPI	2.6	5.2	4.1	2.1	0.8	(0.3)	1.7	3.0	1.6	1.9	2.1	2.1
Core CPI	0.6	1.7	2.5	2.7	1.3	1.7	1.0	1.6	1.6	1.6	2.1	2.2
Nonfarm unit labor costs	(1.6)	4.8	2.2	1.5	1.9	(0.7)	(2.0)	1.7	2.1	2.3	1.8	1.9
Nonfarm productivity	2.2	(0.6)	(0.3)	1.0	0.8	2.3	4.1	0.7	0.7	0.8	1.5	1.5
(Levels)												
Unemployment rate (%)	9.6	8.9	9.1	9.1	9.1	9.3	9.6	9.1	9.0	8.7	8.0	7.3
Payroll employment (mil.)	130.1	130.5	131.0	131.3	131.6	130.8	129.8	131.1	132.7	134.3	136.6	139.0
Federal funds rate (%)	0.2	0.2	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	1.3	3.3
10-year Treasury note yield (%)	2.9	3.5	3.2	2.5	2.5	3.3	3.2	2.9	2.7	3.0	4.3	5.4
'AAA' corporate bond yield (%)	4.9	5.1	5.0	4.5	4.4	5.3	4.9	4.8	4.5	4.7	5.9	6.8
Mortgage rate (30-year conventional) (%)	4.4	4.9	4.7	4.3	4.2	5.0	4.7	4.5	4.3	4.5	5.6	6.8
Three-month T-Bill rate (%)	0.1	0.1	0.0	0.1	0.1	0.2	0.1	0.1	0.1	0.1	1.4	3.3
S&P 500 Index	1204	1303	1319	1258	1286	947	1139	1291	1349	1321	1392	1473
S&P operating earnings ($/share)	21.93	22.56	24.89	24.36	24.46	56.86	83.77	96.27	101.90	103.51	110.77	115.63
Current account (bil. $)	(449)	(477)	(476)	(407)	(436)	(377)	(471)	(449)	(420)	(415)	(439)	(463)
Exchange rate (major trade partners)	87.3	86.0	83.2	82.7	83.0	92.6	90.1	83.7	83.6	87.9	89.2	86.4
Crude oil ($/barrel, WTI)	85.03	93.98	102.55	86.73	90.67	61.69	79.41	93.48	98.51	106.45	111.31	115.20
Saving rate (%)	5.2	4.9	5.1	5.0	5.3	5.2	5.3	5.1	4.8	3.8	4.5	5.0
Housing starts (mil.)	0.54	0.58	0.58	0.63	0.66	0.55	0.58	0.61	0.70	0.95	1.32	1.59

Standard & Poor's Economic Outlook--August 2011 (cont.)												
Unit sales of light vehicles (mil.)	12.3	13.0	12.1	12.6	12.6	10.4	11.6	12.6	13.5	15.0	15.8	16.3
Federal surplus (fiscal-year unified, bil. $)	(369)	(460)	(141)	(303)	(344)	(1,416)	(1,294)	(1,274)	(1,080)	(823)	(704)	(670)

e—Estimate. WTI--West Texas Intermediate.

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Economic Research:

U.S. Risks To The Forecast: Choppy Seas

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Table Of Contents

Baseline Case: Staying Afloat

The Downside Case: The Perfect Storm

The High-Growth Case: Smooth Sailing

If Sclerosis Sets In?

Economic Research:

U.S. Risks To The Forecast: Choppy Seas

For economists, projections are a stock in trade. Standard & Poor's Ratings Services publishes monthly its economists' best estimate of where the U.S. economy could be heading. Beyond the GDP and inflation projections, we include outlooks for other major economic categories, such as home and auto sales, employment, and oil prices. These estimates are our baseline scenario, which we use to inform all areas of our credit analyses.

However, in these volatile times, we realize that financial market participants also want to know how we think things could go worse--or better--than what our baseline scenario calls for. Any economic forecast will turn out to be wrong; it is simply a question of how far off the mark. Currently, the crystal ball remains cloudier than usual, though skies clears at times, dark clouds appear soon after. Many of the old economic relationships are no longer working. When and if they return to normal is unknown, making the range of risks even wider than usual.

As a result, we instituted a quarterly feature called "Risks To The Forecast," in which we project two additional scenarios: a slower--and faster—economic growth than our baseline, which can be interpreted as standard deviations (roughly the 20% and 80% of the distribution of possible outcomes, respectively). We can then estimate the credit impact of a worse economic outlook. These alternative forecasts wouldn't apply equally to all industries. The reader can adjust the scenarios for industries that are affected differently than the average.

Although we have kept the odds of another recession the same as in our previous "Risks" reports, it is a less severe double dip than in our September "Risks" report. However, this scenario doesn't capture other risks to the recovery. Recent economic data continue to indicate a slow, uneven recovery, though risks remain elevated. Turmoil in the Middle East and now Asia and the impact of the -Thailand floods cloud the picture. However, increased underlying economic momentum helps mitigate damage from shocks to the economy. The odds of any double-dip recession are now 35%, below our 40% prediction in September. Unfortunately, the heightened European sovereign debt crisis and the U.S. government impasse make things worse. If the political dysfunction stabilizes, the overall recession risk would be closer to 20%.

The question now is what shape the recovery will take. Our baseline forecast assumes a sluggish recovery from the June 2009 recession trough. But the risk of slipping into another recession, or a W-shaped recovery, remains real. In our high-growth scenario, revived confidence fuels the recovery, leading to a more typical V-shaped expansion. However, the Japanese experience of the 1990s suggests that we should not ignore the risk of a fourth scenario, an L-shaped recession, where the economy could stagnate for years. Given the recovery remains fragile after four years, we aren't too far behind.

Baseline Case: Staying Afloat

While the December baseline forecast indicates that recovery from the deepest and longest recession since the Great Depression will remain weak, it firmed up from the soft patch earlier this year. After oil prices jump to $110/barrel in April, worries amid renewed concerns over the eurozone debt crisis have pushed them down to a still-high $93/barrel on December 19. We expect oil prices to decrease to $86/barrel in 2012 on weaker global demand as major market economies slow. Production, boosted by the retreating Japan quake-related supply disruption, is now threatened by the floods in Thailand. U.S. financial markets have lately stabilized, and we assume the trend will

continue, though worries about the spreading eurozone crisis keep U.S. banks from lending. Consumers are suffering from both the loss of wealth and jobs. The result will be a sluggish recovery, with the unemployment rate remaining well above full employment levels throughout the forecast period (through 2014).

Although the underlying problems that led to the recession are somewhat similar to those of the 1991-1992 recession, during which GDP fell only 1.4% from peak to trough, the financial problems have made this recession much deeper (for more details on the baseline forecast, see "U.S. Economic Forecast: As Good As It Gets?," published Dec. 12, 2011). The cyclical peak of the last expansion was in December 2007, and the trough occurred in June 2009. This 18-month recession is longer than the average 10.7-month recessions since the 1950s, including the two worst recessions of 1975 and 1982, which lasted 16 months. Real GDP rose 5.5% from third-quarter 2009 toh third-quarter 2011 following the official end of the recent recession. During this recession, GDP plunged a record of 5.1%. After consumer spending slowed sharply in the first half of 2011, people have started to spend a bit more in the second half, partly due to a drop in gas prices and easing Japan supply constraints. Improving employment news also encouraged people to open their pocket books, despite, or maybe because of, headline news about the government. But while the report gives fourth-quarter spending a boost, we expect consumer spending to slow considerably early next year. Once the holiday buying binge ends, people will still be coping with slow job growth, declining wealth, and tight credit, and realize just how diminished their savings accounts really are. They may also be hit with a withdrawal of fiscal stimulus. While in the baseline scenario, we expect the payroll tax credit and unemployment insurance benefits to be extended next year, the political dysfunction among lawmakers could easily allow these measures to lapse at year end, forcing people back into penny-pinching mode. The economy should continue to recover at a half-speed pace rather than slide into a double-dip recession, with 2012 growth at 1.8% and 2013 growth not much better, at 2.5%. Weak housing market, soft spending and investment levels due to bleak consumer confidence, jitters about economic uncertainty overseas, and possibly higher taxes here will keep the lid on the recovery.

Table 1

The Recession In Perspective

Peak	Trough	Length (months)	Previous expansion (months)	GDP decline (%)	Stock market decline (%)*	Unemployment rate increase (%)	Federal funds rate decline (%)¶
Apr-60	Feb-61	10.0	24.0	(1.6)	(14.0)	2.3	(1.0)
Dec-69	Nov-70	11.0	106.0	(0.7)	(36.1)	2.7	(1.3)
Nov-73	Mar-75	16.0	36.0	(3.2)	(48.2)	4.4	(8.0)
Jan-80	Jul-80	6.0	58.0	(2.2)	(27.1)	2.2	(11.5)
Jul-81	Nov-82	16.0	12.0	(2.9)	-17	3.6	(6.5)
Jul-90	Mar-91	8.0	92.0	(1.4)	(19.9)	2.8	(6.8)
Mar-01	Nov-01	8.0	120.0	(0.3)	(49.1)	2.5	(5.5)
Dec-07	Jun-09	18.0	72.0	(5.1)	(57.0)	4.5	(5.0)
Second dip							
Jan-12	Jul-12	7.0	31.0	(1.0)	(12.6)	1.6	0.0

Average of previous recessions

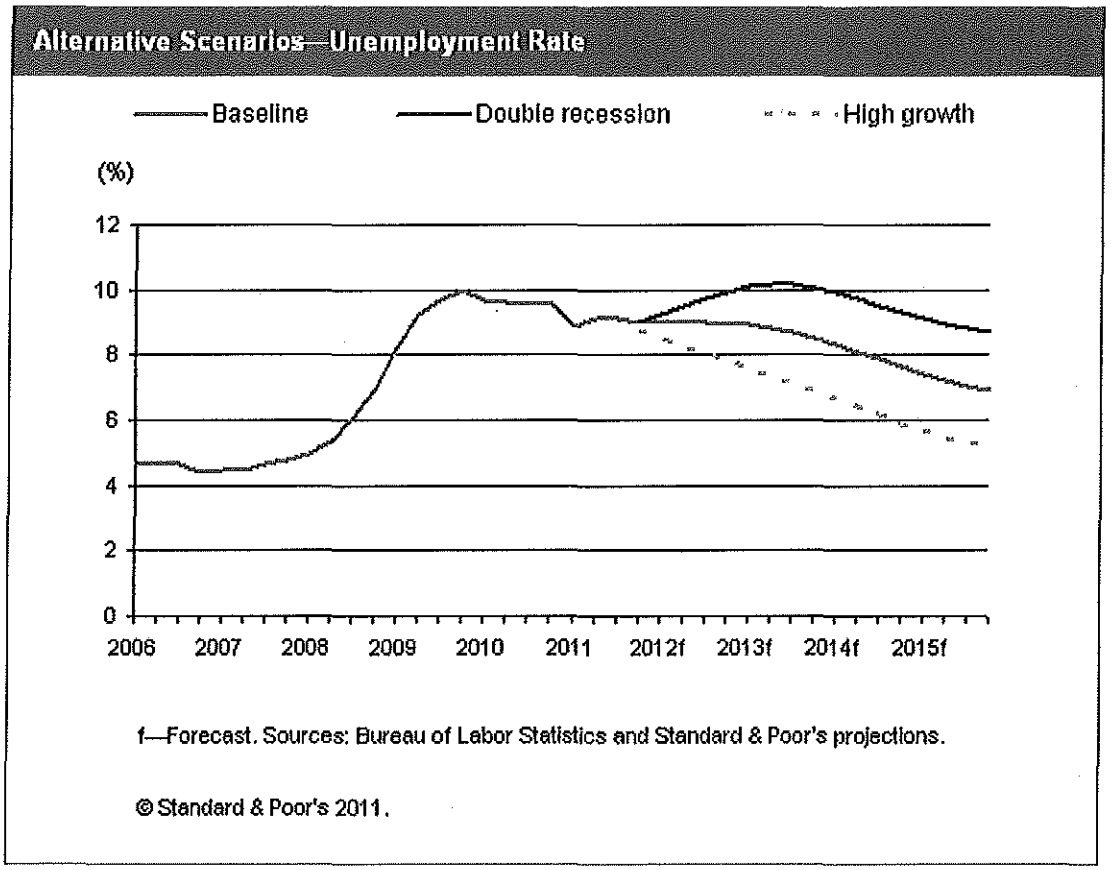
*S&P 500. ¶Discount rate in 1960 and 1970 recessions. Source: National Bureau of Economic Research, Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve, Standard & Poor's.

After the jobs market seemingly dried up earlier this year, the jobs data now indicates that not only the private sector is hiring again, but it was hiring during the period that the earlier Bureau of Labor Statistics (BLS) data said

otherwise. The BLS reported that 120,000 new workers were added to the November payrolls, largely from private hires, which added 140,000 new jobs. In addition, data for prior months once again was upwardly revised, adding an additional 72,000 job gains. But the big surprise was the 0.4% drop in the unemployment rate to 8.6%. Though the decline was in part tied to people leaving the labor force, the household employment hires account for about 0.2% of the decline. However, total nonfarm payrolls are only up an average 130,000 per month during the past 12 months (private payrolls up 155,000 per month), still not fast enough to bring the unemployment rate below 8%, which we predict will happen only in 2014. The baseline forecast is for the unemployment rate to hover at 9.0% until late 2012. The S&P 500 index of stock prices dropped 57% between October 2007 and March 2009, the largest drop in postwar history. The recent economic weakness and sovereign debt worries have pushed prices down. On December 16, the S&P 500 index was still up 80% from its low, though 3.4% below the end-of-2010 level of 1,258. Prices are expected to improve by the end of this year.

The Fed has kept the liquidity faucet running throughout the recovery. Now, the domestic situation looks a bit better than earlier this year. However, worries that the eurozone sovereign debt crisis will spread to our shores or that U.S. government inaction will result in fiscal austerity will likely keep Fed accommodative. Given that the Federal Open Market Committee (FOMC) will replace three hawks with more dovish members in 2012, the further FOMC easing will also likely have fewer dissents. The FOMC will keep the federal funds rate at near zero through 2013 and will start to raise it only in early 2014. However, the tools in the Fed toolbox are limited. The 10-year Treasury yield dipped to 1.8% on December 19, near the 50-year low of 1.7 in September, following the EU's failure to agree on bailout funds. It will likely remain near the 2% mark, which is more than one-half of its peak of 4.5% in mid-2009. We expect it to stay below 3% through most of 2013. The financing costs to private companies and individuals rose sharply because the turbulent credit markets have caused yield spreads to widen, though they have now narrowed back to near normal levels. The fiscal 2012 federal deficit is expected to be under $1.1 trillion, below the $1.3 trillion for the past two years, and lower than the $1.4 trillion record for 2009.

Chart 1



The Downside Case: The Perfect Storm

In our pessimistic scenario, the main factors that undermine the recovery are the combination of a much more severe eurozone recession and the U.S. government's failure to forge an effective fiscal policy to support the economy in the short run and enact long-term structural reforms. Amid a still fragile recovery, this scenario will push the U.S. back into recession next year.

In our pessimistic scenario, the eurozone crisis intensifies and reaches our shores early next year. The severe recession abroad causes overall U.S. exports to contract 0.2% in 2012, compared with a 3.5% gain in our baseline scenario, as a deeper downturn in Europe reduces exports to the region and investor flight to safety strengthens the dollar, cutting exports elsewhere. Corporate earnings for foreign investors in the eurozone would drop, damaging U.S. growth further, given about one-third of its total foreign direct investment in that region. A near-collapse of Europe's banking sector and widening sovereign debt woes dishearten U.S. investor confidence. As a result, heightened worries about the U.S. banks' exposure depress U.S. markets further. Stock prices drop to three-year lows for 2012.

On the domestic front, the government's intransigence damages both our balance sheets and investor, business, and consumer confidence. After the Super Committee failed to reach a compromise on shaving an extra $1.2 trillion from the government's long-term debt, Congress remains deadlocked, unable to reach a compromise with the

president. In this scenario, President Obama's American Jobs Act is rejected outright, forcing the payroll tax credits and unemployment insurance benefits to lapse. The Bush-era tax cuts expire in January 2013--right when the automatic spending cuts go in effect. Consumer and investor confidence sinks below the 2009 lows, spending and investments are curtailed, pushing the economy back into a recession in the first quarter that lasts until third-quarter 2012, with a peak-to-trough decline in real GDP of 1% following the 5.1% decline in the last recession.

Lacking confidence in the economy and the government, businesses hesitate to spend their large cash reserves next year. With the recession lasting until the third-quarter 2012 and tax incentives cut, business equipment spending will contribute a modest 2.5% to the GDP growth for that year, compared to a 6.8% rise in the baseline case. Nonresidential construction struggles for growth, dipping in 2012 and 2013 and recovering in 2014. Businesses pull back on hiring and increase layoffs. President Obama's infrastructure spending proposal is nixed, which will further prevent hiring. The unemployment rate reaches 10.1% in 2013. The recovery from the second recession will be much slower than in the first year of a normal expansion, as the automatic federal spending cuts take effect and the Bush tax cuts expire. Unemployment remains in the double digits in 2013.

The U.S. Federal Reserve lowers the long-term borrowing costs by shifting its portfolio into long-term holdings and launches another round of quantitative easing (QE3). However, its policies have had a limited effect in boosting the economy so far. Oil prices fall to about $80/barrel in 2012 on softening U.S. and European demand, despite the continuing unrest in the Middle East. Lower oil prices, together with excess capacity, will keep core consumer price index (CPI) inflation at 1.4% in 2012 and 2013. With core CPI inflation just under the Fed's informal inflation target range of 1.5%-2%, the Fed continues its loose monetary policy. The federal funds rate remains at near-zero levels until late 2014.

Although lower oil prices are good news for consumers, a weakening job market prevents real wages from rising in 2012, which undermines household purchasing power. After a holiday season spending spree, consumer spending rises a meager 0.1% in the first quarter of 2012. Spending rises only 0.9% and 0.6% in 2012 and 2013, respectively--only one-half of the levels in the baseline scenario. Due to the absence of a federal stimulus, weaker employment, sour consumer mood, and still-tough credit standards, light-vehicle sales fall to 12.1 million in 2012.

Housing continues to remain weak. After a largely unspectacular summer buying season in 2011, a renewed drop in builder and consumer confidence leads housing starts to tumble to a near record low in 2012. Home prices, which are currently 31% below their 2006 peak (according to S&P/Case-Shiller Home Price Index), drop another 15% by early next year as the unloading of homes in pre-closure and foreclosure puts downward price pressure on existing and new home sales.

The 10-year Treasury note yield falls to 1.6% in 2012 on heightened investor concerns about the struggling European financial institutions and economies, which cause a "flight to safety." The current account deficit, however, narrows to $448 billion in 2011 and to $366 billion in 2012 from the record $801 billion in 2006 as weak domestic demand cuts import volumes. The narrower trade gap helps reduce the need for foreign capital and, thus, partially calms fears about foreigners' desire to invest in the U.S.

The High-Growth Case: Smooth Sailing

In the optimistic scenario, fears of a double-dip recession almost vanish as rising momentum in the U.S. recovery in the second half of 2011 holds firm in 2012. Faced with making budget decisions before the automatic sequester

takes effect and the Bush tax cuts expire in January 2013, Congress agrees to a package of spending cuts and tax increases in 2012. We assume the Bush tax cuts will finally expire in 2014 in our upbeat scenario. The strengthening economy and enhanced tax revenues further reduce the government's debt. Business and consumer confidence continues to recover throughout 2014.

A more smooth and stable political process leads to the payroll tax cut extension and approval for a smaller contribution from employers. Congress also agrees on how to tackle escalating entitlement costs and enhance tax revenues. After strong fourth-quarter 2011 GDP growth, restored confidence in the U.S. government's decisions bolsters the economic recovery for 2012.

With government stimulus kick-starting the recovery, the FOMC increases interest rates 30 basis points in second-quarter 2012, earlier than the mid-2013 date that the Fed indicated in its Aug. 9, 2011, statement. The federal funds rate rises to 1.2% by the end of 2013 and 3.3% by the end of 2013. The 10-year Treasury note yield rises to 3.4% and 4.2% in 2012 and 2013, respectively, versus 2.3% and 2.8%, respectively, in the baseline, as the flight to safety to U.S. government bonds comes to a rest after Europe shows substantial and meaningful progress out of its debt crisis in the second half of 2012. Core CPI then eases, remaining within the Fed's implicit target range for the recovery in 2013, 2014, and 2015.

Table 2

Paths To Recovery

Trough	Length of recession (months)	GDP gain (%)	Stock market gain (%)*	Unemployment rate change (%)	Federal funds rate change (%)¶
Feb-61	10	7.5	13	(1.4)	0
Nov-70	11	4.5	12	0.1	(1.0)
Mar-75	16	6.2	26	(1.0)	(0.7)
Jul-80	6	4.4	2	(0.6)	10.0
Nov-82	16	7.7	21	(2.3)	0.1
Mar-91	8	2.6	17	0.6	(2.1)
Nov-01	8	1.9	(21)	0.4	(0.8)
Baseline					
Jun-09	18	3.0	17	0.0	0.0
Double dip					
Jul-12	7.0	1.3	6	0.5	1.1

*S&P 500. ¶Discount rate in 1960 and 1970 recessions. Source: National Bureau of Economic Research, Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve, Standard & Poor's.

As President Obama's proposed payroll tax cuts and other incentives for small businesses are enacted, encouraging businesses to increase hiring. Obama's infrastructure spending package also creates jobs for the beleaguered construction sector. In this upside case, the unemployment rate holds at 8.7% in the fourth quarter and continues to trend downward, reaching 5.4% in 2015, not seen since 2008. In the baseline case, the unemployment rate remains above 7% through 2015.

A gradual rise in U.S. consumer confidence in the fourth quarter of 2011 is bolstered largely by improvements in the labor and housing markets. Greater consumer confidence over the 2011 holiday season holds through the early 2012. Consumer spending rises 3.0% in 2012, compared to 2.2% in our baseline. The surge in auto sales in the second half of 2011 continues into 2012, as consumers satisfy their pent-up demand and supply chain disruptions

from the Thailand flooding ease off. Light-vehicle sales rise to 14.6 million in 2012, versus 13.3 million in the baseline.

Improved business confidence and job market spur business investment and productivity. In the upside case, nonfarm productivity surges 1.8% in 2012, compared to 1.1% in the baseline scenario. Cash-loaded balance sheets and improving credit conditions benefit capital spending as does the extension of the Section 179 deduction on capital expenditures: equipment spending grows 11.3% in 2012, compared with 6.8% in the baseline. It remains healthy thereafter. Nonresidential construction jumps 4.9% in both 2012 and 2013, and more than doubling in 2014. In the baseline scenario, it posts a small rise in 2012 but is unable to keep up the growth momentum, falling 0.2% in 2013.

The housing sector also rebounds faster than in the baseline scenario because a stronger recovery in 2012 improves the job market, leading to more home purchases. With housing supply and demand beginning to move toward equilibrium in 2012, builders gain more confidence and housing starts rise to 850,000 in 2012, topping 1 million in 2013. Housing starts approach the 1.6 million level, which is necessary to keep up with household formation in 2014.

In our scenario, despite the easing of tensions in the Middle East, oil prices rise due to higher demand around the world and stronger U.S. economy. Oil prices rise to $96.93 in second-quarter 2012, ending the year at $96.15, higher than the baseline 2012 forecast of $86.32. Exports of American goods also get a boost in 2012, rising 7.1% compared to 3.5% in the baseline, as the world economy reverses its slowdown trend. The core CPI (excluding food and energy) rises 2.2% in 2012, surpassing the Fed's implicit 1.5%-2% target rate and stronger than the 1.6% in the baseline.

Table 3

Alternative Forecasts - September 2011

	2009	2010	2011e	2012e	2013e	2014e
Baseline						
(% change)						
Real GDP	(3.5)	3.0	1.8	1.8	2.5	3.5
Consumer spending	(1.9)	2.0	2.3	2.2	1.9	2.1
Equipment investment	(16.0)	14.6	10.2	6.8	7.4	7.8
Real nonresidential construction	(21.2)	(15.8)	4.7	1.8	(0.2)	10.7
Residential construction	(22.5)	(4.6)	(2.1)	4.0	18.4	26.4
Federal government purchases	6.0	4.5	(1.8)	(2.8)	(3.6)	(2.9)
State and local purchases	(0.9)	(1.8)	(2.2)	(2.5)	(0.8)	0.5
Total exports	(9.4)	11.3	6.7	3.5	7.6	8.7
Total imports	(13.6)	12.5	4.7	2.6	3.4	4.1
CPI	(0.3)	1.7	3.2	1.5	1.7	2.1
Core CPI	1.7	1.0	1.7	1.6	1.7	2.1
Nonfarm unit labor costs	(0.7)	(2.0)	1.0	1.1	1.9	1.7
Nonfarm productivity	2.3	4.1	1.0	1.1	1.0	1.5
Exchange rate with major trading partners	4.3	(3.0)	(6.1)	3.8	(2.4)	(1.5)
State and local receipts	0.5	5.7	1.1	1.0	3.8	6.0
State and local outlays (excluding gross investment)	0.7	2.9	2.9	0.4	2.4	5.3

Table 3

Alternative Forecasts - September 2011 (cont.)

(Level)						
Unemployment rate (%)	9.3	9.6	9.0	9.0	8.7	8.0
Payroll employment (Mil.)	130.8	129.8	131.1	132.7	134.8	137.5
Federal funds rate (%)	0.2	0.2	0.1	0.1	0.0	1.2
10-year Treasury note yield (%)	3.3	3.2	2.8	2.3	2.8	3.5
'AAA' bond yield (%)	5.3	4.9	4.6	4.2	4.5	5.1
30-year fixed mortgage rate (%)	5.0	4.7	4.5	4.0	4.3	5.0
Three-month Treasury bill rate (%)	0.2	0.1	0.1	0.0	0.0	1.2
S&P 500 common stock index	947	1,139	1,270	1,329	1,443	1,524
S&P 500 operating earnings ($/share)	56.9	83.8	98.9	105.4	113.4	121.7
Current account balance (Bil. $)	(377)	(471)	(450)	(467)	(435)	(445)
Oil price (WTI, $/barrel))	61.69	79.41	94.32	86.32	103.29	112.09
Household saving rate (%)	5.2	5.3	4.3	3.7	2.8	3.5
Housing starts (Mil.)	0.55	0.58	0.60	0.7	1.0	1.3
Unit sales—light vehicles (Mil.)	10.4	11.6	12.7	13.3	14.8	15.6
Unified federal budget surplus (fiscal year, Bil. $)	(1,416)	(1,294)	(1,296)	(1,047)	(775)	(628)
Recession						
Real GDP	(3.5)	3.0	1.7	(0.2)	0.8	3.1
Consumer spending	(1.9)	2.0	2.2	0.9	0.6	0.8
Equipment investment	(16.0)	14.6	9.9	2.5	3.7	7.5
Real nonresidential construction	(21.2)	(15.8)	4.7	(0.6)	(6.9)	13.1
Residential construction	(22.5)	(4.6)	(2.2)	(5.5)	6.3	21.8
Federal government purchases	6.0	4.5	(1.8)	(2.8)	(3.6)	(3.2)
State and local purchases	(0.9)	(1.8)	(2.3)	(3.1)	(2.0)	(0.3)
Total exports	(9.4)	11.3	6.6	(0.2)	3.7	9.2
Total imports	(13.6)	12.5	4.6	0.1	(1.1)	1.1
CPI	(0.3)	1.7	3.1	0.4	1.7	3.0
Core CPI	1.7	1.0	1.6	1.3	1.4	2.3
Nonfarm unit labor costs	(0.7)	(2.0)	1.0	2.1	1.7	1.0
Nonfarm productivity	2.3	4.1	0.9	(0.0)	0.9	1.5
Exchange rate with major trade partners	4.3	(3.0)	(5.9)	10.1	(8.1)	(4.5)
State and local receipts	0.5	5.7	1.1	(0.6)	2.4	5.9
State and local outlays (excluding gross investment)	0.7	2.9	2.9	(0.4)	1.2	4.6
(Level)						
Unemployment rate (%)	9.3	9.6	9.0	9.6	10.1	9.6
Payroll employment (Mil.)	130.8	129.8	131.1	131.2	131.5	133.2
Federal funds rate (%)	0.2	0.2	0.1	0.1	0.1	0.1
10-year Treasury note yield (%)	3	3	3	2	2	3
'AAA' bond yield (%)	5	5	5	4	5	5
30-year fixed mortgage rate (%)	5	5	4	4	4	5
Three-month Treasury bill rate (%)	0	0	0	0	0	0

Table 3

Alternative Forecasts - September 2011 (cont.)						
S&P 500 common stock index	947	1,139	1,264	1,022	1,106	1,163
S&P 500 operating earnings ($/share)	56.9	83.8	98.3	86.5	83.4	94.8
Current account balance (Bil. $)	(377)	(471)	(448)	(366)	(367)	(423)
Oil price (WTI, $/barrel)	61.69	79.41	94.07	68.51	93.29	119.13
Household saving rate (%)	5.2	5.3	4.3	3.7	2.5	3.2
Housing starts (Mil.)	0.55	0.58	0.60	0.54	0.68	1.00
Unit sales—light vehicles (Mil.)	10.4	11.6	12.7	12.1	13.1	14.1
Unified federal budget surplus (fiscal year, Bil. $)	(1,415.7)	(1,294.2)	(1,295.6)	(1,014.7)	(787.5)	(714.9)
Optimistic						
Real GDP	(3.5)	3.0	1.8	3.5	3.7	4.0
Consumer spending	(1.9)	2.0	2.3	3.0	2.7	3.5
Equipment investment	(16.0)	14.6	10.5	11.3	11.3	9.5
Real nonresidential construction	(21.2)	(15.8)	5.0	4.9	4.9	10.5
Residential construction	(22.5)	(4.6)	(2.0)	15.2	25.0	24.1
Federal government purchases	6.0	4.5	(1.8)	(2.8)	(3.6)	(2.9)
State and local purchases	(0.9)	(1.8)	(2.2)	(2.1)	0.1	0.9
Total exports	(9.4)	11.3	6.8	7.1	10.2	8.0
Total imports	(13.6)	12.5	4.8	4.3	6.6	6.7
CPI	(0.3)	1.7	3.2	2.4	1.5	1.4
Core CPI	1.7	1.0	1.7	2.2	2.0	1.8
Nonfarm unit labor costs	(0.7)	(2.0)	1.0	0.6	1.8	1.5
Nonfarm productivity	2.3	4.1	1.0	1.8	1.2	1.6
Exchange rate with major trade partners	4.3	(3.0)	(6.2)	(2.4)	2.7	2.1
State and local receipts	0.5	5.7	1.2	2.2	4.3	6.0
State and local outlays (excluding gross investment)	0.7	2.9	3.0	1.0	3.2	5.6
(Level)						
Unemployment rate (%)	9.27	9.63	8.96	8.16	7.26	6.28
Payroll employment (Mil.)	131	130	131	134	138	141
Federal funds rate (%)	0.16	0.18	0.10	0.13	1.22	3.29
10-year Treasury note yield (%)	3.3	3.2	2.8	3.4	4.2	4.5
'AAA' bond yield (%)	5.31	4.94	4.65	4.7	5.1	5.4
30-year fixed mortgage rate (%)	5.0	4.7	4.5	4.8	5.5	5.9
Three-month Treasury bill rate (%)	0	0	0	0	1	3
S&P 500 common stock index	947	1,139	1,273	1,426	1,457	1,571
S&P 500 operating earnings ($/share)	56.86	83.77	99.35	122.50	140.48	145.16
Current account balance (Bil. $)	(376.6)	(470.9)	(454.0)	(556.6)	(509.8)	(515.7)
Oil price (WTI, $/barrel)	61.69	79.41	95.25	96.15	105.29	108.50
Household saving rate (%)	5.2	5.3	4.3	3.7	3.1	3.9
Housing starts (Mil.)	0.55	0.58	0.60	0.85	1.22	1.59
Unit sales—light vehicles (Mil.)	10.40	11.55	12.76	14.57	16.09	16.78
Unified federal budget surplus (fiscal year, Bil. $)	(1,415.7)	(1,275.1)	(1,295.6)	(1,053.6)	(718.0)	(568.1)

e--Estimate.

If Sclerosis Sets In?

The real worry is that the U.S. economy loses more steam than it does in our pessimistic scenario. The parallels between the U.S. today and Japan at the beginning of the 1990s are too close for comfort. In both cases, heavy capital losses from property loans constrained the banking system. In Japan, the losses were heavier in commercial property loans, but later, residential prices dropped sharply as well. Nonperforming loans reduced the banks' capital, which limited their ability to lend, despite the central bank's injection of liquidity into the system, which lowered the base interest rate to 0% by 1998. The result was economic stagnation, with growth averaging 0.8% between 1992 and 2002. Home prices remain 35% below their peak, and the Nikkei stock index is still trading at one-fourth its level of 20 years ago.

However, some fears did not materialize in Japan during that decade. Inflation was not a problem, despite the Bank of Japan's liquidity injections. Rather, the problem through the period was deflation: the CPI dropped an average 0.1% a year from 1995 to 2005. Unemployment remained low (averaging less than 5%) because the weak investment slowed productivity growth, and the demographics created slower growth in the labor force. In addition, infrastructure programs resulted in higher employment, though with little impact on growth.

Could the U.S. replicate Japan's dour experience? The problems are similar, and the hope is that the Federal Reserve and the U.S. government have learned from Japan's mistakes. Due to the Bank of Japan's focus on inflation, rather than deflation, well into the 1990s, it was too slow to shift to a more expansive monetary policy. The Bank of Japan and the government delayed addressing the toxic loans at the commercial banks in the hope that the banks will grow out of their constraints. Instead, the constraints prevented growth. The government used fiscal stimulus--especially infrastructure spending--repeatedly, resulting in a rise in government debt to 150% of GDP and the loss of the 'AAA' rating on its bonds. However, the stimulus never succeeded in creating growth beyond what the expenditures themselves caused.

Despite the similarities in economic malaise of both countries, there are also differences. Japanese consumers reacted to weak growth and the loss of wealth by sharply increasing their saving rate, pushing the country into a classic Keynesian liquidity trap. Americans so far don't seem to be letting prudence get in the way of spending to the extent that Japanese consumers retrenched. The more open U.S. financial markets should permit a quicker resolution of the problem, though political populism could still prevent the needed fixes. The approach of the baby boomers to retirement will cut growth in the labor force, though not as sharply as in Japan in the 1990s.

The U.S. also faces dangers that were absent in Japan. U.S. reliance on foreign capital exposes its financial markets to greater risk than in Japan, which was a major capital exporter. The low U.S. saving rate has both positive and negative implications for the outlook, especially given the retirement needs of the baby boomers. Out-of-control health care costs are imposing a fiscal risk on the U.S., which wasn't apparent in Japan in the early 1990s.

We are not putting numbers to this scenario. It is a longer-term problem than our usual five-year economic projection, but the risk does exist.

Table 4

The Outline Of Stagnation

(Average, 2010-2020)

	Baseline	Stagnation
(% change)		
Nominal GDP	4.5	1.3
Real GDP	2.5	1.5
CPI	1.9	(0.3)
Nonfarm productivity	1.6	0.6
Level (%)		
Unemployment rate	7.2	8
Fed funds rate	2.6	0.2
10-year Treasury yield	4.1	2.0
Level in 2020		
S&P 500	2,073	1,250

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THE WALL STREET JOURNAL.

Friday's Markets
Stock Rebound Is a Crisis Flashback --- Late Surge Recalls Market's Volatility at Peak of Credit Difficulties; Unusual Correlations

By Mark Gongloff
618 words
6 February 2010
The Wall Street Journal
J
B1
English
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Stocks pulled out of 167-point hole with **a** late rally Friday, capping **a** wild week reminiscent of the most volatile days of the credit **crisis.**

The Dow Jones Industrial Average staged **a** round-trip through 10000, falling to 9835.09 before rallying in the last hour to close up 10.05 points at 10012.23. For the week, the Dow fell 55.10 points. That number hardly does justice to **a** week that saw three triple-digit Dow moves, including Thursday's nearly 3% drop, as investors swung between anxiety and relief about the implications of Greece's debt woes.

The Chicago Board Options Exchange's Volatility Index, or VIX, has surged nearly 22% since Tuesday. The VIX **is** often called the "fear index" because it tracks expected **stock** volatility.

On Wednesday and Thursday, investors had stampeded out of risky assets like stocks and commodities like oil and copper. The euro tumbled and Treasurys and the dollar advanced.

It was **a** return to the unusual relationships, or correlations, seen at major flash points over the past two years when investors fled risky assets and jumped into safe havens.

This market behavior, which has reasserted itself repeatedly since the financial **crisis** began, suggests that investment decisions are still being driven more by government support and liquidity concerns than market fundamentals.

The euro fell to $1.37, its lowest level against the dollar since last May. The dollar's recent strength suggests some unwinding of the "carry trade," in which investors borrow in low-yielding dollars to buy higher-yielding assets elsewhere.

Gold prices recovered along with stocks after briefly falling to their lowest levels since last November. Gold **is** typically seen as **a** safe haven, but has traded more like **a** risky asset recently. **A** flood of government liquidity around the world has raised inflation worries and encouraged investors to buy any asset that promises **a** better return than zero-yielding cash.

Since Jan. 11, stocks and gold have moved in the same direction 80% of the time, according to research firm Macro Risk Advisors, up from just 11% between April and August of last year, when stocks enjoyed perhaps their strongest rally.

There has been no sign of **a** panic. Short-dated Treasury bills were basically flat on the week, as were overnight bank lending rates. At past **crisis** points, T-bill rates have turned negative and bank-lending rates have soared.

The risk of Greece or other European nations defaulting seems remote. But their troubles suggest that, after propping up financial markets for the past year, governments around the world might have reached the limits of their ability to help.

China has started tapping the brakes on its runaway growth, and the Federal Reserve **is** planning to end its extraordinary liquidity measures soon.

The recent market reaction to these developments suggests doubt that the economy will be strong enough

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on its own to merit the strong rally in risky financial assets that government intervention sparked last year.

"The bailout of the private sector **is** now weighing down the public sector in **a** way we find frightening because there are not **a** lot of alternatives in the private sector," said Dean Curnutt, president of Macro Risk Advisors.

It **is** unusual for markets to be as highly correlated, or as volatile, as they have recently.

But, absent greater government support, until there are more signs of **a** self-sustaining economic recovery, some analysts suggested riskier assets could continue to suffer, Friday's late rally notwithstanding.

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THE WALL STREET JOURNAL.

Stocks Nose-Dive Amid Global Fears --- Weak Outlook, Government Debt Worries Drive Dow's Biggest Point Drop Since '08

By Tom Lauricella
1,127 words
5 August 2011
The Wall Street Journal
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The Wall Street Journal - Print and Online
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Stocks spiraled downward Thursday as investors buckled under the strain of the global economic slowdown and the failure of policy makers to stabilize financial markets.

The selling began in Europe and continued in the U.S., where stocks plunged from the opening bell. The Dow Jones Industrial Average posted its worst point drop since the financial crisis in December 2008, falling 512.76 points, or 4.31%, to 11383.68. Oil and other commodities were also hammered. Even gold was a safe haven no more as prices fell. Asian markets slid on Friday morning, with benchmark indexes in Tokyo, Australia, South Korea and Hong Kong all falling more than 3% by midday.

"It was an absolute bloodbath," said John Richards, head of strategy at RBS Global Banking & Markets.

There was no one single catalyst for the downdraft, traders said. Rather it reflected multiple concerns that have mounted over the past month and came to a head this week. Worries about a U.S. default, settled by a last-minute fix to lift the country's debt limit on Tuesday, have given way to broader fears about the failing health of the domestic economy. That will lead to close scrutiny of Friday's jobs report.

Investors are also questioning how much longer the recent run of strong corporate earnings can continue. Amid other troubles, corporate profits have been a rare bright spot.

In Europe, leaders are grappling with a widening debt crisis, which started in Greece and spread to Italy and Spain. An earlier bailout of Greece now appears insufficient. There are growing concerns about European banks and their heavy investments in the debt of countries with big fiscal problems.

The nervousness among investors is being reflected in the extraordinary rally in U.S. Treasury bonds, regarded as a safe haven for investors in times of turmoil. The yield on the 10-year Treasury note, which falls as prices rise, tumbled to just 2.46% at 3 p.m. Thursday, the lowest since October of last year.

The carnage in stocks was the Dow's ninth down session in the past 10. With losses totaling 11.1% from its 2011 high hit in April, the index has entered official "correction" territory.

The Dow's decline was its biggest point drop since the market was plunging amid a crisis of confidence in banks in late 2008. On Thursday, the focus has shifted to world governments, which are laboring under mountains of debt and have diminished ability to prop up the financial system.

"I'm just sorry to see my retirement going to hell," said Robert Slocomb, an 82-year old retired Kodak optical engineer in Rochester, N.Y. Mr. Slocomb blamed the government's handling of the economy for the stock market's woes.

In the first half hour of trading Thursday the Dow lost 1.3% and by noon the widely followed benchmark was down more than 2.7%. Most of the selling appeared to be from longer-term stock investors, rather than hedge funds, which have mostly been in a defensive mode for the last several months.

For a time during the afternoon stocks stabilized with traders wondering if bargain hunters had come on the scene. But the selloff soon resumed.

Wall Street firms had little appetite for holding stocks and other riskier investments on their books, and their

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traders dumped stocks into the closing bell. The Dow lost more than 155 points in the last hour of trading.

Some traders said the plunge put the market more in sync with the state of the U.S. economy. "The market sold off 500 points, it's not a crash, it's a small correction," said Stephen Holden, a floor trader at the new York Stock Exchange. "It's overdue . . . I think there's more to go."

Volume on stock exchanges has spiked in recent days, a sign that more investors are piling into selling. For much of the year, volume had been weak as many investors stood on the sidelines. Some 7.5 billion shares changed hands in NYSE composite trading, the highest since May of last year, when investors were also fretting about European debt and the U.S. economy.

The Chicago Board Options Exchange Volatility Index, known as the "fear gauge," broke above 30 for the first time since March 16, rising 35% to 31.66. A higher reading suggests increased volatility in markets, and nervousness among investors. Still, that's a far cry from the depths of the 2008 crisis, when the so-called VIX almost reached 100.

Investors have grown frustrated with efforts by policy makers to deal with the challenges posed by big overhangs of government and consumer debt. "Their solutions are too late and no one is taking a longer-term, more-considered approach to problems," said Benjamin Segal, head of global equities at asset manager Neuberger Berman.

In the U.S., investors fear the economy could be heading for a double-dip recession. The Federal Reserve is seen as limited in its ability to provide yet another shot in the arm. Interest rates are already essentially at zero and two rounds of quantitative easing, in which the Fed pumped $2.3 trillion into the financial markets, failed to get the U.S. economy strong enough to stand on its own. Meanwhile, given the push to trim deficits, significant economic stimulus from the U.S. government is seen as unlikely. "You look at monetary and fiscal policy and it's very hard to find a powerful lever that somebody can pull," said Mr. Richards of RBS.

Investors have been equally underwhelmed by the official response to the European debt crisis. That was the case on Thursday when the European Central Bank outlined steps to shore up confidence in European banks in the face of deteriorating conditions in the bond market.

The ECB also conducted purchases of bonds, traders said, but that may have backfired. Traders said the ECB bought Irish and Portuguese bonds, but didn't appear to buy bonds from Italy or Spain, countries which are seen as most at risk from the spreading crisis.

The ECB's efforts came on the heels of the steps by the Swiss National Bank and Bank of Japan to halt the rise of the Swiss franc and Japanese yen, respectively. Investors weren't convinced that either moves will have much long-term success. "There's the idea that they are pushing against a string," says Robert Lynch, head of currency strategy for the Americas at HSBC.

Jonathan Cheng contributed to this article.

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FIDELITY VIEWPOINTS

MARKET AND ECONOMIC INSIGHTS

2012 markets: Expect ups and downs

By Jurrien Timmer, Co-Manager of Fidelity® Global Strategies Fund, Fidelity Viewpoints

Consider U.S. stocks, high-yield corporate, and floating-rate high-income bonds.

It's been quite a year, one of violent mood swings but little overall direction. We seem to be in a time warp where everything happens faster and faster. Everything seems to be correlated. There are very few places to hide, and even those places don't feel like good options anymore.

My expectation is that 2012 will offer more of the same, with significant ups and downs driven by three major factors: Europe, China, and the U.S. economy. Let's take these one by one.

Europe: waiting for the end game

The sovereign debt crisis in the eurozone remains at the epicenter of the financial markets, and until we get to the end game I don't see any reason why this would change.

There are two separate but interconnecting issues in Europe. The one making most of the headlines is the sovereign debt crisis. Simply put, the countries in peripheral Europe have too much debt, are too uncompetitive to grow their way out of that debt, and do not have their own currency and monetary policy to inflate their way out. They are stuck in a vise, which is why sovereign debt spreads have widened so much over the past two years and why the contagion has spread far and wide. In a perverse way, I think the fiscal austerity that has been imposed onto the periphery may only be making matters worse, because it is by definition contractionary. It's difficult to reduce your debt-to-GDP ratio when the denominator is shrinking.

The other issue concerns Europe's banks, many of which are undercapitalized and overleveraged. Europe's banks are getting hit from two sides. They are facing stricter capital ratios in 2012 and some banks have lost part of their funding as a result of deposit flight or an inability to sell short-term paper to institutional investors. The result is that these banks either need to raise capital or sell assets in order to bring their leverage down. Raising capital is difficult in a distressed market—unless the capital comes from a TARP-like (Troubled Asset Relief Program) structure, so many banks have sold assets instead. This was at least in part responsible for the recent severe selloff in risk assets. By some Wall Street estimates, Europe's banks need to shed between €2 trillion and €3 trillion ($2.6 trillion and $3.9 trillion) worth of assets, creating a credit crunch and contributing to an already bleak economic picture. The only question seems to be how fast and how much.

In my view, there are three possible outcomes for the eurozone:

The best-case scenario is complete fiscal integration, sort of like a United States of Europe, wherein a central fiscal authority has the power to tax and create laws, as well as to issue euro bonds. The main problem with the euro when it was launched some 12 years ago was that it created a monetary union without a fiscal union, and full fiscal integration would finally correct that shortcoming. Ideally, this fiscal integration would also be accompanied by aggressive monetary accommodation, similar to the Fed in 2009 and 2010. That would offset the bank deleveraging and ensure that sovereign yields stay low enough for countries to roll over their debt.

The worst-case scenario is that Europe would go through a messy divorce, resulting in a breakup of the euro, as the result either of weaker members leaving or perhaps of Germany leaving. Needless to say, this would be a catastrophic outcome and the policymakers know it. Hopefully this knowledge would make it an extremely unlikely outcome.

Perhaps the most likely scenario would be a continuation of the muddle-through approach, with occasional policy fixes induced by bouts of market volatility. Eventually, I suspect we would get to the "promised land" of fiscal integration and quantitative easing (QE), but my fear is that we would only get there slowly and only after markets force the hand of the policymakers.

To their credit, eurozone policymakers have accomplished a lot already. Politicians are finally speaking with one voice and seem to be getting closer to fiscal union than ever before.

As for the European Central Bank (ECB), one could argue that it is already doing QE. The ECB has expanded its balance sheet by some €500 billion ($654 billion) over the past six months, for a growth rate approaching 30%.[1] That's quite something. It has cut rates twice in the past few months, although that is only undoing the rate hikes instituted earlier this year. And even though its purchases of Italian and Spanish debt through its SMP (secondary market program) are "sterilized" (which means that the ECB is draining liquidity in an amount equal to the bonds it is buying), one has to wonder if that will work. After all, the short-term securities that it is tendering to offset SMP can just be repo'd (lent) back to the ECB, creating essentially unlimited liquidity for banks. And the size of these purchases is hardly trivial. The ECB has purchased some €130 billion ($170 billion) in debt just since August. On top of all this, the ECB is now extending the term for its LTRO (long-term repo) program to three years and is relaxing the collateral requirements for this program.

All in all, the ECB is being quite aggressive, and has taken a lot of steps to ensure that there will be no bank failures and that Italy and Spain are not going to see their yields rise too much higher from here. This is good news, for it likely removes the potential for two Lehman-like events from happening: a bank failure and a sovereign default. That leaves only a breakup of the euro as a possible "tape bomb," Wall Street's name for unexpected news, but I suspect that policymakers would do whatever it took to prevent that from happening.

All in all, progress is being made, but it takes time, and the markets are impatient. They want more now. I am less worried today about a bank

failing or a sovereign defaulting; I see the bigger issue in Europe being the deleveraging of bank balance sheets and the impact that could have on the economy and the financial markets.

China: a wild card

China almost single-handedly saved the day back in 2009, when it embarked on a massive fiscal stimulus program (although TARP and QE helped, of course). That created a surge in global economic growth, and with it the global stock markets as well as other risk assets like commodities and emerging market currencies.

But did they overdo it? The price to be paid for that growth was higher inflation, an overheating property market, and potentially some questionable lending practices. The issue in China is that the boom since 2009 has been fueled mostly by bank lending and rising property values. As bank lending surged, so did the growth in the money supply. Eventually, inflation followed.

When the central government took steps to rein in that lending in order to bring down inflation, the effect was that many small to medium enterprises (SMEs) got crowded out of this traditional lending channel. As a result, many of them turned to the unregulated shadow banking system for loans, often at very high rates of interest (sometimes as high as 6% per month).

All this seemed manageable as long as economic growth remained high, at around 10%. After all, growth can get you out of almost any kind of jam. But now China's economy is slowing and that raises the risk that some of these loans would go bad. This is especially true if property values start to decline, as they appear to be doing.

The good news is that inflation has rolled over. The CPI peaked at 6.7% a few months ago and is now down to 4.2%. This has given Chinese policymakers some breathing room to lower the reserve requirement ratio (RRR) from 21.5% to 21.0%. That is still high, so it is premature to call this a policy easing (more like less tightening), but it is a step in the right direction.

It remains to be seen to what degree the Chinese economy will slow and to what lengths the government will go to stimulate the economy if things slow down too much. Beijing could continue to lower the RRR rate, which is still very high, at 21%. It could increase bank lending quotas or even recapitalize the banks if nonperforming loans (NPLs) become a problem. It could loosen the property restrictions that have been in place for most of the year. It seems that China has quite a few levers it can pull to reinflate its economy if push comes to shove. However, my sense is that the Chinese government realizes that it overstimulated the economy in 2009 and that it created too much of a credit boom and too much inflation, so perhaps it may be more cautious in the future when it comes to reflating.

I really don't want to bet against China. It's a command economy, and Beijing has the resources to reflate the way it did in 2009. Perhaps Beijing could achieve a soft landing and growth will only slow to 8% or so. Perhaps they can hit the "on" button as easily as they hit the "off" button. But the risk is that without robust economic growth, the credit/property boom could come unglued and that we get a classic emerging market-style credit bust. We have seen these cycles play out many times in the past,

and they usually don't end well. A credit bust could have serious repercussions for commodity prices, emerging markets as an asset class, and even corporate earnings in the United States. If all this happens at the same time that eurozone banks are selling assets (many of which are in the emerging markets), then 2012 could be a very painful year.

United States: modest but positive growth

Not everything is bad, however. The U.S. economy has held up quite well, and there are a few signs that things are rolling over. Economic growth is around 2%, jobless claims are below 400,000, the unemployment rate has fallen to 8.6%, retail sales have been OK, and inflation is low. That's nothing to write home about in an absolute sense but it surely is better than the situation in Europe.

Meanwhile, the Citigroup Economic Surprise Index (CESI) has reached one of the highest readings ever, which means that economic data are coming in better than expected. It was only a few months ago that this series was at disturbingly low levels. Bank lending growth is pretty strong, at 10%, and consumer confidence has shot up in recent weeks. Company earnings continue to come in strong, and if you believe S&P 500® Index earnings estimates for next year (of over $100/share), then valuations are very reasonable in the low teens. It is no wonder that the U.S. stock market has significantly outperformed both non-U.S. developed and emerging market stocks.[2]

That doesn't mean that the United States is out of the woods over the longer term, however. The economy continues to be burdened by stiff structural headwinds, including worsening demographics, high deficits and debt-to-GDP ratio, household delevering, structural unemployment, austerity at the state and local government level, income inequality, and a political system that seems unwilling to tackle the issue of America's deficits and unfunded liabilities. Seventy-eight million baby boomers are out there and when they retire they'll be looking for their benefits.

On top of that, the weak housing market continues to hold back the economic recovery. Housing is an important part of the story, and policymakers know it. This is why I think that the Fed may well do a QE3 early next year in the form of mortgage securities. Eventually the housing market can recover, as demand catches up to supply, and when it does it should contribute meaningfully to the country's economic prospects.

I suspect more of the same in 2012: modest but positive growth of around 2%, with the unemployment rate perhaps falling to 8% or so, but against a structural environment of unresolved challenges and below-trend growth — at least until the next presidential election.

What to expect? What to do?

It's a tough call, but the above analysis suggests it could be more of the same, with stocks generally making little headway. Occasionally there may be breakthroughs in Europe which could trigger rallies, but then the contagion of bank deleveraging could set in again, while China continues to slow.

In this scenario U.S. stocks could be expected to outperform Europe and emerging markets, as they did in 2011. The dollar could strengthen further and commodity prices could weaken if China slows

down. Crude oil could remain firm, however, due to rising tensions in the Middle East.

Emerging markets generally look compelling given their relatively high growth rates and reasonable valuations, as well as their steadily improving credit rating (especially relative to developed markets). But at the same time, they are caught up in the deleveraging spiral taking place in Europe (the eurozone banks are involved in emerging markets and might choose to sell assets there). So, at this point, the secular bull case for emerging markets is at odds with the cyclical wave of liquidity contraction. That means that we may have to be patient when looking to invest in either emerging market stocks or debt (especially local currency debt). The same applies to commodities as an asset class: a secular bull story temporarily offset by adverse liquidity conditions.

Gold is a tough one. The challenge is that it can behave like a risk asset one day and a safety asset the next. Think of it as a "golden triangle," with gold in one corner, Treasuries in another, and stocks in the third. Sometimes it behaves like one, and then all of a sudden it flips to the other. This is a challenge because it is hard enough to figure out where the markets are going, let alone what correlations are going to do. My conviction remains high that over the long term, gold can be a better store of value than government bonds or cash, but over the near term the asset class can get caught up in the liquidity vise the same way emerging markets do. One only needs to look at the negative lease rates on gold—holders of physical gold actually have to pay to lend out their gold. That's how tight liquidity is right now.

If stocks don't offer much upside, and commodities, emerging markets, and gold are trapped in the negative liquidity spiral, what may actually look good? Treasuries? They have been the port in the storm, no question, but at these levels there seems to be only limited upside potential. That's just the way the math works at low rates. And there is plenty of downside risk should yields rise meaningfully. Treasuries may at best be a place to park your money, and perhaps that is more than enough reason to invest in them, but at these low yields I would prefer some cash even though short-term rates are below the inflation rate.

One area that looks very interesting to me is U.S. credit, namely high-yield corporate debt and bank loans (floating-rate high income). Both these asset classes appear cheap relative to the fundamentals of a decent U.S. economy and strong corporate balance sheets. They have been the victim of distressed selling since the summer (again those European banks shedding assets), and distressed selling can create opportunities. Bank loans are trading at 92 cents on the dollar (and are expected to mature at par in four or five years) and high-yield bonds are yielding 750 basis points over Treasuries. That's probably one of the best risk-return propositions out there, as long as the U.S. economy doesn't fall off a cliff—which I don't expect. U.S. credit may well be a more appealing asset class than stocks at this point, given the high earnings expectations and record profit margins of the latter.

In conclusion

The world we live in today is one in which the outcome lies in the hands of policymakers in Brussels, Beijing, and Washington. Policymakers in Europe and elsewhere seem to "get it" now, and more and more central banks are easing, including the ECB, Bank of England, Bank of Japan, People's Bank of China, and perhaps soon also the Fed. That suggests that the

deflation-reflation rollercoaster described last month in Viewpoints is turning for the better. The big question is whether this central bank easing will be fast enough and big enough to offset the ongoing deleveraging by eurozone banks. That will be one of the main themes for 2012.

But make no mistake about it, this has been a macro all-in or all-out environment, and as long as these structural imbalances persist, I suspect that it will stay that way. That suggests more time compression, high correlations, and large market swings. So, if there is one thing I feel comfortable predicting with confidence for 2012, it is to expect more volatility.

Next steps

- Call a Fidelity representative discuss your investment strategy.

Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

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In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. Lower-quality debt securities generally offer higher yields, but also involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

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ETFs may trade at a discount to their NAV and are subject to the market fluctuations of their underlying investments.

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The MSCI® Emerging Markets (EM) Free Index is a market capitalization–weighted index of more than 850 stocks traded in 22 world markets.

Portfolio Review is an educational tool.

[1]European Central Bank, Haver Analytics. 12/16/11.

[2]Year to date returns for S&P 500, the Morgan Stanley Capital International Europe, Australasia, and Far East, and the MSCI Emerging Markets (EM) Free Index.

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MOODY'S
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INDUSTRY OUTLOOK

Six-Month Update

U.S. Electric Utilities Stable But Face Increasing Regulatory Uncertainty

The outlook for the U.S. investor-owned electric utility sector is stable. This outlook expresses Moody's expectations for the fundamental credit conditions in the industry over the next 12 to 18 months.

» Near-term liquidity for U.S. investor-owned electric utilities appears adequate. Capital markets remain accessible, especially for regulated utilities in the A-ratings category that issue secured debt.

» Maintaining capital markets access is critical given pending expirations of credit facilities and sizeable capital investment plans, which are expected to be financed primarily with debt.

» The sector's financial profile has remained relatively stable over the past few years, even as the recession reduced electric demand and the financial market crisis temporarily limited access to capital for many non-regulated industrial companies.

» Most electric utilities enjoy strong relationships with their regulators - a key ratings driver - which helps secure timely recovery of prudently incurred costs and investments.

» We remain concerned, however, that consumers will eventually resist steadily rising rates related to higher operating and capital investment costs. High unemployment and the slow economic recovery could exacerbate this issue. Consumer resistance is likely to trigger significant regulatory or political intervention.

» A rising threat of intervention, along with the potential for new environmental mandates, will continue to make it challenging for utilities to implement long-term capital investment decisions. Consequently, in this environment, utilities appear to be seeking only a minimum amount of financial recovery upfront to mitigate potential rate shock on consumers.

Table of Contents:

OVERVIEW 2
KEY TRENDS AND RATING IMPLICATIONS 3
Supportive regulatory relationships remain intact – with some exceptions 3
New environmental mandates represent a material risk factor 4
Long-term utility resource plans pressured by economic turmoil 5
Financial stability supports today's risk profile 5
SUB-SECTOR CREDIT OUTLOOK DISCUSSION 7
Parent Holding Companies 7
Transmission and Distribution Utilities 9
Natural Gas Local Distribution Companies 10
Not-for-Profit Generation and Transmission Cooperatives 11
Affiliated Unregulated Power Companies 12
Unregulated Power Companies 13
CONCLUSION 14
APPENDICES – SELECT FINANCIAL DATA BY SUBSECTOR 16
MOODY'S RELATED RESEARCH 28

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Overview

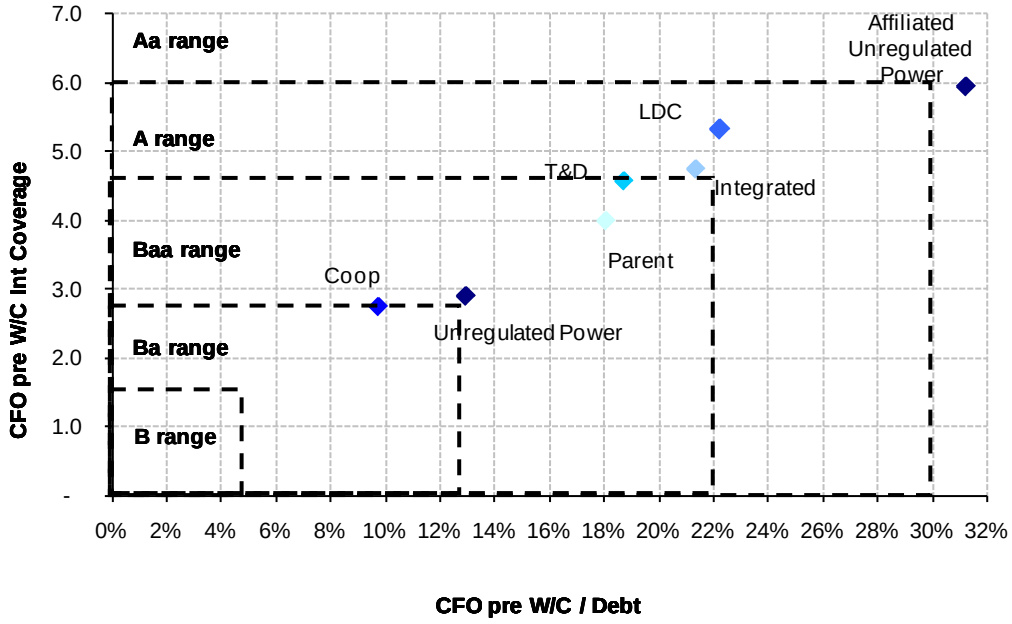
Moody's outlook for the U.S. investor-owned electric utility sector remains stable, thanks to sufficient liquidity; open access to capital markets; a well-established regulatory process that yields more predictable cash flows than some industrial sectors; and generally strong relationships with regulators that facilitate reasonable and timely cost recovery. Utilities provide an essential service and enjoy a monopoly status in their designated service territories, which means they'll always be needed (although we observe that the ownership and capital structures can vary widely). Today, the industry remains well-positioned within the investment grade rating category.

Figure 1 below compares various sub-sectors within the broader utility sector. We use the five-year historical (2005 – 2009) financial credit metrics and plot them on the graph by rating category range[1]. Separate rating methodologies exist for not-for-profit generation and transmission cooperatives[2], and the unregulated power companies. For illustrative purposes, in the chart below we plot all of our sub-sectors using the financial metric rating parameters for regulated electric and gas utilities.

FIGURE 1

All Sector - 5 Yr Average

(Regulated Methodology Mapping)



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Despite steadily increasing operating and capital investment costs, state and federal policy makers are encouraging the sector's roughly $1 trillion electric infrastructure to become less carbon-intensive and more efficient. From a credit perspective, our principal concern is the ability of end-use consumers to absorb the increased costs associated with such a transition. We believe residential consumers will bear the largest share of any projected cost increases, followed by small commercial consumers and finally, large industrial customers.

[1] These ranges are discussed in more detail in our Rating Methodology for Regulated Electric and Gas Utilities, which was published in August 2009.

[2] See Related Research at the back of this report for a link to other Rating Methodologies.

Not all projected rate increases are problematic and many utilities should be able to raise rates modestly over the near term horizon. We are more concerned with the evidence that points to steadily rising rates over the longer-term horizon (for example, utilities pursuing new nuclear development programs).

Should retail consumers eventually reach their inflection point – where they will no longer tolerate electric rate increases – their vocal objections and complaints could pressure politicians, and ultimately regulators, to intervene in some fashion. The likely scenario would be a reduction in the level of costs and investments utilities recover through rates, or a more contentious relationship with the regulators. Both would be a material credit negative.

Potential U.S. pollution-reduction policies could exacerbate this scenario. Utilities, and their boards of directors, continue to find it challenging to make long-term capital investment decisions amid the uncertainty surrounding stricter environmental mandates. In addition, the higher costs associated with renewable sources of generation, compounded by various state mandated renewable portfolio standards, contribute to this challenge, given their currently higher cost structure. As a result, we believe utilities will shy towards taking only incremental baby-steps, as opposed to broad sweeping strategic changes, that could add to the transition costs and introduce future liabilities around prudency.

We do, however, see most regulators working with utilities in a reasonably constructive manner to develop numerous pre-approval and upfront recovery structures, in an effort to limit regulatory-recovery delays and mitigate future prudency risks. We also see an increase in various mechanisms for isolating specific costs through trackers, a credit positive. The stronger a utility's suite of predictable and timely cost-recovery provisions, the more a company can increase its leverage and still maintain a given rating.

We believe the sector needs leadership from legislators, regulators and utility boards of directors. We see a need for long-term policy solutions that address competing priorities surrounding the country's energy infrastructure and its economic, environmental and national security agendas. A national framework would provide more support to the sector's credit rating than the patchwork of regulation that's developing on a state and regional basis. This piecemeal approach poses legal risks for utilities with operations in multiple states.

We are encouraged, however, that the sector changes relatively slowly, giving utilities time to adjust their corporate finance policies to new rules. But, if the sector's overall business and operating risk profile increases significantly (i.e., due to a more contentious regulatory relationship, substantially higher capital expenditure needs related to increasingly stringent environmental mandates, an interruption in capital market accessibility, or broad scale technological changes that materially alter the current business model), the sector's financial profile would likely be viewed as too weak to support today's current ratings.

On the other hand, should regulators allow a range of recovery structures that are as consistent and predictable as those in some international jurisdictions, such as Japan, we would likely upgrade the sector, assuming its financial profile remained the same. Alternatively, under this improved regulatory recovery scenario, the sector could conceivably increase its leverage, thereby lowering the magnitude of future rate increases and still maintain its current rating.

Key trends and Rating Implications

Supportive regulatory relationships remain intact – with some exceptions

Maintaining supportive relationships with state regulators is critical to the sector's credit rating stability. We believe most utilities today enjoy healthy regulatory relationships, which help to ensure that prudently incurred costs and investments will receive timely recovery with a reasonable return. Additionally, we believe state regulatory authorities would prefer to oversee financially healthy utilities.

Recent regulatory decisions and settlements suggest close collaboration between utilities, regulators and major consumer groups. Many of these settlement provisions include a multi-year base rate increase with certain one-time credits or deferrals in the front years to mitigate the near-term price impact on consumers. But we question how long this scenario might last. A utility's ability to provide these one-time deferrals depends on the availability of funds. We also remain concerned that many of the recent rate increases were reduced (on a net basis) due to relatively (or unusually) low commodity and purchased power costs. The costs for commodities that fuel power plants, such as coal and natural gas, are typically passed through to consumers without any profit margin for the utility. When these commodity prices rise, the impact of the increased costs on consumers or on a utility's liquidity profile, could be dramatic.

Our primary regulatory-related concerns center around a potential breach of consumers' ultimate inflection point – the point at which they object to steadily rising electric rates. Rising fuel and purchase power expenses will clearly push rates higher, but utilities won't benefit financially from these pass-through costs (an asymmetrical exposure). We believe industrial consumer groups understand this issue better than both small commercial groups and residential consumers, who focus more on the total costs they're paying, not on the composition of rates.

Additionally, we incorporate a view that most utilities are likely to seek more frequent rate increases to cover the costs of upgrading generation and transmission equipment, implementing energy efficiency programs or procuring renewable energy supplies. Utilities are also asking regulators to allow upfront recovery of certain mandated investment costs, sometimes before the actual expenditures are made and before the assets are deemed "used and useful" from a traditional regulatory perspective. Vigorous complaints about rate hikes from consumers, struggling amid the weak economy and persistently high unemployment rates, could push politicians and regulators to find mechanisms that limit or defer recovery.

Given this uncertainty, we believe some utilities will be inclined to make only incremental infrastructure investments as opposed to broad, strategically-shifting efforts. Such steps may not prove to be the most cost-effective over the long-term for consumers, however.

We have also observed some evidence of weakened relationships between utilities and regulators. The most compelling case is the recent experience in Florida for Florida Power & Light Co. (A2 senior unsecured/stable outlook) and Florida Progress (Baa1 senior unsecured/stable outlook). Other examples include Ameren (Baa3 senior unsecured/stable outlook) in Illinois and Baltimore Gas & Electric (Baa2 senior unsecured/positive outlook) in Maryland.

Nevertheless, the perception of diminished support cannot be attributed solely to state regulators. Instead, we attribute equal responsibility to utilities who, one could argue, may not have fully contemplated the potential ramifications of their requests in recent rate cases. We believe one of the

principal core competencies of utilities is successfully managing their regulatory relationships and rate case filings. If rate proceedings go awry unexpectedly, a large portion of the responsibility needs to reside with management.

New environmental mandates represent a material risk factor

Stricter environmental mandates, including potential carbon dioxide emission restrictions, are a material risk factor for the sector. The Environmental Protection Agency (EPA) recently issued its new Clean Air Transport Rule (CATR), which is viewed as more stringent and is scheduled to take effect sooner than the original Clean Air Interstate Rule (CAIR). The EPA is also expected in early 2011 to issue new regulations concerning hazardous air pollutants (HAP), primarily resulting from coal-fired electric generating facilities. While these regulations may not take full effect for some time, we expect the sector to conduct a rigorous analysis of its generation supplies. We believe numerous coal-fired power plants (especially those that are more than 30-years old or have generating capacities below 500 megawatts) will be closed or mothballed over the next few years. Others may be retrofitted to burn natural gas, while still others may require substantial investment in coming years to comply with the more stringent regulations. As a result, capital expenditure projections for the sector may increase significantly over the next few years, all else being equal.

Long-term utility resource plans pressured by economic turmoil

The electric utility industry generally believes power demand will continue to grow, based in part on projections that gross domestic product will continue to rise. The sector's comprehensive plans to meet future power demand - which are often reviewed with state regulators - reflect the need to build more generation, transmission and distribution assets whose capital investments and operating costs can be recovered through the traditional consumer rate base or through new cost-tracker mechanisms.

Nevertheless, a number of factors could depress energy demand, and affect the sector's long-term capital investment decisions. If reduced electricity sales volumes weaken the sector's financial credit metrics, we could take a negative view of the industry. The two most significant factors that can impact sales volume projections include:

- **Economic recovery**: Moody's economists believe any recovery will be slow and tepid in the U.S. Recovery may vary by region but we're especially concerned with utilities that are more heavily exposed to manufacturing demand, such as those in the Midwest and Southeast. A weak recovery, or the emergence of double-dip recessionary pressures, could keep demand low and limit utilities' sales volumes and profits.
- **Energy efficiency and conservation efforts:** We believe energy efficiency and conservation programs are among the more effective ways to slash power consumption and limit the sector's carbon dioxide emissions. These reductions would also limit the sector's growth and capital investment plans.

Utility boards of directors find it increasingly challenging to make long-term, strategic capital investment decisions amid regulatory uncertainty, (i.e., regarding environmental mandates) and uncertainties over long-term power demand forecasts. These uncertainties could increase the business and operating risk profile for utilities and impair their credit quality. Utilities could take steps to materially strengthen their balance sheets and bolster their liquidity profiles in an effort to offset these risks. But few, if any, are making such moves.

Financial stability supports today's risk profile

The sector continues to enjoy liberal access to both debt and equity capital markets. Credit availability also remains open, although costs for multi-year, syndicated revolvers and other credit facilities are higher than pre-crisis levels. Market access is critical as the industry faces significant amounts of credit facility expirations over the next 18 to 24 months. We estimate roughly $35 billion of facility expirations in 2011 and $65 billion in 2012. Many utilities, or their parent holding companies, are taking advantage of today's welcoming market to replace facilities expected to expire within the next 12 months, a credit positive.

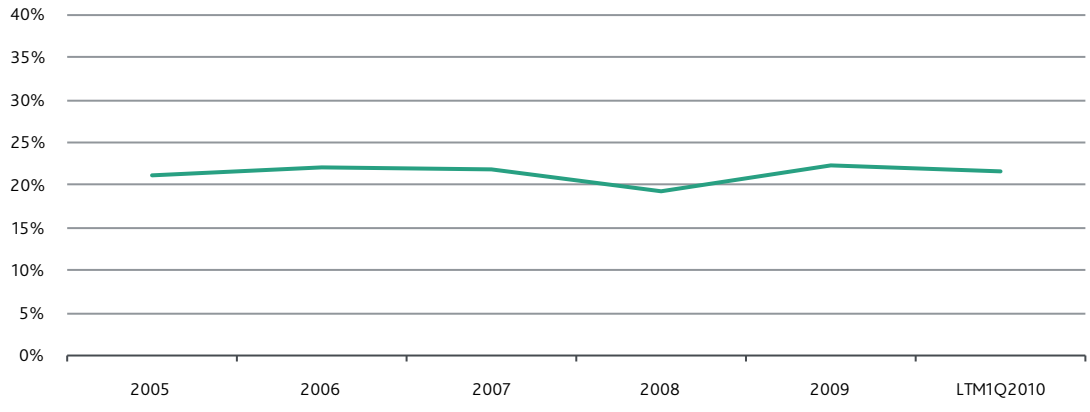
Nevertheless, we remain concerned with the intermittency of capital markets access. Congress recently passed financial reform legislation which, given its complexities, is likely to produce some unintended consequences for the electric utility sector. Many utilities are exposed to European banks, which have sovereign relationships that could potentially limit today's welcoming bank credit availability. Counterparty costs related to hedging programs are also likely to increase.

The sector's overall financial profile and key financial credit metrics have been remarkably stable over the past few years. As illustrated in the chart below, since 2005, a selected peer group of about 67 vertically integrated electric utilities ("Integrateds") have produced a ratio of cash flow from operations before working capital adjustments (CFO pre-W/C) to debt of approximately 21%. This chart captures the period of robust capital markets when the sector largely completed its "back-to-basics" strategy (around the 2004 - 2005 timeframes), through the financial crisis and up to the tepid recovery of today.

FIGURE 2

CFO Pre W/C / Debt

Integrated



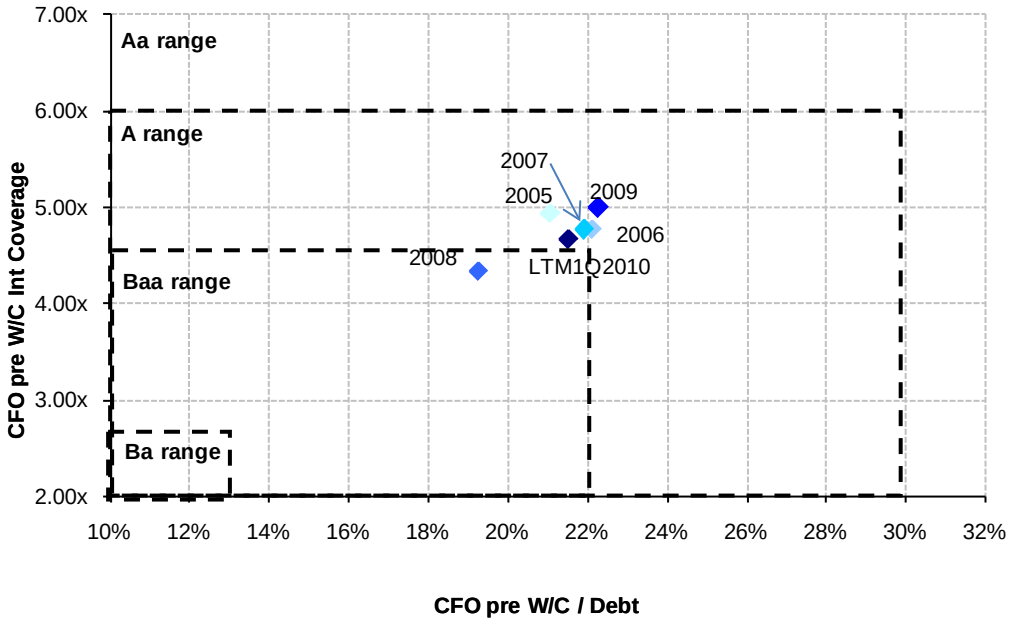
Should the sector's overall business and operating risk profile meaningfully increase, due to more contentious regulatory relationships, substantially higher capital expenditure needs related to increasingly stringent environmental mandates, an interruption in capital market accessibility or other factors, the sector's financial profile would likely appear too weak to support today's current ratings.

As a regulated sector providing an essential service, utilities are assumed to adhere to conservative corporate financial policies. We believe the sector will have time to adjust to emerging policies and

challenges. Nevertheless, we believe a stronger balance sheet and access to more liquidity sources can protect utilities from an uncertain operating environment.

FIGURE 3

Integrated (Regulated Methodology Mapping)



Sub-sector credit outlook discussion

In the sections that follow, we discuss the outlook for sub-sectors that exist within the broad U.S. investor-owned electric utility industry. These sections include a brief discussion on the parent holding companies (Parents), transmission and distribution only utilities (T&Ds), natural gas local distribution utility companies (LDCs), not-for-profit generation and transmission cooperatives (Co-ops), and the unregulated power sector.

We note that the cooperative utilities and unregulated power sectors are evaluated under separate rating methodologies from the Regulated Electric and Gas Rating Methodology. In addition, for purposes of this report, we have separated the unregulated power companies that remain affiliated with their legacy utilities (Affiliated Unregulated Power) from the pure, independent wholesale merchants (Unregulated Power).

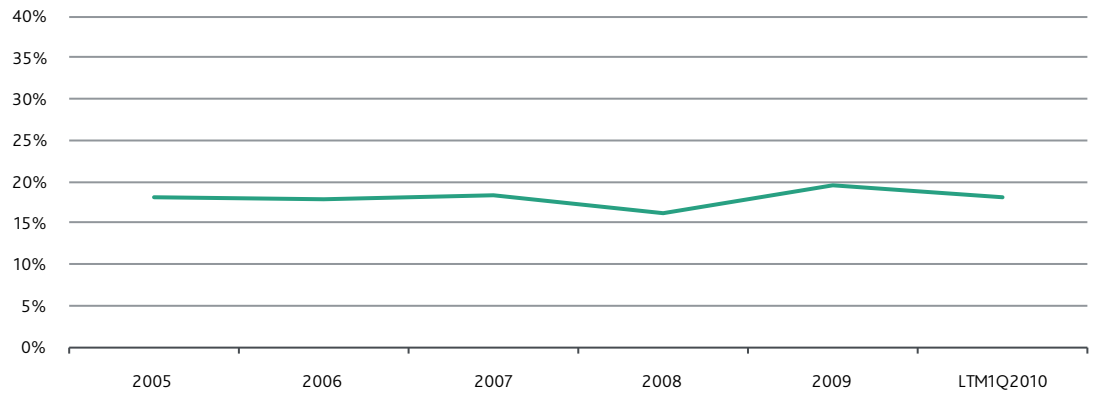
Finally, we note that this report does not discuss the municipally-owned utility systems. The municipally owned, or Public Power, sector is covered under a separate Industry Outlook report[3].

[3] See Related Research – U.S. Public Power Electric Utility Outlook – 2010.

Parent Holding Companies

We follow about 49 parent holding companies, which might own and operate vertically-integrated electric utilities, T&Ds, LDCs and, in some cases, affiliated wholesale merchant energy companies. Since 2005, these parents have maintained a relatively stable ratio of CFO pre-W/C to debt of approximately 18% and are well positioned in the Baa1 / Baa2 ratings category.

FIGURE 4
CFO Pre W/C / Debt
Parent



The parents face all the same risks as their integrated utility subsidiaries but often benefit from the diversification provided by owning and operating numerous utilities in different geographic regions with separate regulatory oversight. Examples of such companies include: American Electric Power Co. (Baa2 / stable outlook); MidAmerican Energy Holdings (Baa1 / stable outlook), Southern Co. (A3 / under review for possible downgrade); and Xcel Energy (Baa1 / stable outlook).

In general, we rate the parent holding companies one notch below their regulated utility subsidiaries due to structural subordination. But for parent companies that use large amounts of their own debt to finance their businesses or have material non-regulated operations, the ratings differential could widen if the percentage of parent holding debt (as a percent of total consolidated debt) exceeds a 20% to 25% range. Below is a list of selected parent holding companies rated two notches below their operating subsidiaries.

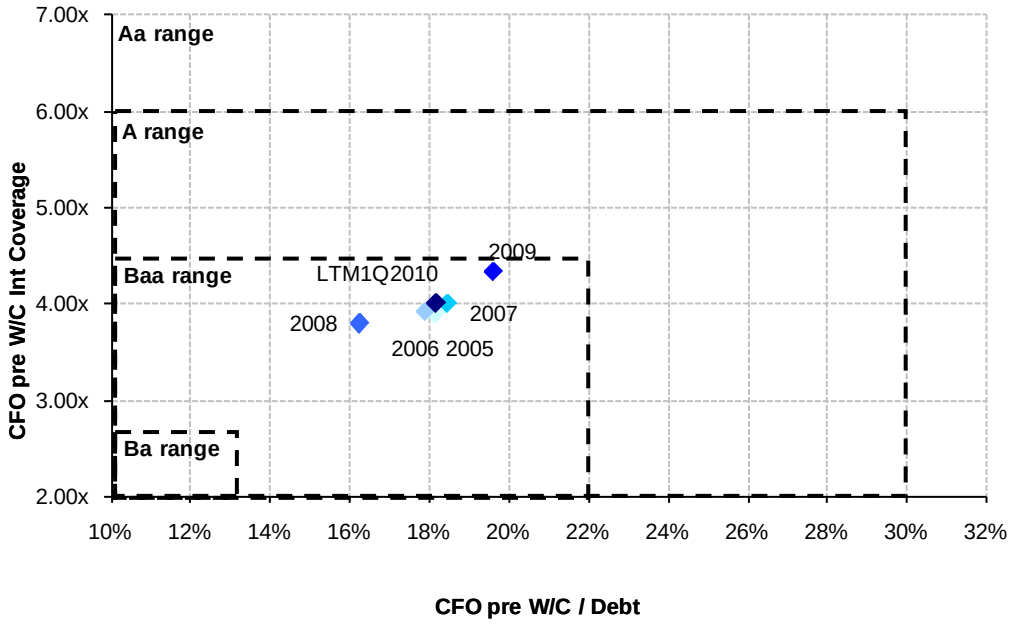
Selected Parent Holding Companies

ISSUER	HOLD CO DEBT % OF TOTAL	HOLD CO RATING	NOTCHING FROM SUBS
Sempra Energy	50.7%	Baa1 Sr. Unsec	-2
TECO Energy	39.4%	Baa3 Sr. Unsec	-2
Progress Energy	34.5%	Baa2 Sr. Unsec	-2
DPL	33.2%	Baa1 Sr. Unsec	-2
CMS	28.1%	Ba1 Sr. Unsec	-2

Our parent company sub-sector could also be separated into companies that are primarily regulated (i.e., American Electric Power Co., MidAmerican Energy Holdings, Southern Co., Xcel Energy) and companies that maintain unregulated power business activities (i.e., Allegheny Energy, Dominion Resources, Edison International, Entergy Corp., Exelon Corp., First Energy, Next Era, PPL Corp., Public Service Enterprise Group). These "hybrid" parent companies have a higher business and operating risk profile than the primarily regulated parent holding companies due to their ownership of unregulated generation and use of sophisticated hedging strategies. Although hedging is designed to reduce earnings and cash flow volatility, it often unexpectedly triggers large liquidity requirements.

We also see increased event risk for hybrid parent companies due to their dual focus on the regulated utility and merchant businesses. Both business activities are related but often have competing strategic objectives. For example, regulated utilities view the current natural gas price environment as favorable to their business strategies, as lower fuel and commodity prices result in larger headroom to implement base rate increases. By contrast, lower natural gas prices are reducing margins for their unregulated power affiliates. Obviously, during periods of higher commodity costs, the roles switch and, as we observed several years ago in Illinois and in Maryland, can lead to political or regulatory intervention because of the potential profit opportunities that exist for unregulated power and the parent in this environment.

FIGURE 5
Parent (Regulated Methodology Mapping)



Transmission and Distribution Utilities

Moody's follows about 37 T&D utilities. We believe T&D-only utilities generally have a lower business and operating risk profile than their vertically integrated electric utility affiliates. This lower risk profile is primarily associated with the absence of generation assets (and the operating risks associated with generation, including increasingly stringent environmental mandates). T&D utilities

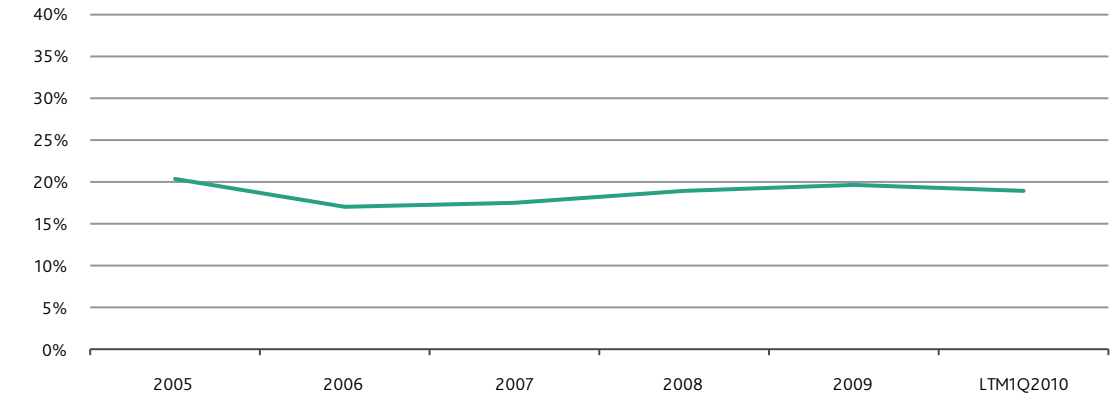
also have lower aggregate capital investment requirements. In addition, the transmission component of T&Ds can, under some circumstances, receive more favorable regulatory oversight through the Federal Energy Regulatory Commission.

Because of their lower perceived risk profile, T&D utilities may achieve the same ratings category as the integrated utilities with a weaker financial profile. Since 2005, the T&Ds have produced an average CFO pre-W/C to debt ratio near 19%.This sector appears to be well positioned within the A3 / Baa1 ratings category (the same as the vertically integrated electric utilities, which produced an average CFO pre-W/C to debt ratio of approximately 21%).

FIGURE 6

CFO Pre W/C / Debt

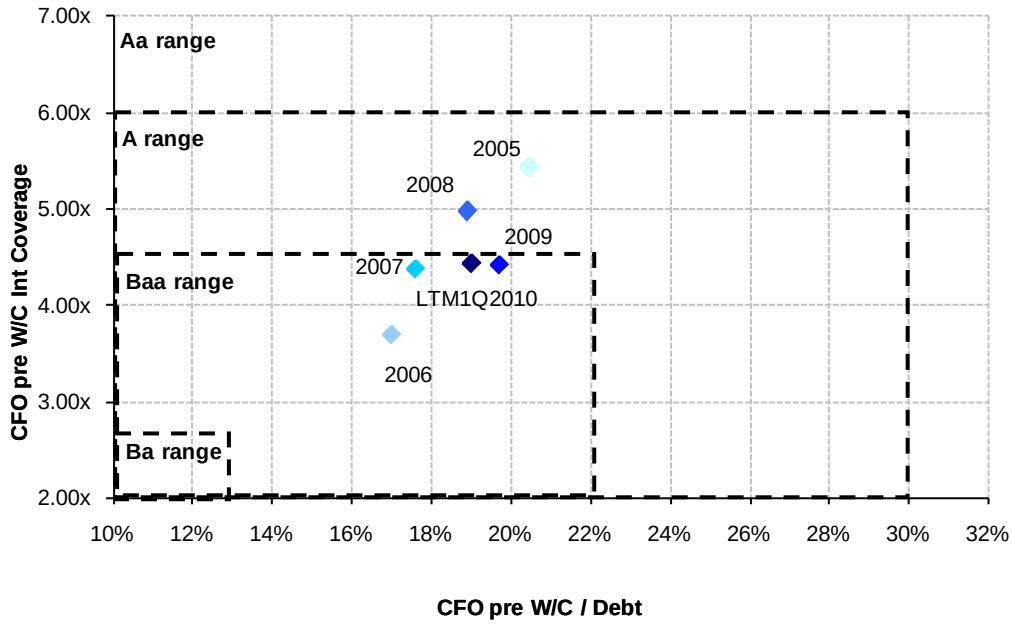
T&D



But this doesn't mean the T&Ds are risk-free. In fact, many T&Ds remain exposed to certain reliability, procurement, and provider-of-last-resort risks, meaning they're required to obtain electricity for consumers who don't select their own power provider. This can expose them to volatile purchase power prices, which can dramatically impact their liquidity, particularly if cost recovery isn't timely. We also note that when the T&D company maintains some power procurement responsibility, it can become the focus of regulatory or legislative intervention from interested stakeholders during periods of high commodity prices, particularly if the T&D company has an unregulated power affiliate.

Longer-term, we believe T&Ds are well-positioned to accelerate the implementation of energy efficiency and conservation programs, which could significantly reduce the amount of power they deliver. This will likely encourage these utilities to seek recovery of costs and /or separate their ability to recover fixed costs, including a profit margin, from their electricity sales volumes – a process known as decoupling. These rate recovery efforts could lower T&Ds' risk profile and bolster their credit metrics.

FIGURE 7
T & D (Regulated Methodology Mapping)

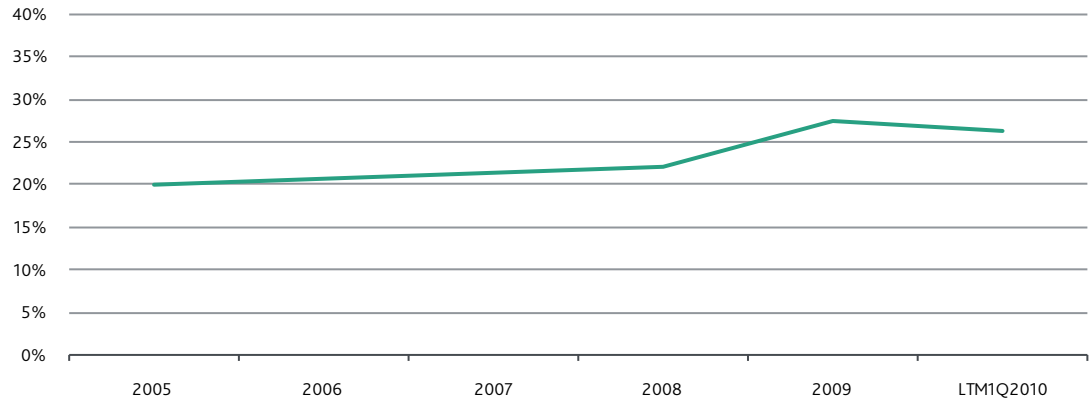


Natural Gas Local Distribution Companies

Like the T&D sector discussed above, the natural gas LDC sector is generally viewed as having a lower business and operating risk profile than its integrated utility peers. As a result, the LDCs may also exhibit a weaker, more leveraged financial profile for a given rating category. Since 2005, the LDCs have produced average CFO pre-W/C to debt of approximately 22%, which positions them well within the A1 / A2 ratings category. More recently, we see an improvement to the LDC CFO pre W/C to debt ratios.

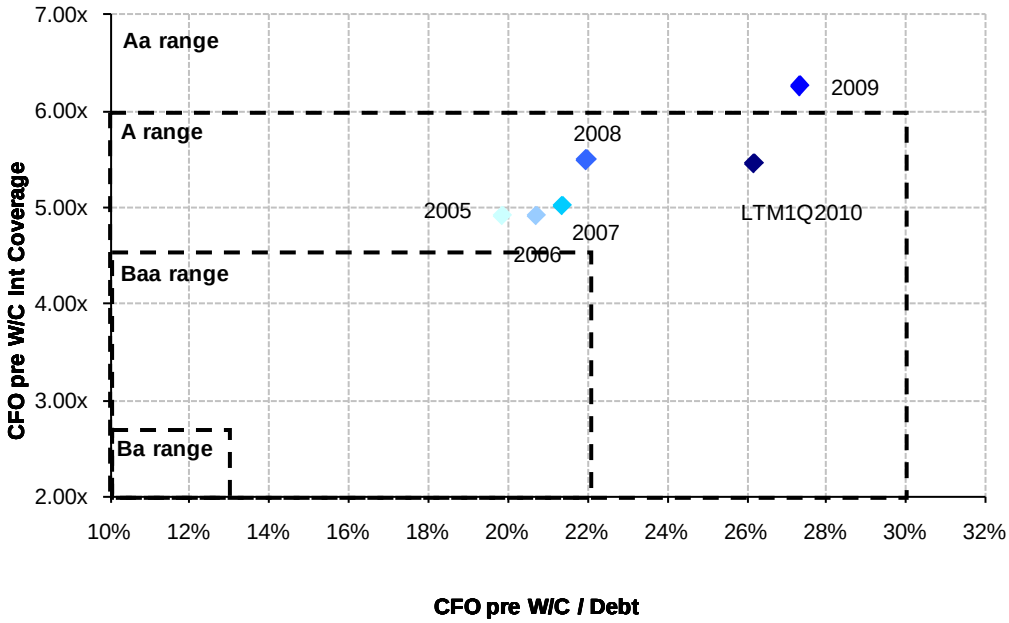
We believe this recent improvement is largely due to the effects of lower natural gas prices. Lower prices led to margins returning from counterparties and other cash flow items that may not be captured in working capital adjustments. In addition, the lower natural gas prices contributed to lower short-term debt balances at the seasonal peak for most companies at fiscal year end.

FIGURE 8
CFO Pre W/C / Debt
LDC



The LDC sector is similar in many respects to the T&D utilities: they have direct fuel-recovery pass-through mechanisms and their capital investment requirements tend to be lower than vertically integrated utilities. But, like the T&D sector, the LDCs are not risk-free.

FIGURE 9
LDC (Regulated Methodology Mapping)

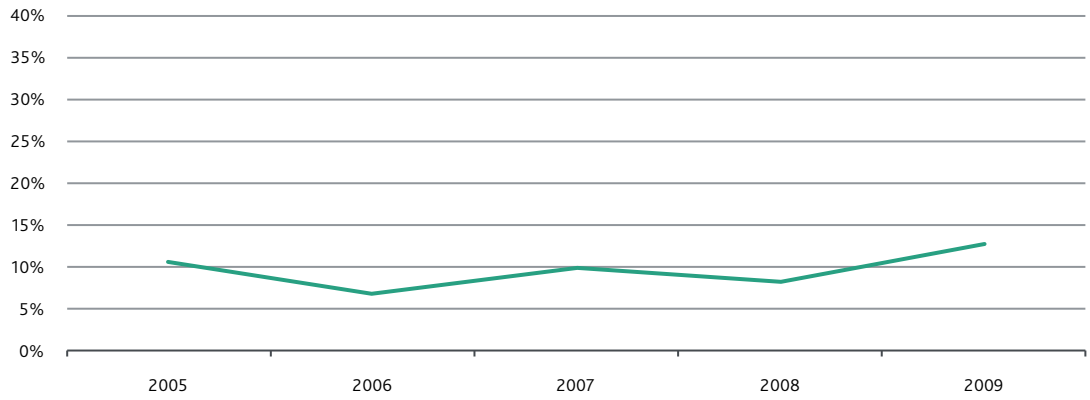


Not-for-Profit Generation and Transmission Cooperatives

The ratings for the generation and transmission (G&T) cooperative sector is covered under a separate rating methodology, primarily due to the unique attributes of cooperatives' governance structure, more flexible rate-setting authority, and long-term power contracts with their distribution member-owners.

The G&T cooperatives are owned by their distribution members and each member enjoys equal representation on the cooperative's board. The customers are also owners of the utility, and the cooperatives are generally exempt from state regulatory commissions for rate-making purposes, although some individual distribution members are regulated by state commissions. This structure gives cooperatives latitude in setting rates - many cooperatives can implement rate changes within days of holding a board meeting. This flexibility is the primary reason for evaluating cooperatives within a separate rating methodology. It also explains why cooperatives are generally rated in the A2 / A3 ratings category, even though they produce, on average, roughly 9% CFO pre-W/C to debt ratios.

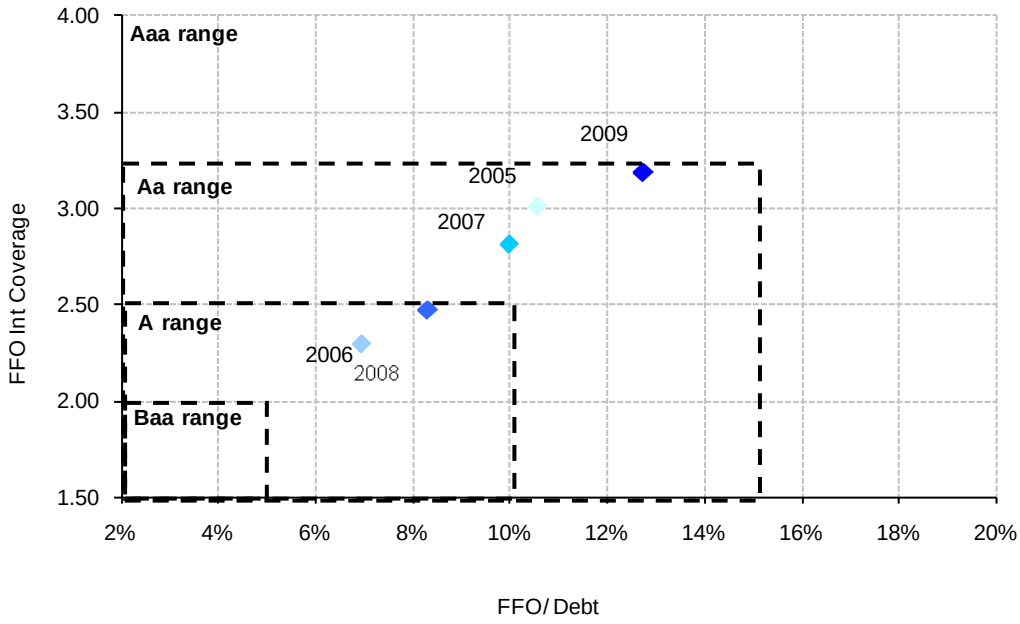
FIGURE 10
CFO Pre W/C / Debt
G&T Cooperatives



The cooperative sector also enjoys low capital costs due to the financing available through the Rural Utilities Service (RUS), a division within the U.S. Department of Agriculture, or through the National Rural Utilities Cooperative Finance Corporation (NRUCFC), or CoBank, which lends to cooperatives.

The cooperatives face the same challenges as the integrated utilities, but for many cooperatives, the challenges appear to be more acute. The cooperatives are generally smaller than their integrated peers, and they often rely on aging, coal-fired generating facilities as their primary source of electric output. This lack of diversity could pressure cooperatives' credit quality, given our expectations for increasingly stringent environmental mandates, although we generally believe that such costs will be passed on through higher rates and ultimately borne by end-use customers.

FIGURE 11
G&T Cooperatives (G&T Cooperative Methodology Mapping)



Affiliated Unregulated Power Companies

Affiliated unregulated power companies are evaluated under a separate rating methodology from the regulated electric and gas utilities. Nearly all of these companies have investment grade ratings, typically in the Baa2 category. The majority of these companies were created in the mid to late 1990's, when the sector went through a period of "unbundling" the vertically integrated electric utility. Today, the affiliates continue to experience a home field advantage with their generating assets which are well-positioned within the grid to serve demand.

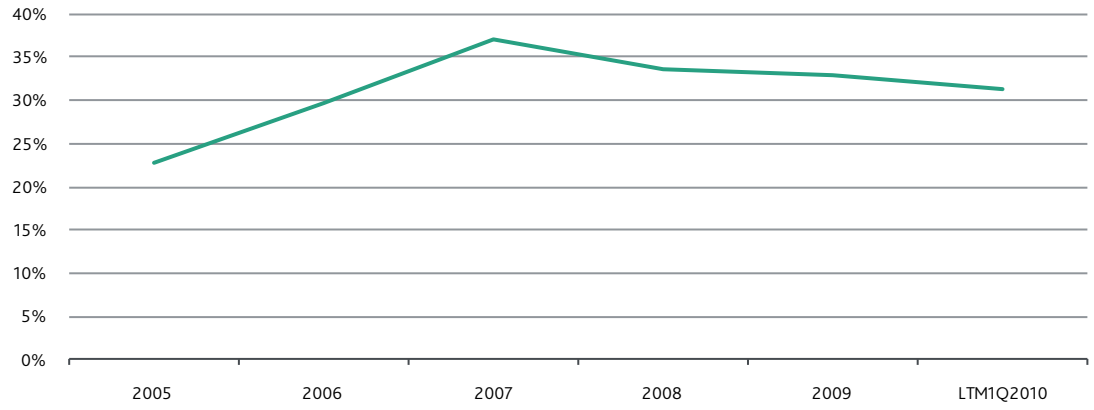
The affiliates were also originally structured with very little debt since the debt primarily remained with the legacy utility, which is now simply a T&D utility business. Historically, these unregulated affiliates provided sizeable purchased power supplies back to the utility. Over time, as these power arrangements expire, margins for these unregulated power affiliates will rely more heavily on market forces.

Since 2005, these unregulated affiliated power companies produced CFO pre-W/C to debt that averaged roughly 30%, resulting in an investment grade profile. The affiliates remain exposed to political and regulatory intervention but at a lower level than the integrated utilities. They face the same generation-related risks as the integrateds, including the risks of stricter environmental mandates, but lack the inherent regulated recovery benefits of the integrateds.

FIGURE 12

CFO Pre W/C / Debt

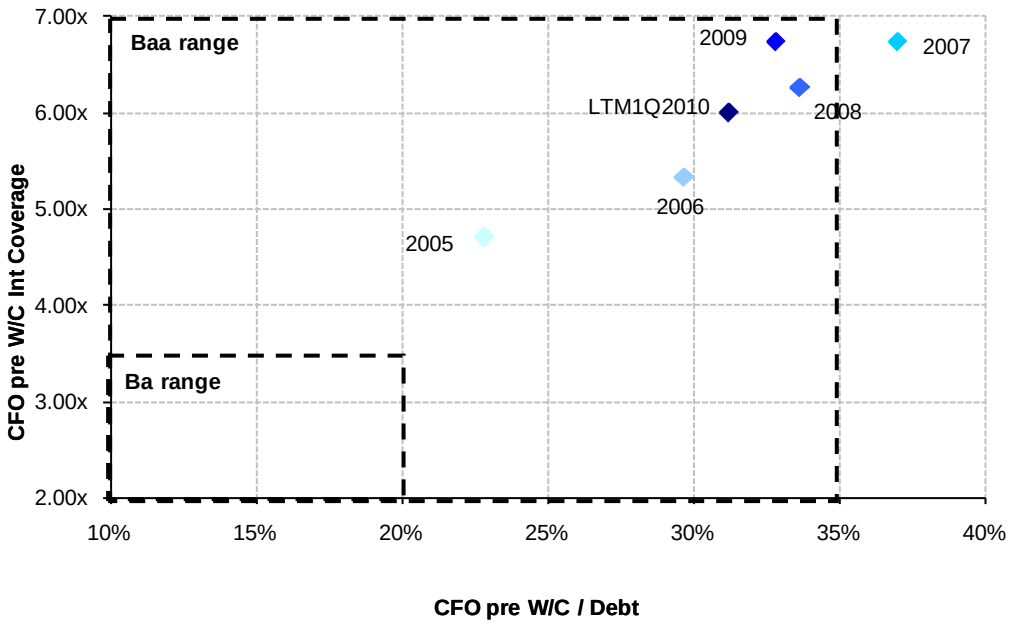
Affiliated Unregulated Power



Affiliated unregulated power companies will need to recover rising operating, fuel and environmental costs through market prices. Our concerns around consumers' inflection point may therefore be less pressing for the affiliates, but nonetheless, appears to be a derivative factor in their future profitability. Sales volumes remain quite vulnerable to today's weakened economic conditions. Moreover, low natural gas prices have a sustainable impact on weaker power prices and today, it remains unclear whether commodity prices are temporarily, or structurally, changed.

FIGURE 13

Affiliated Unregulated Power (Unregulated Power Methodology Mapping)



Unregulated Power Companies

The pure unregulated power companies typically have no affiliation with regulated electric utilities, other than as a supplier of power. Many of these companies own the generation portfolios of the legacy electric utility, having acquired the assets with substantial debt have a significant amount of natural gas-fired generation, which was built over the last decade. In addition to the affiliate relationships, the primary difference with these companies and most of the unregulated affiliates is the amount of indebtedness on the balance sheets of these companies.

As an unregulated commodity based company, all of these companies are exposed to volatility of commodity price changes. The recession has reduced the amount of power they generate, as well as the margins that they can earn from this energy production. And while several of these companies were forced to restructure their operations in a Chapter 11 bankruptcy process during this decade, most of these merchants remain highly leveraged.

For that reason, these companies are rated speculative grade carrying Corporate Family Ratings that average in the "B" rating category. As a commodity based, cyclical business, liquidity is of paramount concerns for all unregulated power companies. In particular, changes in financial regulation are likely to affect availability of credit for unaffiliated generation companies, particularly those that are of weaker credit quality and more challenged at their respective rating. Given the current commodity price outlook and tepid economic environment and increasingly stringent environmental mandates that are likely to result in increased capital investment, these unregulated power companies will rely more heavily on their liquidity reserves over the near-term as they hunker down and wait for better days.

FIGURE 14

CFO Pre W/C / Debt
Unregulated Power

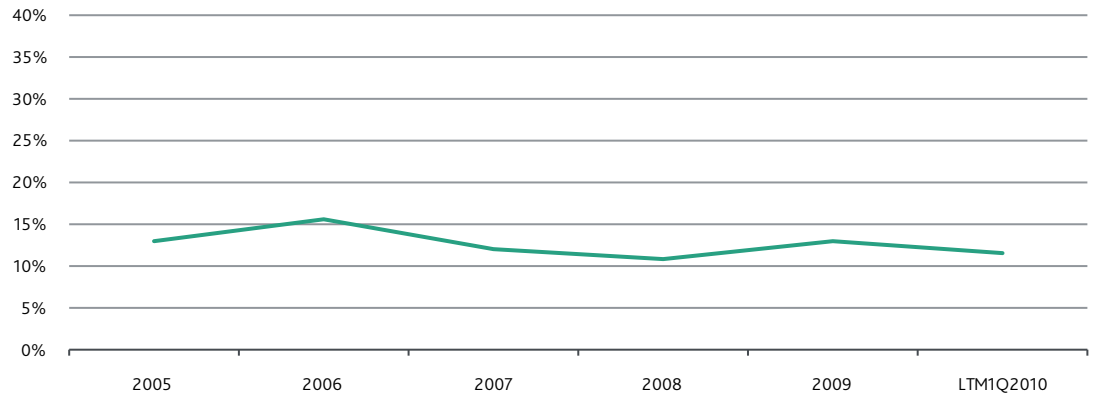
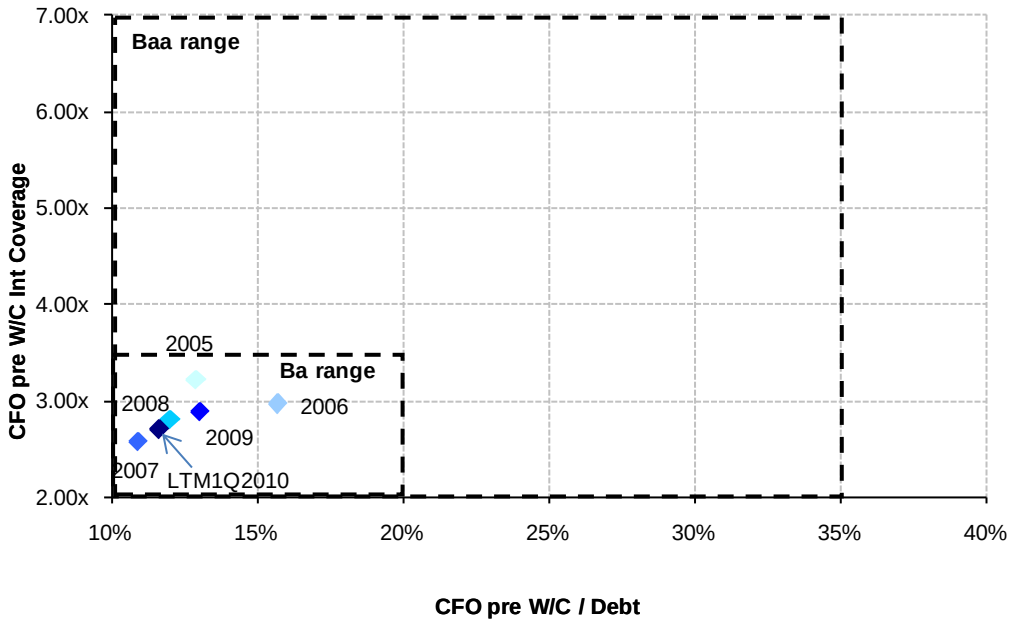


FIGURE 15

Unregulated Power(Unregulated Power Methodology Mapping)



Conclusion

The utility sector's fundamental credit conditions remain stable, but regulatory and financial challenges will continue to exert longer-term pressure on the industry. A push by U.S. policy makers for cleaner, more efficient power generation and delivery systems will likely require companies to make significant and costly upgrades, then seek to recover the associated costs from consumers. Consumers, however, may not tolerate frequent and steep rate increases. As a result, regulators could limit how much utilities recover from their customers, which could in turn weaken companies' credit profiles.

The slow pace of change does, however, give companies time to adjust to new policies and regulation. But if regulatory relationships deteriorate, capital expenses increase dramatically, access to capital markets close, or other adverse conditions develop, including broad-based technological changes, the sector's financial profile would likely become too weak to support today's current ratings.

Appendices – Select Financial Data by Subsector

Appendix A: Parent Holding Companies

($MILLIONS)		2009							
COMPANY NAME	RATING	REVENUE	TOTAL ASSETS	CFO	TOTAL DEBT	FFO / DEBT	(CFO PRE-W/C) / DEBT	(CFO PRE-W/C - DIVIDENDS) / DEBT	DEBT / BOOK CAPITAL-IZATION
Allegheny Energy, Inc.	Ba1	3,427	11,712	802	5,118	16.0%	17.2%	15.2%	52.6%
Alliant Energy	Baa1	3,433	9,170	804	2,985	24.4%	27.5%	14.2%	41.6%
Ameren Corporation	Baa3	7,090	23,992	1,986	9,169	19.5%	20.8%	16.8%	46.4%
American Electric Pwr	Baa2	13,489	51,612	2,727	22,253	17.4%	17.6%	14.2%	53.2%
Black Hills Corporation	Baa3	1,270	3,333	271	1,323	17.4%	18.4%	14.3%	49.8%
CenterPoint Energy, Inc.	Ba1	8,281	19,995	1,866	10,733	13.4%	13.8%	11.2%	66.5%
Cleco Corporation	Baa3	854	3,723	127	1,461	10.6%	9.7%	6.0%	48.5%
CMS Energy	Ba1	6,205	15,510	1,153	8,060	11.8%	14.1%	12.6%	72.8%
Consolidated Edison	Baa1	13,032	34,128	2,618	13,394	14.5%	15.7%	11.1%	45.5%
Constellation Energy	Baa3	15,599	23,755	4,549	5,544	24.7%	42.6%	38.1%	31.3%
Dominion Resources Inc.	Baa2	15,131	43,476	3,846	18,460	18.0%	18.1%	12.1%	53.5%
DPL Inc.	Baa1	1,589	3,644	526	1,406	40.8%	41.2%	32.0%	45.4%
DTE Energy Company	Baa2	8,014	24,543	2,012	9,603	18.6%	19.4%	15.8%	53.3%
Duke Energy Corporation	Baa2	12,731	57,991	4,339	18,539	18.3%	22.5%	15.8%	40.4%
Duquesne Light Holdings	Ba1	1,108	4,284	256	2,242	10.3%	10.0%	8.9%	60.8%
Edison International	Baa2	12,361	47,585	3,459	19,053	10.1%	18.1%	15.6%	57.0%
Entergy Corporation	Baa3	10,746	37,761	2,970	14,134	23.9%	21.8%	17.7%	46.9%
Exelon Corporation	Baa1	17,318	49,955	6,357	17,149	39.3%	35.8%	27.7%	48.3%
FirstEnergy Corp.	Baa3	12,967	36,375	2,901	18,117	15.2%	15.7%	12.0%	62.4%
FPL Group, Inc.	Baa1	15,643	48,373	4,461	17,699	26.2%	25.6%	20.8%	48.3%
Great Plains Energy	Baa3	1,965	8,682	316	4,094	9.9%	10.9%	7.9%	55.2%
Hawaiian Electric Industries	Baa2	2,310	9,012	284	1,770	16.4%	16.1%	10.5%	51.5%
IDACORP, Inc.	Baa2	1,050	4,255	282	1,687	16.6%	18.9%	15.5%	46.1%
Integrys Energy Group	Baa1	7,500	11,949	1,627	3,089	25.8%	27.2%	20.1%	45.4%
MidAmerican Energy	Baa1	11,204	45,225	3,678	21,206	16.2%	16.6%	16.6%	53.5%
NiSource Inc.	Baa3	6,649	19,969	1,938	8,429	11.9%	13.3%	10.3%	56.1%
Northeast Utilities	Baa2	5,439	14,166	998	6,063	17.8%	17.8%	15.1%	54.7%
NSTAR	A2	3,050	8,208	741	3,376	21.2%	20.5%	15.8%	52.1%
NV Energy Inc.	Ba1	3,586	11,559	787	5,691	15.7%	14.3%	12.6%	57.1%
OGE Energy Corp.	Baa1	2,870	7,307	678	2,731	28.4%	25.9%	20.9%	45.3%
Pepco Holdings, Inc.	Baa3	9,259	16,199	1,025	6,742	13.1%	12.1%	8.6%	49.6%
PG&E Corporation	Baa1	13,399	43,016	2,986	14,536	26.4%	26.1%	22.2%	49.1%
Pinnacle West Capital	Baa3	3,351	12,160	1,147	4,740	25.5%	24.1%	19.7%	49.0%
PNM Resources, Inc.	Ba2	1,648	5,810	284	2,419	21.4%	20.8%	18.9%	50.5%

($MILLIONS)		2009							
COMPANY NAME	RATING	REVENUE	TOTAL ASSETS	CFO	TOTAL DEBT	FFO / DEBT	(CFO PRE-W/C) / DEBT	(CFO PRE-W/C - DIVIDENDS) / DEBT	DEBT / BOOK CAPITAL-IZATION
PPL Corporation	Baa3	7,556	22,599	1,915	9,601	18.9%	18.8%	13.5%	54.9%
Progress Energy, Inc.	Baa2	9,885	31,905	2,457	14,275	17.8%	16.9%	12.0%	57.1%
PS Enterprise	Baa2	12,406	28,711	2,125	9,957	22.2%	19.1%	12.4%	43.6%
Puget Energy, Inc.	Ba2	3,329	12,091	1,099	4,635	26.1%	26.0%	23.3%	50.3%
SCANA Corporation	Baa2	4,237	12,213	672	4,944	15.3%	11.9%	7.2%	51.9%
Sempra Energy	Baa1	8,106	28,910	1,965	10,090	20.5%	22.0%	18.5%	48.9%
Southern Company	A3	15,743	53,078	3,303	22,130	15.1%	15.1%	8.6%	49.8%
TECO Energy, Inc.	Baa3	3,311	7,284	732	3,628	16.2%	18.0%	13.3%	63.5%
UIL Holdings	Baa3	897	2,303	181	954	17.7%	18.0%	13.0%	52.9%
UniSource Energy	Ba1	1,394	3,518	367	1,859	18.3%	19.1%	16.9%	65.5%
Vectren Utility Holdings	Baa1	1,596	3,843	386	1,390	28.3%	26.9%	21.0%	44.9%
Westar Energy, Inc.	Baa3	1,858	7,877	532	3,502	14.5%	14.9%	11.4%	52.0%
Wisconsin Energy Corporation	A3	4,128	12,685	1,010	4,798	21.9%	20.8%	17.1%	50.1%
Xcel Energy Inc.	Baa1	9,644	25,678	2,054	9,301	22.1%	20.1%	15.4%	46.1%

* Subsidiary's rating

Appendix B: Integrated

($ MILLIONS)		2009								
COMPANY NAME	RATING	REVENUE	TOTAL ASSETS	CFO	TOTAL DEBT	FFO / DEBT	(CFO PRE-W/C) / DEBT	(CFO PRE-W/C - DIVIDENDS) / DEBT	DEBT / BOOK CAPITALIZATION
Alabama Power Co.	A2	5,529	17,652	1,588	6,440	19.0%	19.0%	10.3%	44.0%
ALLETE, Inc.	Baa1	759	2,459	176	905	23.0%	23.3%	17.0%	43.2%
Appalachian Power Co.	Baa2	2,877	10,088	-26	4,165	17.7%	15.4%	14.9%	49.6%
Arizona Public Service	Baa2	3,203	11,802	1,026	4,262	29.8%	25.6%	21.6%	45.5%
Avista Corp.	Baa3	1,513	3,640	316	1,355	17.0%	19.8%	16.5%	46.2%
Central Vermont PS	Baa3	342	670	46	273	20.7%	18.1%	14.1%	48.4%
Cleco Power LLC	Baa2	844	3,392	133	1,365	8.7%	8.2%	6.0%	48.7%
Col. So. Pwr	A3	2,005	4,801	400	2,101	26.8%	23.5%	16.4%	52.7%
Consumers Energy Co.	Baa2	5,963	14,876	1,232	5,656	17.3%	21.2%	16.2%	54.2%
Dayton Power & Light	A2	1,550	3,455	513	965	61.1%	59.6%	25.8%	32.8%
Detroit Edison Co	Baa1	4,714	16,237	1,375	6,335	19.8%	23.4%	18.6%	52.5%
Duke Energy Carolinas	A3	5,495	26,961	1,990	8,063	26.3%	20.9%	20.9%	41.7%
Duke Energy Indiana	Baa1	2,353	8,650	706	3,461	21.0%	21.8%	21.8%	49.0%
Duke Energy Kentucky	Baa1	462	1,205	148	405	22.6%	30.0%	30.0%	39.5%
Duke Energy Ohio	Baa1	3,388	11,822	1,006	3,029	29.0%	29.8%	17.9%	28.9%
El Paso Electric Co.	Baa2	828	2,226	269	936	21.9%	20.7%	20.7%	49.6%
Empire Dis. Electric	Baa2	497	1,840	123	812	14.6%	15.1%	9.6%	50.8%
Entergy Arkansas, Inc.	Baa2	2,211	6,534	397	2,341	18.7%	17.4%	15.3%	44.6%
Entergy GS Louisiana	Baa2	1,844	5,727	242	1,978	22.6%	18.4%	16.8%	41.6%
Entergy Louisiana, LLC	Baa2	2,184	6,801	77	2,118	12.1%	8.1%	6.8%	37.1%
Entergy Mississippi, Inc.	Baa3	1,177	2,688	225	1,017	12.2%	12.8%	7.8%	44.5%
Entergy New Orleans	Ba2	640	1,011	149	332	36.7%	38.5%	28.5%	48.2%
Entergy Texas, Inc.	Ba1	1,564	3,955	294	1,774	10.9%	2.5%	-4.2%	52.8%
Florida Power & Light	A2	11,491	26,812	2,871	6,669	46.0%	45.5%	38.2%	35.8%
Georgia Power Co.	A2	7,692	24,513	1,407	8,898	18.6%	18.6%	10.1%	43.6%
Green Mtn Pwr	Baa1	248	508	34	175	21.7%	21.3%	16.2%	44.2%
Gulf Power Co.	A2	1,302	3,345	191	1,315	13.0%	13.9%	6.6%	48.6%
Hawaiian Electric Co	Baa1	2,027	3,996	212	1,345	17.3%	15.8%	11.5%	47.0%
Idaho Power Co.	Baa1	1,046	4,080	267	1,616	15.8%	18.2%	14.6%	46.2%
Indiana Michigan Power	Baa2	2,185	7,883	500	3,167	24.1%	24.7%	21.6%	57.3%
Indianapolis P&L	Baa2	1,068	3,056	301	1,158	22.0%	26.2%	16.7%	49.4%
Kansas City P&L	Baa2	1,318	5,896	258	2,539	12.9%	11.5%	8.7%	50.8%
Kentucky Power Co.	Baa2	633	1,585	72	634	18.2%	17.6%	14.5%	46.3%
Kentucky Utilities Co.	A2	1,355	5,016	267	1,884	18.4%	18.8%	18.8%	45.2%
Louisville Gas & Electric	A2	1,272	3,603	324	1,218	23.6%	22.2%	15.7%	42.8%
Madison G&E	A1	534	1,278	115	399	26.6%	24.5%	16.5%	36.5%

($ MILLIONS)		2009							
COMPANY NAME	RATING	REVENUE	TOTAL ASSETS	CFO	TOTAL DEBT	FFO / DEBT	(CFO PRE-W/C) / DEBT	(CFO PRE-W/C - DIVIDENDS) / DEBT	DEBT / BOOK CAPITALIZATION
MidAmerican Energy	A2	3,693	8,733	973	3,181	29.2%	29.8%	29.8%	44.2%
Mississippi Power	A1	1,149	2,229	188	742	15.7%	22.3%	12.8%	44.8%
Monongahela Power	Baa3	695	2,822	99	1,364	6.6%	7.1%	7.1%	60.5%
Nevada Power	Ba3	2,423	8,162	499	3,790	15.8%	13.6%	10.7%	52.5%
Northern Indiana PS	Baa2	1,974	5,273	600	1,051	45.3%	43.6%	34.1%	34.9%
NSP (Minnesota)	A3	4,067	10,321	1,090	3,228	28.6%	26.8%	19.6%	42.0%
NSP (Wisconsin)	A3	804	1,483	133	397	31.1%	37.5%	28.8%	37.0%
NorthWestern	Baa2	1,142	2,806	169	1,059	20.0%	19.9%	15.4%	52.8%
Ohio Power Co.	Baa1	3,012	9,395	310	3,783	19.7%	20.4%	17.8%	45.5%
Oklahoma G & E	A2	1,751	5,508	611	1,659	34.4%	33.6%	33.6%	36.0%
Pacific Gas & Electric	A3	13,399	42,935	2,878	14,044	27.4%	27.2%	22.8%	47.2%
PacifiCorp	Baa1	4,457	19,009	1,512	6,868	24.6%	26.0%	26.0%	42.4%
Portland General	Baa2	1,804	5,291	379	1,960	8.2%	15.4%	11.7%	51.0%
Progress Carolinas	A3	4,627	13,915	1,435	4,505	32.3%	32.0%	27.4%	43.0%
Progress Energy Florida	Baa1	5,251	13,372	1,159	5,109	22.7%	21.3%	21.2%	49.3%
PS Colorado	Baa1	3,808	10,324	533	3,297	24.9%	20.0%	11.9%	38.9%
PS New Hampshire	Baa2	1,110	2,717	105	1,349	14.0%	15.1%	12.1%	57.4%
PS New Mexico	Baa3	968	4,216	161	1,805	17.5%	18.6%	2.0%	52.9%
PS Oklahoma	Baa1	1,125	3,287	307	1,158	20.7%	21.4%	18.7%	45.3%
San Diego G&E	A2	2,916	10,253	692	3,018	24.2%	24.3%	19.2%	44.7%
Sierra Pacific Power Co.	Ba3	1,162	3,423	346	1,415	23.7%	21.1%	12.0%	51.1%
South Carolina E&G	Baa1	2,569	9,890	416	3,555	16.7%	11.8%	6.9%	45.8%
So.California Edison	A3	9,746	32,350	3,943	8,423	39.0%	48.8%	44.9%	42.2%
Southwestern Elec Pwr	Baa3	1,389	4,879	386	1,974	12.0%	13.4%	13.2%	49.9%
Southwestern PS	Baa1	1,459	2,979	222	948	21.5%	18.4%	11.3%	39.1%
Tampa Electric Co.	Baa1	2,650	6,296	633	2,214	22.6%	25.1%	17.0%	45.5%
Tucson Elec. Power	Baa3	1,097	2,829	287	1,435	18.9%	20.7%	16.5%	62.5%
Union Electric Co.	Baa2	2,874	12,392	977	4,516	19.6%	22.3%	18.3%	44.2%
Virginia E & Pwr	Baa1	6,584	20,331	1,905	7,453	18.4%	18.7%	12.5%	44.1%
Wisconsin Elec. Pwr	A1	3,288	8,887	662	2,311	17.4%	27.0%	19.2%	38.7%
Wisconsin P&L	A2	1,386	3,705	346	1,201	33.7%	30.6%	22.7%	39.9%
Wisconsin PS	A2	1,584	3,342	467	1,115	29.8%	30.2%	21.2%	43.1%

* Subsidiary's rating

Appendix C: T&D

($ MILLIONS)		2009							
COMPANY NAME	RATING	REVENUE	TOTAL ASSETS	CFO	TOTAL DEBT	FFO / DEBT	(CFO PRE-W/C) / DEBT	(CFO PRE-W/C - DIVIDENDS) / DEBT	DEBT / BOOK CAPITALIZATION
AEP Texas Central	Baa2	880	5,262	354	2,883	9.8%	10.1%	8.8%	64.2%
AEP Texas North	Baa2	262	1,220	78	492	11.1%	11.8%	5.3%	53.2%
Atlantic City Electric	Baa2	1,351	2,862	53	1,195	16.8%	0.3%	-5.1%	48.9%
Baltimore G&E	Baa2	3,579	6,453	810	2,633	28.9%	33.0%	44.8%	46.0%
CenterPoint Houston	Baa3	2,014	9,755	562	5,846	12.4%	11.1%	11.1%	67.7%
Central Hudson G&E	A3	710	1,495	123	621	17.9%	17.3%	17.3%	51.8%
Central Illinois Light	Baa3	1,082	2,417	269	687	35.5%	37.3%	34.3%	39.1%
Central Illinois PS	Baa3	869	2,001	198	525	18.7%	19.2%	9.7%	38.3%
Central Maine Power	Baa1	525	2,222	98	618	18.7%	14.3%	14.2%	37.7%
Cleveland Elec.Illum.	Baa3	1,676	4,662	298	2,256	9.8%	10.4%	-1.8%	52.9%
Commonwealth Edison	Baa3	5,774	20,823	1,129	6,510	22.4%	19.6%	15.9%	40.6%
Connecticut L&P	Baa1	3,425	8,441	671	2,975	23.2%	22.9%	19.0%	47.2%
Con. Edison of NY	A3	10,036	30,687	2,340	12,170	14.7%	15.3%	9.8%	45.3%
Delmarva P & L	Baa2	1,403	2,777	223	929	20.8%	27.2%	24.2%	41.7%
Duquesne Light	Baa2	876	2,697	182	841	24.1%	24.6%	17.6%	36.0%
Illinois Power Company	Baa3	1,504	3,996	422	1,361	18.8%	19.3%	16.9%	44.7%
Jersey Central P&L	Baa2	2,993	6,535	500	1,969	27.0%	26.0%	11.9%	37.5%
Metropolitan Edison	Baa2	1,689	2,988	294	884	37.1%	37.6%	37.6%	36.9%
New York State E&G	Baa2	1,651	4,142	297	1,102	24.7%	21.4%	21.4%	40.8%
NSTAR Electric	A1	2,562	6,870	640	2,463	26.4%	25.9%	20.2%	43.0%
Ohio Edison Company	Baa2	2,517	4,621	552	2,183	20.7%	20.5%	1.2%	56.4%
Oncor Electric Delivery	Baa1	2,690	16,298	993	6,381	15.5%	16.4%	12.1%	43.1%
Orange and Rockland	Baa1	890	2,192	196	878	14.4%	18.3%	14.7%	53.2%
PECO Energy Company	A3	5,311	9,406	1,216	3,644	34.4%	32.6%	23.9%	42.7%
Pennsylvania Electric	Baa2	1,449	2,923	168	1,291	11.8%	11.4%	4.8%	52.4%
Pennsylvania Power	Baa2	265	470	78	126	35.3%	35.2%	-4.4%	30.6%
Potomac Edison	Baa3	833	1,781	68	714	12.6%	9.3%	5.8%	51.5%
Potomac Electric Power	Baa2	2,231	4,760	596	1,747	19.1%	22.8%	22.8%	42.9%
PPL Electric Utilities	Baa2	3,292	5,092	286	1,906	29.4%	29.4%	14.5%	42.9%
Public Service E&G	Baa1	8,243	16,546	1,116	5,621	22.9%	19.8%	19.8%	44.8%
Rochester G&E	Baa2	1,010	2,630	147	852	23.6%	11.1%	11.1%	49.7%
Texas-NM Power	Baa3	193	1,024	48	359	24.7%	23.2%	20.6%	37.9%
Toledo Edison Company	Baa3	834	2,367	84	1,228	5.4%	5.8%	3.8%	67.9%
United Illuminating	Baa2	896	2,283	179	900	16.3%	19.1%	14.1%	50.4%
West Penn Power	Baa2	1,386	1,765	212	653	17.0%	27.4%	22.1%	42.1%
Western Massachusetts	Baa2	402	1,122	64	521	16.8%	16.3%	12.8%	53.2%

* Subsidiary's rating

Appendix D: LDC

($ MILLIONS) 2009

COMPANY NAME	RATING	REVENUE	TOTAL ASSETS	CFO	TOTAL DEBT	FFO / DEBT	(CFO PRE-W/C) / DEBT	(CFO PRE-W/C - DIVIDENDS) / DEBT	DEBT / BOOK CAPITALIZATION
Alabama Gas	A1	618	1,111	176	233	51.5%	51.5%	36.1%	34.6%
Atlanta Gas Light	A3	523	2,773	239	873	22.3%	26.8%	19.0%	40.0%
Bay State Gas Company	Baa2	489	1,290	173	302	27.2%	24.0%	22.7%	30.4%
Berkshire Gas Company	Baa2	64	230	15	46	36.4%	33.7%	21.4%	26.2%
Cascade Natural Gas	Baa1	419	621	83	163	20.7%	16.4%	8.5%	42.7%
Conn. Natural Gas	Baa1	351	969	62	212	14.7%	18.3%	13.1%	29.8%
Indiana Gas Company	Baa1	664	1,427	200	480	27.9%	29.3%	14.1%	45.0%
Laclede Gas Company	Baa1	1,056	1,608	217	681	13.7%	13.7%	8.8%	50.8%
Michigan Con. Gas	Baa1	1,765	4,140	206	1,371	16.8%	12.8%	9.2%	48.7%
NJ Natural Gas	Aa3	1,082	1,813	213	448	26.0%	30.1%	19.3%	34.7%
North Shore Gas	A3	228	488	31	101	16.2%	18.9%	7.5%	38.0%
Northern Illinois Gas	A2	2,141	4,128	483	1,004	26.8%	21.9%	14.9%	46.0%
Northwest Natural Gas	A3	1,013	2,442	264	888	20.8%	20.3%	15.5%	48.0%
Peoples Gas Lgt&Coke	A3	1,149	2,994	274	681	25.6%	25.6%	25.6%	36.8%
Piedmont Natural Gas	A3	1,638	3,156	365	1,151	26.1%	23.6%	16.8%	46.9%
PS of North Carolina	A3	528	1,478	183	347	29.1%	32.6%	24.6%	31.0%
Questar Gas Company	A3	920	1,359	121	477	26.5%	22.7%	16.8%	44.8%
SourceGas LLC	Ba2	489	1,185	111	527	11.5%	18.2%	13.1%	52.4%
South Jersey Gas	Baa1	484	1,357	130	439	20.1%	22.1%	19.8%	40.8%
Southern California Gas	A2	3,355	7,703	509	2,142	31.7%	30.5%	30.4%	51.1%
So. Conn. Gas	Baa2	333	1,109	93	270	27.3%	13.9%	9.9%	31.9%
Southwest Gas	Baa2	1,894	4,026	428	1,639	20.3%	20.5%	18.0%	51.6%
UGI Utilities, Inc.	A3	1,381	2,066	180	975	18.9%	19.6%	13.3%	54.5%
Washington Gas Light	A2	1,506	3,080	327	954	30.7%	27.5%	20.1%	42.5%
Wisconsin Gas LLC	A1	804	1,519	85	414	28.3%	27.0%	19.0%	39.2%
Yankee Gas Services	Baa2	450	1,395	131	428	17.0%	17.0%	12.6%	35.6%

* Subsidiary's rating

Appendix E: G&T Cooperatives

($ MILLIONS)		2009							
COMPANY NAME	RATING	REVENUE	TOTAL ASSETS	CFO	TOTAL DEBT	FFO / DEBT	(CFO PRE-W/C) / DEBT	(CFO PRE-W/C - DIVIDENDS) / DEBT	DEBT / BOOK CAPITALIZATION
Arkansas Electric Cooperative	A2	489	1,203	55	708	6.7%	7.8%	7.8%	62.0%
Associated Electric Cooperative	A2	988	2,572	78	1,738	5.8%	9.5%	9.0%	82.2%
Basin Electric Power Cooperative	A2	1,397	4,964	37	3,363	7.1%	7.1%	6.1%	77.4%
Big Rivers Electric Corporation	Baa1	373	1,505	505	852	59.1%	60.1%	60.1%	69.2%
Chugach Electric Association Inc.	A3	290	565	42	363	11.9%	7.5%	6.7%	69.9%
Dairyland Power Cooperative	A3	381	1,278	12	977	4.2%	4.4%	4.4%	87.2%
Golden Spread Electric Cooperative	A3	346	414	17	152	21.8%	23.6%	23.6%	41.9%
Great River Energy	A3	788	3,081	76	2,495	4.1%	4.5%	4.5%	88.5%
Hoosier Energy Rural Electric	Baa2	575	1,335	122	1,061	9.8%	9.8%	9.8%	86.3%
Minnkota Power Cooperative	Baa1	213	476	-18	351	1.5%	2.4%	2.4%	82.1%
Oglethorpe Power Corporation	Baa1	1,145	6,389	393	4,944	4.1%	8.0%	8.0%	90.1%
Old Dominion Electric Cooperative	A3	713	1,451	91	811	7.8%	7.9%	7.9%	70.3%
PowerSouth Energy Cooperative	Baa1	650	1,714	134	1,400	5.4%	6.4%	6.4%	88.9%
Seminole Electric	A3	1,380	1,730	221	1,498	6.1%	6.0%	6.1%	90.8%
South Mississippi Electric Power	Baa1	772	1,177	101	764	9.6%	16.7%	16.7%	81.0%
Tri-State G&T Association Inc.	Baa2	1,164	4,003	205	2,962	7.6%	9.0%	9.0%	79.3%

* Subsidiary's rating

Appendix F: Affiliated Unregulated Power Companies

($ MILLIONS)

		2009							
COMPANY NAME	RATING	REVENUE	TOTAL ASSETS	CFO	TOTAL DEBT	FFO / DEBT	(CFO PRE-W/C) / DEBT	(CFO PRE-W/C - DIVIDENDS) / DEBT	DEBT / BOOK CAPITALIZATION
Allegheny Energy Supply	Baa3	1,609	4,410	360	1,994	20.6%	20.9%	18.4%	48.6%
AmerenEnergy Generating	Baa3	850	2,608	224	1,152	24.3%	22.5%	22.5%	52.5%
Exelon Generation	A3	9,703	22,622	4,015	4,919	80.8%	75.9%	29.7%	34.2%
FirstEnergy Solutions	Baa2	4,728	13,804	1,449	6,873	20.5%	20.5%	20.5%	66.6%
PPL Energy Supply, LLC	Baa2	6,132	17,495	1,510	7,167	17.3%	13.6%	0.5%	54.2%
PSEG Power LLC	Baa1	7,143	10,275	1,689	3,647	45.7%	43.4%	17.6%	41.9%
Southern Power	Baa1	947	3,051	318	1,425	22.0%	22.0%	14.5%	49.9%
System Energy Res.	Ba1	554	3,103	416	887	46.1%	43.6%	35.1%	38.5%

Appendix G: Unregulated power Companies

($ MILLIONS)		2009							
COMPANY NAME	RATING	REVENUE	TOTAL ASSETS	CFO	TOTAL DEBT	FFO / DEBT	(CFO PRE-W/C) / DEBT	(CFO PRE-W/C - DIVIDENDS) / DEBT	DEBT / BOOK CAPITALIZATION
Calpine Corporation	B1	6,564	17,122	800	9,931	7.5%	7.2%	7.2%	68.8%
Covanta Holding	Ba2	1,550	5,176	423	2,646	15.1%	14.6%	14.6%	57.1%
Dynegy Holdings Inc.	B3	2,467	11,602	281	5,412	11.2%	9.1%	-1.6%	58.4%
Edison Mission Energy	B2	2,377	11,566	485	7,033	12.2%	11.1%	11.1%	66.8%
Mirant Corporation	B1	2,309	10,728	846	3,899	23.0%	23.0%	23.0%	47.7%
NRG Energy, Inc.	Ba3	8,952	24,147	2,130	9,655	21.8%	21.7%	21.5%	50.8%
RRI Energy, Inc.	B1	1,825	8,203	255	3,149	14.9%	13.8%	13.8%	42.7%
Tx Comp Elec Hlds	Caa2	7,911	43,876	1,196	32,050	3.4%	3.9%	3.9%	90.2%

Moody's Related Research

Industry Outlooks:

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» U.S. Public power Electric Utility Outlook – 2010, June 2010 (125624)

» Offtake Contracts Shelter US Power Projects Through the Market Cycle, March 2010 (123409)

» Natural Gas Transmission Solid but New Concerns Emerge, September 2009 (120250)

» U.S. Regulated Electric Utilities: Six Month Update, July 2009 (118776)

» U.S. Investor-Owned Electric Utilities, January 2009 (113690)

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» Unregulated Utilities and Power Companies, August 2009 (118508)

» Natural Gas Pipelines, December 2009 (121678)

» U.S. Electric Generation & Transmission Cooperatives, December 2009, (121189)

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» Oil and natural gas outlook: Supply and demand pressures persist, January 2010 (122453)

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» Moody's Analytical Adjustments for Nuclear Energy Liabilities in EMEA, December 2007 (106604)

» New Nuclear Generation in the United States: Keeping Options Open vs Addressing An Inevitable Necessity, October 2007 (104977)

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MOODY'S INVESTORS SERVICE

BUSINESS
CASH-STARVED COMPANIES SCRAP DIVIDENDS, TAP CREDIT

KELLY RIDDELL
831 words
2 October 2008
Pittsburgh Post-Gazette
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English
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Carmike Cinemas Inc., the third-largest U.S. theater chain by screens, suspended its dividend, while Duke Energy Corp., owner of **utilities** in five states, tapped $1 billion from a credit agreement and RC2 Corp., the maker of infant and preschool products, canceled an acquisition.

The paralysis in credit markets is changing how U.S. companies do business, as banks pull back on loans or make them prohibitively expensive.

Some companies are closing plants and stores, postponing takeovers and grabbing any available credit in a fight for survival.

"If businesses don't have access to capital, smaller companies in particular, they might get wiped out," said Alec Young, a New York- based equity strategist at Standard & Poor's. "It's impossible to quantify how expensive this crisis is going to be for Corporate America; there's unlimited downside."

Ford Motor Co., the second-largest U.S. automaker, said it repaid $1.5 billion in debt that was due yesterday, without giving details.

Analysts said they expected Ford to make the payment in cash and not tap an $11.5 billion revolving credit line. Slumping auto sales and surging borrowing costs may boost U.S. new-vehicle dealership closures as much as 40 percent this year, the National Automobile Dealers Association said.

Circuit City Stores Inc. and memory-chip maker Spansion Inc. face higher interest expenses and slowing sales, analysts said. In the last week, Angiotech Pharmaceuticals Inc. scrapped a **financing** deal, and newspaper publisher McClatchy Co. said it renegotiated credit lines.

"It's almost inconceivable that there won't be an enormous slowdown in the U.S. markets and with that, increased joblessness, lower employment and higher bankruptcy rates, both personal and corporate," Michael Vogelzang, who oversees $2 billion as chief investment officer at Boston Advisors LLC, said. "Businesses are going to have to adapt."

Carmike Cinemas halted its dividend payment and spent $10 million to pay bank debt, the Columbus, Ga.-based company said in a statement. Over the past four quarters, Carmike said it made $9 million in dividend payments. It has $285 million in bank debt, down from $302 million on Dec. 31.

Duke has $650 million in bonds coming due this year, $442 million scheduled to mature next year and $500 million in 2010, according to data compiled by Bloomberg. Chief Financial Officer David Hauser said Duke was drawing from its credit agreement because it wasn't clear whether it would be able to secure more than $1 billion in new **financing** this year as planned.

RC2, the maker of Learning Curve products, canceled its acquisition of Publications International Ltd.'s children's publishing unit, citing difficulty obtaining **financing.** Citation Corp., a closely held auto-parts maker, said it postponed an acquisition planned for earlier this year due to the tightening credit markets.

"People are concerned with pending acquisitions especially if they are going to be financed via the debt markets or via bank- syndicated credit lines," Timothy Conder, a St. Louis-based analyst with Wachovia Securities Inc., said.

"Things you thought you had done last week get unraveled a week later," Citation Chief Executive Officer

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Douglas Grimm said. "The difficulty in the credit markets and your ability to negotiate with the banks is affecting everyone."

Vancouver-based Angiotech said last week that it wouldn't be able to meet the terms of a **financing** deal with Ares Management LLC, of Los Angeles, and New York-based venture capital firm Leaf Venture Partners, citing lowered revenue expectations and cash shortages.

The developer of drug-coated medical devices said it planned to cut jobs, close a U.S. plant and delay a new product.

Sacramento, Calif.-based McClatchy announced on Friday that it had negotiated an amendment with banks on its $1.18 billion credit line, agreeing to higher interest rates and borrowing limits in exchange for more lenient terms on cash flow.

Circuit City, the second-largest U.S. consumer-electronics company, hired turnaround firm FTI Consulting Inc. as an adviser, according to people familiar with the appointment.

Circuit City said in a statement on Monday that it had suspended plans for store openings for fiscal 2010, beyond commitments already made, and that it might close unprofitable locations. The chain has more than 1,480 stores.

"The risks of bankruptcy are very real" for Circuit City, David Schick, a Baltimore-based analyst with Stifel Nicolaus & Co., wrote in a research note on Monday. "Vendors will have to decide how they plan to do business at Circuit City." He recommends that investors hold the shares.

Circuit City has a secure line of credit through Bank of America Corp. that is backed by assets including inventory, spokesman Bill Cimino said.

"We feel we have adequate liquidity to fuel our turnaround, providing our vendors can support us," Mr. Cimino said. "Even though the capital markets are making things more difficult for them, our vendors are sticking with us."

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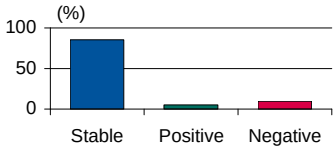
2012 Outlook: Utilities, Power, and Gas

Crosscurrents
Outlook Report

Rating Outlook
Utility Parent Companies
STABLE

Investor-Owned Utilities — Electric and Gas
STABLE

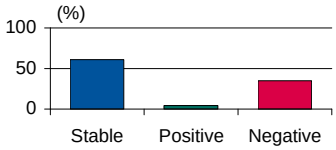
UPC and IOU Sector Outlooks



Source: Fitch Ratings.

Competitive Generators
NEGATIVE

Competitive Generation Companies Sector



Source: Fitch Ratings.

Related Research

What a Difference a Summer Makes … in ERCOT, Nov. 18, 2011

Heating Season Update 2011–2012 — Modest Price Increases and Warmer Weather Expected to Keep Costs in Check, Oct 28, 2011

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Rating Outlook — Investor-Owned Utilities and Parent Companies

Favorable Operating Environment: Operating and market conditions are expected to remain favorable in 2012 for investor-owned utilities (IOUs) and utility parent companies (UPCs), driven by good capital markets access, low interest rates, and low natural gas prices.

Risk Factors Present: UPCs with competitive generation subsidiaries and regulated utilities with wholesale power sales continue to face a challenging environment, with most regional power markets suffering from excess capacity and weak power prices. Managing through an extended period of high capital investment is the other principal risk to bondholders, should adequate and timely returns on investment not be authorized.

Economic Backdrop: Within the broader context of a sustained but modest U.S. economic growth forecast for 2012, company credit profiles and ratings are expected to remain stable. Industry consensus forecasts for a slight decline in electricity sales in 2012 are largely due to strong weather-related sales in 2011.

Divergence Expected: Integrated electric utilities have higher risk profiles than transmission and distribution (T&D) electrics and gas utilities, reflecting their exposure to new power-generation builds or environmental upgrades of existing facilities. UPCs with diversified activities also exhibit a higher risk profile than those with a pure regulated model.

Rating Outlook — Competitive Generators

Negative Credit Outlook: The operating environment is expected to remain challenging for the competitive generators (gencos) given the slow recovery in power prices, tightening environmental regulations, and choppy capital markets. Uncontrolled coal generation in markets where natural gas is on the margin is especially vulnerable. Unlike the pure play generators, affiliated gencos may benefit from strong parent or affiliate linkages.

No Relief from Gas Prices: The natural gas price forward curve continues to shift lower, and consensus price forecasts have been lowered for both prompt and outer periods. This, coupled with sluggish demand, has conspired to keep power price recovery from the 2009 lows modest.

Longer Term Outlook Brighter: Fitch Ratings expects power market recovery to gradually accelerate as coal-fired generation retirements bring supply more in line with demand, although timing varies by market. Fitch believes Texas could turn around the earliest, as evidenced by the spikes in power prices during the prolonged 2011 summer heat wave.

What Could Change the 2012 Outlook

Capital Markets Freeze: Significant tightening or loss of capital markets and bank access would have a deleterious affect on sector creditworthiness in the face of high capex budgets.

Double-Dip Recession: Weaker than projected economic growth would further erode prospects for weather-adjusted electricity sales, which Fitch expects to be essentially flat in 2012. In such an event, ratings of companies with Negative Outlooks, or exposure to wholesale power markets, could be downgraded.

What Could Change the Two- to Five-Year Outlook

The utilities, power, and gas sector is characterized by investment decisions, regulatory frameworks, and rules and regulations that are planned and implemented over a multi-year time horizon. Credit factors over this longer term time period include the following.

Secular Flattening in Electricity Sales

There is growing evidence that longer term consensus forecasts of electricity sales growth of 1%–2% per annum may be optimistic. Technological and manufacturing improvements in lighting, heating, and air conditioning systems, along with smart meter, thermostatic, and software interfaces, have the potential to reduce electricity consumption growth to flat to +1% over the next two to five years, in Fitch's opinion. Even a small decline in electricity sales growth rates can be harmful to the industry's credit profile, as higher costs are spread over fewer units of sales and would require more frequent rate relief. Unlike other renewable energy sources, the economics of conservation investments is compelling, with cost savings providing relatively short payback periods.

Many large commercial consumers of electricity are pursuing efficiency and conservation programs outside the traditional utility channels. Many big box retailers and commercial real estate owners are in the early stages of energy efficiency programs that will significantly reduce their power-consumption needs.

Natural Gas Price Shocks

The power sector is becoming addicted to low natural gas prices, and the generation mix will increase from approximately 25% gas-fired generation in 2011 to almost 40% by 2025, according to most industry forecasts. While some uncertainty exists as to the ultimate supply of shale natural gas due to lingering environmental concerns, given prospects for substantially increased domestic demand and exports of liquid natural gas, a more balanced supply-demand picture will likely result in higher natural gas prices. Higher gas prices will raise power prices and customer bills, possibly stimulating further conservation efforts.

Environmental Effects Unknown

Implementation of the Environmental Protection Agency's (EPA) Cross-State Air Pollution Rule (CSAPR) in 2012 will be a wild card, and will leave a clear mark on power markets in the regions affected. The EPA's Mercury Air Toxics Standard is to take effect in 2015 or 2016, and compliance costs are expected to be high. Capital costs to remediate a typical 500-MW coal-fired plant can run approximately $800,000 per MW for a total cost of approximately $400 million. The per-MW cost is even higher for smaller coal-fired units. Many operators will simply chose to shut their plants, especially owners of older inefficient plants, rather than incur such a large capital cost with uncertain return on investment.

On the operating side, in the absence of an established emission credit trading market, environmental compliance costs are uncertain and difficult to quantify. Financial penalties under CSAPR for exceeding state limits will not be applied until Jan. 1, 2014. In the interim, companies will be implementing strategies to comply with emission reductions that will include substantial increases in environmental capex, plant closures, and higher operating expenses from fuel switching or blending. Given the many uncertainties, the known and unknown financial and strategic implications of CSAPR will weigh on the power sector.

The national elections in November 2012 may represent a referendum on many issues of concern, including environmental rules and policies. A change in administration may cause a postponement, change, or elimination of impending rules by the EPA.

Company-Specific Strategies or Developments

For individual companies, rate case outcomes, shifts in corporate strategy, and merger and acquisition activity are the most likely causes for an outlook change. Event risks, such as forced plant outages, storm damages, or extreme weather could also trigger an outlook revision. Fitch does not consider shareholder activities involving treasury share buybacks to be a primary concern, but would be a source of rating pressure if enacted.

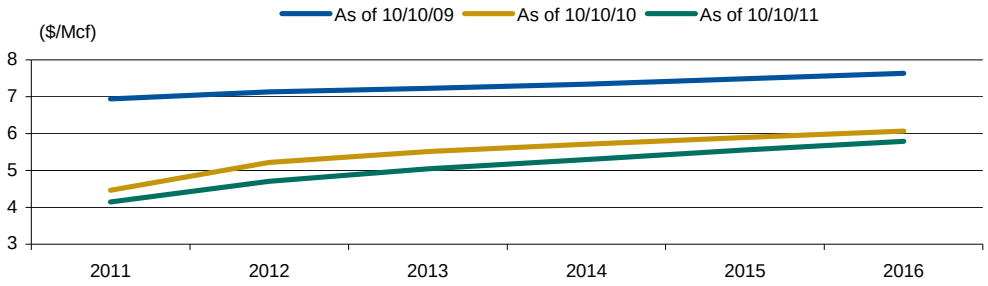
Fitch expects greater divergence for competitive gencos over time, reflecting regional power market, fuel mix, and environmental exposures. Gencos situated in the Electric Reliability Council of Texas (ERCOT) region and operators with natural gas or scrubbed coal fleets are best positioned.

Key Issues and Drivers of the Outlook

Natural Gas, Power Prices, and Electricity Sales

Abundant supplies and sustained low prices of natural gas are having a transforming effect on the entire utilities, power, and gas sector. However, subsectors and individual companies are correlated to natural gas differently. Regulated utilities, T&D electrics, and gas distributors generally benefit the most from low natural gas prices, which have the concomitant beneficial effect on customers through lower prices for power, and keep customer bills affordable.

Natural Gas Forward Prices — Henry Hub



Mcf – Thousand cubic feet.
Source: Fitch Ratings, Bloomberg.

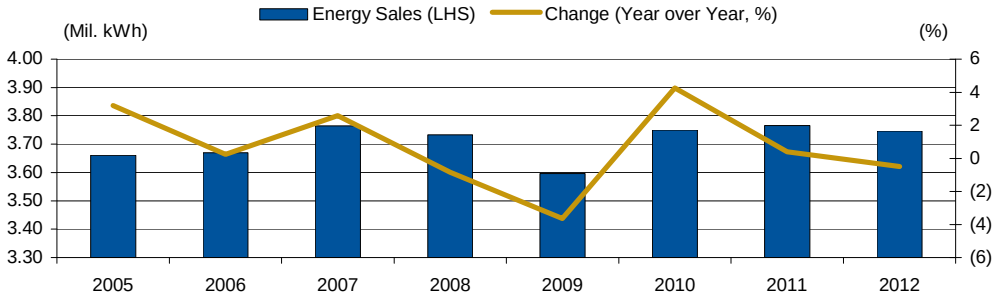
Power prices increase only gradually in Fitch's financial models and forecasts, reflecting the dampening effect of low natural gas prices and excess reserve margins. Fitch's power market consultant, Wood MacKenzie, also projects a slow increase in power price through 2015, although prices remain below pre-2008 recessionary levels.

Low natural gas prices tend to depress wholesale power prices for gencos, particularly in markets where natural gas is on the margin. Low natural gas prices improve the mid-merit dispatch of gencos with large natural gas fleets, resulting in higher capacity utilization.

Consensus forecasts are for 2012 electricity sales to decline slightly from 2011 levels due largely to favorable weather patterns in 2011, and to a lesser extent, continued weak economic

growth. Electricity sales are projected to be essentially flat when adjusted for weather. Efficiency and conservation programs will also dampen electricity sales growth, in Fitch's opinion. Longer term, lower sales will result in higher unit costs, which impede margins for individual utilities and require more frequent rate relief. The modestly lower sales forecasts in 2012 will largely be offset by earnings from capex projects, which have been completed and entered into the rate base.

Power Consumption Trends

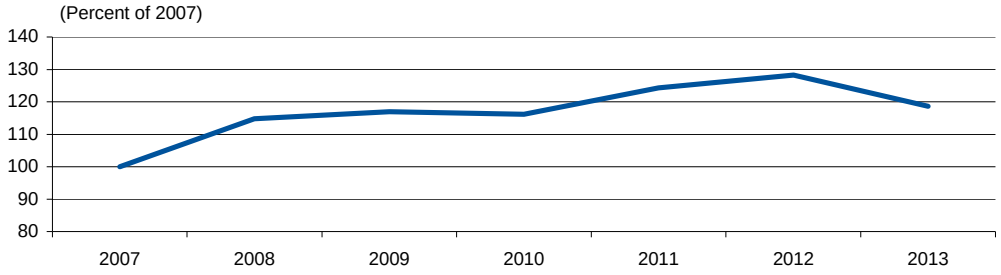


Source: E.I.A.

High Capex with Reliance on External Financing

Capex is expected to remain robust in 2012. Fitch projects capex to increase 5.7% in 2012, in addition to increases of 6.4% in 2010 and 4.6% in 2011. High capex typically places stress on credit metrics and bond spreads. However, bonus depreciation and low financing costs have ameliorated most of the cash flow pressures from high capex. Many investments such as transmissions projects under the Federal Energy Regulation Commission jurisdiction also enjoy timely recovery through construction work in progress (CWIP) tariffs. Consequently, during this capex period, earnings and credit quality have not been negatively affected.

Capital Expenditures

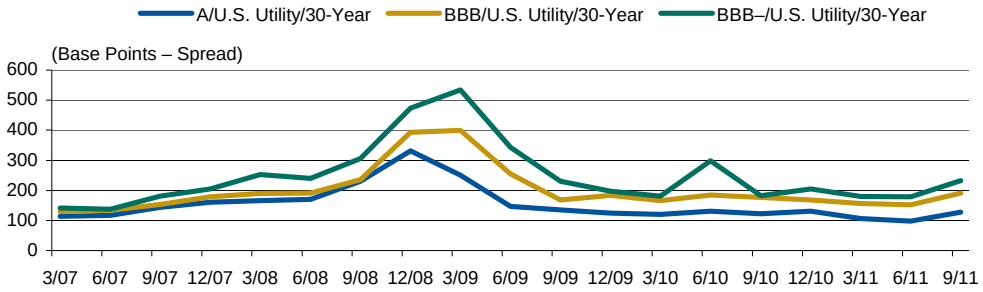


Source: Fitch Ratings.

Fitch expects the regulated utility sector to enjoy a continuation of strong capital market and bank access, along with favorable pricing similar to 2011. Financing costs for long-term first mortgage bonds are at historic lows, reflecting the defensive nature of the regulated utility sector. Investors have demonstrated a strong appetite for utility paper, given a general risk

aversion among institutional and retail investors. Gencos face a more challenging environment, particularly high-yield issuers. Fitch expects non-investment grade issuers will face difficult market conditions given continued economic uncertainty.

Spread Over 30-Year Treasury by Rating Category



Source: Bloomberg.

Regulatory Actions

Fitch sees continued downward pressure on authorized return on equity (ROE), which has moved lower over the last couple of years, from around 10.5% to approximately 10%, according to a recent Fitch study. Regulators' decisions in rate cases remain a key credit factor for regulated utilities. The political and regulatory environment affecting regulated utilities varies state by state.

Economic Stimulus Expiry

The utilities, power, and gas industry was a primary beneficiary of the various economic stimulus packages, including bonus depreciation and investment tax credits put in place over the last few years. Cash flow, particularly funds from operations (FFO) measures, has been particularly robust in 2010 and 2011. With the bonus depreciation phase-out starting in 2012, and full expiration of such incentives in 2013, Fitch expects cash flow measures to revert to pre-2008 normalized levels.

Stringent Environmental Rules

The EPA issued CSAPR on July 7, 2011. The rule is effective Jan. 1, 2012, essentially covers the eastern half of the U.S., including Texas, and mandates substantial reductions in power plant emissions. Emission reductions vary by state. Fitch considers 80 gigawatts of coal capacity at risk for closure as a result of the rule.

Mergers and Acquisitions (M&A)

Fitch expects continued consolidation in the industry. However, Fitch feels the rating implications are limited, since existing ratings for most of the larger utility holding companies fall within a narrow band, and mergers are typically consummated using stock as currency. For operating subsidiaries, little rating effect would be expected among large traditional utility combinations. Rating risk would be present in combinations where the acquirer is a merchant

genco (such as DPL Inc.'s acquisition by AES Corporation), or where the acquirer is a nonstrategic or private equity firm.

Consolidation among gencos is also likely driven by the need for regional diversity, high environmental capex requirements, and the desire to gain necessary size and scale.

2011 Review

For the utilities, power, and gas sector, 2011 could best be described as the quiet before the storm. Despite many headline news events, including the adoption of new EPA rules, reduced economic growth forecasts, record low interest rates, and further reductions in natural gas prices and forward curves, the industry performance was largely on par with 2010 and within Fitch's, and general industry consensus, expectations.

The Fukushima Daiichi nuclear accident on March 11, 2011, left an indelible mark on the future of nuclear energy globally. Nuclear power supplies approximately 20% of total U.S. power consumption, and is a relatively cost-effective source of low-emitting generating capacity. Fitch believes the strong safety-oriented oversight by the Nuclear Regulatory Commission, the power and utility industry's generally favorable safety record, and the importance of nuclear in managing system load support the continued operation and relicensing of such facilities. Higher capex for safety upgrades and resultant higher operating costs are not expected to alter the favorable generation profile of the existing nuclear fleet.

The future of new nuclear development in the U.S. is problematic. A few utilities are pursuing nuclear development within regulated rate base and strong tariff recovery mechanisms. Forward market prices do not support nuclear development on a merchant basis.

Enactment of a comprehensive national energy power policy again proved elusive, reflective of a general political stalemate and lack of leadership in Washington, which will likely persist through the presidential elections in November 2012. Strategic planning of long-term capital investments is increasingly problematic, particularly in relation to environmental upgrades and renewable and other forms of new generation.

Median Ratings and Rating Activity

Median senior unsecured ratings for parent holding companies and their regulated operating subsidiaries have remained stable over the last few years at 'BBB' and 'BBB+', respectively. Within the relative safety of higher electricity sales, low interest rates, and low natural gas prices, 2011 rating activity within Fitch's regulated utility portfolio was muted, but biased to upgrades and Positive Outlook revisions.

Gencos did not enjoy such security, as lower wholesale power prices continued to pressure margins, resulting in a large number of rating downgrades and Outlook revisions to Negative. Within the merchant rating portfolio, affiliated gencos have tended to face less pressure and largely retain investment-grade ratings, with the notable exception of Edison Mission and related entities. Independent power producers, (IPPs) tend to have non-investment grade ratings.

Utilities, Power and Gas Rating Activity — 2011

	Upgrades	Downgrades
UPCs	4	5
IOUs	16	6
Gencos	1	11

UPC – Utility parent companies. IOU – Investor-owned utilities.
Source: Fitch Ratings.

There was no particular pattern or trend among the 2011 upgrades for utility parent companies (UPCs). Among the regulated companies upgraded in 2011, seven are part of the First Energy family following consummation of the merger with Allegheny. Other upgrades include Westar and Kansas Gas & Electric, which continues to recover from earlier stresses, and Oncor, the regulated subsidiary of Energy Future Holdings (EFH). Three gas local distribution companies (LDCs), Atmos Energy, Southwest Gas, and Mountaineer Gas, were upgraded.

The first major casualty of depressed wholesale power market conditions was Dynegy Holdings, Inc., which filed bankruptcy in November 2011. Other notable rating downgrades within Fitch's merchant genco portfolio included EFH and subsidiary Texas Competitive Energy Holding, and genco affiliates of Ameren and Edison International.

M&A Activity and Consolidation

The case for continued industry consolidation remains strong given the fragmented structure of the industry. Drivers of consolidation include the scale of capital investments needed relative to the book capital and market capitalization of individual companies, strategic synergies, particularly in competitive activities, and operational cost savings. The regulatory structure typically requires a one-year or longer timeframe to complete combinations of UPCs and IOUs.

Major Merger and Acquisition Announcements — 2011

($ Mil.)

Buyer	Seller	Target	Price	Valuation
Duke Energy Corp.	Progress Energy, Inc.	Progress Energy, Inc.	25,700	8.6x EBITDA
AES Corp.	DPL Inc.	DPL Inc.	4,600	7.5x EBITDA
Exelon Corp	Constellation Energy Group	Constellation Energy Group	10,600	7.6x EBITDA
Fortis Inc.	Central Vermont PS	Central Vermont PS	702	7.1x EBITDA
PPL Corp.	E.ON UK plc	Central Networks UK	5,600	Not Disclosed

PS – Public service.
Source: Fitch Ratings.

Gencos face similar pressures to combine. Prior to Dynegy Holdings' bankruptcy filing, two separate merger agreements collapsed in the face of shareholder opposition.

Fitch expects the M&A pace to continue into 2012.

2012 Credit Outlook Summary by Sub-Sector

The segment credit outlooks in the left column reflect fundamental analysis of factors influencing developments in the sub-sectors, not the aggregate Rating Outlooks of the entities. Median ratings indicated are based on the IDRs of entities rated by Fitch Ratings.

Segment	Key Trends and Credit Issues for 2011
Utility Parent Companies Median IDR: BBB **Credit Outlook** Stable	• Stable cash flow from regulated utilities; declining cash flow from competitive generation business as existing hedges expire and volume is recontracted or sold at prevailing market prices. • Capital investment levels for organic growth projects and environmental upgrades remain high, requiring external financing. • Equity issuance needed to maintain balanced capital mix. • Favorable environment for consolidation and M&A activity.
Investor-Owned Electric Utilities Median IDR Integrated Electric: BBB Median IDR Electric Distribution: BBB **Credit Outlook** Stable	• Fitch assumes electricity sales down less than 1% in 2012 (flat on a weather normalized basis); longer term, flat to +1% weather normalized. • Increased mandates for energy efficiency and conservation to restrict electricity sales growth. • Serial base rate cases needed to recover infrastructure investments in 2011 and longer term. State regulatory climate varies by state, and remains a key driver. • Relatively low gas and power purchase costs are favorable to utilities, reducing the upward pressures on customer bills. • Sustained high capital spending on infrastructure (environmental compliance, renewables mandates, transmission projects, and automated metering.) • External funding needed for capex, but companies are expected to maintain liquidity and good access to capital markets. Dependent on parent companies for equity to maintain capital structures.
Gas Distribution Utilities (LDCs) Median IDR: A– **Credit Outlook** Stable	• Expected low natural gas commodity prices contribute to stable cash flow and improve relations with consumers, politicians, and regulators. • Rate decoupling or fixed/variable tariff structures help to minimize sensitivity to variations in sales volumes. • Pipeline safety issues will be a focus. However, overall, capital expenditures will remain manageable. • Low risk growth potential from optionality of natural gas in new uses (transportation) as well as continued gains from fuel switching. • Expect consistent regulatory treatment and manageable external funding.
Competitive Generation Companies **Generating Companies and Energy Trading** Median IDR: BB **Credit Outlook** Negative	• Flat electricity sales in 2012 and beyond with excess power capacity relative to required reserve margins to remain for several years; balance achieved through expected closings of older coal-fired units. • Low gas and power price environment will depress margins for most generators; as existing hedge contracts expire, revenues per unit will reflect the weak market environment. • New environmental regulations for air and water emissions will affect the outlook for coal-fired power generation and accelerate retirements of older, smaller, and less efficient coal plants. • The challenges to competitive generators listed above are likely to stimulate an active M&A environment, divestitures, and consolidation. • Higher power prices necessary to support investment in new build generation or environmental upgrades to uncontrolled coal plants.

IDR – Issuer default rating. M&A – Mergers and acquisitions.
Source: Fitch Ratings.

Utility Parent Companies: Stable

Key Issues

UPCs reflect the underlying business conditions of their regulated and nonregulated subsidiaries. Risks specific to UPCs include discretionary decisions such as consolidation and M&A activities, treasury share repurchases, dividend policy, and financial-management policies, as well as external factors including capital markets access, cost of capital, and inflationary cost pressure. Fitch expects UPC operating conditions in 2012 to mirror 2011, although there is greater event risk due to market disruption and contagion from the banking sector, commodities volatility, and the ongoing Eurozone crisis.

Tax Policies

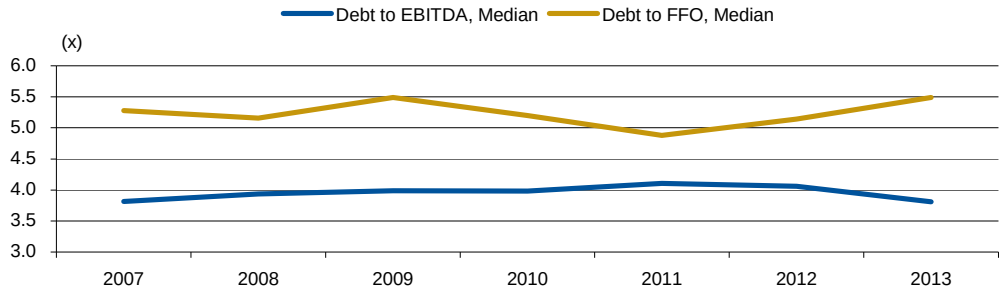
The preferential U.S. tax treatment of dividends and capital gains in effect since 2003, if not extended, would be considered a negative development for UPCs. Lower dividend taxes help utilities attract capital, which is important given their high-capital intensity. If favorable tax treatment of dividends is extended, it aids utilities and infrastructure companies that pay dividends to fund their investments at a favorable overall cost of capital. Fitch assumes the dividend tax preference continues.

Compared to other industries, U.S. utilities have a relatively high common dividend payout to net earnings ratio of approximately 60%–70%, but this is consistent with prior sector norms. Fitch anticipates modest increases in common dividends, but payout levels will likely remain within targeted levels of 60%–70%. Fitch views dividends as part of the overall corporate capital-maintenance and capital-raising objectives. Companies with regular dividend increases are more highly valued by equity investors and are at an advantage when they need to raise equity capital.

UPC Forecast Financial Trends

Given a generally benign economic outlook in 2012, Fitch's base forecasts, on a company consolidated basis, are for aggregate earnings to improve in 2012, while key credit metrics show a mixed picture. EBITDA growth in 2012 reflects the completion and maturation of investments over the preceding years. However, FFO declines with the phase-out of bonus depreciation beginning in 2012 and absence of bonus depreciation in 2013, along with the expiration of production tax credits and other incentives that bolstered 2009 and 2010 results. Consequently, Fitch does not have specific concerns as to the decline in FFO, since it only reflects a return to normalized recurring levels.

Leverage Ratios

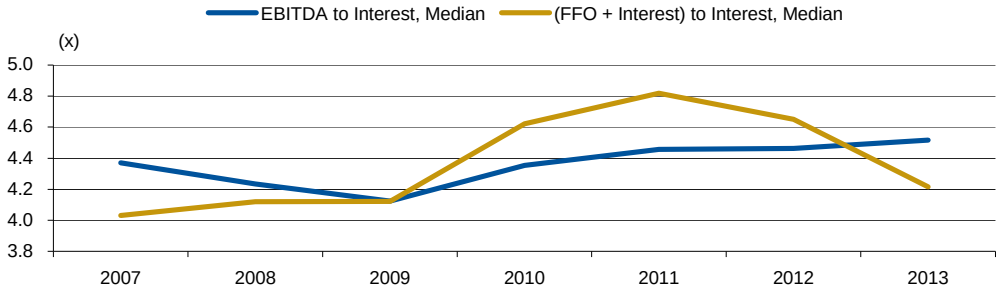


Source: Fitch Ratings.

Debt leverage reflects similar divergence as coverage measures. Debt to EBITDA improves, reflecting the higher EBITDA Fitch envisions for the sector, while debt to FFO increases, reflecting the lower FFO levels Fitch expects in the absence of new tax incentives. However, in both cases the baseline returns to the 2007 period, reflecting a return to the norm.

Economic stimulus by Washington in the form of extensions of bonus depreciation and tax credits would provide upside to Fitch's FFO projections. Higher debt levels reflect funding for capex projects within a typical 50% debt/50% equity capital structure. Interest coverage measures in 2012 reflect the divergence in aggregate EBITDA and FFO measures. Over the next two years, EBITDA-to-interest measures remain relatively flat at around 4.0x coverage. At the same time, FFO to interest declines, particularly in 2013, and returns to the baseline of 2007.

Interest Coverage Ratios



Source: Fitch Ratings.

Electric Utilities: Stable

Fitch's Outlook for the electric utility sector in 2012 remains stable. The sector benefits from low interest rates, modest inflationary pressures, open capital markets, and low natural gas and power prices. Fitch expects these conditions to persist into 2013.

The favorable funding environment helps to offset any stress that would otherwise result during an extended period of high projected capital investment. Capex is expected to remain elevated, increasing 5%–6% over 2011 levels.

Many utilities have reduced regulatory risk by shifting cost recovery from general rate case proceedings to standardized tariffs that provide greater certainty and timeliness of cost recovery. Moreover, utility investment in this construction cycle seems to be aligned with the goals of regulators and policymakers, enhancing prospects for timely and full investment recovery, in Fitch's opinion.

Fitch's outlook for the sector presumes an extended period of cyclically low power and natural gas prices. Electric utilities, particularly T&D utilities, are beneficiaries of low commodity prices. Low prices for fuel commodities provide crucial headroom for utilities to recover anticipated investment in plant and equipment through base rate increases. All else equal, stable to lower natural gas and power prices remove a source of upward pressure on monthly utility bills, and reduce potential consumer resistance/political backlash to higher rates. Similarly, a low inflation and interest rate environment would stabilize utilities' costs and rates.

Longer term, risks to the Stable Outlook become more pronounced as secular and cyclical factors come into play. Sales growth expectations, already modest at 1%–2% per annum, may prove optimistic given the subdued economic growth outlook and a growing demand for energy efficiency and conservation. The industry faces the double threat of both disruptive technologies, such as efficiencies in lighting, refrigeration, and software interface, combined with competitors promoting such products and services. The industry will be challenged to adjust business models to face the new competitive landscape.

A more immediate threat might be a change in the operating environment in 2013 and beyond. Fitch has specific concerns regarding upward pressure on electricity rates owing to reliance on higher cost, non-emitting renewable and other energy resources, and potentially higher interest rates, inflation, natural gas, and power costs from the current cyclically low levels. The upward pressure on electricity rates in this scenario could lead to political resistance to future rate increase requests and the potential inability to fully recover prior costs and investments, resulting in credit rating downgrades.

State Tariff Regulation

A 2011 Fitch survey of authorized ROEs reflects a continued trend of lower ROEs. Authorized ROEs are now trending down to the 10% level from a range of 10.25% to 10.50% registered at Fitch's last survey in 2009. The trend is not surprising given the overall low interest rate environment and cost of capital benchmarks for alternative investments. Lower ROEs are also associated with features increasingly common in tariff structures that minimize cash flow volatility. Still, the trend will pressure earnings and key coverage and leverage credit measures, including EBITDA to interest and debt to EBITDA.

There has been a notable increase in recent years in the utilization of fuel-adjustment clauses, pre-approval of major construction projects, environmental riders, the use of CWIP in rate base, and other tariff mechanisms designed to move cost recovery out of general rate case proceedings and/or provide greater assurance of cost recovery. Such mechanisms reduce earnings attrition and business risk, and are viewed favorably in Fitch's credit rating decisions.

The electricity industry, particularly in the northeast, suffered a number of storms that resulted in substantial damage to the system infrastructure and long periods of customer outages. Typically, such expenses and capital costs are recoverable, frequently through a tariff monetization financing. However, in cases where the regulators feel the utility did not respond properly, a portion of such expenses would likely be absorbed by the utility. Fourth-quarter 2011 results may reflect such items.

Gas Utilities: Stable

Fitch's 2012 Outlook for LDCs remains Stable. Gas utilities are advantaged by low natural gas prices, which minimize customer conservation, and long-term forecasts of abundant and low-priced natural gas supplies, which stimulate conversions to natural gas from other fuel sources. While the slow pace of economic recovery has limited sales growth, LDCs remain well positioned with modest capex requirements, mostly related to system reliability and maintenance.

Natural gas prices are expected to remain at low levels in the wake of abundant domestic supplies. Entering the 2011–2012 winter heating season, storage levels remain robust and should allow all-in rates to consumers to remain manageable. While many LDCs either have or are pursuing some form of rate decoupling or weather normalization that shields financial

results from the effects of changes in volumes sold, low gas prices are nevertheless positive as lower overall rates alleviate concerns related to bad debt expense and regulatory pressures. The lower cost of gas inventories in storage and carrying customer receivables during the peak winter season have also had a meaningful effect on reduced liquidity needs for many LDCs.

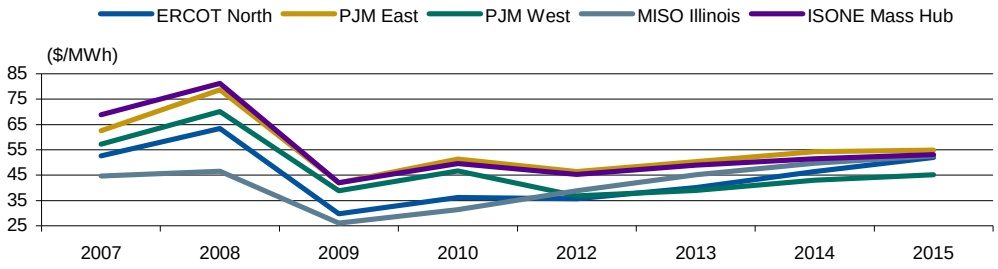
Weather, especially for gas utilities without decoupling mechanisms, is the biggest variable in financial performance.

Limited concerns will be centered on the increased focus on pipeline and system safety following several high-profile accidents. Fitch believes the enhanced inspection and testing programs being enacted across the industry will largely be recoverable in future rate cases.

Competitive Generators: Negative

Fitch expects the competitive gencos to continue to face a challenging operating environment in 2012. Some gencos are affiliated merchant generators, which are subsidiaries of large utility holding companies, while others are stand-alone IPPs. Both types of companies are adversely affected by a depressed commodity environment, expiring above-market hedges, and more stringent environmental regulations that could adversely affect uncontrolled coal-fired generation. However, unlike IPPs, affiliated gencos tend to benefit from strong parent or affiliate linkages and better access to capital during periods of volatile capital market conditions.

Historical and Forecast Round-the-Clock Power Prices
(As of Oct. 10, 2011)



ERCOT – Electric Reliability Council of Texas. ISONE – ISO New England. MISO – Midwest ISO.
Source: Wood MacKenzie.

Fitch expects aggregate credit metrics for gencos to weaken in 2012. This primarily reflects the effect of lower power prices as older, higher priced contracts expire and get remarketed in a weaker commodity environment. Implementation of CSAPR will also impinge on profitability and cash flows at several coal-fired plants due to curtailment of production and higher costs from fuel switching and blending. Fitch considers it quite likely that such conditions persist well into 2013, until demand supply becomes more balanced in various regional power markets, leading to a stronger recovery in power prices.

Liquidity remains a key rating consideration for high-yield gencos. Fitch believes liquidity is adequate for 2012. However, rising capital requirements at coal-fired generators will deplete excess cash balances. For the gencos with natural gas assets and/or a more diversified portfolio, excess cash could likely be diverted toward stock purchases, investment in new generation (natural gas-fired/renewables), or vertical integration into the retail business. Fitch

will continue to evaluate these actions in the context of overall management strategy and credit metrics.

AES, NRG Energy Co., and Calpine have each announced their intention to return capital to shareholders. Rating pressures could appear if there is an outsized return of capital to shareholders. Fitch believes capital market conditions for high-yield issuers have not normalized, and any disruptions due to macroeconomic events could periodically shut market access for them.

Aside from credit metrics, individual issuer rating and outlook are also influenced to a large extent by fuel mix, location, age, and extent of environmental compliance of its power-generation assets. Fitch believes emission-free generators are likely to be beneficiaries of stringent environmental regulations as old and inefficient coal plants retire, thereby rendering the demand supply balance more favorable to supporting higher power prices. Among the various regional markets, Fitch believes ERCOT is particularly attractive, as evidenced by the squeeze in reserve margin during the 2011 summer heat wave. This should aid the gencos that have a significant exposure to ERCOT.

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After a difficult year in 2009, the Natural Gas Utility Industry will likely begin on its road to recovery. The economic environment is improving, which should ease some of the pressures these companies endured over the past 12 months. These utilities have done their best to stave off these challenges through a variety of strategies. Despite the hard times, many of these stocks offer attractive dividend yields, which may interest income-oriented investors.

Macroeconomic Climate

Natural Gas Utilities generally offer fairly predictable cash flows, solid balance sheets, and good yields. Therefore, when times are tough, investor interest in these defensive equities picks up. However, when the stock market rallies, investors tend to flock to issues that have the potential for greater returns. On point, natural gas utility stocks have not performed well over the past year. Indeed, the difficult economic environment weighed on this group in 2009. Reduced industrial demand, weakness in the housing market, and conservative spending all hurt results. Additionally, bill collection has become tougher due to high unemployment levels. In response, these companies have scaled back their spending and increased their marketing in an effort to weather these challenges. All told, investor confidence appears to be picking up, which suggests the worst may be behind these companies.

Regulation

This group is regulated by state commissions that determine the return on equity these stocks can realize. Consequently, rate cases remain key to this sector's performance. If a company does not have adequate relief, its budget can become stretched. On the other hand, a rate that is too generous can give utilities too much upside at the expense of its customers. State commissions are constantly working to keep a balance between shareholder and customer interests. These decisions are carefully monitored by investors due to their impact on stock valuations. A positive decision can significantly improve a company's prospects, while a negative one can limit its near-term outlook. Thus, interested investors should pay close attention to the regulatory environment.

INDUSTRY TIMELINESS: 82 (of 97)

Weather

Colder-than-normal weather of late may have provide a boost to natural gas prices due to lower supply. However, now that the peak heating season is in the rear-view mirror, these utilities will likely post weak results as they enter a seasonably slow time of year. Therefore, we look for these companies to focus on cost management to strengthen their results during the warmer months.

Business Strategy

A strategy that is becoming increasingly common is nonregulated businesses. These ventures allow firms to diversify their operations and gain income that is not subject to regulatory authorities. While these operations are often more risky, they generally offer a greater potential for returns.

Conservation is also becoming a noticeably important theme in this sector. Governments are encouraging these utilities to partake in energy-efficiency programs by offering incentives. This way companies can participate without hurting their profitability. All told, we think these initiatives will continue to gain momentum going forward.

Dividends

Income-oriented accounts may want to consider some of the equities in this industry. Indeed, these equities on average have better dividend yields (4.2%) compared to the *Value Line* median (2.0%). Most notably, *NiSource*, *AGL Resources*, *Atmos Energy* and *Laclede Group* all stand out for their hearty payouts.

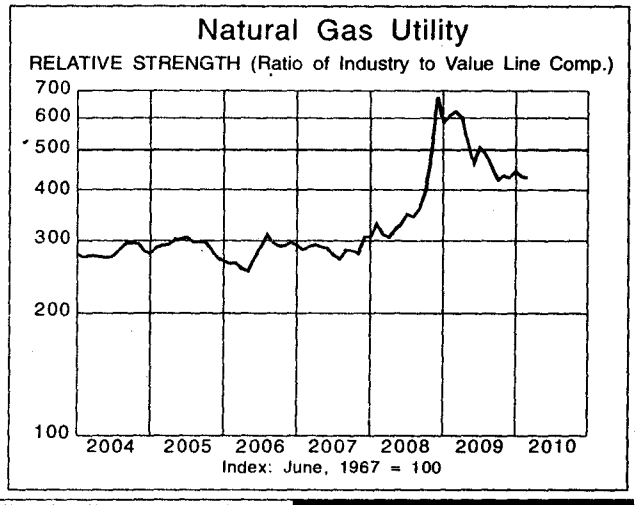
Conclusion

Natural Gas Utility stocks have fallen near the bottom of our Industry spectrum for Timeliness. Accordingly, short-term investors would probably do best to find a group with better prospects over the coming six to 12 months. Longer-term, we expect these businesses to rebound. An improved economic environment, coupled with stronger pricing, should boost results across this sector over the coming years. In sum, we think patient investors will find a few issues in this sector that offer enticing total-return potential over the 2013-2015 time frame.

Richard Gallagher

Composite Statistics: Natural Gas Utility

2006	2007	2008	2009	2010	2011		13-15
38273	38528	44207	*45500*	*47000*	*48500*	Revenues ($mill)	*54750*
1553.3	1562.4	1694.2	*1775*	*1850*	*1925*	Net Profit ($mill)	*2250*
35.3%	33.9%	35.7%	*36.0%*	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
4.0%	4.1%	3.8%	*3.9%*	*3.9%*	*4.0%*	Net Profit Margin	*4.1%*
51.2%	50.4%	50.6%	*51.0%*	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
48.7%	49.5%	49.4%	*48.0%*	*48.0%*	*48.0%*	Common Equity Ratio	*46.0%*
30847	32263	32729	*33250*	*34750*	*36250*	Total Capital ($mill)	*42000*
32543	33936	35342	*36750*	*38500*	*40250*	Net Plant ($mill)	*48250*
6.6%	6.5%	6.8%	*6.5%*	*6.0%*	*5.5%*	Return on Total Cap'l	*5.5%*
10.2%	9.8%	10.5%	*10.0%*	*10.5%*	*10.0%*	Return on Shr. Equity	*10.0%*
10.2%	9.8%	10.5%	*10.0%*	*10.5%*	*10.0%*	Return on Com Equity	*10.0%*
4.0%	3.7%	4.3%	*4.0%*	*4.5%*	*4.0%*	Retained to Com Eq	*4.5%*
61%	62%	59%	*60%*	*62%*	*61%*	All Div'ds to Net Prof	*65%*
15.6	16.6	13.9		*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.0*
.84	.88	.83				Relative P/E Ratio	*.85*
3.9%	3.7%	4.2%				Avg Ann'l Div'd Yield	*4.6%*
327%	336%	358%	*375%*	*375%*	*375%*	Fixed Charge Coverage	*400%*



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INDUSTRY TIMELINESS: 75 (of 96)

Natural gas distribution stocks traditionally haven't been associated with undue investment risk. That's because of the economic safeguards afforded this industry group by state regulation. Today, gas stocks, by and large, still don't offer nearly as much risk as the equities of nonregulated businesses. But gas distribution is no longer the staid activity it used to be. Regulatory policy today encourages competition, which exposes the utilities to more business risk than they have been accustomed to. The uncertainties suggest that dividends will continue to grow slowly. So investors needing assured income ought to be holding only the higher-quality stocks in this group.

New Playing Field

The local gas companies' primary business is to sell natural gas as a fuel for cooking and space heating to a mostly captive residential and commercial market (retailers, restaurants, etc.). But Congress' decontrol of wellhead prices back in the Eighties became a catalyst for a change in the market dynamics that caused federal regulators to order the interstate pipelines to modify their business setup. Those changes have had a direct influence on the way local distribution companies (LDCs) conduct their operations. They have been compelled to follow aggressive disciplines in supply acquisition and marketing, with the protective umbrella of regulation not as broad as it used to be.

The new federal policies are meant to foster competition among the long-haul systems in order to maintain an equitable flow of gas to market and to minimize supply/demand imbalances. The guidelines have required the interstate pipelines to abandon their traditional calling as gas resellers to become common carriers of supplies owned by LDCs and large-volume end-users. In their new role, the pipelines may try to take market share from each other and from the LDCs.

Joining the Fray

The local utilities are also having to reinvent themselves, as state regulators, taking a cue from the federal guidelines, move to open their jurisdictional ground to competition. The competition may take the form of incursions by pipelines into the local service areas or a neighboring LDC moving in on the hometown gas distributor. But the rivalry won't mean a webwork of new gas lines criss-crossing one another. Rather, all players in the field may set up separate marketing units to broker gas supply deals with non-affiliated utilities (electric or gas) and large-volume industrial end users. The LDCs may also act as resellers of gas supplies or work to find capacity on pipelines for shippers.

These so-called off-system marketing activities have been developing rapidly during the past several years. Most of this business is conducted as interstate transactions. So there are no federal price or earnings caps, since the competitive marketplace assures everyone of a fair deal. Nonetheless, under incentive regulation, a program that is slowly unfolding state by state, LDCs usually have to share their off-system profits with their traditional on-system customers. The LDCs' portion of the off-system profits enables the utilities to earn the state-allowed returns on their local gas-plant investments, while the amounts credited to ratepayers afford the distributors a competitive edge in attracting new business. Still, in a move to avoid state control of off-system earnings, LDCs are forming holding companies (or are using existing such entities) to set up nonregulated marketing organizations to compete in the local and interstate arenas. They might have unlimited earnings potential, but as nonregulated businesses, they are shareholder-risk ventures.

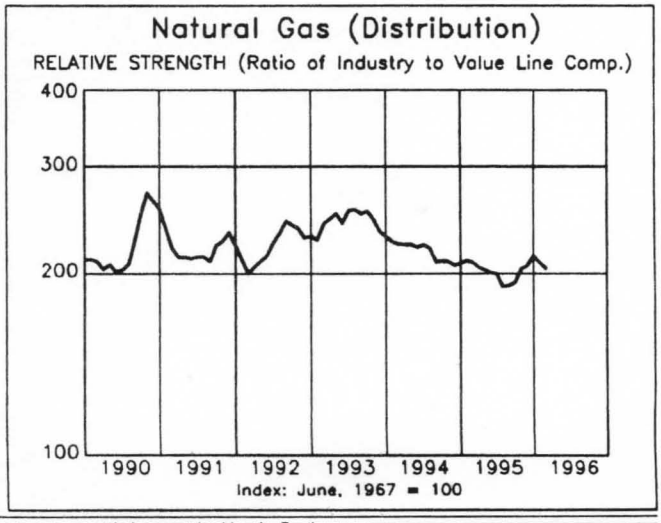
Investment Guide

Over time, local gas distributors will also organize in a way that allows all customers, big and small, to choose their suppliers in a competitive marketplace (in the same way telephone users may now select their long-distance provider). Under the new business structure, an LDC would operate under a state-regulated tariff, as the transporter of the customers' gas supplies. The regulated aspect would help to mitigate the risks of competition. But since the LDCs don't know for sure how the gas market will develop in the coming years, prudence rules that they give their dividends a better margin of safety. Thus, the payouts are apt to grow much slower than earnings through 1999-01. The higher-quality gas stocks should provide secure income, with those equities likely to hold their values better if money rates rise.

Gerald Holtzman

Composite Statistics: Natural Gas (Distribution)

1992	1993	1994	1995	1996	1997		99-01
17260	18839	19488	*18450*	*19550*	*20700*	Revenues ($mill)	*24500*
887.8	1037.9	1068.9	*1090*	*1130*	*1180*	Net Profit ($mill)	*1375*
36.2%	36.1%	36.0%	*35.0%*	*35.0%*	*36.0%*	Income Tax Rate	*36.0%*
5.1%	5.5%	5.5%	*5.9%*	*5.8%*	*5.7%*	Net Profit Margin	*5.6%*
49.1%	47.6%	48.2%	*48.0%*	*48.0%*	*48.5%*	Long-Term Debt Ratio	*48.0%*
46.2%	48.3%	47.4%	*48.0%*	*48.0%*	*48.0%*	Common Equity Ratio	*49.0%*
16721	17775	19146	*19900*	*20500*	*21300*	Total Capital ($mill)	*22400*
19055	19927	20926	*22000*	*22800*	*23500*	Net Plant ($mill)	*24500*
7.3%	7.6%	7.3%	*7.0%*	*7.0%*	*7.5%*	% Earned Total Cap'l	*8.0%*
10.4%	11.1%	10.8%	*11.0%*	*11.0%*	*11.0%*	% Earned Net Worth	*11.5%*
11.0%	11.7%	11.5%	*11.5%*	*11.5%*	*11.5%*	% Earned Com Equity	*12.0%*
2.4%	3.3%	2.6%	*2.5%*	*3.0%*	*3.0%*	% Retained to Com Eq	*3.0%*
79%	73%	78%	*77%*	*76%*	*74%*	% All Div'ds to Net Prof	*75%*
14.5	15.5	14.3		*Bold figures are*		Avg Ann'l P/E Ratio	*13.0*
.88	.92	.94		*Value Line*		Relative P/E Ratio	*1.00*
5.4%	4.7%	5.4%		*estimates*		Avg Ann'l Div'd Yield	*5.8%*
249%	282%	273%	*280%*	*285%*	*285%*	Fixed Charge Coverage	*290%*



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The Natural Gas Utility Industry has performed well in recent months. This is impressive given the weak economy and a tough regulatory environment. Despite these challenges, companies in this sector continue to deliver solid results and represent a relatively safe option amid the turmoil in the world's financial markets. As a result, this group has risen near the top of our industry spectrum.

INDUSTRY TIMELINESS: 5 (of 99)

Economic Environment

The global economy continues to struggle. Tight credit and a slumping real estate market are among the main factors contributing to the recessionary environment. Furthermore, these conditions continue to weigh on results in this sector. Indeed, usage continues to decline as customers have become more cost conscious. Moreover, bill collection has become increasingly difficult as unemployment and foreclosures continue to rise. Despite the aforementioned conditions, investors should note that this group is an interesting defensive play. While these factors will likely continue to impact the utilities, this industry should perform well compared to the rest of the market in the months ahead. Natural Gas Utilities generally have solid balance sheets and predictable cash flows, which is appealing given the weakness in the economy.

Regulation

This group is regulated by state commissions that dictate the return on equity these utilities can achieve. Consequently, the regulatory environment has a heavy bearing on each individual company's results. If a utility does not have ample relief, its budget can become strained. As a result, a company's infrastructure can age and profitability can decline. On the other hand, a favorable ruling can position a utility to register steady gains and allow it to build its infrastructure. Therefore, rate cases remain the main theme in this sector. On point, numerous companies currently have rate cases pending. *Southwest Gas*, *Nicor*, *AGL Resources* are all awaiting decisions, which should drive their performance going forward. Moreover, energy efficiency will likely become an increasingly important factor in these decisions given the new administration in the White House. As the United States moves in this direction, utilities that embrace energy conservation measures may benefit from a more favorable regulatory environment.

Nonregulated Ventures

A strategy that is becoming increasingly common is nonregulated ventures. These opportunities allow companies to diversify their operations and gain income that is not subject to the state regulatory commissions. These businesses currently make up only a small portion of this sector's profits but will likely become a more important opportunity in the years ahead.

Weather

The peak heating season is just about coming to an end. This period is when these utilities have their best opportunity to post strong results on the bottom line. Looking ahead, these companies will likely turn their attention to strengthening their operations and better managing their costs as we move toward the summer months.

Weather abnormalities can hurt results. Many of these businesses have weather-adjusted rate mechanisms that are used to hedge the risk of unseasonable weather. Thus, investors should keep an eye out for utilities that rely on this strategy since they usually have a relatively steady performance.

Conclusion

The Natural Gas Utility sector has climbed near the top of our industry spectrum in recent months. Indeed, it features numerous timely stocks. In fact, *UGI* holds our highest rank (1) for Timeliness. However, various other companies are ranked to outperform the market over the coming six to 12 months. What's more, the majority of the equities in this industry offer above-average yields. Most notably, *Nicor*, *AGL Resources* and *Atmos Energy* all offer attractive payouts supported by steady cash flows. Therefore, investors looking for a good play in the year ahead should consider some of the names in this group.

Richard Gallagher

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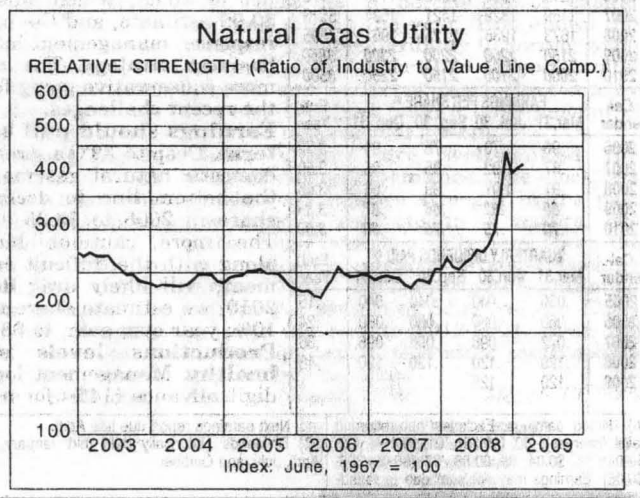
2005	2006	2007	2008	2009	2010		12-14
36075	38273	38528	*40000*	*41500*	*42750*	Revenues ($mill)	*51250*
1386.0	1553.3	1562.4	*1650*	*1725*	*1800*	Net Profit ($mill)	*2150*
36.0%	35.3%	33.9%	*36.0%*	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
3.8%	4.0%	4.1%	*4.1%*	*4.2%*	*4.2%*	Net Profit Margin	*4.2%*
51.3%	51.2%	50.4%	*51.0%*	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
48.4%	48.7%	49.5%	*48.0%*	*48.0%*	*48.0%*	Common Equity Ratio	*46.0%*
29218	30847	32263	*33750*	*33250*	*34750*	Total Capital ($mill)	*40000*
30894	32543	33936	*35250*	*36750*	*38500*	Net Plant ($mill)	*46250*
6.5%	6.6%	6.5%	*6.5%*	*6.5%*	*6.5%*	Return on Total Cap'l	*7.0%*
9.7%	10.2%	9.8%	*10.0%*	*10.0%*	*10.5%*	Return on Shr. Equity	*11.0%*
9.8%	10.2%	9.8%	*10.0%*	*10.0%*	*10.5%*	Return on Com Equity	*11.0%*
3.5%	4.0%	3.7%	*4.0%*	*4.0%*	*4.5%*	Retained to Com Eq	*5.0%*
65%	61%	62%	*63%*	*63%*	*64%*	All Div'ds to Net Prof	*65%*
17.1	15.6	16.6		*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.0*
.91	.84	.88				Relative P/E Ratio	*.85*
3.8%	3.9%	3.7%				Avg Ann'l Div'd Yield	*4.6%*
315%	327%	336%	*350%*	*375%*	*375%*	Fixed Charge Coverage	*400%*



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INDUSTRY TIMELINESS: 75 (of 96)

Natural gas distribution stocks traditionally haven't been associated with undue investment risk. That's because of the economic safeguards afforded this industry group by state regulation. Today, gas stocks, by and large, still don't offer nearly as much risk as the equities of nonregulated businesses. But gas distribution is no longer the staid activity it used to be. Regulatory policy today encourages competition, which exposes the utilities to more business risk than they have been accustomed to. The uncertainties suggest that dividends will continue to grow slowly. So investors needing assured income ought to be holding only the higher-quality stocks in this group.

New Playing Field

The local gas companies' primary business is to sell natural gas as a fuel for cooking and space heating to a mostly captive residential and commercial market (retailers, restaurants, etc.). But Congress' decontrol of wellhead prices back in the Eighties became a catalyst for a change in the market dynamics that caused federal regulators to order the interstate pipelines to modify their business setup. Those changes have had a direct influence on the way local distribution companies (LDCs) conduct their operations. They have been compelled to follow aggressive disciplines in supply acquisition and marketing, with the protective umbrella of regulation not as broad as it used to be.

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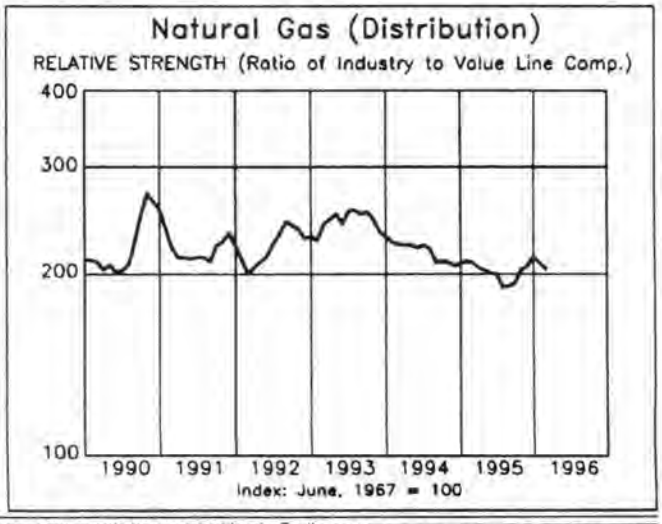

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INDUSTRY TIMELINESS: 5 (of 99)

Economic Environment

The global economy continues to struggle. Tight credit and a slumping real estate market are among the main factors contributing to the recessionary environment. Furthermore, these conditions continue to weigh on results in this sector. Indeed, usage continues to decline as customers have become more cost conscious. Moreover, bill collection has become increasingly difficult as unemployment and foreclosures continue to rise. Despite the aforementioned conditions, investors should note that this group is an interesting defensive play. While these factors will likely continue to impact the utilities, this industry should perform well compared to the rest of the market in the months ahead. Natural Gas Utilities generally have solid balance sheets and predictable cash flows, which is appealing given the weakness in the economy.

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3.8%	4.0%	4.1%	*4.1%*	*4.2%*	*4.2%*	Net Profit Margin	*4.2%*
51.3%	51.2%	50.4%	*51.0%*	*51.0%*	*51.0%*	Long-Term Debt Ratio	*52.0%*
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9.8%	10.2%	9.8%	*10.0%*	*10.0%*	*10.5%*	Return on Com Equity	*11.0%*
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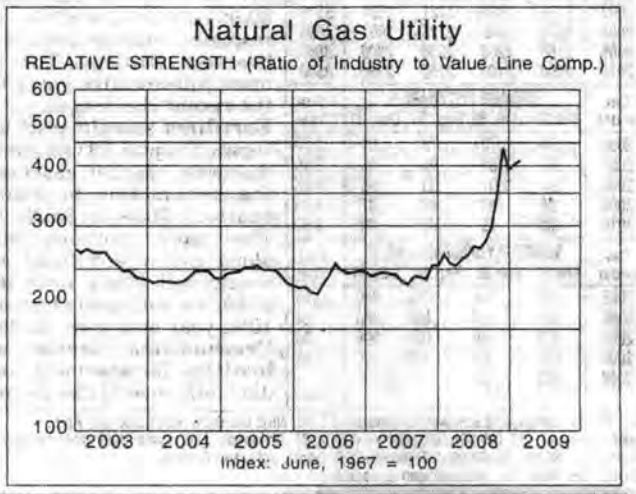

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Stocks in *Value Line's* Natural Gas Utility Industry did not, for the most part, participate in the recent stock market rally (fueled partially by upbeat consumer confidence data). But that's not surprising, since these equities are typically viewed as income vehicles. That quality can provide some much-needed stability during periods of market turbulence, as was the case during the last year.

INDUSTRY TIMELINESS: 61 (of 98)

The Economic Situation

During the final quarter of 2011, U.S. GDP growth was a not-too-spectacular 3%, aided by a rebuilding of inventories, increased commercial construction, plus decreased imports. Nevertheless, the economy is not out of the woods yet, given ongoing softness in the housing sector and the high unemployment rate (hovering around 8% at present). A rise in the price of gasoline does not help matters, either. At this juncture, we believe that GDP growth will stay moderate throughout the remainder of 2012. In this environment, customers have been focusing on energy conservation, which, of course, bodes ill for the revenues of the companies included in the Natural Gas Utility Industry.

A Key Merger

AGL Resources, serving more than 2.3 million customers across several states, including Georgia, Virginia, Tennessee, and Florida, recently completed its acquisition of Nicor Inc., with more than 2.2 million customers in Illinois. Under the terms of the transaction, valued at more than $2 billion, *AGL* paid $21.20 in cash or .8382 of a share of *AGL* stock for each Nicor share. This move created the largest natural gas distributor in the United States. Another plus is that the two companies' nonregulated units are somewhat complementary. Finally, decent cost savings are likely down the road.

Nonregulated Activities

A number of the companies here are investing in the nonregulated arena (which includes pipelines and energy marketing & trading) and it appears that trend will continue for years to come. Indeed, these businesses provide opportunities for utilities to broaden their income streams. The fact that nonregulated segments can provide upside to share net is noteworthy, given that the return on equity is set by the regulatory state commissions (usually in the 10%-12% range) on the regulated divisions. It should also be mentioned that results for companies with bigger nonregulated units could be more volatile than companies with a greater emphasis on the more stable utility segment.

Weather

Weather is a factor that affects the demand for natural gas, especially from small commercial businesses and consumers. Not surprisingly, earnings for utilities are susceptible to seasonal temperature patterns, with consumption normally at its peak during the winter heating months. Unseasonably warm or cold weather can cause substantial volatility in quarterly operating results. But some companies strive to counteract this exposure through temperature-adjusted rate mechanisms, which are available in many states. Therefore, investors interested in utilities with more-stable profits from year to year are advised to look for companies that hedge this risk.

Dividends

The main appeal of utility equities is their generous levels of dividend income. At the time of this writing, the average yield for the 11 companies in our group was about 3.6%, considerably higher than the *Value Line* median of 2.2%. Standouts include *AGL Resources*, *NiSource Inc.*, *Laclede Group*, and *Atmos Energy*. When the financial markets are turbulent, healthy dividend yields tend to act as an anchor, so to speak, in this category.

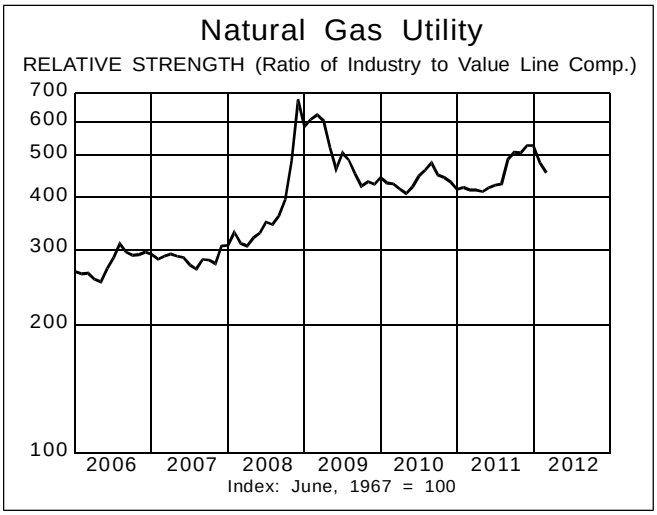
Conclusion

The Natural Gas Utility group is presently ranked in the bottom half of all industries tracked by *Value Line*, in terms of Timeliness. Nevertheless, these shares are most suitable for income-oriented investors with a conservative bent (given that a number of these issues are ranked favorably for Safety and earn high marks for Price Stability). All told, our readers are advised to consider the individual reports before making a commitment.

Frederick L. Harris, III

Composite Statistics: Natural Gas Utility

2008	2009	2010	2011	2012	2013		15-17
44207	34909	34089	***36250***	***42500***	***48000***	Revenues ($mill)	***63000***
1694.2	1677.6	1769.4	***2215***	***2375***	***2500***	Net Profit ($mill)	***3300***
35.7%	33.8%	34.0%	***35.0%***	***36.0%***	***36.0%***	Income Tax Rate	***37.0%***
3.8%	4.8%	5.2%	***6.1%***	***5.6%***	***5.2%***	Net Profit Margin	***5.2%***
50.6%	49.9%	46.7%	***52.0%***	***51.0%***	***51.0%***	Long-Term Debt Ratio	***52.0%***
49.4%	50.1%	53.3%	***48.0%***	***49.0%***	***49.0%***	Common Equity Ratio	***48.0%***
32729	33974	33144	***33250***	***35500***	***37300***	Total Capital ($mill)	***48000***
35342	37292	39294	***40250***	***42250***	***44600***	Net Plant ($mill)	***55000***
6.8%	6.5%	6.9%	***8.0%***	***8.0%***	***8.0%***	Return on Total Cap'l	***8.5%***
10.5%	10.0%	10.0%	***14.0%***	***13.5%***	***13.5%***	Return on Shr. Equity	***14.5%***
10.5%	10.0%	10.0%	***14.0%***	***13.5%***	***13.5%***	Return on Com Equity	***14.5%***
4.3%	3.8%	4.0%	***4.0%***	***4.5%***	***4.5%***	Retained to Com Eq	***5.0%***
59%	61%	61%	***61%***	***62%***	***62%***	All Div'ds to Net Prof	***65%***
13.9	12.8	14.0		***Bold figures are Value Line estimates***		Avg Ann'l P/E Ratio	***15.0***
.83	.85	.90				Relative P/E Ratio	***1.00***
4.2%	4.8%	4.3%				Avg Ann'l Div'd Yield	***4.5%***
358%	381%	402%	***400%***	***390%***	***395%***	Fixed Charge Coverage	***405%***



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All of the major utilities in the eastern region of the United States are reviewed in this Edition. Those serving the central region will be found in Edition five. All of the western companies are covered in Edition 11.

INDUSTRY TIMELINESS: 87 (of 97)

State electric utility regulators in the eastern region are taking an active role in stimulating competition in their jurisdictions. Our report discusses some of their divergent views.

Some Regulatory Views On Competition

A year and a half ago, the California regulators declared that the state's electricity prices were too high and that a major restructuring of utility operations was necessary to bring them down to reasonable levels. It wasn't long before various state commissions in the East recognized that they, too, must take a hand in bringing down rates.

In New York, for example, where *Long Island Lighting (LILCO)* and *Consolidated Edison (CEC)* have the unenviable distinction of charging the highest rates in the nation, Governor Pataki is under pressure to propose a rate-reduction plan. Three months ago, the Long Island Power Authority (LIPA) offered to buy *LILCO* for $9.2 billion and reduce the utility's rates by 20% in 3 to 5 years. But the Governor opposed the buyout, appointed a new LIPA chairman, and indicated he would do what was best for the people of Long Island. His proposal is expected to include tax-exempt financing of *LILCO's* $4.6 billion of long-term debt and a possible sale of the utility's gas operations and its power plants. Much of the burden would be borne by the Federal Government, and to a lesser extent by the state, neither of which would collect taxes on interest income. The state has no immediate plans to lower rates for *CEC*. A reduction might have to wait for a rollback in the gross receipts tax on electric bills, but the state's budget deficit will likely delay action here. Meanwhile, the Public Service Commission is examining proposals to stimulate competition without jeopardizing the financial integrity of the state's utilities. On the issue of stranded investment, it stated that utilities should have a reasonable opportunity to recover expenditures made pursuant to their legal obligations. But that leaves open the question of who will reimburse the utility for its loss of business. Political pressures might force shareholders to absorb some of the burden.

In New Hampshire, the commission issued a controversial decision that utilities in the state do not necessarily have exclusive franchises. It denied motions for reconsideration by *Northeast Utilities* and *New England Electric*. The utilities had contended that the exclusive franchise principle was well established and that the commission's policy was illegal. They have appealed the ruling to the courts. Meanwhile, Governor Merrill signed a bill authorizing retail wheeling (the use of one utility's transmission lines by another for the sale of power to an end user). The commission expects to initiate a retail wheeling pilot program by next April. This would make New Hampshire one of the first states to meet the issue head on.

By contrast, the North Carolina and Maryland regulators have rejected retail wheeling. The North Carolina commission stated that its territorial assignment law divides the state into areas to be served by specific utilities and that any change would be prohibited by statute. The Maryland regulators noted that their industrial rates were sufficiently low, so there was no immediate need for a quick fix at this time.

In Rhode Island, an understanding was reached between the state's utilities and business and consumer groups on general guidelines for an open energy market. The agreement called for a spot market for the purchase and sale of power, retail wheeling, and the recovery of stranded investments by charges to customers rather than by wheeling fees. The agreement has such broad support that it could lay the groundwork for similar restructuring in other New England states.

Numerous state commissions in the eastern region have solicited input on competition from interested parties. Some have established general guidelines. But conditions vary from state to state, as evidenced by the divergence of views promulgated to date. It is still too early to predict what adjustments will be made in the long-standing regulatory compact nationwide and how individual utilities will be affected by the inevitable surfacing of competition.

Investment Advice

The industry is undergoing a period of radical change. There will be some winners and some losers in the new environment. Before making a utility purchase, investors would do well to examine a company's finances and its industrial rates relative to those of its neighbors. For now, the group as a whole is not timely.

Arthur H. Medalie

Composite Statistics: Electric Utility Industry

1991	1992	1993	1994	1995	1996		97-00
174.4	178.5	186.2	195.1	*200*	*203*	Revenues ($bill)	*220*
18.4	18.6	19.9	19.8	*21.5*	*21.5*	Net Profit ($bill)	*24.0*
33.8%	34.5%	35.1%	36.0%	*34.5%*	*34.5%*	Income Tax Rate	*35.0%*
8.4%	7.0%	7.0%	4.4%	*4.0%*	*4.0%*	AFUDC % to Net Profit	*4.0%*
50.1%	50.1%	49.7%	48.9%	*47.5%*	*46.0%*	Long-Term Debt Ratio	*46.0%*
42.9%	42.9%	43.6%	44.6%	*45.5%*	*46.0%*	Common Equity Ratio	*47.5%*
338.9	352.8	364.0	369.0	*376*	*387*	Total Capital ($bill)	*425*
363.2	376.0	396.7	403.9	*410*	*404*	Net Plant ($bill)	*430*
7.7%	7.4%	7.4%	7.3%	*7.5%*	*7.5%*	% Earned Total Cap'l	*7.7%*
10.9%	10.6%	10.9%	10.5%	*11.0%*	*11.0%*	% Earned Net Worth	*11.1%*
11.4%	11.1%	11.5%	11.1%	*11.5%*	*11.5%*	% Earned Comm Equity	*11.6%*
2.4%	2.0%	2.5%	2.2%	*3.0%*	*2.9%*	% Retained to Comm Eq	*3.0%*
81%	83%	80%	82%	*77%*	*77%*	% All Div'ds to Net Prof	*75%*
12.0	13.5	14.2	12.0	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	*11.0*
.77	.82	.84	.79			Relative P/E Ratio	*.85*
6.6%	6.1%	5.5%	6.8%			Avg Ann'l Div'd Yield	*6.6%*

COMPOSITE OPERATING STATISTICS: ELECTRIC UTILITY INDUSTRY

	1992	1993	1994
% Change Sales (kwh)	+.2	+2.5	+2.1
Average Residential Use (kwh)	9484	9739	9825
Avg. Resid. Revs. per kwh (¢)	8.17	8.27	8.45
Capacity at Peak (mw)	695436	694250	702985
Peak Load, Summer (mw)	548253	575356	585320
Annual Load Factor (%)	61.4	61.0	61.2
% Change Customers (yr.-end)	+1.1	+.9	+1.1
Fixed Charge Coverage (%)	212	230	240

Sources: Annual Reports; Estimates, Value Line; Edison Electric Institute

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All the major utilities in the eastern region of the U.S. are reviewed in this Issue. Those serving the central region will be found in Issue 5. All of the western providers are covered in Issue 11.

Stocks in the Electric Utility Industry have significantly underperformed the broader market averages thus far in 2012. Year-to-date, the Value Line Utility Index has declined 0.7%, while the Value Line Geometric Index has risen 10%. In our view, it appears the investment community is becoming increasingly confident that economic trends will continue to improve in the coming quarters. As a result, it comes as little surprise to see investors becoming a bit more venturesome with their equity picks, exploring more volatile sectors with the potential for higher returns. Due to their relative stability and strong dividend payouts, Electric Utility stocks tend to outperform the broader market averages during times of an economic slowdown. Conversely, they tend to underperform during periods of economic expansion.

In the following report we touch on a breakthrough in the nuclear sector, merger and acquisitions within the industry, and several attractive high-yield plays for investors seeking income.

NRC Approves First Nuclear Plant Since 1978

On February 9th, the Nuclear Regulatory Commission approved Atlanta-based *Southern Co.'s* request to build two nuclear reactors at its site in Vogtle, GA. This is the first licence to be granted by federal regulators in over three decades. We consider this to be a major test of whether the industry can construct a nuclear facility without the delays and cost overruns that hampered earlier attempts. Assuming no setbacks, the reactors are scheduled to be up and running by 2016-2017.

Mergers and Acquisitions

Duke Energy's $16 billion buyout of rival *Progress Energy* is still pending. With both companies gaining shareholder approval last August, the actual closing date will ultimately be determined by the timing of approvals by the Federal Energy Regulatory Commission (FERC) and the state commissions in North Carolina and South Carolina. The state commissions indicated they will make their rulings after FERC's decision, which is currently pegged for mid- to late May.

INDUSTRY TIMELINESS: 46 (of 98)

Northeast Utilities $4.7 billion acquisition of *NSTAR* will now require regulatory approval in Connecticut. Initially, state regulators ruled they did not have jurisdiction over the deal, but after numerous complaints from various parties, they reversed their position. The Connecticut commission is scheduled to issue their decision by April 2nd. On a positive note, the companies have reached a settlement in Massachusetts. The agreement calls for the utilities to give a one-time, $21 million rate credit for their respective customers. Base distribution tariffs would be frozen until 2016 and there would be various commitments to renewable energy. The companies requested Massachusetts regulators approve the deal by April 4th.

Exelon Corp's $7.3 billion bid to acquire *Constellation Energy* has made progress in recent months. After earlier setbacks, the combination reached a settlement with most key intervenors in Maryland. A ruling is expected from the state commission shortly after this report went to press. The transaction still requires approval from the Nuclear Regulatory Commission and the Federal Regulatory Commission. We will provide further insight when more information is available.

Dividends

Stocks in the Electric Utility industry are yielding 4.2%, on average, nearly two full percentage points above the *Value Line Investment Survey* median. Income-oriented investors should have little trouble finding attractive options within the group. Top-yielders in Issue 1 include, *Pepco Holdings* (5.5%), *FirstEnergy* (5.1%), *PPL Corp.* (5.0%), and *UIL Holdings* (4.9%).

Conclusion

Last year's outperformance of Electric Utility Stocks largely dampened their appeal entering 2012. Despite the industry's recent slump relative to the broader market, many of these issues are still trading within their 3- to 5-year Target Price Ranges, indicating valuations may be a bit high. Investors with a long-term mindset may find better options elsewhere.

Michael Ratty

Composite Statistics: Electric Utility Industry

2008	2009	2010	2011	2012	2013		15-17
363.6	321.4	329.2	*320*	*325*	*335*	Revenues ($bill)	*385*
27.7	27.7	30.1	*28.0*	*30.0*	*31.0*	Net Profit ($bill)	*37.0*
33.5%	32.2%	34.2%	*33.5%*	*34.5%*	*34.5%*	Income Tax Rate	*34.5%*
7.8%	9.2%	8.5%	*7.0%*	*7.0%*	*7.0%*	AFUDC % to Net Profit	*6.0%*
53.6%	52.4%	52.2%	*51.0%*	*50.5%*	*50.5%*	Long-Term Debt Ratio	*50.0%*
45.4%	46.6%	47.0%	*48.5%*	*49.0%*	*49.0%*	Common Equity Ratio	*49.5%*
514.0	554.1	587.5	*575*	*605*	*630*	Total Capital ($bill)	*720*
554.4	594.5	640.1	*635*	*675*	*705*	Net Plant ($bill)	*800*
6.9%	6.5%	6.6%	*6.0%*	*6.0%*	*6.5%*	Return on Total Cap'l	*7.0%*
11.6%	10.5%	10.7%	*10.0%*	*10.0%*	*10.0%*	Return on Shr. Equity	*10.5%*
11.8%	10.6%	10.8%	*10.0%*	*10.0%*	*10.0%*	Return on Com Equity	*10.5%*
4.9%	4.2%	4.5%	*4.0%*	*4.0%*	*4.0%*	Retained to Com Eq	*4.5%*
58%	61%	59%	*62%*	*61%*	*61%*	All Div'ds to Net Prof	*59%*
15.4	12.5	12.9		*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.5*
.93	.83	.82				Relative P/E Ratio	*.90*
3.8%	4.8%	4.5%				Avg Ann'l Div'd Yield	*4.3%*

COMPOSITE OPERATING STATISTICS: ELECTRIC UTILITY INDUSTRY

	2008	2009	2010
% Change Retail Sales (kwh)	-1.1	-5.4	+3.6
Average Indust. Use (mwh)	1529	1446	1530
Avg. Indust. Revs. per kwh (¢)	6.66	6.46	6.56
Regulated Cap. at Peak (mw)	NA	NA	NA
Peak Load, Summer (mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr.-end)	+.1	-.2	+1.6
Fixed Charge Coverage (%)	311	280	305

Sources: Annual Reports; Estimates, Value Line; Edison Electric Institute

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Roger A. Morin, PhD

2006
PUBLIC UTILITIES REPORTS, INC.
Vienna, Virginia

The average growth rate estimate from all the analysts that follow the company measures the consensus expectation of the investment community for that company. In most cases, it is necessary to use earnings forecasts rather than dividend forecasts due to the extreme scarcity of dividend forecasts compared to the widespread availability of earnings forecasts. Given the paucity and variability of dividend forecasts, using the latter would produce unreliable DCF results. In any event, the use of the DCF model prospectively assumes constant growth in both earnings and dividends. Moreover, as discussed below, there is an abundance of empirical research that shows the validity and superiority of earnings forecasts relative to historical estimates when estimating the cost of capital.

The uniformity of growth projections is a test of whether they are typical of the market as a whole. If, for example, 10 out of 15 analysts forecast growth in the 7%–9% range, the probability is high that their analysis reflects a degree of consensus in the market as a whole. As a side note, the lack of uniformity in growth projections is a reasonable indicator of higher risk. Chapter 3 alluded to divergence of opinion amongst analysts as a valid risk indicator.

Because of the dominance of institutional investors and their influence on individual investors, analysts' forecasts of long-run growth rates provide a sound basis for estimating required returns. Financial analysts exert a strong influence on the expectations of many investors who do not possess the resources to make their own forecasts, that is, they are a cause of g. The accuracy of these forecasts in the sense of whether they turn out to be correct is not at issue here, as long as they reflect widely held expectations. As long as the forecasts are typical and/or influential in that they are consistent with current stock price levels, they are relevant. The use of analysts' forecasts in the DCF model is sometimes denounced on the grounds that it is difficult to forecast earnings and dividends for only one year, let alone for longer time periods. This objection is unfounded, however, because it is present investor expectations that are being priced; it is the consensus forecast that is embedded in price and therefore in required return, and not the future as it will turn out to be.

Empirical Literature on Earnings Forecasts

Published studies in the academic literature demonstrate that growth forecasts made by security analysts represent an appropriate source of DCF growth rates, are reasonable indicators of investor expectations and are more accurate than forecasts based on historical growth. These studies show that investors rely on analysts' forecasts to a greater extent than on historic data only.

Academic research confirms the superiority of analysts' earnings forecasts over univariate time-series forecasts that rely on history. This latter category

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Roger A. Morin, PhD

2006
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Vienna, Virginia

5. Standard & Poor's
6. Morningstar
7. BARRA

Value Line is the largest and most widely circulated independent investment advisory service, and influences the expectations of a large number of institutional and individual investors. The Value Line data are commercially available on a timely basis to investors in paper format or electronically. Value Line betas are derived from a least-squares regression analysis between weekly percent changes in the price of a stock and weekly percent changes in the New York Stock Exchange Average over a period of 5 years. In the case of shorter price histories, a smaller time period is used, but 2 years is the minimum. Value Line betas are computed on a theoretically sound basis using a broadly based market index, and they are adjusted for the regression tendency of betas to converge to 1.00. This necessary adjustment to beta is discussed below.

Practical and Conceptual Difficulties

Computational Issues. Absolute estimates of beta may vary over a wide range when different computational methods are used. The return data, the time period used, its duration, the choice of market index, and whether annual, monthly, or weekly return figures are used will influence the final result.

Ideally, the returns should be total returns, that is, dividends and capital gains. In practice, beta estimates are relatively unaffected if dividends are excluded. Theoretically, market returns should be expressed in terms of total returns on a portfolio of all risky assets. In practice, a broadly based value-weighted market index is used. For example, Merrill Lynch betas use the Standard & Poor's 500 market index, while Value Line betas use the New York Stock Exchange Composite market index. In theory, unless the market index used is the true market index, fully diversified to include all securities in their proportion outstanding, the beta estimate obtained is potentially distorted. Failure to include bonds, Treasury bills, real estate, etc., could lead to a biased beta estimate. But if beta is used as a relative risk ranking device, choice of the market index may not alter the relative rankings of security risk significantly.

To enhance statistical significance, beta should be calculated with return data going as far back as possible. But the company's risk may have changed if the historical period is too long. Weighting the data for this tendency is one possible remedy, but this procedure presupposes some knowledge of how risk changed over time. A frequent compromise is to use a 5-year period with either weekly or monthly returns. Value Line betas are computed based on weekly returns over a 5-year period, whereas Merrill Lynch betas are computed with monthly returns over a 5-year period. In an empirical study of utility

Chapter 7

Firm Size and Return

The Firm Size Phenomenon

One of the most remarkable discoveries of modern finance is that of a relationship between firm size and return. The relationship cuts across the entire size spectrum but is most evident among smaller companies, which have higher returns on average than larger ones. Many studies have looked at the effect of firm size on return.[1] In this chapter, the returns across the entire range of firm size are examined.

Size and Liquidity

Capitalization is not necessarily the underlying cause of the higher returns for smaller companies. While smaller companies are usually less liquid, with fewer shares traded on any given day, not all companies of the same size have the same liquidity. Stocks that are more liquid have higher valuations for the same cash flows because they have a lower cost of capital and commensurately lower returns on average. Stocks that are less liquid have a higher cost of capital and higher returns on average.[2]

While it would be very useful to estimate the equity cost of capital of companies that are not publicly traded, there is not a direct measure of liquidity for these companies because there are no public trades. Thus, there is usually no share turnover, no bid/ask spreads, etc. in which to measure liquidity. Even though liquidity is not directly observable, capitalization is; thus the size premium can serve as a partial measure of the increased cost of capital of a less liquid stock.

Size premiums presented in this book are measured from publicly traded companies of various sizes and therefore do not represent the full cost of capital for non-traded companies. The valuation for a non-publicly traded company should also reflect a discount for the very fact that it is not traded. This would be an liquidity discount and could be applied to the valuation directly, or alternatively reflected as an liquidity premium in the cost of capital.

This chapter does not tell you how to estimate this incremental liquidity valuation discount (or cost of capital liquidity premium) that is not covered by the size premium. At the end of this chapter, we show some empirical results on the impact of liquidity on stock returns.

Construction of the Decile Portfolios

The portfolios used in this chapter are those created by the Center for Research in Security Prices (CRSP) at the University of Chicago's Graduate School of Business. CRSP has refined the methodology of creating size-based portfolios and has applied this methodology to the entire universe of NYSE/AMEX/NASDAQ-listed securities going back to 1926.

The New York Stock Exchange universe excludes closed-end mutual funds, preferred stocks, real estate investment trusts, foreign stocks, American Depository Receipts, unit investment trusts, and Americus Trusts. All companies on the NYSE are ranked by the combined market capitalization of their eligible equity securities. The companies are then split into 10 equally populated groups, or deciles. Eligible companies traded on the NYSE, NYSE AMEX, and the Nasdaq National Market (NASDAQ) are then assigned to the appropriate deciles according to their capitalization in relation to the NYSE breakpoints. The portfolios are rebalanced, using closing prices for the last trading day of March, June, September, and December. Securities added during the quarter are assigned to the appropriate portfolio when two consecutive month-end prices are available. If the final NYSE price of a security that becomes delisted is a month-end price, then that month's return is included in the quarterly return of the security's portfolio. When a month-end NYSE price is missing, the month-end value of the security is derived from merger terms, quotations on regional exchanges, and other sources. If a month-end value still is not determined, the last available daily price is used.

Base security returns are monthly holding period returns. All distributions are added to the month-end prices, and appropriate price adjustments are made to account for stock splits and dividends. The return on a portfolio for one month is calculated as the weighted average of the returns for its individual stocks. Annual portfolio returns are calculated by compounding the monthly portfolio returns.

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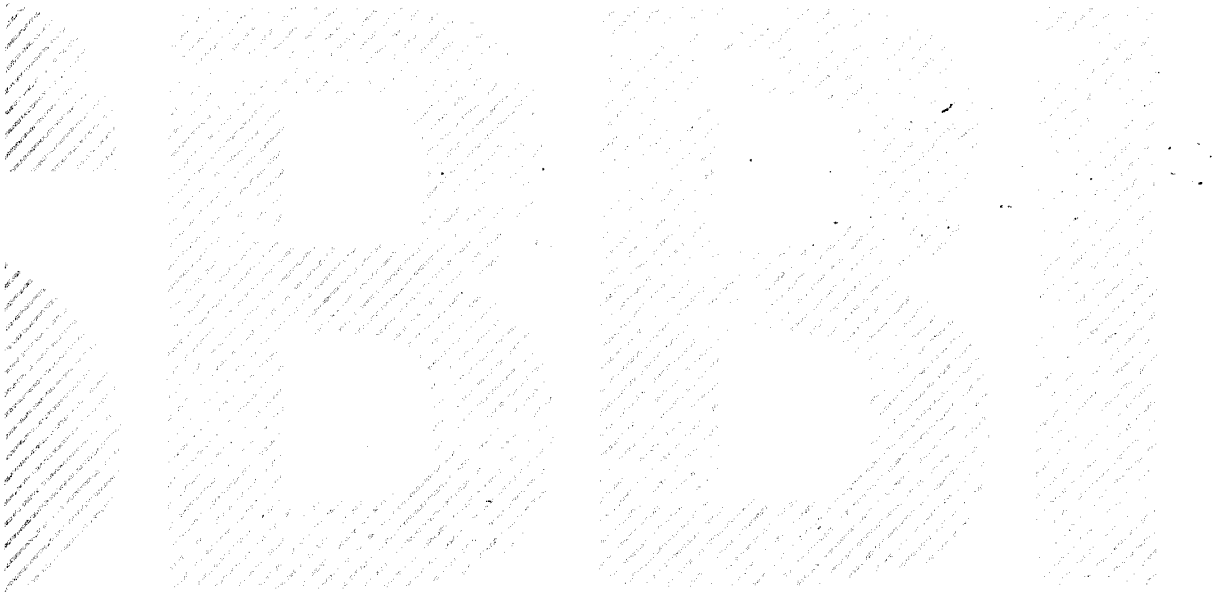

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Table C-1

Key Variables in Estimating the Cost of Capital

	Value
Yields (Riskless Rates)[1]	
Long-term (20-year) U.S. Treasury Coupon Bond Yield	2.48%
Equity Risk Premium[2]	
Long-horizon expected equity risk premium (historical): large company stock total returns minus long-term government bond income returns	6.62
Long-horizon expected equity risk premium (supply side): historical equity risk premium minus price-to-earnings ratio calculated using three-year average earnings	6.14

Size Premium[3]

Decile	Market Capitalization of Smallest Company (in millions)		Market Capitalization of Largest Company (in millions)	Size Premium (Return in Excess of CAPM)
Mid-Cap (3–5)	$1,621.096	–	$6,896.389	1.14%
Low-Cap (6–8)	422.999	–	1,620.860	1.88
Micro-Cap (9–10)	1.028	–	422.811	3.89
Breakdown of Deciles 1-10				
1-Largest	15,484.940	–	354,351.912	-0.38
2	6,927.557	–	15,408.314	0.78
3	3,596.535	–	6,896.389	0.94
4	2,366.464	–	3,577.774	1.17
5	1,621.096	–	2,362.532	1.74
6	1,090.652	–	1,620.860	1.75
7	683.059	–	1,090.515	1.77
8	422.999	–	682.750	2.51
9	206.802	–	422.811	2.80
10-Smallest	1.028		206.795	6.10
Breakdown of the 10th Decile				
10a	128.714	–	206.795	4.34
10w	170.605	–	206.795	3.80
10x	128.714	–	170.594	4.75
10b	1.028	–	128.672	9.81
10y	86.875	–	128.672	8.93
10z	1.028	–	86.757	11.77

[1] As of December 31, 2011. Maturity is approximate.

[2] See chapter 5 for complete methodology.

[3] See chapter 7 for complete methodology.

Note: Examples on how these variables can be used are found in Chapters 3 and 4.

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Credit Trends:

Recent Expansion In Credit Spreads Shows Bond Market Stress, But Less Severe Than During The Financial Crisis

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Table Of Contents

Related Criteria And Research

Credit Trends:

Recent Expansion In Credit Spreads Shows Bond Market Stress, But Less Severe Than During The Financial Crisis

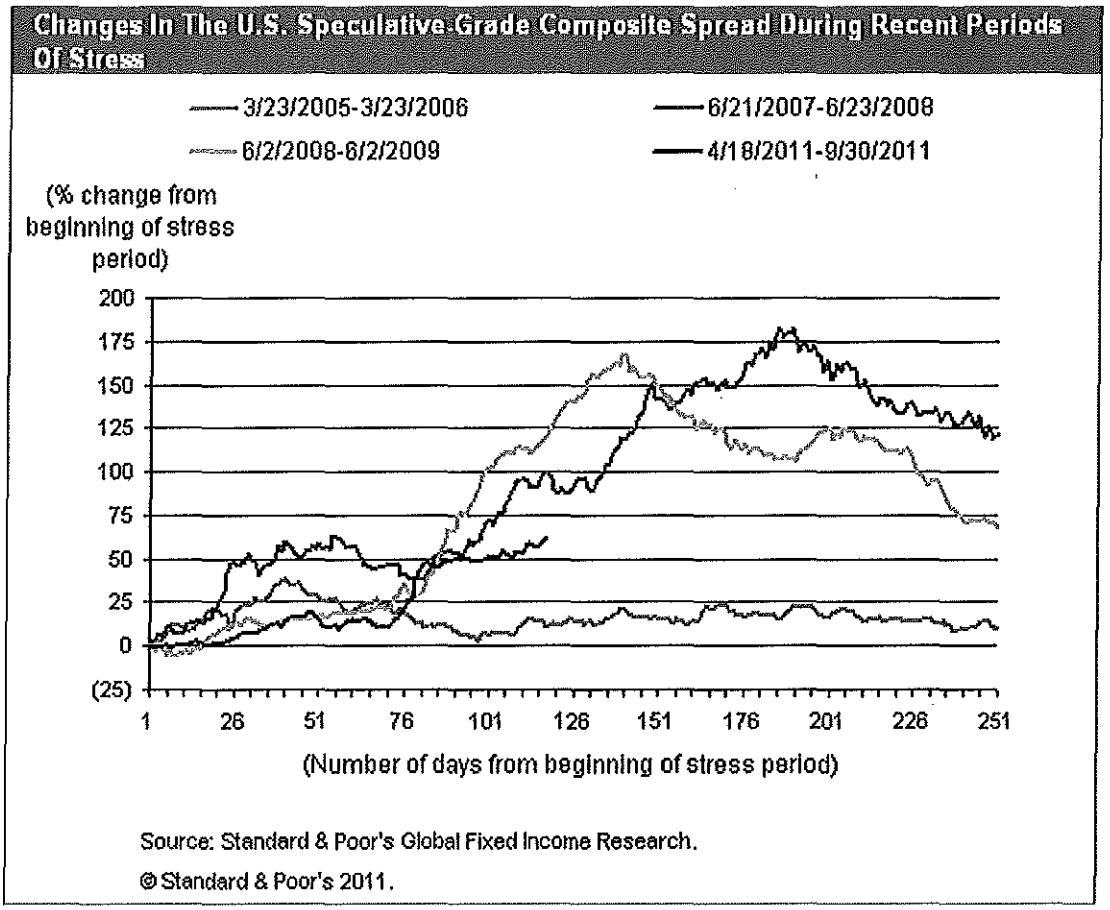
(Editor's Note: We are republishing this article to clarify the distinction between calendar days and trading days in the comparisons.)

Financial market stress intensified this year as the U.S. approached its debt ceiling limit, the European debt crisis loomed, and measures of economic growth slowed. While the expansion in credit spreads has been steep, it has not been as severe as the increases we saw during the financial crisis. This year, Standard & Poor's U.S. speculative-grade composite spread, which measures the extra yield above U.S. Treasury bonds that investors demand to hold the bonds of riskier companies, widened by 63% to 781 basis points (bps) from April 18, 2011, to Sept. 30, 2011. This sharp expansion reflected the bond market's increasing aversion to credit risk in an uncertain and riskier environment. While this 60% increase in spreads is substantial, we wanted to assess this activity in light of other periods of market stress over the past few years to see how the current run-up in spreads, yields, and market returns compares. We've compared four recent periods of market stress:

- March 25, 2005, to March 23, 2006. The Federal Reserve signals the beginning of a period of rising interest rates and Standard & Poor's Ratings Services downgrades Ford Motor Co. and General Motors Co. to speculative-grade from investment-grade. At the time, these two companies became the largest fallen angels that Standard & Poor's had rated to date.
- June 21, 2007, to June 23, 2008. Bear Stearns announces that it is bailing out two of its hedge funds that were invested in subprime mortgage securities. In the period following this event, market concerns regarding banks' levels of capital and the valuations of their assets rose.
- June 2, 2008, to June 2, 2009. This period is characterized by rapid changes in the financial institutions industry, including the bankruptcy of Lehman Brothers and the sale or takeover of several major financial institutions. The U.S. government steps in with the Troubled Asset Relief Program (TARP) and fiscal stimulus.
- April 18, 2011, to Sept. 30, 2011. Standard & Poor's Ratings Services revises its outlook on the U.S. long-term sovereign 'AAA' rating to negative from stable; the ratings are placed on CreditWatch with negative implications on July 14 and downgraded on Aug. 5. The period is characterized by uncertainty amid sovereign debt concerns in Europe and the U.S. as well as growing fears of a recession.

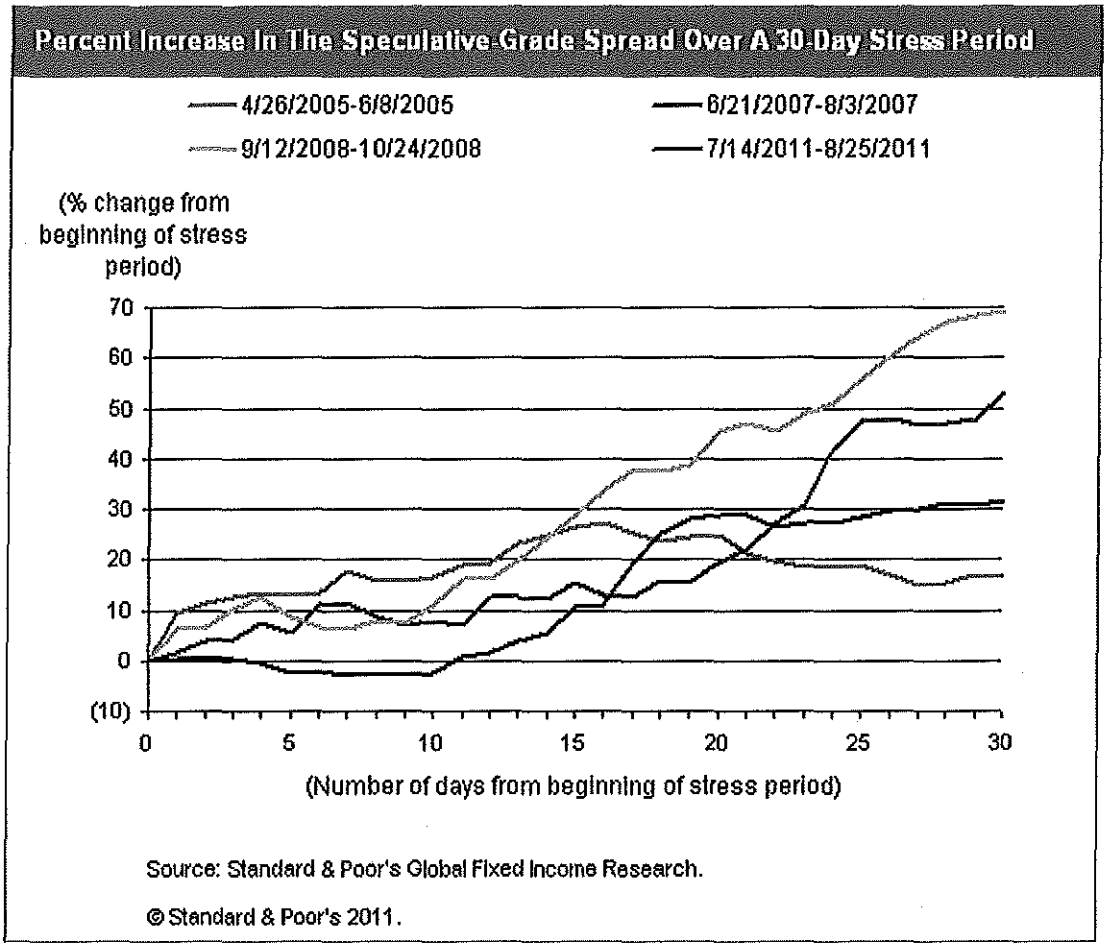
While the speculative-grade spreads expanded sharply during each of these periods, we've seen the steepest expansion in periods in which specific systemic "shocks" jolt the market, compared with relatively milder spread expansion during periods when general fear or growing uncertainty prevailed. Lingering uncertainty characterized the most recent period of stress as the European sovereign debt crisis unfolded and the potential for a U.S. sovereign downgrade loomed over markets.

Chart 1



We've compared the changes in U.S. speculative-grade composite for each recent stress period over a one-year span (see chart 1). For example, the most recent series begins on April 18, when Standard & Poor's revised the U.S. rating outlook to negative from stable. When Standard & Poor's downgraded the U.S. sovereign rating to 'AA+' 109 calendar days (or 78 trading days) later, the speculative-grade credit spreads stood at 609 bps, or 27% above the initial level. In comparison, 78 days into the 2007 and 2008 series, the credit spreads were higher than their initial levels, at 38% and 29%, respectively. However, 78 days after the beginning of the stress period in 2005, the spreads were already back to 369 bps, down from a high of 442 bps on day 41 (38% above the initial level). This peak was reached soon after Standard & Poor's downgraded Ford and GM.

Chart 2



While chart 1 shows the changing spreads over a full year following the beginning of each stress period, chart 2 zooms in on the 30 days with the steepest spread increases within each stress series. During these 30 days of expansion in 2005, the Federal Reserve raised interest rates for the eighth time in less than a year, Standard & Poor's lowered its ratings on Ford and GM below investment grade, and the speculative-grade spread rose by 27% before subsiding during this period of uncertainty.

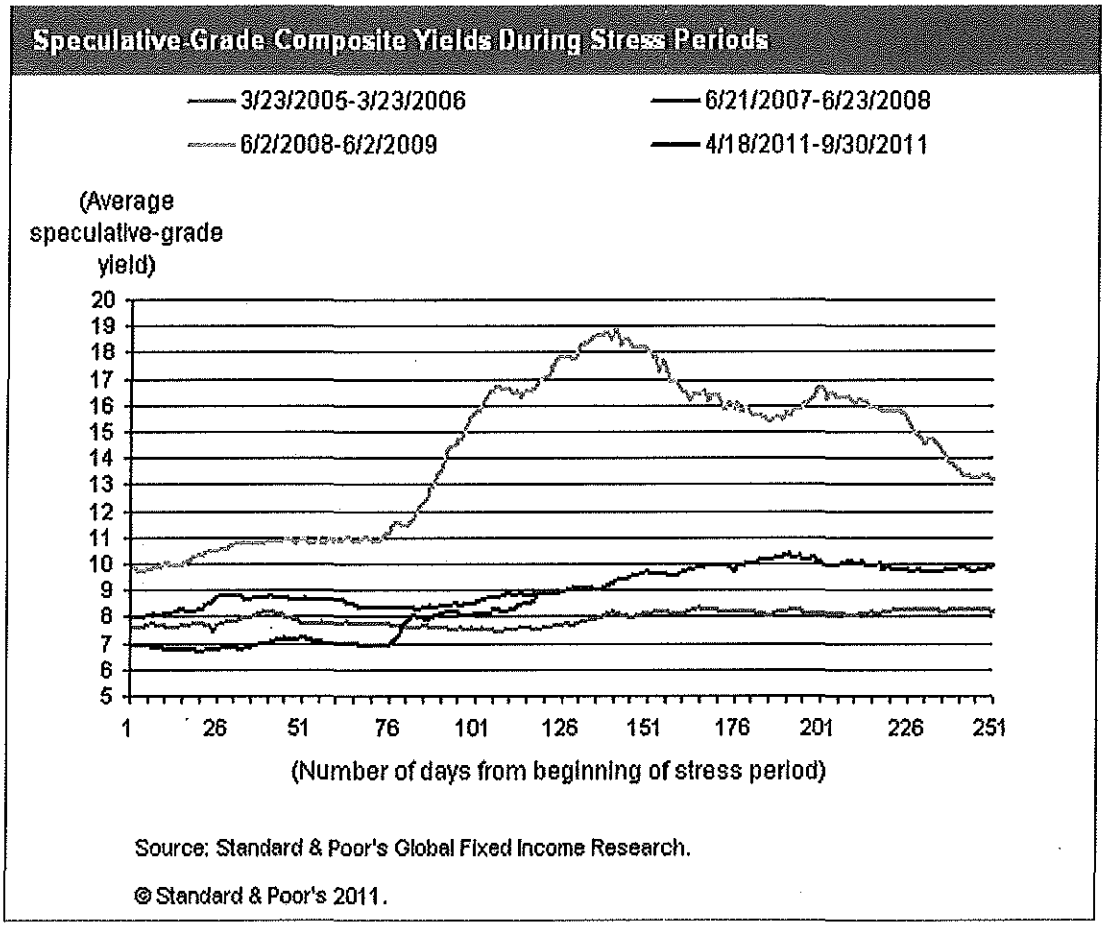
During the 30 days of expansion in 2007, Bear Stearns shocked the market when it pledged $3.2 billion to rescue two of its hedge funds and rumors circulated that several U.S. home lenders were facing funding crunches--adding uncertainty to an already volatile market where liquidity was starting to dry up. The speculative-grade spread increased by 53% during this period, and then continued to rise until it reached its eventual peak near the end of 2008.

The most acute 30-day stress period in our study began on Friday, Sept. 12, 2008. During this time, several events roiled the market, including the Lehman Brothers bankruptcy filing, the Bank of America acquisition of Merrill Lynch, the JPMorgan Chase acquisition of Washington Mutual, the government support provided to American International Group, and the transformation of Goldman Sachs and Morgan Stanley into bank holding companies. During this 30-day period alone, the speculative-grade spread widened by 69%, a steep increase considering that

spreads were already near their five-year peak when the 30-day stress period began.

In comparison to the 50% and near 70% spread increases during 30-day spans in 2007 and 2008, the 30% increase in spreads this year from mid-July through August appears relatively modest. During this stress period in 2011, we've seen political brinkmanship on the U.S. debt ceiling, rapidly declining employment and GDP measures, and the continued unfolding of the European sovereign debt drama. By using spreads to measure the bond market's perception of stress, we see that this most recent stress period has not reached the level of unease that we saw during the 2007-2009 financial crisis, although the stress this period is more pronounced than it was during the 2005 stress period.

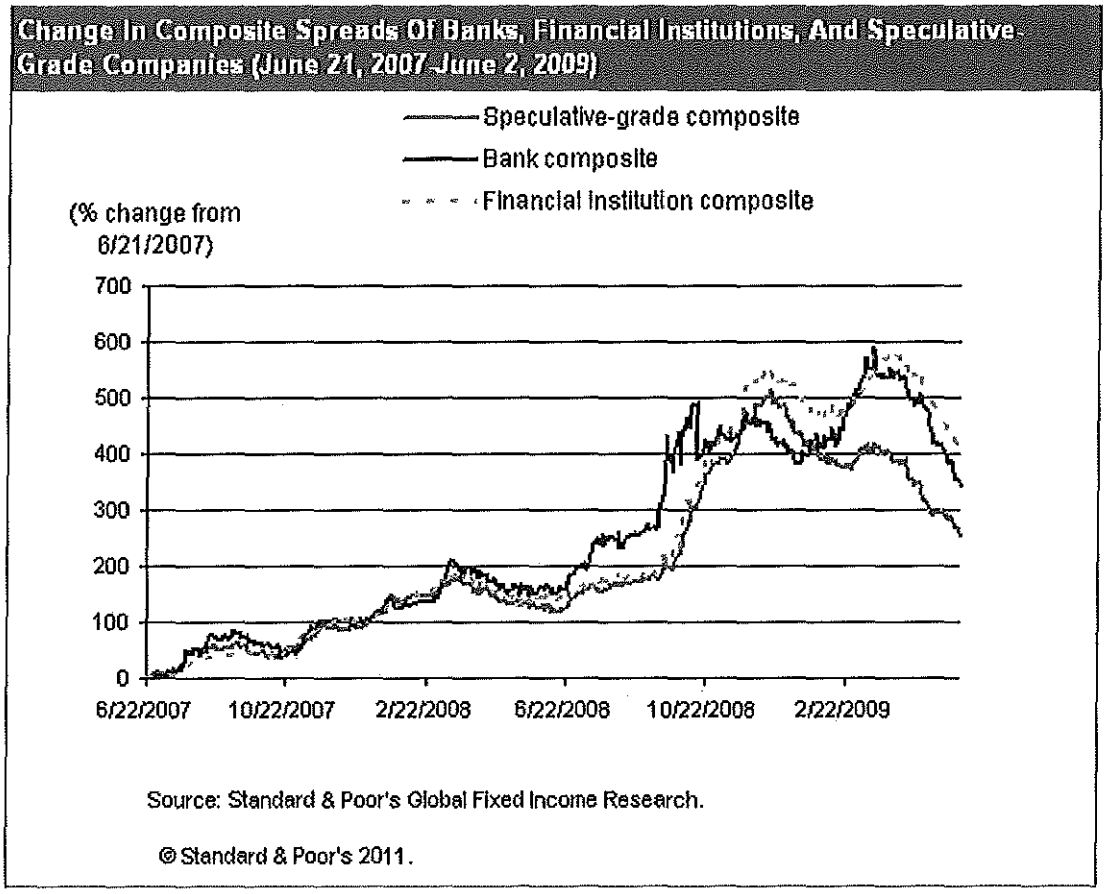
Chart 3



We've compared the nominal speculative-grade yields during each of the stress periods in chart 3. The speculative-grade yield began the most recent stress series at 7%, the lowest level of the four periods. The yield is hovering around 8.5%, as of Sept. 30, higher than the comparative yield from the 2005 series, and nearing the yield from the 2007 series, but nowhere near the peak of 18.9% reached on Dec. 17, 2008. This yield had reached its apex as market fears swirled regarding U.S. carmakers and their potential to default. Two days later, the U.S. Treasury authorized TARP funds to provide General Motors and Chrysler LLC with emergency loans of $13.4 billion and $4 billion, respectively. Following these loans, market fears of a messy default by these companies subsided, and the overall speculative-grade yield declined.

The extent of spread change during the financial crisis from 2007 to 2009 can be seen in chart 4, which shows the speculative-grade spread and composite spreads for financial institutions and banks, each of which includes both investment-grade and speculative-grade companies. While the speculative-grade spread started to subside from its peak after GM and Chrysler received emergency loans, spread composites for banks and financial institutions continued to rise into 2009. The great recession began in December 2007 and continued through June of 2009, encompassing the second half of the 2007 stress period and the 2008 period.

Chart 4



During periods of stress, correlations frequently increase among risky asset classes such as the relationship between the return on speculative-grade bonds and the return from equities. However, the total returns on speculative-grade bonds tend to show lower volatility compared with equities as measured by the S&P500. Among the recent stress periods we've studied, the interval beginning on March 25, 2005, saw positive returns for both stocks and bonds. The S&P500 returned 11.1%, more than double the speculative-grade bond return of 5.0%. We calculate the total return of a bond series including both coupon payments and total price return. This period in 2005 is the only one of the stress periods where returns were positive. For the two years of the financial crisis, the speculative-grade bond series returned negative 5.5%, which is a considerably smaller loss than the 39.6% decline of the S&P500 over the same period. At its lowest point during this series, the speculative-grade composite was down 29.0%, also less severe than the 55.6% decline of the S&P500 at its lowest point. From Aug. 18 to Sept. 14 of this year the speculative-grade composite was down by 3.5% on a total return basis, a much milder decline than the S&P500,

which was down by 13.3%. During each of these recent stress periods, the returns of U.S. speculative-grade bonds have been less volatile than equities.

Chart 5

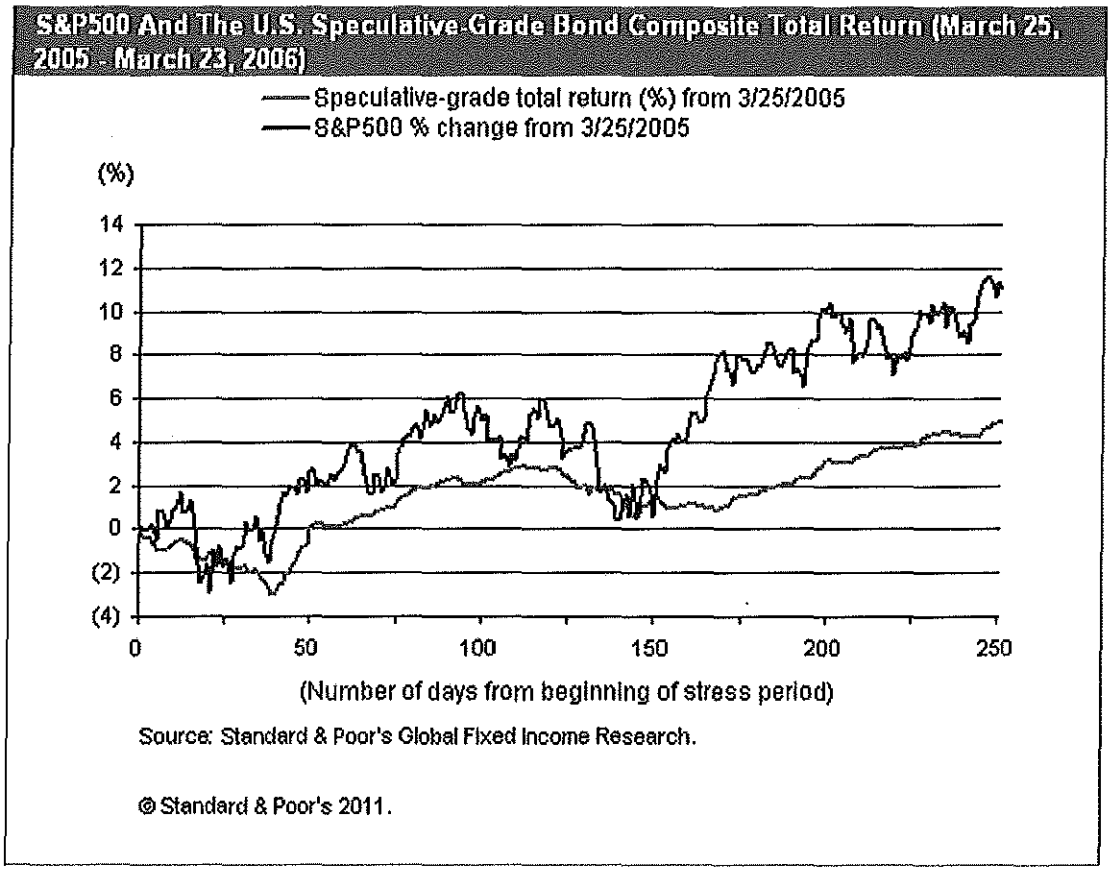
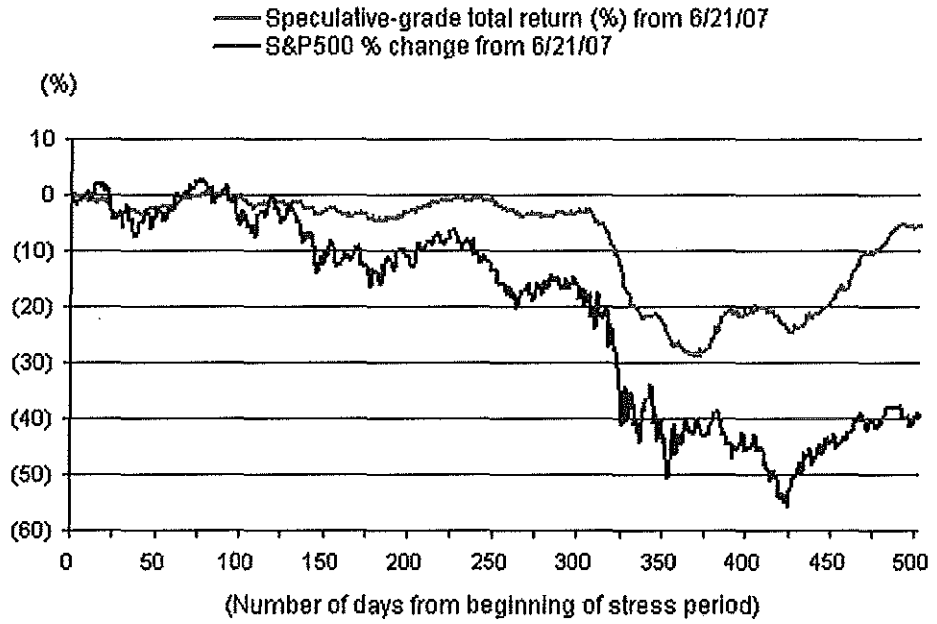


Chart 6

S&P500 And The U.S. Speculative-Grade Bond Composite Total Return (June 21, 2007 - June 30, 2009)



Source: Standard & Poor's Global Fixed Income Research.

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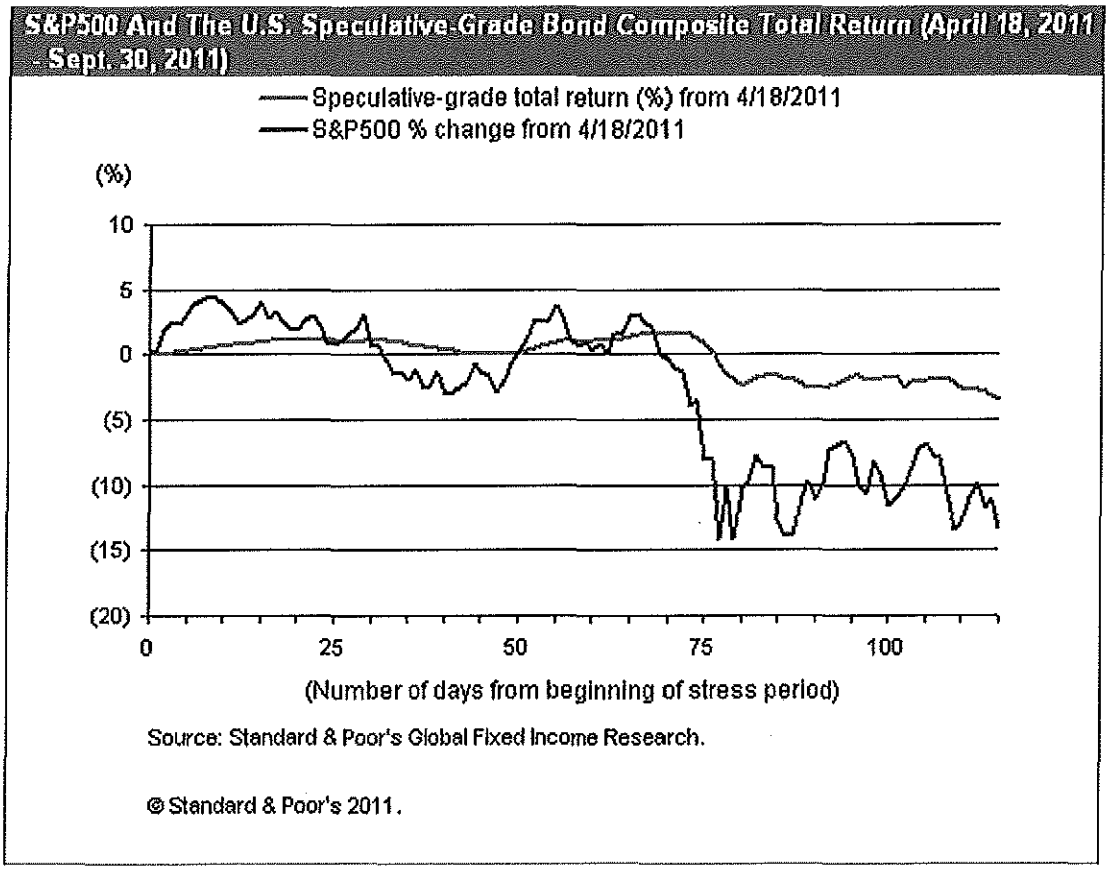
Chart 7



Related Criteria And Research

- Credit Trends: U.S. Composite Daily Spreads (published daily)
- Credit Trends: The U.S. Investment-Grade Composite Credit Spread Reached A New High For 2011, Aug. 9, 2011
- Credit Trends: The U.S. Speculative-Grade Composite Credit Spread Hit A New High For 2011, Aug. 4, 2011

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The Risk Premium Approach to Measuring a Utility's Cost of Equity

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The Risk Premium Approach to Measuring a Utility's Cost of Equity

Eugene F. Brigham, Dilip K. Shome, and Steve R. Vinson

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■ In the mid-1960s, Myron Gordon and others began applying the theory of finance to help estimate utilities' costs of capital. Previously, the standard approach in cost of equity studies was the "comparable earnings method," which involved selecting a sample of unregulated companies whose investment risk was judged to be comparable to that of the utility in question, calculating the average return on book equity (ROE) of these sample companies, and setting the utility's service rates at a level that would permit the utility to achieve the same ROE as comparable companies. This procedure has now been thoroughly discredited (see Robichek [15]), and it has been replaced by three market-oriented (as opposed to accounting-oriented) approaches: (i) the DCF method, (ii) the bond-yield-plus-risk-premium method, and (iii) the CAPM, which is a specific version of the generalized bond-yield-plus-risk-premium approach.

Our purpose in this paper is to discuss the risk-premium approach, including the market risk premium that is used in the CAPM. First, we critique the various procedures that have been used in the past to estimate risk premiums. Second, we present some data on estimated risk premiums since 1965. Third, we examine the relationship between equity risk premiums and the level of interest rates, because it is important, for purposes of estimating the cost of capital, to know just how stable the relationship between risk premiums and interest rates is over time. If stability exists, then one can estimate the cost of equity at any point in time as a function of interest rates as reported in *The Wall Street Journal*, the *Federal Reserve Bulletin*, or some similar source.[1] Fourth, while we do not discuss the CAPM directly, our analysis does have some important implications for selecting a market risk premium for use in that model. Our focus is on utilities, but the methodology is applicable to the estimation of the cost of

[1]For example, the Federal Energy Regulatory Commission's Staff recently proposed that a risk premium be estimated every two years and that, between estimation dates, the last-determined risk premium be added to the current yield on ten-year Treasury bonds to obtain an estimate of the cost of equity to an average utility (Docket RM 80–36). Subsequently, the FCC made a similar proposal ("Notice of Proposed Rulemaking," August 13, 1984, Docket No. 84–800). Obviously, the validity of such procedures depends on (i) the accuracy of the risk premium estimate and (ii) the stability of the relationship between risk premiums and interest rates. Both proposals are still under review.

equity for any publicly traded firm, and also for non-traded firms for which an appropriate risk class can be assessed, including divisions of publicly traded corporations.[2]

Alternative Procedures for Estimating Risk Premiums

In a review of both rate cases and the academic literature, we have identified three basic methods for estimating equity risk premiums: (i) the *ex post*, or historic, yield spread method; (ii) the survey method; and (iii) an *ex ante* yield spread method based on DCF analysis.[3] In this section, we briefly review these three methods.

Historic Risk Premiums

A number of researchers, most notably Ibbotson and Sinquefield [12], have calculated historic holding period returns on different securities and then estimated risk premiums as follows:

$$\text{Historic Risk Premium} = \left\{\begin{array}{c}\text{Average of the annual returns on a stock index for a particular past period}\end{array}\right\} - \left\{\begin{array}{c}\text{Average of the annual returns on a bond index for the same past period}\end{array}\right\} . \quad (1)$$

Ibbotson and Sinquefield (I&S) calculated both arithmetic and geometric average returns, but most of their risk-premium discussion was in terms of the geometric averages. Also, they used both corporate and Treasury bond indices, as well as a T-bill index, and they analyzed all possible holding periods since 1926. The I&S study has been employed in numerous rate cases in two ways: (i) directly, where the I&S historic risk premium is added to a company's bond yield to obtain an estimate of its cost of equity, and (ii) indirectly, where I&S data are used to estimate the market risk premium in CAPM studies.

There are both conceptual and measurement problems with using I&S data for purposes of estimating the cost of capital. Conceptually, there is no compelling reason to think that investors expect the same relative returns that were earned in the past. Indeed, evidence presented in the following sections indicates that relative expected returns should, and do, vary significantly over time. Empirically, the measured historic premium is sensitive both to the choice of estimation horizon and to the end points. These choices are essentially arbitrary, yet they can result in significant differences in the final outcome. These measurement problems are common to most forecasts based on time series data.

The Survey Approach

One obvious way to estimate equity risk premiums is to poll investors. Charles Benore [1], the senior utility analyst for Paine Webber Mitchell Hutchins, a leading institutional brokerage house, conducts such a survey of major institutional investors annually. His 1983 results are reported in Exhibit 1.

Exhibit 1. Results of Risk Premium Survey, 1983*

Assuming a double A, long-term utility bond currently yields 12½%, the common stock for the same company would be fairly priced relative to the bond if its expected return was as follows:

Total Return	Indicated Risk Premium (basis points)	Percent of Respondents
over 20½%	over 800	
20½%	800	
19½%	700	
18½%	600	10%
17½%	500	8%
16½%	400	29%
15½%	300	35%
14½%	200	16%
13½%	100	0%
under 13½%	under 100	1%
Weighted average	358	100%

*Benore's questionnaire included the first two columns, while his third column provided a space for the respondents to indicate which risk premium they thought applied. We summarized Benore's responses in the frequency distribution given in Column 3. Also, in his questionnaire each year, Benore adjusts the double A bond yield and the total returns (Column 1) to reflect current market conditions. Both the question above and the responses to it were taken from the survey conducted in April 1983.

[2]The FCC is particularly interested in risk-premium methodologies, because (i) only eighteen of the 1,400 telephone companies it regulates have publicly-traded stock, and hence offer the possibility of DCF analysis, and (ii) most of the publicly-traded telephone companies have both regulated and unregulated assets, so a corporate DCF cost might not be applicable to the regulated units of the companies.

[3]In rate cases, some witnesses also have calculated the differential between the yield to maturity (YTM) of a company's bonds and its concurrent ROE, and then called this differential a risk premium. In general, this procedure is unsound, because the YTM on a bond is a *future expected* return on the bond's *market value*, while the ROE is the *past realized* return on the stock's *book value*. Thus, comparing YTMs and ROEs is like comparing apples and oranges.

Benore's results, as measured by the average risk premiums, have varied over the years as follows:

Year	Average RP (basis points)
1978	491
1979	475
1980	423
1981	349
1982	275
1983	358

The survey approach is conceptually sound in that it attempts to measure investors' expectations regarding risk premiums, and the Benore data also seem to be carefully collected and processed. Therefore, the Benore studies do provide one useful basis for estimating risk premiums. However, as with most survey results, the possibility of biased responses and/or biased sampling always exists. For example, if the responding institutions are owners of utility stocks (and many of them are), and if the respondents think that the survey results might be used in a rate case, then they might bias upward their responses to help utilities obtain higher authorized returns. Also, Benore surveys large institutional investors, whereas a high percentage of utility stocks are owned by individuals rather than institutions, so there is a question as to whether his reported risk premiums are really based on the expectations of the "representative" investor. Finally, from a pragmatic standpoint, there is a question as to how to use the Benore data for utilities that are not rated AA. The Benore premiums can be applied as an add-on to the own-company bond yields of any given utility only if it can be assumed that the premiums are constant across bond rating classes. *A priori*, there is no reason to believe that the premiums will be constant.

DCF-Based *Ex Ante* Risk Premiums

In a number of studies, the DCF model has been used to estimate the *ex ante* market risk premium, RP_M. Here, one estimates the average expected future return on equity for a group of stocks, k_M, and then subtracts the concurrent risk-free rate, R_F, as proxied by the yield to maturity on either corporate or Treasury securities:[4]

$$RP_M = k_M - R_F. \tag{2}$$

Conceptually, this procedure is exactly like the I&S approach except that one makes direct estimates of future expected returns on stocks and bonds rather than assuming that investors expect future returns to mirror past returns.

The most difficult task, of course, is to obtain a valid estimate of k_M, the expected rate of return on the market. Several studies have attempted to estimate DCF risk premiums for the utility industry and for other stock market indices. Two of these are summarized next.

Vandell and Kester. In a recently published monograph, Vandell and Kester [18] estimated *ex ante* risk premiums for the period from 1944 to 1978. R_F was measured both by the yield on 90-day T-bills and by the yield on the Standard and Poor's AA Utility Bond Index. They measured k_M as the average expected return on the S&P's 500 Index, with the expected return on individual securities estimated as follows:

$$k_i = \left(\frac{D_1}{P_0}\right)_i + g_i, \tag{3}$$

where,

D_1 = dividend per share expected over the next twelve months,
P_0 = current stock price,
g = estimated long-term constant growth rate, and
i = the i^{th} stock.

To estimate g_i, Vandell and Kester developed fifteen forecasting models based on both exponential smoothing and trend-line forecasts of earnings and dividends, and they used historic data over several estimating horizons. Vandell and Kester themselves acknowledge that, like the Ibbotson-Sinquefield premiums, their analysis is subject to potential errors associated with trying to estimate expected future growth purely from past data. We shall have more to say about this point later.

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[4]In this analysis, most people have used yields on long-term bonds rather than short-term money market instruments. It is recognized that long-term bonds, even Treasury bonds, are not risk free, so an RP_M based on these debt instruments is smaller than it would be if there were some better proxy to the long-term riskless rate. People have attempted to use the T-bill rate for R_F, but the T-bill rate embodies a different average inflation premium than stocks, and it is subject to random fluctuations caused by monetary policy, international currency flows, and other factors. Thus, many people believe that for cost of capital purposes, R_F should be based on long-term securities.

We did test to see how debt maturities would affect our calculated risk premiums. If a short-term rate such as the 30-day T-bill rate is used, measured risk premiums jump around widely and, so far as we could tell, randomly. The choice of a maturity in the 10- to 30-year range has little effect, as the yield curve is generally fairly flat in that range.

Malkiel. Malkiel [14] estimated equity risk premiums for the Dow Jones Industrials using the DCF model. Recognizing that the constant dividend growth assumption may not be valid, Malkiel used a nonconstant version of the DCF model. Also, rather than rely exclusively on historic data, he based his growth rates on Value Line's five-year earnings growth forecasts plus the assumption that each company's growth rate would, after an initial five-year period, move toward a long-run real national growth rate of four percent. He also used ten-year maturity government bonds as a proxy for the riskless rate. Malkiel reported that he tested the sensitivity of his results against a number of different types of growth rates, but, in his words, "The results are remarkably robust, and the estimated risk premiums are all very similar." Malkiel's is, to the best of our knowledge, the first risk-premium study that uses analysts' forecasts. A discussion of analysts' forecasts follows.

Security Analysts' Growth Forecasts

Ex ante DCF risk premium estimates can be based either on expected growth rates developed from time series data, such as Vandell and Kester used, or on analysts' forecasts, such as Malkiel used. Although there is nothing inherently wrong with time series-based growth rates, an increasing body of evidence suggests that primary reliance should be placed on analysts' growth rates. First, we note that the observed market price of a stock reflects the consensus view of investors regarding its future growth. Second, we know that most large brokerage houses, the larger institutional investors, and many investment advisory organizations employ security analysts who forecast future EPS and DPS, and, to the extent that investors rely on analysts' forecasts, the consensus of analysts' forecasts is embodied in market prices. Third, there have been literally dozens of academic research papers dealing with the accuracy of analysts' forecasts, as well as with the extent to which investors actually use them. For example, Cragg and Malkiel [7] and Brown and Rozeff [5] determined that security analysts' forecasts are more relevant in valuing common stocks and estimating the cost of capital than are forecasts based solely on historic time series. Stanley, Lewellen, and Schlarbaum [16] and Linke [13] investigated the importance of analysts' forecasts and recommendations to the investment decisions of individual and institutional investors. Both studies indicate that investors rely heavily on analysts' reports and incorporate analysts' forecast information in the formation of their expectations about stock returns. A representative listing of other work supporting the use of analysts' forecasts is included in the References section. Thus, evidence in the current literature indicates that (i) analysts' forecasts are superior to forecasts based solely on time series data, and (ii) investors do rely on analysts' forecasts. Accordingly, we based our cost of equity, and hence risk premium estimates, on analysts' forecast data.[5]

Risk Premium Estimates

For purposes of estimating the cost of capital using the risk premium approach, it is necessary either that the risk premiums be time-invariant or that there exists a predictable relationship between risk premiums and interest rates. If the premiums are constant over time, then the constant premium could be added to the prevailing interest rate. Alternatively, if there exists a stable relationship between risk premiums and interest rates, it could be used to predict the risk premium from the prevailing interest rate.

To test for stability, we obviously need to calculate risk premiums over a fairly long period of time. Prior to 1980, the only consistent set of data we could find came from Value Line, and, because of the work involved, we could develop risk premiums only once a year (on January 1). Beginning in 1980, however, we began collecting and analyzing Value Line data on a monthly basis, and in 1981 we added monthly estimates from Merrill Lynch and Salomon Brothers to our data base. Finally, in mid-1983, we expanded our analysis to include the IBES data.

Annual Data and Results, 1966–1984

Over the period 1966–1984, we used Value Line data to estimate risk premiums both for the electric utility industry and for industrial companies, using the companies included in the Dow Jones Industrial and Utility averages as representative of the two groups. Value Line makes a five-year growth rate forecast, but it also gives data from which one can develop a longer-term forecast. Since DCF theory calls for a truly long-term (infinite horizon) growth rate, we concluded that it was better to develop and use such a forecast than to

[5]Recently, a new type of service that summarizes the key data from most analysts' reports has become available. We are aware of two sources of such services, the Lynch, Jones, and Ryan's Institutional Brokers Estimate System (IBES) and Zack's Icarus Investment Service. IBES and the Icarus Service gather data from both buy-side and sell-side analysts and provide it to subscribers on a monthly basis in both a printed and a computer-readable format.

Exhibit 2. Estimated Annual Risk Premiums, Nonconstant (Value Line) Model, 1966–1984

January 1 of the Year Reported	Dow Jones Electrics			Dow Jones Industrials			
	k_{Avg}	R_F	RP	k_{Avg}	R_F	RP	(3) ÷ (6)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
1966	8.11%	4.50%	3.61%	9.56%	4.50%	5.06%	0.71
1967	9.00%	4.76%	4.24%	11.57%	4.76%	6.81%	0.62
1968	9.68%	5.59%	4.09%	10.56%	5.59%	4.97%	0.82
1969	9.34%	5.88%	3.46%	10.96%	5.88%	5.08%	0.68
1970	11.04%	6.91%	4.13%	12.22%	6.91%	5.31%	0.78
1971	10.80%	6.28%	4.52%	11.23%	6.28%	4.95%	0.91
1972	10.53%	6.00%	4.53%	11.09%	6.00%	5.09%	0.89
1973	11.37%	5.96%	5.41%	11.47%	5.96%	5.51%	0.98
1974	13.85%	7.29%	6.56%	12.38%	7.29%	5.09%	1.29
1975	16.63%	7.91%	8.72%	14.83%	7.91%	6.92%	1.26
1976	13.97%	8.23%	5.74%	13.32%	8.23%	5.09%	1.13
1977	12.96%	7.30%	5.66%	13.63%	7.30%	6.33%	0.89
1978	13.42%	7.87%	5.55%	14.75%	7.87%	6.88%	0.81
1979	14.92%	8.99%	5.93%	15.50%	8.99%	6.51%	0.91
1980	16.39%	10.18%	6.21%	16.53%	10.18%	6.35%	0.98
1981	17.61%	11.99%	5.62%	17.37%	11.99%	5.38%	1.04
1982	17.70%	14.00%	3.70%	19.30%	14.00%	5.30%	0.70
1983	16.30%	10.66%	5.64%	16.53%	10.66%	5.87%	0.96
1984	16.03%	11.97%	4.06%	15.72%	11.97%	3.75%	1.08

use the five-year prediction.[6] Therefore, we obtained data as of January 1 from Value Line for each of the Dow Jones companies and then solved for k, the expected rate of return, in the following equation:

$$P_0 = \sum_{t=1}^{n} \frac{D_t}{(1+k)^t} + \left(\frac{D_n(1+g_n)}{k-g_n}\right)\left(\frac{1}{1+k}\right)^n. \quad (4)$$

Equation (4) is the standard nonconstant growth DCF model; P_0 is the current stock price; D_t represents the forecasted dividends during the nonconstant growth period; n is the years of nonconstant growth; D_n is the first constant growth dividend; and g_n is the constant, long-run growth rate after year n. Value Line provides D_t values for t = 1 and t = 4, and we interpolated to obtain D_2 and D_3. Value Line also gives estimates for ROE and for the retention rate (b) in the terminal year, n, so we can forecast the long-term growth rate as $g_n = b(ROE)$. With all the values in Equation (4) specified except k, we can solve for k, which is the DCF rate of return that would result if the Value Line forecasts were met, and, hence, the DCF rate of return implied in the Value Line forecast.[7]

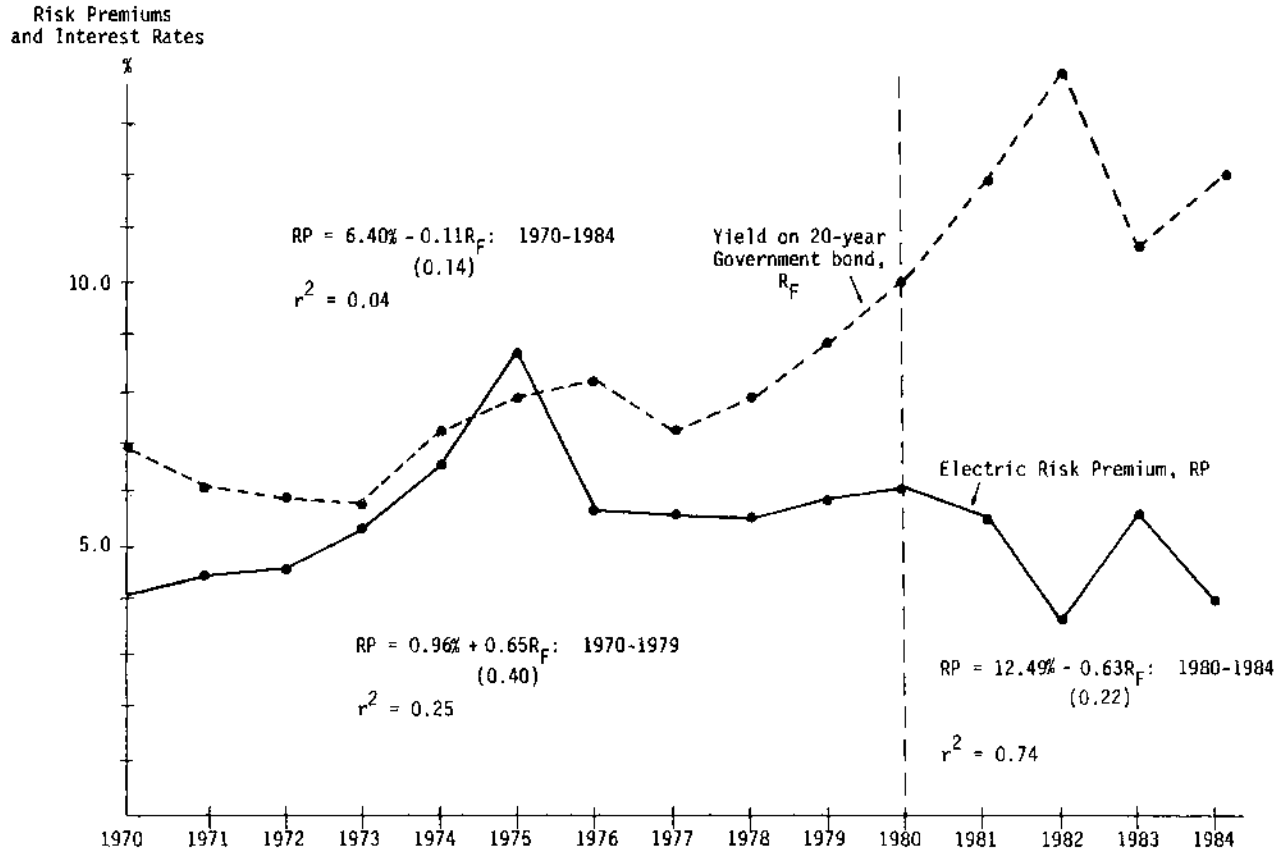
Having estimated a k value for each of the electric and industrial companies, we averaged them (using market-value weights) to obtain a k value for each group, after which we subtracted R_F (taken as the December 31 yield on twenty-year constant maturity Treasury bonds) to obtain the estimated risk premiums shown in Exhibit 2. The premiums for the electrics are plotted in Exhibit 3, along with interest rates. The following points are worthy of note:

1. Risk premiums fluctuate over time. As we shall see in the next section, fluctuations are even wider when measured on a monthly basis.
2. The last column of Exhibit 2 shows that risk premi-

[6]This is a debatable point. Cragg and Malkiel, as well as many practicing analysts, feel that most investors actually focus on five-year forecasts. Others, however, argue that five-year forecasts are too heavily influenced by base-year conditions and/or other nonpermanent conditions for use in the DCF model. We note (i) that most published forecasts do indeed cover five years, (ii) that such forecasts are typically "normalized" in some fashion to alleviate the base-year problem, and (iii) that for relatively stable companies like those in the Dow Jones averages, it generally does not matter greatly if one uses a normalized five-year or a longer-term forecast, because these companies meet the conditions of the constant-growth DCF model rather well.

[7]Value Line actually makes an explicit price forecast for each stock, and one could use this price, along with the forecasted dividends, to develop an expected rate of return. However, Value Line's forecasted stock price builds in a forecasted *change* in k. Therefore, the forecasted price is inappropriate for use in estimating current values of k.

Exhibit 3. Equity Risk Premiums for Electric Utilities and Yields on 20-Year Government Bonds, 1970–1984*



*Standard errors of the coefficients are shown in parentheses below the coefficients.

ums for the utilities increased relative to those for the industrials from the mid-1960s to the mid-1970s. Subsequently, the perceived riskiness of the two groups has, on average, been about the same.

3. Exhibit 3 shows that, from 1970 through 1979, utility risk premiums tended to have a positive association with interest rates: when interest rates rose, so did risk premiums, and vice versa. However, beginning in 1980, an inverse relationship appeared: rising interest rates led to declining risk premiums. We shall discuss this situation further in the next section.

Monthly Data and Results, 1980–1984

In early 1980, we began calculating risk premiums on a monthly basis. At that time, our only source of analysts' forecasts was Value Line, but beginning in 1981 we also obtained Merrill Lynch and Salomon Brothers' data, and then, in mid-1983, we obtained IBES data. Because our focus was on utilities, we restricted our monthly analysis to that group.

Our 1980–1984 monthly risk premium data, along with Treasury bond yields, are shown in Exhibits 4 and 5 and plotted in Exhibits 6, 7, and 8. Here are some comments on these Exhibits:

1. Risk premiums, like interest rates and stock prices, are volatile. Our data indicate that it would not be appropriate to estimate the cost of equity by adding the current cost of debt to a risk premium that had been estimated in the past. Current risk premiums should be matched with current interest rates.
2. Exhibit 6 confirms the 1980–1984 section of Exhibit 3 in that it shows a strong inverse relationship between interest rates and risk premiums; we shall discuss shortly why this relationship holds.
3. Exhibit 7 shows that while risk premiums based on Value Line, Merrill Lynch, and Salomon Brothers

Exhibit 4. Estimated Monthly Risk Premiums for Electric Utilities Using Analysts' Growth Forecasts, January 1980–June 1984

Beginning of Month	Value Line	Merrill Lynch	Salomon Brothers	Average Premiums	20-Year Treasury Bond Yield, Constant Maturity Series
Jan 1980	6.21%	NA	NA	6.21%	10.18%
Feb 1980	5.77%	NA	NA	5.77%	10.86%
Mar 1980	4.73%	NA	NA	4.73%	12.59%
Apr 1980	5.02%	NA	NA	5.02%	12.71%
May 1980	4.73%	NA	NA	4.73%	11.04%
Jun 1980	5.09%	NA	NA	5.09%	10.37%
Jul 1980	5.41%	NA	NA	5.41%	9.86%
Aug 1980	5.72%	NA	NA	5.72%	10.29%
Sep 1980	5.16%	NA	NA	5.16%	11.41%
Oct 1980	5.62%	NA	NA	5.62%	11.75%
Nov 1980	5.09%	NA	NA	5.09%	12.33%
Dec 1980	5.65%	NA	NA	5.65%	12.37%
Annual Avg.	5.35%			5.35%	11.31%
Jan 1981	5.62%	4.76%	5.63%	5.34%	11.99%
Feb 1981	4.82%	4.87%	5.16%	4.95%	12.48%
Mar 1981	4.70%	3.73%	4.97%	4.47%	13.10%
Apr 1981	4.24%	3.23%	4.52%	4.00%	13.11%
May 1981	3.54%	3.24%	4.24%	3.67%	13.51%
Jun 1981	3.57%	4.04%	4.27%	3.96%	13.39%
Jul 1981	3.61%	3.63%	4.16%	3.80%	13.32%
Aug 1981	3.17%	3.05%	3.04%	3.09%	14.23%
Sep 1981	2.11%	2.24%	2.35%	2.23%	14.99%
Oct 1981	2.83%	2.64%	3.24%	2.90%	14.93%
Nov 1981	2.08%	2.49%	3.03%	2.53%	15.27%
Dec 1981	3.72%	3.45%	4.24%	3.80%	13.12%
Annual Avg.	3.67%	3.45%	4.07%	3.73%	13.62%
Jan 1982	3.70%	3.37%	4.04%	3.70%	14.00%
Feb 1982	3.05%	3.37%	3.70%	3.37%	14.37%
Mar 1982	3.15%	3.28%	3.75%	3.39%	13.96%
Apr 1982	3.49%	3.61%	4.29%	3.80%	13.69%
May 1982	3.08%	4.25%	3.91%	3.75%	13.47%
Jun 1982	3.16%	4.51%	4.72%	4.13%	13.53%
Jul 1982	2.57%	4.21%	4.21%	3.66%	14.48%
Aug 1982	4.33%	4.83%	5.27%	4.81%	13.69%
Sep 1982	4.08%	5.14%	5.58%	4.93%	12.40%
Oct 1982	5.35%	5.24%	6.34%	5.64%	11.95%
Nov 1982	5.67%	5.95%	6.91%	6.18%	10.97%
Dec 1982	6.31%	6.71%	7.45%	6.82%	10.52%
Annual Avg.	4.00%	4.54%	5.01%	4.52%	13.09%
Jan 1983	5.64%	6.04%	6.81%	6.16%	10.66%
Feb 1983	4.68%	5.99%	6.10%	5.59%	11.01%
Mar 1983	4.99%	6.89%	6.43%	6.10%	10.71%
Apr 1983	4.75%	5.82%	6.31%	5.63%	10.84%
May 1983	4.50%	6.41%	6.24%	5.72%	10.57%
Jun 1983	4.29%	5.21%	6.16%	5.22%	10.90%
Jul 1983	4.78%	5.72%	6.42%	5.64%	11.12%
Aug 1983	3.89%	4.74%	5.41%	4.68%	11.78%
Sep 1983	4.07%	4.90%	5.57%	4.85%	11.71%
Oct 1983	3.79%	4.64%	5.38%	4.60%	11.64%
Nov 1983	2.84%	3.77%	4.46%	3.69%	11.90%
Dec 1983	3.36%	4.27%	5.00%	4.21%	11.83%
Annual Avg.	4.30%	5.37%	5.86%	5.17%	11.22%
Jan 1984	4.06%	5.04%	5.65%	4.92%	11.97%
Feb 1984	4.25%	5.37%	5.96%	5.19%	11.76%
Mar 1984	4.73%	6.05%	6.38%	5.72%	12.12%
Apr 1984	4.78%	5.33%	6.32%	5.48%	12.51%
May 1984	4.36%	5.30%	6.42%	5.36%	12.78%
Jun 1984	3.54%	4.00%	5.63%	4.39%	13.60%

Exhibit 5. Monthly Risk Premiums Based on IBES Data

Beginning of Month	Average of Merrill Lynch, Salomon Brothers, and Value Line Premiums for Dow Jones Electrics	IBES Premiums for Dow Jones Electrics	IBES Premiums for Entire Electric Industry
Aug 1983	4.68%	4.10%	4.16%
Sep 1983	4.85%	4.43%	4.27%
Oct 1983	4.60%	4.31%	3.90%
Nov 1983	3.69%	3.36%	3.36%
Dec 1983	4.21%	3.86%	3.54%
Jan 1984	4.92%	4.68%	4.18%
Feb 1984	5.19%	5.00%	4.36%
Mar 1984	5.72%	5.35%	4.45%
Apr 1984	5.48%	5.33%	4.23%
May 1984	5.36%	5.26%	4.30%
Jun 1984	4.39%	4.47%	3.40%
Average Premiums	4.83%	4.56%	4.01%

Exhibit 6. Utility Risk Premiums and Interest Rates, 1980–1984

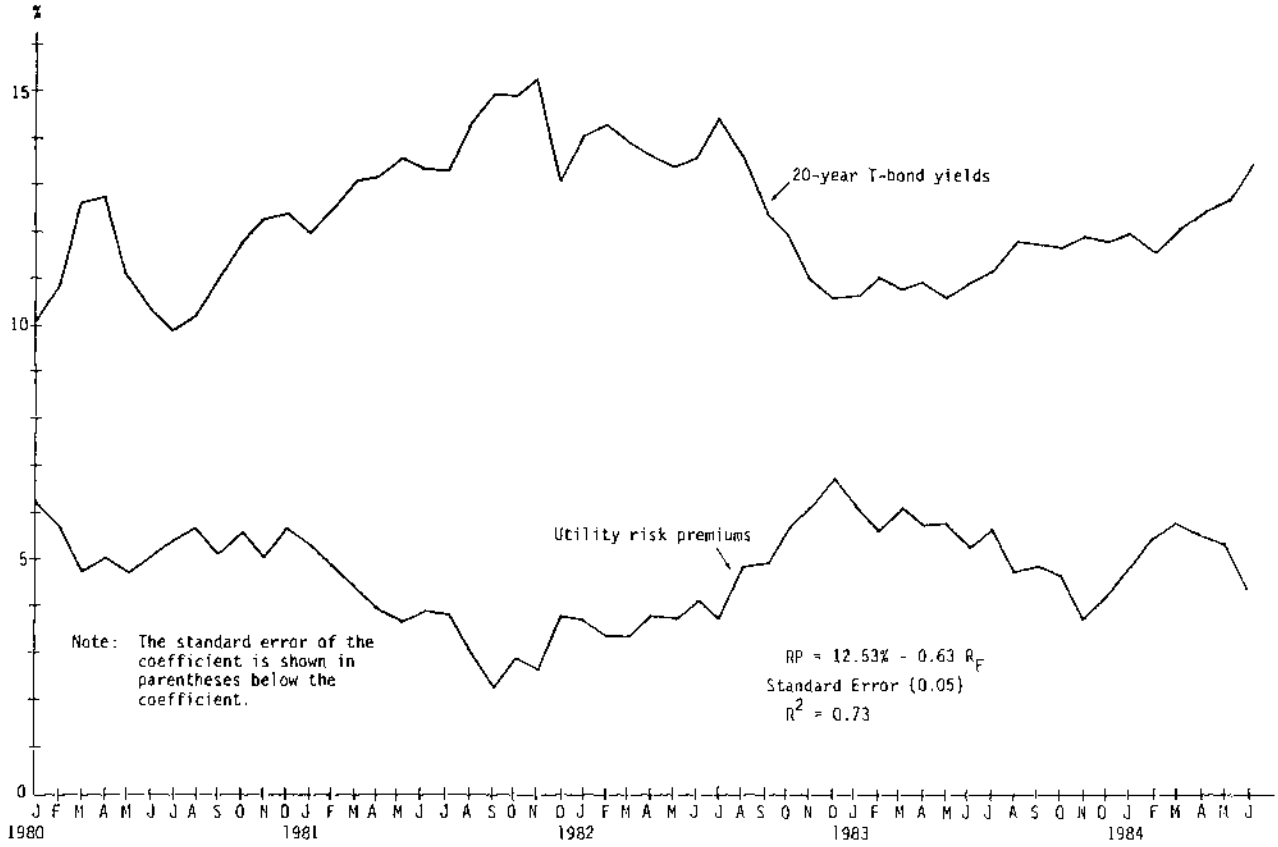


Exhibit 7. Monthly Risk Premiums, Electric Utilities, 1981–1984 (to Date)

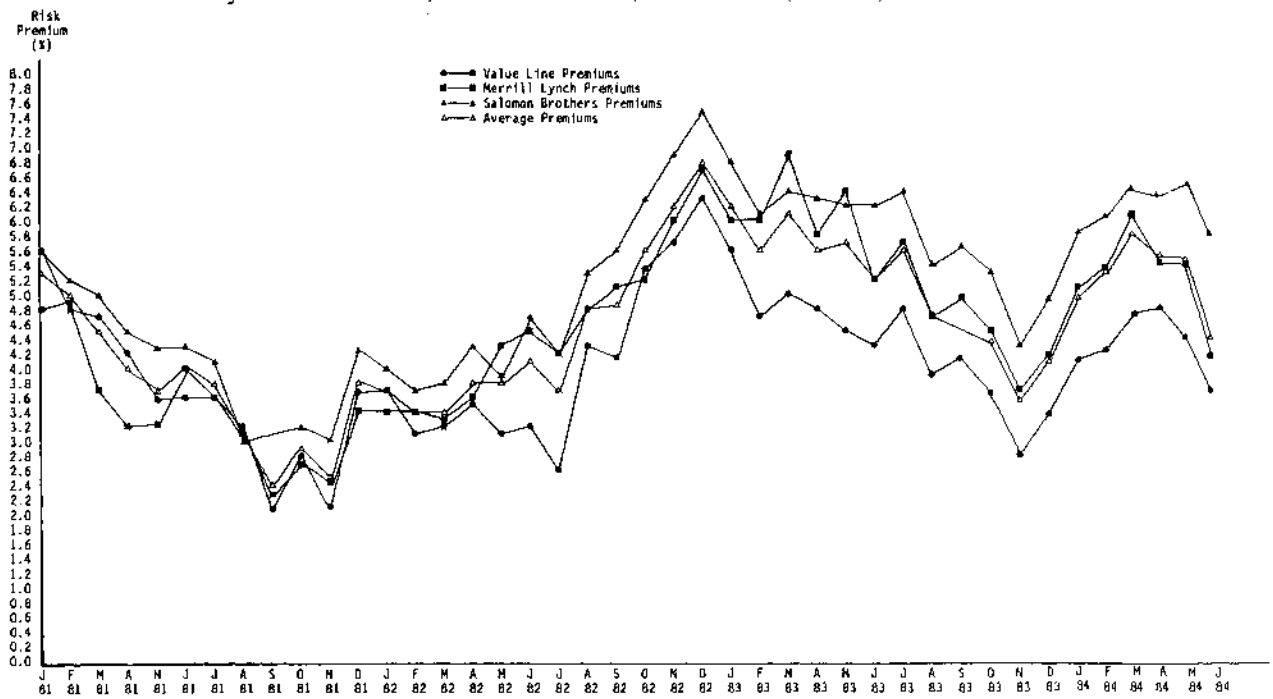
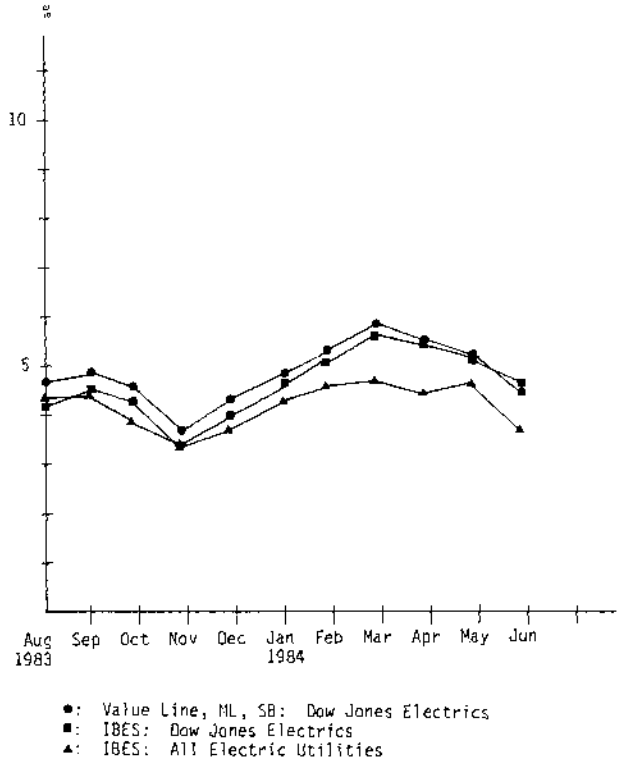


Exhibit 8. Comparative Risk Premium Data



do differ, the differences are not large given the nature of the estimates, and the premiums follow one another closely over time. Since all of the analysts are examining essentially the same data and since utility companies are not competitive with one another, and hence have relatively few secrets, the similarity among the analysts' forecasts is not surprising.

4. The IBES data, presented in Exhibit 5 and plotted in Exhibit 8, contain too few observations to enable us to draw strong conclusions, but (i) the Dow Jones Electrics risk premiums based on our three-analyst data have averaged 27 basis points above premiums based on the larger group of analysts surveyed by IBES and (ii) the premiums on the 11 Dow Jones Electrics have averaged 54 basis points higher than premiums for the entire utility industry followed by IBES. Given the variability in the data, we are, at this point, inclined to attribute these differences to random fluctuations, but as more data become available, it may turn out that the differences are statistically significant. In particular, the 11 electric utilities included in the Dow Jones Utility Index all have large nuclear investments, and this may cause them to be regarded as riskier than the industry average, which includes both nuclear and non-nuclear companies.

Tests of the Reasonableness of the Risk Premium Estimates

So far our claims to the reasonableness of our risk-premium estimates have been based on the reasonableness of our variable measures, particularly the measures of expected dividend growth rates. Essentially, we have argued that since there is strong evidence in the literature in support of analysts' forecasts, risk premiums based on these forecasts are reasonable. In the spirit of positive economics, however, it is also important to demonstrate the reasonableness of our results more directly.

It is theoretically possible to test for the validity of the risk-premium estimates in a CAPM framework. In a cross-sectional estimate of the CAPM equation,

$$(k - R_F)_i = \alpha_0 + \alpha_1 \beta_i + u_i, \qquad (5)$$

we would expect

$$\hat{\alpha}_0 = 0 \text{ and } \hat{\alpha}_1 = k_M - R_F = \text{Market risk premium.}$$

This test, of course, would be a joint test of both the CAPM and the reasonableness of our risk-premium estimates. There is a great deal of evidence that questions the empirical validity of the CAPM, especially when applied to regulated utilities. Under these conditions, it is obvious that no unambiguous conclusion can be drawn regarding the efficacy of the premium estimates from such a test.[8]

A simpler and less ambiguous test is to show that the risk premiums are higher for lower rated firms than for higher rated firms. Using 1984 data, we classified the

[8]We carried out the test on a monthly basis for 1984 and found positive but statistically insignificant coefficients. A typical result (for April 1984) follows:

$$(k - R_F)_i = \underset{(0.91)}{3.1675} + \underset{(1.44)}{1.8031}\ \beta_i.$$

The figures in parentheses are standard errors. Utility risk premiums do increase with betas, but the intercept term is not zero as the CAPM would predict, and α_1 is both less than the predicted value and not statistically significant. Again, the observation that the coefficients do not conform to CAPM predictions could be as much a problem with CAPM specification for utilities as with the risk premium estimates.

A similar test was carried out by Friend, Westerfield, and Granito [9]. They tested the CAPM using expectational (survey) data rather than *ex post* holding period returns. They actually found their coefficient of β_i to be negative in all their cross-sectional tests.

Exhibit 9. Relationship between Risk Premiums and Bond Ratings, 1984*

Month	Aaa/AA	AA	Aa/A	A	A/BBB	BBB	Below BBB
January†	—	2.61%	3.06%	3.70%	5.07%	4.90%	9.45%
February	2.98%	3.17%	3.36%	4.03%	5.26%	5.14%	7.97%
March	2.34%	3.46%	3.29%	4.06%	5.43%	5.02%	8.28%
April	2.37%	3.03%	3.29%	3.88%	5.29%	4.97%	6.96%
May	2.00%	2.48%	3.42%	3.72%	4.72%	6.64%	8.81%
June	0.72%	2.17%	2.46%	3.16%	3.76%	5.00%	5.58%
Average	2.08%	2.82%	3.15%	3.76%	4.92%	5.28%	7.84%

*The risk premiums are based on IBES data for the electric utilities followed by both IBES and Salomon Brothers. The number of electric utilities followed by both firms varies from month to month. For the period between January and June 1984, the number of electrics followed by both firms ranged from 96 to 99 utilities.
†In January, there were no Aaa/AA companies. Subsequently, four utilities were upgraded to Aaa/AA.

utility industry into risk groups based on bond ratings. For each rating group, we estimated the average risk premium. The results, presented in Exhibit 9, clearly show that the lower the bond rating, the higher the risk premiums. Our premium estimates therefore would appear to pass this simple test of reasonableness.

Risk Premiums and Interest Rates

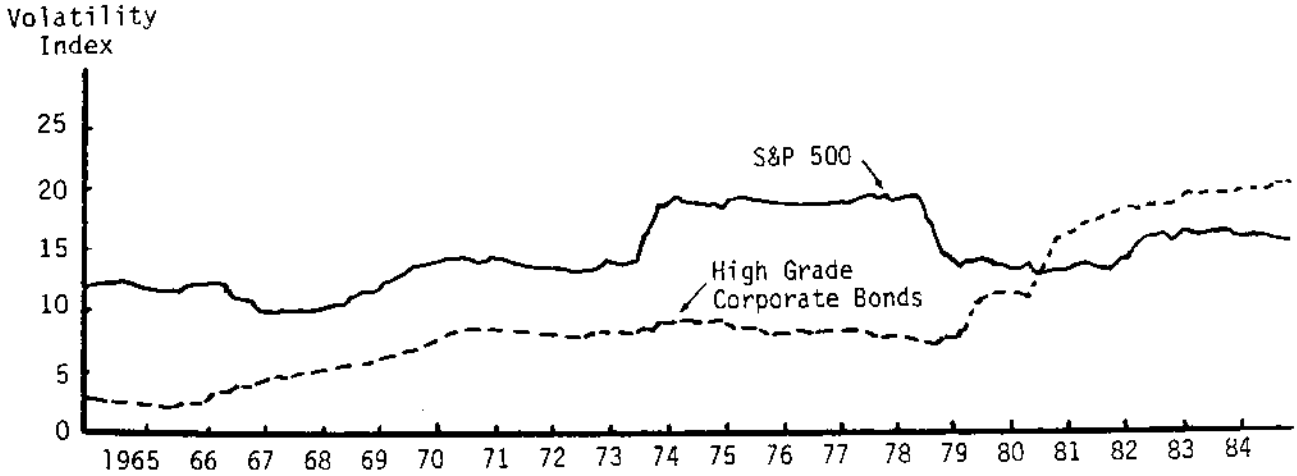
Traditionally, stocks have been regarded as being riskier than bonds because bondholders have a prior claim on earnings and assets. That is, stockholders stand at the end of the line and receive income and/or assets only after the claims of bondholders have been satisfied. However, if interest rates fluctuate, then the holders of long-term bonds can suffer losses (either realized or in an opportunity cost sense) even though they receive all contractually due payments. Therefore, if investors' worries about "interest rate risk" versus "earning power risk" vary over time, then perceived risk differentials between stocks and bonds, and hence risk premiums, will also vary.

Any number of events could occur to cause the perceived riskiness of stocks versus bonds to change, but probably the most pervasive factor, over the 1966–1984 period, is related to inflation. Inflationary expectations are, of course, reflected in interest rates. Therefore, one might expect to find a relationship between risk premiums and interest rates. As we noted in our discussion of Exhibit 3, risk premiums were positively correlated with interest rates from 1966 through 1979, but, beginning in 1980, the relationship turned negative. A possible explanation for this change is given next.

1966–1979 Period. During this period, inflation heated up, fuel prices soared, environmental problems surfaced, and demand for electricity slowed even as expensive new generating units were nearing completion. These cost increases required offsetting rate hikes to maintain profit levels. However, political pressure, combined with administrative procedures that were not designed to deal with a volatile economic environment, led to long periods of "regulatory lag" that caused utilities' earned ROEs to decline in absolute terms and to fall far below the cost of equity. These factors combined to cause utility stockholders to experience huge losses: S&P's Electric Index dropped from a mid-1960s high of 60.90 to a mid-1970s low of 20.41, a decrease of 66.5%. Industrial stocks also suffered losses during this period, but, on average, they were only one third as severe as the utilities' losses. Similarly, investors in long-term bonds had losses, but bond losses were less than half those of utility stocks. Note also that, during this period, (i) bond investors were able to reinvest coupons and maturity payments at rising rates, whereas the earned returns on equity did not rise, and (ii) utilities were providing a rising share of their operating income to debtholders versus stockholders (interest expense/book value of debt was rising, while net income/common equity was declining). This led to a widespread belief that utility commissions would provide enough revenues to keep utilities from going bankrupt (barring a disaster), and hence to protect the bondholders, but that they would not necessarily provide enough revenues either to permit the expected rate of dividend growth to occur or, perhaps, even to allow the dividend to be maintained.

Because of these experiences, investors came to regard inflation as having a more negative effect on utility stocks than on bonds. Therefore, when fears of inflation increased, utilities' measured risk premiums

Exhibit 10. Relative Volatility* of Stocks and Bonds, 1965–1984



*Volatility is measured as the standard deviation of total returns over the last 5 years.
Source: Merrill Lynch, *Quantitative Analysis*, May/June 1984.

also increased. A regression over the period 1966–1979, using our Exhibit 2 data, produced this result:

$$RP = 0.30\% + 0.73\ R_F; \qquad r^2 = 0.48.$$
$$(0.22)$$

This indicates that a one percentage point increase in the Treasury bond rate produced, on average, a 0.73 percentage point increase in the risk premium, and hence a 1.00 + 0.73 = 1.73 percentage point increase in the cost of equity for utilities.

1980–1984 Period. The situation changed dramatically in 1980 and thereafter. Except for a few companies with nuclear construction problems, the utilities' financial situations stabilized in the early 1980s, and then improved significantly from 1982 to 1984. Both the companies and their regulators were learning to live with inflation; many construction programs were completed; regulatory lags were shortened; and in general the situation was much better for utility equity investors. In the meantime, over most of the 1980–1984 period, interest rates and bond prices fluctuated violently, both in an absolute sense and relative to common stocks. Exhibit 10 shows the volatility of corporate bonds very clearly. Over most of the eighteen-year period, stock returns were much more volatile than returns on bonds. However, that situation changed in October 1979, when the Fed began to focus on the money supply rather than on interest rates.[9]

In the 1980–1984 period, an increase in inflationary expectations has had a more adverse effect on bonds than on utility stocks. If the expected rate of inflation increases, then interest rates *will increase* and bond prices *will fall*. Thus, uncertainty about inflation translates directly into risk in the bond markets. The effect of inflation on stocks, including utility stocks, is less clear. If inflation increases, then utilities should, in theory, be able to obtain rate increases that would offset increases in operating costs and also compensate for the higher cost of equity. Thus, with "proper" regulation, utility stocks would provide a better hedge against unanticipated inflation than would bonds. This hedge did not work at all well during the 1966–1979 period, because inflation-induced increases in operating and capital costs were not offset by timely rate increases. However, as noted earlier, both the utilities and their regulators seem to have learned to live better with inflation during the 1980s.

Since inflation is today regarded as a major investment risk, and since utility stocks now seem to provide a better hedge against unanticipated inflation than do

[9]Because the standard deviations in Exhibit 10 are based on the last five years of data, even if bond returns stabilize, as they did beginning in 1982, their reported volatility will remain high for several more years. Thus, Exhibit 10 gives a rough indication of the current relative riskiness of stocks versus bonds, but the measure is by no means precise or necessarily indicative of future expectations.

bonds, the interest-rate risk inherent in bonds offsets, to a greater extent than was true earlier, the higher operating risk that is inherent in equities. Therefore, when inflationary fears rise, the perceived riskiness of bonds rises, helping to push up interest rates. However, since investors are today less concerned about inflation's impact on utility stocks than on bonds, the utilities' cost of equity does not rise as much as that of debt, so the observed risk premium tends to fall.

For the 1980–1984 period, we found the following relationship (see Exhibit 6):

$$RP = 12.53\% - \underset{(0.05)}{0.63}\ R_F; \qquad r^2 = 0.73.$$

Thus, a one percentage point increase in the T-bond rate, on average, caused the risk premium to fall by 0.63%, and hence it led to a 1.00 − 0.63 = 0.37 percentage point increase in the cost of equity to an average utility. This contrasts sharply with the pre-1980 period, when a one percentage point increase in interest rates led, on average, to a 1.73 percentage point increase in the cost of equity.

Summary and Implications

We began by reviewing a number of earlier studies. From them, we concluded that, for cost of capital estimation purposes, risk premiums must be based on expectations, not on past realized holding period returns. Next, we noted that expectational risk premiums may be estimated either from surveys, such as the ones Charles Benore has conducted, or by use of DCF techniques. Further, we found that, although growth rates for use in the DCF model can be either developed from time-series data or obtained from security analysts, analysts' growth forecasts are more reflective of investors' views, and, hence, in our opinion are preferable for use in risk-premium studies.

Using analysts' growth rates and the DCF model, we estimated risk premiums over several different periods. From 1966 to 1984, risk premiums for both electric utilities and industrial stocks varied widely from year to year. Also, during the first half of the period, the utilities had smaller risk premiums than the industrials, but after the mid-1970s, the risk premiums for the two groups were, on average, about equal.

The effects of changing interest rates on risk premiums shifted dramatically in 1980, at least for the utilities. From 1965 through 1979, inflation generally had a more severe adverse effect on utility stocks than on bonds, and, as a result, an increase in inflationary expectations, as reflected in interest rates, caused an increase in equity risk premiums. However, in 1980 and thereafter, rising inflation and interest rates increased the perceived riskiness of bonds more than that of utility equities, so the relationship between interest rates and utility risk premiums shifted from positive to negative. Earlier, a 1.00 percentage point increase in interest rates had led, on average, to a 1.73% increase in the utilities' cost of equity, but after 1980 a 1.00 percentage point increase in the cost of debt was associated with an increase of only 0.37% in the cost of equity.

Our study also has implications for the use of the CAPM to estimate the cost of equity for utilities. The CAPM studies that we have seen typically use either Ibbotson-Sinquefield or similar historic holding period returns as the basis for estimating the market risk premium. Such usage implicitly assumes (i) that *ex post* returns data can be used to proxy *ex ante* expectations and (ii) that the market risk premium is relatively stable over time. Our analysis suggests that neither of these assumptions is correct; at least for utility stocks, *ex post* returns data do not appear to be reflective of *ex ante* expectations, and risk premiums are volatile, not stable.

Unstable risk premiums also make us question the FERC and FCC proposals to estimate a risk premium for the utilities every two years and then to add this premium to a current Treasury bond rate to determine a utility's cost of equity. Administratively, this proposal would be easy to handle, but risk premiums are simply too volatile to be left in place for two years.

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Estimating shareholder risk premia using analysts' growth forecasts.

by Robert S. Harris and Felicia C. Marston

This paper presents estimates of shareholder required rates of return and risk premia which are derived using forward-looking analysts' growth forecasts. We update through 1991 earlier work which, due to data availability, was restricted to the period 1982-1984. Using stronger tests, we also reexamine the efficacy of using such an expectational approach as an alternative to the use of historical averages. Using the S&P 500 as a proxy for the market portfolio, we find an average market risk premium (1982-1991) of 6.47% above yields on long-term U.S. government bonds and 5.13% above yields on corporate bonds. We also find that required returns for individual stocks vary directly with their risk (as proxied by beta) and that the market risk premium varies over time. These findings show that, in addition to fitting the theoretical requirement of being forward-looking, use of analysts' forecasts in estimating return requirements provides reasonable empirical results that can be useful in practical applications. (Reprinted by permission of the publisher.)

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One of the most widely used concepts in finance is that shareholders require a risk premium over bond yields to bear the additional risk of equity investments. While models such as the two-parameter capital asset pricing model (CAPM) or arbitrage pricing theory offer explicit methods for varying risk premia across securities, the models are invariably linked to some underlying market (or factor-specific) risk premium. Unfortunately, the theoretical models provide limited practical advice on establishing empirical estimates of such a benchmark market risk premium. As a result, the typical advice to practitioner is to estimate the market risk premium based on historical realizations of share and bond returns (see Brealey and Myers !3^).

In this paper, we present estimates of shareholder required rates of return and risk premia which are derived using forward-looking analysts' growth forecasts. We update, through 1991, earlier work which, due to data availability, was restricted to the period 1982-1984 (Harris !12^). Using stronger tests, we also reexamine the efficacy of using such an expectation approach as an alternative to the use of historical averages. Using the S&P 500 as a proxy for the market portfolio, we find an average market risk premium (1982-1911) of 6.47% above yields on long-term U.S. government bonds and 5.13% above yields on corporate bonds. We also find that required returns for individual stocks vary directly with their risk (as proxied by beta) and that market risk premium varies over time. In particular, the equity market premium over government bond yields is higher in low interest rate environments and when there is a larger spread between corporate and government bond yields. Thee findings show that, in addition to fitting the theoretical requirement of being forward-looking, the utilization of analysts' forecasts in estimating return requirements provides reasonable empirical results that can be useful in practical applications.

Section I provides background on the estimation of equity required returns and a brief discussion of related literature on financial analysts' forecasts (FAF). In Section II models and data are discussed. Following a comparison of the results to historical risk premia, the estimates are subjected to economic tests of both their time-series and cross-sectional characteristics in Section III. Finally, conclusions are offered in Section IV.

I. Background and Literature Review

In establishing economic criteria for resource allocation, it is often convenient to use the notion of a shareholder's required rate of return. Such a rate (k) is the minimum level of expected return necessary to compensate the investor for bearing risks and receiving dollars in the future rather than in the present. In general, k will depend on returns available on alternative investments (e.g., bonds or other equities) and the riskiness of the stock. To isolate the effects of risk, it is useful to work in terms of a risk premium (rp), defined as

rp = k - 1, (1)

where i = required return for a zero risk investment.(1)

Lacking a superior alternative, investigators often use averages of historical realizations to estimate a benchmark "market"

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Information Integrity

Estimating shareholder risk premia using analysts' growth forecasts.

risk of individual stocks (e.g., using the CAPM or a variant). The historical studies of Ibbotson Associates !13^ have been used frequently to implement his approach.(2) This historical approach requires the assumptions that past realizations are a good surrogate for future expectations and, as typically applied, that risk premia are constant over time. Carleton and Lakonishok !5^ demonstrate empirically some of the problems with such historical premia when they disaggregated for different time periods or groups of firms.

As an alternative to historical estimates, the current paper derives estimates of k, and hence, implied values of rp, using publicly available expectational data. This expectational approach employs the dividend growth model (hereafter referred to as the discounted cash flow or DCF model) in which a consensus measure of financial analysts' forecasts (FAF) of earnings is used as a proxy for investor expectations. Earlier works by Malkiel !17^, Brigham, Vinson, and Shome !4^, and Harris !12^ have used FAF in DCF models, and this approach has been employed in regulatory settings (see Harris !12^) and suggested by consultants as an alternative to use of historical data (e.g., Ibbotson Associates !13, pp. 127, 128^). Unfortunately, the published studies use data extending to 1984 at the latest. Our paper draws on this earlier work but extends it through 1991.(3) Our work is closest to that done by Harris !12^, who reviews literature showing a strong link between equity prices and FAF and supporting the use of FAF as a proxy for investor expectations. Using data from 1982 to 1984, Harris' results suggest that this expectational approach to estimating equity risk premia is an encouraging alternative to the use of historical averages. He also demonstrates that such risk premia vary both cross-sectionally with the riskiness of individual stocks and over time with financial market conditions.

II. Models and Data

A. Model for Estimation

The simplest and most commonly used version of the DCF model to estimate shareholders' require rate of return, k, is shown in Equation (2):

!Mathematical Expression Omitted^

where !D.sub.1^ = dividend per share expected to be received at time one, !P.sub.o^ = current price per share (time 0), ad g = expected growth rate in dividends per share. The limitations of this model are well known, and it is straightforward to derive expressions for k based on more general specifications of the DCF model.(4) The primary difficulty in using the DCF model is obtaining an estimate of g, since it should reflect market expectations of future performance. Without a ready source for measuring such expectations, application of the DCF model is fraught with difficulties. This paper uses published FAF of long-run growth in earnings as a proxy for g.

B. Data

FAF for this research come from IBES (Institutional Broker's Estimate System), which is a product of Lynch, Jones, and Ryan, a major brokerage firm.(5) Representative of industry practice, IBES contains estimates of (i) EPS for the upcoming fiscal years (up to five separate years), and (ii) a five-year growth rate in EPS. Each item is available at monthly intervals.

The mean value of individual analysts' forecasts of five-year growth rate in EPS will e used as a proxy for g in the DCF model.(6) The five-year horizon is the longest horizon over which such forecasts are available from IBES and often is the longest horizon used by analysts. IBES requests "normalized" five-year growth rates from analysts in order to remove short-term distortions that might stem from using an unusually high or low earnings year as a base.

Dividend and other firm-specific information come from COMPUTSTAT. Interests rates (both government and corporate) are gathered from Federal Reserve Bulletins and Moody's Bond Record. Exhibit 1 describes key variables used in the study. Data collected cover all dividend paying stocks in the Standard & Poor's 500 stock (S&P 500) index, plus approximately 100 additional stocks of regulated companies. Since five-year growth rates are first available from IBES beginning in 1982, the analysis covers the 113-month period from January 1982 to May 1991.

Exhibit 1. Variable Definitions

k = Equity required rate of return.

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Estimating shareholder risk premia using analysts' growth forecasts.

!P.sub.0^ = Average daily price per share.

!D.sub.1^ = Expected dividend per share measured as current indicated annual divided from COMPUSTAT multiplied by (1 + g).(a)

g = Average financial analysts' forecast of five-year growth rate in earnings per share (from IBES).

!i.sub.it^ = Yield to maturity on long-term U.S. government obligations (source: Federal Reserve Bulletin, constant maturity series).

!i.sub.c^ = Yield to maturity on long-term corporate bonds: Moody's average.(b)

rp = Equity risk premium calculated as rp = k - i.

!beta^ = beta, calculated from CRSP monthly data over 60 months.

Notes:

a See footnote 7 for a discussion of the (1 + g) adjustment.

b The average corporate bond yield across bond rating categories as reported by Moody's. See Moody's Bond Survey for a brief description and the latest published list of bonds included in the bond rating categories.

III. Risk Premia and Required Rates of Return

A. Construction of Risk Premia

For each month, a "market" required rate of return is calculated using each divided paying stock in the S&P 500 index for which data are available. The DCF model in Equation (2) is applied to each stock and the results weighted by market value of equity to produce the market required return.(7) The return is converted to a risk premium TABULAR DATA OMITTED over government bonds by subtracting !i.sub.lt^, the yield to maturity on long-term government bonds. A risk premium over corporate bond yields is also constructed by subtracting !i.sub.c^, the yield on long-term corporate bonds. Exhibit 2 reports the results by year (averages of monthly data).

The results are quite consistent with the patterns reported earlier (i.e., Harris !12^). The estimated risk premia in Exhibit 2 are positive, consistent with equity owners demanding additional rewards over an above returns on debt securities. The average expectational risk premium (1982 to 1991) over government bonds is 6.47%, only slightly higher than the 6.16% average for 1982 to 1984 reported earlier (Harris !12^). Furthermore, Exhibit 2 shows the estimated risk premia change over time, suggesting changes in the market's perception of the incremental risk of investing in equity rather than debt securities.

For comparison purposes, Exhibit 3 contains historical returns and risk premia. The average expectational risk premium reported in Exhibit 2 falls roughly midway between the arithmetic (7.5%) and geometric (5.7%) long-term differentials between returns on stocks and long-term government bonds. Note, however, that the expectational risk premia appear to change over time. In the following sections, we examine the estimated risk premia to see if they vary cross-sectionally with the risk of individual stocks and over time with financial market conditions.

Exhibit 3: Average Historical Returns on Bonds, Stocks, Bills, and Inflation in the U.S., 1926-1989

Historical Realizations	Geometric	Arithmetic
Common stock	10.3%	12.4%
Long-term government bonds	4.6%	4.9%
Long-term corporate bonds	5.2%	5.5%
Treasury bills	3.6%	3.7%
Inflation rate	3.1%	3.2%

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Source: Ibbotson Associates, Inc., 1990 Stocks, Bonds, Bills and Inflation, 1990 Yearbook.

B. Cross-Sectional Tests

Earlier, Harris !12^ conducted crude tests of whether expectational equity risk premia varied with risk proxied by bond ratings and the dispersion of analysts' forecasts and found that required returns increased with higher risk. Here we examine the link between these premia and beta, perhaps the most commonly used measure of risk for equities.(8) In keeping with traditional work in this area, we adopt the methodology introduced by Fama and Macbeth !9^ but replace realized returns with expected returns from Equation (2) as the variable to be explained. For this portion of our tests, we restrict our sample to 1982-1987 and in ny month include firms that have at least three forecasts of earnings growth to reduce measurement error associated with individual forecasts.(9) This restricted sample still consists of, on average, 399 firms for each of the 72 months (or 28,744 company months).

For a given company in a given month, beta is estimated via the market model (using ordinary least squares) on the prior 60 months of return data taken from CRSP. Beta estimates are updated monthly and are calculated against an equally weighted index of all NYSE securities. For each month, we aggregate firms into 20 portfolios (consisting of approximately 20 securities each). The advantage of grouped data is the reduction in potential measurement error inherent in independent variables at the company level. Portfolios are formed based on a ranking of beta estimated from a prior time period (t = -61 to t = -120). Portfolio expected returns and beta are calculated as the simple averages for the individual securities.

Using these data, we estimate the following model for each of the 72 months:

!R.sub.p^ = !!alpha^.sub.0^ + !!alpha^.sub.1^ !!beta^.sub.p^ + !u.sub.p^, p = 1...20, (3)

where:

!R.sub.p^ = Expected return for portfolio p in the given month,

!!beta^.sub.p^ = Portfolio beta, estimated over 60 prior months, and

!u.sub.p^ = A random error term with mean zero.

As a result of estimating regression (3) for each month, 72 estimates of each coefficient (!!alpha.sub.0^ and !!alpha^.sub.1^^ are obtained. Using realized returns as the dependent variable, the traditional approach (e.g., Fama and Macbeth !9^) is to assume that realized returns are a fair game. Given this assumption, the mean of the 72 values of each coefficient is an unbiased estimate of the mean over that same time period if one could have actually used expected returns as the dependent variable. Note that if expected returns are used as the dependent variable the fair-game assumption is not required. Making the additional assumption that the true value of the coefficient is constant over the 72 months, a test of whether the mean coefficient is different from zero is performed using a t-statistic where the denominator is the standard error of the 72 values of the coefficient. This is the technique employed by Fama and Macbeth !9^. If one assumes the CAPM is correct, the coefficient !!alpha^.sub.1^ is an empirical estimate of the market risk premium, which should be positive.

To test the sensitivity of the results, we also repeat our procedures using individual security return rather than portfolios. To account, at least in part, for differences in precision of coefficient estimates in different months we also report results in which monthly parameter estimates are weighted inversely by the standard error of the coefficient estimate rather than being weighed equally (following Chan, Hamao, and Lakonishok !6^).

Exhibit 4 shows that there is a significant positive link between expectational required returns and beta. For instance, in Panel A, the mean coefficient of 2.78 on beta is significantly different from zero at better than the 0.001 level (t = 35.31), and each of the 72 monthly coefficients going into this average is positive (as shown by that 100% positive figure). Using individual stock returns, the significant positive link between beta and expected return remains, though it is smaller in magnitude than for portfolios.(10) Comparison of Panels A and B shows that the results are not sensitive to the weighing of monthly coefficients.

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While the findings in Exhibit 4 TABULAR DATA OMITTED suggest a strong positive link between beta and risk premia (a result often not supported when realized returns are used as a proxy for expectations; e.g., see Tinic and West !22^), the results do not support the predictions of a simple CAPM. In particular, the intercept is higher than a proxy for the risk-free rate over the sample period and the coefficient of beta is well below estimates of a market risk premium obtained from either expectational (Exhibit 2) or historical data (Exhibit 3).(11) Nonetheless, the results show that the estimated risk premia conform to the general theoretical relationship between risk and required return that is expected when investors are risk-averse.

C. Time Series Tests -- Changes in Market Risk Premia

A potential benefit of using ex ante risk premia is the estimation of changes in market risk premia over time. With changes in the economy and financial markets, equity investments may be perceived to change in risk. For instance, investor sentiment about future business conditions likely affects attitudes about the riskiness of equity investments compared to investments in the bond markets. Moreover, since bonds are risky investments themselves, equity risk premia (relative to bonds) could change due to changes in perceived riskiness of bonds, even if equities displayed no shifts in risk. For example, during the high interest rate period of the early 1980s, the high level of interest rate volatility made fixed income investment more risky holdings than they were in a world of relatively stable rates.

Studying changes in risk premia for utility stocks, Brigham, et al !4^ conclude that, prior to 1980, utility risk premia increased with the level of interest rates, but that this pattern reversed thereafter, resulting in an inverse correlation between risk premia and interest rates. Studying risk premia for both utilities and the equity market generally, Harris !12^ also reports that risk premia appear to change over time. Specifically, he finds that equity risk premia decreased with the level of government interest rates, increased with the increases in the spread between corporate and government bond yields, and increased with increases in the dispersion of analysts' forecasts. Harris' study is, however, restricted to the 36-month period, 1982 to 1984.

Exhibit 5 TABULAR DATA OMITTED reports results of analyzing the relationship between equity risk premia, interest rates, and yield spreads between corporate and government bonds. Following Harris !12^, these bond yield spreads are used as a time series proxy for equity risk. As the perceived riskiness of corporate activity increases, the difference between yields on corporate bonds and government bonds should increase. One would expect the sources of increased riskiness to corporate bonds to also increase risks to shareholders. All regressions in Exhibit 5 are corrected for serial correlation.(12)

For the entire sample period, Panel A shows that risk premia re negatively related to the level of interest rate -- as proxied by yields on government bonds, !i.sub.lt^. ThiPortfolios are formed based on a ranking of beta estimated from a pompany level. uity investments compared to investments in may result from increases in the perceived riskiness of investment in government debt at high levels of interest rates. A direct measure of uncertainty about investments in government bonds would be necessary to test this hypothesis directly.

For the entire 1982 to 1991 period, the addition of the yield spread risk proxy to the regression dramatically lowers the magnitude of the coefficient on government bond yields, as can be seen by comparing Equation 1 and 2 of Panel A. Furthermore, the coefficient of the yield spread (0.666) is itself significantly positive. This pattern suggests that a reduction in the risk differential between investment in government bonds and in corporate activity is translated into a lower equity market risk premium. Further examination of Panels B through D, however, suggests that the yield spread variable is much more important in explaining changes in equity risk premia in the early portion of the 1980s than in the 1988 to 1991 period.

In summary, market equity risk premia change over time and appear inversely related to the level of government interest rates but positively related to the bond yield spread, which proxies for the incremental risk of investing in equities as opposed to government bonds.

IV. Conclusions

Shareholder required rates of return and risk premia are based on theories about investors' expectations for the future. In practice, however, risk premia are often estimated using averages of historical returns. This paper applies an alternative

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Estimating shareholder risk premia using analysts' growth forecasts.

approach to estimating risk premia that employs publicly available expectational data. At least for the decade studied (1982 to 1991), the resultant average marek equity risk premium over government bonds is comparable in magnitude to long-term differences (1926 to 1989) in historical returns between stocks and bonds. There is strong evidence, however, that market risk premia change over time and, as a result, use of a constant historical average risk premium is not likely to mirror changes in investor return requirements. The results also show that the expectational risk premia vary cross-sectionally with the relative risk (beta) of individual stocks.

The approach offers a straightforward and powerful aid in establishing required rates of return either for corporate investment decisions or in the regulatory arena. Since data are readily available on a wide range of equities, an investigator can analyze various proxy groups (e.g., portfolios of utility stocks) appropriate for a particular decision as well as analyze changes in equity return requirements over time.

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1 Theoretically, i is a risk-free rate, though empirically its proxy (e.g., yield to maturity on a government bond) is only a "least risk" alternative that is itself subject to risk. In this development, the effects of tax codes on required returns are ignored.

2 Many leading texts in financial management use such historical risk premia to estimate a market return. See, for example, Brealey ad Myers !3^. Often a market risk premium is adjusted for the observed relative risk of a stock.

3 See Harris !12^ for a discussion of the earlier work and a detailed discussion of the approach employed here.

4 As stated, Equation (2) requires expectations of either an infinite horizon of dividend growth at a rate g or a finite horizon of dividend growth at rate g and special assumptions about the price of the stock at the end of that horizon. Essentially, the assumption must ensue that the stock price grows at a compound rate of g over the finite horizon. One could alternatively estimate a nonconstant growth models. These findings illustrate empirical difficulties in finding empirical proxies for multistage growth models for large samples.

5 Harris !12^ provides a discussion of IBES data and its limitations. In more recent years, IBES has begun collecting forecasts for each of the next five years. Since this work was completed, the FAF used here have become available from IBES Inc., now a subsidiary of CitiBank.

6 While the model calls for expected growth in dividends, no source of data on such projections is readily available. In addition, in the long run, dividend growth is sustainable only via growth in earnings. As long as payout ratios are not expected to change, the two growth rates will be the same.

