

DAILY GLOBAL COMMENTARY

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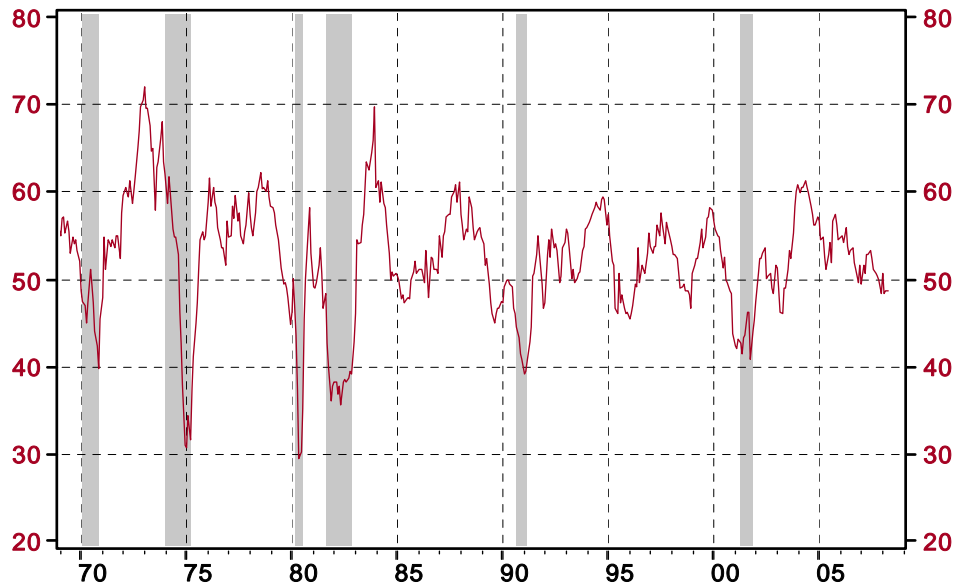
ISM Factory Survey Indicates a Slow Pace of Contraction May 1, 2008

The ISM manufacturing survey results show that the factory sector did not grow in April, marking the third consecutive month of stalled activity. The new orders index held steady while the index tracking production moved up slightly. Among the five indexes that make up the composite index, the increase in the vendor deliveries index was responsible for the unchanged headline. The reason for longer delivery time of supplies to manufacturing firms is not clear. The employment index declined to 45.4, the lowest in the last five years.

Chart 1

ISM Manufacturing: PMI Composite Index

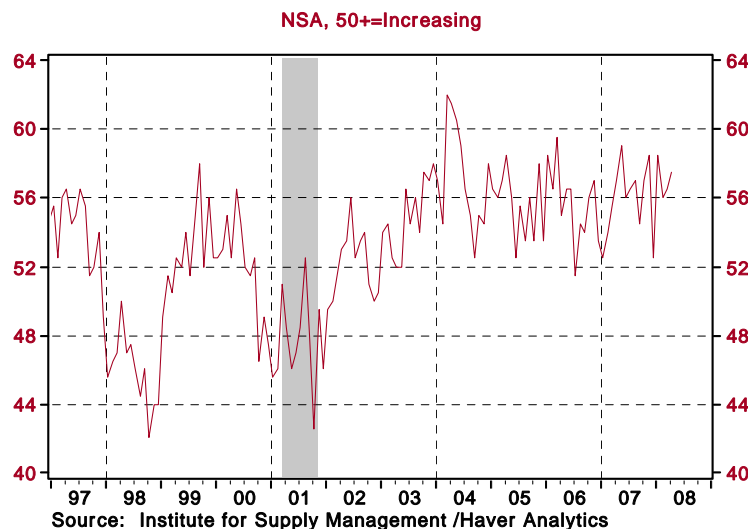
SA, 50+=Increasing



Source: Institute for Supply Management /Haver Analytics

The upward trend of exports, supported by a weak dollar and growing economies abroad, is providing the offset to weakness in the U.S. economy. The unsynchronized status of the U.S. economy and its trading partners suggests that activity in the factory sector may not show a sharp and rapid loss of momentum in the near term. The significant advancing trend of the price index reflects the impact of high energy and commodity prices.

