

Market Update

SOUTHEAST CORPORATE

Insightful Thinking.
Responsive Actions

Economic Commentary

The degree of confidence exhibited by consumers contributes a great deal toward the health of the economy. The ability to keep or find jobs, the prospects for a bigger paycheck in the coming year, the desire to acquire a new home or other big ticket items, all shape how the economy moves forward. When confidence is high, retail sales and production rises, but when confidence ebbs, the opposite occurs. Since the consumer sector represents roughly two-thirds of the gross domestic product, consumer attitudes are very important.

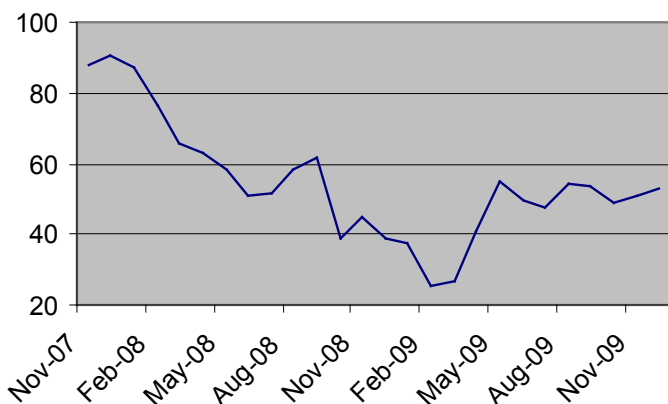
Consumer confidence is measured by several sources, but the one generally monitored the closest is the survey conducted by the Conference Board. The Board's most recent sentiment index showed confidence rose in December to 52.9, the second consecutive monthly gain. The group's index averaged 45.2 in 2009, the lowest annual rate since records began in 1967. The measure averaged 58 in 2008 and 103.4 in 2007.

The Board also asks consumers about their current situation. Attitudes about current conditions unfortunately fell to the lowest level in 26 years and wage expectations also fell. Fewer people said jobs are plentiful, while the proportion of those who said jobs are hard to get also decreased, presenting a somewhat contradictory picture. When asked about future prospects, attitudes were a little brighter. The gauge of expectations for the next six months reached the highest level since the recession began two years ago. The share of people who expect their incomes to rise over the next six months decreased, while more consumers expect employment to improve.

Overall, the report provided a mixed picture of the consumer. Confidence is on a modest upward trend, driven by future prospects. It does not suggest big gains in the nation's gross domestic product for the next several quarters, but also doesn't imply a double-dip in the economy.

Chart of the Day

Consumer Confidence



Recent Economic Releases

Date	Release	Expected	Actual	Impact
01/15/10	Consumer Price Index	0.2%	0.1%	↑
01/15/10	CPI ex Food & Energy	0.1%	0.1%	↑
01/15/10	Industrial Production	0.6%	0.6%	↑
01/15/10	Capacity Utilization	71.8%	72.0%	↑
01/20/10	Producer Price Index	0.0%	0.2%	↑
01/20/10	PPI ex Food & Energy	0.1%	0.0%	↑
01/20/10	Housing Starts	575K	557K	↑
01/20/10	Building Permits	580K	653K	↑

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

Interest Rates as of: Jan. 19, 2010

	Treasury	Agency	Euros/Swaps
1 Month	0.03%	0.05%	0.23%
3 Month	0.05%	0.09%	0.25%
6 Month	0.14%	0.19%	0.39%
1 Year	0.32%	0.38%	0.88%
2 Year	0.90%	1.04%	1.16%
3 Year	1.47%	1.77%	1.79%
5 Year	2.46%	2.79%	2.75%
10 Year	3.73%	3.94%	3.83%
30 Year	4.64%	5.24%	4.52%
Fed Funds Target			0.25%
Prime Rate			3.25%
Discount Rate			0.50%

US Treasury Yield Curve

