

# Three yards and a cloud of dust

## Macro Viewpoint: Three yards and a cloud of dust

The Fed appears to be a long way from even thinking about hiking rates. Ending the recession is only half of the battle, we believe the Fed wants to see the capital markets recovery broaden out and include bank lending and it wants to see clear signs of healing in the labor market. While the Fed is loath to tie itself to a few indicators, we suggest investors watch bank lending and the unemployment rate.

## Data to show economy on stronger footing in 4Q

A flurry of economic data will occupy investors in the upcoming week, culminating with Friday's October payroll report. We anticipate a decline of 180K M/M (consensus is currently -160K M/M), reflecting a moderation in the pace of layoffs and consistent with fewer initial unemployment claims. Clues from the two ISM's, ADP private payrolls and Challenger layoffs will allow us to fine-tune the call.

Table 1: The economic data on deck for 2 — 6 November

| Date | Time  | Indicator                   | Period       | BofAML Estimate | Consensus    | Previous     |
|------|-------|-----------------------------|--------------|-----------------|--------------|--------------|
| 11/2 | 10:00 | ISM Manufacturing           | OCT          | 54.0            | 53.0         | 52.6         |
| 11/2 | 10:00 | Construction Spending MoM   | SEP          | -0.4%           | -0.2%        | 0.8%         |
| 11/3 | 10:00 | Factory Orders              | SEP          | 0.2%            | 0.9%         | -0.8%        |
| 11/3 |       | Total Vehicle Sales         | OCT          | 9.7M            | 9.8M         | 9.2M         |
| 11/4 | 8:15  | ADP Employment Change       | OCT          | -235K           | -190K        | -254K        |
| 11/4 | 10:00 | ISM Non-Manf. Composite     | OCT          | 51.0            | 51.6         | 50.9         |
| 11/4 | 14:15 | <b>FOMC Rate Decision</b>   | <b>4-Nov</b> | <b>0.25%</b>    | <b>0.25%</b> | <b>0.25%</b> |
| 11/5 | 8:30  | Nonfarm Productivity        | 3Q P         | 6.8%            | 6.2%         | 6.6%         |
| 11/5 | 8:30  | Unit Labor Costs            | 3Q P         | -4.5%           | -4.0%        | -5.9%        |
| 11/5 | 8:30  | Initial Jobless Claims      | 31-Oct       | 536K            | 520K         | 530K         |
| 11/6 | 8:30  | Change in Nonfarm Payrolls  | OCT          | -180K           | -175K        | -263K        |
| 11/6 | 8:30  | Unemployment Rate           | OCT          | 10.0%           | 9.9%         | 9.8%         |
| 11/6 | 8:30  | Average Hourly Earnings MoM | OCT          | 0.1%            | 0.1%         | 0.1%         |
| 11/6 | 8:30  | Average Weekly Hours        | OCT          | 33.0            | 33.1         | 33.0         |
| 11/6 | 10:00 | Wholesale Inventories       | SEP          | -1.0%           | -1.0%        | -1.3%        |
| 11/6 | 15:00 | Consumer Credit             | SEP          | -\$14.5bn       | -\$10.0bn    | -\$12.0bn    |

Source: BofA Merrill Lynch Global Research, Bloomberg

## Bank of America Merrill Lynch

### US Economics

MLPF&S

**Ethan S. Harris** +1 646 855 3755

Economist  
MLPF&S  
ethan.harris@baml.com

**Drew T. Matus** +1 646 855 9314

Economist  
MLPF&S  
drew.matus@baml.com

**Michael S. Hanson** +1 646 855 6854

Economist  
MLPF&S  
m.hanson@ml.com

**Lori J Helwing** +1 646 855 9317

Economist  
MLPF&S  
lori.helwing@baml.com

**Gary Bigg** +1 646 855 9880

Economist  
MLPF&S  
gary.bigg@baml.com

**Neil Dutta** +1 646 855 9322

Economist  
MLPF&S  
indraneil.dutta@baml.com

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[Come together, 8 September 2009](#)

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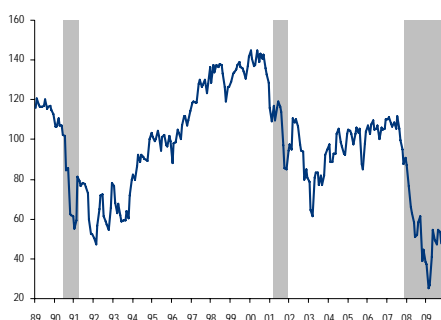
Ethan S. Harris  
Head of North American Economics  
(646) 855 3755

## Macro viewpoint

### Three yards and a cloud of dust

The US economy continues to muscle its way out of recession. In the past week, durable goods orders came in largely as expected, with the core capital goods component rising 2%. This bodes well for equipment spending in Q4. After inching higher by 1.1% in Q3, we look for a 4.5% rise in spending in Q4. On a negative note, new home sales fell, breaking a 5 month “winning streak” and consumer confidence dipped. Confidence is behaving like it did following the last two recessions, bouncing along its lows with no clear recovery (Chart 1). If history repeats itself, this suggests a very slow economic recovery.

**Chart 1: Confidence still depressed**  
Consumer confidence (1985 = 100)



Shaded region represents period of US recession  
Source: Conference Board, BofA Merrill Lynch Global Research

Perhaps the biggest surprise of the week was the 3.5% jump in Q3 GDP. This more than matched the 3.2% consensus and was well above our 2.3% forecast. Digging into the details, the report is weaker than it appears on the surface. Final sales came in right at expectations, rising 2.5%. The surprise was in inventory investment. We had expected inventories to drop at an accelerating rate as auto dealers took advantage of the “cash for clunkers” program to clean out their inventory. In the GDP accounts, however, motor vehicle inventories rose and overall inventory investment added 1 pp to GDP growth. We view this as a shift in the timing of GDP growth, rather than a fundamental improvement. We had expected the inventory improvement to start in Q4, so with more of it happening in Q3, we have revised down Q4 GDP growth from 4.2% to 3.4%.

We suspect that the inventory number will be revised down in future GDP releases. The GDP data shows real retail motor vehicle inventories rising \$4.6bn in the quarter. By contrast, both data from Wards and anecdotal evidence suggests dealers sharply reduced inventories during the quarter. For now, in our forecast we assume the BEA does not revise the data. But don't be surprised if we have to do some more growth reshuffling in the coming months.

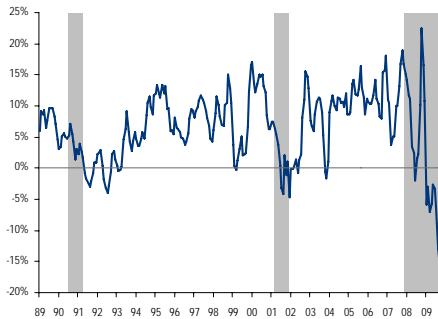
### Fed fake #27

With the economy turning up, the markets are on high alert for rate hikes from the Fed. Every time an FOMC hawk says that “the Fed will need to raise rates sooner rather than later” or Fed staff talks to the Street about technical issues around its exit strategy, the chattering class gets excited. The latest “Fed fake” is a news wire story about Michael Woodford, a member of the Monetary Policy Advisory Panel for the Federal Reserve Bank of New York. Asked if the Fed will soon drop its promise to keep rates low for an “extended period” he responded: “I could imagine them dropping the language.” He went on to explain that “the problem with this kind of language is that it's perceived as making a promise about future interest rates independently of what happens in the meantime.” Is this close advisor to the Fed signaling a change in the Fed directive this week?

