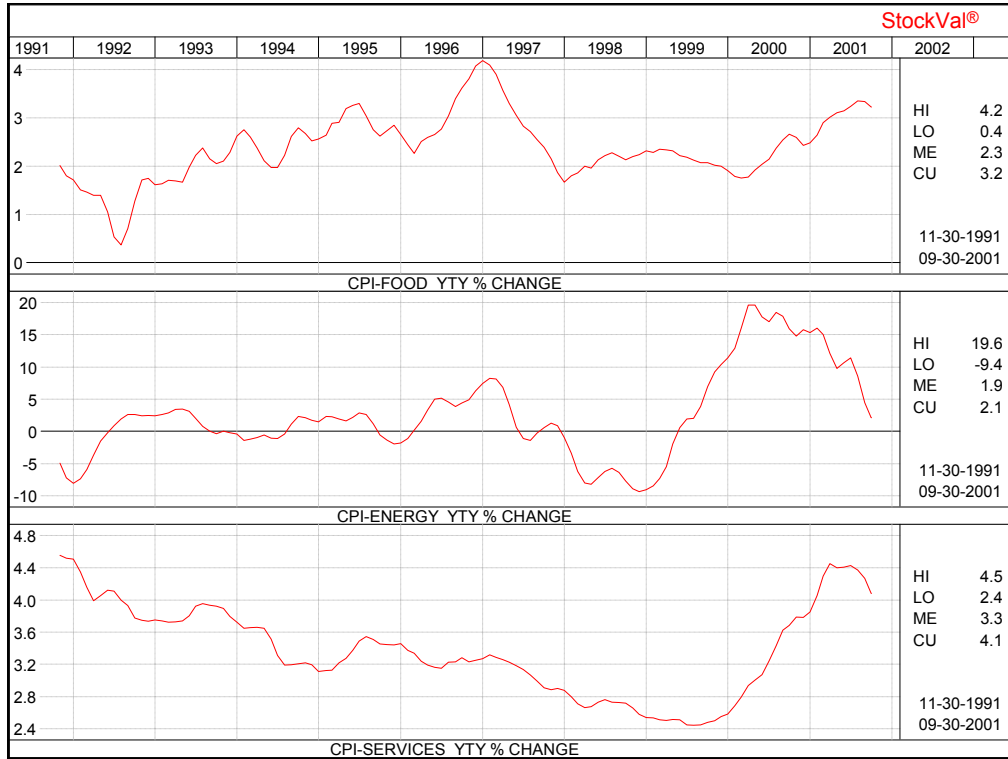


StockVal Economic Trend Update

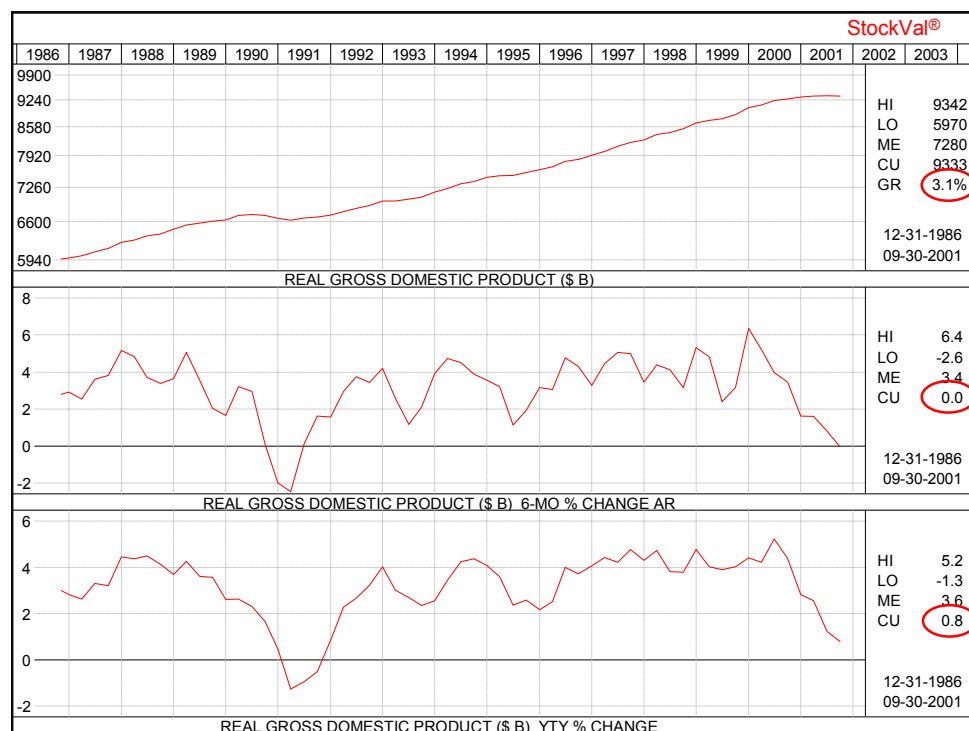


Key categories and graphs contained in this publication are:

- General Economic Activity
- Federal Reserve Policy
- Corporate Activity
- Interest Rates
- CPI
- Commodities

Chris Rowberry, CFA
November 12, 2001

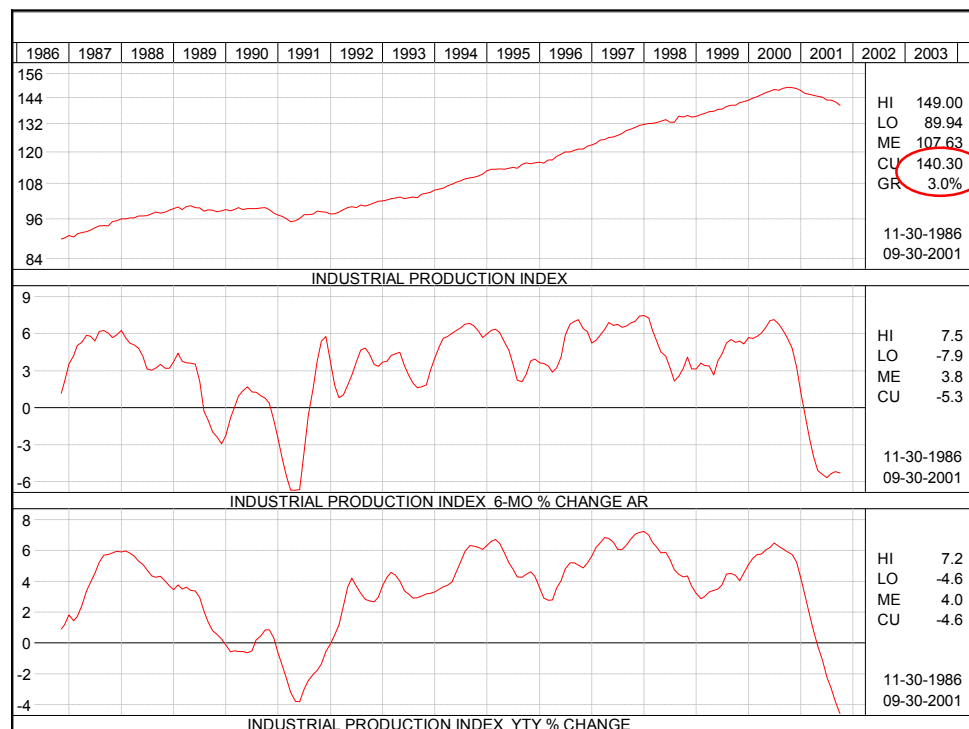
Graphical depiction of key economic variables allows users to create a platform for internal and external communication. This commentary is meant to show examples of how raw economic data can be transformed into valuable discussion points for investment policy meetings, general investment meetings, and internal and external research documents.



- Compound annualized real GDP growth over the last fifteen years has been 3.1%, which includes the recession in 1990-91.