7 The construction of !D.sub.1^ is controversial since dividends are paid quarterly and may be expected to change during the year; whereas, Equation(2), as is typical, is being applied to annual data. Both the quarterly payment of dividends (due to investors' reinvestment income before year's end, see Linke and Zumwalt !15^) and any growth during the year require an upward adjustment of the current annual rate of dividends to construct !D.sub.1^. If quarterly dividends grow at a constant rate, both factors could be accommodated straightforwardly by applying Equation (2) to quarterly data with a quarterly growth rate and then annualizing the estimated quarterly required return. Unfortunately, with lumpy changes in dividends, the precise nature of the adjustment depends on both an individual company's pattern of growth during the calendar year and an individual company's required return (and hence reinvestment income in the risk class).

In this work, !D.sub.1^ is calculated as !D.sub.0^ (1 + g). The full g adjustment is a crude approximation to adjust for both growth and reinvestment income. For example, if one expected dividends to have been raised on average, six months ago, a "1/2 g" adjustment would allow for growth, and the remaining "1/2 g" would be justified on the basis of reinvestment income. Any precise accounting for both reinvestment income and growth would require tracking each company's divided change history and making explicit judgments about the quarter of the next change. Since no organized "market" forecast of such a detailed nature exists, such a procedure is not possible. To get a feel for the magnitudes involved, during the sample period the divided yield (!D.sub.1^/!P.sub.0^ and growth (market value weighted) for the S&P 500 were typically

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4% to 6% and 11% to 13%, respectively. As a result, a "full g" adjustment on average increases the required return by 60 to 70 basis points (relative to no g adjustment).

8 For other efforts using expectational data in the context of the two-parameter CAPM, see Friend, Westerfield, and Granito !10^, Cragg and Malkiel !7^, Marston, Crawford, and Harris !19^, Marston and Harris !20^, and Linke, Kannan, Whitford, and Zumwalt !16^. For a more complete treatment of the subject, see Marston and Harris !20^ from which we draw some of these results. Marston and Harris !20^ also investigate the role of unsystematic risk and the difference in estimates found when using expected versus realized returns.

9 Firms for which the standard deviation of individual FAF exceeded 20 in any month were excluded since we suspect some of these involve errors in data entry. This screen eliminated very few companies in any month. The 1982-1987 period was chosen due to the availability of data on betas.

10 The smaller coefficients on beta using individual stock portfolio returns are likely due in part to the higher measurement error in measuring individual stock versus portfolio betas.

11 Estimation difficulties confound precise interpretation of the intercept as the risk-free rate and the coefficient on beta as the market risk premium (see Miller and Scholes !21^, and Black, Jensen, and Scholes !2^). The higher than expected intercept and lower than expected slope coefficient on beta are consistent with the prior studies of Black, Jensen, and Scholes !2^, and Fama and MacBeth !9^ using historical returns. Such results are consistent with Black's !1^ zero beta model, although alternative explanations for these findings exist as well (as noted by Black, Jensen, and Scholes !2^).

12 Ordinary least squares regressions showed severe positive autocorrelation in many cases, with Durbin Watson statistics typically below one. Estimation used the Prais-Winsten method. See Johnston !14, pp. 321-325^.

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Information Integrity

Common Equity Flotation Costs and Rate Making

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The proper treatment of common stock flotation costs is an issue in almost every utility rate case, and becomes increasingly important – for reasons shown in this article – as new stock offerings decline. The article provides clarification of the issue and offers a reasonable solution.

Incorrect statements have been made about the proper treatment of common equity flotation costs in the financial literature, and this has contributed to incorrect rate case testimony and to several improper decisions. The problem seems to have arisen for two reasons: (1) During the 1970s, when most utilities were raising large amounts of equity, the case for an equity cost adjustment was generally based on the need to sell common stock at prices greater than book value so as to avoid dilution when new stock was sold, but the proper rationale for the adjustment, and the argument that should have been made, is that an adjustment is necessary to recover actual incurred costs. (2) A number of academic writers [1, 2, 3, 6, 7, 8, 11][1] have attempted to deal with the problem algebraically, and while a mathematical approach has merit, the different authors based their models on different and somewhat obscure assumptions, with the result that the academic research has actually done more to confuse than to clarify the issue.

As we see it, there are two questions which need answers:

1) Is an adjustment needed even if a company has no plans to sell new common stock in the foreseeable future?
2) If an adjustment is required, should it be applied to common stock only or to total common equity (common stock plus retained earnings)?

The answers are "yes" to the first question and "total common equity" to the second. Specifically, the market-determined cost of equity should be adjusted (increased) to reflect issuance costs associated with past issues regardless of whether a company plans to issue stock in the future or not, and the adjustment should be applied to the total common equity, including retained earnings. The reasons for these conclusions are set forth in the balance of this article.

[1]Numbers in brackets correspond to numbers in the list of references at the end of the article.

Background and Approach

The flotation cost adjustment – whether for bonds, preferred stocks, or common equity – is designed to convert a market rate of return into a fair rate of return on accounting book values. Prior to the 1970s, most utilities were regulated on the basis of the comparable earnings approach. With that method no market return was involved, and hence there was no need for a common equity flotation adjustment. However, as use of market-oriented equity cost approaches, especially the discounted cash flow (DCF) method, became prevalent during the 1970s, a specific flotation adjustment became necessary. The first use of DCF, to the authors' knowledge, was by Professor Myron J. Gordon as a staff witness in an American Telephone and Telegraph Company rate case before the Federal Communications Commission in the mid-1960s. Professors Alexander A. Robichek and Ezra Solomon of Stanford University, testifying for AT&T, proved that if a commission correctly identifies and then allows a *company* to earn its DCF cost of equity, k, on book equity, then *investors* will never be able to earn k on their investment, because the capital that investors have put up will exceed the company's book equity as a result of issuance (or flotation) costs. Thus, in the very first

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case where DCF methodology was used, Robichek and Solomon proved, and Gordon accepted, the idea that the allowed return on equity should exceed the DCF cost. Unfortunately, only the need for an adjustment, not the proper adjustment mechanism itself, was identified in that rate case.

The DCF method's great increase in popularity occurred during the 1970s, just when the companies were raising unprecedented amounts of new equity capital. Witnesses who used the DCF method recognized the need for an adjustment, and they had to provide a rationale to commissioners. Most witnesses gave this explanation:

1) If a company were allowed to earn only its DCF cost of equity, then its stock would normally sell at book value.
2) When new stock was issued, flotation expenses plus market pressure would drive the price of the stock below book value.
3) The issuance of stock at below book value would dilute the book value of the existing shares, and since future earnings and dividends are dependent upon book value, the market value of existing stock would also be diluted.
4) This dilution would obviously harm current stockholders; indeed, it would amount to economic confiscation.
5) Therefore, fair regulation requires commissioners to set authorized returns high enough to cause utility stocks to sell at prices that exceed book value by an amount sufficient to prevent below-book sales.

This argument was correct, although incomplete, and it was generally accepted during the 1970s, when most utilities were selling new stock every year or two. There were, of course, arguments about the level of flotation costs and the extent of market pressure, and hence about the proper market-to-book ratio, but the logic of some type of adjustment was rarely questioned.

However, as many utilities' construction programs neared completion in the early 1980s, and, accordingly, as new stock offerings slowed, the issue of the need for a flotation adjustment resurfaced. Patterson [6, 7] applied standard corporate finance techniques and concluded that a flotation adjustment is needed irrespective of current equity sales. Richter [11] supported Patterson's position. Arzac and Marcus [1, 2] also concluded that a flotation adjustment is always needed, but their formula produces an almost trivial adjustment factor unless the company is selling very large amounts of stock every year. Patterson and Arzac-Marcus debated in the finance journals, but they reached no reconciliation. Finally, in the latest article, Professors Bierman and Hass [3] derived yet another formula, one which produces an adjustment factor between those recommended by Patterson and Arzac-Marcus.

The issue is important, so it is necessary that we resolve the conflict. Further, since utility executives and regulators, not financial economists, must make decisions in this area, the resolution must be understandable to these decision makers. After studying the problem, we concluded that the best way to approach a clear resolution is to set up some hypothetical, but reasonable, situations and then to test the alternative theories, asking the following question: What results do the several methods produce, and are those results fair to both consumers and investors?

Bonds and Preferred Stocks

Because the proper treatment of flotation costs on bonds and preferred stocks is well known and not controversial, it helps to begin by examining that treatment as a lead-in to the analysis of common stock. First, note that debt flotation costs can be recovered in either of two ways: (1) They can be expensed and recovered from customers during the year the securities are sold, or (2) They can be capitalized and recovered over the life of the securities. The second method, which is consistent with the theory that those customers who benefit from a cost should pay for it, is generally used. Under this theory, bond flotation expenses are reflected in the embedded cost of the bond and are recovered over the life of the bond. For example, if flotation costs of 5 per cent were incurred on a $100 million, ten-year, 15 per cent coupon bond issue, they would be handled in the following manner by most federal and state regulators:

$$\text{Cost to company} = \frac{\text{Interest expense} + \text{Amortization of flotation costs}}{\text{Principal value} - \text{Unamortized flotation costs}} \quad (1)$$

$$= \frac{\$15{,}000{,}000 + (\$5{,}000{,}000/10)}{\$100{,}000{,}000 - \$5{,}000{,}000}$$

$$= \frac{\$15{,}500{,}000}{\$95{,}000{,}000} = 16.3158\% \text{ for the first year}$$

Return requirements would be calculated as follows:

$$\text{Return requirements} = \text{Cost rate}(\text{Principal value} - \text{Unamortized flotation costs}) \quad (2)$$

$$= 0.163158(\$100{,}000{,}000 - \$5{,}000{,}000)$$

$$= \$15{,}500{,}000.$$

In this example, the company received $95 million of cash, which it used to purchase $95 million of operating assets. To meet its interest expense and flotation amortization requirements, the company must have $15.5 million in return dollars. This return will only be generated if the company earns 16.3158 per cent on its $95 million of operating assets. Under this procedure, the percentage cost as calculated in Equation 1 declines each year, but the return dollar amount remains constant.[2]

[2]An alternative procedure that produces exactly the same result is to divide interest charges plus flotation amortization by the principal value of the issue, and then to multiply this cost rate by the principal value of the issue:

$$\text{Embedded cost rate} = \frac{\$15{,}500{,}000}{\$100{,}000{,}000} = 0.155 = 15.5\%.$$

$$\text{Return requirements} = 0.155(\$100{,}000{,}000) = \$15{,}500{,}000.$$

This procedure in effect includes both flotation costs and operating assets in the rate base.

Preferred stocks are handled similarly. Actually, utilities issue two types of preferred stocks, those with sinking funds and those that are perpetual. The adjustment formula for sinking fund preferred is exactly like that for bonds, but a difference arises in the case of perpetual preferreds. Perpetual preferred stock represents permanent capital; hence its flotation costs are not amortized.[3] Assuming again a $100 million issue and a 5 per cent flotation cost, this formula applies:

$$\text{Cost to company} = \frac{\text{Dividend requirements}}{\text{Net proceeds}} = \frac{\$15{,}000{,}000}{\$95{,}000{,}000} \quad (3)$$

$$= 15.7895\%$$

Alternatively, we could write the formula as follows:

$$\text{Cost to company} = \frac{\text{Dividend rate}}{1.0 - \text{Flotation}} = \frac{15\%}{0.95} = 15.7895\% \quad (3a)$$

The return dollars can then be calculated as follows:[4]

$$\text{Dollars of return} = 0.157895(\$95{,}000{,}000) = \$15{,}000{,}000.$$

In this example, the preferred stockholders expect and require a return of 15 per cent on *their investment* ($100 million), but the company must earn 15.7895 per cent on *its operating assets* ($95 million) to provide this required return.[5] If the company earned only 15 per cent on the $95 million, then the company would have after-tax revenues of only $14,250,000 to meet investors' preferred dividend requirements of $15 million. Obviously, then, the 15 per cent market value cost of preferred must be adjusted upward to a 15.7895 per cent return on the company's operating assets if investors are to receive the reasonable rate of return they contracted for.

Common Stock

From a conceptual standpoint, it has long been recognized that the situation with common stock is similar to that for bonds and preferred stocks: Issuance costs are incurred; they should not be and are not expensed at the time the stock is sold; and therefore recovery must occur in subsequent years. Further, just as with bonds and preferred stock, the authorized rate of return on rate base equity must be above the rate of return to the investor; that is, the cost to the utility is above the return to the investor. The standard textbook formula, which Patterson [6] used, is as follows:[6]

$$r = \frac{\text{Expected dividend yield}}{1.0 - F} + g \quad (5)$$

Here:

r = authorized rate of return on book equity, if stockholders are to earn their required rate of return, k,
F = percentage flotation cost associated with common stock offerings, and
g = the expected growth rate in earnings and dividends.

The percentage flotation factor, F, consists of two elements: (1) underwriting costs and (2) "market pressure," which is the decline in the stock price that results when the supply of shares is suddenly increased. Historically, utility underwriting expenses have averaged from 3 to 4 per cent of gross proceeds [9]. Market pressure varies over time, depending on the size of the issue, the condition of the market, and the degree to which investors were surprised by the announcement of the stock sale. Moreover, stock prices change for reasons other than new offerings, so it is difficult to obtain an exact measure of market pressure. However, several careful studies have been reported, and they indicate that market pressure is in the range of one to 3 per cent [10]. Thus, for most utilities, flotation expenses plus pressure have totaled about 5.5 per cent.

To illustrate the flotation cost adjustment process, and following Bierman and Hass for consistency, we assume that a new, start-up utility has the following characteristics:

1) Our hypothetical company can sell stock in the market at $10 per share, and investors expect it to pay a dividend of one dollar and to grow at a rate of 5 per cent. Thus, its DCF cost of equity is $k = D/P + g = 10\% + 5\% = 15\%$, investors' required rate of return.
2) To raise initial capital, the company plans to sell an issue of stock, incurring flotation costs of F = 5 per cent.
3) Applying Equation 5, we obtain a flotation-adjusted cost of equity (r) of 15.5263 per cent:

$$r = \frac{\text{Expected dividend yield}}{1 - F} + g$$

$$= \frac{10.0\%}{0.95} + 5\%$$

$$= 10.5263\% + 5\% = 15.5263\%$$

Thus, the illustrative utility's fair rate of return on book equity according to Equation 5 is approximately 53 basis points above its 15 per cent unadjusted "bare bones DCF cost of equity."
4) The company will sell one share of stock and obtain net proceeds of $9.50. This $9.50 is also the initial book value, B, and rate base. (Obvi-

[3] In effect, the flotation costs of the preferred are amortized over an infinite period, which is to say the amortization per year is zero. Investors have made a *permanent* investment, so the original investors or those who purchase the stock in the secondary market must receive a return on that investment in perpetuity.

[4] Of course, preferred stock dividends are not deductible, so the total revenues required to produce the return dollars is higher for preferred stock than for debt.

[5] Note that the return dollars for the bond exceed those for the perpetual preferred stock – $15.5 million versus $15 million. However, these are first-year costs only. The bond's cost rate declines over time due to the amortization of its flotation costs, whereas the cost rate associated with the preferred stock remains constant, and the rates of return to the bondholders and the preferred stockholders are identical.

[6] This formula is developed in reference citation 5, Chapter 7, as well as in most other corporate finance textbooks.

ously, this amount, which we use for simplicity, could be scaled up without altering the conclusions.)

5) After its inception and initial stock offering, all of the company's equity is expected to come from retained earnings. In a later case, we will examine the situation when more stock is sold.
6) The company operates in a reasonable and prudent manner, such that by any fairness criteria, investors should be allowed to earn their 15 per cent cost of capital return, no more and no less. For simplicity, we also assume that regulation operates properly, without lags.
7) Initially, we assume that the market cost of capital remains constant at 15 per cent, and that the company maintains a constant payout ratio so as to keep the dividend yield and growth components at 10 per cent and 5 per cent, respectively. These assumptions are consistent with the DCF model, but later in the article we expand the analysis by relaxing both of them.

Now these questions may be asked:

> Should the flotation adjustment be applied to all common equity or, once retained earnings appear on the balance sheet, only to common stock?
> For how many years should an adjustment be applied: One, two, ten, twenty, or forever?

When we applied Equation 5, the textbook formula which Patterson recommended, we found that it produces results that satisfy the fairness criterion; namely, it permits investors to earn exactly their 15 per cent cost of capital, no more and no less. This result for our initial case is demonstrated in Table 1, which was produced by a simple computer model, and it is analyzed below:

Table 1

Case 1: Company Earns Flotation-adjusted Cost of Equity (r) on All Common Equity

Year	Common Stock (1)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout (8)
	Beginning of Year							
1	$9.50	$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.50	0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.50	0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.50	1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.50	2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.50	2.6247	12.1247	12.7628	1.0526	1.8825	1.2763	67.7966
7	9.50	3.2309	12.7309	13.4010	1.0526	1.9766	1.3401	67.7966
8	9.50	3.8675	13.3675	14.0710	1.0526	2.0755	1.4071	67.7966
9	9.50	4.5358	14.0358	14.7746	1.0526	2.1792	1.4775	67.7966
10	9.50	5.2376	14.7376	15.5133	1.0526	2.2882	1.5513	67.7966

NOTES:
1) Assumptions made in this case are as follows:
   a) Issue price = $10
   b) Flotation cost = 5%
   c) k = D/P + g = 10% + 5% = 15%
   d) r = 15.5263%
2) The data in this case, and also the more complex cases, were developed with a Lotus 1-2-3 computer program.

1) The company's balance sheet item common stock is shown in Column 1.
2) Retained earnings are shown in Column 2. Initially, they are zero, but they build up over time.
3) Total equity as shown in Column 3 is the sum of common stock and retained earnings. Total equity grows as retained earnings build up.
4) Column 4 shows the stock price as determined by the basic DCF formula. It starts at $10 and grows at a rate of 5 per cent per year, which is necessary to produce the 5 per cent capital gains yield that investors expect and should receive.[7]
5) Column 5 shows the market-to-book (M/B) ratio. Notice that the M/B always exceeds one. The only way the M/B ratio could go to one would be for the stock price to fall below the value shown in Column 4, but if that were to happen, then investors would not receive the capital gains to which they are entitled. Thus, the M/B will exceed one if investors are being treated fairly.
6) Earnings per share (EPS) as shown in Column 6 is the product of total equity times 0.155263, the fair rate of return as determined by Equation 5.
7) Dividends per share (DPS) as shown in Column 7 begin at one dollar and grow at a rate of 5 per cent per year. This growth rate is a requirement if investors are to earn their DCF cost of capital.
8) The payout ratio is shown in Column 8. Under

[7]The DCF valuation equation is

$$P_0 = \frac{D_1}{k - g}$$

This equation, solved for k, produces the standard DCF cost of capital equation, $k = D_1/P_0 + g$. See reference citation 5, Chapter 5, for a derivation and discussion.

the assumptions of the standard DCF constant growth model, the payout must be constant, and it is if r as determined by Equation 5 is used as the allowed return on equity.

9) Note also that book value per share as shown in Column 3 is growing at a constant rate, 5 per cent. The retention growth rate, g = br, where r is the return on book equity and b is the fraction of earnings, is

$$g = br = (1.0 - 0.677966)(15.5263) = 0.322(15.5263) = 5.0\%,$$ just as it should be.

Case 1 proves that Equation 5 produces the desired results; namely, returns that exactly cover the cost of equity, no more and no less. Any return on book equity different from that established by Equation 5 would produce inconsistent results. For example, suppose the authorized rate of return were cut from 15.5263 to the DCF return, 15 per cent, in Year 2. This would cause the stock price to drop from $10.50 to the $9.9750 book value. Thus, stockholders would suffer a loss, and they would not obtain the capital gains yield to which they are entitled. Any other type of experimentation will show exactly the same thing: If the company is not allowed to earn the cost of equity as determined by Equation 5 on total common equity, stockholders will not receive a 15 per cent return on their invested capital.

Sale of Additional Equity

While the only-one-equity-sale conditions used to develop Case 1 are consistent with Bierman and Hass's example, and also with some actual companies such as Comsat and the Yankee Atomic Power companies, most utilities sell additional common stock from time to time. Therefore, we modified the computer model to analyze stock sales subsequent to the initial offering, and we report the results in Table 2 as Case 2, in which the company raises an additional share of new common equity for $12.1247 at the beginning of Year 6. (Note that the $12.1247 is calculated as the price of the stock at the beginning of Year 6 less flotation costs.) Earnings, dividends, and common equity all increase in Year 6 as a result of the sale, but investors continue to earn exactly 15 per cent on their investment so long as the company is allowed to earn 15.5263 per cent on its total book equity.

In Case 3, reported in Table 3, we present the results for a company that issues new equity at a flotation cost different from the cost of its original stock issue. Case 3 is similar to Case 2. Just as in Case 2, the company issues new equity at the beginning of Year 6. However, in Case 3, the equity sold at the beginning of Year 6 has a different flotation cost (3 per cent) from that of the original issue (5 per cent). With lower flotation costs, the company nets more common equity in Case 3 than in Case 2. (The dollar amount of new equity raised is calculated as the price of the share of stock at the beginning of Year 6 less the 3 per cent flotation costs incurred.)

In this example, because the new equity is sold at a different flotation cost than the old equity, a new value of r must be calculated and used to determine net income. The new r is a weighted average of r as determined by Equation 5 for each equity issue, with the weights being the fraction of total equity attributable to the new and old stock at the time the new stock is issued. Because of the lower flotation costs on the new equity, there is a corresponding drop in the market-to-book ratio in Year 6. Note, however, that after the transitional Year 6, earnings and dividends continue to grow at the required 5 per cent rate, which is neces-

Table 2

Case 2: Company Sells Additional Stock at the Beginning of Year 6

Year	Beginning of Year: Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.50		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.50		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.50		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.50		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.50		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.50	$12.1247	2.6247	24.2493	12.7628	1.0526	1.8825	1.2763	67.7966
7	21.6247		3.8371	25.4618	13.4010	1.0526	1.9766	1.3401	67.7966
8	21.6247		5.1102	26.7349	14.0710	1.0526	2.0755	1.4071	67.7966
9	21.6247		6.4470	28.0717	14.7746	1.0526	2.1792	1.4775	67.7966
10	21.6247		7.8506	29.4752	15.5133	1.0526	2.2882	1.5513	67.7966

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Flotation cost = 5%
c) k = D/P + g = 10% + 5% = 15%
d) r = 15.5263%
e) Year 6 issue price = $12.7628
f) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.95)
= $12.1247

Table 3

Case 3: Company Sells Additional Stock at the Beginning of Year 6 Incurring Different Flotation Costs

Beginning of Year

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.5000		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.5000		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.5000		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.5000		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.5000		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.5000	$12.3799	2.6247	24.5046	12.7628	1.0526	1.8889	1.2763	67.7566
7	21.8799		3.8499	25.7298	13.4010	1.0526	1.9833	1.3401	67.5676
8	21.8799		5.1364	27.0163	14.0710	1.0526	2.0825	1.4071	67.5676
9	21.8799		6.4872	28.3671	14.7746	1.0526	2.1866	1.4775	67.5676
10	21.8799		7.9056	29.7855	15.5133	1.0526	2.2960	1.5513	67.5676

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Year 1 Flotation cost = 5%
c) $k = D/P + g = 10\% + 5\% = 15\%$
d) $r_1 = 15.5263\%$
e) Year 6 issue price = $12.7628
f) Year 6 flotation cost = 3%
g) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.97)
= $12.3799
h) Additional issue r = 15.3093%

sary if investors are to receive the 15 per cent DCF return on their investment. The stock price grows at 5 per cent throughout the ten-year period.

The fact that the company must continue to earn the flotation-adjusted cost of equity, even as retained earnings build up to a larger and larger proportion of total common equity, is counterintuitive, and so it deserves further discussion. Here are two comments:

1) *Demonstration that a weighted average cost rate is inappropriate.* It has been suggested that the authorized return on equity should be a weighted average of the flotation-adjusted cost rate, r = 15.5263 per cent, and the DCF cost rate, k = 15 per cent, with the weights being based on common equity and accumulated retained earnings, respectively. When we programmed our model to reflect these conditions, we obtained the results shown in Table 4. A problem obviously exists – if dividends are to grow at the 5 per cent rate that investors expect, and if earnings are based on a weighted average of k and r, then a higher and higher percentage of earnings will have to paid out. Thus, the payout ratio will rise. In Year 34 the payout ratio will exceed 100 per cent, so retained earnings will start to decline. Retained earnings actually go negative in Year 45, and Total Common Equity goes negative in Year 46, which means the company is officially bankrupt. This example demonstrates, in yet another way, that the flotation-adjusted cost of equity must be earned on all common equity if investors are to receive the DCF return to which they are entitled under prudent management. The example also demonstrates that, if investors were informed that the regulatory treatment implied in Table 4 were going to be employed, they would not invest in the company in the first place.

2) *Logical explanation.* To understand *why* the Equation 5 value must be applied to all common equity, retained earnings as well as equity raised by selling stock, one must trace through the valuation process. Notice that, in Year 1, investors require a return of 15 per cent on their $10 investment, or $1.50. However, the company earns only $1.4750, of which it pays out one dollar as a dividend and retains 47.5 cents. To give the investor the fifty-cent increase in market value (or capital gain) needed to add to the one dollar dividend to produce the $1.50, or 15 per cent, total DCF return, the 47.5 cents must earn more than 15 per cent. Specifically, it must earn the flotation adjusted cost of equity, r = 15.5263 per cent. This same thought process can be continued in other years, ad infinitum, and the ultimate conclusion is that both the original common equity and all retained earnings must earn r = 15.5263 per cent.

If the preceding paragraph is not clear, we can put it another way. The investor expects and is entitled to earn, under prudent management, a return of 15 per cent on his or her investment. Thus, dividends plus capital gains must total 15 per cent, or $1.50 in the first year. Ten per cent, or one dollar, will come from dividends, so 5 per cent, or 50 cents, must come from capital gains. To obtain a capital gain yield of 50 cents from 47.5 cents of retained earnings, the retained earnings must earn a return greater than k = 15 per cent; specifically, the retained earnings must be allowed to earn r = 15.5263 per cent. (If the 47.5 cents earned 15 per cent, then it would be worth exactly 47.5 cents, not 50 cents.) In Year 2, retained earnings will rise by

5 per cent from 47.5 cents to 49.875 cents; the capital gains then must rise from 50 cents to .50(1.05) = 52.5 cents; the only way this can happen is for the second-year retained earnings to be allowed to earn r = 15.5263 per cent; and so on.

The Effect of the Payout Ratio on the Flotation Cost Adjustment

Even though fair regulation requires that retained earnings be allowed to earn the flotation adjusted cost of equity, the level of retained earnings as affected by the payout ratio does have a material effect on the size of the adjustment.

To illustrate this point, assume (1) that two utilities both have a 15 per cent market cost of equity, that is, k = 15 per cent; (2) that both companies sell at a price of $20; but (3) that one company has a policy of paying out 25 per cent of its earnings and retaining 75 per cent, while the other has the reverse dividend policy. Assume further that both companies earn 15 per cent on their $20 market value, so earnings per share are .15($20) = $3. The high payout company has a dividend of .75($3) = $2.25, while the low payout company has a dividend of .25($3) = 75 cents. At the same time, the low payout company, which plows most of its earnings back into the business, will have a growth rate of g = .75(15 per cent) = 11.25 per cent, while the high payout company will have g = .25(15 per cent) = 3.75 per cent.

Under these conditions, the following situation would exist for the two illustrative companies:

Low payout Company: $k = \frac{D_1}{P_0} + g = \frac{\$\ 0.75}{\$20} + 11.25\%$

$= 3.75\% + 11.25\% = 15\%$

High payout Company: $k = \frac{D_1}{P_0} + g = \frac{\$\ 2.25}{\$20} + 3.75\%$

$= 11.25\% + 3.75\% = 15\%$

Applying the adjustment formula,

$$r = \frac{\text{Expected dividend yield}}{1 - F} + g,$$

we find this situation, assuming that issuance costs are 5 per cent:

High payout Company: $r = \frac{11.25\%}{0.95} + 3.75\%$

$= 11.842\% + 3.75\% = 15.592\%$

Low payout Company: $r = \frac{3.75\%}{0.95} + 11.25\%$

$= 3.947 + 11.25\% = 15.197\%$

Difference = 0.395%

Thus, we see that the company which retains most of its earnings, and which consequently has more retained

Table 4

Case 4: Company Earns Weighted Average k

Year	Common Stock (1)	Retained Earnings (2)	Total Equity (3)	EPS (4)	DPS (5)	Payout Rate (6)	Weighted k (7)
1	$9.5000	$ 0.0000	$ 9.5000	$1.4750	$1 0000	67.7966%	0.1553
2	9.5000	0.4750	9.9750	1.5463	1.0500	67.9062	0.1550
3	9.5000	0.9713	10.4713	1.6207	1.1025	68.0267	0.1548
4	9.5000	1.4894	10.9894	1.6984	1.1576	68.1591	0.1545
5	9.5000	2.0302	11.5302	1.7795	1.2155	68.3047	0.1543
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
33	9.5000	23.2219	32.7219	4.9583	4.7649	96.1006	0.1515
34	9.5000	23.4152	32.9152	4.9873	5.0032	100.3188	0.1515
35	9.5000	23.3993	32.8993	4.9849	5.2533	105.3852	0.1515
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
45	9.5000	−2.3443	7.1557	1.1234	8.2791	736.9935	0.1570
46	The company goes bankrupt.						

NOTES:

1) Assumptions made in this case are as follows:
   a) Issue price = $10
   b) Flotation cost = 5%
   c) k = D/P + g = 10% + 5% = 15%
   d) r = 15.5263%
2) The dividend in Year 45 cannot grow by the 5 per cent growth rate, because if it did total equity would become negative. Therefore, the Year 45 dividend is calculated as the remaining portion of total equity + earnings in Year 45: $7.1557 + $1.1234 = $8.2791.

Table 5

Case 5: Company Sells Additional Stock and k Changes

Beginning of Year

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.5000		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.5000		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.5000		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.5000		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.5000		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.5000	$12.3799	2.6247	24.5046	12.7628	1.0526	1.8889	1.2763	67.5676
7	21.8799		3.8499	25.7298	13.4010	1.0526	1.9833	1.3401	67.5676
8	21.8799		5.1364	27.0163	14.0710	1.0526	1.8123	1.4071	77.6398
9	21.8799		5.9469	27.8268	14.4931	1.0526	1.8667	1.4493	77.6398
10	21.8799		6.7817	28.6616	14.9279	1.0526	1.9227	1.4928	77.6398

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Year 1 flotation cost = 5%
c) Issue 1 r = 15.5263%
d) Year 6 issue price = $12.7628
e) Year 6 flotation cost = 3%
f) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.97)
= $12.3799
g) Additional issue r = 15.3093%
h) Years 1-7, k = D/P + g = 10% + 5% = 15%
i) Years 8-10, k = D/P + g = 10% + 3% = 13%

Table 6

Case 6: Company Sells Additional Stock and k Changes

Beginning of Year

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.5000		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.5000		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.5000		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.5000		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.5000		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.5000	$12.3799	2.6247	24.5046	12.7628	1.0526	1.8889	1.2763	67.5676
7	21.8799		3.8499	25.7298	13.4010	1.0526	1.9833	1.3401	67.5676
8	21.8799		5.1364	27.0163	14.0710	1.0526	1.8011	1.1257	62.5000
9	21.8799		5.9469	27.3671	14.7746	1.0526	1.8911	1.1820	62.5000
10	21.8799		6.7817	29.7855	15.5133	1.0526	1.9857	1.2411	62.5000

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Year 1 flotation cost = 5%
c) Issue 1 r = 15.5263%
d) Year 6 issue price = $12.7628
e) Year 6 flotation cost = 3%
f) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.97)
= $12.3799
g) Additional issue r = 15.3093%
h) Years 1-7, k = D/P + g = 10% + 5% = 15%
i) Years 8-10, k = D/P + g = 10% + 3% = 13%

earnings and a smaller dollar amount of flotation costs, also has the lower flotation-adjusted cost of equity. This demonstrates that the issuance cost adjustment formula is itself adjusted to reflect the extent to which a company finances by retaining earnings rather than by selling new common stock.

Changes in the DCF Cost of Equity

We also analyzed the effects of changes in the DCF cost of equity over time. While a change in the DCF k causes a change in earnings, dividends, and the growth rate, the flotation adjustment *process* is not affected – Equation 5 still produces a fair rate of return on book value. This is demonstrated in Tables 5 and 6. It should be noted that the effects of the adjustment as derived by Equation 5 do vary with the level of the DCF cost and with the split between dividend yield and growth. In Case 5, we analyze the effects of a change in the growth rate with the dividend yield held constant, while in Case 6, reversing them, we analyze the effects of a change in the dividend yield with the growth rate held constant. Both cases use Case 3 as their base case. In each instance, a new value for r, based on Equation 5, can be established, and this return on book value permits investors to earn their new DCF cost of equity.

Capitalizing Flotation Costs

Bierman and Hass, almost as an afterthought toward the end of their article, suggested that utilities should be allowed to record the *gross amount* of equity sales and to earn a DCF return on gross equity capital. This would amount to capitalizing flotation costs. These capitalized costs could then be amortized over some prescribed period or else be kept on the books indefinitely.

To show this, we set up computer models using our various cases but capitalizing flotation costs. One can see that earnings, dividends, and stock prices are all exactly like those shown in our tables. Thus, capitalizing flotation costs produces exactly the same results as Equation 5.

Capitalizing flotation costs has much to recommend it, for it would eliminate the confusion that has existed. However, a fundamental problem exists for any company that has incurred flotation costs in the past, that is, for virtually the entire utility industry: How would the fact that past flotation costs were not capitalized be dealt with? In other words, capitalizing flotation costs would be an excellent procedure for a new, start-up, company, but such a plan would not be feasible for an existing company without somehow adjusting for past costs. Such an adjustment could be made, but a discussion of it goes beyond the scope of this article.

Conclusion

The proper treatment of equity flotation costs has caused much confusion. Had such costs been either capitalized in the past or else expensed on an as-incurred basis, there would be no problem, but since neither of these practices has generally been followed, the DCF return must be adjusted to produce a fair rate of return on book equity.

Further, the adjustment is always required, irrespective of whether or not a company has plans to sell new stock in the future, and the adjusted return must be earned on total equity, including retained earnings. Otherwise, it would be impossible for investors to earn the cost of equity, even under prudent and efficient management.

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Common Equity Flotation Costs and Rate Making

By EUGENE F. BRIGHAM, DANA ABERWALD, and LOUIS C. GAPENSKI

The proper treatment of common stock flotation costs is an issue in almost every utility rate case, and becomes increasingly important – for reasons shown in this article – as new stock offerings decline. The article provides clarification of the issue and offers a reasonable solution.

Incorrect statements have been made about the proper treatment of common equity flotation costs in the financial literature, and this has contributed to incorrect rate case testimony and to several improper decisions. The problem seems to have arisen for two reasons: (1) During the 1970s, when most utilities were raising large amounts of equity, the case for an equity cost adjustment was generally based on the need to sell common stock at prices greater than book value so as to avoid dilution when new stock was sold, but the proper rationale for the adjustment, and the argument that should have been made, is that an adjustment is necessary to recover actual incurred costs. (2) A number of academic writers [1, 2, 3, 6, 7, 8, 11][1] have attempted to deal with the problem algebraically, and while a mathematical approach has merit, the different authors based their models on different and somewhat obscure assumptions, with the result that the academic research has actually done more to confuse than to clarify the issue.

As we see it, there are two questions which need answers:

1) Is an adjustment needed even if a company has no plans to sell new common stock in the foreseeable future?
2) If an adjustment is required, should it be applied to common stock only or to total common equity (common stock plus retained earnings)?

The answers are "yes" to the first question and "total common equity" to the second. Specifically, the market-determined cost of equity should be adjusted (increased) to reflect issuance costs associated with past issues regardless of whether a company plans to issue stock in the future or not, and the adjustment should be applied to the total common equity, including retained earnings. The reasons for these conclusions are set forth in the balance of this article.

[1]Numbers in brackets correspond to numbers in the list of references at the end of the article.

Background and Approach

The flotation cost adjustment – whether for bonds, preferred stocks, or common equity – is designed to convert a market rate of return into a fair rate of return on accounting book values. Prior to the 1970s, most utilities were regulated on the basis of the comparable earnings approach. With that method no market return was involved, and hence there was no need for a common equity flotation adjustment. However, as use of market-oriented equity cost approaches, especially the discounted cash flow (DCF) method, became prevalent during the 1970s, a specific flotation adjustment became necessary. The first use of DCF, to the authors' knowledge, was by Professor Myron J. Gordon as a staff witness in an American Telephone and Telegraph Company rate case before the Federal Communications Commission in the mid-1960s. Professors Alexander A. Robichek and Ezra Solomon of Stanford University, testifying for AT&T, proved that if a commission correctly identifies and then allows a *company* to earn its DCF cost of equity, k, on book equity, then *investors* will never be able to earn k on their investment, because the capital that investors have put up will exceed the company's book equity as a result of issuance (or flotation) costs. Thus, in the very first

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case where DCF methodology was used, Robichek and Solomon proved, and Gordon accepted, the idea that the allowed return on equity should exceed the DCF cost. Unfortunately, only the need for an adjustment, not the proper adjustment mechanism itself, was identified in that rate case.

The DCF method's great increase in popularity occurred during the 1970s, just when the companies were raising unprecedented amounts of new equity capital. Witnesses who used the DCF method recognized the need for an adjustment, and they had to provide a rationale to commissioners. Most witnesses gave this explanation:

1) If a company were allowed to earn only its DCF cost of equity, then its stock would normally sell at book value.
2) When new stock was issued, flotation expenses plus market pressure would drive the price of the stock below book value.
3) The issuance of stock at below book value would dilute the book value of the existing shares, and since future earnings and dividends are dependent upon book value, the market value of existing stock would also be diluted.
4) This dilution would obviously harm current stockholders; indeed, it would amount to economic confiscation.
5) Therefore, fair regulation requires commissioners to set authorized returns high enough to cause utility stocks to sell at prices that exceed book value by an amount sufficient to prevent below-book sales.

This argument was correct, although incomplete, and it was generally accepted during the 1970s, when most utilities were selling new stock every year or two. There were, of course, arguments about the level of flotation costs and the extent of market pressure, and hence about the proper market-to-book ratio, but the logic of some type of adjustment was rarely questioned.

However, as many utilities' construction programs neared completion in the early 1980s, and, accordingly, as new stock offerings slowed, the issue of the need for a flotation adjustment resurfaced. Patterson [6, 7] applied standard corporate finance techniques and concluded that a flotation adjustment is needed irrespective of current equity sales. Richter [11] supported Patterson's position. Arzac and Marcus [1, 2] also concluded that a flotation adjustment is always needed, but their formula produces an almost trivial adjustment factor unless the company is selling very large amounts of stock every year. Patterson and Arzac-Marcus debated in the finance journals, but they reached no reconciliation. Finally, in the latest article, Professors Bierman and Hass [3] derived yet another formula, one which produces an adjustment factor between those recommended by Patterson and Arzac-Marcus.

The issue is important, so it is necessary that we resolve the conflict. Further, since utility executives and regulators, not financial economists, must make decisions in this area, the resolution must be understandable to these decision makers. After studying the problem, we concluded that the best way to approach a clear resolution is to set up some hypothetical, but reasonable, situations and then to test the alternative theories, asking the following question: What results do the several methods produce, and are those results fair to both consumers and investors?

Bonds and Preferred Stocks

Because the proper treatment of flotation costs on bonds and preferred stocks is well known and not controversial, it helps to begin by examining that treatment as a lead-in to the analysis of common stock. First, note that debt flotation costs can be recovered in either of two ways: (1) They can be expensed and recovered from customers during the year the securities are sold, or (2) They can be capitalized and recovered over the life of the securities. The second method, which is consistent with the theory that those customers who benefit from a cost should pay for it, is generally used. Under this theory, bond flotation expenses are reflected in the embedded cost of the bond and are recovered over the life of the bond. For example, if flotation costs of 5 per cent were incurred on a $100 million, ten-year, 15 per cent coupon bond issue, they would be handled in the following manner by most federal and state regulators:

$$\text{Cost to company} = \frac{\text{Interest expense} + \text{Amortization of flotation costs}}{\text{Principal value} - \text{Unamortized flotation costs}} \quad (1)$$

$$= \frac{\$15{,}000{,}000 + (\$5{,}000{,}000/10)}{\$100{,}000{,}000 - \$5{,}000{,}000}$$

$$= \frac{\$15{,}500{,}000}{\$95{,}000{,}000} = 16.3158\% \text{ for the first year}$$

Return requirements would be calculated as follows:

$$\text{Return requirements} = \text{Cost rate}(\text{Principal value} - \text{Unamortized flotation costs}) \quad (2)$$

$$= 0.163158(\$100{,}000{,}000 - \$5{,}000{,}000)$$

$$= \$15{,}500{,}000.$$

In this example, the company received $95 million of cash, which it used to purchase $95 million of operating assets. To meet its interest expense and flotation amortization requirements, the company must have $15.5 million in return dollars. This return will only be generated if the company earns 16.3158 per cent on its $95 million of operating assets. Under this procedure, the percentage cost as calculated in Equation 1 declines each year, but the return dollar amount remains constant.[2]

[2]An alternative procedure that produces exactly the same result is to divide interest charges plus flotation amortization by the principal value of the issue, and then to multiply this cost rate by the principal value of the issue:

$$\text{Embedded cost rate} = \frac{\$15{,}500{,}000}{\$100{,}000{,}000} = 0.155 = 15.5\%.$$

$$\text{Return requirements} = 0.155(\$100{,}000{,}000) = \$15{,}500{,}000.$$

This procedure in effect includes both flotation costs and operating assets in the rate base.

Preferred stocks are handled similarly. Actually, utilities issue two types of preferred stocks, those with sinking funds and those that are perpetual. The adjustment formula for sinking fund preferred is exactly like that for bonds, but a difference arises in the case of perpetual preferreds. Perpetual preferred stock represents permanent capital; hence its flotation costs are not amortized.[3] Assuming again a $100 million issue and a 5 per cent flotation cost, this formula applies:

$$\text{Cost to company} = \frac{\text{Dividend requirements}}{\text{Net proceeds}} = \frac{\$15{,}000{,}000}{\$95{,}000{,}000} \quad (3)$$

$$= 15.7895\%$$

Alternatively, we could write the formula as follows:

$$\text{Cost to company} = \frac{\text{Dividend rate}}{1.0 - \text{Flotation}} = \frac{15\%}{0.95} = 15.7895\% \quad (3a)$$

The return dollars can then be calculated as follows:[4]

$$\text{Dollars of return} = 0.157895(\$95{,}000{,}000)$$
$$= \$15{,}000{,}000.$$

In this example, the preferred stockholders expect and require a return of 15 per cent on *their investment* ($100 million), but the company must earn 15.7895 per cent on *its operating assets* ($95 million) to provide this required return.[5] If the company earned only 15 per cent on the $95 million, then the company would have after-tax revenues of only $14,250,000 to meet investors' preferred dividend requirements of $15 million. Obviously, then, the 15 per cent market value cost of preferred must be adjusted upward to a 15.7895 per cent return on the company's operating assets if investors are to receive the reasonable rate of return they contracted for.

Common Stock

From a conceptual standpoint, it has long been recognized that the situation with common stock is similar to that for bonds and preferred stocks: Issuance costs are incurred; they should not be and are not expensed at the time the stock is sold; and therefore recovery must occur in subsequent years. Further, just as with bonds and preferred stock, the authorized rate of return on rate base equity must be above the rate of return to the investor; that is, the cost to the utility is above the return to the investor. The standard textbook formula, which Patterson [6] used, is as follows:[6]

$$r = \frac{\text{Expected dividend yield}}{1.0 - F} + g \quad (5)$$

Here:

r = authorized rate of return on book equity, if stockholders are to earn their required rate of return, k,
F = percentage flotation cost associated with common stock offerings, and
g = the expected growth rate in earnings and dividends.

The percentage flotation factor, F, consists of two elements: (1) underwriting costs and (2) "market pressure," which is the decline in the stock price that results when the supply of shares is suddenly increased. Historically, utility underwriting expenses have averaged from 3 to 4 per cent of gross proceeds [9]. Market pressure varies over time, depending on the size of the issue, the condition of the market, and the degree to which investors were surprised by the announcement of the stock sale. Moreover, stock prices change for reasons other than new offerings, so it is difficult to obtain an exact measure of market pressure. However, several careful studies have been reported, and they indicate that market pressure is in the range of one to 3 per cent [10]. Thus, for most utilities, flotation expenses plus pressure have totaled about 5.5 per cent.

To illustrate the flotation cost adjustment process, and following Bierman and Hass for consistency, we assume that a new, start-up utility has the following characteristics:

1) Our hypothetical company can sell stock in the market at $10 per share, and investors expect it to pay a dividend of one dollar and to grow at a rate of 5 per cent. Thus, its DCF cost of equity is $k = D/P + g = 10\% + 5\% = 15\%$, investors' required rate of return.
2) To raise initial capital, the company plans to sell an issue of stock, incurring flotation costs of F = 5 per cent.
3) Applying Equation 5, we obtain a flotation-adjusted cost of equity (r) of 15.5263 per cent:

$$r = \frac{\text{Expected dividend yield}}{1 - F} + g$$

$$= \frac{10.0\%}{0.95} + 5\%$$

$$= 10.5263\% + 5\% = 15.5263\%$$

Thus, the illustrative utility's fair rate of return on book equity according to Equation 5 is approximately 53 basis points above its 15 per cent unadjusted "bare bones DCF cost of equity."
4) The company will sell one share of stock and obtain net proceeds of $9.50. This $9.50 is also the initial book value, B, and rate base. (Obvi-

[3] In effect, the flotation costs of the preferred are amortized over an infinite period, which is to say the amortization per year is zero. Investors have made a *permanent* investment, so the original investors or those who purchase the stock in the secondary market must receive a return on that investment in perpetuity.

[4] Of course, preferred stock dividends are not deductible, so the total revenues required to produce the return dollars is higher for preferred stock than for debt.

[5] Note that the return dollars for the bond exceed those for the perpetual preferred stock – $15.5 million versus $15 million. However, these are first-year costs only. The bond's cost rate declines over time due to the amortization of its flotation costs, whereas the cost rate associated with the preferred stock remains constant, and the rates of return to the bondholders and the preferred stockholders are identical.

[6] This formula is developed in reference citation 5, Chapter 7, as well as in most other corporate finance textbooks.

ously, this amount, which we use for simplicity, could be scaled up without altering the conclusions.)

5) After its inception and initial stock offering, all of the company's equity is expected to come from retained earnings. In a later case, we will examine the situation when more stock is sold.
6) The company operates in a reasonable and prudent manner, such that by any fairness criteria, investors should be allowed to earn their 15 per cent cost of capital return, no more and no less. For simplicity, we also assume that regulation operates properly, without lags.
7) Initially, we assume that the market cost of capital remains constant at 15 per cent, and that the company maintains a constant payout ratio so as to keep the dividend yield and growth components at 10 per cent and 5 per cent, respectively. These assumptions are consistent with the DCF model, but later in the article we expand the analysis by relaxing both of them.

Now these questions may be asked:

> Should the flotation adjustment be applied to all common equity or, once retained earnings appear on the balance sheet, only to common stock?
> For how many years should an adjustment be applied: One, two, ten, twenty, or forever?

When we applied Equation 5, the textbook formula which Patterson recommended, we found that it produces results that satisfy the fairness criterion; namely, it permits investors to earn exactly their 15 per cent cost of capital, no more and no less. This result for our initial case is demonstrated in Table 1, which was produced by a simple computer model, and it is analyzed below:

Table 1

Case 1: Company Earns Flotation-adjusted Cost of Equity (r) on All Common Equity

Beginning of Year

Year	Common Stock (1)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout (8)
1	$9.50	$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.50	0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.50	0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.50	1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.50	2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.50	2.6247	12.1247	12.7628	1.0526	1.8825	1.2763	67.7966
7	9.50	3.2309	12.7309	13.4010	1.0526	1.9766	1.3401	67.7966
8	9.50	3.8675	13.3675	14.0710	1.0526	2.0755	1.4071	67.7966
9	9.50	4.5358	14.0358	14.7746	1.0526	2.1792	1.4775	67.7966
10	9.50	5.2376	14.7376	15.5133	1.0526	2.2882	1.5513	67.7966

NOTES:
1) Assumptions made in this case are as follows:
   a) Issue price = $10
   b) Flotation cost = 5%
   c) k = D/P + g = 10% + 5% = 15%
   d) r = 15.5263%
2) The data in this case, and also the more complex cases, were developed with a Lotus 1-2-3 computer program.

1) The company's balance sheet item common stock is shown in Column 1.
2) Retained earnings are shown in Column 2. Initially, they are zero, but they build up over time.
3) Total equity as shown in Column 3 is the sum of common stock and retained earnings. Total equity grows as retained earnings build up.
4) Column 4 shows the stock price as determined by the basic DCF formula. It starts at $10 and grows at a rate of 5 per cent per year, which is necessary to produce the 5 per cent capital gains yield that investors expect and should receive.[7]
5) Column 5 shows the market-to-book (M/B) ratio. Notice that the M/B always exceeds one. The only way the M/B ratio could go to one would be for the stock price to fall below the value shown in Column 4, but if that were to happen, then investors would not receive the capital gains to which they are entitled. Thus, the M/B will exceed one if investors are being treated fairly.
6) Earnings per share (EPS) as shown in Column 6 is the product of total equity times 0.155263, the fair rate of return as determined by Equation 5.
7) Dividends per share (DPS) as shown in Column 7 begin at one dollar and grow at a rate of 5 per cent per year. This growth rate is a requirement if investors are to earn their DCF cost of capital.
8) The payout ratio is shown in Column 8. Under

[7]The DCF valuation equation is

$$P_0 = \frac{D_1}{k - g}$$

This equation, solved for k, produces the standard DCF cost of capital equation, $k = D_1/P_0 + g$. See reference citation 5, Chapter 5, for a derivation and discussion.

the assumptions of the standard DCF constant growth model, the payout must be constant, and it is if r as determined by Equation 5 is used as the allowed return on equity.

9) Note also that book value per share as shown in Column 3 is growing at a constant rate, 5 per cent. The retention growth rate, g = br, where r is the return on book equity and b is the fraction of earnings, is

$$g = br = (1.0 - 0.677966)(15.5263) = 0.322(15.5263) = 5.0\%,$$ just as it should be.

Case 1 proves that Equation 5 produces the desired results; namely, returns that exactly cover the cost of equity, no more and no less. Any return on book equity different from that established by Equation 5 would produce inconsistent results. For example, suppose the authorized rate of return were cut from 15.5263 to the DCF return, 15 per cent, in Year 2. This would cause the stock price to drop from $10.50 to the $9.9750 book value. Thus, stockholders would suffer a loss, and they would not obtain the capital gains yield to which they are entitled. Any other type of experimentation will show exactly the same thing: If the company is not allowed to earn the cost of equity as determined by Equation 5 on total common equity, stockholders will not receive a 15 per cent return on their invested capital.

Sale of Additional Equity

While the only-one-equity-sale conditions used to develop Case 1 are consistent with Bierman and Hass's example, and also with some actual companies such as Comsat and the Yankee Atomic Power companies, most utilities sell additional common stock from time to time. Therefore, we modified the computer model to analyze stock sales subsequent to the initial offering, and we report the results in Table 2 as Case 2, in which the company raises an additional share of new common equity for $12.1247 at the beginning of Year 6. (Note that the $12.1247 is calculated as the price of the stock at the beginning of Year 6 less flotation costs.) Earnings, dividends, and common equity all increase in Year 6 as a result of the sale, but investors continue to earn exactly 15 per cent on their investment so long as the company is allowed to earn 15.5263 per cent on its total book equity.

In Case 3, reported in Table 3, we present the results for a company that issues new equity at a flotation cost different from the cost of its original stock issue. Case 3 is similar to Case 2. Just as in Case 2, the company issues new equity at the beginning of Year 6. However, in Case 3, the equity sold at the beginning of Year 6 has a different flotation cost (3 per cent) from that of the original issue (5 per cent). With lower flotation costs, the company nets more common equity in Case 3 than in Case 2. (The dollar amount of new equity raised is calculated as the price of the share of stock at the beginning of Year 6 less the 3 per cent flotation costs incurred.)

In this example, because the new equity is sold at a different flotation cost than the old equity, a new value of r must be calculated and used to determine net income. The new r is a weighted average of r as determined by Equation 5 for each equity issue, with the weights being the fraction of total equity attributable to the new and old stock at the time the new stock is issued. Because of the lower flotation costs on the new equity, there is a corresponding drop in the market-to-book ratio in Year 6. Note, however, that after the transitional Year 6, earnings and dividends continue to grow at the required 5 per cent rate, which is neces-

Table 2

Case 2: Company Sells Additional Stock at the Beginning of Year 6

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
	Beginning of Year								
1	$ 9.50		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.50		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.50		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.50		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.50		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.50	$12.1247	2.6247	24.2493	12.7628	1.0526	1.8825	1.2763	67.7966
7	21.6247		3.8371	25.4618	13.4010	1.0526	1.9766	1.3401	67.7966
8	21.6247		5.1102	26.7349	14.0710	1.0526	2.0755	1.4071	67.7966
9	21.6247		6.4470	28.0717	14.7746	1.0526	2.1792	1.4775	67.7966
10	21.6247		7.8506	29.4752	15.5133	1.0526	2.2882	1.5513	67.7966

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Flotation cost = 5%
c) k = D/P + g = 10% + 5% = 15%
d) r = 15.5263%
e) Year 6 issue price = $12.7628
f) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.95)
= $12.1247

Table 3

Case 3: Company Sells Additional Stock at the Beginning of Year 6 Incurring Different Flotation Costs

Beginning of Year

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.5000		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.5000		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.5000		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.5000		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.5000		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.5000	$12.3799	2.6247	24.5046	12.7628	1.0526	1.8889	1.2763	67.7566
7	21.8799		3.8499	25.7298	13.4010	1.0526	1.9833	1.3401	67.5676
8	21.8799		5.1364	27.0163	14.0710	1.0526	2.0825	1.4071	67.5676
9	21.8799		6.4872	28.3671	14.7746	1.0526	2.1866	1.4775	67.5676
10	21.8799		7.9056	29.7855	15.5133	1.0526	2.2960	1.5513	67.5676

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Year 1 Flotation cost = 5%
c) $k = D/P + g = 10\% + 5\% = 15\%$
d) $r_1 = 15.5263\%$
e) Year 6 issue price = $12.7628
f) Year 6 flotation cost = 3%
g) Year 6 new common stock = $12.7628(1 - F)$
$= \$12.7628(0.97)$
$= \$12.3799$
h) Additional issue r = 15.3093%

sary if investors are to receive the 15 per cent DCF return on their investment. The stock price grows at 5 per cent throughout the ten-year period.

The fact that the company must continue to earn the flotation-adjusted cost of equity, even as retained earnings build up to a larger and larger proportion of total common equity, is counterintuitive, and so it deserves further discussion. Here are two comments:

1) *Demonstration that a weighted average cost rate is inappropriate.* It has been suggested that the authorized return on equity should be a weighted average of the flotation-adjusted cost rate, r = 15.5263 per cent, and the DCF cost rate, k = 15 per cent, with the weights being based on common equity and accumulated retained earnings, respectively. When we programmed our model to reflect these conditions, we obtained the results shown in Table 4. A problem obviously exists – if dividends are to grow at the 5 per cent rate that investors expect, and if earnings are based on a weighted average of k and r, then a higher and higher percentage of earnings will have to paid out. Thus, the payout ratio will rise. In Year 34 the payout ratio will exceed 100 per cent, so retained earnings will start to decline. Retained earnings actually go negative in Year 45, and Total Common Equity goes negative in Year 46, which means the company is officially bankrupt. This example demonstrates, in yet another way, that the flotation-adjusted cost of equity must be earned on all common equity if investors are to receive the DCF return to which they are entitled under prudent management. The example also demonstrates that, if investors were informed that the regulatory treatment implied in Table 4 were going to be employed, they would not invest in the company in the first place.

2) *Logical explanation.* To understand *why* the Equation 5 value must be applied to all common equity, retained earnings as well as equity raised by selling stock, one must trace through the valuation process. Notice that, in Year 1, investors require a return of 15 per cent on their $10 investment, or $1.50. However, the company earns only $1.4750, of which it pays out one dollar as a dividend and retains 47.5 cents. To give the investor the fifty-cent increase in market value (or capital gain) needed to add to the one dollar dividend to produce the $1.50, or 15 per cent, total DCF return, the 47.5 cents must earn more than 15 per cent. Specifically, it must earn the flotation adjusted cost of equity, r = 15.5263 per cent. This same thought process can be continued in other years, ad infinitum, and the ultimate conclusion is that both the original common equity and all retained earnings must earn r = 15.5263 per cent.

If the preceding paragraph is not clear, we can put it another way. The investor expects and is entitled to earn, under prudent management, a return of 15 per cent on his or her investment. Thus, dividends plus capital gains must total 15 per cent, or $1.50 in the first year. Ten per cent, or one dollar, will come from dividends, so 5 per cent, or 50 cents, must come from capital gains. To obtain a capital gain yield of 50 cents from 47.5 cents of retained earnings, the retained earnings must earn a return greater than k = 15 per cent; specifically, the retained earnings must be allowed to earn r = 15.5263 per cent. (If the 47.5 cents earned 15 per cent, then it would be worth exactly 47.5 cents, not 50 cents.) In Year 2, retained earnings will rise by

5 per cent from 47.5 cents to 49.875 cents; the capital gains then must rise from 50 cents to .50(1.05) = 52.5 cents; the only way this can happen is for the second-year retained earnings to be allowed to earn r = 15.5263 per cent; and so on.

The Effect of the Payout Ratio on the Flotation Cost Adjustment

Even though fair regulation requires that retained earnings be allowed to earn the flotation adjusted cost of equity, the level of retained earnings as affected by the payout ratio does have a material effect on the size of the adjustment.

To illustrate this point, assume (1) that two utilities both have a 15 per cent market cost of equity, that is, k = 15 per cent; (2) that both companies sell at a price of $20; but (3) that one company has a policy of paying out 25 per cent of its earnings and retaining 75 per cent, while the other has the reverse dividend policy. Assume further that both companies earn 15 per cent on their $20 market value, so earnings per share are .15($20) = $3. The high payout company has a dividend of .75($3) = $2.25, while the low payout company has a dividend of .25($3) = 75 cents. At the same time, the low payout company, which plows most of its earnings back into the business, will have a growth rate of g = .75(15 per cent) = 11.25 per cent, while the high payout company will have g = .25(15 per cent) = 3.75 per cent.

Under these conditions, the following situation would exist for the two illustrative companies:

Low payout Company:
$$k = \frac{D_1}{P_0} + g = \frac{\$\ 0.75}{\$20} + 11.25\%$$
$$= 3.75\% + 11.25\% = 15\%$$

High payout Company:
$$k = \frac{D_1}{P_0} + g = \frac{\$\ 2.25}{\$20} + 3.75\%$$
$$= 11.25\% + 3.75\% = 15\%$$

Applying the adjustment formula,

$$r = \frac{\text{Expected dividend yield}}{1 - F} + g,$$

we find this situation, assuming that issuance costs are 5 per cent:

High payout Company:
$$r = \frac{11.25\%}{0.95} + 3.75\%$$
$$= 11.842\% + 3.75\% = 15.592\%$$

Low payout Company:
$$r = \frac{3.75\%}{0.95} + 11.25\%$$
$$= 3.947 + 11.25\% = 15.197\%$$
Difference = 0.395%

Thus, we see that the company which retains most of its earnings, and which consequently has more retained

Table 4

Case 4: Company Earns Weighted Average k

Year	Common Stock (1)	Retained Earnings (2)	Total Equity (3)	EPS (4)	DPS (5)	Payout Rate (6)	Weighted k (7)
1	$9.5000	$ 0.0000	$ 9.5000	$1.4750	$1 0000	67.7966%	0.1553
2	9.5000	0.4750	9.9750	1.5463	1.0500	67.9062	0.1550
3	9.5000	0.9713	10.4713	1.6207	1.1025	68.0267	0.1548
4	9.5000	1.4894	10.9894	1.6984	1.1576	68.1591	0.1545
5	9.5000	2.0302	11.5302	1.7795	1.2155	68.3047	0.1543
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
33	9.5000	23.2219	32.7219	4.9583	4.7649	96.1006	0.1515
34	9.5000	23.4152	32.9152	4.9873	5.0032	100.3188	0.1515
35	9.5000	23.3993	32.8993	4.9849	5.2533	105.3852	0.1515
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
45	9.5000	−2.3443	7.1557	1.1234	8.2791	736.9935	0.1570
46	The company goes bankrupt.						

NOTES:
1) Assumptions made in this case are as follows:
   a) Issue price = $10
   b) Flotation cost = 5%
   c) k = D/P + g = 10% + 5% = 15%
   d) r = 15.5263%
2) The dividend in Year 45 cannot grow by the 5 per cent growth rate, because if it did total equity would become negative. Therefore, the Year 45 dividend is calculated as the remaining portion of total equity + earnings in Year 45: $7.1557 + $1.1234 = $8.2791.

Table 5

Case 5: Company Sells Additional Stock and k Changes

Beginning of Year

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.5000		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.5000		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.5000		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.5000		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.5000		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.5000	$12.3799	2.6247	24.5046	12.7628	1.0526	1.8889	1.2763	67.5676
7	21.8799		3.8499	25.7298	13.4010	1.0526	1.9833	1.3401	67.5676
8	21.8799		5.1364	27.0163	14.0710	1.0526	1.8123	1.4071	77.6398
9	21.8799		5.9469	27.8268	14.4931	1.0526	1.8667	1.4493	77.6398
10	21.8799		6.7817	28.6616	14.9279	1.0526	1.9227	1.4928	77.6398

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Year 1 flotation cost = 5%
c) Issue 1 r = 15.5263%
d) Year 6 issue price = $12.7628
e) Year 6 flotation cost = 3%
f) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.97)
= $12.3799
g) Additional issue r = 15.3093%
h) Years 1-7, k = D/P + g = 10% + 5% = 15%
i) Years 8-10, k = D/P + g = 10% + 3% = 13%

Table 6

Case 6: Company Sells Additional Stock and k Changes

Beginning of Year

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.5000		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.5000		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.5000		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.5000		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.5000		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.5000	$12.3799	2.6247	24.5046	12.7628	1.0526	1.8889	1.2763	67.5676
7	21.8799		3.8499	25.7298	13.4010	1.0526	1.9833	1.3401	67.5676
8	21.8799		5.1364	27.0163	14.0710	1.0526	1.8011	1.1257	62.5000
9	21.8799		5.9469	27.3671	14.7746	1.0526	1.8911	1.1820	62.5000
10	21.8799		6.7817	29.7855	15.5133	1.0526	1.9857	1.2411	62.5000

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Year 1 flotation cost = 5%
c) Issue 1 r = 15.5263%
d) Year 6 issue price = $12.7628
e) Year 6 flotation cost = 3%
f) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.97)
= $12.3799
g) Additional issue r = 15.3093%
h) Years 1-7, k = D/P + g = 10% + 5% = 15%
i) Years 8-10, k = D/P + g = 10% + 3% = 13%

earnings and a smaller dollar amount of flotation costs, also has the lower flotation-adjusted cost of equity. This demonstrates that the issuance cost adjustment formula is itself adjusted to reflect the extent to which a company finances by retaining earnings rather than by selling new common stock.

Changes in the DCF Cost of Equity

We also analyzed the effects of changes in the DCF cost of equity over time. While a change in the DCF k causes a change in earnings, dividends, and the growth rate, the flotation adjustment *process* is not affected – Equation 5 still produces a fair rate of return on book value. This is demonstrated in Tables 5 and 6. It should be noted that the effects of the adjustment as derived by Equation 5 do vary with the level of the DCF cost and with the split between dividend yield and growth. In Case 5, we analyze the effects of a change in the growth rate with the dividend yield held constant, while in Case 6, reversing them, we analyze the effects of a change in the dividend yield with the growth rate held constant. Both cases use Case 3 as their base case. In each instance, a new value for r, based on Equation 5, can be established, and this return on book value permits investors to earn their new DCF cost of equity.

Capitalizing Flotation Costs

Bierman and Hass, almost as an afterthought toward the end of their article, suggested that utilities should be allowed to record the *gross amount* of equity sales and to earn a DCF return on gross equity capital. This would amount to capitalizing flotation costs. These capitalized costs could then be amortized over some prescribed period or else be kept on the books indefinitely.

To show this, we set up computer models using our various cases but capitalizing flotation costs. One can see that earnings, dividends, and stock prices are all exactly like those shown in our tables. Thus, capitalizing flotation costs produces exactly the same results as Equation 5.

Capitalizing flotation costs has much to recommend it, for it would eliminate the confusion that has existed. However, a fundamental problem exists for any company that has incurred flotation costs in the past, that is, for virtually the entire utility industry. How would the fact that past flotation costs were not capitalized be dealt with? In other words, capitalizing flotation costs would be an excellent procedure for a new, start-up, company, but such a plan would not be feasible for an existing company without somehow adjusting for past costs. Such an adjustment could be made, but a discussion of it goes beyond the scope of this article.

Conclusion

The proper treatment of equity flotation costs has caused much confusion. Had such costs been either capitalized in the past or else expensed on an as-incurred basis, there would be no problem, but since neither of these practices has generally been followed, the DCF return must be adjusted to produce a fair rate of return on book equity.

Further, the adjustment is always required, irrespective of whether or not a company has plans to sell new stock in the future, and the adjusted return must be earned on total equity, including retained earnings. Otherwise, it would be impossible for investors to earn the cost of equity, even under prudent and efficient management.

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Common Equity Flotation Costs and Rate Making

By EUGENE F. BRIGHAM, DANA ABERWALD, and LOUIS C. GAPENSKI

The proper treatment of common stock flotation costs is an issue in almost every utility rate case, and becomes increasingly important – for reasons shown in this article – as new stock offerings decline. The article provides clarification of the issue and offers a reasonable solution.

Incorrect statements have been made about the proper treatment of common equity flotation costs in the financial literature, and this has contributed to incorrect rate case testimony and to several improper decisions. The problem seems to have arisen for two reasons: (1) During the 1970s, when most utilities were raising large amounts of equity, the case for an equity cost adjustment was generally based on the need to sell common stock at prices greater than book value so as to avoid dilution when new stock was sold, but the proper rationale for the adjustment, and the argument that should have been made, is that an adjustment is necessary to recover actual incurred costs. (2) A number of academic writers [1, 2, 3, 6, 7, 8, 11][1] have attempted to deal with the problem algebraically, and while a mathematical approach has merit, the different authors based their models on different and somewhat obscure assumptions, with the result that the academic research has actually done more to confuse than to clarify the issue.

As we see it, there are two questions which need answers:

1) Is an adjustment needed even if a company has no plans to sell new common stock in the foreseeable future?
2) If an adjustment is required, should it be applied to common stock only or to total common equity (common stock plus retained earnings)?

The answers are "yes" to the first question and "total common equity" to the second. Specifically, the market-determined cost of equity should be adjusted (increased) to reflect issuance costs associated with past issues regardless of whether a company plans to issue stock in the future or not, and the adjustment should be applied to the total common equity, including retained earnings. The reasons for these conclusions are set forth in the balance of this article.

[1]Numbers in brackets correspond to numbers in the list of references at the end of the article.

Background and Approach

The flotation cost adjustment – whether for bonds, preferred stocks, or common equity – is designed to convert a market rate of return into a fair rate of return on accounting book values. Prior to the 1970s, most utilities were regulated on the basis of the comparable earnings approach. With that method no market return was involved, and hence there was no need for a common equity flotation adjustment. However, as use of market-oriented equity cost approaches, especially the discounted cash flow (DCF) method, became prevalent during the 1970s, a specific flotation adjustment became necessary. The first use of DCF, to the authors' knowledge, was by Professor Myron J. Gordon as a staff witness in an American Telephone and Telegraph Company rate case before the Federal Communications Commission in the mid-1960s. Professors Alexander A. Robichek and Ezra Solomon of Stanford University, testifying for AT&T, proved that if a commission correctly identifies and then allows a *company* to earn its DCF cost of equity, k, on book equity, then *investors* will never be able to earn k on their investment, because the capital that investors have put up will exceed the company's book equity as a result of issuance (or flotation) costs. Thus, in the very first

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case where DCF methodology was used, Robichek and Solomon proved, and Gordon accepted, the idea that the allowed return on equity should exceed the DCF cost. Unfortunately, only the need for an adjustment, not the proper adjustment mechanism itself, was identified in that rate case.

The DCF method's great increase in popularity occurred during the 1970s, just when the companies were raising unprecedented amounts of new equity capital. Witnesses who used the DCF method recognized the need for an adjustment, and they had to provide a rationale to commissioners. Most witnesses gave this explanation:

1) If a company were allowed to earn only its DCF cost of equity, then its stock would normally sell at book value.
2) When new stock was issued, flotation expenses plus market pressure would drive the price of the stock below book value.
3) The issuance of stock at below book value would dilute the book value of the existing shares, and since future earnings and dividends are dependent upon book value, the market value of existing stock would also be diluted.
4) This dilution would obviously harm current stockholders; indeed, it would amount to economic confiscation.
5) Therefore, fair regulation requires commissioners to set authorized returns high enough to cause utility stocks to sell at prices that exceed book value by an amount sufficient to prevent below-book sales.

This argument was correct, although incomplete, and it was generally accepted during the 1970s, when most utilities were selling new stock every year or two. There were, of course, arguments about the level of flotation costs and the extent of market pressure, and hence about the proper market-to-book ratio, but the logic of some type of adjustment was rarely questioned.

However, as many utilities' construction programs neared completion in the early 1980s, and, accordingly, as new stock offerings slowed, the issue of the need for a flotation adjustment resurfaced. Patterson [6, 7] applied standard corporate finance techniques and concluded that a flotation adjustment is needed irrespective of current equity sales. Richter [11] supported Patterson's position. Arzac and Marcus [1, 2] also concluded that a flotation adjustment is always needed, but their formula produces an almost trivial adjustment factor unless the company is selling very large amounts of stock every year. Patterson and Arzac-Marcus debated in the finance journals, but they reached no reconciliation. Finally, in the latest article, Professors Bierman and Hass [3] derived yet another formula, one which produces an adjustment factor between those recommended by Patterson and Arzac-Marcus.

The issue is important, so it is necessary that we resolve the conflict. Further, since utility executives and regulators, not financial economists, must make decisions in this area, the resolution must be understandable to these decision makers. After studying the problem, we concluded that the best way to approach a clear resolution is to set up some hypothetical, but reasonable, situations and then to test the alternative theories, asking the following question: What results do the several methods produce, and are those results fair to both consumers and investors?

Bonds and Preferred Stocks

Because the proper treatment of flotation costs on bonds and preferred stocks is well known and not controversial, it helps to begin by examining that treatment as a lead-in to the analysis of common stock. First, note that debt flotation costs can be recovered in either of two ways: (1) They can be expensed and recovered from customers during the year the securities are sold, or (2) They can be capitalized and recovered over the life of the securities. The second method, which is consistent with the theory that those customers who benefit from a cost should pay for it, is generally used. Under this theory, bond flotation expenses are reflected in the embedded cost of the bond and are recovered over the life of the bond. For example, if flotation costs of 5 per cent were incurred on a $100 million, ten-year, 15 per cent coupon bond issue, they would be handled in the following manner by most federal and state regulators:

$$\text{Cost to company} = \frac{\text{Interest expense} + \text{Amortization of flotation costs}}{\text{Principal value} - \text{Unamortized flotation costs}} \quad (1)$$

$$= \frac{\$15{,}000{,}000 + (\$5{,}000{,}000/10)}{\$100{,}000{,}000 - \$5{,}000{,}000}$$

$$= \frac{\$15{,}500{,}000}{\$95{,}000{,}000} = 16.3158\% \text{ for the first year}$$

Return requirements would be calculated as follows:

$$\text{Return requirements} = \text{Cost rate}(\text{Principal value} - \text{Unamortized flotation costs}) \quad (2)$$

$$= 0.163158(\$100{,}000{,}000 - \$5{,}000{,}000)$$

$$= \$15{,}500{,}000.$$

In this example, the company received $95 million of cash, which it used to purchase $95 million of operating assets. To meet its interest expense and flotation amortization requirements, the company must have $15.5 million in return dollars. This return will only be generated if the company earns 16.3158 per cent on its $95 million of operating assets. Under this procedure, the percentage cost as calculated in Equation 1 declines each year, but the return dollar amount remains constant.[2]

[2]An alternative procedure that produces exactly the same result is to divide interest charges plus flotation amortization by the principal value of the issue, and then to multiply this cost rate by the principal value of the issue:

$$\text{Embedded cost rate} = \frac{\$15{,}500{,}000}{\$100{,}000{,}000} = 0.155 = 15.5\%.$$

$$\text{Return requirements} = 0.155(\$100{,}000{,}000) = \$15{,}500{,}000.$$

This procedure in effect includes both flotation costs and operating assets in the rate base.

Preferred stocks are handled similarly. Actually, utilities issue two types of preferred stocks, those with sinking funds and those that are perpetual. The adjustment formula for sinking fund preferred is exactly like that for bonds, but a difference arises in the case of perpetual preferreds. Perpetual preferred stock represents permanent capital; hence its flotation costs are not amortized.[3] Assuming again a $100 million issue and a 5 per cent flotation cost, this formula applies:

$$\text{Cost to company} = \frac{\text{Dividend requirements}}{\text{Net proceeds}} = \frac{\$15{,}000{,}000}{\$95{,}000{,}000} \quad (3)$$

$$= 15.7895\%$$

Alternatively, we could write the formula as follows:

$$\text{Cost to company} = \frac{\text{Dividend rate}}{1.0 - \text{Flotation}} = \frac{15\%}{0.95} = 15.7895\% \quad (3a)$$

The return dollars can then be calculated as follows:[4]

$$\text{Dollars of return} = 0.157895(\$95{,}000{,}000) = \$15{,}000{,}000.$$

In this example, the preferred stockholders expect and require a return of 15 per cent on *their investment* ($100 million), but the company must earn 15.7895 per cent on *its operating assets* ($95 million) to provide this required return.[5] If the company earned only 15 per cent on the $95 million, then the company would have after-tax revenues of only $14,250,000 to meet investors' preferred dividend requirements of $15 million. Obviously, then, the 15 per cent market value cost of preferred must be adjusted upward to a 15.7895 per cent return on the company's operating assets if investors are to receive the reasonable rate of return they contracted for.

Common Stock

From a conceptual standpoint, it has long been recognized that the situation with common stock is similar to that for bonds and preferred stocks: Issuance costs are incurred; they should not be and are not expensed at the time the stock is sold; and therefore recovery must occur in subsequent years. Further, just as with bonds and preferred stock, the authorized rate of return on rate base equity must be above the rate of return to the investor; that is, the cost to the utility is above the return to the investor. The standard textbook formula, which Patterson [6] used, is as follows:[6]

$$r = \frac{\text{Expected dividend yield}}{1.0 - F} + g \quad (5)$$

Here:

r = authorized rate of return on book equity, if stockholders are to earn their required rate of return, k,
F = percentage flotation cost associated with common stock offerings, and
g = the expected growth rate in earnings and dividends.

The percentage flotation factor, F, consists of two elements: (1) underwriting costs and (2) "market pressure," which is the decline in the stock price that results when the supply of shares is suddenly increased. Historically, utility underwriting expenses have averaged from 3 to 4 per cent of gross proceeds [9]. Market pressure varies over time, depending on the size of the issue, the condition of the market, and the degree to which investors were surprised by the announcement of the stock sale. Moreover, stock prices change for reasons other than new offerings, so it is difficult to obtain an exact measure of market pressure. However, several careful studies have been reported, and they indicate that market pressure is in the range of one to 3 per cent [10]. Thus, for most utilities, flotation expenses plus pressure have totaled about 5.5 per cent.

To illustrate the flotation cost adjustment process, and following Bierman and Hass for consistency, we assume that a new, start-up utility has the following characteristics:

1) Our hypothetical company can sell stock in the market at $10 per share, and investors expect it to pay a dividend of one dollar and to grow at a rate of 5 per cent. Thus, its DCF cost of equity is $k = D/P + g = 10\% + 5\% = 15\%$, investors' required rate of return.
2) To raise initial capital, the company plans to sell an issue of stock, incurring flotation costs of F = 5 per cent.
3) Applying Equation 5, we obtain a flotation-adjusted cost of equity (r) of 15.5263 per cent:

$$r = \frac{\text{Expected dividend yield}}{1 - F} + g$$

$$= \frac{10.0\%}{0.95} + 5\%$$

$$= 10.5263\% + 5\% = 15.5263\%$$

Thus, the illustrative utility's fair rate of return on book equity according to Equation 5 is approximately 53 basis points above its 15 per cent unadjusted "bare bones DCF cost of equity."
4) The company will sell one share of stock and obtain net proceeds of $9.50. This $9.50 is also the initial book value, B, and rate base. (Obvi-

[3] In effect, the flotation costs of the preferred are amortized over an infinite period, which is to say the amortization per year is zero. Investors have made a *permanent* investment, so the original investors or those who purchase the stock in the secondary market must receive a return on that investment in perpetuity.

[4] Of course, preferred stock dividends are not deductible, so the total revenues required to produce the return dollars is higher for preferred stock than for debt.

[5] Note that the return dollars for the bond exceed those for the perpetual preferred stock – $15.5 million versus $15 million. However, these are first-year costs only. The bond's cost rate declines over time due to the amortization of its flotation costs, whereas the cost rate associated with the preferred stock remains constant, and the rates of return to the bondholders and the preferred stockholders are identical.

[6] This formula is developed in reference citation 5, Chapter 7, as well as in most other corporate finance textbooks.

ously, this amount, which we use for simplicity, could be scaled up without altering the conclusions.)

5) After its inception and initial stock offering, all of the company's equity is expected to come from retained earnings. In a later case, we will examine the situation when more stock is sold.
6) The company operates in a reasonable and prudent manner, such that by any fairness criteria, investors should be allowed to earn their 15 per cent cost of capital return, no more and no less. For simplicity, we also assume that regulation operates properly, without lags.
7) Initially, we assume that the market cost of capital remains constant at 15 per cent, and that the company maintains a constant payout ratio so as to keep the dividend yield and growth components at 10 per cent and 5 per cent, respectively. These assumptions are consistent with the DCF model, but later in the article we expand the analysis by relaxing both of them.

Now these questions may be asked:

Should the flotation adjustment be applied to all common equity or, once retained earnings appear on the balance sheet, only to common stock?
For how many years should an adjustment be applied: One, two, ten, twenty, or forever?

When we applied Equation 5, the textbook formula which Patterson recommended, we found that it produces results that satisfy the fairness criterion; namely, it permits investors to earn exactly their 15 per cent cost of capital, no more and no less. This result for our initial case is demonstrated in Table 1, which was produced by a simple computer model, and it is analyzed below:

Table 1

Case 1: Company Earns Flotation-adjusted Cost of Equity (r) on All Common Equity

Beginning of Year

Year	Common Stock (1)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout (8)
1	$9.50	$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.50	0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.50	0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.50	1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.50	2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.50	2.6247	12.1247	12.7628	1.0526	1.8825	1.2763	67.7966
7	9.50	3.2309	12.7309	13.4010	1.0526	1.9766	1.3401	67.7966
8	9.50	3.8675	13.3675	14.0710	1.0526	2.0755	1.4071	67.7966
9	9.50	4.5358	14.0358	14.7746	1.0526	2.1792	1.4775	67.7966
10	9.50	5.2376	14.7376	15.5133	1.0526	2.2882	1.5513	67.7966

NOTES:
1) Assumptions made in this case are as follows:
   a) Issue price = $10
   b) Flotation cost = 5%
   c) k = D/P + g = 10% + 5% = 15%
   d) r = 15.5263%
2) The data in this case, and also the more complex cases, were developed with a Lotus 1-2-3 computer program.

1) The company's balance sheet item common stock is shown in Column 1.
2) Retained earnings are shown in Column 2. Initially, they are zero, but they build up over time.
3) Total equity as shown in Column 3 is the sum of common stock and retained earnings. Total equity grows as retained earnings build up.
4) Column 4 shows the stock price as determined by the basic DCF formula. It starts at $10 and grows at a rate of 5 per cent per year, which is necessary to produce the 5 per cent capital gains yield that investors expect and should receive.[7]
5) Column 5 shows the market-to-book (M/B) ratio. Notice that the M/B always exceeds one. The only way the M/B ratio could go to one would be for the stock price to fall below the value shown in Column 4, but if that were to happen, then investors would not receive the capital gains to which they are entitled. Thus, the M/B will exceed one if investors are being treated fairly.
6) Earnings per share (EPS) as shown in Column 6 is the product of total equity times 0.155263, the fair rate of return as determined by Equation 5.
7) Dividends per share (DPS) as shown in Column 7 begin at one dollar and grow at a rate of 5 per cent per year. This growth rate is a requirement if investors are to earn their DCF cost of capital.
8) The payout ratio is shown in Column 8. Under

[7]The DCF valuation equation is

$$P_0 = \frac{D_1}{k - g}$$

This equation, solved for k, produces the standard DCF cost of capital equation, $k = D_1/P_0 + g$. See reference citation 5, Chapter 5, for a derivation and discussion.

the assumptions of the standard DCF constant growth model, the payout must be constant, and it is if r as determined by Equation 5 is used as the allowed return on equity.

9) Note also that book value per share as shown in Column 3 is growing at a constant rate, 5 per cent. The retention growth rate, g = br, where r is the return on book equity and b is the fraction of earnings, is

$$g = br = (1.0 - 0.677966)(15.5263) = 0.322(15.5263) = 5.0\%,$$ just as it should be.

Case 1 proves that Equation 5 produces the desired results; namely, returns that exactly cover the cost of equity, no more and no less. Any return on book equity different from that established by Equation 5 would produce inconsistent results. For example, suppose the authorized rate of return were cut from 15.5263 to the DCF return, 15 per cent, in Year 2. This would cause the stock price to drop from $10.50 to the $9.9750 book value. Thus, stockholders would suffer a loss, and they would not obtain the capital gains yield to which they are entitled. Any other type of experimentation will show exactly the same thing: If the company is not allowed to earn the cost of equity as determined by Equation 5 on total common equity, stockholders will not receive a 15 per cent return on their invested capital.

Sale of Additional Equity

While the only-one-equity-sale conditions used to develop Case 1 are consistent with Bierman and Hass's example, and also with some actual companies such as Comsat and the Yankee Atomic Power companies, most utilities sell additional common stock from time to time. Therefore, we modified the computer model to analyze stock sales subsequent to the initial offering, and we report the results in Table 2 as Case 2, in which the company raises an additional share of new common equity for $12.1247 at the beginning of Year 6. (Note that the $12.1247 is calculated as the price of the stock at the beginning of Year 6 less flotation costs.) Earnings, dividends, and common equity all increase in Year 6 as a result of the sale, but investors continue to earn exactly 15 per cent on their investment so long as the company is allowed to earn 15.5263 per cent on its total book equity.

In Case 3, reported in Table 3, we present the results for a company that issues new equity at a flotation cost different from the cost of its original stock issue. Case 3 is similar to Case 2. Just as in Case 2, the company issues new equity at the beginning of Year 6. However, in Case 3, the equity sold at the beginning of Year 6 has a different flotation cost (3 per cent) from that of the original issue (5 per cent). With lower flotation costs, the company nets more common equity in Case 3 than in Case 2. (The dollar amount of new equity raised is calculated as the price of the share of stock at the beginning of Year 6 less the 3 per cent flotation costs incurred.)

In this example, because the new equity is sold at a different flotation cost than the old equity, a new value of r must be calculated and used to determine net income. The new r is a weighted average of r as determined by Equation 5 for each equity issue, with the weights being the fraction of total equity attributable to the new and old stock at the time the new stock is issued. Because of the lower flotation costs on the new equity, there is a corresponding drop in the market-to-book ratio in Year 6. Note, however, that after the transitional Year 6, earnings and dividends continue to grow at the required 5 per cent rate, which is neces-

Table 2

Case 2: Company Sells Additional Stock at the Beginning of Year 6

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
	Beginning of Year			Beginning of Year					
1	$ 9.50		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.50		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.50		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.50		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.50		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.50	$12.1247	2.6247	24.2493	12.7628	1.0526	1.8825	1.2763	67.7966
7	21.6247		3.8371	25.4618	13.4010	1.0526	1.9766	1.3401	67.7966
8	21.6247		5.1102	26.7349	14.0710	1.0526	2.0755	1.4071	67.7966
9	21.6247		6.4470	28.0717	14.7746	1.0526	2.1792	1.4775	67.7966
10	21.6247		7.8506	29.4752	15.5133	1.0526	2.2882	1.5513	67.7966

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Flotation cost = 5%
c) k = D/P + g = 10% + 5% = 15%
d) r = 15.5263%
e) Year 6 issue price = $12.7628
f) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.95)
= $12.1247

Table 3

Case 3: Company Sells Additional Stock at the Beginning of Year 6 Incurring Different Flotation Costs

Beginning of Year

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.5000		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.5000		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.5000		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.5000		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.5000		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.5000	$12.3799	2.6247	24.5046	12.7628	1.0526	1.8889	1.2763	67.7566
7	21.8799		3.8499	25.7298	13.4010	1.0526	1.9833	1.3401	67.5676
8	21.8799		5.1364	27.0163	14.0710	1.0526	2.0825	1.4071	67.5676
9	21.8799		6.4872	28.3671	14.7746	1.0526	2.1866	1.4775	67.5676
10	21.8799		7.9056	29.7855	15.5133	1.0526	2.2960	1.5513	67.5676

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Year 1 Flotation cost = 5%
c) $k = D/P + g = 10\% + 5\% = 15\%$
d) $r_1 = 15.5263\%$
e) Year 6 issue price = $12.7628
f) Year 6 flotation cost = 3%
g) Year 6 new common stock = $12.7628(1 - F)$
$= \$12.7628(0.97)$
$= \$12.3799$
h) Additional issue r = 15.3093%

sary if investors are to receive the 15 per cent DCF return on their investment. The stock price grows at 5 per cent throughout the ten-year period.

The fact that the company must continue to earn the flotation-adjusted cost of equity, even as retained earnings build up to a larger and larger proportion of total common equity, is counterintuitive, and so it deserves further discussion. Here are two comments:

1) *Demonstration that a weighted average cost rate is inappropriate.* It has been suggested that the authorized return on equity should be a weighted average of the flotation-adjusted cost rate, r = 15.5263 per cent, and the DCF cost rate, k = 15 per cent, with the weights being based on common equity and accumulated retained earnings, respectively. When we programmed our model to reflect these conditions, we obtained the results shown in Table 4. A problem obviously exists – if dividends are to grow at the 5 per cent rate that investors expect, and if earnings are based on a weighted average of k and r, then a higher and higher percentage of earnings will have to paid out. Thus, the payout ratio will rise. In Year 34 the payout ratio will exceed 100 per cent, so retained earnings will start to decline. Retained earnings actually go negative in Year 45, and Total Common Equity goes negative in Year 46, which means the company is officially bankrupt. This example demonstrates, in yet another way, that the flotation-adjusted cost of equity must be earned on all common equity if investors are to receive the DCF return to which they are entitled under prudent management. The example also demonstrates that, if investors were informed that the regulatory treatment implied in Table 4 were going to be employed, they would not invest in the company in the first place.

2) *Logical explanation.* To understand *why* the Equation 5 value must be applied to all common equity, retained earnings as well as equity raised by selling stock, one must trace through the valuation process. Notice that, in Year 1, investors require a return of 15 per cent on their $10 investment, or $1.50. However, the company earns only $1.4750, of which it pays out one dollar as a dividend and retains 47.5 cents. To give the investor the fifty-cent increase in market value (or capital gain) needed to add to the one dollar dividend to produce the $1.50, or 15 per cent, total DCF return, the 47.5 cents must earn more than 15 per cent. Specifically, it must earn the flotation adjusted cost of equity, r = 15.5263 per cent. This same thought process can be continued in other years, ad infinitum, and the ultimate conclusion is that both the original common equity and all retained earnings must earn r = 15.5263 per cent.

If the preceding paragraph is not clear, we can put it another way. The investor expects and is entitled to earn, under prudent management, a return of 15 per cent on his or her investment. Thus, dividends plus capital gains must total 15 per cent, or $1.50 in the first year. Ten per cent, or one dollar, will come from dividends, so 5 per cent, or 50 cents, must come from capital gains. To obtain a capital gain yield of 50 cents from 47.5 cents of retained earnings, the retained earnings must earn a return greater than k = 15 per cent; specifically, the retained earnings must be allowed to earn r = 15.5263 per cent. (If the 47.5 cents earned 15 per cent, then it would be worth exactly 47.5 cents, not 50 cents.) In Year 2, retained earnings will rise by

5 per cent from 47.5 cents to 49.875 cents; the capital gains then must rise from 50 cents to .50(1.05) = 52.5 cents; the only way this can happen is for the second-year retained earnings to be allowed to earn r = 15.5263 per cent; and so on.

The Effect of the Payout Ratio on the Flotation Cost Adjustment

Even though fair regulation requires that retained earnings be allowed to earn the flotation adjusted cost of equity, the level of retained earnings as affected by the payout ratio does have a material effect on the size of the adjustment.

To illustrate this point, assume (1) that two utilities both have a 15 per cent market cost of equity, that is, k = 15 per cent; (2) that both companies sell at a price of $20; but (3) that one company has a policy of paying out 25 per cent of its earnings and retaining 75 per cent, while the other has the reverse dividend policy. Assume further that both companies earn 15 per cent on their $20 market value, so earnings per share are .15($20) = $3. The high payout company has a dividend of .75($3) = $2.25, while the low payout company has a dividend of .25($3) = 75 cents. At the same time, the low payout company, which plows most of its earnings back into the business, will have a growth rate of g = .75(15 per cent) = 11.25 per cent, while the high payout company will have g = .25(15 per cent) = 3.75 per cent.

Under these conditions, the following situation would exist for the two illustrative companies:

Low payout Company: $k = \frac{D_1}{P_0} + g = \frac{\$\ 0.75}{\$20} + 11.25\%$

$= 3.75\% + 11.25\% = 15\%$

High payout Company: $k = \frac{D_1}{P_0} + g = \frac{\$\ 2.25}{\$20} + 3.75\%$

$= 11.25\% + 3.75\% = 15\%$

Applying the adjustment formula,

$$r = \frac{\text{Expected dividend yield}}{1 - F} + g,$$

we find this situation, assuming that issuance costs are 5 per cent:

High payout Company: $r = \frac{11.25\%}{0.95} + 3.75\%$

$= 11.842\% + 3.75\% = 15.592\%$

Low payout Company: $r = \frac{3.75\%}{0.95} + 11.25\%$

$= 3.947 + 11.25\% = 15.197\%$

Difference = 0.395%

Thus, we see that the company which retains most of its earnings, and which consequently has more retained

Table 4

Case 4: Company Earns Weighted Average k

Year	Common Stock (1)	Retained Earnings (2)	Total Equity (3)	EPS (4)	DPS (5)	Payout Rate (6)	Weighted k (7)
1	$9.5000	$ 0.0000	$ 9.5000	$1.4750	$1 0000	67.7966%	0.1553
2	9.5000	0.4750	9.9750	1.5463	1.0500	67.9062	0.1550
3	9.5000	0.9713	10.4713	1.6207	1.1025	68.0267	0.1548
4	9.5000	1.4894	10.9894	1.6984	1.1576	68.1591	0.1545
5	9.5000	2.0302	11.5302	1.7795	1.2155	68.3047	0.1543
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
33	9.5000	23.2219	32.7219	4.9583	4.7649	96.1006	0.1515
34	9.5000	23.4152	32.9152	4.9873	5.0032	100.3188	0.1515
35	9.5000	23.3993	32.8993	4.9849	5.2533	105.3852	0.1515
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
.	.	.	.	.	.	.	.
45	9.5000	−2.3443	7.1557	1.1234	8.2791	736.9935	0.1570
46	The company goes bankrupt.						

NOTES:

1) Assumptions made in this case are as follows:
   a) Issue price = $10
   b) Flotation cost = 5%
   c) k = D/P + g = 10% + 5% = 15%
   d) r = 15.5263%
2) The dividend in Year 45 cannot grow by the 5 per cent growth rate, because if it did total equity would become negative. Therefore, the Year 45 dividend is calculated as the remaining portion of total equity + earnings in Year 45: $7.1557 + $1.1234 = $8.2791.

Table 5

Case 5: Company Sells Additional Stock and k Changes

Beginning of Year

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.5000		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.5000		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.5000		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.5000		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.5000		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.5000	$12.3799	2.6247	24.5046	12.7628	1.0526	1.8889	1.2763	67.5676
7	21.8799		3.8499	25.7298	13.4010	1.0526	1.9833	1.3401	67.5676
8	21.8799		5.1364	27.0163	14.0710	1.0526	1.8123	1.4071	77.6398
9	21.8799		5.9469	27.8268	14.4931	1.0526	1.8667	1.4493	77.6398
10	21.8799		6.7817	28.6616	14.9279	1.0526	1.9227	1.4928	77.6398

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Year 1 flotation cost = 5%
c) Issue 1 r = 15.5263%
d) Year 6 issue price = $12.7628
e) Year 6 flotation cost = 3%
f) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.97)
= $12.3799
g) Additional issue r = 15.3093%
h) Years 1-7, k = D/P + g = 10% + 5% = 15%
i) Years 8-10, k = D/P + g = 10% + 3% = 13%

Table 6

Case 6: Company Sells Additional Stock and k Changes

Beginning of Year

Year	Common Stock (1)	New Issue (1a)	Retained Earnings (2)	Total Equity (3)	Stock Price (4)	Market-Book Ratio (5)	EPS (6)	DPS (7)	Payout Ratio (8)
1	$ 9.5000		$0.0000	$ 9.5000	$10.0000	1.0526x	$1.4750	$1.0000	67.7966%
2	9.5000		0.4750	9.9750	10.5000	1.0526	1.5488	1.0500	67.7966
3	9.5000		0.9738	10.4738	11.0250	1.0526	1.6262	1.1025	67.7966
4	9.5000		1.4974	10.9974	11.5763	1.0526	1.7075	1.1576	67.7966
5	9.5000		2.0473	11.5473	12.1551	1.0526	1.7929	1.2155	67.7966
6	9.5000	$12.3799	2.6247	24.5046	12.7628	1.0526	1.8889	1.2763	67.5676
7	21.8799		3.8499	25.7298	13.4010	1.0526	1.9833	1.3401	67.5676
8	21.8799		5.1364	27.0163	14.0710	1.0526	1.8011	1.1257	62.5000
9	21.8799		5.9469	27.3671	14.7746	1.0526	1.8911	1.1820	62.5000
10	21.8799		6.7817	29.7855	15.5133	1.0526	1.9857	1.2411	62.5000

NOTES:
Assumptions made in this case are as follows:
a) Original issue price = $10
b) Year 1 flotation cost = 5%
c) Issue 1 r = 15.5263%
d) Year 6 issue price = $12.7628
e) Year 6 flotation cost = 3%
f) Year 6 new common stock = $12.7628(1 − F)
= $12.7628(0.97)
= $12.3799
g) Additional issue r = 15.3093%
h) Years 1-7, k = D/P + g = 10% + 5% = 15%
i) Years 8-10, k = D/P + g = 10% + 3% = 13%

earnings and a smaller dollar amount of flotation costs, also has the lower flotation-adjusted cost of equity. This demonstrates that the issuance cost adjustment formula is itself adjusted to reflect the extent to which a company finances by retaining earnings rather than by selling new common stock.

Changes in the DCF Cost of Equity

We also analyzed the effects of changes in the DCF cost of equity over time. While a change in the DCF k causes a change in earnings, dividends, and the growth rate, the flotation adjustment *process* is not affected – Equation 5 still produces a fair rate of return on book value. This is demonstrated in Tables 5 and 6. It should be noted that the effects of the adjustment as derived by Equation 5 do vary with the level of the DCF cost and with the split between dividend yield and growth. In Case 5, we analyze the effects of a change in the growth rate with the dividend yield held constant, while in Case 6, reversing them, we analyze the effects of a change in the dividend yield with the growth rate held constant. Both cases use Case 3 as their base case. In each instance, a new value for r, based on Equation 5, can be established, and this return on book value permits investors to earn their new DCF cost of equity.

Capitalizing Flotation Costs

Bierman and Hass, almost as an afterthought toward the end of their article, suggested that utilities should be allowed to record the *gross amount* of equity sales and to earn a DCF return on gross equity capital. This would amount to capitalizing flotation costs. These capitalized costs could then be amortized over some prescribed period or else be kept on the books indefinitely.

To show this, we set up computer models using our various cases but capitalizing flotation costs. One can see that earnings, dividends, and stock prices are all exactly like those shown in our tables. Thus, capitalizing flotation costs produces exactly the same results as Equation 5.

Capitalizing flotation costs has much to recommend it, for it would eliminate the confusion that has existed. However, a fundamental problem exists for any company that has incurred flotation costs in the past, that is, for virtually the entire utility industry. How would the fact that past flotation costs were not capitalized be dealt with? In other words, capitalizing flotation costs would be an excellent procedure for a new, start-up, company, but such a plan would not be feasible for an existing company without somehow adjusting for past costs. Such an adjustment could be made, but a discussion of it goes beyond the scope of this article.

Conclusion

The proper treatment of equity flotation costs has caused much confusion. Had such costs been either capitalized in the past or else expensed on an as-incurred basis, there would be no problem, but since neither of these practices has generally been followed, the DCF return must be adjusted to produce a fair rate of return on book equity.

Further, the adjustment is always required, irrespective of whether or not a company has plans to sell new stock in the future, and the adjusted return must be earned on total equity, including retained earnings. Otherwise, it would be impossible for investors to earn the cost of equity, even under prudent and efficient management.

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NEW
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Roger A. Morin, PhD

2006
PUBLIC UTILITIES REPORTS, INC.
Vienna, Virginia

Alternative Sources of Equity

A second controversy is whether a flotation cost allowance should be allowed because a company can always obtain equity from sources other than a public issue of common stock, such as a rights issue for example. There are several sources of equity capital available to a firm, including: public common stock issues, conversions of convertible preferred stock, dividend reinvestment plans, employees' savings plans, warrants, and stock dividend programs. Each carries its own set of administrative costs and flotation cost components, including discounts, commissions, corporate expenses, offering spread, and market pressure.

Equity capital raised through a public issue is typically more expensive than alternate sources of equity. Rights issues, when available, are less expensive, but direct costs still would be incurred. Of course, a rights issue assumes that a willing underwriter and a willing market could be found for such offerings in the first place, an unlikely event in public capital markets for small unproven companies. Internal sources of equity, including dividend reinvestment and/or employee stock option plans, are also typically less expensive, unless a discount on the purchase price is inherent in the plan, in which case they are often equivalent to a public issue. Direct costs are also incurred in an employee stock savings plan and/or a shareholder dividend reinvestment plan.

The flotation cost allowance is still warranted, however, because it is a composite factor that reflects the historical mix of all these sources of equity. The flotation cost allowance applicable to all the company's book equity is actually a weighted average of the current allowances required for each past financing, that is, the flotation cost allowance factor is a build-up of historical flotation cost adjustments associated and traceable to each component of equity source. However, it is impractical and prohibitive to start from the inception of a company and source all present equity from various equity vintages and types of equity capital raised by the company. One way of circumventing the problem of vintaging each form of equity is to source book equity by broad categories of equity, such as dividend reinvestment plan equity, stock option equity, and public issue equity, and calculate a weighted average flotation factor. That is also onerous and cumbersome. A practical solution is to rely on the results of the empirical studies discussed earlier that quantify the average flotation cost factor of a large sample of utility stock offerings.

Efficient Markets

A third controversy centers around the argument that the omission of flotation cost is justified on the grounds that, in an efficient market, the stock price already reflects any accretion or dilution resulting from new issuances of securities and that a flotation cost adjustment results in a double counting effect. The simple fact of the matter is that whatever stock price is set by the

market, the company issuing stock will always net an amount less than the stock price due to the presence of intermediation and flotation costs. As a result, the company must earn slightly more on its reduced rate base in order to produce a return equal to that required by shareholders.

Existing shareholders are made worse off when a company issues new stock below the market price, irrespective of how "efficient" that stock price may be. As seen in an earlier example, the new issue results in a transfer of wealth from existing to new shareholders. This is true regardless of the degree of efficiency of the market.

It has also been argued that a flotation cost allowance is inequitable since it results in a windfall gain to shareholders. This argument is erroneous. As stated previously, the company's common equity account is credited by an amount less than the market value of the issue, so that the company must earn slightly more on its reduced rate base in order to produce a return equal to that required by shareholders. Moreover, existing shareholders are made worse off when a company issues new stock below the market price.

The suggestion that the flotation cost allowance is unwarranted because investors factor this shortcoming in the stock price implies that it is appropriate to use a deficient model because such a deficiency is reflected in stock prices. In other words, it is appropriate to use a deficient model because investors are aware of this. Such circular reasoning could be used to justify any regulatory policy. For example, under this reasoning, it would be appropriate to authorize a return on equity of 1% because investors reflect this fact in the stock price. This is clearly illogical and erroneous. Any regulatory policy, as irrational as it may be, can be justified using this argument.

Absence of Imminent Stock Issues

Another controversy is whether the flotation cost allowance should still be applied when the utility is not contemplating an imminent common stock issue. Some argue that flotation costs are real and should be recognized in calculating the fair return on equity, but only at the time when the expenses are incurred. In other words, the flotation cost allowance should not continue indefinitely, but should be made in the year in which the sale of securities occurs, with no need for continuing compensation in future years. This argument implies that the company has already been compensated for these costs and/or the initial contributed capital was obtained freely, devoid of any flotation costs, which is an unlikely assumption, and certainly not applicable to most utilities. If the flotation costs of past stock issues have been fully recovered, the argument has merit. If that assumption is not met, the argument is without merit. The flotation cost adjustment cannot be strictly forward-looking unless all past flotation costs associated with past issues have been recovered.

MOODY'S
INVESTORS SERVICE

Credit Opinion: PPL Corporation

Global Credit Research - 30 Mar 2012

Allentown, Pennsylvania, United States

Ratings

Category	Moody's Rating
Outlook	Stable
Issuer Rating	Baa3
Western Power Distrib (East Midlands) Plc	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured -Dom Curr	Baa1
ST Issuer Rating	P-2
Western Power Distrib (West Midlands) Plc	
Outlook	Stable
Issuer Rating	Baa1
Senior Unsecured -Dom Curr	Baa1
PPL Energy Supply, LLC	
Outlook	Stable
Sr Unsec Bank Credit Facility	Baa2
Senior Unsecured	Baa2
Commercial Paper	P-2
Kentucky Utilities Co.	
Outlook	Stable
Issuer Rating	Baa1
First Mortgage Bonds	A2
Sr Unsec Bank Credit Facility	Baa1
Commercial Paper	P-2

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Key Indicators

[1]**PPL Corporation**

	2011	2010	2009	2008
(CFO Pre-W/C + Interest) / Interest Expense	**4.0x**	**5.1x**	**4.5x**	**3.9x**
(CFO Pre-W/C) / Debt	**15.5%**	**17.8%**	**18.8%**	**16.4%**
(CFO Pre-W/C - Dividends) / Debt	**11.4%**	**13.8%**	**13.5%**	**11.5%**
Debt / Book Capitalization	**55.4%**	**55.9%**	**54.9%**	**58.5%**

[1] All ratios calculated in accordance with the Global Regulated Electric Utilities Rating Methodology using Moody's standard adjustments.

Note: For definitions of Moody's most common ratio terms please see the accompanying User's Guide.

Opinion

Rating Drivers

-Recent transformative acquisitions

-Regulated businesses operate under above average regulatory frameworks

-Well-positioned consolidated credit metrics for rating category

-Conservative financing approach to recent acquisitions supports rating profile

-Substantial capital investment program due to pending environmental regulations

-As a holding company, PPL creditors are impacted by structural subordination

Corporate Profile

PPL Corporation (PPL: Baa3 Issuer Rating, stable) is a diversified energy holding company headquartered in Allentown, PA. PPL owns or controls about 19,000 megawatts of generating capacity in the US, sells energy in key U.S. markets, and delivers electricity and natural gas to about 10 million customers in the US and the UK.

SUMMARY RATING RATIONALE

PPL's rating is reflective of the consolidated credit profile which has been transformed to a more diversified, more rate regulated platform from a largely commodity driven, more regionally focused operation. We estimate that in 2012 at least 70% of consolidated results will be provided by more predictable, rate regulated businesses from three different jurisdictions, several of which have an above-average regulatory profile. To that end, the rating incorporates the reduced reliance that PPL will have on earnings and dividends derived from its less predictable unregulated, commodity business which will experience reduced margins due to lower commodity prices. The rating recognizes the growing importance that the company's Kentucky operations will have on future results which include plans to make substantial environmental capital investments. We observe that the transition to market rates in Pennsylvania has been completed for all of the state's electric utilities, and that the company's focus is centered on infrastructure investment, through the replacement of an aging transmission and distribution system coupled with new transmission and smart grid investments.

DETAILED RATING CONSIDERATIONS

-Acquisitions have transformed business strategy, lowered business risk

PPL's acquisition of four large regulated utility systems located in Kentucky and in the UK during 2010 and 2011 have transformed the company's business platform to a broader, more diversified rate regulated business model from one that was highly dependent on the company's commodity business.

We estimate that at least 70% of PPL's consolidated results going forward will be provided by the more predictable, rate regulated businesses from three different jurisdictions, two of which have, in our opinion, an above-average regulatory profile. Specifically, the UK networks business operates under a highly transparent and regulatory framework which we consider to be well-above average and where the tariffs have been approved through March 2015. PPL has owned and operated a networks business in the UK since 1996, and has consistently outperformed its peer companies. PPL's ownership of two Kentucky vertically-integrated utilities, Louisville Gas and Electric Company (LG&E: Baa1 senior unsecured) and Kentucky Utilities Companies (KU: Baa1 senior unsecured) should provide consistent earnings and cash flow under an above average regulated framework where substantial environmental capital investment and growth in rate base assets are expected over the next several years. Together, we estimate that the UK and Kentucky operations alone will provide almost 60% of the company's earnings and cash flow in most years.

In Pennsylvania, PPL's focus is on infrastructure investment. We observe that the PPL Electric Utilities (PPL EU Baa2 senior unsecured) subsidiary received a generally favorable result from a credit perspective in its most recent rate case and expect the company to have substantial capital investment requirements for infrastructure, smart grid and transmission projects. On March 30th,the company filed an electric distribution rate case with the state regulator for recovery of past infrastructure capital investments resulting in a $105 million revenue requirement. Overall, we consider the regulatory environment in the state to be moderately above average when compared to other state regulatory environments. To that end, we understand that the state recently passed a law to allow for a distribution system improvement charge in rates, designed to recover capital project costs incurred to repair, improve or replace aging electric and natural gas distribution systems. The bill also includes a provision that allows utilities to use a fully projected future test year permitting the inclusion of projected capital costs in the rate base for assets that will be placed in service during the future test year. In most years, we expect PPL EU to represent about 10% of consolidated results.

The remaining percentage is expected to be derived from PPL Energy Supply, LLC (PPL Supply: Baa2 senior unsecured), an unregulated generation subsidiary, which owns competitive generation assets in PJM and in the western US. We anticipate financial results for PPL Supply to be weaker in 2012 relative to 2011 due to lower electric demand, lower capacity revenues and continued low natural gas prices, which affects electric energy margins. We observe PPL Supply's recently announced plans to purchase AES Ironwood, a 705-megawatt combined-cycle natural gas-fired power plant in Lebanon, Pa., from The AES Corporation. Total consideration is about $304 million, consisting of a cash purchase price of $87 million, which includes $4.8 million in expected working capital, and about $217 million of net project debt. For the past four years PPL EnergyPlus, LLC, the marketing and trading subsidiary of PPL, has supplied natural gas to the plant in return for securing its full output under a tolling agreement that expires in 2021. Among other things, the acquisition is intended to enable PPL Supply to have greater control over AES Ironwood's operation as the company already relies upon the plant through the tolling agreement.

For more information on PPL's operating subsidiaries, please refer to moodys.com.

-PPL's consolidated credit metrics are strongly positioned for its low investment grade rating.

For the past three years, we calculate that PPL's cash flow (CFO pre-W/C) /debt averaged 17% with the company recording cash flow to debt metrics of 15.5% at 12/31/2011. Similarly, we calculate that cash flow interest coverage averaged 4.5x for the past three years with 4.0x registered in 2011 while retained cash flow to debt averaged 12.7% with 11.4% achieved in 2011. Some of this historical performance can be attributed to the performance at PPL Supply, particularly in 2010, when generation rate caps in Pennsylvania were lifted. We expect PPL's consolidated credit metrics to trend modestly lower due to weaker performance at the commodities subsidiary and a higher contribution from the predictable but lower margin rate regulated operations. Most importantly, in the future we anticipate the company's financial performance to be substantially more resilient to a declining commodity environment given the greater diversity in operations and the increased contributions from more predictable sources of cash flow and earnings.

-Conservative financing approach to recent acquisitions support rating profile

The rating considers the relatively conservative manner in which PPL financed the $13.1 billion in acquisitions during 2010 and2011. Collectively, $4.8 billion of common stock and more than $2.0 billion of convertible equity units was raised. By comparison, PPL's market capitalization currently approximates $16 billion. Overall, Moody's considers this financing approach as indicative of management's conservative financing philosophy.

-Substantial capital investment program anticipated stemming from pending environmental regulations

Beginning in 2012, over the next five years, PPL will embark on a sizeable capital expenditure plan approximating $18.7 billion (annual average of $3.7 billion). By comparison, PPL's capital expenditures averaged $1.6 billion over the previous four year period. While a large portion of this comparison reflects the incorporation of the two acquisitions as well as the impact of lower capital spending in 2009 due to the economy, capital spending for the rate regulated businesses is expected to show material increases. About $1.8 billion is earmarked for investments in FERC regulated transmission projects at PPL EU, including the planned Susquehanna-Roseland line linking Pennsylvania and New Jersey. Also, $6.3 billion of capital expected to be spent at the Kentucky utilities over this five year period including about $3 billion for environmental capital projects. The increased capital spend follows the December 2011 unanimous approval by the Kentucky Public Service Commission of a settlement with KU and LG&E concerning recovery of these capital costs under the state's Environmental Cost Recovery (ECR) mechanism. Under

the ECR, KU and LG&E are permitted to recover the costs associated with environmental-related investments, and earn a cash return on the related construction work in progress. The ECR calls for KU to invest $896 million and LG&E to invest $1.4 billion in environmental upgrades to meet recent EPA regulations, and earn an ROE of 10.1% on these investments. KU will install baghouses at the Ghent generating station and a baghouse on unit 3 at the Brown station while LG&E will install scrubbers and baghouses at the Mill Creek generating station and a baghouse for Unit 1 at the Trimble County station. In addition, KU and LG&E will earn a 10.63% ROE on about $370-$400 million of capital investments relating to previously approved projects, and have also agreed to fund certain state assistance programs.

-Structural subordination

PPL's rating reflects the structurally subordinate position of holding company obligations relative to the $15.1 billion of secured and unsecured long-term debt issued at various operating subsidiaries and intermediate holding companies. While PPL does not currently have any funded long-term senior debt obligations, it guarantees nearly $2.6 billion of subordinated debt issued by PPL Capital Funding, Inc. the majority of which was used to finance the 2011 acquisitions.

Liquidity Profile

As a holding company, PPL's primary source of liquidity is the dividends it receives from its operating subsidiaries. At December 31, 2011, PPL had consolidated cash on hand of $1.2 billion of which $379 million was cash held at the PPL Supply level.

On a consolidated basis in 2011, cash flow from operations of approximately $2.5 billion was sufficient to cover about 80% PPL's outlays including approximately $2.5 billion of capital expenditures and approximately $746 million of common stock dividends. Moody's calculates that internal sources of $3.2 billion of cash flow should cover about 70-75% of the company's capital expenditures and dividends in 2012, resulting in negative free cash flow of approximately $1.1 billion. We anticipate elevated levels of negative free cash flow also for 2013 given the increase in the size of the capital budget across the regulated platform and decreased margins stemming from the unregulated supply segment of the business. That said, the company estimates that about 66% of its consolidated capital spend will earn regulated returns subject to minimal or no regulatory lag which should help mitigate the higher outlays over the next several years.

PPL's subsidiaries have external liquidity facilities totaling approximately $4.35 billion in committed facilities to support the short-term liquidity needs of its domestic operations and £960 million to support its UK operations. The facilities have expiry dates ranging from 2013 to 2016. At December 31, 2011, of the $4.35 billion of committed credit facilities to support the domestic operations, $3.2 billion was at PPL Supply, $800 million was committed to the Kentucky utilities ($400 million each for LG&E and KU), and $350 million was at PPL EU. Total availability under the facilities at December 31, 2011 was approximately $3.75 billion, of which $2.6 was available for PPL Supply, $400 million for LG&E, $400 million for KU, and $349 million for PPL EU. KU also has established a $198 million letter of credit facility expiring in April 2014 that is used to support outstanding variable rate tax exempt bonds.

The credit facilities each contain one financial covenant. PPL Supply's credit facilities have a limitation on debt to capitalization at 65% while the PPL EU, LG&E, and KU credit facilities each limit the ratio of debt to capitalization to 70%. All of the subsidiaries were comfortably in compliance with this financial covenant. None of the facilities contain a material adverse change (MAC) clause.

Also, PPL Supply and three of its affiliates, PPL EnergyPlus, PPL Montour and PPL Brunner Island maintain an $800 million secured energy marketing and trading facility, whereby PPL EnergyPlus will receive credit to be applied to satisfy collateral posting obligations related to its energy marketing and trading activities with counterparties participating in the facility. The credit amount is guaranteed by PPL Energy Supply, PPL Montour and PPL Brunner Island. PPL Montour and PPL Brunner Island have granted liens on their respective generating facilities to secure any amount they may owe under their guarantees. The facility is an evergreen five year facility and subject to automatic annual one-year extensions in order to maintain the five year term. There were no secured obligations outstanding under this facility at December 31, 2011.

In addition to the above, PPL Supply maintains a $500 million Facility Agreement expiring June 2017, whereby PPL Supply has the ability to request up to $500 million of committed letters of credit capacity at fees to be agreed upon at the time of each request, based on certain market conditions. At December 31, 2011, there were no letters of credit issued against this facility.

While PPL has no parent level debt outstanding two of its operating subsidiaries have upcoming maturities as follows: PPL Supply's nearest debt maturity occurs in 2013 when $300 million of senior unsecured notes mature in July 2013, followed by $437 million of senior unsecured notes in December 2013. Among the utility subsidiaries, the next debt maturity occurs in November 2015, when $500 million of senior secured notes ($250 million at KU and $250 million at LG&E) are due.

In terms of contingent capital requirements, at December 31, 2011, if the credit contingent provisions underlying all derivative instruments were triggered due to a credit downgrade below investment grade, PPL and PPL Supply would have been required to prepay or post additional collateral of $475 million, respectively.

Rating Outlook

The stable outlook for PPL reflects our view that with the completion of the Kentucky utilities and UK networks acquisitions, PPL's credit quality has been fortified through a material reduction in overall business risk. The stable outlook further reflects our view that the company's position as owner of low-cost, strategically placed, primarily base-load generating assets will remain unchanged in the markets that it operates, even though these assets' cash flow generating capacity is expected to be lower over the next several years. The stable outlook also incorporates a view that the company's large capital investment will be prudently financed, to include if needed, the issuance of common equity. While we anticipate PPL's management to manage through this down cycle at PPL Supply by reducing this subsidiary's debt, to the extent that Moody's were to take a negative rating action at PPL Supply, the probability of a similar rating action occurring at PPL or one of its other subsidiaries has been greatly reduced, given the risk profile transformation that has occurred from the 2011 acquisitions.

What Could Change the Rating - Up

While we view these acquisitions as transforming events which could form the basis for positive rating momentum at PPL, the prospects for the company to be upgraded in the near -term remain somewhat limited in light of the execution risks in integrating these two large acquisitions while confronted at the same time with some of the market-based issues currently facing the company's unregulated business. However, to the extent that the integration process at both properties meets the company's expectation and PPL continues to take actions to lower overall enterprise risk and leverage over time, PPL's rating could be upgraded.

What Could Change the Rating - Down

Similarly, the prospects for downward rating action in the intermediate term are very limited, as Moody's views PPL as being strongly positioned at the current rating category and fairly resilient to withstand downward pressure in the family given the diversified set of rate regulated operations at the company and the reduced exposure to the commodity business.

Other Considerations

Moody's evaluates PPL's financial performance relative to the Regulated Electric and Gas Utilities rating methodology (the methodology) published in August 2009. As depicted in the grid, PPL's indicated rating under the methodology on a historical basis is Baa3 and on a prospective basis is Baa2 as compared to its current Baa3 senior unsecured rating. However, if one factors in a one-notch rating adjustment for PPL being a holding company whose obligations are subordinate to $15.1 billion of senior secured and senior unsecured debt, the indicated prospective rating would be in-line with the actual Baa3 senior unsecured rating.

Rating Factors

PPL Corporation

Regulated Electric and Gas Utilities Industry [1][2]	**FY 12/31/2011**	**Moody's 12-18 month Forward View* As of**

				March 2012	
Factor 1: Regulatory Framework (25%)	Measure	Score		Measure	Score
a) Regulatory Framework		Baa			Baa
Factor 2: Ability To Recover Costs And Earn Returns (25%)					
a) Ability To Recover Costs And Earn Returns		Baa			Baa
Factor 3: Diversification (10%)					
a) Market Position (5%)		A			A
b) Generation and Fuel Diversity (5%)		Ba			Ba
Factor 4: Financial Strength, Liquidity And Key Financial Metrics (40%)					
a) Liquidity (10%)		Baa			Baa
b) CFO pre-WC + Interest/ Interest (3 Year Avg) (7.5%)	4.5x	Baa		3.7x - 3.9x	Baa
c) CFO pre-WC / Debt (3 Year Avg) (7.5%)	17.0%	Baa		15% - 18%	Baa
d) CFO pre-WC - Dividends / Debt (3 Year Avg) (7.5%)	12.7%	Baa		9% - 12%	Baa
e) Debt/Capitalization (3 Year Avg) (7.5%)	55.5%	Ba		55% - 60%	Ba
Rating:					
a) Indicated Rating from Grid		Baa2			Baa2
b) Actual Rating Assigned		Baa3			Baa3

* THIS REPRESENTS MOODY'S FORWARD VIEW; NOT THE VIEW OF THE ISSUER; AND UNLESS NOTED IN THE TEXT DOES NOT INCORPORATE SIGNIFICANT ACQUISITIONS OR DIVESTITURES

[1] All ratios are calculated using Moody's Standard Adjustments. [2] As of 12/31/2011(LTM); Source: Moody's Financial Metrics

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NEW
REGULATORY
FINANCE

Roger A. Morin, PhD

2006
PUBLIC UTILITIES REPORTS, INC.
Vienna, Virginia

(rate base) of $95 to provide investors with a $10 return on the money actually invested. This is because only the net proceeds from an equity issue are added to the rate base on which the investor earns.

Here is another example that illustrates the fact that existing shareholders are made worse off when a company issues new stock below the market price. Before the issue, let us say there are 100 shares trading at $10.00 per share. The company issues an additional 25 shares at $5.00. Company value must increase by 25 × $5 = $125. Therefore, after the issue each share is worth:

$$\frac{(100 \times \$10) + \$125}{(100 + 25)} = \$1{,}125/125 = \$9.00$$

New shareholders gain 25 × $4.00 = $100 while old shareholders lose 100 × $1.00 = $100. Thus, the new issue results in a transfer of wealth from existing to new shareholders.

10.2 Magnitude of Flotation Costs

The flotation cost allowance requires an estimated adjustment to the return on equity of approximately 5% to 10%, depending on the size and risk of the issue. A more precise figure can be obtained by surveying empirical studies on utility security offerings.[2]

According to empirical studies by Lee et al. (1996), Borum and Malley (1986), Logue and Jarrow (1978), Pettway (1984), Pettway and Radcliffe (1985), Eckbo and Masulis (1987), Bhagat and Frost (1986), Mikkelson and Partch (1986) and Smith (1977, 1986), underwriting costs and expenses average 4%–5.5% of gross proceeds for utility stock offerings. The more recent study by Lee et al. (1996) finds an average flotation cost of 4.92% for utility common stock offerings, and finds that flotation costs increase progressively for smaller size issues.

As far as the market pressure effect is concerned, empirical studies clearly show that the market pressure effect is real, tangible, and measurable. All the studies support the idea that the announcement of the sale of large blocks of stock produces a decline in a company's stock price, as one would expect

[2] The common practice of issuing common equity shares by public utilities is through a firm public underwriting. In recent years, this practice has given way to shelf registrations. Shelf registrations are cheaper than firm underwritings and will over time decrease the average cost of issuing equity, as the lower marginal cost of bought deals gradually lowers the historical average cost of raising equity. "Bought deals," which is a uniquely Canadian practice, bear strong resemblance to the shelf registration procedure in the U.S.

All Secondary Utility Equity Offerings Since 1/1/2001 $100MM to $500MM

Stock Ticker Symbol	Filing date	Pricing date	Issuer	Amount ($MM)	Gross Spread (%)	Industry	Bookrunner
VVC	19 Jan 2001	08 Feb 2001	Vectren Corp	134.5	3.48	Utility-Diversified	ML
ILA	23 Feb 2001	05 Mar 2001	Aquila Inc	342.2	2.76	Utility-Electric Power	ML
TE	20 Feb 2001	06 Mar 2001	TECO Energy Inc	239.3	3.00	Utility-Electric Power	CSFB
NRG	16 Feb 2001	07 Mar 2001	NRG Energy Inc	496.8	4.52	Utility-Electric Power	CSFB, ML
BKH	22 Mar 2001	18 Apr 2001	Black Hills Corp	175.9	5.50	Utility-Electric Power	CSFB
ALE	09 May 2001	23 May 2001	ALLETE Inc	153.9	4.00	Utility-Electric Power	UBSW
ORN	11 May 2001	31 May 2001	Orion Power Holdings Inc	355.6	4.25	Utility-Electric Power	GS
SRP	24 Jul 2001	09 Aug 2001	Sierra Pacific Resources	353.6	3.75	Utility-Electric Power	ML
LNT	25 Oct 2001	08 Nov 2001	Alliant Energy Corp	273.7	3.75	Utility-Diversified	ML
ILA	22 Jan 2002	24 Jan 2002	Aquila Inc	287.5	3.25	Utility-Electric Power	SSB, UBSW
AEE	19 Feb 2002	26 Feb 2002	Ameren Corp	227.1	3.49	Utility-Electric Power	GS
TE	30 May 2002	04 Jun 2002	TECO Energy Inc	357.1	3.00	Utility-Electric Power	UBSW, CSFB
FPL	03 Jun 2002	06 Jun 2002	FPL Group Inc	325.5	3.00	Utility-Electric Power	GS, ML
DTE	14 Jun 2002	19 Jun 2002	DTE Energy Co	273.6	3.25	Utility-Electric Power	SSB, UBSW
DQE	12 Jun 2002	20 Jun 2002	Duquesne Light Holdings Inc	232.9	3.75	Utility-Electric Power	LEHMAN
ILA	19 Jun 2002	27 Jun 2002	Aquila Inc	281.3	3.25	Utility-Electric Power	CSFB
AEE	03 Sep 2002	04 Sep 2002	Ameren Corp	338.1	3.26	Utility-Electric Power	GS
PSC	08 Jul 2002	19 Sep 2002	Philadelphia Suburban Corp	180.4	4.27	Utility-Water Supply	ALEX, UBSW
SCG	30 Sep 2002	09 Oct 2002	SCANA Corp	150.6	3.25	Utility-Electric Power	UBSW, BOFA
TE	08 Oct 2002	10 Oct 2002	TECO Energy Inc	213.2	3.00	Utility-Electric Power	MS
PEG	11 Nov 2002	12 Nov 2002	Public Service Enterprise Group Inc - PSEG	458.0	3.25	Utility-Electric Power	JPMHQ, ML, MS
GXP	14 Nov 2002	21 Nov 2002	Great Plains Energy Inc	151.8	3.75	Utility-Electric Power	ML
POM	09 Dec 2002	09 Dec 2002	Pepco Holdings Inc	110.0	3.90	Utility-Electric Power	ML
PNW	16 Dec 2002	17 Dec 2002	Pinnacle West Capital Corp	206.5	3.50	Utility-Electric Power	SSB, CSFB
AEE	13 Jan 2003	14 Jan 2003	Ameren Corp	222.8	3.26	Utility-Electric Power	GS
ATG	31 Jan 2003	11 Feb 2003	AGL Resources Inc	141.7	3.50	Utility-Gas Distribution	MS, BOFA
BKH	21 Apr 2003	24 Apr 2003	Black Hills Corp	124.2	4.75	Utility-Electric Power	CSFB, LEHMAN
PPL	14 May 2003	15 May 2003	PPL Corp	270.0	3.25	Utility-Electric Power	MS, SSB, JPMHQ
SUG	30 May 2003	05 Jun 2003	Southern Union Co	174.8	3.50	Utility-Gas Distribution	JPMHQ, ML
AES	16 Jun 2003	17 Jun 2003	AES Corp	346.2	3.25	Utility-Electric Power	BOFA, LEHMAN
ATO	17 Jun 2003	18 Jun 2003	Atmos Energy Corp	103.8	4.00	Utility-Gas Distribution	ML
LNT	25 Jun 2003	01 Jul 2003	Alliant Energy Corp	332.1	4.00	Utility-Diversified	BOFA, ML
VVC	31 Jul 2003	07 Aug 2003	Vectren Corp	169.7	3.50	Utility-Diversified	GS
OGE	19 Aug 2003	21 Aug 2003	OGE Energy Corp	115.0	3.66	Utility-Electric Power	LEHMAN
PEG	30 Sep 2003	01 Oct 2003	Public Service Enterprise Group Inc - PSEG	367.1	3.00	Utility-Electric Power	SSB, MS
SRE	07 Oct 2003	08 Oct 2003	Sempra Energy	462.0	3.00	Utility-Diversified	SSB, JPMHQ, MS
WPS	13 Nov 2003	19 Nov 2003	WPS Resources Corp	173.1	3.50	Utility-Diversified	AGEDW
PNY	12 Jan 2004	20 Jan 2004	Piedmont Natural Gas Co Inc	180.6	3.51	Utility-Gas Distribution	ML
PNY	12 Jan 2004	20 Jan 2004	Piedmont Natural Gas Co Inc	180.6	3.51	Utility - Gas Distribution	ML
HE	09 Mar 2004	10 Mar 2004	Hawaiian Electric Industries Inc	103.7	4.00	Utility-Electric Power	ML
HE	09 Mar 2004	10 Mar 2004	Hawaiian Electric Industries Inc	103.7	4.00	Utility - Electric Power	ML
UGI	22 Jan 2004	18 Mar 2004	UGI Corp	249.7	4.38	Utility-Diversified	CSFB
UGI	22 Jan 2004	18 Mar 2004	UGI Corp	249.7	4.38	Utility - Diversified	CSFB
WR	17 Mar 2004	25 Mar 2004	Westar Energy Inc	249.3	3.50	Utility-Electric Power	SSB, LEHMAN, WCHV
WR	17 Mar 2004	25 Mar 2004	Westar Energy Inc	249.3	3.50	Utility - Electric Power	CITI, LEH, WCHV
GXP	04 Jun 2004	08 Jun 2004	Great Plains Energy Inc	150.0	3.50	Utility-Electric Power	ML
GXP	04 Jun 2004	08 Jun 2004	Great Plains Energy Inc	150.0	3.50	Utility - Electric Power	ML
AEE	30 Jun 2004	30 Jun 2004	Ameren Corp	458.9	3.00	Utility - Electric Power	GS
ATO	07 Jul 2004	13 Jul 2004	Atmos Energy Corp	246.2	4.00	Utility - Gas Distribution	ML
SUG	20 Jul 2004	26 Jul 2004	Southern Union Co	237.2	3.50	Utility - Gas Distribution	JPM, ML
ILA	16 Aug 2004	18 Aug 2004	Aquila Inc	117.3	3.88	Utility - Electric Power	LEH
POM	07 Sep 2004	09 Sep 2004	Pepco Holdings Inc	287.8	3.50	Utility - Electric Power	ML, CSFB
CMS	04 Oct 2004	07 Oct 2004	CMS Energy Corp	298.3	3.50	Utility - Electric Power	CITI, JPM, ML
ATO	14 Oct 2004	21 Oct 2004	Atmos Energy Corp	398.5	4.00	Utility - Gas Distribution	ML
ATG	15 Nov 2004	18 Nov 2004	AGL Resources Inc	342.4	3.00	Utility - Gas Distribution	MS, JPM
IDA	07 Dec 2004	09 Dec 2004	Idacorp Inc	120.8	4.00	Utility - Electric Power	MS
SUG	07 Feb 2005	07 Feb 2005	Southern Union Co	343.0	3.04	Utility - Gas Distribution	ML, JPM
PNM	18 Mar 2005	23 Mar 2005	PNM Resources Inc	104.6	3.25	Utility - Electric Power	MS, BOFA, WCHV
CMS	28 Mar 2005	30 Mar 2005	CMS Energy Corp	281.8	3.50	Utility - Electric Power	CITI, JPM, DB, WCHV
PNW	26 Apr 2005	27 Apr 2005	Pinnacle West Capital Corp	256.0	3.25	Utility - Electric Power	LEH
			Mean	**244.68**	**3.59**		

Notes
1. Source: Exhibit GJE-11.1, Equidesk
2. Excludes Block Trades
3. Includes all utility marketed offerings between $100MM - $500MM. Offering amount includes proceeds raised through exercise of greenshoe (where applicable)
4. U.S. offerings only

All Secondary Utility Equity Offerings Since 1/1/2001 $100MM to $500MM

Stock Ticker Symbol	Filing date	Pricing date	Issuer	Amount ($MM)	Gross Spread (%)	Industry	Bookrunner
GXP	04 Jun 2004	08 Jun 2004	Great Plains Energy Inc	150.0	3.50	Utility-Electric Power	ML
WR	17 Mar 2004	25 Mar 2004	Westar Energy Inc	249.3	3.50	Utility-Electric Power	SSB, LEHMAN, WCHV
UGI	22 Jan 2004	18 Mar 2004	UGI Corp	249.7	4.38	Utility-Diversified	CSFB
HE	09 Mar 2004	10 Mar 2004	Hawaiian Electric Industries Inc	103.7	4.00	Utility-Electric Power	ML
PNY	12 Jan 2004	20 Jan 2004	Piedmont Natural Gas Co Inc	180.6	3.51	Utility-Gas Distribution	ML
WPS	13 Nov 2003	19 Nov 2003	WPS Resources Corp	173.1	3.50	Utility-Diversified	AGEDW
SRE	07 Oct 2003	08 Oct 2003	Sempra Energy	462.0	3.00	Utility-Diversified	SSB, JPMHQ, MS
PEG	30 Sep 2003	01 Oct 2003	Public Service Enterprise Group Inc - PSEG	367.1	3.00	Utility-Electric Power	SSB, MS
OGE	19 Aug 2003	21 Aug 2003	OGE Energy Corp	115.0	3.66	Utility-Electric Power	LEHMAN
VVC	31 Jul 2003	07 Aug 2003	Vectren Corp	169.7	3.50	Utility-Diversified	GS
LNT	25 Jun 2003	01 Jul 2003	Alliant Energy Corp	332.1	4.00	Utility-Diversified	BOFA, ML
ATO	17 Jun 2003	18 Jun 2003	Atmos Energy Corp	103.8	4.00	Utility-Gas Distribution	ML
AES	16 Jun 2003	17 Jun 2003	AES Corp	346.2	3.25	Utility-Electric Power	BOFA, LEHMAN
SUG	30 May 2003	05 Jun 2003	Southern Union Co	174.8	3.50	Utility-Gas Distribution	JPMHQ, ML
PPL	14 May 2003	15 May 2003	PPL Corp	270.0	3.25	Utility-Electric Power	MS, SSB, JPMHQ
BKH	21 Apr 2003	24 Apr 2003	Black Hills Corp	124.2	4.75	Utility-Electric Power	CSFB, LEHMAN
ATG	31 Jan 2003	11 Feb 2003	AGL Resources Inc	141.7	3.50	Utility-Gas Distribution	MS, BOFA
AEE	13 Jan 2003	14 Jan 2003	Ameren Corp	222.8	3.26	Utility-Electric Power	GS
PNW	16 Dec 2002	17 Dec 2002	Pinnacle West Capital Corp	206.5	3.50	Utility-Electric Power	SSB, CSFB
POM	09 Dec 2002	09 Dec 2002	Pepco Holdings Inc	110.0	3.90	Utility-Electric Power	ML
GXP	14 Nov 2002	21 Nov 2002	Great Plains Energy Inc	151.8	3.75	Utility-Electric Power	ML
PEG	11 Nov 2002	12 Nov 2002	Public Service Enterprise Group Inc - PSEG	458.0	3.25	Utility-Electric Power	JPMHQ, ML, MS
TE	08 Oct 2002	10 Oct 2002	TECO Energy Inc	213.2	3.00	Utility-Electric Power	MS
SCG	30 Sep 2002	09 Oct 2002	SCANA Corp	150.6	3.25	Utility-Electric Power	UBSW, BOFA
PSC	08 Jul 2002	19 Sep 2002	Philadelphia Suburban Corp	180.4	4.27	Utility-Water Supply	ALEX, UBSW
AEE	03 Sep 2002	04 Sep 2002	Ameren Corp	338.1	3.26	Utility-Electric Power	GS
ILA	19 Jun 2002	27 Jun 2002	Aquila Inc	281.3	3.25	Utility-Electric Power	CSFB
DQE	12 Jun 2002	20 Jun 2002	Duquesne Light Holdings Inc	232.9	3.75	Utility-Electric Power	LEHMAN
DTE	14 Jun 2002	19 Jun 2002	DTE Energy Co	273.6	3.25	Utility-Electric Power	SSB, UBSW
FPL	03 Jun 2002	06 Jun 2002	FPL Group Inc	325.5	3.00	Utility-Electric Power	GS, ML
TE	30 May 2002	04 Jun 2002	TECO Energy Inc	357.1	3.00	Utility-Electric Power	UBSW, CSFB
AEE	19 Feb 2002	26 Feb 2002	Ameren Corp	227.1	3.49	Utility-Electric Power	GS
ILA	22 Jan 2002	24 Jan 2002	Aquila Inc	287.5	3.25	Utility-Electric Power	SSB, UBSW
LNT	25 Oct 2001	08 Nov 2001	Alliant Energy Corp	273.7	3.75	Utility-Diversified	ML
SRP	24 Jul 2001	09 Aug 2001	Sierra Pacific Resources	353.6	3.75	Utility-Electric Power	ML
ORN	11 May 2001	31 May 2001	Orion Power Holdings Inc	355.6	4.25	Utility-Electric Power	GS
ALE	09 May 2001	23 May 2001	ALLETE Inc	153.9	4.00	Utility-Electric Power	UBSW
BKH	22 Mar 2001	18 Apr 2001	Black Hills Corp	175.9	5.50	Utility-Electric Power	CSFB
NRG	16 Feb 2001	07 Mar 2001	NRG Energy Inc	496.8	4.52	Utility-Electric Power	CSFB, ML
TE	20 Feb 2001	06 Mar 2001	TECO Energy Inc	239.3	3.00	Utility-Electric Power	CSFB
ILA	23 Feb 2001	05 Mar 2001	Aquila Inc	342.2	2.76	Utility-Electric Power	ML
VVC	19 Jan 2001	08 Feb 2001	Vectren Corp	134.5	3.48	Utility-Diversified	ML
			Mean	**244.16**	**3.60**		
			Median	230.00	3.50		

Notes
1. Source: Equidesk
2. Excludes Block Trades
3. Includes all utility marketed offerings between $100MM - $500MM. Offering amount includes proceeds raised through exercise of greenshoe (where applicable)
4. U.S. offerings only

Utility Follow-on Offerings
$100-$500MM Follow-ons, 2004 to Date[1]

Ticker	Filing Date	Pricing Date	Issuer	Amount ($MM)	Gross Spread (%)	Industry	Bookrunner(s)
PNW	04/26/05	04/27/05	Pinnacle West Capital Corp	256.0	3.25	Utility - Electric Power	LEH
CMS	03/28/05	03/30/05	CMS Energy Corp	281.8	3.50	Utility - Electric Power	CITI, JPM, DB, WCHV
PNM	03/18/05	03/23/05	PNM Resources Inc	104.6	3.25	Utility - Electric Power	MS, BOFA, WCHV
SUG	02/07/05	02/07/05	Southern Union Co	343.0	3.04	Utility - Gas Distribution	ML, JPM
IDA	12/07/04	12/09/04	Idacorp Inc	120.8	4.00	Utility - Electric Power	MS
ATG	11/15/04	11/18/04	AGL Resources Inc	342.4	3.00	Utility - Gas Distribution	MS, JPM
ATO	10/14/04	10/21/04	Atmos Energy Corp	398.5	4.00	Utility - Gas Distribution	ML
CMS	10/04/04	10/07/04	CMS Energy Corp	298.3	3.50	Utility - Electric Power	CITI, JPM, ML
POM	09/07/04	09/09/04	Pepco Holdings Inc	287.8	3.50	Utility - Electric Power	ML, CSFB
ILA	08/16/04	08/18/04	Aquila Inc	117.3	3.88	Utility - Electric Power	LEH
SUG	07/20/04	07/26/04	Southern Union Co	237.2	3.50	Utility - Gas Distribution	JPM, ML
ATO	07/07/04	07/13/04	Atmos Energy Corp	246.2	4.00	Utility - Gas Distribution	ML
AEE	06/30/04	06/30/04	Ameren Corp	458.9	3.00	Utility - Electric Power	GS
GXP	06/04/04	06/08/04	Great Plains Energy Inc	150.0	3.50	Utility - Electric Power	ML
WR	03/17/04	03/25/04	Westar Energy Inc	249.3	3.50	Utility - Electric Power	CITI, LEH, WCHV
UGI	01/22/04	03/18/04	UGI Corp	249.7	4.38	Utility - Diversified	CSFB
HE	03/09/04	03/10/04	Hawaiian Electric Industries Inc	103.7	4.00	Utility - Electric Power	ML
PNY	01/12/04	01/20/04	Piedmont Natural Gas Co Inc	180.6	3.51	Utility - Gas Distribution	ML
			Average	**245.9**	**3.57**		
			Median	**249.5**	**3.50**		

Source: Equi

Notes:
1. As of June 6, 2005
2. Excludes Block Trades
3. Includes all utility marketed offerings between $100MM - $500MM. Offering amount includes proceeds raised through exercise of greenshoe (where applicable)
4. U.S. offerings only

Filing date	Latest filing date	Pricing date	Final Amt off inc ovl	Issuer
26 Aug 2004	26 Aug 2004	10 Nov 2004	766,666,665	Nalco Holding Co
10 May 2004	10 May 2004	11 May 2004	528,360,000	Consolidated Edison Co of New York
30 Jun 2004	30 Jun 2004	30 Jun 2004	458,850,000	Ameren Corp
07 Feb 2005	07 Feb 2005	07 Feb 2005	342,999,966	Southern Union Co
14 Oct 2004	14 Oct 2004	21 Oct 2004	398,475,000	Atmos Energy Corp
15 Nov 2004	15 Nov 2004	18 Nov 2004	342,350,400	AGL Resources Inc
07 Sep 2004	07 Sep 2004	09 Sep 2004	287,787,500	Pepco Holdings Inc
22 Jan 2004	12 Mar 2004	18 Mar 2004	249,686,640	UGI Corp
20 Jul 2004	20 Jul 2004	26 Jul 2004	237,187,500	Southern Union Co
26 Apr 2005	26 Apr 2005	27 Apr 2005	255,990,000	Pinnacle West Capital Corp
07 Jul 2004	07 Jul 2004	13 Jul 2004	246,200,625	Atmos Energy Corp
04 Oct 2004	04 Oct 2004	07 Oct 2004	298,252,500	CMS Energy Corp
28 Mar 2005	28 Mar 2005	30 Mar 2005	281,750,000	CMS Energy Corp
17 Mar 2004	17 Mar 2004	25 Mar 2004	249,348,750	Westar Energy Inc
12 Jan 2004	12 Jan 2004	20 Jan 2004	180,625,000	Piedmont Natural Gas Co Inc
04 Jun 2004	04 Jun 2004	08 Jun 2004	150,000,000	Great Plains Energy Inc
16 Aug 2004	16 Aug 2004	18 Aug 2004	117,300,000	Aquila Inc
07 Dec 2004	07 Dec 2004	09 Dec 2004	120,750,000	Idacorp Inc
09 Mar 2004	09 Mar 2004	10 Mar 2004	103,720,000	Hawaiian Electric Industries Inc
21 Jul 2004	21 Jul 2004	10 Nov 2004	107,812,500	Ormat Technologies Inc
18 Mar 2005	18 Mar 2005	23 Mar 2005	104,631,600	PNM Resources Inc

Grand Total (21)

Codes used in the column headed:- Bookrunner

Code	Display	Code	Display
ALEX	Deutsche Bank Securities Inc	BOFA	Banc of America Securities
CSFB	Credit Suisse First Boston	GS	Goldman Sachs & Co
JPMHQ	JP Morgan Securities Inc	LEHMAN	Lehman Brothers
ML	Merrill Lynch & Co	MS	Morgan Stanley
SSB	Citigroup Global Markets Inc	UBSW	UBS Securities Inc
WCHV	Wachovia Capital Markets LLC	UBSW	UBS Securities Inc

Codes used in the column headed:- Co-managers

Code	Display	Code	Display
AGEDW	AG Edwards & Sons Inc	ALEX	Deutsche Bank Securities Inc
BB&T	BB&T Capital Markets Inc	BEAR	Bear Stearns & Co Inc
BLAIR	William Blair & Co	BNP	BNP Paribas
BNYCAP	BNY Capital Markets Inc	BOFA	Banc of America Securities
CALYON	Calyon	COMERI	Comerica Securities
CSFB	Credit Suisse First Boston	DAIWA	Daiwa Securities America Inc
DAVENP	Davenport & Co LLC	DAVIDS	DA Davidson & Co
DEZOTA	Barclays Capital Inc	GILFRD	Gilford Securities Inc
GS	Goldman Sachs & Co	HOWEIL	Howard Weil
HSBS	HSBC Securities (USA) Inc	JANNEY	Janney Montgomery Scott LLC
JEFFER	Jefferies & Co Inc	JONES	Edward D Jones & Co LP
JPMHQ	JP Morgan Securities Inc	KBCFIN	KBC Financial Products USA Inc
KEYCM	KeyBanc Capital Markets	LAZARD	Lazard Freres & Co LLC

LEHMAN	Lehman Brothers	ML	Merrill Lynch & Co
MRBEAL	MR Beal & Co	MS	Morgan Stanley
PIPER	Piper Jaffray & Co	PNC	PNC Capital Markets Inc
RBAIRD	Robert W Baird & Co Inc	RBC	RBC Capital Markets
SCOPAL	Scotia Capital	SSB	Citigroup Global Markets Inc
STRH	SunTrust Robinson Humphrey	SWEST	SouthWest Securities Inc
UBSW	UBS Securities Inc	WCHV	Wachovia Capital Markets LLC
WELS	Wells Fargo Securities LLC	WILCAP	Williams Capital Group LP

Codes used in the column headed:- Type of Sec

Code	Display	Code	Display
IPO	Common Stock Initial	SEC	Common Stock Follow-

Codes used in the column headed:- Isr Specific Ind Group

Code	Display	Code	Display
ELEC	Utility-Electric Pow	GAS	Utility-Gas Distribu
UTID	Utility-Diversified	WATR	Utility-Water Supply

Codes used in the column headed:- Shelf Take Down (Y/N)

Code	Display	Code	Display
N	No	Y	Yes

Stock ticker s	Amt filed (mm)	ead percent	Type of Se	Isr Specific Ind G	Bookrunne	expiration date	ce File/Offer
NLC	800.000	5.50	IPO	WATR	GS, SSB, J	09 May 2005	-16.67
ED	545.860	3.00	SEC	ELEC	SSB, ML	09 Aug 2004	-3.21
AEE	408.120	3.00	SEC	ELEC	GS	28 Sep 2004	-2.23
SUG	360.150	3.04	SEC	GAS	ML, JPMH	08 May 2005	-4.76
ATO	327.340	4.00	SEC	GAS	ML	19 Jan 2005	-1.71
ATG	309.600	3.00	SEC	GAS	JPMHQ, M	16 Feb 2005	-3.84
POM	264.550	3.50	SEC	ELEC	ML, CSFB	08 Dec 2004	-5.41
UGI	242.925	4.38	SEC	UTID	CSFB	16 Jun 2004	-1.02
SUG	234.190	3.50	SEC	GAS	JPMHQ, M	24 Oct 2004	-11.93
PNW	225.833	3.25	SEC	ELEC	LEHMAN	26 Jul 2005	-1.43
ATO	219.300	4.00	SEC	GAS	ML	11 Oct 2004	-4.07
CMS	205.700	3.50	SEC	ELEC	SSB, JPMI	06 Dec 2004	-2.67
CMS	203.360	3.50	SEC	ELEC	SSB, JPMI	29 May 2005	-3.62
WR	183.983	3.50	SEC	ELEC	SSB, LEHM	23 Jun 2004	3.82
PNY	179.775	3.51	SEC	GAS	ML	19 Apr 2004	0.47
GXP	131.648	3.50	SEC	ELEC	ML	06 Sep 2004	0.27
ILA	123.200	3.88	SEC	ELEC	LEHMAN	16 Nov 2004	-17.21
IDA	110.425	4.00	SEC	ELEC	MS	09 Mar 2005	-4.91
HE	105.780	4.00	SEC	ELEC	ML	08 Jun 2004	-1.95
ORA	100.000	7.00	IPO	ELEC	LEHMAN	09 May 2005	-6.25
PNM	95.098	3.25	SEC	ELEC	BOFA, MS	21 Jun 2005	-4.33
	Tot(21)						
	5,376.836						

ıy %Change	ʳs %Change	ʳs %Change	ce Offer/Curr	g range :low	range :high	Current range
8.00	8.00	25.67	18.67	17.000	19.000	17.00 - 19.00
0.29	0.08	3.50	21.04			
1.05	2.29	6.40	27.14			
7.00	9.13	12.61	6.87			
2.63	4.04	5.25	14.22			
4.22	6.58	7.22	15.70			
1.45	2.65	5.56	19.22			
1.25	0.16	-1.31	-17.13			
3.36	6.13	-1.07	31.09			
-0.88	0.71	4.45	6.26			
0.93	2.38	0.73	14.22			
0.11	-1.87	11.76	57.36			
6.45	7.18	5.47	16.90			
1.02	3.63	0.77	12.74			
-0.80	-1.29	-3.15	14.82			
0.07	-1.27	-1.23	5.67			
0.39	9.02	23.53	39.61			
0.67	2.87	-0.97	-3.23			
-0.89	0.40	-3.32	0.46			
1.33	6.00	14.33	12.87	15.000	17.000	15.00 - 17.00
0.52	-0.78	0.60	10.39			

Filing price (general)	Offer price	Outstanding (mm)	Underwriter Participation (%)
17.00 - 19.00	15.000	141.663	Robert W Baird & Co Inc (0.80%), Blaylock & Partn
38.99	37.740	240.944	
42.96	42.000	182.030	
24.15	23.000	105.487	
25.18	24.750	76.519	
32.25	31.010	74.941	
20.35	19.250	185.664	
32.43	32.100	50.279	
21.29	18.750	77.972	
42.61	42.000	96.870	
25.80	24.750	60.886	
9.35	9.100	161.936	
12.71	12.250	195.563	
19.89	20.650	83.823	
42.30	42.500	38.050	
29.92	30.000	74.259	AG Edwards & Sons Inc (5.00%), Williams Capital
3.08	2.550	235.700	
31.55	30.000	41.692	
52.89	51.860	40.032	
15.00 - 17.00	15.000	30.625	Fidelity Capital Markets Co (0.80%), Oppenheimer
27.97	26.760	63.865	

o of Bookrunners	ad managers	o-managers	urr shares fld (mm)	utstanding (mm)	Co-managers
4	4	6	44.444	141.663	BOFA, BEAR, CS
2	2	12	14.000	240.944	CSFB, JPMHQ, M
1	2	6	9.500	182.030	BOFA, SSB, JPM
2	2	0	14.913	105.487	
1	1	4	13.000	76.519	BOFA, JPMHQ, S
2	2	7	9.600	74.941	BOFA, STRH, CA
2	2	6	13.000	185.664	SSB, JPMHQ, KE
1	1	3	7.500	50.279	SSB, WCHV, JAI
2	2	10	11.000	77.972	BOFA, CALYON,
1	1	2	5.300	96.870	SSB, CSFB
1	1	5	8.500	60.886	JPMHQ, LEHMA
3	3	8	22.000	161.936	ALEX, GS, WCH
4	4	3	16.000	195.563	GS, KEYCM, WE
3	3	6	9.250	83.823	JPMHQ, BNYCA
1	1	5	4.250	38.050	STRH, BB&T, DA
1	2	4	4.400	74.259	BNYCAP, JPMHC
1	2	2	40.000	235.700	SSB, ML
1	1	4	3.500	41.692	WCHV, KEYCM,
1	1	4	2.000	40.032	GS, RBAIRD, PIP
1	2	2	6.250	30.625	RBC, WELS
3	3	4	3.400	63.865	SSB, ML, JANNE

Filing Information	Pricing Information
Nalco Holding Co "NLC" - -536.87mm Cmn Shrs, II	Nalco Holding Co "NLC" - IPO, 44.44mm Cmn Shr
Consolidated Edison Co of New York "ED" - 0.00mı	Consolidated Edison Co of New York "ED" - Secnc
Ameren Corp "AEE" - 0.00mm Cmn Shrs, Secndry,	Ameren Corp "AEE" - Secndry, 10.00mm Cmn Shı
Southern Union Co "SUG" - 1073.74mm Cmn Shrs	Southern Union Co "SUG" - Secndry, 14.91mm Cn
Atmos Energy Corp "ATO" - 0.00mm Cmn Shrs, Se	Atmos Energy Corp "ATO" - Secndry, 14.00mm Cr
AGL Resources Inc "ATG" - 0.00mm Cmn Shrs, Se	AGL Resources Inc "ATG" - Secndry, 9.60mm Cmı
Pepco Holdings Inc "POM" - 0.00mm Cmn Shrs, S	Pepco Holdings Inc "POM" - Secndry, 13.00mm Cı
UGI Corp "UGI" [Revision]- 0.00mm Cmn Shrs, Se	UGI Corp "UGI" - Secndry, 7.50mm Cmn Shrs at $
Southern Union Co "SUG" - 0.00mm Cmn Shrs, Se	Southern Union Co "SUG" - Secndry, 11.00mm Cn
Pinnacle West Capital Corp "PNW" - 0.00mm Cmn	Pinnacle West Capital Corp "PNW" - Secndry, 5.3(
Atmos Energy Corp "ATO" - 0.00mm Cmn Shrs, Se	Atmos Energy Corp "ATO" - Secndry, 8.65mm Cm
CMS Energy Corp "CMS" - 0.00mm Cmn Shrs, Se(	CMS Energy Corp "CMS" - Secndry, 28.50mm Cm
CMS Energy Corp "CMS" - 0.00mm Cmn Shrs, Se(	CMS Energy Corp "CMS" - Secndry, 20.00mm Cm
Westar Energy Inc "WR" - 0.00mm Cmn Shrs, Sec	Westar Energy Inc "WR" - Secndry, 10.50mm Cmr
Piedmont Natural Gas Co Inc "PNY" - 0.00mm Cmı	Piedmont Natural Gas Co Inc "PNY" - Secndry, 4.2
Great Plains Energy Inc "GXP" - 0.00mm Cmn Shr	Great Plains Energy Inc "GXP" - Secndry, 5.00mm
Aquila Inc "ILA" - 0.00mm Cmn Shrs, Secndry, $3.(	Aquila Inc "ILA" - Secndry, 40.00mm Cmn Shrs at
Idacorp Inc "IDA" - 0.00mm Cmn Shrs, Secndry, $3	Idacorp Inc "IDA" - Secndry, 3.50mm Cmn Shrs at
Hawaiian Electric Industries Inc "HE" - 0.00mm Cm	Hawaiian Electric Industries Inc "HE" - Secndry, 2.(
Ormat Technologies Inc "ORA" - 0.00mm Cmn Shr	Ormat Technologies Inc "ORA" - IPO, 6.25mm Cm
PNM Resources Inc "PNM" - 0.00mm Cmn Shrs, S	PNM Resources Inc "PNM" - Secndry, 3.40mm Cn

CommScan Note	Shelf Ta	t time updated
Range and shrs not specified at filing. Max agg amt	$800m.	14 Jan 2005
Shelf takedown. Shelf filed 4/6/04 consisting of prfc	Y	17 Dec 2004
shelf takedown. Shelf filed 4/7/04 consisting of sr d	Y	01 Sep 2004
Shelf takedown. Shelf filed 3/19/04 consisting of de	Y	15 Apr 2005
Shelf takedown. Shelf filed 8/31/2004 consisting of	Y	22 Dec 2004
Shelf takedown. Shelf filed 10/22/04 consisting of d	Y	20 Jan 2005
Shelf takedown 9/7/04. Shelf filed 4/7/03 consisitng	Y	28 Dec 2004
Also trading on the Phildelphia Stock Exchange "U(	N	28 Jun 2004
Shelf takedown. Shelf filed 3/19/04 consisting of de	Y	11 Feb 2005
Shelf Takedown. Shelf filed 12/21/04 consisting of (	Y	17 May 2005
Shelf takedown. Shelf filed 12/20/2001 consisting o	Y	30 Sep 2004
Shelf takedown. Shelf filed 12/15/2000 consisting o	Y	27 Apr 2005
Shelf takedown. Shelf filed 12/15/2000 consisting o	Y	12 Apr 2005
Shelf takedown.Shelf filed 3/9/04 consisting of First	Y	03 Sep 2004
Shelf take down. These proceeds will be applied to	Y	31 Dec 2004
Shelf takedown. Shelf filed 4/15/04 consisting of sr	Y	15 Apr 2005
Shelf takedown. Shelf filed 5/15/2002 consisting of	Y	04 Oct 2004
Shelf takedown. Shelf filed 2/26/2002 consisting of	Y	06 Jan 2005
Shelf takedown. Shelf filed 2/27/04 consisting of sr	Y	25 Oct 2004
Range and shrs not specified at filing. Max agg amt	$115m	12 Nov 2004
Shelf takedown. Shelf filed 12/7/04 consisting of de	Y	15 Apr 2005

Global Power
North America
Special Report

U.S. Utilities, Power, and Gas 2010 Outlook

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Related Research

- *Pipeline/Midstream/MLP 2010 Outlook, Dec. 3, 2009*

Table of Contents

Overview 1
Credit Outlook Summary by Segment ... 2
Key Drivers of 2010 Outlook 3
Utility Parent Companies 10
Electric Utilities 12
Natural Gas Distributors 15
Competitive Generation Companies ... 15
Public Power Utilities 17
Pipeline and Midstream Sector 19
Appendix: Ratings and
Ratings Outlook by Segment 21

Overview

The U.S. Utilities, Power, and Gas (UPG) sector 2010 outlook is framed in the context of Fitch Ratings' outlook for a slow U.S. economic recovery in 2010, with stable outlooks for most of the business segments within the UPG universe except for negative 2010 credit outlook for competitive generators and retail propane distributors. Forces driving the credit outlook are summarized below:

- Growth in power sales adjusted for weather will resume after the declines of 2008–2009. Natural gas sales volume is expected to be relatively flat year on year.
- Market prices for natural gas and electric power and capacity are likely to remain in a low band. Relatively low prices are:
  - Beneficial or neutral for electric and gas utilities.
  - Unfavorable for competitive power generators and natural gas storage and midstream services.
- While non-energy commodity prices are up from their trough in 2009, we do not foresee an overheated economy with rapid expansion in the prices of construction materials; however, U.S. dollar weakness is likely to raise costs of imported machinery and equipment, and could eventually raise prices of U.S. construction materials, increasing capital investment cost pressures.
- Electric utilities reduced their 2010 capital expenditure budgets from earlier planned amounts, but the overall level of investment remains greater than internal funding and will require external financing, including raising equity capital.
- Continued good access to debt and equity capital markets is expected, along with gradual improvement in bank market conditions.
- Electric and gas utilities are in a long-term cycle of rising unit costs, requiring frequent base rate increases to maintain stable financial results.
- While Fitch expects that most utilities will achieve reasonable regulatory outcomes, the dependence on rate increases exposes utilities to potential resistance from regulators, state politicians, and consumers/voters.
- Fitch expects passage within two years of national laws limiting greenhouse gas (GHG) emissions and possibly a national renewable portfolio standard, as well as more stringent environmental regulations on other emissions. This will have little effect on cash flow in 2010, but longer-term consequences for many competitive power generators are unfavorable, especially for owners of coal-fired generation, and it will add to cost pressures for integrated electric utilities and their consumers.

The "Credit Outlook Summary by Segment" table on page 2 of this report delineates the outlook and median rating with supporting bullet points for each business segment in the UPG sector. Fitch's business segment outlooks are formulated based on an analysis of fundamental factors, not by tallying the current rating outlooks of individual issuers in the business segment. Rating Outlooks for individual companies often vary from

segment outlooks due to the specific circumstances of each entity. As of Dec. 1, 2009, more than 86% of individual issuer Rating Outlooks in the UPG sector are Stable.

Resilient Performance in 2009

Companies in the UPG sector weathered the recession and financial crisis of 2008–2009 with considerably less pain than sectors such as financial institutions, cyclical industrials, and retailers. The absence of significant defaults in the sector is in stark contrast to the upswing in defaults and bankruptcy filings across the rest of the U.S.

Credit Outlook Summary by Segment

The segment credit outlooks in the left column reflect fundamental analysis of factors influencing developments in the segment, not the aggregate Rating Outlooks of the entities in the segment. Median ratings indicated are based on the issuer default ratings (IDR) of entities rated by Fitch Ratings, with the exception of the public power utility segment, which is based on senior instrument ratings. Public power utilities are not assigned IDRs.

Segment	Drivers in Credit Outlooks for 2010
Utility Parent Companies Median IDR: BBB **Credit Outlook** Stable (One Year) Negative (Longer Term)	• Continued cost cutting for earnings and cash flow growth. • Investment focus on organic growth, investments in transmission, and renewables. • M&A activity will be limited. • Focus on core businesses; selective divestitures. • Equity issuance needed to maintain balanced capital mix.
Electric Utilities, Investor-Owned Median IDR Integrated Electric: BBB Median IDR Electric Distribution: BBB **Credit Outlook** Stable (One Year) Stable to Negative (Longer Term)	• Sustained high capital spending for the majority of companies. • Relatively low gas and power prices will mitigate effect of rising infrastructure costs in 2010. • Rising unit costs longer term due to new infrastructure and carbon regulations. • Serial base rate cases to recover infrastructure investments in 2010 and longer term. • Significant new debt, hybrids, and equity issuance to fund capex.
Gas Distributors, Investor-Owned Median IDR: A– **Credit Outlook** Stable (One Year and Longer Term)	• Oversupply of gas into the 2010 winter season will relieve rate pressure. • Sales growth constrained by continued weakness in the housing sector. • Capital expenditures will remain fairly low and manageable. • Expect consistent regulatory treatment and manageable external funding.
Competitive Generation Companies **Generating Companies and Energy Trading** Median IDR: BB– **Credit Outlook** Negative (One Year) Negative to Stable (Longer Term)	• Excess power reserve margins will linger with modest demand growth. • Low gas and power price environment will hold down margins for most generators. • Need to replace expiring hedges and contracts in a weak pricing environment. • Uncertainty surrounding carbon legislation remains a key operating and credit issue for this group.
Natural Gas Midstream Companies **Midstream and Pipeline Companies** Median IDR: BBB– **Credit Outlook: Pipelines** Stable (One Year and Longer Term) **Credit Outlook: Midstream** Stable (One Year and Longer Term) **Credit Outlook: Propane** Negative (One Year and Longer Term)	• Development of low-risk, contractually supported pipelines to connect increased shale gas production to high-demand eastern markets. • Midstream processing volumes and margins likely to be supported by significant price advantage of NGLs over oil-based naptha as ethylene feedstock. • Modest increase in volumes on natural gas and refined products pipelines due to recovering economic activity. • Companies are likely to continue to pursue conservative financial practices.
Public Power Utilities **Municipal, State, and Federal Agencies and Cooperatives** Median Rating[a] (Retail Systems): A+ Median Rating[a] (Wholesale Systems): A **Credit Outlook** Stable (One Year) Stable to Negative (Longer Term)	• Benefit from less state regulatory oversight; local control over rate-setting. • Continued lower usage and decreased revenues from surplus power sales anticipated for 2010. • Growing pressure for local governments to slow rate increases and boost transfers from the utility system to replace lost city tax revenue and fund pension obligations. • Generation investment will continue, albeit at a slower pace. • Rising unit costs longer term due to new infrastructure and carbon regulations. • Improving access to third party liquidity; expect extension of federal stimulus program which provides for issuance of taxable Build America Bonds by municipal entities.

[a]Median ratings shown for Public Power Utilities are senior unsecured debt ratings.
Source: Fitch.

economy, consistent with the defensive reputation of the sector.

In general, companies in the UPG sector entered 2009 in reasonably sound financial condition; some drew down their bank credit facilities during the banking crisis in late 2008 and repaid the loans as the bank and financial markets stabilized during 2009.

Rate-regulated utilities benefited during the market disruption from bond investors' preference for low-risk infrastructure investments. Regulated utilities and holding companies with higher investment-grade ratings had adequate to robust bond and commercial paper market access throughout 2009, and the bond market became more open to funding companies with speculative-grade ratings at progressively lower spreads during the second half of 2009.

Electric and gas utilities' sales volumes were reduced as a result of cyclical sales declines, especially lower industrial consumption of gas and power, with greatest impact in the Midwest. Residential demand was also lower, particularly in markets with the greatest impact from the housing collapse. While reduced sales hurt cash flow, lower costs of natural gas and power purchases, combined with timing differences in cost recoveries and collections of prior fuel deferrals, helped support operating cash flow and reduced working capital needs. Some integrated electric utilities that rely on spot sales of excess power into the wholesale market and rely on profits from wholesale sales suffered from a material decline in spot market prices.

Competitive generators and midstream gas processors were exposed to oversupply of natural gas and declines in power and gas spot and forward prices to the extent production was unhedged. However, generators and midstream processors that entered 2009 with their sales significantly hedged avoided most of the impact of lower margins.

Key Drivers of the 2010 Outlook

Fitch's 2010 credit outlook for the Utilities, Power, and Gas sector incorporates the following framing economic and capital market assumptions:

- General economic recovery continues over the course of 2010.
- Capital market conditions are expected to be open and the bank market to have a gradual improvement in spreads.
- Interest rates are expected to rise over the course of the year from very low levels.
- Weather-adjusted power demand expected to return to growth in 2010–2011. Power is expected to form a longer-term growth trend averaging about 1.4% to 1.6% per annum. Recovering industrial and commercial demand for natural gas should offset increased efficiency, resulting in flat sales overall for gas.

Fitch's 2010 U.S. economic outlook is for a slow recovery, with a projected modest 1.8% rise in GDP. Industrial production and GDP appear to be gaining, albeit from a low base. Fitch expects the pace of expansion to remain weak by the standard of prior recoveries. While job losses are slowing, unemployment is not improving, and could weigh on consumer sentiment and spending for several quarters. While there is a risk of a double-dip recession, which would continue to suppress sales growth in the sector and would result in a more adverse near-term credit environment, this is not Fitch's base case.

Interest Rates

U.S. Treasury interest rates in 2009 were at historically low levels, with short-term rates near zero for the first half of the year. Later in 2009, the long end of the yield curve began to move up. In the low rate environment, utilities achieved low-cost long-

term debt financing, with 20- to 30-year taxable utility operating company issues at 5.50%–6%. As long as U.S. Treasury policy keeps rates low, the dollar would remain under pressure. Assuming that the economic recovery takes hold, the Federal Reserve would have to devise an exit from its easy-money monetary policy, allowing short-term interest rates to revert to a more normal level, and long-term rates to move up as well.

Access to Capital and Credit Markets

Access to the debt capital market is expected to remain open to the UPG sector issuers in 2010–2011.

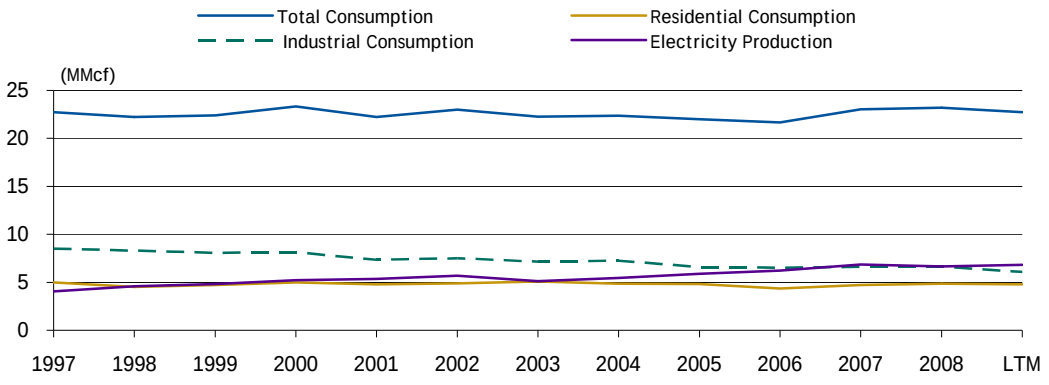
Access to equity capital in addition to debt will be critical for utilities and utility holding companies to maintain stable credit profiles, given the forecast for capital expenditures in the sector in excess of internal cash flow. The utility sector will have difficulty to satisfy equity investors' expectations for growth in a general economic recovery. Companies with strong market valuations or better growth fundamentals are better positioned to raise equity without excessive dilution. Many utilities are considering the use of hybrid securities to minimize dilution.

Fitch is monitoring expiring bank credit facilities and the pricing, covenants and terms of new and replacement facilities. A recent Fitch study tallied approximately $163 billion of credit facilities of companies in the UPG sector expiring in 2010–2014, with approximately 40% ($65 billion) of maturities concentrated in 2012. Fitch concluded that expiring credit facilities are not likely to create a liquidity issue for the sector, although credit costs are likely to be higher than prior to the credit crisis. Fitch expects that companies with expiring credit facilities will close the gap by means of alternatives such as diversifying credit providers and using new types of credit facilities, relying more on capital market debt and less on bank facilities for direct funding or back-up, and altering collateral-intensive business practices to reduce needs for back-up credit. (*For more on this topic, please refer to "Fitch Review of Bank Credit Facilities in the Utilities, Power, and Gas Sector," published on Oct. 28, 2009.*)

Gas and Power Demand

The trend over the past decade has been for declining natural gas consumption by industrial users to be offset by higher usage for power generation. In 2009, extremely low natural gas prices caused the dispatch of gas combined-cycle units to displace some production by less-efficient coal plants. Assuming somewhat higher gas prices in 2010, gas is likely to give back some share to coal at the margin. Beyond 2010, Fitch expects

U.S. Natural Gas Consumption by Customer Sector

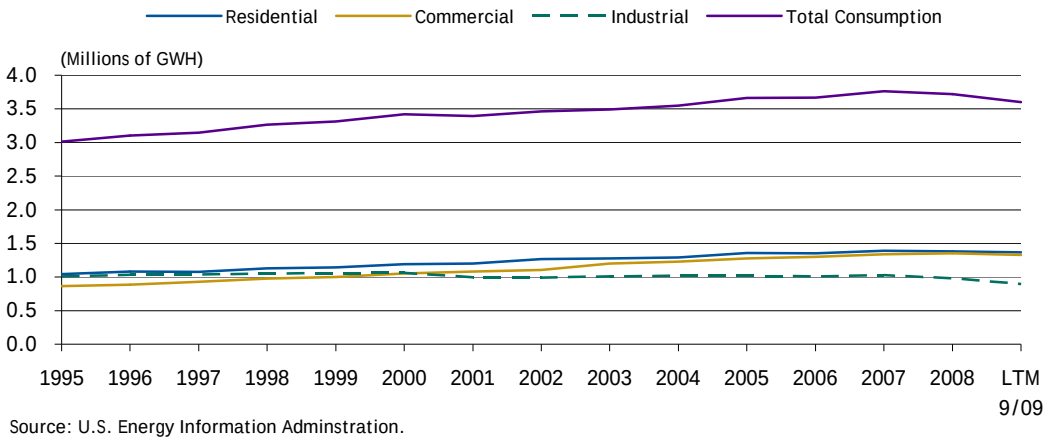


Source: U.S. Energy Information Administration.

that use of natural gas for power generation will be growing and taking share away from coal, offsetting shrinkage in primary demand for gas as a fuel for residential, commercial, and industrial applications. On balance, weather-adjusted sales of natural gas are forecasted to be approximately flat.

On a weather-adjusted basis, Fitch expects that U.S. electricity sales will rise in 2010 by 1% to 2%, largely due to a rebound in industrial usage straddling 2010–2011 that would recover some but by no means all of the industrial demand lost in 2008–2009. Longer run, Fitch foresees U.S. power consumption growing at 1.4%–1.6% annually. Growth in U.S. per capita electricity consumption has been in a long-term secular decline since 1960, and that trend is likely to continue as state and federal policies increasingly favor energy-efficiency and demand-reduction programs. In those states with aggressive policies promoting demand reduction, electric utilities are likely to press for tariff decoupling mechanisms to replicate those already in effect for many natural gas distributors and in a few jurisdictions for electricity.

U.S. Electricity Consumption by Customer Sector



Source: U.S. Energy Information Adminstration.

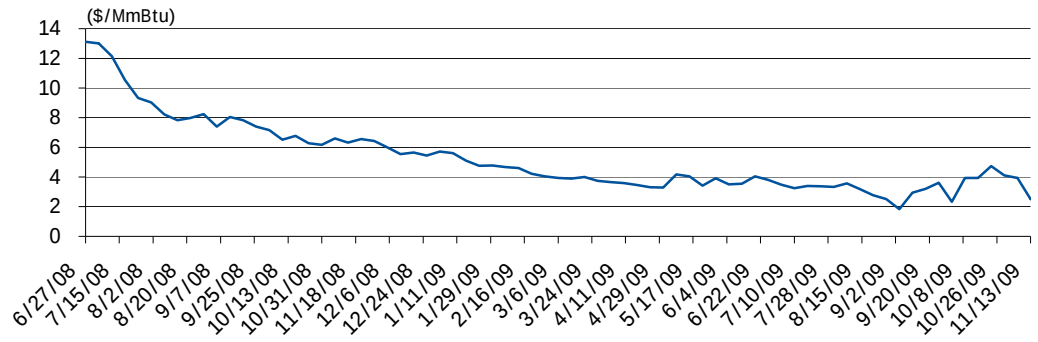
Commodity Prices

While market prices of gas and electric power are expected to rise from the 2009 trough, prices are likely to remain well below the levels that prevailed in early 2008. Relatively low gas and power prices are a favorable element in the credit outlook of most electric and gas distribution utilities and many integrated electric utilities, but form a more challenging market environment for competitive generators with conventional power generation assets and midstream gas processors to the extent that sales are dependent on market prices rather than contracts signed at more favorable prices.

Producers of steam coal remain in a pinch between their own rising production and pension costs and the gas-on-coal competition at the margin for power production. Coal stockpiles at power plants will enter 2010 materially above historical levels. While demand and prices for met coal can rise with global economic recovery, steam coal prices are likely to be constrained.

Prices of steel, cement, and other construction materials are up somewhat from their trough in early 2009, and prices are expected to increase over the course of 2010, especially due to the weak U.S. dollar. However, we see no basis for a return in 2010 to the runaway inflation of construction materials of early 2008.

Natural Gas Spot Prices — Henry Hub



MmBtu – Million British thermal units.
Source: Bloomberg.

Natural Gas Price Environment

Natural gas supply has exceeded demand for much of 2009, reflecting a combination of lower consumption, high production, and historically high gas inventory levels. Rapid expansion of shale gas production as well as greater accessibility to Rockies' gas production contributed to the 2008–2009 collapse of U.S. gas prices as the recession depressed industrial demand. Fitch believes that price weakness will continue throughout 2010 as the industry works through high inventory levels and demand remains weak; the dramatic reduction in rig count during 2009 may only gradually reduce the gas oversupply, especially since new shale production tends to have very high initial production levels.

Weather is a dominant factor in natural gas demand in the residential and commercial markets. Fitch does not forecast the weather; however, given the drops in natural gas demand in the industrial sector of the economy, it is not clear that even a colder-than-normal winter would be enough to support materially higher natural gas prices in 2010.

Wholesale Electricity Prices

As a result of the decline in U.S. power consumption in 2009 along with some new power capacity coming on line, capacity reserve margins have increased to the extent that all U.S. power regions are currently oversupplied, with capacity reserve margins in excess of 30% in most regions. Additions of renewable resources (largely wind) and a few large coal plants that came on line in 2009 or will enter service in 2010 also tend to prolong the industry overcapacity. Excess power capacity will only gradually be absorbed by the modest increase in power demand.

The relatively low band of natural gas prices foreseen for 2010–2011 is expected to combine with high capacity reserve margins to keep electric power and capacity prices in a moderately low range in 2010 compared with the prices that prevailed in 2007 through mid-2008. Increasing output of wind and solar generation over the next several years will also play a role in reducing round-the-clock energy prices and market clearing heat rates, especially in those markets with the most abundant resources of wind (Midwest and Plains, Texas) if transmission is adequate to move power to load centers. In 2010–2013, 30% or more of the new power generation coming on line in the U.S. will be wind, solar or other renewable generation, stimulated by tax subsidies, state renewable portfolio standards, and feed-in tariffs in some states. Finally, construction of new electric transmission facilities in New England and PJM and in ERCOT over the next five years is expected to begin to lower electricity prices in congested zones and

to raise prices outside the congestion zones.

Capital Expenditures

Overall, companies in the UPG sector responded to the recessionary environment and reduced gas and power demand by deferring capital expenditures (capex) budgeted for 2009 and 2010 or cutting out discretionary projects, but the effects differ by segments within the sector. Overall, capex in the sector will remain well in excess of depreciation charges relating to the existing asset base.

- Capex for the competitive power generation sector remains in excess of depreciation charges, despite more limited access to capital by the independent generators as well as the court overturn of the Environmental Protection Agency's (EPA) Clean Air Interstate Rule (CAIR) and Clean Air Mercury Rule (CAMR) regulations, which caused some companies to delay environmental compliance projects. In 2010, capex will include more environmental compliance work, investments in renewable power sources that carry abundant tax incentives and up-rates of existing nuclear plant capacity.
- Constrained by uncertain access to capital, gas midstream companies, and master limited partnerships (MLPs) reduced capex very sharply in 2009, cutting back to maintenance levels and completion of major projects already under construction. Some major pipeline infrastructure projects are under construction, and these have put some stress on credit ratios of their sponsors. In 2010, companies will spend to complete major pipeline projects and to extend gathering lines to new shale-producing areas, and could ramp up discretionary capex if funding is available and market conditions improve with enhanced economic activity.
- Gas distribution utilities generally have modest capex budgets, averaging around 1.5x annual depreciation charges. Spending is expected to decline year on year in 2010.
- Electric utilities have been in a pattern of increasing capex from 2005–2008 and had budgeted to continue to grow in 2009. In 2009, the investor-owned electric utilities reduced their aggregate capex by 10% from the originally budgeted 2009 levels, and cut their 2010 plans by 9% from the original plans for 2010. After those cuts, 2010 capital expenditures for the segment as a whole are now budgeted to be essentially flat with the record $84 billion level of 2008, and Fitch expects to see some growth in capex in 2011. The ratio of capex to annual depreciation and amortization charges will on average be higher for integrated utilities than for utilities that are pure transmission and distribution (T&D) providers. Fitch notes that there is considerable divergence in capital investment among the T&D utilities, including some that are investing heavily for advanced metering or transmission and grid reliability projects and several with very minimal capex. (*For more information on this topic, please refer to "Electric Utility Capital Expenditures: The Show Will Go On," published on Oct. 14, 2009*).

Ratio of Capital Expenditures to Depreciation and Amortization

(12 Months Ended Sept. 30, 2009)

	Average	Minimum	Maximum
Parent Companies (Consolidated)	2.3	0.7	4.9
Electric Integrated Utilities	2.7	0.8	6.7
Electric Distribution Utilities	1.5	0.3	4.6
Gas Distribution Utilities	1.5	0.9	3.0
Competitive Generators	2.8	0.9	7.0
Pipeline and Midstream Gas	2.5	1.0	7.6

Source: Fitch Ratings, company financial statements.

Public Policy Will Drive Fundamental Changes

While it is still uncertain whether a major energy bill will be enacted in 2010, the presidential administration and Congressional leadership are intent upon enacting a law to address climate change, including limits on GHG emissions using a cap-and-trade program, implementing standards for energy efficiency and conservation, and promoting investments in renewable resources. However, it has so far proven difficult to find bipartisan support or to muster sufficient support within the Democratic majority to pass a Senate bill that will raise costs for consumers and disadvantage some states more than others.

If the Congress is unsuccessful in passing new laws on these matters, the EPA has the authority to take a more vigorous approach to carry out the federal court mandate defining carbon dioxide and other GHGs as dangerous pollutants subject to regulation under the Clean Air Act. Compliance with an EPA rule is likely to be more difficult and costly for electric power generators and integrated utilities than a compromise bill crafted by Congress; thus, the electric industry has united to support Congressional action. Also, EPA is expected to act on new regulations to replace vacated Clean Air Interstate Rule and Clean Air Mercury Rule with important effects on coal-fired generating units, though not likely to have material effect in 2010.

Fitch assumes that there will either be a national law within the next two years that will regulate carbon emissions, or the EPA will step in with new regulations with more severe impact. If the EPA establishes rules, they are likely to take several additional years of litigation and implementation. Fitch conducts sensitivities of the effects of possible emissions prices or a tax on carbon emissions in its credit reviews of power generators, but has not developed stress cases around potential EPA regulations.

Renewable Energy and Technology Innovation

Roughly half the states have adopted renewable portfolio standards (RPS) requiring utilities to source a larger share of their electric power from defined renewable sources, and more continue to jump on the bandwagon. There is growing pressure in some states to establish feed-in tariffs and/or net metering of electricity. The longer-term effect of these requirements may be adverse for electric utility credit if utilities become loaded up with costly and inflexible power purchase obligations, akin to the problems that occurred in the 1980s–1990s following the implementation of the Public Utility Regulatory Policy Act of 1978. As higher costs of renewable resources and related transmissions are pushed into consumer tariffs, it could make it more difficult for utilities to achieve base rate increases to recover other rising cost elements and maintain satisfactory equity returns.

In 2009, significant tax incentives (*see the Federal Tax Matters section on page 9*) have begun to stimulate a sharp increase in investments in wind, solar, biomass, and other resources defined as renewable power. Federal loan guarantees for renewable resources, advanced clean energy technologies, and electric transmission, as well as grants from the Department of Energy for advanced metering and Smart Grid projects are additional sources of stimulus.

We have entered a period of high technology innovation in renewable energy resources, demand reduction, energy efficiency, and electric power transmission networks. A significant amount of work is underway to prepare for potential charging of plug-in electric vehicles, a development that would require substantial new investments in the utility distribution grid. The industry is testing technologies for carbon capture and storage, integrated gasification with combined cycle electric production (IGCC), battery storage, and pursuing licensing of new nuclear reactor designs. The U.S. has increased federal funding for energy-related research at the national laboratories. Burgeoning

and often conflicting policies and technology changes will lead to fundamental and largely unpredictable changes in the energy and electricity sector over the next five to 10 years, but with relatively small impact in 2010.

Federal Tax Matters

Many companies in the UPG sector will lower their tax bills for 2009 and 2010 as a result of a host of economic stimulus tax provisions. Tax credits for investments in renewable energy and extended tax loss carry-backs will temporarily turn the tax return into a profit center for several companies in the sector.

The American Recovery and Reinvestment Act of 2009 (ARRA), an economic stimulus package, extended and expanded tax benefits available to specific project investments, particularly for various renewable energy technologies:

- **Renewable Energy Production Tax Credits (PTC):** ARRA extended eligibility dates of a tax credit for facilities producing electricity from wind, biomass, geothermal energy, municipal solid waste, and qualified hydropower and marine renewable energy. The "placed in service date" for wind facilities was extended to Dec. 31, 2012, and for the other types of facilities to Dec. 31, 2013.
- **Election of Investment Tax Credits in Lieu of PTC:** Businesses that place in service facilities that produce electricity from wind and some other renewable resources can choose either the energy investment tax credit (generally a 30% tax credit for investments in energy projects) or the PTC, which provides a credit per kWh for electricity produced from renewable sources. A business may not claim both credits for the same facility. A taxpayer electing the ITC in lieu of PTC receives a cash payment 60 days after achieving the commercial operation date.
- **Bonus Depreciation:** Businesses can deduct half the adjusted basis of qualifying property in the year it is placed in service. The extension applies to qualifying property placed in service in 2009 (2010 for long production period property and certain transportation property).

Net operating loss (NOL) carry-back was extended for a maximum carry-back of 5 years rather than the normal two-year period applicable to nearly all companies, except for recipients of TARP relief, as a provision of the Homeownership and Business Assistance Act of 2009 (November 2009). The carry-back can be applied to NOLs generated in either 2008 or 2009 but not for both years. The effect is an immediate increase in available cash for the taxpayer.

Meanwhile, the prior administration's dividend tax cut is scheduled to expire at the end of 2010, and there is wide speculation that additional taxes or higher tax rates will be applied to fund the federal deficit, including eliminating the current favorable treatment of capital gains and dividend income. Given the sector's heavy capex requirements, Fitch would consider any such changes in federal income and capital gains tax rates to be unfavorable developments that would likely lower equity valuations of regulated utilities and utility holding companies.

Pension Funding

Many companies that entered 2009 with severe erosion in the value of their pension funds relative to projected benefit obligations opted to make cash contributions to comply with the U.S. Pension Protection Act of 2006, as moderated by the Worker, Retiree, and Employer Recovery Act of 2008. Cash contributions in 2009, combined with the recovery in bond and stock market values, have reduced the gap, but a number of companies will need to continue cash contributions in 2010 (absent a significant run-up in market values of investments).

Bankruptcy and Restructuring

There were no notable defaults or bankruptcy filings in the UPG sector in 2009. That stands in sharp contrast to the upswing in defaults and bankruptcy filings in other corporate sectors as a result of the severe national and global recession. A peak default period in the UPG sector was from 2001–2003.

SemGroup restructured and emerged from bankruptcy as a new public company in early December 2009, approximately 16 months after the company and its major wholly owned subsidiaries filed a bankruptcy petition on July 22, 2008. Pre-petition lenders were estimated to recover 100% on some secured obligations and secured trading exposures, an estimated 55% on one secured working capital loan facility, and 75% on a secured revolving credit. Unsecured lenders and general creditors were estimated to recover 5% to 10% of their exposure via the allocation of 5% of the equity in the new public company to the unsecured class.

SemGroup's 2008 insolvency resulted from its inability to post required margin collateral to trading counterparties. The company adopted a trading strategy based on the sale of naked call and put options that did not adhere to the SemGroup risk management policy and violated the terms of its pre-petition credit agreement. When SemGroup experienced trading losses, it increased and rolled forward its options positions, causing increased losses and occasioning growing demands for margin collateral that the company could not satisfy.

Utility Parent Companies

2010 Outlook — Stable
Longer-Term Outlook — Negative

The utility parent companies (UPCs) are poised for an improved economic and financial environment as compared to that of a year ago. With economic activity picking up, industrial sales have shown signs of stabilization in the third quarter. As industrial sales recover, it is likely that the commercial sales, which have been weak in certain regions, could follow suit. However, with revenue growth rates well below historical levels, Fitch expects UPCs to continue their cost-cutting focus in both their regulated and unregulated businesses to drive earnings and cash flow growth or support stability.

UPCs have withstood the credit crisis well. Overall, the companies were in a financially sound situation before the credit crisis hit, and liquidity during 2009 was bolstered by reduced working capital needs due to falling commodity prices, reduction in discretionary capex, and capital market issuances. Access to capital markets remains open and relatively low cost for creditworthy borrowers. Fitch expects UPCs to extend their conservative balance sheet stance in 2010, given the current fragile nature of economy and recovering credit markets, combined with the stated intentions of most management teams to maintain a stable credit profile. For regulated businesses, Fitch expects the utility parent companies to use a judicious mix of debt and equity to finance high levels of planned investments, most of which is mandated and earmarked for reliability, environment compliance, and renewable energy projects. For unregulated businesses, UPCs will need to balance the capital structure against rising business risk due to lower cash flows brought on by a fall in commodity prices and increasing proportion of unhedged output in the outer years.

Fitch expects climate change to remain a predominant focus for most UPCs despite the uncertainty around the contents and timing of passage of a national law. While some UPCs have been more proactive than others, Fitch expects more and more companies to pursue low/zero carbon technologies more aggressively than before. This could be

manifested in both regulated and unregulated businesses investing a greater proportion of total capex in clean technologies and renewable generation as well as associated transmission, energy efficiency, and smart grid investments, and in retirements of older coal-fired power plants that cannot be economically retrofitted.

Parents of utilities are generally taking advantage of opportunities to invest in regulated rate base, driven by legislative/regulatory mandates as well as a strategic pursuit of cleaner technologies as highlighted above. Fitch expects UPCs to seek out those investment opportunities where prospects of cost recovery are high and the prospect is for a reasonable return on equity (ROE).

As of late November 2009, utility stocks as measured by the Philadelphia Utility Index (UTY) have declined 3% in 2009 and underperformed the S&P 500 by 18%. The increase in risk appetite among investors clearly worked against the defensive utility sector as signs of economic recovery emerged. Utility stocks that have a greater proportion of unregulated businesses have lagged their regulated peers due to a sharp fall in commodity prices. The sunset of reduced dividend tax rates on Dec. 31, 2010 further reduces the investment appeal of utility equity and is expected to increase the cost of equity capital.

Notwithstanding the turmoil in the economy and the adverse capital market conditions, especially in the early part of 2009, ratings in the UPC sector have remained generally stable. The UPC's median 'BBB' issuer default rating (IDR) and senior unsecured ratings are the same as a year ago. Year to date, there have been three upgrades and seven downgrades in the sector. Approximately 82% (37 of 45 observed companies) of Fitch's UPC issuers have Stable Rating Outlooks and 16% (seven of 45) have Negative Outlooks, while only 2% (one of 45) has a Positive Outlook.

Sector downgrades in 2009 reflect a challenging operating and financial environment due to both weak industrial sales and rising operating costs (NISource Inc.; IDR 'BBB–'/Stable), financial pressure, and associated execution risk from plans to build new nuclear plants (SCANA Corp.; IDR 'BBB+'/Stable), weak commodity prices, and lower profitability of the unregulated generation portfolio (PEPCO Holdings Inc.; 'BBB'/Negative), and reassessment of financial and liquidity risk (Constellation Energy Group, Inc. (CEG); 'BBB–'/Stable) among others. Fitch upgraded only three IDRs of parent holding companies in 2009. Two reflected gradually improved financial ratios and favorable state regulatory developments (Avista Corp.; IDR 'BBB–'/Stable and DPL Inc.; IDR 'A–'/Stable), and one resulted from demonstration of support by a foreign parent (Energy East Corp.; IDR 'BBB+'/Stable).

Ratings are not anticipated to change meaningfully in 2010. Fitch expects the overall ratings for the UPCs to be stable primarily due to modestly rising economic activity, and managements' relatively conservative financial and business strategies. Concerns would be a fall in economic activity and power demand, an increase in populist regulatory decisions, volatile commodity prices, adverse climate change mandates, and shareholder-friendly decisions that result in increased leverage.

Mergers, Acquisitions, and Divestitures

Fitch expects limited merger & acquisition (M&A) activity in the near term given uncertainties that remain around economic recovery, commodity prices, state regulatory responses, and carbon legislation, combined with the high costs of bank financing and relatively low equity valuations. Exelon Corporation's (EXC) failed bid to acquire NRG Energy, Inc. (NRG) in 2009 highlights the difficulty in pulling off a hostile deal. The ongoing delay for Entergy Corp.'s spinoff of Enexus is reflective of the difficult state regulatory environment related to M&A activities. Electricité de France's

investment in a 49.99% joint venture interest in Constellation Energy Group's nuclear fleet was consummated late in 2009, after a controversial state regulatory proceeding that highlighted the regulatory hazards of merger/divestiture activity. That said, the case for industry consolidation remains strong given the fragmented industry, the scale of capital investments needed relative to the size of the companies, and the potential for operational synergies to drive down rates for consumers.

Fitch expects a majority of the UPCs to focus on organic growth, especially as regulated businesses take advantage of the attractive incentives for renewables and transmission development to drive rate base growth. As demands on capital increase, some UPCs could shed non-core assets, including businesses that are collateral intensive.

On the unregulated generation side, while there are good arguments for consolidation of smaller gencos, we see greater potential for asset acquisitions given low valuations. This could be driven by unregulated generators seeking "tuck-in" acquisitions or utilities short of generation seeking to grow their rate base. An emerging trend seems to be for unregulated generators to acquire renewable assets, such as the recent announcements by NRG to acquire an offshore wind developer and a solar farm in California and CEG to purchase wind assets in Maryland. It is quite possible that different forms of partnerships develop between traditional utility companies and the new generation clean technology companies to exploit relative strengths. Finally, a weaker dollar could spur cross-border asset acquisitions by foreign buyers or joint venture investments with foreign participants. Notable recent announcements of cross-border partnerships are AES Corporation selling a 15% stake to China Investment Corporation and Duke Energy signing agreements with several Chinese companies to develop a variety of renewable and clean energy technologies.

Electric Utilities

2010 Outlook — Stable
Longer-Term Outlook — Stable to Negative

Fitch's near-term outlook for the utility sector is stable, despite some challenges. The combination of high capital expenditures and relatively weak electricity demand will continue to pressure credit quality and require base rate increases in 2010 and beyond. Favorably, most regulated utilities are entering 2010 on sound financial footing. Moreover, overall rate pressures are mitigated by low fuel prices, strong capital market access, and low interest rates. Fitch's stable outlook assumes most states will continue the constructive regulation of recent years. However, given the lingering rate of unemployment and voter concerns about the economy, there could well be pockets of adverse rate decisions, and those companies with little financial cushion could suffer adverse effects.

Regulation

Decisions by state regulators will continue to be a key driver of individual company credit ratings in 2010. In general, state regulation is likely to continue to be even-handed; however, there could be isolated cases of adverse regulatory or politically motivated decisions on utility rates in an election year, which is considered to be event risk rather than a sector trend. Positively, low fuel costs should largely offset the impact of rising base rates in 2010. However, even with modest electricity demand growth next year, total customer demand is expected to remain below 2007 levels, and under-earning seems likely, even in the case of some companies that have base rate cases decided in 2009 and 2010. Some of the rate requests filed in late 2008 or early 2009 and still pending were made prior to the recognition of the full impact of recessionary load loss on demand; consequently, utilities are already playing catch up

by seeking ways to cut operating costs and/or defer capex.

Numerous electric utilities have filed for base rate increases to recover costs of investments in system growth and reliability, as well as to adjust the allocation of operating and maintenance costs and capital recovery to lower demand levels. In addition, a number of multi-year rate settlement periods will end, enabling these utilities to deal with the rising costs and loss of load. Numerous state commissions are expected to reach decisions on new base rates in 2010. (*See the "Electric Rate Case Pending 2010 Decision" table below.*)

Electric Rate Cases Pending 2010 Decision

Arizona Public Service Company	Indiana Michigan Power Company
Atlantic City Electric Company	Monongahela Power Company
Black Hills Power, Inc.	New York State Electric & Gas Corp.
Central Hudson Gas & Electric Corp.	Northwestern Corporation
Connecticut Light and Power Co.	PacifiCorp
Consolidated Edison Co. of New York[a]	Potomac Edison
Delmarva Power & Light Co.	Potomac Electric Power Company
Duke Energy North Carolina	Public Service Co. of New Hampshire
Empire District Electric Company (MO and AK)	Public Service Electric and Gas Co.
Florida Power and Light Co.	Rochester Gas and Electric Corp.
Florida Power Corp.	Southwestern Electric Power Company (AK and TX)
Georgia Power Company	Union Electric Co.
Illinois Power Company	Western Massachusetts Electric Co.

[a]A settlement proposal is pending.
Source: C Three Regulatory Database, Fitch Ratings.

An emerging regulatory trend for integrated electric utilities is the initiation of electricity revenue decoupling in response to the recent softness of demand and state policies that include ambitious energy-efficiency targets. Tariff mechanisms that mitigate the effect of variances in sales are common among gas utilities, which have experienced declining demand for many years and whose sales have an extreme weather sensitivity; in gas distributors, this may take the form of minimum bills that recover a large part of fixed costs, fixed/variable tariff components, or explicit weather normalization or volume decoupling mechanisms. While such tariffs have not been common for residential consumers of electric utilities, Fitch sees states beginning to implement some mechanisms of this sort on the electric side, although in a few cases at a pilot scale. States that allow or initiated electric decoupling programs include: California; Ohio (Ohio utilities can request decoupling under existing rules), Vermont, New York (Consolidated Edison of NY, Orange & Rockland Utilities, Central Hudson Gas and Electric), Maryland (Baltimore Gas & Electric); and pilot scale programs in Wisconsin and Idaho. In Fitch's view, volume decoupling reduces cash flow volatility and lowers business risk, and will be particularly meaningful in states that have set aggressive energy reduction goals.

For electric T&D utilities in states that restructured their electricity markets, staggered power auctions or other competitive power procurement processes are becoming more customary and standard. Staggered contracts for up to three years create realized prices that are a blend of past and future prices, which moderates single-year commodity price volatility for customers. Most states that deregulated generation supply have already completed or are nearing completion of full transition to market-based generation rates. Solicitations for energy, capacity, and/or other services in the next six months are expected to include Duquesne, Metropolitan Edison/Penelec, Penn Power, PPL Electric Delivery, Philadelphia Electric Co., Illinois Power Agency, West

Penn Power, and the New Jersey Basic Generation Service auctions for the state's electricity utilities. While in prior years' outlooks, Fitch noted significant uncertainty regarding the ability of electric T&D utilities to obtain full and timely pass-through of generation costs in tariffs, this risk has subsided as auctions that place the price risk with consumers have become routine; the significant decline in wholesale market power prices has also helped to make the transition less controversial than in prior years.

Capital Spending

While many utilities responded to the economic downturn and court decisions that set aside the CAIR and CAMR by reducing or deferring capital spending budgets for 2009 and 2010, capital spending remains high relative to historical trends. In many cases, utility managements responded to weak demand by adjusting budgeted expenditures to accommodate lower demand curves and deferring, but not cancelling, new generation projects; however, projects to enhance distribution reliability generally were not delayed. Despite these deferrals, Fitch forecasts spending will continue to run at more than double depreciation on average. To fund the system investments, internal cash flow will need to be supplemented with external capital, and management will face choices of increasing leverage or shoring up the capital structure with new equity issuance.

Drivers of 2010 capital spending levels for electric utilities include: increasing environmental compliance mandates; new transmission lines needed to serve intermittent renewable power sources located far from load, reduce basis differentials within regional transmission organizations (RTO), or improve system reliability; advanced metering; and self-building for renewables mandates. Fitch notes that for integrated utilities with responsibility for generation as well as power distribution, 2009 capital spending averaged approximately 2.7x depreciation of existing assets, while for restructured electric T&D utilities, capex averaged a more manageable 1.5x depreciation charges (see the "Capital Spending Relative to Depreciation Charges" table on page 6). Fitch notes that utilities have good track records for full and timely recovery of environmental spending and that recovery of the transmission investments is often supported by RTO orders to build and constructive Federal Energy Regulatory Commission (FERC) tariffs, which are both significant spending categories for 2010.

Fitch believes capital investments will remain elevated for several years. Global climate change and GHG legislation is going to present enormous challenges to the industry over the intermediate to longer term, as utilities consider their options to comply with anticipated reductions in emissions, such as carbon capture and sequestration, integrated gasification combined-cycle power generation (IGCC), up-rates of existing nuclear plants or new-build nuclear, or renewable energy resources (27 states, and counting, have enacted RPS standards). While the low gas price environment makes power generation with natural gas an easy choice for near-term capacity needs and to back up intermittent wind or solar power, utility managements and state regulators are leery of renewed gas price volatility if eventually the oversupply of natural gas should self-correct. Moreover, gas is not a carbon-free choice, and longer term carbon goals under a national energy bill would not be met if load growth is mainly met through gas-fired capacity additions. Uncertainty about what to build and when is exacerbated by unknown impacts of energy efficiency and electric car efforts, and when pressures on customer bills from carbon allowances will ramp up to a meaningful level. The rating impact of these longer-term developments will be case by case, based on legislative and regulatory integrated resource plans and cost recovery decisions. For example, Ohio passed a law requiring future costs of carbon laws to be passed through to customers in the fuel adjustment mechanism, an encouraging sign for the credit of integrated electric utilities in the state.

Natural Gas Distributors

2010 Outlook — Stable
Longer-Term Outlook — Stable

Fitch's 2010 outlook for local gas distribution companies (LDCs) remains stable with expectations for continued operating, regulatory, and financial stability within the space in the long term. Natural gas prices have moderated as the quantity of gas in storage has hit historic highs heading into the 2009–2010 winter heating season. This will mean lower rates for consumers, alleviating some concern regarding rising bad debt expense given high unemployment and weakness in the economy. Additionally, state regulatory relations continue to be constructive for gas LDCs; many LDCs continue to successfully pursue progressive rate design crafted to stabilize financial exposure to changes in volumes sold.

Overall, gas LDCs weathered last year's capital market turmoil maintaining liquidity and access to capital markets. Gas prices were well off their mid-2008 highs by the start of the 2008–2009 heating season, and LDCs had delayed building inventory. Also, Fitch's concerns about increased bad debt expense in 2009 did not meaningfully materialize. Sales growth for the sector slowed significantly as the recessionary economy and a weak housing market slowed customer growth across the board. Continued weakness in the housing sector will constrain demand throughout 2010. Sales volumes have also been affected by a significant decline in industrial demand, particularly in the U.S. Midwest.

Fitch expects that moderate economic growth should help return industrial demand to more normalized levels in the second half of 2010. As a result of slower growth and slackened demand, LDC capital expenditures are expected to be focused on system maintenance rather than expansion and should remain fairly low (averaging approximately 1.5x depreciation charges), so there is not a need for significant external funding. The relatively low capital spending, coupled with lower rates charged to consumers via purchased gas cost adjustment mechanisms, will reduce the chance for any potential rate shock to customers and limit LDC exposure to adverse regulatory developments. Additionally, competitive energy sources, including fuel oil and propane, are correlated to crude oil prices and thus remain priced well above natural gas, limiting the potential for fuel-switching during 2010.

Conservation and the impact of weather on usage remain industry-wide concerns for natural gas LDCs, many of which have pursued rate designs in their regulatory jurisdictions intended to help address usage volatility. Currently, 18 states have approved the implementation of revenue decoupling, which helps prevent margin erosion stemming from declines in customer usage due to conservation or energy-efficiency increases. Additionally, more than half of U.S. states have some form of either full decoupling or weather normalization, which helps stabilize revenues from the effects of weather. These rate designs help insulate the utility's cash flow from changes in volume of sales, providing earnings and cash flow consistency and stability. Fitch continues to view the implementation of rate mechanisms that reduce cash flow volatility favorably; more predictable cash flow translates to lower business risk for LDCs.

Competitive Generation Companies

2010 Outlook — Negative
Longer-Term Outlook — Stable

Fitch's 2010 outlook for competitive generation companies is negative, as continued demand and price weakness will weigh on cash flow and credit metrics. Fitch typically

views the competitive generators in two distinct subgroups: affiliated generators, which are subsidiaries of large utility holding companies or financial institutions and typically have investment-grade IDRs; and independent generators, which are standalone companies that typically have speculative-grade IDRs. Fitch's 2010 outlook is negative for both subgroups. Fitch expects that continued power price weakness, slack demand, and uncertainty surrounding carbon legislation will all weigh on the credit outlook for the competitive generating space throughout 2010. Fitch believes that earnings and cash flow, while likely improved over 2009 results, will continue to be muted, barring any significant recovery in commodity prices or industrial demand.

Last year proved to be a challenging environment for competitive generators across the spectrum. Lower demand and wholesale power prices pressured earnings and cash flow, particularly for some of the more highly levered independent generators, who in some cases were forced to sell assets, pay down some debt, and amend credit facility covenants. Dynegy Inc., for example, amended the covenants under it secured credit agreement and announced an agreement with LS Power to sell assets in exchange for cash and LS Power's class B units in Dynegy. These moves precipitated a negative rating action by Fitch in August when the transaction was announced. Negative rating and Outlook actions, in fact, were prevalent for many of the independent generators and affiliated generators under Fitch coverage, with a downgrade to Dynegy Inc. (DYN; IDR: 'B–'/Negative Outlook) and Outlook changes to Ameren Energy Generating Co. (IDR: 'BBB+'/Negative Outlook), Brookfield Renewable Power (BRPI; IDR 'BBB–'/Negative Outlook), Edison Mission Energy (EME; IDR: 'BB–'/Rating Watch Negative), Midwest Generation (IDR: 'BB'/Rating Watch Negative), RRI Energy (RRI; IDR 'B'/Negative Outlook) and Texas Competitive Electric Holdings (TCEH; IDR: 'B'/Negative Outlook).

Despite the discouraging fundamentals for this business segment, Fitch believes that the competitive generators have taken steps that will tend to mitigate further downside should wholesale power prices continue to languish through the year. The independent generators, in particular, have focused on cutting operating costs and hedging or contracting significant amounts of their expected generation for 2010 and 2011, actions that some of the companies had not previously taken in a more robust wholesale power pricing environment. Liquidity across the space remains adequate with most companies possessing sizable cash balances and revolver availability. Fitch also notes that despite declines in value from the peak in early 2009, enterprise valuations for most power generators are strong relative to outstanding indebtedness, which would lead to strong recoveries for secured debt for all but the most highly leveraged competitive generator issuers in a case of default.

Capital spending will remain muted as generators continue to take a conservative approach to growth spending, and environmental spending is delayed given the uncertainty surrounding carbon legislation and absent new mercury and sulfur dioxide rules. Notable exceptions include NRG, which continues to pursue its Repowering NRG capex program and has recently been an active investor in renewable resources; TCEH, which is in the process of completing the third of three large baseload power plants; and Exelon Generation Co., which is pursuing a large-scale nuclear up-rate program. Additionally, Fitch sees the potential for opportunistic asset sales and acquisitions, as more highly leveraged generators look to shore up balance sheets or more stable names look to grow and diversify their portfolios. With equity prices not reflecting the value of underlying assets, Fitch continues to believe there is a compelling argument for consolidation and acquisition within the space.

Longer term, looming carbon legislation remains a key operating and credit issue for the competitive generating space. The financial impact could be significant depending on the individual company's generation portfolio, as well as the specific form and cost

assigned to emissions under proposed legislation and the direction of commodity prices. While the impacts of carbon legislation will vary for individual companies and in different power regions, it is reasonable to assume that less-efficient coal-fired generation will begin to be displaced first by gas-fired generation and, in the longer term by renewable projects, new nuclear, and potentially by carbon capture and sequestration clean coal technology (should that technology prove to be economically viable). Emission-free competitive generators with low variable-costs will be the biggest beneficiaries of carbon legislation. More-efficient natural gas-fired competitive generators are likely to see their generation dispatched more frequently as well.

Longer-term concerns include debt, credit facility, and term loan B maturities in the 2013–2016 timeframe; the roll off of current hedges; and the ability of competitive generators to recontract expected generation at levels that would support ratings. Debt maturities in 2010 are manageable, as most issuers do not face any significant refinancing. Additionally, with capital markets returning to a more normal pattern, access to capital should be open. However, particularly for the speculative-grade independent generators, capital will likely be significantly more expensive than prior to the financial crisis, reflecting changes in the bank market conditions, higher financing costs and weak equity valuations.

Public Power Utilities

2010 Outlook — Stable
Longer-Term Outlook — Stable to Negative

Fitch's Public Power and Electric Cooperative 2010 Outlook — Stable

Fitch's 2010 outlook for the public power and electric cooperative sectors continues to be stable despite the pressures that correspond with the national economic recession. After a rocky first half of 2009, capital market access has stabilized. However, there appears to be a lagging ripple-effect from the economic downturn that is working its way through local governments and creating downward rate pressure on public power utility systems that will persist well into 2010. Other credit pressures on the sector include: declining energy consumption related to the economic downturn, the need for rate increases in a difficult economic climate, limited/costly access to external liquidity, and state specific mandates — with the potential for federal mandates in 2010–2011 — regarding renewable energy sources and GHG emissions.

These pressures coincide with declines in natural gas and purchased power prices that have reduced the expenditure levels and provided some relief to many retail utilities. However, a softening of power market prices has resulted in lower-than-budgeted revenues from surplus power sales for several utilities. Growth levels have favorably slowed to more manageable levels in certain regions, providing an opportunity to adjust and re-evaluate system capital needs. While these current trends have not resulted in significant changes to the credit quality of the overall public power and electric cooperative sectors, Fitch intends to monitor variations specific to regions. Fitch notes that events in the next five to 10 years primarily related to expected environmental legislation could increase the cost structures of many electric utilities and potentially place pressure on credit ratings. Decisions regarding timely rate recovery of increased costs and the subsequent change in a utility's competitive position within its regional market will be key credit drivers. Fitch believes that the public power business model will continue to allow these utilities to perform well in 2010 and provide investors with a generally stable credit sector. Fitch's outlook for the sectors over the long term remains stable yet recognizes that increasing negative pressures are affecting the industry, primarily due to environmental mandates related to increased renewable energy resource requirements and GHG emissions restrictions. The possibility of carbon

legislation being enacted looms over the public power industry and the specter of the proposed legislation is already impacting decisions on whether to build additional fossil-fuel baseload generation.

Short-Term Public Power Outlook

While there have been noticeable downward trends in financial metrics such as debt service coverage, cash-on-hand, and operating margins for both wholesale and retail public power systems, overall the sectors continue to benefit from solid credit fundamentals, including: essentiality of electric service, local control over rate-setting without state commission oversight, a cost advantage compared to neighboring investor-owned utilities, and benefits associated with a predominantly residential and commercial customer bases. Fitch expects that the average ratings for wholesale and retail utility systems, including electric cooperatives, will continue to be 'A' and 'A+', respectively. Fitch has noted in certain regions an increase in efforts by local governments to slow electric rate increases and boost transfers from the utility system to replace lower tax revenues and to fund the growing local government pension obligations. If unchecked, this trend could result in public power utilities with reduced liquidity and credit protection.

While varying in degree from region to region, overall the economic downturn and financial market disruptions have not yet resulted in material credit pressure on public power utilities. Public power and electric cooperatives have continued to have access to the capital markets, although borrowing costs have been higher than budgeted. Construction costs have declined and, in some cases, capital spending has been delayed. Generation investment is continuing, albeit at a slower pace, both through direct ownership and long-term bilateral contracts. Supply-related investments have been designed not only to meet load growth but increasingly to comply with local and state renewable resource requirements. Many utilities continue to realign their debt structure by reducing outstanding variable-rate exposure, given the disruptions in that market and the contraction/costliness in available liquidity facilities.

The economic contraction in many markets resulted in slower growth levels and consumption declines. Collection delinquencies and turn-off actions have increased only slightly despite the negative economic conditions, rising unemployment levels, and home foreclosures. Public power and electric cooperative utilities that are commodity purchasers have benefited from the recent decline in natural gas and wholesale power prices. However, several utilities that typically sell excess power into these markets have experienced lower-than-budgeted revenues from surplus sales, but many have maintained their financial margins through the use of conservative forecasting and budgeting practices, given the volatility of these revenue sources.

Long-Term Public Power Outlook

Fitch's long-term outlook for the sectors is stable but recognizes increasing negative credit pressures. Approval of national environmental mandates is still pending; however many utilities already face pressure from state or locally established renewable portfolio standards and must assess how to meet long-term load growth within an evolving environmental and generally more restrictive and costly regulatory framework. The growing pressure to enact carbon emissions restrictions to combat global climate change is expected to result in the enactment of national carbon legislation in the near future, but the structure, timing, and implementation schedule is still uncertain. Utilities, however, are already making decisions based on the anticipated legislation. Several large, baseload coal-fired power plants have been cancelled, and some of this planned future capacity is being replaced by natural gas and renewable generation. To the extent public power utilities rely mainly on natural gas-fired resources going

forward, Fitch believes there could be a renewed risk of over-reliance on natural gas and the associated volatile fuel price exposure.

While Fitch believes that the public power and electric cooperative business models will continue to allow these utilities to perform well and prove to be stable credit sectors, increasingly negative market and industry factors could adversely impact some regions more than others. The utilities with greater credit exposure are those that have large capital improvement needs, relatively high leverage, below-average financial and rate flexibility, and a heavy reliance on fossil fuel generation. Conversely, systems that show stable to improving financial metrics, have limited new capital needs, and have a greener generation portfolio are expected to maintain Stable Outlooks and in some cases realize improved credit profiles.

Pipeline and Midstream Sector

Companies in the Pipeline/Midstream segment in 2009 faced the following pressing concerns: adequacy of liquidity, access to capital markets, the oncoming recession and its effects on demand for energy products, ability to defer capital spending, and commodity price trends. In response to these difficult operating conditions, companies overwhelming "played defense" and adopted cautious financial practices. In the face of a weakening economy and constrained capital markets, companies issued high-cost debt and equity to shore up their liquidity positions. Discretionary spending was cut to sustainable levels. Many MLPs adopted more conservative distribution practices to increase cash retention.

Entering 2010, business fundamentals are better than they were six or 12 months ago, but many challenges remain. Growth has slowed. Several large pipeline projects, burdened by increased construction and capital costs, will generate lower-than-expected, single-digit returns. The economy remains fragile. Given this backdrop, Fitch expects companies to stay the course by avoiding excess leverage and maintaining disciplined operating and growth strategies.

Natural Gas Pipelines

2010 Outlook — Stable
Longer-Term Outlook— Stable

Fitch foresees stable short-term and longer-term outlooks for interstate and intrastate natural gas pipelines. However, credit measures for companies funding large expansion projects will likely remain under pressure through 2010.

During 2008, completions of new natural gas pipelines and expansions of existing pipelines in the U.S represented the greatest amount of pipeline construction in more than 10 years. The added capacity for each of the top 15 projects exceeded 1 billion cubic feet per day (Bcf/d). The U.S. Energy Information Administration (EIA) reports that the number of proposed projects suggests construction activity will remain strong through 2011, with 2009 potentially showing the second-highest level of capacity additions in the decade. More than 10,200 miles of potential new gas pipelines are scheduled to be added in 2009–2011, but a portion of these projects will likely be delayed or canceled.

Even with cuts in discretionary spending by sponsor companies, weak commodity prices, and a slowly recovering economy, there is still a demand for new pipeline infrastructure to access unconventional resources, particularly natural gas from shale formations. Additionally, the costs of steel pipe, equipment, labor, and financing have declined from 2008–2009 highs, which will help companies attain adequate returns on their investments.

New North American Pipeline Capacity

	Proposed for 2010			Proposed for 2011		
	Added Capacity (MMcf/d)	Estimated Cost ($ Mil.)	Miles	Added Capacity (MMcf/d)	Estimated Cost ($ Mil.)	Miles
Central	3,655	1,820	871	1,528	491	290
Midwest	0	0	0	2,067	1,416	254
Northeast	2,491	1,276	249	4,318	2,465	599
Southeast	9,911	2,006	601	9,364	3,748	1,000
Southwest	6,283	577	293	13,915	2,162	688
Western	345	107	27	5,276	5,377	1,686
Mexico/Canada	1,920	N.A.	29	980	49	41
Total	**24,605**	**5,786**	**2,070**	**37,448**	**15,707**	**4,528**

N.A. – Not available.
Source: Energy Information Administration.

Products Pipelines

2010 Outlook — Stable
Longer Term — Stable

The pace of the economic recovery will affect demand for oil products and transportation volume, affecting crude oil and refined products pipelines. However, following reduced throughput in 2009, Fitch expects product demand to stabilize.

Midstream Services

2010 Outlook — Stable
Longer Term — Stable

For natural gas gatherers, both the short-term and long-term outlooks are stable, while for gas processors the short-term outlook is negative. After several years of high processing margins, in late 2008 natural gas liquids (NGL) unit margins dropped. While margins have recovered back to more historical norms, future commodity margins are uncertain. Financial performance for some companies will also be affected by hedging practices and their economic sensitivity to natural gas prices. Fitch expects natural gas to trade in a relatively low price range, which is unfavorable to most processors. Moreover, in some production basins, price-induced drilling reductions are expected to lower gathering volumes until demand recovers, an adverse trend for both processors and gatherers.

Retail Propane

2010 Outlook — Negative
Longer-Term Outlook— Negative

Fitch maintains a modestly negative short- and long-term outlook for the retail propane sector. Given propane's strong correlation to crude oil prices, Fitch remains concerned that retail propane prices could spike, particularly with a weak dollar, and margins could contract from current levels. Additionally, continued weakness in housing starts and a warmer winter could weigh on volumes sold. If sales volumes show a greater post-recession recovery and product margins hold up, the credit outlook would move toward stable.

For more information on the credit outlook for these businesses, please refer to Fitch's report, "Pipeline/Midstream/MLP 2010 Outlook," published on Dec. 3, 2009.

Appendix: Ratings and Rating Outlooks by Segment

Utility Parent Companies

Company Name	IDR	Rating Outlook	Senior Unsecured Rating
Above Segment Median Rating			
WGL Holdings, Inc.	A+	Stable	A+
FPL Group, Inc.	A	Stable	A
NICOR Inc.	A	Stable	A
OGE Energy Corp.	A	Stable	A
Sempra Energy	A	Stable	A
Southern Company	A	Stable	A
AGL Resources, Inc.	A–	Stable	A–
DPL Inc.	A–	Stable	A–
KeySpan Corporation	A–	Stable	A–
Laclede Group, Inc.(The)	A–	Stable	**NR**
MDU Resources Group, Inc.	A–	Negative	A
National Fuel Gas Company	A–	Stable	A–
NSTAR	A–	Stable	A
Wisconsin Energy Corporation	A–	Negative	A–
Ameren Corporation	BBB+	Stable	BBB+
Consolidated Edison, Inc.	BBB+	Stable	BBB+
Dominion Resources, Inc.	BBB+	Stable	BBB+
Energy East Corporation	BBB+	Stable	**NR**
Exelon Corporation	BBB+	Stable	BBB+
MidAmerican Energy Holdings Co.	BBB+	Stable	BBB+
Public Service Enterprise Group Inc	BBB+	Stable	BBB+
SCANA Corporation	BBB+	Stable	BBB+
Xcel Energy Inc.	BBB+	Stable	BBB+
At Segment Median Rating			
American Electric Power Company	BBB	Stable	BBB
Black Hills Corp.	BBB	Stable	BBB
DTE Energy Company	BBB	Negative	BBB
FirstEnergy Corp.	BBB	Stable	BBB
IDACORP, Inc.	BBB	Negative	**NR**
Northeast Utilities	BBB	Stable	BBB
PEPCO Holdings	BBB	Negative	BBB
PPL Corporation	BBB	Stable	BBB
Progress Energy, Inc	BBB	Stable	BBB
Below Segment Median Rating			
Allegheny Energy, Inc.	BBB–	Stable	BBB–
Avista Corporation	BBB–	Stable	BBB
CenterPoint Energy Inc.	BBB–	Stable	BBB–
CILCORP, Inc.	BBB–	Stable	BBB–
Constellation Energy Group, Inc.	BBB–	Stable	BBB–
Edison International	BBB–	Stable	**NR**
IPALCO Enterprises, Inc.	BBB–	Stable	**BBB–**
NiSource Inc.	BBB–	Stable	BBB
Otter Tail Corporation	BBB–	Stable	BBB–
Pinnacle West Capital Corporation	BBB–	Negative	BBB–
TECO Energy, Inc.	BBB–	Stable	BBB–
CMS Energy Corporation	BB+	Stable	BB+
PSEG Energy Holdings, Inc.	BB+	Stable	BB
PNM Resources	BB	Stable	BB
NV Energy Inc.	BB–	Positive	BB–
Energy Future Holdings Corp.	B	Negative	B
Energy Future Intermediate Holding Company LLC	B	Negative	**B+**

NR – Not rated. Note: Bold indicates senior secured.
Source: Fitch.

Investor-Owned Electric Utilities

Integrated Electric Utilities

Company Name	IDR	Rating Outlook	Senior Unsecured Rating
Above Segment Median Rating			
Mississippi Power Company	A+	Stable	AA–
Oklahoma Gas and Electric Company	A+	Stable	AA–
Alabama Power Company	A	Stable	A+
Dayton Power & Light Company	A	Stable	**AA–**
Florida Power and Light	A	Stable	A+
Georgia Power Company	A	Negative	A+
Wisconsin Electric Power Company	A	Negative	A+
Carolina Power & Light Co.	A–	Stable	A
Florida Power Corp.	A–	Stable	A
Gulf Power Company	A–	Stable	A
MidAmerican Energy Company	A–	Stable	A
Northern States Power Company (MN)	A–	Stable	A
Northern States Power Company (WI)	A–	Stable	A
Pacific Gas and Electric Company	A–	Stable	A
Southern California Edison Company	A–	Stable	A
AEP Texas North Company	BBB+	Stable	A–
Columbus Southern Power Company	BBB+	Stable	A–
Public Service Company of Colorado	BBB+	Stable	A–
South Carolina Electric & Gas Co.	BBB+	Stable	A–
Union Electric Co.	BBB+	Stable	A–
Virginia Electric and Power	BBB+	Stable	A–
At Segment Median Rating			
AEP Texas Central Company	BBB	Negative	BBB+
Black Hills Power, Inc.	BBB	Stable	BBB+
Central Illinois Light Company	BBB	Stable	BBB+
Detroit Edison Company (DECo)	BBB	Stable	**A–**
Idaho Power Company	BBB	Negative	BBB+
Ohio Power Company	BBB	Stable	BBB+
Otter Tail Power	BBB	Stable	BBB+
PacifiCorp	BBB	Stable	BBB+
Public Service Company of New Hampshire	BBB	Stable	**BBB+**
Public Service Company of Oklahoma	BBB	Stable	BBB+
Southwestern Electric Power Company	BBB	Negative	BBB+
Southwestern Public Service Company	BBB	Stable	BBB+
Tampa Electric Company	BBB	Stable	BBB+
Below Segment Median Rating			
Appalachian Power Company	BBB–	Stable	BBB
Arizona Public Service Company	BBB–	Stable	BBB
Consumers Energy Company	BBB–	Stable	BBB
Empire District Electric Company	BBB–	Negative	BBB
Indiana Michigan Power Company	BBB–	Stable	BBB
Indianapolis Power & Light Company	BBB–	Stable	BBB
Kansas Gas and Electric Company	BBB–	Stable	**BBB+**
Kentucky Power Company	BBB–	Stable	BBB
Monongahela Power Company	BBB–	Stable	BBB–
Northern Indiana Public Service Co.	BBB–	Stable	BBB
Northwestern Corporation	BBB–	Stable	BBB
Westar Energy, Inc.	BBB–	Stable	BBB
Nevada Power Company d/b/a NV Energy	BB	Positive	BB
Public Service Company of New Mexico	BB	Stable	BB+
Sierra Pacific Power Company d/b/a NV Energy	BB	Positive	**BBB–**
Tucson Electric Power Company	BB	Positive	BB+

Note: Bold indicates senior secured. *Continued on next page.*
Source: Fitch.

Investor-Owned Electric Utilities (Continued)

Electric Distribution Companies

Company Name	IDR	Rating Outlook	Senior Unsecured Rating
Above Segment Median Rating			
NSTAR Electric Co.	A+	Stable	AA–
San Diego Gas & Electric Company	A+	Stable	AA–
American Transmission Company	A	Stable	A+
Central Hudson Gas & Electric Corp	A–	Stable	A
Orange and Rockland Utilities, Inc.	A–	Negative	A
Rockland Electric Co.	A–	Negative	**NR**
Consolidated Edison Co. of New York	BBB+	Stable	A–
Delmarva Power & Light	BBB+	Stable	A–
PECO Energy Company	BBB+	Stable	**A**
Potomac Electric Power Company	BBB+	Stable	A–
Public Service Electric and Gas Co.	BBB+	Stable	**A**
At Segment Median Rating			
Atlantic City Electric	BBB	Stable	BBB+
Baltimore Gas and Electric Company	BBB	Stable	BBB+
CenterPoint Energy Houston Electric, LLC	BBB	Stable	BBB+
Connecticut Light and Power Co.	BBB	Stable	BBB+
Jersey Central Power & Light Co.	BBB	Stable	BBB+
New York State Electric & Gas Corp	BBB	Negative	BBB+
PPL Electric Utilities Corporation	BBB	Stable	**A–**
Western Massachusetts Electric Co.	BBB	Stable	BBB+
Below Segment Median Rating			
Central Illinois Public Service Co.	BBB–	Stable	BBB
Illinois Power Company	BBB–	Stable	BBB
Metropolitan Edison Company	BBB–	Stable	BBB
Ohio Edison Company	BBB–	Stable	BBB
Oncor Electric Delivery Company	BBB–	Stable	BBB–
Pennsylvania Electric Company	BBB–	Stable	BBB
Pennsylvania Power Company	BBB–	Stable	BBB
Potomac Edison Company (The)	BBB–	Stable	**BBB+**
Rochester Gas and Electric Corp	BBB–	Stable	BBB
West Penn Power Company	BBB–	Stable	BBB–
Cleveland Electric Illuminating Co.	BB+	Stable	BBB–
Commonwealth Edison Company	BB+	Stable	BBB–
Texas New Mexico Power Company	BB+	Stable	BBB–
Toledo Edison Company	BB+	Stable	BBB–

NR – Not rated. Note: Bold indicates senior secured.
Source: Fitch.

Competitive Generation Companies

Company Name	IDR	Rating Outlook	Senior Unsecured Rating
Above Segment Median Rating			
AmerenEnergy Generating Company	BBB+	Negative	BBB+
Exelon Generation Company, LLC	BBB+	Stable	BBB+
PSEG Power, LLC	BBB+	Stable	BBB+
Southern Power Company	BBB+	Stable	BBB+
FirstEnergy Solutions Corp. (FES)	BBB	Stable	BBB
PPL Energy Supply	BBB	Stable	BBB+
Allegheny Energy Supply Company	BBB–	Stable	BBB–
Allegheny Generating Company	BBB–	Stable	BBB–
Brookfield Renewable Power, Inc.	BBB–	Negative	BBB
Midwest Generation, LLC	BB	RWN	**BBB–**
At Segment Median Rating			
Edison Mission Energy	BB–	RWN	BB–
Mission Energy Holding Co.	BB–	Stable	**BB–**
Below Segment Median Rating			
AES Corporation	B+	Stable	BB
Mirant Americas Generation, LLC	B+	Stable	B
Mirant Corporation	B+	Stable	**NR**
Mirant Mid-Atlantic, LLC	B+	Stable	BB+
Mirant North America, LLC	B+	Stable	BB–
NRG Energy, Inc.	B	RWE	B+
Reliant Energy Inc	B	Negative	B+
Texas Competitive Electric Holdings	B	Negative	B
Dynegy Holdings, Inc.	B–	Negative	B
Dynegy, Inc.	B–	Negative	**NR**

NR – Not rated. RWN – Rating Watch Negative. RWE – Rating Watch Evolving. Note: Bold indicates senior secured.
Source: Fitch.

Pipeline and Midstream Companies

Company Name	IDR	Rating Outlook	Senior Unsecured Rating
Above Segment Median Rating			
Northern Natural Gas Co.	A	Stable	A
Centennial Energy Holdings, Inc.	A–	Negative	A–
LOOP LLC	A–	Stable	A–
EQT Corporation	BBB+	Stable	BBB+
Texas Eastern Transmission, LP	BBB+	Stable	BBB+
Texas Gas Transmission, LLC	BBB+	Stable	BBB+
Boardwalk Pipelines, LLC	BBB	Stable	BBB
CenterPoint Energy Resources Corp.	BBB	Stable	BBB
DCP Midstream LLC	BBB	Stable	BBB
Enogex Inc.	BBB	Stable	BBB
Kinder Morgan Energy Partners, L.P.	BBB	Stable	BBB
Northwest Pipeline Corporation	BBB	Stable	BBB
Rockies Express Pipeline LLC	BBB	Stable	BBB
Transcontinental Gas Pipe Line Corp	BBB	Stable	BBB
At Segment Median Rating			
Colorado Interstate Gas Co.	BBB–	Stable	BBB–
El Paso Natural Gas Co.	BBB–	Stable	BBB–
Energy Transfer Partners, L.P.	BBB–	Stable	BBB–
Enterprise Products Operating, LLC.	BBB–	Stable	BBB–
NGPL PipeCo LLC	BBB–	Stable	BBB–
NPOP (Kaneb Pipe Line Operating Partnership, L.P.)	BBB–	Stable	BBB–
NuStar Logistics, L.P.	BBB–	Stable	BBB–
Panhandle Eastern Pipeline Co.	BBB–	Stable	BBB–
Southern Natural Gas Co.	BBB–	Stable	BBB–
Southern Union Company	BBB–	Stable	BBB–
Tennessee Gas Pipeline Co.	BBB–	Stable	BBB–
TEPPCO Partners L.P.	BBB–	Stable	BBB–
Williams Companies, Inc.	BBB–	Stable	BBB–
Below Segment Median Rating			
AmeriGas Partners, L.P.	BB+	Stable	BB+
El Paso Corp.	BB+	Stable	BB+
El Paso Exploration & Production Co.	BB+	Stable	BB
Kinder Morgan Inc.	BB+	Stable	**BB+**
Williams Partners, LP	BB	Stable	BB
Energy Transfer Equity, L.P.	BB–	Stable	**BB**
Enterprise GP Holdings L.P.	BB–	Stable	**BB**
Star Gas Partners L.P.	B	Stable	BB–

Note: Bold indicates senior secured.
Source: Fitch.

Natural Gas Distribution Companies

Company Name	IDR	Rating Outlook	Senior Unsecured Rating
Above Segment Median Rating			
Southern California Gas Company	A+	Stable	AA–
Washington Gas Light Company	A+	Stable	AA–
Brooklyn Union Gas Co.	A	Stable	A+
Nicor Gas Company	A	Stable	A+
Wisconsin Gas Company, LLC	A	Stable	A+
At Segment Median Rating			
Atlanta Gas Light Co.	A–	Stable	A
Cascade Natural Gas Corporation	A–	Negative	A
KeySpan Gas East Corporation	A–	Stable	A
Laclede Gas Company	A–	Stable	**A+**
NSTAR Gas	A–	Stable	**A**
UGI Utilities, Inc.	A–	Stable	A
Below Segment Median Rating			
Berkshire Gas Company	BBB+	Stable	A–
Central Maine Power Company	BBB+	Stable	A–
Connecticut Natural Gas	BBB+	Stable	A–
Public Service Company of North Carolina	BBB+	Stable	A–
Atmos Energy Corporation	BBB	Stable	BBB+
Southern Connecticut Gas	BBB	Negative	**A–**
Southwest Gas Corporation	BBB	Stable	BBB
Michigan Consolidated Gas Company	BBB–	Stable	**BBB+**
Mountaineer Gas Company	BB–	Stable	BB

Note: Bold indicates senior secured.
Source: Fitch.

Public Power Companies — Retail Segment

Company Name	Rating Outlook	Senior Unsecured Rating
Above Median (A+)		
Chelan County Public Utility District No. 1 (Wash.)	Stable	AA+
San Antonio (Texas) (CPS Energy)	Stable	AA+
Chattanooga — Electric Power Board (Tenn.)	Stable	AA
Colorado Springs Utilities	Stable	AA
Grant County Public Utility District No. 2 (Wash.) — Electric System	Stable	AA
Lincoln (Neb.) — Electric System	Stable	AA
Memphis (Tenn.) — Memphis Light, Gas & Water	Stable	AA
Nashville (Tenn.) — Electric System	Stable	AA
Omaha Public Power District (Neb.)	Stable	AA
Orlando Utilities Commission (Fla.)	Stable	AA
Springfield (Mo.) — City Utilities (Electric)	Stable	AA
St. Cloud (Fla.) — Utility System	Stable	AA
Anaheim Public Utilities Department (Calif.)	Negative	AA–
Austin Combined Utility System (Texas)	Stable	AA–
Austin Energy (Texas)	Stable	AA–
Concord (N.C.) Utilities System	Stable	AA–
Hydro-Quebec	Stable	AA–
JEA (Fla.) — Electric	Stable	AA–
Los Angeles Department of Water and Power (Calif.)	Stable	AA–
New Braunfels Utilities (Texas)	Stable	AA–
Pasadena (Calif.) — Water and Power Department	Stable	AA–
Richmond (Va.)	Stable	AA–
Riverside Public Utilities (Calif.)	Stable	AA–
Rochester Public Utilities (Minn.)	Stable	AA–
Snohomish County Public Utility District No. 1 (Wash.)	Stable	AA–
Tallahassee (Fla.) — Energy System	Stable	AA–
At Median (A+)		
Anchorage Municipal Light & Power (Alaska)	Stable	A+
Bryan, Texas Utilities	Stable	A+
California Department of Water Resources	Positive	A+
Dover (Del.)	Stable	A+
Eugene Water and Electric Board (Ore.)	Stable	A+
Farmington (N.M.) Utility System	Stable	A+
Garland Power & Light (Texas)	Stable	A+
Glendale (Calif.) — Water and Power	Stable	A+
Georgetown (Texas)	Stable	A+
Greer (S.C.) — Commission of Public Works	Stable	A+
Imperial Irrigation District (Calif.)	RWN	A+
Jacksonville Beach (Fla.) — Combined Utility System	Stable	A+
Kansas City (Kan.) — Board of Public Utilities	Stable	A+
Kerrville Public Utility Board (Texas)	Stable	A+
Lakeland Energy System (Fla.)	Stable	A+
Muscatine Power & Water (Iowa)	Stable	A+
Ocala (Fla.)	Stable	A+
Pedernales Electric Cooperative, Inc. (Texas)	Stable	A+
Redding (Calif.)	Stable	A+
Roseville Electric System (Calif.)	Stable	A+
Tacoma Power (Wash.)	Stable	A+
Turlock Irrigation District (Calif.)	Stable	A+
Below Median (A+)		
Benton County Public Utility District No. 1 (Wash.)	Stable	A
Brownsville Public Utility Board (Texas)	Stable	A
Bryan, Rural Electric	Stable	A
Floresville (Texas) — Electric Light and Power System	Stable	A
Gallup (N.M.) — Utility System	Stable	A
Granbury (TX)	Negative	A
Grays Harbor County Public Utility District No. 1 (Wash.)	Stable	A
Kissimmee Utility Authority (Fla.)	Stable	A
Modesto Irrigation District (Calif.)	Stable	A

RWN – Rating Watch Negative. *Continued on next page.*
Source: Fitch.

Public Power Companies — Retail Segment (Continued)

Company Name	Rating Outlook	Senior Unsecured Rating
Below Median (A+) (Continued)		
Overton Power District No. 5 (NV)	Stable	A
Paducah (Kent.)	Stable	A
Reedy Creek Improvement District (Fla.)	Stable	A
Sacramento Municipal Utility District (Calif.)	Stable	A
Silicon Valley Power (Calif.)	Stable	A
Vero Beach (Fla.)	Stable	A
Winter Park (Fla.)	Negative	A
Alameda Power & Telecom (Calif.)	Positive	A–
Batavia (Ill.) — Electric Utility	Stable	A–
Boerne Utility System (Texas)	Stable	A–
Chugach Electric Association, Inc. (Alaska)	Stable	A–
Cowlitz CO Public Utility District	Stable	A–
Fort Pierce Utilities (Fla.)	Stable	A–
Klickitat County Public Utility District No. 1 (WA)	Stable	A–
Long Island Power Authority (N.Y.)	Negative	A–
Los Alamos County (N.M.) — Utility System	Stable	A–
Lubbock Power & Light (Texas)	Stable	A–
Pend Oreille County Public Utility District No. 1 (Wash.)	Stable	A–
Seguin (Texas)	Stable	A–
Leesburg (Fla.) — Electric System	Stable	BBB+
Lodi (Calif.) — Electric Utility	Positive	BBB+
Puerto Rico Electric Power Authority	Stable	BBB+
Virgin Islands Water & Power Authority	Negative	BBB
Vermont Electric Cooperative Inc.	Stable	BBB–
Guam Power Authority	Positive	BB+

Source: Fitch.

Public Power Companies — Wholesale Segment

Company Name	Rating Outlook	Senior Unsecured Rating
Above Median (A)		
Tennessee Valley Authority	Stable	AAA
Associated Electric Cooperative Inc. (MO)	Stable	AA
Energy Northwest (Wash) — Bonneville Power Agency	Positive	AA
Grant County Public Utility District No. 2 (Wash.) — Hydro Projects	Stable	AA
New York Power Authority	Stable	AA
Platte River Power Authority (Colo.)	Stable	AA
South Carolina Public Service Authority (Santee Cooper)	Stable	AA
Basin Electric Power Cooperative	Stable	AA–
Intermountain Power Agency (Utah)	Stable	AA–
Western Minnesota Municipal Power Agency	Stable	AA–
Arkansas Electric Cooperative Corp.	Stable	A+
Connecticut Municipal Electric Energy Cooperative	Stable	A+
Florida Municipal Power Authority — All Requirements Project	Stable	A+
Florida Municipal Power Authority — Stanton I	Stable	A+
Florida Municipal Power Authority — Stanton II	Stable	A+
Florida Municipal Power Authority — Tri-City Project	Stable	A+
Illinois Municipal Electric Agency	Stable	A+
Indiana Municipal Power Agency	Stable	A+
Lower Colorado River Authority (Texas)	Stable	A+
Municipal Electric Authority of Georgia (CC/CT Proj)	Stable	A+
Municipal Electric Authority of Georgia (General Res)	Stable	A+
Municipal Electric Authority of Georgia (Project One)	Stable	A+
Municipal Electric Authority of Georgia (Telecom)	Stable	A+
Nebraska Public Power District	Stable	A+
Walnut Energy Center Authority (Calif.)	Stable	A+
Wisconsin Public Power Inc.	Stable	A+
Buckeye Power, Inc (Ohio)	Stable	A+
At Median (A)		
American Municipal Power — Issuer Rating	Stable	A
American Municipal Power-Inc. — Joint Venture No. 5	Stable	A
American Municipal Power-Inc. — Prairie State Project	Stable	A
Berkshire Wind Power Cooperative Corporation (MA)	Stable	A
Brazos Electric Power Cooperative, Inc. (Texas)	Stable	A
Florida Municipal Power Authority — St. Lucie Project	Stable	A
Grand River Dam Authority (Okla.)	Stable	A
Massachusetts Municipal Wholesale Elec Co. (Nuclear Mix No. 1)	Stable	A
Massachusetts Municipal Wholesale Elec Co. (Project 3)	Stable	A
Massachusetts Municipal Wholesale Elec Co. (Project 4)	Stable	A
Massachusetts Municipal Wholesale Elec Co. (Project 5)	Stable	A
Massachusetts Municipal Wholesale Elec Co. (Project 6)	Stable	A
Massachusetts Municipal Wholesale Elec Co. (Stoney Brook Intermediate)	Stable	A
Massachusetts Municipal Wholesale Elec Co. (Wyman)	Stable	A
Missouri Joint Municipal Electric Utility Commission (Iatan 2 Project)	Stable	A
M-S-R Public Power Agency (Calif.)	Stable	A
Municipal Energy Agency of Nebraska	Stable	A
North Carolina Municipal Power Agency No. 1	Stable	A
Northern California Power Authority — Geothermal Project	Stable	A
Northern California Power Authority — Hydroelectric Project	Stable	A
Oglethorpe Power Co. (Ga.)	Stable	A
Oglethorpe Power Co. (Ga.) — Scherer Facilities	Stable	A
Old Dominion Electric Cooperative (Va.)	Stable	A
Texas Municipal Power Agency	Stable	A
Tri-State Generation & Transmission Association, Inc. (Colo.)	Stable	A
Below Median (A)		
American Municipal Power-Inc. — Joint Venture No. 2	Stable	A–
Central Iowa Power Cooperative	Stable	A–
Delaware Municipal Electric Cooperative	Stable	A–
Energy Northwest (Wash.) — Wind Project	Stable	A–
Golden Spread Electric Cooperative, Inc. (Texas)	Stable	A–
Great River Energy (MN)	Stable	A–
Missouri Joint Municipal Electric Utility Commission (Plum Point Project)	Stable	A–
Missouri Joint Municipal Electric Utility Commission (Prairie State Project)	Stable	A–
Northern Illinois Municipal Power Agency	Stable	A–
PowerSouth Energy Cooperative, Inc.	Stable	A–
South Texas Electric Cooperative	Stable	A–

Continued on next page.
Source: Fitch.

Public Power Companies — Wholesale Segment (Continued)

Company Name	Rating Outlook	Senior Unsecured Rating
Wholesale Segment — Below Median (A) (Continued)		
Western Farmers Electric Cooperative (Okla.)	Negative	A–
Central Valley Financing Authority (Calif.)	Stable	BBB+
North Carolina Eastern Municipal Power Agency	Positive	BBB+
Piedmont Municipal Power Agency (S.C.)	Stable	BBB+
Sacramento Cogeneration Authority (Calif.) — P&G Project	Stable	BBB+
Sacramento Power Authority (Calif.) — Campbell Project	Stable	BBB+
Sacramento Municipal Utility District Financing Authority (Calif.) — Cosumnes Project	Stable	BBB
Big Rivers Electric Corporation (Kent.)	Stable	BBB–
Sam Rayburn Municipal Power Agency (Texas)	Stable	BBB–

Source: Fitch.

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Industry Outlook

Moody's Global Infrastructure

July 2009

U.S. Regulated Electric Utilities

Six-Month Update

Table of Contents:

Overview	2
Utilities remain well positioned within rating category	3
Regulatory oversight is crucial for sector	3
Regulation provides multiple notches of ratings benefit	4
What could change the sector outlook to negative?	5
Base-case financial projections for vertically integrated utilities	6
Three primary challenges	8
Consumers have limited ability to absorb new rate increases	9
Carbon dioxide regulations represent huge risk	10
Liquidity harder to manage amid tighter credit markets	11
Pension obligations weigh further on debts	12
Capital planning for future uncertainties	12
Conclusion	13
Appendix A: Macroeconomic Risk Scenarios	14
Appendix B: Peer index composition	15
Appendix C: Estimated Inflection Points by State	19
Moody's Related Research	21

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The outlook for the U.S. investor-owned electric utility sector is stable. This outlook expresses Moody's expectations for the fundamental credit conditions in the industry over the next 12 to 18 months.

- Sector well-positioned within investment-grade range, with continued strong access to capital, protection from widespread economic turmoil and regulators still granting timely cost recovery
- Longer-term pressures on sector serve to raise over-all operating risks
- Modest declines in financial profile over past few years not alarming at this time but few issuers appear to be taking material steps to mitigate
- Utilities gradually expected to adjust "tone at the top" management strategies with balance-sheet strengthening and more conservative corporate finance philosophies

Key challenges include:

- Growing consumer intolerance for steadily increasing rates
- Exposure to increasingly stringent environmental regulations, including those related to carbon dioxide and mercury
- Wave of credit facility expirations in 2011-2012
- Protracted recessionary conditions adding to business and operating risks, raising some doubts over availability of credit and ongoing regulatory recovery

Moody's Investors Service

U.S. Regulated Electric Utilities

Overview

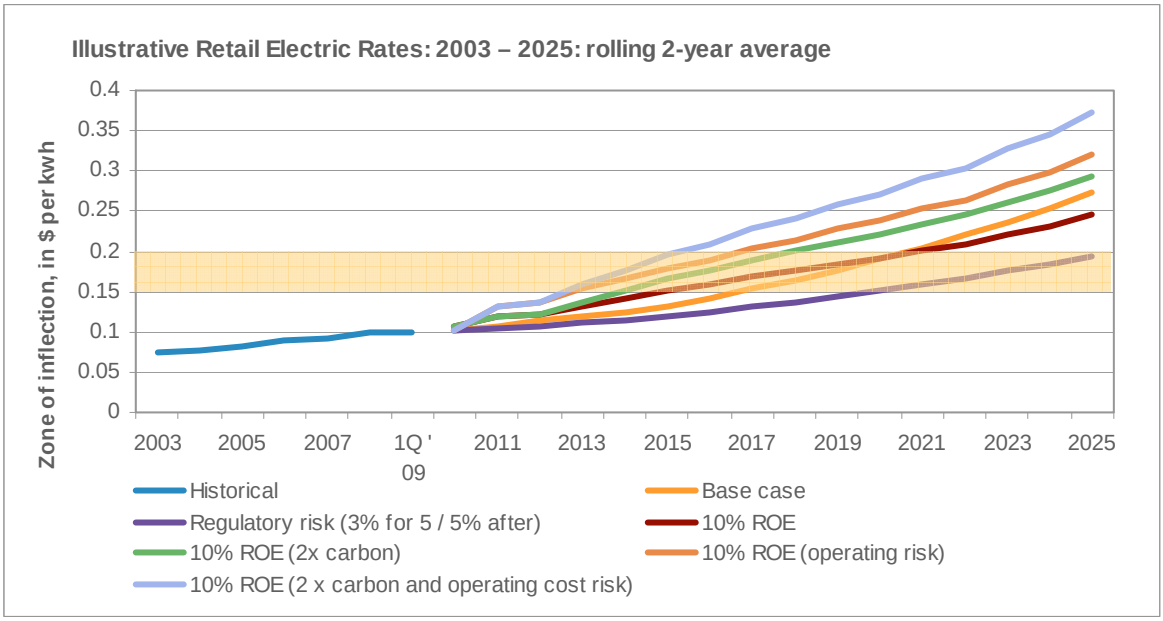
All the evidence we have seen suggests that the fundamental credit outlook for the electric utility sector will remain stable over the next 12-18 months. While most industrial sectors have negative sector outlooks today, we continue to view regulated utilities as relatively well insulated—although not immune—from economic and financial market turmoil. Regulation provides a key material benefit to the sector's overall credit profile, and we believe regulators will provide timely recovery of prudently incurred costs and investments over the near term. We have long held that regulators would rather regulate financially healthy companies than imperiled ones, and that utilities maintain effective constituency outreach efforts.

For the longer term, however, we are becoming increasingly concerned about possible changes to our fundamental assumptions about regulatory risk, particularly the prospect of a more adversarial political (and therefore regulatory) environment. A prolonged recessionary climate with high unemployment, or an intense period of inflation, could make cost recovery more uncertain. This could easily spark a negative vicious cycle.

We first highlighted these regulatory concerns in the 2004-2005 timeframe, as the sector's "back to basics" period came to an end and we questioned whether the (then-recent) improvement in financial metrics had reached its peak. Today, we have an eye on the theoretical "inflection point" beyond which consumers will no longer tolerate annual rate increases without protest. We do not know where this inflection point lies, but we believe it exists somewhere near the point at which consumers begin to change their behavior—as when gasoline reached $4 per gallon last year—and begin to contact their elected officials with vocal protests. But because consumers cannot easily alter their electricity consumption, the inflection point could actually spark a major political reaction. We believe this reaction could develop suddenly, and probably not at a welcome time. Should this happen, it is unclear how regulators would react and how the sector would fare.

The average annual electric bill costs the typical U.S. household about 3.4% of its disposable income. We estimate that the inflection point might be crossed once an annual electric bill reaches roughly 5%-10% of a given household's disposable income—and that this could happen within the next decade, judging from our base-case projections. In various downside scenarios, the inflection point could accelerate by several years, to 2013-2015—well within our typical ratings horizon.

It appears that many of the chief executives and regulators with whom we speak regularly have either not yet arrived at a consensus view of exactly where this inflection point lies, or are uncertain how close we are to approaching this point. This uncertainty is truly surprising, in our opinion, given the magnitude of the potential risk to both a utility's credit profile and its shareholder's equity.



Utilities remain well positioned within rating category

Of all the factors affecting U.S. electric utility ratings, we have long considered regulatory support perhaps the most critical driver. We continue to believe regulators prefer to oversee financially healthy utilities, and certainly for the near term, we believe the sector will continue to enjoy reasonably good regulatory support. Our focus remains fixed on cash flow, not on authorized returns on equity (ROEs). We also remain more interested in written regulatory orders—not initial indications from utilities, regulatory staff, intevenors, or administrative law judges (although they may offer some hint about the likely rulings).

We believe today's utilities generally act as solid corporate citizens within their respective service territories. Most utilities practice reasonably effective constituency outreach programs: they are large employers; provide socialized relief for special customer classes; serve as effective tax-collecting (and taxpaying) agencies for state and local governments; and usually support parochial philanthropic endeavors. For these reasons, utilities tend to get the political support they need, when they need it—ultimately a credit positive.

Regulatory oversight is crucial for sector

We consider most utility issuers reasonably well-positioned within their respective ratings categories. Four principal sub-sectors comprise our utility universe: parent utility holding companies; vertically integrated utilities; transmission and distribution-only utilities (T&Ds); and natural gas local distribution companies (LDCs). For a list of the issuers that comprise these sub-sectors, see Appendix B, page 15.

We place the operating utility sectors, which include the vertically integrated electric, T&D and LDC utilities in the A3 / Baa1 ratings category range. The utility parent holding companies tend to be rated about one notch lower, in the Baa1 / Baa2 range.

In general, we incorporate a view the regulatory framework across the U.S. represents a material credit positive, but is less favorable than the regulatory frameworks in Europe or Asia. This is primarily due to the highly fragmented and parochial effects of state-by-state regulatory policies. We note that the business activities that are primarily regulated by the Federal Energy Regulatory Commission (FERC) typically receive a more favorable view. Our regulatory views are usually slightly less favorable when evaluating the utility parent holding companies, largely reflecting non-regulated business activities, which typically comprise roughly 15%-25% of consolidated operations.

The operating utility sub-sectors are also well positioned in terms of rates and cost recovery, where the vast majority of costs and investments are recovered in a reasonably timely basis. Of course, regulatory lag on various issues will remain a factor. As a result, we generally incorporate a view that utilities derive a benefit from diversification across state lines, broadening the risk of regulatory jurisdictions and implied recovery lag.

We tend to view the rates and recovery mechanisms for the vertically integrated utilities as slightly less favorable than the T&D and LDC peers, primarily because of the greater uncertainties related to fuel commodities and increasingly stringent environmental mandates such as carbon regulations.

Finally, we consider the sector's overall liquidity adequate, although this assumes that utilities will continue to enjoy unfettered access to the capital markets. Little evidence to date suggests we should change our views regarding access to the capital markets. Nevertheless, our assumption represents a major component to our liquidity assessments, and ultimately ratings, so unexpected challenges to access could result in a materially adverse ratings consequence across the entire sector.

Utilities, in general, have proven capable of issuing senior secured debt in times of crisis—debt that has performed extremely well historically in terms of expected loss and recovery values.[1] During the most recent financial turmoil, most utilities had little trouble accessing capital across the entire capital structure. Yet we are often reminded that the past is not a reliable indicator of future performance. While challenged market access

[1] See Special Comment, "Proposed Wider Notching Between Certain Senior Secured Debt Ratings and Senior Unsecured Debt Ratings for Investment Grade Regulated Utilities," May 2009.

U.S. Regulated Electric Utilities

strikes us as unlikely, its effects could be substantial, not unlike the "tail risk" often discussed in hedging strategies, and possibly resulting in multiple notch rating changes over a very short period of time.

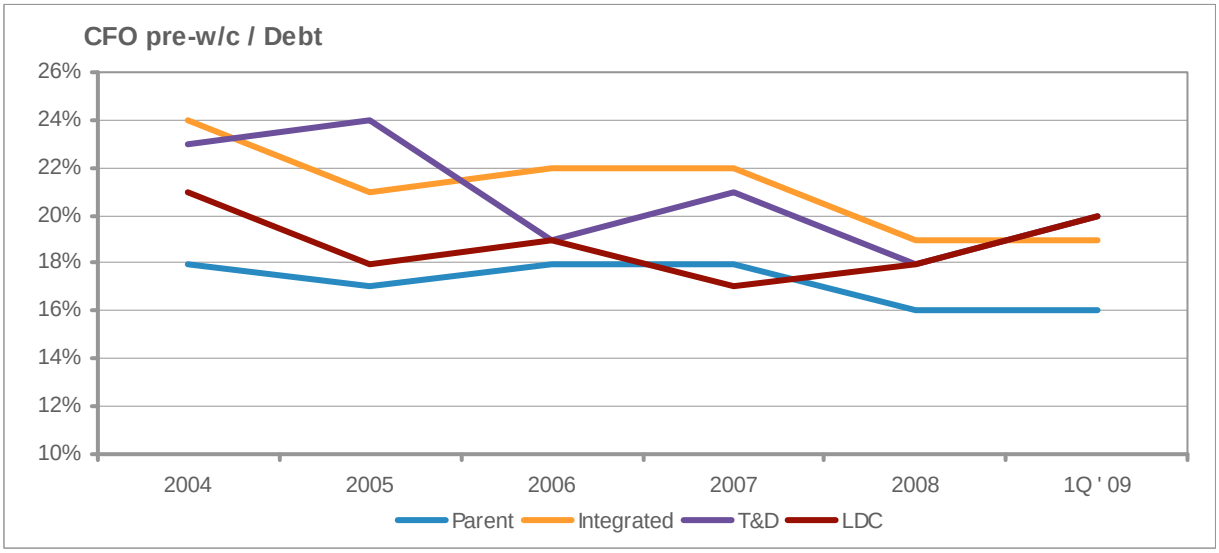
Over the past three years, the principal sub-sectors have produced relatively stable, if modestly deteriorating, key financial credit ratios.

Selected historical credit metrics

	CFO / Debt 5-yr	CFO / Interest 5-yr	CFO / Debt 3-yr	CFO / Interest 3-yr	CFO / Debt 2008	CFO / Interest 2008	CFO / Debt LTM 1Q 2009	CFO / Interest LTM 1Q 2009
Parent	17%	3.9	17%	3.9	16%	3.7	16%	3.7
Integrated	21%	4.7	21%	4.6	19%	4.4	19%	4.2
T&D	21%	4.6	19%	4.2	18%	4.0	20%	4.7
LDC	19%	4.5	18%	4.3	18%	4.5	20%	4.3

CFO / Debt = cash flow from operations before changes in working capital / total adjusted debt outstanding

While a modest decline in the financial ratios is not alarming today, the breadth of the decline across sub-factors is noticeable (with the exception of LDCs) when comparing the more recent results with the historical averages. We noted the possibility of this deterioration several years ago, when we questioned whether the industry's "back-to-basics" strategy was being retired prematurely, or at least before the originally articulated balance sheet goals were reached.



Regulation provides multiple notches of ratings benefit

About 50% of the utility sector's rating stems directly from its status as a regulated monopoly that provides an essential service to the general population. To gauge regulation's influence on the utility sector's ratings, we evaluated selected financial credit metrics, using the 3-year average financials (2006-2008) for the utility sector, and ran them through the rating methodologies for a selected group of large, capital-intensive, commodity-exposed industrial peers. Although many of these industrial sectors are also affected by various forms of regulation, regulation over profitability is less evident than the utility sector.[2]

[2] These industries may be affected by regulation, but our key interest for the electric utilities is the cost-recovery mechanism, which these other sectors lack.

U.S. Regulated Electric Utilities

Clearly, based only on the financial metrics, the utility sector would be, at best, a borderline investment-grade sector, if not for the regulatory support. The utility parent holding companies would more clearly appear in the non-investment-grade range. This is primarily a result of the industrial peers being required to maintain RCF/debt ratios of roughly 30% to be considered investment-grade, while utility-sector issuers need only maintain ratios above roughly 10%.

We conducted a second exercise, evaluating the selected industrial peer financials within our general utility rating methodology framework. Again, we only examined the three-year historical average financial ratios and excluded all other industry-specific rating factors. As the next table shows, the industrial peers appear to be strongly investment-grade when compared to the lower financial metric thresholds held out for utilities on a cash flow measure, but less so when evaluated on a capitalization perspective.

	Implied utility ratings based on selected industrial rating methodologies								Selected industrial ratings based on Utility rating methodology	
	Parent utility companies				Integrated utilities					
Sectors *	RCF/ Debt	Debt / Capz.	Debt / EBITDA	FCF / Debt	RCF/ Debt	Debt / Capz.	Debt / EBITDA	FCF / Debt	RCF/ Debt	Debt / Capz.
Airlines	--	Ba	Ba	Caa	--	Baa	Ba	Caa	Baa	Caa
Capital Goods	Ba	A	Ba	Caa	Ba	A	Baa	Caa	Aaa	Baa
Chemicals	--	Ba	Ba	Caa	--	Baa	Ba	Caa	Aa	Ba
Coal	Ba	Ba	Ba	Caa	Ba	Baa	Baa	Caa	Aaa	Baa
Oil & Gas integrated	Ba	Ba	--	--	Ba	Baa	--	--	Aaa	Aa
Packaging	--	--	Ba	Ca	--	--	Ba	Ca	A	B
Paper & Forest Prod.	Ba	--	Ba	Caa	Ba	--	Ba	Caa	Baa	Ba
Pharmaceutical	Ba	Ba	--	Caa	Ba	Ba	--	Caa	Aa	Baa
Shipping	B	--	Ba	B	Ba	--	Baa	B	Baa	Ba
Steel	--	Ba	Ba	Caa	--	Baa	Baa	Caa	Aaa	A

** Most of these selected groups of comparable industrial peers include 8-12 companies.*

Because the regulatory benefit is so critical to our ratings, it tends to represent the most important risk factor. While we continue to consider regulatory risk a lower risk today, we believe there are potential longer-term regulatory risks that could emerge on two fronts:

- Regulatory support for timely recovery could erode; and
- Regulators could reduce the authorized returns on investments, based on the perception that utilities have lower business risks than other industrial sectors and will find it easier to compete for capital.

Theoretically, regulators could attack the standard cost of capital arguments that assert competitive ROEs and other returns are necessary to attract capital. Our concern is that regulators could attempt to modify their views on the appropriate returns, since the sector's leverage is already benefited by regulation.

What could change the sector outlook to negative?

The electric utility industry appears reasonably well-positioned today within its investment-grade rating category, despite increasing business challenges. Modestly declining financial metrics—a fundamental credit negative—could eventually force us into a more negative position for the sector. For now, though, we continue to incorporate a view that regulators will ultimately provide timely financial relief.

A shift to a negative outlook could emerge based on our view that few utility management teams are taking meaningful steps to strengthen their balance sheets and therefore may not be sufficiently positioned to withstand unexpected shocks or challenges to the longer-term fundamental business plan, for its given rating category.

U.S. Regulated Electric Utilities

Nevertheless, most utility executives agree with our general view of the pending risks and challenges. They also believe they have enough time to assess the situation and gain better clarity about the facts. Our concern is if one or more challenges appear unannounced, at exactly the worst possible time. Since there is general agreement that these risks are legitimate, we conclude that conservative utility management teams would otherwise take precautionary measures to protect their franchise.

Beyond a widespread management failure to actively strengthen their balance sheets, the outlook for this sector could turn negative with a material change in the regulatory environment, which today tends to support the utilities' recovery of reasonable costs from ratepayers. We foresee no significant changes in this regulatory support at this time but will be carefully evaluating many of the rate case proceedings currently underway, including those in Texas, Florida, Virginia, New York and South Carolina.

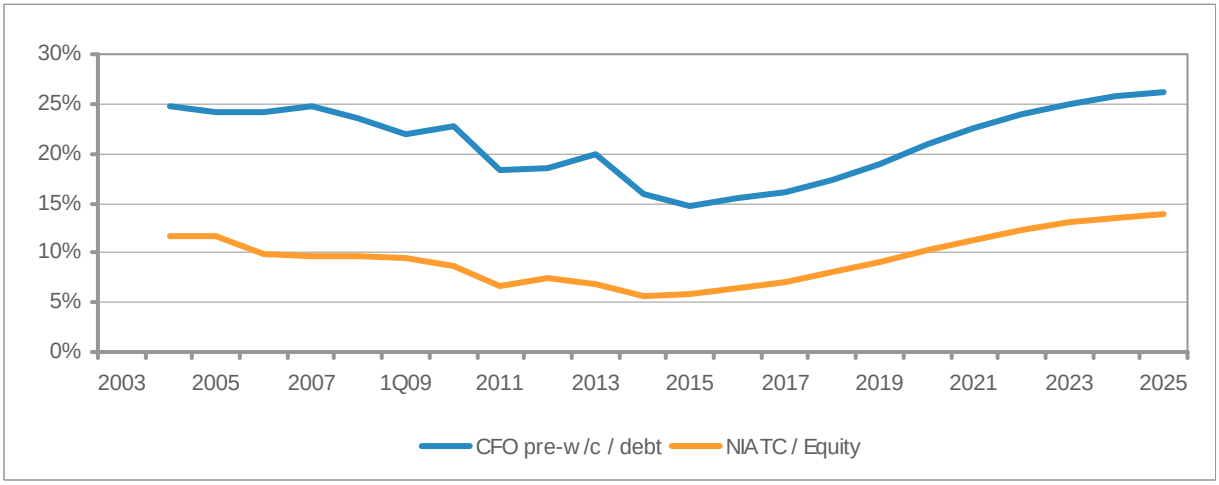
Base-case financial projections for vertically integrated utilities

We evaluated historical financial statements for about 75 vertically integrated electric utilities, creating a hypothetical utility to illustrate financial projections over the next 20 years. Some of our assumptions:

- All revenues come from sales of electricity.
- Volumes rise modestly over the next few years before reversing and remaining flat (0% growth) by the late 2010s. We believe these volume assumptions reflect a modest economic recovery over the next few years followed by flat volume growth associated with energy efficiency programs.
- Total authorized rate increases of 5% per year between 2010-2014, followed by 7.5% rate increases every year thereafter.
- Fuel and purchase power expenses alternating between 50% and 55% of total revenue every year, reflecting the volatility of fuel commodities. This creates some "choppiness" in our financial returns, so we illustrate the results of our models with rolling two-year averages.
- Carbon costs begin in 2014 at $5 per ton, increasing to $10 per ton in 2015 and by an additional $2.50 per ton annually thereafter.
- Energy efficiency costs, renewable energy costs, and other incremental costs total roughly 3% of revenues for the next three years, and 5% of revenues thereafter. We assume all "tracker" mechanisms are incorporated into this assumption. Any automatic recovery is assumed to be captured in the annual rate increase assumption noted previously.
- Operating and maintenance costs grow by 2% every year.
- Annual projected capital expenditures are based on the previous year's depreciation and amortization. Capital expenditures will amount to 250% of the previous year's D&A in 2010-2011, gradually scaling down to 125% by 2019 before rising again, to 275% by 2025. These capital expenditure trends reflect the sector's need for infrastructure investment—and herd cyclicality.
- We adjust the dividend-payout ratio and the amount of new debt financing (assuming a 6% coupon on all incremental new debt) to maintain a general debt-to-capitalization ratio of about 50%.

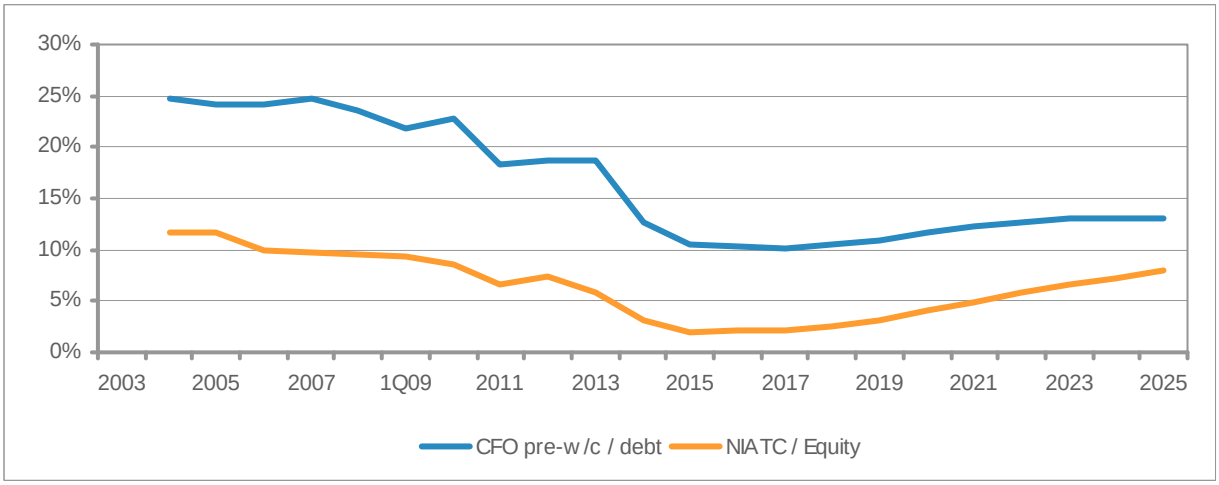
As a result of these base case assumptions, our hypothetical utility would generate CFO pre-w/c to debt and ROE over the next two decades as illustrated in the next graph:

U.S. Regulated Electric Utilities



Even allowing for some volatility in the financial ratios, this hypothetical utility would most likely be positioned for ratings upgrades. This could be based on the continued regulatory support and steadily improving CFO/debt ratios, possibly in the 2014-2015 timeframe, when the visibility over carbon-cost implications is clearer, and the majority of the bank credit facilities have already rolled.

If, however, our base-case assumptions included a more costly carbon impact—for example, doubling our per-ton cost estimates to $10/ton in 2014 and $20/ton in 2015, and increasing by $5/ton every year thereafter—our hypothetical company's results would look less robust. This utility is likely to suffer modest rating downgrades, possibly around 2011-2013, as CFO / debt ratios approach the 10% threshold before showing signs of improvement in 2014-2015.

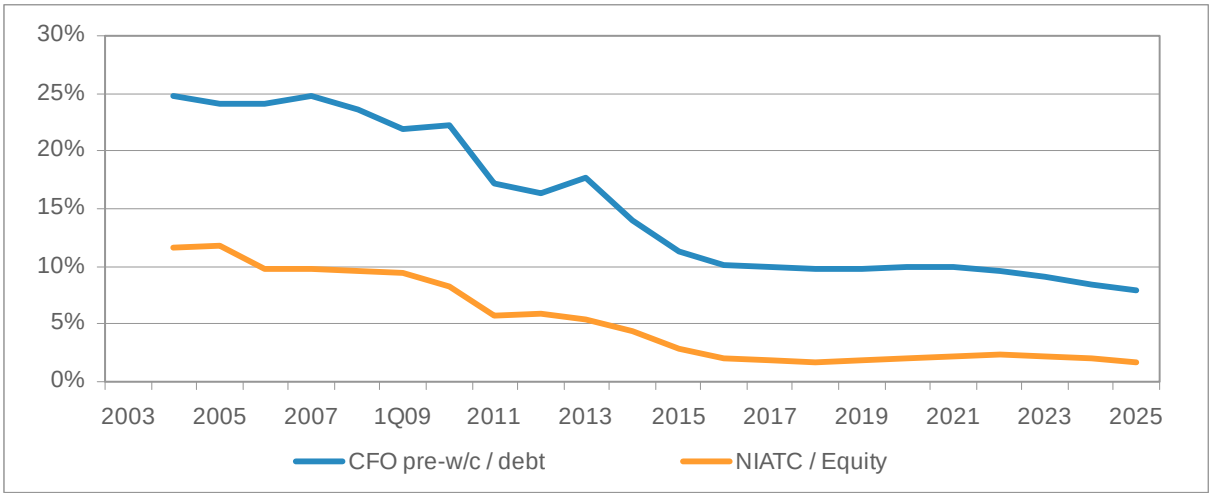


Carbon obviously represents a significant potential risk to this sector's long-term credit profile. Although we do not consider ROE a primary credit driver, we would be concerned if it fell significantly below the 9%-10% range over a sustained period: the lower the ROE, the greater uncertainty over the sector's capital allocation and stewardship by management teams and boards of directors. Presumably, management could look for better uses for their capital.

The current economic climate could make it impossible for our hypothetical utility regulators to authorize annual rate increases of 5%-7.5%, which is incorporated into our illustration. If today's severe economic conditions persist—as we believe they may into 2010, if not beyond—rate increases could eventually spark a backlash by both ratepayers and regulators.

U.S. Regulated Electric Utilities

If rate increases were limited to only 3% a year over the next five years, followed by 5% annual increases thereafter (versus 5% annual increases over the next five years and 7.5% annually thereafter), there could be a material amount of pressure on both the credit, as well as the equity, all other assumptions held constant.



Three primary challenges

The utility sector faces three major threats that would increase its overall business and operating risk profile. For the most part, these risks are not new to the sector, but are arguably downplayed or dismissed. Utilities have not yet reached a crisis point, but we think these challenges may combine and emerge together in the 2011-2013 timeframe, as the majority of the credit facilities expire and the incremental operating costs associated with carbon begin to appear. As a result, we believe the most effective course of action to protect existing ratings (and equity values) is to take active evasive measures and strengthen the balance sheet and bolster liquidity reserves. This will not be easy.

As noted previously, the biggest challenge is maintaining a supportive regulatory relationship. One component of this regulatory risk includes increasingly stringent environmental mandates for carbon and mercury. The likely passage of some federal law regulating carbon dioxide emissions—possibly as soon as this year or next[3]—could be a fundamental sector-changing event, with unknown effects on balance sheets and liquidity. Such uncertainties increasingly represent a primary consideration for credit ratings. We are struck by the industry's apparent lack of urgency regarding new, complex and potentially costly carbon rules. Moreover, we expect incrementally strict environmental mandates over the near to intermediate term concerning mercury, NOX, and SOX, among other pollutants. Again, though, few utilities appear visibly concerned.

A second big risk stems from the sector's heavy reliance on unfettered access to the capital markets as a component of its liquidity. The capital markets have accepted this reliance over many decades, and many utility issuers have been all but untouched by the recent and ongoing turmoil in the financial markets. Even so, the reliance on third-party financing remains a critical risk factor—especially as numerous bank credit facilities expire over 2011-2012. The increasing burden on our overall liquidity analysis may eventually stop us from assuming the sector has unfettered access to the capital markets. The dramatic changes in credit availability and the financial institutions require some caution. We believe utilities will see their available borrowing capacity decrease, possibly by as much as 25%-30%; that tenors will shorten, with two-year facilities more widespread than five-year; and that pricing will be substantially higher than today.

Finally, we are not sure today's level of authorized cost relief will continue. Utilities are among the most capital-intensive of all industrial sectors, with aging infrastructures that require constant maintenance and long-term capital investment. In addition, public policy agendas are influencing utilities' operating cost structure, which will contribute to increasing rate pressure. Utilities will find it increasingly difficult to balance a need for higher

[3] Most industry participants predict that new environmental mandates will take effect around 2012-2013.

rates with the ability to post returns that attract new capital investment. At some point, ratepayers and regulators may begin to resist these higher rates.

Consumers have limited ability to absorb new rate increases

All of these pressures indicate that there is pressure for higher electric rates, and we believe consumers and ratepayers may eventually complain to their elected officials. Once this inflection point is breached, the political and regulatory reaction will represent a major, fundamental and highly uncertain risk for the sector.

Regulators might find it increasingly difficult to authorize steadily increasing rates, especially in today's uncertain economic climate. No one knows how big an increase consumers can absorb; in any case the size would vary by location.

Even so, gasoline prices offer a look at how consumers react once this inflection point is reached, when $4-a-gallon gasoline in 2008 led to a distinct shift in behavior among U.S. motorists. That shift still persists a year later, even with gasoline prices much lower nationwide.

Although we acknowledge that electricity volumes are more inelastic than gasoline, we attempt to illustrate the possible U.S. consumer inflection point regarding electric rates. Our illustration begins with average household income in 2007. We subtract about 30% to reflect state and federal taxes and other primary deductions. The result is average disposable household income. We then compare the average annual utility bill to the average disposable household income, and arrive at the average electric bill as a percentage of disposable household income. As of 2007, this ratio was about 3.4%.

While no one claims to know exactly at what point consumers will begin to object to higher electric rates, we believe this inflection point is crossed roughly when the electric bill reaches 5%-10% of disposable income. This would imply annual electric bills of about $3,500-$1,800 from the current $1,200, and total aggregate rate increases of roughly 100%-50% over the existing national average of 10.65 cents per kwh.

Sharply higher utility bills and lackluster income growth: A politically volatile mix

If U.S. household outlays for electric and gas bills advance by 20% annually between 2010-2012, they would represent a record 4% of disposable personal income (DPI) by the end of that period. Aggregate outlays on electric and gas rose by 21.3% annualized on average during the three years that ended in the first quarter of 1977, while spending on electric and gas rose no higher than 2.8% of DPI—mostly because DPI grew by a comparatively rapid annual 9.9% on average.

By contrast, U.S. consumers would be enraged if their overall electric and gas bills soared more than 20% annualized during the 2010-2012 period if DPI rose by a much slower 1.8% annually, on average. DPI growth could indeed be this low, based on expectations of a soft U.S. labor market subject to competitive pressures from workforces in China and India—a marked contrast from 1977, when American workers were not yet subject to wage pressures from competitively priced labor in the emerging markets.

Consumer spending on gasoline and fuel oil soared by 26% during the 12 months that ended September 2008. These prices became a political issue, even though DPI rose at a relatively normal 5.3% during this period. Any sharp acceleration of energy costs amid decidedly weak income growth is likely to spark political discord.

Sources: John Lonski, Managing Director, Moody's Capital Markets Research Group; National Income Product Accounts (NIPA)

U.S. Regulated Electric Utilities

Carbon dioxide regulations represent huge risk

Six months into the Obama administration, legislation concerning federally mandated carbon dioxide regulations—the American Clean Energy and Security Act of 2009 (ACES), also known as the Waxman-Markey bill—has passed the House, and now resides with the Senate. The vast majority of our industry contacts—utility executives, regulators, legislators, bankers, consultants, and investors alike—feel that carbon-emission restrictions are now inevitable. Most expect the passage of some form of carbon-emission limits in 2009 or 2010, with actual implementation likely around 2012-2013.

But few market participants claim to understand the intricacies of the current version of the bill, and in any case, details will continue to change as the bill goes through the Senate (and eventually the House-Senate reconciliation process, if it passes). But we note that any version of ACES that becomes law could place a steep cost-burden on the electric utility industry, which relies heavily on emission-producing coal and natural gas.

The current legislation aims to achieve a 17% reduction in carbon emissions by 2020 from 2005 levels, and an 83% reduction by 2050. Assuming the electric utility sector was responsible for about two-thirds of the 6 trillion metric tons of carbon produced in 2005, the sector would have to reduce its own carbon emissions by about 1 trillion metric tons by 2020.[4] Estimates for the industry's carbon emission costs vary widely—from roughly the mid-single digits initially ($5/ton) growing to anywhere from $25/ton to $100/ton by 2025. We anticipate that the costs will begin at about $5/ton, increase rapidly to about $10/ton, and then rise at a modest but steady annual $2.50/ton.

We believe carbon-emission taxes could threaten some utilities' liquidity. For a simple utility that sells 20 Twh's of electricity, with 50% generated from coal and 25% from natural gas, the costs of carbon might range from $60 million-$300 million annually (assuming carbon taxes of $5/ton-$25/ton). Although we accept that most issuers would be able to recover their carbon costs from ratepayers, the timing related to any potential recovery remains unclear. This could put significant pressure on an issuer's liquidity position; in the current environment, this presents a material concern.

[4] This assumes that the electric utility sector must reduce its own carbon emissions by the same amount as the overall mandate—i.e., by 17% by 2020).

U.S. Regulated Electric Utilities

	Millions of Metric Tons	
	Total Sources	Energy Related
2005 CO2 emissions	6,032	5,975
Percentage derived by utilities	67%	67%
Implied utility CO2 emissions	4,011	3,974
Estimated total MW capacity (US)		950,000
Assumed % coal		50%
Assumed % natural gas		20%
Implied MW's by fuel source		
Coal		475,000
Natural gas		190,000
		665,000
Assumed capacity factors		
Coal		70%
Natural gas		25%
Implied generation (MWh's)		
Coal		2,912.7
Natural gas		416.1
		3,328.8
Implied CO2 emissions		
Coal (1 MWH = 1 ton)		2,912.7
Natural gas (1 MWH = 0.5 tons)		208.1
		3,120.8

From a credit perspective, we believe the carbon-emission legislation poses a major risk for the sector, primarily because of its complexity and apparent implications to liquidity. The legislation may become less imposing for the utility sector as it makes its way through the U.S. Senate, in part based on the sector's effective lobbying efforts. But the bill's complexity creates an expectation that a utility's financial statements could become less transparent with respect to these costs and their overall financial implications—a credit negative.

Liquidity harder to manage amid tighter credit markets

About 10% of the sector's $110 billion of credit facilities are expected to expire around October 2009, with another 10% expiring in April 2010. The remainder is due to expire in 2011 and 2012.

We believe the turmoil impacting the financial institutions will remove about 30% of the utility industry's current available credit which will drop overall liquidity capacity to roughly $77 billion from about $110 billion—a drop of about $30 billion. That is a lot of credit capacity coming out of the system.

The maturities of these credit facilities are most likely be in the 1-2 year tenor. More restrictive covenant packages, and possibly even material adverse-change clauses, may become more standard.

The capacity reduction results in a roughly $33 billion of liquidity sources removed from the system. Several utilities—including DTE Energy, FPL Group, NICOR, Southern and TECO Energy—have been reasonably successful in rolling over near-term credit facilities. Liquidity appears more challenged for others, such as AEP and Duke Energy. Ultimately, we believe the issue is one of pricing, not capacity availability.

No one knows how much carbon costs will impact working capital, and therefore liquidity. We would be concerned if more stringent borrowing restrictions and financial covenant requirements conspire to challenge the sector's ability to borrow on its facilities.

Two key issues sum up the unknowable effect of these potential emissions costs: How utilities will plan their long-term investments in this environment, and what their projected financial statements show.

Pension obligations weigh further on debts

In our last industry outlook we reviewed the 2007 funded status of pensions for several utilities. Based on these numbers we estimated that the utility sector might have exposure of upwards of $40 billion in under-funded pensions at the end of 2008. The actual pension disclosures indicated a modestly lower exposure, at $33 billion or a 73% funded status. While this funded status is better than we estimated it is by no means reason to celebrate.

From a credit perspective, Moody's treats under-funded pension obligations as a debt equivalent. As such $33 billion of additional debt equivalents clearly adds downward pressure to the credit ratings of some utilities. However, large pension under-funding in isolation did not lead to a broad wave of rating downgrades but were a factor in some downgrades, and will likely be a factor in future rating actions.

An important determinant in the rating impact on affected issuers is the magnitude of cash required to meet increased funding obligations relative to the company's liquid resources.[5] Pension funding requirements are governed by the Pension Protection Act of 2006 (PPA), which became effective in 2008. A required contribution must be paid within 8.5 months of the close of the plan year. As plan years begin one day after the fiscal year closes this would mean that a company with a December 31, 2008 year end may have until September 15, 2010 to make its contribution. However, companies' plans which were under-funded in the prior year compared to the PPA transition thresholds must make quarterly contributions in the current year.

While the PPA is very strict in many regards, there is some flexibility regarding required quarterly contributions. If a plan sponsor previously made voluntary contributions, which are referred to as prior year credits, it may be able to defer some or all of the required quarterly payments until the next year. Specifically if the plan is at least 80% funded in the current plan year it may be able utilize its prior year credits to defer payments. What these provisions effectively mean is that many plans which were in decent shape at the end of 2007 could push 2009 contributions off until 2010. If funding levels do not increase by the end of 2008, a utility might be required to make two years of contributions in 2010. Several may be positioned to push contributions off until 2011, but eventually the contributions will be made. We observe that many utilities are using prior year credits to delay funding requirements until 2010.

As the year draws to a close and we get some insight into probable 2009 funding levels we will take a very close look at potential liquidity issues due to large pension contributions in 2010 and 2011. This potential use of liquidity could become more of a concern depending on the state of the credit markets at this time, and the success utilities have in managing their liquidity sources.

Capital planning for future uncertainties

The electric utility sector depends on long-lived physical assets and long-term planning—both of which pose challenges for companies' business and operating risk profiles. Changes to federal and state policies over base-load requirements and emission regulations can wreak havoc on utility managers' ability to plan and invest.

[5] See Special Comment, "Managing Ratings With Increased Pension Liability," March 2009.

Moreover, the apparent solutions to several of the sector's challenges—renewables, smart grids, efficiency measures—may raise near-term costs for consumers. In essence, it is easier to maintain the status quo (and continue polluting with carbon-based fuels) than to change consumer behaviors. The up-front costs have to be authorized for recovery and amortized over a longer-term period of time, thus creating challenges for consumer acceptance. Of course, it is difficult to estimate the unintended consequences associated with burning those carbon-based fuels.

Nevertheless, we know consumer behaviors can change quickly, as the makers of horse-drawn carriages, typewriters, videocassettes, or even SUVs can attest. Although consumers may be slow to risk their own personal comfort by changing their use of an essential service like electric power, few analysts think the electric utility sector is immune to the risks of changing technology.

Federal initiatives associated with renewable energy standards also cause us some concern. We believe a material increase in renewable energy sources can create challenges with transmission grid operators, primarily because they cannot be scheduled. The greater the percentage of renewable resources used to generate power, the likelier we are to see "problems" for grid operators—and thus higher costs for ratepayers.

Conclusion

Historically, we have held that utilities manage their financial positions in a relatively conservative manner—that safe and reliable service is fundamental to their business plans and that they need healthy, regular infusions of debt and equity to fund their sizeable negative free cash flows.

Most of our issuers expect Washington to impose some form of carbon tax over the near- to intermediate term. Whether enacted this year or next, few believe it will disappear. But we believe utilities tend to downplay the magnitude of the potential risks from such legislation, with managements continuing to assume they will see the appropriate regulatory relief to cover their costs. Today, we continue to believe that prudently incurred costs and investments will be recovered, but we do not consider future cost-recovery a given. The uncertain economic climate clouds our visibility regarding these assumptions.

The sector needs significant capital to refurbish its infrastructure, implying sizeable negative free cash flows that must be financed in the capital markets. But credit availability is now tighter and costlier than even a year ago, and may remain this way indefinitely. Today we believe the sector will maintain unfettered access to the capital markets, and that expiring credit facilities will be rolled over into new facilities without a material reduction in capacity.

Regulators continue to scrutinize authorized ROEs, and intervenors increasingly feel that trackers and other recovery mechanisms can lower a utility's business risk profile. We expect to see growing tension between utilities—which need financial relief for increasing costs and investment—and consumers, whose tolerance for higher rates may be tested further in a poor economic environment.

Since few, if any, industry participants disagree with the risks identified in this report, we are somewhat baffled that utility management teams seem reluctant to proactively strengthen their balance sheets in the face of such challenges. In essence, we are talking about protecting the ultimate franchise of the utility's service territory and their ability to assure a safe and reliable essential service.

Appendix A: Macroeconomic Risk Scenarios

Our central outlook for the global economy has worsened since late last year, now taking the shape of a hook when plotted on a graph, as opposed to a "U."

This means we expect that the global recession this year will be deeper than we thought six months ago and that it will be followed by a slow and painful recovery for most economies in 2010, not a steep rebound, as previously thought.

We also can't rule out the risk that the global economy will follow a darker path, the downside scenario described below. The central and downside scenarios both begin with a severe downturn. It is the shape of the recovery that distinguishes them.

Central scenario (hook-shaped recovery): The prospect for a robust recovery is bleak, taking the shape of a hook. The U.S. economy could shrink between 2% and 3% in 2009, before expanding 1% to 2% in 2010—meaning that once the recovery takes shape, growth will be tepid at best.

Implications for the industry: Our stable outlook on the U.S. regulated utilities industry incorporates this view.

Downside scenario (L-shaped recovery): A recovery in 2010, if one emerges, takes the shape of an "L"—signifying years of little or no economic growth for most major economies.

There is a real risk of this happening. But it is too early to adopt this scenario as our base case because it is too early to tell whether fiscal and monetary stimulus policies are working. Some signs should emerge this summer. Odds are the fiscal packages will limit the damage.

Implications for the industry: Worsening U.S. unemployment adds to pressures on consumers, and commodity prices begin to rise, increasing bills for ratepayers. The hardship that some consumers face in paying their monthly bills creates political pressure against utilities. Regulators begin to question more closely, and in some cases deny, the utilities' requests for cost recovery, putting pressure on the companies' revenues and cash flow. Access to capital deteriorates and liquidity becomes a concern.

For the full report, published by the economists at Moody's Global Financial Risk Unit on May 6, 2009, please click here.

Appendix B: Peer index composition

PORTFOLIO: Parents		Vertically Integrated Utilities		T & D utilities		LDC utilities	
Entity Name	**Current LT Rating**	**Entity Name**	**Current LT Rating**	**Entity Name**	**Current LT Rating**	**Entity Name**	**Current LT Rating**
AES Corporation, (The)	B1	Alabama Power Company	A2	AEP Texas Central Company	Baa2	Alabama Gas Corporation	A1
Allegheny Energy, Inc.	Ba1	ALLETE, Inc.	Baa1	AEP Texas North Company	Baa2	Atlanta Gas Light Company	A3
Alliant Energy Corporation		Appalachian Power Company	Baa2	AES El Salvador Trust	Ba2	Bay State Gas Company	Baa2
Ameren Corporation	Baa3	Arizona Public Service Company	Baa2	American Transmission Company LLC *	A1	Berkshire Gas Company	Baa2
American Electric Power Company	Baa2	Avista Corp.	Baa3	Atlantic City Electric Company	Baa1	Boston Gas Company	Baa1
Black Hills Corporation	Baa3	Black Hills Power, Inc.	Baa2	Baltimore Gas and Electric Company	Baa2	Cascade Natural Gas Corp.	Baa1
CenterPoint Energy, Inc.	Ba1	Central Illinois Light Company	Ba1	CenterPoint Energy Houston Electric	Baa3	Colonial Gas Company	A2
Cleco Corporation	Baa3	Central Vermont Public Service	Ba2	Central Hudson Gas & Electric	A2	Connecticut Natural Gas	Baa1
CMS Energy Corporation	Ba1	Cleco Power LLC	Baa1	Central Illinois Public Service	Ba1	Indiana Gas Company, Inc.	Baa1
Consolidated Edison, Inc.	Baa1	Columbus Southern Power Company	A3	Central Maine Power Company	Baa1	KeySpan Gas East Corporation	A3
Constellation Energy Group, Inc.	Baa3	Consumers Energy Company	Baa2	Cleveland Electric Illuminating	Baa3	Laclede Gas Company	Baa1
Dominion Resources Inc.	Baa2	Dayton Power & Light Company	A2	Commonwealth Edison Company	Baa3	Michigan Consolidated Gas Company	Baa1
DPL Inc.	Baa1	Detroit Edison Company (The)	Baa1	Connecticut Light and Power	Baa1	New Jersey Natural Gas Company	Aa3
DTE Energy Company	Baa2	Duke Energy Carolinas, LLC	A3	Consolidated Edison Company of NY	A3	North Shore Gas Company	A3
Duke Energy Corporation	Baa2	Duke Energy Indiana, Inc.	Baa1	Delmarva Power & Light Company	Baa2	Northern Illinois Gas Company	A2
Duquesne Light Holdings, Inc.	Ba1	Duke Energy Kentucky, Inc.	Baa1	Duquesne Light Company	Baa2	Northwest Natural Gas Company	A3
Edison International	Baa2	Duke Energy Ohio, Inc.	Baa1	Empresa Electrica de Guatemala, S.A.	Ba3	Peoples Gas Light and Coke	A3
Emera Inc.	Baa2	El Paso Electric Company	Baa2	FortisAlberta Inc.	Baa1	Piedmont Natural Gas Company	A3
Enersis S.A.	Baa3	Empire District Electric Company	Baa2	Georgia Transmission Corporation *	Baa1	Public Service Co. of NC	A3
Entergy Corporation	Baa3	Entergy Arkansas, Inc.	Baa2	Illinois Power Company	Ba1	Questar Gas Company	A3
Exelon Corporation	Baa1	Entergy Gulf States Louisiana, LLC	Baa3	International Transmission Company *	A3	SourceGas LLC	Ba2
FirstEnergy Corp.	Baa3	Entergy Louisiana, LLC	Baa2	ITC Midwest LLC *	A3	South Jersey Gas Company	A3
FPL Group, Inc.	A2	Entergy Mississippi, Inc.	Baa3	Jersey Central Power & Light Company	Baa2	Southern California Gas Company	A2
Great Plains Energy Incorporated	Baa3	Entergy New Orleans, Inc.	Ba2	Massachusetts Electric Company	A3	Southern Connecticut Gas Company	Baa1
IDACORP, Inc.	Baa2	Entergy Texas, Inc.	Ba1	Metropolitan Edison Company	Baa2	Southwest Gas Corporation	Baa3
Integrys Energy Group, Inc.	Baa1	Florida Power & Light Company	A1	Michigan Electric Transmission Company, LLC *	A3	Terasen Gas (Vancouver Island) Inc.	A3
MidAmerican Energy Holdings Co.	Baa1	FortisBC Inc	Baa2	Narragansett Electric Company	A3	Terasen Gas Inc.	A3
NiSource Inc.	Baa3	Georgia Power Company	A2	New England Power Company	A3	Terasen Inc.	Baa2

U.S. Regulated Electric Utilities

PORTFOLIO: Parents		Vertically Integrated Utilities		T & D utilities		LDC utilities	
Entity Name	**Current LT Rating**	**Entity Name**	**Current LT Rating**	**Entity Name**	**Current LT Rating**	**Entity Name**	**Current LT Rating**
Northeast Utilities	Baa2	Green Mountain Power Corporation	A3	New York State Electric and Gas	Baa2	UGI Utilities, Inc.	A3
NSTAR	A2	Gulf Power Company	A2	Newfoundland Power Inc.	Baa1	Washington Gas Light Company	A2
NV Energy Inc.	Ba1	Hawaiian Electric Company, Inc.	Baa1	Niagara Mohawk Power Corporation	A3	Wisconsin Gas LLC	A1
OGE Energy Corp.	Baa1	Idaho Power Company	Baa1	NSTAR Electric Company	A1	Yankee Gas Services Company	Baa2
Pepco Holdings, Inc.	Baa3	Indiana Michigan Power Company	Baa2	Ohio Edison Company	Baa2		
PG&E Corporation	Baa1	Indianapolis Power & Light Company	Baa2	Oncor Electric Delivery Company	Baa1		
Pinnacle West Capital Corporation	Baa3	Kansas City Power & Light Company	Baa1	Orange and Rockland Utilities, Inc.	Baa1		
PNM Resources, Inc.	Ba2	Kansas City Power & Light (MO)	Baa3	PECO Energy Company	A3		
PPL Corporation	Baa2	Kentucky Power Company	Baa2	Pennsylvania Electric Company	Baa2		
Progress Energy, Inc.	Baa2	Kentucky Utilities Co.	A2	Pennsylvania Power Co.	Baa2		
Public Service Enterprise Group	Baa2	Louisville Gas & Electric Company	A2	Potomac Edison Company (The)	Baa3		
Puget Energy, Inc.	Ba2	Madison Gas and Electric Company	Aa3	Potomac Electric Power Company	Baa2		
SCANA Corporation	Baa1	MDU Electric & Gas Utilities	Not Rated	PPL Electric Utilities Corporation	Baa1		
Sempra Energy	Baa1	MidAmerican Energy Company	A2	Public Service Electric and Gas Company	Baa1		
Southern Company (The)	A3	Mississippi Power Company	A1	Rochester Gas & Electric Corporation	Baa2		
TECO Energy, Inc.	Baa3	Monongahela Power Company	Baa3	Superior Water, Light and Power	Baa1		
UIL Holdings Corporation	Baa3	Nevada Power Company	Ba3	Texas-New Mexico Power Company	Baa3		
UniSource Energy Corporation	Ba1	Northern Indiana Public Service	Baa2	Toledo Edison Company	Baa3		
Vectren Utility Holdings, Inc.	Baa1	Northern States Power (Minnesota)	A3	Transelec S.A. *	Baa3		
Westar Energy, Inc.	Baa3	Northern States Power (Wisconsin)	A3	United Illuminating Company	Baa2		
Wisconsin Energy Corporation	A3	NorthWestern Corporation	Baa2	West Penn Power Company	Baa3		
Xcel Energy Inc.	Baa1	Nova Scotia Power Inc.	Baa1	Western Massachusetts Electric	Baa2		
		Ohio Power Company	A3				
		Oklahoma Gas & Electric Company	A2	* Transmission only			
		Pacific Gas & Electric Company	A3				
		PacifiCorp	Baa1				
		Portland General Electric Company	Baa2				
		Progress Energy Carolinas, Inc.	A3				
		Progress Energy Florida, Inc.	A3				
		Public Service Company of Colorado	Baa1				
		Public Service Company of NH	Baa2				

U.S. Regulated Electric Utilities

PORTFOLIO: Parents		Vertically Integrated Utilities		T & D utilities		LDC utilities	
Entity Name	**Current LT Rating**	**Entity Name**	**Current LT Rating**	**Entity Name**	**Current LT Rating**	**Entity Name**	**Current LT Rating**
		Public Service Company of NM	Baa3				
		Public Service Company of Oklahoma	Baa1				
		Puget Sound Energy, Inc.	Baa3				
		San Diego Gas & Electric Company	A2				
		Sierra Pacific Power Company	Ba3				
		South Carolina Electric & Gas	A3				
		Southern California Edison Company	A3				
		Southern Indiana Gas & Electric	Baa1				
		Southwestern Electric Power	Baa3				
		Southwestern Public Service	Baa1				
		Tampa Electric Company	Baa1				
		Tucson Electric Power Company	Baa3				
		Union Electric Company	Baa2				
		Virginia Electric and Power Company	Baa1				
		Wisconsin Electric Power Company	A1				
		Wisconsin Power and Light Company	A2				
		Wisconsin Public Service Corporation	A2				

** Transmission only*

U.S. Regulated Electric Utilities

PORTFOLIO: Unregulated Power - affiliated		Unregulated Power - independent		Cooperatives	
Entity Name	**Current LT Rating**	**Entity Name**	**Current LT Rating**	**Entity Name**	**Current LT Rating**
Allegheny Energy Supply Company	Baa3	AEI	B1	Arkansas Electric Cooperative Corporation	A2
AmerenEnergy Generating Company	Baa3	AES Chivor & Cia. S.C.A. E.S.P.	Ba2	Associated Electric Cooperative, Inc.	A2
Exelon Generation Company, LLC	A3	AES Gener S.A.	Baa3	Basin Electric Power Cooperative	A2
FirstEnergy Solutions Corp.	Baa2	Calpine Corporation	B2	Big Rivers Electric Corporation	(P)Baa1
KeySpan Generation LLC	Baa1	Covanta Holding Corporation	Ba2	Buckeye Power, Inc.	A2
PPL Energy Supply, LLC	Baa2	Dynegy Holdings Inc.	B2	Chugach Electric Association, Inc.	A3
PSEG Power L.L.C.	Baa1	Edison Mission Energy	B1	Dairyland Power Cooperative	A2
Southern Power Company	Baa1	Empresa Electrica del Norte Grande S.A.	Ba3	Golden Spread Electric Cooperative, Inc.	A3
System Energy Resources, Inc.	(P)Ba1	Mirant Corporation	B1	Great River Energy	A3
		NRG Energy, Inc.	Ba3	Hoosier Energy Rural Electric Cooperative Inc	Baa2
		RRI Energy, Inc.	B1	Minnkota Power Cooperative, Inc	Baa1
		Texas Competitive Electric Holdings Co LLC	Caa2	Oglethorpe Power Corporation	Baa1
		TransAlta Corporation	Baa2	Old Dominion Electric Cooperative	A3
				PowerSouth Energy Cooperative	Baa1
				South Mississippi Electric Power Assoc	Baa1
				Tri-State G&T Association Inc.	Baa2

U.S. Regulated Electric Utilities

Appendix C: Estimated Inflection Points by State

State-by-State Electricity Bill / Household Disposable Income Study*

Source:	BEA		EIA	Moody's	Estimates		
State	2007 Annual Household Income	2007 Annual Household Disposable Income	2007 Average Retail Electricity Price (Cents/KWh)	2007 Average Yearly Bill / Disposable Income	Implied Max Rate	Implied Max rate increase	Un - employ- ment Rate
Colorado	$61,141	$42,799	9.25	1.8%	$0.251	172%	7.9%
Utah	$53,529	$37,470	8.15	2.1%	$0.195	139%	6.0%
Minnesota	$58,058	$40,641	9.18	2.3%	$0.204	122%	8.1%
New Mexico	$44,356	$31,049	9.12	2.3%	$0.202	122%	7.5%
Washington	$58,080	$40,656	7.26	2.3%	$0.158	117%	9.2%
Wyoming	$48,744	$34,121	7.75	2.4%	$0.163	111%	5.3%
New Hampshire	$67,576	$47,303	14.88	2.4%	$0.312	110%	6.5%
Idaho	$49,184	$34,429	6.36	2.4%	$0.133	109%	8.0%
Michigan	$49,370	$34,559	10.21	2.4%	$0.210	106%	14.2%
California	$55,734	$39,014	14.42	2.6%	$0.280	94%	11.3%
Illinois	$52,506	$36,754	10.12	2.6%	$0.194	92%	10.3%
Wisconsin	$51,277	$35,894	10.87	2.6%	$0.206	90%	9.0%
Kansas	$48,497	$33,948	8.19	2.7%	$0.154	88%	7.8%
Rhode Island	$54,210	$37,947	14.05	2.7%	$0.260	85%	11.3%
Nebraska	$49,174	$34,422	7.59	2.7%	$0.140	84%	5.4%
Alaska	$62,993	$44,095	15.18	2.7%	$0.277	82%	10.3%
Oregon	$50,235	$35,165	8.19	2.8%	$0.145	77%	10.6%
Montana	$43,655	$30,559	8.77	2.8%	$0.155	76%	7.1%
North Dakota	$47,205	$33,044	7.30	2.9%	$0.128	75%	5.1%
District of Columbia	$50,783	$35,548	11.18	2.9%	$0.192	71%	10.0%
New Jersey	$60,508	$42,356	14.14	2.9%	$0.242	71%	9.1%
Iowa	$48,908	$34,236	9.45	2.9%	$0.161	70%	5.8%
South Dakota	$46,418	$32,493	8.07	3.0%	$0.137	69%	5.4%
Massachusetts	$58,463	$40,924	16.23	3.0%	$0.269	65%	8.7%
Vermont	$47,390	$33,173	14.15	3.0%	$0.233	65%	7.9%
Virginia	$59,161	$41,413	8.74	3.1%	$0.143	64%	7.1%
Ohio	$49,099	$34,369	9.57	3.1%	$0.155	62%	10.8%
West Virginia	$42,091	$29,464	6.73	3.1%	$0.108	60%	7.3%
Maine	$47,894	$33,526	16.52	3.1%	$0.264	60%	8.9%
Indiana	$47,453	$33,217	8.26	3.2%	$0.131	58%	10.7%
Missouri	$46,005	$32,204	7.69	3.2%	$0.120	56%	9.8%
Maryland	$65,630	$45,941	11.89	3.4%	$0.176	48%	7.0%
Pennsylvania	$48,437	$33,906	10.95	3.4%	$0.162	48%	8.5%
New York	$48,944	$34,261	17.10	3.6%	$0.236	38%	8.9%
Nevada	$54,058	$37,841	11.82	3.7%	$0.160	35%	10.9%
Oklahoma	$43,216	$30,251	8.58	3.7%	$0.115	34%	6.5%
Georgia	$48,641	$34,049	9.10	3.8%	$0.121	33%	9.7%

U.S. Regulated Electric Utilities

State-by-State Electricity Bill / Household Disposable Income Study*

Source:	BEA		EIA	Moody's	Estimates		
State	2007 Annual Household Income	2007 Annual Household Disposable Income	2007 Average Retail Electricity Price (Cents/KWh)	2007 Average Yearly Bill / Disposable Income	Implied Max Rate	Implied Max rate increase	Un - employ- ment Rate
Kentucky	$39,452	$27,616	7.34	3.9%	$0.095	29%	10.2%
Connecticut	$64,141	$44,899	19.11	3.9%	$0.245	28%	8.1%
Delaware	$54,589	$38,212	13.16	4.0%	$0.166	26%	8.0%
Arizona	$47,215	$33,051	9.66	4.0%	$0.121	25%	8.7%
Arkansas	$40,795	$28,557	8.73	4.1%	$0.106	22%	8.2%
Hawaii	$64,022	$44,815	24.12	4.2%	$0.285	18%	6.8%
North Carolina	$43,513	$30,459	9.40	4.2%	$0.111	18%	10.3%
South Carolina	$44,213	$30,949	9.19	4.3%	$0.107	16%	10.7%
Tennessee	$41,195	$28,837	7.84	4.4%	$0.089	14%	9.8%
Florida	$45,794	$32,056	11.22	4.9%	$0.115	2%	10.0%
Alabama	$42,212	$29,548	9.32	4.9%	$0.094	1%	8.8%
Louisiana	$41,313	$28,919	9.37	5.0%	$0.094	1%	7.3%
Texas	$46,053	$32,237	12.34	5.2%	$0.118	-4%	7.8%
Mississippi	$37,279	$26,095	9.36	5.4%	$0.086	-8%	11.4%
National	**$50,233**	**$35,163**	**10.65**	**3.4%**	**$0.157**	**47%**	**8.6%**

** Assumes implied maximum electric bills of 5% of calculated household disposable income.*

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Moody's Related Research

Industry Outlooks

- U.S. Investor-Owned Electric Utility Sector, January 2009 (113690)
- North American Natural Gas Transmission & Distribution, March 2009 (115150)
- U.S. Coal Industry Outlook: Six-Month Update, April 2009 (116778)
- EMEA Electric and Gas Utilities, November 2008 (112344)

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- Right-Way Hedging for Power Companies, June 2009 (117978)
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- Texas T&D Utilities: Low Business Risk, but Credit Challenges Remain, June 2009 (117479)
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- Decommissioning and Waste Costs for New Generation of Nuclear Power Structures, May 2008 (109086)
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U.S. Investor-Owned Electric Utilities

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U.S. Investor-Owned Electric Utilities

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November 7, 2008

Assessing U.S. Utility Regulatory Environments

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Table Of Contents

Background

Assessing Regulatory Jurisdictions

Ratemaking Practices And Procedures

Political Insulation

Cash Flow Support And Stability

Jurisdictional Assessments

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Assessing U.S. Utility Regulatory Environments

The assessment of regulatory risk is perhaps the most important factor in Standard & Poor's Ratings Services' analysis of a U.S. regulated, investor-owned utility's business risk. Each of the other four factors we examine--markets, operations, competitiveness, and management--can affect the quality of the regulation a utility experiences, but we believe the fundamental regulatory environment in the jurisdictions in which a utility operates often influences credit quality the most. In our credit analysis, we evaluate regulatory risk on a company-specific basis. A utility management's skill in managing regulatory risk can in many cases overcome a difficult regulatory environment. Conversely, other companies can experience greater regulatory risk even with supportive regulatory regimes if management fails to devote the necessary time and resources to the important task of managing regulatory risk. Operating in a state with a regulatory structure that is conducive to maintaining credit quality will improve the chances for a utility to successfully negotiate the regulatory maze.

This commentary discusses our views on what constitutes a favorable regulatory climate. We then use those factors to create assessments of the regulatory environments in states that regulate the electric and gas utilities that we rate. (See the table at the end of this article.) Our intention is to provide a common base for our own analysis of regulatory risk and to better communicate to investors, issuers, and regulators how various elements of regulation can affect credit quality. The exercise is also expected to enhance our ability to evaluate management by highlighting instances where our opinion of a company's regulatory risk diverges significantly from the fundamental quality of the regulatory jurisdictions where it operates.

The assessments of relevant jurisdictions are based on quantitative and qualitative factors. Importantly, we make our assessments from a credit perspective. We plan to update them annually or when significant events occur that have an important impact on the regulatory climate in a particular jurisdiction. The new regulatory assessment information augments the methodology applied to regulated utilities today.

Our introduction of these regulatory assessments coincides with what we view as the increasing influence of regulatory matters on the rated utilities' risk profiles and greater credit market awareness of the importance of understanding the regulatory process. Our goal in explaining our views on regulatory practices and policies and their effect on Standard & Poor's analysis of the credit quality of utilities is to provide additional transparency to the market.

Background

State utility regulation is almost as old as credit ratings. Standard & Poor's predecessor, Standard Statistics Bureau, was formed in 1906, and the first state utility commissions, as we know them today, appeared in 1907. Regulation has always been a factor in Standard & Poor's analysis of utility ratings, but its importance to our analysis has shifted with industry trends over time.

Before the 1970s, regulators presided for the most part over stable or decreasing rates as economic growth, rising consumption, and economies of scale drove costs down. The advent of inflation, rising and volatile fuel costs, and nuclear power missteps led to higher rates and, in our view, greater regulatory influence on credit quality during the 1980s. Restructuring in the natural gas and then the electric industries marked the 1990s and the first years of the new millennium, and the importance of regulatory issues in our analysis again started to subside. In our view, we are

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now in another era of increasing and unstable costs and some semblance of a return to traditional utility regulation. Consequently, the quality of regulation is at the forefront of our analysis of utility creditworthiness.

We have historically focused on regulatory risk on a company-specific basis. Nothing in what follows will change that approach. Utility commissions regulate diverse industries and adopt different approaches to different types of businesses. Treatment of utilities within the same industry can vary significantly in the same jurisdiction. The quality of the regulation experienced by a company is often the product of the company's management and business strategy as much as its regulators. The regulatory climate assessments only serve as a baseline of our opinion on the fundamental attitude of a jurisdiction toward the credit quality of the utilities in that state, and they are the starting point for Standard & Poor's analysis of the regulatory risk of each rated utility. Our goal is to achieve greater consistency and continuity in utility ratings.

Assessing Regulatory Jurisdictions

We assess jurisdictions on one basic attribute--the fundamental approach to controlling utility rates--and then in three major categories. The resulting assessments are based primarily on various measures of regulatory risk that are discussed briefly below. With respect to qualitative factors, we look for long-term, historical characteristics of the jurisdiction, as well as transient regulatory and political developments.

The foundation of our opinion of the regulation in a jurisdiction is the degree to which competitive market forces are allowed to influence rates. In order of credit-friendliness, a state will rely either on full cost-based regulation for all components of the utility bill, market-based mechanisms for generation, and (more rarely) retail markets, or a hybrid of the two to control the amount charged and the terms on which that service is offered. It may surprise some to learn that we consider a hybrid setup, which in most cases exists because the transition to some sort of competition has stalled, to harbor more risk for bondholders than a system that is committed to letting market prices set a major part of the customer's bill.

The risk inherent in the market-based model is straightforward: the price for electricity can be more volatile when based on a market than when it is based on embedded costs, and regulators are apt to resist full and timely recovery when changes in generation costs are abrupt and substantial (and perhaps misunderstood). The risks in a hybrid or transitional model are less apparent, but, in our opinion, potentially more significant. First, we consider the uncertainty of the timing of reaching the end state--and what that end state will look like--to be a negative factor from a credit perspective. Second, in some cases, the hybrid model may result in a "lower-of-cost-or-market" approach that allows generation rates to reflect one or the other at different times depending on which one suits ratepayers best. A utility and its bondholders may then face a prolonged period of potential exposure to market risk (the downside) with little or no opportunity to participate in the benefits of competition (the upside of greater returns).

After identifying the fundamental regulatory paradigm, our analysis turns to factors that influence the utility's business risk climate in the jurisdiction. The factors fall into three broad categories: ratemaking, political environment, and financial stability. Broadly speaking, the ratemaking and financial stability factors influence our assessments more than the paradigm and political factors.

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Ratemaking Practices And Procedures

The main, and often the most contentious, task of a regulator is to set the rates a utility may charge its customers. We analyze specific rate decisions as part of the surveillance of each utility. Our regulatory assessments focus on the jurisdiction's overall approach to setting rates and the process it uses to conduct and manage base rate filings. Practices pertaining to separate tariff clauses for large expense items are examined in the third category of the analysis (see below). In this part of the assessment, we concentrate on whether established base rates fairly reflect the cost structure of a utility and allow management an opportunity to earn a compensatory return that provides bondholders with a financial cushion that promotes credit quality.

Notably, the analysis does not revolve around "authorized" returns, but rather on actual earned returns. We note the many examples of utilities with healthy authorized returns that, we believe, have no meaningful expectation of actually earning that return because of rate case lag, expense disallowances, etc. Although, in general, the absolute level of financial returns is less important to our analysis than how that return is earned, we recognize that, all else being equal, higher earned returns translate into better credit metrics and a more comfortable equity cushion for bondholders. A regulatory approach that allows utilities the opportunity to consistently earn a reasonable return is a positive factor in our view of credit quality.

The rates of return and capital structures used to generate the revenue requirement in rate proceedings may not be the primary focus of the assessment, but those and other decisions made in the ratemaking process are still noted. We consider those decisions to be potential signals from regulators on their attitude toward credit quality. We believe that the capital structure in particular is a handy and direct indication from the regulator as to whether or not creditworthiness is an important consideration in its deliberations when setting rates. Obviously, any pronouncements from a regulator that explicitly address credit ratings or ratemaking practices that incorporate credit-minded adjustments (e.g., the use of double-leveraged capital structures or off-balance-sheet debt-like obligations) are considered in the Standard & Poor's assessment.

We analyze the issue of "regulatory lag" in a comprehensive manner and not just as a matter of the efficiency of the regulator in completing rate cases. As part of this analysis, we evaluate the timeliness of rate decisions, coupled with an evaluation of the test year. In addition, we take into account the timing of interim rates, and other practices that affect the appropriateness of rates periodically established by the regulator. We do not view the issue of regulatory lag as an intermittent concern, consequential only during times of acute inflation or rising capital spending, but as a consistent part of our credit analysis. Accordingly, in our regulatory assessments we focus on whether the regulator efficiently prosecutes rate requests and bases its decisions with respect to rate setting on the most current information.

In our view, the prevalence of rate case settlements is not necessarily an important credit consideration. Although the common assumption among market participants seems to be that a settlement must be in the best interest of a utility, we believe this assumption disregards the possibility that management will sometimes make decisions based on its effect on earnings at the expense of cash flow considerations. This does not mean we dismiss the ability of stipulations to reach a fair resolution of difficult matters that help regulators issue timely and constructive rate decisions. It just means that frequent settlements do not, in our view, directly lead to a conclusion that the regulatory environment in a state enhances credit quality.

An important policy-related issue outside of individual rate cases that falls under this part of the assessment is the

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regulatory oversight of large capital projects with long lead times that carry out-sized risks to a utility and its bondholders. In our opinion, practices such as legislative or regulatory recognition of the need for pre-approval of such endeavors, periodic reviews that substantively involve the regulator in the progress of the project, and rolling prudence determinations during construction can reduce the general level of risk associated with a utility committing substantial capital well in advance of the rate proceeding that results in the project being placed into rate base. Before committing to such projects, a resource-procurement process that uses objective guidelines to evaluate competing proposals to meet load obligations and keeps the regulator informed and involved in the decisions can, in our view, help to reduce the risk of subsequent disallowances. If the jurisdiction has an Integrated Resource Plan or similar mechanism that includes the participation of many parties and is used to definitively establish the need for new generation, we consider credit risk to be further diminished.

One more factor that we examine in this part of the analysis is whether a jurisdiction employs nontraditional ratemaking practices. Examples of what we may view to be potentially credit-enhancing regulatory mechanisms include weather normalization and incentive ratemaking. We believe that the beneficial effect on credit quality of a tariff clause that smooths out cash flows that can vary with outside influences like weather is self evident. The benefits of incentives incorporated into the regulatory regime may be less clear. Well-designed incentives can be at least credit neutral. A moderate amount of incentives can be credit supportive. We generally view incentive provisions (whether tied to cost control, reliability, or operational performance) as being beneficial for credit quality if they are linked to fair and objective benchmarks. Incentives that lack some or all of those features, such as a plain, long-term rate freeze, can be, in our opinion, detrimental to credit quality.

Political Insulation

The role of politics in utility regulation is often misunderstood. In most jurisdictions, legislatures created regulatory commissions and invested them with the power to set and enforce utility rates and service standards. Regardless of how a regulatory commission is statutorily organized, its function is to set and regulate rates and service standards with due regard not only for the interests of those who advance the capital needed to provide safe and reliable utility service but for other constituents as well. In this regard, bondholders should recognize that the setting of utility rates invariably reflects political as well as economic factors. Therefore, the potential for political considerations to affect utility regulation can be a key determinant when we assess a regulatory jurisdiction.

A primary factor in this part of our assessment is the method of selecting utility commissioners. In some jurisdictions, the governors appoint regulatory commissioners. In others, the same voters who pay utility bills directly elect commissioners. The regulatory risk associated with that model can sometimes be managed, but there is an inherent level of risk in elected regulatory bodies that we reflect in the assessment. Standard & Poor's also analyzes the track record of the involvement of the executive branch or the legislature in utility matters, and the relative visibility of utility issues in the political arena.

The ability of a regulator to deliver sound, fair, and timely rate decisions and set prudent regulatory policies that assist utility managers in managing business and financial risk can be affected by the overall atmosphere that it operates in. The tone can be set by the governor or legislature, the history and tradition of independence accorded to the regulatory body, and the behavior of important constituent groups that intervene in utility proceedings.

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Cash Flow Support And Stability

The final set of factors in our assessment of regulatory environments is arguably the most important. The phrase "cash is king" can be overused, but it does highlight an essential part of the credit analysis. A regulatory jurisdiction that recognizes the significance of cash flow in its decision making is one that will appeal to bondholders. Generating cash is a function of the actions of utility management, but the regulator can supply (or withhold) the tools that can affect the company's essential ability to actually realize the intended level of cash flow.

The most prominent factor in this part of the analysis is the application of separate tariff provisions for major expenses such as fuel and purchased power. The timely adjustment of rates in response to changing commodity prices and other expenses that are largely out of the control of utility management is a key component of a credit-enhancing regulatory jurisdiction. We analyze the quality of special tariff mechanisms to determine their effectiveness in producing the cash flow stability they are designed to achieve. The frequency of rate adjustments, the ability to quickly react to unusual market volatility, and the control of opportunities to engage in hindsight disallowances of costs could affect the analysis almost as much as whether the tariff provisions exist at all. The record of disallowances plays a part in the regulatory assessment.

The commission's policies and oversight covering hedging activities may also be a factor in this part of the review if a utility has sought regulatory approval. For utilities that attempt to manage commodity risks, we look for a clearly-stated hedging policy and a track record of activity that conforms to that policy. The responsibility for communicating the policy and demonstrating the prudence of the hedging activity rests with the utility, but the initial response to a hedging program and the history of the regulator's treatment of the results of the program could influence our assessment.

Regulators can employ other ratemaking techniques that promote stable cash flows. We consider a commission's decisions on rate design in assessing its attitude on credit quality. For example, we take into account the relative size of the typical monthly customer charge, a decoupling mechanism that severs the direct relationship between revenues and customer usage, or other rate design features that bolster credit quality.

Especially during upswings in the capital expenditure cycle, such as we are experiencing now, a jurisdiction's willingness to support large capital projects with cash during the construction phase is an important aspect of our analysis. This is especially true for ventures with big budgets and long lead times, such as baseload coal-fired or nuclear power plants and high-voltage transmission lines that are susceptible to construction delays. Allowance of a cash return on construction work-in-progress or similar ratemaking methods historically were considered extraordinary measures for use in unusual circumstances, but in today's environment of rising construction costs and possible inflationary pressures, cash flow support could be crucial in maintaining credit quality through the spending program.

Jurisdictional Assessments

The table below shows Standard & Poor's assessments of regulatory jurisdictions. The category titles are designed to communicate one other important point regarding utility regulation and its effect on ratings. All categories are denoted as "credit-supportive". To one degree or another, all U.S. utility regulation sustains credit quality when compared with the rest of corporate ratings at Standard & Poor's. The presence of regulators, no matter where in

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the spectrum of our assessments, reduces business risk and generally supports all U.S. utility ratings.

Regulatory Jurisdictions For Utilities Among U.S. States

Most credit supportive	More credit supportive	Credit supportive	Less credit supportive	Least credit supportive
	Alabama	Arkansas	Louisiana	Arizona
	California	Colorado	Maine	Delaware
	Florida	Connecticut	Missouri	Dist. of Columbia
	Georgia	Hawaii	Montana	Illinois
	Indiana	Idaho	New York	Maryland
	Iowa	Kansas	Oklahoma	New Mexico
	South Carolina	Kentucky	Rhode Island	
	Wisconsin	Massachusetts	Texas	
		Michigan	Utah	
		Minnesota	Vermont	
		Mississippi	Washington	
		Nevada	West Virginia	
		New Hampshire	Wyoming	
		New Jersey		
		North Carolina		
		North Dakota		
		Ohio		
		Oregon		
		Pennsylvania		
		South Dakota		
		Virginia		

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MOODY'S
INVESTORS SERVICE

INDUSTRY OUTLOOK

Annual Outlook

U.S. Electric Utilities Face Challenges Beyond Near-Term

Table of Contents:

OVERVIEW 2
SUMMARY OF SECTORS 3
KEY TRENDS AND RATING IMPLICATIONS 4
ILLUSTRATIVE FINANCIAL PROJECTIONS INDICATE PENDING RATINGS PRESSURE 11
CONCLUSION 14
APPENDIX: COMPARABLE PEER INDICES BY SUB-SECTOR 15
MOODY'S RELATED RESEARCH 20

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The outlook for the U.S. investor-owned electric utility sector is stable. This outlook expresses Moody's expectations for the fundamental credit conditions in the industry over the next 12 to 18 months.

» The U.S. investor-owned electric utility sector is well positioned within investment-grade range, and its business fundamentals should remain intact over the near term.

» The U.S. regulatory structure continues to benefit the sector with recovery assurances for operating costs and capital investments—translating into roughly a three-notch "lift" over non-utility, capital-intensive industrial issuers, solely from a financial metric perspective.

» While the financial profile remains relatively stable overall, expectations for modest deterioration in key credit metrics will erode positioning for issuers within a given rating category.

» Liquidity remains a high priority and will become even more critical as the year progresses, with sizeable credit-facility expirations scheduled for 2011-2012.

Key longer-term challenges include:

» **Political risks** from growing consumer intolerance for steadily increasing rates—a condition that could be intensified by prolonged high unemployment.

» **Regulatory risks** associated with the recovery of costs or investments, and from increasingly stringent environmental mandates, especially potential carbon dioxide emission restrictions.

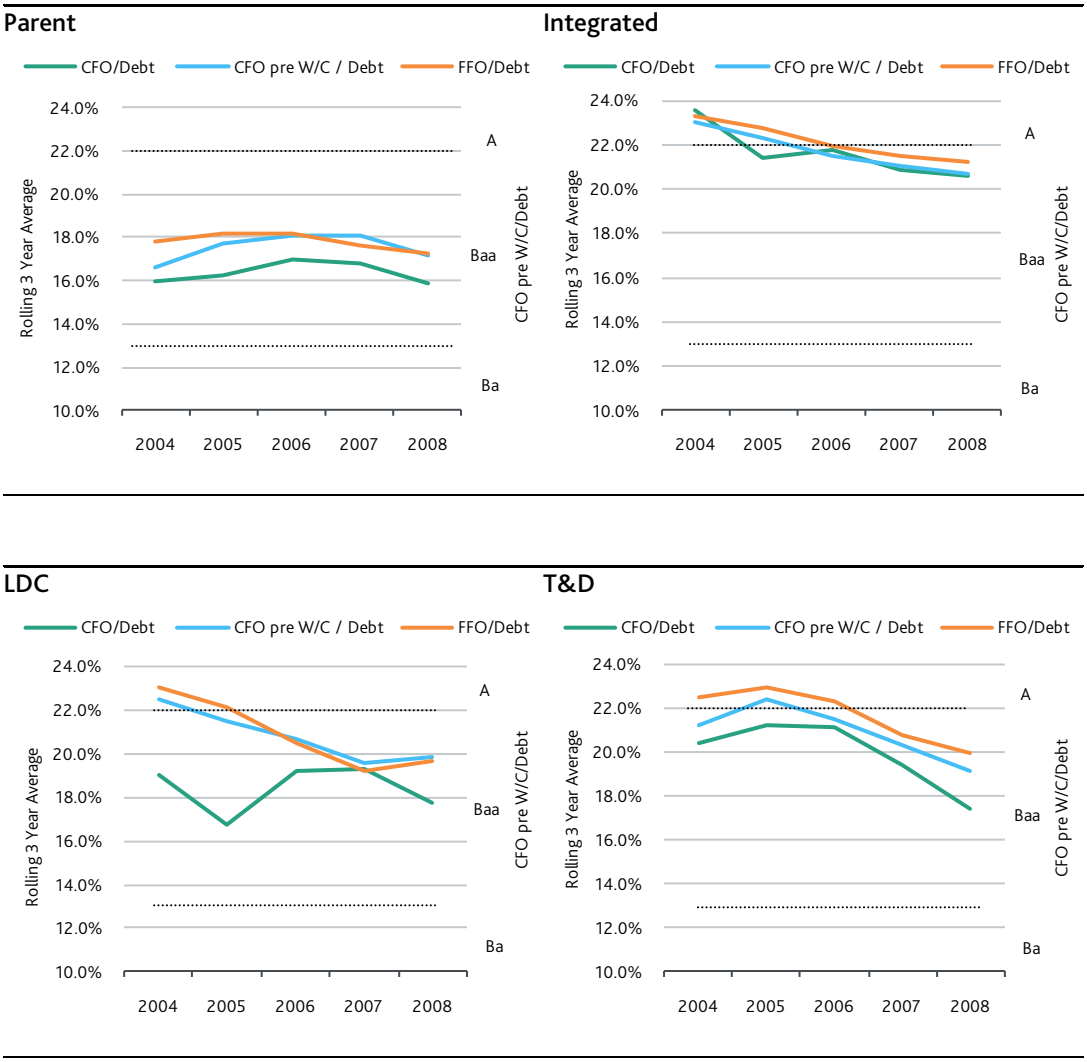
» **Technological risks** from distributed generation, energy efficiency, renewable generation sources, sizeable new transmission capacity needs, or other technological developments that could weaken the traditional business model.

Overview

The fundamental credit outlook for the U.S. investor-owned electric utility sector remains stable, thanks to a supportive regulatory framework that provides good transparency into operating cost and capital investment recovery; adequate liquidity profiles; relatively unfettered access to the capital markets; and reasonably stable financial credit metrics. The investor-owned utility business model remains well positioned within its investment-grade rating category for 2010 and at least the first half of 2011.

The sector's key financial credit metrics are generally stable, but are not improving. In fact, for many sub-sectors the metrics have shown a modest but steady decline over the past few years. This erosion of financial strength may ultimately lead to lower ratings for individual companies, but does not warrant a change to our near-term stable sector outlook. As a whole, the sector can withstand some modest deterioration to its financial profile for some time, but declining metrics will eventually erode much of the "cushion" that utilities currently enjoy within their respective rating categories

Graph A: Rolling three-year average cash flow to debt (by sub-sector) scaled to the Regulated Electric and Gas Utility Rating Methodology



Summary of sectors

The U.S. electric utility sector is relatively large in terms of revenues, assets and debt, and is extremely capital intensive. In general, the sector is primarily considered regulated, reflecting its monopoly status as a provider of essential services. Although we generally refer to the sector as comprising regulated electric (and natural gas distribution) utilities, for comparison purposes, we also examine selected elements of numerous sub-sectors.[1]

In this report, we review selected three-year average financials for 2006-2008 and classify the sub-sectors as follows:

» 52 parent utility holding companies (Parent holdcos)

» 70 vertically integrated electric utilities (Integrateds)

» 40 transmission and distribution only utilities (T&Ds)

» 30 local natural gas distribution utilities (LDCs)

» 14 generation and transmission cooperatives (Cooperatives)

» 9 municipal electric utility systems (Municipals)

We also examine several related utility sub-sectors by including some of the larger, international utilities, many of whom enjoy various forms of state-sponsorship. These sub-sectors include seven European-based utility companies (Europe); 11 Asia-based utilities, excluding Japan (Asia ex-Japan); and eight Japanese utility companies (Japan).

While primarily non-regulated, we also examine eight merchant wholesale generators (Merchants) and eight merchant wholesale generators that remain affiliated with their legacy regulated utilities (Affiliates). Finally, strictly for comparison purposes, we examine seven large, capital intensive industrial companies (Industrials); seven large, high-tech companies (Technology); and eight refiners (Refining).

[1] See Appendix, page 15, for a list of the individual companies included in the sub-sector indices and their ratings.

Table 1: Comparison of selected financial metrics by sub-sectors (2006-2008 average)

	# ISSUERS	PP&E / ASSETS	EQUITY / ASSETS	DEBT / EBITDA	CFO / DEBT	TOTAL DEBT	CFO
Parent Holdcos	52	60%	25%	4.3x	16%	$7,810	$1,251
Integrated	70	71%	30%	3.6x	21%	$2,308	$477
T&D	40	57%	30%	3.8x	16%	$1,822	$292
LDC	30	64%	30%	3.1x	20%	$551	$112
Cooperative	14	71%	15%	9.3x	6%	$1,193	$75
Municipal	9	70%[2]	10%[3]	7.5x	13%	$2,625	$352
Europe	7	47%	22%	4.0x	20%	$43,193	$8,702
Asia (ex-Japan)	11	70%	42%	6.9x	17%	$7,526	$1,262
Japan	8	72%	24%	n/a	9%	$26,810	$2,355
Merchant	8	54%	17%	8.2x	12%	$8,051	$938
Affiliate	8	59%	30%	2.3x	35%	$2,585	$916
Industrials	7	16%	31%	2.2x	53%	$11,996	$6,407
Technology	7	15%	52%	0.6x	179%	$5,529	$9,888
Refining	8	58%	39%	1.6x	45%	$2,389	$1,070

Key Trends and Rating Implications

Regulation remains supportive to sector

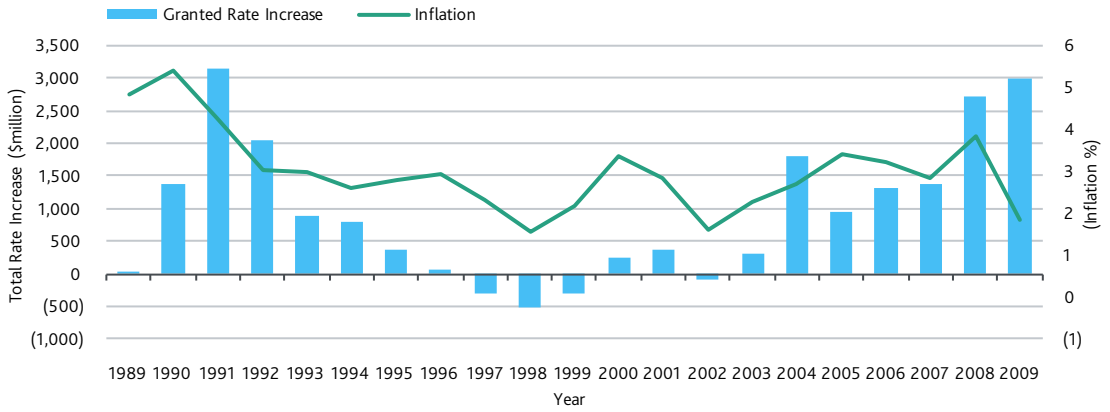
Regulation is expected to remain a critical component for the investor-owned sector's credit profile.[4] The sector benefits from a regulatory framework that allows a utility to recover its operating costs (including fuel, operating and maintenance [O&M], selling, general and administrative expenses [SG&A], interest expenses, and taxes) through revenues, along with an agreed-upon profit margin. These revenue requirements are designed to provide "just and reasonable" rates for "used and useful" assets, which comprise a utility's rate base. As a result, utilities can attain their given ratings with a significantly lower financial metric threshold than other non-utility industrial peers. From a purely financial-metric perspective, the benefits of regulation translate roughly into three notches of rating lift and without the benefits of regulation, much of the sector would likely be considered non-investment-grade.[5]

We believe regulators will continue to provide utilities with reasonably timely recovery of prudently incurred costs and investments. We also believe regulators prefer to regulate a financially healthy sector. We do not consider regulators obstructionist, but see them as relatively transparent arbiters of a set of facts that are presented within the guidelines of a given state's legal/regulatory framework. Indeed, regulators have awarded more than $10 billion of revenue increases since 2004, as the next graph shows.

While we generally view any rate increases above the rate of inflation as a potential credit positive, a sustained trend of meaningful annual rate increases could eventually cause some credit concerns, due to the potential for increased political tensions over affordability.

[2] Moody's estimate.
[3] Moody's estimate.
[4] See our Rating Methodology for Regulated Electric and Gas Utilities, published in August 2009.
[5] In general, industrial sectors require a 20%-30% RCF / debt and a 10%-15% FCF / debt threshold in order to be considered investment-grade. This compares to a roughly 10% RCF / debt threshold for regulated utilities.

Graph B: Regulatory rate relief and inflation



Source: Regulatory Research Associates, a subsidiary of SNL Financial LC

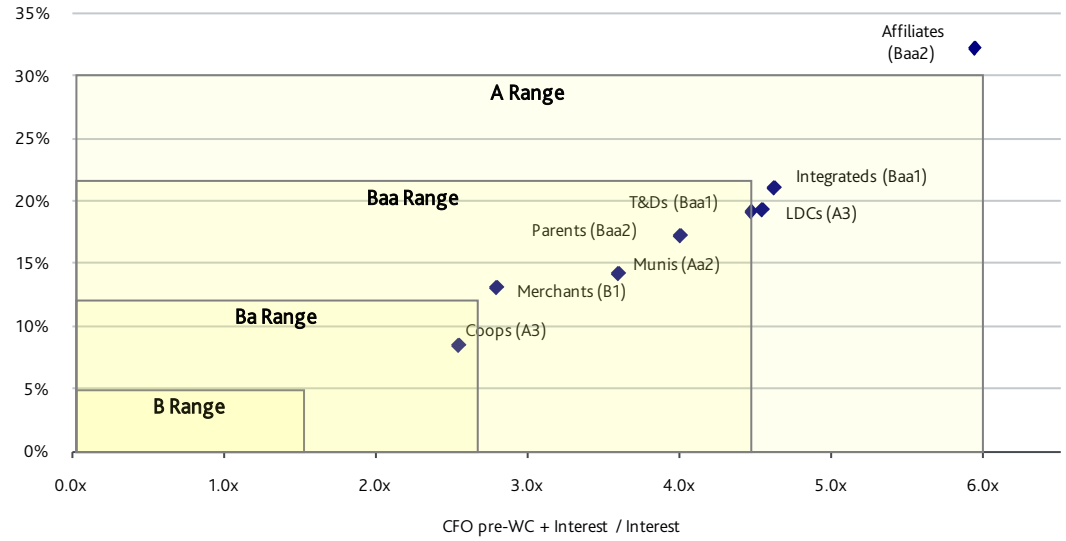
When evaluating regulation, we consider the general regulatory (and political) environment for a given utility and its relationship with its various constituents (including large industrial customers). In addition, we evaluate the framework and mechanisms that allow a utility to recover its costs and investments and earn allowed returns. We are less concerned with the official allowed return on equity, instead focusing on the earned returns and cash flows. We typically do not take rating actions based on a staff, administrative law judge or intervener recommendation, but prefer to see the actual commission-issued written orders.

