

ASPEN PUBLISHERS

BLUE CHIP FINANCIAL FORECASTS

Top Analysts Forecasts Of
U.S. And Foreign Interest Rates,
Currency Values And The
Factors That Influence Them.

Vol. 25, No. 10
October 1, 2006

BLUE CHIP FINANCIAL FORECASTS

EXECUTIVE EDITOR:

RANDELL E. MOORE

3663 Madison Ave.

Kansas City, MO 64111

Phone (816) 931-0131

Fax (816) 931-0430

E-mail: randy.moore@wolterskluwer.com

Publisher: Paul Gibson

V.P., Circulation: Gerry Centrowitz

Marketing Manager: Dom Cervi

Blue Chip Financial Forecasts (ISSN: 0741-8345) is published monthly by Aspen Publishers, 76 Ninth Avenue, New York, NY 10011. Printed in the U.S.A.

Subscriptions: \$729 per year for print or e-mail delivery of 12 monthly issues. \$869 per year for both print and e-mail delivery of 12 monthly issues. For multiple-copy rates and site-license agreements call Terry Watkins toll free at 866-873-9156, or contact her at terry.watkins@wolterskluwer.com

Permission requests: For information on how to obtain permission to reproduce content, please to the Aspen Publishers website at www.aspenpublishers.com/permissions.

Purchasing reprints: For customized article reprints, please contact FosteReprints at 866-879-9144 or go to the FosteReprints website at www.fostereprints.com.

Customer Service: 1-800-234-1660

To Order: 1-800-638-8437

Customer Service Fax: 1-800-901-9075

Email: customer.service@aspenpubl.com

Web Sites: www.aspenpublishers.com

www.bluechippubs.com

Blue Chip Financial Forecasts is a general circulation news monthly. No statement in this issue is to be construed as a recommendation to buy or sell securities or to provide investment advice. The editor and Aspen Publishers, while considering the contents to be accurate and reliable, take no responsibility for the information contained herein.

© 2006 Aspen Publishers. All Rights Reserved
This material may not be used, published, broadcast, rewritten, copied, redistributed or used to create any derivative works without prior written permission from the publisher.

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 rates	p. 3
International Commentary	p. 3
Individual Panel Members' U.S. Forecasts -- Of interest rates and key assumptions for the next six quarters	p. 4-9
Individual Panel Members' International Forecasts -- Of international interest rates and foreign exchange rates	p. 10-11
Viewpoints -- A sampling of views on the economy, markets and government policy excerpted from recent reports issued by our panel members'	p. 12-13
Special Questions -- Results of special questions posed to the panel members on issues related to the fixed income markets, economy and government policies	p. 14
Databank -- 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

FOMC Now Widely Expected To Ease In First Half Of 2007

Domestic Commentary Treasury yields continued to fall over the past month, and with them, expectations of any additional tightening by the Federal Open Market Committee (FOMC). Based on our September 25th-26th survey, only a quarter of our panelists now predict the next change in the FOMC's target federal funds rate will be an increase. Of the 75% that think the next move by the FOMC will be a reduction in interest rates, 45.7% believe it will occur in Q1 of next year and almost 86% predict a cut will come by the end of Q2 2007 (see page 14). The views of our panelists roughly mirror prices in the federal funds rate futures market that puts the odds of a rate cut by the end of Q1 2007 at about 50/50.

Since its peak on June 28th, the day before the FOMC's last rate hike, the constant maturity 10-year Treasury yield has dropped about 65 basis points to a seven-month low. In the process, the price of the on-the-run 10-year note blew through its 200-day moving average as its yield plunged to just north of the psychological barrier of 4.5% for a brief time. Constant maturity 2-year and 5-year yields have fallen by almost exactly the same amount, leaving the entire coupon curve some 65 basis points below the target federal funds rate, and clearly reflecting market expectations that the FOMC is destined to ease at some point in the not too distant future. Yields have since backed up a little on dealer worries that the market has become overbought and a lessening in hedging activity by holders of mortgage-backed paper.

Helping propel Treasury prices higher in September were a series of economic reports that left most economists scrambling to further reduce their already below-trend estimates real GDP growth over the next few quarters. The trade deficit expanded sharply in July versus expectations of a small decline, upping analysts' expectations of 3's net export deficit and its drag on overall GDP growth. Total retail sales managed to register a small 0.2% increase in August versus expectations of a small decline. However, sales minus the automotive component, sales at gasoline stations and sales at building supply stores, which generally conform to reported growth in personal consumption expenditures (PCE), were soft. Confirming that, real PCE was later reported to have fallen by 0.1% in August. That was the first decline since last September and left real PCE growing at a weaker than expected rate of 2.7% through the first two-thirds of Q3. Total industrial production fell 0.1% in August while factory production was unchanged. Moreover, the Philadelphia Fed's September manufacturing survey registered a plunge into negative territory for the first time since April 2003. September manufacturing surveys from the New York and Richmond Fed banks, however, did not reflect similar weakness.

The housing and automotive sectors look to be particular drags on growth in the second half of this year. Housing starts fell to a three-year low in August, and previously reported declines in the prior two months were revised lower. Moreover, permits in August dropped to a four-year low. Adding to worries about the housing sector, existing home sales fell again in August and the year-over-year (y/y) change in median home prices contracted by 1.7%, the first negative reading since 1995. While new home sales bucked expectations by rising in August, downward revisions to sales in prior months left the level of August sales very near the consensus forecast. And, like existing home prices, the y/y change in median new home prices turned negative (-1.3%) in August, the first such occurrence since December.

Business inventories added 0.44 of a percentage point to the rate of real GDP growth in Q2 but will likely subtract from the rate of growth in Q3, and do so again in Q4 but by a lesser degree. New orders for durable goods fell in both August and July, the first back-to-back declines since May 2004. Shipments of non-defense capital goods, however, a proxy for capital spending, rose 0.9% in August and 0.7% in July, leaving them growing at a solid annualized rate of

about 9%, but that was somewhat slower than some analysts had anticipated going into the report.

Combined, these reports served to produce a drop in this month's consensus forecast of Q3 real GDP growth to 2.3% while the forecast of Q4's growth rate slipped to 2.5%. The consensus forecast of growth in the first half of next year also fell this month but estimates of growth in the second half of 2007 went unchanged. Real GDP is now predicted to grow at a 2.6% clip in Q1 and Q2 of 2007 and at a 2.9% rate in Q3 and 3.0% rate in Q4 of next year.

Easing inflation concerns, due in part to falling energy prices, also continued to buoy Treasury prices. The September inflation reports will reveal large declines in gasoline, home heating oil and natural gas prices, likely producing an outright decline in the Consumer Price Index (CPI) and a sharp pull-back in the y/y change from the August rate of 3.8%. Indeed, as last September's Katrina-induced spike of 1.2% drops out, the y/y change in the CPI may fall below the y/y rate in the core CPI for the first time in four years. Less likely is any near-term pull-back in the core inflation figures. The y/y change in the core CPI rose to 2.8% in August and may hit 3.0% in September or October, the highest level in more than a decade. The y/y change in the core price index for PCE, the FOMC's preferred measure of inflation, rose to 2.5% in August, the fastest pace in 11 years. However, if the elevated level of core inflation continues to in large part result from above-trend increases in owners' equivalent rent (OER), lingering inflation concerns among market participants and the FOMC are likely to dissipate over time.

The FOMC meeting on September 20th was essentially a non-event for the Treasury market due to the run of softer than expected economic data and continuing drop in energy prices. While policymakers retained their asymmetric bias toward tightening, markets shrugged off the threat. However, the FOMC may ultimately prove to be more reticent about easing than the markets now predict if falling energy prices reinvigorate consumer spending, the drop in bond yields begins to stabilize housing demand and a weakening dollar boosts exports. A strong stock market, narrow credit spreads and surging commercial lending also argue against an early move to ease policy by the FOMC. Most importantly, unless and until below-trend economic growth begins to produce a more significant slackening in the labor markets conditions, policymakers are likely to remain on guard against inflationary pressures. As such, many economists think the sharp drop in yields over the past three months may have left Treasuries vulnerable to data that suggests growth remains at or above its trend rate and commentary from Fed officials that hints of lingering inflation concerns.

Consensus Forecast Following below-trend growth in Q2 2006 through Q2 2007, the pace of real GDP growth is expected to rebound to near its trend rate in the second half of next year as residential investment stabilizes and consumer spending improves. Falling energy prices likely ensures that the y/y change in headline consumer price inflation has peaked, but core inflation may remain elevated through the first half of next year, keeping Fed policymakers cautious about easing to soon. The trade-weighted value of the U.S. dollar is expected to continue its decline over the forecast horizon (see page 2 for summary of this month's U.S. consensus forecasts).

Special Questions The consensus continued to predict the core CPI will register December-over-December growth of 2.8% in 2006 and 2.4% in 2007. About 68% of the panelists say 10-year Treasury yields will end 2007 higher than where they begin the year. Almost half of our panelists do not expect real residential investment to next register positive annualized growth until Q4 of next year or later. The consensus puts the odds of a recession in 2007 at 27.5%, a bit higher than last month's estimate of 26.5% (see page 14 for details).

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

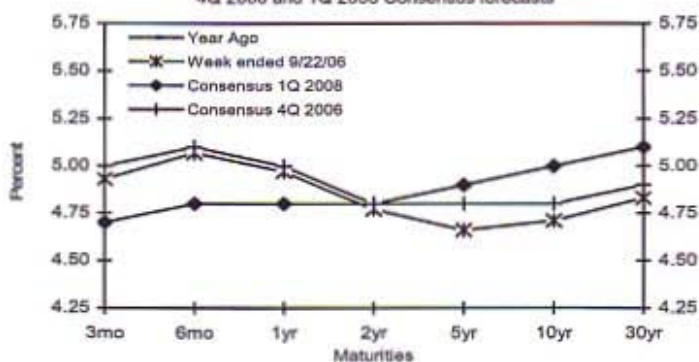
Interest Rates	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month				Latest Q*	4Q 2006	1Q 2007	2Q 2007	3Q 2007	4Q 2007
	Sep. 22	Sep. 15	Sep. 8	Sep. 1	Aug.	Jul.	Jun.	3Q 2006	2006	2007	2007	2007	2007	2008
Federal Funds Rate	5.24	5.23	5.25	5.25	5.25	5.24	4.99	5.24	5.3	5.2	5.1	5.0	4.9	4.9
Prime Rate	8.25	8.25	8.25	8.25	8.25	8.25	8.02	8.25	8.3	8.2	8.1	8.0	7.9	7.9
LIBOR, 3-mo.	5.37	5.39	5.39	5.40	5.42	5.49	5.40	5.43	5.4	5.3	5.2	5.1	5.0	5.0
Commercial Paper, 1-mo.	5.20	5.20	5.21	5.20	5.22	5.24	5.12	5.22	5.3	5.3	5.2	5.0	5.0	4.9
Treasury bill, 3-mo.	4.93	4.93	4.97	5.06	5.09	5.08	4.92	5.04	5.0	5.0	4.9	4.8	4.7	4.7
Treasury bill, 6-mo.	5.07	5.11	5.12	5.14	5.17	5.27	5.17	5.18	5.1	5.1	5.0	4.9	4.8	4.8
Treasury bill, 1 yr.	4.97	5.02	5.02	5.03	5.08	5.22	5.16	5.10	5.0	5.0	4.9	4.9	4.8	4.8
Treasury note, 2 yr.	4.77	4.83	4.81	4.83	4.90	5.12	5.12	4.94	4.8	4.9	4.9	4.8	4.8	4.8
Treasury note, 5 yr.	4.66	4.73	4.73	4.73	4.82	5.04	5.07	4.86	4.8	4.8	4.9	4.8	4.8	4.9
Treasury note, 10 yr.	4.71	4.79	4.79	4.76	4.88	5.09	5.11	4.91	4.8	4.9	4.9	4.9	4.9	5.0
Treasury note, 30 yr.	4.83	4.92	4.94	4.91	5.00	5.13	5.15	5.01	4.9	5.0	5.0	5.0	5.1	5.1
Corporate Aaa bond	5.49	5.58	5.59	5.57	5.68	5.85	5.89	5.69	5.7	5.8	5.9	5.9	5.9	6.0
Corporate Baa bond	6.40	6.49	6.52	6.50	6.59	6.76	6.78	6.61	6.6	6.7	6.8	6.8	6.8	6.9
State & Local bonds	4.21	4.30	4.34	4.30	4.39	4.61	4.60	4.43	4.4	4.5	4.6	4.6	4.7	4.7
Home mortgage rate	6.40	6.43	6.47	6.44	6.52	6.76	6.68	6.57	6.4	6.5	6.5	6.5	6.6	6.6

Key Assumptions	History								Consensus Forecasts-Quarterly Avg.					
	3Q 2004	4Q 2004	1Q 2005	2Q 2005	3Q 2005	4Q 2005	1Q 2006	3Q* 2006	2006	1Q 2007	2Q 2007	3Q 2007	4Q 2007	1Q 2008
Major Currency Index	81.9	81.3	83.5	84.7	85.8	84.9	82.2	81.7	81.0	80.2	79.6	79.6	79.6	79.5
Real GDP	2.6	3.4	3.3	4.2	1.8	5.6	2.6	2.3	2.5	2.6	2.6	2.9	3.0	3.1
GDP Price Index	3.2	3.5	2.4	3.3	3.3	3.3	3.3	2.7	2.3	2.6	2.4	2.3	2.2	2.3
Consumer Price Index	3.6	2.3	3.8	5.5	3.3	2.2	4.9	3.3	1.9	2.7	2.5	2.4	2.3	2.3

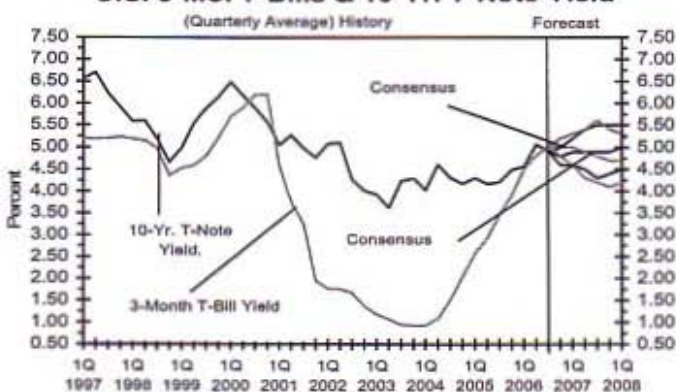
¹Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Definitions reported here are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for the U.S. Federal Reserve Board'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). *Interest rate data for 3Q 2006 based on historic data through the week ended September 22. Data for 3Q 2006 Major Currency Index also is based on data through week ended September 22. Figures for 3Q 2006 Real GDP, GDP Chained Price Index and Consumer Price Index are consensus forecasts based on a special question asked of the panel members this month.