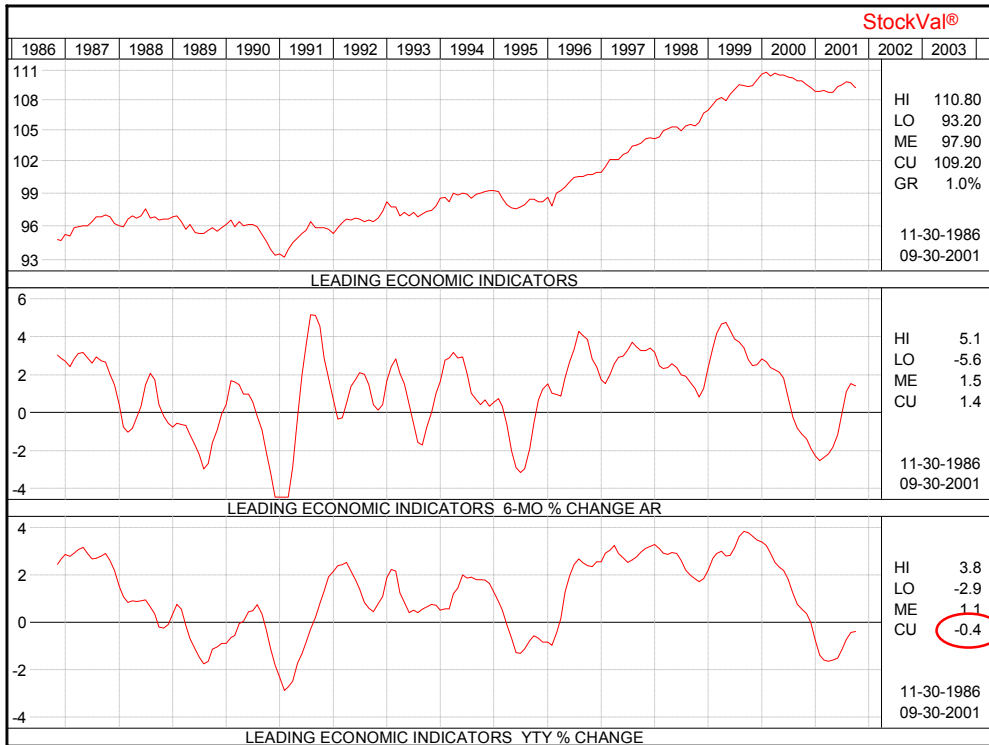
- Six month annualized growth is flat

- The current year-over-year smoothed growth is 0.8% through September.

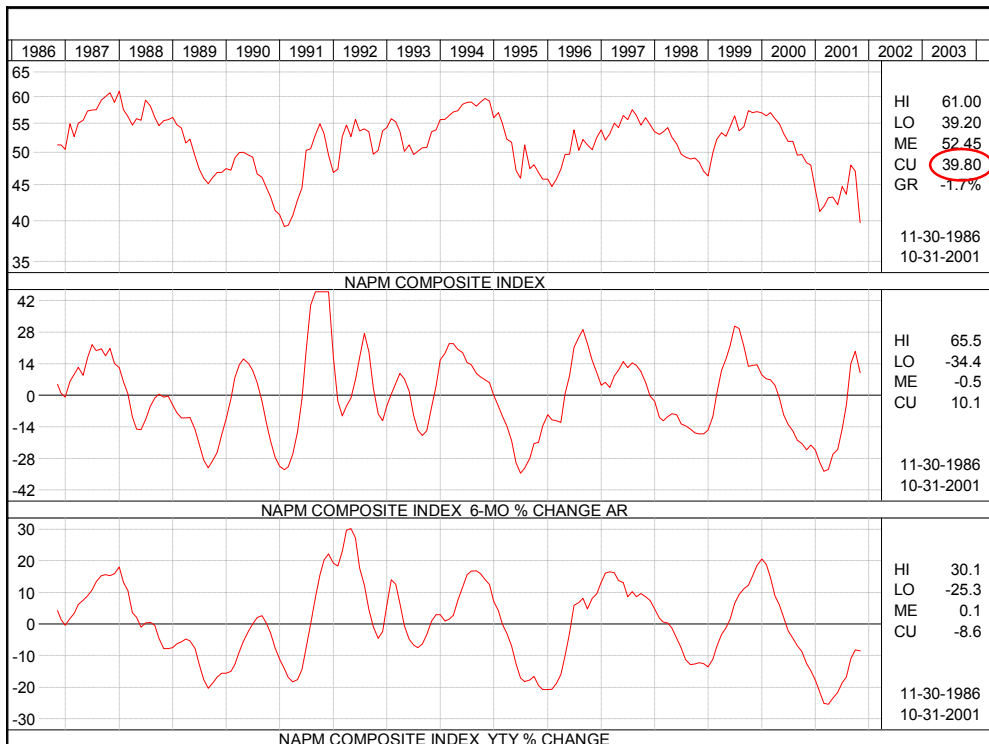


- The Industrial Production Index currently is 140.3 as of September, which is declining year-to-year.

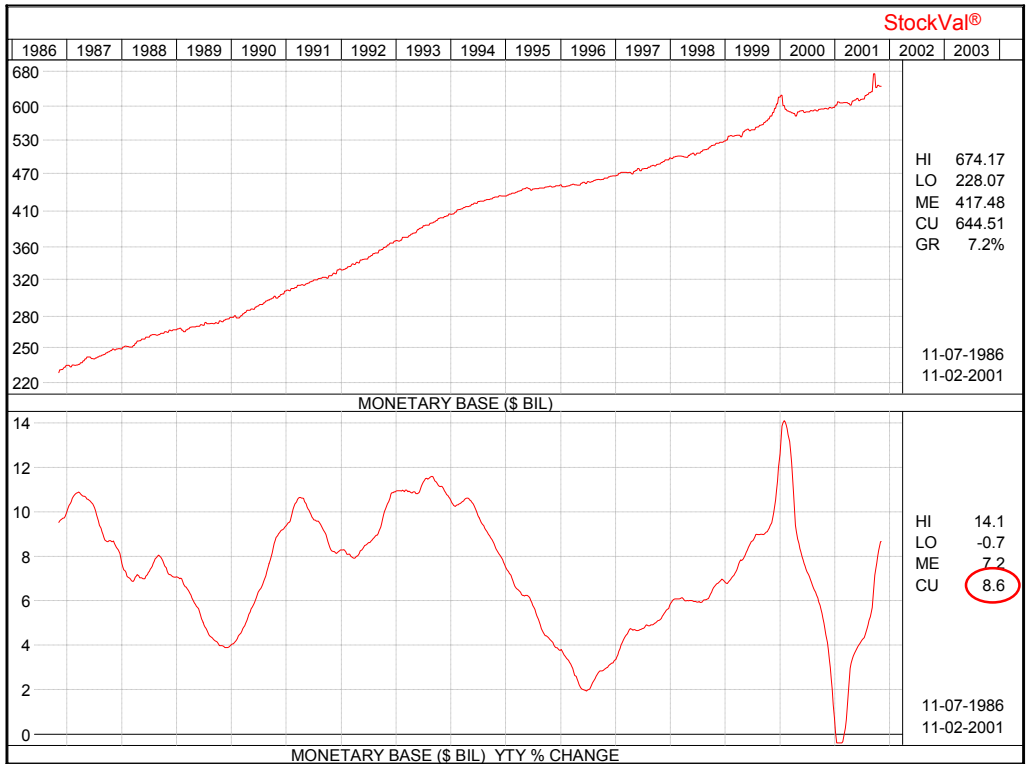
- The average growth rate over the last ten years has been 3.0%.



- Leading Economic Indicators are turning up but still negative on a year-to-year basis.

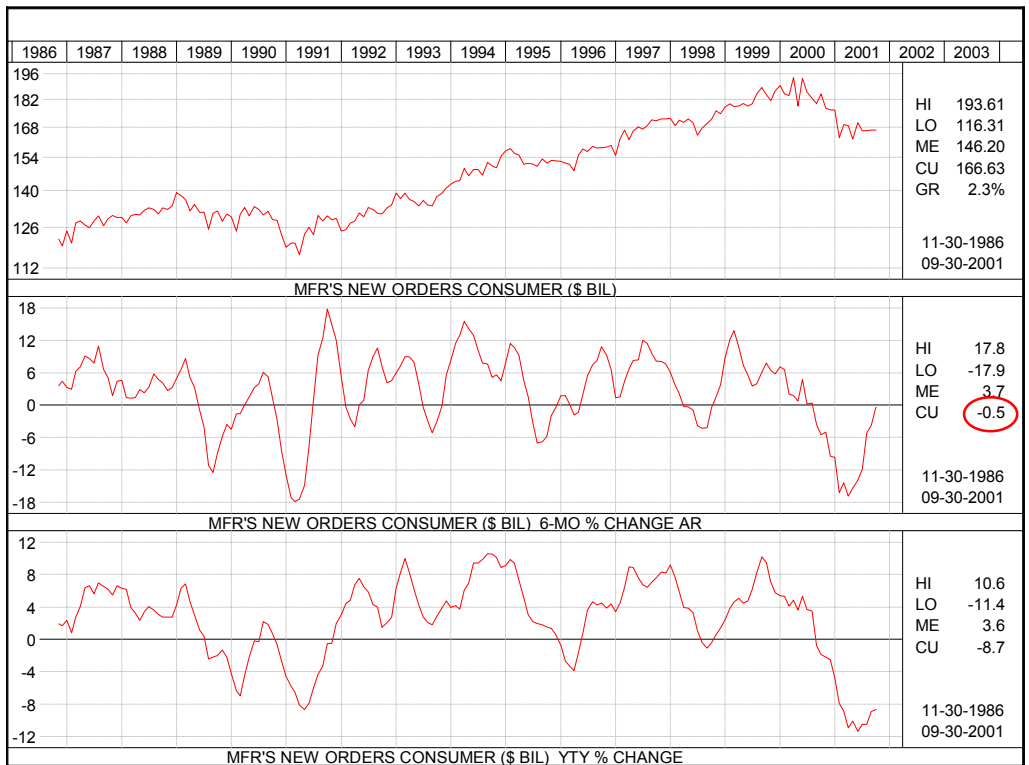


- The NAPM Composite Index has decreased substantially and is now 39.8, which is close to the low of 39.2 in the previous recession.