The ability to realize recovery is critical to a utility's credit quality. Many jurisdictions have moved towards a more transparent ratemaking approach, using numerous cost trackers or other pass-through mechanisms. In general, we view these tracker mechanisms as a credit benefit, as they are designed to ensure recovery of a specific set of costs. Still, we remain cautious about longer-term risks associated with future requests for base rate relief, presumably due to the trackers crowding-out other financial recovery requests. We believe regulators and residential consumers remain focused on the ultimate all-in costs, and not so much on the rate structure components. We also believe that large industrial and commercial customers are less concerned with the fuel and purchased power trackers, as they are equally well versed with these commodity costs and their non-margin pass-through nature of recovery.

Key financial metrics remain comfortably within investment grade rating category

The sector remains comfortably within our investment grade financial metric ranges. Nevertheless, key financial credit metrics are not improving, and many sub-sectors have seen a modest but steady decline. This erosion of financial strength is generally a credit negative, but is not sufficient to warrant a change to our fundamental sector outlook at this time. In fact, we believe the sector can withstand some modest erosion to its financial profile without jeopardizing ratings. But as the financial metrics drift lower over time, much of the cushion that utilities currently enjoy within their respective rating category will begin to erode, and ultimately lead to negative rating action.

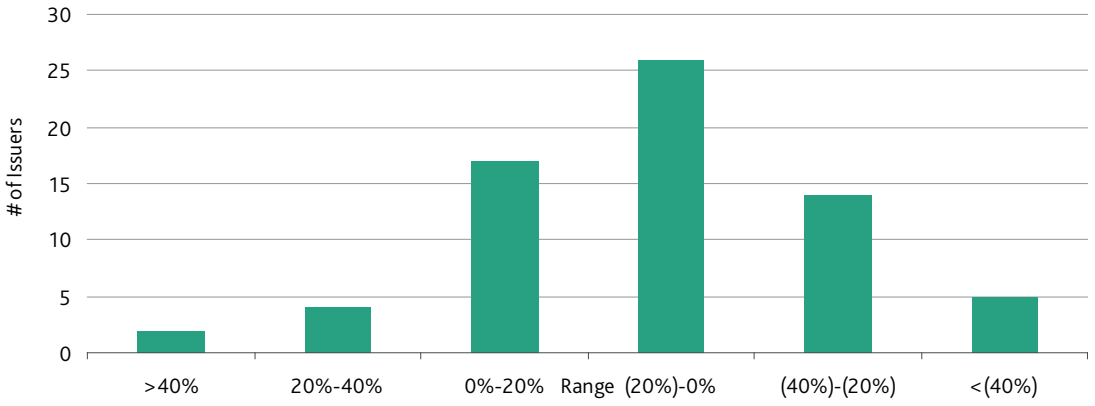
Graph C: Illustrative positioning for utility sub-sectors, scaled to our Regulated Electric and Gas Utilities Rating Methodology



Source: Moody's

Over the past several years, we have witnessed a steady erosion in the ratio of cash flow from operations adjusted for working capital changes (CFO pre-w/c) to debt for a significant number of vertically integrated electric utilities. In the following graph, we illustrate how the rolling three-year average CFO pre-w/c to debt ratios over the 2003-2005 period compares with the 2006-2008 period for roughly 70 vertically integrated electric utilities. The average decline is roughly 7%.

Graph D: Percentage change in CFO pre-w/c to debt for 70 vertically integrated electric utilities (rolling three-year average for 2003-2005 versus 2006-2008)[6]



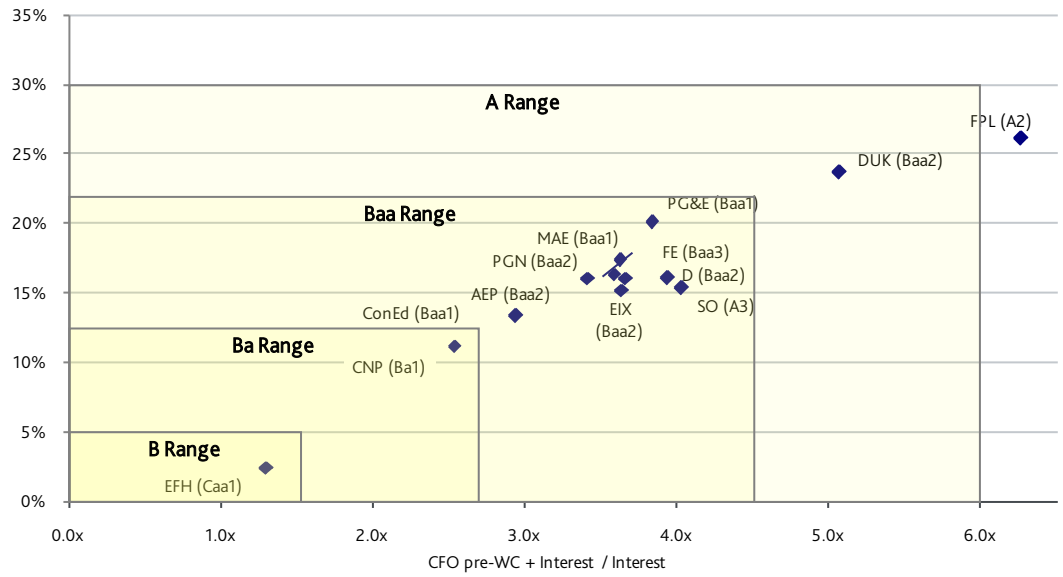
Source: Moody's

We consider most utilities to be reasonably well positioned within their respective rating categories, both from our subjective assessments of regulatory support and diversification, and the more quantitative assessments of financial performance. Over the next 12-18 months, some companies are expected to experience a decline in their financial metrics, such as Duke Energy and DPL and several

[6] Excludes Entergy New Orleans and Northwestern, where the CFO pre w/c to debt improved by 100% and 165%, respectively.

companies actively pursuing new nuclear construction. Others are expected to improve, such as Dominion Resources, American Electric Power and Consolidated Edison. The next graph shows how several of the larger, well known utility parent holding companies' historical financial profiles (results as of LTM 3Q 2009) compare to our general rating guidelines.[7]

Graph E: Selected parent utility holding companies as of LTM 3Q 2009



Source: Moody's

Liquidity management increasing in priority

Managing liquidity continues to be a key factor when assessing the sector. Over the near-term, liquidity is expected to take an even higher priority, due to the sizeable credit facility expirations scheduled for 2011 and 2012 (roughly $65 billion each year, according to our estimates). We do not expect utilities to immediately resolve the significant credit-facility expirations scheduled in 2011 and 2012. We do expect to continue our ongoing discussions regarding liquidity and refinancing plans with management—especially when facing expiration within 12 months, effectively making the facilities current.

Today, we believe credit capacity at most major financial institutions remains open to the utility sector, but the costs associated with credit facilities have increased significantly. We view fully syndicated, multi-year facilities more favorably than 364-day facilities and much more favorably than bi-laterals. We also view management's active evaluation of numerous alternatives to traditional syndicated, multi-year facilities (which include direct lien and other programs) positively, especially when used as complementary sources to cash and traditional facilities, since it reduces reliance on any particular funding. When used as complementary supplements to traditional sources, such alternative sources of liquidity are not expected to cause any material changes to our ratings or rating outlooks. Even so, we might have concerns over a utility we consider overly reliant on a particular source of alternative liquidity.[8]

[7] See our rating methodology, "Regulated Electric and Gas Utilities," August 2009.
[8] See Special Comment, "Right-Way Hedging for Power Companies," June 2009.

Table 2: Selected liquidity data (2006-2008 average)

	# ISSUERS	CASH	FCF*	STD & CPLTD**	IMPLIED CAPACITY REQUIRED
		A	B	c	(A+B+C)
Technology	7	$7,489	$6,374	($867)	$12,996
Industrial	7	$2,966	$2,644	($1,405)	$4,205
Europe	7	$9,088	($1,220)	($7,045)	$823
Refining	8	$379	$253	($203)	$429
Cooperative	14	$71	($58)	($109)	($96)
LDC	30	$12	($35)	($131)	($154)
T&D	40	$39	($103)	($252)	($316)
Affiliate	8	$120	($94)	($429)	($403)
Integrated	70	$34	($217)	($266)	($449)
Merchant	8	$751	($644)	($661)	($554)
Asia (ex-Japan)	11	$709	($364)	($956)	($611)
Parent	52	$313	($478)	($1,031)	($1,196)
Japan	8	$704	$113	($3,841)	($3,024)
Municipal	9	$563	n/a	n/a	n/a

* FCF = CFO less dividends less capital investments.

** STD & CPLTD = short term debt and current portions of long term debt.

While our liquidity sensitivity increases once a credit facility is within 12 months of its scheduled expiration, effectively going "current" on the balance sheet, it does not mean negatively biased rating actions are imminent. Our strict analysis does not assume the capital markets will remain open, or that unfettered access will remain an option, even if historical evidence overwhelmingly demonstrates this is true. Credit markets have been known to freeze, if temporarily. Some utilities are considering pre-funding their maturities or holding higher cash balances on their balance sheets. Such strategies would generally be viewed as a credit positive, despite any temporary increase in leverage metrics.

The question over how much liquidity the sector needs continues to be debated internally, and by bankers and management teams. We believe there is no such thing as too much liquidity; in numerous cases, we have seen issuers (both utilities and non-utilities alike) experience serious stress because they misjudged their liquidity needs. The recent credit crunch featured a virtuous circle, whereby market access remained easiest for those who needed it least because their liquidity was already strong.

Utilities remain exposed to large, long-term capital investment challenges, volatile commodity prices and legal judgments which can wreak havoc on even the strongest liquidity profiles. However, we also see liquidity benefits related to a utility's ability to issue secured notes, to divest non-core assets or operations, and to obtain emergency rate relief. Prospectively, a utility's transmission system might represent a sizeable source of alternative liquidity. From a credit perspective, we believe a strong balance sheet coupled with abundant sources of liquidity represents one of the best defenses against business and operating risk and potential negative rating actions.

Pension underfunding remains a concern

We observe that pension costs are usually a recoverable expense under most rate-making structures, but the means of recovery varies by state. Some jurisdictions provide more timely recovery when actual pension costs exceed what is allowed in the existing rates (i.e., a pension cost tracker with periodic true-up mechanisms).

We treat underfunded pension obligations as debt. According to their 2008 annual reports, utilities underfunded their pension plans by roughly $33 billion, equivalent to a 73% funding status at the end of 2008. While 2009 proved a very good year for the stock market, we estimate that the funded status of these plans only improved modestly, with pension plans still underfunded by $29 billion, or 78% funded at the end of 2009. Given that the S&P 500 was up roughly 23% year-on-year, one would expect the funded status of pensions should have improved dramatically, but due to a sizeable contraction in discount rates, they do not appear to have done so.

For financial reporting purposes, the two major drivers behind the funded status of a pension plan are asset performance and discount rates. Asset performance should have been very strong in 2009: assuming a typical asset mix of 60% equities, 30% fixed income and 10% alternative investments, we estimate that total asset returns rose by about 15%. Yet we believe there will be only a slight improvement in funded status because we expect a meaningful contraction in discount rates. A general rule of thumb is that a 100 basis-point change in discount rate will change the obligation by 8%-12%.

We expect that there will be a 50 bp - 75 bp reduction in the average discount rate used by utilities for the full-year 2009. While credit spreads in corporate yields have not moved meaningfully—the Moody's Aa index has remained relatively unchanged—spreads on financial bonds have significantly contracted since December 2008. We believe many companies used financial bond yields when constructing discount rates for 2008, and due to subsequent contractions in these yields, the discount rates for 2009 will have to be lower, which in turn leads to a larger obligation.

The rules for calculating a plan's funded status are different for funding purposes than for financial reporting purposes.[9] At the heart of the rules is the concept that a company must have a fully-funded plan within seven years. If we take our estimate of $29 billion and divide by seven, we would get a required contribution of $4.1 billion for 2010. Of course, a few smoothing mechanisms allow companies to work around their required contribution calculations.

The U.S. Internal Revenue Service in March 2009 relaxed some of its rules for calculating discount rates for funding purposes, effectively allowing companies to cherry-pick the best rates from September, October, November or December, 2008. This one-time allowance should significantly reduce required contributions for 2010, but without a large rally in the markets or increasing interest rates, large contributions might arise in 2011 and 2012. This is exactly the same timeframe in which the vast majority of less expensive, multi-year credit facilities are scheduled to expire, potentially introducing some incremental stress on liquidity management.

[9] An in-depth analysis of those rules is beyond the scope of this document, but suffice it to say they are extremely complex.

Longer-term challenges lie beyond scope of ratings horizon

There are numerous challenges that face the utility sector, none of which can be considered new as they have existed for decades. These challenges, which primarily relate to regulation (and recovery assurances), political support (or intervention, which can be either positive or negative for the credit) and resource availabilities (and long-term planning), raise the business and operating risk profile for the sector.

Nevertheless, these fundamental challenges are also considered to be longer-term in nature and beyond the horizon of our 12-18 month ratings outlook. More importantly, the emergence of these risks tend to develop slowly and are expected to have little impact on financial statements over the near to intermediate term horizon. As a result, the sector enjoys the benefit of time to consider changes in its corporate and / or financing strategies. But any issue that arises more quickly than we anticipate could have negative consequences for ratings.

Inadequate attention to these challenges could conceivably push much of this sector into the non-investment grade category. For now, we think this unlikely, since most utility companies, regulators and politicians would prefer to see the industry remain financially healthy and investment-grade—especially because increasingly expensive and uncertain financing would have adverse consequences for customers. The recent financial turmoil has underscored the benefits of strong credit ratings.

The desire to refurbish, enhance and rebuild a relatively antiquated electric infrastructure is driving the need for steadily increasing rates. We see significant pressure being applied from a global political push to "de-carbonize" the traditional electric supply infrastructure, primarily through increased renewable generation, which tend to be more costly than traditional sources (when excluding the potential costs associated with pollution). We continue to incorporate a view that new nuclear generation capacity also appears to represent a critical component to long-term energy policy. Another component to the refurbishment of the electric infrastructure is focused on additional transmission capacity (to alleviate congestion and provide a means to bring renewable resources to demand centers) as well as intelligent distribution networks. Regardless, these investments will result in higher costs, and therefore rates, for end-use consumers.

Impact of new nuclear generation capacity aspirations

Over the next few years, several companies in the utility sector are seriously considering the construction of new nuclear generating capacity—a long-term commitment that could be very costly. This could put significant pressure on the utility sector's overall capital investment plans, and utilities that pursue these projects will take on higher business and operating risk profiles, net of most risk mitigation efforts.

Several utilities experienced negative rating actions in 2009 that were directly or indirectly related to their nuclear ambitions. While they are pursuing numerous ways to mitigate their risk, we believe these efforts cannot fully resolve the higher business and operating risks associated with building a new nuclear facility.

We also believe that one of the most effective ways to ease risk would be to strengthen balance sheets and bolster liquidity reserves on the front end of the construction cycle, but so far we have not seen much evidence that any of the utilities actively pursuing new nuclear generation are doing either.

For additional insight into our views regarding the credit implications associated with new nuclear generation construction, please see our Special Comment "New Nuclear Generation: Ratings Pressure Increasing," June 2009 (117883).

The prospect for steadily increasing rates raise another regulatory recovery risks for the sector relating to costs or investments associated with refurbishing such a large component of the nation's critical infrastructure. Under almost every scenario we evaluate, revenue requirements are expected to steadily increase over the next few years, but we see little evidence regarding wage inflation and unemployment remains high. These elements could lead to political intervention of some form, a credit negative. Conceptually, investors might expect to see the sector strengthen its balance sheet and bolster its liquidity sources in the face of such challenges.

Alas, this does not seem to be the case. As long as the regulatory safety net remains in place, utilities appear comfortable managing their operations as they have for years, and ratings should likewise remain relatively stable. If, on the other hand, the regulatory environment changed, and the recoverability of costs and investments became more questionable, the sector could conceivably fall into the non-investment grade category. This is especially the case if many of the costs and investments have already been made. Ultimately, the question comes down to how much of an increase in utility costs a consumer can withstand, and how cautiously each company positions itself to withstand affordability pressures.

In our July 2009 Industry Outlook Update report[10], we estimated that consumers might stop tolerating rate increases at a 50%-or-so rise above the current average U.S. rate of $0.10 per kwh. At the time we wrote that, this "inflection point" would not be reached until about 2018 or 2019. Whether or not this inflection point remains the base case is unclear, but recessionary pressures on residential household budgets, and a lack of clear evidence of wage inflation, lead us to wonder whether the inflection point might arrive sooner. We are paying particularly close attention to the regulatory situation in Florida as a potential barometer and leading indicator associated with this risk.

Illustrative financial projections indicate pending ratings pressure

Our illustrative projection model examines the historical financial results for the 70 vertically integrated electric utilities comprised in our "Integrated" peer group over the past seven years (2002-2008) and incorporates numerous assumptions to provide an indication as to how the sector might fare over the next five years (2010-2014).

We assume revenues are fully regulated and are derived only from the sale of electricity. We assume volume increases of 1% per year over the next five years. Rates are assumed to increase by 5% per year over the next three years (2010-2012), with 3% rate increases thereafter. As a result, revenues increase from roughly $200 billion to almost $230 billion in 2014. Fuel and purchased power costs are projected to remain at roughly half of revenues (as it has over the past five-year, three-year and two-year averages), and that O&M and SG&A expenses grow at 3% and 2% per year, respectively.

Capital expenditures are forecasted by applying a multiplier to prior-year depreciation and amortization expense. Over the past seven-year, five-year, three-year and two-year averages, this ratio was 184%, 215%, 241% and 253%, respectively. We assume an average multiplier of 225% over the next two years (2010-2011), 217% over the next three years (2010-2012) and 205% over the next five years (2010-2014). As a result, capital expenditures are forecasted to remain relatively steady at approximately $40 billion per year, which is contrary to most conventional wisdom that capital expenditures are going to increase significantly. Our assumption for a slightly lower capital spending is in part premised by our views of prolonged high unemployment and increased regulatory scrutiny regarding investments and utility's reluctance to invest without a higher assurance for recovery. We

[10] See Moody's Related Research at the back of this report for links to our previous Industry Outlook and Industry Outlook update reports.

also assume dividends will increase by 2% annually over the five-year forecast, from about $8.8 billion today to almost $9.8 billion in 2014.

Table 3: Historical and projected financial results (in $ billions)

	HISTORICAL					PROJECTED		
					LTM			
	7-YEAR	5-YEAR	3-YEAR	2-YEAR	3Q 2009	2-YEAR	3-YEAR	5-YEAR
Revenue	$171.7	$179.5	$189.4	$194.2	$193.5	$211.4	$217.9	$228.7
EBITDA	$44.1	$45.6	$47.0	$47.9	$48.8	$55.9	$58.5	$62.5
Interest	$9.8	$9.6	$10.0	$10.4	$11.9	$14.3	$14.9	$15.8
Net income	$10.5	$11.3	$10.4	$9.0	$4.2	$14.4	$15.4	$16.9
CFO	$33.3	$33.8	$34.5	$34.3	$32.9	$33.0	$35.8	$38.1
CFO pre-w/c	$35.4	$36.0	$36.6	$37.6	$32.9	$33.1	$36.2	$38.7
FFO	$35.4	$36.2	$36.9	$38.7	$43.6	$37.7	$38.8	$41.3
Capital exp.	$33.0	$36.3	$42.1	$45.1	$49.9	$41.9	$41.4	$40.9
Dividends	$8.7	$8.3	$7.5	$7.6	$9.1	$9.1	$9.2	$9.4
FCF	$(8.5)	$(10.8)	$(15.1)	$(18.5)	$(26.1)	$(18.0)	$(14.8)	$(12.2)
PP&E, net	$325.9	$340.1	$355.9	$369.8	$400.7	$433.2	$443.5	$463.0
Debt	$157.6	$162.1	$167.5	$175.4	$199.4	$224.0	$230.0	$239.7
Equity	$129.7	$138.7	$148.3	$153.7	$167.1	$174.7	$178.3	$186.9
CFO pre-w/c interest	4.6x	4.7x	4.6x	4.6x	3.8x	3.3x	3.4x	3.4x
CFO – pre-w/c / debt	22.5%	22.2%	21.9%	21.4%	16.5%	14.8%	15.7%	16.1%
RCF / debt	16.9%	17.2%	17.6%	17.7%	11.9%	12.6%	12.8%	13.3%
Debt / Capitalization	54.8%	53.9%	53.0%	53.3%	54.4%	56.2%	56.3%	56.2%

Our simple projection model indicates a steady deterioration in several key financial credit metrics over the next few years before they begin to improve in the later years—primarily as a result of decreased capital spending. Conceptually, should a utility's financial profile exhibit a decline in its credit metrics from roughly 4.5x interest coverage, 20%+ CFO pre-w/c to debt, high-teens-range retained cash flow (RCF) to debt and approximately 53% debt to capitalization, to 3.5x interest coverage, mid-teen-range CFO pre-w/c to debt, low-teen-range RCF to debt and 56% debt to capitalization, negative ratings actions would be likely.

We acknowledge that our model does not incorporate any new material infusions of equity, but instead assumes negative FCF balances are financed with debt. Nevertheless, equity does build over the projection horizon with retained earnings. It is possible that negative rating pressure could build over the next few years for the sector unless companies balance their debt and equity mixes more effectively, or otherwise strengthen their balance sheets (as with the sector's "back-to-basics" program that was common from roughly 2002-2004).

U.S. Public Power Electric Utility Sector Outlook: Recession and Climate Policy Decisions Create Uncertainty

The credit position of the U. S. public power electric utility sector has been stable over the past year. But recessionary pressures and the prospect of more aggressive environmental regulation create uncertainty in the outlook. We rate over $100 billion of revenue bond debt from U.S. municipal and government-owned utilities. The sector's credit quality came under pressure in 2009 from the unsettled credit markets, fuel-price volatility, and the increasing cost of new generation capacity.

Power supply decisions have been complicated by the potentially more significant role of mandated renewable energy as part of a utility's resource portfolio. Public-power electric utility retail rates have risen over past two years, creating a situation of additional political risk for some utilities that seek to recover higher costs through rate increases, as recessionary pressures cut into demand.

The U.S. recession has reduced electric demand, which could lead to rating pressures for many public power electric utilities. Lower demand could weaken debt-service coverage margins or liquidity, unless rates are raised to compensate. Weakening financial metrics could factor into negative rating changes. The weakening fiscal health of local governments may also lead to increased utility general-fund transfers to support a municipality's general finances, thereby weakening a utility's balance sheet and causing negative rating pressure.

Despite these uncertainties and pressures, companies in the sector enjoy something like a monopoly position, as providers of an essential service, combined with their ability to recover costs through rate-setting processes not subject to regulation. Additionally, public-power electric utilities have shown good ability to manage through the recent turmoil in credit and fuel markets..

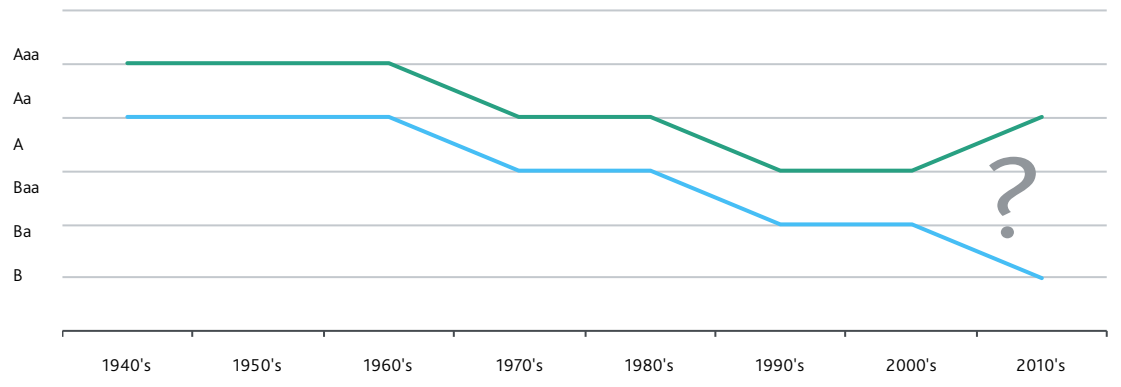
Conclusion

The utility sector's fundamentals remain intact, but face significant credit implications over the longer term. The sector's basic central-station dispatch structure is under increased scrutiny, as U.S. policy focuses increasingly on de-carbonization of electric supplies, enhanced energy efficiency programs and smart-grid initiatives. While expensive, proponents of these efforts note that their costs will prove more competitive than building new base-load generation over the long-term. Because the political debate regarding national energy policy is slow, utilities are being forced to make long-term investment decisions amid a cloudy regulatory framework, making it difficult to plan and manage infrastructure refurbishment.

It is notable that the utility sector's stable fundamental credit conditions withstood the severe market turmoil of 2007-2009, when many other industrial sectors experienced ratings deterioration and saw numerous negative outlooks and reviews for possible downgrade. Nevertheless, the sector's average rating has declined over time, from the Aaa-Aa range during the 1940s-1960s to the A-Baa range today. Although the basic operating structure remains the same—generating, transmitting and distributing electricity to end use consumers—the utility sector's regulatory, political, financial and capital market frameworks have all changed significantly over time.

It remains unclear how the utility sector will address its current hurdles, considering the shift in policy priorities they would seem to demand. Many industry participants are raising concerns about how the sector will manage the sizeable financing requirements needed to fund its substantial infrastructure investment plans, while also managing price increases for ratepayers at long-term affordable levels.

Graph F: Illustrative long-term sector rating migration



Appendix: Comparable Peer Indices by Sub-Sector

Parent Holding Companies			
RATING	ISSUER NAME	RATING	ISSUER NAME
A2	FPL Group, Inc.	Baa2	Public Service Enterprise Group
A2	NSTAR	Baa2	SCANA Corporation
A3	E.ON US	Baa3	Ameren Corporation
A3	National Grid USA	Baa3	Black Hills Corporation
A3	Southern Company (The)	Baa3	Cleco Corporation
A3	Wisconsin Energy Corporation	Baa3	Constellation Energy Group, Inc.
Baa1	Alliant Energy Corporation	Baa3	Iberdrola USA
Baa1	Consolidated Edison, Inc.	Baa3	Entergy Corporation
Baa1	DPL Inc.	Baa3	FirstEnergy Corp.
Baa1	Exelon Corporation	Baa3	Great Plains Energy Incorporated
Baa1	Integrys Energy Group, Inc.	Baa3	Pepco Holdings, Inc.
Baa1	MidAmerican Energy Holdings Co.	Baa3	Pinnacle West Capital Corporation
Baa1	OGE Energy Corp.	Baa3	TECO Energy, Inc.
Baa1	PG&E Corporation	Baa3	UIL Holdings Corporation
Baa1	Sempra Energy	Baa3	Westar Energy, Inc.
Baa1	Vectren Utility Holdings, Inc.	Ba1	Allegheny Energy, Inc.
Baa1	Xcel Energy Inc.	Ba1	CenterPoint Energy, Inc.
Baa2	American Electric Power Company	Ba1	CMS Energy Corporation
Baa2	Dominion Resources Inc.	Ba1	Duquesne Light Holdings, Inc.
Baa2	DTE Energy Company	Ba1*	NV Energy Inc.
Baa2	Duke Energy Corporation	Ba1**	UniSource Energy Corporation
Baa2	Edison International	Baa3***	NiSource Inc.
Baa2	Hawaiian Electric Industries	Ba2	PNM Resources, Inc.
Baa2	IDACORP, Inc.	Ba2	Puget Energy
Baa2	Northeast Utilities	B1*	AEI
Baa2	PPL Corporation	B1*	AES Corporation, (The)
Baa2	Progress Energy, Inc.	Caa1*	Energy Future Holdings Corp.

*CFR
**Sr. Secured
***Guaranteed

Vertically Integrated Utilities			
RATING	ISSUER NAME	RATING	ISSUER NAME
Aa3	Madison Gas and Electric	Baa1	Public Service Co. of Colorado
A1	Florida Power & Light Company	Baa1	Public Service Company of Oklahoma
A1	Mississippi Power Company	Baa1	South Carolina Electric & Gas Co
A1	Wisconsin Electric Power	Baa1	Southwestern Public Service Company
A2	Alabama Power Company	Baa1	Tampa Electric Company
A2	Dayton Power & Light Company	Baa1	Virginia Electric and Power Company
A2	Georgia Power Company	Baa2	Appalachian Power Company
A2	Gulf Power Company	Baa2	Arizona Public Service Company
A2	Kentucky Utilities Co.	Baa2	Black Hills Power, Inc.
A2	Louisville Gas & Electric Company	Baa2	Cleco Power LLC
A2	MidAmerican Energy Company	Baa2	Consumers Energy Company
A2	Oklahoma Gas & Electric	Baa2	El Paso Electric Company
A2	San Diego Gas & Electric	Baa2	Empire District Electric Company
A2	Wisconsin Power and Light	Baa2	Entergy Arkansas, Inc.
A2	Wisconsin Public Service Corp.	Baa2	Entergy Louisiana, LLC
A3	Columbus Southern Power	Baa2	Indiana Michigan Power Company
A3	Duke Energy Carolinas, LLC	Baa2	Indianapolis Power & Light Company
A3	Northern States Power Co. (MN)	Baa2	Kentucky Power Company
A3	Northern States Power Co. (WI)	Baa2	Portland General Electric Company
A3*	NorthWestern Corporation	Baa2	Public Service Co. of New Hampshire
A3	Pacific Gas & Electric Company	Baa2	Union Electric Company
A3	Progress Energy Carolinas, Inc.	Baa3	Avista Corp.
A3	Progress Energy Florida, Inc.	Baa3	Central Illinois Light Company
A3	Southern California Edison	Baa3	Central Vermont Public Service Co
Baa1	ALLETE, Inc.	Baa3	Entergy Gulf States Louisiana
Baa1	Detroit Edison Company	Baa3	Entergy Mississippi, Inc.
Baa1	Duke Energy Indiana, Inc.	Baa3	Monongahela Power Company
Baa1	Duke Energy Kentucky, Inc.	Baa3	Public Service Co. of New Mexico
Baa1	Duke Energy Ohio, Inc.	Baa3	Puget Sound Energy, Inc.
Baa1	Green Mountain Power Corp.	Baa3	Southwestern Electric Power Comp
Baa1	Hawaiian Electric Company, Inc.	Baa3	Tucson Electric Power Company
Baa1	Idaho Power Company	Ba1	Entergy Texas, Inc.
Baa1	Kansas City Power & Light Co.	Ba2	Entergy New Orleans, Inc.
Baa1	Ohio Power Company	Ba3	Nevada Power Company
Baa1	PacifiCorp	Ba3	Sierra Pacific Power Company

Transmission & Distribution Utilities

RATING	ISSUER NAME	RATING	ISSUER NAME
A1	NSTAR Electric Company	Rating	Issuer Name
A3	Central Hudson Gas & Electric Co	Baa2	Duquesne Light Company
A3	Consolidated Edison Co of NY	Baa2	Jersey Central Power & Light Company
A3	Massachusetts Electric Company	Baa2	Metropolitan Edison Company
A3	Narragansett Electric Company	Baa2	New York State Electric and Gas
A3	New England Power Company	Baa2	Ohio Edison Company
A3	Niagara Mohawk Power Corp.	Baa2	Pennsylvania Electric Company
A3	PECO Energy Company	Baa2	Pennsylvania Power Company
Baa1	Central Maine Power Company	Baa2	Potomac Electric Power Company
Baa1	Connecticut Light and Power Co.	Baa2	Rochester Gas & Electric Corporation
Baa1*	Oncor Electric Delivery Company	Baa2	United Illuminating Company
Baa1	Orange and Rockland Utilities, Inc	Baa2	Western Massachusetts Electric Co.
Baa1	PPL Electric Utilities Corporation	Baa3	CenterPoint Energy Houston
Baa1	Public Service Electric and Gas	Baa3	Central Illinois Public Service
Baa1	Superior Water, Light and Power	Baa3	Cleveland Electric Illuminating
Baa2	AEP Texas Central Company	Baa3	Commonwealth Edison Company
Baa2	AEP Texas North Company	Baa3	Illinois Power Company
Baa2	Atlantic City Electric Company	Baa3	Potomac Edison Company (The)
Baa2	Baltimore Gas and Electric Co.	Baa3	Texas-New Mexico Power Company
Baa2	Delmarva Power & Light Company	(P)Baa3	Toledo Edison Company
Baa3	West Penn Power Company		

Natural Gas Local Distribution Utility Companies

RATING	ISSUER NAME	RATING	ISSUER NAME
Aa3*	New Jersey Natural Gas Company	A3	UGI Utilities, Inc.
A1	Alabama Gas Corporation	Baa1	Boston Gas Company
A1	Wisconsin Gas LLC	Baa1	Cascade Natural Gas Corp.
A2	Northern Illinois Gas Company	Baa1	Connecticut Natural Gas Corporation
A2	Southern California Gas Company	Baa1	Indiana Gas Company, Inc.
A2	Washington Gas Light Company	Baa1	Laclede Gas Company
A3	Atlanta Gas Light Company	Baa1	Michigan Consolidated Gas Company
A3	Colonial Gas Company	Baa1	South Jersey Gas Company
A3	KeySpan Gas East Corporation	Baa2	Bay State Gas Company
A3	North Shore Gas Company	Baa2	Berkshire Gas Company
A3	Northwest Natural Gas Company	Baa2	Northern Indiana Public Service
A3	Peoples Gas Light and Coke Co.	Baa2	Southern Connecticut Gas Company
A3	Piedmont Natural Gas Company	Baa2	Yankee Gas Services Company
A3	Public Service Co. of NC	Baa3	Southwest Gas Corporation
A3	Questar Gas Company	Ba2**	SourceGas LLC

* Senior secured rating **CFR

Unaffiliated Merchants (CFRs)		Affiliated Merchants	
RATING	ISSUER NAME	RATING	ISSUER NAME
Ba2	Covanta Holding Corporation	A3	Exelon Generation Company, LLC
Ba3	NRG Energy, Inc.	Baa1	KeySpan Generation LLC
B1	Edison Mission Energy	Baa1	PSEG Power LLC
B1	Mirant Corporation	Baa1	Southern Power Company
B1	RRI Energy, Inc.	Baa2	FirstEnergy Solutions Corp.
B2	Calpine Corporation	Baa2	PPL Energy Supply, LLC
B2	Dynegy Holdings Inc.	Baa3	Allegheny Energy Supply Company,
Caa3	Texas Competitive Electric Hldgs.		
Baa3	AmerenEnergy Generating Co.		
Municipals		**G&T Cooperatives**	
RATING	ISSUER NAME	RATING	ISSUER NAME
Aa1	City of San Antonio, TX	A2	Arkansas Electric Cooperative Co
Aa1	Orlando, FL	A2	Associated Electric Cooperative
Aa2	Jacksonville Electric Authority, FL	A2	Basin Electric Power Cooperative
Aa2	New York Power Authority	A2	Buckeye Power, Inc.
Aa2	Santee Cooper	A3	Dairyland Power Cooperative
Aa2	Seattle City Light	A3	Golden Spread Electric Cooperative
Aa3	Los Angeles Dept of Water & Pwr	A3*	Great River Energy
A1	Municipal Electric Authority of Georgia	A3*	Old Dominion Electric Cooperative
A1	Sacramento Municipal Utility District	Baa1	Minnkota Power Cooperative, Inc
		Baa1	Oglethorpe Power Corporation
		Baa1	PowerSouth Energy Cooperative
		Baa1	South Mississippi Electric Power
		Baa2	Hoosier Energy Rural Electric Co
*FMB Rating		Baa2	Tri-State G&T Association Inc.

Europe		Industrials	
RATING	ISSUER NAME	RATING	ISSUER NAME
Aa3	Electricite de France	Aa2	General Electric Company
A2	E.ON AG	A1	Illinois Tool Works Inc.
A2	ENEL S.p.A.	A2	Boeing Company (The)
A2	RWE AG	A2	Caterpillar Inc.
A3	Essent N.V.	A2	Emerson Electric Company
A3	Iberdrola S.A.	A2	United Technologies Corp.
NR	Endesa S.A.	Baa1	Ingersoll-Rand Company Ltd

Japan		Technology	
RATING	ISSUER NAME	RATING	ISSUER NAME
Aa2	Chubu Electric Power Company	Aaa	Microsoft Corporation
Aa2	Chugoku Electric Power Company	A1	Cisco Systems, Inc.
Aa2	Hokkaido Electric Power Company	(P)A1	Intel Corporation
Aa2	Hokuriku Electric Power Company	A2	Dell Inc.
Aa2	Kansai Electric Power Company	A2	Hewlett-Packard Company
Aa2	Kyushu Electric Power Company	A2	Oracle Corporation
Aa2	Okinawa Electric Power Company	NR	Google Inc.
Aa2	Tokyo Electric Power Company		

Asia (ex-Japan)		Refiner	
RATING	ISSUER NAME	RATING	ISSUER NAME
Aa3	Transpower New Zealand Limited	Baa2	Sunoco, Inc.
A1	SP AusNet	Baa2	Valero Energy Corporation
A2	CLP Holdings Limited	Ba1	Tesoro Corporation
A2	Korea District Heating Corporation	Ba2	Frontier Oil Corporation
A2	Korea Electric Power Corporation	Ba3	Holly Corp.
Baa1	Spark Infrastructure	B2	Alon USA Energy, Inc.
Baa1	Tenaga Nasional Berhad	B2	CVR Energy Inc.
Baa1	VECTOR Limited	B3	United Refining Company
Baa3	NTPC Limited		
Ba3	National Power Corporation		
NR	Envestra Ltd.		

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MOODY'S INVESTORS SERVICE

January 26, 2010

Ratings Roundup:

U.S. Electric Utility Sector Maintained Strong Credit Quality In A Gloomy 2009

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Table Of Contents

Capital Market Update

Electric Utility Ratings Still Entrenched In 'BBB' Rating Category

Modest Improvement In Bondholder Protection Parameters

Looking Ahead

The Upgrades During 2009

The Downgrades

Mixed Actions

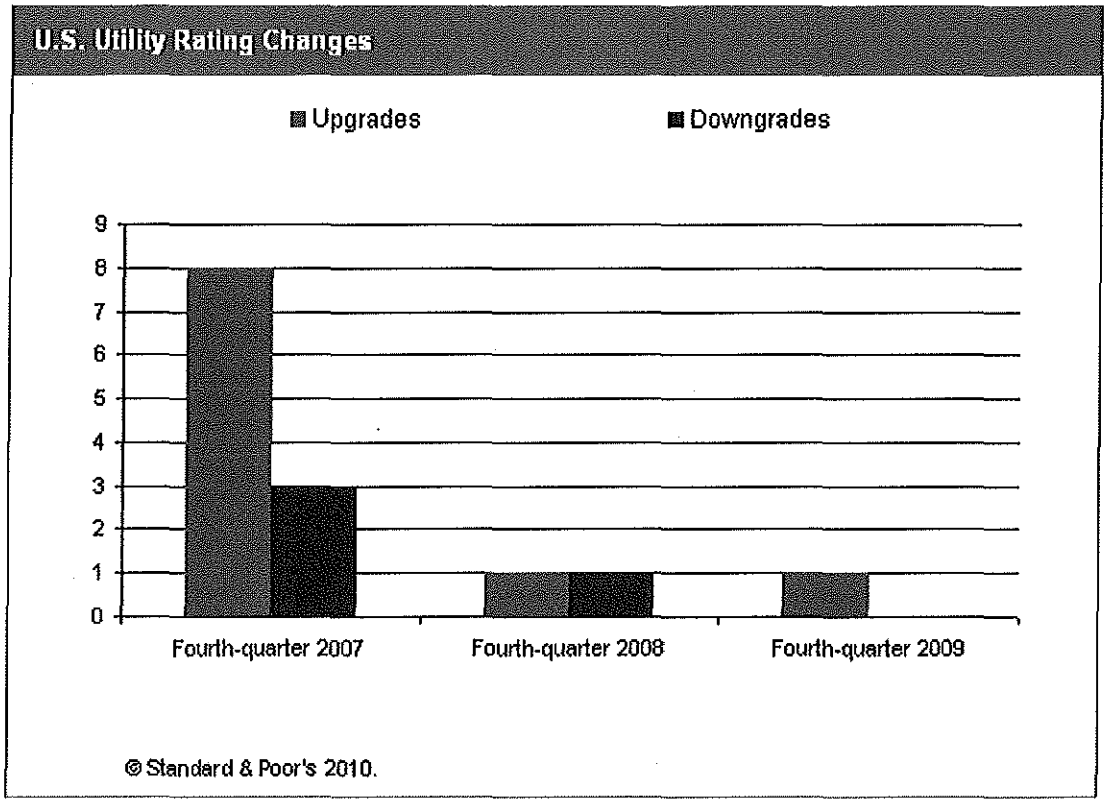
Fourth Quarter Outlook Revisions

Ratings Roundup:

U.S. Electric Utility Sector Maintained Strong Credit Quality In A Gloomy 2009

Creditworthiness in the U.S. regulated electric utility industry has continued a long shift to greater stability in 2009. The number of ratings changes has moderated considerably, and upgrades outpaced downgrades for the third consecutive year. For 2009, Standard & Poor's Ratings Services upgraded 13 holding companies and operating subsidiaries (three of which related to a single entity, Energy East Corp.), compared with 11 downgrades (five of which related to Integrys Energy Group Inc.). The fourth quarter alone was very quiet, with just one upgrade and two outlook revisions to stable from negative.

Chart 1



Last year's improved creditworthiness can be traced to various factors, including strengthening financial conditions, which were largely due to deleveraging, increasing free cash flow, and enhanced liquidity. Other principal drivers were reduced exposure to riskier unregulated ventures, constructive ratemaking mechanisms, supportive rate decisions, and in the case of Energy East, parent Iberdrola S.A.'s guarantee of the debt. The downside actions were mainly the result of subpar bondholder protection parameters, increased business risk, insufficient levels of rate relief, a trading misstep, operational woes, and greater risk associated with higher risk assets.

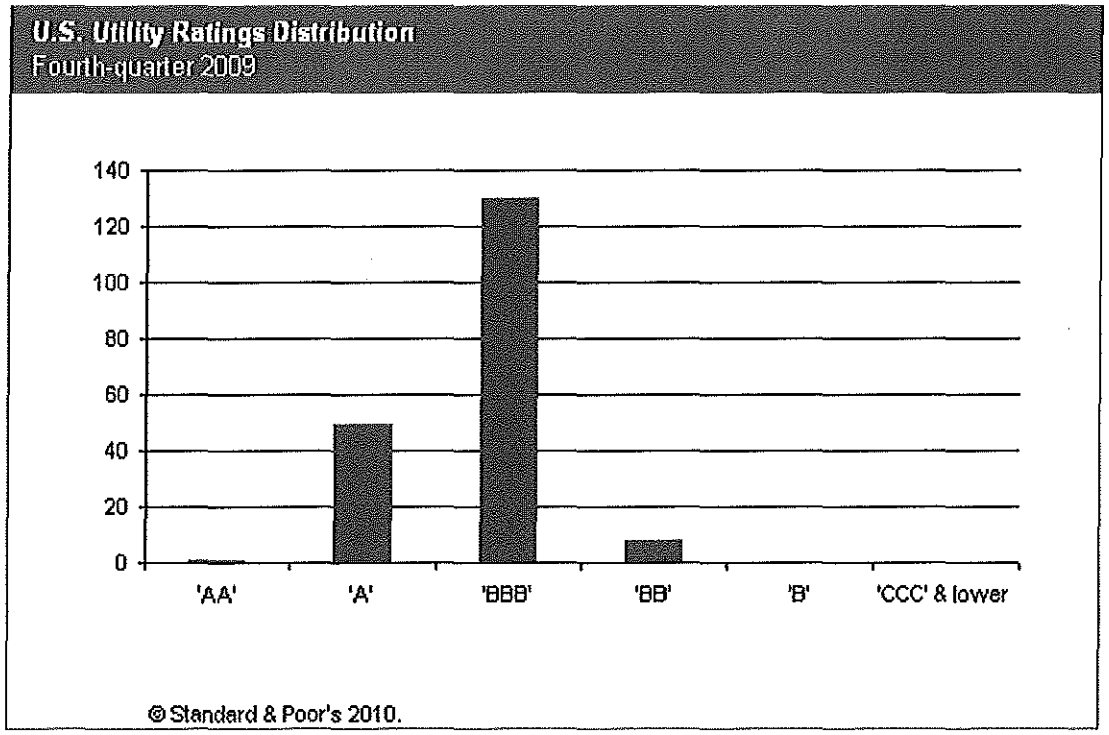
Capital Market Update

Notwithstanding difficult market conditions during 2009, outside financing activity for the domestic regulated electric utility industry was about $49.8 million, closely mirroring the amount of medium- to long-term debt issued 2008 of $49.6 million. Several companies have proactively prefinanced issuance well in advance of maturities, taking advantage of investor appetite and favorable spreads, compared with investment-grade issuers in other sectors. And investor appetite for electric first mortgage bonds remained healthy, with deals continuing to be oversubscribed. Credit fundamentals indicate that most, if not all, electric utilities should continue to have ample access to capital markets and credit. Banking syndicates are also expressing willingness to renegotiate credit facilities, though at more demanding terms than in the previous years.

Electric Utility Ratings Still Entrenched In 'BBB' Rating Category

The ratings distribution for electric utilities in the U.S. remains solidly ingrained in the 'BBB' rating category. Approximately 69% of the industry carries a 'BBB' category corporate credit rating ('BBB+', 'BBB', and 'BBB-'), roughly 27% 'A-'and above, and about 4% speculative grade. Some 82% of all electric utility companies carry a stable outlook, so the number of rating changes is expected to remain moderate in the near to intermediate term.

Chart 2



The universe of U.S. electric utilities is relatively highly rated, certainly compared with the average 'BB-' category for U.S. industrial companies. This is due to the large percentage of firms carrying 'excellent' (84%) and 'strong' (13%) business risk profiles. We categorize business risk profiles as 'excellent,' 'strong,' 'satisfactory,' 'fair', 'weak,' or 'vulnerable.' The assessment incorporates an analysis of the qualitative factors of country and macroeconomic risk,

and industry risk, including regulation, competitive position, profitability/peer comparison, and ERM. What typically distinguishes one utility's business profile score from another is the quality of the regulatory climate and management's commitment to credit quality and financial policies. We consider the financial risk profile for most electric companies to be 'aggressive' (financial risk profiles are categorized as 'minimal,' 'modest,' 'intermediate,' 'significant,' 'aggressive,' and 'highly leveraged').

Chart 3

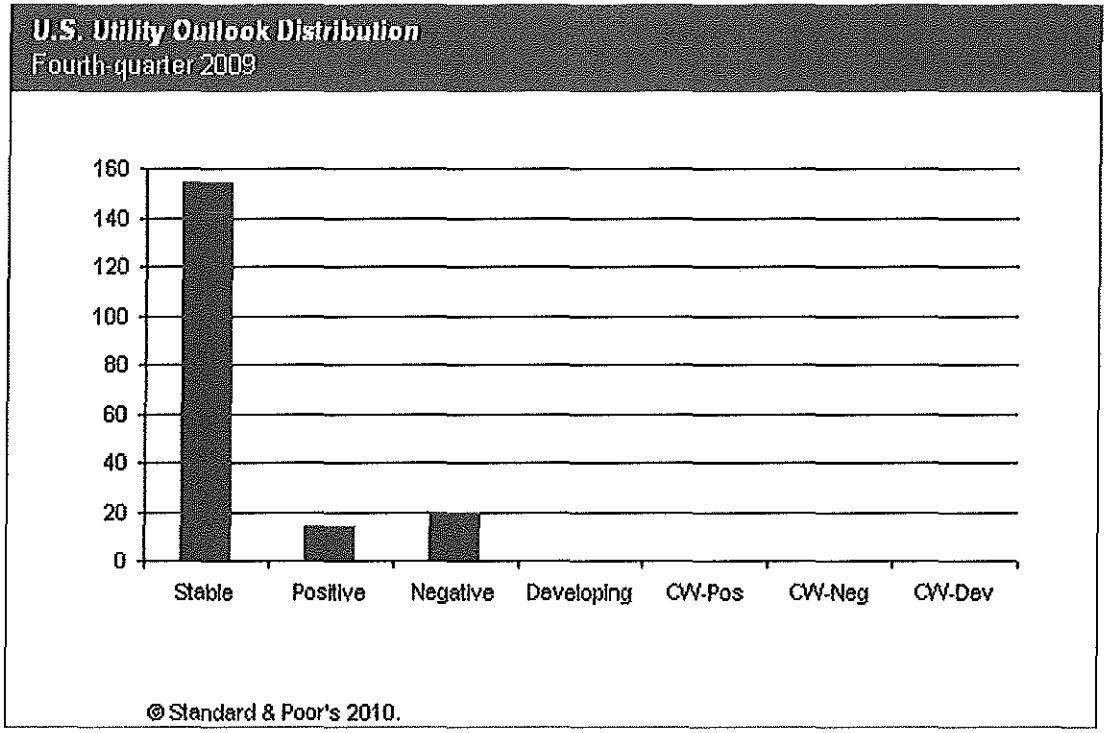
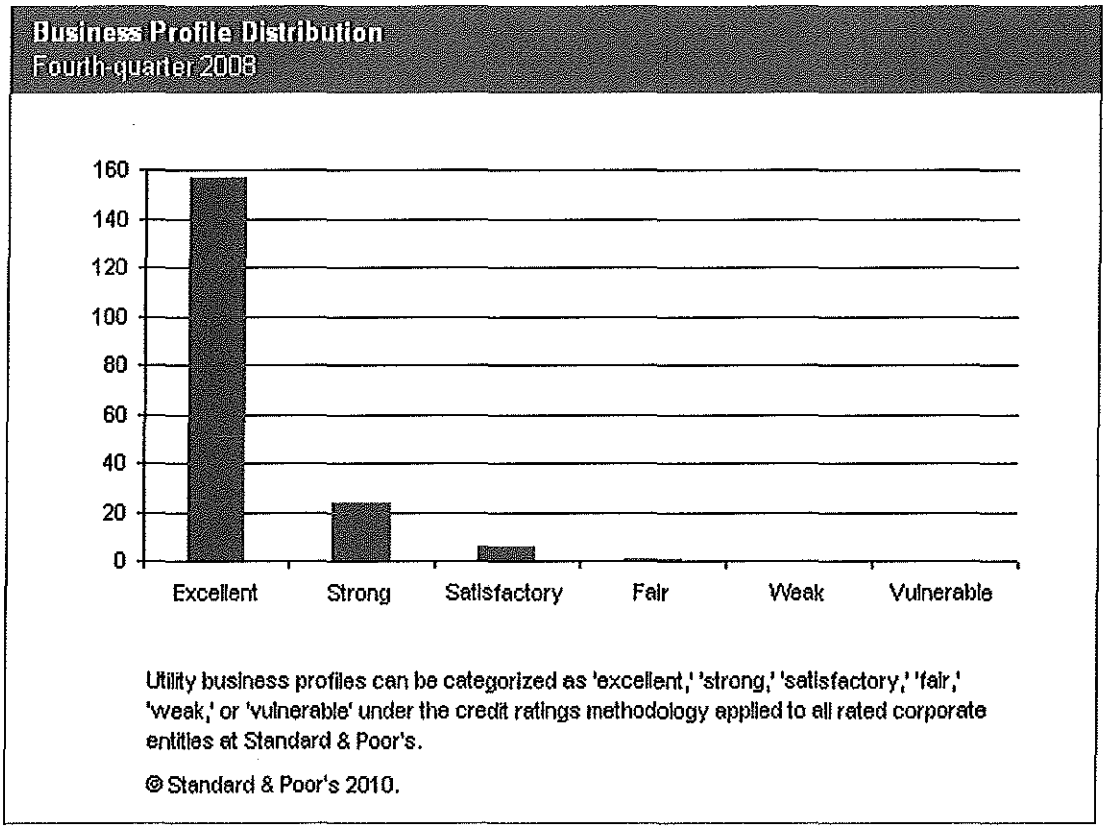


Chart 4



Modest Improvement In Bondholder Protection Parameters

Some utilities' financial metrics have strengthened modestly, due predominately to debt reduction, adequate regulatory treatment, divestiture of unregulated noncore assets, effective cost containment, and a slight reduction in construction expenditures. Based on a significant sampling of domestic electric utilities, adjusted total debt to total capital, including hybrid preferred securities, to which most (if not all) were accorded intermediate equity treatment, and adjusted for off-balance-sheet obligations such as leases, purchased power arrangements, accounts receivable financing, and pensions, declined to about 59% at the end of September 2009 (the latest period in which comparable data is available) from 61 % at the end of 2008. Notwithstanding the slight improvement in capital structure balance, we generally consider a debt to capital level of 50% or greater to be aggressive to highly leveraged for utilities. It is important to note that given the electric utility sector's steady record of fully recovering amounts contributed to pension funds, we have discounted to some extent the adverse impact this adjustment has on the financial profiles. Adjusted funds from operations (FFO) to total debt rose to about 18.3% for the 12 months ended Sept. 30, 2009 from 16.2% in 2008 (a level commensurate for companies with an aggressive financial profile). And for the first time in many years, adjusted funds from operations (FFO) to interest coverage exceeded 4.0x.

Chart 5

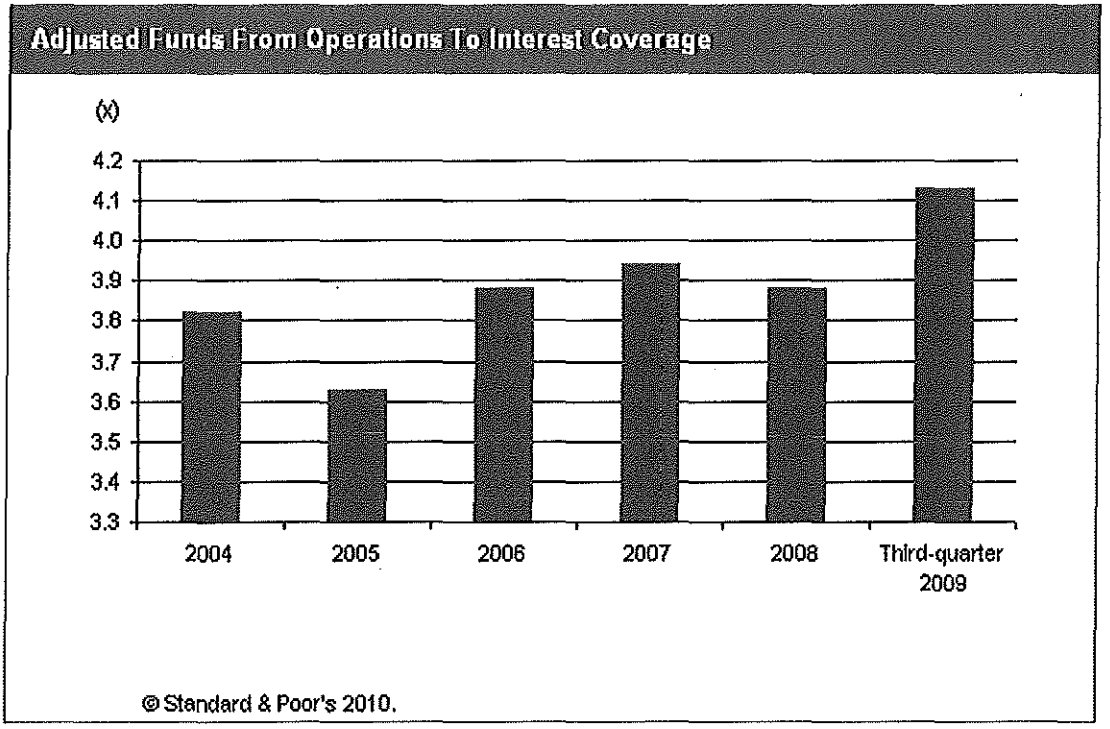


Chart 6

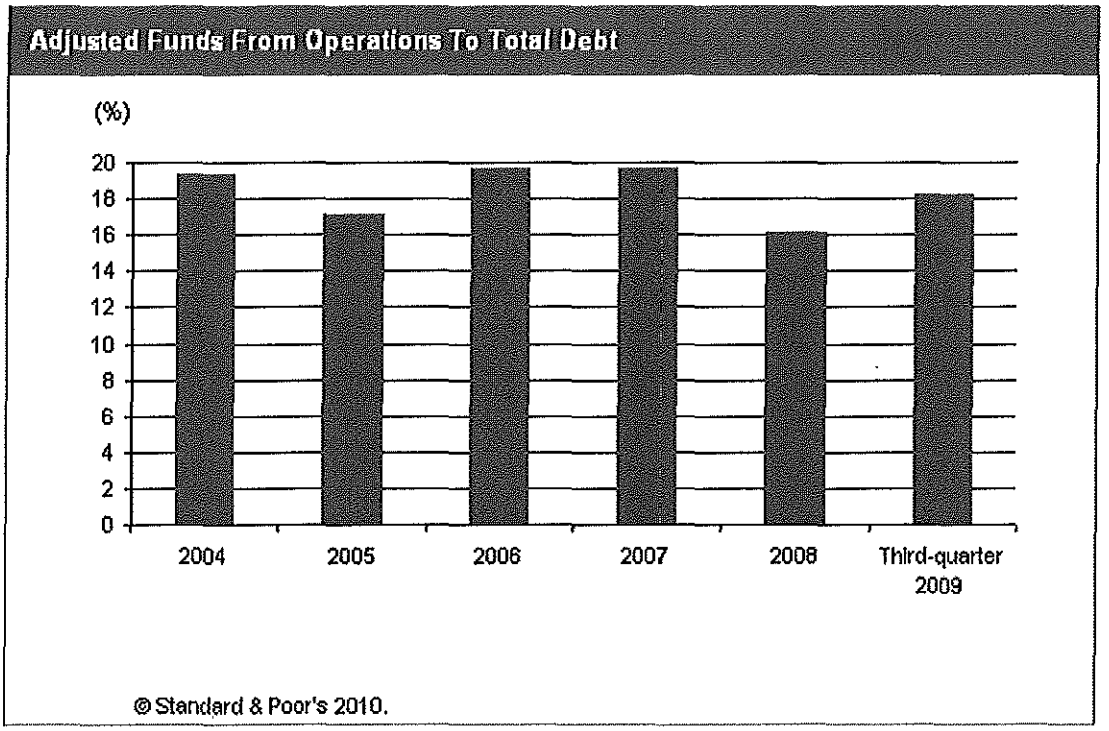


Chart 7

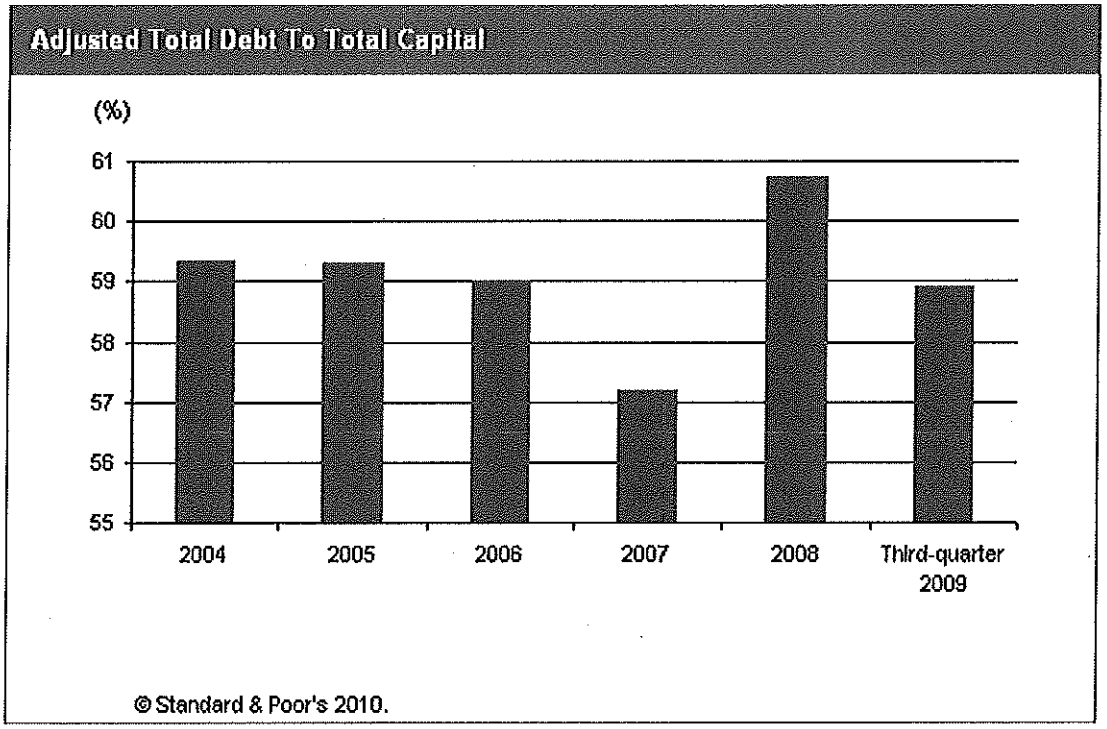
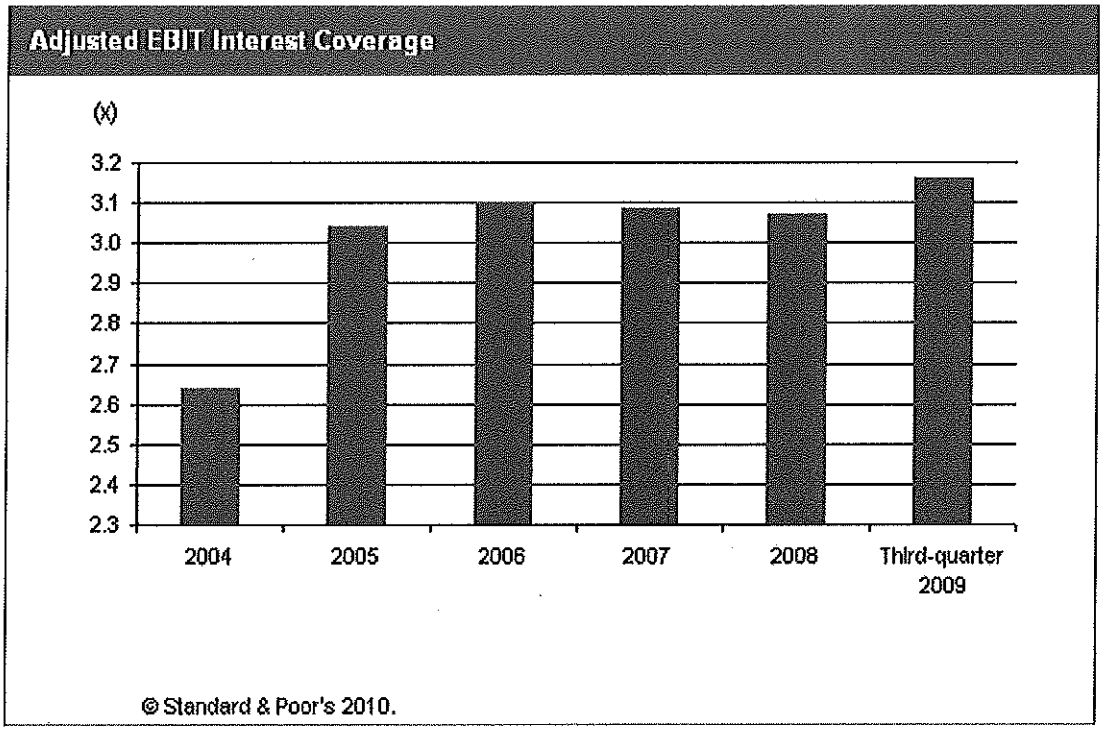


Chart 8



Looking Ahead

With responsive rate orders and cost recovery mechanisms in conjunction with tight cost controls and credit-supportive actions, Standard & Poor's expects the near-term ratings trend for the sector to remain generally stable for the foreseeable future. However, the recession may create a credit drag on the utility industry prospectively, especially if regulatory support diminishes as financial pressures increase. In addition, the industry will continue to confront a variety of business, operational, and financial pressures that may imperil the sustainability of overall financial performance. These challenges include looming costs associated with environmental compliance, including renewable portfolio mandates, slacking demand, the potential for permanent demand destruction resulting from changes in consumer behavior and closing of certain manufacturing facilities, and numerous regulatory filings seeking recovery of costs.

The Environmental Protection Agency's (EPA) December 2009 endangerment finding on greenhouse gas emissions increases the likelihood that eventually some form of climate legislation will pass. Several companies, including American Electric Power Co. Inc., Progress Energy Inc., and Duke Energy Corp. have symbolically responded to the EPA's action by announcing the closing of several small coal plants. Standard & Poor's continues to believe that the ultimate cost of any new federal mandated energy policy will be borne by electric ratepayers dependent on timing, details, and implementation rules; we continue to expect regulated electric utilities to seek recovery of mandated compliance costs through individual state regulatory frameworks.

The Upgrades During 2009

Standard & Poor's upgraded IPALCO Enterprises Inc. (BBB-/Stable/-) and subsidiary Indianapolis Power & Light (IP&L, BBB-/Stable/-) to 'BBB-' from 'BB+'. We also raised the rating on IPALCO's senior unsecured debt to 'BB+' from 'BB' and lowered IP&L's senior unsecured debt to 'BBB-' from 'BBB'. Higher ratings can be traced to IPALCO's excellent business risk profile and consolidated financial metrics that have been characteristic of investment-grade credit quality. The downgrade of IP&L's senior unsecured debt is due to the application of Standard& Poor's criteria for investment-grade ratings. The outlook is stable and reflects our expectations that financial measures will continue to reflect an investment-grade corporate credit rating, that IPALCO will not issue additional debt for the purpose of distributing proceeds as a dividend to its parent AES, and AES' credit quality will not deteriorate from current levels.

We upgraded DPL Inc. (A-/Stable/A-2) and principal subsidiary Dayton Power & Light Co. (DP&L; A-/Stable/A-2) to 'A-' from 'BBB'. The upgrade reflects material improvement in the firm's financial profile exhibited by strong cash flow and improved leverage metrics. In addition, the Public Utilities Commission of Ohio's approval of recent settlement agreement regarding DP&L's electric security plan filing and the winding down of a heavy construction program support the upgrade. Ratings stability incorporates our expectations for continued progress in reducing debt levels, strengthened corporate governance, and a supportive regulatory climate.

Standard & Poor's raised the ratings on TECO Energy, Inc. (BBB/Stable/A-2) and its primary subsidiary, Tampa Electric Co. (BBB/Stable/A-2) to reflect the company's ongoing commitment to credit quality by shedding certain unregulated businesses, restoring balance sheet metrics to investment-grade quality, and improving financial performance through regulatory initiatives and cost control amid a stagnant service territory economy. Importantly, the company effectively manages regulatory risk, as evidenced by recent rate increases that will provide a solid

earnings and cash-flow base on which to manage through the recession.

The Downgrades

We downgraded SCANA Corp. (BBB+/Stable/--), South Carolina Electric & Gas Co. (SCE&G; BBB+/Stable/A-2), and Public Service Co. of North Carolina (BBB+/Stable/A-2) to reflect an increase in business risk associated with SCE&G's plans to build two new nuclear units, along with the need to source a meaningful amount of external financing to complete the projects. The stable outlook reflects expectations that the proposed nuclear construction proceeds on schedule and on budget within the South Carolina Public Service Commission's approved scheduling and budget mechanism. Additionally, we expect equity issuances to help fund capital outlays.

Standard & Poor's downgraded Integrys Energy Group Inc. (BBB+/Negative/A-2) and subsidiaries Wisconsin Public Service Corp. (A-/Negative/A-2), Peoples Energy Corp. (BBB+/Negative/--), Peoples Gas Light & Coke Co. (BBB+/Negative/A-2), and North Shore Gas Co. (BBB+/Negative/--). The lower ratings can be traced to Integrys' weak financial metrics. At the same time, we revised Integrys' business risk profile to 'excellent' from 'strong' and changed the financial risk profile to 'aggressive' from 'intermediate'. The revised business profile recognizes the company's plan to exit its unregulated operations; however, the deep recession and difficult capital markets may hinder the ability to find buyers at an acceptable price in the expected time frame. If Integrys does not exit from these unregulated ventures, the business risk profile could revert back to 'strong', which would probably lead to another downgrade. Integrys' aggressive financial profile is characterized by weak financial measures. The negative outlook reflects Integrys' execution risk regarding the disposal of its unregulated businesses.

Mixed Actions

We raised the ratings on Baltimore Gas & Electric Co. (BGE; BBB+/Stable/A-2) and removed them from CreditWatch with negative implications. The rating action reflects BGE's stand-alone credit quality, including its 'excellent' business risk profile and 'aggressive' financial risk profile. The rating on BGE is two notches higher than the rating on parent Constellation Energy Group Inc., which we downgraded to 'BBB-' from 'BBB'. Structural protections, including the establishment of a special purpose entity between Constellation and BGE, independent directors, dividend limitations, non-consolidation opinions, and the legal separation of the entities insulate BGE's credit quality from its weaker parent, and provide us with sufficient basis to differentiate BGE's corporate credit rating from its parent. The stable outlook reflects our expectation that Constellation and BGE will implement structural protections in the very near term. The rating would come under pressure if the structural protections are not in place in a timely manner, if we downgrade Constellation to speculative grade, or BGE's financial measures weaken. A further upgrade of BGE is currently seen as unlikely and would be predicated on a gradual improvement of the Maryland's regulatory environment, minimization of the regulatory lag, and a significant improvement in BGE's financial measures.

Standard & Poor's affirmed the ratings and removed them from CreditWatch with negative implications on Exelon Corp. (BBB/Stable/A-2) and its affiliates Exelon Generation Co. LLC (BBB/Stable/A-2) and PECO Energy (BBB/Stable/A-2). In addition, we raised the ratings and removed them from CreditWatch on subsidiary Commonwealth Edison Co. (ComEd; BBB/Stable/A-2). The outlook on all entities is stable. The affirmation on Exelon follows termination of its hostile takeover attempt to acquire lower-rated NRG. The upgrade of ComEd reflects improvement in both its business risk profile and financial metrics. We revised ComEd's business risk profile

to 'excellent' from 'strong' to reflect our assessment that regulatory risk has eased and the return to political normalcy in its service area appears to be sustainable. Exelon's financial measures are somewhat strong for its rating. Yet, the stable outlook reflects our conclusion that continuing weakness in merchant markets could hurt its financial performance in the medium term. Other factors that could influence the financial condition is the uncertainty about the future of competitive markets in Pennsylvania, unresolved issues related to the IRS' claims, unfunded pension obligations, and lower-than-expected improvement in merchant power prices. Despite strong financial ratios, potential for an upgrade is constrained by management's willingness to pursue an aggressive growth strategy to the detriment of creditworthiness. The decision to terminate the hostile takeover attempt of NRG does not reverse that risk appetite, in our view. An outlook change to positive would require management's demonstrated commitment to credit quality and the use of its expected free cash flow generation in a credit supportive manner instead of being passed largely to shareholders as in the past. A downgrade of ComEd could occur if there is a relapse in the regulatory or political environments in Illinois, ComEd's financial profile does not consistently meet the minimal standard expected for its rating, or if Exelon is downgraded.

We upgraded Puget Sound Energy Inc. (PSE; BBB/Stable/A-2) and Washington Natural Gas Co. (BBB/Stable/--) to 'BBB' from 'BBB-'. In addition, we downgraded parent Puget Energy Inc. (Puget; BB+/Stable/--) to 'BB+' from 'BBB-'. We removed all ratings from CreditWatch with negative implications. The outlook is stable. The rating actions on PSE and Puget reflect their acquisition by a private consortium led by Macquarie Infrastructure Partners for $7.4 billion, which closed on Feb. 6, 2009. The transaction will result in an expected increase in debt by $850 million on a consolidated basis and lower debt at PSE. The upgrade of PSE reflects our view that plans to place an independent director on the board of directors of the utility, coupled with other commitments, such as dividend restrictions, provide a degree of insulation to the utility. In addition, the utility's stand-alone financial metrics are expected to improve post-transaction as some debt is repaid and, on a forward basis, the capital structure is managed to a more credit supportive level. The downgrade of Puget reflects the additional transaction debt and our expectation that the amount of priority debt, including all operating company debt and credit facilities, in addition to the insulation of the utility company, is a disadvantage to Puget's creditors. The stable outlook on Puget reflects our expectation that it will be able to refinance term loans and credit facilities that come due in five years and that financial risks are prudently managed such that they remain within our 'aggressive' financial category. The stable outlook on PSE reflects reasonable and timely rate relief related to resource additions and changes in power costs.

Standard & Poor's downgraded MidAmerican Energy Holdings Co. (MEHC) to 'BBB+ ' from 'A-' and affirmed the 'BBB+' ratings on the company's senior unsecured notes. We also affirmed the 'A-' ratings of MEHC's regulated utilities, PacifiCorp and MidAmerican Energy Co. (MEC), as well as the 'A-' corporate credit rating and 'BBB+' senior secured rating of MEC's intermediate holding company, MidAmerican Energy Funding LCC. In addition, Standard & Poor's raised the senior secured debt rating on PacifiCorp to 'A' from 'A-' and revised the recovery rating on that debt to '1+' from '1'. The one notch upgrade on PacifiCorp's first mortgage bonds reflects our review of the company's unique indenture, which has both an earnings and bondable property test. The upgrade reflects that, consistent with our criteria, we expect that if a default occurs, PacifiCorp's collateral coverage available to first mortgage bondholders would be at least 1.5x. We lowered the short-term ratings of PacifiCorp and MEC to 'A-2' from 'A-1'. We also affirmed the 'A' corporate credit rating and senior unsecured rating on Northern Natural Gas Co.--MEHC's Midwest interstate FERC-regulated pipeline--and the 'A-' senior secured project rating on interstate pipeline Kern River Gas Transmission Co. We removed the ratings from CreditWatch with negative implications, where we placed them on Sept. 18, 2008. The outlook for all entities is stable. These actions are independent of Standard & Poor's March 24 announcement that placed MEHC's majority owner Berkshire Hathaway Inc.'s

'AAA'/'A-1+' ratings on negative outlook.

We expect MEHC to continue with its strategy of growth through acquisitions, but no longer presume that future acquisitions will be confined to regulated energy assets. This has been an important underpinning to MEHC's credit ratings, which remain strongly investment grade despite MEHC's aggressive stance toward its financial policy. The stable outlook on MEHC and its subsidiaries incorporates our expectations of steady progress toward paying down debt and improving its cash flow metrics.

We raised the ratings on Energy East Corp. to 'A-' from 'BBB+' upon announcement by parent Iberdrola that it is assuming Energy East's debt. We also raised the ratings on Energy East subsidiaries Connecticut Natural Gas and Southern Connecticut Gas to 'A-' from 'BBB+'. At the same time, we affirmed the ratings on New York State Gas & Electric (NYSEG), Central Maine Power, and The Berkshire Gas Company. In addition, we lowered the ratings on Rochester Gas & Electric Corp. (RGE) to 'BBB' from 'BBB+'. All ratings were removed from CreditWatch. Iberdrola provided an unconditional and irrevocable guarantee on Energy East's debt and in our view has unequivocally expressed its full support for its U.S. subsidiary. For ratings purposes, the U.S. utilities are now regarded as effectively under Iberdrola's direct control, and none individually is a significant source of cash flow for Iberdrola. The ratings on the U.S. utilities are now based largely on each utility's stand-alone credit profile up to the existing 'A-' Iberdrola rating. The European company's U.S. guarantee does not extend down to the utility level. Despite being relieved of the burden, from a ratings perspective, of servicing the holding company debt, some of the separate utility credit profiles do not warrant an upgrade or, in the case of RGE, an affirmation. Both it and NYSEG were denied expedited rate relief in New York.

The stable outlook on Energy East reflects the credit quality of the new obligor Iberdrola; our expectations are that Energy East's ratings and outlook would move in lock-step with Iberdrola given the guarantee of outstanding debt. Iberdrola's stable outlook reflects its strong business profile and financial policies geared toward its 'A-' corporate credit rating. At the same time, we consider the group's credit ratios to be tight for the rating level and exposed to downside in the current macroeconomic environment. The outlook for each of the Energy East subsidiaries is based on the stand-alone characteristics of the units, reflecting individual business conditions and financial position.

Fourth Quarter Outlook Revisions

We revised the outlook on PNM Resources Inc. (BB-/Stable/--) and its subsidiaries, Public Service Co. of New Mexico BB-/Stable/--) and Texas-New Mexico Power Co. (BB-/Stable/--), to stable from negative. The revision reflects improved funds from operations resulting from rate relief, combined with less consolidated debt leverage resulting from the sale of natural gas operations and the application of proceeds toward repaying debt. Improvement in PNM's management of regulatory risk in New Mexico, which includes a reduction of wholesale exposure through the transfer of certain generating assets into rate base, a fuel and purchased power cost adjustment mechanism set annually, and new legislation allowing the use of a future test year (including a return on construction in progress), is expected to support credit quality by reducing cash flow volatility and rate lag. The stable outlook reflects financial and regulatory improvement in 2009 and our expectation of reduced volatility in regulated utility results. Credit stability and potential improvement rest on management's ability to advance its regulatory agenda in a constructive manner, maintain adequate liquidity, and fund its capital program in conjunction with a prudently managed balanced sheet. We could lower the ratings if PNM increases investments in unregulated operations, especially if it uses debt to finance further growth or stabilize existing operations, or if financial results deteriorate in

regulated businesses. An upgrade is unlikely, given the challenges the firm continues to face and our perception that the company continues to emphasize growth in unregulated business activities in its corporate strategy despite poor performance in that area.

Standard & Poor's revised the outlook on Duquesne Light Holdings Inc. (BBB-/Stable/--) and its utility subsidiary, Duquesne Light Co. (BBB-/Stable/--) to stable from negative reflecting immediate and ongoing strengthening of the company's balance sheet. In addition, the company recently filed a new provider of last resort plan which should help improve operating cash flow in the long term. The stable outlook can be traced to Duquesne Light's cash flow stability, the company's immediate and ongoing commitment to reduce debt leverage, and stronger balance sheet. Given the level of financial obligations, Standard & Poor's could lower the ratings if operating cash flow deteriorates or financial obligations increase. Higher ratings are unlikely, given need to gain financial strength simply to maintain current credit quality.

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Implications Of Operating Leases On Analysis Of U.S. Electric Utilities

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Table Of Contents

Analysis Of 2006 Lease Adjustments

Conclusion

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Implications Of Operating Leases On Analysis Of U.S. Electric Utilities

Companies lease for many reasons including cost-effective financing, cash flow objectives, flexibility, risk shifting, tax strategies, and accounting advantages such as off-balance-sheet treatment. Lease accounting distinguishes between capital and operating leases. Accounting for capital leases is similar to debt-financed acquisitions of assets, and operating leases are recorded as rent expense on a pay-as-you-go basis. Since lessors and lessees can structure terms to achieve the desired accounting result, Standard & Poor's Ratings Services views the distinction between capital and operating leases as artificial. Like any other form of financing, operating leases represent claims against future cash flows.

Operating-lease adjustment is one of the accounting adjustments that Standard & Poor's uses to analyze the financial results and ratios of electric utilities. The operating-lease adjustment recasts operating leases as capital acquisitions, which are financed by debt equivalents, enhancing comparability. The adjustment specifically changes the three major ratios that Standard & Poor's considers when analyzing the financial profile of electric utilities: debt to capital, funds from operations (FFO) to debt, and FFO interest coverage.

Standard & Poor's operating-lease adjustment modifies an electric utility's financial statements and ratios as follows:

- The debt amount on the balance sheet is increased by the net present value of future lease payments.
- Interest expense on the income statement is increased by the portion of the lease rental expense that we calculate as interest.
- Cash from operations and FFO are increased because depreciation expense rises by the remaining portion of the lease rental expense allocated to deprecation.

(For a detailed description of our operating-lease adjustments, please see Criteria: Encyclopedia of Analytical Adjustments for Corporate Entities published July 9, 2007, on RatingsDirect.)

A unique accounting distinction for the electric utility industry is the handling of power purchase agreements (PPA) that are recorded as leases for accounting purposes. In this situation, Standard & Poor's accords PPA treatment to these obligations, in lieu of our standard lease adjustments. (For a discussion of the analytical adjustments that we make for PPAs, please see the article mentioned above.)

Analysis Of 2006 Lease Adjustments

We analyzed the impact of operating leases on the financial ratios of rated investor-owned electric utilities by comparing the 2006 financial ratios with and without the operating-lease adjustments. For the entire sector, operating-lease adjustments were not material: Debt to capital increased 2.0%, FFO to debt decreased 1.8%, and FFO interest coverage dropped 3.7%.

Table 1

Weighted Averages Of Investor-Owned Electric Utilities For 2006

	Fully adjusted	Excluding the lease adjustment
Debt to total capital (%)	58.2	57.1
FFO to tebt (%)	17.2	17.5

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Table 1

Weighted Averages Of Investor-Owned Electric Utilities For 2006(cont.)		
FFO interest coverage (x)	3.5	3.7

However, it is incorrect to conclude that either the operating leases for electric utilities are minimal or the operating-lease adjustments are not material for individual electric utilities. For 2006, Standard & Poor's operating-lease adjustments totaled $14.4 billion or 4.6% of total adjusted debt, a substantial amount. Additionally, operating-lease adjustments had a material impact on several companies, as shown below.

Table 2

Effect Of Excluding Operating-Lease Adjustments			
	Change in debt to capital (%)	Change in FFO to debt (%)	Change in FFO interest coverage (x)
Otter Tail Corp.	7.6	(1.8)	(1.3)
Edison International	4.9	(2.9)	(0.6)
Westar Energy Inc.	4.7	(2.6)	(0.6)
NorthWestern Corp.	4.5	(1.4)	(0.5)
American Electric Power Co. Inc.	4.1	(2.2)	(0.5)
FirstEnergy Corp.	2.9	(1.0)	(0.3)

As the chart indicates, Otter Tail was most affected by the 2006 operating-lease adjustments. Additionally, the operating-lease debt adjustment for three companies, American Electric Power Co., Edison International, and FirstEnergy Corp., accounted for 46% of the total operating-lease debt adjustment, demonstrating that for individual companies the operating-lease adjustments can be material. Interestingly, three companies--FPL Group Inc., Green Mountain Power Corp., and PPL Electric Utilities Corp.--did not report any operating leases for 2006.

Conclusion

Standard & Poor's accounting adjustment for operating leases was designed to improve the comparability among companies and to neutralize the accounting distinction between operating and capital leases. Our analysis demonstrates that Standard & Poor's 2006 operating-lease adjustments did have a material effect on specific electric utilities that extensively relied on operating leases.

Table 3

Electric Utilities' Financial Ratios*						
	--Fully adjusted--			--Excluding the lease adjustment--		
	Debt to capital (%)	FFO to debt (%)	FFO interest coverage (x)	Debt to capital (%)	FFO to debt (%)	FFO interest coverage (x)
Allegheny Energy Inc.	64.3	17.4	3.2	64.1	17.5	3.2
ALLETE Inc.	48.6	21.0	4.5	46.0	22.5	4.8
Alliant Energy Corp.	48.0	31.3	5.0	47.0	31.1	5.1
Ameren Corp.	51.9	18.9	4.7	51.0	19.3	4.8
American Electric Power Co. Inc.	60.3	19.6	3.7	56.2	21.8	4.2
Aquila Inc.	57.5	(6.7)	0.6	57.0	(7.4)	0.6
Avista Corp.	59.5	14.0	2.7	59.2	13.9	2.8
Baltimore Gas & Electric Co.	52.7	7.1	1.9	51.2	6.8	2.0

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Table 3

Electric Utilities' Financial Ratios*(cont.)						
Black Hills Corp.	52.2	24.5	4.3	51.9	24.6	4.3
CenterPoint Energy Inc.	81.9	14.6	2.9	81.7	14.5	3.0
Central Vermont Public Service Corp.	71.7	13.9	3.1	71.4	13.8	3.2
CH Energy Group Inc.	46.8	18.1	4.8	46.2	18.0	4.9
Cleco Corp.	46.0	16.1	3.4	45.2	16.1	3.5
CMS Energy Corp.	75.5	9.8	2.4	75.2	9.7	2.4
Commonwealth Edison Co.	42.5	15.2	3.3	41.9	15.3	3.3
Consolidated Edison Inc.	55.9	14.2	3.1	55.2	14.3	3.1
Dominion Resources Inc.	57.2	20.0	3.9	56.1	20.3	4.0
DTE Energy Co.	62.6	11.2	3.0	62.0	11.1	3.0
Duke Energy Corp.	44.5	19.0	3.8	43.9	19.2	3.9
Duquesne Light Holdings Inc.	57.6	10.1	2.5	57.2	9.9	2.5
Edison International	63.7	19.7	3.1	58.8	22.7	3.7
El Paso Electric Co.	57.8	20.8	4.6	57.7	20.8	4.6
Empire District Electric Co.	53.8	16.7	3.7	53.6	16.6	3.7
Energy East Corp.	59.9	13.9	2.6	59.6	14.0	2.7
FirstEnergy Corp.	61.1	13.7	2.9	58.2	14.7	3.2
FPL Group Inc.	52.7	32.0	6.0	52.7	32.0	6.0
Great Plains Energy Inc.	54.6	21.2	4.4	53.2	21.9	4.7
Green Mountain Power Corp.	61.6	17.4	3.5	61.6	17.4	3.5
Hawaiian Electric Industries Inc.	62.9	14.8	1.8	62.0	14.6	1.9
IDACORP Inc.	54.7	12.4	3.2	54.3	12.3	3.3
Integrys Energy Group Inc.	60.9	12.4	3.4	60.7	12.3	3.4
IPALCO Enterprises Inc.	99.5	14.8	3.1	99.5	14.8	3.1
MGE Energy Inc.	52.1	22.4	5.7	51.1	22.9	5.9
MidAmerican Energy Holdings Co.	65.5	12.6	3.1	64.9	12.6	3.2
National Grid USA	79.7	17.9	4.0	79.0	18.3	4.1
Northeast Utilities	53.6	0.8	1.2	52.4	0.1	1.2
NorthWestern Corp.	58.5	17.9	3.0	54.0	19.3	3.4
NSTAR	60.6	18.5	4.0	59.8	18.6	4.1
OGE Energy Corp.	48.9	26.8	4.8	48.2	27.3	4.9
Oncor Electric Delivery Co. LLC	55.6	15.3	3.3	55.5	15.3	3.4
Otter Tail Corp.	48.5	28.9	4.3	40.8	30.7	5.6
PECO Energy Co.	53.8	23.2	5.8	53.7	23.2	5.8
PEPCO Holdings Inc.	61.8	13.2	3.2	60.4	13.7	3.3
PG&E Corp.	53.9	22.3	3.3	53.2	21.4	3.3
Pinnacle West Capital Corp.	55.8	16.9	3.8	53.0	17.7	4.2
PNM Resources Inc	55.3	10.5	2.4	53.0	10.8	2.6
Portland General Electric Co.	52.4	20.3	3.7	50.7	21.7	3.9
PPL Electric Utilities Corp.	47.6	19.8	3.8	47.6	19.8	3.8

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Table 3

Electric Utilities' Financial Ratios*(cont.)						
Progress Energy Inc.	56.7	20.0	4.2	56.1	20.3	4.3
Public Service Electric & Gas Co.	52.7	16.2	3.4	52.7	16.1	3.4
Puget Energy Inc.	62.9	9.9	2.6	62.5	9.8	2.6
SCANA Corp.	56.9	18.0	3.8	56.6	17.7	3.8
Sierra Pacific Resources	63.7	11.1	2.4	63.3	11.1	2.5
Southern Co.	55.2	21.9	5.0	54.6	22.0	5.1
TECO Energy Inc.	71.5	16.1	3.2	70.8	16.1	3.2
Unisource Energy Corp.	73.7	16.1	3.0	73.6	16.1	3.0
Westar Energy Inc.	59.0	17.0	3.8	54.4	19.6	4.5
Wisconsin Energy Corp.	61.1	14.6	4.1	61.0	14.6	4.1
Xcel Energy Inc.	60.4	15.2	3.2	60.0	15.1	3.3

*Data based on calendar year 2006.

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Louisville Gas & Electric Co.

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Table Of Contents

Major Rating Factors

Rationale

Outlook

Related Criteria And Research

Louisville Gas & Electric Co.

Major Rating Factors

Strengths:

- Stable and relatively predictable utility operations and associated cash flows;
- Credit-supportive regulatory environment in Kentucky;
- Competitive rates; and
- Efficient operations and high customer satisfaction ratings.

Weaknesses:

- Little fuel diversity, virtually all plants are coal-fired;
- Exposure to pending environmental standards; and
- Linked to parent credit quality.

Corporate Credit Rating
BBB/Stable/A-2

Rationale

Standard & Poor's Ratings Services bases its rating on vertically integrated electric utility and natural gas distribution utility Louisville Gas & Electric Co. (LG&E) on the consolidated credit profile of ultimate parent PPL Corp., which includes what we consider to be an excellent business risk profile and aggressive financial risk profile. (For more on business risk and financial risk, see "Business Risk/Financial Risk Matrix Expanded," published on May 27, 2009.) In the U.S., holding company PPL Corp. consists of LG&E and other vertically integrated utility subsidiary Kentucky Utilities Co. (KU). In addition, PPL Corp. owns transmission and distribution electric utility PPL Electric Utilities Corp. (PPLEU) and PPL Energy Supply LLC, an unregulated generation subsidiary that has 10,760 megawatts of unregulated generation capacity that consists of well-located, low-cost nuclear and coal plants that are well hedged through 2012. In the U.K., PPL Corp. owns electric distribution networks Western Power Distribution (South West) PLC, Western Power Distribution (South Wales) PLC, Western Power Distribution (West Midlands) PLC, and Western Power Distribution (East Midlands) PLC. Our rating on PPL Corp. reflects the company's mostly regulated utility strategy that will include continuous capital spending and timely cost recovery through various regulatory mechanisms.

The excellent business risk profile incorporates PPL Corp.'s strategy as a mostly regulated public utility holding company. PPL Corp.'s numerous utilities serve 10 million electric customers in the U.K., Pennsylvania, and Kentucky, and 320,000 natural gas distribution customers in Kentucky. The U.K. wires-only distribution utilities have credit-supportive U.K. regulation and no commodity risk because nonaffiliated retail suppliers procure the electricity for retail customers. We expect these U.K. operations to contribute about 30% of PPL Corp.'s consolidated cash flow. The stability of the U.K. cash flows, along with existing utility assets in Kentucky and Pennsylvania, all of which we assess as excellent, will more than offset the business risk profile of PPL Energy's merchant generation, which we assess as satisfactory, resulting in the excellent business profile overall. We expect the merchant generation business to comprise less than 25% of pro forma consolidated cash flows.

LG&E's business risk profile, which we consider excellent, reflects the strengths of serving electric and natural gas customers in the Louisville area. The utility's strengths include relatively predictable utility operations with steady cash flows, constructive cost recovery, and relatively low rates stemming from low-cost coal-fired generation.

Although most of its plants burn coal, they meet current environmental requirements, and the significant amount of capital spending needed for environmental compliance through 2015 should be recoverable through rates.

The financial risk profile for LG&E reflects that of PPL Corp. The consolidated financial profile, which we consider aggressive, reflects adjusted financial measures that are in line with the rating. We expect that financial measures will continue at current levels as the company incorporates full cost recovery of capital spending in operating cash flow. We expect consolidated financial measures, including ratios of debt to EBITDA, funds from operations (FFO) to total debt, and debt to capital, to remain in line with the rating. For the 12 months ended June 30, 2011, FFO to total debt was 16.5%, total debt to total capital was about 58%, and debt to EBITDA was 4.8x. After reducing cash flow from operations by capital spending and dividends, discretionary cash flow was negative $275 million, indicating a need for external funding. In addition, net cash flow (FFO after dividends) to capital spending was 101%. FFO interest coverage was 4.1x, and the company's dividend payout ratio was 50%. The consolidated adjustments for PPL Corp. include pension-related items, intermediate equity treatment of the junior subordinated notes, and high equity treatment of mandatory convertible securities.

Liquidity

The short-term rating on LG&E is 'A-2'. The utility's liquidity position reflects that of parent PPL Corp., which we consider adequate under Standard & Poor's liquidity methodology. (We categorize liquidity in five standard descriptors. See "Liquidity Descriptors For Global Corporate Issuers," published on Sept. 28, 2011.)

We base our liquidity assessment on the following factors and assumptions:

- We expect PPL Corp.'s liquidity sources over the next 12 months, including FFO and credit facility availability, to exceed uses by 1.2x. Uses include necessary capital spending, working capital, debt maturities, and shareholder distributions.
- Debt maturities are manageable over the next 12 months.
- We believe liquidity sources would exceed uses by 30% even if EBITDA declined 15%.
- In our assessment, PPL Corp. has good relationships with its banks, and has a good standing in the credit markets, having successfully issued debt during the recent credit crisis.

In our analysis of liquidity over the next 12 months, we assume $6.9 billion of liquidity sources, consisting of FFO and credit facility availability. We estimate liquidity uses of $5 billion for capital spending, maturing debt, working capital, and shareholder distributions.

PPL Corp.'s credit agreements include a financial covenant requiring debt to total capitalization no greater than 65% for PPL Energy Supply and 70% for the U.S. utilities. As of June 30, 2011, the company was in compliance with the covenants.

Debt maturities are manageable through 2014, with $500 million in 2011, $0 in 2012, $737 million in 2013, and $300 million in 2014. However, in 2015, $1.3 billion is due. We expect that the company will refinance many of these debt maturities.

Recovery analysis

We assign recovery ratings to first mortgage bonds (FMBs) issued by investment-grade U.S. utilities, which can result in issue ratings being notched above the corporate credit rating (CCR) on a utility depending on the CCR category and the extent of the collateral coverage. We base the investment-grade FMB recovery methodology on the ample

historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and on our view that the factors that supported those recoveries (limited size of the creditor class, and the durable value of utility rate-based assets during and after a reorganization, given the essential service provided and the high replacement cost) will persist in the future. Under our notching criteria, when assigning issue ratings to utility FMBs, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as the regulatory limitations on bond issuance. FMB ratings can exceed the CCR on a utility by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

LG&E's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of about 1.5x supports a recovery rating of '1+' and an issue rating two notches above the CCR.

Outlook

The stable outlook on LG&E reflects our expectation that PPL Corp.'s management will focus on its fully regulated utilities and will not increase unregulated operations beyond current levels. The outlook also reflects our expectations that cash flow protection and debt leverage measures will be appropriate for the rating. Specifically, our baseline forecast includes FFO to total debt of around 15%, debt to EBITDA between 4x and 5x, and debt leverage to total capital under 60%, consistent with our expectations for the 'BBB' rating. Given the company's mostly regulated focus, we expect that PPL Corp. will avoid any meaningful rise in business risk by reaching constructive regulatory outcomes and limit its unregulated operations to existing levels. We could lower the ratings if PPL Corp. cannot sustain consolidated financial measures of FFO to total debt of at least 12%, debt to EBITDA below 5x, and debt leverage under 62%. This could occur if market power prices remain weak due to ongoing depressed demand. Although unlikely over the intermediate term, we could raise the ratings if the business profile further strengthens and if financial measures exceed our baseline forecast on a consistent basis, including FFO to total debt in excess of 20%, debt to EBITDA below 4x, and debt to total capital around 50%.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Analytical Methodology, April 15, 2008
- Ratios And Adjustments, April 15, 2008
- Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007

Table 1

PPL Corp. -- Peer Comparison*

Industry Sector: Energy

	PPL Corp.	FirstEnergy Corp.	Public Service Enterprise Group Inc.	Ameren Corp.
Rating as of Oct. 31, 2011	BBB/Stable/--	BBB-/Stable/--	BBB/Positive/A-2	BBB-/Stable/A-3

Table 1

PPL Corp. -- Peer Comparison* (cont.)

	--Average of past three fiscal years--			
(Mil. $)				
Revenues	5,285.6	13,266.0	11,995.5	7,522.3
Net income from cont. oper.	483.9	1,044.0	1,466.6	452.0
Funds from operations (FFO)	1,560.7	2,675.2	2,494.4	1,836.9
Capital expenditures	1,177.4	2,352.5	1,874.5	1,668.3
Cash and short-term investments	721.6	812.7	290.2	419.7
Debt	8,598.5	17,675.4	8,875.7	9,223.1
Preferred stock	333.3	0.0	53.3	88.7
Equity	4,776.7	8,451.0	8,533.8	7,619.0
Debt and equity	13,375.2	26,126.4	17,409.5	16,842.1
Adjusted ratios				
EBIT interest coverage (x)	2.7	2.4	6.2	3.0
FFO int. cov. (X)	4.8	3.2	6.0	4.6
FFO/debt (%)	18.2	15.1	28.1	19.9
Discretionary cash flow/debt (%)	(1.2)	(2.5)	1.0	(2.8)
Net cash flow/capex (%)	86.6	85.2	97.1	85.0
Total debt/debt plus equity (%)	64.3	67.7	51.0	54.8
Return on common equity (%)	12.7	10.9	17.5	5.6
Common dividend payout ratio (un-adj.) (%)	111.4	64.2	46.0	95.0

*Fully adjusted (including postretirement obligations).

Table 2

Louisville Gas & Electric Co. -- Financial Summary

Industry Sector: Combo

	--Fiscal year ended Dec. 31--	
	2010	**2009**
Rating history	BBB+/Stable/--	BBB+/Stable/--
(Mil. $)		
Revenues	1,311.0	1,272.0
EBITDA	388.7	333.9
Operating income	250.7	197.9
Net income from continuing operations	128.0	95.0
Funds from operations (FFO)	262.7	223.7
Capital expenditures	221.8	186.3
Free operating cash flow	(26.1)	129.4
Dividends paid	55.0	80.0
Discretionary cash flow	(81.1)	49.4
Debt	1,561.1	1,313.0
Preferred stock	0.0	0.0
Equity	1,721.0	1,253.0
Debt and equity	3,282.1	2,566.0

Table 2

Louisville Gas & Electric Co. -- Financial Summary (cont.)

Adjusted ratios		
EBITDA margin (%)	29.7	26.3
EBITDA interest coverage (x)	6.8	5.7
EBIT interest coverage (x)	4.7	3.7
FFO int. cov. (x)	5.4	4.3
FFO/debt (%)	16.8	17.0
Free operating cash flow/debt (%)	(1.7)	9.9
Discretionary cash flow/debt (%)	(5.2)	3.8
Net cash flow/capex (%)	93.6	77.2
Debt/EBITDA (x)	4.0	3.9
Debt/debt and equity (%)	47.6	51.2
Return on capital (%)	7.9	7.2
Return on common equity (%)	8.6	7.6
Common dividend payout ratio (un-adj.) (%)	43.0	84.2

Table 3

Reconciliation Of Louisville Gas & Electric Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)

	--Fiscal year ended Dec. 31, 2010--									
Louisville Gas & Electric Co. reported amounts										
	Debt	**Shareholders' equity**	**Revenues**	**EBITDA**	**Operating income**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	1,287.0	1,721.0	1,311.0	366.0	228.0	46.0	181.0	181.0	55.0	220.0
Standard & Poor's adjustments										
Operating leases	17.0	--	--	0.7	0.7	0.7	4.3	4.3	--	1.8
Postretirement benefit obligations	137.2	--	--	22.0	22.0	6.0	10.4	10.4	--	--
Asset retirement obligations	31.9	--	--	--	--	--	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	14.0	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	67.0	--	--
Debt - Accrued interest not included in reported debt	5.0	--	--	--	--	--	--	--	--	--
Debt - Other	83.2	--	--	--	--	--	--	--	--	--
Interest expense - Other	--	--	--	--	--	4.1	--	--	--	--

Table 3

Reconciliation Of Louisville Gas & Electric Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $) (cont.)

Total adjustments	274.1	0.0	0.0	22.7	36.7	10.8	14.7	81.7	0.0	1.8

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	1,561.1	1,721.0	1,311.0	388.7	264.7	56.8	195.7	262.7	55.0	221.8

Ratings Detail (As Of November 1, 2011)

Louisville Gas & Electric Co.	
Corporate Credit Rating	BBB/Stable/A-2
Senior Secured (2 Issues)	A-
Senior Secured (11 Issues)	A-/A-2
Senior Secured (1 Issue)	A-/NR
Corporate Credit Ratings History	
15-Apr-2011	BBB/Stable/A-2
21-Mar-2011	BBB/Watch Neg/A-3
02-Mar-2011	BBB/Watch Neg/NR
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
Kentucky Utilities Co.	
Issuer Credit Rating	BBB/Stable/A-2
Senior Secured (3 Issues)	A-
Senior Secured (5 Issues)	A-/A-2
Senior Secured (2 Issues)	A-/NR
LG&E and KU Energy LLC	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (3 Issues)	BBB-
PPL Corp.	
Issuer Credit Rating	BBB/Stable/NR
Junior Subordinated (3 Issues)	BB+
Senior Unsecured (1 Issue)	BBB-
PPL Electric Utilities Corp.	
Issuer Credit Rating	BBB/Stable/A-2
Commercial Paper	
Local Currency	A-2
Preference Stock (1 Issue)	BB+
Senior Secured (9 Issues)	A-
PPL Energy Supply LLC	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (13 Issues)	BBB

Ratings Detail (As Of November 1, 2011) (cont.)

PPL Montana LLC	
Senior Secured (1 Issue)	BBB-/Positive
PPL WEM Holdings PLC	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (1 Issue)	BBB-
PPL WW Holdings Ltd.	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (2 Issues)	BBB-
Western Power Distribution (East Midlands) PLC	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (4 Issues)	BBB
Western Power Distribution (South Wales) PLC	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (3 Issues)	BBB
Western Power Distribution (South West) PLC	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (4 Issues)	BBB
Western Power Distribution (West Midlands) PLC	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured (3 Issues)	BBB

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The McGraw-Hill Companies

Kentucky Utilities Co.

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Table Of Contents

Major Rating Factors

Rationale

Outlook

Related Criteria And Research

Kentucky Utilities Co.

Major Rating Factors

Corporate Credit Rating
BBB/Stable/A-2

Strengths:
- Stable and predictable cash flows;
- Credit-supportive regulatory environment in Kentucky;
- Competitive rates; and
- Efficient operations and high customer satisfaction ratings.

Weaknesses:
- Little fuel diversity, the company's plants are virtually all coal-fired;
- Exposure to pending environmental standards; and
- Linked to parent credit quality.

Rationale

Standard & Poor's Ratings Services bases its rating on vertically integrated electric utility Kentucky Utilities Co. (KU) on the consolidated credit profile of ultimate parent PPL Corp., which includes what we consider to be an excellent business risk profile and aggressive financial risk profile. (For more on business risk and financial risk, see "Business Risk/Financial Risk Matrix Expanded," published on May 27, 2009.) In the U.S., holding company PPL Corp. consists of KU and other vertically integrated utility subsidiary Louisville Gas & Electric Co. (LG&E). In addition, PPL Corp. owns transmission and distribution electric utility PPL Electric Utilities Corp. (PPLEU) and PPL Energy Supply LLC, an unregulated generation subsidiary that has 10,760 megawatts of unregulated generation capacity that consists of well-located, low-cost nuclear and coal plants that are well hedged through 2012. In the U.K., PPL Corp. owns electric distribution networks Western Power Distribution (South West) PLC, Western Power Distribution (South Wales) PLC, Western Power Distribution (West Midlands) PLC, and Western Power Distribution (East Midlands) PLC. Our rating on PPL Corp. reflects the company's mostly regulated utility strategy that will include continuous capital spending and timely cost recovery through various regulatory mechanisms.

The excellent business risk profile incorporates PPL Corp.'s strategy as a mostly regulated public utility holding company. PPL Corp.'s numerous utilities serve 10 million electric customers in the U.K., Pennsylvania, and Kentucky, and 320,000 natural gas distribution customers in Kentucky. The U.K. wires-only distribution utilities have credit-supportive U.K. regulation and no commodity risk because nonaffiliated retail suppliers procure the electricity for retail customers. We expect these U.K. operations to contribute about 30% of PPL Corp.'s consolidated cash flow. The stability of the U.K. cash flows, along with existing utility assets in Kentucky and Pennsylvania, all of which we assess as excellent, will more than offset the business risk profile of PPL Energy's merchant generation, which we assess as satisfactory, resulting in the excellent business profile overall. We expect the merchant generation business to comprise less than 25% of pro forma consolidated cash flows.

KU's consolidated business risk profile, which we consider excellent, reflects the strengths of serving electric customers scattered throughout Kentucky, including those in Lexington. The utility's strengths include relatively predictable utility operations with steady cash flows, constructive cost recovery, and relatively low rates stemming from low-cost coal-fired generation. Although most of its plants burn coal, they meet current environmental

requirements, and the significant amount of capital spending needed for environmental compliance through 2015 should be recoverable through rates.

The financial risk profile for KU reflects that of PPL Corp. The consolidated financial profile, which we consider aggressive, reflects adjusted financial measures that are in line with the rating. We expect that financial measures will continue at current levels as the company incorporates full cost recovery of capital spending in operating cash flow. We expect consolidated financial measures, including ratios of debt to EBITDA, funds from operations (FFO) to total debt, and debt to capital, to remain in line with the rating. For the 12 months ended June 30, 2011, FFO to total debt was 16.5%, total debt to total capital was about 58%, and debt to EBITDA was 4.8x. After reducing cash flow from operations by capital spending and dividends, discretionary cash flow was negative $275 million, indicating a need for external funding. In addition, net cash flow (FFO after dividends) to capital spending was 101%. FFO interest coverage was 4.1x, and the company's dividend payout ratio was 50%. The consolidated adjustments for PPL Corp. include pension-related items, intermediate equity treatment of the junior subordinated notes, and high equity treatment of mandatory convertible securities.

Liquidity

The short-term rating on KU is 'A-2'. The utility's liquidity position reflects that of parent PPL Corp., which we consider adequate under Standard & Poor's liquidity methodology. (We categorize liquidity in five standard descriptors. See "Liquidity Descriptors For Global Corporate Issuers," published on Sept. 28, 2011.)

We base our liquidity assessment on the following factors and assumptions:

- We expect PPL Corp.'s liquidity sources over the next 12 months, including FFO and credit facility availability, to exceed uses by 1.2x. Uses include necessary capital spending, working capital, debt maturities, and shareholder distributions.
- Debt maturities are manageable over the next 12 months.
- We believe liquidity sources would exceed uses by 30% even if EBITDA declined 15%.
- In our assessment, PPL Corp. has good relationships with its banks, and has a good standing in the credit markets, having successfully issued debt during the recent credit crisis.

In our analysis of liquidity over the next 12 months, we assume $6.9 billion of liquidity sources, consisting of FFO and credit facility availability. We estimate liquidity uses of $5 billion for capital spending, maturing debt, working capital, and shareholder distributions.

PPL Corp.'s credit agreements include a financial covenant requiring debt to total capitalization no greater than 65% for PPL Energy Supply and 70% for the U.S. utilities. As of June 30, 2011, the company was in compliance with the covenants.

Debt maturities are manageable through 2014, with $500 million in 2011, $0 in 2012, $737 million in 2013, and $300 million in 2014. However, in 2015, $1.3 billion is due. We expect that the company will refinance many of these debt maturities.

Recovery analysis

We assign recovery ratings to first mortgage bonds (FMBs) issued by investment-grade U.S. utilities, which can result in issue ratings being notched above the corporate credit rating (CCR) on a utility depending on the CCR category and the extent of the collateral coverage. We base the investment-grade FMB recovery methodology on the ample

historical record of nearly 100% recovery for secured bondholders in utility bankruptcies and on our view that the factors that supported those recoveries (limited size of the creditor class, and the durable value of utility rate-based assets during and after a reorganization, given the essential service provided and the high replacement cost) will persist in the future. Under our notching criteria, when assigning issue ratings to utility FMBs, we consider the limitations of FMB issuance under the utility's indenture relative to the value of the collateral pledged to bondholders, management's stated intentions on future FMB issuance, as well as the regulatory limitations on bond issuance. FMB ratings can exceed the CCR on a utility by up to one notch in the 'A' category, two notches in the 'BBB' category, and three notches in speculative-grade categories.

KU's FMBs benefit from a first-priority lien on substantially all of the utility's real property owned or subsequently acquired. Collateral coverage of about 1.5x supports a recovery rating of '1+' and an issue rating two notches above the CCR.

Outlook

The stable outlook on KU reflects our expectation that PPL Corp.'s management will focus on its fully regulated utilities and will not increase unregulated operations beyond current levels. The outlook also reflects our expectations that cash flow protection and debt leverage measures will be appropriate for the rating. Specifically, our baseline forecast includes FFO to total debt of around 15%, debt to EBITDA between 4x and 5x, and debt leverage to total capital under 60%, consistent with our expectations for the 'BBB' rating. Given the company's mostly regulated focus, we expect that PPL Corp. will avoid any meaningful rise in business risk by reaching constructive regulatory outcomes and limit its unregulated operations to existing levels. We could lower the ratings if PPL Corp. cannot sustain consolidated financial measures of FFO to total debt of at least 12%, debt to EBITDA below 5x, and debt leverage under 62%. This could occur if market power prices remain weak due to ongoing depressed demand. Although unlikely over the intermediate term, we could raise the ratings if the business profile further strengthens and if financial measures exceed our baseline forecast on a consistent basis, including FFO to total debt in excess of 20%, debt to EBITDA below 4x, and debt to total capital around 50%.

Related Criteria And Research

- Liquidity Descriptors For Global Corporate Issuers, Sept. 28, 2011
- Business Risk/Financial Risk Matrix Expanded, May 27, 2009
- Analytical Methodology, April 15, 2008
- Ratios And Adjustments, April 15, 2008
- Changes To Collateral Coverage Requirements For '1+' Recovery Ratings On U.S. Utility First Mortgage Bonds, Sept. 6, 2007

Table 1

PPL Corp. -- Peer Comparison*

Industry Sector: Energy

	PPL Corp.	FirstEnergy Corp.	Public Service Enterprise Group Inc.	Ameren Corp.
Rating as of Oct. 31, 2011	BBB/Stable/--	BBB-/Stable/--	BBB/Positive/A-2	BBB-/Stable/A-3

Table 1

PPL Corp. -- Peer Comparison* (cont.)

	--Average of past three fiscal years--			
(Mil. $)				
Revenues	5,285.6	13,266.0	11,995.5	7,522.3
Net income from cont. oper.	483.9	1,044.0	1,466.6	452.0
Funds from operations (FFO)	1,560.7	2,675.2	2,494.4	1,836.9
Capital expenditures	1,177.4	2,352.5	1,874.5	1,668.3
Cash and short-term investments	721.6	812.7	290.2	419.7
Debt	8,598.5	17,675.4	8,875.7	9,223.1
Preferred stock	333.3	0.0	53.3	88.7
Equity	4,776.7	8,451.0	8,533.8	7,619.0
Debt and equity	13,375.2	26,126.4	17,409.5	16,842.1
Adjusted ratios				
EBIT interest coverage (x)	2.7	2.4	6.2	3.0
FFO int. cov. (X)	4.8	3.2	6.0	4.6
FFO/debt (%)	18.2	15.1	28.1	19.9
Discretionary cash flow/debt (%)	(1.2)	(2.5)	1.0	(2.8)
Net cash flow/capex (%)	86.6	85.2	97.1	85.0
Total debt/debt plus equity (%)	64.3	67.7	51.0	54.8
Return on common equity (%)	12.7	10.9	17.5	5.6
Common dividend payout ratio (un-adj.) (%)	111.4	64.2	46.0	95.0

*Fully adjusted (including postretirement obligations).

Table 2

Kentucky Utilities Co. -- Financial Summary

Industry Sector: Electric

	--Fiscal year ended Dec. 31--	
	2010	**2009**
Rating history	BBB+/Stable/A-2	BBB+/Stable/A-2
(Mil. $)		
Revenues	1,511.0	1,355.0
EBITDA	511.2	423.2
Operating income	366.2	290.2
Interest Expense	87.0	86.9
Net income from continuing operations	175.0	133.0
Funds from operations (FFO)	391.9	291.7
Capital expenditures	384.2	522.4
Free operating cash flow	(1.3)	(260.7)
Dividends paid	50.0	0.0
Discretionary cash flow	(51.3)	(260.7)
Debt	2,059.8	1,913.0
Preferred stock	0.0	0.0
Equity	2,691.0	1,952.0

Table 2

Kentucky Utilities Co. -- Financial Summary (cont.)		
Debt and equity	4,750.8	3,865.0
Adjusted ratios		
EBITDA margin (%)	33.8	31.2
EBITDA interest coverage (x)	5.9	4.9
EBIT interest coverage (x)	4.2	3.4
FFO int. cov. (x)	5.4	4.1
FFO/debt (%)	19.0	15.3
Free operating cash flow/debt (%)	(0.1)	(13.6)
Discretionary cash flow/debt (%)	(2.5)	(13.6)
Net cash flow/capex (%)	89.0	55.8
Debt/EBITDA (x)	4.0	4.5
Debt/debt and equity (%)	43.4	49.5
Return on capital (%)	7.7	7.2
Return on common equity (%)	7.5	7.2
Common dividend payout ratio (un-adj.) (%)	28.6	0.0

Table 3

Reconciliation Of Kentucky Utilities Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $)

	--Fiscal year ended Dec. 31, 2010--									
Kentucky Utilities Co. reported amounts										
	Debt	**Shareholders' equity**	**Revenues**	**EBITDA**	**Operating income**	**Interest expense**	**Cash flow from operations**	**Cash flow from operations**	**Dividends paid**	**Capital expenditures**
Reported	1,841.0	2,691.0	1,511.0	495.0	350.0	78.0	372.0	372.0	50.0	379.0
Standard & Poor's adjustments										
Operating leases	25.0	--	--	1.2	1.2	1.2	6.3	6.3	--	5.2
Postretirement benefit obligations	113.8	--	--	15.0	15.0	6.0	4.6	4.6	--	--
Asset retirement obligations	35.1	--	--	--	--	--	--	--	--	--
Reclassification of nonoperating income (expenses)	--	--	--	--	1.0	--	--	--	--	--
Reclassification of working-capital cash flow changes	--	--	--	--	--	--	--	9.0	--	--
Debt - Accrued interest not included in reported debt	8.0	--	--	--	--	--	--	--	--	--
Debt - Other	36.9	--	--	--	--	--	--	--	--	--
Interest expense - Other	--	--	--	--	--	1.8	--	--	--	--

Table 3

Reconciliation Of Kentucky Utilities Co. Reported Amounts With Standard & Poor's Adjusted Amounts (Mil. $) (cont.)

Total adjustments	218.8	0.0	0.0	16.2	17.2	9.0	10.9	19.9	0.0	5.2

Standard & Poor's adjusted amounts

	Debt	Equity	Revenues	EBITDA	EBIT	Interest expense	Cash flow from operations	Funds from operations	Dividends paid	Capital expenditures
Adjusted	2,059.8	2,691.0	1,511.0	511.2	367.2	87.0	382.9	391.9	50.0	384.2

Ratings Detail (As Of November 1, 2011)

Kentucky Utilities Co.	
Corporate Credit Rating	BBB/Stable/A-2
Senior Secured (3 Issues)	A-
Senior Secured (5 Issues)	A-/A-2
Senior Secured (2 Issues)	A-/NR
Corporate Credit Ratings History	
15-Apr-2011	BBB/Stable/A-2
02-Mar-2011	BBB/Watch Neg/A-3
27-Mar-2009	BBB+/Stable/A-2
25-Mar-2009	BBB+/Stable/NR
Business Risk Profile	Excellent
Financial Risk Profile	Aggressive
Related Entities	
LG&E and KU Energy LLC	
Issuer Credit Rating	BBB/Stable/--
Senior Unsecured (3 Issues)	BBB-
Louisville Gas & Electric Co.	
Issuer Credit Rating	BBB/Stable/A-2
Senior Secured (2 Issues)	A-
Senior Secured (11 Issues)	A-/A-2
Senior Secured (1 Issue)	A-/NR
PPL Corp.	
Issuer Credit Rating	BBB/Stable/NR
Junior Subordinated (3 Issues)	BB+
Senior Unsecured (1 Issue)	BBB-
PPL Electric Utilities Corp.	
Issuer Credit Rating	BBB/Stable/A-2
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Value Line Forecast for the U.S. Economy

	ACTUAL				*ESTIMATED*					
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
GROSS DOMESTIC PRODUCT AND ITS COMPONENTS (2005 CHAIN WEIGHTED $) BILLIONS OF DOLLARS										
Final Sales	13178	13201	12853	13029	*13282*	*13579*	*13947*	*14337*	*14768*	*15211*
Total Consumption	9263	9212	9038	9221	*9421*	*9630*	*9863*	*10080*	*10301*	*10538*
Nonresidential Fixed Investment	1550	1538	1263	1319	*1432*	*1542*	*1641*	*1756*	*1870*	*1983*
Structures	438	466	367	309	*322*	*338*	*349*	*369*	*395*	*427*
Equipment & Software	1107	1059	890	1019	*1124*	*1214*	*1306*	*1398*	*1482*	*1556*
Residential Fixed Investment	584	444	346	331	*326*	*358*	*412*	*477*	*544*	*610*
Exports	1554	1649	1494	1663	*1777*	*1858*	*1989*	*2138*	*2309*	*2494*
Imports	2203	2144	1853	2085	*2189*	*2257*	*2342*	*2436*	*2545*	*2660*
Federal Government	906	971	1030	1076	*1055*	*1034*	*1006*	*976*	*957*	*947*
State & Local Governments	1528	1528	1514	1487	*1453*	*1430*	*1418*	*1425*	*1439*	*1453*
Gross Domestic Product	14029	14292	13939	14527	*15088*	*15635*	*16275*	*17065*	*17945*	*18871*
Real GDP (2005 Chain Weighted $)	13206	13162	12703	13088	*13313*	*13621*	*13973*	*14392*	*14867*	*15358*
PRICES AND WAGES-ANNUAL RATES OF CHANGE										
GDP Deflator	2.9	2.2	1.1	1.2	*2.1*	*1.3*	*1.6*	*1.7*	*1.8*	*1.8*
CPI-All Urban Consumers	2.9	3.8	-0.3	1.6	*3.1*	*2.0*	*2.3*	*2.3*	*2.5*	*2.5*
PPI-Finished Goods	3.9	6.4	-2.5	4.2	*6.0*	*2.4*	*2.6*	*2.2*	*2.3*	*2.5*
Employment Cost Index—Total Comp.	3.1	2.9	1.4	1.9	*2.2*	*2.1*	*2.4*	*2.7*	*3.0*	*3.0*
Productivity	1.5	0.6	2.3	4.1	*0.8*	*0.5*	*1.3*	*1.3*	*1.4*	*1.5*
PRODUCTION AND OTHER KEY MEASURES										
Industrial Prod. (% Change)	2.7	-3.7	-11.2	5.3	*4.1*	*2.9*	*3.0*	*3.2*	*3.2*	*3.3*
Factory Operating Rate (%)	79.2	74.9	66.2	71.7	*74.9*	*77.0*	*78.0*	*79.0*	*79.5*	*80.0*
Nonfarm Inven. Change (2005 Chain Weighted $)	28.7	-37.6	-143.8	60.7	*44.9*	*42.5*	*50.0*	*45.0*	*40.0*	*40.0*
Housing Starts (Mill. Units)	1.34	0.90	0.55	0.59	*0.61*	*0.75*	*1.00*	*1.30*	*1.45*	*1.60*
Existing House Sales (Mill. Units)	5.68	4.89	5.15	4.92	*4.30*	*4.70*	*4.99*	*5.40*	*5.65*	*5.90*
Total Light Vehicle Sales (Mill. Units)	16.1	13.2	10.4	11.6	*12.7*	*13.6*	*14.8*	*15.5*	*16.0*	*16.5*
National Unemployment Rate (%)	4.6	5.8	9.3	9.6	*9.0*	*8.3*	*8.0*	*7.5*	*7.2*	*7.0*
Federal Budget Surplus (Unified, FY, $Bill)	-162.0	-455.0	-1416	-1294	*-1297*	*-1050*	*-875*	*-650*	*-600*	*-550*
Price of Oil ($Bbl., U.S. Refiners' Cost)	67.98	95.29	59.20	76.70	*99.23*	*100.00*	*105.00*	*110.00*	*115.00*	*125.00*
MONEY AND INTEREST RATES										
3-Month Treasury Bill Rate (%)	4.4	1.4	0.2	0.1	*0.1*	*0.1*	*0.1*	*0.5*	*1.8*	*3.0*
Federal Funds Rate (%)	5.0	1.9	0.2	0.2	*0.1*	*0.1*	*0.1*	*0.5*	*1.5*	*3.0*
10-Year Treasury Note Rate (%)	4.6	3.7	3.3	3.2	*2.8*	*2.2*	*2.7*	*3.0*	*3.5*	*4.0*
Long-Term Treasury Bond Rate (%)	4.8	4.3	4.1	4.3	*3.9*	*3.3*	*3.7*	*4.0*	*4.5*	*5.0*
AAA Corporate Bond Rate (%)	5.6	5.6	5.3	4.9	*4.6*	*4.2*	*4.6*	*5.0*	*5.3*	*5.8*
Prime Rate (%)	8.1	5.1	3.3	3.3	*3.3*	*3.3*	*3.3*	*4.5*	*6.0*	*7.0*
INCOMES										
Personal Income (% Change)	5.7	4.6	-4.3	3.7	*4.7*	*4.1*	*4.3*	*4.5*	*4.7*	*5.0*
Real Disp. Inc. (% Change)	2.4	2.4	-2.3	1.8	*0.9*	*2.0*	*2.2*	*2.5*	*2.7*	*3.0*
Personal Savings Rate (%)	2.4	5.4	5.2	5.3	*4.4*	*3.8*	*3.1*	*3.7*	*3.8*	*4.0*
After-Tax Profits ($Bill)	1293	1051	1183	1408	*1489*	*1559*	*1688*	*1806*	*1914*	*2010*
Yr-to-Yr % Change	-4.2	-18.7	12.6	19.0	*5.7*	*4.7*	*8.2*	*7.0*	*6.0*	*5.0*
COMPOSITION OF REAL GDP-ANNUAL RATES OF CHANGE										
Gross Domestic Product	1.9	-0.3	-3.5	3.0	*1.7*	*2.3*	*2.6*	*3.0*	*3.3*	*3.3*
Final Sales	2.2	0.2	-2.6	1.4	*1.9*	*2.2*	*2.7*	*2.8*	*3.0*	*3.0*
Total Consumption	2.3	-0.6	-1.9	2.0	*2.2*	*2.2*	*2.4*	*2.2*	*2.2*	*2.3*
Nonresidential Fixed Investment	6.5	-0.8	-17.9	4.4	*8.6*	*7.7*	*6.5*	*7.0*	*6.5*	*6.0*
Structures	14.1	6.4	-21.2	-15.8	*4.1*	*4.8*	*3.3*	*6.0*	*7.0*	*8.0*
Equipment & Software	3.3	-4.3	-16.0	14.6	*10.3*	*8.0*	*7.6*	*7.0*	*6.0*	*5.0*
Residential Fixed Investment	-18.7	-23.9	-22.2	-4.3	*-1.4*	*9.7*	*15.1*	*16.0*	*14.0*	*12.0*
Exports	9.3	6.1	-9.4	11.3	*6.8*	*4.6*	*7.0*	*7.5*	*8.0*	*8.0*
Imports	2.4	-2.7	-13.6	12.5	*5.0*	*3.1*	*3.8*	*4.0*	*4.5*	*4.5*
Federal Government	1.2	7.2	6.0	4.5	*-2.0*	*-2.0*	*-2.6*	*-3.0*	*-2.0*	*-1.0*
State & Local Governments	1.4	0.0	-0.9	-1.8	*-2.3*	*-1.6*	*-0.9*	*0.5*	*1.0*	*1.0*

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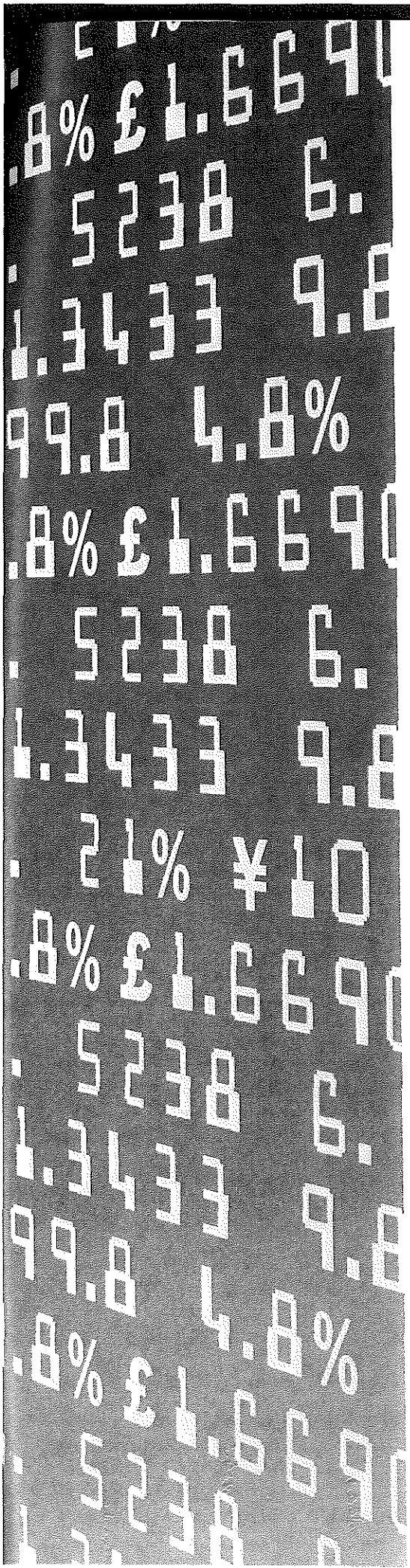

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Top Analysts' Forecasts Of U.S. And Foreign Interest Rates, Currency Values And The Factors That Influence Them.

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TABLE OF CONTENTS

Domestic Commentary **p. 1**

Domestic Summary Table –Table of consensus forecasts of U.S. interest rates and key economic assumptions **p. 2**

International Summary Table – Table of consensus forecasts of international interest rates and foreign exchange values **p. 3**

International Commentary **p. 3**

Individual Panel Member's U.S. Forecasts – Of interest rates and key assumptions for the next six quarters **p. 4-9**

Individual Panel Member's International Forecasts – Of international interest rates and foreign exchange values **p. 10-11**

Viewpoints – A sampling of views on the economy and government policy excerpted from recent reports issued by our panel members **p. 12-13**

Special Questions – Results of special questions posed to panel members about the economy, financial markets and government policy **p. 14**

Databank – Monthly historical data on many key indicators of economic activity **p. 15**

Calendar – Release dates for important upcoming economic Data, FOMC meetings, etc. **p. 16**

List Of Contributing Economists – To Domestic and International Survey **inside of back cover**

Consensus Still Sees Modest Economic Growth, But Downside Risks Are High

Domestic Commentary Consensus forecasts of U.S. economic growth this quarter and next increased during the past month but expectations for growth over the remainder of the forecast horizon were little changed. Most panelists continue to anticipate modest but gradually improving growth over the forecast horizon but acknowledge the existence of downside risks given the deteriorating situation in Europe, signs of slowing activity in Asia and the potential for greater-than-anticipated fiscal retrenchment in the U.S.

Based on our November 22nd-23rd survey, the consensus now predicts real GDP growth of 2.7% (saar) in the current quarter, 0.7 of a percentage point greater than estimated a month ago. That compares with downwardly revised growth of 2.0% in Q3, according to the government's second estimate. The downward revision stemmed from lower than initially reported business inventories. Indeed, inventories are now reported to have contracted by $8.5 billion versus an initially reported $5.4 billion increase. Estimated Q3 growth in real final sales (GDP minus inventories) remained at 3.6%. Modest downward revisions in personal consumption and fixed business investment were offset by a narrower net export deficit. Real government spending and investment was downwardly revised to show a 0.1% contraction. That marked the fourth consecutive quarterly decline, the first such occurrence since the beginning of the Vietnam War wind-down in 1971. A contraction this quarter would mark the first five-quarter string of declines since the end of the Korean War.

Discouragingly, real disposable personal income is now reported to have contracted 2.1% in Q3. Moreover, based on revised estimates of wages and salaries, personal taxes, and contributions to government social insurance for April through June, the government revised its Q2 estimate of real DPI from an increase of 0.6% to a contraction of 0.5%. As a consequence, real gross domestic income (GDI), arguably a better indicator of an economy's health than GDP, rose just 0.2% in Q2 and 0.4% in Q3.

GDP growth in the current quarter is likely to be supported by real PCE growth on par with that in Q3 but much slower growth in business spending on equipment and structures. Purchases of consumer goods, aided by better vehicle sales, will likely be stronger in Q4 than in Q3. However, consumer spending on services is likely to be slower given that such spending in Q3 was the fastest seen in some years. While the level of real PCE in September was comfortably above its Q2 average, suggesting solid momentum going into Q4, the 0.1% gain in October was a disappointment, causing some analysts to pare their estimates of growth during the final quarter of the year.

Analysts' estimates of business investment in Q4 have come down. October core capital goods orders, a leading indicator of capital spending, fell 1.8%, the biggest monthly drop since January. Moreover, core capital goods shipments, an input into GDP, contracted 1.1% after falling 1.0% in September. That marked the first back-to-back monthly declines since January and February of this year.

A rebound in business inventories will likely be the biggest contributor to GDP in current quarter, but some of the increase may turn out to be unintended. A further narrowing of the trade deficit also should add to GDP in Q4. However, real final sales during the quarter should fall well short of the 3.6% advance registered last quarter.

Looking beyond the current quarter, the consensus predicts real GDP will grow 2.0% in Q1 2012, 0.2 of a point stronger than forecast last month. Growth of 2.1% and 2.4% is forecast for Q2 and Q3 of next year, unchanged from a month earlier. The consensus forecast of real GDP growth in the final quarter of next year rose 0.1 of a percentage point this month to 2.7% but the forecast of growth in Q1 2013 slipped by 0.2 of a point to 2.6%.

Critical to the outlook for growth in the first half of next year is whether Congress approves an extension of this year's two percentage point reduction in workers' payroll taxes and/or the long-term unemployment benefits program, both of which expire at the end of December. The recent failure by the so-called "Super committee" to come up with a $1.5 trillion long-term debt reduction plan, likely reduced the odds that these programs will be extended. Nonetheless, most analysts' estimates of economic growth next year still assume that Congress will act in the next couple of weeks to at least extend the payroll tax holiday. Absent such action, growth in DPI and PCE next year is likely to fall well short of current consensus assumptions.

In the longer-run, the failure of the Super Committee to strike a deal triggers automatic discretionary and defense cuts of $1.2 trillion over 9 years, beginning in January 2013. While some politicians are already devising ways to circumvent the cuts, the President and leaders of the House and Senate have so far signaled their intention to stick to the original deal. Each are likely posturing given it is an election year, but further fiscal restraint in 2013 seems highly likely.

As expected, the Federal Open Market Committee left policy unchanged at its November 1st-2nd meeting but left the door ajar to further stimulus given an unemployment rate that remained "elevated," and "significant downside risks to the economic outlook, including strains in global financial markets." The unchanged policy stance comes in the wake of the Fed's conditional promise in August to leave its federal funds rate target at 0%-0.25% until at least mid-2013 and the announcement in September of plans to sell $400 billion of shorter duration assets on its balance sheet, replacing them with an equal amount of longer maturity Treasury notes by next June.

Minutes of the November meeting did reveal further discussions on ways to improve Fed communication of its policy intentions. Among the options discussed was conditional guidance on policy based upon "numerical thresholds" for inflation and unemployment. Also discussed was the idea of targeting nominal GDP as an intermediate policy objective, but this idea did not seem to garner much support. While no decisions were made in November on a revamped communications strategy we may see something come out of the FOMC's December 13th meeting.

Some influential FOMC members continue to talk up the possibility of additional quantitative easing (most likely purchases of mortgage-backed securities), but a near-term move in that direction seems unlikely unless the economy is shocked by events in Europe or failure to extend the payroll tax holiday. Rapid deterioration of the situation in Europe that evolved into a global credit crunch also would likely prompt the Fed to reactivate some of the liquidity enhancing mechanisms successfully employed during the second half of 2008 and first half of 2009.

Along those lines, the Fed recently launched its third round of bank stress tests, forcing the largest institutions to gauge whether they could withstand a sharp deterioration in the economy characterized by plunging equity markets, a sharp widening of credit spreads and a significant jump in the unemployment rate. The results will determine whether regulators will allow the banks to boost dividends and/or announce share buy-backs in the coming year. Banks are required to submit their plans to the Fed by January 9th. Full results of the tests will be released in March.

Consensus Forecast The FOMC is expected by the consensus to leave its fed funds target unchanged until mid-2013. Additional quantitative easing by the Fed is assumed by about half of our panelists. The economy is expected to grow modestly over the forecast horizon but downside risks remain considerable. Inflation is expected to ease in 2012 *(see page 2).*

Special Questions On page 14 are results of our twice-yearly long-range survey results with forecasts for the years 2013 through 2017 and averages for the 5-year periods 2013-2017 and 2018-2022.

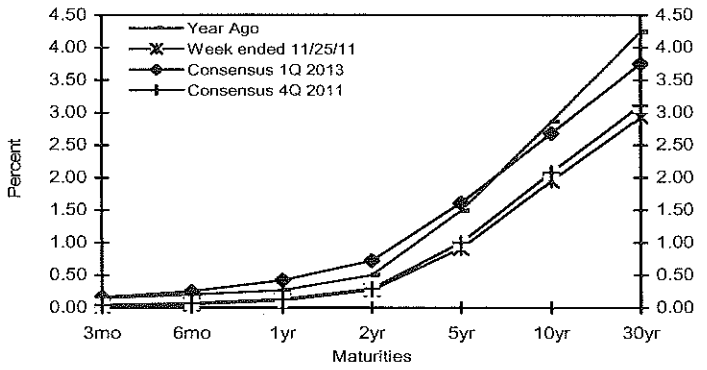
Consensus Forecasts Of U.S. Interest Rates And Key Assumptions[1]

	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month			Latest Q	4Q	1Q	2Q	3Q	4Q	1Q
Interest Rates	Nov.25	Nov.18	Nov.11	Nov.4	Oct.	Sep.	Aug.	3Q 2011	2011	2012	2012	2012	2012	2013
Federal Funds Rate	0.08	0.08	0.08	0.08	0.07	0.08	0.10	0.08	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**
LIBOR, 3-mo.	0.51	0.47	0.45	0.43	0.41	0.35	0.29	0.30	**0.4**	**0.4**	**0.4**	**0.4**	**0.4**	**0.5**
Commercial Paper, 1-mo.	0.10	0.10	0.11	0.11	0.09	0.08	0.11	0.09	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.3**
Treasury bill, 3-mo.	0.02	0.01	0.01	0.01	0.02	0.01	0.02	0.02	**0.0**	**0.0**	**0.1**	**0.1**	**0.1**	**0.2**
Treasury bill, 6-mo.	0.05	0.04	0.04	0.04	0.05	0.04	0.06	0.06	**0.1**	**0.1**	**0.1**	**0.2**	**0.2**	**0.3**
Treasury bill, 1 yr.	0.11	0.11	0.10	0.12	0.11	0.10	0.11	0.13	**0.1**	**0.2**	**0.2**	**0.3**	**0.3**	**0.4**
Treasury note, 2 yr.	0.27	0.26	0.25	0.23	0.28	0.21	0.23	0.28	**0.3**	**0.3**	**0.4**	**0.5**	**0.6**	**0.7**
Treasury note, 5 yr.	0.91	0.90	0.90	0.91	1.06	0.90	1.02	1.15	**1.0**	**1.1**	**1.2**	**1.3**	**1.5**	**1.6**
Treasury note, 10 yr.	1.95	2.02	2.05	2.07	2.15	1.98	2.30	2.43	**2.1**	**2.2**	**2.3**	**2.4**	**2.6**	**2.7**
Treasury note, 30 yr.	2.93	3.04	3.08	3.07	3.13	3.18	3.65	3.70	**3.1**	**3.2**	**3.3**	**3.5**	**3.7**	**3.8**
Corporate Aaa bond	3.85	3.89	3.88	3.84	3.98	4.09	4.37	4.46	**4.0**	**4.0**	**4.1**	**4.2**	**4.3**	**4.4**
Corporate Baa bond	5.13	5.16	5.12	5.11	5.37	5.27	5.36	5.46	**5.2**	**5.2**	**5.3**	**5.4**	**5.5**	**5.5**
State & Local bonds	4.07	4.09	4.02	4.02	4.13	4.01	4.02	4.18	**4.0**	**4.1**	**4.1**	**4.2**	**4.3**	**4.3**
Home mortgage rate	3.98	4.00	3.99	4.00	4.07	4.11	4.27	4.31	**4.0**	**4.1**	**4.1**	**4.2**	**4.4**	**4.5**
	History								Consensus Forecasts-Quarterly					
	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
Key Assumptions	2009	2010	2010	2010	2010	2011	2011	2011	2011	2012	2012	2012	2012	2013
Major Currency Index	72.8	74.8	77.6	75.9	73.0	71.9	69.6	69.9	**71.8**	**72.1**	**72.3**	**72.0**	**72.0**	**72.2**
Real GDP	3.8	3.9	3.8	2.5	2.3	0.4	1.3	2.0	**2.7**	**2.0**	**2.1**	**2.4**	**2.7**	**2.6**
GDP Price Index	1.1	1.5	1.5	1.4	1.9	2.5	2.5	2.5	**1.8**	**1.9**	**1.9**	**2.0**	**2.0**	**2.1**
Consumer Price Index	2.7	1.3	-0.5	1.4	2.6	5.2	4.1	3.1	**1.8**	**2.1**	**2.1**	**2.3**	**2.2**	**2.3**

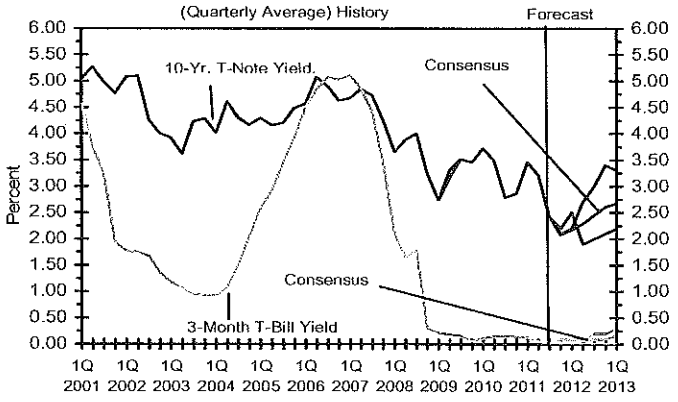
Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are the same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

U.S. Treasury Yield Curve

Week ended November 25th, 2011 and Year Ago vs.
4Q 2011 and 1Q 2013 Consensus Forecasts

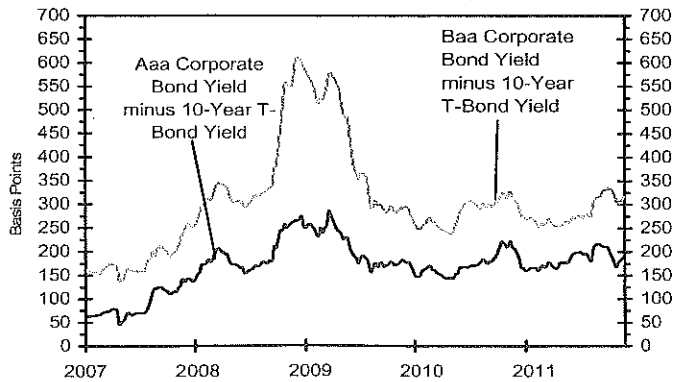


U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield



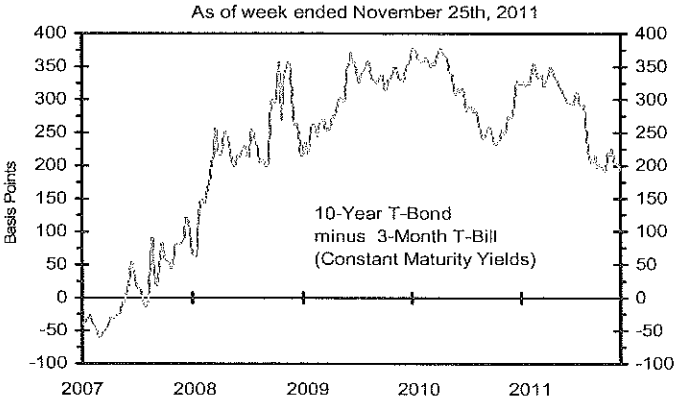
Corporate Bond Spreads

As of week ended November 25th, 2011



U.S. Treasury Yield Curve

As of week ended November 25th, 2011



----------3-Month Interest Rates[1]----------

	History			Consensus Forecasts Months From Now:		
	Latest:	Month Ago:	Year Ago:	3	6	12
U.S.	0.71	0.55	0.65	**0.44**	**0.39**	**0.39**
Japan	0.40	0.21	0.33	**0.24**	**0.24**	**0.24**
U.K.	1.15	1.02	0.75	**0.88**	**0.77**	**0.77**
Switzerland	0.23	0.20	0.50	**0.10**	**0.10**	**0.10**
Canada	1.30	1.69	1.62	**1.13**	**0.93**	**0.95**
Australia	4.70	4.95	4.96	**4.50**	**4.30**	**4.43**
Eurozone	1.55	1.76	1.16	**0.85**	**0.80**	**0.82**

----------10-Yr. Government Bond Yields[2]----------

	History			Consensus Forecasts Months From Now:		
	Latest:	Month Ago:	Year Ago:	3	6	12
U.S.	1.97	2.13	2.91	**2.04**	**2.23**	**2.64**
Germany	2.25	2.06	2.71	**1.87**	**2.07**	**2.28**
Japan	1.04	1.02	1.16	**1.05**	**1.08**	**1.17**
U.K.	2.51	2.51	3.36	**2.31**	**2.42**	**2.73**
France	3.69	3.19	3.14	**4.09**	**4.08**	**4.31**
Italy	7.37	5.96	4.44	**6.20**	**6.30**	**6.30**
Switzerland	0.90	1.03	1.68	**0.95**	**1.10**	**1.27**
Canada	2.11	2.28	3.16	**2.36**	**2.53**	**3.02**
Australia	3.91	4.48	5.50	**4.37**	**4.51**	**4.94**
Spain	6.71	5.54	5.20	**6.43**	**6.49**	**6.47**

----------Foreign Exchange Rates[1]----------

	History			Consensus Forecasts Months From Now:		
	Latest:	Month Ago:	Year Ago:	3	6	12
U.S.	72.289	70.876	73.185	**72.5**	**71.8**	**71.0**
Japan	76.930	76.100	83.490	**77.7**	**77.4**	**79.5**
U.K.	1.5783	1.5945	1.5961	**1.57**	**1.59**	**1.64**
Switzerland	0.9159	0.8852	0.9979	**0.92**	**0.92**	**0.92**
Canada	1.0260	1.0090	1.0226	**1.01**	**0.99**	**0.97**
Australia	1.0036	1.0330	0.9846	**1.00**	**1.01**	**1.04**
Euro	1.3521	1.3873	1.3654	**1.33**	**1.34**	**1.37**

	Consensus 3-Month Rates vs. U.S. Rate			Consensus 10-Year Gov't Yields vs. U.S. Yield	
	Now	In 12 Mo.		Now	In 12 Mo.
Japan	-0.31	**-0.14**	Germany	0.28	**-0.36**
U.K.	0.44	**0.38**	Japan	-0.93	**-1.47**
Switzerland	-0.48	**-0.29**	U.K.	0.54	**0.10**
Canada	0.59	**0.56**	France	1.72	**1.67**
Australia	3.99	**4.04**	Italy	5.40	**3.66**
Eurozone	0.84	**0.44**	Switzerland	-1.07	**-1.37**
			Canada	0.14	**0.38**
			Australia	1.94	**2.30**
			Spain	4.74	**3.83**

Forecasts of panel members are on pages 10 and 11. Definitions of variables are as follows: [1]Three month rate on interest-earning money market deposits denominated in selected currencies. [2]Government bonds are yields to maturity. Foreign exchange rate forecasts for U.K., Australia and the Euro are U.S. dollars per currency unit. For the U.S dollar, forecasts are of the U.S. Federal Reserve Board's Major Currency Index.

International Commentary The Eurozone's debt crisis intensified sharply over the past month as global money mangers dumped holdings of European government and bank debt. Especially troubling was the rapid spread of the crisis from periphery members to the zone's core. The selling pushed 10-year government note yields in Italy to well in excess of 7% and yield curves are now inverted in Italy, Ireland, Greece and Portugal – a historically accurate harbinger of recession. Meanwhile, French, Dutch, Austrian and German government yields have turned skyward, the latter in part because of a failed auction that forced the Bundesbank to step in and buy bunds. Wholesale bank lending for Europe is effectively drying up as firms fret about counter-party risks, forcing increasing numbers of institutions to rely on the ECB for their day-to-day funding requirements. Ominously, the forced selling of debt and surging borrowing costs in Europe are increasingly reminiscent of the months leading up to the financial crisis in the fall of 2008 and are prompting some analysts to openly speculate about an inevitable break-up of the Eurozone.

Despite the intensifying crisis, Germany so far remains opposed to issuance of Eurobonds backed by all member states or massive purchases of sovereign debt by the European Central Bank until real fiscal union is achieved by way of treaty changes that impose strict budgetary rules on member states and automatic sanctions if those rules are broken. Hopes that the upcoming December 9th European Summit might produce definitive solutions to the crisis are fading. So, too, have hopes that the European Financial Stability Fund might at least buy time for needed reforms since it is not yet operational, is unlikely to be sufficiently leveraged to do much good, and might itself have difficulty issuing debt. While the International Monetary Fund recently announced a new rapid-fire credit line aimed at "breaking the chains of contagion," and is rumored to have readied a massive loan to finance Italy over the next 12 to 18 months while it implements budget cuts and growth-boosting reforms, the U.S. and other IMF members are unlikely to pony up the vast sums of money actually needed to solve what is seen as Europe's problem.

In the short run, the ECB is likely to continue its purchases of sovereign debt in limited amounts, follow-up its November 3rd cut in interest rates with another 25 basis point reduction in the refi rate on December 8th, and possibly announce an extended liquidity operation for banks in conjunction with a broadening of eligible collateral. While real GDP in the Eurozone managed to increase 0.9% (saar) in Q3, the currency zone likely lapsed into recession beginning this quarter, easing ECB policymaker's inflationary concerns and likely paving the way for further interest rate cuts during the first half of 2012.

At its November meeting, the Bank of England left the repo rate at its historic low of 0.5% and the size of its quantitative easing program at GBP 75 billion. Minutes from the meeting were less dovish than expected by some analysts but a further expansion of the BoE's QE program is likely early next year if the Eurozone's debt crisis continues to intensify, U.K. GDP ends up contracting in the current quarter, and inflation continues to slide from its September peak as the influence of the temporary factors recedes and downward pressure from unemployment and spare capacity persists.

The Reserve Bank of Australia cut its cash rate 25 basis points to 4.5% on November 1st. Minutes revealed that "material changes" to the inflation outlook, combined with downside risks to the global economy, prompted the RBA's shift to a more neutral policy setting.

The Bank of Canada policy shifted to neutral in late October by abandoning mention of the potential need for removal of policy stimulus and by downgrading its economic growth and inflation outlook. Given the uncertain outlook for global growth, BoC policy is likely to remain on hold for the foreseeable future with its overnight policy rate stuck at 1.0% *(see pages 10-11 for individual panelists' forecasts).*

Fourth Quarter 2011

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum – Average For Quarter: Short-Term 1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	Intermediate-Term 8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	Long-Term 12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	Avg. For Qtr. A. Fed's Major Currency $ Index	(Q-Q % Change) (SAAR) B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3	0.5	0.2 H	0.1	0.1	0.2	0.3	1.0	2.1	3.2	4.2	5.4 H	3.9	4.0	71.0	3.0	2.2	1.0
Swiss Re	0.3 H	3.3	0.3	0.1 L	0.0 L	0.1	0.2	0.3	1.0	2.0	3.0	4.0	5.3	na	4.0	na	2.5	0.8	1.0
Scotiabank Group	0.3 H	3.3	na	na	0.0 L	na	na	0.3	1.0	1.8 L	2.9 L	na	na	na	na	na	2.3	1.5	2.9
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.0 L	0.1	0.2	0.3	1.0	2.2	3.1	4.0	5.3	4.0	4.0	71.0	2.7	1.9	3.0
Fannie Mae	0.2	3.3	na	na	0.0 L	na	na	na	na	2.1	3.2	4.0	na	na	4.1	na	2.5	1.8	1.8
JPMorgan Private Banking	0.2	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.1	2.2	3.2	4.1	5.4 H	4.0	4.1	72.3	3.0	2.0	2.1
Naroff Economic Advisors	0.2	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	4.0	5.3	4.1	4.0	72.0	3.6	2.5	3.1
J.W. Coons Advisors LLC	0.1 L	3.3	0.5	0.2 H	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.2	na	4.1	70.4	1.8 L	2.2	2.3
BMO Capital Markets	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.3	0.9 L	2.1	3.0	3.9	5.2	4.1	4.1	72.0	3.0	1.0	1.8
Economist Intelligence Unit	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1	0.1 L	0.3	0.9 L	2.0	3.0	na	na	na	4.0	na	2.0	na	1.1
Bank of America Merrill Lynch	0.1 L	na	0.5	na	0.1	na	na	0.2 L	1.0	2.3 H	na	na	na	na	na	na	3.0	1.6	1.5
J.P. Morgan Chase	0.1 L	na	0.4	na	0.0 L	na	na	0.3	0.9 L	2.0	2.9 L	na	na	na	na	na	3.0	1.0	0.7
UBS	0.1 L	na	0.4	na	0.1	na	na	0.2 L	1.0	1.9	3.0	na	na	na	na	na	2.0	1.0	0.6 L
GLC Financial Economics	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.3	4.1	4.0	72.2	1.8 L	1.8	1.9
SunTrust Banks	0.1 L	3.3	0.4	0.1 L	0.1	0.2	0.3 H	0.4	1.2 H	2.3 H	3.3	4.1	5.2	4.5 H	4.0	na	3.1	2.8	3.7 H
Barclays Capital	0.1 L	3.3	0.5	0.2 H	0.0 L	0.0 L	0.1 L	0.3	1.1	2.3 H	3.3	4.0	5.1	4.2	4.2 H	na	2.5	1.9	1.2
RDQ Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.0 L	0.1 L	0.4	1.0	2.2	3.2	4.0	5.3	4.1	4.0	71.8	3.0	2.2	1.5
Wells Fargo	0.1 L	3.3	0.5	0.2 H	0.0 L	0.0 L	0.1 L	0.3	1.0	2.0	3.0	3.9	5.2	4.1	4.0	74.0	3.1	2.2	1.5
Goldman Sachs & Co.	0.1 L	3.3	0.5	na	0.3 H	na	na	0.3	1.1	2.3 H	3.0	3.5 L	na	na	3.9 L	na	2.0	1.6	1.9
Daiwa Capital Markets America	0.1 L	3.3	0.5	0.1 L	0.1	0.1	0.2	0.3	1.0	2.1	3.3	3.9	5.3	4.0	4.0	72.0	2.3	1.5	2.5
MacroFin Analytics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.1	4.1	4.0	71.5	2.4	1.8	2.5
Nat'l Assn. of Realtors	0.1 L	3.3	0.5	0.2 H	0.0 L	0.0 L	0.1 L	0.3	1.0	2.1	3.2	4.0	5.3	4.2	4.1	na	2.9	2.2	2.8
Woodworth Holdings	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	0.9 L	2.1	3.1	3.9	5.2	4.1	4.0	73.0	2.0	1.6	1.0
Action Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	4.0	5.2	4.0	4.0	72.0	3.0	0.5 L	1.7
Mesirow Financial	0.1 L	3.3	0.4	0.1 L	0.0 L	0.5 H	0.1 L	0.3	1.0	2.1	3.2	4.0	5.2	4.0	4.1	74.8	2.4	1.7	1.8
Wintrust Wealth Management	0.1 L	3.3	0.4	0.2 H	0.1	0.1	0.1 L	0.3	0.9 L	2.0	3.0	3.9	5.2	3.9	3.9 L	69.1 L	2.6	1.2	1.9
Russell Investments	0.1 L	3.3	0.4	0.2 H	0.1	0.1	0.1 L	0.3	1.0	2.0	3.1	3.9	5.2	4.0	4.1	72.1	2.8	2.3	2.2
Thredgold Economic Assoc.	0.1 L	3.3	0.3	0.1 L	0.1	0.1	0.1 L	0.3	1.0	2.2	3.2	4.1	5.1	3.8	4.1	70.0	2.0	1.9	2.2
Kellner Economic Advisers	0.1 L	3.3	0.2	0.2 H	0.1	0.1	0.1 L	0.3	1.2 H	1.9	2.9 L	3.9	4.9 L	4.2	4.0	70.0	3.0	2.0	2.2
Georgia State University	0.1 L	3.3	na	na	0.1	0.1	0.2	0.3	1.1	2.0	3.2	3.9	5.4 H	na	4.0	na	2.2	1.4	2.5
RidgeWorth Investments	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.0	3.2	4.0	5.3	3.7 L	4.0	71.9	3.0	1.8	0.9
Wells Capital Management	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.0	3.8	5.1	4.1	4.0	71.9	3.9 H	2.3	2.0
PNC Financial Services Corp.	0.1 L	3.3	0.5	na	0.0 L	0.0 L	0.1 L	0.2 L	1.0	2.1	na	na	na	4.0	4.0	69.3	2.5	1.3	1.5
Oxford Economics	0.1 L	3.3	0.4	na	0.0 L	0.1	0.1 L	0.3	0.9 L	2.1	3.3	4.0	na	na	4.1	72.9	2.6	2.5	2.9
The Northern Trust Company	0.1 L	3.3	0.0 L	na	0.0 L	na	0.2	0.3	1.1	2.1	3.1	na	na	na	na	na	2.2	1.4	1.6
RBS Securities	0.1 L	3.3	0.6 H	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.2	4.1	4.0	72.5	3.2	3.0 H	1.6
ClearView Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.3	4.1	4.0	71.5	2.6	1.5	1.0
Chmura Economics & Analytics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	na	na	4.0	75.1 H	2.6	2.1	2.0
Moody's Analytics	0.1 L	3.3	0.5	0.2 H	0.0 L	0.1	0.3 H	0.6 H	1.2 H	2.3 H	3.7 H	4.3 H	5.4 H	na	4.0	na	2.6	2.6	1.0
DePrince & Associates	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.2	4.0	4.0	71.3	3.2	2.0	1.7
Pierpont Securities	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.2	4.1	4.0	72.6	3.1	2.0	1.0
Loomis, Sayles & Company	0.1 L	3.3	0.5	0.1 L	0.0 L	0.0 L	0.1 L	0.3	1.0	2.0	3.1	3.9	5.2	4.0	4.0	71.3	3.0	1.7	1.7
Nomura Securities, Inc.	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.1	3.1	3.9	5.3	na	4.0	71.4	3.0	1.2	1.2
Stone Harbor Investment Partners	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.3	1.0	2.0	3.0	3.9	5.2	na	4.2 H	71.0	2.6	1.9	1.9
Comerica Bank	0.1 L	3.3	0.4	na	0.0 L	0.1	0.1 L	0.3	1.1	2.2	3.2	na	na	na	4.1	na	3.1	2.3	2.6
Societe Generale	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1	0.1 L	0.2 L	0.9 L	2.0	3.0	4.1	5.3	na	3.9 L	na	2.5	1.8	0.8
Moody's Capital Markets Group	0.1 L	3.3 L	0.5	0.1 L	0.0 L	0.1	0.2	0.3	1.0	2.0	3.0	3.9	5.3	4.0	4.0	71.7	2.8	1.5	1.5
December Consensus	**0.1**	**3.3**	**0.4**	**0.1**	**0.0**	**0.1**	**0.1**	**0.3**	**1.0**	**2.1**	**3.1**	**4.0**	**5.2**	**4.0**	**4.0**	**71.8**	**2.7**	**1.8**	**1.8**
Top 10 Avg.	0.2	3.3	0.5	0.2	0.1	0.1	0.2	0.4	1.1	2.2	3.3	4.1	5.3	4.2	4.1	73.1	3.2	2.5	2.9
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.0	0.1	0.2	0.9	2.0	3.0	3.8	5.1	3.9	4.0	70.4	2.0	1.1	0.9
November Consensus	0.1	3.3	0.4	0.1	0.0	0.1	0.2	0.3	1.1	2.2	3.2	4.1	5.4	4.1	4.1	71.1	2.0	1.8	1.8
Number of Forecasts Changed From A Month Ago:																			
Down	11	0	2	12	16	15	16	18	34	30	34	32	24	13	24	6	1	12	21
Same	34	44	10	15	26	21	21	22	9	11	6	6	6	9	9	7	8	18	10
Up	2	0	31	8	5	4	4	6	3	6	5	1	4	6	9	16	38	16	16
Diffusion Index	40 %	50 %	84 %	44 %	38 %	36 %	35 %	37 %	16 %	24 %	18 %	10 %	21 %	38 %	32 %	67 %	89 %	54 %	45 %

First Quarter 2012

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter: Short-Term 1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	Intermediate-Term 8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	Long-Term 12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	Avg. For Qtr. A. Fed's Major Currency $ Index	(Q-Q % Change) (SAAR) B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3 H	0.5	0.2	0.1	0.1 L	0.2	0.3	1.3	2.6	3.6	4.3	5.7 H	4.0	4.4	70.0	2.8	2.4	2.5
Swiss Re	0.3 H	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.3	1.0	2.2	3.2	4.1	5.4	na	4.2	na	-0.3 L	0.2 L	0.2 L
Scotiabank Group	0.3 H	3.3	na	na	0.1	na	na	0.4	1.2	1.9	3.0	na	na	na	na	na	1.5	1.6	2.2
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.0 L	0.1 L	0.2	0.3	1.0	2.2	3.1	4.0	5.3	4.0	4.0	72.0	0.8	1.9	3.0
Georgia State University	0.2	3.3	na	na	0.1	0.2	0.2	0.3	1.2	2.3	3.6	4.4	5.5	na	4.1	na	1.5	0.9	1.3
Fannie Mae	0.2	3.3	na	na	0.1	na	na	na	na	2.2	3.3	4.2	na	na	4.1	na	1.3	1.3	2.0
Wells Capital Management	0.2	3.3	0.6 H	0.2	0.1	0.1 L	0.3	0.4	1.1	2.2	3.1	3.7	4.8	4.1	4.2	71.8	2.8	2.5	2.7
JPMorgan Private Banking	0.2	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.1	2.2	3.2	4.1	5.4	4.0	4.1	72.4	0.8	1.9	2.0
Naroff Economic Advisors	0.2	3.3	0.5	0.2	0.1	0.1 L	0.2	0.4	1.1	2.0	3.1	4.0	5.3	4.1	4.0	71.0	2.8	2.4	2.8
SunTrust Banks	0.2	3.3	0.4	0.1 L	0.1	0.3 H	0.5 H	0.7 H	1.4	2.4	3.4	4.3	5.0	4.8 H	4.1	na	3.4 H	2.7	4.0 H
BMO Capital Markets	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.0	3.0	3.9	5.2	4.1	4.0	72.5	1.7	2.6	2.8
GLC Financial Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.0	2.1	3.1	4.0	5.3	4.1	4.0	72.0	1.4	1.9	2.1
J.W. Coons Advisors LLC	0.1 L	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.3	1.1	2.1	3.1	4.0	5.2	na	4.1	71.0	1.5	2.3	2.5
Economist Intelligence Unit	0.1 L	3.3	0.3	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.0	3.0	na	na	na	4.0	na	1.2	na	2.0
Oxford Economics	0.1 L	3.3	0.3	na	0.0 L	0.1 L	0.2	0.3	1.0	2.2	3.4	4.1	na	na	4.1	74.2	2.2	3.1 H	2.5
J.P. Morgan Chase	0.1 L	na	0.5	na	0.0 L	na	na	0.3	1.1	2.3	3.3	na	na	na	na	na	0.5	1.0	0.9
Bank of America Merrill Lynch	0.1 L	na	0.5	na	0.1	na	na	0.3	1.1	2.5	na	na	na	na	na	na	1.8	1.4	1.4
UBS	0.1 L	na	0.4	na	0.1	na	na	0.3	1.1	2.1	3.3	na	na	na	na	na	2.0	2.0	1.4
Barclays Capital	0.1 L	3.3	0.6 H	0.2	0.1	0.1 L	0.2	0.3	1.3	2.8 H	4.0 H	4.3	5.5	4.2	4.2	na	2.5	2.5	2.5
PNC Financial Services Corp.	0.1 L	3.3	0.5	na	0.0 L	0.1 L	0.1 L	0.3	1.0	2.0	na	na	na	3.8	3.7 L	68.8	2.7	1.7	2.0
Wells Fargo	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.2	0.3	1.0	2.1	3.1	3.9	5.2	4.0	4.0	75.0	1.7	1.1	1.7
RDQ Economics	0.1 L	3.3	0.5	0.1 L	0.1	0.1 L	0.3	0.6	1.4	2.5	3.6	4.4	5.5	4.4	4.4	71.8	2.7	2.3	2.2
Nat'l Assn. of Realtors	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.1	0.5	1.2	2.3	3.4	4.2	5.4	4.3	4.3	na	2.3	2.7	3.5
Chmura Economics & Analytics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.1	2.3	3.3	4.1	na	na	4.2	76.6 H	2.1	2.4	1.7
Woodworth Holdings	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	74.0	1.5	1.5	1.2
RidgeWorth Investments	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.2	0.3	1.0	2.1	3.3	4.0	5.2	3.6 L	4.0	71.0	1.5	1.8	1.8
Daiwa Capital Markets America	0.1 L	3.3	0.5	0.1 L	0.1	0.1 L	0.2	0.3	1.2	2.2	3.3	4.0	5.4	4.0	4.0	72.0	2.4	1.6	1.9
MacroFin Analytics	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.3	1.1	2.2	3.2	4.1	5.3	4.1	4.1	72.0	2.1	1.6	2.4
Action Economics	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.5	1.4	2.4	3.4	4.1	5.4	4.1	4.1	71.7	2.5	2.6	2.9
Nomura Securities, Inc.	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.3	na	4.0	71.0	2.1	0.7	1.2
Comerica Bank	0.1 L	3.3	0.4	na	0.0 L	0.2	0.2	0.5	1.2	2.4	3.5	na	na	na	4.1	na	2.9	2.2	2.1
Mesirow Financial	0.1 L	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.4	1.1	2.2	3.3	4.1	5.2	4.1	4.3	76.5	2.1	1.1	1.9
Goldman Sachs & Co.	0.1 L	3.3	0.4	na	0.2 H	na	na	0.3	1.1	2.3	3.0	3.5	na	na	4.0	na	0.5	1.9	1.9
Wintrust Wealth Management	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.1 L	0.3	1.1	2.1	3.2	4.1	5.4	4.1	4.1	68.5 L	2.7	1.9	2.2
Russell Investments	0.1 L	3.3	0.4	0.2	0.1	0.2	0.2	0.3	1.2	2.2	3.4	3.9	5.0	4.0	4.1	72.2	2.9	2.2	2.8
Stone Harbor Investment Partners	0.1 L	3.3	0.4	0.2	0.0 L	0.1 L	0.1 L	0.2 L	0.7 L	1.4 L	2.5 L	3.4 L	4.6 L	na	3.7	72.0	0.7	1.8	1.8
Thredgold Economic Assoc.	0.1 L	3.3	0.3	0.2	0.1	0.1 L	0.2	0.3	1.1	2.3	3.3	4.2	5.2	3.8	4.2	70.0	2.1	2.0	2.2
Kellner Economic Advisers	0.1 L	3.3	0.2	0.2	0.1	0.1 L	0.2	0.4	1.3	2.0	2.9	3.9	4.9	4.3	4.0	70.0	3.1	2.1	2.2
The Northern Trust Company	0.1 L	3.3	0.1 L	na	0.1	na	0.2	0.3	1.2	2.1	3.1	na	na	na	na	na	1.5	1.7	1.9
Pierpont Securities	0.1 L	3.3	0.6 H	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.1	2.1	3.1	4.0	5.4	4.2	4.2	74.0	3.2	2.5	2.4
RBS Securities	0.1 L	3.3	0.6 H	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.8	1.9	2.9	3.8	5.0	3.9	3.9	73.5	2.5	2.7	2.3
ClearView Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	72.0	2.4	1.7	2.0
Loomis, Sayles & Company	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.0	2.0	3.0	3.9	5.2	3.9	3.9	72.1	1.9	0.6	2.6
DePrince & Associates	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.2	0.4	1.0	2.1	3.2	4.0	5.0	3.7	4.1	72.1	2.1	2.0	2.2
Societe Generale	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.9	2.0	3.0	4.1	5.3	na	3.9	na	2.5	1.8	0.8
Moody's Analytics	0.1 L	3.3	0.4	0.3 H	0.0 L	0.1 L	0.3	0.5	1.6 H	2.7	4.0 H	4.6 H	5.6	na	4.5 H	na	2.1	1.5	1.8
Moody's Capital Markets Group	0.1 L	3.3 L	0.5	0.1 L	0.0 L	0.1 L	0.2	0.3	1.0	2.1	3.0	3.9	5.6	4.0	3.8	72.4	1.6	1.4	1.3
December Consensus	**0.1**	**3.3**	**0.4**	**0.1**	**0.0**	**0.1**	**0.2**	**0.3**	**1.1**	**2.2**	**3.2**	**4.0**	**5.2**	**4.1**	**4.1**	**72.1**	**2.0**	**1.9**	**2.1**
Top 10 Avg.	0.2	3.3	0.5	0.2	0.1	0.2	0.3	0.5	1.3	2.5	3.6	4.3	5.5	4.3	4.3	74.1	2.9	2.6	3.0
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.1	0.2	0.9	1.9	2.9	3.8	5.0	3.9	3.9	70.3	0.8	1.0	1.1
November Consensus	0.1	3.3	0.4	0.2	0.1	0.1	0.2	0.3	1.2	2.3	3.3	4.1	5.4	4.1	4.1	71.2	1.8	1.9	2.2
Number of Forecasts Changed From A Month Ago:																			
Down	8	0	3	14	16	16	18	19	25	25	26	23	18	11	21	5	8	12	14
Same	37	44	12	17	30	22	20	20	17	18	12	13	11	10	15	8	14	25	21
Up	2	0	29	5	1	2	3	7	4	4	7	3	6	8	6	18	25	9	12
Diffusion Index	44 %	50 %	80 %	38 %	34 %	33 %	32 %	37 %	27 %	28 %	29 %	24 %	33 %	45 %	32 %	71 %	68 %	47 %	48 %

Second Quarter 2012

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum – Average For Quarter															Avg. For Qtr.	(Q-Q % Change) (SAAR)		
	Short-Term							Intermediate-Term				Long-Term							
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3 H	0.5	0.2	0.1	0.1 L	0.2	0.4	1.6	2.9	3.7	4.4	5.9	4.2	4.6	69.0	3.0	2.6	3.0
Swiss Re	0.3 H	3.3	0.3	0.2	0.1	0.1 L	0.2	0.6	1.2	2.3	3.3	4.2	5.5	na	4.3	na	-0.2 L	0.9	1.1
Scotiabank Group	0.3 H	3.3	na	na	0.1	na	na	0.7	1.4	2.2	3.2	na	na	na	na	na	1.2	1.6	1.8
SunTrust Banks	0.2	3.3	0.5	0.3	0.1	0.5 H	0.9 H	1.0 H	1.6	2.5	3.3	4.4	4.9	5.0 H	4.0	na	3.6 H	2.7 H	4.1 H
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.0 L	0.1 L	0.2	0.3	1.1	2.3	3.2	4.2	5.5	4.0	4.0	72.0	1.0	1.9	3.0
Georgia State University	0.2	3.3	na	na	0.1	0.2	0.2	0.3	1.3	2.5	3.8	4.5	5.6	na	4.1	na	1.5	0.3 L	0.9
Fannie Mae	0.2	3.3	na	na	0.1	na	na	na	na	2.3	3.4	4.2	na	na	4.1	na	1.3	1.4	1.8
Wells Capital Management	0.2	3.3	0.6	0.2	0.1	0.2	0.3	0.4	1.3	2.5	3.4	4.0	5.0	4.4	4.4	71.9	2.5	2.4	2.5
JPMorgan Private Banking	0.2	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.3	1.1	2.2	3.2	4.1	5.5	4.1	4.1	72.3	1.5	1.9	2.1
Naroff Economic Advisors	0.2	3.3	0.4	0.2	0.2 H	0.2	0.2	0.5	1.2	2.0	3.1	3.9	5.1	4.0	4.0	69.0	3.2	2.6	2.7
BMO Capital Markets	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.2	0.4	1.0	2.0	2.9	3.9	5.1	4.1	4.0	73.0	2.0	2.5	2.9
GLC Financial Economics	0.1 L	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.2 L	1.0	2.2	3.2	4.0	5.4	4.2	4.1	71.9	1.9	2.3	2.5
J.W. Coons Advisors LLC	0.1 L	3.3	0.4	0.2	0.1	0.2	0.2	0.4	1.2	2.2	3.1	4.1	5.3	na	4.1	70.9	2.0	2.2	2.5
Economist Intelligence Unit	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.2	0.3	1.0	2.1	3.2	na	na	na	4.1	na	1.2	na	2.1
Oxford Economics	0.1 L	3.3	0.3	na	0.0 L	0.1 L	0.2	0.3	1.1	2.3	3.6	4.1	na	na	4.1	74.2	2.2	2.6	2.1
Bank of America Merrill Lynch	0.1 L	na	0.5	na	0.1	na	na	0.4	1.3	2.8	na	na	na	na	na	na	1.8	1.3	1.5
J.P. Morgan Chase	0.1 L	na	0.4	na	0.1	na	na	0.3	1.3	2.5	3.6	na	na	na	na	na	1.5	1.2	1.2
UBS	0.1 L	na	0.4	na	0.1	na	na	0.3	1.3	2.2	3.5	na	na	na	na	na	2.5	1.5	1.0
DePrince & Assoc.	0.1 L	3.3	0.4	0.3	0.1	0.2	0.4	0.5	1.1	2.3	3.3	4.1	5.0	3.5	4.2	73.2	2.6	2.0	2.3
Pierpont Securities	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.4	1.2	2.4	3.4	4.2	5.6	4.5	4.3	74.0	3.2	2.3	2.9
Barclays Capital	0.1 L	3.3	0.7 H	0.2	0.1	0.1 L	0.2	0.4	1.4	2.8	4.0	4.5	5.5	4.3	4.3	na	2.5	2.6	1.2
Wells Fargo	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.2	0.4	1.1	2.2	3.2	4.0	5.3	4.0	4.0	76.0	1.7	2.0	1.8
Nat'l Assn. of Realtors	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.2	0.6	1.5	2.6	3.6	4.4	5.6	4.6	4.4	na	2.5	2.5	3.4
Chmura Economics & Analytics	0.1 L	3.3	0.5	0.1 L	0.1	0.1 L	0.2	0.3	1.2	2.4	3.4	4.2	na	na	4.3	76.7	2.2	2.1	2.8
MacroFin Analytics	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.4	1.2	2.2	3.3	4.2	5.4	4.3	4.2	72.5	2.5	1.5	2.1
Nomura Securities, Inc.	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.3	1.0	2.2	3.2	4.0	5.4	na	4.1	72.0	2.6	1.1	0.9
Woodworth Holdings	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	75.0	1.5	1.4	1.3
Daiwa Capital Markets America	0.1 L	3.3	0.5	0.1	0.1	0.1 L	0.2	0.4	1.3	2.3	3.3	4.0	5.4	4.0	4.1	73.0	2.7	1.6	1.8
Action Economics	0.1 L	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.6	1.6	2.7	3.7	4.1	5.4	4.2	4.2	71.3	2.8	2.5	3.3
PNC Financial Services Corp.	0.1 L	3.3	0.4	na	0.0 L	0.1 L	0.1 L	0.3	1.0	2.0	na	na	na	3.8	3.7	68.8	2.7	1.7	2.0
Comerica Bank	0.1 L	3.3	0.4	na	0.0 L	0.2	0.3	0.7	1.5	2.6	3.8	na	na	na	4.3	na	2.7	2.2	2.0
RidgeWorth Investments	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.2	0.3	1.0	2.1	3.3	3.8	4.9	3.3 L	3.9	70.0	2.0	1.8	1.8
Wintrust Wealth Management	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.2	0.4	1.2	2.2	3.3	4.2	5.5	4.2	4.2	67.8 L	2.9	1.9	2.3
RDQ Economics	0.1 L	3.3	0.4	0.2	0.1	0.1 L	0.4	0.8	1.9 H	3.0	4.2	4.9	6.0	4.9	4.8	72.4	2.9	2.4	2.5
Russell Investments	0.1 L	3.3	0.4	0.2	0.1	0.2	0.3	0.5	1.4	2.3	3.6	4.0	4.9	4.1	4.2	71.9	2.8	2.3	2.2
Mesirow Financial	0.1 L	3.3	0.4	0.1 L	0.1	0.2	0.3	0.5	1.2	2.3	3.5	4.2	5.2	4.1	4.4	77.5 H	2.4	1.3	1.1
Goldman Sachs & Co.	0.1 L	3.3	0.3	na	0.1	na	na	0.4	1.2	2.5	3.3	3.5	na	na	4.1	na	1.5	1.3	2.1
Stone Harbor Investment Partners	0.1 L	3.3	0.3	0.2	0.1	0.1 L	0.1 L	0.2 L	0.8 L	1.5 L	2.6 L	3.3 L	4.8 L	na	3.8	74.0	1.3	2.2	2.1
Kellner Economic Advisers	0.1 L	3.3	0.3	0.3 H	0.1	0.2	0.3	0.5	1.4	2.0	3.0	4.0	5.0	4.4	4.0	70.0	3.2	2.2	2.2
Thredgold Economic Assoc.	0.1 L	3.3	0.3	0.2	0.1	0.1 L	0.2	0.4	1.2	2.4	3.4	4.3	5.3	3.9	4.3	70.0	2.2	2.0	2.3
The Northern Trust Company	0.1 L	3.3	0.1 L	na	0.1	na	0.2	0.3	1.2	2.1	3.1	na	na	na	na	na	2.0	1.5	1.7
ClearView Economics	0.1 L	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	72.5	2.3	1.8	2.3
Loomis, Sayles & Company	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.0	2.1	3.1	4.0	5.3	3.9	4.0	72.5	1.6	1.1	2.9
RBS Securities	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.8 L	1.9	2.9	3.7	4.9	3.8	3.8	72.0	2.7	2.2	2.6
Societe Generale	0.1 L	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.8 L	1.9	2.8	3.9	4.8 L	na	3.6 L	na	0.8	1.5	-0.3 L
Moody's Capital Markets Group	0.1 L	3.3	0.5	0.1 L	0.1	0.1 L	0.2	0.3	1.1	2.1	3.0	3.9	5.6	3.8	3.8	73.1	1.6	1.2	0.7
Moody's Analytics	0.1 L	3.3 L	0.4	0.3 H	0.0 L	0.1 L	0.3	0.6	1.8	3.2 H	4.5 H	5.1 H	6.1 H	na	5.0 H	na	2.9	1.5	1.7
December Consensus	**0.1**	**3.3**	**0.4**	**0.2**	**0.1**	**0.1**	**0.2**	**0.4**	**1.2**	**2.3**	**3.3**	**4.1**	**5.3**	**4.1**	**4.1**	**72.3**	**2.1**	**1.9**	**2.1**
Top 10 Avg.	0.2	3.3	0.5	0.2	0.1	0.2	0.4	0.6	1.6	2.7	3.8	4.5	5.7	4.5	4.5	74.7	3.1	2.5	3.1
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.1	0.2	0.9	1.9	2.9	3.7	4.9	3.8	3.8	69.9	1.1	1.1	0.9
November Consensus	0.1	3.3	0.4	0.2	0.1	0.2	0.3	0.5	1.3	2.4	3.4	4.2	5.4	4.1	4.2	71.2	2.1	1.9	2.2
Number of Forecasts Changed From A Month Ago:																			
Down	7	0	5	9	14	15	19	17	25	22	23	21	16	10	20	5	14	14	17
Same	38	44	14	22	32	23	20	24	18	22	15	16	11	8	16	10	15	25	20
Up	2	0	25	5	1	2	2	5	3	3	7	2	4	7	6	16	18	7	10
Diffusion Index	45 %	50 %	73 %	44 %	36 %	34 %	29 %	37 %	26 %	30 %	32 %	26 %	31 %	44 %	33 %	68 %	54 %	42 %	43 %

Third Quarter 2012

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter															Avg. For	(Q-Q % Change) (SAAR)		
	Short-Term							Intermediate-Term				Long-Term				Qtr.			
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
ık of Toyko-Mitsubishi UFJ	0.3 H	3.3 H	0.5	0.2	0.1	0.1	0.2	0.7	1.9	3.2	3.9	4.6	6.0	4.4	4.9	67.0	3.3	2.8 H	2.8
iss Re	0.3 H	3.3	0.3	0.2	0.2 H	0.2	0.3	0.8	1.5	2.4	3.4	4.4	5.6	na	4.4	na	2.7	1.6	1.8
ɔliabank Group	0.3 H	3.3	na	na	0.1	na	na	0.9 H	1.6	2.6	3.6	na	na	na	na	na	1.4	1.8	1.8
ıTrust Banks	0.2	3.3	0.5	0.3 H	0.1	0.6 H	1.1 H	0.9 H	1.5	2.3	3.0	4.3	4.8	4.9	3.8	na	3.4	2.6	4.1 H
ɔledata Corp.	0.2	3.3	0.4	0.1 L	0.0 L	0.1 L	0.2	0.3	1.1	2.4	3.3	4.3	5.6	4.0	4.0	72.0	1.5	2.0	3.1
ɜsell Investments	0.2	3.3	0.4	0.2	0.2 H	0.3	0.4	0.7	1.6	2.5	3.7	4.0	4.8	4.2	4.3	72.2	2.6	2.3	2.4
roff Economic Advisors	0.2	3.3	0.4	0.3	0.2 H	0.2	0.3	0.6	1.4	2.0	3.1	4.0	5.2	4.1	4.2	65.0 L	4.2 H	2.8 H	2.6
Prince & Associates	0.2	3.3	0.3	0.3	0.2 H	0.3	0.5	0.7	1.2	2.4	3.5	4.2	5.1	3.5	4.3	72.1	3.2	2.1	2.5
orgia State University	0.2	3.3	na	na	0.2 H	0.2	0.3	0.5	1.7	3.0	4.2	5.0	6.1	na	4.5	na	1.7	1.1	0.6 L
ınnie Mae	0.2	3.3	na	na	0.2 H	na	na	na	na	2.4	3.4	4.3	na	na	4.1	na	1.4	1.1	1.6
croFin Analytics	0.2	3.3	0.5	0.2	0.1	0.2	0.3	0.5	1.3	2.3	3.4	4.3	5.7	4.5	4.2	73.0	2.6	1.4	2.0
ɛlls Capital Management	0.2	3.3	0.8 H	0.3	0.2 H	0.2	0.4	0.5	1.4	2.8	3.6	4.1	5.1	4.6	4.7	72.4	2.3	2.2	2.4
Morgan Private Banking	0.2	3.3	0.5	0.2	0.0 L	0.1 L	0.2	0.3	1.1	2.2	3.2	4.1	5.5	4.1	4.2	72.0	2.0	2.0	2.0
mura Economics & Analytics	0.2	3.3	0.5	0.1 L	0.1	0.1 L	0.2	0.4	1.2	2.5	3.5	4.2	na	na	4.4	75.6	2.8	2.3	2.6
ɜrpont Securities	0.1	3.3	0.5	0.2	0.0 L	0.1 L	0.2	0.5	1.5	2.8	3.9	4.5	5.8	4.8	4.6	74.5	3.4	2.5	3.2
onomist Intelligence Unit	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.4	1.2	2.2	3.4	na	na	na	4.2	na	1.6	na	2.0
.C Financial Economics	0.1	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.2	1.1	2.3	3.3	4.1	5.5	4.3	4.3	71.6	2.3	2.8 H	2.9
V. Coons Advisors LLC	0.1	3.3	0.5	0.2	0.1	0.2	0.3	0.4	1.3	2.2	3.2	4.2	5.4	na	4.1	70.7	2.8	2.3	2.5
MO Capital Markets	0.1	3.3	0.5	0.1 L	0.0 L	0.1 L	0.3	0.5	1.2	2.1	3.0	4.0	5.2	4.2	4.1	72.5	2.4	2.1	2.3
ford Economics	0.1	3.3	0.3	na	0.0 L	0.1 L	0.2	0.4	1.3	2.5	3.9	4.3	na	na	4.2	74.5	2.4	2.3	1.9
ınk of America Merrill Lynch	0.1	na	0.5	na	0.1	na	na	0.6	1.5	3.0	na	na	na	na	na	na	1.3 L	1.3	1.5
P. Morgan Chase	0.1	na	0.4	na	0.2 H	na	na	0.3	1.3	2.5	3.6	na	na	na	na	na	2.5	1.3	1.3
3S	0.1	na	0.4	na	0.1	na	na	0.3	1.5	2.3	3.7	na	na	na	na	na	2.5	2.5	3.5
ells Fargo	0.1	3.3	0.5	0.2	0.1	0.2	0.3	0.4	1.2	2.2	3.2	4.0	5.3	4.1	4.0	76.5	1.9	2.0	1.8
at'l Assn. of Realtors	0.1	3.3	0.5	0.3	0.2 H	0.2	0.3	0.8	1.7	2.9	3.9	4.7	5.9	4.8	4.6	na	2.5	2.3	3.2
ırclays Capital	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.5	1.5	2.8	4.0	4.8	5.5	4.3	4.3	na	3.0	2.7	3.7
ɔmura Securities, Inc.	0.1	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.3	1.2	2.4	3.3	4.1	5.5	na	4.2	73.0	2.4	1.6	1.4
oodworth Holdings	0.1	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	75.0	2.0	1.3	1.2
ɔtion Economics	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.7	1.8	2.8	3.9	4.2	5.4	4.3	4.2	70.7	3.1	1.8	3.0
ɔmerica Bank	0.1	3.3	0.4	na	0.0 L	0.2	0.4	0.8	1.7	2.7	4.1	na	na	na	4.4	na	2.5	1.7	2.5
aiwa Capital Markets America	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.4	1.4	2.4	3.4	4.1	5.4	4.0	4.3	73.0	2.8	1.7	1.8
Intrust Wealth Management	0.1	3.3	0.4	0.2	0.1	0.1 L	0.2	0.5	1.3	2.3	3.4	4.3	5.6	4.3	4.3	67.1	3.1	2.0	2.2
DQ Economics	0.1	3.3	0.4	0.2	0.1	0.2	0.5	0.9	2.2 H	3.5	4.7	5.3	6.4 H	5.3 H	5.2	73.1	3.1	2.5	2.7
esirow Financial	0.1	3.3	0.4	0.1 L	0.2 H	0.2	0.3	0.6	1.4	2.5	3.5	4.3	5.2	4.0	4.4	76.6 H	2.0	1.4	1.8
idgeWorth Investments	0.1	3.3	0.4	0.2	0.1	0.2	0.2	0.3	1.0	2.1	3.3	3.6	4.7	3.1 L	3.9	69.0	2.5	1.8	1.8
BS Securities	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.3	0.8 L	1.7 L	2.8 L	3.5 L	4.6 L	3.7	3.5 L	72.5	2.1	2.0	2.4
NC Financial Services Corp.	0.1	3.3	0.3	na	0.1	0.1 L	0.2	0.5	1.3	2.4	na	na	na	4.0	4.0	67.7	2.4	2.0	2.3
ellner Economic Advisers	0.1	3.3	0.3	0.3	0.1	0.2	0.4	0.6	1.5	2.1	3.0	4.0	5.0	4.4	4.1	70.0	3.3	2.3	2.2
hredgold Economic Assoc.	0.1	3.3	0.3	0.2	0.1	0.2	0.3	0.5	1.4	2.5	3.5	4.4	5.4	3.9	4.4	70.0	2.3	2.0	2.3
oldman Sachs	0.1	3.3	0.3	na	0.0 L	na	na	0.4	1.3	2.5	3.3	3.6	na	na	4.2	na	2.0	1.4	1.8
tone Harbor Investment Partners	0.1	3.3	0.3	0.2	0.1	0.1 L	0.2	0.3	0.9	1.8	2.9	3.6	4.8	na	3.9	72.0	1.7	2.7	2.2
he Northern Trust Company	0.1	3.3	0.1 L	na	0.1	na	0.2	0.3	1.2	2.2	3.2	na	na	na	na	na	2.3	1.7	1.9
oomis, Sayles & Company	0.1	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.1	2.4	3.4	4.2	5.5	4.0	4.1	72.6	2.1	0.6 L	2.6
learView Economics	0.1	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	73.0	2.7	2.0	2.6
ociete Generale	0.1	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.9	2.2	3.2	4.0	4.9	na	3.7	na	1.6	2.4	3.5
loody's Capital Markets Group	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.3	0.4	1.2	2.3	3.0	3.9	5.6	3.8	3.8	73.8	2.0	1.8	1.7
loody's Analytics	0.0 L	3.3 L	0.3	0.3 H	0.0 L	0.1 L	0.4	0.6	2.1	3.7 H	4.9 H	5.4 H	6.4 H	na	5.5 H	na	3.1	2.1	2.1
December Consensus	**0.1**	**3.3**	**0.4**	**0.2**	**0.1**	**0.2**	**0.3**	**0.5**	**1.3**	**2.4**	**3.5**	**4.2**	**5.4**	**4.2**	**4.2**	**72.0**	**2.4**	**2.0**	**2.3**
Top 10 Avg.	0.2	3.3	0.5	0.3	0.2	0.3	0.5	0.8	1.8	3.0	4.1	4.7	5.9	4.6	4.7	74.6	3.3	2.6	3.3
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.1	0.3	1.0	2.0	3.0	3.8	4.9	3.8	3.9	68.9	1.6	1.3	1.5
November Consensus	0.1	3.3	0.4	0.2	0.1	0.2	0.3	0.5	1.4	2.5	3.6	4.3	5.5	4.2	4.3	71.1	2.4	2.0	2.3
Number of Forecasts Changed From A Month Ago:																			
Down	6	1	3	11	13	14	18	16	23	19	22	19	15	9	14	6	19	8	16
Same	39	43	18	21	32	24	20	26	19	25	20	15	16	13	20	10	17	25	21
Up	2	0	23	4	2	2	3	4	4	3	3	5	4	7	8	15	11	13	10
Diffusion Index	46 %	49 %	73 %	40 %	38 %	35 %	32 %	37 %	29 %	33 %	29 %	32 %	34 %	47 %	43 %	65 %	41 %	55 %	44 %

Fourth Quarter 2012

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter															Avg. For	(Q-Q % Change) (SAAR)		
	Short-Term							Intermediate-Term				Long-Term							
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.3 H	3.3	0.5	0.2	0.1	0.1 L	0.2	1.3 H	2.1	3.4	4.0	4.7	6.1	4.5	5.1	68.0	3.5	3.0	2.5
Naroff Economic Advisors	0.3 H	3.3	0.4	0.4 H	0.3 H	0.3	0.5	0.8	1.7	2.2	3.2	4.3	5.3	4.1	4.2	65.0 L	4.2 H	2.8	2.6
Swiss Re	0.3 H	3.3	0.3	0.3	0.2	0.3	0.4	0.9	1.7	2.5	3.5	4.5	5.7	na	4.5	na	2.7	1.0	1.2
Scotiabank Group	0.3 H	3.3	na	na	0.2	na	na	1.1	1.7	3.0	4.0	na	na	na	na	na	1.9	1.8	2.2
SunTrust Banks	0.2	3.3	0.5	0.3	0.1	0.7 H	1.2 H	1.0	1.5	2.3	3.0	4.2	4.7	4.9	3.8	na	3.1	2.4	3.8 H
Georgia State University	0.2	3.4 H	na	na	0.2	0.2	0.3	0.5	1.7	3.1	4.2	5.1	6.3	na	4.7	na	1.8	1.4	1.5
Wells Fargo	0.2	3.3	0.5	0.2	0.2	0.2	0.3	0.5	1.2	2.3	3.3	4.1	5.4	4.2	4.0	77.0	2.0	2.0	1.9
MacroFin Analytics	0.2	3.3	0.6	0.3	0.2	0.3	0.5	0.7	1.5	2.4	3.5	4.4	5.8	4.7	4.3	73.5	2.8	1.5	2.0
Russell Investments	0.2	3.3	0.4	0.3	0.2	0.4	0.4	0.9	1.8	2.6	4.0	4.1	4.8	4.3	4.4	72.2	2.5	2.4	2.2
Cycledata Corp.	0.2	3.3	0.4	0.1 L	0.1	0.1 L	0.3	0.4	1.2	2.4	3.4	4.4	5.6	4.1	4.0	73.0	1.5	2.1	3.1
DePrince & Assoc.	0.2	3.3	0.3	0.3	0.2	0.4	0.6	0.8	1.3	2.6	3.6	4.3	5.2	3.6	4.5	72.2	2.5	2.1	2.4
Fannie Mae	0.2	3.3	na	na	0.2	na	na	na	na	2.5	3.5	4.3	na	na	4.2	na	1.6	1.4	1.7
Wells Capital Management	0.2	3.3	0.9 H	0.4 H	0.2	0.3	0.5	0.7	1.5	3.1	3.8	4.4	5.2	4.9	4.9	73.3	2.8	1.9	2.5
JPMorgan Private Banking	0.2	3.3	0.5	0.2	0.0 L	0.1 L	0.2	0.4	1.1	2.2	3.3	4.2	5.5	4.1	4.2	71.5	1.9	1.9	2.1
Chmura Economics & Analytics	0.2	3.3	0.5	0.1 L	0.1	0.2	0.2	0.5	1.3	2.6	3.6	4.3	na	na	4.5	74.1	3.0	2.5	2.3
Pierpont Securities	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.7	1.8	3.3	4.5	4.9	6.2	5.3	5.0	76.0	3.9	2.7	3.4
J.W. Coons Advisors LLC	0.1	3.3	0.6	0.3	0.2	0.3	0.3	0.5	1.4	2.3	3.2	4.3	5.4	na	4.2	70.4	3.0	2.2	2.5
GLC Financial Economics	0.1	3.3	0.5	0.2	0.0 L	0.1 L	0.1 L	0.2 L	1.0	2.3	3.4	4.2	5.6	4.5	4.4	71.2	2.7	2.5	2.7
Economist Intelligence Unit	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.5	1.4	2.3	3.8	na	na	na	4.4	na	1.7	na	2.1
BMO Capital Markets	0.1	3.3	0.4	0.1 L	0.0 L	0.1 L	0.4	0.8	1.5	2.3	3.1	4.2	5.3	4.2	4.3	71.5	2.7	1.7	1.7
Oxford Economics	0.1	3.3	0.3	na	0.0 L	0.1 L	0.2	0.5	1.5	2.7	4.2	4.4	na	na	4.3	74.5	3.1	1.9	1.8
Bank of America Merrill Lynch	0.1	na	0.5	na	0.1	na	na	0.8	1.8	3.3	na	na	na	na	na	na	1.0 L	1.0	1.4
UBS	0.1	na	0.4	na	0.2	na	na	0.4	1.7	2.4	3.8	na	na	na	na	na	3.0	2.0	2.0
Nat'l Assn. of Realtors	0.1	3.3	0.6	0.4 H	0.3 H	0.4	0.5	1.1	2.0	3.2	4.3	5.1	6.1	5.1	4.9	na	2.8	2.2	2.9
Barclays Capital	0.1	3.3	0.5	0.2	0.1	0.1 L	0.2	0.5	1.5	2.8	4.0	4.8	5.5	4.3	4.3	na	3.0	2.7	2.8
Nomura Securities, Inc.	0.1	3.3	0.5	0.2	0.1	0.1 L	0.1 L	0.3	1.3	2.5	3.5	4.2	5.7	na	4.3	73.0	2.6	1.3	1.3
Woodworth Holdings	0.1	3.3	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	76.0	2.0	1.2	1.1 L
Action Economics	0.1	3.3	0.5	0.2	0.1	0.2	0.4	0.9	2.0	3.1	4.1	4.3	5.5	4.3	4.3	70.4	3.4	2.0	2.9
Comerica Bank	0.1	3.3	0.4	na	0.0	0.3	0.5	0.9	1.8	2.9	4.3	na	na	na	4.5	na	2.5	1.9	2.7
Wintrust Wealth Management	0.1	3.3	0.4	0.2	0.1	0.1 L	0.2	0.5	1.4	2.4	3.5	4.4	5.7	4.4	4.4	66.5	3.2	2.1	2.1
Thredgold Economic Assoc.	0.1	3.3	0.4	0.3	0.1	0.3	0.4	0.6	1.6	2.6	3.6	4.5	5.5	4.1	4.5	70.5	2.4	2.0	2.4
Kellner Economic Advisers	0.1	3.3	0.4	0.4 H	0.2	0.3	0.5	0.3	1.6	2.1	3.1	4.1	5.1	4.5	4.1	70.0	3.4	2.3	2.4
RDQ Economics	0.1	3.3	0.4	0.2	0.1	0.2	0.6	1.0	2.5 H	4.0	5.3	5.8 H	6.8 H	5.8 H	5.7	73.5	3.1	2.5	2.8
Daiwa Capital Markets America	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.2	0.5	1.4	2.5	3.5	4.2	5.5	4.0	4.4	74.0	3.0	1.8	2.0
RidgeWorth Investments	0.1	3.3	0.4	0.2	0.1	0.2	0.2	0.3	1.0	2.2	3.6	3.6	4.7	3.0 L	4.0	69.0	2.5	1.9	2.4
PNC Financial Services Corp.	0.1	3.3	0.3	na	0.1	0.1 L	0.2	0.6	1.5	2.6	na	na	na	4.2	4.1	67.2	2.5	2.1	2.5
Mesirow Financial	0.1	3.3	0.3	0.1 L	0.2	0.3	0.4	0.8	1.5	2.6	3.6	4.3	5.2	4.0	4.5	77.6 H	2.4	1.3	1.7
RBS Securities	0.1	3.3	0.3	0.1 L	0.1	0.1 L	0.2	0.3	0.8 L	1.7 L	2.8 L	3.2 L	4.2 L	3.6	3.4 L	71.5	2.8	1.8	2.0
Goldman Sachs & Co.	0.1	3.3	0.3	na	0.0 L	na	na	0.5	1.5	2.8	3.5	3.7	na	na	4.3	na	2.5	1.4	1.8
Stone Harbor Investment Partners	0.1	3.3	0.3	0.2	0.1	0.1 L	0.2	0.6	1.4	2.5	3.7	4.2	5.2	na	4.5	70.0	2.0	3.2 H	2.5
The Northern Trust Company	0.1	3.3	0.1 L	na	0.1	na	0.2	0.3	1.2	2.5	3.6	na	na	na	na	na	2.8	2.1	2.3
ClearView Economics	0.1	3.3	0.5	0.1 L	0.0	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	73.5	2.8	2.1	2.6
Loomis, Sayles & Company	0.1	3.3	0.3	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.3	2.6	3.6	4.4	5.6	4.1	4.3	72.8	2.4	0.6 L	2.6
Societe Generale	0.1	3.3	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.9	2.3	3.3	4.0	4.9	na	3.7	na	2.7	2.0	1.9
Moody's Capital Markets Group	0.1	3.3	0.4	0.1 L	0.1	0.1 L	0.3	0.6	1.3	2.4	3.1	3.9	5.5	3.5	3.9	74.6	3.0	1.8	1.9
Moody's Analytics	0.0 L	3.3 L	0.3	0.4 H	0.0 L	0.1 L	0.4	0.8	2.4	4.2 H	5.4 H	5.7	6.7	na	6.0 H	na	3.6	2.4	2.2
December Consensus	**0.1**	**3.3**	**0.4**	**0.2**	**0.1**	**0.2**	**0.3**	**0.6**	**1.5**	**2.6**	**3.7**	**4.3**	**5.5**	**4.3**	**4.4**	**72.0**	**2.7**	**2.0**	**2.2**
Top 10 Avg.	0.2	3.3	0.6	0.3	0.2	0.4	0.6	1.0	2.0	3.4	4.4	4.9	6.1	4.8	5.0	75.1	3.5	2.7	3.0
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.1	0.3	1.0	2.1	3.1	3.8	4.9	3.8	3.9	68.7	1.7	1.2	1.5
November Consensus	0.1	3.3	0.4	0.2	0.1	0.2	0.4	0.6	1.6	2.7	3.7	4.4	5.6	4.3	4.4	71.1	2.6	2.0	2.2
Number of Forecasts Changed From A Month Ago:																			
Down	6	1	5	11	12	15	15	16	20	18	20	16	14	6	14	6	13	9	11
Same	38	41	23	20	33	23	23	26	21	25	20	18	17	15	19	10	18	27	23
Up	2	2	15	5	1	2	3	3	4	3	4	5	4	8	9	15	15	9	12
Diffusion Index	46 %	51 %	62 %	42 %	38 %	34 %	35 %	36 %	32 %	34 %	32 %	36 %	36 %	53 %	44 %	65 %	52 %	50 %	51 %

First Quarter 2013

Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter															Avg. For Qtr.	(Q-Q % Change) (SAAR)		
	Short-Term							Intermediate-Term				Long-Term							
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bond 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate	A. Fed's Major Currency $ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
Bank of Toyko-Mitsubishi UFJ	0.8 H	3.8 H	1.2 H	0.9 H	0.9 H	1.0 H	1.2	2.0 H	2.6 H	3.5	4.1	5.0	6.3	4.5	5.1	69.0	3.4	2.9	2.7
Nat'l Assn. of Realtors	0.3	3.3 L	0.6	0.5	0.4	0.6	0.8	1.5	2.4	3.4	4.5	5.3	6.3	5.2	5.1	na	3.0	2.3	3.0
Naroff Economic Advisors	0.3	3.3 L	0.4	0.5	0.4	0.5	0.7	0.9	1.9	2.4	3.5	4.6	5.6	4.2	4.4	65.5	2.6	2.6	2.8
Pierpont Securities	0.3	3.3 L	0.6	0.3	0.2	0.3	0.4	1.2	2.4	3.8	5.2	5.3	6.6	5.7 H	5.5	78.0 H	4.2 H	3.0 H	3.6
J.W. Coons Advisors LLC	0.3	3.3 L	0.6	0.3	0.3	0.4	0.4	0.7	1.5	2.4	3.3	4.4	5.6	na	4.3	70.5	2.6	2.2	2.5
Swiss Re	0.3	3.3 L	0.3 L	0.3	0.2	0.3	0.4	0.9	1.9	2.7	3.6	4.6	5.8	na	4.6	na	3.0	0.5 L	0.5 L
SunTrust Banks	0.2	3.3 L	0.6	0.4	0.1	0.9	1.6 H	1.5	1.9	2.6	3.4	4.5	5.0	5.2	4.1	na	2.6	2.4	3.7 H
Georgia State University	0.2	3.4	na	na	0.2	0.2	0.3	0.5	1.7	3.1	4.2	5.1	6.3	na	4.7	na	1.8	1.4	1.5
Wells Fargo	0.2	3.3 L	0.5	0.2	0.2	0.3	0.4	0.5	1.3	2.4	3.4	4.2	5.5	4.2	4.1	77.5	1.4	2.1	2.0
MacroFin Analytics	0.2	3.3 L	0.6	0.3	0.2	0.3	0.6	0.9	1.7	2.5	3.6	4.5	6.0	4.8	4.5	74.0	3.0	1.5	2.0
Russell Investments	0.2	3.3 L	0.5	0.3	0.2	0.4	0.5	1.0	2.1	2.8	4.0	4.3	5.0	4.4	4.5	72.1	2.4	2.3	2.1
RidgeWorth Investments	0.2	3.3 L	0.5	0.3	0.1	0.3	0.4	0.4	1.3	2.4	3.9	3.7	4.8	2.9 L	4.2	72.0	2.5	2.0	2.4
Wintrust Wealth Management	0.2	3.3 L	0.4	0.3	0.2	0.3	0.3	0.6	1.6	2.5	3.6	4.5	5.8	4.5	4.3	65.1 L	3.3	2.1	2.2
Thredgold Economic Assoc.	0.2	3.3 L	0.4	0.3	0.2	0.4	0.5	0.7	1.7	2.7	3.7	4.5	5.5	4.2	4.6	70.5	2.5	2.0	2.4
Cycledata Corp.	0.2	3.3 L	0.4	0.1 L	0.1	0.1 L	0.3	0.4	1.3	2.5	3.6	4.5	5.7	4.2	4.1	73.0	1.5	2.2	3.1
DePrince & Assoc.	0.2	3.3 L	0.3 L	0.3	0.2	0.4	0.6	0.8	1.4	2.7	3.8	4.4	5.4	3.6	4.6	72.5	3.1	2.2	2.5
Fannie Mae	0.2	3.3 L	na	na	0.3	na	na	na	na	2.5	3.5	4.4	na	na	4.3	na	1.9	1.5	1.5
Wells Capital Management	0.2	3.3 L	0.9	0.4	0.3	0.3	0.5	0.8	1.5	3.3	4.2	4.6	5.4	5.3	5.1	74.0	3.0	2.1	2.4
JPMorgan Private Banking	0.2	3.3 L	0.5	0.2	0.0 L	0.1 L	0.2	0.4	1.2	2.3	3.3	4.2	5.6	4.1	4.2	71.0	2.0	1.9	2.0
Chmura Economics & Analytics	0.2	3.3 L	0.5	0.1 L	0.1	0.2	0.3	0.5	1.4	2.7	3.7	4.4	na	na	4.5	73.0	2.9	2.6	2.8
Comerica Bank	0.2	3.3 L	0.5	na	0.0 L	0.3	0.6	1.1	2.0	3.0	4.4	na	na	na	4.6	na	3.0	2.0	2.6
Economist Intelligence Unit	0.1	3.3 L	0.6	0.2	0.1	0.2	0.3	0.8	1.5	2.5	4.0	na	na	na	4.6	na	2.1	na	2.1
GLC Financial Economics	0.1	3.3 L	0.5	0.2	0.0 L	0.1 L	0.1 L	0.2	1.1	2.5	3.7	4.5	6.0	4.3	4.7	71.1	2.9	2.6	2.8
BMO Capital Markets	0.1	3.3 L	0.3 L	0.2	0.0 L	0.1 L	0.6	1.1	1.7	2.4	3.3	4.3	5.4	4.3	4.4	71.0	2.3	2.1	2.3
Oxford Economics	0.1	3.3 L	0.3 L	na	0.0 L	0.1 L	0.3	0.6	1.8	3.0	4.5	4.6	na	na	4.4	75.7	2.5	1.7	1.6
UBS	0.1	na	0.4	na	0.2	na	na	0.5	1.7	2.5	3.9	na	na	na	na	na	2.7	2.0	2.8
RBS Securities	0.1	3.3 L	0.3 L	0.2	0.1	0.1 L	0.2	0.3	0.8 L	1.8 L	2.9 L	3.1 L	4.0 L	3.5	3.4 L	73.0	2.6	2.8	2.1
Nomura Securities, Inc.	0.1	3.3 L	0.5	0.2	0.1	0.1 L	0.1 L	0.3	1.4	2.6	3.5	4.2	5.7	na	4.3	73.0	2.5	1.6	1.3
Woodworth Holdings	0.1	3.3 L	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	77.0	2.5	1.1	1.0
Action Economics	0.1	3.3 L	0.5	0.2	0.1	0.2	0.6	1.2	2.2	3.3	4.3	4.5	5.6	4.4	4.3	70.1	3.5	2.8	3.2
Kellner Economic Advisers	0.1	3.3 L	0.4	0.5	0.3	0.4	0.6	0.8	1.6	2.2	3.1	4.1	5.1	4.5	4.2	70.0	3.5	2.3	2.4
PNC Financial Services Corp.	0.1	3.3 L	0.3 L	na	0.1	0.2	0.3	0.7	1.6	2.8	na	na	na	4.4	4.3	66.9	2.6	2.1	2.3
Mesirow Financial	0.1	3.3 L	0.3 L	0.1 L	0.3	0.4	0.5	0.9	1.7	2.7	3.7	4.4	5.3	4.1	4.5	76.6	2.5	1.8	1.9
Daiwa Capital Markets America	0.1	3.3 L	0.3 L	0.1 L	0.1	0.1 L	0.2	0.5	1.4	2.5	3.5	4.2	5.5	3.8	4.4	74.0	3.2	1.9	2.1
Stone Harbor Investment Partners	0.1	3.3 L	0.3 L	0.2	0.1	0.1 L	0.2	0.9	1.8	3.0	4.2	4.7	5.5	na	4.8	68.0	2.1	2.8	2.5
ClearView Economics	0.1	3.3 L	0.5	0.1 L	0.0 L	0.1 L	0.1 L	0.3	0.9	2.1	3.1	3.9	5.2	4.1	4.0	74.0	3.0	2.2	2.7
Loomis, Sayles & Company	0.1	3.3 L	0.3 L	0.1 L	0.0 L	0.1 L	0.1 L	0.3	1.3	2.8	3.8	4.6	5.7	4.1	4.4	73.0	1.7	1.8	2.3
Societe Generale	0.1	3.3 L	0.4	0.1 L	0.0 L	0.1 L	0.1 L	0.2 L	0.9	2.3	3.4	4.0	4.9	na	3.7	na	1.1 L	2.0	1.8
Moody's Capital Markets Group	0.1	3.3 L	0.4	0.2	0.2	0.2	0.5	0.7	1.4	2.4	3.0	3.8	5.1	3.2	4.0	75.3	3.5	1.9	1.9
Moody's Analytics	0.0 L	3.3 L	0.3 L	0.4	0.0 L	0.1 L	0.4	0.8	2.4	4.2 H	5.4 H	5.7 H	6.7 H	na	6.3 H	na	3.5	2.6	2.4
December Consensus	**0.2**	**3.3**	**0.5**	**0.3**	**0.2**	**0.3**	**0.4**	**0.7**	**1.6**	**2.7**	**3.8**	**4.4**	**5.5**	**4.3**	**4.5**	**72.2**	**2.6**	**2.1**	**2.3**
Top 10 Avg.	0.3	3.3	0.7	0.4	0.3	0.5	0.8	1.2	2.2	3.3	4.5	4.9	6.2	4.8	5.0	75.6	3.4	2.7	3.0
Bottom 10 Avg.	0.1	3.3	0.3	0.1	0.0	0.1	0.2	0.3	1.1	2.2	3.2	3.9	4.9	3.7	4.0	68.7	1.8	1.5	1.5
November Consensus	0.2	3.3	0.4	0.3	0.2	0.3	0.5	0.8	1.7	2.8	3.8	4.5	5.6	4.3	4.5	71.5	2.8	2.1	2.3
Number of Forecasts Changed From A Month Ago:																			
Down	4	2	2	7	11	13	13	13	17	18	17	15	15	8	13	5	16	6	12
Same	35	34	25	23	27	24	23	23	20	19	19	15	14	13	20	10	17	21	17
Up	1	3	11	4	2	1	2	3	2	3	3	6	4	6	6	15	7	12	11
Diffusion Index	46 %	51 %	62 %	46 %	39 %	34 %	36 %	37 %	31 %	31 %	32 %	38 %	33 %	46 %	41 %	67 %	39 %	58 %	49 %

International Interest Rate And Foreign Exchange Rate Forecasts

United States

Blue Chip Forecasters	3 Mo. Interest Rate %			10 Yr. Gov't Bond Yield %			Fed's Major Currency $ Index		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	1.90	2.20	3.00	na	na	na
Moody's Analytics	na	na	na	2.67	3.24	4.21	na	na	na
Nomura Securities	0.50	0.50	0.50	2.10	2.25	2.40	72.0	73.0	75.0
Mizuho Research Institute	0.40	0.20	0.20	1.90	2.00	2.10	71.9	70.3	69.1
Wells Fargo	0.45	0.45	0.45	2.30	2.40	2.50	na	na	na
ING Financial Markets	0.40	0.40	0.40	1.80	1.80	2.00	73.5	72.1	68.9
Societe Generale	na	na	na	1.60	1.75	2.25	na	na	na
December Consensus	**0.44**	**0.39**	**0.39**	**2.04**	**2.23**	**2.64**	**72.5**	**71.8**	**71.0**
High	0.50	0.50	0.50	2.67	3.24	4.21	73.5	73.0	75.0
Low	0.40	0.20	0.20	1.60	1.75	2.00	71.9	70.3	68.9
Last Months Avg.	0.41	0.37	0.39	2.20	2.28	2.68	72.3	72.6	68.2

Japan

Blue Chip Forecasters	3 Mo. Interest Rate %			10 Yr. Gov't Bond Yield %			Yen/USD		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	na	na	na	81.3	82.7	84.7
Moody's Analytics	na	na	na	1.15	1.16	1.16	81.7	83.5	87.3
Nomura Securities	na	na	na	na	na	na	79.0	80.0	85.0
Mizuho Research Institute	0.33	0.33	0.33	0.95	0.95	1.05	75.0	73.0	77.0
Wells Fargo	0.20	0.20	0.20	1.04	1.06	1.10	na	na	na
ING Financial Markets	0.20	0.20	0.20	1.10	1.10	1.30	73.0	70.0	70.0
Societe Generale	na	na	na	1.00	1.15	1.25	76.0	75.0	73.0
December Consensus	**0.24**	**0.24**	**0.24**	**1.05**	**1.08**	**1.17**	**77.7**	**77.4**	**79.5**
High	0.33	0.33	0.33	1.15	1.16	1.30	81.7	83.5	87.3
Low	0.20	0.20	0.20	0.95	0.95	1.05	73.0	70.0	70.0
Last Months Avg.	0.24	0.24	0.24	1.07	0.93	1.15	77.6	78.1	80.5

United Kingdom

Blue Chip Forecasters	3 Mo. Interest Rate %			10 Yr. Gilt Yields %			USD/Pound Sterling		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	na	na	na	1.61	1.62	1.64
Moody's Analytics	na	na	na	2.78	3.04	3.59	1.56	1.57	1.60
Nomura Securities	na	na	na	na	na	na	1.55	1.58	1.65
Mizuho Research Institute	0.90	0.60	0.60	2.20	2.30	2.40	na	na	na
Wells Fargo	0.75	0.70	0.70	2.60	2.70	3.30	na	na	na
ING Financial Markets	1.00	1.00	1.00	2.20	2.30	2.50	1.59	1.58	1.62
Societe Generale	na	na	na	1.75	1.75	1.88	1.54	1.59	1.67
December Consensus	**0.88**	**0.77**	**0.77**	**2.31**	**2.42**	**2.73**	**1.57**	**1.59**	**1.64**
High	1.00	1.00	1.00	2.78	3.04	3.59	1.61	1.62	1.67
Low	0.75	0.60	0.60	1.75	1.75	1.88	1.54	1.57	1.60
Last Months Avg.	0.83	0.70	0.70	2.43	2.51	2.84	1.52	1.52	1.57

Switzerland

Blue Chip Forecasters	3 Mo. Interest Rate %			10 Yr. Gov't Bond Yield %			CHF/USD		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	na	na	na	0.87	0.86	0.86
Moody's Analytics	na	na	na	1.25	1.31	1.50	0.85	0.86	0.86
Nomura Securities	na	na	na	na	na	na	na	na	na
Mizuho Research Institute	na	na	na	na	na	na	na	na	na
Wells Fargo	na	na	na	na	na	na	na	na	na
ING Financial Markets	0.10	0.10	0.10	0.90	0.90	1.00	0.92	0.92	0.87
Societe Generale	na	na	na	0.70	1.10	1.30	1.02	1.05	1.08
December Consensus	**0.10**	**0.10**	**0.10**	**0.95**	**1.10**	**1.27**	**0.92**	**0.92**	**0.92**
High	0.10	0.10	0.10	1.25	1.31	1.50	1.02	1.05	1.08
Low	0.10	0.10	0.10	0.70	0.90	1.00	0.85	0.86	0.86
Last Months Avg.	0.10	0.10	0.10	1.05	1.08	1.18	0.88	0.88	0.90

Canada

Blue Chip Forecasters	3 Mo. Interest Rate %			10 Yr. Gov't Bond Yield %			CAD/USD		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	2.20	2.40	2.90	1.01	0.99	0.98
Moody's Analytics	na	na	na	2.73	2.85	3.15	1.01	1.00	0.99
Nomura Securities	na	na	na	2.80	3.00	3.30	0.95	0.95	0.96
Mizuho Research Institute	na	na	na	na	na	na	na	na	na
Wells Fargo	1.15	1.15	1.20	2.50	2.75	3.30	na	na	na
ING Financial Markets	1.10	0.70	0.70	2.00	2.00	2.40	1.05	1.01	0.97
Societe Generale	na	na	na	1.90	2.15	3.05	1.03	1.00	0.97
December Consensus	**1.13**	**0.93**	**0.95**	**2.36**	**2.53**	**3.02**	**1.01**	**0.99**	**0.97**
High	1.15	1.15	1.20	2.80	3.00	3.30	1.05	1.01	0.99
Low	1.10	0.70	0.70	1.90	2.00	2.40	0.95	0.95	0.96
Last Months Avg.	1.20	1.18	1.40	2.51	2.66	3.10	1.00	1.00	0.98

International Interest Rate And Foreign Exchange Rate Forecasts

Australia

Blue Chip Forecasters	3 Mo. Interest Rate %			10 Yr. Gov't Bond Yield %			USD/AUD		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	na	na	na	1.02	1.04	1.08
Moody's Analytics	na	na	na	5.12	5.34	5.66	1.01	1.00	0.98
Nomura Securities	4.60	4.90	5.25	na	na	na	0.98	1.00	1.05
Mizuho Research Institute	na	na	na	na	na	na	na	na	na
Wells Fargo	na	na	na	na	na	na	na	na	na
ING Financial Markets	4.40	3.70	3.60	4.00	4.00	4.40	0.98	1.00	1.05
Societe Generale	na	na	na	4.00	4.20	4.75	na	na	na
December Consensus	**4.50**	**4.30**	**4.43**	**4.37**	**4.51**	**4.94**	**1.00**	**1.01**	**1.04**
High	4.60	4.90	5.25	5.12	5.34	5.66	1.02	1.04	1.08
Low	4.40	3.70	3.60	4.00	4.00	4.40	0.98	1.00	0.98
Last Months Avg.	4.80	4.90	5.00	4.55	4.91	5.43	1.00	1.01	1.03

Eurozone

Blue Chip Forecasters	3 Mo. Interest Rate %			USD/EUR		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank Group	na	na	na	1.41	1.42	1.40
Moody's Analytics	na	na	na	1.40	1.37	1.32
Nomura Securities	0.94	0.94	0.94	1.30	1.32	1.35
Mizuho Research Institute	0.90	0.70	0.80	1.27	1.30	1.35
Wells Fargo	0.65	0.65	0.65	na	na	na
ING Financial Markets	0.90	0.90	0.90	1.30	1.30	1.38
Societe Generale	na	na	na	1.30	1.33	1.40
December Consensus	**0.85**	**0.80**	**0.82**	**1.33**	**1.34**	**1.37**
High	0.94	0.94	0.94	1.41	1.42	1.40
Low	0.65	0.65	0.65	1.27	1.30	1.32
Last Months Avg.	1.26	1.00	1.01	1.36	1.35	1.35

Blue Chip Forecasters	10 Yr. Gov't Bond Yields %											
	Germany			France			Italy			Spain		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
ING Financial Markets	1.80	1.80	2.00	4.70	4.40	4.20	6.80	6.80	6.60	6.80	6.80	6.60
Mizuho Research Institute	1.80	1.90	2.00	na	na	na	na	na	na	na	na	na
Moody's Analytics	2.39	2.67	3.00	3.48	3.76	4.41	5.60	5.80	6.00	6.06	6.17	6.33
Societe Generale	1.50	1.90	2.10	na	na	na	na	na	na	na	na	na
December Consensus	**1.87**	**2.07**	**2.28**	**4.09**	**4.08**	**4.31**	**6.20**	**6.30**	**6.30**	**6.43**	**6.49**	**6.47**
High	2.39	2.67	3.00	4.70	4.40	4.41	6.80	6.80	6.60	6.80	6.80	6.60
Low	1.50	1.80	2.00	3.48	3.76	4.20	5.60	5.80	6.00	6.06	6.17	6.33
Last Months Avg.	2.06	2.15	2.38	3.21	3.09	3.12	5.74	5.71	5.82	5.73	5.64	5.67

Consensus Forecasts 10-year Bond Yields vs U.S. Yield

	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-0.93	-0.99	-1.15	-1.47
United Kingdom	0.54	0.27	0.18	0.10
Switzerland	-1.07	-1.09	-1.13	-1.37
Canada	0.14	0.32	0.29	0.38
Australia	1.94	2.33	2.28	2.30
Germany	0.28	-0.17	-0.17	-0.36
France	1.72	2.05	1.85	1.67
Italy	5.40	4.16	4.07	3.66
Spain	4.74	4.39	4.25	3.83

Consensus Forecasts 3 Mo. Deposit Rates vs U.S. Rate

	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-0.31	-0.19	-0.63	-0.14
United Kingdom	0.44	0.45	0.38	0.38
Switzerland	-0.48	-0.34	-0.29	-0.29
Canada	0.59	0.69	0.54	0.56
Australia	3.99	4.06	3.91	4.04
Eurozone	0.84	0.41	0.41	0.44

Viewpoints:

A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

The Q3 GDP Revision: News for Optimists and Pessimists

The government's estimate of real GDP growth for 3Q11 was revised down to 2.0% (from a first print of 2.5%). But the two most conspicuous details of the report are positive for near-term growth. The composition of GDP in 3Q11 now shows an unrevised 3.6% saar final sales growth and an outright decline in inventories, a combination that can be expected to lead to a positive turn in the inventory cycle soon. Indeed, the forecast improvement to 3.0% real GDP growth this quarter incorporates an increase in the inventory contribution to annualized growth from -1.6%-pt in 3Q11 to 0.8%-pt in 4Q11 (with about half this shift offset by a decline in the contribution from net exports, largely reflecting the part of the inventory boost that is supplied by foreign sources). In addition, the first report on corporate profits shows earnings continue to rise more quickly than GDP. Margins from domestic non-financial activity reached their highest level since the late 1960s.

However, other important details of the revision are more negative. The deterioration in state and local finances, as federal aid from the stimulus legislation runs down, points to further tightening from this sector in coming quarters. The significant downward revision to wage and salary income and to real disposable income accentuates the previously-reported disconnect between spending growth and income growth and the resulting plunge in the saving rate. Such declines, especially against the backdrop of soft asset prices and weak confidence readings, are often followed by retrenchment. Because of weak personal income, growth of national income has been running well below GDP growth over the past two quarters. Fed research suggests that early reports on national income are often more reliable estimates of economic growth than GDP.

The combination of relatively strong growth in final sales and little or no growth in inventories is as usual viewed as a positive for near-term real GDP growth as it points to a positive turn in the inventory cycle that will boost domestic manufacturing. Moreover, the detail of the report showing a split between inventory growth for durables and nondurables helps identify where this help should come from. Inventories in the durable goods industries rose 4.2% saar in 3Q11, in line with the recent trends. The stall in inventory accumulation is concentrated in nondurables, -3.5% saar, and extends to manufacturing (-$8.4 billion saar), wholesale industries (-$12.6 billion), and the farm sector (-$10.8 billion). Monthly source data detail indicates that the maximum destocking in nondurable inventories occurred in August.

This suggests that the boost to growth from the turn in the inventory cycle should be coming in the nondurable goods industries and could have started as soon as September. IP growth for nondurable manufacturing averaged 0.25% per month in September and October after a small net decline on average over the previous four months, some improvement but not enough to provide much of a major boost to overall GDP growth yet.

The second important positive news in the GDP report is the first look at 3Q11 profits. Total adjusted profits of US firms increased 8.5% saar in 3Q11, again outpacing overall GDP growth. And while in past quarters, profits had been boosted by earnings from abroad, foreign earnings declined in 3Q11. Profits from domestic operations increased 9.3% saar last quarter. And the 6.6% growth pace for domestic non-financial profits allowed margins for this sector to reach their highest levels since the late 1960s.

Real business fixed investment was revised slightly lower in 3Q11, but at 14.8% saar growth it is still the major growth sector of the economy. Strong profits growth provides some support for the view that strong double-digit growth in business spending will be maintained this quarter. But the latest monthly news on capital spending has been disappointing. Core capital goods shipments, source data for estimating equipment spending, declined about 1% in both September and October. (However, the IP report sends a different message. Production of business equipment increased 0.6% in September and 1.0% in October.)

As has been the case through most of the expansion, upbeat news on corporate profits has been accompanied by disappointing growth of labor income. The first revision to GDP includes revisions to prior quarter labor income based on the more reliable income data in the Quarterly Census of Employment and Wages (QCEW). Wage and salary income for 2Q11 was revised down to growth of only 2.4% saar (from 4.9%) and 3Q11 growth was revised down to 1.5% growth (from 2.0%), at odds with expectations that upward revisions to August and September payroll employment would lead to an upward revision of income growth.

Real disposable income has been revised down accordingly and now shows declines in each of the last two quarters while real consumer spending posted gains of 0.7% saar and 2.4% for the two quarters. The apparent disconnect between falling income and rising spending is squared via a sharp decline in the saving rate, down to 3.8% in 3Q11 from 4.8% the prior quarter and 5.0% in 1Q11. The decline in the saving rate is probably a warning of spending caution ahead, especially against the backdrop of recent trends in asset prices and consumer confidence. The saving rate can decline because higher tax payments (pe haps on capital gains) are holding down disposable income relative to total income. But this was not the case last quarter. Saving as a share of disposable income declined 1.0%-pt in 3Q11, and the saving rate redefined as a share of total household income declined 0.9%-pt, only slightly less.

The period of consumer retrenchment may have already started. Real consumer spending slowed to a 0.1% gain in October following increases averaging 0.3% the prior three months, despite help in October from falling prices. Research at the Fed indicates that early estimates of gross domestic income (GDI) may tend to be more reliable growth measures than estimates of GDP. In this light, it is worth noting that revised data show real GDI increasing less than 0.5% saar in each of the last two quarters.

Another feature of the first revision is the complete set of revenue and outlay tables for the state and local government sector. The overall balance tends to be volatile from quarter to quarter but these data show that state and local governments, in aggregate, had managed to bring borrowing requirements back toward normal by mid-2010 through a combination of spending cuts, tax increases, deferred maintenance, and increased federal aid. With the economy now growing, it would seem that state and local finances might be able to loosen a bit in coming quarters. But this does not appear to be the case. Federal aid that had been temporarily lifted as part of the stimulus *(continued on next page)*

Viewpoints

A Sampling of Views on the Economy, Financial Markets and Government Policy Excerpted from Recent Reports Issued by our Blue Chip Panel Members and Others

package is now starting to run off. These federal grants declined by $57.1 billion saar in 3Q11, and fully account for the widening budget imbalance of the sector last quarter. Further scheduled cuts in aid will put continued pressure on finances in the quarters ahead.

Robert Mellman, JPMorgan Chase Bank, New York, NY

A Super Flop

Members of the Joint Select Committee on Deficit Reduction (JSCDR) failed to meet the requirement of the Budget Control Act (BCA) of 2011 directing this so-called "Super Committee" to agree on (by 23 November) and then present to Congress (for passage by 23 December) a plan to cut $1.2 trillion from the projected 10-year budget deficitUnder another provision of the BCA this failure will trigger the "sequestration" (automatic reduction) of scheduled spending on both defense and non-defense discretionary programs in January 2013

This legislative failure has little direct effect on our forecast for the US economy. We had not expected the JSCDR to propose substantive changes that would affect the 2012 outlook, and we continue to believe that fiscal policies for 2013 will not be set before late next year. The immediate aftermath of the 2012 presidential and congressional elections should be anopportune time to strike a long-run budget compromise that would incorporate significant reforms to both taxes and spending. It is important to recognize that, under current law, very large automatic tax increases and spending cuts will take effect at the beginning of 2013. Like a sword of Damocles hanging over the US government, the prospect of such a severe fiscal restraint seems likely to, eventually, compel action.

As noted, the JSCDR's failure to act will likely have no direct effect on fiscal measures in the year ahead. The Congressional Budget Office (CBO) and Joint Committee on Taxation (JCT) estimate that under current law a combination of BCA spending caps, the partial withdrawal from military operations in Iraq and Afghanistan, and other expiring tax provisions amount to $69 billion in 2012 – a "drag" of just 0.4% of the CBO's estimate of fiscal 2012 GDP. However, we continue to believe that Congress will act soon to counteract all of that drag – and to provide some modest net stimulus to 2012 growth.

Despite the latest "process failure," we expect a bi-partisan majority to agree to take action before year-end to prevent the scheduled expiration of the two percentage point (pp) cut in payroll taxes enacted a year ago as a "temporary" fiscal boost. We judge that, with the economy still faltering, policymakers will deem it ill-advised to risk the effects of a sizeable tax increase of roughly $120bn that would result from the restoration of the usual payroll tax rates. Moreover, we think that Congress will also act to extend the life of the emergency unemployment compensation (EUC) program. Congress must enact, by mid-December, legislation (the "omnibus" spending bill) to authorize on-going government operations for fiscal 2012. That "must-pass" legislation would likely be the most suitable vehicle for extending the payroll tax cut and the EUC program. Both are subject to "pay-go" rules requiring tax or spending offsets over a 10-year time horizon, but these rules could be waived as they were last year. However, the politics surrounding the "Super Committee's" failure will make enactment of these measures more contentious.

The looming sequestration would greatly magnify the 2013 tightening of fiscal policy that is embedded in current law. Beyond a modest fiscal drag in 2012, the fiscal drag in 2013 under current policy grows substantially. The spending caps enacted in the BCA would reduce projected discretionary spending in 2013 by about $49bn but the sequestration now set to be triggered in January 2013 would add cuts of more than twice that amount -- roughly $111bn. In addition, CBO estimates that reductions in troop deployment would shave about $53bn more from outlays – for total spending cuts of $214bn, or 1.3% of GDP. On the revenue side, the expiration of the Bush-era tax cuts, failure to index the AMT (alternative minimum tax) for inflation, and other expiring tax provisions total approximately $314 billion, or 1.9% of GDP. The combined spending cuts and revenue from expiring tax provisions create a total fiscal drag of about 3.3% of GDP in 2013.

With the failure of the JSCDR, the BCA mandates a "sequestration" procedure that results in automatic cuts in both defense and non-defense discretionary spending. The BCA directs the Office of Management and Budget (OMB) to impose cuts through a specific formula and to be spread evenly over FY2013-21. They would also be divided evenly between the defense and non-defense programs, including entitlements. However, cuts to Medicare and certain health care programs would be capped at 2% for each fiscal year.

Sequestration would shave more than 7% from planned defense spending over the decade ahead but other defense spending cuts associated with reductions in troop deployment would cut another 6% from defense outlays over the 10-year budget horizon. Defense Secretary Leon Panetta and Senator John McCain have warned of dire national security consequences resulting from such deep cuts. Resistance to the mandated cuts in non-defense programs is likely to be equally intense. In our view, averting sequestration's deep cuts will become a priority for many in Congress but doing so will require the sort of sober realignment of budgetary priorities that eluded the Super Committee. The debt ratings agencies, which have indicated that the Committee's failure will not lead to a quick downgrade of US debt, may recognize this prospect.

Our baseline forecast of the economy in 2013 assumes Congress acts to offset most, but not all, of these automatic changes after the presidential election in November 2012. While we retain the assumption that fiscal drag in 2013 will be greater than in 2012, we remain confident that it will be substantially less than current law would require.

The economic cost of procrastination creates a powerful incentive to finally take up the sorts of tax and entitlement reforms that will ultimately be needed to set US fiscal policy on a sustainable path. The sequestration process triggered by the failure of the Super Committee magnifies the incentive to act. Both this summer's debt ceiling debate and now the failure of the Super Committee may seem to reveal a dysfunctional government. But behind it all, a consensus now appears to recognize the necessity for reform. We believe that consensus will eventually produce significant progress toward these long-overdue reforms shortly after the 2012 election in order to avert the frightening consequences of sequestration and other current-law budget changes scheduled to take effect early in 2013.

David Resler and Ellen Zentner, Nomura Securities, New York NY

Long-Range Forecasts:

The table below contains results of our semi-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are estimates for the years 2013 through 2017 and averages for the five-year periods 2013-2017 and 2018-2022. Apply these projections cautiously. Few economic, demographic and political forces can be evaluated accurately over such long time spans.

		Average For The Year					Five-Year Averages	
Interest Rates		2013	2014	2015	2016	2017	2013-2017	2018-2022
1. Federal Funds Rate	**CONSENSUS**	**0.5**	**1.8**	**2.8**	**3.4**	**3.7**	**2.4**	**3.7**
	Top 10 Average	0.9	2.9	4.0	4.3	4.6	3.4	4.7
	Bottom 10 Average	0.2	0.9	1.6	2.2	2.6	1.5	2.6
2. Prime Rate	**CONSENSUS**	**3.6**	**4.8**	**5.8**	**6.5**	**6.7**	**5.5**	**6.7**
	Top 10 Average	4.0	6.0	7.1	7.5	7.7	6.4	7.7
	Bottom 10 Average	3.3	3.9	4.7	5.3	5.6	4.5	5.5
3. LIBOR, 3-Mo.	**CONSENSUS**	**0.8**	**2.2**	**3.2**	**3.8**	**4.0**	**2.8**	**4.0**
	Top 10 Average	1.3	3.5	4.3	4.8	4.9	3.8	4.9
	Bottom 10 Average	0.4	1.2	2.0	2.6	2.9	1.8	3.0
4. Commercial Paper, 1-Mo.	**CONSENSUS**	**0.6**	**1.9**	**2.8**	**3.4**	**3.7**	**2.5**	**3.7**
	Top 10 Average	1.1	2.9	4.0	4.4	4.6	3.4	4.6
	Bottom 10 Average	0.2	1.0	1.8	2.3	2.7	1.6	2.7
5. Treasury Bill Yield, 3-Mo.	**CONSENSUS**	**0.5**	**1.7**	**2.7**	**3.3**	**3.6**	**2.3**	**3.5**
	Top 10 Average	1.0	2.8	3.9	4.3	4.4	3.3	4.5
	Bottom 10 Average	0.1	0.8	1.6	2.2	2.6	1.4	2.5
6. Treasury Bill Yield, 6-Mo.	**CONSENSUS**	**0.6**	**1.8**	**2.8**	**3.4**	**3.7**	**2.5**	**3.7**
	Top 10 Average	1.2	3.0	4.1	4.5	4.6	3.5	4.6
	Bottom 10 Average	0.2	0.9	1.7	2.0	2.6	1.5	2.6
7. Treasury Bill Yield, 1-Yr.	**CONSENSUS**	**0.8**	**2.1**	**3.1**	**3.6**	**3.9**	**2.7**	**3.8**
	Top 10 Average	1.4	3.2	4.4	4.6	4.8	3.7	4.8
	Bottom 10 Average	0.4	1.1	1.9	2.5	2.8	1.7	2.8
8. Treasury Note Yield, 2-Yr.	**CONSENSUS**	**1.2**	**2.4**	**3.3**	**3.9**	**4.1**	**3.0**	**4.1**
	Top 10 Average	1.9	3.5	3.2	4.8	5.0	3.6	5.0
	Bottom 10 Average	0.7	1.5	2.2	2.8	3.0	2.0	3.0
10. Treasury Note Yield, 5-Yr.	**CONSENSUS**	**2.2**	**3.1**	**3.9**	**4.3**	**4.4**	**3.6**	**4.4**
	Top 10 Average	3.1	4.0	4.8	5.2	5.3	4.5	5.3
	Bottom 10 Average	1.5	2.3	2.8	3.3	3.4	2.6	3.3
11. Treasury Note Yield, 10-Yr.	**CONSENSUS**	**3.2**	**4.0**	**4.6**	**4.8**	**4.9**	**4.3**	**4.8**
	Top 10 Average	4.1	4.7	5.3	5.5	5.7	5.1	5.7
	Bottom 10 Average	2.4	3.2	3.7	4.0	4.1	3.5	3.9
12. Treasury Bond Yield, 30-Yr.	**CONSENSUS**	**4.2**	**4.8**	**5.3**	**5.5**	**5.6**	**5.1**	**5.5**
	Top 10 Average	5.1	5.7	6.2	6.4	6.4	6.0	6.4
	Bottom 10 Average	3.3	4.0	4.3	4.5	4.6	4.2	4.4
13. Corporate Aaa Bond Yield	**CONSENSUS**	**4.7**	**5.4**	**5.8**	**6.2**	**6.2**	**5.7**	**6.1**
	Top 10 Average	5.5	6.2	6.6	7.1	7.1	6.5	7.1
	Bottom 10 Average	3.9	4.5	5.0	5.2	5.3	4.8	5.1
13. Corporate Baa Bond Yield	**CONSENSUS**	**5.7**	**6.4**	**6.8**	**7.1**	**7.2**	**6.6**	**7.0**
	Top 10 Average	6.5	7.2	7.6	8.1	8.1	7.5	8.0
	Bottom 10 Average	5.0	5.6	6.0	6.2	6.2	5.8	6.0
14. State & Local Bonds Yield	**CONSENSUS**	**4.7**	**5.3**	**5.5**	**5.7**	**5.8**	**5.4**	**5.6**
	Top 10 Average	5.5	6.1	6.3	6.5	6.5	6.2	6.3
	Bottom 10 Average	3.9	4.5	4.8	4.9	5.1	4.6	4.9
15. Home Mortgage Rate	**CONSENSUS**	**4.8**	**5.6**	**6.0**	**6.3**	**6.4**	**5.8**	**6.3**
	Top 10 Average	5.7	6.4	6.8	7.1	7.2	6.6	7.2
	Bottom 10 Average	4.2	4.8	5.2	5.4	5.5	5.0	5.4
A. FRB - Major Currency Index	**CONSENSUS**	**73.4**	**74.0**	**74.8**	**75.5**	**75.9**	**74.7**	**75.6**
	Top 10 Average	77.0	78.9	79.3	79.8	80.3	79.1	80.6
	Bottom 10 Average	70.1	69.5	70.5	71.2	71.6	70.6	71.0

		Year-Over-Year, % Change					Five-Year Averages	
		2013	2014	2015	2016	2017	2013-2017	2018-2022
B. Real GDP	**CONSENSUS**	**2.8**	**2.8**	**2.9**	**2.9**	**2.8**	**2.8**	**2.6**
	Top 10 Average	3.3	3.5	3.4	3.3	3.2	3.3	2.9
	Bottom 10 Average	2.2	2.1	2.5	2.4	2.4	2.3	2.3
C. GDP Chained Price Index	**CONSENSUS**	**2.1**	**2.2**	**2.2**	**2.2**	**2.2**	**2.2**	**2.1**
	Top 10 Average	2.6	2.9	2.7	2.7	2.7	2.7	2.6
	Bottom 10 Average	1.5	1.6	1.8	1.7	1.8	1.7	1.7
D. Consumer Price Index	**CONSENSUS**	**2.3**	**2.4**	**2.4**	**2.4**	**2.3**	**2.4**	**2.3**
	Top 10 Average	2.9	3.2	3.0	3.0	2.9	3.0	2.8
	Bottom 10 Average	1.8	1.8	1.9	1.9	1.9	1.9	2.0

Databank:

2011 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.8	1.3	0.8	0.2	-0.1	0.2	0.4	0.3	1.1	0.5		
Auto & Light Truck Sales (b)	12.64	13.24	13.02	13.13	11.68	11.51	12.20	12.09	13.05	13.21		
Personal Income (a, current $)	1.1	0.5	0.5	0.4	0.3	0.1	0.1	-0.1	0.1	0.4		
Personal Consumption (a, current $)	0.4	0.8	0.6	0.3	0.2	-0.2	0.9	0.2	0.7	0.1		
Consumer Credit (e)	2.2	3.2	2.2	2.8	3.0	5.6	5.8	-4.7	3.6			
Consumer Sentiment (U. of Mich.)	74.2	77.5	67.5	69.8	74.3	71.5	63.7	55.7	59.4	60.9		
Household Employment (c)	117	250	291	-190	105	-445	-38	331	398	277		
Non-farm Payroll Employment (c)	68	235	194	217	53	20	127	104	158	80		
Unemployment Rate (%)	9.0	8.9	8.8	9.0	9.1	9.2	9.1	9.1	9.1	9.0		
Average Hourly Earnings (All, cur. $)	22.86	22.88	22.89	22.93	23.02	23.01	23.12	23.08	23.14	23.19		
Average Workweek (All, hrs.)	34.2	34.3	34.3	34.4	34.4	34.3	34.3	34.2	34.3	34.3		
Industrial Production (d)	5.8	5.2	5.3	4.5	3.4	3.3	3.6	3.4	3.2	4.0		
Capacity Utilization (%)	76.9	76.5	77.0	76.7	76.7	76.7	77.5	77.4	77.3	77.8		
ISM Manufacturing Index (g)	60.8	61.4	61.2	60.4	53.5	55.3	50.9	50.6	51.6	50.8		
ISM Non-Manufacturing Index (g)	59.4	59.7	57.3	52.8	54.6	53.3	52.7	53.3	53.0	52.9		
Housing Starts (b)	.636	.518	.593	.549	.553	.615	.615	.585	.630	.628		
Housing Permits (b)	.568	.534	.574	.563	.609	.617	.601	.625	.589	.653		
New Home Sales (1-family, c)	310	281	305	316	308	303	297	296	313			
Construction Expenditures (a)	-1.4	-1.0	-0.2	0.7	2.5	1.6	-3.3	1.7	0.2			
Consumer Price Index (nsa., d)	1.6	2.1	2.7	3.2	3.6	3.6	3.6	3.8	3.9	3.5		
CPI ex. Food and Energy (nsa., d)	1.0	1.1	1.2	1.3	1.5	1.6	1.7	2.0	2.0	2.1		
Producer Price Index (n.s.a., d)	3.6	5.4	5.6	6.6	7.1	6.9	7.2	6.5	6.9	5.9		
Durable Goods Orders (a)	4.0	-1.1	4.6	-2.5	2.0	-1.2	4.2	0.7	-1.6	-0.7		
Leading Economic Indicators (g)	0.2	0.9	0.7	-0.3	0.7	0.3	0.6	0.3	0.1	0.9		
Balance of Trade & Services (f)	-47.9	-45.7	-46.4	-43.2	-50.2	-51.6	-45.6	-44.9	-43.1			
Federal Funds Rate (%)	0.17	0.16	0.14	0.10	0.09	0.09	0.07	0.10	0.08	0.07		
3-Mo. Treasury Bill Rate (%)	0.15	0.13	0.10	0.06	0.04	0.04	0.04	0.02	0.01	0.02		
10-Year Treasury Note Yield (%)	3.39	3.58	3.41	3.46	3.17	3.00	3.00	2.30	1.98	2.15		

2010 Historical Data

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.4	0.3	2.2	0.6	-0.8	-0.2	0.3	1.0	1.0	1.3	0.7	0.6
Auto & Light Truck Sales (b)	10.81	10.42	11.69	11.28	11.55	11.25	11.53	11.52	11.78	12.14	12.24	12.46
Personal Income (a, current $)	0.8	0.2	0.5	0.7	0.6	0.1	0.4	0.5	0.0	0.5	0.1	0.5
Personal Consumption (a, current $)	0.2	0.4	0.6	0.1	0.3	0.0	0.4	0.6	0.3	0.6	0.4	0.4
Consumer Credit (e)	3.2	-3.8	-2.5	-6.4	-1.2	-0.9	-2.7	-2.5	0.0	3.9	0.7	2.3
Consumer Sentiment (U. of Mich.)	74.4	73.6	73.6	72.2	73.6	76.0	67.8	68.9	68.2	67.7	71.6	74.5
Household Employment (c)	551	187	254	430	-29	-261	-101	276	111	-294	-175	297
Non-Farm Payroll Employment (c)	-39	-35	192	277	458	-192	-49	-59	-29	171	93	152
Unemployment Rate (%)	9.7	9.7	9.7	9.8	9.6	9.5	9.5	9.6	9.6	9.7	9.8	9.4
Average Hourly Earnings (All, cur. $)	22.44	22.48	22.48	22.52	22.57	22.57	22.61	22.67	22.70	22.77	22.76	22.77
Average Workweek (All, hrs.)	34.0	33.4	34.1	34.1	34.2	34.1	34.2	34.2	34.2	34.3	34.2	34.3
Industrial Production (d)	0.2	1.0	3.4	4.6	7.2	7.8	7.6	6.8	6.3	5.9	6.0	6.8
Capacity Utilization (%)	71.9	72.2	72.8	73.2	74.3	74.5	75.3	75.5	75.7	75.7	75.8	76.8
ISM Manufacturing Index (g)	58.3	57.1	60.4	59.6	57.8	55.3	55.1	55.2	55.3	56.9	58.2	58.5
ISM Non-Manufacturing Index (g)	50.7	52.7	54.1	54.6	54.8	53.5	53.7	52.8	53.9	54.6	56.0	57.1
Housing Starts (b)	.615	.603	.626	.687	.580	.539	.550	.606	.597	.539	.551	.526
Housing Permits (b)	.636	.655	.688	.632	.582	.585	.575	.575	.562	.555	.564	.630
New Home Sales (1-family, c)	346	344	385	420	281	307	279	278	316	282	287	331
Construction Expenditures (a)	-0.1	-3.0	1.0	2.3	-2.8	0.1	-2.6	-1.0	1.2	1.1	0.2	-2.5
Consumer Price Index (s.a., d)	2.6	2.1	2.3	2.2	2.0	1.1	1.2	1.1	1.1	1.2	1.1	1.5
CPI ex. Food and Energy (s.a., d)	1.6	1.3	1.1	0.9	0.9	0.9	0.9	0.9	0.8	0.6	0.8	0.8
Producer Price Index (n.s.a., d)	4.5	4.2	5.9	5.4	5.1	2.7	4.1	3.3	3.9	4.3	3.4	3.8
Durable Goods Orders (a)	4.9	0.5	0.1	2.9	-0.7	-0.2	1.2	-0.8	4.9	-3.1	-0.1	-0.7
Leading Economic Indicators (g)	0.6	0.4	1.5	-0.1	0.5	-0.2	0.2	0.1	0.7	0.2	1.2	0.8
Balance of Trade & Services (f)	-37.5	-41.0	-41.1	-41.5	-42.2	-46.9	-41.6	-45.5	-44.0	-39.5	-38.8	-40.5
Federal Funds Rate (%)	0.11	0.13	0.16	0.20	0.20	0.18	0.18	0.19	0.19	0.19	0.19	0.18
3-Mo. Treasury Bill Rate (%)	0.06	0.11	0.15	0.16	0.16	0.12	0.16	0.16	0.15	0.13	0.14	0.14
10-Year Treasury Note Yield (%)	3.73	3.69	3.73	3.82	3.42	3.20	3.01	2.70	2.65	2.54	2.76	3.29

(a) month-over-month % change; (b) millions, saar; (c) thousands, saar; (d) year-over-year % change; (e) annualized % change; (f) $ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

Calendar Of Upcoming Economic Data Releases

Monday	Tuesday	Wednesday	Thursday	Friday
November 28 New Home Sales (Oct)	**29** S&P/Case-Shiller Home Price Index (Sep) Consumer Confidence (Nov, Conference Board) ABC Consumer Comfort Index Weekly Store Sales	**30** ADP Employment (Nov) Challenger Survey (Nov) Chicago PMI (Nov) Pending Home Sales (Oct) Beige book for Dec. 13 FOMC meeting Agricultural Prices (Nov) EIA Crude Oil Stocks Mortgage Applications	**December 1** ISM Manufacturing (Nov) Vehicle Sales (Nov) Construction Spending (Oct) Weekly Jobless Claims Weekly Money Supply	**2** Employment Report (Nov)
5 ISM Non-Manufacturing (Nov Factory Orders (Oct))	**6** ABC Consumer Comfort Index Weekly Store Sales	**7** Consumer Credit (Oct) Mortgage Applications EIA Crude Oil Stocks	**8** Wholesale Inventories (Oct) ICSC Chain Store Sales (Nov) Weekly Jobless Claims Weekly Money Supply	**9** Trade Balance (Oct) Consumer Sentiment (Dec, Preliminary, University of Michigan)
12 U.S. Budget (Nov)	**13** **FOMC Meeting** Retail Sales (Nov) Business Inventories (Oct) Weekly Store Sales ABC Consumer Comfort Index	**14** Import Prices (Nov) EIA Crude Oil Stocks Mortgage Applications	**15** Philadelphia Fed Survey (Dec) Empire Survey (Dec) Industrial Production (Nov) Producer Price Index (Nov) TIC data (oct) Current Account (Q3) Weekly Jobless Claims Weekly Money Supply	**16** Consumer Price Index (Nov)
19 NAHB Housing Market Index (Dec)	**20** Housing Starts (Nov) Weekly Store Sales ABC Consumer Comfort Index	**21** Existing Home Sales (Nov) EIA Crude Oil Stocks Mortgage Applications	**22** GDP (Q3, Final) Consumer Sentiment (Dec., Final, University of Michigan) Leading Economic Indicators (Nov) Weekly Jobless Claims Weekly Money Supply	**23** Personal Income and Consumption (Nov) New Home Sales (Nov) Durable Goods (Nov)
26 **Christmas Day Observed** **Markets Closed**	**27** S&P/Case-Shiller Home Price Index (Oct) Consumer Confidence (Dec, Conference Board) ABC Consumer Comfort Index Weekly Store Sales	**28** EIA Crude Oil Stocks Mortgage Applications	**29** Pending Home Sales (Oct) Weekly Jobless Claims Weekly Money Supply	**30** Chicago PMI (Dec)
January 2 **New Year's Day (observed)** **Markets Closed**	**3** ISM Manufacturing (Jan) Construction Spending (Nov) FOMC Minutes (Dec. 13 meeting) ABC Consumer Comfort Index Weekly Store Sales	**4** ADP Employment (Dec) Vehicle Sales (Dec) Factory Orders (Dec) Mortgage Applications EIA Crude Oil Stocks	**5** ISM Non-Manufacturing (Jan) ICSC Chain Store Sales (Dec) Weekly Jobless Claims Weekly Money Supply	**6** Employment Report (Dec)

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DECEMBER 2011

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Contents

US Executive Summary 1
Risks and Pressure Points 15
Global Setting 21
Financial Markets 23
Monetary Policy 27
Consumer Markets 29
Housing and Construction 43
Business Investment 49
Government 55
International Trade 63
Inflation 71
Energy 75
Employment 81
Industrial Production 87
Data Access Guide to the US Macro Model 95
Variable Descriptions: US2010C Model 99
2012 Forecast Release Dates 121

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US Executive Summary

by Nariman Behravesh and Nigel Gault

US Economy Looks Better, the World Looks Worse

- Growth has improved. Fourth-quarter GDP growth is expected to be 2.6%, the best quarter this year. We expect growth to slip below 2% again in the first half of 2012 because of domestic headwinds from high household and public debt, as well as slower economic growth abroad.
- We have cut our recession probability to 35%, from 40%. Domestic recession risks have eased, but the threat from the Eurozone remains high.
- We continue to assume that the 2% employee payroll tax cut and emergency unemployment insurance benefits will be extended into 2012, avoiding an extra fiscal drag worth around 1% of GDP that would knock 0.6 percentage point off growth.
- Commodity prices are off their peaks, so headline and core inflation are now easing.
- We believe that the Fed will inject more stimulus, but it has already used its prime ammunition.

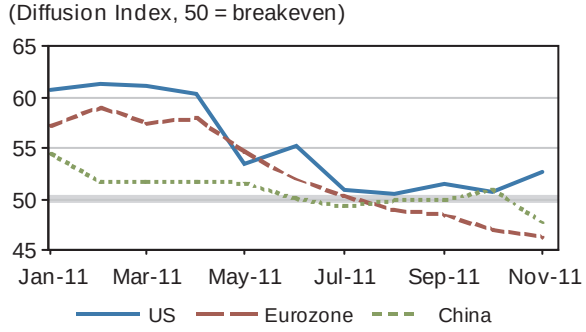
The Forecast in Brief

The US economy continues to show improvement even as the picture for the rest of the world deteriorates. The ISM manufacturing index showed faster growth last month, in stark contrast to the corresponding indexes from China and Europe, which all showed contraction. US policymakers know that events around the rest of the world are the primary threat to continued domestic growth, and the Federal Reserve has responded with an emergency extension of dollar liquidity to troubled European banks, via the European Central Bank (ECB). It is too late to prevent a Eurozone recession, but not too late to prevent messy sovereign defaults and a possible breakup of the Eurozone. The Fed's action doesn't address the underlying problems, though, and needs a vigorous follow-up from Europe's politicians and, crucially, from the ECB.

The better domestic data has reduced our US recession risk to 35%, from 40%. The key threat remains from the Eurozone, where we expect at least a mild recession. That hurts export demand and corporate earnings, but not enough to cause a US recession. The recession risk comes from potential financial contagion from actual or feared sovereign-debt defaults; in the short term, more vigorous bond purchases by the ECB appear the only way to limit that threat.

Third-Quarter Growth Reduced, but Better Signs for the Fourth. Third-quarter GDP growth was revised down to 2.0% only because inventories fell. Very lean inventories will support future production growth. We have upgraded our fourth-quarter growth forecast to 2.6%, from 2.0%. But we still expect growth to slip back into the 1.5-2.0% range in 2012. Domestic fiscal policy remains contractionary, slower global growth will weigh on exports, and the Eurozone financial crisis will mean at least some tightening of credit conditions in the United States. Household debt remains high, and consumer spending has been supported by a declining saving rate, not a solid foundation for growth. But given the better recent domestic news we have upgrad-

US Manufacturing PMI Improving, But Eurozone and China Deteriorating



ed 2012 growth to 1.8%, from 1.6% (2011 growth now rounds down to 1.7%, instead of rounding up to 1.8%).

Consumer spending has been doing far better than sentiment readings would suggest. Pent-up demand—as long-delayed replacements become increasingly urgent—is helping spending to improve among the proportion of the workforce (the majority) that is in work, notably for vehicles. And even though holiday sales are unlikely to be as strong as the Black Friday hype suggested, they should still prove respectable (up around 5% year on year in nominal dollars, very similar to 2010). But consumers face too many negatives to allow a robust spending recovery—a weak labor market, high debt burdens, house prices that have not yet hit bottom, price increases that have outpaced wage growth, and a lack of confidence in the government's ability to make things better. Overall, we expect consumer spending growth of 2.3% in 2011, up from 2.0% in 2010, but not a powerful driver of recovery. Our 2012 outlook is similar, at 2.2%. After recent good sales figures, we have raised our **light-vehicle sales** forecast for 2011 to 12.7-million units (previously 12.6 million), and our 2012 projection to 13.3-million units (previously 13.2 million).

A little relief on **gasoline prices** is now helping consumers, although oil prices have proved very resilient to downside pressures. We expect pump prices for gasoline to average $3.44/gallon in the fourth quarter, helped by the usual seasonal easing, well below this year's peak of just over $4, but still 51 cents higher than a year earlier.

Faster **employment** growth provided an offset to price pressures earlier in 2011, but while recent employment growth over the last three months has not been as weak as first feared, it was still sluggish at just 128,000 per month on average (excluding returning Verizon strikers). With GDP growth likely to remain soft, we expect job growth to stay weak, keeping the unemployment rate at around 9% in 2012. The latest employment report (which showed an 8.6% unemployment rate) suggests that it could be lower.

Pent-up demand for **housing** is building as young adults stay at home, and at some point will spark a major revival in housing activity. But a revival in household formation is dependent on stronger job growth. We expect a modest improvement in housing starts during 2012 (675,000 units, compared with 600,000 in 2011), concentrated in the multifamily segment, since pent-up demand is already helping the rental market. We expect house prices to fall 4.3% over the course of 2011 and 1.7% over the course of 2012, as measured by the FHFA purchase-only index.

Capital equipment remains an important driver of GDP growth. **Business equipment and software spending** growth improved to 15.6% in the third quarter, from 6.2% in the second. Businesses remain flush with cash and want to address replacement needs neglected during the recession and to improve productivity. However, we suspect that some spending has been brought forward by the 100% expensing incentive in place for 2011, so we expect a slower pace of spending growth in the first half of 2012 (even if 100% expensing is extended).

On the **business structures** side, spending on buildings had another strong quarter, up 11.1% in the third, after rising 23.1% in the second. We are not convinced that this marks the beginning of a revival, though—the architects' billings index, a useful leading indicator, has been below the breakeven mark in six of the last seven months. We do not expect sustained improvement before 2013. Higher oil prices have led to a surge in petroleum drilling, which has offset some retreat in natural gas drilling (reflecting high inventories and low prices), leaving overall 2011 drilling 24.8% higher than in 2010.

In the **state and local government sector**, federal support for current spending has been winding down. State and local administrations are relying on spending cuts rather than tax increases to close budget gaps for fiscal 2012, which began July 1. We expect real state and local government spending to decline 2.2% this calendar year and another 2.5% in calendar 2012.

The **federal budget deficit** came in at $1.3 trillion in fiscal 2011 (8.7% of GDP), roughly the same as fiscal 2010. Federal fiscal policy is tightening, as stimulus fades away and spending cuts take effect. We assume that the temporary payroll tax cut and emergency unemployment insurance benefits will be extended for 2012, to avoid hitting a weak economy with an extra fiscal drag of around 1% of GDP, which we estimate would take around 0.6 percentage point off growth. We have not included any other elements of the president's jobs plan.

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The congressional **supercommittee** failed in its task of cutting $1.2 trillion off the projected deficit. We will now go through election-year 2012 with a high level of uncertainty over what will be done to prevent the damaging prospect of automatic spending cuts and the expiration of the Bush tax cuts both taking effect at the start of 2013. That prospect may prove just what is needed to achieve a "grand bargain," but only at the last minute.

We expect the Eurozone to slip into recession beginning in the current quarter, and also expect emerging markets growth to slow. In addition, fears of global recession have pushed the U.S. dollar higher. This combination is bad news for U.S. **export growth**, which will likely decelerate from 6.7% in 2011 to 3.5% in 2012.

We expect the **dollar** to strengthen against the euro as the Eurozone tips into recession, but we see no clear medium-term trend in the dollar against major currencies. We expect a continuing downward trend against emerging-market currencies, dictated by the pace at which China allows the renminbi to appreciate. We expect the overall **current-account deficit** to shrink to 3.0% of GDP (from 3.2% in 2010), because strong profits from overseas operations have boosted the surplus on the income account.

Inflation concerns are easing. A combination of higher gasoline prices and food prices has raised CPI inflation to 3.1% this year, compared with 1.6% in 2010. With less pressure from oil and food, we see CPI inflation falling back to 1.5% in 2012. In addition, in the face of weak demand growth and some pullback in commodity prices, core inflation is beginning to slow.

Ten-year Treasury **bond yields** have fallen sharply during 2011, dropping below 2% at times, on a combination of global financial fears and an expectation that short-term interest rates will remain very low for a long time. Treasuries remain a safe haven, despite the S&P downgrade. We still expect bond yields to move substantially higher over the long term, but see them mostly in the 2.0-2.5% range through the end of 2012.

The **Federal Reserve's** willingness to jump in with extra liquidity for European banks indicates its concern at the size of the risks facing the global financial system. We expect that it will follow through with a domestic QE III program in 2012 of similar size to QE II ($600 billion), targeted mostly or entirely towards mortgage-backed securities. We do not believe, however, that either this action or the current $400 billion "twist" operation will give much support to growth. Our expectation is that the Fed won't be raising rates until at least 2014.

Top-10 Economic Predictions for 2012

World growth will slow in 2012—the only question is by how much. The problematic combination of private-sector deleveraging, public-sector austerity, and the lack of confidence in political leaders' ability to navigate these choppy waters will continue to plague the United States and Europe. The US economy can be expected to muddle through. Unfortunately, Europe will not be so lucky. Meanwhile, China's economy is slowing and there is growing anxiety about the government's ability to engineer another soft landing. If Europe only suffers through a mild recession and China does not suffer through a hard landing, then world growth will decelerate from around 3.0% in 2011 to around 2.7% in 2012. On the other hand, if the recession in Europe is much deeper and/or the slowdown in China more pronounced, then the global economy will be headed for much weaker growth and possibly another recession.

1. **The United States Will Probably Avoid a Recession.** The good news is that US domestic risks have diminished somewhat, and growth momentum has picked up modestly. Consumers seem willing to spend and businesses are more disposed to hire—albeit cautiously. This means that over the next year US growth will average between 1.5% and 2.0%. In the near term, the Eurozone sovereign-debt crisis is the biggest threat to the US economy. The longer-term outlook is clouded by uncertainty over how America's burgeoning sovereign-debt problem will be fixed.

2. **The Eurozone Is Headed for a Second Dip.** All indications are that the Eurozone will suffer through a recession in 2012—a mild one if the region's sovereign-debt problems are resolved, or a deep one if they are not. Fiscal austerity is in full swing, bank credit is tightening, and confidence is plummeting. With few exceptions, the Eurozone economies will see negative growth next year, with the region as whole contracting by about 0.7%—at best. Possible, though unlikely, is a

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much worse recession triggered by messy sovereign defaults and/or euro exits.

3. **Asia Will Continue to Outpace the Rest of the World.** While Asia will not be immune to a recession in the Eurozone, growth in the region will remain resilient and will continue to be the strongest in the world (around 5.5%), for a number of reasons. Japan's post-earthquake rebound will help underpin the region's exports, offsetting some of the weakness in sales to Europe. Chinese growth can be expected to hold up at around 8% and further bolster Asian growth prospects—provided China's housing downturn does not evolve into something much worse. Last but not least, easing inflation will give all Asian governments more leeway to stimulate, if necessary.

4. **Growth in Other Emerging Markets Will Hold Up, for the Most Part.** The Eurozone crisis and recession will have a differential impact on the rest of the emerging world. Hardest hit will be Emerging Europe, because Western Europe is its most important export destination and also because the region is dominated by subsidiaries of Western European banks—all of which are tightening credit. Latin America and Africa are relatively more vulnerable to the United States and China. Barring a catastrophe in either economy or another plunge in commodity prices, the growth in these regions should hold up fairly well.

5. **Commodity Prices Will (Mostly) Move Sideways.** During the coming year, commodity prices are likely to get pulled down by weaker global demand—and pushed up by limited excess capacity and continuing robust growth in key economies, such as China and India. The biggest demand-side risk is the possibility of a hard landing in China. Supply-side risks are commodity-specific. In the case of oil, markets are worried about an escalation of the conflict over Iran's nuclear weapons program. That said, the most likely scenario is for the price of oil and other commodities to fluctuate around current levels.

6. **Inflation Will Diminish Almost Everywhere.** With world growth softening and commodity prices off their peaks, inflation in every region of the world will decline in 2012. The drop in inflation is likely to be the most pronounced in the developed world, because of vast amounts of excess capacity in both labor and product markets. In the emerging world, the recent declines in food prices are having the biggest impact. Without a spike in oil or food prices—triggered by a geopolitical events or bad weather—the inflation picture in 2012 will be quite benign.

7. **Monetary Policy Will Either Be on Hold or Ease Further.** Easing inflationary pressures and increasing anxiety about the growth outlook have changed the priorities of central banks worldwide. Central bank actions can be broadly categorized in three ways: 1) those with policy rates already near zero (e.g., the Federal Reserve, Bank of England, and Bank of Japan) will stay there indefinitely (or at least for a couple more years), in some cases with further quantitative easing in 2012; 2) some central banks that had been raising interest rates have now stopped (e.g., the Reserve Bank of India); and 3) some that had been tightening are now easing (e.g., the European Central Bank and the People's Bank of China).

8. **Fiscal Policy Is Set to Become Even Tighter in the United States and Europe.** Notwithstanding the standoff over deficit reduction in the US Congress, fiscal policy in the United States is already tightening. Federal government purchases will contract (after adjusting for inflation) over the next several years, acting as a major drag on growth. State and local spending is also expected to fall for at least another year. In Europe, not only are the most indebted countries (Greece, Ireland, and Portugal) in the midst of tough austerity programs, but three of the four largest Eurozone countries (France, Italy, and Spain) are being pressured to drastically cut budget deficits and sovereign-debt levels.

9. **With the Exception of the Euro, the Dollar Will Keep Sliding.** Economic fundamentals, alone, would suggest that the dollar should keep sliding against most currencies, especially those of emerging markets. Not only is the US current-account deficit still extremely large, but both growth and interest rate differentials favor emerging-market currencies. However, the dollar will likely

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appreciate against the euro in the near term—as long as the Eurozone crisis drags on—rising to around $1.25 by next spring. If the Eurozone suffers a financial meltdown, the euro could easily go to parity against the greenback. In such a scenario, the dollar would likely rise against most currencies, as it did in 2008.

10. **Most of the Risks to the Outlook Are on the Downside.** While there are many risks facing the global economy, two look particularly threatening over the next year. The first is the possibility of a financial meltdown in the Eurozone, with some countries exiting, and/or a messy default by one or more of the large Eurozone countries, especially Italy or Spain. Such a "Lehman moment" for Europe would likely push the global economy into recession. The second big risk is a sharp slowdown in China's growth (say to 5%) triggered by a bursting of its real estate bubble. Such a scenario would have the biggest impact on the rest of Asia and commodity-exporting emerging markets.

Key Forecast Assumptions

Fiscal Policy: Discretionary Spending. We assume that nondefense real federal government spending on goods and services falls 1.4% in calendar 2011 and 2.0% in 2012 as budget cuts bite. We assume that real defense spending falls 2.1% in 2011 and 3.2% in 2012, reflecting a combination of budget cuts and overseas contingency operations winding down.

Fiscal Policy: Expiring Stimulus. We assume that the 2% payroll tax cut and emergency unemployment insurance benefits are extended for 2012 and then phased out over several years, rather than disappearing overnight. We have not incorporated any other components of the president's jobs plan.

Fiscal Policy: The "Supercommittee" and Sequester. The congressional supercommittee tasked with cutting $1.2 trillion off the budget deficit over the next 10 years has failed. But we do not expect that automatic sequester will take effect in January 2013 (except perhaps temporarily). We assume that the new Congress and president will produce a package of spending cuts and tax increases to replace sequester, mostly sparing discretionary spending since the cuts there are already aggressive. We have assumed a combination of cuts in Medicare, Medicaid, and Social Security, and increases in income tax. The measures mostly begin in January 2014 (i.e., we assume that the Bush tax cuts are extended in 2013).

Oil Prices Resilient. The price of oil has proved resilient to recession fears, probably underpinned by strong growth in emerging-market demand. We expect the refiners' acquisition cost for crude oil, which has averaged about $100/barrel in 2011, to remain close to that in 2012 ($97/barrel). We are now highlighting the refiners' acquisition cost rather than the West Texas Intermediate (WTI) price in our commentary, since the WTI price has become unrepresentative. It has been held down by an excess supply of "landlocked" US and Canadian crudes, and will likely be volatile in future, driven by changing perceptions over to what extent and when this supply can be "unlocked."

Federal Reserve to Hold Rates Near Zero Until January 2014. The Fed has said that it expected to keep its federal funds target in the 0.00-0.25% range until at least mid-2013. We anticipate that it will wait even longer before its first rate hike, until January 2014. We assume that another round of quantitative easing worth $600 billion will begin in the first quarter of 2012, mostly targeted on mortgage-backed securities.

Dollar to Gain on the Euro. We expect the Eurozone economy to tip into recession during the current quarter, leading to more interest rate cuts from the ECB, and we expect that the sovereign-debt crisis has further to run. As a result, the euro will likely weaken below $1.30 by March 2012. We still see the dollar's long-run trend as downward, but against emerging-market currencies rather than major currencies. We expect a gradual appreciation of the Chinese renminbi, amounting to 5.3% in 2011 (year-end to year-end) and 6.3% in 2012.

Global Growth Slowing. We project GDP growth in the United States' major-currency trading partners to ease from 1.8% in 2011 to 1.1% in 2012. This mainly reflects a recession in the Eurozone, where we expect GDP to contract about 0.7%. GDP growth for other important trading partners is projected to slow from 5.3% in 2011 to 4.4% in 2012.

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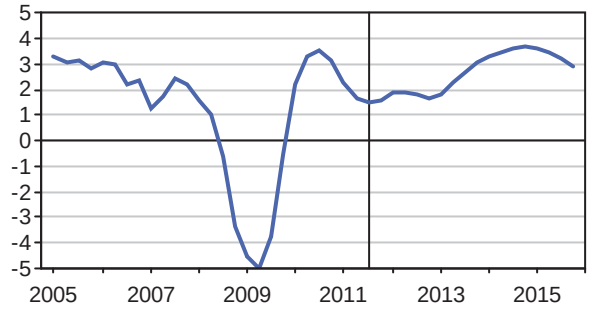
Forecast at a Glance

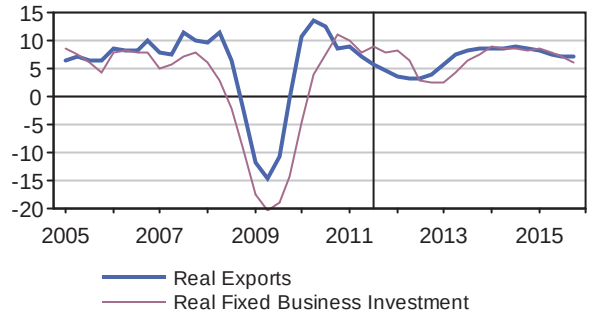
Sustained but Modest Growth

(Real GDP, percent change from a year earlier)



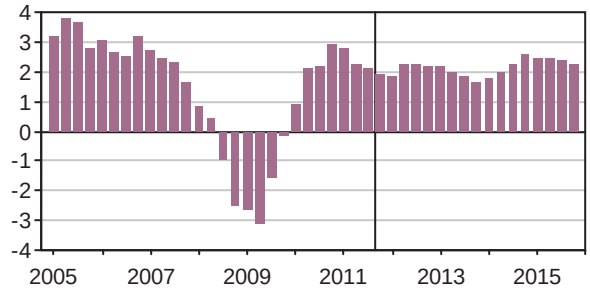
Exports, Business Spending Support Growth

(Percent change from a year earlier)



Restrained Consumer Spending Growth

(Real consumer spending, percent change from a year earlier)

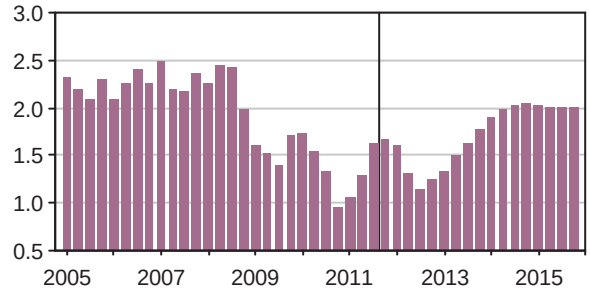


A Prolonged Trough for Housing Starts

(Million units)

Core Inflation Should Ease in 2012

(Core consumption price index, percent change from a year earlier)



Fed Holds Rates Near 0% Until 2014

(Percent)

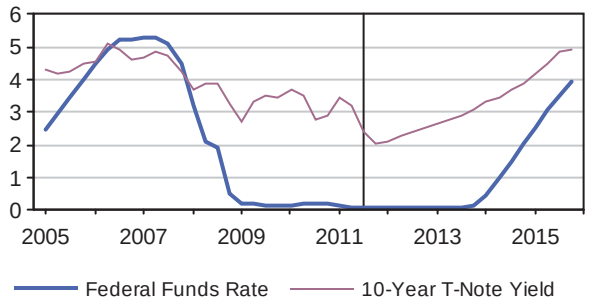


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TABLE 1

Summary of the US Economy

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2012:4	2013:1	2013:2	2013:3	2013:4	2014:1	2014:2
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	1.3	2.0	2.6	1.7	1.3	1.5	2.0	2.3	3.2	3.1	3.5	3.5	3.7
Final Sales of Domestic Product	1.6	3.6	2.0	0.8	1.1	1.5	2.1	2.5	3.1	3.0	3.3	3.6	3.8
Total Consumption	0.7	2.3	2.6	1.9	2.3	2.4	2.3	1.8	1.6	1.7	1.6	2.4	2.4
Durables	-5.3	5.5	12.8	2.0	5.8	7.9	6.1	6.5	3.1	4.0	1.3	3.2	3.5
Nondurables	0.2	-0.6	2.1	3.1	2.1	1.9	1.6	1.6	1.3	1.3	1.1	1.2	1.5
Services	1.9	2.9	1.1	1.4	1.8	1.6	1.9	1.2	1.4	1.5	1.8	2.6	2.5
Nonresidential Fixed Investment	10.3	14.8	5.3	3.5	2.7	0.6	4.0	3.0	10.0	9.1	9.0	8.1	8.6
Equipment & Software	6.2	15.6	5.2	4.2	5.7	5.4	8.1	3.8	10.7	9.5	8.5	6.5	7.4
Information Processing Equipment	8.9	0.7	7.5	7.3	8.9	8.8	9.9	1.5	7.4	9.8	8.1	7.0	6.8
Computers & Peripherals	50.3	13.8	12.3	1.1	12.5	19.5	23.4	0.6	9.7	22.5	17.1	13.3	14.6
Communications Equipment	-18.1	-20.8	0.9	33.1	19.1	9.5	6.8	-5.0	8.5	13.9	10.7	12.1	12.1
Industrial Equipment	-0.8	31.3	11.3	5.8	4.8	7.6	6.0	1.5	5.5	8.0	6.8	3.1	5.7
Transportation equipment	14.9	31.7	8.6	8.3	2.2	6.1	5.0	19.5	28.8	7.3	9.2	4.4	7.7
Aircraft	42.1	-48.4	24.9	50.0	13.8	12.1	10.5	8.4	4.2	5.5	6.6	8.6	6.6
Other Equipment	-0.5	36.0	-8.4	-8.6	0.6	-6.5	7.5	0.5	11.2	12.4	10.9	10.6	10.5
Structures	22.6	12.6	5.6	1.9	-5.0	-11.9	-7.1	0.4	7.9	7.8	10.4	13.1	12.5
Commercial & Health Care	22.7	10.9	5.9	14.3	9.9	-1.7	-1.8	3.9	6.3	9.3	18.6	15.9	18.4
Manufacturing	55.4	16.6	5.9	4.0	5.0	-4.3	-3.0	-6.5	34.0	26.5	21.3	25.5	18.3
Power & Communication	13.0	19.3	-0.7	-13.2	-14.9	-13.7	-7.7	-2.7	-0.1	-2.1	7.7	5.7	6.4
Mining & Petroleum	33.6	9.0	13.1	5.4	-11.0	-21.3	-11.1	-0.1	3.1	1.7	-3.5	6.2	4.4
Other	-2.4	11.5	-2.4	-2.3	-4.4	-8.3	-9.2	5.1	16.0	19.2	20.7	21.2	19.9
Residential Fixed Investment	4.2	1.6	1.5	3.5	4.7	9.4	9.4	16.7	27.5	30.2	30.0	25.6	22.4
Exports	3.6	4.3	3.8	2.6	2.1	4.4	7.3	9.4	8.8	7.9	9.0	8.7	8.9
Imports	1.4	0.5	1.0	3.8	3.4	2.8	4.1	2.6	3.8	4.3	3.7	4.3	3.7
Federal Government	1.9	1.9	-4.9	-3.5	-3.5	-3.9	-3.9	-3.7	-3.2	-3.1	-3.1	-3.0	-2.7
State & Local Government	-2.8	-1.4	-2.5	-3.1	-3.1	-1.8	-1.3	-0.8	0.0	-0.1	0.3	0.5	0.7
Billions of Dollars													
Real GDP	13271.8	13337.8	13424.9	13480.2	13525.4	13576.0	13643.2	13722.1	13831.3	13938.2	14057.0	14179.5	14308.9
Nominal GDP	15012.8	15180.9	15299.0	15417.8	15496.2	15597.9	15714.6	15860.2	16037.8	16219.0	16419.6	16637.4	16865.7
Prices & Wages, Percent Change, Annual Rate													
GDP Deflator	2.5	2.5	0.6	1.5	0.7	1.1	1.0	1.4	1.3	1.4	1.5	1.8	1.8
Consumer Prices	4.1	3.1	1.0	1.0	0.6	1.8	1.3	1.8	1.8	1.9	1.9	2.1	2.4
Producer Prices, Finished Goods	7.1	2.0	1.1	-1.4	-1.0	0.6	1.0	1.4	1.5	1.3	2.1	1.1	2.6
Employment Cost Index - Total Comp.	3.2	1.4	1.5	2.5	1.9	2.0	2.1	2.4	2.4	2.3	2.5	2.9	2.6
Other Key Measures													
Oil - Refiner Acq. Cost, Composite ($/bbl)	108.23	99.08	98.25	96.45	96.28	96.13	97.31	98.72	100.07	102.84	103.27	103.76	104.46
Productivity (%ch., saar)	-0.1	2.3	1.8	1.1	0.5	0.4	0.7	1.0	1.6	1.3	1.5	1.4	1.4
Total Industrial Production (%ch., saar)	0.6	5.2	2.4	2.5	2.3	2.6	2.0	3.1	3.8	4.6	4.1	4.2	4.2
Factory Operating Rate	74.4	74.9	75.3	75.7	76.0	76.2	76.6	76.8	77.5	78.0	78.6	79.0	79.5
Nonfarm Inven. Chg. (Bil. 2005 $)	51.0	4.9	20.4	41.4	47.1	43.9	42.1	37.6	42.0	46.7	53.5	52.5	49.8
Consumer Sentiment Index	71.9	59.6	63.3	67.3	70.9	72.6	75.9	77.9	78.6	79.3	80.0	80.4	80.8
Light Vehicle Sales (Mil. units, saar)	12.11	12.45	13.30	13.05	13.09	13.41	13.74	14.30	14.68	14.96	15.00	15.17	15.41
Housing Starts (Mil. units, saar)	0.572	0.610	0.634	0.638	0.657	0.684	0.723	0.806	0.914	1.013	1.109	1.199	1.296
Exist. House Sales (Total, Mil. saar)	4.883	4.877	4.978	4.926	5.010	5.153	5.288	5.446	5.479	5.561	5.613	5.625	5.749
Unemployment Rate (%)	9.1	9.1	9.0	9.0	9.0	9.0	9.0	9.0	8.8	8.7	8.5	8.3	8.1
Payroll Employment (%ch., saar)	1.4	0.9	1.1	1.0	1.1	1.4	1.6	1.6	1.8	1.8	1.8	1.9	2.2
Federal Surplus (Unified, nsa, bil. $)	-141.1	-325.1	-328.2	-397.8	-78.2	-251.2	-289.5	-325.9	-3.8	-179.7	-227.4	-286.1	19.3
Current Account Balance (Bil. $)	-472.0	-414.3	-432.8	-450.2	-476.7	-480.1	-467.1	-438.8	-432.2	-448.7	-446.8	-446.0	-446.1
Financial Markets, NSA													
Federal Funds Rate (%)	0.09	0.08	0.08	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.12	0.47	0.97
3-Month Treasury Bill Rate (%)	0.05	0.02	0.02	0.03	0.04	0.06	0.06	0.06	0.06	0.07	0.18	0.57	1.04
10-Year Treasury Note Yield (%)	3.21	2.43	2.06	2.10	2.26	2.43	2.52	2.64	2.76	2.87	3.07	3.32	3.44
30-Year Fixed Mortgage Rate (%)	4.66	4.31	4.01	3.87	3.98	4.13	4.17	4.24	4.30	4.39	4.57	4.80	4.89
S&P 500 Stock Index	1319	1228	1220	1216	1251	1269	1288	1307	1324	1342	1361	1380	1399
(Four-Quarter % change)	16.2	12.0	1.3	-6.7	-5.2	3.4	5.6	7.5	5.9	5.7	5.7	5.6	5.6
Exchange Rate, Major Trading Partners	0.830	0.832	0.856	0.874	0.883	0.877	0.871	0.864	0.857	0.852	0.849	0.846	0.843
(% change, annual rate)	-12.2	1.0	12.0	8.7	4.2	-2.7	-2.7	-3.2	-3.2	-2.3	-1.4	-1.4	-1.6
Incomes													
Personal Income (% ch., saar)	3.4	0.6	2.9	4.6	3.6	3.7	3.8	3.0	4.3	4.3	4.4	6.0	5.3
Real Disposable Income (%ch., saar)	-0.5	-2.1	1.9	3.3	2.5	1.3	1.6	-0.4	1.5	2.0	2.8	2.9	3.4
Saving Rate (%)	4.8	3.8	3.6	3.9	4.0	3.7	3.5	2.9	2.9	2.9	3.2	3.4	3.6
After-Tax Profits (Billions of $)	1470	1507	1527	1540	1512	1524	1540	1640	1666	1672	1694	1714	1733
(Four-quarter % change)	0.3	6.5	14.1	5.9	2.9	1.1	0.9	6.5	10.2	9.7	10.0	4.5	4.0

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TABLE 2

Summary of the US Economy

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Composition of Real GDP, Percent Change													
Gross Domestic Product	3.5	3.1	2.7	1.9	-0.3	-3.5	3.0	1.7	1.8	2.4	3.5	3.3	2.8
Final Sales of Domestic Product	3.1	3.2	2.6	2.2	0.2	-2.6	1.4	2.1	1.7	2.4	3.5	3.3	2.8
Total Consumption	3.3	3.4	2.9	2.3	-0.6	-1.9	2.0	2.3	2.2	1.9	2.2	2.4	2.4
Durables	7.3	5.9	4.5	5.0	-4.9	-5.4	7.2	7.9	5.6	5.2	3.4	4.7	5.2
Nondurables	2.8	3.2	2.6	1.9	-1.2	-1.8	2.9	1.8	1.8	1.5	1.3	1.5	1.8
Services	2.7	3.0	2.6	1.9	0.4	-1.4	0.9	1.6	1.7	1.5	2.2	2.3	2.2
Nonresidential Fixed Investment	6.2	6.7	8.0	6.5	-0.8	-17.9	4.4	8.7	5.1	5.3	8.7	7.5	4.6
Equipment & Software	7.9	8.5	7.6	3.3	-4.3	-16.0	14.6	10.2	6.5	7.2	7.8	5.9	3.8
Information Processing Equipment	9.8	7.3	8.6	8.1	2.1	-3.8	9.9	6.0	7.3	7.0	7.4	6.9	6.6
Computers & Peripherals	11.4	11.7	23.1	14.0	7.9	-3.2	30.5	16.9	13.1	13.1	15.3	14.3	15.4
Communications Equipment	10.3	1.8	12.7	11.3	-5.1	-8.1	12.5	-3.0	8.2	6.1	11.2	9.0	7.5
Industrial Equipment	-2.8	8.3	8.3	4.0	-3.9	-20.7	6.9	12.3	9.3	5.2	5.4	5.1	1.5
Transportation equipment	15.6	11.9	8.1	-5.5	-23.2	-50.5	68.9	25.1	9.6	13.3	8.1	-0.6	-6.5
Aircraft	11.0	-12.5	-6.4	30.5	-3.2	-25.1	-1.2	-5.3	13.4	8.3	7.3	6.7	4.4
Other Equipment	6.1	8.8	3.7	-0.7	-3.5	-18.1	11.6	10.6	-0.4	4.9	11.0	9.7	7.0
Structures	1.1	1.4	9.2	14.1	6.4	-21.2	-15.8	4.8	1.2	-0.2	11.4	12.0	6.8
Commercial & Health Care	2.5	-0.9	6.1	10.0	-3.7	-30.7	-24.5	-2.9	8.7	4.5	16.6	22.8	15.1
Manufacturing	4.9	17.3	10.3	18.2	24.8	4.5	-31.8	-10.7	6.9	7.6	20.4	15.2	10.7
Power & Communication	-17.0	-2.3	7.8	39.2	9.1	0.7	-15.1	5.5	-5.9	-4.8	5.2	4.7	-2.8
Mining & Petroleum	16.4	10.3	14.5	6.1	8.4	-35.2	16.6	24.8	0.6	-5.3	3.2	2.7	-2.1
Other	1.4	-5.5	9.2	15.4	12.6	-18.7	-26.2	-8.1	-2.3	4.4	19.2	13.8	10.5
Residential Fixed Investment	9.8	6.2	-7.3	-18.7	-23.9	-22.2	-4.3	-1.9	4.2	18.2	25.4	15.5	5.6
Exports	9.5	6.8	9.0	9.3	6.1	-9.4	11.3	6.7	3.5	7.6	8.7	7.5	6.9
Imports	11.1	6.1	6.1	2.4	-2.7	-13.6	12.5	4.7	2.5	3.5	4.1	4.4	3.8
Federal Government	4.1	1.3	2.1	1.2	7.2	6.0	4.5	-1.8	-2.8	-3.6	-2.9	-2.0	-1.3
State & Local Government	-0.2	-0.2	0.9	1.4	0.0	-0.9	-1.8	-2.2	-2.5	-0.9	0.4	0.8	0.9
Billions of Dollars													
Real GDP	12246.9	12623.0	12958.5	13206.4	13161.9	12703.1	13088.0	13315.6	13556.2	13887.2	14377.2	14851.4	15265.5
Nominal GDP	11853.3	12623.0	13377.2	14028.7	14291.6	13938.9	14526.6	15090.1	15556.6	16134.1	16987.0	17878.9	18714.0
Prices & Wages, Percent Change													
GDP Deflator	2.8	3.3	3.2	2.9	2.2	1.1	1.2	2.1	1.3	1.2	1.7	1.9	1.8
Consumer Prices	2.7	3.4	3.2	2.9	3.8	-0.3	1.6	3.1	1.5	1.7	2.1	2.2	1.9
Producer Prices, Finished Goods	3.6	4.9	2.9	3.9	6.4	-2.5	4.2	6.0	0.5	1.1	1.8	1.7	1.1
Employment Cost Index - Total Comp.	3.8	3.1	2.9	3.1	2.9	1.4	1.9	2.2	2.0	2.3	2.6	2.8	2.9
Other Key Measures													
Oil - Refiner Acq. Cost, Composite ($/bbl)	36.91	50.32	60.10	67.98	94.29	59.20	76.70	99.86	96.54	101.22	104.81	103.44	104.05
Productivity (%ch.)	2.6	1.6	0.9	1.5	0.6	2.3	4.1	1.0	1.1	1.0	1.4	1.2	1.4
Total Industrial Production (%ch.)	2.3	3.2	2.2	2.7	-3.7	-11.2	5.3	3.9	2.6	3.2	4.2	3.4	2.7
Factory Operating Rate	76.1	78.2	78.6	79.2	74.9	66.2	71.7	74.8	76.1	77.7	79.7	80.6	80.6
Nonfarm Inven. Chg. (Bil. 2005 $)	58.3	49.8	63.2	28.7	-37.6	-143.8	60.7	34.0	43.6	45.0	49.4	46.2	41.3
Consumer Sentiment Index	95.2	88.6	87.3	85.6	63.8	66.3	71.8	67.0	71.7	78.9	80.8	82.3	84.5
Light Vehicle Sales (Mil. units)	16.87	16.95	16.50	16.09	13.19	10.40	11.55	12.71	13.32	14.73	15.60	16.21	16.60
Housing Starts (Mil. units)	1.950	2.073	1.812	1.342	0.900	0.554	0.585	0.600	0.675	0.960	1.344	1.620	1.739
Exist. House Sales (Total, Mil. units)	6.727	7.076	6.516	5.675	4.894	5.149	4.918	4.969	5.094	5.525	5.806	6.163	6.267
Unemployment Rate (%)	5.5	5.1	4.6	4.6	5.8	9.3	9.6	9.0	9.0	8.8	8.0	7.2	6.7
Payroll Employment (%ch.)	1.1	1.7	1.8	1.1	-0.6	-4.4	-0.7	1.0	1.1	1.6	2.0	2.0	1.6
Federal Surplus (Unified, FY, bil. $)	-412.8	-318.7	-248.2	-161.5	-454.8	-1415.7	-1294.2	-1295.6	-1055.3	-798.9	-657.5	-591.8	-576.8
Current Account Balance (Bil. $)	-628.5	-745.8	-800.6	-710.3	-677.1	-376.6	-470.9	-449.4	-468.5	-441.6	-454.4	-500.6	-484.3
Financial Markets, NSA													
Federal Funds Rate (%)	1.35	3.21	4.96	5.02	1.93	0.16	0.18	0.10	0.10	0.11	1.23	3.27	4.0
3-Month Treasury Bill Rate (%)	1.37	3.15	4.73	4.35	1.37	0.15	0.14	0.05	0.05	0.09	1.31	3.20	3.77
10-Year Treasury Note Yield (%)	4.27	4.29	4.79	4.63	3.67	3.26	3.21	2.79	2.32	2.84	3.58	4.60	4.91
30-Year Fixed Mortgage Rate (%)	5.84	5.87	6.41	6.34	6.04	5.04	4.69	4.46	4.04	4.38	5.02	5.98	6.29
S&P 500 Stock Index	1131	1207	1311	1477	1221	947	1139	1267	1256	1334	1408	1488	1578
(Percent change)	17.3	6.8	8.6	12.7	-17.3	-22.5	20.3	11.2	-0.9	6.2	5.6	5.7	6.0
Exchange Rate, Major Trading Partners	1.020	1.000	0.985	0.930	0.888	0.926	0.898	0.844	0.876	0.856	0.842	0.839	0.841
(Percent change)	-8.2	-1.9	-1.5	-5.6	-4.5	4.3	-3.0	-6.1	3.8	-2.4	-1.5	-0.3	0.2
Incomes													
Personal Income (% ch.)	6.0	5.5	7.5	5.7	4.6	-4.3	3.7	4.8	3.3	3.8	5.2	5.3	5.0
Real Disposable Income (%ch.)	3.4	1.4	4.0	2.4	2.4	-2.3	1.8	1.0	1.6	1.2	2.9	3.1	2.8
Saving Rate (%)	3.6	1.6	2.6	2.4	5.4	5.2	5.3	4.3	3.8	3.0	3.7	4.2	4.5
After-Tax Profits (Billions of $)	923	1228	1349	1293	1051	1183	1408	1490	1529	1668	1726	1632	1620
(Percent change)	40.0	33.0	9.9	-4.2	-18.7	12.6	19.0	5.8	2.6	9.1	3.5	-5.5	-0.7

Created on 14 Dec 2011 for Erik Johnson

TABLE 3

Composition of Gross Domestic Product

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars, SAAR													
Gross Domestic Product	13271.8	13337.8	13424.9	13480.2	13525.4	13576.0	13088.0	13315.6	13556.2	13887.2	14377.2	14851.4	15265.5
(Percent change)	1.3	2.0	2.6	1.7	1.3	1.5	3.0	1.7	1.8	2.4	3.5	3.3	2.8
(Four-quarter percent change)	1.6	1.5	1.6	1.9	1.9	1.8							
Personal Consumption Expenditures	9392.7	9446.5	9506.1	9550.8	9605.8	9662.0	9220.9	9430.5	9633.7	9820.1	10032.3	10272.4	10518.9
Goods	3331.2	3341.7	3385.6	3409.0	3436.6	3468.8	3230.7	3350.7	3452.3	3546.3	3616.9	3708.9	3815.6
Durable Goods	1260.2	1277.1	1316.0	1322.7	1341.4	1367.0	1188.3	1282.7	1354.7	1425.5	1473.5	1543.1	1622.6
Motor Vehicles & Parts	342.1	343.7	359.1	356.4	362.3	374.8	330.1	353.3	368.8	394.9	409.3	434.5	464.6
Furnishings & Durable Household Equip.	271.4	274.9	279.9	281.3	284.1	286.5	260.1	273.9	285.3	295.9	299.9	304.1	309.7
Recreational Goods & Vehicles	506.5	519.7	539.7	549.6	560.0	569.9	459.6	515.4	565.2	601.5	636.4	681.5	730.8
Other Durables	163.8	165.2	166.0	167.0	168.0	169.0	154.9	164.1	168.5	171.0	173.0	176.2	179.8
Nondurable Goods	2076.6	2073.2	2083.9	2100.1	2111.2	2121.3	2041.3	2077.3	2115.6	2148.3	2177.1	2209.9	2249.3
Food & Beverages (Off-Premises)	684.1	683.4	687.0	689.8	694.0	699.2	673.1	684.2	696.5	713.0	727.6	740.5	752.4
Clothing & Footwear	354.7	347.3	350.7	356.6	359.2	360.3	341.0	351.4	359.2	360.9	363.5	369.3	377.6
Motor Vehicle Fuels, Lubricants & Fluids	254.2	253.0	250.6	255.2	256.8	258.1	264.2	254.0	257.3	260.4	258.0	255.1	254.2
Fuel Oil & Other Fuels	14.4	14.6	15.1	15.5	15.4	15.2	17.0	15.0	15.3	15.1	15.0	14.9	14.8
Pharma. & Other Medical Products	291.4	293.2	294.9	296.6	298.5	299.7	286.9	293.1	298.9	304.3	317.9	336.0	356.5
Tobacco	58.7	57.0	56.0	55.3	54.6	53.9	58.8	57.2	54.3	51.8	49.6	47.6	45.7
All other	435.3	441.5	449.2	450.8	452.7	455.5	408.6	439.0	454.5	465.2	470.1	472.9	475.3
Services	6067.0	6109.8	6127.0	6148.8	6176.9	6201.9	5991.8	6085.7	6189.5	6284.3	6425.5	6574.4	6716.4
Household Cons. Expenditures (Serv.)	5793.2	5835.5	5853.2	5874.0	5900.9	5924.3	5714.0	5812.0	5912.7	6001.4	6136.0	6280.6	6418.0
Housing	1413.4	1414.9	1416.4	1417.9	1419.2	1420.2	1410.7	1414.2	1419.6	1424.4	1434.8	1452.6	1476.5
Utilities	256.0	266.2	261.2	254.5	254.6	254.6	258.8	259.5	254.6	254.6	255.7	257.7	260.1
Health Care	1474.5	1494.2	1510.4	1518.4	1525.6	1531.6	1442.9	1485.9	1528.4	1555.4	1623.0	1694.7	1765.0
Transportation Services	251.2	251.0	251.3	253.2	255.2	256.4	250.2	251.2	255.8	261.0	267.4	275.1	278.8
Recreation Services	350.6	353.0	352.2	357.4	361.0	362.7	341.4	349.7	361.4	364.5	374.1	380.9	384.7
Food Services	481.4	485.0	489.7	492.4	494.3	495.6	467.3	484.0	494.8	498.3	501.7	507.4	514.0
Accommodations	88.1	88.2	90.0	89.6	89.4	89.5	84.0	88.5	89.7	91.1	91.6	91.8	91.7
Financial Services	452.0	454.7	449.7	453.8	457.8	461.8	441.1	451.7	460.2	480.5	497.0	509.0	518.2
Insurance	225.4	226.7	227.9	228.7	229.6	230.2	227.1	226.1	229.9	234.2	238.3	241.5	244.8
Other Services	801.8	802.3	805.1	809.0	815.1	822.4	791.7	802.0	819.1	837.8	852.3	869.2	883.0
Final Cons. Nonprofits Serving Hshlds.	274.9	275.2	274.5	275.5	276.8	278.3	280.0	274.7	277.6	283.9	290.6	294.6	298.9
Investment	1778.4	1774.6	1816.3	1861.6	1885.1	1894.0	1714.9	1780.0	1888.9	2034.0	2278.4	2481.9	2594.8
Nonresidential Fixed	1413.2	1462.8	1481.9	1494.9	1504.9	1507.1	1319.2	1434.2	1507.2	1586.8	1724.5	1853.0	1938.4
Equipment & Software	1103.5	1144.3	1158.9	1170.8	1187.1	1202.8	1019.4	1123.4	1196.8	1283.1	1382.9	1464.0	1519.1
Information Processing	638.4	639.5	651.2	662.8	677.0	691.5	602.6	638.5	684.8	732.5	786.9	840.9	896.3
Industrial	157.7	168.9	173.5	175.9	178.0	181.3	146.6	164.5	179.8	189.2	199.4	209.6	212.6
Light Vehicles	91.4	103.7	109.5	107.5	103.9	106.4	75.4	99.4	106.9	122.5	132.6	131.3	116.8
Aircraft	19.9	16.9	17.8	19.7	20.4	20.9	19.2	18.2	20.6	22.3	24.0	25.5	26.7
Other Transportation	36.7	39.5	37.5	39.5	41.9	41.6	27.9	36.8	40.9	46.4	50.3	48.6	46.5
Other Equipment	173.8	187.7	183.6	179.6	179.8	176.8	162.6	179.8	179.0	187.9	208.5	228.7	244.6
Structures	321.9	331.6	336.2	337.8	333.5	323.1	309.1	323.9	327.9	327.3	364.5	408.2	436.1
Commercial & Health Care	77.3	79.3	80.5	83.2	85.2	84.8	80.0	77.6	84.4	88.2	102.9	126.3	145.3
Manufacturing	31.0	32.2	32.7	33.0	33.4	33.0	34.6	30.9	33.1	35.6	42.8	49.3	54.6
Power & Communications	65.7	68.7	68.6	66.2	63.6	61.3	63.2	66.7	62.8	59.8	62.8	65.8	64.0
Power	52.6	55.6	55.4	52.8	49.9	47.6	49.3	53.6	49.2	45.6	47.3	48.7	45.6
Communications	13.6	13.5	13.6	13.8	14.1	14.1	14.3	13.5	14.0	14.5	16.0	17.5	18.8
Mining & Petroleum	95.6	97.7	100.8	102.1	99.2	93.4	76.7	95.8	96.3	91.2	94.2	96.7	94.7
Other	49.1	50.5	50.2	49.9	49.3	48.3	54.2	49.8	48.7	50.8	60.6	68.9	76.1
Residential Fixed	324.4	325.7	326.9	329.7	333.5	341.1	330.8	324.5	338.3	399.8	501.3	579.1	611.8
Structures	314.8	315.9	316.8	319.4	323.0	330.3	321.5	314.8	327.6	388.3	489.3	566.5	598.7
Equipment	9.9	10.0	10.4	10.6	10.9	11.2	9.5	10.0	11.0	11.7	11.8	12.1	12.5
Change in Inventories	39.1	-8.5	9.5	35.0	43.5	42.9	58.8	22.3	40.6	44.7	49.3	46.2	41.4
Nonfarm	51.0	4.9	20.4	41.4	47.1	43.9	60.7	34.0	43.6	45.0	49.4	46.2	41.3
Manufacturing	24.2	9.4	9.4	8.5	11.2	10.1	20.3	19.1	9.9	9.2	12.1	9.2	3.3
Wholesale	39.0	6.4	12.6	5.0	10.3	13.5	27.0	20.1	10.7	10.7	11.7	12.5	11.9
Retail	-20.5	-11.7	-1.5	29.0	18.1	13.2	16.2	-8.6	18.1	20.1	17.5	14.7	17.2
Construction, Mining & Public Utilities	2.5	-0.2	-2.0	-1.8	3.6	2.5	-4.3	-0.2	1.5	0.5	3.1	3.9	2.3
Farm	-8.7	-10.8	-8.5	-4.5	-2.0	0.0	-1.4	-9.0	-1.6	0.5	0.5	0.5	0.5
Exports	1765.0	1783.6	1800.5	1812.0	1821.4	1840.9	1663.2	1774.7	1836.9	1976.3	2147.5	2309.5	2470.0
Goods	1243.2	1258.3	1273.0	1282.6	1292.6	1311.0	1164.9	1252.5	1306.1	1419.4	1554.4	1680.7	1807.4
Services	522.4	525.9	528.1	530.0	529.4	530.6	498.8	522.8	531.6	557.8	594.5	630.4	664.9
Imports	2181.4	2184.3	2189.6	2210.1	2228.8	2244.3	2085.0	2182.3	2237.6	2315.2	2410.4	2515.6	2611.0
Goods	1825.4	1826.6	1829.3	1844.0	1858.3	1870.8	1729.3	1824.9	1866.0	1932.3	2009.8	2094.0	2171.0
Services	357.9	359.7	362.5	368.2	372.7	375.8	357.4	359.4	373.8	385.2	403.0	424.1	442.6
Government Purchases	2508.2	2507.6	2485.4	2464.8	2444.5	2428.1	2556.8	2503.8	2437.8	2390.0	2368.3	2361.2	2362.8
Federal	1058.3	1063.2	1050.0	1040.7	1031.4	1021.3	1075.9	1056.2	1026.2	989.7	961.1	941.7	929.7
Defense	705.9	714.1	699.9	692.4	685.0	676.7	718.3	703.5	680.7	653.0	633.0	620.4	612.9
Nondefense	352.4	349.0	350.1	348.3	346.5	344.7	357.7	352.7	345.6	336.8	328.2	321.4	316.9
State & Local	1456.1	1450.9	1441.6	1430.3	1419.2	1412.6	1487.0	1453.7	1417.5	1405.2	1410.9	1422.0	1434.7

Created on 14 Dec 2011 for Erik Johnson

TABLE 4

Composition of Gross Domestic Product

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars, SAAR													
Gross Domestic Product	15012.8	15180.9	15299.0	15417.8	15496.2	15597.9	14526.6	15090.1	15556.6	16134.1	16987.0	17878.9	18714.0
(Percent change)	4.0	4.6	3.1	3.1	2.1	2.7	4.2	3.9	3.1	3.7	5.3	5.3	4.7
(Four-quarter percent change)	3.8	3.9	3.7	3.7	3.2	2.7							
Personal Consumption Expenditures	10676.0	10798.7	10884.0	10962.9	11045.1	11151.4	10245.5	10732.6	11101.8	11489.4	11965.8	12496.4	13034.4
Goods	3622.7	3660.1	3698.9	3723.4	3748.3	3797.4	3387.0	3643.5	3775.2	3918.3	4048.1	4207.3	4367.1
Durable Goods	1143.8	1157.7	1185.5	1186.7	1199.8	1220.8	1085.5	1160.4	1211.2	1271.3	1314.4	1373.4	1436.7
Motor Vehicles & Parts	363.4	368.9	383.8	380.6	387.0	401.2	340.1	374.8	394.6	427.4	450.0	484.6	523.8
Furnishings & Durable Household Equip.	251.2	254.8	257.8	258.9	261.4	263.4	243.8	253.0	262.4	272.4	278.1	283.5	289.0
Recreational Goods & Vehicles	342.5	344.8	352.1	353.8	356.3	359.0	329.8	345.0	358.0	367.7	375.2	386.0	396.6
Other Durables	186.7	189.1	191.8	193.3	195.1	197.2	171.8	187.6	196.3	203.8	211.1	219.3	227.3
Nondurable Goods	2478.9	2502.4	2513.4	2536.7	2548.5	2576.5	2301.5	2483.1	2564.0	2647.0	2733.7	2833.9	2930.4
Food & Beverages (Off-Premises)	806.7	815.2	827.7	836.2	843.0	849.8	766.4	810.4	846.2	872.4	901.1	929.1	956.9
Clothing & Footwear	348.6	352.0	354.4	359.9	362.4	364.2	334.3	349.9	362.9	368.7	375.6	384.5	394.8
Motor Vehicle Fuels, Lubricants & Fluids	405.9	409.6	393.7	395.7	390.3	401.2	331.4	400.7	397.2	407.7	404.8	408.2	404.8
Fuel Oil & Other Fuels	25.6	25.1	25.2	25.4	25.5	25.4	22.7	25.6	25.4	25.5	25.7	26.1	26.2
Pharma. & Other Medical Products	346.6	350.9	355.1	359.7	364.8	370.2	330.6	349.2	367.7	394.2	434.4	482.1	534.5
Tobacco	96.6	94.9	94.0	94.0	93.9	93.8	94.4	95.0	93.9	94.6	95.7	97.1	98.6
All other	448.9	454.8	463.1	465.8	468.6	471.9	421.8	452.3	470.5	484.0	496.3	506.7	514.6
Services	7053.3	7138.6	7185.1	7239.5	7296.8	7354.1	6858.5	7089.1	7326.6	7571.2	7917.7	8289.1	8667.3
Household Cons. Expenditures (Serv.)	6771.6	6855.9	6901.1	6953.2	7008.3	7062.8	6578.3	6807.2	7036.6	7268.8	7600.5	7958.8	8322.5
Housing	1601.1	1612.5	1624.4	1632.1	1638.8	1645.3	1583.8	1608.2	1642.1	1673.2	1718.8	1776.5	1841.6
Utilities	312.2	326.2	321.4	313.1	312.5	313.8	309.4	316.6	313.9	323.5	339.8	353.5	365.6
Health Care	1729.5	1760.8	1781.5	1801.1	1819.3	1836.1	1667.4	1745.0	1827.3	1901.4	2031.5	2174.9	2327.0
Transportation Services	304.6	305.1	308.0	311.4	314.5	316.9	295.5	304.9	315.8	327.2	342.0	359.0	370.8
Recreation Services	398.6	402.7	403.1	409.6	414.7	417.2	382.6	398.1	415.4	423.8	442.7	459.7	474.3
Food Services	575.9	585.2	593.9	600.4	604.9	607.9	547.4	581.0	606.0	618.4	634.9	655.9	679.1
Accommodations	98.0	100.4	100.4	100.6	100.7	101.1	90.6	98.4	101.2	104.5	107.1	109.5	111.3
Financial Services	532.4	534.9	529.4	536.3	542.5	548.9	514.5	531.2	546.3	579.6	612.3	642.3	670.5
Insurance	270.7	273.5	274.9	277.4	280.1	282.3	265.8	271.7	281.2	293.3	312.2	326.7	340.4
Other Services	948.5	954.7	964.1	971.2	980.4	993.2	921.4	952.0	987.5	1023.8	1059.1	1101.0	1142.1
Final Cons. Nonprofits Serving Hshlds.	281.7	282.6	284.0	286.3	288.5	291.3	280.2	281.9	290.0	302.4	317.2	330.2	344.7
Investment	1895.3	1895.4	1943.0	1990.1	2013.0	2022.7	1795.1	1896.7	2018.6	2195.8	2501.7	2771.7	2940.9
Nonresidential Fixed	1506.0	1565.1	1589.3	1602.6	1610.7	1612.9	1390.1	1530.2	1614.3	1712.6	1886.8	2055.0	2174.3
Equipment & Software	1100.8	1141.9	1157.5	1168.0	1182.2	1198.0	1015.7	1120.3	1192.9	1288.5	1402.3	1493.1	1551.9
Information Processing	567.6	566.2	576.0	584.4	595.1	606.2	543.8	566.9	601.3	638.7	682.8	724.1	763.4
Industrial	186.5	201.0	207.5	210.5	213.0	217.8	168.6	195.0	215.9	232.8	251.3	269.0	276.7
Light Vehicles	79.5	89.3	93.1	91.3	88.0	90.2	65.3	85.4	90.7	105.2	115.9	116.4	104.5
Aircraft	23.5	20.1	21.5	23.9	24.8	25.6	22.3	21.6	25.2	28.0	31.1	34.2	36.5
Other Transportation	49.0	53.1	50.7	53.4	56.7	56.6	35.1	49.3	55.6	64.8	72.1	71.2	69.3
Other Equipment	194.6	212.1	208.6	204.4	204.6	201.6	180.5	202.0	204.2	219.0	249.0	278.1	301.5
Structures	405.2	423.2	431.9	434.6	428.5	414.9	374.4	409.9	421.4	424.1	484.5	561.8	622.4
Commercial & Health Care	90.7	93.8	96.0	100.0	103.2	103.8	92.7	91.5	102.9	112.1	136.9	175.9	211.4
Manufacturing	36.9	38.8	39.7	40.5	41.3	41.2	40.8	37.1	41.1	46.1	58.2	70.2	81.3
Power & Communications	87.3	92.3	92.3	89.0	85.4	82.2	79.9	88.8	84.3	81.0	87.6	94.6	94.6
Power	69.4	74.3	74.2	70.6	66.7	63.5	61.7	70.9	65.7	61.6	65.6	69.5	66.9
Communications	18.0	18.0	18.1	18.4	18.7	18.7	18.2	17.9	18.6	19.5	22.0	25.1	27.7
Mining & Petroleum	135.3	141.4	147.0	148.2	142.0	131.9	100.9	136.6	137.2	124.3	126.3	131.3	131.4
Other	55.1	56.9	56.9	56.9	56.5	55.7	60.2	56.0	56.0	60.6	75.5	89.9	103.7
Residential Fixed	335.7	337.3	340.5	344.6	349.9	359.3	338.1	336.0	355.8	430.9	556.5	661.5	717.2
Structures	326.7	328.1	331.1	335.0	340.0	349.2	329.2	326.9	345.9	420.3	545.8	650.5	705.8
Equipment	8.9	9.2	9.4	9.6	9.9	10.1	8.9	9.1	10.0	10.5	10.7	11.0	11.3
Change in Inventories	53.6	-7.1	13.1	42.9	52.4	50.6	67.0	30.4	48.5	52.3	58.3	55.2	49.5
Nonfarm	63.5	5.8	23.9	48.5	54.8	50.4	68.6	41.1	50.5	51.6	57.6	54.5	48.8
Manufacturing	31.5	12.1	11.6	10.0	12.7	11.1	23.3	24.0	11.1	9.7	12.6	9.5	3.4
Wholesale	50.8	8.0	16.2	6.2	13.0	17.3	31.8	25.9	13.6	13.9	15.6	17.0	16.3
Retail	-23.6	-13.5	-2.3	32.4	19.7	14.0	17.6	-10.0	19.7	22.5	19.6	16.7	20.0
Construction, Mining & Public Utilities	3.0	-0.3	-2.8	-2.5	4.7	3.3	-4.9	-0.4	1.9	0.6	4.2	5.6	3.2
Farm	-9.9	-12.8	-10.7	-5.6	-2.4	0.1	-1.6	-10.7	-1.9	0.7	0.7	0.7	0.7
Exports	2085.3	2117.2	2124.4	2133.2	2143.6	2171.1	1839.8	2087.7	2165.9	2357.6	2598.6	2828.0	3047.8
Goods	1473.5	1496.6	1500.7	1505.3	1515.1	1539.0	1277.8	1475.5	1533.6	1684.3	1866.6	2034.6	2193.5
Services	611.7	620.6	623.6	628.0	628.5	632.1	562.0	612.3	632.3	673.3	731.9	793.4	854.3
Imports	2682.4	2677.5	2683.5	2687.6	2709.1	2741.4	2356.7	2659.7	2730.8	2902.7	3109.4	3306.8	3471.6
Goods	2257.3	2250.2	2252.5	2248.8	2263.6	2289.1	1947.3	2234.1	2282.0	2426.5	2596.1	2752.5	2880.0
Services	425.1	427.2	431.0	438.8	445.5	452.3	409.4	425.6	448.8	476.3	513.3	554.3	591.6
Government Purchases	3038.6	3047.2	3031.1	3019.2	3003.7	2994.0	3002.8	3032.8	3001.1	2994.1	3030.3	3089.7	3162.4
Federal	1237.1	1248.4	1237.2	1231.7	1223.4	1214.6	1222.9	1235.7	1218.9	1193.4	1180.5	1177.7	1183.6
Defense	830.6	843.5	829.9	825.2	817.9	810.0	819.2	828.2	813.9	793.0	783.0	781.3	784.9
Nondefense	406.5	404.9	407.3	406.5	405.4	404.5	403.7	407.4	405.0	400.4	397.5	396.5	398.8
State & Local	1801.5	1798.8	1793.9	1787.5	1780.4	1779.5	1780.0	1797.2	1782.2	1800.7	1849.8	1912.0	1978.8

Created on 14 Dec 2011 for Erik Johnson

TABLE 5

Contributions to Real GDP Growth

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Percent Change, Annual Rate													
GDP	1.33	2.00	2.64	1.66	1.35	1.50	3.03	1.74	1.81	2.44	3.53	3.30	2.79
Percentage Points, Annual Rate													
Consumption	0.00	0.00	1.91	1.42	1.75	1.78	1.44	1.61	1.53	1.38	1.54	1.69	1.68
Goods	0.00	0.00	1.35	0.71	0.83	0.97	0.99	0.87	0.73	0.66	0.48	0.60	0.67
Durables	0.00	0.00	0.99	0.17	0.46	0.63	0.53	0.58	0.43	0.40	0.26	0.36	0.39
Nondurables	0.00	0.00	0.36	0.54	0.37	0.34	0.46	0.28	0.30	0.26	0.22	0.24	0.28
Services	0.00	0.00	0.57	0.71	0.92	0.81	0.46	0.74	0.80	0.72	1.06	1.08	1.00
Gross Private Domestic Investment	0.00	0.00	1.25	1.35	0.70	0.26	1.96	0.47	0.76	1.00	1.64	1.31	0.70
Fixed Investment	0.00	0.00	0.61	0.47	0.41	0.28	0.32	0.79	0.61	0.97	1.60	1.34	0.74
Nonresidential	0.00	0.00	0.57	0.39	0.30	0.06	0.42	0.83	0.51	0.55	0.92	0.83	0.53
Structures	0.00	0.00	0.16	0.06	-0.15	-0.37	-0.51	0.12	0.03	-0.01	0.30	0.35	0.22
Equipment & Software	0.00	0.00	0.41	0.33	0.45	0.43	0.93	0.71	0.48	0.55	0.62	0.48	0.31
Information Equipment	0.00	0.00	0.29	0.28	0.35	0.35	0.35	0.22	0.27	0.27	0.29	0.27	0.26
Residential	0.00	0.00	0.04	0.08	0.11	0.22	-0.11	-0.04	0.09	0.42	0.68	0.51	0.21
Change in Private Inventories	0.00	0.00	0.61	0.83	0.27	-0.03	1.64	-0.33	0.15	0.02	0.02	-0.03	-0.04
Net Exports	0.00	0.00	0.38	-0.32	-0.32	0.11	-0.51	0.09	0.04	0.44	0.52	0.35	0.39
Exports	0.00	0.00	0.56	0.38	0.31	0.63	1.31	0.87	0.48	1.06	1.26	1.15	1.09
Goods	0.00	0.00	0.49	0.31	0.32	0.59	1.12	0.68	0.41	0.85	0.99	0.89	0.85
Services	0.00	0.00	0.07	0.06	-0.02	0.04	0.19	0.19	0.07	0.20	0.27	0.26	0.24
Imports	0.00	0.00	-0.18	-0.69	-0.63	-0.52	-1.82	-0.78	-0.44	-0.61	-0.74	-0.80	-0.70
Goods	0.00	0.00	-0.09	-0.50	-0.48	-0.42	-1.74	-0.77	-0.33	-0.52	-0.61	-0.64	-0.56
Services	0.00	0.00	-0.09	-0.19	-0.15	-0.10	-0.08	-0.02	-0.11	-0.09	-0.14	-0.16	-0.14
Government	0.00	0.00	-0.76	-0.70	-0.69	-0.56	0.14	-0.43	-0.53	-0.38	-0.17	-0.05	0.01
Federal	0.00	0.00	-0.43	-0.31	-0.30	-0.33	0.37	-0.15	-0.23	-0.28	-0.21	-0.14	-0.08
State & Local	0.00	0.00	-0.32	-0.39	-0.38	-0.23	-0.23	-0.28	-0.30	-0.10	0.05	0.09	0.10

Created on 14 Dec 2011 for Erik Johnson

TABLE 6

GDP, GNP and National Income and Its Distribution

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars, SAAR													
Gross Domestic Product	15012.8	15180.9	15299.0	15417.8	15496.2	15597.9	14526.6	15090.1	15556.6	16134.1	16987.0	17878.9	18714.0
Plus: Income rcpts. from rest of the world	803.2	794.8	773.2	771.8	757.4	768.3	702.9	780.8	778.0	1010.2	1230.2	1377.4	1462.9
Less: Income pmts. to rest of the world	542.0	527.8	524.0	540.2	540.0	547.7	513.5	529.7	552.1	768.7	1026.7	1242.7	1356.7
Equals: Gross National Product	15274.0	15447.8	15548.3	15649.3	15713.6	15818.5	14715.9	15341.2	15782.5	16375.7	17190.5	18013.7	18820.1
Less: Consumption of Fixed Capital	1939.9	1961.9	1984.5	1994.8	2004.3	2016.5	1875.0	1950.2	2011.9	2080.8	2173.8	2279.4	2380.5
Equals: Net National Product	13334.1	13486.0	13563.8	13654.5	13709.3	13802.0	12841.0	13391.1	13770.7	14294.9	15016.7	15734.2	16439.6
Less: Statistical Discrepancy	-10.0	51.4	-25.0	-25.0	-25.0	-25.0	0.8	-8.9	-25.0	-25.0	-25.0	-25.0	-25.0
Equals: National Income	13344.1	13434.6	13588.8	13679.5	13734.3	13827.0	12840.1	13400.0	13795.7	14319.9	15041.7	15759.2	16464.6
Composition of National Income													
Compensation of Employees	8219.7	8249.6	8324.7	8399.9	8466.9	8541.3	7971.4	8241.6	8508.2	8871.5	9318.6	9795.5	10256.7
Nonfarm Proprietors	1039.2	1047.8	1056.4	1068.5	1080.0	1089.4	984.2	1043.2	1084.6	1140.4	1226.2	1294.6	1352.5
Farm Proprietors	67.3	67.2	57.7	63.0	67.5	70.5	52.2	64.6	68.4	71.3	64.2	63.7	64.8
Rental Income	396.9	406.4	418.8	424.7	419.4	414.8	350.2	401.8	417.1	400.3	387.6	370.7	351.5
Net Interest	525.6	531.9	514.5	531.0	534.2	546.6	564.3	532.1	541.0	571.6	647.2	769.8	891.7
Economic Profits	1937.6	1977.4	2043.3	2005.7	1968.3	1953.8	1800.1	1958.7	1971.4	2003.9	2069.3	2075.9	2099.9
Taxes on Production & Imports	1101.1	1099.2	1110.3	1118.4	1125.3	1134.3	1054.0	1099.5	1130.4	1174.5	1230.7	1280.4	1331.2
Business Current Transfer Payments (Net)	133.9	133.7	136.2	138.2	139.4	140.0	136.7	134.6	139.8	144.9	154.3	164.5	172.0
Surplus less Subsidies of Gov't. Enterprises	-77.2	-78.6	-73.1	-69.9	-66.8	-63.6	-73.0	-76.1	-65.3	-58.4	-56.4	-55.9	-55.7
Income Shares, Percent of National Income													
Compensation of Employees	61.6	61.4	61.3	61.4	61.6	61.8	62.1	61.5	61.7	62.0	62.0	62.2	62.3
Nonfarm Proprietors	7.8	7.8	7.8	7.8	7.9	7.9	7.7	7.8	7.9	8.0	8.2	8.2	8.2
Farm Proprietors	0.5	0.5	0.4	0.5	0.5	0.5	0.4	0.5	0.5	0.5	0.4	0.4	0.4
Rental Income	3.0	3.0	3.1	3.1	3.1	3.0	2.7	3.0	3.0	2.8	2.6	2.4	2.1
Net Interest	3.9	4.0	3.8	3.9	3.9	4.0	4.4	4.0	3.9	4.0	4.3	4.9	5.4
Economic Profits	14.5	14.7	15.0	14.7	14.3	14.1	14.0	14.6	14.3	14.0	13.8	13.2	12.8
Taxes on Production & Imports	8.3	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.2	8.1	8.1
Business Current Transfer Payments (Net)	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.0	1.0	1.0	1.0	1.0	1.0
Surplus less Subsidies of Gov't. Enterprises	-0.6	-0.6	-0.5	-0.5	-0.5	-0.5	-0.6	-0.6	-0.5	-0.4	-0.4	-0.4	-0.3
Corporate Profits													
Economic Profits	1937.6	1977.4	2043.3	2005.7	1968.3	1953.8	1800.1	1958.7	1971.4	2003.9	2069.3	2075.9	2099.9
Four-Quarter Percent Change	8.5	7.9	10.0	6.9	1.6	-1.2	32.2	8.8	0.6	1.6	3.3	0.3	1.2
Less:													
Capital Consumption Adjustment	107.3	103.3	94.3	-37.0	-35.3	-33.4	19.7	105.1	-34.5	-184.9	-208.6	-132.7	-105.1
Inventory Valuation Adjustment	-60.4	-47.3	2.8	36.7	35.1	9.0	-39.1	-55.2	19.2	-11.0	-19.8	-7.8	-5.1
Equals: Before-Tax Book Profits	1890.6	1921.5	1946.2	2006.0	1968.5	1978.3	1819.5	1908.8	1986.7	2199.7	2297.7	2216.4	2210.1
Four-Quarter Percent Change	1.3	4.2	11.7	6.9	4.1	3.0	25.0	4.9	4.1	10.7	4.5	-3.5	-0.3
Less: Corporate Income Taxes	420.5	414.9	419.7	466.0	456.2	454.7	411.1	419.3	457.8	531.9	571.7	584.9	590.4
Federal	340.0	336.1	338.9	382.1	373.1	371.1	329.6	340.1	374.2	439.9	474.0	488.1	492.9
State & Local	54.4	51.7	53.0	55.7	54.7	54.8	57.9	52.7	55.0	62.0	66.3	64.0	63.2
Rest of World	26.1	27.1	27.7	28.1	28.4	28.8	23.7	26.5	28.6	30.0	31.4	32.8	34.2
Equals: After-Tax Profits	1470.1	1506.6	1526.5	1540.1	1512.4	1523.6	1408.4	1489.5	1528.9	1667.8	1726.0	1631.5	1619.8
Less: Dividends	807.4	820.7	824.2	851.6	868.3	884.1	737.4	811.5	875.4	908.6	923.9	936.1	932.9
Equals: Retained Earnings	662.7	685.9	702.3	688.5	644.1	639.5	671.0	678.0	653.4	759.2	802.1	695.4	686.8
Profits Addenda:													
Economic Profits (Bil. $)	1937.6	1977.4	2043.3	2005.7	1968.3	1953.8	1800.1	1958.7	1971.4	2003.9	2069.3	2075.9	2099.9
Domestic Corporate	1411.5	1448.0	1526.8	1502.2	1473.3	1453.6	1346.6	1444.8	1467.8	1475.8	1558.5	1584.3	1600.7
Rest-of-World	445.4	451.8	442.8	433.9	427.8	435.5	381.9	437.7	437.1	470.0	461.4	429.5	430.1
Federal Reserve	80.7	77.6	73.7	69.7	67.2	64.7	71.6	76.2	66.5	58.0	49.3	62.1	69.1
Real After-Tax Profits (Bil.$)	1332.2	1359.0	1374.7	1384.1	1356.9	1363.6	1300.4	1348.5	1369.8	1480.0	1507.8	1396.7	1365.3
Dividend Payout Ratio	54.9	54.5	54.0	55.3	57.4	58.0	52.4	54.5	57.3	54.5	53.5	57.4	57.6
Book-Value of Depreciation	1170.4	1178.7	1184.2	1059.8	1068.0	1079.0	1046.8	1174.2	1074.6	973.1	1011.2	1155.2	1246.3
Less: Economic Depreciation	1063.1	1075.4	1090.0	1096.8	1103.3	1112.4	1027.1	1069.1	1109.2	1158.0	1219.7	1287.9	1351.5
Equals: Capital Consumption Adjustment	107.3	103.3	94.3	-37.0	-35.3	-33.4	19.7	105.1	-34.5	-184.9	-208.6	-132.7	-105.1
After-Tax Book Profits	1470.1	1506.6	1526.5	1540.1	1512.4	1523.6	1408.4	1489.5	1528.9	1667.8	1726.0	1631.5	1619.8
Plus: Book Value of Depreciation	1170.4	1178.7	1184.2	1059.8	1068.0	1079.0	1046.8	1174.2	1074.6	973.1	1011.2	1155.2	1246.3
Plus: Inventory Valuation Adjustment	-60.4	-47.3	2.8	36.7	35.1	9.0	-39.1	-55.2	19.2	-11.0	-19.8	-7.8	-5.1
Less: Dividends	807.4	820.7	824.2	851.6	868.3	884.1	737.4	811.5	875.4	908.6	923.9	936.1	932.9
Less: Capital Transfers (Net)	-39.4	-34.5	-20.0	-10.0	-5.0	-5.0	-20.2	-27.9	-5.2	6.0	4.0	2.0	0.0
Equals: Net Cash Flow	1812.2	1851.8	1909.4	1794.9	1752.1	1732.4	1699.0	1824.8	1752.5	1715.4	1789.4	1840.9	1928.0

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TABLE 7
Monthly Economic Indicators

	Oct. 2010	Nov. 2010	Apr. 2011	May. 2011	Jun. 2011	Jul. 2011	Aug. 2011	Sep. 2011	Oct. 2011	Nov. 2011	2008	2009	2010
Industrial Markets													
Industrial Prod. Total (2007=100.0)	91.1	91.4	92.7	93.0	93.0	94.1	94.1	94.1	94.7		96.3	85.5	90.1
Percent Change	-0.1	0.3	-0.4	0.3	0.0	1.2	0.0	-0.1	0.7		-3.7	-11.2	5.3
Percent Change Year Earlier	6.0	6.0	4.5	3.4	3.4	3.7	3.4	3.1	3.9				
Capacity Utilization, Manufacturing (%)	73.0	73.1	74.4	74.4	74.3	74.8	74.9	75.1	75.4		74.9	66.2	71.7
Unemployment Rate (%)	9.7	9.8	9.0	9.1	9.2	9.1	9.1	9.1	9.0	8.6	5.8	9.3	9.6
Payroll Employment (Mil.)	130.015	130.108	130.974	131.027	131.047	131.174	131.278	131.488	131.588	131.708	136.778	130.789	129.822
Change (Mil.)	0.171	0.093	0.217	0.053	0.020	0.127	0.104	0.210	0.100	0.120	-0.809	-5.989	-0.967
Leading Indicator (1992=1.000)	1.101	1.114	1.140	1.148	1.152	1.159	1.162	1.163	1.174		1.010	1.013	1.092
Percent Change	0.2	1.2	-0.3	0.7	0.3	0.6	0.3	0.1	0.9		-3.1	0.3	7.8
New Orders, Mfg. (Bil. $)	406.0	411.5	441.7	444.5	442.7	451.9	452.1	451.6	450.0		451.3	353.3	398.7
Percent Change	-1.0	1.4	-0.9	0.6	-0.4	2.1	0.1	-0.1	-0.4		0.5	-21.7	12.9
Inv. Chg., Mfg. & Trade (Bil. $)	15.9	6.0	14.1	14.0	6.2	7.8	5.5	-0.7			-17.9	-136.4	113.6
Merchandise Trade Bal. (Bil. $)	-51.1	-51.7	-57.3	-64.3	-66.0	-60.3	-59.9	-58.5	-57.6		-816.2	-503.6	-634.9
Consumer Markets													
Disposable Income (Bil. 2005$)	10143	10145	10170	10160	10179	10145	10109	10098	10129		10119	9883	10062
Percent Change	0.3	0.0	-0.2	-0.1	0.2	-0.3	-0.4	-0.1	0.3		2.4	-2.3	1.8
Personal Income (Bil. $)	12546	12562	12939	12957	12970	12978	12966	12982	13030		12460	11930	12374
Percent Change	0.5	0.1	0.2	0.1	0.1	0.1	-0.1	0.1	0.4		4.6	-4.3	3.7
Personal Saving Rate (%)	5.3	5.1	4.8	4.7	5.0	4.1	3.9	3.3	3.5		5.4	5.1	5.3
Consumer Expenditures (Bil. $)	10377	10418	10670	10690	10668	10762	10780	10854	10863		10036	9866	10246
Percent Change	0.6	0.4	0.3	0.2	-0.2	0.9	0.2	0.7	0.1		2.7	-1.7	3.8
Retail Sales (Bil. $)	370.8	374.2	387.7	387.5	388.3	389.9	391.1	395.5	397.7		4401.3	4093.2	4353.6
Percent Change	1.2	0.9	0.2	0.0	0.2	0.4	0.3	1.1	0.5		-1.2	-7.0	6.4
Non-Auto. Retail Sales (Bil. $)	305.9	308.5	320.5	321.4	321.8	323.0	324.7	326.4	328.3		3616.5	3416.0	3608.9
Percent Change	1.0	0.8	0.3	0.3	0.1	0.4	0.5	0.5	0.6		2.1	-5.5	5.6
New Light-Vehicle Sales (Mil.)	12.1	12.2	13.1	11.7	11.5	12.2	12.1	13.1	13.2	13.6	13.2	10.4	11.6
Housing Starts (Mil.)	0.539	0.551	0.549	0.553	0.615	0.615	0.585	0.630	0.628		0.900	0.554	0.585
New Home Sales (Mil.)	0.282	0.287	0.316	0.308	0.303	0.295	0.293	0.303	0.307		0.482	0.374	0.321
Existing Home Sales (Mil.)	4.380	4.640	5.000	4.810	4.840	4.670	5.060	4.900	4.970		4.894	5.149	4.918
Chg. Consumer Install. Credit (Bil. $)	5.9	2.5	3.7	6.0	11.3	11.0	-10.5	6.9	7.6		39.3	-111.7	-41.8
Prices and Wages													
CPI, All Urban Consumers	2.190	2.192	2.244	2.248	2.243	2.254	2.263	2.270	2.268		2.153	2.145	2.181
Percent Change Year Earlier	1.2	1.1	3.1	3.4	3.4	3.6	3.8	3.9	3.6		3.8	-0.3	1.6
Core Cons. Price Defl. (2005=100.0)	110.5	110.6	111.3	111.6	111.8	112.0	112.2	112.2	112.3		107.0	108.7	110.2
Percent Change Year Earlier	1.0	1.0	1.2	1.3	1.4	1.6	1.7	1.6	1.7		2.3	1.6	1.4
PPI, Finished Goods	1.812	1.821	1.910	1.912	1.907	1.914	1.914	1.929	1.923		1.772	1.727	1.799
Percent Change Year Earlier	4.2	3.3	6.5	6.8	6.8	7.2	6.5	7.0	6.1		6.4	-2.5	4.2
PPI, Industrial Commodities (NSA)	1.884	1.892	2.042	2.057	2.050	2.061	2.038	2.048	2.023		1.923	1.749	1.870
Percent Change Year Earlier	6.0	5.1	9.2	9.9	10.0	10.4	8.7	9.6	7.4		9.8	-9.1	7.0
Avg. Private Hourly Earnings ($)	19.23	19.24	19.37	19.42	19.43	19.49	19.47	19.49	19.52	19.54	18.09	18.63	19.07
Percent Change Year Earlier	2.5	2.3	2.1	2.0	2.0	2.1	1.8	1.8	1.5	1.6	3.8	3.0	2.4
West Texas Int. Crude Oil ($/bbl.)	81.90	84.14	110.04	101.33	96.29	97.19	86.33	85.61	86.41	97.19	99.61	61.69	79.41
Percent Change Year Earlier	8.0	7.8	30.3	37.2	27.8	27.6	12.4	13.7	5.5	15.5	37.8	-38.1	28.7
Henry Hub Spot Natural Gas ($/mmbtu)	3.43	3.73	4.24	4.30	4.55	4.42	4.05	3.89	3.57	3.25	8.85	3.95	4.39
Percent Change Year Earlier	-14.7	0.9	5.1	3.8	-5.4	-4.5	-5.8	-0.3	4.0	-13.0	26.8	-55.4	11.1
Financial Markets													
Federal Funds Rate (%)	0.19	0.19	0.10	0.09	0.09	0.07	0.10	0.08	0.07	0.08	1.93	0.16	0.18
3-Month T-Bill Rate (%)	0.13	0.14	0.06	0.04	0.04	0.04	0.02	0.01	0.02	0.01	1.37	0.15	0.14
Commercial Bank Prime Rate (%)	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	5.09	3.25	3.25
Moody's Aaa Corp. Bond Yield (%)	4.68	4.87	5.16	4.96	4.99	4.93	4.37	4.09	3.98	3.87	5.63	5.31	4.94
10-Year Treasury Note Yield (%)	2.54	2.76	3.46	3.17	3.00	3.00	2.30	1.98	2.15	2.01	3.67	3.26	3.21
Conv. Mortgage Rate, FHLMC (%)	4.23	4.30	4.84	4.64	4.51	4.55	4.27	4.11	4.07	3.99	6.04	5.04	4.69
M1 Money Supply (Bil. $)	1779	1817	1898	1930	1945	2004	2108	2134	2150		1433	1637	1741
Percent Change	0.6	2.1	0.5	1.7	0.8	3.0	5.2	1.2	0.8		15.8	5.6	7.7
M2 Money Supply (Bil. $)	8741	8779	8958	9010	9097	9299	9531	9578	9608		7816	8432	8623
Percent Change	0.5	0.4	0.4	0.6	1.0	2.2	2.5	0.5	0.3		9.6	3.4	3.3
Trade-Weighted US$, 18 Countries													
Morgan Guaranty Index (1990=100.0)	81.0	81.2	78.1	78.0	78.0	77.4	77.8	80.0	80.8	81.3	82.8	87.3	83.8
Percent Change	-3.0	0.3	-1.5	-0.2	0.1	-0.8	0.5	2.9	0.9	0.7	-3.5	5.4	-4.0
Percent Change Year Earlier	-2.7	-1.9	-6.7	-9.6	-10.0	-9.1	-7.8	-4.2	-0.3	0.1			
Real Morgan Guaranty Index	83.8	83.7	79.6	79.6	80.4	80.1	80.5	82.5	83.1	83.6	82.5	91.2	86.8
Percent Change	-3.5	-0.1	-1.6	0.0	1.0	-0.5	0.5	2.5	0.8	0.5	-3.0	10.6	-4.8
Percent Change Year Earlier	-3.4	-3.0	-7.7	-10.4	-10.5	-9.6	-8.4	-5.0	-0.7	-0.2			

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US Macro Forecast Snapshot – December 2011

	Baseline (55%)	Pessimistic (35%)	Optimistic (10%)
GDP Growth	Sluggish, 1.8% in 2012, under 3.0% until 2014	Recession early 2012, 0.2% contraction in 2012	Strong rebound, 3.6% in 2012
Consumer Spending	Modest, up 2.2% in 2012	Lethargic, up 0.9% in 2012	Cheerful, up 3.0% in 2012
Business Fixed Investment	Subpar, up 5.1% in 2012	Frail, up 1.4% in 2012	Booming, up 9.6% in 2012
Housing	Weak, 0.68-million starts in 2012, above 1.0-million starts by late 2013	Abysmal, 0.53-million starts in 2012, above 1.0-million starts by late 2014	Rebounding, 0.90-million starts in 2012, above 1.0-million starts by late 2012
Trade	Moderate export gains, 3.5% in 2012, then accelerating	Subpar export gains, 0.2% contraction in 2012	Strong export gains, 7.1% in 2012
Fiscal Policy	Extension of payroll tax cut and unemployment insurance benefits	No extension of payroll tax cut and unemployment insurance benefits	Expansion of payroll tax cut and unemployment insurance benefits
Monetary Policy	Very loose until early 2014, more quantitative easing in 2012	Very loose until early 2015, more quantitative easing in 2012	Very loose until end 2012, no more quantitative easing
Credit Conditions	Gradually easing	Much tighter in 2012 because of impact of Eurozone credit crunch	Rapidly easing
Productivity Growth	Modest, averaging 1.6% during 2012-21	Lower, averaging 1.2% during 2012-21	Higher, averaging 2.0% during 2012-21
Consumer Confidence	Subdued in 2012, recovering thereafter	Drops further in 2012 and remains depressed	Rebounds very strongly through early 2013, then trending up modestly
Oil Prices (Dollars/barrel)	Refiners' acquisition price at $97 in 2012, $4 below 2011 level	Refiners' acquisition price falls to $79 in 2012, then jumps to $120 by 2015	Refiners' acquisition price up to $106 in 2012, then falls to $97 by 2015
Stock Markets	S&P 500 bottoms out in late 2011 (at 1,220), trending upwards thereafter	S&P 500 collapses in early 2012 (trough at 990), then gradually recovering	S&P 500 rebounds strongly in early 2012, then trending upwards
Inflation (CPI)	Headline inflation moderates to 1.5% in 2012, then slowly increases Core inflation remains constrained at 1.5% through 2013	Lower initially because of plunging demand, but higher by 2013 because of supply constraints	Slightly higher initially because of strong demand, but lower by 2013 because of stronger supply side
Foreign Growth	Eurozone recession, with real GDP falling around 0.7% in 2012 Emerging-market growth slows modestly	Deeper Eurozone recession, with Greece exiting euro Emerging-market growth slows drastically	Mild Eurozone recession in last quarter of 2011 and first quarter of 2012 Emerging-market growth remains strong
US Dollar	Appreciates against major currencies and other currencies until mid-2012, then gradually depreciates	Appreciates more rapidly against major currencies and other currencies, then depreciates quickly (below baseline by 2013)	Depreciates against major currencies and other currencies until early 2012, but then gradually appreciates (above baseline by late 2013)

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Risks and Pressure Points

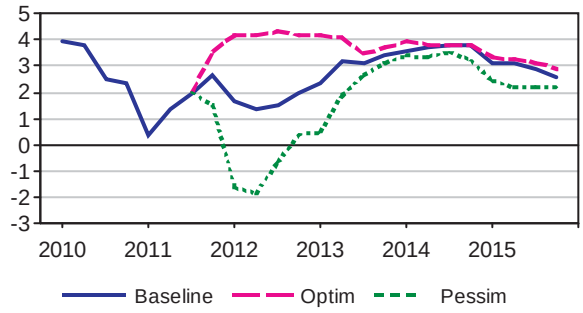
by Gregory Daco and Erik Johnson

The US economy seems to have regained its footing, but the risk of an accidental slip should not be overlooked. Modestly better economic news from the manufacturing survey, employment, domestic spending, income, and confidence is reassuring. However, two major risks remain. Domestically, the risk of not extending the payroll tax cut and the unemployment insurance benefit looms, while abroad, the Eurozone debt fiasco is become more and more troubling. Will the US expansion gather more momentum, or will policy missteps here and in Europe take it back into recession?