U.S. Treasury Yield Curve

Week ended September 22, 2006 and Year Ago vs. 4Q 2006 and 1Q 2008 Consensus forecasts

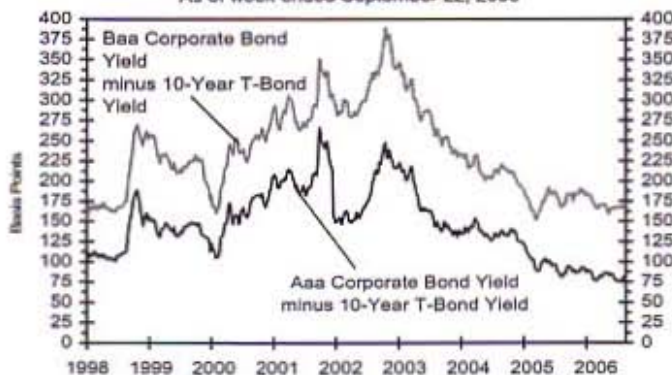


U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield



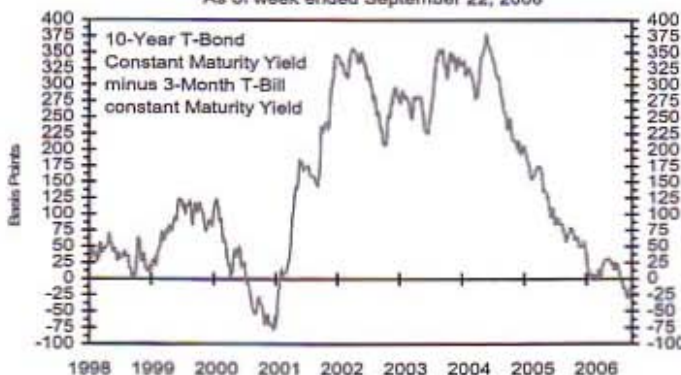
Corporate Bond Spreads

As of week ended September 22, 2006



U.S. Treasury Yield Curve

As of week ended September 22, 2006



-----3-Month Interest Rates¹-----

	History			Consensus Forecasts		
	Latest:	Month Ago:	Year Ago:	Months From Now:		
				3	6	12
U.S.	5.38	5.41	3.97	5.20	4.94	4.59
Japan	0.41	0.41	0.09	0.60	0.74	0.95
U.K.	5.06	4.94	4.56	5.09	5.04	4.86
Switzerland	1.78	1.66	0.75	2.03	2.27	2.32
Canada	4.28	4.31	3.00	4.32	4.08	4.06
Australia	6.11	6.01	5.58	6.22	6.18	5.83
Eurozone	3.41	3.28	2.16	3.59	3.73	3.64

-----10-Yr. Government Bond Yields¹-----

	History			Consensus Forecasts		
	Latest:	Month Ago:	Year Ago:	Months From Now:		
				3	6	12
U.S.	4.61	4.81	4.19	4.59	4.48	4.50
Germany	3.69	3.81	3.01	3.70	3.68	3.69
Japan	1.63	1.80	1.38	1.90	2.04	2.21
U.K.	4.50	4.55	4.18	4.60	4.55	4.49
France	3.70	3.81	3.06	3.71	3.43	3.44
Italy	3.96	4.09	3.22	3.94	3.91	3.13
Switzerland	2.39	2.53	1.79	2.48	2.40	2.38
Canada	4.01	4.20	3.86	4.02	3.97	3.95
Australia	5.54	5.72	5.15	5.62	5.55	5.57
Spain	3.69	3.80	3.00	3.70	3.68	3.69
Eurozone	3.76	3.89	3.06	3.73	3.72	3.73

-----Foreign Exchange Rates¹-----

	History			Consensus Forecasts		
	Latest:	Month Ago:	Year Ago:	Months From Now:		
				3	6	12
U.S.	81.42	81.37	84.00	79.2	78.2	78.6
Japan	116.45	116.38	111.63	111.5	108.8	106.0
U.K.	1.9012	1.8884	1.7917	1.91	1.95	1.93
Switzerland	1.2349	1.2381	1.2787	1.18	1.14	1.13
Canada	1.1171	1.110	1.1668	1.11	1.11	1.15
Australia	0.7513	0.7632	0.7633	0.77	0.77	0.76
Euro	1.2796	1.2760	1.2153	1.31	1.34	1.33

**Consensus
3-Month Rates
vs. U.S. Rate**

	Now	In 12 Mo.
Japan	-4.97	-3.64
U.K.	-0.32	0.27
Switzerland	-3.60	-2.27
Canada	-1.10	-0.53
Australia	0.73	1.25
Eurozone	-1.97	-0.95

**Consensus
10-Year Gov't
Yields vs. U.S. Yield**

	Now	In 12 Mo.
Germany	-0.92	-0.81
Japan	-2.98	-2.29
U.K.	-0.11	-0.01
France	-0.91	-1.06
Italy	-0.65	-1.38
Switzerland	-2.22	-2.12
Canada	-0.60	-0.55
Australia	0.93	1.07
Spain	-0.92	-0.81
Eurozone	-0.85	-0.77

International Commentary Sovereign bond yields continued to edge downward over the past month as markets reacted to plunging energy prices and growing expectations of slower global economic growth that combined will reduce inflationary pressures and bring an eventual halt to monetary tightening by central banks. Ten-year note yields in most major industrialized nations have fallen to seven-month lows producing inverted yield curve in the U.S., Canada, the U.K. and Australia. The slope of the yield curve remains positive in the Eurozone but is expected to flatten further in coming months as the European Central Bank (ECB) tightens further. With short-term rates still quite low, Japan continues to have the most positively sloped curve.

As expected, the ECB left rates unchanged at its August 31st meeting but continued to prepare markets for another 25 basis point increase in the repo rate to 3.25% at the October 5th meeting. The late August policy statement stressed that interest rates remained low, money and credit growth strong, liquidity ample and monetary policy accommodative. In regard to economic growth, the ECB noted that Q2 GDP growth "show a significant improvement in underlying economic activity and indicate that economic growth was strongly than previously projected" and that indicators hint that growth in Q3 would be around its potential rate. While the y/y change in harmonized inflation may dip below 2.0% in September due to the sharp drop in energy prices, underlying inflationary pressures continue to build and policymakers likely think inflation will bounce back and remain above the bank's 2.0% target later this year and next. In addition to the widely expected rate hike on October 5th, most analysts expect another quarter-point increase in December and further 25 basis point hike in Q1 2007 before the ECB halts its tightening campaign.

After surprising markets with a 25 basis point hike in the base rate to 4.75% on August 3rd, the Bank of England (BoE) unanimously voted to leave policy unchanged in early September and is widely expected to forego any change at the October 5th meeting. Minutes of the September meeting showed considerable uncertainty among policymakers but an inclination to focus more on inflationary risks rather than the potential for slower than expected economic growth. Of particular concern are worries that elevated energy prices over the past few years will get passed through to wage and salaries. Real GDP in Q2 grew at a downwardly revised but still healthy rate of 0.7% with consumer spending posting its best growth in two years. In the meantime, the y/y change in consumer prices inflation rebounded to a 2.5% rate in August—9-year high. There still remains a chance that the BoE may raise rates again in November though the consensus does not predict it.

The Bank of Canada (BoC) and the Reserve Bank of Australia (RBA) also are expected to leave interest rates unchanged at their October meetings. Canadian real GDP grew at a weaker than expected rate of 2.0% in Q2 as net exports contracted sharply. Final sales were unchanged. Moreover, employment dropped in each of the past three months, the first such occurrence since 1992, and the unemployment rate has risen from 6.1% in June to 6.5% in August. For a second straight meeting, the BoC left its benchmark interest rate unchanged at 4.25% on September 6th meeting and markets have begun to anticipate an easing of policy by the central bank in Q1 of next year. RBA Governor Macfarlane continues to warn that the next move by the bank is more likely to be a rate hike than a rate cut. However, the consensus suggests the RBA is likely finished.

The Bank of Japan (BoJ) left the overnight call rate at 0.25% on September 8th and a series of weaker than expected reports on economic activity and inflation have sent bond yields lower and diminished market expectations of another near-term tightening of policy. Real GDP growth in Q2 was the slowest over the past six quarters but the unemployment rate now stands at a 8-year low and CPI inflation remains positive. The consensus looks for another tightening before year's end (see 10 and 11 for individual panel members' forecasts).

Forecasts of individual panel members are on pages 10 and 11. Definitions of variables are as follows: ¹Three month currency interest rates. Government bonds are yields to maturity. Foreign exchange rate forecasts are currency per U.S. dollar except for U.K., Australia and the Euro, which are U.S. dollar equivalents. For the U.S. dollar, forecasts are of the U.S. Federal Reserve Board's Major Currency Index.

Fourth Quarter 2006 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum - Average For Quarter															Avg. For ---Qtr.--- Fed's Major Currency \$ Index	(Q-Q % Change)			
	Short-Term					Intermediate-Term					Long-Term						A. Real GDP	B. Price Index	C. GDP Price Index	D. Cons. Price Index
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate					
Argus Research	5.5 H	8.5 H	5.4	6.4	5.0	5.2	5.1	4.9	4.8	4.8	5.0	5.6	6.5	4.4	6.5	81.7	3.5	3.5 H	3.8 H	
ClearView Economics	5.4	8.4	5.5	6.4	5.1	5.2	5.2	4.9	4.8	4.8	4.9	5.6	6.5	4.4	6.5	81.0	1.2	1.5	1.0	
RBS Greenwich Capital Econ.	5.4	8.4	5.6	6.5	5.3	5.4	5.3	5.1	5.0	5.0	5.1	5.8	6.7	4.5	6.7	81.5	3.8	2.4	0.9	
Bear Stearns & Co.	5.4	8.4	5.7 H	6.5 H	5.4 H	5.5 H	5.4 H	5.3 H	5.3 H	5.2 H	5.4 H	6.2	7.2 H	4.6	6.8	81.7	3.3	3.0	2.0	
Woodworth Holdings	5.3	8.3	5.4	6.4	5.2	5.3	5.0	4.8	4.7	4.7	4.8	5.5	6.4	4.2	6.4	81.0	3.0	2.8	2.0	
Stone Harbor Investment Partners	5.3	8.3	5.5	6.4	5.0	5.0	5.0	4.7	4.7	4.7	4.8	5.4 L	6.2	na	6.2	81.0	3.8 H	2.6	2.8	
Wayne Hummer Investments	5.3	8.3	5.5	6.4	5.0	5.1	4.9	4.6	4.6	4.7	4.8	5.6	6.5	4.3	6.2	81.4	2.5	2.3	2.4	
Natl Assn. of Realtors	5.3	8.3	5.4	6.2	4.9	5.0	4.9	4.8	4.7	4.7	4.9	5.5	6.4	4.4	6.5	na	2.8	2.3	2.4	
Briefing.com	5.3	8.3	5.4	6.3	5.1	5.1	5.0	5.0	4.9	4.9	5.0	5.9	6.9	4.6	6.5	na	2.8	2.5	2.7	
Kellner Economic Advisers	5.3	8.3	5.4	6.4	5.0	5.0	4.9	4.8	4.7	4.7	4.8	6.0	7.0	4.7	6.0 L	82.0	2.0	3.0	3.1	
PNC Financial Services Corp.	5.3	8.3	5.4	6.2	4.9	5.0	5.0	4.9	4.8	4.8	4.9	5.7	6.7	4.2	6.3	86.0 H	2.8	1.5	3.4	
Georgia State University	5.3	8.3	na	na	5.0	5.1	5.0	4.9	4.9	5.0	5.0	5.9	6.7	na	6.6	na	1.9	2.2	2.4	
Standard & Poor's Corp.	5.3	8.3	5.6	6.5 H	5.2	5.3	5.3	5.2	5.0	4.9	na	5.8	6.6	4.7	6.5	78.5	2.0	1.4	1.2	
Lehman Brothers	5.3	8.3	5.6	6.3	5.0	5.1	5.1	4.9	4.8	4.8	5.0	5.6	6.5	4.4	6.6	na	3.0	1.8	0.5	
Moodys Investors Service	5.3	8.3	5.5	6.2	5.0	5.0	5.1	4.8	4.9	5.0	5.4 H	6.2	6.9	na	6.7	na	2.6	3.1	2.3	
Barclays Capital	5.3	8.3	5.5	6.3	5.0	5.2	5.1	5.0	4.9	4.9	5.0	5.6	6.5	4.4	6.6	na	3.5	2.9	-0.3	
Trusco Capital Management	5.3	8.3	5.5	6.3	4.7 L	4.7 L	4.8	4.7	4.7	4.7	4.8	5.6	6.8	4.3	6.3	81.0	2.5	2.4	1.2	
Economist Intelligence Unit	5.3	8.3	5.5	na	5.0	na	na	na	na	na	4.8	na	na	na	na	na	2.2	na	3.8 H	
J.W. Coons Advisors LLC	5.3	8.3	5.5	5.9	4.9	5.0	4.9	4.8	4.7	4.7	4.9	5.6	6.5	na	6.4	81.4	2.9	3.0	2.2	
DePrince & Assoc.	5.3	8.3	5.5	6.3	5.1	5.2	5.3	4.9	4.7	4.8	5.0	5.7	6.6	4.5	6.5	82.1	3.0	2.7	2.7	
Loomis, Sayles & Company	5.3	8.3	5.5	6.3	5.1	5.2	5.2	5.0	4.9	5.0	5.0	5.9	6.8	4.6	6.6	81.1	2.4	2.2	3.5	
BMO Capital Markets	5.3	8.3	5.5	6.3	5.1	5.0	4.9	4.8	4.7	4.7	4.8	5.4 L	6.3	4.2	6.4	81.5	2.3	2.3	1.8	
Nomura Securities, Inc.	5.3	8.3	5.4	6.3	4.9	5.1	5.0	4.7	4.7	4.7	4.9	5.5	6.5	na	6.3	81.0	2.5	2.3	1.3	
Comerica Bank	5.3	8.3	5.4	6.3	5.1	5.2	5.1	5.0	5.0	5.0	5.1	5.8	6.7 L	4.4	6.6	81.1	2.2	0.0	0.0	
Swiss Re	5.3	8.3	5.4	6.4	5.0	5.2	5.2	4.9	4.7	4.8	4.9	5.6	6.5	na	6.0	na	1.0 L	-0.4 L	0.4	
Naroff Economic Advisers	5.3	8.3	5.4	6.3	5.0	5.1	5.1	4.9	4.8	4.8	5.0	5.7	6.6	4.3	6.5	79.5	2.4	3.1	2.0	
ING Investment Mgt.	5.3	8.3	5.4	6.3	5.0	5.0	5.0	4.8	4.8	4.8	4.9	5.7	6.5	4.6	6.5	80.0	2.5	2.6	2.5	
Prudential Equity Group LLC	5.3	8.3	5.4	6.3	5.1	5.1	5.1	5.0	4.9	4.8	5.0	5.5	6.5	4.4	6.4	81.4	2.3	2.3	2.9	
State House Policy Office	5.3	8.3	5.4	6.3	5.0	5.2	5.1	4.9	4.8	4.9	4.9	5.7	6.5	4.4	6.4	81.6	2.4	2.5	2.0	
National City Corporation	5.3	8.3	5.4	6.2	4.9	5.1	5.0	4.9	4.8	4.8	4.9	5.6	6.5	4.6	6.5	79.9	2.9	1.5	1.4	
Moody's Economy.com	5.3	8.3	5.4	6.3	4.9	5.0	4.8	4.7	4.7	4.7	4.9	5.5	6.6	5.1 H	6.3	81.5	1.9	2.1	2.1	
Action Economics	5.3	8.3	5.4	6.3	5.0	5.1	5.1	5.1	5.0	5.0	5.1	5.7	6.5	4.4	6.5	80.5	3.0	2.5	0.3	
Banc of America Securities	5.3	8.3	5.4	na	5.1	5.2	5.2	4.9	4.9	5.0	5.1	5.8	6.7	na	6.6	na	2.5	2.0	1.0	
Chimera Economics & Analytics	5.3	8.3	5.4	6.3	4.9	5.0	5.1	4.7	4.7	4.7	4.7 L	5.9	na	na	6.7	77.3 L	3.2	3.5 H	3.7	
Mesirow Financial	5.3	8.3	5.3	na	5.0	5.2	5.1	4.9	4.9	4.8	4.9	5.7	na	na	6.2	81.1	1.6	1.7	1.2	
Goldman Sachs & Co.	5.3	8.3	5.3	na	4.9	na	5.0	4.8	4.7	4.8	4.8	6.5 H	na	na	6.9 H	na	2.5	2.0	0.9	
LaSalle Nat'l Bank	5.3	8.3	5.3	5.5 H	5.0	5.0	5.0	5.0	5.0	5.1	5.2	6.0	6.9	4.7	6.8	78.8	2.2	2.1	1.7	
UBS Warburg	5.3	8.3	5.2	na	4.9	na	na	4.4 L	4.5 L	4.6 L	4.7 L	na	na	na	na	na	2.0	2.3	-1.0 L	
Wachovia	5.3	8.3	5.2	na	4.7 L	4.6	4.9	5.0	4.9	4.8	4.9	5.5	6.4	4.1 L	6.3	80.0	2.0	2.1	2.6	
SunTrust Banks	5.3	8.3	5.2	6.1	5.1	5.2	4.8	4.9	4.8	4.8	4.9	5.9	6.9	4.6	6.5	na	1.0	3.1	3.8 H	
JPMorgan Private Client Services	5.3	8.3	5.2	6.0	4.9	5.0	5.0	4.8	4.7	4.6	4.9	5.4 L	6.3	4.6	6.3	81.5	3.0	3.2	3.3	
Wells Capital Management	5.3	8.3	5.1	4.9 L	4.9	4.8	4.9	4.7	4.7	4.7	4.8	5.6	6.6	4.2	6.2	na	3.1	2.6	2.7	
Scotiabank	5.3	8.3	6.0 L	5.1	4.8	4.8	4.7 L	4.6	4.6	4.7	4.8	5.6	6.5	4.4	6.3	79.7	2.5	2.4	1.5	
Fannie Mae	5.3	8.3	na	na	4.8	4.9	4.8	4.7	4.6	4.6 L	4.7 L	5.7	6.6	4.1 L	6.4	na	2.7	1.6	1.0	
J.P. Morgan Chase	5.3	na	5.5	na	5.1	na	na	5.0	4.9	5.0	5.1	na	na	na	na	na	3.5	1.8	0.9	
Merrill Lynch Economics	5.3	na	5.3	na	4.8	na	na	4.7	4.6	4.7	4.9	na	na	na	na	na	1.8	2.4	0.4	
U.S. Trust Company	5.2 L	8.2 L	5.4	6.2	5.0	5.0	4.9	4.7	4.6	4.6 L	4.8	5.5	6.4	4.3	6.3	81.0	1.5	1.5	1.0	
Thredgold Economic Assoc.	5.2 L	8.2 L	5.3	6.2	4.9	5.1	5.1	4.9	4.8	4.8	4.9	5.7	6.6	4.4	6.4	81.0	2.8	2.7	2.8	
Cycledata Corp.	5.2 L	8.2 L	5.2	5.1	4.9	4.9	4.9	4.9	4.9	4.8	4.9	5.7	6.6	4.3	6.1	83.0	1.5	2.7	3.6	
The Northern Trust Company	5.2 L	8.2 L	5.1	na	4.7 L	na	5.1	4.7	4.6	4.7	4.9	5.6	na	4.2	6.4	na	1.9	2.1	2.5	
October Consensus	5.3	8.3	5.4	5.3	5.0	5.1	5.0	4.8	4.8	4.8	4.9	5.7	6.6	4.4	6.4	81.0	2.5	2.3	1.9	
Top 10 Avg.	5.4	8.4	5.6	5.4	5.2	5.3	5.2	5.1	5.0	5.0	5.1	6.0	6.9	4.7	6.7	82.3	3.4	3.1	3.5	
Bottom 10 Avg.	5.2	8.2	5.2	5.1	4.8	4.9	4.8	4.6	4.6	4.6	4.7	5.5	6.3	4.2	6.2	79.5	1.5	1.2	0.3	
September Consensus	5.3	8.3	5.5	6.4	5.2	5.3	5.2	5.1	5.1	5.1	5.2	6.0	6.9	4.7	6.7	80.8	2.6	2.5	2.6	
Number of Forecasts Changed From A Month Ago:																				
Down	16	15	30	27	45	37	36	43	46	45	42	43	38	32	42	7	21	19	30	
Same	34	33	10	11	5	6	6	6	3	3	4	2	2	3	3	10	16	14	11	
Up	0	0	8	1	0	1	4	0	0	1	3	1	2	0	1	14	13	16	9	
Diffusion Index	34 %	34 %	27 %	17 %	5 %	9 %	15 %	6 %	3 %	5 %	10 %	4 %	7 %	4 %	5 %	61 %	42 %	47 %	29 %	