The answer is almost certainly “no”, in our opinion. It is important to understand how the Bernanke Fed signals major policy changes. We believe the signals don't come from Reserve Bank Presidents or advisors, they come from either the overall committee—in the form of the official statements—or from the core of the committee—that means Bernanke, Kohn or, to a lesser extent, New York President Dudley. The Advisory Panel plays a very secondary role in thinking at the Fed. When I was at the Federal Reserve Bank of New York we had to brief the advisory group before they talked so they were up to speed on the data.

Look to Bernanke, Kohn and the FOMC statement for accurate signals of the Fed's intentions

**Chart 2: Bank credit contracting**  
Commercial bank loans and leases in bank credit  
(three-month % change, annualized)



Shaded region represents period of US recession  
Source: Federal Reserve, BofA Merrill Lynch Global Research

Moreover, the directive already includes the contingent language Woodford recommends. It says: “economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.” Perhaps the Fed could expand this and say: *with considerable economic slack and a likely moderate recovery, economic conditions are likely to warrant...*

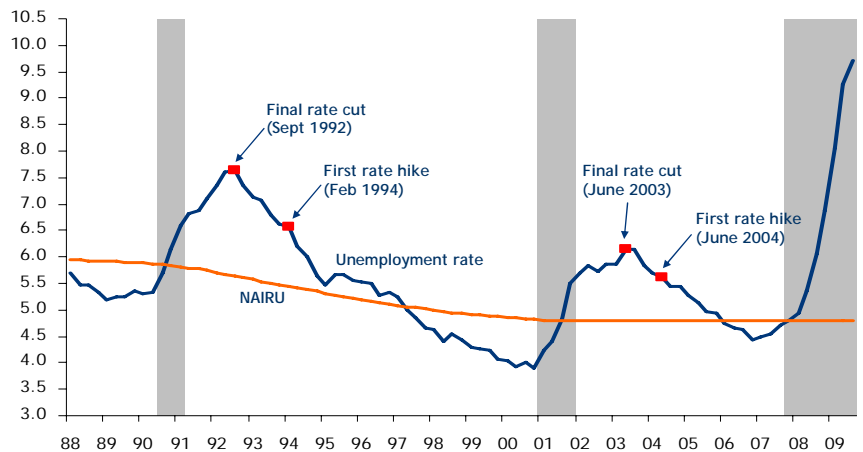
**It will take nine months of labor to deliver a baby hike**

The Fed is a long way from even thinking about hiking rates. Ending the recession is only half of the battle: we believe the Fed wants to see the capital markets recovery broaden out and include bank lending, and it wants to see clear signs of healing in the labor market. While the Fed is loath to tie itself to a few indicators, we suggest investors watch bank lending and the unemployment rate.

While parts of the capital market are functioning reasonably well—for example, the credit market is up and running—bank lending continues to shrink (Chart 2). As has been well documented in the press, this means a tough funding environment for small businesses. A return to growth in bank lending would be a strong sign of healing for both borrowers and lenders.

An even more important indicator is the amount of slack in the economy. As Chart 3 shows, historically, the Fed tends to keep easing after the recession is over if the unemployment rate is rising. In the last two cycles, the last ease came 18 and 19 months, respectively, after the end of the recession. Historically, the Fed only hikes once the unemployment rate seems to be on a sustained path back to its inflation neutral, or NAIUR, level. (For the insomniacs out there: NAIUR is the non-accelerating inflation rate of unemployment.) This is what Fed officials mean when they talk of pre-emptive monetary policy. The Fed wants to tighten early enough to prevent low unemployment and above-target inflation.

**Chart 3: Patience is a virtue**



Shaded region represents period of US recession  
Source: Bureau of Labor Statistics, Congressional Budget Office, BofA Merrill Lynch Global Research

This week’s employment report should confirm that the Fed has plenty of time. We expect the unemployment rate to rise from 9.8% to 10.0%, on route to a 10.2% peak in Q1, 2010. We believe the NAIUR has risen to about 6%, implying a peak unemployment gap of 4.2% (10.2 – 6.0), or the second biggest of the post-war period. Then we expect history to repeat itself. We look for the Fed to complete its “credit easing” at the end of Q1 as the unemployment rate peaks. We then expect a very slow natural shrinkage in their balance sheet, with the first rate hike in early 2011 or nearly a year after the peak in the unemployment rate.

Lori Helwing (646) 855 9317

Neil Dutta (646)855 9322

## The week ahead

### Data to show economy on stronger footing in 4Q

A flurry of economic data will occupy investors in the upcoming week, culminating with Friday's October payroll report. We anticipate a decline of 180K M/M (consensus is currently -160K M/M), reflecting a moderation in the pace of layoffs and consistent with fewer initial unemployment claims. Clues from the two ISM's, ADP private payrolls and Challenger layoffs will allow us to fine-tune the call. Tuesday's auto sales should show an improvement as well to 9.7M annualized units after September's depressed 9.2M showing. Such a print would solidify the start of 4Q consumer spending tracking, which currently stands at +0.5% Q/Q annualized.

### FOMC preview: No news is good news

We do not expect any substantive policy announcements coming from the two-day Federal Open Market Committee (FOMC) meeting that concludes on November 4. Recent press reports have suggested that the Fed may start preparing the markets for higher interest rates, but we think that would be premature. The Fed remains in de facto easing mode, with the large-scale asset purchase (LSAP) programs still underway. At the previous meeting in September, the Committee announced that it would extend its planned \$1.45 trillion purchases of MBS and agency debt through Q1 2010 while concluding its \$300 million Treasury purchase program this month. In fact, the September meeting minutes revealed that more members supported a potential expansion of the large-scale asset purchases at that time than a reduction, implying that the majority of the Committee was slightly more concerned about downside risks to the economy. As a result, we anticipate relatively minimal changes to the language on the growth and inflation outlook in the press statement, retaining the promise to keep rates on hold "for an extended period" and to continue "monitoring the size and composition of its balance sheet." With the Fed still implementing its "entrance strategy", the formal start of the "exit strategy," in our opinion, is still over a year away.

## Monday, 02 November

### ISM Manufacturing Index, October—10:00am

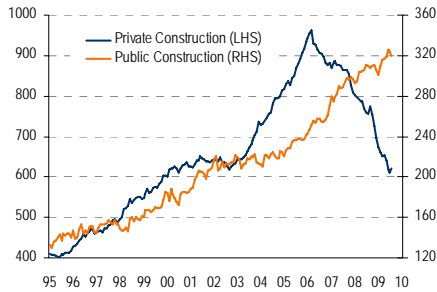
|                   | Exp  | Cons | Range        | History                   |
|-------------------|------|------|--------------|---------------------------|
| ISM Manufacturing | 54.0 | 53.0 | 52.0 to 54.0 | Sep = 52.6 vs. Aug = 52.9 |

Source: BofA Merrill Lynch Global Research, Bloomberg

The ISM Manufacturing Index is expected to rise to 54.0 in October from 52.6 in September. This would be the highest level since 2006 but still be fairly subdued for a recovery considering how deep production fell during the recession. If we take a full accounting of the regional surveys released to date, we will likely see a modest improvement. Manufacturing surveys for New York and Chicago showed solid gains led by new orders and production. Texas also posted a month-over-month gain. The rest of regions showed manufacturing expansions that moderated. Additionally, jobless claims have declined roughly 4% since the end of September, which suggests we could see an increase in the ISM employment index.