In the pessimistic scenario, the US economy comes to a grinding halt at the end of 2011, and enters a recession in 2012. In Europe, the sovereign-debt crisis worsens, resulting in a Greek exit from the Eurozone. The strains on financial markets, the ensuing credit crunch, and the deep European recession hit the US economy with full force. At home, squabbling over how to pay for the extension of the payroll tax cut and emergency unemployment insurance benefits into 2012 ends in gridlock and no action. This adds undesired fiscal tightening to an economy already battling a dire international outlook. Private-sector confidence plummets, stock markets plunge, housing activity retreats further, and consumers and businesses retrench sharply.

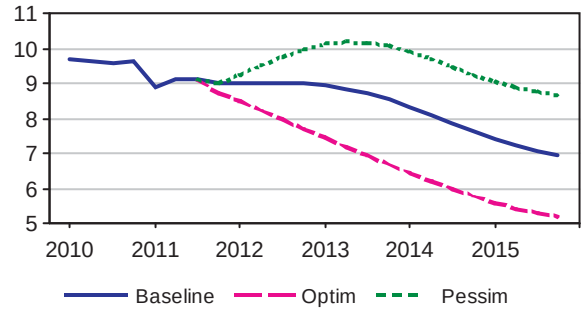
Real GDP

(Percent change, annual rate)



The Unemployment Rate

(Percent)



In the optimistic scenario, the US economy builds on recent momentum while Europe narrowly avoids recession, and fears of a prolonged downturn stateside pass quickly. Financial market stability, an extension and expansion of the payroll tax cut in 2012, and more positive economic data revitalize consumer confidence and spending, which leads to a sharp and sustained upturn in the housing sector. With US growth reignited, the Federal Reserve begins raising interest rates in the first quarter of 2013, earlier than anticipated.

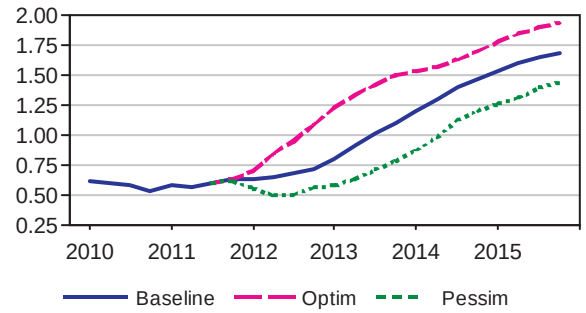
Double-Dip Recession (35% Probability): The combination of a severe Eurozone recession and poor policymaking push the US economy back into recession.

In Europe, the sovereign-debt crisis blows up, with Greece (only) exiting the Eurozone in the first quarter of 2012. The Greek exit further strains financial markets and accentuates the emerging credit crunch. The European Central Bank is ultimately forced to become the lender of last resort, essentially providing unlimited liquidity to banks, and it greatly expands its sovereign debt purchases. This prevents other economies from exiting the Eurozone, and narrowly avoids a Great Recession 2.0.

At home, policymakers' squabbling over how to pay for the extension of the payroll tax cut and emergency unemploy-

Housing Starts

(Million units, annual rate)



ment insurance benefits end in gridlock. The private sector is hit on two fronts by this poor decision. Confidence falls to new lows, and US households' spending shrinks further as the fiscal contraction is worth about $165 billion in 2012—on its own taking 0.6 percentage point off real GDP growth. Poor decision-making from politicians also affects businesses. With the outlook rapidly deteriorating, companies decide to delay all expansion plans and cut their workforces to the bone. The unemployment rate reaches 10.0% by late 2012 and continues climbing thereafter.

The US economy enters a recession in the first quarter of 2012, contracting for three consecutive quarters. On average, real GDP falls 0.2% in 2012, compared with a gain of 1.8% in the baseline. Real personal consumption growth weakens to just 0.9% in 2012 (compared with 2.2% in the baseline), and real consumer spending per capita does not regain its prerecession level until the end of the decade. Light-vehicle sales are also severely affected, falling to just 12.0-million units in 2012 (versus 13.3 million in the baseline).

Housing activity deteriorates further, with already-soft demand conditions weakening even more. Foreclosures continue to flood the market, and the overhang of empty homes balloons. Construction of new homes falls to previously unimaginable levels, with housing starts reaching their lowest annual level on record (since 1960) at 534,000 units in 2012, compared with 675,000 units in the baseline. The median price of a single-family existing home tumbles more than 10% below the baseline by 2013.

Weak domestic demand and declining world oil prices push headline CPI inflation down to 0.4% in 2012 (compared with 1.5% in the baseline), while core CPI inflation remains under control at 1.3% in 2012. This prompts the Fed to keep the federal funds rate on hold in the 0.00-0.25% target range until 2015.

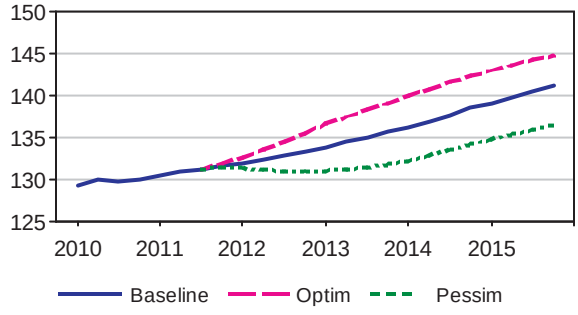
Investors' initial reaction to worsening financial market strains is to rush toward the traditional safe-haven US dollar, thereby strengthening it. But weak domestic growth and insufficient progress on deficit reduction undermine the greenback in the long run.

When the US economy starts to pull out of the recession, a new set of troubles emerges. As pent-up demand gradually unfreezes, spare capacity proves insufficient, leading to production bottlenecks. Constraints on skilled-labor supplies appear quickly. Production shortages, weak productivity growth, a renewed surge in energy prices, and a now-weakening dollar drive inflation higher. The Fed reacts by rapidly raising interest rates, but its response is too late. CPI inflation rises above the baseline by 2014, and the gap continues to widen. Monetary tightening eventually stabilizes core inflation at around 2.5-3.0%, but the Fed abandons its previous goal of just-below 2.0%.

The Recovery Reignites (10% Probability): In the optimistic scenario, economic recovery is sparked by pickups in business and consumer confidence, which lead to more spending and investment, while better news from across the Atlantic calms equity markets. GDP growth picks up significantly in the fourth quarter, to 3.6% (2.6% in the base-

Payroll Employment

(Millions)



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line), followed by 4.2% in each of the first two quarters of 2012. Growth averages 3.6% during 2012 and 4.1% in 2013 (compared with 1.8% and 2.4% in the baseline). With credit channels functioning better, business fixed investment rises 9.6% in 2012 and 10.5% in 2013 (versus 5.1% and 5.3% in the baseline). The optimistic scenario also assumes a stronger growth rate for global GDP, as Europe moves toward a longer-term solution to its sovereign-debt issues. Although Greek debt restructuring is unavoidable, the rest of the Eurozone provides sufficient, credible, and early support to stabilize financial markets and prevent any contagion.

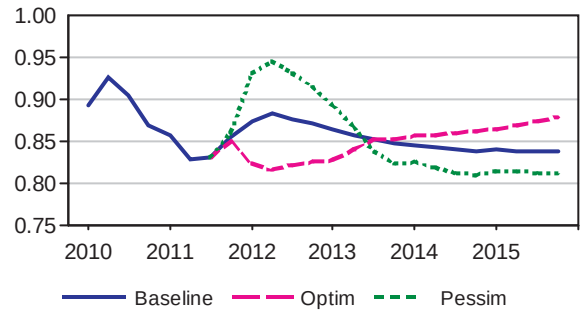
As the recovery begins to pick up steam, Congress stokes the fire by not only extending the payroll tax cut into 2012, but also reducing the employee portion of the Social Security tax rate further, to 3.1% (instead of 4.2% in the baseline). The tax cut amounts to roughly $62.0 billion in 2012. Consumer spending growth runs almost 0.9 percentage point ahead of the baseline pace in 2012, at 3.0%.

The optimistic scenario sees a quicker, sustained recovery in residential construction. Overall, housing starts reach 900,000 units in 2012 (675,000 in the baseline) and 1,375,000 units in 2013 (960,000 in the baseline).

Initially, gasoline prices rise above their baseline levels because a stronger growth profile supports higher oil prices. Consumer price inflation hits 2.4% in 2012, compared with 1.5% in the baseline, but by 2013 inflation is lower than the baseline. Core inflation—excluding food and energy—also exceeds the baseline rate at first. The optimistic scenario assumes stronger growth in total factor productivity, which delivers lower inflation and higher income gains over the longer term, and both core inflation and oil prices fall back below baseline levels by 2014.

US Dollar Exchange Rate

(Major-currency trading partners, 2005=1.00)



US businesses continue to take advantage of growing demand in emerging markets. Exports increase 7.1% in 2012 and 10.3% in 2013, compared with 3.5% and 7.6% in the baseline. With greater demand comes more jobs, and the unemployment rate drops to 7.7% by the fourth quarter of 2012, while in the baseline it remains above 8.0% until 2014.

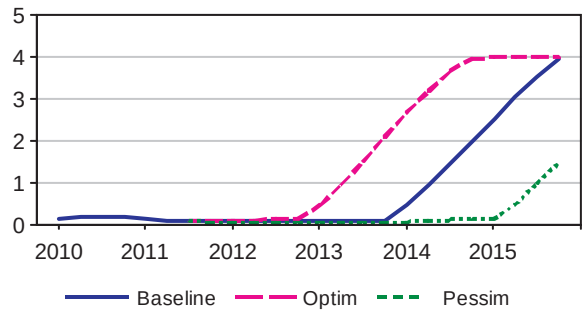
The rebound in vehicle sales is sharper in the optimistic scenario than in the baseline. Light-vehicle sales hit 14.6-million units in 2012 and 16.3-million units in 2013 (versus 13.3 million and 14.7 million in the baseline).

As a result of the better economic performance, long-term interest rates initially climb more quickly than in the baseline. The stronger-than-expected growth causes the Federal Reserve to rethink its pledge to keep interest rates near zero through mid-2013, and it begins hiking rates in the first quarter of 2013. The move calms the bond market and bolsters confidence that inflation will remain subdued over the longer term. A better inflation performance over the long term eventually means that the Fed is able to reduce interest rates below baseline levels near the end of the decade.

In short, the optimistic alternative sees an immediate pickup in consumer spending and confidence, more stable equity markets as the Eurozone's debt issues are forcefully addressed, and much stronger US growth than in the baseline—without adverse consequences for the long-term inflation outlook.

The Federal Funds Rate

(Percent)



Created on 14 Dec 2011 for Erik Johnson

TABLE 1

Summary of the US Economy - Double-Dip Recession (Prob. = 35%)

	2011:3	2011:4	2012:1	2012:2	2012:3	2012:4	2010	2011	2012	2013	2014	2015	2016
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	2.0	1.5	-1.6	-1.8	-0.7	0.4	3.0	1.7	-0.2	0.9	3.2	2.7	2.4
Final Sales of Domestic Product	3.6	1.0	-2.0	-1.3	0.0	0.5	1.4	2.0	0.0	0.8	2.9	2.7	2.5
Total Consumption	2.3	1.9	-0.6	0.5	1.5	1.4	2.0	2.2	0.9	0.6	0.8	1.3	1.7
Durables	5.5	10.1	-5.6	-0.7	8.2	5.5	7.2	7.8	1.9	3.0	1.2	2.7	3.8
Nondurables	-0.6	1.2	2.0	0.8	1.5	1.2	2.9	1.7	1.1	0.5	0.0	0.5	1.2
Services	2.9	0.8	-0.7	0.5	0.5	0.8	0.9	1.5	0.6	0.3	1.1	1.4	1.6
Nonresidential Fixed Investment	14.8	1.0	-0.5	-1.3	-4.6	-2.5	4.4	8.4	1.4	1.0	9.0	8.0	4.5
Equipment & Software	15.6	-0.7	-1.7	1.4	1.1	2.9	14.6	9.8	2.2	3.9	7.7	5.5	3.5
Information Processing Equipment	0.7	2.0	1.9	10.8	9.5	6.9	9.9	5.6	5.1	5.2	5.5	5.5	6.0
Computers & Peripherals	13.8	-1.1	0.4	22.9	26.1	10.6	30.5	16.0	12.1	9.1	11.0	10.3	12.6
Communications Equipment	-20.8	-5.2	25.6	29.5	5.7	0.5	12.5	-3.4	6.2	1.4	9.8	8.4	7.0
Industrial Equipment	31.3	3.3	5.3	-2.0	-0.3	-4.5	6.9	11.7	4.6	-1.7	7.8	6.6	1.5
Transportation equipment	31.7	6.2	-5.1	-21.6	-15.3	-6.6	68.9	24.9	-2.9	5.9	14.2	1.9	-6.7
Aircraft	-48.4	20.8	37.5	5.5	7.6	7.9	-1.2	-5.5	7.9	5.2	6.0	7.0	6.4
Other Equipment	36.0	-15.7	-14.7	-0.5	-7.5	6.3	11.6	10.0	-4.0	4.1	8.7	7.1	6.8
Structures	12.6	5.8	2.8	-8.2	-18.6	-16.4	-15.8	4.8	-0.8	-6.9	13.2	15.1	7.2
Commercial & Health Care	10.9	5.9	14.1	6.6	-13.0	-16.2	-24.5	-2.9	5.4	-8.6	13.9	24.1	15.2
Manufacturing	16.6	7.8	17.8	11.2	-3.2	-19.7	-31.8	-10.6	10.7	-8.6	25.0	25.8	15.5
Power & Communication	19.3	-0.8	-13.7	-15.9	-15.3	-10.1	-15.1	5.5	-6.6	-7.1	3.9	4.5	-3.4
Mining & Petroleum	9.0	13.1	4.9	-18.7	-32.5	-22.8	16.6	24.8	-3.7	-9.7	11.4	10.4	-0.5
Other	11.5	-2.4	-2.3	-5.3	-7.8	-8.7	-26.2	-8.1	-2.4	4.8	19.1	13.3	10.0
Residential Fixed Investment	1.6	-1.9	-10.8	-13.6	-4.9	5.4	-4.3	-2.1	-5.6	6.9	23.8	19.1	8.4
Exports	4.3	2.5	-0.7	-5.4	-2.1	1.1	11.3	6.6	-0.2	3.7	9.3	6.3	6.7
Imports	0.5	-0.2	2.2	-1.7	-2.6	-0.6	12.5	4.6	0.0	-1.0	1.3	2.6	2.7
Federal Government	1.9	-4.9	-3.5	-3.5	-3.9	-3.9	4.5	-1.8	-2.8	-3.6	-3.2	-2.2	-1.5
State & Local Government	-1.4	-2.9	-4.3	-3.3	-2.6	-2.5	-1.8	-2.3	-3.1	-2.0	-0.2	0.5	0.6
Billions of Dollars													
Real GDP	13337.8	13387.5	13333.0	13271.0	13248.6	13261.5	13088.0	13306.2	13278.5	13393.7	13816.6	14187.4	14534.1
Nominal GDP	15180.9	15252.2	15245.8	15193.7	15190.3	15212.9	14526.6	15078.4	15210.7	15440.7	16173.1	16941.3	17727.7
Prices & Wages, Percent Change, Annual Rate													
GDP Deflator	2.5	0.5	1.5	0.5	0.6	0.2	1.2	2.1	1.1	0.6	1.5	2.0	2.1
Consumer Prices	3.1	0.7	-1.7	-1.7	1.7	1.0	1.6	3.1	0.4	1.7	3.0	2.6	2.2
Producer Prices, Finished Goods	2.0	1.1	1.1	-4.2	0.6	0.7	4.2	6.0	-1.6	1.5	4.0	2.9	1.6
Employment Cost Index - Total Comp.	1.4	1.4	2.1	1.4	1.5	1.5	1.9	2.1	1.6	1.6	2.0	2.5	3.0
Other Key Measures													
Oil - Refiner Acq. Cost, Composite ($/bbl)	99.08	97.26	81.03	75.23	78.19	80.45	76.70	99.61	78.73	91.21	111.82	117.49	118.10
Productivity (%ch., saar)	2.3	0.6	-1.2	-1.0	0.0	0.7	4.1	0.9	0.0	0.9	1.6	0.8	1.1
Total Industrial Production (%ch., saar)	5.2	1.6	-2.0	-2.7	-1.3	-0.2	5.3	3.9	-0.2	1.2	4.6	3.0	2.5
Factory Operating Rate	74.9	75.2	74.3	73.2	72.6	72.6	71.7	74.7	73.2	73.6	77.1	78.1	78.6
Nonfarm Inven. Chg. (Bil. 2005 $)	4.9	16.7	24.2	1.7	-24.2	-26.7	60.7	33.1	-6.2	-2.1	37.1	34.0	28.6
Consumer Sentiment Index	59.6	62.4	61.6	63.4	65.8	68.9	71.8	66.7	64.9	69.7	73.7	76.3	75.9
Light Vehicle Sales (Mil. units, saar)	12.45	13.13	12.26	11.67	11.95	12.29	11.55	12.66	12.04	13.14	14.18	14.62	14.83
Housing Starts (Mil. units, saar)	0.610	0.616	0.560	0.498	0.511	0.566	0.585	0.595	0.534	0.682	1.048	1.355	1.536
Exist. House Sales (Total, Mil. saar)	4.877	4.944	4.737	4.728	4.910	5.030	4.918	4.960	4.851	5.085	5.203	5.638	5.729
Unemployment Rate (%)	9.1	9.0	9.3	9.5	9.8	10.0	9.6	9.0	9.6	10.1	9.6	8.8	8.4
Payroll Employment (%ch., saar)	0.9	0.8	-0.5	-0.7	-0.3	0.1	-0.7	1.0	0.1	0.2	1.4	1.8	1.6
Federal Surplus (Unified, nsa, bil. $)	-325.1	-331.4	-379.5	-66.0	-240.8	-282.6	-1294.2	-1295.6	-1017.7	-790.1	-712.8	-694.3	-719.4
Current Account Balance (Bil. $)	-414.3	-424.9	-369.2	-363.8	-361.6	-354.5	-470.9	-447.4	-362.3	-366.1	-424.8	-498.6	-482.0
Financial Markets, NSA													
Federal Funds Rate (%)	0.08	0.08	0.08	0.08	0.08	0.08	0.18	0.10	0.08	0.08	0.11	0.79	2.82
3-Month Treasury Bill Rate (%)	0.02	0.02	0.02	0.03	0.05	0.05	0.14	0.05	0.04	0.07	0.27	0.93	2.66
10-Year Treasury Note Yield (%)	2.43	2.01	1.46	1.49	1.65	1.71	3.21	2.78	1.58	2.17	3.11	4.38	5.61
30-Year Fixed Mortgage Rate (%)	4.31	3.97	3.62	3.48	3.56	3.60	4.69	4.45	3.57	3.96	4.75	5.96	7.14
S&P 500 Stock Index	1228	1203	994	952	1040	1060	1139	1263	1011	1103	1174	1250	1336
(Four-Quarter % change)	12.0	-0.1	-23.7	-27.8	-15.3	-11.9	20.3	10.9	-19.9	9.1	6.4	6.5	6.9
Exchange Rate, Major Trading Partners	0.832	0.861	0.931	0.945	0.932	0.915	0.898	0.845	0.931	0.856	0.817	0.814	0.809
(% change, annual rate)	1.0	14.6	36.8	6.2	-5.4	-7.2	-3.0	-5.9	10.1	-8.1	-4.5	-0.4	-0.6
Incomes													
Personal Income (% ch., saar)	0.6	1.9	-1.5	1.3	1.0	1.4	3.7	4.7	0.7	1.7	4.5	5.1	5.4
Real Disposable Income (%ch., saar)	-2.1	1.4	-0.2	2.2	-1.0	0.0	1.8	0.9	0.2	-0.7	1.6	2.4	2.6
Saving Rate (%)	3.8	3.6	3.7	4.1	3.6	3.2	5.3	4.3	3.7	2.5	3.2	4.1	4.9
After-Tax Profits (Billions of $)	1507	1504	1457	1398	1415	1427	1408	1484	1424	1543	1613	1496	1482
(Four-quarter % change)	6.5	12.4	0.1	-4.9	-6.1	-5.1	19.0	5.4	-4.0	8.3	4.6	-7.2	-1.0

Created on 14 Dec 2011 for Erik Johnson

TABLE 2

Summary of the US Economy - The Recovery Reignites (Prob. = 10%)

	2011:3	2011:4	2012:1	2012:2	2012:3	2012:4	2010	2011	2012	2013	2014	2015	2016
Composition of Real GDP, Percent Change, Annual Rate													
Gross Domestic Product	2.0	3.6	4.2	4.2	4.3	4.2	3.0	1.8	3.6	4.1	3.8	3.4	2.9
Final Sales of Domestic Product	3.6	2.6	3.4	3.4	3.7	3.9	1.4	2.1	3.2	3.9	4.0	3.5	2.9
Total Consumption	2.3	2.8	3.7	3.2	3.4	3.4	2.0	2.3	3.0	2.9	3.5	3.3	3.0
Durables	5.5	14.5	9.6	8.3	10.9	8.1	7.2	8.0	8.8	6.6	5.1	6.3	5.9
Nondurables	-0.6	2.0	3.8	2.5	2.2	2.3	2.9	1.8	2.1	2.2	2.5	2.3	2.3
Services	2.9	1.3	2.7	2.6	2.6	3.0	0.9	1.6	2.4	2.5	3.5	3.2	2.7
Nonresidential Fixed Investment	14.8	9.2	11.1	8.4	5.0	8.0	4.4	9.0	9.6	10.5	9.7	5.9	4.0
Equipment & Software	15.6	9.5	13.3	11.7	9.1	10.6	14.6	10.5	11.4	12.1	9.2	4.9	3.7
Information Processing Equipment	0.7	11.3	12.3	10.9	9.3	8.4	9.9	6.2	9.5	8.3	10.1	9.2	8.2
Computers & Peripherals	13.8	20.5	5.1	17.2	14.6	17.0	30.5	17.5	15.5	12.7	16.9	15.6	16.5
Communications Equipment	-20.8	0.9	34.6	21.3	11.1	8.1	12.5	-3.0	9.2	7.8	13.2	9.8	8.0
Industrial Equipment	31.3	14.6	9.7	13.1	10.9	11.2	6.9	12.5	13.2	17.4	8.1	-2.8	-3.0
Transportation equipment	31.7	11.8	19.6	23.3	24.2	20.3	68.9	25.3	20.6	20.7	3.0	-4.9	-7.5
Aircraft	-48.4	28.3	59.8	21.4	18.3	14.5	-1.2	-5.1	18.3	11.3	8.4	5.8	1.9
Other Equipment	36.0	-1.4	14.4	3.8	-4.4	7.8	11.6	11.1	7.8	10.1	13.7	10.5	7.1
Structures	12.6	8.6	5.5	-0.2	-6.1	0.6	-15.8	5.0	4.9	5.7	11.3	8.8	4.7
Commercial & Health Care	10.9	20.1	28.9	19.8	12.5	15.9	-24.5	-2.1	19.9	18.0	18.7	16.1	11.3
Manufacturing	16.6	4.3	-5.3	-4.0	-7.7	14.3	-31.8	-10.8	3.0	28.5	16.0	5.8	2.5
Power & Communication	19.3	-0.6	-12.8	-14.1	-12.2	-5.6	-15.1	5.5	-5.3	-2.7	6.3	4.6	-2.6
Mining & Petroleum	9.0	13.1	7.4	-3.9	-14.5	-6.6	16.6	24.8	3.9	-5.4	0.1	0.5	-4.4
Other	11.5	-2.4	2.4	0.2	-8.1	-10.8	-26.2	-8.1	-0.4	3.6	19.2	12.7	11.5
Residential Fixed Investment	1.6	3.4	17.3	30.4	37.5	32.0	-4.3	-1.8	17.5	32.4	16.3	11.7	6.5
Exports	4.3	4.9	6.0	9.3	11.5	11.7	11.3	6.8	7.1	10.3	8.1	7.0	5.8
Imports	0.5	2.4	5.2	6.2	6.7	8.1	12.5	4.8	4.4	7.3	6.3	5.3	4.3
Federal Government	1.9	-4.9	-3.5	-3.5	-3.9	-3.9	4.5	-1.8	-2.8	-3.6	-2.9	-2.0	-1.3
State & Local Government	-1.4	-1.7	-3.0	-2.7	-1.1	-0.2	-1.8	-2.2	-2.1	0.2	1.1	1.1	0.9
Billions of Dollars													
Real GDP	13337.8	13455.9	13594.2	13735.3	13881.2	14024.0	13088.0	13323.3	13808.7	14369.1	14914.0	15427.1	15874.7
Nominal GDP	15180.9	15354.0	15558.6	15744.9	15976.3	16208.8	14526.6	15103.9	15872.1	16786.3	17679.7	18549.3	19370.3
Prices & Wages, Percent Change, Annual Rate													
GDP Deflator	2.5	1.1	1.2	0.6	1.6	1.7	1.2	2.1	1.4	1.6	1.5	1.4	1.5
Consumer Prices	3.1	2.1	3.1	1.1	2.0	1.4	1.6	3.2	2.4	1.6	1.5	1.5	1.4
Producer Prices, Finished Goods	2.0	2.8	2.5	-0.7	0.4	0.5	4.2	6.1	1.8	0.6	0.7	0.6	0.1
Employment Cost Index - Total Comp.	1.4	2.5	2.8	2.2	2.1	2.2	1.9	2.2	2.4	2.3	2.6	2.9	3.2
Other Key Measures													
Oil - Refiner Acq. Cost, Composite ($/bbl)	99.08	101.97	109.57	107.59	104.88	103.48	76.70	100.79	106.38	103.34	101.55	96.69	94.06
Productivity (%ch., saar)	2.3	2.1	2.0	1.9	1.5	1.2	4.1	1.0	1.8	1.3	1.4	1.6	1.8
Total Industrial Production (%ch., saar)	5.2	3.7	6.2	6.8	7.1	5.2	5.3	4.0	5.4	5.7	3.8	2.8	2.3
Factory Operating Rate	74.9	75.5	76.6	78.1	79.5	80.6	71.7	74.8	78.7	82.1	82.3	81.3	80.0
Nonfarm Inven. Chg. (Bil. 2005 $)	4.9	30.6	49.3	72.6	89.6	99.7	60.7	36.5	77.8	94.9	62.7	49.3	43.4
Consumer Sentiment Index	59.6	64.1	73.6	79.2	82.9	87.1	71.8	67.2	80.7	89.0	90.2	93.6	94.2
Light Vehicle Sales (Mil. units, saar)	12.45	13.50	13.90	14.27	14.92	15.39	11.55	12.76	14.62	16.27	16.81	17.28	17.61
Housing Starts (Mil. units, saar)	0.610	0.637	0.705	0.845	0.953	1.098	0.585	0.600	0.900	1.375	1.611	1.867	1.976
Exist. House Sales (Total, Mil. saar)	4.877	5.001	5.138	5.424	5.626	5.818	4.918	4.974	5.501	6.100	6.366	6.768	6.972
Unemployment Rate (%)	9.1	8.7	8.5	8.2	8.0	7.7	9.6	9.0	8.1	7.1	6.1	5.4	5.0
Payroll Employment (%ch., saar)	0.9	1.8	2.7	2.6	3.0	3.1	-0.7	1.1	2.3	2.8	2.4	1.9	1.4
Federal Surplus (Unified, nsa, bil. $)	-325.1	-325.3	-402.1	-78.7	-245.6	-277.9	-1294.2	-1295.6	-1051.7	-692.1	-536.2	-470.6	-446.3
Current Account Balance (Bil. $)	-414.3	-451.4	-531.3	-576.4	-577.4	-556.4	-470.9	-454.0	-560.4	-532.3	-526.5	-562.9	-557.0
Financial Markets, NSA													
Federal Funds Rate (%)	0.08	0.08	0.12	0.12	0.15	0.15	0.18	0.10	0.14	1.27	3.38	4.00	4.00
3-Month Treasury Bill Rate (%)	0.02	0.07	0.13	0.14	0.20	0.20	0.14	0.07	0.17	1.20	3.27	3.87	3.74
10-Year Treasury Note Yield (%)	2.43	2.15	2.82	3.40	3.62	3.79	3.21	2.81	3.41	4.20	4.59	4.83	4.87
30-Year Fixed Mortgage Rate (%)	4.31	4.03	4.06	4.76	5.06	5.15	4.69	4.46	4.76	5.53	5.97	6.19	6.19
S&P 500 Stock Index	1228	1242	1375	1420	1460	1482	1139	1273	1434	1533	1618	1710	1813
(Four-Quarter % change)	12.0	3.2	5.5	7.6	18.9	19.3	20.3	11.7	12.6	6.9	5.5	5.7	6.0
Exchange Rate, Major Trading Partners	0.832	0.851	0.824	0.816	0.823	0.826	0.898	0.843	0.822	0.844	0.860	0.873	0.885
(% change, annual rate)	1.0	9.4	-12.2	-3.7	3.3	1.5	-3.0	-6.2	-2.4	2.6	1.9	1.5	1.4
Incomes													
Personal Income (% ch., saar)	0.6	3.8	8.2	5.4	5.8	6.0	3.7	4.8	5.2	5.2	5.9	5.1	4.7
Real Disposable Income (%ch., saar)	-2.1	1.7	4.9	3.5	2.7	3.2	1.8	0.9	2.4	2.5	4.4	3.5	3.2
Saving Rate (%)	3.8	3.5	3.8	3.8	3.6	3.5	5.3	4.3	3.7	3.0	3.8	4.0	4.1
After-Tax Profits (Billions of $)	1507	1551	1574	1561	1603	1644	1408	1496	1596	1775	1800	1701	1671
(Four-quarter % change)	6.5	15.9	8.2	6.2	6.4	6.0	19.0	6.2	6.7	11.2	1.4	-5.5	-1.7

Created on 14 Dec 2011 for Erik Johnson

Global Setting

by Michelle Valverde

Highlights

- The Eurozone outlook continues to deteriorate, with a sharp tightening of credit conditions, elevated interest rates on sovereign debt, and inadequate policy responses to crisis. Our forecast of Eurozone growth is being revised from 0.1% to -0.7% in 2012 and from 1.3% to 0.9% in 2013.
- Global real GDP growth is now projected to slow from 4.2% in 2010 to 3.0% in 2011 and 2.7% in 2012, before strengthening to 3.6% in 2013. The forecasts for both 2012 and 2013 have been revised downward by 0.2 percentage point.

Projected Growth Rates of Real GDP

(Percent)

As of **12/9/2011**	**2010**	**2011**	**2012**	Average **2013-16**
United States	3.0	1.7	1.8	3.0
Canada	3.2	2.2	1.8	2.7
Japan	4.5	-0.7	2.9	1.8
Eurozone	1.7	1.5	-0.7	1.8
Mexico	5.4	3.9	2.8	4.1
South America	5.9	3.8	3.4	4.8
Asia exc. Japan	8.5	6.7	6.2	7.1
China	10.4	9.1	7.9	8.3
World	4.2	3.0	2.7	4.1

Issues to Watch

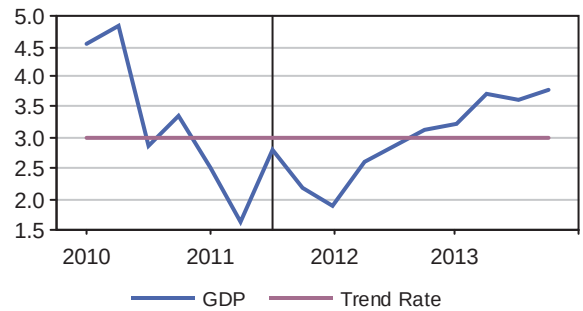
- Eurozone governments have agreed to a “fiscal compact” that will mean more severe austerity, but they have not resolved the crisis. The big question now is whether the European Central Bank (ECB) is prepared to step in as a lender of last resort to sovereign governments
- The ECB is expected to cut its policy rate further at its next two meetings, taking the rate from 1.00% to 0.50% by February 2012. The policy rate is likely to stay at this level well into 2013.
- A gradual deceleration in economic activity is under way in China. Industrial production growth slowed from 13.8% year on year (y/y) in September to 13.2% y/y in October, its slowest pace in 12 months. Meanwhile, export growth moderated from 17.1% y/y in September to 15.9% y/y in October, with a continued deceleration in exports to Europe.

Other Regional Highlights

- Fiscal tightening, weakening export demand, and financial strains will limit UK growth prospects in the year ahead. The UK economy is likely to stall in coming months, and a mild contraction cannot be ruled out if the Eurozone’s downturn intensifies.
- After three consecutive quarterly declines, Japanese real GDP rebounded at a 5.6% annual rate in the third quarter. This strong performance was driven by exports and consumer spending, rather than rebuilding after the earthquake.

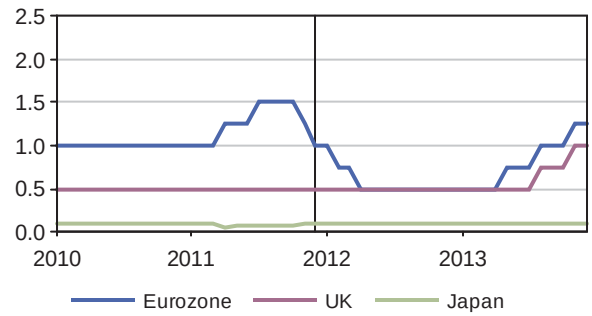
Global Economic Growth Continues to Slow

(Percent change, annual rate, real GDP)



European Central Bank Lowers Rates

(Policy interest rates, percent, end of period)



Poor PMI Data Show Sliding Chinese Growth

China's official purchasing managers' index (PMI) has tumbled below the critical 50 marker for the first time since February 2009, as this year's credit tightening pushed the manufacturing sector into contraction. November's PMI came in at 49.0, a sharp drop from October's 50.4, and below market expectations of 49.7. Worse, subindexes from the official PMI to point to further deterioration in activity. November's "new orders" index dropped to 47.8, from October's 50.5; "new export orders" declined to 45.3, from 46.0. All three were the worst readings since early 2009. The PMI readings come off the back of softening November survey data from Market News International (MNI) and weakening official macro data in October. The MNI subindex for "order backlogs," for example, is at lowest level since the survey was established in 2005, at 32.1. Even in the depths of the global financial crisis, the subindex bottomed out at 38.6. The October macro data, too, show the beginnings of a significant slowdown. Electricity production growth came down to its lowest level this year, while industrial production slowed to an annualized month-on-month (m/m) rate of 11%, down from summer highs of 18%. Export growth is waning, too, in the face of a Eurozone contraction.

Above all, perhaps, the growth deceleration is being led by a correction in the property market. Official data show that prices contracted m/m in 34 of 70 cities tracked in October, while researchers at Soufun Enterprise have calculated that the average home price dropped 3% in November to 8,832 yuan (US$1,386) per square meter. This probably understates reality, given that the markets are not transacting while prices tumble. Anecdotal evidence points to price cuts of around 20% in the outskirts of major cities such as Beijing and Shanghai. In turn, this is depressing land values, which places more stress on bank balance sheets underpinned by land collateralization; it hinders local government investment spending, which is reliant on land sale revenue; and it puts the brakes on construction and related sectors, such as cement and steel, which are in large part driven by commercial real estate. IHS Global Insight expects all this to feed through into slower industrial production growth numbers for November, and slower GDP numbers for the fourth quarter. To compound matters, the export outlook appears to be weakening as well—as evidenced by poor PMI subindex numbers and soft provincial level data—given ongoing wrangling in Europe.

Outlook and Implications

With the People's Bank of China dropping the reserve ratio requirement (RRR) by 50 basis points recently, the government has signaled a decisive shift to an easing stance. In this respect, the markets have been handed a powerful one-two combo, in the form of a shocking PMI print and an early RRR cut. The message is clear: the economy is slowing much faster than expected and the government has stepped into the ring. The loosening campaign has begun. The RRR cut unlocked over 350 billion yuan in liquidity, which should allow banks to pick up lending slightly into 2012, somewhat buoying growth. Going forward, however, given that the three-month outlook for central bank paper maturity is weak, the government will need to be more aggressive on RRR cuts, particularly before the Spring Festival liquidity-squeeze in late January. Because the government relied more heavily on RRRs than open-market operations during the tightening cycle, they will have to rely more heavily on RRRs during the loosening cycle as well. We feel the government moved early on RRR cuts in an attempt to buy themselves some space—they loosened too aggressively in 2009-10, tightening too aggressively in 2011, and are now treading a fine line in pursuing measured easing. Risks of a policy error remain extremely high because authorities are loosening against a backdrop of a deteriorating Eurozone, a rocky real estate market, stressed local government balance sheets and capital fight. Interest rate cuts, however, remain highly unlikely for the time being. Despite decelerating inflation, real deposit rates are firmly negative, and a rate cut would merely see deposits exit from the banking sector into the property market. In any case, additional liquidity from the RRR move should provide some softness to market rates. A "low-probability, high-impact" scenario would combine RRR cuts with interest rate hikes—this would be a game-changer, in that it would signal a genuine desire to put China's economy on a sustainable footing. With Vice-Premier Wang Qishan recently noting that "an unbalanced recovery is better than a balanced recession" and Vice-Finance Minister Zhu Guangyao lamenting that the current crisis could be worse than post-Lehman Brothers, we feel that authorities are focused more on "growth preservation" than reform.

by IHS Global Insight Staff

Created on 14 Dec 2011 for Erik Johnson

Financial Markets

by Patrick Newport

Highlights

- Large daily movements in US equity markets have become more common because of unfolding events in the Eurozone.
- We expect bond yields to move substantially higher over the long term, but see them staying below 2.5% until late 2012.
- The Federal Reserve has given as firm a commitment as possible to keep the federal funds rate near zero through at least mid-2013. Our expectation is that it will not be raising rates until 2014.

Changes to the Forecast

	Short Term	Long Term
Prime Rate	▶	▶
Treasury Bond, 10-Year Yield	▶	▶
Corporate Bond Yield	▶	▶
Consumer Nonmortgage Credit	▲	▲
Mortgage Credit	▲	▲
Business Credit	▶	▲

▲ = Higher
▼ = Lower
▶ = No Change

Issue to Watch

- The major immediate risks remain to the downside. The most worrisome one is a financial meltdown in the Eurozone, with some countries exiting the euro, and/or a messy default by one or more of the large Eurozone countries, especially Italy or Spain.

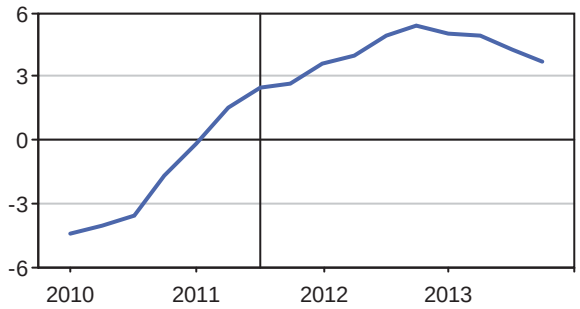
Financial Markets Outlook

(Percent)

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Federal Funds Rate	0.09	0.08	0.08	0.10	0.10	0.10	0.18	0.10	0.10	0.11
3-Month Treasury Bill Rate	0.05	0.02	0.02	0.03	0.04	0.06	0.14	0.05	0.05	0.09
10-Year Treasury Note Yield	3.21	2.43	2.06	2.10	2.26	2.43	3.21	2.79	2.32	2.84
30-Year Fixed Mortgage Rate	4.66	4.31	4.01	3.87	3.98	4.13	4.69	4.46	4.04	4.38
Corporate AAA Bond Yield	5.04	4.46	3.89	4.03	4.18	4.29	4.94	4.63	4.21	4.54
S&P 500 Stock Index	1,319	1,228	1,220	1,216	1,251	1,269	1,139	1,267	1,256	1,334
Year-on-Year Percent Change	16.2	12.0	1.3	-6.7	-5.2	3.4	20.3	11.2	-0.9	6.2
Year-on-Year Percent Change (End-of-period basis)										
Consumer Credit	-1.8	-1.5	-1.7	-1.6	-1.6	-1.3	-2.9	-1.7	-1.0	0.9
Nonmortgage	1.5	2.4	2.6	3.6	4.0	4.9	-1.7	2.6	5.4	3.7
Mortgages	-2.5	-2.4	-2.6	-2.8	-2.9	-2.8	-3.2	-2.6	-2.5	0.1
Business Credit	4.1	7.7	8.5	7.7	7.7	7.0	-5.6	8.5	7.9	6.5
Total Credit	-1.3	-0.8	-0.8	-0.8	-0.7	-0.5	-3.1	-0.8	-0.2	1.4

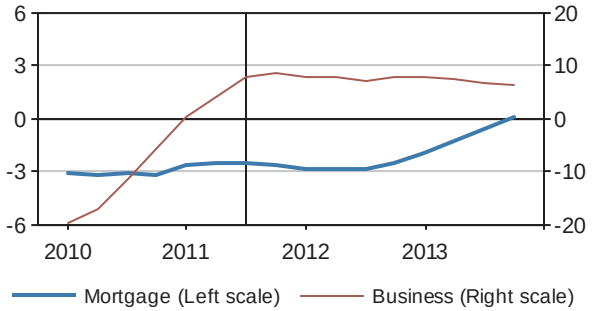
Consumer Nonmortgage Credit

(Percent change from a year earlier, end of period)



Consumer Mortgage and Business Credit

(Percent change from a year earlier, end of period)



Analysis

Recent Developments. Large daily movements in US equity markets have become more common because of unfolding events in the Eurozone. On November 9, the Dow dropped 3.7% after Italian 10-year bond yields crossed the 7% threshold. And on November 30, the Dow jumped 4.3% on news that the Fed and five other central banks would expand a program that allows foreign banks to borrow dollars at low interest rates. Despite these occasional large swings, the CBOE Volatility Index (VIX), which measures expected volatility in the S&P 500 over the next 30 days, has been edging down. On December 8, the VIX ended at 27.8, down from an average reading of 31.9 in November, indicating that while investors expected markets to remain volatile, they also expected volatility to diminish slightly.

The 10-year yield has been hovering around the 2.0% mark since early November, and 30-year yields have settled about 100 basis points above the 10-year yield, as investors continued to show a preference for the liquidity and security of US securities. The dollar's movements against other currencies has been mixed. The Federal Reserve's trade-weighted exchange rate—the broad index—was up 0.6% in the 30 days ended December 2. During this interval, the dollar gained 3.3% against the euro and 2.7% against the British pound, but lost 0.5% against the yen.

The Outlook. Economic growth has improved. Fourth-quarter GDP is expected to be up 2.6%—the best quarter this year. We expect growth to slip below 2.0% again in the first half of 2012, however, because of domestic headwinds from high household and public debt, as well as slower economic growth abroad. We have cut our recession probability to 35%, from 40%. Domestic recession risks have eased, but the threat from the Eurozone remains high.

We expect the dollar to strengthen against the euro as the Eurozone tips into recession, but we see no clear medium-term trend in the dollar against major currencies. We expect a continuing downward trend against emerging-market currencies, dictated by the pace at which China allows the renminbi to appreciate.

Ten-year Treasury bond yields have fallen sharply on fears for global growth and an expectation that short-term interest rates will remain very low for a long time. We expect bond yields to move substantially higher over the long term, but see them staying below 2.5% until late 2012.

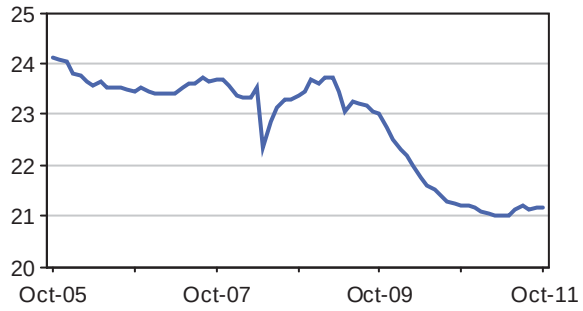
The Fed's willingness to jump in with extra liquidity for European banks indicates its concern at the size of the risks facing the global financial system. We expect that it will follow through with a domestic QE III program in 2012 of similar size to QE II ($600 billion), targeted mostly or entirely towards mortgage-backed securities. We do not believe, however, that either this action or the current "twist" operation will give much support to growth.

Risks to the Forecast. In the pessimistic scenario, facing an outlook of weak growth, the Federal Reserve keeps the federal funds rate in the 0.00-0.25% target range until 2015. Ten-year yields remain below the baseline through 2015.

In the optimistic scenario, long-term interest rates initially climb more quickly than in the baseline because the outlook is brighter. In light of stronger-than-expected growth, the Fed rethinks its pledge to keep interest rates near zero through mid-2013 and begins hiking rates in the first quarter of that year.

Nonmortgage Consumer Debt

(Percent of disposable income)



Consumer Credit Outstanding

(Billions of dollars)

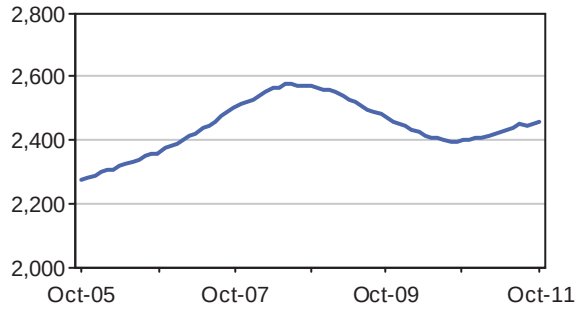


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TABLE 1

Interest Rates, Money, and Financial Variables

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Percent per Annum, NSA													
Federal Funds Rate	0.09	0.08	0.08	0.10	0.10	0.10	0.18	0.10	0.10	0.11	1.23	3.27	4.00
New York Fed Discount Rate	0.75	0.75	0.75	0.75	0.75	0.75	0.72	0.75	0.75	0.75	1.99	4.27	5.00
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	4.23	6.27	7.00
US Treasury Yield Curve													
3-Month Bill, Bond Equiv. Yield	0.05	0.02	0.02	0.03	0.04	0.06	0.14	0.05	0.05	0.09	1.33	3.27	3.86
6-Month Bill, Bond Equiv. Yield	0.10	0.06	0.06	0.07	0.08	0.10	0.20	0.10	0.09	0.14	1.51	3.48	4.02
1-Year Bill/Note Yield	0.21	0.13	0.12	0.13	0.14	0.17	0.32	0.18	0.16	0.25	1.70	3.62	4.01
2-Year Note Yield	0.57	0.28	0.27	0.26	0.29	0.37	0.70	0.45	0.33	0.52	1.96	3.76	4.12
5-Year Note Yield	1.86	1.15	0.97	1.04	1.21	1.41	1.93	1.53	1.29	1.64	2.66	4.18	4.50
10-Year Note Yield	3.21	2.43	2.06	2.10	2.26	2.43	3.21	2.79	2.32	2.84	3.58	4.60	4.91
30-Year Bond Yield	4.34	3.69	3.04	3.06	3.22	3.36	4.25	3.91	3.27	3.75	4.45	5.09	5.31
Short-Term Rates													
3-Month Treasury Bill	0.05	0.02	0.02	0.03	0.04	0.06	0.14	0.05	0.05	0.09	1.31	3.20	3.77
6-Month Treasury Bill	0.10	0.06	0.05	0.07	0.08	0.10	0.19	0.10	0.08	0.14	1.47	3.38	3.89
3-Month Negotiable CDs	0.22	0.29	0.42	0.50	0.46	0.32	0.31	0.30	0.38	0.24	1.47	3.51	4.16
3-Month Commercial Paper	0.17	0.15	0.13	0.17	0.20	0.22	0.23	0.17	0.20	0.22	1.42	3.40	4.04
3-Month LIBOR	0.26	0.30	0.48	0.57	0.53	0.39	0.34	0.34	0.45	0.31	1.54	3.58	4.25
4-Year New Auto Loan (Banks)	5.81	5.94	5.64	5.55	5.56	5.71	6.21	5.81	5.65	5.90	6.62	7.95	8.44
Long-Term Rates													
Seasoned Aaa Corporate Bonds	5.04	4.46	3.89	4.03	4.18	4.29	4.94	4.63	4.21	4.54	5.13	5.96	6.22
Seasoned Baa Corporate Bonds	5.85	5.46	5.21	5.29	5.31	5.33	6.04	5.65	5.32	5.61	6.29	7.12	7.38
Seasoned Aa Public Utility Bonds	5.14	4.75	4.01	4.15	4.33	4.50	5.24	4.81	4.40	4.92	5.63	6.52	6.79
Bond Buyer Index, 20 GO Munis	4.67	4.19	4.08	4.07	4.13	4.20	4.29	4.51	4.15	4.43	4.84	5.49	5.70
Mortgage Rates													
30-Year Conventional Fixed	4.66	4.31	4.01	3.87	3.98	4.13	4.69	4.46	4.04	4.38	5.02	5.98	6.29
11th District Cost of Funds	1.35	1.31	1.18	1.22	1.26	1.25	1.71	1.33	1.24	1.19	1.69	3.01	3.50
Billions of Dollars, SA													
Monetary Aggregates and Reserves													
M1	1924.1	2081.7	2155.0	2186.0	2209.0	2244.7	1808.3	2155.0	2283.1	2416.1	2469.3	2488.7	2517.5
(Percent Change, Annual Rate)	12.1	37.0	14.8	5.9	4.3	6.6	7.4	19.2	5.9	5.8	2.2	0.8	1.2
Cash & Travelers' Checks	962.3	981.0	994.2	1014.4	1027.5	1046.2	916.3	994.2	1064.6	1119.6	1150.0	1181.4	1222.6
Checkable Deposits	961.7	1100.7	1160.8	1171.6	1181.5	1198.5	892.0	1160.8	1218.5	1296.4	1319.3	1307.3	1295.0
M2	9021.6	9469.2	9653.4	9723.9	9779.1	9859.3	8777.3	9653.4	9947.0	10416.1	10919.5	11311.0	11732.2
(Percent Change, Annual Rate)	6.2	21.4	8.0	3.0	2.3	3.3	3.2	10.0	3.0	4.7	4.8	3.6	3.7
M1 Velocity (GDP/M1)	7.80	7.29	7.10	7.05	7.02	6.95	8.03	7.00	6.81	6.68	6.88	7.18	7.43
M2 Velocity (GDP/M2)	1.66	1.60	1.58	1.59	1.58	1.58	1.66	1.56	1.56	1.55	1.56	1.58	1.60
Outstanding Credit													
Com'l & Indus. Loans, Com'l.Banks	1260.8	1295.3	1311.4	1332.8	1358.3	1386.5	1209.1	1311.4	1415.3	1506.6	1595.3	1688.7	1776.6
Percent Change, Annual Rate	7.8	11.4	5.1	6.7	7.9	8.6	-5.6	8.5	7.9	6.5	5.9	5.9	5.2
Nonmortgage Consumer Credit	2442.5	2452.0	2471.8	2509.2	2539.0	2572.6	2408.3	2471.8	2604.7	2702.0	2789.0	2898.9	3013.0
Percent Change, Annual Rate	3.5	1.6	3.3	6.2	4.8	5.4	-1.7	2.6	5.4	3.7	3.2	3.9	3.9
Mortgage Loans, All Issuers	13628.3	13559.1	13487.0	13404.7	13340.8	13302.1	13817.4	13487.0	13276.9	13381.6	13837.2	14604.8	15543.5
Percent Change, Annual Rate	-2.4	-2.0	-2.1	-2.4	-1.9	-1.2	-3.6	-2.4	-1.6	0.8	3.4	5.5	6.4
Mortgage Loans													
Net Acquisitions	-334.0	-276.7	-288.2	-329.3	-255.6	-155.0	-509.2	-330.4	-210.1	104.7	455.6	767.6	938.6
Single-Family	-268.4	-249.3	-287.1	-363.5	-296.5	-208.9	-342.5	-278.1	-259.1	10.0	309.2	547.5	645.6
Multi-Family	4.1	9.2	16.2	20.4	25.2	29.7	-10.1	6.9	27.3	41.1	54.3	69.3	84.8
Commercial	-65.0	-31.9	-12.6	11.3	13.3	21.8	-161.6	-54.5	19.2	49.6	87.0	145.8	203.2
Farm	-4.8	-4.7	-4.7	2.5	2.5	2.5	4.9	-4.7	2.5	4.0	5.0	5.0	5.0
Outstandings, End of Period													
Single-Family	10380.1	10317.7	10245.9	10155.1	10080.9	10028.7	10524.0	10245.9	9986.9	9996.9	10306.1	10853.6	11499.2
Multi-Family	839.9	842.2	846.3	851.4	857.7	865.1	839.4	846.3	873.6	914.7	969.0	1038.3	1123.1
Commercial	2274.4	2266.4	2263.3	2266.1	2269.4	2274.9	2317.8	2263.3	2282.4	2332.0	2419.1	2564.9	2768.1
Farm	133.9	132.7	131.5	132.2	132.8	133.4	136.3	131.5	134.0	138.0	143.0	148.0	153.0

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TABLE 2
Saving and Investment

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars													
Gross Saving	1890.5	1887.3	1984.0	2007.9	1998.0	2003.0	1820.5	1914.3	2012.2	2215.7	2518.8	2756.8	2957.5
Net Saving	-49.5	-74.5	-0.5	13.1	-6.3	-13.5	-54.6	-35.9	0.3	135.0	345.0	477.4	577.0
Net Private Saving	1266.1	1176.5	1220.8	1152.4	1115.1	1056.8	1244.5	1225.7	1088.1	930.2	1046.5	1127.5	1217.9
Personal Saving	556.5	434.6	421.4	464.3	471.2	441.8	592.8	497.8	449.9	366.9	472.8	572.6	641.3
Adjusted Corporate Retained Earnings	709.6	741.9	799.4	688.1	643.8	615.0	651.7	727.8	638.1	563.4	573.7	554.9	576.6
Undistributed Profits	662.7	685.9	702.3	688.5	644.1	639.5	671.0	678.0	653.4	759.2	802.1	695.4	686.8
Inventory Valuation Adjustment	-60.4	-47.3	2.8	36.7	35.1	9.0	-39.1	-55.2	19.2	-11.0	-19.8	-7.8	-5.1
Capital Consumption Adjustment	107.3	103.3	94.3	-37.0	-35.3	-33.4	19.7	105.1	-34.5	-184.9	-208.6	-132.7	-105.1
Wage Accruals less Disbursements'	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Government Saving	-1315.6	-1251.0	-1221.3	-1139.3	-1121.3	-1070.4	-1299.0	-1261.5	-1087.8	-795.3	-701.5	-650.1	-640.9
Federal	-1275.4	-1172.8	-1143.3	-1074.0	-1063.4	-1025.6	-1273.7	-1198.2	-1035.8	-770.2	-692.1	-652.2	-653.2
State & Local	-40.2	-78.2	-78.0	-65.3	-57.9	-44.7	-25.3	-63.4	-51.9	-25.1	-9.4	2.1	12.3
Consumption of Fixed Capital													
Private	1590.5	1606.7	1625.5	1634.6	1643.2	1655.0	1540.9	1598.3	1650.7	1715.2	1798.8	1892.6	1982.3
Government	349.4	355.2	359.0	360.2	361.1	361.5	334.0	351.8	361.1	365.6	375.0	386.8	398.3
General Government	291.0	295.6	298.4	298.8	298.9	298.5	278.6	292.8	298.5	299.8	305.8	314.4	322.4
Federal	129.8	132.2	133.4	134.4	135.2	135.9	123.3	130.8	135.5	138.0	140.2	142.0	142.8
State & Local	161.1	163.5	165.0	164.5	163.7	162.6	155.3	162.1	163.0	161.8	165.6	172.4	179.6
Government Enterprise	58.4	59.6	60.6	61.4	62.2	63.0	55.4	59.0	62.6	65.9	69.2	72.4	75.8
Gross Domestic Investment													
Gross Domestic Investment	1895.3	1895.4	1943.0	1990.1	2013.0	2022.7	1795.1	1896.7	2018.6	2195.8	2501.7	2771.7	2940.9
Gross Government Investment	478.2	487.1	478.3	472.6	466.8	465.5	505.3	481.8	467.0	464.5	471.5	482.8	494.7
Net Lending or Borrowing (-) *	-496.7	-444.3	-462.7	-480.3	-507.4	-510.8	-479.9	-474.4	-499.0	-470.2	-480.1	-523.5	-504.1
Statistical Discrepancy	-10.0	51.4	-25.0	-25.0	-25.0	-25.0	0.8	-8.9	-25.0	-25.0	-25.0	-25.0	-25.0
* Includes a small amount of capital transfers.													
Percent of GDP													
Gross Saving	12.4	12.2	12.8	12.8	12.7	12.7	12.4	12.5	12.7	13.5	14.7	15.3	15.7
Private	18.7	18.0	18.3	17.8	17.6	17.1	18.9	18.4	17.4	16.2	16.6	16.8	17.0
Government	-6.3	-5.8	-5.5	-5.0	-4.8	-4.5	-6.6	-5.9	-4.6	-2.6	-1.9	-1.5	-1.3
Stock Market and Equities													
S&P 500 Common Stock Index	1319	1228	1220	1216	1251	1269	1139	1267	1256	1334	1408	1488	1578
Four-Quarter Percent Change	16.2	12.0	1.3	-6.7	-5.2	3.4	12.1	10.5	5.1	10.2	5.2	3.0	1.4
Reported Earnings	22.24	22.74	23.22	24.72	24.12	25.02	77.35	89.64	98.30	108.91	120.95	129.23	131.91
Operating Earnings	24.86	25.37	25.92	24.98	25.66	26.62	83.8	98.7	104.9	112.9	121.3	128.1	131.5
Price-(Reported) Earnings Ratio	16.2	14.6	14.0	13.6	13.5	13.4	18.4	15.4	13.4	13.1	12.4	11.9	12.1
Dividend Yield (Annual rate)	1.97	2.15	2.21	2.25	2.21	2.20	1.98	2.05	2.22	2.19	2.20	2.19	2.14
Cost of Funds - Percent													
Financial Capital	4.87	4.87	4.81	4.86	4.87	4.86	4.95	4.84	4.85	4.80	4.93	5.22	5.33
To Limited Partnerships	3.47	2.89	2.62	2.65	2.77	2.89	3.52	3.16	2.82	3.20	3.72	4.44	4.66
To Public Utilities	4.62	4.62	4.45	4.51	4.54	4.56	4.73	4.58	4.54	4.59	4.80	5.15	5.27
After-Tax Cost of Equity	6.03	6.26	6.40	6.42	6.37	6.30	6.19	6.14	6.33	6.11	6.08	6.22	6.30
After-Tax Cost of Corporate Debt	3.14	2.79	2.44	2.52	2.62	2.68	3.08	2.90	2.63	2.84	3.21	3.73	3.89

Created on 14 Dec 2011 for Erik Johnson

Monetary Policy

by Patrick Newport

Highlights

- On November 30, the Federal Reserve and five other central banks expanded a program that allows foreign banks borrow dollars at low rates. The expanded program extended the repayment period from August 2012 to February 2013 and cut borrowing costs in half.
- The outlook ahead remains for modest growth, but risks remain to the downside.
- Inflation concerns are easing. Core inflation is beginning to slow and there has been no pickup in wage inflation.
- Given the weak profile of economic growth in our forecast, we anticipate that the Fed will wait until January 2014 before making its first rate hike. We assume that another round of quantitative easing worth $600 billion will begin in the first quarter of 2012, mostly targeted on mortgage-backed securities.

Changes to the Forecast

	Short Term	Long Term
Federal Funds Rate	→	→
Treasury Note, 2-Year	→	→
Treasury Note, 10-Year	→	→
Core PCE Deflator	↑	→
Real GDP Growth	↑	→
Unemployment Rate	↓	↓

↑ = Higher
↓ = Lower
→ = No Change

Issue to Watch

- The key threat remains from the Eurozone, where we expect at least a mild recession.

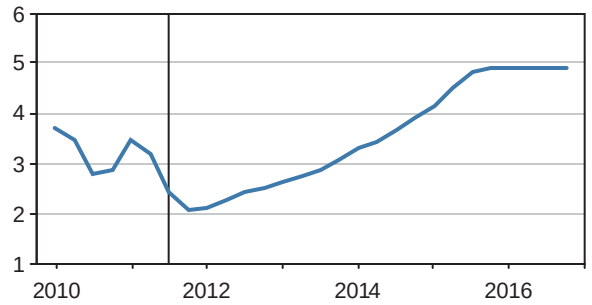
Monetary Policy Outlook

(Percent)

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Federal Funds Rate	0.09	0.08	0.08	0.10	0.10	0.10	0.18	0.10	0.10	0.11
2-Year Treasury Note Yield	0.57	0.28	0.27	0.26	0.29	0.37	0.70	0.45	0.33	0.52
10-Year Treasury Note Yield	3.21	2.43	2.06	2.10	2.26	2.43	3.21	2.79	2.32	2.84
30-Year Fixed Mortgage Rate	4.66	4.31	4.01	3.87	3.98	4.13	4.69	4.46	4.04	4.38
Core PCE Deflator (Year-on-year percent change)	1.3	1.6	1.7	1.6	1.3	1.1	1.4	1.4	1.3	1.6
Core CPI (Year-on-year percent change)	1.5	1.9	2.1	2.0	1.7	1.4	1.0	1.6	1.6	1.7
Real GDP (Percent change, annual rate)	1.3	2.0	2.6	1.7	1.3	1.5	3.0	1.7	1.8	2.4
Unemployment Rate (Level)	9.1	9.1	9.0	9.0	9.0	9.0	9.6	9.0	9.0	8.8

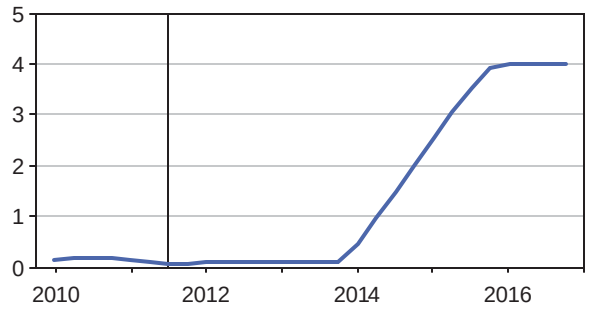
10-Year Treasury Bond Yield Forecast

(Percent)



Federal Funds Rate Forecast

(Percent)



Analysis

Recent Developments. The minutes from the Federal Open Market Committee's November 1-2 meeting, released November 22, show the participants looking into different policy arrangements, discussing the outlook, and then voting to stay the course.

The meeting opened with a staff presentation that discussed alternative monetary policy strategies and possible approaches for communicating policy more clearly. The committee discussed whether committing to a policy based on how the outlook unfolds ("making conditional commitments") might work better than what the Fed does now. Currently, the Fed assesses "the economic outlook in light of incoming information" and employs its tools accordingly. This discussion ended without much of a meeting of the minds. The committee then veered into a second topic long discussed in academic circles: whether the Fed should consider targeting inflation or nominal GDP. This idea appears to have been scuttled. According to the minutes, the Federal Reserve is looking into issuing a statement that would explain its long-run goals and policy strategies. It is also looking into including the "participants' assessment of appropriate monetary policy" into the Summary of Economic Projections.

On November 30, the Fed and five other central banks expanded a program that allows foreign banks to borrow dollars at low rates. The foreign banks borrow dollars from their own central banks, which, in turn, get dollars from the Fed. The expanded program extended the repayment period from August 2012 to February 2013 and cut borrowing costs in half. The move was a sign that European banks were experiencing problems getting funding.

The Outlook. Growth has improved. Fourth-quarter GDP growth is expected to be 2.6%, the best quarter this year. But we still expect growth to slip back into the 1.5-2.0% range during 2012. Domestic fiscal policy remains contractionary, slower global growth will weigh on exports, and the Eurozone financial crisis will mean at least some tightening of credit conditions in the United States. The better domestic data has reduced our US recession risk from 40% to 35%. The key threat remains from the Eurozone, where we expect at least a mild recession. The recession risk comes from potential financial contagion from actual or feared sovereign-debt defaults

Inflation concerns are easing. A combination of higher gasoline prices and food prices has raised CPI inflation to 3.1% this year. With less pressure from oil and food, we see CPI inflation falling back to 1.5% in 2012. In addition, in the face of weak demand growth and some pullback in commodity prices, core inflation is beginning to slow.

The Federal Reserve's willingness to jump in with extra liquidity for European banks indicates its concern at the size of the risks facing the global financial system. We expect that it will follow through with a domestic QE III program in 2012 of similar size to QE II ($600 billion), targeted mostly or entirely towards mortgage-backed securities. We do not believe, however, that either this action or the current $400 billion "twist" operation will give much support to economic growth. Our expectation is that the Fed won't be raising interest rates until at least 2014.

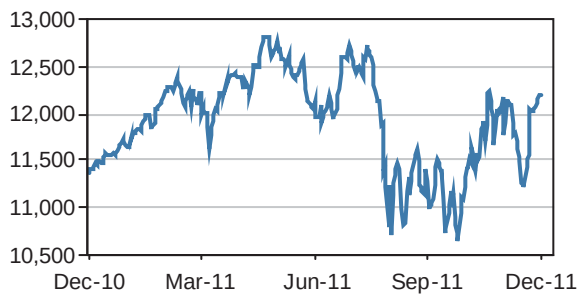
Risks to the Forecast. In the Pessimistic scenario, the Federal Reserve keeps the federal funds rate on hold. In the Optimistic scenario, the Fed begins raising interest rates in the first quarter of 2013.

Three-Month Treasury Bill Rate

(Percent)

Dow Jones Industrial Average

(Stock index)



Created on 14 Dec 2011 for Erik Johnson

Consumer Markets

by Chris G. Christopher, Jr.

Highlights

- Recent economic evidence is pointing to minor improvements on the consumer front. Consumer confidence is still historically low, but is off the floor.
- Real personal income less taxes rose in October, after falling for each month in the third quarter. Retail sales and personal spending are chugging along despite relatively depressed consumer confidence.
- Our forecast projects a 2.2% advance in real consumer spending during 2012; third-quarter growth came in at 2.3%, with 1.9-2.6% gains expected for the next four quarters.

Changes to the Forecast

	Short Term	Long Term
Personal Income	▲	▶
Real Disposable Income	▲	▶
Real Consumer Spending	▲	▶
Durables	▲	▶
Nondurables	▲	▶
Services	▶	▶

▲ = Higher
▼ = Lower
▶ = No Change

Issues to Watch

- Electronics stores likely had a less stellar month in November, since October sales were boosted by the introduction the new Apple iPhone. The floods in Thailand will create shortages of personal computers during the holiday season, thus prices will not fall as quickly.
- The passage of the extended unemployment benefits and continuation of the payroll reduction into 2012 are crucial in maintaining personal spending patterns.

Consumer Markets Outlook

(Percent change, annual rate)

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Real Consumer Spending - All Goods & Services	0.7	2.3	2.6	1.9	2.3	2.4	2.0	2.3	2.2	1.9
Durable Goods	-5.3	5.5	12.8	2.0	5.8	7.9	7.2	7.9	5.6	5.2
Nondurable Goods	0.2	-0.6	2.1	3.1	2.1	1.9	2.9	1.8	1.8	1.5
Services	1.9	2.9	1.1	1.4	1.8	1.6	0.9	1.6	1.7	1.5
Unit Sales of New Light Vehicles (Millions)	12.1	12.4	13.3	13.0	13.1	13.4	11.6	12.7	13.3	14.7
Real Disposable Income	-0.5	-2.1	1.9	3.3	2.5	1.3	1.8	1.0	1.6	1.2
Real Household Net Worth	-4.1	-22.9	12.2	2.3	1.2	3.6	5.2	-3.7	2.8	3.7
Personal Consumption Deflator	3.3	2.3	0.6	1.0	0.7	1.5	1.8	2.4	1.3	1.5
Personal Saving Rate (% of disposable income)	4.8	3.8	3.6	3.9	4.0	3.7	5.3	4.3	3.8	3.0
Consumer Sentiment Index (Michigan, level)	71.9	59.6	63.3	67.3	70.9	72.6	71.8	67.0	71.7	78.9
Household Obligations Ratio (% of disposable income)	16.1	15.8	15.5	14.9	14.4	13.9	16.9	15.9	14.2	12.8

US Consumer Spending Growth

(Percent change, chained 2005 dollars)

Wage Gains Now Below Inflation

(Year-on-year percent change)

Analysis

Recent Developments. Recent data suggest consumers are starting to feel more upbeat as they approach the end of the holiday shopping season. The consumer mood has been improving, with the Reuters/University of Michigan's index of consumer sentiment climbing 3.6 points in mid-December, to 67.7, and the Conference Board's consumer confidence index surging 15.1 points in November, to 56.0—the highest level since July. Improvements in both readings were driven mostly by future expectations. IHS Global Insight's econometric research indicates that the unemployment rate has a greater impact on the Conference Board's consumer confidence index than on the Reuters/University of Michigan's index of consumer sentiment. The unemployment rate fell to 8.6% in November, from a 9.0% reading in October, and real disposable income reversed course in October after falling for three straight months.

Retail sales were up 0.5% in October, while e-commerce retail sales surged more than 13.0% year over year in the third quarter. Autos have been especially strong since September; November came in at a nice 13.6-million units (annual rate). A few dark signals came from comparable monthly chain-store sales, which fell for a second consecutive month in November, and household net worth, which posted its largest decline since Lehman Brothers' collapse in late September 2008. Household net worth fell $2.44 trillion, as financial assets decreased $2.66 trillion and real estate assets rose just $102 billion. Spending and retail sales are supported by a lower saving rate, falling gasoline prices, pent-up demand (especially for autos), and marginal improvement in employment. Econometric research by K. Case, J. Quigley, and R. Shiller clearly indicates that household real estate assets have substantially more influence on consumer spending than household financial assets.

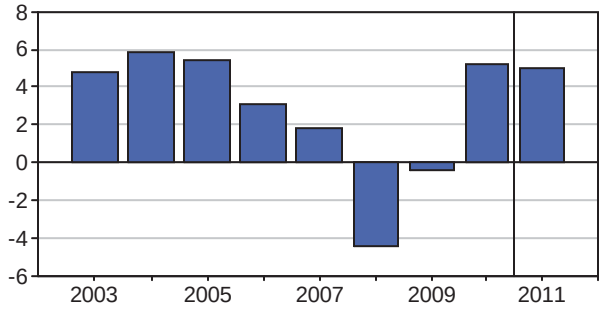
Holiday Retail Sales and E-Commerce Retail Sales. We have upped our holiday retail sales growth forecast to 5.0% year over year (from 4.2%). Last year, holiday retail sales came in at $453 billion. Holiday retail sales are defined as not seasonally adjusted November plus December total retail sales, less autos, less gasoline, less food services, less nonstore outlets. Holiday sales rose 5.2% last year, after two consecutive years in negative territory. E-commerce retail sales are projected to be around $60 billion for the fourth quarter. There has been extensive media hype on the Black Friday sales, although anecdotal information and the weekly data of International Council of Shopping Centers (ICSC) chain-store sales indicate that consumers held back before Black Friday in order to take advantage of the deep discounts.

The Outlook. The two-year extension of the Bush-era tax cuts and the two-percentage-point cut in the employee payroll tax rate for 2011 has helped consumers out. We assume that the payroll tax cut will be extended until the end of 2013, and then gradually phased out around the beginning of 2017. Real consumption growth is forecasted at 2.2% for 2012 and 1.9% for 2013. Personal spending on durable goods will clearly outpace that for nondurable goods and services.

Risks to the Forecast. In the pessimistic scenario (35% probability), several problems combine to tip the economy into another recession, and real consumer spending rises only 0.9% in 2012 and 0.6% in 2013. In the optimistic scenario (10% probability), real consumption advances 3.0% in 2012 and 2.9% in 2013.

Holiday Retail Sales Expected to Rise 5.0%

(Year-on-year percent change)



E-Commerce Retail Sales Continue Growing

(Billions of dollars)

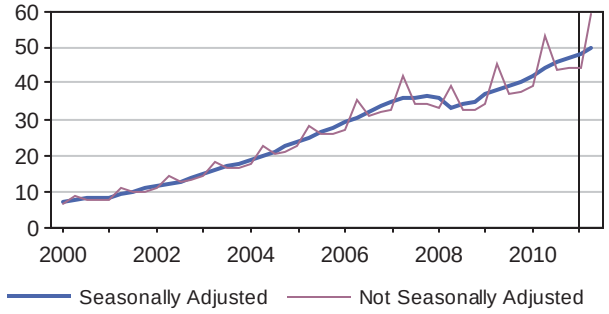


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TABLE 1
Real Consumer Spending

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars, SAAR													
Personal Consumption Expenditures	9392.7	9446.5	9506.1	9550.8	9605.8	9662.0	9220.9	9430.5	9633.7	9820.1	10032.3	10272.4	10518.9
Consumption Excluding Food and Energy	8258.7	8304.3	8369.3	8411.8	8460.5	8510.1	8076.8	8292.7	8485.4	8651.4	8852.7	9084.6	9321.4
Consumption Excluding New Motor Veh.	9199.2	9250.7	9298.1	9349.5	9403.6	9454.0	9035.2	9228.8	9427.4	9598.1	9799.9	10021.2	10245.0
Durable Goods	1260.2	1277.1	1316.0	1322.7	1341.4	1367.0	1188.3	1282.7	1354.7	1425.5	1473.5	1543.1	1622.6
Motor Vehicles & Parts	342.1	343.7	359.1	356.4	362.3	374.8	330.1	353.3	368.8	394.9	409.3	434.5	464.6
New Motor Vehicles	187.0	189.4	202.7	195.1	196.0	202.3	178.7	196.0	200.4	217.5	228.6	249.1	274.0
New Autos	73.8	69.6	79.5	79.2	81.1	81.4	68.3	76.6	81.2	88.8	90.1	93.9	99.7
New Light Trucks	113.5	120.3	123.5	116.0	115.1	121.1	110.7	119.7	119.4	128.9	138.9	155.7	175.1
Net Purchases of Used Motor Vehicles	113.6	112.1	113.5	117.3	121.8	127.9	110.3	115.3	123.9	132.6	136.3	141.6	147.2
Net Purchases of Used Autos	48.8	46.7	47.6	47.5	48.5	49.4	47.5	49.0	48.8	54.5	59.8	63.4	65.2
Net Purchases of Used Trucks	64.7	65.4	65.9	69.8	73.3	78.5	62.8	66.3	75.1	78.1	76.5	78.2	81.9
Motor Vehicle Parts & Accessories	41.8	42.4	43.4	44.2	44.6	45.0	41.0	42.4	44.8	45.6	45.6	45.8	46.3
Furnishings & Durable Household Equip.	271.4	274.9	279.9	281.3	284.1	286.5	260.1	273.9	285.3	295.9	299.9	304.1	309.7
Recreational Goods and Vehicles	506.5	519.7	539.7	549.6	560.0	569.9	459.6	515.4	565.2	601.5	636.4	681.5	730.8
Information Processing Equipment	161.3	165.4	173.9	178.4	183.9	189.3	142.4	164.4	186.6	209.0	237.6	272.2	308.9
Computers & Peripheral Equipment	102.3	106.9	112.8	117.1	122.0	126.9	89.1	105.2	124.6	145.4	172.1	205.6	243.4
Computer Software & Accessories	60.1	60.3	63.2	63.9	65.1	66.2	53.8	60.6	65.6	70.2	76.3	83.4	90.2
Calculators, Typewriters & Other	2.3	2.3	2.4	2.5	2.5	2.6	2.1	2.3	2.6	2.8	3.1	3.5	3.9
Other Recreational Goods & Vehicles	350.3	359.5	371.6	377.4	382.8	387.8	321.3	356.3	385.5	402.3	413.7	431.2	451.6
Other Durable Goods	163.8	165.2	166.0	167.0	168.0	169.0	154.9	164.1	168.5	171.0	173.0	176.2	179.8
Therapeutic Appliances & Equipment	56.1	57.3	57.7	58.2	58.8	59.4	52.0	56.6	59.1	60.8	63.0	65.3	67.8
All Other	108.2	108.5	108.9	109.4	109.8	110.3	103.2	108.1	110.1	111.0	110.9	111.9	113.1
Nondurable Goods	2076.6	2073.2	2083.9	2100.1	2111.2	2121.3	2041.3	2077.3	2115.6	2148.3	2177.1	2209.9	2249.3
Food & Beverages (Off-Premises)	684.1	683.4	687.0	689.8	694.0	699.2	673.1	684.2	696.5	713.0	727.6	740.5	752.4
Clothing & Footwear	354.7	347.3	350.7	356.6	359.2	360.3	341.0	351.4	359.2	360.9	363.5	369.3	377.6
Gasoline & Other Energy Goods	268.5	267.6	265.7	270.7	272.2	273.3	281.3	269.0	272.6	275.5	273.0	270.0	269.0
Motor Vehicle Fuels, Lubricants & Fluids	254.2	253.0	250.6	255.2	256.8	258.1	264.2	254.0	257.3	260.4	258.0	255.1	254.2
Fuel Oil & Other Fuels	14.4	14.6	15.1	15.5	15.4	15.2	17.0	15.0	15.3	15.1	15.0	14.9	14.8
Other Nondurable Goods	779.6	784.5	791.7	793.9	796.6	799.4	750.7	782.6	798.1	809.6	825.2	844.4	866.5
Pharmaceutical & Other Medical Prod.	291.4	293.2	294.9	296.6	298.5	299.7	286.9	293.1	298.9	304.3	317.9	336.0	356.5
Tobacco	58.7	57.0	56.0	55.3	54.6	53.9	58.8	57.2	54.3	51.8	49.6	47.6	45.7
All Other	435.3	441.5	449.2	450.8	452.7	455.5	408.6	439.0	454.5	465.2	470.1	472.9	475.3
Services	6067.0	6109.8	6127.0	6148.8	6176.9	6201.9	5991.8	6085.7	6189.5	6284.3	6425.5	6574.4	6716.4
Household Cons. Expenditures (Serv.)	5793.2	5835.5	5853.2	5874.0	5900.9	5924.3	5714.0	5812.0	5912.7	6001.4	6136.0	6280.6	6418.0
Housing & Utilities	1669.1	1681.3	1677.5	1671.9	1673.2	1674.2	1669.2	1673.5	1673.7	1678.4	1689.8	1709.5	1735.6
Housing	1413.4	1414.9	1416.4	1417.9	1419.2	1420.2	1410.7	1414.2	1419.6	1424.4	1434.8	1452.6	1476.5
Household Utilities	256.0	266.2	261.2	254.5	254.6	254.6	258.8	259.5	254.6	254.6	255.7	257.7	260.1
Water Supply & Sanitation	64.9	64.8	64.7	64.4	63.9	63.5	65.0	64.8	63.7	62.2	61.3	61.1	61.3
Electricity	131.7	134.7	128.2	129.2	129.7	130.0	131.3	131.3	129.8	131.0	132.6	134.6	136.8
Natural Gas	58.1	67.9	70.8	60.1	60.3	60.5	62.4	63.5	60.4	61.1	61.8	62.0	61.8
Healthcare	1474.5	1494.2	1510.4	1518.4	1525.6	1531.6	1442.9	1485.9	1528.4	1555.4	1623.0	1694.7	1765.0
Transportation Services	251.2	251.0	251.3	253.2	255.2	256.4	250.2	251.2	255.8	261.0	267.4	275.1	278.8
Motor Vehicle Services	180.2	180.8	181.5	182.2	183.1	183.3	179.9	180.8	183.2	184.7	187.9	192.5	193.8
Motor Vehicle Leasing	29.3	29.7	30.2	30.3	30.7	30.3	29.6	29.8	30.6	30.6	32.3	35.6	35.5
Other	151.0	151.2	151.5	152.1	152.7	153.1	150.4	151.1	152.9	154.2	156.0	157.9	159.2
Public Transportation	71.1	70.2	69.9	71.0	72.0	73.1	70.3	70.5	72.5	76.2	79.4	82.4	84.9
Local (Taxi & Intracity Mass Trans.)	17.5	16.3	15.7	15.8	15.9	15.9	17.7	16.8	15.9	16.0	16.2	16.5	16.8
Other	53.8	54.1	54.4	55.3	56.3	57.3	52.8	53.8	56.8	60.4	63.3	66.1	68.3
Recreation Services	350.6	353.0	352.2	357.4	361.0	362.7	341.4	349.7	361.4	364.5	374.1	380.9	384.7
Food Services & Accommodations	569.1	572.8	579.3	581.6	583.4	584.8	551.0	572.2	584.2	589.0	592.9	598.9	605.5
Food Services	481.4	485.0	489.7	492.4	494.3	495.6	467.3	484.0	494.8	498.3	501.7	507.4	514.0
Accommodations	88.1	88.2	90.0	89.6	89.4	89.5	84.0	88.5	89.7	91.1	91.6	91.8	91.7
Financial Services & Insurance	676.9	681.0	677.2	682.2	687.0	691.6	667.8	677.5	689.7	714.1	734.6	749.6	762.1
Financial Services	452.0	454.7	449.7	453.8	457.8	461.8	441.1	451.7	460.2	480.5	497.0	509.0	518.2
Fin. Services Furnished w/o Payment	245.2	244.1	240.7	244.4	246.9	249.4	228.8	242.2	248.3	262.0	276.2	286.9	294.8
Fin. Service Fees & Commissions	204.5	208.5	207.0	207.3	208.8	210.1	211.6	207.5	209.7	215.9	217.7	218.5	219.6
Insurance	225.4	226.7	227.9	228.7	229.6	230.2	227.1	226.1	229.9	234.2	238.3	241.5	244.8
Other Services	801.8	802.3	805.1	809.0	815.1	822.4	791.7	802.0	819.1	837.8	852.3	869.2	883.0
Telecommunication Services	163.7	164.3	165.3	168.1	170.5	171.4	153.5	163.6	170.8	174.3	175.9	178.2	179.4
All Other	639.3	639.4	641.2	642.7	646.7	652.9	638.4	639.7	650.2	665.4	678.0	692.3	704.5
Final Cons. Nonprofits Serving Hshlds.	274.9	275.2	274.5	275.5	276.8	278.3	280.0	274.7	277.6	283.9	290.6	294.6	298.9

Created on 14 Dec 2011 for Erik Johnson

TABLE 1
Real Consumer Spending

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Addenda:													
Personal Consumption Expenditures	9392.7	9446.5	9506.1	9550.8	9605.8	9662.0	9220.9	9430.5	9633.7	9820.1	10032.3	10272.4	10518.9
Per Capita (Thousands of 2005 dollars)	29.965	30.064	30.181	30.250	30.351	30.455	29.665	30.049	30.402	30.693	31.056	31.495	31.943
Health Consumption	1821.6	1844.1	1862.4	1872.6	1882.3	1890.0	1781.6	1835.0	1885.7	1919.8	2003.3	2095.8	2189.7
Per Capita (Thousands of 2005 dollars)	5.811	5.869	5.913	5.931	5.947	5.957	6.032	6.214	6.349	6.504	6.729	6.989	7.229
Energy Consumption	458.6	466.3	459.9	459.9	462.2	463.8	474.6	462.1	462.8	467.6	466.9	465.7	466.6
Per Capita (Thousands of 2005 dollars)	1.463	1.484	1.460	1.457	1.460	1.462	1.527	1.472	1.461	1.462	1.445	1.428	1.417

Created on 14 Dec 2011 for Erik Johnson

TABLE 2
Real Consumer Spending, Percent Changes

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Annual Rate													
Personal Consumption Expenditures	0.7	2.3	2.6	1.9	2.3	2.4	2.0	2.3	2.2	1.9	2.2	2.4	2.4
Consumption Excluding Food and Energy	1.0	2.2	3.2	2.0	2.3	2.4	2.0	2.7	2.3	2.0	2.3	2.6	2.6
Consumption Excluding New Motor Vehicles	1.4	2.3	2.1	2.2	2.3	2.2	2.0	2.1	2.2	1.8	2.1	2.3	2.2
Durable Goods	-5.3	5.5	12.8	2.0	5.8	7.9	7.2	7.9	5.6	5.2	3.4	4.7	5.2
Motor Vehicles & Parts	-25.5	1.9	19.2	-3.0	6.8	14.5	2.3	7.0	4.4	7.1	3.6	6.2	6.9
New Motor Vehicles	-30.4	5.2	31.3	-14.2	1.9	13.4	5.4	9.7	2.3	8.5	5.1	9.0	10.0
New Autos	-38.9	-20.6	70.2	-1.5	9.6	1.6	-4.6	12.1	6.0	9.3	1.5	4.3	6.2
New Light Trucks	-23.9	26.0	11.3	-22.1	-3.3	22.7	13.0	8.1	-0.3	8.0	7.7	12.1	12.5
Net Purchases of Used Motor Vehicles	-25.6	-5.1	5.2	14.0	16.3	21.5	-2.9	4.6	7.4	7.0	2.8	3.9	3.9
Net Purchases of Used Autos	-27.9	-16.3	8.0	-0.6	8.5	7.8	-1.6	3.2	-0.4	11.5	9.8	6.0	2.9
Net Purchases of Used Trucks	-23.7	4.2	3.2	25.6	22.0	31.4	-3.9	5.6	13.2	4.1	-2.1	2.2	4.7
Motor Vehicle Parts & Accessories	-2.9	6.3	9.5	7.5	4.3	2.9	4.0	3.3	5.6	1.8	0.0	0.6	0.9
Furnishings & Durable Household Equip.	3.1	5.3	7.4	2.1	4.0	3.3	8.1	5.3	4.2	3.7	1.4	1.4	1.8
Recreational Goods and Vehicles	8.9	10.8	16.3	7.6	7.8	7.2	12.3	12.1	9.7	6.4	5.8	7.1	7.2
Information Processing Equipment	11.1	10.6	22.1	10.7	12.9	12.2	18.3	15.5	13.5	12.0	13.7	14.6	13.5
Computers & Peripheral Equipment	13.9	19.2	24.0	16.4	17.8	17.0	19.5	18.1	18.3	16.7	18.4	19.5	18.4
Computer Software & Accessories	8.1	1.5	20.2	4.6	7.7	7.1	17.4	12.7	8.2	6.9	8.7	9.3	8.2
Calculators, Typewriters & Other	10.6	10.1	17.6	9.2	10.5	9.7	9.2	10.4	11.3	9.6	11.1	12.0	11.0
Other Recreational Goods & Vehicles	8.0	10.9	14.1	6.4	5.9	5.3	10.2	10.9	8.2	4.3	2.8	4.2	4.8
Other Durable Goods	6.1	3.5	1.9	2.4	2.4	2.5	6.1	5.9	2.7	1.5	1.2	1.9	2.0
Therapeutic Appliances & Equipment	6.9	8.8	2.5	4.0	4.1	3.8	10.0	8.6	4.4	2.9	3.6	3.8	3.7
All Other	5.7	1.0	1.6	1.6	1.6	1.9	4.4	4.7	1.8	0.8	0.0	0.9	1.1
Nondurable Goods	0.2	-0.6	2.1	3.1	2.1	1.9	2.9	1.8	1.8	1.5	1.3	1.5	1.8
Food & Beverages (Off-Premises)	1.2	-0.4	2.1	1.6	2.5	3.0	2.4	1.6	1.8	2.4	2.0	1.8	1.6
Clothing & Footwear	2.2	-8.0	3.9	6.9	3.0	1.2	5.8	3.0	2.2	0.5	0.7	1.6	2.3
Gasoline & Other Energy Goods	-8.0	-1.3	-2.9	7.7	2.3	1.6	0.1	-4.4	1.3	1.1	-0.9	-1.1	-0.4
Motor Vehicle Fuels, Lubricants & Fluids	-5.7	-1.9	-3.8	7.5	2.6	1.9	0.4	-3.9	1.3	1.2	-0.9	-1.1	-0.4
Fuel Oil & Other Fuels	-36.5	7.5	13.1	10.2	-1.9	-3.7	-4.7	-11.3	1.7	-1.5	-0.6	-0.6	-0.5
Other Nondurable Goods	2.7	2.6	3.7	1.1	1.4	1.4	3.4	4.2	2.0	1.4	1.9	2.3	2.6
Pharmaceutical & Other Medical Products	-2.0	2.5	2.3	2.3	2.7	1.6	0.7	2.2	2.0	1.8	4.5	5.7	6.1
Tobacco	10.0	-11.4	-6.9	-4.8	-4.8	-5.1	-3.2	-2.6	-5.2	-4.5	-4.3	-4.1	-3.9
All Other	5.0	5.8	7.2	1.4	1.7	2.5	7.2	7.4	3.5	2.3	1.0	0.6	0.5
Services	1.9	2.9	1.1	1.4	1.8	1.6	0.9	1.6	1.7	1.5	2.2	2.3	2.2
Household Cons. Expenditures (Services)	1.9	3.0	1.2	1.4	1.8	1.6	0.9	1.7	1.7	1.5	2.2	2.4	2.2
Housing & Utilities	0.7	3.0	-0.9	-1.3	0.3	0.2	0.9	0.3	0.0	0.3	0.7	1.2	1.5
Housing	0.4	0.4	0.4	0.4	0.3	0.3	0.5	0.3	0.4	0.3	0.7	1.2	1.6
Household Utilities	2.5	16.8	-7.2	-9.9	0.1	0.0	2.8	0.3	-1.9	0.0	0.4	0.8	0.9
Water Supply & Sanitation	-0.8	-0.5	-0.4	-2.2	-2.8	-2.6	-1.0	-0.2	-1.7	-2.4	-1.4	-0.4	0.4
Electricity	3.0	9.4	-17.9	3.2	1.4	1.1	6.8	0.0	-1.1	0.9	1.2	1.5	1.6
Natural Gas	6.4	86.6	18.2	-48.0	1.3	1.1	-2.6	1.8	-4.9	1.3	1.1	0.3	-0.2
Healthcare	2.8	5.4	4.4	2.1	1.9	1.6	1.4	3.0	2.9	1.8	4.3	4.4	4.1
Transportation Services	-0.2	-0.4	0.5	3.0	3.2	2.0	0.8	0.4	1.8	2.0	2.5	2.9	1.3
Motor Vehicle Services	-1.0	1.4	1.5	1.7	2.0	0.4	0.3	0.5	1.4	0.8	1.7	2.5	0.7
Motor Vehicle Leasing	-8.9	6.4	6.0	2.1	5.2	-4.7	3.8	0.5	2.6	0.2	5.4	10.3	-0.4
Other	0.4	0.6	0.8	1.6	1.5	1.2	-0.3	0.5	1.2	0.9	1.2	1.2	0.8
Public Transportation	1.8	-4.6	-1.8	6.2	6.2	5.9	2.3	0.2	2.9	5.1	4.2	3.8	3.0
Local (Taxi & Intracity Mass Trans.)	-9.2	-24.3	-13.9	2.0	2.0	0.8	-0.8	-4.9	-5.8	0.8	1.4	1.8	1.5
Other	5.7	2.4	2.0	7.4	7.4	7.4	3.4	1.9	5.6	6.2	4.9	4.4	3.3
Recreation Services	9.2	2.8	-1.0	6.0	4.1	1.9	2.0	2.4	3.3	0.8	2.7	1.8	1.0
Food Services & Accommodations	1.1	2.6	4.6	1.6	1.2	1.0	3.1	3.8	2.1	0.8	0.7	1.0	1.1
Food Services	1.1	3.0	3.9	2.2	1.6	1.1	2.5	3.6	2.2	0.7	0.7	1.1	1.3
Accommodations	0.6	0.6	8.7	-1.9	-0.9	0.4	6.9	5.4	1.3	1.5	0.6	0.3	-0.1
Financial Services & Insurance	1.3	2.4	-2.2	3.0	2.9	2.7	-1.2	1.4	1.8	3.5	2.9	2.1	1.7
Financial Services	1.3	2.4	-4.3	3.8	3.5	3.5	-0.1	2.4	1.9	4.4	3.4	2.4	1.8
Fin. Services Furnished w/o Payment	10.9	-1.7	-5.4	6.3	4.1	4.2	2.8	5.9	2.5	5.5	5.4	3.9	2.7
Fin. Service Fees & Commissions	-10.2	8.1	-2.8	0.6	2.8	2.7	-3.5	-1.9	1.1	3.0	0.8	0.4	0.5
Insurance	1.4	2.5	2.1	1.5	1.6	1.1	-3.2	-0.4	1.7	1.8	1.8	1.4	1.4
Other Services	1.5	0.3	1.4	2.0	3.1	3.6	0.3	1.3	2.1	2.3	1.7	2.0	1.6
Telecommunication Services	6.7	1.3	2.6	7.0	5.7	2.3	1.8	6.6	4.4	2.1	0.9	1.3	0.7
All Other	0.4	0.1	1.1	0.9	2.5	3.9	0.0	0.2	1.7	2.3	1.9	2.1	1.8
Final Cons. Nonprofits Serving Hshlds.	0.8	0.4	-0.9	1.5	1.8	2.3	1.1	-1.9	1.0	2.3	2.4	1.4	1.5

Created on 14 Dec 2011 for Erik Johnson

TABLE 2

Real Consumer Spending, Percent Changes

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Addenda:													
Per Capita Consumption	-0.3	1.3	1.6	0.9	1.3	1.4	1.0	1.3	1.2	1.0	1.2	1.4	1.4
Health Consumption	2.1	5.1	4.0	2.2	2.1	1.7	1.5	3.0	2.8	1.8	4.3	4.6	4.5
Per Capita	1.1	4.0	3.0	1.2	1.1	0.7	-0.5	3.0	2.2	2.4	3.5	3.9	3.4
Energy Consumption	-4.1	6.9	-5.4	0.0	2.0	1.4	1.7	-2.7	0.2	1.0	-0.2	-0.3	0.2
Per Capita	-5.0	5.9	-6.3	-0.9	1.0	0.4	0.8	-3.6	-0.8	0.1	-1.1	-1.2	-0.8

Created on 14 Dec 2011 for Erik Johnson

TABLE 3
Nominal Consumer Spending

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars, SAAR													
Personal Consumption Expenditures	10676.0	10798.7	10884.0	10962.9	11045.1	11151.4	10245.5	10732.6	11101.8	11489.4	11965.8	12496.4	13034.4
Consumption Excluding Food and Energy	9215.2	9312.9	9407.1	9484.0	9565.6	9653.0	8901.3	9269.1	9610.7	9952.7	10388.4	10876.0	11381.1
Consumption Excluding New Motor Veh.	10483.5	10601.9	10674.6	10762.0	10843.9	10943.5	10067.1	10531.4	10895.7	11263.5	11724.2	12229.1	12737.2
Durable Goods	1143.8	1157.7	1185.5	1186.7	1199.8	1220.8	1085.5	1160.4	1211.2	1271.3	1314.4	1373.4	1436.7
Motor Vehicles & Parts	363.4	368.9	383.8	380.6	387.0	401.2	340.1	374.8	394.6	427.4	450.0	484.6	523.8
New Motor Vehicles	192.6	196.7	209.4	200.9	201.2	207.9	178.5	201.2	206.1	225.9	241.7	267.3	297.1
New Autos	77.8	74.5	84.3	83.7	85.3	85.6	69.8	80.5	85.5	94.4	97.6	103.4	111.0
New Light Trucks	114.8	122.3	125.2	117.2	116.0	122.3	108.7	120.7	120.6	131.5	144.1	163.9	186.1
Net Purchases of Used Motor Vehicles	119.0	119.1	120.0	124.2	129.7	136.8	112.4	120.9	132.1	143.5	149.6	157.6	165.8
Net Purchases of Used Autos	51.7	50.1	50.5	50.7	52.1	53.3	48.0	51.7	52.6	59.5	66.2	71.2	74.1
Net Purchases of Used Trucks	67.3	68.9	69.5	73.5	77.6	83.4	64.4	69.2	79.6	84.0	83.4	86.4	91.7
Motor Vehicle Parts & Accessories	51.9	53.1	54.4	55.5	56.1	56.5	49.2	52.7	56.3	57.9	58.8	59.8	60.9
Furnishings & Durable Household Equip.	251.2	254.8	257.8	258.9	261.4	263.4	243.8	253.0	262.4	272.4	278.1	283.5	289.0
Recreational Goods and Vehicles	342.5	344.8	352.1	353.8	356.3	359.0	329.8	345.0	358.0	367.7	375.2	386.0	396.6
Information Processing Equipment	95.7	95.8	98.6	98.5	99.4	100.1	91.3	96.3	99.8	102.7	107.0	112.3	116.9
Computers & Peripheral Equipment	50.1	50.3	51.6	51.6	52.0	52.4	47.4	50.4	52.2	53.7	56.0	58.8	61.2
Computer Software & Accessories	43.9	43.9	45.3	45.3	45.7	46.0	42.4	44.2	45.8	47.2	49.2	51.6	53.7
Calculators, Typewriters & Other	1.6	1.7	1.7	1.7	1.7	1.7	1.5	1.7	1.7	1.8	1.9	1.9	2.0
Other Recreational Goods & Vehicles	246.8	249.0	253.6	255.3	256.9	258.9	238.5	248.7	258.2	265.0	268.2	273.7	279.7
Other Durable Goods	186.7	189.1	191.8	193.3	195.1	197.2	171.8	187.6	196.3	203.8	211.1	219.3	227.3
Therapeutic Appliances & Equipment	59.3	60.7	61.6	62.4	63.4	64.3	54.9	60.0	63.8	67.4	71.9	76.5	81.3
All Other	127.3	128.4	130.2	130.9	131.8	133.0	116.9	127.5	132.5	136.4	139.2	142.7	146.0
Nondurable Goods	2478.9	2502.4	2513.4	2536.7	2548.5	2576.5	2301.5	2483.1	2564.0	2647.0	2733.7	2833.9	2930.4
Food & Beverages (Off-Premises)	806.7	815.2	827.7	836.2	843.0	849.8	766.4	810.4	846.2	872.4	901.1	929.1	956.9
Clothing & Footwear	348.6	352.0	354.4	359.9	362.4	364.2	334.3	349.9	362.9	368.7	375.6	384.5	394.8
Gasoline & Other Energy Goods	431.5	434.6	418.9	421.1	415.8	426.6	354.1	426.3	422.7	433.2	430.5	434.4	431.0
Motor Vehicle Fuels, Lubricants & Fluids	405.9	409.6	393.7	395.7	390.3	401.2	331.4	400.7	397.2	407.7	404.8	408.2	404.8
Fuel Oil & Other Fuels	25.6	25.1	25.2	25.4	25.5	25.4	22.7	25.6	25.4	25.5	25.7	26.1	26.2
Other Nondurable Goods	892.1	900.6	912.3	919.5	927.4	935.9	846.7	896.5	932.1	972.7	1026.5	1085.9	1147.7
Pharmaceutical & Other Medical Prod.	346.6	350.9	355.1	359.7	364.8	370.2	330.6	349.2	367.7	394.2	434.4	482.1	534.5
Tobacco	96.6	94.9	94.0	94.0	93.9	93.8	94.4	95.0	93.9	94.6	95.7	97.1	98.6
All Other	448.9	454.8	463.1	465.8	468.6	471.9	421.8	452.3	470.5	484.0	496.3	506.7	514.6
Services	7053.3	7138.6	7185.1	7239.5	7296.8	7354.1	6858.5	7089.1	7326.6	7571.2	7917.7	8289.1	8667.3
Household Cons. Expenditures (Serv.)	6771.6	6855.9	6901.1	6953.2	7008.3	7062.8	6578.3	6807.2	7036.6	7268.8	7600.5	7958.8	8322.5
Housing & Utilities	1913.3	1938.7	1945.8	1945.2	1951.3	1959.2	1893.2	1924.9	1956.0	1996.8	2058.6	2130.0	2207.2
Housing	1601.1	1612.5	1624.4	1632.1	1638.8	1645.3	1583.8	1608.2	1642.1	1673.2	1718.8	1776.5	1841.6
Household Utilities	312.2	326.2	321.4	313.1	312.5	313.8	309.4	316.6	313.9	323.5	339.8	353.5	365.6
Water Supply & Sanitation	89.6	90.3	91.1	91.5	91.7	91.9	85.7	89.9	91.8	92.4	93.9	96.7	100.3
Electricity	171.7	176.1	169.2	170.9	171.8	172.6	168.4	171.5	172.3	177.6	185.4	193.1	201.3
Natural Gas	50.8	59.8	61.1	50.6	48.9	49.4	55.4	55.2	49.9	53.5	60.5	63.7	64.0
Healthcare	1729.5	1760.8	1781.5	1801.1	1819.3	1836.1	1667.4	1745.0	1827.3	1901.4	2031.5	2174.9	2327.0
Transportation Services	304.6	305.1	308.0	311.4	314.5	316.9	295.5	304.9	315.8	327.2	342.0	359.0	370.8
Motor Vehicle Services	214.5	215.9	218.1	220.1	222.0	223.2	211.6	215.6	222.7	229.4	239.4	251.6	259.4
Motor Vehicle Leasing	30.2	30.2	30.2	30.3	30.5	30.2	30.9	30.3	30.4	30.6	32.9	36.9	37.0
Other	184.4	185.7	187.9	189.8	191.4	193.0	180.7	185.3	192.2	198.7	206.5	214.7	222.4
Public Transportation	90.1	89.1	89.9	91.3	92.5	93.7	83.9	89.4	93.1	97.9	102.7	107.4	111.3
Local (Taxi & Intracity Mass Trans.)	21.8	20.4	19.8	20.1	20.2	20.3	21.2	21.0	20.3	20.8	21.7	22.6	23.4
Other	68.2	68.7	70.1	71.3	72.3	73.4	62.7	68.3	72.8	77.0	81.0	84.8	87.9
Recreation Services	398.6	402.7	403.1	409.6	414.7	417.2	382.6	398.1	415.4	423.8	442.7	459.7	474.3
Food Services & Accommodations	673.9	685.6	694.3	701.0	705.5	709.0	638.0	679.4	707.2	722.9	742.1	765.4	790.4
Food Services	575.9	585.2	593.9	600.4	604.9	607.9	547.4	581.0	606.0	618.4	634.9	655.9	679.1
Accommodations	98.0	100.4	100.4	100.6	100.7	101.1	90.6	98.4	101.2	104.5	107.1	109.5	111.3
Financial Services & Insurance	803.1	808.3	804.3	813.7	822.6	831.2	780.2	802.9	827.4	872.9	924.5	968.9	1010.8
Financial Services	532.4	534.9	529.4	536.3	542.5	548.9	514.5	531.2	546.3	579.6	612.3	642.3	670.5
Fin. Services Furnished w/o Payment	306.9	302.5	295.9	301.7	305.7	309.9	287.9	301.6	308.0	330.3	355.1	376.9	396.4
Fin. Service Fees & Commissions	225.5	232.4	233.5	234.6	236.8	239.0	226.6	229.6	238.3	249.3	257.2	265.4	274.1
Insurance	270.7	273.5	274.9	277.4	280.1	282.3	265.8	271.7	281.2	293.3	312.2	326.7	340.4
Other Services	948.5	954.7	964.1	971.2	980.4	993.2	921.4	952.0	987.5	1023.8	1059.1	1101.0	1142.1
Telecommunication Services	169.2	169.2	170.8	172.8	174.2	174.7	161.1	169.0	174.3	175.1	174.8	175.5	175.4
All Other	779.4	785.5	793.3	798.3	806.2	818.6	760.4	783.0	813.2	848.6	884.3	925.5	966.6
Final Cons. Nonprofits Serving Hshlds.	281.7	282.6	284.0	286.3	288.5	291.3	280.2	281.9	290.0	302.4	317.2	330.2	344.7
Addenda:													
Health Consumption	2135.5	2172.4	2198.3	2223.2	2247.5	2270.6	2052.8	2154.2	2258.9	2363.0	2537.9	2733.6	2942.8
Energy Consumption	654.1	670.5	649.2	642.7	636.6	648.6	577.9	653.0	644.8	664.4	676.4	691.2	696.3
Retail & Food Service Sales	4654.0	4706.2	4782.6	4823.8	4863.8	4927.9	4353.6	4686.0	4898.4	5118.5	5348.3	5606.6	5858.6

Created on 14 Dec 2011 for Erik Johnson

TABLE 4
Nominal Consumer Spending

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Percent Change, Annual Rate													
Personal Consumption Expenditures	4.0	4.7	3.2	2.9	3.0	3.9	3.8	4.8	3.4	3.5	4.1	4.4	4.3
Consumption Excluding Food and Energy	3.3	4.3	4.1	3.3	3.5	3.7	3.4	4.1	3.7	3.6	4.4	4.7	4.6
Consumption Excluding New Motor Vehicles	4.6	4.6	2.8	3.3	3.1	3.7	3.8	4.6	3.5	3.4	4.1	4.3	4.2
Durable Goods	-3.7	4.9	10.0	0.4	4.5	7.2	5.4	6.9	4.4	5.0	3.4	4.5	4.6
Motor Vehicles & Parts	-18.9	6.2	17.1	-3.3	6.9	15.5	7.4	10.2	5.3	8.3	5.3	7.7	8.1
New Motor Vehicles	-23.8	8.9	28.4	-15.3	0.6	13.9	7.5	12.7	2.4	9.6	7.0	10.6	11.2
New Autos	-31.4	-16.2	64.0	-2.7	7.8	1.8	-3.6	15.4	6.3	10.3	3.4	6.0	7.4
New Light Trucks	-18.0	28.9	9.8	-23.1	-4.3	23.6	16.2	11.1	-0.1	9.1	9.6	13.7	13.6
Net Purchases of Used Motor Vehicles	-19.0	0.3	3.2	14.8	18.9	23.7	7.9	7.5	9.3	8.6	4.2	5.3	5.2
Net Purchases of Used Autos	-18.2	-11.9	3.3	1.4	11.2	10.1	9.1	7.6	1.7	13.3	11.2	7.4	4.1
Net Purchases of Used Trucks	-19.6	10.4	3.1	25.3	24.4	33.5	7.1	7.4	15.1	5.5	-0.7	3.6	6.1
Motor Vehicle Parts & Accessories	2.7	10.3	9.5	8.6	4.4	3.2	6.0	7.1	6.8	2.9	1.4	1.8	1.8
Furnishings & Durable Household Equip.	4.7	5.7	4.8	1.8	3.9	3.1	3.6	3.8	3.7	3.8	2.1	1.9	1.9
Recreational Goods and Vehicles	2.4	2.8	8.8	1.9	2.8	3.1	4.2	4.6	3.8	2.7	2.0	2.9	2.7
Information Processing Equipment	2.2	0.5	12.1	-0.1	3.6	2.9	10.0	5.5	3.6	2.9	4.2	4.9	4.1
Computers & Peripheral Equipment	3.6	1.4	10.9	-0.1	3.6	2.9	11.1	6.4	3.6	2.9	4.2	4.9	4.1
Computer Software & Accessories	0.6	-0.6	13.3	-0.1	3.6	2.9	8.9	4.4	3.6	2.9	4.2	4.9	4.1
Calculators, Typewriters & Other	6.1	3.7	13.7	-0.1	3.6	2.9	5.2	7.0	4.5	2.9	4.2	4.9	4.1
Other Recreational Goods & Vehicles	2.4	3.7	7.5	2.7	2.5	3.1	2.1	4.3	3.8	2.6	1.2	2.1	2.2
Other Durable Goods	9.0	5.4	5.7	3.3	3.7	4.4	6.6	9.2	4.7	3.8	3.6	3.9	3.7
Therapeutic Appliances & Equipment	5.9	9.8	5.9	5.5	6.0	5.9	9.4	9.4	6.3	5.7	6.6	6.5	6.2
All Other	10.5	3.4	5.6	2.2	2.7	3.7	5.4	9.1	3.9	3.0	2.1	2.5	2.3
Nondurable Goods	6.9	3.8	1.8	3.8	1.9	4.5	6.2	7.9	3.3	3.2	3.3	3.7	3.4
Food & Beverages (Off-Premises)	7.6	4.3	6.3	4.2	3.3	3.3	2.7	5.7	4.4	3.1	3.3	3.1	3.0
Clothing & Footwear	4.9	3.9	2.8	6.4	2.8	2.0	5.0	4.7	3.7	1.6	1.9	2.4	2.7
Gasoline & Other Energy Goods	11.3	2.9	-13.7	2.1	-4.9	10.8	18.3	20.4	-0.9	2.5	-0.6	0.9	-0.8
Motor Vehicle Fuels, Lubricants & Fluids	13.2	3.6	-14.6	2.0	-5.3	11.7	18.7	20.9	-0.9	2.6	-0.7	0.9	-0.8
Fuel Oil & Other Fuels	-14.6	-7.6	2.5	3.1	1.3	-1.6	11.9	12.8	-0.8	0.5	0.7	1.6	0.2
Other Nondurable Goods	5.1	3.9	5.3	3.2	3.5	3.7	5.3	5.9	4.0	4.4	5.5	5.8	5.7
Pharmaceutical & Other Medical Prod.	2.8	5.0	4.9	5.2	5.9	6.0	4.4	5.6	5.3	7.2	10.2	11.0	10.9
Tobacco	8.9	-6.7	-3.7	-0.1	-0.4	-0.4	7.3	0.7	-1.2	0.7	1.2	1.4	1.5
All Other	6.0	5.3	7.6	2.3	2.5	2.8	5.6	7.2	4.0	2.9	2.6	2.1	1.6
Services	4.3	4.9	2.6	3.1	3.2	3.2	2.8	3.4	3.3	3.3	4.6	4.7	4.6
Household Cons. Expenditures (Services)	4.3	5.1	2.7	3.1	3.2	3.1	3.0	3.5	3.4	3.3	4.6	4.7	4.6
Housing & Utilities	2.5	5.4	1.5	-0.1	1.3	1.6	1.2	1.7	1.6	2.1	3.1	3.5	3.6
Housing	1.6	2.9	3.0	1.9	1.7	1.6	0.6	1.5	2.1	1.9	2.7	3.4	3.7
Household Utilities	7.3	19.2	-5.8	-10.0	-0.7	1.7	4.3	2.3	-0.9	3.1	5.0	4.0	3.4
Water Supply & Sanitation	4.6	3.2	3.4	1.9	0.9	0.6	5.3	5.0	2.0	0.7	1.6	2.9	3.7
Electricity	6.5	10.4	-14.6	4.0	2.1	1.9	7.0	1.9	0.4	3.1	4.4	4.2	4.2
Natural Gas	15.6	91.9	8.4	-52.7	-12.7	3.4	-4.5	-0.3	-9.6	7.2	13.1	5.3	0.5
Healthcare	5.1	7.4	4.8	4.5	4.1	3.7	3.9	4.7	4.7	4.1	6.8	7.1	7.0
Transportation Services	3.3	0.6	3.9	4.5	4.0	3.1	2.9	3.2	3.6	3.6	4.5	4.9	3.3
Motor Vehicle Services	1.5	2.7	4.1	3.6	3.5	2.3	1.0	1.9	3.3	3.0	4.4	5.1	3.1
Motor Vehicle Leasing	-6.6	0.5	0.1	0.7	3.6	-4.5	-1.7	-2.0	0.4	0.7	7.3	12.2	0.4
Other	2.9	3.0	4.8	4.1	3.5	3.4	1.4	2.5	3.8	3.4	3.9	4.0	3.6
Public Transportation	7.7	-4.0	3.3	6.7	5.3	5.2	8.3	6.6	4.2	5.1	4.9	4.6	3.7
Local (Taxi & Intracity Mass Trans.)	-4.3	-23.5	-12.2	5.7	3.3	2.3	3.2	-0.6	-3.6	2.9	3.9	4.2	3.9
Other	12.0	2.9	8.3	7.0	5.8	6.0	10.1	9.0	6.6	5.7	5.2	4.7	3.7
Recreation Services	11.5	4.2	0.3	6.7	5.0	2.4	3.1	4.1	4.3	2.0	4.5	3.8	3.2
Food Services & Accommodations	6.3	7.1	5.2	3.9	2.6	2.0	4.5	6.5	4.1	2.2	2.7	3.1	3.3
Food Services	5.0	6.6	6.1	4.4	3.0	2.0	3.9	6.1	4.3	2.0	2.7	3.3	3.5
Accommodations	14.1	10.2	0.0	0.8	0.2	1.7	8.4	8.6	2.8	3.3	2.5	2.2	1.6
Financial Services & Insurance	3.8	2.6	-2.0	4.8	4.4	4.3	4.3	2.9	3.1	5.5	5.9	4.8	4.3
Financial Services	3.2	1.9	-4.0	5.3	4.7	4.8	6.9	3.3	2.8	6.1	5.6	4.9	4.4
Fin. Services Furnished w/o Payment	7.8	-5.7	-8.4	8.1	5.4	5.6	13.2	4.8	2.1	7.2	7.5	6.1	5.2
Fin. Service Fees & Commissions	-2.6	12.8	2.0	1.9	3.8	3.7	-0.3	1.3	3.8	4.6	3.2	3.2	3.3
Insurance	4.8	4.2	2.1	3.6	3.9	3.2	-0.2	2.2	3.5	4.3	6.4	4.6	4.2
Other Services	3.4	2.6	4.0	3.0	3.9	5.3	2.8	3.3	3.7	3.7	3.4	4.0	3.7
Telecommunication Services	6.1	0.2	3.8	4.8	3.2	1.1	1.3	4.9	3.1	0.5	-0.2	0.4	0.0
All Other	2.8	3.2	4.1	2.6	4.0	6.3	3.2	3.0	3.8	4.4	4.2	4.7	4.4
Final Cons. Nonprofits Serving Hshlds.	3.3	1.3	1.9	3.3	3.1	3.9	0.0	0.6	2.8	4.3	4.9	4.1	4.4
Addenda:													
Health Consumption	4.8	7.1	4.8	4.6	4.4	4.2	4.1	4.9	4.9	4.6	7.4	7.7	7.7
Energy Consumption	10.3	10.4	-12.1	-4.0	-3.7	7.8	12.3	13.0	-1.3	3.0	1.8	2.2	0.7
Retail & Food Service Sales (SAAR)	4.7	4.6	6.7	3.5	3.4	5.4	6.4	7.6	4.5	4.5	4.5	4.8	4.5

Created on 14 Dec 2011 for Erik Johnson

TABLE 5
Consumer Spending

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Nominal Shares, Percent of Total													
Total Expenditures	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Goods	33.9	33.9	34.0	34.0	33.9	34.1	33.1	33.9	34.0	34.1	33.8	33.7	33.5
Durable Goods	10.7	10.7	10.9	10.8	10.9	10.9	10.6	10.8	10.9	11.1	11.0	11.0	11.0
Motor Vehicles & Parts	3.4	3.4	3.5	3.5	3.5	3.6	3.3	3.5	3.6	3.7	3.8	3.9	4.0
Furnishings & Durable Household Equip.	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.3	2.3	2.2
Recreational Goods & Vehicles	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.1	3.1	3.0
Information Processing Equipment	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Computers & Peripheral Equipment	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Computer Software & Accessories	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Other Durables	1.7	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.8	1.8	1.8	1.8	1.7
Nondurable Goods	23.2	23.2	23.1	23.1	23.1	23.1	22.5	23.1	23.1	23.0	22.8	22.7	22.5
Food & Beverages (Off-Premises)	7.6	7.5	7.6	7.6	7.6	7.6	7.5	7.6	7.6	7.6	7.5	7.4	7.3
Clothing & Footwear	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.3	3.2	3.1	3.1	3.0
Gasoline and Other Energy Goods	4.0	4.0	3.8	3.8	3.8	3.8	3.5	4.0	3.8	3.8	3.6	3.5	3.3
Motor Vehicle Fuels, Lubricants & Fluids	3.8	3.8	3.6	3.6	3.5	3.6	3.2	3.7	3.6	3.5	3.4	3.3	3.1
Fuel Oil & Other Fuels	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Other Nondurables	8.4	8.3	8.4	8.4	8.4	8.4	8.3	8.4	8.4	8.5	8.6	8.7	8.8
Pharmaceutical & Other Medical Prod.	3.2	3.2	3.3	3.3	3.3	3.3	3.2	3.3	3.3	3.4	3.6	3.9	4.1
Tobacco	0.9	0.9	0.9	0.9	0.9	0.8	0.9	0.9	0.8	0.8	0.8	0.8	0.8
All other	4.2	4.2	4.3	4.2	4.2	4.2	4.1	4.2	4.2	4.2	4.1	4.1	3.9
Services	66.1	66.1	66.0	66.0	66.1	65.9	66.9	66.1	66.0	65.9	66.2	66.3	66.5
Household Cons. Expenditures (Services)	63.4	63.5	63.4	63.4	63.5	63.3	64.2	63.4	63.4	63.3	63.5	63.7	63.9
Housing	15.0	14.9	14.9	14.9	14.8	14.8	15.5	15.0	14.8	14.6	14.4	14.2	14.1
Household Utilities	2.9	3.0	3.0	2.9	2.8	2.8	3.0	3.0	2.8	2.8	2.8	2.8	2.8
Healthcare	16.2	16.3	16.4	16.4	16.5	16.5	16.3	16.3	16.5	16.5	17.0	17.4	17.9
Transportation Services	2.9	2.8	2.8	2.8	2.8	2.8	2.9	2.8	2.8	2.8	2.9	2.9	2.8
Motor Vehicle Services	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.0	2.0	2.0	2.0	2.0	2.0
Public Transportation	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9
Recreation Services	3.7	3.7	3.7	3.7	3.8	3.7	3.7	3.7	3.7	3.7	3.7	3.7	3.6
Food Services	5.4	5.4	5.5	5.5	5.5	5.5	5.3	5.4	5.5	5.4	5.3	5.2	5.2
Accommodations	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Financial Services	5.0	5.0	4.9	4.9	4.9	4.9	5.0	4.9	4.9	5.0	5.1	5.1	5.1
Insurance	2.5	2.5	2.5	2.5	2.5	2.5	2.6	2.5	2.5	2.6	2.6	2.6	2.6
Other Services	8.9	8.8	8.9	8.9	8.9	8.9	9.0	8.9	8.9	8.9	8.9	8.8	8.8
Final Cons. Nonprofits Serving Households	2.6	2.6	2.6	2.6	2.6	2.6	2.7	2.6	2.6	2.6	2.7	2.6	2.6
Addenda:													
Health Consumption	20.0	20.1	20.2	20.3	20.3	20.4	20.0	20.1	20.3	20.6	21.2	21.9	22.6
Energy Consumption	6.1	6.2	6.0	5.9	5.8	5.8	5.6	6.1	5.8	5.8	5.7	5.5	5.3
Factors Affecting Consumption													
Population, Millions	313.5	314.2	315.0	315.7	316.5	317.3	310.8	313.8	316.9	319.9	323.0	326.2	329.3
Percent Change, Annual Rate	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Households, Millions	118.9	119.1	119.3	119.6	119.9	120.3	118.3	119.3	120.7	122.3	124.0	125.7	127.3
Percent Change, Annual Rate	0.7	0.7	0.8	0.9	1.1	1.2	0.8	0.8	1.1	1.4	1.4	1.4	1.2
Consumer Sentiment (Index)	71.9	59.6	63.3	67.3	70.9	72.6	71.8	67.0	71.7	78.9	80.8	82.3	84.5
Personal Income (Bil.$)	12955	12975	13069	13216	13332	13454	12374	12962	13395	13899	14621	15400	16175
Percent Change	3.4	0.6	2.9	4.6	3.6	3.7	3.7	4.8	3.3	3.8	5.2	5.3	5.0
Disposable Income (Bil.$)	11559	11565	11639	11764	11858	11940	11180	11561	11896	12223	12826	13482	14123
Percent Change	2.8	0.2	2.6	4.3	3.3	2.8	3.6	3.4	2.9	2.7	4.9	5.1	4.8
Unemployment Rate (%)	9.1	9.1	9.0	9.0	9.0	9.0	9.6	9.0	9.0	8.8	8.0	7.2	6.7
Financial Obligations Ratio													
Percent of Disposable Income	16.1	15.8	15.5	14.9	14.4	13.9	16.9	15.9	14.2	12.8	12.2	12.6	13.2
30-Year Conventional Mtg. Rate, %	4.66	4.31	4.01	3.87	3.98	4.13	4.69	4.46	4.04	4.38	5.02	5.98	6.29

Created on 14 Dec 2011 for Erik Johnson

TABLE 6

Price Deflators for Consumer Spending—Levels

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Chained Price Deflators, 2005=100													
Personal Consumption Expenditures	113.7	114.3	114.5	114.8	115.0	115.4	111.1	113.8	115.2	117.0	119.3	121.6	123.9
Consumption Excluding Food and Energy	111.6	112.1	112.4	112.7	113.1	113.4	110.2	111.8	113.3	115.0	117.3	119.7	122.1
Consumption Excluding New Motor Vehicles	114.0	114.6	114.8	115.1	115.3	115.8	111.4	114.1	115.6	117.3	119.6	122.0	124.3
Durable Goods	90.7	90.6	90.1	89.7	89.4	89.3	91.3	90.5	89.4	89.2	89.2	89.0	88.5
Motor Vehicles & Parts	106.3	107.4	106.9	106.8	106.8	107.0	103.1	106.1	107.0	108.2	110.0	111.5	112.7
New Motor Vehicles	103.0	103.9	103.3	103.0	102.7	102.8	99.9	102.7	102.9	103.9	105.7	107.3	108.4
New Autos	105.5	106.9	105.9	105.6	105.2	105.2	102.1	105.2	105.3	106.3	108.3	110.1	111.3
New Light Trucks	101.1	101.7	101.4	101.0	100.8	100.9	98.2	100.9	101.0	102.0	103.8	105.3	106.3
Net Purchases of Used Motor Vehicles	104.8	106.3	105.7	105.9	106.5	107.0	101.9	104.9	106.7	108.2	109.7	111.2	112.6
Net Purchases of Used Autos	106.0	107.4	106.2	106.7	107.4	107.9	101.2	105.6	107.6	109.3	110.8	112.3	113.7
Net Purchases of Used Trucks	104.0	105.5	105.4	105.3	105.8	106.3	102.6	104.4	106.0	107.5	109.0	110.5	111.9
Motor Vehicle Parts & Accessories	124.1	125.3	125.3	125.6	125.6	125.7	119.9	124.3	125.7	127.1	128.9	130.4	131.6
Furnishings & Durable Household Equip.	92.5	92.6	92.1	92.0	92.0	91.9	93.7	92.4	92.0	92.1	92.7	93.2	93.3
Recreational Goods and Vehicles	67.6	66.3	65.3	64.4	63.6	63.0	71.7	66.9	63.4	61.1	59.0	56.7	54.3
Information Processing Equipment	59.3	57.9	56.7	55.2	54.1	52.9	64.1	58.6	53.5	49.2	45.1	41.3	37.9
Computers & Peripheral Equipment	49.0	47.0	45.7	44.0	42.6	41.3	53.2	48.0	42.0	37.0	32.6	28.6	25.2
Computer Software & Accessories	73.1	72.7	71.7	70.9	70.2	69.5	78.9	73.0	69.8	67.2	64.4	61.9	59.6
Calculators, Typewriters & Other	72.6	71.5	70.9	69.4	68.3	67.2	74.4	72.1	67.7	63.6	59.7	55.9	52.5
Other Recreational Goods & Vehicles	70.5	69.3	68.2	67.6	67.1	66.8	74.3	69.8	67.0	65.9	64.8	63.5	61.9
Other Durable Goods	114.0	114.5	115.5	115.8	116.2	116.7	110.9	114.3	116.5	119.2	122.0	124.4	126.4
Therapeutic Appliances & Equipment	105.8	106.0	106.9	107.2	107.7	108.3	105.5	106.2	108.0	111.0	114.2	117.2	120.0
All Other	117.7	118.4	119.5	119.7	120.0	120.5	113.3	118.0	120.3	122.9	125.5	127.6	129.1
Nondurable Goods	119.4	120.7	120.6	120.8	120.7	121.5	112.7	119.5	121.2	123.2	125.6	128.2	130.3
Food & Beverages (Off-Premises)	117.9	119.3	120.5	121.2	121.5	121.5	113.9	118.5	121.5	122.4	123.8	125.5	127.2
Clothing & Footwear	98.3	101.3	101.1	100.9	100.9	101.1	98.0	99.6	101.1	102.2	103.3	104.1	104.6
Gasoline & Other Energy Goods	160.7	162.4	157.7	155.6	152.8	156.1	125.9	158.5	155.1	157.3	157.7	160.9	160.2
Motor Vehicle Fuels, Lubricants & Fluids	159.7	161.8	157.1	155.1	152.0	155.5	125.4	157.8	154.4	156.5	156.9	160.0	159.3
Fuel Oil & Other Fuels	178.0	171.4	167.3	164.5	165.9	166.8	133.9	170.5	166.1	169.3	171.6	175.5	176.8
Other Nondurable Goods	114.4	114.8	115.2	115.8	116.4	117.1	112.8	114.6	116.8	120.1	124.4	128.6	132.4
Pharmaceutical & Other Medical Prod.	118.9	119.7	120.4	121.3	122.2	123.5	115.2	119.1	123.0	129.5	136.6	143.5	149.9
Tobacco	164.6	166.7	168.1	170.1	172.0	174.1	160.6	166.1	173.2	182.5	193.1	204.1	215.7
All Other	103.1	103.0	103.1	103.3	103.5	103.6	103.2	103.0	103.5	104.0	105.6	107.2	108.3
Services	116.3	116.8	117.3	117.7	118.1	118.6	114.5	116.5	118.4	120.5	123.2	126.1	129.0
Household Cons. Expenditures (Services)	116.9	117.5	117.9	118.4	118.8	119.2	115.1	117.1	119.0	121.1	123.9	126.7	129.7
Housing & Utilities	114.6	115.3	116.0	116.3	116.6	117.0	113.4	115.0	116.9	119.0	121.8	124.6	127.2
Housing	113.3	114.0	114.7	115.1	115.5	115.9	112.3	113.7	115.7	117.5	119.8	122.3	124.7
Household Utilities	121.9	122.6	123.0	123.0	122.7	123.3	119.6	122.0	123.3	127.1	132.9	137.2	140.6
Water Supply & Sanitation	138.2	139.4	140.7	142.2	143.5	144.7	131.8	138.7	144.0	148.7	153.3	158.3	163.6
Electricity	130.4	130.7	132.0	132.3	132.5	132.8	128.2	130.6	132.7	135.5	139.8	143.5	147.2
Natural Gas	87.6	88.2	86.3	84.2	81.2	81.6	88.8	86.9	82.7	87.5	97.9	102.8	103.6
Healthcare	117.3	117.8	117.9	118.6	119.3	119.9	115.6	117.4	119.6	122.2	125.2	128.3	131.8
Transportation Services	121.2	121.6	122.6	123.0	123.2	123.6	118.1	121.4	123.5	125.4	127.9	130.5	133.0
Motor Vehicle Services	119.1	119.4	120.2	120.8	121.2	121.8	117.7	119.3	121.5	124.2	127.4	130.7	133.9
Motor Vehicle Leasing	103.0	101.6	100.2	99.9	99.5	99.5	104.5	101.8	99.6	100.1	101.8	103.6	104.4
Other	122.1	122.8	124.0	124.8	125.4	126.1	120.2	122.6	125.8	128.8	132.4	136.0	139.7
Public Transportation	126.7	126.9	128.5	128.7	128.4	128.2	119.2	126.8	128.3	128.4	129.3	130.3	131.2
Local (Taxi & Intracity Mass Trans.)	125.0	125.3	125.9	127.1	127.5	127.9	119.4	124.9	127.8	130.3	133.4	136.6	139.8
Other	126.9	127.1	129.0	128.9	128.4	128.0	118.8	127.0	128.2	127.6	127.9	128.3	128.7
Recreation Services	113.7	114.1	114.5	114.6	114.9	115.0	112.0	113.8	114.9	116.3	118.3	120.7	123.3
Food Services & Accommodations	118.4	119.7	119.9	120.5	120.9	121.2	115.8	118.7	121.0	122.7	125.2	127.8	130.5
Food Services	119.6	120.7	121.3	121.9	122.4	122.7	117.2	120.0	122.5	124.1	126.6	129.3	132.1
Accommodations	111.3	113.9	111.5	112.3	112.6	112.9	107.9	111.1	112.8	114.8	117.0	119.2	121.3
Financial Services & Insurance	118.6	118.7	118.8	119.3	119.7	120.2	116.8	118.5	120.0	122.2	125.9	129.3	132.6
Financial Services	117.8	117.7	117.7	118.2	118.5	118.9	116.6	117.6	118.7	120.6	123.2	126.2	129.4
Fin. Services Furnished w/o Payment	125.2	123.9	122.9	123.4	123.8	124.2	125.8	124.5	124.1	126.1	128.5	131.3	134.5
Fin. Service Fees & Commissions	110.2	111.4	112.8	113.2	113.4	113.7	107.1	110.6	113.6	115.4	118.2	121.5	124.8
Insurance	120.1	120.6	120.6	121.3	122.0	122.6	117.0	120.1	122.3	125.3	131.0	135.3	139.0
Other Services	118.3	119.0	119.7	120.0	120.3	120.8	116.4	118.7	120.6	122.2	124.3	126.7	129.3
Telecommunication Services	103.3	103.0	103.3	102.8	102.2	101.9	104.9	103.3	102.1	100.5	99.4	98.5	97.8
All Other	121.9	122.8	123.7	124.2	124.7	125.4	119.1	122.4	125.1	127.5	130.4	133.7	137.2
Final Cons. Nonprofits Serving Hshlds.	102.5	102.7	103.4	103.9	104.2	104.6	100.1	102.6	104.5	106.5	109.1	112.1	115.3
Addenda:													
Health Consumption	117.2	117.8	118.0	118.7	119.4	120.1	115.2	117.4	119.8	123.1	126.7	130.4	134.4
Energy Consumption	142.6	143.8	141.2	139.7	137.7	139.8	121.7	141.3	139.3	142.1	144.9	148.4	149.2

Created on 14 Dec 2011 for Erik Johnson

TABLE 7

Price Deflators for Consumer Spending—Percent Changes

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Annual Rate													
Personal Consumption Expenditures	3.3	2.3	0.6	1.0	0.7	1.5	1.8	2.4	1.3	1.5	1.9	2.0	1.9
Consumption Excluding Food and Energy	2.3	2.0	0.9	1.2	1.1	1.3	1.4	1.4	1.3	1.6	2.0	2.0	2.0
Consumption Excluding New Motor Vehicles	3.2	2.3	0.7	1.1	0.7	1.5	1.8	2.4	1.3	1.5	1.9	2.0	1.9
Durable Goods	1.7	-0.5	-2.4	-1.6	-1.2	-0.6	-1.7	-1.0	-1.1	-0.3	0.0	-0.2	-0.5
Motor Vehicles & Parts	8.8	4.3	-1.9	-0.3	0.0	0.9	5.0	3.0	0.8	1.2	1.6	1.4	1.1
New Motor Vehicles	9.5	3.6	-2.2	-1.2	-1.3	0.4	2.1	2.9	0.1	1.0	1.8	1.5	1.1
New Autos	12.2	5.6	-3.6	-1.2	-1.6	0.1	1.0	3.0	0.1	0.9	1.9	1.6	1.1
New Light Trucks	7.7	2.3	-1.4	-1.2	-1.0	0.7	2.8	2.7	0.1	1.0	1.7	1.4	1.0
Net Purchases of Used Motor Vehicles	8.9	5.7	-2.2	0.7	2.2	1.8	11.2	2.9	1.7	1.5	1.4	1.4	1.3
Net Purchases of Used Autos	13.5	5.3	-4.6	2.1	2.5	2.1	10.9	4.4	1.9	1.6	1.3	1.4	1.2
Net Purchases of Used Trucks	5.4	5.9	-0.4	-0.2	1.9	1.7	11.4	1.8	1.6	1.4	1.4	1.4	1.3
Motor Vehicle Parts & Accessories	5.7	3.8	0.0	1.0	0.1	0.3	1.9	3.6	1.2	1.1	1.4	1.2	0.9
Furnishings & Durable Household Equip.	1.6	0.4	-2.3	-0.3	-0.1	-0.2	-4.2	-1.5	-0.4	0.1	0.7	0.5	0.1
Recreational Goods and Vehicles	-6.0	-7.3	-6.3	-5.2	-4.6	-3.9	-7.3	-6.7	-5.4	-3.5	-3.5	-3.9	-4.2
Information Processing Equipment	-8.0	-9.1	-7.9	-9.7	-8.2	-8.3	-7.1	-8.6	-8.6	-8.1	-8.3	-8.4	-8.2
Computers & Peripheral Equipment	-9.0	-15.0	-10.5	-14.1	-12.0	-12.1	-7.2	-9.8	-12.5	-11.8	-11.9	-12.2	-12.0
Computer Software & Accessories	-7.0	-2.1	-5.7	-4.4	-3.8	-4.0	-7.0	-7.5	-4.3	-3.8	-4.1	-4.0	-3.7
Calculators, Typewriters & Other	-4.0	-5.8	-3.3	-8.5	-6.2	-6.2	-3.7	-3.1	-6.1	-6.1	-6.1	-6.3	-6.2
Other Recreational Goods & Vehicles	-5.2	-6.5	-5.8	-3.5	-3.2	-2.1	-7.3	-6.0	-4.1	-1.7	-1.6	-2.1	-2.5
Other Durable Goods	2.8	1.9	3.7	0.9	1.3	1.8	0.5	3.0	1.9	2.3	2.4	2.0	1.6
Therapeutic Appliances & Equipment	-1.0	0.9	3.3	1.4	1.8	2.0	-0.5	0.7	1.8	2.7	2.9	2.6	2.4
All Other	4.6	2.4	3.9	0.6	1.0	1.7	0.9	4.2	2.0	2.1	2.1	1.6	1.2
Nondurable Goods	6.7	4.5	-0.3	0.6	-0.2	2.5	3.2	6.0	1.4	1.7	1.9	2.1	1.6
Food & Beverages (Off-Premises)	6.4	4.7	4.1	2.5	0.8	0.3	0.3	4.0	2.6	0.7	1.2	1.3	1.4
Clothing & Footwear	2.7	13.0	-1.0	-0.5	-0.2	0.8	-0.7	1.6	1.5	1.1	1.2	0.7	0.4
Gasoline & Other Energy Goods	20.9	4.3	-11.1	-5.2	-7.1	9.1	18.2	25.9	-2.2	1.4	0.3	2.0	-0.4
Motor Vehicle Fuels, Lubricants & Fluids	20.1	5.6	-11.2	-5.1	-7.7	9.5	18.3	25.8	-2.1	1.4	0.2	2.0	-0.5
Fuel Oil & Other Fuels	34.4	-14.0	-9.3	-6.4	3.3	2.1	17.3	27.3	-2.6	1.9	1.4	2.2	0.8
Other Nondurable Goods	2.3	1.3	1.5	2.1	2.1	2.3	1.8	1.6	1.9	2.9	3.5	3.4	3.0
Pharmaceutical & Other Medical Prod.	5.0	2.5	2.5	2.9	3.1	4.4	3.6	3.4	3.3	5.3	5.5	5.0	4.5
Tobacco	-1.0	5.2	3.4	4.9	4.6	5.0	10.5	3.4	4.3	5.4	5.8	5.7	5.6
All Other	1.0	-0.4	0.4	0.9	0.7	0.2	-1.5	-0.2	0.5	0.5	1.5	1.5	1.0
Services	2.4	2.0	1.5	1.6	1.3	1.5	1.9	1.8	1.6	1.8	2.3	2.3	2.4
Household Cons. Expenditures (Services)	2.4	2.1	1.4	1.6	1.3	1.5	2.0	1.7	1.6	1.8	2.3	2.3	2.3
Housing & Utilities	1.7	2.4	2.4	1.2	0.9	1.4	0.3	1.4	1.6	1.8	2.4	2.3	2.1
Housing	1.2	2.4	2.6	1.5	1.3	1.3	0.1	1.3	1.7	1.6	2.0	2.1	2.0
Household Utilities	4.8	2.0	1.6	-0.1	-0.9	1.8	1.4	2.1	1.1	3.1	4.6	3.2	2.5
Water Supply & Sanitation	5.4	3.7	3.7	4.2	3.8	3.3	6.4	5.2	3.9	3.2	3.1	3.3	3.3
Electricity	3.3	0.9	4.1	0.8	0.7	0.8	0.2	1.9	1.6	2.2	3.1	2.6	2.6
Natural Gas	8.7	2.8	-8.3	-9.1	-13.8	2.3	-2.0	-2.1	-4.9	5.8	11.9	5.0	0.7
Healthcare	2.2	1.9	0.3	2.3	2.2	2.1	2.5	1.6	1.8	2.2	2.4	2.5	2.7
Transportation Services	3.5	1.1	3.4	1.5	0.8	1.1	2.1	2.8	1.7	1.6	2.0	2.0	1.9
Motor Vehicle Services	2.5	1.2	2.6	1.9	1.4	1.8	0.7	1.3	1.9	2.2	2.6	2.6	2.4
Motor Vehicle Leasing	2.5	-5.6	-5.4	-1.3	-1.6	0.1	-5.3	-2.6	-2.2	0.5	1.7	1.7	0.8
Other	2.5	2.4	4.0	2.4	1.9	2.1	1.7	2.0	2.6	2.5	2.7	2.7	2.7
Public Transportation	5.8	0.6	5.2	0.5	-0.9	-0.7	5.9	6.3	1.2	0.1	0.7	0.7	0.7
Local (Taxi & Intracity Mass Trans.)	5.4	1.1	2.1	3.6	1.3	1.5	4.0	4.6	2.3	2.0	2.4	2.4	2.3
Other	5.9	0.5	6.1	-0.3	-1.4	-1.3	6.5	6.9	1.0	-0.5	0.2	0.3	0.3
Recreation Services	2.1	1.4	1.3	0.6	0.8	0.6	1.1	1.6	1.0	1.2	1.8	2.0	2.2
Food Services & Accommodations	5.2	4.4	0.5	2.2	1.4	1.0	1.4	2.5	2.0	1.4	2.0	2.1	2.1
Food Services	3.9	3.5	2.0	2.1	1.5	0.9	1.3	2.5	2.0	1.3	2.0	2.1	2.2
Accommodations	13.4	9.6	-8.1	2.8	1.1	1.3	1.5	3.0	1.5	1.8	1.9	1.9	1.8
Financial Services & Insurance	2.4	0.2	0.2	1.7	1.5	1.5	5.6	1.4	1.2	1.9	3.0	2.7	2.6
Financial Services	1.9	-0.5	0.2	1.5	1.1	1.2	7.0	0.8	0.9	1.6	2.1	2.4	2.5
Fin. Services Furnished w/o Payment	-2.8	-4.0	-3.2	1.7	1.2	1.4	10.1	-1.0	-0.4	1.6	2.0	2.2	2.4
Fin. Service Fees & Commissions	8.5	4.4	5.0	1.3	1.0	1.0	3.4	3.3	2.7	1.6	2.4	2.8	2.8
Insurance	3.4	1.7	0.1	2.2	2.3	2.1	3.1	2.6	1.8	2.4	4.6	3.2	2.8
Other Services	1.8	2.3	2.6	1.0	0.8	1.7	2.5	2.0	1.6	1.4	1.7	1.9	2.1
Telecommunication Services	-0.6	-1.1	1.2	-2.0	-2.3	-1.1	-0.6	-1.6	-1.2	-1.6	-1.1	-0.9	-0.7
All Other	2.4	3.1	2.9	1.6	1.5	2.3	3.2	2.8	2.2	2.0	2.3	2.5	2.6
Final Cons. Nonprofits Serving Hshlds.	2.5	0.9	2.9	1.8	1.3	1.6	-1.1	2.5	1.8	2.0	2.5	2.7	2.9
Addenda:													
Health Consumption	2.6	2.0	0.8	2.4	2.3	2.5	2.6	1.9	2.0	2.8	2.9	3.0	3.0
Energy Consumption	15.0	3.3	-7.1	-4.0	-5.6	6.3	10.3	16.1	-1.4	2.0	2.0	2.5	0.5

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TABLE 8
Personal Income

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars, SAAR													
Personal Income	12955.3	12975.2	13069.2	13215.5	13331.6	13453.7	12373.5	12961.7	13395.0	13898.9	14620.9	15399.8	16174.8
(Percent change, annual rate)	3.4	0.6	2.9	4.6	3.6	3.7	3.7	4.8	3.3	3.8	5.2	5.3	5.0
Wage and Salary Disbursements	6617.1	6641.6	6706.7	6757.0	6811.2	6871.3	6408.2	6635.9	6844.4	7128.7	7480.2	7853.5	8210.3
Private	5425.2	5452.6	5520.0	5571.2	5628.1	5690.0	5217.4	5446.2	5661.3	5939.4	6271.8	6617.8	6940.0
Government	1191.9	1188.9	1186.7	1185.8	1183.1	1181.3	1190.9	1189.6	1183.0	1189.3	1208.4	1235.7	1270.3
Other Labor Income	1602.7	1608.0	1617.9	1642.9	1655.7	1670.0	1563.1	1605.8	1663.8	1742.8	1838.4	1942.0	2046.4
Medical	565.3	567.3	570.3	578.3	582.9	588.8	560.9	566.3	586.3	619.9	668.5	722.1	775.1
Non-Medical	543.4	545.3	547.7	555.3	560.6	564.8	529.0	544.3	562.8	585.2	603.8	623.5	643.1
Employer Contributions to Soc. Ins.	494.0	495.4	499.9	509.3	512.2	516.4	473.2	495.2	514.8	537.8	566.2	596.5	628.1
Proprietors' Income													
Farm	67.3	67.2	57.7	63.0	67.5	70.5	52.2	64.6	68.4	71.3	64.2	63.7	64.8
Nonfarm	1039.2	1047.8	1056.4	1068.5	1080.0	1089.4	984.2	1043.2	1084.6	1140.4	1226.2	1294.6	1352.5
Rental Income	396.9	406.4	418.8	424.7	419.4	414.8	350.2	401.8	417.1	400.3	387.6	370.7	351.5
Personal Dividend Income	786.4	798.7	802.9	833.3	852.0	869.8	717.7	790.1	860.1	900.7	920.2	932.6	929.4
Personal Interest Income	1015.9	993.1	991.8	999.6	1005.6	1016.0	1003.4	1001.4	1011.2	1053.4	1163.6	1368.8	1565.7
Transfer Payments	2347.3	2333.6	2347.4	2380.2	2400.3	2420.7	2281.2	2339.1	2410.7	2500.2	2656.1	2807.2	2983.0
Federal	1737.5	1745.3	1751.6	1778.2	1790.8	1803.8	1708.3	1739.9	1797.4	1854.7	1927.2	2019.9	2135.1
State and Local	570.4	548.9	556.2	563.0	571.0	579.1	534.6	559.8	575.0	607.0	687.3	741.6	798.5
Business	39.4	39.4	39.6	39.0	38.4	37.8	38.3	39.5	38.3	38.6	41.6	45.7	49.3
Less: Dom. Cont. for Social Insurance	917.4	921.1	930.4	953.8	960.0	968.6	986.8	920.1	965.3	1038.9	1115.6	1233.4	1328.8
Equals: Personal Income	12955.3	12975.2	13069.2	13215.5	13331.6	13453.7	12373.5	12961.7	13395.0	13898.9	14620.9	15399.8	16174.8
Less: Pers. Tax and Nontax Payments	1396.2	1410.0	1430.0	1451.8	1473.3	1513.5	1193.9	1400.5	1498.8	1675.6	1795.2	1917.5	2051.4
Equals: Disposable Personal Income	11559.2	11565.2	11639.2	11763.7	11858.3	11940.2	11179.7	11561.2	11896.2	12223.3	12825.7	13482.3	14123.4
Less:													
Personal Consumption	10676.0	10798.7	10884.0	10962.9	11045.1	11151.4	10245.5	10732.6	11101.8	11489.4	11965.8	12496.4	13034.4
Interest Paid	155.9	160.3	160.5	160.7	163.7	165.8	173.4	159.3	164.7	174.7	180.7	192.0	210.4
Net Transfer Payments	170.7	171.7	173.3	175.7	178.3	181.1	168.0	171.5	179.8	192.2	206.3	221.3	237.2
To Government	97.1	97.8	99.4	101.2	103.1	105.1	95.1	97.7	104.2	112.6	121.5	130.8	140.7
To Rest of World	73.5	73.9	73.9	74.5	75.2	76.0	72.9	73.7	75.6	79.6	84.9	90.5	96.6
Equals: Personal Saving	556.5	434.6	421.4	464.3	471.2	441.8	592.8	497.8	449.9	366.9	472.8	572.6	641.3
Saving Rate (% of Disposable Income)	4.8	3.8	3.6	3.9	4.0	3.7	5.3	4.3	3.8	3.0	3.7	4.2	4.5
Real Disposable Income													
Level (Billions of Chained 2005 $)	10169.7	10117.1	10165.7	10248.4	10313.1	10345.4	10061.7	10158.9	10323.1	10447.2	10753.1	11082.7	11397.7
(Percent change, annual rate)	-0.5	-2.1	1.9	3.3	2.5	1.3	1.8	1.0	1.6	1.2	2.9	3.1	2.8
Per Capita (Thous. of chained 2005 $)	32.443	32.198	32.275	32.459	32.586	32.609	32.370	32.370	32.578	32.653	33.287	33.979	34.612

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TABLE 9
Household Finances

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars, SAAR													
Financial Assets	42566	39911	41183	41828	42362	42788	41497	41183	43208	45001	46380	47831	50008
Money	6962	7375	7513	7565	7604	7664	6784	7513	7733	8126	8534	8843	9171
Equities	14055	11947	12844	13212	13503	13723	13250	12844	13967	15051	15703	16327	17123
Other (Bonds, Life Insur. Reserves, etc.)	21549	20589	20826	21051	21256	21400	21462	20826	21508	21824	22143	22661	23714
Nonfinancial Assets	30027	29297	29688	29487	29186	29476	30233	29688	29796	31348	33487	35244	36973
Liabilities	13863	13867	13825	13798	13758	13741	13941	13825	13738	13840	14191	14776	15525
Nonmortage Consumer Credit	2442	2452	2472	2509	2539	2573	2408	2472	2605	2702	2789	2899	3013
Net Worth	58730	55341	57046	57517	57789	58523	57789	57046	59266	62510	65676	68299	71456
Percent of Disposable Income	508	479	490	489	487	490	517	493	498	511	512	507	506
Real Net Worth (Billions of 2005 $)	51669	48410	49824	50108	50259	50707	51748	49824	51195	53079	54639	55760	57273
Percent Change, SAAR													
Financial Assets	-1.2	-22.7	13.4	6.4	5.2	4.1	8.2	-0.8	4.9	4.1	3.1	3.1	4.6
Money	8.9	25.9	7.7	2.8	2.1	3.2	2.2	10.7	2.9	5.1	5.0	3.6	3.7
Equities	-0.8	-47.8	33.6	12.0	9.1	6.7	14.8	-3.1	8.7	7.8	4.3	4.0	4.9
Other (Bonds, Life Ins. Res., etc.)	-4.5	-16.7	4.7	4.4	3.9	2.8	6.4	-3.0	3.3	1.5	1.5	2.3	4.6
Nonfinancial Assets	-0.2	-9.4	5.4	-2.7	-4.0	4.0	0.9	-1.8	0.4	5.2	6.8	5.2	4.9
Liabilities	-0.1	0.1	-1.2	-0.8	-1.1	-0.5	-1.0	-0.8	-0.6	0.7	2.5	4.1	5.1
Nonmortage Consumer Credit	3.5	1.6	3.3	6.2	4.8	5.4	-1.7	2.6	5.4	3.7	3.2	3.9	3.9
Net Worth	-1.0	-21.2	12.9	3.3	1.9	5.2	6.5	-1.3	3.9	5.5	5.1	4.0	4.6
Real Net Worth	-4.1	-22.9	12.2	2.3	1.2	3.6	5.2	-3.7	2.8	3.7	2.9	2.1	2.7
Addenda:													
Percent of Disposable Income													
Monthly Financial Obligations*	16.1	15.8	15.5	14.9	14.4	13.9	16.9	15.9	14.2	12.8	12.2	12.6	13.2
Outstanding Nonmortgage Consumer Debt	21.1	21.2	21.2	21.3	21.4	21.5	21.5	21.4	21.9	22.1	21.7	21.5	21.3
Outstanding Mortgage Debt	89.8	89.2	88.0	86.3	85.0	84.0	94.1	88.6	83.9	81.8	80.4	80.5	81.4
Personal Bankruptcies (Quarterly rate, 000)	367.5	336.9	342.1	335.5	336.2	341.9	1536.6	1400.3	1356.0	1366.8	1359.1	1332.1	1337.2
Per Thousand Adults (Ages 16 and up)	1.491	1.363	1.381	1.351	1.350	1.370	6.289	5.673	5.439	5.430	5.349	5.193	5.163
Bank Card Delinquencies													
30 or more days, percent of accounts	3.2	3.2	3.2	3.2	3.3	3.3	3.3	3.2	3.3	3.4	3.2	3.2	3.2

* Debt service plus rent, motor vehicle leases, etc.

Created on 14 Dec 2011 for Erik Johnson

TABLE 10
Light Vehicles

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Millions of Units, SAAR													
Total Sales	12.11	12.45	13.30	13.05	13.09	13.41	11.55	12.71	13.32	14.73	15.60	16.21	16.60
Cars	6.01	5.79	6.59	6.82	6.93	7.01	5.73	6.23	6.99	7.87	8.30	8.58	8.76
Domestic	4.22	4.10	4.55	4.61	4.67	4.72	3.88	4.34	4.70	5.42	5.83	6.22	6.32
Imported	1.79	1.69	2.04	2.21	2.26	2.29	1.84	1.89	2.28	2.45	2.48	2.36	2.44
Light Trucks	6.10	6.66	6.71	6.23	6.16	6.40	5.83	6.48	6.34	6.86	7.29	7.63	7.84
Domestic	5.19	5.68	5.71	5.29	5.22	5.42	4.93	5.50	5.37	5.81	6.24	6.50	6.76
Imported	0.91	0.98	1.00	0.94	0.94	0.98	0.90	0.98	0.97	1.05	1.06	1.13	1.08
Stock of Registered Vehicles	242.9	242.5	242.4	242.2	242.0	241.9	243.5	242.4	241.8	242.6	244.1	246.2	248.7
Cars	131.3	131.0	130.8	130.8	130.7	130.7	131.7	130.8	130.7	131.5	132.8	134.5	136.6
Trucks	111.5	111.5	111.5	111.4	111.3	111.2	111.8	111.5	111.2	111.1	111.3	111.7	112.1
Billions of Chained 2005 Dollars													
Consumer Purchases of New Vehicles	187.0	189.4	202.7	195.1	196.0	202.3	178.7	196.0	200.4	217.5	228.6	249.1	274.0
Business Purchases of New Vehicles	146.9	160.1	162.9	162.8	162.1	165.5	140.2	156.0	164.9	185.2	203.7	206.8	199.2
Net Investment in Used Cars	-32.9	-31.9	-32.0	-32.3	-33.4	-34.7	-33.6	-32.7	-34.0	-38.4	-41.9	-43.6	-44.1
Net Investment in Used Light Trucks	-34.3	-38.2	-36.2	-37.3	-38.3	-38.3	-39.2	-36.9	-38.1	-40.8	-46.7	-48.9	-52.5
Net Investment in Light Vehicles	91.4	103.7	109.5	107.5	103.9	106.4	75.4	99.4	106.9	122.5	132.6	131.3	116.8
Motor Vehicle Dealer Inventories*	115.5	113.0	112.6	118.7	121.7	123.2	123.5	112.6	124.6	138.9	148.3	155.2	165.3
Change in Inventory (SAAR)	-23.0	-10.1	-1.5	24.5	12.0	5.7	9.5	-10.9	12.0	14.3	9.4	6.9	10.0
Billions of Dollars													
Consumer Purchases of New Vehicles	192.6	196.7	209.4	200.9	201.2	207.9	178.5	201.2	206.1	225.9	241.7	267.3	297.1
Business Purchases of New Vehicles	79.5	89.3	93.1	91.3	88.0	90.2	65.3	85.4	90.7	105.2	115.9	116.4	104.5
Consumer Spending on Leased Vehicles	30.2	30.2	30.2	30.3	30.5	30.2	30.9	30.3	30.4	30.6	32.9	36.9	37.0
Addenda:													
Sales per 100 Registered Vehicles	5.0	5.1	5.5	5.4	5.4	5.5	4.7	5.2	5.5	6.1	6.4	6.6	6.7
Average Price of New Vehicle ($, 000)	28.9	29.6	28.8	28.7	28.6	28.7	27.9	28.9	28.7	28.9	29.8	30.6	31.3
Motor Fuel Taxes, Cents per Gallon	41.7	41.9	41.8	41.8	41.9	41.9	41.7	41.8	41.9	42.0	42.0	42.1	42.2
Federal	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7	19.7
State & Local	22.0	22.2	22.1	22.1	22.1	22.2	22.0	22.1	22.1	22.2	22.3	22.4	22.5

* Includes used and new cars, parts and miscellaneous stock.

Created on 14 Dec 2011 for Erik Johnson

Housing and Construction

by Michael Montgomery

Highlights

- Housing construction is no longer a chronic (and often massive) drag on GDP. Housing wealth is still a major drag on consumption.
- Single-family starts will just drift higher next year, but multifamily starts will rise noticeably.
- Nonresidential construction will pause before a recovery reignites in about a year.
- States need more revenue to turn public construction around.

Changes to the Forecast

	Short Term	Long Term
Housing Starts	▲	▶
New Home Sales	▲	▶
Existing Home Sales	▲	▶
Fixed Mortgage Rates	▶	▶
Consumer Confidence	▶	▶

▲ = Higher
▼ = Lower
▶ = No Change

Issues to Watch

- The days of housing being a chronic drag have ended. The new question is how fast the housing recovery rolls along. It should start slow and stay somewhat hidden, appearing first in multifamily construction (which is notorious for volatility), but will keep climbing.
- The state and local construction segment is going to be the laggard. Other spending priorities are much higher on states' spending lists—it is easy to defer a repair that is "not that bad," and few new subdivisions mean few new roads and sewers.

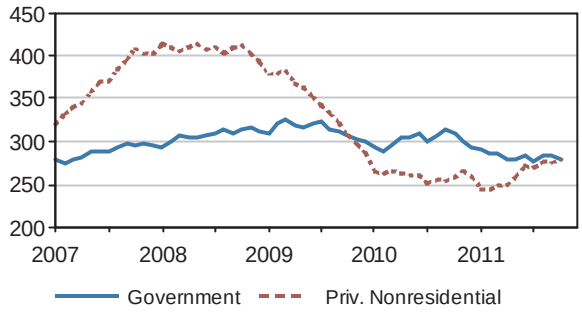
Housing Outlook

(Million units, annual rate)

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Existing Home Sales	4.88	4.88	4.98	4.93	5.01	5.15	4.92	4.97	5.09	5.52
Year-on-Year Percent Change	-12.3	16.9	4.9	-4.1	2.6	5.7	-4.5	1.0	2.5	8.5
New Home Sales - Single Family	0.31	0.30	0.31	0.32	0.33	0.35	0.32	0.30	0.34	0.48
Year-on-Year Percent Change	-8.0	2.1	4.0	6.9	5.3	16.5	-14.1	-5.3	12.7	39.0
Housing Starts	0.57	0.61	0.63	0.64	0.66	0.68	0.58	0.60	0.68	0.96
Year-on-Year Percent Change	-4.9	4.4	17.7	9.6	14.7	12.1	5.6	2.5	12.6	42.2
Real Gross Private Residential Investment										
Percent Change Annual Rate	4.2	1.5	1.1	3.3	4.5	9.4	-4.6	-2.1	4.1	18.5
Median Sales Price of Existing Single-Family Homes										
Dollars, Thousands	169.1	169.4	165.7	161.7	170.8	175.6	172.7	165.7	169.7	176.8
Year-on-Year Percent Change	-4.4	-4.7	-2.9	1.9	1.0	3.6	0.1	-4.1	2.4	4.2
FHFA House Price Index (Y/Y Percent Change)	-4.2	-4.3	-4.3	-4.0	-5.1	-5.9	-3.6	-4.0	-4.8	1.6
30-Year Fixed Mortgage Rate (Percent)	4.66	4.31	4.01	3.87	3.98	4.13	4.69	4.46	4.04	4.38

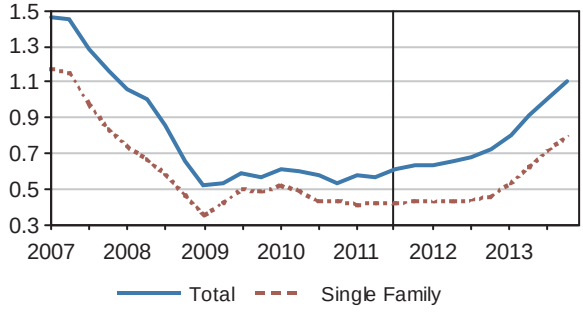
Nonresidential Firms, Government Lags

(Put-in-place outlays, billion $, annual rate, monthly)



Starts Rebound Slowly but Gather Steam

(Housing starts, million units, annual rate)



Analysis

Recent Developments. Housing starts eased slightly in October, as an expected slump in multifamily starts offset a solid gain in single-family starts. Permits climbed to their strongest level since March 2010, doing so on the strength of the highest level of multifamily starts in three years. Times are looking good for the multifamily sector, with rents firming, people either scared or unable to afford a home, and rental vacancy rates dropping. Worries about income, job, and investment losses, rather than prices or mortgage rates, are the main deterrents to home purchases; the National Association of Realtors' (NAR) housing affordability index surged to a record high of 193.6 for fixed-rate mortgages in October.

As weak as housing starts have been, sales have been climbing from the depressed nadir of the housing depression. Sales have firmed, but the NAR existing home sales numbers are about to be revised, perhaps sharply so. New single-family home sales edged up 1.3% in October, but have hovered near 300,000 units (annual rate) plus or minus noise for well over a year. Builders are becoming happier about the market, but would still be classed as depressed by any standard other than the past three years.

Residential Investment Turns to a GDP Positive. Real investment in residential structures was a major and chronic drag on real GDP growth, as it shriveled from $773.5 billion (2005 dollars, annual rate) in late 2005 to $311.5 billion in early 2011 and languished within 1% of this level during the other quarters of 2011. That is about to change. While not massively so early on, residential spending is becoming a positive force for GDP growth (and consistently so, save for weather-induced noise). While adding only one or two ticks per quarter to GDP growth, reinvigorated momentum will make it a half-point or more contributor from 2013 through 2015, and then a more moderate contributor for several more years. A 50% increase in activity by 2014 is clearly within the realm of the possible.

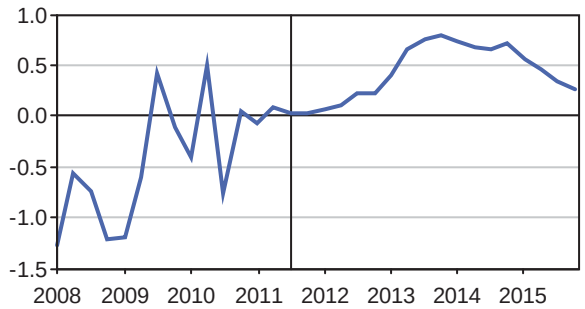
The Outlook. The 2011 housing starts pattern has been rocky, but reviving multifamily starts should push total starts up in 2011, and up by double-digit percentages in 2012. The single-family new construction market lags a bit, but double-digit year-over-year gains should be common early in 2013. Single-family housing starts crack the 1.0-million mark for calendar 2015 (and possibly in 2014); the last year this happened was 2007, when they were on their way down from 1.7-million units in 2005.

Risks to the Forecast. Residential investment falls about 7% below its old quarterly low in a double-dip recession; the housing recovery is postponed for almost two years, and starts consistently lag baseline levels.

Housing is a major part of any optimistic alternative, as a quick resolution to "too many homes for sale" and the need to start building new homes rapidly are a prerequisite for the economy outperforming the baseline.

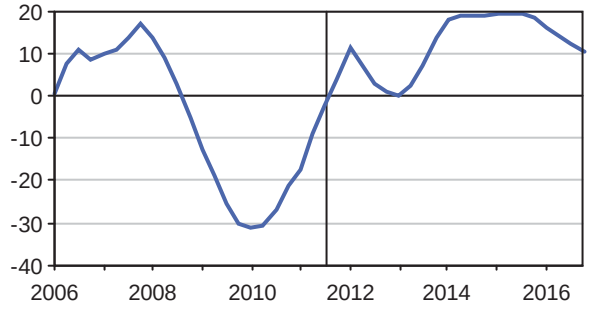
Housing Turns from a Drag to a Plus

(Contribution to GDP growth, percentage points)



Nonres. Investment Sputters Then Surges

(Excl. mining and utilities, percent change year earlier)



Created on 14 Dec 2011 for Erik Johnson

TABLE 1
Residential Construction

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars, SAAR													
Residential Construction	314.8	315.9	316.8	319.4	323.0	330.3	321.5	314.8	327.6	388.3	489.3	566.5	598.7
Permanent Site	116.6	118.6	119.9	120.6	123.1	127.1	125.2	118.3	125.9	180.2	270.3	334.8	358.1
Single-Family	106.7	107.7	108.5	106.7	107.3	108.5	114.7	107.8	108.6	154.7	238.7	295.9	311.1
Multi-Family	11.3	12.1	12.5	14.6	16.2	18.4	12.0	11.7	17.4	25.5	33.0	40.7	47.8
Other	198.6	197.8	197.5	199.3	200.4	203.8	196.8	197.0	202.3	209.1	220.5	233.6	242.7
Manufactured Homes	2.7	2.9	3.1	3.1	3.0	3.0	3.1	2.8	3.0	3.3	4.5	6.5	8.4
Improvements	138.1	135.6	137.4	139.8	141.2	142.1	136.7	136.8	141.2	141.4	145.6	149.4	153.5
Other, Incl. Commissions	56.7	58.7	55.7	54.8	54.4	57.4	55.8	56.2	56.6	64.2	70.6	78.5	81.4
Residential Equipment Investment	9.9	10.0	10.4	10.6	10.9	11.2	9.5	10.0	11.0	11.7	11.8	12.1	12.5
Percent Change, Annual Rate													
Residential Construction	4.2	1.5	1.1	3.3	4.5	9.4	-4.6	-2.1	4.1	18.5	26.0	15.8	5.7
Permanent Site	-4.6	7.2	4.1	2.6	8.5	13.4	-3.8	-5.6	6.5	43.1	50.0	23.9	7.0
Single-Family	-6.4	3.9	3.2	-6.6	2.2	4.9	8.6	-6.0	0.8	42.5	54.2	24.0	5.1
Multi-Family	10.0	34.9	11.2	86.7	52.0	67.6	-49.1	-2.4	48.6	46.4	29.5	23.1	17.5
Other	9.8	-1.7	-0.6	3.7	2.2	7.1	-5.1	0.1	2.7	3.4	5.5	5.9	3.9
Manufactured Homes	-10.0	30.5	36.0	-2.8	-9.4	-4.2	-3.3	-7.1	5.7	9.0	39.0	43.5	28.7
Improvements	5.8	-7.2	5.6	7.2	4.0	2.6	-3.9	0.1	3.2	0.1	3.0	2.6	2.7
Other, Incl. Commissions	24.4	14.7	-19.1	-6.1	-2.6	23.8	-8.4	0.8	0.8	13.3	10.0	11.2	3.7
Residential Equipment Investment	3.3	5.5	14.2	9.5	11.0	10.3	8.1	5.3	9.7	5.8	1.5	2.6	2.9
Billions of Dollars													
Residential Construction	326.7	328.1	331.1	335.0	340.0	349.2	329.2	326.9	345.9	420.3	545.8	650.5	705.8
Permanent Site	119.0	121.3	123.8	125.1	128.4	133.1	127.2	121.2	131.7	193.7	299.7	382.4	420.3
Single-Family	105.2	106.4	108.3	106.9	108.0	109.8	112.6	106.7	109.7	160.6	255.2	325.7	351.4
Multi-Family	13.9	15.0	15.5	18.2	20.3	23.3	14.7	14.5	22.0	33.1	44.5	56.7	68.9
Other	207.7	206.8	207.3	209.8	211.7	216.1	202.0	205.8	214.2	226.6	246.1	268.1	285.5
Manufactured Homes	3.1	3.4	3.7	3.7	3.6	3.6	3.5	3.4	3.7	4.1	5.9	8.9	11.8
Improvements	154.1	151.5	154.5	157.6	159.7	161.3	147.6	152.4	160.1	163.7	173.2	182.2	191.4
Other, Incl. Commissions	50.5	51.9	49.1	48.5	48.3	51.2	51.0	50.0	50.4	58.7	67.0	77.0	82.4
Residential Equipment Investment	8.9	9.2	9.4	9.6	9.9	10.1	8.9	9.1	10.0	10.5	10.7	11.0	11.3
Chained Price Deflators (2005=100)													
Residential Construction	103.8	103.8	104.5	104.9	105.3	105.7	102.4	103.9	105.5	108.2	111.5	114.8	117.9
Permanent Site	102.0	102.2	103.3	103.7	104.3	104.8	101.6	102.4	104.6	107.4	110.8	114.2	117.4
Single-Family	98.6	98.8	99.8	100.2	100.7	101.2	98.2	98.9	101.0	103.6	106.9	110.0	113.0
Multi-Family	122.9	123.2	124.4	125.0	125.6	126.4	122.2	123.4	126.1	129.9	134.5	139.4	144.2
Other	104.6	104.5	104.9	105.3	105.6	106.0	102.6	104.4	105.9	108.4	111.6	114.7	117.7
Manufactured Homes	117.2	119.2	119.9	120.6	121.3	122.2	114.1	118.1	121.8	125.9	130.8	135.9	140.8
Improvements	111.6	111.7	112.4	112.7	113.1	113.5	108.0	111.4	113.4	115.8	119.0	122.0	124.7
Other, Incl. Commissions	89.1	88.4	88.2	88.6	88.8	89.1	91.4	88.9	89.0	91.5	94.9	98.1	101.2
Residential Equipment Investment	90.1	91.4	90.9	90.7	90.6	90.5	93.0	90.6	90.5	90.3	90.6	90.8	90.6
Percent Change, Annual Rate													
Residential Construction	2.1	0.2	2.5	1.5	1.6	1.7	-0.3	1.4	1.6	2.5	3.1	3.0	2.7
Permanent Site	-0.1	0.8	4.1	1.8	2.0	2.0	-1.2	0.8	2.1	2.7	3.2	3.1	2.8
Single-Family	-0.1	0.8	4.0	1.8	2.0	1.9	-1.6	0.8	2.1	2.6	3.1	3.0	2.7
Multi-Family	-0.1	0.8	4.0	2.0	1.9	2.6	1.0	1.0	2.2	3.0	3.6	3.6	3.4
Other	3.4	-0.2	1.6	1.3	1.3	1.4	0.3	1.8	1.4	2.4	3.0	2.8	2.5
Manufactured Homes	3.5	6.8	2.5	2.3	2.2	3.0	2.9	3.6	3.1	3.4	3.9	3.9	3.7
Improvements	5.9	0.6	2.3	1.2	1.4	1.3	1.0	3.2	1.7	2.2	2.7	2.5	2.2
Other, Incl. Commissions	-4.1	-3.0	-0.6	1.5	0.8	1.7	-1.8	-2.7	0.1	2.8	3.6	3.4	3.2
Residential Equipment Investment	1.3	5.8	-2.1	-1.0	-0.5	-0.5	-6.1	-2.6	-0.1	-0.2	0.4	0.2	-0.2

Created on 14 Dec 2011 for Erik Johnson

TABLE 2
Housing Market Indicators

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Housing Starts and Sales, Millions of Units, SAAR													
Total	0.572	0.610	0.634	0.638	0.657	0.684	0.585	0.600	0.675	0.960	1.344	1.620	1.739
Single-Family	0.425	0.423	0.434	0.430	0.434	0.441	0.471	0.424	0.442	0.670	0.996	1.209	1.264
Multi-Family	0.147	0.187	0.200	0.208	0.223	0.243	0.114	0.176	0.234	0.291	0.348	0.411	0.475
Shipments of Mfg. Houses	0.048	0.051	0.055	0.055	0.055	0.056	0.050	0.050	0.056	0.067	0.097	0.139	0.179
Sales of Existing Houses	4.883	4.877	4.978	4.926	5.010	5.153	4.918	4.969	5.094	5.525	5.806	6.163	6.267
Single-Family	4.303	4.307	4.386	4.341	4.419	4.544	4.311	4.367	4.493	4.873	5.122	5.437	5.531
Condos & Co-ops	0.580	0.570	0.591	0.585	0.591	0.609	0.606	0.601	0.601	0.652	0.684	0.726	0.736
Sales of New Houses	0.309	0.297	0.312	0.319	0.325	0.346	0.321	0.304	0.343	0.476	0.631	0.773	0.823
New Houses Offered for Sale	0.169	0.164	0.160	0.153	0.146	0.139	0.211	0.169	0.143	0.129	0.171	0.233	0.282
House Prices - Thousands of Dollars													
Average, Existing Houses	218.7	218.0	212.0	197.5	207.0	216.8	220.2	213.7	208.1	218.3	232.1	248.8	261.9
(Four-quarter % change)	-2.1	-3.7	-3.3	-4.2	-5.3	-0.5	1.4	-2.9	-2.6	4.9	6.3	7.2	5.3
Median, Existing Houses	169.1	169.4	165.7	161.7	170.8	175.6	172.7	165.7	169.7	176.8	187.9	201.5	212.1
(Four-quarter % change)	-4.4	-4.7	-2.9	1.9	1.0	3.6	0.1	-4.1	2.4	4.2	6.3	7.2	5.3
Average, New Houses	268.2	258.8	261.9	276.6	268.2	274.2	271.5	263.8	275.2	292.4	296.0	294.4	292.1
(Four-quarter % change)	-0.4	-1.9	-5.1	3.8	0.0	6.0	1.2	-2.8	4.3	6.2	1.3	-0.5	-0.8
Median, New Houses	229.0	220.3	216.2	226.6	226.4	223.5	221.2	223.1	225.3	232.5	235.5	234.1	232.2
(Four-quarter % change)	4.3	-0.9	-2.5	-0.1	-1.1	1.5	3.1	0.8	1.0	3.2	1.3	-0.6	-0.8
Price of 1996-Style House	237.0	233.2	234.3	233.7	233.5	233.1	238.6	234.9	233.4	236.4	247.6	259.3	265.0
(Four-quarter % change)	-0.7	-1.3	-3.0	-0.5	-1.5	-0.1	0.3	-1.5	-0.6	1.3	4.7	4.8	2.2
FHFA HPI (1980Q1=100)	316.0	319.0	316.4	308.8	299.8	300.3	331.5	318.2	302.9	307.7	322.5	340.3	350.7
(Four-quarter % change)	-4.2	-4.3	-4.3	-4.0	-5.1	-5.9	-3.6	-4.0	-4.8	1.6	4.8	5.5	3.1
FHFA HPI - Purchase Only (1991Q1=100)	182.0	183.3	177.7	173.6	170.9	172.7	189.6	180.5	173.0	181.1	191.1	202.0	208.8
(Four-quarter % change)	-5.7	-3.6	-4.3	-3.0	-6.1	-5.8	-3.0	-4.8	-4.2	4.7	5.5	5.7	3.3
Interest Rates - Percent													
Conventional 30-Year Fixed	4.66	4.31	4.01	3.87	3.98	4.13	4.69	4.46	4.04	4.38	5.02	5.98	6.29
1-Year Treasury Yield	0.21	0.13	0.12	0.13	0.14	0.17	0.32	0.18	0.16	0.25	1.70	3.62	4.01
Addenda:													
Financial Obligations Ratio Percent of Disposable Income	16.1	15.8	15.5	14.9	14.4	13.9	16.9	15.9	14.2	12.8	12.2	12.6	13.2
Rental Vacancy Rate, %	9.2	9.8	9.4	9.1	8.8	8.6	10.2	9.5	8.7	7.6	6.6	5.6	5.2
Single-Family Affordability Index	1.80	1.84	2.02	2.16	2.05	1.96	1.75	1.89	2.04	1.92	1.71	1.47	1.39
Households (Millions)	118.9	119.1	119.3	119.6	119.9	120.3	118.3	119.3	120.7	122.3	124.0	125.7	127.3
(Four-quarter % change)	0.96	0.89	0.82	0.77	0.86	1.00	-4.96	-9.57	-22.35	-43.02	-27.61	-23.04	-11.79

Created on 14 Dec 2011 for Erik Johnson

TABLE 3
Nonresidential Structures

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars, SAAR													
Nonresidential Structures	321.9	331.6	336.2	337.8	333.5	323.1	309.1	323.9	327.9	327.3	364.5	408.2	436.1
Commercial & Health Care	77.3	79.3	80.5	83.2	85.2	84.8	80.0	77.6	84.4	88.2	102.9	126.3	145.3
Manufacturing	31.0	32.2	32.7	33.0	33.4	33.0	34.6	30.9	33.1	35.6	42.8	49.3	54.6
Power & Communications	65.7	68.7	68.6	66.2	63.6	61.3	63.2	66.7	62.8	59.8	62.8	65.8	64.0
Power	52.6	55.6	55.4	52.8	49.9	47.6	49.3	53.6	49.2	45.6	47.3	48.7	45.6
Communications	13.6	13.5	13.6	13.8	14.1	14.1	14.3	13.5	14.0	14.5	16.0	17.5	18.8
Mining & Petroleum	95.6	97.7	100.8	102.1	99.2	93.4	76.7	95.8	96.3	91.2	94.2	96.7	94.7
Other	49.1	50.5	50.2	49.9	49.3	48.3	54.2	49.8	48.7	50.8	60.6	68.9	76.1
Percent Change, Annual Rate													
Nonresidential Construction	22.6	12.6	5.6	1.9	-5.0	-11.9	-15.8	4.8	1.2	-0.2	11.4	12.0	6.8
Commercial & Health Care	22.7	10.9	5.9	14.3	9.9	-1.7	-24.5	-2.9	8.7	4.5	16.6	22.8	15.1
Manufacturing	55.4	16.6	5.9	4.0	5.0	-4.3	-31.8	-10.7	6.9	7.6	20.4	15.2	10.7
Power & Communications	13.0	19.3	-0.7	-13.2	-14.9	-13.7	-15.1	5.5	-5.9	-4.8	5.2	4.7	-2.8
Power	15.8	25.5	-1.6	-17.8	-20.0	-17.6	-15.4	8.6	-8.2	-7.2	3.7	2.9	-6.3
Communications	3.0	-2.5	3.1	7.6	6.7	1.3	-13.9	-5.2	3.4	3.8	9.8	10.0	7.1
Mining & Petroleum	33.6	9.0	13.1	5.4	-11.0	-21.3	16.6	24.8	0.6	-5.3	3.2	2.7	-2.1
Other	-2.4	11.5	-2.4	-2.3	-4.4	-8.3	-26.2	-8.1	-2.3	4.4	19.2	13.8	10.5
Billions of Dollars													
Nonresidential Structures	405.2	423.2	431.9	434.6	428.5	414.9	374.4	409.9	421.4	424.1	484.5	561.8	622.4
Commercial & Health Care	90.7	93.8	96.0	100.0	103.2	103.8	92.7	91.5	102.9	112.1	136.9	175.9	211.4
Manufacturing	36.9	38.8	39.7	40.5	41.3	41.2	40.8	37.1	41.1	46.1	58.2	70.2	81.3
Power & Communications	87.3	92.3	92.3	89.0	85.4	82.2	79.9	88.8	84.3	81.0	87.6	94.6	94.6
Power	69.4	74.3	74.2	70.6	66.7	63.5	61.7	70.9	65.7	61.6	65.6	69.5	66.9
Communications	18.0	18.0	18.1	18.4	18.7	18.7	18.2	17.9	18.6	19.5	22.0	25.1	27.7
Mining & Petroleum	135.3	141.4	147.0	148.2	142.0	131.9	100.9	136.6	137.2	124.3	126.3	131.3	131.4
Other	55.1	56.9	56.9	56.9	56.5	55.7	60.2	56.0	56.0	60.6	75.5	89.9	103.7
Chained Price Deflators (2005=100)													
Nonresidential Structures	125.8	127.6	128.5	128.7	128.5	128.4	121.1	126.5	128.5	129.6	132.9	137.6	142.7
Commercial & Health Care	117.2	118.2	119.3	120.3	121.2	122.4	115.9	117.8	121.9	127.0	133.0	139.2	145.4
Manufacturing	119.0	120.5	121.6	122.6	123.6	124.8	117.8	119.8	124.2	129.6	135.7	142.3	148.8
Power & Communications	133.0	134.4	134.6	134.5	134.3	134.1	126.3	133.2	134.3	135.6	139.3	143.7	147.8
Power	132.2	133.7	133.8	133.7	133.6	133.4	125.0	132.4	133.6	135.0	138.6	142.7	146.6
Communications	132.4	133.2	133.3	133.1	133.0	132.7	127.4	132.6	132.9	133.9	137.9	143.0	147.4
Mining & Petroleum	141.5	144.7	145.9	145.2	143.3	141.2	131.6	142.4	142.3	136.2	134.2	135.8	138.8
Other	112.0	112.6	113.4	114.0	114.6	115.4	111.0	112.4	115.1	119.3	124.6	130.4	136.1
Percent Change, Annual Rate													
Nonresidential Structures	6.1	5.6	2.8	0.6	-0.6	-0.2	-1.1	4.4	1.6	0.8	2.5	3.5	3.7
Commercial & Health Care	2.6	3.4	3.7	3.3	3.2	3.9	-3.2	1.6	3.5	4.2	4.7	4.7	4.5
Manufacturing	3.0	5.2	3.8	3.4	3.2	3.9	-2.1	1.7	3.7	4.3	4.8	4.8	4.6
Power & Communications	6.6	4.4	0.4	-0.3	-0.5	-0.4	4.3	5.5	0.8	1.0	2.8	3.2	2.8
Power	7.7	4.8	0.3	-0.2	-0.6	-0.3	3.5	5.9	0.9	1.0	2.7	3.0	2.7
Communications	2.5	2.5	0.4	-0.5	-0.3	-0.9	7.2	4.1	0.2	0.7	3.0	3.7	3.1
Mining & Petroleum	11.2	9.5	3.2	-1.9	-5.1	-5.5	-1.6	8.3	-0.1	-4.2	-1.5	1.2	2.2
Other	1.7	2.1	2.7	2.3	2.2	2.9	-2.7	1.3	2.4	3.6	4.5	4.6	4.4
Rental Cost of Capital, Index													
Buildings & Other Structures	0.085	0.080	0.078	0.080	0.082	0.084	0.079	0.082	0.083	0.093	0.105	0.120	0.128
Corporate	0.121	0.122	0.121	0.124	0.125	0.127	0.117	0.120	0.126	0.134	0.147	0.161	0.170
Limited Partnership	0.083	0.071	0.065	0.067	0.071	0.075	0.078	0.076	0.073	0.088	0.108	0.132	0.142
Public	0.086	0.079	0.077	0.078	0.080	0.082	0.071	0.083	0.081	0.092	0.105	0.121	0.129
Public Utilities	0.096	0.096	0.091	0.093	0.094	0.095	0.091	0.095	0.094	0.100	0.109	0.117	0.121
Communications	0.090	0.090	0.085	0.087	0.087	0.089	0.087	0.089	0.088	0.093	0.101	0.110	0.113
Other	0.099	0.099	0.094	0.095	0.096	0.098	0.094	0.097	0.097	0.103	0.112	0.120	0.124

Created on 14 Dec 2011 for Erik Johnson

TABLE 4
Government Construction

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars, SAAR													
Federal	25.2	25.6	24.8	24.3	23.7	23.2	28.5	25.6	23.5	21.9	20.5	19.0	17.6
State and Local	189.3	189.5	186.1	182.1	178.5	177.9	210.6	190.3	178.7	175.9	176.4	178.2	180.2
Highways and Streets	49.5	51.0	50.1	49.1	48.1	47.9	55.5	50.7	48.1	47.3	47.3	47.7	48.1
Education	48.8	50.3	48.9	48.4	47.7	47.7	53.0	49.3	47.8	47.5	48.0	48.8	49.6
Water and Sewer	25.8	26.0	26.2	25.9	25.7	25.9	31.3	26.4	25.9	26.1	26.2	26.5	26.5
Transportation	14.1	13.0	13.2	13.1	13.0	13.1	16.1	13.8	13.1	13.3	13.4	13.5	13.6
Other	52.0	49.6	48.1	45.9	44.1	43.2	55.3	50.6	43.9	41.5	41.4	41.6	42.1
Percent Change, Annual Rate													
Federal	-19.4	6.5	-11.6	-8.7	-8.4	-8.1	14.1	-10.3	-8.0	-6.9	-6.5	-7.2	-7.5
State and Local	-13.5	0.4	-6.9	-8.3	-7.8	-1.3	-5.2	-9.6	-6.1	-1.6	0.3	1.0	1.1
Highways and Streets	-20.4	13.1	-6.6	-8.3	-7.8	-1.3	-1.5	-8.6	-5.1	-1.7	0.0	0.7	0.8
Education	-2.0	12.6	-10.9	-4.0	-5.6	0.1	-14.2	-7.0	-3.0	-0.6	1.0	1.8	1.7
Water and Sewer	-25.5	2.9	3.5	-4.0	-3.5	3.2	-1.2	-15.6	-2.1	1.1	0.4	1.0	0.2
Transportation	-19.3	-26.4	4.8	-3.2	-2.7	4.0	0.6	-14.5	-4.9	1.6	0.4	1.0	1.0
Other	-6.7	-16.9	-12.0	-17.0	-14.5	-7.7	-2.7	-8.4	-13.4	-5.3	-0.4	0.5	1.3
Billions of Dollars													
Federal	30.4	31.2	30.6	30.1	29.7	29.3	33.6	31.0	29.5	28.3	27.5	26.6	25.6
State and Local	250.6	254.1	252.0	248.8	245.7	246.6	270.8	253.4	246.8	250.5	260.6	274.8	288.8
Highways and Streets	72.3	75.4	74.9	73.9	73.0	73.3	78.5	74.6	73.3	74.3	77.1	81.1	85.0
Education	64.7	67.5	66.2	66.1	65.7	66.2	69.1	65.7	66.0	67.7	70.9	75.3	79.6
Water and Sewer	33.4	34.1	34.7	34.7	34.6	35.1	38.5	34.4	35.0	36.4	38.0	40.0	41.7
Transportation	19.6	18.3	18.7	18.7	18.8	19.1	21.6	19.2	19.0	19.9	20.7	21.8	22.9
Other	60.6	58.8	57.5	55.3	53.6	52.9	63.1	59.5	53.5	52.2	53.9	56.6	59.6
Chained Price Deflators (2005=100)													
Federal	121.0	121.9	123.1	124.2	125.2	126.1	118.0	121.5	125.6	129.5	134.3	140.2	145.8
State and Local	132.4	134.1	135.4	136.6	137.6	138.6	128.6	133.2	138.1	142.4	147.7	154.1	160.3
Highways and Streets	146.2	147.9	149.4	150.7	151.8	153.0	141.4	147.0	152.4	157.1	163.0	170.1	176.8
Education	132.5	134.2	135.5	136.7	137.8	138.8	130.4	133.3	138.2	142.5	147.8	154.3	160.4
Water and Sewer	129.6	131.3	132.6	133.7	134.8	135.7	123.0	130.4	135.2	139.4	144.6	150.9	156.9
Transportation	139.1	140.8	142.2	143.4	144.5	145.5	134.2	139.9	145.0	149.4	155.1	161.8	168.3
Other	116.7	118.4	119.6	120.6	121.5	122.4	114.1	117.5	121.9	125.7	130.4	136.1	141.5
Percent Change, Annual Rate													
Federal	3.9	3.0	4.0	3.5	3.1	3.0	-1.0	3.0	3.4	3.1	3.8	4.4	4.0
State and Local	5.0	5.2	4.0	3.5	3.1	3.0	0.4	3.6	3.7	3.1	3.8	4.4	4.0
Highways and Streets	4.5	4.7	4.0	3.5	3.1	3.0	1.4	4.0	3.6	3.1	3.8	4.4	4.0
Education	5.0	5.2	4.0	3.5	3.1	3.0	-0.3	2.2	3.7	3.1	3.8	4.4	4.0
Water and Sewer	5.1	5.3	4.0	3.5	3.1	3.0	3.4	6.0	3.7	3.1	3.8	4.4	4.0
Transportation	4.7	5.0	4.0	3.5	3.1	3.0	1.3	4.2	3.7	3.1	3.8	4.4	4.0
Other	5.1	6.1	4.0	3.5	3.1	3.0	-2.2	2.9	3.8	3.1	3.8	4.4	4.0

Created on 14 Dec 2011 for Erik Johnson

Business Investment

by Patrick Newport

Highlights

- Private nonresidential construction (put-in-place) spending is up 14% since hitting a bottom in January. This high growth rate appears unsustainable, however.
- The accelerated depreciation allowances passed late last year will have a limited impact on equipment spending because of the modest outlook for GDP growth.
- In the forecast, real spending on equipment and software increases 6.5% in 2012 and 7.2% in 2013. Real spending growth on structures slows to 1.2% in 2012, from 4.8% in 2011, and then finally rebounds on a sustained recovery in 2013.

Changes to the Forecast

	Short Term	Long Term
Fixed Investment	▼	▶
Equipment	▶	▶
Structures	▼	▶
Inventory Change	▲	▶

▲ = Higher
▼ = Lower
▶ = No Change

Issue to Watch

- Underwater maturing debt will remain a problem in the commercial real estate sector for years to come. This debt should not be a threat to the recovery, mainly because "too-big-to-fail" banks hold a small share of the bad debt, and the underlying assets are still producing income (just not as much as once anticipated). Should the economy fall into recession, however, this debt would intensify the downturn.

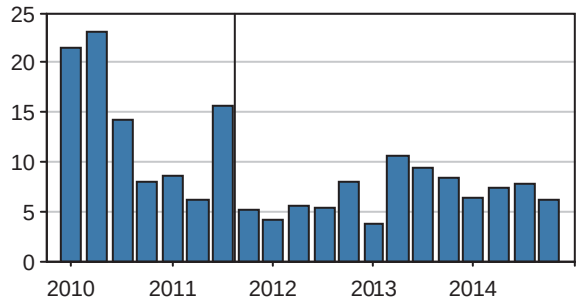
Business Investment Outlook

(Percent change, annual rate)

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Real Gross Private Nonresidential Investment	10.3	14.8	5.3	3.5	2.7	0.6	4.4	8.7	5.1	5.3
Equipment & Software	6.2	15.6	5.2	4.2	5.7	5.4	14.6	10.2	6.5	7.2
Information Processing Equipment	8.9	0.7	7.5	7.3	8.9	8.8	9.9	6.0	7.3	7.0
Industrial Equipment	-0.8	31.3	11.3	5.8	4.8	7.6	6.9	12.3	9.3	5.2
Transportation Equipment	14.9	31.7	8.6	8.3	2.2	6.1	68.9	25.1	9.6	13.3
Other Equipment	-0.5	36.0	-8.4	-8.6	0.6	-6.5	11.6	10.6	-0.4	4.9
Nonresidential Structures	22.6	12.6	5.6	1.9	-5.0	-11.9	-15.8	4.8	1.2	-0.2
Buildings & Other	23.1	11.1	3.9	8.1	4.8	-3.9	-27.8	-6.6	5.5	5.8
Power & Communications	13.0	19.3	-0.7	-13.2	-14.9	-13.7	-15.1	5.5	-5.9	-4.8
Mining & Petroleum	33.6	9.0	13.1	5.4	-11.0	-21.3	16.6	24.8	0.6	-5.3

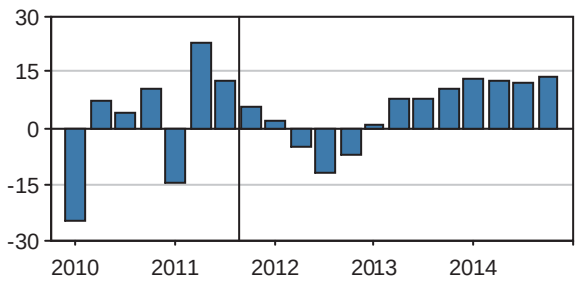
Modest Gains for Equipment and Software

(Real spending, percent change, annual rate)



Rough Time Ahead for Nonresidential Structures

(Real spending, percent change, annual rate)



Analysis

Recent Developments. Spending in private nonresidential construction (put in place) increased 1.3% in October, and the August and September levels were revised up. But the gains were concentrated in power, a sector that dances to its own tune. Spending across the other building categories was mixed. On the surface, the nonresidential outlook looks promising. Total spending is up 14% since hitting a bottom in January. The gains have been broad based, and four categories—manufacturing, educational, amusement and recreation, and power—are up more than 10% since January. But the anecdotal evidence is that much of the recent growth is coming from companies improving and retrofitting existing facilities, not new projects. Indeed, spending outside of the power sector over the past five months has been flat, architectural billings were below the breakeven mark in six of the last six months, and funding remains tight. Given this background, recent high growth rates appear unsustainable.

Shipments of core capital goods slipped 0.1% in October—the second straight monthly decline. The drops are not too worrisome, partly because the three-month moving-average lines for shipments and orders are still rising, partly because the volatile turbines category accounted for October's weak shipments reading (excluding turbines, core shipments were up 1.5% in October), and partly because unfilled orders hit an all-time high in October.

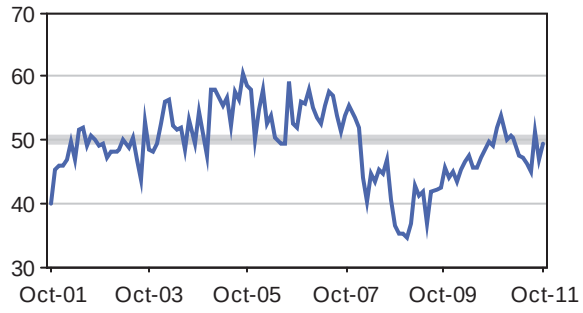
The Outlook. The 2010 Tax Relief Act allows businesses to fully expense qualified assets purchased and put into use between September 8, 2010, and the end of 2011, and to apply a 50% bonus depreciation on qualified assets bought in 2012. The savings from buying equipment in 2011 are considerable, particularly for assets with long lives. That assets with long lives posted almost across-the-board strong gains in the third quarter indicates that this program is having an impact. Still, in order to entice companies to invest, the outlook must be a favorable one. Slow growth in end markets means that accelerated depreciation will have a limited impact. In the December forecast, real spending on equipment and software grows at a respectable but far-from-impressive 5.2% rate in the fourth quarter and a better 6.5% pace during 2012. Spending slows in early 2013 after the program expires, but then quickly picks up because of an improving economy.

On the business structures side, with the current outlook for GDP growth, funding for commercial real estate tight, and vacancy rates still high, we believe that companies will hold off on expanding until 2013. As a result, forecasted real spending on "buildings and other structures" levels off in 2012 and begins to rebound only in 2013. Drilling, however, will become a drag on growth soon. Higher oil prices have led to a surge in petroleum drilling, which has offset some retreat in natural gas drilling (reflecting high inventories and low prices), leaving overall 2011 drilling 24.8% higher than in 2010. In the forecast, real spending on mining and petroleum structures (i.e., drilling) slows to 0.6% growth in 2012 and then drops 5.3% in 2013. Overall, real spending growth on structures slows to 1.2% in 2012, from 4.8% in 2011, and then finally rebounds on a sustained recovery in 2013.

Risks to the Forecast. Business fixed investment is much stronger in the optimistic alternative than in the baseline forecast throughout the projection period. By 2013, investment in this scenario is 10% higher. In the pessimistic scenario, business fixed investment declines in all four quarters of 2012, and is much weaker than in the baseline over the forecast period.

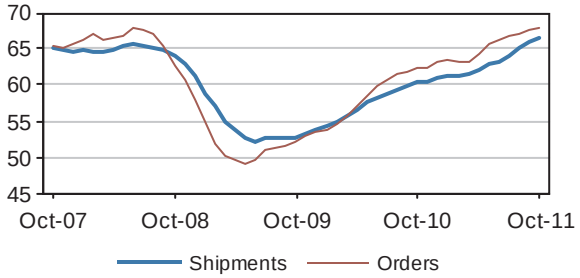
AIA Architecture Billings Index

(Diffusion index, national billings, seasonally adjusted)



Nondefense Capital Goods Excluding Aircraft

(Billions of dollars)



Created on 14 Dec 2011 for Erik Johnson

TABLE 1
Investment in Equipment and Software

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars, SAAR													
Equipment & Software	1103.5	1144.3	1158.9	1170.8	1187.1	1202.8	1019.4	1123.4	1196.8	1283.1	1382.9	1464.0	1519.1
Information Processing Equipment	638.4	639.5	651.2	662.8	677.0	691.5	602.6	638.5	684.8	732.5	786.9	840.9	896.3
Computers	176.5	182.3	187.7	188.2	193.8	202.6	150.9	176.5	199.5	225.6	260.1	297.4	343.4
Software	268.9	272.6	275.3	279.4	284.1	289.0	256.1	270.1	286.6	306.1	321.6	333.8	345.5
Communications Equipment	100.8	95.1	95.3	102.4	107.0	109.4	102.4	99.3	107.5	114.1	126.8	138.3	148.6
Other	109.8	108.1	112.3	112.7	113.7	114.8	105.0	109.9	114.6	117.6	122.8	131.3	139.8
Industrial Equipment	157.7	168.9	173.5	175.9	178.0	181.3	146.6	164.5	179.8	189.2	199.4	209.6	212.6
Transportation Equipment	144.6	154.9	158.1	161.3	162.1	164.5	119.3	149.3	163.6	185.4	200.4	199.2	186.2
Light Vehicles	91.4	103.7	109.5	107.5	103.9	106.4	75.4	99.4	106.9	122.5	132.6	131.3	116.8
Aircraft	19.9	16.9	17.8	19.7	20.4	20.9	19.2	18.2	20.6	22.3	24.0	25.5	26.7
Other Transportation Equipment	36.7	39.5	37.5	39.5	41.9	41.6	27.9	36.8	40.9	46.4	50.3	48.6	46.5
Other Equipment	173.8	187.7	183.6	179.6	179.8	176.8	162.6	179.8	179.0	187.9	208.5	228.7	244.6
Percent Change, Annual Rate													
Equipment & Software	6.2	15.6	5.2	4.2	5.7	5.4	14.6	10.2	6.5	7.2	7.8	5.9	3.8
Information Processing Equipment	8.9	0.7	7.5	7.3	8.9	8.8	9.9	6.0	7.3	7.0	7.4	6.9	6.6
Computers	50.3	13.8	12.3	1.1	12.5	19.5	30.5	16.9	13.1	13.1	15.3	14.3	15.4
Software	8.0	5.7	4.1	6.0	7.0	7.0	2.8	5.5	6.1	6.8	5.0	3.8	3.5
Communications Equipment	-18.1	-20.8	0.9	33.1	19.1	9.5	12.5	-3.0	8.2	6.1	11.2	9.0	7.5
Other	2.4	-5.9	16.4	1.4	3.7	3.8	10.6	4.7	4.3	2.7	4.4	6.9	6.5
Industrial Equipment	-0.8	31.3	11.3	5.8	4.8	7.6	6.9	12.3	9.3	5.2	5.4	5.1	1.5
Transportation Equipment	14.9	31.7	8.6	8.3	2.2	6.1	68.9	25.1	9.6	13.3	8.1	-0.6	-6.5
Light Vehicles	-6.2	65.5	24.1	-6.9	-12.8	10.0	267.7	31.9	7.6	14.6	8.3	-1.0	-11.1
Aircraft	42.1	-48.4	24.9	50.0	13.8	12.1	-1.2	-5.3	13.4	8.3	7.3	6.7	4.4
Other Transportation Equipment	48.5	34.2	-18.9	22.7	26.2	-2.3	-1.1	31.9	11.2	13.5	8.3	-3.3	-4.3
Other Equipment	-0.5	36.0	-8.4	-8.6	0.6	-6.5	11.6	10.6	-0.4	4.9	11.0	9.7	7.0
Billions of Dollars, SAAR													
Equipment & Software	1100.8	1141.9	1157.5	1168.0	1182.2	1198.0	1015.7	1120.3	1192.9	1288.5	1402.3	1493.1	1551.9
Information Processing Equipment	567.6	566.2	576.0	584.4	595.1	606.2	543.8	566.9	601.3	638.7	682.8	724.1	763.4
Computers	103.9	105.4	107.0	104.8	105.5	107.8	93.8	103.0	107.3	110.9	117.1	122.8	129.7
Software	270.4	274.0	277.6	282.7	288.6	294.8	257.9	271.8	291.8	317.7	340.3	358.5	375.2
Communications Equipment	78.8	73.6	73.6	79.0	82.2	83.6	83.8	77.4	82.2	85.0	92.7	99.4	104.6
Other	114.6	113.2	117.8	117.9	118.8	120.1	108.3	114.8	119.9	125.1	132.7	143.5	153.9
Industrial Equipment	186.5	201.0	207.5	210.5	213.0	217.8	168.6	195.0	215.9	232.8	251.3	269.0	276.7
Transportation Equipment	152.0	162.6	165.3	168.7	169.5	172.4	122.7	156.3	171.5	198.1	219.2	221.8	210.3
Light Vehicles	79.5	89.3	93.1	91.3	88.0	90.2	65.3	85.4	90.7	105.2	115.9	116.4	104.5
Aircraft	23.5	20.1	21.5	23.9	24.8	25.6	22.3	21.6	25.2	28.0	31.1	34.2	36.5
Other Transportation Equipment	49.0	53.1	50.7	53.4	56.7	56.6	35.1	49.3	55.6	64.8	72.1	71.2	69.3
Other Equipment	194.6	212.1	208.6	204.4	204.6	201.6	180.5	202.0	204.2	219.0	249.0	278.1	301.5
Rental Cost of Capital. Index													
Equipment & Software													
Computers	0.058	0.057	0.056	0.056	0.055	0.054	0.064	0.057	0.055	0.051	0.047	0.044	0.040
Software	0.407	0.406	0.407	0.417	0.419	0.421	0.422	0.407	0.420	0.438	0.448	0.457	0.463
Communications Equipment	0.084	0.083	0.089	0.092	0.092	0.092	0.092	0.085	0.092	0.092	0.092	0.091	0.089
Other Communications Equipment	0.263	0.264	0.263	0.274	0.274	0.275	0.279	0.263	0.275	0.292	0.299	0.305	0.307
Industrial Equipment	0.153	0.153	0.152	0.159	0.159	0.160	0.158	0.152	0.160	0.172	0.179	0.185	0.188
Light Vehicles	0.223	0.223	0.220	0.227	0.227	0.228	0.227	0.221	0.228	0.239	0.245	0.250	0.253
Aircraft	0.203	0.204	0.204	0.212	0.213	0.214	0.209	0.203	0.214	0.229	0.241	0.251	0.257
Other Transportation Equipment	0.286	0.287	0.287	0.298	0.299	0.301	0.285	0.286	0.300	0.321	0.333	0.344	0.350
Other Equipment	0.212	0.213	0.212	0.222	0.222	0.223	0.223	0.212	0.223	0.237	0.246	0.253	0.257
Addenda:													
Percent of GDP													
Fixed Nonresidential Investment	10.0	10.3	10.4	10.4	10.4	10.3	9.6	10.1	10.4	10.6	11.1	11.5	11.6
Equipment & Software	7.3	7.5	7.6	7.6	7.6	7.7	7.0	7.4	7.7	8.0	8.3	8.4	8.3
Information Equipment	3.8	3.7	3.8	3.8	3.8	3.9	3.7	3.8	3.9	4.0	4.0	4.1	4.1
Light Vehicles	0.5	0.6	0.6	0.6	0.6	0.6	0.4	0.6	0.6	0.7	0.7	0.7	0.6
Construction	2.7	2.8	2.8	2.8	2.8	2.7	2.6	2.7	2.7	2.6	2.9	3.1	3.3

Created on 14 Dec 2011 for Erik Johnson

TABLE 2
Price Deflators for Investment in Equipment and Software

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Level, SA, 2005=100													
Equipment & Software	99.7	99.8	99.9	99.8	99.6	99.6	99.6	99.7	99.7	100.4	101.4	102.0	102.2
Information Processing Equipment	88.9	88.5	88.5	88.2	87.9	87.7	90.3	88.8	87.8	87.2	86.8	86.1	85.2
Computers	58.8	57.8	57.0	55.7	54.4	53.2	62.2	58.4	53.8	49.2	45.0	41.3	37.8
Software	100.6	100.5	100.8	101.2	101.6	102.0	100.7	100.6	101.8	103.8	105.8	107.4	108.6
Communications Equipment	78.1	77.3	77.2	77.1	76.8	76.4	81.9	77.9	76.5	74.5	73.1	71.9	70.4
Other	104.3	104.7	104.9	104.6	104.4	104.6	103.1	104.5	104.7	106.4	108.1	109.3	110.1
Industrial Equipment	118.3	119.1	119.6	119.7	119.7	120.1	115.1	118.5	120.1	123.0	126.0	128.4	130.2
Transportation Equipment	105.2	105.0	104.6	104.6	104.5	104.8	102.9	104.7	104.8	106.8	109.3	111.4	112.9
Light Vehicles	87.0	86.2	85.1	84.9	84.7	84.8	87.0	86.0	84.9	85.9	87.4	88.7	89.5
Aircraft	118.4	119.6	120.6	121.4	121.7	122.0	116.3	119.1	122.0	125.6	130.0	133.8	137.0
Other Transportation Equipment	133.4	134.3	135.1	135.3	135.4	135.9	125.7	133.9	135.9	139.5	143.4	146.5	149.0
Other Equipment	112.0	113.0	113.6	113.8	113.8	114.0	111.0	112.3	114.1	116.6	119.4	121.6	123.3
Percent Change, SAAR													
Equipment & Software	1.2	0.2	0.4	-0.5	-0.7	0.0	-1.8	0.1	0.0	0.7	1.0	0.6	0.2
Information Processing Equipment	-1.6	-1.6	-0.3	-1.3	-1.3	-1.0	-1.8	-1.6	-1.1	-0.7	-0.5	-0.8	-1.1
Computers	-7.4	-6.8	-5.3	-8.9	-8.9	-8.9	-4.9	-6.0	-7.8	-8.6	-8.5	-8.3	-8.5
Software	0.2	-0.3	1.3	1.4	1.6	1.7	-0.9	-0.1	1.2	1.9	2.0	1.5	1.1
Communications Equipment	-4.6	-3.8	-0.6	-0.5	-1.4	-2.4	-3.8	-4.8	-1.8	-2.7	-1.8	-1.7	-2.1
Other	1.4	1.4	0.8	-1.0	-0.9	0.8	0.1	1.3	0.2	1.6	1.6	1.1	0.7
Industrial Equipment	4.1	2.7	1.9	0.1	0.0	1.6	1.0	3.0	1.3	2.5	2.4	1.9	1.4
Transportation Equipment	4.2	-0.7	-1.6	0.0	-0.2	0.9	-6.6	1.8	0.1	2.0	2.3	1.9	1.4
Light Vehicles	5.8	-3.7	-4.9	-0.9	-0.7	0.3	-26.9	-1.1	-1.3	1.2	1.7	1.4	0.9
Aircraft	2.0	4.3	3.5	2.7	0.8	1.0	1.2	2.4	2.4	3.0	3.5	2.9	2.4
Other Transportation Equipment	1.1	3.0	2.3	0.5	0.3	1.7	12.8	6.6	1.4	2.7	2.8	2.2	1.7
Other Equipment	4.6	3.6	2.1	0.8	-0.1	0.8	-2.0	1.2	1.5	2.2	2.4	1.8	1.4

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TABLE 3
Inventory Investment

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars													
Changes, SAAR													
Total	39.1	-8.5	9.5	35.0	43.5	42.9	58.8	22.3	40.6	44.7	49.3	46.2	41.4
Farm	-8.7	-10.8	-8.5	-4.5	-2.0	0.0	-1.4	-9.0	-1.6	0.5	0.5	0.5	0.5
Nonfarm	51.0	4.9	20.4	41.4	47.1	43.9	60.7	34.0	43.6	45.0	49.4	46.2	41.3
Manufacturing	24.2	9.4	9.4	8.5	11.2	10.1	20.3	19.1	9.9	9.2	12.1	9.2	3.3
Wholesale Trade	39.0	6.4	12.6	5.0	10.3	13.5	27.0	20.1	10.7	10.7	11.7	12.5	11.9
Retail Trade	-20.5	-11.7	-1.5	29.0	18.1	13.2	16.2	-8.6	18.1	20.1	17.5	14.7	17.2
Automotive	-23.0	-10.1	-1.5	24.5	12.0	5.7	9.5	-10.9	12.0	14.3	9.4	6.9	10.0
Other	1.0	-2.1	-0.1	5.9	6.7	7.6	7.0	1.6	6.6	6.5	8.4	8.1	7.7
Construction, Mining & Public Utilities	2.5	-0.2	-2.0	-1.8	3.6	2.5	-4.3	-0.2	1.5	0.5	3.1	3.9	2.3
Levels													
Total	1752.6	1750.4	1752.8	1761.5	1772.4	1783.1	1730.5	1752.8	1793.4	1838.1	1887.3	1933.5	1974.9
Farm	149.9	147.2	145.1	144.0	143.5	143.5	154.0	145.1	143.5	144.0	144.5	145.0	145.5
Nonfarm	1604.3	1605.5	1610.6	1621.0	1632.7	1643.7	1576.6	1610.6	1654.2	1699.2	1748.6	1794.8	1836.2
Manufacturing	540.5	542.8	545.2	547.3	550.1	552.6	526.1	545.2	555.1	564.3	576.4	585.6	588.9
Wholesale Trade	429.2	430.8	433.9	435.2	437.8	441.1	413.9	433.9	444.6	455.4	467.1	479.6	491.5
Retail Trade	423.5	420.6	420.2	427.4	432.0	435.3	428.8	420.2	438.2	458.3	475.8	490.5	507.7
Automotive	115.5	113.0	112.6	118.7	121.7	123.2	123.5	112.6	124.6	138.9	148.3	155.2	165.3
Other	306.6	306.1	306.1	307.6	309.2	311.1	304.5	306.1	312.7	319.3	327.7	335.8	343.5
Construction, Mining & Public Utilities	70.9	70.8	70.3	69.8	70.7	71.4	70.6	70.3	71.8	72.3	75.4	79.3	81.6
Billions of Dollars													
Changes, SAAR													
Total	53.6	-7.1	13.1	42.9	52.4	50.6	67.0	30.4	48.5	52.3	58.3	55.2	49.5
Farm	-9.9	-12.8	-10.7	-5.6	-2.4	0.1	-1.6	-10.7	-1.9	0.7	0.7	0.7	0.7
Nonfarm	63.5	5.8	23.9	48.5	54.8	50.4	68.6	41.1	50.5	51.6	57.6	54.5	48.8
Manufacturing	31.5	12.1	11.6	10.0	12.7	11.1	23.3	24.0	11.1	9.7	12.6	9.5	3.4
Wholesale Trade	50.8	8.0	16.2	6.2	13.0	17.3	31.8	25.9	13.6	13.9	15.6	17.0	16.3
Retail Trade	-23.6	-13.5	-2.3	32.4	19.7	14.0	17.6	-10.0	19.7	22.5	19.6	16.7	20.0
Automotive	-24.7	-11.0	-1.6	26.5	13.0	6.2	9.9	-11.7	13.0	15.7	10.5	7.8	11.4
Other	1.1	-2.5	-0.7	5.9	6.7	7.8	7.7	1.7	6.7	6.8	9.1	8.9	8.6
Construction, Mining & Public Utilities	3.0	-0.3	-2.8	-2.5	4.7	3.3	-4.9	-0.4	1.9	0.6	4.2	5.6	3.2
Implicit Price Deflators, 2005=100													
Total	126.2	127.2	125.3	123.1	121.5	120.7	116.4	126.1	121.5	120.2	121.2	122.3	122.8
Farm	153.4	157.7	152.6	151.9	151.1	149.4	124.8	155.0	150.1	143.6	137.5	135.4	135.4
Nonfarm	123.5	124.2	122.6	120.3	118.7	117.9	115.6	123.2	118.7	117.9	119.5	120.8	121.3
Manufacturing	127.8	127.4	123.1	117.9	113.6	110.6	118.3	126.4	112.7	105.9	104.3	103.4	102.1
Merchant Wholesaler	129.9	131.4	131.2	130.2	129.7	130.1	119.4	130.4	130.1	132.5	135.8	138.2	139.7
Retail	114.5	115.7	115.7	115.3	115.2	115.5	110.0	114.8	115.5	117.4	120.1	122.3	123.8
Automotive	108.1	108.6	108.0	107.9	107.9	108.1	104.4	107.6	108.1	109.3	111.0	112.6	113.8
Other	117.4	118.9	119.0	118.5	118.4	118.8	112.6	118.0	118.8	121.0	124.1	126.6	128.2
Construction, Mining & Public Utilities	124.1	125.6	125.5	124.3	123.9	124.4	115.8	124.1	124.5	127.5	131.6	134.3	135.8
Implicit Price Deflators, Percent Change, SAAR													
Total	1.8	3.1	-5.6	-6.8	-5.1	-2.6	5.1	8.3	-3.7	-1.0	0.8	0.8	0.4
Farm	-7.2	11.5	-12.2	-1.7	-2.2	-4.3	11.2	24.2	-3.2	-4.3	-4.3	-1.5	0.0
Nonfarm	2.9	2.2	-4.9	-7.3	-5.4	-2.4	4.5	6.7	-3.7	-0.6	1.4	1.1	0.5
Manufacturing	1.4	-1.1	-12.9	-16.0	-13.8	-10.0	5.1	6.8	-10.9	-6.0	-1.5	-0.8	-1.2
Wholesale Trade	2.6	4.5	-0.4	-3.2	-1.6	1.2	5.5	9.2	-0.2	1.8	2.6	1.8	1.0
Retail Trade	4.0	4.5	-0.3	-1.3	-0.3	1.2	2.8	4.4	0.6	1.7	2.3	1.9	1.2
Automotive	10.2	1.9	-2.1	-0.4	-0.1	0.8	3.3	3.0	0.5	1.1	1.6	1.4	1.0
Other	1.9	5.5	0.3	-1.7	-0.4	1.3	2.5	4.9	0.6	1.9	2.5	2.0	1.2
Construction, Mining & Public Utilities	9.5	4.6	-0.3	-3.7	-1.4	1.9	7.2	7.2	0.3	2.5	3.2	2.0	1.1

Created on 14 Dec 2011 for Erik Johnson

Government

by Greg Daco

Highlights

- The supercommittee failed in its deficit-reduction task. Automatic spending cuts totaling $1.2 trillion are now scheduled to begin in January 2013.
- We do not expect the automatic cuts to take effect. Nor do we expect all the Bush tax cuts to expire in January 2013, as scheduled. The 2012 election will decide what alternative deficit-reduction plan is adopted instead.

Issues to Watch

- IHS Global Insight expects the 2% payroll tax cut and emergency unemployment insurance benefits to be extended in 2012, but neither has sufficient congressional support yet.
- Congress has passed three spending bills for fiscal year 2012; nine remain. If these are not passed by December 16, 2011, Congress will have to pass yet another continuing resolution to keep the government funded.

Changes to the Forecast

	Short Term	Long Term
Federal Tax Revenues	▼	▼
Federal Social Insurance Receipts	▼	▼
Federal Nondefense Outlays	▶	▶
Federal Defense Outlays	▼	▶
Federal Transfers to Persons	▼	▼
Federal Deficit, Unified	▼	▶

▲ = Higher
▼ = Lower
▶ = No Change

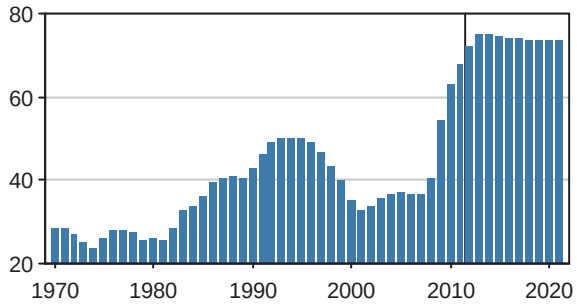
Government Outlook

(Billions of dollars)

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Federal, Fiscal Year										
Total Receipts	714	568	563	533	799	631	2,162	2,302	2,526	2,813
Year-on-Year Percent Change	11.0	0.7	5.9	9.1	11.9	11.1	2.7	6.5	9.7	11.4
Budget Outlays	855	894	891	930	877	883	3,456	3,598	3,582	3,612
Year-on-Year Percent Change	-8.1	4.5	-1.1	-1.9	2.6	-1.2	-1.8	4.1	-0.5	0.8
Unified Deficit	-141	-325	-328	-398	-78	-251	-1294	-1296	-1055	-799
Percent of GDP	-0.9	-2.1	-2.1	-2.6	-0.5	-1.6	-8.9	-8.6	-6.8	-5.0
State and Local, Calendar Year										
Current Receipts (Annual rate)	2,128	2,064	2,067	2,084	2,096	2,117	2,065	2,088	2,107	2,184
Year-on-Year Percent Change	4.1	-0.9	-1.5	-0.4	-1.5	2.6	5.7	1.1	0.9	3.6
Current Expenditures (Annual rate)	2,168	2,142	2,145	2,149	2,154	2,161	2,090	2,151	2,159	2,209
Year-on-Year Percent Change	4.7	2.6	0.5	0.0	-0.6	0.9	2.9	2.9	0.4	2.3
Net Saving (Annual rate)	-40.2	-78.2	-78.0	-65.3	-57.9	-44.7	-25.3	-63.4	-51.9	-25.1
Percent of GDP	-0.3	-0.5	-0.5	-0.4	-0.4	-0.3	-0.2	-0.4	-0.3	-0.2

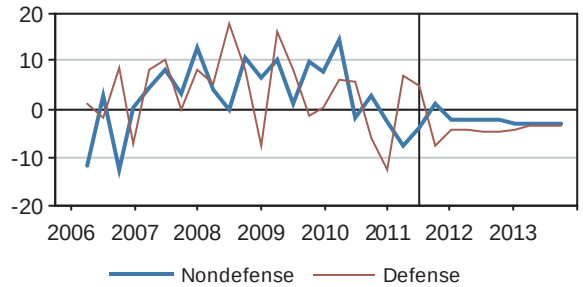
Federal Government Debt Is Soaring

(Publicly held debt as a percent of GDP, fiscal years)



The Belt Tightens

(Real government spending on goods and services, billion dollars)



Analysis

Recent Developments. The congressional supercommittee tasked with cutting $1.2 trillion off the budget deficit over the next 10 years has failed. This is not surprising given the substantial gap between Republican and Democrats proposals in the weeks leading up to November 23. This leaves both automatic spending cuts and the expiry of the Bush tax cuts looming in January 2013, and a heated debate in prospect through the 2012 election and beyond on what alternative deficit-reduction plan to adopt to prevent these events from occurring. The next major flashpoint on the horizon will be the December 16, 2011, deadline for agreeing on a temporary or final budget proposal for fiscal 2012. Subsequently, Congress will need to decide on the fate of the payroll tax cut and extended emergency unemployment benefits (both expiring at the end of 2011), the Medicare payments to doctors scheduled to be cut on January 1, 2012, and the Alternative Minimum Tax "fix" that also expires on January 1, 2012. Given the recent track record of policymakers in Washington, the holiday period should be eventful.

The Outlook. IHS Global Insight expects the federal deficit for fiscal 2012 to moderate to just under $1.1 trillion, or about $240 billion lower than this fiscal year. Looking ahead to 2012, real federal spending on goods and services is expected to contract 2.9%, with nondefense spending down 2.0% and defense spending down 3.2%. Government spending on wages and salaries will not be immune from these sharp cuts, with declines in real dollars of 1.8% in the nondefense sector and 4.1% in the defense sector—that means employment declines.

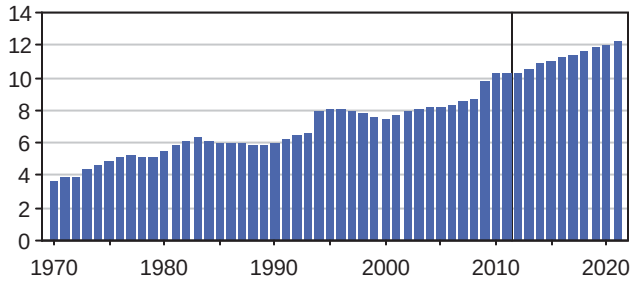
On the revenue side, we expect federal tax receipts to increase 8.0% in 2012, with corporate tax receipts up 10.0% and personal income tax revenues up 8.1%.

Risks to the Forecast. In the pessimistic scenario, an economy back in recession generates lower tax revenues and greater demand for government assistance. This results in slightly larger federal deficits in fiscal 2011 and 2012.

In the optimistic scenario, the rapid recovery leads to strong private-sector spending, which in turn increases the tax base. Government receipts are stronger and government transfer payments—such as unemployment benefits—decrease.

Entitlement Programs Demand Attention

(Unified budget spending on Medicare, Medicaid, and Social Security, percent of GDP, fiscal years)



What Not Extending the Payroll Tax Cut Means

(Domestic social insurance taxes as a percent of disposable income)

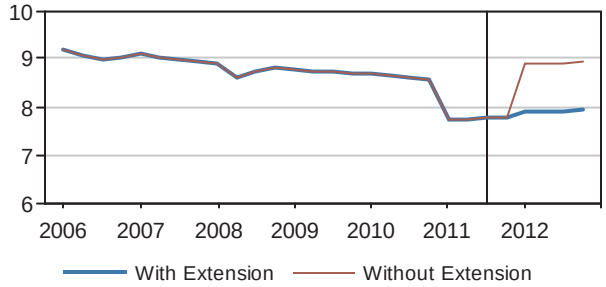


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TABLE 1
Real Government Purchases

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars													
Federal	1058.3	1063.2	1050.0	1040.7	1031.4	1021.3	1075.9	1056.2	1026.2	989.7	961.1	941.7	929.7
Defense	705.9	714.1	699.9	692.4	685.0	676.7	718.3	703.5	680.7	653.0	633.0	620.4	612.9
Consumption	607.1	612.7	602.8	596.3	589.8	582.5	609.0	604.1	586.0	561.1	543.1	532.3	526.4
Labor Compensation	243.5	243.9	242.1	238.4	234.9	231.3	241.7	243.1	233.1	220.8	211.2	205.8	202.9
Consumption of Fixed Capital	86.1	87.2	87.5	87.8	88.0	88.2	83.2	86.5	88.1	88.7	88.8	88.6	88.0
Other	277.9	282.1	273.7	270.7	267.7	263.8	284.7	274.9	265.5	252.7	244.4	239.4	237.0
Gross Investment	98.8	101.5	97.0	96.0	95.0	94.1	110.2	99.4	94.6	92.0	90.1	88.3	86.6
Nondefense	352.4	349.0	350.1	348.3	346.5	344.7	357.7	352.7	345.6	336.8	328.2	321.4	316.9
Consumption	302.1	298.5	301.0	299.6	298.2	296.9	307.5	302.5	297.6	290.4	283.1	277.4	273.3
Labor Compensation	146.9	145.3	144.9	144.4	143.8	143.2	147.8	146.2	143.5	140.8	138.0	135.5	133.5
Consumption of Fixed Capital	32.3	32.7	33.0	33.2	33.4	33.7	31.2	32.5	33.6	34.4	35.2	35.9	36.6
Other	123.0	120.8	123.4	122.4	121.4	120.4	128.7	124.1	120.9	115.7	110.6	106.9	104.3
Gross Investment	50.6	50.9	49.4	48.9	48.4	47.9	50.4	50.5	48.1	46.5	45.1	44.0	43.7
State & Local													
Consumption	1203.2	1196.7	1191.2	1184.5	1177.8	1172.3	1213.0	1199.6	1176.1	1167.8	1173.1	1182.1	1192.1
Wages & Salaries	883.7	880.8	878.4	875.9	873.7	872.4	895.9	882.6	873.8	876.6	885.8	896.0	905.8
Consumption of Fixed Capital	130.9	131.5	131.8	130.6	129.4	127.9	128.7	131.1	128.6	125.0	124.7	125.9	127.5
Other	190.3	186.3	183.1	180.3	177.1	174.5	190.2	187.7	176.1	169.0	165.9	163.7	162.3
Gross Investment	253.6	254.8	251.0	246.5	242.2	241.2	274.3	254.8	242.3	238.3	238.7	240.8	243.5
Construction	189.3	189.5	186.1	182.1	178.5	177.9	210.6	190.3	178.7	175.9	176.4	178.2	180.2
Equipment	68.3	69.6	69.4	68.9	68.4	67.9	66.2	68.4	68.2	66.9	66.7	66.9	67.7
Percent Change, Annual Rate													
Federal	1.9	1.9	-4.9	-3.5	-3.5	-3.9	4.5	-1.8	-2.8	-3.6	-2.9	-2.0	-1.3
Defense	7.0	4.7	-7.7	-4.2	-4.2	-4.8	3.3	-2.1	-3.2	-4.1	-3.1	-2.0	-1.2
Consumption	9.1	3.7	-6.3	-4.2	-4.3	-4.9	3.0	-0.8	-3.0	-4.3	-3.2	-2.0	-1.1
Labor Compensation	0.7	0.7	-3.0	-5.9	-5.9	-5.9	3.1	0.6	-4.1	-5.3	-4.3	-2.6	-1.4
Consumption of Fixed Capital	4.3	5.2	1.4	1.2	1.1	0.9	4.3	4.0	1.8	0.6	0.2	-0.3	-0.6
Other	19.3	6.2	-11.5	-4.3	-4.4	-5.7	2.4	-3.4	-3.4	-4.8	-3.3	-2.0	-1.0
Gross Investment	-5.8	11.4	-16.6	-4.0	-4.0	-4.0	5.1	-9.8	-4.9	-2.8	-2.0	-2.0	-2.0
Nondefense	-7.6	-3.8	1.3	-2.1	-2.1	-2.1	7.1	-1.4	-2.0	-2.5	-2.6	-2.1	-1.4
Consumption	-7.9	-4.7	3.3	-1.8	-1.8	-1.8	6.2	-1.6	-1.6	-2.4	-2.5	-2.0	-1.5
Labor Compensation	-1.6	-4.3	-1.0	-1.6	-1.6	-1.6	4.3	-1.1	-1.8	-1.8	-2.0	-1.8	-1.5
Consumption of Fixed Capital	5.1	5.0	3.2	3.1	2.9	2.8	3.4	4.1	3.4	2.6	2.3	2.0	1.8
Other	-18.6	-7.0	9.0	-3.2	-3.2	-3.2	9.3	-3.6	-2.6	-4.3	-4.4	-3.4	-2.4
Gross Investment	-5.3	2.4	-11.4	-4.0	-4.0	-4.0	14.4	0.3	-4.8	-3.4	-3.0	-2.4	-0.8
State & Local	-2.8	-1.4	-2.5	-3.1	-3.1	-1.8	-1.8	-2.2	-2.5	-0.9	0.4	0.8	0.9
Consumption	-1.4	-2.1	-1.8	-2.2	-2.2	-1.9	-1.3	-1.1	-2.0	-0.7	0.5	0.8	0.8
Wages & Salaries	-1.7	-1.3	-1.1	-1.1	-1.0	-0.6	-1.4	-1.5	-1.0	0.3	1.0	1.2	1.1
Consumption of Fixed Capital	1.9	1.8	1.1	-3.7	-3.6	-4.5	2.1	1.9	-2.0	-2.8	-0.3	1.0	1.3
Other	-2.3	-8.1	-6.8	-6.0	-6.8	-5.8	-3.2	-1.3	-6.2	-4.0	-1.9	-1.3	-0.9
Gross Investment	-8.9	1.9	-5.8	-7.1	-6.8	-1.6	-3.9	-7.1	-4.9	-1.7	0.2	0.9	1.1
Construction	-13.5	0.4	-6.9	-8.3	-7.8	-1.3	-5.2	-9.6	-6.1	-1.6	0.3	1.0	1.1
Equipment	11.3	7.8	-1.3	-2.4	-3.3	-2.5	2.0	3.5	-0.4	-2.0	-0.3	0.3	1.3

Created on 14 Dec 2011 for Erik Johnson

TABLE 2
Nominal Government Purchases

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars													
Federal	1237.1	1248.4	1237.2	1231.7	1223.4	1214.6	1222.9	1235.7	1218.9	1193.4	1180.5	1177.7	1183.6
Defense	830.6	843.5	829.9	825.2	817.9	810.0	819.2	828.2	813.9	793.0	783.0	781.3	784.9
Consumption	723.4	732.8	724.0	720.6	714.7	708.0	702.1	720.3	711.2	693.4	685.1	685.3	691.0
Labor Compensation	300.4	302.6	301.5	299.7	295.8	291.8	291.6	300.7	293.8	283.1	276.4	275.1	277.9
Consumption of Fixed Capital	96.0	97.8	98.6	99.2	99.8	100.2	90.7	96.7	99.9	101.2	102.3	103.0	103.1
Other	327.0	332.4	323.9	321.6	319.2	316.0	319.8	323.0	317.5	309.1	306.4	307.1	310.0
Gross Investment	107.3	110.7	105.9	104.6	103.2	102.0	117.1	108.0	102.7	99.6	97.8	96.0	93.8
Nondefense	406.5	404.9	407.3	406.5	405.4	404.5	403.7	407.4	405.0	400.4	397.5	396.5	398.8
Consumption	354.1	352.0	356.0	355.7	355.2	354.7	352.0	355.1	355.0	351.9	350.2	350.1	352.7
Labor Compensation	177.0	176.1	176.2	176.1	175.9	175.7	174.7	176.4	175.8	174.8	174.9	175.5	177.9
Consumption of Fixed Capital	33.8	34.4	34.8	35.1	35.4	35.8	32.6	34.1	35.6	36.8	37.9	38.9	39.7
Other	143.2	141.6	145.1	144.5	143.8	143.3	144.9	144.7	143.6	140.3	137.4	135.7	135.1
Gross Investment	52.4	52.9	51.3	50.8	50.3	49.8	51.7	52.3	50.0	48.5	47.3	46.4	46.1
State & Local													
Consumption	1482.9	1475.3	1472.8	1470.3	1467.1	1465.8	1443.5	1475.7	1467.9	1484.4	1523.5	1571.6	1624.0
Wages & Salaries	1067.8	1067.2	1067.3	1069.1	1070.7	1073.5	1064.2	1067.2	1073.2	1097.1	1132.8	1173.6	1218.2
Consumption of Fixed Capital	161.1	163.5	165.0	164.5	163.7	162.6	155.3	162.1	163.0	161.8	165.6	172.4	179.6
Other	254.0	244.6	240.4	236.7	232.7	229.7	224.0	246.4	231.7	225.5	225.1	225.6	226.2
Gross Investment	318.6	323.5	321.1	317.2	313.3	313.7	336.5	321.5	314.2	316.4	326.3	340.4	354.8
Construction	250.6	254.1	252.0	248.8	245.7	246.6	270.8	253.4	246.8	250.5	260.6	274.8	288.8
Equipment	68.0	69.4	69.1	68.4	67.6	67.0	65.7	68.1	67.4	65.9	65.7	65.6	66.0
Percent Change, Annual Rate													
Federal	5.8	3.7	-3.5	-1.8	-2.7	-2.9	7.0	1.0	-1.4	-2.1	-1.1	-0.2	0.5
Defense	11.1	6.4	-6.3	-2.3	-3.5	-3.8	5.7	1.1	-1.7	-2.6	-1.3	-0.2	0.5
Consumption	13.4	5.3	-4.7	-1.9	-3.2	-3.7	5.7	2.6	-1.3	-2.5	-1.2	0.0	0.8
Labor Compensation	3.1	3.0	-1.4	-2.3	-5.2	-5.2	6.4	3.1	-2.3	-3.6	-2.4	-0.5	1.0
Consumption of Fixed Capital	7.0	7.7	3.3	2.6	2.1	1.6	4.9	6.6	3.3	1.3	1.1	0.7	0.1
Other	26.2	6.8	-9.8	-2.8	-3.0	-3.9	5.3	1.0	-1.7	-2.7	-0.9	0.2	0.9
Gross Investment	-2.6	13.3	-16.3	-4.8	-5.0	-4.7	5.7	-7.8	-4.9	-3.0	-1.8	-1.9	-2.2
Nondefense	-4.2	-1.6	2.4	-0.8	-1.0	-0.9	9.7	0.9	-0.6	-1.2	-0.7	-0.3	0.6
Consumption	-4.4	-2.4	4.7	-0.4	-0.6	-0.5	9.1	0.9	0.0	-0.9	-0.5	0.0	0.8
Labor Compensation	2.1	-2.0	0.2	-0.3	-0.4	-0.4	8.3	0.9	-0.3	-0.6	0.1	0.3	1.4
Consumption of Fixed Capital	6.1	7.3	4.1	4.2	3.9	3.5	3.1	4.6	4.5	3.4	3.1	2.6	2.0
Other	-14.9	-4.4	10.2	-1.5	-1.9	-1.6	11.8	-0.1	-0.8	-2.3	-2.1	-1.3	-0.4
Gross Investment	-3.0	3.9	-11.6	-3.9	-3.9	-3.9	14.2	1.2	-4.4	-3.1	-2.4	-1.9	-0.7
State & Local	1.6	-0.6	-1.1	-1.4	-1.6	-0.2	0.3	1.0	-0.8	1.0	2.7	3.4	3.5
Consumption	3.1	-2.0	-0.7	-0.7	-0.9	-0.4	1.3	2.2	-0.5	1.1	2.6	3.2	3.3
Wages & Salaries	0.5	-0.2	0.0	0.7	0.6	1.1	0.5	0.3	0.6	2.2	3.3	3.6	3.8
Consumption of Fixed Capital	6.2	6.1	3.8	-1.4	-1.8	-2.7	1.9	4.4	0.6	-0.8	2.4	4.1	4.2
Other	12.7	-14.0	-6.6	-6.1	-6.7	-5.0	4.3	10.0	-6.0	-2.7	-0.2	0.2	0.3
Gross Investment	-5.1	6.3	-2.9	-4.8	-4.9	0.5	-3.7	-4.5	-2.3	0.7	3.2	4.3	4.2
Construction	-9.3	5.7	-3.2	-5.1	-5.0	1.6	-4.8	-6.4	-2.6	1.5	4.1	5.4	5.1
Equipment	12.7	8.5	-1.9	-3.6	-4.7	-3.3	1.4	3.6	-1.0	-2.2	-0.3	-0.1	0.5

Created on 14 Dec 2011 for Erik Johnson

TABLE 3
Price Deflators for Government Purchases

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Chained Price Deflators, 2005=100													
Federal	116.9	117.4	117.8	118.3	118.6	118.9	113.7	117.0	118.8	120.6	122.8	125.1	127.3
Defense	117.7	118.1	118.6	119.2	119.4	119.7	114.0	117.7	119.6	121.4	123.7	125.9	128.1
Consumption	119.2	119.6	120.1	120.8	121.2	121.5	115.3	119.2	121.4	123.6	126.2	128.7	131.3
Labor Compensation	123.4	124.1	124.6	125.7	125.9	126.2	120.7	123.7	126.0	128.2	130.9	133.7	137.0
Consumption of Fixed Capital	111.5	112.1	112.7	113.1	113.3	113.6	109.1	111.8	113.4	114.2	115.2	116.3	117.2
Other	117.7	117.8	118.4	118.8	119.2	119.8	112.3	117.5	119.6	122.3	125.4	128.3	130.8
Gross Investment	108.5	109.1	109.1	108.9	108.6	108.4	106.3	108.6	108.6	108.3	108.5	108.6	108.4
Nondefense	115.4	116.0	116.3	116.7	117.0	117.4	112.9	115.5	117.2	118.9	121.1	123.4	125.8
Consumption	117.2	117.9	118.3	118.7	119.1	119.5	114.4	117.4	119.3	121.2	123.7	126.2	129.1
Labor Compensation	120.5	121.2	121.6	122.0	122.3	122.7	118.2	120.7	122.5	124.1	126.7	129.5	133.3
Consumption of Fixed Capital	104.8	105.1	105.4	105.7	106.0	106.2	104.3	104.9	106.1	106.8	107.7	108.4	108.6
Other	116.5	117.2	117.6	118.1	118.5	119.0	112.5	116.6	118.8	121.3	124.2	126.9	129.5
Gross Investment	103.4	103.9	103.9	103.9	103.9	104.0	102.6	103.5	104.0	104.3	104.9	105.4	105.4
State & Local	123.7	124.0	124.4	125.0	125.5	126.0	119.7	123.6	125.7	128.1	131.1	134.5	137.9
Consumption	123.2	123.3	123.6	124.1	124.6	125.0	119.0	123.0	124.8	127.1	129.9	132.9	136.2
Wages & Salaries	120.8	121.2	121.5	122.1	122.6	123.1	118.8	120.9	122.8	125.1	127.9	131.0	134.5
Consumption of Fixed Capital	123.1	124.3	125.2	125.9	126.5	127.1	120.7	123.6	126.8	129.4	132.8	137.0	140.8
Other	133.5	131.3	131.3	131.3	131.4	131.6	117.8	131.2	131.6	133.4	135.7	137.8	139.4
Gross Investment	125.6	127.0	127.9	128.7	129.4	130.0	122.7	126.2	129.7	132.8	136.7	141.4	145.7
Construction	132.4	134.1	135.4	136.6	137.6	138.6	128.6	133.2	138.1	142.4	147.7	154.1	160.3
Equipment	99.5	99.8	99.6	99.3	98.9	98.7	99.4	99.5	98.8	98.6	98.5	98.2	97.4
Percent Change, SAAR													
Federal	3.8	1.8	1.4	1.8	0.9	1.1	2.4	2.9	1.5	1.5	1.9	1.8	1.8
Defense	3.8	1.6	1.5	2.0	0.8	1.0	2.4	3.2	1.6	1.6	1.8	1.8	1.7
Consumption	3.9	1.5	1.8	2.5	1.1	1.3	2.7	3.4	1.8	1.8	2.1	2.1	2.0
Labor Compensation	2.4	2.3	1.5	3.8	0.7	0.7	3.2	2.5	1.9	1.7	2.1	2.1	2.5
Consumption of Fixed Capital	2.8	2.3	2.0	1.4	1.0	0.8	0.6	2.4	1.5	0.6	0.9	1.0	0.7
Other	5.8	0.5	1.8	1.6	1.4	1.9	2.8	4.6	1.8	2.3	2.5	2.3	1.9
Gross Investment	3.2	2.0	0.2	-0.9	-1.0	-0.7	0.6	2.2	0.0	-0.2	0.2	0.1	-0.2
Nondefense	3.7	2.3	1.1	1.3	1.1	1.2	2.4	2.3	1.5	1.4	1.9	1.8	2.0
Consumption	4.0	2.3	1.3	1.5	1.2	1.4	2.8	2.6	1.6	1.6	2.1	2.0	2.3
Labor Compensation	3.8	2.4	1.2	1.3	1.2	1.2	3.9	2.1	1.5	1.3	2.1	2.2	2.9
Consumption of Fixed Capital	1.5	1.4	1.2	1.1	0.9	0.7	-0.4	0.6	1.1	0.7	0.8	0.6	0.1
Other	4.5	2.7	1.1	1.7	1.3	1.7	2.3	3.7	1.9	2.1	2.4	2.2	2.0
Gross Investment	1.6	1.7	0.0	0.1	0.1	0.1	-0.1	0.9	0.4	0.3	0.6	0.5	0.0
State & Local	4.5	0.8	1.5	1.7	1.5	1.7	2.1	3.3	1.7	1.9	2.3	2.6	2.6
Consumption	4.5	0.1	1.2	1.6	1.4	1.6	2.6	3.4	1.5	1.8	2.2	2.4	2.5
Wages & Salaries	2.2	1.0	1.2	1.8	1.6	1.7	1.9	1.8	1.6	1.9	2.2	2.4	2.7
Consumption of Fixed Capital	4.2	4.0	3.0	2.4	1.9	1.9	-0.2	2.4	2.6	2.1	2.6	3.1	2.8
Other	15.3	-6.5	0.1	0.0	0.1	0.8	7.8	11.4	0.3	1.4	1.7	1.6	1.2
Gross Investment	4.2	4.3	3.0	2.5	2.1	2.1	0.2	2.9	2.8	2.4	3.0	3.4	3.1
Construction	5.0	5.2	4.0	3.5	3.1	3.0	0.4	3.6	3.7	3.1	3.8	4.4	4.0
Equipment	1.5	1.0	-0.8	-1.2	-1.4	-0.9	-0.6	0.1	-0.6	-0.3	0.0	-0.4	-0.8

Created on 14 Dec 2011 for Erik Johnson

TABLE 4
Federal Government Receipts and Expenditures

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars													
Unified Budget Basis, NSA, FY													
Receipts	714.1	568.5	563.0	532.5	799.2	631.5	2161.7	2302.5	2526.2	2813.0	3065.6	3325.0	3550.9
Outlays	855.2	893.5	891.3	930.3	877.4	882.6	3455.9	3598.1	3581.5	3612.0	3723.2	3916.8	4127.7
Surplus or Deficit (-)	-141.1	-325.1	-328.2	-397.8	-78.2	-251.2	-1294.2	-1295.6	-1055.3	-798.9	-657.5	-591.8	-576.8
National Income & Products Accounts Basis, SAAR													
Current Receipts	2554.1	2572.5	2602.0	2682.6	2697.6	2738.7	2429.6	2564.1	2726.8	3034.4	3269.9	3517.0	3742.3
Current Tax Receipts	1532.7	1547.3	1568.8	1628.8	1639.8	1674.2	1340.7	1540.5	1664.2	1902.5	2059.6	2183.6	2310.2
Personal Current Taxes	1065.4	1083.3	1101.1	1118.6	1138.5	1174.6	896.4	1074.2	1161.4	1325.8	1430.0	1531.9	1645.4
Taxes on Production & Imports	112.0	112.3	112.8	111.8	111.8	111.9	101.5	111.0	112.1	119.4	137.3	144.4	151.7
Taxes on Corporate Income	340.0	336.1	338.9	382.1	373.1	371.1	329.6	340.1	374.2	439.9	474.0	488.1	492.9
Taxes from the Rest of the World	15.3	15.5	16.0	16.2	16.4	16.6	13.3	15.3	16.5	17.4	18.3	19.2	20.2
Contributions for Social Insurance	900.3	903.9	913.1	936.8	942.9	951.3	970.9	903.0	948.1	1020.9	1096.6	1213.5	1307.9
Income Receipts on Assets	54.9	55.5	54.5	51.5	49.5	47.7	53.1	54.9	48.7	42.1	39.2	40.2	41.4
Interest	30.6	30.2	30.2	30.2	30.2	30.2	29.9	30.2	30.2	30.5	31.4	32.4	33.4
Dividends	18.0	18.7	18.0	15.0	13.0	11.0	17.0	18.3	12.0	4.5	0.3	0.0	0.0
Rents & Royalties	6.3	6.5	6.3	6.3	6.3	6.5	6.2	6.4	6.5	7.2	7.5	7.7	7.9
Current Transfer Receipts	67.4	66.9	66.6	66.6	66.5	66.5	69.8	67.2	66.8	69.4	75.0	80.3	83.3
From Business	47.5	47.3	47.1	47.1	46.9	46.7	48.7	47.4	47.1	48.6	52.9	57.0	58.9
From Persons	19.9	19.6	19.5	19.5	19.6	19.8	21.0	19.8	19.8	20.9	22.1	23.3	24.5
Current Surplus of Gov't. Enterprises	-1.2	-1.1	-1.0	-1.0	-1.0	-1.0	-4.8	-1.5	-0.9	-0.5	-0.5	-0.5	-0.5
Current Expenditures	3829.5	3745.2	3745.3	3756.6	3761.0	3764.4	3703.3	3762.2	3762.7	3804.6	3962.0	4169.2	4395.4
Consumption Expenditures	1077.5	1084.8	1080.1	1076.3	1069.8	1062.8	1054.1	1075.4	1066.2	1045.2	1035.3	1035.3	1043.7
Defense	723.4	732.8	724.0	720.6	714.7	708.0	702.1	720.3	711.2	693.4	685.1	685.3	691.0
Labor Compensation	300.4	302.6	301.5	299.7	295.8	291.8	291.6	300.7	293.8	283.1	276.4	275.1	277.9
Consumption of Fixed Capital	96.0	97.8	98.6	99.2	99.8	100.2	90.7	96.7	99.9	101.2	102.3	103.0	103.1
Other	327.0	332.4	323.9	321.6	319.2	316.0	319.8	323.0	317.5	309.1	306.4	307.1	310.0
Nondefense	354.1	352.0	356.0	355.7	355.2	354.7	352.0	355.1	355.0	351.9	350.2	350.1	352.7
Labor Compensation	177.0	176.1	176.2	176.1	175.9	175.7	174.7	176.4	175.8	174.8	174.9	175.5	177.9
Consumption of Fixed Capital	33.8	34.4	34.8	35.1	35.4	35.8	32.6	34.1	35.6	36.8	37.9	38.9	39.7
Other	143.2	141.6	145.1	144.5	143.8	143.3	144.9	144.7	143.6	140.3	137.4	135.7	135.1
Current Transfer Payments	2346.9	2290.3	2282.2	2308.2	2321.7	2338.6	2313.7	2308.0	2330.1	2395.3	2528.5	2663.7	2829.1
Government Social Benefits	1737.5	1745.3	1751.6	1778.2	1790.8	1803.8	1708.3	1739.9	1797.4	1854.7	1927.2	2019.9	2135.1
Social Security	712.2	716.3	720.6	754.0	762.4	770.3	690.2	713.1	766.4	807.9	851.5	900.6	951.5
Medicare	553.9	557.8	560.9	568.7	578.0	587.4	518.4	555.1	582.7	621.1	658.6	697.3	739.4
Other Full-Employment	308.9	312.6	314.1	305.8	307.4	310.1	295.4	309.9	309.0	313.8	333.3	366.1	411.2
Other	162.5	158.5	156.0	149.6	143.0	136.0	204.3	161.8	139.4	111.8	83.8	55.9	33.0
To the Rest of the World	16.8	17.0	17.1	17.2	17.3	17.4	16.6	16.8	17.4	17.8	18.2	18.6	19.0
Other Current Transfer Payments	592.6	528.0	513.6	512.8	513.6	517.4	588.8	551.3	515.3	522.8	583.1	625.2	675.1
Grants-in-Aid to S&L Governments	527.7	470.6	456.6	453.6	455.1	458.4	531.5	492.3	456.4	462.2	521.5	562.6	611.5
Medicaid	277.7	239.1	243.1	246.8	251.2	255.6	281.4	259.7	253.4	271.0	330.8	369.6	415.8
Other	250.0	231.5	213.4	206.8	203.9	202.8	250.0	232.6	203.0	191.3	190.7	193.0	195.6
To the Rest of the World	64.9	57.4	57.0	59.2	58.5	59.0	57.3	59.0	58.9	60.6	61.6	62.6	63.6
Interest Payments	342.8	306.5	324.3	316.0	315.9	312.0	279.9	317.9	313.8	316.2	351.1	422.8	474.8
Subsidies	62.2	63.7	58.7	56.1	53.6	51.1	55.8	60.9	52.6	47.9	47.1	47.4	47.7
Less: Wage Accruals less Disburs.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Federal Government Saving	-1275.4	-1172.8	-1143.3	-1074.0	-1063.4	-1025.6	-1273.7	-1198.2	-1035.8	-770.2	-692.1	-652.2	-653.2
Percent of GDP													
Receipts	17.0	16.9	17.0	17.4	17.4	17.6	16.7	17.0	17.5	18.8	19.2	19.7	20.0
Expenditures	25.5	24.7	24.5	24.4	24.3	24.1	25.5	24.9	24.2	23.6	23.3	23.3	23.5
Net Saving	-8.5	-7.7	-7.5	-7.0	-6.9	-6.6	-8.8	-7.9	-6.7	-4.8	-4.1	-3.6	-3.5
Tax Detail													
Personal Income Tax													
Adjusted Gross Income, $ Bil.*	5630.1	5684.9	5745.4	5936.3	6034.6	6167.3	5087.2	5657.2	6126.2	6882.4	7328.5	7667.4	8046.3
Tax Rate	0.19	0.19	0.19	0.19	0.19	0.19	0.18	0.19	0.19	0.19	0.20	0.20	0.20
AGI as a Percent of GDP	37.5	37.4	37.6	38.5	38.9	39.5	35.0	37.5	39.4	42.7	43.1	42.9	43.0
Corporate Income Tax													
Statutory Rate	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35	0.35
Effective Rate	0.20	0.20	0.20	0.22	0.22	0.22	0.20	0.20	0.22	0.24	0.25	0.26	0.26
Federal Debt, Billions of Dollars													
Total	14368	14815	15193	15534	15773	15987	14049	15193	16373	17297	18139	18933	19751
Publicly Held	9771	10157	10437	10795	10945	11190	9420	10437	11449	12179	12809	13383	13954
Held in Government Accounts	4596	4658	4756	4739	4828	4798	4630	4756	4924	5118	5330	5551	5797
Publicly Held as Percent of GDP	65.1	66.9	68.2	70.0	70.6	71.7	64.8	69.2	73.6	75.5	75.4	74.9	74.6

Created on 14 Dec 2011 for Erik Johnson

TABLE 5

State and Local Government Receipts and Expenditures

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars, SAAR													
Current Receipts	2128.0	2063.7	2067.3	2083.9	2096.4	2116.5	2064.7	2087.9	2107.3	2183.9	2315.7	2432.7	2560.0
(Percent change, annual rate)	7.0	-11.5	0.7	3.3	2.4	3.9	5.7	1.1	0.9	3.6	6.0	5.1	5.2
Current Tax Receipts	1374.2	1365.3	1379.5	1395.5	1403.0	1416.1	1307.9	1367.6	1410.7	1466.9	1524.9	1585.6	1648.8
Personal Current Taxes	330.8	326.7	329.0	333.2	334.8	338.9	297.5	326.4	337.4	349.8	365.2	385.7	406.0
Taxes on Production & Imports	989.1	986.9	997.5	1006.5	1013.5	1022.4	952.6	988.5	1018.3	1055.1	1093.4	1136.0	1179.5
Property Taxes	435.1	436.0	437.4	439.2	441.2	443.4	430.6	435.7	442.3	448.8	454.0	463.6	476.0
Other	553.9	550.9	560.1	567.3	572.3	579.1	521.9	552.8	576.0	606.3	639.4	672.3	703.6
Taxes on Corporate Income	54.4	51.7	53.0	55.7	54.7	54.8	57.9	52.7	55.0	62.0	66.3	64.0	63.2
Contributions for Social Insurance	21.6	21.7	21.9	22.1	22.3	22.5	20.8	21.6	22.4	23.4	24.7	26.0	27.2
Income Receipts on Assets	89.1	89.3	89.8	90.3	90.7	91.2	90.9	89.7	91.0	93.3	95.8	98.7	101.6
Interest	72.0	71.7	72.0	72.3	72.6	72.9	75.0	72.4	72.8	74.2	75.9	77.9	79.9
Dividends	3.0	3.3	3.3	3.3	3.3	3.4	2.6	3.1	3.3	3.4	3.4	3.5	3.5
Rents & Royalties	14.1	14.3	14.5	14.6	14.8	15.0	13.4	14.2	14.9	15.7	16.5	17.3	18.2
Current Transfer Receipts	656.4	600.8	589.0	588.4	592.1	597.7	655.9	622.1	594.6	609.8	678.7	730.0	789.5
Federal Grants-in-Aid	527.7	470.6	456.6	453.6	455.1	458.4	531.5	492.3	456.4	462.2	521.5	562.6	611.5
Medicaid	277.7	239.1	243.1	246.8	251.2	255.6	281.4	259.7	253.4	271.0	330.8	369.6	415.8
Other	250.0	231.5	213.4	206.8	203.9	202.8	250.0	232.6	203.0	191.3	190.7	193.0	195.6
From Business (Net)	51.5	52.0	52.5	53.0	53.5	54.0	50.3	51.9	53.8	55.8	57.8	59.8	61.8
From Persons	77.2	78.2	79.9	81.7	83.5	85.3	74.1	77.9	84.4	91.8	99.4	107.6	116.2
Current Surplus of Gov't. Enterprises	-13.3	-13.4	-12.9	-12.4	-11.7	-11.1	-10.8	-13.2	-11.4	-9.5	-8.3	-7.5	-7.0
Current Expenditures	2168.2	2141.8	2145.2	2149.2	2154.3	2161.3	2090.0	2151.2	2159.3	2209.0	2325.1	2430.6	2547.8
(Percent change, annual rate)	3.5	-4.8	0.6	0.7	1.0	1.3	2.9	2.9	0.4	2.3	5.3	4.5	4.8
Consumption Expenditures	1482.9	1475.3	1472.8	1470.3	1467.1	1465.8	1443.5	1475.7	1467.9	1484.4	1523.5	1571.6	1624.0
Labor Compensation	1067.8	1067.2	1067.3	1069.1	1070.7	1073.5	1064.2	1067.2	1073.2	1097.1	1132.8	1173.6	1218.2
Consumption of Fixed Capital	161.1	163.5	165.0	164.5	163.7	162.6	155.3	162.1	163.0	161.8	165.6	172.4	179.6
Other	254.0	244.6	240.4	236.7	232.7	229.7	224.0	246.4	231.7	225.5	225.1	225.6	226.2
Government Social Benefits	570.4	548.9	556.2	563.0	571.0	579.1	534.6	559.8	575.0	607.0	687.3	741.6	798.5
Medicaid & Other Health	453.5	430.4	437.0	442.8	450.1	457.2	420.5	442.2	453.6	482.1	558.8	609.2	661.9
Other	116.9	118.5	119.2	120.1	121.0	121.9	114.1	117.6	121.5	124.9	128.5	132.4	136.7
Interest Payments	114.5	117.2	115.8	115.5	115.8	115.9	110.4	115.3	115.9	117.2	113.9	117.0	124.8
Subsidies	0.4	0.4	0.4	0.4	0.4	0.4	1.6	0.5	0.4	0.4	0.4	0.4	0.4
Less: Wage Accruals less Disburs.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net State & Local Government Saving	-40.2	-78.2	-78.0	-65.3	-57.9	-44.7	-25.3	-63.4	-51.9	-25.1	-9.4	2.1	12.3
Addenda:													
Effective Personal Tax Rate	0.035	0.035	0.034	0.035	0.034	0.034	0.033	0.035	0.034	0.034	0.034	0.034	0.034
Ratio of Medical Assistance Spending to Medicaid Grants	1.63	1.80	1.80	1.79	1.79	1.79	1.49	1.71	1.79	1.78	1.69	1.65	1.59
Outstanding Tax-Exempt Bonds (Billions of dollars)	2410.9	2410.2	2433.7	2467.3	2496.6	2515.8	2452.8	2433.7	2531.6	2586.3	2627.2	2646.2	2700.8

Created on 14 Dec 2011 for Erik Johnson

International Trade

by Greg Daco

Highlights

- The trade deficit narrowed by $0.7 billion to $43.5 billion in October—the lowest monthly deficit during 2011.
- The foreign trade contribution to real GDP growth in the fourth quarter will be about 0.3 percentage point.
- We expect real export growth to slow to 3.5% in 2012, while import gains moderate to 2.5%.

Changes to the Forecast

	Short Term	Long Term
Export Growth	▲	▲
Import Growth	▼	▶
Trade Balance	▼	▼
Current Account	▼	▼
World GDP Growth	▼	▶
Exchange Rate	▶	▶

▲ = Higher
▼ = Lower
▶ = No Change

Issues to Watch

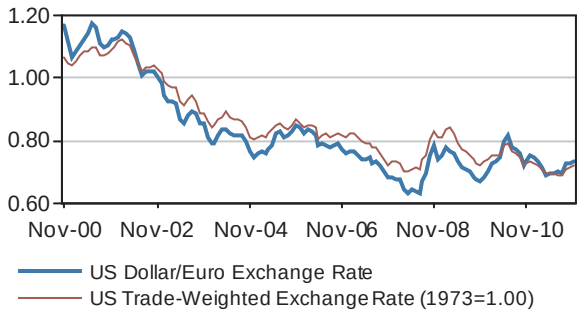
- A highly competitive US dollar continues to support exports.
- The Eurozone is likely to have entered a recession in the fourth quarter of 2011. With the ongoing credit crunch, trade financing will become more difficult, hence reducing trade volumes between the United States and Europe.
- Asia appears buoyant, but much hinges on China maneuvering a soft landing.

International Trade Outlook

(Percent change, annual rate)

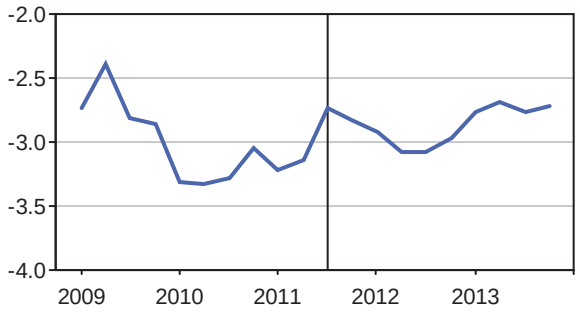
	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Real Exports	3.6	4.3	3.8	2.6	2.1	4.4	11.3	6.7	3.5	7.6
Goods	2.5	4.9	4.8	3.1	3.2	5.8	14.4	7.5	4.3	8.7
Services	6.2	2.7	1.7	1.4	-0.4	0.9	5.0	4.8	1.7	4.9
Real Imports	1.4	0.5	1.0	3.8	3.4	2.8	12.5	4.7	2.5	3.5
Goods	1.5	0.3	0.6	3.3	3.1	2.7	14.8	5.5	2.3	3.6
Services	0.4	2.0	3.1	6.5	5.0	3.3	2.9	0.6	4.0	3.1
Exchange Rate - Major Currency Trading Partners	-12.2	1.0	12.0	8.7	4.2	-2.7	-3.0	-6.1	3.8	-2.4
Exchange Rate - Other Important Trading Partners	-7.9	3.8	17.5	2.2	-3.4	-7.5	-4.1	-3.5	1.5	-5.6
Trade Balance (Billion dollars, annual rate)	-580	-535	-533	-529	-539	-544	-500	-552	-539	-520
Current-Account Balance (Billion dollars, annual rate)	-472	-414	-433	-450	-477	-480	-471	-449	-469	-442
Percent of GDP	-3.1	-2.7	-2.8	-2.9	-3.1	-3.1	-3.2	-3.0	-3.0	-2.7

Euro/US Dollar Exchange Rate



Current-Account/GDP Ratio Narrows

(Nominal current-account balance to GDP ratio, percent)



Analysis

Recent Developments. The foreign trade deficit narrowed from $44.2 billion in September to $43.5 billion in October, as imports slowed more sharply than exports. This narrowing would have been much sharper if not for a 2.4% plunge in exported goods prices.

Total exports fell 0.8%, as goods exports slipped 1.2% in value and rose 1.2% in volume. Industrial supplies (up 1.7% in volume) and capital goods (up 1.0%) led the export charge, while consumer goods (down 3.2% in volume) and automotive goods (down 0.5%) dragged the headline number down. The jump in industrial supplies came despite a 3.0% drop in export value, led by nonmonetary gold (not included in the GDP calculations). Capital goods exports increased on strong drilling and telecommunication equipment exports. The drop in consumer goods was mostly attributable to jewelry and gem diamonds.

The total value of imports fell 1.0%, with goods imports down 1.2% in volume and down 0.3% in value. The oil import bill shrank $1.8 billion (or 5.0%), making up for most of the $2.2-billion drop in headline imports. The other culprits behind the drop were autos and nonpetroleum industrial supplies. Meanwhile, the major import categories—capital and consumer goods—posted encouraging increases: capital goods (up 3.0% in volume) and consumer goods (up 1.1%) partly offset declines in industrial supplies (down 3.1%) and automotive goods (down 2.8%). Looking into the details, consumer goods imports rose 0.9% (in value) when excluding pharmaceuticals (a volatile component), despite a 2.6% drop in apparel imports. This warrants cautious optimism ahead of the holiday season. Capital goods import also showed resilience, as computer imports rose almost 10% and aircraft (extremely volatile) jumped 77%.

Overall, IHS Global Insight expects the foreign trade contribution to real GDP growth to reach 0.3 percentage point. Factoring in other GDP calculations, IHS Global insight expects fourth-quarter growth to come in around 2.5-3.0%.

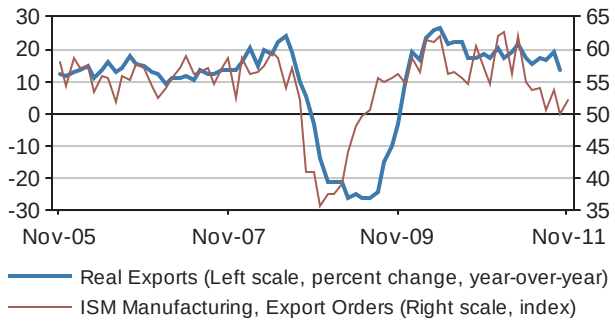
The Outlook. Export growth should continue to dominate import growth in 2012, as robust growth in emerging economies and a competitive dollar support exports. IHS Global Insight expects export volumes to increase 3.5%, while import volumes rise 2.5%. On net, foreign trade should represent a small drag to real GDP growth in the first half of 2012, while providing a minor boost to it in the second half of the year.

The November ISM Manufacturing report showed export orders reviving to 52, from a neutral 50 in October. Although the index focuses on orders rather than shipments, it gives some insight as to the overall direction of exports—which is up. Moreover, the ISM import reading eased from 49.5 to 49.0, a signal that the import slowdown is likely to persist in November.

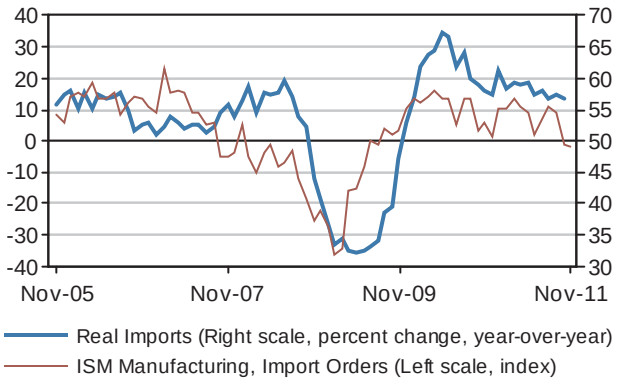
Risks to the Forecast. In the pessimistic scenario, domestic demand falls very rapidly. This induces a quicker drop in imports than the export drop resulting from a global slowdown. As a result, the trade deficit narrows more than in the baseline.

In the optimistic scenario, domestic demand grows strongly, pulling in more imports. But robust global growth supports solid U.S. export growth, thereby keeping the trade deficit under control (although wider than in the baseline).

Still Some Export Momentum



Import Gains Are Slowing



Created on 14 Dec 2011 for Erik Johnson

TABLE 1

Real International Trade in Goods and Services

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars													
Net Exports	-416.4	-400.7	-389.1	-398.1	-407.4	-403.4	-421.8	-407.7	-400.6	-338.9	-262.9	-206.1	-141.0
Exports of Goods & Services	1765.0	1783.6	1800.5	1812.0	1821.4	1840.9	1663.2	1774.7	1836.9	1976.3	2147.5	2309.5	2470.0
Goods	1243.2	1258.3	1273.0	1282.6	1292.6	1311.0	1164.9	1252.5	1306.1	1419.4	1554.4	1680.7	1807.4
Excluding Computers	1176.8	1190.0	1203.5	1211.5	1220.6	1237.1	1106.1	1185.4	1232.6	1333.7	1455.6	1569.5	1683.6
Foods, Feeds & Beverages	77.8	73.7	74.2	74.3	74.8	75.5	77.8	76.2	75.3	79.1	84.6	89.8	94.2
Industrial Materials & Supplies	337.9	341.9	344.6	345.9	347.6	349.5	321.4	341.9	349.0	365.2	384.6	403.9	423.3
Capital Goods exc. Automotive	492.0	504.2	513.0	516.6	525.5	541.7	447.2	495.9	536.4	611.7	696.8	783.4	881.2
Computers, Peripherals & Parts	69.6	72.4	74.0	76.4	77.7	80.4	59.6	70.5	79.8	97.8	116.5	135.0	154.0
Aircraft	60.5	66.6	69.1	70.4	72.0	73.5	58.6	63.5	72.7	79.5	88.1	99.2	110.7
Other (Incl. semiconductors)	367.7	370.0	374.5	374.7	380.7	393.2	332.3	367.0	389.3	444.1	505.9	566.0	636.7
Vehicles & Parts	121.4	129.1	130.1	132.6	130.4	129.5	106.9	125.6	130.7	140.1	155.6	164.4	166.3
Consumer Goods	162.7	163.3	167.4	170.1	171.4	173.5	155.1	162.6	173.1	188.0	205.2	219.7	233.7
Other	50.0	48.3	47.1	47.2	47.5	48.0	49.8	49.7	47.9	50.6	53.9	57.1	60.4
Services	522.4	525.9	528.1	530.0	529.4	530.6	498.8	522.8	531.6	557.8	594.5	630.4	664.9
Tourism													
Other	395.8	397.6	399.9	402.2	402.8	404.7	380.3	396.2	404.5	419.2	438.4	458.9	479.9
Imports of Goods & Services	2181.4	2184.3	2189.6	2210.1	2228.8	2244.3	2085.0	2182.3	2237.6	2315.2	2410.4	2515.6	2611.0
Goods	1825.4	1826.6	1829.3	1844.0	1858.3	1870.8	1729.3	1824.9	1866.0	1932.3	2009.8	2094.0	2171.0
Excl. Petroleum & Computers	1460.2	1469.0	1476.3	1497.4	1519.3	1535.6	1361.4	1464.2	1527.0	1593.8	1654.7	1726.3	1794.6
Foods, Feeds & Beverages	71.5	72.3	73.3	73.8	74.3	74.8	70.8	72.0	74.5	74.5	73.3	73.3	73.9
Indus. Mats.& Sup. excl. Petroleum	237.7	236.1	236.8	242.4	246.6	252.3	216.0	234.0	250.6	275.2	300.8	323.3	336.2
Petroleum & Products	222.1	218.3	214.8	211.0	206.1	203.0	227.0	221.0	205.5	202.4	207.9	210.3	209.8
Capital Goods exc. Automotive	529.5	532.1	539.5	549.7	560.6	565.7	465.2	527.6	563.0	598.6	656.3	722.1	786.5
Computers, Peripherals & Parts	168.8	168.1	171.2	173.9	177.9	182.8	153.2	165.0	180.8	197.8	219.7	245.6	273.4
Aircraft	26.3	25.4	26.4	27.5	28.0	28.6	24.9	26.0	28.3	30.5	33.1	36.4	39.4
Other (Incl. semiconductors)	343.8	347.8	351.3	357.5	364.3	365.0	295.8	345.1	364.2	383.0	418.6	458.2	495.9
Vehicles & Parts	213.5	243.5	245.0	247.9	247.2	247.9	213.9	235.6	248.1	261.5	272.7	280.8	290.5
Consumer Goods	499.8	484.7	480.8	485.7	496.0	502.6	468.4	489.8	497.7	506.0	494.9	492.5	498.7
Other	74.2	66.7	69.6	69.5	70.2	71.1	76.9	69.3	70.5	71.0	73.7	79.5	83.2
Services	357.9	359.7	362.5	368.2	372.7	375.8	357.4	359.4	373.8	385.2	403.0	424.1	442.6
Tourism	84.8	86.1	87.7	90.8	92.6	93.7	83.7	85.6	92.9	95.3	99.0	103.7	107.5
Other	274.2	274.7	275.7	278.2	280.9	282.8	275.0	274.9	281.6	290.7	304.9	321.4	336.2

Created on 14 Dec 2011 for Erik Johnson

TABLE 2

Real International Trade in Goods and Services

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Percent Change, Annual Rate													
Exports of Goods & Services	3.6	4.3	3.8	2.6	2.1	4.4	11.3	6.7	3.5	7.6	8.7	7.5	6.9
Goods	2.5	4.9	4.8	3.1	3.2	5.8	14.4	7.5	4.3	8.7	9.5	8.1	7.5
Excluding Computers	1.9	4.6	4.6	2.7	3.0	5.5	14.2	7.2	4.0	8.2	9.1	7.8	7.3
Foods, Feeds & Beverages	-7.4	-19.5	2.5	0.9	2.8	3.7	10.4	-2.0	-1.3	5.1	6.9	6.2	4.8
Industrial Materials & Supplies	-6.1	4.8	3.2	1.5	2.0	2.2	15.5	6.4	2.1	4.6	5.3	5.0	4.8
Capital Goods exc. Automotive	15.7	10.3	7.2	2.8	7.1	12.9	14.0	10.9	8.2	14.0	13.9	12.4	12.5
Computers, Peripherals & Parts	22.9	17.1	9.0	13.5	7.4	14.7	19.2	18.3	13.2	22.4	19.2	15.9	14.0
Aircraft	20.0	46.9	16.1	7.8	9.1	8.7	-6.3	8.4	14.6	9.3	10.9	12.5	11.6
Other (Incl. Semiconductors)	14.1	2.5	4.9	0.3	6.6	13.8	18.8	10.4	6.1	14.1	13.9	11.9	12.5
Vehicles & Parts	-1.0	27.9	3.1	7.8	-6.2	-3.0	36.3	17.4	4.1	7.2	11.0	5.7	1.2
Consumer Goods	15.0	1.5	10.4	6.6	3.2	5.0	9.4	4.9	6.4	8.7	9.1	7.1	6.4
Other	-23.7	-12.9	-9.6	0.8	2.8	4.1	-1.4	-0.2	-3.8	5.7	6.4	6.1	5.7
Services	6.2	2.7	1.7	1.4	-0.4	0.9	5.0	4.8	1.7	4.9	6.6	6.1	5.5
Tourism	12.2	5.0	0.1	-1.4	-3.4	-2.0	5.7	6.7	0.5	8.9	12.2	9.7	7.7
Other	4.3	1.9	2.2	2.4	0.6	1.9	4.8	4.2	2.1	3.6	4.6	4.7	4.6
Imports of Goods & Services	1.4	0.5	1.0	3.8	3.4	2.8	12.5	4.7	2.5	3.5	4.1	4.4	3.8
Goods	1.5	0.3	0.6	3.3	3.1	2.7	14.8	5.5	2.3	3.6	4.0	4.2	3.7
Excl. Petroleum & Computers	2.5	2.4	2.0	5.8	6.0	4.4	17.5	7.5	4.3	4.4	3.8	4.3	4.0
Foods, Feeds & Beverages	4.0	4.6	5.8	2.6	2.5	3.1	2.2	1.7	3.5	0.1	-1.6	0.0	0.8
Indus. Mats.& Sup. excl. Petroleum	23.5	-2.7	1.2	9.8	7.0	9.7	14.6	8.4	7.1	9.8	9.3	7.5	4.0
Petroleum & Products	-11.4	-6.7	-6.2	-6.8	-9.0	-6.0	0.4	-2.6	-7.0	-1.5	2.7	1.2	-0.2
Capital Goods exc. Automotive	16.8	2.0	5.7	7.7	8.2	3.7	21.5	13.4	6.7	6.3	9.6	10.0	8.9
Computers, Peripherals & Parts	52.1	-1.6	7.6	6.6	9.4	11.4	26.9	7.7	9.6	9.4	11.1	11.8	11.3
Aircraft	8.0	-13.0	16.8	17.3	8.4	8.4	-0.7	4.4	9.0	7.6	8.7	9.9	8.3
Other (Incl. Semiconductors)	7.8	4.7	4.1	7.3	7.7	0.8	22.3	16.7	5.5	5.2	9.3	9.5	8.2
Vehicles & Parts	-37.8	69.2	2.5	4.9	-1.2	1.1	40.8	10.2	5.3	5.4	4.3	3.0	3.5
Consumer Goods	4.8	-11.5	-3.2	4.1	8.8	5.4	12.5	4.6	1.6	1.7	-2.2	-0.5	1.3
Other	54.1	-34.7	18.3	-0.5	4.3	5.2	14.3	-9.9	1.8	0.7	3.7	7.9	4.7
Services	0.4	2.0	3.1	6.5	5.0	3.3	2.9	0.6	4.0	3.1	4.6	5.2	4.4
Tourism	5.4	6.1	7.9	14.7	8.0	4.8	-1.2	2.3	8.5	2.6	3.9	4.8	3.7
Other	-1.2	0.6	1.5	3.7	3.9	2.8	4.4	0.0	2.4	3.2	4.9	5.4	4.6

Created on 14 Dec 2011 for Erik Johnson

TABLE 3
International Trade

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Chained Price Deflators, 2005=100													
Exports of Goods & Services	118.2	118.7	118.0	117.7	117.7	117.9	110.6	117.7	117.9	119.3	121.0	122.4	123.4
Goods	118.6	119.0	117.9	117.4	117.2	117.4	109.7	117.8	117.4	118.6	120.1	121.1	121.4
Excluding Computers	121.0	121.6	120.5	120.0	119.9	120.2	111.5	120.3	120.2	121.6	123.3	124.5	125.0
Foods, Feeds & Beverages	165.2	166.9	159.9	158.5	158.4	158.1	138.5	163.5	158.1	155.5	151.2	149.6	149.6
Industrial Materials & Supplies	144.9	144.9	142.6	141.2	140.9	141.5	120.9	142.3	141.5	145.1	149.6	153.0	154.8
Capital Goods exc. Automotive	99.4	99.6	99.6	99.2	98.7	98.3	99.9	99.4	98.6	97.8	97.2	96.4	95.1
Computers, Peripherals & Parts	70.3	69.1	68.4	67.1	66.2	65.4	73.5	69.6	65.9	63.6	61.9	59.8	57.6
Aircraft	126.7	127.7	128.5	129.3	129.9	130.4	122.9	127.1	130.2	132.2	134.0	135.7	137.0
Other (Incl. semiconductors)	98.8	99.2	99.3	98.7	98.2	97.7	99.6	99.0	98.0	97.0	96.3	95.3	93.9
Vehicles & Parts	106.0	106.9	107.3	107.8	108.3	108.8	104.7	106.4	108.6	110.8	113.1	115.4	117.2
Consumer Goods	108.4	109.0	108.7	109.0	109.5	110.5	107.0	108.5	110.1	113.7	116.9	119.4	121.2
Other	124.4	124.9	123.6	123.6	123.8	124.4	114.2	123.5	124.2	127.0	130.0	132.6	134.4
Services	117.1	118.0	118.1	118.5	118.7	119.1	112.7	117.1	118.9	120.7	123.1	125.8	128.5
Tourism	120.9	123.7	123.9	124.2	124.4	124.9	113.6	121.4	124.7	126.6	129.0	131.7	134.3
Other	116.0	116.3	116.3	116.8	117.0	117.4	112.4	115.9	117.2	118.9	121.3	124.1	126.8
Imports of Goods & Services	122.9	122.6	122.6	121.6	121.6	122.1	113.0	121.9	122.0	125.4	129.0	131.4	133.0
Goods	123.6	123.2	123.1	121.9	121.8	122.4	112.6	122.4	122.3	125.6	129.2	131.4	132.7
Excl. Petroleum & Computers	113.3	113.8	113.8	113.3	113.0	113.5	108.4	113.1	113.6	117.5	121.8	124.7	126.9
Foods, Feeds & Beverages	153.4	150.2	150.1	149.1	146.7	146.4	130.7	150.0	147.4	153.5	163.1	167.5	170.6
Indus. Mats.& Sup. excl. Petroleum	128.9	129.9	127.2	124.5	122.3	121.0	116.0	128.0	122.1	121.6	123.9	125.4	126.5
Petroleum & Products	216.0	209.2	209.8	204.3	206.0	207.3	156.0	207.4	206.2	207.9	211.3	213.0	210.8
Capital Goods exc. Automotive	97.1	97.0	96.9	95.6	94.6	94.5	96.7	97.0	94.8	95.4	95.3	94.0	92.2
Computers, Peripherals & Parts	73.2	72.2	71.3	70.0	69.0	68.3	76.5	72.8	68.7	66.9	64.7	61.6	58.8
Aircraft	130.0	130.4	130.5	131.3	131.9	132.4	125.6	129.7	132.1	134.1	135.9	137.5	138.6
Other (Incl. semiconductors)	103.7	104.0	104.2	102.8	101.7	101.8	101.9	103.7	102.2	103.9	104.8	104.2	102.8
Vehicles & Parts	109.0	109.5	109.8	109.7	109.7	110.4	105.5	108.7	110.3	114.1	118.3	121.9	125.1
Consumer Goods	105.1	106.1	107.1	108.1	109.5	111.4	103.9	105.6	110.6	118.4	125.7	132.2	137.6
Other	120.0	121.1	121.0	120.4	119.9	120.2	115.2	120.0	120.4	123.9	128.3	131.4	133.8
Services	118.8	118.8	118.9	119.2	119.5	120.4	114.6	118.4	120.1	123.6	127.3	130.7	133.7
Tourism	128.0	128.5	128.0	128.1	128.6	129.7	122.8	127.8	129.3	133.2	136.8	139.9	142.8
Other	115.4	115.3	115.6	115.9	116.2	117.0	111.5	115.0	116.7	120.2	123.9	127.3	130.3

Created on 14 Dec 2011 for Erik Johnson

TABLE 4
Price Deflators for International Trade

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Chained Price Deflators, Percent Change, Annual Rate													
Exports of Goods & Services	8.8	1.9	-2.5	-0.9	-0.1	0.8	4.4	6.4	0.2	1.2	1.4	1.2	0.8
Goods	9.7	1.4	-3.6	-1.8	-0.5	0.6	4.9	7.4	-0.3	1.0	1.2	0.8	0.3
Excluding Computers	10.1	1.7	-3.5	-1.6	-0.3	0.8	5.2	7.9	-0.1	1.2	1.4	1.0	0.4
Foods, Feeds & Beverages	8.1	4.1	-15.8	-3.4	-0.1	-0.8	3.9	18.0	-3.3	-1.7	-2.8	-1.1	0.1
Industrial Materials & Supplies	25.3	0.1	-6.2	-3.8	-0.9	1.8	14.5	17.7	-0.5	2.5	3.1	2.3	1.2
Capital Goods exc. Automotive	0.9	1.1	-0.1	-1.7	-1.8	-1.6	0.4	-0.4	-0.9	-0.8	-0.6	-0.9	-1.3
Computers, Peripherals & Parts	-1.1	-7.1	-3.9	-7.0	-5.5	-4.6	-2.6	-5.3	-5.3	-3.4	-2.7	-3.5	-3.6
Aircraft	3.1	3.4	2.4	2.6	1.8	1.7	2.7	3.4	2.4	1.6	1.4	1.3	0.9
Other (Incl. semiconductors)	0.7	1.8	0.1	-2.0	-2.2	-1.9	0.2	-0.6	-1.0	-1.0	-0.7	-1.0	-1.5
Vehicles & Parts	2.5	3.3	1.6	2.0	1.6	1.9	0.5	1.6	2.0	2.0	2.1	2.0	1.5
Consumer Goods	1.5	2.2	-1.1	1.2	2.0	3.4	1.1	1.4	1.5	3.3	2.8	2.1	1.5
Other	10.4	1.7	-3.9	-0.1	0.7	1.8	5.3	8.1	0.5	2.2	2.4	1.9	1.3
Services	6.5	3.1	0.2	1.4	0.8	1.4	3.2	4.0	1.6	1.5	2.0	2.2	2.1
Tourism	14.0	9.4	0.7	1.0	0.7	1.5	5.7	6.8	2.7	1.5	2.0	2.1	2.0
Other	4.2	1.1	0.1	1.5	0.8	1.4	2.5	3.0	1.2	1.5	2.0	2.3	2.1
Imports of Goods & Services	12.5	-1.3	0.0	-3.1	-0.2	2.0	6.1	7.8	0.1	2.7	2.9	1.9	1.2
Goods	14.0	-1.5	-0.1	-3.8	-0.4	1.8	6.8	8.7	-0.1	2.7	2.9	1.8	0.9
Excl. Petroleum & Computers	6.6	2.0	-0.2	-1.8	-1.0	2.0	2.6	4.3	0.4	3.5	3.6	2.4	1.7
Foods, Feeds & Beverages	21.4	-8.2	-0.2	-2.6	-6.3	-0.8	9.2	14.8	-1.7	4.2	6.2	2.7	1.8
Indus. Mats.& Sup. excl. Petroleum	10.0	3.2	-8.2	-8.0	-7.0	-4.2	10.9	10.3	-4.6	-0.4	1.9	1.2	0.9
Petroleum & Products	51.7	-12.1	1.2	-10.2	3.4	2.7	30.4	32.9	-0.6	0.9	1.6	0.8	-1.0
Capital Goods exc. Automotive	0.7	-0.2	-0.7	-5.1	-4.2	-0.5	-0.6	0.3	-2.2	0.7	-0.1	-1.4	-1.9
Computers, Peripherals & Parts	-6.0	-5.4	-5.1	-7.0	-5.7	-4.0	-1.9	-4.9	-5.5	-2.6	-3.3	-4.8	-4.7
Aircraft	6.9	1.1	0.4	2.4	1.7	1.6	2.7	3.3	1.9	1.5	1.3	1.2	0.9
Other (Incl. semiconductors)	2.5	1.5	0.6	-5.2	-4.3	0.5	-0.5	1.8	-1.5	1.7	0.8	-0.6	-1.3
Vehicles & Parts	9.6	1.7	1.1	-0.4	0.1	2.4	0.7	3.1	1.4	3.5	3.7	3.1	2.6
Consumer Goods	3.4	3.9	3.8	3.6	5.5	7.2	0.0	1.7	4.7	7.0	6.2	5.1	4.1
Other	6.7	3.7	-0.4	-2.0	-1.6	1.2	2.8	4.2	0.3	3.0	3.5	2.5	1.8
Services	5.2	0.0	0.5	1.0	1.2	2.8	2.7	3.4	1.4	3.0	3.0	2.6	2.3
Tourism	4.6	1.4	-1.5	0.5	1.5	3.4	4.8	4.0	1.2	3.0	2.7	2.3	2.0
Other	5.4	-0.5	1.1	1.1	1.1	2.6	2.0	3.2	1.5	3.0	3.1	2.7	2.4

Created on 14 Dec 2011 for Erik Johnson

TABLE 5

International Trade and Investment

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Dollars													
Net Exports	-597.1	-560.3	-559.1	-554.4	-565.6	-570.2	-516.9	-571.9	-564.9	-545.2	-510.8	-478.8	-423.8
Exports of Goods & Services	2085.3	2117.2	2124.4	2133.2	2143.6	2171.1	1839.8	2087.7	2165.9	2357.6	2598.6	2828.0	3047.8
Goods	1473.5	1496.6	1500.7	1505.3	1515.1	1539.0	1277.8	1475.5	1533.6	1684.3	1866.6	2034.6	2193.5
Excluding Computers	1424.5	1446.6	1450.2	1454.0	1463.6	1486.4	1233.9	1426.4	1481.0	1622.1	1794.5	1954.0	2104.8
Foods, Feeds & Beverages	128.2	122.7	118.6	117.8	118.6	119.4	107.7	124.4	119.0	123.0	127.9	134.3	140.9
Industrial Materials & Supplies	489.2	495.1	491.4	488.5	489.8	494.7	388.7	486.4	494.0	529.8	575.3	617.9	655.3
Capital Goods exc. Automotive	488.9	502.4	511.1	512.4	518.8	532.7	446.6	493.2	528.8	598.1	677.5	754.8	838.2
Computers, Peripherals & Parts	49.0	50.0	50.6	51.3	51.5	52.6	43.9	49.1	52.6	62.2	72.1	80.7	88.7
Aircraft	76.6	85.1	88.8	91.1	93.5	95.9	72.0	80.8	94.7	105.1	118.2	134.7	151.6
Other (Incl. semiconductors)	363.3	367.3	371.7	370.0	373.9	384.2	330.8	363.3	381.5	430.8	487.3	539.5	597.9
Vehicles & Parts	128.7	138.0	139.6	142.9	141.2	140.8	112.0	133.6	141.8	155.3	176.0	189.7	194.8
Consumer Goods	176.3	178.0	181.9	185.3	187.8	191.7	165.9	176.4	190.5	213.9	239.9	262.2	283.2
Other	62.2	60.3	58.2	58.3	58.8	59.7	56.9	61.4	59.4	64.3	70.0	75.7	81.1
Services	611.7	620.6	623.6	628.0	628.5	632.1	562.0	612.3	632.3	673.3	731.9	793.4	854.3
Tourism	152.7	158.1	158.4	158.3	157.2	157.0	134.4	153.2	158.1	174.8	200.0	223.9	245.9
Other	459.0	462.5	465.2	469.7	471.3	475.1	427.6	459.1	474.2	498.5	532.0	569.5	608.3
Imports of Goods & Services	2682.4	2677.5	2683.5	2687.6	2709.1	2741.4	2356.7	2659.7	2730.8	2902.7	3109.4	3306.8	3471.6
Goods	2257.3	2250.2	2252.5	2248.8	2263.6	2289.1	1947.3	2234.1	2282.0	2426.5	2596.1	2752.5	2880.0
Excl. Petroleum & Computers	1654.0	1672.3	1679.8	1696.0	1716.5	1743.6	1476.4	1656.0	1734.2	1873.3	2014.8	2153.3	2277.1
Foods, Feeds & Beverages	109.7	108.6	110.0	110.0	108.9	109.5	92.5	108.0	109.8	114.4	119.6	122.8	126.1
Indus. Mats.& Sup. excl. Petroleum	306.5	306.9	301.1	301.9	301.6	305.4	250.4	299.6	305.9	334.6	372.6	405.4	425.2
Petroleum & Products	479.8	456.7	450.7	431.1	424.5	420.8	353.7	458.2	423.6	420.8	439.1	447.9	442.3
Capital Goods exc. Automotive	514.1	516.3	522.6	525.4	530.1	534.3	450.0	511.6	533.8	571.3	625.6	678.7	725.3
Computers, Peripherals & Parts	123.5	121.3	122.0	121.7	122.7	124.7	117.3	119.9	124.2	132.4	142.1	151.3	160.6
Aircraft	34.2	33.1	34.5	36.1	37.0	37.9	31.3	33.7	37.4	40.9	45.0	50.1	54.7
Other (Incl. semiconductors)	356.4	361.9	366.1	367.6	370.5	371.7	301.5	358.0	372.1	398.1	438.5	477.3	510.0
Vehicles & Parts	232.8	266.6	268.9	271.9	271.2	273.6	225.6	256.1	273.5	298.4	322.5	342.3	363.6
Consumer Goods	525.5	514.4	515.0	524.8	543.2	560.0	486.6	517.4	550.5	598.8	622.1	650.8	686.2
Other	89.0	80.7	84.2	83.6	84.2	85.5	88.6	83.1	84.9	88.0	94.5	104.5	111.4
Services	425.1	427.2	431.0	438.8	445.5	452.3	409.4	425.6	448.8	476.3	513.3	554.3	591.6
Tourism	108.6	110.6	112.3	116.3	119.1	121.5	102.8	109.4	120.1	126.9	135.4	145.2	153.5
Other	316.5	316.6	318.7	322.5	326.4	330.8	306.6	316.2	328.8	349.4	377.9	409.1	438.1
Balance of Payments Basis													
Balance on Current Account	-472.0	-414.3	-432.8	-450.2	-476.7	-480.1	-470.9	-449.4	-468.5	-441.6	-454.4	-500.6	-484.3
Goods & Services	-580.0	-534.5	-533.3	-528.6	-539.3	-543.8	-500.0	-551.9	-538.7	-520.5	-488.8	-459.5	-407.5
Goods	-761.8	-724.3	-722.5	-714.4	-719.4	-720.9	-645.9	-734.4	-719.2	-713.4	-701.2	-690.1	-659.3
Services	181.8	189.8	189.2	185.8	180.1	177.1	145.8	182.5	180.5	192.9	212.4	230.6	251.8
Net Income from Abroad	244.6	249.1	231.4	213.7	199.5	202.8	165.2	233.9	208.0	223.8	185.8	117.0	88.5
Receipts	771.8	752.9	731.3	729.7	715.2	726.1	663.2	744.3	735.8	967.6	1187.2	1334.0	1419.1
Payments	527.2	503.8	499.9	516.0	515.7	523.3	498.0	510.3	527.7	743.8	1001.5	1217.0	1330.6
Net Transfers to Foreigners	-136.6	-128.9	-130.9	-135.3	-136.9	-139.0	-136.1	-131.4	-137.9	-145.0	-151.4	-158.1	-165.3
Statistical Discrepancy	372.4	0.0	0.0	0.0	0.0	0.0	216.8	56.7	0.0	0.0	0.0	0.0	0.0
International Investment Position													
U.S Assets Abroad	20626.8	20760.1	20817.8	20877.6	20946.9	21016.1	19643.5	20713.6	20984.7	21387.2	22043.9	23134.3	24653.7
Foreign Assets in the US	23276.3	23513.2	23679.1	23851.5	24039.9	24229.1	22061.7	23435.5	24137.1	24991.8	26097.1	27673.5	29684.3
Net International Investment Position	-2649.5	-2753.1	-2861.3	-2973.9	-3093.0	-3213.1	-2418.2	-2721.9	-3152.4	-3604.6	-4053.1	-4539.2	-5030.5
Net Transfers to Foreigners	-136.6	-128.9	-130.9	-135.3	-136.9	-139.0	-136.1	-131.4	-137.9	-145.0	-151.4	-158.1	-165.3

Created on 14 Dec 2011 for Erik Johnson

TABLE 6

Indicators for International Trade and Investment

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Exchange Rates, 2005=1.000													
Major Currency Trading Partners	0.830	0.832	0.856	0.874	0.883	0.877	0.898	0.844	0.876	0.856	0.842	0.839	0.841
Inflation-Adjusted	0.845	0.843	0.866	0.885	0.896	0.889	0.927	0.858	0.888	0.869	0.861	0.863	0.865
Other Important Trading Partners	0.888	0.896	0.933	0.938	0.930	0.912	0.939	0.906	0.920	0.868	0.845	0.836	0.834
Inflation-Adjusted	0.728	0.724	0.743	0.738	0.722	0.698	0.801	0.737	0.709	0.637	0.596	0.572	0.554
Foreign Real GDP Growth- Percent Change, Annual Rate													
Major Currency Trading Partners	0.3	2.5	0.5	0.5	1.2	1.6	2.8	1.8	1.1	2.0	2.4	2.3	2.2
Other Important Trading Partners	3.1	4.2	3.5	3.3	5.5	6.1	7.3	5.3	4.4	5.3	5.5	5.1	5.0
Foreign WPI Inflation Rates, Percent Change, Annual Rate													
Major Currency Trading Partners	5.1	0.3	0.7	1.0	1.1	1.2	1.5	4.0	1.1	1.1	1.3	1.4	1.5
Converted to US Dollars	19.7	-0.7	-10.1	-7.1	-3.0	3.9	4.5	10.7	-2.6	3.6	2.8	1.7	1.3
Other Important Trading Partners	8.1	8.1	7.8	5.7	6.5	6.5	4.6	8.1	6.8	6.4	5.6	4.9	4.3
Converted to US Dollars	17.3	4.1	-8.3	3.4	10.2	15.1	9.0	12.0	5.2	12.7	8.4	6.0	4.5
Long-Term Interest Rates - Percent													
United States	3.21	2.43	2.06	2.10	2.26	2.43	3.21	2.79	2.32	2.84	3.58	4.60	4.91
Major Currency Trading Partners	2.75	2.19	2.26	2.28	2.34	2.45	2.64	2.51	2.40	2.82	3.30	3.75	3.83

Created on 14 Dec 2011 for Erik Johnson

Inflation

by Chris G. Christopher, Jr.

Highlights

- Headline and core inflation has peaked, with prices for gasoline and industrial materials (excluding oil) moving lower.
- Gasoline prices were significantly lower in early December, at $3.35/gallon, compared to late October's $3.51 reading. In mid-May, gasoline prices surpassed $4.00/gallon.
- The IHS Global Insight Industrial Materials Price Index (excluding oil) has declined rapidly in recent months.
- We expect consumer price inflation to run at only a 1.0% annual rate in the fourth quarter and first quarter of 2012. Core CPI inflation was running at a 2.7% rate in the third quarter, but should ease to 1.5% in the fourth and then 1.4% in the first quarter of 2012.

Changes to the Forecast

	Short Term	Long Term
Inflation Rates		
CPI Overall	▼	▶
CPI Core	▲	▶
PPI - Finished Goods	▼	▶
Energy Costs	▼	▶
Non-Energy Indus. Prices	▼	▶
Unit Labor Costs	▼	▶

▲ = Higher
▼ = Lower
▶ = No Change

Issues to Watch

- The Federal Reserve will keep a close eye on core inflation in order to determine if deflationary risks are returning.
- Cost pressures are beginning to ease, placing downward pressure on core prices.
- The floods in Thailand have created computer hard-disk shortages; retailers will have less price discounting during the holiday season.

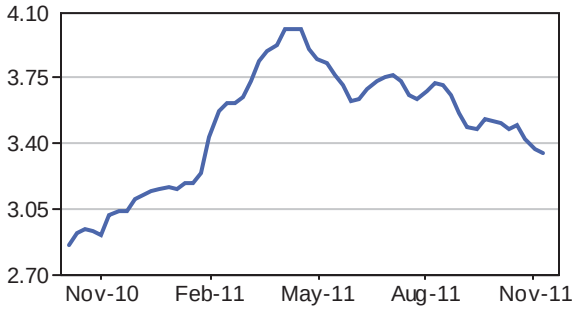
Inflation Outlook

(Percent change, annual rate)

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
CPI	4.1	3.1	1.0	1.0	0.6	1.8	1.6	3.1	1.5	1.7
Core CPI	2.5	2.7	1.5	1.4	1.2	1.5	1.0	1.6	1.6	1.7
Core PCE Deflator	2.3	2.0	0.9	1.2	1.1	1.3	1.4	1.4	1.3	1.6
PPI - Finished Goods	7.1	2.0	1.1	-1.4	-1.0	0.6	4.2	6.0	0.5	1.1
Oil Price (Refiner Acquisition Cost, $/bbl)	108	99	98	96	96	96	77	100	97	101
ECI - Compensation	3.2	1.4	1.5	2.5	1.9	2.0	1.9	2.2	2.0	2.3
Nonfarm Compensation Per Hour	-0.2	-0.2	2.3	3.3	2.7	2.7	2.0	1.9	2.2	3.0
Nonfarm Productivity	-0.1	2.3	1.8	1.1	0.5	0.4	4.1	1.0	1.1	1.0
Unit Labor Costs	-0.1	-2.5	0.5	2.1	2.2	2.3	-2.0	1.0	1.1	2.0

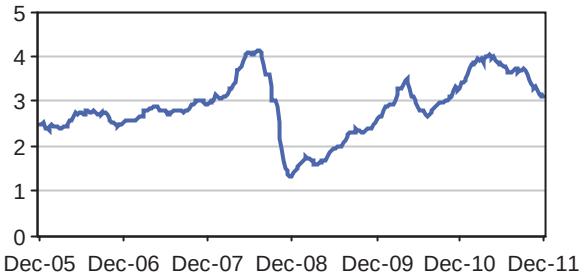
Weekly Gasoline Prices Are Falling

(DOE all grades, dollars per gallon)



IHS Global Insight Industrial Materials Price Index, Excluding Oil

(2002:1 = 1.0)



Analysis

Recent Developments. Consumer, import, and producer prices followed a similar pattern in October. Consumer prices fell 0.1% in October, driven mostly by declining energy prices and very soft food price increases. Food prices rose 0.1%, the smallest increase since December 2010. Core consumer prices (less energy and food prices) increased 0.1% for the second month in a row. Clothing prices rose 0.4%, after falling deep into negative territory in September. Consumer good prices excluding food and beverages dropped 0.8%. Import prices fell 0.6% in October, petroleum import prices declined 1.0%, and core import prices fell 0.2%. Producer prices for finished goods fell 0.3% in October, driven by declining energy prices, and the core PPI was flat. PPI for food rose only 0.1%, with beef prices falling and poultry and vegetable prices increasing.

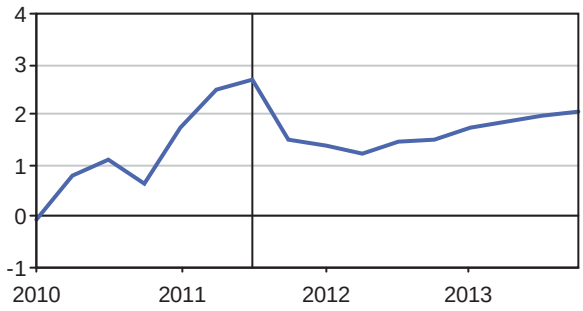
Inflation expectations one year ahead as measured by the Reuters/University of Michigan survey fell to 3.1% in mid-December, compared with 3.2% in November, considerably lower than their recent peak of 4.6% in April 2011. Our econometric research clearly indicates that gasoline prices have a greater statistical impact on inflation expectations than most other types of prices. The recent declines in world oil, commodity, and industrial material prices are starting to help ease core consumer and producer prices. Weak consumer demand and a slowdown in the global economy are placing downward pressure on world prices of goods. Currently, wage gains are being outpaced by price increases, although the fall of energy prices and the easing of core prices will eventually allow wages to catch up.

The Outlook. The consumer price index was up 3.1% (annual rate) in the third quarter of the year, but should ease to a 1.0% increase in the fourth quarter. Core CPI inflation ran at an annualized 2.7% in the third quarter, but should dip to 1.5% in the fourth quarter. Consumer and producer energy inflation has started to ease, and wage inflation is muted, leaving little scope for a pickup in core inflation. An inflationary spiral is unlikely, given the amount of slack in the labor market. In November, the unemployment rate stood at 8.6%. The PPI was up 2.0% (annual rate) in the third quarter of the year, but should fall into negative territory by the first and second quarter of 2012.

Risks to the Forecast. In the pessimistic scenario (35% probability), the economy enters into another recession. Consumer prices increase 0.4% in 2012 and 1.7% in 2013; producer prices fall 1.6% in 2012 but increase 1.5% by 2013. In the optimistic scenario (10% probability), consumer prices increase 2.4% in 2012 and then slow to 1.6% growth by 2013; producer prices increase 1.8% in 2012 and then just 0.6% by 2013.

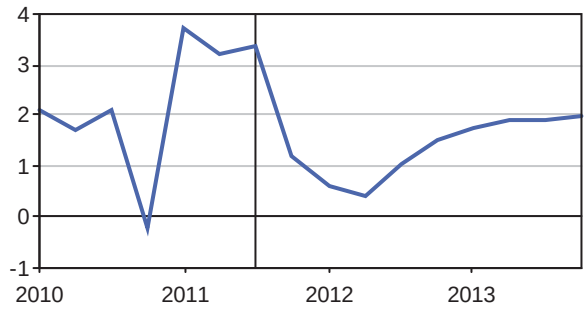
The Rise and Fall of Core Inflation

(Core CPI, percent change, annualized)



Core PPI Inflation

(Core PPI, percent change, annualized)



Created on 14 Dec 2011 for Erik Johnson

TABLE 1
Prices and Wages

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Indexes													
Employment Costs (Dec 2005=1.000)	1.142	1.146	1.150	1.157	1.163	1.169	1.119	1.143	1.166	1.192	1.224	1.257	1.294
Wages & Salaries	1.138	1.142	1.146	1.151	1.156	1.162	1.121	1.140	1.159	1.182	1.209	1.237	1.267
Benefits	1.153	1.154	1.160	1.172	1.178	1.185	1.113	1.150	1.182	1.215	1.259	1.307	1.360
Health Insurance	1.267	1.276	1.290	1.305	1.312	1.322	1.228	1.271	1.318	1.377	1.463	1.555	1.648
Consumer Prices (1982-84=1.000)													
All-Urban	2.245	2.262	2.268	2.273	2.277	2.287	2.181	2.249	2.283	2.321	2.370	2.421	2.467
Core (excl. Food & Energy)	2.244	2.259	2.267	2.275	2.282	2.290	2.213	2.250	2.287	2.326	2.376	2.427	2.477
Commodities	1.452	1.466	1.465	1.467	1.469	1.473	1.436	1.455	1.472	1.493	1.521	1.547	1.569
Nonenergy Services	2.722	2.737	2.752	2.764	2.774	2.785	2.683	2.730	2.780	2.830	2.895	2.962	3.030
Food	2.269	2.296	2.317	2.332	2.339	2.344	2.196	2.280	2.341	2.369	2.411	2.456	2.504
Energy	2.460	2.481	2.436	2.412	2.377	2.413	2.117	2.439	2.405	2.454	2.507	2.569	2.585
Energy Commodities	3.103	3.138	3.042	3.002	2.944	3.011	2.431	3.060	2.990	3.032	3.039	3.100	3.086
Energy Services	1.948	1.954	1.959	1.951	1.938	1.943	1.929	1.947	1.948	2.006	2.109	2.177	2.223
Producer Prices, Stage of Processing (1982=1.000)													
Finished Goods	1.910	1.919	1.924	1.918	1.913	1.915	1.799	1.908	1.916	1.938	1.974	2.008	2.030
Core (excl. Food & Energy)	1.773	1.788	1.793	1.796	1.798	1.802	1.738	1.779	1.801	1.830	1.866	1.900	1.927
Food	1.926	1.957	1.975	1.977	1.963	1.951	1.828	1.942	1.959	1.927	1.913	1.917	1.931
Energy	1.964	1.938	1.934	1.896	1.881	1.891	1.660	1.927	1.892	1.942	2.016	2.074	2.089
Consumer Goods	2.039	2.047	2.056	2.045	2.037	2.039	1.891	2.035	2.041	2.062	2.100	2.137	2.161
Core Consumer Goods	1.900	1.919	1.928	1.930	1.931	1.936	1.853	1.908	1.935	1.967	2.007	2.046	2.079
Producer Goods	1.597	1.607	1.608	1.611	1.614	1.618	1.576	1.599	1.617	1.642	1.672	1.699	1.718
Intermediate Materials	2.016	2.023	2.009	1.989	1.980	1.985	1.831	1.999	1.987	2.022	2.080	2.128	2.149
Crude Materials	2.532	2.483	2.445	2.398	2.368	2.387	2.136	2.490	2.393	2.475	2.574	2.563	2.592
Percent Change, SAAR													
Employment Costs	3.2	1.4	1.5	2.5	1.9	2.0	1.9	2.2	2.0	2.3	2.6	2.8	2.9
Wages & Salaries	2.1	1.4	1.5	1.7	1.8	1.8	1.6	1.7	1.7	2.0	2.2	2.3	2.4
Benefits	6.5	0.3	1.9	4.4	1.9	2.3	2.6	3.4	2.7	2.9	3.6	3.8	4.1
Health Insurance	5.2	3.1	4.5	4.5	2.2	3.2	4.8	3.5	3.7	4.5	6.2	6.3	5.9
Consumer Prices													
All-Urban	4.1	3.1	1.0	1.0	0.6	1.8	1.6	3.1	1.5	1.7	2.1	2.2	1.9
Core (excl. Food & Energy)	2.5	2.7	1.5	1.4	1.2	1.5	1.0	1.6	1.6	1.7	2.2	2.2	2.0
Commodities'	4.1	3.9	-0.2	0.5	0.6	1.1	1.1	1.3	1.2	1.4	1.9	1.7	1.4
Nonenergy Services	1.9	2.3	2.2	1.7	1.5	1.6	0.9	1.8	1.8	1.8	2.3	2.3	2.3
Food	5.9	4.8	3.8	2.5	1.3	0.8	0.8	3.8	2.7	1.2	1.8	1.9	1.9
Energy	14.5	3.4	-7.0	-3.8	-5.7	6.1	9.6	15.2	-1.4	2.0	2.2	2.5	0.6
Energy Commodities	21.1	4.6	-11.7	-5.1	-7.5	9.3	18.3	25.9	-2.3	1.4	0.2	2.0	-0.4
Energy Services	4.4	1.4	1.0	-1.6	-2.8	1.1	-0.4	0.9	0.0	3.0	5.1	3.2	2.1
Producer Prices, Stage of Processing													
Finished Goods	7.1	2.0	1.1	-1.4	-1.0	0.6	4.2	6.0	0.5	1.1	1.8	1.7	1.1
Core (excl. Food & Energy)	3.2	3.3	1.2	0.6	0.4	1.0	1.2	2.3	1.3	1.6	2.0	1.8	1.4
Food	3.0	6.5	3.9	0.3	-2.8	-2.3	3.9	6.2	0.8	-1.6	-0.7	0.2	0.7
Energy	21.5	-5.3	-0.8	-7.7	-3.0	2.1	13.7	16.1	-1.8	2.6	3.8	2.9	0.7
Consumer Goods	8.5	1.6	1.6	-2.0	-1.5	0.4	5.6	7.6	0.3	1.0	1.8	1.8	1.1
Core Consumer Goods	3.1	4.1	1.9	0.5	0.3	1.0	1.9	3.0	1.4	1.6	2.1	1.9	1.6
Producer Goods	3.0	2.7	0.2	0.8	0.6	1.0	0.4	1.5	1.1	1.6	1.8	1.6	1.1
Intermediate Materials	14.5	1.5	-2.8	-3.9	-1.8	1.0	6.4	9.2	-0.6	1.8	2.9	2.3	1.0
Crude Materials	4.9	-7.5	-6.0	-7.4	-5.0	3.4	21.5	16.6	-3.9	3.4	4.0	-0.5	1.1

Created on 14 Dec 2011 for Erik Johnson

TABLE 2
Producer Prices by Commodity

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Levels, 1982=1.000													
All Commodities	2.020	2.007	2.005	1.989	1.981	1.987	1.848	2.005	1.989	2.024	2.076	2.112	2.134
Farm Products	1.864	1.899	1.838	1.830	1.820	1.800	1.510	1.858	1.808	1.730	1.656	1.631	1.631
Processed Foods & Feeds	1.967	1.994	2.016	2.018	2.003	1.993	1.823	1.974	2.000	1.971	1.963	1.970	1.984
Industrial Commodities	2.031	2.013	2.012	1.993	1.986	1.995	1.871	2.015	1.996	2.045	2.110	2.154	2.178
Textile Products and Apparel	1.426	1.433	1.429	1.420	1.411	1.409	1.317	1.417	1.412	1.413	1.424	1.434	1.440
Fuels & Power	2.187	2.117	2.108	2.058	2.037	2.055	1.862	2.143	2.056	2.140	2.247	2.293	2.313
Coal	2.040	2.089	2.120	2.155	2.166	2.177	1.893	2.065	2.172	2.243	2.317	2.377	2.432
Gas Fuels	2.245	2.350	2.121	1.900	1.800	1.973	2.105	2.207	1.940	2.164	2.580	2.649	2.645
Electric Power	1.880	1.894	1.902	1.909	1.917	1.927	1.843	1.888	1.922	1.981	2.048	2.108	2.165
Utility Natural Gas	2.012	2.003	1.973	1.915	1.835	1.857	2.043	1.992	1.877	1.974	2.191	2.273	2.278
Crude Petroleum	2.785	2.379	2.598	2.599	2.573	2.549	2.218	2.675	2.584	2.876	3.057	2.940	3.033
Refined Petroleum Products	3.122	3.006	2.984	2.898	2.895	2.887	2.262	2.995	2.888	2.905	2.908	2.980	2.957
Residual Petroleum Products	2.961	2.500	2.762	2.696	2.687	2.688	2.137	2.752	2.697	2.826	2.932	2.904	2.906
Chemicals & Allied Products	2.785	2.758	2.761	2.732	2.724	2.730	2.466	2.752	2.732	2.782	2.860	2.925	2.967
Rubber & Plastic Products	1.838	1.855	1.849	1.848	1.847	1.850	1.707	1.829	1.850	1.874	1.912	1.946	1.969
Lumber & Wood Products	1.934	1.934	1.948	1.936	1.940	1.954	1.927	1.943	1.950	2.046	2.176	2.263	2.302
Pulp & Paper	2.457	2.473	2.473	2.474	2.476	2.483	2.369	2.459	2.482	2.532	2.603	2.671	2.725
Metals & Metal Products	2.261	2.236	2.231	2.191	2.178	2.200	2.077	2.252	2.201	2.283	2.395	2.478	2.510
Machinery & Equipment	1.327	1.332	1.333	1.332	1.330	1.329	1.311	1.328	1.330	1.338	1.351	1.359	1.361
Furniture & Household Durables	1.559	1.568	1.582	1.583	1.582	1.582	1.532	1.563	1.582	1.589	1.604	1.620	1.633
Transportation Equipment	1.657	1.671	1.677	1.689	1.699	1.709	1.634	1.662	1.704	1.747	1.789	1.830	1.865
Automobiles	1.305	1.307	1.288	1.290	1.292	1.298	1.290	1.296	1.296	1.321	1.352	1.380	1.400
Other Industrial Commodities	2.179	2.196	2.200	2.201	2.202	2.205	2.123	2.184	2.205	2.228	2.259	2.286	2.310
Non-Energy Industrial Commodities	1.934	1.934	1.936	1.928	1.926	1.932	1.834	1.929	1.932	1.968	2.018	2.060	2.085
Percent Change, SAAR													
All Commodities	6.6	-2.5	-0.4	-3.2	-1.6	1.2	6.9	8.5	-0.8	1.8	2.6	1.8	1.0
Farm Products	7.8	7.7	-12.2	-1.7	-2.2	-4.3	12.2	23.0	-2.7	-4.3	-4.3	-1.5	0.0
Processed Foods & Feeds	10.3	5.6	4.4	0.4	-2.8	-2.1	3.4	8.3	1.3	-1.4	-0.4	0.4	0.7
Industrial Commodities	5.5	-3.5	-0.3	-3.7	-1.4	1.9	7.0	7.7	-1.0	2.5	3.2	2.0	1.1
Textile Products and Apparel	14.2	2.1	-1.2	-2.6	-2.5	-0.4	1.7	7.6	-0.4	0.1	0.8	0.7	0.5
Fuels & Power	4.8	-12.1	-1.8	-9.1	-4.1	3.6	17.3	15.1	-4.1	4.0	5.0	2.1	0.9
Coal	5.7	10.0	6.0	6.8	2.0	2.0	3.9	9.1	5.1	3.3	3.3	2.6	2.3
Gas Fuels	27.4	19.9	-33.6	-35.6	-19.4	44.4	21.6	4.9	-12.1	11.6	19.2	2.7	-0.2
Electric Power	0.9	3.2	1.6	1.5	1.7	2.0	2.4	2.4	1.8	3.1	3.4	2.9	2.7
Utility Natural Gas	6.6	-1.8	-5.7	-11.3	-15.7	4.9	0.5	-2.5	-5.7	5.1	11.0	3.7	0.2
Crude Petroleum	-19.3	-46.8	42.3	0.2	-4.0	-3.7	37.3	20.6	-3.4	11.3	6.3	-3.8	3.1
Refined Petroleum Products	40.6	-14.1	-2.8	-11.1	-0.4	-1.1	28.7	32.4	-3.6	0.6	0.1	2.4	-0.8
Residual Petroleum Products	27.9	-49.2	48.8	-9.2	-1.4	0.2	37.0	28.8	-2.0	4.8	3.8	-1.0	0.1
Chemicals & Allied Products	12.9	-3.9	0.4	-4.2	-1.1	0.8	7.5	11.6	-0.7	1.8	2.8	2.3	1.4
Rubber & Plastic Products	15.7	3.8	-1.3	-0.3	-0.1	0.6	3.3	7.1	1.2	1.3	2.1	1.8	1.2
Lumber & Wood Products	-4.4	0.0	2.8	-2.4	0.9	2.9	5.4	0.8	0.4	4.9	6.4	4.0	1.7
Pulp & Paper	3.7	2.6	0.0	0.2	0.4	1.1	5.0	3.8	0.9	2.0	2.8	2.6	2.0
Metals & Metal Products	-3.3	-4.3	-0.9	-7.0	-2.3	4.0	11.1	8.4	-2.3	3.7	4.9	3.5	1.3
Machinery & Equipment	2.3	1.4	0.5	-0.4	-0.6	-0.4	-0.1	1.3	0.2	0.6	0.9	0.6	0.2
Furniture & Household Durables	4.1	2.4	3.5	0.3	-0.3	0.0	0.1	2.0	1.2	0.4	1.0	1.0	0.8
Transportation Equipment	3.9	3.4	1.3	3.0	2.4	2.4	0.7	1.7	2.6	2.5	2.4	2.3	1.9
Automobiles	6.6	0.5	-5.6	0.7	0.7	1.6	-1.4	0.5	0.0	2.0	2.3	2.0	1.5
Other Industrial Commodities	3.7	3.2	0.6	0.3	0.1	0.6	1.4	2.9	1.0	1.1	1.4	1.2	1.0
Non-Energy Industrial Commodities	4.9	0.2	0.3	-1.7	-0.4	1.3	3.9	5.2	0.2	1.9	2.5	2.0	1.2

Created on 14 Dec 2011 for Erik Johnson

Energy

by Michael Montgomery

Highlights

- Crude prices continue to drift. Brent has oscillated between $105 and $115/barrel.
- Oil prices do not have a major reason to move either much higher or lower for awhile, as Europe struggles with recession and China's growth cools.
- Gasoline will not remain near $3.25/gallon—pump prices will approach $4/gallon in June on normal seasonality.
- Crude and natural gas production is surging, and should exceed annual tallies back to 2001 before year-end 2011(annualized).

Changes to the Forecast

	Short Term	Long Term
Oil Prices	▲	▼
Wholesale Prices		
Utility Natural Gas	▼	▼
Electricity	▶	▼
Oil and Gas Output	▶	▶

▲ = Higher
▼ = Lower
▶ = No Change

Issues to Watch

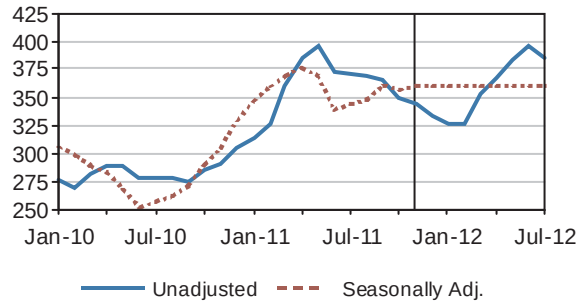
- The Brent/WTI spread narrowed sharply when a pipeline announced it was switching directions to end the surplus of crude in the middle of the United States. Even more pipeline capacity needs to be added to permanently return West Texas Intermediate prices to normal versus world prices.
- OPEC must remain flexible or the renewed recession in Europe and slower growth in China will produce a buildup of crude once Libya gets closer to normal output. Indeed, the cartel needs to institutionalize flexibility in output, with world inventory levels the guide rather than prices.

Energy Outlook

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Key Prices										
Oil Price (Refiner Acquisition Cost, $/bbl)	108	99	98	96	96	96	77	100	97	101
Avg. Retail Price of Gasoline, All Types ($/gal)	3.87	3.68	3.44	3.37	3.68	3.54	2.84	3.57	3.49	3.55
Natural Gas Price (Henry Hub cash, $/million Btu)	4.35	4.16	3.41	3.31	3.37	3.69	4.38	4.02	3.53	4.06
PPI, Fuels and Power (% change annualized)	4.8	-12.1	-1.8	-9.1	-4.1	3.6	17.3	15.1	-4.1	4.0
Fuel Demand and Supply (Quadrillion Btu, annual rate)										
Demand for All Fuels	95.0	95.9	95.6	95.7	95.8	96.0	95.8	95.7	95.9	96.9
Domestic Production - Oil and Natural Gas	38.0	39.0	40.1	39.8	40.0	40.3	36.6	38.4	40.1	40.3
Domestic Production - Nuclear, Hydro, and Other	35.5	35.8	36.2	36.7	37.0	37.2	34.7	35.7	37.1	37.5
Imports of All Fuels	28.9	27.8	26.7	26.6	25.9	25.5	29.9	28.1	25.9	25.6
Imports of Petroleum Products (Billion $)	479.8	456.7	450.7	431.1	424.5	420.8	353.7	458.2	423.6	420.8

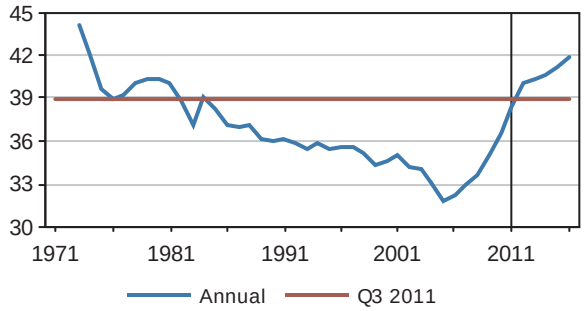
Gas Prices Won't Stay Down

(Gasoline pump prices, cents/gallon)



Oil and Natural Gas Output Surges

(Quadrillion Btu, annual rate)



Analysis

Recent Developments. Brent (North Sea) crude climbed $2.23/barrel in November, or about five cents/gallon, to reverse an almost identical October drop. Crude prices have been little changed since August, even though the more frequently quoted West Texas Intermediate (WTI) price has climbed by about $15/barrel; that has been caused by a narrowing of the WTI discount, rather than a rise in world oil prices. Brent has oscillated between $105/barrel and $115/barrel most of that time and has settled around the middle of that range in early December.

The natural gas world operates off of weather and storage considerations, and closed out the inventory building period for the 2012 heating season with average November prices of $3.25 per million Btu (mmBtu). For a few days right before Thanksgiving, prices fell under $3/mmBtu, but early-December prices bounced back up closer to $3.50/mmBtu—normal volatility for that time of year.

Bargain Gasoline Will Not Last Past February. Gasoline pump prices have continued to falter, following the normal pattern since exceeding $4/gallon in mid-May. The early-December price near $3.35 is not a bargain, but is mostly the normal seasonal pattern in pump prices caused by the ebb and flow of refinery margins, as refiners shift back and forth between targeting gasoline and distillate (diesel and heating oil) during the course of the year. The seasonally adjusted gasoline price held closer to $3.60/gallon and would push the unadjusted price to within pennies of $4/gallon by next June; purely seasonal moves would place the low for the unadjusted price for the next six months at about $3.25/gallon.

The Outlook. Average crude oil prices should drift for the next two years, first down then back up to just above the 2011 average in 2013. Next year (hopefully) will not suffer a repeat of the supply disruption in Libya that made 2011 prices higher than normal. The world is still adjusting to oil prices near $100/barrel, and consumption is not going to surge unless economic growth surges. Emerging-market demand will climb, but faces headwinds from the recession in Europe. US gasoline demand is typical of the developed world; it is still falling and will probably end up below 2002 levels this year. Add in expanding non-OPEC production, and OPEC needs to keep a grip on output. Shale oil will help prevent emerging-market demand growth from roiling the energy markets.

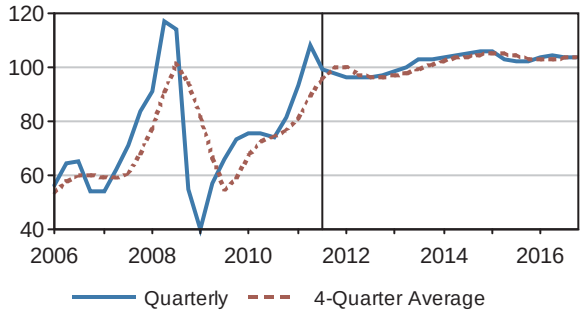
The 2011-12 time frame should be easy for the natural gas business to handle, with industrial demand restrained, mild weather leaving inventories in good shape, and new shale gas boosting supplies. There were only two months since 2003 when Henry Hub spot prices fell below the November 2011 average, both during the recession. Restrained demand and plentiful supplies will keep gas prices low until 2013, and even then the rebound will be modest.

Risks to the Forecast. In the pessimistic scenario, oil prices fall sharply in 2012, with the refiners' acquisition cost off 20%; prices bounce back during 2014-15 as supplies fail to match demand after the whipsaw.

Oil climbs 10% in the optimistic alternative as demand grows faster, but then fall later as supplies grow rapidly.