First Quarter 2007 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum - Average For Quarter															Avg. For -Qtr.- Fed's Major \$ Index	-(Q-Q % Change)- -(SAAR)			
	Short-Term					Intermediate-Term					Long-Term						A. Real GDP	B. Price Index	C. GDP Price Index	D. Cons. Price Index
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					
	Federal Funds Rate	Prime Bank Rate	LIBOR 3-Mo. Rate	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate					
Stone Harbor Investment Partners	5.6 H	8.6 H	5.8 H	5.7	5.3	5.3	5.2	5.1	5.1	5.1	5.2	5.8	6.7	na	6.6	79.0	4.0 H	2.9	3.0	
Bear Stearns & Co.	5.5	8.5	5.8 H	5.6	5.5 H	5.6 H	5.6 H	5.5 H	5.5 H	5.4 H	5.6 H	6.5 H	7.4 H	4.8	7.0	81.7	3.2	3.0	3.0	
RBS Greenwich Capital Econ.	5.5	8.5	5.6	5.5	5.3	5.4	5.3	5.0	4.9	5.0	5.1	5.8	6.7	4.5	6.6	80.5	3.2	3.0	2.8	
Woodworth Holdings	5.5	8.5	5.6	5.6	5.4	5.4	5.2	5.1	5.0	5.0	5.1	5.8	6.7	4.3	6.7	79.5	3.5	3.5 H	3.4	
LaSalle Natl Bank	5.5	8.5	5.5	5.8 H	5.3	5.3	5.3	5.3	5.4	5.4 H	5.6	6.4	7.3	5.2 H	7.1 H	78.5	2.5	2.9	3.4	
Argus Research	5.5	8.5	5.4	5.5	5.0	5.2	5.1	4.6	4.9	4.9	5.0	5.8	6.6	4.5	6.5	81.5	3.1	3.3	3.2	
J.P. Morgan Chase	5.5	na	5.7	na	5.4	na	na	5.2	5.1	5.2	5.3	na	na	na	na	na	3.0	2.4	2.7	
ClearView Economics	5.5	8.5	5.6	5.4	5.1	5.3	5.2	5.0	4.8	4.8	4.9	5.6	6.5	4.4	6.5	79.0	1.2	2.3	2.2	
Lehman Brothers	5.4	8.4	5.8 H	5.4	5.2	5.2	5.2	5.1	5.0	5.0	5.1	5.8	6.7	4.6	6.6	na	2.5	2.3	3.0	
Natl Assn. of Realtors	5.3	8.3	5.5	5.2	4.9	5.0	4.9	4.8	4.8	4.8	5.0	5.6	6.5	4.5	6.6	na	3.3	2.3	2.4	
PNC Financial Services Corp.	5.3	8.3	5.4	5.2	4.9	5.0	5.0	4.9	4.8	4.8	4.9	5.7	6.7	4.2	6.3	84.0 H	2.5	2.7	1.8	
Briefing.com	5.3	8.3	5.4	5.3	5.1	5.1	5.0	5.0	4.9	5.0	5.1	6.0	7.0	4.7	6.6	na	2.7	2.5	2.5	
Kellner Economic Advisers	5.3	8.3	5.4	5.4	4.9	4.9	4.8	4.7	4.6	4.8	4.9	6.1	7.1	4.8	6.2	82.0	1.0 L	2.5	3.0	
Georgia State University	5.3	8.3	na	na	5.0	5.0	4.9	4.8	4.9	5.0	5.0	6.0	6.9	na	6.6	na	1.8	2.9	1.8	
ING Investment Mgt.	5.3	8.3	5.4	5.3	5.0	5.0	5.0	4.9	4.9	4.9	5.0	5.8	6.5	4.6	6.5	80.0	2.0	2.5	2.6	
Barclays Capital	5.3	8.3	5.6	5.3	5.1	5.3	5.3	5.1	5.1	5.1	5.1	5.7	6.6	4.5	6.7	na	3.5	2.8	4.7 H	
Standard & Poor's Corp.	5.3	8.3	5.7	5.5	5.3	5.3	5.3	5.2	5.0	5.0	na	5.9	6.8	4.8	6.5	76.4 L	1.9	2.5	3.0	
DePrince & Associates	5.3	8.3	5.5	5.3	5.2	5.3	5.3	4.9	4.8	4.8	5.0	5.9	6.9	4.7	6.5	82.3	2.9	2.7	2.7	
Trusco Capital Management	5.3	8.3	5.5	5.3	4.7	4.7	4.8	4.7	4.7	4.7	4.8	5.7	6.9	4.3	6.4	80.0	2.5	2.2	1.2 L	
Loomis, Sayles & Company	5.3	8.3	5.5	5.3	5.1	5.3	5.3	5.0	4.9	4.9	4.9	5.9	6.8	4.4	6.5	80.3	2.6	1.6 L	2.3	
National City Corporation	5.3	8.3	5.5	5.3	5.0	5.2	5.2	5.3	5.3	5.3	5.4	6.0	6.9	5.1	6.8	77.8	2.7	2.2	2.6	
State House Policy Office	5.3	8.3	5.4	5.3	5.1	5.2	5.2	5.0	5.0	5.0	5.1	5.9	6.7	4.7	6.5	81.5	2.6	2.8	2.1	
Comerica Bank	5.3	8.3	5.4	5.3	5.1	5.2	5.1	5.0	5.1	5.1	5.2	5.9	6.8	4.6	6.7	80.5	2.5	1.7	1.9	
Nomura Securities, Inc.	5.3	8.3	5.4	5.3	4.9	5.1	5.0	4.7	4.6	4.7	4.9	5.5	6.5	na	6.3	80.5	2.7	2.8	2.3	
Bank of America Securities, LLC	5.3	8.3	5.4	na	5.1	5.2	5.2	5.0	5.0	5.1	5.2	5.9	6.8	na	6.7	na	2.7	2.5	3.0	
Capital Markets	5.3	8.3	5.4	5.2	5.1	4.9	4.9	4.8	4.8	4.8	4.8	5.5	6.4	4.3	6.5	81.0	2.6	2.5	3.1	
Don Economics	5.3	8.3	5.4	5.3	5.0	5.2	5.0	5.2	5.2	5.3	5.4	6.0	6.8	4.8	6.7	79.5	3.3	2.8	3.2	
J.W. Coons Advisors LLC	5.3	8.3	5.3	5.2	4.9	4.9	4.8	4.8	4.7	4.8	4.9	5.7	6.6	na	6.4	82.2	1.8	3.0	2.7	
Mesirow Financial	5.3	8.3	5.3	na	5.0	5.2	5.1	5.0	4.9	4.9	5.0	5.9	na	na	6.3	81.0	2.7	2.6	2.3	
SunTrust Banks	5.3	8.3	5.2	5.1	5.1	5.2	4.9	4.8	4.8	4.8	5.0	5.9	6.9	4.6	6.3	na	2.8	3.1	3.8	
Wells Capital Management	5.3	8.3	5.2	5.1	5.0	5.0	5.0	4.9	4.9	4.9	4.9	5.7	6.6	4.3	6.4	na	3.3	2.7	2.8	
JPMorgan Private Client Services	5.3	8.3	5.2	5.0	4.9	5.0	5.0	4.8	4.7	4.6	4.9	5.4	6.3	4.6	6.2	81.0	2.8	3.0	3.2	
Goldman Sachs & Co.	5.3	8.3	5.1	na	4.7	na	4.8	4.7	4.7	4.8	4.6 L	6.5 H	na	na	6.9	na	2.5	3.0	3.5	
Moody's Economy.com	5.2	8.2	5.3	5.3	4.8	5.0	4.9	4.7	4.7	4.8	4.9	5.6	6.6	5.1	6.3	81.0	3.5	1.8	2.5	
Swiss Re	5.1	8.1	5.3	5.4	4.9	5.1	5.1	4.9	4.9	5.0	5.2	6.0	6.9	na	6.3	na	3.9	2.1	2.1	
UBS Warburg	5.1	8.1	5.2	na	4.8	na	na	4.2 L	4.3 L	4.4 L	4.6	na	na	na	na	na	2.0	2.1	3.6	
Fannie Mae	5.1	8.1	na	na	4.7	4.7	4.7	4.6	4.6	4.6	4.7	5.8	6.7	4.2	6.4	na	2.9	2.7	2.4	
Moody's Investors Service	5.1	8.1	5.3	5.1	4.8	4.9	5.1	5.0	4.9	5.0	5.5	6.4	7.0	na	6.7	na	2.9	3.4	2.3	
Prudential Equity Group LLC	5.1	8.1	5.2	5.0	4.9	4.8	4.8	4.6	4.6	4.7	4.9	5.4	6.3 L	4.5	6.3	81.0	2.3	2.3	2.0	
Economist Intelligence Unit	5.0	8.0	5.3	na	4.9	na	na	na	na	na	4.8	na	na	na	na	na	1.9	na	3.7	
Chmura Economics & Analytics	5.0	8.0	5.2	5.0	4.8	5.0	5.0	4.8	4.8	4.8	4.9	5.9	na	na	6.6	76.5	3.5	3.3	3.3	
Wayne Hummer Investments	5.0	8.0	5.2	5.1	4.8	4.9	4.8	4.7	4.7	4.8	4.9	5.7	6.6	4.4	6.3	81.0	2.8	2.2	2.3	
Wachovia	5.0	8.0	5.2	na	4.7	4.8	4.9	5.0	4.9	4.8	5.0	5.6	6.5	4.0 L	6.3	78.0	2.2	2.2	1.8	
Naroff Economic Advisers	5.0	8.0	5.2	5.1	5.1	5.2	5.2	5.1	5.2	5.0	5.2	5.9	6.8	4.5	6.6	77.0	2.0	2.8	2.6	
Thredgold Economic Assoc.	5.0	8.0	5.1	5.1	4.8	4.9	4.9	4.8	4.7	4.7	4.8	5.6	6.5	4.3	6.3	80.5	2.8	2.6	2.6	
Cycledata Corp.	5.0	8.0	5.1	5.0	4.8	4.8	4.8	4.8	4.8	4.6	4.9	5.7	6.6	4.3	6.1	82.0	1.5	2.5	3.3	
U.S. Trust Company	4.8 L	7.8 L	4.8	4.8 L	4.6	4.8	4.8	4.6	4.7	4.6	4.8	5.4 L	6.3 L	4.3	6.1 L	81.0	2.3	2.2	2.0	
The Northern Trust Company	4.8 L	7.8 L	4.7 L	na	4.3 L	na	4.6	4.5	4.4	4.6	4.8	5.5	na	4.1	6.3	na	2.3	2.1	2.4	
Scotiabank	4.8 L	7.8 L	4.7 L	4.8 L	4.5	4.5 L	4.4 L	4.3	4.4	4.6	4.7	5.6	6.5	4.4	6.2	79.2	2.5	2.4	2.0	
Merrill Lynch Economics	4.8 L	na	5.2	na	4.7	na	na	4.5	4.4	4.5	4.5 L	na	na	na	na	na	1.7	2.2	1.7	
October Consensus	5.2	8.2	5.3	5.3	5.0	5.1	5.0	4.9	4.8	4.9	5.0	5.8	6.7	4.5	6.5	80.2	2.6	2.6	2.7	
Top 10 Avg.	5.5	8.5	5.7	5.5	5.3	5.3	5.3	5.2	5.2	5.2	5.3	6.2	7.0	4.9	6.8	81.9	3.5	3.2	3.6	
Bottom 10 Avg.	4.9	7.9	5.0	5.0	4.6	4.8	4.7	4.5	4.5	4.6	4.7	5.5	6.4	4.2	6.2	78.1	1.7	2.0	1.8	
September Consensus	5.3	8.3	5.4	5.4	5.1	5.3	5.2	5.1	5.1	5.1	5.2	6.1	7.0	4.8	6.7	80.2	2.7	2.6	2.6	
Number of Forecasts Changed From A Month Ago:																				
Down	22	21	29	27	42	38	37	41	42	42	40	39	37	31	40	9	21	16	17	
Same	26	24	11	10	6	4	5	5	4	6	6	5	3	3	4	10	19	18	21	
Up	2	3	8	2	2	2	4	3	3	1	3	2	2	1	2	13	10	15	12	
Diffusion Index	30 %	31 %	28 %	18 %	10 %	9 %	14 %	11 %	10 %	8 %	12 %	10 %	8 %	7 %	9 %	56 %	39 %	49 %	45 %	