**Government spending holding the fort**

Value of Construction Put in Place (SAAR, Bln\$)



Source: Census Bureau, BofA Merrill Lynch

**Construction Spending, September—10:00am**

|                       | Exp   | Cons  | Range        | History                    |
|-----------------------|-------|-------|--------------|----------------------------|
| Construction Spending | -0.4% | -0.2% | -1.0 to 0.5% | Aug = 0.8% vs. Jul = -1.1% |

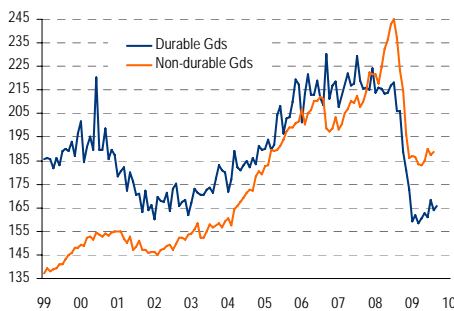
Source: BofA Merrill Lynch Global Research, Bloomberg

Construction spending likely fell 0.4% M/M in September. Private single-family homebuilding should rebound further after correcting by 80% from the 2006 peak. A 3.0% M/M gain in September on the heels of stronger housing starts is expected. Construction of multi-family units, however, probably fell by 2.0% M/M on falling demand and tight financing conditions. Rising vacancy rates and tight credit conditions will weigh heavily on other non-residential construction (lodging, office, power and commercial) projects in September. Public construction likely fell on a decline at the state and local level that more than offsets a rise in federal construction. Nevertheless, government spending had posted consistent gains and stands 3.7% higher than year-ago levels.

**Tuesday, 03 November**

**U-turn**

Manufacturers' New Orders (SA, Bil.\$)



Source: Census Bureau, BofA Merrill Lynch

**Factory Orders, September—10:00am**

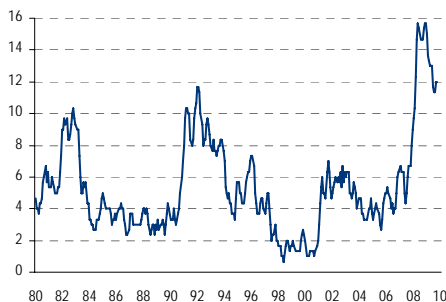
|                | Exp  | Cons | Range        | History                    |
|----------------|------|------|--------------|----------------------------|
| Factory Orders | 0.2% | 0.8% | -0.5 to 1.5% | Aug = -0.8% vs. Jul = 1.4% |

Source: BofA Merrill Lynch Global Research, Bloomberg

Factory orders are expected to rise 0.2% in September, led by a 1.0% gain in durable goods. A rebound in machinery orders and strong defense bookings boosted durable goods, while other categories were flat to down. We will be watching for any revisions to the 2.0% monthly rise in non-defense capital goods orders excluding aircraft, a proxy for future equipment investment. Orders for non-durable goods are forecast to drop 0.5% M/M, after rising 0.8% in August. Overall manufacturers' inventories are expected to drop 0.6% M/M (the 13th consecutive monthly decline) as companies continue to bring stocks in line with current demand. The inventory-to-shipments ratio likely should retreat from 1.37 in August on the heels of rising sales.

**Affordability concerns tick up in October**

Current Conditions for Buying Vehicles: Times Are Bad; Can't Afford to Buy (% , 3MMA)



Source: University of Michigan, BofA Merrill Lynch

**Vehicle Sales, October—All Day**

|               | Exp  | Cons | Range        | History                    |
|---------------|------|------|--------------|----------------------------|
| Vehicle Sales | 9.7M | 9.8M | 8.0 to 10.5M | Sep = 9.2M vs. Aug = 14.1M |

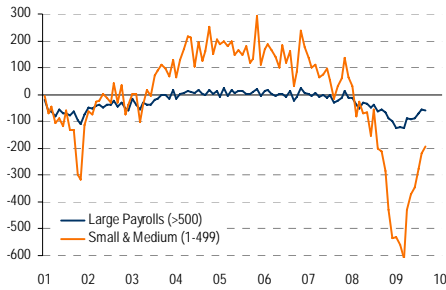
Source: BofA Merrill Lynch Global Research, Bloomberg

Vehicle sales are expected to rise from 9.2M units annualized in September to 9.7M in October as demand slowly returns following the CARS-related volatility. The initiative led to increased consumer interest and showroom traffic, but depleted dealership inventories - a factor which could limit any upside in sales over the month. While financing conditions have improved, consumers reported heightened affordability concerns in the latest University of Michigan survey. Nevertheless, both GM and Ford offered sales incentives, which likely attracted some buyers. A stronger gain in foreign nameplate sales could be in store due to better selection via larger vehicle inventories.

## Wednesday, 04 November

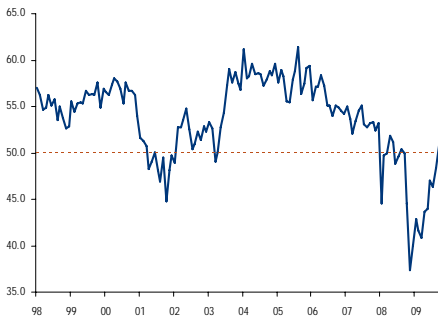
### Small & medium companies hit hardest

#### ADP Nonfarm Private Employment (M/M Ch, 000s)



Source: ADP, Macroeconomic Advisors, BofA Merrill Lynch

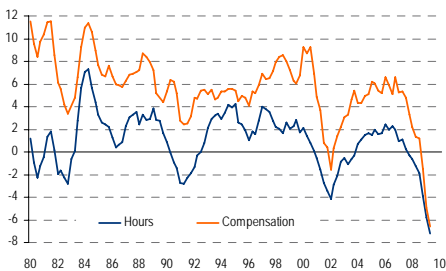
### Service sector still sluggish



Source: Haver Analytics, BofA Merrill Lynch Global Research

### Massive cost cuts continue through 3Q

#### Non-farm Business: Compensation & Hours, Y/Y%



Source: Bureau of Labor Statistics, BofA Merrill Lynch

### ADP Employment, October—8:15am

|                | Exp   | Cons  | Range         | History                     |
|----------------|-------|-------|---------------|-----------------------------|
| ADP Employment | -235K | -190K | -245 to -165K | Sep = -254K vs. Aug = -277K |

Source: BofA Merrill Lynch Global Research, Bloomberg

The ADP report for national private employment is expected to show a decline of 235K over the month in October, the lightest pace of layoffs since July 2008. Our estimate is 70K lower than our forecast for private BLS non-farm payrolls (down 165K M/M with overall non-farm payrolls -180K), in-line with the average difference over the past two months. In October, we anticipate a notable deceleration in the pace of layoffs for both goods-producing and service sector jobs. Manufacturing, construction and financial industries should all show fewer job losses relative to recent months. To date, small- and medium-sized firms in service industries have borne the brunt of job losses relative to larger companies – combined losses total close to 5.6M versus just over 1.4M among large companies.

### ISM Non-manufacturing Index, October—10:00am

|                       | Exp  | Cons | Range        | History                   |
|-----------------------|------|------|--------------|---------------------------|
| ISM Non-manufacturing | 51.0 | 51.6 | 49.2 to 53.9 | Sep = 50.9 vs. Aug = 48.4 |

Source: BofA Merrill Lynch Global Research, Bloomberg

The ISM non-manufacturing index is expected to remain essentially flat at 51.0 in October from 50.9 in September. The service sector remains in a sluggish recovery. As the latest Beige Book noted, "services firms had mixed reports in recent weeks". The October report on services across the Richmond Fed District showed continued contraction while the latest data on homebuilder sentiment reported declining buyer traffic. On the flip side, jobless claims continue to decline and that could translate into a higher employment component this month. Meanwhile, same-store sales have been showing improvement in recent weeks and that is likely a positive development for the service sector nationally.