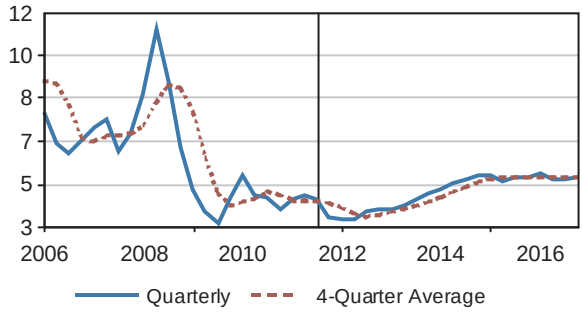
Oil Prices Drift with No Libya Disruption

(Refiners' acquisition cost of crude, dollars/barrel)



Natural Gas Recovers a Bit in 2013

(Henry Hub spot natural gas price, dollars/mmBtu)



Created on 14 Dec 2011 for Erik Johnson

TABLE 1

Population, Labor Force and Potential GDP

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Millions													
Total Population	313.5	314.2	315.0	315.7	316.5	317.3	310.8	313.8	316.9	319.9	323.0	326.2	329.3
Under 5	21.7	21.7	21.8	21.8	21.9	21.9	21.5	21.7	21.9	22.1	22.3	22.5	22.6
Ages 5 through 21	71.4	71.5	71.5	71.5	71.6	71.6	71.2	71.4	71.6	71.8	72.1	72.6	73.1
Ages 16 and Up	246.5	247.2	247.8	248.4	249.0	249.6	244.3	246.8	249.3	251.7	254.1	256.5	259.0
Males Ages 25 through 54	64.7	64.7	64.7	64.8	64.8	64.8	64.5	64.7	64.8	65.0	65.1	65.3	65.6
Ages 55 through 64	37.3	37.5	37.7	37.8	38.0	38.2	36.3	37.4	38.1	38.9	39.7	40.5	41.2
Ages 65 and Up	41.2	41.5	41.9	42.3	42.6	43.0	40.4	41.4	42.8	44.2	45.6	47.1	48.5
Ages 85 and Up	5.9	5.9	6.0	6.0	6.0	6.0	5.8	5.9	6.0	6.1	6.2	6.3	6.4
Percent Change, Annual Rate													
Total Population	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Under 5	0.9	0.9	0.9	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.8	0.8
Ages 5 through 21	0.3	0.3	0.2	0.2	0.2	0.2	0.4	0.3	0.2	0.3	0.4	0.6	0.7
Ages 16 and Up	1.0	1.0	1.0	1.0	1.0	1.0	1.1	1.0	1.0	1.0	1.0	1.0	1.0
Males Ages 25 through 54	0.3	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.3	0.3	0.4
Ages 55 through 64	2.7	2.3	1.9	1.7	1.7	1.9	3.8	3.0	1.9	2.0	2.1	2.1	1.8
Ages 65 and Up	2.6	3.1	3.5	3.7	3.7	3.5	1.9	2.4	3.5	3.3	3.1	3.2	3.1
Ages 85 and Up	2.0	2.0	1.9	1.9	1.9	1.8	2.6	2.1	1.9	1.7	1.4	1.4	1.1
Labor Force and Employment													
Labor Force, Millions	153.5	153.6	154.3	154.4	154.5	154.7	153.9	153.7	154.6	155.7	157.1	158.6	160.0
Under 65	146.4	146.5	147.0	147.0	147.1	147.2	147.2	146.6	147.2	148.0	149.0	150.2	151.2
Ages 65 and Up	7.1	7.1	7.3	7.4	7.4	7.5	6.7	7.1	7.4	7.7	8.1	8.4	8.8
Participation Rate, Percent	62.3	62.2	62.3	62.2	62.1	62.0	63.0	62.3	62.0	61.9	61.8	61.8	61.8
Under 65	71.3	71.3	71.4	71.3	71.3	71.3	72.2	71.3	71.3	71.3	71.5	71.7	71.9
Ages 65 and Up	17.1	17.0	17.5	17.4	17.4	17.4	16.6	17.2	17.4	17.5	17.7	17.8	18.1
Employment, Millions													
Household Survey	139.6	139.6	140.4	140.5	140.6	140.8	139.1	139.8	140.7	142.1	144.5	147.2	149.3
Establishment Survey	131.0	131.3	131.7	132.0	132.4	132.8	129.8	131.1	132.6	134.8	137.4	140.2	142.5
Percent Change, Annual Rate	1.4	0.9	1.1	1.0	1.1	1.4	-0.7	1.0	1.1	1.6	2.0	2.0	1.6
Unemployment Rate, Percent	9.1	9.1	9.0	9.0	9.0	9.0	9.6	9.0	9.0	8.8	8.0	7.2	6.7
Average Weekly Hours	32.4	32.4	32.4	32.3	32.3	32.3	32.3	32.4	32.3	32.3	32.4	32.4	32.4
Manufacturing Workweek	41.4	41.3	41.4	41.3	41.2	41.2	41.1	41.3	41.2	41.1	41.3	41.3	41.2
Durables Workweek	41.8	41.8	41.8	41.7	41.7	41.6	41.3	41.7	41.6	41.5	41.6	41.6	41.5
Nondurables Workweek	40.8	40.7	40.8	40.6	40.5	40.5	40.8	40.7	40.5	40.5	40.6	40.7	40.7
Manhours in Private Nonfarm Estab.													
Billions of Hours, SAAR	183.7	184.6	185.6	186.2	186.9	187.7	180.1	184.1	187.4	191.2	195.9	200.4	203.5
Percent Change, Annual Rate	2.9	1.9	2.3	1.3	1.5	1.8	0.1	2.2	1.8	2.0	2.5	2.3	1.5
Vendor Performance Index	57.4	50.8	51.4	52.3	53.0	54.1	58.1	55.0	53.4	54.8	55.1	53.6	52.4
Potential GDP													
Billions of Chained 2005 Dollars	14698	14779	14860	14937	15012	15088	14462	14740	15049	15342	15638	15968	16336
Percent Change, Annual Rate													
Potential GDP	2.1	2.2	2.2	2.1	2.0	2.0	1.7	1.9	2.1	1.9	1.9	2.1	2.3
Nonhousing, Non-Government	1.7	2.6	3.4	2.4	2.0	2.1	3.7	2.2	2.5	3.2	4.4	3.9	3.2
Potential Output	2.3	2.6	1.9	2.4	2.4	2.5	2.0	2.2	2.3	2.4	2.5	2.5	2.6
Capital Stock	1.2	1.7	1.6	1.7	1.8	1.9	0.0	1.1	1.7	2.2	3.0	3.3	3.3
R&D Capital Stock	2.0	2.0	2.0	2.0	2.1	2.2	2.2	2.0	2.2	2.5	2.6	2.6	2.6
Full-Employment Labor Force	1.2	1.0	0.8	1.1	1.0	1.1	1.1	1.2	1.0	0.9	0.8	0.6	0.7
Multifactor Productivity	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Nonfarm Productivity - Output per Hour													
Full-Employment	1.2	1.5	1.1	1.4	1.4	1.4	1.0	1.1	1.3	1.5	1.7	1.9	1.9
Actual	-0.1	2.3	1.8	1.1	0.5	0.4	4.1	1.0	1.1	1.0	1.4	1.2	1.4
All Manufacturing	-2.2	5.0	10.0	3.6	2.5	4.0	6.0	3.3	4.3	3.2	3.2	3.1	3.2
Durable Goods	-3.1	9.5	2.4	6.8	1.1	5.2	7.7	4.3	4.1	4.8	5.5	4.8	4.7
Nondurable Goods	0.0	0.1	6.8	2.9	1.9	2.0	3.8	2.7	2.7	1.8	2.0	2.1	2.0
Durable Manufacturing	-3.1	9.5	2.4	6.8	1.1	5.2	7.7	4.3	4.1	4.8	5.5	4.8	4.7
Nondurable Manufacturing	0.0	0.1	6.8	2.9	1.9	2.0	3.8	2.7	2.7	1.8	2.0	2.1	2.0

Created on 14 Dec 2011 for Erik Johnson

TABLE 2
Energy

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Fuel Demand and Supply, Quadrillion Btu													
Total Energy Demand	95.0	95.9	95.6	95.7	95.8	96.0	95.8	95.7	95.9	96.9	98.5	99.9	101.0
Percent Change, Annual Rate	-4.5	3.8	-1.2	0.4	0.4	0.7	3.4	-0.2	0.3	1.1	1.6	1.5	1.1
Electricity	12.8	13.0	12.7	12.8	12.9	12.9	12.8	12.8	12.9	13.1	13.4	13.7	13.9
Coal	1.8	1.8	1.6	1.6	1.6	1.6	1.8	1.7	1.6	1.5	1.5	1.4	1.4
Natural Gas	17.1	17.8	17.4	16.7	16.7	16.8	17.1	17.3	16.8	16.9	17.0	17.0	17.0
Petroleum	34.9	35.1	35.1	35.3	35.4	35.5	35.6	35.1	35.4	35.6	35.6	35.6	35.7
Domestic Energy Supply	73.5	74.8	76.2	76.5	77.0	77.5	71.3	74.1	77.2	77.8	77.9	78.4	79.0
Oil & Natural Gas	38.0	39.0	40.1	39.8	40.0	40.3	36.6	38.4	40.1	40.3	40.6	41.3	41.9
Nuclear, Hydro & Other	35.5	35.8	36.2	36.7	37.0	37.2	34.7	35.7	37.1	37.5	37.3	37.1	37.1
Energy Imports	28.9	27.8	26.7	26.6	25.9	25.5	29.9	28.1	25.9	25.6	26.5	27.1	27.2
Energy-Use Ratios													
Million Btus per Capita	303.1	305.2	303.5	303.1	302.7	302.5	308.3	304.8	302.6	303.0	304.8	306.4	306.9
Million Btus per $ Real GDP	7.16	7.19	7.12	7.10	7.08	7.07	7.32	7.18	7.07	6.98	6.85	6.73	6.62
Crude Oil Prices, Dollars per Barrel													
Refiners' Acquisition Price - Composite	108.23	99.08	98.25	96.45	96.28	96.13	76.70	99.86	96.54	101.22	104.81	103.44	104.05
Imported	108.81	100.73	100.28	98.88	99.22	99.56	75.94	100.97	99.39	100.26	101.94	102.47	101.38
Domestic	107.35	97.00	95.21	92.80	91.86	91.00	77.90	98.27	92.27	102.67	109.12	104.90	108.05
West Texas Intermediate Spot	102.55	89.71	91.04	87.25	85.63	84.00	79.41	94.32	86.31	103.27	112.13	104.50	110.97
Imported, Adjusted For Inflation	96.21	88.52	87.99	86.45	86.60	86.65	68.41	89.11	86.61	86.30	86.28	85.13	82.70
Natural Gas Prices, Dollars per Million Btu													
Average Wellhead	3.99	4.12	3.08	2.98	3.04	3.36	4.05	3.78	3.20	3.73	4.57	4.75	4.77
Henry Hub Cash Market	4.35	4.16	3.41	3.31	3.37	3.69	4.38	4.02	3.53	4.06	4.90	5.08	5.10
Price Indexes, SA													
PPI for Fuels and Power (1982=1.000)	2.187	2.117	2.108	2.058	2.037	2.055	1.862	2.143	2.056	2.140	2.247	2.293	2.313
Coal	2.040	2.089	2.120	2.155	2.166	2.177	1.893	2.065	2.172	2.243	2.317	2.377	2.432
Gas Fuels	2.245	2.350	2.121	1.900	1.800	1.973	2.105	2.207	1.940	2.164	2.580	2.649	2.645
Electricity	1.880	1.894	1.902	1.909	1.917	1.927	1.843	1.888	1.922	1.981	2.048	2.108	2.165
Utility Natural Gas	2.012	2.003	1.973	1.915	1.835	1.857	2.043	1.992	1.877	1.974	2.191	2.273	2.278
Domestic Crude Oil, NSA	2.785	2.379	2.598	2.599	2.573	2.549	2.218	2.675	2.584	2.876	3.057	2.940	3.033
Refined Petroleum Products	3.122	3.006	2.984	2.898	2.895	2.887	2.262	2.995	2.888	2.905	2.908	2.980	2.957
Residual Fuels	2.961	2.500	2.762	2.696	2.687	2.688	2.137	2.752	2.697	2.826	2.932	2.904	2.906
Consumer Energy Prices (2005=100)													
Total	142.6	143.8	141.2	139.7	137.7	139.8	121.7	141.3	139.3	142.1	144.9	148.4	149.2
Gasoline	159.7	161.8	157.1	155.1	152.0	155.5	125.4	157.8	154.4	156.5	156.9	160.0	159.3
Gasoline (cents/gallon, NSA)	386.6	368.2	343.5	337.1	368.0	353.7	283.6	357.5	349.5	354.5	355.1	362.3	360.6
Fuel Oil & Other Fuels	178.0	171.4	167.3	164.5	165.9	166.8	133.9	170.5	166.1	169.3	171.6	175.5	176.8
Electricity	130.4	130.7	132.0	132.3	132.5	132.8	128.2	130.6	132.7	135.5	139.8	143.5	147.2
Natural Gas	87.6	88.2	86.3	84.2	81.2	81.6	88.8	86.9	82.7	87.5	97.9	102.8	103.6
Price Indexes, Percent Change, Annual Rate													
PPI for Fuels and Power	4.8	-12.1	-1.8	-9.1	-4.1	3.6	17.3	15.1	-4.1	4.0	5.0	2.1	0.9
Coal	5.7	10.0	6.0	6.8	2.0	2.0	3.9	9.1	5.1	3.3	3.3	2.6	2.3
Gas Fuels	27.4	19.9	-33.6	-35.6	-19.4	44.4	21.6	4.9	-12.1	11.6	19.2	2.7	-0.2
Electricity	0.9	3.2	1.6	1.5	1.7	2.0	2.4	2.4	1.8	3.1	3.4	2.9	2.7
Utility Natural Gas	6.6	-1.8	-5.7	-11.3	-15.7	4.9	0.5	-2.5	-5.7	5.1	11.0	3.7	0.2
Domestic Crude Oil, NSA	-19.3	-46.8	42.3	0.2	-4.0	-3.7	37.3	20.6	-3.4	11.3	6.3	-3.8	3.1
Refined Petroleum Products	40.6	-14.1	-2.8	-11.1	-0.4	-1.1	28.7	32.4	-3.6	0.6	0.1	2.4	-0.8
Residual Fuels	27.9	-49.2	48.8	-9.2	-1.4	0.2	37.0	28.8	-2.0	4.8	3.8	-1.0	0.1
Consumer Energy Prices (Total)	15.0	3.3	-7.1	-4.0	-5.6	6.3	10.3	16.1	-1.4	2.0	2.0	2.5	0.5
Motor Vehicle Fuels, Lubricants & Fluids	20.1	5.6	-11.2	-5.1	-7.7	9.5	18.3	25.8	-2.1	1.4	0.2	2.0	-0.5
Fuel Oil & Other Fuels	34.4	-14.0	-9.3	-6.4	3.3	2.1	17.3	27.3	-2.6	1.9	1.4	2.2	0.8
Electricity	3.3	0.9	4.1	0.8	0.7	0.8	0.2	1.9	1.6	2.2	3.1	2.6	2.6
Natural Gas	8.7	2.8	-8.3	-9.1	-13.8	2.3	-2.0	-2.1	-4.9	5.8	11.9	5.0	0.7
Energy Production, Percent Change, Annual Rate													
Coal Mining	-13.2	2.8	4.9	1.3	0.0	0.9	0.9	-1.4	0.8	0.6	0.3	-1.3	-0.4
Oil & Gas Extraction	9.6	12.6	9.2	-3.0	2.7	2.5	3.7	4.7	3.8	0.5	0.7	1.6	1.6
Piped Gas & Electricity	-4.8	4.1	-8.5	1.5	2.2	1.8	4.1	-0.6	-0.4	1.7	1.9	2.1	1.8
Energy Import Detail													
Imports of Petroleum & Products													
Billions of Dollars	479.8	456.7	450.7	431.1	424.5	420.8	353.7	458.2	423.6	420.8	439.1	447.9	442.3
Oil Import Bill as Percent of GDP	3.2	3.0	2.9	2.8	2.7	2.7	2.4	3.0	2.7	2.6	2.6	2.5	2.4

Created on 14 Dec 2011 for Erik Johnson

TABLE 3
The Capital Stock

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Billions of Chained 2005 Dollars													
Effective Capital Stock	14801.4	14902.8	15004.2	15108.7	15212.4	15311.0	14552.8	14856.4	15260.6	15684.6	16198.0	16775.9	17349.4
Effective Nonenergy Capital Stock	11787.0	11837.0	11884.2	11933.8	11987.2	12042.9	11686.7	11815.1	12017.0	12282.1	12644.7	13064.8	13496.0
Equipment & Software	5159.3	5188.9	5217.3	5246.5	5277.4	5309.6	5116.7	5217.3	5344.6	5510.6	5721.3	5951.5	6179.8
Information Processing Equipment													
Computers	252.1	262.8	273.3	282.5	291.9	302.1	234.0	273.3	313.6	357.1	409.0	468.0	538.1
Software	510.7	515.9	521.2	526.8	532.9	539.5	501.7	521.2	546.5	577.7	608.7	637.2	663.7
Communications Equipment	611.8	614.5	614.7	616.7	619.8	623.4	601.7	614.7	627.3	644.2	670.7	704.1	742.5
Other	377.4	380.0	383.4	386.7	390.0	393.4	370.9	383.4	397.1	410.4	425.2	444.3	466.6
Industrial Equipment	1636.6	1642.7	1649.8	1657.4	1665.4	1674.0	1629.6	1649.8	1683.0	1722.5	1768.4	1820.3	1870.7
Light Vehicles	599.3	602.5	606.2	609.6	612.3	615.5	598.7	606.2	619.2	644.9	679.9	709.4	726.2
Aircraft	237.8	236.1	234.6	233.6	232.9	232.3	240.3	234.6	231.8	231.0	231.7	234.0	237.1
Other Transportation Equipment	228.1	228.5	228.4	228.8	229.8	230.7	229.5	228.4	231.3	239.0	249.1	255.9	259.8
Other Equipment	1104.9	1112.6	1119.0	1124.1	1129.1	1133.1	1096.1	1119.0	1137.9	1162.8	1204.0	1258.8	1321.1
Buildings	6617.9	6613.8	6610.2	6607.3	6604.9	6602.1	6630.0	6610.2	6599.0	6597.2	6626.7	6693.1	6788.9
Public Utilities													
Telecommunications	453.1	454.4	455.6	457.0	458.3	459.7	450.6	455.6	461.1	466.9	474.1	482.7	492.4
Other	1596.1	1604.8	1613.4	1621.2	1628.3	1634.7	1580.7	1613.4	1640.7	1663.2	1687.1	1712.0	1733.5
Mining & Petroleum	1036.0	1045.0	1054.7	1064.6	1073.6	1081.0	1020.2	1054.7	1087.7	1113.8	1141.3	1169.6	1194.4
Research & Development	2473.9	2485.9	2498.1	2510.6	2524.0	2538.0	2449.6	2498.1	2552.9	2617.7	2685.7	2755.9	2827.5
Percent Change, Annual Rate													
Effective Capital Stock	2.3	2.8	2.7	2.8	2.8	2.6	0.5	2.1	2.7	2.8	3.3	3.6	3.4
Effective Nonenergy Capital Stock	1.2	1.7	1.6	1.7	1.8	1.9	0.0	1.1	1.7	2.2	3.0	3.3	3.3
Equipment & Software	1.7	2.3	2.2	2.3	2.4	2.5	0.8	2.0	2.4	3.1	3.8	4.0	3.8
Information Processing Equipment													
Computers	18.9	18.0	17.0	14.1	13.9	14.8	16.7	16.8	14.7	13.8	14.5	14.4	15.0
Software	3.9	4.2	4.1	4.4	4.7	5.0	2.7	3.9	4.9	5.7	5.4	4.7	4.2
Communications Equipment	2.9	1.8	0.2	1.3	2.0	2.3	3.7	2.2	2.0	2.7	4.1	5.0	5.4
Other	3.5	2.8	3.6	3.5	3.5	3.5	3.0	3.4	3.6	3.3	3.6	4.5	5.0
Industrial Equipment	0.8	1.5	1.7	1.9	1.9	2.1	0.2	1.2	2.0	2.3	2.7	2.9	2.8
Light Vehicles	-0.3	2.1	2.5	2.3	1.8	2.1	-1.6	1.3	2.1	4.2	5.4	4.3	2.4
Aircraft	-1.7	-2.9	-2.5	-1.6	-1.3	-1.0	-2.1	-2.4	-1.2	-0.4	0.3	1.0	1.3
Other Transportation Equipment	-0.5	0.8	-0.1	0.7	1.7	1.6	-4.7	-0.5	1.3	3.3	4.2	2.8	1.5
Other Equipment	1.6	2.8	2.3	1.8	1.8	1.4	0.7	2.1	1.7	2.2	3.5	4.5	5.0
Buildings	-0.3	-0.2	-0.2	-0.2	-0.1	-0.2	-0.1	-0.3	-0.2	0.0	0.4	1.0	1.4
Public Utilities	1.8	2.0	1.9	1.8	1.6	1.5	1.7	1.9	1.6	1.3	1.5	1.6	1.4
Telecommunications	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.1	1.2	1.3	1.5	1.8	2.0
Other	2.0	2.2	2.2	2.0	1.8	1.6	1.9	2.1	1.7	1.4	1.4	1.5	1.3
Mining & Petroleum	3.4	3.5	3.8	3.8	3.4	2.8	1.7	3.4	3.1	2.4	2.5	2.5	2.1
Research & Development	2.0	2.0	2.0	2.0	2.1	2.2	2.2	2.0	2.2	2.5	2.6	2.6	2.6
Rental Cost of Capital, Index													
Nonresidential Fixed Investment	0.128	0.127	0.126	0.129	0.129	0.130	0.128	0.127	0.130	0.136	0.142	0.148	0.151
Non-Energy Nonres. Fixed Investment	0.120	0.119	0.118	0.122	0.123	0.124	0.121	0.119	0.124	0.132	0.139	0.147	0.151
Research and Development	0.198	0.198	0.196	0.198	0.198	0.200	0.193	0.197	0.199	0.204	0.211	0.218	0.222

Created on 14 Dec 2011 for Erik Johnson

Employment

by Michael Montgomery

Highlights

- November payrolls climbed 120,000 and upward revisions to earlier months added 72,000 jobs. It was a third consecutive month of large upward historical revisions.
- The unemployment rate fell to 8.6%, with half of the drop due to labor-force contraction.
- The economy's overall direction remains positive, and better than three months ago.
- Employment growth will improve markedly in 2013-15.

Changes to the Forecast

	Short Term	Long Term
Unemployment Rate	▼	▼
Payroll Employment	▲	▲
Labor Force	▲	▲
Total Private-Sector Hours	▲	▲
Productivity Growth	▼	▶

▲ = Higher
▼ = Lower
▶ = No Change

Issues to Watch

- The household survey suggests that job creation might be stronger than the payroll (establishment) survey indicates. If this trend holds up, it would strengthen the case for more economic growth.
- Repeated and positive revisions to monthly job counts mean that focusing on the lead month of each employment report is not just a mistake, it also shows too much confidence in the Bureau of Labor Statistics hitting its first estimate flawlessly—don't overreact on the first Friday of the month when the latest jobs number is released.

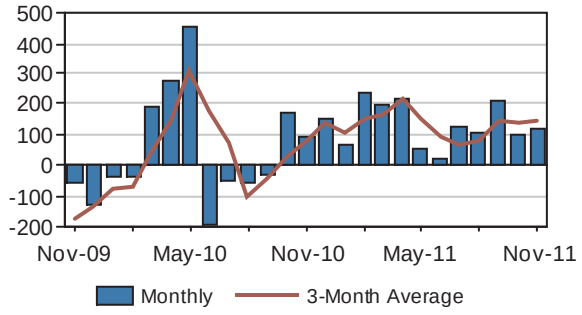
Employment Outlook

(Percent change, annual rate)

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Employment - Total Nonfarm Payrolls	1.4	0.9	1.1	1.0	1.1	1.4	-0.7	1.0	1.1	1.6
Average Monthly Change (Thousands)	156	93	119	114	119	155	-81	109	125	179
Employment - Construction	1.5	0.4	-1.9	-3.6	-3.5	-1.9	-8.1	-0.2	-2.1	1.0
Employment - Manufacturing	2.2	1.5	0.4	1.4	2.6	0.5	-2.7	1.7	1.4	1.4
Employment - Private Service Providing	2.0	1.3	1.9	1.9	1.8	2.3	-0.1	1.6	1.9	2.1
Unemployment Rate (Level)	9.1	9.1	9.0	9.0	9.0	9.0	9.6	9.0	9.0	8.8
Employment - Household Survey	0.0	0.2	2.3	0.1	0.4	0.5	-0.6	0.5	0.6	1.0
Civilian Labor Force	0.6	0.3	1.9	0.1	0.3	0.5	-0.2	-0.1	0.6	0.7
Manhours in Private Nonfarm Establishments	2.9	1.9	2.3	1.3	1.5	1.8	0.1	2.2	1.8	2.0
Nonfarm Productivity	-0.1	2.3	1.8	1.1	0.5	0.4	4.1	1.0	1.1	1.0

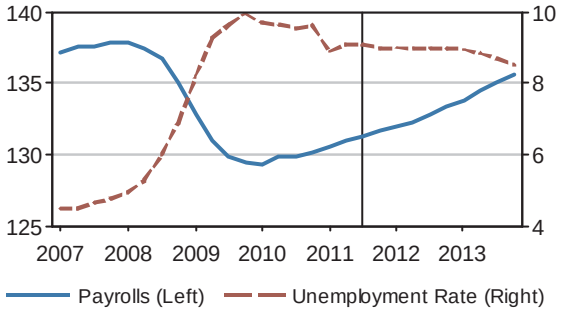
Payroll Gains Have Firmed Since Spring

(Establishment survey, thousands)



Slow Job Growth Barely Trims Joblessness

(Payrolls, millions; unemployment rate, percent)



Analysis

Recent Developments. Payrolls climbed by 120,000 in November, but the jobs tally gained another 72,000 from revisions to the prior two months. A net gain of more than 190,000 jobs is a good monthly report. The private sector snagged 140,000 jobs to run its increase over the prior 12 month to 1.88-million jobs; the three-month average for private-sector gains hit 159,000.

The retail sector scored more than one-third of the month's gains with a 50,000 advance; clothing (up 27,000) and electronics stores (up 5,000) accounted for more than 60% of this improvement. General merchandise stores added only 5,800 jobs, while department stores trimmed staff. These are not holiday jobs, as the data are adjusted for normal seasonality; the holiday hiring is reflected in the not-seasonally adjusted surge of 423,500 retail jobs. November 2011 scored the best gain in unadjusted retail payrolls since 2007, however. Construction shed 12,000 jobs and manufacturing was little changed. Temporary help services added 22,300 jobs.

The unemployment rate fell to 8.6%, with half of the 0.4-percentage-point improvement coming from solid job gains and the other half coming from a drop in labor-force participation. Labor-force participation is still above the 12-month average, suggesting that it could falter again next month since the 12-month average has been declining for over two years.

A Stronger Household Survey May Mean Hidden Job Gains. The household survey (used to figure the unemployment rate) has outpaced the payroll side of the jobs report for the past four months by a wide margin. The payroll survey has added 534,000 jobs since July, while the household survey shows 1.28-million new jobs. Year-over-year comparisons are less ominous, but the special calculation to make the household survey like the payroll survey shows 2.5-million new jobs, versus only 1.6 million in the payroll survey. Small discrepancies can be ignored as noise, but the large yearly deviation may mean that the payroll tally is undercounting recent job gains, and thus income.

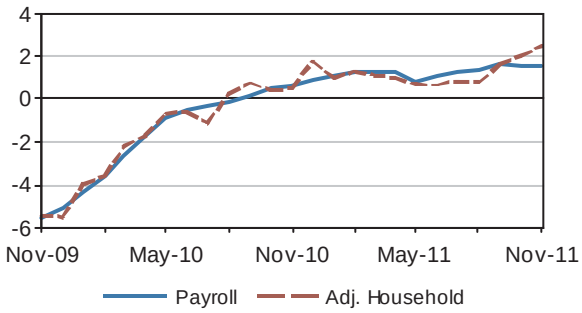
The Outlook. November data point to yearly gains for 2011 of about 1.6-million jobs (measured fourth quarter to fourth quarter), and we expect only a modest improvement over that tally in 2012. The biggest gains will be during 2013-15, when the United States shakes off the drag from the European recession with gains averaging 2.6 million per year. The 2014 tally should be the best of this stretch, but the two years bracketing it should also score well over 2-million job gains. The old payroll record of 138 million should fall late in 2014, albeit almost seven years after it was set. The unemployment rate does not improve much in 2012, but starts fading faster during the large job gains of 2013-15.

Risks to the Forecast. The economy loses 450,000 jobs over the next year in a double-dip recession, but the employment total falls 2.2 million below the baseline as the economy also loses a year of recovery. Furthermore, the economy keeps losing ground until it is 4.4-million jobs below the baseline total at the end of 2013.

In the optimistic scenario, employment growth drives income and economic gains higher, triggering even larger job gains. By the end of 2014, there are 3.8-million more jobs than in the baseline, while the unemployment rate is nearly two percentage points lower.

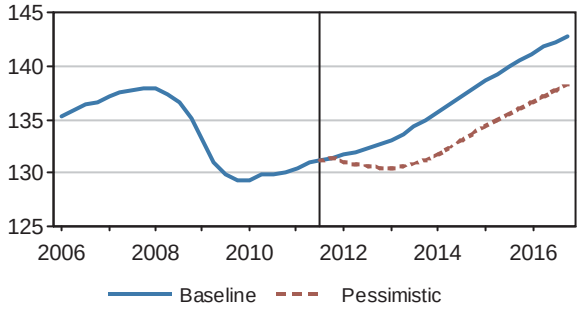
Employment Surveys Start to Diverge

(Changes from a year earlier, millions)



A Double-Dip Loses Jobs, Slows Recovery

(Nonfarm payrolls, millions)



Created on 14 Dec 2011 for Erik Johnson

TABLE 1
Payroll Employment Detail

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Millions of Persons													
Total Nonfarm Payrolls	131.0	131.3	131.7	132.0	132.4	132.8	129.8	131.1	132.6	134.8	137.4	140.2	142.5
Private Nonfarm Establishments	108.9	109.3	109.7	110.1	110.5	111.1	107.3	109.1	110.8	113.0	115.5	118.1	120.3
Natural Resources & Mining	0.780	0.801	0.812	0.815	0.799	0.789	0.706	0.785	0.796	0.768	0.759	0.748	0.727
Logging	0.047	0.047	0.047	0.046	0.046	0.047	0.050	0.048	0.047	0.048	0.052	0.057	0.060
Mining	0.732	0.753	0.765	0.769	0.752	0.742	0.656	0.737	0.749	0.720	0.707	0.691	0.667
Construction	5.526	5.532	5.506	5.455	5.406	5.381	5.527	5.517	5.400	5.456	6.019	6.807	7.385
Trade, Transportation & Utilities	24.894	24.956	25.033	25.158	25.282	25.461	24.609	24.913	25.381	25.937	26.272	26.676	27.016
Wholesale Trade	5.537	5.544	5.552	5.589	5.623	5.663	5.456	5.535	5.644	5.784	5.899	6.013	6.132
Retail Trade	14.542	14.585	14.631	14.681	14.735	14.830	14.420	14.559	14.790	15.044	15.112	15.248	15.318
Motor Vehicles & Parts	1.669	1.679	1.688	1.704	1.712	1.722	1.625	1.673	1.721	1.799	1.817	1.839	1.845
Gasoline	0.820	0.820	0.819	0.809	0.804	0.805	0.816	0.818	0.806	0.792	0.761	0.730	0.705
Food & Beverage Stores	2.833	2.841	2.849	2.849	2.854	2.868	2.811	2.835	2.862	2.882	2.866	2.851	2.822
Other Retail	9.221	9.246	9.275	9.319	9.365	9.435	9.168	9.232	9.402	9.571	9.668	9.828	9.946
Transportation & Warehousing	4.263	4.273	4.296	4.339	4.377	4.425	4.182	4.267	4.402	4.570	4.733	4.898	5.054
Utilities	0.552	0.553	0.553	0.550	0.546	0.544	0.552	0.552	0.545	0.539	0.528	0.518	0.513
Information	2.683	2.655	2.659	2.672	2.691	2.659	2.711	2.670	2.667	2.741	2.773	2.841	2.874
Publishing Industries	0.756	0.755	0.758	0.750	0.748	0.749	0.761	0.756	0.749	0.740	0.731	0.731	0.733
Other Information	1.927	1.900	1.901	1.922	1.943	1.910	1.949	1.914	1.918	2.000	2.042	2.110	2.141
Financial Activities	7.615	7.608	7.611	7.609	7.615	7.657	7.632	7.611	7.644	7.734	7.699	7.686	7.679
Finance & Insurance	5.671	5.668	5.661	5.653	5.654	5.684	5.692	5.668	5.676	5.742	5.694	5.652	5.623
Real Estate, Rental & Leasing	1.945	1.941	1.951	1.956	1.961	1.974	1.940	1.943	1.968	1.992	2.006	2.034	2.056
Professional & Business Services	17.140	17.241	17.382	17.499	17.555	17.646	16.680	17.192	17.621	18.293	19.432	20.428	21.179
Professional, Scientific & Technical	7.610	7.662	7.697	7.715	7.708	7.723	7.423	7.621	7.728	7.978	8.395	8.656	8.731
Mgmt. of Companies & Enterprises	1.881	1.889	1.899	1.907	1.910	1.912	1.863	1.885	1.909	1.879	1.818	1.786	1.769
Admin., Support, Waste Mgmt., Etc.	7.649	7.689	7.786	7.877	7.937	8.011	7.394	7.685	7.984	8.436	9.220	9.986	10.679
Employment Services	2.904	2.938	3.014	3.082	3.073	3.072	2.710	2.936	3.080	3.242	3.728	4.173	4.472
Other Support	4.745	4.752	4.772	4.794	4.865	4.939	4.684	4.750	4.904	5.194	5.492	5.813	6.207
Education & Health Services	19.925	20.043	20.176	20.295	20.395	20.520	19.563	19.993	20.461	20.822	21.093	21.337	21.841
Educational Services	3.206	3.228	3.255	3.254	3.235	3.231	3.147	3.222	3.237	3.210	3.131	3.042	2.977
Health Care & Social Assistance	16.720	16.815	16.921	17.042	17.160	17.289	16.415	16.771	17.224	17.612	17.962	18.295	18.864
Leisure & Hospitality	13.192	13.237	13.296	13.340	13.457	13.554	13.017	13.212	13.490	13.647	13.633	13.548	13.435
Arts, Entertainment & Recreation	1.894	1.897	1.901	1.900	1.933	1.961	1.907	1.897	1.942	1.968	1.967	1.966	1.948
Accommodation & Food Services	11.298	11.340	11.395	11.439	11.524	11.593	11.111	11.315	11.548	11.679	11.666	11.583	11.488
Other Services	5.446	5.454	5.460	5.470	5.462	5.496	5.365	5.448	5.489	5.552	5.555	5.493	5.437
Manufacturing	11.712	11.756	11.769	11.809	11.886	11.902	11.527	11.722	11.885	12.053	12.294	12.576	12.700
Durable Manufacturing	7.271	7.310	7.331	7.365	7.439	7.457	7.069	7.280	7.443	7.654	7.930	8.222	8.349
Wood Products	0.336	0.330	0.332	0.336	0.341	0.344	0.342	0.335	0.343	0.372	0.433	0.489	0.521
Nonmetallic Mineral Products	0.372	0.370	0.367	0.366	0.364	0.360	0.372	0.370	0.362	0.362	0.381	0.400	0.411
Primary Metals	0.383	0.388	0.394	0.396	0.402	0.401	0.361	0.385	0.400	0.401	0.406	0.418	0.425
Fabricated Metal Products	1.355	1.363	1.361	1.364	1.373	1.370	1.285	1.352	1.371	1.401	1.478	1.553	1.603
Machinery	1.041	1.053	1.061	1.068	1.092	1.098	0.993	1.045	1.091	1.106	1.118	1.140	1.156
Computer & Electronic Products	1.124	1.129	1.129	1.132	1.124	1.122	1.100	1.125	1.126	1.164	1.158	1.174	1.181
Electrical Equipment & Appliances	0.370	0.372	0.372	0.366	0.365	0.362	0.361	0.371	0.363	0.359	0.363	0.371	0.373
Transportation Equipment	1.362	1.376	1.392	1.415	1.446	1.469	1.331	1.371	1.454	1.548	1.642	1.712	1.701
Furniture & Related Products	0.351	0.352	0.350	0.350	0.351	0.350	0.357	0.351	0.351	0.355	0.363	0.369	0.372
Miscellaneous Durable Manufacturing	0.577	0.577	0.573	0.572	0.580	0.581	0.568	0.575	0.580	0.588	0.590	0.598	0.607
Nondurable Manufacturing	4.442	4.446	4.438	4.445	4.448	4.445	4.459	4.442	4.442	4.399	4.363	4.354	4.351
Food Manufacturing	1.449	1.445	1.442	1.447	1.454	1.460	1.447	1.446	1.455	1.462	1.472	1.489	1.510
Beverages & Tobacco Products	0.183	0.188	0.186	0.189	0.190	0.190	0.183	0.184	0.190	0.189	0.186	0.184	0.182
Textile Mills	0.122	0.122	0.121	0.120	0.119	0.118	0.119	0.122	0.118	0.110	0.102	0.095	0.088
Textile Products	0.116	0.115	0.114	0.113	0.113	0.113	0.119	0.115	0.113	0.112	0.112	0.110	0.108
Apparel	0.156	0.155	0.158	0.158	0.157	0.156	0.158	0.156	0.156	0.152	0.146	0.141	0.135
Leather & Allied Products	0.029	0.030	0.030	0.029	0.029	0.028	0.028	0.029	0.029	0.027	0.026	0.025	0.025
Paper & Paper Products	0.398	0.399	0.400	0.399	0.398	0.397	0.397	0.398	0.397	0.393	0.392	0.394	0.397
Printing & Related Support Activities	0.470	0.467	0.462	0.462	0.458	0.454	0.487	0.469	0.456	0.438	0.424	0.411	0.400
Petroleum & Coal Products	0.112	0.112	0.111	0.112	0.113	0.113	0.114	0.112	0.113	0.111	0.108	0.106	0.104
Chemicals	0.777	0.783	0.780	0.783	0.784	0.784	0.784	0.779	0.783	0.775	0.770	0.776	0.783
Plastics & Rubber Products	0.628	0.632	0.633	0.633	0.633	0.632	0.623	0.631	0.632	0.629	0.625	0.622	0.619
Government	22.102	22.014	21.948	21.872	21.803	21.754	22.487	22.066	21.796	21.773	21.892	22.053	22.221
Federal	2.840	2.819	2.807	2.787	2.768	2.749	2.967	2.829	2.759	2.682	2.612	2.559	2.521
State & Local	19.262	19.196	19.142	19.085	19.035	19.005	19.520	19.237	19.038	19.090	19.281	19.494	19.700

Created on 14 Dec 2011 for Erik Johnson

TABLE 2
Employment Detail

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Percent Change, Annual Rate													
Total Nonfarm Payrolls	1.4	0.9	1.1	1.0	1.1	1.4	-0.7	1.0	1.1	1.6	2.0	2.0	1.6
Private Nonfarm Establishments	2.1	1.4	1.6	1.5	1.6	1.9	-0.8	1.6	1.6	2.0	2.2	2.3	1.8
Natural Resources & Mining	18.5	11.4	5.6	1.4	-7.6	-4.9	1.6	11.3	1.4	-3.6	-1.1	-1.4	-2.9
Logging	-11.5	0.6	-4.3	-4.7	1.5	3.0	-1.5	-4.0	-1.9	2.4	8.8	9.8	5.1
Mining	20.9	12.1	6.4	1.8	-8.1	-5.4	1.9	12.4	1.6	-3.9	-1.7	-2.3	-3.5
Construction	1.5	0.4	-1.9	-3.6	-3.5	-1.9	-8.1	-0.2	-2.1	1.0	10.3	13.1	8.5
Trade, Transportation & Utilities	2.0	1.0	1.2	2.0	2.0	2.9	-1.2	1.2	1.9	2.2	1.3	1.5	1.3
Wholesale Trade	2.1	0.5	0.6	2.6	2.5	2.8	-2.3	1.5	2.0	2.5	2.0	1.9	2.0
Retail Trade	1.8	1.2	1.3	1.4	1.5	2.6	-0.7	1.0	1.6	1.7	0.5	0.9	0.5
Motor Vehicles & Parts	3.2	2.5	2.2	3.9	1.9	2.5	-0.8	2.9	2.9	4.5	1.0	1.2	0.3
Gasoline	2.8	-0.2	0.0	-5.0	-2.3	0.1	-1.1	0.3	-1.5	-1.7	-3.9	-4.2	-3.4
Food & Beverage Stores	2.1	1.2	1.0	0.1	0.7	1.9	-0.7	0.9	0.9	0.7	-0.6	-0.5	-1.0
Other Retail	1.4	1.1	1.3	1.9	2.0	3.0	-0.6	0.7	1.8	1.8	1.0	1.7	1.2
Transportation & Warehousing	2.7	0.9	2.1	4.1	3.6	4.4	-1.3	2.0	3.2	3.8	3.6	3.5	3.2
Utilities	1.3	0.9	0.2	-2.4	-3.2	-0.9	-1.4	0.0	-1.2	-1.1	-2.1	-1.9	-1.0
Information	-0.2	-4.2	0.5	2.0	2.9	-4.7	-3.3	-1.5	-0.1	2.8	1.2	2.4	1.2
Publishing Industries	-0.4	-0.3	1.3	-4.0	-0.9	0.3	-4.4	-0.7	-1.0	-1.2	-1.2	-0.1	0.3
Other Information	-0.1	-5.6	0.2	4.5	4.4	-6.6	-2.9	-1.8	0.2	4.3	2.1	3.3	1.5
Financial Activities	0.4	-0.4	0.2	-0.1	0.4	2.2	-1.8	-0.3	0.4	1.2	-0.4	-0.2	-0.1
Finance & Insurance	-0.1	-0.2	-0.5	-0.6	0.1	2.1	-1.4	-0.4	0.1	1.2	-0.8	-0.7	-0.5
Real Estate, Rental & Leasing	1.8	-0.9	2.1	1.1	1.1	2.5	-2.7	0.2	1.3	1.2	0.7	1.4	1.1
Professional & Business Services	3.3	2.4	3.3	2.7	1.3	2.1	0.7	3.1	2.5	3.8	6.2	5.1	3.7
Professional, Scientific & Technical	5.2	2.8	1.8	1.0	-0.4	0.8	-1.1	2.7	1.4	3.2	5.2	3.1	0.9
Mgmt. of Companies & Enterprises	1.8	1.6	2.2	1.7	0.6	0.4	-0.2	1.2	1.3	-1.6	-3.2	-1.7	-1.0
Admin., Support, Waste Mgmt., Etc.	1.7	2.1	5.1	4.7	3.1	3.8	2.7	3.9	3.9	5.7	9.3	8.3	6.9
Employment Services	2.5	4.7	10.7	9.4	-1.2	-0.2	9.4	8.3	4.9	5.2	15.0	11.9	7.2
Other Support	1.2	0.6	1.8	1.8	6.0	6.3	-0.8	1.4	3.2	5.9	5.7	5.9	6.8
Education & Health Services	2.0	2.4	2.7	2.4	2.0	2.5	1.9	2.2	2.3	1.8	1.3	1.2	2.4
Educational Services	0.8	2.7	3.4	-0.1	-2.3	-0.5	1.9	2.4	0.5	-0.8	-2.5	-2.8	-2.1
Health Care & Social Assistance	2.2	2.3	2.6	2.9	2.8	3.0	1.9	2.2	2.7	2.3	2.0	1.9	3.1
Leisure & Hospitality	2.2	1.4	1.8	1.3	3.6	2.9	-0.4	1.5	2.1	1.2	-0.1	-0.6	-0.8
Arts, Entertainment & Recreation	-0.4	0.5	1.0	-0.3	7.1	5.9	-0.4	-0.5	2.4	1.3	0.0	-0.1	-0.9
Accommodation & Food Services	2.6	1.5	1.9	1.6	3.0	2.4	-0.4	1.8	2.1	1.1	-0.1	-0.7	-0.8
Other Services	1.1	0.6	0.5	0.7	-0.7	2.5	0.0	1.5	0.7	1.2	0.1	-1.1	-1.0
Manufacturing	2.2	1.5	0.4	1.4	2.6	0.5	-2.7	1.7	1.4	1.4	2.0	2.3	1.0
Durable Manufacturing	3.5	2.2	1.1	1.9	4.1	1.0	-2.9	3.0	2.2	2.8	3.6	3.7	1.5
Wood Products	-6.6	-7.5	3.1	4.7	6.1	3.3	-4.8	-1.9	2.4	8.5	16.2	13.1	6.5
Nonmetallic Mineral Products	0.8	-2.3	-3.1	-0.7	-1.7	-4.5	-5.7	-0.6	-2.0	-0.1	5.1	5.2	2.5
Primary Metals	10.8	5.4	6.3	1.8	5.9	-0.7	-0.4	6.6	4.0	0.1	1.3	2.9	1.7
Fabricated Metal Products	7.4	2.4	-0.4	0.8	2.7	-0.8	-2.0	5.3	1.4	2.1	5.5	5.1	3.2
Machinery	6.5	4.7	2.8	2.6	9.5	2.1	-3.5	5.2	4.4	1.3	1.1	2.0	1.4
Computer & Electronic Products	2.3	1.9	-0.2	1.1	-2.6	-1.0	-3.2	2.3	0.1	3.3	-0.5	1.3	0.6
Electrical Equipment & Appliances	1.9	1.7	0.7	-6.2	-1.7	-3.5	-3.4	2.8	-2.0	-1.3	1.3	2.0	0.8
Transportation Equipment	2.3	4.3	4.5	7.0	9.0	6.5	-1.3	3.0	6.0	6.4	6.1	4.3	-0.6
Furniture & Related Products	-0.4	1.6	-2.1	-1.1	1.7	-1.0	-7.2	-1.6	-0.2	1.1	2.3	1.9	0.6
Miscellaneous Durable Manufacturing	1.2	0.3	-3.1	-0.5	5.7	0.7	-2.8	1.4	0.8	1.4	0.3	1.4	1.5
Nondurable Manufacturing	0.1	0.4	-0.7	0.6	0.3	-0.2	-2.3	-0.4	0.0	-1.0	-0.8	-0.2	-0.1
Food Manufacturing	-0.2	-1.2	-0.8	1.4	2.0	1.6	-0.6	-0.1	0.6	0.5	0.7	1.1	1.4
Beverages & Tobacco Products	9.9	9.7	-4.5	7.3	1.3	0.5	-2.5	0.7	3.1	-0.6	-1.4	-1.0	-1.2
Textile Mills	5.1	-0.4	-2.8	-3.2	-3.2	-5.0	-4.0	2.0	-2.7	-6.8	-7.2	-7.1	-7.4
Textile Products	1.0	-4.3	-4.0	-2.3	0.1	-0.6	-5.6	-2.7	-2.0	-0.6	-0.7	-1.3	-2.3
Apparel	-2.6	-3.2	10.5	-1.8	-2.1	-3.1	-5.7	-0.9	-0.1	-2.9	-3.5	-3.9	-3.8
Leather & Allied Products	3.8	7.1	3.6	-5.4	-6.0	-7.0	-4.3	5.7	-2.1	-5.3	-5.3	-2.3	-1.6
Paper & Paper Products	0.4	1.5	1.3	-1.4	-0.8	-0.9	-2.5	0.4	-0.3	-1.1	-0.2	0.4	0.7
Printing & Related Support Activities	-3.8	-3.0	-3.6	-0.5	-3.1	-3.5	-6.7	-3.8	-2.7	-3.8	-3.4	-3.0	-2.6
Petroleum & Coal Products	0.4	-2.1	-1.3	1.1	3.5	2.4	-1.2	-1.8	0.6	-1.3	-2.4	-2.3	-2.3
Chemicals	1.3	2.9	-1.3	1.5	0.2	0.1	-2.5	-0.6	0.6	-1.1	-0.6	0.8	0.9
Plastics & Rubber Products	-1.3	2.4	0.8	-0.2	0.1	-0.8	-0.2	1.2	0.2	-0.5	-0.6	-0.4	-0.5
Government	-1.8	-1.6	-1.2	-1.4	-1.3	-0.9	-0.3	-1.9	-1.2	-0.1	0.6	0.7	0.8
Federal	-1.7	-3.0	-1.7	-2.8	-2.7	-2.7	4.8	-4.6	-2.5	-2.8	-2.6	-2.0	-1.5
State & Local	-1.8	-1.4	-1.1	-1.2	-1.0	-0.6	-1.0	-1.4	-1.0	0.3	1.0	1.1	1.1

Created on 14 Dec 2011 for Erik Johnson

TABLE 3
Productivity and Costs

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Index, Seasonally Adjusted													
Nonfarm Business Productivity & Costs (2005=1.000)													
Output per Hour	1.105	1.111	1.116	1.119	1.121	1.122	1.098	1.109	1.121	1.133	1.149	1.163	1.179
Compensation per Hour	1.179	1.178	1.185	1.195	1.202	1.211	1.158	1.180	1.207	1.243	1.283	1.327	1.373
Unit Labor Costs	1.067	1.060	1.062	1.067	1.073	1.079	1.054	1.064	1.076	1.097	1.117	1.141	1.165
Manufacturing Output per Hour	1.134	1.148	1.176	1.186	1.194	1.205	1.113	1.150	1.200	1.238	1.277	1.317	1.360
Durable Goods Industries	1.120	1.145	1.152	1.171	1.175	1.190	1.090	1.137	1.184	1.240	1.309	1.373	1.437
Nondurable Goods Industries	1.109	1.110	1.128	1.136	1.142	1.147	1.085	1.114	1.144	1.165	1.189	1.214	1.237
Employment Cost Index (Dec 2005=1.000)													
Total Compensation	1.142	1.146	1.150	1.157	1.163	1.169	1.119	1.143	1.166	1.192	1.224	1.257	1.294
Wages	1.138	1.142	1.146	1.151	1.156	1.162	1.121	1.140	1.159	1.182	1.209	1.237	1.267
Benefits	1.153	1.154	1.160	1.172	1.178	1.185	1.113	1.150	1.182	1.215	1.259	1.307	1.360
Health Insurance	1.267	1.276	1.290	1.305	1.312	1.322	1.228	1.271	1.318	1.377	1.463	1.555	1.648
Percent Change, SAAR													
Nonfarm Business Productivity & Costs													
Output per Hour	-0.1	2.3	1.8	1.1	0.5	0.4	4.1	1.0	1.1	1.0	1.4	1.2	1.4
Compensation per Hour	-0.2	-0.2	2.3	3.3	2.7	2.7	2.0	1.9	2.2	3.0	3.2	3.4	3.5
Unit Labor Costs	-0.1	-2.5	0.5	2.1	2.2	2.3	-2.0	1.0	1.1	2.0	1.8	2.1	2.1
Manufacturing Output per Hour	-2.2	5.0	10.0	3.6	2.5	4.0	6.0	3.3	4.3	3.2	3.2	3.1	3.2
Durable Goods Industries	-3.1	9.5	2.4	6.8	1.1	5.2	7.7	4.3	4.1	4.8	5.5	4.8	4.7
Nondurable Goods Industries	0.0	0.1	6.8	2.9	1.9	2.0	3.8	2.7	2.7	1.8	2.0	2.1	2.0
Employment Cost Index													
Total Compensation	3.2	1.4	1.5	2.5	1.9	2.0	1.9	2.2	2.0	2.3	2.6	2.8	2.9
Wages	2.1	1.4	1.5	1.7	1.8	1.8	1.6	1.7	1.7	2.0	2.2	2.3	2.4
Benefits	6.5	0.3	1.9	4.4	1.9	2.3	2.6	3.4	2.7	2.9	3.6	3.8	4.1
Health Insurance	5.2	3.1	4.5	4.5	2.2	3.2	4.8	3.5	3.7	4.5	6.2	6.3	5.9

Created on 14 Dec 2011 for Erik Johnson

Industrial Production

by Tom Runiewicz and Ken Kremar

Highlights

- Our outlook for manufacturing output growth has been revised up slightly, to 4.3% in 2011 and 3.0% in 2012. The 2013 forecast remains at 3.9%.
- At 52.7 in November, the ISM manufacturing index rose significantly from October's 50.8 level; the new orders component index jumped to 56.7, from 52.4 the previous month.
- New orders for manufactured goods fell 0.4% in October. Year to date, they were up 12.1% compared with the first 10 months of 2010.

Changes to the Forecast

	Short Term	Long Term
Total Production	▲	▲
Manufacturing	▲	▲
Durables	▲	▼
Nondurables	▲	▲
Old Economy	▲	▲

▲ = Higher
▼ = Lower
▶ = No Change

- On a month-to-month basis, total industrial production rose 0.6% during October, while manufacturing output increased 0.5%. Year over year, manufacturing gains have averaged 3.5-4.0% over the past six months.

Issue to Watch

- Our forecast for manufacturing output growth in 2012 has been raised. Transportation and traditional capital equipment will be the major supporters of growth. As a result, durable goods production should grow 5.2%, while nondurable goods output increases only 1.0%. Strong bookings should help boost production well into 2012.

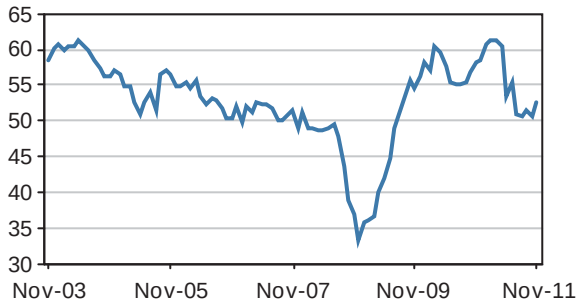
Industrial Production Outlook

(Percent change, annual rate)

	Quarterly						Years			
	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013
Total Industrial Production	0.6	5.2	2.4	2.5	2.3	2.6	5.3	3.9	2.6	3.2
Manufacturing	0.0	4.3	3.1	3.5	2.6	3.2	5.4	4.3	3.0	3.9
Durable Goods	1.8	8.3	5.5	5.9	3.5	5.5	7.9	8.0	5.2	6.5
Nondurable Goods	-0.9	1.0	1.3	1.2	1.0	1.0	3.7	1.5	1.0	1.4
Manufacturing - Excluding High-Tech	0.1	4.3	3.3	3.3	1.9	2.8	4.9	4.1	2.8	3.2
Mining	8.2	11.0	7.5	-2.5	0.9	-0.4	5.9	5.7	2.5	0.5
Utilities	-4.8	4.1	-8.5	1.5	2.2	1.8	4.1	-0.6	-0.4	1.7
Manufacturing Capacity Utilization (Percent)	74.4	74.9	75.3	75.7	76.0	76.2	71.7	74.8	76.1	77.7

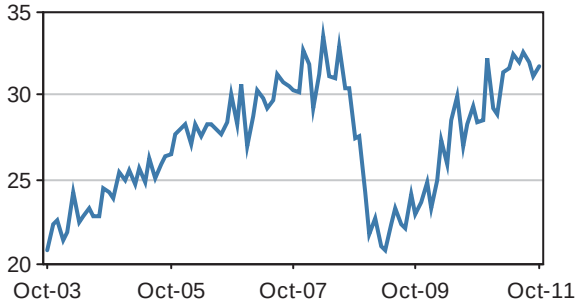
ISM's PM Index Trending Up Again

(Above 50 = expansion)



New Orders for Machinery Remain Strong

(Billion dollars)



Analysis

Recent Developments. The ISM reported its purchasing managers' index for manufacturing at 52.7 in November. The index rose from 50.8 in October. It has remained above the 50 expansion threshold for 28 consecutive months. The November ISM index for new orders, at 56.7, showed a strong improvement from 52.4 in October and the July-September period, when it fell below the 50 threshold. New orders for all manufacturing eased 0.4% in October, but year-to-date orders remain more than 12.0% above the comparable 2010 period. The industries with the strongest gains in orders during October were HVAC equipment (up 51.4%, but major declines had occurred in the months before), metalworking machinery (up 8.1%), computers (up 4.0%), construction machinery (up 3.2%), and nonferrous metals (up 5.2%). New orders for nondurable goods fell 0.3% in October, but year to date they remain close to 15.0% higher than a year earlier. Unfilled orders for total manufacturing have grown for 10 consecutive months. This will help boost industrial production into the first part of 2012.

The Outlook. While the outlook for the US economy remains troubled, the manufacturing sector is expected to stay a bright spot. Manufacturing output is on track to climb 4.3% this year, with 3.0% growth expected next year. Both are well above the overall economy's respective growth projections of 1.7% and 1.8%.

Nevertheless, concerns remain. With expectations of consumer spending growing only 2.2% and the unemployment rate averaging 9.0% in 2012, many of consumer-related industries will remain sluggish. As a result, processed food production is projected to grow only 1.1%, while beverages and tobacco manufacturing should see only 1.3% growth. The once-stellar pharmaceutical industry, facing increasing competition from abroad, will need to contend with a struggling US consumer and can therefore expect only a 0.6% increase in output next year.

Construction will also provide little support next year. Even though fixed investments for residential and private nonresidential structures are expected to increase 4.1% and 1.2%, respectively, public spending on infrastructure will likely plunge 6.3% in 2012. Therefore, production of nonmetallic mineral products should advance only 0.3%, while architectural structural metals are expected to see no output growth.

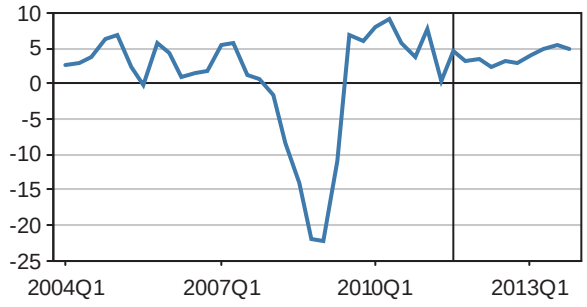
But there are still significant drivers giving the manufacturing sector a boost. Corporations have high profits, healthy cash flow, and the need to replace older capital equipment. They are expected to increase spending on equipment and software by 6.5% in 2012. In response, next year should see 5.0% growth in computer products production and a 4.8% increase in machinery output.

The transportation equipment sector will provide the most lift, though, with output jumping 12.1% in 2012. Motor vehicle and parts production should increase 9.7%, because consumers need to replace older vehicles and remain receptive to dealer incentives. Medium and heavy truck production will also post strong gains, as carriers replace older vehicles with more efficient equipment. Finally, the long order pipeline in the aircraft industry is spurring production—after climbing nearly 10% this year, aerospace and parts production should jump roughly 17% in 2012 and 2013.

Risks to the Forecast. The Double-Dip Recession scenario (35% probability) sees the US economy again falling into recession, with manufacturing output declining 0.1% in 2012 and rebounding only 1.5% in 2013.

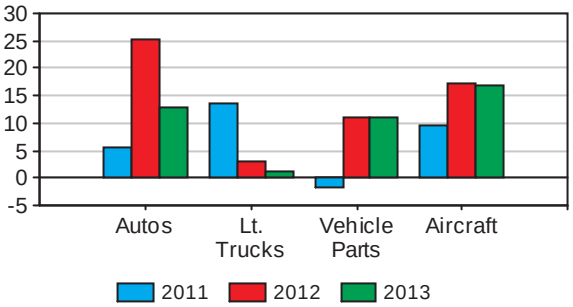
Manufacturing Growth to Stay Rather Steady

(Output, percent change, annual rate)



Output Growth in Transportation Equipment

(Percent change from a year earlier)



Created on 14 Dec 2011 for Erik Johnson

TABLE 1
Industrial Production Indexes

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Indexes, 2007=100.0													
Total	92.9	94.1	94.7	95.2	95.8	96.4	90.1	93.6	96.1	99.1	103.3	106.8	109.7
Mining	105.7	108.4	110.4	109.7	110.0	109.8	101.2	107.0	109.7	110.3	112.5	114.1	115.0
Mining except Oil & Gas	88.0	88.7	89.4	89.4	89.0	88.8	87.0	88.7	89.0	89.6	92.0	93.8	94.3
Metal Ores	105.3	104.1	106.0	106.6	106.5	106.5	97.7	104.9	106.6	107.7	109.2	109.7	108.1
Coal	91.3	91.9	93.0	93.3	93.3	93.5	94.0	92.7	93.4	93.9	94.2	93.0	92.6
Nonmetallic Minerals	73.1	75.5	74.7	73.8	72.7	71.8	72.6	74.1	72.3	72.7	78.7	86.1	89.4
Oil & Gas Extraction & Drilling	109.9	113.3	115.6	114.8	115.3	115.4	104.5	111.4	115.1	115.7	117.4	119.1	120.4
Oil & Gas Extraction	113.9	117.3	119.9	119.0	119.8	120.6	110.4	115.6	120.0	120.6	121.5	123.4	125.4
Support Activities for Mining	95.1	98.4	99.7	98.8	97.9	94.7	82.1	95.9	95.8	96.6	103.9	103.5	100.1
Utilities	100.4	101.4	99.2	99.6	100.1	100.6	101.3	100.7	100.3	102.0	104.0	106.1	108.0
Manufacturing - SIC Basis	89.7	90.6	91.3	92.1	92.7	93.4	86.6	90.3	93.0	96.6	101.4	105.5	108.8
Factory Operating Rate - SIC Basis	74.4	74.9	75.3	75.7	76.0	76.2	71.7	74.8	76.1	77.7	79.7	80.6	80.6
Food	102.9	102.4	103.1	103.5	103.8	104.2	102.3	102.9	104.0	106.0	108.4	110.8	113.2
Beverages & Tobacco	87.7	89.6	90.2	90.2	90.0	89.8	85.1	88.8	89.9	89.3	89.1	88.9	88.8
Beverages	104.2	106.0	108.0	108.5	108.8	109.1	98.2	105.2	108.9	110.4	112.2	114.1	115.9
Tobacco Products	66.5	68.5	67.3	67.0	66.1	65.2	68.0	67.7	65.7	62.7	60.0	57.5	55.1
Textile Mills	85.6	86.2	86.3	86.2	86.2	85.9	78.3	85.0	86.0	84.6	82.4	79.9	77.3
Fabric Mills	96.8	102.4	102.9	103.3	103.7	103.5	86.6	97.8	103.4	101.9	97.7	92.8	88.1
Fiber, Yarn & Textile Finishing	72.1	67.2	66.7	66.2	65.6	65.1	68.2	69.8	65.4	64.3	64.3	64.7	64.4
Textile Product Mills	68.9	67.7	66.8	66.5	66.2	65.9	70.6	68.4	66.1	66.3	67.1	67.0	65.9
Textile Furnishings & Carpets	58.4	55.5	53.7	53.7	53.8	54.0	59.8	56.9	54.0	56.9	60.4	62.3	62.8
Textile Furnishings Mills	77.5	78.2	78.1	77.8	77.2	76.5	79.0	78.1	76.8	74.2	72.3	70.3	67.8
Carpet & Rug Mills	58.0	54.6	51.9	52.1	52.4	53.0	60.0	56.2	52.8	58.1	64.0	67.4	68.9
Other Textile Product Mills	86.2	88.1	88.6	87.9	87.1	85.9	88.6	87.6	86.4	82.3	78.6	75.3	71.4
Apparel	58.5	57.0	57.3	56.5	55.7	55.0	57.8	57.9	55.4	52.8	50.5	48.3	46.0
Logging*	77.3	78.1	74.3	74.1	74.6	75.3	83.2	76.8	75.1	80.5	91.6	100.7	105.8
Wood Products	71.2	69.7	69.0	68.7	69.2	69.9	69.6	70.5	69.6	74.6	84.8	93.2	97.8
Furniture & Related Products	69.2	69.7	69.4	69.0	68.9	69.1	65.6	69.1	69.2	71.9	75.5	77.9	79.6
Hhld. & Institutional Furniture	64.3	66.1	65.9	65.5	65.4	65.6	60.7	64.7	65.7	69.5	74.1	76.2	77.3
Office & Other Furniture	75.0	74.1	73.6	73.1	73.1	73.3	71.5	74.4	73.3	74.7	77.2	80.0	82.3
Paper & Products	87.9	86.8	86.7	86.8	87.0	87.3	89.0	87.8	87.2	88.4	90.3	92.6	95.0
Pulp & Paper Mills	89.6	88.1	87.9	88.0	88.2	88.5	90.9	89.3	88.3	89.3	90.8	92.8	95.2
Converted Paper Products	86.2	85.5	85.5	85.6	85.8	86.1	87.1	86.2	86.0	87.5	89.7	92.4	95.0
Paperboard Containers	87.4	86.4	87.1	87.3	87.6	87.8	88.6	87.6	87.7	89.2	91.1	93.7	96.5
Bags, Coated & Treated Paper	84.3	83.4	82.5	82.4	82.5	82.7	86.0	84.2	82.7	84.6	87.3	90.0	92.1
Residual Paper Products	86.0	85.8	85.4	85.6	85.8	86.0	85.6	85.6	85.9	87.2	89.5	92.4	94.9
Newspapers, Periodicals, Books*	69.1	68.5	68.5	68.4	68.2	68.1	73.7	69.3	68.2	68.1	68.8	69.7	70.5
Newspaper Publishers*	62.0	62.7	60.7	60.1	59.6	59.1	69.4	62.3	59.3	57.7	56.7	55.9	55.2
Periodical, Book & Misc. Publishers*	72.4	71.3	72.3	72.3	72.3	72.4	75.7	72.7	72.4	73.0	74.4	76.1	77.7
Printing Support Activities	74.3	73.7	72.3	71.8	71.2	70.7	76.0	73.7	71.0	69.3	68.3	67.4	66.9
Petroleum & Coal Products	97.2	100.9	100.8	100.9	100.9	101.0	96.5	98.8	101.0	101.3	101.9	102.4	102.6
Chemicals	88.0	87.6	88.4	88.7	89.0	89.3	86.7	88.1	89.2	90.6	93.5	97.3	101.5
Basic Chemicals	77.8	77.8	78.6	79.0	79.4	79.6	79.1	78.9	79.4	80.2	81.8	83.6	86.2
Basis Organic Chemicals	78.2	77.1	78.6	79.3	79.8	80.1	80.6	79.3	79.9	80.7	82.5	84.6	88.2
Basic Inorganic Chemicals	77.1	78.9	78.3	78.3	78.3	78.4	76.2	78.1	78.4	79.0	80.2	81.6	82.2
Resins & Synthetic Materials	74.2	74.8	75.3	75.8	76.1	76.3	77.0	75.8	76.2	77.0	78.6	80.5	83.8
Agricultural Chemicals	99.5	99.5	102.4	102.8	102.8	102.9	94.0	100.3	102.9	103.6	104.5	105.6	106.6
Pharmaceuticals & Medicines	92.9	91.1	91.7	92.1	92.5	93.0	93.0	92.2	92.8	94.9	99.0	104.9	111.3
Paints, Soaps, Toiletries & Misc.	93.7	94.9	95.3	95.4	95.6	95.8	85.8	93.4	95.7	97.3	100.1	103.1	105.4
Paints & Misc. Products	86.5	88.4	90.5	90.7	91.0	91.2	82.9	87.8	91.1	93.0	96.5	100.5	103.6
Soaps, Cleaners & Toiletries	99.6	100.2	99.2	99.2	99.3	99.5	88.0	98.0	99.4	100.6	102.9	105.2	106.9
Rubber & Plastics Products	86.9	87.4	87.9	88.1	88.4	88.6	83.4	87.1	88.6	90.5	93.1	95.9	98.3
Tires	94.2	88.6	90.7	91.8	92.5	93.1	89.5	91.6	92.8	95.5	98.3	101.0	103.2
Other Rubber Products	88.3	93.4	96.1	96.6	96.9	97.0	79.9	91.1	96.9	97.7	99.0	101.0	102.8
Plastic Products	85.9	86.6	86.6	86.7	86.9	87.2	83.2	86.2	87.1	89.1	91.9	94.8	97.3
Leather & Allied Products	88.3	88.4	88.6	87.5	86.0	84.4	80.0	88.2	85.2	80.5	78.8	77.8	76.9

Created on 14 Dec 2011 for Erik Johnson

TABLE 2
Industrial Production Indexes

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Indexes, 2007=100.0													
Nonmetallic Mineral Products	69.7	70.9	69.5	69.5	69.4	69.6	67.6	69.4	69.6	73.3	81.7	90.4	96.8
Glass & Glass Products	85.4	85.2	84.1	84.2	84.4	84.7	82.2	84.6	84.6	86.9	91.7	95.9	98.1
Cement	59.9	62.6	61.8	61.2	60.7	60.5	58.9	61.7	60.8	62.7	68.2	75.3	81.0
Concrete & Products	60.5	62.7	61.1	61.0	60.5	60.1	59.0	60.4	60.4	62.1	68.6	76.5	83.1
Clay, Lime, Gypsum & Misc.	75.1	75.6	74.0	74.3	75.0	75.9	72.9	74.4	75.6	83.3	97.3	109.8	118.6
Primary Metals	90.2	91.0	91.7	92.0	92.2	92.5	83.3	90.8	92.4	95.1	100.5	105.5	108.8
Iron & Steel Products	92.2	92.8	93.7	93.9	94.2	94.6	87.7	93.9	94.4	98.4	106.3	112.8	116.9
Nonferrous Metals	91.8	92.9	93.4	93.6	93.7	93.8	85.9	91.9	93.8	95.4	99.1	103.1	105.7
Alumina & Aluminum Products	85.3	81.6	82.0	82.1	82.1	82.2	77.5	83.2	82.3	84.6	89.9	94.2	96.6
Nonferrous exc. Aluminum	96.9	100.2	100.8	101.0	101.1	101.2	91.8	97.9	101.2	102.3	104.8	108.7	111.4
Foundries	84.8	85.7	86.3	86.8	87.1	87.3	72.5	84.4	87.2	88.2	89.9	92.6	95.1
Fabricated Metal Products	86.7	88.4	88.8	89.0	89.1	89.2	78.6	87.0	89.2	91.2	95.0	99.5	103.0
Forging & Stamping	92.9	94.4	95.8	97.1	98.2	99.2	80.0	93.1	98.6	102.3	106.5	110.7	113.2
Cutlery & Handtools	78.1	79.3	79.7	80.0	80.4	80.7	71.5	77.6	80.5	82.3	84.6	87.1	88.6
Architec. & Structural Metals	79.6	80.5	80.1	79.9	79.2	78.5	73.1	79.1	79.1	81.0	88.3	97.6	105.1
Hardware	68.5	72.2	75.6	76.2	76.4	76.7	65.7	70.6	76.6	77.7	79.0	80.8	82.2
Spring & Wire Products	83.3	81.5	81.5	81.6	81.7	81.9	77.4	82.7	81.8	83.2	85.5	88.3	91.0
Turned Products; Screws, Etc.	92.2	93.2	93.4	93.6	93.9	94.2	80.5	92.0	94.1	96.1	98.7	101.4	103.6
Coating, Engraving, Heat-Treating	90.3	93.3	93.4	93.5	93.9	94.3	83.1	91.7	94.1	96.1	98.7	101.7	104.0
Misc. incl. Cans & Ordnance	88.9	91.7	92.3	92.4	92.6	92.9	82.2	90.0	92.8	94.6	97.0	100.0	102.2
Machinery	90.0	91.2	91.9	93.3	94.6	95.8	80.8	90.7	95.1	98.5	102.5	106.7	110.3
Engines & Turbines	90.3	89.4	93.6	95.1	96.4	97.3	71.7	89.0	96.7	99.3	102.9	108.3	113.0
Agricultural & Construction Equip.	91.8	92.8	93.5	95.5	97.3	98.8	86.4	93.0	97.9	103.0	108.3	113.4	117.9
Agricultural Equipment	102.0	102.9	99.3	101.6	103.7	105.2	105.0	103.2	104.2	108.7	111.6	113.4	116.1
Construction Machinery	68.9	67.5	72.0	73.0	73.9	74.7	66.3	69.7	74.3	77.7	84.0	91.8	97.5
Metalworking Machinery	85.5	87.4	87.8	89.1	90.3	91.3	75.7	85.9	90.7	93.8	97.7	102.6	106.5
Industrial Machinery	89.0	88.6	89.9	91.6	93.3	95.0	78.6	90.3	94.1	99.7	104.9	110.4	115.6
Commercial, Service & Other	91.5	93.9	95.2	96.5	97.6	98.4	81.7	92.5	97.8	98.2	100.0	102.7	105.1
HVAC Equipment	88.9	90.1	85.2	85.6	86.4	87.6	83.9	89.7	87.2	94.8	102.3	106.1	107.8
Computers & Electronic Products	114.8	116.7	118.6	119.6	120.8	122.8	108.0	116.4	122.2	133.9	151.4	170.5	190.9
Computer & Peripheral Equip.	139.0	150.2	154.3	155.1	156.3	158.4	133.1	145.8	157.8	171.3	188.3	204.6	219.6
Communications Equipment	89.9	90.7	90.7	90.8	91.2	92.0	89.1	90.6	91.7	99.3	113.0	125.5	135.9
Semicond. & Other Components	133.6	131.5	131.0	131.6	132.7	135.8	121.5	132.5	135.2	158.4	196.6	243.1	297.2
Nav., Measuring, Control Eq.	105.5	108.3	111.6	113.1	114.2	115.3	99.7	107.9	114.8	119.2	124.8	130.7	136.3
Audio & Video Equip. & Disks	61.7	62.0	63.5	63.1	63.2	63.4	61.1	61.5	63.4	64.5	66.8	69.7	72.6
Elec. Eq., Appliances, & Components	79.6	78.4	80.0	80.2	80.4	80.8	78.9	79.8	80.7	83.9	90.2	96.4	101.2
Household Appliances	75.8	72.7	73.6	72.9	72.7	73.1	77.7	75.1	73.1	76.7	82.1	86.9	89.6
Elec. Equip. except Appliances	80.3	79.5	81.2	81.6	81.9	82.3	79.0	80.7	82.2	85.3	91.7	98.2	103.4
Electric Lighting Equipment	80.7	78.7	80.4	80.9	81.1	81.3	76.2	79.1	81.2	86.7	102.4	114.7	120.4
Electrical Equipment	76.8	77.0	78.5	79.1	79.7	80.2	78.9	77.6	79.9	82.3	85.9	90.3	93.9
Other Elec. Eq. & Components	83.7	82.2	84.2	84.2	84.4	84.7	80.1	84.2	84.7	87.7	93.6	100.2	106.6
Transportation Equipment	87.9	91.8	95.1	99.1	100.3	103.4	83.9	90.7	101.7	112.7	123.6	131.1	131.9
Motor Vehicles & Parts	78.9	82.7	84.9	89.6	89.2	91.9	76.1	82.2	90.2	98.3	106.1	110.5	111.1
Automobiles	84.7	89.0	101.6	111.5	115.9	113.3	85.4	90.3	113.1	127.4	139.1	148.2	145.6
Light Truck & Utility Vehicles	82.2	91.3	91.8	94.0	88.7	94.0	78.3	88.9	91.5	92.7	95.6	95.9	97.5
Heavy Duty Trucks	131.8	135.0	137.3	139.2	141.9	145.4	80.7	127.4	144.2	166.5	189.4	195.8	188.3
Bodies & Trailers	93.7	87.9	83.5	91.6	94.8	98.2	73.7	89.2	96.2	111.8	123.5	130.8	131.5
Motor Vehicle Parts	68.9	69.9	71.6	76.5	77.5	79.7	71.7	70.5	78.1	88.3	97.7	103.6	104.9
Aerospace Products & Parts	100.7	105.0	108.9	113.3	118.0	123.0	93.8	102.8	120.6	140.8	159.7	174.2	174.9
Rrd. Eq., Ships, Boats, & Other	94.9	97.5	104.5	103.4	101.7	99.7	93.0	96.8	100.8	96.1	95.8	97.3	98.7
Ship & Boat Building	98.9	92.4	95.7	94.9	93.5	92.0	95.0	95.6	92.8	87.7	85.2	85.1	85.5
Railroad Equipment & Other	88.4	103.1	114.1	112.7	110.6	107.9	89.2	97.0	109.4	105.2	107.4	110.8	113.4
Miscellaneous	101.2	102.7	104.0	105.0	106.1	107.0	96.0	102.1	106.6	111.3	116.8	122.9	129.1
Medical Equipment & Supplies	108.1	109.1	110.9	112.4	113.9	115.2	103.5	108.4	114.5	120.6	127.5	134.6	142.3
Other	87.7	90.8	91.2	91.6	92.0	92.5	81.4	90.5	92.3	95.0	98.4	102.6	106.5
All Manufacturing - NAICS	90.7	91.8	92.5	93.3	93.9	94.6	87.3	91.4	94.3	98.0	103.0	107.4	111.0
Durable Goods	91.0	92.8	94.1	95.4	96.2	97.5	85.3	92.1	96.9	103.2	111.6	119.3	124.9
Nondurable Goods	90.7	91.0	91.3	91.5	91.8	92.0	89.6	91.0	91.9	93.2	95.1	97.0	99.1
All Less Comp., Commun., & Chips	87.9	88.9	89.6	90.3	90.7	91.4	85.1	88.6	91.1	93.9	97.9	101.5	104.2

* Included in SIC but not NAICS classification

Created on 14 Dec 2011 for Erik Johnson

TABLE 3
Industrial Production Indexes

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Percent Changes, Annual Rate													
Total	0.6	5.2	2.4	2.5	2.3	2.6	5.3	3.9	2.6	3.2	4.2	3.4	2.7
Mining	8.2	11.0	7.5	-2.5	0.9	-0.4	5.9	5.7	2.5	0.5	2.0	1.4	0.8
Mining except Oil & Gas	-4.4	3.4	3.2	0.0	-1.6	-0.9	3.1	2.1	0.3	0.7	2.7	2.0	0.5
Metal Ores	5.1	-4.6	7.6	2.3	-0.4	0.0	8.9	7.3	1.6	1.1	1.4	0.4	-1.4
Coal	-13.2	2.8	4.9	1.3	0.0	0.9	0.9	-1.4	0.8	0.6	0.3	-1.3	-0.4
Nonmetallic Minerals	0.4	14.2	-4.3	-4.7	-5.8	-4.9	2.5	2.0	-2.3	0.5	8.4	9.3	3.9
Oil & Gas Extraction & Drilling	11.7	12.9	8.7	-3.1	1.9	0.5	6.8	6.7	3.4	0.5	1.5	1.4	1.1
Oil & Gas Extraction	9.6	12.6	9.2	-3.0	2.7	2.5	3.7	4.7	3.8	0.5	0.7	1.6	1.6
Support Activities for Mining	22.1	14.4	5.6	-3.6	-3.6	-12.6	23.2	16.8	-0.2	0.8	7.7	-0.5	-3.2
Utilities	-4.8	4.1	-8.5	1.5	2.2	1.8	4.1	-0.6	-0.4	1.7	1.9	2.1	1.8
Manufacturing - SIC Basis	0.0	4.3	3.1	3.5	2.6	3.2	5.4	4.3	3.0	3.9	4.9	4.0	3.2
Food	-1.0	-1.7	2.7	1.4	1.2	1.6	4.2	0.6	1.1	1.9	2.3	2.2	2.1
Beverages & Tobacco	-0.1	8.8	2.7	0.4	-1.1	-1.0	1.4	4.3	1.3	-0.6	-0.3	-0.1	-0.2
Beverages	6.7	6.8	8.0	1.8	1.0	1.1	4.2	7.1	3.6	1.4	1.6	1.7	1.5
Tobacco Products	-11.4	12.4	-6.5	-2.3	-5.2	-5.1	-3.2	-0.4	-3.0	-4.6	-4.3	-4.2	-4.1
Textile Mills	19.0	3.2	0.2	-0.2	-0.4	-1.3	11.7	8.6	1.1	-1.5	-2.7	-3.0	-3.3
Fabric Mills	39.9	25.2	2.0	1.6	1.4	-0.5	14.7	12.9	5.8	-1.5	-4.2	-5.0	-5.1
Fiber, Yarn & Textile Finishing	-6.2	-24.5	-3.0	-3.3	-3.5	-2.7	7.2	2.5	-6.3	-1.7	0.0	0.6	-0.5
Textile Product Mills	-8.5	-6.8	-5.2	-1.4	-1.8	-1.7	2.1	-3.1	-3.4	0.3	1.2	-0.1	-1.7
Textile Furnishings & Carpets	-10.5	-18.7	-12.2	0.1	0.4	1.9	-3.9	-4.9	-5.1	5.4	6.1	3.0	0.8
Textile Furnishings Mills	-5.2	3.7	-0.5	-1.5	-2.9	-3.8	4.3	-1.2	-1.6	-3.3	-2.7	-2.7	-3.5
Carpet & Rug Mills	-13.5	-21.7	-17.8	1.0	2.2	5.0	-1.2	-6.4	-5.9	10.0	10.1	5.3	2.4
Other Textile Product Mills	-6.0	9.5	2.0	-2.8	-3.9	-5.2	10.3	-1.1	-1.3	-4.8	-4.5	-4.2	-5.2
Apparel	-2.5	-9.9	2.0	-5.3	-5.2	-5.1	-3.4	0.2	-4.3	-4.7	-4.3	-4.4	-4.8
Logging*	-0.2	4.0	-18.0	-1.3	2.9	4.1	2.2	-7.7	-2.2	7.3	13.8	10.0	5.0
Wood Products	-5.0	-8.0	-4.4	-1.4	2.8	4.0	5.7	1.3	-1.2	7.2	13.7	9.9	4.9
Furniture & Related Products	5.6	3.4	-2.0	-2.4	-0.3	1.2	-0.8	5.4	0.0	3.9	5.1	3.1	2.1
Hhld. & Institutional Furniture	11.8	11.8	-1.5	-2.0	-0.6	1.2	-3.9	6.6	1.6	5.7	6.7	2.7	1.5
Office & Other Furniture	-0.3	-4.8	-2.6	-2.8	0.0	1.3	2.3	4.1	-1.6	2.0	3.4	3.6	2.9
Paper & Products	-7.9	-5.0	-0.4	0.7	0.9	1.1	4.3	-1.4	-0.7	1.4	2.1	2.6	2.6
Pulp & Paper Mills	-9.4	-6.5	-1.0	0.8	0.9	1.0	4.9	-1.7	-1.1	1.1	1.7	2.3	2.5
Converted Paper Products	-6.3	-3.3	0.1	0.5	0.9	1.2	3.6	-1.0	-0.3	1.8	2.5	3.0	2.8
Paperboard Containers	-9.6	-4.4	3.5	0.8	1.1	1.2	3.0	-1.1	0.1	1.7	2.2	2.8	3.0
Bags, Coated & Treated Paper	-9.9	-4.1	-4.0	-0.5	0.3	1.1	8.8	-2.1	-1.8	2.3	3.2	3.2	2.2
Residual Paper Products	3.6	-0.7	-2.0	0.8	1.0	1.2	0.6	0.0	0.4	1.5	2.6	3.2	2.8
Newspapers, Periodicals, Books*	-10.9	-3.2	0.2	-1.0	-0.7	-0.7	-4.1	-5.9	-1.6	-0.1	1.0	1.3	1.2
Newspaper Publishers*	-9.8	4.1	-12.0	-3.8	-3.4	-3.3	-4.5	-10.3	-4.7	-2.7	-1.8	-1.5	-1.2
Periodical, Book & Misc. Publishers*	-11.4	-6.0	5.5	0.1	0.3	0.3	-3.9	-4.0	-0.4	0.8	2.0	2.3	2.0
Printing Support Activities	-0.2	-3.1	-7.5	-3.0	-2.9	-2.8	-4.8	-3.0	-3.6	-2.3	-1.5	-1.3	-0.8
Petroleum & Coal Products	4.1	16.2	-0.5	0.3	0.2	0.1	2.3	2.4	2.2	0.4	0.5	0.5	0.3
Chemicals	-2.6	-1.8	3.3	1.6	1.4	1.4	3.6	1.7	1.2	1.7	3.2	4.0	4.3
Basic Chemicals	-16.7	-0.1	4.1	2.4	1.7	1.0	8.0	-0.3	0.7	1.0	2.0	2.2	3.0
Basis Organic Chemicals	-22.6	-5.1	8.0	3.6	2.5	1.4	7.4	-1.6	0.7	1.1	2.2	2.5	4.3
Basic Inorganic Chemicals	-4.3	9.9	-3.0	-0.1	0.0	0.3	9.2	2.4	0.4	0.8	1.6	1.7	0.7
Resins & Synthetic Materials	-21.4	3.1	3.0	2.6	1.5	1.4	6.1	-1.6	0.6	1.0	2.1	2.4	4.1
Agricultural Chemicals	-1.8	0.1	12.0	1.4	0.3	0.3	-0.1	6.7	2.5	0.7	0.9	1.0	1.0
Pharmaceuticals & Medicines	-0.5	-7.8	3.0	1.7	1.8	2.0	0.9	-0.9	0.6	2.3	4.4	6.0	6.1
Paints, Soaps, Toiletries & Misc.	19.0	5.2	1.7	0.4	0.7	0.9	4.2	8.9	2.5	1.6	2.9	3.0	2.3
Paints & Misc. Products	4.0	8.9	10.0	0.9	1.0	1.1	4.6	5.9	3.8	2.1	3.7	4.1	3.1
Soaps, Cleaners & Toiletries	31.6	2.5	-4.0	0.0	0.4	0.8	4.0	11.3	1.5	1.3	2.3	2.2	1.6
Rubber & Plastics Products	2.4	2.6	2.1	1.1	1.1	1.2	10.1	4.4	1.6	2.2	2.9	3.0	2.5
Tires	4.9	-21.8	10.0	5.0	3.2	2.5	15.4	2.4	1.3	3.0	2.9	2.7	2.3
Other Rubber Products	7.6	25.0	12.0	2.3	1.2	0.5	9.4	14.0	6.4	0.8	1.4	1.9	1.8
Plastic Products	1.5	3.2	0.0	0.5	0.9	1.2	9.6	3.6	1.1	2.3	3.1	3.2	2.7
Leather & Allied Products	4.1	0.3	1.0	-4.6	-6.7	-7.2	9.7	10.3	-3.3	-5.5	-2.2	-1.2	-1.2

Created on 14 Dec 2011 for Erik Johnson

TABLE 4
Industrial Production Indexes

	2011:2	2011:3	2011:4	2012:1	2012:2	2012:3	2010	2011	2012	2013	2014	2015	2016
Percent Changes, Annual Rate													
Nonmetallic Mineral Products	13.2	7.3	-7.9	0.0	-0.2	0.8	0.2	2.7	0.3	5.2	11.5	10.6	7.2
Glass & Glass Products	7.9	-1.0	-5.0	0.5	0.8	1.5	-1.2	3.0	0.0	2.8	5.4	4.6	2.3
Cement	-16.1	18.9	-4.6	-4.0	-3.5	-1.0	-0.3	4.8	-1.6	3.2	8.8	10.3	7.7
Concrete & Products	23.6	15.6	-10.0	-0.6	-3.4	-2.8	-0.6	2.4	0.0	2.8	10.5	11.5	8.6
Clay, Lime, Gypsum & Misc.	13.2	2.5	-8.0	1.3	3.8	5.0	1.1	2.1	1.6	10.2	16.9	12.8	7.9
Primary Metals	-0.9	3.7	3.4	1.2	1.0	1.1	19.9	9.0	1.8	2.9	5.7	4.9	3.1
Iron & Steel Products	-18.6	2.5	4.0	0.9	1.2	1.6	39.0	7.1	0.5	4.2	8.1	6.1	3.6
Nonferrous Metals	12.0	4.8	2.3	0.8	0.2	0.4	6.0	6.9	2.1	1.8	3.8	4.1	2.5
Alumina & Aluminum Products	6.2	-16.3	2.0	0.5	0.1	0.7	3.5	7.3	-1.1	2.9	6.2	4.7	2.6
Nonferrous exc. Aluminum	14.5	14.1	2.5	1.0	0.2	0.3	6.9	6.7	3.3	1.1	2.4	3.8	2.5
Foundries	19.8	4.3	3.2	2.3	1.5	0.7	11.9	16.4	3.3	1.1	1.9	3.0	2.7
Fabricated Metal Products	12.7	8.1	1.6	0.9	0.4	0.6	6.0	10.7	2.5	2.2	4.2	4.7	3.6
Forging & Stamping	16.9	6.3	6.1	5.5	4.7	4.0	10.9	16.4	5.9	3.7	4.2	3.9	2.3
Cutlery & Handtools	28.3	6.6	1.9	1.8	1.7	1.6	1.0	8.5	3.8	2.2	2.8	3.0	1.7
Architec. & Structural Metals	19.4	4.8	-2.3	-0.6	-3.4	-3.8	0.5	8.1	0.0	2.4	9.1	10.5	7.7
Hardware	14.5	23.8	20.0	3.3	1.3	1.1	2.8	7.6	8.4	1.5	1.8	2.2	1.8
Spring & Wire Products	-4.3	-8.3	0.0	0.2	0.5	1.3	8.1	6.8	-1.0	1.7	2.8	3.3	3.0
Turned Products; Screws, Etc.	14.1	4.4	1.0	0.8	1.2	1.5	10.6	14.2	2.3	2.1	2.8	2.7	2.2
Coating, Engraving, Heat-Treating	2.6	13.7	0.5	0.4	1.6	2.0	14.3	10.4	2.6	2.1	2.7	3.0	2.2
Misc. incl. Cans & Ordnance	9.2	12.9	2.7	0.7	0.8	1.4	4.3	9.4	3.2	1.9	2.5	3.0	2.3
Machinery	0.7	5.6	3.2	6.3	5.7	5.0	6.9	12.3	4.8	3.6	4.1	4.1	3.3
Engines & Turbines	42.5	-4.0	20.0	6.7	5.5	3.8	-3.7	24.1	8.6	2.7	3.7	5.2	4.4
Agricultural & Construction Equip.	-8.2	4.6	3.1	8.8	7.6	6.2	8.3	7.7	5.3	5.2	5.1	4.8	3.9
Agricultural Equipment	-22.3	3.4	-13.0	9.6	8.2	5.9	9.2	-1.8	1.0	4.3	2.7	1.6	2.3
Construction Machinery	-9.0	-8.3	30.0	5.4	4.9	4.6	10.6	5.2	6.5	4.6	8.1	9.3	6.2
Metalworking Machinery	12.3	9.0	2.0	6.1	5.6	4.4	10.6	13.5	5.5	3.5	4.1	5.1	3.8
Industrial Machinery	-18.7	-1.8	6.2	7.7	7.6	7.3	27.4	14.9	4.2	6.0	5.2	5.3	4.7
Commercial, Service & Other	10.5	10.5	6.0	5.6	4.4	3.6	3.4	13.2	5.7	0.4	1.9	2.7	2.4
HVAC Equipment	-22.3	5.6	-20.0	1.6	3.7	5.8	4.4	7.0	-2.9	8.7	8.0	3.7	1.5
Computers & Electronic Products	-1.9	6.8	6.6	3.6	4.0	6.5	10.8	7.8	5.0	9.6	13.1	12.6	12.0
Computer & Peripheral Equip.	-2.1	36.2	11.5	2.2	2.9	5.5	13.0	9.5	8.3	8.5	9.9	8.7	7.3
Communications Equipment	-5.8	3.5	0.0	0.6	2.0	3.2	1.7	1.7	1.2	8.2	13.8	11.1	8.3
Semicond. & Other Components	-0.1	-6.2	-1.5	1.8	3.5	9.6	18.3	9.0	2.1	17.1	24.2	23.6	22.3
Nav., Measuring, Control Eq.	-2.9	10.8	13.0	5.3	4.0	3.8	8.8	8.2	6.3	3.9	4.7	4.7	4.3
Audio & Video Equip. & Disks	21.1	1.6	10.0	-2.1	0.6	1.1	-14.5	0.7	3.0	1.9	3.5	4.4	4.2
Elec. Eq., Appliances, & Components	-8.1	-6.0	8.5	1.0	1.2	1.9	3.1	1.2	1.1	4.0	7.4	6.9	5.0
Household Appliances	-13.2	-15.2	5.0	-3.5	-1.5	2.2	6.0	-3.3	-2.7	4.8	7.1	5.8	3.1
Elec. Equip. except Appliances	-7.1	-4.1	9.1	1.8	1.6	1.9	2.5	2.1	1.8	3.8	7.5	7.1	5.3
Electric Lighting Equipment	23.2	-9.5	9.0	2.4	1.0	0.8	-1.8	3.8	2.6	6.8	18.0	12.0	5.0
Electrical Equipment	-6.9	1.2	8.0	3.2	3.0	2.8	-0.1	-1.7	3.0	2.9	4.3	5.1	4.1
Other Elec. Eq. & Components	-14.0	-7.0	10.0	0.4	0.7	1.5	6.4	5.2	0.5	3.6	6.7	7.0	6.4
Transportation Equipment	-0.3	18.9	14.8	18.1	4.9	12.8	11.3	8.2	12.1	10.8	9.7	6.1	0.6
Motor Vehicles & Parts	-15.8	21.1	10.7	24.3	-2.1	13.1	27.9	8.0	9.7	9.0	8.0	4.1	0.6
Automobiles	-5.3	21.7	70.0	45.0	17.0	-8.8	35.2	5.7	25.3	12.6	9.2	6.5	-1.8
Light Truck & Utility Vehicles	-31.6	51.9	2.0	10.0	-20.5	26.0	52.3	13.5	2.9	1.2	3.2	0.3	1.6
Heavy Duty Trucks	142.9	10.2	7.0	5.6	8.0	10.1	9.0	57.9	13.2	15.4	13.7	3.4	-3.8
Bodies & Trailers	8.6	-22.7	-18.4	44.8	14.7	15.1	34.7	21.0	7.8	16.3	10.5	5.9	0.5
Motor Vehicle Parts	-14.5	6.3	9.7	30.7	5.5	11.3	10.5	-1.6	10.8	13.1	10.6	6.0	1.3
Aerospace Products & Parts	19.1	18.1	15.5	17.3	17.5	18.1	-2.3	9.5	17.3	16.7	13.5	9.1	0.4
Rrd. Eq., Ships, Boats, & Other	22.5	11.8	32.0	-4.2	-6.4	-7.8	-3.4	4.1	4.1	-4.6	-0.3	1.5	1.5
Ship & Boat Building	16.3	-23.8	15.0	-3.4	-5.7	-6.0	0.5	0.6	-2.9	-5.5	-2.8	-0.2	0.5
Railroad Equipment & Other	32.3	84.8	50.0	-4.9	-7.1	-9.5	-8.0	8.7	12.7	-3.8	2.1	3.1	2.4
Miscellaneous	2.6	6.2	4.9	4.2	3.9	3.7	2.3	6.4	4.4	4.4	5.0	5.2	5.1
Medical Equipment & Supplies	9.6	3.6	6.9	5.7	5.2	4.6	0.2	4.8	5.6	5.3	5.7	5.6	5.7
Other	-18.8	14.7	1.8	1.7	1.8	2.2	2.4	11.2	1.9	2.9	3.6	4.3	3.8
All Manufacturing - NAICS	0.4	4.6	3.3	3.5	2.5	3.3	5.8	4.8	3.1	4.0	5.1	4.3	3.3
Durable Goods	1.8	8.3	5.5	5.9	3.5	5.5	7.9	8.0	5.2	6.5	8.1	6.9	4.8
Nondurable Goods	-0.9	1.0	1.3	1.2	1.0	1.0	3.7	1.5	1.0	1.4	2.1	2.1	2.2
All Less Comp., Commun., & Chips	0.1	4.3	3.3	3.3	1.9	2.8	4.9	4.1	2.8	3.2	4.2	3.7	2.7

* Included in SIC but not NAICS classification

Created on 14 Dec 2011 for Erik Johnson

TABLE 5

NAICS Code Translation for Industrial Production Indexes

NAICS Code	Sector
21	Mining
212	Mining except Oil & Gas
2122	Metal Ores
2121	Coal
2123	Nonmetallic Minerals
211,3	Oil & Gas Extraction & Drilling
211	Oil & Gas Extraction
213	Support Activities for Mining
2211,2	Utilities
	Manufacturing - SIC Basis
311	Food
312	Beverages & Tobacco
3121	Beverages
3122	Tobacco Products
313	Textile Mills
3132	Fabric Mills
3131,3	Fiber, Yarn & Textile Finishing
314	Textile Product Mills
3141	Textile Furnishings & Carpets
31412-9	Textile Furnishings Mills
31411	Carpet & Rug Mills
3149	Other Textile Product Mills
315	Apparel
1133	Logging*
321	Wood Products
337	Furniture & Related Products
3371	Hhld. & Institutional Furniture
3372,9	Office & Other Furniture
322	Paper & Products
3221	Pulp & Paper Mills
3222	Converted Paper Products
32221	Paperboard Containers
32222	Bags, Coated & Treated Paper
32223,9	Residual Paper Products
5111	Newspapers, Periodicals, Books*
51111	Newspaper Publishers*
51112-9	Periodical, Book & Misc. Publishers*
323	Printing Support Activities
324	Petroleum & Coal Products
325	Chemicals
3251	Basic Chemicals
32511,9	Basis Organic Chemicals
32512-8	Basic Inorganic Chemicals
3252	Resins & Synthetic Materials
3253	Agricultural Chemicals
3254	Pharmaceuticals & Medicines
3255-9	Paints, Soaps, Toiletries & Misc.
3255,9	Paints & Misc. Products
3256	Soaps, Cleaners & Toiletries
326	Rubber & Plastics Products
32621	Tires
32622,9	Other Rubber Products
3261	Plastic Products
316	Leather & Allied Products
327	Nonmetallic Mineral Products
3272	Glass & Glass Products
32731	Cement
32732-9	Concrete & Products
3271,4,9	Clay, Lime, Gypsum & Misc.
331	Primary Metals
3311,2	Iron & Steel Products
3313,4	Nonferrous Metals
3313	Alumina & Aluminum Products
3314	Nonferrous exc. Aluminum
3315	Foundries
332	Fabricated Metal Products
3321	Forging & Stamping
3322	Cutlery & Handtools
3323	Architec. & Structural Metals
3325	Hardware
3326	Spring & Wire Products
3327	Turned Products; Screws, Etc.
3328	Coating, Engraving, Heat-Treating
3324,9	Misc. incl. Cans & Ordnance
333	Machinery
3336	Engines & Turbines
3331	Agricultural & Construction Equip.
33311	Agricultural Equipment
33312	Construction Machinery
33313	Drilling Equipment
3335	Metalworking Machinery
3332	Industrial Machinery
3333,9	Commercial, Service & Other
3334	HVAC Equipment
334	Computers & Electronic Products
3341	Computer & Peripheral Equip.
3342	Communications Equipment
3344	Semicond. & Other Components
3345	Nav., Measuring, Control Eq.
3343,6	Audio & Video Equip. & Disks
335	Elec. Eq., Appliances, & Components
3352	Household Appliances
3351,3-9	Elec. Equip. except Appliances
3351	Electric Lighting Equipment
3353	Electrical Equipment
3359	Other Elec. Eq. & Components
336	Transportation Equipment
3361-3	Motor Vehicles & Parts
336111	Automobiles
336112	Light Truck & Utility Vehicles
33612	Heavy Duty Trucks
3362	Bodies & Trailers
3363	Motor Vehicle Parts
3364	Aerospace Products & Parts
3365-9	Rrd. Eq., Ships, Boats, & Other
3366	Ship & Boat Building
3365,9	Railroad Equipment & Other
339	Miscellaneous
3391	Medical Equipment & Supplies
3392-9	Other
31-33	All Manufacturing - NAICS
33,321,327	Durable Goods
31,322-6	Nondurable Goods

* Included in SIC but not NAICS definition of manufacturing

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Data Access Guide to the US Macro Forecast

The US Macro Service produces a monthly 10-year baseline forecast and monthly 10-year pessimistic and optimistic alternative forecasts. All forecast data are at a quarterly frequency.

The February, May, August, and November forecasts are extended a further 20 years to produce a 30-year baseline forecast. The first 10 years of the 30-year baseline are identical to the corresponding 10-year baseline.

Optimistic, pessimistic, and cycle long-term alternative forecasts are prepared twice per year, based on the February and August short-term forecasts. The optimistic and pessimistic alternatives are designed as bandwidths around the long-term outlook, and they are not identical to the corresponding 10-year alternative forecasts. The long-term cyclical projection incorporates illustrative business cycles. There are several methods of accessing the forecast data, described as follows:

DataInsight-Web

DataInsight-Web is a browser-based data navigation and retrieval tool. You can use DataInsight-Web to find and save data, view and pivot data on-screen, and export data to Excel.

The various forecast scenarios are available under the "US Economy" section of "Global Insight Data." Select any of the following scenarios using the Scenarios button, and then use Keyword Search, mnemonic, or search by category to find series to view, export, or store in a workbook:

US Macro – 10-Year Baseline, Optimistic, and Pessimistic Scenarios
US Macro – 30-Year Baseline, Cycle, Optimistic, and Pessimistic Scenarios
US Macro – Forecast Summary (approx. 250 major concepts from the 10-year baseline)

In addition, we have marked the most commonly needed concepts as Key Concepts in DataInsight. Key series include GDP and its key components, housing starts, light-vehicle sales, energy data, price indexes, employment, and industrial production. To view Key Concepts in DataInsight-Web, select the "Table Browser" under the Applications menu, select US Macro Service, and then "Key Concepts."

DataInsight-Desktop

The forecast can also be accessed using the DataInsight-Desktop data navigation and retrieval tool that can be downloaded from the "Software Downloads" section of the US Economy homepage. Refer to the installation guide for detailed instructions.

The various forecast scenarios are available in DataInsight-Desktop in the "Forecast" Data Group under the "US Macro Forecast" heading. The scenarios available through DataInsight-Desktop are:

US Macro – 10-Year Baseline, Optimistic, and Pessimistic Scenarios
US Macro – 30-Year Baseline, Cycle, Optimistic, and Pessimistic Scenarios
US Macro – Forecast Summary (approx. 250 major concepts from the 10-year baseline)

To view Key Concepts in DataInsight-Desktop, click on the "Tables" button, and under the US Macro Service folder, select the Key Concepts folder.

Microsoft Excel Spreadsheets

The forecast scenarios are also available in Excel format through IHS Global Insight's website under "Spreadsheet Tables" on the US Economy homepage.

I. US Short-Term Forecast Tables – Baseline and Alternatives

Contains a comprehensive, detailed breakdown of the 10-year baseline forecast by sector and a summary of the alternatives.

II. US Executive Summary Forecast Tables – Baseline and Alternatives

Contains a concise history and forecast of the major components of the 10-year baseline and a brief summary of the alternatives.

III. US Long-Term Forecast Tables – Baseline

Contains a comprehensive, detailed breakdown of the 30-year baseline forecast by sector.

IV. US Long-Term Forecast Tables – Baseline and Alternatives

Includes four spreadsheets, each containing a comprehensive, detailed breakdown of one scenario of the 30-year forecast.

EViews

I. EViews databases containing the forecasts can be downloaded from IHS Global Insight's website under "Models and Databanks" on the US Economy homepage.

II. Subscribers to the US Macro Model also have access to EViews workfiles containing the model object, allowing the creation of alternative scenarios based upon users' own forecast assumptions.

Each short- and long-term forecast is contained in an EViews database and workfile and is coded by date, mmyy (e.g., 0309 = March 2009):

ctlmmyy denotes the 10-year baseline
allmmyy denotes all 10-year forecasts (baseline and alternatives)
t30mmyy denotes the 30-year baseline
all30mmyy denotes all 30-year forecasts (baseline and alternatives)

AREMOS

The forecast data is also available in AREMOS format through IHS Global Insight's website under "Models and Databanks" on the US Economy homepage.

The contents and names of the available databanks are as follows:

10-year Baseline Forecast	UQCSS##
10-year Optimistic Forecast	UQCSH##
10-year Pessimistic Forecast	UQCSL##
30-year Baseline Forecast	UQCLS##
30-year Optimistic Forecast	UQCLH##
30-year Pessimistic Forecast	UQCLL##
30-year Cycle Forecast	UQCLC##

The sixth and seventh characters (##) represent a two-digit month code (e.g., July = 07) and are omitted for the most cur-

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rent short-term forecasts. For prior month forecasts, these characters are included in the databank name and identify the month of the forecast.

Clients can also subscribe to the US Macro Model that runs on a PC under AREMOS for MS-Windows™ software. Model subscribers can download the US Macro Model in AREMOS format and can create alternative scenarios using the AREMOS Model Driver.

Other Access from Excel

Clients can also access forecast data directly from Excel using Quickdata, a built-in tool that can be downloaded from the "Software and Downloads" section of the US Economy homepage. The forecast scenarios can be accessed under the following names:

USSUM	IHS Global Insight's US Macro Forecast Summary
USMACRO_MODCON	Short-Term Forecast Baseline
USMACRO_ALT1	Short-Term Forecast Pessimistic
USMACRO_ALT2	Short-Term Forecast Optimistic
USMACRO_TR25	Long-Term Forecast Baseline
USMACRO_CYC25	Long-Term Forecast Cycle
USMACRO_OPT25	Long-Term Forecast Optimistic
USMACRO_PES25	Long-Term Forecast Pessimistic

Help

If you need any assistance accessing data, please contact Michelle Valverde at 781-301-9151 or michelle.valverde@ihsglobalinsight.com or Erik Johnson at 781-301-9315 or erik.johnson@ihsglobalinsight.com.

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Variable Descriptions: US2010C Model

Variable Listing—US Macroeconomic Model, Version US2010C

Mnemonic	Type	Description
BOPCRNTAC	ID	US international transactions--balance on current account, billions of dollars, annual rate, BEA
BOPG	ID	US international transactions--balance on merchandise trade, billions of dollars, annual rate, BEA
BOPGASV	ID	US international transactions--balance on goods and services, billions of dollars, annual rate, BEA
BOPMFY	ST	US International transactions--income payments to the rest of the world, billions of dollars, annual rate, BEA
BOPMG	QID	US international transactions--imports of goods, billions of dollars, BEA
BOPMSV	QID	US international transactions--imports of services, billions of dollars, annual rate, BEA
BOPSTAT	EX	US international transactions--statistical discrepancy, billions of dollars, annual rate, BEA
BOPSV	ID	US international transactions--balance on services, billions of dollars, annual rate, BEA
BOPTRFNET	ID	US international transactions--net transfer payments to foreigners, billions of dollars, annual rate, BEA
BOPTRFRESID	EX	Difference between NIPA & BOP net transfer payments to foreigners, billions of dollars, annual rate, IHS Global Insight
BOPXFY	ST	US international transactions--income receipts from the rest of the world, billions of dollars, annual rate, BEA
BOPXG	QID	US international transactions--exports of goods, billions of dollars, annual rate, BEA
BOPXSV	QID	US international transactions--exports of services, billions of dollars, annual rate, BEA
BOPY	ID	US international transactions--balance on income, billions of dollars, annual rate, BEA
BRUPTPERNS	ST	Non-business bankruptcies, thousands, quarterly rate, Administrative Office of the US Courts
BVAT	ID	Lever for implementing VAT border adjustment, number from 0 to 1, simulation tool
CADJ	ID	Consumer Spending - excluding state medical transfers and free financial services, billions of dollars- annual rate, IHS Global Insight
CADJR	ID	Real Consumer Spending - excluding state medical transfers and free financial services, billion 2005 dollars annual rate, IHS Global Insight
CD	ID	Consumer Spending -Durables, billions of dollars- annual rate, BEA
CDFHE	ID	Consumer Spending -Furnishings and durable household equipment, billions of dollars- annual rate, BEA
CDFHER	ST	Real Consumer Spending -Furnishings and durable household equipment, billion 2005 dollars annual rate, BEA
CDMV	ID	Consumer Spending -Motor vehicles and parts, billions of dollars- annual rate, BEA
CDMVN	ID	Consumer Spending -New motor vehicles, billions of dollars- annual rate, BEA
CDMVNA	ID	Consumer Spending -New autos, billions of dollars- annual rate, BEA
CDMVNAR	ID	Real Consumer Spending -New autos, billion 2005 dollars annual rate, BEA
CDMVNR	ST	Real Consumer Spending -New motor vehicles, billion 2005 dollars annual rate, BEA
CDMVNTL	ST	Consumer Spending -New light trucks, billions of dollars- annual rate, BEA
CDMVNTLR	ID	Real Consumer Spending -New light trucks, billion 2005 dollars annual rate, BEA
CDMVPA	ID	Consumer Spending -Motor vehicle parts and accessories, billions of dollars- annual rate, BEA
CDMVPAR	ST	Real Consumer Spending -Motor vehicle parts and accessories, billion 2005 dollars annual rate, BEA
CDMVPUN	ID	Consumer Spending -Net purchases of used motor vehicles, billions of dollars- annual rate, BEA
CDMVPUNA	ST	Consumer Spending -Used autos, billions of dollars- annual rate, BEA
CDMVPUNAR	ID	Real Consumer Spending -Used autos, billion 2005 dollars annual rate, BEA
CDMVPUNR	ID	Real Consumer Spending -Net purchases of used motor vehicles, billion 2005 dollars annual rate, BEA
CDMVPUNTL	ST	Consumer Spending -Used light trucks, billions of dollars- annual rate, BEA
CDMVPUNTLR	ID	Real Consumer Spending -Used light trucks, billion 2005 dollars annual rate, BEA
CDMVR	ID	Real Consumer Spending -Motor vehicles and parts, billion 2005 dollars annual rate, BEA
CDMVXN	ID	Consumer Spending - Other motor vehicles, billions of dollars- annual rate, BEA
CDMVXNR	ID	Real Consumer Spending -Other motor vehicles, billion 2005 dollars annual rate, BEA
CDO	ID	Consumer Spending -Other durable goods, billions of dollars- annual rate, BEA
CDOO	ID	Consumer Spending -Other durable goods excluding therapeutic appliances and equipment, billions of dollars- annual rate, IHS Global Insight
CDOOR	ST	Real Consumer Spending -Other durable goods excluding therapeutic appliances and equipment, billion 2005 dollars annual rate, IHS Global Insight
CDOR	ID	Real Consumer Spending -Other durable goods, billion 2005 dollars annual rate, BEA
CDOTAE	ID	Consumer Spending -Therapeutic appliances and equipment, billions of dollars- annual rate, BEA
CDOTAER	ST	Real Consumer Spending -Therapeutic appliances and equipment, billion 2005 dollars annual rate, BEA
CDR	ID	Real Consumer Spending -Durables, billion 2005 dollars annual rate, BEA
CDRCSSHARE	EX	Consumer Spending -Share- Software of consumer IP spending, decimal share, IHS Global Insight
CDRCTOSHARE	EX	Consumer Spending -Share-Calculators, typewriters and other of consumer IP spending, decimal share, IHS Global Insight
CDREC	ID	Consumer Spending -Recreational goods and vehicles, billions of dollars- annual rate, BEA
CDRECIP	ST	Consumer Spending -Information Processing Equipment, billions of dollars- annual rate, BEA
CDRECIPCS	ID	Consumer Spending -Software, billions of dollars- annual rate, BEA
CDRECIPCSR	ID	Real Consumer Spending -Software, billion 2005 dollars annual rate, BEA
CDRECIPCTO	ID	Consumer Spending -Calculators, typewriters and other, billions of dollars- annual rate, BEA
CDRECIPCTOR	ID	Real Consumer Spending -Calculators, typewriters and other, billion 2005 dollars annual rate, BEA
CDRECIPPC	ID	Consumer Spending -Computers, billions of dollars- annual rate, BEA
CDRECIPPCR	ID	Real Consumer Spending -Computers, billion 2005 dollars annual rate, BEA
CDRECIPR	ID	Real Consumer Spending -Information Processing Equipment, billion 2005 dollars annual rate, BEA
CDRECO	ID	Consumer Spending -Other recreational goods and vehicles, billions of dollars- annual rate, IHS Global Insight

Variable Descriptions: US2010C Model

Mnemonic	Type	Description
CDRECOR	ST	Real Consumer Spending -Other recreational goods and vehicles, billion 2005 dollars annual rate, IHS Global Insight
CDRECR	ID	Real Consumer Spending -Recreational goods and vehicles, billion 2005 dollars annual rate, BEA
CENERGY	ID	Consumer Spending -Energy consumption, billions of dollars- annual rate, BEA
CENERGYR	ID	Real Consumer Spending -Energy consumption, billion 2005 dollars annual rate, BEA
CGOODS	ID	Consumer Spending -Goods, billions of dollars- annual rate, BEA
CGOODSR	ID	Real Consumer Spending -Goods, billion 2005 dollars annual rate, BEA
CHLT	ID	Consumer Spending -Health consumption, billions of dollars- annual rate, BEA
CHLTR	ID	Real Consumer Spending -Health consumption, billion 2005 dollars annual rate, BEA
CKF	ID	Consumption of fixed capital, billions of dollars, annual rate, BEA
CKFADJCORP	ST	Difference between book and economic values of corporate capital consumption, billions of dollars, annual rate, BEA
CKFCORP	ST	Corporate consumption of fixed capital, billions of dollars, annual rate, BEA
CKFCORPBK	ID	Corporate consumption of fixed capital, book value, billions of dollars, annual rate, BEA
CKFG	ID	Capital consumption of all government fixed capital, billions of dollars, annual rate, BEA
CKFGE	EX	Capital consumption of all government enterprise fixed capital, billions of dollars, annual rate, BEA
CKFGG	ID	General government consumption of all fixed capital, billions of dollars, annual rate, BEA
CKFNCORP	ST	Private non-corporate consumption of fixed capital, billions of dollars, annual rate, BEA
CKFP	ID	Private consumption of fixed capital, billions of dollars, annual rate, BEA
CN	ID	Consumer Spending -Nondurables, billions of dollars- annual rate, BEA
CNCS	ID	Consumer Spending -Clothing and footwear, billions of dollars- annual rate, BEA
CNCSR	ST	Real Consumer Spending -Clothing and footwear, billion 2005 dollars annual rate, BEA
CNE	ID	Consumer Spending -Gasoline and other energy goods, billions of dollars- annual rate, BEA
CNEFAO	ID	Consumer Spending -Fuel oil and other fuels, billions of dollars- annual rate, BEA
CNEFAOR	ST	Real Consumer Spending -Fuel oil and other fuels, billion 2005 dollars annual rate, BEA
CNEGAO	ID	Consumer Spending -Motor vehicle fuels, lubricants, and fluids, billions of dollars- annual rate, BEA
CNEGAOR	ST	Real Consumer Spending -Motor vehicle fuels, lubricants, and fluids, billion 2005 dollars annual rate, BEA
CNER	ID	Real Consumer Spending -Gasoline and other energy goods, billion 2005 dollars annual rate, BEA
CNF	ID	Consumer Spending -Food and beverages purchased for off-premises consumption, billions of dollars- annual rate, BEA
CNFOLD	ID	Consumer Spending -Food consumption (old NIPA basis), billions of dollars- annual rate, IHS Global Insight
CNFOLDR	ID	Real Consumer Spending -Food consumption (old NIPA basis), billion 2005 dollars annual rate, IHS Global Insight
CNFR	ST	Real Consumer Spending -Food and beverages purchased for off-premises consumption, billion 2005 dollars annual rate, BEA
CNO	ID	Consumer Spending -Other nondurable goods, billions of dollars- annual rate, IHS Global Insight
CNOO	ID	Consumer Spending -Other nondurable goods excluding pharmaceuticals and tobacco, billions of dollars- annual rate, IHS Global Insight
CNOOR	ST	Real Consumer Spending -Other nondurable goods excluding pharmaceuticals and tobacco, billion 2005 dollars annual rate, IHS Global Insight
CNOPMP	ID	Consumer Spending -Pharmaceutical and other medical products, billions of dollars- annual rate, BEA
CNOPMPR	ST	Real Consumer Spending -Pharmaceutical and other medical products, billion 2005 dollars annual rate, BEA
CNOR	ID	Real Consumer Spending -Other nondurable goods, billion 2005 dollars annual rate, BEA
CNOTOB	ID	Consumer Spending -Tobacco, billions of dollars- ann. rate, BEA
CNOTOBR	ST	Real Consumer Spending -Tobacco, billion 2005 dollars annual rate, BEA
CNR	ID	Real Consumer Spending -Nondurables, billion 2005 dollars annual rate, BEA
COINTPAY	ST	Interest payments by individuals, exc. home mortgage interest, billions of dollars, annual rate, BEA
CONS	ID	Consumer Spending -Total personal consumption expenditures, billions of dollars- annual rate, BEA
CONSR	ID	Real Consumer Spending -Total personal consumption expenditures, billion 2005 dollars annual rate, BEA
COSTDEBT	ID	After-tax cost of corporate debt, percent, annual rate, IHS Global Insight
COSTEFXNRE	ID	Rental cost of capital for nonresidential fixed investment, decimal fraction, annual rate, IHS Global Insight
COSTEFXNREXE	ID	Rental cost of capital for non-energy-producing nonresidential fixed investment, decimal fraction, annual rate, IHS Global Insight
COSTEIND	ID	Rental cost of capital for industrial equipment, decimal fraction, annual rate, IHS Global Insight
COSTEIPCC	ID	Rental cost of capital for computers, decimal fraction, annual rate, IHS Global Insight
COSTEIPCS	ID	Rental cost of capital for software, decimal fraction, annual rate, IHS Global Insight
COSTEIPCT	ID	Rental cost of capital for communications equipment, decimal fraction, annual rate, IHS Global Insight
COSTEIPO	ID	Rental cost of capital for other information equipment, decimal fraction, annual rate, IHS Global Insight
COSTEMISC	ID	Rental cost of capital for miscellaneous equipment, decimal fraction, annual rate, IHS Global Insight
COSTEO	ID	Rental cost of capital for other capital equipment, decimal fraction, annual rate, IHS Global Insight
COSTEQUITY	ID	After-tax cost of equity, percent, annual rate, IHS Global Insight
COSTETAC	ID	Rental cost of capital for aircraft, decimal fraction, annual rate, IHS Global Insight
COSTETLV	ID	Rental cost of capital for light vehicles, decimal fraction, annual rate, IHS Global Insight
COSTETO	ID	Rental cost of capital for other transportation equipment, decimal fraction, annual rate, IHS Global Insight
COSTFUNDS	ID	After-tax cost of financial capital to corporations, percent, annual rate, IHS Global Insight
COSTFUNDSLTP	ID	After-tax cost of financial capital to limited partnerships, percent, annual rate, IHS Global Insight
COSTFUNDSPU	ID	After-tax cost of financial capital to public utilities, percent, annual rate, IHS Global Insight
COSTRAD	ID	Rental cost of R&D capital, decimal fraction, annual rate, IHS Global Insight
COSTSBAO	ID	Rental cost of capital for structures, decimal fraction, annual rate, IHS Global Insight
COSTSBAOCP	ID	Rental cost of capital to corporations for structures , decimal fraction, annual rate, IHS Global Insight
COSTSBAOLTP	ID	Rental cost of capital to limited partnerships for structures, decimal fraction, annual rate, IHS Global Insight
COSTSBAOPUB	ID	Rental cost of capital for publicly financed structures, decimal fraction, annual rate, IHS Global Insight
COSTSBAOTAXCH	ID	Rental cost of capital, structures--change due to change in tax structure, decimal fraction, annual rate, IHS Global Insight
COSTSPC	ID	Rental cost of capital for telecommunications infrastructure, decimal fraction, annual rate, IHS Global Insight
COSTSPU	ID	Rental cost of capital for all public utilities, decimal fraction,
COSTSPUADJ	ID	Rental cost of capital variable assuming constant depreciation rate, decimal fraction, IHS Global Insight

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Mnemonic	Type	Description
COSTSPUO	ID	Rental cost of capital for non-telecommunications public utilities, decimal fraction, annual rate, IHS Global Insight
COTRFPAY	ID	Consumer outlays--transfer payments, billions of dollars, annual rate, BEA
COTRFPAYRW	EX	Consumer outlays--net transfer payments to foreigners, billions of dollars, annual rate, BEA
CPI	QID	Consumer price index, all-urban, 1982-84=1.00, BLS
CPICE	QID	Consumer price index for energy commodities, 1982-84=1.00, BLS
CPICF	QID	Consumer price index for food, 1982-84=1.00, BLS
CPICXFAE	QID	Consumer price index for commodities other than food & energy, 1982-84=1.00, BLS
CPIE	QID	Consumer price index for energy, 1982-84=1.00, BLS
CPISVE	QID	Consumer price index for energy services, 1982-84=1.00, BLS
CPISVXE	QID	Consumer price index for non-energy services, 1982-84=1.00, BLS
CPIXFAE	QID	Core consumer price index (excludes food & energy), 1982-84=1.00, BLS
CSV	ID	Consumer Spending -Services, billions of dollars- annual rate, BEA
CSVAC	ID	Consumer Spending -Accommodations, billions of dollars- annual rate, BEA
CSVACR	ST	Real Consumer Spending -Accommodations, billion 2005 dollars annual rate, BEA
CSVF	ID	Consumer Spending -Food services, billions of dollars- annual rate, BEA
CSVFAAC	ID	Consumer Spending -Food services and accommodations, billions of dollars- annual rate, BEA
CSVFAACR	ID	Real Consumer Spending -Food services and accommodations, billion 2005 dollars annual rate, BEA
CSVFAINS	ID	Consumer Spending -Financial services and insurance, billions of dollars- annual rate, BEA
CSVFAINSR	ID	Real Consumer Spending -Financial services and insurance, billion 2005 dollars annual rate, BEA
CSVFIN	ID	Consumer Spending -Financial services, billions of dollars- annual rate, BEA
CSVFINFEE	ID	Consumer Spending -Financial service charges, fees, and commissions, billions of dollars- annual rate, IHS Global Insight
CSVFINFEER	ST	Real Consumer Spending -Financial service charges, fees, and commissions, billion 2005 dollars annual rate, BEA
CSVFINFREE	ST	Consumer Spending -Financial services furnished without payment, billions of dollars- annual rate, BEA
CSVFINFREER	ID	Real Consumer Spending -Financial services furnished without payment, billion 2005 dollars annual rate, BEA
CSVFINR	ID	Real Consumer Spending -Financial services, billion 2005 dollars annual rate, BEA
CSVFR	ST	Real Consumer Spending -Food services, billion 2005 dollars annual rate, BEA
CSVH	ID	Consumer Spending -Housing, billions of dollars- annual rate, BEA
CSVHAU	ID	Consumer Spending -Housing and utilities, billions of dollars- annual rate, BEA
CSVHAUR	ID	Real Consumer Spending -Housing and utilities, billion 2005 dollars annual rate, BEA
CSVHC	ID	Consumer Spending -Health Care, billions of dollars- annual rate, BEA
CSVHCR	ST	Real Consumer Spending -Health Care, billion 2005 dollars annual rate, BEA
CSVHH	ID	Consumer Spending -Household consumption expenditures (for services), billions of dollars- annual rate, BEA
CSVHHR	ID	Real Consumer Spending -Household consumption expenditures (for services), billion 2005 dollars annual rate, BEA
CSVHR	ST	Real Consumer Spending -Housing, billion 2005 dollars annual rate, BEA
CSVINS	ID	Consumer Spending -Insurance, billions of dollars- annual rate, BEA
CSVINSR	ST	Real Consumer Spending -Insurance, billion 2005 dollars annual rate, BEA
CSVNPISH	ID	Consumer Spending -Final consumption expenditures of nonprofit institutions serving households, billions of dollars- annual rate, BEA
CSVNPISHR	ST	Real Consumer Spending -Final consumption expenditures of nonprofit institutions serving households, billion 2005 dollars annual rate, BEA
CSVO	ID	Consumer Spending -Other services, billions of dollars- annual rate, BEA
CSVOCT	ID	Consumer Spending -Telecommunication services, billions of dollars- annual rate, BEA
CSVOCTR	ST	Real Consumer Spending -Telecommunication services, billion 2005 dollars annual rate, BEA
CSVOO	ID	Consumer Spending -Other services excluding telecommunication services, billions of dollars- annual rate, IHS Global Insight
CSVOOR	ST	Real Consumer Spending -Other services excluding telecommunication services, billion 2005 dollars annual rate, IHS Global Insight
CSVOR	ID	Real Consumer Spending -Other services, billion 2005 dollars annual rate, BEA
CSVR	ID	Real Consumer Spending -Services, billion 2005 dollars annual rate, BEA
CSVREC	ID	Consumer Spending -Recreational services, billions of dollars- annual rate, IHS Global Insight
CSVRECR	ST	Real Consumer Spending -Recreational services, billion 2005 dollars annual rate, BEA
CSVTS	ID	Consumer Spending -Transportation Services, billions of dollars- annual rate, BEA
CSVTSMV	ID	Consumer Spending -Motor vehicle services, billions of dollars- annual rate, BEA
CSVTSMVOLS	ST	Consumer Spending -Motor vehicle leasing, billions of dollars- annual rate, IHS Global Insight
CSVTSMVOLSR	ID	Real Consumer Spending -Motor vehicle leasing, billion 2005 dollars annual rate, BEA
CSVTSMVR	ID	Real Consumer Spending -Motor vehicle services, billion 2005 dollars annual rate, BEA
CSVTSMVXLS	ID	Consumer Spending -Other motor vehicle services, billions of dollars- annual rate, BEA
CSVTSMVXLSR	ST	Real Consumer Spending -Other motor vehicle services, billion 2005 dollars annual rate, IHS Global Insight
CSVTSPUB	ID	Consumer Spending -Public transportation, billions of dollars- annual rate, BEA
CSVTSPUBL	ID	Consumer Spending -Local transportation (taxicabs and intracity mass transit), billions of dollars- annual rate, IHS Global Insight
CSVTSPUBLR	ST	Real Consumer Spending -Local transportation (taxicabs and intracity mass transit), billion 2005 dollars annual rate, IHS Global Insight
CSVTSPUBO	ID	Consumer Spending -Other public transportation, billions of dollars- annual rate, IHS Global Insight
CSVTSPUBOR	ST	Real Consumer Spending -Other public transportation, billion 2005 dollars annual rate, IHS Global Insight
CSVTSPUBR	ID	Real Consumer Spending -Public transportation, billion 2005 dollars annual rate, BEA
CSVTSR	ID	Real Consumer Spending -Transportation Services, billion 2005 dollars annual rate, BEA
CSVU	ID	Consumer Spending -Utilities, billions of dollars- annual rate, BEA
CSVUE	ID	Consumer Spending -Electricity, billions of dollars- annual rate, BEA
CSVUER	ST	Real Consumer Spending -Electricity, billion 2005 dollars annual rate, BEA
CSVUG	ID	Consumer Spending -Natural Gas, billions of dollars- annual rate, BEA
CSVUGR	ST	Real Consumer Spending -Natural Gas, billion 2005 dollars annual rate, BEA

Mnemonic	Type	Description
CSVUR	ID	Real Consumer Spending -Utilities, billion 2005 dollars annual rate, BEA
CSVUWAS	ID	Consumer Spending -Water supply and sanitation, billions of dollars- annual rate, BEA
CSVUWASR	ST	Real Consumer Spending -Water supply and sanitation, billion 2005 dollars annual rate, BEA
CVAT	ID	VAT rate adjustment on consumer spending, -, simulation tool
CXCDMVN	ID	Consumer Spending -Consumption excluding new motor vehicles, billions of dollars- annual rate, IHS Global Insight
CXCDMVNR	ID	Real Consumer Spending -Consumption excluding new motor vehicles, billion 2005 dollars annual rate, IHS Global Insight
CXENERGY	ID	Consumer Spending -Consumption excluding energy, billions of dollars- annual rate, IHS Global Insight
CXENERGYR	ID	Real Consumer Spending -Consumption excluding energy, billion 2005 dollars annual rate, IHS Global Insight
CXFAE	ID	Consumer Spending -Consumption excluding food and energy, billions of dollars- annual rate, IHS Global Insight
CXFAER	ID	Real Consumer Spending -Consumption excluding food and energy, billion 2005 dollars annual rate, BEA
DALLFUELS	ST	Demand for all fuels, quadrillion btus, DOE
DBEIND	EX	Multiple of straight-line depreciation rate--industrial equipment
DBEIPCC	EX	Multiple of straight-line depreciation rate--computers
DBEIPCS	EX	Multiple of straight-line depreciation rate--software
DBEIPCT	EX	Multiple of straight-line depreciation rate--communications equipment
DBEIPO	EX	Multiple of straight-line depreciation rate--other information equipment
DBEMISC	EX	Multiple of straight-line depreciation rate--miscellaneous equipment
DBEO	EX	Multiple of straight-line depreciation rate--other equipment
DBETAC	EX	Multiple of straight-line depreciation rate--aircraft
DBETLV	EX	Multiple of straight-line depreciation rate--light vehicles
DBETO	EX	Multiple of straight-line depreciation rate--other transportation equipment
DBSBAO	EX	Multiple of straight-line depreciation rate--buildings
DBSPC	EX	Multiple of straight-line depreciation rate--telecommunications
DBSPU	EX	Multiple of straignt-line depreciation rate--public utilities
DBSPUO	EX	Multiple of straight-line depreciation rate--public utilities except telecommunications
DBTGFNS	ID	Total outstanding federal debt, billions of dollars, end of period, USTreasury
DBTGFPRINS	ST	Publicly held federal debt, billions of dollars, end of period, USTreasury
DBTGFTFUNDNS	EX	Federal debt held in government accounts, billions of dollars, end of period, USTreasury
DBTGSLTE	ST	Tax-exempt state & local bonds outstanding, end of period, billions of dollars, FRB
DENDUCOAL	ST	End-use demand for coal, excluding electricity generation, quadrillion btus, DOE
DENDUELC	ST	Sales of electricity to ultimate consumers, quadrillion btus, DOE
DENDUNG	ST	End-use demand for natural gas excluding electricity generation, quadrillion btus, DOE
DENDUPET	ST	End-use demand for petroleum , quadrillion btus, DOE
DEVCDD	EX	Deviation from normal in cooling degree days, IHS Global Insight
DEVHDD	EX	Deviation from normal in heating degree days, IHS Global Insight
DMYHPDROP	EX	Dummy for drop in home prices on elimination of mortgage interest deduction, simulation tool
DMYLVSTRIKE	EX	Dummy for automotive industry strike, worker days lost, simulation tool
DMYTXBASIS	EX	Dummy variable for adjusting the tax depreciation basis, number from 0 to 1, simulation tool
DOMPCCO	EX	Share of crude oil produced domestically, decimal fraction, IHS Global Insight
ECON	ST	Employment--Construction, millions, BLS
EDRE	ID	Economic depreciation rate--nonresidential capital equipment, percent, IHS Global Insight
EDREIND	EX	Economic depreciation rate--industrial equipment, percent, IHS Global Insight
EDREIPCC	EX	Economic depreciation rate--computers, percent, IHS Global Insight
EDREIPCS	EX	Economic depreciation rate--software, percent, IHS Global Insight
EDREIPCT	EX	Economic depreciation rate--communications equipment, percent, IHS Global Insight
EDREIPO	EX	Economic depreciation rate--other information equipment, percent, IHS Global Insight
EDREMISC	ID	Economic depreciation rate--miscellaneous equipment, percent, IHS Global Insight
EDREO	EX	Economic depreciation rate--other equipment, percent, IHS Global Insight
EDRETAC	EX	Economic depreciation rate--aircraft, percent, IHS Global Insight
EDRETLV	EX	Economic depreciation rate--light vehicles, percent, IHS Global Insight
EDRETO	EX	Economic depreciation rate--other transportation equipment, percent, IHS Global Insight
EDRGINFRA	EX	Economic depreciation rate--infrastructure, percent, IHS Global Insight
EDRRAD	EX	Economic depreciation rate--R&D capital, percent, IHS Global Insight
EDRSBAO	EX	Economic depreciation rate--buildings & other, percent, IHS Global Insight
EDRSMI	EX	Economic depreciation rate--mining & petroleum, percent, IHS Global Insight
EDRSPC	EX	Economic depreciation rate--telecommunications, percent, IHS Global Insight
EDRSPU	EX	Economic depreciation rate--public utilities, percent, IHS Global Insight
EDRSPUO	EX	Economic depreciation rate--public utilities exc. telecommunications, percent, IHS Global Insight
EDRSRE	EX	Economic depreciation rate--residential capital stock, percent, IHS Global Insight
EDRSXPU	EX	Economic depreciation rates--structures exc. public utilities, percent, IHS Global Insight
EEA	ID	Employment--Total Nonfarm Payrolls, millions, BLS
EEAP	ST	Employment--Private Nonfarm, millions, BLS
EEHS	ID	Employment--Education & Health Services, millions, BLS
EEHS61	ST	Employment--Educational Services, millions, BLS
EEHS62	ST	Employment--Health Care & Social Assistance, millions, BLS
EENRM	ID	Employment--Natural Resources & Mining, millions, BLS
EEPBS	ID	Employment--Professional & Business Services, millions, BLS
EFIN	ID	Employment--Financial Activities, millions, BLS
EFIN52	ST	Employment--Finance & Insurance, millions, BLS
EFIN53	ST	Employment--Real Estate, Rental & Leasing, millions, BLS
EG	ID	Employment--Government, millions, BLS
EG91	ST	Employment--Federal, millions, BLS

Mnemonic	Type	Description
EGSL	ST	Employment--State & Local Government, millions, BLS
EHHC	QID	Employment as measured by the household survey, millions, BLS
EINF	ID	Employment--Information, millions, BLS
EINF511	ST	Employment--Publishing Industries, millions, BLS
EINFO	ST	Employment--Other Information, millions, BLS
ELHS	ID	Employment--Leisure & Hospitality, millions, BLS
ELHS71	ST	Employment--Arts, Entertainment & Recreation, millions, BLS
ELHS72	ST	Employment--Accommodation & Food Services, millions, BLS
EMD	ID	Employment--Durable Manufacturing, millions, BLS
EMD321	ST	Employment--Wood Products, millions, BLS
EMD327	ST	Employment--Nonmetallic Mineral Products, millions, BLS
EMD331	ST	Employment--Primary Metals, millions, BLS
EMD332	ST	Employment--Fabricated Metal Products, millions, BLS
EMD333	ST	Employment--Machinery, millions, BLS
EMD334	ST	Employment--Computer & Electronic Products, millions, BLS
EMD335	ST	Employment--Electrical Equipment & Appliances, millions, BLS
EMD336	ST	Employment--Transportation Equipment, millions, BLS
EMD337	ST	Employment--Furniture & Related Products, millions, BLS
EMD339	ST	Employment--Miscellaneous Durable Manufacturing, millions, BLS
EMDRESID	ID	Difference between actual and equation-generated value for durable manufacturing employment, millions, IHS Global Insight
EMF	ID	Employment--Manufacturing, millions, BLS
EMN	ID	Employment--Nondurable Manufacturing, millions, BLS
EMN311	ST	Employment--Food Manufacturing, millions, BLS
EMN312	ST	Employment--Beverages & Tobacco Products, millions, BLS
EMN313	ST	Employment--Textile Mills, millions, BLS
EMN314	ST	Employment--Textile Products, millions, BLS
EMN315	ST	Employment--Apparel, millions, BLS
EMN316	ST	Employment--Leather & Allied Products, millions, BLS
EMN322	ST	Employment--Paper & Paper Products, millions, BLS
EMN323	ST	Employment--Printing & Related Support Activities, millions, BLS
EMN324	ST	Employment--Petroleum & Coal Products, millions, BLS
EMN325	ST	Employment--Chemicals, millions, BLS
EMN326	ST	Employment--Plastics & Rubber Products, millions, BLS
EMNRESID	ID	Difference between actual and equation-generated value for nondurable manufacturing employment, millions, IHS Global Insight
ENDUSEPCCOAL	EX	Coal share of electric utility fuel use, decimal fraction, IHS Global Insight
ENDUSEPCNG	EX	Natural gas share of electric utility fuel use, decimal fraction, IHS Global Insight
ENDUSEPCPET	EX	Petroleum share of electric utility fuel use, decimal fraction, IHS Global Insight
ENGDOM	ID	Domestic production of energy, quadrillion btus, IHS Global Insight
ENGDOMO	EX	Domestic production of energy excl. petroleum & natural gas, quadrillion btus, IHS Global Insight
ENGDOMPETANG	ID	Domestic production of petroleum & natural gas, quadrillion btus, IHS Global Insight
ENGIMP	ID	Imports of all fuels, quadrillion btus, IHS Global Insight
ENGRESID	EX	Difference between total energy supply & total energy demand, quadrillion btus, IHS Global Insight
ENRM1133	ST	Employment--Logging, millions, BLS
ENRM21	ST	Employment--Mining, millions, BLS
EOTS	ST	Employment--Other Services, millions, BLS
EPBS54	ST	Employment--Professional, Scientific & Technical, millions, BLS
EPBS55	ST	Employment--Management of Companies & Enterprises, millions, BLS
EPBS56	ID	Employment--Administrative, Support, Waste Management, Remediation, millions, BLS
EPBS5613	ST	Employment--Employment Services, millions, BLS
EPBS56O	ST	Employment--Other Professional Support Services, millions, BLS
ERET	ID	Employment--Retail Trade, millions, BLS
ERET441	ST	Employment--Motor Vehicles & Parts Stores, millions, BLS
ERET445	ST	Employment--Food & Beverage Stores, millions, BLS
ERET447	ST	Employment--Gasoline Stations, millions, BLS
ERETO	ST	Employment--Other Retail, millions, BLS
ETAW	ST	Employment--Transportation & Warehousing, millions, BLS
ETTU	ID	Employment--Trade, Transportation & Utilities, millions, BLS
EUTI22	ST	Employment--Utilities, millions, BLS
EWST42	ST	Employment--Wholesale Trade, millions, BLS
FTXCLEV	EX	Lever for implementing consumption-based flat tax, simulation tool
FTXYLEV	EX	Lever for implementing unified flat income tax, simulation tool
G	ID	Government purchases of goods & services, billions of dollars, annual rate, BEA
GASTAX	ID	Taxes on gasoline & diesel fuel--total, cents per gallon, IHS Global Insight
GASTAXF	EX	Taxes on gasoline & diesel fuel--federal, cents per gallon, IHS Global Insight
GASTAXSL	EX	Taxes on gasoline & diesel fuel--state & local, cents per gallon, IHS Global Insight
GCWSS	ID	Total government employee compensation, billions of dollars, BEA
GDP	ID	Gross domestic product, billions of dollars, annual rate, BEA
GDPFEADJR	ID	Full-employment real GDP adjusted from normal crop yields, billions of chained 2005 dollars, annual rate, IHS Global Insight
GDPFER	ID	Smoothed value of full-employment real GDP, billions of chained 2005 dollars, annual rate, IHS Global Insight
GDPFERAWR	ID	Full-employment real GDP--unsmoothed, billions of chained 2005 dollars, annual rate, IHS Global Insight
GDPNHNG	ID	Non-housing, non-government GDP, billions of dollars, annual rate, IHS Global Insight

Variable Descriptions: US2010C Model

Mnemonic	Type	Description
GDPNHNGAER	ID	Non-housing, non-government, non-energy real GDP, billions of chained 2005 dollars, annual rate, IHS Global Insight
GDPNHNGR	ID	Non-housing, non-government real GDP, billions of chained 2005 dollars, annual rate, IHS Global Insight
GDPR	ID	Real gross domestic product, billions of chained 2005 dollars, annual rate, BEA
GDPRCH	ID	Gross domestic purchases, billions of dollars, annual rate, BEA
GDPRCHR	ID	Real gross domestic purchases, billions of chained 2005 dollars, annual rate, BEA
GF	ID	Federal purchases of goods & services, billions of dollars, annual rate, BEA
GFAIDSL	ID	Federal grants-in-aid to state & local government, billions of dollars, annual rate, BEA
GFAIDSLO	ID	Federal non-Medicaid grants to state & local government, billions of dollars, annual rate, BEA
GFAIDSLOR	EX	Real federal non-Medicaid grants to state & local governments, billions of chained 2005 dollars, annual rate, IHS Global Insight
GFAIDSLSSMED	ID	Federal Medicaid grants, billions of dollars, annual rate, BEA
GFAIDSLSSMEDR	EX	Real federal Medicaid grants to state & local governments, billions of chained 2005 dollars, annual rate, IHS Global Insight
GFEXPC	ID	Federal outlays excluding gross investment, billions of dollars, annual rate, BEA
GFEXPNETI	ID	Federal net investment--both defense & nondefense, billions of dollars, annual rate, BEA
GFEXPUNIADJ	EX	Reconciliation item between NIPA & unified federal outlays, billions of dollars, quarterly rate, IHS Global Insight
GFEXPUNIFY	ID	Unified budget outlays, fiscal year total, billions of dollars, US Treasury
GFEXPUNINS	ID	Unified budget outlays, billions of dollars, quarterly rate, US Treasury
GFGIS	ID	Federal government gross investment in structures, billions of dollars, annual rate, BEA
GFGISR	ID	Federal government real gross investment in structures, billions of chained 2005 dollars, annual rate, BEA
GFGISSH	EX	Federal government gross investment--structures share, decimal fraction, IHS Global Insight
GFINFRAPCGI	EX	Federal infrastructure spending as share of federal nondefense fixed investment, decimal fraction, IHS Global Insight
GFINFRAR	ID	Real federal spending on infrastructure, billions of chained 2005 dollars, annual rate, IHS Global Insight
GFINTPAY	ID	Federal government interest payments, billions of dollars, annual rate, BEA
GFML	ID	Federal defense purchases of goods & services, billions of dollars, annual rate, BEA
GFMLC	ID	Federal defense consumption purchases, billions of dollars, annual rate, BEA
GFMLCKF	ID	Federal defense consumption of fixed capital, billions of dollars, annual rate, BEA
GFMLCKFR	ST	Real federal defense consumption of fixed capital, billions of chained 2005 dollars, annual rate, BEA
GFMLCO	ID	Federal defense consumption exc. for depreciation & personnel, billions of dollars, annual rate, IHS Global Insight
GFMLCOR	EX	Real federal defense consumption exc. depreciation & personnel, billions of chained 2005 dollars, annual rate, IHS Global Insight
GFMLCR	ID	Real federal defense consumption purchases, billions of dollars, annual rate, BEA
GFMLCWSS	ID	Federal defense personnel outlays, billions of dollars, annual rate, BEA
GFMLCWSSR	EX	Real federal defense personnel outlays, billions of chained 2005 dollars, annual rate, BEA
GFMLGI	ID	Federal defense gross investment, billions of dollars, annual rate, BEA
GFMLGIR	EX	Real federal defense gross investment, billions of chained 2005 dollars, annual rate, BEA
GFMLPAY	ID	Federal military pay increases, percent, annual rate, IHS Global Insight
GFMLPAYEXO	EX	Exogenized federal military pay increases, percent, annual rate, simulation tool
GFMLR	ID	Real federal defense purchases of goods & services, billions of chained 2005 dollars, annual rate, BEA
GFO	ID	Federal nondefense purchases of goods & services, billions of dollars, annual rate, BEA
GFOC	ID	Federal nondefense consumption purchases, billions of dollars, annual rate, BEA
GFOCINTNCC	ST	Federal nondefense consumption purchases--CCC inventory change, billions of dollars, annual rate, BEA
GFOCINTNCCR	EX	Real federal nondefense consumption--CCC inventory change, billions of chained 2005 dollars, annual rate, BEA
GFOCKF	ID	Federal nondefense consumption of fixed capital, billions of dollars, annual rate, BEA
GFOCKFR	ST	Real federal nondefense consumption of fixed capital, billions of chained 2005 dollars, annual rate, BEA
GFOCO	ID	Federal nondefense consumption exc. depreciation & personnel, billions of dollars, annual rate, IHS Global Insight
GFOCOR	EX	Real federal nondef. consumption exc. depreciation & personnel, billions of chained 2005 dollars, annual rate, IHS Global Insight
GFOCR	ID	Real federal nondefense consumption purchases, billions of chained 2005 dollars, annual rate, BEA
GFOCWSS	ID	Federal nondefense personnel outlays, billions of dollars, annual rate, BEA
GFOCWSSR	EX	Real federal nondefense personnel outlays, billions of chained 2005 dollars, annual rate, BEA
GFOGI	ID	Federal nondefense gross investment, billions of dollars, annual rate, BEA
GFOGIR	EX	Real federal nondefense gross investment, billions of chained 2005 dollars, annual rate, BEA
GFOPAY	ID	Federal non-military pay increases, percent, annual rate, IHS Global Insight
GFOPAYEXO	EX	Exogenized federal non-military pay increases, percent, annual rate, simulation tool
GFOR	ID	Real federal nondefense purchases of goods & services, billions of chained 2005 dollars, annual rate, BEA
GFPAYLEV	EX	Lever to switch from exogenous to endogenous determination of federal pay hikes, simulation tool
GFR	ID	Real federal purchases of goods & services, billions of chained 2005 dollars, annual rate, BEA
GFRCPTC	ID	Federal government current receipts, billions of dollars, annual rate, BEA
GFRCPTUNIADJ	EX	Difference between NIPA & unified budget tax receipts, billions of dollars, quarterly rate, IHS Global Insight
GFRCPTUNIFY	ID	Fiscal year tax receipts, billions of dollars, US Treasury
GFRCPTUNINS	ID	Federal tax receipts--unified budget basis, billions of dollars, quarterly rate, US Treasury
GGI	ID	Gross government investment, billions of dollars, annual rate, BEA
GINFRAR	ID	Real government infrastructure spending, billions of chained 2005 dollars, annual rate, IHS Global Insight
GNP	ID	Gross national product, billions of dollars, annual rate, BEA
GNPR	ID	Real gross national product, billions of chained 2005 dollars, annual rate, BEA
GR	ID	Real government purchases of goods & services, billions of chained 2005 dollars, annual rate, BEA
GSL	ID	State & local purchases of goods & services, billions of dollars, annual rate, BEA
GSLC	ID	State & local consumption purchases, billions of dollars, annual rate, BEA
GSLCKF	ID	State & local consumption of fixed capital, billions of dollars, annual rate, BEA
GSLCKFR	ST	Real state & local consumption of fixed capital, billions of chained 2005 dollars, annual rate, BEA
GSLCO	ID	State & local consumption excl. capital consumption & personnel, billions of dollars, annual rate, IHS Global Insight
GSLCOR	ST	Real state & local consumption excl. capital cons. & personnel, billions of chained 2005 dollars, annual rate, IHS Global Insight

Mnemonic	Type	Description
GSLCR	ID	Real state & local consumption purchases, billions of chained 2005 dollars, annual rate, BEA
GSLCWSS	ID	State & local personnel outlays, billions of dollars, annual rate, BEA
GSLCWSSR	ST	Real state & local personnel outlays, billions of chained 2005 dollars, annual rate, BEA
GSLEXPC	ID	State & local outlays excluding gross investment, billions of dollars, annual rate, BEA
GSLGI	ID	State & local gross investment, billions of dollars, annual rate, BEA
GSLGIE	ID	State & local investment in equipment, billions of dollars, annual rate, BEA
GSLGIER	ST	Real state & local investment in equipment, billions of chained 2005 dollars, annual rate, BEA
GSLGIR	ID	Real state & local gross investment, billions of chained 2005 dollars, annual rate, BEA
GSLGIS	ID	State & local investment in structures, billions of dollars, annual rate, BEA
GSLGISNED	ID	State and local government gross investment in educational buildings, billions of dollars, annual rate, BEA
GSLGISNEDR	ID	State and local government real gross investment in educational buildings, billions of chained 2005 dollars, annual rate, BEA
GSLGISNEDSH	EX	State and local gross investment in structures--educational buildings share, decimal fraction, IHS Global Insight
GSLGISNHWY	ID	State and local government gross investment in highways and streets, billions of dollars, annual rate, BEA
GSLGISNHWYR	ID	State and local government real gross investment in highways and streets, billions of chained 2005 dollars, annual rate, BEA
GSLGISNHWYSH	EX	State and local gross investment in structures--highway share, decimal fraction, IHS Global Insight
GSLGISNSAW	EX	State and local government gross investment in sewer and water systems, billions of dollars, annual rate, BEA
GSLGISNSAWR	EX	State and local government real gross investment in sewer and water systems, billions of chained 2005 dollars, annual rate, BEA
GSLGISNSAWSH	EX	State and local gross investment in structures--sewer and water share, decimal fraction, IHS Global Insight
GSLGISNT	ID	State and local government gross investment in transportation facilities, billions of dollars, annual rate, BEA
GSLGISNTR	ID	State and local government real gross investment in transportation facilities, billions of chained 2005 dollars, annual rate, BEA
GSLGISNTSH	EX	State and local gross investment in structures--transportation facilities share, decimal fraction, IHS Global Insight
GSLGISOTH	ID	State and local government investment in other structures, billions of dollars, annual rate, BEA
GSLGISOTHR	ID	State and local government real investment in other structures, billions of chained 2005 dollars, annual rate, BEA
GSLGISR	ST	Real state & local investment in structures, billions of chained 2005 dollars, annual rate, BEA
GSLINFRAPCGIS	EX	State & local infrastructure spending as a share of structures outlays, decimal fraction, IHS Global Insight
GSLINFRAR	ID	Real state & local infrastructure spending, billions of chained 2005 dollars, annual rate, IHS Global Insight
GSLINTPAY	ST	Interest paid by state & local governments, billions of dollars, annual rate, BEA
GSLR	ID	Real state & local purchases of goods & services, billions of chained 2005 dollars, annual rate, BEA
GSLRCPTC	ID	State and local government current receipts, billions of dollars, annual rate, BEA
GVABUSFR	EX	Real gross farm output, billions of chained 2005 dollars, annual rate, BEA
HHAF	ID	Household financial assets, billions of dollars, end of period, FRB
HHAFEQ	ST	Market value of household holdings of corporate equities, billions of dollars, end of period, IHS Global Insight
HHAFM	ST	Household holdings of money and close substitutes, billions of dollars, end of period, FRB
HHAFO	ST	Other household financial assets, primarily bonds, billions of dollars, end of period, IHS Global Insight
HHAO	ST	Household holdings of real estate & other nonfinancial assets, billions of dollars, end of period, IHS Global Insight
HHFORTPCYPD	ST	Household financial obligations ratio, FRB
HHLB	ST	Household financial liabilities, billions of dollars, end of period, FRB
HHNETW	ID	Household net worth, billions of dollars, end of period, FRB
HHNETWR	ID	Real household net worth, billions of chained 2005 dollars, end of period, IHS Global Insight
HPMD	ST	Average weekly hours in durable manufacturing, BLS
HPMF	ID	Average weekly hours in manufacturing, BLS
HPMN	ST	Average weekly hours in nondurable manufacturing, BLS
HRNFPRI	ST	Average workweek for nonfarm business, hours, BLS
HRNFPRIFE	EX	Average workweek at full employment in the nonfarm business sector, hours, IHS Global Insight
HU1ESOLD	ST	Sales of existing single-family homes, millions, annual rate, NAR
HU1NFSALE	ST	New single-family homes for sale, millions, Census
HU1NSOLD	ST	New single-family home sales, millions, annual rate, Census
HUCCESOLD	ST	Sales of existing condos and co-ops, millions, annual rate, NAR
HUESOLD	ID	Sales of existing homes, millions, annual rate, NAR
HUS	ID	Housing starts plus new mobile homes, millions, annual rate, IHS Global Insight
HUSMFG	ST	Shipments of mobile homes, millions, annual rate, Census
HUSPS	ID	Housing starts, millions, annual rate, Census
HUSPS1	ST	Single-family housing starts, millions, annual rate, Census
HUSPS2A	ST	Multi-family housing starts, millions, annual rate, IHS Global Insight
I	ID	Gross private domestic investment, billions of dollars, annual rate, BEA
IDEIND	EX	Special first-year depreciation--industrial equipment, decimal fraction, US Treasury
IDEIPCC	EX	Special first-year depreciation--computers, decimal fraction, US Treasury
IDEIPCS	EX	Special first-year depreciation--software, decimal fraction, US Treasury
IDEIPCT	EX	Special first-year depreciation--communications equipment, decimal fraction, US Treasury
IDEIPO	EX	Special first-year depreciation--other information equipment, decimal fraction, US Treasury
IDEMISC	ID	Special first-year depreciation--miscellaneous equipment, decimal fraction, US Treasury
IDEO	EX	Special first-year depreciation--other equipment, decimal fraction, US Treasury
IDETAC	EX	Special first-year depreciation--aircraft, decimal fraction, US Treasury
IDETLV	EX	Special first-year depreciation--light vehicles, decimal fraction, US Treasury
IDETO	EX	Special first-year depreciation--other transportation equipment, decimal fraction, US Treasury
IFMVNATL	ID	Gross business purchases of new light vehicles, billions of dollars, annual rate, BEA
IFMVNATLR	ID	Real gross business purchases of new light vehicles, billions of chained 2005 dollars, annual rate, BEA
IFMVPUNA	ID	Net sales of used autos to other sectors, billions of dollars, annual rate, BEA

Variable Descriptions: US2010C Model

Mnemonic	Type	Description
IFMVPUNAR	ST	Real net sales of used autos to other sectors, billions of chained 2005 dollars, annual rate, BEA
IFMVPUNTL	ID	Net sales of used light trucks to other sectors, billions of dollars, annual rate, BEA
IFMVPUNTLR	EX	Real net sales of used light trucks to other sectors, billions of chained 2005 dollars, annual rate, BEA
IFNRE	ID	Gross private fixed nonresidential investment, billions of dollars, annual rate, BEA
IFNREE	ID	Gross private nonresidential investment in equipment & software, billions of dollars, annual rate, BEA
IFNREEIND	ID	Gross private nonresidential investment in industrial equipment, billions of dollars, annual rate, BEA
IFNREEINDR	ST	Real gross private nonresidential investment in industrial equipment, billions of chained 2005 dollars, annual rate, BEA
IFNREEIP	ID	Gross private nonresidential investment in information processing equipment, billions of dollars, annual rate, BEA
IFNREEIPCC	ID	Gross private nonresidential investment in computer equipment, billions of dollars, annual rate, BEA
IFNREEIPCCR	ST	Real gross private nonresidential investment in computer equipment, billions of chained 2005 dollars, annual rate, BEA
IFNREEIPCS	ID	Gross private nonresidential investment in software, billions of dollars, annual rate, BEA
IFNREEIPCSR	ST	Real gross private nonresidential investment in software, billions of chained 2005 dollars, annual rate, BEA
IFNREEIPCT	ID	Gross private nonresidential investment in communications equipment, billions of dollars, annual rate, BEA
IFNREEIPCTR	ST	Real gross private nonresidential investment in communications equipment, billions of chained 2005 dollars, annual rate, BEA
IFNREEIPO	ID	Gross private nonresidential investment in other information processing equipment, billions of dollars, annual rate, BEA
IFNREEIPOR	ST	Real gross private nonresidential investment in other information processing equipment, billions of chained 2005 dollars, annual rate, BEA
IFNREEIPR	ID	Real gross private nonresidential investment in information processing equipment, billions of chained 2005 dollars, ann. rate, BEA
IFNREEMISC	ID	Gross private nonresidential investment in misc. equipment, billions of dollars, annual rate, IHS Global Insight
IFNREEMISCR	ID	Real gross private nonresidential investment in misc. equipment, billions of chained 2005 dollars, ann. rate, IHS Global Insight
IFNREEO	ID	Gross private nonresidential investment in other equipment, billions of dollars, annual rate, BEA
IFNREEOR	ST	Real gross private nonresidential investment in other equipment, billions of chained 2005 dollars, annual rate, BEA
IFNREER	ID	Real gross private nonresidential investment in equipment & software, billions of chained 2005 dollars, annual rate, BEA
IFNREET	ID	Gross private nonresidential investment in transportation equipment, billions of dollars, annual rate, BEA
IFNREETAC	ID	Gross private nonresidential investment in aircraft, billions of dollars, annual rate, BEA
IFNREETACR	ST	Real gross private nonresidential investment in aircraft, billions of chained 2005 dollars, annual rate, BEA
IFNREETLV	ID	Gross private nonresidential investment in light vehicles, billions of dollars, annual rate, BEA
IFNREETLVADJ	ID	Gross private nonresidential investment in light vehicles, billions of dollars, annual rate, adjusted to pre-revision basis
IFNREETLVADJR	ST	Real gross private nonresidential investment in light vehicles, billions of chained 2005 dollars, annual rate, adjusted to pre-revision basis
IFNREETLVR	ST	Real gross private nonresidential investment in light vehicles, billions of chained 2005 dollars, annual rate, BEA
IFNREETO	ID	Gross private nonresidential investment in other transportation equipment, billions of dollars, annual rate, IHS Global Insight
IFNREETOR	ST	Real gross priv. nonres. investment in other transportation equipment, billions of chained 2005 dollars, ann. rate, IHS Global Insight
IFNREETR	ID	Real gross private nonresidential investment in transportation equipment, billions of chained 2005 dollars, annual rate, BEA
IFNRER	ID	Real gross private fixed nonresidential investment, billions of chained 2005 dollars, annual rate, BEA
IFNRES	ID	Gross private investment in nonresidential structures including mines, billions of dollars, annual rate, BEA
IFNRESBAO	ID	Gross private investment in nonresidential construction building, billions of dollars, annual rate, IHS Global Insight
IFNRESBAOR	ID	Real gross private nonresidential construction building, billions of chained 2005 dollars, annual rate, IHS Global Insight
IFNRESBOTH	ID	Gross private investment in other nonresidential buildings, billions of dollars, annual rate, IHS Global Insight
IFNRESBOTHR	ID	Real gross private investment in other nonres. buildings, billions of chained 2005 dollars, ann. rate, IHS Global Insight
IFNRESC	ID	Gross private nonresidential investment in structures--commercial and health care, billions of dollars, annual rate, BEA
IFNRESCHH	ID	Gross private nonresidential investment in structures--hospitals and special care facilities, billions of dollars, annual rate, BEA
IFNRESCHHR	EX	Real gross private nonresidential investment in structures--hospitals and special care facilities, billions of chained 2005 dollars, annual rate, BEA
IFNRESCML	ID	Gross private investment in commercial buildings, billions of dollars, annual rate, IHS Global Insight
IFNRESCMLR	ST	Real gross private investment in commercial buildings, billions of chained 2005 dollars, annual rate, IHS Global Insight
IFNRESCR	ID	Real gross private nonresidential investment in structures--commercial and health care, billions of chained 2005 dollars, ann. rate, BEA
IFNRESMFG	ID	Gross private investment in industrial facilities, billions of dollars, annual rate, BEA
IFNRESMFGR	ST	Real gross private investment in industrial facilities, billions of chained 2005 dollars, annual rate, BEA
IFNRESMI	ID	Gross private investment in mines & wells, billions of dollars, annual rate, BEA
IFNRESMIR	ST	Real gross private investment in mines & wells, billions of chained 2005 dollars, annual rate, BEA
IFNRESO	ID	Gross private nonresidential investment in other structures, billions of dollars, annual rate, BEA
IFNRESOB	ID	Gross private nonresidential investment in other structures except land, billions of dollars, annual rate, IHS Global Insight
IFNRESOBR	EX	Real gross private nonresidential investment in other structures except land, billions of chained 2005 dollars, annual rate, IHS Global Insight
IFNRESOR	ID	Real gross private nonresidential investment in other structures, billions of chained 2005 dollars, annual rate, BEA
IFNRESOTH	ID	Gross private investment in miscellaneous nonresidential facilities, billions of dollars, annual rate, IHS Global Insight
IFNRESOTHR	ST	Real gross private investment in miscellaneous nonres. facilities, billions of chained 2005 dollars, annual rate, IHS Global Insight
IFNRESOTL	ID	Gross private nonresidential investment in other structures--land transportation, billions of dollars, annual rate, BEA
IFNRESOTLR	EX	Real gross private nonresidential investment in other structures--land transportation, billions of chained 2005 dollars, BEA
IFNRESP	ID	Gross private investment in power and communications structures, billions dollars, annual rate, BEA
IFNRESPC	ID	Gross private investment in communications structures, billions of dollars, annual rate, BEA
IFNRESPCR	ST	Real gross private investment in communications structures, billions of chained 2005 dollars, annual rate, BEA
IFNRESPP	ID	Gross private investment in power plants, billions of dollars, annual rate, BEA
IFNRESPPR	ID	Real gross private investment in power plants, billions of chained 2005 dollars, annual rate, BEA
IFNRESPR	ID	Real gross private investment in power and communications structures, billions chained 2005 dollars, annual rate, BEA

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Mnemonic	Type	Description
IFNRESPU	ID	Gross private investment in public utilities, billions of dollars, annual rate, IHS Global Insight
IFNRESPUO	ID	Gross private investment in utilities other than communications, billions of dollars, annual rate, IHS Global Insight
IFNRESPUOR	ST	Real gross private investment in utilities other than communications, billions of chained 2005 dollars, annual rate, IHS Global Insight
IFNRESPUR	ID	Real gross private investment in public utilities, billions of chained 2005 dollars, annual rate, IHS Global Insight
IFNRESR	ID	Real gross private investment in nonresidential structures including mines, billions of chained 2005 dollars, BEA
IFNRESXF	ID	Gross private investment in nonresidential, non-farm buildings, billions of dollars, annual rate, IHS Global Insight
IFNRESXFR	ID	Real gross private investment in nonresidential non-farm buildings, billions of chained 2005 dollars, annual rate, IHS Global Insight
IFRE	ID	Gross private fixed residential investment, billions of dollars, annual rate, BEA
IFREE	ID	Gross private residential investment in equipment, billions of dollars, annual rate, BEA
IFREER	ST	Real gross private residential investment in equipment, billions of chained 2005 dollars, annual rate, BEA
IFRER	ID	Real gross private fixed residential investment, billions of chained 2005 dollars, annual rate, BEA
IFRES	ID	Gross private residential investment, structures, billions of dollars, annual rate, BEA
IFRESO	ID	Gross private investment in other residential structures, less net purchases of used structures, billions of dollars, annual rate, BEA
IFRESOIMP	ID	Gross private residential investment in improvements, billions of dollars, annual rate, BEA
IFRESOIMPR	ST	Real gross private residential investment in improvements, billions of chained 2005 dollars, annual rate, BEA
IFRESOMFG	ID	Gross private residential investment in manufactured houses, billions of dollars, annual rate, BEA
IFRESOMFGR	ST	Real gross private residential investment in manufactured houses, billions of chained 2005 dollars, annual rate, BEA
IFRESOO	ST	Miscellaneous private residential investment, including brokers' commissions, billions of dollars, annual rate, IHS Global Insight
IFRESOOR	ID	Real miscellaneous private residential investment, incl. brokers' commissions, billions of chained 2005 dollars, annual rate, IHS Global Insight
IFRESOR	ID	Real gross private investment in other residential structures, less net purchases of used structures, billions of chained 2005 dollars, annual rate, BEA
IFRESPE	ID	Gross private residential investment in permanent-site structures, billions of dollars, annual rate, BEA
IFRESPEMF	ID	Gross private residential investment in multi-family structures, billions of dollars, annual rate, BEA
IFRESPEMFR	ST	Real gross private residential investment in multi-family structures, billions of chained 2005 dollars, annual rate, BEA
IFRESPER	ID	Real gross private residential investment in permanent-site structures, billions of chained 2005 dollars, annual rate, BEA
IFRESPESF	ID	Gross private residential investment in new single-family houses, billions of dollars, annual rate, BEA
IFRESPESFR	ST	Real gross private residential investment in new single-family houses, billions of chained 2005 dollars, annual rate, BEA
IFRESR	ID	Real gross private residential investment, structures, billions of chained 2005 dollars, annual rate, BEA
IFS	ID	Gross private investment in all structures, billions of dollars, annual rate, BEA
IFSR	ID	Real gross private investment in all structures, billions of dollars, annual rate, BEA
IFX	ID	Gross private fixed investment, billions of dollars, annual rate, BEA
IFXR	ID	Real gross private fixed investment, billions of chained 2005 dollars, annual rate, BEA
II	ID	Change in business inventories, billions of dollars, annual rate, BEA
IICMIU	ST	Change in inventories--construction, mining & utilities, billions of dollars, annual rate, BEA
IICMIUR	ST	Real change in inventories--construction, mining & utilities, billions of chained 2005 dollars, annual rate, BEA
IIF	ID	Change in farm inventories, billions of dollars, annual rate, BEA
IIFACCC	ID	Change in farm inventories plus CCC holdings, billions of dollars, annual rate, BEA
IIFACCCR	EX	Real change in farm inventories plus CCC holdings, billions of chained 2005 dollars, annual rate, BEA
IIFR	ID	Real change in farm inventories, billions of chained 2005 dollars, annual rate, BEA
IIM	ST	Change in manufacturing inventories, billions of dollars, annual rate, BEA
IIMISC	ID	Change in miscellaneous equipment inventories, billions of dollars, annual rate, IHS Global Insight
IIMISCR	ID	Real change in miscellaneous equipment inventories, billions of chained 2005 dollars, annual rate, IHS Global Insight
IIMR	ST	Real change in manufacturing inventories, billions of chained 2005 dollars, annual rate, BEA
IINF	ID	Change in nonfarm inventories, billions of dollars, annual rate, BEA
IINFR	ID	Real change in nonfarm inventories, billions of chained 2005 dollars, annual rate, BEA
IIO	ST	Change in other inventories, billions of dollars, annual rate, BEA
IIOR	EX	Real change in other inventories, billions of chained 2005 dollars, annual rate, IHS Global Insight
IIR	ID	Real change in business inventories, billions of chained 2005 dollars, annual rate, BEA
IIRT	ID	Change in retail inventories, billions of dollars, annual rate, BEA
IIRT441	ST	Change in motor vehicle inventories on dealer lots, billions of dollars, annual rate, BEA
IIRT441R	ST	Real change in motor vehicle inventories on dealer lots, billions of chained 2005 dollars, annual rate, BEA
IIRTR	ID	Real change in retail inventories, billions of chained 2005 dollars, annual rate, BEA
IIRTX441	ST	Change in retail inventories excl. motor vehicles, billions of dollars, annual rate, IHS Global Insight
IIRTX441R	ST	Real change in retail inventories excl. motor vehicles, billions of chained 2005 dollars, annual rate, IHS Global Insight
IIW	ST	Change in merchant wholesaler inventories, billions of dollars, BEA
IIWR	ST	Real change in merchant wholesaler inventories, billions of chained 2005 dollars, BEA
INTNETBUS	ID	Interest payments by businesses, including home mortage interest, billions of dollars, annual rate, BEA
INTNETBUSADJ	EX	Residual term in net interest payments by business, billions of dollars, annual rate, IHS Global Insight
INTNETBUSPCYN	ID	Net interest payments as a share of national income, percent, IHS Global Insight
INTNETGF	ST	Federal net interest payments--NIPA basis, billions of dollars, annual rate, IHS Global Insight
INTNETGSL	ID	State & local net interest payments, billions of dollars, annual rate, IHS Global Insight
INVCMIUR	ID	Real stock of inventories--construction, mining & utilities, billions of chained 2005 dollars, end of period, BEA
INVFR	ID	Real stock of farm inventories, billions of chained 2005 dollars, end of period, BEA
INVMISCR	ID	Real stock of miscellaneous inventories, billions of chained 2005 dollars, end of period, IHS Global Insight
INVMR	ID	Real stock of manufacturing inventories, billions of chained 2005 dollars, end of period, BEA
INVNFR	ID	Real stock of nonfarm inventories, billions of chained 2005 dollars, end of period, BEA
INVOR	ID	Real stock of other business inventories, billions of chained 2005 dollars, end of period, IHS Global Insight
INVR	ID	Real stock of inventories, billions of chained 2005 dollars, end of period, BEA

Variable Descriptions: US2010C Model

Mnemonic	Type	Description
INVRT441R	ID	Real stock of motor vehicle dealer inventories, billions of chained 2005 dollars, end of period, BEA
INVRTR	ID	Real stock of retail inventories, billions of chained 2005 dollars, end of period, BEA
INVRTX441R	ID	Real stock of retail inventories excl. motor vehicle dealers, billions of chained 2005 dollars, end of period, IHS Global Insight
INVWR	ID	Real stock of merchant wholesaler inventories, billions of chained 2005 dollars, end of period, BEA
IPAFCC	ST	Foreign assets in the US--current cost, billions of dollars, end of period, BEA annual data
IPAUSCC	ID	US assets abroad, current cost, billions of dollars, end of period, BEA annual data
IPAUSCCNET	ID	Net US international investment position, billions of dollars, end of period, BEA annual data
IPAUSCCNETADJ	EX	Revaluation of net US international investment position, billions of dollars, IHS Global Insight
IPSB00004	ID	Industrial production index--Manufacturing - SIC basis, 2007=100, FRB
IPSB50001	ID	Industrial production index--Total industrial production, 2007=100, FRB
IPSG21	ID	Industrial production index--Mining, 2007=100, FRB
IPSG211	ST	Industrial production index--Oil and gas extraction, 2007=100, FRB
IPSG211A3	ID	Industrial production index--Oil and gas extraction and drilling, 2007=100, FRB
IPSG211LEV	EX	Elasticity of oil and gas production with respect to price, 0-1, simulation tool, IHS Global Insight
IPSG212	ID	Industrial production index--Mining except oil and gas, 2007=100, FRB
IPSG2122	ST	Industrial production index--Mining of metal ores, 2007=100, FRB
IPSG2123	ST	Industrial production index--Mining of nonmetallic minerals, 2007=100, FRB
IPSG213	ST	Industrial production index--Support activities for mining, 2007=100, FRB
IPSG2211A2	ST	Industrial production index--Utilities, 2007=100, FRB
IPSG311	ST	Industrial production index--Food, 2007=100, FRB
IPSG312	ID	Industrial production index--Beverages and tobacco products, 2007=100, FRB
IPSG3121	ST	Industrial production index--Beverages, 2007=100, FRB
IPSG3122	ST	Industrial production index--Tobacco products, 2007=100, FRB
IPSG313	ID	Industrial production index--Textile mills, 2007=100, FRB
IPSG3131A3	ST	Industrial production index--Fiber, yarn and textile finishing, 2007=100, FRB
IPSG3132	ST	Industrial production index--Fabric mills, 2007=100, FRB
IPSG314	ID	Industrial production index--Textile product mills, 2007=100, FRB
IPSG3141	ST	Industrial production index--Textile furnishings & carpets, 2007=100, FRB
IPSG31411	ST	Industrial production index--Carpet and rug mills, 2007=100, FRB
IPSG3141X11	ST	Industrial production index--Textile furnishings mills, 2007=100, FRB
IPSG3149	ST	Industrial production index--Other textile product mills, 2007=100, FRB
IPSG315	ST	Industrial production index--Apparel, 2007=100, FRB
IPSG316	ST	Industrial production index--Leather and allied products, 2007=100, FRB
IPSG321	ST	Industrial production index--Wood products, 2007=100, FRB
IPSG322	ID	Industrial production index--Paper and paper products, 2007=100, FRB
IPSG3221	ST	Industrial production index--Pulp and paper mills, 2007=100, FRB
IPSG3222	ID	Industrial production index--Converted paper products, 2007=100, FRB
IPSG32222	ST	Industrial production index--Bags, coated and treated paper, 2007=100, FRB
IPSG32223A9	ST	Industrial production index--Residual paper products, 2007=100, FRB
IPSG323	ST	Industrial production index--Printing support activities, 2007=100, FRB
IPSG324	ST	Industrial production index--Petroleum and coal products, 2007=100, FRB
IPSG325	ID	Industrial production index--Chemicals, 2007=100, FRB
IPSG3251	ID	Industrial production index--Basic chemicals, 2007=100, FRB
IPSG32511A9	ST	Industrial production index--Basis organic chemicals, 2007=100, FRB
IPSG32512T8	ST	Industrial production index--Basic inorganic chemicals, 2007=100, FRB
IPSG3252	ST	Industrial production index--Resins and synthetic materials, 2007=100, FRB
IPSG3253	ST	Industrial production index--Agricultural chemicals, 2007=100, FRB
IPSG3254	ST	Industrial production index--Pharmaceuticals and medicines, 2007=100, FRB
IPSG3255A9	ST	Industrial production index--Paints and miscellaneous products, 2007=100, FRB
IPSG3255T9	ID	Industrial production index--Paints, soaps, toiletries and miscellaneous, 2007=100, FRB
IPSG3256	ST	Industrial production index--Soaps, cleaners and toiletries, 2007=100, FRB
IPSG326	ID	Industrial production index--Rubber and plastics products, 2007=100, FRB
IPSG3261	ST	Industrial production index--Plastic products, 2007=100, FRB
IPSG32621	ST	Industrial production index--Tires, 2007=100, FRB
IPSG32622A9	ST	Industrial production index--Other rubber products, 2007=100, FRB
IPSG327	ID	Industrial production index--Nonmetallic mineral products, 2007=100, FRB
IPSG3271A4A9	ST	Industrial production index--Clay, lime, gypsum and miscellaneous, 2007=100, FRB
IPSG3272	ST	Industrial production index--Glass and glass products, 2007=100, FRB
IPSG331	ID	Industrial production index--Primary metals, 2007=100, FRB
IPSG3311A2	ST	Industrial production index--Iron and steel products, 2007=100, FRB
IPSG3313	ST	Industrial production index--Alumina and aluminum products, 2007=100, FRB
IPSG3313A4	ID	Industrial production index--Nonferrous metals, 2007=100, FRB
IPSG3314	ST	Industrial production index--Nonferrous except aluminum, 2007=100, FRB
IPSG3315	ST	Industrial production index--Foundries, 2007=100, FRB
IPSG332	ID	Industrial production index--Fabricated metal products, 2007=100, FRB
IPSG3324A9	ST	Industrial production index--Miscellaneous metal products including cans and ordnance, 2007=100, FRB
IPSG3325	ST	Industrial production index--Hardware, 2007=100, FRB
IPSG3327	ST	Industrial production index--Turned products, screws, etc., 2007=100, FRB
IPSG333	ID	Industrial production index--Machinery, 2007=100, FRB
IPSG3331	ID	Industrial production index--Agricultural and construction equipment, 2007=100, FRB
IPSG33311	ST	Industrial production index--Agricultural equipment, 2007=100, FRB
IPSG33312	ST	Industrial production index--Construction machinery, 2007=100, FRB
IPSG3332	ST	Industrial production index--Industrial machinery, 2007=100, FRB

Mnemonic	Type	Description
IPSG3333A9	ST	Industrial production index--Commercial, service and other, 2007=100, FRB
IPSG3334	ST	Industrial production index--HVAC equipment, 2007=100, FRB
IPSG3335	ST	Industrial production index--Metalworking machinery, 2007=100, FRB
IPSG3336	ST	Industrial production index--Engines and turbines, 2007=100, FRB
IPSG334	ID	Industrial production index--Computers and electronic products, 2007=100, FRB
IPSG3341	ST	Industrial production index--Computer and peripheral equipment, 2007=100, FRB
IPSG3342	ST	Industrial production index--Communications equipment, 2007=100, FRB
IPSG3343A6	ST	Industrial production index--Audio and video equipment and disks, 2007=100, FRB
IPSG3344	ST	Industrial production index--Semiconductors and other components, 2007=100, FRB
IPSG3345	ST	Industrial production index--Navigational, measuring, and control equipment, 2007=100, FRB
IPSG335	ID	Industrial production index--Electrical equipment, appliances, and components, 2007=100, FRB
IPSG3351	ST	Industrial production index--Electric lighting equipment, 2007=100, FRB
IPSG3352	ST	Industrial production index--Household appliances, 2007=100, FRB
IPSG3353	ST	Industrial production index--Electrical equipment, 2007=100, FRB
IPSG3359	ST	Industrial production index--Other electrical equipment and components, 2007=100, FRB
IPSG335X2	ID	Industrial production index--Electrical equipment except appliances, 2007=100, FRB
IPSG336	ID	Industrial production index--Transportation equipment, 2007=100, FRB
IPSG336111	ST	Industrial production index--Automobiles, 2007=100, FRB
IPSG336112	ST	Industrial production index--Light truck and utility vehicles, 2007=100, FRB
IPSG33612	ST	Industrial production index--Heavy duty trucks, 2007=100, FRB
IPSG3361T3	ID	Industrial production index--Motor vehicles and parts, 2007=100, FRB
IPSG3362	ST	Industrial production index--Bodies and trailers, 2007=100, FRB
IPSG3363	ST	Industrial production index--Motor vehicle parts, 2007=100, FRB
IPSG3364	ST	Industrial production index--Aerospace products and parts, 2007=100, FRB
IPSG3365A9	ST	Industrial production index--Railroad equipment and other, 2007=100, FRB
IPSG3365T9	ID	Industrial production index--Railroad equipment, ships, boats, and other, 2007=100, FRB
IPSG3366	ST	Industrial production index--Ship and boat building, 2007=100, FRB
IPSG337	ID	Industrial production index--Furniture and related products, 2007=100, FRB
IPSG3372A9	ST	Industrial production index--Office and other furniture, 2007=100, FRB
IPSG339	ID	Industrial production index--Miscellaneous manufactures, 2007=100, FRB
IPSG339X1	ST	Industrial production index--Other miscellaneous manufactures, 2007=100, FRB
IPSG5111	ID	Industrial production index--Newspapers, periodicals, books, 2007=100, FRB
IPSG51111	ST	Industrial production index--Newspaper publishers, 2007=100, FRB
IPSG51112T9	ST	Industrial production index--Periodical, book and miscellaneous publishers, 2007=100, FRB
IPSGMF	ID	Industrial production index--All manufacturing - NAICS, 2007=100, FRB
IPSGMFD	ID	Industrial production index--Durable goods, 2007=100, FRB
IPSGMFN	ID	Industrial production index--Nondurable goods, 2007=100, FRB
IPSN1133	ST	Industrial production index--Logging, 2007=100, FRB
IPSN2121	ST	Industrial production index--Coal, 2007=100, FRB
IPSN32221	ST	Industrial production index--Paperboard containers, 2007=100, FRB
IPSN32731	ST	Industrial production index--Cement, 2007=100, FRB
IPSN32732T9	ST	Industrial production index--Concrete and cement products, 2007=100, FRB
IPSN3321	ST	Industrial production index--Forging and stamping, 2007=100, FRB
IPSN3322	ST	Industrial production index--Cutlery and handtools, 2007=100, FRB
IPSN3323	ST	Industrial production index--Architectural and structural metals, 2007=100, FRB
IPSN3326	ST	Industrial production index--Spring and wire products, 2007=100, FRB
IPSN3328	ST	Industrial production index--Metal coating, engraving, and heat-treating, 2007=100, FRB
IPSN33313	ST	Industrial production index--drilling equipment, 2007=100, FRB
IPSN3371	ST	Industrial production index--Household and institutional furniture, 2007=100, FRB
IPSN3391	ST	Industrial production index--Medical equipment and supplies, 2007=100, FRB
IPSX4HTK2	ID	Industrial production index--All manufacturing exc. computers, communications equipment & chips, 2007=100, FRB
IR	ID	Real gross private domestic investment, billions of chained 2005 dollars, annual rate, BEA
IVACORP	ST	Corporate inventory valuation adjustment, billions of dollars, annual rate, BEA
JCSMICH	ST	Consumer sentiment index--University of Michigan, diffusion index
JDELIV	ST	Vendor performance index--companies experiencing slower deliveries, diffusion index, ISM
JECIBP	ST	Employment cost index--private-sector benefits, December 2005=1.0, BLS
JECIBPHI	ID	Employment cost index--private-sector health insurance, December 2005=1.0, BLS
JECITXADJ	ID	Employment compensation index--private sector, adjusted for VAT & flat tax, December 2005=1.0, IHS Global Insight
JECIWSP	ST	Employment cost index--private-sector wages & salaries, December 2005=1.0, BLS
JECIWSSP	QID	Employment cost index--total private compensation, December 2005=1.0, BLS
JEXCHMTP	ST	US trade-wtd. exchange rate with major currency trading partners, index, 2005=1.0, FRB, rebased by IHS Global Insight
JEXCHMTPREAL	ID	Real US trade-wtd. exchange rate with major currency trading partners, index, 2005=1.0, IHS Global Insight
JEXCHOITP	ST	US trade-wtd. exchange rate with other important trading partners, index, 2005=1.0, FRB, rebased by IHS Global Insight
JEXCHOITPREAL	ID	Real US trade-wtd. exchange rate with other important trading partners, index, 2005=1.0, IHS Global Insight
JGDPMTPR	ID	Real trade-wtd. GDP in major currency trading partners, index, 2005=1.0, IHS Global Insight
JGDPMTPRLEV	EX	Lever to link major currency trading partner GDP growth to US GDP growth
JGDPOITPR	ID	Real trade-wtd. GDP in other important trading partners, index, 2005=1.0, IHS Global Insight
JGDPOITPRLEV	EX	Lever to link other important trading partner GDP growth to US GDP growth
JHAFFORD1NS	ST	Affordability of the median-priced single-family home, index, NAR
JPC	ID	Chained Price index-Total personal consumption expenditures, index 2005=100, BEA
JPCADJ	ID	Chained Price index-Consumption excluding state medical transfers and free financial services, index 2005=100, IHS Global Insight
JPCD	ID	Chained Price index- Consumer Durables, index 2005=100, BEA

Variable Descriptions: US2010C Model

Mnemonic	Type	Description
JPCDFHE	ST	Chained Price index- Consumer Furnishings and durable household equipment, index 2005=100, BEA
JPCDMV	ID	Chained Price index- Consumer Motor vehicles and parts, index 2005=100, BEA
JPCDMVN	ID	Chained Price index- Consumer New motor vehicles, index 2005=100, BEA
JPCDMVNA	ST	Chained Price index- Consumer New autos, index 2005=100, BEA
JPCDMVNTL	ST	Chained Price index- Consumer New light trucks, index 2005=100, BEA
JPCDMVPA	ST	Chained Price index- Consumer Motor vehicle parts and accessories, index 2005=100, BEA
JPCDMVPUN	ID	Chained Price index- Consumer Net purchases of used motor vehicles, index 2005=100, BEA
JPCDMVPUNA	ST	Chained Price index- Consumer Used autos, index 2005=100, BEA
JPCDMVPUNTL	ST	Chained Price index- Consumer Used light trucks, index 2005=100, BEA
JPCDMVXN	ID	Chained price index- Consumer other motor vehicles, 2005=100, IHS Global Insight
JPCDO	ID	Chained Price index- Consumer Other durable goods, index 2005=100, BEA
JPCDOO	ST	Chained Price index- Consumer Other durable goods excluding therapeutic appliances and equipment, index 2005=100, IHS Global Insight
JPCDOTAE	ST	Chained Price index- Consumer Therapeutic appliances and equipment, index 2005=100, BEA
JPCDREC	ID	Chained Price index- Consumer Recreational goods and vehicles, index 2005=100, BEA
JPCDRECIP	ID	Chained Price index- Consumer Information Processing Equipment, index 2005=100, BEA
JPCDRECIPCS	ST	Chained Price index- Consumer Software, index 2005=100, BEA
JPCDRECIPCTO	ID	Chained Price index- Consumer Calculators, typewriters and other, index 2005=100, BEA
JPCDRECIPPC	ST	Chained Price index- Consumer Computers, index 2005=100, BEA
JPCDRECO	ST	Chained Price index- Consumer Other recreational goods and vehicles, index 2005=100, IHS Global Insight
JPCENERGY	ID	Chained Price index- Consumer Energy consumption, index 2005=100, BEA
JPCEXP	ID	Expected annual inflation rate for consumer purchases, Percent, IHS Global Insight
JPCGOODS	ID	Chained Price index- Consumer Goods, index 2005=100, BEA
JPCHLT	ID	Chained Price index- Consumer Health consumption, index 2005=100, BEA
JPCN	ID	Chained Price index- Consumer Nondurables, index 2005=100, BEA
JPCNCS	ST	Chained Price index- Consumer Clothing and footwear, index 2005=100, BEA
JPCNE	ID	Chained Price index- Consumer Gasoline and other energy goods, index 2005=100, BEA
JPCNEFAO	ST	Chained Price index- Consumer Fuel oil and other fuels, index 2005=100, BEA
JPCNEGAO	ST	Chained Price index- Consumer Motor vehicle fuels, lubricants, and fluids, index 2005=100, BEA
JPCNF	ST	Chained Price index- Consumer Food and beverages purchased for off-premises consumption, index 2005=100, BEA
JPCNFOLD	ID	Chained Price index- Consumer Food consumption (old NIPA basis), index 2005=100, IHS Global Insight
JPCNO	ID	Chained Price index- Consumer Other nondurable goods, index 2005=100, BEA
JPCNOO	ST	Chained Price index- Consumer Other nondurable goods excluding pharmaceuticals and tobacco, index 2005=100, IHS Global Insight
JPCNOPMP	ST	Chained Price index- Consumer Pharmaceutical and other medical products, index 2005=100, BEA
JPCNOTOB	ST	Chained Price index- Consumer Tobacco, index 2005=100, BEA
JPCSV	ID	Chained Price index- Consumer Services, index 2005=100, BEA
JPCSVAC	ST	Chained Price index- Consumer Accommodations, index 2005=100, BEA
JPCSVF	ST	Chained Price index- Consumer Food services, index 2005=100, BEA
JPCSVFAAC	ID	Chained Price index- Consumer Food services and accommodations, index 2005=100, BEA
JPCSVFAINS	ID	Chained Price index- Consumer Financial services and insurance, index 2005=100, BEA
JPCSVFIN	ID	Chained Price index- Consumer Financial services, index 2005=100, BEA
JPCSVFINFEE	ST	Chained Price index- Consumer Financial service charges, fees, and commissions, index 2005=100, BEA
JPCSVFINFREE	ST	Chained Price index- Consumer Financial services furnished without payment, index 2005=100, BEA
JPCSVH	ST	Chained Price index- Consumer Housing, index 2005=100, BEA
JPCSVHAU	ID	Chained Price index- Consumer Housing and utilities, index 2005=100, BEA
JPCSVHC	ST	Chained Price index- Consumer Health Care, index 2005=100, BEA
JPCSVHH	ID	Chained Price index- Consumer Household consumption expenditures (for services), index 2005=100, BEA
JPCSVINS	ST	Chained Price index- Consumer Insurance, index 2005=100, BEA
JPCSVNPISH	ST	Chained Price index- Consumer Final consumption expenditures of nonprofit institutions serving households, index 2005=100, BEA
JPCSVO	ID	Chained Price index- Consumer Other services, index 2005=100, BEA
JPCSVOCT	ST	Chained Price index- Consumer Telecommunication services, index 2005=100, BEA
JPCSVOO	ST	Chained Price index- Consumer Other services excluding telecommunication services, index 2005=100, IHS Global Insight
JPCSVREC	ST	Chained Price index- Consumer Recreational services, index 2005=100, BEA
JPCSVTS	ID	Chained Price index- Consumer Transportation Services, index 2005=100, BEA
JPCSVTSMV	ID	Chained Price index- Consumer Motor vehicle services, index 2005=100, BEA
JPCSVTSMVOLS	ST	Chained Price index- Consumer Motor vehicle leases, index 2005=100, BEA
JPCSVTSMVXLS	ST	Chained Price index- Consumer Other motor vehicle services, index 2005=100, IHS Global Insight
JPCSVTSPUB	ID	Chained Price index- Consumer Public transportation, index 2005=100, BEA
JPCSVTSPUBL	ST	Chained Price index- Consumer Local transportation (taxicabs and intracity mass transit), index 2005=100, IHS Global Insight
JPCSVTSPUBO	ST	Chained Price index- Consumer Other public transportation, index 2005=100, IHS Global Insight
JPCSVU	ID	Chained Price index- Consumer Utilities, index 2005=100, BEA
JPCSVUE	ST	Chained Price index- Consumer Electricity, index 2005=100, BEA
JPCSVUG	ST	Chained Price index- Consumer Natural Gas, index 2005=100, BEA
JPCSVUWAS	ST	Chained Price index- Consumer Water supply and sanitation, index 2005=100, BEA
JPCXCDMVN	ID	Chained Price index-Consumption excluding new motor vehicles, index 2005=100, IHS Global Insight
JPCXENERGY	ID	Chained Price index-Consumption excluding energy, index 2005=100, IHS Global Insight
JPCXFAE	ID	Chained Price index-Consumption excluding food and energy, index 2005=100, BEA
JPG	ID	Chained price index--government purchases of goods & services, 2005=100, BEA
JPGDP	ID	Chained price index--gross domestic product, 2005=100, BEA
JPGDPEXP79	ID	Expected annual inflation rate, GDP deflator with rho=.79, percent, IHS Global Insight

Mnemonic	Type	Description
JPGDPEXP85	ID	Expected annual inflation rate, GDP deflator with rho=.85, percent, IHS Global Insight
JPGDPNHNG	ID	Chained price index--non-housing, non-government GDP, 2005=100, IHS Global Insight
JPGDPNHNGAE	ID	Chained price index--nonfarm, non-housing, non-gov't., non-energy GDP, 2005=100, IHS Global Insight
JPGDPNHNGATX	ID	Chained price index--nonfarm, etc GDP excl. indirect business taxes, 2005=100, IHS Global Insight
JPGDPRCH	ID	Chained price index--gross domestic purchases, 2005=100, BEA
JPGF	ID	Chained price index--federal purchases, 2005=100, BEA
JPGFGIS	ID	Chained price index for federal gross investment in structures, 2005=100, BEA
JPGFML	ID	Chained price index--federal defense purchases, 2005=100, BEA
JPGFMLC	ID	Chained price index--federal defense consumption purchases, 2005=100, BEA
JPGFMLCKF	ST	Chained price index--federal defense capital consumption, 2005=100, BEA
JPGFMLCO	ST	Chained price index--federal defense other consumption, 2005=100, IHS Global Insight
JPGFMLCWSS	ST	Chained price index--federal defense personnel costs, 2005=100, BEA
JPGFMLGI	ST	Chained price index--federal defense gross investment, 2005=100, BEA
JPGFO	ID	Chained price index--federal nondefense purchases, 2005=100, BEA
JPGFOC	ID	Chained price index--federal nondefense consumption purchases, 2005=100, BEA
JPGFOCKF	ST	Chained price index--federal nondefense capital consumption, 2005=100, BEA
JPGFOCO	ST	Chained price index--federal nondefense other consumption, 2005=100, IHS Global Insight
JPGFOCWSS	ST	Chained price index--federal nondefense personnel costs, 2005=100, BEA
JPGFOGI	ST	Chained price index--federal nondefense gross investment, 2005=100, BEA
JPGNP	ID	Chained price index--GNP, 2005=100, BEA
JPGSL	ID	Chained price index--state & local purchases, 2005=100, BEA
JPGSLC	ID	Chained price index--state & local consumption purchases, 2005=100, BEA
JPGSLCKF	ST	Chained price index--state & local capital consumption, 2005=100, BEA
JPGSLCO	ST	Chained price index--state & local other consumption, 2005=100, IHS Global Insight
JPGSLCWSS	ST	Chained price index--state & local personnel costs, 2005=100, BEA
JPGSLGI	ID	Chained price index--state & local gross investment, 2005=100, BEA
JPGSLGIE	ST	Chained price index--state & local equipment spending, 2005=100, BEA
JPGSLGIS	ST	Chained price index--state & local structures spending, 2005=100, BEA
JPGSLGISNED	QID	Chained price index for state and local gross investment in educational buildings, 2005=100, BEA
JPGSLGISNHWY	QID	Chained price index for state and local gross investment in highways and streets, 2005=100, BEA
JPGSLGISNSAW	QID	Chained price index for state and local gross investment in sewer and water systems, 2005=100, BEA
JPGSLGISNT	QID	Chained price index for state and local gross investment in transportation facilities, 2005=100, BEA
JPGSLGISOTH	ID	Chained price index for state and local investment in other structures, 2005=100, BEA
JPI	ID	Chained price index--gross private domestic investment, 2005=100, BEA
JPIFMVNATL	ID	Chained price index--gross business purchases of new light vehicles, 2005=100, BEA
JPIFMVPUNA	ST	Chained price index--net sales of used autos to other sectors, 2005=100, BEA
JPIFMVPUNTL	ST	Chained price index--net sales of used light trucks to other sectors, 2005=100, BEA
JPIFNRE	ST	Chained price index--fixed nonresidential investment, 2005=100, BEA
JPIFNREE	ID	Chained price index--nonresidential capital equipment, 2005=100, BEA
JPIFNREEIND	ST	Chained price index--industrial equipment, 2005=100, BEA
JPIFNREEIP	ID	Chained price index--information equipment, 2005=100, BEA
JPIFNREEIPCC	ID	Chained price index--nonresidential investment in computer equipment, 2005=100, BEA
JPIFNREEIPCS	ID	Chained price index--nonresidential investment in software, 2005=100, BEA
JPIFNREEIPCT	ST	Chained price index--nonresidential communications equipment, 2005=100, BEA
JPIFNREEIPO	ST	Chained price index--other information equipment, 2005=100, IHS Global Insight
JPIFNREEMISC	ID	Chained price index--miscellaneous equipment, 2005=100, IHS Global Insight
JPIFNREEO	ST	Chained price index--nonresidential investment in other equipment, 2005=100, BEA
JPIFNREET	ID	Chained price index--transportation equipment, 2005=100, BEA
JPIFNREETAC	ST	Chained price index--aircraft, 2005=100, BEA
JPIFNREETLV	ID	Chained price index--nonresidential investment in light vehicles, 2005=100, IHS Global Insight
JPIFNREETLVADJ	ST	Chained price index--investment in new light vehicles adjusted to pre-revision basis
JPIFNREETO	ST	Chained price index--other transportation equipment, 2005=100, IHS Global Insight
JPIFNRES	ID	Chained price index--nonresidential construction, 2005=100, BEA
JPIFNRESBAO	ID	Chained price index--nonresidential construction building, 2005=100, IHS Global Insight
JPIFNRESBOTH	ID	Chained price index--construction of other nonfarm buildings, 2005=100, IHS Global Insight
JPIFNRESC	ID	Chained price index for nonresidential construction--commercial and health care, 2005=100, BEA
JPIFNRESCHH	ST	Chained price index for nonresidential construction--hospitals and special care facilities, 2005=100, BEA
JPIFNRESCML	ST	Chained price index--construction of commercial buildings, 2005=100, BEA
JPIFNRESMFG	ST	Chained price index--construction of industrial buildings, 2005=100, BEA
JPIFNRESMI	ST	Chained price index--mines & wells, 2005=100, BEA
JPIFNRESO	ID	Chained price index for other nonresidential construction, 2005=100, BEA
JPIFNRESOB	ST	Chained price index for nonresidential construction, other except land, 2005=100, IHS Global Insight
JPIFNRESOTH	ST	Chained price index--farm and miscellaneous nonresidential construction, 2005=100, IHS Global Insight
JPIFNRESOTL	QID	Chained price index for nonresidential construction--land transportation, 2005=100, BEA
JPIFNRESP	ID	Chained price index for nonresidential construction--power and communications, 2005=100, BEA
JPIFNRESPC	ST	Chained price index for nonresidential construction--telecommunications structures, 2005=100, BEA
JPIFNRESPP	ID	Chained price index for nonresidential construction--power plants, 2005=100, BEA
JPIFNRESPU	ID	Chained price index--public utilities, 2005=100, IHS Global Insight
JPIFNRESPUO	ST	Chained price index--public utilities except telecommunications, 2005=100, IHS Global Insight
JPIFNRESXF	ID	Chained price index--nonresidential construction of nonfarm buildings, 2005=100, IHS Global Insight
JPIFRE	ID	Chained price index--fixed residential investment, 2005=100, BEA
JPIFREE	ST	Chained price index--investment in residential equipment, 2005=100, BEA
JPIFRES	ID	Chained price index for residential construction, 2005=100, BEA

Mnemonic	Type	Description
JPIFRESO	ID	Chained price index for other residential structures, 2005=100, BEA
JPIFRESOIMP	ST	Chained price index for residential construction--improvements, 2005=100, BEA
JPIFRESOMFG	ST	Chained price index for residential construction--new mobile homes, 2005=100, BEA
JPIFRESOO	ST	Chained price index for residential construction--misc., including brokers' commissions, 2005=100, IHS Global Insight
JPIFRESPE	ID	Chained price index for residential construction--permanent site structures, 2005=100, BEA
JPIFRESPEMF	ST	Chained price index for residential construction--multi-family buildings, 2005=100, BEA
JPIFRESPESF	ST	Chained price index for residential construction--single-family houses, 2005=100, BEA
JPIFX	ID	Chained price index--gross private fixed domestic investment, 2005=100, BEA
JPM	ID	Chained price index--imports, 2005=100, BEA
JPMFY	ST	Chained price index--imports of factor services, 2005=100, BEA
JPMG	ID	Chained price index--imports of goods, 2005=100, BEA
JPMGAUTO	ST	Chained price index--imports of motor vehicles & parts, 2005=100, BEA
JPMGC	ST	Chained price index--imports of non-automotive consumer goods, 2005=100, BEA
JPMGFFB	ST	Chained price index--imports of foods, feeds & beverages, 2005=100, BEA
JPMGIN	ST	Chained price index--imports of industrial materials and supplies exc. petroleum, 2005=100, BEA
JPMGINAPET	ID	Chained price index--imports of industrial materials and supplies, 2005=100, IHS Global Insight
JPMGINUS	ID	Chained price index--US gds. compet. w imports of non-oil indus. supplies, 2005=100, IHS Global Insight
JPMGK	ID	Chained price index--imports of capital equipment, 2005=100, BEA
JPMGKCAEP	ST	Chained price index--imports of aircraft, 2005=100, BEA
JPMGKCPP	ID	Chained price index--imports of computer equipment, 2005=100, BEA
JPMGKO	ST	Chained price index--imports of other capital equipment, 2005=100, BEA
JPMGKXCPP	ID	Chained price index--imports of capital equipment exc. computer equipment, 2005=100, IHS Global Insight
JPMGNPETXCPP	ID	Chained price index--imports of goods exc. petroleum products & computer equipment, 2005=100, IHS Global Insight
JPMGO	ST	Chained price index--imports of other goods, 2005=100, BEA
JPMGPET	ID	Chained price index--imports of petroleum products, 2005=100, BEA
JPMSVTOT	ID	Chained price index--imports of services, 2005=100, BEA
JPMSVTOU	ST	Chained price index--imports of tourist services, 2005=100, IHS Global Insight
JPMSVXTOU	ST	Chained price index--imports of non-tourist services, 2005=100, IHS Global Insight
JPQINVW	ID	Chained price index--final demand weighted by intensity of wholesale inventories, 2005=100, IHS Global Insight
JPQMGC	ID	Chained price index--final demand weighted by imports of consumer goods, 2005=100, IHS Global Insight
JPSFCPRI	ID	Chained price index for private and export demand for computers, 2005=100, IHS Global Insight
JPX	ID	Chained price index--exports, 2005=100, BEA
JPXFY	ST	Chained price index--exports of factor services, 2005=100, BEA
JPXG	ID	Chained price index--exports of goods, 2005=100, BEA
JPXGAUTO	ST	Chained price index--exports of motor vehicles & parts, 2005=100, BEA
JPXGC	ST	Chained price index--exports of non-automotive consumer goods, 2005=100, BEA
JPXGFFB	ST	Chained price index--exports of foods, feeds & beverages, 2005=100, BEA
JPXGIN	ST	Chained price index--exports of industrial materials & supplies, 2005=100, BEA
JPXGK	ID	Chained price index--exports of capital equipment, 2005=100, BEA
JPXGKCAEP	ST	Chained price index--exports of aircraft, 2005=100, BEA
JPXGKCPP	ID	Chained price index--exports of computer equipment, 2005=100, BEA
JPXGKO	ST	Chained price index--exports of other capital equipment, 2005=100, BEA
JPXGO	ST	Chained price index--exports of other goods, 2005=100, BEA
JPXGXCPP	ID	Chained price index--exports of goods & services exc. computer equipment, 2005=100, IHS Global Insight
JPXSVTOT	ID	Chained price index--exports of services, 2005=100, BEA
JPXSVTOU	ST	Chained price index--exports of tourist services, 2005=100, IHS Global Insight
JPXSVXTOU	ST	Chained price index--exports of non-tourist services, 2005=100, IHS Global Insight
JQINDMPROXY	ST	Proxy for industrial production index, manufacturing, 1996=1.0, IHS Global Insight
JQPCMHFE	ST	Full-employment productivity in nonfarm business, index, 2005=1.0, IHS Global Insight
JQPCMHM	ST	index of output per hour in manufacturing, index, 2005=1.0, BLS
JQPCMHMD	ST	Output per hour in durable manufacturing, index, 2005=1.0, BLS
JQPCMHMN	ST	Output per hour in nondurable manufacturing, index, 2005=1.0, BLS
JQPCMHNF	ST	Output per hour in nonfarm business, index, 2005=1.0, BLS
JSSINDEX	ID	Cost-of-living indexation factor for social security payments, 1984=1.0, IHS Global Insight
JSSLEV	EX	Lever to modify cost-of-living adjustment on Social Security, simulation tool
JTTRADE	ID	Terms of trade-merchandise other than petroleum products & computer equipment, ratio of export to import prices, IHS Global Insight
JULCNF	ID	Unit labor costs in nonfarm business, index, 2005=1.0, BLS
JWSSNF	ST	Total compensation per hour in nonfarm business, index, 2005=1.0, BLS
KHU	ID	Stock of housing including mobile homes, millions of units, end of period, IHS Global Insight
KHUMFG	ID	Stock of mobile homes, millions of units, end of period, IHS Global Insight
KHUMFGDIS	EX	Discrepancy for stock mobile homes, millions of units, IHS Global Insight
KHUPS	ID	Stock of housing excluding mobile homes, millions of units, end of period, IHS Global Insight
KHUPS1	ID	Stock of single-family housing units, millions of units, end of period, IHS Global Insight
KHUPS1DIS	EX	Discrepancy for stock of single family homes, millions of units, IHS Global Insight
KHUPS2A	ID	Stock of multi-family housing units, millions of units, end of period, IHS Global Insight
KHUPS2ADIS	EX	Discrepancy for stock of multi-family homes, millions of units, IHS Global Insight
KMPGLV	EX	Average miles per gallon of the light vehicle stock, DOE
KNEFXNRER	ID	Effective real capital stock, used for full employment GDP, billions of chained 2005 dollars, end of period, IHS Global Insight
KNEFXNREXER	ID	Effective non-energy real capital stock, used for full empl. GDP, billions of chained 2005 dollars, end of period, IHS Global Insight
KNGINFRAR	ID	Real net stock of government infrastructure, billions of chained 2005 dollars, end of period, IHS Global Insight

Mnemonic	Type	Description
KNIFNREEINDR	ID	Real net stock of industrial equipment, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREEIPCCR	ID	Real net stock of nonresidential computer equipment, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREEIPCSR	ID	Real net stock of software, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREEIPCTR	ID	Real net stock of communication equipment, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREEIPOR	ID	Real net stock of other information equipment, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREEMISCR	ID	Real net stock of miscellaneous equipment, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREEOR	ID	Real net stock of nonresidential other equipment, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREEOXER	ID	Real net stock of nonresidential miscellaneous other equipment exc. energy, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREEPCC	EX	Corporate share of stock of nonresidential equipment, decimal fraction, end of period, IHS Global Insight
KNIFNREER	ID	Real net stock of producers' equipment & software, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREETACR	ID	Real net stock of aircraft fleets, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREETLVR	ID	Real net stock of light vehicles, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNREETOR	ID	Real net stock of nonresidential other transportation equipment, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNRESBAOR	ID	Real net stock of nonres. buildings, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNRESMIR	ID	Real net capital stock of mines & wells, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNRESPCR	ID	Real net stock of telecommunications infrastructure, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNRESPUOR	ID	Real net stock of public utility structures exc. telecoms, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNRESPUR	ID	Real net capital stock of public utilities, billions of chained 2005 dollars, end of period, IHS Global Insight
KNIFNRESXPUPCC	EX	Corporate share of non-public utility structures, decimal fraction, end of period, IHS Global Insight
KNIFREPCC	EX	Corporate share of residential housing stock, decimal fraction, end of period, IHS Global Insight
KNIFRER	ID	Real net stock of residential capital, billions of chained 2005 dollars, end of period, IHS Global Insight
KNRADINDR	ID	Real net stock of industry-financed R&D capital, billions of chained 2005 dollars, end of period, IHS Global Insight
KNRADOR	ID	Real net stock of non-industry-financed R&D capital, billions of chained 2005 dollars, end of period, IHS Global Insight
KNRADR	ID	Real net stock of research & development capital, billions of chained 2005 dollars, end of period, IHS Global Insight
KREGCARS	ID	Stock of registered cars, millions of units, end of period, Ward's
KREGCARSDIS	EX	Discrepancy for stock of cars, millions of units, IHS Global Insight
KREGTRUCKS	ID	Stock of registered trucks, millions of units, end of period, Ward's
KREGTRUCKSDIS	EX	Discrepancy for stock of trucks, millions of units, IHS Global Insight
LCBCAI	ST	Commercial & industrial loans at all commercial banks, billions of dollars, end of period, FRB
LCNMTGO	ST	Outstanding non-mortgage consumer credit, billions of dollars, end of period, FRB
LHRSXEAGFE	ID	Labor input to non-energy, non-government potential GDP, millions of hours per week, IHS Global Insight
LHRSXGFE	ID	Labor input to non-government potential GDP, millions of hours per week, IHS Global Insight
LIFEEIND	EX	Average tax lifetime of industrial equipment, years, IRS
LIFEEIPCC	EX	Average tax lifetime of computer equipment, years, IRS
LIFEEIPCS	EX	Average tax lifetime of software, years, IRS
LIFEEIPCT	EX	Average tax lifetime of communications equipment, years, IRS
LIFEEIPO	EX	Average tax lifetime of other information equipment, years, IRS
LIFEEMISC	ID	Average tax lifetime of miscellaneous equipment, years, IRS
LIFEEO	EX	Average tax lifetime of other capital equipment, years, IRS
LIFEETAC	EX	Average tax lifetime of aircraft, years, IRS
LIFEETLV	EX	Average tax lifetime of light vehicles, years, IRS
LIFEETO	EX	Average tax lifetime of other transportation equipment, years, IRS
LIFESBAO	EX	Average tax lifetime of nonresidential structures, years, IRS
LIFESPC	EX	Average tax lifetime of telecommunications infrastructure, years, IRS
LIFESPU	EX	Average tax lifetime of public utilities, years, IRS
LIFESPUO	EX	Average tax lifetime of public utilities except telecommunications, years, IRS
LIFESRE	EX	Average tax lifetime of residential structures, years, IRS
M	ID	Imports of goods & services, billions of dollars, annual rate, BEA
M1	ID	M1 money supply, billions of dollars, period average, FRB
M1CURATC	ST	Currency & travelers' checks in circulation, billions of dollars, period average, FRB
M1DCHK	ST	Checkable deposits, billions of dollars, period average, FRB
M2	ST	M2 money supply, billions of dollars, period average, FRB
MCAIDRATIO	EX	Ratio of state & local health spending to Medicaid grants, IHS Global Insight
MFY	ID	NIPA imports of factor services, billions of dollars, annual rate, BEA
MFYR	ID	Real imports of factor services, billions of chained 2005 dollars, annual rate, BEA
MFYRESID	EX	NIPA/BOP discrepancy--imports of factor services, billions of dollars, annual rate, IHS Global Insight
MG	ID	Imports of goods, billions of dollars, annual rate, BEA
MGAUTO	ID	Imports of motor vehicles & parts, billions of dollars, annual rate, BEA
MGAUTOR	ST	Real imports of motor vehicles & parts, billions of chained 2005 dollars, annual rate, BEA
MGC	ST	Imports of non-automotive consumer goods, billions of dollars, annual rate, BEA
MGCR	ID	Real imports of non-automotive consumer goods, billions of chained 2005 dollars, annual rate, BEA
MGFFB	ID	Imports of foods, feeds & beverages, billions of dollars, annual rate, BEA
MGFFBR	ST	Real imports of foods, feeds & beverages, billions of chained 2005 dollars, annual rate, BEA
MGIN	ID	Imports of industrial materials & supplies exc. petroleum products, billions of dollars, annual rate, BEA
MGINAPET	ID	Imports of industrial materials & supplies, billions of dollars, annual rate, IHS Global Insight
MGINAPETR	ID	Real imports of industrial supplies, billions of chained 2005 dollars, annual rate, IHS Global Insight
MGINR	ST	Real imports of industrial supplies exc. petroleum products, billions of chained 2005 dollars, annual rate, BEA
MGK	ID	Imports of capital equipment, billions of dollars, annual rate, BEA
MGKCAEP	ID	Imports of aircraft, billions of dollars, annual rate, BEA
MGKCAEPR	ST	Real imports of aircraft, billions of chained 2005 dollars, annual rate, BEA
MGKCPP	ST	Imports of computer equipment, billions of dollars, annual rate, BEA

Variable Descriptions: US2010C Model

Mnemonic	Type	Description
MGKCPPR	ID	Real imports of computer equipment, billions of chained 2005 dollars, annual rate, BEA
MGKO	ST	Imports of other capital equipment, billions of dollars, annual rate, BEA
MGKOR	ID	Real imports of other capital equipment, billions of chained 2005 dollars, annual rate, BEA
MGKR	ID	Real imports of capital equipment, billions of chained 2005 dollars, annual rate, BEA
MGKXCPP	ID	Imports of capital equipment exc. computer equipment, billions of dollars, annual rate, IHS Global Insight
MGKXCPPR	ID	Real imports of capital equipment exc. computer equipment, billions of chained 2005 dollars, annual rate, BEA
MGNPETXCPP	ID	Imports of goods exc. petroleum products & computer equipment, billions of dollars, annual rate, IHS Global Insight
MGNPETXCPPR	ID	Real imports of goods exc. petroleum products & computer equipment, billions of chained 2005 dollars, IHS Global Insight
MGO	ID	Imports of other goods, billions of dollars, annual rate, BEA
MGOR	ST	Real imports of other goods, billions of chained 2005 dollars, annual rate, BEA
MGPET	ID	Imports of petroleum products, billions of dollars, annual rate, BEA
MGPETR	ST	Real imports of petroleum products, billions of chained 2005 dollars, annual rate, BEA
MGR	ID	Real imports of goods, billions of chained 2005 dollars, BEA
MHRSNFP	ST	Manhours in private nonfarm establishments, billions of hours, annual rate, BLS
MINWAGE	EX	Minimum wage, dollars, hourly rate, BLS
MPGLV	EX	Average miles per gallon of new light vehicles, IHS Global Insight
MR	ID	Real imports of goods & services, billions of chained 2005 dollars, annual rate, BEA
MSVTOT	ID	Imports of services, billions of dollars, annual rate, BEA
MSVTOTR	ID	Real imports of services, billions of chained 2005 dollars, annual rate, BEA
MSVTOU	ID	Imports of tourist services plus fares, billions of dollars, annual rate, IHS Global Insight
MSVTOUR	ST	Real imports of tourist services plus fares, billions of chained 2005 dollars, annual rate, IHS Global Insight
MSVXTOU	ID	Imports of non-tourist services, billions of dollars, annual rate, IHS Global Insight
MSVXTOUR	ST	Real imports of non-tourist services, billions of chained 2005 dollars, annual rate, IHS Global Insight
MTGCMLNA	ST	Commercial mortgages--net acquisitions, billions of dollars, annual rate, FRB
MTGCMLO	ID	Commercial mortgages--outstandings, billions of dollars, end of period, FRB
MTGFARMNA	EX	Farm mortgages--net acquisitions, billions of dollars, annual rate, FRB
MTGFARMO	ID	Farm mortgages--outstandings, billions of dollars, end of period, FRB
MTGHNA	ST	Home mortgages--net acquisitions, billions of dollars, annual rate, FRB
MTGHO	ID	Home mortgages--outstandings, billions of dollars, end of period, FRB
MTGMFNA	ST	Multifamily mortgages--net acquisitions, billions of dollars, annual rate, FRB
MTGMFO	ID	Multifamily mortgages--outstandings, billions of dollars, end of period, FRB
MTGNA	ID	All mortgages--net acquisitions, billions of dollars, annual rate, FRB
MTGO	ID	All mortgages--outstandings, billions of dollars, end of period, FRB
MTGPMT	ID	Monthly mortgage payment on the average-priced new home, dollars, IHS Global Insight
NETCAPTR	EX	Foreign capital account net transactions, NIPA basis, billions of dollars, annual rate, BEA
NETCAPTRF	EX	Net capital transfers paid by corporate sector, billions of dollars, annual rate, BEA
NETCFIVA	ID	Corporate cash with inventory valuation adjustment net of dividends, billions of dollars, annual rate, BEA
NETLENDNIPA	ID	Net foreign investment, billions of dollars, annual rate, BEA
NETSAVGF	ID	Federal budget surplus--NIPA basis, billions of dollars, annual rate, BEA
NETSAVGFFE	ID	Full-employment federal NIPA budget surplus, billions of dollars, annual rate, IHS Global Insight
NETSAVGFUNIFY	ID	FY unified budget balance, billions of dollars, US Treasury
NETSAVGFUNINS	ID	Federal surplus--unified budget basis, billions of dollars, quarterly rate, US Treasury
NETSAVGSL	ID	State & local government operating surplus, billions of dollars, annual rate, BEA
NETX	ID	Net exports of goods & services, billions of dollars, annual rate, BEA
NETXG	ID	Net exports of goods, billions of dollars, annual rate, BEA
NETXR	ID	Real net exports of goods & services, billions of chained 2005 dollars, IHS Global Insight
NETXSV	ID	Net exports of services, billions of dollars, annual rate, BEA
NHH	ST	Number of households, millions, end of period, Census
NHHTREND1	EX	Trend in the number of single-family households, millions, IHS Global Insight
NHHTREND2A	EX	Trend in the number of multi-family units, millions, IHS Global Insight
NLFC	ID	Civilian labor force with adjustment for 2000 census, millions, BLS
NLFC16T64	ST	Labor force aged 16-64, millions, BLS
NLFC65A	ST	Labor force aged 65 & over, millions, BLS
NLFCFE	ID	Full-employment civilian labor force, millions, IHS Global Insight
NNP	ID	Net national product, billions of dollars, annual rate, BEA
NP	EX	Total population, including armed forces overseas, millions, end of period, Census
NP0T4	EX	Population under five, millions, end of period, Census
NP16A	EX	Population aged 16 & over, millions, end of period, Census
NP55T64	EX	Population aged 55 through 64, millions, end of period, Census
NP5T21	EX	Population aged 5 through 21, millions, end of period, Census
NP65A	EX	Population aged 65 and over, millions, end of period, Census
NP65T84	ID	Population aged 65 through 84, millions, end of period, Census
NP85A	EX	Population aged 85 and over, millions, end of period, Census
NPM25T54	EX	Male population aged 25 through 54, millions, end of period, Census
PADEIND	EX	Proportion of depreciation taken at accelerated rate--industrial equipment, IHS Global Insight
PADEIPCC	EX	Proportion of depreciation taken at accelerated rate--computers, IHS Global Insight
PADEIPCS	EX	Proportion of depreciation taken at accelerated rate--software, IHS Global Insight
PADEIPCT	EX	Proportion of depreciation taken at accelerated rate-communication equipment, IHS Global Insight
PADEIPO	EX	Proportion of depreciation taken at accelerated rate--other information equipment, IHS Global Insight
PADEMISC	ID	Proportion of depreciation taken at accelerated rate--miscellaneous equipment, IHS Global Insight
PADEO	EX	Proportion of depreciation taken at accelerated rate--other equipment, IHS Global Insight
PADETAC	EX	Proportion of depreciation taken at accelerated rate--aircraft, IHS Global Insight

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Mnemonic	Type	Description
PADETLV	EX	Proportion of depreciation taken at accelerated rate--light vehicles, IHS Global Insight
PADETO	EX	Proportion of depreciation taken at accelerated rate--other transportation equipment, IHS Global Insight
PADSBAO	EX	Proportion of depreciation taken at accelerated rate--buildings & other, IHS Global Insight
PADSPC	EX	Proportion of depreciation taken at accelerated rate--telecommunications infrastructure, IHS Global Insight
PADSPU	EX	Proportion of depreciation taken at accelerated rate--public utilities , IHS Global Insight
PADSPUO	EX	Proportion of depreciation taken at accelerated rate--public utilities exc. telecommunications, IHS Global Insight
PCEXPMD	ST	Expected inflation rate on consumer purchases one year ahead, percent, University of Michigan
PDIINV	ID	Implicit price deflator--total inventories, index, 2005=100, BEA
PDIINVCMIU	QID	Implicit price deflator--construction, mining and utility inventories, index, 2005=100, BEA
PDIINVF	QID	Implicit price deflator--private farm inventories, index, 2005=100, BEA
PDIINVM	ST	Implicit price deflator--manufacturing inventories, index, 2005=100, BEA
PDIINVMISC	ID	Implicit price deflator--miscellaneous inventories, index, 2005=100, IHS Global Insight
PDIINVNF	ID	Implicit price deflator--nonfarm business inventories, index, 2005=100, BEA
PDIINVO	QID	Implicit price deflator--other inventories, index, 2005=100, BEA
PDIINVRT	ID	Implicit price deflator--retail inventories, index, 2005=100, BEA
PDIINVRT441	QID	Implicit price deflator--retail vehicle inventories, index, 2005=100, BEA
PDIINVRTX441	QID	Implicit price deflator--retail inventories exc. vehicles, index, 2005=100, IHS Global Insight
PDIINVW	QID	Implicit price deflator--wholesaler inventories, index, 2005=100, BEA
PHU1EAVGNS	ST	Average sales price of existing single-family homes, thousands of dollars, NAR
PHU1EMEDNS	ST	Median sales price of existing single-family homes, thousands of dollars, NAR
PHU1NAVG96NS	ST	Average sales price of a new 1996-style single-family home, thousands of dollars, Census
PHU1NAVGNS	ST	Average sales price of new single-family homes, thousands of dollars, Census
PHU1NMEDNS	ST	Median sales price of new single-family homes, thousands of dollars, BLS
PHU1OFHEONS	ST	FHFA housing price index, 1980Q1=100, FHFA
PHU1OFHEOXRNS	ST	FHFA housing price index--purchase only, 1991Q1=100, FHFA
PLVAVG	ST	Average price of a new light vehicle, thousands of dollars, IHS Global Insight
PNGHH	ID	Henry Hub cash market price of natural gas, dollars per million btu, IHS
PNGWL	ID	Average wellhead price of natural gas, dollars per million btu, HIS
POILDOM	ID	Weighted average price of domestic crude received in refinery inventories, dollars per barrel, not seas. adjusted, DOE
POILIMP	ID	Weighted average price of imported crude received in refinery inventories, dollars per barrel, not seas. adjusted, DOE
POILIMPR	ID	Inflation-adjusted price of imported crude oil to refiners, 2005 dollars per barrel, IHS Global Insight
POILRAP	ID	Weighted average price of crude received in refinery inventories, dollars per barrel, not seasonally adjusted, DOE
POILWTI	ST	Average price of West Texas Intermediate crude, dollars per barrel, not seasonally adjusted, Investors' Business Daily
PRMGA	ID	Average retail price of motor gasoline, all types, including tax, cents per gallon, BLS
PVDEIND	ID	Present value of $1 of depreciation--industrial equipment, cents per dollar, IHS Global Insight
PVDEIPCC	ID	Present value of $1 of depreciation--computers, cents per dollar, IHS Global Insight
PVDEIPCS	ID	Present value of $1 of depreciation--software, cents per dollar, IHS Global Insight
PVDEIPCT	ID	Present value of $1 of depreciation--communication equipment, cents per dollar, IHS Global Insight
PVDEIPO	ID	Present value of $1 of depreciation--other information equipment, cents per dollar, IHS Global Insight
PVDEMISC	ID	Present value of $1 of depreciation--miscellaneous equipment, cents per dollar, IHS Global Insight
PVDEO	ID	Present value of $1 of depreciation--other capital goods, cents per dollar, IHS Global Insight
PVDETAC	ID	Present value of $1 of depreciation--aircraft, cents per dollar, IHS Global Insight
PVDETLV	ID	Present value of $1 of depreciation--light vehicles, cents per dollar, IHS Global Insight
PVDETO	ID	Present value of $1 of depreciation--other transportation equipment, cents per dollar, IHS Global Insight
PVDSBAOCP	ID	Present value of $1 of depreciation--corporate structures, cents per dollar, IHS Global Insight
PVDSBAOLTP	ID	Present value of $1 of depreciation--limited partnership structures, cents per dollar, IHS Global Insight
PVDSPC	ID	Present value of $1 of depreciation--telecommunications infrastructure, cents per dollar, IHS Global Insight
PVDSPU	ID	Present value of $1 of depreciation--public utilities, cents per dollar, IHS Global Insight
PVDSPUO	ID	Present value of $1 of depreciation--public utilities except telecommunications, cents per dollar, IHS Global Insight
QENG	ID	Index of domestic energy demand, 1996=1.0, IHS Global Insight
QGASASF	ST	Highway consumption of gasoline & special fuels, billions of gallons, annual rate, DOE
QGOODSR	ID	Real final demand for output of goods-producing industries, index, 2005=1.0, IHS Global Insight
QINVRTR	ID	Real final demand for retail inventories, index, 2005=1.0, IHS Global Insight
QINVWR	ID	Real final demand for wholesale inventories, index, 2005=1.0, IHS Global Insight
QMGCR	ID	Real final demand for imports of consumer goods, billions of chained 2005 dollars, IHS Global Insight
QNHNGAEFER	ID	Full-employment non-housing, non-government output, billions of chained 2005 dollars, annual rate, IHS Global Insight
RAD	ID	Research & development spending, billions of dollars, annual rate, NSF
RADIND	ID	Research & development spending funded by industry, billions of dollars, annual rate, NSF
RADINDR	ST	Real research & development spending funded by industry, billions of chained 2005 dollars, annual rate, NSF
RADO	ID	Research & development spending from non-industry sources, billions of dollars, annual rate, NSF
RADOR	EX	Real research & development spending from non-industry sources, billions of chained 2005 dollars, annual rate, NSF
RADR	ID	Real research & development spending, billions of chained 2005 dollars, annual rate, NSF
RDELBKC	ST	Bank credit card accounts past due 30 days or more, percent, American Bankers Association
RESFRBB	ID	Federal Reserve system--borrowed reserves, billions of dollars, quarterly average, FRB
RESFRBE	ID	Federal Reserve system--excess reserves, billions of dollars, quarterly average, FRB
RESFRBF	ID	Federal Reserve system--free reserves, billions of dollars, quarterly average, FRB
RESFRBNBA	EX	Federal Reserve system--nonborrowed reserves, billions of dollars, quarterly average, FRB
RESFRBREQ	ID	Federal Reserve system--required reserves, billions of dollars, quarterly average, FRB
RESFRBT	ID	Federal Reserve system--total reserves, billions of dollars, quarterly average, FRB
RFTX	EX	Unified flat income tax rate, decimal fraction, simulation tool
RGFDEBTST	EX	Ratio of short-term (one year & under) debt to publicly held federal debt, decimal fraction, end of period, IHS Global Insight
RITC	EX	Marginal rate of investment tax credit on equipment, decimal fraction, IRS

Variable Descriptions: US2010C Model

Mnemonic	Type	Description
RITCEIND	EX	Marginal rate of investment tax credit on industrial equipment, decimal fraction, IRS
RITCEIPCC	EX	Marginal rate of investment tax credit on computer equipment, decimal fraction, IRS
RITCEIPCS	EX	Marginal rate of investment tax credit on software, decimal fraction, IRS
RITCEIPCT	EX	Marginal rate of investment tax credit on communication equipment, decimal fraction, IRS
RITCEIPO	EX	Marginal rate of investment tax credit on other information equipment, decimal fraction, IRS
RITCEMISC	ID	Marginal rate of investment tax credit on miscellaneous equipment, IHS Global Insight
RITCEO	EX	Marginal rate of investment tax credit on other equipment, decimal fraction, IHS Global Insight
RITCETAC	EX	Marginal rate of investment tax credit on aircraft, decimal fraction, IRS
RITCETLV	EX	Marginal rate of investment tax credit on light vehicles, decimal fraction, IRS
RITCETO	EX	Marginal rate of investment tax credit on other transportation equipment, decimal fraction, IRS
RITCRAD	EX	Marginal rate of investment tax credit on R&D, decimal fraction, IRS
RITCSBAO	EX	Marginal rate of investment tax credit on nonresidential buildings, decimal fraction, IRS
RITCSPC	EX	Marginal rate of investment tax credit on telecommunications infrastructure, decimal fraction, IRS
RITCSPU	EX	Marginal rate of investment tax credit on public utilities, decimal fraction, IHS Global Insight
RITCSPUO	EX	Marginal rate of investment tax credit on public utilities except telecommunications, decimal fraction, IRS
RITCXPU	EX	Marginal rate of investment tax credit on structures except public utilities, decimal fraction, IRS
RMCBLV	ST	Rate on commercial bank loans for new light vehicles, percent per annum, FRB
RMCD3SEC	ST	Rate on 3-month negotiable CDs, percent per annum, FRB
RMCMLP3M	ST	Rate on 90-day prime commercial paper, percent per annum, FRB
RMCOF11D	ST	Cost of funds to insured S&Ls in the 11th district, percent per annum, Federal Home Loan Bank of San Francisco
RMCORPAAA	ST	Yield on Aaa-rated corporate bonds, percent per annum, FRB
RMCORPBAA	ST	Yield on Baa-rated corporate bonds, percent per annum, FRB
RMCORPPUAA	ST	Rate on Aa-rated public utility bonds, percent per annum, Moody's
RMDWPRIME	QID	Prime discount rate at the Federal Reserve Bank of New York, percent per annum, FRB
RMEUROD3M	ST	Rate on 3-month eurodollar deposits, percent per annum, Reuters
RMFF	ID	Effective rate on federal funds, percent per annum, FRB
RMFFLEV	EX	Lever for turning on Federal Reserve reaction function, simulation tool
RMFFRCT	ST	Effective rate on federal funds--reaction function, percent per annum, FRB
RMFFRES	ST	Effective rate on federal funds, percent per annum, FRB
RMGBLMTP	ID	Long-term government bond yield in major currency trading partners, percent per annum, IHS Global Insight
RMGBLMTPLEV	EX	Lever defining percent pass through from US to foreign real interest rates, simulation tool
RMGBLMTPREAL	ID	Real yield on long-term government bonds of major currency trading partners, percent per annum, IHS Global Insight
RMGBLUSREAL	ID	Real yield on US Treasury long-term bonds, percent per annum, IHS Global Insight
RMMTG30CON	ST	Commitment rate on conventional 30-year mortgage--all lenders, percent per annum, Freddie Mac
RMMTGEXIST	ST	Rate on existing-home mortgages (ARM and Fixed), percent per annum, Federal Housing Finance Board (FHFB)
RMMUNIAAA	ST	Rate on Aaa-rated municipal bonds, percent per annum, FRB
RMMUNIBB20	ST	Yield on municipal bonds--bond buyer 20-bond index, percent per annum, Bond Buyer
RMPRIME	QID	Prime rate at commercial banks, percent per annum, FRB
RMTB3M	ST	Discount rate on 3-month treasury bills, percent per annum, FRB
RMTB6M	ST	Discount rate on 6-month treasury bills, percent per annum, FRB
RMTCM10Y	ST	Yield on 10-year treasury notes, percent per annum, FRB
RMTCM1Y	ST	Yield on 52-week treasury bills or 1-year treasury notes, percent per annum, FRB
RMTCM25AY	ST	Yield on 30-year treasury bonds, percent per annum, FRB
RMTCM2Y	ST	Yield on 2-year treasury notes, percent per annum, FRB
RMTCM5Y	ST	Yield on 5-year treasury notes, percent per annum, FRB
RMYINTAVG	ID	Composite of lagged interest rates for generating personal interest income, percent per annum, IHS Global Insight
RRDDE	EX	Effective reserve requirement on demand deposits, decimal fraction, IHS Global Insight
RRDTE	EX	Effective reserve requirement on time deposits, decimal fraction, IHS Global Insight
RTXCAPGMAX	EX	Maximum marginal tax rate on personal capital gains, percent, IRS
RTXCGFRES	EX	Difference between effective & statutory corporate income tax rate, decimal fraction, IHS Global Insight
RTXCGFS	EX	Statutory federal corporate income tax rate, decimal fraction, IRS
RTXCGSL	EX	Average effective state & local corporate income tax rate, decimal fraction, IHS Global Insight
RTXPGF	ST	Effective federal personal income tax rate, decimal fraction, IHS Global Insight
RTXPGSL	ST	Average effective state & local personal income tax rate, decimal fraction, IHS Global Insight
RTXPMARG	ID	Average marginal personal income tax rate, decimal fraction, IHS Global Insight
RTXPMARGF	EX	Average federal marginal tax rate on personal income, decimal fraction, IHS Global Insight
RTXSEVPANG	EX	Average corporate severance tax rate on crude oil & natural gas, decimal fraction, IRS
RTXSIGF	EX	Effective federal social insurance tax rate on wages & salaries, decimal fraction, IHS Global Insight
RTXSIGSL	EX	Effective state & local government social insurance tax rate on wages and salaries, decimal fraction, IHS Global Insight
RUC	ST	Civilian unemployment rate, percent, BLS
RUFE	EX	Full-employment unemployment rate, percent, IHS Global Insight
RVAT	EX	Value-added tax rate, proportion, simulation tool
RVATMC	ID	Effective VAT rate on goods competing with consumer goods imports, proportion, simulation tool
RVATMCPP	ID	Effective VAT rate on goods competing with business machine imports, proportion, simulation tool
RVRENTNS	ST	Vacancy rate of rental housing units, including dilapidated units, percent, Census
SAV	ID	Gross saving, billions of dollars, annual rate, BEA
SAVG	ID	Gross government saving, billions of dollars, annual rate, BEA
SAVPER	ID	Personal saving, billions of dollars, annual rate, BEA
SAVPRATE	ID	Personal saving as a percent of disposable income, BEA
SAVPRI	ID	Gross private saving, billions of dollars, annual rate, BEA
SFCPRI	ID	Final private domestic and export demand for computers, billions of dollars, annual rate, IHS Global Insight
SFCPRIR	ID	Real final private domestic and export demand for computers, billions of chained 2005 dollars, annual rate, IHS Global Insight

Mnemonic	Type	Description
SFDPRCHR	ID	Real final sales to domestic purchasers, billions of chained 2005 dollars, annual rate, BEA
SFDPROD	ID	Final sales of domestic product, billions of dollars, annual rate, BEA
SFDPRODR	ID	Real final sales of domestic product, billions of chained 2005 dollars, annual rate, BEA
SP500	ST	S&P 500 index of common stocks, Standard & Poor's
SP500DIV	ST	Dividend on S&P 500 stock index, adjusted to conform to S&P 500 index, Standard & Poor's
SP500EARNNS	ST	Reported earnings on S&P 500 stock index, index, Standard & Poor's
SP500EARNOPNS	ST	Operating earnings on S&P 500 stock index, index, Standard & Poor's
SP500PE	ID	Price-earnings ratio for the S&P 500 common stock index, IHS Global Insight
SP500YLD	ID	Dividend yield on S&P 500 stock index, percent per annum, Standard & Poor's
SRTAFS	ST	Retail sales, including food service, billions of dollars, annual rate, Census
STAT	EX	Difference between income & product measures of GDP, billions of dollars, annual rate, BEA
SUBGF	ID	Federal government subsidies, billions of dollars, annual rate, BEA
SUBGFAG	EX	Federal government subsidies--agriculture programs, billions of dollars, annual rate, BEA
SUBGFHSNG	EX	Federal government subsidies--housing programs, billions of dollars, annual rate, BEA
SUBGFOTH	EX	Federal government subsidies--other programs, billions of dollars, annual rate, BEA
SUBGSL	EX	State and local government subsidies, billions of dollars, annual rate, BEA
SUBLSURPGF	ID	Subsidies less current surplus of federal enterprises, billions of dollars, annual rate, IHS Global Insight
SUBLSURPGSL	ID	Subsidies less current surplus of state & local government enterprises, billions of dollars, annual rate, IHS Global Insight
SURGFE	EX	Surplus of federal government enterprises, billions of dollars, annual rate, BEA
SURGSLE	EX	Surplus of state and local government enterprises, billions of dollars, annual rate, BEA
SUVA	ID	Unit sales of new automobiles, millions, annual rate, BEA
SUVADOM	ID	Unit sales of new domestic automobiles, millions, annual rate, BEA
SUVAIMP	ID	Unit sales of new imported automobiles, millions, annual rate, BEA
SUVAIMPPCA	ID	Imported cars as a share of total car sales, percent
SUVGOV	EX	Government purchases of new light vehicles, thousands, annual rate, BEA
SUVLV	ID	Unit sales of new light vehicles, millions, annual rate, BEA
SUVT	ID	Sales of all new trucks, millions, annual rate, BEA
SUVTHAM	ST	Sales of new heavy & medium trucks, millions, annual rate, BEA
SUVTL	ID	Unit sales of new light trucks, millions, annual rate, BEA
SUVTLDOM	ID	Unit sales of new light domestic trucks, millions, annual rate, BEA
SUVTLIMP	ID	Unit sales of new light imported trucks, millions, annual rate, BEA
SUVTLIMPPCTL	EX	Imported light trucks as a share of total light truck sales, percent, IHS Global Insight
SUVTLPCLV	EX	Ratio of light trucks to total new light vehicle sales, decimal fraction, IHS Global Insight
SWEIND	ID	Switchpoint to straight-line depreciation--industrial equipment, years, IHS Global Insight
SWEIPCC	ID	Switchpoint to straight-line depreciation--computers, years, IHS Global Insight
SWEIPCS	ID	Switchpoint to straight-line depreciation--software, years, IHS Global Insight
SWEIPCT	ID	Switchpoint to straight-line depreciation--communications equipment, years, IHS Global Insight
SWEIPO	ID	Switchpoint to straight-line depreciation--other information equipment, years, IHS Global Insight
SWEMISC	ID	Switchpoint to straight-line depreciation--miscellaneous equipment, IHS Global Insight
SWEO	ID	Switchpoint to straight-line depreciation--other equipment, years, IHS Global Insight
SWETAC	ID	Switchpoint to straight-line depreciation--aircraft, years, IHS Global Insight
SWETLV	ID	Switchpoint to straight-line depreciation--light vehicles, years, IHS Global Insight
SWETO	ID	Switchpoint to straight-line depreciation--other transportation equipment, years, IHS Global Insight
SWSBAO	ID	Switchpoint to straight-line depreciation--buildings & other, years, IHS Global Insight
SWSPC	ID	Switchpoint to straight-line depreciation--telecommunications infrastructure, years, IHS Global Insight
SWSPU	ID	Switchpoint to straight-line depreciation--public utilities, years, IHS Global Insight
SWSPUO	ID	Switchpoint to straight-line depreciation--public utilities exc. telecommunications, years, IHS Global Insight
TDINTC	EX	Tax deductibility of non-mortgage interest payments, proportion, simulation tool
TDMTG	EX	Share of homes on which interest is a deductible federal tax expense, proportion, simulation tool
TDPASSLOSS	EX	Share of passive losses immediately deductible on federal income taxes, proportion, simulation tool
TDPRTY	EX	Share of property taxes allowed as a deductible federal tax expense, proportion, simulation tool
TDYTAX	EX	Share of state & local income taxes allowed as a deductible expense, proportion, simulation tool
TFPTREND	EX	Total factor productivity trend, index, IHS Global Insight
TIME	EX	Time trend, linear, 1947Q1=1.0
TJEXCH	ID	US goods prices relative to rest-of-world prices with adjustment for VAT taxes, proportion, IHS Global Insight
TJULCNF	ID	Unit labor cost proxy using employment cost index, index, 2005=1.0, IHS Global Insight
TJSSINDEX	ID	Temporary cost-of-living indexation factor for social security payments, simulation tool
TRADEPLEV	EX	Lever to neutralize relative price effects in import & export equations, simulation tool
TRFBUS	ST	Transfer payments by business, billions of dollars, annual rate, BEA
TRFBUSRW	EX	Transfer payments by business to rest of the world, billions of dollars, annual rate, BEA
TRFGF	ID	Federal government transfer payments, billions of dollars, annual rate, BEA
TRFGFO	ID	Other federal government transfers, billions of dollars, annual rate, IHS Global Insight
TRFGFORW	EX	Other federal government transfers to rest of the world, billions of dollars, annual rate, IHS Global Insight
TRFGFSIRW	EX	Federal government social insurance payments to the rest of the world, billions of dollars, annual rate, BEA
TXBASEF	ST	Federal personal income tax base, billions of dollars, annual rate, IHS Global Insight
TXBASESL	ID	State & local personal income tax base, billions of dollars, annual rate, IHS Global Insight
TXCORP	ID	Total corporate tax payments, billions of dollars, annual rate, BEA
TXCORPG	ID	Corporate tax receipts, billions of dollars, annual rate, BEA
TXCORPGF	ID	Federal government corporate tax receipts, billions of dollars, BEA
TXCORPGSL	ID	State & local government corporate tax receipts, billions of dollars, BEA
TXCORPRW	EX	Corporate taxes paid to the rest of the world, billions of dollars, annual rate, BEA
TXGF	ID	Total federal government tax receipts, billions of dollars, annual rate, BEA
TXGSL	ID	Total state & local tax receipts, billions of dollars, annual rate, BEA

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Mnemonic	Type	Description
TXIM	ID	Tax receipts on production and imports, billions of dollars, annual rate, BEA
TXIMGF	ID	Federal government tax receipts on production and imports, billions of dollars, annual rate, BEA
TXIMGFEWP	EX	Federal government windfall profits tax accruals, billions of dollars, annual rate, BEA
TXIMGFOTH	ST	Federal government tax receipts on production and imports other than from a VAT, billions of dollars, annual rate, BEA
TXIMGFVAT	ID	Federal government tax receipts on production and imports from a VAT, billions of dollars, annual rate, simulation tool
TXIMGSL	ST	State & local government tax receipts on production and imports, billions of dollars, annual rate, BEA
TXIMGSLPROP	ST	State & local government property tax receipts, billions of dollars, annual rate, BEA
TXINDEX	ID	Inflation indexation factor for federal personal income taxes, IHS Global Insight
TXINFLEV	EX	Lever to implement inflation indexation of personal income taxes, simulation tool
TXP	ID	Government personal tax receipts, billions of dollars, annual rate, BEA
TXPGF	ID	Federal government personal tax receipts, billions of dollars, annual rate, BEA
TXPGSL	ID	State & local government personal tax receipts, billions of dollars, annual rate, BEA
TXREBSUR	EX	Rebate or surtax on personal income tax rate, simulation tool
TXRWGF	EX	Federal government tax receipts from the rest of the world, billions of dollars, annual rate, BEA
TXSI	ID	Social insurance tax receipts, billions of dollars, annual rate, BEA
TXSIDOM	ID	Domestic Social insurance tax receipts, billions of dollars, annual rate, BEA
TXSIEC	ID	Employer-paid social insurance taxes, billions of dollars, annual rate, BEA
TXSIECGF	ID	Federal government employer-paid social insurance tax receipts, billions of dollars, annual rate, BEA
TXSIECGSL	ID	State & local government employer-paid social insurance tax receipts, billions of dollars, annual rate, BEA
TXSIECPCGF	EX	Proportion of federal social insurance taxes paid by employers, decimal fraction, IHS Global Insight
TXSIECPCGSL	EX	Proportion of state & local social insurance taxes paid by employers, decimal fraction, IHS Global Insight
TXSIGF	ID	Federal government social insurance tax receipts, billions of dollars, annual rate, BEA
TXSIGFDOM	ID	Domestic Federal government social insurance tax receipts, billions of dollars, annual rate, BEA
TXSIGFRW	EX	Rest of the World Federal government social insurance tax receipts, billions of dollars, annual rate, BEA
TXSIGSL	ID	State & local government social insurance tax receipts, billions of dollars, annual rate, BEA
TXSIWC	ID	Employee and self employed-paid social insurance taxes, billions of dollars, annual rate, BEA
UTLB00004	ST	Factory operating rate, SIC basis, percent, FRB
UTLB00004FE	EX	Factory operating rate at full employment, percent, IHS Global Insight
W1	ID	Inflation factor for farm products, index, IHS Global Insight
W10	ID	Inflation factor for metals & metal products, index, IHS Global Insight
W11	ID	Inflation factor for machinery & equipment, index, IHS Global Insight
W12	ID	Inflation factor for furniture & household durables, index, IHS Global Insight
W14	ID	Inflation factor for transportation equipment, index, IHS Global Insight
W2	ID	Inflation factor for processed foods & feeds, index, IHS Global Insight
W3	ID	Inflation factor for textile products & apparel, index, IHS Global Insight
W51	ID	Inflation factor for coal, index, IHS Global Insight
W53	ID	Inflation factor for gas fuels, index, IHS Global Insight
W54	ID	Inflation factor for electric power, index, IHS Global Insight
W55	ID	Inflation factor for utility natural gas, index, IHS Global Insight
W57	ID	Inflation factor for refined petroleum products, index, IHS Global Insight
W57ATAX	ID	Inflation factor for refined petroleum products incl. gasoline tax, index, IHS Global Insight
W6	ID	Inflation factor for chemicals & allied products, index, IHS Global Insight
W7	ID	Inflation factor for rubber & plastic products, index, IHS Global Insight
W8	ID	Inflation factor for lumber & wood products, index, IHS Global Insight
W9	ID	Inflation factor for pulp & paper products, index, IHS Global Insight
WAGEATXREAL	ID	Real after-tax hourly compensation in the private sector, dollars, IHS Global Insight
WALD	ID	Wage accruals less disbursements, billions of dollars, annual rate, BEA
WALDGF	EX	Wage accruals less disbursements--federal government, billions of dollars, annual rate, BEA
WALDGSL	EX	Wage accruals less disbursements--state & local government, billions of dollars, annual rate, BEA
WALDPRI	EX	Wage accruals less disbursements--private sector, billions of dollars, annual rate, BEA
WI	ID	Inflation factor for other industrial commodities, index, IHS Global Insight
WL5000	ST	Wilshire 5000 common stock index
WPI	QID	Producer price index--all commodities, 1982=1.0, BLS
WPI01	ID	Producer price index--farm products, 1982=1.0, BLS
WPI02	ST	Producer price index--processed foods & feeds, 1982=1.0, BLS
WPI03	ST	Producer price index--textile products & apparel, 1982=1.0, BLS
WPI05	QID	Producer price index--fuels, related products & power, 1982=1.0, BLS
WPI051	ID	Producer price index--coal, 1982=1.0, BLS
WPI053	ID	Producer price index--gas fuels, 1982=1.0, BLS
WPI054	ID	Producer price index--electric power, 1982=1.0, BLS
WPI055	ST	Producer price index--utility natural gas, 1982=1.0, BLS
WPI0561	ID	Producer price index--crude petroleum, 1982=1.0, BLS
WPI057	ST	Producer price index--refined petroleum products, 1982=1.0, BLS
WPI0574	ST	Producer price index--residual petroleum fuels, 1982=1.0, BLS
WPI06	ST	Producer price index--chemicals & allied products, 1982=1.0, BLS
WPI07	ST	Producer price index--rubber & plastic products, 1982=1.0, BLS
WPI08	ST	Producer price index--lumber & wood products, 1982=1.0, BLS
WPI09	ST	Producer price index--pulp, paper & allied products, 1982=1.0, BLS
WPI10	ST	Producer price index--metals & metal products, 1982=1.0, BLS
WPI11	ST	Producer price index--machinery & equipment, 1982=1.0, BLS
WPI12	ST	Producer price index--furniture & household durables, 1982=1.0, BLS
WPI14	ST	Producer price index--transportation equipment, 1982=1.0, BLS
WPI141101	ST	Producer price index--automobiles, 1982=1.0, BLS

Mnemonic	Type	Description
WPIIND	QID	Producer price index--industrial commodities, 1982=1.0, BLS
WPIIND_05	QID	Producer price index--industrial commodities exc. energy, 1982=1.0, IHS Global Insight
WPIINDO	ST	Producer price index--other industrial commodities, 1982=1.0, IHS Global Insight
WPISOP1000	QID	Producer price index--crude materials, 1982=1.0, BLS
WPISOP2000	ST	Producer price index--intermediate materials, 1982=1.0, BLS
WPISOP3000	QID	Producer price index--finished goods, 1982=1.0, BLS
WPISOP3100	QID	Producer price index--finished consumer goods, 1982=1.0, BLS
WPISOP3110	QID	Producer price index--finished consumer foods, 1982=1.0, BLS
WPISOP3200	ST	Producer price index--finished producer goods, 1982=1.0, BLS
WPISOP3500	QID	Producer price index--finished goods other than food & energy, 1982=1.0, BLS
WPISOP3510	QID	Producer price index--finished energy goods, 1982=1.0, BLS
WPISOP3600	ST	Producer price index--finished consumer goods exc. food & energy, 1982=1.0, BLS
WPIW$0	ID	Foreign PPI in $ terms using export wts--foods, feeds & beverages, 1996=1.0, IHS Global Insight
WPIW$1	ID	Foreign PPI in $ terms using export wts--industrial supplies, 1996=1.0, IHS Global Insight
WPIW$2AC	ID	Foreign PPI in $ terms using export wts--aircraft & parts, 1996=1.0, IHS Global Insight
WPIW$2BM	ID	Foreign PPI in $ terms using export wts--computer equipment, 1996=1.0, IHS Global Insight
WPIW$2O	ID	Foreign PPI in $ terms using export wts--other capital equipment, 1996=1.0, IHS Global Insight
WPIW$3	ID	Foreign PPI in $ terms using export wts--vehicles & parts, 1996=1.0, IHS Global Insight
WPIW$4	ID	Foreign PPI in $ terms using export wts-cons. goods exc. vehicles, 1996=1.0, IHS Global Insight
WPIW$M0	ID	Foreign PPI in $ terms using import wts--foods, feeds & beverages, 1996=1.0, IHS Global Insight
WPIW$M1_PET	ID	Foreign PPI in $ terms using import wts--industrial supplies exc. petroleum, 1996=1.0, IHS Global Insight
WPIW$M2_BM	ID	Foreign PPI in $ terms using import wts--capital goods exc. computer eq., 1996=1.0, IHS Global Insight
WPIW$M3	ID	Foreign PPI in $ terms using import wts--motor vehicles & parts, 1996=1.0, IHS Global Insight
WPIW$M4	ID	Foreign PPI in $ terms using import wts-cons. goods exc. motor vehicles, 1996=1.0, IHS Global Insight
WPIW$MTP	ID	Producer prices in major currency trading partners converted to US $, index, 2005=1.0, IHS Global Insight
WPIW$OITP	ID	Producer prices in other important trading partners converted to US $, index, 2005=1.0, IHS Global Insight
WPIWLEV	EX	Lever defining determination of foreign producer prices, simulation tool
WPIWMTP	ID	Producer prices in major currency trading partners, index, 2005=1.0, IHS Global Insight
WPIWOITP	ID	Producer prices in other important trading partners, index, 2005=1.0, IHS Global Insight
WSDGPCGCWSS	EX	Wages & salaries as a share of total government compensation, billions of dollars, annual rate, IHS Global Insight
X	ID	Exports of goods & services, billions of dollars, BEA
XFY	ID	Exports of factor services, billions of dollars, annual rate, BEA
XFYR	ID	Real exports of factor services, billions of chained 2005 dollars, annual rate, BEA
XFYRESID	EX	NIPA/BOP discrepancy--exports of factor services, billions of dollars, annual rate, IHS Global Insight
XG	ID	Exports of goods, billions of dollars, annual rate, BEA
XGAUTO	ID	Exports of motor vehicles & parts, billions of dollars, annual rate, BEA
XGAUTOR	ST	Real exports of motor vehicles & parts, billions of chained 2005 dollars, annual rate, BEA
XGC	ID	Exports of non-automotive consumer goods, billions of dollars, annual rate, BEA
XGCR	ST	Real exports of non-automotive consumer goods, billions of chained 2005 dollars, annual rate, BEA
XGFFB	ID	Exports of foods, feeds & beverages, billions of dollars, annual rate, BEA
XGFFBR	ST	Real exports of foods, feeds & beverages, billions of chained 2005 dollars, annual rate, BEA
XGIN	ID	Exports of industrial materials & supplies, billions of dollars, annual rate, BEA
XGINR	ST	Real exports of industrial materials & supplies, billions of chained 2005 dollars, annual rate, BEA
XGK	ID	Exports of capital goods exc. motor vehicles, billions of dollars, annual rate, BEA
XGKCAEP	ID	Exports of aircraft, billions of dollars, annual rate, BEA
XGKCAEPR	ST	Real exports of aircraft, billions of chained 2005 dollars, annual rate, BEA
XGKCPP	ID	Exports of computer equipment, billions of dollars, annual rate, BEA
XGKCPPR	ST	Real exports of computer equipment, billions of chained 2005 dollars, annual rate, BEA
XGKO	ID	Exports of other capital equipment, billions of dollars, annual rate, BEA
XGKOR	ST	Real exports of other capital equipment, billions of chained 2005 dollars, annual rate, BEA
XGKR	ID	Real exports of capital goods exc. motor vehicles, billions of chained 2005 dollars, annual rate, BEA
XGO	ID	Exports of other goods, billions of dollars, annual rate, BEA
XGOR	ST	Real exports of other goods, billions of chained 2005 dollars, annual rate, BEA
XGR	ID	Real exports of goods, billions of chained 2005 dollars, annual rate, BEA
XGXCPP	ID	Exports of goods except computer equipment, billions of dollars, annual rate, IHS Global Insight
XGXCPPR	ID	Real exports of goods except computer equipment, billions of chained 2005 dollars, annual rate, IHS Global Insight
XR	ID	Real exports of goods & services, billions of chained 2005 dollars, annual rate, BEA
XSVTOT	ID	Exports of services, billions of dollars, annual rate, BEA
XSVTOTR	ID	Real exports of services, billions of chained 2005 dollars, annual rate, BEA
XSVTOU	ID	Exports of tourist services, billions of dollars, annual rate, IHS Global Insight
XSVTOUR	ST	Real exports of tourist services, billions of chained 2005 dollars, annual rate, IHS Global Insight
XSVXTOU	ID	Exports of non-tourist services, billions of dollars, annual rate, IHS Global Insight
XSVXTOUR	ST	Real exports of non-tourist services, billions of chained 2005 dollars, annual rate, IHS Global Insight
YGFA	ID	Federal government income on assets - Income Receipts , billions of dollars, annual rate, BEA
YGFADIV	EX	Federal government income on assets - Dividends, billions of dollars, annual rate, BEA
YGFAINT	EX	Federal government interest income, billions of dollars, annual rate, BEA
YGFAROY	EX	Federal government rent and royalty receipts, billions of dollars, annual rate, BEA
YGFTRF	ID	Federal government transfer receipts, billions of dollars, annual rate, BEA
YGFTRFBUS	EX	Federal government transfer receipts from business, billions of dollars, annual rate, BEA
YGFTRFP	EX	Federal government transfer receipts from persons, billions of dollars, annual rate, BEA
YGSLA	ID	State and local government income on assets, billions of dollars, annual rate, BEA
YGSLADIV	EX	Dividends received by state & local pension & social insurance funds, billions of dollars, annual rate, BEA
YGSLAINT	EX	Interest received by state & local governments, billions of dollars, annual rate, BEA

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Variable Descriptions: US2010C Model

Mnemonic	Type	Description
YGSLAROY	EX	State and local government rent and royalty receipts, billions of dollars, annual rate, BEA
YGSLTRF	ID	State and local government transfer receipts, billions of dollars, annual rate, BEA
YGSLTRFBUS	EX	State and local government transfer receipts from business, billions of dollars, annual rate, BEA
YGSLTRFP	EX	State and local government transfer receipts from persons, billions of dollars, annual rate, BEA
YGTRFP	ID	Consumer outlays--transfer payments to government, billions of dollars, annual rate, BEA
YN	ID	National income, billions of dollars, annual rate, BEA
YP	ID	Personal income, billions of dollars, annual rate, BEA
YPADIV	ID	Dividend payments to individuals, billions of dollars, annual rate, BEA
YPAINT	ST	Personal interest income, billions of dollars, annual rate, BEA
YPCOMP	ID	Total wages, salaries & supplements, billions of dollars, annual rate, BEA
YPCOMPPCYN	ID	Compensation share of national income, percent, IHS Global Insight
YPCOMPSUPPAI	ID	Other labor income (fringe benefits), billions of dollars, annual rate, BEA
YPCOMPSUPPAIHI	ST	Other labor income--health insurance, billions of dollars, annual rate, BEA
YPCOMPSUPPAIO	ST	Other labor income--exc. health insurance, billions of dollars, annual rate, BEA
YPCOMPWSD	ID	Wage & salary disbursements, billions of dollars, annual rate, BEA
YPCOMPWSDG	ID	Wage & salary disbursements by government, billions of dollars, annual rate, BEA
YPCOMPWSDP	ST	Wage & salary disbursements by the private sector, billions of dollars, annual rate, BEA
YPD	ID	Disposable income, billions of dollars, annual rate, BEA
YPDADJ	ID	Disposable income less "free" financial svcs. & gov't. med. payments, billions of dollars, annual rate, IHS Global Insight
YPDADJR	ID	Real disposable income exc. "free" financial services & government medical payments, billions of chained 2005 dollars, annual rate, IHS Global Insight
YPDR	ID	Real disposable income, billions of chained 2005 dollars, annual rate, BEA
YPPROPADJF	ST	Farm proprietors' income with inventory & capital consumption adjustment, billions of dollars, annual rate, BEA
YPPROPADJNF	ST	Nonfarm proprietors' income with inventory & capital consumption adjustment, billions of dollars, annual rate, BEA
YPR	ID	Real personal income, billions of chained 2005 dollars, annual rate, BEA
YPRENT	ST	Personal rental income, billions of dollars, annual rate, BEA
YPRENTADJ	ID	Personal rental income with capital consumption adjustment, billions of dollars, annual rate, BEA
YPRENTCKFADJ	ST	Capital consumption adjustment for rental income, billions of dollars, annual rate, BEA
YPTRF	ID	All transfer payments to individuals, billions of dollars, annual rate, BEA
YPTRFBUS	ID	Transfer payments from business to US individuals, billions of dollars, annual rate, BEA
YPTRFGF	ID	Federal government transfer payments to resident persons, billions of dollars, annual rate, BEA
YPTRFGFFE	ID	Full-employment federal government transfer payments to persons, billions of dollars, annual rate, IHS Global Insight
YPTRFGFFEO	ID	Non-Medicare and Social Security full-employment federal transfer payments, billions of dollars, ann. rate, IHS Global Insight
YPTRFGFO	ST	Cyclical component of federal government transfer payments to persons, billions of dollars, annual rate, IHS Global Insight
YPTRFGFSIHI	ID	Federal Medicare payments on behalf of individuals, billions of dollars, annual rate, BEA
YPTRFGFSIHIR	EX	Real Medicare payments on behalf of individuals, billions of chained 2005 dollars, annual rate, IHS Global Insight
YPTRFGFSISS	ST	Federal government OASDI payments, billions of dollars, annual rate, BEA
YPTRFGSL	ID	State & local government transfers to individuals, billions of dollars, annual rate, BEA
YPTRFGSLPAM	ID	State & local medical spending on behalf of individuals, billions of dollars, annual rate, BEA
YPTRFGSLPAO	ST	State & local non-medical personal assistance payments, billions of dollars, annual rate, IHS Global Insight
ZA	ID	After-tax profits, billions of dollars, annual rate, BEA
ZADIV	ST	Dividend payments, billions of dollars, annual rate, BEA
ZAR	ID	Real after-tax corporate profits, billions of chained 2005 dollars, annual rate, IHS Global Insight
ZARE	ID	Corporate retained earnings, billions of dollars, annual rate, BEA
ZB	ID	Before-tax corporate profits excluding IVA, billions of dollars, annual rate, BEA
ZBECON	ID	Before-tax corporate profits with IVA & capital consumption adjustment, billions of dollars, annual rate, BEA
ZBECONPCGNP	ID	Profit share of GNP, percent, IHS Global Insight
ZBECONPCYN	ID	Profit share of national income, percent, IHS Global Insight
ZBIVA	ID	Before-tax corporate profits including IVA, billions of dollars, annual rate, BEA
ZBIVADFIN521	ST	Profits of the Federal Reserve System, billions of dollars, annual rate, BEA
ZBIVARW	ST	Rest-of-world corporate profits including IVA & capital cons. adjustment, billions of dollars, annual rate, BEA
ZBR	ID	Real before-tax corporate profits excluding IVA, billions of chained 2005 dollars, annual rate, IHS Global Insight

Type of variable

ID	Identity
EX	Exogenous
QID	Quasi-identity (near-identity)
ST	Stochastic (estimated)

Created on 14 Dec 2011 for Erik Johnson

2012 Forecast Release Dates

10-Year Forecast Release Dates

2012	
January	January 2
February	February 6
March	March 7
April	April 5
May	May 7
June	June 7
July	July 5
August	August 9
September	September 6
October	October 4
November	November 5
December	December 6
2013	
January	December 28, 2012

A 30-year projection will be released quarterly, extending the February, May, August, and November forecasts.

Executive Summary Release Dates

2012	
January	January 4
February	February 8
March	March 9
April	April 9
May	May 9
June	June 11
July	July 9
August	August 13
September	September 10
October	October 8
November	November 7
December	December 10
2013	
January	January 3

U.S. Outlook Release Dates

2012	
January	January 11
February	February 15
March	March 16
April	April 16
May	May 16
June	June 18
July	July 16
August	August 20
September	September 17
October	October 15
November	November 14
December	December 17
2013	
January	January 10

Note: The release dates are for Web postings; register to receive automatic notification of postings via e-mail alert. Printed publications follow in 1–2 weeks.

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Global Credit Portal®
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January 12, 2012

Economic Research:

U.S. Economic Forecast: Just Like Ol' Times

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Table Of Contents

A Never Ending Story

Taking A Breather

Clear And Present Dangers

Keeping Hope Alive

Economic Research:

U.S. Economic Forecast: Just Like Ol' Times

As we head into 2012, the U.S. recovery gained more speed. An improving jobs market, businesses' greater willingness to invest and hire, and consumers' higher spending in the second half of 2011 indicate more momentum for the U.S. recovery. The data provide more support to our forecast that the recovery is strengthening. Improving economic momentum, together with signs that Congress can govern, reduced our U.S. recession risk to 30% from our November 5 estimate of 35%.

But before we toast to a more prosperous new year, this scenario is reminiscent of the strong fourth quarter in 2010 which also built expectations that the economy has turned the corner. Back then, it seemed that Americans returned to their free-spending days. In response, businesses picked up hiring in early 2011 on expectations that the recovery gained steam. However, it was painfully reversed during spring. This time around may be no different. In a normal environment it would make sense to extrapolate the recent improvements out for the full year, but in this volatile environment, trending the recent good news forward is a risky proposition.

The strong headwinds will keep the recovery soft and the risk of recession high in 2012. This heightened recession risk is largely because of unresolved problems in Europe, though several other "flags" on the field add to our concerns. Increased regulatory uncertainties going into 2013, the overhang of excess housing supply, struggling consumers, and the risk of austerity--both on the local and federal government level—point to murky prospects for a stronger recovery as it embarks on its third year.

While private demand has started to pick up, we don't expect significant growth this year. With gains in the jobs market insufficient to reduce the unemployment rate materially, the sovereign debt crisis spooking investors, and the potential for U.S. government dysfunction to lead to something more severe, consumer spending and business investment will remain sluggish. We expect real GDP to rise 2.0% in 2012, only slightly stronger than in 2011 and much weaker than the 3% rate in 2010. For 2013, we expect just 2.2% growth. None of this seems enough to make a dent in the unemployment rate, which will likely remain above 8% through 2013.

The largest threat to this recovery is from policymakers. While the U.S. government was able to avoid a major mistake over fiscal policy, at least temporarily, the eurozone sovereign debt crisis still casts a shadow on the U.S. recovery. A mild recession in the eurozone would not tip the U.S. into recession, but the potential financial contagion from sovereign-debt defaults could do the trick.

The better domestic data bought the Fed some time. But with looming dangers still dogging the economy, the Fed will stand ready to act. The problem is that monetary policy options are few. In addition, options on how to resolve the eurozone crisis remain bleak. Together with worries that the compromise in Congress will vanish as the election campaign heats up later this year, and with it prudent decisions on fiscal policy, we may be riding the same roller coaster all over again in 2013.

A Never Ending Story

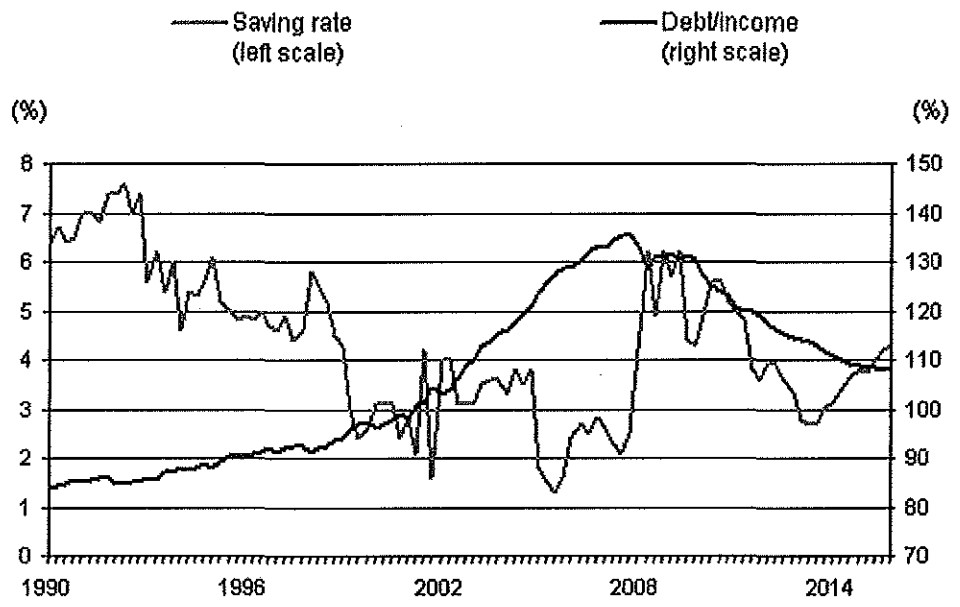
At least the recent data have given us a more solid footing as we head into 2012. The Bureau of Labor Statistics (BLS) December payrolls report provided more hope that businesses are still hiring, with stronger-than-expected

numbers across the board. We saw a pickup in nonfarm payrolls, another drop in the unemployment rate, an increase in the hours worked, and a modest increase in hourly earnings. It certainly gave markets another dose of solid economic data to support the notion that the U.S. economy has built up momentum towards the end of 2011.

The unemployment rate fell another 0.2% to 8.5% in December, declining for the fourth consecutive month to its lowest rate since February 2009. In contrast to the November drop, this time the composition was favorable. The household measure of employment rose by 176,000 and the labor force participation rate was steady at 64.0%, rather than falling as it did in November when many people left the labor force. Broader measures of labor underutilization rate (U-6) fell 0.4% to 15.2%, the lowest rate since February 2009. While we expect the unemployment rate to tick up as the discouraged unemployed now are once again looking for work, recent readings have offered signs that the market is stabilizing.

This may explain why this holiday spending season was merry: people were willing to spend more on presents. Chain store sales were up 3.5%, the strongest showing since October. Holiday sales may be up around 5%, as people dipped into savings to satisfied pent-up demand, after making do with their old appliances for the last three years.

Household Debt Dropping From Record Highs



Source: Federal Reserve, Bureau of Economic Analysis, and Standard & Poor's.

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However, the hangover will likely set in once the eggnog wears off and people receive the bills from their holiday spending binge. In addition, negative factors, such as a still weak jobs market, high household debt burdens, falling

house prices, negative real wages growth, and possible government mistakes this election year, will discourage spending. An important determinant for future consumption is real disposable income, which came in flat month-over-month in November. In contrast, spending was up just 0.1% in November and up 0.2% in real terms, so people dipped into savings, pushing the savings rate down to 3.5% from 3.6% in October. Given that households are still in a state of balance sheet repair, with income growth subdued and savings depleted, the recent spending spree is barely sustainable. We expect consumers to be cautious in 2012 and reluctant to absorb higher prices, slowing growth but also keeping inflation pressure limited.

Taking A Breather

Manufacturing, the recovery's shining star got a little dimmer in December. After nine solid readings through the third-quarter 2011, equipment spending will likely slow to a low single-digit pace in the fourth quarter of 2011. November durable orders rose a better-than-expected 3.7% over October. However, excluding defense and aircraft, core capital goods orders, a leading indicator for business investment, actually fell 1.2% in November after falling 0.9% in October. In addition, core shipments have fallen for three consecutive months. These numbers show that despite the 100% expensing credit if businesses get equipment in place by year-end, the last minute surge did not take place, which is worrisome. However, businesses are still flush with cash, and likely have replacement needs that were not met during the recession, which will help support spending in 2012, though no longer at the double-digit pace we saw earlier in the recovery. Manufacturer sentiment still indicates that the sector is expanding or at least they expect will do so in 2012.

Clear And Present Dangers

Recent data give us hope that the U.S. recovery has built enough momentum to withstand a few bumps on the road. Nonetheless, there are number of severe threats to the expansion in 2012. The effect of a potential financial collapse in the eurozone spreading to our shores is at the top of the list of events that could push the U.S. into recession. But that's not all. The recent detent in Congress could easily deteriorate into a stalemate at the time our country could least afford it. The risk of currency manipulation or trade wars increases, as countries with slowing domestic economies fight for export-led growth. Heightened turmoil in the Middle East could cause oil prices to spike, wreaking the resiliency of our recovery. This is only a sample of the risks we face as we climb back to full economic recovery.

The eurozone crisis is the biggest uncertainty facing the U.S. recovery right now. There are many paths this ongoing crisis could take, with different degrees of pain. A worst-case scenario is the possibility of a financial meltdown and severe recession in the eurozone and deflationary pressures that spread abroad. Of course, European policymakers may come to their senses instead, and commit to using any and all fiscal and political weapons at their disposal to solve the crisis. For now, indecision seems to be their preferred choice, as it has been for the past two years.

While Congress managed, reluctantly, in December to compromise on extending stimulus for several items, though only for a few months, the political war is not over. We have expected Congress to eventually make the token concessions needed to extend the payroll tax cut and emergency unemployment benefits for a full year. At least we got a few months. But there is still a risk that policymaker action, or inaction, might tighten fiscal policy, potentially resulting in another recession. And even if they do continue to extend the benefits in a piecemeal fashion, a temporary payroll tax cut will provide weaker stimulus than a commitment to benefits through the year, because

much less is spent.

This does not address the policy conflagration that sets in at the end of 2012, which will likely keep worries high through most of this year unless Congress surprises us. If nothing is done, automatic spending cuts will kick in at the start of 2013 due to the Super Committee's failure to reach a compromise on trimming the government's long-term debt. In addition, the Bush tax cuts will expire at the end of this year. Even if the payroll tax cut and emergency insurance benefits are extended through the year, as we expect, they will also expire at the beginning of 2013. We have assumed that the government will come to its senses and reach a compromise on tackling the long-term debt, whereas spending cuts and tax increases, including a swipe at entitlements will be gradually phased in over several years. But even in normal times, that's a risky bet. And this is an election year, with threats of a more extreme outcome even higher.

World growth is heading for a slowdown in 2012. Our European economist, Jean Michel Six, already sees a mild recession for the eurozone in early 2012, which could get worse. While the Chinese economy so far remains healthy, recent data has indicated the second-largest economy has also slowed a bit. If domestic demand softens, governments could decide to relieve upward pressure on their currencies to gain an advantage in trade and boost exports. One trigger for this would be if a central bank in one country decides to inflate the domestic economy out of debt crisis, which could result in other countries' depreciating their currencies in retaliation. Taken one step further, policymakers may move to more extreme protectionist policies. While the world is very aware of the net loss of such actions, once they start, they are hard to stop, increasing costs and cutting growth for everyone. While unlikely, in a recessionary or slow economic environment, the risks of such policy mistakes increase.

The list of risks mentioned here is not exhaustive, but are a few of the issues we worry about as we enter the new year.

Keeping Hope Alive

To end on an upbeat note: there could also be a few pleasant surprises, which could finally launch this recovery into V-shaped domain. While we believe the risks are weighed towards the downside, a few items could turn things around.

In Europe, fiscal policymakers could move more quickly to fiscal integration with a credible plan for centralizing budgetary decisions. While the European Central Bank gave no indication at its press conference after its policy meeting on January 12, it may even launch quantitative easing in the form of buying sovereign bonds.

In the U.S., as we have already seen in the second half of last year, private-sector momentum could continue to drive the economic recovery higher, despite government uncertainties. U.S. policymakers may put their reelection goals aside and take concrete action to reduce policy uncertainty, such as allowing the payroll tax cut and jobless benefits to be extended through the year. The more cordial political environment would be conducive to working through key long-term spending issues as well, including their differences over the Bush tax cuts and entitlements. Finally, Federal Reserve Chairman Bernanke warned Congress that if it does nothing, massive housing imbalances will continue to wreak havoc on the economic recovery. In response, the Fed will develop a government-facilitated own-to-rent program to dispose of government real estate properties.

Standard & Poor's Economic Outlook

January 2012	2011				2012								
	Q1	Q2	Q3	Q4e	Q1e	Q2e	2009	2010	2011e	2012e	2013e	2014e	2015e
(% change)													
Real GDP	0.4	1.3	1.8	3.3	2.2	1.2	(3.5)	3.0	1.8	2.0	2.2	3.4	3.4
Consumer spending	2.1	0.7	1.7	2.6	2.3	2.3	(1.9)	2.0	2.2	2.3	1.9	2.0	2.4
Equipment investment	8.7	6.2	16.2	1.2	5.7	8.6	(16.0)	14.6	10.0	6.8	7.3	7.3	6.4
Nonreseidential construction	(14.3)	22.6	14.4	9.5	(0.5)	(6.2)	(21.2)	(15.8)	5.2	1.7	1.3	9.4	11.0
Residential construction	(2.6)	4.2	1.2	5.2	11.9	5.8	(22.5)	(4.6)	(1.9)	6.9	14.9	23.5	18.3
Federal government	(9.4)	1.9	2.1	(4.6)	(2.7)	(3.3)	6.0	4.5	(1.8)	(2.5)	(3.5)	(2.8)	(2.0)
State and local government	(3.3)	(2.8)	(1.6)	(2.5)	(2.8)	(2.6)	(0.9)	(1.8)	(2.2)	(2.4)	(0.9)	0.3	0.7
Exports	7.9	3.6	4.7	5.7	2.4	2.6	(9.4)	11.3	6.9	4.0	7.6	8.3	7.5
Imports	8.3	1.4	1.2	1.7	3.8	5.7	(13.6)	12.5	4.8	3.2	3.3	3.7	4.5
CPI	5.2	4.1	3.1	1.0	0.9	0.4	(0.3)	1.6	3.1	1.5	1.8	2.0	2.0
Core CPI	1.7	2.5	2.7	1.7	1.3	1.2	1.7	1.0	1.7	1.6	1.6	2.1	2.1
Nonfarm unit labor costs	6.2	(0.1)	(2.5)	0.0	2.0	2.3	(0.7)	(2.0)	0.9	1.0	2.0	1.6	2.0
Nonfarm productivity	(0.6)	(0.1)	2.3	1.6	1.0	0.4	2.3	4.1	1.0	1.0	0.9	1.6	1.3
(Levels)													
Unemployment rate (%)	8.9	9.1	9.1	8.8	8.7	8.8	9.3	9.6	9.0	8.7	8.6	8.0	7.2
Payroll employment (mil.)	130.5	131.0	131.3	131.7	132.1	132.5	130.8	129.8	131.1	132.8	134.8	137.3	140.0
Federal funds rate (%)	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	1.2	3.3
10-Yr. Treasury note yield (%)	3.5	3.2	2.4	2.0	2.1	2.3	3.3	3.2	2.8	2.3	2.8	3.6	4.6
'AAA' corporate bond yield (%)	5.1	5.0	4.5	3.9	4.0	4.2	5.3	4.9	4.6	4.2	4.6	5.1	6.0
Mortgage rate (30-year conventional) (%)	4.8	4.7	4.3	4.0	3.9	4.0	5.0	4.7	4.5	4.1	4.4	5.1	6.1
Three-month T-Bill rate (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.0	0.1	1.3	3.2
S&P 500 Index	1,303	1,319	1,228	1,237	1,260	1,302	947	1,139	1,272	1,336	1,356	1,418	1,498
S&P operating earnings ($/share)	22.56	24.86	25.30	25.86	25.70	25.84	56.86	83.77	98.58	105.77	108.92	116.47	126.24
Current account ($ bil.)	(478)	(499)	(441)	(451)	(465)	(511)	(377)	(471)	(467)	(498)	(476)	(488)	(532)
Exchange rate (major trade partners)	85.7	83.0	83.2	86.3	88.6	89.0	92.6	89.8	84.6	88.2	85.5	84.4	84.2
Crude oil ($/barrel, WTI)	93.98	102.55	89.71	94.06	90.50	90.00	61.69	79.41	95.08	91.00	107.84	115.27	104.27
Saving rate (%)	5.0	4.8	3.9	3.5	3.9	4.0	5.2	5.3	4.3	3.7	3.0	3.7	4.3
Housing starts (mil.)	0.58	0.57	0.62	0.67	0.70	0.70	0.55	0.58	0.61	0.71	0.92	1.29	1.59
Unit sales of light vehicles (mil.)	13.0	12.1	12.4	13.5	13.3	13.3	10.4	11.6	12.8	13.5	14.7	15.5	16.2
Federal surplus (fiscal year unified, bil. $)	(460)	(141)	(326)	(320)	(389)	(71)	(1,416)	(1,294)	(1,297)	(1,022)	(772)	(655)	(590)

e--Estimate. WTI--West Texas Intermediate.

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Economic Research:

U.S. Economic Forecast: Just Like Ol' Times

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Table Of Contents

A Never Ending Story

Taking A Breather

Clear And Present Dangers

Keeping Hope Alive

Economic Research:

U.S. Economic Forecast: Just Like Ol' Times

As we head into 2012, the U.S. recovery gained more speed. An improving jobs market, businesses' greater willingness to invest and hire, and consumers' higher spending in the second half of 2011 indicate more momentum for the U.S. recovery. The data provide more support to our forecast that the recovery is strengthening. Improving economic momentum, together with signs that Congress can govern, reduced our U.S. recession risk to 30% from our November 5 estimate of 35%.

But before we toast to a more prosperous new year, this scenario is reminiscent of the strong fourth quarter in 2010 which also built expectations that the economy has turned the corner. Back then, it seemed that Americans returned to their free-spending days. In response, businesses picked up hiring in early 2011 on expectations that the recovery gained steam. However, it was painfully reversed during spring. This time around may be no different. In a normal environment it would make sense to extrapolate the recent improvements out for the full year, hut in this volatile environment, trending the recent good news forward is a risky proposition.

The strong headwinds will keep the recovery soft and the risk of recession high in 2012. This heightened recession risk is largely because of unresolved problems in Europe, though several other "flags" on the field add to our concerns. Increased regulatory uncertainties going into 2013, the overhang of excess housing supply, struggling consumers, and the risk of austerity--both on the local and federal government level—point to murky prospects for a stronger recovery as it embarks on its third year.

While private demand has started to pick up, we don't expect significant growth this year. With gains in the jobs market insufficient to reduce the unemployment rate materially, the sovereign debt crisis spooking investors, and the potential for U.S. government dysfunction to lead to something more severe, consumer spending and business investment will remain sluggish. We expect real GDP to rise 2.0% in 2012, only slightly stronger than in 2011 and much weaker than the 3% rate in 2010. For 2013, we expect just 2.2% growth. None of this seems enough to make a dent in the unemployment rate, which will likely remain above 8% through 2013.

The largest threat to this recovery is from policymakers. While the U.S. government was able to avoid a major mistake over fiscal policy, at least temporarily, the eurozone sovereign debt crisis still casts a shadow on the U.S. recovery. A mild recession in the eurozone would not tip the U.S. into recession, but the potential financial contagion from sovereign-debt defaults could do the trick.

The better domestic data bought the Fed some time. But with looming dangers still dogging the economy, the Fed will stand ready to act. The problem is that monetary policy options are few. In addition, options on how to resolve the eurozone crisis remain bleak. Together with worries that the compromise in Congress will vanish as the election campaign heats up later this year, and with it prudent decisions on fiscal policy, we may be riding the same roller coaster all over again in 2013.

A Never Ending Story

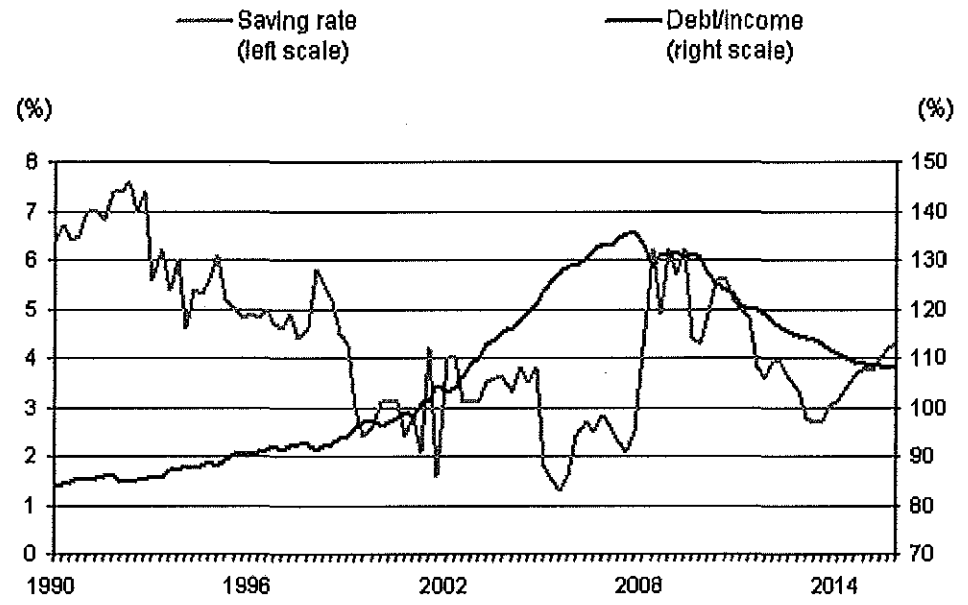
At least the recent data have given us a more solid footing as we head into 2012. The Bureau of Labor Statistics (BLS) December payrolls report provided more hope that businesses are still hiring, with stronger-than-expected

numbers across the board. We saw a pickup in nonfarm payrolls, another drop in the unemployment rate, an increase in the hours worked, and a modest increase in hourly earnings. It certainly gave markets another dose of solid economic data to support the notion that the U.S. economy has built up momentum towards the end of 2011.

The unemployment rate fell another 0.2% to 8.5% in December, declining for the fourth consecutive month to its lowest rate since February 2009. In contrast to the November drop, this time the composition was favorable. The household measure of employment rose by 176,000 and the labor force participation rate was steady at 64.0%, rather than falling as it did in November when many people left the labor force. Broader measures of labor underutilization rate (U-6) fell 0.4% to 15.2%, the lowest rate since February 2009. While we expect the unemployment rate to tick up as the discouraged unemployed now are once again looking for work, recent readings have offered signs that the market is stabilizing.

This may explain why this holiday spending season was merry: people were willing to spend more on presents. Chain store sales were up 3.5%, the strongest showing since October. Holiday sales may be up around 5%, as people dipped into savings to satisfied pent-up demand, after making do with their old appliances for the last three years.

Household Debt Dropping From Record Highs



Source: Federal Reserve, Bureau of Economic Analysis, and Standard & Poor's.

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However, the hangover will likely set in once the eggnog wears off and people receive the bills from their holiday spending binge. In addition, negative factors, such as a still weak jobs market, high household debt burdens, falling

house prices, negative real wages growth, and possible government mistakes this election year, will discourage spending. An important determinant for future consumption is real disposable income, which came in flat month-over-month in November. In contrast, spending was up just 0.1% in November and up 0.2% in real terms, so people dipped into savings, pushing the savings rate down to 3.5% from 3.6% in October. Given that households are still in a state of balance sheet repair, with income growth subdued and savings depleted, the recent spending spree is barely sustainable. We expect consumers to be cautious in 2012 and reluctant to absorb higher prices, slowing growth but also keeping inflation pressure limited.

Taking A Breather

Manufacturing, the recovery's shining star got a little dimmer in December. After nine solid readings through the third-quarter 2011, equipment spending will likely slow to a low single-digit pace in the fourth quarter of 2011. November durable orders rose a better-than-expected 3.7% over October. However, excluding defense and aircraft, core capital goods orders, a leading indicator for business investment, actually fell 1.2% in November after falling 0.9% in October. In addition, core shipments have fallen for three consecutive months. These numbers show that despite the 100% expensing credit if businesses get equipment in place by year-end, the last minute surge did not take place, which is worrisome. However, businesses are still flush with cash, and likely have replacement needs that were not met during the recession, which will help support spending in 2012, though no longer at the double-digit pace we saw earlier in the recovery. Manufacturer sentiment still indicates that the sector is expanding or at least they expect will do so in 2012.

Clear And Present Dangers

Recent data give us hope that the U.S. recovery has built enough momentum to withstand a few bumps on the road. Nonetheless, there are number of severe threats to the expansion in 2012. The effect of a potential financial collapse in the eurozone spreading to our shores is at the top of the list of events that could push the U.S. into recession. But that's not all. The recent detent in Cougress could easily deteriorate into a stalemate at the time our country could least afford it. The risk of currency manipulation or trade wars increases, as countries with slowing domestic economies fight for export-led growth. Heightened turmoil in the Middle East could cause oil prices to spike, wreaking the resiliency of our recovery. This is only a sample of the risks we face as we climb back to full ecouomic recovery.

The eurozone crisis is the biggest uncertainty facing the U.S. recovery right now. There are many paths this ongoing crisis could take, with different degrees of pain. A worst-case scenario is the possibility of a financial meltdown and severe recession in the eurozone and deflationary pressures that spread abroad. Of course, European policymakers may come to their senses instead, and commit to using any and all fiscal and political weapons at their disposal to solve the crisis. For uow, indecision seems to be their preferred choice, as it has been for the past two years.

While Congress managed, reluctantly, in December to compromise on extending stimulus for several items, though only for a few months, the political war is not over. We have expected Congress to eventually make the token concessions needed to extend the payroll tax cut and emergency unemployment benefits for a full year. At least we got a few months. But there is still a risk that policymaker action, or inaction, might tighten fiscal policy, potentially resulting in another recession. And even if they do continue to extend the benefits in a piecemeal fashion, a temporary payroll tax cut will provide weaker stimulus than a commitment to benefits through the year, because

much less is spent.

This does not address the policy conflagration that sets in at the end of 2012, which will likely keep worries high through most of this year unless Congress surprises us. If nothing is done, automatic spending cuts will kick in at the start of 2013 due to the Super Committee's failure to reach a compromise on trimming the government's long-term debt. In addition, the Bush tax cuts will expire at the end of this year. Even if the payroll tax cut and emergency insurance benefits are extended through the year, as we expect, they will also expire at the beginning of 2013. We have assumed that the government will come to its senses and reach a compromise on tackling the long-term debt, whereas spending cuts and tax increases, including a swipe at entitlements will be gradually phased in over several years. But even in normal times, that's a risky bet. And this is an election year, with threats of a more extreme outcome even higher.

World growth is heading for a slowdown in 2012. Our European economist, Jean Michel Six, already sees a mild recession for the eurozone in early 2012, which could get worse. While the Chinese economy so far remains healthy, recent data has indicated the second-largest economy has also slowed a bit. If domestic demand softens, governments could decide to relieve upward pressure on their currencies to gain an advantage in trade and boost exports. One trigger for this would be if a central bank in one country decides to inflate the domestic economy out of debt crisis, which could result in other countries' depreciating their currencies in retaliation. Taken one step further, policymakers may move to more extreme protectionist policies. While the world is very aware of the net loss of such actions, once they start, they are hard to stop, increasing costs and cutting growth for everyone. While unlikely, in a recessionary or slow economic environment, the risks of such policy mistakes increase.

The list of risks mentioned here is not exhaustive, but are a few of the issues we worry about as we enter the new year.

Keeping Hope Alive

To end on an upbeat note: there could also be a few pleasant surprises, which could finally launch this recovery into V-shaped domain. While we believe the risks are weighed towards the downside, a few items could turn things around.

In Europe, fiscal policymakers could move more quickly to fiscal integration with a credible plan for centralizing budgetary decisions. While the European Central Bank gave no indication at its press conference after its policy meeting on January 12, it may even launch quantitative easing in the form of buying sovereign bonds.

In the U.S., as we have already seen in the second half of last year, private-sector momentum could continue to drive the economic recovery higher, despite government uncertainties. U.S. policymakers may put their reelection goals aside and take concrete action to reduce policy uncertainty, such as allowing the payroll tax cut and jobless benefits to be extended through the year. The more cordial political environment would be conducive to working through key long-term spending issues as well, including their differences over the Bush tax cuts and entitlements. Finally, Federal Reserve Chairman Bernanke warned Congress that if it does nothing, massive housing imhalances will continue to wreak havoc on the economic recovery. In response, the Fed will develop a government-facilitated own-to-rent program to dispose of government real estate properties.

Standard & Poor's Economic Outlook

January 2012	2011				2012								
	Q1	Q2	Q3	Q4e	Q1e	Q2e	2009	2010	2011e	2012e	2013e	2014e	2015e
(% change)													
Real GDP	0.4	1.3	1.8	3.3	2.2	1.2	(3.5)	3.0	1.8	2.0	2.2	3.4	3.4
Consumer spending	2.1	0.7	1.7	2.6	2.3	2.3	(1.9)	2.0	2.2	2.3	1.9	2.0	2.4
Equipment investment	8.7	6.2	16.2	1.2	5.7	8.6	(16.0)	14.6	10.0	6.8	7.3	7.3	6.4
Nonreseidential construction	(14.3)	22.6	14.4	9.5	(0.5)	(6.2)	(21.2)	(15.8)	5.2	1.7	1.3	9.4	11.0
Residential construction	(2.6)	4.2	1.2	5.2	11.9	5.8	(22.5)	(4.6)	(1.9)	6.9	14.9	23.5	18.3
Federal government	(9.4)	1.9	2.1	(4.6)	(2.7)	(3.3)	6.0	4.5	(1.8)	(2.5)	(3.5)	(2.8)	(2.0)
State and local government	(3.3)	(2.8)	(1.6)	(2.5)	(2.8)	(2.6)	(0.9)	(1.8)	(2.2)	(2.4)	(0.9)	0.3	0.7
Exports	7.9	3.6	4.7	5.7	2.4	2.6	(9.4)	11.3	6.9	4.0	7.6	8.3	7.5
Imports	8.3	1.4	1.2	1.7	3.8	5.7	(13.6)	12.5	4.8	3.2	3.3	3.7	4.5
CPI	5.2	4.1	3.1	1.0	0.9	0.4	(0.3)	1.6	3.1	1.5	1.8	2.0	2.0
Core CPI	1.7	2.5	2.7	1.7	1.3	1.2	1.7	1.0	1.7	1.6	1.6	2.1	2.1
Nonfarm unit labor costs	6.2	(0.1)	(2.5)	0.0	2.0	2.3	(0.7)	(2.0)	0.9	1.0	2.0	1.6	2.0
Nonfarm productivity	(0.6)	(0.1)	2.3	1.6	1.0	0.4	2.3	4.1	1.0	1.0	0.9	1.6	1.3
(Levels)													
Unemployment rate (%)	8.9	9.1	9.1	8.8	8.7	8.8	9.3	9.6	9.0	8.7	8.6	8.0	7.2
Payroll employment (mil.)	130.5	131.0	131.3	131.7	132.1	132.5	130.8	129.8	131.1	132.8	134.8	137.3	140.0
Federal funds rate (%)	0.2	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	0.1	1.2	3.3
10-Yr. Treasury note yield (%)	3.5	3.2	2.4	2.0	2.1	2.3	3.3	3.2	2.8	2.3	2.8	3.6	4.6
'AAA' corporate bond yield (%)	5.1	5.0	4.5	3.9	4.0	4.2	5.3	4.9	4.6	4.2	4.6	5.1	6.0
Mortgage rate (30-year conventional) (%)	4.8	4.7	4.3	4.0	3.9	4.0	5.0	4.7	4.5	4.1	4.4	5.1	6.1
Three-month T-Bill rate (%)	0.1	0.0	0.0	0.0	0.0	0.0	0.2	0.1	0.1	0.0	0.1	1.3	3.2
S&P 500 Index	1,303	1,319	1,228	1,237	1,260	1,302	947	1,139	1,272	1,336	1,356	1,418	1,498
S&P operating earnings ($/share)	22.56	24.86	25.30	25.86	25.70	25.84	56.86	83.77	98.58	105.77	108.92	116.47	126.24
Current account ($ bil.)	(478)	(499)	(441)	(451)	(465)	(511)	(377)	(471)	(467)	(498)	(476)	(488)	(532)
Exchange rate (major trade partners)	85.7	83.0	83.2	86.3	88.6	89.0	92.6	89.8	84.6	88.2	85.5	84.4	84.2
Crude oil ($/barrel, WTI)	93.98	102.55	89.71	94.06	90.50	90.00	61.69	79.41	95.08	91.00	107.84	115.27	104.27
Saving rate (%)	5.0	4.8	3.9	3.5	3.9	4.0	5.2	5.3	4.3	3.7	3.0	3.7	4.3
Housing starts (mil.)	0.58	0.57	0.62	0.67	0.70	0.70	0.55	0.58	0.61	0.71	0.92	1.29	1.59
Unit sales of light vehicles (mil.)	13.0	12.1	12.4	13.5	13.3	13.3	10.4	11.6	12.8	13.5	14.7	15.5	16.2
Federal surplus (fiscal year unified, bil. $)	(460)	(141)	(326)	(320)	(389)	(71)	(1,416)	(1,294)	(1,297)	(1,022)	(772)	(655)	(590)

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ref2012.d121011b	2009	2010	2011	2012	2013

Report Annual Energy Outlook 2012 Early Release
Scenario ref2012 Reference
Datekey d121011b
Release Date January 2012

20. Macroeconomic Indicators

(billion 2005 chain-weighted dollars, unless otherwise noted)

Indicators	2009	2010	2011	2012	2013
Real Gross Domestic Product	**12703**	**13088**	**13291**	**13572**	**13916**
Components of Real Gross Domestic Product					
Real Consumption	9037	9221	9401	9578	9775
Real Investment	1454	1715	1781	1866	2019
Real Government Spending	2540	2557	2494	2430	2382
Real Exports	1494	1663	1797	1937	2095
Real Imports	1853	2085	2189	2239	2339
Energy Intensity					
(thousand Btu per 2005 dollar of GDP)					
Delivered Energy	5.42	5.45	5.36	5.19	5.07
Total Energy	7.45	7.50	7.40	7.13	6.95
Price Indices					
GDP Chain-type Price Index (2005=1.000)	1.097	1.110	1.132	1.143	1.155
Consumer Price Index (1982-84=1.00)					
All-urban	2.15	2.18	2.25	2.28	2.31
Energy Commodities and Services	1.93	2.12	2.42	2.39	2.37
Wholesale Price Index (1982=1.00)					
All Commodities	1.73	1.85	2.00	1.98	2.00
Fuel and Power	1.59	1.86	2.13	2.07	2.09
Metals and Metal Products	1.87	2.08	2.23	2.13	2.21
Industrial Commodities excluding Energy	1.76	1.83	1.92	1.92	1.95
Interest Rates (percent, nominal)					
Federal Funds Rate	0.16	0.18	0.11	0.07	0.09
10-Year Treasury Note	3.26	3.21	2.90	2.66	2.79
AA Utility Bond Rate	5.75	5.24	4.93	4.71	4.84
Value of Shipments (billion 2005 dollars)					
Service Sectors	19996	20602	21076	21075	21374
Total Industrial	5667	5838	6016	6031	6248
Agriculture, Mining, and Construction	1615	1578	1557	1552	1618
Manufacturing	4052	4260	4459	4478	4631
Energy-Intensive	1508	1594	1624	1594	1622
Non-Energy-Intensive	2544	2665	2835	2884	3009

Total	25664	26440	27092	27106	27622
Population and Employment (millions)					
Population, with Armed Forces Overseas	307.8	310.8	313.8	316.9	319.9
Population, aged 16 and over	241.8	244.3	246.8	249.3	251.7
Population, over age 65	39.7	40.4	41.4	42.8	44.2
Employment, Nonfarm	130.7	129.8	131.5	132.7	134.7
Employment, Manufacturing	11.8	11.5	11.8	11.9	11.9
Key Labor Indicators					
Labor Force (millions)	154.2	153.9	153.4	153.8	155.0
Nonfarm Labor Productivity (2005=1.00)	1.06	1.10	1.11	1.11	1.12
Unemployment Rate (percent)	9.28	9.63	9.10	9.05	8.60
Key Indicators for Energy Demand					
Real Disposable Personal Income	9883	10062	10221	10430	10558
Housing Starts (millions)	0.60	0.63	0.66	0.75	1.05
Commercial Floorspace (billion square feet)	80.3	81.1	81.7	82.3	82.8
Unit Sales of Light-Duty Vehicles (millions)	10.40	11.55	12.49	13.65	15.36

GDP = Gross domestic product.
Btu = British thermal unit.
- - = Not applicable.
Sources: 2009 and 2010: IHS Global Insight, Global Insight Industry and Employment models, August 2011. Projections: U.S. Energy Information Administration, AEO2012 National Energy Modeling System run ref2012.d1210

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023

case

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
14398	**14870**	**15343**	**15768**	**16162**	**16566**	**16954**	**17348**	**17783**	**18225**
9989	10216	10461	10684	10893	11110	11326	11561	11824	12095
2273	2449	2593	2701	2767	2849	2922	2986	3074	3179
2361	2358	2363	2376	2389	2399	2411	2415	2431	2455
2261	2434	2617	2802	2992	3191	3389	3600	3818	4024
2446	2531	2621	2712	2787	2878	2972	3077	3205	3346
4.95	4.82	4.72	4.62	4.52	4.43	4.34	4.25	4.15	4.06
6.75	6.57	6.42	6.31	6.19	6.07	5.95	5.84	5.72	5.59
1.174	1.196	1.220	1.243	1.267	1.293	1.319	1.346	1.373	1.401
2.36	2.41	2.47	2.52	2.58	2.64	2.70	2.76	2.82	2.88
2.46	2.57	2.65	2.73	2.79	2.87	2.95	3.03	3.11	3.19
2.04	2.09	2.13	2.16	2.20	2.23	2.26	2.30	2.34	2.37
2.15	2.25	2.30	2.37	2.44	2.51	2.59	2.67	2.77	2.86
2.33	2.42	2.48	2.52	2.54	2.56	2.57	2.58	2.58	2.58
2.00	2.04	2.08	2.11	2.13	2.15	2.17	2.20	2.22	2.23
1.53	3.65	4.26	4.34	4.44	4.59	4.68	4.66	4.68	4.66
3.65	4.77	5.02	5.08	5.14	5.25	5.33	5.34	5.36	5.35
5.73	6.80	6.90	6.96	7.06	7.23	7.39	7.41	7.48	7.53
21948	22544	23189	23779	24301	24841	25340	25843	26382	26904
6562	6836	7068	7242	7378	7497	7583	7658	7734	7789
1760	1888	1981	2039	2074	2099	2116	2121	2136	2153
4801	4948	5088	5203	5303	5398	5467	5536	5598	5636
1652	1682	1718	1752	1778	1804	1830	1855	1874	1884
3149	3265	3369	3451	3525	3594	3637	3681	3724	3752

28509	29379	30257	31021	31678	32338	32923	33501	34115	34693
323.0	326.2	329.3	332.5	335.6	338.8	342.0	345.2	348.4	351.6
254.1	256.5	259.0	261.6	264.2	266.8	269.4	272.0	274.6	277.3
45.6	47.1	48.5	50.0	51.6	53.3	55.1	56.8	58.6	60.4
137.4	140.1	142.7	144.8	146.2	147.4	148.4	149.1	149.8	150.7
12.1	12.4	12.4	12.4	12.4	12.4	12.3	12.2	12.1	11.9
156.4	157.9	159.3	160.7	161.8	162.8	163.7	164.6	165.5	166.4
1.14	1.16	1.18	1.20	1.22	1.24	1.27	1.30	1.33	1.36
7.83	7.11	6.54	6.17	5.97	5.81	5.73	5.71	5.64	5.60
10843	11157	11484	11772	12073	12391	12716	13040	13388	13725
1.46	1.76	1.94	2.01	2.00	1.98	1.95	1.89	1.87	1.88
83.4	84.1	85.0	86.0	87.0	88.1	89.1	90.1	91.1	92.1
16.02	16.35	16.68	16.65	16.43	16.50	16.49	16.60	16.78	16.90

11b.

2024	2025	2026	2027	2028	2029	2030	2031	2032	2033

2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
18692	**19176**	**19676**	**20171**	**20666**	**21185**	**21736**	**22294**	**22856**	**23426**
12381	12687	13009	13338	13669	14001	14348	14711	15078	15448
3302	3427	3565	3692	3802	3924	4066	4213	4352	4493
2481	2507	2534	2563	2592	2622	2655	2682	2713	2745
4239	4461	4681	4905	5140	5391	5656	5929	6212	6509
3503	3669	3846	4031	4213	4395	4593	4805	5023	5249
3.97	3.88	3.80	3.72	3.64	3.57	3.50	3.44	3.37	3.30
5.48	5.37	5.25	5.14	5.04	4.94	4.84	4.75	4.65	4.56
1.430	1.459	1.489	1.518	1.548	1.578	1.609	1.639	1.670	1.700
2.95	3.02	3.09	3.16	3.22	3.30	3.37	3.44	3.51	3.59
3.28	3.37	3.47	3.56	3.64	3.73	3.82	3.88	3.96	4.04
2.41	2.44	2.48	2.52	2.55	2.58	2.61	2.65	2.68	2.71
2.96	3.04	3.14	3.24	3.31	3.38	3.47	3.57	3.67	3.76
2.59	2.59	2.60	2.60	2.60	2.60	2.60	2.60	2.60	2.60
2.25	2.27	2.29	2.31	2.33	2.35	2.36	2.38	2.39	2.41
4.63	4.59	4.56	4.53	4.46	4.40	4.36	4.25	4.21	4.15
5.34	5.31	5.29	5.26	5.20	5.16	5.13	5.05	5.01	4.97
7.55	7.53	7.52	7.52	7.49	7.46	7.46	7.41	7.39	7.37
27436	27979	28557	29137	29700	30265	30815	31365	31910	32430
7864	7946	8027	8090	8143	8212	8300	8387	8457	8531
2183	2211	2243	2263	2274	2290	2317	2346	2365	2382
5681	5735	5784	5827	5869	5921	5983	6041	6092	6149
1897	1912	1924	1937	1952	1968	1982	1996	2009	2023
3784	3823	3860	3890	3918	3953	4001	4045	4083	4125

35300	35926	36584	37228	37843	38476	39115	39753	40366	40962
354.9	358.1	361.3	364.5	367.7	370.9	374.1	377.3	380.5	383.7
280.0	282.6	285.3	288.0	290.7	293.5	296.2	298.9	301.6	304.3
62.3	64.2	65.9	67.6	69.2	70.8	72.3	73.4	74.5	75.5
151.9	153.3	154.9	156.5	158.0	159.5	161.1	162.3	163.5	164.6
11.6	11.4	11.2	10.9	10.6	10.4	10.2	10.0	9.7	9.5
167.4	168.3	169.3	170.4	171.5	172.7	174.0	175.5	177.0	178.6
1.39	1.42	1.45	1.48	1.51	1.55	1.58	1.62	1.65	1.68
5.55	5.52	5.47	5.43	5.43	5.46	5.48	5.50	5.52	5.53
14088	14474	14835	15229	15613	15974	16359	16749	17115	17477
1.91	1.94	1.95	1.92	1.90	1.88	1.89	1.88	1.86	1.85
93.0	93.9	94.8	95.6	96.5	97.3	98.2	99.0	99.9	100.9
17.13	17.36	17.55	17.69	17.82	17.92	18.03	18.16	18.25	18.31

2034	2035

2034	2035	2010-2035
24023	**24639**	**2.6%**
15829	16221	2.3%
4653	4825	4.2%
2779	2813	0.4%
6820	7142	6.0%
5490	5740	4.1%
3.23	3.17	-2.1%
4.47	4.38	-2.1%
1.731	1.762	1.9%
3.66	3.74	2.2%
4.14	4.27	2.8%
2.75	2.79	1.7%
3.88	4.00	3.1%
2.59	2.59	0.9%
2.42	2.44	1.1%
4.11	4.07	- -
4.94	4.93	- -
7.37	7.38	- -
32911	33359	1.9%
8618	8707	1.6%
2408	2437	1.8%
6210	6270	1.6%
2038	2052	1.0%
4173	4218	1.9%

41529	42065	1.9%
386.9	390.1	0.9%
306.9	309.6	1.0%
76.5	77.7	2.6%
165.6	166.7	1.0%
9.3	9.1	-0.9%
180.0	181.3	0.7%
1.72	1.76	1.9%
5.56	5.58	- -
17857	18252	2.4%
1.87	1.89	4.5%
101.9	103.0	1.0%
18.43	18.57	1.9%

THE VALUE LINE Investment Survey®

Part 1
Summary & Index

File at the front of the *Ratings & Reports* binder. Last week's *Summary & Index* should be removed.

May 4, 2012

TABLE OF SUMMARY & INDEX CONTENTS

Summary & Index Page Number

Industries, in alphabetical order 1
Stocks, in alphabetical order 2-23
Noteworthy Rank Changes 24-26

SCREENS

Industries, in order of Timeliness Rank 23
Timely Stocks in Timely Industries 26
Timely Stocks (1 & 2 for Performance) 27-29
Conservative Stocks (1 & 2 for Safety) 30-31
Highest Dividend Yielding Stocks 32
Stocks with Highest 3- to 5-year Price Potential 32
Biggest "Free Flow" Cash Generators 33
Best Performing Stocks last 13 Weeks 33
Worst Performing Stocks last 13 Weeks 33
Widest Discounts from Book Value 34
Stocks with Lowest P/Es 35
Stocks with Highest P/Es 35
Stocks with Highest Annual Total Returns 36
Stocks with Highest 3- to 5-year Dividend Yield 36
High Returns Earned on Total Capital 37
Bargain Basement Stocks 37
Untimely Stocks (5 for Performance) 38
Highest Dividend Yielding Non-utility Stocks 38
Highest Growth Stocks 39

The Median of Estimated
PRICE-EARNINGS RATIOS
of all stocks with earnings

15.4

26 Weeks Ago	Market Low 3-9-09	Market High 7-13-07
14.1	10.3	19.7

The Median of Estimated
DIVIDEND YIELDS
(next 12 months) of all dividend paying stocks under review

2.3%

26 Weeks Ago	Market Low 3-9-09	Market High 7-13-07
2.3%	4.0%	1.6%

The Estimated Median Price
APPRECIATION POTENTIAL
of all 1700 stocks in the hypothesized economic environment 3 to 5 years hence

65%

26 Weeks Ago	Market Low 3-9-09	Market High 7-13-07
75%	185%	35%

ANALYSES OF INDUSTRIES IN ALPHABETICAL ORDER WITH PAGE NUMBER

Numeral in parenthesis after the industry is rank for probable performance (next 12 months).

	PAGE		PAGE		PAGE		PAGE
Advertising (12)	2376	*Electric Utility (West) (25)	2237	Machinery (26)	1701	Railroad (1)	337
Aerospace/Defense (47)	701	Electronics (46)	1319	Maritime (77)	328	R.E.I.T. (86)	1513
Air Transport (10)	301	Engineering & Const (40)	1228	Medical Services (9)	795	Recreation (50)	2301
*Apparel (81)	2101	Entertainment (18)	2322	Med Supp Invasive (74)	174	Reinsurance (91)	2022
Automotive (3)	101	Entertainment Tech (87)	2005	Med Supp Non-Invasive (75)	203	Restaurant (32)	346
Auto Parts (13)	982	Environmental (38)	402	Metal Fabricating (27)	730	*Retail Automotive (8)	2122
Bank (60)	2501	Financial Svcs. (Div.) (62)	2531	Metals & Mining (Div.) (37)	1569	Retail Building Supply (42)	1134
Bank (Midwest) (66)	776	Food Processing (79)	1901	Natural Gas Utility (63)	540	*Retail (Hardlines) (35)	2165
Beverage (76)	1963	Foreign Electronics (82)	1979	Natural Gas (Div.) (34)	519	*Retail (Softlines) (59)	2200
Biotechnology (96)	828	Funeral Services (73)	1813	Newspaper (56)	2367	*Retail Store (22)	2134
Building Materials (84)	1101	Furn/Home Furnishings (72)	1143	Office Equip/Supplies (15)	1420	Retail/Wholesale Food (23)	1944
Cable TV (2)	1021	Healthcare Information (80)	819	Oil/Gas Distribution (90)	606	Securities Brokerage (71)	1780
Chemical (Basic) (19)	1581	Heavy Truck & Equip (5)	156	Oilfield Svcs/Equip. (28)	2400	Semiconductor (94)	1346
Chemical (Diversified) (11)	2427	Homebuilding (97)	1121	Packaging & Container (33)	1169	Semiconductor Equip (70)	1385
Chemical (Specialty) (41)	552	Hotel/Gaming (24)	2337	Paper/Forest Products (57)	1159	*Shoe (85)	2154
Coal (44)	596	Household Products (55)	1183	Petroleum (Integrated) (14)	501	Steel (68)	740
Computers/Peripherals (45)	1398	Human Resources (65)	1632	Petroleum (Producing) (7)	2387	Telecom. Equipment (95)	945
Computer Software (51)	2571	Industrial Services (36)	378	Pharmacy Services (30)	972	Telecom. Services (20)	2263, 921
Diversified Co. (17)	1739	Information Services (61)	428	Pipeline MLPs (64)	617	Telecom. Utility (6)	1040
Drug (52)	1594	IT Services (49)	2596	Power (89)	449, 1213	Thrift (92)	1501
E-Commerce (83)	1797	Insurance (Life) (31)	1544	Precious Metals (43)	1558	Tobacco (29)	1988
Educational Services (67)	1996	Insurance (Prop/Cas.) (93)	755	Precision Instrument (69)	110	Toiletries/Cosmetics (21)	1012
Electrical Equipment (54)	1301	Internet (78)	2615	Property Management (58)	1032	Trucking (4)	317
Electric Util. (Central) (53)	901	Investment Co. (--)	1200	Public/Private Equity (88)	2640	Water Utility (39)	1773
Electric Utility (East) (48)	136	Investment Co.(Foreign) (--)	414	Publishing (16)	2358	Wireless Networking (98)	578

*Reviewed in this week's issue.

In three parts: This is Part 1, the Summary & Index. Part 2 is Selection & Opinion. Part 3 is Ratings & Reports. Volume LXVII, No. 37.

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Index to Stocks

Prices quoted are as of April 24, 2012.
All shares are traded on the New York Stock Exchange except where noted.

PAGE NUMBERS
Bold type refers to Ratings and Reports; *italics to Selection & Opinion*

		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	702	**AAR Corp.**		AIR	**15.98**	**3**	**3**	**3**	1.35	35- 55 (120-245%)	**8.0**	**1.9**	1.99	.30	**47**	2/28	**.50**	.45	6/30	.075	.075	YES
	1964	AB InBev ADR		BUD	**71.45**	**2**	**1**	**3**	.90	85- 100 (20- 40%)	**16.2**	**2.2**	4.40	1.56	**76**	12/31	**1.15**	.61	3/31	NIL	NIL	YES
	379	ABM Industries Inc.		ABM	**22.97**	**3**	**3**	**3**	.90	35- 55 (50-140%)	**15.8**	**2.5**	1.45	.58	**36**	1/31	**.22**	.22	6/30	.145	.14	YES
	1421	ACCO Brands		ABD	**10.73**	**–**	**5**	**–**	1.65	15- 25 (40-135%)	**21.5**	**NIL**	.50	NIL	**15**	12/31	**.16**	.09	3/31	NIL	NIL	YES
	756	ACE Limited		ACE	**75.24**	**3**	**2**	**3**	.85	65- 90 (N- 20%)	**10.0**	**2.5**	7.49	1.88	**93**	3/31	**◆2.05**	.79	3/31	▲.47	.33	YES
	2597	ACI Worldwide	(NDQ)	ACIW	**38.26**	**3**	**3**	**3**	1.00	40- 60 (5- 55%)	**26.4**	**NIL**	1.45	NIL	**49**	12/31	**.70**	.80	3/31	NIL	NIL	YES
	1214	AES Corp.		AES	**12.14**	**2**	**3**	**3**	1.20	17- 25 (40-105%)	**17.9**	**1.4**	.68	.17	**89**	12/31	**.13**	d.56	3/31	NIL	NIL	YES
	347	AFC Enterprises	(NDQ)	AFCE	**17.02**	**3**	**3**	**2**	1.15	25- 35 (45-105%)	**15.2**	**NIL**	1.12	NIL	**32**	12/31	**.24**	.18	3/31	NIL	NIL	YES
	157	AGCO Corp.		AGCO	**45.16**	**1**	**3**	**2**	1.50	70- 105 (55-135%)	**9.1**	**NIL**	4.94	NIL	**5**	12/31	**1.44**	.87	3/31	NIL	NIL	YES
	541	AGL Resources		GAS	**38.30**	**3**	**1**	**4**	.75	55- 70 (45- 85%)	**14.0**	**4.8**	2.74	1.84	**63**	12/31	**.87**	.81	3/31	.361	.45	YES
	2368	A.H. Belo		AHC	**4.54**	**3**	**5**	**3**	1.50	10- 20 (120-340%)	**NMF**	**5.3**	d.16	.24	**56**	12/31	**.12**	d5.65	6/30	.06	.06	
	741	AK Steel Holding		AKS	**7.20**	**3**	**4**	**1**	1.80	30- 50 (315-595%)	**24.8**	**2.8**	.29	.20	**68**	3/31	**◆d.11**	.08	6/30	◆.05	.05	YES
	1633	AMN Healthcare		AHS	**6.29**	**3**	**3**	**1**	1.00	14- 20 (125-220%)	**27.3**	**NIL**	.23	NIL	**65**	12/31	**.04**	d.02	3/31	NIL	NIL	YES
1820	**2616**	AOL, Inc.		AOL	**24.61**	**–**	**3**	**–**	NMF	25- 35 (N- 40%)	**79.4**	**NIL**	.31	NIL	**78**	12/31	**.23**	.60	3/31	NIL	NIL	YES
	1559	ASA Gold & Precious		ASA	**23.81**	**–**	**3**	**2**	1.05	25- 35 (5- 45%)	**NMF**	**1.6**	.14	.38	**43**	2/28	**30.62(q)**	34.40(q)	6/30	.03	.02	YES
★★	**922**	AT&T Inc.		T	**31.72**	**▲2**	**1**	**4**	.75	40- 50 (25- 60%)	**14.5**	**5.6**	2.19	1.77	**20**	3/31	**◆.60**	.57	6/30	.44	.43	YES
2440	**1386**	ATMI, Inc.	(NDQ)	ATMI	**23.05**	**▼3**	**3**	**3**	1.25	35- 50 (50-115%)	**18.4**	**NIL**	1.25	NIL	**70**	3/31	**◆.16**	.25	3/31	NIL	NIL	YES
	1320	AVX Corp.		AVX	**12.53**	**4**	**3**	**3**	.90	18- 25 (45-100%)	**13.3**	**2.4**	.94	.30	**46**	3/31	**◆.22**	.37	3/31	.075	.055	YES
	2135	Aaron's Inc.		AAN	**24.88**	**3**	**3**	**4**	.90	30- 45 (20- 80%)	**13.0**	**0.2**	1.91	.06	**22**	12/31	**.43**	.38	6/30	.015	.013	YES
	204	Abaxis, Inc.	(NDQ)	ABAX	**28.62**	**5**	**3**	**3**	1.20	35- 50 (20- 75%)	**45.4**	**NIL**	.63	NIL	**75**	12/31	**.13**	.17	3/31	NIL	NIL	YES
	1595	Abbott Labs.		ABT	**60.73**	**1**	**1**	**4**	.60	90- 105 (50- 75%)	**12.3**	**3.4**	4.93	2.04	**52**	3/31	**1.03**	.91	6/30	▲.51	.48	YES
	2201	Abercrombie & Fitch		ANF	**47.77**	**3**	**3**	**5**	1.15	75- 110 (55-130%)	**27.8**	**1.5**	▼1.72	.70	**59**	1/31	**1.12**	1.03	3/31	.175	.175	YES
	415	Aberdeen Australia Fd.	(ASE)	IAF	**10.63**	**–**	**3**	**3**	1.30	14- 20 (30- 90%)	**21.3**	**5.6**	.50	.60	**–**	1/31	**9.64(q)**	11.62(q)	3/31	.09	.07	
	1201	Aberdeen Asia-Pac. Fd.	(ASE)	FAX	**7.55**	**–**	**4**	**3**	.85	7- 12 (N- 60%)	**NMF**	**5.6**	NMF	.42	**–**	10/31	**7.48(q)**	7.27(q)	6/30	.105	.105	
1243	**579**	AboveNet		ABVT	**83.12**	**–**	**3**	**–**	.80	80- 120 (N- 45%)	**29.0**	**NIL**	2.87	NIL	**98**	12/31	**.90**	.85	3/31	NIL	NIL	YES
	2598	Accenture Plc		ACN	**62.82**	**2**	**2**	**3**	.85	75- 100 (20- 60%)	**15.7**	**2.1**	4.01	1.35	**49**	2/28	**.97**	.75	6/30	.675	.45	YES
	946	Acme Packet	(NDQ)	APKT	**27.73**	**5**	**3**	**2**	1.05	35- 50 (25- 80%)	**55.5**	**NIL**	.50	NIL	**95**	12/31	**.12**	.21	3/31	NIL	NIL	YES
	2006	Activision Blizzard	(NDQ)	ATVI	**12.44**	**3**	**3**	**4**	.75	25- 35 (100-180%)	**17.8**	**1.4**	.70	.18	**87**	12/31	**.08**	d.04	6/30	▲.18	.165	YES
	158	Actuant Corp.		ATU	**26.95**	**2**	**3**	**3**	1.35	35- 50 (30- 85%)	**13.5**	**0.1**	2.00	.04	**5**	2/28	**.43**	.30	3/31	NIL	NIL	YES
	1302	Acuity Brands		AYI	**54.69**	**3**	**3**	**3**	1.10	60- 90 (10- 65%)	**17.4**	**1.0**	3.15	.52	**54**	2/28	**.57**	.45	6/30	.13	.13	YES
	1202	Adams Express		ADX	**10.82**	**–**	**2**	**3**	1.00	15- 20 (40- 85%)	**NMF**	**1.4**	NMF	.15	**–**	12/31	**11.54(q)**	12.63(q)	6/30	.05	.05	
	2572	Adobe Systems	(NDQ)	ADBE	**32.40**	**4**	**3**	**3**	1.20	65- 110 (100-240%)	**18.5**	**NIL**	1.75	NIL	**51**	2/28	**.37**	.46	3/31	NIL	NIL	YES
	947	ADTRAN, Inc.	(NDQ)	ADTN	**29.55**	**5**	**3**	**2**	.90	55- 85 (85-190%)	**13.9**	**1.2**	2.13	.36	**95**	3/31	**.20**	.52	6/30	.09	.09	YES
	2123	Advance Auto Parts		AAP	**88.85**	**▼2**	**3**	**3**	.85	100- 145 (15- 65%)	**15.3**	**0.3**	5.81	.24	**8**	12/31	**.89**	.57	6/30	.06	.06	YES
	1347	Advanced Energy	(NDQ)	AEIS	**11.93**	**4**	**3**	**4**	1.40	25- 40 (110-235%)	**17.8**	**NIL**	.67	NIL	**94**	12/31	**.12**	.45	3/31	NIL	NIL	YES
	1348	Advanced Micro Dev.		AMD	**7.31**	**2**	**4**	**1**	1.50	13- 20 (80-175%)	**11.1**	**NIL**	.66	NIL	**94**	3/31	**◆.12**	.08	3/31	NIL	NIL	YES
	2573	Advent Software	(NDQ)	ADVS	**25.90**	**3**	**3**	**2**	1.00	35- 55 (35-110%)	**38.7**	**NIL**	.67	NIL	**51**	12/31	**.22**	.17	3/31	NIL	NIL	YES
	429	Advisory Board	(NDQ)	ABCO	**88.27**	**3**	**2**	**4**	.80	65- 85 (N- N%)	**47.7**	**NIL**	1.85	NIL	**61**	12/31	**.46**	.24	3/31	NIL	NIL	YES
	1229	AECOM Techn.		ACM	**21.64**	**2**	**3**	**2**	1.20	45- 65 (110-200%)	**8.7**	**NIL**	2.50	NIL	**40**	12/31	**.42**	.48	3/31	NIL	NIL	YES
	1102	Aegion Corp.	(NDQ)	AEGN	**16.85**	**3**	**3**	**1**	1.15	35- 55 (110-225%)	**11.5**	**NIL**	1.47	NIL	**84**	12/31	**.38**	.44	3/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential			Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1545	AEGON		AEG	4.63	4	3	2	1.75	9- 13	(95-180%)		6.4	2.8	.72	.13	31	12/31	.14	.26	3/31	NIL	NIL	YES
	2202	Aeropostale		ARO	21.26	3	3	2	1.10	40- 60	(90-180%)		24.4	NIL	.87	NIL	59	1/31	.32	.95	3/31	NIL	NIL	YES
	703	AeroVironment	(NDQ)	AVAV	24.16	4	3	5	.75	40- 60	(65-150%)		18.0	NIL	1.34	NIL	47	1/31	.26	.52	3/31	NIL	NIL	YES
★★	796	Aetna Inc.		AET	49.04	▼3	3	3	1.00	75- 110	(55-125%)		9.7	1.4	5.07	.70	9	12/31	.97	.65	6/30	.175	.15	YES
	2532	Affiliated Managers		AMG	110.92	4	3	3	1.60	125- 185	(15- 65%)		33.9	NIL	3.27	NIL	62	12/31	.77	1.18	3/31	NIL	NIL	YES
	205	Affymetrix Inc.	(NDQ)	AFFX	4.39	5	4	3	1.35	7- 15	(60-240%)		NMF	NIL	d.28	NIL	75	12/31	d.21	.06	3/31	NIL	NIL	YES
	1546	Aflac Inc.		AFL	42.00	1	3	2	1.20	70- 105	(65-150%)		7.2	3.2	5.86	1.34	31	3/31	◆1.68	.84	6/30	◆.33	.30	YES
	111	Agilent Technologies		A	39.80	3	3	2	1.15	50- 80	(25-100%)		12.8	1.0	3.10	.40	69	1/31	.65	.54	6/30	▲.10	NIL	YES
	1321	Agilysys, Inc.	(NDQ)	AGYS	SEE LATEST REPORT																			
	1560	Agnico-Eagle Mines		AEM	32.82	4	3	4	1.00	40- 60	(20- 85%)		22.8	2.5	1.44	.82	43	12/31	.45	.51	3/31	▲.20	.16	YES
	1582	Agrium, Inc.		AGU	85.17	2	3	3	1.45	130- 195	(55-130%)		9.0	0.5	9.50	.45	19	12/31	2.04	1.10	3/31	▲.225	.055	YES
	2428	Air Products & Chem.		APD	84.72	3	2	3	1.10	115- 160	(35- 90%)		14.4	3.0	5.90	2.56	11	3/31	◆1.31	1.41	6/30	▲.64	.58	YES
	2533	Aircastle Ltd.		AYR	11.86	1	4	3	1.50	12- 20	(N- 70%)		8.9	5.1	1.34	.60	62	12/31	.43	.25	3/31	.15	.10	YES
	553	Airgas Inc.		ARG	89.23	2	3	4	1.00	100- 150	(10- 70%)		21.7	1.5	4.11	1.37	41	12/31	.97	.65	3/31	.32	.29	YES
	1798	Akamai Technologies	(NDQ)	AKAM	37.74	3	3	2	1.20	60- 90	(60-140%)		32.3	NIL	1.17	NIL	83	12/31	.33	.27	3/31	NIL	NIL	YES
	302	Alaska Air Group		ALK	33.95	2	4	4	1.15	45- 75	(35-120%)		7.7	NIL	4.41	NIL	10	3/31	◆.39	.40	3/31	NIL	NIL	YES
849	1041	Alaska Communic.	(NDQ)	ALSK	2.50	2	4	3	.80	3- 6	(20-140%)		11.4	8.0	.22	.20	6	12/31	.05	.04	6/30	.05	.215	YES
	1702	Albany Int'l 'A'		AIN	23.41	3	3	2	1.40	30- 45	(30- 90%)		16.3	2.2	1.44	.52	26	12/31	.25	.45	6/30	.13	.13	YES
	1596	Albany Molecular	(NDQ)	AMRI	3.03	5	4	4	1.15	4- 6	(30-100%)		NMF	NIL	d.19	NIL	52	12/31	d.19	d.16	3/31	NIL	NIL	YES
	2429	Albemarle Corp.		ALB	63.23	2	3	2	1.30	85- 125	(35-100%)		13.9	1.3	4.56	.80	11	3/31	◆1.20	1.15	6/30	▲.20	.165	YES
★★	948	Alcatel-Lucent ADR(g)		ALU	1.88	3	5	3	1.55	3- 6	(60-220%)		4.5	NIL	.42	NIL	95	12/31	.19	.17	3/31	NIL	NIL	YES
1819	1570	Alcoa Inc.		AA	9.66	2	3	2	1.45	16- 25	(65-160%)		24.2	1.2	.40	.12	37	3/31	.09	.27	3/31	.03	.03	YES
	206	Alere Inc.		ALR	23.97	1	3	2	1.10	45- 70	(90-190%)		9.0	NIL	2.65	NIL	75	12/31	.74	d.72	3/31	NIL	NIL	YES
	329	Alexander & Baldwin		ALEX	50.07	4	3	3	1.20	50- 80	(N- 60%)		40.4	2.5	1.24	1.26	77	12/31	.04	.48	3/31	.315	.315	YES
	1597	Alexion Pharmac.	(NDQ)	ALXN	88.90	3	3	5	.80	85- 125	(N- 40%)		83.9	NIL	1.06	NIL	52	3/31	◆.23	.14	3/31	NIL	NIL	YES
★★	207	Align Techn.	(NDQ)	ALGN	31.76	▲2	3	2	1.15	30- 50	(N- 55%)		31.8	NIL	1.00	NIL	75	3/31	◆.27	.21	3/31	NIL	NIL	YES
	757	Alleghany Corp.		Y	338.61	5	2	3	.80	295- 395	(N- 15%)		16.3	NIL	20.77	NIL	93	12/31	9.02	3.42	3/31	NIL	NIL	YES
	1571	Allegheny Techn.		ATI	40.33	4	3	1	1.55	85- 125	(110-210%)		17.6	1.8	2.29	.72	37	3/31	◆.57	.59	3/31	.18	.18	YES
	303	Allegiant Travel	(NDQ)	ALGT	59.58	▲2	3	4	.75	70- 100	(15- 70%)		19.5	NIL	3.06	NIL	10	12/31	.56	.64	3/31	NIL	NIL	YES
	1598	Allergan, Inc.		AGN	94.18	3	1	5	.90	120- 145	(25- 55%)		25.6	0.2	3.68	.20	52	12/31	.93	.88	3/31	.05	.05	YES
	902	ALLETE		ALE	40.89	3	2	4	.70	35- 50	(N- 20%)		16.2	4.5	2.53	1.85	53	12/31	.53	.38	3/31	▲.46	.445	YES
	430	Alliance Data Sys.		ADS	127.22	2	3	4	1.10	120- 165	(N- 30%)		15.3	NIL	8.30	NIL	61	3/31	◆2.38	2.03	3/31	NIL	NIL	YES
	597	Alliance Resource	(NDQ)	ARLP	61.62	2	3	3	1.05	85- 130	(40-110%)		8.3	6.4	7.38	3.96	44	12/31	1.93	1.82	3/31	▲.99	.86	YES
242	2534	AllianceBernstein Hldg.		AB	14.29	5	3	3	1.45	40- 55	(180-285%)		11.3	7.3	1.27	1.04	62	12/31	.07	.42	3/31	.12	.42	YES
	1203	AllianceBernstein Income		ACG	8.16	–	3	3	.45	8- 13	(N- 60%)		NMF	6.5	NMF	.53	–	12/31	8.93(q)	8.75(q)	3/31	.173	.12	
	903	Alliant Energy		LNT	44.68	3	2	4	.75	40- 55	(N- 25%)		15.6	4.1	2.86	1.83	53	12/31	.51	.55	3/31	▲.45	.425	YES
	704	Alliant Techsystems		ATK	51.40	3	3	3	.80	90- 135	(75-165%)		7.0	1.6	7.38	.80	47	12/31	1.51	2.09	3/31	.20	.20	YES
	820	Allscripts Healthcare	(NDQ)	MDRX	15.79	–	3	–	NMF	25- 35	(60-120%)		25.9	NIL	.61	NIL	80	12/31	.14	d.03	3/31	NIL	NIL	YES
2448	758	Allstate Corp.		ALL	32.81	2	2	3	1.10	45- 60	(35- 85%)		7.8	2.7	4.23	.88	93	12/31	1.48	.50	6/30	▲.22	.21	YES
	829	Alnylam Pharmac.	(NDQ)	ALNY	11.19	5	4	3	1.15	15- 20	(35- 80%)		NMF	NIL	d1.39	NIL	96	12/31	d.33	d.16	3/31	NIL	NIL	YES
	598	Alpha Natural Res.		ANR	16.42	3	3	1	1.95	55- 80	(235-385%)		11.9	NIL	1.38	NIL	44	12/31	d3.34	.27	3/31	NIL	NIL	YES
	1349	Altera Corp.	(NDQ)	ALTR	34.01	4	2	3	1.00	55- 75	(60-120%)		17.4	0.9	1.96	.32	94	3/31	◆.35	.68	6/30	◆.08	.06	YES
	2023	Alterra Capital Hldgs.	(NDQ)	ALTE	22.78	4	3	3	1.00	30- 40	(30- 75%)		10.1	2.5	2.25	.56	91	12/31	.30	.64	3/31	.14	.12	YES
	1703	Altra Holdings, Inc.	(NDQ)	AIMC	17.29	3	4	1	1.40	20- 35	(15-100%)		10.7	NIL	1.61	NIL	26	12/31	.21	.24	3/31	NIL	NIL	YES
	1989	Altria Group		MO	31.70	3	2	4	.55	30- 45	(N- 40%)		15.1	5.2	2.10	1.64	29	12/31	.50	.44	6/30	.41	.38	YES
2440	2617	Amazon.com	(NDQ)	AMZN	190.33	5	3	4	1.05	275- 410	(45-115%)		NMF	NIL	1.18	NIL	78	12/31	.38	.91	3/31	NIL	NIL	YES
	1572	AMCOL Int'l		ACO	29.74	2	3	3	1.35	40- 65	(35-120%)		15.0	2.4	1.98	.72	37	12/31	.43	.21	6/30	.18	.18	YES
	2599	Amdocs Ltd.		DOX	31.47	3	3	3	.90	45- 65	(45-105%)		12.1	NIL	2.60	NIL	49	12/31	.53	.38	3/31	NIL	NIL	YES
	797	Amedisys, Inc.	(NDQ)	AMED	14.29	3	3	2	1.10	20- 30	(40-110%)		12.0	NIL	1.19	NIL	9	12/31	.49	.77	3/31	NIL	NIL	YES
	904	Ameren Corp.		AEE	31.93	3	3	3	.80	30- 45	(N- 40%)		14.9	5.1	2.15	1.63	53	12/31	.10	.21	6/30	◆.40	.385	YES
	923	America Movil		AMX	25.16	4	3	3	1.15	40- 55	(60-120%)		15.9	1.0	1.58	.26	20	12/31	.31	.54	3/31	NIL	NIL	YES
	983	Amer. Axle		AXL	10.37	2	5	3	2.15	18- 35	(75-240%)		4.9	NIL	2.11	NIL	13	12/31	.46	.47	3/31	NIL	NIL	YES
	2641	Amer. Capital, Ltd.	(NDQ)	ACAS	9.07	2	5	2	2.35	11- 20	(20-120%)		10.1	NIL	.90	NIL-.80	88	12/31	1.73	1.10	3/31	NIL	NIL	YES
	2203	Amer. Eagle Outfitters		AEO	17.47	3	3	4	.95	▲ 18- 30	(5- 70%)		20.6	2.5	.85	.44	59	1/31	.35	.44	6/30	.11	.11	YES
	905	Amer. Elec. Power		AEP	38.27	▼3	3	4	.70	40- 55	(5- 45%)		12.1	5.0	3.16	1.91	53	3/31	◆.80	.83	6/30	◆.47	.46	YES
2030	2535	Amer. Express		AXP	57.63	3	2	3	1.25	70- 95	(20- 65%)		13.6	1.4	4.25	.80	62	3/31	◆1.07	.97	6/30	▲.20	.18	YES
	759	Amer. Financial Group		AFG	38.44	3	3	3	1.05	45- 65	(15- 70%)		10.6	1.8	3.61	.70	93	12/31	1.06	1.03	6/30	.175	.163	YES
	2359	Amer. Greetings		AM	14.39	3	3	3	1.25	30- 45	(110-215%)		6.3	4.2	2.27	.60	16	11/30	.50	.78	6/30	.15	.15	YES
849	2536	Amer. Int'l Group		AIG	32.40	–	5	–	1.65	NMF	(NMF)		14.2	NIL	2.28	NIL	62	12/31	.82	d5.78	3/31	NIL	NIL	YES
	1774	Amer. States Water		AWR	35.96	2	3	3	.70	45- 65	(25- 80%)		16.7	3.1	2.15	1.12	39	12/31	.35	.67	3/31	.28	.26	YES
1819	1215	Amer. Superconductor	(NDQ)	AMSC	4.07	5	5	1	1.65	1- 2	(N- N%)		NMF	NIL	d2.74	NIL	89	12/31	d.34	d.38	3/31	NIL	NIL	YES
	580	Amer. Tower 'A'		AMT	63.53	3	3	3	.85	70- 105	(10- 65%)		39.5	1.3	1.61	.84	98	12/31	.51	.20	6/30	▲.21	NIL	YES
	554	Amer. Vanguard Corp.		AVD	23.55	3	3	5	1.10	15- 25	(N- 5%)		29.1	0.4	.81	.10	41	12/31	.23	.14	6/30	.05	.03	YES
	1775	Amer. Water Works		AWK	33.67	1	3	3	.65	35- 55	(5- 65%)		17.6	2.7	1.91	.92	39	12/31	.34	.23	6/30	.23	.22	YES
	1103	Amer. Woodmark	(NDQ)	AMWD	16.36	4	3	3	.85	20- 30	(20- 85%)		NMF	NIL	d.32	NIL	84	1/31	d.19	d.23	3/31	NIL	.09	
	984	Amerigon Inc.	(NDQ)	ARGN	14.79	3	4	3	1.60	19- 30	(30-105%)		24.7	NIL	.60	NIL	13	12/31	.26	.15	3/31	NIL	NIL	YES
	2537	Ameriprise Fin'l		AMP	52.45	3	3	2	1.45	80- 120	(55-130%)		9.9	2.7	5.32	1.40	62	3/31	◆1.06	.94	6/30	▲.35	.23	YES
	208	AmerisourceBergen		ABC	37.50	3	2	3	.70	65- 85	(75-125%)		13.4	1.4	2.80	.52	75	12/31	.62	.57	3/31	.13	.10	YES
	1740	Ametek, Inc.		AME	48.51	3	2	3	1.00	55- 75	(15- 55%)		18.4	0.5	2.63	.24	17	12/31	.63	.50	3/31	.06	.06	YES
	830	Amgen	(NDQ)	AMGN	68.63	▲1	1	3	.65	100- 120	(45- 75%)		12.0	2.2	5.74	1.48	96	3/31	◆1.61	1.32	6/30	.36	NIL	YES
	1387	Amkor Technology	(NDQ)	AMKR	5.67	2	5	2	1.65	10- 18	(75-215%)		11.1	NIL	.51	NIL	70	12/31	.11	.20	3/31	NIL	NIL	YES
	742	Ampco-Pittsburgh		AP	18.35	4	3	4	1.65	30- 50	(65-170%)		11.3	4.0	1.62	.74	68	12/31	.17	.32	6/30	.18	.18	
	1322	Amphenol Corp.		APH	56.52	3	3	3	1.10	65- 95	(15- 70%)		17.3	0.7	3.27	.42	46	3/31	.77	.72	6/30	▲.105	.015	YES
	2388	Anadarko Petroleum		APC	72.09	3	3	3	1.30	85- 125	(20- 75%)		14.0	0.5	5.16	.36	7	12/31	d.71	.22	3/31	.09	.09	YES
	1350	ANADIGICS Inc.	(NDQ)	ANAD	2.21	5	5	1	1.50	5- 9	(125-305%)		NMF	NIL	d.78	NIL	94	12/31	d.23	.05	3/31	NIL	NIL	YES
	1351	Analog Devices	(NDQ)	ADI	37.46	4	2	3	.95	50- 65	(35- 75%)		17.0	3.2	2.20	1.20	94	1/31	.46	.66	3/31	▲.30	.22	YES
	112	Analogic Corp.	(NDQ)	ALOG	65.14	3	3	4	.80	60- 90	(N- 40%)		25.2	0.6	2.58	.40	69	1/31	.79	.42	3/31	.10	.10	YES
	175	AngioDynamics	(NDQ)	ANGO	12.27	5	3	4	.80	15- 25	(20-105%)		34.1	NIL	.36	NIL	74	2/28	d.07	.15	3/31	NIL	NIL	YES
	1561	AngloGold Ashanti ADR		AU	32.99	2	3	2	1.10	60- 90	(80-175%)		10.8	1.6	3.05	.54	43	12/31	.75	.79	3/31	.264	.113	YES
	1323	Anixter Int'l		AXE	69.53	2	3	2	1.20	95- 140	(35-100%)		11.3	NIL	6.18	NIL	46	3/31	◆1.37	1.13	3/31	NIL	NIL	YES
	2204	ANN Inc.		ANN	28.47	2	3	4	1.25	40- 60	(40-110%)		16.4	NIL	▼1.74	NIL	59	1/31	.04	.19	3/31	NIL	NIL	YES
	1514	Annaly Capital Mgmt.		NLY	16.17	3	3	3	.65	14- 20	(N- 25%)		7.6	12.7	2.12	2.05	86	12/31	.52	.63	6/30	.55	.62	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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RANKS: Timeliness | Safety | Technical | Beta | 3-5 year Target Price Range and % appreciation potential | Current P/E Ratio | % Est'd Yield next 12 mos. | Est'd Earns. 12 mos. to 9-30-12 | (f) Est'd Div'd next 12 mos. | Industry Rank

LATEST RESULTS: Qtr. Ended | Earns. Per sh. | Year Ago | Qtr. Ended | Latest Div'd | Year Ago

Do Options Trade?