Second Quarter 2007 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum - Average For Quarter															Avg. For Qtr. Fed's Major Currency \$ Index	(Q-Q % Change) (SAAR)					
	Short-Term					Intermediate-Term					Long-Term						A. Real GDP	B. Price Index	C. GDP Price Index	D. Cons. Price Index		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15							
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate							
J.P. Morgan Chase	6.0 H	na	6.2 H	na	5.9 H	na	na	5.7 H	5.6	5.7 H	5.7	na	na	na	na	na	na	3.5	2.4	2.8		
Bear Stearns & Co.	5.8	8.8 H	6.1	5.9 H	5.8	5.9 H	5.8 H	5.7 H	5.7 H	5.6	5.8 H	6.7 H	7.6 H	4.9	7.2 H	na	na	3.2	3.1	2.7		
LaSalle Nat'l Bank	5.8	8.8 H	5.9	5.8	5.6	5.5	5.5	5.5	5.5	5.5	5.6	6.6	7.5	5.5 H	7.2 H	na	na	77.0	2.5	2.2	2.1	
Stone Harbor Investment Partners	5.8	8.8 H	5.9	5.9 H	5.4	5.4	5.3	5.3	5.2	5.3	5.4	6.0	6.9	na	6.8	na	na	77.0	3.8	2.6	2.9	
Barclays Capital	5.5	8.5	5.8	5.5	5.2	5.4	5.4	5.4	5.3	5.2	5.2	5.8	6.7	4.8	6.8	na	na	na	3.0	2.9	2.8	
Lehman Brothers	5.5	8.5	5.8	5.5	5.3	5.3	5.2	5.3	5.2	5.1	5.2	5.9	6.6	4.6	6.7	na	na	na	2.8	2.3	2.8	
Woodworth Holdings	5.5	8.5	5.6	5.6	5.4	5.4	5.3	5.2	5.1	5.2	5.3	6.0	6.9	4.4	6.9	na	na	78.0	3.5	3.8 H	3.5 H	
Argus Research	5.5	8.5	5.3	5.4	5.1	5.3	5.2	4.6	4.9	5.0	5.0	5.7	6.6	4.5	6.5	na	na	82.0	3.8	3.2	3.2	
RBS Greenwich Capital Econ.	5.5	8.5	5.5	5.5	5.3	5.3	5.2	5.0	4.9	4.9	5.0	5.8	6.7	4.5	6.5	na	na	79.0	2.8	2.3	2.7	
Natl Assn. of Realtors	5.3	8.3	5.5	5.2	4.9	4.9	4.9	4.8	4.8	4.8	5.0	5.6	6.5	4.6	6.7	na	na	na	2.9	2.2	2.3	
Briefing.com	5.3	8.3	5.4	5.3	5.1	5.1	5.0	5.0	4.9	5.0	5.1	6.0	7.0	4.7	6.6	na	na	na	2.9	2.4	2.4	
Comerica Bank	5.3	8.3	5.5	5.3	5.2	5.3	5.2	5.2	5.2	5.3	5.4	6.1	7.0	4.7	6.9	na	na	79.6	2.7	1.8	2.0	
Standard & Poor's Corp.	5.3	8.3	5.7	5.5	5.3	5.3	5.4	5.3	5.1	5.1	na	6.1	7.0	4.9	6.5	na	na	75.3	1.8	2.1	2.1	
National City Corporation	5.3	8.3	5.5	5.3	5.0	5.2	5.3	5.4	5.4	5.5	5.6	6.2	7.1	5.3	6.9	na	na	76.9	2.7	1.8	1.6	
Loomis, Sayles & Company	5.3	8.3	5.5	5.3	5.1	5.3	5.3	5.0	4.8	4.8	4.8	6.0	6.9	4.3	6.4	na	na	78.7	2.9	2.7	2.7	
Action Economics	5.3	8.3	5.5	5.3	5.1	5.4	5.5	5.5	5.5	5.5	5.6	6.1	6.9	5.0	6.9	na	na	79.0	3.3	2.3	2.7	
Banc of America Securities	5.3	8.3	5.4	na	5.1	5.3	5.3	5.1	5.2	5.2	5.3	6.0	6.9	na	6.8	na	na	na	2.9	2.7	3.2	
Mesirow Financial	5.3	8.3	6.3	na	4.9	5.1	5.1	5.1	4.9	5.1	5.2	6.1	na	na	6.3	na	na	81.5	3.1	2.4	2.1	
J.W. Coons Advisors LLC	5.3	8.3	5.3	5.2	4.9	4.8	4.6	4.8	4.7	4.8	4.9	5.8	6.7	na	6.5	na	na	82.1	1.8	2.8	2.6	
JPMorgan Private Client Services	5.3	8.3	5.2	5.0	4.9	5.0	5.0	4.8	4.7	4.6	4.9	5.4	6.3	4.6	6.2	na	na	80.6	2.6	2.9	3.0	
DePrince & Associates	5.2	8.2	5.6	5.2	5.1	5.2	5.2	5.0	4.8	4.8	5.0	6.0	7.1	4.8	6.5	na	na	82.9	2.8	2.3	2.7	
State House Policy Office	5.2	8.2	5.3	5.2	5.0	5.2	5.2	5.1	5.1	5.2	5.3	6.1	6.9	4.9	6.7	na	na	81.0	1.8	2.5	2.1	
ClearView Economics	5.1	8.1	5.2	5.1	4.8	5.0	4.9	4.7	4.6	4.7	4.8	5.5	6.4	4.3	6.4	na	na	78.0	2.1	2.2	2.7	
Wells Capital Management	5.1	8.1	5.1	5.0	4.9	4.9	4.9	4.8	4.8	4.8	4.8	5.7	6.5	4.2	6.3	na	na	na	2.8	2.5	2.5	
PNC Financial Services Corp.	5.1	8.1	5.2	5.0	4.7	4.8	4.8	4.8	4.7	4.7	4.8	5.6	6.6	4.1 H	6.2	na	na	83.0 H	2.3	1.5 L	2.2	
Trusco Capital Management	5.0	8.0	5.3	5.0	4.5	4.6	4.6	4.5	4.6	4.6	4.8	5.9	7.0	4.2	6.3	na	na	81.0	2.5	2.1	1.5	
Chmura Economics & Analytics	5.0	8.0	5.2	5.0	4.8	5.0	5.0	4.8	4.8	4.8	4.9	5.9	na	na	6.6	na	na	76.4	3.6	3.1	2.1	
Wayne Hummer Investments	5.0	8.0	5.2	5.1	4.8	4.9	4.8	4.7	4.7	4.8	4.9	5.8	6.7	4.5	6.4	na	na	80.5	2.7	2.3	2.1	
ING Investment Mgt.	5.0	8.0	5.2	5.1	4.9	4.9	4.9	5.0	5.0	5.0	5.1	6.0	6.8	4.6	6.6	na	na	79.0	2.5	2.4	2.5	
Moody's Investors Service	5.0	8.0	5.2	5.3	4.8	4.9	4.9	4.8	4.8	4.9	5.0	5.6	6.7	5.2	6.4	na	na	80.5	2.8	2.2	2.6	
Nomura Securities, Inc.	5.0	8.0	5.2	5.1	4.7	4.8	4.7	4.6	4.6	4.6	4.8	5.5	6.5	na	6.1	na	na	80.0	2.8	2.1	2.3	
Wachovia	5.0	8.0	5.1	na	4.8	4.9	5.0	5.0	5.0	5.0	5.2	5.7	6.6	4.1 H	6.5	na	na	77.0	2.2	1.9	2.2	
Kelner Economic Advisers	5.0	8.0	5.1	5.2	4.9	4.8	4.7	4.6	4.5	4.9	5.0	6.2	7.2	4.9	6.4	na	na	81.0	0.5 L	2.4	2.8	
BMO Capital Markets	5.0	8.0	5.1	5.0	4.8	4.8	4.7	4.7	4.7	4.7	4.8	5.5	6.4	4.3	6.4	na	na	82.0	2.9	2.5	2.7	
SunTrust Banks	5.0	8.0	5.0	4.7	4.9	5.1	4.7	4.7	4.8	4.8	5.0	5.9	6.9	4.6	6.3	na	na	na	3.0	2.6	3.2	
Goldman Sachs	5.0	8.0	4.8	na	4.4	na	4.5	4.5	4.5	4.5	4.5	6.6	na	na	6.9	na	na	na	2.0	2.3	3.1	
Georgia State University	5.0	8.0	na	na	4.8	4.9	4.8	4.8	4.9	5.0	5.0	6.0	6.9	na	6.6	na	na	na	2.2	1.9	1.8	
Fannie Mae	5.0	8.0	na	na	4.6	4.7	4.6	4.6	4.6	4.6	4.7	5.8	6.7	4.4	6.4	na	na	na	3.0	2.2	2.3	
Swiss Ra	4.9	7.9	5.0	5.1	4.7	4.8	4.9	4.8	4.8	5.0	5.4	6.2	7.1	na	6.3	na	na	na	3.9 H	1.6	2.4	
Cycledata Corp.	4.8	7.8	4.9	4.8	4.6	4.6	4.7	4.8	4.9	4.6	4.9	5.7	6.6	4.3	6.1	na	na	82.0	1.5	2.4	3.0	
Moody's Economy.com	4.8	7.8	5.1	5.1	4.8	4.8	5.0	5.0	4.9	5.0	5.5	6.4	7.0	na	6.6	na	na	na	3.0	2.9	2.3	
UBS Warburg	4.8	7.8	4.9	na	4.5	na	na	na	4.1	4.2 L	4.2 L	4.4 L	na	na	na	na	na	na	2.3	2.1	3.2	
Prudential Equity Group LLC	4.8	7.8	4.9	4.7	4.6	4.6	4.6	4.6	4.7	4.8	5.0	5.6	6.5	4.6	6.3	na	na	80.6	2.7	2.0	2.0	
Naroff Economic Advisors	4.7	7.7	4.8	4.7	4.8	4.9	5.0	5.1	5.1	5.1	5.2	5.9	6.8	4.6	6.7	na	na	75.0 L	2.8	2.1	2.4	
Thredgold Economic Assoc.	4.6	7.6	4.7	4.7	4.4	4.5	4.5	4.4	4.4	4.4	4.4 H	5.2 L	6.1 L	4.1 L	6.0 L	na	na	80.0	2.8	2.5	2.5	
Economist Intelligence Unit	4.5	7.5	4.8	na	4.4	na	na	na	na	na	na	4.5	na	na	na	na	na	na	1.7	na	3.4	
U.S. Trust Company	4.5	7.5	4.5	4.5	4.3	4.4	4.6	4.4	4.3	4.6	4.7	5.4	6.3	4.1 L	6.1	na	na	81.0	2.4	2.2	2.3	
The Northern Trust Company	4.5	7.5	4.5	na	4.0	na	4.2	4.4	4.4	4.6	4.8	5.5	na	4.1 L	6.2	na	na	na	2.5	2.0	2.3	
Merrill Lynch Economics	4.5	na	4.4	na	4.2	na	na	4.0	4.3	4.5	4.6	na	na	na	na	na	na	na	1.5	1.8	1.3 L	
Scotiabank	4.3 L	7.3 L	4.2 L	4.3 L	4.0 L	4.0 L	4.0 L	3.9 L	4.2 H	4.5	4.6	5.6	6.5	4.3	6.1	na	na	78.7	2.3	2.1	1.8	
October Consensus	5.1	8.1	5.2	5.2	4.9	5.0	4.9	4.9	4.9	4.9	5.0	5.9	6.8	4.6	6.5	79.6	2.6	2.4	2.5			
Top 10 Avg.	5.6	8.5	5.8	5.6	5.4	5.4	5.4	5.4	5.4	5.4	5.5	6.3	7.2	5.0	6.9	82.0	3.5	3.0	3.2			
Bottom 10 Avg.	4.6	7.6	4.6	4.7	4.3	4.6	4.5	4.3	4.4	4.5	4.6	5.5	6.4	4.2	6.2	76.8	1.7	1.8	1.8			
September Consensus	5.2	8.2	5.3	5.3	5.1	5.2	5.2	5.1	5.1	5.1	5.2	6.1	7.0	4.8	6.7	79.8	2.8	2.4	2.5			
Number of Forecasts Changed From A Month Ago:																						
Down	17	17	26	22	38	33	34	38	40	41	37	39	33	31	38	11	21	14				
Same	28	25	14	11	9	7	7	5	7	7	6	4	5	3	4	7	19	21	21			
Up	5	6	8	6	3	4	5	6	2	1	5	3	4	2	4	14	10	14	12			
Diffusion Index	38 %	39 %	31 %	29 %	16 %	17 %	18 %	17 %	11 %	9 %	17 %	11 %	15 %	10 %	13 %	55 %	39 %	50 %	45 %			