## Thursday, 05 November

### Non-farm Productivity, 3Q (P)—8:30am

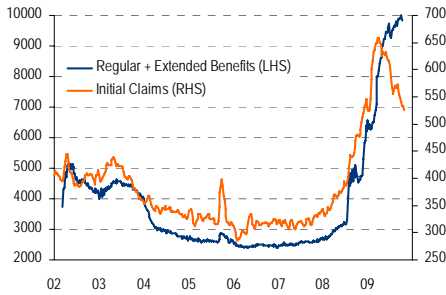
|                       | Exp   | Cons  | Range         | History                   |
|-----------------------|-------|-------|---------------|---------------------------|
| Non-farm Productivity | 6.8%  | 6.2%  | 3.8 to 8.5%   | 2Q = 6.6% vs. 1Q = 0.3%   |
| Unit Labor Costs      | -4.5% | -4.0% | -6.3 to -1.9% | 2Q = -5.9% vs. 1Q = -5.0% |

Source: BofA Merrill Lynch Global Research, Bloomberg

Non-farm business sector productivity growth likely advanced 6.8% Q/Q at an annual rate in 3Q, following an equally strong outcome in 2Q. A 4.0% quarterly gain in output will mirror results in the latest GDP report while companies continued to cut employee hours, down -2.8% Q/Q in 3Q and 9.1% from the 2Q2007 peak. From year-ago levels, productivity growth should accelerate to 3.6% for the strongest reading since mid-2004. Such gains also come at the expense of compensation, which likely fell by 0.5% Q/Q. In annual terms, compensation will reflect a sharp slowdown to -6.8% versus 1.2% Y/Y in 3Q08 and 4.8% Y/Y in 3Q07 – trends that suggest that potential inflation concerns are still many quarters away. Unit labor costs (ULC) are expected to fall 4.5% Q/Q taking the annual rate to -3.4%.

**Initial claims decidedly better**

Unemployment Insurance: State & Federal Claims, 000s



Source: Department of Labor, BofA Merrill Lynch

**Initial Jobless Claims, week ending 10/31/09—8:30am**

|                        | Exp  | Cons | Range       | History                     |
|------------------------|------|------|-------------|-----------------------------|
| Initial Jobless Claims | 536K | 520K | 510 to 536K | Oct 24 <sup>th</sup> = 530K |

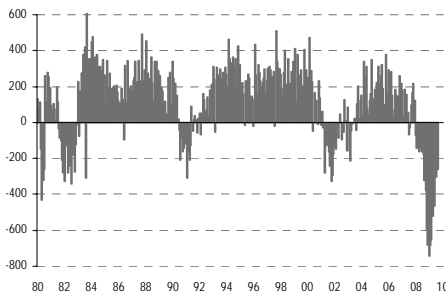
Source: BofA Merrill Lynch Global Research, Bloomberg

Initial claims are forecast to rise marginally in the last week of October from 530K to 536K. The resulting 4-week average could tick up slightly to 530K but remain near the lowest levels since January. These figures are consistent with a moderation in the pace of payroll losses. Separately, continuing claims (released with a one-week lag) should continue to head lower from 5.8M in mid-October. More workers are expected to join the 3.9M currently in the emergency extended benefit program, which provides up to an additional 20 weeks of income support, despite the fact that some have begun to fully exhaust their benefits. As a result, Congress seems set to extend the programs by an additional 14 weeks in all states and another six weeks in those with the highest unemployment rates.

**Friday, 06 November**

**Hemorrhaging fewer jobs**

All Employees: Total Nonfarm (SA, M/M Ch, 000s)



Source: Bureau of Labor Statistics, BofA Merrill Lynch

**Employment Report, October—8:30am**

|                     | Exp   | Cons  | Range         | History                     |
|---------------------|-------|-------|---------------|-----------------------------|
| Nonfarm Payrolls    | -180K | -175K | -250K to -55K | Sep = -263K vs. Aug = -201K |
| Unemployment Rate   | 10.0% | 9.9%  | 9.8 to 10.1%  | Sep = 9.8% vs. Aug = 9.7%   |
| Avg Hourly Earnings | 0.1%  | 0.1%  | 0.0 to 0.3%   | Sep = 0.1% vs. Aug = 0.4%   |
| Avg Weekly Hours    | 33.0  | 33.1  | 33.0 to 33.1  | Sep = 33.0 vs. Aug = 33.1   |

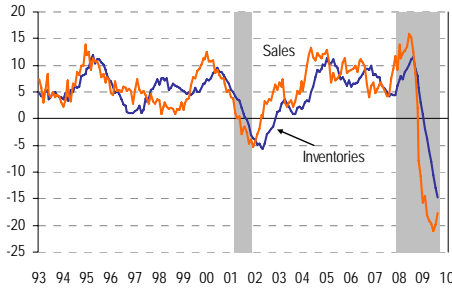
Source: BofA Merrill Lynch Global Research, Bloomberg

Non-farm payrolls are forecast to fall 180K M/M in October. This would be the smallest drop in over a year, consistent with moderation in the initial claims data. Recent gains in homebuilding and manufacturing output suggest fewer losses in private goods-producing industries. Job losses in the service sector should reflect smaller cuts in the financial, temporary staffing and tech industries. Watch for a larger drop in retail payrolls as less holiday-related hiring is compounded by a strong seasonal factor. Health care and education firms likely added to payrolls with a trend-like gain of 25K M/M in total, while job losses in the government sector should continue, led by layoffs from state and local offices. The birth/death adjustment will be minimal this month, as the average gain has been 48K – a figure added to the unadjusted level of payrolls.

The unemployment rate likely rose by another 0.2ppt over the month to 10.0% in October. This would be the highest rate since June 1983 and the biggest rise in the unemployment rate (versus the prior trough) in the post-war period. Despite fewer layoffs, a record 9.88M workers are collecting unemployment benefits. Private average hourly earnings should rise 0.1% over the month to 2.3% Y/Y – a marked slowdown from 3.9% Y/Y at the end of 2008, and one that is expected to continue going forward.

**Sales in the wholesale sector turning up**

**Merchant Wholesalers: Inventories & Sales, Y/Y%**



Source: Census Bureau, BofA Merrill Lynch

**Wholesale Inventories, September—10:00am**

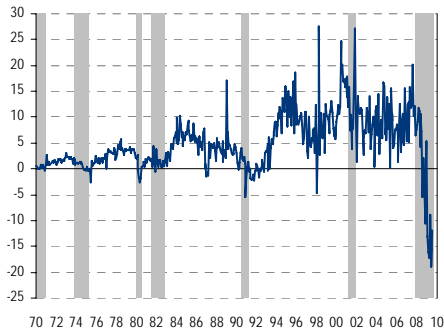
|                       | Exp   | Cons  | Range         | History                     |
|-----------------------|-------|-------|---------------|-----------------------------|
| Wholesale Inventories | -1.0% | -1.0% | -1.5 to -0.6% | Aug = -1.3% vs. Jul = -1.6% |

Source: BofA Merrill Lynch Global Research, Bloomberg

Wholesale inventories are expected to fall 1.0% M/M in September. While progress has been made to bring stocks closer in-line with sales, wholesalers in the hardware, lumber, metal, machinery and oil industries all continue to carry excessive inventories and will likely cut back in September. The CARS-related jump in auto sales should translate into a 1.5% M/M decline in inventories. Overall sales have recently begun to stabilize with modest gains in each of the past five months; this trend should continue in September, leading the inventory to sales (I/S) ratio down from 1.20 in August. Looking ahead, we anticipate an ongoing adjustment of wholesale sales and inventory investment until demand shows signs of a broader-based upturn.