Recent Price		NAME OF STOCK		Ticker Symbol		T	S	T	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	2574	ANSYS, Inc.	(NDQ)	ANSS	63.97	3	3	2	1.10	60- 95 (N- 50%)	31.8	NIL	2.01	NIL	51	12/31	.50	.52	3/31	NIL	NIL	YES
		Aon Corp.								NAME CHANGED TO AON PLC												
	2538	Aon plc		AON	50.62	2	2	3	.70	60- 80 (20- 60%)	14.8	1.2	3.42	.63	62	12/31	.82	.67	6/30	▲.158	.15	YES
	2389	Apache Corp.		APA	91.26	1	3	2	1.25	135- 195 (50-115%)	6.9	0.7	13.17	.68	7	12/31	2.98	1.73	6/30	▲.17	.15	YES
	1515	Apartment Investment		AIV	26.89	3	3	4	1.50	25- 35 (N- 30%)	NMF	2.8	d.96	.75	86	12/31	d.19	d.36	3/31	▲.18	.12	YES
	1104	Apogee Enterprises	(NDQ)	APOG	14.59	3	3	3	1.45	20- 30 (35-105%)	32.4	2.3	.45	.33	84	2/28	.11	d.12	3/31	.082	.082	YES
	1997	Apollo Group 'A'	(NDQ)	APOL	34.55	3	3	3	.70	80- 120 (130-245%)	10.2	NIL	3.40	NIL	67	2/28	.58	.83	3/31	NIL	NIL	YES
	2642	Apollo Investment	(NDQ)	AINV	7.24	3	3	2	1.35	16- 25 (120-245%)	7.0	11.0	1.04	.80	88	12/31	.31	.43	6/30	▼.20	.28	YES
★★	1399	Apple Inc.	(NDQ)	AAPL	560.28	1	2	5	1.05	1070-1450 (90-160%)	12.8	1.9	43.80	10.60	45	3/31	NA	6.40	3/31	NIL	NIL	YES
	1704	Applied Ind'l Techn.		AIT	38.68	3	3	3	1.05	45- 65 (15- 70%)	15.2	2.2	2.54	.84	26	12/31	.56	.49	3/31	▲.21	.17	YES
	1388	Applied Materials	(NDQ)	AMAT	11.49	4	2	2	1.05	25- 35 (120-205%)	13.5	3.1	.85	.36	70	1/31	.09	.38	6/30	▲.09	.08	YES
	1352	Applied Micro	(NDQ)	AMCC	6.01	5	3	1	1.25	8- 12 (35-100%)	NMF	NIL	d.59	NIL	94	12/31	d.12	d.03	3/31	NIL	NIL	YES
	1170	AptarGroup		ATR	54.03	3	2	3	.90	65- 90 (20- 65%)	19.5	1.6	2.77	.88	33	12/31	.57	.59	6/30	.22	.18	YES
	1776	Aqua America		WTR	22.14	3	2	3	.65	25- 35 (15- 60%)	20.9	3.0	1.06	.66	39	12/31	.25	.20	3/31	.165	.155	YES
	431	Arbitron Inc.		ARB	38.17	3	3	3	.95	50- 75 (30- 95%)	18.9	1.0	2.02	.40	61	3/31	◆.64	.59	6/30	.10	.10	YES
	743	ArcelorMittal		MT	16.52	4	3	2	1.70	40- 60 (140-265%)	12.7	4.5	1.30	.75	68	12/31	d.46	d.07	3/31	.188	.188	YES
	599	Arch Coal		ACI	9.64	3	3	2	1.65	45- 70 (365-625%)	7.8	4.6	1.23	.44	44	12/31	.33	.29	3/31	.11	.10	YES
	1902	Archer Daniels Midl'd		ADM	30.94	4	2	3	.90	45- 65 (45-110%)	12.1	2.3	2.56	.70	79	12/31	.45	1.14	6/30	.175	.16	YES
	1799	Ariba, Inc.	(NDQ)	ARBA	34.21	4	3	5	1.25	35- 50 (N- 45%)	85.5	NIL	.40	NIL	83	12/31	NIL	.09	3/31	NIL	NIL	YES
2440	318	Arkansas Best	(NDQ)	ABFS	17.78	2	3	2	1.20	35- 55 (95-210%)	22.8	0.7	.78	.12	4	12/31	.08	d.12	6/30	◆.03	.03	YES
1432	1105	Armstrong World Inds.		AWI	44.01	–	3	–	NMF	50- 75 (15- 70%)	17.8	NIL	2.47	NIL	84	12/31	.16	.11	3/31	NIL	NIL	YES
	949	Arris Group	(NDQ)	ARRS	11.31	4	3	4	1.25	15- 25 (35-120%)	13.6	NIL	.83	NIL	95	12/31	.21	.19	3/31	NIL	NIL	YES
	1324	Arrow Electronics		ARW	39.99	3	3	2	1.20	40- 60 (N- 50%)	7.5	NIL	5.34	NIL	46	12/31	1.38	1.29	3/31	NIL	NIL	YES
443	176	ArthroCare Corp.	(NDQ)	ARTC	24.58	4	4	4	1.40	30- 55 (20-125%)	17.2	NIL	1.43	NIL	74	12/31	d1.06	.30	3/31	NIL	NIL	YES
	2124	Asbury Automotive		ABG	25.86	2	5	5	1.85	30- 60 (15-130%)	11.1	NIL	▲2.33	NIL	8	12/31	.68	.16	3/31	NIL	NIL	YES
	2205	Ascena Retail Group	(NDQ)	ASNA	20.15	1	3	4	1.10 ▲	25- 35 (25- 75%)	13.6	NIL	1.48	NIL	59	1/31	.41	.26	3/31	NIL	NIL	YES
	555	Ashland Inc.		ASH	64.76	1	3	2	1.45	95- 145 (45-125%)	11.2	1.1	5.80	.70	41	3/31	◆1.52	.86	3/31	.175	.15	YES
	777	Assoc. Banc-Corp	(NDQ)	ASBC	13.30	3	3	3	1.00	17- 25 (30- 90%)	14.3	1.5	.93	.20	66	3/31	◆.24	.09	3/31	▲.05	.01	YES
	2024	Assured Guaranty		AGO	14.39	3	4	5	1.85	20- 35 (40-145%)	4.6	2.5	3.15	.36	91	12/31	.95	.81	3/31	▲.09	.045	YES
	159	Astec Inds.	(NDQ)	ASTE	32.80	3	3	3	1.30	50- 70 (50-115%)	14.9	NIL	2.20	NIL	5	3/31	◆.53	.44	3/31	NIL	NIL	YES
	1502	Astoria Financial		AF	9.61	5	3	3	.95	15- 25 (55-160%)	20.0	1.7	.48	.16	92	3/31	◆.11	.29	6/30	▼.04	.13	YES
	1599	AstraZeneca PLC (ADS)		AZN	45.82	3	2	3	.75	60- 85 (30- 85%)	7.3	6.5	6.26	3.00	52	12/31	1.16	1.15	3/31	▲1.95	1.85	YES
	821	athenahealth	(NDQ)	ATHN	70.81	4	3	4	1.05	65- 100 (N- 40%)	NMF	NIL	.57	NIL	80	12/31	.15	.20	3/31	NIL	NIL	YES
	924	Atlantic Tele-Network	(NDQ)	ATNI	33.42	3	3	3	.95	40- 60 (20- 80%)	16.5	2.8	2.02	.94	20	12/31	.34	.21	6/30	.23	.22	YES
242	304	Atlas Air Worldwide	(NDQ)	AAWW	45.19	3	4	1	1.60	65- 110 (45-145%)	10.6	NIL	4.27	NIL	10	12/31	1.27	1.58	3/31	NIL	NIL	YES
	1353	Atmel Corp.	(NDQ)	ATML	8.55	4	3	2	1.00	13- 20 (50-135%)	23.1	NIL	.37	NIL	94	12/31	.07	.22	3/31	NIL	NIL	YES
	542	Atmos Energy		ATO	31.99	3	2	3	.70	30- 40 (N- 25%)	13.9	4.3	2.30	1.39	63	12/31	.61	.81	3/31	.345	.34	YES
	2575	Autodesk, Inc.	(NDQ)	ADSK	38.71	3	3	2	1.20	30- 45 (N- 15%)	30.0	NIL	1.29	NIL	51	1/31	.31	.26	3/31	NIL	NIL	YES
	985	Autoliv, Inc.		ALV	63.57	3	3	3	1.30	105- 160 (65-150%)	9.8	3.0	6.52	1.88	13	12/31	1.70	1.89	6/30	▲.47	.43	YES
	2600	Automatic Data Proc.	(NDQ)	ADP	54.73	3	1	3	.80	85- 105 (55- 90%)	19.1	2.9	2.86	1.61	49	12/31	.68	.62	6/30	.395	.36	YES
	2125	AutoNation, Inc.		AN	33.58	3	3	5	1.15 ▼	35- 55 (5- 65%)	14.9	NIL	2.25	NIL	8	3/31	◆.56	.46	3/31	NIL	NIL	YES
	2126	AutoZone Inc.		AZO	379.36	2	3	4	.70 ▲	370- 555 (N- 45%)	16.1	NIL	23.50	NIL	8	2/28	4.15	3.34	3/31	NIL	NIL	YES
	1600	Auxilium Pharmac.	(NDQ)	AUXL	17.78	4	3	3	.90	25- 35 (40- 95%)	NMF	NIL	d.65	NIL	52	12/31	d.25	d.34	3/31	NIL	NIL	YES
	1516	AvalonBay Communities		AVB	144.54	▲3	3	3	1.10	120- 180 (N- 25%)	60.5	2.7	2.39	3.94	86	12/31	.54	.31	6/30	▲.97	.893	YES
	556	Avery Dennison		AVY	31.28	3	2	3	1.10	40- 55 (30- 75%)	18.2	3.5	1.72	1.08	41	3/31	◆.49	.35	3/31	▲.27	.25	YES
1820	2007	Avid Technology	(NDQ)	AVID	8.31	4	3	3	1.10	18- 25 (115-200%)	41.6	NIL	.20	NIL	87	12/31	.38	.37	3/31	NIL	NIL	YES
242	2166	Avis Budget Group		CAR	12.14	3	4	1	2.35 ▼	19- 30 (55-145%)	8.3	NIL	▼1.46	NIL	35	12/31	d.14	d.06	3/31	NIL	NIL	YES
	2238	Avista Corp.		AVA	26.06	3	2	4	.70	25- 35 (N- 35%)	15.2	4.5	1.72	1.18	25	12/31	.42	.45	3/31	▲.29	.275	YES
	1325	Avnet, Inc.		AVT	34.86	3	3	3	1.20	35- 55 (N- 60%)	7.5	NIL	4.65	NIL	46	12/31	1.15	1.08	3/31	NIL	NIL	YES
1643	1013	Avon Products		AVP	21.64	–	4	–	1.00	30- 50 (40-130%)	21.6	4.3	1.00	.92-.80	21	12/31	NIL	.50	3/31	.23	.23	YES
	2025	AXIS Capital Hldgs.		AXS	33.90	4	3	3	.85	35- 55 (5- 60%)	9.7	2.8	3.48	.96	91	12/31	.53	1.41	6/30	.24	.23	YES
	1903	**B&G Foods**		BGS	21.55	3	3	3	1.10	25- 40 (15- 85%)	17.4	5.0	1.24	1.08	79	3/31	◆.35	.28	6/30	▲.27	.21	YES
	2502	BB&T Corp.		BBT	31.95	3	3	3	1.10	35- 50 (10- 55%)	13.0	2.5	2.45	.80	60	3/31	◆.61	.32	6/30	▲.20	.15	YES
	1042	BCE Inc.		BCE	40.23	2	3	3	.75	45- 65 (10- 60%)	13.3	5.1	3.02	2.07	6	12/31	.61	.58	3/31	.518	.455	YES
	705	BE Aerospace	(NDQ)	BEAV	46.58	3	3	3	1.65	60- 85 (30- 80%)	17.8	NIL	2.62	NIL	47	3/31	◆.70	.49	3/31	NIL	NIL	YES
	1781	BGC Partners Inc.	(NDQ)	BGCP	6.85	3	4	3	1.40	11- 19 (60-175%)	8.6	9.9	.80	.68	71	12/31	.16	.17	3/31	.17	.14	YES
	1573	BHP Billiton Ltd. ADR		BHP	72.23	3	3	2	1.40	110- 165 (50-130%)	9.0	3.3	8.00	2.40(h)	37	12/31	3.74(p)	3.77(p)	3/31	1.10	.92	YES
	348	BJ's Restaurants	(NDQ)	BJRI	46.45	3	3	4	1.05	60- 90 (30- 95%)	36.0	NIL	1.29	NIL	32	12/31	.34	.22	3/31	NIL	NIL	YES
	2576	BMC Software	(NDQ)	BMC	40.47	2	3	3	.85	50- 70 (25- 75%)	16.3	NIL	2.48	NIL	51	12/31	.71	.60	3/31	NIL	NIL	YES
	778	BOK Financial	(NDQ)	BOKF	55.48	3	2	3	.95	60- 80 (10- 45%)	13.7	2.7	4.06	1.52	66	3/31	◆1.22	.94	6/30	▲.38	.275	YES
858	502	BP PLC ADR		BP	41.91	2	3	3	1.05	70- 100 (65-140%)	5.5	4.6	7.60	1.92	14	12/31	2.40	1.78	3/31	▲.48	.42	YES
	1517	BRE Properties		BRE	52.82	4	3	3	1.05	35- 50 (N- N%)	71.4	2.9	.74	1.54	86	12/31	.22	.02	3/31	▲.385	.375	YES
	1043	BT Group ADR(g)		BT	34.53	1	3	3	1.00	40- 55 (15- 60%)	9.2	3.8	3.75	1.30	6	12/31	.96	.82	3/31	.41	.386	
	1230	Babcock & Wilcox		BWC	23.19	–	3	–	NMF	35- 50 (50-115%)	13.0	NIL	1.79	NIL	40	12/31	.54	.45	3/31	NIL	NIL	YES
2031	113	Badger Meter		BMI	37.04	3	3	3	.95	45- 70 (20- 90%)	22.9	1.7	1.62	.64	69	3/31	◆.42	.22	3/31	.16	.14	YES
	2618	Baidu, Inc.	(NDQ)	BIDU	135.83	3	3	3	1.35	220- 330 (60-145%)	34.0	NIL	3.99	NIL	78	3/31	◆.87	.47	3/31	NIL	NIL	YES
	2401	Baker Hughes		BHI	43.04	3	3	2	1.40	100- 150 (130-250%)	10.5	1.4	4.08	.60	28	3/31	◆.86	.87	3/31	.15	.15	YES
	1171	Ball Corp.		BLL	42.96	2	2	3	.95	55- 75 (30- 75%)	15.2	0.9	2.82	.40	33	12/31	.47	.53	3/31	.10	.07	YES
	1216	Ballard Power Sys.	(NDQ)	BLDP	1.28	4	5	3	1.15	3- 6 (135-370%)	NMF	NIL	d.22	NIL	89	12/31	d.09	d.10	3/31	NIL	NIL	YES
	2338	Bally Technologies		BYI	46.84	2	3	3	1.35	75- 115 (60-145%)	19.1	NIL	2.45	NIL	24	12/31	.54	.44	3/31	NIL	NIL	YES
	2503	BancorpSouth		BXS	13.17	▲3	3	3	1.05	20- 30 (50-130%)	29.9	0.3	▼.44	.04	60	3/31	◆.25	d.01	6/30	.01	.01	YES
2030	2504	Bank of America		BAC	8.21	3	4	2	1.85	11- 17 (35-105%)	13.0	0.5	.63	.04	60	3/31	◆.03	.17	6/30	.01	.01	YES
	2505	Bank of Hawaii		BOH	48.86	4	3	3	1.00	60- 90 (25- 85%)	14.5	3.7	3.36	1.80	60	3/31	◆.95	.88	6/30	◆.45	.45	YES
	2506	Bank of Montreal	(TSE)	BMO.TO	59.10b	2	2	3	.85	65- 90 (10- 50%)	10.7	4.8	5.50	2.84	60	1/31	1.63(b)	1.30(b)	3/31	.70(b)	.70(b)	YES
	2507	Bank of New York Mellon		BK	23.24	3	3	3	1.20	45- 70 (95-200%)	10.7	2.2	2.18	.52	60	3/31	.52	.50	6/30	◆.13	.13	YES
	2508	Bank of Nova Scotia	(TSE)	BNS.TO	54.17b	3	2	3	.85	55- 75 (N- 40%)	12.2	3.8	4.45	2.08	60	1/31	1.20(b)	1.07(b)	3/31	.52(b)	.49(b)	YES
	177	Bard (C.R.)		BCR	97.98	3	1	3	.60	145- 180 (50- 85%)	14.7	0.8	6.65	.76	74	3/31	◆1.61	1.51	6/30	◆.19	.18	YES
	2167	Barnes & Noble		BKS	13.03	3	3	3	1.00 ▼	10- 14 (N- 5%)	NMF	NIL	▼d1.14	NIL	35	1/31	.71	1.00	3/31	NIL	NIL	YES
	1741	Barnes Group		B	27.59	2	3	3	1.30	35- 50 (25- 80%)	14.9	1.4	1.85	.40	17	12/31	.43	.21	3/31	.10	.08	YES
	1562	Barrick Gold		ABX	39.61	2	3	2	.90	35- 55 (N- 40%)	9.2	1.5	4.31	.60	43	12/31	.96	.85	3/31	.15	.12	YES
	1144	Bassett Furniture	(NDQ)	BSET	10.60	3	4	3	1.05	11- 18 (5- 70%)	18.0	1.9	.59	.20	72	2/28	d.05	.13	6/30	◆.05	.03	
	178	Baxter Int'l Inc.		BAX	54.76	3	1	3	.70	75- 90 (35- 65%)	12.2	2.4	4.49	1.34	74	3/31	◆1.01	.98	6/30	.335	.31	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential			Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1106	Beacon Roofing	(NDQ)	BECN	25.76	2	3	3	1.15	35-	55	(35-115%)	16.6	NIL	1.55	NIL	84	12/31	.39	.22	3/31	NIL	NIL	YES
	1965	Beam Inc.		BEAM	56.02	–	3	–	NMF	60-	90	(5- 60%)	26.3	1.5	2.13	.82	76	12/31	.58	.63	3/31	.205	.19	YES
	1122	Beazer Homes USA		BZH	2.74	4	5	1	2.55	3-	6	(10-120%)	NMF	NIL	d1.25	NIL	97	12/31	.01	d.65	3/31	NIL	NIL	YES
	2206	bebe stores	(NDQ)	BEBE	8.42	3	3	5	1.10 ▲	12-	18	(45-115%)	38.3	1.2	.22	.10	59	12/31	.08	d.03	3/31	.025	.025	YES
	179	Becton, Dickinson		BDX	76.06	3	1	3	.65	115-	140	(50- 85%)	13.4	2.4	5.68	1.80	74	12/31	1.21	1.35	3/31	.45	.41	YES
	2168	Bed Bath & Beyond	(NDQ)	BBBY	67.71	2	1	4	.90	120-	145	(75-115%)	15.5	NIL	4.38	NIL	35	2/28	1.48	1.12	3/31	NIL	NIL	YES
	1303	Belden Inc.		BDC	34.51	3	3	2	1.55	55-	80	(60-130%)	12.9	0.6	2.67	.20	54	12/31	.57	.55	6/30	.05	.05	YES
	2323	Belo Corp. 'A'		BLC	6.30	▲2	5	3	1.75	8-	14	(25-120%)	8.2	5.1	.77	.32	18	12/31	.26	.38	6/30	▲.08	NIL	YES
	1172	Bemis Co.		BMS	31.64	3	2	4	.90	50-	65	(60-105%)	15.3	3.2	2.07	1.00	33	12/31	.45	.46	3/31	▲.25	.24	YES
	1326	Benchmark Electronics		BHE	14.79	▲3	3	3	1.10	20-	35	(35-135%)	15.2	NIL	.97	NIL	46	12/31	.17	.37	3/31	NIL	NIL	YES
	760	Berkley (W.R.)		WRB	37.39	▲3	2	3	.70	45-	60	(20- 60%)	14.8	0.9	2.52	.32	93	3/31	◆.73	.66	6/30	.08	.07	YES
	761	Berkshire Hathaway 'B'		BRKB	79.79	4	1	3	.75	110-	130	(40- 65%)	15.0	NIL	5.31	NIL	93	12/31	1.23	1.77	3/31	NIL	NIL	YES
	2390	Berry Petroleum 'A'		BRY	44.62	1	3	2	1.75	60-	90	(35-100%)	12.9	0.7	3.47	.32	7	12/31	.76	.35	3/31	.08	.075	YES
	2169	Best Buy Co.		BBY	21.70	3	3	2	1.05 ▼	35-	50	(60-130%)	5.6	2.9	▲3.89	.64	35	2/28	d2.47	1.98	6/30	.16	.15	YES
	2170	Big 5 Sporting Goods	(NDQ)	BGFV	8.10	3	4	3	1.50 ▼	14-	25	(75-210%)	16.2	3.7	▼.50	.30	35	12/31	NIL	.25	3/31	.075	.075	YES
	2136	Big Lots Inc.		BIG	34.71	▼3	3	3	1.00 ▲	75-	110	(115-215%)	11.8	NIL	2.95	NIL	22	1/31	1.75	1.46	3/31	NIL	NIL	YES
	349	Biglari Hldgs.		BH	406.00	3	3	3	1.10	450-	670	(10- 65%)	15.0	NIL	27.10	NIL	32	12/31	6.58	7.08	3/31	NIL	NIL	
1650	209	Bio-Rad Labs. 'A'		BIO	106.32	3	3	3	.90	120-	175	(15- 65%)	17.1	NIL	6.22	NIL	75	12/31	2.08	1.70	3/31	NIL	NIL	YES
	1601	Biogen Idec Inc.	(NDQ)	BIIB	127.74	3	3	4	.75	110-	160	(N- 25%)	25.2	NIL	5.07	NIL	52	12/31	1.23	.99	3/31	NIL	NIL	YES
	831	BioMarin Pharmac.	(NDQ)	BMRN	34.64	5	3	5	1.10	20-	30	(N- N%)	NMF	NIL	d.73	NIL	96	12/31	d.23	d.11	3/31	NIL	NIL	YES
	973	BioScrip, Inc.	(NDQ)	BIOS	7.10	2	4	3	1.30	9-	16	(25-125%)	15.4	NIL	.46	NIL	30	12/31	.12	d.35	3/31	NIL	NIL	YES
	950	Black Box	(NDQ)	BBOX	23.19	3	3	3	1.15	45-	65	(95-180%)	7.5	1.2	3.11	.28	95	12/31	.85	.78	6/30	.07	.06	YES
	2239	Black Hills		BKH	32.60	3	3	4	.85	25-	40	(N- 25%)	18.2	4.6	1.79	1.49	25	12/31	.46	.85	3/31	▲.37	.365	YES
	2539	BlackRock, Inc.		BLK	188.57	3	3	3	1.20	275-	400	(45-110%)	13.7	3.2	13.80	6.00	62	3/31	3.14	2.89	3/31	▲1.50	1.375	YES
	2643	Blackstone Group LP		BX	13.37	3	3	3	1.40	30-	45	(125-235%)	7.9	5.7	1.70	.76	88	3/31	◆.39	.51	3/31	.22	.32	YES
★★	2540	Block (H&R)		HRB	16.59	4	3	3	.85	20-	30	(20- 80%)	14.8	4.8	▼1.12	.80	62	1/31	d.01	d.01	6/30	.20	.15	YES
242	2577	Blue Coat Sys.		BCSI	SEE FINAL SUPPLEMENT - PAGE 242																			
245	2619	Blue Nile	(NDQ)	NILE	30.40	5	3	4	1.20	65-	90	(115-195%)	28.4	NIL	1.07	NIL	78	12/31	.30	.41	3/31	NIL	NIL	YES
	1135	BlueLinx Holdings		BXC	2.72	4	5	1	1.30	3-	6	(10-120%)	NMF	NIL	d.45	NIL	42	12/31	d.15	d.42	3/31	NIL	NIL	
1052	1184	Blyth Inc.		BTH	82.90	3	3	3	1.30	60-	90	(N- 10%)	25.7	0.4	3.23	.30	55	12/31	1.83	NA	6/30	▲.15	.10	
	618	Boardwalk Pipeline		BWP	27.31	3	3	4	.80	30-	45	(10- 65%)	22.6	7.8	1.21	2.14	64	12/31	.44	.45	3/31	▲.53	.52	YES
	350	Bob Evans Farms	(NDQ)	BOBE	37.23	2	3	4	.95	40-	55	(5- 50%)	14.4	2.8	2.58	1.06	32	1/31	.69	.51	3/31	.25	.20	YES
1052	2207	Body Central Corp.	(NDQ)	BODY	27.44	–	3	–	NMF ▲	35-	55	(30-100%)	19.9	NIL	1.38	NIL	59	12/31	.38	.18	3/31	NIL	NIL	YES
★★	706	Boeing		BA	73.21	3	2	3	1.05	90-	125	(25- 70%)	16.9	2.4	4.32	1.76	47	3/31	◆1.22	.79	3/31	▲.44	.42	YES
	707	Bombardier Inc. 'B'	(TSE)	BBDB.TO	4.03b	3	3	1	1.10	9-	13	(125-225%)	9.0	2.5	.45	.10	47	12/31	.12(b)	NA(b)	3/31	.025	.025	YES
	986	BorgWarner		BWA	79.59	2	3	4	1.30	110-	165	(40-105%)	15.3	NIL	5.19	NIL	13	12/31	1.19	.89	3/31	NIL	NIL	YES
	1966	Boston Beer 'A'		SAM	100.20	3	3	3	.75	110-	165	(10- 65%)	24.0	NIL	4.17	NIL	76	12/31	1.17	.87	3/31	NIL	NIL	YES
	1518	Boston Properties		BXP	106.16	4	3	3	1.20	85-	125	(N- 20%)	52.8	2.1	2.01	2.20	86	12/31	.69	.49	6/30	.55	.50	YES
	180	Boston Scientific		BSX	6.05	3	3	3	1.00	10-	16	(65-165%)	13.8	NIL	.44	NIL	74	3/31	◆.08	.14	3/31	NIL	NIL	YES
	2339	Boyd Gaming		BYD	7.78	2	4	2	2.00	10-	18	(30-130%)	NMF	NIL	.06	NIL	24	3/31	◆.10	d.01	3/31	NIL	NIL	YES
	1742	Brady Corp.		BRC	29.95	3	3	3	1.10	35-	50	(15- 65%)	12.9	2.5	2.33	.74	17	1/31	.49	.48	6/30	.185	.18	YES
	1705	Briggs & Stratton		BGG	18.06	3	3	3	1.10	30-	45	(65-150%)	12.9	2.4	1.40	.44	26	12/31	.05	.06	6/30	.11	.11	YES
2441	581	Brightpoint, Inc.	(NDQ)	CELL	7.11	3	3	3	1.25	20-	35	(180-390%)	9.4	NIL	.76	NIL	98	12/31	.22	.22	3/31	NIL	NIL	YES
	351	Brinker Int'l		EAT	31.20	2	3	4	1.25	30-	50	(N- 60%)	16.4	2.2	1.90	.68	32	3/31	◆.60	.45	3/31	.16	.14	YES
	380	Brink's (The) Co.		BCO	21.90	3	3	4	1.05	40-	60	(85-175%)	11.3	1.8	1.93	.40	36	12/31	.56	.68	3/31	.10	.10	YES
	1602	Bristol-Myers Squibb		BMY	33.97	3	1	5	.75	35-	45	(5- 30%)	15.4	4.0	2.20	1.36	52	12/31	.51	.28	6/30	.34	.33	YES
	305	Bristow Group		BRS	46.47	3	3	5	1.25	60-	95	(30-105%)	12.7	1.3	3.66	.60	10	12/31	.70	.67	3/31	.15	NIL	YES
	1990	Brit. Amer Tobac. ADR		BTI	102.03	3	2	3	.70	115-	160	(15- 55%)	16.4	4.1	6.21	4.20	29	12/31	2.96(p)	2.95(p)	3/31	NIL	NIL	YES
	951	Broadcom Corp. 'A'	(NDQ)	BRCM	34.42	4	3	3	1.05	50-	75	(45-120%)	20.2	1.2	1.70	.40	95	12/31	.43	.58	3/31	▲.10	.09	YES
	1400	Brocade Communic.	(NDQ)	BRCD	5.27	–	4	–	1.30	8-	14	(50-165%)	15.1	NIL	.35	NIL	45	1/31	.12	.05	3/31	NIL	NIL	YES
	798	Brookdale Senior Living		BKD	18.33	4	5	2	1.85	25-	45	(35-145%)	NMF	NIL	d.12	NIL	9	12/31	d.12	d.07	3/31	NIL	NIL	YES
	1033	Brookfield Asset Mgmt.		BAM	32.30	2	3	3	1.25	45-	65	(40-100%)	24.1	1.7	1.34	.56	58	12/31	.49	.46	6/30	▲.14	.13	YES
	1706	Brooks Automation	(NDQ)	BRKS	11.36	3	4	3	1.45	13-	20	(15- 75%)	16.2	2.8	.70	.32	26	12/31	.06	.36	3/31	.08	NIL	YES
	2541	Brown & Brown		BRO	26.51	3	2	3	.70	30-	40	(15- 50%)	21.4	1.3	1.24	.34	62	3/31	.34	.32	6/30	◆.085	.08	YES
	1967	Brown-Forman 'B'		BFB	84.90	4	1	4	.70	75-	95	(N- 10%)	22.5	1.7	3.78	1.44	76	1/31	.93	.96	6/30	▲.35	.32	YES
	2155	Brown Shoe		BWS	8.80	3	3	3	1.45 ▼	17-	25	(95-185%)	10.2	3.2	.86	.28	85	1/31	.10	.11	6/30	.07	.07	YES
	114	Bruker Corp.	(NDQ)	BRKR	13.81	3	3	3	1.10	19-	30	(40-115%)	17.3	NIL	.80	NIL	69	12/31	.23	.17	3/31	NIL	NIL	YES
	2302	Brunswick Corp.		BC	26.04	2	4	3	1.95	25-	45	(N- 75%)	19.3	0.2	1.35	.05	50	12/31	d.32	d1.17	3/31	NIL	NIL	YES
	619	Buckeye Partners L.P.		BPL	57.17	4	2	4	.80	70-	95	(20- 65%)	19.1	7.3	2.99	4.20	64	12/31	.64	.66	3/31	▲1.038	.988	YES
	2208	Buckle (The), Inc.		BKE	44.78	3	3	4	1.05 ▲	60-	90	(35-100%)	13.5	1.8	3.32	.80	59	1/31	1.18	1.05	6/30	.20	.20	YES
2650	352	Buffalo Wild Wings	(NDQ)	BWLD	78.17	3	3	5	1.00	85-	125	(10- 60%)	25.6	NIL	3.05	NIL	32	3/31	◆.98	.81	3/31	NIL	NIL	YES
	1904	Bunge Ltd.		BG	66.25	▼4	3	3	1.30	75-	115	(15- 75%)	10.1	1.6	6.55	1.06	79	12/31	1.65	1.99	6/30	.25	.23	YES
	2578	**CA, Inc.**		CA	26.31	1	2	3	.95	40-	55	(50-110%)	13.6	3.8	1.93	1.00	51	12/31	.54	.39	3/31	▲.25	.04	YES
	2601	CACI Int'l		CACI	60.87	1	3	3	.80	110-	165	(80-170%)	9.9	NIL	6.16	NIL	49	12/31	1.51	1.08	3/31	NIL	NIL	YES
	708	CAE Inc.	(TSE)	CAE.TO	10.56	3	3	3	.95	13-	20	(25- 90%)	13.5	1.5	.78	.16	47	12/31	.18(b)	.16(b)	3/31	.04(b)	.04(b)	YES
	1034	CBRE Group		CBG	18.39	3	4	2	1.75	25-	45	(35-145%)	15.2	NIL	1.21	NIL	58	3/31	◆.14	.13	3/31	NIL	NIL	YES
	2324	CBS Corp. 'B'		CBS	32.55	2	3	3	1.50	25-	40	(N- 25%)	15.4	1.2	2.11	.40	18	12/31	.57	.46	6/30	.10	.05	YES
	1634	CDI Corp.		CDI	17.62	3	3	3	1.20	19-	30	(10- 70%)	22.6	3.0	.78	.52	65	12/31	.22	d.78	3/31	.13	.13	YES
	353	CEC Entertainment		CEC	37.38	3	3	3	1.15	55-	85	(45-125%)	12.2	2.4	3.06	.88	32	12/31	.15	.18	6/30	.22	.20	YES
	1354	CEVA, Inc.	(NDQ)	CEVA	20.20	3	3	2	1.15	30-	45	(50-125%)	27.7	NIL	.73	NIL	94	12/31	.20	.18	3/31	NIL	NIL	YES
	1583	CF Industries		CF	181.40	1	3	2	1.30	200-	295	(10- 65%)	7.5	0.9	24.29	1.65	19	12/31	7.04	2.64	3/31	.40	.10	YES
450	137	CH Energy Group		CHG	66.10	–	1	–	.65	45-	55	(N- N%)	21.2	3.4	3.12	2.22	48	12/31	.74	.71	6/30	.555	.54	
	381	C.H. Robinson	(NDQ)	CHRW	65.83	3	2	4	.95	85-	115	(30- 75%)	23.1	2.0	2.85	1.34	36	12/31	.67	.62	6/30	.33	.29	YES
	799	CIGNA Corp.		CI	48.10	3	3	3	1.05	80-	115	(65-140%)	9.0	0.1	5.32	.04	9	12/31	1.02	1.15	6/30	.04	.04	YES
	1782	CME Group	(NDQ)	CME	272.57	▼4	3	3	1.10	380-	570	(40-110%)	16.2	3.3	16.78	8.92	71	12/31	3.55	3.77	3/31	▲2.23	1.40	YES
	906	CMS Energy Corp.		CMS	22.24	3	3	4	.75	20-	30	(N- 35%)	15.1	4.4	1.47	.98	53	12/31	.15	.21	6/30	.24	.21	YES
	762	CNA Fin'l		CNA	29.60	3	3	3	1.30	40-	60	(35-105%)	10.9	2.0	2.71	.60	93	12/31	.71	1.21	3/31	▲.15	.10	YES
	160	CNH Global NV		CNH	44.08	▲1	3	1	1.80	70-	110	(60-150%)	10.5	NIL	4.19	NIL	5	3/31	◆1.11	.57	3/31	NIL	NIL	YES
		CPI Corp.		CPIC	SEE FINAL SUPPLEMENT - PAGE 2440																			
	2602	CSG Systems Int'l	(NDQ)	CSGS	14.26	3	3	2	.80	25-	35	(75-145%)	9.6	NIL	1.49	NIL	49	12/31	.35	.57	3/31	NIL	NIL	YES
	338	CSX Corp.		CSX	21.81	1	3	3	1.20	35-	50	(60-130%)	11.8	2.2	1.85	.48	1	3/31	.43	.35	3/31	.12	.09	YES
	1327	CTS Corp.		CTS	10.85	3	3	4	1.20	13-	19	(20- 75%)	13.9	1.3	.78	.14	46	3/31	◆.14	.15	6/30	.035	.03	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1584	CVR Partners, LP		UAN	**27.17**	**–**	**3**	**–**	NMF	25- 40 (N- 45%)	**14.2**	**6.1**	1.91	1.65	**19**	12/31	**.56**	NA	3/31	.588	NIL	YES
	974	CVS Caremark Corp.		CVS	**43.42**	**2**	**1**	**3**	.80	70- 90 (60-105%)	**13.9**	**1.5**	3.13	.65	**30**	12/31	**.89**	.80	6/30	.163	.125	YES
	2171	Cabela's Inc.		CAB	**38.44**	**1**	**3**	**5**	1.25	45- 65 (15- 70%)	**17.5**	**NIL**	2.20	NIL	**35**	12/31	**.97**	.86	3/31	NIL	NIL	YES
	1022	Cablevision Sys. 'A'		CVC	**13.78**	**–**	**4**	**–**	NMF	20- 35 (45-155%)	**15.1**	**4.4**	.91	.60	**2**	12/31	**.22**	.38	3/31	.15	.125	YES
	2430	Cabot Corp.		CBT	**42.35**	**3**	**3**	**2**	1.20	50- 70 (20- 65%)	**18.4**	**1.7**	2.30	.72	**11**	12/31	**.71**	1.10	3/31	.18	.18	YES
849	**557**	Cabot Microelectr's	(NDQ)	CCMP	**34.02**	**–**	**3**	**–**	1.00	65- 100 (90-195%)	**14.8**	**NIL**	2.30	NIL	**41**	12/31	**.45**	.71	3/31	NIL	NIL	YES
	520	Cabot Oil & Gas 'A'		COG	**29.60**	**4**	**3**	**3**	1.25	40- 60 (35-105%)	**40.5**	**0.3**	.73	.08	**34**	12/31	**.20**	.10	3/31	▲.02	.015	YES
	2579	Cadence Design Sys.	(NDQ)	CDNS	**11.28**	**3**	**3**	**3**	1.20	15- 20 (35- 75%)	**17.9**	**NIL**	.63	NIL	**51**	12/31	**.04**	d.14	3/31	NIL	NIL	YES
	1905	Cal-Maine Foods	(NDQ)	CALM	**35.33**	**3**	**3**	**4**	1.05	35- 55 (N- 55%)	**12.4**	**2.8**	2.84	1.00	**79**	2/28	**1.09**	1.27	6/30	▲.364	.47	YES
	403	Calgon Carbon		CCC	**13.92**	**4**	**3**	**3**	1.20	25- 35 (80-150%)	**17.8**	**NIL**	.78	NIL	**38**	12/31	**.09**	.18	3/31	NIL	NIL	YES
	1777	California Water		CWT	**17.80**	**4**	**3**	**3**	.65	20- 30 (10- 70%)	**19.6**	**3.5**	.91	.63	**39**	12/31	**.04**	.12	3/31	.158	.154	YES
	2303	Callaway Golf		ELY	**6.75**	**5**	**3**	**3**	1.05	10- 15 (50-120%)	**NMF**	**0.6**	d.11	.04	**50**	12/31	**d.41**	d.40	3/31	.01	.01	YES
2650	**2431**	Cambrex Corp.		CBM	**6.54**	**2**	**5**	**4**	1.05	10- 15 (55-130%)	**11.9**	**NIL**	.55	NIL	**11**	12/31	**.10**	.16	3/31	NIL	NIL	YES
	1519	Camden Property Trust		CPT	**68.09**	**3**	**3**	**3**	1.10	70- 100 (5- 45%)	**60.3**	**3.3**	1.13	2.24	**86**	12/31	**.28**	.07	6/30	▲.56	.49	YES
	1574	Cameco Corp.	(TSE)	CCO.TO	**21.16**	**3**	**3**	**2**	1.05	40- 60 (90-185%)	**13.7**	**1.9**	1.54	.40	**37**	12/31	**.63**	.48	3/31	.10	.07	YES
	2402	Cameron Int'l Corp.		CAM	**49.01**	**3**	**3**	**3**	1.45	60- 90 (20- 85%)	**14.9**	**NIL**	3.30	NIL	**28**	12/31	**.77**	.69	3/31	NIL	NIL	YES
	1906	Campbell Soup		CPB	**33.62**	**4**	**2**	**4**	.55	40- 55 (20- 65%)	**14.1**	**3.5**	2.38	1.16	**79**	1/31	**.64**	.71	6/30	.29	.29	YES
	2509	Can. Imperial Bank	(TSE)	CM.TO	**73.43b**	**3**	**2**	**3**	.95	95- 130 (30- 75%)	**9.5**	**4.9**	7.75	3.62	**60**	1/31	**1.93(b)**	1.92(b)	3/31	.90(b)	.87(b)	YES
	339	Can. National Railway		CNI	**82.17**	**▲1**	**2**	**3**	1.10	100- 135 (20- 65%)	**15.6**	**1.8**	5.28	1.50	**1**	3/31	**◆1.18**	.88	6/30	◆.375	.319	YES
	2391	Can. Natural Res.	(TSE)	CNQ.TO	**31.30**	**2**	**3**	**2**	1.20	60- 85 (90-170%)	**10.2**	**1.2**	3.08	.36	**7**	12/31	**.88**	.57	3/31	.09	.075	YES
	340	Can. Pacific Railway		CP	**76.63**	**2**	**3**	**3**	1.30	85- 125 (10- 65%)	**17.8**	**1.8**	4.30	1.40	**1**	3/31	**◆.82**	.21	9/30	▲.35	.29	YES
	1980	Canon Inc. ADR(g)		CAJ	**46.42**	**2**	**2**	**4**	1.00	65- 90 (40- 95%)	**17.7**	**3.1**	2.62	1.45	**82**	12/31	**.67**	.52	3/31	NIL	NIL	YES
	2542	Capital One Fin'l		COF	**54.36**	**3**	**3**	**3**	1.45	60- 90 (10- 65%)	**10.5**	**0.4**	5.18	.20	**62**	3/31	**◆2.92**	2.21	3/31	.05	.05	YES
	2644	Capital Trust		CT	**3.30**	**4**	**5**	**2**	1.90	10- 18 (205-445%)	**4.1**	**NIL**	.81	NIL	**88**	12/31	**d.37**	.31	3/31	NIL	NIL	YES
	2645	CapitalSource		CSE	**6.44**	**4**	**4**	**3**	1.70	11- 18 (70-180%)	**15.3**	**0.6**	.42	.04	**88**	12/31	**.03**	.02	3/31	.01	.01	YES
	1503	Capitol Fed. Fin'l	(NDQ)	CFFN	**11.65**	**3**	**3**	**3**	.65	14- 20 (20- 70%)	**25.9**	**2.7**	.45	.31	**92**	12/31	**.12**	.09	6/30	◆.075	.075	YES
	2403	CARBO Ceramics		CRR	**87.69**	**3**	**3**	**2**	1.10	190- 280 (115-220%)	**12.6**	**1.2**	6.98	1.02	**28**	12/31	**1.43**	.90	6/30	.24	.20	YES
	210	Cardinal Health		CAH	**41.24**	**3**	**1**	**3**	.80	70- 85 (70-105%)	**13.2**	**2.1**	3.13	.86	**75**	12/31	**.75**	.69	6/30	.215	.195	YES
	1998	Career Education	(NDQ)	CECO	**6.89**	**3**	**3**	**3**	.85	16- 25 (130-265%)	**10.8**	**NIL**	.64	NIL	**67**	12/31	**.31**	.81	3/31	NIL	NIL	YES
	181	CareFusion Corp.		CFN	**25.45**	**–**	**3**	**–**	NMF	40- 65 (55-155%)	**13.5**	**NIL**	1.89	NIL	**74**	12/31	**.44**	.42	3/31	NIL	NIL	YES
	354	Caribou Coffee	(NDQ)	CBOU	**15.83**	**3**	**4**	**3**	.95	20- 35 (25-120%)	**36.0**	**NIL**	.44	NIL	**32**	12/31	**.14**	.21	3/31	NIL	NIL	YES
★★	**1743**	Carlisle Cos.		CSL	**55.17**	**▲1**	**2**	**3**	1.05	65- 85 (20- 55%)	**14.8**	**1.3**	3.73	.72	**17**	3/31	**◆.94**	.53	3/31	.18	.17	YES
	2127	CarMax, Inc.		KMX	**30.93**	**3**	**3**	**5**	1.20	40- 65 (30-110%)	**16.5**	**NIL**	1.87	NIL	**8**	2/28	**.41**	.39	3/31	NIL	NIL	YES
	2304	Carnival Corp.		CCL	**31.96**	**4**	**3**	**4**	1.15	40- 60 (25- 90%)	**25.6**	**3.1**	1.25	1.00	**50**	2/28	**.02**	.19	6/30	.25	.25	YES
	744	Carpenter Technology		CRS	**52.51**	**3**	**3**	**3**	1.40	65- 100 (25- 90%)	**19.0**	**1.4**	2.77	.72	**68**	3/31	**◆.69**	.53	6/30	◆.18	.18	YES
	2102	Carter's Inc.		CRI	**51.21**	**3**	**3**	**4**	.90	▲ 60- 90 (15- 75%)	**22.2**	**NIL**	▲2.31	NIL	**81**	12/31	**.59**	.60	3/31	NIL	NIL	YES
	1707	Cascade Corp.		CASC	**46.92**	**2**	**3**	**3**	1.40	65- 100 (40-115%)	**8.8**	**3.0**	5.31	1.40	**26**	1/31	**1.16**	.65	6/30	▲.35	.20	
	404	Casella Waste Sys.	(NDQ)	CWST	**5.98**	**4**	**5**	**3**	1.60	18- 35 (200-485%)	**NMF**	**NIL**	d1.30	NIL	**38**	1/31	**d.92**	d.24	3/31	NIL	NIL	YES
	1945	Casey's Gen'l Stores	(NDQ)	CASY	**55.89**	**2**	**3**	**3**	.75	60- 90 (5- 60%)	**16.8**	**1.1**	3.33	.60	**23**	1/31	**.43**	.34	6/30	.15	.135	YES
	2543	Cash Amer. Int'l		CSH	**41.95**	**2**	**3**	**5**	1.00	60- 85 (45-105%)	**9.2**	**0.3**	4.56	.14	**62**	12/31	**1.18**	1.10	3/31	.035	.035	YES
2032	**975**	Catalyst Health Solns	(NDQ)	CHSI	**86.92**	**–**	**3**	**–**	.70	75- 115 (N- 30%)	**47.2**	**NIL**	1.84	NIL	**30**	12/31	**.39**	.51	3/31	NIL	NIL	YES
★★	**161**	Caterpillar Inc.		CAT	**108.40**	**1**	**3**	**2**	1.30	145- 215 (35-100%)	**11.8**	**1.7**	9.17	1.86	**5**	3/31	**◆2.37**	1.84	6/30	.46	.44	YES
	2209	Cato Corp.		CATO	**27.42**	**3**	**3**	**3**	.95	30- 50 (10- 80%)	**12.2**	**3.4**	2.25	.92	**59**	1/31	**.35**	.27	3/31	.23	.185	YES
	925	Cbeyond, Inc.	(NDQ)	CBEY	**6.64**	**3**	**3**	**3**	1.05	14- 20 (110-200%)	**NMF**	**NIL**	d.14	NIL	**20**	12/31	**d.17**	d.07	3/31	NIL	NIL	YES
	2305	Cedar Fair L.P.		FUN	**30.64**	**1**	**3**	**3**	.95	35- 55 (15- 80%)	**14.0**	**5.2**	2.19	1.60	**50**	12/31	**d.01**	d.41	3/31	.40	.08	YES
	1328	Celestica Inc.		CLS	**8.94**	**1**	**3**	**2**	1.25	13- 19 (45-115%)	**9.0**	**NIL**	.99	NIL	**46**	3/31	**◆.20**	.14	3/31	NIL	NIL	YES
	1603	Celgene Corp.	(NDQ)	CELG	**77.35**	**▼3**	**2**	**5**	.75	110- 145 (40- 85%)	**20.0**	**NIL**	3.87	NIL	**52**	12/31	**.91**	.61	3/31	NIL	NIL	YES
	1107	CEMEX ADS		CX	**6.73**	**3**	**4**	**1**	1.70	11- 19 (65-180%)	**NMF**	**NIL**	d.48	NIL	**84**	12/31	**d.14**	d.53	3/31	NIL	NIL	YES
	907	CenterPoint Energy		CNP	**19.53**	**3**	**3**	**5**	.80	15- 25 (N- 30%)	**17.4**	**4.2**	1.12	.82	**53**	12/31	**.27**	.29	3/31	▲.203	.198	YES
	416	Central Europe/Russia		CEE	**32.72**	**–**	**4**	**2**	1.40	45- 75 (40-130%)	**NMF**	**1.1**	NMF	.37	**–**	10/31	**38.13(q)**	43.81(q)	3/31	.371	.264	
★★	**1968**	Central European Dist.	(NDQ)	CEDC	**4.75**	**5**	**5**	**5**	1.75	13- 20 (175-320%)	**22.6**	**NIL**	.21	NIL	**76**	12/31	**.11**	.17	3/31	NIL	NIL	YES
	1185	Central Garden & Pet	(NDQ)	CENT	**10.75**	**4**	**4**	**3**	1.05	13- 20 (20- 85%)	**15.4**	**NIL**	.70	NIL	**55**	12/31	**d.27**	d.16	3/31	NIL	NIL	
	138	Cen. Vermont Pub. Serv.		CV	**35.20**	**–**	**3**	**–**	.70	25- 35 (N- N%)	**20.3**	**2.6**	1.73	.92	**48**	12/31	**.40**	.41	6/30	.23	.23	
	1044	CenturyLink Inc.		CTL	**37.94**	**3**	**2**	**3**	.75	35- 50 (N- 30%)	**16.1**	**7.6**	2.35	2.90	**6**	12/31	**.55**	.76	3/31	.725	.725	YES
2441	**211**	Cepheid	(NDQ)	CPHD	**35.72**	**▼4**	**4**	**5**	1.45	45- 70 (25- 95%)	**NMF**	**NIL**	▼.23	NIL	**75**	3/31	**◆d.08**	.01	3/31	NIL	NIL	YES
★★	**558**	Ceradyne Inc.	(NDQ)	CRDN	**26.57**	**▼5**	**3**	**2**	1.20	45- 65 (70-145%)	**13.8**	**2.3**	▼1.92	.60	**41**	3/31	**◆.16**	.94	3/31	▲.15	NIL	YES
2650	**822**	Cerner Corp.	(NDQ)	CERN	**72.26**	**3**	**3**	**5**	.85	70- 105 (N- 45%)	**35.2**	**NIL**	2.05	NIL	**80**	12/31	**.52**	.41	3/31	NIL	NIL	YES
	212	Charles River		CRL	**35.14**	**3**	**3**	**3**	.90	40- 60 (15- 70%)	**17.3**	**NIL**	2.03	NIL	**75**	12/31	**.55**	.32	3/31	NIL	NIL	YES
	2210	Charming Shoppes	(NDQ)	CHRS	**5.66**	**3**	**4**	**4**	1.70	▲ 7- 12 (25-110%)	**47.2**	**NIL**	▼.12	NIL	**59**	1/31	**d.06**	d.11	3/31	NIL	NIL	YES
	731	Chart Industries	(NDQ)	GTLS	**68.47**	**4**	**3**	**4**	1.80	45- 65 (N- N%)	**29.0**	**NIL**	2.36	NIL	**27**	12/31	**.51**	.36	3/31	NIL	NIL	YES
★★	**1800**	Check Point Software	(NDQ)	CHKP	**59.80**	**3**	**1**	**4**	.80	75- 90 (25- 50%)	**21.4**	**NIL**	2.80	NIL	**83**	3/31	**◆.68**	.57	3/31	NIL	NIL	YES
	115	Checkpoint Systems		CKP	**10.46**	**5**	**3**	**4**	1.05	20- 30 (90-185%)	**20.5**	**NIL**	.51	NIL	**69**	12/31	**d.33**	.19	3/31	NIL	NIL	YES
	355	Cheesecake Factory	(NDQ)	CAKE	**30.42**	**3**	**3**	**4**	1.25	40- 60 (30- 95%)	**16.6**	**NIL**	1.83	NIL	**32**	12/31	**.54**	.36	3/31	NIL	NIL	YES
	1744	Chemed Corp.		CHE	**58.00**	**2**	**3**	**3**	.80	75- 110 (30- 90%)	**13.0**	**1.1**	4.46	.64	**17**	3/31	**◆1.06**	.84	3/31	.16	.14	YES
	779	Chemical Financial	(NDQ)	CHFC	**22.05**	**3**	**3**	**3**	1.00	30- 45 (35-105%)	**13.0**	**3.6**	1.69	.80	**66**	3/31	**.45**	.33	3/31	.20	.20	
	521	Chesapeake Energy		CHK	**17.77**	**3**	**3**	**3**	1.35	35- 55 (95-210%)	**9.0**	**2.0**	1.98	.35	**34**	12/31	**.58**	.70	6/30	.088	.075	YES
2442	**503**	Chevron Corp.		CVX	**103.03**	**2**	**1**	**4**	.95	130- 160 (25- 55%)	**7.9**	**3.5**	13.08	3.60	**14**	12/31	**2.58**	2.64	3/31	.81	.72	YES
	1231	Chicago Bridge & Iron		CBI	**43.64**	**▼3**	**3**	**2**	1.65	55- 80 (25- 85%)	**15.5**	**0.5**	2.82	.22	**40**	3/31	**◆.60**	.51	3/31	.05	.05	YES
444	**2211**	Chico's FAS		CHS	**14.81**	**2**	**3**	**4**	1.25	25- 35 (70-135%)	**15.4**	**1.5**	.96	.22	**59**	1/31	**.15**	.12	6/30	.053	.05	YES
	2212	Children's Place	(NDQ)	PLCE	**45.85**	**3**	**3**	**3**	1.10	70- 105 (55-130%)	**14.9**	**NIL**	3.07	NIL	**59**	1/31	**.87**	1.22	3/31	NIL	NIL	YES
	987	China Auto. Sys.	(NDQ)	CAAS	**5.66**	**2**	**3**	**3**	1.40	10- 15 (75-165%)	**7.3**	**NIL**	.78	NIL	**13**	12/31	**.19**	.25	3/31	NIL	NIL	YES
	417	China Fund (The)		CHN	**22.72**	**–**	**3**	**2**	1.00	40- 60 (75-165%)	**NMF**	**1.1**	NMF	.25	**–**	10/31	**28.99(q)**	35.03(q)	3/31	NIL	NIL	
	1585	China Green Agriculture		CGA	**4.28**	**–**	**5**	**–**	1.10	13- 25 (205-485%)	**2.8**	**NIL**	1.55	NIL	**19**	12/31	**.29**	.24	3/31	NIL	NIL	YES
	356	Chipotle Mex. Grill		CMG	**402.86**	**3**	**3**	**5**	.95	365- 545 (N- 35%)	**49.5**	**NIL**	8.14	NIL	**32**	3/31	**◆1.97**	1.46	3/31	NIL	NIL	YES
	1907	Chiquita Brands Int'l		CQB	**8.19**	**3**	**4**	**2**	1.25	14- 25 (70-205%)	**10.0**	**NIL**	.82	NIL	**79**	12/31	**d.12**	d.43	3/31	NIL	NIL	YES
	2340	Choice Hotels Int'l		CHH	**37.02**	**3**	**3**	**4**	1.00	60- 90 (60-145%)	**19.8**	**2.0**	1.87	.74	**24**	12/31	**.46**	.42	6/30	.185	.185	YES
	2213	Christopher & Banks		CBK	**1.94**	**5**	**5**	**3**	1.20	▼ 3- 5 (55-160%)	**NMF**	**NIL**	▲d1.09	NIL	**59**	1/31	**◆d.64**	NA	3/31	▼NIL	.06	YES
	763	Chubb Corp.		CB	**71.99**	**▲3**	**1**	**3**	.85	75- 90 (5- 25%)	**11.6**	**2.3**	6.18	1.64	**93**	3/31	**◆1.70**	1.35	6/30	▲.41	.39	YES
	1186	Church & Dwight		CHD	**49.82**	**3**	**1**	**4**	.60	55- 65 (10- 30%)	**21.1**	**1.9**	2.36	.96	**55**	12/31	**.53**	.43	3/31	▲.24	.17	YES
	952	Ciena Corp.	(NDQ)	CIEN	**15.68**	**4**	**5**	**1**	1.50	13- 25 (N- 60%)	**NMF**	**NIL**	d1.00	NIL	**95**	1/31	**d.49**	d.84	3/31	NIL	NIL	YES
247	**522**	Cimarex Energy		XEC	**65.25**	**3**	**3**	**3**	1.30	75- 115 (15- 75%)	**12.1**	**0.7**	5.38	.48	**34**	12/31	**1.37**	1.58	6/30	▲.12	.10	YES
	1045	Cincinnati Bell		CBB	**3.60**	**2**	**4**	**3**	1.10	6- 11 (65-205%)	**NMF**	**NIL**	.03	NIL	**6**	12/31	**d.17**	d.11	3/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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italics to Selection & Opinion

PAGE NUMBERS		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS: Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential			Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS: Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
2651	764	Cincinnati Financial	(NDQ)	CINF	34.68	3	2	3	.95	30-	45	(N- 30%)	19.2	4.6	1.81	1.61	93	12/31	.86	.70	6/30	.403	.40	YES
443	2306	Cinemark Hldgs.		CNK	22.39	3	3	3	1.00	30-	50	(35-125%)	17.8	3.8	1.26	.84	50	12/31	.16	.33	3/31	.21	.21	YES
	382	Cintas Corp.	(NDQ)	CTAS	38.92	2	2	4	.95	50-	65	(30- 65%)	17.2	1.5	2.26	.58	36	2/28	.58	.41	3/31	NIL	NIL	YES
	1355	Cirrus Logic	(NDQ)	CRUS	20.80	2	4	3	1.10	35-	55	(70-165%)	13.6	NIL	1.53	NIL	94	12/31	.43	.33	3/31	NIL	NIL	YES
2651	953	Cisco Systems	(NDQ)	CSCO	19.42	2	1	3	1.00	30-	35	(55- 80%)	12.2	1.6	1.59	.32	95	1/31	.40	.27	6/30	▲.08	.06	YES
	2214	Citi Trends	(NDQ)	CTRN	10.57	4	4	3	1.20	14-	25	(30-135%)	NMF	NIL	▼d.61	NIL	59	1/31	d.36	.65	3/31	NIL	NIL	YES
	2510	Citigroup Inc.		C	33.42	3	4	3	2.05	75-	125	(125-275%)	9.0	0.1	3.73	.04	60	3/31	1.11	1.00	6/30	◆.01	.01	YES
	2580	Citrix Sys.	(NDQ)	CTXS	74.52	4	3	2	1.00	75-	115	(N- 55%)	35.8	NIL	2.08	NIL	51	12/31	.58	.49	3/31	NIL	NIL	YES
	2511	City National Corp.		CYN	52.57	3	3	3	1.05	50-	75	(N- 45%)	15.1	1.9	3.48	1.00	60	3/31	◆.86	.74	6/30	◆.25	.20	YES
	1173	CLARCOR Inc.		CLC	48.56	4	3	4	.90	60-	90	(25- 85%)	18.7	1.0	2.60	.48	33	2/28	.46	.43	6/30	.12	.105	YES
	607	Clean Energy Fuels	(NDQ)	CLNE	18.10	5	4	2	1.40	25-	40	(40-120%)	NMF	NIL	d.37	NIL	90	12/31	d.21	.18	3/31	NIL	NIL	YES
	405	Clean Harbors		CLH	65.07	2	3	5	.80	50-	75	(N- 15%)	25.9	NIL	2.51	NIL	38	12/31	.60	.44	3/31	NIL	NIL	YES
	926	Clearwire Corp.	(NDQ)	CLWR	1.40	4	5	4	1.40	3-	5	(115-255%)	NMF	NIL	d1.03	NIL	20	12/31	d.81	d.59	3/31	NIL	NIL	YES
	908	Cleco Corp.		CNL	40.00	3	2	4	.70	35-	45	(N- 15%)	15.6	3.2	2.56	1.27	53	12/31	.51	.34	3/31	.313	.25	YES
242	745	Cliffs Natural Res.		CLF	66.42	3	3	1	1.95	135-	200	(105-200%)	8.4	3.8	7.90	2.50	68	12/31	1.30	2.25	6/30	▲.625	.14	YES
	1187	Clorox Co.		CLX	69.43	3	2	3	.65	90-	125	(30- 80%)	16.8	3.7	4.13	2.55	55	12/31	.79	d1.17	6/30	.60	.55	YES
	2172	Coach Inc.		COH	71.87	3	3	3	1.25	90-	135	(25- 90%)	19.7	1.7	3.64	1.20	35	3/31	◆.77	.62	6/30	.225	.15	YES
2653	1969	Coca-Cola		KO	74.12	3	1	4	.60	105-	130	(40- 75%)	18.4	2.8	4.02	2.04	76	3/31	.89	.86	6/30	▲.51	.47	YES
	1970	Coca-Cola Bottling	(NDQ)	COKE	61.76	3	3	3	.70	70-	110	(15- 80%)	17.6	1.6	3.50	1.00	76	12/31	.20	.42	6/30	◆.25	.25	
	1971	Coca-Cola Enterprises		CCE	28.77	–	3	–	NMF	50-	75	(75-160%)	11.6	2.3	2.48	.65	76	12/31	.36	.29	6/30	◆.16	.13	YES
	116	Cognex Corp.	(NDQ)	CGNX	38.50	4	3	3	1.05	55-	80	(45-110%)	23.2	1.0	1.66	.40	69	12/31	.44	.47	3/31	.10	.08	YES
	2603	Cognizant Technology	(NDQ)	CTSH	72.39	3	2	3	1.10	105-	155	(45-115%)	21.6	NIL	3.35	NIL	49	12/31	.84	.66	3/31	NIL	NIL	YES
	117	Coherent, Inc.	(NDQ)	COHR	54.09	3	3	3	.95	70-	105	(30- 95%)	14.4	NIL	3.75	NIL	69	12/31	.71	.76	3/31	NIL	NIL	YES
2031	383	Coinstar Inc.	(NDQ)	CSTR	63.45	1	3	5	.90	85-	130	(35-105%)	16.5	NIL	3.85	NIL	36	12/31	1.00	.68	3/31	NIL	NIL	YES
	2215	Coldwater Creek	(NDQ)	CWTR	1.00	5	5	4	1.45	1-	2	(N-100%)	NMF	NIL	d.66	NIL	59	1/31	d.11	d.40	3/31	NIL	NIL	YES
	1188	Colgate-Palmolive		CL	98.43	3	1	4	.60	140-	170	(40- 75%)	18.9	2.6	5.21	2.53	55	12/31	1.21	1.24	6/30	▲.62	.58	YES
	2216	Collective Brands		PSS	19.99	3	3	3	1.25	25-	35	(25- 75%)	23.8	NIL	▼.84	NIL	59	1/31	.61	d.16	3/31	NIL	NIL	YES
	2103	Columbia Sportswear	(NDQ)	COLM	47.33	3	3	2	1.00	55-	85	(15- 80%)	16.7	1.9	▼2.83	.88	81	12/31	1.08	.77	3/31	.22	.20	YES
	1708	Columbus McKinnon	(NDQ)	CMCO	14.92	2	3	2	1.35	20-	35	(35-135%)	11.0	NIL	1.36	NIL	26	12/31	.33	.03	3/31	NIL	NIL	YES
	1023	Comcast Corp.	(NDQ)	CMCSA	29.35	1	3	5	.95	45-	65	(55-120%)	16.4	2.2	1.79	.65	2	12/31	.47	.36	6/30	.163	.113	YES
	780	Comerica Inc.		CMA	31.87	3	3	3	1.20	35-	55	(10- 75%)	14.8	1.3	2.15	.40	66	3/31	.66	.57	6/30	.10	.10	YES
	781	Commerce Bancshs.	(NDQ)	CBSH	39.97	3	1	3	.85	40-	50	(N- 25%)	14.2	2.3	2.81	.93	66	3/31	.74	.66	6/30	▲.23	.219	YES
1432	746	Commercial Metals		CMC	14.33	1	3	2	1.55	20-	30	(40-110%)	13.0	3.3	1.10	.48	68	2/28	.24	d.40	6/30	.12	.12	YES
	988	Commercial Vehicle	(NDQ)	CVGI	9.74	1	5	1	1.75	13-	25	(35-155%)	7.3	NIL	1.33	NIL	13	12/31	.36	.14	3/31	NIL	NIL	YES
	800	Community Health		CYH	23.27	1	3	2	1.30	55-	80	(135-245%)	6.6	NIL	3.54	NIL	9	12/31	.85	.76	3/31	NIL	NIL	YES
	1586	Compass Minerals Int'l		CMP	73.28	3	3	2	.95	95-	145	(30-100%)	15.7	2.8	4.67	2.04	19	12/31	1.65	1.70	3/31	▲.495	.45	YES
2650	2404	Complete Prod. Svcs.		CPX	SEE FINAL SUPPLEMENT - PAGE 2650																			
	823	Computer Prog. & Sys.	(NDQ)	CPSI	54.55	3	3	5	.80	85-	125	(55-130%)	21.2	3.4	2.57	1.84	80	12/31	.59	.61	3/31	▲.46	.36	YES
	2604	Computer Sciences		CSC	27.11	3	2	3	1.00	65-	85	(140-215%)	9.4	3.0	2.87	.80	49	12/31	1.35	1.55	6/30	.20	.20	YES
	2581	Compuware Corp.	(NDQ)	CPWR	8.53	4	3	3	.95	12-	18	(40-110%)	19.0	NIL	.45	NIL	51	12/31	.10	.15	3/31	NIL	NIL	YES
	954	Comtech Telecom.	(NDQ)	CMTL	30.98	4	3	3	.70	25-	40	(N- 30%)	26.3	3.7	1.18	1.15	95	1/31	.27	.52	6/30	.275	.25	YES
	319	Con-way Inc.		CNW	32.50	2	3	3	1.25	50-	70	(55-115%)	17.7	1.2	1.84	.40	4	12/31	.26	.02	6/30	◆.10	.10	YES
	1908	ConAgra Foods		CAG	25.87	3	1	4	.65	35-	40	(35- 55%)	14.3	3.7	1.81	.97	79	2/28	.51	.50	6/30	.24	.23	YES
	1801	Concur Techn.	(NDQ)	CNQR	53.69	5	3	3	1.25	80-	120	(50-125%)	NMF	NIL	d.10	NIL	83	12/31	d.02	.07	3/31	NIL	NIL	YES
	182	Conmed Corp.	(NDQ)	CNMD	29.44	2	3	3	.85	35-	55	(20- 85%)	17.1	2.0	1.72	.60	74	12/31	.46	.36	6/30	▲.15	NIL	YES
2031	504	ConocoPhillips		COP	71.88	–	1	–	1.10	85-	105	(20- 45%)	8.8	3.8	8.17	2.76	14	3/31	◆2.02	1.82	3/31	.66	.66	YES
	600	CONSOL Energy		CNX	33.55	3	3	3	1.70	60-	90	(80-170%)	12.5	1.6	2.69	.54	44	12/31	.70	.50	3/31	.125	.10	YES
	1046	Consol. Communic.	(NDQ)	CNSL	18.87	2	3	4	.90	20-	30	(5- 60%)	21.0	8.2	.90	1.55	6	12/31	.26	.23	3/31	.387	.387	YES
	139	Consol. Edison		ED	58.73	3	1	4	.60	50-	60	(N- N%)	16.3	4.1	3.60	2.42	48	12/31	.65	.80	6/30	◆.605	.60	YES
	2360	Consolidated Graphics		CGX	39.70	3	3	3	1.35	60-	90	(50-125%)	10.2	NIL	3.91	NIL	16	12/31	1.21	1.55	3/31	NIL	NIL	YES
1645	1972	Constellation Brands		STZ	21.49	3	3	4	.90	30-	45	(40-110%)	9.6	NIL	2.24	NIL	76	2/28	.69	.35	3/31	NIL	NIL	YES
1052	140	Constellation Energy		CEG	SEE FINAL SUPPLEMENT - PAGE 1052																			
	384	Convergys Corp.		CVG	13.08	3	3	2	1.20	19-	30	(45-130%)	13.1	NIL	1.00	NIL	36	12/31	.28	.31	3/31	NIL	NIL	YES
	213	Cooper Cos.		COO	85.63	2	3	5	.90	75-	115	(N- 35%)	17.5	0.1	4.90	.06	75	1/31	1.12	.85	6/30	NIL	NIL	YES
	1304	Cooper Inds.		CBE	61.63	3	3	3	1.20	70-	105	(15- 70%)	14.8	2.0	4.16	1.24	54	12/31	1.00	.85	9/30	◆.31	.29	YES
629	989	Cooper Tire & Rubber		CTB	15.02	3	3	2	1.60	25-	35	(65-135%)	8.7	2.8	1.73	.42	13	12/31	.51	.64	3/31	.105	.105	YES
	306	Copa Holdings, S.A.		CPA	78.78	2	3	3	1.00	115-	170	(45-115%)	10.5	2.2	7.51	1.75	10	12/31	2.36	2.27	3/31	NIL	NIL	YES
	608	Copano Energy	(NDQ)	CPNO	36.75	4	3	4	1.10	35-	55	(N- 50%)	NMF	6.5	.12	2.40	90	12/31	d.02	d.02	6/30	.575	.575	YES
	2128	Copart, Inc.	(NDQ)	CPRT	26.22	3	2	4	.85 ▲	35-	45	(35- 70%)	18.9	NIL	1.39	NIL	8	1/31	.31	.23	3/31	NIL	NIL	YES
	1946	Core-Mark Holding	(NDQ)	CORE	37.87	3	3	3	.80	40-	65	(5- 70%)	15.1	1.8	2.50	.68	23	12/31	.44	.08	3/31	.17	NIL	
	2405	Core Laboratories		CLB	131.21	3	3	4	1.05	100-	150	(N- 15%)	29.4	0.9	4.46	1.12	28	3/31	◆1.13	.94	6/30	.28	.25	YES
2441	1999	Corinthian Colleges	(NDQ)	COCO	3.73	2	5	1	1.05	6-	11	(60-195%)	9.1	NIL	.41	NIL	67	12/31	.04	.23	3/31	NIL	NIL	YES
	1909	Corn Products Int'l		CPO	55.80	2	3	2	1.10	55-	85	(N- 50%)	11.3	1.5	4.95	.84	79	12/31	1.11	1.05	6/30	.20	.14	YES
	1305	Corning Inc.		GLW	13.35	3	3	1	1.25	20-	30	(50-125%)	10.5	2.2	1.27	.30	54	3/31	◆.30	.47	3/31	.075	.05	YES
	432	Corporate Executive		EXBD	39.95	3	3	3	.95	40-	55	(N- 40%)	22.8	1.8	1.75	.73	61	12/31	.53	.31	3/31	▲.175	.15	YES
	1035	Corrections Corp. Amer.		CXW	27.60	3	3	3	1.05	30-	50	(10- 80%)	17.1	2.2	1.61	.60	58	12/31	.41	.39	3/31	NIL	NIL	YES
1442	2173	Cost Plus Inc.	(NDQ)	CPWM	18.67	1	5	3	.95 ▲	20-	40	(5-115%)	18.5	NIL	▲1.01	NIL	35	1/31	1.56	1.24	3/31	NIL	NIL	YES
	433	CoStar Group	(NDQ)	CSGP	70.08	4	3	3	1.00	60-	90	(N- 30%)	51.5	NIL	1.36	NIL	61	12/31	.33	.25	3/31	NIL	NIL	YES
	2137	Costco Wholesale	(NDQ)	COST	86.43	3	1	4	.75	100-	120	(15- 40%)	22.4	1.1	3.85	.96	22	2/28	.90	.79	3/31	.24	.205	YES
	1973	Cott Corp.		COT	6.60	4	4	3	1.10	15-	25	(125-280%)	13.8	NIL	.48	NIL	76	12/31	d.12	.16	3/31	NIL	NIL	YES
	1604	Covance Inc.		CVD	46.27	3	3	4	1.00	70-	100	(50-115%)	19.4	NIL	2.39	NIL	52	12/31	.34	.45	3/31	NIL	NIL	YES
	1217	Covanta Holding Corp.		CVA	15.96	3	3	3	.90	16-	25	(N- 55%)	26.6	3.8	.60	.60	89	3/31	◆d.09	d.10	6/30	▲.15	.075	YES
	801	Coventry Health Care		CVH	33.17	3	3	3	1.25	35-	55	(5- 65%)	11.2	1.5	2.95	.50	9	12/31	.58	.96	6/30	▲.125	NIL	YES
	183	Covidien Plc		COV	54.19	2	2	2	.80	60-	80	(10- 50%)	12.6	1.7	4.30	.94	74	12/31	1.13	.95	6/30	.225	.20	YES
	357	Cracker Barrel	(NDQ)	CBRL	56.00	2	3	3	1.00	65-	95	(15- 70%)	13.1	1.9	4.27	1.04	32	1/31	1.20	1.20	6/30	.25	.22	YES
	1745	Crane Co.		CR	43.69	3	3	3	1.35	65-	95	(50-115%)	11.7	2.4	3.73	1.04	17	3/31	◆.88	.76	6/30	◆.26	.23	YES
243	2544	Crawford & Co. 'B'		CRDB	4.34	3	4	3	1.05	10-	17	(130-290%)	10.1	1.8	.43	.08	62	12/31	.03	.33	3/31	.02	.02	
	1356	Cree, Inc.	(NDQ)	CREE	29.78	5	3	1	1.20	65-	95	(120-220%)	40.8	NIL	.73	NIL	94	3/31	.08	.17	3/31	NIL	NIL	YES
	2156	Crocs, Inc.	(NDQ)	CROX	21.49	3	4	3	1.65	30-	50	(40-135%)	14.9	NIL	1.44	NIL	85	12/31	.06	.05	3/31	NIL	NIL	YES
	1635	Cross Country Health.	(NDQ)	CCRN	4.51	4	4	1	1.00	12-	20	(165-345%)	30.1	NIL	.15	NIL	65	12/31	.02	.02	3/31	NIL	NIL	YES
	523	Crosstex Energy	(NDQ)	XTXI	14.37	2	5	5	2.25	20-	35	(40-145%)	NMF	3.3	d.07	.48	34	12/31	d.03	d.04	6/30	▲.12	.09	YES
	582	Crown Castle Int'l		CCI	55.00	3	3	4	1.20	40-	60	(N- 10%)	72.4	NIL	.76	NIL	98	12/31	.16	.12	3/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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Page	Page	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1174	Crown Holdings		CCK	37.04	3	3	3	.90	70- 105	(90-185%)	12.6	NIL	2.93	NIL	33	3/31	◆.46	.48	3/31	NIL	NIL	YES
	184	CryoLife Inc.		CRY	5.25	4	4	3	1.10	18- 30	(245-470%)	17.5	NIL	.30	NIL	74	12/31	.07	.08	3/31	NIL	NIL	YES
	2620	Ctrip.com Int'l ADR	(NDQ)	CTRP	21.09	5	3	3	1.20	70- 110	(230-420%)	16.1	NIL	1.31	NIL	78	12/31	.27	.33	3/31	NIL	NIL	YES
	1329	Cubic Corp.		CUB	45.14	3	3	3	1.05	50- 75	(10- 65%)	13.9	0.5	3.25	.24	46	12/31	.80	.74	3/31	▲.12	NIL	YES
	1605	Cubist Pharm.	(NDQ)	CBST	41.32	3	3	5	.75	45- 65	(10- 55%)	25.2	NIL	1.64	NIL	52	3/31	◆.45	.34	3/31	NIL	NIL	YES
	2512	Cullen/Frost Bankers		CFR	57.01	▲3	1	3	.85	55- 70	(N- 25%)	14.8	3.2	3.85	1.84	60	3/31	◆.99	.85	3/31	.46	.45	YES
	1145	Culp Inc.		CFI	10.93	3	3	5	.90	16- 25	(45-130%)	12.9	NIL	.85	NIL	72	1/31	.14	.18	3/31	NIL	NIL	
	162	Cummins Inc.		CMI	116.04	1	3	3	1.45	175- 260	(50-125%)	11.5	1.4	10.06	1.60	5	12/31	2.56	1.84	3/31	.40	.263	YES
	1709	Curtiss-Wright		CW	35.74	2	3	3	1.10	40- 65	(10- 80%)	11.9	0.9	3.00	.32	26	12/31	.84	.79	6/30	.08	.08	YES
	214	Cutera, Inc.	(NDQ)	CUTR	9.10	5	4	2	.80	8- 13	(N- 45%)	NMF	NIL	d.45	NIL	75	12/31	d.06	d.09	3/31	NIL	NIL	YES
	185	Cyberonics	(NDQ)	CYBX	36.56	3	3	4	.85	50- 75	(35-105%)	25.9	NIL	1.41	NIL	74	1/31	.34	.25	3/31	NIL	NIL	YES
	1389	Cymer Inc.	(NDQ)	CYMI	48.50	▲3	3	4	1.10	65- 95	(35- 95%)	42.9	NIL	▼1.13	NIL	70	3/31	◆.68	.94	3/31	NIL	NIL	YES
2031	1357	Cypress Semic.	(NDQ)	CY	15.06	4	3	1	1.20	30- 45	(100-200%)	18.4	2.9	.82	.44	94	3/31	◆.12	.24	6/30	▲.11	.09	YES
1821	2432	Cytec Inds.		CYT	62.82	1	3	2	1.45	60- 95	(N- 50%)	14.4	0.8	4.36	.50	11	3/31	◆1.28	.78	6/30	◆.125	.125	YES
	1520	**DDR Corp.**		DDR	14.62	4	4	3	2.10	19- 30	(30-105%)	NMF	3.5	d.01	.51	86	12/31	d.01	d.37	6/30	▲.12	.04	YES
	1204	DNP Select Inc. Fund		DNP	10.83	–	2	3	.70	10- 14	(N- 30%)	NMF	7.2	NMF	.78	–	12/31	8.33(q)	7.50(q)	12/31	NIL	NIL	
	583	DSP Group	(NDQ)	DSPG	6.31	5	4	3	1.10	7- 11	(10- 75%)	NMF	NIL	d.43	NIL	98	12/31	d.21	d.38	3/31	NIL	NIL	YES
	2605	DST Systems		DST	54.13	3	2	3	1.00	65- 90	(20- 65%)	12.0	1.5	4.51	.80	49	12/31	1.05	1.07	6/30	▲.40	.35	YES
	2217	DSW Inc.		DSW	54.02	3	3	5	1.10	70- 100	(30- 85%)	17.1	1.1	3.16	.60	59	1/31	.51	.41	3/31	.15	NIL	YES
	909	DTE Energy		DTE	55.98	2	3	4	.75	50- 70	(N- 25%)	15.2	4.4	3.69	2.44	53	12/31	.89	.90	6/30	.588	.56	YES
	2008	DTS, Inc.	(NDQ)	DTSI	30.12	3	3	2	1.20	65- 95	(115-215%)	25.7	NIL	1.17	NIL	87	12/31	.42	.34	3/31	NIL	NIL	YES
	1205	DWS High Income		KHI	10.12	–	4	3	.75	8- 13	(N- 30%)	NMF	10.1	NMF	1.02	–	11/30	9.11(q)	9.69(q)	3/31	.266	.463	
	102	Daimler AG	(PNK)	DDAIF	53.08	1	3	3	1.50	105- 160	(100-200%)	6.7	5.4	7.98	2.89	3	12/31	2.08	1.66	6/30	2.886	2.678	
	2009	Daktronics Inc.	(NDQ)	DAKT	8.09	4	3	3	1.15	18- 30	(120-270%)	25.3	2.8	.32	.23	87	1/31	.04	.04	3/31	NIL	NIL	YES
	990	Dana Holding Corp.		DAN	13.90	1	4	2	2.55	20- 35	(45-150%)	10.1	1.4	1.38	.20	13	3/31	◆.33	.12	3/31	.05	NIL	YES
	1746	Danaher Corp.		DHR	53.20	3	2	3	1.00	90- 125	(70-135%)	16.7	0.2	3.18	.10	17	3/31	◆.73	.60	6/30	.025	.02	YES
	358	Darden Restaurants		DRI	50.39	2	3	3	1.00	65- 95	(30- 90%)	13.9	3.4	3.62	1.72	32	2/28	1.25	1.08	6/30	.43	.32	YES
	802	DaVita Inc.		DVA	86.39	1	3	2	.65	105- 160	(20- 85%)	14.1	NIL	6.13	NIL	9	12/31	1.58	1.13	3/31	NIL	NIL	YES
	2606	DealerTrack Hldgs.	(NDQ)	TRAK	28.89	3	3	2	1.15	30- 40	(5- 40%)	70.5	NIL	.41	NIL	49	12/31	.08	.05	3/31	NIL	NIL	YES
243	1910	Dean Foods		DF	11.53	2	3	3	.75	20- 30	(75-160%)	12.1	NIL	.95	NIL	79	12/31	.27	.15	3/31	NIL	NIL	YES
629	2157	Deckers Outdoor	(NDQ)	DECK	65.91	4	3	3	1.35	105- 160	(60-145%)	13.8	NIL	4.78	NIL	85	12/31	3.18	2.27	3/31	NIL	NIL	YES
	163	Deere & Co.		DE	80.98	1	2	2	1.40	120- 165	(50-105%)	10.4	2.3	7.75	1.84	5	1/31	1.30	1.20	6/30	▲.46	.35	YES
443	1401	Dell Inc.	(NDQ)	DELL	16.18	3	3	3	1.00	25- 40	(55-145%)	9.0	NIL	1.80	NIL	45	1/31	.43	.48	3/31	NIL	NIL	YES
	1547	Delphi Fin'l 'A'		DFG	45.34	–	3	–	1.45	35- 50	(N- 10%)	12.1	1.1	3.76	.48	31	12/31	.88	.96	3/31	.12	.11	YES
	307	Delta Air Lines		DAL	10.48	2	4	3	1.40	16- 25	(55-140%)	5.7	NIL	1.85	NIL	10	3/31	◆d.05	d.38	3/31	NIL	NIL	YES
	2361	Deluxe Corp.		DLX	22.28	2	3	3	1.25	35- 50	(55-125%)	7.0	4.5	3.18	1.00	16	12/31	.78	.68	3/31	.25	.25	YES
	2392	Denbury Resources		DNR	18.08	1	3	1	1.65	30- 40	(65-120%)	12.8	NIL	1.41	NIL	7	12/31	.45	.22	3/31	NIL	NIL	YES
629	832	Dendreon Corp.	(NDQ)	DNDN	11.31	5	5	1	1.50	15- 25	(35-120%)	NMF	NIL	d1.32	NIL	96	12/31	.26	d.64	3/31	NIL	NIL	YES
	186	Dentsply Int'l	(NDQ)	XRAY	39.98	3	2	3	.90	60- 80	(50-100%)	18.5	0.6	2.16	.22	74	12/31	.51	.51	6/30	.055	.05	YES
	1047	Deutsche Telekom ADR	(PNK)	DTEGY	11.32	2	2	3	.80	20- 30	(75-165%)	14.9	8.2	.76	.93	6	12/31	.34	.21	3/31	NIL	NIL	
	524	Devon Energy		DVN	66.79	2	3	2	1.20	90- 135	(35-100%)	10.9	1.2	6.10	.80	34	12/31	1.55	1.46	6/30	▲.20	.17	YES
	2000	DeVry Inc.		DV	30.91	3	3	4	.70	65- 95	(110-205%)	9.3	1.0	3.32	.30	67	3/31	◆1.00	1.32	3/31	▲.15	.12	YES
	215	DexCom Inc.	(NDQ)	DXCM	9.70	5	4	5	1.25	15- 25	(55-160%)	NMF	NIL	d.46	NIL	75	12/31	d.18	d.16	3/31	NIL	NIL	YES
	1974	Diageo plc		DEO	100.75	3	2	3	.85	110- 145	(10- 45%)	22.4	2.9	4.50	2.95	76	12/31	2.37	3.07	6/30	1.03	.996	YES
2652	1911	Diamond Foods	(NDQ)	DMND	21.28	–	4	–	.65	45- 75	(110-250%)	8.7	NIL	2.45	NIL	79	7/31	.52	.34	6/30	▼NIL	.045	YES
	2406	Diamond Offshore		DO	67.91	3	3	2	1.20	100- 150	(45-120%)	13.7	5.2	4.96	3.50	28	3/31	◆1.21	1.80	3/31	.875	.875	YES
	2174	Dick's Sporting Goods		DKS	48.80	2	3	3	1.20	▲ 60- 85	(25- 75%)	22.7	1.0	2.15	.50	35	1/31	.88	.76	3/31	▲.125	NIL	YES
250	1422	Diebold, Inc.		DBD	38.43	1	2	3	.90	50- 70	(30- 80%)	15.1	3.0	2.55	1.15	15	3/31	◆.74	.23	3/31	▲.285	.28	YES
	1802	Digital River	(NDQ)	DRIV	17.83	3	3	3	1.05	25- 40	(40-125%)	32.4	NIL	.55	NIL	83	12/31	.12	.14	3/31	NIL	NIL	YES
	2138	Dillard's, Inc.		DDS	62.61	1	3	3	1.65	70- 105	(10- 70%)	12.8	0.3	▲4.91	.20	22	1/31	2.21	1.55	6/30	.05	.04	YES
	359	DineEquity Inc.		DIN	47.61	2	4	3	1.35	55- 90	(15- 90%)	11.4	NIL	4.19	NIL	32	12/31	1.52	.38	3/31	NIL	NIL	YES
	1024	DIRECTV	(NDQ)	DTV	47.60	1	3	3	.90	130- 195	(175-310%)	11.1	NIL	4.29	NIL	2	12/31	1.02	.74	3/31	NIL	NIL	YES
	2545	Discover Fin'l Svcs.		DFS	32.78	1	3	4	1.35	55- 85	(70-160%)	9.9	1.2	3.32	.40	62	2/28	1.18	.84	6/30	.10	.06	YES
	2325	Discovery Communic.	(NDQ)	DISCA	51.49	2	3	3	.95	55- 80	(5- 55%)	18.4	NIL	2.80	NIL	18	12/31	.86	.45	3/31	NIL	NIL	YES
	1025	Dish Network 'A'	(NDQ)	DISH	30.97	1	3	5	1.20	45- 70	(45-125%)	11.0	NIL	2.82	NIL	2	12/31	.70	.56	3/31	NIL	NIL	YES
2652	2326	Disney (Walt)		DIS	42.18	2	1	3	1.05	65- 80	(55- 90%)	14.1	1.4	3.00	.60	18	12/31	.80	.68	3/31	▲.60	.40	YES
	1146	Dixie Group	(NDQ)	DXYN	3.99	3	4	2	1.00	7- 12	(75-200%)	28.5	NIL	.14	NIL	72	12/31	d.02	.09	3/31	NIL	NIL	
	2010	Dolby Labs.		DLB	37.53	3	3	2	.90	55- 80	(45-115%)	14.7	NIL	2.55	NIL	87	12/31	.67	.76	3/31	NIL	NIL	YES
1244	1912	Dole Food		DOLE	8.47	3	3	2	1.25	17- 25	(100-195%)	5.6	NIL	1.50	NIL	79	12/31	.05	d.44	3/31	NIL	NIL	YES
	2139	Dollar General		DG	45.69	2	3	5	.55	▲ 70- 110	(55-140%)	17.2	NIL	2.66	NIL	22	1/31	.85	.64	3/31	NIL	NIL	YES
	2140	Dollar Tree, Inc.	(NDQ)	DLTR	96.75	3	1	5	.60	▲ 130- 160	(35- 65%)	21.4	NIL	4.53	NIL	22	1/31	1.60	1.29	3/31	NIL	NIL	YES
	141	Dominion Resources		D	50.81	3	2	4	.70	45- 65	(N- 30%)	16.4	4.2	3.10	2.11	48	12/31	.60	.61	3/31	▲.528	.493	YES
630	360	Domino's Pizza		DPZ	34.37	3	4	5	1.15	30- 45	(N- 30%)	18.7	NIL	1.84	NIL	32	12/31	.52	.40	3/31	NIL	NIL	YES
	1710	Donaldson Co.		DCI	34.54	3	3	3	1.10	35- 55	(N- 60%)	20.3	0.9	1.70	.32	26	1/31	.35	.28	3/31	▲.08	.065	YES
	2362	Donnelley (R.R) & Sons	(NDQ)	RRD	12.05	3	3	4	1.35	35- 55	(190-355%)	6.1	8.6	1.98	1.04	16	12/31	.46	.52	6/30	.26	.26	YES
	991	Dorman Products	(NDQ)	DORM	46.52	2	3	4	1.15	60- 90	(30- 95%)	13.4	NIL	3.47	NIL	13	12/31	.87	.67	3/31	NIL	NIL	
	164	Douglas Dynamics, Inc.		PLOW	13.58	–	3	–	NMF	13- 19	(N- 40%)	15.6	6.0	.87	.82	5	12/31	.28	.23	3/31	.205	.57	YES
	1711	Dover Corp.		DOV	60.87	2	2	3	1.15	95- 130	(55-115%)	12.6	2.1	4.82	1.26	26	3/31	1.05	.92	3/31	.315	.275	YES
	1587	Dow Chemical		DOW	34.63	2	3	2	1.30	60- 90	(75-160%)	15.1	3.7	2.30	1.28	19	12/31	.25	.47	9/30	▲.32	.25	YES
	1975	Dr Pepper Snapple		DPS	40.32	▼3	3	5	.75	50- 75	(25- 85%)	14.2	3.4	2.83	1.36	76	3/31	◆.48	.50	6/30	▲.34	.32	YES
	2327	DreamWorks Animation	(NDQ)	DWA	17.68	5	2	2	.95	25- 35	(40-100%)	16.5	NIL	1.07	NIL	18	12/31	.29	.99	3/31	NIL	NIL	YES
	1712	Dresser-Rand Group		DRC	47.53	4	3	4	1.35	65- 100	(35-110%)	21.1	NIL	2.25	NIL	26	12/31	.90	.64	3/31	NIL	NIL	YES
	992	Drew Industries		DW	26.88	3	3	5	1.15	35- 50	(30- 85%)	17.2	NIL	1.56	NIL	13	12/31	.18	.14	3/31	NIL	NIL	YES
	2407	Dril-Quip, Inc.		DRQ	65.69	4	3	3	1.50	65- 95	(N- 45%)	22.8	NIL	2.88	NIL	28	12/31	.70	.52	3/31	NIL	NIL	YES
2032	1588	Du Pont		DD	52.68	3	1	3	1.15	100- 120	(90-130%)	13.0	3.1	4.05	1.65	19	3/31	◆1.61	1.52	3/31	.41	.41	YES
	142	Duke Energy		DUK	21.18	3	2	4	.65	18- 25	(N- 20%)	14.9	4.8	1.42	1.01	48	12/31	.22	.20	3/31	.25	.245	YES
	1521	Duke Realty Corp.		DRE	14.80	3	3	3	1.55	15- 20	(N- 35%)	NMF	4.6	d.32	.68	86	12/31	.17	.04	3/31	.17	.17	YES
	434	Dun & Bradstreet		DNB	77.78	2	3	3	.75	115- 170	(50-120%)	11.8	2.0	6.58	1.54	61	12/31	2.21	1.92	3/31	▲.38	.36	YES
	361	Dunkin' Brands Group	(NDQ)	DNKN	30.99	–	3	–	NMF	35- 55	(15- 75%)	25.6	NIL	1.21	NIL	32	12/31	.30	NA	3/31	NIL	NIL	YES
	927	Dycom Inds.		DY	22.22	1	3	4	1.40	30- 50	(35-125%)	19.0	NIL	1.17	NIL	20	1/31	.10	d.03	3/31	NIL	NIL	YES
	732	Dynamic Materials	(NDQ)	BOOM	18.09	3	4	3	1.65	25- 45	(40-150%)	15.5	0.9	1.17	.16	27	12/31	.27	.10	6/30	.04	.04	YES
	443	Dynegy, Inc. 'A'		DYN	SEE FINAL SUPPLEMENT - PAGE 443																		

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential			Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1783	**E*Trade Fin'l**	(NDQ)	ETFC	10.41	▲3	4	2	1.70	20-	40	(90-285%)	16.0	NIL	▲.65	NIL	71	3/31	◆.22	.16	3/31	NIL	NIL	YES
	1402	EMC Corp.		EMC	27.50	3	2	3	.95	35-	45	(25- 65%)	23.1	NIL	1.19	NIL	45	3/31	◆.27	.21	3/31	NIL	NIL	YES
	525	EOG Resources		EOG	104.45	2	3	2	1.15	140-	205	(35- 95%)	22.7	0.7	4.60	.68	34	12/31	1.15	.36	6/30	▲.17	.16	YES
	526	EQT Corp.		EQT	46.38	▼4	3	4	1.20	75-	115	(60-150%)	21.1	1.9	2.20	.88	34	12/31	.60	.48	6/30	◆.22	.22	YES
	330	Eagle Bulk Shipping	(NDQ)	EGLE	1.88	3	5	1	2.00	4-	7	(115-270%)	NMF	NIL	d.38	NIL	77	12/31	d.03	.05	3/31	NIL	NIL	YES
	1108	Eagle Materials		EXP	33.62	3	3	2	1.20	30-	40	(N- 20%)	48.7	1.2	.69	.40	84	12/31	.07	.12	6/30	.10	.10	YES
	2621	EarthLink, Inc.	(NDQ)	ELNK	7.65	3	3	3	.70	11-	17	(45-120%)	23.9	2.6	.32	.20	78	12/31	.04	.05	3/31	.05	.05	YES
	2513	East West Bancorp	(NDQ)	EWBC	22.02	3	4	3	1.35	25-	40	(15- 80%)	12.6	1.8	1.75	.40	60	3/31	.45	.37	6/30	◆.10	.05	YES
	2433	Eastman Chemical		EMN	51.78	3	3	2	1.25	65-	100	(25- 95%)	11.6	2.0	4.46	1.04	11	12/31	.71	.71	6/30	.26	.235	YES
	993	Eaton Corp.		ETN	48.46	▲2	2	3	1.15	90-	120	(85-150%)	11.3	3.1	4.28	1.52	13	3/31	◆.92	.84	3/31	▲.38	.34	YES
	2546	Eaton Vance Corp.		EV	26.25	3	3	3	1.40	50-	75	(90-185%)	13.1	2.9	2.00	.76	62	1/31	.40	.30	6/30	.19	.18	YES
2038	2622	eBay Inc.	(NDQ)	EBAY	39.30	2	2	5	1.10	55-	75	(40- 90%)	21.8	NIL	1.80	NIL	78	3/31	◆.44	.36	3/31	NIL	NIL	YES
	584	Echelon Corp.	(NDQ)	ELON	4.22	4	4	3	1.20	14-	25	(230-490%)	NMF	NIL	d.29	NIL	98	12/31	d.10	d.14	3/31	NIL	NIL	YES
	1026	EchoStar Corp.	(NDQ)	SATS	27.38	3	3	3	.90	50-	75	(85-175%)	NMF	NIL	.20	NIL	2	12/31	d.15	1.98	3/31	NIL	NIL	YES
	559	Ecolab Inc.		ECL	62.11	3	1	3	.80	75-	90	(20- 45%)	24.5	1.3	2.54	.80	41	12/31	.70	.56	6/30	.20	.175	YES
	2240	Edison Int'l		EIX	43.10	3	3	4	.80	35-	50	(N- 15%)	13.9	3.0	3.11	1.31	25	12/31	.76	.58	6/30	.325	.32	YES
★★	187	Edwards Lifesciences		EW	73.33	4	1	4	.65	110-	135	(50- 85%)	29.8	NIL	2.46	NIL	74	3/31	◆.53	.53	3/31	NIL	NIL	YES
	362	Einstein Noah Rest.	(NDQ)	BAGL	14.19	2	3	3	1.20	18-	25	(25- 75%)	16.1	3.5	.88	.50	32	12/31	.36	.21	3/31	.125	NIL	
	609	El Paso Corp.		EP	28.99	–	3	–	1.35	25-	35	(N- 20%)	25.9	0.1	1.12	.04	90	12/31	.28	.20	6/30	.01	.01	YES
	2241	El Paso Electric		EE	29.77	2	2	3	.75	30-	45	(N- 50%)	13.7	3.5	2.18	1.04	25	12/31	.13	.17	3/31	.22	NIL	YES
	620	El Paso Pipeline		EPB	34.31	3	3	4	.75	45-	65	(30- 90%)	15.3	5.9	2.24	2.04	64	12/31	.51	.53	6/30	▲.51	.46	YES
	709	Elbit Systems	(NDQ)	ESLT	35.71	4	2	3	.75	60-	85	(70-140%)	12.3	4.0	2.91	1.44	47	12/31	d.31	1.01	6/30	▼.30	.72	
	1390	Electro Scientific	(NDQ)	ESIO	13.99	4	3	3	1.05	20-	35	(45-150%)	NMF	2.3	.06	.32	70	12/31	.02	.21	3/31	▲.08	NIL	YES
	2011	Electronic Arts	(NDQ)	EA	14.88	3	3	4	1.00	30-	45	(100-200%)	14.6	NIL	1.02	NIL	87	12/31	.99	.59	3/31	NIL	NIL	YES
	1423	Electr. for Imaging	(NDQ)	EFII	17.81	▲2	3	3	1.05	25-	35	(40- 95%)	20.2	NIL	.88	NIL	15	3/31	◆.22	.20	3/31	NIL	NIL	YES
	1014	Elizabeth Arden	(NDQ)	RDEN	39.48	3	3	3	1.30	40-	60	(N- 50%)	19.3	NIL	2.05	NIL	21	12/31	1.42	1.19	3/31	NIL	NIL	YES
	385	EMCOR Group		EME	27.28	3	3	3	1.25	30-	45	(10- 65%)	13.0	0.7	2.10	.20	36	12/31	.57	.59	6/30	.05	NIL	YES
	1358	EMCORE Corp.	(NDQ)	EMKR	4.18	5	5	1	1.65	4-	8	(N- 90%)	NMF	NIL	d.70	NIL	94	12/31	d.60	d.16	3/31	NIL	NIL	YES
	1306	Emerson Electric		EMR	50.91	3	1	3	1.05	75-	90	(45- 75%)	15.0	3.1	3.40	1.60	54	12/31	.50	.63	3/31	.40	.345	YES
	910	Empire Dist. Elec.		EDE	20.33	3	2	3	.70	19-	25	(N- 25%)	16.4	4.9	1.24	1.00	53	12/31	.21	.20	3/31	▼.25	.32	YES
	1403	Emulex Corp.		ELX	9.37	3	3	1	1.00	18-	25	(90-165%)	17.0	NIL	.55	NIL	45	12/31	.20	.05	3/31	NIL	NIL	YES
	610	Enbridge Inc.	(TSE)	ENB.TO	39.07	3	1	4	.60	35-	45	(N- 15%)	24.6	2.9	1.59	1.13	90	12/31	.37	.32	3/31	▲.283	.245	YES
	527	Encana Corp.		ECA	17.80	–	3	–	1.15	30-	40	(70-125%)	46.8	4.5	.38	.80	34	12/31	.06	.09	3/31	.20	.20	YES
	1606	Endo Pharmac. Hldgs.	(NDQ)	ENDP	34.48	3	3	2	.70	45-	65	(30- 90%)	18.1	NIL	1.90	NIL	52	12/31	.31	.77	3/31	NIL	NIL	YES
	528	Energen Corp.		EGN	46.85	▲2	2	3	1.15	70-	95	(50-105%)	13.7	1.2	3.42	.56	34	3/31	◆1.33	1.30	3/31	.14	.135	YES
	1189	Energizer Holdings		ENR	70.92	3	3	4	.95	100-	145	(40-105%)	11.4	NIL	6.20	NIL	55	12/31	2.05	1.68	3/31	NIL	NIL	YES
	621	Energy Transfer		ETP	47.72	4	2	3	.80	50-	65	(5- 35%)	30.8	7.6	1.55	3.64	64	12/31	.52	.61	3/31	.894	.894	YES
	406	EnergySolutions		ES	4.26	2	4	2	1.40	11-	18	(160-325%)	14.7	NIL	.29	NIL	38	12/31	d2.29	.06	3/31	NIL	NIL	YES
	1218	EnerNOC, Inc.	(NDQ)	ENOC	6.13	5	4	1	1.55	13-	20	(110-225%)	NMF	NIL	d1.23	NIL	89	12/31	d1.08	d.86	3/31	NIL	NIL	YES
	2408	Ensco plc		ESV	52.74	3	3	2	1.20	70-	100	(35- 90%)	9.9	2.7	5.35	1.40	28	12/31	.99	.90	3/31	.35	.35	YES
	911	Entergy Corp.		ETR	65.94	3	2	4	.70	65-	85	(N- 30%)	12.5	5.0	5.27	3.32	53	12/31	.88	1.26	6/30	.83	.83	YES
2448	622	Enterprise Products		EPD	52.30	2	3	3	.85	55-	85	(5- 65%)	21.6	4.9	2.42	2.55	64	12/31	.67	.33	6/30	▲.628	.598	YES
	833	Enzo Biochem		ENZ	2.48	5	4	4	1.50	3-	5	(20-100%)	NMF	NIL	d.10	NIL	96	1/31	d.11	d.15	3/31	NIL	NIL	YES
	1607	Enzon Pharmac.	(NDQ)	ENZN	6.31	–	4	–	1.00	6-	9	(N- 45%)	NMF	NIL	d.33	NIL	52	12/31	d.10	d.18	3/31	NIL	NIL	YES
	435	Equifax, Inc.		EFX	43.70	3	2	3	.90	70-	95	(60-115%)	15.9	1.6	2.74	.72	61	12/31	.68	.62	3/31	▲.18	.16	YES
	1803	Equinix, Inc.	(NDQ)	EQIX	147.70	3	3	3	1.20	185-	280	(25- 90%)	70.3	NIL	2.10	NIL	83	12/31	.35	.29	3/31	NIL	NIL	YES
	1522	Equity Residential		EQR	62.45	4	3	3	1.10	60-	90	(N- 45%)	NMF	2.6	.31	1.61	86	12/31	.11	d.11	6/30	.338	.338	YES
1826	824	eResearchTechnology	(NDQ)	ERT	7.91	–	3	–	1.10	14-	20	(75-155%)	19.3	NIL	.41	NIL	80	12/31	.09	.08	3/31	NIL	NIL	YES
	955	Ericsson ADR(g)	(NDQ)	ERIC	9.45	4	3	3	1.15	15-	25	(60-165%)	18.9	3.9	.50	.37	95	12/31	.08	.26	3/31	NIL	NIL	YES
	765	Erie Indemnity Co.	(NDQ)	ERIE	75.04	4	2	4	.70	60-	80	(N- 5%)	23.9	2.9	3.14	2.21	93	12/31	.47	.32	9/30	◆.553	.515	
	1747	ESCO Technologies		ESE	34.38	4	3	3	1.10	50-	75	(45-120%)	17.2	0.9	2.00	.32	17	12/31	.19	.40	6/30	.08	.08	YES
	710	Esterline Technologies		ESL	68.77	3	3	3	1.20	75-	115	(10- 65%)	12.4	NIL	5.55	NIL	47	1/31	.73	.97	3/31	NIL	NIL	YES
	1147	Ethan Allen Interiors		ETH	21.19	3	3	3	1.25	30-	40	(40- 90%)	19.3	1.7	1.10	.36	72	3/31	◆.14	.07	9/30	▲.09	.07	YES
	418	European Equity Fund		EEA	6.47	–	4	3	1.20	9-	15	(40-130%)	NMF	1.5	NMF	.10	–	12/31	6.74(q)	8.18(q)	3/31	NIL	.045	
	2026	Everest Re Group Ltd.		RE	94.61	▲3	1	3	.75	115-	145	(20- 55%)	12.3	2.0	7.71	1.92	91	12/31	d.94	4.70	3/31	.48	.48	YES
	834	Exelixis,Inc.	(NDQ)	EXEL	4.78	4	5	3	1.30	9-	16	(90-235%)	NMF	NIL	d.50	NIL	96	12/31	.35	d.16	3/31	NIL	NIL	YES
	143	Exelon Corp.		EXC	37.94	3	2	3	.80	40-	55	(5- 45%)	12.6	5.5	3.01	2.10	48	12/31	.91	.79	3/31	.525	.525	YES
	2623	Expedia Inc.	(NDQ)	EXPE	SEE LATEST REPORT																			
	386	Expeditors Int'l	(NDQ)	EXPD	41.25	▼5	2	3	1.10	70-	95	(70-130%)	21.8	1.3	1.89	.54	36	12/31	.43	.45	3/31	NIL	NIL	YES
	2218	Express, Inc.		EXPR	23.44	–	3	–	NMF	35-	55	(50-135%)	13.2	NIL	1.77	NIL	59	1/31	.68	.55	3/31	NIL	NIL	YES
	976	Express Scripts 'A'	(NDQ)	ESRX	57.22	3	2	2	1.00	95-	125	(65-120%)	17.9	NIL	3.19	NIL	30	12/31	.82	.62	3/31	NIL	NIL	YES
★★	1404	Extreme Networks	(NDQ)	EXTR	3.87	4	4	3	1.15	4-	7	(5- 80%)	29.8	NIL	.13	NIL	45	12/31	.04	.06	3/31	NIL	NIL	YES
★★	505	Exxon Mobil Corp.		XOM	86.31	▼3	1	4	.80	120-	145	(40- 70%)	10.6	2.3	8.17	1.96	14	12/31	1.97	1.85	3/31	.47	.44	YES
★★	2547	EZCORP, Inc.	(NDQ)	EZPW	26.33	▼2	3	4	1.00	30-	45	(15- 70%)	8.6	NIL	3.05	NIL	62	3/31	◆.73	.63	3/31	NIL	NIL	YES
	956	**F5 Networks**	(NDQ)	FFIV	129.28	3	3	2	.90	170-	250	(30- 95%)	35.4	NIL	3.65	NIL	95	3/31	◆.86	.68	3/31	NIL	NIL	YES
	118	FARO Technologies	(NDQ)	FARO	52.07	3	3	2	1.15	70-	100	(35- 90%)	27.8	NIL	1.87	NIL	69	12/31	.56	.29	3/31	NIL	NIL	YES
	119	FEI Company	(NDQ)	FEIC	46.49	3	3	2	1.10	80-	125	(70-170%)	18.1	NIL	2.57	NIL	69	12/31	.72	.52	3/31	NIL	NIL	YES
	1307	FLIR Systems	(NDQ)	FLIR	23.27	3	3	3	.95	40-	60	(70-160%)	14.2	1.2	1.64	.29	54	12/31	.49	.43	3/31	▲.07	.06	YES
	1589	FMC Corp.		FMC	104.72	2	3	3	1.20	85-	125	(N- 20%)	15.4	0.7	6.82	.72	19	12/31	1.58	1.07	9/30	◆.18	.15	YES
	2409	FMC Technologies		FTI	47.62	3	3	3	1.35	40-	60	(N- 25%)	27.1	NIL	1.76	NIL	28	3/31	◆.41	.35	3/31	NIL	NIL	YES
1244	1391	FSI Int'l	(NDQ)	FSII	4.88	1	5	1	1.40	10-	18	(105-270%)	12.2	NIL	.40	NIL	70	2/28	.09	.13	3/31	NIL	NIL	YES
	387	FTI Consulting		FCN	36.36	3	3	3	.65	65-	100	(80-175%)	13.0	NIL	2.80	NIL	36	12/31	.70	.56	3/31	NIL	NIL	YES
	436	FactSet Research		FDS	101.80	3	2	3	1.05	135-	180	(35- 75%)	24.5	1.1	4.15	1.08	61	2/28	1.02	.89	3/31	.27	.23	YES
	2607	Fair Isaac		FICO	41.67	3	3	2	1.15	55-	85	(30-105%)	15.4	0.2	2.71	.08	49	12/31	.81	.40	3/31	.02	.02	YES
	1359	Fairchild Semic.		FCS	13.26	3	3	2	1.45	30-	40	(125-200%)	13.7	NIL	.97	NIL	94	3/31	◆.01	.33	3/31	NIL	NIL	YES
	2141	Family Dollar Stores		FDO	66.11	2	3	3	.55	70-	105	(5- 60%)	18.1	1.3	3.65	.84	22	2/28	1.15	.98	6/30	▲.21	.18	YES
	1136	Fastenal Co.	(NDQ)	FAST	46.29	3	2	3	1.10	50-	65	(10- 40%)	33.8	1.5	1.37	.68	42	3/31	.34	.27	6/30	.17	.13	YES
★★	994	Federal-Mogul Corp.	(NDQ)	FDML	13.81	▼3	4	3	1.70	30-	55	(115-300%)	6.6	NIL	2.08	NIL	13	3/31	◆.32	.51	3/31	NIL	NIL	YES
	1523	Federal Rlty. Inv. Trust		FRT	98.76	4	3	3	1.10	75-	115	(N- 15%)	46.6	2.8	2.12	2.76	86	12/31	.48	.53	6/30	.69	.67	YES
	165	Federal Signal		FSS	5.24	3	3	4	1.40	10-	14	(90-165%)	16.9	NIL	.31	NIL	5	12/31	.06	.02	3/31	NIL	.06	YES
	2548	Federated Investors		FII	20.64	4	3	3	1.05	30-	40	(45- 95%)	12.4	4.7	1.66	.96	62	12/31	.36	.45	3/31	.24	.24	YES
	308	FedEx Corp.		FDX	88.94	2	2	3	1.00	155-	205	(75-130%)	13.3	0.6	6.70	.52	10	2/28	1.55	.81	6/30	.13	.12	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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PAGE NUMBERS		NAME OF STOCK	Ticker Symbol	Recent Price	RANKS: Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS: Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1524	FelCor Lodging Tr.	FCH	4.15	4	5	1	2.20	8- 15 (95-260%)	NMF	NIL	d1.03	NIL	86	12/31	d.33	d.50	3/31	NIL	NIL	YES
	560	Ferro Corp.	FOE	5.05	4	4	1	2.05	12- 20 (140-295%)	42.1	NIL	.12	NIL	41	12/31	d.08	.02	3/31	NIL	NIL	YES
	782	Fifth Third Bancorp	(NDQ) FITB	13.95	3	3	3	1.30	20- 30 (45-115%)	10.0	2.9	1.40	.40	66	3/31	◆.45	.10	6/30	.08	.06	YES
	585	Finisar Corp.	(NDQ) FNSR	16.50	4	4	1	1.90	40- 70 (140-325%)	26.2	NIL	.63	NIL	98	1/31	.09	.22	3/31	NIL	NIL	YES
1643	2219	Finish Line (The)	(NDQ) FINL	21.63	4	4	4	1.10 ▲	25- 40 (15- 85%)	13.9	1.1	1.56	.24	59	2/28	.81	.65	6/30	◆.06	.05	YES
	2549	First Cash Fin'l Svcs	(NDQ) FCFS	39.13	3	3	4	.90	35- 55 (N- 40%)	15.1	NIL	2.60	NIL	62	3/31	.58	.50	3/31	NIL	NIL	YES
	2514	First Commonwealth	FCF	6.21	4	4	3	1.05	12- 18 (95-190%)	29.6	3.2	.21	.20	60	3/31	◆.11	.05	6/30	▲.05	.03	YES
	783	First Horizon National	FHN	9.07	4	3	2	1.15	12- 17 (30- 85%)	16.2	0.4	.56	.04	66	3/31	◆.12	.15	9/30	◆.01	.01	YES
	784	First Midwest Bancorp	(NDQ) FMBI	11.35	3	3	3	1.25	14- 20 (25- 75%)	25.2	0.4	.45	.04	66	3/31	◆.11	.10	3/31	.01	.01	YES
	1504	First Niagara Finl Group	(NDQ) FNFG	8.92	4	3	2	.85	16- 25 (80-180%)	14.6	3.6	.61	.32	92	3/31	◆.16	.22	3/31	▼.08	.16	YES
	1219	First Solar, Inc.	(NDQ) FSLR	18.64	3	3	1	1.35	35- 55 (90-195%)	4.5	NIL	4.16	NIL	89	12/31	1.26	1.80	3/31	NIL	NIL	YES
	144	FirstEnergy Corp.	FE	45.93	3	2	4	.80	40- 55 (N- 20%)	19.4	4.8	2.37	2.20	48	12/31	d.09	.61	6/30	.55	.55	YES
	785	FirstMerit Corp.	(NDQ) FMER	16.46	3	3	3	1.05	16- 25 (N- 50%)	15.2	3.9	1.08	.64	66	3/31	◆.28	.25	3/31	.16	.16	YES
	2608	Fiserv Inc.	(NDQ) FISV	69.05	2	2	3	.95	145- 195 (110-180%)	13.8	NIL	5.02	NIL	49	12/31	1.27	1.06	3/31	NIL	NIL	YES
	1330	Flextronics Int'l	(NDQ) FLEX	6.60	2	3	3	1.30	11- 17 (65-160%)	8.3	NIL	.80	NIL	46	12/31	.16	.23	3/31	NIL	NIL	YES
	1913	Flowers Foods	FLO	21.31	4	3	3	.50	25- 35 (15- 65%)	21.7	3.2	.98	.68	79	12/31	.17	.23	3/31	.15	.133	YES
	1713	Flowserve Corp.	FLS	111.98	2	3	2	1.50	125- 190 (10- 70%)	13.7	1.3	8.20	1.44	26	12/31	2.25	2.00	6/30	▲.36	.32	YES
	1232	Fluor Corp.	FLR	57.48	3	3	2	1.30	90- 140 (55-145%)	15.9	1.1	3.61	.64	40	12/31	.90	.65	6/30	▲.16	.125	YES
	1505	Flushing Financial	(NDQ) FFIC	12.88	4	3	4	1.00	15- 25 (15- 95%)	11.2	4.0	1.15	.52	92	3/31	◆.23	.26	3/31	.13	.13	YES
	2220	Foot Locker	FL	29.91	2	3	3	1.05	30- 50 (N- 65%)	14.0	2.4	▲2.14	.72	59	1/31	.53	.39	6/30	▲.18	.165	YES
	103	Ford Motor	F	11.39	3	4	3	1.50	19- 30 (65-165%)	7.9	1.8	1.45	.20	3	12/31	.20	.30	6/30	.05	NIL	YES
	1036	Forest City Enterpr.	FCEA	15.25	4	5	1	1.60	11- 20 (N- 30%)	NMF	NIL	d.07	NIL	58	1/31	d.65	d.04	3/31	NIL	NIL	YES
	1608	Forest Labs.	FRX	33.54	3	3	3	.80	30- 45 (N- 35%)	14.0	NIL	2.40	NIL	52	3/31	.78	1.12	3/31	NIL	NIL	YES
	2393	Forest Oil	FST	12.10	–	3	–	NMF	25- 35 (105-190%)	12.1	NIL	1.00	NIL	7	12/31	.17	.44	3/31	NIL	NIL	YES
	437	Forrester Research	(NDQ) FORR	34.17	5	3	3	.80	45- 65 (30- 90%)	28.5	1.6	1.20	.56	61	12/31	.40	.26	3/31	.14	NIL	YES
	2646	Fortress Investment	FIG	3.57	3	4	2	2.20	13- 20 (265-460%)	5.8	5.6	.62	.20	88	12/31	.09	.24	3/31	▲.05	NIL	YES
	320	Forward Air	(NDQ) FWRD	34.65	3	3	3	1.15	45- 70 (30-100%)	19.8	0.8	1.75	.28	4	3/31	◆.35	.27	6/30	◆.07	.07	YES
	2175	Fossil Inc.	(NDQ) FOSL	126.08	3	3	4	1.25	140- 210 (10- 65%)	24.4	NIL	5.17	NIL	35	12/31	1.87	1.46	3/31	NIL	NIL	YES
	1233	Foster Wheeler AG	(NDQ) FWLT	22.14	3	3	2	1.65	30- 50 (35-125%)	14.2	NIL	1.56	NIL	40	12/31	.34	.26	3/31	NIL	NIL	YES
	1308	Franklin Electric	(NDQ) FELE	49.56	3	3	3	1.10	60- 90 (20- 80%)	17.4	1.1	2.85	.54	54	12/31	.50	.36	3/31	.135	.13	YES
	2550	Franklin Resources	BEN	121.16	3	2	3	1.35	115- 155 (N- 30%)	14.0	0.9	8.65	1.08	62	12/31	2.21	2.24	6/30	.27	.25	YES
	2142	Fred's Inc. 'A'	(NDQ) FRED	14.20	1	3	3	.85	19- 30 (35-110%)	15.1	1.8	.94	.25	22	1/31	.27	.22	3/31	▲.06	.05	YES
	1575	Freep't-McMoRan C&G	FCX	36.99	3	3	2	1.65	50- 70 (35- 90%)	10.5	3.4	3.52	1.25	37	3/31	◆.80	1.57	6/30	▲.313	.25	YES
	1914	Fresh Del Monte Prod.	FDP	22.57	3	3	3	.85	30- 45 (35-100%)	13.0	1.8	1.73	.40	79	12/31	d.17	d.16	3/31	.10	NIL	YES
	1947	Fresh Market (The)	(NDQ) TFM	50.59	–	3	–	NMF	65- 100 (30-100%)	41.1	NIL	1.23	NIL	23	1/31	.38	NA	3/31	NIL	NIL	YES
	1048	Frontier Communic.	(NDQ) FTR	4.12	2	3	3	.90	6- 9 (45-120%)	16.5	9.7	.25	.40	6	12/31	.07	.07	3/31	▼.10	.188	YES
	331	Frontline Ltd.	FRO	6.31	3	5	1	1.55	5- 9 (N- 45%)	NMF	NIL	d1.45	NIL	77	12/31	d.40	d.15	3/31	NIL	.10	YES
	995	Fuel Sys. Solns.	(NDQ) FSYS	21.09	4	3	3	1.10	40- 60 (90-185%)	38.3	NIL	.55	NIL	13	12/31	.07	d.02	3/31	NIL	NIL	YES
	407	Fuel Tech, Inc.	(NDQ) FTEK	4.54	4	4	2	1.50	18- 30 (295-560%)	16.8	NIL	.27	NIL	38	12/31	.07	.07	3/31	NIL	NIL	YES
	1220	FuelCell Energy	(NDQ) FCEL	1.29	4	5	3	1.45	2- 4 (55-210%)	NMF	NIL	d.17	NIL	89	1/31	d.05	d.10	3/31	NIL	NIL	YES
	1981	FUJIFILM Hldgs. ADR(g)	(PNK) FUJIY	21.46	3	1	4	.80	55- 70 (155-225%)	16.9	2.1	1.27	.44	82	12/31	.22	.45	3/31	NIL	NIL	
	561	Fuller (H.B.)	FUL	32.16	2	3	3	1.25	30- 50 (N- 55%)	16.7	1.1	1.93	.34	41	2/28	.30	.29	6/30	▲.085	.075	YES
	1148	Furniture Brands	FBN	1.57	5	5	3	1.50	3- 5 (90-220%)	NMF	NIL	d.52	NIL	72	12/31	d.17	d.82	3/31	NIL	NIL	YES
1644	388	**G&K Services 'A'**	(NDQ) GKSR	32.84	3	3	3	.90	45- 65 (35-100%)	15.6	1.7	2.11	.56	36	12/31	.51	.47	3/31	.13	.095	
	1748	GATX Corp.	GMT	42.39	1	3	3	1.20	50- 70 (20- 65%)	16.8	2.9	2.52	1.21	17	12/31	.67	.42	3/31	▲.30	.29	YES
	2176	GNC Holdings	GNC	35.48	–	3	–	NMF ▲	40- 60 (15- 70%)	19.2	1.2	▲1.85	.44	35	12/31	.39	NA	3/31	NIL	NIL	YES
	1221	GT Advanced Tech.	(NDQ) GTAT	7.11	2	4	2	1.55	20- 35 (180-390%)	4.1	NIL	1.73	NIL	89	12/31	.12	.44	3/31	NIL	NIL	YES
	1206	Gabelli Equity	GAB	5.41	–	3	3	1.25	5- 8 (N- 50%)	NMF	NIL	NMF	NIL	–	12/31	5.20(q)	5.85(q)	12/31	.02	NIL	
	2551	Gallagher (Arthur J.)	AJG	36.49	4	1	3	.75	30- 40 (N- 10%)	23.2	3.7	1.57	1.36	62	12/31	.35	.43	6/30	.34	.33	YES
	2177	GameStop Corp.	GME	22.28	2	3	4	.85	45- 65 (100-190%)	7.4	2.7	3.03	.60	35	1/31	1.73	1.56	3/31	▲.15	NIL	YES
	2369	Gannett Co.	GCI	13.54	3	4	3	1.60	17- 25 (25- 85%)	7.5	5.9	1.80	.80	56	3/31	.34	.37	6/30	▲.20	.04	YES
	2221	Gap (The), Inc.	GPS	27.19	3	2	3	1.00 ▲	30- 40 (10- 45%)	15.8	1.8	▲1.72	.50	59	1/31	.44	.59	6/30	▲.125	.113	YES
	166	Gardner Denver	GDI	62.94	3	3	3	1.30	105- 160 (65-155%)	10.0	0.3	6.27	.20	5	3/31	◆1.08	1.13	3/31	.05	.05	YES
445	1309	Garmin Ltd.	(NDQ) GRMN	44.50	3	3	4	1.05	35- 55 (N- 25%)	16.8	4.5	2.65	2.00	54	12/31	.85	.68	3/31	.40	NIL	YES
	438	Gartner Inc.	IT	41.91	3	3	3	1.10	40- 60 (N- 45%)	25.7	NIL	1.63	NIL	61	12/31	.46	.39	3/31	NIL	NIL	YES
	2341	Gaylord Entertainm.	GET	30.66	3	3	2	1.90	35- 55 (15- 80%)	76.7	NIL	.40	NIL	24	12/31	.10	d.69	3/31	NIL	NIL	YES
	835	Gen-Probe	(NDQ) GPRO	68.27	4	3	2	.80	85- 125 (25- 85%)	32.7	NIL	2.09	NIL	96	12/31	.42	.56	3/31	NIL	NIL	YES
	332	Genco Shipping	GNK	5.42	3	5	3	2.00	9- 15 (65-175%)	NMF	NIL	d.76	NIL	77	12/31	.01	1.01	3/31	NIL	NIL	YES
	1749	GenCorp Inc.	GY	6.85	3	4	3	1.35	11- 18 (60-165%)	36.1	NIL	.19	NIL	17	2/28	.04	.03	3/31	NIL	NIL	YES
	1207	Gen'l Amer. Invest	GAM	28.73	–	3	3	1.10	35- 55 (20- 90%)	NMF	0.6	NMF	.18	–	12/31	29.78(q)	31.22(q)	3/31	NIL	NIL	
	1310	Gen'l Cable	BGC	27.71	3	3	2	1.85	45- 65 (60-135%)	12.6	NIL	2.20	NIL	54	12/31	.30	.75	3/31	NIL	NIL	YES
	928	Gen'l Communic. 'A'	(NDQ) GNCMA	7.58	2	3	3	1.15	14- 20 (85-165%)	28.1	NIL	.27	NIL	20	12/31	d.02	d.04	3/31	NIL	NIL	YES
	711	Gen'l Dynamics	GD	70.06	2	1	3	1.00	90- 110 (30- 55%)	9.8	2.9	7.13	2.04	47	3/31	◆1.70	1.64	6/30	▲.51	.47	YES
★★	1750	Gen'l Electric	GE	19.54	3	3	4	1.20	30- 50 (55-155%)	13.6	3.5	1.44	.68	17	3/31	◆.31	.31	6/30	.17	.14	YES
	1915	Gen'l Mills	GIS	38.64	4	1	3	.50	50- 60 (30- 55%)	14.8	3.2	2.61	1.25	79	2/28	.55	.56	6/30	.305	.28	YES
	104	General Motors	GM	22.89	–	3	–	NMF	45- 70 (95-205%)	6.9	NIL	3.33	NIL	3	12/31	.39	.31	3/31	NIL	NIL	YES
	2158	Genesco Inc.	GCO	72.34	▼2	3	5	1.20 ▲	75- 110 (5- 50%)	16.7	NIL	4.32	NIL	85	1/31	1.97	1.33	3/31	NIL	NIL	YES
	341	Genesee & Wyoming	GWR	53.61	3	3	3	1.25	75- 110 (40-105%)	19.1	NIL	2.80	NIL	1	12/31	.69	.74	3/31	NIL	NIL	YES
	216	Genomic Health	(NDQ) GHDX	28.05	4	3	2	.85	30- 45 (5- 60%)	NMF	NIL	.08	NIL	75	12/31	.08	.06	3/31	NIL	NIL	YES
	1222	GenOn Energy	GEN	1.96	–	5	–	NMF	3- 6 (55-205%)	NMF	NIL	d1.18	NIL	89	12/31	.13	d1.20	3/31	NIL	NIL	YES
630	996	Gentex Corp.	(NDQ) GNTX	20.89	4	3	4	1.20	35- 50 (70-140%)	16.6	2.5	1.26	.52	13	3/31	◆.32	.29	6/30	▲.13	.12	YES
	997	Genuine Parts	GPC	62.77	3	1	4	.80	85- 105 (35- 65%)	16.2	3.2	3.87	1.98	13	3/31	◆.93	.80	9/30	◆.495	.45	YES
2033	1548	Genworth Fin'l	GNW	6.04	3	4	1	2.35	16- 25 (165-315%)	6.0	NIL	1.01	NIL	31	12/31	.17	d.28	3/31	NIL	NIL	YES
	1037	Geo Group (The)	GEO	20.43	3	3	3	.95	30- 45 (45-120%)	14.1	1.0	1.45	.20	58	12/31	.30	.36	3/31	NIL	NIL	YES
	712	GeoEye, Inc.	(NDQ) GEOY	22.52	2	3	5	1.00	45- 65 (100-190%)	10.4	NIL	2.16	NIL	47	12/31	.62	.42	3/31	NIL	NIL	YES
	1590	Georgia Gulf	GGC	34.67	–	4	–	2.05	35- 60 (N- 75%)	19.3	NIL	1.80	NIL	19	12/31	d.10	.43	3/31	NIL	NIL	YES
	747	Gibraltar Inds.	(NDQ) ROCK	13.12	3	4	2	1.55	20- 35 (50-165%)	19.3	NIL	.68	NIL	68	12/31	d.17	d.21	3/31	NIL	NIL	YES
	2104	Gildan Activewear	GIL	26.96	5	3	2	1.10	40- 60 (50-125%)	20.7	1.3	1.30	.35	81	12/31	d.38	.29	3/31	.075	.075	YES
2032	1609	Gilead Sciences	(NDQ) GILD	52.36	3	3	3	.70	55- 85 (5- 60%)	14.3	NIL	3.67	NIL	52	12/31	.87	.76	3/31	NIL	NIL	YES
	2647	Gladstone Capital	(NDQ) GLAD	7.94	5	3	2	1.35	17- 25 (115-215%)	13.2	10.6	.60	.84	88	12/31	d.06	.10	6/30	.21	.21	YES
	1160	Glatfelter	GLT	15.41	2	3	4	1.20	25- 35 (60-125%)	15.9	2.3	.97	.36	57	12/31	.22	.31	6/30	.09	.09	YES
	1610	GlaxoSmithKline ADR(g)	GSK	47.21	▼4	1	3	.75	50- 60 (5- 25%)	14.3	5.0	3.30	2.38	52	3/31	◆.83	1.02	3/31	.543	.507	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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Recent Price	NAME OF STOCK		Ticker Symbol	RANKS: Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS: Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
1644 2552	Global Payments		GPN	44.74	3	2	3 .85	55- 75 (25- 70%)	13.7	0.2	3.26	.08	62	2/28	.73	.63	3/31	.02	.02	YES
2377	Global Sources	(NDQ)	GSOL	6.11	3	3	1 1.20	12- 18 (95-195%)	7.7	NIL	.79	NIL	12	12/31	.33	.29	3/31	NIL	NIL	
333	Golar LNG Ltd.	(NDQ)	GLNG	36.69	3	3	4 1.65	70- 110 (90-200%)	22.4	3.5	1.64	1.30	77	12/31	.21	.07	3/31	▲.325	.30	YES
1563	Goldcorp Inc.		GG	40.45	▼4	3	2 1.00	70- 100 (75-145%)	16.2	1.4	2.49	.56	43	12/31	.66	.57	6/30	.135	.102	YES
1784	Goldman Sachs		GS	114.11	3	3	2 1.25	170- 255 (50-125%)	11.0	1.6	10.34	1.84	71	3/31	3.92	1.56	6/30	▲.46	.35	YES
713	Goodrich Corp.		GR	125.39	–	3	– 1.00	85- 125 (N- N%)	18.7	1.0	6.72	1.25	47	12/31	1.85	1.15	9/30	◆.29	.29	YES
243 998	Goodyear Tire		GT	11.19	3	4	3 1.80	25- 45 (125-300%)	8.4	NIL	1.33	NIL	13	12/31	.03	.07	3/31	NIL	NIL	YES
2033 2624	Google, Inc.	(NDQ)	GOOG	601.27	3	2	4 .90	1125-1520 (85-155%)	17.2	NIL	34.97	NIL	78	3/31	8.75	5.51	3/31	NIL	NIL	YES
167	Gorman-Rupp Co.	(ASE)	GRC	28.47	3	3	3 1.25	40- 60 (40-110%)	19.9	1.3	1.43	.36	5	12/31	.34	.38	3/31	.09	.084	YES
1714	Graco Inc.		GGG	54.88	▼4	3	3 1.15	45- 70 (N- 30%)	22.0	1.6	2.49	.90	26	12/31	.50	.44	6/30	.225	.21	YES
1311	Grainger (W.W.)		GWW	204.01	3	1	4 .95	215- 260 (5- 25%)	20.2	1.4	10.08	2.80	54	3/31	2.57	2.18	3/31	.66	.54	YES
1234	Granite Construction		GVA	26.92	2	3	2 1.15	30- 45 (10- 65%)	15.0	1.9	1.79	.52	40	12/31	.48	d1.32	6/30	.13	.13	YES
912	G't Plains Energy		GXP	20.05	3	3	4 .75	16- 25 (N- 25%)	16.6	4.3	1.21	.86	53	12/31	.01	d.04	3/31	.213	.208	YES
1821 2307	G't Wolf Resorts	(NDQ)	WOLF	7.84	–	5	– 1.55	5- 9 (N- 15%)	NMF	NIL	d1.04	NIL	50	12/31	d.46	d.95	3/31	NIL	NIL	YES
1331	Greatbatch, Inc.		GB	24.08	3	3	3 .75	35- 55 (45-130%)	14.1	NIL	1.71	NIL	46	12/31	.39	.46	3/31	NIL	NIL	YES
1053 1948	Green Mtn. Coffee	(NDQ)	GMCR	44.60	3	3	4 .95	145- 215 (225-380%)	16.8	NIL	2.65	NIL	23	12/31	.60	.18	3/31	NIL	NIL	YES
444 2027	Greenlight Capital Re	(NDQ)	GLRE	24.85	3	3	3 1.00	30- 45 (20- 80%)	4.9	NIL	5.09	NIL	91	12/31	1.89	1.51	3/31	NIL	NIL	YES
1175	Greif, Inc.		GEF	52.98	3	3	2 1.15	70- 110 (30-110%)	15.1	3.2	3.50	1.68	33	1/31	.55	.86	6/30	.42	.42	YES
1751	Griffon Corp.		GFF	9.66	3	3	3 1.20	19- 30 (95-210%)	19.3	0.8	.50	.08	17	12/31	.07	.11	3/31	.02	NIL	YES
2129	Group 1 Automotive		GPI	56.45	2	3	3 1.55	70- 100 (25- 75%)	13.1	1.0	4.30	.56	8	12/31	.94	.46	3/31	▲.14	.11	YES
1053 2105	Guess Inc.		GES	28.43	4	3	3 1.25	60- 90 (110-215%)	10.8	2.8	2.64	.80	81	1/31	1.05	1.11	6/30	.20	.20	YES
766	**HCC Insurance Hldgs.**		HCC	31.30	4	3	3 .85	40- 60 (30- 90%)	11.1	2.0	2.83	.62	93	12/31	.74	.81	6/30	.155	.145	YES
1525	HCP Inc.		HCP	40.04	3	3	4 1.10	40- 55 (N- 35%)	21.9	5.0	1.83	2.02	86	12/31	.14	.34	3/31	▲.50	.48	YES
1149	HNI Corp.		HNI	24.17	3	3	4 1.25	35- 55 (45-130%)	18.5	3.8	1.31	.92	72	3/31	◆.01	d.02	3/31	.23	.23	YES
217	Haemonetics Corp.		HAE	67.39	4	2	4 .60	95- 130 (40- 95%)	20.3	NIL	3.32	NIL	75	12/31	.86	.89	3/31	NIL	NIL	YES
1916	Hain Celestial Group	(NDQ)	HAIN	44.89	3	3	3 .95	45- 70 (N- 55%)	25.1	NIL	1.79	NIL	79	12/31	.52	.39	3/31	NIL	NIL	YES
2410	Halliburton Co.		HAL	33.38	2	3	2 1.35	65- 100 (95-200%)	8.4	1.1	3.98	.36	28	3/31	.68	.56	3/31	.09	.09	YES
786	Hancock Holding	(NDQ)	HBHC	35.52	3	3	3 .95	45- 70 (25- 95%)	15.2	2.7	2.33	.96	66	12/31	.53	.46	3/31	.24	.24	YES
2106	Hanesbrands, Inc.		HBI	28.50	3	3	3 1.20	45- 65 (60-130%)	15.1	NIL	▼1.89	NIL	81	3/31	◆d.27	.49	3/31	NIL	NIL	YES
767	Hanover Insurance		THG	40.07	3	2	3 .80	70- 95 (75-135%)	11.4	3.0	3.53	1.20	93	12/31	1.02	1.25	3/31	.30	.275	YES
2308	Harley-Davidson		HOG	50.36	3	3	3 1.50	50- 70 (N- 40%)	19.4	1.2	2.60	.62	50	3/31	◆.74	.51	3/31	▲.155	.105	YES
1312	Harman Int'l		HAR	45.77	3	3	2 1.45	65- 95 (40-110%)	14.4	0.7	3.18	.30	54	12/31	.83	.79	3/31	.075	.025	YES
957	Harmonic, Inc.	(NDQ)	HLIT	4.58	3	4	1 1.10	15- 25 (230-445%)	22.9	NIL	.20	NIL	95	3/31	◆.03	.09	3/31	NIL	NIL	YES
2648	Harris & Harris Group	(NDQ)	TINY	4.00	4	3	2 1.30	7- 11 (75-175%)	9.3	NIL	.43	NIL	88	12/31	.31	.23	3/31	NIL	NIL	YES
1332	Harris Corp.		HRS	43.83	2	2	3 1.00	70- 95 (60-115%)	8.6	3.1	5.09	1.34	46	12/31	1.16	1.18	3/31	▲.33	.25	YES
1949	Harris Teeter Super.		HTSI	37.49	3	3	4 .65	35- 55 (N- 45%)	15.3	1.5	2.45	.56	23	12/31	.53	.71	6/30	▲.14	.13	YES
389	Harsco Corp.		HSC	21.70	3	3	3 1.35	35- 55 (60-155%)	14.9	3.8	1.46	.82	36	12/31	.36	.15	6/30	.205	.205	YES
2378	Harte-Hanks		HHS	8.27	3	3	3 1.00	14- 20 (70-140%)	10.5	4.1	.79	.34	12	12/31	.23	.24	3/31	▲.085	.08	YES
1244 2553	Hartford Fin'l Svcs.		HIG	20.37	3	4	2 2.00	40- 65 (95-220%)	6.1	2.0	3.34	.40	62	12/31	.69	1.06	6/30	.10	.10	YES
2309	Hasbro, Inc.	(NDQ)	HAS	35.13	3	2	2 .80	55- 75 (55-115%)	11.6	4.1	3.03	1.44	50	3/31	◆.04	.12	6/30	▲.36	.30	YES
2178	Haverty Furniture		HVT	12.17	4	3	3 .85 ▲	16- 25 (30-105%)	58.0	NIL	▼.21	NIL	35	12/31	.12	.25	3/31	NIL	NIL	
2242	Hawaiian Elec.		HE	26.16	2	3	3 .70	19- 30 (N- 15%)	16.6	4.7	1.58	1.24	25	12/31	.36	.26	3/31	.31	.31	YES
2445 309	Hawaiian Hldgs.	(NDQ)	HA	5.05	2	4	2 1.10	10- 16 (100-215%)	5.0	NIL	1.01	NIL	10	3/31	◆.06	.02	3/31	NIL	NIL	YES
1109	Headwaters Inc.		HW	3.72	3	5	1 1.55	2- 3 (N- N%)	NMF	NIL	d.50	NIL	84	12/31	d.19	d.31	3/31	NIL	NIL	YES
1526	Health Care REIT		HCN	55.06	3	3	4 .85	60- 95 (10- 75%)	52.9	5.5	1.04	3.02	86	12/31	.19	.12	3/31	▲.74	.69	YES
803	Health Mgmt. Assoc.		HMA	7.02	2	5	2 1.45	16- 30 (130-325%)	7.7	NIL	.91	NIL	9	3/31	◆.24	.22	3/31	NIL	NIL	YES
804	Health Net		HNT	36.53	2	3	3 1.00	45- 70 (25- 90%)	11.1	NIL	3.29	NIL	9	12/31	.90	.80	3/31	NIL	NIL	YES
1527	Healthcare R'lty Trust		HR	21.18	4	3	3 .95	17- 25 (N- 20%)	NMF	5.7	.05	1.20	86	12/31	.04	NIL	3/31	.30	.30	YES
390	Healthcare Svcs.	(NDQ)	HCSG	21.02	4	3	4 .75	20- 30 (N- 45%)	31.8	3.1	.66	.66	36	3/31	.13	.12	6/30	▲.163	.158	YES
805	Healthways Inc.	(NDQ)	HWAY	6.78	3	3	4 1.15	18- 25 (165-270%)	19.9	NIL	.34	NIL	9	3/31	◆d.08	.12	3/31	NIL	NIL	YES
321	Heartland Express	(NDQ)	HTLD	13.98	3	2	4 .80	19- 25 (35- 80%)	17.0	0.6	.82	.08	4	3/31	.19	.16	6/30	.02	.02	YES
714	HEICO Corp.(•)		HEI	40.65	3	3	3 1.10	50- 75 (25- 85%)	26.1	0.3	1.56	.12	47	1/31	.36	.32	3/31	.048	.048	YES
1636	Heidrick & Struggles	(NDQ)	HSII	20.19	4	3	3 1.05	30- 50 (50-150%)	35.4	2.6	.57	.52	65	3/31	◆.04	d.26	6/30	◆.13	.13	YES
1917	Heinz (H.J.)		HNZ	52.33	3	1	4 .65	75- 90 (45- 70%)	15.3	3.8	3.41	1.98	79	1/31	.95	.84	6/30	.48	.45	YES
1015	Helen of Troy Ltd.	(NDQ)	HELE	32.81	1	3	3 1.10	55- 80 (70-145%)	8.8	NIL	3.71	NIL	21	11/30	1.04	.86	3/31	NIL	NIL	YES
2411	Helix Energy Solutions		HLX	19.32	▲1	3	3 1.75	20- 30 (5- 55%)	12.2	NIL	1.58	NIL	28	3/31	◆.62	.38	3/31	NIL	NIL	YES
2412	Helmerich & Payne		HP	52.77	2	3	3 1.40	80- 120 (50-125%)	10.3	0.5	5.10	.28	28	12/31	1.32	.96	6/30	.07	.06	YES
2609	Henry (Jack) & Assoc.	(NDQ)	JKHY	33.16	3	2	3 .85	40- 50 (20- 50%)	18.7	1.4	1.77	.46	49	12/31	.44	.42	3/31	▲.115	.105	YES
1918	Herbalife, Ltd.		HLF	69.10	3	3	3 .95	60- 85 (N- 25%)	19.8	1.8	3.49	1.23	79	12/31	.86	.66	3/31	▲.30	.125	YES
1919	Hershey Co.		HSY	66.00	3	2	5 .65	75- 100 (15- 50%)	21.3	2.4	3.10	1.56	79	3/31	◆.96	.72	3/31	▲.38	.345	YES
2179	Hertz Global Hldgs.		HTZ	14.56	2	4	2 1.85 ▲	25- 40 (70-175%)	20.5	NIL	▼.71	NIL	35	12/31	.13	d.05	3/31	NIL	NIL	YES
506	Hess Corp.		HES	55.04	3	3	2 1.25	85- 125 (55-125%)	9.1	0.7	6.07	.40	14	3/31	◆1.60	1.82	3/31	.10	.20	YES
445 1405	Hewlett-Packard		HPQ	24.44	3	2	1 1.00	55- 75 (125-205%)	7.6	2.2	3.20	.53	45	1/31	.73	1.17	6/30	.12	.08	YES
2434	Hexcel Corp.		HXL	26.89	3	4	4 1.55	30- 45 (10- 65%)	19.3	NIL	1.39	NIL	11	3/31	◆.39	.27	3/31	NIL	NIL	YES
1611	Hi-Tech Pharmacal	(NDQ)	HITK	32.52	3	3	4 .95	35- 50 (10- 55%)	10.1	NIL	3.23	NIL	52	1/31	.79	.84	3/31	NIL	NIL	YES
2180	Hibbett Sports	(NDQ)	HIBB	56.53	3	3	3 1.05 ▲	60- 90 (5- 60%)	23.1	NIL	2.45	NIL	35	1/31	.59	.43	3/31	NIL	NIL	YES
218	Hill-Rom Hldgs.		HRC	31.08	▲2	3	4 1.05	50- 75 (60-140%)	13.0	1.6	2.40	.50	75	12/31	.53	.55	3/31	▲.125	.103	YES
1814	Hillenbrand, Inc.		HI	20.93	3	3	3 .70	25- 40 (20- 90%)	11.3	3.7	1.85	.77	73	12/31	.40	.44	3/31	.193	.19	YES
1982	Hitachi, Ltd. ADR(g)		HIT	63.19	2	3	3 .85	85- 125 (35-100%)	18.5	1.3	3.41	.85	82	12/31	.91	1.73	3/31	NIL	NIL	YES
507	HollyFrontier Corp.		HFC	29.78	–	3	– NMF	45- 70 (50-135%)	5.6	1.3	5.36	.40	14	12/31	1.06	NA	3/31	▲.10	NIL	YES
219	Hologic, Inc.	(NDQ)	HOLX	20.33	1	3	2 1.05	25- 40 (25- 95%)	14.5	NIL	1.40	NIL	75	12/31	.34	.30	3/31	NIL	NIL	YES
445 1137	Home Depot		HD	51.23	2	1	3 .95	60- 70 (15- 35%)	18.8	2.3	2.72	1.16	42	1/31	.50	.36	3/31	.29	.25	YES
105	Honda Motor ADR(g)		HMC	35.49	3	2	3 .90	50- 65 (40- 85%)	14.8	2.1	2.39	.75	3	12/31	.35	.54	3/31	.185	.183	YES
1752	Honeywell Int'l		HON	59.93	2	1	3 1.15	85- 100 (40- 65%)	13.7	2.5	4.36	1.49	17	3/31	◆1.04	.87	6/30	◆.373	.333	YES
1920	Hormel Foods		HRL	28.38	3	1	3 .65	40- 50 (40- 75%)	15.3	2.2	1.85	.62	79	1/31	.48	.55	6/30	.15	.128	YES
1123	Horton D.R.		DHI	15.54	▲3	3	3 1.45	19- 30 (20- 95%)	22.2	1.0	.70	.15	97	3/31	◆.13	.09	6/30	◆.038	.038	YES
1612	Hospira Inc.		HSP	34.54	4	3	2 .70	55- 80 (60-130%)	16.5	NIL	2.09	NIL	52	12/31	.51	.77	3/31	NIL	NIL	YES
1528	Hospitality Properties		HPT	26.81	3	3	4 1.20	30- 50 (10- 85%)	21.4	6.7	1.25	1.80	86	12/31	.25	.38	6/30	.45	.45	YES
1529	Host Hotels & Resorts		HST	16.78	3	3	2 1.50	25- 35 (50-110%)	NMF	1.4	.02	.24	86	3/31	◆d.07	d.09	6/30	▲.06	.02	YES
851 2222	Hot Topic, Inc.	(NDQ)	HOTT	9.63	2	3	5 .70 ▲	14- 20 (45-110%)	31.1	3.3	▲.31	.32	59	1/31	.21	d.01	6/30	▲.08	.07	YES
1124	Hovnanian Enterpr. 'A'		HOV	1.89	4	5	1 2.20	4- 7 (110-270%)	NMF	NIL	d1.10	NIL	97	1/31	d.17	d.82	3/31	NIL	NIL	YES
322	Hub Group	(NDQ)	HUBG	35.07	3	3	3 1.15	45- 70 (30-100%)	18.5	NIL	1.90	NIL	4	3/31	◆.37	.31	3/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1313	Hubbell Inc. 'B'		HUBB	78.52	3	2	3	1.05	75- 105 (N- 35%)	16.6	2.1	4.72	1.64	54	3/31	◆1.05	.82	6/30	▲.41	.38	YES
	1506	Hudson City Bancorp	(NDQ)	HCBK	6.87	4	4	3	.85	9- 16 (30-135%)	NMF	4.7	d.28	.32	92	3/31	◆.15	d1.13	3/31	.08	.15	YES
2033	836	Human Genome	(NDQ)	HGSI	14.64	–	5	–	1.55	8- 16 (N- 10%)	NMF	NIL	d1.46	NIL	96	12/31	d.41	d.46	3/31	NIL	NIL	YES
	806	Humana Inc.		HUM	88.84	3	3	3	1.05	120- 175 (35- 95%)	11.5	1.1	7.72	1.00	9	12/31	1.20	.63	6/30	.25	.25	YES
	323	Hunt (J.B.)	(NDQ)	JBHT	55.65	2	3	3	1.05	55- 80 (N- 45%)	22.3	1.0	2.50	.56	4	3/31	.57	.40	3/31	▲.14	.13	YES
	787	Huntington Bancshs.	(NDQ)	HBAN	6.54	2	4	3	1.30	7- 12 (5- 85%)	10.7	2.4	.61	.16	66	3/31	.17	.14	9/30	◆.04	.01	YES
	715	Huntington Ingalls		HII	38.62	–	3	–	NMF	40- 55 (5- 40%)	13.2	NIL	2.93	NIL	47	12/31	1.19	NA	3/31	NIL	NIL	YES
	2435	Huntsman Corp.		HUN	14.00	2	4	1	1.05	25- 35 (80-150%)	13.5	2.9	1.04	.40	11	12/31	.21	.12	3/31	.10	.10	YES
	391	Huron Consulting	(NDQ)	HURN	38.69	▼4	4	5	.75	35- 60 (N- 55%)	21.5	NIL	1.80	NIL	36	12/31	.35	d.23	3/31	NIL	NIL	YES
	120	Hutchinson Techn.	(NDQ)	HTCH	2.06	▼3	5	2	1.80	3- 6 (45-190%)	NMF	NIL	d1.45	NIL	69	3/31	◆d.48	d.71	3/31	NIL	NIL	YES
	2342	Hyatt Hotels		H	41.82	–	3	–	1.15	50- 75 (20- 80%)	52.3	NIL	.80	NIL	24	12/31	.31	.07	3/31	NIL	NIL	YES
	2625	**IAC/InterActiveCorp**	(NDQ)	IACI	45.53	3	3	4	.75	65- 100 (45-120%)	23.6	1.1	1.93	.48	78	12/31	.53	.09	3/31	.12	NIL	YES
	188	ICU Medical	(NDQ)	ICUI	49.94	3	3	3	.65	55- 85 (10- 70%)	19.2	NIL	2.60	NIL	74	3/31	.53	.57	3/31	NIL	NIL	YES
	439	IHS Inc.		IHS	99.18	4	3	3	.85	105- 155 (5- 55%)	34.8	NIL	2.85	NIL	61	2/28	.35	.47	3/31	NIL	NIL	YES
	121	II-VI Inc.	(NDQ)	IIVI	21.19	4	3	2	1.25	25- 40 (20- 90%)	18.3	NIL	1.16	NIL	69	3/31	◆.28	.36	3/31	NIL	NIL	YES
	913	ITC Holdings		ITC	78.25	3	2	4	.80	100- 135 (30- 75%)	21.0	1.9	3.72	1.46	53	3/31	◆.88	.81	3/31	.353	.335	YES
	1753	ITT Corp.		ITT	22.07	–	2	–	NMF	30- 40 (35- 80%)	14.6	1.6	1.51	.36	17	12/31	.31	2.71	6/30	.091	.50	YES
	2001	ITT Educational		ESI	60.79	2	3	3	.70	105- 160 (75-165%)	6.7	NIL	9.12	NIL	67	12/31	2.89	3.11	3/31	NIL	NIL	YES
	2107	Iconix Brand Group	(NDQ)	ICON	17.02	3	3	3	1.35 ▼	25- 40 (45-135%)	11.2	NIL	▼1.52	NIL	81	3/31	◆.43	.42	3/31	NIL	NIL	YES
	2243	IDACORP, Inc.		IDA	39.78	3	3	4	.70	35- 55 (N- 40%)	13.8	3.3	▼2.88	1.32	25	12/31	.18	.40	6/30	◆.33	.30	YES
	1715	IDEX Corp.		IEX	41.47	2	3	3	1.15	50- 75 (20- 80%)	15.2	1.9	2.73	.80	26	3/31	◆.66	.57	6/30	▲.20	.17	YES
	220	IDEXX Labs.	(NDQ)	IDXX	85.49	3	1	3	.90	90- 110 (5- 30%)	28.8	NIL	2.97	NIL	75	3/31	◆.72	.62	3/31	NIL	NIL	YES
	733	Illinois Tool Works		ITW	56.68	▲2	1	3	1.00	85- 100 (50- 75%)	14.2	2.5	3.98	1.44	27	3/31	◆.97	.88	6/30	.36	.34	YES
	221	Illumina Inc.	(NDQ)	ILMN	43.50	–	3	–	.95	65- 95 (50-120%)	38.2	NIL	1.14	NIL	75	3/31	◆.20	.16	3/31	NIL	NIL	YES
	1406	Imation Corp.		IMN	5.86	▼5	3	4	.85	6- 9 (N- 55%)	NMF	NIL	d.54	NIL	45	3/31	◆d.29	d.10	3/31	NIL	NIL	YES
	2310	IMAX Corp.		IMAX	23.57	3	4	1	1.20	45- 75 (90-220%)	26.2	NIL	.90	NIL	50	12/31	.14	d.02	3/31	NIL	NIL	YES
	508	Imperial Oil Ltd.	(ASE)	IMO	45.44	2	2	3	1.15	60- 85 (30- 85%)	12.0	1.1	3.79	.48	14	12/31	1.18	.89	6/30	▲.12	.11	YES
	837	Incyte Corp.	(NDQ)	INCY	18.77	5	5	5	1.30	40- 75 (115-300%)	NMF	NIL	d1.20	NIL	96	12/31	d.44	.24	3/31	NIL	NIL	YES
★★	623	Inergy, L.P.	(NDQ)	NRGY	16.12	–	3	–	1.00	30- 40 (85-150%)	40.3	17.5	.40	2.82	64	12/31	d.03	.72	3/31	.705	.705	YES
2653	958	Infinera Corp.	(NDQ)	INFN	7.53	5	4	4	1.25	13- 20 (75-165%)	NMF	NIL	d.48	NIL	95	12/31	d.18	d.03	3/31	NIL	NIL	YES
2445	1804	Informatica Corp.	(NDQ)	INFA	47.61	3	3	2	.95	50- 75 (5- 60%)	38.4	NIL	1.24	NIL	83	12/31	.38	.32	3/31	NIL	NIL	YES
2034	2610	Infosys Techn. ADR	(NDQ)	INFY	45.74	3	2	3	1.00	95- 130 (110-185%)	14.2	1.5	3.22	.70	49	3/31	.81	.70	3/31	NIL	NIL	YES
	1754	Ingersoll-Rand		IR	41.46	▼3	3	2	1.20	65- 100 (55-140%)	14.0	1.5	2.96	.64	17	3/31	◆.31	.33	6/30	.16	.12	YES
	1950	Ingles Markets	(NDQ)	IMKTA	17.17	1	3	3	.95	30- 45 (75-160%)	9.0	3.8	1.90	.66	23	12/31	.43	.31	6/30	.165	.165	
	1407	Ingram Micro 'A'		IM	18.84	3	3	3	.95	30- 45 (60-140%)	9.9	NIL	1.91	NIL	45	12/31	.69	.66	3/31	NIL	NIL	YES
245	2181	Insight Enterprises	(NDQ)	NSIT	19.70	1	3	3	1.30	40- 60 (105-205%)	8.1	NIL	2.43	NIL	35	12/31	.78	.53	3/31	NIL	NIL	YES
	189	Integra LifeSciences	(NDQ)	IART	33.13	3	3	4	.90	65- 95 (95-185%)	10.9	NIL	3.03	NIL	74	12/31	.72	.80	3/31	NIL	NIL	YES
	1360	Integrated Device	(NDQ)	IDTI	6.47	4	3	2	1.15	12- 18 (85-180%)	71.9	NIL	.09	NIL	94	12/31	.03	.12	3/31	NIL	NIL	YES
	914	Integrys Energy		TEG	53.49	3	2	4	.90	45- 60 (N- 10%)	17.9	5.1	2.98	2.72	53	12/31	.48	.91	3/31	.68	.68	YES
2034	1361	Intel Corp.	(NDQ)	INTC	27.31	3	1	3	1.00	45- 55 (65-100%)	11.4	3.1	2.40	.84	94	3/31	.53	.56	6/30	.21	.18	YES
		Inteliquent, Inc.								SEE NEUTRAL TANDEM												
	1016	Inter Parfums	(NDQ)	IPAR	15.72	3	3	3	1.35	25- 40 (60-155%)	15.3	2.1	1.03	.33	21	12/31	.13	.20	6/30	.08	.08	YES
	1785	IntercontinentalExch.		ICE	130.36	3	3	5	1.15	210- 315 (60-140%)	17.0	NIL	7.67	NIL	71	12/31	1.73	1.34	3/31	NIL	NIL	YES
	586	InterDigital Inc.	(NDQ)	IDCC	31.95	5	3	3	1.00	35- 50 (10- 55%)	19.5	1.3	1.64	.40	98	12/31	.49	.76	6/30	.10	.10	YES
	1150	Interface Inc. 'A'	(NDQ)	IFSIA	12.89	5	3	3	1.50	18- 25 (40- 95%)	19.5	0.6	.66	.08	72	12/31	.13	.22	3/31	.02	.02	YES
2034	587	Intermec Inc.		IN	5.10	5	3	2	1.15	20- 30 (290-490%)	NMF	NIL	d.15	NIL	98	12/31	d.36	.13	3/31	NIL	NIL	YES
2033	1408	Int'l Business Mach.		IBM	200.00	2	1	4	.85	235- 285 (20- 45%)	14.3	1.7	13.98	3.40	45	3/31	2.61	2.31	6/30	▲.85	.75	YES
	562	Int'l Flavors & Frag.		IFF	59.13	3	1	4	.80	75- 90 (25- 50%)	15.0	2.1	3.94	1.24	41	12/31	.74	.68	6/30	.31	.27	YES
	2343	Int'l Game Tech.		IGT	15.90	▲2	3	3	1.40	30- 40 (90-150%)	15.9	1.5	1.00	.24	24	3/31	◆.27	.23	6/30	.06	.06	YES
	1161	Int'l Paper		IP	32.82	2	3	3	1.45	55- 80 (70-145%)	11.4	3.2	2.87	1.05	57	12/31	.59	.73	3/31	.263	.188	YES
	1362	Int'l Rectifier		IRF	20.26	5	3	2	1.05	25- 35 (25- 75%)	NMF	NIL	d.16	NIL	94	12/31	d.09	.63	3/31	NIL	NIL	YES
	2311	Int'l Speedway 'A'	(NDQ)	ISCA	26.39	3	3	3	.90	30- 45 (15- 70%)	16.3	0.8	1.62	.20	50	2/28	.37	.49	6/30	▲.20	.18	YES
	2379	Interpublic Group		IPG	10.88	1	3	3	1.15	14- 20 (30- 85%)	14.9	2.4	.73	.26	12	12/31	.50	.36	3/31	.06	.06	YES
	1363	Intersil Corp. 'A'	(NDQ)	ISIL	10.68	5	3	3	1.05	15- 25 (40-135%)	24.8	4.5	.43	.48	94	12/31	.19	.21	3/31	.12	.12	YES
	2582	Intuit Inc.	(NDQ)	INTU	56.29	3	2	3	.90	85- 115 (50-105%)	19.8	1.1	2.84	.60	51	1/31	.51	.32	6/30	.15	NIL	YES
	190	Intuitive Surgical	(NDQ)	ISRG	560.11	3	3	4	1.20	430- 645 (N- 15%)	40.4	NIL	13.85	NIL	74	3/31	3.50	2.59	3/31	NIL	NIL	YES
	222	Invacare Corp.		IVC	15.38	3	3	2	.85	25- 35 (65-130%)	8.1	0.3	1.89	.05	75	12/31	.69	.65	6/30	.013	.013	YES
	2554	Invesco Ltd.		IVZ	24.03	3	4	2	1.45	25- 40 (5- 65%)	14.2	2.1	1.69	.50	62	12/31	.44	.37	3/31	.123	.11	YES
	1786	Investment Techn.		ITG	10.25	3	3	3	1.10	20- 35 (95-240%)	16.5	NIL	.62	NIL	71	12/31	.07	.11	3/31	NIL	NIL	YES
	1507	Investors Bancorp	(NDQ)	ISBC	15.26	3	3	3	.75	20- 30 (30- 95%)	18.4	NIL	.83	NIL	92	12/31	.20	.16	3/31	NIL	NIL	YES
	2413	ION Geophysical		IO	5.65	3	5	2	2.30	13- 20 (130-255%)	12.0	NIL	.47	NIL	28	12/31	.08	.14	3/31	NIL	NIL	YES
2653	716	iRobot Corp.	(NDQ)	IRBT	24.60	▲4	3	3	.95	40- 60 (65-145%)	28.0	NIL	.88	NIL	47	3/31	◆.02	.27	3/31	NIL	NIL	YES
	392	Iron Mountain		IRM	29.91	3	3	4	.95	40- 60 (35-100%)	23.4	3.3	1.28	1.00	36	12/31	.33	.30	6/30	.25	.188	YES
	838	Isis Pharmac.	(NDQ)	ISIS	7.59	5	4	3	.90	11- 17 (45-125%)	NMF	NIL	d.75	NIL	96	12/31	d.20	d.14	3/31	NIL	NIL	YES
244	588	Itron Inc.	(NDQ)	ITRI	43.47	▼3	3	2	1.15	80- 120 (85-175%)	10.5	NIL	4.14	NIL	98	12/31	1.16	.76	3/31	NIL	NIL	YES
	1921	**J&J Snack Foods**	(NDQ)	JJSF	55.68	▲3	2	4	.70	50- 70 (N- 25%)	23.2	1.0	2.40	.56	79	3/31	◆.55	.46	3/31	▲.13	.108	
	1333	JDS Uniphase	(NDQ)	JDSU	12.27	3	4	1	1.60	19- 30 (55-145%)	15.3	NIL	.80	NIL	46	12/31	.15	.29	3/31	NIL	NIL	YES
2035	2515	JPMorgan Chase		JPM	43.28	2	3	3	1.25	60- 85 (40- 95%)	9.2	2.8	4.71	1.20	60	3/31	1.31	1.28	6/30	▲.30	.25	YES
	929	j2 Global	(NDQ)	JCOM	25.38	3	3	4	.95	30- 40 (20- 60%)	10.5	3.3	2.42	.85	20	12/31	.62	.58	3/31	▲.21	NIL	YES
	1334	Jabil Circuit		JBL	21.81	1	3	3	1.30	40- 60 (85-175%)	10.1	1.6	2.15	.34	46	2/28	.46	.45	6/30	◆.08	.07	YES
	363	Jack in the Box	(NDQ)	JACK	22.42	3	3	4	.95	20- 30 (N- 35%)	16.6	NIL	1.35	NIL	32	12/31	.27	.61	3/31	NIL	NIL	YES
	1235	Jacobs Engineering		JEC	42.88	3	3	2	1.35	60- 90 (40-110%)	14.6	NIL	2.93	NIL	40	12/31	.70	.52	3/31	NIL	NIL	YES
	2555	Janus Capital Group		JNS	7.74	▼4	3	2	1.85	17- 25 (120-225%)	11.2	3.1	.69	.24	62	3/31	◆.12	.21	3/31	.05	NIL	YES
	419	Japan Equity Fund		JEQ	5.54	–	4	3	.75	8- 13 (45-135%)	NMF	0.9	NMF	.05	–	10/31	6.01(q)	6.30(q)	3/31	NIL	NIL	
	420	Japan Smaller Cap Fd		JOF	7.78	–	4	3	.80	11- 19 (40-145%)	NMF	0.6	NMF	.05	–	8/31	8.80(q)	8.27(q)	3/31	NIL	NIL	
	1190	Jarden Corp.		JAH	39.76	1	3	3	1.40	50- 70 (25- 75%)	16.6	NIL	2.39	NIL	55	12/31	.24	.52	6/30	▼NIL	.086	YES
	1787	Jefferies Group		JEF	16.20	3	3	3	1.45	35- 50 (115-210%)	13.1	1.9	1.24	.30	71	2/28	.33	.42	6/30	.075	.075	YES
	310	JetBlue Airways	(NDQ)	JBLU	4.66	1	4	5	1.25	11- 18 (135-285%)	9.7	NIL	.48	NIL	10	12/31	.08	.03	3/31	NIL	NIL	YES
2035	223	Johnson & Johnson		JNJ	63.77	3	1	3	.65	90- 105 (40- 65%)	12.7	3.6	5.01	2.28	75	3/31	1.37	1.35	3/31	.57	.54	YES
	999	Johnson Controls		JCI	31.02	▲2	3	3	1.30	55- 80 (75-160%)	11.3	2.3	2.75	.72	13	3/31	◆.53	.56	6/30	.18	.16	YES
	2108	Jones Group (The)		JNY	12.24	3	4	3	1.55	15- 25 (25-105%)	10.6	1.6	1.16	.20	81	3/31	◆.31	.38	3/31	.05	.05	YES
	1038	Jones Lang LaSalle		JLL	79.67	3	3	2	1.40	95- 140 (20- 75%)	16.2	0.6	4.91	.46	58	12/31	1.91	1.91	3/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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Page (Sel. & Op.)	Page	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	2223	Joseph A. Bank	(NDQ)	JOSB	46.87	3	3	3	1.05	▲ 60- 90	(30- 90%)	13.0	NIL	3.60	NIL	59	1/31	1.58	1.47	3/31	NIL	NIL	YES
	2370	Journal Communications		JRN	4.24	3	5	2	1.65	8- 16	(90-275%)	8.0	NIL	.53	NIL	56	12/31	.14	.25	3/31	NIL	NIL	YES
	601	Joy Global		JOY	71.77	3	3	2	1.60	95- 140	(30- 95%)	9.6	1.0	7.45	.70	44	1/31	1.33	.96	3/31	.175	.175	YES
	959	Juniper Networks		JNPR	21.63	5	3	1	1.20	40- 60	(85-175%)	40.8	NIL	.53	NIL	95	3/31	◆.03	.25	3/31	NIL	NIL	YES
447	2159	**K-Swiss, Inc.**	(NDQ)	KSWS	3.46	5	4	3	.95	11- 19	(220-450%)	NMF	NIL	d.81	NIL	85	12/31	d.61	d.58	3/31	NIL	NIL	YES
	1125	KB Home		KBH	7.91	5	4	1	1.55	16- 25	(100-215%)	NMF	1.3	d.22	.10	97	2/28	d.59	d1.49	6/30	▼.025	.063	YES
	1236	KBR, Inc.		KBR	33.75	3	3	2	1.30	45- 70	(35-105%)	13.6	0.7	2.48	.22	40	12/31	.52	.51	6/30	.05	.05	YES
	2649	KKR & Co. L.P.		KKR	13.65	–	2	–	NMF	35- 45	(155-230%)	8.1	7.3	1.69	1.00	88	12/31	.33	1.02	3/31	.32	.29	YES
	122	KLA-Tencor	(NDQ)	KLAC	51.63	3	3	3	1.20	65- 95	(25- 85%)	12.3	2.7	4.19	1.40	69	12/31	.72	1.10	3/31	.35	.25	YES
	1755	Kadant Inc.		KAI	22.14	3	3	2	1.20	40- 55	(80-150%)	10.5	NIL	2.11	NIL	17	12/31	.59	.42	3/31	NIL	NIL	YES
	1756	Kaman Corp.		KAMN	33.77	3	3	2	1.15	45- 70	(35-105%)	14.9	1.9	2.26	.64	17	12/31	.53	.80	6/30	.16	.14	YES
	342	Kansas City South'n		KSU	75.09	3	3	3	1.35	100- 150	(35-100%)	22.5	1.0	3.33	.78	1	3/31	◆.75	.58	6/30	▲.195	NIL	YES
630	1716	Kaydon Corp.		KDN	24.35	–	3	–	1.25	45- 70	(85-185%)	13.2	3.3	1.85	.80	26	12/31	.40	.37	6/30	.20	.19	YES
★★	1922	Kellogg		K	50.43	▼4	1	4	.55	75- 90	(50- 80%)	15.4	3.5	3.28	1.75	79	3/31	◆.95	1.00	6/30	◆.43	.405	YES
	1637	Kelly Services 'A'	(NDQ)	KELYA	13.80	2	3	2	1.20	25- 35	(80-155%)	11.1	1.7	1.24	.23	65	12/31	.28	.39	3/31	.05	NIL	YES
	2556	Kemper Corp.		KMPR	29.46	4	3	3	1.15	40- 65	(35-120%)	10.9	3.3	2.70	.96	62	12/31	.42	1.00	3/31	.24	.24	
	734	Kennametal Inc.		KMT	44.79	1	3	3	1.40	65- 95	(45-110%)	11.3	1.3	3.97	.56	27	12/31	.91	.57	3/31	.14	.12	YES
630	2160	Kenneth Cole 'A'		KCP	16.04	–	3	–	1.15	25- 35	(55-120%)	19.3	NIL	.83	NIL	85	12/31	.43	d.15	3/31	NIL	NIL	YES
	2516	KeyCorp		KEY	8.03	3	3	3	1.25	9- 14	(10- 75%)	10.2	1.5	.79	.12	60	3/31	◆.21	.21	3/31	.03	.01	YES
	1151	Kimball Int'l 'B'	(NDQ)	KBALB	6.69	2	3	3	1.10	11- 16	(65-140%)	19.1	3.0	.35	.20	72	12/31	.11	.03	9/30	◆.05	.05	
	1191	Kimberly-Clark		KMB	78.70	▲2	1	4	.55	90- 110	(15- 40%)	17.9	3.8	4.39	2.96	55	3/31	◆1.18	.86	6/30	▲.74	.70	YES
	1530	Kimco Realty		KIM	18.89	4	3	3	1.30	16- 25	(N- 30%)	57.2	4.1	.33	.77	86	12/31	.08	.08	6/30	.19	.18	YES
	624	Kinder Morgan Energy		KMP	84.90	3	2	3	.75	90- 125	(5- 45%)	40.0	5.7	2.12	4.80	64	3/31	◆.61	.43	6/30	▲1.20	1.14	YES
	1564	Kinross Gold		KGC	8.85	3	3	3	1.05	25- 35	(180-295%)	8.6	1.8	1.03	.16	43	12/31	.28	.17	3/31	▲.08	.05	YES
	334	Kirby Corp.		KEX	62.48	2	3	3	1.15	80- 120	(30- 90%)	15.7	NIL	3.97	NIL	77	12/31	1.02	.59	3/31	NIL	NIL	YES
	1788	Knight Capital Group		KCG	13.12	2	3	3	.85	17- 25	(30- 90%)	9.6	NIL	1.37	NIL	71	3/31	.36	.33	3/31	NIL	NIL	YES
	324	Knight Transportation		KNX	16.63	3	3	3	.85	30- 40	(80-140%)	19.1	1.4	.87	.24	4	12/31	.22	.19	3/31	.06	.06	YES
631	1027	Knology	(NDQ)	KNOL	19.49	–	3	–	1.15	35- 50	(80-155%)	13.9	NIL	1.40	NIL	2	12/31	.30	.18	3/31	NIL	NIL	YES
	2143	Kohl's Corp.		KSS	49.34	3	2	3	.95	95- 130	(95-165%)	11.2	2.7	4.41	1.31	22	1/31	1.80	1.66	3/31	▲.32	.25	YES
	1983	Konami Corp. ADS		KNM	28.05	3	3	5	.85	45- 65	(60-130%)	14.0	2.3	2.00	.65	82	12/31	.50	.51	3/31	NIL	NIL	
	421	Korea Fund		KF	39.01	–	4	3	1.10	55- 90	(40-130%)	NMF	0.6	NMF	.25	–	12/31	38.87(q)	48.54(q)	3/31	NIL	.30	
	1638	Korn/Ferry Int'l		KFY	15.86	4	3	2	1.20	25- 40	(60-150%)	13.8	NIL	1.15	NIL	65	1/31	.25	.30	3/31	NIL	NIL	YES
446	1923	Kraft Foods		KFT	38.36	3	1	4	.65	55- 65	(45- 70%)	15.9	3.0	2.42	1.16	79	12/31	.57	.46	6/30	.29	.29	YES
	364	Krispy Kreme		KKD	7.15	3	4	3	1.25	8- 13	(10- 80%)	18.8	NIL	.38	NIL	32	1/31	.06	d.02	3/31	NIL	NIL	YES
	1951	Kroger Co.		KR	23.31	2	2	4	.65	40- 55	(70-135%)	10.8	2.1	2.15	.49	23	1/31	.50	.44	6/30	.115	.105	YES
	563	Kronos Worldwide		KRO	21.95	1	3	1	1.45	30- 40	(35- 80%)	8.5	2.7	2.57	.60	41	12/31	.74	.33	3/31	.15	.625	YES
	1392	Kulicke & Soffa	(NDQ)	KLIC	12.24	3	5	2	1.65	15- 30	(25-145%)	10.2	NIL	1.20	NIL	70	12/31	.11	.21	3/31	NIL	NIL	YES
	1984	Kyocera Corp. ADR(g)		KYO	92.11	3	1	3	1.00	135- 165	(45- 80%)	16.5	1.6	▲5.57	1.46	82	12/31	1.68	2.03	3/31	NIL	NIL	
	717	**L-3 Communic.**		LLL	69.85	3	2	3	.90	105- 145	(50-110%)	8.0	2.9	8.73	2.00	47	12/31	2.72	2.37	6/30	◆.50	.45	YES
	191	LCA-Vision	(NDQ)	LCAV	7.38	4	4	1	1.35	6- 9	(N- 20%)	NMF	NIL	d.14	NIL	74	3/31	◆.20	.11	3/31	NIL	NIL	YES
	1000	LKQ Corp.	(NDQ)	LKQX	29.63	3	3	4	1.00	45- 70	(50-135%)	16.9	NIL	1.75	NIL	13	12/31	.38	.28	3/31	NIL	NIL	YES
	1364	LSI Corp.		LSI	8.03	1	3	2	1.20	30- 45	(275-460%)	15.7	NIL	.51	NIL	94	12/31	.02	.14	3/31	NIL	NIL	YES
	1152	La-Z-Boy Inc.		LZB	14.31	2	3	3	1.40	18- 30	(25-110%)	17.9	NIL	.80	NIL	72	1/31	.19	.12	3/31	NIL	NIL	YES
	807	Laboratory Corp.		LH	87.38	2	1	3	.65	130- 160	(50- 85%)	12.8	NIL	6.81	NIL	9	3/31	◆1.74	1.52	3/31	NIL	NIL	YES
	543	Laclede Group		LG	39.49	3	2	4	.60	40- 55	(N- 40%)	14.6	4.2	2.70	1.67	63	12/31	1.12	1.05	6/30	.415	.405	YES
	1393	Lam Research	(NDQ)	LRCX	40.00	4	3	2	1.20	75- 110	(90-175%)	17.6	NIL	2.27	NIL	70	3/31	.38	1.45	3/31	NIL	NIL	YES
	2380	Lamar Advertising	(NDQ)	LAMR	29.20	1	4	2	1.50	20- 35	(N- 20%)	NMF	NIL	.12	NIL	12	12/31	.07	d.08	3/31	NIL	NIL	YES
	1192	Lancaster Colony	(NDQ)	LANC	64.66	▼5	1	4	.75	65- 75	(N- 15%)	17.7	2.3	3.65	1.50	55	12/31	1.11	1.25	3/31	.36	.33	YES
	2344	Las Vegas Sands		LVS	56.40	3	4	3	2.55	90- 150	(60-165%)	26.0	1.8	2.17	1.00	24	12/31	.39	.35	3/31	.25	NIL	YES
	1365	Lattice Semiconductor	(NDQ)	LSCC	5.46	4	3	2	1.20	9- 13	(65-140%)	11.1	NIL	.49	NIL	94	3/31	◆d.07	.09	3/31	NIL	NIL	YES
	1017	Lauder (Estee)		EL	61.88	3	2	3	1.00	75- 105	(20- 70%)	26.8	1.0	2.31	.63	21	12/31	1.01	.88	3/31	NIL	NIL	YES
	735	Lawson Products	(NDQ)	LAWS	15.13	5	3	4	1.25	14- 20	(N- 30%)	NMF	3.2	.03	.48	27	12/31	d.44	.07	6/30	.12	.12	
	1237	Layne Christensen	(NDQ)	LAYN	20.63	4	3	3	1.35	40- 65	(95-215%)	10.1	NIL	2.05	NIL	40	1/31	◆d.20	.45	3/31	NIL	NIL	YES
	2557	Lazard Ltd.		LAZ	25.51	5	3	2	1.20	55- 80	(115-215%)	12.1	3.1	2.10	.80	62	12/31	d.04	.76	6/30	▲.20	.16	YES
	930	Leap Wireless	(NDQ)	LEAP	7.79	3	5	1	1.45	13- 25	(65-220%)	NMF	NIL	d3.69	NIL	20	12/31	d1.17	d2.55	3/31	NIL	NIL	YES
	2312	LeapFrog Enterpr. 'A'		LF	8.82	2	4	3	1.45	7- 11	(N- 25%)	19.2	NIL	.46	NIL	50	12/31	.49	.41	3/31	NIL	NIL	YES
	1001	Lear Corp.		LEA	41.94	–	3	–	1.15	65- 95	(55-125%)	8.4	1.3	5.01	.56	13	12/31	1.26	1.19	3/31	▲.14	.125	YES
	2002	Learning Tree Int'l	(NDQ)	LTRE	5.88	5	4	2	1.00	9- 14	(55-140%)	NMF	NIL	d.10	NIL	67	12/31	.14	.14	3/31	NIL	NIL	
	1153	Leggett & Platt		LEG	23.36	4	2	4	1.05	30- 45	(30- 95%)	18.5	4.8	1.26	1.12	72	12/31	.22	.21	6/30	.28	.27	YES
	2558	Legg Mason		LM	25.53	4	3	3	1.55	45- 60	(75-135%)	15.6	1.3	1.64	.32	62	12/31	.20	.41	6/30	.08	.06	YES
	1126	Lennar Corp.		LEN	25.27	4	3	3	1.80	25- 40	(N- 60%)	52.6	0.6	.48	.16	97	2/28	.08	.14	6/30	.04	.04	YES
	1717	Lennox Int'l		LII	42.59	▲3	3	2	1.00	50- 70	(15- 65%)	21.1	1.7	2.02	.72	26	3/31	◆d.01	d.14	6/30	.18	.18	YES
	1424	Lexmark Int'l 'A'		LXK	30.44	▼3	3	2	.90	50- 70	(65-130%)	6.6	3.3	4.61	1.00	15	3/31	◆1.05	1.17	3/31	.25	NIL	YES
	1208	Liberty All-Star		USA	4.81	–	2	3	1.10	6- 8	(25- 65%)	NMF	5.0	NMF	.24	–	12/31	4.99(q)	5.69(q)	3/31	.06	.07	
	1028	Liberty Global	(NDQ)	LBTYA	48.55	4	3	3	1.25	40- 65	(N- 35%)	NMF	NIL	d.63	NIL	2	12/31	d1.58	.06	3/31	NIL	NIL	YES
	1531	Liberty Property		LRY	35.96	3	3	3	1.25	30- 45	(N- 25%)	40.4	5.3	.89	1.90	86	3/31	◆.29	.23	6/30	.475	.475	YES
	224	Life Technologies	(NDQ)	LIFE	46.29	1	2	3	.85	80- 110	(75-140%)	11.7	NIL	3.97	NIL	75	3/31	◆.99	.85	3/31	NIL	NIL	YES
	808	LifePoint Hospitals	(NDQ)	LPNT	39.09	3	3	3	1.05	60- 85	(55-115%)	12.5	NIL	3.13	NIL	9	12/31	.78	.70	3/31	NIL	NIL	YES
	1613	Lilly (Eli)		LLY	39.96	3	1	5	.80	35- 45	(N- 15%)	12.4	4.9	3.22	1.96	52	3/31	◆.92	1.24	6/30	.49	.49	YES
	2224	Limited Brands		LTD	48.17	3	3	3	1.20	45- 70	(N- 45%)	20.8	2.1	▼2.32	1.00	59	1/31	1.17	1.36	3/31	▲.25	.20	YES
	809	Lincare Holdings	(NDQ)	LNCR	24.90	3	2	3	.70	35- 50	(40-100%)	11.6	3.2	2.15	.80	9	3/31	.54	.49	6/30	.20	.20	YES
	1718	Lincoln Elec Hldgs.	(NDQ)	LECO	47.23	▲2	3	3	1.25	50- 70	(5- 50%)	16.4	1.4	2.88	.68	26	3/31	◆.76	.50	6/30	.17	.155	YES
	1549	Lincoln Nat'l Corp.		LNC	23.95	2	3	1	1.95	40- 55	(65-130%)	6.0	1.5	3.96	.35	31	12/31	1.00	.82	6/30	.08	.05	YES
	1719	Lindsay Corp.		LNN	66.88	2	3	3	1.35	65- 95	(N- 40%)	18.1	0.5	3.70	.36	26	2/28	1.00	.89	3/31	.09	.085	YES
	1366	Linear Technology	(NDQ)	LLTC	31.90	4	3	3	.95	45- 65	(40-105%)	17.9	3.1	1.78	1.00	94	3/31	.42	.61	6/30	.25	.24	YES
244	2626	LinkedIn		LNKD	98.07	–	3	–	NMF	60- 90	(N- N%)	NMF	NIL	.15	NIL	78	12/31	.06	NA	3/31	NIL	NIL	YES
	529	Linn Energy, LLC	(NDQ)	LINE	38.84	▼3	3	4	.90	50- 80	(30-105%)	21.2	7.5	▼1.83	2.90	34	12/31	.51	.43	6/30	▲.725	.66	YES
	2328	Lions Gate Entertainment		LGF	11.52	3	5	3	.55	14- 25	(20-115%)	33.9	NIL	.34	NIL	18	12/31	d.01	d.04	3/31	NIL	NIL	YES
	2329	Live Nation Entertain.		LYV	8.64	3	4	3	1.55	14- 25	(60-190%)	NMF	NIL	NIL	NIL	18	12/31	d.54	d.72	3/31	NIL	NIL	YES
1645	2109	Liz Claiborne		LIZ	12.61	3	5	3	1.65	▼ 9- 17	(N- 35%)	NMF	NIL	.09	NIL	81	12/31	.10	d.03	3/31	NIL	NIL	YES
	718	Lockheed Martin		LMT	91.13	▲2	1	4	.80	105- 125	(15- 35%)	11.4	4.5	7.96	4.10	47	12/31	2.14	2.30	3/31	1.00	.75	YES
★★	1029	LodgeNet Interactive	(NDQ)	LNET	4.38	▼3	5	1	1.65	7- 14	(60-220%)	NMF	NIL	▼d.18	NIL	2	3/31	◆d.14	d.09	3/31	NIL	NIL	YES

(●) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	2559	Loews Corp.		L	40.24	4	2	3	1.10	50- 65 (25- 60%)	12.9	0.6	3.13	.25	62	12/31	.77	1.18	3/31	.063	.063	YES
	1409	Logitech Int'l	(NDQ)	LOGI	7.77	▲3	3	2	1.20	12- 18 (55-130%)	18.1	NIL	.43	NIL	45	12/31	.32	.36	3/31	NIL	NIL	YES
	1243	LoJack Corp.		LOJN		SEE FINAL SUPPLEMENT - PAGE 1243																
	2627	LoopNet, Inc.	(NDQ)	LOOP	19.06	–	3	–	.80	12- 16 (N- N%)	NMF	NIL	.08	NIL	78	12/31	d.07	.05	3/31	NIL	NIL	YES
	1991	Lorillard Inc.		LO	134.82	▼3	2	5	.55	190- 255 (40- 90%)	16.3	4.6	8.27	6.20	29	3/31	◆1.74	1.71	3/31	▲1.55	1.30	YES
	1162	Louisiana-Pacific		LPX	8.30	5	5	2	1.90	5- 9 (N- 10%)	NMF	NIL	d.66	NIL	57	12/31	d.33	d.12	3/31	NIL	NIL	YES
	1138	Lowe's Cos.		LOW	31.38	3	2	3	.95	40- 55 (25- 75%)	17.1	2.0	1.83	.62	42	1/31	.26	.21	6/30	.14	.11	YES
	2225	lululemon athletica	(NDQ)	LULU	70.18	3	3	4	1.45 ▲	75- 110 (5- 55%)	46.8	NIL	1.50	NIL	59	1/31	.51	.32	3/31	NIL	NIL	YES
	1139	Lumber Liquidators		LL	23.47	3	3	2	1.05	30- 45 (30- 90%)	20.4	NIL	1.15	NIL	42	3/31	◆.29	.20	3/31	NIL	NIL	YES
	2182	Luxottica Group ADR(g)		LUX	34.46	3	3	3	1.10 ▲	40- 60 (15- 75%)	22.2	1.9	1.55	.65	35	12/31	.21	.16	3/31	NIL	NIL	YES
	2517	**M&T Bank Corp.**		MTB	86.61	4	3	3	1.10	115- 175 (35-100%)	12.8	3.2	6.75	2.80	60	3/31	1.50	1.59	3/31	.70	.70	YES
	1127	M.D.C. Holdings		MDC	25.92	4	3	3	1.25	30- 40 (15- 55%)	NMF	3.9	d.58	1.00-.50	97	12/31	d.40	d.65	6/30	◆.25	.25	YES
	530	MDU Resources		MDU	21.88	3	1	3	1.00	20- 35 (N- 60%)	16.7	3.1	1.31	.67	34	12/31	.39	.49	6/30	.168	.163	YES
247	1367	MEMC Elec. Mat'ls		WFR	3.46	4	4	2	1.50	9- 16 (160-360%)	NMF	NIL	d.11	NIL	94	12/31	d.09	.25	3/31	NIL	NIL	YES
	1209	MFS Multimarket		MMT	6.97	–	4	3	.55	6- 10 (N- 45%)	NMF	7.5	NMF	.52	–	10/31	7.20(q)	7.44(q)	3/31	.127	.132	
	915	MGE Energy	(NDQ)	MGEE	45.03	4	1	4	.60	45- 50 (N- 10%)	18.8	3.4	2.39	1.53	53	12/31	.41	.52	6/30	◆.383	.375	
	2560	MGIC Investment		MTG	3.25	–	5	–	2.45	NMF (NMF)	NMF	NIL	d2.09	NIL	62	3/31	◆d.10	d.20	3/31	NIL	NIL	YES
	2345	MGM Resorts Int'l		MGM	13.06	3	4	2	2.25	16- 25 (25- 90%)	NMF	NIL	d.35	NIL	24	12/31	d.21	d.20	3/31	NIL	NIL	YES
	1394	MKS Instruments	(NDQ)	MKSI	27.20	4	3	3	1.15	35- 50 (30- 85%)	14.5	2.2	1.88	.60	70	12/31	.43	.67	3/31	.15	.15	YES
	1720	MSC Industrial Direct		MSM	73.54	3	3	3	1.00	120- 180 (65-145%)	18.2	1.4	4.05	1.00	26	2/28	.95	.78	6/30	.25	.22	YES
	123	MTS Systems	(NDQ)	MTSC	47.09	2	3	3	.85	55- 80 (15- 70%)	12.6	2.1	3.75	1.00	69	12/31	.98	.86	6/30	.25	.20	
	1532	Mack-Cali R'lty		CLI	28.48	3	3	3	1.20	30- 50 (5- 75%)	41.9	6.3	.68	1.80	86	12/31	.18	.09	6/30	.45	.45	YES
	394	Macquarie Infrastructure		MIC	33.14	2	5	4	2.05	30- 50 (N- 50%)	28.6	4.5	1.16	1.50	36	12/31	.26	.09	3/31	.20	NIL	YES
	2144	Macy's Inc.		M	38.82	1	3	4	1.35	45- 70 (15- 80%)	12.4	2.2	3.12	.85	22	1/31	1.71	1.55	6/30	▲.20	.10	YES
	2161	Madden (Steven) Ltd.	(NDQ)	SHOO	41.52	3	3	3	1.05	50- 75 (20- 80%)	16.2	NIL	2.56	NIL	85	12/31	.55	.41	3/31	NIL	NIL	YES
	2330	Madison Square Garden	(NDQ)	MSG	35.01	–	3	–	NMF	35- 55 (N- 55%)	31.8	NIL	1.10	NIL	18	12/31	.33	NA	3/31	NIL	NIL	YES
	625	Magellan Midstream		MMP	70.53	3	3	4	.85	50- 75 (N- 5%)	18.8	4.7	3.75	3.35	64	12/31	1.02	.93	3/31	▲.815	.758	YES
	1002	Magna Int'l 'A'		MGA	44.38	2	3	3	1.20	80- 120 (80-170%)	9.3	2.5	4.75	1.10(h)	13	12/31	1.13	.99	3/31	▲.275	.25	YES
	2110	Maidenform Brands		MFB	22.42	5	3	4	1.20	35- 50 (55-125%)	15.5	NIL	▼1.45	NIL	81	12/31	NIL	.29	3/31	NIL	NIL	YES
	2611	Manhattan Assoc.	(NDQ)	MANH	46.14	3	3	3	.85	50- 75 (10- 65%)	19.6	NIL	2.36	NIL	49	3/31	◆.55	.32	3/31	NIL	NIL	YES
	168	Manitowoc Co.		MTW	14.39	3	5	1	2.05	20- 40 (40-180%)	18.7	0.6	.77	.08	5	12/31	.14	.08	3/31	NIL	NIL	YES
2444	1639	Manpower Inc.		MAN	43.23	3	3	2	1.25	80- 120 (85-180%)	14.5	1.9	2.98	.80	65	3/31	◆.50	.43	3/31	NIL	NIL	YES
	2612	ManTech Int'l 'A'	(NDQ)	MANT	31.46	3	3	3	.75	70- 105 (125-235%)	8.5	2.7	3.72	.84	49	12/31	.83	.93	3/31	.21	NIL	YES
	1550	Manulife Fin'l		MFC	13.30	5	3	2	1.55	25- 35 (90-165%)	17.7	3.9	.75	.52	31	12/31	d.05	1.00	3/31	.13	.13	YES
	2394	Marathon Oil Corp.		MRO	29.39	–	2	–	NMF	40- 55 (35- 85%)	11.0	2.3	2.67	.68	7	12/31	.78	NA	3/31	▲.17	NIL	YES
	509	Marathon Petroleum		MPC	40.26	–	3	–	NMF	50- 75 (25- 85%)	8.6	2.5	4.69	1.00	14	12/31	d.21	NA	3/31	.25	NIL	YES
	2346	Marcus Corp.		MCS	12.46	2	3	5	1.30	14- 20 (10- 60%)	15.2	2.7	.82	.34	24	2/28	.03	d.03	6/30	.085	.085	YES
	2183	MarineMax		HZO	8.51	▲3	4	4	1.65	15- 25 (75-195%)	NMF	NIL	▼d.18	NIL	35	12/31	d.19	d.28	3/31	NIL	NIL	YES
	768	Markel Corp.		MKL	439.04	4	2	3	.80	560- 760 (30- 75%)	27.0	NIL	16.28	NIL	93	12/31	4.43	NA	3/31	NIL	NIL	
	2347	Marriott Int'l		MAR	38.40	–	3	–	1.25	45- 70 (15- 80%)	24.8	1.0	1.55	.40	24	3/31	.30	.26	3/31	.10	.088	YES
	2561	Marsh & McLennan		MMC	32.53	3	3	3	.75	45- 65 (40-100%)	16.0	2.7	2.03	.88	62	12/31	.46	.34	6/30	.22	.21	YES
	1193	Martha Stewart		MSO	3.41	–	4	–	1.35	8- 13 (135-280%)	NMF	NIL	d.02	NIL	55	12/31	.07	.07	3/31	NIL	NIL	YES
	1110	Martin Marietta		MLM	81.58	3	3	3	1.15	90- 135 (10- 65%)	44.6	2.0	1.83	1.60	84	12/31	.18	.32	3/31	.40	.40	YES
	960	Marvell Technology	(NDQ)	MRVL	14.72	4	3	3	1.20	25- 40 (70-170%)	18.9	NIL	.78	NIL	95	1/31	.13	.33	3/31	NIL	NIL	YES
244	1111	Masco Corp.		MAS	12.24	5	3	2	1.40	20- 30 (65-145%)	NMF	2.5	.11	.30	84	12/31	d.09	d.08	6/30	.075	.075	YES
	225	Masimo Corp.	(NDQ)	MASI	21.87	4	3	3	.95	45- 70 (105-220%)	19.2	NIL	1.14	NIL	75	12/31	.23	.29	3/31	NIL	NIL	YES
	1238	MasTec		MTZ	16.67	3	3	5	1.15	25- 35 (50-110%)	14.6	NIL	1.14	NIL	40	12/31	.10	.44	3/31	NIL	NIL	YES
	2562	MasterCard Inc.		MA	430.30	3	3	4	1.15	435- 650 (N- 50%)	20.7	0.3	20.83	1.20	62	12/31	4.03	3.16	6/30	▲.30	.15	YES
	1576	Materion Corp.		MTRN	25.58	3	3	3	1.70	50- 80 (95-215%)	16.4	NIL	1.56	NIL	37	12/31	.04	.61	3/31	NIL	NIL	YES
2036	2313	Mattel, Inc.	(NDQ)	MAT	32.33	3	2	3	.90	35- 45 (10- 40%)	13.9	3.8	2.32	1.24	50	3/31	.06	.05	6/30	.31	.23	YES
	1815	Matthews Int'l	(NDQ)	MATW	29.80	3	3	3	.90	55- 85 (85-185%)	11.5	1.2	2.60	.36	73	3/31	◆.61	.56	6/30	◆.09	.08	YES
	1368	Maxim Integrated	(NDQ)	MXIM	26.73	4	3	3	1.05	30- 45 (10- 70%)	19.9	3.3	1.34	.88	94	12/31	.34	.36	3/31	.22	.21	YES
	393	MAXIMUS Inc.		MMS	43.16	3	2	3	.75	60- 80 (40- 85%)	19.2	1.0	2.25	.42	36	12/31	.51	.50	6/30	.09	.075	YES
2654	2371	McClatchy Co.		MNI	2.64	2	5	4	2.00	5- 8 (90-205%)	3.6	NIL	.73	NIL	56	12/31	.49	.35	3/31	NIL	NIL	YES
	1924	McCormick & Co.		MKC	54.88	4	1	3	.60	80- 95 (45- 75%)	19.1	2.3	2.88	1.28	79	2/28	.55	.57	6/30	.31	.28	YES
	1757	McDermott Int'l		MDR	10.98	–	3	–	NMF	25- 40 (130-265%)	16.4	NIL	.67	NIL	17	12/31	.04	.19	3/31	NIL	NIL	YES
★★	365	McDonald's Corp.		MCD	94.59	3	1	4	.65	110- 130 (15- 35%)	16.8	3.0	5.63	2.80	32	3/31	◆1.23	1.15	3/31	.70	.61	YES
	2363	McGraw-Hill		MHP	47.70	3	3	4	1.15	65- 100 (35-110%)	15.1	2.1	3.15	1.02	16	3/31	◆.51	.39	3/31	.255	.25	YES
	226	McKesson Corp.		MCK	90.98	2	1	3	.75	110- 135 (20- 50%)	14.1	0.9	6.45	.80	75	12/31	1.40	1.22	6/30	.20	.18	YES
	1925	Mead Johnson Nutrition		MJN	80.90	▲3	3	4	.65	70- 105 (N- 30%)	29.7	1.5	2.72	1.20	79	12/31	.42	.48	6/30	▲.30	.26	YES
	1176	MeadWestvaco		MWV	31.56	3	3	3	1.30	50- 70 (60-120%)	19.8	3.2	1.59	1.00	33	3/31	◆.34	.43	6/30	◆.25	.25	YES
244	825	MedAssets	(NDQ)	MDAS	12.91	2	3	2	.85	17- 25 (30- 95%)	92.2	NIL	.14	NIL	80	12/31	.07	d.33	3/31	NIL	NIL	YES
1643	977	Medco Health Solutions		MHS		SEE FINAL SUPPLEMENT - PAGE 1643																
	2372	Media General 'A'		MEG	3.50	4	5	1	1.80	4- 9 (15-155%)	NMF	NIL	d1.55	NIL	56	3/31	d1.53	d1.16	3/31	NIL	NIL	YES
	227	Medical Action Inds.	(NDQ)	MDCI	5.13	3	3	2	1.10	8- 12 (55-135%)	15.1	NIL	.34	NIL	75	12/31	.11	.14	3/31	NIL	NIL	
	1614	Medicines Company	(NDQ)	MDCO	20.07	3	3	4	1.05	25- 35 (25- 75%)	19.9	NIL	1.01	NIL	52	3/31	◆.14	.17	3/31	NIL	NIL	YES
	1615	Medicis Pharmac.		MRX	37.72	4	3	5	1.05	75- 115 (100-205%)	16.3	1.1	2.31	.40	52	12/31	.56	.60	6/30	▲.10	.08	YES
	810	MEDNAX, Inc.		MD	69.74	3	3	3	1.00	85- 130 (20- 85%)	14.5	NIL	4.82	NIL	9	12/31	1.19	1.12	3/31	NIL	NIL	YES
	192	Medtronic, Inc.		MDT	37.12	3	1	3	.85	55- 65 (50- 75%)	10.4	2.8	3.57	1.03	74	1/31	.84	.86	6/30	.243	.225	YES
	2226	Men's Wearhouse		MW	36.23	2	3	4	1.10 ▲	45- 70 (25- 95%)	13.9	2.1	2.61	.75	59	1/31	d.07	d.27	6/30	.18	.12	YES
632	2583	Mentor Graphics	(NDQ)	MENT	13.80	2	3	2	1.05	20- 30 (45-115%)	16.8	NIL	.82	NIL	51	1/31	.52	.47	3/31	NIL	NIL	YES
2442	1616	Merck & Co.		MRK	38.27	2	1	3	.80	45- 55 (20- 45%)	9.6	4.4	3.97	1.68	52	12/31	.97	.88	6/30	.42	.38	YES
	1410	Mercury Computer Sys.	(NDQ)	MRCY	12.17	4	4	3	1.00	19- 30 (55-145%)	18.4	NIL	.66	NIL	45	3/31	◆.17	.20	3/31	NIL	NIL	YES
	769	Mercury General		MCY	44.59	4	2	4	.70	45- 60 (N- 35%)	16.3	5.5	2.73	2.44	93	12/31	.59	d.15	3/31	.61	.60	YES
	2364	Meredith Corp.		MDP	30.46	3	3	3	1.10	55- 75 (80-145%)	12.9	5.0	▼2.37	1.53	16	3/31	◆.66	.67	3/31	.383	.255	YES
	228	Meridian Bioscience	(NDQ)	VIVO	18.72	▲3	3	3	.90	16- 25 (N- 35%)	25.0	4.1	.75	.76	75	12/31	.17	.15	3/31	.19	.19	YES
	1003	Meritor, Inc.		MTOR	6.38	2	5	3	2.25	12- 20 (90-215%)	5.3	NIL	1.20	NIL	13	12/31	.12	d.07	3/31	NIL	NIL	YES
	1551	MetLife Inc.		MET	35.58	2	3	2	1.65	55- 85 (55-140%)	7.0	2.1	5.11	.74	31	3/31	◆1.37	1.33	3/31	NIL	NIL	YES
	931	Metro PCS Communic.		PCS	7.96	▼3	3	3	1.05	16- 25 (100-215%)	9.8	NIL	.81	NIL	20	12/31	.25	.23	3/31	NIL	NIL	YES
	124	Mettler-Toledo Int'l		MTD	171.93	3	2	2	1.00	185- 255 (10- 50%)	18.7	NIL	9.18	NIL	69	12/31	2.88	2.56	3/31	NIL	NIL	YES
	422	Mexico Fund		MXF	24.10	–	4	3	1.10	25- 40 (5- 65%)	NMF	1.0	NMF	.25	–	1/31	25.84(q)	30.86(q)	3/31	.128	.101	
	2111	Michael Kors Hldgs.		KORS	41.32	–	3	–	NMF	50- 75 (20- 80%)	45.4	NIL	.91	NIL	81	12/31	.20	.15	3/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1335	Micrel Inc.	(NDQ)	MCRL	9.44	5	3	2	1.00	12- 18 (25- 90%)	24.2	1.7	.39	.16	46	12/31	.08	.22	3/31	.04	.035	YES
	1369	Microchip Technology	(NDQ)	MCHP	34.57	4	3	3	1.00	55- 80 (60-130%)	20.8	4.0	1.66	1.40	94	12/31	.38	.54	3/31	▲.349	NIL	YES
2654	1370	Micron Technology	(NDQ)	MU	6.51	3	4	1	1.30	14- 25 (115-285%)	NMF	NIL	d.30	NIL	94	2/28	d.23	.07	3/31	NIL	NIL	YES
	2584	MICROS Systems	(NDQ)	MCRS	53.07	3	3	4	1.05	60- 90 (15- 70%)	26.7	NIL	1.99	NIL	51	12/31	.47	.39	3/31	NIL	NIL	YES
★★	2585	Microsoft Corp.	(NDQ)	MSFT	31.92	2	1	4	.85	45- 55 (40- 70%)	11.7	2.5	2.73	.80	51	3/31	◆.60	.61	6/30	.20	.16	YES
	1721	Middleby Corp. (The)	(NDQ)	MIDD	96.26	2	3	4	1.20	100- 155 (5- 60%)	15.9	NIL	6.04	NIL	26	12/31	1.87	1.13	3/31	NIL	NIL	YES
	1778	Middlesex Water	(NDQ)	MSEX	18.25	4	2	3	.70	17- 25 (N- 35%)	20.7	4.1	.88	.74	39	12/31	.12	.17	3/31	.185	.183	
	1154	Miller (Herman)	(NDQ)	MLHR	20.28	3	3	3	1.20	30- 45 (50-120%)	14.2	0.4	1.43	.09	72	2/28	.26	.29	3/31	.022	.022	YES
	932	Millicom Int'l Cellular	(PNK)	MIICF	106.35	2	3	3	1.40	90- 140 (N- 30%)	14.2	2.3	7.47	2.40	20	3/31	◆.93	2.08	6/30	2.40	1.80	
	1722	Mine Safety Appliance		MSA	41.12	▲2	3	3	1.05	50- 75 (20- 80%)	19.7	2.6	2.09	1.08	26	3/31	◆.64	.36	3/31	.26	.25	YES
	564	Minerals Techn.		MTX	65.77	2	2	2	1.05	80- 105 (20- 60%)	16.0	0.3	4.10	.20	41	12/31	1.02	.85	3/31	.05	.05	YES
	1004	Modine Mfg.		MOD	7.54	3	4	3	1.65	19- 30 (150-300%)	7.9	NIL	.95	NIL	13	12/31	.18	.12	3/31	NIL	NIL	YES
	1155	Mohawk Inds.		MHK	62.47	3	3	3	1.30	75- 115 (20- 85%)	18.8	NIL	3.32	NIL	72	12/31	.72	.66	3/31	NIL	NIL	YES
	1336	Molex Inc.	(NDQ)	MOLX	26.85	▼4	2	3	1.20	35- 45 (30- 70%)	16.6	3.0	1.62	.80	46	3/31	◆.34	.40	6/30	.20	.175	YES
	1976	Molson Coors Brewing		TAP	41.52	2	2	4	.65	65- 85 (55-105%)	10.9	3.1	3.80	1.28	76	12/31	.95	.66	3/31	.32	.28	YES
	2436	Monsanto Co.		MON	75.57	3	3	3	1.05	110- 165 (45-120%)	21.3	1.6	3.55	1.20	11	2/28	2.28	1.87	6/30	.30	.28	YES
	1977	Monster Beverage	(NDQ)	MNST	62.87	3	3	5	.80	55- 85 (N- 35%)	35.9	NIL	1.75	NIL	76	12/31	.35	.27	3/31	NIL	NIL	YES
	2381	Monster Worldwide		MWW	8.12	4	4	3	1.35	15- 25 (85-210%)	18.9	NIL	.43	NIL	12	12/31	.09	.06	3/31	NIL	NIL	YES
	440	Moody's Corp.		MCO	41.62	3	3	3	1.25	50- 75 (20- 80%)	17.2	1.5	2.42	.64	61	12/31	.43	.58	3/31	▲.16	.115	YES
	719	Moog Inc. 'A'		MOGA	40.60	2	3	3	1.20	50- 75 (25- 85%)	12.3	NIL	3.30	NIL	47	12/31	.80	.73	3/31	NIL	NIL	
	1789	Morgan Stanley		MS	17.40	3	4	2	1.70	40- 60 (130-245%)	11.7	1.1	1.49	.20	71	12/31	d.01	.43	6/30	◆.05	.05	YES
	1591	Mosaic Company		MOS	50.48	▲3	3	2	1.55	85- 130 (70-160%)	12.1	1.0	4.18	.50	19	2/28	.64	1.21	6/30	▲.125	.05	YES
	961	Motorola Mobility Hldgs.		MMI	38.14	–	3	–	NMF	35- 55 (N- 45%)	NMF	NIL	d.12	NIL	95	12/31	d.27	.27	3/31	NIL	NIL	YES
	962	Motorola Solutions		MSI	48.66	–	2	–	NMF	65- 90 (35- 85%)	16.4	1.8	2.97	.88	95	3/31	◆.59	.54	6/30	.22	NIL	YES
	2184	Movado Group		MOV	26.84	2	3	5	1.25 ▲	25- 40 (N- 50%)	21.6	0.7	1.24	.20	35	1/31	.24	.05	6/30	▲.05	.06	YES
	736	Mueller Inds.		MLI	45.09	▲3	3	5	1.15	45- 65 (N- 45%)	18.9	0.9	2.38	.40	27	3/31	◆.69	.88	3/31	.10	.10	YES
849	1723	Mueller Water Prod.		MWA	3.55	4	5	4	1.60	4- 7 (15- 95%)	NMF	2.0	d.10	.07	26	12/31	d.07	d.06	3/31	.018	.018	YES
	510	Murphy Oil Corp.		MUR	52.91	2	2	3	1.20	105- 140 (100-165%)	12.7	2.1	4.16	1.10	14	12/31	d.59	.90	6/30	.275	.275	YES
	1758	Myers Inds.		MYE	16.38	1	3	4	1.45	16- 25 (N- 55%)	20.7	2.0	.79	.32	17	3/31	◆.30	.19	6/30	▲.08	.07	YES
	1617	Mylan Inc.	(NDQ)	MYL	21.94	2	3	4	1.05	25- 40 (15- 80%)	17.6	NIL	1.25	NIL	52	12/31	.30	.01	3/31	NIL	NIL	YES
	839	Myriad Genetics	(NDQ)	MYGN	25.21	3	3	3	.75	30- 45 (20- 80%)	19.0	NIL	1.33	NIL	96	12/31	.33	.26	3/31	NIL	NIL	YES
	1112	**NCI Bldg. Sys.**		NCS	11.37	4	5	4	1.60	10- 19 (N- 65%)	NMF	NIL	d.05	NIL	84	1/31	d.54	d.99	3/31	NIL	NIL	YES
	1337	NCR Corp.		NCR	23.07	1	3	3	1.20	35- 50 (50-115%)	15.2	NIL	1.52	NIL	46	3/31	.23	.06	3/31	NIL	NIL	YES
447	933	NII Holdings	(NDQ)	NIHD	18.85	3	3	2	1.65	50- 75 (165-300%)	30.4	NIL	▼.62	NIL	20	12/31	d.05	.57	3/31	NIL	NIL	YES
	737	NN Inc.	(NDQ)	NNBR	8.56	3	4	1	1.60	19- 30 (120-250%)	5.6	NIL	1.53	NIL	27	12/31	.21	.30	3/31	NIL	NIL	YES
	840	NPS Pharmac.	(NDQ)	NPSP	6.95	4	4	4	.95	10- 16 (45-130%)	NMF	NIL	d.33	NIL	96	12/31	d.10	d.09	3/31	NIL	NIL	YES
	1223	NRG Energy		NRG	15.90	3	3	3	1.10	19- 30 (20- 90%)	58.9	2.3	.27	.36	89	12/31	d1.06	d.07	3/31	NIL	NIL	YES
	934	NTELOS Hldgs.	(NDQ)	NTLS	18.59	–	3	–	NMF	25- 35 (35- 90%)	16.9	9.0	1.10	1.68	20	12/31	.20	.42	6/30	.42	.56	YES
	2244	NV Energy Inc.		NVE	16.16	3	3	4	.85	17- 25 (5- 55%)	17.2	3.5	.94	.56	25	12/31	d.11	.06	3/31	.13	.12	YES
	1128	NVR, Inc.		NVR	761.38	▲4	3	3	1.00	865-1295 (15- 70%)	25.8	NIL	29.52	NIL	97	3/31	◆3.90	2.52	3/31	NIL	NIL	
2447	1790	NYSE Euronext		NYX	26.69	3	3	2	1.40	45- 65 (70-145%)	10.5	4.5	2.55	1.20	71	12/31	.50	.46	3/31	.30	.30	YES
	2414	Nabors Inds.		NBR	15.95	2	3	1	1.50	40- 65 (150-310%)	8.5	NIL	▼1.87	NIL	28	3/31	◆.49	.33	3/31	NIL	NIL	YES
	1791	Nasdaq OMX Group	(NDQ)	NDAQ	25.33	▼2	3	3	1.20	50- 70 (95-175%)	9.6	NIL	2.63	NIL	71	3/31	◆.61	.61	3/31	NIL	NIL	YES
	1952	Nash Finch Co.	(NDQ)	NAFC	26.09	3	3	2	.70	45- 65 (70-150%)	9.1	2.8	2.88	.72	23	12/31	.73	.94	3/31	.18	.18	YES
	2518	Nat'l Bank of Canada	(TSE)	NA.TO	77.28b	3	2	3	.70	85- 115 (10- 50%)	10.5	3.9	7.35	3.00	60	1/31	1.99(b)	1.80(b)	3/31	▲.75(b)	.66(b)	YES
	2382	National CineMedia	(NDQ)	NCMI	14.50	4	3	3	1.25	20- 30 (40-105%)	21.6	6.2	.67	.90	12	12/31	.18	.22	3/31	.22	.20	YES
	2563	Nat'l Fin'l Partners		NFP	14.56	2	5	2	1.80	20- 40 (35-175%)	12.2	NIL	1.19	NIL	62	12/31	.27	.34	3/31	NIL	NIL	YES
	531	National Fuel Gas		NFG	45.23	4	2	3	1.00	75- 100 (65-120%)	17.7	3.1	2.55	1.42	34	12/31	.73	.70	6/30	.355	.345	YES
	125	National Instruments	(NDQ)	NATI	25.50	5	3	3	.95	35- 55 (35-115%)	30.4	2.2	.84	.56	69	12/31	.20	.32	3/31	▲.14	.10	YES
	2415	National Oilwell Varco		NOV	78.02	▲2	3	3	1.50	115- 170 (45-120%)	13.6	0.6	5.75	.49	28	3/31	◆1.42	.97	3/31	.12	.11	YES
	1759	National Presto Ind.		NPK	72.56	4	3	3	.95	75- 115 (5- 60%)	10.8	8.3	6.71	6.00	17	12/31	1.96	3.24	3/31	▼6.00	8.25	
	602	Natural Resource		NRP	24.59	3	3	3	1.10	30- 50 (20-105%)	13.1	8.9	1.87	2.20	44	12/31	.52	.39	6/30	◆.55	.54	YES
	229	Natus Medical	(NDQ)	BABY	11.03	5	3	2	1.05	18- 25 (65-125%)	29.0	NIL	.38	NIL	75	12/31	d.60	.18	3/31	NIL	NIL	YES
	2185	Nautilus Inc.		NLS	2.54	2	5	1	1.55 ▼	4- 7 (55-175%)	12.7	NIL	▼.20	NIL	35	12/31	.11	.06	3/31	NIL	NIL	
	395	Navigant Consulting		NCI	14.21	2	3	3	.85	19- 30 (35-110%)	15.3	NIL	.93	NIL	36	12/31	.22	.15	3/31	NIL	NIL	YES
	169	Navistar Int'l		NAV	33.76	3	3	2	1.60	80- 120 (135-255%)	5.9	NIL	5.70	NIL	5	1/31	d2.08	.16	3/31	NIL	NIL	YES
	1163	Neenah Paper		NP	28.07	1	4	3	1.30	35- 60 (25-115%)	11.6	1.7	2.42	.48	57	12/31	.47	.42	3/31	▲.12	.11	YES
631	1618	Nektar Therapeutics	(NDQ)	NKTR	7.49	5	4	3	1.05	15- 25 (100-235%)	NMF	NIL	d1.13	NIL	52	12/31	d.33	d.24	3/31	NIL	NIL	YES
★★	1926	Nestle SA ADS	(NDQ)	NSRGY	60.93	3	1	3	.60	75- 90 (25- 50%)	18.0	3.5	3.38	2.12	79	12/31	1.61	1.32	3/31	NIL	NIL	
	1411	NetApp, Inc.	(NDQ)	NTAP	38.68	3	3	3	1.15	55- 85 (40-120%)	25.8	NIL	1.50	NIL	45	1/31	.32	.46	3/31	NIL	NIL	YES
★★	2628	Netflix, Inc.	(NDQ)	NFLX	87.68	3	3	1	.95	160- 235 (80-170%)	NMF	NIL	▲.50	NIL	78	3/31	◆d.08	1.11	3/31	NIL	NIL	YES
	963	NETGEAR	(NDQ)	NTGR	33.49	▲2	3	2	1.10	55- 80 (65-140%)	13.7	NIL	2.45	NIL	95	3/31	◆.65	.57	3/31	NIL	NIL	YES
	964	NeuStar Inc.		NSR	36.51	2	3	3	.85	45- 70 (25- 90%)	19.6	NIL	1.86	NIL	95	12/31	.26	.30	3/31	NIL	NIL	YES
	935	Neutral Tandem	(NDQ)	IQNT	11.46	3	3	3	1.00	20- 30 (75-160%)	11.7	NIL	.98	NIL	20	12/31	.19	.18	3/31	NIL	NIL	YES
	423	New Germany Fund		GF	14.47	–	3	3	1.30	20- 30 (40-105%)	NMF	0.5	NMF	.07	–	12/31	13.86(q)	17.72(q)	3/31	.07	.065	
	544	New Jersey Resources		NJR	42.79	3	1	3	.65	45- 55 (5- 30%)	15.0	3.6	2.85	1.52	63	12/31	1.09	.71	6/30	.38	.36	YES
	2003	New Orient. Ed. ADS		EDU	25.78	4	3	3	1.10	45- 70 (75-170%)	28.0	NIL	.92	NIL	67	2/28	.14	.15	3/31	NIL	NIL	YES
	2227	New York & Co.		NWY	3.81	5	5	3	1.45	4- 7 (5- 85%)	NMF	NIL	▼d.53	NIL	59	1/31	d.18	.13	3/31	NIL	NIL	YES
	1508	New York Community		NYB	13.19	4	3	3	.85	16- 25 (20- 90%)	12.6	7.6	1.05	1.00	92	3/31	.27	.28	6/30	◆.25	.25	YES
	2373	New York Times		NYT	6.32	3	3	3	1.15	17- 25 (170-295%)	9.9	NIL	.64	NIL	56	3/31	◆.09	.04	3/31	NIL	NIL	YES
	1194	Newell Rubbermaid		NWL	17.48	3	3	2	1.25	30- 45 (70-155%)	12.7	1.8	1.38	.32	55	12/31	.27	.25	3/31	.08	.05	YES
	532	Newfield Exploration		NFX	33.71	3	3	1	1.35	55- 85 (65-150%)	9.0	NIL	3.75	NIL	34	3/31	◆.91	.98	3/31	NIL	NIL	YES
	565	NewMarket Corp.		NEU	192.49	▲3	3	3	1.25	150- 230 (N- 20%)	12.1	1.6	▲15.87	3.00	41	12/31	2.51	3.44	6/30	.75	.60	YES
	1565	Newmont Mining		NEM	46.37	3	3	3	.80	45- 70 (N- 50%)	11.7	3.0	3.96	1.40	43	12/31	1.06	1.15	6/30	◆.35	.20	YES
	126	Newport Corp.	(NDQ)	NEWP	16.52	3	3	2	1.40	25- 40 (50-140%)	13.0	NIL	1.27	NIL	69	12/31	.90	.40	3/31	NIL	NIL	YES
	2331	News Corp.	(NDQ)	NWS	19.55	2	3	3	1.25	25- 40 (30-105%)	13.5	1.0	1.45	.20	18	12/31	.35	.28	6/30	▲.085	.075	YES
	2395	Nexen Inc.	(TSE)	NXY.TO	19.00b	▼3	3	3	1.15	30- 50 (60-165%)	10.4	1.1	1.83	.20	7	3/31	◆.32(b)	d.19(b)	3/31	.05(b)	.05(b)	YES
	145	NextEra Energy		NEE	63.90	2	2	4	.75	65- 85 (N- 35%)	12.0	3.8	5.31	2.40	48	3/31	◆1.11	.64	3/31	▲.60	.55	YES
	2162	NIKE, Inc. 'B'		NKE	106.75	3	1	4	.85	130- 160 (20- 50%)	21.4	1.3	4.99	1.44	85	2/28	1.20	1.08	6/30	▲.36	.31	YES
	545	NiSource Inc.		NI	24.33	3	3	4	.85	20- 30 (N- 25%)	22.7	3.8	1.07	.92	63	12/31	.05	.12	6/30	.23	.23	YES
	106	Nissan Motor ADR(g)	(PNK)	NSANY	20.51	2	3	4	.95	30- 45 (45-120%)	9.3	1.2	2.20	.25	3	12/31	.51	.46	3/31	NIL	NIL	
	2416	Noble Corp.		NE	37.00	2	3	2	1.35	65- 100 (75-170%)	14.2	NIL	2.60	NIL	28	3/31	◆.47	.22	3/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	2396	Noble Energy		NBL	93.98	3	3	2	1.20	100- 150 (5- 60%)	18.0	0.9	5.22	.88	7	12/31	d1.54	.35	6/30	◆.22	.18	YES
1821	965	Nokia Corp. ADR		NOK	3.63	5	3	2	1.15	10- 14 (175-285%)	20.2	7.4	.18	.27	95	3/31	◆d.11	.17	3/31	NIL	NIL	YES
631	1724	Nordson Corp.	(NDQ)	NDSN	52.36	3	3	3	1.25	50- 80 (N- 55%)	17.2	1.0	3.05	.52	26	1/31	.62	.65	3/31	.125	.21	YES
	2145	Nordstrom, Inc.		JWN	53.93	3	3	5	1.40	70- 105 (30- 95%)	16.0	2.1	3.37	1.11	22	1/31	1.11	1.04	3/31	▲.27	.23	YES
1644	343	Norfolk Southern		NSC	70.22	▲1	2	3	1.10	105- 155 (50-120%)	12.1	2.7	5.80	1.88	1	3/31	◆1.23	.90	6/30	◆.47	.40	YES
	146	Northeast Utilities		NU	36.41	3	3	3	.70	35- 50 (N- 35%)	15.0	3.2	2.42	1.18	48	12/31	.64	.64	3/31	▲.294	.275	YES
	788	Northern Trust Corp.	(NDQ)	NTRS	46.42	4	3	3	1.10	65- 100 (40-115%)	17.0	2.6	2.73	1.20	66	3/31	.66	.61	9/30	▲.30	.28	YES
	720	Northrop Grumman		NOC	62.73	2	1	3	.85	80- 95 (30- 50%)	8.5	3.4	7.40	2.12	47	3/31	◆1.96	1.66	3/31	.50	.47	YES
	1509	Northwest Bancshares	(NDQ)	NWBI	12.34	▼4	3	4	.75	14- 20 (15- 60%)	18.1	3.9	.68	.48	92	3/31	◆.16	.16	6/30	◆.12	.11	YES
	546	Northwest Nat. Gas		NWN	44.96	4	1	4	.60	55- 65 (20- 45%)	17.8	4.0	2.52	1.78	63	12/31	1.09	1.11	6/30	.445	.435	YES
	2245	NorthWestern Corp.		NWE	34.27	3	3	4	.70	30- 45 (N- 30%)	13.4	4.3	2.56	1.49	25	3/31	.88	.89	3/31	.37	.36	YES
	1619	Novartis AG ADR		NVS	54.81	4	1	4	.65	70- 85 (30- 55%)	15.1	4.4	3.63	2.42	52	3/31	◆.95	1.41	3/31	NIL	NIL	YES
	1395	Novellus Sys.	(NDQ)	NVLS	44.80	–	3	–	1.05	55- 85 (25- 90%)	17.2	NIL	2.61	NIL	70	3/31	.59	1.04	3/31	NIL	NIL	YES
	1620	Novo Nordisk ADR(g)		NVO	148.72	3	1	3	.80	155- 190 (5- 30%)	26.6	1.7	5.60	2.51	52	12/31	1.45	1.21	3/31	NIL	NIL	YES
1819	147	NSTAR		NST	SEE FINAL SUPPLEMENT - PAGE 1819																	
	1018	Nu Skin Enterprises		NUS	59.15	3	3	4	1.00	55- 85 (N- 45%)	20.3	1.4	2.91	.82	21	12/31	.76	.58	3/31	▲.20	.135	YES
245	2586	Nuance Communic.	(NDQ)	NUAN	22.16	3	3	3	1.25	20- 35 (N- 60%)	76.4	NIL	.29	NIL	51	12/31	.03	NIL	3/31	NIL	NIL	YES
	748	Nucor Corp.		NUE	38.90	4	3	3	1.20	65- 95 (65-145%)	17.8	3.8	2.18	1.48	68	3/31	◆.46	.51	6/30	.365	.363	YES
850	1927	NutriSystem Inc.	(NDQ)	NTRI	11.09	5	3	5	.85	20- 30 (80-170%)	27.7	6.3	.40	.70	79	12/31	d.04	.25	3/31	.175	.175	YES
	193	NuVasive, Inc.	(NDQ)	NUVA	16.56	5	3	2	1.10	35- 50 (110-200%)	82.8	NIL	.20	NIL	74	12/31	d.24	1.39	3/31	NIL	NIL	YES
	1210	Nuveen Muni Value Fund		NUV	10.07	–	1	3	.45	10- 12 (N- 20%)	NMF	4.8	NMF	.48	–	10/31	9.65(q)	9.82(q)	3/31	.078	.078	
	1371	NVIDIA Corp.	(NDQ)	NVDA	12.82	4	3	2	1.30	25- 35 (95-175%)	16.9	NIL	.76	NIL	94	1/31	.19	.23	3/31	NIL	NIL	YES
	916	**OGE Energy**		OGE	52.69	3	2	4	.80	45- 65 (N- 25%)	15.2	3.1	3.47	1.61	53	12/31	.37	.31	6/30	.393	.375	YES
	566	OM Group		OMG	24.20	3	3	2	1.55	55- 80 (125-230%)	7.2	NIL	3.38	NIL	41	12/31	.73	.77	3/31	NIL	NIL	YES
	127	OSI Systems	(NDQ)	OSIS	61.47	3	3	3	.85	55- 85 (N- 40%)	24.5	NIL	2.51	NIL	69	3/31	◆.62	.45	3/31	NIL	NIL	YES
	511	Occidental Petroleum		OXY	88.22	▼3	2	2	1.20	95- 125 (10- 40%)	10.6	2.5	8.32	2.21	14	12/31	2.02	1.58	6/30	▲.54	.46	YES
	2417	Oceaneering Int'l		OII	50.95	3	3	3	1.45	40- 60 (N- 20%)	21.4	1.2	2.38	.60	28	12/31	.54	.44	3/31	.15	NIL	YES
2650	366	O'Charley's Inc.	(NDQ)	CHUX	9.85	–	4	–	1.60	8- 14 (N- 40%)	NMF	NIL	d.33	NIL	32	12/31	d.37	d.97	3/31	NIL	NIL	YES
632	1425	Office Depot		ODP	3.04	2	5	1	2.05	4- 7 (30-130%)	38.0	NIL	.08	NIL	15	12/31	.03	d.15	3/31	NIL	NIL	YES
	1426	OfficeMax		OMX	4.62	3	4	2	1.75	10- 17 (115-270%)	9.2	NIL	.50	NIL	15	12/31	.03	.14	3/31	NIL	NIL	YES
	2418	Oil States Int'l		OIS	71.72	1	3	3	1.50	115- 175 (60-145%)	10.2	NIL	7.01	NIL	28	12/31	1.72	.94	3/31	NIL	NIL	YES
	325	Old Dominion Freight	(NDQ)	ODFL	48.05	▼2	3	3	1.10	55- 85 (15- 75%)	17.5	NIL	2.74	NIL	4	12/31	.69	.39	3/31	NIL	NIL	YES
	789	Old Nat'l Bancorp		ONB	12.80	3	3	4	.95	15- 25 (15- 95%)	13.9	2.8	.92	.36	66	12/31	.23	.07	3/31	▲.09	.07	YES
	770	Old Republic		ORI	10.23	5	3	5	1.10	15- 20 (45- 95%)	NMF	6.9	d.21	.71	93	12/31	d.11	d.12	3/31	.175	.175	YES
	1592	Olin Corp.		OLN	21.49	3	3	3	1.25	25- 35 (15- 65%)	12.3	3.7	1.75	.80	19	12/31	.23	.02	3/31	.20	.20	YES
	978	Omnicare, Inc.		OCR	34.61	▲2	3	3	1.00	60- 90 (75-160%)	12.0	0.8	2.88	.28	30	12/31	.58	.51	3/31	▲.07	.033	YES
	230	Omnicell, Inc.	(NDQ)	OMCL	13.78	3	3	4	.95	25- 35 (80-155%)	36.3	NIL	.38	NIL	75	12/31	.12	.02	3/31	NIL	NIL	YES
	2383	Omnicom Group		OMC	49.79	3	2	3	1.00	60- 85 (20- 70%)	14.2	2.4	3.51	1.20	12	3/31	.72	.69	6/30	▲.30	.25	YES
632	2012	OmniVision Techn.	(NDQ)	OVTI	17.67	4	3	3	1.15	19- 30 (10- 70%)	45.3	NIL	.39	NIL	87	1/31	NIL	.75	3/31	NIL	NIL	YES
	1640	On Assignment	(NDQ)	ASGN	16.52	2	3	3	1.50	17- 25 (5- 50%)	21.2	NIL	.78	NIL	65	12/31	.20	.04	3/31	NIL	NIL	YES
1243	1372	ON Semiconductor	(NDQ)	ONNN	7.89	3	3	2	1.40	18- 25 (130-215%)	14.1	NIL	.56	NIL	94	12/31	.13	.22	3/31	NIL	NIL	YES
	2629	1-800-FLOWERS.COM	(NDQ)	FLWS	3.02	2	4	3	1.55	6- 9 (100-200%)	17.8	NIL	.17	NIL	78	12/31	.25	.21	3/31	NIL	NIL	
	611	ONEOK Inc.		OKE	82.69	3	3	4	.95	65- 100 (N- 20%)	22.5	3.0	3.68	2.48	90	12/31	1.08	.76	6/30	◆.61	.52	YES
	1621	Onyx Pharmac.	(NDQ)	ONXX	43.44	4	4	2	.90	35- 65 (N- 50%)	94.4	NIL	.46	NIL	52	12/31	3.16	d.27	3/31	NIL	NIL	YES
2444	1805	Open Text Corp.	(NDQ)	OTEX	54.98	3	3	3	.95	85- 125 (55-125%)	20.0	NIL	2.75	NIL	83	12/31	.81	.64	3/31	NIL	NIL	YES
	2587	Oracle Corp.	(NDQ)	ORCL	28.69	2	1	3	.95	45- 55 (55- 90%)	11.4	0.8	2.52	.24	51	2/28	.62	.54	6/30	.06	.05	YES
	721	Orbital Sciences		ORB	12.05	3	3	2	.90	25- 40 (105-230%)	11.2	NIL	1.08	NIL	47	3/31	◆.22	.21	3/31	NIL	NIL	YES
	2630	Orbitz Worldwide		OWW	3.28	2	5	2	1.55	9- 17 (175-420%)	19.3	NIL	.17	NIL	78	12/31	.04	d.07	3/31	NIL	NIL	YES
	128	Orbotech Ltd.	(NDQ)	ORBK	10.39	4	3	3	.85	25- 40 (140-285%)	10.0	NIL	1.04	NIL	69	12/31	.06	.17	3/31	NIL	NIL	YES
	2130	O'Reilly Automotive	(NDQ)	ORLY	95.00	3	2	5	.75	105- 140 (10- 45%)	21.9	NIL	4.33	NIL	8	12/31	.93	.69	3/31	NIL	NIL	YES
	2348	Orient-Express Hotels		OEH	10.47	3	4	3	1.75	15- 25 (45-140%)	58.2	NIL	.18	NIL	24	12/31	d.09	d.18	3/31	NIL	NIL	YES
	1224	Ormat Technologies		ORA	18.28	3	3	4	1.15	35- 50 (90-175%)	NMF	0.9	d.65	.16	89	12/31	d.95	.10	3/31	NIL	.05	YES
	170	Oshkosh Corp.		OSK	22.18	3	4	3	1.60	25- 45 (15-105%)	13.9	NIL	1.60	NIL	5	12/31	.42	1.22	3/31	NIL	NIL	YES
	917	Otter Tail Corp.	(NDQ)	OTTR	21.59	3	3	3	.90	20- 30 (N- 40%)	29.6	5.5	.73	1.19	53	12/31	d.02	.05	3/31	.298	.298	YES
245	335	Overseas Shipholding		OSG	10.80	5	4	1	1.40	35- 55 (225-410%)	NMF	NIL	d4.90	NIL	77	12/31	d1.65	d1.83	3/31	▼NIL	.437	YES
850	2631	Overstock.com	(NDQ)	OSTK	5.66	4	4	4	1.45	12- 20 (110-255%)	NMF	NIL	d.40	NIL	78	3/31	◆.12	d.02	3/31	NIL	NIL	YES
	231	Owens & Minor		OMI	29.00	3	2	3	.70	40- 50 (40- 70%)	14.3	3.0	2.03	.88	75	3/31	◆.46	.45	3/31	▲.22	.20	YES
	1113	Owens Corning		OC	34.55	▼3	3	1	1.30	60- 90 (75-160%)	20.6	NIL	▼1.68	NIL	84	3/31	◆.09	.19	3/31	NIL	NIL	YES
	1177	Owens-Illinois		OI	23.84	1	3	1	1.50	40- 60 (70-150%)	9.1	NIL	2.63	NIL	33	12/31	.48	.45	3/31	NIL	NIL	YES
	2112	Oxford Inds.		OXM	46.63	3	4	3	1.55	55- 90 (20- 95%)	23.0	1.3	▼2.03	.62	81	1/31	.43	.10	6/30	▲.15	.13	YES
2654	2186	**PC Connection**	(NDQ)	PCCC	7.97	2	3	2	1.15	12- 18 (50-125%)	7.6	NIL	1.05	NIL	35	12/31	.28	.26	3/31	NIL	NIL	
	1622	PDL BioPharma	(NDQ)	PDLI	6.20	2	3	3	.75	8- 13 (30-110%)	4.1	9.7	1.53	.60	52	12/31	.24	.20	6/30	.15	.15	YES
	367	P.F. Chang's	(NDQ)	PFCB	39.71	3	3	3	1.05	50- 70 (25- 75%)	31.0	2.8	1.28	1.10	32	12/31	.19	.64	3/31	▲.275	.29	YES
	2246	PG&E Corp.		PCG	43.48	3	3	4	.55	35- 55 (N- 25%)	18.6	4.2	▼2.34	1.82	25	12/31	.69	.63	6/30	.455	.455	YES
	1373	PMC-Sierra	(NDQ)	PMCS	6.81	3	3	3	1.20	14- 20 (105-195%)	19.5	NIL	.35	NIL	94	12/31	.11	.13	3/31	NIL	NIL	YES
	2519	PNC Financial Serv.		PNC	65.57	4	3	3	1.30	80- 120 (20- 85%)	11.9	2.4	5.50	1.60	60	3/31	1.44	1.57	6/30	▲.40	.35	YES
	2247	PNM Resources		PNM	18.66	2	3	4	.95	▲ 15- 25 (N- 35%)	14.7	3.1	1.27	.58	25	12/31	.22	d.03	6/30	▲.145	.125	YES
	2437	PPG Inds.		PPG	102.00	2	1	3	1.05	105- 125 (5- 25%)	16.1	2.3	6.34	2.36	11	3/31	◆.08	1.40	6/30	▲.59	.57	YES
	148	PPL Corp.		PPL	27.27	3	3	3	.65	30- 45 (10- 65%)	11.2	5.3	2.44	1.44	48	12/31	.69	.69	6/30	▲.36	.35	YES
	232	PSS World Medical	(NDQ)	PSSI	23.56	3	2	3	.70	35- 45 (50- 90%)	15.6	NIL	1.51	NIL	75	12/31	.38	.35	3/31	NIL	NIL	YES
	2113	PVH Corp.		PVH	86.74	2	3	3	1.30	▲ 100- 150 (15- 75%)	14.7	0.2	5.90	.15	81	1/31	1.18	.93	3/31	.038	.038	YES
2443	171	PACCAR Inc.	(NDQ)	PCAR	42.23	2	3	3	1.25	70- 105 (65-150%)	11.8	1.9	3.57	.80	5	3/31	◆.91	.53	6/30	▲.20	.12	YES
1054	2228	Pacific Sunwear	(NDQ)	PSUN	1.47	5	5	2	1.45	▼ 3- 6 (105-310%)	NMF	NIL	d1.05	NIL	59	1/31	d.45	d.53	3/31	NIL	NIL	YES
	1178	Packaging Corp.		PKG	29.33	2	3	3	1.15	40- 65 (35-120%)	16.3	3.4	1.80	1.00	33	3/31	.42	.39	6/30	▲.25	.20	YES
	2438	Pall Corp.		PLL	58.98	3	2	3	1.05	75- 95 (25- 60%)	20.6	1.4	2.86	.84	11	1/31	.72	.64	6/30	◆.21	.175	YES
	233	Palomar Med. Techn.	(NDQ)	PMTI	8.76	5	3	3	1.05	17- 25 (95-185%)	NMF	NIL	d.09	NIL	75	12/31	d.10	d.13	3/31	NIL	NIL	YES
	1566	Pan Amer. Silver	(NDQ)	PAAS	18.47	3	3	3	1.30	65- 95 (250-415%)	8.6	0.8	2.16	.15	43	12/31	.61	.41	3/31	▲.038	.025	YES
	1985	Panasonic Corp.(g)		PC	7.83	5	3	4	.80	19- 30 (145-285%)	NMF	1.9	d2.70	.15	82	12/31	d1.10	.23	3/31	NIL	NIL	YES
850	2632	Pandora Media		P	8.53	–	4	–	NMF	20- 35 (135-310%)	NMF	NIL	d.02	NIL	78	1/31	d.05	NA	3/31	NIL	NIL	YES
	368	Panera Bread Co.	(NDQ)	PNRA	148.25	3	2	3	.95	160- 240 (10- 60%)	28.0	NIL	5.29	NIL	32	3/31	◆1.40	1.09	3/31	NIL	NIL	YES
	1953	Pantry (The), Inc.	(NDQ)	PTRY	12.78	3	4	3	.95	20- 35 (55-175%)	12.8	NIL	1.00	NIL	23	12/31	d.13	d.54	3/31	NIL	NIL	YES
	369	Papa John's Int'l	(NDQ)	PZZA	39.52	3	3	3	.80	45- 65 (15- 65%)	17.4	NIL	2.27	NIL	32	12/31	.65	.51	3/31	NIL	NIL	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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italics to Selection & Opinion

RANKS: Timeliness | Safety | Technical | Beta | 3-5 year Target Price Range and % appreciation potential | Current P/E Ratio | % Est'd Yield next 12 mos. | Est'd Earns. 12 mos. to 9-30-12 | (f) Est'd Div'd next 12 mos. | Industry Rank

LATEST RESULTS: Qtr. Ended | Earns. Per sh. | Year Ago | Qtr. Ended | Latest Div'd | Year Ago | Do Options Trade?

		NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1623	Par Pharmaceutical		PRX	40.94	3	3	3	.85	55- 85 (35-110%)	12.1	NIL	3.38	NIL	52	12/31	.78	.61	3/31	NIL	NIL	YES
1645	2588	Parametric Technology	(NDQ)	PMTC	19.36	5	3	2	1.10	40- 60 (105-210%)	18.4	NIL	1.05	NIL	51	12/31	.24	.13	3/31	NIL	NIL	YES
2444	1624	PAREXEL Int'l	(NDQ)	PRXL	26.75	2	3	4	1.35	40- 55 (50-105%)	21.1	NIL	1.27	NIL	52	12/31	.23	.29	3/31	NIL	NIL	YES
	567	Park Electrochemical		PKE	28.14	4	3	2	1.20	35- 55 (25- 95%)	18.0	1.4	1.56	.40	41	11/30	.26	.24	6/30	.10	.10	
	790	Park National	(ASE)	PRK	66.05	▲3	3	3	.95	95- 145 (45-120%)	12.8	5.7	5.16	3.76	66	3/31	◆1.95	1.29	6/30	.94	.94	
	1760	Park-Ohio	(NDQ)	PKOH	21.43	1	4	1	1.70	30- 50 (40-135%)	7.8	NIL	2.73	NIL	17	12/31	.64	.30	3/31	NIL	NIL	
	1761	Parker-Hannifin		PH	87.96	▲1	2	3	1.15	130- 175 (50-100%)	12.2	1.8	7.19	1.56	17	3/31	◆2.01	1.68	9/30	▲.39	.32	YES
	2028	PartnerRe Ltd.		PRE	67.07	3	3	2	.70	75- 115 (10- 70%)	18.9	3.7	3.54	2.48	91	12/31	d2.06	1.52	3/31	▲.62	.55	YES
	234	Patterson Cos.	(NDQ)	PDCO	32.52	3	2	3	.90	45- 60 (40- 85%)	15.5	1.7	2.10	.56	75	1/31	.50	.47	6/30	▲.14	.12	YES
	2613	Paychex, Inc.	(NDQ)	PAYX	30.49	4	1	3	.85	50- 60 (65- 95%)	18.5	4.3	1.65	1.31	49	2/28	.37	.36	3/31	.32	.31	YES
	603	Peabody Energy		BTU	29.95	3	3	2	1.55	70- 110 (135-265%)	8.6	1.1	3.48	.34	44	3/31	◆.67	.67	3/31	.085	.085	YES
	1928	Peet's Coffee & Tea	(NDQ)	PEET	71.99	4	3	5	.75	95- 145 (30-100%)	45.9	NIL	1.57	NIL	79	12/31	.42	.47	3/31	NIL	NIL	YES
	612	Pembina Pipeline Corp.	(TSE)	PPL.TO	29.52	4	3	4	.60	25- 40 (N- 35%)	27.3	5.5	1.08	1.62	90	12/31	.21	.31	3/31	.39	.39	
	568	Penford Corp.	(NDQ)	PENX	7.72	2	4	3	1.45	10- 16 (30-105%)	51.5	NIL	.15	NIL	41	2/28	d.03	d.13	3/31	NIL	NIL	
	533	Pengrowth Energy		PGH	8.62	3	3	3	1.25	25- 35 (190-305%)	39.2	9.9	.22	.85	34	12/31	d.03	.01	3/31	.208	.212	YES
	2349	Penn Nat'l Gaming	(NDQ)	PENN	44.92	1	3	4	1.40	45- 70 (N- 55%)	18.7	NIL	▲2.40	NIL	24	3/31	◆.74	.48	3/31	NIL	NIL	YES
	604	Penn Virginia Res.		PVR	25.28	3	3	4	1.25	30- 45 (20- 80%)	19.6	8.1	1.29	2.04	44	12/31	.23	.26	3/31	▲.51	.47	YES
	2146	Penney (J.C.)		JCP	33.81	4	3	3	1.25	▲ 40- 60 (20- 75%)	82.5	2.4	▼.41	.80	22	1/31	.74	1.09	6/30	.20	.20	YES
	1533	Penn. R.E.I.T.		PEI	14.67	3	4	2	1.75	25- 45 (70-205%)	NMF	4.1	d.91	.60	86	3/31	◆d.18	d.27	3/31	.15	.15	YES
	2131	Penske Auto		PAG	26.56	▲1	4	3	1.50	35- 60 (30-125%)	13.1	1.7	▲2.03	.44	8	3/31	◆.55	.37	6/30	▲.11	.07	YES
1433	1762	Pentair, Inc.		PNR	44.05	–	3	–	1.10	50- 80 (15- 80%)	16.9	2.0	2.60	.88	17	3/31	◆.64	.52	6/30	.22	.20	YES
	1510	People's United Fin'l	(NDQ)	PBCT	12.40	3	3	4	.65	20- 30 (60-140%)	17.5	5.2	.71	.64	92	3/31	◆.17	.15	6/30	▲.16	.158	YES
2450	2132	Pep Boys		PBY	14.93	–	4	–	1.35	▼ 18- 30 (20-100%)	24.1	0.8	▼.62	.12	8	1/31	d.08	.16	3/31	.03	.03	YES
	149	Pepco Holdings		POM	18.79	3	3	3	.80	19- 30 (N- 60%)	14.6	5.7	1.29	1.08	48	12/31	.15	.25	3/31	.27	.27	YES
	1978	PepsiCo, Inc.		PEP	66.51	4	1	3	.60	95- 120 (45- 80%)	17.2	3.2	3.86	2.16	76	12/31	.85	.85	3/31	.515	.995	YES
	129	PerkinElmer Inc.		PKI	25.88	1	3	3	.90	35- 50 (35- 95%)	13.1	1.1	1.97	.28	69	12/31	.62	.44	6/30	.07	.07	YES
	1625	Perrigo Co.	(NDQ)	PRGO	104.28	3	3	5	.70	95- 145 (N- 40%)	24.4	0.3	4.27	.32	52	12/31	1.06	.96	3/31	.08	.07	YES
	2114	Perry Ellis Int'l	(NDQ)	PERY	18.75	3	3	2	1.55	▼ 35- 55 (85-195%)	10.8	NIL	▲1.73	NIL	81	1/31	.38	.69	3/31	NIL	NIL	YES
	512	Petroleo Brasileiro ADR		PBR	23.53	3	3	1	1.55	50- 80 (110-240%)	7.1	0.8	3.33	.20	14	9/30	.60	1.06	3/31	NIL	NIL	YES
	2187	PetSmart, Inc.	(NDQ)	PETM	56.57	▼2	3	4	.80	▲ 55- 85 (N- 50%)	19.7	1.0	2.87	.59	35	1/31	.91	.77	6/30	.14	.125	YES
2444	1626	Pfizer, Inc.		PFE	22.63	3	1	4	.75	25- 30 (10- 35%)	20.8	3.9	1.09	.88	52	12/31	.19	.36	3/31	▲.22	.20	YES
	979	PharMerica Corp.		PMC	11.87	3	3	5	.80	25- 35 (110-195%)	9.4	NIL	1.26	NIL	30	12/31	.35	.20	3/31	NIL	NIL	YES
	1986	Philips Electronics NV(g)		PHG	19.64	4	3	3	1.25	35- 55 (80-180%)	21.6	5.7	.91	1.11	82	12/31	.15	.66	3/31	NIL	NIL	YES
	1992	Philip Morris Int'l		PM	86.17	3	2	3	.75	85- 115 (N- 35%)	17.7	3.6	4.86	3.08	29	3/31	◆1.25	1.06	6/30	.77	.64	YES
	1552	Phoenix (The) Cos.		PNX	2.08	4	5	1	2.00	1- 3 (N- 45%)	34.7	NIL	.06	NIL	31	12/31	.01	d.07	3/31	NIL	NIL	YES
	1396	Photronics Inc.	(NDQ)	PLAB	5.94	3	5	2	1.85	10- 19 (70-220%)	9.9	NIL	.60	NIL	70	1/31	.07	.20	3/31	NIL	NIL	YES
	547	Piedmont Natural Gas		PNY	29.73	4	2	4	.70	30- 40 (N- 35%)	18.0	4.0	1.65	1.20	63	1/31	1.05	1.16	6/30	▲.30	.29	YES
	2188	Pier 1 Imports		PIR	16.80	3	3	3	2.05	▲ 19- 30 (15- 80%)	16.3	1.0	1.03	.16	35	2/28	.48	.48	6/30	▲.04	NIL	YES
	2350	Pinnacle Entertain.		PNK	11.15	1	4	3	1.95	16- 25 (45-125%)	19.6	NIL	.57	NIL	24	12/31	.26	d.01	3/31	NIL	NIL	YES
	2248	Pinnacle West Capital		PNW	48.11	2	2	3	.70	40- 55 (N- 15%)	14.3	4.4	3.36	2.12	25	12/31	.11	.06	6/30	◆.525	.525	YES
	2397	Pioneer Natural Res.		PXD	106.71	2	3	2	1.45	120- 175 (10- 65%)	21.6	0.1	4.94	.08	7	12/31	1.19	.51	6/30	.04	.04	YES
	1792	Piper Jaffray Cos.		PJC	24.26	4	3	2	1.30	45- 70 (85-190%)	20.0	NIL	1.21	NIL	71	3/31	.15	.38	3/31	NIL	NIL	YES
	1427	Pitney Bowes		PBI	16.95	3	3	3	.95	17- 25 (N- 45%)	7.8	8.9	2.18	1.51	15	12/31	.61	.65	6/30	.375	.37	YES
	626	Plains All Amer. Pipe.		PAA	80.91	2	3	4	.80	80- 120 (N- 50%)	15.5	5.2	5.22	4.22	64	12/31	1.37	.99	3/31	▲1.025	.958	YES
	1338	Plantronics Inc.		PLT	36.84	3	3	3	1.15	50- 75 (35-105%)	14.6	0.5	2.52	.20	46	12/31	.71	.64	3/31	.05	.05	YES
	1339	Plexus Corp.	(NDQ)	PLXS	31.46	2	3	3	1.25	45- 70 (45-125%)	13.4	NIL	2.35	NIL	46	3/31	.56	.59	3/31	NIL	NIL	YES
	1164	Plum Creek Timber		PCL	41.48	5	3	3	.95	35- 50 (N- 20%)	35.2	4.1	1.18	1.68	57	12/31	.38	.37	3/31	.42	.42	YES
	2314	Polaris Inds.		PII	77.73	3	3	3	1.30	60- 85 (N- 10%)	20.5	1.9	3.80	1.48	50	3/31	.85	.67	3/31	▲.37	.225	YES
1644	966	Polycom, Inc.	(NDQ)	PLCM	12.62	5	3	2	.90	30- 40 (140-215%)	21.0	NIL	.60	NIL	95	3/31	.08	.19	3/31	NIL	NIL	YES
	2315	Pool Corp.	(NDQ)	POOL	36.91	3	3	4	1.05	35- 55 (N- 50%)	22.9	1.5	1.61	.56	50	3/31	◆.08	d.01	3/31	.14	.13	YES
	2520	Popular Inc.	(NDQ)	BPOP	1.84	▲3	4	2	1.15	7- 12 (280-550%)	6.8	NIL	.27	NIL	60	3/31	◆.05	.01	3/31	NIL	NIL	YES
	2249	Portland General		POR	25.36	3	2	3	.75	20- 30 (N- 20%)	13.1	4.3	1.93	1.08	25	12/31	.38	.34	6/30	.265	.26	YES
	749	POSCO ADR(g)		PKX	84.30	4	3	2	1.35	115- 175 (35-110%)	8.5	2.7	9.96	2.25	68	12/31	3.96(p)	4.31(p)	6/30	1.648	NIL	YES
	1929	Post Holdings		POST	31.54	–	3	–	NMF	45- 65 (45-105%)	17.0	NIL	1.85	NIL	79	12/31	.37	NA	3/31	NIL	NIL	YES
	1593	Potash Corp.		POT	42.50	▲3	3	3	1.40	65- 100 (55-135%)	12.1	1.3	3.50	.56	19	12/31	.78	.54	6/30	▲.14	.07	YES
	1165	Potlatch Corp.	(NDQ)	PCH	31.08	▲4	3	3	1.05	30- 45 (N- 45%)	62.2	4.0	.50	1.24	57	3/31	◆.13	.19	3/31	.31	.51	YES
	1314	Power-One	(NDQ)	PWER	4.10	3	4	1	1.45	7- 12 (70-195%)	6.2	NIL	.66	NIL	54	12/31	.21	.49	3/31	NIL	NIL	YES
2036	589	Powerwave Techn.	(NDQ)	PWAV	1.09	5	5	5	1.10	3- 5 (175-360%)	NMF	NIL	d2.15	NIL	98	12/31	d.95	.30	3/31	NIL	NIL	YES
	569	Praxair Inc.		PX	112.43	3	2	4	.95	145- 195 (30- 75%)	19.6	2.0	5.73	2.25	41	3/31	◆1.38	1.29	3/31	.55	.50	YES
	722	Precision Castparts		PCP	172.48	3	2	4	1.20	180- 240 (5- 40%)	18.9	0.1	9.15	.12	47	12/31	2.12	1.80	6/30	.03	.03	YES
	2564	Price (T. Rowe) Group	(NDQ)	TROW	61.95	4	3	3	1.25	60- 85 (N- 35%)	20.2	2.2	3.06	1.36	62	3/31	◆.75	.72	6/30	.34	.31	YES
	2633	priceline.com	(NDQ)	PCLN	685.01	3	3	3	1.05	830-1245 (20- 80%)	24.3	NIL	28.15	NIL	78	12/31	5.39	5.37	3/31	NIL	NIL	YES
	2147	PriceSmart	(NDQ)	PSMT	77.71	3	3	5	1.00	75- 110 (N- 40%)	31.7	0.8	2.45	.60	22	2/28	.67	.60	6/30	NIL	NIL	YES
	2565	Principal Fin'l Group		PFG	28.26	3	3	3	1.85	40- 65 (40-130%)	9.3	2.5	3.05	.72	62	12/31	.54	.62	3/31	▲.18	NIL	YES
	791	PrivateBancorp	(NDQ)	PVTB	16.06	▲3	4	2	1.25	18- 30 (10- 85%)	28.7	0.2	.56	.04	66	3/31	◆.15	.10	3/31	.01	.01	YES
2443	1195	Procter & Gamble		PG	67.00	4	1	4	.60	90- 110 (35- 65%)	16.5	3.4	4.06	2.25	55	12/31	1.10	1.11	6/30	▲.562	.525	YES
	150	Progress Energy		PGN	52.24	–	2	–	.60	45- 60 (N- 15%)	16.6	4.7	3.14	2.48	48	12/31	.39	.43	3/31	.62	.62	YES
	771	Progressive (Ohio)		PGR	21.41	4	3	3	.95	25- 35 (15- 65%)	14.9	1.9	1.44	.41	93	3/31	.31	.45	3/31	.407	.40	YES
	1534	Prologis		PLD	33.89	–	3	–	NMF	35- 50 (5- 50%)	NMF	3.4	d.45	1.14	86	12/31	d.10	NA	3/31	.28	.28	YES
	1553	Protective Life		PL	28.23	2	3	2	1.50	35- 55 (25- 95%)	7.8	2.3	3.64	.64	31	12/31	1.02	.62	3/31	.16	.14	YES
1643	534	Provident Energy Ltd.		PVX						SEE FINAL SUPPLEMENT - PAGE 1643												
	1511	Provident Fin'l Svcs.		PFS	13.97	3	3	3	.90	17- 25 (20- 80%)	13.1	3.4	1.07	.48	92	12/31	.26	.21	3/31	.12	.11	YES
	1554	Prudential Fin'l		PRU	59.26	2	3	3	1.85	85- 130 (45-120%)	8.3	2.8	7.14	1.65	31	12/31	1.97	1.78	3/31	NIL	NIL	YES
	151	Public Serv. Enterprise		PEG	30.40	3	2	3	.80	30- 40 (N- 30%)	12.9	4.7	2.35	1.42	48	12/31	.71	.57	6/30	.355	.343	YES
	1535	Public Storage		PSA	141.66	3	2	3	1.00	120- 165 (N- 15%)	41.5	3.1	3.41	4.40	86	12/31	.96	.71	3/31	▲1.10	.80	YES
	1340	Pulse Electronics		PULS	2.26	5	4	3	1.70	5- 8 (120-255%)	NMF	NIL	d1.12	NIL	46	12/31	d1.28	.08	3/31	▼NIL	.025	YES
	1129	PulteGroup, Inc.		PHM	8.60	4	4	1	1.50	13- 20 (50-135%)	45.3	NIL	.19	NIL	97	12/31	.04	d.44	3/31	NIL	NIL	YES
	535	**QEP Resources**		QEP	30.00	–	3	–	NMF	40- 60 (35-100%)	14.0	0.3	2.15	.08	34	3/31	◆.87	.41	3/31	.02	.02	YES
	841	QIAGEN N.V.	(NDQ)	QGEN	16.05	3	3	2	.85	25- 35 (55-120%)	26.8	NIL	.60	NIL	96	3/31	◆.12	.12	3/31	NIL	NIL	YES
	1374	QLogic Corp.	(NDQ)	QLGC	16.48	3	3	2	1.00	35- 55 (110-235%)	15.0	NIL	1.10	NIL	94	12/31	.30	.47	3/31	NIL	NIL	YES
	570	Quaker Chemical		KWR	40.61	3	3	2	1.45	55- 85 (35-110%)	11.3	2.4	3.60	.96	41	12/31	.75	.59	6/30	.24	.235	
	967	Qualcomm Inc.	(NDQ)	QCOM	61.86	3	2	3	.85	85- 115 (35- 85%)	18.7	1.6	3.30	1.00	95	3/31	.87	.77	6/30	▲.25	.19	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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Page (Selection & Opinion)	Page (Ratings & Reports)	NAME OF STOCK	Exch.	Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	% appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	826	Quality Systems	(NDQ)	QSII	**37.59**	**3**	**3**	**5**	.90	65- 100	(75-165%)	**24.3**	**1.9**	1.55	.70	**80**	12/31	**.36**	.30	6/30	.175	.175	YES
	1114	Quanex Bldg. Prod.		NX	**17.21**	**4**	**4**	**2**	1.30	17- 30	(N- 75%)	**49.2**	**0.9**	.35	.16	**84**	1/31	**d.12**	d.04	3/31	.04	.04	YES
	1239	Quanta Services		PWR	**21.07**	**3**	**3**	**5**	1.30	30- 45	(40-115%)	**18.5**	**NIL**	1.14	NIL	**40**	12/31	**.32**	.16	3/31	NIL	NIL	YES
	1412	Quantum Corporation		QTM	**2.35**	**3**	**5**	**2**	1.80	3- 5	(30-115%)	**29.4**	**NIL**	.08	NIL	**45**	12/31	**.02**	.03	3/31	NIL	NIL	YES
	811	Quest Diagnostics		DGX	**57.97**	**2**	**2**	**3**	.70	85- 115	(45-100%)	**12.5**	**1.2**	4.62	.68	**9**	3/31	**1.07**	1.00	6/30	.17	.10	YES
1054	**2589**	Quest Software	(NDQ)	QSFT	**23.19**	**–**	**2**	**–**	.95	35- 45	(50- 95%)	**22.3**	**NIL**	1.04	NIL	**51**	12/31	**.15**	.32	3/31	NIL	NIL	YES
	536	Questar Corp.		STR	**19.44**	**–**	**3**	**–**	NMF	20- 35	(5- 80%)	**16.8**	**3.4**	1.16	.66	**34**	3/31	**◆.42**	.39	3/31	.163	.153	YES
	842	Questcor Pharmac.	(NDQ)	QCOR	**41.66**	**2**	**3**	**4**	.70	60- 85	(45-105%)	**21.0**	**NIL**	1.98	NIL	**96**	3/31	**◆.58**	.17	3/31	NIL	NIL	YES
2444	**537**	Quicksilver Res.		KWK	**3.81**	**3**	**4**	**2**	1.65	9- 15	(135-295%)	**NMF**	**NIL**	d.09	NIL	**34**	12/31	**NIL**	.18	3/31	NIL	NIL	YES
	2115	Quiksilver Inc.		ZQK	**3.54**	**4**	**5**	**2**	1.85	7- 14	(100-295%)	**23.6**	**NIL**	▼.15	NIL	**81**	1/31	**d.14**	d.10	3/31	NIL	NIL	YES
	1725	**RBC Bearings**	(NDQ)	ROLL	**44.99**	**3**	**3**	**3**	1.30	50- 70	(10- 55%)	**19.1**	**NIL**	2.35	NIL	**26**	12/31	**.54**	.35	3/31	NIL	NIL	YES
	590	RF Micro Devices	(NDQ)	RFMD	**3.97**	**5**	**4**	**3**	1.35	11- 19	(175-380%)	**66.2**	**NIL**	.06	NIL	**98**	3/31	**◆d.05**	.03	3/31	NIL	NIL	YES
	772	RLI Corp.		RLI	**68.37**	**4**	**2**	**4**	.75	60- 85	(N- 25%)	**15.0**	**1.8**	4.56	1.20	**93**	3/31	**◆.96**	1.11	3/31	.30	.29	YES
	2419	RPC Inc.		RES	**9.34**	**2**	**3**	**3**	1.55	30- 40	(220-330%)	**4.0**	**3.4**	2.31	.32	**28**	3/31	**◆.37**	.30	3/31	.08	.047	YES
	571	RPM Int'l		RPM	**26.04**	**3**	**3**	**3**	1.05	20- 30	(N- 15%)	**16.4**	**3.3**	1.59	.86	**41**	2/28	**.05**	.01	6/30	.215	.21	YES
	1806	Rackspace Hosting		RAX	**53.45**	**3**	**3**	**3**	1.25	60- 90	(10- 70%)	**75.3**	**NIL**	.71	NIL	**83**	12/31	**.18**	.10	3/31	NIL	NIL	YES
2445	**2189**	RadioShack Corp.		RSH	**5.34**	**▼4**	**4**	**2**	1.15	▼ 9- 15	(70-180%)	**38.1**	**9.4**	▼.14	.50	**35**	3/31	**◆d.08**	.33	3/31	.125	NIL	YES
	344	RailAmerica		RA	**21.06**	**1**	**3**	**4**	1.15	20- 35	(N- 65%)	**21.1**	**NIL**	1.00	NIL	**1**	3/31	**◆.26**	.12	3/31	NIL	NIL	YES
2654	**1930**	Ralcorp Holdings		RAH	**72.52**	**–**	**2**	**–**	NMF	70- 95	(N- 30%)	**19.3**	**NIL**	3.75	NIL	**79**	12/31	**1.03**	1.27	3/31	NIL	NIL	YES
2655	**2116**	Ralph Lauren		RL	**164.20**	**3**	**3**	**4**	1.20	145- 215	(N- 30%)	**21.9**	**0.5**	7.49	.80	**81**	12/31	**1.78**	1.72	6/30	.20	.20	YES
★★	**1375**	Rambus Inc.	(NDQ)	RMBS	**4.85**	**5**	**4**	**2**	1.60	11- 18	(125-270%)	**NMF**	**NIL**	d.64	NIL	**94**	3/31	**◆d.25**	d.04	3/31	NIL	NIL	YES
	2398	Range Resources Corp.		RRC	**58.54**	**4**	**3**	**3**	1.25	70- 100	(20- 70%)	**47.2**	**0.3**	1.24	.16	**7**	12/31	**.33**	.19	3/31	.04	.04	YES
	1793	Raymond James Fin'l		RJF	**34.91**	**4**	**3**	**3**	1.45	45- 70	(30-100%)	**14.5**	**1.5**	2.40	.52	**71**	12/31	**.53**	.64	6/30	.13	.13	YES
	1166	Rayonier Inc.		RYN	**44.50**	**3**	**3**	**3**	1.00	60- 90	(35-100%)	**22.3**	**3.6**	2.00	1.60	**57**	3/31	**◆.42**	.47	3/31	.40	.36	YES
	723	Raytheon Co.		RTN	**52.98**	**2**	**1**	**3**	.75	70- 85	(30- 60%)	**9.9**	**3.8**	5.35	2.00	**47**	12/31	**1.57**	1.37	6/30	▲.50	.43	YES
2445	**2013**	RealD Inc.		RLD	**12.00**	**–**	**3**	**–**	NMF	25- 40	(110-235%)	**25.5**	**NIL**	.47	NIL	**87**	12/31	**.05**	d.34	3/31	NIL	NIL	YES
	2634	RealNetworks, Inc.	(NDQ)	RNWK	**9.50**	**–**	**4**	**–**	NMF	10- 15	(5- 60%)	**NMF**	**NIL**	d.44	NIL	**78**	12/31	**d.08**	.08	3/31	NIL	NIL	YES
	1536	Realty Income Corp.		O	**39.00**	**4**	**3**	**3**	.90	30- 45	(N- 15%)	**37.5**	**4.5**	1.04	1.76	**86**	12/31	**.26**	.24	6/30	.438	.435	YES
1433	**2590**	Red Hat, Inc.		RHT	**57.11**	**3**	**3**	**3**	1.15	60- 90	(5- 60%)	**72.3**	**NIL**	.79	NIL	**51**	2/28	**.18**	.17	3/31	NIL	NIL	YES
	370	Red Robin Gourmet	(NDQ)	RRGB	**34.13**	**2**	**3**	**3**	1.20	40- 60	(15- 75%)	**20.0**	**NIL**	1.71	NIL	**32**	12/31	**.28**	.12	3/31	NIL	NIL	YES
2655	**1726**	Regal Beloit		RBC	**65.55**	**2**	**3**	**3**	1.10	75- 110	(15- 70%)	**14.6**	**1.1**	4.50	.72	**26**	12/31	**.80**	.65	6/30	.18	.17	YES
	2316	Regal Entertainment		RGC	**13.11**	**3**	**5**	**2**	.90	16- 30	(20-130%)	**19.9**	**6.4**	.66	.84	**50**	12/31	**.08**	.09	3/31	.21	.21	YES
246	**843**	Regeneron Pharmac.	(NDQ)	REGN	**122.54**	**▲3**	**3**	**3**	1.05	135- 205	(10- 65%)	**NMF**	**NIL**	▲d.22	NIL	**96**	12/31	**d.58**	d.17	3/31	NIL	NIL	YES
	2521	Regions Financial		RF	**6.45**	**▲3**	**4**	**1**	1.30	8- 14	(25-115%)	**43.0**	**0.6**	.15	.04	**60**	3/31	**◆.11**	NIL	6/30	.01	.01	YES
	1019	Regis Corp.		RGS	**18.04**	**2**	**3**	**4**	1.20	25- 40	(40-120%)	**14.7**	**1.3**	1.23	.24	**21**	12/31	**.32**	.24	3/31	.06	.06	YES
	1555	Reinsurance Group		RGA	**57.11**	**3**	**2**	**3**	.95	55- 75	(N- 30%)	**8.0**	**1.3**	7.11	.74	**31**	12/31	**1.91**	2.15	3/31	.18	.12	YES
	750	Reliance Steel		RS	**54.07**	**2**	**3**	**2**	1.50	60- 90	(10- 65%)	**10.7**	**1.1**	5.06	.60	**68**	12/31	**.91**	.53	3/31	▲.15	.12	YES
	2029	RenaissanceRe Hldgs.		RNR	**74.95**	**4**	**2**	**3**	.70	100- 135	(35- 80%)	**11.0**	**1.4**	6.80	1.08	**91**	12/31	**1.11**	3.47	3/31	▲.27	.26	YES
	2148	Rent-A-Center	(NDQ)	RCII	**35.08**	**2**	**3**	**4**	1.15	40- 60	(15- 70%)	**11.2**	**1.8**	3.13	.64	**22**	3/31	**◆.87**	.79	6/30	.16	.06	YES
	408	Republic Services		RSG	**30.77**	**2**	**3**	**4**	.90	40- 60	(30- 95%)	**15.2**	**3.0**	2.03	.92	**38**	12/31	**.53**	.42	6/30	.22	.20	YES
1645	**591**	Research in Motion	(NDQ)	RIMM	**13.25**	**3**	**3**	**1**	1.25	65- 95	(390-615%)	**3.7**	**NIL**	3.57	NIL	**98**	2/28	**.80**	1.78	3/31	NIL	NIL	YES
	235	ResMed Inc.		RMD	**31.25**	**3**	**2**	**3**	.80	50- 65	(60-110%)	**19.2**	**NIL**	1.63	NIL	**75**	12/31	**.42**	.37	3/31	NIL	NIL	YES
	396	Resources Connection	(NDQ)	RECN	**12.90**	**3**	**3**	**2**	1.00	25- 35	(95-170%)	**28.7**	**1.6**	.45	.20	**36**	2/28	**.10**	.02	3/31	.05	.04	YES
	1993	Reynolds American		RAI	**39.65**	**3**	**2**	**4**	.55	45- 60	(15- 50%)	**14.0**	**5.6**	2.84	2.24	**29**	3/31	**◆.63**	.64	6/30	.56	.53	YES
	1577	Rio Tinto plc		RIO	**55.05**	**2**	**3**	**2**	1.60	90- 135	(65-145%)	**6.6**	**2.8**	8.30	1.56	**37**	12/31	**4.10(p)**	4.31(p)	3/31	NIL	.633	YES
	980	Rite Aid Corp.		RAD	**1.41**	**3**	**5**	**3**	1.25	2- 4	(40-185%)	**NMF**	**NIL**	d.30	NIL	**30**	2/28	**d.18**	d.24	3/31	NIL	NIL	YES
	1727	Robbins & Myers		RBN	**49.26**	**2**	**3**	**4**	1.25	70- 105	(40-115%)	**14.5**	**0.4**	3.40	.20	**26**	2/28	**.84**	.32	6/30	.05	.045	YES
	1641	Robert Half Int'l		RHI	**28.84**	**3**	**3**	**3**	1.10	50- 70	(75-145%)	**22.7**	**2.1**	1.27	.61	**65**	3/31	**◆.34**	.18	3/31	▲.15	.14	YES
	1179	Rock-Tenn 'A'		RKT	**61.51**	**3**	**3**	**2**	1.15	95- 140	(55-130%)	**11.9**	**1.3**	5.15	.80	**33**	12/31	**1.18**	1.28	3/31	.20	.20	YES
	1315	Rockwell Automation		ROK	**77.40**	**▼4**	**3**	**3**	1.30	90- 140	(15- 80%)	**14.3**	**2.2**	5.40	1.70	**54**	3/31	**◆1.16**	1.14	6/30	.425	.35	YES
	724	Rockwell Collins		COL	**55.33**	**3**	**1**	**4**	1.05	90- 105	(65- 90%)	**12.3**	**2.2**	4.50	1.20	**47**	3/31	**◆1.09**	.96	6/30	▲.30	.24	YES
2446	**130**	Rofin-Sinar Techn.	(NDQ)	RSTI	**24.69**	**4**	**3**	**2**	1.25	35- 50	(40-105%)	**15.0**	**NIL**	1.65	NIL	**69**	12/31	**.28**	.51	3/31	NIL	NIL	YES
	1341	Rogers Corp.		ROG	**36.85**	**4**	**3**	**3**	1.05	60- 90	(65-145%)	**17.3**	**NIL**	2.13	NIL	**46**	12/31	**.22**	.44	3/31	NIL	NIL	YES
	397	Rollins, Inc.		ROL	**20.86**	**3**	**2**	**4**	.85	25- 35	(20- 70%)	**27.8**	**1.6**	.75	.33	**36**	3/31	**◆.16**	.13	6/30	◆.08	.07	YES
	1728	Roper Inds.		ROP	**98.80**	**3**	**3**	**3**	1.05	110- 165	(10- 65%)	**21.3**	**0.6**	4.63	.55	**26**	3/31	**◆1.09**	.91	6/30	.138	.11	YES
	2229	Ross Stores	(NDQ)	ROST	**59.32**	**2**	**2**	**4**	.80	75- 100	(25- 70%)	**18.5**	**0.9**	3.20	.56	**59**	1/31	**.85**	.69	3/31	▲.14	NIL	YES
	2014	Rovi Corp.	(NDQ)	ROVI	**27.96**	**3**	**3**	**3**	.85	85- 130	(205-365%)	**11.7**	**NIL**	2.40	NIL	**87**	12/31	**.60**	.60	3/31	NIL	NIL	YES
	2420	Rowan Cos.		RDC	**33.37**	**4**	**3**	**2**	1.50	50- 70	(50-110%)	**11.7**	**NIL**	2.86	NIL	**28**	12/31	**.27**	.42	3/31	NIL	NIL	YES
	2522	Royal Bank of Canada	(TSE)	RY.TO	**56.54b**	**3**	**2**	**4**	.80	75- 100	(35- 75%)	**12.2**	**4.0**	4.65	2.28	**60**	1/31	**1.23(b)**	1.28(b)	3/31	.54(b)	.50(b)	YES
	2317	Royal Caribbean Cruises		RCL	**26.06**	**3**	**3**	**2**	1.65	55- 80	(110-205%)	**13.2**	**1.5**	1.97	.40	**50**	3/31	**◆.21**	.35	3/31	.20	NIL	YES
	513	Royal Dutch Shell 'A'		RDSA	**68.40**	**▲2**	**1**	**4**	1.05	90- 110	(30- 60%)	**7.9**	**5.0**	▲8.65	3.44	**14**	12/31	**1.57**	2.22	3/31	.84	.84	YES
	1211	Royce Value Trust		RVT	**13.41**	**–**	**3**	**3**	1.20	18- 25	(35- 85%)	**NMF**	**NIL**	NMF	NIL	**–**	12/31	**14.18(q)**	16.73(q)	3/31	NIL	NIL	
1645	**371**	Ruby Tuesday		RT	**6.85**	**3**	**4**	**3**	1.45	14- 25	(105-265%)	**13.7**	**NIL**	.50	NIL	**32**	2/28	**.07**	.24	3/31	NIL	NIL	YES
		Ruddick Corp.							NAME CHANGED TO HARRIS TEETER SUPERMARKETS														
	2230	rue21, inc.	(NDQ)	RUE	**29.66**	**1**	**3**	**2**	1.05	45- 70	(50-135%)	**17.3**	**NIL**	1.71	NIL	**59**	1/31	**.52**	.44	3/31	NIL	NIL	YES
	326	Ryder System		R	**48.41**	**▲1**	**3**	**3**	1.25	75- 110	(55-125%)	**12.5**	**2.4**	3.87	1.16	**4**	3/31	**◆.59**	.51	3/31	.29	.27	YES
	1130	Ryland Group		RYL	**18.47**	**4**	**4**	**2**	1.40	17- 30	(N- 60%)	**80.3**	**0.6**	.23	.12	**97**	3/31	**◆d.11**	d.44	6/30	.03	.03	YES
	398	**SAIC, Inc.**		SAI	**12.03**	**3**	**2**	**3**	.65	35- 45	(190-275%)	**8.0**	**4.0**	1.50	.48	**36**	1/31	**.31**	.36	6/30	▲.12	NIL	YES
	2591	SAP AG		SAP	**65.15**	**▼3**	**2**	**3**	1.10	90- 120	(40- 85%)	**18.9**	**1.5**	3.44	1.00	**51**	3/31	**◆.49**	.44	3/31	NIL	NIL	YES
	592	SBA Communications	(NDQ)	SBAC	**51.53**	**4**	**3**	**3**	1.25	50- 80	(N- 55%)	**NMF**	**NIL**	d.77	NIL	**98**	12/31	**d.27**	d.29	3/31	NIL	NIL	YES
	2614	SEI Investments	(NDQ)	SEIC	**19.82**	**5**	**2**	**3**	1.05	45- 60	(125-205%)	**16.9**	**1.6**	1.17	.32	**49**	12/31	**.25**	.33	3/31	▲.15	NIL	YES
	1779	SJW Corp.		SJW	**23.28**	**3**	**3**	**4**	.85	30- 45	(30- 95%)	**19.4**	**3.0**	1.20	.71	**39**	12/31	**.35**	.11	3/31	.178	.173	
	1537	SL Green Realty		SLG	**77.12**	**3**	**3**	**2**	1.60	90- 130	(15- 70%)	**35.4**	**1.3**	2.18	1.00	**86**	12/31	**.03**	.09	6/30	.25	.10	YES
	2566	SLM Corporation	(NDQ)	SLM	**14.97**	**3**	**4**	**3**	1.55	20- 35	(35-135%)	**7.2**	**3.3**	2.09	.50	**62**	3/31	**◆.55**	.48	3/31	▲.125	NIL	YES
	1763	SPX Corp.		SPW	**75.25**	**3**	**3**	**2**	1.30	110- 160	(45-115%)	**16.8**	**1.3**	4.48	1.00	**17**	12/31	**1.78**	1.13	6/30	.25	.25	YES
	1954	Safeway Inc.		SWY	**21.63**	**2**	**2**	**3**	.70	35- 45	(60-110%)	**11.4**	**3.1**	1.89	.66	**23**	12/31	**.67**	.61	6/30	.145	.12	YES
	1131	St. Joe Corp.		JOE	**17.96**	**4**	**3**	**3**	1.10	25- 35	(40- 95%)	**NMF**	**NIL**	d3.63	NIL	**97**	12/31	**d3.56**	d.03	3/31	NIL	NIL	YES
	194	St. Jude Medical		STJ	**37.89**	**3**	**2**	**2**	.85	75- 100	(100-165%)	**11.1**	**2.4**	3.42	.92	**74**	3/31	**.86**	.80	6/30	▲.23	.21	YES
	2149	Saks Inc.		SKS	**10.50**	**2**	**4**	**4**	1.25	13- 20	(25- 90%)	**22.8**	**NIL**	▲.46	NIL	**22**	1/31	**.17**	.13	3/31	NIL	NIL	YES
	1807	salesforce.com		CRM	**149.98**	**4**	**3**	**3**	1.15	160- 245	(5- 65%)	**NMF**	**NIL**	d.48	NIL	**83**	1/31	**d.03**	.08	3/31	NIL	NIL	YES
	1020	Sally Beauty		SBH	**25.21**	**3**	**4**	**5**	1.20	25- 40	(N- 60%)	**21.0**	**NIL**	1.20	NIL	**21**	12/31	**.29**	.22	3/31	NIL	NIL	YES
	1931	Sanderson Farms	(NDQ)	SAFM	**51.46**	**4**	**3**	**4**	.65	55- 80	(5- 55%)	**18.7**	**1.3**	2.75	.68	**79**	1/31	**d.36**	d1.52	3/31	.17	.17	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
★★	1413	SanDisk Corp.	(NDQ)	SNDK	36.49	4	4	3	1.35	60- 105 (65-190%)	8.8	NIL	4.15	NIL	45	3/31	◆.63	1.03	3/31	NIL	NIL	YES
★★	1342	Sanmina-SCI Corp.	(NDQ)	SANM	8.87	▼3	5	2	1.70	20- 35 (125-295%)	7.1	NIL	▼1.25	NIL	46	3/31	◆.27	.30	3/31	NIL	NIL	YES
	1627	Sanofi ADR		SNY	37.27	3	1	4	.80	45- 55 (20- 50%)	14.4	4.6	2.58	1.72	52	12/31	.50	.22	3/31	NIL	NIL	YES
	1808	Sapient Corp.	(NDQ)	SAPE	11.92	3	3	3	1.20	14- 20 (15- 70%)	19.5	NIL	.61	NIL	83	12/31	.19	.11	3/31	NIL	NIL	YES
	1932	Sara Lee Corp.		SLE	21.71	–	2	–	.80	18- 25 (N- 15%)	21.9	2.2	.99	.48	79	12/31	.27	.24	6/30	.115	.115	YES
631	1729	Sauer-Danfoss		SHS	43.25	3	4	1	1.30	70- 120 (60-175%)	9.1	3.2	4.77	1.40	26	12/31	.57	.88	6/30	▲.35	NIL	YES
	152	SCANA Corp.		SCG	45.59	3	2	3	.70	40- 55 (N- 20%)	14.9	4.3	3.05	1.98	48	12/31	.75	.74	6/30	▲.495	.485	YES
	1414	ScanSource	(NDQ)	SCSC	33.28	4	3	4	1.15	50- 75 (50-125%)	11.8	NIL	2.83	NIL	45	12/31	.77	.73	3/31	NIL	NIL	YES
	236	Schein (Henry)	(NDQ)	HSIC	74.20	3	3	3	.80	75- 110 (N- 50%)	17.5	NIL	4.25	NIL	75	12/31	1.15	1.00	3/31	NIL	NIL	YES
	2421	Schlumberger Ltd.		SLB	72.71	3	2	2	1.20	135- 180 (85-150%)	16.0	1.5	4.55	1.10	28	3/31	◆.97	.69	9/30	◆.275	.25	YES
	751	Schnitzer Steel	(NDQ)	SCHN	39.16	3	3	2	1.55	60- 90 (55-130%)	11.5	1.9	3.40	.75	68	2/28	.35	1.10	6/30	▲.188	.017	YES
1055	2365	Scholastic Corp.	(NDQ)	SCHL	33.47	1	3	5	1.05	50- 75 (50-125%)	15.8	1.5	2.12	.50	16	2/28	d.09	d.81	6/30	.125	.10	YES
	572	Schulman (A.)	(NDQ)	SHLM	24.05	3	3	3	1.00	30- 40 (25- 65%)	15.5	3.2	1.55	.76	41	2/28	.31	.23	6/30	▲.19	.155	YES
	1794	Schwab (Charles)	(NDQ)	SCHW	13.85	4	3	3	1.15	20- 30 (45-115%)	20.4	1.7	.68	.24	71	3/31	.15	.19	3/31	.06	.06	YES
	1994	Schweitzer-Mauduit Int'l		SWM	66.19	1	3	4	1.00	115- 175 (75-165%)	8.1	0.9	8.16	.60	29	12/31	2.66	1.06	3/31	.15	.15	YES
	2351	Scientific Games	(NDQ)	SGMS	11.25	4	3	3	1.50	16- 25 (40-120%)	75.0	NIL	.15	NIL	24	12/31	d.09	.10	3/31	NIL	NIL	YES
	1196	Scotts Miracle-Gro		SMG	51.44	4	3	3	.95	60- 90 (15- 75%)	18.7	2.4	2.75	1.25	55	12/31	d1.21	d1.00	3/31	.30	.25	YES
	2374	Scripps (E.W.) 'A'		SSP	9.09	3	5	3	1.30	12- 20 (30-120%)	21.1	NIL	.43	NIL	56	12/31	.11	.37	3/31	NIL	NIL	YES
	2332	Scripps Networks		SNI	48.14	2	2	3	1.00	90- 125 (85-160%)	15.3	1.0	3.14	.48	18	12/31	.84	.77	3/31	▲.12	.075	YES
	2015	SeaChange Int'l	(NDQ)	SEAC	8.25	3	3	3	1.00	20- 30 (140-265%)	13.3	NIL	.62	NIL	87	1/31	.18	.18	3/31	NIL	NIL	YES
	2422	Seadrill Ltd.		SDRL	37.55	3	3	3	1.45	35- 55 (N- 45%)	12.2	8.5	3.09	3.20	28	12/31	.73	.58	3/31	▲.80	.675	YES
2446	1415	Seagate Technology	(NDQ)	STX	29.84	1	3	1	1.30	50- 80 (70-170%)	3.3	3.4	9.08	1.00	45	3/31	2.48	.21	6/30	.25	.18	YES
	1180	Sealed Air		SEE	18.46	4	3	2	.90	35- 50 (90-170%)	18.3	2.8	1.01	.52	33	12/31	.08	.28	6/30	◆.13	.13	YES
1432	1156	Sealy Corp.		ZZ	2.04	3	5	2	1.60	4- 7 (95-245%)	NMF	NIL	d.08	NIL	72	2/28	.01	NIL	3/31	NIL	NIL	YES
448	2150	Sears Holdings	(NDQ)	SHLD	50.59	5	3	3	1.05 ▼	35- 55 (N- 10%)	NMF	NIL	▼d4.96	NIL	22	1/31	.54	3.67	3/31	NIL	NIL	YES
	812	Select Med. Hldgs.		SEM	7.85	1	3	4	1.05	14- 20 (80-155%)	8.0	NIL	.98	NIL	9	12/31	.25	.13	3/31	NIL	NIL	YES
	773	Selective Ins. Group	(NDQ)	SIGI	17.52	4	3	3	.95	25- 35 (45-100%)	12.3	3.0	1.43	.52	93	3/31	◆.33	.33	3/31	.13	.13	YES
	2250	Sempra Energy		SRE	64.09	2	2	3	.80	65- 85 (N- 35%)	14.9	3.8	4.31	2.43	25	12/31	1.21	1.15	6/30	▲.60	.48	YES
	1376	Semtech Corp.	(NDQ)	SMTC	26.05	4	3	3	1.00	35- 55 (35-110%)	23.9	NIL	1.09	NIL	94	1/31	.25	.41	3/31	NIL	NIL	YES
	844	Senomyx, Inc.	(NDQ)	SNMX	2.19	5	5	3	1.00	8- 14 (265-540%)	NMF	NIL	d.15	NIL	96	12/31	d.04	d.01	3/31	NIL	NIL	YES
	1933	Sensient Techn.		SXT	36.72	3	3	3	.90	50- 70 (35- 90%)	14.2	2.3	2.58	.84	79	3/31	◆.58	.53	3/31	.21	.21	YES
	1816	Service Corp. Int'l		SCI	10.86	2	3	3	1.10	14- 20 (30- 85%)	15.5	1.8	.70	.20	73	3/31	◆.22	.16	6/30	.05	.05	YES
	1030	Shaw Commun. 'B'	(TSE)	SJRB.TO	19.62b	2	3	4	.65	35- 50 (80-155%)	11.5	4.9	1.70	.97	2	2/28	.38(b)	.37(b)	6/30	.243(b)	.23(b)	YES
	1240	Shaw Group		SHAW	29.04	3	3	1	1.50	40- 65 (40-125%)	13.5	NIL	2.15	NIL	40	2/28	.46	.24	3/31	NIL	NIL	YES
	936	Shenandoah Telecom.	(NDQ)	SHEN	10.62	2	3	3	.85	25- 40 (135-275%)	13.3	3.1	.80	.33	20	12/31	.16	.15	3/31	NIL	NIL	
	1140	Sherwin-Williams		SHW	118.16	▲2	1	3	.70	110- 130 (N- 10%)	23.0	1.4	5.14	1.61	42	3/31	◆.95	.63	6/30	◆.39	.365	YES
850	2352	Shuffle Master	(NDQ)	SHFL	16.57	3	4	3	1.40	13- 20 (N- 20%)	23.7	NIL	.70	NIL	24	1/31	.14	.08	3/31	NIL	NIL	YES
	1764	Siemens AG (ADS)		SI	92.14	▼4	3	3	1.40	140- 210 (50-130%)	9.7	4.2	9.50	3.90	17	3/31	◆1.51	4.81	3/31	3.893	3.689	YES
851	2016	Sigma Designs	(NDQ)	SIGM	5.42	5	4	2	1.00	7- 12 (30-120%)	NMF	NIL	d1.93	NIL	87	1/31	d.58	.08	3/31	NIL	NIL	YES
	573	Sigma-Aldrich	(NDQ)	SIAL	70.40	3	1	4	1.00	90- 110 (30- 55%)	18.1	1.1	3.89	.80	41	3/31	◆.96	.97	3/31	▲.20	.18	YES
	1181	Silgan Holdings	(NDQ)	SLGN	44.00	2	3	3	.75	50- 70 (15- 60%)	15.4	1.1	2.86	.48	33	12/31	.53	.22	3/31	▲.12	.11	YES
	2017	Silicon Image	(NDQ)	SIMG	5.43	5	4	3	1.25	9- 15 (65-175%)	NMF	NIL	d.09	NIL	87	12/31	d.07	.05	3/31	NIL	NIL	YES
	1377	Silicon Labs.	(NDQ)	SLAB	40.36	4	3	3	1.05	50- 75 (25- 85%)	35.4	NIL	1.14	NIL	94	3/31	◆.33	d.04	3/31	NIL	NIL	YES
	1567	Silver Wheaton		SLW	28.46	3	3	2	1.50	50- 75 (75-165%)	14.9	1.3	1.91	.36	43	12/31	.41	.35	6/30	.09	.03	YES
	1538	Simon Property Group		SPG	150.87	3	3	3	1.20	120- 175 (N- 15%)	42.6	2.6	3.54	3.90	86	12/31	1.24	.74	3/31	▲.95	.80	YES
	1115	Simpson Manufacturing		SSD	31.77	3	3	4	1.15	30- 45 (N- 40%)	26.5	1.6	1.20	.50	84	12/31	.10	d.09	6/30	.125	.125	YES
	2333	Sinclair Broadcast	(NDQ)	SBGI	9.48	1	4	3	1.50	12- 20 (25-110%)	8.5	5.9	1.11	.56	18	12/31	.28	.41	3/31	.12	.12	YES
	237	Sirona Dental	(NDQ)	SIRO	49.21	3	3	3	1.05	60- 85 (20- 75%)	20.9	NIL	2.35	NIL	75	12/31	.67	.75	3/31	NIL	NIL	YES
	2163	Skechers U.S.A.		SKX	14.81	▲4	3	3	1.15	30- 40 (105-170%)	NMF	NIL	▲d.53	NIL	85	12/31	d.75	.07	3/31	NIL	NIL	YES
	1343	Skullcandy, Inc.	(NDQ)	SKUL	15.22	–	3	–	NMF	30- 45 (95-195%)	13.6	NIL	1.12	NIL	46	12/31	.47	NA	3/31	NIL	NIL	YES
	311	SkyWest	(NDQ)	SKYW	9.56	3	3	3	1.10	20- 30 (110-215%)	NMF	1.7	d.16	.16	10	12/31	d.35	.49	6/30	.04	.04	YES
	1378	Skyworks Solutions	(NDQ)	SWKS	23.76	3	3	2	1.25	40- 55 (70-130%)	18.3	NIL	1.30	NIL	94	12/31	.30	.32	3/31	NIL	NIL	YES
	1934	Smart Balance	(NDQ)	SMBL	6.04	3	3	5	.70	9- 13 (50-115%)	23.2	NIL	.26	NIL	79	12/31	.07	.01	3/31	NIL	NIL	YES
	1730	Smith (A.O.)		AOS	47.02	3	3	3	1.00	45- 70 (N- 50%)	17.2	1.4	2.74	.64	26	3/31	◆.66	.52	6/30	.16	.14	YES
	593	Smith Micro Software	(NDQ)	SMSI	2.10	5	5	1	1.25	3- 5 (45-140%)	NMF	NIL	d.72	NIL	98	12/31	d.27	.16	3/31	NIL	NIL	YES
	1935	Smithfield Foods		SFD	20.66	2	3	5	1.30	25- 40 (20- 95%)	7.4	NIL	2.80	NIL	79	1/31	.69	.84	3/31	NIL	NIL	YES
	1936	Smucker (J.M.)		SJM	78.35	4	1	3	.70	105- 130 (35- 65%)	16.2	2.5	4.84	1.94	79	1/31	1.22	1.37	6/30	◆.48	.44	YES
	1731	Snap-on Inc.		SNA	61.89	2	2	3	1.10	80- 110 (30- 80%)	12.7	2.2	4.89	1.36	26	3/31	◆1.21	.96	3/31	.34	.32	YES
	1937	Snyder's-Lance	(NDQ)	LNCE	25.77	4	3	5	.60	25- 35 (N- 35%)	30.7	2.5	.84	.64	79	12/31	.20	.23	3/31	.16	.16	YES
	2635	Sohu.com Inc.	(NDQ)	SOHU	50.96	4	3	2	1.25	100- 150 (95-195%)	10.0	NIL	5.12	NIL	78	12/31	1.23	1.07	3/31	NIL	NIL	YES
	1809	Solera Hldgs.		SLH	44.49	3	3	3	.80	75- 115 (70-160%)	20.6	0.9	2.16	.40	83	12/31	.39	.44	3/31	.10	.075	YES
2446	574	Solutia Inc.		SOA	27.97	–	4	–	1.60	40- 65 (45-130%)	12.3	0.5	2.27	.15	41	12/31	.49	.36	3/31	▲.038	NIL	YES
	2133	Sonic Automotive		SAH	16.91	▼2	4	3	1.80	25- 35 (50-105%)	10.4	0.6	1.63	.10	8	3/31	◆.33	.27	9/30	◆.025	.025	YES
	372	Sonic Corp.	(NDQ)	SONC	6.96	3	3	2	1.15	16- 25 (130-260%)	12.7	NIL	.55	NIL	32	2/28	.03	.02	3/31	NIL	NIL	YES
	1182	Sonoco Products		SON	32.92	3	2	3	.95	45- 65 (35- 95%)	14.8	3.6	2.23	1.20	33	3/31	◆.52	.57	6/30	▲.30	.29	YES
1643	238	SonoSite, Inc.		SONO						SEE FINAL SUPPLEMENT - PAGE 1643												
2655	1987	Sony Corp. ADR(g)		SNE	16.62	▼5	2	4	1.00	45- 60 (170-260%)	NMF	1.9	d5.11	.31	82	12/31	d2.03	.87	3/31	NIL	NIL	YES
	2190	Sotheby's		BID	36.45	4	3	3	1.50	45- 70 (25- 90%)	19.3	0.9	▼1.89	.32	35	12/31	1.04	1.38	3/31	.08	.05	YES
	548	South Jersey Inds.		SJI	48.41	3	2	3	.65	55- 70 (15- 45%)	15.6	3.4	3.10	1.64	63	12/31	1.05	.87	9/30	◆.403	.365	YES
	153	Southern Co.		SO	45.87	3	1	4	.55	40- 50 (N- 10%)	17.4	4.3	2.63	1.96	48	3/31	◆.42	.49	6/30	▲.49	.473	YES
	1578	Southern Copper		SCCO	30.98	3	3	2	1.55	50- 75 (60-140%)	12.2	3.7	2.54	1.14	37	12/31	.63	.57	3/31	.188	.574	YES
1432	613	Southern Union		SUG						SEE FINAL SUPPLEMENT - PAGE 1432												
	312	Southwest Airlines		LUV	8.02	3	3	3	1.00	25- 35 (210-335%)	11.6	0.2	.69	.02	10	3/31	◆d.02	.03	3/31	.005	.005	YES
	549	Southwest Gas		SWX	41.50	2	3	4	.75	45- 70 (10- 70%)	15.1	2.8	2.74	1.18	63	12/31	1.19	.98	6/30	▲.295	.265	YES
	538	Southwestern Energy		SWN	28.21	3	3	3	1.15	55- 85 (95-200%)	15.2	NIL	1.85	NIL	34	12/31	.45	.43	3/31	NIL	NIL	YES
	1955	Spartan Stores	(NDQ)	SPTN	17.88	3	3	4	.70	25- 35 (40- 95%)	12.8	1.5	1.40	.26	23	12/31	.22	.33	3/31	.065	.05	YES
	614	Spectra Energy		SE	30.06	3	3	3	1.00	35- 50 (15- 65%)	16.5	3.8	1.82	1.14	90	12/31	.44	.47	3/31	.28	.26	YES
	1197	Spectrum Brands		SPB	33.86	–	3	–	1.10	45- 65 (35- 90%)	13.5	NIL	2.50	NIL	55	12/31	.69	.47	3/31	NIL	NIL	YES
	2318	Speedway Motorsports		TRK	16.48	3	3	3	.95	20- 30 (20- 80%)	14.6	3.6	1.13	.60	50	12/31	NIL	.09	6/30	.15	.10	
	725	Spirit AeroSystems		SPR	24.35	3	3	2	1.30	40- 60 (65-145%)	12.4	NIL	1.97	NIL	47	12/31	.42	.44	3/31	NIL	NIL	YES
	313	Spirit Airlines	(NDQ)	SAVE	22.78	–	3	–	NMF	25- 35 (10- 55%)	13.2	NIL	1.73	NIL	10	12/31	.33	NA	3/31	NIL	NIL	YES
	937	Sprint Nextel Corp.		S	2.47	▲3	4	2	1.30	4- 7 (60-185%)	NMF	NIL	▲d1.05	NIL	20	3/31	◆d.29	d.15	3/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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PAGE NUMBERS	Recent Price	NAME OF STOCK	Ticker Symbol	RANKS: Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS: Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	2231	Stage Stores	SSI	15.39	3	3 5	1.40	▼ 25- 40 (60-160%)	14.9	2.5	▼1.03	.39	59	1/31	1.05	.86	3/31	.09	.075	YES
849	1005	Standard Motor Prod.	SMP	14.44	2	4 3	1.70	25- 45 (75-210%)	8.6	2.6	1.67	.37	13	12/31	.17	.12	3/31	▲.09	.07	YES
2655	1132	Standard Pacific Corp.	SPF	4.38	3	5 2	1.80	5- 9 (15-105%)	25.8	NIL	.17	NIL	97	12/31	.04	d.08	3/31	NIL	NIL	YES
	1428	Standard Register	SR	0.90	▲4	4 3	1.20	3- 5 (235-455%)	NMF	NIL	d.42	NIL	15	3/31	◆d.08	.02	6/30	▼NIL	.05	
	1765	Standex Int'l	SXI	42.38	2	3 4	1.10	50- 80 (20- 90%)	13.0	0.7	3.25	.28	17	12/31	.79	.71	6/30	◆.07	.06	
	1732	Stanley Black & Decker	SWK	72.65	3	3 3	1.10	80- 120 (10- 65%)	12.8	2.3	5.66	1.64	26	3/31	1.09	1.08	6/30	.41	.41	YES
	1241	Stantec Inc. (TSE)	STN.TO	30.82	3	3 3	.95	50- 75 (60-145%)	12.3	1.9	2.51	.60	40	12/31	.54	.55	3/31	▲.15	NIL	YES
	1429	Staples, Inc. (NDQ)	SPLS	15.25	2	2 3	1.05	35- 45 (130-195%)	10.5	3.0	1.45	.45	15	1/31	.41	.38	6/30	▲.11	.10	YES
1053	373	Starbucks Corp. (NDQ)	SBUX	58.05	3	3 4	1.15	65- 95 (10- 65%)	31.4	1.2	1.85	.72	32	12/31	.50	.45	3/31	.17	.13	YES
	1810	StarTek, Inc.	SRT	1.85	5	5 1	1.15	4- 8 (115-330%)	NMF	NIL	d.77	NIL	83	12/31	d.49	d.44	3/31	NIL	NIL	YES
	2353	Starwood Hotels	HOT	56.85	3	3 2	1.50	70- 110 (25- 95%)	25.0	0.9	2.27	.50	24	12/31	.71	.52	3/31	NIL	NIL	YES
	2523	State Street Corp.	STT	45.22	4	3 3	1.50	60- 85 (35- 90%)	12.5	2.1	3.61	.96	60	3/31	.85	.93	6/30	▲.24	.18	YES
	752	Steel Dynamics (NDQ)	STLD	12.77	4	4 2	1.65	25- 40 (95-215%)	9.9	3.1	1.29	.40	68	3/31	◆.20	.46	6/30	.10	.10	YES
	1157	Steelcase, Inc. 'A'	SCS	9.09	3	3 3	1.15	18- 25 (100-175%)	12.6	4.0	.72	.36	72	2/28	.14	.11	6/30	▲.09	.06	YES
	2151	Stein Mart (NDQ)	SMRT	6.18	3	4 3	1.40	▼ 10- 17 (60-175%)	15.8	NIL	▼.39	NIL	22	1/31	.15	.29	3/31	NIL	NIL	YES
	409	Stericycle Inc. (NDQ)	SRCL	87.22	3	2 3	.70	105- 140 (20- 60%)	28.1	NIL	3.10	NIL	38	12/31	.76	.70	3/31	NIL	NIL	YES
	195	STERIS Corp.	STE	30.68	3	3 3	.90	45- 65 (45-110%)	13.2	2.2	2.32	.68	74	12/31	.58	.57	3/31	.17	.15	YES
	1817	Stewart Enterpr. 'A' (NDQ)	STEI	6.18	3	3 3	1.05	8- 12 (30- 95%)	15.5	2.8	.40	.17	73	1/31	.10	.09	6/30	▲.04	.03	YES
	1795	Stifel Financial Corp.	SF	35.04	4	3 2	1.15	60- 90 (70-155%)	16.1	NIL	2.18	NIL	71	12/31	.43	.74	3/31	NIL	NIL	YES
	1568	Stillwater Mining	SWC	10.97	▼4	4 1	2.00	16- 25 (45-130%)	15.7	NIL	.70	NIL	43	12/31	.18	.19	3/31	NIL	NIL	YES
	1379	STMicroelectronics	STM	5.71	▼4	3 2	1.25	14- 20 (145-250%)	30.1	7.0	.19	.40	94	3/31	◆d.14	.20	3/31	.10	.07	YES
	1818	StoneMor Partners L.P. (NDQ)	STON	25.34	5	4 3	.75	20- 30 (N- 20%)	NMF	9.2	d.51	2.34	73	12/31	d.16	d.25	3/31	.585	.575	YES
	2004	Strayer Education (NDQ)	STRA	83.88	3	3 1	.70	125- 190 (50-125%)	12.1	4.8	6.95	4.00	67	12/31	2.30	2.73	3/31	1.00	1.00	YES
	196	Stryker Corp.	SYK	53.16	2	1 3	.80	60- 90 (15- 70%)	13.2	1.6	4.02	.85	74	3/31	.99	.90	6/30	.213	.18	YES
	2319	Sturm, Ruger & Co.	RGR	53.25	2	3 3	.80	40- 55 (N- 5%)	24.7	1.6	2.16	.85	50	12/31	.54	.30	3/31	▲.212	.05	YES
	627	Suburban Propane	SPH	43.60	4	3 4	.75	45- 65 (5- 50%)	15.6	7.8	2.80	3.41	64	12/31	.65	1.21	6/30	◆.853	.853	YES
	443	SuccessFactors	SFSF					SEE FINAL SUPPLEMENT - PAGE 443												
	514	Suncor Energy (TSE)	SU.TO	31.05	2	3 2	1.25	65- 100 (110-220%)	10.0	1.4	3.11	.44	14	12/31	.91	.82	3/31	.11	.10	YES
	515	Sunoco, Inc.	SUN	40.02	3	3 3	1.05	40- 60 (N- 50%)	43.5	2.0	.92	.80	14	12/31	.05	.11	3/31	▲.20	.15	YES
	1225	SunPower Corp. (NDQ)	SPWR	5.44	3	4 1	1.60	9- 15 (65-175%)	90.7	NIL	.06	NIL	89	12/31	.16	1.10	3/31	NIL	NIL	YES
	813	Sunrise Senior Living	SRZ	6.15	3	5 2	2.75	6- 12 (N- 95%)	NMF	NIL	d.27	NIL	9	12/31	.03	.54	3/31	NIL	NIL	YES
	1226	Suntech Power ADS	STP	2.51	5	5 1	1.85	1- 2 (N- N%)	NMF	NIL	d2.07	NIL	89	12/31	d.76	.43	3/31	NIL	NIL	YES
	2524	SunTrust Banks	STI	23.68	▲2	3 2	1.20	35- 55 (50-130%)	15.2	0.8	1.56	.20	60	3/31	◆.46	.08	6/30	◆.05	.01	YES
	1006	Superior Inds. Int'l	SUP	18.11	3	3 4	1.15	25- 40 (40-120%)	17.1	3.5	1.06	.64	13	12/31	.26	.83	6/30	.16	.16	YES
1821	1956	SUPERVALU INC.	SVU	6.15	2	3 4	.90	14- 20 (130-225%)	5.0	5.7	1.22	.35	23	2/28	.32	.22	3/31	.088	.088	YES
	197	SurModics, Inc. (NDQ)	SRDX	14.36	4	3 2	.80	15- 20 (5- 40%)	35.9	NIL	.40	NIL	74	12/31	.11	.05	3/31	NIL	NIL	YES
	2525	Susquehanna Bancshs. (NDQ)	SUSQ	9.63	3	3 2	1.20	15- 25 (55-160%)	15.5	2.1	.62	.20	60	3/31	◆.14	.08	6/30	▲.05	.02	YES
	424	Swiss Helvetia Fund	SWZ	10.90	–	3 3	.85	11- 16 (N- 45%)	NMF	1.8	NMF	.20	–	12/31	11.54(q)	15.41(q)	3/31	.168	.227	
	968	Sycamore Networks (NDQ)	SCMR	15.97	–	3 –	NMF	30- 45 (90-180%)	NMF	NIL	d.39	NIL	95	1/31	d.10	d.11	3/31	NIL	NIL	YES
	2592	Symantec Corp. (NDQ)	SYMC	16.01	▼3	3 3	.90	25- 35 (55-120%)	15.4	NIL	1.04	NIL	51	12/31	.26	.17	3/31	NIL	NIL	YES
	1416	Synaptics (NDQ)	SYNA	32.59	3	3 2	.95	50- 70 (55-115%)	15.4	NIL	2.11	NIL	45	12/31	.51	.53	3/31	NIL	NIL	YES
	2018	Synchronoss Techn. (NDQ)	SNCR	29.94	3	3 3	1.30	55- 85 (85-185%)	26.3	NIL	1.14	NIL	87	12/31	.34	.21	3/31	NIL	NIL	YES
	2593	Synopsys, Inc. (NDQ)	SNPS	29.06	3	2 3	.80	30- 40 (5- 40%)	18.2	NIL	1.60	NIL	51	1/31	.45	.34	3/31	NIL	NIL	YES
	2526	Synovus Financial	SNV	2.13	3	5 1	1.25	4- 7 (90-230%)	42.6	1.9	.05	.04	60	3/31	◆.02	d.12	6/30	.01	.01	YES
	1938	Synutra Int'l (NDQ)	SYUT	5.59	–	4 –	1.15	19- 30 (240-435%)	9.6	NIL	.58	NIL	79	12/31	.18	d.36	3/31	NIL	NIL	
	1957	Sysco Corp.	SYY	28.59	4	1 3	.70	50- 60 (75-110%)	13.9	3.8	2.05	1.08	23	12/31	.43	.44	6/30	.27	.26	YES
	792	**TCF Financial**	TCB	11.30	5	3 3	1.15	19- 30 (70-165%)	20.5	1.8	.55	.20	66	3/31	◆.08	.21	6/30	.05	.05	YES
	1796	TD Ameritrade Holding (NDQ)	AMTD	18.38	4	3 3	1.10	30- 45 (65-145%)	16.0	1.3	1.15	.24	71	3/31	.25	.30	6/30	.06	.05	YES
	1344	TE Connectivity	TEL	34.50	3	3 3	1.25	60- 90 (75-160%)	11.5	2.1	3.00	.72	46	3/31	◆.68	.71	3/31	.18	.16	YES
	154	TECO Energy	TE	17.80	3	2 3	.85	19- 25 (5- 40%)	13.5	5.0	1.32	.89	48	12/31	.25	.17	3/31	▲.22	.205	YES
	1819	THQ Inc.	THQI					SEE FINAL SUPPLEMENT - PAGE 1819												
	2232	TJX Companies	TJX	40.25	2	1 4	.80	▲ 45- 55 (10- 35%)	17.9	1.1	2.25	.46	59	1/31	.62	.42	6/30	▲.115	.095	YES
	1007	TRW Automotive	TRW	43.39	2	4 3	1.95	80- 135 (85-210%)	6.6	NIL	6.54	NIL	13	12/31	1.84	1.72	3/31	NIL	NIL	YES
	425	Taiwan Fund	TWN	15.80	–	4 3	.95	19- 30 (20- 90%)	NMF	0.6	.15	.10	–	8/31	20.20(q)	16.34(q)	3/31	NIL	.081	
	1380	Taiwan Semic. ADR	TSM	14.86	3	3 3	1.00	25- 35 (70-135%)	15.0	4.0	.99	.60	94	12/31	.20	.27	3/31	NIL	NIL	YES
	2019	Take-Two Interactive (NDQ)	TTWO	13.73	4	3 3	1.20	20- 30 (45-120%)	NMF	NIL	d.07	NIL	87	12/31	.16	.45	3/31	NIL	NIL	YES
2036	2233	Talbots Inc.	TLB	2.90	–	5 –	1.40	3- 5 (5- 70%)	NMF	NIL	d.97	NIL	59	1/31	d.52	d.14	3/31	NIL	NIL	YES
	539	Talisman Energy	TLM	12.38	3	3 2	1.45	20- 35 (60-185%)	17.4	2.3	.71	.28	34	12/31	d.11	d.31	3/31	NIL	NIL	YES
	2152	Target Corp.	TGT	56.73	2	2 4	.90	80- 110 (40- 95%)	13.2	2.4	4.30	1.35	22	1/31	1.44	1.38	6/30	.30	.25	YES
★★	726	TASER Int'l (NDQ)	TASR	4.11	▲3	4 2	1.20	6- 9 (45-120%)	NMF	NIL	d.10	NIL	47	12/31	d.11	NIL	3/31	NIL	NIL	YES
	107	Tata Motors ADR	TTM	29.71	1	3 2	1.35	45- 65 (50-120%)	8.1	1.5	3.66	.44	3	12/31	1.09	.82	3/31	NIL	NIL	YES
	1642	Team Health Hldgs.	TMH	20.95	3	3 4	1.15	25- 35 (20- 65%)	18.2	NIL	1.15	NIL	65	12/31	.21	NIL	3/31	NIL	NIL	YES
	1417	Tech Data (NDQ)	TECD	52.44	1	3 3	1.00	80- 115 (55-120%)	9.5	NIL	5.54	NIL	45	1/31	1.75	1.60	3/31	NIL	NIL	YES
	845	Techne Corp. (NDQ)	TECH	65.19	4	1 4	.75	80- 95 (25- 45%)	19.1	1.7	3.41	1.12	96	12/31	.70	.71	3/31	.28	.27	YES
	1579	Teck Resources Ltd. 'B' (TSE)	TCKB.TO	35.85b	▼3	3 2	1.85	45- 70 (25- 95%)	8.8	2.2	4.08	.80	37	3/31	◆.86(b)	.78(b)	3/31	▲.40(b)	.30(b)	YES
1053	1733	Tecumseh Products 'A' (NDQ)	TECUA	3.92	5	5 5	1.50	20- 40 (410-920%)	NMF	NIL	d3.35	NIL	26	12/31	d1.85	d.27	3/31	NIL	NIL	YES
	336	Teekay Corp.	TK	35.39	3	3 2	1.50	40- 60 (15- 70%)	NMF	3.6	d.39	1.26	77	12/31	d.14	1.23	3/31	.316	.316	YES
	2440	Tekelec	TKLC					SEE FINAL SUPPLEMENT - PAGE 2440												
	938	Telecom N. Zealand	NZT	10.65	–	3 –	NMF	10- 14 (N- 30%)	15.2	7.0	.70	.75	20	12/31	.47(p)	.34	3/31	NIL	.104	YES
	727	Teledyne Technologies	TDY	62.05	3	3 4	.95	65- 95 (5- 55%)	16.0	NIL	3.88	NIL	47	3/31	◆.96	.87	3/31	NIL	NIL	YES
	198	Teleflex Inc.	TFX	61.93	3	2 3	.80	100- 135 (60-120%)	14.7	2.2	4.20	1.36	74	12/31	1.07	.88	3/31	.34	.34	YES
	1049	Telefonica SA ADR(g)	TEF	14.57	3	2 3	.90	30- 45 (105-210%)	6.3	11.3	2.30	1.65	6	12/31	.77	.75	3/31	NIL	NIL	YES
	2440	Telefonos de Mexico ADR	TMX					SEE FINAL SUPPLEMENT - PAGE 2440												
	939	Telephone & Data	TDS	23.87	3	3 2	.90	50- 80 (110-235%)	17.7	2.1	1.35	.49	20	12/31	d.12	.13	3/31	▲.123	.109	YES
631	399	TeleTech Holdings (NDQ)	TTEC	14.98	3	3 3	1.05	40- 55 (165-265%)	10.2	NIL	1.47	NIL	36	12/31	.29	.29	3/31	NIL	NIL	YES
	969	Tellabs, Inc. (NDQ)	TLAB	3.94	5	3 4	.90	9- 13 (130-230%)	NMF	2.0	d.09	.08	95	12/31	d.01	d.03	3/31	.02	.02	YES
	940	TELUS Corporation (TSE)	T.TO	58.94	2	3 4	.60	55- 80 (N- 35%)	15.4	4.1	3.83	2.43	20	12/31	.75	.70	3/31	▲.58	.525	YES
	242	Temple-Inland	TIN					SEE FINAL SUPPLEMENT - PAGE 242												
	426	Templeton Emerg'g	EMF	19.06	–	4 2	1.35	25- 40 (30-110%)	NMF	1.5	NMF	.28	–	11/30	20.18(q)	NIL(q)	3/31	NIL	NIL	
★★	1158	Tempur-Pedic	TPX	61.34	3	4 3	1.45	90- 150 (45-145%)	16.4	NIL	3.74	NIL	72	3/31	◆.86	.68	3/31	NIL	NIL	YES
	814	Tenet Healthcare	THC	5.34	1	5 3	1.20	9- 18 (70-235%)	31.4	NIL	.17	NIL	9	12/31	d.17	.10	3/31	NIL	NIL	YES
	1734	Tennant Co.	TNC	41.63	▼4	3 4	1.25	45- 70 (10- 70%)	19.3	1.6	2.16	.68	26	3/31	◆.28	.30	3/31	.17	.17	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential			Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	1008	Tenneco Inc.		TEN	33.46	1	4	4	2.30	55-	95	(65-185%)	10.7	NIL	3.14	NIL	13	12/31	.53	.31	3/31	NIL	NIL	YES
	2594	Teradata Corp.		TDC	66.81	3	2	4	.95	55-	75	(N- 10%)	29.8	NIL	2.24	NIL	51	12/31	.57	.50	3/31	NIL	NIL	YES
	1397	Teradyne Inc.		TER	16.03	▲3	3	2	1.45	15-	25	(N- 55%)	10.6	NIL	1.51	NIL	70	12/31	.56	.37	3/31	NIL	NIL	YES
	172	Terex Corp.		TEX	24.45	▲2	4	1	1.95	35-	60	(45-145%)	16.7	NIL	1.46	NIL	5	12/31	.26	d.21	3/31	NIL	NIL	YES
	108	Tesla Motors	(NDQ)	TSLA	31.82	–	4	–	NMF	45-	75	(40-135%)	NMF	NIL	d2.31	NIL	3	12/31	d.78	d.54	3/31	NIL	NIL	YES
	516	Tesoro Corp.		TSO	23.12	3	3	3	1.30	30-	50	(30-115%)	14.4	NIL	1.61	NIL	14	12/31	d.89	.02	3/31	NIL	NIL	YES
	1381	Tessera Technologies	(NDQ)	TSRA	16.30	5	3	2	1.25	35-	55	(115-235%)	42.9	2.5	.38	.40	94	12/31	.05	.26	6/30	▲.10	NIL	YES
	410	Tetra Tech	(NDQ)	TTEK	26.55	2	3	3	1.15	50-	70	(90-165%)	16.6	NIL	1.60	NIL	38	12/31	.36	.36	3/31	NIL	NIL	YES
	2423	TETRA Technologies		TTI	8.50	3	3	3	1.80	20-	25	(135-195%)	11.2	NIL	.76	NIL	28	12/31	.05	.10	3/31	NIL	NIL	YES
	1628	Teva Pharmac. (ADR)	(NDQ)	TEVA	45.35	1	1	3	.60	85-	105	(85-130%)	7.9	2.4	5.74	1.07	52	12/31	1.59	1.25	3/31	.263	.217	YES
	1116	Texas Inds.		TXI	32.76	5	4	5	1.55	30-	50	(N- 55%)	NMF	NIL	d1.98	NIL	84	2/28	d.87	d.75	3/31	NIL	.075	YES
	1382	Texas Instruments	(NDQ)	TXN	31.36	4	1	3	.90	50-	60	(60- 90%)	24.1	2.2	1.30	.68	94	3/31	◆.22	.55	6/30	◆.17	.13	YES
	374	Texas Roadhouse	(NDQ)	TXRH	16.72	3	3	4	1.00	25-	40	(50-140%)	18.8	2.2	.89	.36	32	12/31	.17	.14	3/31	▲.09	.08	YES
	1766	Textron, Inc.		TXT	26.64	1	3	2	1.60	35-	55	(30-105%)	14.8	0.3	1.80	.08	17	3/31	.41	.10	6/30	.02	.02	YES
	427	Thai Fund		TTF	16.01	–	5	3	1.10	15-	25	(N- 55%)	NMF	1.9	NMF	.30	–	12/31	14.29(q)	14.79(q)	3/31	.132	.277	
	131	Thermo Fisher Sci.		TMO	52.74	1	2	3	.90	75-	105	(40-100%)	11.4	1.0	4.63	.52	69	3/31	◆1.17	.92	6/30	▲.13	NIL	YES
2446	1316	Thomas & Betts		TNB	71.88	–	3	–	1.25	65-	100	(N- 40%)	17.6	NIL	4.08	NIL	54	12/31	1.08	.77	3/31	NIL	NIL	YES
	441	Thomson Reuters	(TSE)	TRI.TO	28.60	2	2	3	.70	60-	80	(110-180%)	11.4	4.5	2.51	1.28	61	12/31	.59	.43	3/31	▲.32	.31	
	2320	Thor Inds.		THO	31.99	3	3	3	1.05	40-	55	(25- 70%)	14.5	1.9	2.20	.60	50	1/31	.25	.10	6/30	.15	.10	YES
	199	Thoratec Corp.	(NDQ)	THOR	33.38	3	3	5	.85	55-	85	(65-155%)	20.5	NIL	1.63	NIL	74	12/31	.38	.28	3/31	NIL	NIL	YES
★★	1767	3M Company		MMM	88.49	▲3	1	3	.80	130-	160	(45- 80%)	14.3	2.7	6.18	2.36	17	3/31	◆1.63	1.49	3/31	▲.59	.55	YES
	1811	TIBCO Software	(NDQ)	TIBX	31.54	3	3	2	1.05	25-	40	(N- 25%)	42.6	NIL	.74	NIL	83	2/28	.12	.09	3/31	NIL	NIL	YES
	2424	Tidewater Inc.		TDW	52.90	3	3	3	1.15	75-	110	(40-110%)	16.6	1.9	3.18	1.00	28	12/31	.51	.67	3/31	.25	.25	YES
1250	2191	Tiffany & Co.		TIF	65.93	3	3	4	1.25	80-	120	(20- 80%)	17.2	1.8	3.84	1.18	35	1/31	1.39	1.44	6/30	.29	.25	YES
	375	Tim Hortons		THI	54.41	3	2	3	.85	65-	90	(20- 65%)	21.3	1.5	2.56	.84	32	12/31	.65	.56	3/31	▲.21	.17	YES
	2334	Time Warner		TWX	36.42	1	3	3	1.10	80-	115	(120-215%)	12.4	2.9	2.94	1.04	18	12/31	.76	.68	3/31	▲.26	.235	YES
	1031	Time Warner Cable		TWC	80.94	1	3	4	1.05	110-	165	(35-105%)	15.4	2.8	5.27	2.24	2	12/31	1.39	1.09	3/31	▲.56	.48	YES
	738	Timken Co.		TKR	51.12	1	3	2	1.40	70-	105	(35-105%)	9.9	1.8	5.17	.92	27	3/31	◆1.58	1.13	3/31	▲.23	.18	YES
	1009	Titan Int'l		TWI	24.05	1	3	2	1.85	45-	65	(85-170%)	11.1	0.1	2.17	.02	13	12/31	.37	.16	6/30	.005	.005	YES
	1580	Titanium Metals		TIE	14.17	3	3	3	1.75	30-	45	(110-220%)	20.5	NIL	.69	NIL	37	12/31	.16	.13	3/31	NIL	NIL	YES
	1133	Toll Brothers		TOL	23.51	4	3	2	1.30	25-	35	(5- 50%)	58.8	NIL	.40	NIL	97	1/31	d.02	.02	3/31	NIL	NIL	YES
	1939	Tootsie Roll Ind.		TR	22.89	4	1	3	.70	35-	40	(55- 75%)	26.0	1.4	.88	.32	79	12/31	.18	.16	3/31	.155	.151	YES
	1556	Torchmark Corp.		TMK	48.89	3	2	3	1.25	50-	65	(N- 35%)	9.5	1.2	5.14	.60	31	3/31	◆1.27	1.08	6/30	▲.15	.11	YES
	1735	Toro Co.		TTC	70.57	2	3	3	1.10	75-	115	(5- 65%)	16.6	1.2	4.25	.88	26	1/31	.65	.53	6/30	.22	.20	YES
	2527	Toronto-Dominion	(TSE)	TD.TO	82.46b	3	2	3	.85	105-	140	(25- 70%)	12.0	3.5	6.90	2.88	60	1/31	1.55(b)	1.69(b)	3/31	.68(b)	.61(b)	YES
1433	517	Total ADR		TOT	47.18	2	1	3	1.05	80-	100	(70-110%)	6.9	6.5	6.82	3.05	14	12/31	1.62	1.53	3/31	.742	NIL	YES
	2567	Total System Svcs.		TSS	23.20	3	3	3	.90	25-	40	(10- 70%)	19.0	1.7	1.22	.40	62	3/31	◆.30	.25	6/30	.10	.07	YES
	400	Towers Watson & Co.		TW	64.37	–	2	–	.90	85-	125	(30- 95%)	14.7	0.6	4.38	.40	36	12/31	.92	.65	6/30	.10	.075	YES
	109	Toyota Motor ADR(g)		TM	80.73	3	3	3	.90	130-	190	(60-135%)	29.1	1.6	2.77	1.27	3	12/31	.52	.72	3/31	NIL	NIL	YES
1822	1141	Tractor Supply	(NDQ)	TSCO	96.93	2	2	4	.95	110-	150	(15- 55%)	27.7	0.6	3.50	.60	42	12/31	.96	.67	3/31	.12	.07	YES
	1227	TransAlta Corp.	(TSE)	TA.TO	16.34b	▲3	3	4	.70	30-	45	(85-175%)	18.2	7.1	.90	1.16	89	12/31	.13(b)	.28(b)	6/30	.29(b)	.29(b)	YES
	849	Transatlantic Hldgs.		TRH	SEE FINAL SUPPLEMENT - PAGE 849																			
	615	TransCanada Corp.		TRP	44.21	3	2	4	.85	50-	70	(15- 60%)	19.5	4.0	2.27	1.76	90	12/31	.52	.39	6/30	▲.44	.411	YES
	728	TransDigm Group		TDG	121.73	3	3	3	1.00	150-	225	(25- 85%)	22.5	NIL	5.40	NIL	47	12/31	1.15	d.19	3/31	NIL	NIL	YES
	2425	Transocean Ltd.		RIG	49.15	3	3	2	1.30	80-	120	(65-145%)	36.4	6.4	1.35	3.16	28	12/31	.18	.68	3/31	.79	NIL	YES
2037	774	Travelers Cos.		TRV	63.37	3	1	3	.85	80-	100	(25- 60%)	10.0	2.9	6.34	1.84	93	3/31	◆2.01	1.89	6/30	▲.46	.41	YES
	575	Tredegar Corp.		TG	17.14	4	3	2	1.05	25-	35	(45-105%)	13.7	1.1	1.25	.18	41	12/31	.12	.23	6/30	.045	.045	YES
	1940	TreeHouse Foods		THS	57.38	3	3	4	.60	75-	110	(30- 90%)	19.1	NIL	3.00	NIL	79	12/31	.85	.80	3/31	NIL	NIL	YES
	1117	Trex Co.		TREX	31.00	3	4	1	1.35	45-	70	(45-125%)	36.0	NIL	.86	NIL	84	12/31	d.54	.23	3/31	NIL	NIL	YES
	1212	Tri-Continental		TY	15.56	–	2	3	1.00	25-	35	(60-125%)	NMF	2.4	NMF	.38	–	12/31	16.77(q)	15.96(q)	3/31	.105	.065	
	1317	Trimble Nav. Ltd.	(NDQ)	TRMB	52.40	3	3	3	1.35	60-	90	(15- 70%)	38.0	NIL	1.38	NIL	54	12/31	.23	.29	3/31	NIL	NIL	YES
	739	Trinity Inds.		TRN	29.86	2	3	3	1.65	40-	60	(35-100%)	13.5	1.2	2.21	.36	27	12/31	.56	.22	6/30	.09	.08	YES
★★	1383	TriQuint Semic.	(NDQ)	TQNT	5.13	▼5	4	2	1.50	9-	15	(75-190%)	21.4	NIL	.24	NIL	94	12/31	.08	.25	3/31	NIL	NIL	YES
	729	Triumph Group Inc.		TGI	61.03	1	3	4	1.05	75-	115	(25- 90%)	11.9	0.3	5.11	.18	47	12/31	1.27	.90	6/30	◆.04	.02	YES
246	2117	True Religion Apparel	(NDQ)	TRLG	26.61	4	3	3	1.30	▼ 35-	50	(30- 90%)	14.0	NIL	1.90	NIL	81	12/31	.60	.63	3/31	NIL	NIL	YES
	1198	Tupperware Brands		TUP	60.17	▲2	3	3	1.10	90-	140	(50-135%)	12.7	2.4	4.73	1.44	55	3/31	◆1.02	.88	6/30	▲.36	.30	YES
	1050	tw telecom	(NDQ)	TWTC	21.24	3	3	3	1.30	30-	40	(40- 90%)	42.5	NIL	.50	NIL	6	12/31	.11	.12	3/31	NIL	NIL	YES
1433	1768	Tyco Int'l		TYC	54.62	–	3	–	1.05		NMF	(NMF)	15.2	1.8	3.60	1.00	17	12/31	.84	.75	6/30	.25	.25	YES
	1941	Tyson Foods 'A'		TSN	17.93	3	3	4	1.05	25-	35	(40- 95%)	9.4	0.9	1.90	.16	79	12/31	.42	.78	6/30	.04	.04	YES
	1539	**UDR, Inc.**		UDR	26.26	4	3	3	1.05	30-	40	(15- 50%)	NMF	3.4	d.42	.88	86	12/31	d.12	d.17	6/30	▲.22	.185	YES
	550	UGI Corp.		UGI	26.67	3	2	3	.70	30-	40	(10- 50%)	13.7	4.0	1.95	1.08	63	12/31	.77	1.01	9/30	▲.27	.26	YES
	155	UIL Holdings		UIL	33.53	3	2	3	.70	35-	45	(5- 35%)	15.5	5.2	2.16	1.73	48	12/31	.42	.35	6/30	.432	.432	YES
	1242	URS Corp.		URS	40.07	2	3	3	1.25	65-	95	(60-135%)	10.7	2.0	3.75	.82	40	12/31	.80	.75	6/30	▲.20	NIL	YES
	314	US Airways Group		LCC	9.31	▲1	5	3	1.65	16-	30	(70-220%)	4.4	NIL	2.11	NIL	10	3/31	◆d.13	d.71	3/31	NIL	NIL	YES
	411	US Ecology	(NDQ)	ECOL	20.95	2	3	3	1.00	30-	45	(45-115%)	18.2	3.4	1.15	.72	38	12/31	.34	.29	6/30	.18	.18	YES
	1118	USG Corp.		USG	16.20	4	5	2	1.65	18-	35	(10-115%)	NMF	NIL	d1.50	NIL	84	3/31	d.26	d.93	3/31	NIL	NIL	YES
	2192	Ulta Salon	(NDQ)	ULTA	87.15	3	3	5	1.30	▲ 120-	180	(40-105%)	38.7	NIL	2.25	NIL	35	1/31	.73	.48	3/31	NIL	NIL	YES
	2399	Ultra Petroleum		UPL	18.18	3	3	2	1.10	80-	120	(340-560%)	8.3	NIL	2.20	NIL	7	12/31	.58	.50	3/31	NIL	NIL	YES
	2118	Under Armour		UA	95.34	3	3	5	1.25	▲ 110-	170	(15- 80%)	45.4	NIL	2.10	NIL	81	3/31	◆.28	.23	3/31	NIL	NIL	YES
2447	2119	Unifi, Inc.		UFI	10.73	▲3	5	2	1.30	17-	30	(60-180%)	21.9	NIL	▲.49	NIL	81	12/31	d.20	.31	3/31	NIL	NIL	
	401	UniFirst Corp.		UNF	59.57	1	3	3	.90	65-	100	(10- 70%)	14.5	0.3	4.10	.15	36	2/28	.96	.82	9/30	.038	.038	YES
	1942	Unilever PLC ADR(g)		UL	33.54	3	1	4	.70	40-	45	(20- 35%)	18.1	3.9	1.85	1.30	79	12/31	.90(p)	.44	3/31	.297	.286	YES
	345	Union Pacific		UNP	110.52	2	2	3	1.15	160-	220	(45-100%)	14.3	2.2	7.74	2.40	1	3/31	◆1.79	1.29	6/30	.60	.38	YES
	2251	UniSource Energy		UNS	36.15	3	3	4	.75	40-	60	(10- 65%)	15.6	4.8	▼2.32	1.72	25	12/31	.22	.29	3/31	▲.43	.42	YES
★★	1418	Unisys Corp.		UIS	16.40	2	5	2	1.80	30-	55	(85-235%)	4.0	NIL	4.08	NIL	45	3/31	◆.47	d.17	3/31	NIL	NIL	YES
	315	United Cont'l Hldgs.	(NDQ)	UAL	22.82	–	4	–	1.65	45-	75	(95-230%)	4.9	NIL	4.70	NIL	10	12/31	.30	.44	3/31	NIL	NIL	YES
	1958	United Natural Foods	(NDQ)	UNFI	48.32	3	3	4	.80	45-	65	(N- 35%)	24.5	NIL	1.97	NIL	23	1/31	.45	.39	3/31	NIL	NIL	YES
	2636	United Online	(NDQ)	UNTD	4.54	3	4	4	1.05	9-	16	(100-250%)	8.6	8.8	.53	.40	78	12/31	.14	.18	3/31	.10	.10	YES
	316	United Parcel Serv.		UPS	79.46	3	1	4	.85	115-	140	(45- 75%)	16.7	2.9	4.76	2.28	10	12/31	1.26	1.08	3/31	▲.57	.52	YES
	1736	United Rentals		URI	44.67	1	5	3	1.65	35-	65	(N- 45%)	15.0	NIL	2.97	NIL	26	3/31	.36	d.32	3/31	NIL	NIL	YES
	793	U.S. Bancorp		USB	31.62	2	3	3	1.10	35-	50	(10- 60%)	12.1	2.5	2.62	.78	66	3/31	.67	.52	6/30	▲.195	.125	YES
	941	U.S. Cellular		USM	38.90	3	3	3	1.10	55-	85	(40-120%)	22.5	NIL	1.73	NIL	20	12/31	.03	.08	3/31	NIL	NIL	YES

(•) All data adjusted for announced stock split or stock dividend. See back page of Ratings & Reports.
◆ New figure this week.
(b) Canadian Funds.
d Deficit.
(f) The estimate may reflect a probable increase or decrease. If a dividend boost or cut is possible but not probable, two figures are shown, the first is the more likely.
(g) Dividends subject to foreign withholding tax for U.S. residents.
(h) Est'd Earnings & Est'd Dividends after conversion to U.S. dollars at Value Line estimated translation rate.
(j) All Index data expressed in hundreds.
(p) 6 months (q) Asset Value
N=Negative figure NA=Not available NMF=No meaningful figure

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Sel. & Op.	Page	NAME OF STOCK		Ticker Symbol	Recent Price	Timeliness	Safety	Technical	Beta	3-5 year Target Price Range	% appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	753	U.S. Steel Corp.		X	27.65	3	3	1	1.70	60- 90	(115-225%)	NMF	0.7	d1.66	.20	68	3/31	◆d1.52	d.60	6/30	◆.05	.05	YES
	1430	United Stationers	(NDQ)	USTR	28.59	3	3	3	1.15	35- 55	(20- 90%)	11.0	1.8	2.60	.52	15	3/31	◆.36	.44	6/30	.13	.13	YES
★★	1769	United Technologies		UTX	79.85	3	1	3	1.00	115- 140	(45- 75%)	14.6	2.4	5.47	1.92	17	3/31	◆1.31	1.11	6/30	.48	.48	YES
	846	United Therapeutics	(NDQ)	UTHR	42.07	▲2	3	2	.85	130- 195	(210-365%)	11.2	NIL	3.77	NIL	96	12/31	.77	.15	3/31	NIL	NIL	YES
	815	UnitedHealth Group		UNH	58.72	2	2	5	1.00	90- 125	(55-115%)	12.2	1.1	4.83	.65	9	3/31	◆1.31	1.22	3/31	.163	.125	YES
	1995	Universal Corp.		UVV	45.10	3	3	3	.80	45- 65	(N- 45%)	9.2	4.3	4.92	1.96	29	12/31	1.81	1.64	6/30	.49	.48	YES
	2020	Universal Electronics	(NDQ)	UEIC	16.02	2	3	3	1.00	45- 70	(180-335%)	9.4	NIL	1.70	NIL	87	12/31	.40	.45	3/31	NIL	NIL	
2037	1119	Universal Forest	(NDQ)	UFPI	35.79	3	3	3	1.25	35- 55	(N- 55%)	39.3	1.1	.91	.40	84	3/31	◆.21	d.19	6/30	.20	.20	YES
	816	Universal Health Sv. 'B'		UHS	42.67	1	3	2	.95	75- 110	(75-160%)	9.9	0.5	4.31	.20	9	12/31	.98	.58	3/31	.05	.05	YES
	1557	Unum Group		UNM	23.44	2	3	3	1.30	30- 45	(30- 90%)	7.5	1.8	3.13	.42	31	12/31	.78	.66	6/30	.105	.093	YES
	2234	Urban Outfitters	(NDQ)	URBN	27.87	4	3	3	1.05	▼ 40- 60	(45-115%)	22.5	NIL	▼1.24	NIL	59	1/31	.27	.45	3/31	NIL	NIL	YES
	970	UTStarcom Holdings	(NDQ)	UTSI	1.30	3	5	2	1.55	4- 7	(210-440%)	10.8	NIL	.12	NIL	95	12/31	.03	d.15	3/31	NIL	NIL	YES
	817	**VCA Antech**	(NDQ)	WOOF	22.72	4	3	2	.95	25- 40	(10- 75%)	16.1	NIL	1.41	NIL	9	12/31	.21	.24	3/31	NIL	NIL	YES
	2120	V.F. Corp.		VFC	147.01	3	2	5	.95	170- 230	(15- 55%)	16.8	2.0	8.77	2.88	81	12/31	2.32	1.78	3/31	.72	.63	YES
	2354	Vail Resorts		MTN	40.46	4	3	3	1.25	50- 75	(25- 85%)	45.0	1.9	.90	.75	24	1/31	1.27	1.48	6/30	▲.188	NIL	YES
	2384	Valassis Communic.		VCI	22.05	▼2	4	2	2.00	30- 50	(35-125%)	7.4	NIL	2.97	NIL	12	12/31	.85	.47	3/31	NIL	NIL	YES
	1629	Valeant Pharm. Int'l		VRX	55.90	–	3	–	NMF	70- 110	(25- 95%)	13.8	NIL	4.04	NIL	52	12/31	.94	.51	3/31	NIL	NIL	YES
2446	518	Valero Energy		VLO	23.93	3	3	2	1.30	40- 60	(65-150%)	8.3	2.5	2.90	.60	14	12/31	.08	.32	3/31	▲.15	.05	YES
	1770	Valmont Inds.		VMI	122.81	▲1	3	4	1.25	120- 185	(N- 50%)	17.0	0.7	7.23	.90	17	3/31	◆1.96	.97	9/30	▲.225	.18	YES
	576	Valspar Corp.		VAL	49.78	2	3	3	.95	50- 70	(N- 40%)	16.6	1.6	3.00	.80	41	1/31	.58	.43	6/30	.20	.18	YES
	2385	ValueClick Inc.	(NDQ)	VCLK	20.58	2	3	4	1.25	25- 40	(20- 95%)	19.6	NIL	1.05	NIL	12	12/31	.35	.26	3/31	NIL	NIL	YES
247	2193	ValueVision Media	(NDQ)	VVTV	1.74	5	5	5	1.25	▼ 2- 5	(15-185%)	NMF	NIL	▼d.62	NIL	35	1/31	d.17	d.04	3/31	NIL	NIL	YES
	200	Varian Medical Sys.		VAR	66.97	3	1	3	.85	120- 150	(80-125%)	17.2	NIL	3.90	NIL	74	12/31	.79	.80	3/31	NIL	NIL	YES
	918	Vectren Corp.		VVC	28.68	3	2	4	.70	30- 45	(5- 55%)	16.3	4.9	1.76	1.41	53	12/31	.56	.56	6/30	.35	.345	YES
	132	Veeco Instruments	(NDQ)	VECO	26.65	4	4	1	1.60	50- 80	(90-200%)	18.6	NIL	1.43	NIL	69	12/31	.72	1.62	3/31	NIL	NIL	YES
	1540	Ventas, Inc.		VTR	57.19	3	3	3	1.10	55- 80	(N- 40%)	31.3	4.3	1.83	2.48	86	12/31	.66	.36	3/31	▲.62	.575	YES
	971	Verifone Systems		PAY	53.04	3	4	2	1.40	70- 115	(30-115%)	44.2	NIL	1.20	NIL	95	1/31	.03	.35	3/31	NIL	NIL	YES
	2637	VeriSign Inc.	(NDQ)	VRSN	41.26	3	3	3	.90	55- 75	(35- 80%)	29.9	NIL	1.38	NIL	78	12/31	.28	d.18	3/31	NIL	NIL	YES
	442	Verisk Analytics	(NDQ)	VRSK	47.77	3	2	4	.55	50- 65	(5- 35%)	27.6	NIL	1.73	NIL	61	12/31	.47	.37	3/31	NIL	NIL	YES
2038	942	Verizon Communic.		VZ	39.50	2	1	4	.70	55- 70	(40- 75%)	16.4	5.1	2.41	2.00	20	3/31	◆.59	.51	6/30	.50	.488	YES
	847	Vertex Pharmac.	(NDQ)	VRTX	36.59	3	3	5	.95	60- 90	(65-145%)	12.7	NIL	2.89	NIL	96	12/31	.74	d.90	3/31	NIL	NIL	YES
	2335	Viacom Inc. 'B'	(NDQ)	VIAB	46.13	2	3	3	1.15	60- 95	(30-105%)	10.9	2.2	4.25	1.00	18	12/31	1.06	1.02	6/30	.25	.15	YES
	1771	Viad Corp.		VVI	18.39	4	3	3	1.10	20- 35	(10- 90%)	34.7	0.9	.53	.16	17	12/31	d.27	d.20	6/30	.04	.04	YES
	594	ViaSat, Inc.	(NDQ)	VSAT	45.87	4	3	3	.95	55- 80	(20- 75%)	79.1	NIL	.58	NIL	98	12/31	.27	.43	3/31	NIL	NIL	YES
	1959	Village Super Market	(NDQ)	VLGEA	27.52	2	2	2	.75	35- 50	(25- 80%)	13.4	3.6	2.06	1.00	23	1/31	.66	.49	3/31	▲.25	NIL	
	2568	Visa Inc.		V	118.93	3	3	5	1.05	150- 220	(25- 85%)	20.3	0.7	5.85	.88	62	12/31	1.49	1.23	3/31	.22	.15	YES
	1345	Vishay Intertechnology		VSH	10.81	3	3	1	1.30	20- 30	(85-180%)	9.8	NIL	1.10	NIL	46	12/31	.15	.48	3/31	NIL	NIL	YES
	1010	Visteon Corp.		VC	46.60	–	3	–	NMF	75- 110	(60-135%)	27.6	NIL	1.69	NIL	13	12/31	d.51	1.66	3/31	NIL	NIL	YES
	2194	Vitamin Shoppe		VSI	46.17	3	3	4	.80	▲ 45- 65	(N- 40%)	25.4	NIL	▲1.82	NIL	35	12/31	.32	.21	3/31	NIL	NIL	YES
	2595	VMware, Inc.		VMW	103.48	3	3	3	1.15	90- 135	(N- 30%)	68.5	NIL	1.51	NIL	51	3/31	.44	.29	3/31	NIL	NIL	YES
	943	Vodafone Group ADR(g)	(NDQ)	VOD	27.76	2	2	3	.80	35- 45	(25- 60%)	11.0	5.6	2.52	1.55	20	9/30	1.23(p)	1.39(p)	3/31	.474	.456	YES
	239	Volcano Corp.	(NDQ)	VOLC	26.28	4	3	4	.85	45- 65	(70-145%)	NMF	NIL	.25	NIL	75	12/31	.14	d.03	3/31	NIL	NIL	YES
247	944	Vonage Holdings		VG	2.07	2	5	3	1.15	3- 6	(45-190%)	4.8	NIL	.43	NIL	20	12/31	.10	.07	3/31	NIL	NIL	YES
	1541	Vornado R'lty Trust		VNO	84.59	4	3	3	1.25	80- 115	(N- 35%)	38.6	3.3	2.19	2.76	86	12/31	.37	1.31	3/31	.69	.69	YES
	1120	Vulcan Materials		VMC	41.11	–	4	–	1.10	20- 30	(N- N%)	NMF	0.1	d.40	.04	84	12/31	d.20	d.35	3/31	.01	.25	YES
	1011	**WABCO Hldgs.**		WBC	55.38	3	3	2	1.30	95- 145	(70-160%)	11.9	NIL	4.64	NIL	13	12/31	1.04	.97	3/31	NIL	NIL	YES
	1199	WD-40 Co.	(NDQ)	WDFC	44.15	3	2	4	.75	45- 60	(N- 35%)	19.2	2.7	2.30	1.18	55	2/28	.65	.53	6/30	.29	.27	YES
	551	WGL Holdings Inc.		WGL	39.22	3	1	4	.65	40- 45	(N- 15%)	15.7	4.1	2.50	1.60	63	12/31	1.13	1.02	6/30	▲.40	.388	YES
	2355	WMS Industries		WMS	23.92	3	3	3	1.20	50- 70	(110-195%)	13.6	NIL	1.76	NIL	24	12/31	.27	.44	3/31	NIL	NIL	YES
	1039	W.P. Carey & Co. LLC		WPC	46.74	3	3	4	.85	35- 55	(N- 20%)	21.4	4.8	2.18	2.26	58	12/31	.36	.62	6/30	▲.565	.512	
	2386	WPP PLC ADR	(NDQ)	WPPGY	67.22	2	3	3	1.20	75- 115	(10- 70%)	13.4	2.5	5.00	1.70	12	12/31	3.20(p)	2.60(p)	3/31	NIL	NIL	YES
1432	173	Wabash National		WNC	8.14	3	4	2	1.70	19- 30	(135-270%)	10.9	NIL	.75	NIL	5	12/31	.11	.03	3/31	NIL	NIL	YES
	1737	Wabtec Corp.		WAB	78.70	2	3	3	1.10	75- 115	(N- 45%)	17.3	0.2	4.56	.12	26	3/31	◆1.22	.85	3/31	.03	.01	YES
448	2153	Wal-Mart Stores		WMT	57.77	3	1	3	.60	80- 95	(40- 65%)	12.1	2.8	4.76	1.59	22	1/31	1.44	1.34	9/30	.398	.365	YES
	981	Walgreen Co.		WAG	35.24	3	1	3	.80	60- 70	(70-100%)	13.6	2.6	2.60	.90	30	2/28	.78	.80	6/30	.225	.175	YES
	605	Walter Energy		WLT	66.35	3	3	1	1.85	110- 165	(65-150%)	11.2	0.9	5.94	.62	44	12/31	1.34	1.75	6/30	◆.125	.125	YES
	2121	Warnaco Group		WRC	52.06	3	3	2	1.25	70- 110	(35-110%)	12.9	NIL	4.05	NIL	81	12/31	.97	.74	3/31	NIL	NIL	YES
	1630	Warner Chilcott plc	(NDQ)	WCRX	16.68	–	3	–	.95	30- 45	(80-170%)	11.8	NIL	1.41	NIL	52	12/31	.36	.06	3/31	NIL	NIL	YES
	1512	Washington Federal	(NDQ)	WAFD	17.17	3	3	3	1.00	20- 30	(15- 75%)	13.7	1.9	1.25	.32	92	3/31	.32	.23	3/31	▲.08	.06	YES
	2375	Washington Post		WPO	373.65	3	2	3	.80	760-1025	(105-175%)	17.3	2.6	21.58	9.80	56	12/31	8.03	9.42	6/30	2.45	2.35	
	1542	Washington R.E.I.T.		WRE	29.23	4	3	3	1.00	30- 45	(5- 55%)	NMF	6.0	.18	1.74	86	12/31	.06	d.06	3/31	.434	.434	YES
	412	Waste Connections		WCN	32.71	3	3	5	.75	45- 65	(40-100%)	21.2	1.2	1.54	.38	38	12/31	.35	.32	3/31	.09	.075	YES
	413	Waste Management		WM	35.98	3	2	4	.80	40- 55	(10- 55%)	16.1	3.9	2.23	1.42	38	12/31	.63	.60	3/31	▲.355	.34	YES
	133	Waters Corp.		WAT	81.80	▼4	2	3	.90	115- 160	(40- 95%)	16.9	NIL	4.85	NIL	69	3/31	◆.98	1.01	3/31	NIL	NIL	YES
	1142	Watsco, Inc.		WSO	72.94	4	3	3	.95	80- 115	(10- 60%)	23.6	3.4	3.09	2.48	42	12/31	.39	.31	6/30	.62	.57	YES
	1631	Watson Pharmac.		WPI	68.60	1	2	5	.75	90- 120	(30- 75%)	11.4	NIL	6.02	NIL	52	12/31	1.77	.93	3/31	NIL	NIL	YES
	1738	Watts Water Techn.		WTS	37.28	3	3	2	1.05	45- 65	(20- 75%)	15.7	1.2	2.37	.44	26	12/31	.46	.30	3/31	.11	.11	YES
	1167	Wausau Paper		WPP	8.72	2	3	4	1.25	12- 17	(40- 95%)	28.1	1.4	.31	.12	57	12/31	.04	.14	6/30	◆.03	.03	YES
444	2426	Weatherford Int'l		WFT	14.14	3	3	1	1.60	35- 50	(150-255%)	11.1	NIL	1.27	NIL	28	3/31	◆.16	.05	3/31	NIL	NIL	YES
	827	WebMD Health	(NDQ)	WBMD	22.64	5	3	4	.75	30- 50	(35-120%)	NMF	NIL	.14	NIL	80	12/31	.29	.47	3/31	NIL	NIL	YES
	1812	Websense Inc.	(NDQ)	WBSN	20.00	3	3	4	1.05	35- 50	(75-150%)	24.1	NIL	.83	NIL	83	12/31	.27	.21	3/31	NIL	NIL	YES
	2528	Webster Fin'l		WBS	21.62	3	4	3	1.35	18- 25	(N- 15%)	12.7	1.9	1.70	.40	60	3/31	.42	.36	6/30	▲.10	.05	YES
	2195	Weight Watchers		WTW	72.76	3	3	2	.90	▲ 105- 155	(45-115%)	16.0	1.0	4.55	.70	35	12/31	.86	.66	6/30	.175	.175	YES
	1543	Weingarten Realty		WRI	25.89	3	3	3	1.30	20- 35	(N- 35%)	51.8	4.5	.50	1.16	86	12/31	.18	d.02	3/31	▲.29	.275	YES
	1960	Weis Markets		WMK	43.77	2	1	4	.65	50- 60	(15- 35%)	15.1	2.7	2.89	1.20	23	12/31	.72	.52	3/31	.30	.29	
	818	WellPoint, Inc.		WLP	70.76	▲2	3	3	.95	90- 135	(25- 90%)	9.2	1.6	7.67	1.15	9	3/31	◆2.53	2.44	3/31	▲.288	.25	YES
	2529	Wells Fargo		WFC	33.07	2	3	4	1.35	45- 70	(35-110%)	10.7	2.7	3.09	.88	60	3/31	.75	.67	6/30	▲.22	.12	YES
	376	Wendy's Company	(NDQ)	WEN	4.71	3	3	3	1.00	6- 9	(25- 90%)	29.4	1.7	.16	.08	32	12/31	.04	.01	3/31	.02	.02	YES
	327	Werner Enterprises	(NDQ)	WERN	23.74	2	3	3	.90	30- 50	(25-110%)	15.3	0.8	1.55	.20	4	3/31	◆.29	.22	6/30	.05	.05	YES
	1318	WESCO Int'l		WCC	65.45	2	3	2	1.45	75- 110	(15- 70%)	14.3	NIL	4.57	NIL	54	3/31	◆1.03	.74	3/31	NIL	NIL	YES
	2196	West Marine	(NDQ)	WMAR	11.88	3	3	3	.95	▼ 13- 20	(10- 70%)	19.5	NIL	.61	NIL	35	12/31	d.61	d.52	3/31	NIL	NIL	
2042	240	West Pharmac. Svcs.		WST	42.25	2	3	3	.80	60- 90	(40-115%)	16.8	1.7	2.52	.72	75	12/31	.54	.42	6/30	.18	.17	YES

★★ Supplementary Report in this week's issue.
▲ Arrow indicates the direction of a change. When it appears with the Latest Dividend, the arrow signals that a change in the regular payment rate has occurred in the latest quarter.