Chart 2
ISM Manufacturing: New Export Orders Index



ISM Factory Survey – April 2008

	Nov-2007	Dec-2007	Jan-2008	Feb-2008	Mar-2008	Apr-2008
Composite Index	50.0	48.4	50.7	48.3	48.6	48.6
New Orders	52.5	46.9	49.5	49.1	46.5	46.5
Production	51.3	48.6	55.2	50.7	48.7	49.1
Employment	48.4	48.7	47.1	46.0	49.2	45.4
Vendor Deliveries	51.5	52.6	52.8	50.1	53.6	54.0
Inventories	46.4	45.4	49.1	45.4	44.9	48.1
Prices	67.5	68.0	76.0	75.5	83.5	84.5
Backlog of Orders	41.5	43.0	44.0	45.0	47.5	51.5
New Export Orders	58.5	52.5	58.5	56.0	56.5	57.5
Imports	47.5	48.0	52.5	47.5	45.0	48.0

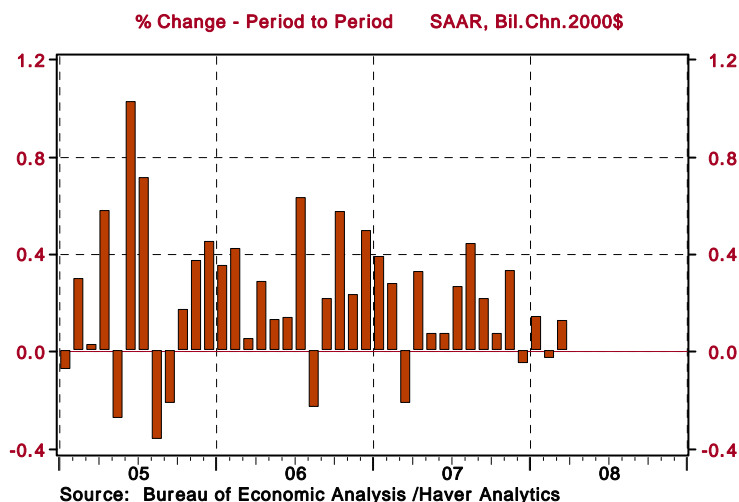
Consumer Spending Has Barely Risen for Four Straight Months

Personal income grew 0.3% in March after a 0.5% increase February. Nominal consumer spending rose 0.4% during March but after adjusting for inflation consumer spending was up only 0.1%. Outlays on durable consumer goods fell 0.5%, while purchases of non-durables and services increased 0.16% and 0.21%, respectively. As shown in chart 3, consumer spending has barely advanced in the four months ended March. Going forward, consumer spending is predicted to show a small pickup due to additional spending power from rebate checks. However, this is mostly likely a temporary event. Weak employment conditions, a financially strapped

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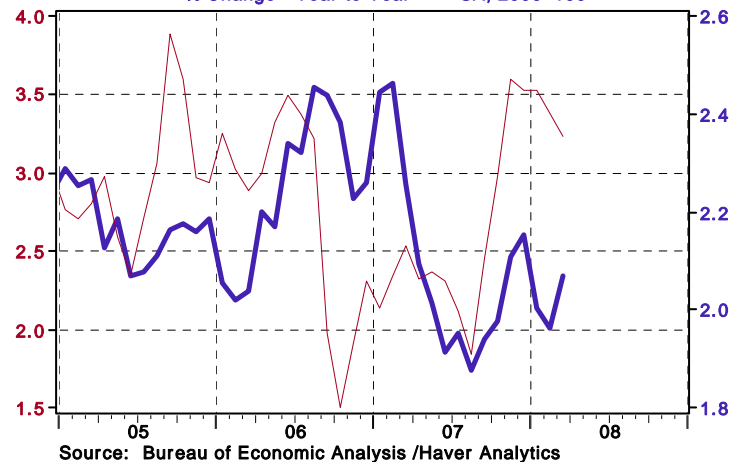
consumer and a reduction in mortgage equity withdrawals, due to declines in homes prices, should result in a soft trajectory for consumer spending for several months ahead. Personal saving as a percentage of disposable income was 0.2% in March, following a 0.4% reading in February.

Chart 3
Real Personal Consumption Expenditures



The personal consumption expenditure price index increased 0.3% in March, putting the year-to-year increase at 3.2%. The core personal consumption expenditure price index, which excludes food and energy, moved up 0.17% in March, which works out to a 2.07% year-to-year gain compared with a 1.96% increase in February. The FOMC is uncomfortable with these elevated levels of inflation and this concern has featured in the Fed’s rhetoric for several months. Weak demand conditions are expected to result in a moderation of inflation in the months ahead.

Chart 4
← PCE: Chain Price Index
% Change - Year to Year SA, 2000=100
PCE less Food & Energy: Chain Price Index →
% Change - Year to Year SA, 2000=100



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