**Contraction in consumer credit continues**

**Consumer Credit Outstanding (EOP, M/M Ch, Bil.\$)**



Source: Federal Reserve, BofA Merrill Lynch

**Consumer Credit, September—3:00pm**

|                 | Exp       | Cons      | Range             | History                             |
|-----------------|-----------|-----------|-------------------|-------------------------------------|
| Consumer Credit | -\$14.5bn | -\$10.0bn | -\$21.0 to -6.0bn | Aug = -\$12.0bn vs. Jul = -\$19.0bn |

Source: BofA Merrill Lynch Global Research, Bloomberg

Consumer credit is expected to decline \$14.5B in September, continuing the unprecedented contraction that began in mid-2008. Revolving credit, down \$75B over the past 11 months, likely fell by \$5.2B. Consumers surprised with better-than-expected retail sales excluding autos and may have charged some of those purchases. At the same time, lenders continue to raise borrowing rates and lower credit card limits, discouraging the use of debt. A 35% drop in unit auto sales to 9.2M units SAAR suggests that non-revolving credit will follow suit - we expect a sharp decline of \$9.4B M/M, consistent with pre-CARS activity. Relative to year-ago levels, overall credit will continue to fall, down 5.0% versus a drop of 4.4% in August. This compares to the nearby peak of 5.8% in October 2007, reflecting the sharp contraction in both the demand for and supply of consumer credit.

## Debt issuance

Table 2: Treasury financing (billions of \$)

Bill auctions:

| Announcement date | Auction date | Settlement date | Issue   | Size | New cash |
|-------------------|--------------|-----------------|---------|------|----------|
| 29-Oct            | 2-Nov        | 5-Nov           | 3-month | 29   |          |
| 29-Oct            | 2-Nov        | 5-Nov           | 6-month | 30   |          |
| 2-Nov             | 3-Nov        | 5-Nov           | 4-week  | 24   | 0        |
| 5-Nov             | 9-Nov        | 12-Nov          | 3-month | 30   |          |
| 5-Nov             | 9-Nov        | 12-Nov          | 6-month | 30   |          |
| 9-Nov             | 10-Nov       | 12-Nov          | 4-week  | 24   | (2)      |

Coupon auctions:

| Announcement date | Auction date | Settlement date | Issue        | Size | New cash |
|-------------------|--------------|-----------------|--------------|------|----------|
| 4-Nov             | 9-Nov        | 16-Nov          | 3-year note  | 40   |          |
|                   | 10-Nov       | 16-Nov          | 10-year note | 25   |          |
|                   | 12-Nov       | 16-Nov          | 30-year bond | 16   | 43       |
| 19-Nov            | 23-Nov       | 30-Nov          | 2-year note  | 45   |          |
|                   | 24-Nov       | 30-Nov          | 5-year note  | 41   |          |
|                   | 25-Nov       | 30-Nov          | 7-year note  | 31   | 96       |

\*Announced (actual) values. ( ) = Paydown. (R) = Reopening.

Source: Bloomberg, U.S. Treasury, BofA Merrill Lynch Global Research

## Policy speakers

Key speaking engagements and news events\*

|                     |         |   |
|---------------------|---------|---|
| Monday, November 2  | 3:00pm  | Governor Tarullo speaks on incentive pay  |
| Tuesday, November 3 |         | None scheduled at this point  |
| Wed, November 4     | 2:15pm  | FOMC rate decision expected   |
| Thurs, November 5   |         | None scheduled at this point  |
| Friday, November 6  | 9:45am  | Federal Reserve Bank of Chicago President Charles Evans will give opening remarks at the Chicago Fed's Fifth Annual Community Bankers Symposium at the bank, 230 S. LaSalle Street. The event is closed to the public |
|                     | 11:30am | Federal Reserve Governor Elizabeth Duke will be a keynote speaker at the Chicago Fed's Fifth Annual Community Bankers Symposium   |