For Timeliness, 3-5 year Target Price Range, or Estimated Earnings 12 months to 9-30-12, the arrow indicates a change since the preceding week. When a diamond ◆ (indicating a new figure) appears alongside the latest quarterly earnings results, the rank change probably was primarily caused by the earnings report. In other cases, the change is due to the dynamics of the ranking system and could simply be the result of the improvement or weakening of other stocks.

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		NAME OF STOCK		Ticker Symbol	Recent Price	RANKS: Timeliness	Safety	Technical	Beta	3-5 year Target Price Range and % appreciation potential	Current P/E Ratio	% Est'd Yield next 12 mos.	Est'd Earns. 12 mos. to 9-30-12	(f) Est'd Div'd next 12 mos.	Industry Rank	LATEST RESULTS: Qtr. Ended	Earns. Per sh.	Year Ago	Qtr. Ended	Latest Div'd	Year Ago	Do Options Trade?
	919	Westar Energy		WR	28.26	3	2	3	.75	25- 35 (N- 25%)	14.7	4.7	1.92	1.32	53	12/31	.16	.04	6/30	▲.33	.32	YES
	1419	Western Digital		WDC	41.44	2	3	3	1.25	70- 105 (70-155%)	6.2	NIL	6.72	NIL	45	12/31	.61	.96	3/31	NIL	NIL	YES
	2569	Western Union		WU	18.06	▲2	3	3	1.10	30- 45 (65-150%)	10.9	2.2	1.65	.40	62	3/31	◆.40	.35	3/31	▲.10	.07	YES
	577	Westlake Chemical		WLK	60.30	3	3	1	1.35	65- 95 (10- 60%)	15.7	0.5	3.85	.30	41	12/31	.40	1.26	3/31	.074	.064	YES
	1961	Weston (George)	(TSE)	WN.TO	62.21	3	2	3	.45	90- 125 (45-100%)	13.8	2.3	4.52	1.44	23	12/31	.72	.80	3/31	.36	.36	YES
1433	2235	Wet Seal 'A'	(NDQ)	WTSLA	3.26	4	3	5	.95	5- 8 (55-145%)	23.3	NIL	▼.14	NIL	59	1/31	.03	.07	3/31	NIL	NIL	YES
	1168	Weyerhaeuser Co.		WY	20.52	–	3	–	NMF	30- 45 (45-120%)	28.5	2.9	.72	.60	57	12/31	.12	.10	6/30	.15	.15	YES
2447	1772	Whirlpool Corp.		WHR	66.33	3	3	3	1.30	100- 150 (50-125%)	10.5	3.0	6.33	2.00	17	12/31	1.73	2.11	6/30	.50	.50	YES
	1962	Whole Foods Market	(NDQ)	WFM	82.05	3	3	5	1.05	90- 135 (10- 65%)	34.9	0.7	2.35	.56	23	12/31	.65	.51	3/31	▲.14	.10	YES
	2366	Wiley (John) & Sons		JWA	45.03	2	3	3	.90	85- 125 (90-180%)	12.9	1.8	3.49	.80	16	1/31	.91	.84	6/30	.20	.16	YES
	616	Williams Cos.		WMB	32.31	–	3	–	NMF	30- 50 (N- 55%)	22.9	3.4	1.41	1.09	90	3/31	◆.39	.36	3/31	▲.259	.125	YES
	628	Williams Partners L.P.		WPZ	54.58	▼3	3	4	1.05	65- 95 (20- 75%)	14.3	5.9	3.83	3.20	64	12/31	1.05	.76	3/31	▲.763	.703	YES
	2197	Williams-Sonoma		WSM	37.27	3	3	3	1.15 ▲	60- 85 (60-130%)	16.2	2.4	2.30	.90	35	1/31	1.17	1.05	6/30	.22	.17	YES
	1051	Windstream Corp.	(NDQ)	WIN	11.17	3	3	3	.90	14- 20 (25- 80%)	16.0	9.0	.70	1.00	6	12/31	.15	.15	6/30	.25	.25	YES
	1052	Winn-Dixie Stores		WINN						SEE FINAL SUPPLEMENT - PAGE 1052												
	2321	Winnebago		WGO	9.30	4	4	2	1.45	11- 19 (20-105%)	26.6	NIL	.35	NIL	50	2/28	d.03	.11	3/31	NIL	NIL	YES
	794	Wintrust Financial	(NDQ)	WTFC	36.07	3	3	3	1.10	35- 50 (N- 40%)	20.3	0.5	1.78	.18	66	3/31	.50	.36	6/30	NIL	NIL	YES
	920	Wisconsin Energy		WEC	35.84	3	1	4	.65	35- 45 (N- 25%)	16.4	3.5	2.19	1.24	53	12/31	.49	.53	6/30	◆.30	.26	YES
	2164	Wolverine World Wide		WWW	36.53	3	2	3	.85	50- 65 (35- 80%)	14.7	1.3	▼2.48	.48	85	3/31	◆.64	.72	9/30	◆.12	.12	YES
	134	Woodward, Inc.	(NDQ)	WWD	41.18	3	3	3	1.40	45- 70 (10- 70%)	17.9	0.8	2.30	.32	69	3/31	◆.55	.46	6/30	▲.08	.07	YES
	2336	World Wrestling Ent.		WWE	7.88	5	3	3	.80	14- 20 (80-155%)	10.8	6.1	.73	.48	18	12/31	.02	.11	3/31	.12	.36	YES
	754	Worthington Inds.		WOR	17.74	3	3	2	1.35	25- 35 (40- 95%)	11.3	2.7	1.57	.48	68	2/28	.37	.35	6/30	.12	.10	YES
	2570	Wright Express		WXS	61.88	2	3	3	1.05	90- 130 (45-110%)	15.7	NIL	3.95	NIL	62	12/31	.98	.74	3/31	NIL	NIL	YES
	201	Wright Medical	(NDQ)	WMGI	18.35	4	3	5	.95	30- 45 (65-145%)	54.0	NIL	.34	NIL	74	12/31	.03	.22	3/31	NIL	NIL	YES
	2356	Wyndham Worldwide		WYN	47.11	2	4	3	1.80	45- 65 (N- 40%)	15.1	2.0	3.11	.92	24	3/31	◆.60	.40	3/31	▲.23	.15	YES
	2357	Wynn Resorts	(NDQ)	WYNN	124.71	3	3	3	1.80	190- 290 (50-135%)	22.0	1.6	5.67	2.00	24	12/31	1.55	.91	3/31	.50	NIL	YES
	775	**XL Group plc**		XL	21.26	5	4	3	1.55	25- 40 (20- 90%)	20.2	2.1	1.05	.44	93	12/31	d.25	.74	6/30	.11	.11	YES
	2638	XO Group		XOXO	9.38	3	3	5	.95	12- 18 (30- 90%)	46.9	NIL	.20	NIL	78	12/31	.09	.04	3/31	NIL	NIL	YES
	2252	Xcel Energy Inc.		XEL	26.71	3	2	4	.65	25- 35 (N- 30%)	15.8	4.0	1.69	1.07	25	12/31	.29	.29	6/30	.26	.253	YES
	848	XenoPort, Inc.	(NDQ)	XNPT	4.55	4	4	2	.95	15- 25 (230-450%)	NMF	NIL	d1.63	NIL	96	12/31	d.48	d.47	3/31	NIL	NIL	YES
	1431	Xerox Corp.		XRX	7.92	2	3	3	1.25	14- 20 (75-155%)	8.3	2.1	.95	.17	15	3/31	◆.19	.19	6/30	.043	.043	YES
	1384	Xilinx Inc.	(NDQ)	XLNX	33.53	▲3	2	3	.90	50- 65 (50- 95%)	19.3	2.6	1.74	.88	94	12/31	.47	.58	6/30	▲.22	.19	YES
	2639	**Yahoo! Inc.**	(NDQ)	YHOO	15.43	3	3	3	1.00	25- 40 (60-160%)	16.8	NIL	.92	NIL	78	3/31	.23	.17	3/31	NIL	NIL	YES
	377	Yum! Brands		YUM	72.24	3	2	3	.90	70- 90 (N- 25%)	22.9	1.7	3.15	1.25	32	3/31	.76	.63	6/30	.285	.25	YES
	2198	**Zale Corp.**		ZLC	2.57	5	5	3	1.55	9- 17 (250-560%)	NMF	NIL	▼d.76	NIL	35	1/31	.78	.86	3/31	NIL	NIL	YES
	595	Zebra Techn. 'A'	(NDQ)	ZBRA	37.18	4	3	3	1.00	55- 85 (50-130%)	14.7	NIL	2.53	NIL	98	12/31	.62	.50	3/31	NIL	NIL	YES
1820	1943	Zhongpin	(NDQ)	HOGS	9.59	–	5	–	1.25	20- 40 (110-315%)	6.9	NIL	1.38	NIL	79	12/31	.25	.50	3/31	NIL	NIL	YES
	202	Zimmer Holdings		ZMH	62.39	▼3	2	3	.95	85- 115 (35- 85%)	13.5	1.2	4.62	.72	74	12/31	.87	1.27	6/30	▲.18	NIL	YES
	2530	Zions Bancorp.	(NDQ)	ZION	20.06	▼3	3	3	1.50	19- 30 (N- 50%)	19.1	0.2	1.05	.04	60	3/31	◆.14	.08	3/31	.01	.01	YES
243	2199	Zipcar, Inc.	(NDQ)	ZIP	13.83	–	3	–	NMF	18- 25 (30- 80%)	NMF	NIL	.10	NIL	35	3/31	◆d.08	d.16	3/31	NIL	NIL	YES
1058	241	ZOLL Medical	(NDQ)	ZOLL	92.95	–	3	–	1.05	75- 115 (N- 25%)	48.9	NIL	1.90	NIL	75	12/31	.29	.18	3/31	NIL	NIL	YES
1434	2439	Zoltek Cos.	(NDQ)	ZOLT	10.50	1	3	3	1.80	20- 35 (90-235%)	11.7	NIL	.90	NIL	11	12/31	.22	d.05	3/31	NIL	NIL	YES
	2236	Zumiez Inc.	(NDQ)	ZUMZ	34.44	2	3	4	1.30 ▲	35- 50 (N- 45%)	25.5	NIL	1.35	NIL	59	1/31	.60	.49	3/31	NIL	NIL	YES
2656	135	Zygo Corp.	(NDQ)	ZIGO	18.28	2	3	4	1.25	40- 60 (120-230%)	12.6	NIL	1.45	NIL	69	12/31	.33	.32	3/31	NIL	NIL	YES
	2021	Zynga Inc.	(NDQ)	ZNGA	8.60	–	3	–	NMF	19- 30 (120-250%)	NMF	NIL	d.25	NIL	87	12/31	NA	NA	3/31	NIL	NIL	YES

INDUSTRIES, IN ORDER OF TIMELINESS*

Arrow (▲▼) before name indicates that a **significant change in Rank** has occurred since the preceding week.

1 Railroad
2 Cable TV
3 Automotive
4 Trucking
5 Heavy Truck & Equip
6 Telecom. Utility
7 Petroleum (Producing)
8 Retail Automotive
9 Medical Services
10 Air Transport
11 Chemical (Diversified)
12 Advertising
13 Auto Parts
14 Petroleum (Integrated)
15 Office Equip/Supplies
16 Publishing
17 Diversified Co.
18 Entertainment
19 Chemical (Basic)
20 Telecom. Services
21 Toiletries/Cosmetics
22 Retail Store
23 Retail/Wholesale Food
24 Hotel/Gaming
25 Electric Utility (West)
26 Machinery
27▲Metal Fabricating
28▲Oilfield Svcs/Equip.
29▼Tobacco
30 Pharmacy Services
31 Insurance (Life)
32 Restaurant
33 Packaging & Container
34 Natural Gas (Div.)
35 Retail (Hardlines)
36 Industrial Services
37 Metals & Mining (Div.)
38 Environmental
39 Water Utility
40 Engineering & Const
41 Chemical (Specialty)
42▲Retail Building Supply
43 Precious Metals
44 Coal
45 Computers/Peripherals
46 Electronics
47 Aerospace/Defense
48 Electric Utility (East)
49 IT Services
50 Recreation
51▼Computer Software
52 Drug
53 Electric Util. (Central)
54 Electrical Equipment
55▲Household Products
56 Newspaper
57 Paper/Forest Products
58 Property Management
59 Retail (Softlines)
60 Bank
61 Information Services
62 Financial Svcs. (Div.)
63 Natural Gas Utility
64 Pipeline MLPs
65 Human Resources
66 Bank (Midwest)
67 Educational Services
68 Steel
69 Precision Instrument
70 Semiconductor Equip
71 Securities Brokerage
72 Furn/Home Furnishings
73 Funeral Services
74 Med Supp Invasive
75 Med Supp Non-Invasive
76 Beverage
77▼Maritime
78 Internet
79 Food Processing
80 Healthcare Information
81 Apparel
82 Foreign Electronics
83 E-Commerce
84 Building Materials
85 Shoe
86 R.E.I.T.
87 Entertainment Tech
88 Public/Private Equity
89 Power
90 Oil/Gas Distribution
91 Reinsurance
92 Thrift
93 Insurance (Prop/Cas.)
94 Semiconductor
95 Telecom. Equipment
96 Biotechnology
97 Homebuilding
98 Wireless Networking

***Based on the Timeliness™ ranks of the stocks in the industry**

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Noteworthy Rank Changes

Listed below are some of the stocks whose Timeliness ranks have changed this week. We include mostly rank changes caused by fundamentals such as new earnings reports. Even when a significant change in earnings momentum has been forecast, the stock's rank will not be affected until the actual results, confirming that forecast, are reported. In most cases, we omit stocks that have been bumped up or down in rank by the dynamism of the ranking system.

STOCKS MOVING UP IN TIMELINESS RANK

Stock Name	Old Rank	New Rank	Reason for Change	Earnings Est. 12 months to 9-30-12
AT&T Inc. (B)	3	2	Earnings turnaround, as forecast. Mar. quarter 60¢ vs. year ago 57¢. Our estimate was 60¢.	Under Review
Align Techn. (B)	3	2	Higher than expected earnings. Mar. quarter 27¢ vs. year ago 21¢. Our estimate was 20¢.	Under Review
Allegiant Travel	3	2	Surprise factor, earnings turnaround. Mar. quarter $1.12 vs. year ago 89¢. Our estimate was 93¢.	Under Review
Amgen	2	1	Surprise factor, greater than average gain. Mar. quarter $1.61 vs. year ago $1.35. Our estimate was $1.40.	$5.74
BancorpSouth	4	3	Surprise factor, earnings turnaround. Mar. quarter 25¢ vs. year ago d1¢. Our estimate was 10¢.	.44
Belo Corp. 'A'	3	2	Surprise factor, earnings turnaround. Mar. quarter 14¢ vs. year ago 9¢. Our estimate was 12¢.	Under Review
Benchmark Electronics	4	3	Surprise factor, improving profit growth. Mar. quarter 25¢ vs. year ago 25¢. Our estimate was 22¢.	.97
Berkley (W.R.)	4	3	Surprise factor, earnings turnaround. Mar. quarter 73¢ vs. year ago 66¢. Our estimate was 65¢.	2.52
CNH Global NV	2	1	Surprise factor, greater than average gain. Mar. quarter $1.11 vs. year ago 57¢. Our estimate was 70¢.	Under Review
Can. National Railway	2	1	Higher than expected earnings. Mar. quarter $1.18 vs. year ago 88¢. Our estimate was $1.00.	5.28
Carlisle Cos. (B)	3	1	Higher than expected earnings. Mar. quarter 94¢ vs. year ago 53¢. Our estimate was 61¢.	3.73
Chubb Corp.	4	3	Surprise factor, greater than average gain. Mar. quarter $1.70 vs. year ago $1.35. Our estimate was $1.45.	6.18
Cullen/Frost Bankers	4	3	Surprise factor, greater than average gain. Mar. quarter 99¢ vs. year ago 85¢. Our estimate was 89¢.	3.85
Cymer Inc.	4	3	Higher than expected earnings. Mar. quarter 68¢ vs. year ago 94¢. Our estimate was 23¢.	1.13
E*Trade Fin'l	4	3	Surprise factor, improving profit growth. Mar. quarter 22¢ vs. year ago 16¢. Our estimate was 16¢.	.65
Energen Corp.	3	2	Surprise factor, earnings turnaround. Mar. quarter $1.33 vs. year ago $1.30. Our estimate was $1.15.	Under Review
Everest Re Group Ltd.	4	3	Surprise factor, earnings turnaround. Mar. quarter $4.48 vs. year ago d$5.95. Our estimate was $3.10.	Under Review
Helix Energy Solutions	2	1	Higher than expected earnings. Mar. quarter 62¢ vs. year ago 38¢. Our estimate was 33¢.	Under Review
Hill-Rom Hldgs.	3	2	Surprise factor, earnings turnaround. Mar. quarter 59¢ vs. year ago 54¢. Our estimate was 54¢.	Under Review
Horton D.R.	4	3	Higher than expected earnings. Mar. quarter 13¢ vs. year ago 9¢. Our estimate was 7¢.	.70
Int'l Game Tech.	3	2	Surprise factor, greater than average gain. Mar. quarter 27¢ vs. year ago 23¢. Our estimate was 26¢.	1.00
J&J Snack Foods	4	3	Surprise factor, greater than average gain. Mar. period 55¢ vs. year ago 46¢. Our estimate was 44¢.	Under Review
Kimberly-Clark	3	2	Surprise factor, greater than average gain. Mar. quarter $1.18 vs. year ago 86¢. Our estimate was $1.00.	4.39
Lennox Int'l	4	3	Surprise factor, improving profit growth. Mar. quarter d1¢ vs. year ago d13¢. Our estimate was d10¢.	Under Review
Lincoln Elec Hldgs.	3	2	Higher than expected earnings. Mar. quarter 76¢ vs. year ago 50¢. Our estimate was 65¢.	Under Review
Lockheed Martin	3	2	Surprise factor, earnings turnaround. Mar. period $2.03 vs. year ago $1.55. Our estimate was $1.70.	7.96
Logitech Int'l	4	3	Surprise factor, earnings turnaround. Mar. quarter 17¢ vs. year ago 2¢. Our estimate was 5¢.	Under Review
MarineMax	4	3	Higher than expected earnings. Mar. quarter 10¢ vs. year ago d20¢. Our estimate was d15¢.	(A)
Mead Johnson Nutrition	4	3	Greater than average gain, as forecast. Mar. quarter 80¢ vs. year ago 71¢. Our estimate was 80¢.	Under Review
Mine Safety Appliance	3	2	Higher than expected earnings. Mar. quarter 64¢ vs. year ago 36¢. Our estimate was 48¢.	Under Review
Mueller Inds.	4	3	Higher than expected earnings. Mar. period 69¢ vs. year ago 88¢. Our estimate was 60¢.	2.38
National Oilwell Varco	3	2	Higher than expected earnings. Mar. quarter $1.42 vs. year ago 96¢. Our estimate was $1.21.	5.75
NETGEAR	3	2	Higher than expected earnings. Mar. period 65¢ vs. year ago 57¢. Our estimate was 60¢.	Under Review
NewMarket Corp.	4	3	Higher than expected earnings. Mar. quarter $4.96 vs. year ago $5.33. Our estimate was $3.50.	15.87
Norfolk Southern	2	1	Higher than expected earnings. Mar. quarter $1.23 vs. year ago 90¢. Our estimate was $1.08.	5.80
Parker-Hannifin	2	1	Higher than expected earnings. Mar. quarter $2.01 vs. year ago $1.68. Our estimate was $1.78.	Under Review

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STOCKS MOVING UP IN TIMELINESS RANK

Stock Name	Old Rank	New Rank	Reason for Change	Earnings Est. 12 months to 9-30-12
Penske Auto	2	1	Higher than expected earnings. Mar. quarter 55¢ vs. year ago 37¢. Our estimate was 46¢.	(A)
Potlatch Corp.	5	4	Higher than expected earnings. Mar. quarter 13¢ vs. year ago 19¢. Our estimate was 5¢.	.50
PrivateBancorp	4	3	Greater than average gain. Mar. quarter 15¢ vs. year ago 10¢. Our estimate was 14¢.	.56
Regeneron Pharmac.	4	3	Surprise factor, earnings turnaround. Mar. quarter 11¢ vs. year ago d49¢. Our estimate was d35¢.	d.22
Regions Financial	4	3	Surprise factor, earnings turnaround. Mar. quarter 11¢ vs. year ago Nil. Our estimate was 6¢.	.15
Royal Dutch Shell 'A'	3	2	Surprise factor, earnings turnaround. Mar. quarter $2.80 vs. year ago $2.64. Our estimate was $1.80.	8.65
SunTrust Banks	3	2	Higher than expected earnings. Mar. quarter 46¢ vs. year ago 8¢. Our estimate was 36¢.	Under Review
TASER Int'l (B)	5	3	Surprise factor, earnings turnaround. Mar. quarter 7¢ vs. year ago Nil. Our estimate was d1¢.	Under Review
Terex Corp.	3	2	Higher than expected earnings. Mar. quarter 29¢ vs. year ago d17¢. Our estimate was 21¢.	Under Review
3M Company (B)	4	3	Higher than expected earnings. Mar. quarter $1.63 vs. year ago $1.49. Our estimate was $1.49.	Under Review
US Airways Group	2	1	Surprise factor, improving profit growth. Mar. quarter d13¢ vs. year ago d71¢. Our estimate was d20¢.	Under Review
United Therapeutics	3	2	Higher than expected earnings. Mar. quarter $1.29 vs. year ago 26¢. Our estimate was 95¢.	Under Review
Valmont Inds.	2	1	Higher than expected earnings. Mar. period $1.96 vs. year ago 97¢. Our estimate was $1.45.	Under Review
Xilinx Inc.	4	3	Higher than expected earnings. Mar. period 49¢ vs. year ago 59¢. Our estimate was 40¢.	Under Review

STOCKS MOVING DOWN IN TIMELINESS RANK

Stock Name	Old Rank	New Rank	Reason for Change	Earnings Est. 12 months to 9-30-12
ATMI, Inc.	2	3	Surprise factor, earnings reversal. Mar. quarter 16¢ vs. year ago 25¢. Our estimate was 20¢.	Under Review
Advance Auto Parts	1	2	Dynamism of the ranking system.	(A)
Aetna Inc. (B)	1	3	Earnings reversal. Mar. quarter $1.34 vs. year ago $1.43. Our estimate was $1.40.	$5.07
Amer. Elec. Power	2	3	Earnings reversal. Mar. quarter 80¢ vs. year ago 83¢. Our estimate was 85¢.	3.16
Big Lots Inc.	2	3	Lower than expected earnings. Management forecasts below expected earnings for the Apr. period vs. year ago 70¢. Our estimate was 79¢.	(A)
Bunge Ltd.	3	4	Lower than expected earnings. Mar. quarter 69¢ vs. year ago $1.49. Our estimate was $1.45.	Under Review
CME Group	3	4	Lower than expected earnings. Mar. quarter $4.02 vs. year ago $4.36. Our estimate was $4.40.	16.78
Cepheid	3	4	Surprise factor, earnings reversal. Mar. quarter d8¢ vs. year ago 1¢. Our estimate was 8¢.	.23
Ceradyne Inc. (B)	3	5	Surprise factor, earnings reversal. Mar. quarter 16¢ vs. year ago 94¢. Our estimate was 50¢.	1.92
Chicago Bridge & Iron	2	3	Lower than expected earnings. Mar. quarter 60¢ vs. year ago 51¢. Our estimate was 68¢.	Under Review
Dr Pepper Snapple	2	3	Surprise factor, earnings reversal. Mar. quarter 48¢ vs. year ago 50¢. Our estimate was 53¢.	2.83
EQT Corp.	3	4	Surprise factor, earnings reversal. Mar. quarter 50¢ vs. year ago 65¢. Our estimate was 63¢.	Under Review
Expeditors Int'l	4	5	Lower than expected earnings. Management forecasts 35-37¢ for the Mar. quarter vs. year ago 42¢. Our estimate was 42¢.	1.89
Exxon Mobil Corp. (B)	2	3	Earnings reversal. Mar. quarter $2.00 vs. year ago $2.14. Our estimate was $2.05.	Under Review
EZCORP, Inc. (B)	1	2	Lower than expected earnings. Management forecasts $2.85-$2.95 for the Sep. year vs. year ago $2.43. Our estimate was $3.05.	Under Review
Federal-Mogul Corp. (B)	1	3	Lower than expected earnings. Mar. quarter 32¢ vs. year ago 51¢. Our estimate was 52¢.	Under Review
Genesco Inc.	1	2	Dynamism of the ranking system.	(A)
GlaxoSmithKline ADR	3	4	Surprise factor, earnings reversal. Mar. quarter 83¢ vs. year ago 95¢. Our estimate was $1.00.	3.30
Goldcorp Inc.	3	4	Surprise factor, decreasing profit growth. Mar. quarter 50¢ vs. year ago 49¢. Our estimate was 61¢.	Under Review
Graco Inc.	3	4	Surprise factor, earnings reversal. Mar. period 58¢ vs. year ago 61¢. Our estimate was 65¢.	Under Review
Imation Corp.	4	5	Lower than expected earnings. Mar. quarter d29¢ vs. year ago d10¢. Our estimate was d13¢.	Under Review
Ingersoll-Rand	2	3	Lower than expected earnings. Management forecasts 85-90¢ for the Jun. quarter vs. year ago 92¢. Our estimate was $1.00.	Under Review
Janus Capital Group	3	4	Lower than expected earnings. Mar. quarter 12¢ vs. year ago 21¢. Our estimate was 15¢.	.69
Kellogg (B)	3	4	Surprise factor, earnings reversal. Mar. quarter 95¢ vs. year ago $1.00. Our estimate was $1.03.	3.28

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STOCKS MOVING DOWN IN TIMELINESS RANK

Stock Name	Old Rank	New Rank	Reason for Change	Earnings Est. 12 months to 9-30-12
Lancaster Colony	4	5	Lower than expected earnings. Mar. quarter 67¢ vs. year ago 71¢. Our estimate was 80¢.	Under Review
Lexmark Int'l 'A'	2	3	Lower than expected earnings. Management forecasts 95¢-$1.05 for the Jun. quarter vs. year ago $1.40. Our estimate was $1.15.	Under Review
Linn Energy, LLC	2	3	Surprise factor, earnings reversal. Mar. quarter 25¢ vs. year ago 38¢. Our estimate was 50¢.	1.83
LodgeNet Interactive (B)	1	3	Surprise factor, earnings reversal. Mar. quarter d14¢ vs. year ago d9¢. Our estimate was d1¢.	d.18
Lorillard Inc.	2	3	Surprise factor, decreasing profit growth. Mar. quarter $1.74 vs. year ago $1.71. Our estimate was $1.95.	8.27
Metro PCS Communic.	2	3	Surprise factor, earnings reversal. Mar. quarter 6¢ vs. year ago 16¢. Our estimate was 17¢.	.81
Molex Inc.	3	4	Lower than expected earnings. Management forecasts 36-40¢ for the Jun. quarter vs. year ago 45¢. Our estimate was 47¢.	Under Review
Nasdaq OMX Group	1	2	Surprise factor, flat year-to year comparison. Mar. quarter 61¢ vs. year ago 61¢. Our estimate was 65¢.	2.63
Northwest Bancshares	3	4	Flat year-to year comparison. Mar. quarter 16¢ vs. year ago 16¢. Our estimate was 17¢.	.68
Occidental Petroleum	2	3	Earnings reversal. Mar. quarter $1.92 vs. year ago $1.96. Our estimate was $2.00.	Under Review
Old Dominion Freight	1	2	Dynamism of the ranking system.	
Owens Corning	2	3	Surprise factor, earnings reversal. Mar. quarter 9¢ vs. year ago 21¢. Our estimate was 50¢.	1.68
PetSmart, Inc.	1	2	Dynamism of the ranking system.	(A)
Rockwell Automation	3	4	Surprise factor, decreasing profit growth. Mar. quarter $1.16 vs. year ago $1.14. Our estimate was $1.28.	Under Review
SAP AG	2	3	Lower than expected earnings. Mar. quarter 49¢ vs. year ago 44¢. Our estimate was 60¢.	3.44
Sanmina-SCI Corp. (B)	2	3	Lower than expected earnings. Management forecasts 26-32¢ for the Jun. period vs. year ago 42¢. Our estimate was 40¢.	1.25
Siemens AG (ADS)	3	4	Lower than expected earnings. Mar. quarter $1.51 vs. year ago $4.81. Our estimate was $2.20.	Under Review
Sonic Automotive	1	2	Dynamism of the ranking system.	(A)
Stillwater Mining	3	4	Lower than expected earnings. Mar. quarter 2¢ vs. year ago 34¢. Our estimate was 15¢.	Under Review
STMicroelectronics	3	4	Lower than expected earnings. Mar. quarter d14¢ vs. year ago 20¢. Our estimate was Nil.	Under Review
Symantec Corp.	2	3	Surprise factor, flat year-to year comparison. Management forecasts 22¢ for the Mar. period vs. year ago 22¢. Our estimate was 25¢.	1.04
Tennant Co.	3	4	Surprise factor, earnings reversal. Mar. quarter 28¢ vs. year ago 30¢. Our estimate was 40¢.	2.16
TriQuint Semic. (B)	3	5	Lower than expected earnings. Management forecasts d10-d15¢ for the Jun. period vs. year ago 17¢. Our estimate was 5¢.	Under Review
Valassis Communic.	1	2	Surprise factor, decreasing profit growth. Mar. quarter 60¢ vs. year ago 57¢. Our estimate was 70¢.	Under Review
Waters Corp.	3	4	Surprise factor, earnings reversal. Mar. period 98¢ vs. year ago $1.01. Our estimate was $1.10.	4.85
Williams Partners L.P.	2	3	Surprise factor, decreasing profit growth. Mar. quarter 85¢ vs. year ago 81¢. Our estimate was 92¢.	Under Review
Zions Bancorp.	2	3	Lower than expected earnings. Mar. quarter 14¢ vs. year ago 8¢. Our estimate was 25¢.	1.05

(A) New full-page report in this week's Ratings & Reports.
(B) Supplementary report in this week's Ratings & Reports.

TIMELY STOCKS IN TIMELY INDUSTRIES

Page No.	Industry (Industry Rank)	Recent Price	RANKS Timeliness	Technical	Safety	Beta	Current P/E Ratio	% Est'd Yield	Est'd 3-5 Year Price Apprec.
	Railroad (INDUSTRY RANK 1)								
338	CSX Corp.	21.81	1	3	3	1.20	11.8	2.2	60-130%
339	Can. National Railway	82.17	1	2	3	1.10	15.6	1.8	20- 65%
340	Can. Pacific Railway	76.63	2	3	3	1.30	17.8	1.8	10- 65%
343	Norfolk Southern	70.22	1	2	3	1.10	12.1	2.7	50-120%
344	RailAmerica	21.06	1	3	4	1.15	21.1	NIL	N- 65%
345	Union Pacific	110.52	2	2	3	1.15	14.3	2.2	45-100%
	Cable TV (INDUSTRY RANK 2)								
1023	Comcast Corp.	29.35	1	3	5	0.95	16.4	2.2	55-120%
1024	DIRECTV	47.60	1	3	3	0.90	11.1	NIL	175-310%
1025	Dish Network 'A'	30.97	1	3	5	1.20	11.0	NIL	45-125%
1030	Shaw Commun. 'B'	19.62	2	3	4	0.65	11.5	4.9	80-155%
1031	Time Warner Cable	80.94	1	3	4	1.05	15.4	2.8	35-105%
	Automotive (INDUSTRY RANK 3)								
102	Daimler AG	53.08	1	3	3	1.50	6.7	5.4	100-200%
106	Nissan Motor ADR	20.51	2	3	4	0.95	9.3	1.2	45-120%
107	Tata Motors ADR	29.71	1	3	2	1.35	8.1	1.5	50-120%
	Trucking (INDUSTRY RANK 4)								
318	Arkansas Best	17.78	2	3	2	1.20	22.8	0.7	95-210%
319	Con-way Inc.	32.50	2	3	3	1.25	17.7	1.2	55-115%
323	Hunt (J.B.)	55.65	2	3	3	1.05	22.3	1.0	N- 45%
325	Old Dominion Freight	48.05	2	3	3	1.10	17.5	NIL	15- 75%
326	Ryder System	48.41	1	3	3	1.25	12.5	2.4	55-125%
327	Werner Enterprises	23.74	2	3	3	0.90	15.3	0.8	25-110%
	Heavy Truck & Equip (INDUSTRY RANK 5)								
157	AGCO Corp.	45.16	1	3	2	1.50	9.1	NIL	55-135%
158	Actuant Corp.	26.95	2	3	3	1.35	13.5	0.1	30- 85%
160	CNH Global NV	44.08	1	3	1	1.80	10.5	NIL	60-150%
161	Caterpillar Inc.	108.40	1	3	2	1.30	11.8	1.7	35-100%
162	Cummins Inc.	116.04	1	3	3	1.45	11.5	1.4	50-125%
163	Deere & Co.	80.98	1	2	2	1.40	10.4	2.3	50-105%
171	PACCAR Inc.	42.23	2	3	3	1.25	11.8	1.9	65-150%
172	Terex Corp.	24.45	2	4	1	1.95	16.7	NIL	45-145%

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Timely Stocks

Stocks Ranked 1 (Highest) for Relative Price Performance (Next 12 Months)

Page No.	Stock Name	Ticker	Recent Price	Ranks Technical	Ranks Safety	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
157	AGCO Corp.	AGCO	45.16	3	2	9.1	NIL	Heavy Truck & Equip	5
1595	Abbott Labs.	ABT	60.73	1	4	12.3	3.4	Drug	52
1546	Aflac Inc.	AFL	42.00	3	2	7.2	3.2	Insurance (Life)	31
2533	Aircastle Ltd.	AYR	11.86	4	3	8.9	5.1	Financial Svcs. (Div.)	62
206	Alere Inc.	ALR	23.97	3	2	9.0	NIL	Med Supp Non-Invasive	75
1775	Amer. Water Works	AWK	33.67	3	3	17.6	2.7	Water Utility	39
830	Amgen ■	AMGN	68.63	1	3	12.0	2.2	Biotechnology	96
2389	Apache Corp.	APA	91.26	3	2	6.9	0.7	Petroleum (Producing)	7
1399	Apple Inc.	AAPL	560.28	2	5	12.8	1.9	Computers/Peripherals	45
2205	Ascena Retail Group	ASNA	20.15	3	4	13.6	NIL	Retail (Softlines)	59
555	Ashland Inc.	ASH	64.76	3	2	11.2	1.1	Chemical (Specialty)	41
1043	BT Group ADR	BT	34.53	3	3	9.2	3.8	Telecom. Utility	6
2390	Berry Petroleum 'A'	BRY	44.62	3	2	12.9	0.7	Petroleum (Producing)	7
2578	CA, Inc.	CA	26.31	2	3	13.6	3.8	Computer Software	51
2601	CACI Int'l	CACI	60.87	3	3	9.9	NIL	IT Services	49
1583	CF Industries	CF	181.40	3	2	7.5	0.9	Chemical (Basic)	19
160	CNH Global NV ■	CNH	44.08	3	1	10.5	NIL	Heavy Truck & Equip	5
338	CSX Corp.	CSX	21.81	3	3	11.8	2.2	Railroad	1
2171	Cabela's Inc.	CAB	38.44	3	5	17.5	NIL	Retail (Hardlines)	35
339	Can. National Railway ■	CNI	82.17	2	3	15.6	1.8	Railroad	1
1743	Carlisle Cos. ■	CSL	55.17	2	3	14.8	1.3	Diversified Co.	17
161	Caterpillar Inc.	CAT	108.40	3	2	11.8	1.7	Heavy Truck & Equip	5
2305	Cedar Fair L.P.	FUN	30.64	3	3	14.0	5.2	Recreation	50
1328	Celestica Inc.	CLS	8.94	3	2	9.0	NIL	Electronics	46
383	Coinstar Inc.	CSTR	63.45	3	5	16.5	NIL	Industrial Services	36
1023	Comcast Corp.	CMCSA	29.35	3	5	16.4	2.2	Cable TV	2
746	Commercial Metals	CMC	14.33	3	2	13.0	3.3	Steel	68
988	Commercial Vehicle	CVGI	9.74	5	1	7.3	NIL	Auto Parts	13
800	Community Health	CYH	23.27	3	2	6.6	NIL	Medical Services	9
2173	Cost Plus Inc.	CPWM	18.67	5	3	18.5	NIL	Retail (Hardlines)	35
162	Cummins Inc.	CMI	116.04	3	3	11.5	1.4	Heavy Truck & Equip	5
2432	Cytec Inds.	CYT	62.82	3	2	14.4	0.8	Chemical (Diversified)	11
102	Daimler AG	DDAIF	53.08	3	3	6.7	5.4	Automotive	3
990	Dana Holding Corp.	DAN	13.90	4	2	10.1	1.4	Auto Parts	13
802	DaVita Inc.	DVA	86.39	3	2	14.1	NIL	Medical Services	9
163	Deere & Co.	DE	80.98	2	2	10.4	2.3	Heavy Truck & Equip	5
2392	Denbury Resources	DNR	18.08	3	1	12.8	NIL	Petroleum (Producing)	7
1422	Diebold, Inc.	DBD	38.43	2	3	15.1	3.0	Office Equip/Supplies	15
2138	Dillard's, Inc.	DDS	62.61	3	3	12.8	0.3	Retail Store	22
1024	DIRECTV	DTV	47.60	3	3	11.1	NIL	Cable TV	2
2545	Discover Fin'l Svcs.	DFS	32.78	3	4	9.9	1.2	Financial Svcs. (Div.)	62
1025	Dish Network 'A'	DISH	30.97	3	5	11.0	NIL	Cable TV	2
927	Dycom Inds.	DY	22.22	3	4	19.0	NIL	Telecom. Services	20
1391	FSI Int'l	FSII	4.88	5	1	12.2	NIL	Semiconductor Equip	70
2142	Fred's Inc. 'A'	FRED	14.20	3	3	15.1	1.8	Retail Store	22
1748	GATX Corp.	GMT	42.39	3	3	16.8	2.9	Diversified Co.	17
1015	Helen of Troy Ltd.	HELE	32.81	3	3	8.8	NIL	Toiletries/Cosmetics	21
2411	Helix Energy Solutions ■	HLX	19.32	3	3	12.2	NIL	Oilfield Svcs/Equip.	28
219	Hologic, Inc.	HOLX	20.33	3	2	14.5	NIL	Med Supp Non-Invasive	75
1950	Ingles Markets	IMKTA	17.17	3	3	9.0	3.8	Retail/Wholesale Food	23
2181	Insight Enterprises	NSIT	19.70	3	3	8.1	NIL	Retail (Hardlines)	35
2379	Interpublic Group	IPG	10.88	3	3	14.9	2.4	Advertising	12
1334	Jabil Circuit	JBL	21.81	3	3	10.1	1.6	Electronics	46
1190	Jarden Corp.	JAH	39.76	3	3	16.6	NIL	Household Products	55
310	JetBlue Airways	JBLU	4.66	4	5	9.7	NIL	Air Transport	10
734	Kennametal Inc.	KMT	44.79	3	3	11.3	1.3	Metal Fabricating	27
563	Kronos Worldwide	KRO	21.95	3	1	8.5	2.7	Chemical (Specialty)	41
1364	LSI Corp.	LSI	8.03	3	2	15.7	NIL	Semiconductor	94
2380	Lamar Advertising	LAMR	29.20	4	2	NMF	NIL	Advertising	12
224	Life Technologies	LIFE	46.29	2	3	11.7	NIL	Med Supp Non-Invasive	75
2144	Macy's Inc.	M	38.82	3	4	12.4	2.2	Retail Store	22
1758	Myers Inds.	MYE	16.38	3	4	20.7	2.0	Diversified Co.	17
1337	NCR Corp.	NCR	23.07	3	3	15.2	NIL	Electronics	46
1163	Neenah Paper	NP	28.07	4	3	11.6	1.7	Paper/Forest Products	57
343	Norfolk Southern ■	NSC	70.22	2	3	12.1	2.7	Railroad	1
2418	Oil States Int'l	OIS	71.72	3	3	10.2	NIL	Oilfield Svcs/Equip.	28
1177	Owens-Illinois	OI	23.84	3	1	9.1	NIL	Packaging & Container	33
1760	Park-Ohio	PKOH	21.43	4	1	7.8	NIL	Diversified Co.	17
1761	Parker-Hannifin ■	PH	87.96	2	3	12.2	1.8	Diversified Co.	17
2349	Penn Nat'l Gaming	PENN	44.92	3	4	18.7	NIL	Hotel/Gaming	24
2131	Penske Auto ■	PAG	26.56	4	3	13.1	1.7	Retail Automotive	8
129	PerkinElmer Inc.	PKI	25.88	3	3	13.1	1.1	Precision Instrument	69
2350	Pinnacle Entertain.	PNK	11.15	4	3	19.6	NIL	Hotel/Gaming	24
344	RailAmerica	RA	21.06	3	4	21.1	NIL	Railroad	1
2230	rue21, inc.	RUE	29.66	3	2	17.3	NIL	Retail (Softlines)	59
326	Ryder System ■	R	48.41	3	3	12.5	2.4	Trucking	4
2365	Scholastic Corp.	SCHL	33.47	3	5	15.8	1.5	Publishing	16
1994	Schweitzer-Mauduit Int'l	SWM	66.19	3	4	8.1	0.9	Tobacco	29
1415	Seagate Technology	STX	29.84	3	1	3.3	3.4	Computers/Peripherals	45
812	Select Med. Hldgs.	SEM	7.85	3	4	8.0	NIL	Medical Services	9
2333	Sinclair Broadcast	SBGI	9.48	4	3	8.5	5.9	Entertainment	18
107	Tata Motors ADR	TTM	29.71	3	2	8.1	1.5	Automotive	3
1417	Tech Data	TECD	52.44	3	3	9.5	NIL	Computers/Peripherals	45
814	Tenet Healthcare	THC	5.34	5	3	31.4	NIL	Medical Services	9
1008	Tenneco Inc.	TEN	33.46	4	4	10.7	NIL	Auto Parts	13
1628	Teva Pharmac. (ADR)	TEVA	45.35	1	3	7.9	2.4	Drug	52
1766	Textron, Inc.	TXT	26.64	3	2	14.8	0.3	Diversified Co.	17
131	Thermo Fisher Sci.	TMO	52.74	2	3	11.4	1.0	Precision Instrument	69
2334	Time Warner	TWX	36.42	3	3	12.4	2.9	Entertainment	18
1031	Time Warner Cable	TWC	80.94	3	4	15.4	2.8	Cable TV	2
738	Timken Co.	TKR	51.12	3	2	9.9	1.8	Metal Fabricating	27
1009	Titan Int'l	TWI	24.05	3	2	11.1	0.1	Auto Parts	13
729	Triumph Group Inc.	TGI	61.03	3	4	11.9	0.3	Aerospace/Defense	47
314	US Airways Group ■	LCC	9.31	5	3	4.4	NIL	Air Transport	10
401	UniFirst Corp.	UNF	59.57	3	3	14.5	0.3	Industrial Services	36
1736	United Rentals	URI	44.67	5	3	15.0	NIL	Machinery	26
816	Universal Health Sv. 'B'	UHS	42.67	3	2	9.9	0.5	Medical Services	9
1770	Valmont Inds. ■	VMI	122.81	3	4	17.0	0.7	Diversified Co.	17
1631	Watson Pharmac.	WPI	68.60	2	5	11.4	NIL	Drug	52
2439	Zoltek Cos.	ZOLT	10.50	3	3	11.7	NIL	Chemical (Diversified)	11

■ Newly added this week.

Rank 1 Deletions:

Advance Auto Parts; *Aetna Inc.; EZCORP, Inc.; *Federal-Mogul Corp.; Genesco Inc.; *LodgeNet Interactive; Nasdaq OMX Group; Old Dominion Freight; PetSmart, Inc.; Sonic Automotive; Valassis Communic.

*Drops to Rank 3

Rank removed–see supplement or report:

None.

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Continued from preceding page

TIMELY STOCKS

Stocks Ranked 2 (Above Average) for Relative Price Performance in the Next 12 Months

Page No.	Stock Name	Ticker	Recent Price	Ranks Technical	Ranks Safety		Current P/E Ratio	Est'd % Yield	Industry Group	Industry Rank
1964	AB InBev ADR	BUD	71.45	1	3		16.2	2.2	Beverage	76
1214	AES Corp.	AES	12.14	3	3		17.9	1.4	Power	89
922	AT&T Inc. ▲	T	31.72	1	4		14.5	5.6	Telecom. Services	20
2598	Accenture Plc	ACN	62.82	2	3		15.7	2.1	IT Services	49
158	Actuant Corp.	ATU	26.95	3	3		13.5	0.1	Heavy Truck & Equip	5
2123	Advance Auto Parts ▼	AAP	88.85	3	3		15.3	0.3	Retail Automotive	8
1348	Advanced Micro Dev.	AMD	7.31	4	1		11.1	NIL	Semiconductor	94
1229	AECOM Techn.	ACM	21.64	3	2		8.7	NIL	Engineering & Const	40
1582	Agrium, Inc.	AGU	85.17	3	3		9.0	0.5	Chemical (Basic)	19
553	Airgas Inc.	ARG	89.23	3	4		21.7	1.5	Chemical (Specialty)	41
302	Alaska Air Group	ALK	33.95	4	4		7.7	NIL	Air Transport	10
1041	Alaska Communic.	ALSK	2.50	4	3		11.4	8.0	Telecom. Utility	6
2429	Albemarle Corp.	ALB	63.23	3	2		13.9	1.3	Chemical (Diversified)	11
1570	Alcoa Inc.	AA	9.66	3	2		24.2	1.2	Metals & Mining (Div.)	37
207	Align Techn. ▲	ALGN	31.76	3	2		31.8	NIL	Med Supp Non-Invasive	75
303	Allegiant Travel ▲	ALGT	59.58	3	4		19.5	NIL	Air Transport	10
430	Alliance Data Sys.	ADS	127.22	3	4		15.3	NIL	Information Services	61
597	Alliance Resource	ARLP	61.62	3	3		8.3	6.4	Coal	44
758	Allstate Corp.	ALL	32.81	2	3		7.8	2.7	Insurance (Prop/Cas.)	93
1572	AMCOL Int'l	ACO	29.74	3	3		15.0	2.4	Metals & Mining (Div.)	37
983	Amer. Axle	AXL	10.37	5	3		4.9	NIL	Auto Parts	13
2641	Amer. Capital, Ltd.	ACAS	9.07	5	2		10.1	NIL	Public/Private Equity	88
1774	Amer. States Water	AWR	35.96	3	3		16.7	3.1	Water Utility	39
1387	Amkor Technology	AMKR	5.67	5	2		11.1	NIL	Semiconductor Equip	70
1561	AngloGold Ashanti ADR	AU	32.99	3	2		10.8	1.6	Precious Metals	43
1323	Anixter Int'l	AXE	69.53	3	2		11.3	NIL	Electronics	46
2204	ANN Inc.	ANN	28.47	3	4		16.4	NIL	Retail (Softlines)	59
2538	Aon plc	AON	50.62	2	3		14.8	1.2	Financial Svcs. (Div.)	62
318	Arkansas Best	ABFS	17.78	3	2		22.8	0.7	Trucking	4
2124	Asbury Automotive	ABG	25.86	5	5		11.1	NIL	Retail Automotive	8
2126	AutoZone Inc.	AZO	379.36	3	4		16.1	NIL	Retail Automotive	8
1042	BCE Inc.	BCE	40.23	3	3		13.3	5.1	Telecom. Utility	6
2576	BMC Software	BMC	40.47	3	3		16.3	NIL	Computer Software	51
502	BP PLC ADR	BP	41.91	3	3		5.5	4.6	Petroleum (Integrated)	14
1171	Ball Corp.	BLL	42.96	2	3		15.2	0.9	Packaging & Container	33
2338	Bally Technologies	BYI	46.84	3	3		19.1	NIL	Hotel/Gaming	24
2506	Bank of Montreal	BMO.TO	59.10	2	3		10.7	4.8	Bank	60
1741	Barnes Group	B	27.59	3	3		14.9	1.4	Diversified Co.	17
1562	Barrick Gold	ABX	39.61	3	2		9.2	1.5	Precious Metals	43
1106	Beacon Roofing	BECN	25.76	3	3		16.6	NIL	Building Materials	84
2168	Bed Bath & Beyond	BBBY	67.71	1	4		15.5	NIL	Retail (Hardlines)	35
2323	Belo Corp. 'A' ▲	BLC	6.30	5	3		8.2	5.1	Entertainment	18
973	BioScrip, Inc.	BIOS	7.10	4	3		15.4	NIL	Pharmacy Services	30
350	Bob Evans Farms	BOBE	37.23	3	4		14.4	2.8	Restaurant	32
986	BorgWarner	BWA	79.59	3	4		15.3	NIL	Auto Parts	13
2339	Boyd Gaming	BYD	7.78	4	2		NMF	NIL	Hotel/Gaming	24
351	Brinker Int'l	EAT	31.20	3	4		16.4	2.2	Restaurant	32
1033	Brookfield Asset Mgmt.	BAM	32.30	3	3		24.1	1.7	Property Management	58
2302	Brunswick Corp.	BC	26.04	4	3		19.3	0.2	Recreation	50
2324	CBS Corp. 'B'	CBS	32.55	3	3		15.4	1.2	Entertainment	18
974	CVS Caremark Corp.	CVS	43.42	1	3		13.9	1.5	Pharmacy Services	30
2431	Cambrex Corp.	CBM	6.54	5	4		11.9	NIL	Chemical (Diversified)	11
2391	Can. Natural Res.	CNQ.TO	31.30	3	2		10.2	1.2	Petroleum (Producing)	7
340	Can. Pacific Railway	CP	76.63	3	3		17.8	1.8	Railroad	1
1980	Canon Inc. ADR	CAJ	46.42	2	4		17.7	3.1	Foreign Electronics	82
1707	Cascade Corp.	CASC	46.92	3	3		8.8	3.0	Machinery	26
1945	Casey's Gen'l Stores	CASY	55.89	3	3		16.8	1.1	Retail/Wholesale Food	23
2543	Cash Amer. Int'l	CSH	41.95	3	5		9.2	0.3	Financial Svcs. (Div.)	62
1744	Chemed Corp.	CHE	58.00	3	3		13.0	1.1	Diversified Co.	17
503	Chevron Corp.	CVX	103.03	1	4		7.9	3.5	Petroleum (Integrated)	14
2211	Chico's FAS	CHS	14.81	3	4		15.4	1.5	Retail (Softlines)	59
987	China Auto. Sys.	CAAS	5.66	3	3		7.3	NIL	Auto Parts	13
1045	Cincinnati Bell	CBB	3.60	4	3		NMF	NIL	Telecom. Utility	6
382	Cintas Corp.	CTAS	38.92	2	4		17.2	1.5	Industrial Services	36
1355	Cirrus Logic	CRUS	20.80	4	3		13.6	NIL	Semiconductor	94
953	Cisco Systems	CSCO	19.42	1	3		12.2	1.6	Telecom. Equipment	95
405	Clean Harbors	CLH	65.07	3	5		25.9	NIL	Environmental	38
1708	Columbus McKinnon	CMCO	14.92	3	2		11.0	NIL	Machinery	26
319	Con-way Inc.	CNW	32.50	3	3		17.7	1.2	Trucking	4
182	Conmed Corp.	CNMD	29.44	3	3		17.1	2.0	Med Supp Invasive	74
1046	Consol. Communic.	CNSL	18.87	3	4		21.0	8.2	Telecom. Utility	6
213	Cooper Cos.	COO	85.63	3	5		17.5	0.1	Med Supp Non-Invasive	75
306	Copa Holdings, S.A.	CPA	78.78	3	3		10.5	2.2	Air Transport	10
1999	Corinthian Colleges	COCO	3.73	5	1		9.1	NIL	Educational Services	67
1909	Corn Products Int'l	CPO	55.80	3	2		11.3	1.5	Food Processing	79
183	Covidien Plc	COV	54.19	2	2		12.6	1.7	Med Supp Invasive	74
357	Cracker Barrel	CBRL	56.00	3	3		13.1	1.9	Restaurant	32
523	Crosstex Energy	XTXI	14.37	5	5		NMF	3.3	Natural Gas (Div.)	34
1709	Curtiss-Wright	CW	35.74	3	3		11.9	0.9	Machinery	26
909	DTE Energy	DTE	55.98	3	4		15.2	4.4	Electric Util. (Central)	53
358	Darden Restaurants	DRI	50.39	3	3		13.9	3.4	Restaurant	32
1910	Dean Foods	DF	11.53	3	3		12.1	NIL	Food Processing	79
307	Delta Air Lines	DAL	10.48	4	3		5.7	NIL	Air Transport	10
2361	Deluxe Corp.	DLX	22.28	3	3		7.0	4.5	Publishing	16
1047	Deutsche Telekom ADR	DTEGY	11.32	2	3		14.9	8.2	Telecom. Utility	6
524	Devon Energy	DVN	66.79	3	2		10.9	1.2	Natural Gas (Div.)	34
2174	Dick's Sporting Goods	DKS	48.80	3	3		22.7	1.0	Retail (Hardlines)	35
359	DineEquity Inc.	DIN	47.61	4	3		11.4	NIL	Restaurant	32
2325	Discovery Communic.	DISCA	51.49	3	3		18.4	NIL	Entertainment	18
2326	Disney (Walt)	DIS	42.18	1	3		14.1	1.4	Entertainment	18
2139	Dollar General	DG	45.69	3	5		17.2	NIL	Retail Store	22
991	Dorman Products	DORM	46.52	3	4		13.4	NIL	Auto Parts	13
1711	Dover Corp.	DOV	60.87	2	3		12.6	2.1	Machinery	26
1587	Dow Chemical	DOW	34.63	3	2		15.1	3.7	Chemical (Basic)	19
434	Dun & Bradstreet	DNB	77.78	3	3		11.8	2.0	Information Services	61
525	EOG Resources	EOG	104.45	3	2		22.7	0.7	Natural Gas (Div.)	34
993	Eaton Corp. ▲	ETN	48.46	2	3		11.3	3.1	Auto Parts	13
2622	eBay Inc.	EBAY	39.30	2	5		21.8	NIL	Internet	78
362	Einstein Noah Rest.	BAGL	14.19	3	3		16.1	3.5	Restaurant	32
2241	El Paso Electric	EE	29.77	2	3		13.7	3.5	Electric Utility (West)	25
1423	Electr. for Imaging ▲	EFII	17.81	3	3		20.2	NIL	Office Equip/Supplies	15
528	Energen Corp. ▲	EGN	46.85	2	3		13.7	1.2	Natural Gas (Div.)	34
406	EnergySolutions	ES	4.26	4	2		14.7	NIL	Environmental	38
622	Enterprise Products	EPD	52.30	3	3		21.6	4.9	Pipeline MLPs	64
2547	EZCORP, Inc. ▼	EZPW	26.33	3	4		8.6	NIL	Financial Svcs. (Div.)	62
1589	FMC Corp.	FMC	104.72	3	3		15.4	0.7	Chemical (Basic)	19
2141	Family Dollar Stores	FDO	66.11	3	3		18.1	1.3	Retail Store	22
308	FedEx Corp.	FDX	88.94	2	3		13.3	0.6	Air Transport	10
2608	Fiserv Inc.	FISV	69.05	2	3		13.8	NIL	IT Services	49
1330	Flextronics Int'l	FLEX	6.60	3	3		8.3	NIL	Electronics	46
1713	Flowserve Corp.	FLS	111.98	3	2		13.7	1.3	Machinery	26
2220	Foot Locker	FL	29.91	3	3		14.0	2.4	Retail (Softlines)	59
1048	Frontier Communic.	FTR	4.12	3	3		16.5	9.7	Telecom. Utility	6
561	Fuller (H.B.)	FUL	32.16	3	3		16.7	1.1	Chemical (Specialty)	41
1221	GT Advanced Tech.	GTAT	7.11	4	2		4.1	NIL	Power	89
2177	GameStop Corp.	GME	22.28	3	4		7.4	2.7	Retail (Hardlines)	35
928	Gen'l Communic. 'A'	GNCMA	7.58	3	3		28.1	NIL	Telecom. Services	20
711	Gen'l Dynamics	GD	70.06	1	3		9.8	2.9	Aerospace/Defense	47
2158	Genesco Inc. ▼	GCO	72.34	3	5		16.7	NIL	Shoe	85
712	GeoEye, Inc.	GEOY	22.52	3	5		10.4	NIL	Aerospace/Defense	47
1160	Glatfelter	GLT	15.41	3	4		15.9	2.3	Paper/Forest Products	57
1234	Granite Construction	GVA	26.92	3	2		15.0	1.9	Engineering & Const	40
2129	Group 1 Automotive	GPI	56.45	3	3		13.1	1.0	Retail Automotive	8
2410	Halliburton Co.	HAL	33.38	3	2		8.4	1.1	Oilfield Svcs/Equip.	28
1332	Harris Corp.	HRS	43.83	2	3		8.6	3.1	Electronics	46
2242	Hawaiian Elec.	HE	26.16	3	3		16.6	4.7	Electric Utility (West)	25
309	Hawaiian Hldgs.	HA	5.05	4	2		5.0	NIL	Air Transport	10
803	Health Mgmt. Assoc.	HMA	7.02	5	2		7.7	NIL	Medical Services	9
804	Health Net	HNT	36.53	3	3		11.1	NIL	Medical Services	9
2412	Helmerich & Payne	HP	52.77	3	3		10.3	0.5	Oilfield Svcs/Equip.	28
2179	Hertz Global Hldgs.	HTZ	14.56	4	2		20.5	NIL	Retail (Hardlines)	35
218	Hill-Rom Hldgs. ▲	HRC	31.08	3	4		13.0	1.6	Med Supp Non-Invasive	75
1982	Hitachi, Ltd. ADR	HIT	63.19	3	3		18.5	1.3	Foreign Electronics	82
1137	Home Depot	HD	51.23	1	3		18.8	2.3	Retail Building Supply	42
1752	Honeywell Int'l	HON	59.93	1	3		13.7	2.5	Diversified Co.	17
2222	Hot Topic, Inc.	HOTT	9.63	3	5		31.1	3.3	Retail (Softlines)	59
323	Hunt (J.B.)	JBHT	55.65	3	3		22.3	1.0	Trucking	4
787	Huntington Bancshs.	HBAN	6.54	4	3		10.7	2.4	Bank (Midwest)	66
2435	Huntsman Corp.	HUN	14.00	4	1		13.5	2.9	Chemical (Diversified)	11
2001	ITT Educational	ESI	60.79	3	3		6.7	NIL	Educational Services	67
1715	IDEX Corp.	IEX	41.47	3	3		15.2	1.9	Machinery	26
733	Illinois Tool Works ▲	ITW	56.68	1	3		14.2	2.5	Metal Fabricating	27
508	Imperial Oil Ltd.	IMO	45.44	2	3		12.0	1.1	Petroleum (Integrated)	14
1408	Int'l Business Mach.	IBM	200.00	1	4		14.3	1.7	Computers/Peripherals	45
2343	Int'l Game Tech. ▲	IGT	15.90	3	3		15.9	1.5	Hotel/Gaming	24
1161	Int'l Paper	IP	32.82	3	3		11.4	3.2	Paper/Forest Products	57
2515	JPMorgan Chase	JPM	43.28	3	3		9.2	2.8	Bank	60
999	Johnson Controls ▲	JCI	31.02	3	3		11.3	2.3	Auto Parts	13
1637	Kelly Services 'A'	KELYA	13.80	3	2		11.1	1.7	Human Resources	65
1151	Kimball Int'l 'B'	KBALB	6.69	3	3		19.1	3.0	Furn/Home Furnishings	72
1191	Kimberly-Clark ▲	KMB	78.70	1	4		17.9	3.8	Household Products	55
334	Kirby Corp.	KEX	62.48	3	3		15.7	NIL	Maritime	77
1788	Knight Capital Group	KCG	13.12	3	3		9.6	NIL	Securities Brokerage	71
1951	Kroger Co.	KR	23.31	2	4		10.8	2.1	Retail/Wholesale Food	23
1152	La-Z-Boy Inc.	LZB	14.31	3	3		17.9	NIL	Furn/Home Furnishings	72
807	Laboratory Corp.	LH	87.38	1	3		12.8	NIL	Medical Services	9
2312	LeapFrog Enterpr. 'A'	LF	8.82	4	3		19.2	NIL	Recreation	50
1718	Lincoln Elec Hldgs. ▲	LECO	47.23	3	3		16.4	1.4	Machinery	26
1549	Lincoln Nat'l Corp.	LNC	23.95	3	1		6.0	1.5	Insurance (Life)	31
1719	Lindsay Corp.	LNN	66.88	3	3		18.1	0.5	Machinery	26
718	Lockheed Martin ▲	LMT	91.13	1	4		11.4	4.5	Aerospace/Defense	47
123	MTS Systems	MTSC	47.09	3	3		12.6	2.1	Precision Instrument	69
394	Macquarie Infrastructure	MIC	33.14	5	4		28.6	4.5	Industrial Services	36
1002	Magna Int'l 'A'	MGA	44.38	3	3		9.3	2.5	Auto Parts	13
2346	Marcus Corp.	MCS	12.46	3	5		15.2	2.7	Hotel/Gaming	24
2371	McClatchy Co.	MNI	2.64	5	4		3.6	NIL	Newspaper	56
226	McKesson Corp.	MCK	90.98	1	3		14.1	0.9	Med Supp Non-Invasive	75
825	MedAssets	MDAS	12.91	3	2		92.2	NIL	Healthcare Information	80
2226	Men's Wearhouse	MW	36.23	3	4		13.9	2.1	Retail (Softlines)	59
2583	Mentor Graphics	MENT	13.80	3	2		16.8	NIL	Computer Software	51

▲ Arrow indicates the direction of a change in Timeliness. ■ Newly added this week.

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Continued from preceding page

TIMELY STOCKS

Stocks Ranked 2 (Above Average) for Relative Price Performance in the Next 12 Months

Page No.	Stock Name	Ticker	Recent Price	Ranks Technical	Ranks Safety	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
1616	Merck & Co.	MRK	38.27	1	3	9.6	4.4	Drug	52
1003	Meritor, Inc.	MTOR	6.38	5	3	5.3	NIL	Auto Parts	13
1551	MetLife Inc.	MET	35.58	3	2	7.0	2.1	Insurance (Life)	31
2585	Microsoft Corp.	MSFT	31.92	1	4	11.7	2.5	Computer Software	51
1721	Middleby Corp. (The)	MIDD	96.26	3	4	15.9	NIL	Machinery	26
932	Millicom Int'l Cellular	MIICF	106.35	3	3	14.2	2.3	Telecom. Services	20
1722	Mine Safety Appliance ▲	MSA	41.12	3	3	19.7	2.6	Machinery	26
564	Minerals Techn.	MTX	65.77	2	2	16.0	0.3	Chemical (Specialty)	41
1976	Molson Coors Brewing	TAP	41.52	2	4	10.9	3.1	Beverage	76
719	Moog Inc. 'A'	MOGA	40.60	3	3	12.3	NIL	Aerospace/Defense	47
2184	Movado Group	MOV	26.84	3	5	21.6	0.7	Retail (Hardlines)	35
510	Murphy Oil Corp.	MUR	52.91	2	3	12.7	2.1	Petroleum (Integrated)	14
1617	Mylan Inc.	MYL	21.94	3	4	17.6	NIL	Drug	52
2414	Nabors Inds.	NBR	15.95	3	1	8.5	NIL	Oilfield Svcs/Equip.	28
1791	Nasdaq OMX Group ▼	NDAQ	25.33	3	3	9.6	NIL	Securities Brokerage	71
2563	Nat'l Fin'l Partners	NFP	14.56	5	2	12.2	NIL	Financial Svcs. (Div.)	62
2415	National Oilwell Varco ▲	NOV	78.02	3	3	13.6	0.6	Oilfield Svcs/Equip.	28
2185	Nautilus Inc.	NLS	2.54	5	1	12.7	NIL	Retail (Hardlines)	35
395	Navigant Consulting	NCI	14.21	3	3	15.3	NIL	Industrial Services	36
963	NETGEAR ▲	NTGR	33.49	3	2	13.7	NIL	Telecom. Equipment	95
964	NeuStar Inc.	NSR	36.51	3	3	19.6	NIL	Telecom. Equipment	95
2331	News Corp.	NWS	19.55	3	3	13.5	1.0	Entertainment	18
145	NextEra Energy	NEE	63.90	2	4	12.0	3.8	Electric Utility (East)	48
106	Nissan Motor ADR	NSANY	20.51	3	4	9.3	1.2	Automotive	3
2416	Noble Corp.	NE	37.00	3	2	14.2	NIL	Oilfield Svcs/Equip.	28
720	Northrop Grumman	NOC	62.73	1	3	8.5	3.4	Aerospace/Defense	47
1425	Office Depot	ODP	3.04	5	1	38.0	NIL	Office Equip/Supplies	15
325	Old Dominion Freight ▼	ODFL	48.05	3	3	17.5	NIL	Trucking	4
978	Omnicare, Inc. ▲	OCR	34.61	3	3	12.0	0.8	Pharmacy Services	30
1640	On Assignment	ASGN	16.52	3	3	21.2	NIL	Human Resources	65
2629	1-800-FLOWERS.COM	FLWS	3.02	4	3	17.8	NIL	Internet	78
2587	Oracle Corp.	ORCL	28.69	1	3	11.4	0.8	Computer Software	51
2630	Orbitz Worldwide	OWW	3.28	5	2	19.3	NIL	Internet	78
2186	PC Connection	PCCC	7.97	3	2	7.6	NIL	Retail (Hardlines)	35
1622	PDL BioPharma	PDLI	6.20	3	3	4.1	9.7	Drug	52
2247	PNM Resources	PNM	18.66	3	4	14.7	3.1	Electric Utility (West)	25
2437	PPG Inds.	PPG	102.00	1	3	16.1	2.3	Chemical (Diversified)	11
2113	PVH Corp.	PVH	86.74	3	3	14.7	0.2	Apparel	81
171	PACCAR Inc.	PCAR	42.23	3	3	11.8	1.9	Heavy Truck & Equip	5
1178	Packaging Corp.	PKG	29.33	3	3	16.3	3.4	Packaging & Container	33
1624	PAREXEL Int'l	PRXL	26.75	3	4	21.1	NIL	Drug	52
568	Penford Corp.	PENX	7.72	4	3	51.5	NIL	Chemical (Specialty)	41
2187	PetSmart, Inc. ▼	PETM	56.57	3	4	19.7	1.0	Retail (Hardlines)	35
2248	Pinnacle West Capital	PNW	48.11	2	3	14.3	4.4	Electric Utility (West)	25
2397	Pioneer Natural Res.	PXD	106.71	3	2	21.6	0.1	Petroleum (Producing)	7
626	Plains All Amer. Pipe.	PAA	80.91	3	4	15.5	5.2	Pipeline MLPs	64
1339	Plexus Corp.	PLXS	31.46	3	3	13.4	NIL	Electronics	46
1553	Protective Life	PL	28.23	3	2	7.8	2.3	Insurance (Life)	31
1554	Prudential Fin'l	PRU	59.26	3	3	8.3	2.8	Insurance (Life)	31
811	Quest Diagnostics	DGX	57.97	2	3	12.5	1.2	Medical Services	9
842	Questcor Pharmac.	QCOR	41.66	3	4	21.0	NIL	Biotechnology	96
2419	RPC Inc.	RES	9.34	3	3	4.0	3.4	Oilfield Svcs/Equip.	28
723	Raytheon Co.	RTN	52.98	1	3	9.9	3.8	Aerospace/Defense	47
370	Red Robin Gourmet	RRGB	34.13	3	3	20.0	NIL	Restaurant	32
1726	Regal Beloit	RBC	65.55	3	3	14.6	1.1	Machinery	26
1019	Regis Corp.	RGS	18.04	3	4	14.7	1.3	Toiletries/Cosmetics	21
750	Reliance Steel	RS	54.07	3	2	10.7	1.1	Steel	68
2148	Rent-A-Center	RCII	35.08	3	4	11.2	1.8	Retail Store	22
408	Republic Services	RSG	30.77	3	4	15.2	3.0	Environmental	38
1577	Rio Tinto plc	RIO	55.05	3	2	6.6	2.8	Metals & Mining (Div.)	37
1727	Robbins & Myers	RBN	49.26	3	4	14.5	0.4	Machinery	26
2229	Ross Stores	ROST	59.32	2	4	18.5	0.9	Retail (Softlines)	59
513	Royal Dutch Shell 'A' ▲	RDSA	68.40	1	4	7.9	5.0	Petroleum (Integrated)	14
1954	Safeway Inc.	SWY	21.63	2	3	11.4	3.1	Retail/Wholesale Food	23
2149	Saks Inc.	SKS	10.50	4	4	22.8	NIL	Retail Store	22
2332	Scripps Networks	SNI	48.14	2	3	15.3	1.0	Entertainment	18
2250	Sempra Energy	SRE	64.09	2	3	14.9	3.8	Electric Utility (West)	25
1816	Service Corp. Int'l	SCI	10.86	3	3	15.5	1.8	Funeral Services	73
1030	Shaw Commun. 'B'	SJRB.TO	19.62	3	4	11.5	4.9	Cable TV	2
936	Shenandoah Telecom.	SHEN	10.62	3	3	13.3	3.1	Telecom. Services	20
1140	Sherwin-Williams ▲	SHW	118.16	1	3	23.0	1.4	Retail Building Supply	42
1181	Silgan Holdings	SLGN	44.00	3	3	15.4	1.1	Packaging & Container	33
1935	Smithfield Foods	SFD	20.66	3	5	7.4	NIL	Food Processing	79
1731	Snap-on Inc.	SNA	61.89	2	3	12.7	2.2	Machinery	26
2133	Sonic Automotive ▼	SAH	16.91	4	3	10.4	0.6	Retail Automotive	8
549	Southwest Gas	SWX	41.50	3	4	15.1	2.8	Natural Gas Utility	63
1005	Standard Motor Prod.	SMP	14.44	4	3	8.6	2.6	Auto Parts	13
1765	Standex Int'l	SXI	42.38	3	4	13.0	0.7	Diversified Co.	17
1429	Staples, Inc.	SPLS	15.25	2	3	10.5	3.0	Office Equip/Supplies	15
196	Stryker Corp.	SYK	53.16	1	3	13.2	1.6	Med Supp Invasive	74
2319	Sturm, Ruger & Co.	RGR	53.25	3	3	24.7	1.6	Recreation	50
514	Suncor Energy	SU.TO	31.05	3	2	10.0	1.4	Petroleum (Integrated)	14
2524	SunTrust Banks ▲	STI	23.68	3	2	15.2	0.8	Bank	60
1956	SUPERVALU INC.	SVU	6.15	3	4	5.0	5.7	Retail/Wholesale Food	23
2232	TJX Companies	TJX	40.25	1	4	17.9	1.1	Retail (Softlines)	59
1007	TRW Automotive	TRW	43.39	4	3	6.6	NIL	Auto Parts	13
2152	Target Corp.	TGT	56.73	2	4	13.2	2.4	Retail Store	22
940	TELUS Corporation	T.TO	58.94	3	4	15.4	4.1	Telecom. Services	20
172	Terex Corp. ▲	TEX	24.45	4	1	16.7	NIL	Heavy Truck & Equip	5
410	Tetra Tech	TTEK	26.55	3	3	16.6	NIL	Environmental	38
441	Thomson Reuters	TRI.TO	28.60	2	3	11.4	4.5	Information Services	61
1735	Toro Co.	TTC	70.57	3	3	16.6	1.2	Machinery	26
517	Total ADR	TOT	47.18	1	3	6.9	6.5	Petroleum (Integrated)	14
1141	Tractor Supply	TSCO	96.93	2	4	27.7	0.6	Retail Building Supply	42
739	Trinity Inds.	TRN	29.86	3	3	13.5	1.2	Metal Fabricating	27
1198	Tupperware Brands ▲	TUP	60.17	3	3	12.7	2.4	Household Products	55
1242	URS Corp.	URS	40.07	3	3	10.7	2.0	Engineering & Const	40
411	US Ecology	ECOL	20.95	3	3	18.2	3.4	Environmental	38
345	Union Pacific	UNP	110.52	2	3	14.3	2.2	Railroad	1
1418	Unisys Corp.	UIS	16.40	5	2	4.0	NIL	Computers/Peripherals	45
793	U.S. Bancorp	USB	31.62	3	3	12.1	2.5	Bank (Midwest)	66
846	United Therapeutics ▲	UTHR	42.07	3	2	11.2	NIL	Biotechnology	96
815	UnitedHealth Group	UNH	58.72	2	5	12.2	1.1	Medical Services	9
2020	Universal Electronics	UEIC	16.02	3	3	9.4	NIL	Entertainment Tech	87
1557	Unum Group	UNM	23.44	3	3	7.5	1.8	Insurance (Life)	31
2384	Valassis Communic. ▼	VCI	22.05	4	2	7.4	NIL	Advertising	12
576	Valspar Corp.	VAL	49.78	3	3	16.6	1.6	Chemical (Specialty)	41
2385	ValueClick Inc.	VCLK	20.58	3	4	19.6	NIL	Advertising	12
942	Verizon Communic.	VZ	39.50	1	4	16.4	5.1	Telecom. Services	20
2335	Viacom Inc. 'B'	VIAB	46.13	3	3	10.9	2.2	Entertainment	18
1959	Village Super Market	VLGEA	27.52	2	2	13.4	3.6	Retail/Wholesale Food	23
943	Vodafone Group ADR	VOD	27.76	2	3	11.0	5.6	Telecom. Services	20
944	Vonage Holdings	VG	2.07	5	3	4.8	NIL	Telecom. Services	20
2386	WPP PLC ADR	WPPGY	67.22	3	3	13.4	2.5	Advertising	12
1737	Wabtec Corp.	WAB	78.70	3	3	17.3	0.2	Machinery	26
1167	Wausau Paper	WPP	8.72	3	4	28.1	1.4	Paper/Forest Products	57
1960	Weis Markets	WMK	43.77	1	4	15.1	2.7	Retail/Wholesale Food	23
818	WellPoint, Inc. ▲	WLP	70.76	3	3	9.2	1.6	Medical Services	9
2529	Wells Fargo	WFC	33.07	3	4	10.7	2.7	Bank	60
327	Werner Enterprises	WERN	23.74	3	3	15.3	0.8	Trucking	4
1318	WESCO Int'l	WCC	65.45	3	2	14.3	NIL	Electrical Equipment	54
240	West Pharmac. Svcs.	WST	42.25	3	3	16.8	1.7	Med Supp Non-Invasive	75
1419	Western Digital	WDC	41.44	3	3	6.2	NIL	Computers/Peripherals	45
2569	Western Union ▲	WU	18.06	3	3	10.9	2.2	Financial Svcs. (Div.)	62
2366	Wiley (John) & Sons	JWA	45.03	3	3	12.9	1.8	Publishing	16
2570	Wright Express	WXS	61.88	3	3	15.7	NIL	Financial Svcs. (Div.)	62
2356	Wyndham Worldwide	WYN	47.11	4	3	15.1	2.0	Hotel/Gaming	24
1431	Xerox Corp.	XRX	7.92	3	3	8.3	2.1	Office Equip/Supplies	15
2236	Zumiez Inc.	ZUMZ	34.44	3	4	25.5	NIL	Retail (Softlines)	59
135	Zygo Corp.	ZIGO	18.28	3	4	12.6	NIL	Precision Instrument	69

▲ Arrow indicates the direction of a change in Timeliness. ■ Newly added this week.

Rank 2 Deletions:

ATMI, Inc.; Amer. Elec. Power; Big Lots Inc.; Celgene Corp.; Chicago Bridge & Iron; Dr Pepper Snapple; Exxon Mobil Corp.; Hutchinson Techn.; Ingersoll-Rand; Itron Inc.; Lexmark Int'l 'A'; Linn Energy, LLC; Lorillard Inc.; Metro PCS Communic.; Nexen Inc.; Occidental Petroleum; Owens Corning; SAP AG; Sanmina-SCI Corp.; Symantec Corp.; Teck Resources Ltd. 'B'; Williams Partners L.P.; Zimmer Holdings; Zions Bancorp.

Rank removed–see supplement or report:

None.

Rank 3 Deletions:

Bunge Ltd.; CME Group; Cepheid; Ceradyne Inc.; EQT Corp.; GlaxoSmithKline ADR; Goldcorp Inc.; Graco Inc.; Huron Consulting; Janus Capital Group; Kellogg; Molex Inc.; Northwest Bancshares; RadioShack Corp.; Rockwell Automation; Siemens AG (ADS); Stillwater Mining; STMicroelectronics; Tennant Co.; TriQuint Semic.; Waters Corp.

Rank removed–see supplement or report:

None.

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CONSERVATIVE STOCKS
Stocks Ranked 1 (Highest) for Relative Safety

Page No.	Stock Name	Recent Price	Rank Time-liness	Rank Tech-nical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
1964	AB InBev ADR	71.45	2	3	16.2	2.2	Beverage	76
541	AGL Resources	38.30	3	4	14.0	4.8	Natural Gas Utility	63
922	AT&T Inc.	31.72	2	4	14.5	5.6	Telecom. Services	20
1595	Abbott Labs.	60.73	1	4	12.3	3.4	Drug	52
1598	Allergan, Inc.	94.18	3	5	25.6	0.2	Drug	52
830	Amgen (NDQ)	68.63	1	3	12.0	2.2	Biotechnology	96
2600	Automatic Data Proc. (NDQ)	54.73	3	3	19.1	2.9	IT Services	49
177	Bard (C.R.)	97.98	3	3	14.7	0.8	Med Supp Invasive	74
178	Baxter Int'l Inc.	54.76	3	3	12.2	2.4	Med Supp Invasive	74
179	Becton, Dickinson	76.06	3	3	13.4	2.4	Med Supp Invasive	74
2168	Bed Bath & Beyond (NDQ)	67.71	2	4	15.5	NIL	Retail (Hardlines)	35
761	Berkshire Hathaway 'B'	79.79	4	3	15.0	NIL	Insurance (Prop/Cas.)	93
1602	Bristol-Myers Squibb	33.97	3	5	15.4	4.0	Drug	52
1967	Brown-Forman 'B'	84.90	4	4	22.5	1.7	Beverage	76
137	CH Energy Group	66.10	–	4	21.2	3.4	Electric Utility (East)	48
974	CVS Caremark Corp.	43.42	2	3	13.9	1.5	Pharmacy Services	30
210	Cardinal Health	41.24	3	3	13.2	2.1	Med Supp Non-Invasive	75
1800	Check Point Software (NDQ)	59.80	3	4	21.4	NIL	E-Commerce	83
503	Chevron Corp.	103.03	2	4	7.9	3.5	Petroleum (Integrated)	14
763	Chubb Corp.	71.99	3	3	11.6	2.3	Insurance (Prop/Cas.)	93
1186	Church & Dwight	49.82	3	4	21.1	1.9	Household Products	55
953	Cisco Systems (NDQ)	19.42	2	3	12.2	1.6	Telecom. Equipment	95
1969	Coca-Cola	74.12	3	4	18.4	2.8	Beverage	76
1188	Colgate-Palmolive	98.43	3	4	18.9	2.6	Household Products	55
781	Commerce Bancshs. (NDQ)	39.97	3	3	14.2	2.3	Bank (Midwest)	66
1908	ConAgra Foods	25.87	3	4	14.3	3.7	Food Processing	79
504	ConocoPhillips	71.88	–	–	8.8	3.8	Petroleum (Integrated)	14
139	Consol. Edison	58.73	3	4	16.3	4.1	Electric Utility (East)	48
2137	Costco Wholesale (NDQ)	86.43	3	4	22.4	1.1	Retail Store	22
2512	Cullen/Frost Bankers	57.01	3	3	14.8	3.2	Bank	60
2326	Disney (Walt)	42.18	2	3	14.1	1.4	Entertainment	18
2140	Dollar Tree, Inc. (NDQ)	96.75	3	5	21.4	NIL	Retail Store	22
1588	Du Pont	52.68	3	3	13.0	3.1	Chemical (Basic)	19
559	Ecolab Inc.	62.11	3	3	24.5	1.3	Chemical (Specialty)	41
187	Edwards Lifesciences	73.33	4	4	29.8	NIL	Med Supp Invasive	74
1306	Emerson Electric	50.91	3	3	15.0	3.1	Electrical Equipment	54
610	Enbridge Inc. (TSE)	39.07	3	4	24.6	2.9	Oil/Gas Distribution	90
2026	Everest Re Group Ltd.	94.61	3	3	12.3	2.0	Reinsurance	91
505	Exxon Mobil Corp.	86.31	3	4	10.6	2.3	Petroleum (Integrated)	14
1981	FUJIFILM Hldgs. ADR (PNK)	21.46	3	4	16.9	2.1	Foreign Electronics	82
2551	Gallagher (Arthur J.)	36.49	4	3	23.2	3.7	Financial Svcs. (Div.)	62
711	Gen'l Dynamics	70.06	2	3	9.8	2.9	Aerospace/Defense	47
1915	Gen'l Mills	38.64	4	3	14.8	3.2	Food Processing	79
997	Genuine Parts	62.77	3	4	16.2	3.2	Auto Parts	13
1610	GlaxoSmithKline ADR	47.21	4	3	14.3	5.0	Drug	52
1311	Grainger (W.W.)	204.01	3	4	20.2	1.4	Electrical Equipment	54
1917	Heinz (H.J.)	52.33	3	4	15.3	3.8	Food Processing	79
1137	Home Depot	51.23	2	3	18.8	2.3	Retail Building Supply	42
1752	Honeywell Int'l	59.93	2	3	13.7	2.5	Diversified Co.	17
1920	Hormel Foods	28.38	3	3	15.3	2.2	Food Processing	79
220	IDEXX Labs. (NDQ)	85.49	3	3	28.8	NIL	Med Supp Non-Invasive	75
733	Illinois Tool Works	56.68	2	3	14.2	2.5	Metal Fabricating	27
1361	Intel Corp. (NDQ)	27.31	3	3	11.4	3.1	Semiconductor	94
1408	Int'l Business Mach.	200.00	2	4	14.3	1.7	Computers/Peripherals	45
562	Int'l Flavors & Frag.	59.13	3	4	15.0	2.1	Chemical (Specialty)	41
223	Johnson & Johnson	63.77	3	3	12.7	3.6	Med Supp Non-Invasive	75
1922	Kellogg	50.43	4	4	15.4	3.5	Food Processing	79
1191	Kimberly-Clark	78.70	2	4	17.9	3.8	Household Products	55
1923	Kraft Foods	38.36	3	4	15.9	3.0	Food Processing	79
1984	Kyocera Corp. ADR	92.11	3	3	16.5	1.6	Foreign Electronics	82
807	Laboratory Corp.	87.38	2	3	12.8	NIL	Medical Services	9
1192	Lancaster Colony (NDQ)	64.66	5	4	17.7	2.3	Household Products	55
1613	Lilly (Eli)	39.96	3	5	12.4	4.9	Drug	52
718	Lockheed Martin	91.13	2	4	11.4	4.5	Aerospace/Defense	47
530	MDU Resources	21.88	3	3	16.7	3.1	Natural Gas (Div.)	34
915	MGE Energy (NDQ)	45.03	4	4	18.8	3.4	Electric Util. (Central)	53
1924	McCormick & Co.	54.88	4	3	19.1	2.3	Food Processing	79
365	McDonald's Corp.	94.59	3	4	16.8	3.0	Restaurant	32
226	McKesson Corp.	90.98	2	3	14.1	0.9	Med Supp Non-Invasive	75
192	Medtronic, Inc.	37.12	3	3	10.4	2.8	Med Supp Invasive	74
1616	Merck & Co.	38.27	2	3	9.6	4.4	Drug	52
2585	Microsoft Corp. (NDQ)	31.92	2	4	11.7	2.5	Computer Software	51
1926	Nestle SA ADS (NDQ)	60.93	3	3	18.0	3.5	Food Processing	79
544	New Jersey Resources	42.79	3	3	15.0	3.6	Natural Gas Utility	63
2162	NIKE, Inc. 'B'	106.75	3	4	21.4	1.3	Shoe	85
720	Northrop Grumman	62.73	2	3	8.5	3.4	Aerospace/Defense	47
546	Northwest Nat. Gas	44.96	4	4	17.8	4.0	Natural Gas Utility	63
1619	Novartis AG ADR	54.81	4	4	15.1	4.4	Drug	52
1620	Novo Nordisk ADR	148.72	3	3	26.6	1.7	Drug	52
1210	Nuveen Muni Value Fund	10.07	–	3	NMF	4.8	Investment Co.	–
2587	Oracle Corp. (NDQ)	28.69	2	3	11.4	0.8	Computer Software	51
2437	PPG Inds.	102.00	2	3	16.1	2.3	Chemical (Diversified)	11
2613	Paychex, Inc. (NDQ)	30.49	4	3	18.5	4.3	IT Services	49
1978	PepsiCo, Inc.	66.51	4	3	17.2	3.2	Beverage	76
1626	Pfizer, Inc.	22.63	3	4	20.8	3.9	Drug	52
1195	Procter & Gamble	67.00	4	4	16.5	3.4	Household Products	55
723	Raytheon Co.	52.98	2	3	9.9	3.8	Aerospace/Defense	47
724	Rockwell Collins	55.33	3	4	12.3	2.2	Aerospace/Defense	47
513	Royal Dutch Shell 'A'	68.40	2	4	7.9	5.0	Petroleum (Integrated)	14
1627	Sanofi ADR	37.27	3	4	14.4	4.6	Drug	52
1140	Sherwin-Williams	118.16	2	3	23.0	1.4	Retail Building Supply	42
573	Sigma-Aldrich (NDQ)	70.40	3	4	18.1	1.1	Chemical (Specialty)	41
1936	Smucker (J.M.)	78.35	4	3	16.2	2.5	Food Processing	79
153	Southern Co.	45.87	3	4	17.4	4.3	Electric Utility (East)	48
196	Stryker Corp.	53.16	2	3	13.2	1.6	Med Supp Invasive	74
1957	Sysco Corp.	28.59	4	3	13.9	3.8	Retail/Wholesale Food	23
2232	TJX Companies	40.25	2	4	17.9	1.1	Retail (Softlines)	59
845	Techne Corp. (NDQ)	65.19	4	4	19.1	1.7	Biotechnology	96
1628	Teva Pharmac. (ADR) (NDQ)	45.35	1	3	7.9	2.4	Drug	52
1382	Texas Instruments (NDQ)	31.36	4	3	24.1	2.2	Semiconductor	94
1767	3M Company	88.49	3	3	14.3	2.7	Diversified Co.	17
1939	Tootsie Roll Ind.	22.89	4	3	26.0	1.4	Food Processing	79
517	Total ADR	47.18	2	3	6.9	6.5	Petroleum (Integrated)	14
774	Travelers Cos.	63.37	3	3	10.0	2.9	Insurance (Prop/Cas.)	93
1942	Unilever PLC ADR	33.54	3	4	18.1	3.9	Food Processing	79
316	United Parcel Serv.	79.46	3	4	16.7	2.9	Air Transport	10
1769	United Technologies	79.85	3	3	14.6	2.4	Diversified Co.	17
200	Varian Medical Sys.	66.97	3	3	17.2	NIL	Med Supp Invasive	74
942	Verizon Communic.	39.50	2	4	16.4	5.1	Telecom. Services	20
551	WGL Holdings Inc.	39.22	3	4	15.7	4.1	Natural Gas Utility	63
2153	Wal-Mart Stores	57.77	3	3	12.1	2.8	Retail Store	22
981	Walgreen Co.	35.24	3	3	13.6	2.6	Pharmacy Services	30
1960	Weis Markets	43.77	2	4	15.1	2.7	Retail/Wholesale Food	23
920	Wisconsin Energy	35.84	3	4	16.4	3.5	Electric Util. (Central)	53

CONSERVATIVE STOCKS
Stocks Ranked 2 (Above Average) for Relative Safety

Page No.	Stock Name	Recent Price	Rank Time-liness	Rank Tech-nical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
756	ACE Limited	75.24	3	3	10.0	2.5	Insurance (Prop/Cas.)	93
2598	Accenture Plc	62.82	2	3	15.7	2.1	IT Services	49
1202	Adams Express	10.82	–	3	NMF	1.4	Investment Co.	–
429	Advisory Board (NDQ)	88.27	3	4	47.7	NIL	Information Services	61
2428	Air Products & Chem.	84.72	3	3	14.4	3.0	Chemical (Diversified)	11
757	Alleghany Corp.	338.61	5	3	16.3	NIL	Insurance (Prop/Cas.)	93
902	ALLETE	40.89	3	4	16.2	4.5	Electric Util. (Central)	53
903	Alliant Energy	44.68	3	4	15.6	4.1	Electric Util. (Central)	53
758	Allstate Corp.	32.81	2	3	7.8	2.7	Insurance (Prop/Cas.)	93
1349	Altera Corp. (NDQ)	34.01	4	3	17.4	0.9	Semiconductor	94
1989	Altria Group	31.70	3	4	15.1	5.2	Tobacco	29
2535	Amer. Express	57.63	3	3	13.6	1.4	Financial Svcs. (Div.)	62
208	AmerisourceBergen	37.50	3	3	13.4	1.4	Med Supp Non-Invasive	75
1740	Ametek, Inc.	48.51	3	3	18.4	0.5	Diversified Co.	17
1351	Analog Devices (NDQ)	37.46	4	3	17.0	3.2	Semiconductor	94
2538	Aon plc	50.62	2	3	14.8	1.2	Financial Svcs. (Div.)	62
1399	Apple Inc. (NDQ)	560.28	1	5	12.8	1.9	Computers/Peripherals	45
1388	Applied Materials (NDQ)	11.49	4	2	13.5	3.1	Semiconductor Equip	70
1170	AptarGroup	54.03	3	3	19.5	1.6	Packaging & Container	33
1776	Aqua America	22.14	3	3	20.9	3.0	Water Utility	39
1902	Archer Daniels Midl'd	30.94	4	3	12.1	2.3	Food Processing	79
1599	AstraZeneca PLC (ADS)	45.82	3	3	7.3	6.5	Drug	52
542	Atmos Energy	31.99	3	3	13.9	4.3	Natural Gas Utility	63
556	Avery Dennison	31.28	3	3	18.2	3.5	Chemical (Specialty)	41
2238	Avista Corp.	26.06	3	4	15.2	4.5	Electric Utility (West)	25
778	BOK Financial (NDQ)	55.48	3	3	13.7	2.7	Bank (Midwest)	66
1171	Ball Corp.	42.96	2	3	15.2	0.9	Packaging & Container	33
2506	Bank of Montreal (TSE)	59.10	2	3	10.7	4.8	Bank	60
2508	Bank of Nova Scotia (TSE)	54.17	3	3	12.2	3.8	Bank	60
1172	Bemis Co.	31.64	3	4	15.3	3.2	Packaging & Container	33
760	Berkley (W.R.)	37.39	3	3	14.8	0.9	Insurance (Prop/Cas.)	93
706	Boeing	73.21	3	3	16.9	2.4	Aerospace/Defense	47
1990	Brit. Amer Tobac. ADR	102.03	3	3	16.4	4.1	Tobacco	29
2541	Brown & Brown	26.51	3	3	21.4	1.3	Financial Svcs. (Div.)	62
619	Buckeye Partners L.P.	57.17	4	4	19.1	7.3	Pipeline MLPs	64
2578	CA, Inc.	26.31	1	3	13.6	3.8	Computer Software	51
381	C.H. Robinson (NDQ)	65.83	3	4	23.1	2.0	Industrial Services	36
1906	Campbell Soup	33.62	4	4	14.1	3.5	Food Processing	79
2509	Can. Imperial Bank (TSE)	73.43	3	3	9.5	4.9	Bank	60
339	Can. National Railway	82.17	1	3	15.6	1.8	Railroad	1
1980	Canon Inc. ADR	46.42	2	4	17.7	3.1	Foreign Electronics	82
1743	Carlisle Cos.	55.17	1	3	14.8	1.3	Diversified Co.	17
1603	Celgene Corp. (NDQ)	77.35	3	5	20.0	NIL	Drug	52
1044	CenturyLink Inc.	37.94	3	3	16.1	7.6	Telecom. Utility	6
764	Cincinnati Financial (NDQ)	34.68	3	3	19.2	4.6	Insurance (Prop/Cas.)	93
382	Cintas Corp. (NDQ)	38.92	2	4	17.2	1.5	Industrial Services	36
908	Cleco Corp.	40.00	3	4	15.6	3.2	Electric Util. (Central)	53
1187	Clorox Co.	69.43	3	3	16.8	3.7	Household Products	55
2603	Cognizant Technology (NDQ)	72.39	3	3	21.6	NIL	IT Services	49
2604	Computer Sciences	27.11	3	3	9.4	3.0	IT Services	49

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Continued from preceding page

Stocks Ranked 2 (Above Average) for Relative Safety

Page No.	Stock Name	Recent Price	Rank Time-liness	Rank Tech-nical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
2128	Copart, Inc.	(NDQ) 26.22	3	4	18.9	NIL	Retail Automotive	8
183	Covidien Plc	54.19	2	2	12.6	1.7	Med Supp Invasive	74
1204	DNP Select Inc. Fund	10.83	–	3	NMF	7.2	Investment Co.	–
2605	DST Systems	54.13	3	3	12.0	1.5	IT Services	49
1746	Danaher Corp.	53.20	3	3	16.7	0.2	Diversified Co.	17
163	Deere & Co.	80.98	1	2	10.4	2.3	Heavy Truck & Equip	5
186	Dentsply Int'l	(NDQ) 39.98	3	3	18.5	0.6	Med Supp Invasive	74
1047	Deutsche Telekom ADR	(PNK) 11.32	2	3	14.9	8.2	Telecom. Utility	6
1974	Diageo plc	100.75	3	3	22.4	2.9	Beverage	76
1422	Diebold, Inc.	38.43	1	3	15.1	3.0	Office Equip/Supplies	15
141	Dominion Resources	50.81	3	4	16.4	4.2	Electric Utility (East)	48
1711	Dover Corp.	60.87	2	3	12.6	2.1	Machinery	26
2327	DreamWorks Animation	(NDQ) 17.68	5	2	16.5	NIL	Entertainment	18
142	Duke Energy	21.18	3	4	14.9	4.8	Electric Utility (East)	48
1402	EMC Corp.	27.50	3	3	23.1	NIL	Computers/Peripherals	45
993	Eaton Corp.	48.46	2	3	11.3	3.1	Auto Parts	13
2622	eBay Inc.	(NDQ) 39.30	2	5	21.8	NIL	Internet	78
2241	El Paso Electric	29.77	2	3	13.7	3.5	Electric Utility (West)	25
709	Elbit Systems	(NDQ) 35.71	4	3	12.3	4.0	Aerospace/Defense	47
910	Empire Dist. Elec.	20.33	3	3	16.4	4.9	Electric Util. (Central)	53
528	Energen Corp.	46.85	2	3	13.7	1.2	Natural Gas (Div.)	34
621	Energy Transfer	47.72	4	3	30.8	7.6	Pipeline MLPs	64
911	Entergy Corp.	65.94	3	4	12.5	5.0	Electric Util. (Central)	53
435	Equifax, Inc.	43.70	3	3	15.9	1.6	Information Services	61
765	Erie Indemnity Co.	(NDQ) 75.04	4	4	23.9	2.9	Insurance (Prop/Cas.)	93
143	Exelon Corp.	37.94	3	3	12.6	5.5	Electric Utility (East)	48
386	Expeditors Int'l	(NDQ) 41.25	5	3	21.8	1.3	Industrial Services	36
976	Express Scripts 'A'	(NDQ) 57.22	3	2	17.9	NIL	Pharmacy Services	30
436	FactSet Research	101.80	3	3	24.5	1.1	Information Services	61
1136	Fastenal Co.	(NDQ) 46.29	3	3	33.8	1.5	Retail Building Supply	42
308	FedEx Corp.	88.94	2	3	13.3	0.6	Air Transport	10
144	FirstEnergy Corp.	45.93	3	4	19.4	4.8	Electric Utility (East)	48
2608	Fiserv Inc.	(NDQ) 69.05	2	3	13.8	NIL	IT Services	49
2550	Franklin Resources	121.16	3	3	14.0	0.9	Financial Svcs. (Div.)	62
2221	Gap (The), Inc.	27.19	3	3	15.8	1.8	Retail (Softlines)	59
2552	Global Payments	44.74	3	3	13.7	0.2	Financial Svcs. (Div.)	62
2624	Google, Inc.	(NDQ) 601.27	3	4	17.2	NIL	Internet	78
217	Haemonetics Corp.	67.39	4	4	20.3	NIL	Med Supp Non-Invasive	75
767	Hanover Insurance	40.07	3	3	11.4	3.0	Insurance (Prop/Cas.)	93
1332	Harris Corp.	43.83	2	3	8.6	3.1	Electronics	46
2309	Hasbro, Inc.	(NDQ) 35.13	3	2	11.6	4.1	Recreation	50
321	Heartland Express	(NDQ) 13.98	3	4	17.0	0.6	Trucking	4
2609	Henry (Jack) & Assoc.	(NDQ) 33.16	3	3	18.7	1.4	IT Services	49
1919	Hershey Co.	66.00	3	5	21.3	2.4	Food Processing	79
1405	Hewlett-Packard	24.44	3	1	7.6	2.2	Computers/Peripherals	45
105	Honda Motor ADR	35.49	3	3	14.8	2.1	Automotive	3
1313	Hubbell Inc. 'B'	78.52	3	3	16.6	2.1	Electrical Equipment	54
913	ITC Holdings	78.25	3	4	21.0	1.9	Electric Util. (Central)	53
1753	ITT Corp.	22.07	–	–	14.6	1.6	Diversified Co.	17
508	Imperial Oil Ltd.	(ASE) 45.44	2	3	12.0	1.1	Petroleum (Integrated)	14
2610	Infosys Techn. ADR	(NDQ) 45.74	3	3	14.2	1.5	IT Services	49
914	Integrys Energy	53.49	3	4	17.9	5.1	Electric Util. (Central)	53
2582	Intuit Inc.	(NDQ) 56.29	3	3	19.8	1.1	Computer Software	51
1921	J&J Snack Foods	(NDQ) 55.68	3	4	23.2	1.0	Food Processing	79
2649	KKR & Co. L.P.	13.65	–	–	8.1	7.3	Public/Private Equity	88
624	Kinder Morgan Energy	84.90	3	3	40.0	5.7	Pipeline MLPs	64
2143	Kohl's Corp.	49.34	3	3	11.2	2.7	Retail Store	22
1951	Kroger Co.	23.31	2	4	10.8	2.1	Retail/Wholesale Food	23
717	L-3 Communic.	69.85	3	3	8.0	2.9	Aerospace/Defense	47
543	Laclede Group	39.49	3	4	14.6	4.2	Natural Gas Utility	63
1017	Lauder (Estee)	61.88	3	3	26.8	1.0	Toiletries/Cosmetics	21
1153	Leggett & Platt	23.36	4	4	18.5	4.8	Furn/Home Furnishings	72
1208	Liberty All-Star	4.81	–	3	NMF	5.0	Investment Co.	–
224	Life Technologies	(NDQ) 46.29	1	3	11.7	NIL	Med Supp Non-Invasive	75
809	Lincare Holdings	(NDQ) 24.90	3	3	11.6	3.2	Medical Services	9
2559	Loews Corp.	40.24	4	3	12.9	0.6	Financial Svcs. (Div.)	62
1991	Lorillard Inc.	134.82	3	5	16.3	4.6	Tobacco	29
1138	Lowe's Cos.	31.38	3	3	17.1	2.0	Retail Building Supply	42
2394	Marathon Oil Corp.	29.39	–	–	11.0	2.3	Petroleum (Producing)	7
768	Markel Corp.	439.04	4	3	27.0	NIL	Insurance (Prop/Cas.)	93
2313	Mattel, Inc.	(NDQ) 32.33	3	3	13.9	3.8	Recreation	50
393	MAXIMUS Inc.	43.16	3	3	19.2	1.0	Industrial Services	36
769	Mercury General	44.59	4	4	16.3	5.5	Insurance (Prop/Cas.)	93
124	Mettler-Toledo Int'l	171.93	3	2	18.7	NIL	Precision Instrument	69
1778	Middlesex Water	(NDQ) 18.25	4	3	20.7	4.1	Water Utility	39
564	Minerals Techn.	65.77	2	2	16.0	0.3	Chemical (Specialty)	41
1336	Molex Inc.	(NDQ) 26.85	4	3	16.6	3.0	Electronics	46
1976	Molson Coors Brewing	41.52	2	4	10.9	3.1	Beverage	76
962	Motorola Solutions	48.66	–	–	16.4	1.8	Telecom. Equipment	95
510	Murphy Oil Corp.	52.91	2	3	12.7	2.1	Petroleum (Integrated)	14
2518	Nat'l Bank of Canada	(TSE) 77.28	3	3	10.5	3.9	Bank	60
531	National Fuel Gas	45.23	4	3	17.7	3.1	Natural Gas (Div.)	34
145	NextEra Energy	63.90	2	4	12.0	3.8	Electric Utility (East)	48
343	Norfolk Southern	70.22	1	3	12.1	2.7	Railroad	1
916	OGE Energy	52.69	3	4	15.2	3.1	Electric Util. (Central)	53
511	Occidental Petroleum	88.22	3	2	10.6	2.5	Petroleum (Integrated)	14
2383	Omnicom Group	49.79	3	3	14.2	2.4	Advertising	12
2130	O'Reilly Automotive	(NDQ) 95.00	3	5	21.9	NIL	Retail Automotive	8
231	Owens & Minor	29.00	3	3	14.3	3.0	Med Supp Non-Invasive	75
232	PSS World Medical	(NDQ) 23.56	3	3	15.6	NIL	Med Supp Non-Invasive	75
2438	Pall Corp.	58.98	3	3	20.6	1.4	Chemical (Diversified)	11
368	Panera Bread Co.	(NDQ) 148.25	3	3	28.0	NIL	Restaurant	32
1761	Parker-Hannifin	87.96	1	3	12.2	1.8	Diversified Co.	17
234	Patterson Cos.	(NDQ) 32.52	3	3	15.5	1.7	Med Supp Non-Invasive	75
1992	Philip Morris Int'l	86.17	3	3	17.7	3.6	Tobacco	29
547	Piedmont Natural Gas	29.73	4	4	18.0	4.0	Natural Gas Utility	63
2248	Pinnacle West Capital	48.11	2	3	14.3	4.4	Electric Utility (West)	25
2249	Portland General	25.36	3	3	13.1	4.3	Electric Utility (West)	25
569	Praxair Inc.	112.43	3	4	19.6	2.0	Chemical (Specialty)	41
722	Precision Castparts	172.48	3	4	18.9	0.1	Aerospace/Defense	47
150	Progress Energy	52.24	–	4	16.6	4.7	Electric Utility (East)	48
151	Public Serv. Enterprise	30.40	3	3	12.9	4.7	Electric Utility (East)	48
1535	Public Storage	141.66	3	3	41.5	3.1	R.E.I.T.	86
967	Qualcomm Inc.	(NDQ) 61.86	3	3	18.7	1.6	Telecom. Equipment	95
811	Quest Diagnostics	57.97	2	3	12.5	1.2	Medical Services	9
2589	Quest Software	(NDQ) 23.19	–	3	22.3	NIL	Computer Software	51
772	RLI Corp.	68.37	4	4	15.0	1.8	Insurance (Prop/Cas.)	93
1930	Ralcorp Holdings	72.52	–	–	19.3	NIL	Food Processing	79
1555	Reinsurance Group	57.11	3	3	8.0	1.3	Insurance (Life)	31
2029	RenaissanceRe Hldgs.	74.95	4	3	11.0	1.4	Reinsurance	91
235	ResMed Inc.	31.25	3	3	19.2	NIL	Med Supp Non-Invasive	75
1993	Reynolds American	39.65	3	4	14.0	5.6	Tobacco	29
397	Rollins, Inc.	20.86	3	4	27.8	1.6	Industrial Services	36
2229	Ross Stores	(NDQ) 59.32	2	4	18.5	0.9	Retail (Softlines)	59
2522	Royal Bank of Canada	(TSE) 56.54	3	4	12.2	4.0	Bank	60
398	SAIC, Inc.	12.03	3	3	8.0	4.0	Industrial Services	36
2591	SAP AG	65.15	3	3	18.9	1.5	Computer Software	51
2614	SEI Investments	(NDQ) 19.82	5	3	16.9	1.6	IT Services	49
1954	Safeway Inc.	21.63	2	3	11.4	3.1	Retail/Wholesale Food	23
194	St. Jude Medical	37.89	3	2	11.1	2.4	Med Supp Invasive	74
1932	Sara Lee Corp.	21.71	–	3	21.9	2.2	Food Processing	79
152	SCANA Corp.	45.59	3	3	14.9	4.3	Electric Utility (East)	48
2421	Schlumberger Ltd.	72.71	3	2	16.0	1.5	Oilfield Svcs/Equip.	28
2332	Scripps Networks	48.14	2	3	15.3	1.0	Entertainment	18
2250	Sempra Energy	64.09	2	3	14.9	3.8	Electric Utility (West)	25
1731	Snap-on Inc.	61.89	2	3	12.7	2.2	Machinery	26
1182	Sonoco Products	32.92	3	3	14.8	3.6	Packaging & Container	33
1987	Sony Corp. ADR	16.62	5	4	NMF	1.9	Foreign Electronics	82
548	South Jersey Inds.	48.41	3	3	15.6	3.4	Natural Gas Utility	63
1429	Staples, Inc.	(NDQ) 15.25	2	3	10.5	3.0	Office Equip/Supplies	15
409	Stericycle Inc.	(NDQ) 87.22	3	3	28.1	NIL	Environmental	38
2593	Synopsys, Inc.	(NDQ) 29.06	3	3	18.2	NIL	Computer Software	51
154	TECO Energy	17.80	3	3	13.5	5.0	Electric Utility (East)	48
2152	Target Corp.	56.73	2	4	13.2	2.4	Retail Store	22
198	Teleflex Inc.	61.93	3	3	14.7	2.2	Med Supp Invasive	74
1049	Telefonica SA ADR	14.57	3	3	6.3	11.3	Telecom. Utility	6
2594	Teradata Corp.	66.81	3	4	29.8	NIL	Computer Software	51
131	Thermo Fisher Sci.	52.74	1	3	11.4	1.0	Precision Instrument	69
441	Thomson Reuters	(TSE) 28.60	2	3	11.4	4.5	Information Services	61
375	Tim Hortons	54.41	3	3	21.3	1.5	Restaurant	32
1556	Torchmark Corp.	48.89	3	3	9.5	1.2	Insurance (Life)	31
2527	Toronto-Dominion	(TSE) 82.46	3	3	12.0	3.5	Bank	60
400	Towers Watson & Co.	64.37	–	–	14.7	0.6	Industrial Services	36
1141	Tractor Supply	(NDQ) 96.93	2	4	27.7	0.6	Retail Building Supply	42
615	TransCanada Corp.	44.21	3	4	19.5	4.0	Oil/Gas Distribution	90
1212	Tri-Continental	15.56	–	3	NMF	2.4	Investment Co.	–
550	UGI Corp.	26.67	3	3	13.7	4.0	Natural Gas Utility	63
155	UIL Holdings	33.53	3	3	15.5	5.2	Electric Utility (East)	48
345	Union Pacific	110.52	2	3	14.3	2.2	Railroad	1
815	UnitedHealth Group	58.72	2	5	12.2	1.1	Medical Services	9
2120	V.F. Corp.	147.01	3	5	16.8	2.0	Apparel	81
918	Vectren Corp.	28.68	3	4	16.3	4.9	Electric Util. (Central)	53
442	Verisk Analytics	(NDQ) 47.77	3	4	27.6	NIL	Information Services	61
1959	Village Super Market	(NDQ) 27.52	2	2	13.4	3.6	Retail/Wholesale Food	23
943	Vodafone Group ADR	(NDQ) 27.76	2	3	11.0	5.6	Telecom. Services	20
1199	WD-40 Co.	(NDQ) 44.15	3	4	19.2	2.7	Household Products	55
2375	Washington Post	373.65	3	3	17.3	2.6	Newspaper	56
413	Waste Management	35.98	3	4	16.1	3.9	Environmental	38
133	Waters Corp.	81.80	4	3	16.9	NIL	Precision Instrument	69
1631	Watson Pharmac.	68.60	1	5	11.4	NIL	Drug	52
919	Westar Energy	28.26	3	3	14.7	4.7	Electric Util. (Central)	53
1961	Weston (George)	(TSE) 62.21	3	3	13.8	2.3	Retail/Wholesale Food	23
2164	Wolverine World Wide	36.53	3	3	14.7	1.3	Shoe	85
2252	Xcel Energy Inc.	26.71	3	4	15.8	4.0	Electric Utility (West)	25
1384	Xilinx Inc.	(NDQ) 33.53	3	3	19.3	2.6	Semiconductor	94
377	Yum! Brands	72.24	3	3	22.9	1.7	Restaurant	32
202	Zimmer Holdings	62.39	3	3	13.5	1.2	Med Supp Invasive	74

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HIGHEST DIVIDEND YIELDING STOCKS (Based upon estimated year-ahead dividends per share)

Page No.	Stock Name	Recent Price	Time-liness	Safety Rank	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
623	Inergy, L.P.	16.12	–	3	40.3	17.5	Pipeline MLPs	64
1514	Annaly Capital Mgmt.	16.17	3	3	7.6	12.7	R.E.I.T.	86
1049	Telefonica SA ADR	14.57	3	2	6.3	11.3	Telecom. Utility	6
2642	Apollo Investment	7.24	3	3	7.0	11.0	Public/Private Equity	88
2647	Gladstone Capital	7.94	5	3	13.2	10.6	Public/Private Equity	88
1205	DWS High Income	10.12	–	4	NMF	10.1	Investment Co.	–
1781	BGC Partners Inc.	6.85	3	4	8.6	9.9	Securities Brokerage	71
533	Pengrowth Energy	8.62	3	3	39.2	9.9	Natural Gas (Div.)	34
1048	Frontier Communic.	4.12	2	3	16.5	9.7	Telecom. Utility	6
1622	PDL BioPharma	6.20	2	3	4.1	9.7	Drug	52
2189	RadioShack Corp.	5.34	4	4	38.1	9.4	Retail (Hardlines)	35
1818	StoneMor Partners L.P.	25.34	5	4	NMF	9.2	Funeral Services	73
934	NTELOS Hldgs.	18.59	–	3	16.9	9.0	Telecom. Services	20
1051	Windstream Corp.	11.17	3	3	16.0	9.0	Telecom. Utility	6
602	Natural Resource	24.59	3	3	13.1	8.9	Coal	44
1427	Pitney Bowes	16.95	3	3	7.8	8.9	Office Equip/Supplies	15
2636	United Online	4.54	3	4	8.6	8.8	Internet	78
2362	Donnelley (R.R) & Sons	12.05	3	3	6.1	8.6	Publishing	16
2422	Seadrill Ltd.	37.55	3	3	12.2	8.5	Oilfield Svcs/Equip.	28
1759	National Presto Ind.	72.56	4	3	10.8	8.3	Diversified Co.	17
1046	Consol. Communic.	18.87	2	3	21.0	8.2	Telecom. Utility	6
1047	Deutsche Telekom ADR	11.32	2	2	14.9	8.2	Telecom. Utility	6
604	Penn Virginia Res.	25.28	3	3	19.6	8.1	Coal	44
1041	Alaska Communic.	2.50	2	4	11.4	8.0	Telecom. Utility	6
618	Boardwalk Pipeline	27.31	3	3	22.6	7.8	Pipeline MLPs	64
627	Suburban Propane	43.60	4	3	15.6	7.8	Pipeline MLPs	64
1044	CenturyLink Inc.	37.94	3	2	16.1	7.6	Telecom. Utility	6
621	Energy Transfer	47.72	4	2	30.8	7.6	Pipeline MLPs	64
1508	New York Community	13.19	4	3	12.6	7.6	Thrift	92
529	Linn Energy, LLC	38.84	3	3	21.2	7.5	Natural Gas (Div.)	34
1209	MFS Multimarket	6.97	–	4	NMF	7.5	Investment Co.	–
965	Nokia Corp. ADR	3.63	5	3	20.2	7.4	Telecom. Equipment	95
2534	AllianceBernstein Hldg.	14.29	5	3	11.3	7.3	Financial Svcs. (Div.)	62
619	Buckeye Partners L.P.	57.17	4	2	19.1	7.3	Pipeline MLPs	64
2649	KKR & Co. L.P.	13.65	–	2	8.1	7.3	Public/Private Equity	88
1204	DNP Select Inc. Fund	10.83	–	2	NMF	7.2	Investment Co.	–
1227	TransAlta Corp.	16.34	3	3	18.2	7.1	Power	89
1379	STMicroelectronics	5.71	4	3	30.1	7.0	Semiconductor	94
938	Telecom N. Zealand	10.65	–	3	15.2	7.0	Telecom. Services	20
770	Old Republic	10.23	5	3	NMF	6.9	Insurance (Prop/Cas.)	93
1528	Hospitality Properties	26.81	3	3	21.4	6.7	R.E.I.T.	86
1203	AllianceBernstein Income	8.16	–	3	NMF	6.5	Investment Co.	–
1599	AstraZeneca PLC (ADS)	45.82	3	2	7.3	6.5	Drug	52
608	Copano Energy	36.75	4	3	NMF	6.5	Oil/Gas Distribution	90
517	Total ADR	47.18	2	1	6.9	6.5	Petroleum (Integrated)	14
597	Alliance Resource	61.62	2	3	8.3	6.4	Coal	44
2316	Regal Entertainment	13.11	3	5	19.9	6.4	Recreation	50
2425	Transocean Ltd.	49.15	3	3	36.4	6.4	Oilfield Svcs/Equip.	28
1532	Mack-Cali R'lty	28.48	3	3	41.9	6.3	R.E.I.T.	86
1927	NutriSystem Inc.	11.09	5	3	27.7	6.3	Food Processing	79
2382	National CineMedia	14.50	4	3	21.6	6.2	Advertising	12
1584	CVR Partners, LP	27.17	–	3	14.2	6.1	Chemical (Basic)	19
2336	World Wrestling Ent.	7.88	5	3	10.8	6.1	Entertainment	18
164	Douglas Dynamics, Inc.	13.58	–	3	15.6	6.0	Heavy Truck & Equip	5
1542	Washington R.E.I.T.	29.23	4	3	NMF	6.0	R.E.I.T.	86
620	El Paso Pipeline	34.31	3	3	15.3	5.9	Pipeline MLPs	64
2369	Gannett Co.	13.54	3	4	7.5	5.9	Newspaper	56
2333	Sinclair Broadcast	9.48	1	4	8.5	5.9	Entertainment	18
628	Williams Partners L.P.	54.58	3	3	14.3	5.9	Pipeline MLPs	64
2643	Blackstone Group LP	13.37	3	3	7.9	5.7	Public/Private Equity	88
1527	Healthcare R'lty Trust	21.18	4	3	NMF	5.7	R.E.I.T.	86
624	Kinder Morgan Energy	84.90	3	2	40.0	5.7	Pipeline MLPs	64
790	Park National	66.05	3	3	12.8	5.7	Bank (Midwest)	66
149	Pepco Holdings	18.79	3	3	14.6	5.7	Electric Utility (East)	48
1986	Philips Electronics NV	19.64	4	3	21.6	5.7	Foreign Electronics	82
1956	SUPERVALU INC.	6.15	2	3	5.0	5.7	Retail/Wholesale Food	23
922	AT&T Inc.	31.72	2	1	14.5	5.6	Telecom. Services	20
415	Aberdeen Australia Fd.	10.63	–	3	21.3	5.6	Investment Co.(Foreign)	–
1201	Aberdeen Asia-Pac. Fd.	7.55	–	4	NMF	5.6	Investment Co.	–
2646	Fortress Investment	3.57	3	4	5.8	5.6	Public/Private Equity	88
1993	Reynolds American	39.65	3	2	14.0	5.6	Tobacco	29
943	Vodafone Group ADR	27.76	2	2	11.0	5.6	Telecom. Services	20
143	Exelon Corp.	37.94	3	2	12.6	5.5	Electric Utility (East)	48
1526	Health Care REIT	55.06	3	3	52.9	5.5	R.E.I.T.	86
769	Mercury General	44.59	4	2	16.3	5.5	Insurance (Prop/Cas.)	93
917	Otter Tail Corp.	21.59	3	3	29.6	5.5	Electric Util. (Central)	53
612	Pembina Pipeline Corp.	29.52	4	3	27.3	5.5	Oil/Gas Distribution	90
102	Daimler AG	53.08	1	3	6.7	5.4	Automotive	3
2368	A.H. Belo	4.54	3	5	NMF	5.3	Newspaper	56
1531	Liberty Property	35.96	3	3	40.4	5.3	R.E.I.T.	86
148	PPL Corp.	27.27	3	3	11.2	5.3	Electric Utility (East)	48
1989	Altria Group	31.70	3	2	15.1	5.2	Tobacco	29
2305	Cedar Fair L.P.	30.64	1	3	14.0	5.2	Recreation	50
2406	Diamond Offshore	67.91	3	3	13.7	5.2	Oilfield Svcs/Equip.	28
1510	People's United Fin'l	12.40	3	3	17.5	5.2	Thrift	92
626	Plains All Amer. Pipe.	80.91	2	3	15.5	5.2	Pipeline MLPs	64
155	UIL Holdings	33.53	3	2	15.5	5.2	Electric Utility (East)	48
2533	Aircastle Ltd.	11.86	1	4	8.9	5.1	Financial Svcs. (Div.)	62
904	Ameren Corp.	31.93	3	3	14.9	5.1	Electric Util. (Central)	53
1042	BCE Inc.	40.23	2	3	13.3	5.1	Telecom. Utility	6
2323	Belo Corp. 'A'	6.30	2	5	8.2	5.1	Entertainment	18
914	Integrys Energy	53.49	3	2	17.9	5.1	Electric Util. (Central)	53
942	Verizon Communic.	39.50	2	1	16.4	5.1	Telecom. Services	20
905	Amer. Elec. Power	38.27	3	3	12.1	5.0	Electric Util. (Central)	53
1903	B&G Foods	21.55	3	3	17.4	5.0	Food Processing	79
911	Entergy Corp.	65.94	3	2	12.5	5.0	Electric Util. (Central)	53
1610	GlaxoSmithKline ADR	47.21	4	1	14.3	5.0	Drug	52
1525	HCP Inc.	40.04	3	3	21.9	5.0	R.E.I.T.	86
1208	Liberty All-Star	4.81	–	2	NMF	5.0	Investment Co.	–
2364	Meredith Corp.	30.46	3	3	12.9	5.0	Publishing	16

STOCKS WITH HIGH 3- TO 5-YEAR PRICE APPRECIATION POTENTIAL

Some of the stocks tabulated below are very risky and appreciation potentialities tentative. Please read the full-page reports in Ratings & Reports to gain an understanding of the risks entailed. Some of these stocks may not be timely investment commitments. (See the Performance Ranks below.)

Page No.	Stock Name	Recent Price	3- to 5-year Potential	Time-liness	Safety Rank	Industry Group	Industry Rank
599	Arch Coal	9.64	495%	3	3	Coal	44
741	AK Steel Holding	7.20	455%	3	4	Steel	68
2399	Ultra Petroleum	18.18	450%	3	3	Petroleum (Producing)	7
407	Fuel Tech, Inc.	4.54	430%	4	4	Environmental	38
2520	Popular Inc.	1.84	415%	3	4	Bank	60
2198	Zale Corp.	2.57	405%	5	5	Retail (Hardlines)	35
844	Senomyx, Inc.	2.19	400%	5	5	Biotechnology	96
587	Intermec Inc.	5.10	390%	5	3	Wireless Networking	98
1364	LSI Corp.	8.03	365%	1	3	Semiconductor	94
584	Echelon Corp.	4.22	360%	4	4	Wireless Networking	98
2646	Fortress Investment	3.57	360%	3	4	Public/Private Equity	88
184	CryoLife Inc.	5.25	355%	4	4	Med Supp Invasive	74
404	Casella Waste Sys.	5.98	345%	4	5	Environmental	38
1585	China Green Agriculture	4.28	345%	–	5	Chemical (Basic)	19
1428	Standard Register	0.90	345%	4	4	Office Equip/Supplies	15
1938	Synutra Int'l	5.59	340%	–	4	Food Processing	79
848	XenoPort, Inc.	4.55	340%	4	4	Biotechnology	96
957	Harmonic, Inc.	4.58	335%	3	4	Telecom. Equipment	95
2159	K-Swiss, Inc.	3.46	335%	5	4	Shoe	85
1566	Pan Amer. Silver	18.47	335%	3	3	Precious Metals	43
2644	Capital Trust	3.30	325%	4	5	Public/Private Equity	88
2620	Ctrip.com Int'l ADR	21.09	325%	5	3	Internet	78
970	UTStarcom Holdings	1.30	325%	3	5	Telecom. Equipment	95
335	Overseas Shipholding	10.80	315%	5	4	Maritime	77
598	Alpha Natural Res.	16.42	310%	3	3	Coal	44
1948	Green Mtn. Coffee	44.60	305%	3	3	Retail/Wholesale Food	23
2630	Orbitz Worldwide	3.28	295%	2	5	Internet	78
581	Brightpoint, Inc.	7.11	285%	3	3	Wireless Networking	98
1221	GT Advanced Tech.	7.11	285%	2	4	Power	89
2014	Rovi Corp.	27.96	285%	3	3	Entertainment Tech	87
846	United Therapeutics	42.07	285%	2	3	Biotechnology	96
590	RF Micro Devices	3.97	280%	5	4	Wireless Networking	98
2362	Donnelley (R.R) & Sons	12.05	275%	3	3	Publishing	16
2419	RPC Inc.	9.34	275%	2	3	Oilfield Svcs/Equip.	28
312	Southwest Airlines	8.02	275%	3	3	Air Transport	10
589	Powerwave Techn.	1.09	265%	5	5	Wireless Networking	98
1367	MEMC Elec. Mat'ls	3.46	260%	4	4	Semiconductor	94
2020	Universal Electronics	16.02	260%	2	3	Entertainment Tech	87
1635	Cross Country Health.	4.51	255%	4	4	Human Resources	65
1216	Ballard Power Sys.	1.28	250%	4	5	Power	89
533	Pengrowth Energy	8.62	250%	3	3	Natural Gas (Div.)	34
1968	Central European Dist.	4.75	245%	5	5	Beverage	76
1024	DIRECTV	47.60	240%	1	3	Cable TV	2
406	EnergySolutions	4.26	240%	2	4	Environmental	38
1548	Genworth Fin'l	6.04	240%	3	4	Insurance (Life)	31
1564	Kinross Gold	8.85	240%	3	3	Precious Metals	43
585	Finisar Corp.	16.50	235%	4	4	Wireless Networking	98
398	SAIC, Inc.	12.03	235%	3	2	Industrial Services	36
2368	A.H. Belo	4.54	230%	3	5	Newspaper	56
2534	AllianceBernstein Hldg.	14.29	230%	5	3	Financial Svcs. (Div.)	62
803	Health Mgmt. Assoc.	7.02	230%	2	5	Medical Services	9
933	NII Holdings	18.85	230%	3	3	Telecom. Services	20
2414	Nabors Inds.	15.95	230%	2	3	Oilfield Svcs/Equip.	28
2373	New York Times	6.32	230%	3	3	Newspaper	56
965	Nokia Corp. ADR	3.63	230%	5	3	Telecom. Equipment	95
1004	Modine Mfg.	7.54	225%	3	4	Auto Parts	13
1810	StarTek, Inc.	1.85	225%	5	5	E-Commerce	83
2632	Pandora Media	8.53	220%	–	4	Internet	78
1350	ANADIGICS Inc.	2.21	215%	5	5	Semiconductor	94
560	Ferro Corp.	5.05	215%	4	4	Chemical (Specialty)	41
998	Goodyear Tire	11.19	215%	3	4	Auto Parts	13
805	Healthways Inc.	6.78	215%	3	3	Medical Services	9
128	Orbotech Ltd.	10.39	215%	4	3	Precision Instrument	69
1985	Panasonic Corp.	7.83	215%	5	3	Foreign Electronics	82
537	Quicksilver Res.	3.81	215%	3	4	Natural Gas (Div.)	34
1987	Sony Corp. ADR	16.62	215%	5	2	Foreign Electronics	82
399	TeleTech Holdings	14.98	215%	3	3	Industrial Services	36
1943	Zhongpin	9.59	215%	–	5	Food Processing	79
2544	Crawford & Co. 'B'	4.34	210%	3	4	Financial Svcs. (Div.)	62
994	Federal-Mogul Corp.	13.81	210%	3	4	Auto Parts	13
310	JetBlue Airways	4.66	210%	1	4	Air Transport	10
1193	Martha Stewart	3.41	210%	–	4	Household Products	55
1342	Sanmina-SCI Corp.	8.87	210%	3	5	Electronics	46
743	ArcelorMittal	16.52	205%	4	3	Steel	68
1973	Cott Corp.	6.60	205%	4	4	Beverage	76
837	Incyte Corp.	18.77	205%	5	5	Biotechnology	96
2228	Pacific Sunwear	1.47	205%	5	5	Retail (Softlines)	59
2015	SeaChange Int'l	8.25	205%	3	3	Entertainment Tech	87
936	Shenandoah Telecom.	10.62	205%	2	3	Telecom. Services	20
1998	Career Education	6.89	200%	3	3	Educational Services	67
2510	Citigroup Inc.	33.42	200%	3	4	Bank	60
1370	Micron Technology	6.51	200%	3	4	Semiconductor	94
603	Peabody Energy	29.95	200%	3	3	Coal	44
1375	Rambus Inc.	4.85	200%	5	4	Semiconductor	94
1379	STMicroelectronics	5.71	200%	4	3	Semiconductor	94
173	Wabash National	8.14	200%	3	4	Heavy Truck & Equip	5
2426	Weatherford Int'l	14.14	200%	3	3	Oilfield Svcs/Equip.	28
2009	Daktronics Inc.	8.09	195%	4	3	Entertainment Tech	87
330	Eagle Bulk Shipping	1.88	195%	3	5	Maritime	77
2649	KKR & Co. L.P.	13.65	195%	–	2	Public/Private Equity	88
1757	McDermott Int'l	10.98	195%	–	3	Diversified Co.	17
169	Navistar Int'l	33.76	195%	3	3	Heavy Truck & Equip	5
2115	Quiksilver Inc.	3.54	195%	4	5	Apparel	81
372	Sonic Corp.	6.96	195%	3	3	Restaurant	32
1997	Apollo Group 'A'	34.55	190%	3	3	Educational Services	67
2401	Baker Hughes	43.04	190%	3	3	Oilfield Svcs/Equip.	28
800	Community Health	23.27	190%	1	3	Medical Services	9
1783	E*Trade Fin'l	10.41	190%	3	4	Securities Brokerage	71
1981	FUJIFILM Hldgs. ADR	21.46	190%	3	1	Foreign Electronics	82
1124	Hovnanian Enterpr. 'A'	1.89	190%	4	5	Homebuilding	97

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BIGGEST "FREE FLOW" CASH GENERATORS

Stocks of companies that have earned more "cash flow" in the last 5 years than was required to build plant and pay dividends

Page No.	Stock Name	Recent Price	Ratio "Cash Flow" To Cash Out	Time-liness	Safety Rank	Industry Group	Industry Rank
842	Questcor Pharmac.	41.66	77.29	2	3	Biotechnology	96
2107	Iconix Brand Group	17.02	34.06	3	3	Apparel	81
1608	Forest Labs.	33.54	33.49	3	3	Drug	52
1128	NVR, Inc.	761.38	26.16	4	3	Homebuilding	97
1800	Check Point Software	59.80	21.93	3	1	E-Commerce	83
2633	priceline.com	685.01	21.11	3	3	Internet	78
1609	Gilead Sciences	52.36	20.89	3	3	Drug	52
1567	Silver Wheaton	28.46	20.64	3	3	Precious Metals	43
586	InterDigital Inc.	31.95	17.18	5	3	Wireless Networking	98
1721	Middleby Corp. (The)	96.26	17.12	2	3	Machinery	26
2576	BMC Software	40.47	17.02	2	3	Computer Software	51
1354	CEVA, Inc.	20.20	16.19	3	3	Semiconductor	94
1373	PMC-Sierra	6.81	15.74	3	3	Semiconductor	94
2166	Avis Budget Group	12.14	15.27	3	4	Retail (Hardlines)	35
1977	Monster Beverage	62.87	13.86	3	3	Beverage	76
1785	IntercontinentalExch.	130.36	13.48	3	3	Securities Brokerage	71
810	MEDNAX, Inc.	69.74	13.33	3	3	Medical Services	9
2001	ITT Educational	60.79	13.20	2	3	Educational Services	67
1606	Endo Pharmac. Hldgs.	34.48	13.11	3	3	Drug	52
2574	ANSYS, Inc.	63.97	12.76	3	3	Computer Software	51
1630	Warner Chilcott plc	16.68	12.39	–	3	Drug	52
1804	Informatica Corp.	47.61	12.16	3	3	E-Commerce	83
2014	Rovi Corp.	27.96	12.04	3	3	Entertainment Tech	87
1015	Helen of Troy Ltd.	32.81	11.87	1	3	Toiletries/Cosmetics	21
2385	ValueClick Inc.	20.58	11.50	2	3	Advertising	12
929	j2 Global	25.38	11.08	3	3	Telecom. Services	20
1317	Trimble Nav. Ltd.	52.40	10.99	3	3	Electrical Equipment	54
2584	MICROS Systems	53.07	10.79	3	3	Computer Software	51
2010	Dolby Labs.	37.53	10.77	3	3	Entertainment Tech	87
2601	CACI Int'l	60.87	10.61	1	3	IT Services	49
1392	Kulicke & Soffa	12.24	10.07	3	5	Semiconductor Equip	70
2562	MasterCard Inc.	430.30	10.05	3	3	Financial Svcs. (Div.)	62
839	Myriad Genetics	25.21	9.99	3	3	Biotechnology	96
2587	Oracle Corp.	28.69	9.99	2	1	Computer Software	51
2594	Teradata Corp.	66.81	9.71	3	2	Computer Software	51
801	Coventry Health Care	33.17	9.56	3	3	Medical Services	9
219	Hologic, Inc.	20.33	9.29	1	3	Med Supp Non-Invasive	75
976	Express Scripts 'A'	57.22	9.17	3	2	Pharmacy Services	30
1811	TIBCO Software	31.54	9.11	3	3	E-Commerce	83
131	Thermo Fisher Sci.	52.74	9.10	1	2	Precision Instrument	69
2627	LoopNet, Inc.	19.06	9.04	–	3	Internet	78
1318	WESCO Int'l	65.45	8.94	2	3	Electrical Equipment	54
2569	Western Union	18.06	8.94	2	3	Financial Svcs. (Div.)	62
1791	Nasdaq OMX Group	25.33	8.59	2	3	Securities Brokerage	71
1395	Novellus Sys.	44.80	8.35	–	3	Semiconductor Equip	70
1414	ScanSource	33.28	8.34	4	3	Computers/Peripherals	45
398	SAIC, Inc.	12.03	8.33	3	2	Industrial Services	36
2338	Bally Technologies	46.84	8.23	2	3	Hotel/Gaming	24
1603	Celgene Corp.	77.35	8.23	3	2	Drug	52
1631	Watson Pharmac.	68.60	8.13	1	2	Drug	52
236	Schein (Henry)	74.20	7.99	3	3	Med Supp Non-Invasive	75
1360	Integrated Device	6.47	7.89	4	3	Semiconductor	94
950	Black Box	23.19	7.78	3	3	Telecom. Equipment	95
2161	Madden (Steven) Ltd.	41.52	7.71	3	3	Shoe	85
975	Catalyst Health Solns	86.92	7.63	–	3	Pharmacy Services	30
978	Omnicare, Inc.	34.61	7.57	2	3	Pharmacy Services	30
956	F5 Networks	129.28	7.53	3	3	Telecom. Equipment	95
1233	Foster Wheeler AG	22.14	7.47	3	3	Engineering & Const	40
1323	Anixter Int'l	69.53	7.46	2	3	Electronics	46
2589	Quest Software	23.19	7.42	–	2	Computer Software	51
1615	Medicis Pharmac.	37.72	7.38	4	3	Drug	52
439	IHS Inc.	99.18	7.37	4	3	Information Services	61
1355	Cirrus Logic	20.80	7.25	2	4	Semiconductor	94
1377	Silicon Labs.	40.36	7.23	4	3	Semiconductor	94
953	Cisco Systems	19.42	7.11	2	1	Telecom. Equipment	95
1746	Danaher Corp.	53.20	7.10	3	2	Diversified Co.	17
818	WellPoint, Inc.	70.76	7.03	2	3	Medical Services	9
1393	Lam Research	40.00	6.95	4	3	Semiconductor Equip	70
830	Amgen	68.63	6.81	1	1	Biotechnology	96
2575	Autodesk, Inc.	38.71	6.79	3	3	Computer Software	51
949	Arris Group	11.31	6.78	4	3	Telecom. Equipment	95
2572	Adobe Systems	32.40	6.75	4	3	Computer Software	51
2335	Viacom Inc. 'B'	46.13	6.74	2	3	Entertainment	18
1728	Roper Inds.	98.80	6.70	3	3	Machinery	26
2611	Manhattan Assoc.	46.14	6.67	3	3	IT Services	49
2606	DealerTrack Hldgs.	28.89	6.60	3	3	IT Services	49
1737	Wabtec Corp.	78.70	6.60	2	3	Machinery	26
1416	Synaptics	32.59	6.49	3	3	Computers/Peripherals	45
385	EMCOR Group	27.28	6.47	3	3	Industrial Services	36
2110	Maidenform Brands	22.42	6.46	5	3	Apparel	81
1399	Apple Inc.	560.28	6.31	1	2	Computers/Peripherals	45
1034	CBRE Group	18.39	6.24	3	4	Property Management	58
1401	Dell Inc.	16.18	6.21	3	3	Computers/Peripherals	45
2581	Compuware Corp.	8.53	6.18	4	3	Computer Software	51
132	Veeco Instruments	26.65	6.17	4	4	Precision Instrument	69
2612	ManTech Int'l 'A'	31.46	6.16	3	3	IT Services	49
1623	Par Pharmaceutical	40.94	6.16	3	3	Drug	52
1242	URS Corp.	40.07	6.12	2	3	Engineering & Const	40
963	NETGEAR	33.49	6.11	2	3	Telecom. Equipment	95
1329	Cubic Corp.	45.14	6.09	3	3	Electronics	46
1376	Semtech Corp.	26.05	6.08	4	3	Semiconductor	94
1316	Thomas & Betts	71.88	6.04	–	3	Electrical Equipment	54
184	CryoLife Inc.	5.25	5.99	4	4	Med Supp Invasive	74
1601	Biogen Idec Inc.	127.74	5.98	3	3	Drug	52
1349	Altera Corp.	34.01	5.89	4	2	Semiconductor	94
1796	TD Ameritrade Holding	18.38	5.89	4	3	Securities Brokerage	71
1786	Investment Techn.	10.25	5.85	3	3	Securities Brokerage	71
1712	Dresser-Rand Group	47.53	5.82	4	3	Machinery	26
2157	Deckers Outdoor	65.91	5.80	4	3	Shoe	85
1598	Allergan, Inc.	94.18	5.70	3	1	Drug	52

BEST PERFORMING STOCKS

(Measured by Price Change in the Last 13 Weeks)

Page No.	Stock Name	Ticker	Recent Price	Percent Change In Price	Time-liness	Safety Rank
2307	G't Wolf Resorts	WOLF	7.84	145.0%	–	5
836	Human Genome	HGSI	14.64	60.4%	–	5
2312	LeapFrog Enterpr. 'A'	LF	8.82	60.4%	2	4
554	Amer. Vanguard Corp.	AVD	23.55	57.7%	3	3
2616	AOL, Inc.	AOL	24.61	57.3%	–	3
975	Catalyst Health Solns	CHSI	86.92	56.3%	–	3
843	Regeneron Pharmac.	REGN	122.54	54.3%	3	3
366	O'Charley's Inc.	CHUX	9.85	52.2%	–	4
1109	Headwaters Inc.	HW	3.72	51.8%	3	5
1415	Seagate Technology	STX	29.84	51.1%	1	3
797	Amedisys, Inc.	AMED	14.29	48.1%	3	3
2171	Cabela's Inc.	CAB	38.44	47.2%	1	3
2184	Movado Group	MOV	26.84	46.3%	2	3
2221	Gap (The), Inc.	GPS	27.19	45.9%	3	2
314	US Airways Group	LCC	9.31	45.2%	1	5
824	eResearchTechnology	ERT	7.91	44.9%	–	3
313	Spirit Airlines	SAVE	22.78	44.6%	–	3
574	Solutia Inc.	SOA	27.97	44.1%	–	4
1135	BlueLinx Holdings	BXC	2.72	43.2%	4	5
330	Eagle Bulk Shipping	EGLE	1.88	42.4%	3	5
2644	Capital Trust	CT	3.30	42.2%	4	5
1156	Sealy Corp.	ZZ	2.04	41.7%	3	5
2111	Michael Kors Hldgs.	KORS	41.32	40.1%	–	3
191	LCA-Vision	LCAV	7.38	40.0%	4	4
2173	Cost Plus Inc.	CPWM	18.67	39.7%	1	5
1144	Bassett Furniture	BSET	10.60	39.3%	3	4
241	ZOLL Medical	ZOLL	92.95	38.5%	–	3
2319	Sturm, Ruger & Co.	RGR	53.25	38.2%	2	3
1640	On Assignment	ASGN	16.52	38.0%	2	3
344	RailAmerica	RA	21.06	37.0%	1	3
2175	Fossil Inc.	FOSL	126.08	36.9%	3	3
2138	Dillard's, Inc.	DDS	62.61	36.5%	1	3
568	Penford Corp.	PENX	7.72	35.4%	2	4
971	Verifone Systems	PAY	53.04	35.2%	3	4
2109	Liz Claiborne	LIZ	12.61	34.6%	3	5
2013	RealD Inc.	RLD	12.00	34.5%	–	3
2108	Jones Group (The)	JNY	12.24	34.1%	3	4
383	Coinstar Inc.	CSTR	63.45	33.9%	1	3
1399	Apple Inc.	AAPL	560.28	33.3%	1	2
2352	Shuffle Master	SHFL	16.57	33.3%	3	4
1027	Knology	KNOL	19.49	33.1%	–	3

WORST PERFORMING STOCKS

(Measured by Price Change in the Last 13 Weeks)

Page No.	Stock Name	Ticker	Recent Price	Percent Change In Price	Time-liness	Safety Rank
1428	Standard Register	SR	0.90	–56.1%	4	4
1219	First Solar, Inc.	FSLR	18.64	–51.1%	3	3
2189	RadioShack Corp.	RSH	5.34	–47.9%	4	4
1375	Rambus Inc.	RMBS	4.85	–46.0%	5	4
589	Powerwave Techn.	PWAV	1.09	–45.8%	5	5
1810	StarTek, Inc.	SRT	1.85	–43.1%	5	5
1911	Diamond Foods	DMND	21.28	–40.5%	–	4
581	Brightpoint, Inc.	CELL	7.11	–40.4%	3	3
966	Polycom, Inc.	PLCM	12.62	–39.5%	5	3
844	Senomyx, Inc.	SNMX	2.19	–38.5%	5	5
1997	Apollo Group 'A'	APOL	34.55	–37.8%	3	3
587	Intermec Inc.	IN	5.10	–37.2%	5	3
2403	CARBO Ceramics	CRR	87.69	–34.6%	3	3
1998	Career Education	CECO	6.89	–34.6%	3	3
1218	EnerNOC, Inc.	ENOC	6.13	–34.4%	5	4
2632	Pandora Media	P	8.53	–33.7%	–	4
2186	PC Connection	PCCC	7.97	–33.6%	2	3
2372	Media General 'A'	MEG	3.50	–32.7%	4	5
1005	Standard Motor Prod.	SMP	14.44	–32.7%	2	4
557	Cabot Microelectr's	CCMP	34.02	–32.2%	–	3
996	Gentex Corp.	GNTX	20.89	–31.8%	4	3
537	Quicksilver Res.	KWK	3.81	–31.2%	3	4
965	Nokia Corp. ADR	NOK	3.63	–31.1%	5	3
1004	Modine Mfg.	MOD	7.54	–30.8%	3	4
575	Tredegar Corp.	TG	17.14	–30.6%	4	3
311	SkyWest	SKYW	9.56	–30.5%	3	3
599	Arch Coal	ACI	9.64	–29.9%	3	3
1354	CEVA, Inc.	CEVA	20.20	–29.1%	3	3
1759	National Presto Ind.	NPK	72.56	–29.0%	4	3
1413	SanDisk Corp.	SNDK	36.49	–28.7%	4	4
2004	Strayer Education	STRA	83.88	–28.1%	3	3
623	Inergy, L.P.	NRGY	16.12	–27.6%	–	3
928	Gen'l Communic. 'A'	GNCMA	7.58	–27.3%	2	3
332	Genco Shipping	GNK	5.42	–27.2%	3	5
407	Fuel Tech, Inc.	FTEK	4.54	–27.1%	4	4
950	Black Box	BBOX	23.19	–27.0%	3	3
1352	Applied Micro	AMCC	6.01	–26.9%	5	3
2399	Ultra Petroleum	UPL	18.18	–26.8%	3	3
1635	Cross Country Health.	CCRN	4.51	–26.7%	4	4
1548	Genworth Fin'l	GNW	6.04	–26.7%	3	4
2333	Sinclair Broadcast	SBGI	9.48	–26.6%	1	4

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WIDEST DISCOUNTS FROM BOOK VALUE

Stocks whose ratios of recent price to book value are lowest

Page No.	Stock Name	Ticker	Recent Price	Book Value Per sh.*	Percent Price-to-Book Value	Time-liness	Safety Rank	Beta	P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
1548	Genworth Fin'l	GNW	6.04	36.20	17%	3	4	2.35	6.0	NIL	Insurance (Life)	31
332	Genco Shipping	GNK	5.42	30.45	18%	3	5	2.00	NMF	NIL	Maritime	77
926	Clearwire Corp.	CLWR	1.40	7.50	19%	4	5	1.40	NMF	NIL	Telecom. Services	20
330	Eagle Bulk Shipping	EGLE	1.88	10.15	19%	3	5	2.00	NMF	NIL	Maritime	77
1552	Phoenix (The) Cos.	PNX	2.08	10.45	20%	4	5	2.00	34.7	NIL	Insurance (Life)	31
335	Overseas Shipholding	OSG	10.80	46.15	23%	5	4	1.40	NMF	NIL	Maritime	77
120	Hutchinson Techn.	HTCH	2.06	8.50	24%	3	5	1.80	NMF	NIL	Precision Instrument	69
1733	Tecumseh Products 'A'	TECUA	3.92	13.25	30%	5	5	1.50	NMF	NIL	Machinery	26
1545	AEGON	AEG	4.63	14.65	32%	4	3	1.75	6.4	2.8	Insurance (Life)	31
1406	Imation Corp.	IMN	5.86	18.40	32%	5	3	0.85	NMF	NIL	Computers/Peripherals	45
311	SkyWest	SKYW	9.56	30.15	32%	3	3	1.10	NMF	1.7	Air Transport	10
1219	First Solar, Inc.	FSLR	18.64	53.45	35%	3	3	1.35	4.5	NIL	Power	89
2553	Hartford Fin'l Svcs.	HIG	20.37	56.75	36%	3	4	2.00	6.1	2.0	Financial Svcs. (Div.)	62
1810	StarTek, Inc.	SRT	1.85	5.00	37%	5	5	1.15	NMF	NIL	E-Commerce	83
743	ArcelorMittal	MT	16.52	40.85	40%	4	3	1.70	12.7	4.5	Steel	68
2504	Bank of America	BAC	8.21	20.25	41%	3	4	1.85	13.0	0.5	Bank	60
2339	Boyd Gaming	BYD	7.78	18.60	42%	2	4	2.00	NMF	NIL	Hotel/Gaming	24
1981	FUJIFILM Hldgs. ADR	FUJIY	21.46	49.90	43%	3	1	0.80	16.9	2.1	Foreign Electronics	82
2520	Popular Inc.	BPOP	1.84	4.25	43%	3	4	1.15	6.8	NIL	Bank	60
1549	Lincoln Nat'l Corp.	LNC	23.95	54.30	44%	2	3	1.95	6.0	1.5	Insurance (Life)	31
2526	Synovus Financial	SNV	2.13	4.85	44%	3	5	1.25	42.6	1.9	Bank	60
598	Alpha Natural Res.	ANR	16.42	36.70	45%	3	3	1.95	11.9	NIL	Coal	44
1987	Sony Corp. ADR	SNE	16.62	35.85	46%	5	2	1.00	NMF	1.9	Foreign Electronics	82
1596	Albany Molecular	AMRI	3.03	6.45	47%	5	4	1.15	NMF	NIL	Drug	52
1907	Chiquita Brands Int'l	CQB	8.19	17.60	47%	3	4	1.25	10.0	NIL	Food Processing	79
1223	NRG Energy	NRG	15.90	33.45	48%	3	3	1.10	58.9	2.3	Power	89
2198	Zale Corp.	ZLC	2.57	5.30	48%	5	5	1.55	NMF	NIL	Retail (Hardlines)	35
1225	SunPower Corp.	SPWR	5.44	11.00	49%	3	4	1.60	90.7	NIL	Power	89
599	Arch Coal	ACI	9.64	19.15	50%	3	3	1.65	7.8	4.6	Coal	44
2024	Assured Guaranty	AGO	14.39	29.00	50%	3	4	1.85	4.6	2.5	Reinsurance	91
1585	China Green Agriculture	CGA	4.28	8.55	50%	–	5	1.10	2.8	NIL	Chemical (Basic)	19
1985	Panasonic Corp.	PC	7.83	15.55	50%	5	3	0.80	NMF	1.9	Foreign Electronics	82
2560	MGIC Investment	MTG	3.25	6.40	51%	–	5	2.45	NMF	NIL	Financial Svcs. (Div.)	62
1789	Morgan Stanley	MS	17.40	34.15	51%	3	4	1.70	11.7	1.1	Securities Brokerage	71
1340	Pulse Electronics	PULS	2.26	4.40	51%	5	4	1.70	NMF	NIL	Electronics	46
2368	A.H. Belo	AHC	4.54	8.65	52%	3	5	1.50	NMF	5.3	Newspaper	56
1107	CEMEX ADS	CX	6.73	12.82	52%	3	4	1.70	NMF	NIL	Building Materials	84
1999	Corinthian Colleges	COCO	3.73	6.90	54%	2	5	1.05	9.1	NIL	Educational Services	67
1635	Cross Country Health.	CCRN	4.51	8.35	54%	4	4	1.00	30.1	NIL	Human Resources	65
227	Medical Action Inds.	MDCI	5.13	9.40	55%	3	3	1.10	15.1	NIL	Med Supp Non-Invasive	75
537	Quicksilver Res.	KWK	3.81	6.95	55%	3	4	1.65	NMF	NIL	Natural Gas (Div.)	34
566	OM Group	OMG	24.20	43.55	56%	3	3	1.55	7.2	NIL	Chemical (Specialty)	41
2524	SunTrust Banks	STI	23.68	42.20	56%	2	3	1.20	15.2	0.8	Bank	60
2510	Citigroup Inc.	C	33.42	59.00	57%	3	4	2.05	9.0	0.1	Bank	60
1396	Photronics Inc.	PLAB	5.94	10.35	57%	3	5	1.85	9.9	NIL	Semiconductor Equip	70
1783	E*Trade Fin'l	ETFC	10.41	17.90	58%	3	4	1.70	16.0	NIL	Securities Brokerage	71
1551	MetLife Inc.	MET	35.58	61.80	58%	2	3	1.65	7.0	2.1	Insurance (Life)	31
939	Telephone & Data	TDS	23.87	41.28	58%	3	3	0.90	17.7	2.1	Telecom. Services	20
1786	Investment Techn.	ITG	10.25	17.30	59%	3	3	1.10	16.5	NIL	Securities Brokerage	71
775	XL Group plc	XL	21.26	36.15	59%	5	4	1.55	20.2	2.1	Insurance (Prop/Cas.)	93
1553	Protective Life	PL	28.23	46.90	60%	2	3	1.50	7.8	2.3	Insurance (Life)	31
2521	Regions Financial	RF	6.45	10.75	60%	3	4	1.30	43.0	0.6	Bank	60
2359	Amer. Greetings	AM	14.39	23.40	61%	3	3	1.25	6.3	4.2	Publishing	16
521	Chesapeake Energy	CHK	17.77	29.05	61%	3	3	1.35	9.0	2.0	Natural Gas (Div.)	34
2558	Legg Mason	LM	25.53	42.15	61%	4	3	1.55	15.6	1.3	Financial Svcs. (Div.)	62
1792	Piper Jaffray Cos.	PJC	24.26	39.45	61%	4	3	1.30	20.0	NIL	Securities Brokerage	71
2317	Royal Caribbean Cruises	RCL	26.06	42.60	61%	3	3	1.65	13.2	1.5	Recreation	50
2533	Aircastle Ltd.	AYR	11.86	19.15	62%	1	4	1.50	8.9	5.1	Financial Svcs. (Div.)	62
1998	Career Education	CECO	6.89	11.20	62%	3	3	0.85	10.8	NIL	Educational Services	67
1151	Kimball Int'l 'B'	KBALB	6.69	10.55	63%	2	3	1.10	19.1	3.0	Furn/Home Furnishings	72
1226	Suntech Power ADS	STP	2.51	4.00	63%	5	5	1.85	NMF	NIL	Power	89
1504	First Niagara Finl Group	FNFG	8.92	13.90	64%	4	3	0.85	14.6	3.6	Thrift	92
591	Research in Motion	RIMM	13.25	20.55	64%	3	3	1.25	3.7	NIL	Wireless Networking	98
2193	ValueVision Media	VVTV	1.74	2.70	64%	5	5	1.25	NMF	NIL	Retail (Hardlines)	35
1943	Zhongpin	HOGS	9.59	15.05	64%	–	5	1.25	6.9	NIL	Food Processing	79
1426	OfficeMax	OMX	4.62	7.15	65%	3	4	1.75	9.2	NIL	Office Equip/Supplies	15
1554	Prudential Fin'l	PRU	59.26	90.90	65%	2	3	1.85	8.3	2.8	Insurance (Life)	31
2016	Sigma Designs	SIGM	5.42	8.35	65%	5	4	1.00	NMF	NIL	Entertainment Tech	87
762	CNA Fin'l	CNA	29.60	44.75	66%	3	3	1.30	10.9	2.0	Insurance (Prop/Cas.)	93
2189	RadioShack Corp.	RSH	5.34	8.15	66%	4	4	1.15	38.1	9.4	Retail (Hardlines)	35
2150	Sears Holdings	SHLD	50.59	76.20	66%	5	3	1.05	NMF	NIL	Retail Store	22
2536	Amer. Int'l Group	AIG	32.40	48.10	67%	–	5	1.65	14.2	NIL	Financial Svcs. (Div.)	62
1379	STMicroelectronics	STM	5.71	8.55	67%	4	3	1.25	30.1	7.0	Semiconductor	94
2525	Susquehanna Bancshs.	SUSQ	9.63	14.40	67%	3	3	1.20	15.5	2.1	Bank	60
950	Black Box	BBOX	23.19	34.30	68%	3	3	1.15	7.5	1.2	Telecom. Equipment	95
767	Hanover Insurance	THG	40.07	59.20	68%	3	2	0.80	11.4	3.0	Insurance (Prop/Cas.)	93
2641	Amer. Capital, Ltd.	ACAS	9.07	13.15	69%	2	5	2.35	10.1	NIL	Public/Private Equity	88
987	China Auto. Sys.	CAAS	5.66	8.20	69%	2	3	1.40	7.3	NIL	Auto Parts	13
702	AAR Corp.	AIR	15.98	22.75	70%	3	3	1.35	8.0	1.9	Aerospace/Defense	47
2007	Avid Technology	AVID	8.31	11.85	70%	4	3	1.10	41.6	NIL	Entertainment Tech	87
560	Ferro Corp.	FOE	5.05	7.25	70%	4	4	2.05	42.1	NIL	Chemical (Specialty)	41
2114	Perry Ellis Int'l	PERY	18.75	26.75	70%	3	3	1.55	10.8	NIL	Apparel	81
371	Ruby Tuesday	RT	6.85	9.85	70%	3	4	1.45	13.7	NIL	Restaurant	32
970	UTStarcom Holdings	UTSI	1.30	1.85	70%	3	5	1.55	10.8	NIL	Telecom. Equipment	95
1502	Astoria Financial	AF	9.61	13.45	71%	5	3	0.95	20.0	1.7	Thrift	92
1326	Benchmark Electronics	BHE	14.79	20.70	71%	3	3	1.10	15.2	NIL	Electronics	46
1637	Kelly Services 'A'	KELYA	13.80	19.40	71%	2	3	1.20	11.1	1.7	Human Resources	65
2414	Nabors Inds.	NBR	15.95	22.45	71%	2	3	1.50	8.5	NIL	Oilfield Svcs/Equip.	28
797	Amedisys, Inc.	AMED	14.29	19.85	72%	3	3	1.10	12.0	NIL	Medical Services	9
222	Invacare Corp.	IVC	15.38	21.45	72%	3	3	0.85	8.1	0.3	Med Supp Non-Invasive	75
2186	PC Connection	PCCC	7.97	11.10	72%	2	3	1.15	7.6	NIL	Retail (Hardlines)	35
1555	Reinsurance Group	RGA	57.11	79.45	72%	3	2	0.95	8.0	1.3	Insurance (Life)	31
1570	Alcoa Inc.	AA	9.66	13.30	73%	2	3	1.45	24.2	1.2	Metals & Mining (Div.)	37
1144	Bassett Furniture	BSET	10.60	14.55	73%	3	4	1.05	18.0	1.9	Furn/Home Furnishings	72
115	Checkpoint Systems	CKP	10.46	14.40	73%	5	3	1.05	20.5	NIL	Precision Instrument	69
2214	Citi Trends	CTRN	10.57	14.50	73%	4	4	1.20	NMF	NIL	Retail (Softlines)	59
587	Intermec Inc.	IN	5.10	7.00	73%	5	3	1.15	NMF	NIL	Wireless Networking	98
310	JetBlue Airways	JBLU	4.66	6.35	73%	1	4	1.25	9.7	NIL	Air Transport	10
2556	Kemper Corp.	KMPR	29.46	40.15	73%	4	3	1.15	10.9	3.3	Financial Svcs. (Div.)	62
770	Old Republic	ORI	10.23	14.05	73%	5	3	1.10	NMF	6.9	Insurance (Prop/Cas.)	93

***If fiscal 2012 Book Value not available, estimate used.**

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LOWEST P/Es

Stocks with the lowest estimated current P/E ratios

Page No.	Stock Name	Recent Price	Current P/E Ratio	Time-liness	Safety Rank	Industry Group	Industry Rank
1585	China Green Agriculture	4.28	2.8	–	5	Chemical (Basic)	19
1415	Seagate Technology	29.84	3.3	1	3	Computers/Peripherals	45
2371	McClatchy Co.	2.64	3.6	2	5	Newspaper	56
591	Research in Motion	13.25	3.7	3	3	Wireless Networking	98
2419	RPC Inc.	9.34	4.0	2	3	Oilfield Svcs/Equip.	28
1418	Unisys Corp.	16.40	4.0	2	5	Computers/Peripherals	45
2644	Capital Trust	3.30	4.1	4	5	Public/Private Equity	88
1221	GT Advanced Tech.	7.11	4.1	2	4	Power	89
1622	PDL BioPharma	6.20	4.1	2	3	Drug	52
314	US Airways Group	9.31	4.4	1	5	Air Transport	10
948	Alcatel-Lucent ADR	1.88	4.5	3	5	Telecom. Equipment	95
1219	First Solar, Inc.	18.64	4.5	3	3	Power	89
2024	Assured Guaranty	14.39	4.6	3	4	Reinsurance	91
944	Vonage Holdings	2.07	4.8	2	5	Telecom. Services	20
983	Amer. Axle	10.37	4.9	2	5	Auto Parts	13
2027	Greenlight Capital Re	24.85	4.9	3	3	Reinsurance	91
315	United Cont'l Hldgs.	22.82	4.9	–	4	Air Transport	10
309	Hawaiian Hldgs.	5.05	5.0	2	4	Air Transport	10
1956	SUPERVALU INC.	6.15	5.0	2	3	Retail/Wholesale Food	23
1003	Meritor, Inc.	6.38	5.3	2	5	Auto Parts	13
502	BP PLC ADR	41.91	5.5	2	3	Petroleum (Integrated)	14
2169	Best Buy Co.	21.70	5.6	3	3	Retail (Hardlines)	35
1912	Dole Food	8.47	5.6	3	3	Food Processing	79
507	HollyFrontier Corp.	29.78	5.6	–	3	Petroleum (Integrated)	14
737	NN Inc.	8.56	5.6	3	4	Metal Fabricating	27
307	Delta Air Lines	10.48	5.7	2	4	Air Transport	10
2646	Fortress Investment	3.57	5.8	3	4	Public/Private Equity	88
169	Navistar Int'l	33.76	5.9	3	3	Heavy Truck & Equip	5
1548	Genworth Fin'l	6.04	6.0	3	4	Insurance (Life)	31
1549	Lincoln Nat'l Corp.	23.95	6.0	2	3	Insurance (Life)	31
2362	Donnelley (R.R) & Sons	12.05	6.1	3	3	Publishing	16
2553	Hartford Fin'l Svcs.	20.37	6.1	3	4	Financial Svcs. (Div.)	62
1314	Power-One	4.10	6.2	3	4	Electrical Equipment	54
1419	Western Digital	41.44	6.2	2	3	Computers/Peripherals	45
2359	Amer. Greetings	14.39	6.3	3	3	Publishing	16
1049	Telefonica SA ADR	14.57	6.3	3	2	Telecom. Utility	6
1545	AEGON	4.63	6.4	4	3	Insurance (Life)	31
800	Community Health	23.27	6.6	1	3	Medical Services	9
994	Federal-Mogul Corp.	13.81	6.6	3	4	Auto Parts	13
1424	Lexmark Int'l 'A'	30.44	6.6	3	3	Office Equip/Supplies	15
1577	Rio Tinto plc	55.05	6.6	2	3	Metals & Mining (Div.)	37
1007	TRW Automotive	43.39	6.6	2	4	Auto Parts	13
102	Daimler AG	53.08	6.7	1	3	Automotive	3
2001	ITT Educational	60.79	6.7	2	3	Educational Services	67
2520	Popular Inc.	1.84	6.8	3	4	Bank	60
2389	Apache Corp.	91.26	6.9	1	3	Petroleum (Producing)	7
104	General Motors	22.89	6.9	–	3	Automotive	3
517	Total ADR	47.18	6.9	2	1	Petroleum (Integrated)	14
1943	Zhongpin	9.59	6.9	–	5	Food Processing	79
704	Alliant Techsystems	51.40	7.0	3	3	Aerospace/Defense	47
2642	Apollo Investment	7.24	7.0	3	3	Public/Private Equity	88
2361	Deluxe Corp.	22.28	7.0	2	3	Publishing	16
1551	MetLife Inc.	35.58	7.0	2	3	Insurance (Life)	31
512	Petroleo Brasileiro ADR	23.53	7.1	3	3	Petroleum (Integrated)	14
1342	Sanmina-SCI Corp.	8.87	7.1	3	5	Electronics	46
1546	Aflac Inc.	42.00	7.2	1	3	Insurance (Life)	31
566	OM Group	24.20	7.2	3	3	Chemical (Specialty)	41
2566	SLM Corporation	14.97	7.2	3	4	Financial Svcs. (Div.)	62
1599	AstraZeneca PLC (ADS)	45.82	7.3	3	2	Drug	52
987	China Auto. Sys.	5.66	7.3	2	3	Auto Parts	13
988	Commercial Vehicle	9.74	7.3	1	5	Auto Parts	13
2177	GameStop Corp.	22.28	7.4	2	3	Retail (Hardlines)	35
1935	Smithfield Foods	20.66	7.4	2	3	Food Processing	79
2384	Valassis Communic.	22.05	7.4	2	4	Advertising	12
1324	Arrow Electronics	39.99	7.5	3	3	Electronics	46
1325	Avnet, Inc.	34.86	7.5	3	3	Electronics	46
950	Black Box	23.19	7.5	3	3	Telecom. Equipment	95
1583	CF Industries	181.40	7.5	1	3	Chemical (Basic)	19
2369	Gannett Co.	13.54	7.5	3	4	Newspaper	56
1557	Unum Group	23.44	7.5	2	3	Insurance (Life)	31
1514	Annaly Capital Mgmt.	16.17	7.6	3	3	R.E.I.T.	86
1405	Hewlett-Packard	24.44	7.6	3	2	Computers/Peripherals	45
2186	PC Connection	7.97	7.6	2	3	Retail (Hardlines)	35
302	Alaska Air Group	33.95	7.7	2	4	Air Transport	10
2377	Global Sources	6.11	7.7	3	3	Advertising	12
803	Health Mgmt. Assoc.	7.02	7.7	2	5	Medical Services	9
758	Allstate Corp.	32.81	7.8	2	2	Insurance (Prop/Cas.)	93
599	Arch Coal	9.64	7.8	3	3	Coal	44
1760	Park-Ohio	21.43	7.8	1	4	Diversified Co.	17
1427	Pitney Bowes	16.95	7.8	3	3	Office Equip/Supplies	15
1553	Protective Life	28.23	7.8	2	3	Insurance (Life)	31
2643	Blackstone Group LP	13.37	7.9	3	3	Public/Private Equity	88
503	Chevron Corp.	103.03	7.9	2	1	Petroleum (Integrated)	14
103	Ford Motor	11.39	7.9	3	4	Automotive	3
1004	Modine Mfg.	7.54	7.9	3	4	Auto Parts	13
513	Royal Dutch Shell 'A'	68.40	7.9	2	1	Petroleum (Integrated)	14
1628	Teva Pharmac. (ADR)	45.35	7.9	1	1	Drug	52
702	AAR Corp.	15.98	8.0	3	3	Aerospace/Defense	47
2370	Journal Communications	4.24	8.0	3	5	Newspaper	56
717	L-3 Communic.	69.85	8.0	3	2	Aerospace/Defense	47
1555	Reinsurance Group	57.11	8.0	3	2	Insurance (Life)	31
398	SAIC, Inc.	12.03	8.0	3	2	Industrial Services	36
812	Select Med. Hldgs.	7.85	8.0	1	3	Medical Services	9
2181	Insight Enterprises	19.70	8.1	1	3	Retail (Hardlines)	35
222	Invacare Corp.	15.38	8.1	3	3	Med Supp Non-Invasive	75
2649	KKR & Co. L.P.	13.65	8.1	–	2	Public/Private Equity	88
1994	Schweitzer-Mauduit Int'l	66.19	8.1	1	3	Tobacco	29
107	Tata Motors ADR	29.71	8.1	1	3	Automotive	3
2323	Belo Corp. 'A'	6.30	8.2	2	5	Entertainment	18
597	Alliance Resource	61.62	8.3	2	3	Coal	44

HIGHEST P/Es

Stocks with the highest estimated current P/E ratios

Page No.	Stock Name	Recent Price	Current P/E Ratio	Time-liness	Safety Rank	Industry Group	Industry Rank
1621	Onyx Pharmac.	43.44	94.4	4	4	Drug	52
825	MedAssets	12.91	92.2	2	3	Healthcare Information	80
1225	SunPower Corp.	5.44	90.7	3	4	Power	89
1799	Ariba, Inc.	34.21	85.5	4	3	E-Commerce	83
1597	Alexion Pharmac.	88.90	83.9	3	3	Drug	52
193	NuVasive, Inc.	16.56	82.8	5	3	Med Supp Invasive	74
2146	Penney (J.C.)	33.81	82.5	4	3	Retail Store	22
1130	Ryland Group	18.47	80.3	4	4	Homebuilding	97
2616	AOL, Inc.	24.61	79.4	–	3	Internet	78
594	ViaSat, Inc.	45.87	79.1	4	3	Wireless Networking	98
2341	Gaylord Entertainm.	30.66	76.7	3	3	Hotel/Gaming	24
2586	Nuance Communic.	22.16	76.4	3	3	Computer Software	51
1806	Rackspace Hosting	53.45	75.3	3	3	E-Commerce	83
2351	Scientific Games	11.25	75.0	4	3	Hotel/Gaming	24
582	Crown Castle Int'l	55.00	72.4	3	3	Wireless Networking	98
2590	Red Hat, Inc.	57.11	72.3	3	3	Computer Software	51
1360	Integrated Device	6.47	71.9	4	3	Semiconductor	94
1517	BRE Properties	52.82	71.4	4	3	R.E.I.T.	86
2606	DealerTrack Hldgs.	28.89	70.5	3	3	IT Services	49
1803	Equinix, Inc.	147.70	70.3	3	3	E-Commerce	83
2595	VMware, Inc.	103.48	68.5	3	3	Computer Software	51
590	RF Micro Devices	3.97	66.2	5	4	Wireless Networking	98
1165	Potlatch Corp.	31.08	62.2	4	3	Paper/Forest Products	57
1516	AvalonBay Communities	144.54	60.5	3	3	R.E.I.T.	86
1519	Camden Property Trust	68.09	60.3	3	3	R.E.I.T.	86
1223	NRG Energy	15.90	58.9	3	3	Power	89
1133	Toll Brothers	23.51	58.8	4	3	Homebuilding	97
2348	Orient-Express Hotels	10.47	58.2	3	4	Hotel/Gaming	24
2178	Haverty Furniture	12.17	58.0	4	3	Retail (Hardlines)	35
1530	Kimco Realty	18.89	57.2	4	3	R.E.I.T.	86
946	Acme Packet	27.73	55.5	5	3	Telecom. Equipment	95
201	Wright Medical	18.35	54.0	4	3	Med Supp Invasive	74
1526	Health Care REIT	55.06	52.9	3	3	R.E.I.T.	86
1518	Boston Properties	106.16	52.8	4	3	R.E.I.T.	86
1126	Lennar Corp.	25.27	52.6	4	3	Homebuilding	97
2342	Hyatt Hotels	41.82	52.3	–	3	Hotel/Gaming	24
1543	Weingarten Realty	25.89	51.8	3	3	R.E.I.T.	86
433	CoStar Group	70.08	51.5	4	3	Information Services	61
568	Penford Corp.	7.72	51.5	2	4	Chemical (Specialty)	41
356	Chipotle Mex. Grill	402.86	49.5	3	3	Restaurant	32
1114	Quanex Bldg. Prod.	17.21	49.2	4	4	Building Materials	84
241	ZOLL Medical	92.95	48.9	–	3	Med Supp Non-Invasive	75
1108	Eagle Materials	33.62	48.7	3	3	Building Materials	84
429	Advisory Board	88.27	47.7	3	2	Information Services	61
975	Catalyst Health Solns	86.92	47.2	–	3	Pharmacy Services	30
2210	Charming Shoppes	5.66	47.2	3	4	Retail (Softlines)	59
2398	Range Resources Corp.	58.54	47.2	4	3	Petroleum (Producing)	7
2638	XO Group	9.38	46.9	3	3	Internet	78
527	Encana Corp.	17.80	46.8	–	3	Natural Gas (Div.)	34
2225	lululemon athletica	70.18	46.8	3	3	Retail (Softlines)	59
1523	Federal Rlty. Inv. Trust	98.76	46.6	4	3	R.E.I.T.	86
1928	Peet's Coffee & Tea	71.99	45.9	4	3	Food Processing	79
204	Abaxis, Inc.	28.62	45.4	5	3	Med Supp Non-Invasive	75
2111	Michael Kors Hldgs.	41.32	45.4	–	3	Apparel	81
2118	Under Armour	95.34	45.4	3	3	Apparel	81
2012	OmniVision Techn.	17.67	45.3	4	3	Entertainment Tech	87
1129	PulteGroup, Inc.	8.60	45.3	4	4	Homebuilding	97
2354	Vail Resorts	40.46	45.0	4	3	Hotel/Gaming	24
1110	Martin Marietta	81.58	44.6	3	3	Building Materials	84
971	Verifone Systems	53.04	44.2	3	4	Telecom. Equipment	95
515	Sunoco, Inc.	40.02	43.5	3	3	Petroleum (Integrated)	14
2521	Regions Financial	6.45	43.0	3	4	Bank	60
1389	Cymer Inc.	48.50	42.9	3	3	Semiconductor Equip	70
1381	Tessera Technologies	16.30	42.9	5	3	Semiconductor	94
1538	Simon Property Group	150.87	42.6	3	3	R.E.I.T.	86
2526	Synovus Financial	2.13	42.6	3	5	Bank	60
1811	TIBCO Software	31.54	42.6	3	3	E-Commerce	83
1050	tw telecom	21.24	42.5	3	3	Telecom. Utility	6
560	Ferro Corp.	5.05	42.1	4	4	Chemical (Specialty)	41
1532	Mack-Cali R'lty	28.48	41.9	3	3	R.E.I.T.	86
2007	Avid Technology	8.31	41.6	4	3	Entertainment Tech	87
1535	Public Storage	141.66	41.5	3	2	R.E.I.T.	86
1947	Fresh Market (The)	50.59	41.1	–	3	Retail/Wholesale Food	23
1356	Cree, Inc.	29.78	40.8	5	3	Semiconductor	94
959	Juniper Networks	21.63	40.8	5	3	Telecom. Equipment	95
520	Cabot Oil & Gas 'A'	29.60	40.5	4	3	Natural Gas (Div.)	34
329	Alexander & Baldwin	50.07	40.4	4	3	Maritime	77
190	Intuitive Surgical	560.11	40.4	3	3	Med Supp Invasive	74
1531	Liberty Property	35.96	40.4	3	3	R.E.I.T.	86
623	Inergy, L.P.	16.12	40.3	–	3	Pipeline MLPs	64
624	Kinder Morgan Energy	84.90	40.0	3	2	Pipeline MLPs	64
580	Amer. Tower 'A'	63.53	39.5	3	3	Wireless Networking	98
1119	Universal Forest	35.79	39.3	3	3	Building Materials	84
533	Pengrowth Energy	8.62	39.2	3	3	Natural Gas (Div.)	34
2573	Advent Software	25.90	38.7	3	3	Computer Software	51
2192	Ulta Salon	87.15	38.7	3	3	Retail (Hardlines)	35
1541	Vornado R'lty Trust	84.59	38.6	4	3	R.E.I.T.	86
1804	Informatica Corp.	47.61	38.4	3	3	E-Commerce	83
2206	bebe stores	8.42	38.3	3	3	Retail (Softlines)	59
995	Fuel Sys. Solns.	21.09	38.3	4	3	Auto Parts	13
221	Illumina Inc.	43.50	38.2	–	3	Med Supp Non-Invasive	75
2189	RadioShack Corp.	5.34	38.1	4	4	Retail (Hardlines)	35
1425	Office Depot	3.04	38.0	2	5	Office Equip/Supplies	15
1317	Trimble Nav. Ltd.	52.40	38.0	3	3	Electrical Equipment	54
1536	Realty Income Corp.	39.00	37.5	4	3	R.E.I.T.	86
2425	Transocean Ltd.	49.15	36.4	3	3	Oilfield Svcs/Equip.	28
230	Omnicell, Inc.	13.78	36.3	3	3	Med Supp Non-Invasive	75
1749	GenCorp Inc.	6.85	36.1	3	4	Diversified Co.	17
348	BJ's Restaurants	46.45	36.0	3	3	Restaurant	32
354	Caribou Coffee	15.83	36.0	3	4	Restaurant	32

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STOCKS WITH HIGHEST ANNUAL TOTAL RETURNS (NEXT 3 TO 5 YEARS)

(Estimated compound annual stock price appreciation plus estimated annual dividend income.)

Page No.	Stock Name	Recent Price	Est'd Total Return	Time-liness	Safety Rank	Industry Group	Industry Rank
1733	Tecumseh Products 'A'	3.92	66%	5	5	Machinery	26
599	Arch Coal	9.64	58%	3	3	Coal	44
591	Research in Motion	13.25	57%	3	3	Wireless Networking	98
741	AK Steel Holding	7.20	54%	3	4	Steel	68
2644	Capital Trust	3.30	53%	4	5	Public/Private Equity	88
2399	Ultra Petroleum	18.18	53%	3	3	Petroleum (Producing)	7
2646	Fortress Investment	3.57	52%	3	4	Public/Private Equity	88
407	Fuel Tech, Inc.	4.54	52%	4	4	Environmental	38
2520	Popular Inc.	1.84	51%	3	4	Bank	60
844	Senomyx, Inc.	2.19	50%	5	5	Biotechnology	96
2198	Zale Corp.	2.57	50%	5	5	Retail (Hardlines)	35
587	Intermec Inc.	5.10	49%	5	3	Wireless Networking	98
584	Echelon Corp.	4.22	47%	4	4	Wireless Networking	98
1364	LSI Corp.	8.03	47%	1	3	Semiconductor	94
184	CryoLife Inc.	5.25	46%	4	4	Med Supp Invasive	74
404	Casella Waste Sys.	5.98	45%	4	5	Environmental	38
1585	China Green Agriculture	4.28	45%	–	5	Chemical (Basic)	19
957	Harmonic, Inc.	4.58	45%	3	4	Telecom. Equipment	95
335	Overseas Shipholding	10.80	45%	5	4	Maritime	77
1566	Pan Amer. Silver	18.47	45%	3	3	Precious Metals	43
1428	Standard Register	0.90	45%	4	4	Office Equip/Supplies	15
1938	Synutra Int'l	5.59	45%	–	4	Food Processing	79
848	XenoPort, Inc.	4.55	45%	4	4	Biotechnology	96
2620	Ctrip.com Int'l ADR	21.09	44%	5	3	Internet	78
2159	K-Swiss, Inc.	3.46	44%	5	4	Shoe	85
598	Alpha Natural Res.	16.42	43%	3	3	Coal	44
970	UTStarcom Holdings	1.30	43%	3	5	Telecom. Equipment	95
2362	Donnelley (R.R) & Sons	12.05	42%	3	3	Publishing	16
1948	Green Mtn. Coffee	44.60	42%	3	3	Retail/Wholesale Food	23
2630	Orbitz Worldwide	3.28	41%	2	5	Internet	78
2419	RPC Inc.	9.34	41%	2	3	Oilfield Svcs/Equip.	28
2534	AllianceBernstein Hldg.	14.29	40%	5	3	Financial Svcs. (Div.)	62
581	Brightpoint, Inc.	7.11	40%	3	3	Wireless Networking	98
1221	GT Advanced Tech.	7.11	40%	2	4	Power	89
533	Pengrowth Energy	8.62	40%	3	3	Natural Gas (Div.)	34
2014	Rovi Corp.	27.96	40%	3	3	Entertainment Tech	87
846	United Therapeutics	42.07	40%	2	3	Biotechnology	96
590	RF Micro Devices	3.97	39%	5	4	Wireless Networking	98
312	Southwest Airlines	8.02	39%	3	3	Air Transport	10
2642	Apollo Investment	7.24	38%	3	3	Public/Private Equity	88
1367	MEMC Elec. Mat'ls	3.46	38%	4	4	Semiconductor	94
965	Nokia Corp. ADR	3.63	38%	5	3	Telecom. Equipment	95
589	Powerwave Techn.	1.09	38%	5	5	Wireless Networking	98
2020	Universal Electronics	16.02	38%	2	3	Entertainment Tech	87
2368	A.H. Belo	4.54	37%	3	5	Newspaper	56
1216	Ballard Power Sys.	1.28	37%	4	5	Power	89
1968	Central European Dist.	4.75	37%	5	5	Beverage	76
1635	Cross Country Health.	4.51	37%	4	4	Human Resources	65
1024	DIRECTV	47.60	36%	1	3	Cable TV	2
406	EnergySolutions	4.26	36%	2	4	Environmental	38
1548	Genworth Fin'l	6.04	36%	3	4	Insurance (Life)	31
1564	Kinross Gold	8.85	36%	3	3	Precious Metals	43
398	SAIC, Inc.	12.03	36%	3	2	Industrial Services	36
2544	Crawford & Co. 'B'	4.34	35%	3	4	Financial Svcs. (Div.)	62
585	Finisar Corp.	16.50	35%	4	4	Wireless Networking	98
803	Health Mgmt. Assoc.	7.02	35%	2	5	Medical Services	9
2649	KKR & Co. L.P.	13.65	35%	–	2	Public/Private Equity	88
933	NII Holdings	18.85	35%	3	3	Telecom. Services	20
2414	Nabors Inds.	15.95	35%	2	3	Oilfield Svcs/Equip.	28
2373	New York Times	6.32	35%	3	3	Newspaper	56
1379	STMicroelectronics	5.71	35%	4	3	Semiconductor	94
743	ArcelorMittal	16.52	34%	4	3	Steel	68
1004	Modine Mfg.	7.54	34%	3	4	Auto Parts	13
1985	Panasonic Corp.	7.83	34%	5	3	Foreign Electronics	82
2632	Pandora Media	8.53	34%	–	4	Internet	78
936	Shenandoah Telecom.	10.62	34%	2	3	Telecom. Services	20
1987	Sony Corp. ADR	16.62	34%	5	2	Foreign Electronics	82
1810	StarTek, Inc.	1.85	34%	5	5	E-Commerce	83
1350	ANADIGICS Inc.	2.21	33%	5	5	Semiconductor	94
2643	Blackstone Group LP	13.37	33%	3	3	Public/Private Equity	88
2510	Citigroup Inc.	33.42	33%	3	4	Bank	60
2009	Daktronics Inc.	8.09	33%	4	3	Entertainment Tech	87
1524	FelCor Lodging Tr.	4.15	33%	4	5	R.E.I.T.	86
560	Ferro Corp.	5.05	33%	4	4	Chemical (Specialty)	41
2647	Gladstone Capital	7.94	33%	5	3	Public/Private Equity	88
998	Goodyear Tire	11.19	33%	3	4	Auto Parts	13
805	Healthways Inc.	6.78	33%	3	3	Medical Services	9
310	JetBlue Airways	4.66	33%	1	4	Air Transport	10
128	Orbotech Ltd.	10.39	33%	4	3	Precision Instrument	69
537	Quicksilver Res.	3.81	33%	3	4	Natural Gas (Div.)	34
1342	Sanmina-SCI Corp.	8.87	33%	3	5	Electronics	46
1049	Telefonica SA ADR	14.57	33%	3	2	Telecom. Utility	6
399	TeleTech Holdings	14.98	33%	3	3	Industrial Services	36
2636	United Online	4.54	33%	3	4	Internet	78
1943	Zhongpin	9.59	33%	–	5	Food Processing	79
1973	Cott Corp.	6.60	32%	4	4	Beverage	76
994	Federal-Mogul Corp.	13.81	32%	3	4	Auto Parts	13
1981	FUJIFILM Hldgs. ADR	21.46	32%	3	1	Foreign Electronics	82
837	Incyte Corp.	18.77	32%	5	5	Biotechnology	96
1193	Martha Stewart	3.41	32%	–	4	Household Products	55
1370	Micron Technology	6.51	32%	3	4	Semiconductor	94
2228	Pacific Sunwear	1.47	32%	5	5	Retail (Softlines)	59
603	Peabody Energy	29.95	32%	3	3	Coal	44
371	Ruby Tuesday	6.85	32%	3	4	Restaurant	32
2015	SeaChange Int'l	8.25	32%	3	3	Entertainment Tech	87
1956	SUPERVALU INC.	6.15	32%	2	3	Retail/Wholesale Food	23
173	Wabash National	8.14	32%	3	4	Heavy Truck & Equip	5
2426	Weatherford Int'l	14.14	32%	3	3	Oilfield Svcs/Equip.	28
2401	Baker Hughes	43.04	31%	3	3	Oilfield Svcs/Equip.	28
1998	Career Education	6.89	31%	3	3	Educational Services	67

STOCKS WITH HIGHEST PROJECTED 3- TO 5-YEAR DIVIDEND YIELD

Based upon the projected dividend per share 3 to 5 years hence divided by the recent price

Page No.	Stock Name	Recent Price	Est'd Future Yield	Time-liness	Safety Rank	Industry Group	Industry Rank
2646	Fortress Investment	3.57	30%	3	4	Public/Private Equity	88
2642	Apollo Investment	7.24	28%	3	3	Public/Private Equity	88
1781	BGC Partners Inc.	6.85	18%	3	4	Securities Brokerage	71
2534	AllianceBernstein Hldg.	14.29	17%	5	3	Financial Svcs. (Div.)	62
623	Inergy, L.P.	16.12	17%	–	3	Pipeline MLPs	64
2647	Gladstone Capital	7.94	15%	5	3	Public/Private Equity	88
1622	PDL BioPharma	6.20	15%	2	3	Drug	52
1049	Telefonica SA ADR	14.57	15%	3	2	Telecom. Utility	6
1514	Annaly Capital Mgmt.	16.17	12%	3	3	R.E.I.T.	86
2649	KKR & Co. L.P.	13.65	12%	–	2	Public/Private Equity	88
2643	Blackstone Group LP	13.37	11%	3	3	Public/Private Equity	88
1047	Deutsche Telekom ADR	11.32	11%	2	2	Telecom. Utility	6
2362	Donnelley (R.R) & Sons	12.05	10%	3	3	Publishing	16
1048	Frontier Communic.	4.12	10%	2	3	Telecom. Utility	6
934	NTELOS Hldgs.	18.59	10%	–	3	Telecom. Services	20
965	Nokia Corp. ADR	3.63	10%	5	3	Telecom. Equipment	95
533	Pengrowth Energy	8.62	10%	3	3	Natural Gas (Div.)	34
604	Penn Virginia Res.	25.28	10%	3	3	Coal	44
1818	StoneMor Partners L.P.	25.34	10%	5	4	Funeral Services	73
597	Alliance Resource	61.62	9%	2	3	Coal	44
618	Boardwalk Pipeline	27.31	9%	3	3	Pipeline MLPs	64
619	Buckeye Partners L.P.	57.17	9%	4	2	Pipeline MLPs	64
621	Energy Transfer	47.72	9%	4	2	Pipeline MLPs	64
529	Linn Energy, LLC	38.84	9%	3	3	Natural Gas (Div.)	34
602	Natural Resource	24.59	9%	3	3	Coal	44
1427	Pitney Bowes	16.95	9%	3	3	Office Equip/Supplies	15
2189	RadioShack Corp.	5.34	9%	4	4	Retail (Hardlines)	35
627	Suburban Propane	43.60	9%	4	3	Pipeline MLPs	64
2636	United Online	4.54	9%	3	4	Internet	78
943	Vodafone Group ADR	27.76	9%	2	2	Telecom. Services	20
1051	Windstream Corp.	11.17	9%	3	3	Telecom. Utility	6
1545	AEGON	4.63	8%	4	3	Insurance (Life)	31
1041	Alaska Communic.	2.50	8%	2	4	Telecom. Utility	6
1599	AstraZeneca PLC (ADS)	45.82	8%	3	2	Drug	52
1584	CVR Partners, LP	27.17	8%	–	3	Chemical (Basic)	19
1044	CenturyLink Inc.	37.94	8%	3	2	Telecom. Utility	6
1046	Consol. Communic.	18.87	8%	2	3	Telecom. Utility	6
1520	DDR Corp.	14.62	8%	4	4	R.E.I.T.	86
620	El Paso Pipeline	34.31	8%	3	3	Pipeline MLPs	64
1526	Health Care REIT	55.06	8%	3	3	R.E.I.T.	86
624	Kinder Morgan Energy	84.90	8%	3	2	Pipeline MLPs	64
394	Macquarie Infrastructure	33.14	8%	2	5	Industrial Services	36
1550	Manulife Fin'l	13.30	8%	5	3	Insurance (Life)	31
2382	National CineMedia	14.50	8%	4	3	Advertising	12
1759	National Presto Ind.	72.56	8%	4	3	Diversified Co.	17
1508	New York Community	13.19	8%	4	3	Thrift	92
2422	Seadrill Ltd.	37.55	8%	3	3	Oilfield Svcs/Equip.	28
2333	Sinclair Broadcast	9.48	8%	1	4	Entertainment	18
1379	STMicroelectronics	5.71	8%	4	3	Semiconductor	94
517	Total ADR	47.18	8%	2	1	Petroleum (Integrated)	14
1227	TransAlta Corp.	16.34	8%	3	3	Power	89
628	Williams Partners L.P.	54.58	8%	3	3	Pipeline MLPs	64
2336	World Wrestling Ent.	7.88	8%	5	3	Entertainment	18
1989	Altria Group	31.70	7%	3	2	Tobacco	29
2305	Cedar Fair L.P.	30.64	7%	1	3	Recreation	50
608	Copano Energy	36.75	7%	4	3	Oil/Gas Distribution	90
523	Crosstex Energy	14.37	7%	2	5	Natural Gas (Div.)	34
102	Daimler AG	53.08	7%	1	3	Automotive	3
622	Enterprise Products	52.30	7%	2	3	Pipeline MLPs	64
2548	Federated Investors	20.64	7%	4	3	Financial Svcs. (Div.)	62
333	Golar LNG Ltd.	36.69	7%	3	3	Maritime	77
1528	Hospitality Properties	26.81	7%	3	3	R.E.I.T.	86
1531	Liberty Property	35.96	7%	3	3	R.E.I.T.	86
1532	Mack-Cali R'lty	28.48	7%	3	3	R.E.I.T.	86
770	Old Republic	10.23	7%	5	3	Insurance (Prop/Cas.)	93
1533	Penn. R.E.I.T.	14.67	7%	3	4	R.E.I.T.	86
1986	Philips Electronics NV	19.64	7%	4	3	Foreign Electronics	82
626	Plains All Amer. Pipe.	80.91	7%	2	3	Pipeline MLPs	64
1993	Reynolds American	39.65	7%	3	2	Tobacco	29
792	TCF Financial	11.30	7%	5	3	Bank (Midwest)	66
1380	Taiwan Semic. ADR	14.86	7%	3	3	Semiconductor	94
938	Telecom N. Zealand	10.65	7%	–	3	Telecom. Services	20
2425	Transocean Ltd.	49.15	7%	3	3	Oilfield Svcs/Equip.	28
1168	Weyerhaeuser Co.	20.52	7%	–	3	Paper/Forest Products	57
922	AT&T Inc.	31.72	6%	2	1	Telecom. Services	20
2533	Aircastle Ltd.	11.86	6%	1	4	Financial Svcs. (Div.)	62
904	Ameren Corp.	31.93	6%	3	3	Electric Util. (Central)	53
905	Amer. Elec. Power	38.27	6%	3	3	Electric Util. (Central)	53
2359	Amer. Greetings	14.39	6%	3	3	Publishing	16
599	Arch Coal	9.64	6%	3	3	Coal	44
1502	Astoria Financial	9.61	6%	5	3	Thrift	92
1903	B&G Foods	21.55	6%	3	3	Food Processing	79
1042	BCE Inc.	40.23	6%	2	3	Telecom. Utility	6
502	BP PLC ADR	41.91	6%	2	3	Petroleum (Integrated)	14
1043	BT Group ADR	34.53	6%	1	3	Telecom. Utility	6
2503	BancorpSouth	13.17	6%	3	3	Bank	60
2540	Block (H&R)	16.59	6%	4	3	Financial Svcs. (Div.)	62
2509	Can. Imperial Bank	73.43	6%	3	2	Bank	60
2544	Crawford & Co. 'B'	4.34	6%	3	4	Financial Svcs. (Div.)	62
358	Darden Restaurants	50.39	6%	2	3	Restaurant	32
910	Empire Dist. Elec.	20.33	6%	3	2	Electric Util. (Central)	53
955	Ericsson ADR	9.45	6%	4	3	Telecom. Equipment	95
143	Exelon Corp.	37.94	6%	3	2	Electric Utility (East)	48
1750	Gen'l Electric	19.54	6%	3	3	Diversified Co.	17
1610	GlaxoSmithKline ADR	47.21	6%	4	1	Drug	52
1525	HCP Inc.	40.04	6%	3	3	R.E.I.T.	86
1527	Healthcare R'lty Trust	21.18	6%	4	3	R.E.I.T.	86
1506	Hudson City Bancorp	6.87	6%	4	4	Thrift	92
1363	Intersil Corp. 'A'	10.68	6%	5	3	Semiconductor	94
1637	Kelly Services 'A'	13.80	6%	2	3	Human Resources	65

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HIGH RETURNS EARNED ON TOTAL CAPITAL

Stocks with high average returns on capital in last 5 years ranked by earnings retained to common equity

Page No.	Stock Name	Ticker	Recent Price	Avg. Retained to Com. Eq.	Avg. Return On Cap.	Time-liness	Safety Rank	Beta	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
2569	Western Union	WU	18.06	670%	31%	2	3	1.10	10.9	2.2	Financial Svcs. (Div.)	62
1992	Philip Morris Int'l	PM	86.17	460%	44%	3	2	0.75	17.7	3.6	Tobacco	29
440	Moody's Corp.	MCO	41.62	345%	167%	3	3	1.25	17.2	1.5	Information Services	61
1154	Miller (Herman)	MLHR	20.28	305%	30%	3	3	1.20	14.2	0.4	Furn/Home Furnishings	72
1366	Linear Technology	LLTC	31.90	245%	40%	4	3	0.95	17.9	3.1	Semiconductor	94
2126	AutoZone Inc.	AZO	379.36	214%	34%	2	3	0.70	16.1	NIL	Retail Automotive	8
438	Gartner Inc.	IT	41.91	209%	42%	3	3	1.10	25.7	NIL	Information Services	61
347	AFC Enterprises	AFCE	17.02	206%	35%	3	3	1.15	15.2	NIL	Restaurant	32
2001	ITT Educational	ESI	60.79	198%	92%	2	3	0.70	6.7	NIL	Educational Services	67
1991	Lorillard Inc.	LO	134.82	152%	96%	3	2	0.55	16.3	4.6	Tobacco	29
2405	Core Laboratories	CLB	131.21	82%	39%	3	3	1.05	29.4	0.9	Oilfield Svcs/Equip.	28
1918	Herbalife, Ltd.	HLF	69.10	60%	42%	3	3	0.95	19.8	1.8	Food Processing	79
1997	Apollo Group 'A'	APOL	34.55	59%	55%	3	3	0.70	10.2	NIL	Educational Services	67
431	Arbitron Inc.	ARB	38.17	59%	59%	3	3	0.95	18.9	1.0	Information Services	61
1233	Foster Wheeler AG	FWLT	22.14	58%	44%	3	3	1.65	14.2	NIL	Engineering & Const	40
2004	Strayer Education	STRA	83.88	56%	58%	3	3	0.70	12.1	4.8	Educational Services	67
1188	Colgate-Palmolive	CL	98.43	52%	38%	3	1	0.60	18.9	2.6	Household Products	55
1408	Int'l Business Mach.	IBM	200.00	52%	32%	2	1	0.85	14.3	1.7	Computers/Peripherals	45
1401	Dell Inc.	DELL	16.18	47%	35%	3	3	1.00	9.0	NIL	Computers/Peripherals	45
586	InterDigital Inc.	IDCC	31.95	47%	46%	5	3	1.00	19.5	1.3	Wireless Networking	98
2202	Aeropostale	ARO	21.26	46%	46%	3	3	1.10	24.4	NIL	Retail (Softlines)	59
718	Lockheed Martin	LMT	91.13	46%	33%	2	1	0.80	11.4	4.5	Aerospace/Defense	47
842	Questcor Pharmac.	QCOR	41.66	46%	44%	2	3	0.70	21.0	NIL	Biotechnology	96
2598	Accenture Plc	ACN	62.82	45%	62%	2	2	0.85	15.7	2.1	IT Services	49
1609	Gilead Sciences	GILD	52.36	45%	32%	3	3	0.70	14.3	NIL	Drug	52
1221	GT Advanced Tech.	GTAT	7.11	43%	63%	2	4	1.55	4.1	NIL	Power	89
2172	Coach Inc.	COH	71.87	41%	44%	3	3	1.25	19.7	1.7	Retail (Hardlines)	35
601	Joy Global	JOY	71.77	38%	31%	3	3	1.60	9.6	1.0	Coal	44
2619	Blue Nile	NILE	30.40	36%	35%	5	3	1.20	28.4	NIL	Internet	78
2562	MasterCard Inc.	MA	430.30	36%	39%	3	3	1.15	20.7	0.3	Financial Svcs. (Div.)	62
2232	TJX Companies	TJX	40.25	36%	35%	2	1	0.80	17.9	1.1	Retail (Softlines)	59
2314	Polaris Inds.	PII	77.73	34%	32%	3	3	1.30	20.5	1.9	Recreation	50
2363	McGraw-Hill	MHP	47.70	33%	32%	3	3	1.15	15.1	2.1	Publishing	16
2618	Baidu, Inc.	BIDU	135.83	32%	32%	3	3	1.35	34.0	NIL	Internet	78
1585	China Green Agriculture	CGA	4.28	32%	32%	–	5	1.10	2.8	NIL	Chemical (Basic)	19
2585	Microsoft Corp.	MSFT	31.92	32%	40%	2	1	0.85	11.7	2.5	Computer Software	51
591	Research in Motion	RIMM	13.25	32%	32%	3	3	1.25	3.7	NIL	Wireless Networking	98
724	Rockwell Collins	COL	55.33	32%	33%	3	1	1.05	12.3	2.2	Aerospace/Defense	47
944	Vonage Holdings	VG	2.07	32%	38%	2	5	1.15	4.8	NIL	Telecom. Services	20
2229	Ross Stores	ROST	59.32	31%	33%	2	2	0.80	18.5	0.9	Retail (Softlines)	59
1977	Monster Beverage	MNST	62.87	30%	30%	3	3	0.80	35.9	NIL	Beverage	76
1714	Graco Inc.	GGG	54.88	28%	30%	4	3	1.15	22.0	1.6	Machinery	26
508	Imperial Oil Ltd.	IMO	45.44	28%	31%	2	2	1.15	12.0	1.1	Petroleum (Integrated)	14
1814	Hillenbrand, Inc.	HI	20.93	26%	30%	3	3	0.70	11.3	3.7	Funeral Services	73
1927	NutriSystem Inc.	NTRI	11.09	25%	38%	5	3	0.85	27.7	6.3	Food Processing	79
2208	Buckle (The), Inc.	BKE	44.78	24%	34%	3	3	1.05	13.5	1.8	Retail (Softlines)	59
381	C.H. Robinson	CHRW	65.83	19%	31%	3	2	0.95	23.1	2.0	Industrial Services	36
597	Alliance Resource	ARLP	61.62	17%	32%	2	3	1.05	8.3	6.4	Coal	44
826	Quality Systems	QSII	37.59	11%	31%	3	3	0.90	24.3	1.9	Healthcare Information	80
432	Corporate Executive	EXBD	39.95	10%	96%	3	3	0.95	22.8	1.8	Information Services	61

BARGAIN BASEMENT STOCKS

Stocks with current price-earnings multiples and price-to-"net" working capital ratios that are in the bottom quartile of the Value Line universe

("Net" working capital equals current assets less all liabilities including long-term debt and preferred)

Page No.	Stock Name	Ticker	Recent Price	Percent Price-to "Net" Wkg. Capital	Current P/E Ratio	Percent Price-to Book Value	Time-liness	Safety Rank	Beta	% Est'd Yield	Industry Group	Industry Rank
1407	Ingram Micro 'A'	IM	18.84	103%	9.9	81%	3	3	0.95	NIL	Computers/Peripherals	45
2186	PC Connection	PCCC	7.97	110%	7.6	72%	2	3	1.15	NIL	Retail (Hardlines)	35
1585	China Green Agriculture	CGA	4.28	131%	2.8	50%	–	5	1.10	NIL	Chemical (Basic)	19
1784	Goldman Sachs	GS	114.11	137%	11.0	82%	3	3	1.25	1.6	Securities Brokerage	71
1417	Tech Data	TECD	52.44	140%	9.5	99%	1	3	1.00	NIL	Computers/Peripherals	45
1314	Power-One	PWER	4.10	156%	6.2	94%	3	4	1.45	NIL	Electrical Equipment	54
566	OM Group	OMG	24.20	158%	7.2	56%	3	3	1.55	NIL	Chemical (Specialty)	41
128	Orbotech Ltd.	ORBK	10.39	169%	10.0	85%	4	3	0.85	NIL	Precision Instrument	69
591	Research in Motion	RIMM	13.25	195%	3.7	64%	3	3	1.25	NIL	Wireless Networking	98
1759	National Presto Ind.	NPK	72.56	197%	10.8	145%	4	3	0.95	8.3	Diversified Co.	17
1637	Kelly Services 'A'	KELYA	13.80	205%	11.1	71%	2	3	1.20	1.7	Human Resources	65
1328	Celestica Inc.	CLS	8.94	206%	9.0	118%	1	3	1.25	NIL	Electronics	46
1414	ScanSource	SCSC	33.28	218%	11.8	141%	4	3	1.15	NIL	Computers/Peripherals	45
1325	Avnet, Inc.	AVT	34.86	224%	7.5	112%	3	3	1.20	NIL	Electronics	46
1995	Universal Corp.	UVV	45.10	246%	9.2	78%	3	3	0.80	4.3	Tobacco	29
1392	Kulicke & Soffa	KLIC	12.24	247%	10.2	162%	3	5	1.65	NIL	Semiconductor Equip	70
1788	Knight Capital Group	KCG	13.12	253%	9.6	86%	2	3	0.85	NIL	Securities Brokerage	71
1391	FSI Int'l	FSII	4.88	254%	12.2	174%	1	5	1.40	NIL	Semiconductor Equip	70
721	Orbital Sciences	ORB	12.05	265%	11.2	101%	3	3	0.90	NIL	Aerospace/Defense	47
1005	Standard Motor Prod.	SMP	14.44	266%	8.6	106%	2	4	1.70	2.6	Auto Parts	13
1365	Lattice Semiconductor	LSCC	5.46	284%	11.1	163%	4	3	1.20	NIL	Semiconductor	94
987	China Auto. Sys.	CAAS	5.66	287%	7.3	69%	2	3	1.40	NIL	Auto Parts	13
970	UTStarcom Holdings	UTSI	1.30	291%	10.8	70%	3	5	1.55	NIL	Telecom. Equipment	95
1611	Hi-Tech Pharmacal	HITK	32.52	314%	10.1	148%	3	3	0.95	NIL	Drug	52
1345	Vishay Intertechnology	VSH	10.81	325%	9.8	88%	3	3	1.30	NIL	Electronics	46
1219	First Solar, Inc.	FSLR	18.64	336%	4.5	35%	3	3	1.35	NIL	Power	89
2181	Insight Enterprises	NSIT	19.70	337%	8.1	124%	1	3	1.30	NIL	Retail (Hardlines)	35
1419	Western Digital	WDC	41.44	338%	6.2	159%	2	3	1.25	NIL	Computers/Peripherals	45
935	Neutral Tandem	IQNT	11.46	344%	11.7	123%	3	3	1.00	NIL	Telecom. Services	20
2336	World Wrestling Ent.	WWE	7.88	364%	10.8	177%	5	3	0.80	6.1	Entertainment	18
2209	Cato Corp.	CATO	27.42	371%	12.2	195%	3	3	0.95	3.4	Retail (Softlines)	59
135	Zygo Corp.	ZIGO	18.28	372%	12.6	244%	2	3	1.25	NIL	Precision Instrument	69
1707	Cascade Corp.	CASC	46.92	381%	8.8	148%	2	3	1.40	3.0	Machinery	26
2105	Guess Inc.	GES	28.43	417%	10.8	181%	4	3	1.25	2.8	Apparel	81
399	TeleTech Holdings	TTEC	14.98	418%	10.2	147%	3	3	1.05	NIL	Industrial Services	36

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UNTIMELY STOCKS

Stocks ranked 5 (Lowest) for Relative Price Performance in the next 12 months

Page No.	Stock Name	Recent Price	Rank Safety	Rank Technical	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
204	Abaxis, Inc.	28.62	3	3	45.4	NIL	Med Supp Non-Invasive	75
946	Acme Packet	27.73	3	2	55.5	NIL	Telecom. Equipment	95
947	ADTRAN, Inc.	29.55	3	2	13.9	1.2	Telecom. Equipment	95
205	Affymetrix Inc.	4.39	4	3	NMF	NIL	Med Supp Non-Invasive	75
1596	Albany Molecular	3.03	4	4	NMF	NIL	Drug	52
757	Alleghany Corp.	338.61	2	3	16.3	NIL	Insurance (Prop/Cas.)	93
2534	AllianceBernstein Hldg.	14.29	3	3	11.3	7.3	Financial Svcs. (Div.)	62
829	Alnylam Pharmac.	11.19	4	3	NMF	NIL	Biotechnology	96
2617	Amazon.com	190.33	3	4	NMF	NIL	Internet	78
1215	Amer. Superconductor	4.07	5	1	NMF	NIL	Power	89
1350	ANADIGICS Inc.	2.21	5	1	NMF	NIL	Semiconductor	94
175	AngioDynamics	12.27	3	4	34.1	NIL	Med Supp Invasive	74
1352	Applied Micro	6.01	3	1	NMF	NIL	Semiconductor	94
1502	Astoria Financial	9.61	3	3	20.0	1.7	Thrift	92
831	BioMarin Pharmac.	34.64	3	5	NMF	NIL	Biotechnology	96
2619	Blue Nile	30.40	3	4	28.4	NIL	Internet	78
2303	Callaway Golf	6.75	3	3	NMF	0.6	Recreation	50
1968	Central European Dist.	4.75	5	5	22.6	NIL	Beverage	76
558	Ceradyne Inc. ■	26.57	3	2	13.8	2.3	Chemical (Specialty)	41
115	Checkpoint Systems	10.46	3	4	20.5	NIL	Precision Instrument	69
2213	Christopher & Banks	1.94	5	3	NMF	NIL	Retail (Softlines)	59
607	Clean Energy Fuels	18.10	4	2	NMF	NIL	Oil/Gas Distribution	90
2215	Coldwater Creek	1.00	5	4	NMF	NIL	Retail (Softlines)	59
1801	Concur Techn.	53.69	3	3	NMF	NIL	E-Commerce	83
1356	Cree, Inc.	29.78	3	1	40.8	NIL	Semiconductor	94
2620	Ctrip.com Int'l ADR	21.09	3	3	16.1	NIL	Internet	78
214	Cutera, Inc.	9.10	4	2	NMF	NIL	Med Supp Non-Invasive	75
583	DSP Group	6.31	4	3	NMF	NIL	Wireless Networking	98
832	Dendreon Corp.	11.31	5	1	NMF	NIL	Biotechnology	96
215	DexCom Inc.	9.70	4	5	NMF	NIL	Med Supp Non-Invasive	75
2327	DreamWorks Animation	17.68	2	2	16.5	NIL	Entertainment	18
1358	EMCORE Corp.	4.18	5	1	NMF	NIL	Semiconductor	94
1218	EnerNOC, Inc.	6.13	4	1	NMF	NIL	Power	89
833	Enzo Biochem	2.48	4	4	NMF	NIL	Biotechnology	96
386	Expeditors Int'l ■	41.25	2	3	21.8	1.3	Industrial Services	36
437	Forrester Research	34.17	3	3	28.5	1.6	Information Services	61
1148	Furniture Brands	1.57	5	3	NMF	NIL	Furn/Home Furnishings	72
2104	Gildan Activewear	26.96	3	2	20.7	1.3	Apparel	81
2647	Gladstone Capital	7.94	3	2	13.2	10.6	Public/Private Equity	88
1406	Imation Corp. ■	5.86	3	4	NMF	NIL	Computers/Peripherals	45
837	Incyte Corp.	18.77	5	5	NMF	NIL	Biotechnology	96
958	Infinera Corp.	7.53	4	4	NMF	NIL	Telecom. Equipment	95
586	InterDigital Inc.	31.95	3	3	19.5	1.3	Wireless Networking	98
1150	Interface Inc. 'A'	12.89	3	3	19.5	0.6	Furn/Home Furnishings	72
587	Intermec Inc.	5.10	3	2	NMF	NIL	Wireless Networking	98
1362	Int'l Rectifier	20.26	3	2	NMF	NIL	Semiconductor	94
1363	Intersil Corp. 'A'	10.68	3	3	24.8	4.5	Semiconductor	94
838	Isis Pharmac.	7.59	4	3	NMF	NIL	Biotechnology	96
959	Juniper Networks	21.63	3	1	40.8	NIL	Telecom. Equipment	95
2159	K-Swiss, Inc.	3.46	4	3	NMF	NIL	Shoe	85
1125	KB Home	7.91	4	1	NMF	1.3	Homebuilding	97
1192	Lancaster Colony ■	64.66	1	4	17.7	2.3	Household Products	55
735	Lawson Products	15.13	3	4	NMF	3.2	Metal Fabricating	27
2557	Lazard Ltd.	25.51	3	2	12.1	3.1	Financial Svcs. (Div.)	62
2002	Learning Tree Int'l	5.88	4	2	NMF	NIL	Educational Services	67
1162	Louisiana-Pacific	8.30	5	2	NMF	NIL	Paper/Forest Products	57
2110	Maidenform Brands	22.42	3	4	15.5	NIL	Apparel	81
1550	Manulife Fin'l	13.30	3	2	17.7	3.9	Insurance (Life)	31
1111	Masco Corp.	12.24	3	2	NMF	2.5	Building Materials	84
1335	Micrel Inc.	9.44	3	2	24.2	1.7	Electronics	46
125	National Instruments	25.50	3	3	30.4	2.2	Precision Instrument	69
229	Natus Medical	11.03	3	2	29.0	NIL	Med Supp Non-Invasive	75
1618	Nektar Therapeutics	7.49	4	3	NMF	NIL	Drug	52
2227	New York & Co.	3.81	5	3	NMF	NIL	Retail (Softlines)	59
965	Nokia Corp. ADR	3.63	3	2	20.2	7.4	Telecom. Equipment	95
1927	NutriSystem Inc.	11.09	3	5	27.7	6.3	Food Processing	79
193	NuVasive, Inc.	16.56	3	2	82.8	NIL	Med Supp Invasive	74
770	Old Republic	10.23	3	5	NMF	6.9	Insurance (Prop/Cas.)	93
335	Overseas Shipholding	10.80	4	1	NMF	NIL	Maritime	77
2228	Pacific Sunwear	1.47	5	2	NMF	NIL	Retail (Softlines)	59
233	Palomar Med. Techn.	8.76	3	3	NMF	NIL	Med Supp Non-Invasive	75
1985	Panasonic Corp.	7.83	3	4	NMF	1.9	Foreign Electronics	82
2588	Parametric Technology	19.36	3	2	18.4	NIL	Computer Software	51
1164	Plum Creek Timber	41.48	3	3	35.2	4.1	Paper/Forest Products	57
966	Polycom, Inc.	12.62	3	2	21.0	NIL	Telecom. Equipment	95
589	Powerwave Techn.	1.09	5	5	NMF	NIL	Wireless Networking	98
1340	Pulse Electronics	2.26	4	3	NMF	NIL	Electronics	46
590	RF Micro Devices	3.97	4	3	66.2	NIL	Wireless Networking	98
1375	Rambus Inc.	4.85	4	2	NMF	NIL	Semiconductor	94
2614	SEI Investments	19.82	2	3	16.9	1.6	IT Services	49
2150	Sears Holdings	50.59	3	3	NMF	NIL	Retail Store	22
844	Senomyx, Inc.	2.19	5	3	NMF	NIL	Biotechnology	96
2016	Sigma Designs	5.42	4	2	NMF	NIL	Entertainment Tech	87
2017	Silicon Image	5.43	4	3	NMF	NIL	Entertainment Tech	87
593	Smith Micro Software	2.10	5	1	NMF	NIL	Wireless Networking	98
1987	Sony Corp. ADR ■	16.62	2	4	NMF	1.9	Foreign Electronics	82
1810	StarTek, Inc.	1.85	5	1	NMF	NIL	E-Commerce	83
1818	StoneMor Partners L.P.	25.34	4	3	NMF	9.2	Funeral Services	73
1226	Suntech Power ADS	2.51	5	1	NMF	NIL	Power	89
792	TCF Financial	11.30	3	3	20.5	1.8	Bank (Midwest)	66
1733	Tecumseh Products 'A'	3.92	5	5	NMF	NIL	Machinery	26
969	Tellabs, Inc.	3.94	3	4	NMF	2.0	Telecom. Equipment	95
1381	Tessera Technologies	16.30	3	2	42.9	2.5	Semiconductor	94
1116	Texas Inds.	32.76	4	5	NMF	NIL	Building Materials	84
1383	TriQuint Semic. ■	5.13	4	2	21.4	NIL	Semiconductor	94
2193	ValueVision Media	1.74	5	5	NMF	NIL	Retail (Hardlines)	35
827	WebMD Health	22.64	3	4	NMF	NIL	Healthcare Information	80
2336	World Wrestling Ent.	7.88	3	3	10.8	6.1	Entertainment	18
775	XL Group plc	21.26	4	3	20.2	2.1	Insurance (Prop/Cas.)	93
2198	Zale Corp.	2.57	5	3	NMF	NIL	Retail (Hardlines)	35

■ **Newly added this week.**

HIGHEST DIVIDEND YIELDING NON-UTILITY STOCKS

Based upon estimated year-ahead dividends per share

Page No.	Stock Name	Recent Price	Time-liness	Safety Rank	Current P/E Ratio	% Est'd Yield	Industry Group	Industry Rank
623	Inergy, L.P.	16.12	–	3	40.3	17.5	Pipeline MLPs	64
1514	Annaly Capital Mgmt.	16.17	3	3	7.6	12.7	R.E.I.T.	86
2642	Apollo Investment	7.24	3	3	7.0	11.0	Public/Private Equity	88
2647	Gladstone Capital	7.94	5	3	13.2	10.6	Public/Private Equity	88
1205	DWS High Income	10.12	–	4	NMF	10.1	Investment Co.	–
1781	BGC Partners Inc.	6.85	3	4	8.6	9.9	Securities Brokerage	71
533	Pengrowth Energy	8.62	3	3	39.2	9.9	Natural Gas (Div.)	34
1622	PDL BioPharma	6.20	2	3	4.1	9.7	Drug	52
2189	RadioShack Corp.	5.34	4	4	38.1	9.4	Retail (Hardlines)	35
1818	StoneMor Partners L.P.	25.34	5	4	NMF	9.2	Funeral Services	73
934	NTELOS Hldgs.	18.59	–	3	16.9	9.0	Telecom. Services	20
602	Natural Resource	24.59	3	3	13.1	8.9	Coal	44
1427	Pitney Bowes	16.95	3	3	7.8	8.9	Office Equip/Supplies	15
2636	United Online	4.54	3	4	8.6	8.8	Internet	78
2362	Donnelley (R.R) & Sons	12.05	3	3	6.1	8.6	Publishing	16
2422	Seadrill Ltd.	37.55	3	3	12.2	8.5	Oilfield Svcs/Equip.	28
1759	National Presto Ind.	72.56	4	3	10.8	8.3	Diversified Co.	17
604	Penn Virginia Res.	25.28	3	3	19.6	8.1	Coal	44
618	Boardwalk Pipeline	27.31	3	3	22.6	7.8	Pipeline MLPs	64
627	Suburban Propane	43.60	4	3	15.6	7.8	Pipeline MLPs	64
621	Energy Transfer	47.72	4	2	30.8	7.6	Pipeline MLPs	64
1508	New York Community	13.19	4	3	12.6	7.6	Thrift	92
529	Linn Energy, LLC	38.84	3	3	21.2	7.5	Natural Gas (Div.)	34
1209	MFS Multimarket	6.97	–	4	NMF	7.5	Investment Co.	–
965	Nokia Corp. ADR	3.63	5	3	20.2	7.4	Telecom. Equipment	95
2534	AllianceBernstein Hldg.	14.29	5	3	11.3	7.3	Financial Svcs. (Div.)	62
619	Buckeye Partners L.P.	57.17	4	2	19.1	7.3	Pipeline MLPs	64
2649	KKR & Co. L.P.	13.65	–	2	8.1	7.3	Public/Private Equity	88
1204	DNP Select Inc. Fund	10.83	–	2	NMF	7.2	Investment Co.	–
1227	TransAlta Corp.	16.34	3	3	18.2	7.1	Power	89
1379	STMicroelectronics	5.71	4	3	30.1	7.0	Semiconductor	94
938	Telecom N. Zealand	10.65	–	3	15.2	7.0	Telecom. Services	20
770	Old Republic	10.23	5	3	NMF	6.9	Insurance (Prop/Cas.)	93
1528	Hospitality Properties	26.81	3	3	21.4	6.7	R.E.I.T.	86
1203	AllianceBernstein Income	8.16	–	3	NMF	6.5	Investment Co.	–
1599	AstraZeneca PLC (ADS)	45.82	3	2	7.3	6.5	Drug	52
608	Copano Energy	36.75	4	3	NMF	6.5	Oil/Gas Distribution	90
517	Total ADR	47.18	2	1	6.9	6.5	Petroleum (Integrated)	14
597	Alliance Resource	61.62	2	3	8.3	6.4	Coal	44
2316	Regal Entertainment	13.11	3	5	19.9	6.4	Recreation	50
2425	Transocean Ltd.	49.15	3	3	36.4	6.4	Oilfield Svcs/Equip.	28
1532	Mack-Cali R'lty	28.48	3	3	41.9	6.3	R.E.I.T.	86
1927	NutriSystem Inc.	11.09	5	3	27.7	6.3	Food Processing	79
2382	National CineMedia	14.50	4	3	21.6	6.2	Advertising	12
1584	CVR Partners, LP	27.17	–	3	14.2	6.1	Chemical (Basic)	19
2336	World Wrestling Ent.	7.88	5	3	10.8	6.1	Entertainment	18
164	Douglas Dynamics, Inc.	13.58	–	3	15.6	6.0	Heavy Truck & Equip	5
1542	Washington R.E.I.T.	29.23	4	3	NMF	6.0	R.E.I.T.	86
620	El Paso Pipeline	34.31	3	3	15.3	5.9	Pipeline MLPs	64
2369	Gannett Co.	13.54	3	4	7.5	5.9	Newspaper	56
2333	Sinclair Broadcast	9.48	1	4	8.5	5.9	Entertainment	18
628	Williams Partners L.P.	54.58	3	3	14.3	5.9	Pipeline MLPs	64
2643	Blackstone Group LP	13.37	3	3	7.9	5.7	Public/Private Equity	88
1527	Healthcare R'lty Trust	21.18	4	3	NMF	5.7	R.E.I.T.	86
624	Kinder Morgan Energy	84.90	3	2	40.0	5.7	Pipeline MLPs	64
790	Park National	66.05	3	3	12.8	5.7	Bank (Midwest)	66
1986	Philips Electronics NV	19.64	4	3	21.6	5.7	Foreign Electronics	82
1956	SUPERVALU INC.	6.15	2	3	5.0	5.7	Retail/Wholesale Food	23
922	AT&T Inc.	31.72	2	1	14.5	5.6	Telecom. Services	20
415	Aberdeen Australia Fd.	10.63	–	3	21.3	5.6	Investment Co.(Foreign)	–
1201	Aberdeen Asia-Pac. Fd.	7.55	–	4	NMF	5.6	Investment Co.	–
2646	Fortress Investment	3.57	3	4	5.8	5.6	Public/Private Equity	88
1993	Reynolds American	39.65	3	2	14.0	5.6	Tobacco	29
943	Vodafone Group ADR	27.76	2	2	11.0	5.6	Telecom. Services	20
1526	Health Care REIT	55.06	3	3	52.9	5.5	R.E.I.T.	86
769	Mercury General	44.59	4	2	16.3	5.5	Insurance (Prop/Cas.)	93
612	Pembina Pipeline Corp.	29.52	4	3	27.3	5.5	Oil/Gas Distribution	90
102	Daimler AG	53.08	1	3	6.7	5.4	Automotive	3
2368	A.H. Belo	4.54	3	5	NMF	5.3	Newspaper	56
1531	Liberty Property	35.96	3	3	40.4	5.3	R.E.I.T.	86
1989	Altria Group	31.70	3	2	15.1	5.2	Tobacco	29
2305	Cedar Fair L.P.	30.64	1	3	14.0	5.2	Recreation	50
2406	Diamond Offshore	67.91	3	3	13.7	5.2	Oilfield Svcs/Equip.	28
1510	People's United Fin'l	12.40	3	3	17.5	5.2	Thrift	92
626	Plains All Amer. Pipe.	80.91	2	3	15.5	5.2	Pipeline MLPs	64
2533	Aircastle Ltd.	11.86	1	4	8.9	5.1	Financial Svcs. (Div.)	62
2323	Belo Corp. 'A'	6.30	2	5	8.2	5.1	Entertainment	18
942	Verizon Communic.	39.50	2	1	16.4	5.1	Telecom. Services	20
1903	B&G Foods	21.55	3	3	17.4	5.0	Food Processing	79
1610	GlaxoSmithKline ADR	47.21	4	1	14.3	5.0	Drug	52
1525	HCP Inc.	40.04	3	3	21.9	5.0	R.E.I.T.	86
1208	Liberty All-Star	4.81	–	2	NMF	5.0	Investment Co.	–
2364	Meredith Corp.	30.46	3	3	12.9	5.0	Publishing	16
513	Royal Dutch Shell 'A'	68.40	2	1	7.9	5.0	Petroleum (Integrated)	14
2509	Can. Imperial Bank	73.43	3	2	9.5	4.9	Bank	60
622	Enterprise Products	52.30	2	3	21.6	4.9	Pipeline MLPs	64
1613	Lilly (Eli)	39.96	3	1	12.4	4.9	Drug	52
1030	Shaw Commun. 'B'	19.62	2	3	11.5	4.9	Cable TV	2
2506	Bank of Montreal	59.10	2	2	10.7	4.8	Bank	60
2540	Block (H&R)	16.59	4	3	14.8	4.8	Financial Svcs. (Div.)	62
1153	Leggett & Platt	23.36	4	2	18.5	4.8	Furn/Home Furnishings	72
1210	Nuveen Muni Value Fund	10.07	–	1	NMF	4.8	Investment Co.	–
2004	Strayer Education	83.88	3	3	12.1	4.8	Educational Services	67
1039	W.P. Carey & Co. LLC	46.74	3	3	21.4	4.8	Property Management	58
2548	Federated Investors	20.64	4	3	12.4	4.7	Financial Svcs. (Div.)	62

† Dividend cut possible

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HIGHEST GROWTH STOCKS

(To be included, a company's annual growth of sales, cash flow, earnings, dividends and book value must together have averaged 10% or more over the past 10 years and be expected to average at least 10% in the coming 3-5 years.)

Page No.	Stock Name	Ticker	Recent Price	Growth Past 10 Years	Est'd Growth 3-5 Years	Time-liness	Safety Rank	Beta	Current P/E Ratio	% Est'd Yield	Estimated 3-5 Year Price Appreciation	Industry Group	Industry Rank
2201	Abercrombie & Fitch	ANF	47.77	13%	12%	3	3	1.15	27.8	1.5	55-130%	Retail (Softlines)	59
2572	Adobe Systems	ADBE	32.40	12%	14%	4	3	1.20	18.5	NIL	100-240%	Computer Software	51
2123	Advance Auto Parts	AAP	88.85	19%	13%	2	3	0.85	15.3	0.3	15- 65%	Retail Automotive	8
1582	Agrium, Inc.	AGU	85.17	19%	13%	2	3	1.45	9.0	0.5	55-130%	Chemical (Basic)	19
553	Airgas Inc.	ARG	89.23	12%	13%	2	3	1.00	21.7	1.5	10- 70%	Chemical (Specialty)	41
597	Alliance Resource	ARLP	61.62	15%	12%	2	3	1.05	8.3	6.4	40-110%	Coal	44
554	Amer. Vanguard Corp.	AVD	23.55	13%	14%	3	3	1.10	29.1	0.4	N- 5%	Chemical (Specialty)	41
1740	Ametek, Inc.	AME	48.51	12%	13%	3	2	1.00	18.4	0.5	15- 55%	Diversified Co.	17
1322	Amphenol Corp.	APH	56.52	17%	13%	3	3	1.10	17.3	0.7	15- 70%	Electronics	46
2574	ANSYS, Inc.	ANSS	63.97	22%	12%	3	3	1.10	31.8	NIL	N- 50%	Computer Software	51
1399	Apple Inc.	AAPL	560.28	33%	27%	1	2	1.05	12.8	1.9	90-160%	Computers/Peripherals	45
2205	Ascena Retail Group	ASNA	20.15	14%	13%	1	3	1.10	13.6	NIL	25- 75%	Retail (Softlines)	59
1573	BHP Billiton Ltd. ADR	BHP	72.23	19%	14%	3	3	1.40	9.0	3.3	50-130%	Metals & Mining (Div.)	37
348	BJ's Restaurants	BJRI	46.45	16%	15%	3	3	1.05	36.0	NIL	30- 95%	Restaurant	32
1171	Ball Corp.	BLL	42.96	13%	11%	2	2	0.95	15.2	0.9	30- 75%	Packaging & Container	33
2168	Bed Bath & Beyond	BBBY	67.71	18%	12%	2	1	0.90	15.5	NIL	75-115%	Retail (Hardlines)	35
2390	Berry Petroleum 'A'	BRY	44.62	19%	13%	1	3	1.75	12.9	0.7	35-100%	Petroleum (Producing)	7
1966	Boston Beer 'A'	SAM	100.20	15%	15%	3	3	0.75	24.0	NIL	10- 65%	Beverage	76
951	Broadcom Corp. 'A'	BRCM	34.42	17%	13%	4	3	1.05	20.2	1.2	45-120%	Telecom. Equipment	95
114	Bruker Corp.	BRKR	13.81	19%	12%	3	3	1.10	17.3	NIL	40-115%	Precision Instrument	69
2601	CACI Int'l	CACI	60.87	17%	12%	1	3	0.80	9.9	NIL	80-170%	IT Services	49
520	Cabot Oil & Gas 'A'	COG	29.60	18%	12%	4	3	1.25	40.5	0.3	35-105%	Natural Gas (Div.)	34
339	Can. National Railway	CNI	82.17	14%	11%	1	2	1.10	15.6	1.8	20- 65%	Railroad	1
2403	CARBO Ceramics	CRR	87.69	17%	21%	3	3	1.10	12.6	1.2	115-220%	Oilfield Svcs/Equip.	28
1945	Casey's Gen'l Stores	CASY	55.89	12%	14%	2	3	0.75	16.8	1.1	5- 60%	Retail/Wholesale Food	23
558	Ceradyne Inc.	CRDN	26.57	25%	14%	5	3	1.20	13.8	2.3	70-145%	Chemical (Specialty)	41
822	Cerner Corp.	CERN	72.26	18%	12%	3	3	0.85	35.2	NIL	N- 45%	Healthcare Information	80
1800	Check Point Software	CHKP	59.80	14%	14%	3	1	0.80	21.4	NIL	25- 50%	E-Commerce	83
1231	Chicago Bridge & Iron	CBI	43.64	16%	14%	3	3	1.65	15.5	0.5	25- 85%	Engineering & Const	40
2211	Chico's FAS	CHS	14.81	22%	18%	2	3	1.25	15.4	1.5	70-135%	Retail (Softlines)	59
2580	Citrix Sys.	CTXS	74.52	12%	14%	4	3	1.00	35.8	NIL	N- 55%	Computer Software	51
745	Cliffs Natural Res.	CLF	66.42	21%	19%	3	3	1.95	8.4	3.8	105-200%	Steel	68
2603	Cognizant Technology	CTSH	72.39	43%	23%	3	2	1.10	21.6	NIL	45-115%	IT Services	49
2405	Core Laboratories	CLB	131.21	17%	13%	3	3	1.05	29.4	0.9	N- 15%	Oilfield Svcs/Equip.	28
1746	Danaher Corp.	DHR	53.20	16%	14%	3	2	1.00	16.7	0.2	70-135%	Diversified Co.	17
358	Darden Restaurants	DRI	50.39	12%	12%	2	3	1.00	13.9	3.4	30- 90%	Restaurant	32
2157	Deckers Outdoor	DECK	65.91	28%	12%	4	3	1.35	13.8	NIL	60-145%	Shoe	85
2392	Denbury Resources	DNR	18.08	15%	12%	1	3	1.65	12.8	NIL	65-120%	Petroleum (Producing)	7
2174	Dick's Sporting Goods	DKS	48.80	17%	14%	2	3	1.20	22.7	1.0	25- 75%	Retail (Hardlines)	35
2140	Dollar Tree, Inc.	DLTR	96.75	16%	15%	3	1	0.60	21.4	NIL	35- 65%	Retail Store	22
1710	Donaldson Co.	DCI	34.54	12%	11%	3	3	1.10	20.3	0.9	N- 60%	Machinery	26
991	Dorman Products	DORM	46.52	13%	14%	2	3	1.15	13.4	NIL	30- 95%	Auto Parts	13
525	EOG Resources	EOG	104.45	20%	11%	2	3	1.15	22.7	0.7	35- 95%	Natural Gas (Div.)	34
2622	eBay Inc.	EBAY	39.30	35%	14%	2	2	1.10	21.8	NIL	40- 90%	Internet	78
824	eResearchTechnology	ERT	7.91	22%	13%	–	3	1.10	19.3	NIL	75-155%	Healthcare Information	80
386	Expeditors Int'l	EXPD	41.25	15%	12%	5	2	1.10	21.8	1.3	70-130%	Industrial Services	36
976	Express Scripts 'A'	ESRX	57.22	24%	16%	3	2	1.00	17.9	NIL	65-120%	Pharmacy Services	30
436	FactSet Research	FDS	101.80	19%	14%	3	2	1.05	24.5	1.1	35- 75%	Information Services	61
1136	Fastenal Co.	FAST	46.29	14%	13%	3	2	1.10	33.8	1.5	10- 40%	Retail Building Supply	42
2549	First Cash Fin'l Svcs	FCFS	39.13	16%	13%	3	3	0.90	15.1	NIL	N- 40%	Financial Svcs. (Div.)	62
2175	Fossil Inc.	FOSL	126.08	18%	19%	3	3	1.25	24.4	NIL	10- 65%	Retail (Hardlines)	35
166	Gardner Denver	GDI	62.94	13%	16%	3	3	1.30	10.0	0.3	65-155%	Heavy Truck & Equip	5
341	Genesee & Wyoming	GWR	53.61	14%	15%	3	3	1.25	19.1	NIL	40-105%	Railroad	1
2104	Gildan Activewear	GIL	26.96	20%	15%	5	3	1.10	20.7	1.3	50-125%	Apparel	81
1948	Green Mtn. Coffee	GMCR	44.60	32%	37%	3	3	0.95	16.8	NIL	225-380%	Retail/Wholesale Food	23
390	Healthcare Svcs.	HCSG	21.02	12%	12%	4	3	0.75	31.8	3.1	N- 45%	Industrial Services	36
2412	Helmerich & Payne	HP	52.77	12%	14%	2	3	1.40	10.3	0.5	50-125%	Oilfield Svcs/Equip.	28
2609	Henry (Jack) & Assoc.	JKHY	33.16	13%	12%	3	2	0.85	18.7	1.4	20- 50%	IT Services	49
323	Hunt (J.B.)	JBHT	55.65	14%	13%	2	3	1.05	22.3	1.0	N- 45%	Trucking	4
121	II-VI Inc.	IIVI	21.19	17%	12%	4	3	1.25	18.3	NIL	20- 90%	Precision Instrument	69
2610	Infosys Techn. ADR	INFY	45.74	28%	15%	3	2	1.00	14.2	1.5	110-185%	IT Services	49
2582	Intuit Inc.	INTU	56.29	14%	13%	3	2	0.90	19.8	1.1	50-105%	Computer Software	51
334	Kirby Corp.	KEX	62.48	13%	13%	2	3	1.15	15.7	NIL	30- 90%	Maritime	77
1393	Lam Research	LRCX	40.00	12%	15%	4	3	1.20	17.6	NIL	90-175%	Semiconductor Equip	70
2161	Madden (Steven) Ltd.	SHOO	41.52	16%	15%	3	3	1.05	16.2	NIL	20- 80%	Shoe	85
2584	MICROS Systems	MCRS	53.07	17%	13%	3	3	1.05	26.7	NIL	15- 70%	Computer Software	51
1977	Monster Beverage	MNST	62.87	45%	17%	3	3	0.80	35.9	NIL	N- 35%	Beverage	76
1411	NetApp, Inc.	NTAP	38.68	18%	12%	3	3	1.15	25.8	NIL	40-120%	Computers/Peripherals	45
1620	Novo Nordisk ADR	NVO	148.72	19%	13%	3	1	0.80	26.6	1.7	5- 30%	Drug	52
325	Old Dominion Freight	ODFL	48.05	14%	14%	2	3	1.10	17.5	NIL	15- 75%	Trucking	4
1805	Open Text Corp.	OTEX	54.98	17%	13%	3	3	0.95	20.0	NIL	55-125%	E-Commerce	83
2587	Oracle Corp.	ORCL	28.69	17%	15%	2	1	0.95	11.4	0.8	55- 90%	Computer Software	51
368	Panera Bread Co.	PNRA	148.25	23%	14%	3	2	0.95	28.0	NIL	10- 60%	Restaurant	32
1625	Perrigo Co.	PRGO	104.28	15%	12%	3	3	0.70	24.4	0.3	N- 40%	Drug	52
1374	QLogic Corp.	QLGC	16.48	12%	12%	3	3	1.00	15.0	NIL	110-235%	Semiconductor	94
967	Qualcomm Inc.	QCOM	61.86	17%	13%	3	2	0.85	18.7	1.6	35- 85%	Telecom. Equipment	95
826	Quality Systems	QSII	37.59	25%	16%	3	3	0.90	24.3	1.9	75-165%	Healthcare Information	80
2419	RPC Inc.	RES	9.34	17%	28%	2	3	1.55	4.0	3.4	220-330%	Oilfield Svcs/Equip.	28
235	ResMed Inc.	RMD	31.25	22%	13%	3	2	0.80	19.2	NIL	60-110%	Med Supp Non-Invasive	75
1577	Rio Tinto plc	RIO	55.05	17%	13%	2	3	1.60	6.6	2.8	65-145%	Metals & Mining (Div.)	37
2229	Ross Stores	ROST	59.32	17%	16%	2	2	0.80	18.5	0.9	25- 70%	Retail (Softlines)	59
2591	SAP AG	SAP	65.15	18%	12%	3	2	1.10	18.9	1.5	40- 85%	Computer Software	51
1931	Sanderson Farms	SAFM	51.46	12%	13%	4	3	0.65	18.7	1.3	5- 55%	Food Processing	79
751	Schnitzer Steel	SCHN	39.16	20%	12%	3	3	1.55	11.5	1.9	55-130%	Steel	68
2352	Shuffle Master	SHFL	16.57	12%	13%	3	4	1.40	23.7	NIL	N- 20%	Hotel/Gaming	24
1578	Southern Copper	SCCO	30.98	22%	14%	3	3	1.55	12.2	3.7	60-140%	Metals & Mining (Div.)	37
373	Starbucks Corp.	SBUX	58.05	18%	19%	3	3	1.15	31.4	1.2	10- 65%	Restaurant	32
409	Stericycle Inc.	SRCL	87.22	20%	12%	3	2	0.70	28.1	NIL	20- 60%	Environmental	38
514	Suncor Energy	SU.TO	31.05	20%	13%	2	3	1.25	10.0	1.4	110-220%	Petroleum (Integrated)	14
2232	TJX Companies	TJX	40.25	14%	11%	2	1	0.80	17.9	1.1	10- 35%	Retail (Softlines)	59
1141	Tractor Supply	TSCO	96.93	21%	18%	2	2	0.95	27.7	0.6	15- 55%	Retail Building Supply	42
1317	Trimble Nav. Ltd.	TRMB	52.40	18%	16%	3	3	1.35	38.0	NIL	15- 70%	Electrical Equipment	54
2399	Ultra Petroleum	UPL	18.18	44%	16%	3	3	1.10	8.3	NIL	340-560%	Petroleum (Producing)	7
815	UnitedHealth Group	UNH	58.72	22%	11%	2	2	1.00	12.2	1.1	55-115%	Medical Services	9
816	Universal Health Sv. 'B'	UHS	42.67	13%	12%	1	3	0.95	9.9	0.5	75-160%	Medical Services	9
2234	Urban Outfitters	URBN	27.87	25%	12%	4	3	1.05	22.5	NIL	45-115%	Retail (Softlines)	59
518	Valero Energy	VLO	23.93	14%	13%	3	3	1.30	8.3	2.5	65-150%	Petroleum (Integrated)	14
200	Varian Medical Sys.	VAR	66.97	20%	13%	3	1	0.85	17.2	NIL	80-125%	Med Supp Invasive	74
412	Waste Connections	WCN	32.71	16%	13%	3	3	0.75	21.2	1.2	40-100%	Environmental	38
1962	Whole Foods Market	WFM	82.05	13%	16%	3	3	1.05	34.9	0.7	10- 65%	Retail/Wholesale Food	23

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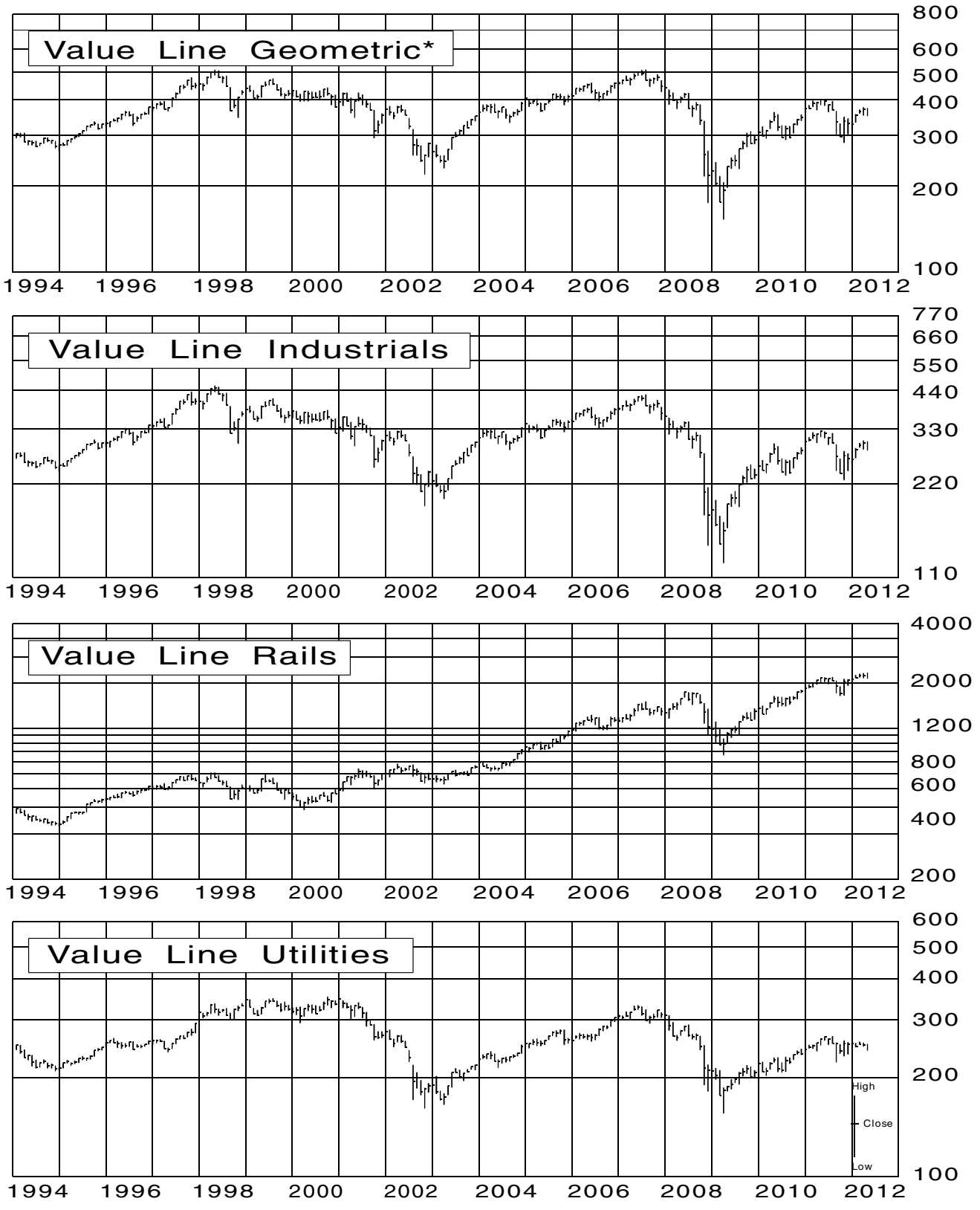

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ALLETE NYSE-ALE

RECENT PRICE 41.98 | P/E RATIO 16.6 (Trailing: 15.8 / Median: NMF) | RELATIVE P/E RATIO 1.06 | DIV'D YLD 4.4% | VALUE LINE

TIMELINESS 3 Lowered 8/12/11
SAFETY 2 New 10/1/04
TECHNICAL 3 Lowered 10/21/11
BETA .70 (1.00 = Market)

2015-17 PROJECTIONS

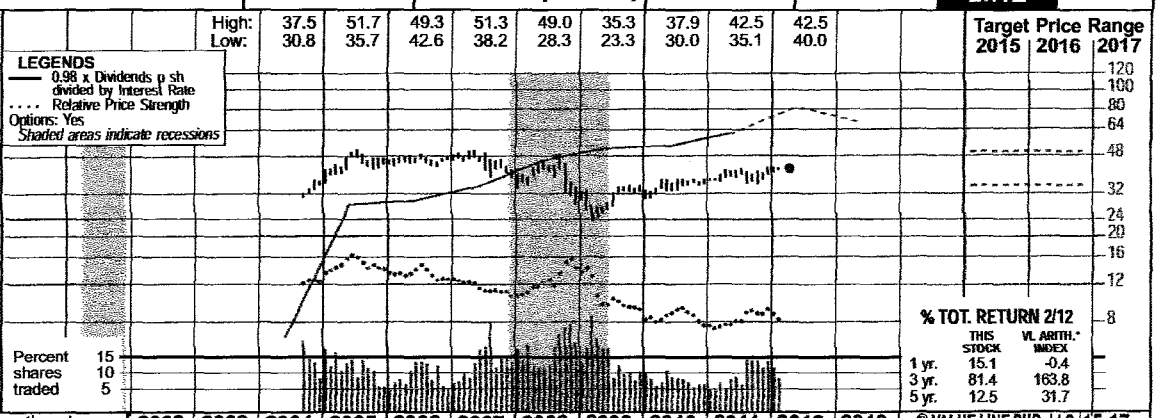
	Price	Gain	Ann'l Total Return
High	50	(+20%)	9%
Low	35	(-15%)	1%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	2	0	0	1	1
to Sell	1	0	1	0	3	0	0	1	1

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	74	75	81
to Sell	57	50	52
Hld's(000)	21760	21519	22270



ALLETE, in its current configuration, began trading on September 21, 2004, the day after it spun off its automotive services business, ADESA (now KAR Auction Services, NYSE: KAR), to shareholders and effected a 1-for-3 reverse stock split. ALLETE shareholders received one share of ADESA for each ALLETE share held. Data for the "old" ALLETE are not shown because they are not comparable.

CAPITAL STRUCTURE as of 12/31/11
Total Debt $864.4 mill. **Due in 5 Yrs** $222.1 mill.
LT Debt $857.9 mill. **LT Interest** $43.9 mill.
(LT interest earned: 3.9x)
Leases, Uncapitalized Annual rentals $10.9 mill.

Pension Assets-12/11 $432.4 mill.
Oblig. $597.5 mill.

Pfd Stock None

Common Stock 37,537,154 shs.
as of 2/1/12

MARKET CAP: $1.6 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-25.6	+29.1	+5.6
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	2.98	5.20	NA
Capacity at Peak (Mw)	1757	1812	NA
Peak Load, Winter (Mw) [F]	1414	1604	1599
Annual Load Factor (%)	81.2	79.0	NA
% Change Customers (avg.)	+1.4	+1.0	NA
Fixed Charge Cov. (%)	296	334	344

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	--	-1.0%	4.0%
"Cash Flow"	--	3.0%	6.5%
Earnings	--	.5%	6.5%
Dividends	--	12.0%	2.0%
Book Value	--	5.5%	4.0%

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	199.6	164.7	178.8	216.0	759.1
2010	233.6	211.2	224.1	238.1	907.0
2011	242.2	219.9	226.9	239.2	928.2
2012	*255*	*230*	*250*	*260*	*995*
2013	*270*	*245*	*265*	*270*	*1050*

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	.55	.29	.49	.56	1.89
2010	.68	.57	.56	.38	2.19
2011	1.07	.48	.57	.53	2.65
2012	*.95*	*.45*	*.60*	*.55*	*2.55*
2013	*1.00*	*.45*	*.65*	*.55*	*2.65*

QUARTERLY DIVIDENDS PAID [B] = †

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.43	.43	.43	.43	1.72
2009	.44	.44	.44	.44	1.76
2010	.44	.44	.44	.44	1.76
2011	.445	.445	.445	.445	1.78
2012	.46				

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
--	--	25.30	24.50	25.23	27.33	24.57	21.57	25.34	24.75	*26.05*	*27.05*	Revenues per sh	*30.00*
--	--	2.97	3.85	4.14	4.42	4.23	3.57	4.35	4.91	*5.10*	*5.40*	"Cash Flow" per sh	*6.25*
--	--	1.35	2.48	2.77	3.08	2.82	1.89	2.19	2.65	*2.55*	*2.65*	Earnings per sh [A]	*3.25*
--	--	.30	1.25	1.45	1.64	1.72	1.76	1.76	1.78	*1.84*	*1.88*	Div'd Decl'd per sh [B] = †	*2.00*
--	--	2.12	1.95	3.37	6.82	9.24	9.05	6.95	6.38	*11.55*	*7.75*	Cap'l Spending per sh	*3.25*
--	--	21.23	20.03	21.90	24.11	25.37	26.41	27.26	28.78	*30.15*	*31.00*	Book Value per sh [C]	*34.50*
--	--	29.70	30.10	30.40	30.80	32.60	35.20	35.80	37.50	*38.20*	*38.80*	Common Shs Outst'g [D]	*40.50*
--	--	25.2	17.9	16.5	14.8	13.9	16.1	16.0	14.7	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.0*
--	--	1.33	.95	.89	.79	.84	1.07	1.02	.93			Relative P/E Ratio	*.85*
--	--	.9%	2.8%	3.2%	3.6%	4.4%	5.8%	5.0%	4.6%			Avg Ann'l Div'd Yield	*4.8%*
--	--	751.4	737.4	767.1	841.7	801.0	759.1	907.0	928.2	*995*	*1050*	Revenues ($mill)	*1210*
--	--	38.5	68.0	77.3	87.6	82.5	61.0	75.3	93.8	*95.0*	*105*	Net Profit ($mill)	*135*
--	--	38.8%	28.4%	37.5%	34.8%	34.3%	33.7%	37.2%	27.6%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
--	--	1.8%	.4%	1.4%	6.6%	5.8%	12.8%	8.9%	2.7%	*8.0%*	*5.0%*	AFUDC % to Net Profit	*2.0%*
--	--	38.2%	39.1%	35.1%	35.6%	41.6%	42.8%	44.2%	44.3%	*44.0%*	*44.0%*	Long-Term Debt Ratio	*40.0%*
--	--	61.8%	60.9%	64.9%	64.4%	58.4%	57.2%	55.8%	55.7%	*56.0%*	*56.0%*	Common Equity Ratio	*60.0%*
--	--	1020.7	990.6	1025.6	1153.5	1415.4	1625.3	1747.6	1937.2	*2065*	*2140*	Total Capital ($mill)	*2325*
--	--	883.1	860.4	921.6	1104.5	1387.3	1622.7	1805.6	1982.7	*2325*	*2520*	Net Plant ($mill)	*2850*
--	--	5.1%	8.0%	8.6%	8.6%	6.7%	4.8%	5.4%	6.0%	*6.0%*	*6.0%*	Return on Total Cap'l	*7.0%*
--	--	6.1%	11.3%	11.6%	11.8%	10.0%	6.6%	7.7%	8.7%	*8.5%*	*8.5%*	Return on Shr. Equity	*9.5%*
--	--	6.1%	11.3%	11.6%	11.8%	10.0%	6.6%	7.7%	8.7%	*8.5%*	*8.5%*	Return on Com Equity [E]	*9.5%*
--	--	4.7%	5.2%	5.0%	5.8%	3.9%	.5%	1.5%	2.9%	*2.5%*	*2.5%*	Retained to Com Eq	*3.5%*
--	--	23%	54%	57%	51%	61%	93%	81%	66%	*72%*	*70%*	All Div'ds to Net Prof	*61%*

BUSINESS: ALLETE, Inc. is the parent company of Minnesota Power, which supplies electricity to 146,000 customers in northeastern MN, & Superior Water, Light & Power in northwestern WI. Electric revenue breakdown: taconite mining/processing, 24%; paper/wood products, 9%; other industrial, 10%; residential, 13%; commercial, 14%; wholesale, 13% other, 17%. Has real estate operation in FL. Discont. water-utility ops. in '01. Spun off automotive remarketing operation in '04. Generating sources: coal & lignite, 60%; hydro, 3%; other, 2%; purchased, 35%. '11 deprec. rate: 3.0%. Has 1,400 employees. Chairman, President & CEO: Alan R. Hodnik. Inc.: MN. Address: 30 West Superior St., Duluth, MN 55802-2093. Tel.: 218-279-5000. Internet: www.allete.com.

ALLETE's board of directors raised the dividend in the first quarter. The board increased the quarterly disbursement by $0.015 a share (3.4%). The payout ratio is somewhat high for a utility, but we project that it will decline to a more typical level in the next few years.

We look for earnings to decline in 2012. The comparison in the first half will be difficult, as tax benefits added $0.18 a share to the bottom line in the first quarter of 2011 and another $0.08 in the following period. Our earnings estimate is at the midpoint of ALLETE's targeted range of $2.45-$2.65 a share.

We think profits will rebound in 2013. ALLETE's utility subsidiary, Minnesota Power, operates under regulation that provides current cost recovery of certain kinds of capital expenditures, such as environmental and renewable energy. The company should continue to benefit from good demand from its industrial users, some of which are expanding their operations.

Minnesota Power completed a wind project in January, and two more should be finished by late 2012. Bison 1 provided 82 megawatts of capacity at a cost of $177 million. Bison 2 and 3 should each add 105 mw at an expected cost of $160 million. These aren't the utility's only investments in renewable energy. A biomass upgrade project will add 60 mw in 2013 at a cost of $22 million.

Minnesota Power is proposing a large environmental project. The utility is proposing a $300 million-$400 million upgrade to the Boswell 4 coal-fired unit. This is expected to be completed in 2015. The company's proposal requires the approval of various regulatory bodies.

ALLETE wants to monetize its real estate assets in Florida. These were once a solid contributor to corporate profits, but are now losing $4 million-$5 million annually since the real estate market in Florida collapsed. The company wants to eliminate this drag on earnings and raise funds that it can use for energy-related investments.

We have a neutral stance toward this stock. The yield is comparable with the norm for the electric utility industry. And, like many of its peers, ALLETE's 3- to 5-year total return potential is unexciting.

Paul E. Debbas, CFA *March 23, 2012*

(A) Diluted EPS. Excl. nonrec. gain (loss): '04, 2¢; '05, ($1.84); gain (losses) on disc. ops.: '04, $2.57, '05, (16¢); '06, (2¢); loss from accounting change: '04, 27¢. Next egs. report due late Apr. (B) Div'ds historically paid in early Mar., June, Sept. and Dec. ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. deferred chgs. In '11: $9.22/sh. (D) In mill. (E) Rate base: Original cost deprec. Rate allowed on com. eq. in '10: 10.38%; earned on avg. com. eq., '11: 9.1%. Regulatory Climate: Average. (F) Summer peak in '10.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	70

ALLIANT ENERGY NYSE-LNT

RECENT PRICE 43.68 | P/E RATIO 15.3 (Trailing: 15.9 / Median: 13.0) | RELATIVE P/E RATIO 0.98 | DIV'D YLD 4.2% | VALUE LINE

TIMELINESS 3 Lowered 2/25/11
SAFETY 2 Raised 9/28/07
TECHNICAL 3 Lowered 2/24/12
BETA .75 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+25%)	10%
Low	40	(-10%)	2%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	2	0	0	0	0	0	0	1
to Sell	0	3	0	0	1	0	0	0	1

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	129	134	150
to Sell	126	120	127
Hld's(000)	64023	63051	60603

	High:	33.2	31.0	25.1	28.8	30.6	40.0	46.5	42.4	31.5	37.7	44.5	44.6
	Low:	27.5	14.3	15.0	23.5	25.6	27.5	34.9	22.8	20.3	29.2	33.9	41.9

LEGENDS
0.90 x Dividends p sh divided by Interest Rate
Relative Price Strength
Options: Yes
Shaded areas indicate recessions

Target Price Range 2015 | 2016 | 2017

% TOT. RETURN 2/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	12.9	-0.4
3 yr.	113.0	163.8
5 yr.	27.3	31.7

Alliant Energy, formerly called Interstate Energy Corporation, was formed on April 21, 1998 through the merger of WPL Holdings, IES Industries, and Interstate Power. WPL stockholders received one share of Interstate Energy stock for each WPL share, IES stockholders received 1.14 Interstate Energy shares for each IES share, and Interstate Power stockholders received 1.11 Interstate Energy shares for each Interstate Power share.

CAPITAL STRUCTURE as of 12/31/11
Total Debt $2807.3 mill. **Due in 5 Yrs** $588.8 mill.
LT Debt $2703.1 mill. **LT Interest** $160.0 mill.
(LT interest earned: 3.7x)

Pension Assets-12/11 $1081.4 mill. **Oblig.** $897.4 mill.
Pfd Stock $205.1 mill. **Pfd Div'd** $18.0 mill.
449,765 shs. $100 par; 6,599,460 shs. $25 par

Common Stock 111,008,651 shs.
as of 1/31/12
MARKET CAP: $4.8 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-6.8	+2.8	+.9
Avg. Indust. Use (MWH)	10948	11213	11054
Avg. Indust. Revs. per KWH (¢)	6.33	6.80	6.51
Capacity at Peak (Mw)	5491	5425	5734
Peak Load, Summer (Mw)	5491	5425	5734
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.1	+.2	+.2
Fixed Charge Cov. (%)	256	306	237

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	1.0%	3.0%	4.5%
"Cash Flow"	-2.0%	-.5%	6.0%
Earnings	2.0%	5.0%	6.5%
Dividends	-3.0%	8.0%	5.5%
Book Value	.5%	3.5%	3.0%

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	949.9	742.3	885.7	854.9	3432.8
2010	890.2	741.6	951.7	832.6	3416.1
2011	945.0	819.5	1021.6	879.2	3665.3
2012	*950*	*835*	*1060*	*880*	*3725*
2013	*970*	*850*	*1080*	*900*	*3800*

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.30	.34	.77	.48	1.89
2010	.45	.44	1.31	.55	2.75
2011	.68	.44	1.12	.51	2.75
2012	*.70*	*.45*	*1.20*	*.55*	*2.90*
2013	*.75*	*.50*	*1.25*	*.60*	*3.10*

QUARTERLY DIVIDENDS PAID [B] ■†

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.35	.35	.35	.35	1.40
2009	.375	.375	.375	.375	1.50
2010	.395	.395	.395	.395	1.58
2011	.425	.425	.425	.425	1.70
2012	.45				

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
28.26	28.19	25.56	28.02	28.93	31.15	33.33	31.02	30.81	33.02	*33.25*	*33.65*	Revenues per sh	*41.40*
4.52	4.19	4.69	5.46	4.33	5.12	4.56	4.21	5.21	5.65	*5.95*	*6.35*	"Cash Flow" per sh	*7.20*
1.18	1.57	1.85	2.21	2.06	2.69	2.54	1.89	2.75	2.75	*2.90*	*3.10*	Earnings per sh [A]	*3.60*
2.00	1.00	1.02	1.05	1.15	1.27	1.40	1.50	1.58	1.70	*1.80*	*1.90*	Div'd Decl'd per sh [B] ■ †	*2.20*
7.12	7.69	5.55	4.51	3.42	4.91	7.96	10.87	7.82	6.22	*7.15*	*7.95*	Cap'l Spending per sh	*10.35*
19.89	21.37	22.13	20.85	22.83	24.30	25.56	25.07	26.09	27.14	*29.45*	*30.55*	Book Value per sh [C]	*32.35*
92.30	110.96	115.74	117.04	116.13	110.36	110.45	110.66	110.89	111.02	*112.00*	*113.00*	Common Shs Outst'g [D]	*116.00*
19.9	12.7	14.0	12.6	16.8	15.1	13.4	13.9	12.5	14.5	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.0*
1.09	.72	.74	.67	.91	.80	.81	.93	.80	.92			Relative P/E Ratio	*.85*
8.5%	5.0%	3.9%	3.8%	3.3%	3.1%	4.1%	5.7%	4.6%	4.3%			Avg Ann'l Div'd Yield	*4.7%*
2608.8	3128.2	2958.7	3279.6	3359.4	3437.6	3681.7	3432.8	3416.1	3665.3	*3725*	*3800*	Revenues ($mill)	*4800*
113.1	176.6	229.5	337.8	260.1	320.8	280.0	208.6	303.9	304.4	*325*	*355*	Net Profit ($mill)	*415*
24.2%	28.9%	26.7%	19.0%	43.8%	44.4%	33.4%	--	30.1%	14.7%	*20.0%*	*25.0%*	Income Tax Rate	*30.0%*
6.8%	11.7%	8.1%	3.0%	3.1%	2.4%	--	--	8.8%	6.0%	*6.0%*	*6.0%*	AFUDC % to Net Profit	*6.0%*
56.4%	44.8%	45.0%	41.6%	31.4%	32.4%	36.3%	44.3%	46.3%	45.7%	*47.5%*	*47.5%*	Long-Term Debt Ratio	*47.5%*
39.2%	50.0%	50.2%	53.1%	62.9%	61.9%	58.6%	51.2%	49.5%	50.9%	*49.0%*	*49.5%*	Common Equity Ratio	*49.5%*
4679.1	4738.4	5104.7	4599.1	4218.4	4329.5	4815.6	5423.0	5840.8	5921.2	*6705*	*6955*	Total Capital ($mill)	*7555*
3729.2	4432.6	5284.6	4866.2	4944.9	4679.9	5353.5	6203.0	6730.6	7037.1	*7200*	*7500*	Net Plant ($mill)	*8200*
4.1%	5.7%	6.1%	8.9%	7.5%	8.6%	7.0%	5.1%	6.6%	6.7%	*6.0%*	*6.5%*	Return on Total Cap'l	*7.0%*
5.5%	6.8%	8.2%	12.6%	9.0%	11.0%	9.1%	6.9%	9.7%	9.5%	*9.5%*	*9.5%*	Return on Shr. Equity	*10.5%*
5.8%	6.7%	8.2%	13.1%	9.1%	11.3%	9.3%	6.8%	9.9%	10.1%	*10.0%*	*10.5%*	Return on Com Equity [E]	*11.0%*
NMF	2.5%	3.8%	8.1%	4.0%	5.9%	3.8%	.9%	3.8%	3.4%	*3.5%*	*3.5%*	Retained to Com Eq	*4.0%*
NMF	67%	58%	42%	59%	50%	62%	88%	64%	66%	*66%*	*65%*	All Div'ds to Net Prof	*65%*

BUSINESS: Alliant Energy Corp., formerly named Interstate Energy, is a holding company formed through the merger of WPL Holdings, IES Industries, and Interstate Power. Supplies electricity, gas, and other services in Wisconsin, Iowa, and Minnesota. Elect. revs. by state: WI, 47%; IA, 50%; MN, 3%. Elect. rev.: residential, 37%; commercial, 23%; industrial, 28%; wholesale, 7%; other, 5%. Fuel sources, 2011: coal, 52%; nuclear, 17%; gas, 2%; other, 29%. Fuel costs: 45% of revs. 2011 depreciation rate: 4.6%. Estimated plant age: 10 years. Has 4,262 employees. Chairman & Chief Executive Officer: William D. Harvey. Incorporated: Wisconsin. Address: 4902 N. Biltmore Lane, Madison, Wisconsin 53718. Telephone: 608-458-3311. Internet: www.alliantenergy.com.

Alliant Energy should post modest growth in revenues in the current year. Utilities Interstate Power and Light and Wisconsin Power and Light ought to report solid, though not particularly impressive, results in the coming quarters. This assumes a stable economy and normal weather conditions in the company's service territories. Share earnings may well advance a little faster, provided expenses remain manageable.

The cash balance declined considerably during 2011, from $159.3 million to $11.4 million. On the bright side, cash flow from operations will likely be strong in the next few years, as Alliant does not expect to make significant federal income tax payments through 2014. The sale of receivables at Interstate Power and Light and the issuance of short-term and long-term debt will also help the company finance its 2012 capital investments.

Alliant has announced a changing of the guard. Chairman and Chief Executive William D. Harvey has announced his intention to retire, effective March 31st. Patricia L. Kampling has been appointed by the board to succeed Mr. Harvey, effective April 1st.

The company is looking to divest RMT. This nonregulated subsidiary is a renewable energy engineering, procurement, and construction contractor. The board of directors has approved a plan to sell this business. Alliant has engaged an investment bank to assist with the deal, which is expected to close by the end of the year. This move will allow the company to increase focus on its core operations, though a one-time charge of around $0.12 a share appears likely.

This stock is ranked to track the broader market for the coming six to 12 months. Looking further out, we anticipate higher revenues, share earnings, and dividends for the company by 2015-2017. Moreover, Alliant earns good marks for Safety, Price Stability, and Earnings Predictability. From the recent quotation, this issue has unimpressive, though fairly well-defined, total return potential for the coming years. Venturesome investors may prefer to look elsewhere, though the stock's healthy dividend yield may appeal to income-oriented accounts.

Michael Napoli, CFA *March 23, 2012*

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	85
Earnings Predictability	75

(A) Diluted EPS. Excl. nonrecur. gains (losses): '01, (28¢); '03, net 24¢; '04, (58¢); '05, ($1.05); '06, 83¢; '07, $1.09; '08, 7¢; '09, (88¢); '10, (15¢). Next egs. rpt. due in May.
(B) Div'ds historically paid in mid-Feb., May, Aug., and Nov. ■ Div'd reinvest. plan avail. † shareholder invest. plan avail. (C) Incl. deferred chgs. in '10: $137.7 mill., $1.24/sh. (D) In mill.
(E) Rate base: Orig. cost. Regul. Clim.: WI, Above Avg.; IA, Avg.

AMEREN NYSE-AEE

RECENT PRICE 32.20 | P/E RATIO 15.0 (Trailing: 13.1 Median: 15.0) | RELATIVE P/E RATIO 0.96 | DIV'D YLD 5.1% | VALUE LINE

TIMELINESS 3 Lowered 3/2/12
SAFETY 3 Lowered 6/26/09
TECHNICAL 4 Lowered 3/23/12
BETA .80 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+40%)	13%
Low	30	(-5%)	4%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	151	171	181
to Sell	152	130	158
Hld's(000)	141320	145197	143204

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
	22.13	24.24	24.18	25.68	28.10	32.64	24.93	28.20	26.43	33.12	33.30	36.23	36.92	29.87	31.77	31.05	30.50	31.30	Revenues per sh	33.25
	5.12	4.96	5.36	5.36	6.11	6.33	5.28	6.29	5.57	6.10	6.02	6.76	6.44	6.06	6.33	5.85	5.85	6.00	"Cash Flow" per sh	6.75
	2.86	2.44	2.82	2.81	3.33	3.41	2.66	3.14	2.82	3.13	2.66	2.98	2.88	2.78	2.77	2.47	2.35	2.35	Earnings per sh [A]	2.75
	2.51	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	2.54	1.54	1.54	1.56	1.62	1.68	Div'd Decl'd per sh [B] ■	1.80
	3.18	2.77	2.37	4.16	6.77	7.99	5.11	4.19	4.13	4.63	4.99	6.96	9.75	7.51	4.66	4.50	5.75	5.50	Cap'l Spending per sh	6.00
	23.06	22.00	22.27	22.52	23.30	24.26	24.93	26.73	29.71	31.09	31.86	32.41	32.80	33.08	32.15	32.65	33.35	33.95	Book Value per sh [C]	36.25
	102.12	137.22	137.22	137.22	137.22	138.05	154.10	162.90	195.20	204.70	206.60	208.30	212.30	237.40	240.40	242.60	242.60	246.00	Common Shs Outst'g [D]	255.00
	13.8	15.5	14.2	13.5	11.0	12.1	15.8	13.5	16.3	16.7	19.4	17.4	14.2	9.3	9.7	11.9	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
	.86	.89	.74	.77	.72	.62	.86	.77	.86	.89	1.05	.92	.85	.62	.62	.74			Relative P/E Ratio	.85
	6.3%	6.7%	6.3%	6.7%	6.9%	6.2%	6.1%	6.0%	5.5%	4.9%	4.9%	4.9%	6.2%	6.0%	5.8%	5.3%			Avg Ann'l Div'd Yield	5.0%
	3841.0	4593.0	5160.0	6780.0	6880.0	7546.0	7839.0	7090.0	7638.0	7531.0	7400	7700							Revenues ($mill)	8450
	393.0	517.0	541.0	628.0	547.0	629.0	615.0	624.0	669.0	603.0	575	585							Net Profit ($mill)	690
	38.9%	36.8%	34.3%	35.6%	32.7%	33.5%	33.7%	34.7%	36.8%	37.3%	36.0%	36.0%							Income Tax Rate	36.0%
	2.8%	1.9%	1.8%	2.9%	.7%	.8%	4.6%	5.8%	7.8%	6.0%	6.0%	6.0%							AFUDC % to Net Profit	6.0%
	46.0%	47.3%	45.5%	44.9%	43.8%	45.0%	47.8%	49.7%	48.2%	45.3%	45.0%	44.5%							Long-Term Debt Ratio	43.5%
	51.4%	50.6%	52.6%	53.3%	54.6%	53.4%	50.6%	49.1%	50.9%	53.7%	54.0%	54.5%							Common Equity Ratio	55.5%
	7468.0	8606.0	11036	11932	12063	12654	13712	15991	15185	14738	15000	15325							Total Capital ($mill)	16700
	8914.0	10917	13297	13572	14286	15069	16567	17610	17853	18127	18675	19125							Net Plant ($mill)	20500
	6.5%	7.4%	6.0%	6.5%	5.7%	6.2%	5.7%	5.3%	6.0%	5.5%	5.0%	5.0%							Return on Total Cap'l	5.5%
	9.7%	11.4%	9.0%	9.5%	8.1%	9.0%	8.6%	7.8%	8.5%	7.5%	7.0%	7.0%							Return on Shr. Equity	7.5%
	9.9%	11.6%	9.1%	9.7%	8.1%	9.2%	8.7%	7.8%	8.6%	7.5%	7.0%	7.0%							Return on Com Equity [E]	7.5%
	.2%	2.2%	.9%	1.7%	.2%	1.3%	1.0%	3.5%	3.8%	2.8%	2.0%	2.0%							Retained to Com Eq	2.5%
	98%	81%	91%	83%	97%	86%	88%	56%	56%	63%	69%	71%							All Div'ds to Net Prof	67%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $7210.0 mill. **Due in 5 Yrs** $1538.0 mill.
LT Debt $6682.0 mill. **LT Interest** $431.0 mill.
(LT interest earned: 3.1x)
Leases, Uncapitalized Annual rentals $39.0 mill.
Pension Assets-12/10 $2.72 bill. **Oblig.** $3.45 bill.
Pfd Stock $142.0 mill. **Pfd Div'd** $8.0 mill.
807,595 shs. $3.50 to $5.50 cum. (no par), $100 stated value, redeemable at $102.176-$110/sh.;
616,323 shs. 4.00% to 6.625%, $100 par, redeemable at $100-$104/sh.
Common Stock 242,239,840 shs.
as of 10/31/11
MARKET CAP: $7.8 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-1.6	-4.1	+8.5
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	4.43	4.45	4.63
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	NA	NA	NA
Fixed Charge Cov. (%)	296	266	293

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	2.5%	2.5%	Nil
"Cash Flow"	1.0%	1.0%	1.0%
Earnings	-.5%	-1.5%	-.5%
Dividends	-3.0%	-6.0%	-.5%
Book Value	3.5%	2.5%	1.5%

QUARTERLY REVENUES ($ mill.)

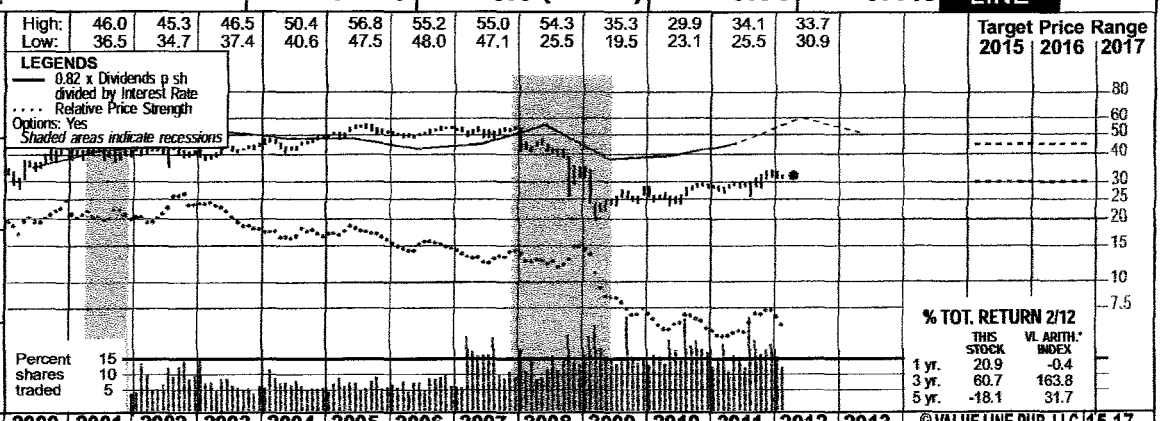
Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1916	1684	1815	1675	7090.0
2010	1940	1725	2267	1706	7638.0
2011	1904	1781	2268	1578	7531.0
2012	1850	1800	2100	1650	7400
2013	1950	1850	2200	1700	7700

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.66	.77	1.04	.34	2.78
2010	.43	.64	1.49	.21	2.77
2011	.29	.57	1.50	.10	2.47
2012	.35	.60	1.10	.30	2.35
2013	.40	.60	1.05	.30	2.35

QUARTERLY DIVIDENDS PAID [B] ■

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.635	.635	.635	.635	2.54
2009	.385	.385	.385	.385	1.54
2010	.385	.385	.385	.385	1.54
2011	.385	.385	.385	.40	1.56
2012					



BUSINESS: Ameren Corp. is a holding company formed through the merger of Union Electric and CIPSCO. Acquired CILCORP 1/03; Illinois Power 10/04. Has 1.2 million electric and 127,000 gas customers in Missouri; 1.2 million electric and 811,000 gas customers in Illinois. Electric revenue breakdown: residential, 48%; commercial, 31%; industrial, 10%; other, 11%. Generating sources: coal, 66%; nuclear, 9%; hydro, 2%; gas, 1%; purchased, 22%. Fuel costs: 41% of revenues. '10 reported depreciation rates: 3%-4%. Has 9,800 employees. Chairman, President & CEO: Thomas R. Voss. Incorporated: Missouri. Address: One Ameren Plaza, 1901 Chouteau Avenue, P.O. Box 66149, St. Louis, Missouri 63166-6149. Tel.: 314-621-3222. Internet: www.ameren.com.

Ameren has filed an electric rate case in Missouri. The utility is seeking a rate increase of $376 million (14.6%), based on a return of 10.75% on a common-equity ratio of 52%. Ameren hasn't been earning its allowed ROE, and its filing includes requests for rate mechanisms that would reduce the effects of regulatory lag. An order from the Missouri commission is expected in December, with new tariffs taking effect in early 2013.

Ameren has made its first filing under a new law in Illinois. This allows the utility to apply for electric rates based on a *formula approach*. Ameren filed for a $19 million rate *decrease*, based on 2010 costs, but the utility's figures will be adjusted for the actual cost of service in 2012 and the year-end rate base. Thus, Ameren should wind up with higher tariffs. The allowed ROE will depend upon the level of interest rates in 2012, and the company's filing reflected a 54% common-equity ratio.

A gas rate hike took effect in Illinois in January. Gas tariffs in the state are still based on traditional ratemaking procedures. The regulators granted Ameren a $32 million raise, based on a 9.06% return on a 53.3% common-equity ratio.

Earnings are likely to decline in 2012. In 2011, hot summer weather added $0.16 a share to the bottom line. We assume normal summer weather conditions. In addition, Ameren's nonregulated generating assets are likely to make a smaller contribution to the bottom line, due to low power prices and rising coal costs. (Market conditions have already prompted the company to close two coal-fired facilities and reduce its nonregulated capital budget.) On the plus side, the utility will benefit this year from rate relief and the absence of a *refueling and maintenance outage* for the Callaway nuclear unit. Our 2012 share-net estimate is within management's targeted range of $2.20-$2.50. **We look for flat earnings next year,** assuming that growth in utility income offsets another falloff in nonregulated profits.

This stock offers an above-average yield, even by utility standards, and dividend growth potential from the reduced disbursement of 2009. Total return prospects to 2015-2017 are a cut above the industry average.

Paul E. Debbas, CFA *March 23, 2012*

(A) Diluted EPS. Excl. nonrecur. gain (losses): '03, 11¢; '05, (11¢); '10, ($2.19); '11, (32¢). '09 EPS don't add due to change in shs., '11 due to rounding. Next earnings report due early May. (B) Div'ds historically paid in late Mar., June, Sept. & Dec. ■ Div'd reinvestment plan avail. (C) Incl. intang. In '10: $6.98/sh. (D) In mill. (E) Rate base: Orig. cost deprec. Rate allowed on com. eq. in MO in '10: 10.1%; in IL in '10: 9.9%-10.3% electric, in '12: 9.06% gas; earned on avg. com. eq., '10: 8.2%. Regulatory Climate: MO, Average; IL, Below Average.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	5
Earnings Predictability	90

AVISTA CORP. NYSE-AVA

RECENT PRICE 26.06 | P/E RATIO 15.2 (Trailing: 15.2, Median: 16.0) | RELATIVE P/E RATIO 0.99 | DIV'D YLD 4.5% | VALUE LINE

TIMELINESS 3 Lowered 8/12/11
SAFETY 2 Raised 5/7/10
TECHNICAL 4 Lowered 4/6/12
BETA .70 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	35	(+35%)	11%
Low	25	(-5%)	4%

Insider Decisions

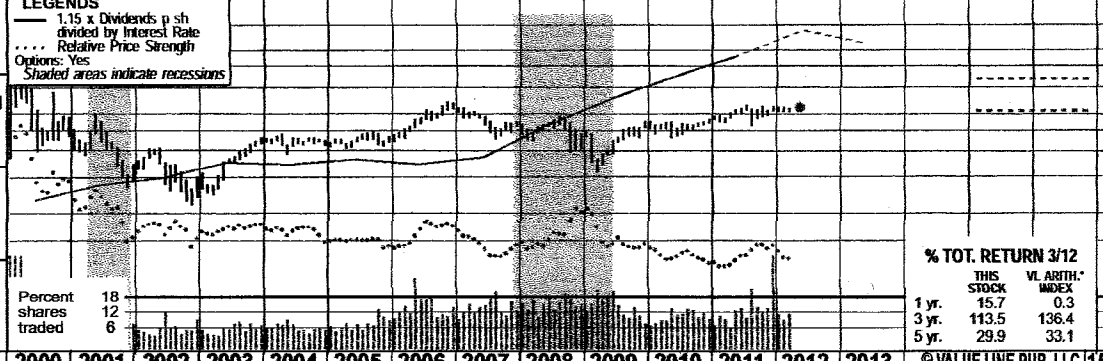
	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	1	0	0	1	0	5
to Sell	0	0	1	2	0	3	1	0	7

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	104	88	82
to Sell	69	85	93
Hld's(000)	40394	40696	40895

	High:	24.0	16.6	18.7	19.4	20.2	27.5	25.8	23.6	22.4	22.8	26.5	26.2
	Low:	10.6	8.8	9.8	15.4	16.3	17.6	18.2	15.5	12.7	18.5	21.1	24.5

LEGENDS
1.15 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



Target Price Range 2015 | 2016 | 2017
64
48
40
32
24
20
16
12
8
6

% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	15.7	0.3
3 yr.	113.5	136.4
5 yr.	29.9	33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
16.89	23.27	91.07	221.75	167.59	126.17	20.41	23.24	23.76	27.98	28.68	26.80	30.77	27.58	27.29	27.73	26.65	28.10	Revenues per sh	32.25
2.64	3.20	3.47	2.28	3.31	2.71	2.19	2.63	2.35	2.72	4.27	2.93	3.98	4.45	3.62	3.78	3.90	4.15	"Cash Flow" per sh	5.00
1.35	1.96	1.28	.12	1.76	1.20	.67	1.02	.73	.92	1.47	.72	1.36	1.58	1.65	1.72	1.80	1.90	Earnings per sh A	2.25
1.24	1.24	1.05	.48	.48	.48	.48	.49	.52	.55	.57	.60	.69	.81	1.00	1.10	1.16	1.22	Div'd Decl'd per sh B ■ †	1.40
1.67	1.82	2.70	3.30	4.24	5.92	1.74	2.21	2.47	3.23	3.14	4.04	4.09	3.86	3.64	4.20	4.40	4.25	Cap'l Spending per sh	4.50
12.70	13.38	11.76	10.69	15.34	15.12	14.84	15.54	15.54	15.87	17.46	17.27	18.30	19.17	19.71	20.30	21.10	21.75	Book Value per sh C	24.00
55.96	55.96	40.45	35.65	47.21	47.63	48.04	48.34	48.47	48.59	52.51	52.91	54.49	54.84	57.12	58.42	60.00	60.50	Common Shs Outst'g D	62.00
13.8	10.0	16.5	NMF	13.6	13.7	19.3	13.8	24.4	19.4	15.4	30.9	15.0	11.4	12.7	14.1	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
.86	.58	.86	NMF	.88	.70	1.05	.79	1.29	1.03	.83	1.64	.90	.76	.81	.89			Relative P/E Ratio	.85
6.7%	6.4%	5.0%	2.8%	2.0%	2.9%	3.7%	3.5%	2.9%	3.0%	2.5%	2.7%	3.4%	4.5%	4.8%	4.5%			Avg Ann'l Div'd Yield	4.8%
980.4	1123.4	1151.6	1359.6	1506.3	1417.8	1676.8	1512.6	1558.7	1619.8	1600	1700	Revenues ($mill)	2000
34.3	51.8	37.8	47.2	75.1	38.5	73.6	87.1	92.4	100.2	110	120	Net Profit ($mill)	140
46.6%	40.5%	36.4%	35.4%	35.9%	38.7%	38.3%	34.3%	35.0%	35.4%	36.0%	36.0%	Income Tax Rate	36.0%
21.8%	2.1%	3.7%	3.6%	3.9%	22.4%	14.0%	4.2%	4.0%	5.2%	5.0%	5.0%	AFUDC % to Net Profit	5.0%
57.3%	57.1%	56.5%	58.0%	53.7%	41.0%	48.1%	50.9%	51.6%	51.4%	51.0%	51.0%	Long-Term Debt Ratio	52.0%
40.8%	41.3%	41.9%	40.6%	46.3%	59.0%	51.9%	49.1%	48.4%	48.6%	49.0%	49.0%	Common Equity Ratio	48.0%
1748.7	1819.4	1796.2	1900.8	1980.1	1548.9	1919.5	2139.0	2325.3	2439.9	2570	2685	Total Capital ($mill)	3125
1563.7	1944.6	1956.1	2126.4	2215.0	2351.3	2492.2	2607.0	2714.2	2860.8	3000	3120	Net Plant ($mill)	3475
4.8%	5.2%	4.3%	4.8%	6.1%	5.2%	5.8%	5.5%	5.4%	5.5%	5.5%	5.5%	Return on Total Cap'l	6.0%
4.6%	6.6%	4.8%	5.9%	8.2%	4.2%	7.4%	8.3%	8.2%	8.5%	8.5%	9.0%	Return on Shr. Equity	9.0%
4.5%	6.6%	4.7%	5.9%	8.0%	4.2%	7.4%	8.3%	8.2%	8.5%	8.5%	9.0%	Return on Com Equity E	9.0%
1.2%	3.4%	1.4%	2.4%	4.9%	.8%	3.7%	4.1%	3.3%	3.1%	3.0%	3.0%	Retained to Com Eq	3.5%
74%	50%	72%	60%	40%	82%	50%	51%	60%	64%	63%	62%	All Div'ds to Net Prof	62%

CAPITAL STRUCTURE as of 12/31/11
Total Debt $1371.3 mill. **Due in 5 Yrs** $200.0 mill.
LT Debt $1254.2 mill. **LT Interest** $67.1 mill.
Incl. $51.5 mill. debt to affiliated trusts; $32.8 mill. nonrecourse debt.
(LT interest earned: 3.3x)
Leases, Uncapitalized Annual rentals $5.0 mill.
Pension Assets-12/11 $328.2 mill. **Oblig.** $494.2 mill.
Pfd Stock None

Common Stock 58,554,301 shs.
as of 1/31/12
MARKET CAP: $1.5 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-.8	-1.1	+2.0
Avg. Indust. Use (MWH)	1397	1525	1556
Avg. Indust. Revs. per KWH (¢)	5.53	5.47	5.71
Capacity at Peak (Mw)	2514	2905	2923
Peak Load, Winter (Mw)	2371	2507	2381
Annual Load Factor (%)	61.0	60.0	61.0
% Change Customers (yr-end)	+.5	+.7	+.4
Fixed Charge Cov. (%)	299	301	318

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	-16.5%	.5%	2.5%
"Cash Flow"	3.5%	5.0%	4.0%
Earnings	5.0%	9.5%	5.5%
Dividends	7.5%	12.5%	6.5%
Book Value	3.5%	4.0%	3.5%

QUARTERLY REVENUES ($ mil.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	487.5	307.1	314.7	403.3	1512.6
2010	456.4	360.7	367.2	374.4	1558.7
2011	476.6	360.6	343.7	438.9	1619.8
2012	450	350	350	450	1600
2013	475	375	375	475	1700

EARNINGS PER SHARE A

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.57	.47	.15	.40	1.58
2010	.52	.46	.22	.45	1.65
2011	.73	.39	.18	.42	1.72
2012	.65	.45	.20	.50	1.80
2013	.70	.48	.22	.50	1.90

QUARTERLY DIVIDENDS PAID B ■ †

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.165	.165	.18	.18	.69
2009	.18	.21	.21	.21	.81
2010	.25	.25	.25	.25	1.00
2011	.275	.275	.275	.275	1.10
2012	.29				

BUSINESS: Avista Corporation (formerly The Washington Water Power Company) supplies electricity & gas in eastern Washington & northern Idaho. Supplies gas to part of Oregon. Customers: 360,000 electric, 321,000 gas. Has nonutility subsidiary (Ecova) involved in energy-management services. Electric revenue breakdown: residential, 33%; commercial, 28%; industrial, 12%; wholesale, 8%; other, 19%. Generating sources: hydro, 37%; coal, 11%; gas, 6%; wood waste, 2%; purchased, 44%. Fuel costs: 49% of revenues. '11 reported deprec. rate (utility): 2.9%. Has 2,800 employees. Chairman, President & CEO: Scott L. Morris. Inc.: Washington. Address: 1411 E. Mission Ave., Spokane, Washington 99202-2600. Tel.: 509-489-0500. Internet: www.avistacorp.com.

Avista has filed a general rate case in Washington. The utility is seeking electric and gas rate increases of $41.0 million (8.8%) and $10.1 million (6.8%), based on a return of 10.9% on a common-equity ratio of 48.4%. New tariffs will take effect in early March next year. This means that Avista will miss the benefits of rate relief in two seasonally strong months.

Frequent rate applications are nothing new for the company. Regulatory lag has been a problem for Avista for many years, and largely explains why returns on equity have been so unimpressive for an extended period. Consequently, the utility has had to file one rate case after another in order to catch up with rising operating expenses and place its capital spending in the rate base. The aforementioned petition in Washington came just three months after a tariff hike took effect there. Rates in Idaho are frozen until April 1, 2013. Avista will probably file an application in September, so that new rates can take effect as soon as the freeze is over. (The regulatory process in Idaho takes seven months.) Finally, Avista's gas operations in Oregon are considering filing a rate case.

We estimate that earnings will advance in 2012 and 2013. Rate relief is a plus, and Avista's Ecova energy-services subsidiary is performing well. Ecova made a couple of acquisitions in 2011 that should help raise its income this year. Our 2012 earnings estimate is within Avista's targeted range of $1.65-$1.85 a share, and we think improvement in both the utility and nonutility sides of the business will produce higher profits in 2013.

We have raised the company's Financial Strength rating from B++ to A. The fixed-charge coverage has improved, and the common-equity ratio is healthy. Financing needs should be modest in 2012.

The board of directors raised the dividend in February. The quarterly increase of $0.015 a share (5.5%) was a bit less than we estimated, but was still healthy. Avista's goal for the payout ratio is 60%-70%.

Avista shares offer a dividend yield and 3- to 5-year total return potential that are moderately above the averages for the electric utility industry.

Paul E. Debbas, CFA *May 4, 2012*

(A) Dil. EPS. Excl. nonrec. losses: '00, 27¢; '02, 9¢; '03, 3¢; gain (losses) on disc. ops.: '01, ($1.00); '02, 2¢; '03, (10¢). '09 EPS don't add due to rounding. Next egs. report due early Aug. (B) Div'ds historically paid in mid-Mar., June, Sept. & Dec. ■ Div'd reinvest. plan avail. † Shareholder invest. plan avail. (C) Incl. def'd chgs. In '11: $9.69/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in WA in '12: none specified; in ID in '10: none specified; earned on avg. com. eq., '11: 8.7%. Regulatory Climate: WA, Avg.; ID, Above Avg.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	70
Earnings Predictability	65

BLACK HILLS CORP. NYSE-BKH

RECENT PRICE 32.60 | P/E RATIO 18.2 (Trailing: 33.6 Median: 17.0) | RELATIVE P/E RATIO 1.18 | DIV'D YLD 4.6% | VALUE LINE

TIMELINESS 3 Raised 2/12/10
SAFETY 3 Lowered 8/15/03
TECHNICAL 4 Lowered 4/27/12
BETA .85 (1.00 = Market)

2015-17 PROJECTIONS

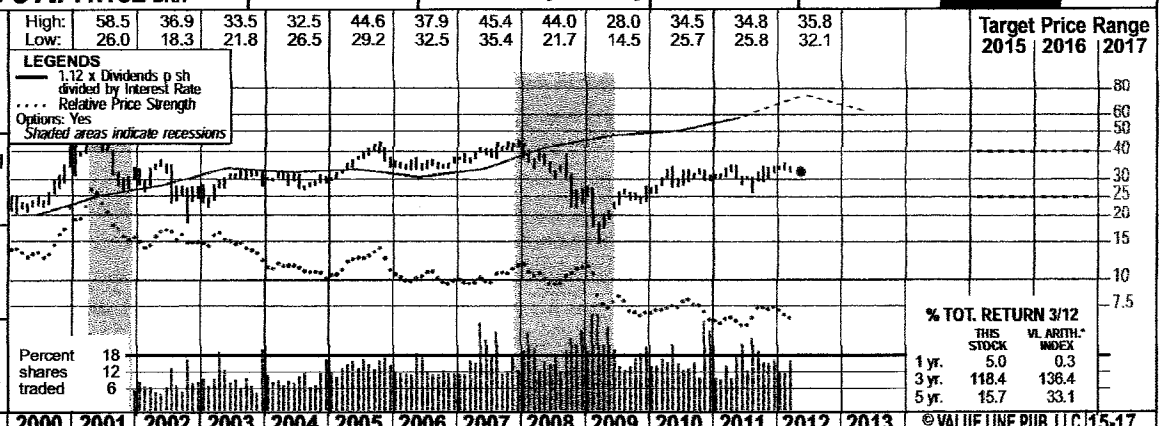
	Price	Gain	Ann'l Total Return
High	40	(+25%)	9%
Low	25	(-25%)	-1%

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	5	0	4	0	0	0	0	0	1
Options	0	0	0	0	0	0	0	0	1
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	68	73	67
to Sell	84	76	70
Hld's(000)	29114	29150	28653



1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
7.50	14.45	31.48	37.05	69.69	57.96	15.74	35.17	34.54	41.97	19.69	18.41	26.03	32.58	33.29	28.96	*29.50*	*31.30*	Revenues per sh	*35.25*
2.45	2.52	2.72	2.88	3.68	5.27	4.93	4.26	4.46	4.81	5.04	5.29	2.95	5.41	4.88	4.01	*5.30*	*5.70*	"Cash Flow" per sh	*6.75*
1.40	1.49	1.60	1.70	2.37	3.42	2.33	1.84	1.74	2.11	2.21	2.68	.18	2.32	1.66	1.01	*2.00*	*2.20*	Earnings per sh [A]	*2.50*
.92	.95	1.00	1.04	1.08	1.12	1.16	1.20	1.24	1.28	1.32	1.37	1.40	1.42	1.44	1.46	*1.48*	*1.50*	Div'd Decl'd per sh [B] ■	*1.60*
1.13	.98	1.18	4.89	5.79	14.07	8.65	2.80	2.80	4.18	9.24	6.92	8.51	8.90	12.04	10.03	*10.10*	*13.30*	Cap'l Spending per sh	*9.00*
8.91	9.46	9.58	10.14	11.95	18.95	19.66	21.72	22.43	22.29	23.68	25.66	27.19	27.84	28.02	27.53	*27.95*	*28.65*	Book Value per sh [C]	*31.00*
21.68	21.70	21.58	21.37	23.30	26.89	26.93	32.30	32.48	33.16	33.37	37.80	38.64	38.97	39.27	43.92	*44.20*	*44.40*	Common Shs Outst'g [D]	*45.00*
11.9	13.0	14.9	13.6	10.9	11.4	12.5	15.9	17.1	17.3	15.8	15.0	NMF	9.9	18.1	31.1	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.5*
.75	.75	.77	.78	.71	.58	.68	.91	.90	.92	.85	.80	NMF	.66	1.15	1.96			Relative P/E Ratio	*.85*
5.5%	4.9%	4.2%	4.5%	4.2%	2.9%	4.0%	4.1%	4.2%	3.5%	3.8%	3.4%	4.2%	6.2%	4.8%	4.6%			Avg Ann'l Div'd Yield	*4.8%*
423.9	1136.1	1121.7	1391.6	656.9	695.9	1005.8	1269.6	1307.3	1272.2	*1305*	*1390*	Revenues ($mill)	*1590*
63.2	57.1	57.2	70.3	74.0	100.1	6.8	89.7	64.6	40.4	*90.0*	*100*	Net Profit ($mill)	*115*
31.9%	34.4%	31.8%	33.8%	31.3%	31.3%	33.1%	30.7%	26.4%	31.1%	*31.0%*	*31.0%*	Income Tax Rate	*31.0%*
18.2%	.7%	.3%	1.0%	9.7%	14.8%	173.2%	20.1%	28.0%	65.0%	*11.0%*	*10.0%*	AFUDC % to Net Profit	*9.0%*
53.6%	55.0%	49.9%	47.6%	44.3%	36.8%	32.3%	48.4%	51.9%	51.4%	*47.0%*	*47.0%*	Long-Term Debt Ratio	*50.5%*
45.9%	44.5%	49.6%	52.4%	55.7%	63.2%	67.7%	51.6%	48.1%	48.6%	*53.0%*	*53.0%*	Common Equity Ratio	*49.5%*
1154.0	1578.2	1469.3	1409.1	1418.4	1534.2	1551.8	2100.7	2286.3	2489.7	*2335*	*2405*	Total Capital ($mill)	*2825*
1476.3	1442.4	1445.7	1435.4	1646.4	1823.5	2022.2	2160.7	2495.4	2789.6	*3090*	*3530*	Net Plant ($mill)	*4200*
6.6%	4.8%	5.3%	6.6%	6.8%	7.9%	1.6%	5.9%	4.4%	3.3%	*5.5%*	*5.5%*	Return on Total Cap'l	*6.0%*
11.8%	8.0%	7.8%	9.5%	9.4%	10.3%	.7%	8.3%	5.9%	3.3%	*7.0%*	*8.0%*	Return on Shr. Equity	*8.5%*
11.9%	8.1%	7.8%	9.5%	9.4%	10.3%	.7%	8.3%	5.9%	3.3%	*7.0%*	*8.0%*	Return on Com Equity [E]	*8.5%*
6.0%	2.8%	2.3%	3.8%	3.8%	5.1%	NMF	3.2%	.7%	NMF	*2.0%*	*2.5%*	Retained to Com Eq	*3.0%*
50%	65%	71%	60%	59%	50%	NMF	62%	87%	NMF	*73%*	*67%*	All Div'ds to Net Prof	*62%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $1627.9 mill. Due in 5 Yrs $1031.0 mill.
LT Debt $1280.4 mill. LT Interest $79.3 mill.
(LT interest earned: 1.4x)
Leases, Uncapitalized Annual rentals $2.8 mill.

Pension Assets-12/11 $221.7 mill.
Oblig. $325.9 mill.

Pfd Stock None

Common Stock 43,929,272 shs.
as of 1/31/12

MARKET CAP: $1.4 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	+24.7	+2.9	+1.3
Avg. Indust. Use (MWH)	7542	8489	8113
Avg. Indust. Revs. per KWH (¢)	6.34	6.95	7.58
Capacity at Yearend (Mw)	1060	1127	1315
Peak Load, Summer (Mw)	921	956	1025
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	-.5	-.1	+.3
Fixed Charge Cov. (%)	149	174	160

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	-5.5%	-.5%	*2.0%*
"Cash Flow"	2.0%	--	*6.0%*
Earnings	-4.0%	-4.0%	*7.0%*
Dividends	3.0%	2.5%	*2.0%*
Book Value	7.5%	4.0%	*2.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	437.9	257.4	225.8	348.5	1269.6
2010	442.3	271.3	264.4	329.3	1307.3
2011	400.8	260.7	249.5	361.2	1272.2
2012	*385*	*280*	*275*	*365*	*1305*
2013	*420*	*295*	*290*	*385*	*1390*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.94	.64	d.10	.84	2.32
2010	.81	d.22	.22	.85	1.66
2011	.73	.09	d.29	.44	1.01
2012	*.60*	*.35*	*.40*	*.65*	*2.00*
2013	*.70*	*.40*	*.45*	*.65*	*2.20*

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.35	.35	.35	.35	1.40
2009	.355	.355	.355	.355	1.42
2010	.36	.36	.36	.36	1.44
2011	.365	.365	.365	.365	1.46
2012	.37				

BUSINESS: Black Hills Corporation is a holding company for utilities that serve 201,000 electric customers in CO, SD, WY and MT, and 564,000 gas customers in NE, IA, KS, CO and WY. Electric revenue breakdown: res'l, 31%; comm'l, 35%; ind'l, 12%; wholesale, 13%; other, 9%. Generating sources: coal, 38%; purchased, 62%. Mines coal & has a gas & oil E&P business. Acq'd Wickford Energy Mktg. 7/97 (discontinued in '11); Mallon Resources 3/03; Cheyenne Light 1/05; utility ops. from Aquila 7/08. Discont. telecom in '05; oil mktg. in '06. Fuel costs: 45% of revs. '11 depr. rate: 3.6%. Has 2,000 empls. Chairman, President & CEO: David R. Emery. Inc.: SD. Address: P.O. Box 1400, 625 Ninth St., Rapid City, SD 57701. Tel.: 605-721-1700. Internet: www.blackhillscorp.com.

Black Hills has completed the sale of its energy marketing business. The company booked a $0.23-a-share gain from discontinued operations in 2011. Another one-time item is likely in the first quarter of 2012. The sale gave Black Hills $160 million-$170 million in cash. This will enable it to avoid a stock offering in 2012.

The company has two regulatory matters pending in Wyoming. Cheyenne Light asked the state commission for electric and gas tariff hikes of $5.9 million (5.9%) and $2.6 million (6.7%), respectively, based on a 10.9% return on a 54% common-equity ratio. New rates are likely to take effect later in 2012. Separately, the company is asking the regulators for approval to build 132 megawatts of gas-fired capacity, with a targeted in-service date in 2014. It hopes that the decision is more favorable than in Colorado, where its request to build 88 mw of gas-fired capacity was rejected by that state's commission.

Our 2012 earnings estimate is at the low end of management's targeted range of $2.00-$2.20 a share. An unusually warm winter affected most of Black Hills' gas utility business (except in Kansas, which has a weather normalization clause). Another disadvantage is low natural gas prices, which are hurting the company's exploration and production operation. On the positive side, the utility received a rate hike in Colorado at the start of the year. Profits will likely wind up well above the 2011 tally of $1.01 a share, which was hurt by $0.68 of mark-to-market losses on interest-rate swaps. Earnings should improve in 2013, assuming that first-quarter weather conditions return to normal and that the company obtains some rate relief in Wyoming.

The board of directors raised the dividend in the first quarter. This is the board's usual practice. The directors boosted the annual disbursement by $0.02 (1.4%), the fourth straight year with such an increase. We project similar dividend growth over the 3- to 5-year period.

Black Hills shares offer a dividend yield that is slightly above the utility average. With the stock trading within our 2015-2017 Target Price Range, however, total return potential over that time frame is unimpressive.

Paul E. Debbas, CFA *May 4, 2012*

(A) Diluted EPS. Excl. nonrec. gain (losses): '05, (99¢); '08, ($1.55); '09, (28¢); '10, 10¢; gains (losses) on discont. ops.: '03, 30¢; '04, 2¢; '05, (7¢); '06, 21¢; '07, (4¢); '08, $4.12; '09, 7¢; '11, 23¢. '11 EPS don't add due to chg. in shs. Next egs. report due early Aug. (B) Div'ds paid in early Mar., Jun., Sept. and Dec. ■ Div'd reinvest. plan avail. (C) Incl. def'd chgs. In '11: $12.28/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate all'd on com. eq. in SD in '10: none spec.; in CO in '12: 9.8%-10.2%; earn. on avg. com. eq., '11: 3.5%. Reg. Climate: Above Avg.

Company's Financial Strength	B+
Stock's Price Stability	90
Price Growth Persistence	30
Earnings Predictability	40

DTE ENERGY CO. NYSE-DTE

RECENT PRICE	56.46	P/E RATIO	15.3 (Trailing: 15.4 / Median: 15.0)	RELATIVE P/E RATIO	0.98	DIV'D YLD	4.3%	VALUE LINE

TIMELINESS 2 Raised 8/12/11
SAFETY 3 Lowered 10/5/01
TECHNICAL 3 Raised 1/20/12
BETA .75 (1.00 = Market)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
High:	47.1	47.7	49.5	45.5	48.3	49.2	54.7	45.3	45.0	49.1	55.3	56.5
Low:	33.1	33.1	34.0	37.9	41.4	38.8	44.0	27.8	23.3	41.3	43.2	52.5

2015-17 PROJECTIONS

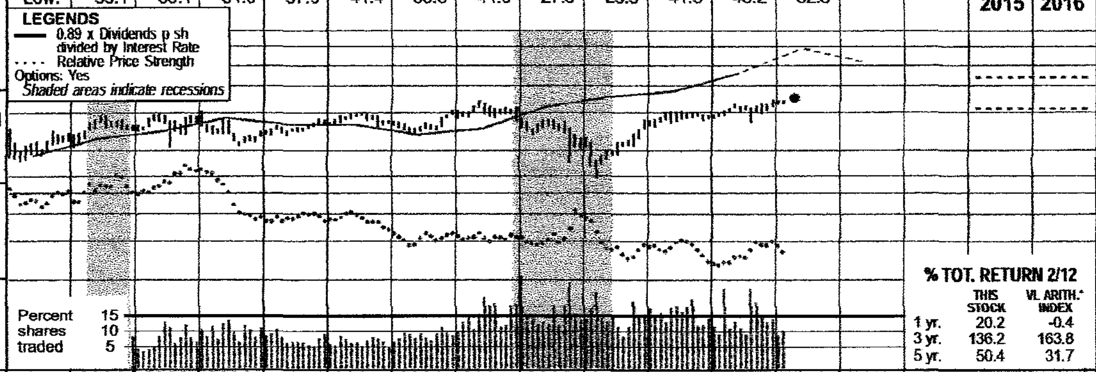
	Price	Gain	Ann'l Total Return
High	70	(+25%)	10%
Low	50	(-10%)	2%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	0	0	0	0	0	0	0	0
Options	0	12	1	0	1	0	0	4	4
to Sell	0	11	1	0	2	0	0	6	3

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	162	153	167
to Sell	154	167	158
Hld's(000)	96500	95837	95785



% TOT. RETURN 2/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	20.2	-0.4
3 yr.	136.2	163.8
5 yr.	50.4	31.7

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
25.12	25.94	29.10	32.60	39.24	48.71	40.30	41.76	40.84	50.74	50.93	54.28	57.23	48.45	50.51	52.55	52.55	54.25	Revenues per sh	61.25
7.10	7.42	7.61	8.40	8.59	6.98	8.31	6.95	6.81	8.14	8.19	8.48	8.26	9.38	9.78	9.55	9.65	10.15	"Cash Flow" per sh	11.75
2.80	2.88	3.05	3.33	3.27	2.15	3.83	2.85	2.55	3.27	2.45	2.66	2.73	3.24	3.74	3.67	3.75	3.95	Earnings per sh A	4.50
2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.06	2.08	2.12	2.12	2.12	2.18	2.32	2.42	2.52	Div'd Decl'd per sh B ■	2.80
3.66	3.14	3.83	5.10	5.25	6.80	5.88	4.45	5.19	5.99	7.92	7.96	8.42	6.26	6.49	8.75	10.95	10.50	Cap'l Spending per sh	10.25
23.73	24.55	25.49	26.95	28.15	28.48	27.26	31.36	31.85	32.44	33.02	35.86	36.77	37.96	39.67	41.40	43.05	44.55	Book Value per sh C	49.25
145.12	145.10	145.07	145.04	142.65	161.13	167.46	168.61	174.21	177.81	177.14	163.23	163.02	165.40	169.43	169.25	175.00	177.00	Common Shs Outst'g D	181.00
11.2	10.3	13.3	11.6	10.3	19.3	11.3	13.7	16.0	13.8	17.4	18.3	14.8	10.4	12.3	13.5	Bold figures are	Value Line	Avg Ann'l P/E Ratio	13.0
.70	.59	.69	.66	.67	.99	.62	.78	.85	.73	.94	.97	.89	.69	.78	.85	estimates		Relative P/E Ratio	.85
6.6%	6.9%	5.1%	5.3%	6.1%	5.0%	4.8%	5.3%	5.0%	4.6%	4.9%	4.4%	5.2%	6.3%	4.8%	4.7%			Avg Ann'l Div'd Yield	4.7%
						6749.0	7041.0	7114.0	9022.0	9022.0	8861.0	9329.0	8014.0	8557.0	8897.0	9200	9600	Revenues ($mill)	11100
						632.0	480.0	443.0	576.0	437.0	453.0	445.0	532.0	630.0	633.0	650	705	Net Profit ($mill)	820
						--	--	27.1%	26.0%	23.9%	25.1%	34.9%	31.6%	32.7%	35.9%	35.0%	35.0%	Income Tax Rate	35.0%
						4.9%	1.3%	.7%	1.0%	5.0%	7.1%	11.2%	2.6%	1.6%	2.0%	2.0%	2.0%	AFUDC % to Net Profit	5.0%
						63.0%	59.2%	57.8%	55.1%	56.1%	54.4%	56.4%	54.0%	51.3%	50.6%	49.0%	48.5%	Long-Term Debt Ratio	50.0%
						37.0%	40.8%	42.2%	44.9%	43.9%	45.6%	43.6%	46.0%	48.7%	49.4%	51.0%	51.5%	Common Equity Ratio	50.0%
						12350	12956	13154	12849	13323	12824	13736	13648	13811	14196	14725	15375	Total Capital ($mill)	17900
						9813.0	10324	10491	10830	11451	11408	12231	12431	12992	13746	14625	15375	Net Plant ($mill)	17300
						7.3%	5.6%	5.2%	6.3%	5.1%	5.3%	5.0%	5.7%	6.3%	6.0%	6.0%	6.0%	Return on Total Cap'l	6.0%
						13.8%	9.1%	8.0%	10.0%	7.5%	7.7%	7.4%	8.5%	9.4%	8.9%	8.5%	9.0%	Return on Shr. Equity	9.0%
						13.8%	9.1%	8.0%	10.0%	7.5%	7.7%	7.4%	8.5%	9.4%	8.9%	8.5%	9.0%	Return on Com Equity E	9.0%
						6.4%	2.5%	1.6%	3.7%	1.2%	1.5%	1.7%	2.9%	4.0%	3.4%	3.0%	3.0%	Retained to Com Eq	3.5%
						53%	72%	80%	63%	84%	80%	77%	65%	57%	61%	64%	63%	All Div'ds to Net Prof	62%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $8019.0 mill. **Due in 5 Yrs** $3221.0 mill.
LT Debt $7497.0 mill. **LT Interest** $427.0 mill.
Incl. $27.0 mill. capitalized leases, $289.0 mill. Trust Preferred Securities, and $479.0 mill. securitized bonds.
(LT interest earned: 3.3x)
Leases, Uncapitalized Annual rentals $39.0 mill.
Pension Assets-12/10 $2.91 bill. **Oblig.** $3.79 bill.
Pfd Stock None
Common Stock 169,250,934 shs.

MARKET CAP: $9.6 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-2.7	-5.6	-.6
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NMF	NMF	NMF
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	11011	10627	11365
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	-.6	-.8	-.4
Fixed Charge Cov. (%)	205	223	262

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	4.5%	3.0%	2.5%
"Cash Flow"	1.0%	4.5%	3.5%
Earnings	--	2.5%	5.0%
Dividends	.5%	1.0%	4.0%
Book Value	3.5%	3.5%	3.5%

Cal-endar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	2255	1688	1950	2121	8014.0
2010	2453	1792	2139	2173	8557.0
2011	2431	2028	2265	2173	8897.0
2012	2400	2050	2350	2400	9200
2013	2550	2100	2450	2500	9600

Cal-endar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.09	.51	.92	.72	3.24
2010	1.38	.51	.96	.90	3.74
2011	1.04	.67	1.07	.89	3.67
2012	1.10	.70	1.00	.95	3.75
2013	1.20	.72	1.05	.98	3.95

Cal-endar	QUARTERLY DIVIDENDS PAID B ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.53	.53	.53	.53	2.12
2009	.53	.53	.53	.53	2.12
2010	.53	.53	.53	.56	2.15
2011	.56	.56	.5875	.5875	2.30
2012	.5875				

BUSINESS: DTE Energy Company is a holding company for The Detroit Edison Company, which supplies electricity in Detroit and a 7,600-square-mile area in southeastern Michigan, and Michigan Consolidated Gas (MichCon). *Customers:* 2.1 *mill. electric,* 1.3 *mill.* gas. Acquired MCN Energy 6/01. Has various nonutility operations. Electric revenue breakdown: residential, 41%; commercial, 33%; industrial, 14%; other, 12%. Generating sources: coal, 72%; nuclear, 14%; gas, 1%; purchased, 13%. Fuel costs: 37% of revenues. '10 reported deprec. rates: 3.3% electric, 2.5% gas. Has 9,800 employees. Chairman, President & CEO: Gerard M. Anderson. Inc.: Michigan. Address: One Energy Plaza, Detroit, Michigan 48226-1279. Tel.: 313-235-4000. Internet: www.dteenergy.com.

DTE Energy's utility subsidiaries frequently request rate relief in order to recoup their capital expenditures. Much of this spending is to meet federal or state mandates for things such as pollution control, renewable energy, or pipeline safety. MichCon, the gas utility, will likely file a rate application in the second quarter of 2012. Under Michigan regulatory law, the company will be able to self-implement an interim rate hike six months after filing, with the Michigan commission's order due six months after that. Detroit Edison, the electric utility, *will probably file a petition in 2012 or* 2013, so any rate relief probably won't come in time to help earnings this year.

We look for a modest earnings increase in 2012. Most of the company's lines of business will probably fare about as well as in 2011. The one notable growth area will be DTE's investments in reduced emissions fuel projects (i.e., treating coal to reduce emissions of certain pollutants). This business is driven by federal tax credits. Interest expense will probably decline, too, thanks to refinancings of debt that the company did in 2011. Our earnings estimate is within management's targeted range of $3.65-$3.95 a share.

We estimate a greater rise in profits in 2013. This is based on the benefits of rate relief at the utilities and continued growth in nonutility income. Our forecast of $3.95 a share would produce bottom-line growth within DTE's targeted annual range of 5%-6%.

DTE plans to start monetizing its investment in the Barnett Shale gas-producing area. The company expects some $300 million of cash from asset sales in 2012. Even with this expected inflow, however, DTE *will need* some financing this year. A common-equity issuance of $300 million is expected in the second half of 2012.

We expect a dividend increase in the second quarter. We estimate an increase of $0.09 a share (3.8%) in the annual disbursement. DTE is targeting a payout ratio of 60%-70%.

This timely stock has a dividend yield and 3- to 5-year total return potential that are about equal to the utility norms.

