

# Market Update

SOUTHEAST CORPORATE

Insightful Thinking.  
Responsive Actions

## Economic Commentary

Under the most likely scenario, the economy probably emerged from the recession in June 2009. Several members of the Cycle Dating Committee of the National Bureau of Economic Research, responsible for determining the peaks and troughs of economic cycles, have been quoted as saying that time period was when the economy began its recovery, although no formal announcement has been made.

Since that time, economic activity has been dominated by the manufacturing sector. There are several reasons that manufacturing led the rebound, most notably the need for companies to replenish inventories after the dramatic reduction in stockpiles that occurred in late 2009 and early 2010. Another factor was the updating of business equipment, particularly management information systems by businesses. Yet another reason was the increase in demand for American goods from overseas due to the weakness of the U.S. dollar relative to other currencies.

Economists keep waiting for the revival of the consumer sector, but it has yet to happen. The high unemployment rate, combined with the underemployment rate, has been repeatedly implicated as the drag on the retail side of the economy. Yet another reason is the desire of the consumer to continue the deleveraging process, or the paying down of debt and rebuilding savings.

Total consumer credit outstanding (consumer debt less loans secured by real estate) peaked in July 2008 and has declined steadily since then. In fact, total outstanding credit rose in only three months since the peak. On a year-over year basis, total credit outstanding declined 4% in May, the last reporting month. Much of the overall decline is centered in revolving debt, or credit cards, which has fallen over 9% on an annualized basis. Americans are making progress getting their balance sheets in better order. Delinquencies declined on credit cards and home-equity loans in the first quarter of the year for the first time since 2008.

The decline in consumer credit outstanding at credit unions has mirrored the trends in the overall measure, although total credit outstanding in credit unions peaked considerably later, in August 2009. From the peak, total credit outstanding has declined 6.5% while at credit unions, it has slipped 7.1%. However, the 6.5% drop in overall consumer credit has taken 22 months to evolve, while the 7.1% drop in credit union consumer credit has occurred in only nine months, suggesting credit union members have been deleveraging at a more rapid pace than consumers as a whole.

### Chart of the Day

Consumer Credit at Credit Unions



## Recent Economic Releases

Date	Release	Expected	Actual	Impact
07/02/10	Factory Orders	-0.5%	-1.4%	↓
07/02/10	ISM Non-Mfg Composite	55.0	53.8	↑
07/02/10	Factory Orders	-0.5%	-1.4%	↓
07/08/10	Consumer Credit	-\$2.3 B	-\$9.1 B	↓
07/09/10	Wholesale Inventories	0.4%	0.5%	↑
07/14/10	Import Price Index	-0.4%	-1.3%	↑
07/14/10	Retail Sales	-0.3%	-0.5%	↓
07/14/10	Retail Sales less Autos	-0.1%	-0.1%	↓

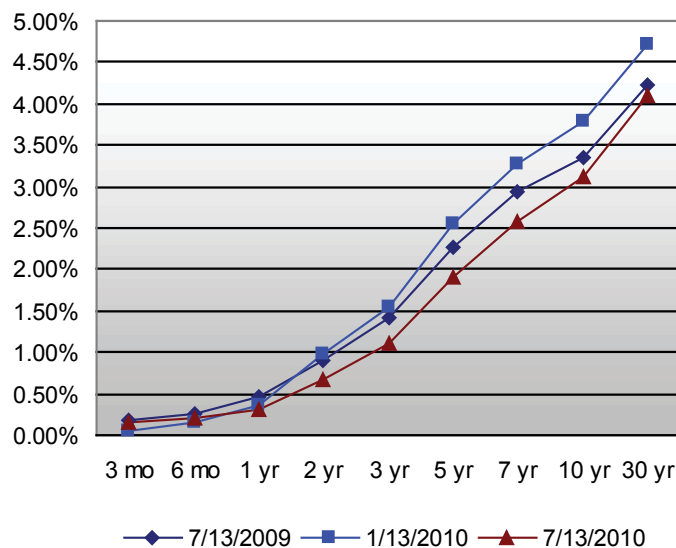
↑ = positive for economy    ↓ = negative for economy    ↔ = neutral

## Interest Rates as of: July 13, 2010

	Treasury	Agency	Euros/Swaps
1 Month	0.15%	0.16%	0.34%
3 Month	0.16%	0.21%	0.53%
6 Month	0.21%	0.27%	0.73%
1 Year	0.30%	0.46%	1.15%
2 Year	0.67%	0.79%	0.96%
3 Year	1.11%	1.30%	1.37%
5 Year	1.90%	2.21%	2.15%
10 Year	3.12%	3.28%	3.17%
30 Year	4.11%	4.81%	3.89%

Fed Funds Target	0.00% - 0.25%
Prime Rate	3.25%
Discount Rate	0.75%

### US Treasury Yield Curve



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