\*Time and date subject to change

Source: Bloomberg, Market News, BofA Merrill Lynch Global Research

30 October 2009

## Economic forecast summary

| Real Economic Activity, % SAAR              | 1Q 09         | 2Q 09  | 3Q 09  | 4Q 09  | 1Q 10            | 2Q 10  | 3Q 10  | 4Q 10  | 2008                         | 2009   | 2010   | 2011   |
|---|---------------|--------|--------|--------|------------------|--------|--------|--------|------------------------------|--------|--------|--------|
| Real GDP                                    | -6.4          | -0.7   | 3.5    | 3.4    | 3.5              | 3.3    | 3.3    | 3.0    | 0.4                          | -2.4   | 3.1    | 3.3    |
| % Change, Year Ago                          | -3.3          | -3.8   | -2.3   | -0.1   | 2.4              | 3.4    | 3.4    | 3.3    |                              |        |        |        |
| Final Sales                                 | -4.1          | 0.7    | 2.6    | 1.3    | 2.4              | 2.5    | 2.6    | 2.3    | 0.8                          | -1.6   | 2.2    | 2.8    |
| Domestic Demand                             | -6.4          | -0.9   | 3.0    | 1.5    | 2.5              | 2.8    | 2.8    | 2.4    | -0.4                         | -2.6   | 2.3    | 2.9    |
| Consumer Spending                           | 0.6           | -0.9   | 3.4    | 0.5    | 1.8              | 1.9    | 2.0    | 2.0    | -0.2                         | -0.6   | 1.6    | 2.4    |
| Residential Investment                      | -38.2         | -23.2  | 23.3   | 20.0   | 20.0             | 18.0   | 15.0   | 12.5   | -22.9                        | -19.4  | 15.7   | 12.0   |
| Nonresidential Investment                   | -39.2         | -9.6   | -2.5   | 0.2    | 6.0              | 7.7    | 8.6    | 7.3    | 1.6                          | -17.6  | 3.5    | 9.2    |
| Structures                                  | -43.6         | -17.3  | -9.0   | -8.0   | -2.5             | -0.5   | 2.0    | 6.0    | 10.3                         | -18.2  | -4.0   | 7.5    |
| Equipment and Software                      | -36.4         | -4.9   | 1.1    | 4.5    | 10.5             | 12.0   | 12.0   | 8.0    | -2.6                         | -17.4  | 7.5    | 10.0   |
| Government                                  | -2.6          | 6.7    | 2.3    | 3.0    | 1.5              | 2.0    | 1.0    | 0.5    | 3.1                          | 2.1    | 2.2    | 0.5    |
| Exports                                     | -29.9         | -4.1   | 14.7   | 7.0    | 8.0              | 8.0    | 7.0    | 7.0    | 5.4                          | -10.7  | 7.6    | 8.2    |
| Imports                                     | -36.4         | -14.7  | 16.3   | 7.0    | 8.0              | 9.0    | 7.0    | 7.0    | -3.2                         | -14.8  | 7.2    | 7.3    |
| Net Exports (Bil 05\$)                      | -386.5        | -330.4 | -348.3 | -354.1 | -361.0           | -372.5 | -378.8 | -385.3 | -494.3                       | -354.8 | -374.4 | -387.9 |
| Contribution to growth (ppts)               | 2.6           | 1.6    | -0.5   | -0.2   | -0.2             | -0.4   | -0.2   | -0.2   | 1.2                          | 0.8    | -0.2   | -0.1   |
| Inventory Accumulation (Bil 05\$)           | -113.9        | -160.2 | -130.8 | -62.7  | -27.1            | -2.6   | 18.8   | 41.3   | -25.9                        | -116.9 | 7.6    | 60.4   |
| Contribution to growth (ppts)               | -2.4          | -1.4   | 0.9    | 2.1    | 1.1              | 0.7    | 0.6    | 0.7    | -0.4                         | -0.8   | 0.9    | 0.4    |
| Nominal GDP (Bil \$)                        | 14178         | 14151  | 14301  | 14468  | 14655            | 14776  | 14963  | 15139  | 14441                        | 14275  | 14883  | 15536  |
| % SAAR                                      | -4.6          | -0.8   | 4.3    | 4.8    | 5.3              | 3.3    | 5.2    | 4.8    | 2.6                          | -1.2   | 4.3    | 4.4    |
| <b>Key Indicators</b>                       |               |        |        |        |                  |        |        |        |                              |        |        |        |
| Industrial Production (% SAAR)              | -19.2         | -10.2  | 5.2    | 7.1    | 5.9              | 5.6    | 5.1    | 5.2    | -2.2                         | -9.8   | 4.8    | 5.5    |
| Capacity Utilization (%)                    | 70.4          | 68.7   | 69.8   | 71.0   | 71.8             | 72.6   | 73.2   | 73.9   | 77.5                         | 70.0   | 72.9   | 74.3   |
| Nonfarm Payrolls (Average MoM change, 000s) | -691          | -428   | -256   | -120   | 30               | 95     | 140    | 175    | -257                         | -375   | 110    | 200    |
| Civilian Unemployment Rate (%)              | 8.1           | 9.3    | 9.6    | 10.1   | 10.2             | 10.0   | 9.8    | 9.5    | 5.8                          | 9.3    | 9.9    | 9.0    |
| Productivity (% SAAR)                       | 0.3           | 6.6    | 6.8    | 3.4    | 1.8              | 1.2    | 0.8    | 1.5    | 1.8                          | 2.7    | 2.8    | 2.0    |
| Real Disp. Personal Inc. (% SAAR)           | 0.2           | 3.8    | -3.4   | -2.2   | 2.0              | 3.1    | 1.5    | 2.5    | 0.5                          | 0.3    | 0.8    | 2.6    |
| Personal Savings Rate (%)                   | 3.7           | 4.9    | 3.3    | 2.8    | 3.5              | 4.5    | 5.0    | 5.0    | 2.7                          | 3.7    | 4.5    | 5.8    |
| Light Vehicle Sales (Millions SAAR)         | 9.5           | 9.6    | 11.5   | 10.0   | 10.5             | 11.5   | 12.0   | 12.5   | 13.2                         | 10.1   | 11.6   | 13.5   |
| Housing Starts (Thous. SAAR)                | 528           | 540    | 590    | 680    | 770              | 830    | 890    | 950    | 900                          | 584    | 860    | 1100   |
| Current Account (Bil \$)                    | -104.5        | -98.8  | -105.0 | -108.0 | -112.0           | -118.0 | -120.0 | -125.0 | -706.1                       | -416.2 | -475.0 | -550.0 |
| US Budget Balance                           |               |        |        |        |                  |        |        |        | -455                         | -1500  | -1225  | -775   |
| <b>Corporate Profits</b>                    |               |        |        |        |                  |        |        |        |                              |        |        |        |
| Operating Profits After Tax (Bil \$)        | 912.4         | 920.6  | 944.2  | 1068.6 | 1143.7           | 1159.5 | 1225.3 | 1266.7 | 1068.2                       | 961.4  | 1198.8 | 1316.8 |
| % Change, Year Ago                          | -19.7         | -15.3  | -17.9  | 18.7   | 25.4             | 25.9   | 29.8   | 18.5   | -2.0                         | -10.0  | 24.7   | 9.8    |
| <b>Inflation</b>                            |               |        |        |        |                  |        |        |        |                              |        |        |        |
| GDP Price Index (% SAAR)                    | 1.9           | 0.0    | 0.8    | 1.4    | 1.8              | 0.0    | 1.9    | 1.8    | 2.1                          | 1.3    | 1.1    | 1.1    |
| % Change, Year Ago                          | 1.9           | 1.5    | 0.7    | 1.0    | 1.0              | 1.0    | 1.3    | 1.4    |                              |        |        |        |
| Core PCE Chain Prices (% SAAR)              | 1.1           | 2.0    | 1.4    | 1.0    | 0.9              | 0.8    | 0.8    | 0.9    | 2.4                          | 1.5    | 1.0    | 0.6    |
| % Change, Year Ago                          | 1.7           | 1.6    | 1.3    | 1.4    | 1.3              | 1.0    | 0.9    | 0.8    |                              |        |        |        |
| CPI, Consumer Prices (% SAAR)               | -2.4          | 1.3    | 3.6    | 3.4    | 2.6              | 0.2    | 2.8    | 2.6    | 3.8                          | -0.3   | 2.2    | 1.5    |
| % Change, Year Ago                          | -0.2          | -0.9   | -1.6   | 1.5    | 2.7              | 2.2    | 2.0    | 2.0    |                              |        |        |        |
| CPI ex Food & Energy (% SAAR)               | 1.5           | 2.4    | 1.5    | 1.2    | 1.1              | 1.0    | 1.0    | 1.0    | 2.3                          | 1.7    | 1.2    | 0.8    |
| % Change, Year Ago                          | 1.7           | 1.8    | 1.5    | 1.6    | 1.5              | 1.2    | 1.0    | 1.0    |                              |        |        |        |
| <b>Global Economic Forecasts</b>            |               |        |        |        |                  |        |        |        |                              |        |        |        |
|   | GDP growth, % |        |        |        | CPI inflation, % |        |        |        | Short-term interest rates, % |        |        |        |
|   | 2008F         | 2009F  | 2010F  | 2011   | 2008F            | 2009F  | 2010F  | 2011   | 2008F                        | 2009F  | 2010F  | 2011   |
| Global                                      | 2.9           | -0.8   | 4.3    | 4.5    | 5.5              | 1.6    | 2.9    | 2.9    | 2.63                         | 2.74   | 3.24   | 3.80   |
| Global ex US                                | 3.6           | -0.4   | 4.7    | 4.8    | 6.0              | 2.2    | 3.0    | 3.3    | 3.36                         | 3.48   | 4.11   | 4.56   |
| Euro Area                                   | 0.6           | -3.8   | 2.2    | 2.5    | 3.3              | 0.3    | 0.9    | 1.3    | 1.00                         | 1.00   | 2.50   | 3.00   |
| UK  | 0.6           | -4.7   | 1.2    | 2.7    | 3.6              | 2.0    | 2.0    | 1.5    | 0.50                         | 0.50   | 1.50   | 2.75   |
| Japan                                       | -0.7          | -5.6   | 3.1    | 2.4    | 1.4              | -1.3   | -0.5   | 0.3    | 0.10                         | 0.10   | 0.25   | 0.50   |
| Canada                                      | 0.4           | -2.5   | 3.2    | 3.5    | 2.4              | 0.3    | 2.5    | 2.2    | 0.25                         | 0.25   | 1.50   | 2.75   |
| Emerging EMEA                               | 4.7           | -2.9   | 3.4    | 4.4    | 11.3             | 8.0    | 6.3    | 6.5    | 5.84                         | 5.87   | 5.66   | 6.77   |
| Latin America                               | 4.2           | -1.6   | 3.6    | 3.8    | 7.8              | 6.5    | 5.6    | 5.8    | 7.36                         | 7.78   | 8.16   | 8.69   |
| Brazil                                      | 5.1           | 0.5    | 5.3    | 4.5    | 5.7              | 4.9    | 4.1    | 4.4    | 8.75                         | 8.75   | 8.75   | 8.75   |
| Emerging Asia                               | 7.0           | 5.5    | 8.1    | 7.6    | 6.6              | 0.5    | 3.2    | 3.3    | 4.18                         | 4.26   | 4.71   | 4.61   |
| China                                       | 9.0           | 8.7    | 10.1   | 8.8    | 5.9              | -0.7   | 2.5    | 2.5    | 5.31                         | 5.31   | 5.31   | 5.85   |