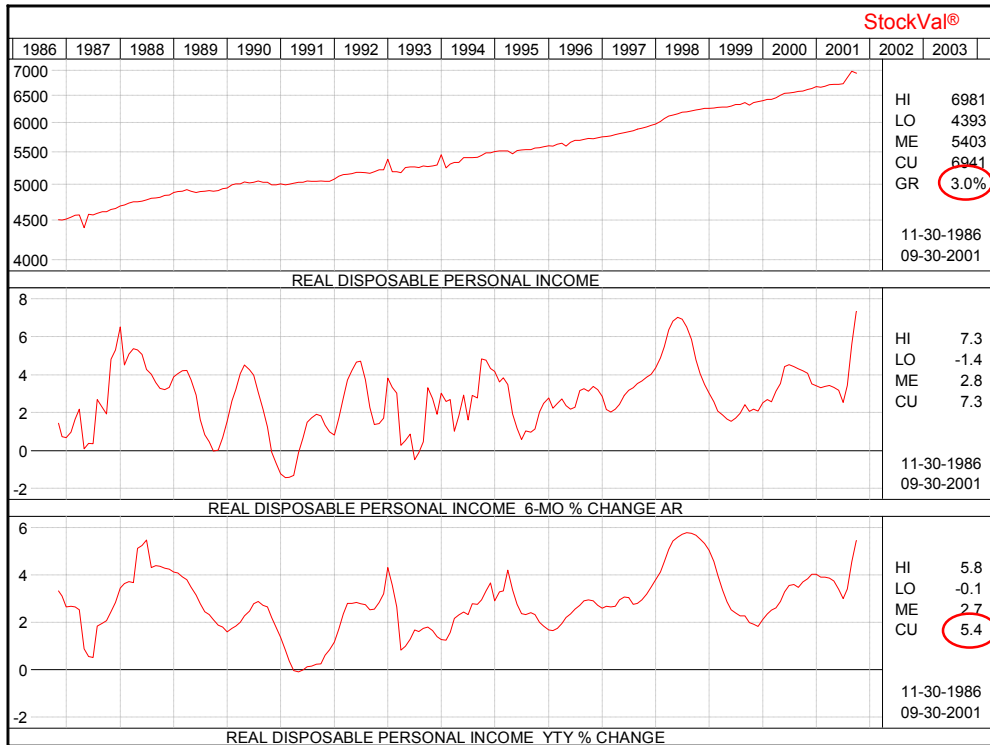


- Monetary Base, a measure of Federal Reserve monetary policy, has been increasing.

- The FED has been increasing liquidity with a current year-over-year change of 8.6%.

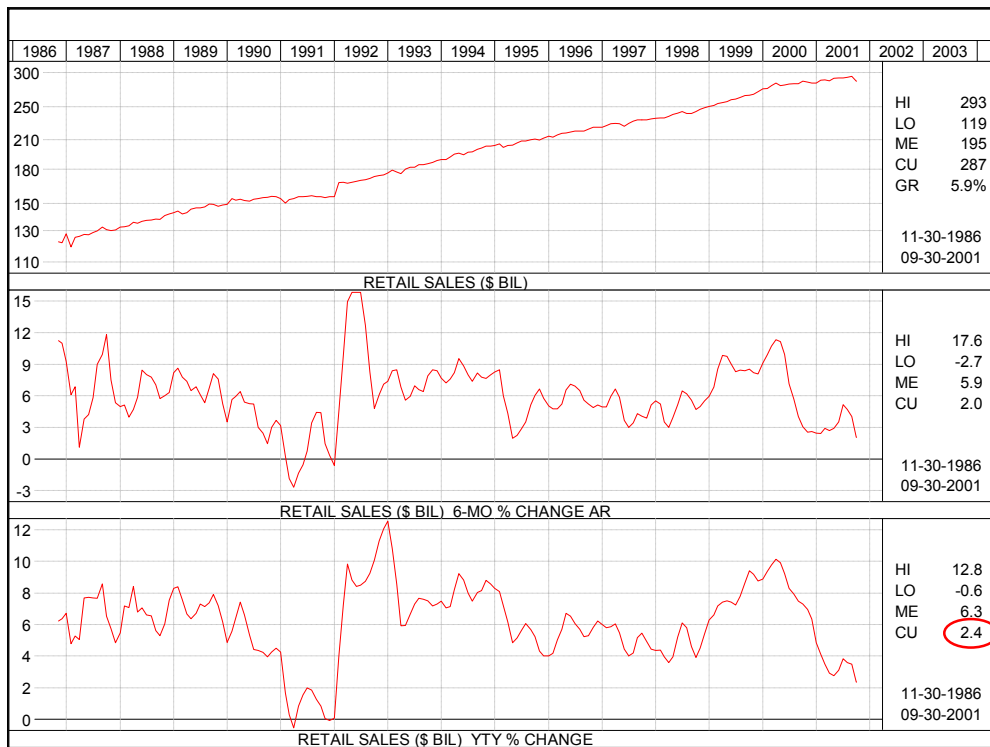


- The current six-month annualized growth of MFR'S New Orders is negative 0.5%, which is increasing compared to the beginning of the year.

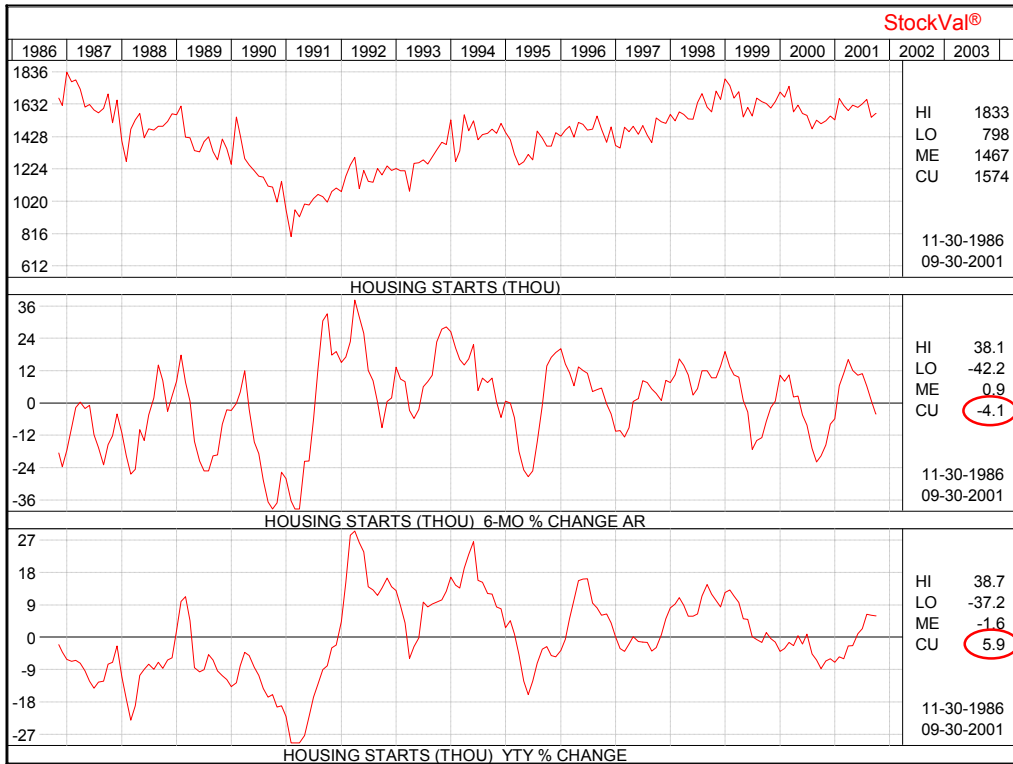


- The compound annualized growth rate over the last ten years has been 3.0%.

- Real Disposable Personal Income growing at 5.4%.