Third Quarter 2007 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum - Average For Quarter															Avg. For ---Qtr.--- Fed's Major Currency \$ Index	---(Q-Q % Change)--- ---(SAAR)---		
	Short-Term					Intermediate-Term					Long-Term						A. B.	C. GDP Price Index	D. Cons. Price Index
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15				
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Com. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bond 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate				
LaSalle Nat'l Bank	6.0 H	9.0 H	6.0	6.0 H	5.6	5.6	5.5	5.5	5.5	5.5	5.6	6.6	7.5	5.5 H	7.2	76.1	2.9	1.9	1.7
J.P. Morgan Chase	6.0 H	na	6.2 H	na	5.9	na	na	5.7	5.7	5.7	5.7	na	na	na	na	na	2.5	2.5	2.6
Barclays Capital	5.9	6.9	6.1	5.8	5.5	5.8	5.8	5.5	5.2	5.2	5.2	5.8	6.7	4.6	6.8	na	2.5	2.6	3.3
Bear Stearns & Co.	5.8	8.8	6.1	5.9	5.8	5.9 H	5.9 H	5.8 H	5.8 H	5.8 H	6.0 H	6.9 H	7.8 H	5.0	7.4 H	82.4	3.2	3.0	2.9
Stone Harbor Investment Partners	5.8	8.8	5.9	5.9	5.4	5.4	5.3	5.2	5.1	5.2	5.4	6.0	6.8	na	6.7	79.0	3.3	2.2	2.7
Action Economics	5.8	8.8	5.9	5.8	5.5	5.6	5.7	5.7	5.6	5.6	5.6	6.3	7.1	5.2	7.1	78.5	3.3	2.5	2.7
Comerica Bank	5.5	6.5	5.8	5.6	5.4	5.6	5.5	5.5	5.5	5.6	5.7	6.4	7.3	5.0	7.2	79.3	3.0	1.9	2.1
Lehman Brothers	5.5	6.5	5.7	5.5	5.3	5.3	5.2	5.3	5.2	5.1	5.2	5.9	6.8	4.6	6.8	na	3.0	2.2	2.5
Argus Research	5.4	8.4	5.3	5.3	5.1	5.3	5.2	5.0	5.0	5.0	5.1	5.7	6.6	4.6	6.5	82.1	4.0 H	3.2	3.0
Natl Assn. of Realtors	5.3	8.3	5.4	5.2	4.8	4.8	4.9	4.8	4.8	4.9	5.1	5.7	6.6	4.7	6.8	na	3.3	2.0	2.2
Briefing.com	5.3	8.3	5.4	5.2	5.0	5.0	4.9	4.9	4.8	4.8	5.0	5.9	6.9	4.6	6.6	na	3.0	2.3	2.2
National City Corporation	5.3	8.3	5.5	5.3	5.0	5.2	5.3	5.5	5.8	5.6	5.7	6.3	7.2	5.4	7.0	76.1	2.9	1.3 L	1.1 L
Loomis, Sayles & Company	5.3	8.3	5.5	5.3	5.1	5.3	5.3	5.0	4.8	4.8	4.8	6.0	6.9	4.3	6.4	79.2	3.1	2.3	2.3
Standard & Poor's Corp.	5.3	8.3	5.4	5.2	5.1	5.1	5.2	5.2	5.1	5.2	na	6.3	7.2	5.1	6.7	74.4	2.1	1.7	1.7
Banc of America Securities	5.3	8.3	5.4	na	5.2	5.3	5.4	5.3	5.4	5.4	5.5	6.2	7.1	na	7.0	na	3.4	2.6	2.5
Mesirow Financial	5.3	8.3	5.3	na	4.9	5.1	5.1	5.1	5.0	5.3	5.4	6.2	na	na	6.4	81.9	3.2	2.0	2.5
JPMorgan Private Client Services	5.3	8.3	5.2	5.0	4.9	4.9	5.0	4.8	4.7	4.6	4.8	5.4	6.3	4.6	6.2	80.5	2.7	2.8	2.9
RBS Greenwich Capital Econ.	5.2	8.2	5.2	5.2	6.0 H	5.0	4.9	4.9	4.9	4.9	5.0	5.8	6.7	4.6	6.5	78.0	3.1	2.3	2.5
DePrince Associates	5.0	8.0	5.3	5.1	4.9	5.0	5.1	5.0	4.8	4.8	5.0	6.1	7.1	4.9	6.6	83.3 H	2.7	2.3	2.6
Moody's Investors Service	5.0	8.0	5.2	5.3	4.8	5.0	5.0	5.0	5.0	5.1	5.2	5.9	6.9	5.4	6.6	81.0	3.5	2.3	2.0
Wayne Hummer Investments	5.0	8.0	5.2	5.1	4.8	4.9	4.8	4.7	4.7	4.8	4.9	5.8	6.7	4.5	6.4	80.2	2.8	2.3	2.4
ING Investment Mgt.	5.0	8.0	5.2	5.1	4.8	4.8	4.9	5.0	5.0	5.1	5.2	6.1	7.0	4.6	6.6	79.0	2.5	2.5	2.5
Wachovia	5.0	8.0	5.1	na	4.9	5.0	5.1	5.0	5.1	5.1	5.2	5.8	6.7	4.2	6.6	78.0	3.0	1.9	2.2
Kelner Economic Advisers	5.0	8.0	5.1	5.2	4.7	4.7	4.6	4.5	4.6	5.0	5.1	6.3	7.3	5.1	6.6	81.0	1.0 L	2.6	2.8
Woodworth Holdings	5.0	8.0	5.1	5.1	4.9	4.9	4.8	4.7	4.6	4.8	4.9	5.6	6.5	4.3	6.5	78.0	3.0	3.8 H	3.6 H
J.W. Coons Advisors LLC	5.0	8.0	5.1	4.9	4.7	4.6	4.6	4.6	4.6	4.7	4.9	5.8	6.8	na	6.4	82.5	2.3	2.4	2.5
Windsor Securities, Inc.	4.9	7.9	5.0	4.9	4.6	4.7	4.5	4.4	4.4	4.5	4.7	5.4	6.4	na	6.0 L	80.0	3.0	2.0	2.4
Georgia State University	4.8	7.8	na	na	4.7	4.8	4.8	4.8	4.9	5.1	5.1	6.2	7.2	na	6.7	na	2.3	1.7	1.8
Trusco Capital Management	4.8	7.8	5.0	4.8	4.4	4.5	4.5	4.4	4.5	4.5	4.7	5.8	6.9	4.1	6.2	83.0	3.0	1.9	2.0
Chmura Economics & Analytics	4.8	7.8	5.0	4.8	4.6	4.8	4.8	4.8	4.8	4.9	5.0	5.8	na	na	6.5	74.4	3.2	3.4	2.2
Prudential Equity Group LLC	4.8	7.8	4.9	4.8	4.6	4.6	4.6	4.6	4.7	4.9	5.1	5.6	6.6	4.7	6.4	80.2	3.2	2.0	2.1
ClearView Economics	4.8	7.8	4.8	4.7	4.5	4.7	4.7	4.5	4.4	4.5	4.7	5.4	6.3	4.2	6.2	79.0	3.5	2.4	3.0
Fannie Mae	4.8	7.8	na	na	4.5	4.6	4.5	4.6	4.6	4.7	4.8	5.8	6.6	4.6	6.4	na	3.0	2.2	2.3
Wells Capital Management	4.6	7.7	4.7	4.6	4.5	4.4	4.5	4.4	4.4	4.4	4.5	5.5	6.4	4.1	6.2	na	2.5	2.2	2.3
BMO Capital Markets	4.8	7.7	4.9	4.8	4.5	4.6	4.6	4.6	4.7	4.7	4.8	5.5	6.5	4.3	6.4	83.0	3.1	2.3	2.5
Moody's Economy.com	4.7	7.8	5.0	4.9	4.6	4.7	5.0	5.1	4.9	5.0	5.5	6.5	7.0	na	6.6	na	3.1	2.3	2.0
State House Policy Office	4.7	7.7	4.8	4.7	4.5	4.6	4.7	4.7	4.8	5.0	5.1	5.8	6.7	4.7	6.7	81.2	3.2	2.6	2.0
SunTrust Banks	4.7	7.7	4.7	4.5	4.6	4.8	4.6	4.6	4.7	4.8	5.0	5.9	6.9	4.6	6.4	na	3.1	2.0	2.5
Swiss Re	4.6	7.6	4.7	4.9	4.4	4.6	4.6	4.6	4.8	5.0	5.4	6.2	7.2	na	6.3	na	3.5	1.3	2.1
PNC Financial Services Corp.	4.6	7.6	4.7	4.6	4.4	4.5	4.5	4.6	4.6	4.6	4.7	5.6	6.6	4.0 L	6.2	82.0	3.0	1.7	2.4
Economist Intelligence Unit	4.5	7.5	4.8	na	4.3	na	na	na	na	na	4.6	na	na	na	na	na	2.0	na	3.2
Thradgold Economic Assoc.	4.5	7.5	4.6	4.6	4.3	4.4	4.4	4.4	4.4	4.4	4.4	5.2 L	6.1 L	4.1	6.0 L	79.5	2.8	2.4	2.5
Cycledata Corp.	4.5	7.5	4.6	4.5	4.3	4.4	4.5	4.6	4.7	4.7	5.0	5.8	6.7	4.3	6.2	81.0	1.5	2.3	2.9
The Northern Trust Company	4.5	7.5	4.8	na	4.1	na	4.1	4.6	4.7	4.7	4.9	5.6	na	4.2	6.3	na	3.0	2.0	2.3
Goldman Sachs & Co.	4.5	7.5	4.3	na	4.1	na	4.2	4.3	4.4	4.6	4.6	5.8	na	na	6.8	na	2.0	2.1	2.5
UBS Warburg	4.4	7.4	4.7	na	4.3	na	na	4.1	4.2	4.2	4.4 L	na	na	na	na	na	2.5	2.1	2.5
Naroff Economic Advisers	4.4	7.4	4.5	4.4	4.5	4.6	4.7	4.9	5.0	5.1	5.3	5.9	6.8	4.9	6.6	74.0 L	3.6	2.5	2.3
U.S. Trust Company	4.3 L	7.3 L	4.3	4.2 L	4.0	4.0	4.3	4.1	4.2	4.5	4.7	5.3	6.2	4.1	6.0 L	81.0	2.7	2.2	2.3
Scotiabank	4.3 L	7.3 L	4.1 L	4.2 L	3.9 L	3.9 L	3.9 L	3.6 L	4.1 L	4.4	4.5	5.6	6.5	4.3	6.0 L	77.8	2.6	2.0	1.8
Merrill Lynch Economics	4.3 L	na	4.1 L	na	4.0	na	na	3.8 L	4.2	3.4 L	4.6	na	na	na	na	na	2.0	1.6	1.5
October Consensus	5.0	8.0	5.1	5.0	4.8	4.9	4.9	4.8	4.8	4.9	5.0	5.9	6.8	4.6	6.5	79.6	2.9	2.3	2.4
Top 10 Avg.	5.7	8.6	5.9	5.6	5.6	5.5	5.5	5.5	5.5	5.5	5.6	6.4	7.3	5.1	7.0	82.2	3.5	2.9	3.0
Bottom 10 Avg.	4.4	7.4	4.4	4.5	4.2	4.4	4.3	4.2	4.3	4.3	4.6	5.4	6.4	4.2	6.1	76.5	2.0	1.7	1.8
September Consensus	5.0	8.0	5.2	5.2	4.9	5.1	5.1	5.0	5.0	5.1	5.2	6.1	7.0	4.8	6.7	79.7	2.9	2.3	2.4
Number of Forecasts Changed From A Month Ago:																			
Down	16	14	22	21	34	30	32	34	37	37	34	35	31	29	36	9	15	13	15
Same	28	26	14	11	10	8	7	8	5	7	9	7	6	5	5	11	19	24	25
Up	6	8	11	7	5	6	7	6	6	4	5	4	5	2	5	13	15	11	9
Diffusion Index	41 %	44 %	38 %	32 %	20 %	23 %	23 %	21 %	18 %	16 %	20 %	16 %	19 %	13 %	16 %	56 %	50 %	48 %	44 %