Shaded regions represent BofA Merrill Lynch forecast  
 Source: BofA Merrill Lynch Research

## Interest rate forecast summary

| (% EOP)               | Q1 09 | Q2 09 | Q3 09     | Q4 09     | Q1 10     | Q2 10     | Q3 10     | Q4 10     | Q1 11 | Q2 11 | Q3 11 | Q4 11 | 2009      | 2010      | 2011 |
|-----------------------|-------|-------|-----------|-----------|-----------|-----------|-----------|-----------|-------|-------|-------|-------|-----------|-----------|------|
| <i>Fed Funds</i>      | 0.125 | 0.125 | 0.00-0.25 | 0.00-0.25 | 0.00-0.25 | 0.00-0.25 | 0.00-0.25 | 0.00-0.25 | 0.25  | 0.50  | 0.75  | 1.00  | 0.00-0.25 | 0.00-0.25 | 1.00 |
| <i>3-Month T-Bill</i> | 0.21  | 0.19  | 0.11      | 0.20      | 0.20      | 0.20      | 0.20      | 0.45      | 0.70  | 1.00  | 1.25  | 1.40  | 0.20      | 0.45      | 1.40 |
| <i>3-Month LIBOR</i>  | 1.19  | 0.60  | 0.27      | 0.35      | 0.35      | 0.35      | 0.35      | 0.60      | 0.85  | 1.15  | 1.40  | 1.55  | 0.35      | 0.60      | 1.55 |
| <i>2-Year T-Note</i>  | 0.80  | 1.11  | 0.95      | 1.00      | 1.00      | 1.20      | 1.30      | 1.50      | 1.65  | 1.75  | 1.90  | 2.00  | 1.00      | 1.50      | 2.00 |
| <i>5-Year T-Note</i>  | 1.66  | 2.57  | 2.32      | 2.50      | 2.60      | 2.90      | 3.00      | 3.10      | 3.20  | 3.30  | 3.35  | 3.40  | 2.50      | 3.10      | 3.40 |
| <i>10-Year T-Note</i> | 2.67  | 3.54  | 3.31      | 3.45      | 3.60      | 4.00      | 4.10      | 4.25      | 4.30  | 4.40  | 4.45  | 4.45  | 3.45      | 4.25      | 4.45 |
| <i>30-Year T-Bond</i> | 3.54  | 4.31  | 4.05      | 4.30      | 4.45      | 4.75      | 4.90      | 4.95      | 4.95  | 5.00  | 5.00  | 5.00  | 4.30      | 4.95      | 5.00 |

Shaded regions represent Banc of America Securities-Merrill Lynch forecast

Source: BofA Merrill Lynch Research

## Monthly CPI forecast update

|           | Total CPI |       |      |       |      | Core CPI |     |      |     |
|-----------|-----------|-------|------|-------|------|----------|-----|------|-----|
|           | (nsa)     |       |      | (sa)  |      | (nsa)    |     | (sa) |     |
|           | Level     | m/m   | y/y  | m/m   | y/y  | m/m      | y/y | m/m  | y/y |
| 2009: Jul | 215.351   | -0.16 | -2.1 | 0.00  | -1.9 | 0.03     | 1.5 | 0.09 | 1.6 |
| 2009: Aug | 215.834   | 0.22  | -1.5 | 0.45  | -1.4 | 0.11     | 1.4 | 0.07 | 1.5 |
| 2009: Sep | 215.969   | 0.06  | -1.3 | 0.17  | -1.3 | 0.25     | 1.5 | 0.16 | 1.5 |
| 2009: Oct | 216.136   | 0.08  | -0.2 | 0.31  | -0.2 | 0.19     | 1.6 | 0.10 | 1.6 |
| 2009: Nov | 216.133   | 0.00  | 1.7  | 0.25  | 1.7  | -0.14    | 1.6 | 0.06 | 1.6 |
| 2009: Dec | 216.239   | 0.05  | 2.9  | 0.30  | 2.9  | -0.24    | 1.7 | 0.03 | 1.7 |
| 2010: Jan | 217.049   | 0.37  | 2.8  | 0.22  | 2.8  | 0.21     | 1.6 | 0.10 | 1.6 |
| 2010: Feb | 217.836   | 0.36  | 2.7  | 0.26  | 2.7  | 0.38     | 1.5 | 0.12 | 1.5 |
| 2010: Mar | 218.600   | 0.35  | 2.8  | -0.03 | 2.8  | 0.37     | 1.5 | 0.11 | 1.5 |
| 2010: Apr | 219.084   | 0.22  | 2.7  | -0.05 | 2.7  | 0.03     | 1.3 | 0.06 | 1.3 |
| 2010: May | 219.379   | 0.13  | 2.6  | -0.06 | 2.6  | -0.08    | 1.2 | 0.07 | 1.2 |
| 2010: Jun | 220.081   | 0.32  | 2.0  | 0.21  | 2.0  | -0.05    | 1.1 | 0.08 | 1.1 |
| 2010: Jul | 220.296   | 0.10  | 2.3  | 0.26  | 2.3  | 0.03     | 1.1 | 0.09 | 1.1 |
| 2010: Aug | 220.514   | 0.10  | 2.2  | 0.32  | 2.2  | 0.12     | 1.1 | 0.07 | 1.1 |
| 2010: Sep | 220.939   | 0.19  | 2.3  | 0.30  | 2.3  | 0.18     | 1.0 | 0.10 | 1.0 |
| 2010: Oct | 220.823   | -0.05 | 2.2  | 0.18  | 2.2  | 0.20     | 1.0 | 0.11 | 1.0 |
| 2010: Nov | 220.646   | -0.08 | 2.1  | 0.17  | 2.1  | -0.14    | 1.0 | 0.06 | 1.0 |
| 2010: Dec | 220.381   | -0.12 | 1.9  | 0.13  | 1.9  | -0.25    | 1.0 | 0.03 | 1.0 |

nsa: not seasonally adjusted, sa: seasonally adjusted

Source: BofA Merrill Lynch Research

## FX rate forecast summary

| (end of period)  |           | Spot  | Dec '09 | Mar '10 | Jun '10 | Sep '10 | Dec '10 |
|------------------|-----------|-------|---------|---------|---------|---------|---------|
| Euroland Euro    | US\$/Euro | 1.47  | 1.50    | 1.42    | 1.36    | 1.32    | 1.28    |
| Japanese Yen     | ¥/US\$    | 90    | 105     | 110     | 112     | 112     | 110     |
|                  | ¥/Euro    | 133   | 158     | 156     | 152     | 148     | 141     |
| British Pound    | US\$/£    | 1.64  | 1.76    | 1.71    | 1.68    | 1.67    | 1.66    |
|                  | £/Euro    | 0.90  | 0.85    | 0.83    | 0.81    | 0.79    | 0.77    |
| Swiss Franc      | SF/US\$   | 1.02  | 1.05    | 1.11    | 1.15    | 1.18    | 1.21    |
|                  | SF/Euro   | 1.51  | 1.58    | 1.58    | 1.57    | 1.56    | 1.55    |
| Canadian \$      | C\$/US\$  | 1.08  | 1.02    | 1.05    | 1.06    | 1.07    | 1.08    |
| Australian \$    | US\$/A\$  | 0.90  | 0.90    | 0.90    | 0.88    | 0.86    | 0.84    |
| Chinese Renminbi | RMB/US\$  | 6.83  | 6.70    | 6.65    | 6.60    | 6.55    | 6.50    |
| Hong Kong \$     | HK\$/US\$ | 7.75  | 7.80    | 7.80    | 7.80    | 7.80    | 7.80    |
| Korean Won       | KRW/US\$  | 1189  | 1050    | 1100    | 1100    | 1050    | 1000    |
| Singapore \$     | SGD/US\$  | 1.40  | 1.46    | 1.43    | 1.46    | 1.47    | 1.48    |
| Taiwan \$        | TWD/US\$  | 32.52 | 30.50   | 30.00   | 32.00   | 32.50   | 32.00   |
| Brazilian Real   | BRL/US\$  | 1.76  | 1.80    | 1.80    | 1.80    | 1.95    | 1.75    |
| Mexican Peso     | MXN/US\$  | 13.22 | 13.75   | 13.75   | 13.50   | 13.40   | 12.85   |