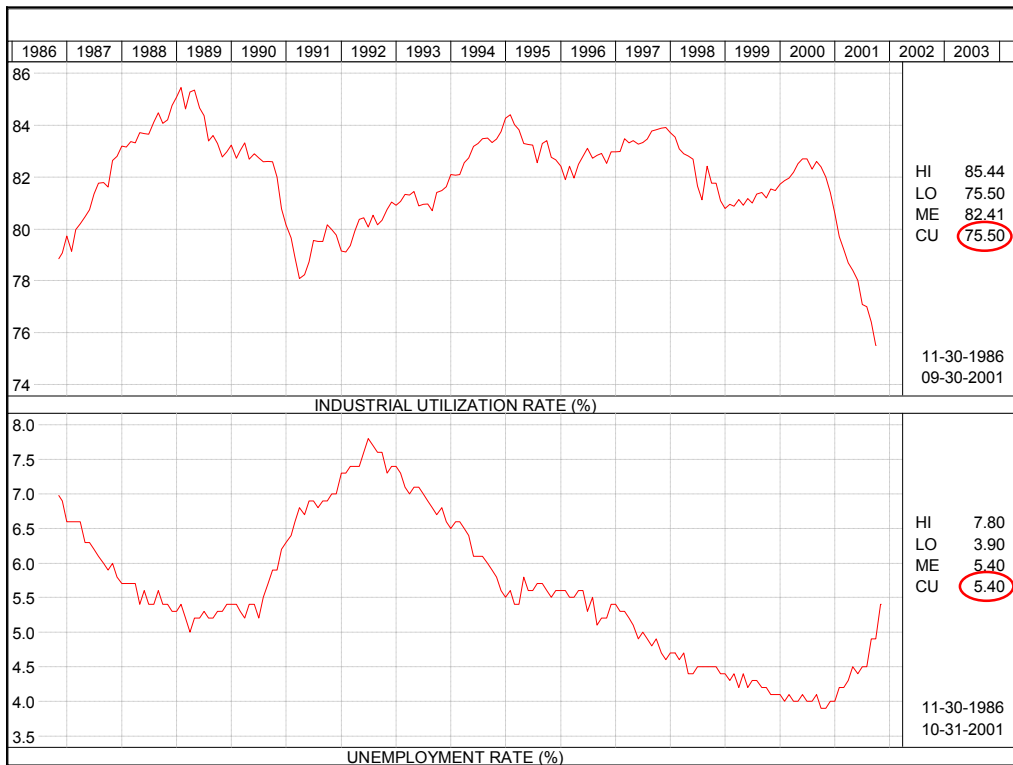


- Retail Sales year-to-year growth has declined substantially to 2.4%.



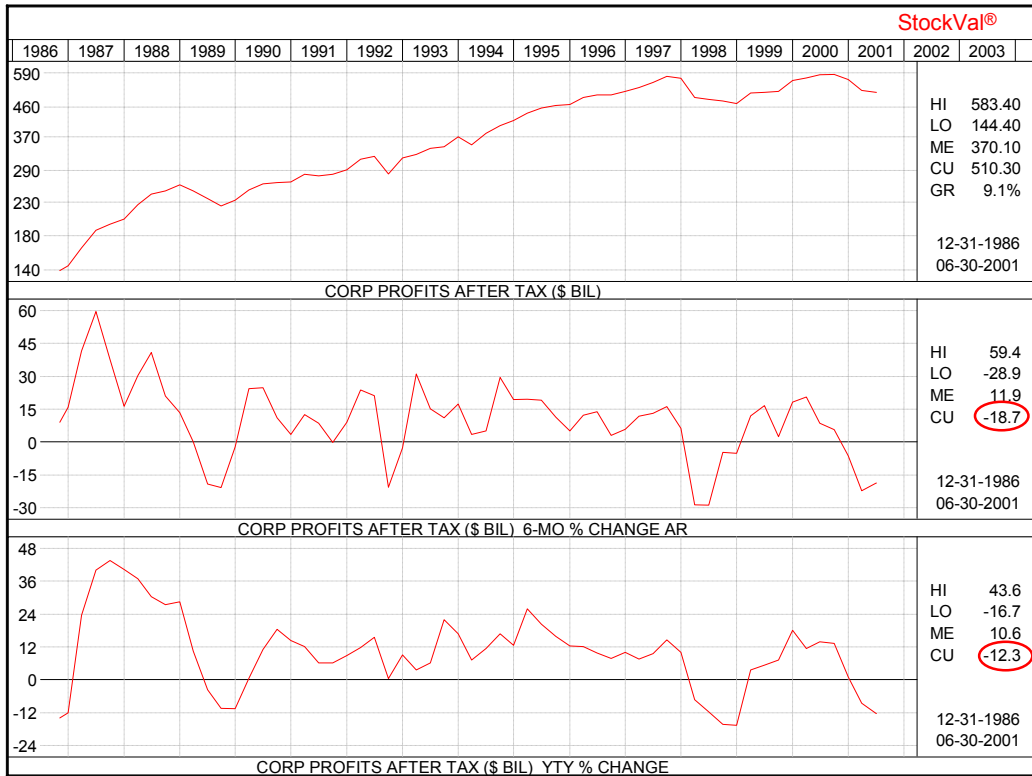
- The six month annualized growth rate for Housing Starts is negative 4.1%.

- The year-to-year growth rate has increased to 5.9%.

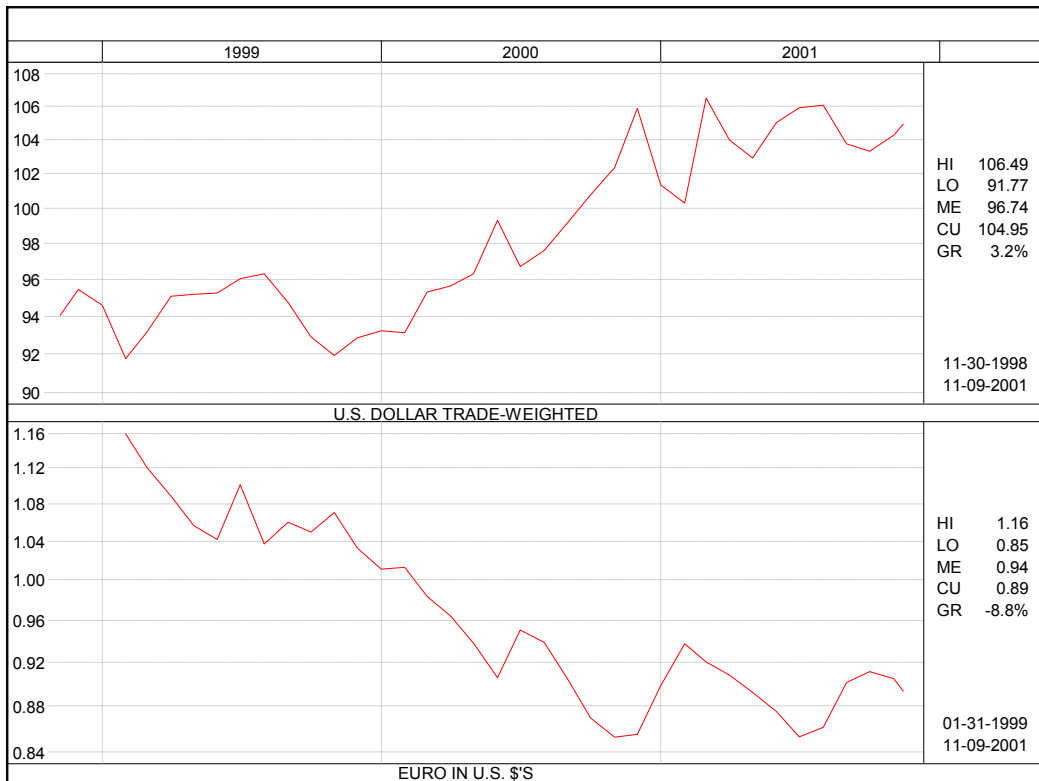


- Industrial Utilization is now 75.5 %, which is lower than 1991 recession levels.

- The Unemployment Rate has increased dramatically to 5.4% but still significantly lower than 1992 levels.