Paul E. Debbas, CFA *March 23, 2012*

(A) Diluted EPS. Excl. nonrec. gains (losses): '03, (16¢); '05, (2¢); '06, 1¢; '07, $1.96; '08, 50¢; '11, 51¢; gains (losses) on disc. ops.: '03, 40¢; '04, (6¢); '05, (20¢); '06, (2¢); '07, $1.20; '08, 13¢. '10 EPS don't add due to rounding. Next earnings report due early May. (B) Div'ds historically paid in mid-Jan., Apr., July and Oct. ■ Div'd reinvest. plan avail. (C) Incl. intang. In '10: $40.57/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '11: 10.5% elec.; in '10: 11% gas; earned on avg. com. eq., '10: 9.0%. Regulatory Climate: Avg.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	70

EMPIRE DISTRICT NYSE-EDE

RECENT PRICE 20.57 | P/E RATIO 16.6 (Trailing: 15.6 Median: 17.0) | RELATIVE P/E RATIO 1.06 | DIV'D YLD 4.9% | VALUE LINE

TIMELINESS 3 Lowered 2/17/12
SAFETY 2 Raised 3/23/12
TECHNICAL 4 Lowered 3/23/12
BETA .70 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+20%)	9%
Low	19	(-10%)	3%

Insider Decisions

	A	M	J	J	A	S	O	N	D
to Buy	0	3	1	0	0	0	0	0	0
Options	0	5	0	0	0	0	0	0	1
to Sell	0	1	0	0	2	0	0	0	1

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	57	60	54
to Sell	46	47	54
Hld's(000)	18158	19505	20129

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
High:	26.6	22.0	22.5	23.5	25.0	25.1	26.1	23.5	19.4	22.5	23.3	21.3								
Low:	17.5	15.1	17.0	19.5	19.3	20.3	21.1	14.9	11.9	17.6	18.0	19.5								
Revenues per sh	12.53	12.83	14.02	13.94	14.78	13.37	13.56	13.03	12.67	14.80	13.67	14.59	15.25	13.04	13.02	13.74	*13.00*	*14.10*	Revenues per sh	*16.75*
"Cash Flow" per sh	2.67	2.67	2.97	2.89	3.12	2.19	2.43	2.48	2.22	2.45	2.75	2.69	2.91	2.72	2.85	3.21	*2.90*	*3.25*	"Cash Flow" per sh	*4.00*
Earnings per sh A	1.23	1.29	1.53	1.13	1.35	.59	1.19	1.29	.86	.92	1.41	1.09	1.17	1.18	1.17	1.31	*1.25*	*1.45*	Earnings per sh A	*1.75*
Div'd Decl'd per sh B ■ †	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	.64	*1.00*	*1.00*	Div'd Decl'd per sh B ■ †	*1.20*
Cap'l Spending per sh	3.79	3.38	3.03	4.14	7.61	4.02	3.43	2.65	1.64	2.83	3.97	5.46	6.28	4.07	2.63	2.44	*3.50*	*3.75*	Cap'l Spending per sh	*3.25*
Book Value per sh C	12.96	13.06	13.43	13.48	13.65	13.58	14.59	15.17	14.76	15.08	15.49	16.04	15.56	15.75	15.82	16.53	*16.75*	*17.20*	Book Value per sh C	*18.75*
Common Shs Outst'g D	16.44	16.78	17.11	17.37	17.60	19.76	22.57	24.98	25.70	26.08	30.25	33.61	33.98	38.11	41.58	41.98	*42.25*	*42.50*	Common Shs Outst'g D	*43.25*
Avg Ann'l P/E Ratio	14.8	13.9	14.0	21.7	17.7	33.9	16.2	15.8	24.8	24.5	15.9	21.7	17.3	14.3	16.8	15.8	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*12.5*
Relative P/E Ratio	.93	.80	.73	1.24	1.15	1.74	.88	.90	1.31	1.30	.86	1.15	1.04	.95	1.07	1.00			Relative P/E Ratio	*.85*
Avg Ann'l Div'd Yield	7.0%	7.1%	6.0%	5.2%	5.4%	6.4%	6.6%	6.3%	6.0%	5.7%	5.7%	5.4%	6.3%	7.6%	6.5%	3.1%			Avg Ann'l Div'd Yield	*5.5%*
Revenues ($mill)							305.9	325.5	325.5	386.2	413.5	490.2	518.2	497.2	541.3	576.9	*550*	*600*	Revenues ($mill)	*720*
Net Profit ($mill)							25.5	29.5	21.8	23.8	39.9	33.2	39.7	41.3	47.4	55.0	*52.0*	*62.0*	Net Profit ($mill)	*75.0*
Income Tax Rate							34.3%	34.5%	34.1%	33.4%	35.4%	30.3%	32.5%	32.5%	39.2%	38.4%	*35.5%*	*35.5%*	Income Tax Rate	*35.5%*
AFUDC % to Net Profit							2.2%	1.0%	1.0%	2.4%	10.7%	23.1%	31.5%	34.2%	21.5%	.9%	*2.0%*	*2.0%*	AFUDC % to Net Profit	*1.0%*
Long-Term Debt Ratio							55.5%	52.0%	51.3%	51.0%	49.7%	50.1%	53.6%	51.6%	51.3%	49.9%	*45.5%*	*48.5%*	Long-Term Debt Ratio	*50.0%*
Common Equity Ratio							44.5%	48.0%	48.7%	49.0%	50.3%	49.9%	46.4%	48.4%	48.7%	50.1%	*54.5%*	*51.5%*	Common Equity Ratio	*50.0%*
Total Capital ($mill)							740.3	789.2	779.1	803.3	931.0	1081.1	1140.4	1240.3	1350.7	1386.2	*1300*	*1425*	Total Capital ($mill)	*1625*
Net Plant ($mill)							794.1	833.9	857.0	896.0	1031.0	1178.9	1342.8	1459.0	1519.1	1563.7	*1640*	*1725*	Net Plant ($mill)	*1925*
Return on Total Cap'l							5.4%	5.7%	4.7%	4.7%	5.9%	4.7%	5.2%	5.2%	5.1%	5.5%	*5.5%*	*6.0%*	Return on Total Cap'l	*6.0%*
Return on Shr. Equity							7.8%	7.8%	5.8%	6.0%	8.5%	6.2%	7.5%	6.9%	7.2%	7.9%	*7.5%*	*8.5%*	Return on Shr. Equity	*9.5%*
Return on Com Equity E							7.8%	7.8%	5.8%	6.0%	8.5%	6.2%	7.5%	6.9%	7.2%	7.9%	*7.5%*	*8.5%*	Return on Com Equity E	*9.5%*
Retained to Com Eq							NMF	.1%	NMF	NMF	.8%	NMF	NMF	NMF	NMF	4.1%	*1.5%*	*2.5%*	Retained to Com Eq	*3.0%*
All Div'ds to Net Prof							109%	99%	NMF	NMF	90%	117%	109%	109%	110%	49%	*80%*	*69%*	All Div'ds to Net Prof	*68%*

% TOT. RETURN 2/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-5.0	-0.4
3 yr.	70.4	163.8
5 yr.	11.3	31.7

CAPITAL STRUCTURE as of 12/31/11
Total Debt $705.2 mill. **Due in 5 Yrs** $150.7 mill.
LT Debt $692.3 mill. **LT Interest** $42.6 mill.
Incl. $4.7 mill. capitalized leases.
(LT interest earned: 3.1x)
Leases, Uncapitalized Annual rentals $.9 mill.
Pension Assets-12/11 $141.0 mill.
Oblig. $215.1 mill.
Pfd Stock None

Common Stock 42,023,966 shs.
as of 2/1/12

MARKET CAP: $875 million (Small Cap)

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-4.3	+6.1	-2.3
Avg. Industrial Use (MWH)	2795	2813	2865
Avg. Industrial Rev/KWH (¢)	6.65	6.92	7.72
Capacity at Peak (Mw)	1257	1257	1392
Peak Load, Summer (Mw)	1085	1199	1198
Annual Load Factor (%)	55.4	53.2	52.0
% Change Customers (avg.)	+.2	+.4	-1.4
Fixed Charge Cov. (%)	201	248	307

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	-.5%	-.5%	*4.0%*
"Cash Flow"	.5%	3.5%	*5.5%*
Earnings	2.0%	3.0%	*6.0%*
Dividends	-2.0%	-3.5%	*2.0%*
Book Value	1.5%	1.0%	*2.5%*

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	136.0	112.2	128.1	120.9	497.2
2010	139.9	114.5	154.1	132.8	541.3
2011	150.7	129.1	164.3	132.8	576.9
2012	*140*	*120*	*155*	*135*	*550*
2013	*155*	*130*	*170*	*145*	*600*

EARNINGS PER SHARE A

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.32	.22	.43	.22	1.18
2010	.22	.18	.55	.20	1.17
2011	.29	.22	.60	.21	1.31
2012	*.23*	*.20*	*.60*	*.22*	*1.25*
2013	*.30*	*.25*	*.65*	*.25*	*1.45*

QUARTERLY DIVIDENDS PAID B ■ †

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.32	.32	.32	.32	1.28
2009	.32	.32	.32	.32	1.28
2010	.32	.32	.32	.32	1.28
2011	.32	.32	--	--	.64
2012	.25				

BUSINESS: The Empire District Electric Company supplies electricity to 166,000 customers in a 10,000 sq. mi. area in Missouri (89% of '11 retail elec. revs.), Kansas (5%), Oklahoma (3%), & Arkansas (3%). *Acquired Missouri Gas (43,000 customers) 6/06. Supplies* water service and has a small fiber-optics operation. Electric revenue breakdown: residential, 43%; commercial, 30%; industrial, 15%; other, 12%. Generating sources: coal, 45%; gas, 24%; hydro, 1%; purchased, 30%. Fuel costs: 42% of revenues. '11 reported deprec. rate: 2.9%. Has 750 employees. Chairman: D. Randy Laney. President & *CEO:* Brad Beecher. Inc.: Kansas. Address: 602 S. Joplin Ave., P.O. Box 127, Joplin, Missouri 64802-0127. Tel.: 417-625-5100. Internet: www.empiredistrict.com.

As expected, Empire District Electric's board of directors restored a dividend at $0.25 a share quarterly. In 2011, the board suspended the dividend for two quarters following a tornado that severely damaged Joplin, Missouri — the heart of the utility's service area. The cash that was preserved by this move was used for the service restoration efforts following the tornado. However, the restored dividend is below the previous quarterly disbursement of $0.32 a share. We think two years will elapse before the dividend is increased, due to the high payout ratio.

Joplin is continuing to make an admirable recovery from the effects of the tornado. Initially, about 8,000 customers had their homes or businesses destroyed. As of year-end 2011, this was down to about 1,800. Even with the temporary loss of so many customers last year, earnings rose. The utility benefited from a hotter-than-normal summer and the influx of relief workers and construction workers who filled hotel rooms in the area.

We look for an earnings decline in 2012. The winter weather conditions were warmer than usual, and we assume normal weather patterns for the remainder of the year. Our estimate is near the low end of Empire District's targeted range of $1.23-$1.37 a share.

Empire District plans to file an electric rate case in Missouri this year. When the utility received a rate hike in the spring of 2011, this did not reflect the lost revenues from customers whose homes or businesses were destroyed by the tornado. Accordingly, Empire District isn't earning an adequate return on equity. Note that the state commission approved a regulatory settlement allowing the company to defer and amortize (over 10 years) costs resulting from the tornado.

Earnings should bounce back in 2013. More customers will be back in service. We assume normal weather in the first quarter. Empire District should benefit from rate relief for part of next year.

This stock offers a yield that is above average, even for a utility. We have raised the company's Financial Strength rating and the stock's Safety rank a notch each, too. Total return potential to 2015-2017 is unspectacular, however.

Paul E. Debbas, CFA *March 23, 2012*

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	30
Earnings Predictability	80

(A) Excl. loss from discont. ops.: '06, 2¢. '09 & '11 EPS don't add due to rounding, '10 due to change in shs. Next earnings report due late Apr. (B) Div'ds historically paid in mid-Mar., June, Sept. and Dec. Div'ds suspended 3Q '11, restored 1Q '12. ■ Div'd reinvestment plan avail. (3% discount). † Shareholder investment plan avail. (C) Incl. intangibles. In '11: $6.69/sh. (D) In mill. (E) Rate base: Deprec. orig. cost. Rate allowed on com. eq. in MO in '10: none specified; earned on avg. com. eq., '11: 8.2%. Regulatory Climate: Average.

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EXELON CORP. NYSE-EXC

RECENT PRICE 39.03 | P/E RATIO 13.0 (Trailing: 10.4 Median: 13.0) | RELATIVE P/E RATIO 0.86 | DIV'D YLD 5.4% | VALUE LINE

TIMELINESS 3 Raised 11/26/10
SAFETY 2 Lowered 11/26/10
TECHNICAL 3 Lowered 11/25/11
BETA .80 (1.00 = Market)

2015-17 PROJECTIONS

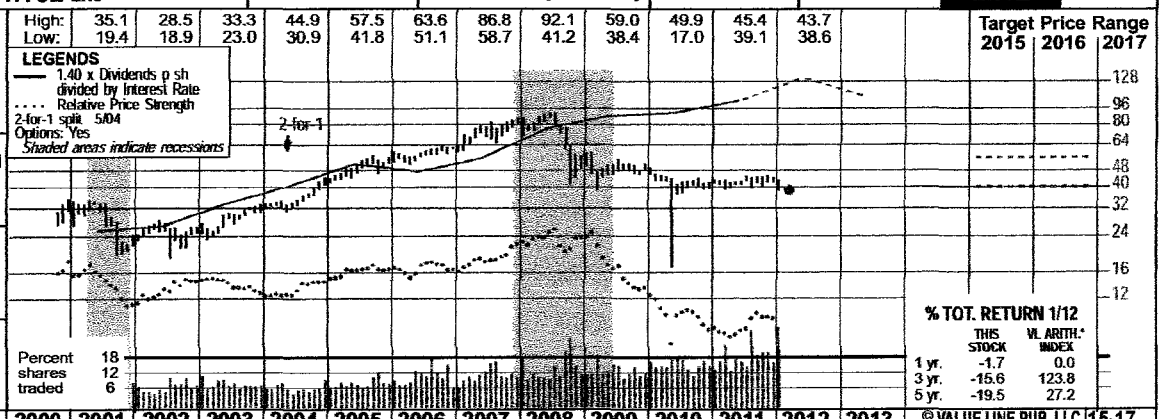
	Price	Gain	Ann'l Total Return
High	55	(+40%)	13%
Low	40	(Nil)	6%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	1	0	0	0	1	0	0
to Sell	0	0	0	0	0	0	0	0	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	340	354	372
to Sell	374	340	318
Hld's(000)	404619	420842	430605



Target Price Range 2015 | 2016 | 2017

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-1.7	0.0
3 yr.	-15.6	123.8
5 yr.	-19.5	27.2

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
	--	--	--	19.40	11.75	23.58	23.13	23.89	21.85	23.06	23.37	28.62	28.66	26.24	28.16	*28.95*	*27.55*	*27.50*	Revenues per sh	*32.25*
	--	--	--	3.55	1.84	5.06	5.03	5.02	5.68	6.19	6.71	7.43	7.64	8.24	8.32	*7.25*	*6.40*	*6.35*	"Cash Flow" per sh	*7.75*
	--	--	--	1.86	1.39	2.20	2.40	2.44	2.75	3.21	3.50	4.03	4.10	4.29	3.87	3.75	*2.80*	*2.65*	Earnings per sh [A]	*3.25*
	--	--	--	--	--	.91	.88	.96	1.26	1.60	1.64	1.82	2.05	2.10	2.10	2.10	*2.10*	*2.10*	Div'd Decl'd per sh [B] ■	*2.10*
	--	--	--	--	1.18	3.18	3.33	2.95	2.89	3.25	3.61	4.05	4.74	4.96	5.02	*6.10*	*8.10*	*6.25*	Cap'l Spending per sh	*8.00*
	--	--	--	--	11.31	12.82	11.97	12.84	14.19	13.70	14.89	15.34	16.79	19.15	20.48	*21.70*	*22.45*	*23.05*	Book Value per sh [C]	*25.00*
	--	--	--	630.20	638.01	642.01	646.63	662.00	664.20	666.00	670.00	661.00	658.00	660.00	662.00	*663.00*	*664.00*	*665.00*	Common Shs Outst'g [D]	*630.00*
	--	--	--	--	22.4	13.2	10.5	11.8	13.0	15.4	16.5	18.2	18.0	11.5	11.0	11.3	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*14.5*
	--	--	--	--	1.46	.68	.57	.67	.69	.82	.89	.97	1.08	.77	.70	.71			Relative P/E Ratio	*.95*
	--	--	--	--	--	3.1%	3.5%	3.4%	3.5%	3.2%	2.8%	2.5%	2.8%	4.3%	4.9%	5.0%			Avg Ann'l Div'd Yield	*4.5%*
							14955	15812	14515	15357	15655	18916	18859	17318	18644	19184	*18300*	*18300*	Revenues ($mill)	*20350*
							1599.0	1641.0	1844.0	2162.0	2370.0	2730.0	2721.0	2844.0	2567.0	2499.0	*1870*	*1790*	Net Profit ($mill)	*2135*
							36.7%	32.9%	27.5%	30.4%	33.7%	34.6%	32.6%	38.8%	39.2%	36.8%	*36.0%*	*36.0%*	Income Tax Rate	*36.0%*
							1.2%	1.9%	.9%	1.0%	1.6%	1.8%	1.3%	2.3%	2.1%	*2.0%*	*3.0%*	*3.0%*	AFUDC % to Net Profit	*3.0%*
							61.2%	61.1%	56.1%	56.1%	54.2%	53.9%	53.1%	47.2%	46.8%	45.7%	*46.0%*	*46.5%*	Long-Term Debt Ratio	*49.0%*
							36.1%	36.5%	43.5%	43.5%	45.4%	45.7%	46.6%	52.4%	52.9%	54.0%	*53.5%*	*53.0%*	Common Equity Ratio	*50.5%*
							21464	22079	21658	20972	21971	22189	23726	24112	25651	26661	*27775*	*28800*	Total Capital ($mill)	*31000*
							17134	20630	21482	21981	22775	24153	25813	27341	29941	32570	*36075*	*38275*	Net Plant ($mill)	*46200*
							9.4%	9.2%	10.4%	12.1%	12.5%	14.1%	13.1%	13.3%	11.4%	*10.5%*	*8.0%*	*7.5%*	Return on Total Cap'l	*8.5%*
							19.2%	19.1%	19.4%	23.5%	23.6%	26.7%	24.4%	22.3%	18.8%	17.3%	*12.5%*	*11.5%*	Return on Shr. Equity	*13.5%*
							20.1%	18.8%	19.5%	23.6%	23.7%	26.9%	24.6%	22.5%	18.9%	17.3%	*12.5%*	*11.5%*	Return on Com Equity [E]	*13.5%*
							12.8%	11.5%	10.7%	11.9%	13.0%	15.3%	12.5%	11.5%	8.7%	7.7%	*3.0%*	*2.5%*	Retained to Com Eq	*5.0%*
							38%	40%	45%	50%	45%	43%	49%	49%	54%	56%	*75%*	*78%*	All Div'ds to Net Prof	*63%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $14491 mill. **Due in 5 Yrs** $4502 mill.
LT Debt $12565 mill. **LT Interest** $691 mill.
Includes $390 mill. nonrecourse transition bonds.
(LT interest earned: 6.7x)

Leases, Uncapitalized Annual rentals $64.0 mill.
Pension Assets-12/10 $8.86 bill.
Oblig. $12.5 bill.
Pfd Stock $87.0 mill. **Pfd Div'd** $4.0 mill.
Includes $87.0 mill. in preferred securities of subsidiaries.
Common Stock 663,012,607 shs.
MARKET CAP: $26 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-1.6	-4.9	+4.8
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	8.54	8.09	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load (Mw)	29772	30150	30778
Nuclear Capacity Factor (%)	93.9	93.6	93.9
% Change Customers (yr-end)	+.6	-.2	+.4
Fixed Charge Cov. (%)	608	622	546

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	6.0%	4.0%	*2.0%*
"Cash Flow"	11.5%	7.5%	*-.5%*
Earnings	9.5%	8.0%	*-3.0%*
Dividends	--	10.5%	*Nil*
Book Value	5.0%	6.5%	*4.0%*

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	4722	4141	4339	4116	17318
2010	4461	4398	5291	4494	18644
2011	5052	4587	5295	4250	19184
2012	*4600*	*4200*	*5100*	*4400*	*18300*
2013	*4700*	*4200*	*5000*	*4400*	*18300*

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	1.28	.99	1.14	.88	4.29
2010	1.13	.67	1.27	.79	3.87
2011	1.01	.93	.90	.91	3.75
2012	*.70*	*.65*	*.75*	*.70*	*2.80*
2013	*.70*	*.60*	*.70*	*.65*	*2.65*

QUARTERLY DIVIDENDS PAID [B] ■

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.50	.50	.50	.525	2.03
2009	.525	.525	.525	.525	2.10
2010	.525	.525	.525	.525	2.10
2011	.525	.525	.525	.525	2.10
2012					

BUSINESS: Exelon Corporation is a holding company for Commonwealth Edison, which serves 3.8 mill. electric customers in Illinois, and PECO Energy, which serves 1.6 mill. electric and 491,000 gas customers in Pennsylvania. Markets energy in the mid-Atlantic and Midwest regions. Electric rev. breakdown: residential, 51%; small commercial & industrial, 24%; large commercial & industrial, 16%; other, 9%. Generating sources: nuclear, 81%; other, 7%; purchased, 12%. Fuel costs: 35% of revs. '10 deprec. rates: 2.5%-2.9% elec., 1.8% gas. Has 19,200 employees. Chairman & CEO: John W. Rowe. President & COO: Christopher Crane. Inc.: PA. Address: 10 South Dearborn St., P.O. Box 805379, Chicago, IL 60680-5379. Tel.: 312-394-7398. Internet: www.exeloncorp.com.

Exelon's proposed takeover of Constellation Energy has taken a step forward. Exelon would issue about 187 million shares (valued at $7.3 billion) for Constellation, a largely nonregulated utility holding company that also owns Baltimore Gas and Electric. Importantly, after the proposed combination generated some controversy in Maryland, the companies were able to reach a settlement with most key intervenors in the state. The agreement awaits a ruling from the state commission; this was expected shortly after this report went to press. The transaction also requires the approval of the Federal Energy Regulatory Commission. A ruling is likely to come later in the current quarter or in the second period.

Whether or not the acquisition is completed, earnings are almost certainly headed down in 2012. (Note: Our figures *exclude* Constellation.) As of year-end 2011, Exelon's nonregulated generating subsidiary had hedged some 90% of its expected output for 2012, at lower margins than the company received in 2011. What's more, forward prices for power have continued to decline. As a result of this (and unusually warm weather in January), we have trimmed our 2012 share-net estimate by a dime. We look for another profit decline in 2013. The addition of Constellation would probably have little effect on earnings this year, but would likely be slightly positive in 2013.

A new law in Illinois should help Commonwealth Edison. It provides a formula regulatory mechanism that should reduce regulatory lag and boost the utility's earned return on equity.

We believe the dividend is secure, despite the rising payout ratio. The balance sheet is sound, and returns on equity should remain healthy, even at the present lower level of earnings.

Considering the company's weakening earnings prospects, it comes as little surprise that the stock has fared poorly so far in 2012. It is down 12% in price year to date. The yield is very attractive, at a full percentage point above the utility average. However, we believe it will be a few years before earnings approach the 2011 tally, and we project no dividend growth through 2015-2017.

Paul E. Debbas, CFA *February 24, 2012*

(A) Diluted earnings. Excludes nonrecurring gains (losses): '01, 2¢; '02, (18¢); '03, ($1.06); '04, 3¢; '05, ($1.85); '06, ($1.15); '09, (20¢); gains from disc. operations: '07, 2¢; '08, 3¢. '10 EPS don't add due to rounding. Next earnings report due late Apr. (B) Div'ds historically paid in early Mar., June, Sept., and Dec. ■ Div'd reinvest. program avail. (C) Incl. deferred charges. In '10: $10.22/sh. (D) In mill., adj. for split. (E) Rate allowed on com. eq. in IL in '11: 10.5%; earned on avg. com. eq., '10: 19.5%. Regulatory Climate: PA, Avg.; IL, Below Avg.

Company's Financial Strength	A
Stock's Price Stability	90
Price Growth Persistence	60
Earnings Predictability	95

NORTHWESTERN NYSE-NWE

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
34.27	13.4 (Trailing: 13.6 Median: NMF)	0.87	4.3%	

TIMELINESS 3 New 5/4/12
SAFETY 3 New 5/4/12
TECHNICAL 4 New 5/4/12
BETA .70 (1.00 = Market)

2015-17 PROJECTIONS

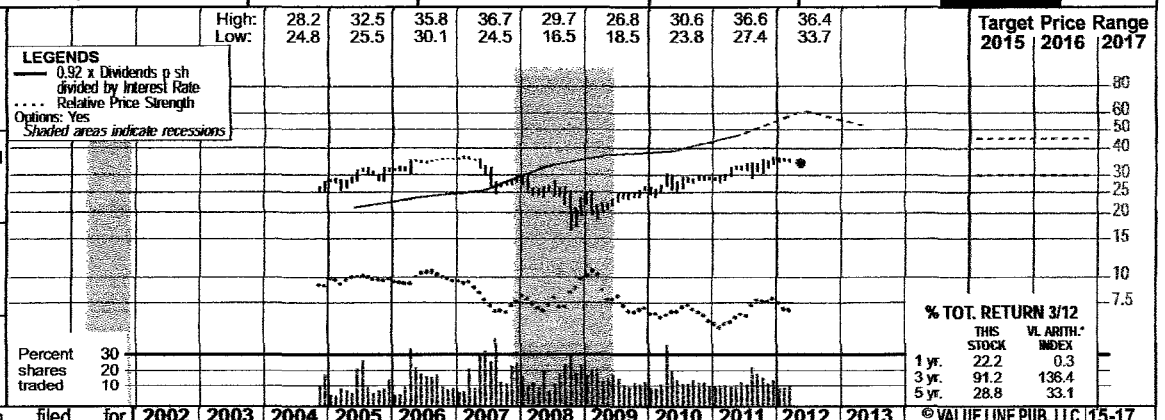
	Price	Gain	Ann'l Total Return
High	45	(+30%)	11%
Low	30	(-10%)	2%

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	1	0	0	0
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	66	73	74
to Sell	89	82	87
Hld's(000)	34219	33751	33115



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
High:	28.2	32.5	35.8	36.7	29.7	26.8	30.6	36.6	36.4			
Low:	24.8	25.5	30.1	24.5	16.5	18.5	23.8	27.4	33.7			

% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	22.2	0.3
3 yr.	91.2	136.4
5 yr.	28.8	33.1

NorthWestern Corporation filed for protection under Chapter 11 of the Federal Bankruptcy Code on September 14, 2003. On November 1, 2004, the company emerged from a bankruptcy reorganization. All old common shares were canceled and 35,500,000 new shares (along with 4,620,333 warrants) were issued. The stock initially traded on NASDAQ under the symbol NWEC and moved to the NYSE under the symbol NWE in May of 2008.

CAPITAL STRUCTURE as of 12/31/11
Total Debt $1110.1 mill. **Due in 5 Yrs** $328.7 mill.
LT Debt $938.0 mill. **LT Interest** $51.6 mill.
Incl. $32.9 mill. capitalized leases.
(LT interest earned: 2.4x)

Leases, Uncapitalized Annual rentals $2.0 mill.
Pension Assets-12/11 $103.9 mill.
Oblig. $536.5 mill.
Pfd Stock None

Common Stock 36,298,589 shs.
as of 2/10/12
MARKET CAP: $1.2 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-.8	-1.0	+2.3
Avg. Indust. Use (MWH)	40831	38676	39347
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw)	NA	NA	2014
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.3	+.7	+.6
Fixed Charge Cov. (%)	217	212	237

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	--	--	3.0%
"Cash Flow"	--	6.5%	4.5%
Earnings	--	--	5.0%
Dividends	--	13.0%	4.5%
Book Value	--	2.0%	4.0%

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	370.9	235.7	232.9	302.4	1141.9
2010	334.2	244.1	240.8	291.6	1110.7
2011	338.3	251.8	244.0	283.2	1117.3
2012	309.1	*250*	*245*	*295.9*	*1100*
2013	*330*	*260*	*255*	*305*	*1150*

EARNINGS PER SHARE A

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.63	.17	.52	.70	2.02
2010	.79	.32	.40	.63	2.14
2011	.89	.30	.41	.93	2.53
2012	.88	*.32*	*.43*	*.72*	*2.35*
2013	*.90*	*.35*	*.45*	*.75*	*2.45*

QUARTERLY DIVIDENDS PAID B ■ †

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.33	.33	.33	.33	1.32
2009	.335	.335	.335	.335	1.34
2010	.34	.34	.34	.34	1.36
2011	.36	.36	.36	.36	1.44
2012	.37				

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Revenues per sh	--	--	--	32.57	31.49	30.79	35.09	31.72	30.66	30.80	*30.20*	*31.50*	*36.75*
"Cash Flow" per sh	--	--	--	4.00	3.62	3.70	4.40	4.62	4.76	5.42	*5.40*	*5.65*	*6.50*
Earnings per sh A	--	--	--	1.71	1.31	1.44	1.77	2.02	2.14	2.53	*2.35*	*2.45*	*3.00*
Div'd Decl'd per sh B ■ †	--	--	--	1.00	1.24	1.28	1.32	1.34	1.36	1.44	*1.48*	*1.52*	*1.80*
Cap'l Spending per sh	--	--	--	2.26	2.81	3.00	3.47	5.26	6.30	5.20	*8.95*	*6.95*	*5.00*
Book Value per sh C	--	--	--	20.60	20.65	21.12	21.25	21.86	22.64	23.68	*24.50*	*25.45*	*29.00*
Common Shs Outst'g D	--	--	--	35.79	35.97	38.97	35.93	36.00	36.23	36.28	*36.40*	*36.50*	*36.80*
Avg Ann'l P/E Ratio	--	--	--	17.1	26.0	21.7	13.9	11.5	12.9	12.6	*Bold figures are Value Line estimates*		*13.0*
Relative P/E Ratio	--	--	--	.91	1.40	1.15	.84	.77	.82	.80			*.85*
Avg Ann'l Div'd Yield	--	--	--	3.4%	3.6%	4.1%	5.4%	5.7%	4.9%	4.5%			*4.7%*
Revenues ($mill)	--	--	--	1165.8	1132.7	1200.1	1260.8	1141.9	1110.7	1117.3	*1100*	*1150*	*1350*
Net Profit ($mill)	--	--	--	61.5	49.2	53.2	67.6	73.4	77.4	92.6	*85.0*	*90.0*	*115*
Income Tax Rate	--	--	--	38.5%	40.3%	37.8%	37.3%	17.2%	25.0%	9.8%	*19.0%*	*19.0%*	*19.0%*
AFUDC % to Net Profit	--	--	--	2.1%	3.3%	2.5%	2.3%	7.2%	22.7%	5.4%	*9.0%*	*8.0%*	*4.0%*
Long-Term Debt Ratio	--	--	--	44.3%	49.9%	50.1%	46.8%	56.4%	57.2%	52.2%	*51.5%*	*50.5%*	*42.5%*
Common Equity Ratio	--	--	--	55.7%	50.1%	49.9%	53.2%	43.6%	42.8%	47.8%	*48.5%*	*49.5%*	*57.5%*
Total Capital ($mill)	--	--	--	1324.0	1482.2	1648.4	1434.3	1803.9	1916.4	1797.1	*1830*	*1865*	*1850*
Net Plant ($mill)	--	--	--	1409.2	1491.9	1770.9	1839.7	1964.1	2118.0	2213.3	*2430*	*2570*	*2825*
Return on Total Cap'l	--	--	--	7.0%	5.2%	5.0%	7.0%	6.0%	6.0%	7.1%	*6.0%*	*6.5%*	*7.5%*
Return on Shr. Equity	--	--	--	8.3%	6.6%	6.5%	8.9%	9.3%	9.4%	10.8%	*9.5%*	*10.0%*	*10.5%*
Return on Com Equity E	--	--	--	8.3%	6.6%	6.5%	8.9%	9.3%	9.4%	10.8%	*9.5%*	*10.0%*	*10.5%*
Retained to Com Eq	--	--	--	3.5%	.7%	.7%	2.3%	3.2%	3.5%	4.7%	*3.5%*	*3.5%*	*4.5%*
All Div'ds to Net Prof	--	--	--	58%	90%	89%	74%	66%	63%	56%	*62%*	*64%*	*58%*

BUSINESS: NorthWestern Corporation (doing business as NorthWestern Energy) supplies electricity & gas in the Upper Midwest and Northwest, serving 401,000 electric customers in Montana and South Dakota and 268,000 gas customers in Montana, South Dakota, and Nebraska. Electric revenue breakdown: residential, 41%; commercial, 50%; industrial, 5%; other, 4%. Generating sources not provided by company. Fuel costs: 44% of revenues. '11 reported depreciation rate: 3.3%. Has 1,400 employees. Chairman: Dr. E. Linn Draper Jr. President & CEO: Robert C. Rowe. Incorporated: Delaware. Address: 3010 West 69th Street, Sioux Falls, South Dakota 57108. Telephone: 605-978-2900. Internet: www.northwesternenergy.com.

NorthWestern is making its return to *The Value Line Investment Survey*. Due to a large debt load and losses by nonregulated subsidiaries, the company filed for protection under Chapter 11 of the Federal Bankruptcy Code in September of 2003 and reemerged as a public company in November of 2004. NorthWestern is now a pure-play combination utility, annually obtaining about 80% of its income from its electric operations in Montana and South Dakota and the remainder from its gas business in these two states and Nebraska.

Earnings are likely to decline in 2012. Unusually warm weather patterns in the first quarter didn't help. (By contrast, favorable weather conditions boosted 2011 profits by $0.05 a share.) Also, the tax rate, though still low, won't be as low as in 2011. Our profit estimate is at the low end of the company's targeted range of $2.35-$2.50 a share. We think moderate demand growth will produce an earnings uptick in 2013. The service area's economy is faring better than the national economy.

Two generating units are under construction. NorthWestern is spending $86 million on a 40-megawatt wind project in Montana and $65 million-$75 million on a 60-mw gas peaking plant in South Dakota. The Montana commission has approved the wind project, which will be placed into the utility's rate base upon completion (subject to a prudency review).

Rate cases in Montana and South Dakota are likely in 2013. NorthWestern's gas operations are not earning an adequate return on equity in either state. The filing in South Dakota will be for the electric business, too, to place the aforementioned gas peaker into the rate base. These rate applications will have little or no effect on earnings until 2014, however.

The board of directors raised the quarterly dividend by a cent a share (2.8%) in the first quarter. This is when the board usually reviews the dividend. NorthWestern is targeting a payout ratio of 60%-70%.

This stock's yield is about equal to the utility average. With the quotation within our 2015-2017 Target Price Range, however, long-term total return potential is unexciting.

Paul E. Debbas, CFA *May 4, 2012*

(A) Diluted EPS. Excl. gain (loss) on discontinued operations: '05, (6¢); '06, 1¢. Next earnings report due late July. (B) Div'ds historically paid in late Mar., June, Sept. & Dec. ■ Div'd reinvestment plan available. † Shareholder investment plan available. (C) Incl. deferred charges. In '11: $663.9 mill., $18.30/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in MT in '11: 10.25%; in SD in '11: none specified; in NE in '07: 10.4%; earned on avg. com. eq., '11: 10.0%. Regulatory Climate: MT, Average; SD, Above Average.

Company's Financial Strength	B+
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	85

PG&E CORP. NYSE-PCG

RECENT PRICE 43.48 | P/E RATIO 18.6 (Trailing: 15.6 Median: 15.8) | RELATIVE P/E RATIO 1.21 | DIV'D YLD 4.2% | VALUE LINE

TIMELINESS 3 Lowered 11/11/11
SAFETY 3 Lowered 2/3/12
TECHNICAL 4 Lowered 4/20/12
BETA .55 (1.00 = Market)

2015-17 PROJECTIONS

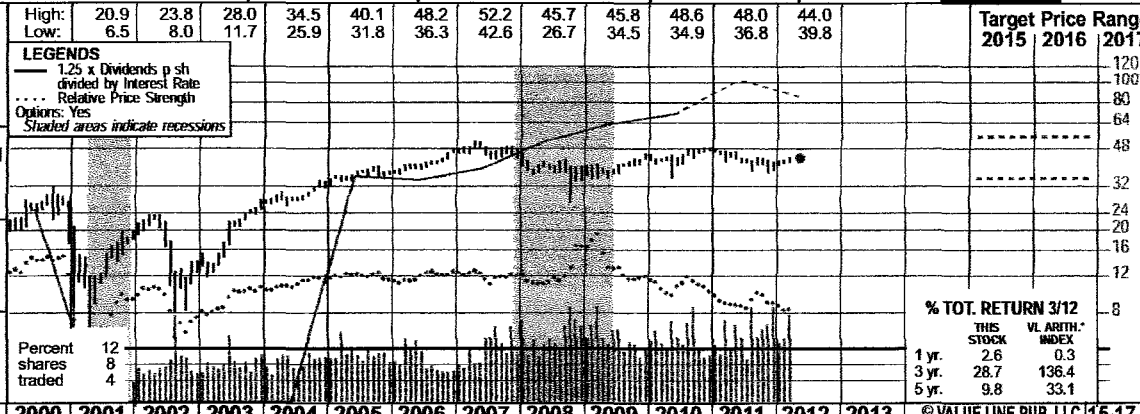
	Price	Gain	Ann'l Total Return
High	55	(+25%)	10%
Low	35	(-20%)	Nil

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	1	0	0	0	0	0
Options	0	0	1	0	0	1	0	0	0
to Sell	0	0	1	0	0	2	0	0	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	194	183	207
to Sell	211	198	186
Hld's(000)	281663	285620	293053



Target Price Range 2015 | 2016 | 2017

120 100 80 64 48 32 24 20 16 12 8

% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	2.6	0.3
3 yr.	28.7	136.4
5 yr.	9.8	33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
23.82	36.87	52.12	57.74	67.75	63.18	32.74	25.05	26.47	31.78	36.02	37.42	40.51	36.15	35.02	36.28	*36.55*	*37.45*	Revenues per sh	*44.00*
5.24	5.98	6.08	7.15	.80	5.66	1.14	4.80	5.71	7.12	7.76	8.02	8.44	8.37	8.22	8.08	*7.85*	*8.55*	"Cash Flow" per sh	*10.00*
2.16	1.57	1.88	2.24	d9.21	3.02	d2.36	2.05	2.12	2.35	2.76	2.78	3.22	3.03	2.82	2.78	*2.20*	*2.75*	Earnings per sh [A]	*3.75*
1.77	1.20	1.20	1.20	1.20	--	--	--	--	1.23	1.32	1.44	1.56	1.68	1.82	1.82	*1.82*	*1.82*	Div'd Decl'd per sh [B] ■ †	*2.00*
3.05	4.36	4.23	4.39	4.54	7.33	7.94	4.08	3.72	4.90	6.90	7.83	*10.05*	*10.68*	9.62	9.79	*11.25*	*11.05*	Cap'l Spending per sh	*12.50*
20.73	21.30	21.08	19.10	8.19	11.89	9.47	10.12	20.62	19.60	22.44	24.18	25.97	27.88	28.55	29.35	*30.15*	*31.25*	Book Value per sh [C]	*36.00*
403.50	417.67	382.60	360.59	387.19	363.38	381.67	416.52	418.62	368.27	348.14	353.72	361.06	370.60	395.23	412.26	*427.00*	*435.00*	Common Shs Outst'g [D]	*435.00*
10.9	15.5	16.8	13.1	--	4.8	--	9.5	13.8	15.4	14.8	16.8	12.1	13.0	15.8	15.5	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*12.0*
.68	.89	.87	.75	--	.25	--	.54	.73	.82	.80	.89	.73	.87	1.01	.98			Relative P/E Ratio	*.80*
7.5%	4.9%	3.8%	4.1%	4.8%	--	--	--	--	3.4%	3.2%	3.1%	4.0%	4.3%	4.1%	4.2%			Avg Ann'l Div'd Yield	*4.5%*
12495	10435	11080	11703	12539	13237	14628	13399	13841	14956	*15600*	*16300*	Revenues ($mill)	*19150*
d874.0	791.0	901.0	904.0	1005.0	1020.0	1198.0	1168.0	1113.0	1132.0	*945*	*1215*	Net Profit ($mill)	*1660*
--	36.7%	35.0%	37.6%	35.5%	34.6%	26.2%	31.1%	33.0%	30.3%	*32.0%*	*32.0%*	Income Tax Rate	*32.0%*
--	3.7%	3.6%	5.6%	6.7%	9.4%	9.5%	11.9%	14.4%	11.2%	*14.0%*	*11.0%*	AFUDC % to Net Profit	*9.0%*
51.5%	42.4%	45.1%	48.3%	51.7%	52.6%	52.2%	51.4%	49.6%	48.8%	*48.5%*	*46.5%*	Long-Term Debt Ratio	*48.5%*
42.8%	53.9%	53.2%	50.0%	46.8%	46.1%	46.5%	47.4%	49.3%	50.2%	*50.5%*	*52.5%*	Common Equity Ratio	*50.5%*
8438.0	7815.0	16242	14446	16696	18558	20163	21793	22863	24119	*25475*	*25850*	Total Capital ($mill)	*30900*
16928	18107	18989	19955	21785	23656	26261	28892	31449	33655	*36025*	*38325*	Net Plant ($mill)	*45800*
NMF	16.3%	7.6%	8.1%	7.6%	7.4%	7.8%	6.7%	6.2%	5.9%	*5.0%*	*6.0%*	Return on Total Cap'l	*6.5%*
NMF	17.6%	10.1%	12.1%	12.5%	11.6%	12.4%	11.0%	9.6%	9.2%	*7.0%*	*9.0%*	Return on Shr. Equity	*10.5%*
NMF	18.5%	10.3%	12.3%	12.7%	11.8%	12.6%	11.2%	9.7%	9.2%	*7.0%*	*9.0%*	Return on Com Equity [E]	*10.5%*
NMF	18.5%	10.3%	7.7%	6.8%	6.0%	6.8%	5.5%	3.9%	3.4%	*1.5%*	*3.0%*	Retained to Com Eq	*5.0%*
--	2%	1%	39%	47%	50%	47%	52%	61%	63%	*82%*	*66%*	All Div'ds to Net Prof	*53%*

CAPITAL STRUCTURE as of 12/31/11
Total Debt $13886 mill. **Due in 5 yrs** $4793 mill.
LT Debt $11766 mill. **LT Interest** $615.0 mill.
Incl. $212 mill. capitalized leases.
(LT interest earned: 3.5x)
Pension Assets-12/11 $11.0 bill. **Oblig.** $14.0 bill.
Pfd Stock $252.0 mill. **Pfd Div'd** $14.0 mill.
4,534,958 shs. 4.36% to 5%, cumulative and $25 par, redeemable from $25.75 to $27.25; 5,784,825 shs. 5.00% to 6.00%, cumulative nonredeemable and $25 par.
Common Stock 412,257,082 shs.

MARKET CAP: $18 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-2.8	-2.0	-.3
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Summer (Mw)	NMF	NMF	NMF
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	+.2	+.5	+.4
Fixed Charge Cov. (%)	296	303	295

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	-5.5%	2.5%	*3.5%*
"Cash Flow"	6.0%	3.5%	*3.5%*
Earnings	--	3.5%	*4.5%*
Dividends	8.5%	16.0%	*2.0%*
Book Value	8.0%	6.5%	*4.0%*

Calendar	QUARTERLY REVENUES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	3431	3194	3235	3539	13399
2010	3475	3232	3513	3621	13841
2011	3597	3684	3860	3815	14956
2012	*3950*	*3750*	*3950*	*3950*	*15600*
2013	*4150*	*3900*	*4100*	*4150*	*16300*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.65	.87	.80	.71	3.03
2010	.67	.86	.66	.63	2.82
2011	.50	.91	.68	.69	2.78
2012	*.55*	*.55*	*.55*	*.55*	*2.20*
2013	*.60*	*.70*	*.75*	*.70*	*2.75*

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ † Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.36	.39	.39	.39	1.53
2009	.39	.42	.42	.42	1.65
2010	.42	.455	.455	.455	1.79
2011	.455	.455	.455	.455	1.82
2012	.455	.455			

BUSINESS: PG&E Corporation is a holding company for Pacific Gas and Electric Company and nonutility subsidiaries. Supplies electricity and gas to most of northern and central California. Has 5.1 million electric and 4.3 million gas customers. Electric revenue breakdown: residential, 40%; commercial, 38%; industrial, 12%; agricultural, 7%; other, 3%. Generating sources: nuclear, 24%; hydro, 15%; gas, 7%; purchased, 54%. Fuel costs: 36% of revenues. '11 reported depreciation rate (utility): 3.7%. Has 19,400 employees. Chairman, President & Chief Executive Officer: Anthony F. Earley, Jr. Incorporated: California. Address: One Market, Spear Tower, Suite 2400, San Francisco, California 94105. Telephone: 415-267-7000. Internet: www.pgecorp.com.

PG&E is still incurring significant expenses associated with a September, 2010 pipeline explosion in San Bruno, California. These costs, net of insurance recoveries, reduced 2011 earnings by $0.80 a share—and this doesn't include a reserve of $200 million for the minimum expected fine from the California Public Service Commission (CPUC). PG&E has put forth a pipeline safety-enhancement program with the CPUC, which is also conducting hearings on various aspects of the accident. Some of these matters are scheduled to run into 2013. We are *excluding* any *fines as nonrecurring items. In 2012,* the utility estimates that costs associated with San Bruno and third-party claims (before any insurance recoveries) will reduce share net by $0.63-$1.08. PG&E has already agreed to a $70 million settlement with San Bruno. Including these expenses, the company's profit guidance is $2.02-$2.67 a share. These are reflected in our 2012 earnings estimate, which we have slashed by $0.75 a share, to $2.20.

The additional costs have prompted the company to issue common equity. In 2011, PG&E sold nearly $700 million of stock, and estimates that it will issue $600 million more this year. This is keeping the balance sheet sound, but is also dilutive to share profits.

PG&E has made its cost-of-capital filing with the CPUC. Its current allowed return on equity is 11.35%, but the utility proposed an ROE of 11%, with the same common-equity ratio as it now has, 52%. The CPUC's order will take effect at the start of 2013. Despite the probability of a lower allowed ROE, we tentatively look for an earnings increase next year, to $2.75 a share. We assume that the utility will *continue to incur additional pipeline-related* costs in 2013, but not nearly as much as in 2012.

We advise utility investors to look elsewhere. The company has already stated that the dividend won't be increased this year, and we expect no raise in 2013, either. Despite the lack of near-term dividend growth potential and the uncertainties that are overhanging PG&E, the dividend yield is only average for a utility. Total return potential to 2015-2017 is unappealing, too.

Paul E. Debbas, CFA *May 4, 2012*

(A) Diluted EPS. Excl. nonrec. gains (losses): '96, (41¢); '97, 18¢; '99, ($2.44); '04, $6.95; '09, 18¢; '11, (68¢); gain from discont. ops.: '08, 41¢. Incl. nonrec. loss: '00, $11.83. Next earnings report due early Aug. (B) Div'ds historically paid in mid-Jan., Apr., July and Oct. ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. intangibles. In '11: $11.48/sh. (D) In mill. (E) Rate base: net orig. cost. Rate allowed on com. eq. in '07: 11.35%; earned on avg. com. eq., '11: 9.5%. Regulatory Climate: Above Average.

Company's Financial Strength	B++
Stock's Price Stability	100
Price Growth Persistence	90
Earnings Predictability	90

PPL CORPORATION NYSE-PPL

RECENT PRICE 27.85 | P/E RATIO 11.4 (Trailing: 10.6 Median: 14.0) | RELATIVE P/E RATIO 0.75 | DIV'D YLD 5.2% | VALUE LINE

TIMELINESS 3 Raised 11/12/10
SAFETY 3 Lowered 11/28/08
TECHNICAL 3 Lowered 12/9/11
BETA .65 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+60%)	16%
Low	30	(+10%)	7%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	1	0	0	0	0	0
to Sell	0	0	0	0	0	0	1	0	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	231	303	272
to Sell	183	142	178
Hld's(000)	309906	410149	416684

High:	31.2	20.0	22.2	27.1	33.7	37.3	54.6	55.2	34.4	33.1	30.3	29.8	
Low:	15.5	13.0	15.8	19.9	25.5	27.8	34.4	26.8	24.3	23.8	24.1	27.3	

LEGENDS
— 1.18 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
2-for-1 split 8/05
Options: Yes
Shaded areas indicate recessions

Target Price Range 2015 | 2016 | 2017

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	13.3	0.0
3 yr.	5.3	123.8
5 yr.	-3.7	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
8.94	9.17	12.03	15.97	19.59	19.53	16.38	15.75	15.37	16.36	17.92	17.41	21.47	20.03	17.63	*22.05*	*20.05*	*19.30*	Revenues per sh	*21.00*
2.14	2.11	2.43	2.56	3.32	3.51	3.20	3.60	3.59	3.84	4.26	5.10	4.71	3.47	3.66	*4.60*	*4.45*	*4.40*	"Cash Flow" per sh	*5.25*
1.03	.99	1.12	1.01	1.64	1.79	1.54	1.84	1.87	1.92	2.29	2.63	2.45	1.19	2.28	2.61	*2.30*	*2.35*	Earnings per sh [A]	*2.75*
.84	.84	.67	.50	.53	.53	.72	.77	.82	.96	1.10	1.22	1.34	1.38	1.40	1.40	*1.44*	*1.48*	Div'd Decl'd per sh [B] ■	*1.70*
1.11	.93	.97	1.11	1.59	2.99	2.74	2.17	1.94	2.13	3.62	*4.51*	3.79	3.25	3.30	*4.30*	*6.55*	*6.60*	Cap'l Spending per sh	*4.25*
8.44	8.45	5.69	5.61	6.94	6.33	6.71	9.19	11.21	11.62	13.30	14.88	13.55	14.57	16.98	*18.65*	*19.80*	*21.25*	Book Value per sh [C]	*24.75*
325.33	332.50	314.82	287.39	290.08	293.16	331.47	354.72	378.14	380.15	385.04	373.27	374.58	377.18	483.39	*578.00*	*588.00*	*635.00*	Common Shs Outst'g [D]	*665.00*
11.4	10.8	10.9	13.4	8.9	12.4	11.1	10.6	12.5	15.1	14.1	17.3	17.6	25.7	11.9	10.5	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*13.0*
.71	.62	.57	.76	.58	.64	.61	.60	.66	.80	.76	.92	1.06	1.71	.76	.66			Relative P/E Ratio	*.85*
7.1%	7.8%	5.5%	3.7%	3.6%	2.4%	4.2%	4.0%	3.5%	3.3%	3.4%	2.7%	3.1%	4.5%	5.1%	5.1%			Avg Ann'l Div'd Yield	*4.7%*
5429.0	5587.0	5812.0	6219.0	6899.0	6498.0	8044.0	7556.0	8521.0	12737	*11800*	*12250*							Revenues ($mill)	*14000*
536.0	667.0	692.0	739.0	899.0	1031.0	940.0	465.0	1009.0	1457.0	*1360*	*1455*							Net Profit ($mill)	*1820*
25.7%	27.1%	22.8%	14.0%	23.2%	20.7%	31.8%	21.8%	22.0%	31.0%	*32.0%*	*32.0%*							Income Tax Rate	*32.0%*
3.4%	1.2%	.7%	--	--	--	.1%	.2%	.5%	*Nil*	*Nil*	*Nil*							AFUDC % to Net Profit	*Nil*
66.5%	71.1%	61.6%	57.5%	55.4%	54.1%	57.1%	55.2%	59.0%	62.0%	*59.5%*	*56.0%*							Long-Term Debt Ratio	*52.0%*
25.1%	28.5%	37.9%	42.0%	42.2%	43.6%	40.5%	42.5%	39.8%	37.1%	*39.5%*	*43.0%*							Common Equity Ratio	*47.5%*
8868.0	11455	11171	10513	12151	12747	12529	12940	20621	29018	*29425*	*31200*							Total Capital ($mill)	*34700*
9566.0	10446	11209	10916	12069	12605	12416	13174	20858	27266	*29825*	*32650*							Net Plant ($mill)	*38800*
8.8%	7.6%	8.4%	9.3%	9.3%	9.8%	9.2%	5.0%	6.1%	*6.5%*	*6.0%*	*6.0%*							Return on Total Cap'l	*6.5%*
18.1%	20.2%	16.1%	16.5%	16.6%	17.6%	17.5%	8.0%	11.9%	13.2%	*11.5%*	*10.5%*							Return on Shr. Equity	*11.0%*
21.1%	19.6%	16.3%	16.7%	17.3%	18.2%	18.2%	8.1%	12.0%	13.4%	*11.5%*	*10.5%*							Return on Com Equity [E]	*11.0%*
12.4%	11.7%	9.3%	8.8%	9.3%	10.0%	8.5%	NMF	5.2%	6.4%	*4.5%*	*4.0%*							Retained to Com Eq	*4.0%*
49%	43%	43%	47%	47%	46%	54%	115%	58%	52%	*63%*	*63%*							All Div'ds to Net Prof	*62%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $18605 mill. **Due in 5 Yrs** NA
LT Debt $17675 mill. **LT Interest** $884.0 mill.
Incl. 23 mill. units 7.75%, $25 liq. value; 82,000 units 8.23%, $1000 face value; 23 mill. units 4.625%, $50 stated value, conv. into com. in 2013. (LT interest earned: 3.6x)
Leases, Uncapitalized Annual rentals $122.0 mill.
Pension Assets-12/10 $5.34 bill. **Oblig.** $6.85 bill.
Pfd Stock $250.0 mill. **Pfd Div'd** $16.0 mill.
2,500,000 shs. 6.25%, $100 liq. preference, redeemable after 4/6/11.
Common Stock 578,298,607 shs. **as of 10/31/11**
MARKET CAP: $16 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	+.3	-3.5	+15.3
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Winter (Mw) [F]	7316	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.5	+.3	+22.5
Fixed Charge Cov. (%)	367	222	304

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	2.0%	4.5%	*1.0%*
"Cash Flow"	3.5%	1.5%	*4.0%*
Earnings	4.5%	1.0%	*5.0%*
Dividends	9.5%	10.0%	*3.0%*
Book Value	9.5%	7.0%	*7.5%*

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	2351	1673	1805	1727	7556.0
2010	3006	1473	2179	1863	8521.0
2011	2910	2489	3120	4218	12737
2012	*3400*	*2500*	*3100*	*2800*	*11800*
2013	*3550*	*2600*	*3200*	*2900*	*12250*

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.64	.07	.12	.37	1.19
2010	.74	.22	.62	.69	2.28
2011	.82	.35	.76	.69	2.61
2012	*.70*	*.35*	*.70*	*.55*	*2.30*
2013	*.73*	*.35*	*.70*	*.57*	*2.35*

QUARTERLY DIVIDENDS PAID [B] ■

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.305	.335	.335	.335	1.31
2009	.335	.345	.345	.345	1.37
2010	.345	.35	.35	.35	1.40
2011	.35	.35	.35	.35	1.40
2012	.35	.36			

BUSINESS: PPL Corporation (formerly PP&L Resources, Inc.) is a holding company for PPL Electric Utilities (formerly Pennsylvania Power & Light Company), which distributes electricity to 1.4 mill. customers in eastern & central PA. Acq'd Kentucky Utilities and Louisville Gas and Electric (1.2 mill. customers) 11/10. Has subsidiaries in power generation & marketing, electricity distribution in U.K. (7.6 mill. customers). Sold gas distribution subsidiary in '08. Electric rev. breakdown & generating sources not provided. Fuel costs: 44% of revs. '10 reported depr. rates: 2.3%-3.3%. Has 13,800 employees. Chairman & CEO: James H. Miller. President & COO: William H. Spence. Inc.: PA. Address: Two North Ninth St., Allentown, PA 18101-1179. Tel.: 800-345-3085. Internet: www.pplweb.com.

PPL Corporation's earnings are likely to decline this year. Margins at the energy-supply operation are under pressure. Conditions in the power markets, which were already unfavorable, have worsened in the past several weeks, and coal costs are up. In addition, the regulated utilities in Pennsylvania and Kentucky are earning inadequate returns on equity (see below). Operating expenses in these businesses will probably be higher, too, for planned plant outages and enhancements in system reliability and customer service. Furthermore, average shares outstanding will be higher due to a full year of common stock that was issued in April of 2011 for the acquisition of a utility in the United Kingdom. At least the U.K. operations are a bright spot, but the expected increase in income there won't compensate for a falloff in profits elsewhere. Our estimate of $2.30 a share (down sharply from $2.70) is at the midpoint of PPL's targeted range of $2.15-$2.45.

Despite the earnings expectation, the board of directors raised the dividend in the first quarter. The board boosted the quarterly payout by a cent a share (2.9%). This was the first increase in the disbursement in two years.

The domestic utilities need rate relief. Neither the operations in Pennsylvania nor Kentucky are earning an adequate ROE, despite a regulatory mechanism for current recovery of environmental spending in Kentucky. PPL plans to file a rate case at the end of March. The Kentucky utilities are considering filing, too.

We tentatively look for higher earnings in 2013. Profits are likely to improve at the regulated businesses in the U.S. and the U.K. On the other hand, the prospects from the nonregulated business are negative, based on the hedges that PPL has already put into place. We figure that the growth in regulated income will slightly outweigh the decline in nonregulated earnings.

This stock has an attractive valuation. The dividend yield is about a percentage point above the utility mean. Moderate dividend growth through 2015-2017 ought to produce a total return that is superior to the industry average over that time frame.

Paul E. Debbas, CFA *February 24, 2012*

(A) Diluted EPS. Excl. nonrec. losses: '07, 12¢; '10, 8¢; gains (losses) on disc. ops.: '05, (12¢); '07, 19¢; '08, 3¢; '09, (10¢); '10, (4¢). '09 & '11 EPS don't add due to rounding, '10 due to change in shs. Next egs. report due early May. (B) Div'ds histor. paid in early Jan., Apr., July, & Oct. ■ Div'd reinv. plan avail. (C) Incl. intang. In '10: $8.01/sh. (D) In mill., adj. for split. (E) Rate base: Fair val. Rate all'd on com. eq. in PA in '08: none spec.; in KY in '10: 9.75%-10.75%; earned on avg. com. eq., '10: 14.0%. Regulat. Climate: Avg. (F) Summer peak in '08.

Company's Financial Strength	B++
Stock's Price Stability	95
Price Growth Persistence	65
Earnings Predictability	60

P.S. ENTERPRISE GP. NYSE-PEG

RECENT PRICE 30.78 | P/E RATIO 13.1 (Trailing: 10.4 Median: 13.0) | RELATIVE P/E RATIO 0.87 | DIV'D YLD 4.5% | VALUE LINE

TIMELINESS 3 Lowered 8/28/09
SAFETY 2 Raised 5/28/10
TECHNICAL 2 Raised 2/10/12
BETA .80 (1.00 = Market)

2015-17 PROJECTIONS

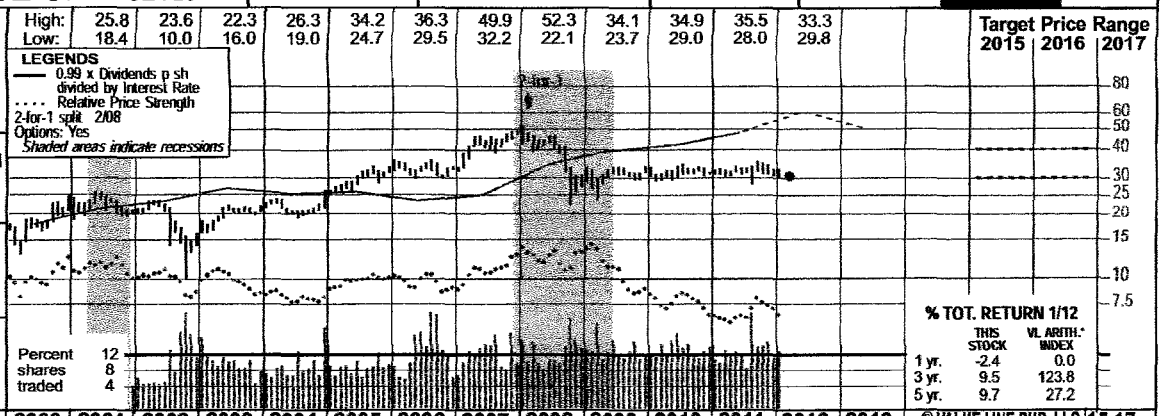
	Price	Gain	Ann'l Total Return
High	40	(+30%)	10%
Low	30	(-5%)	4%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	1	0	0	0
Options	0	0	0	0	0	0	1	1	1
to Sell	0	0	1	0	0	0	1	1	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	165	195	236
to Sell	230	218	194
Hld's(000)	306448	307287	317043



% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-2.4	0.0
3 yr.	9.5	123.8
5 yr.	9.7	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
12.94	13.73	12.78	15.01	22.83	23.84	18.62	23.54	23.09	24.74	24.07	25.28	27.94	24.57	23.31	*21.65*	*20.65*	*20.75*	Revenues per sh	*23.75*
2.58	2.57	2.83	2.82	2.71	3.14	3.01	2.92	3.02	3.42	3.91	4.36	4.68	4.98	5.27	*5.10*	*4.80*	*5.00*	"Cash Flow" per sh	*6.00*
1.23	1.21	1.40	1.56	1.78	1.85	1.88	1.88	1.52	1.79	1.85	2.59	2.90	3.08	3.07	*2.75*	*2.35*	*2.40*	Earnings per sh [A]	*3.00*
1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.08	1.10	1.12	1.14	1.17	1.29	1.33	1.37	1.37	*1.37*	*1.37*	Div'd Decl'd per sh [B] ■†	*1.45*
1.25	1.17	1.15	1.34	2.31	4.99	4.03	2.86	2.64	2.04	2.01	2.65	3.50	3.55	4.27	*4.50*	*4.65*	*4.45*	Cap'l Spending per sh	*5.25*
11.16	11.23	10.99	9.23	9.61	10.05	8.85	11.71	12.05	11.99	13.35	14.35	15.36	17.37	19.04	*20.20*	*21.25*	*22.25*	Book Value per sh [C]	*26.50*
466.94	463.92	463.92	432.83	415.94	411.68	450.53	472.27	476.20	502.33	505.29	508.52	506.02	505.99	505.97	*505.90*	*505.90*	*505.90*	Common Shs Outst'g [D]	*505.90*
11.2	10.9	12.7	12.5	10.3	12.0	10.0	10.6	14.3	16.5	17.8	16.5	13.6	10.0	10.4	*11.8*	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*12.0*
.70	.63	.66	.71	.67	.61	.55	.60	.76	.88	.96	.88	.82	.67	.66	*.75*			Relative P/E Ratio	*.80*
7.8%	8.2%	6.1%	5.5%	5.9%	4.9%	5.7%	5.4%	5.1%	3.8%	3.5%	2.7%	3.3%	4.3%	4.3%	4.2%			Avg Ann'l Div'd Yield	*4.0%*
8390.0	11116	10996	12430	12164	12853	14139	12431	11793	*10950*	*10450*	*10500*	Revenues ($mill)	*12000*
842.8	856.0	725.0	862.0	934.0	1323.0	1477.0	1567.0	1557.0	*1395*	*1200*	*1220*	Net Profit ($mill)	*1530*
22.7%	35.2%	38.1%	38.6%	36.6%	44.5%	45.9%	42.3%	40.5%	*41.0%*	*41.0%*	*41.0%*	Income Tax Rate	*41.0%*
--	13.9%	15.9%	11.5%	4.7%	2.7%	3.2%	3.8%	5.5%	*2.0%*	*3.0%*	*4.0%*	AFUDC % to Net Profit	*4.0%*
67.1%	69.8%	69.0%	64.9%	60.3%	54.0%	50.5%	46.3%	44.8%	*44.5%*	*44.0%*	*44.0%*	Long-Term Debt Ratio	*45.0%*
24.3%	29.8%	30.6%	34.6%	39.2%	45.5%	49.0%	53.2%	55.2%	*55.5%*	*56.0%*	*56.0%*	Common Equity Ratio	*55.0%*
16378	18554	18744	17381	17197	16041	15856	16513	17452	*18375*	*19150*	*20175*	Total Capital ($mill)	*24400*
11449	12422	13750	13336	13002	13275	14433	15440	16390	*17550*	*18725*	*19725*	Net Plant ($mill)	*23300*
7.2%	7.0%	6.3%	7.3%	7.7%	10.4%	11.2%	11.0%	10.4%	*9.0%*	*7.5%*	*7.0%*	Return on Total Cap'l	*7.5%*
15.6%	15.3%	12.5%	14.1%	13.7%	17.9%	18.8%	17.7%	16.2%	*13.5%*	*11.0%*	*11.0%*	Return on Shr. Equity	*11.5%*
19.7%	15.4%	12.6%	14.2%	13.8%	18.1%	19.0%	17.8%	16.2%	*13.5%*	*11.0%*	*11.0%*	Return on Com Equity [E]	*11.5%*
8.3%	6.5%	3.5%	5.3%	5.3%	9.9%	10.5%	10.1%	9.0%	*7.0%*	*4.5%*	*4.5%*	Retained to Com Eq	*6.0%*
61%	58%	73%	63%	62%	45%	45%	43%	45%	*50%*	*58%*	*57%*	All Div'ds to Net Prof	*48%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $8969.0 mill. **Due in 5 Yrs** $5238.0 mill.
LT Debt $7480.0 mill. **LT Interest** $426.0 mill.
Incl. $784.0 mill. securitized bonds.
(LT interest earned: 5.7x)

Leases, Uncapitalized Annual rentals $5.0 mill.
Pension Assets-12/10 $3.56 bill. **Oblig.** $4.35 bill.

Pfd Stock None

Common Stock 505,904,850 shs.
as of 10/14/11
MARKET CAP: $16 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-2.2	-4.0	+4.0
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH(¢)	NA	NA	NA
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	+.5	+.5	+1.6
Fixed Charge Cov. (%)	528	580	532

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	4.0%	1.0%	*-1.0%*
"Cash Flow"	6.0%	10.0%	*2.5%*
Earnings	6.5%	12.0%	*Nil*
Dividends	2.0%	4.0%	*1.0%*
Book Value	5.5%	7.5%	*6.5%*

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	3920	2560	3040	2911	12431
2010	3573	2361	3114	2745	11793
2011	3354	2469	2620	*2507*	*10950*
2012	*3150*	*2300*	*2450*	*2550*	*10450*
2013	*3200*	*2300*	*2450*	*2550*	*10500*

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.88	.61	.96	.63	3.08
2010	.99	.44	1.08	.56	3.07
2011	.91	.63	.86	*.35*	*2.75*
2012	*.75*	*.55*	*.70*	*.35*	*2.35*
2013	*.80*	*.55*	*.70*	*.35*	*2.40*

QUARTERLY DIVIDENDS PAID [B] ■†

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.3225	.3225	.3225	.3225	1.29
2009	.3325	.3325	.3325	.3325	1.33
2010	.3425	.3425	.3425	.3425	1.37
2011	.3425	.3425	.3425	.3425	1.37
2012					

BUSINESS: Public Service Enterprise Group Incorporated is a holding company for Public Service Electric and Gas Company (PSE&G), which serves 2.2 million electric and 1.8 million gas customers in New Jersey. PSEG Power is a nonregulated power generator with nuclear, gas, and coal-fired plants in the Northeast. PSEG Energy Holdings is a domestic power producer. The company no longer breaks down data on electric and gas operating statistics. Fuel costs: 45% of revenues. '10 reported depreciation rate (utility): 2.5%. Has 10,000 employees. Chairman, President & Chief Executive Officer: Dr. Ralph Izzo. Inc.: New Jersey. Address: 80 Park Plaza, P.O. Box 1171, Newark, New Jersey 07101-1171. Telephone: 973-430-7000. Internet: www.pseg.com.

We have lowered our 2012 earnings estimate for Public Service Enterprise Group. Weather is one reason; the winter of 2012 has been unusually mild. The major reason, however, is a continuing decrease in power prices, which track natural gas prices. Thus, the operating income at PSEG Power, the company's nonregulated generating subsidiary, is declining. We were already looking for lower profits in 2012 (compared with an estimated $2.75 a share in 2011), but have cut our earnings estimate from $2.55 a share to $2.35. Current forward prices for power, and the hedges that PSEG Power has already put into place, suggest that this unit's margins will be further squeezed next year. Even so, we expect a slight improvement in corporate profits in 2013, based on the likelihood of rising income at Public Service Electric and Gas, and assuming that the winter weather patterns return to normal.

The near-term prospects of the utility look brighter than those of PSEG Power. One key factor is PSE&G's capital spending for its transmission system. Three major projects are in various stages of development. The utility earns a higher return on equity on its transmission investment than on its distribution spending. In addition, electric transmission has a formula ratemaking mechanism that gives the company additional revenues each year for recovery of capital spending and increased expenses.

PSEG will manage the electric system of the Long Island Power Authority. The company was awarded a 10-year contract, which will begin at the start of 2014 after a two-year transition period. PSEG did not disclose the expected annual earnings contribution from the contract.

A PSEG subsidiary has sold an office building in Denver. The sale price was $215 million. The company did not disclose the financial impact of the transaction until it reported fourth-quarter results shortly after this report went to press.

Due to the worsening conditions in the power markets, this stock is down 7% since the start of 2012. At the current quotation, the dividend yield and 3- to 5-year total return potential are slightly above the utility average.

Paul E. Debbas, CFA *February 24, 2012*

(A) Diluted EPS. Excl. nonrecur. gain (losses): '99, ($1.75); '02, ($1.30); '05, (3¢); '06, (35¢); '08, (96¢); '09, 6¢; '11, (34¢); gains (loss) from discont. ops.: '05, (33¢); '06, 12¢; '07, 3¢; '08, 40¢; '11, 13¢. Next egs. report due early May. (B) Div'ds historically paid in late Mar., June, Sept., and Dec. ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. intang. In '10: $9.91/sh. (D) In mill., adj. for split. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '10: 10.3%; earned on avg. com. eq., '10: 16.9%. Reg. Climate: Avg.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	70
Earnings Predictability	90

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SCANA CORP. NYSE-SCG

RECENT PRICE 45.00 | P/E RATIO 14.8 (Trailing: 15.1) (Median: 13.0) | RELATIVE P/E RATIO 0.98 | DIV'D YLD 4.4% | VALUE LINE

TIMELINESS 3 Raised 9/24/10
SAFETY 2 Lowered 9/10/99
TECHNICAL 3 Lowered 2/10/12
BETA .70 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	55	(+20%)	9%
Low	40	(-10%)	2%

Insider Decisions

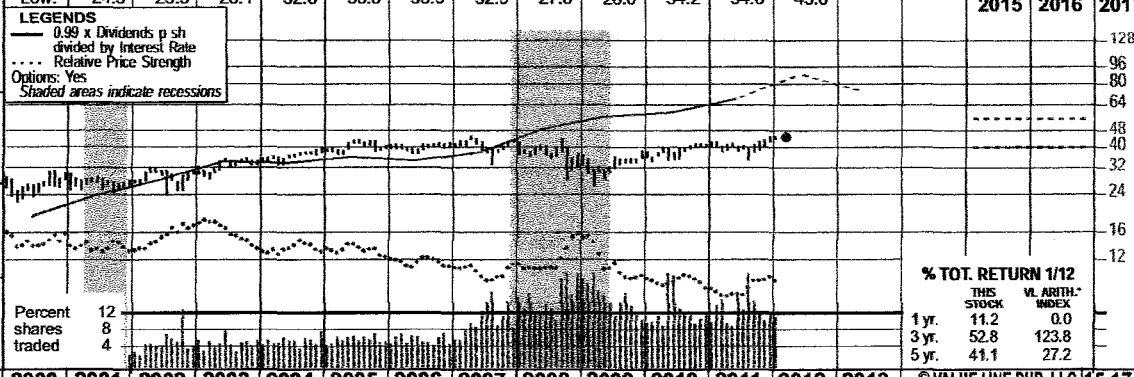
	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	1	0	0	1
Options	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	151	159	154
to Sell	145	140	136
Hld's(000)	60325	61164	62605

	High:	30.0	32.1	35.7	39.7	43.7	42.4	45.5	44.1	38.6	42.0	45.5	45.8
	Low:	24.3	23.5	28.1	32.8	36.6	36.9	32.9	27.8	26.0	34.2	34.6	43.6

LEGENDS
— 0.99 x Dividends p sh divided by Interest Rate
.... Relative Price Strength
Options: Yes
Shaded areas indicate recessions



% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	11.2	0.0
3 yr.	52.8	123.8
5 yr.	41.1	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
14.25	14.19	15.76	15.93	32.78	32.95	26.65	30.85	34.38	41.54	39.00	39.50	45.08	34.45	36.23	*34.60*	*32.85*	*32.65*	Revenues per sh	*34.50*
3.75	3.53	3.62	3.15	4.43	4.55	4.56	4.95	5.26	7.41	5.67	5.72	5.85	5.65	5.93	*5.95*	*6.05*	*6.10*	"Cash Flow" per sh	*6.75*
2.05	1.90	2.12	1.44	2.12	2.15	2.38	2.50	2.67	2.78	2.59	2.74	2.95	2.85	2.98	2.97	*3.15*	*3.25*	Earnings per sh [A]	*3.75*
1.47	1.51	1.54	1.32	1.15	1.20	1.30	1.38	1.46	1.56	1.68	1.76	1.84	1.88	1.90	1.94	*1.98*	*2.02*	Div'd Decl'd per sh [B] ■ †	*2.15*
2.34	2.45	2.87	2.37	3.28	4.99	6.41	6.94	4.84	3.37	4.50	6.20	7.66	7.43	6.90	*8.55*	*11.60*	*11.15*	Cap'l Spending per sh	*9.50*
15.86	16.66	16.86	20.27	19.40	20.95	19.64	20.82	21.69	23.28	24.32	25.30	25.81	27.71	29.15	*30.30*	*31.70*	*33.65*	Book Value per sh [C]	*39.00*
106.18	107.32	103.57	103.57	104.73	104.73	110.83	110.74	113.00	115.00	117.00	117.00	118.00	123.00	127.00	*130.00*	*137.00*	*145.50*	Common Shs Outst'g [D]	*160.00*
13.1	13.4	14.5	17.5	12.5	12.6	12.2	13.0	13.6	14.4	15.4	15.0	12.7	11.6	12.9	13.7	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*12.5*
.82	.77	.75	1.00	.81	.65	.67	.74	.72	.77	.83	.80	.76	.77	.82	.86			Relative P/E Ratio	*.85*
5.5%	5.9%	5.0%	5.2%	4.3%	4.4%	4.5%	4.2%	4.0%	3.9%	4.2%	4.3%	4.9%	5.7%	4.9%	4.8%			Avg Ann'l Div'd Yield	*4.5%*
2954.0	3416.0	3885.0	4777.0	4563.0	4621.0	5319.0	4237.0	4601.0	4409.0	*4500*	*4750*	Revenues ($mill)	*5500*
259.0	285.0	305.0	323.0	306.0	327.0	353.0	357.0	376.0	387.0	*420*	*460*	Net Profit ($mill)	*580*
32.2%	31.5%	32.5%	--	26.5%	29.2%	35.4%	32.0%	29.8%	30.3%	*31.0%*	*31.0%*	Income Tax Rate	*31.0%*
13.5%	10.5%	8.5%	.9%	2.6%	4.6%	8.5%	14.3%	8.0%	*12.0%*	*12.0%*	*12.0%*	AFUDC % to Net Profit	*12.0%*
55.7%	57.1%	55.4%	51.4%	50.9%	48.4%	58.0%	56.8%	52.9%	54.3%	*54.0%*	*53.0%*	Long-Term Debt Ratio	*52.0%*
42.1%	40.8%	42.6%	46.6%	47.2%	49.7%	40.5%	43.2%	47.1%	45.7%	*46.0%*	*47.0%*	Common Equity Ratio	*48.0%*
5176.0	5646.0	5752.0	5739.0	6027.0	5952.0	7519.0	7891.0	7854.0	8511.0	*9420*	*10415*	Total Capital ($mill)	*12950*
5474.0	6417.0	6762.0	6734.0	7007.0	7538.0	8305.0	9009.0	9662.0	10047	*11230*	*12425*	Net Plant ($mill)	*15325*
7.0%	6.9%	7.1%	7.4%	6.8%	7.3%	6.2%	6.1%	6.5%	*6.5%*	*6.0%*	*6.0%*	Return on Total Cap'l	*6.0%*
11.3%	11.8%	11.9%	11.6%	10.3%	10.6%	11.2%	10.5%	10.2%	10.0%	*9.5%*	*9.5%*	Return on Shr. Equity	*9.5%*
11.6%	12.1%	12.2%	11.8%	10.5%	10.8%	11.4%	10.2%	10.2%	10.0%	*9.5%*	*9.5%*	Return on Com Equity [E]	*9.5%*
5.5%	5.5%	5.6%	5.3%	3.8%	4.0%	4.4%	3.6%	3.8%	*3.5%*	*3.5%*	*3.5%*	Retained to Com Eq	*4.0%*
54%	55%	55%	56%	65%	64%	62%	66%	63%	*64%*	*63%*	*62%*	All Div'ds to Net Prof	*59%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $5242.0 mill. **Due in 5 Yrs** $1129.0 mill.
LT Debt $4376.0 mill. **LT Interest** $231.0 mill.
(LT interest earned: 2.9x)

Leases, Uncapitalized Annual rentals $12.0 mill.
Pension Assets-12/10 $817.2 mill.
Oblig. $811.8 mill.

Pfd Stock None

Common Stock 129,651,572 shs.
as of 10/27/11
MARKET CAP: $5.8 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-.5	-4.0	+8.5
Avg. Indust. Use (MWH)	8143	7071	7923
Avg. Indust. Revs. per KWH (¢)	5.69	6.65	6.72
Capacity at Yearend (Mw)	5695	5611	5645
Peak Load, Summer (Mw)	4789	4557	4735
Annual Load Factor (%)	57.9	58.7	60.9
% Change Customers (yr-end)	+1.6	+.8	+.9
Fixed Charge Cov. (%)	276	255	278

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	6.0%	1.5%	-1.5%
"Cash Flow"	4.5%	--	2.0%
Earnings	4.5%	2.0%	3.5%
Dividends	3.5%	5.0%	2.0%
Book Value	4.0%	4.5%	5.0%

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1343	878.0	921.0	1095	4237.0
2010	1428	939.0	1088	1146	4601.0
2011	1281	1000	1092	1036	4409.0
2012	*1250*	*1050*	*1150*	*1050*	*4500*
2013	*1350*	*1100*	*1200*	*1100*	*4750*

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.94	.45	.84	.62	2.85
2010	1.02	.43	.79	.74	2.98
2011	1.00	.43	.81	.75	2.97
2012	*1.00*	*.45*	*.85*	*.85*	*3.15*
2013	*1.05*	*.45*	*.90*	*.85*	*3.25*

QUARTERLY DIVIDENDS PAID [B] ■ †

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.44	.46	.46	.46	1.82
2009	.46	.47	.47	.47	1.87
2010	.47	.475	.475	.475	1.90
2011	.475	.485	.485	.485	1.93
2012	.485	.495			

BUSINESS: SCANA Corporation is a holding company for South Carolina Electric & Gas Company, which supplies electricity to 664,000 customers in South Carolina. Supplies gas and transmission service to 1.3 million customers in North and South Carolina and Georgia. Owns gas pipelines. Acquired PSNC Energy 2/00. Electric revenue breakdown: residential, 43%; commercial, 32%; industrial, 17%; other, 8%. Generating sources: coal, 52%; oil & gas, 23%; nuclear, 21%; hydro, 3%; purchased, 1%. Fuel costs: 57% of revenues. '10 reported deprec. rate: 2.9%. Has 5,900 employees. Chairman, CEO (effective 11/30/11) & President: Kevin B. Marsh. Inc.: South Carolina. Address: 100 SCANA Parkway, Cayce, SC 29033. Tel.: 803-217-9000. Internet: www.scana.com.

SCANA's electric utility subsidiary was expecting a ruling from the Nuclear Regulatory Commission shortly after this report went to press. South Carolina Electric & Gas is seeking a construction and operating license (COL) for two units that are under construction at the site of its Summer nuclear plant. (The company is allowed to do site preparation work before receiving the COL.) SCE&G would own 55% (1,229 megawatts) of the new units at a projected cost of $5.6 billion. The facilities are scheduled to begin commercial operation in 2016 and 2019. Given that the NRC approved a COL for Georgia Power's project (see our report on Southern Company elsewhere in this Issue), which has the same design as this one, a negative decision would surprise us. **The utility is earning a return on the construction work in progress for the new nuclear units.** Thanks to South Carolina's Base Load Review Act, SCE&G receives rate relief annually. This has helped lift the company's earnings in the past two years, and should do so again in 2012 and 2013. Our 2012 share-earnings estimate is at the midpoint of SCANA's guidance of $3.05-$3.25.

SCE&G is not earning its allowed return on equity on its rate base outside of the new nuclear units, which are treated separately for regulatory purposes. (This is true for its gas operation as well as its electricity business.) For the 12 months that ended September 30th, the utility earned ROEs for electricity and gas of 8.74% and 9.55%, respectively. SCE&G is evaluating the timing of its next general rate application.

The board of directors has raised the dividend. As we had expected, the board boosted the quarterly disbursement by one cent a share (2.1%), the same raise as a year ago. We project similar dividend growth over the 3- to 5-year period.

We regard this stock as an average utility selection. The share price is already up 5% in 2012, at a time when the performance of most utility equities has been mediocre (or worse). At the current quotation, the dividend yield and total return potential to 2015-2017 are comparable with the norms for the electric utility industry.

Paul E. Debbas, CFA *February 24, 2012*

(A) Excl. nonrec. gains (losses): '97, 16¢; '99, 29¢; '00, 28¢; '01, $3.00; '02, ($3.72); '03, 31¢; '04, (23¢); '05, 3¢; '06, 9¢. '11 EPS don't add due to change in shs. Next earnings report due early May. (B) Div'ds historically paid in early Jan., Apr., July, and Oct. ■ Div'd reinvestment plan avail. † Shareholder investment plan avail. (C) Incl. intang. In '10: $8.35/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in SC: 10.7% elec. in '10, 10.25% gas in '05; in NC: 10.6% in '08; earned on avg. com. eq., '10: 10.6%. Regul. Clim.: Above Avg.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	100

SEMPRA ENERGY NYSE-SRE

RECENT PRICE	P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD
64.09	14.9 (Trailing: 14.3 Median: 11.0)	0.97	3.8%

VALUE LINE

TIMELINESS 2 Raised 11/25/11
SAFETY 2 Lowered 2/4/00
TECHNICAL 3 Raised 4/27/12
BETA .80 (1.00 = Market)

2015-17 PROJECTIONS

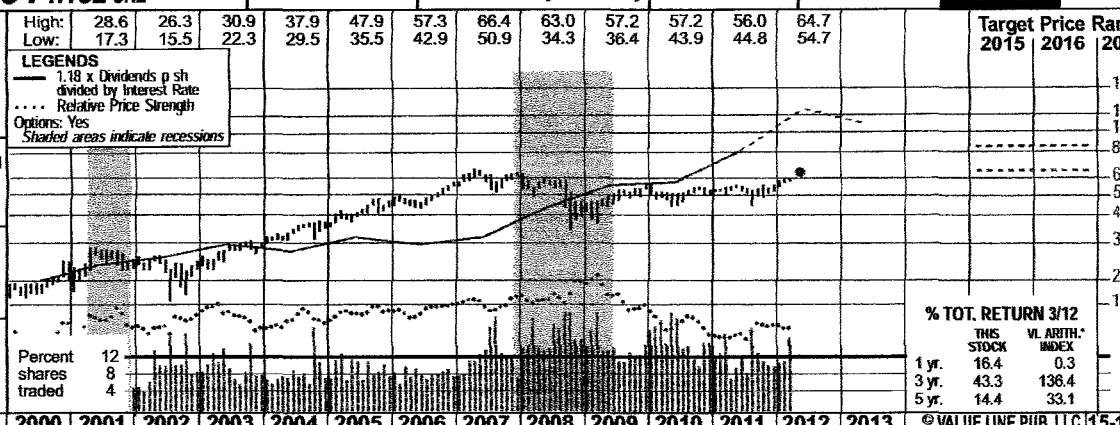
	Price	Gain	Ann'l Total Return
High	85	(+35%)	11%
Low	65	(Nil)	4%

Insider Decisions

	J	J	A	S	O	N	D	J	F
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	0	2	0	0	1	0	0
to Sell	0	0	0	3	0	1	2	1	0

Institutional Decisions

	2Q2011	3Q2011	4Q2011
to Buy	172	165	189
to Sell	185	182	172
Hld's(000)	161384	162639	157203



High:	28.6	26.3	30.9	37.9	47.9	57.3	66.4	63.0	57.2	57.2	56.0	64.7
Low:	17.3	15.5	22.3	29.5	35.5	42.9	50.9	34.3	36.4	43.9	44.8	54.7

Target Price Range

2015	2016	2017
160	120	100
80	60	50
40	30	20
		15

% TOT. RETURN 3/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	16.4	0.3
3 yr.	43.3	136.4
5 yr.	14.4	33.1

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
17.09	19.51	23.31	22.89	35.38	39.27	29.38	34.81	40.18	45.64	44.89	43.79	44.21	32.88	37.44	41.83	43.55	46.30	Revenues per sh	56.00
4.83	5.27	5.16	5.36	4.91	5.39	5.71	5.56	6.58	5.96	6.74	6.93	7.40	7.94	7.76	8.58	8.55	9.10	"Cash Flow" per sh	11.25
1.98	2.20	1.24	1.66	2.06	2.55	2.79	3.01	3.93	3.52	4.23	4.26	4.43	4.78	4.02	4.47	4.20	4.25	Earnings per sh [A]	5.75
1.56	1.56	1.56	1.56	1.00	1.00	1.00	1.00	1.00	1.16	1.20	1.24	1.37	1.56	1.56	1.92	2.40	2.50	Div'd Decl'd per sh [B] ■	2.80
1.79	1.74	1.85	2.48	3.76	5.22	5.92	4.63	4.62	5.46	7.28	7.70	8.47	7.76	9.58	11.85	13.10	10.25	Cap'l Spending per sh	11.00
13.46	13.82	12.29	12.58	12.35	13.17	13.79	17.17	20.78	23.95	28.66	31.87	32.75	36.54	37.54	41.00	42.80	44.50	Book Value per sh [C]	52.00
116.63	113.63	237.00	237.40	201.90	204.48	204.91	226.60	234.18	257.19	262.01	261.21	243.32	246.51	240.45	239.93	241.00	242.00	Common Shs Outst'g [D]	246.00
11.3	10.8	21.1	12.8	9.4	9.7	8.2	9.0	8.6	11.8	11.5	14.0	11.8	10.1	12.6	11.8	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
.71	.62	1.10	.73	.61	.50	.45	.51	.45	.63	.62	.74	.71	.67	.80	.74			Relative P/E Ratio	.85
7.0%	6.6%	6.0%	7.4%	5.2%	4.1%	4.4%	3.7%	2.9%	2.8%	2.5%	2.1%	2.6%	3.2%	3.1%	3.6%			Avg Ann'l Div'd Yield	3.8%
6020.0	7887.0	9410.0	11737	11761	11438	10758	8106.0	9003.0	10036	10500	11200	Revenues ($mill)	13750
586.0	655.0	930.0	898.0	1118.0	1135.0	1123.0	1193.0	1008.0	1088.0	1025	1045	Net Profit ($mill)	1435
19.9%	23.2%	17.2%	--	31.3%	33.6%	29.2%	30.5%	26.5%	25.3%	30.0%	34.0%	Income Tax Rate	34.0%
10.8%	8.4%	2.9%	5.3%	7.2%	11.5%	13.2%	10.6%	11.3%	15.2%	17.0%	14.0%	AFUDC % to Net Profit	11.0%
58.6%	48.4%	45.3%	43.1%	37.0%	34.8%	44.5%	44.8%	49.4%	50.4%	50.5%	51.0%	Long-Term Debt Ratio	51.5%
38.6%	49.0%	52.6%	55.1%	61.4%	63.7%	54.2%	54.1%	49.6%	49.2%	49.0%	48.5%	Common Equity Ratio	48.5%
7312.0	7931.0	9255.0	11178	12229	13071	14692	16646	18186	20015	21100	22200	Total Capital ($mill)	26400
6832.0	10474	11086	12101	13175	14884	16865	18281	19876	23572	25675	27000	Net Plant ($mill)	31100
9.8%	9.8%	11.3%	9.2%	10.3%	9.6%	8.5%	8.3%	6.8%	6.7%	6.0%	6.0%	Return on Total Cap'l	7.0%
19.3%	16.0%	18.4%	14.1%	14.5%	13.3%	13.8%	13.0%	10.9%	10.9%	10.0%	9.5%	Return on Shr. Equity	11.0%
20.4%	16.6%	18.9%	14.4%	14.8%	13.5%	14.0%	13.1%	11.1%	11.0%	10.0%	9.5%	Return on Com Equity [E]	11.0%
13.1%	11.3%	14.9%	10.1%	11.0%	9.7%	9.7%	9.3%	7.0%	6.5%	4.5%	4.0%	Retained to Com Eq	6.0%
37%	33%	22%	31%	26%	29%	31%	29%	37%	41%	57%	58%	All Div'ds to Net Prof	48%

CAPITAL STRUCTURE as of 12/31/11
Total Debt $10863 mill. **Due in 5 Yrs** $3938.0 mill.
LT Debt $10033 mill. **LT Interest** $511.0 mill.
(LT interest earned: 3.6x)
Leases, Uncapitalized Annual rentals $73.0 mill.
Pension Assets-12/11 $2.33 bill. **Oblig.** $3.41 bill.
Pfd Stock $99.0 mill. **Pfd Div'd** $6.0 mill.
1,373,770 shs. 4.40%-5% cumulative, $20 par, callable $20.25-$24; 2,040,000 shs. $1.70-$1.82 cum., no par, callable $25.17-$26; 811,073 shs. 6% cum., $25 par.
Common Stock 240,590,672 shs.
as of 2/24/12
MARKET CAP: $15 billion (Large Cap)

ELECTRIC OPERATING STATISTICS

	2009	2010	2011
% Change Retail Sales (KWH)	-2.6	-3.1	+.1
Avg. Indust. Use (MWH)	4463	4224	4157
Avg. Indust. Revs. per KWH (¢)	10.42	10.75	12.13
Capacity at Peak (Mw)	NMF	NMF	NMF
Peak Load, Summer (Mw)	NMF	NMF	NMF
Annual Load Factor (%)	NMF	NMF	NMF
% Change Customers (yr-end)	+.5	+.5	+.6
Fixed Charge Cov. (%)	275	296	319

ANNUAL RATES

of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '15-'17
Revenues	1.5%	-3.0%	7.0%
"Cash Flow"	4.5%	4.5%	5.5%
Earnings	8.0%	2.5%	4.5%
Dividends	3.5%	8.5%	9.0%
Book Value	11.5%	9.5%	5.0%

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	2108	1689	1853	2456	8106
2010	2534	2008	2116	2345	9003
2011	2434	2422	2576	2604	10036
2012	2550	2500	2700	2750	10500
2013	2800	2650	2850	2900	11200

EARNINGS PER SHARE [A]

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.29	1.06	1.27	1.16	4.78
2010	.81	.89	1.18	1.15	4.02
2011	1.07	.97	1.22	1.21	4.47
2012	1.00	.95	1.15	1.10	4.20
2013	1.05	.95	1.15	1.10	4.25

QUARTERLY DIVIDENDS PAID [B] ■

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.31	.32	.35	.35	1.33
2009	.35	.39	.39	.39	1.52
2010	.39	.39	.39	.39	1.56
2011	.39	.48	.48	.48	1.83
2012	.48	.60			

BUSINESS: Sempra Energy is a holding co. for San Diego Gas & Electric Co., which sells electricity and gas mainly in San Diego County, & Southern California Gas Co., which distributes gas to most of Southern California. Customers: 1.4 mill. electric, 6.6 mill. gas. Elec. rev. breakdown: res'l, 44%; comm'l, 37%; industrial, 9%; other, 10%. Purchases most of its power; the rest is nuclear & gas. Has subs. in gas pipeline & storage, power generation, and liquefied natural gas. Sold commodities bus. in '10. Power costs: 40% of revs. '11 reported deprec. rates: 1.6%-8.3%. Has 17,500 empls. Chairman: Donald E. Felsinger. CEO: Debra L. Reed. President: Mark A. Snell. Inc.: CA. Address: 101 Ash St., San Diego, CA 92101-3017. Tel.: 619-696-2034. Internet: www.sempra.com.

Sempra Energy's utility subsidiaries are still awaiting orders on their general rate cases. Southern California Gas filed for a rate increase of $237 million (5.5%). San Diego Gas & Electric sought tariff hikes of $168.5 million (5.3%) for electricity and $25 million (4.1%) for gas. The utilities also want the California Public Utilities Commission (CPUC) to grant a regulatory mechanism that will enable them to recover capital spending and increased operating costs automatically over the following three years. An order is expected in the second half of 2012, but will be retroactive to the start of the year.

Two other regulatory matters are pending. The utilities are awaiting the CPUC's decision on their proposed $2.8 billion pipeline safety-enhancement program. A decision is expected in 2013. Also, SoCalGas and SDG&E made their cost-of-capital filings. SoCalGas is seeking an allowed return on equity of 10.9%, and SDG&E is requesting an allowed ROE of 11%. A ruling is expected in late 2012, to take effect at the start of 2013.

The board of directors raised the dividend by $0.12 a share (25%) in the first quarter. Thanks in large part to the hefty dividend hike, the share price has risen more than 15% since the start of 2012.

A change in accounting for solar projects should result in lower profits in 2012. Instead of immediate tax credits, the earnings benefits will be spread over time via lower depreciation. (The economics of the projects will be the same.) This year, however, Sempra expects earnings to fall to $4.00-$4.30 a share, with slight improvement (to $4.10-$4.40) projected for 2013. We have lowered our 2012 earnings estimate by $0.40 a share, to $4.20.

Sempra has investment opportunities in the regulated and nonregulated sides of its business. The utilities are installing an advanced metering system, and SDG&E is building a transmission line. On the nonutility side, Sempra is constructing renewable-energy projects, expanding a liquefied natural gas facility to serve the export market, and increasing its gas-storage capacity.

This stock is timely, and total return potential to 2015-2017 is a cut above average for a utility.

Paul E. Debbas, CFA *May 4, 2012*

(A) Diluted eqs. Excl. nonrec. gains (losses): '05, 17¢; '06, (6¢); '09, (26¢); '10, ($1.05); '11, $1.15; gain (losses) from disc. ops.: '04, (10¢); '05, (4¢); '06, $1.21; '07, (10¢). '10 EPS don't add due to rounding. Next earnings report due early Aug. (B) Div'ds historically paid mid-Jan., Apr., July and Oct. ■ Div'd reinvest. plan avail. (C) Incl. intang. In '11: $17.77/sh. (D) In mill. (E) Rate base: Net orig. cost. Rate allowed on com. eq.: SDG&E in '08: 11.1%; SoCalGas in '03: 10.82%; earned on avg. com. eq., '11: 11.6%. Regulatory Climate: Above Average.

Company's Financial Strength	A
Stock's Price Stability	95
Price Growth Persistence	90
Earnings Predictability	90

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TECO ENERGY, INC. NYSE-TE

RECENT PRICE 17.69 | P/E RATIO 13.4 (Trailing: 13.9 Median: 15.0) | RELATIVE P/E RATIO 0.89 | DIV'D YLD 5.0% | VALUE LINE

TIMELINESS 3 Lowered 2/17/12
SAFETY 2 Raised 2/24/12
TECHNICAL 3 Lowered 9/23/11
BETA .85 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	25	(+40%)	13%
Low	19	(+5%)	7%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	0	0	2	0	0	0	0	0	0
to Sell	0	0	2	0	0	0	0	0	2

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	117	135	137
to Sell	181	135	137
Hld's(000)	113977	119103	123784

	2011	2012	2013
High:	19.7	19.4	
Low:	15.8	17.5	

LEGENDS
0.95 x Dividends p sh divided by Interest Rate
Relative Price Strength
Options: Yes
Shaded areas indicate recessions

Target Price Range 2015 | 2016 | 2017

Percent shares traded 18 12 6

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	2.7	0.0
3 yr.	76.6	123.8
5 yr.	37.8	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
12.53	14.23	14.83	15.01	18.17	18.97	15.22	14.59	13.37	14.46	16.46	16.77	15.85	15.48	16.23	15.50	15.20	15.70	Revenues per sh	17.25
3.28	3.34	3.25	3.28	4.11	4.31	3.20	1.96	2.14	2.37	2.51	2.51	2.01	2.35	2.59	2.75	2.90	3.00	"Cash Flow" per sh	3.50
1.71	1.61	1.52	1.53	1.97	2.24	1.95	d.08	.71	1.00	1.17	1.27	.77	1.00	1.13	1.27	1.35	1.40	Earnings per sh A	1.75
1.11	1.17	1.23	1.29	1.33	1.37	1.41	.93	.76	.76	.76	.78	.80	.80	.82	.85	.88	.92	Div'd Decl'd per sh B ■	1.10
2.28	1.62	2.24	3.23	5.45	6.92	6.06	3.14	1.37	1.42	2.18	2.34	2.77	2.99	2.28	2.10	2.15	1.90	Cap'l Spending per sh	2.50
10.73	11.04	11.42	10.73	11.93	14.12	14.86	8.93	6.43	7.65	8.25	9.56	9.43	9.75	10.10	10.50	10.95	11.45	Book Value per sh C	13.25
117.60	130.90	132.00	132.10	126.30	139.60	175.80	187.80	199.70	208.20	209.50	210.90	212.90	213.90	214.90	216.00	217.00	218.00	Common Shs Outst'g D	221.00
14.3	15.4	17.8	14.2	11.9	12.9	11.0	--	19.3	17.1	13.8	13.3	21.2	12.6	14.6	14.4	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	13.0
.90	.89	.93	.81	.77	.66	.60	--	1.02	.91	.75	.71	1.28	.84	.93	.90			Relative P/E Ratio	.85
4.5%	4.7%	4.5%	5.9%	5.7%	4.8%	6.6%	7.4%	5.5%	4.4%	4.7%	4.6%	4.9%	6.3%	4.9%	4.6%			Avg Ann'l Div'd Yield	4.8%
2675.8	2740.0	2669.1	3010.1	3448.1	3536.1	3375.3	3310.5	3487.9	3343.4	3300	3425	Revenues ($mill)	3800
298.2	d14.7	137.4	211.0	244.4	265.8	162.4	213.9	242.9	272.9	295	305	Net Profit ($mill)	380
--	--	38.5%	45.1%	40.4%	40.7%	36.8%	31.6%	34.8%	36.1%	36.0%	36.0%	Income Tax Rate	36.0%
4.4%	--	.7%	.0%	1.6%	2.3%	5.4%	6.5%	1.2%	.6%	1.0%	1.0%	AFUDC % to Net Profit	3.0%
50.5%	72.4%	75.1%	70.0%	65.0%	61.0%	61.5%	60.6%	59.2%	54.2%	59.0%	58.0%	Long-Term Debt Ratio	55.5%
39.7%	27.6%	24.9%	30.0%	35.0%	39.0%	38.5%	39.4%	40.8%	45.8%	41.0%	42.0%	Common Equity Ratio	44.5%
6585.1	6070.3	5163.9	5300.9	4941.6	5175.4	5214.3	5287.0	5317.8	4953.9	5805	5930	Total Capital ($mill)	6550
5464.0	5679.0	4657.9	4566.9	4766.9	4888.2	5221.3	5544.1	5841.0	5967.8	6095	6155	Net Plant ($mill)	6500
5.7%	2.1%	5.6%	6.5%	7.3%	7.3%	5.1%	6.0%	6.4%	7.5%	6.5%	7.0%	Return on Total Cap'l	7.5%
9.1%	NMF	10.7%	13.3%	14.1%	13.2%	8.1%	10.3%	11.2%	12.0%	12.5%	12.0%	Return on Shr. Equity	13.0%
9.9%	NMF	10.7%	13.3%	14.1%	13.2%	8.1%	10.3%	11.2%	12.0%	12.5%	12.0%	Return on Com Equity E	13.0%
3.2%	NMF	NMF	3.3%	5.0%	5.1%	NMF	2.1%	3.1%	4.0%	4.5%	4.0%	Retained to Com Eq	4.5%
72%	NMF	106%	75%	65%	61%	104%	80%	72%	67%	65%	66%	All Div'ds to Net Prof	64%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $3076.1 mill. **Due in 5 Yrs** $924.1 mill.
LT Debt $2690.0 mill. **LT Interest** $173.5 mill.
(LT interest earned: 3.2x)

Leases, Uncapitalized Annual rentals $17.3 mill.

Pension Assets-12/10 $479.7 mill.
Oblig. $610.3 mill.

Pfd Stock None

Common Stock 215,766,935 shs.
as of 11/1/11
MARKET CAP: $3.8 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-2.8	-1.1	+2.3
Avg. Indust. Use (Mw)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	8.04	9.63	9.35
Capacity at Peak (Mw)	4477	4719	4684
Peak Load, Winter (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (avg.)	+.1	-.1	+.6
Fixed Charge Cov. (%)	166	199	270

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	--	2.5%	1.0%
"Cash Flow"	-4.0%	1.5%	6.0%
Earnings	-5.5%	12.0%	9.0%
Dividends	-4.5%	-.5%	4.5%
Book Value	-1.5%	5.0%	4.5%

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	824.0	825.2	896.3	765.0	3310.5
2010	912.3	898.8	901.8	775.0	3487.9
2011	796.1	885.7	911.4	750.2	3343.4
2012	750	875	925	750	3300
2013	800	900	950	775	3425

EARNINGS PER SHARE A

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.16	.29	.30	.25	1.00
2010	.26	.35	.35	.17	1.13
2011	.24	.36	.42	.25	1.27
2012	.28	.35	.44	.28	1.35
2013	.30	.36	.45	.29	1.40

QUARTERLY DIVIDENDS PAID B ■

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.195	.20	.20	.20	.80
2009	.20	.20	.20	.20	.80
2010	.20	.205	.205	.205	.82
2011	.205	.215	.215	.215	.85
2012	.22				

BUSINESS: TECO Energy, Inc. is a holding company for Tampa Electric, which serves 672,000 customers in west central Florida, and Peoples Gas (acquired 6/97), which serves 336,000 customers in Florida. TECO also mines coal and has generation investments in Guatemala. Sold TECO Transport 12/07. Electric revenue breakdown: residential, 50%; commercial, 30%; industrial, 9%; other, 11%. Generating sources: coal, 53%; gas, 38%; purchased, 9%. Fuel costs: 35% of revenues. '10 reported deprec. rate (utility): 3.6%. Has 4,100 employees. Chairman: Sherrill W. Hudson. President & CEO: John B. Ramil. Incorporated: Florida. Address: TECO Plaza, 702 N. Franklin Street, Tampa, Florida 33602. Telephone: 813-228-1111. Internet: www.tecoenergy.com.

TECO Energy's earnings are likely to rise in 2012, but not by as much as we had expected. As the service area's economy continues to rebound from the effects of the housing crisis, Tampa Electric and Peoples Gas are experiencing modest customer growth. Each utility earned a return on equity within its allowed range in 2011, and is likely to do so again this year (assuming normal weather patterns). TECO Coal's average selling price should advance from $88 a ton last year to $96 a ton in 2012, thanks in part to the expiration of a below-market contract that was repriced in 2011. On the other hand, TECO Coal's production costs are up, and because prices have softened lately, this subsidiary has cut back its planned production. Accordingly, we have cut our 2012 share-earnings estimate by a dime, to $1.35. Our revised profit forecast is at the midpoint of management's guidance of $1.30-$1.40.

The company's earnings for 2013 are tougher to estimate. We expect further growth in utility income, assuming that the economy in the service area continues to recover. However, the prospects for TECO Coal are unclear. Currently, less than half of the company's expected 2013 production is hedged. We figure that an uptick in utility profits will boost earnings modestly, to $1.40 a share.

Despite the uncertainty surrounding TECO Coal, it's clear that TECO Energy is in a better position than it was a few years ago. Financial indicators such as the fixed-charge coverage and common-equity ratio have risen. Furthermore, management has been aggressive in refinancing borrowings (even if the company has to record charges due to the early retirement of debt). We have raised TECO Energy's Financial Strength rating from B+ to B++ and have boosted the stock's Safety rank a notch, to 2 (Above Average).

The board of directors has raised the annual dividend by two cents a share (2.3%). From here on, the board plans to review the dividend in the first quarter. Previously, the directors examined it in the second period. TECO Energy is targeting a payout ratio of 60%-70%.

This stock has a yield and 3- to 5-year total return potential that compare favorably with the utility norms.

Paul E. Debbas, CFA *February 24, 2012*

(A) Diluted earnings. Excl. nonrecurring gain (losses): '97, (6¢); '99, (11¢); '03, ($4.97); '07, 63¢; '10, (2¢) net; gains (loss) on discontinued ops.: '04, (77¢); '05, 31¢; '06, 1¢; '07, 7¢. Next earnings report due early May. (B) Div'ds paid in late Feb., May, Aug. & Nov. ■ Div'd reinvestment plan available. (C) Incl. deferred charges. In '10: $2.77/sh. (D) In millions. (E) Rate base: Net orig. cost. Rate allowed on com. eq. in '09 (elec.): 10.25%-12.25%; in '09 (gas): 9.75%-11.75%; earned on avg. com. eq., '10: 11.4%. Regulatory Climate: Average.

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	45
Earnings Predictability	70

UIL HOLDINGS NYSE-UIL

RECENT PRICE 34.97 | P/E RATIO 16.2 (Trailing: 18.5 Median: 17.0) | RELATIVE P/E RATIO 1.07 | DIV'D YLD 4.9% | VALUE LINE

TIMELINESS 3 Raised 5/14/10
SAFETY 2 Raised 2/29/08
TECHNICAL 3 Lowered 2/17/12
BETA .70 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	45	(+30%)	10%
Low	35	(Nil)	5%

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	1	0	0	0	0	0	0	0	0
Options	3	0	1	0	0	0	0	0	1
to Sell	6	0	4	0	0	0	1	0	2

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	58	74	90
to Sell	79	61	53
Hld's(000)	32513	32265	32150

	2010	2011	2012
High:	31.3	35.8	35.8
Low:	23.8	28.6	33.7

LEGENDS
0.81 x Dividends p sh divided by Interest Rate
Relative Price Strength
67% Div 7/06
Options: Yes
Shaded areas indicate recessions

Target Price Range 2015 | 2016 | 2017

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	20.9	0.0
3 yr.	58.2	123.8
5 yr.	19.9	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
30.89	30.64	29.34	29.01	37.54	46.15	47.55	40.39	45.87	49.88	34.03	39.23	37.69	29.91	19.75	32.20	34.00	35.00	Revenues per sh	38.00
4.81	5.40	5.34	4.67	5.53	6.61	5.89	4.69	4.37	4.13	4.65	5.48	5.93	5.09	3.65	4.95	5.30	5.35	"Cash Flow" per sh	5.70
1.90	1.96	1.80	2.23	2.56	2.53	1.85	1.24	1.54	1.30	1.86	1.87	1.89	1.94	1.99	1.95	2.20	2.25	Earnings per sh A	2.40
1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	Div'd Decl'd per sh B ■	1.73
2.01	1.44	1.63	1.48	2.31	2.01	2.41	2.19	2.04	2.25	3.09	9.92	8.57	4.12	4.03	7.30	5.20	5.00	Cap'l Spending per sh	5.00
18.72	18.94	19.05	19.55	20.42	21.25	20.28	20.65	22.84	22.39	18.53	18.55	18.85	19.15	21.31	24.00	24.60	25.30	Book Value per sh C	27.50
23.50	23.18	23.39	23.44	23.46	23.53	23.79	23.86	24.01	24.32	24.86	25.03	25.17	29.98	50.51	50.00	50.00	50.00	Common Shs Outst'g E	50.00
11.4	10.1	16.3	12.6	10.8	11.5	15.0	18.0	18.7	23.5	18.7	18.4	16.7	12.7	14.0	16.5	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	16.0
.71	.58	.85	.72	.70	.59	.82	1.03	.99	1.25	1.01	.98	1.01	.85	.89	1.05			Relative P/E Ratio	1.05
8.0%	8.8%	5.9%	6.2%	6.2%	5.9%	6.2%	7.7%	6.0%	5.7%	5.0%	5.0%	5.5%	7.0%	6.2%	5.4%			Avg Ann'l Div'd Yield	4.5%
1131.0	963.7	1101.3	1213.1	846.0	982.0	948.7	896.6	997.7	1610	1700	1750	Revenues ($mill)	1900
44.0	29.5	36.9	31.4	45.4	46.7	48.1	54.3	70.3	100	110	113	Net Profit ($mill)	120
45.2%	53.1%	45.4%	44.1%	31.2%	39.5%	42.2%	38.0%	38.6%	40.0%	40.0%	40.0%	Income Tax Rate	40.0%
5.1%	8.5%	1.1%	9.0%	8.0%	8.3%	8.3%	10.0%	26.3%	8.0%	8.0%	8.0%	AFUDC % to Net Profit	8.0%
45.0%	50.1%	47.2%	47.2%	47.0%	50.8%	53.6%	54.0%	58.4%	58.0%	59.0%	59.0%	Long-Term Debt Ratio	57.0%
55.0%	49.9%	52.8%	52.8%	53.0%	49.2%	46.4%	46.0%	41.6%	42.0%	41.0%	41.0%	Common Equity Ratio	43.0%
877.8	988.2	1039.6	1031.5	869.2	943.6	1023.6	1247.7	2587.9	2850	2980	3065	Total Capital ($mill)	3200
517.1	548.8	563.9	592.1	647.0	878.4	1073.6	1153.0	2327.5	2500	2650	2750	Net Plant ($mill)	3000
7.3%	4.3%	4.5%	4.1%	6.5%	6.2%	6.1%	5.8%	3.7%	5.0%	5.5%	5.5%	Return on Total Cap'l	5.0%
9.1%	6.0%	6.7%	5.8%	9.9%	10.1%	10.1%	9.5%	6.5%	8.5%	9.0%	9.0%	Return on Shr. Equity	8.5%
9.1%	6.0%	6.7%	5.8%	9.9%	10.1%	10.1%	9.5%	6.5%	8.5%	9.0%	9.0%	Return on Com Equity D	8.5%
.6%	NMF	NMF	NMF	NMF	3.1%	1.0%	1.2%	1.7%	1.0%	2.0%	2.0%	Retained to Com Eq	2.5%
93%	NMF	112%	NMF	117%	70%	90%	88%	74%	74%	79%	77%	All Div'ds to Net Prof	72%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $1703 mill. **Due in 5 Yrs.** $220.0 mill.
LT Debt $1551 mill. **LT Interest** $100.0 mill.
(LT interest earned: 2.2x)
Leases, Uncapitalized: Ann. rentals $16.1 mill.

Pension Assets-12/10 $502 mill. **Oblig.** $776 mill.

Pfd Stock None

Common Stock 50,542,709 shs.
as of 10/28/11

MARKET CAP: $1.8 billion (Mid Cap)

ELECTRIC OPERATING STATISTICS

	2008	2009	2010
% Change Retail Sales (KWH)	-3.2	-4.1	+4.4
Avg. Indust. Use (MWH)	NA	NA	NA
Avg. Indust. Revs. per KWH (¢)	6.9	6.7	6.3
Capacity at Peak (Mw)	NA	NA	NA
Peak Load, Summer (Mw)	NA	NA	NA
Annual Load Factor (%)	NA	NA	NA
% Change Customers (yr-end)	+.4	+.1	-.1
Fixed Charge Cov. (%)	322	303	281

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Revenues	-1.0%	-8.5%	4.0%
"Cash Flow"	-0.5%	2.0%	2.0%
Earnings	-1.0%	7.5%	3.0%
Dividends	--	--	Nil
Book Value	--	-2.0%	5.0%

QUARTERLY REVENUES ($ mill.)

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	235.5	200.4	255.2	205.5	896.6
2010	220.3	207.1	236.3	334.0	997.7
2011	561.1	314.0	321.4	413.5	1610
2012	630	320	330	420	1700
2013	650	330	340	430	1750

EARNINGS PER SHARE A

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	.48	.51	.73	.22	1.94
2010	.53	.48	.63	.35	1.99
2011	1.02	.28	.24	.41	1.95
2012	1.20	.30	.25	.45	2.20
2013	1.22	.33	.25	.45	2.25

QUARTERLY DIVIDENDS PAID B ■

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.432	.432	.432	.432	1.73
2009	.432	.432	.432	.432	1.73
2010	.432	.432	.432	.432	1.73
2011	.432	.432	.432	.432	1.73
2012	.432				

BUSINESS: UIL Holdings, through its subsidiaries, operates as one of the largest regulated utility companies in Connecticut. Business consists of electric distribution/transmission operations of The United Illuminating Company and natural gas transportation/distribution operations of The Southern Connecticut Gas Company, The Connecticut Natural Gas Company, and The Berkshire Gas Company. Revenue distribution by class: residential, 51%; commercial, 29%; industrial, 5%; other, 15%. Fuel costs: 32% of revenues; O&M costs, 26%. Has 1,824 employees as of 12/10. President & Chief Executive Officer: James P. Torgerson. Inc.: CT. Address: 157 Church Street, P.O. Box 1564, New Haven, CT. 06506-0901. Telephone: 203-499-2000. Internet: www.uil.com.

UIL Holdings was scheduled to report 2011 results after this Issue had gone to press. Management announced it would be releasing the company's 2011 financial results on February 22nd, after the market closes.

GenConn facilities are up and running. The company's joint venture with NRG Energy has been completed with both the Devon and Middletown facilities providing 200 megawatts at each location. The addition ought to significantly enhance transmission and distribution operations moving forward.

We look for UIL to file an electric rate case sometime before the end of the year. Although no specifics were given, management indicated it plans to file a case toward mid-2012 for rates going into 2013. However, we don't believe a filing will be in the cards until a little later in the year, given UIL's current return. As long as UIL is earning close to its allowed ROE, which it currently is, management will likely delay any filings until later in the year.

We are maintaining our 2012 earnings estimate at $2.20 a share. Improved transmission and distribution operations, coupled with the full-year inclusion of the GenConn facilities, should help to support healthy earnings growth in year ahead.

Gas integrations will remain a key focus in 2012. The gas integration process has thus far been progressing according to schedule, with UIL substantially exiting the transmission services agreement with Iberdrola. UIL is still using Iberdrola's mainframe computer for its customer information system, but expects that will be done with in the first half of 2012. Although UIL is incurring small charges for this service, it appears to be more cost-effective to continue using Iberdrola's systems until it completes its integration with SAP this year.

These neutrally ranked shares possess one of the highest yields in the industry. UIL stock is currently yielding 4.9%, a healthy clip above the 4.2% utility industry average. Couple this with Above-Average rankings in regard to Safety (2), and Financial Strength (B++), and we consider these shares to be an attractive, low-risk income pick for the year ahead.

Michael Ratty *February 24, 2012*

Company's Financial Strength	B++
Stock's Price Stability	90
Price Growth Persistence	50
Earnings Predictability	85

(A) EPS basic. Excl. nonrecur. gains (losses): '96, 17¢; '00, 4¢; '03, (26¢); '04, $2.14; '06, ($5.07); '10, (47¢). Next egs. report due late Feb. (B) Div'ds historically paid in early Jan., early April, early July, and early Oct. ■ Div'd reinvest. plan avail. (C) Incl. deferred charges. In '10: $419.0 mill. or $8.31/sh. (D) Rate base: orig. cost. Rate allowed on common equity in '09: 8.75%. Earned on average common equity in '10: 6.5%. Regul. Clim.: Below Average. (E) In millions. Adjust for stock dividend.

ABBOTT LABS. NYSE-ABT

RECENT PRICE 56.72 | P/E RATIO 11.7 (Trailing: 12.6 Median: 18.0) | RELATIVE P/E RATIO 0.81 | DIV'D YLD 3.4% | VALUE LINE

TIMELINESS 1 Raised 11/4/11
SAFETY 1 Raised 9/11/98
TECHNICAL 4 Lowered 12/30/11
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

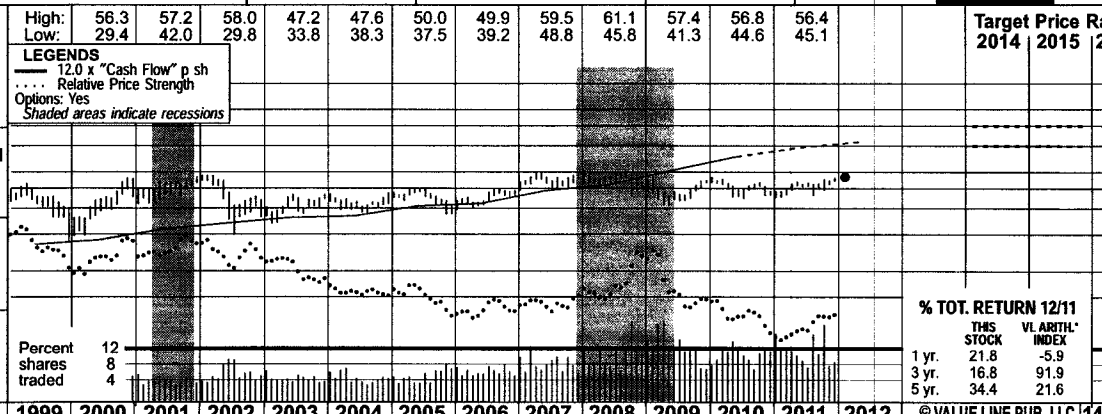
	Price	Gain	Ann'l Total Return
High	100	(+75%)	18%
Low	80	(+40%)	12%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	4	1	2	0	0	0	0	1	1
to Sell	15	1	4	2	1	1	2	1	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	708	659	687
to Sell	605	607	585
Hld's(000)	989533	990793	1003896



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
6.36	7.11	7.78	8.14	8.61	8.89	10.48	11.31	12.45	12.49	14.51	14.62	16.72	19.40	19.82	22.73	*25.10*	*26.35*	Sales per sh	*29.85*
1.43	1.66	1.85	2.03	2.23	2.34	2.65	2.83	3.01	3.05	3.42	3.51	4.05	4.32	5.09	5.90	*6.60*	*7.00*	"Cash Flow" per sh	*7.85*
1.06	1.21	1.34	1.51	1.66	1.78	1.88	2.06	2.21	2.27	2.50	2.52	2.84	3.03	3.72	4.17	*4.65*	*5.00*	Earnings per sh A	*6.00*
.42	.48	.54	.60	.66	.74	.82	.94	.98	1.04	1.10	1.18	1.30	1.44	1.60	1.76	1.88	*2.00*	Div'ds Decl'd per sh B■	*2.20*
.60	.61	.66	.65	.64	.67	.75	.83	.79	.82	.78	.87	1.07	.85	.70	.66	*.85*	*.75*	Cap'l Spending per sh	*.90*
2.79	3.11	3.27	3.73	4.85	5.54	5.83	6.82	8.27	9.09	9.37	9.14	11.47	11.48	14.73	14.47	*17.05*	*18.40*	Book Value per sh C	*20.50*
1574.6	1548.9	1528.2	1533.8	1530.7	1545.9	1554.5	1563.1	1580.2	1575.1	1539.2	1537.2	1549.9	1522.4	1551.9	1547.0	*1555.0*	*1550.0*	Common Shs Outst'g D	*1535.0*
18.1	18.7	23.1	27.1	26.3	23.5	26.6	22.3	18.7	18.7	18.1	17.9	19.2	18.3	13.0	12.2	*11.0*		Avg Ann'l P/E Ratio	*15.0*
1.21	1.17	1.33	1.41	1.50	1.53	1.36	1.22	1.07	.99	.96	.97	1.02	1.10	.87	.79	*.69*		Relative P/E Ratio	*1.00*
2.2%	2.1%	1.7%	1.5%	1.5%	1.8%	1.6%	2.0%	2.4%	2.5%	2.4%	2.6%	2.4%	2.6%	3.3%	3.5%	3.7%		Avg Ann'l Div'd Yield	*2.3%*
16285	17685	19681	19680	22338	22476	25914	29528	30765	35167	*39000*	*40850*	Sales ($mill)	*45800*
27.0%	28.9%	27.0%	28.2%	27.6%	28.2%	26.2%	25.5%	28.8%	30.3%	*30.9%*	*31.3%*	Operating Margin	*31.0%*
1168.0	1177.3	1274.0	1288.7	1358.9	1558.8	1854.9	1838.8	2089.3	2624.3	*2950*	*3070*	Depreciation ($mill)	*2850*
2944.1	3242.4	3479.2	3522.8	3908.5	3841.8	4429.3	4734.2	5805.2	6501.1	*7290*	*7800*	Net Profit ($mill)	*9200*
8.4%	24.5%	22.0%	21.4%	24.3%	23.5%	19.3%	19.2%	17.0%	15.0%	*15.5%*	*15.5%*	Income Tax Rate	*17.0%*
18.1%	18.3%	17.7%	17.9%	17.5%	17.1%	17.1%	16.0%	18.9%	18.5%	*18.7%*	*19.1%*	Net Profit Margin	*20.0%*
492.4	2119.6	2650.9	3908.9	3970.5	d669.3	4939.4	5450.7	10264	5055.1	*7200*	*7750*	Working Cap'l ($mill)	*10300*
4335.5	4274.0	3452.3	4787.9	4571.5	7009.7	9487.8	8713.3	11266	12524	*12800*	*10800*	Long-Term Debt ($mill)	*9000*
9059.4	10665	13072	14326	14415	14054	17779	17480	22856	22388	*26550*	*28500*	Shr. Equity ($mill)	*31500*
22.8%	22.3%	21.5%	18.8%	21.0%	18.8%	17.0%	18.8%	17.5%	19.1%	*19.0%*	*20.0%*	Return on Total Cap'l	*23.0%*
32.5%	30.4%	26.6%	24.6%	27.1%	27.3%	24.9%	27.1%	25.4%	29.0%	*27.5%*	*27.5%*	Return on Shr. Equity	*29.0%*
18.5%	17.0%	15.0%	13.4%	15.4%	14.7%	13.9%	14.6%	14.8%	17.1%	*16.5%*	*16.5%*	Retained to Com Eq	*18.0%*
43%	44%	44%	45%	43%	46%	44%	46%	42%	41%	*40%*	*39%*	All Div'ds to Net Prof	*37%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $16.7 bill. **Due in 5 Yrs** $6.5 bill.
LT Debt $13.1 bill. **LT Interest** $0.5 bill.
(39% of Capital)

Pension Assets-12/10 $7.5 bill. **Oblig.** $8.6 bill.

Preferred Stock None

Common Stock 1,557,795,578 shares

MARKET CAP: $88 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	8809.3	3648.4	5049.3
Receivables	6541.9	7184.0	7043.5
Inventory (FIFO)	3264.9	3188.7	3269.3
Other	4697.8	8296.4	7732.3
Current Assets	23313.9	22317.5	23094.4
Accts Payable	1280.5	1535.8	1602.0
Debt Due	5189.6	6394.8	3624.6
Other	6579.4	9331.8	10187.4
Current Liab.	13049.5	17262.4	15414.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	9.0%	9.5%	*7.5%*
"Cash Flow"	9.0%	10.0%	*8.5%*
Earnings	8.0%	9.5%	*10.0%*
Dividends	9.0%	9.0%	*9.0%*
Book Value	11.0%	9.0%	*12.5%*

Calendar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	6765	7314	7498	7951	29528
2009	6718	7496	7761	8790	30765
2010	7698	8826	8675	9968	35167
2011	9041	9616	9817	*10526*	*39000*
2012	*9450*	*10050*	*10250*	*11100*	*40850*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.60	.85	.69	.89	3.03
2009	.73	.89	.92	1.18	3.72
2010	.81	1.01	1.05	1.30	4.17
2011	.91	1.12	1.18	*1.44*	*4.65*
2012	*1.00*	*1.22*	*1.26*	*1.52*	*5.00*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.325	.36	.36	.36	1.41
2009	.36	.40	.40	.40	1.56
2010	.40	.44	.44	.44	1.72
2011	.44	.48	.48	.48	1.88
2012					

BUSINESS: Abbott Laboratories operates four segments: Pharmaceutical Products (56.5% of '10 sales) develops, manufactures, and sells a broad line of adult and pediatric pharmaceuticals, which are sold primarily on the prescription, or recommendation, of physicians; Diagnostic Products (10.8%) diagnostic systems and tests for blood banks, hospitals, labs, physicians' offices, etc.; Nutritional Products (15.7%) a wide range of adult and pediatric nutritional products; Vascular products (9.1%) coronary, vessel-closure, and endovascular devices; Other (7.9%). '10 R&D: $3.7 billion. Employs about 69,000. Chairman & CEO: Miles D. White. Incorporated: IL. Address: 100 Abbott Park Road, Abbott Park, IL 60064. Telephone: 847-937-6100. Internet: www.abbott.com.

Abbott Laboratories has made the strategic decision to split into two separate publicly traded companies. The breakup would result in the creation of two separate entities; a diversified medical products company and a proprietary pharmaceuticals company. Under terms of the plan, ABT will spin off its pharmaceuticals unit to shareholders in a tax-free transaction. The pharma business includes the company's branded drug portfolio, led by blockbuster drug *Humira*, and a diversified development pipeline. The remaining part of Abbott, which will retain the company name, will be comprised of its devices, diagnostics, nutritional, and branded generics businesses. Although many details have yet to be released, the transaction is expected to be completed by the end of the year.

The split makes strategic sense for Abbott, and should help unlock value for shareholders. The separation is a logical step in the ongoing evolution of the diversified company. Indeed, the two units have very different characteristics and growth profiles. The pharmaceutical business, which was on track to generate approximately $18 billion in sales (45% of total) in 2011, is a mature business that is dominated by *Humira*. The flagship $8 billion drug has actually been an impediment to share price improvement, due to investor concerns regarding its future growth rate/competition. Investors had been penalizing ABT with a low P/E multiple (both on a historical and industry basis) because of the overhang from *Humira* concerns, without properly valuing the diversified medical products business. Notably, the medical products group of businesses has a significantly higher growth profile, with a large focus on emerging markets. Indeed, approximately 40% of segment sales come from these regions. Thus, the separation of the higher-growth medical products business from the pharmaceutical unit should help unlock value. Importantly, both companies are expected to pay dividends, with a combined total that is equal to the current payout.

This timely stock has performed well over the past few months. Moreover, it remains an attractive choice for total return potential out to 2014-2016.

Joel Schwed *January 13, 2012*

(A) Primary earnings thru '96, diluted earnings thereafter. Excludes nonrecurring gain/(losses): '99, (9¢); '01, (89¢); '02, (28¢); '03, (46¢); '04, (21¢); '05, (34¢); '06, ($1.40); '07, (53¢); '08, 19¢; '10, ($1.21). Next earnings report due late January. (B) Dividends historically paid in February, May, August, and November. ■ Dividend reinvestment plan available. (C) Includes intangibles. In '10: $28.1 billion, $18.15 a share. (D) In millions.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	40
Earnings Predictability	100

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BARD (C.R.), INC. NYSE-BCR

RECENT PRICE **95.62** | P/E RATIO **14.4** (Trailing: 14.9 Median: 20.0) | RELATIVE P/E RATIO **0.95** | DIV'D YLD **0.8%** | VALUE LINE

TIMELINESS **3** Lowered 6/26/09
SAFETY **1** Raised 12/1/06
TECHNICAL **3** Raised 2/10/12
BETA .60 (1.00 = Market)

2015-17 PROJECTIONS

	Price	Gain	Ann'l Total Return
High	180	(+90%)	*18%*
Low	145	(+50%)	*12%*

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	1	4	4	1	1	2	0	0	1
to Sell	2	4	4	1	1	4	0	0	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	187	181	190
to Sell	250	255	255
Hld's(000)	79910	79136	74880

	32.5	32.0	40.8	65.1	72.8	85.7	95.3	101.6	88.4	95.7	113.8	97.2
High:												
Low:	20.4	22.0	27.0	40.1	60.8	59.9	76.6	70.0	68.9	75.2	80.8	84.4

LEGENDS
16.0 x "Cash Flow" p sh
Relative Price Strength
2-for-1 split 6/04
Options: Yes
Shaded areas indicate recessions

2-for-1

Percent shares traded 30 20 10

Target Price Range 2015 | 2016 | 2017: 200 160 100 80 60 50 40 30 20

% TOT. RETURN 1/12

	THIS STOCK	VL ARITH.* INDEX
1 yr.	-1.2	0.0
3 yr.	10.8	123.8
5 yr.	16.6	27.2

1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	© VALUE LINE PUB. LLC	15-17
10.48	10.69	11.31	10.21	10.79	11.28	12.34	13.85	15.82	17.03	19.25	21.98	24.67	26.43	32.01	*34.05*	*36.50*	*38.80*	Sales per sh	*43.45*
1.41	1.35	1.50	1.64	1.72	1.87	2.12	2.40	3.03	3.76	4.14	4.85	5.50	6.29	7.54	*7.54*	*8.70*	*8.95*	"Cash Flow" per sh	*10.55*
.91	.83	.86	1.14	1.23	1.38	1.68	1.94	2.45	3.03	3.29	3.84	4.44	5.09	5.60	6.40	*6.80*	*7.10*	Earnings per sh [A]	*9.00*
.33	.35	.37	.39	.41	.42	.43	.45	.47	.50	.54	.58	.62	.66	.70	.74	*.78*	*.82*	Div'ds Decl'd per sh [B]■	*.94*
.37	.29	.43	.26	.19	.26	.40	.70	.71	.93	.68	.51	.51	.50	.60	*.85*	*.85*	*.85*	Cap'l Spending per sh	*.80*
5.28	5.05	5.51	5.65	6.03	7.53	8.53	10.10	12.99	14.77	16.46	18.44	19.89	22.87	19.20	*19.20*	*22.65*	*27.40*	Book Value per sh [C]	*36.75*
113.97	113.57	103.00	101.56	101.82	104.77	103.21	103.51	104.67	104.01	103.16	100.19	99.39	95.92	84.97	*84.00*	*83.00*	*82.00*	Common Shs Outst'g [D]	*80.00*
17.6	19.0	22.2	22.2	18.4	18.9	16.4	17.6	21.9	22.0	22.3	21.7	20.5	15.3	14.8	10.8	*Bold figures are Value Line estimates*		Avg Ann'l P/E Ratio	*18.0*
1.10	1.10	1.15	1.27	1.20	.97	.90	1.00	1.16	1.17	1.20	1.15	1.23	1.02	.94	.70			Relative P/E Ratio	*1.20*
2.1%	2.2%	1.9%	1.5%	1.8%	1.6%	1.6%	1.3%	.9%	.7%	.7%	.7%	.7%	.8%	.8%	.8%			Avg Ann'l Div'd Yield	*.6%*
						1273.8	1433.1	1656.1	1771.3	1985.5	2202.0	2452.1	2534.9	2720.2	2896.4	*3030*	*3180*	Sales ($mill) [A]	*3475*
						23.1%	23.2%	25.2%	28.4%	27.7%	28.9%	30.0%	32.6%	31.6%	*32.8%*	*33.0%*	*33.3%*	Operating Margin	*33.5%*
						42.3	44.7	54.7	63.8	74.9	80.0	90.9	93.5	104.9	*105*	*110*	*112*	Depreciation ($mill)	*125*
						176.9	204.0	262.7	327.4	351.8	406.4	455.4	509.5	535.7	568.9	*612*	*620*	Net Profit ($mill)	*720*
						28.1%	27.5%	26.5%	26.0%	27.5%	29.6%	28.9%	29.4%	28.4%	*43.0%*	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
						13.9%	14.2%	15.9%	18.5%	17.7%	18.5%	18.6%	20.1%	19.7%	19.6%	*20.2%*	*19.8%*	Net Profit Margin	*20.7%*
						441.1	453.2	663.7	623.5	838.0	960.3	1081.1	1210.1	1131.6	*1110*	*995*	*925*	Working Cap'l ($mill)	*900*
						152.2	151.5	151.4	.8	150.6	149.8	149.8	149.8	896.9	*925*	*920*	*900*	Long-Term Debt ($mill)	*875*
						880.4	1045.7	1360.1	1536.1	1698.0	1848.0	1977.2	2193.6	1631.5	*1690*	*1840*	*2245*	Shr. Equity ($mill)	*2940*
						17.7%	17.6%	17.8%	21.7%	19.5%	20.6%	21.7%	22.0%	21.4%	*22.0%*	*22.0%*	*19.5%*	Return on Total Cap'l	*19.0%*
						20.1%	19.5%	19.3%	21.3%	20.7%	22.0%	23.0%	23.2%	32.8%	*33.5%*	*33.5%*	*27.5%*	Return on Shr. Equity	*24.5%*
						15.0%	15.0%	15.7%	17.9%	17.4%	18.7%	19.9%	20.2%	28.7%	*30.0%*	*29.5%*	*24.5%*	Retained to Com Eq	*22.0%*
						25%	23%	19%	16%	16%	15%	14%	13%	12%	*11%*	*11%*	*11%*	All Div'ds to Net Prof	*11%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $908.9 mill. **Due in 5 Yrs** $85.0 mill.
LT Debt $908.9 mill. **LT Interest** $50.0 mill.
(33% of Total Cap'l)

Leases, Uncapitalized Annual Rentals $22.3 mill.
Pension Assets-12/10 $281.6 mill.
Oblig. $377.0 mill.

Pfd Stock None
Common Stock 85,782,427 shares

MARKET CAP: $8.2 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	674.4	641.4	967.3
Receivables	442.1	460.8	476.5
Inventory (LIFO)	295.4	308.9	329.8
Other	79.9	118.2	126.6
Current Assets	1491.8	1529.3	1900.2
Accts Payable	50.8	51.4	78.9
Debt Due	--	80.5	--
Other	230.9	265.8	428.5
Current Liab.	281.7	397.7	507.4

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '15-'17
Sales	10.0%	12.0%	*6.5%*
"Cash Flow"	15.0%	16.0%	*7.5%*
Earnings	16.5%	15.5%	*8.5%*
Dividends	5.5%	7.0%	*5.0%*
Book Value	13.5%	10.5%	*8.5%*

Calendar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	596.4	624.6	637.0	676.9	2534.9
2010	650.8	673.9	678.4	717.1	2720.2
2011	700.3	725.0	719.2	751.9	2896.4
2012	*730*	*760*	*750*	*790*	*3030*
2013	*770*	*775*	*785*	*850*	*3180*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2009	1.17	1.22	1.31	1.39	5.09
2010	1.25	1.39	1.43	1.53	5.60
2011	1.51	1.57	1.62	1.70	6.40
2012	*1.55*	*1.65*	*1.75*	*1.85*	*6.80*
2013	*1.60*	*1.70*	*1.85*	*1.95*	*7.10*

Calendar	QUARTERLY DIVIDENDS PAID [B]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.15	.15	.16	.16	.62
2009	.16	.16	.17	.17	.66
2010	.17	.17	.18	.18	.70
2011	.18	.18	.19	.19	.74
2012	.19				

BUSINESS: C.R. Bard, Inc. has four core segments: Vascular (28% of '10 rev.): angioplasty & angiography catheters, stents, vasc. grafts & blood oxygenators. Urology (26%): *Foley* catheters, urine collection sys. & incontinence aids. Oncology (27%): specialty access catheters & ports, gastroenterological pdts. & bladder & prostate cancer tests. Surgical Specialties (16%): hernia repair pdts. & orthopedic & laparoscopic irrigation pdts; Other (3%). Int'l sales, 31% of total, R&D, 6.8%. '10 depr. rate: 17.5%. Has 11,700 emplys. Off./dir. own 4.2% of common; FMR, 11.8%; Bank of NY, 6.8; ValueAct, 5.3%; T. Rowe, 5.2% (3/11 Proxy). Chairman/CEO: Timothy M. Ring. Inc.: NJ. Address: 730 Central Ave, Murray Hill, NJ 07974. Telephone: 908-277-8000. Internet: www.crbard.com.

C.R. Bard ought to gain steam in the coming quarters. The medical device maker ended 2011 on a strong footing, and should continue to build momentum in the next few months. Geographic diversification, new product development, and accretive acquisitions should spur the top and bottom lines in the near term (more below). Plus, cost improvements helped offset rising operating expenses. All told, we look for share profits to climb 5%-10%, on a 5% revenue advance in 2012. What's more, Bard seems well positioned for 2013.

The company has been trying to widen its market reach . . . Bard is likely to increase capital expenditures to step up business development efforts. It launched more than 50 products last year, and will probably continue to roll out new offerings in the upcoming quarters. In fact, we think that ongoing investments in its research will help the company take advantage of the aging baby-boomer market, and the increased demand for healthcare products. Plus, Bard closed the Clearstream, Medivance, and Lutonix acquisitions during the December period. Even though integrating these new assets will incur hefty costs in the near term, as well as cut into profits this year, the additions should benefit BCR over the long haul. Likewise, we think management will eye other accretive mergers or purchases going forward.

. . . and geographic footprint. Bard's U.S. markets faced pressure in the past few months, though sales restructuring efforts countered some of the softness. The company turned its attention overseas to help lift total volume and to better diversify its portfolio. Indeed, Bard's business in emerging markets grew roughly 38% over the full year. And, as a whole, international sales were up 9% on a constant-currency basis.

These shares should offer slow-but-steady earnings gains over the next few years. Although this stock is neutrally ranked for the year ahead, it offers healthy appreciation potential over the 2015-2017 span. Furthermore, the stock's perfect score for Price Stability, and our Highest marks for Safety (1) and Financial Strength (A++) add to the company's conservative appeal.

Orly Seidman *February 24, 2012*

(A) Based on avg. shs. outstanding until '96, dil. thereafter. Excl. net n/r.: '96, d10¢; '97, d20¢; '98, $1.40; '99, 1¢; '00, d18¢; '02, d21¢; '03, d34¢; '04, 37¢; '05, 9¢; '06, d74¢; '08, d38¢; '09, d30¢. Incl. one-time gain from add'l month of accting. for fgn. operations: '98, 2¢. Qtrly egs. may not sum due to rounding. Next egs. rpt. due late April.
(B) Dividends hist. paid in early Feb., May, Aug., and Nov. ■ Div'd reinv. plan avail.
(C) Incl. intang. In '10: $1,147.7 mill., $13.51/sh. (D) In mill., adj. for split.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	90
Earnings Predictability	100

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CHURCH & DWIGHT NYSE-CHD

RECENT PRICE 45.24 | P/E RATIO 19.7 (Trailing: 21.4 Median: 19.0) | RELATIVE P/E RATIO 1.41 | DIV'D YLD 1.5% | VALUE LINE

TIMELINESS 3 Lowered 9/16/11
SAFETY 1 Raised 7/6/07
TECHNICAL 4 Lowered 12/23/11
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

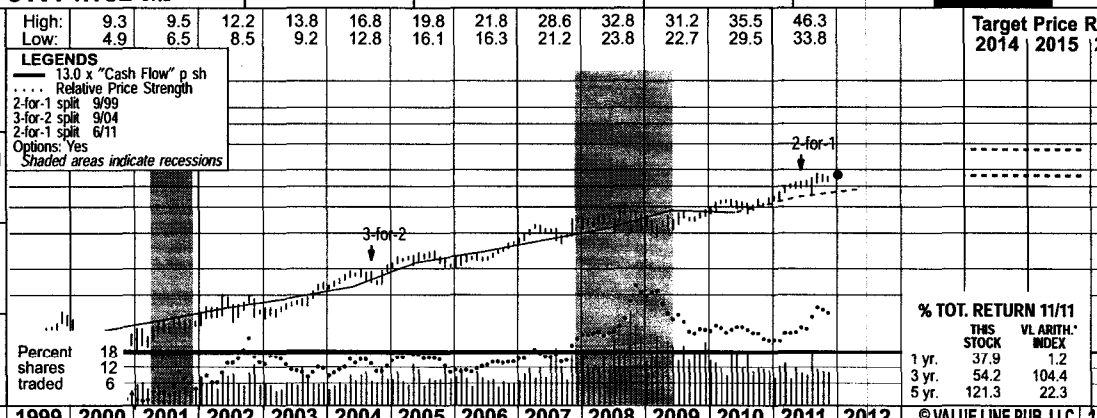
	Price	Gain	Ann'l Total Return
High	60	(+35%)	9%
Low	45	(Nil)	2%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	2	0	0	0	0	0
Options	5	4	0	1	4	0	0	1	1
to Sell	5	4	0	2	4	0	0	1	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	179	176	177
to Sell	192	188	211
Hld's(000)	116348	115125	116775



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
4.15	4.52	4.93	5.91	6.26	6.91	9.20	8.75	8.64	11.57	13.74	14.88	16.76	17.28	17.87	18.19	*19.10*	*19.80*	Sales per sh E	*22.20*
.20	.30	.33	.41	.53	.61	.70	.80	.89	1.01	1.32	1.49	1.70	1.94	2.37	2.51	*2.75*	*3.00*	"Cash Flow" per sh	*3.75*
.09	.18	.21	.26	.34	.43	.44	.54	.62	.69	.92	1.04	1.23	1.43	1.74	1.98	*2.20*	*2.45*	Earnings per sh A	*3.10*
.07	.07	.08	.08	.09	.09	.10	.10	.10	.12	.12	.13	.13	.17	.23	.31	*.68*	*.68*	Div'ds Decl'd per sh B■	*.72*
.17	.06	.09	.23	.28	.19	.29	.32	.26	.28	.30	.36	.37	.70	.96	.45	*.50*	*.75*	Cap'l Spending per sh	*1.50*
1.31	1.42	1.54	1.68	1.95	2.04	2.40	2.90	3.58	4.43	5.51	6.61	8.15	9.50	11.35	13.14	*14.70*	*16.50*	Book Value per sh C	*19.70*
117.15	116.71	116.62	115.87	116.57	115.13	117.43	119.69	122.36	126.38	126.38	130.72	132.49	140.15	141.10	142.40	*142.00*	*142.00*	Common Shs Outst'g D	*142.00*
38.1	19.1	22.3	19.7	22.0	14.9	18.8	19.2	17.9	21.4	19.4	18.1	19.9	19.8	15.8	16.4	*18.5*		Avg Ann'l P/E Ratio	*17.0*
2.55	1.20	1.29	1.02	1.25	.97	.96	1.05	1.02	1.13	1.03	.98	1.06	1.19	1.05	1.00	*1.16*		Relative P/E Ratio	*1.15*
2.2%	2.1%	1.7%	1.6%	1.1%	1.5%	1.2%	1.0%	.9%	.8%	.7%	.7%	.5%	.6%	.8%	.9%	*1.7%*		Avg Ann'l Div'd Yield	*1.4%*
1080.9	1047.1	1056.9	1462.1	1736.5	1945.7	2220.9	2422.4	2520.9	2589.2	*2715*	*2815*	Sales ($mill) E	*3150*
11.2%	12.7%	13.4%	14.4%	14.8%	15.6%	16.3%	17.2%	20.0%	20.1%	*21.5%*	*23.0%*	Operating Margin	*23.0%*
27.8	27.9	30.2	39.1	44.2	51.7	56.7	71.4	85.4	71.6	*74.0*	*78.0*	Depreciation ($mill)	*90.0*
53.9	67.3	78.5	88.8	122.9	142.6	169.0	200.9	248.7	285.9	*315*	*350*	Net Profit ($mill)	*440*
39.4%	33.8%	32.9%	30.3%	29.8%	33.1%	36.2%	36.0%	37.4%	35.3%	*35.0%*	*35.0%*	Income Tax Rate	*35.0%*
5.0%	6.4%	7.4%	6.1%	7.1%	7.3%	7.6%	8.3%	9.9%	11.0%	*11.6%*	*12.4%*	Net Profit Margin	*14.0%*
97.2	94.2	57.1	136.3	84.7	111.7	277.6	278.0	361.3	202.4	*375*	*600*	Working Cap'l ($mill)	*700*
406.6	352.5	331.1	754.7	635.3	792.9	707.3	781.4	597.3	249.7	*200*	*200*	Long-Term Debt ($mill)	*100*
282.3	347.6	438.5	560.0	696.9	863.8	1080.3	1331.5	1601.8	1870.9	*2085*	*2340*	Shr. Equity ($mill)	*2800*
8.5%	10.4%	11.5%	8.2%	10.0%	9.4%	11.1%	10.6%	11.9%	14.0%	*14.0%*	*14.0%*	Return on Total Cap'l	*15.0%*
19.1%	19.4%	17.9%	15.9%	17.6%	16.5%	15.6%	15.1%	15.5%	15.3%	*15.0%*	*15.0%*	Return on Shr. Equity	*15.5%*
15.1%	15.9%	15.1%	13.4%	15.4%	14.6%	13.8%	13.4%	13.5%	12.9%	*10.5%*	*11.0%*	Retained to Com Eq	*12.0%*
21%	18%	16%	16%	12%	12%	12%	12%	13%	15%	*31%*	*27%*	All Div'ds to Net Prof	*23%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $253.6 mill. **Due in 5 Yrs** $249.7 mill.
LT Debt $249.7 mill. **LT Interest** $10.0 mill.
(LT interest earned: 23.1x; total interest coverage: 16.9x) (11% of Cap'l)

Leases, Uncapitalized Annual rentals $18.0 mill.
Pension Assets-12/10 $67.9 mill. **Oblig.** $81.2 mill.
Pfd Stock None
Common Stock 143,049,833 shares as of 11/1/11
(adj. for 2:1 stock split paid 6/1/11)
MARKET CAP: $6.5 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	447.1	189.2	275.0
Receivables	222.2	231.1	262.0
Inventory (LIFO)	216.9	195.4	225.4
Other	42.1	33.8	36.4
Current Assets	928.3	649.5	798.8
Accts Payable	332.5	355.3	376.7
Debt Due	218.9	90.0	3.9
Other	15.6	1.8	13.0
Current Liab.	567.0	447.1	393.6

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	11.5%	12.5%	*4.0%*
"Cash Flow"	17.0%	17.5%	*9.0%*
Earnings	18.5%	19.0%	*10.5%*
Dividends	8.0%	10.5%	*20.50%*
Book Value	19.0%	21.5%	*9.5%*

Calendar	QUARTERLY SALES ($ mill.) E Mar.Per.	Jun.Per.	Sep.Per.	Dec.Per.	Full Year
2008	552.9	594.0	630.6	644.8	2422.4
2009	580.9	623.1	646.2	670.7	2520.9
2010	634.5	640.9	656.9	656.9	2589.2
2011	642.3	674.9	701.0	*696.8*	*2715*
2012	*670*	*700*	*720*	*725*	*2815*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.41	.33	.36	.33	1.43
2009	.46	.43	.43	.42	1.74
2010	.55	.52	.48	.43	1.98
2011	.58	.57	.54	*.51*	*2.20*
2012	*.63*	*.62*	*.60*	*.60*	*2.45*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.035	.035	.04	.04	.15
2008	.04	.04	.045	.045	.17
2009	.045	.045	.07	.07	.23
2010	.07	.07	.085	.085	.31
2011	.17	.17	.17	.17	

BUSINESS: Church & Dwight Co., Inc. is the world's largest producer of sodium bicarbonate. Consumer products include *Arm & Hammer* baking soda, laundry detergent, carpet and room deodorizer, cat litter, toothpaste, deodorant, and *Brillo*. Personal care products include *Trojan* condoms and *First Response* pregnancy kits, among others. Specialty products include sodium bicarbonate & potassium carbonate for industrial cleaners, animal feed, pharmaceutical applications, & glass production. '10 depreciation rate: 10.1%. Has 3,600 empl. Off. & dir. own 2.0% of comm.; Nueberger Berman, 9.0% (4/11 proxy). Pres. & CEO: James Cragie. Inc.: DE. Addr.: 469 N. Harrison St., Princeton, NJ 08543. Telephone: 609-683-5900. Internet: www.churchdwight.com.

Church & Dwight (C&D) likely registered an 11% earnings gain in 2011. Although this review went to press before the company reported its fourth-quarter results, we expect that decent volume growth and firmer pricing probably helped to offset rising commodity costs. Despite challenges from volatile economic conditions, and softer domestic consumption, C&D's diverse product spectrum in the value category has made its products more attractive to a broader demographic during times of greater austerity. Management has noted that, domestically, the *Arm & Hammer* and *XTRA* brand laundry detergents have been among the top sellers of late. Meanwhile, international sales have been impressive, thanks to strong demand in Canada, Mexico, and Australia. We believe these factors will continue to drive profitability higher over the next several quarters, especially once economic conditions stabilize.

Although the looming threat of recession in the eurozone is a cause for concern, we remain cautiously optimistic about the company's performance over the long haul. In spite of the aforementioned challenges, the company continues to gain market share in the consumer packaged goods space. Church's "power" brands continue to do well, thanks to product innovation and investments in effective marketing. Church's core premium category has been maintaining positive momentum. The company's *Arm & Hammer* and *TROJAN* products have continued to stand out. Moreover, we expect price increases to help offset higher raw material costs. Meanwhile, the company's steady gains, even during the economic downturn, have enabled investments in product diversification. This has helped the company to widen its price-point spectrum and offer competitive premium brands in addition to its core value portfolio. This augurs well for profitability over the long term.

However, the stock is not particularly compelling at present. These shares have been range-bound since our September review, and we expect them to track the broader market averages in the year ahead. In addition, 3- to 5-year appreciation potential is limited.

Simon R. Shoucair *December 30, 2011*

(A) Dil. egs.; primary thru '96. Excl. nonrecur. gns.: '99, 8¢; '02, 5¢; '03, 6¢; losses: '98, 2¢; '00, 39¢; '01, 17¢; '02, 7¢; '08, 8¢; '09, 7¢; '10, (21¢). Egs. may not sum due to rounding. Incl. acquisition related charges: '04, 30¢. Next egs. rpt. due early Feb. (B) Div'd. are hist. paid in Mar., June, Sep., and Dec. ■ Dividend reinvestment plan available. (C) Incl. intang. In '10: $1729.8 mill., $24.30/sh. (D) In millions, adjusted for stock splits. (E) From 2002 onward sales reflect adoption of accounting policies EITF 00-14 and EITF 00-25.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	95
Earnings Predictability	100

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COCA-COLA NYSE-KO

RECENT PRICE 67.35 | P/E RATIO 16.6 (Trailing: 17.8 Median: 20.0) | RELATIVE P/E RATIO 1.12 | DIV'D YLD 2.8% | VALUE LINE

TIMELINESS 3 Lowered 3/5/10
SAFETY 1 New 7/27/90
TECHNICAL 3 Lowered 12/9/11
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

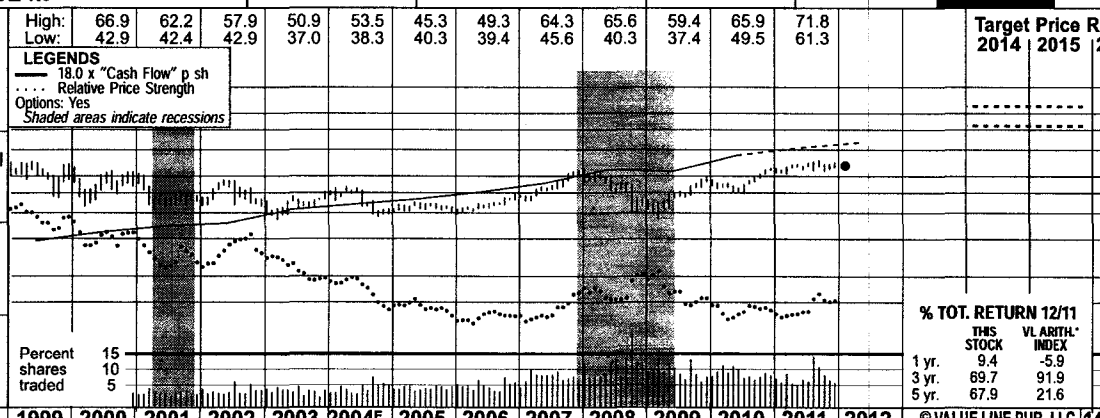
	Price	Gain	Ann'l Total Return
High	130	(+95%)	*20%*
Low	105	(+55%)	*14%*

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	2	0	0	0	0	0	0	0	0
Options	0	1	4	0	0	2	3	3	1
to Sell	0	2	4	0	0	2	3	3	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	573	557	598
to Sell	649	653	639
Hld's(000)	1525229	1430574	1429392



Target Price Range 2014 | 2015 | 2016
160
120
100
80
60
50
40
30
20
15

% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	9.4	-5.9
3 yr.	69.7	91.9
5 yr.	67.9	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004E	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
7.19	7.48	7.64	7.63	8.01	8.23	7.06	7.92	8.62	9.12	9.75	10.39	12.45	13.82	13.46	15.32	*20.60*	*21.60*	Sales per sh	*25.80*
1.37	1.60	1.92	1.69	1.63	1.79	1.92	1.99	2.31	2.45	2.59	2.81	3.08	3.58	3.50	4.18	*4.55*	*4.80*	"Cash Flow" per sh	*6.35*
1.19	1.40	1.64	1.42	1.30	1.48	1.60	1.65	1.95	2.06	2.17	2.37	2.57	3.02	2.93	3.49	*3.85*	*4.20*	Earnings per sh A	*5.60*
.44	.50	.56	.60	.64	.68	.72	.80	.88	1.00	1.12	1.24	1.36	1.52	1.64	1.76	1.88	*2.04*	Div'ds Decl'd per sh B■	*2.80*
.37	.40	.44	.35	.43	.30	.31	.34	.33	.31	.38	.61	.71	.85	.87	.97	*1.05*	*1.05*	Cap'l Spending per sh	*1.10*
2.15	2.48	2.96	3.41	3.85	3.75	4.57	4.78	5.77	6.61	6.90	7.30	9.38	8.85	10.77	13.53	*14.60*	*15.75*	Book Value per sh C	*20.45*
2504.6	2481.0	2470.6	2465.5	2471.6	2484.8	2486.2	2471.0	2441.5	2409.3	2369.0	2318.0	2318.0	2312.0	2303.0	2292.0	*2260*	*2225*	Common Shs Outst'g D	*2200*
26.8	32.8	38.1	51.3	47.5	37.5	30.5	30.2	22.6	22.6	19.7	18.5	21.0	17.8	16.6	16.2	*17.3*		Avg Ann'l P/E Ratio	*21.0*
1.79	2.05	2.20	2.67	2.71	2.44	1.56	1.65	1.29	1.19	1.05	1.00	1.11	1.07	1.11	1.04	*1.16*		Relative P/E Ratio	*1.40*
1.4%	1.1%	.9%	.8%	1.0%	1.2%	1.5%	1.6%	2.0%	2.2%	2.6%	2.8%	2.5%	2.8%	3.4%	3.1%	2.8%		Avg Ann'l Div'd Yield	*2.4%*
						17545	19564	21044	21962	23104	24088	28857	31944	30990	35123	*46600*	*48000*	Sales ($mill)	*56800*
						35.1%	32.0%	31.6%	32.2%	30.8%	31.3%	30.0%	30.3%	30.5%	31.4%	*27.5%*	*27.5%*	Operating Margin	*30.0%*
						803.0	806.0	850.0	893.0	932.0	938.0	1163.0	1228.0	1236.0	1443.0	*1550*	*1625*	Depreciation ($mill)	*1920*
						3979.0	4100.0	4790.0	5014.0	5196.0	5568.0	5981.0	7050.0	6824.0	8144.0	*8770*	*9100*	Net Profit ($mill)	*12000*
						29.8%	27.0%	21.1%	24.5%	23.5%	22.4%	24.0%	22.2%	22.8%	22.7%	*25.0%*	*25.0%*	Income Tax Rate	*25.0%*
						22.7%	21.0%	22.8%	22.8%	22.5%	23.1%	20.7%	22.1%	22.0%	23.2%	*18.8%*	*19.0%*	Net Profit Margin	*21.1%*
						d1258	11.0	510.0	1123.0	414.0	d449.0	d1120	d812.0	3830.0	3071.0	*4500*	*5500*	Working Cap'l ($mill)	*9500*
						1219.0	2701.0	2517.0	1157.0	1154.0	1314.0	3277.0	2781.0	5059.0	14041	*12000*	*11000*	Long-Term Debt ($mill)	*8000*
						11366	11800	14090	15935	16355	16920	21744	20472	24799	31003	*33000*	*35000*	Shr. Equity ($mill)	*45000*
						31.9%	28.8%	29.2%	29.5%	29.8%	30.7%	24.2%	30.6%	23.4%	18.5%	*19.0%*	*20.5%*	Return on Total Cap'l	*23.0%*
						35.0%	34.7%	34.0%	31.5%	31.8%	32.9%	27.5%	34.4%	27.5%	26.3%	*28.0%*	*26.5%*	Return on Shr. Equity	*26.5%*
						19.3%	17.9%	18.6%	16.2%	15.4%	15.7%	13.0%	17.2%	12.2%	13.1%	*14.0%*	*12.0%*	Retained to Com Eq	*13.5%*
						45%	48%	45%	48%	52%	52%	53%	50%	56%	50%	*50%*	*47%*	All Div'ds to Net Prof	*50%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $29.188 bill. **Due in 5 Yrs.** $8.77 bill.
LT Debt $13.708 bill. **Total Int.** $265.0 mill.
(Total interest coverage: 27x)
(31% of Cap'l)

Pension Assets-12/10 $5.50 bill. **Oblig.** $7.29 bill.

Pfd Stock None

Common Stock 2,271,000,000 shs.

MARKET CAP: $153 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	9151	11337	16497
Receivables	3758	4430	5131
Inventory (Avg Cst)	2354	2650	3172
Other	2288	3162	3391
Current Assets	17551	21579	28191
Accts Payable	6657	9376	9837
Debt Due	6800	8859	15480
Other	264	273	264
Current Liab.	13721	18508	25581

ANNUAL RATES of change (per sh)

	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	6.0%	9.0%	*10.5%*
"Cash Flow"	8.0%	9.0%	*9.0%*
Earnings	8.5%	9.0%	*10.0%*
Dividends	10.0%	10.5%	*9.5%*
Book Value	11.5%	11.5%	*11.0%*

QUARTERLY SALES ($ mill.)

Calendar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2008	7379	9046	8393	7126	31944
2009	7169	8267	8044	7510	30990
2010	7525	8674	8426	10498	35123
2011	10545	12737	12248	*11070*	*46600*
2012	*11050*	*12850*	*12525*	*11575*	*48000*

EARNINGS PER SHARE A

Calendar	Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2008	.64	.98	.81	.59	3.02
2009	.58	.88	.81	.66	2.93
2010	.80	1.06	.92	.72	3.49
2011	.86	1.17	1.03	*.79*	*3.85*
2012	*.95*	*1.28*	*1.10*	*.87*	*4.20*

QUARTERLY DIVIDENDS PAID B■

Calendar	Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	--	.38	.38	.76	1.52
2009	--	.41	.41	.82	1.64
2010	--	.44	.44	.88	1.76
2011	--	.47	.47	.94	1.88
2012					

BUSINESS: The Coca-Cola Company is the world's largest beverage company. Markets over 500 nonalcoholic beverage brands through a network of company-owned and independent bottlers/distributors, wholesalers, and retailers. Leading company/licensed brands include *Coca-Cola, Diet Coke, Sprite, Fanta, Fresca, Dasani, glaceau vitaminwater, Powerade,* and *Minute Maid.* Business outside the U.S. accounted for 70% of 2010 net sales; Advertising expenses, 8.3% of 2010 revenues. Has approximately 139,600 employees. Directors and Officers own 5.5% of stock; Berkshire Hathaway, 8.7% (3/11 Proxy). Chairman and CEO: Muhtar Kent. Inc.: DE. Address: One Coca-Cola Plaza, Atlanta, Georgia 30313. Tel.: 404-676-2121. Internet: www.coca-cola.com.

We've trimmed our 2011 and 2012 share-net estimates for The Coca-Cola Company by $0.02 and $0.10, respectively. The downward revisions largely reflect what are likely to be less favorable (or even negative) near-term currency effects, coinciding with recent weakness in currencies like the euro. The increasing likelihood that a number of eurozone economies are (or will soon be) in recession also doesn't augur well for regional sales and profit performance.

Domestic sales of Coke's orange juice brands (*Minute Maid* and *Simply Orange*) may also take a hit, following news that the company has found small amounts of an unapproved fungicide in its products and those of its competitors. The fungicide in question (carbendazim) has been traced to oranges/juice products from Brazil, where its use by citrus growers (to combat mold) is legal. In the U.S., however, carbendazim use is not approved.

Our downwardly-revised share-net estimates for 2011 and 2012 (of $3.85 and $4.20) still imply solid bottom-line gains of 10% and 9%, respectively. We look for unit-volume sales to increase at a mid-single-digit pace, driven by rising demand for Coke products in Asian and Latin American markets. In the U.S., meanwhile, the company stands to benefit from cost-savings and "route to market" improvements, stemming from the early 2011 acquisition of an affiliated bottler's (Coca-Cola Enterprises) distribution assets. More-targeted marketing and packaging innovation ought to help, as well.

Share earnings should reach $5.60 by mid-decade. Further penetration of large overseas markets should be the key driver. Notably, annual per-capita consumption of Coke products in India (now just 11 or so individual servings versus 675 for Mexico) ought to rise as the sub-Continent's economy gains further traction and as more people join the ranks of the middle class.

Coca-Cola shares remain a good core holding for conservative investors. Total return potential out to 2014–2016 is solid, partly reflecting a well-covered, and likely growing, dividend. That said, the issue is ranked to mirror the broader market's performance over the next six to 12 months.

Nils C. Van Liew *January 27, 2012*

(A) Based on primary shs. through '96, diluted shs. thereafter. Next earnings report due early Feb. Excls. nonrec. losses: '99, (32¢); '00, (60¢); '01, (2¢); '02, (43¢); '03, (18¢); '04, (6¢); '05, (13¢); '06, (21¢); '08, (53¢).
(B) Div'ds historically paid about April 1, July 1, Oct. 1, Dec.1. ■ Div'd reinvestment plan avail.
(C) Incl. intangibles. In '10: $26.9 bill., $11.73/sh. (D) In millions. (E) Reflects reclassification of sales and expenses.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	100

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COLGATE-PALMOL. NYSE-CL

RECENT PRICE 91.55 | P/E RATIO 17.3 (Trailing: 18.4 Median: 21.0) | RELATIVE P/E RATIO 1.24 | DIV'D YLD 2.5% | VALUE LINE

TIMELINESS 3 Raised 7/1/11
SAFETY 1 Raised 10/11/02
TECHNICAL 3 Lowered 12/16/11
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

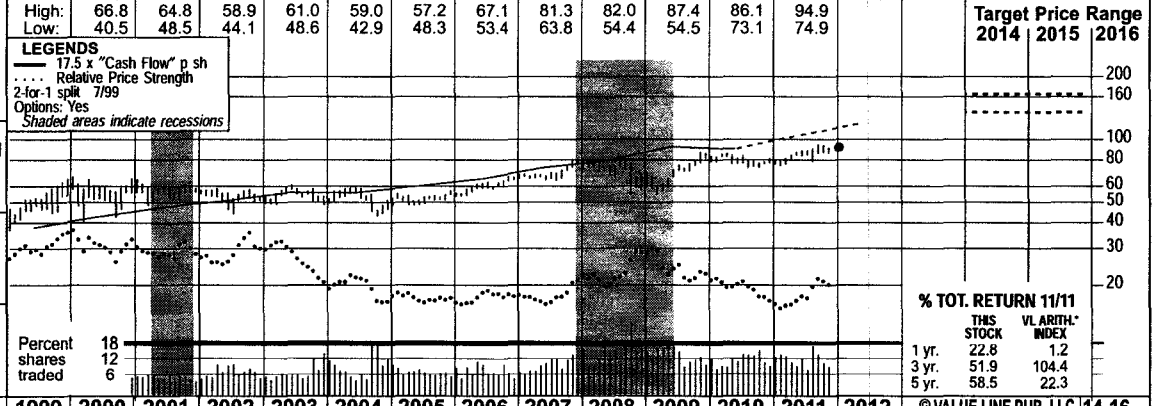
	Price	Gain	Ann'l Total Return
High	165	(+80%)	18%
Low	135	(+45%)	12%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	9	0	0	18	0	0	4	0	0
to Sell	20	3	2	14	2	3	6	8	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	377	379	387
to Sell	513	474	475
Hld's(000)	347111	353232	350049



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
14.33	14.87	15.33	15.33	15.75	16.51	17.12	17.34	18.59	20.10	22.08	23.87	27.09	30.57	31.02	31.45	*35.15*	*38.30*	Sales per sh E	*48.65*
1.41	1.58	1.76	1.98	2.17	2.44	2.70	2.92	3.20	3.18	3.42	3.71	4.21	4.54	5.29	5.14	*5.95*	*6.70*	"Cash Flow" per sh	*9.00*
.90	1.05	1.22	1.31	1.47	1.70	1.91	2.19	2.46	2.42	2.64	2.91	3.38	3.66	4.37	4.31	*5.05*	*5.55*	Earnings per sh A	*7.60*
.44	.47	.53	.55	.59	.63	.68	.72	.90	.96	1.11	1.25	1.40	1.56	1.72	2.03	*2.27*	*2.50*	Div'ds Decl'd per sh B■	*3.40*
.74	.78	.81	.67	.64	.65	.62	.64	.57	.66	.75	.93	1.15	1.36	1.16	1.11	*1.00*	*1.20*	Cap'l Spending per sh	*1.60*
2.19	2.79	3.04	2.92	2.21	1.61	.54	d.37	.63	1.84	2.12	2.32	4.10	3.47	5.96	5.41	*6.55*	*7.25*	Book Value per sh C	*11.00*
583.42	588.54	590.81	585.42	578.86	566.66	550.72	536.00	532.61	526.63	516.17	512.66	509.03	501.41	494.17	494.85	*483.00*	*470.00*	Common Shs Outst'g D	*440.00*
19.2	19.7	25.4	32.2	33.9	32.7	29.8	24.8	22.3	21.8	19.7	20.6	20.5	19.8	16.1	18.6	*16.8*		Avg Ann'l P/E Ratio	*20.0*
1.28	1.23	1.46	1.67	1.93	2.13	1.53	1.35	1.27	1.15	1.05	1.11	1.09	1.19	1.07	1.20	*1.05*		Relative P/E Ratio	*1.35*
2.6%	2.3%	1.7%	1.3%	1.2%	1.1%	1.2%	1.3%	1.6%	1.8%	2.1%	2.1%	2.0%	2.2%	2.5%	2.5%	*2.7%*		Avg Ann'l Div'd Yield	*2.3%*
9427.8	9294.3	9903.4	10584	11397	12238	13792	15330	15327	15564	*16975*	*18000*	Sales ($mill) E	*21400*
24.0%	23.0%	24.9%	24.6%	24.5%	23.8%	24.0%	23.2%	26.6%	26.8%	*26.0%*	*26.5%*	Operating Margin	*28.0%*
336.2	296.5	315.5	327.8	329.3	328.7	333.9	347.6	351.0	376.0	*420*	*440*	Depreciation ($mill)	*515*
1174.6	1288.3	1421.3	1375.1	1466.6	1601.5	1835.7	1957.2	2291.0	2203.0	*2465*	*2715*	Net Profit ($mill)	*3450*
30.8%	31.1%	30.4%	33.6%	35.2%	31.9%	32.9%	33.1%	32.2%	32.6%	*33.5%*	*33.0%*	Income Tax Rate	*33.0%*
12.5%	13.9%	14.4%	13.0%	12.9%	13.1%	13.3%	12.8%	14.9%	14.2%	*14.5%*	*15.1%*	Net Profit Margin	*16.1%*
79.9	79.4	51.1	9.2	14.1	d168.1	455.8	756.7	211.0	2.0	*650*	*600*	Working Cap'l ($mill)	*750*
2812.0	3210.8	2684.9	3089.5	2918.0	2720.4	3221.9	3585.3	2821.0	2815.0	*3750*	*3500*	Long-Term Debt ($mill)	*2500*
846.4	350.3	887.1	1245.4	1350.1	1410.9	2286.2	1922.1	3116.0	2675.0	*3175*	*3400*	Shr. Equity ($mill)	*4750*
34.5%	37.9%	41.3%	32.9%	35.8%	40.5%	34.6%	36.5%	39.4%	41.0%	*36.0%*	*40.0%*	Return on Total Cap'l	*48.0%*
NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	*NMF*	*NMF*	Return on Shr. Equity	*NMF*
NMF	NMF	NMF	NMF	NMF	NMF	52.0%	65.0%	47.4%	43.8%	*43.0%*	*45.5%*	Retained to Com Eq	*41.0%*
34%	32%	36%	39%	41%	42%	41%	42%	39%	47%	*44%*	*43%*	All Div'ds to Net Prof	*43%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $4756 mill. Due in 5 Yrs $1794 mill.
LT Debt $3768 mill. LT Interest $86.0 mill.
(57% of Cap'l)

Leases, Uncapitalized Annual rentals $187 mill.

Pension Assets-12/10 $1.81 bill. **Oblig.** $2.69 bill.

Pfd Stock None
Common Stock 486,999,297 shs.

MARKET CAP: $44.6 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	600	490	945
Receivables	1626	1610	1677
Inventory (FIFO)	1209	1222	1366
Other	375	408	485
Current Assets	3810	3730	4443
Accts Payable	1172	1165	1150
Debt Due	361	609	988
Other	2066	1954	2179
Current Liab.	3599	3728	4317

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	7.0%	9.0%	*8.0%*
"Cash Flow"	8.5%	9.0%	*11.0%*
Earnings	10.5%	10.5%	*11.0%*
Dividends	11.5%	12.5%	*12.0%*
Book Value	8.0%	26.5%	*14.0%*

Calendar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	3713	3965	3988	3664	15330
2009	3503	3745	3998	4081	15327
2010	3829	3814	3943	3978	15564
2011	3994	4185	4383	*4413*	*16975*
2012	*4300*	*4400*	*4650*	*4650*	*18000*

Calendar	EARNINGS PER SHARE A Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.86	.92	.94	.94	3.66
2009	.97	1.07	1.12	1.21	4.37
2010	.69	1.17	1.21	1.24	4.31
2011	1.16	1.26	1.31	*1.32*	*5.05*
2012	*1.28*	*1.38*	*1.43*	*1.46*	*5.55*

Calendar	QUARTERLY DIVIDENDS PAID B■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.32	.36	.36	.36	1.40
2008	.36	.40	.40	.40	1.56
2009	.40	.44	.44	.44	1.72
2010	.44	.53	.53	.53	2.03
2011	.53	.58	.58	.58	

BUSINESS: Colgate-Palmolive Company is the second-largest domestic maker of toiletries, and other household products. Major brands: *Ajax, Fab, Murphy, Javex, Palmolive* cleansers; *Colgate* toothpaste; *Irish Spring, Palmolive, Softsoap* soaps; *Mennen* shave cream; *Hill's* pet food brands—Science Diet and Prescription Diet. Foreign operations: About 75% of 2010 sales. 2010 depreciation rate: 5.2%. Company has about 39,200 employees. ESOP controls 1.3% of common equivalent shares. State Street owns 7.9% of stock; BlackRock, 5.5% of stock; Officers & Directors 1.2%. (3/11 proxy). Chrmn, Pres., and CEO: Ian Cook. Inc. Delaware. Address: 300 Park Avenue, New York, New York 10022. Telephone: 212-310-2000. Internet: www.colgate.com.

Colgate-Palmolive's top line ought to continue to reap the benefits of recent initiatives. We suspect that the company's revenues advanced by a double-digit margin in the fourth quarter, benefiting from new product rollouts, price increases, and the earlier acquisition of Sanex. CL's ability to pull in consumer dollars is especially impressive, given that the macroeconomic environment remains muddied and consumers are being very frugal.

Margin pressures probably weighed on earnings growth during the holiday quarter, however. Raw material costs remain high, while the advertising and promotional programs that have been rolled out to raise awareness of new offerings raised SG&A costs considerably. As a result, 6%-7% share-net growth is expected in the December period.

Nevertheless, share-net growth is expected to pick up again in 2012. Aside from a brighter economic outlook and further traction for new products, operating costs are likely to trek downward, owing to lower advertising expenses. Strong cash flow generation, meanwhile, leads us to believe that greater share repurchases are in the cards.

Longer-term prospects appear healthy, too. Colgate is a major player in the toothpaste and toothbrush segments, comprising nearly 45% and 33% of each, respectively. And while the U.S. market may look to be maturing, overseas markets are growing rapidly. We look for further inroads abroad to offset any domestic slowdown and to drive annual double digit earnings growth out to mid-decade.

The stock is not a standout for growth . . . Although the stock has retreated a bit from the all-time high set around the time of our last report, it is still up handsomely over the 52-week period, and a fair share of the anticipated gains remain factored into the current price.

. . . but ought to be on the radar of those seeking risk-adjusted total return. CL is ranked 1 (Highest) for Safety and scores very favorable marks for Stock Price Stability and its Beta coefficient. Steady dividend increases have become commonplace and are likely to remain a priority for as far out as we can see, given CL's A++ Financial Strength rating.

Andre J. Costanza *December 30, 2011*

(A) Basic through '96, dil. thereafter. Excludes nonrec. gains/(losses): '95, ($1.27); '01, ($0.03); '09, (0.53); '10, (0.52). Includes '08, $0.21 restructuring charge. Next egs. rprt. due late January. (B) Dividends historically paid in mid-February, mid-May, mid-August, and mid-November. ■ Div'd reinvest. plan available. (C) Inc. intang.' 9/11: $4118.0 mill., $8.46/sh. (D) In mill., adjusted for stock split. (E) '97 through '01 sales restated due to change in acctg. procedure.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	100

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GENERAL MILLS NYSE-GIS

RECENT PRICE 40.77 | P/E RATIO 15.7 (Trailing: 16.4 Median: 17.0) | RELATIVE P/E RATIO 1.06 | DIV'D YLD 3.1% | VALUE LINE

TIMELINESS 3 Lowered 5/7/10
SAFETY 1 Raised 11/5/04
TECHNICAL 3 Raised 1/13/12
BETA .50 (1.00 = Market)

2014-16 PROJECTIONS

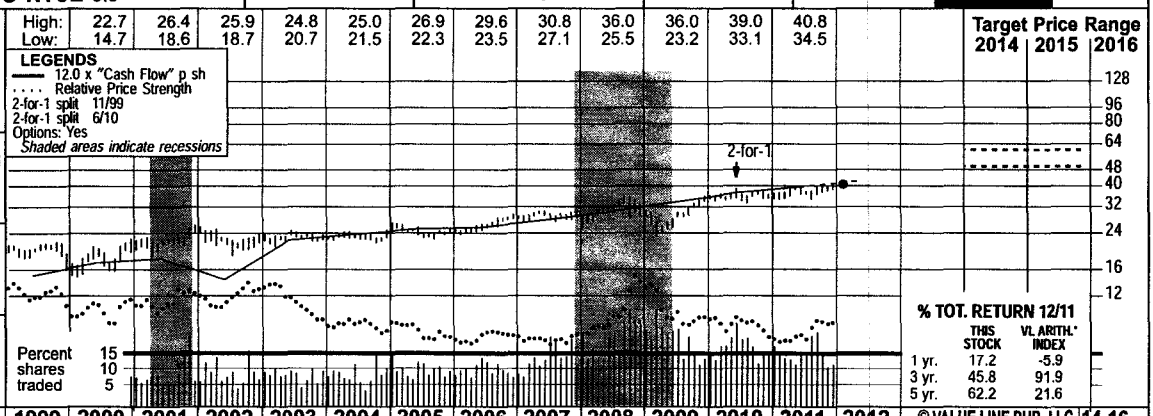
	Price	Gain	Ann'l Total Return
High	60	(+45%)	13%
Low	50	(+25%)	8%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	1	0	0	0
Options	0	2	5	6	0	1	0	3	3
to Sell	1	2	4	6	0	0	0	1	2

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	338	354	357
to Sell	375	352	345
Hld's(000)	448609	453077	458092



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
7.95	8.52	8.77	9.74	10.27	11.75	12.41	10.83	14.20	14.60	15.24	16.35	18.30	20.23	22.40	22.54	23.08	*26.10*	Sales per sh A	*30.80*
.89	1.04	1.03	1.16	1.25	1.44	1.52	1.19	1.85	1.97	2.09	2.13	2.30	2.50	2.78	3.09	3.29	*3.55*	"Cash Flow" per sh	*4.55*
.59	.75	.75	.81	.90	1.00	1.10	.85	1.33	1.43	1.37	1.45	1.59	1.76	1.99	2.30	2.48	*2.60*	Earnings per sh A B	*3.40*
.47	.48	.51	.53	.54	.55	.55	.55	.55	.55	.62	.67	.72	.79	.86	.96	1.12	*1.22*	Div'ds Decl'd per sh C■	*1.60*
--	.27	.32	.31	.46	.47	.54	.69	.96	.83	.56	.51	.68	.77	.86	.99	1.01	*1.00*	Cap'l Spending per sh	*1.20*
.22	.48	.77	.31	.27	d.51	.09	4.87	5.64	6.92	7.69	8.11	7.82	9.21	7.89	8.23	9.87	*10.70*	Book Value per sh D	*14.30*
632.00	636.00	639.60	619.20	608.00	570.00	570.40	734.00	740.00	758.00	738.00	712.00	680.00	675.00	656.00	656.50	644.80	*640.00*	Common Shs Outst'g F	*610.00*
--	18.5	20.1	21.8	20.4	19.0	17.9	27.2	16.6	16.2	17.5	16.8	17.6	16.5	15.2	14.3	14.7		Avg Ann'l P/E Ratio	*16.0*
--	1.16	1.16	1.13	1.16	1.24	.92	1.49	.95	.86	.93	.91	.93	.99	1.01	.91	.90		Relative P/E Ratio	*1.05*
--	3.4%	3.4%	3.0%	2.9%	2.9%	2.8%	2.4%	2.5%	2.4%	2.6%	2.8%	2.6%	2.7%	2.9%	2.9%	3.1%		Avg Ann'l Div'd Yield	*2.9%*
7077.7	7949.0	10506	11070	11244	11640	12442	13652	14691	14796	14880	*16700*	Sales ($mill) A	*18775*						
19.7%	19.7%	22.5%	22.4%	21.7%	20.8%	19.9%	19.3%	18.9%	21.0%	20.8%	*20.0%*	Operating Margin	*22.0%*						
223.1	296.0	365.0	399.0	443.0	424.0	418.0	459.2	453.6	457.1	472.6	*520*	Depreciation ($mill)	*575*						
643.2	581.0	1002.0	1094.0	1100.0	1090.0	1144.0	1228.7	1366.9	1571.5	1652.0	*1740*	Net Profit ($mill)	*2195*						
35.0%	36.1%	35.0%	35.0%	34.2%	34.5%	34.3%	36.1%	33.8%	34.3%	31.6%	*33.0%*	Income Tax Rate	*33.5%*						
9.1%	7.3%	9.5%	9.9%	9.8%	9.4%	9.2%	9.0%	9.3%	10.6%	11.1%	*10.4%*	Net Profit Margin	*11.7%*						
d800.6	d2310	d265.0	458.0	d1129	d2962	d2791	d1236	d71.1	d289.1	242.8	*d850*	Working Cap'l ($mill)	*600*						
2221.0	5591.0	7516.0	7410.0	4255.0	2415.0	3218.0	4348.7	5754.8	5268.5	5542.5	*5225*	Long-Term Debt ($mill)	*5500*						
52.2	3576.0	4175.0	5248.0	5676.0	5772.0	5319.0	6215.8	5174.7	5402.9	6365.5	*6860*	Shr. Equity ($mill)	*8720*						
30.6%	7.8%	10.4%	10.7%	13.0%	14.8%	14.7%	13.3%	13.8%	16.2%	15.3%	*16.0%*	Return on Total Cap'l	*16.5%*						
1232.2%	16.2%	24.0%	20.8%	19.4%	18.9%	21.5%	19.8%	26.4%	29.1%	26.0%	*25.5%*	Return on Shr. Equity	*25.0%*						
633.7%	6.2%	14.3%	13.0%	11.3%	10.5%	12.0%	11.2%	15.2%	17.2%	14.5%	*13.5%*	Retained to Com Eq	*13.5%*						
49%	62%	41%	38%	42%	44%	44%	43%	42%	41%	44%	*47%*	All Div'ds to Net Prof	*47%*						

CAPITAL STRUCTURE as of 11/27/11
Total Debt $7829.0 mill. **Due in 5 Yrs** $4815.0 mill.
LT Debt $5247.6 mill. **LT Interest** $340.0 mill.
(Total interest coverage: 7.8x) (44% of Cap'l)

Leases, Uncapitalized Annual rentals $261.4 mill.
Plan Assets-5/11 $4.3 bill. **Oblig.** $4.5 bill.

Pfd Stock None

Common Stock 644,651,180 shs.
as of 12/9/11
(Options exercisable: 7.5%)
MARKET CAP: $26.3 billion (Large Cap)

CURRENT POSITION ($MILL.)	2010	2011	11/27/11
Cash Assets	673.2	619.6	509.1
Receivables	1041.6	1162.3	1510.4
Inventory (LIFO)	1344.0	1609.3	1628.7
Other	421.2	510.8	373.4
Current Assets	3480.0	3902.0	4021.6
Accts Payable	849.5	995.1	1096.5
Debt Due	1157.4	1342.6	2581.4
Other	1762.2	1321.5	1464.1
Current Liab.	3769.1	3659.2	5142.0

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '14-'16
Sales	7.0%	8.0%	*6.5%*
"Cash Flow"	8.0%	8.0%	*8.5%*
Earnings	8.5%	10.0%	*8.5%*
Dividends	6.0%	10.0%	*10.5%*
Book Value	--	2.5%	*10.5%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Aug.Per	Nov.Per	Feb.Per	May Per	Full Fiscal Year
2008	3072	3703	3406	3471	13652
2009	3497	4011	3537	3646	14691
2010	3519	4078	3629	3570	14796
2011	3533	4066	3646	3635	14880
2012	3848	4624	*4150*	*4078*	*16700*

Fiscal Year Ends	EARNINGS PER SHARE ABE Aug.Per	Nov.Per	Feb.Per	May Per	Full Fiscal Year
2008	.41	.56	.44	.37	1.76
2009	.48	.68	.40	.43	1.99
2010	.64	.77	.49	.40	2.30
2011	.64	.76	.56	.52	2.48
2012	.64	.76	*.62*	*.58*	*2.60*

Cal-endar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.195	.20	.215	.215	.83
2009	.215	.215	.235	.235	.90
2010	.245	.245	.28	.28	1.05
2011	.28	.28	.305	.305	1.17
2012					

BUSINESS: General Mills, Inc. processes and markets consumer foods. Sales breakdown (excl. joint ventures): U.S. Retail, including cereals, U.S. Pillsbury, baking/snacks/yogurt, meals (69% of revenues); Int'l (19%); and Bakeries & Foodservice (12%). Well known brands: *Cheerios, Wheaties, Total, Chex, Betty Crocker, Bisquick, Hamburger Helper, Yoplait,* and *Progresso.* Acq'd. controlling interest in Yoplait, 7/11; *Pillsbury,* 11/01; *Chex,* 2/97. Owns 50% of Cereal Partners Worldwide with Nestle. Has 35,000 emplys. Officers/directors own 1.3% of common stock; State Street Corp., 6.3% (8/11 proxy). Chairman & CEO: Kendall J. Powell. Inc.: DE. Address: Number One General Mills Blvd., Minneapolis, MN 55426. Tel.: 763-764-7600. Internet: www.generalmills.com.

The first half of fiscal 2012 (year ends May 27th) was a lackluster one for General Mills. Indeed, the company earned $1.40 a share for the first six months, excluding $0.12 in one-time charges—that tally was a penny below the year-earlier figure. A few factors contributed to the shortfall, most notably an increase in input costs. Management said on its second-quarter conference call that cost inflation should be 10% to 11% for the full fiscal year. Too, earlier pricing actions taken to offset the inflationary pressures resulted in a reduction in volumes (more below). Moreover, increased media spending during the first two periods pressured the cereal and snacks giant's margins.

The recent decrease in volume bears watching. The biggest concern remains the falloff in the company's domestic operations. In fact, U.S. retail sales volume fell 7%, year over year, in the November period. The yogurt category is also under pressure, as traditional yogurt products have faced stiff competition from Greek yogurt varieties, which are growing very popular among health-conscious consumers. General Mills believes that its recent acquisition of the *Yoplait* brand will increase its exposure to the category in time, but core Greek yogurt consumers have yet to warm to the new *Yoplait* Greek offerings. That said,

We are keeping our fiscal 2012 net estimate at $2.60 a share, despite this sluggishness. Earlier pricing actions should continue to gain traction and management believes that inflation will ease some in the second half. It should also be noted that General Mills is some 90% hedged against commodity cost inflation during the final six months of fiscal 2012.

This equity may not be a good choice for momentum-driven accounts, given the aforementioned operating difficulties. A pickup in domestic volume, specifically in the cereal and yogurt categories, may be needed before near-term earnings growth returns to a more-normal pace.

But it remains a good holding for conservative, income-oriented investors. Steady dividend increases, supported by a solid cash flow, are the norm here. Note too, General Mills' excellent financial mark (A+).

William G. Ferguson *January 27, 2012*

(A) Fiscal year ends last Sun. in May.
(B) Primary egs. through 1997, dil. thereafter. Excl. nonrecurring: '95, 18¢; '98, 10¢; '99, 5¢; '00, 1¢; '01, 4¢; '02, (18¢); '03, (11¢); '04, (5¢); '05, (17¢); '08, 10¢; '09, (9¢); '10, (6¢); '11, 22¢; '12 Q1-Q2; (12¢). Next egs. report due late March. (C) Div'ds. historically paid in Feb, May, Aug., and Nov. ■ Div'd reinvestment plan available. (D) Includes intang. At 11/27/11: $12.9 bill., $20.01/sh. (E) Quarterly egs. may not sum to total due to rounding/changes in shs. outstanding. (F) In mills., adj. for splits.

Company's Financial Strength	A+
Stock's Price Stability	100
Price Growth Persistence	45
Earnings Predictability	100

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KELLOGG CO. NYSE-K

RECENT PRICE 50.89 | P/E RATIO 15.0 (Trailing: 15.7 / Median: 19.0) | RELATIVE P/E RATIO 1.01 | DIV'D YLD 3.4% | VALUE LINE

TIMELINESS 4 Lowered 11/11/11
SAFETY 1 Raised 1/30/09
TECHNICAL 3 Raised 1/6/12
BETA .55 (1.00 = Market)

2014-16 PROJECTIONS

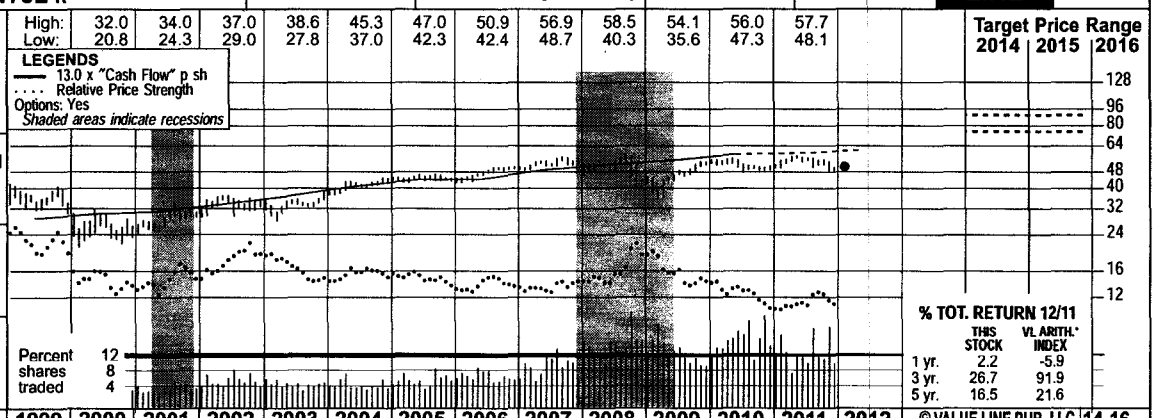
	Price	Gain	Ann'l Total Return
High	90	(+75%)	18%
Low	75	(+45%)	13%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	5	0	0	6	0	0	0	0	0
to Sell	8	1	1	7	1	1	1	0	1

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	196	217	218
to Sell	293	259	243
Hld's(000)	205799	287233	285527



% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	2.2	-5.9
3 yr.	26.7	91.9
5 yr.	16.5	21.6

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
	16.16	15.92	16.47	16.70	17.23	17.15	21.77	20.36	21.51	23.28	25.11	27.42	30.19	33.58	32.97	33.91	37.10	38.85	Sales per sh	47.70
	2.36	2.10	2.39	2.04	2.21	2.32	2.39	2.60	2.83	3.15	3.39	3.41	3.78	3.99	4.18	4.48	4.55	4.70	"Cash Flow" per sh	6.35
	1.74	1.48	1.70	1.35	1.50	1.61	1.31	1.73	1.93	2.16	2.36	2.51	2.76	2.99	3.16	3.30	3.35	3.50	Earnings per sh [A]	4.90
	.75	.81	.87	.92	.96	1.00	1.01	1.01	1.01	1.01	1.06	1.14	1.20	1.30	1.43	1.56	1.67	1.72	Div'ds Decl'd per sh [B] ■	2.15
	.73	.73	.75	.92	.66	.57	.68	.62	.60	.67	.92	1.14	1.21	1.21	.99	1.30	1.65	1.70	Cap'l Spending per sh	2.00
	3.67	3.06	2.40	2.20	2.01	2.21	2.14	2.19	3.52	5.47	5.63	5.20	6.48	3.79	5.96	5.90	6.30	6.45	Book Value per sh [C]	9.10
	433.41	419.30	414.82	405.00	405.46	405.64	406.61	407.85	409.70	413.02	405.33	397.70	390.05	381.86	381.38	365.60	355.00	350.00	Common Shs Outst'g [D]	325.00
	19.2	24.3	24.0	28.6	23.8	16.1	21.8	19.5	17.3	19.2	18.9	18.9	19.0	17.0	14.5	15.7	16.0		Avg Ann'l P/E Ratio	16.5
	1.28	1.52	1.38	1.49	1.36	1.05	1.12	1.07	.99	1.01	1.01	1.02	1.01	1.02	.97	1.01	1.00		Relative P/E Ratio	1.10
	2.2%	2.3%	2.1%	2.4%	2.7%	3.9%	3.5%	3.0%	3.0%	2.4%	2.4%	2.4%	2.3%	2.6%	3.1%	3.0%	3.1%		Avg Ann'l Div'd Yield	2.7%
							8853.3	8304.1	8811.5	9613.9	10177	10907	11776	12822	12575	12397	13175	13600	Sales ($mill)	15500
							19.1%	22.4%	21.8%	21.8%	21.0%	19.4%	19.0%	18.2%	19.0%	19.2%	18.0%	17.5%	Operating Margin	19.0%
							438.6	348.4	372.8	410.0	391.8	352.7	372.0	375.0	384.0	392.0	400	415	Depreciation ($mill)	475
							532.8	710.7	787.1	890.6	980.4	1004.1	1103.0	1148.0	1212.0	1247.0	1225	1230	Net Profit ($mill)	1595
							39.8%	37.0%	32.7%	34.8%	31.2%	31.7%	28.7%	29.7%	28.3%	28.8%	29.0%	29.0%	Income Tax Rate	30.0%
							6.0%	8.6%	8.9%	9.3%	9.6%	9.2%	9.4%	9.0%	9.6%	10.1%	9.3%	9.0%	Net Profit Margin	10.3%
							d305.6	d1252	d968.8	d724.2	d966.3	d1593	d1327	d1031	270.0	d269.0	150	175	Working Cap'l ($mill)	625
							5619.0	4519.4	4265.4	3892.6	3702.6	3053.0	3270.0	4068.0	4835.0	4908.0	5300	5000	Long-Term Debt ($mill)	4250
							871.5	895.1	1443.2	2257.2	2283.7	2069.0	2526.0	1448.0	2272.0	2158.0	2230	2250	Shr. Equity ($mill)	2965
							10.4%	16.2%	16.6%	16.5%	18.1%	21.8%	21.3%	23.1%	19.1%	19.9%	18.0%	18.5%	Return on Total Cap'l	24.0%
							61.1%	79.4%	54.5%	39.5%	42.9%	48.5%	43.7%	79.3%	53.3%	57.8%	55.0%	55.0%	Return on Shr. Equity	54.0%
							14.1%	33.3%	26.0%	21.0%	23.9%	26.8%	24.9%	45.1%	29.3%	30.7%	27.5%	27.5%	Retained to Com Eq	30.5%
							77%	58%	52%	47%	44%	45%	43%	43%	45%	47%	50%	49%	All Div'ds to Net Prof	44%

CAPITAL STRUCTURE as of 10/1/11

Total Debt $6037 mill. **Due in 5 Yrs** $3445 mill.
LT Debt $5300 mill. **LT Interest** $245 mill.
(Total interest coverage: 8.3x)
(70% of Cap'l)
Pension Assets-1/11 $3.97 bill. **Oblig.** $3.93 bill.

Pfd Stock None
Common Stock 359,150,227 shs.
as of 10/29/11

MARKET CAP: $18.3 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	10/1/11
Cash Assets	334	444	582
Receivables	1093	1190	1302
Inventory (Avg Cst)	910	1056	1013
Other	221	225	281
Current Assets	2558	2915	3178
Accts Payable	1077	1149	1200
Debt Due	45	996	737
Other	1166	1039	1164
Current Liab.	2288	3184	3101

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	7.0%	7.5%	6.0%
"Cash Flow"	7.0%	6.0%	7.0%
Earnings	8.0%	8.0%	7.5%
Dividends	4.0%	7.0%	7.0%
Book Value	9.5%	1.5%	9.5%

Calendar	QUARTERLY SALES ($ mill.) Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	3258	3343	3288	2933	12822
2009	3169	3229	3277	2900	12575
2010	3318	3062	3157	2860	12397
2011	3485	3386	3312	2992	13175
2012	3575	3425	3475	3125	13600

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.81	.82	.89	.47	2.99
2009	.84	.92	.94	.46	3.16
2010	1.09	.79	.90	.51	3.30
2011	1.00	.94	.80	.61	3.35
2012	1.03	.96	.87	.64	3.50

Calendar	QUARTERLY DIVIDENDS PAID [B] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.31	.31	.34	.34	1.30
2009	.34	.34	.375	.375	1.43
2010	.375	.375	.405	.405	1.56
2011	.405	.405	.43	.43	1.67
2012					

BUSINESS: Kellogg Company, the world's largest manufacturer of ready-to-eat cereals, also produces convenience foods, including cookies, crackers, frozen waffles, toaster pastries, and snack bars. Brand names include: *Kellogg's, Keebler, All-Bran, Frosted Flakes, Rice Krispies, Frosted Mini-Wheats, Special K, Froot Loops, Nutri-Grain, Apple Jacks, Raisin Bran, Pop-Tarts,* and *Eggo.* Foreign operations: 37% of sales in 2010, 30% of operating profit. Adv. costs: 9.1% of sales. Acquired Keebler, 3/01. Has about 30,600 employees. W.K. Kellogg Foundation controls 23.2% of common (3/11 proxy). Chairman: James Jenness. CEO & Pres.: John Bryant. Inc.: Del. Address: One Kellogg Square, Battle Creek, MI 49016-3599. Telephone: 269-961-2000. Internet: www.kelloggs.com.

Kellogg Company is glad to see 2011 in the rearview mirror. (Note: The company is scheduled to report full-year results on February 2nd.) A challenging operating environment, punctuated by higher prices for several key ingredients, took a toll on the company's operating margins. Sales growth was also muted, as consumers continued to selectively substitute cheaper-priced private-label offerings in both the cereal and snacks category. The operating results also were hurt by higher spending on manufacturing facility upgrades in the second half of 2011 (more below). Given the onerous cost environment and the recent volume weakness in the U.S. and the U.K., we have lowered our 2011 earnings estimate by a dime, to $3.35 a share, which would represent only a minimal improvement from the prior year. **Meanwhile, the cereal and snacks giant has been forced to increase its spending on plant upgrades.** A few of Kellogg's manufacturing facilities have been under scrutiny in recent quarters. The company's decision to cut the number of employees at its facilities a few years back has resulted in some safety concerns of late. In June, U.S. regulators discovered that K's Georgia plant, which produces *Keebler* and *Famous Amos* cookies, contained the bacteria listeria. The incident followed a massive recall of millions of boxes of cereal in 2010. The regulators also warned the company about other "significant violations." The subsequent spending on initiatives to bring its plants into line, some of which are still forthcoming, has penalized K's bottom line. Given these lingering issues, we have reduced our earnings outlook for 2012, despite our belief that commodity cost inflation should moderate some in the coming quarters. That said,

This equity is ranked 4 (Below Average) for Timeliness. That said, the recent operating struggles and resultant pullback in Kellogg shares may have created a nice opportunity to jump aboard for those with a longer-term horizon. Kellogg still remains a dominant player in the cereal and snacks spaces and when the aforementioned near-term problems are resolved, earnings growth should once again accelerate at a more-normal pace.

William G. Ferguson *January 27, 2012*

(A) Based on average shares thru '96; diluted thereafter. Excludes nonrecurring gains (losses): '95, ($2.24); '96, ($0.46); '97, ($0.38); '98, ($0.12); '99, ($0.67); '00, ($0.16); '01, ($0.14), '02, $0.02. Quarterly earnings may not sum to total due to a change in the share count. Next earnings report due early Feb. (B) Dividends historically paid mid-Mar, June, Sept., and Dec. ■ Div'd reinvestment plan available. (C) Includes intangibles. In '10: $5.084 billion, $13.91/sh. (D) In millions.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	100

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KIMBERLY-CLARK NYSE-KMB

RECENT PRICE **72.60** | P/E RATIO **15.9** (Trailing: 17.4 / Median: 16.0) | RELATIVE P/E RATIO **1.14** | DIV'D YLD **3.9%** | VALUE LINE

TIMELINESS 3 Raised 12/30/11
SAFETY 1 New 7/27/90
TECHNICAL 3 Lowered 12/2/11
BETA .55 (1.00 = Market)

2014-16 PROJECTIONS

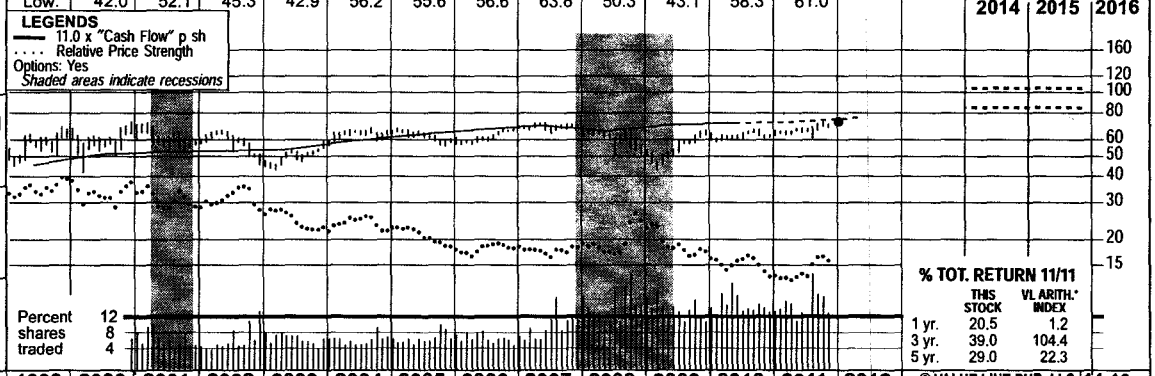
	Price	Gain	Ann'l Total Return
High	105	(+45%)	12%
Low	85	(+15%)	8%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	1	0	0	0	0	0	0
Options	3	0	2	6	0	0	1	0	0
to Sell	3	0	2	6	0	0	0	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	397	414	449
to Sell	425	382	382
Hld's(000)	266503	265732	267218



	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
	24.71	23.34	22.55	22.85	24.06	26.21	27.96	26.56	28.60	31.23	34.46	36.76	43.40	46.94	45.84	48.53	*52.70*	*56.00*	Sales per sh	*63.65*
	3.02	3.49	3.41	3.46	4.14	4.64	4.78	4.81	4.91	5.39	5.74	6.10	6.34	5.98	6.40	6.53	*6.60*	*6.95*	"Cash Flow" per sh	*8.80*
	1.98	2.49	2.50	2.45	2.98	3.31	3.27	3.36	3.38	3.61	3.78	3.90	4.25	4.06	4.52	4.45	*4.35*	*4.65*	Earnings per sh [A]	*6.50*
	.90	.92	.95	.99	1.03	1.08	1.12	1.20	1.36	1.60	1.80	1.96	2.08	2.27	2.38	2.58	*2.76*	*2.80*	Div'ds Decl'd per sh [B]■	*3.00*
	1.47	1.57	1.70	1.24	1.45	2.19	2.12	1.70	1.75	1.11	1.54	2.13	2.35	2.19	2.03	2.37	*2.60*	*2.55*	Cap'l Spending per sh	*2.45*
	6.54	7.96	7.42	7.22	9.42	10.81	10.87	11.06	13.49	13.73	12.04	13.38	12.41	9.38	12.96	14.54	*15.55*	*16.15*	Book Value per sh [C]	*21.25*
	558.00	563.40	556.30	538.30	540.60	533.40	519.50	510.80	501.60	482.90	461.50	455.60	420.90	413.60	417.00	406.90	*395.00*	*390.00*	Common Shs Outst'g [D]	*375.00*
	15.5	16.3	20.2	19.9	19.0	17.9	18.8	17.5	14.9	17.6	16.5	15.9	16.3	15.2	12.2	14.1	*15.4*		Avg Ann'l P/E Ratio	*14.5*
	1.04	1.02	1.16	1.03	1.08	1.16	.96	.96	.85	.93	.88	.86	.87	.91	.81	.91	*.95*		Relative P/E Ratio	*.95*
	2.9%	2.3%	1.9%	2.0%	1.8%	1.8%	1.8%	2.0%	2.7%	2.5%	2.9%	3.2%	3.0%	3.7%	4.3%	4.1%	*4.1%*		Avg Ann'l Div'd Yield	*3.2%*
							14524	13566	14348	15083	15903	16747	18266	19415	19115	19746	*20825*	*21850*	Sales ($mill)	*23875*
							21.8%	18.7%	22.8%	22.3%	21.4%	21.4%	18.5%	17.2%	19.4%	18.7%	*17.5%*	*17.8%*	Operating Margin	*20.0%*
							739.6	706.6	745.8	800.3	844.5	932.8	806.5	775.0	783.0	813.0	*825*	*830*	Depreciation ($mill)	*860*
							1742.2	1748.5	1716.7	1800.2	1803.7	1844.5	1861.6	1698.0	1884.0	1843.0	*1785*	*1870*	Net Profit ($mill)	*2430*
							28.1%	28.2%	24.0%	21.7%	20.2%	26.1%	21.5%	27.0%	29.0%	30.9%	*32.0%*	*32.0%*	Income Tax Rate	*32.0%*
							12.0%	12.9%	12.0%	11.9%	11.3%	11.0%	10.2%	8.7%	9.9%	9.3%	*8.6%*	*8.6%*	Net Profit Margin	*10.6%*
							d246.1	235.6	519.4	424.7	140.2	253.9	1168.0	1061.0	932.0	990.0	*960*	*1050*	Working Cap'l ($mill)	*1300*
							2424.0	2844.0	2733.7	2298.0	2594.7	2276.0	4393.9	4882.0	4792.0	5120.0	*5400*	*5400*	Long-Term Debt ($mill)	*5400*
							5646.9	5650.3	6766.3	6629.5	5558.2	6097.4	5223.7	3878.0	5406.0	5917.0	*6145*	*6290*	Shr. Equity ($mill) [C]	*7975*
							22.5%	21.4%	18.9%	21.0%	23.0%	22.9%	20.7%	20.9%	19.7%	17.7%	*15.5%*	*16.0%*	Return on Total Cap'l	*19.0%*
							30.9%	30.9%	25.4%	27.2%	32.5%	30.3%	35.6%	43.8%	34.9%	31.1%	*29.0%*	*29.5%*	Return on Shr. Equity	*32.0%*
							20.4%	20.1%	15.4%	15.6%	17.4%	15.8%	17.8%	19.3%	16.6%	13.1%	*11.5%*	*12.5%*	Retained to Com Eq	*18.0%*
							34%	35%	39%	43%	46%	48%	50%	56%	52%	58%	*61%*	*58%*	All Div'ds to Net Prof	*44%*

CAPITAL STRUCTURE as of 9/30/11
Total Debt $6180.0 mill. **Due 5 Yrs** $2065.0 mill.
LT Debt $5422.0 mill. **LT Interest** $625.0 mill.
(LT interest earned: 13.2x)
(50% of Cap'l)

Leases, Uncapitalized Annual rentals $194.0 mill.
Pension Assets-12/10 $4.60 bill. **Oblig.** $5.66 bill.

Pfd Stock None
Common Stock 394,097,360 shs.
as of 10/31/11

MARKET CAP: $28.6 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/30/11
Cash Assets	798	876	1232
Receivables	2566	2472	2434
Inventory (LIFO)[E]	2033	2373	2421
Other	467	607	452
Current Assets	5864	6328	6539
Accts Payable	1920	2206	2262
Debt Due	610	344	758
Other	2402	2788	2796
Current Liab.	4932	5338	5816

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	7.0%	8.5%	*5.0%*
"Cash Flow"	4.5%	3.5%	*5.5%*
Earnings	4.0%	4.0%	*7.0%*
Dividends	9.0%	8.5%	*3.5%*
Book Value	3.0%	-1.0%	*9.5%*

Calendar	QUARTERLY SALES ($ mill.) [F] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	4812	5006	4998	4598	19415
2009	4493	4727	4913	4982	19115
2010	4835	4857	4979	5075	19746
2011	5029	5259	5382	*5155*	*20825*
2012	*5320*	*5450*	*5520*	*5560*	*21850*

Calendar	EARNINGS PER SHARE [A] Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	1.04	1.01	1.00	1.01	4.06
2009	.98	.97	1.40	1.17	4.52
2010	.92	1.20	1.14	1.19	4.45
2011	.86	1.03	1.09	*1.37*	*4.35*
2012	*1.00*	*1.10*	*1.15*	*1.40*	*4.65*

Calendar	QUARTERLY DIVIDENDS PAID [B]■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.49	.53	.53	.53	2.08
2008	.53	.58	.58	.58	2.27
2009	.58	.60	.60	.60	2.38
2010	.60	.66	.66	.66	2.58
2011	.66	.70	.70	.70	

BUSINESS: Kimberly-Clark develops, manufactures, and markets personal care products (*Huggies* disposable diapers, *Pull-Ups* training pants, *Kotex* feminine care products, *Depends* and *Poise* adult incontinence products); consumer tissue products (*Kleenex* facial tissue, *Scott*, *Cottonelle*, and *Kleenex* bathroom tissue, *Scott*, *Viva* paper towels), and away-from-home products (bathroom products, wipes). WalMart accounted for 13% of '10 sales. Merged with Scott Paper in '95. Spun off Neenah Paper in '04. '10 depr. rate: 4.6%. Has 57,000 employees. Officers/directors. own 1.06% of common; BlackRock, 6.06% (3/11 Proxy). Chairman, Pres., and CEO: Thomas J. Falk. Inc.: DE. Address: P.O. Box 619100, Dallas, TX 75261. Tel.: 972-281-1200. Internet: www.kimberly-clark.com.

Kimberly-Clark is gearing up for a successful 2012. Although the tissue maker likely posted mixed results for the full year (mainly due to pressures from an inflationary environment), we think that management's cost-cutting efforts will help the company rebound nicely in the coming quarters. A better product mix, coupled with higher net selling prices, helped lift sales in the back half of 2011, despite softer demand. In all, we look for revenues to proceed upward at a 5% clip, and for share earnings to climb 5%-10% in the new year.

Margin improvements seem to augur well. We believe cost pressures will continue to subside in the next few months (i.e., resin expenses began to flatten over the latter half of 2011). Moreover, the company's ongoing cost-savings program (Project FORCE) ought to help maximize its input expenses and help reduce overhead spending.

Good capital allocation should also help support totals. Even though KMB has relied on free cash flow to benefit shareholders, through share repurchases and dividend payments, we think management may slow its buyback program in order to restructure the pension program and to invest in other parts of its business.

Kimberly is bolstering its market share. Ongoing geographic diversification should help the consumer goods company penetrate undersaturated markets. Even though there may be increased currency headwinds, owing to fluctuating global economies, overall we think overseas growth will be accretive to near-term results. Too, Kimberly-Clark possesses strong brand equity, and it may well invest in increased promotional activity to help secure additional shelf space. Likewise, we imagine that the conglomerate will continue to focus on innovation and roll out new products and brand extensions in the coming quarters.

These top-quality shares offer modest near- and long-term price momentum. Even so, Kimberly-Clark's perfect scores for Safety and Financial Strength add to the issue's defensive appeal. What's more, the equity's above-average dividend yield may suit those looking for a safe income shelter.

Orly Seidman *December 30, 2011*

(A) Prim. egs thru '96, dil. after. Excl. nonrecur. gains/(losses): '95, ($1.92); '97, ($0.87); '98, ($0.27); '99, $0.11; '01, ($0.25); '02, ($0.12); '03, ($0.05); '04, ($0.01); '05, ($0.50); '06, ($0.65); '07, ($0.16); '08, ($0.04). Next egs. report due late January
(B) Div's hist. paid in early Jan., Apr., Jul., and Oct. ■ Div'd reinvestment plan available.
(C) Incl. intang. In '10: $3,690.0 mill., $9.07/sh.
(D) In millions.
(E) Foreign: FIFO.
(F) Sales may not sum due to rounding.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	40
Earnings Predictability	100

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McCORMICK NYSE-MKC

RECENT PRICE 51.40 | P/E RATIO 17.2 (Trailing: 18.4 Median: 19.0) | RELATIVE P/E RATIO 1.16 | DIV'D YLD 2.4% | VALUE LINE

TIMELINESS 3 Lowered 2/4/11
SAFETY 1 Raised 5/1/09
TECHNICAL 3 Raised 1/20/12
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

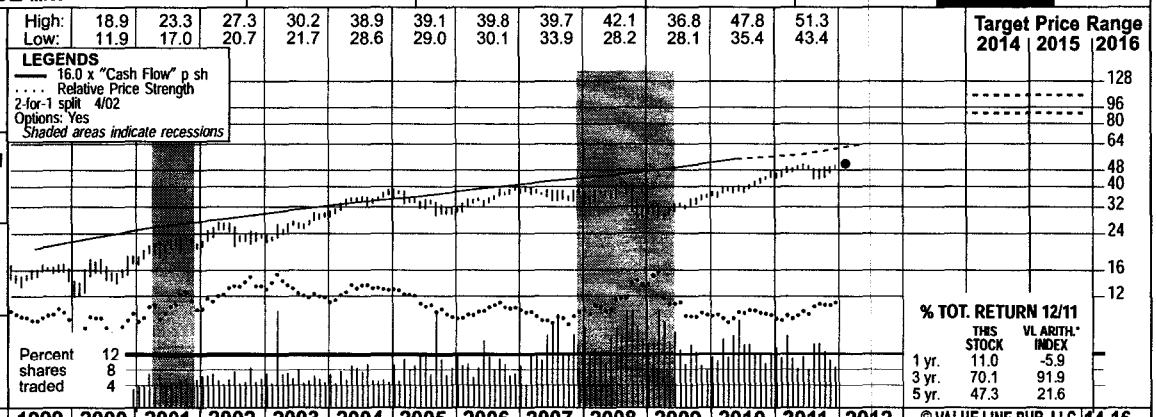
	Price	Gain	Ann'l Total Return
High	110	(+115%)	23%
Low	90	(+75%)	17%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	0	9	0	0	0	2	0	0	1
to Sell	0	0	0	0	0	1	0	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	209	203	231
to Sell	237	229	212
Hld's(000)	91300	92837	92824



% TOT. RETURN 12/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	11.0	-5.9
3 yr.	70.1	91.9
5 yr.	47.3	21.6

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
11.44	11.08	12.16	12.97	14.25	15.50	17.11	16.56	16.53	18.60	19.55	20.88	22.82	24.42	24.22	25.07	*27.25*	*29.45*	Sales per sh [A]	*37.70*
.99	.94	1.00	1.11	1.27	1.45	1.64	1.76	1.93	2.10	2.24	2.45	2.64	2.83	3.06	3.39	*3.55*	*4.00*	"Cash Flow" per sh	*5.90*
.60	.52	.65	.72	.85	.99	1.10	1.26	1.40	1.51	1.61	1.72	1.92	2.14	2.34	2.65	*2.80*	*3.20*	Earnings per sh [B]	*5.05*
.26	.28	.30	.32	.34	.38	.40	.42	.46	.56	.64	.72	.80	.88	.96	1.04	1.12	*1.24*	Div'ds Decl'd per sh ■ [C]	*1.72*
.51	.48	.30	.38	.35	.39	.81	.79	.67	.51	.56	.65	.61	.66	.63	.67	*.65*	*.70*	Cap'l Spending per sh	*.80*
3.20	2.88	2.66	2.68	2.72	2.62	3.34	4.23	5.50	6.55	6.03	7.17	8.49	8.11	10.13	10.99	*13.35*	*15.15*	Book Value per sh [D]	*23.10*
162.44	156.41	148.05	145.00	140.80	137.03	138.67	140.09	137.34	135.79	132.60	130.10	127.80	130.10	131.80	133.10	*134.00*	*135.00*	Common Shs Outst'g [E]	*138.00*
18.4	21.8	19.1	21.9	18.6	15.5	18.6	18.7	18.3	22.0	21.3	20.0	19.4	17.2	13.7	14.8	*17.1*		Avg Ann'l P/E Ratio	*20.0*
1.23	1.37	1.10	1.14	1.06	1.01	.95	1.02	1.04	1.16	1.13	1.08	1.03	1.04	.91	.95	*1.05*		Relative P/E Ratio	*1.35*
2.4%	2.5%	2.4%	2.0%	2.2%	2.5%	2.0%	1.8%	1.8%	1.7%	1.9%	2.1%	2.2%	2.4%	3.0%	2.6%	2.3%		Avg Ann'l Div'd Yield	*1.7%*
2372.3	2320.0	2269.6	2526.2	2592.0	2716.4	2916.2	3176.6	3192.1	3336.8	*3650*	*3975*	Sales ($mill) [A]	*5200*
13.7%	15.2%	16.1%	15.9%	16.6%	15.8%	16.0%	15.8%	18.0%	18.1%	*19.0%*	*19.5%*	Operating Margin	*22.5%*
73.0	66.8	65.3	72.0	74.6	86.8	82.6	85.6	94.3	95.1	*98.0*	*100*	Depreciation ($mill)	*106*
154.3	179.8	199.2	213.3	222.2	231.9	255.3	282.2	309.5	356.3	*380*	*440*	Net Profit ($mill)	*710*
32.8%	31.6%	30.9%	30.1%	32.8%	20.5%	23.4%	25.5%	30.4%	28.5%	*30.0%*	*30.0%*	Income Tax Rate	*30.0%*
6.5%	7.8%	8.8%	8.4%	8.6%	8.5%	8.8%	8.9%	9.7%	10.7%	*10.4%*	*11.1%*	Net Profit Margin	*13.7%*
d77.9	51.2	49.4	91.3	101.2	118.9	121.8	d65.8	152.3	181.1	*545*	*630*	Working Cap'l ($mill)	*1095*
454.1	453.9	448.6	465.0	463.9	569.6	573.5	885.2	875.0	779.9	*975*	*850*	Long-Term Debt ($mill)	*325*
463.1	592.3	755.2	889.7	799.9	933.3	1085.1	1055.3	1334.6	1462.7	*1790*	*2045*	Shr. Equity ($mill)	*3190*
18.8%	18.8%	17.7%	16.9%	18.8%	16.6%	16.6%	15.4%	15.2%	17.0%	*14.5%*	*16.0%*	Return on Total Cap'l	*21.0%*
33.3%	30.4%	26.4%	24.0%	27.8%	24.8%	23.5%	26.7%	23.2%	24.4%	*21.0%*	*21.5%*	Return on Shr. Equity	*22.5%*
21.4%	20.5%	17.9%	15.3%	17.0%	14.7%	14.0%	16.0%	13.8%	14.9%	*13.0%*	*13.5%*	Retained to Com Eq	*15.0%*
36%	33%	32%	36%	39%	41%	41%	40%	41%	39%	*39%*	*38%*	All Div'ds to Net Prof	*33%*

CAPITAL STRUCTURE as of 8/31/11
Total Debt $1032.0 mill. **Due in 5 Yrs** $200.0 mill.
LT Debt $1031.7 mill. **LT Interest** $60.0 mill.
(LT interest earned: 10.4x; total int. cov.: 10.4x)
(37% of Cap'l)
Leases, Uncapitalized Annual rentals $20.7 mill.
Pension Assets-11/10 $582.5 mill. **Oblig.** $739.3 mill.

Pfd Stock None
Common Stock 132,665,897 shs.,
(Includes 120,224,878 non-voting shs.)

MARKET CAP: $6.8 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	8/31/11
Cash Assets	39.5	50.8	52.2
Receivables	365.3	386.7	391.7
Inventory (FIFO)	445.9	477.6	600.3
Other	119.8	100.8	119.1
Current Assets	970.5	1015.9	1163.3
Accts Payable	283.6	302.7	303.2
Debt Due	116.1	100.4	.3
Other	418.5	431.7	336.0
Current Liab.	818.2	834.8	639.5

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	5.5%	6.0%	*7.5%*
"Cash Flow"	9.5%	8.0%	*11.5%*
Earnings	11.0%	9.5%	*13.5%*
Dividends	10.5%	11.5%	*10.0%*
Book Value	14.0%	10.0%	*15.5%*

Fiscal Year Ends	QUARTERLY SALES ($ mill.) [A] Feb.28	May 31	Aug.31	Nov.30	Full Fiscal Year
2008	724.0	764.1	781.6	906.9	3176.6
2009	718.5	757.3	791.7	924.6	3192.1
2010	764.4	798.3	794.6	979.5	3336.8
2011	782.8	883.7	920.4	*1063.1*	*3650*
2012	*900*	*975*	*1000*	*1100*	*3975*

Fiscal Year Ends	EARNINGS PER SHARE [A B] Feb.28	May 31	Aug.31	Nov.30	Full Fiscal Year
2008	.41	.39	.50	.84	2.14
2009	.44	.42	.57	.91	2.34
2010	.51	.49	.66	.99	2.65
2011	.57	.55	.69	*.99*	*2.80*
2012	*.65*	*.65*	*.75*	*1.15*	*3.20*

Cal-endar	QUARTERLY DIVIDENDS PAID [C] ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.22	.22	.22	.22	.88
2009	.24	.24	.24	.24	.96
2010	.26	.26	.26	.26	1.04
2011	.28	.28	.28	.28	1.12
2012	.31				

BUSINESS: McCormick & Company, Inc. is a leading manufacturer, marketer, and distributor of spices, seasonings, flavorings, and other specialty food products for the consumer, industrial, and foodservice markets. Acquired Lawry's, '08; Zatarain's, 6/03. Sold plastic packaging products business, 8/03. Discontinued Gilroy Foods, 3/96. Foreign operations comprise 42% of sales. '10 depreciation rate: 8.2%. Has 7,500 employees. Company profit-sharing plan owns 22.7% of common stock; Harry and Lois Wells, 8.1%; officers and directors, 9.5% (2/11 Proxy). Chairman, President, and CEO: Alan Wilson. Incorporated: Maryland. Address: 18 Loveton Circle, P.O. Box 6000, Sparks, Maryland 21152-6000. Telephone: 410-771-7301. Internet: www.mccormick.com.

McCormick likely finished fiscal 2011 (year ended November 30th) on solid footing. (Results were due to be released shortly after we went to press.) Wide acceptance of the company's new products among consumers, coupled with continued strength in demand for its established offerings, probably drove a more-than-9% advance in revenues in both the fourth quarter and full year. And despite higher costs associated with the price of spices, which likely put pressure on margins in the final quarter, we believe McCormick earned around $2.80 a share in 2011, which represents an increase of almost 6% compared to the prior year's tally. Investors appear confident in the company's prospects, too, as the stock has risen around 5% in price over the last couple of months.

The company is poised for healthy gains in the coming year, as well. McCormick should to continue to benefit from its robust new product pipeline, which should drive revenue growth in coming quarters. In addition, the company will probably profit from a more aggressive pricing strategy in the year ahead. And, as costs moderate, the bottom line should expand at a nice clip. In fact, we believe McCormick will earn around $3.20 in fiscal 2012, up some 14%.

We look for double-digit earnings growth over the next 3 to 5 years. Management will likely continue to focus on investments in innovation in an effort to drive growth down the line. Too, McCormick's global footprint will probably expand further in the coming years. With a number of new products hitting the market and a growing presence around the globe, the company is poised for a strong performance over the long haul.

This stock is appealing on a couple of fronts. Although ranked to only keep pace with the broader market over the coming six- to 12-month period, McCormick's favorable long-term outlook gives this equity wide capital appreciation potential over the pull to 2014-2016. Conservative investors should also find this high-quality stock (Safety: 1) attractive. In addition, the company is likely to continue raising its dividend, making this issue of potential interest to those looking for some income.

Kathryn M. Drew *January 27, 2012*

(A) Fisc. yr. ends Nov. 30.
(B) Prim. egs. through '96, dilut. after. Excl. nonrec. losses: '96, 51¢; '98, 2¢; '99, 26¢; '01, 11¢; '04, 1¢; '05, 5¢; '06, 12¢, '07, 19¢. Next egs. report due late Mar. Earnings may not add due to rounding.
(C) Divs. historically paid in mid-Jan., Apr., July & Oct. ■ Div'd reinvest. plan avail. (D) Incl. intang. In '10: $1649.9 mill., $12.51/sh. (E) In mill., adj. for split.

Company's Financial Strength	A
Stock's Price Stability	100
Price Growth Persistence	60
Earnings Predictability	100

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PEPSICO, INC. NYSE-PEP

RECENT PRICE 64.65 | P/E RATIO 14.5 (Trailing: 16.2, Median: 21.0) | RELATIVE P/E RATIO 0.98 | DIV'D YLD 3.4% | VALUE LINE

TIMELINESS 3 Raised 5/6/11
SAFETY 1 Raised 5/11/01
TECHNICAL 3 Raised 1/13/12
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

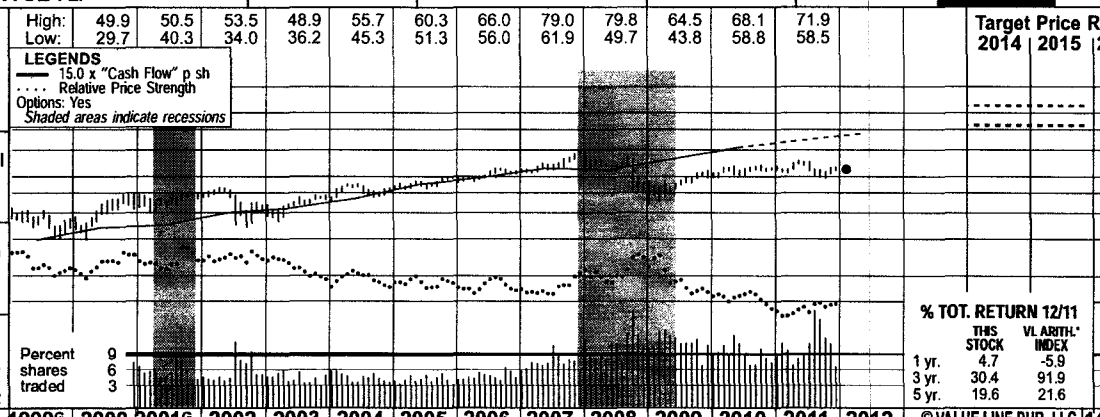
	Price	Gain	Ann'l Total Return
High	130	(+100%)	21%
Low	105	(+60%)	15%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	8	0	2	0	0	3
to Sell	1	0	0	8	0	2	0	0	3

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	687	629	728
to Sell	708	692	620
Hld's(000)	1061066	1073188	1040802



1995	1996	1997 G	1998	1999 G	2000	2001 G	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
19.30	20.48	13.93	15.19	14.00	14.13	13.79	14.58	15.82	17.43	19.66	21.45	24.59	27.85	27.62	36.58	*42.65*	*45.15*	Sales per sh A G	*53.35*
2.37	2.32	1.89	2.04	1.98	2.27	2.32	2.68	2.81	3.14	3.65	3.95	4.38	4.30	4.84	5.47	*5.95*	*6.40*	"Cash Flow" per sh	*8.15*
1.24	1.17	1.10	1.16	1.23	1.48	1.66	1.96	2.05	2.32	2.69	3.00	3.34	3.21	3.77	3.91	*4.30*	*4.60*	Earnings per sh A G B	*5.95*
.39	.45	.49	.52	.54	.56	.58	.60	.63	.85	1.01	1.16	1.43	1.60	1.75	1.89	1.99	*2.12*	Div'ds Decl'd per sh C ■	*2.36*
1.34	1.48	1.00	.96	.77	.74	.75	.83	.79	.83	1.05	1.26	1.51	1.58	1.36	2.06	*2.10*	*2.15*	Cap'l Spending per sh	*2.50*
4.64	4.29	4.62	4.35	4.73	5.01	4.91	5.37	6.94	8.03	8.58	9.36	10.71	7.77	11.12	13.56	*15.10*	*17.40*	Book Value per sh E	*25.40*
1576.0	1545.0	1502.0	1471.0	1455.0	1446.0	1756.0	1722.0	1705.0	1679.0	1656.0	1638.0	1605.0	1553.0	1565.0	1581.0	*1555.00*	*1535.00*	Common Shs Outst'g F	*1500.00*
18.5	26.5	32.5	32.4	29.8	27.7	27.8	23.6	21.5	22.1	20.6	20.4	20.5	20.5	14.7	16.5	*15.2*		Avg Ann'l P/E Ratio	*20.0*
1.24	1.66	1.87	1.69	1.70	1.80	1.42	1.29	1.23	1.17	1.10	1.10	1.09	1.23	.98	1.06	*.95*		Relative P/E Ratio	*1.35*
1.7%	1.4%	1.4%	1.4%	1.5%	1.4%	1.3%	1.3%	1.4%	1.7%	1.8%	1.9%	2.1%	2.4%	3.2%	2.9%	3.0%		Avg Ann'l Div'd Yield	*2.0%*
24218	25112	26971	29261	32562	35137	39474	43251	43232	57838	*66300*	*68300*	Sales ($mill) G	*80000*
22.7%	24.2%	23.0%	22.6%	22.9%	22.5%	21.9%	19.6%	22.4%	18.4%	*19.0%*	*20.0%*	Operating Margin	*21.0%*
1082.0	1112.0	1221.0	1264.0	1458.0	1406.0	1484.0	1543.0	1635.0	2327.0	*2450*	*2650*	Depreciation ($mill)	*3100*
3004.0	3503.0	3568.0	4004.0	4591.0	5065.0	5543.0	5142.0	5946.0	6320.0	*6815*	*7200*	Net Profit ($mill)	*9100*
32.0%	31.2%	28.5%	29.0%	29.0%	28.0%	27.4%	26.8%	26.0%	23.0%	*26.0%*	*27.0%*	Income Tax Rate	*30.0%*
12.4%	13.9%	13.2%	13.7%	14.1%	14.4%	14.0%	11.9%	13.8%	10.9%	*10.3%*	*10.5%*	Net Profit Margin	*11.4%*
855.0	361.0	515.0	1887.0	1048.0	2270.0	2398.0	2019.0	3815.0	1677.0	*2500*	*2600*	Working Cap'l ($mill)	*4000*
2651.0	2187.0	1702.0	2397.0	2313.0	2550.0	4203.0	7858.0	7400.0	19999	*20000*	*18000*	Long-Term Debt ($mill)	*12000*
8674.0	9291.0	11874	13523	14251	15368	17234	12106	17442	21476	*23500*	*26750*	Shr. Equity ($mill)	*38125*
27.2%	31.0%	26.7%	25.5%	28.1%	28.7%	26.2%	26.4%	24.6%	16.3%	*17.0%*	*17.0%*	Return on Total Cap'l	*19.0%*
34.6%	37.7%	30.0%	29.6%	32.2%	33.0%	32.2%	42.5%	34.1%	29.4%	*29.0%*	*27.0%*	Return on Shr. Equity	*24.0%*
23.3%	26.6%	21.1%	19.9%	20.8%	21.0%	19.4%	21.6%	18.5%	15.6%	*16.0%*	*15.0%*	Retained to Com Eq	*14.5%*
33%	30%	30%	33%	36%	37%	40%	49%	46%	47%	*45%*	*45%*	All Div'ds to Net Prof	*39%*

CAPITAL STRUCTURE as of 9/3/11
Total Debt $26851 mill. Due in 5 Yrs $12333 mill.
LT Debt $21781 mill. LT Interest $750 mill.
(Total interest coverage: 21.9x) (48% of Cap'l)

Leases, Uncapitalized $1676 mill.

Pension Assets-12/10 $6.6 bill. Oblig. $11.9 bill.

Pfd Stock $74.0 mill. Pfd Div'd $1.8 mill.
227,65. shs., each conv. into 4.96 common shs.
Common Stock 1,563,410,224 shs.
as of 10/5/11
MARKET CAP: $100 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	9/3/11
Cash Assets	3943	5943	3083
Receivables	4624	6323	8330
Inventory (FIFO)	2618	3372	4205
Other	1386	1931	2216
Current Assets	12571	17569	17834
Accts Payable	8127	10923	11524
Debt Due	464	4898	5070
Other	165	71	971
Current Liab.	8756	15892	17565

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	8.0%	11.5%	*9.5%*
"Cash Flow"	9.0%	9.0%	*9.5%*
Earnings	11.0%	9.0%	*9.5%*
Dividends	12.5%	16.0%	*5.0%*
Book Value	8.5%	6.5%	*16.5%*

Calendar	QUARTERLY SALES ($ mill.) A Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2008	8333	10945	11244	12729	43251
2009	8263	10592	11080	13297	43232
2010	9368	14801	15514	18155	57838
2011	11937	16827	17582	*19954*	*66300*
2012	*12450*	*17050*	*18000*	*20800*	*68300*

Calendar	EARNINGS PER SHARE A B Mar.Per	Jun.Per	Sep.Per	Dec.Per	Full Year
2008	.70	1.05	.99	.46	3.21
2009	.72	1.06	1.09	.90	3.77
2010	.89	.98	1.19	.85	3.91
2011	.71	1.17	1.25	*1.17*	*4.30*
2012	*.80*	*1.23*	*1.35*	*1.22*	*4.60*

Calendar	QUARTERLY DIVIDENDS PAID C ■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.75	.425	.425	--	1.60
2009	.85	.455	.45	--	1.75
2010	.90	.48	.48	--	1.86
2011	.96	.515	.515	--	1.99
2012					

BUSINESS: PepsiCo, Inc. operates four major businesses: Frito-Lay North America, 35% of sales and 47% of operating profits in '10; PepsiCo Beverages North America, 35% and 29%; Quaker Foods NA, 3% and 6%; and PepsiCo Int'l, (snacks and beverages), 27% and 18%. Quaker Oats acquired, 8/01; Pepsi Bottling Group and PepsiAmericas acq. 2/10. Major beverage products: *Pepsi-Cola*, *Gatorade*, *Mountain Dew*, and *Tropicana*. Specialty snack foods: Frito-Lay (brand names include *Doritos*, *Ruffles*, and *Lay's*), Walker's, Smith's, Sabritas. Has about 294,000 employees, Insiders own less than 1% of stock (3/11 Proxy). Chairman, Pres., & CEO: Indra Nooyi. Inc.: NC. Add.: 700 Anderson Hill Road, Purchase, NY 10577. Tel.: 914-253-2000. Internet: www.pepsico.com.

PepsiCo will likely face some near-term challenges. Unfavorable foreign currency translation rates may affect the bottom line in 2012. In addition, rising commodity expenses will also be a concern. As a result, we have clipped a dime off our 2012 full-year results, now $4.60. In addition, the company has intensified its advertising budget for many of its popular brands such as *Pepsi, Sobe,* and *Brisk Iced Teas.* This may cause some near-term share-net erosion, but ought to foster longer-term earnings potential.

The beverage giant has a number of growth platforms. Product innovation for both beverages and snacks is on the agenda. Meanwhile, the formation of the "Global Nutrition Group" is seeking to create healthier products. And Pepsi intends to grow this market from $10 billion to $30 billion by 2020. Also, it is seeking expansion via the acquisition route.

Arguably the biggest expansion catalyst comes from overseas markets. The beverage outfit has ample growth prospects abroad, in all areas of the business. For example, soda consumption is much lower in foreign countries than in North America. And the company is investing heavily in high-growth markets such as Russia and China. Furthermore, emerging markets like India and Turkey also provide the impetus for growth. One way the company is pursuing this is through acquisitions. Recent examples include Wimm-Bill-Dann, a Russian dairy company, and Amacoco, a Brazilian coconut water manufacturer. And PepsiCo recently entered into an agreement to form a strategic alliance with Tingyi Holdings, one of China's largest food and beverage companies, to have that company's beverage unit bottle and distribute Pepsi products.

These shares have solid 3- to 5-year appreciation potential. Moves to expand overseas, especially in emerging markets, is a good strategy, in our opinion. In addition, a well diversified portfolio should allow healthy earnings growth. The short-term prospects are not too enticing and the equity is neutrally ranked for the year ahead. But these high-quality shares are suited to conservative investors, given the high rank for Safety (1) and stellar Price Stability score of 100.

Nira Maharaj *January 27, 2012*

(A) Qrtrs. are 12, 12, 12 and 16 wks. (B) Dil. egs. after '96. Excl. nonrecur. gains (losses): '95, (24¢); '96, (45¢); '98, 15¢; '99, 14¢; '01, (14¢); '02, (11¢); '04, (12¢); '05, (27¢); '06, 34¢; '07, 7¢. '10 egs. ref. costs due to the acquisitions of its two largest bottlers. May not sum due to rounding. Next egs. rpt. due early February. (C) Divs. hist. paid Jan., Mar., Jun., Sept. ■ Reinvest. plan. avail. (E) Incl. intang. In '10: $28.5 bill., $1.80/sh. (F) In mill. (G) Ref. Restaurant spinoff ('97), sale of maj. of Pepsi Bott. Gr. ('99), and reclass. of selling exp. ('01).

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	55
Earnings Predictability	95

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PROCTER & GAMBLE NYSE-PG

RECENT PRICE 65.79 | P/E RATIO 15.6 (Trailing: 16.7 Median: 20.0) | RELATIVE P/E RATIO 1.11 | DIV'D YLD 3.2% | VALUE LINE

TIMELINESS 4 Lowered 8/19/11
SAFETY 1 Raised 1/11/02
TECHNICAL 3 Lowered 12/2/11
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

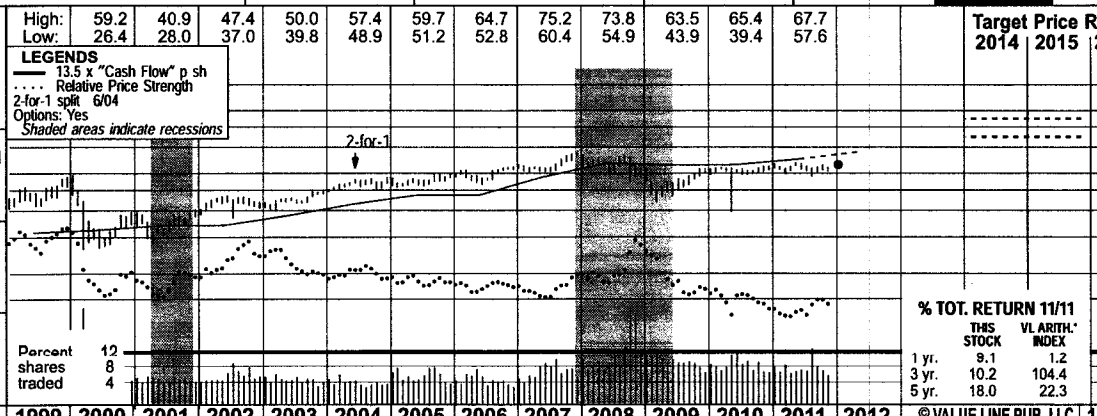
	Price	Gain	Ann'l Total Return
High	110	(+65%)	16%
Low	90	(+35%)	11%

Insider Decisions

	F	M	A	M	J	J	A	S	O
to Buy	0	0	1	0	0	0	0	0	1
Options	0	0	0	1	0	0	4	0	0
to Sell	0	0	0	3	0	0	1	0	0

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	654	642	721
to Sell	793	776	707
Hld's(000)	1586407	1583741	1564262



Target Price Range 2014 | 2015 | 2016
160
120
100
80
60
50
40
30
20
15

% TOT. RETURN 11/11

	THIS STOCK	VL ARITH.* INDEX
1 yr.	9.1	1.2
3 yr.	10.2	104.4
5 yr.	18.0	22.3

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
12.17	12.87	13.24	13.89	14.44	15.30	15.14	15.47	16.72	20.21	22.95	21.46	24.42	27.53	27.09	27.81	29.85	31.95	Sales per sh A	39.40
1.38	1.57	1.78	1.97	2.34	2.41	2.53	2.55	2.82	3.18	3.51	3.51	4.25	4.97	4.86	4.87	5.21	5.65	"Cash Flow" per sh	7.50
.93	1.07	1.14	1.28	1.43	1.48	1.56	1.80	2.04	2.32	2.53	2.64	3.04	3.64	3.58	3.53	3.93	4.22	Earnings per sh AB	5.95
.35	.40	.45	.51	.57	.64	.70	.76	.82	.93	1.03	1.15	1.28	1.45	1.64	1.80	1.97	2.14	Div'ds Decl'd per sh C■	3.00
.78	.79	.79	.96	1.07	1.16	.96	.65	.57	.80	.88	.84	.94	1.00	1.11	1.08	1.20	1.20	Cap'l Spending per sh	1.30
3.16	3.59	3.77	3.89	3.89	4.04	3.98	4.64	5.63	6.19	6.47	19.33	20.87	22.46	21.18	21.20	24.14	26.40	Book Value per sh D	32.85
2746.3	2742.4	2701.6	2674.9	2639.6	2611.7	2591.5	2601.5	2594.4	2543.8	2472.9	3178.8	3131.9	3032.7	2917.0	2838.5	2765.7	2725.0	Common Shs Outst'g E	2610.0
17.1	19.0	24.1	30.8	30.8	29.7	21.4	22.4	21.6	21.3	21.5	21.5	20.5	18.6	16.4	17.0	16.0		Avg Ann'l P/E Ratio	16.5
1.14	1.19	1.39	1.60	1.76	1.93	1.10	1.22	1.23	1.13	1.14	1.16	1.09	1.12	1.09	1.08	.97		Relative P/E Ratio	1.10
2.2%	2.0%	1.6%	1.3%	1.3%	1.5%	2.1%	1.9%	1.9%	1.9%	1.9%	2.0%	2.1%	2.1%	2.8%	3.0%	3.1%		Avg Ann'l Div'd Yield	3.0%
						39244	40238	43377	51407	56741	68222	76476	83503	79029	78938	82559	87100	Sales ($mill) A	102800
						22.6%	22.5%	23.3%	22.5%	21.7%	23.3%	24.3%	24.2%	24.3%	24.2%	22.6%	23.0%	Operating Margin	25.0%
						2271.0	1693.0	1703.0	1733.0	1884.0	2627.0	3130.0	3166.0	3082.0	3108.0	2838.0	2975	Depreciation ($mill)	3350
						4397.0	5052.0	5731.0	6481.0	6923.0	8684.0	10340	12075	11293	10946	11797	12400	Net Profit ($mill)	16200
						32.0%	28.7%	29.0%	30.7%	30.5%	30.0%	29.7%	24.9%	26.3%	27.3%	22.3%	25.0%	Income Tax Rate	25.0%
						11.2%	12.6%	13.2%	12.6%	12.2%	12.7%	13.5%	14.5%	14.3%	13.9%	14.3%	14.2%	Net Profit Margin	15.8%
						1043.0	d538.0	2682.0	d5032	d4710	4344.0	d6686	d6443	d8996	d5500	d5323	d2525	Working Cap'l ($mill)	2850
						9792.0	11201	11475	12554	12887	35976	23375	23581	20652	21360	22033	22400	Long-Term Debt ($mill)	24200
						12010	13706	16186	17278	17477	62908	66760	69494	63099	61439	68001	71900	Shr. Equity ($mill)	85700
						21.9%	21.4%	21.5%	22.6%	23.7%	9.3%	12.1%	13.8%	14.3%	13.8%	13.5%	13.5%	Return on Total Cap'l	16.0%
						36.6%	36.9%	35.4%	37.5%	39.6%	13.8%	15.5%	17.4%	17.9%	17.8%	17.3%	17.0%	Return on Shr. Equity	19.0%
						23.8%	24.5%	23.9%	25.0%	26.2%	8.1%	9.4%	10.9%	10.1%	9.1%	9.0%	9.0%	Retained to Com Eq	10.0%
						44%	41%	39%	39%	39%	43%	41%	39%	45%	50%	49%	47%	All Div'ds to Net Prof	49%

CAPITAL STRUCTURE as of 9/30/11
Total Debt $33.8 bill. **Due in 5 Yrs** *$22.5 bill.*
LT Debt $22.4 bill. **LT Interest** *$810 mill.*
(25% of Capital)
Leases, Uncapitalized Annual Rentals $264 mill.
Pension Assets-6/11 $8.0 bill.
Oblig. $12.2 bill.
Pfd Stock $1221 mill. **Pfd Div'd** $233 mill.
(As of 6/30/11, ESOP owns 65,287,000 Class A shares and 60,849,000 Class B shares; both series are convertible into common stock.)
Common Stock 2,751,320,136 shares
MARKET CAP: $181 billion (Large Cap)

CURRENT POSITION ($MILL.)	2010	2011	9/30/11
Cash Assets	2879	2768	3582
Receivables	5335	6275	6584
Inventory (FIFO)	6384	7379	8001
Other	4184	5548	4958
Current Assets	18782	21970	23125
Accts Payable	7251	8022	7290
Debt Due	8472	9981	11476
Other	8559	9290	9202
Current Liab.	24282	27293	27968

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '09-'11 to '14-'16
Sales	6.5%	5.5%	7.0%
"Cash Flow"	7.5%	8.0%	8.5%
Earnings	9.5%	8.0%	10.0%
Dividends	11.0%	11.5%	10.5%
Book Value	19.0%	16.0%	8.0%

Fiscal Year Ends	QUARTERLY SALES ($ mill.) A Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2008	20199	21575	20463	21266	83503
2009	21582	20368	18417	18662	79029
2010	19807	21027	19178	18926	78938
2011	20122	21347	20230	20860	82559
2012	21917	22273	21105	21805	87100

Fiscal Year Ends	EARNINGS PER SHARE AB Sep.30	Dec.31	Mar.31	Jun.30	Full Fiscal Year
2008	.92	.98	.82	.92	3.64
2009	1.03	.94	.83	.78	3.58
2010	.97	1.01	.83	.71	3.53
2011	1.02	1.11	.96	.84	3.93
2012	1.03	1.08	1.08	1.03	4.22

Calendar	QUARTERLY DIVIDENDS PAID C■ Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2007	.31	.35	.35	.35	1.36
2008	.35	.40	.40	.40	1.55
2009	.40	.44	.44	.44	1.72
2010	.44	.482	.482	.482	1.89
2011	.482	.525	.525	.525	

BUSINESS: The Procter & Gamble Company makes branded consumer packaged goods, which are marketed in more than 180 countries around the world. Has six reportable segments: Beauty (24% of fiscal 2011 sales, 22% of pretax profits); Grooming (10%, 13%); Health Care (14%, 16%); Snacks & Pet Care (4%, 2%); Fabric Care & Home Care (30%, 28%); and Baby Care & Family Care (19%, 19%). International sales accounted for 63% of fiscal 2011 top line; Wal-Mart Stores accounted for 15%. Has approximately 129,000 employees. Officer & directors own .3% of common stock (8/11 proxy). President, Chairman & CEO: Robert A. McDonald. Incorporated: Ohio. Address: One Procter & Gamble Plaza, Cincinnati, Ohio 45202. Telephone: 513-983-1100. Internet: www.pg.com.

Procter & Gamble will probably report lackluster results for the first half of fiscal 2012 (ends June 30th). Sales should be in the neighborhood of $44.2 billion, up about 7% from a year earlier. Excluding the impact of items like acquisitions, divestitures, and currency translation, revenues were likely about 3% higher. Top-line growth has been broad-based, as all six of the consumer products maker's business are chipping in. The bottom-line story has been different, though, thus far in fiscal 2012. Share profits were probably down modestly for the first half, as operating margins remain under pressure. SG&A expenses were up markedly as a percentage of sales, due to hefty outlays for marketing initiatives related to international expansion plans. Higher commodity costs are also taking a toll on income.

We still look for things to get better in the second half, though we have pared our estimates slightly. Full-year sales should approximate $87.1 billion, down about $1.4 billion from our previous target. Better pricing, resulting from hikes necessitated by commodity cost inflation, as well as decent volume growth, ought to more than offset likely headwinds related to unfavorable product and geographic mixes. Share earnings will probably be $4.22 in fiscal 2012, up 7% from a year earlier, though down $0.04 from our previous estimate. Again, all of the gain is expected in the back half of the year, once productivity-improvement and cost-cutting initiatives are in full swing, product price hikes gain traction, and there is some relief on the raw materials front.

All told, not much has changed here. The business environment remains decent despite global economic softness, and prospects are solid. Shares of this blue chip held up remarkably well throughout the volatile trading activity that characterized much of calendar 2011. In fact, the stock is currently just off its 52-week high, and trading in a relatively narrow range.

We continue to recommend this untimely issue to most investors. Long-term capital appreciation potential is decent, the dividend yield is solid, and volatility is almost a nonissue. Thus, the risk-reward profile is excellent.

Erik A. Antonson *December 30, 2011*

(A) Fiscal years end June 30th. (B) Based on average shares thru '96, diluted thereafter. Excludes nonrecurring: '99, (13¢); '00, (24¢); '01, (53¢); '02, (25¢); '03, (19¢); '08, (12¢); '09, (64¢); '10, 58¢. EPS may not sum due to rounding and/or changes in share count. Next earnings report due late January. (C) Dividends historically paid in February, May, August, and November. ■ Dividend reinvestment plan available. (D) Includes intangibles. In '11: $90.2 bill., $32.61 a share. (E) In millions, adjusted for splits.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	50
Earnings Predictability	100

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WAL-MART STORES NYSE-WMT

RECENT PRICE 61.39 | P/E RATIO 13.0 (Trailing: 14.0 Median: 18.0) | RELATIVE P/E RATIO 0.86 | DIV'D YLD 2.4% | VALUE LINE

TIMELINESS 2 Lowered 3/4/11
SAFETY 1 Raised 2/15/02
TECHNICAL 2 Raised 1/20/12
BETA .60 (1.00 = Market)

2014-16 PROJECTIONS

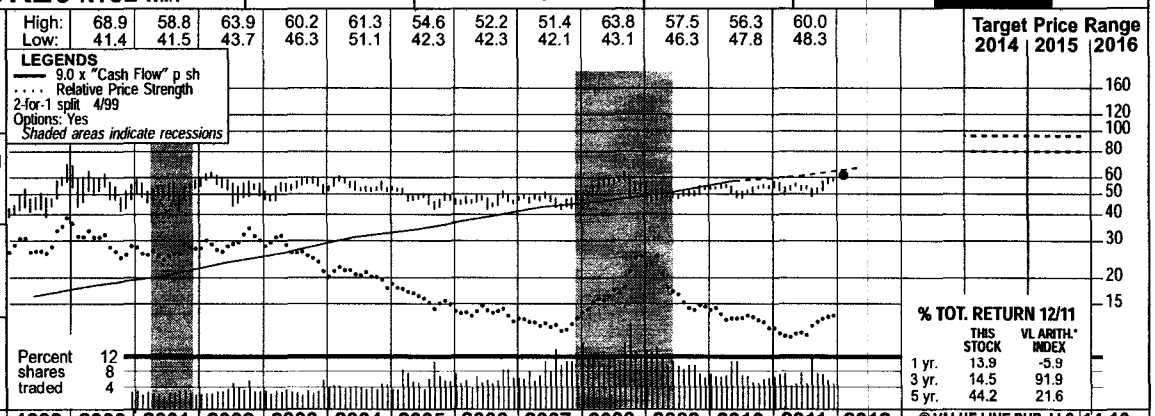
	Price	Gain	Ann'l Total Return
High	95	(+55%)	*14%*
Low	80	(+30%)	*10%*

Insider Decisions

	M	A	M	J	J	A	S	O	N
to Buy	0	0	0	0	0	0	0	0	0
Options	1	0	0	0	0	0	0	0	2
to Sell	1	0	0	2	0	0	0	0	3

Institutional Decisions

	1Q2011	2Q2011	3Q2011
to Buy	545	532	536
to Sell	700	627	634
Hld's(000)	1125611	1064079	1044324



1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	© VALUE LINE PUB. LLC	14-16
20.42	22.87	26.32	30.71	37.02	42.80	48.91	55.64	59.46	67.36	75.01	83.51	95.34	103.34	107.82	119.98	*131.00*	*143.00*	Sales per sh A	*182.75*
.88	.99	1.15	1.41	1.81	2.05	2.25	2.61	2.95	3.47	3.78	4.27	4.83	5.16	5.64	6.42	*6.75*	*7.45*	"Cash Flow" per sh	*8.95*
.60	.67	.78	.99	1.28	1.40	1.50	1.81	2.03	2.41	2.63	2.92	3.16	3.42	3.66	4.07	*4.50*	*5.00*	Earnings per sh A B	*6.00*
.10	.11	.14	.16	.19	.23	.27	.30	.35	.48	.58	.65	.83	.93	1.06	1.21	1.46	*1.75*	Div'ds Decl'd per sh ■C	*2.20*
3.22	3.74	4.13	4.71	5.80	7.01	7.88	8.95	10.12	11.67	12.77	14.91	16.26	16.63	18.69	19.49	*21.50*	*22.80*	Book Value per sh	*26.30*
4586.0	4586.0	4482.0	4482.0	4457.0	4470.0	4453.0	4395.0	4311.0	4234.0	4165.0	4131.0	3973.0	3925.0	3786.0	3516.0	*3420.0*	*3290.0*	Common Shs Outst'g D	*2900.0*
20.4	18.4	21.8	31.2	39.1	38.0	34.9	30.3	26.9	22.8	18.3	16.0	14.9	16.2	13.9	13.1	*12.2*		Avg Ann'l P/E Ratio	*14.5*
1.37	1.15	1.26	1.62	2.23	2.47	1.79	1.66	1.53	1.20	.97	.86	.79	.97	.93	.84	*.76*		Relative P/E Ratio	*.85*
.8%	.9%	.8%	.5%	.4%	.4%	.5%	.5%	.6%	.9%	1.2%	1.4%	1.8%	1.7%	2.1%	2.3%	2.7%		Avg Ann'l Div'd Yield	*2.6%*
217799	244524	256329	285222	312427	344992	378799	405607	408214	421849	*448000*	*470500*	Sales ($mill) A	*530000*
22.7%	22.9%	24.0%	24.5%	24.6%	25.0%	24.4%	24.5%	25.4%	25.3%	*25.0%*	*25.0%*	Gross Margin	*25.0%*
6.2%	6.2%	6.4%	6.6%	6.4%	6.5%	7.5%	7.3%	7.6%	7.9%	*7.8%*	*8.0%*	Operating Margin	*8.2%*
4414	4688	4906	5289	6141	6779	7262	7720	8416	8970	*9420*	*9890*	Number of Stores	*11450*
6711.0	8039.0	8861.0	10267	11014	12178	12884	13512	14204	14921	*15500*	*16700*	Net Profit ($mill)	*18000*
36.2%	35.3%	36.1%	34.7%	34.7%	33.6%	34.2%	34.2%	34.1%	34.0%	*34.0%*	*34.0%*	Income Tax Rate	*34.0%*
3.1%	3.3%	3.5%	3.6%	3.5%	3.5%	3.4%	3.3%	3.5%	3.5%	*3.4%*	*3.5%*	Net Profit Margin	*3.4%*
964.0	d2134	d2997	d4397	d5002	d5166	d10869	d6441	d7230	d6591	*d8000*	*d7000*	Working Cap'l ($mill)	*d4000*
18732	19608	20099	23669	30171	30735	33402	34549	36401	43842	*48500*	*48500*	Long-Term Debt ($mill)	*50000*
35102	39337	43623	49396	53171	61573	64608	65285	70749	68542	*73530*	*75040*	Shr. Equity ($mill)	*76360*
13.6%	14.5%	14.7%	14.8%	14.0%	14.1%	14.1%	14.5%	14.1%	14.1%	*13.5%*	*14.5%*	Return on Total Cap'l	*15.0%*
19.1%	20.4%	20.3%	20.8%	20.7%	19.8%	19.9%	20.7%	20.1%	21.8%	*21.0%*	*22.5%*	Return on Shr. Equity	*23.5%*
15.6%	17.1%	16.7%	16.3%	16.0%	15.2%	14.4%	15.0%	14.1%	15.3%	*14.5%*	*15.5%*	Retained to Com Eq	*15.0%*
19%	17%	18%	22%	23%	23%	28%	28%	30%	30%	*32%*	*31%*	All Div'ds to Net Prof	*36%*

CAPITAL STRUCTURE as of 10/31/11
Total Debt $59236 mill. **Due in 5 Yrs** $20000 mill.
LT Debt $47851 mill. **LT Interest** $2350 mill.
Incl. $2979 mill. capitalized leases.
(Total interest coverage: 11.6x) (40% of Cap'l)

Leases, Uncapitalized Annual rentals $1406 mill.

No Defined Benefit Pension Plan
Pfd Stock None

Common Stock 3,424,697,366 shs.
as of 12/6/11
MARKET CAP: $210 billion (Large Cap)

CURRENT POSITION ($MILL.)	2009	2010	10/31/11
Cash Assets	7907	7395	7063
Receivables	4144	5089	4757
Inventory (LIFO)	33160	36318	44135
Other	3120	3091	3316
Current Assets	48331	51893	59271
Accts Payable	30451	33557	37350
Debt Due	4919	6004	11385
Other	20191	18923	18604
Current Liab.	55561	58484	67339

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '08-'10 to '14-'16
Sales	11.5%	10.5%	*9.0%*
"Cash Flow"	12.5%	11.0%	*7.5%*
Earnings	12.0%	9.5%	*8.5%*
Dividends	18.5%	18.0%	*13.0%*
Book Value	12.0%	9.5%	*5.0%*

Fiscal Year Begins	QUARTERLY SALES ($ mill.) A Apr.30	Jul.31	Oct.31	Jan.31	Full Fiscal Year
2008	95303	102667	98642	108995	405607
2009	94242	100910	99411	113651	408214
2010	99811	103726	101952	116360	421849
2011	104189	109366	110226	*124219*	*448000*
2012	*111000*	*115000*	*115000*	*129500*	*470500*

Fiscal Year Begins	EARNINGS PER SHARE A B Apr.30	Jul.31	Oct.31	Jan.31	Full Fiscal Year
2008	.76	.86	.77	1.03	3.42
2009	.77	.88	.84	1.17	3.66
2010	.87	.97	.90	1.34	4.07
2011	.97	1.09	.97	*1.47*	*4.50*
2012	*1.08*	*1.20*	*1.13*	*1.59*	*5.00*

Cal-endar	QUARTERLY DIVIDENDS PAID ■ C Mar.31	Jun.30	Sep.30	Dec.31	Full Year
2008	.2375	.2375	.2375	.2375	.95
2009	.2725	.2725	.2725	.2725	1.09
2010	.3025	.3025	.3025	.3025	1.21
2011	.365	.365	.365	.365	1.46
2012					

BUSINESS: Wal-Mart Stores, Inc. is the world's largest retailer, operating 2,907 supercenters (includes sizable grocery departments), 708 discount stores, 596 Sam's Clubs, and 189 Neighborhood Markets in the U.S., plus 4,557 foreign stores, mainly in Latin America, with the balance in Asia, Canada, and the U.K. as of 1/31/11. Total store space: 985 million square feet. Most stores are owned and are within 400 miles of an expanding network of distribution centers. Groceries accounted for 54% of U.S. sales; sales per square foot in 2010: about $430. Has 2,100,000 employees. Off./dir. own 49.0% of shares (4/11 proxy). Chairman: S. Robson Walton. CEO and Pres.: Michael Duke. Inc.: DE. Addr.: 702 S.W. 8th St., Bentonville, AR 72716. Tel.: 479-273-4000. Internet: www.walmart.com.

Wal-Mart remains focused on undercutting its competitors. In aggregate, the company expects to lower prices by approximately $2 billion over the next two years by way of its "everyday low price" and "ad match guarantee" initiatives. The main objective is to improve customer loyalty and increase traffic, both of which suffered after the recession due to a shift in consumer spending toward dollar stores and Wal-Mart's admittedly ill-conceived decision to stop buying certain underperforming brands. Wal-Mart finished adding back over 10,000 items, which we believe will help consumers to once again view the retailer as a one-stop shopping destination. WMT appears to be making progress, considering traffic, while still negative on a year-over-year basis, did rise 160 basis points sequentially in the fiscal third quarter. This is coming at the expense of the gross margin, which contracted 22 basis points. A similar result likely occurred in the January period.

The company will attempt to cut costs in order to lower prices. The aforementioned price reductions should be funded through cost and productivity improvements. This involves reducing product acquisition expenses via improved vendor relationships, as well as supply chain improvements, direct sourcing, and more-efficient in-store procedures.

Inflation is a headwind. The cost of merchandise rose 4% in the third quarter, and Wal-Mart only passed 70 basis points of that advance onto consumers through higher prices. Not only is WMT trying to limit price increases, but many customers are trading down to private-label or second-tier brands, going for smaller pack sizes, or forgoing certain categories altogether. Notably, the paycheck cycle remains pronounced, with more customers coming in following pay periods.

These shares are ranked 2 (Above Average) for year-ahead relative price performance. Wal-Mart's focus on luring back low-income households through everyday low prices and other initiatives has resulted in its first positive domestic comp in over two years during the October period. This, along with steady growth overseas, ought to drive solid risk-adjusted long-term price appreciation.

Kevin Downing *February 3, 2012*

(A) Fiscal year ends Jan. 31st of following calendar year. Sales exclude rentals from licensed depts. (B) Based on diluted shares. Excludes extraord. (losses) and gains: '01, ($0.01); '05, $0.03; '08, ($0.07); '09, $0.06; '10, $0.05. Excl. gains (losses) from discontinued operation: '03, $0.04; '06, ($0.21); '07, ($0.03); '08, $0.04; '09, ($0.02). Next earnings report due February 21st. (C) Scheduled '11 div. payments in early Mar., May, Aug., and Dec. ■ Dividend reinvestment plan available. (D) In millions, adjusted for stock split.

Company's Financial Strength	A++
Stock's Price Stability	100
Price Growth Persistence	35
Earnings Predictability	100

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Growth Est	ABT
Current Qtr.	8.80%
Next Qtr.	8.00%
This Year	7.50%
Next Year	6.80%
Past 5 Years (per annum)	14.05%
Next 5 Years (per annum)	8.28%
Price/Earnings (avg. for comparison categories)	11.80
PEG Ratio (avg. for comparison categories)	1.43

Growth Est	BCR
Current Qtr.	3.30%
Next Qtr.	5.10%
This Year	4.20%
Next Year	6.10%
Past 5 Years (per annum)	13.72%
Next 5 Years (per annum)	8.49%
Price/Earnings (avg. for comparison categories)	14.25
PEG Ratio (avg. for comparison categories)	1.68

Growth Est	CHD
Current Qtr.	5.20%
Next Qtr.	5.30%
This Year	8.60%
Next Year	10.40%
Past 5 Years (per annum)	17.79%
Next 5 Years (per annum)	10.53%
Price/Earnings (avg. for comparison categories)	20.01
PEG Ratio (avg. for comparison categories)	1.90

Growth Est	KO
Current Qtr.	2.30%
Next Qtr.	3.40%
This Year	6.30%
Next Year	9.60%
Past 5 Years (per annum)	9.13%
Next 5 Years (per annum)	6.37%
Price/Earnings (avg. for comparison categories)	17.24
PEG Ratio (avg. for comparison categories)	2.71

Growth Est	CL
Current Qtr.	6.90%
Next Qtr.	6.30%
This Year	7.20%
Next Year	9.30%
Past 5 Years (per annum)	11.18%
Next 5 Years (per annum)	8.75%
Price/Earnings (avg. for comparison categories)	17.70
PEG Ratio (avg. for comparison categories)	2.02

Growth Est	GIS
Current Qtr.	0.00%
Next Qtr.	13.50%
This Year	2.40%
Next Year	9.40%
Past 5 Years (per annum)	10.74%
Next 5 Years (per annum)	7.60%
Price/Earnings (avg. for comparison categories)	15.23
PEG Ratio (avg. for comparison categories)	2.00

Growth Est	K
Current Qtr.	-1.00%
Next Qtr.	-3.20%
This Year	3.60%
Next Year	8.00%
Past 5 Years (per annum)	4.89%
Next 5 Years (per annum)	7.95%
Price/Earnings (avg. for comparison categories)	15.12
PEG Ratio (avg. for comparison categories)	1.90

Growth Est	KMB
Current Qtr.	7.30%
Next Qtr.	7.60%
This Year	6.20%
Next Year	8.00%
Past 5 Years (per annum)	3.95%
Next 5 Years (per annum)	6.13%
Price/Earnings (avg. for comparison categories)	14.16
PEG Ratio (avg. for comparison categories)	2.31

Growth Est	MKC
Current Qtr.	-7.00%
Next Qtr.	12.70%
This Year	9.00%
Next Year	9.50%
Past 5 Years (per annum)	10.69%
Next 5 Years (per annum)	8.40%
Price/Earnings (avg. for comparison categories)	17.00
PEG Ratio (avg. for comparison categories)	2.02

Growth Est	PEP
Current Qtr.	-9.50%
Next Qtr.	-9.10%
This Year	-7.00%
Next Year	8.60%
Past 5 Years (per annum)	8.17%
Next 5 Years (per annum)	6.15%
Price/Earnings (avg. for comparison categories)	15.69
PEG Ratio (avg. for comparison categories)	2.55

Growth Est	PG
Current Qtr.	-1.00%
Next Qtr.	14.30%
This Year	2.50%
Next Year	8.60%
Past 5 Years (per annum)	4.33%
Next 5 Years (per annum)	8.48%
Price/Earnings (avg. for comparison categories)	16.71
PEG Ratio (avg. for comparison categories)	1.97

Growth Est	WMT
Current Qtr.	6.10%
Next Qtr.	6.40%
This Year	8.20%
Next Year	8.80%
Past 5 Years (per annum)	9.34%
Next 5 Years (per annum)	9.10%
Price/Earnings (avg. for comparison categories)	12.60
PEG Ratio (avg. for comparison categories)	1.38

ABBOTT LABS (NYSE)

ABT 59.42 ▲0.31 (0.52%) Vol. 12,209,409

Industry / Sector Report

Industry: LARGE CAP PHARMA

Zacks Industry Rank:

Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	2.24
Quarterly Estimates	
Current Quarter Estimate	0.99
Year Ago Quarter Estimate	0.91
Next Quarter Estimate	1.21
Next Year Estimate	5.38

Growth Rates

	Company
This Year (03/2011)	7.60
Next Year (03/2012)	7.00
Last 5 Years	12.10
Next 5 Years	7.50

CR BARD INC (NYSE)

BCR 97.28 ▲1.07 (1.11%) Vol. 947,262

Industry / Sector Report

Industry: MED/DENTAL-SUPP

Zacks Industry Rank:

Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	2.94
Quarterly Estimates	
Current Quarter Estimate	1.56
Year Ago Quarter Estimate	1.51
Next Quarter Estimate	1.65
Next Year Estimate	7.10

Growth Rates

	Company
This Year (03/2011)	4.00
Next Year (03/2012)	6.70
Last 5 Years	13.50
Next 5 Years	10.40

CHURCH & DWIGHT INC (NYSE)

CHD 48.46 -0.06 (-0.12%) Vol. 1,658,913

Industry / Sector Report

Industry: SOAP&CLNG PREPS
Zacks Industry Rank:
Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	2.40
Quarterly Estimates	
Current Quarter Estimate	0.61
Year Ago Quarter Estimate	0.57
Next Quarter Estimate	0.59
Next Year Estimate	2.65

Growth Rates

	Company
This Year (03/2011)	9.70
Next Year (03/2012)	9.40
Last 5 Years	14.90
Next 5 Years	11.80

COCA COLA CO (NYSE)

KO 70.16 -0.17 (-0.24%) Vol. 11,449,619

Industry / Sector Report

Industry: BEVERAGES-SOFT
Zacks Industry Rank:
Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	1.53
Quarterly Estimates	
Current Quarter Estimate	0.88
Year Ago Quarter Estimate	0.86
Next Quarter Estimate	1.21
Next Year Estimate	4.48

Growth Rates

	Company
This Year (03/2011)	6.10
Next Year (03/2012)	9.90
Last 5 Years	9.80
Next 5 Years	8.00

COLGATE PALMOLIVE CO (NYSE)

CL 94.79 -0.63 (-0.66%) Vol. 3,074,685

Industry / Sector Report

Industry: SOAP&CLNG PREPS
Zacks Industry Rank:
Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	2.67
Quarterly Estimates	
Current Quarter Estimate	1.24
Year Ago Quarter Estimate	1.16
Next Quarter Estimate	1.34
Next Year Estimate	5.90

Growth Rates

	Company
This Year (03/2011)	7.10
Next Year (03/2012)	9.50
Last 5 Years	11.00
Next 5 Years	8.80

GENERAL MILLS INC (NYSE)

GIS 38.83 +0.14 (0.36%) Vol. 5,343,130

Industry / Sector Report

Industry: FOOD-MISC/DIVERSIFIED
Zacks Industry Rank:
Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	1.71
Quarterly Estimates	
Current Quarter Estimate	0.56
Year Ago Quarter Estimate	0.56
Next Quarter Estimate	0.58
Next Year Estimate	2.78

Growth Rates

	Company
This Year (03/2011)	2.50
Next Year (03/2012)	9.20
Last 5 Years	10.40
Next 5 Years	8.00

KELLOGG CO (NYSE)

K 52.62 -0.30 (-0.57%) Vol. 1,970,531

Industry / Sector Report

Industry: FOOD-MISC/DIVERSIFIED

Zacks Industry Rank:

Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	2.69
Quarterly Estimates	
Current Quarter Estimate	0.99
Year Ago Quarter Estimate	1.00
Next Quarter Estimate	0.91
Next Year Estimate	3.76

Growth Rates

	Company
This Year (03/2011)	3.50
Next Year (03/2012)	7.70
Last 5 Years	6.10
Next 5 Years	8.80

KIMBERLY CLARK CORP (NYSE)

KMB 72.92 N/A (N/A%) Vol. 2,336,213

Industry / Sector Report

Industry: CONSUMER PRD-MISC STPL

Zacks Industry Rank:

Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	2.85
Quarterly Estimates	
Current Quarter Estimate	1.17
Year Ago Quarter Estimate	1.09
Next Quarter Estimate	1.27
Next Year Estimate	5.55

Growth Rates

	Company
This Year (03/2011)	6.50
Next Year (03/2012)	8.50
Last 5 Years	3.80
Next 5 Years	6.50

MCCORMICK & CO INC (NYSE)

MKC 51.73 ▲0.05 (0.10%) Vol. 885,663

Industry / Sector Report

Industry: FOOD-MISC/DIVERSIFIED
Zacks Industry Rank:
Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	1.86
Quarterly Estimates	
Current Quarter Estimate	0.53
Year Ago Quarter Estimate	0.57
Next Quarter Estimate	0.62
Next Year Estimate	3.33

Growth Rates

	Company
This Year (03/2011)	7.10
Next Year (03/2012)	9.40
Last 5 Years	10.10
Next 5 Years	9.00

PEPSICO INC (NYSE)

PEP 64.47 ▲0.30 (0.47%) Vol. 8,870,444

Industry / Sector Report

Industry: BEVERAGES-SOFT
Zacks Industry Rank:
Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	2.00
Quarterly Estimates	
Current Quarter Estimate	0.67
Year Ago Quarter Estimate	0.74
Next Quarter Estimate	1.10
Next Year Estimate	4.43

Growth Rates

	Company
This Year (03/2011)	-7.00
Next Year (03/2012)	8.30
Last 5 Years	7.80
Next 5 Years	8.00

PROCTER & GAMBLE CO (NYSE)

PG 67.25 -0.43 (-0.64%) Vol. 15,713,825

Industry / Sector Report

Industry: SOAP&CLNG PREPS
Zacks Industry Rank:
Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	1.77
Quarterly Estimates	
Current Quarter Estimate	0.94
Year Ago Quarter Estimate	0.96
Next Quarter Estimate	0.95
Next Year Estimate	4.38

Growth Rates

	Company
This Year (03/2011)	2.50
Next Year (03/2012)	8.80
Last 5 Years	7.10
Next 5 Years	8.80

WAL MART STORES INC (NYSE)

WMT 60.84 -0.39 (-0.64%) Vol. 12,077,092

Industry / Sector Report

Industry: RETAIL-SUPERMKT
Zacks Industry Rank:
Rank in Industry:

Recommendations and Estimates

	Company
Average Recommendation (1=Buy, 5=Sell)	2.13
Quarterly Estimates	
Current Quarter Estimate	1.04
Year Ago Quarter Estimate	0.98
Next Quarter Estimate	1.17
Next Year Estimate	5.29

Growth Rates

	Company
This Year (03/2012)	8.00
Next Year (03/2013)	9.00
Last 5 Years	8.90
Next 5 Years	10.60

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Market Results for
Stocks, Bonds, Bills, and Inflation
1926–2010

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Table 7-5: Size-Decile Portfolios of the NYSE/AMEX/NASDAQ Long-Term Returns in Excess of CAPM

Decile	Beta*	Arithmetic Mean Return (%)	Actual Return in Excess of Riskless Rate** (%)	CAPM Return in Excess of Riskless Rate† (%)	Size Premium (Return in Excess of CAPM) (%)
1-Largest	0.91	10.92	5.76	6.14	-0.38
2	1.03	12.92	7.76	6.95	0.81
3	1.10	13.56	8.39	7.39	1.01
4	1.12	13.91	8.75	7.55	1.20
5	1.16	14.75	9.59	7.77	1.81
6	1.19	14.95	9.78	7.96	1.82
7	1.24	15.38	10.21	8.34	1.88
8	1.30	16.54	11.37	8.73	2.65
9	1.35	17.16	11.99	9.05	2.94
10-Smallest	1.41	20.97	15.81	9.45	6.36
Mid-Cap, 3-5	1.12	13.87	8.71	7.51	1.20
Low-Cap, 6-8	1.23	15.38	10.22	8.24	1.98
Micro-Cap, 9-10	1.36	18.37	13.20	9.12	4.07

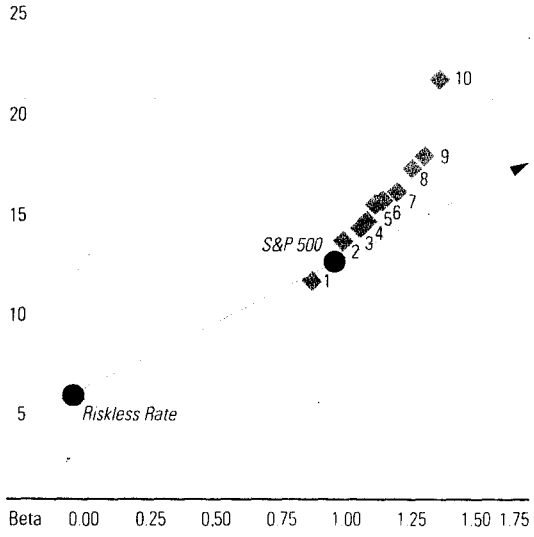
Data from 1926–2010.

*Betas are estimated from monthly returns in excess of the 30-day U.S. Treasury bill total return, January 1926–December 2010.

**Historical riskless rate measured by the 85-year arithmetic mean income return component of 20-year government bonds (5.17).

†Calculated in the context of the CAPM by multiplying the equity risk premium by beta. The equity risk premium is estimated by the arithmetic mean total return of the S&P 500 (11.88 percent) minus the arithmetic mean income return component of 20-year government bonds (5.17 percent) from 1926–2010.

Graph 7-2: Security Market Line Versus Size-Decile Portfolios of the NYSE/AMEX/NASDAQ



Data from 1926–2010.

Source: Morningstar and CRSP. Calculated (or Derived) based on data from CRSP US Stock Database and CRSP US Indices Database ©2011 Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business. Used with permission.

Third, the firm size effect is seasonal. For example, small company stocks outperformed large company stocks in the month of January in a large majority of the years. Such predictability is surprising and suspicious in light of modern capital market theory. These three aspects of the firm size effect—long-term returns in excess of systematic risk, serial correlation, and seasonality—will be analyzed thoroughly in the following sections.

Long-Term Returns in Excess of Systematic Risk

The capital asset pricing model (CAPM) does not fully account for the higher returns of small company stocks. Table 7-5 shows the returns in excess of systematic risk over the past 85 years for each decile of the NYSE/AMEX/NASDAQ. Recall that the CAPM is expressed as follows:

$$k_s = r_f + (\beta_s \times ERP)$$

Table 7-5 uses the CAPM to estimate the return in excess of the riskless rate and compares this estimate to historical performance. According to the CAPM, the expected return on a security should consist of the riskless rate plus an additional return to compensate for the systematic risk of the security. The return in excess of the riskless rate is estimated in the context of the CAPM by multiplying the equity risk premium by β (beta). The equity risk premium is the return that compensates investors for taking on risk equal to the risk of the market as a whole (systematic risk).[3] Beta measures the extent to which a security or portfolio is exposed to systematic risk.[4] The beta of each decile indicates the degree to which the decile's return moves with that of the overall market.

A beta greater than one indicates that the security or portfolio has greater systematic risk than the market; according to the CAPM equation, investors are compensated for taking on this additional risk. Yet, Table 7-5 illustrates that the smaller deciles have had returns that are not fully explained by their higher betas. This return in excess of that predicted by CAPM increases as one moves from the largest companies in decile 1 to the smallest in decile 10. The excess return is especially pronounced for micro-cap stocks (deciles 9–10). This size-related phenomenon has prompted a revision to the CAPM, which includes a size premium. Chapter 4 presents this modified CAPM theory and its application in more detail.

Average Equity Returns Authorized January 1990 - December 2010

		Electric Utilities		Gas Utilities	
Year	**Period**	**ROE %**	**(# Cases)**	**ROE %**	**(# Cases)**
1990	Full Year	12.70	(44)	12.67	(31)
1991	Full Year	12.55	(45)	12.46	(35)
1992	Full Year	12.09	(48)	12.01	(29)
1993	Full Year	11.41	(32)	11.35	(45)
1994	Full Year	11.34	(31)	11.35	(28)
1995	Full Year	11.55	(33)	11.43	(16)
1996	Full Year	11.39	(22)	11.19	(20)
1997	Full Year	11.40	(11)	11.29	(13)
1998	Full Year	11.66	(10)	11.51	(10)
1999	Full Year	10.77	(20)	10.66	(9)
2000	Full Year	11.43	(12)	11.39	(12)
2001	Full Year	11.09	(18)	10.95	(7)
2002	Full Year	11.16	(22)	11.03	(21)
2003	Full Year	10.97	(22)	10.99	(25)
	1st Quarter	11.00	(3)	11.10	(4)
	2nd Quarter	10.54	(6)	10.25	(2)
	3rd Quarter	10.33	(2)	10.37	(8)
	4th Quarter	10.91	(8)	10.66	(6)
2004	**Full Year**	**10.75**	(19)	**10.59**	(20)
	1st Quarter	10.51	(7)	10.65	(2)
	2nd Quarter	10.05	(7)	10.54	(5)
	3rd Quarter	10.84	(4)	10.47	(5)
	4th Quarter	10.75	(11)	10.40	(14)
2005	**Full Year**	**10.54**	(29)	**10.46**	(26)
	1st Quarter	10.38	(3)	10.63	(6)
	2nd Quarter	10.68	(6)	10.50	(2)
	3rd Quarter	10.06	(7)	10.45	(3)
	4th Quarter	10.39	(10)	10.14	(5)
2006	**Full Year**	**10.36**	(26)	**10.43**	(16)
	1st Quarter	10.27	(8)	10.44	(10)
	2nd Quarter	10.27	(11)	10.12	(4)
	3rd Quarter	10.02	(4)	10.03	(8)
	4th Quarter	10.56	(16)	10.27	(15)
2007	**Full Year**	**10.36**	(39)	**10.24**	(37)
	1st Quarter	10.45	(10)	10.38	(7)
	2nd Quarter	10.57	(8)	10.17	(3)
	3rd Quarter	10.47	(11)	10.49	(7)
	4th Quarter	10.33	(8)	10.34	(13)
2008	**Full Year**	**10.46**	(37)	**10.37**	(30)
	1st Quarter	10.29	(9)	10.24	(4)
	2nd Quarter	10.55	(10)	10.11	(8)
	3rd Quarter	10.46	(3)	9.88	(2)
	4th Quarter	10.54	(17)	10.27	(15)
2009	**Full Year**	**10.48**	(39)	**10.19**	(29)
	1st Quarter	10.66	(17)	10.24	(9)
	2nd Quarter	10.08	(14)	9.99	(11)
	3rd Quarter	10.26	(11)	9.93	(4)
	4th Quarter	10.30	(17)	10.09	(12)
2010	**Full Year**	**10.34**	(59)	**10.08**	(36)

Average Equity Returns Authorized January 1980 - December 1989

(Return Percent - No. of Observations)

Period	Electric Utilities	Gas Utilities	Telephone Utilities
1980 1st Quarter	13.97 (21)	13.45 (13)	12.63 (6)
2nd Quarter	14.25 (25)	14.38 (9)	12.63 (10)
3rd Quarter	14.30 (25)	13.87 (12)	12.96 (12)
4th Quarter	14.32 (33)	14.35 (23)	13.32 (12)
1980 Full Year	14.23(104)	14.05 (57)	12.94 (40)
1981 1st Quarter	14.87 (21)	14.69 (9)	13.86 (13)
2nd Quarter	15.03 (40)	14.61 (10)	14.16 (13)
3rd Quarter	15.31 (26)	14.86 (18)	14.37 (18)
4th Quarter	15.58 (36)	15.70 (23)	14.71 (20)
1981 Full Year	15.22(123)	15.11 (60)	14.33 (64)
1982 1st Quarter	15.71 (29)	15.55 (15)	14.68 (12)
2nd Quarter	15.60 (35)	15.62 (16)	15.09 (17)
3rd Quarter	15.83 (27)	15.72 (22)	15.81 (11)
4th Quarter	15.97 (34)	15.62 (30)	15.03 (14)
1982 Full Year	15.78(125)	15.62 (83)	15.13 (54)
1983 1st Quarter	15.53 (26)	15.41 (15)	14.75 (15)
2nd Quarter	15.10 (18)	14.84 (14)	14.75 (17)
3rd Quarter	15.39 (23)	15.24 (16)	14.68 (9)
4th Quarter	15.35 (28)	15.41 (20)	14.72 (30)
1983 Full Year	15.36 (95)	15.25 (65)	14.73 (71)
1984 1st Quarter	15.08 (19)	15.39 (8)	14.15 (12)
2nd Quarter	15.07 (15)	15.07 (7)	14.73 (6)
3rd Quarter	15.38 (22)	15.37 (12)	14.59 (10)
4th Quarter	15.69 (19)	15.33 (12)	14.76 (7)
1984 Full Year	15.32 (75)	15.31 (39)	14.50 (35)
1985 1st Quarter	15.51 (15)	15.03 (8)	14.63 (10)
2nd Quarter	15.27 (12)	15.44 (4)	14.60 (10)
3rd Quarter	14.91 (14)	14.64 (9)	14.58 (6)
4th Quarter	15.11 (17)	14.44 (13)	14.56 (14)
1985 Full Year	15.20 (58)	14.75 (34)	14.59 (40)
1986 1st Quarter	14.35 (14)	14.05 (4)	14.02 (6)
2nd Quarter	14.27 (16)	13.28 (9)	14.03 (7)
3rd Quarter	13.18 (10)	13.09 (5)	13.85 (2)
4th Quarter	13.52 (9)	13.62 (7)	13.55 (3)
1986 Full Year	13.93 (49)	13.46 (25)	13.93 (18)
1987 1st Quarter	12.92 (12)	12.61 (7)	12.35 (1)
2nd Quarter	13.15 (10)	13.13 (5)	12.81 (4)
3rd Quarter	13.17 (16)	12.56 (5)	13.06 (4)
4th Quarter	12.79 (19)	12.73 (12)	12.80 (4)
1987 Full Year	12.99 (57)	12.74 (29)	12.85 (13)
1988 1st Quarter	12.74 (8)	12.94 (5)	12.70 (2)
2nd Quarter	12.70 (7)	12.48 (4)	12.00 (1)
3rd Quarter	12.68 (8)	12.79 (9)	13.37 (3)
4th Quarter	12.98 (10)	12.98 (13)	13.30 (7)
1988 Full Year	12.79 (33)	12.85 (31)	13.13 (13)
1989 1st Quarter	13.04 (9)	12.99 (4)	12.95 (3)
2nd Quarter	13.22 (7)	13.25 (2)	12.79 (3)
3rd Quarter	12.38 (2)	12.56 (7)	13.75 (2)
4th Quarter	12.84 (9)	12.94 (18)	12.83 (7)
1989 Full Year	12.97 (27)	12.88 (31)	12.97 (15)

Special Research Study
January 1986

Argus UtilityScope Regulatory Service

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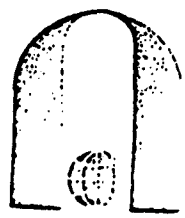

ARGUS RESEARCH CORPORATION, 42 BROADWAY, NEW YORK, N. Y. 10004

Year	ROE	Year	ROE
1974	13.1	1980	14.1
1975	13.2	1981	15.2
1976	13.1	1982	15.8
1977	13.3	1983	15.4
1978	13.2	1984	15.4
1979	13.5	1985	15.2

TABLE OF CONTENT

Commission	Page	Commission	Page
Alabama	4	Montana	64
Arizona	6	Nebraska	66
Arkansas	8	Nevada	68
California	10	New Hampshire	70
Colorado	14	New Jersey	72
Connecticut	16	New Mexico	74
Delaware	18	New York	76
District of Columbia	20	North Carolina	82
Florida	22	North Dakota	86
Georgia	24	Ohio	88
.waii	26	Oklahoma	92
idaho	28	Oregon	94
Illinois	30	Pennsylvania	96
Indiana	34	Rhode Island	100
Iowa	36	South Carolina	102
Kansas	40	South Dakota	104
Kentucky	42	Tennessee	106
Louisiana	44	Texas	108
Maine	46	Utah	112
Maryland	48	Vermont	114
Massachusetts	50	Virginia	116
Michigan	54	Washington	118
Minnesota	56	West Virginia	120
Mississippi	58	Wisconsin	122
Missouri	60	Wyoming	126

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Regulatory Research Associates
REGULATORY FOCUS

January 10, 2012

MAJOR RATE CASE DECISIONS--CALENDAR 2011

The average return on equity (ROE) authorized electric utilities was 10.22% in 2011, compared to 10.34% in 2010. There were 41 electric ROE determinations in 2011, down from 59 in 2010. The average ROE authorized gas utilities was 9.92% in 2011, compared to 10.08% in 2010. There were 16 gas cases that included an ROE determination in 2011, and 37 in 2010. We note that this report utilizes the simple mean for the return averages.

After reaching a low in the early-2000's, the number of rate case decisions for energy companies has generally increased over the last several years, although the number of decisions declined in 2011. There were 84 electric and gas rate decisions in 2011, versus 126 in 2010, 95 in 2009, and only 32 back in 2001. Increased costs, including environmental compliance expenditures, the need for generation and delivery infrastructure upgrades and expansion, renewable generation mandates, and higher employee benefit expenses argue for the continuation of an active rate case agenda over the next few years.

We note that electric industry restructuring in certain states has led to the unbundling of rates and retail competition for generation. Commissions in those states are now authorizing revenue requirement and return parameters for delivery operations only (which we footnote in our chronology beginning on page 5), thus complicating historical data comparability. We also note that while the heightened business risk associated with the sluggish economy may have increased corporate capital costs, average authorized ROEs have declined slightly since 2008. In fact, some state commissions have cited customer hardship as a significant factor influencing their equity return authorizations.

The table on page 2 shows the average ROE authorized in major electric and gas rate decisions annually since 1990, and by quarter since 2005, followed by the number of observations in each period. The tables on page 3 show the composite electric and gas industry data for all major cases summarized annually since 1998 and by quarter for the past eight quarters. The individual electric and gas cases decided in 2011 are listed on pages 5-9, with the decision date (generally the date on which the final order was issued) shown first, followed by the company name, the abbreviation for the state issuing the decision, the authorized rate of return (ROR), return on equity (ROE), and percentage of common equity in the adopted capital structure. Next we show the month and year in which the adopted test year ended, whether the commission utilized an average or a year-end rate base, and the amount of the permanent rate change authorized. The dollar amounts represent the permanent rate change ordered at the time decisions were rendered. Fuel adjustment clause rate changes are not reflected in this study. We note that the cases and averages included in this study may be slightly different from those in our on-line Rate Case History database, with any differences reflecting, for example, this study's inclusion of ROE determinations that are rendered in cost-of-capital-only proceedings in California.

(Text continued on page 4.)

Average Equity Returns Authorized January 1990 - December 2011

		Electric Utilities		Gas Utilities	
Year	**Period**	**ROE %**	**(# Cases)**	**ROE %**	**(# Cases)**
1990	Full Year	12.70	(44)	12.67	(31)
1991	Full Year	12.55	(45)	12.46	(35)
1992	Full Year	12.09	(48)	12.01	(29)
1993	Full Year	11.41	(32)	11.35	(45)
1994	Full Year	11.34	(31)	11.35	(28)
1995	Full Year	11.55	(33)	11.43	(16)
1996	Full Year	11.39	(22)	11.19	(20)
1997	Full Year	11.40	(11)	11.29	(13)
1998	Full Year	11.66	(10)	11.51	(10)
1999	Full Year	10.77	(20)	10.66	(9)
2000	Full Year	11.43	(12)	11.39	(12)
2001	Full Year	11.09	(18)	10.95	(7)
2002	Full Year	11.16	(22)	11.03	(21)
2003	Full Year	10.97	(22)	10.99	(25)
2004	Full Year	10.75	(19)	10.59	(20)
	1st Quarter	10.51	(7)	10.65	(2)
	2nd Quarter	10.05	(7)	10.54	(5)
	3rd Quarter	10.84	(4)	10.47	(5)
	4th Quarter	10.75	(11)	10.40	(14)
2005	**Full Year**	**10.54**	(29)	**10.46**	(26)
	1st Quarter	10.38	(3)	10.63	(6)
	2nd Quarter	10.68	(6)	10.50	(2)
	3rd Quarter	10.06	(7)	10.45	(3)
	4th Quarter	10.39	(10)	10.14	(5)
2006	**Full Year**	**10.36**	(26)	**10.43**	(16)
	1st Quarter	10.27	(8)	10.44	(10)
	2nd Quarter	10.27	(11)	10.12	(4)
	3rd Quarter	10.02	(4)	10.03	(8)
	4th Quarter	10.56	(16)	10.27	(15)
2007	**Full Year**	**10.36**	(39)	**10.24**	(37)
	1st Quarter	10.45	(10)	10.38	(7)
	2nd Quarter	10.57	(8)	10.17	(3)
	3rd Quarter	10.47	(11)	10.49	(7)
	4th Quarter	10.33	(8)	10.34	(13)
2008	**Full Year**	**10.46**	(37)	**10.37**	(30)
	1st Quarter	10.29	(9)	10.24	(4)
	2nd Quarter	10.55	(10)	10.11	(8)
	3rd Quarter	10.46	(3)	9.88	(2)
	4th Quarter	10.54	(17)	10.27	(15)
2009	**Full Year**	**10.48**	(39)	**10.19**	(29)
	1st Quarter	10.66	(17)	10.24	(9)
	2nd Quarter	10.08	(14)	9.99	(11)
	3rd Quarter	10.26	(11)	9.93	(4)
	4th Quarter	10.30	(17)	10.09	(13)
2010	**Full Year**	**10.34**	(59)	**10.08**	(37)
	1st Quarter	10.32	(13)	10.10	(5)
	2nd Quarter	10.12	(10)	9.88	(5)
	3rd Quarter	10.00	(7)	9.65	(2)
	4th Quarter	10.34	(11)	9.88	(4)
2011	**Full Year**	**10.22**	**(41)**	**9.92**	**(16)**

Electric Utilities--Summary Table*

	Period	ROR %	(# Cases)	ROE %	(# Cases)	Eq. as % Cap. Struc.	(# Cases)	Amt. $ Mil.	(# Cases)
1998	Full Year	9.44	(9)	11.66	(10)	46.14	(8)	-429.3	(31)
1999	Full Year	8.81	(18)	10.77	(20)	45.08	(17)	-1,683.8	(30)
2000	Full Year	9.20	(12)	11.43	(12)	48.85	(12)	-291.4	(34)
2001	Full Year	8.93	(15)	11.09	(18)	47.20	(13)	14.2	(21)
2002	Full Year	8.72	(20)	11.16	(22)	46.27	(19)	-475.4	(24)
2003	Full Year	8.86	(20)	10.97	(22)	49.41	(19)	313.8	(12)
2004	Full Year	8.44	(18)	10.75	(19)	46.84	(17)	1,091.5	(30)
2005	Full Year	8.30	(26)	10.54	(29)	46.73	(27)	1,373.7	(36)
2006	Full Year	8.24	(24)	10.36	(26)	48.67	(23)	1,465.0	(42)
2007	Full Year	8.22	(38)	10.36	(39)	48.01	(37)	1,401.9	(46)
2008	Full Year	8.25	(35)	10.46	(37)	48.41	(33)	2,899.4	(42)
2009	Full Year	8.23	(38)	10.48	(39)	48.61	(37)	4,192.3	(58)
	1st Quarter	7.95	(17)	10.66	(17)	48.36	(16)	2,010.0	(19)
	2nd Quarter	7.95	(15)	10.08	(14)	47.07	(13)	937.5	(19)
	3rd Quarter	8.16	(12)	10.26	(11)	49.52	(11)	730.6	(18)
	4th Quarter	7.95	(15)	10.30	(17)	49.00	(14)	1,889.6	(21)
2010	Full Year	7.99	(59)	10.34	(59)	48.45	(54)	5,567.7	(77)
	1st Quarter	8.12	(13)	10.32	(13)	49.05	(13)	610.5	(15)
	2nd Quarter	8.01	(10)	10.12	(10)	46.36	(10)	1,055.9	(12)
	3rd Quarter	8.09	(7)	10.00	(7)	48.33	(7)	642.4	(11)
	4th Quarter	7.61	(11)	10.34	(11)	47.91	(10)	544.7	(15)
2011	**Full Year**	**7.95**	**(41)**	**10.22**	**(41)**	**47.97**	**(40)**	**2,853.5**	**(53)**

Gas Utilities--Summary Table*

	Period	ROR %	(# Cases)	ROE %	(# Cases)	Eq. as % Cap. Struc.	(# Cases)	Amt. $ Mil.	(# Cases)
1998	Full Year	9.46	(10)	11.51	(10)	49.50	(10)	93.9	(20)
1999	Full Year	8.86	(9)	10.66	(9)	49.06	(9)	51.0	(14)
2000	Full Year	9.33	(13)	11.39	(12)	48.59	(12)	135.9	(20)
2001	Full Year	8.51	(6)	10.95	(7)	43.96	(5)	114.0	(11)
2002	Full Year	8.80	(20)	11.03	(21)	48.29	(18)	303.6	(26)
2003	Full Year	8.75	(22)	10.99	(25)	49.93	(22)	260.1	(30)
2004	Full Year	8.34	(21)	10.59	(20)	45.90	(20)	303.5	(31)
2005	Full Year	8.25	(29)	10.46	(26)	48.66	(24)	458.4	(34)
2006	Full Year	8.51	(16)	10.43	(16)	47.43	(16)	444.0	(25)
2007	Full Year	8.12	(32)	10.24	(37)	48.37	(30)	813.4	(48)
2008	Full Year	8.48	(30)	10.37	(30)	50.47	(30)	884.8	(41)
2009	Full Year	8.15	(28)	10.19	(29)	48.72	(28)	475.0	(37)
	1st Quarter	8.20	(10)	10.24	(9)	50.27	(9)	177.3	(11)
	2nd Quarter	7.80	(11)	9.99	(11)	46.31	(11)	230.2	(12)
	3rd Quarter	8.13	(4)	9.93	(4)	49.00	(4)	290.5	(10)
	4th Quarter	7.84	(13)	10.09	(13)	49.11	(14)	118.7	(16)
2010	Full Year	7.95	(38)	10.08	(37)	48.56	(38)	816.7	(49)
	1st Quarter	8.07	(6)	10.10	(5)	52.47	(4)	48.3	(9)
	2nd Quarter	8.05	(4)	9.88	(5)	54.45	(3)	234.0	(7)
	3rd Quarter	8.09	(2)	9.65	(2)	49.44	(2)	26.5	(4)
	4th Quarter	8.07	(5)	9.88	(4)	52.03	(4)	127.5	(11)
2011	**Full Year**	**8.57**	**(16)**	**9.92**	**(16)**	**48.04**	**(13)**	**436.3**	**(31)**

* Number of observations in each period indicated in parentheses.

The table below tracks the average equity return authorized for all electric and gas rate cases combined, by year, for the last 22 years. As the table reveals, since 1990 the authorized ROEs have generally trended downward, reflecting the significant decline in interest rates that has occurred over this time frame. The combined average equity returns authorized for electric and gas utilities in each of the years 1990 through 2011, and the number of observations for each year are as follows:

1990	12.69%	(75)	2001	11.05%	(25)
1991	12.51	(80)	2002	11.10	(43)
1992	12.06	(77)	2003	10.98	(47)
1993	11.37	(77)	2004	10.67	(39)
1994	11.34	(59)	2005	10.50	(55)
1995	11.51	(49)	2006	10.39	(42)
1996	11.29	(42)	2007	10.30	(76)
1997	11.34	(24)	2008	10.42	(67)
1998	11.59	(20)	2009	10.36	(68)
1999	10.74	(29)	2010	10.24	(96)
2000	11.41	(24)	2011	10.14	(57)

Dennis Sperduto

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ELECTRIC UTILITY DECISIONS

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. $ Mil.	
1/5/11	Public Service Co. of Oklahoma (OK)	8.17	10.15	45.84	2/10-YE	30.3	(B)
1/12/11	Madison Gas and Electric (WI)	8.77	10.30	58.06	12/11-A	8.0	
1/13/11	Wisconsin Public Service (WI)	7.86	10.30	51.65	12/11-A	21.0	
1/18/11	Delmarva Power & Light (DE)	7.61	10.00	47.52	3/09-A	16.4	(I,D)
1/20/11	Niagara Mohawk Power (NY)	6.51	9.30	48.00	12/11-A	119.3	(D)
1/20/11	Texas-New Mexico Power (TX)	9.90	10.13	45.00	3/10-YE	8.3	(D,B,Hy,1)
1/31/11	Western Massachusetts Electric (MA)	7.63	9.60	50.70	12/09-YE	16.8	(D)
2/3/11	CenterPoint Energy Houston Elec. (TX)	8.21	10.00	45.00	12/09-YE	14.7	(D,Hy,2)
2/24/11	Duquesne Light (PA)	---	---	---	3/11	45.7	(D,B)
2/25/11	Hawaiian Electric (HI)	8.16	10.00	55.81	12/09-A	66.4	(I,B)
3/22/11	Virginia Electric and Power (VA)	8.76	12.30	49.37	3/12-A	44.7	(I,3)
3/22/11	Virginia Electric and Power (VA)	8.76	12.30	49.37	3/12-A	13.8	(I,4)
3/25/11	Southwestern Public Service (TX)	---	---	---	12/09	52.5	(B,Z)
3/25/11	PacifiCorp (WA)	7.81	9.80	49.10 Hy	12/09-A	33.5	
3/30/11	Appalachian Pwr./Wheeling Pwr. (WV)	7.36	10.00	42.20	12/09-A	119.1	(B)
2011	***1ST QUARTER: AVERAGES/TOTAL***	**8.12**	**10.32**	**49.05**		**610.5**	
	MEDIAN	**8.16**	**10.00**	**49.10**		**---**	
	OBSERVATIONS	**13**	**13**	**13**		**15**	
4/12/11	Kansas City Power & Light (MO)	8.58	10.00	46.30	12/09-YE	34.8	
4/25/11	Otter Tail Power (MN)	8.61	10.74	51.70	12/09-A	5.0	(I)
4/26/11	Unitil Energy Systems (NH)	8.39	9.67	45.45	---	6.6	(D,I,B,Z)
4/27/11	Southern Indiana Gas & Electric (IN)	7.29	10.40	43.46 *	6/09-YE	28.6	
5/4/11	KCP&L Greater Missouri Op. (MPS) (MO)	8.41	10.00	46.58	12/09-YE	35.7	(R)
5/4/11	KCP&L Greater Missouri Op. (L&P) (MO)	8.41	10.00	46.58	12/09-YE	29.8	(R,Z)
5/13/11	Pacific Gas and Electric (CA)	---	---	---	12/11-A	698.0	(B,Z)
5/24/11	Commonwealth Edison (IL)	8.51	10.50	47.28	12/09-YE	155.7	(D)
6/1/11	Empire District Electric (MO)	---	---	---	6/09	18.7	(B)
6/8/11	MDU Resources (ND)	8.74	10.75	53.34	12/10	7.6	(B)
6/16/11	Orange and Rockland Utilities (NY)	7.22	9.20	48.00	6/12-A	26.6	(D)
6/17/11	Oklahoma Gas & Electric (AR)	5.93	9.95	34.90 *	12/09-YE	8.8	(B)
2011	***2ND QUARTER: AVERAGES/TOTAL***	**8.01**	**10.12**	**46.36**		**1,055.9**	
	MEDIAN	**8.41**	**10.00**	**46.58**		**---**	
	OBSERVATIONS	**10**	**10**	**10**		**12**	

ELECTRIC UTILITY DECISIONS (continued)

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. $ Mil.	
7/8/11	Delmarva Power & Light (MD)	---	---	---	12/10	12.2	(D,B)
7/13/11	Union Electric (MO)	8.13	10.20	52.24	3/10-YE	173.2	
8/1/11	Fitchburg Gas & Electric (MA)	7.93	9.20	42.88	12/09-YE	3.3	(D)
8/2/11	MDU Resources (MT)	---	---	---	---	2.6	(B)
8/8/11	Public Service Co. of New Mexico (NM)	8.41	10.00	51.28	6/10-YE	72.1	(B)
8/11/11	PacifiCorp (UT)	7.94	10.00	51.90	6/12	117.0	(B)
8/12/11	Interstate Power and Light (MN)	8.11	10.35	47.74	12/09-A	8.4	(I,R)
8/19/11	Oncor Electric Delivery (TX)	8.14	10.25	40.00	6/10-YE	136.7	(D,Hy,B)
9/22/11	PacifiCorp (WY)	8.00	10.00	52.30	12/11-A	61.3	(B)
9/30/11	Avista Corp. (ID)	---	---	---	12/10	2.8	(B)
9/30/11	South Carolina Electric & Gas (SC)	---	---	---	6/11-YE	52.8	(5)
2011	***3RD QUARTER: AVERAGES/TOTAL***	**8.09**	**10.00**	**48.33**		**642.4**	
	MEDIAN	**8.11**	**10.00**	**51.28**		**---**	
	OBSERVATIONS	**7**	**7**	**7**		**11**	
10/6/11	Wisconsin Electric Power (WI)	---	---	---	12/12	0.0	(6)
10/12/11	Kentucky Utilities (VA)	7.24	10.30	53.37	12/10-A	6.6	(B)
10/20/11	Detroit Edison (MI)	6.59	10.50	40.26 *	3/12-A	187.5	(R)
11/30/11	Appalachian Power (VA)	7.82	10.90	42.69	12/10-YE	55.1	
11/30/11	Virginia Electric and Power (VA)	---	10.90	---	---	---	(7)
12/14/11	Columbus Southern Power (OH)	7.78	10.00	50.64 (E)	5/11-DC	0.0	(D,B)
12/14/11	Ohio Power (OH)	7.97	10.30	53.79 (E)	5/11-DC	0.0	(D,B)
12/16/11	Avista Corp. (WA)	---	---	---	---	20.0	(B)
12/20/11	Upper Peninsula Power (MI)	6.25	10.20	45.74 *	12/12	4.2	(B)
12/21/11	Northern Indiana Public Service (IN)	6.98	10.20	46.53 *	6/10-YE	6.9	(B)
12/22/11	Black Hills Colorado Elec. Utility Co. (CO)	8.53	9.90	49.10	12/10-A	10.5	
12/22/11	Northern States Power-Wisconsin (WI)	8.52	10.40	52.59	12/12-A	12.2	
12/23/11	Nevada Power (NV)	8.17 (8)	10.19 (8)	44.38	12/10-YE	158.6	
12/28/11	Georgia Power (GA)	---	---	---	12/12	35.6	(9)
12/28/11	Southwestern Public Service (NM)	---	---	---	---	13.5	(B)
12/30/11	Idaho Power (ID)	7.86	---	---	12/11	34.0	(B)
2011	***4TH QUARTER: AVERAGES/TOTAL***	**7.61**	**10.34**	**47.91**		**544.7**	
	MEDIAN	**7.82**	**10.30**	**47.82**		**---**	
	OBSERVATIONS	**11**	**11**	**10**		**15**	
2011	***FULL YEAR: AVERAGES/TOTAL***	**7.95**	**10.22**	**47.97**		**2,853.5**	
	MEDIAN	**8.11**	**10.15**	**47.87**		**---**	
	OBSERVATIONS	**41**	**41**	**40**		**53**	

GAS UTILITY DECISIONS

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. $ Mil.	
1/6/11	SEMCO Energy Gas (MI)	7.19	10.35	---	---	8.1	(I,B)
1/12/11	Madison Gas and Electric (WI)	8.80	10.30	58.06	12/11-A	1.9	
1/13/11	Wisconsin Public Service (WI)	7.72	10.30	51.65	12/11-A	-8.3	
1/19/11	Union Electric (MO)	---	---	---	12/09	9.0	(B)
2/10/11	Black Hills/Iowa Gas Utility (IA)	---	---	---	---	3.7	(B)
3/10/11	EnergyNorth Natural Gas (NH)	8.33	--- (10)	---	6/09	6.8	(I,B)
3/10/11	Avista Corp. (OR)	8.00	10.10	50.00	12/11-A	3.0	(B,Z)
3/15/11	Puget Sound Energy (WA)	---	---	---	---	19.0	(B)
3/31/11	New England Gas (MA)	8.39	9.45	50.17	12/09-YE	5.1	
2011	***1ST QUARTER: AVERAGES/TOTAL***	**8.07**	**10.10**	**52.47**		**48.3**	
	MEDIAN	**8.17**	**10.30**	**50.91**		**---**	
	OBSERVATIONS	**6**	**5**	**4**		**9**	
4/18/11	CenterPoint Energy Resources (TX)	8.75	10.05	55.44	6/10-YE	4.6	(B)
4/21/11	Washington Gas Light (VA)	8.40	10.00	55.70	12/14-A	15.6	(Z,11)
5/13/11	Pacific Gas and Electric (CA)	---	---	---	12/11-A	117.4	(B,Z)
5/26/11	Consumers Energy (MI)	---	10.50	---	---	31.4	(B)
6/9/11	Peoples Natural Gas (PA)	---	---	---	6/11	53.0	(B)
6/21/11	Delmarva Power & Light (DE)	7.56	10.00	---	6/10	5.8	(B)
6/29/11	Yankee Gas Services (CT)	7.48	8.83	52.20	6/10-DC	6.2	(Z)
2011	***2ND QUARTER: AVERAGES/TOTAL***	**8.05**	**9.88**	**54.45**		**234.0**	
	MEDIAN	**7.98**	**10.00**	**55.44**		**---**	
	OBSERVATIONS	**4**	**5**	**3**		**7**	
8/1/11	Fitchburg Gas & Electric (MA)	7.93	9.20	42.88	12/09-YE	3.7	
8/11/11	UGI Central Penn Gas (PA)	---	---	---	9/11	8.9	(B)
9/1/11	Public Service Co. of Colorado (CO)	8.24	10.10	56.00	12/10-A	12.8	(B)
9/30/11	Avista Corp. (ID)	---	---	---	12/10	1.1	(B)
2011	***3RD QUARTER: AVERAGES/TOTAL***	**8.09**	**9.65**	**49.44**		**26.5**	
	MEDIAN	**8.09**	**9.65**	**49.44**		**---**	
	OBSERVATIONS	**2**	**2**	**2**		**4**	
10/6/11	Wisconsin Electric Power (WI)	---	---	---	12/12	0.0	(6)
10/6/11	Wisconsin Gas (WI)	---	---	---	12/12	0.0	(6)
10/13/11	South Carolina Electric & Gas (SC)	---	---	---	3/11	8.5	(M)
10/14/11	Columbia Gas of Pennsylvania (PA)	---	---	---	9/11	17.0	(B)
11/8/11	Northern Utilities (ME)	7.41	--- (12)	---	12/10-YE	7.8	(B,I,12)
11/14/11	Washington Gas Light (MD)	8.09	9.60	57.88	12/10-A	8.4	
11/28/11	Columbia Gas of Virginia (VA)	---	---	---	12/16-A	11.1	(Z,13)
12/13/11	Southwest Gas (AZ)	8.95	9.50	52.30	6/10-YE	52.6	(B)
12/16/11	Avista Corp. (WA)	---	---	---	---	3.8	(B)
12/20/11	Virginia Natural Gas (VA)	7.38	10.00	45.36	9/10	15.4	(B)
12/22/11	Northern States Power-Wisconsin (WI)	8.52	10.40	52.59	12/12-A	2.9	

GAS UTILITY DECISIONS (continued)

Date	Company (State)	ROR %	ROE %	Common Eq. as % Cap. Str.	Test Year & Rate Base	Amt. $ Mil.
2011	*4TH QUARTER: AVERAGES/TOTAL*	8.07	9.88	52.03		127.5
	MEDIAN	8.09	9.80	52.45		---
	OBSERVATIONS	5	4	4		11
2011	*FULL YEAR: AVERAGES/TOTAL*	8.57	9.92	48.04		436.3
	MEDIAN	8.09	10.03	52.30		---
	OBSERVATIONS	16	16	13		31

FOOTNOTES

A- Average
B- Order followed stipulation or settlement by the parties. Decision particulars not necessarily precedent-setting or specifically adopted by the regulatory body.
CWIP- Construction work in progress
D- Applies to electric delivery only
DC- Date certain
E- Estimated
Hy- Hypothetical capital structure utilized
I- Interim rates implemented prior to the issuance of final order, normally under bond and subject to refund.
M- "Make-whole" rate change based on return on equity or overall return authorized in previous case.
YE- Year-end
Z- Rate change implemented in multiple steps.
* Capital structure includes cost-free items or tax credit balances at the overall rate of return.

(1) The approved stipulation also calls for a $2 million transmission rate increase based on the same return parameters as the $8.3 million distribution increase. Consequently, the aggregate increase was $10.3 million.
(2) Commission decision also required a $12.2 million transmission rate decrease. Thus, in aggregate, rates were increased by $2.5 million.
(3) Proceeding is annual update to Rider S, through which the company is permitted to recognize incremental investment in Virginia City Hybrid Energy Center. The requested ROE is equal to the 11.3% base ROE adopted by the Commission in the company's most recent base rate case, plus a 100-basis-point adder as approved by the Commission, when it granted the company a certificate of convenience and necessity for the plant. The ROE premium is to remain effective through the first 10 years of the plant's useful life.
(4) Proceeding is annual update to Rider R, through which the company is permitted to recognize incremental investment in Bear Garden generation facility. The requested ROE is equal to the 11.3% base ROE adopted by the Commission in the company's most recent base rate case, plus a 100-basis-point adder as approved by the Commission, when it granted the company a certificate of convenience and necessity for the plant. The ROE premium is to remain effective through the first 10 years of the plant's useful life.
(5) Authorized rate increase represents a current cash return on incremental V.C. Summer nuclear plant CWIP. The increase incorporates a previously authorized 11% ROE and incremental CWIP of $436.7 million as of 6/30/11.
(6) Company requested no change in base rates for 2012 if the Commission adopted certain company proposals. The Commission adopted the proposals.
(7) Commission determined that for the company's next biennial review period, which will cover 2011 and 2012, a 10.9% ROE will apply. This ROE includes a 10.4% base ROE and a 50-basis point premium for achieving certain voluntary renewable portfolio targets.
(8) Reflects blended returns after consideration of incentives. Without incentives, a 10% ROE and an 8.09% ROR were authorized.
(9) The authorized $35.6 million rate increase represents the recovery of a cash return on incremental 2012 CWIP and a preliminary true-up of the cash return on 2011 CWIP for Plant Vogtle Units 3 and 4 under the company's legislatively-enabled nuclear construction cost recovery tariff. The requested and authorized $35.6 million rate increase incorporates a previously authorized 11.15% ROE.
(10) Commission order notes an imputed ROE of 9.67%.
(11) Commission established a multi-step rider for recovery of costs associated with the company's accelerated main replacement program.
(12) An additional $0.9 million increase is to be effective 5/1/12. Commission order notes an implied ROE of 9.9%.
(13) Multi-step rate increase to be implemented through a rider associated with the company's mutli-year accelerated main replacement program. Decision incorporates the return parameters authorized in the company's last base rate case, a 10.1% ROE (42.7% of capital) and a 7.92% ROR.

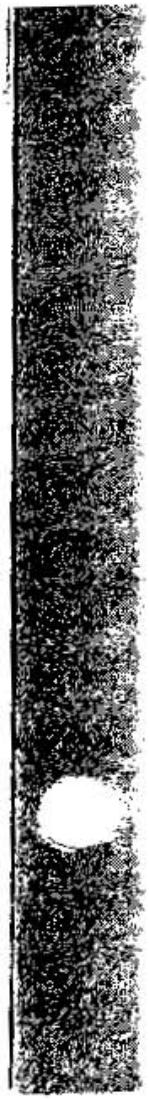
Dennis Sperduto

	Double-A Utility Monthly	Single-A Utility Monthly	Baa Utility Monthly	Avg. Utility Monthly	Ann.
Jan-03	6.87%	7.06%	7.47%	7.13%	
Feb-03	6.66%	6.93%	7.17%	6.92%	

BOND YIELDS BY RAT

COMPOSITE AVERAGE OF YIELDS ON PUBLI

Year	Aver.	Jan.	Feb.	Mar.	Apr.	May	Jun
2002	7.50	7.69	7.60	7.83	7.71	7.76	7.6
2001	7.72	7.76	7.69	7.59	7.81	7.88	7.7
2000	8.14	8.22	8.10	8.14	8.14	8.55	8.2
1999	7.55	6.87	7.00	7.18	7.16	7.42	7.7
1998	7.00	7.03	7.09	7.13	7.12	7.11	6.9
1997	7.63	7.79	7.68	7.92	8.08	7.94	7.7
1996	7.74	7.20	7.37	7.72	7.88	7.99	8.0
1995	7.91	8.77	8.56	8.41	8.30	7.93	7.7
1994	8.30	7.31	7.44	7.83	8.20	8.32	8.3
1993	7.56	8.23	8.00	7.85	7.76	7.78	7.6
1992	8.57	8.67	8.77	8.84	8.79	8.72	8.6
1991	9.21	9.56	9.31	9.39	9.30	9.29	9.4
1990	9.76	9.44	9.66	9.75	9.87	9.89	9.6
1989	9.66	10.02	10.02	10.16	10.14	9.92	9.4
1988	10.45	10.75	10.11	10.11	10.53	10.75	10.7
1987	9.98	8.77	8.81	8.75	9.30	9.82	9.8
1986	9.46	10.66	10.16	9.23	9.02	9.52	9.5
1985	12.29	12.88	13.00	13.66	13.42	12.89	11.9
1984	14.03	13.40	13.50	14.03	14.30	14.95	15.1
1983	13.31	13.46	13.60	13.28	13.03	13.00	13.1
1982	15.33	16.73	16.72	16.07	15.82	15.60	16.1
1981	15.62	14.22	14.84	14.86	15.32	15.84	15.2
1980	13.15	12.12	13.48	14.33	13.50	12.17	11.8
1979	10.39	9.85	9.84	10.02	10.05	10.23	10.0
1978	9.22	8.87	8.90	8.93	9.05	9.19	9.3
1977	8.58	8.59	8.63	8.66	8.65	8.64	8.5
1976	9.17	9.68	9.50	9.43	9.27	9.31	9.3
1975	9.88	10.10	9.83	9.67	9.88	9.93	9.8
1974	9.27	8.27	8.33	8.44	8.68	8.86	9.0
1973	7.83	7.51	7.61	7.64	7.64	7.63	7.6
1972	7.74	7.85	7.84	7.81	7.87	7.88	7.8
1971	8.13	8.17	7.94	8.08	8.05	8.23	8.3
1970	8.68	8.54	8.47	8.34	8.37	8.72	9.0
1969	7.49	7.02	7.05	7.23	7.26	7.15	7.3
1968	6.49	6.47	6.36	6.39	6.54	6.60	6.6
1967	5.81	5.42	5.25	5.37	5.37	5.59	5.8
1966	5.36	4.85	4.90	5.08	5.21	5.23	5.3
1965	4.60	4.52	4.51	4.51	4.51	4.53	4.5
1964	4.53	4.51	4.51	4.51	4.53	4.53	4.5
1963	4.41	4.38	4.37	4.38	4.39	4.39	4.4
1962	4.51	4.61	4.62	4.60	4.56	4.50	4.4
1961	4.57	4.57	4.51	4.43	4.46	4.49	4.5
1960	4.69	4.92	4.89	4.79	4.70	4.76	4.7
1959	4.70	4.43	4.46	4.43	4.49	4.67	4.7
1958	4.10	3.99	3.87	3.95	3.90	3.89	3.8
1957	4.18	3.98	3.97	3.95	3.94	3.98	4.0
1956	3.54	3.28	3.26	3.27	3.38	3.44	3.4
1955	3.22	3.12	3.15	3.17	3.17	3.19	3.2
1954	3.15	3.31	3.23	3.14	3.13	3.13	3.1
1953	3.45	3.23	3.29	3.33	3.44	3.57	3.6
1952	3.20	3.23	3.19	3.21	3.19	3.19	3.2
1951	3.09	2.85	2.86	2.96	3.07	3.10	3.1
1950	2.82	2.79	2.78	2.78	2.79	2.81	2.8
1949	2.90	2.99	2.99	2.97	2.96	2.95	2.9
1948	3.03	3.03	3.03	3.01	2.97	2.95	2.9
1947	2.78	2.73	2.72	2.73	2.71	2.71	2.7
1946	2.71	2.71	2.65	2.64	2.65	2.69	2.7
1945	2.89	2.97	2.95	2.94	2.94	2.93	2.8
1944	2.97	2.99	2.98	2.97	2.97	2.97	2.9
1943	2.99	3.05	3.02	3.00	3.01	3.00	2.9
1942	3.11	3.13	3.15	3.17	3.13	3.13	3.1
1941	3.11	3.17	3.19	3.17	3.16	3.13	3.1
1940	3.25	3.35	3.33	3.29	3.24	3.30	3.3
1939	3.48	3.57	3.52	3.48	3.51	3.45	3.4
1938	3.87	4.01	4.07	4.05	4.11	3.90	3.9



1937	3.93	3.68	3.76	3.90	3.99	3.95	3.97
1936	3.88	4.02	3.98	3.98	3.97	3.95	3.91
1935	4.43	4.97	4.76	4.65	4.60	4.43	4.37
1934	5.40	6.24	5.58	5.50	5.31	5.27	5.24
1933	6.25	5.56	5.90	6.41	6.82	6.34	5.99
1932	6.30	6.20	6.36	6.10	6.66	6.98	7.21
1931	5.27	5.09	5.09	4.99	4.97	4.97	5.04
1930	5.05	5.17	5.20	5.10	5.08	5.04	5.03
1929	5.14	4.96	5.00	5.07	5.09	5.09	5.15
1928	4.87	4.79	4.77	4.75	4.75	4.79	4.90
1927	4.96	5.02	5.05	5.03	4.98	4.99	4.98
1926	5.11	5.20	5.15	5.17	5.12	5.08	5.06
1925	5.29	5.44	5.41	5.39	5.35	5.22	5.20
1924	5.61	5.82	5.77	5.76	5.74	5.67	5.59
1923	5.84	5.72	5.73	5.90	5.93	5.88	5.89
1922	5.93	6.40	6.31	6.20	6.05	5.87	5.87
1921	7.17	7.43	7.35	7.35	7.34	7.38	7.41
1920	7.19	6.63	6.76	6.83	7.03	7.30	7.35
1919	6.21	6.08	6.11	6.14	6.09	6.08	6.08

AVERAGE OF YIELDS ON Aaa PUBLIC UTILIT

Year	Aver.	Jan.	Feb.	Mar.	Apr.	May	Jun.
2002	NA	NA	NA	NA	NA	NA	NA
2001	7.47	7.53	7.46	7.31	7.53	7.61	7.50
2000	7.88	7.95	7.82	7.87	7.87	8.22	7.96
1999	7.21	6.41	6.56	6.78	6.80	7.09	7.37
1998	6.77	6.85	6.91	6.96	6.94	6.94	6.80
1997	7.42	7.53	7.43	7.70	7.87	7.72	7.55
1996	7.49	6.92	7.11	7.45	7.60	7.73	7.83
1995	7.68	8.53	8.33	8.18	8.08	7.71	7.39
1994	8.07	7.05	7.19	7.60	8.00	8.11	8.07
1993	7.29	7.94	7.75	7.64	7.50	7.44	7.37
1992	8.19	8.22	8.30	8.39	8.36	8.32	8.26
1991	8.85	9.17	8.92	9.04	8.95	8.93	9.10
1990	9.45>	9.08	9.35	9.48	9.60	9.58	9.38
1989	9.32	9.72	9.71	9.87	9.88	9.60	9.13
1988	10.05	10.39	9.77	9.72	10.07	10.29	10.27
1987	9.52	8.23	8.29	8.21	8.83	9.34	9.37
1986	8.92	10.14	9.65	8.75	8.45	9.07	9.02
1985	11.68	12.47	12.61	13.08	12.77	12.18	11.17
1984	12.72						
1983	12.52	12.29	12.48	12.19	12.00	12.01	12.23
1982	14.22	15.79	15.88	15.05	14.86	14.68	15.32
1981	14.64	13.31	13.95	13.85	14.41	14.83	14.16
1980	12.30	11.33	12.75	13.33	12.27	11.23	10.88
1979	9.86	9.48	9.51	9.61	9.61	9.71	9.49
1978	8.87	8.52	8.57	8.57	8.69	8.83	8.92
1977	8.19	8.14	8.21	8.27	8.21	8.22	8.12
1976	8.63	8.86	8.80	8.74	8.59	8.73	8.84
1975	9.03	8.99	8.79	8.82	9.11	9.05	8.93
1974	8.71	8.00	8.01	8.14	8.36	8.48	8.58

ING GROUPS

C UTILITY BONDS (IN PERCENT)

n.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
7	7.54	7.34	7.23	7.31	7.20	7.13
5	7.71	7.57	.....	.....	7.61	7.86
2	8.17	8.05	8.16	8.08	8.03	7.79
0	7.66	7.86	7.87	8.02	7.86	8.04
9	6.99	6.96	6.88	6.88	6.96	6.84
7	7.52	7.57	7.51	7.37	7.25	7.16
7	8.02	7.84	8.01	7.76	7.48	7.58
1	7.73	7.86	7.62	7.46	7.40	7.21
1	8.47	8.41	8.65	8.88	9.00	8.79
8	7.53	7.21	7.01	7.00	7.30	7.33
4	8.46	8.34	8.32	8.44	8.53	8.36
4	9.40	9.16	9.03	8.99	8.93	8.76
9	9.66	9.84	10.01	9.94	9.76	9.57
2	9.34	9.37	9.43	9.37	9.33	9.31
1	10.96	11.09	10.56	9.92	9.89	10.02
7	10.01	10.33	11.00	11.32	10.82	10.99
1	9.19	9.15	9.42	9.39	9.15	8.96
	11.88	11.93	11.95	11.84	11.33	10.82
5	14.92	14.29	14.04	13.68	13.15	12.96
	13.28	13.50	13.35	13.19	13.33	13.48
	16.04	15.22	14.56	13.88	13.58	13.55
	15.87	16.33	16.89	16.76	15.50	15.77
	12.12	12.82	13.29	13.53	14.07	14.48
	9.90	9.97	10.19	11.13	11.73	11.68
	9.38	9.21	9.17	9.37	9.58	9.67
	8.48	8.47	8.43	8.56	8.61	8.65
	9.26	9.07	8.91	8.83	8.77	8.61
	9.81	9.93	9.98	9.94	9.83	9.87
	9.35	9.70	10.11	10.31	10.12	10.02
	7.81	8.06	8.09	8.04	8.11	8.17
	7.80	7.69	7.63	7.63	7.55	7.48
	8.34	8.30	8.12	8.04	7.96	7.92
	9.01	8.83	8.80	8.74	8.77	8.45
	7.49	7.40	7.62	7.91	7.94	8.39
	6.53	6.30	6.27	6.39	6.58	6.85
	5.91	5.96	6.02	6.12	6.39	6.57
	5.39	5.54	5.78	5.72	5.64	5.65
	4.58	4.60	4.64	4.67	4.71	4.82
	4.54	4.54	4.53	4.52	4.53	4.54
	4.42	4.42	4.44	4.44	4.45	4.49
	4.48	4.50	4.49	4.46	4.42	4.41
	4.60	4.67	4.67	4.66	4.63	4.62
	4.71	4.53	4.48	4.56	4.56	4.58
	4.79	4.77	4.89	4.95	4.86	4.86
	3.94	4.16	4.41	4.46	4.40	4.39
	4.19	4.33	4.45	4.48	4.49	4.29
	3.48	3.60	3.73	3.82	3.86	3.93
	3.22	3.26	3.29	3.27	3.28	3.31
	3.13	3.12	3.13	3.11	3.10	3.10
	3.56	3.54	3.58	3.46	3.38	3.37
	3.20	3.20	3.20	3.22	3.19	3.19
	3.19	3.13	3.09	3.14	3.21	3.24
	2.83	2.80	2.84	2.85	2.86	2.87
	2.89	2.86	2.84	2.83	2.81	2.79
	3.02	3.07	3.07	3.07	3.09	3.06
	2.72	2.72	2.78	2.87	2.93	3.02
	2.69	2.70	2.75	2.76	2.77	2.77
	2.87	2.86	2.85	2.84	2.81	2.79
	2.95	2.94	2.94	2.96	2.98	2.96
	2.95	2.96	2.96	2.96	2.98	3.00
	3.09	3.09	3.08	3.07	3.06	3.07
	3.07	3.06	3.07	3.05	3.04	3.12
	3.23	3.23	3.19	3.18	3.14	3.13
	3.39	3.40	3.70	3.57	3.41	3.38
	3.70	3.75	3.80	[illegible]	[illegible]	[illegible]

3.79	3.78	3.82	3.73	3.65	3.63
3.92	3.89	3.96	4.08	4.06	4.03
3.86	3.85	3.83	3.80	3.74	3.69
4.26	4.28	4.27	4.24	4.17	4.12
5.23	5.37	5.43	5.30	5.22	5.15
5.78	5.90	6.31	6.38	6.82	6.82
6.97	6.03	5.69	5.72	5.84	5.80
5.00	5.01	5.24	5.79	5.72	6.31
5.00	4.94	4.87	4.93	5.05	5.21
5.16	5.22	5.27	5.25	5.24	5.17
4.93	4.97	4.96	4.93	4.90	4.95
4.98	4.94	4.92	4.89	4.88	4.84
5.08	5.09	5.10	5.11	5.07	5.05
5.25	5.28	5.26	5.24	5.24	5.25
5.52	5.51	5.52	5.48	5.49	5.46
5.89	5.77	5.85	5.85	5.85	5.86
5.83	5.78	5.68	5.67	5.77	5.76
7.42	7.34	7.08	6.95	6.58	6.37
7.37	7.48	7.40	7.28	7.31	7.49
6.10	6.19	6.30	6.28	6.43	6.58

Y BONDS (IN PERCENT)

Jul.	Aug.	Sep.	Oct.	Nov.	Dec.
NA	NA	NA	NA	NA	NA
7.46	7.36	. . . . .	. . . . .	7.45	7.53
8.00	7.89	7.92	7.80	7.71	7.51
7.34	7.54	7.55	7.73	7.56	7.74
6.80	6.75	6.66	6.63	6.59	6.43
7.29	7.39	7.33	7.18	7.09	6.99
7.78	7.59	7.76	7.50	7.21	7.33
7.51	7.66	7.42	7.23	7.13	6.94
8.21	8.15	8.41	8.65	8.77	8.55
7.25	6.94	6.76	6.77	7.06	7.07
8.12	8.04	8.04	8.06	8.11	8.01
9.10	8.81	8.65	8.57	8.52	8.38
9.36	9.54	9.73	9.66	9.43	9.18
8.98	9.02	9.10	9.01	8.92	8.92
10.50	10.66	10.15	9.61	9.52	9.67>
9.56	9.92	10.53	10.92	10.43	10.64
8.66	8.59	8.91	8.84	8.59	8.41
11.18	11.23	11.27	11.23	10.71	10.24
. . . .	. . . .	. . . .	13.00	12.66	12.49
12.69	13.04	12.85	12.66	12.82	13.00
14.96	13.98	13.24	12.42	12.11	12.32
14.87	15.41	16.06	15.83	14.43	14.52
11.48	12.10	12.46	12.79	13.39	13.62
9.42	9.46	9.69	10.38	10.99	10.96
9.02	8.86	8.84	9.04	9.19	9.34
8.10	8.13	8.07	8.18	8.23	8.34
8.78	8.64	8.57	8.50	8.39	8.15
9.04	9.20	9.21	9.14	9.03	9.07
8.83	9.09	9.36	9.50	9.10	9.02