Spot price as of Friday morning

Source: BofA Merrill Lynch Research

## Rolling calendar of business indicators

| Monday   | Tuesday   | Wednesday   | Thursday   | Friday  |
|--|---|---|--|---|
| <b>2 November</b><br>10:00 am: ISM Manufacturing<br>Aug ..... 52.9<br>Sep ..... 52.6<br>Oct ..... 54.0*<br>10:00 am: Construction Spending (MoM)<br>Jul ..... -1.1%<br>Aug ..... 0.8%<br>Sep ..... -0.4%*<br>10:00 am: Pending Home Sales - Sep  | <b>3 November</b><br>ABC/Washington Post Consumer Comfort Survey<br>—(week ending 11/01/09)<br>LJR Redbook<br>—(week ending 10/31/09)<br>All Day: Total Vehicle Sales – Oct<br>Aug ..... 14.1M<br>Sep ..... 9.2M<br>Oct ..... 9.7M*<br>10:00 am: Factory Orders<br>Jul ..... 1.4%<br>Aug ..... -0.8%<br>Sep ..... 0.2%*   | <b>4 November</b><br>MBA Mortgage Applications<br>—(week ending 10/30/09)<br>7:30 am: Challenger Job Cuts - Oct<br>8:15 am: ADP Employment Change<br>Aug ..... -277K<br>Sep ..... -254K<br>Oct ..... -235K*<br>10:00 am: ISM Non Manufacturing<br>Aug ..... 48.4<br>Sep ..... 50.9<br>Oct ..... 51.0*<br>2:15 pm: FOMC Rate Decision                              | <b>5 November</b><br>8:30 am: Initial Jobless Claims<br>—(week ending 10/31/09) – 536K*<br>8:30 am: Nonfarm Productivity<br>1Q ..... 0.1%<br>2Q ..... 6.6%<br>3Q (P) ..... 6.8%*<br>8:30 am: Unit Labor Costs<br>1Q ..... -1.3%<br>2Q ..... -5.9%<br>3Q (P) ..... -1.9%* | <b>6 November</b><br>8:30 am: Nonfarm Payrolls<br>Aug ..... -201K<br>Sep ..... -263K<br>Oct ..... -180K*<br>8:30 am: Unemployment Rate<br>Aug ..... 9.7%<br>Sep ..... 9.8%<br>Oct ..... 10.0%*<br>8:30 am: Average Hourly Earnings<br>Aug ..... 0.4%<br>Sep ..... 0.1%<br>Oct ..... 0.1%*<br>8:30 am: Average Weekly Hours<br>Aug ..... 33.1<br>Sep ..... 33.0<br>Oct ..... 33.0*<br>10:00 am: Wholesale Inventories<br>Jul ..... -1.6%<br>Aug ..... -1.3%<br>Sep ..... -1.0%*<br>3:00 pm: Consumer Credit<br>Jul ..... -\$19.0B<br>Aug ..... -\$12.0B<br>Sep ..... -\$14.5B* |
| <b>9 November</b>  | <b>10 November</b><br>ABC/Washington Post Consumer Comfort Survey<br>—(week ending 11/08/09)<br>LJR Redbook<br>—(week ending 10/7/09)   | <b>11 November</b><br>MBA Mortgage Applications<br>—(week ending 10/06/09)  | <b>12 November</b><br>8:30 am: Initial Jobless Claims<br>—(week ending 10/07/09)<br>2:00 pm: Monthly Budget Statement – Oct 2009<br>Oct 2008 ..... -\$155.5B<br>Oct 2009 ..... -\$125.0B   | <b>13 November</b><br>8:30 am: Trade Balance<br>Jul ..... -\$31.8B<br>Aug ..... -\$30.7B<br>Sep ..... -\$32.0B*<br>8:30 am: Import Price Index (MoM)<br>Aug ..... 1.6%<br>Sep ..... 0.1%<br>Oct ..... 1.0%*<br>9:55 am: U of Michigan Sentiment – Nov (P)<br>Sep ..... 73.5<br>Oct ..... 70.6   |
| <b>16 November</b><br>8:30 am: Retail Sales – Oct<br>Aug ..... 2.2%<br>Sep ..... -1.5%<br>8:30 am: Retail Sales less Autos – Oct<br>Aug ..... 1.0%<br>Sep ..... 0.5%<br>8:30 am: Empire Manufacturing – Nov<br>Sep ..... 18.88<br>Oct ..... 34.57<br>10:00 am: Business Inventories<br>Sep<br>Jul ..... -1.1%<br>Aug ..... -1.5% | <b>17 November</b><br>ABC/Washington Post Consumer Comfort Survey<br>—(week ending 11/15/09)<br>LJR Redbook<br>—(week ending 10/14/09)<br>8:30 am: Producer Price Index (MoM)– Oct<br>Aug ..... 1.8%<br>Sep ..... -0.6%<br>8:30 am: Core PPI– Oct<br>Aug ..... 0.2%<br>Sep ..... -0.1%<br>9:00 am: Net Long-term TIC Flows<br>Sep<br>Jul ..... \$15.3B<br>Aug ..... \$28.6B<br>9:15 am: Industrial Production– Oct<br>Aug ..... 1.2%<br>Sep ..... 0.7%<br>9:15 am: Capacity Utilization– Oct<br>Aug ..... 69.9%<br>Sep ..... 70.5%<br>1:00 pm: NAHB Housing Market Index– Nov<br>Sep ..... 19<br>Oct ..... 18 | <b>18 November</b><br>MBA Mortgage Applications<br>—(week ending 10/013/09)<br>8:30 am: Consumer Price Index (MoM)– Oct<br>Aug ..... 0.5%<br>Sep ..... 0.2%<br>8:30 am: Core CPI– Oct<br>Aug ..... 0.1%<br>Sep ..... 0.2%<br>8:30 am: Housing Starts Oct<br>Aug ..... 587K<br>Sep ..... 590K<br>8:30 am: Building Permits Oct<br>Aug ..... 580K<br>Sep ..... 575K | <b>19 November</b><br>8:30 am: Initial Jobless Claims<br>—(week ending 10/014/09)<br>10:00 am: Leading Indicators– Oct<br>Aug ..... 0.4%<br>Sep ..... 0.9%<br>9:55 am: Philadelphia Index– Nov<br>Sep ..... 14.1<br>Oct ..... 11.5                                       | <b>20 November</b>  |

\*Projections—subject to revision as additional data become available during the month.

Source: BofA Merrill Lynch Global Research

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