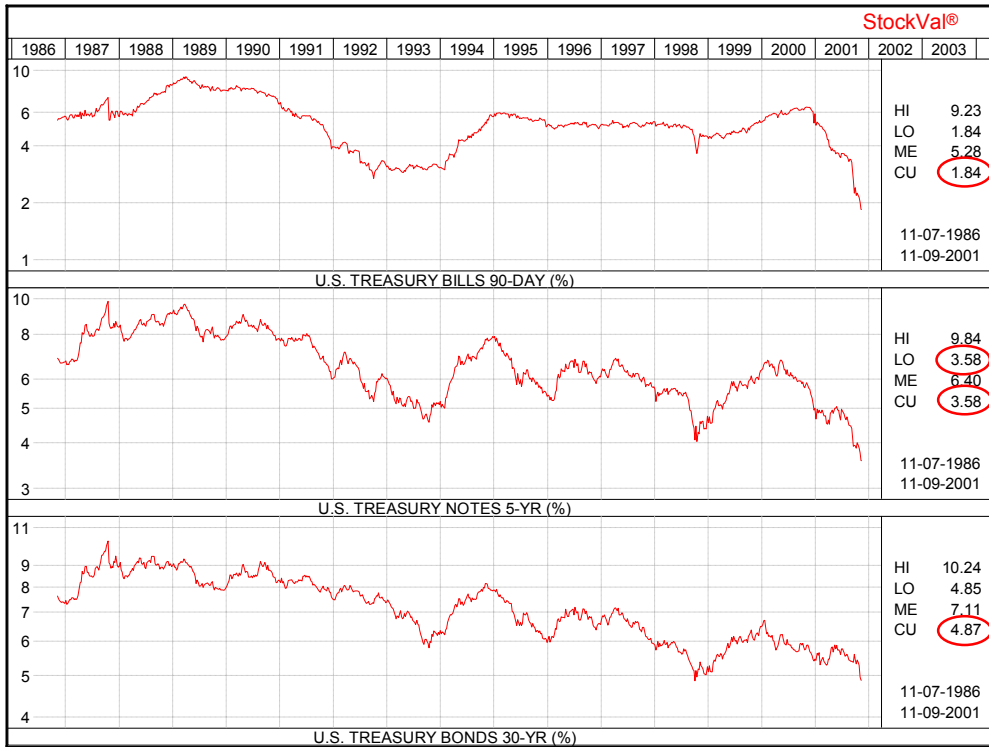


- Corporate Profit growth has declined.

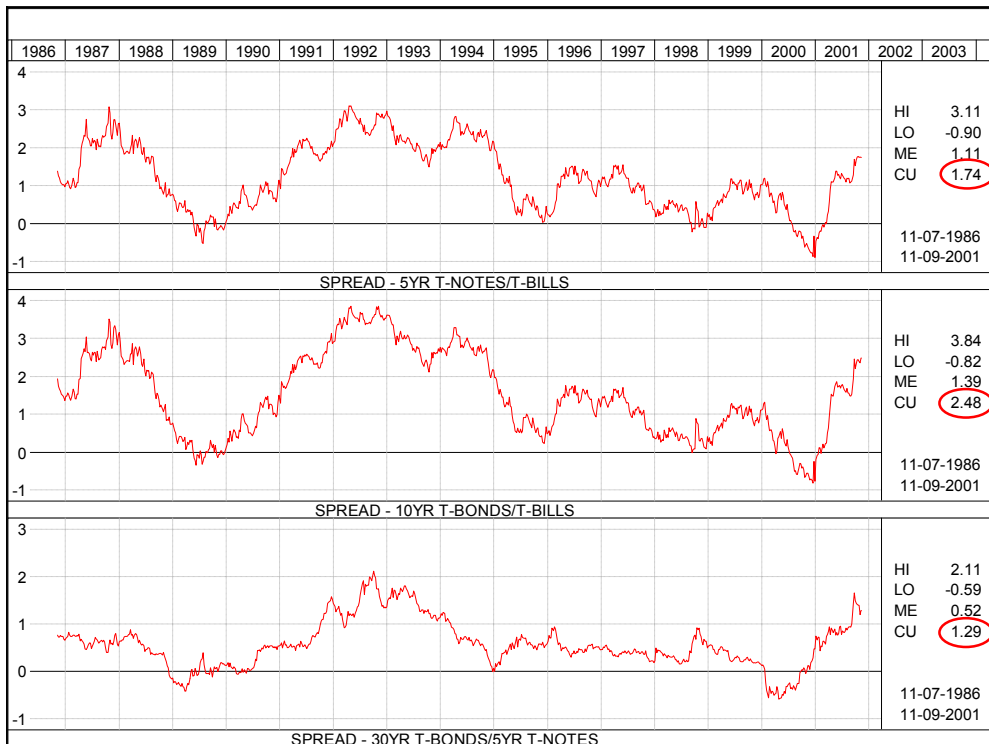


- The US Trade-Weighted dollar has increased relative to major currencies.

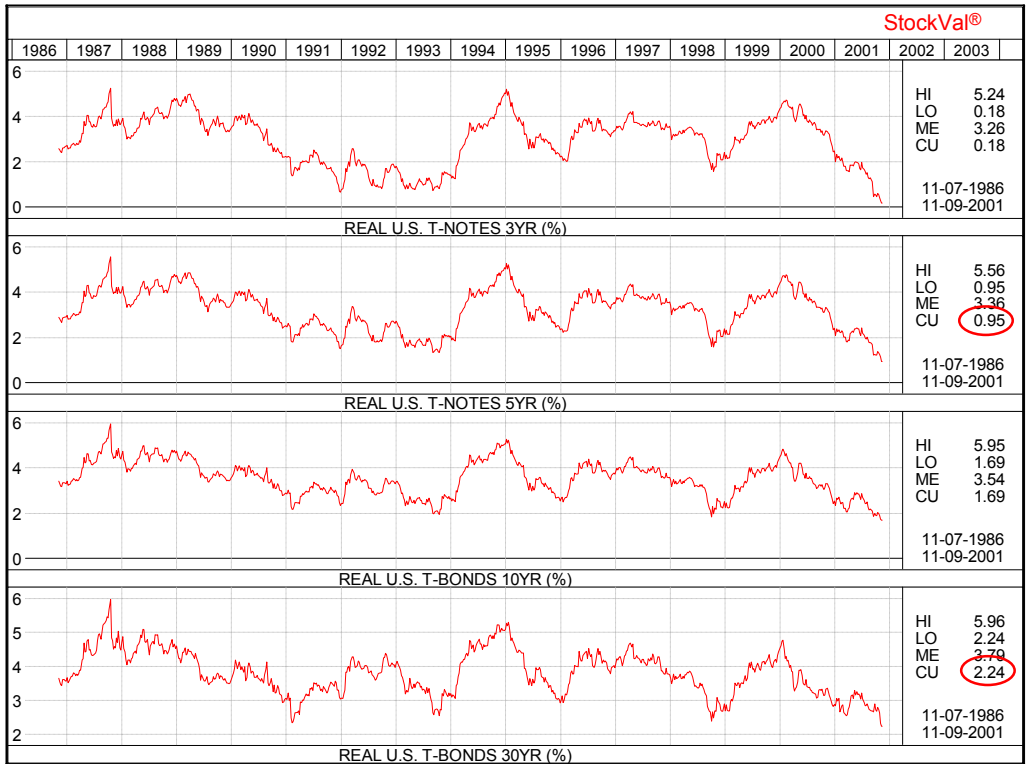
- The Euro has yet to exhibit long-term strength.



- T-Bills are currently yielding only 1.84%, which is lower than the average of 5.28%.
- The 5-Year Treasury rate has decreased significantly over the last six months and is now 3.58%.
- Treasury bond yields (30-year) are currently 4.87%



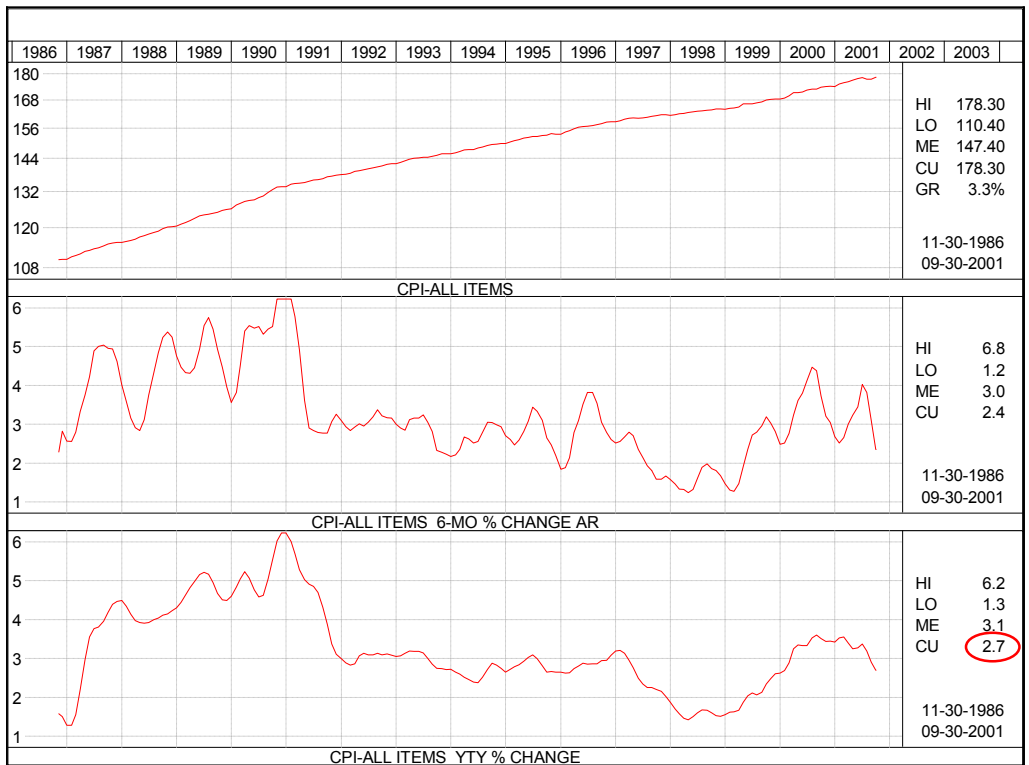
- The short yield spread (5-Year Notes versus T-Bills) is positive 174 basis points.
- The intermediate yield versus the T-Bill is positive 248 basis points.
- The long yield spread (30-Year T-Bonds versus 5-Year Notes) is currently positive 129 basis points.