Fourth Quarter 2007 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum – Average For Quarter															Avg. For —Qtr.— Fed's Major Currency \$ Index	(Q-Q % Change) —(SAAR)—			
	Short-Term					Intermediate-Term					Long-Term						A. Real GDP	B. Price Index	C. GDP Index	D. Cons. Price Index
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Paper Com. 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bonds 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate					
Barclays Capital	6.0 H	9.0 H	6.2 H	6.0 H	5.7	5.8	5.8	5.5	5.2	5.2	5.2	5.8	6.7	4.7	6.8	na	2.5	2.5	2.9	
LaSalle Nat'l Bank	6.0 H	9.0 H	6.0	6.0 H	5.7	5.7	5.6	5.6	5.6	5.6	5.6	6.8	7.7	5.6 H	7.3	75.4	2.8	1.9	2.2	
Bear Stearns & Co.	5.8	8.8	6.1	5.9	5.8 H	5.9 H	5.9 H	5.8 H	5.8 H	5.8 H	6.0 H	6.9 H	7.8 H	5.0	7.4 H	82.3	3.1	3.0	3.0	
Comerica Bank	5.8	8.8	6.1	5.8	5.7	5.8	5.6	5.7	5.7	5.7	5.8	6.5	7.4	5.1	7.3	78.7	3.0	2.0	2.2	
Stone Harbor Investment Partners	5.8	8.8	5.9	5.9	5.3	5.3	5.2	5.1	5.0	5.2	5.3	5.9	6.8	na	6.7	80.0	2.7	2.4	2.5	
Action Economics	5.8	8.8	5.9	5.8	5.6	5.6	5.7	5.7	5.7	5.7	5.8	6.4	7.2	5.3	7.2	78.0	3.3	2.5	2.7	
Lehman Brothers	5.5	8.5	5.7	5.5	5.3	5.3	5.2	5.3	5.2	5.1	5.2	5.9	6.8	4.6	6.8	na	3.0	2.1	2.5	
National City Corporation	5.3	8.3	5.5	5.3	5.0	5.2	5.3	5.6	5.6	5.7	5.8	6.5	7.3	5.4	7.0	75.7	3.2	1.6	1.6	
Loomis, Sayles & Company	5.3	8.3	5.5	5.3	5.1	5.3	5.3	5.0	4.8	4.8	4.8	6.0	6.9	4.3	6.4	76.8	3.1	2.2	2.3	
Banc of America Securities	5.3	8.3	5.4	na	5.2	5.3	5.4	5.4	5.5	5.6	5.7	6.4	7.3	na	7.2	na	3.5	2.5	2.2	
Argus Research	5.3	8.3	5.3	5.3	5.1	5.3	5.2	5.0	5.0	5.0	5.1	5.7	6.7	4.7	6.5	81.0	2.9	3.2	3.0	
Mesirow Financial	5.3	8.3	5.2	na	4.9	5.1	5.1	5.1	5.1	5.3	5.4	6.3	na	na	6.5	87.0 H	3.4	2.2	1.8	
Standard & Poor's Corp.	5.1	8.1	5.3	5.1	4.9	5.0	5.2	5.3	5.3	5.4	na	6.5	7.5	5.3	6.9	73.8	2.3	1.8	1.9	
RBS Greenwich Capital Econ.	5.1	8.1	5.0	5.0	4.8	4.8	4.7	4.9	4.9	5.0	5.1	5.9	6.7	4.6	6.6	77.0	3.1	2.3	2.4	
Nat'l Assn. of Realtors	5.0	8.0	5.3	5.0	4.6	4.7	4.8	4.8	4.9	5.0	5.2	5.8	6.7	4.8	6.9	na	2.9	1.8	2.0	
Moody's Investors Service	5.0	8.0	5.2	5.3	4.9	5.1	5.2	5.3	5.3	5.3	5.5	6.1	7.2	5.6 H	6.9	82.0	3.0	2.3	2.3	
Briefing.com	5.0	8.0	5.2	5.0	4.9	4.9	4.9	4.8	4.8	4.9	5.0	5.9	6.9	4.6	6.8	na	3.2	2.3	2.0	
ING Investment Mgt.	5.0	8.0	5.2	5.1	4.8	4.9	4.9	5.1	5.2	5.2	5.3	6.1	7.0	4.6	6.8	78.0	3.0	2.2	2.4	
Wachovia	5.0	8.0	5.1	na	4.9	5.0	5.1	5.0	5.1	5.2	5.3	5.9	6.8	4.3	6.7	79.0	3.2	1.8	2.2	
JPMorgan Private Client Services	5.0	8.0	5.0	4.8	4.7	4.8	4.8	4.6	4.6	4.4	4.7	5.2	6.1	4.4	6.0	80.4	2.8	2.7	2.8	
Wayne Hummer Investments	4.8	7.8	5.0	4.9	4.6	4.7	4.6	4.6	4.6	4.7	5.0	5.9	6.8	4.6	6.4	79.9	2.9	2.4	2.5	
Nomura Securities, Inc.	4.8	7.8	4.9	4.8	4.5	4.6	4.4	4.2	4.3	4.4	4.6	5.3	6.3	na	5.9	81.0	3.0	1.9	2.3	
Kellner Economic Advisers	4.8	7.8	4.9	5.0	4.7	4.6	4.5	4.5	4.7	5.1	5.2	6.4	7.4	5.3	6.8	80.0	1.5 L	2.6	2.9	
Georgia State University	4.8	7.8	na	na	4.7	4.8	4.9	4.9	4.9	5.1	5.1	6.1	7.1	na	6.7	na	2.7	1.7	1.6	
DePrince & Assoc.	4.8	7.8	5.1	4.9	4.7	4.8	4.8	4.9	4.8	4.6	5.0	6.2	7.1	4.9	6.6	83.6	2.7	2.4	2.6	
Moody's Economy.com	4.8	7.8	5.0	4.9	4.6	4.7	5.0	5.1	5.0	5.1	5.5	6.5	7.1	na	6.6	na	3.2	2.5	1.9	
Chimura Economics & Analytics	4.8	7.8	5.0	4.8	4.6	4.8	4.8	4.8	4.8	4.9	5.0	5.8	na	na	6.5	73.4 L	3.3	3.0	1.9	
J.W. Coons Advisors LLC	4.8	7.8	5.0	4.9	4.5	4.4	4.4	4.5	4.6	4.7	4.9	5.9	6.8	na	6.4	83.3	2.4	2.5	2.5	
Prudential Equity Group LLC	4.8	7.8	4.9	4.8	4.5	4.5	4.6	4.6	4.7	4.9	5.1	5.6	6.6	4.6	6.4	79.8	4.0 H	2.0	2.4	
BMO Capital Markets	4.8	7.8	4.9	4.7	4.5	4.6	4.7	4.7	4.7	4.8	4.8	5.6	6.6	4.3	6.5	83.5	3.2	2.3	2.4	
ClearView Economics	4.8	7.8	4.8	4.7	4.5	4.7	4.7	4.5	4.4	4.5	4.7	5.4	6.3	4.2	6.2	80.0	3.6	2.4	2.7	
Fannie Mae	4.8	7.8	na	na	4.5	4.5	4.5	4.6	4.6	4.7	4.8	5.8	6.4	4.8	6.4	na	3.1	2.2	2.2	
The Northern Trust Company	4.7	7.7	4.9	na	4.4	na	4.5	5.0	5.1	5.1	5.2	5.9	na	4.6	6.6	na	3.2	2.4	2.7	
Economist Intelligence Unit	4.5	7.5	4.8	na	4.3	na	na	na	na	na	4.8	na	na	na	na	na	2.7	na	2.9	
Trusco Capital Management	4.5	7.5	4.8	4.5	4.2	4.3	4.4	4.3	4.4	4.5	4.7	5.7	6.9	4.1	6.1	83.0	3.5	1.9	2.0	
State House Policy Office	4.5	7.5	4.6	4.5	4.4	4.5	4.6	4.6	4.8	5.0	5.1	5.7	6.6	4.7	6.5	79.5	2.8	2.2	2.0	
Swiss Re	4.5	7.5	4.6	4.8	4.3	4.5	4.5	4.6	4.8	5.0	5.4	6.2	7.1	na	6.3	na	3.2	1.9	2.7	
Thredgold Economic Assoc.	4.5	7.5	4.6	4.6	4.3	4.4	4.4	4.4	4.4	4.4	4.4 L	5.2	6.1	4.1	6.0	79.0	2.0	2.3	2.5	
Cyotedata Corp.	4.5	7.5	4.6	4.5	4.3	4.4	4.5	4.6	4.7	4.8	5.0	5.8	6.7	4.4	6.3	81.0	2.5	2.3	2.7	
Woodworth Holdings	4.5	7.5	4.6	4.6	4.4	4.4	4.4	4.3	4.2	4.4	4.5	5.2	6.1	4.2	6.1	77.0	3.0	3.5 H	3.5 H	
Wells Capital Management	4.5	7.5	4.5	4.5	4.3	4.3	4.3	4.3	4.3	4.5	4.5	5.5	6.3	4.1	6.1	na	3.0	2.5	2.6	
SunTrust Banks	4.5	7.5	4.5	4.2	4.5	4.5	4.6	4.7	4.8	5.0	5.1	6.1	7.1	4.8	6.5	na	3.8	2.0	2.5	
PNC Financial Services Corp.	4.3	7.3	4.5	4.3	4.0	4.2	4.3	4.4	4.3	4.5	4.7	5.6	6.6	4.0 L	6.1	83.0	3.2	1.7	2.4	
UBS Warburg	4.3	7.3	4.7	na	4.3	na	na	4.2	4.4	4.4	4.5	na	na	na	na	na	2.8	2.1	0.9 L	
Scotiabank	4.3	7.3	4.1	4.2	3.9	3.9 L	3.9 L	3.8	4.0 L	4.4	4.5	5.6	6.6	4.3	6.0	76.4	2.8	2.0	1.8	
Goldman Sachs	4.1	7.1	4.1	na	3.9	na	4.1	4.3	4.5	4.7	4.8	6.8	na	na	6.8	na	2.5	1.8	2.0	
Naroff Economic Advisers	4.1	7.1	4.2	4.1	4.2	4.3	4.4	4.6	4.7	5.1	5.3	5.9	6.8	5.0	6.8	76.0	2.7	2.3	2.5	
U.S. Trust Company	4.0 L	7.0 L	4.1	4.0 L	3.9	4.0	4.1	4.1	4.2	4.3 L	4.4 L	5.1 L	6.0 L	4.1	5.8 L	81.0	3.2	2.2	2.3	
Merrill Lynch Economics	4.0 L	na	3.6 L	na	3.7 L	na	na	3.6 L	4.0 L	4.3 L	4.5	na	na	na	na	na	2.5	1.4 L	1.9	
October Consensus	4.9	7.9	5.0	5.0	4.7	4.8	4.8	4.8	4.8	4.9	5.1	5.9	6.8	4.7	6.6	79.6	3.0	2.2	2.3	
Top 10 Avg.	5.6	8.6	5.8	5.7	5.4	5.5	5.5	5.5	5.5	5.6	5.6	6.6	7.4	5.2	7.1	83.0	3.5	2.8	2.9	
Bottom 10 Avg.	4.2	7.3	4.3	4.3	4.1	4.3	4.2	4.1	4.3	4.4	4.5	5.4	6.3	4.2	6.0	76.1	2.4	1.7	1.7	
September Consensus	4.9	7.9	5.1	5.0	4.8	5.0	5.0	4.9	5.0	5.1	5.2	6.1	7.0	4.6	6.7	79.5	3.0	2.3	2.4	
Number of Forecasts Changed From A Month Ago:																				
Down	10	10	26	18	32	27	33	33	35	36	36	34	31	27	32	11	16	14	11	
Same	35	32	14	14	12	10	6	7	8	7	6	6	3	5	8	12	15	27	19	
Up	4	6	7	7	5	7	7	8	5	4	5	6	7	3	6	10	18	7	15	
Diffusion Index	44 %	46 %	30 %	36 %	22 %	27 %	22 %	24 %	19 %	16 %	17 %	20 %	21 %	16 %	22 %	48 %	52 %	43 %	50 %	

International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	3 Mo. Euro Dollar Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	5.30	4.80	4.40
Deutsche Bank	na	na	na
WestLB	5.30	5.10	4.50
ING Financial Markets	5.00	4.70	4.30
Mizuho Research Institute	5.20	5.15	5.15
October Consensus	5.20	4.94	4.59
High	5.30	5.15	5.15
Low	5.00	4.70	4.30
Last Months Avg.	5.34	5.17	4.75

Blue Chip Forecasters	3 Mo. Euro Yen Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	0.65	0.65	0.90
Deutsche Bank	na	na	na
WestLB	0.70	1.00	1.20
ING Financial Markets	0.60	0.60	0.90
Mizuho Research Institute	0.45	0.70	0.80
October Consensus	0.60	0.74	0.95
High	0.70	1.00	1.20
Low	0.45	0.60	0.80
Last Months Avg.	0.52	0.65	0.83

Blue Chip Forecasters	3 Mo. Euro Sterling Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	5.25	5.25	5.00
Deutsche Bank	na	na	na
WestLB	4.80	4.80	4.70
ING Financial Markets	5.20	5.00	4.65
Mizuho Research Institute	5.10	5.10	5.10
October Consensus	5.09	5.04	4.86
High	5.25	5.25	5.10
Low	4.80	4.80	4.65
Last Months Avg.	4.95	4.93	4.78

Blue Chip Forecasters	3 Mo. Euro Franc Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	2.00	2.25	2.25
Deutsche Bank	na	na	na
WestLB	2.00	2.25	2.25
ING Financial Markets	2.10	2.30	2.45
Mizuho Research Institute	na	na	na
October Consensus	2.03	2.27	2.32
High	2.10	2.30	2.45
Low	2.00	2.25	2.25
Last Months Avg.	1.89	2.13	2.29

Blue Chip Forecasters	3 Mo. Euro Dollar Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	4.25	3.80	3.60
Deutsche Bank	na	na	na
WestLB	4.30	4.30	4.30
ING Financial Markets	4.40	4.15	4.28
Mizuho Research Institute	na	na	na
October Consensus	4.32	4.08	4.06
High	4.40	4.30	4.30
Low	4.25	3.80	3.60
Last Months Avg.	4.45	4.48	4.33

United States			
Blue Chip Forecasters	10 Yr. Gov't Bond Yield %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	4.65	4.55	4.40
Deutsche Bank	na	na	na
WestLB	4.70	4.50	4.50
ING Financial Markets	4.40	4.30	4.50
Mizuho Research Institute	4.60	4.55	4.60
October Consensus	4.59	4.48	4.50
High	4.70	4.55	4.60
Low	4.40	4.30	4.40
Last Months Avg.	4.98	4.89	4.66

Japan			
Blue Chip Forecasters	10 Yr. Gov't Bond Yield %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	2.00	2.15	2.25
Deutsche Bank	na	na	na
WestLB	2.00	2.20	2.40
ING Financial Markets	1.70	1.80	2.10
Mizuho Research Institute	1.90	2.00	2.10
October Consensus	1.90	2.04	2.21
High	2.00	2.20	2.40
Low	1.70	1.80	2.10
Last Months Avg.	1.91	1.99	2.12

United Kingdom			
Blue Chip Forecasters	10 Yr. Gilt Yields %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	4.50	4.50	4.30
Deutsche Bank	na	na	na
WestLB	4.60	4.50	4.50
ING Financial Markets	4.70	4.60	4.55
Mizuho Research Institute	4.60	4.60	4.60
October Consensus	4.60	4.55	4.49
High	4.70	4.60	4.60
Low	4.50	4.50	4.30
Last Months Avg.	4.76	4.68	4.63

Switzerland			
Blue Chip Forecasters	10 Yr. Gov't Bond Yield %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	2.50	2.40	2.25
Deutsche Bank	na	na	na
WestLB	2.50	2.40	2.40
ING Financial Markets	2.45	2.40	2.50
Mizuho Research Institute	na	na	na
October Consensus	2.48	2.40	2.38
High	2.50	2.40	2.50
Low	2.45	2.40	2.25
Last Months Avg.	2.85	2.80	2.64

Canada			
Blue Chip Forecasters	10 Yr. Gov't Bond Yield %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	3.95	3.90	3.80
Deutsche Bank	na	na	na
WestLB	4.20	4.20	4.30
ING Financial Markets	3.90	3.80	3.75
Mizuho Research Institute	na	na	na
October Consensus	4.02	3.97	3.95
High	4.20	4.20	4.30
Low	3.90	3.80	3.75
Last Months Avg.	4.54	4.43	4.23

Fed's Major Currency \$ Index			
Blue Chip Forecasters	Index		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	79.7	79.2	77.8
Deutsche Bank	na	na	na
WestLB	79.0	78.0	77.0
ING Financial Markets	78.6	76.6	79.4
Mizuho Research Institute	79.4	79.2	80.2
October Consensus	79.2	78.2	78.6
High	79.7	79.2	80.2
Low	78.6	76.6	77.0
Last Months Avg.	78.9	77.7	77.3

US \$/Yen			
Blue Chip Forecasters	Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	110.0	110.0	105.0
Deutsche Bank	na	na	na
WestLB	112.0	108.0	105.0
ING Financial Markets	112.0	109.0	105.0
Mizuho Research Institute	112.0	108.0	109.0
October Consensus	111.5	108.8	106.0
High	112.0	110.0	109.0
Low	110.0	108.0	105.0
Last Months Avg.	110.0	107.2	103.2

Pound Sterling/US \$			
Blue Chip Forecasters	Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	1.92	1.92	1.91
Deutsche Bank	na	na	na
WestLB	1.87	1.93	1.93
ING Financial Markets	1.95	2.00	1.94
Mizuho Research Institute	na	na	na
October Consensus	1.91	1.95	1.93
High	1.95	2.00	1.94
Low	1.87	1.92	1.91
Last Months Avg.	1.89	1.91	1.91

SF/US \$			
Blue Chip Forecasters	Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	1.17	1.14	1.11
Deutsche Bank	na	na	na
WestLB	1.21	1.16	1.15
ING Financial Markets	1.17	1.13	1.13
Mizuho Research Institute	na	na	na
October Consensus	1.18	1.14	1.13
High	1.21	1.16	1.15
Low	1.17	1.13	1.11
Last Months Avg.	1.17	1.15	1.14

US \$/C \$			
Blue Chip Forecasters	Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	1.11	1.11	1.09
Deutsche Bank	na	na	na
WestLB	1.12	1.14	1.15
ING Financial Markets	1.09	1.08	1.20
Mizuho Research Institute	na	na	na
October Consensus	1.11	1.11	1.15
High	1.12	1.14	1.20
Low	1.09	1.08	1.09
Last Months Avg.	1.11	1.11	1.11

International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	3 Mo. Euro Dollar Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	6.30	6.30	6.00
Deutsche Bank	na	na	na
WestLB	6.10	6.00	5.70
ING Financial Markets	6.25	6.25	5.80
Mizuho Research Institute	na	na	na
October Consensus	6.22	6.18	5.83
High	6.30	6.30	6.00
Low	6.10	6.00	5.70
Last Months Avg.	6.05	6.06	5.81

Australia			
10 Yr. Gov't Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
5.75	5.75	5.80	
na	na	na	
5.50	5.30	5.30	
5.60	5.60	5.60	
na	na	na	
5.62	5.55	5.57	
5.75	5.75	5.80	
5.50	5.30	5.30	
5.80	5.75	5.60	

A \$/US \$			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
0.76	0.75	0.74	
na	na	na	
0.76	0.76	0.78	
0.78	0.80	0.77	
na	na	na	
0.77	0.77	0.76	
0.78	0.80	0.78	
0.76	0.75	0.74	
0.75	0.76	0.76	

Blue Chip Forecasters	3 Mo. Euro Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	3.85	4.10	3.85
Deutsche Bank	na	na	na
WestLB	3.40	3.60	3.50
ING Financial Markets	3.60	3.60	3.60
Mizuho Research Institute	3.50	3.60	3.60
October Consensus	3.59	3.73	3.64
High	3.85	4.10	3.85
Low	3.40	3.60	3.50
Last Months Avg.	3.39	3.49	3.58

Eurozone			
10 Yr. Euro Bond Yield %			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
3.75	3.85	3.75	
na	na	na	
3.80	3.70	3.70	
3.65	3.60	3.75	
na	na	na	
3.73	3.72	3.73	
3.80	3.85	3.75	
3.65	3.60	3.70	
4.05	4.06	3.88	

Euro/US \$			
In 3 Mo.	In 6 Mo.	In 12 Mo.	
1.30	1.32	1.33	
na	na	na	
1.29	1.35	1.35	
1.33	1.37	1.35	
1.31	1.30	1.28	
1.31	1.34	1.33	
1.33	1.37	1.35	
1.29	1.30	1.28	
1.31	1.34	1.33	

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.
Scotiabank	3.75	3.85	3.75	3.77	3.87	3.77	4.05	4.15	4.00	3.75	3.85	3.75
West LB	3.65	3.55	3.55	3.65	3.55	3.55	3.80	3.70	3.70	3.65	3.55	3.55
ING Financial Markets	3.65	3.60	3.75	3.65	2.60	2.75	3.90	3.85	0.85	3.65	3.60	3.75
Mizuho Research Institute	3.75	3.70	3.70	3.75	3.70	3.70	4.00	3.95	3.95	3.75	3.70	3.70
October Consensus	3.70	3.68	3.69	3.71	3.43	3.44	3.94	3.91	3.13	3.70	3.68	3.69
High	3.75	3.85	3.75	3.77	3.87	3.77	4.05	4.15	4.00	3.75	3.85	3.75
Low	3.65	3.55	3.55	3.65	2.60	2.75	3.80	3.70	0.85	3.65	3.55	3.55
Last Months Avg.	4.00	3.95	3.80	4.01	3.96	3.81	4.25	4.20	4.04	4.00	3.95	3.80

	Consensus Forecasts 10-year Bond Yields vs U.S. Yield			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-2.98	-2.69	-2.44	-2.29
United Kingdom	-0.11	0.01	0.07	-0.01
Switzerland	-2.22	-2.10	-2.08	-2.12
Canada	-0.60	-0.57	-0.51	-0.55
Australia	0.93	1.03	1.08	1.07
Germany	-0.92	-0.89	-0.80	-0.81
France	-0.91	-0.88	-1.05	-1.06
Italy	-0.65	-0.65	-0.56	-1.38
Spain	-0.92	-0.89	-0.80	-0.81
Eurozone	-0.85	-0.85	-0.76	-0.77

	Consensus Forecasts 3 Mo. Interest Rates vs U.S. Rate			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-4.97	-4.60	-5.68	-3.64
United Kingdom	-0.32	-0.11	0.10	0.27
Switzerland	-3.60	-3.17	-2.67	-2.27
Canada	-1.10	-0.88	-0.85	-0.53
Australia	0.73	1.02	1.25	1.25
Eurozone	-1.97	-1.61	-1.21	-0.95

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

Conundrum Redux?

