

Preview

6 July 2009

US economic indicators (week of 6 to 12 July 2009)

- **ISM non-manufacturing index (Jun):** improving slightly but still in contraction zone
- **Trade balance (May):** higher deficit mainly due to rising energy prices
- **UMI consumer sentiment (Jul):** slight decline after four consecutive improvements

Indicator	Date	BHF forecast	Consensus forecast	Previous
ISM non-manuf. index / Jun	Mon 6 Jul, 16:00	44.5	46.0	44.0
Consumer credit / Mai	Wed 8 Jul, 21:00	-\$12.0bn	-\$10.0bn	-\$15.7bn
Initial jobless claims / 4 Jul	Thur 9 Jul, 14:30	610k	n.a.	614k
Wholesale inventories / Mai	Thur 9 Jul, 16:00	-1.0% mom	-1.0% mom	-1.4% mom
Trade balance / May	Fri 10 Jul, 14:30	-\$31.0bn	-\$30.0bn	-\$29.2bn
Import prices / Jun	Fri 10 Jul, 14:30	2.5% mom -18.0% yoy	2.0% mom	1.3% mom -17.6% yoy
UMI consumer sent. / Jul (prel.)	Fri 10 Jul, 16:00	70.0	70.6	70.8



The ISM non-manufacturing index only rose marginally from 43.7 to 44.0 in May, and important subcomponents like business activity and new orders actually declined. **We thus forecast that the ISM non-manufacturing index will have only increased slightly again, to 44.5 in June**, despite the fact that its manufacturing counterpart improved by two points to 44.8.

Consumer credit fell by almost \$15bn on average in the last three months, as consumers are deleveraging and banks are still tightening credit conditions. Furthermore, as personal income is rising significantly because of fiscal measures, there is less need to pile on debt at present. **We therefore predict that consumer credit will have gone down markedly again by about \$12bn in May.**

Initial jobless claims fell by 16k to 614k in the week ending 27 June. **We expect jobless claims to have fallen again somewhat in the week ending 4 July**, but this could be partly connected with the national holiday weekend (Independence Day). The 4-week moving average has been relatively stable for some weeks, fluctuating in a narrow range around 615k.

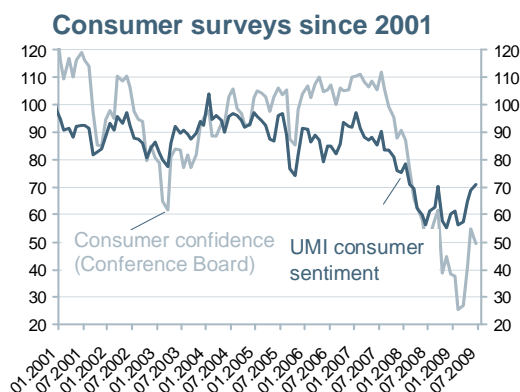
Wholesale inventories went down by almost 5% in the last three months, and the depletion of inventories accounted for 40% of the GDP decline in the first quarter. The inventory correction will have continued in Q2, but possibly at a slower pace, so that inventories could have contributed positively to GDP in the 2nd quarter. **We forecast that wholesale inventories will have decreased by about 1.0% mom in May.**



After having widened slightly in April, the **trade deficit** is likely to have risen again due to higher energy prices. **We expect it to have increased by \$1.8bn to \$31bn in May.** Both exports and imports will have fallen noticeably again due to weak global demand and automobile factory shutdowns.

By February, import prices had fallen by almost 25% from their peak in July 2008. Since then, however, they have risen each month by more than 1%, as commodity prices are trending upwards. In the statistically relevant first third of the month, oil prices increased by about 25% mom, and the ISM prices paid component jumped to 50.

Thus **total import prices could have gone up by 2.5% mom in June.** At -18.0%, the annual rate would nevertheless be deeper in negative territory again.



The Conference Board's consumer confidence deteriorated markedly, but the University of Michigan's (UMI) consumer sentiment increased again in June, albeit only modestly. However, expectations were already slightly lower than in May. In addition, the ABC consumer comfort poll is on a relatively low level, gasoline prices have risen by almost \$1 per gallon since the beginning of the year, and the stock market recovery has stalled. **Thus we predict that UMI's preliminary July consumer sentiment will have fallen slightly from 70.8 to 70.0.**

Peter Meister Tel. +49 69 718-2600

This report has been prepared by BHF-BANK Aktiengesellschaft on behalf of itself and its affiliated companies (together "BHF-BANK Group") solely for the information of its clients.

The information and opinions in this document are based on sources believed to be reliable and acting in good faith, but no representation or warranty, express or implied, is made by any member of the BHF-BANK Group as to their accuracy, completeness or correctness. Opinions and recommendations are given in good faith but without legal responsibility and are subject to change without notice. The information does not constitute advice or personal recommendation, for which the duty of suitability would be owed, but may facilitate your own investment decision. Moreover, you should seek your own advice as to the suitability of an investment matter mentioned herein. Investors are reminded that the price of securities and the income from them can go down as well as up and that the past performance of an investment or a market is not necessarily indicative for future results.

This document is for information purposes only. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete, and this document is not, and should not be construed as, an offer to sell or solicitation of any offer to buy the securities mentioned in it.

BHF-BANK Group and its officers and employees may have a long or short position or engage in transactions in any of the securities mentioned in this document, or in any related securities.

This publication must not be distributed in the United States.

© 2009 BHF-BANK Aktiengesellschaft

All rights reserved. Please mention source when quoting from it.