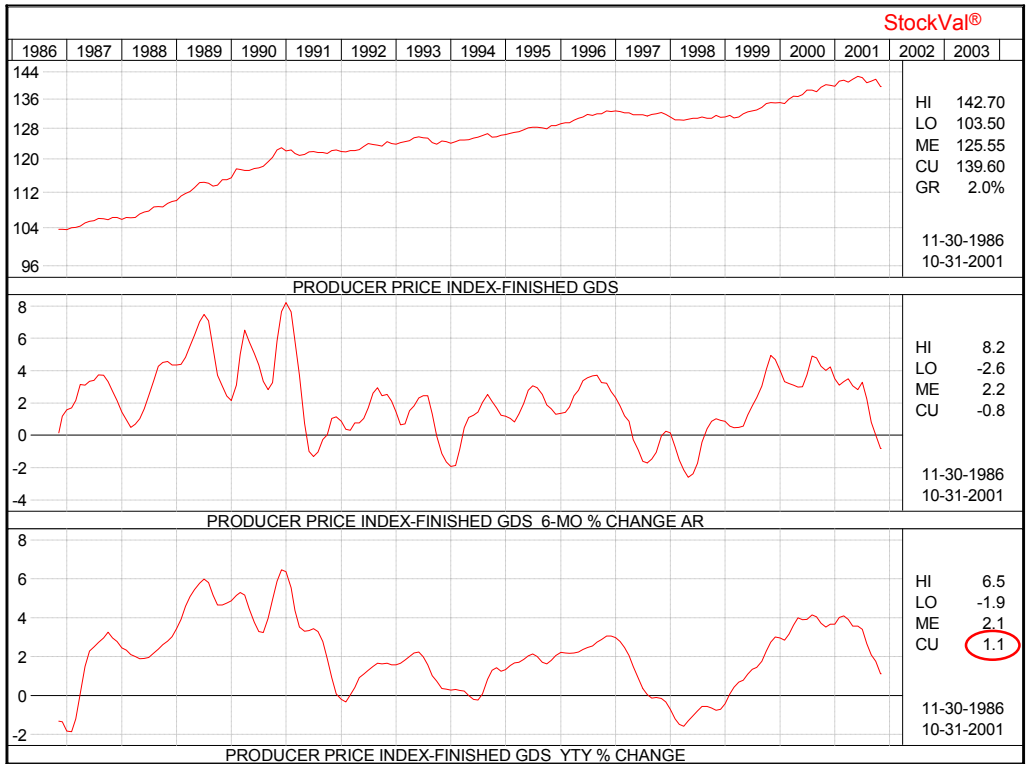
- The real T-Bill rate has decreased close to zero.

- The real 5-Year Treasury has decreased to 0.95%.

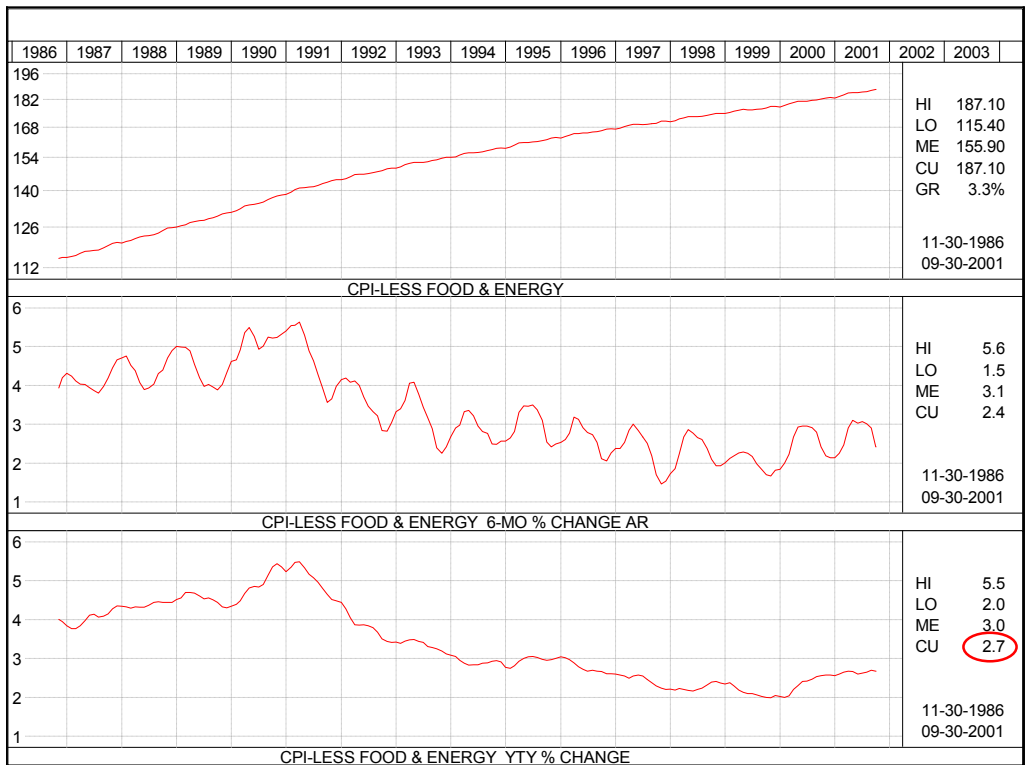
- The real 30-Year has decreased to 2.24%.



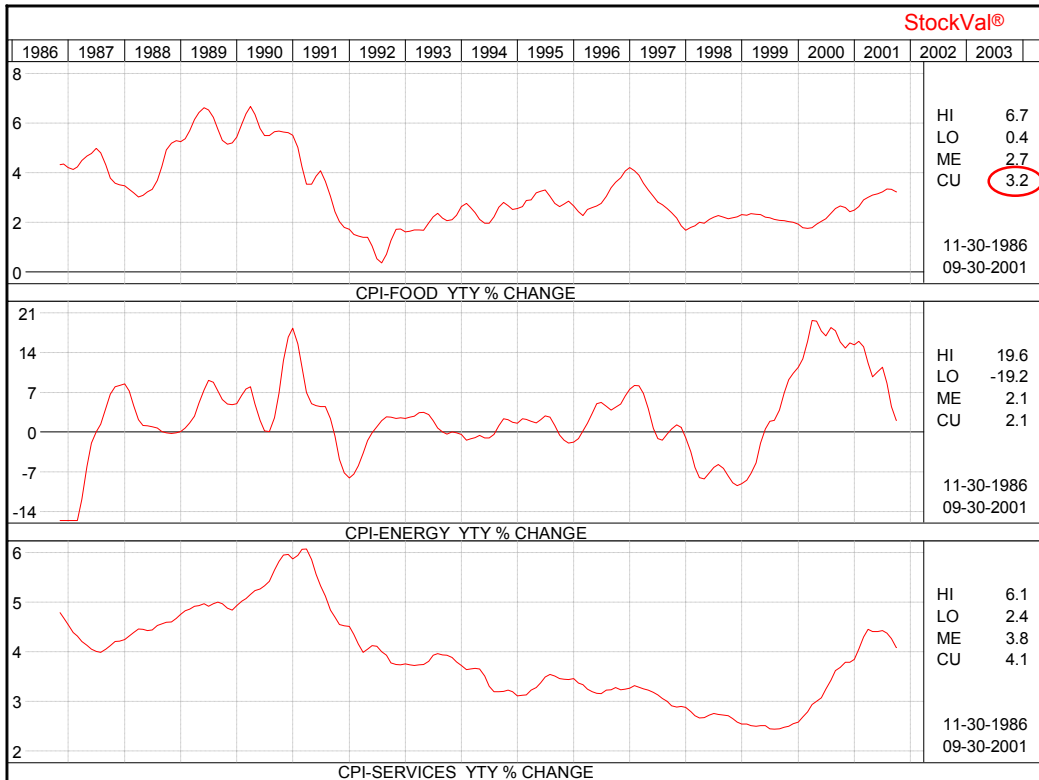
- The overall inflation rate has decreased to 2.7%.