We've been wrong in our call that US long-term yields would rise back to the 5% level — a level at which we turned neutral on bonds back in April. Ten-year note yields have tumbled by 65 basis points in the past ten weeks to just under 4.6%, a six-month low. At work are fears that the economy will weaken further, a decline in inflation expectations, and the expectation that the Fed thus will soon ease. In addition, I think strong overseas demand for US debt and sinking term premiums have also promoted the rally, hinting that elements of the bond market "conundrum" prevailing in 2004-2005 have come back.

Now, I'll be the first to concede that the economic news has been exceptionally bond-friendly, and that it may not reverse quickly. And I'll state clearly that this isn't the first time recently that I've pushed back against the rally. But because I still think the fundamental factors driving yields are likely to reverse, that strong overseas growth is likely to lift global yields, and with bond-market bullishness at a three-year high, I think the risk-reward tradeoff in the bond market is unfavorable, and I recommend selling.

Like a month ago, parsing yields into real and nominal components and uncovering what assumptions about the Fed are in the price is helpful to assess value. Real yields paced the rally until a month ago. On-the-run, real risk-free yields in the TIPS market stand at about 2.25%, down about 40 bp from their peaks at the end of June but slightly above their average of the past three years. It's hardly surprising that real yields have slipped back to their recent lows, given the housing slump, recently softer economic data, the pessimism in business surveys, and further production cuts announced by three motor vehicle manufacturers for the fourth quarter. These developments suggest that annualized US growth has slipped to about 2½% in the current quarter, somewhat below what we now think of as its trend rate of 3%, and these events also threaten fourth-quarter growth. Bond bulls think real yields have further to fall, and I would agree that if the economy weakens further, real yields could slide some more.

Recent inflation developments have been even more important than growth for the bond-market rally over the past month, as inflation compensation calculated from breakeven inflation (BEI) has tumbled by 30 basis points. The plunge in energy prices will sharply lower headline inflation, and likely has already brought down both surveyed measures of inflation expectations and BEIs. Indeed, overall monthly inflation readings likely will turn negative in September, and could be close to zero in October. And if energy prices have peaked after a 5-year escalation, as we expect, headline inflation measured by the CPI likely will fall below 2% over the coming year. Concurrently, long-term (five-to-ten-year) inflation expectations surveyed in the University of Michigan's canvass declined to 2.9% in September from 3.2% in August. The moderation in core inflation in July and August to 0.2% monthly from 0.3% in each of the prior four months also has calmed inflation concerns. And because the pass-through of higher energy quotes helped lift core inflation, it's logical to assume the decline in energy prices will reverse some of that pickup.

Calibrating inflation compensation from BEIs is problematic in historical context because TIPS were relatively new and less liquid five years ago, so TIPS yields (at constant maturity) then were some 75-100 bp higher than they are today. But at roughly 2.3%, neither the 10-year BEI nor the distant forward (5-year, 5-year forward) BEI at 2.5% seems way out of line with a realistic medium-term view of where inflation is

headed. Still-lower inflation and inflation expectations could further depress BEIs and thus nominal yields.

However, the plunge in energy quotes — if it lasts — likely will also represent a powerful source of economic stimulus, just as the rise in energy prices was a headwind for growth earlier this year. If gasoline prices at the pump decline to about \$2.25/gallon, as we expect, the 75-cent slide from the peak in early August would add roughly \$100 billion annualized to consumer purchasing power. When coupled with the economy's improved income-generating capacity, the impact of hearty overseas growth on US exports, and a rebound in capital spending, I believe that this boost to consumer spending power will revive overall growth substantially above current market expectations. Moreover, I'm not convinced that the decline in energy quotes will quickly reverse the rise in core inflation. As I see it, the combination of the previous rise in inflation expectations, dwindling economic slack, and rising costs tilts core inflation risks higher over the next few months. That's a recipe for the Fed at least to stay on hold for several months or longer.

In contrast, the market now discounts a benign path for monetary policy. Pricing in the Treasury and eurodollar curves reflects a slight risk of Fed ease as early as November, a bigger chance of lower rates by January, and 75 basis points of ease by early 2008. Alternatively, one can look at the yield curve as a histogram or weighted average of three quite different growth, inflation, and policy scenarios. One to which I'm sympathetic is that growth will rebound and inflation concerns will resurface. A second is that the Fed will be on hold for the near future to keep growth below trend and to bring inflation down slowly. Finally, the third scenario assumes that weak growth and declining inflation mean that policymakers will ease by 150 bp or more. If the market is assigning a zero weight to the first scenario, any hint that the odds for such a scenario are rising will trigger higher yields.

The overseas demand for US Treasuries, strong through much of the 2003-2005 period, now seems to be making a comeback, especially from Japan. The reason isn't hard to find: As markets have reassessed the prospects for Japanese monetary policy in the wake of lower-than-expected inflation readings and questions about the vitality of Japanese growth, the yen carry trade has returned to favor. With funding costs of 25 bp, and the yen now expected to be stable or weak against the dollar, Japanese investors see 4½-4¾% 10-year US yields as far more attractive than the 1.6% available at home.

However, yield-hungry market participants may be ignoring the consequences of strong overseas growth for the US economy and for the global balance between saving and investment. We're betting that strong global growth will boost US net exports, thus contributing to improved US job and income gains. And the strength in overseas domestic demand implies that saving abroad — which might have in the past kept global real yields low — will now be better balanced by rising investment and consumption outlays. So while US-overseas yield spreads likely will continue to narrow in that context, the change in internal and external imbalances could also put a floor under US yields.

Moreover, volatility and thus apparently term premiums have sunk significantly since their peaks in May and June. Measured by the VIX index, equity market volatility has fallen by half in the past two months, and measured by the investment-grade credit default swap market, the cost of default protection has fallen by 7 bp over the same period. Three-month forward premiums for two-year swaption volatility have drifted lower, and risk appetite seems to have returned in full force to just about every asset class. Recent model- (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

based data for term premiums — reflecting the volatility of both growth and inflation — have also drifted lower, despite the clear message from Fed officials that their next policy move is unclear. We think the 10-year, zero-coupon term premium has dipped all the way back to 18 basis points — a level last seen in January. In my view, that decline, along with the rise in risky asset prices, makes financial conditions more stimulative, not less so, and ought to make the Fed more inclined to firm monetary policy.

The upshot is that barring significantly weaker growth and lower inflation, I find it difficult to rationalize today's pricing along the maturity spectrum. Sentiment in the bond market understandably has turned bullish, but it is now at a 3-year high. Positioning, according to commitments of traders data, is also unashamedly bullish. The sharp rally last week on rumors about comments from former Fed Chairman Greenspan and on weakness in the Philly Fed's Business Outlook Survey testifies to the current bullish frenzy. As I see it, therefore, risks in the bond market are asymmetric: Continued weak economic news may promote a further rally, but any turnaround in growth and signs that inflation is moving higher again will promote a substantial sell-off.

Richard Berner, Morgan Stanley, New York, NY

Tactical Retreat

We are making a further concession in our Fed call, dropping the October rate hike and leaving only one final hike at the January meeting. Thereafter we expect the Fed to be on hold through the end of 2007 as growth remains below trend, but core inflation remains stubbornly high. Our Fed call remains much more hawkish than the 70 bp of easing priced into the bond market over the next 12 months.

When Fed officials made their case for a policy pause back in July, we felt their story did not add up. They acknowledged the pick-up in core inflation, but argued that a slowing to trend growth and a flattening out of commodity prices would quickly reverse the inflation acceleration. Moreover, while they downplayed the risks of a housing meltdown, they noted that a policy pause was prudent to avoid the risk of "over-shooting"—inadvertently tightening too much.

We disagreed with the Fed's view and argued that they were misrepresenting the normal lag relationships in the economy. Inflation is a long-lagging process and reversing a pick-up in inflation normally requires a painful period of significantly weaker growth. Furthermore, policy overshooting only occurs if the tightening of policy causes restraint in asset markets. Despite 17 rate hikes, outside of the housing sector, financial and asset market conditions had improved. By downplaying the risks to the housing market the Fed was denying the most plausible overshooting mechanism. In our minds, a perfect soft landing for growth, inflation and the housing seemed a bit too good to be true.

In the last two months, the case for a policy pause has grown. A big imbalance between supply and demand has developed in the housing market, with sellers refusing to cut prices and buyers waiting for the cuts to emerge. Until this game of "chicken" ends, there will be considerable uncertainty about the path of home prices. The new home market is also out of equilibrium. Builders have seen their impressive backlog of unfilled orders quickly turn into unwanted inventories as buyers easily wiggle out of contracts. Until this inventory overhang is worked off, construction activity will continue to fall. Other indicators of financial conditions remain favorable—interest rates are low, credit spreads are narrow, profits and corporate cash are strong, the stock market is improving and lending standards remain easy—but until

housing shows signs of bottoming, the overall growth outlook remains uncertain.

On the inflation side, a long string of bad news has given way to very mixed data, ranging from a sudden drop in energy prices to surging unit labor cost data. Given the lags in the process, core inflation is still likely to rise in the coming months, but there is at least a plausible case that inflation could ease back next year.

Until the growth and inflation uncertainties are sorted out, the Fed is likely to remain on hold with a bias to tighten. By January we expect the uncertainty to abate, with the housing market showing signs of stability and core inflation continuing to creep higher, causing one final reluctant rate hike from the Fed. Our call remains well removed from market expectations. According to the Fediscope model, between now and January the market now sees a much higher chance of a rate cut than a rate increase. Looking further out, the market expects the Fed to cut rates 70 bp over the next 12 months. We believe such an outcome is only likely if there is a complete meltdown in the housing market and a quick cooling of core inflation.

A natural question is "why stop here"? Why not follow the market's lead and argue for rate cuts? There are three reasons to believe policy risks remain to the upside. First, we don't believe a bubble in one-third of the housing market is enough to bring down the overall economy. Prices will fall in the overheated markets, but in much of the country as buyers return, prices will start rising. Second, the economy is exhibiting strong automatic stabilizers. As growth has softened, interest rates have come down, the dollar has weakened and energy prices have eased. All of this cushions the blow from housing. Third, the bond market is much too optimistic about inflation. Yes, weaker growth and softer commodity prices will eventually curb inflation, but the lags are long and inflation will probably get worse before it gets better.

Ethan Harris, Lehman Brothers, New York, NY

FOMC on the Sidelines

With signs of slower growth accumulating and inflation data behaving better, all but one voting member of the FOMC elected to keep rates on hold for a second meeting. The exception was, once again, Richmond Fed President Jeffrey Lacker. His dissent, along with continued description of inflation as "elevated" and a clear indication that bias remained on the side of more tightening if needed, lent the statement a slightly more hawkish tone than we had expected.

Nonetheless, market participants have clearly decided that the Fed is finished with its tightening campaign. After Thursday's sharp drop in the Philly Fed index, the market is now pricing in about a 25% chance of easing by the January 2007 meeting.

We agree with the market that the Fed has finished, not just paused. With real growth tracking at a 2% annual rate or below in the third quarter, the emerging downside risks to the economy are likely to eclipse inflation concerns fairly soon. That said, the degree to which inflation has disappeared from the market's radar screen is a bit surprising to us. The spread between nominal and inflation-indexed Treasuries has dropped precipitously, to below 2.20% per year over five years and to 2.33% per year over ten years, from roughly 2.6% in June and July. We wouldn't be surprised by another uncomfortable (+0.3%) core CPI reading or two in coming months, given continued pressures from rental prices and labor costs.

Andrew Tilton, Goldman Sachs, New York, NY

Special Questions:

1. Please provide your forecasts of the seasonally-adjusted annualized percent change in the following variables during Q3 2006?

	<u>Real GDP</u>	<u>Chained GDP Price Index</u>	<u>Consumer Price Index</u>
Consensus	2.3%	2.7%	3.3%
Top 10 Average	3.0%	3.3%	4.0%
Bottom 10 Average	1.7%	2.1%	2.4%

2. A. Will the next change in the target federal funds rate by the Federal Open Market Committee (FOMC) be an INCREASE or DECREASE?

(Percentage of those responding)

<u>Increase</u>	<u>Decrease</u>
25.5%	74.5%

B. If you said DECREASE, when will the FOMC first cut rates?

(Percentage of those responding)

<u>Q4 2006</u>	<u>Q1 2007</u>	<u>Q2 2007</u>	<u>Q3 2007</u>	<u>Q4 2007 or later</u>
5.7%	45.7%	34.3%	8.6%	5.7%

3. In August, the Consumer Price Index excluding food and energy prices (core CPI) was 2.8% higher on a year-over-year basis. What will be the 12-month change in the core CPI in December 2006 and December 2007?

12-month change in core CPI in:

	<u>December 2006</u>	<u>December 2007</u>
October Consensus	2.8%	2.4%
Top 10 Average	3.2%	2.8%
Bottom 10 Average	2.5%	1.9%
September Consensus	2.8%	2.4%
August Consensus	2.8%	2.4%
July Consensus	2.6%	2.3%

4. A. Will the 10-year Treasury note yield END 2007 higher or lower than where it begins 2007?

(Percentage of those responding)

<u>Higher</u>	<u>Lower</u>
68.2%	31.8%

B. Will the trade-weighted value of the U.S. dollar END 2007 higher or lower than where it begins 2007?

(Percentage of those responding)

<u>Higher</u>	<u>Lower</u>
24.4%	75.6%

5. Real residential investment contracted in each of the past three quarters and almost certainly will do so again in Q3. In what quarter will we next see real residential investment register positive annualized growth?