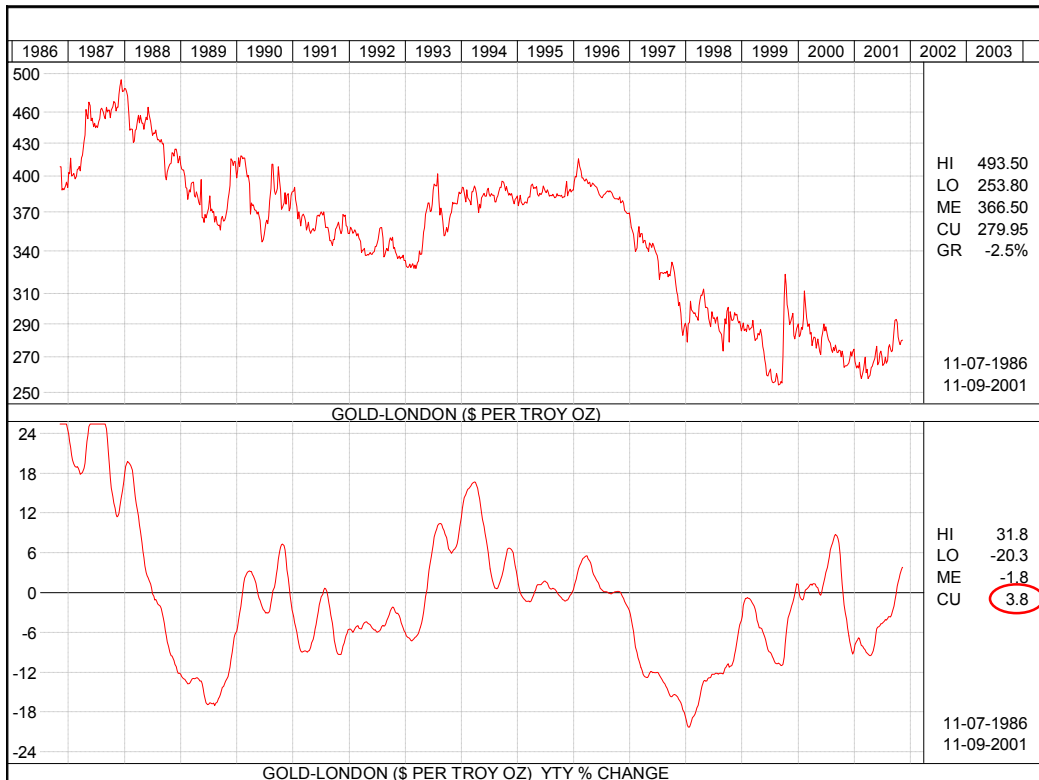
- The year-to-year Producer Price Index has decreased to 1.1%.



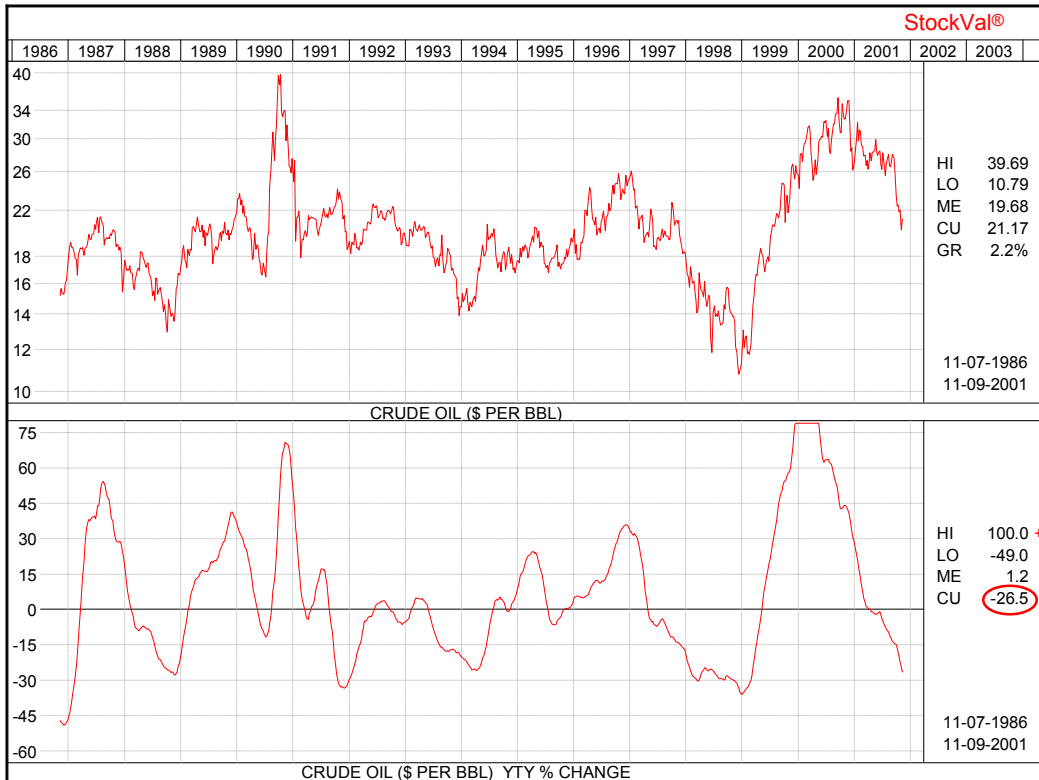
- Core inflation remains low but has increased to 2.7%.



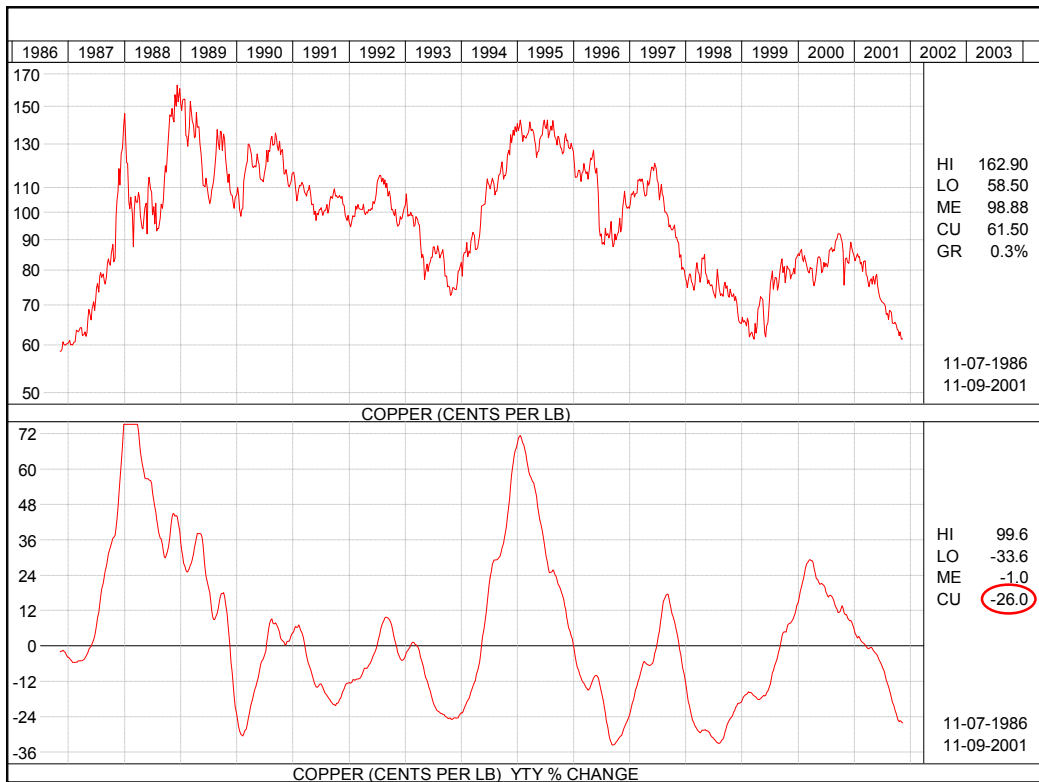
- Food prices are increasing at a 3.2%.
- Energy prices have decreased.
- Services are increasing at a decreasing rate of 4.1%.