(Percentage of those responding)

<u>Q4 2006</u>	<u>Q1 2007</u>	<u>Q2 2007</u>	<u>Q3 2007</u>	<u>Q4 2007 or later</u>
2.2%	6.5%	10.9%	32.6%	47.8%

6. What are the odds of a U.S. recession in 2007?

Odds of U.S. recession in 2007

October Consensus	27.2%
Top 10 Average	39.5%
Bottom 10 Average	17.0%
September Consensus	26.5%
July Consensus	22.2%

2006

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	3.0	-0.8	0.7	0.7	0.2	-0.5	1.4	0.2				
Total Auto & Truck Sales (b)	17.6	16.5	16.5	16.7	16.0	16.2	17.1	16.0				
Personal Income (a, current \$)	0.8	0.3	0.5	0.7	0.4	0.6	0.5	0.3				
Personal Consumption (a, current \$)	0.9	0.5	0.5	0.6	0.7	0.3	0.8	0.1				
Consumer Credit (e)	4.1	2.1	0.7	5.7	8.2	7.3	2.8					
Consumer Sentiment (U. of Mich.)	91.2	86.7	88.9	87.4	79.1	84.9	84.7	82.0				
Household Employment (c)	295	183	384	47	288	387	-34	250				
Non-farm Payroll Employment (c)	154	200	175	112	100	134	121	128				
Unemployment Rate (%)	4.7	4.8	4.7	4.7	4.6	4.6	4.8	4.7				
Average Hourly Earnings ('82\$)	8.17	8.20	8.19	8.18	8.15	8.17	8.17					
Average Hourly Earnings (current \$)	16.40	16.47	16.51	16.61	16.62	16.69	16.77	16.79				
Non-farm Workweek (hrs.)	33.8	33.8	33.8	33.9	33.8	33.9	33.9	33.8				
Industrial Production (d)	3.2	3.1	3.6	4.6	4.5	4.7	5.2	5.0				
Capacity Utilization (%)	80.9	81.1	81.3	81.8	81.7	82.5	82.7	82.4				
ISM Index (formerly NAPM, g)	54.8	56.7	55.2	57.3	54.4	53.8	54.7	54.5				
Housing Starts (b)	2.265	2.132	1.972	1.832	1.953	1.833	1.772	1.665				
Housing Permits (b)	2.195	2.147	2.085	1.973	1.946	1.869	1.763	1.722				
New Home Sales (1-family, c)	1.173	1.038	1.121	1.121	1.101	1.091	1.009	1.050				
Construction Expenditures (a)	0.0	0.5	1.0	0.2	-0.4	0.4	-1.8					
Consumer Price Index (s.a., d)	4.0	3.6	3.4	3.5	4.2	4.3	4.1	3.8				
CPI ex. Food and Energy (s.a., d)	2.1	2.1	2.1	2.3	2.4	2.6	2.7	2.8				
Producer Price Index (n.s.a., d)	5.6	3.9	3.6	4.1	4.5	4.9	4.2	3.7				
Durable Goods Orders (a)	-7.8	3.6	6.0	-4.7	0.3	3.3	-2.7	-0.5				
Leading Economic Indicators (g)	0.4	-0.5	0.4	-0.1	-0.5	0.1	-0.2	-0.2				
Balance of Trade & Services (f)	-66.3	-62.7	-62.1	-63.6	-65.4	-64.8	-68.0					
Federal Funds Rate (%)	4.29	4.49	4.59	4.79	4.94	4.99	5.24	5.25				
3-Mo. Treasury Bill Rate (%)	4.24	4.54	4.51	4.60	4.72	4.79	4.95	4.96				
10-Year Treasury Note Yield (%)	4.42	4.57	4.72	4.99	5.11	5.11	5.09	4.88				

2005

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail and Food Service Sales (a)	0.0	0.7	0.3	1.8	-0.3	1.9	1.7	-1.8	0.3	0.2	0.9	0.3
Total Auto & Truck Sales (b)	16.3	16.4	16.8	17.2	16.6	17.8	20.7	16.8	16.3	14.7	15.7	17.1
Personal Income (a, current \$)	-2.3	0.3	0.2	0.5	0.3	0.5	0.8	-1.8	2.9	0.5	0.2	0.5
Personal Consumption (a, current \$)	0.1	0.6	0.6	1.0	-0.1	0.9	1.3	-0.1	0.6	0.3	0.1	0.4
Consumer Credit (e)	6.5	3.4	3.8	1.7	-0.1	8.4	5.6	6.5	2.8	-4.0	0.0	1.1
Consumer Sentiment (U. of Mich.)	95.5	94.1	92.6	87.7	86.9	96.0	96.5	89.1	76.9	74.2	81.6	91.5
Household Employment (c)	101	51	316	595	375	179	361	314	10	190	-14	168
Non-farm Payroll Employment (c)	76	265	140	228	106	166	241	175	48	37	354	145
Unemployment Rate (%)	5.2	5.4	5.1	5.1	5.1	5.0	5.0	4.9	5.1	4.9	5.0	4.9
Average Hourly Earnings ('82\$)	8.24	8.22	8.19	8.16	8.19	8.21	8.20	8.16	8.06	8.09	8.15	8.20
Average Hourly Earnings (current \$)	15.88	15.91	15.95	16.00	16.03	16.07	16.14	16.16	16.19	16.28	16.28	16.35
Non-farm Workweek (hrs.)	33.7	33.7	33.7	33.8	33.7	33.7	33.7	33.7	33.8	33.8	33.8	33.8
Industrial Production (d)	4.1	3.8	4.0	3.1	2.3	3.7	3.1	3.1	2.0	2.6	3.2	3.5
Capacity Utilization (%)	79.8	80.0	79.9	79.7	79.8	80.3	80.2	80.3	79.1	79.9	80.5	81.2
ISM Index (formerly NAPM, g)	56.3	55.6	55.3	53.8	51.8	54.0	56.4	53.5	58.0	58.1	57.3	55.6
Housing Starts (b)	2.137	2.213	1.856	2.079	2.034	2.078	2.070	2.075	2.158	2.046	2.131	2.002
Housing Permits (b)	2.141	2.121	2.083	2.156	2.092	2.169	2.186	2.185	2.21	2.111	2.170	2.094
New Home Sales (1-family, b)	1.193	1.252	1.324	1.270	1.311	1.272	1.367	1.271	1.253	1.346	1.236	1.259
Construction Expenditures (a)	1.0	1.8	1.3	-0.3	1.8	2.1	1.2	0.8	1.0	0.9	0.9	1.0
Consumer Price Index (s.a., d)	3.0	3.0	3.1	3.5	2.8	2.5	3.2	3.6	4.7	4.3	3.5	3.4
CPI ex. Food and Energy (s.a., d)	2.3	2.4	2.3	2.2	2.2	2.0	2.1	2.1	2.0	2.1	2.1	2.2
Producer Price Index (n.s.a., d)	4.1	4.7	5.0	4.8	3.6	3.7	4.7	5.3	6.9	5.9	4.4	5.4
Durable Goods Orders (a)	-0.9	1.2	-1.7	1.1	7.0	1.2	-5.5	4.5	-1.6	3.2	4.4	0.9
Leading Economic Indicators (g)	-0.1	0.3	-0.7	0.2	0.0	1.1	-0.1	0.0	-0.7	1.0	0.9	0.3
Balance of Trade & Services (f)	-56.6	-57.5	-54.0	-57.0	-56.6	-58.4	-58.1	-58.7	-65.0	-66.6	-64.0	-64.2
Federal Funds Rate (%)	2.28	2.50	2.63	2.79	3.00	3.04	3.26	3.50	3.62	3.78	4.00	4.16
3-Mo. Treasury Bill Rate (%)	2.33	2.54	2.74	2.78	2.84	2.97	3.22	3.44	3.42	3.71	3.88	3.89
10-Year Treasury Note Yield (%)	4.22	4.17	4.50	4.34	4.14	4.00	4.18	4.26	4.20	4.46	4.54	4.47

(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
October 2 ISM (Mfg., Sep) Unit Vehicle Sales (Sep) Construction Spending (Aug) Pending Home Sales (Aug)	3 Challenger Survey (Sep) ABC Consumer Comfort Index Weekly Store Sales	4 ISM (Sep., Non-Mfg.) Factory Orders (Aug) EIA Crude Oil Stocks Mortgage Applications	5 Monster Employment Index (Sep) Weekly Jobless Claims Factors Affecting Monetary Reserves	6 Employment Report (Sep) Consumer Credit (Aug)
9	10 Wholesale Trade (Aug) ABC Consumer Comfort Index Weekly Store Sales	11 FOMC Minutes for September 20 th meeting Beige Book for October 24 th FOMC meeting Weekly Store Sales Mortgage Applications	12 U.S. Trade (Aug) EIA Crude Oil Stocks Weekly Jobless Claims Factors Affecting Monetary Reserves	13 Retail Sales (Sep) Consumer Sentiment (University of Michigan, preliminary, Oct) Business Inventories (Aug)/Consumer Credit (Jul) Treasury Budget (Sep) Bank Credit (Sep) Trade Price Indices (Sep)
16 Empire State Index (Oct)	17 Producer Price Index (Sep) Industrial Production (Sep) NAHB Housing Market Index (Oct) Weekly Store Sales ABC Consumer Comfort Index Net Foreign Security Purchases (Aug)	18 Consumer Price Index (Sep) Housing Starts (Sep) EIA Crude Oil Stocks Mortgage Applications	19 Philadelphia Fed Index (Oct) Leading Economic Indicators (Sep) Weekly Jobless Claims Factors Affecting Monetary Reserves	20
23	24 FOMC Meeting Weekly Store Sales ABC Consumer Comfort Index	25 FOMC Policy Announcement Existing Home Sales (Sep) EIA Crude Oil Stocks Mortgage Applications	26 Durable Goods Orders (Sep) New Home Sales (Sep) Weekly Jobless Claims Factors Affecting Monetary Reserves	27 GDP (Q3, Advance) Consumer Sentiment (Oct., final, University of Michigan)
30 Personal Income and Consumption (Sep)	31 Chicago PMI (Oct) Employment Cost Index (Q3) Agricultural Prices (Oct) Consumer Confidence (Oct, Conference Board) ABC Consumer Comfort Index Weekly Store Sales	November 1 ISM (Manufacturing, Oct) Unit auto Sales (Oct) Construction Spending (Sep) EIA Crude Oil Stocks Mortgage Applications Weekly Store Sales	2 Monster employment Index (Oct) Challenger Survey (Oct) Factory Orders (Sep) Productivity (Q3, Preliminary) Weekly Jobless Claims Factors Affecting Monetary Reserves	3 Employment Report (Oct) ISM (Non-Manufacturing, Oct)
6	7 Consumer Credit (Sep) ABC Consumer Comfort Index Weekly Store Sales	8 EIA Crude Oil Stocks Mortgage Applications	9 U.S. Trade (Sep)/Trade Price Indices (Oct)/Wholesale Trade (Sep) Consumer Sentiment (Preliminary Nov., University of Michigan) Weekly Jobless Claims Factors Affecting Monetary Reserves	10 Bank Credit (Oct)

BLUE CHIP FORECASTERS

CONTRIBUTORS TO DOMESTIC SURVEY

Action Economics, LLC, Boulder, CO
Dr. Michael Englund

Argus Research Corp., New York, NY
Dr. Richard A. Yamarone

Banc of America Securities, LLC, New York, NY
Dr. Mickey Levy and Dr. Peter E. Kretzmer

Bank of Tokyo-Mitsubishi UFJ, Ltd., New York, NY
Christopher S. Rupkey

Barclays Capital, New York, NY
Dean Maki

Bear Stearns & Co., New York, NY
Dr. John Ryding and Conrad DeQuadros

BMO Capital Markets, Toronto, Canada
Dr. Sherry Cooper and Douglas Porter

Briefing.com, Boston, MA
Timothy E. Rogers

Chmura Economics & Analytics, Richmond, VA
Dr. Christine Chmura and Dr. Xiaobing Shuai

ClearView Economics, LLC, Cleveland, OH
Dr. Kenneth T. Mayland

Comerica Bank, Detroit, MI
Dana B. Johnson

Cycledata Corp., San Diego, CA
Robert S. Powers

DePrince & Associates, Murfreesboro, TN
Dr. Albert E. DePrince Jr.

Deutsche Bank Securities, Inc., New York, NY
Dr. Peter Hooper and Dr. Joseph Lavorgna

Fannie Mae, Washington, DC
Dr. David W. Berson

Georgia State University, Atlanta, GA
Dr. Rajeev Dhawan and Emin Hajiyev

Goldman Sachs & Co., New York, NY
Dr. William Dudley

ING Investment Management, Inc., Hartford, CT
James A. Griffin Jr.

J.P. Morgan Chase, New York, NY
Bruce Kasman and Robert Mellman

JPMorgan Private Client Services, New York, NY
Dr. Anthony Chan

J.W. Coons Advisors, LLC, Columbus, OH
James W. Coons

Kellner Economic Advisers, Port Washington, NY
Dr. Irwin L. Kellner

LaSalle/ABN AMRO Treasury Research, Chicago, IL
Carl R. Tannenbaum

Lehman Brothers, New York, NY
Dr. Ethan Harris

Loomis, Sayles & Company, L.P., Bloomfield, MI
Brian Horrigan and David Sowerby

Merrill Lynch Economics, New York, NY
David Rosenberg, Gerald E. Cohen and Thomas Porcelli Jr.

Mesirow Financial, Chicago, IL
Diane Swonk

Moody's Economy.com, West Chester, PA
Dr. Mark M. Zandi

Moody's Investors Service, New York, NY
John Lonski and John Puchalla

Naroff Economic Advisors, Philadelphia, PA
Dr. Joel L. Naroff

National Association of Realtors, Washington, DC
Dr. David A. Lereah and Dr. S. Lawrence Yun

National City Corporation, Cleveland, OH
Richard DeKaser

Nomura Securities International, Inc., New York, NY
Dr. David H. Resler and Gerald Zukowski

PNC Financial Services Group, Pittsburgh, PA
Dr. Stuart G. Hoffman

Prudential Equity Group LLC, New York, NY
Robert Hughes

RBS Greenwich Capital Economics, Greenwich, CT
Stephen Stanley and Michelle Girard

Scotiabank, Toronto, Canada
Aron Gampel and Dr. Warren Jestin

Standard & Poor's Corp., New York, NY
Dr. David M. Blitzler and David Wyss

State House Policy Office, Providence, RI
Gary L. Ciminero

Stone Harbor Investment Partners, LP, New York, NY
Brian Keyser

SunTrust Banks, Inc., Atlanta, GA
Gregory L. Miller and Christopher P. George

Swiss Re, New York, NY
Kurt Karl

The Northern Trust Company, Chicago, IL
Paul L. Kasriel and Asha G. Bangalore

Thredgold Economic Associates, Salt Lake City, UT
Jeff K. Thredgold

Trusco Capital Management, Richmond, VA
Alan Gayle

UBS Warburg, Stamford, CT
James O'Sullivan and Samuel Coffin

U.S. Trust Co., New York, NY
Dr. Robert T. McGee and Nora C. Mirshafii

Wachovia, Charlotte, NC
Dr. John Silvia and Mark Vitner

Wayne Hummer Investment, LLC., Chicago, IL
William B. Hummer

Wells Capital Management, San Francisco, CA
Gary Schlossberg

Woodworth Holdings, Ltd., Summit, NJ
Jay N. Woodworth

CONTRIBUTORS TO INTERNATIONAL SURVEY

Deutsche Bank Securities Inc., New York, NY

ING Financial Markets, London, England

Mizuho Research Institute, Tokyo, Japan

Scotiabank, Toronto, Canada

WestLB AG, Dusseldorf, Germany