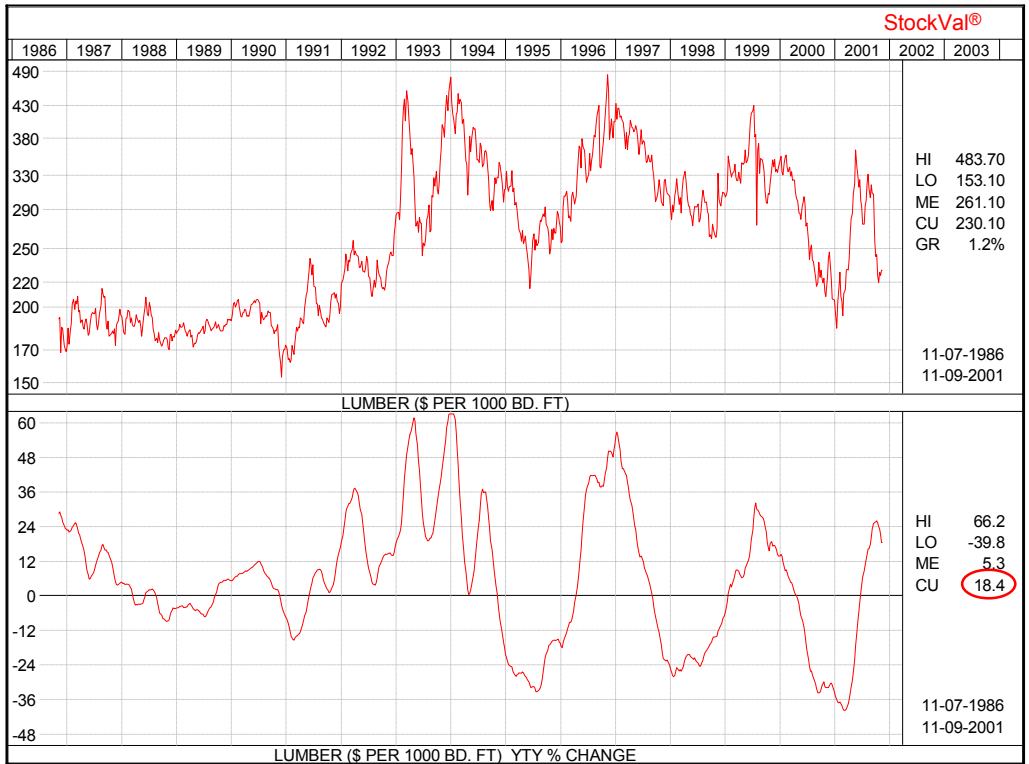
- Gold prices have increased to a 3.8% year-to-year growth rate.



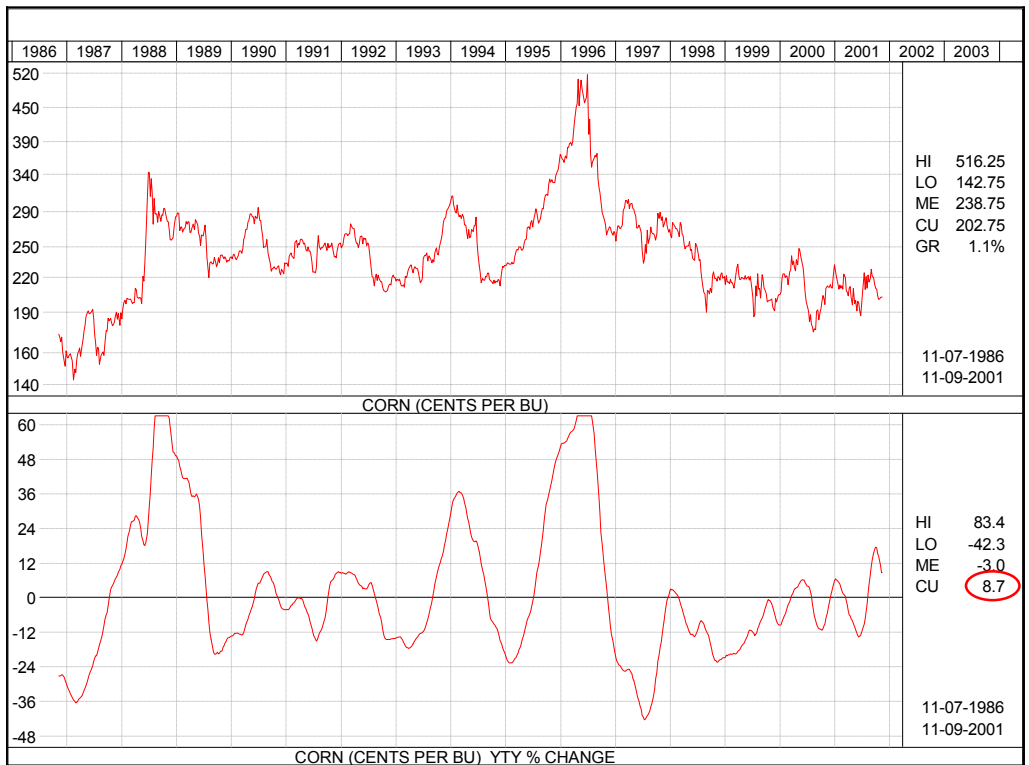
- Crude Oil prices are decreasing significantly and are 26.5% lower than last year.



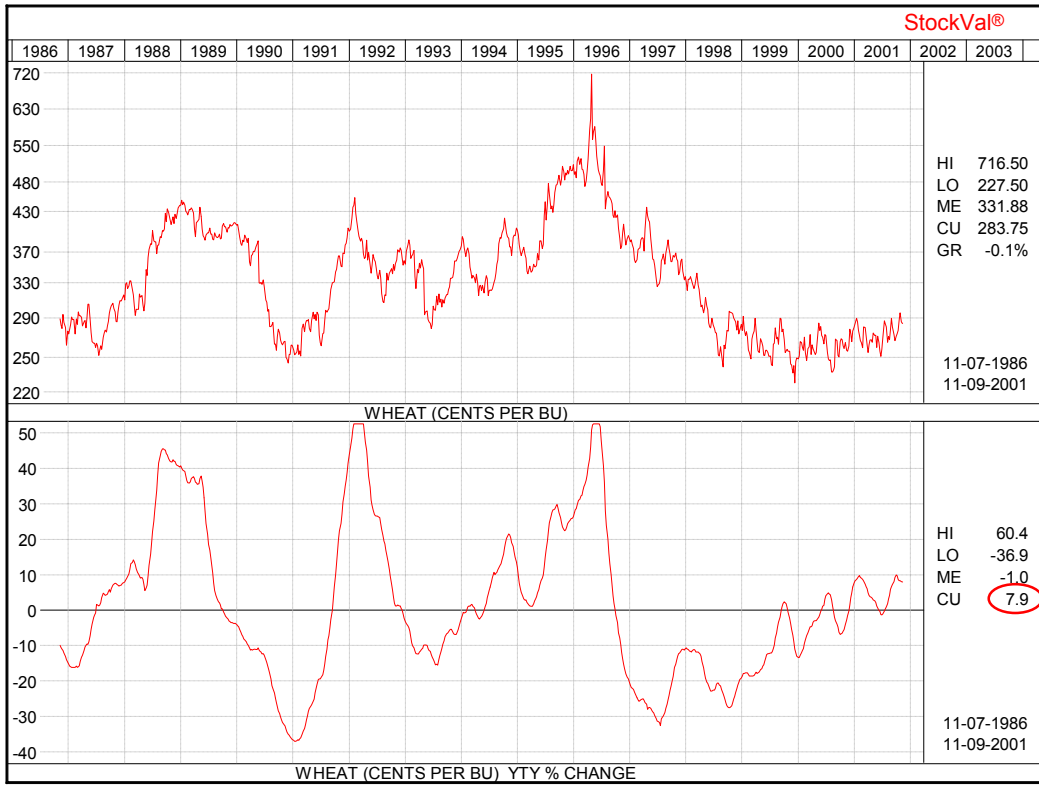
- Copper prices recently have decreased 26.0% compared to last year.



- Lumber prices have increased 18.4%.



- Corn prices have increased 8.7% versus last year.



- Wheat prices have increased to a 7.9% year-to-year change.

Definitions and Sources (In order of Graphs)

Real Gross Domestic Product (\$Bil)

The output of goods & services produced by labor and property located in the US in chained (1992) dollars. Source: US Dept of Commerce, Bureau of Economic Analysis. Frequency: Quarterly

Industrial Production Index

The industrial production index measures output in the manufacturing, mining and electric and gas utilities industries. Source: Federal Reserve. Frequency: Monthly

Leading Economic Indicators

11 indicators used: Change in sensitive materials prices, Index of consumer expectations, Average weekly initial claims for state unemployment insurance, Manufacturers' new orders for consumer goods and materials in 1987 \$, Contracts and orders for plant and equip in 1987 \$, Stock prices, Change in manufacturers' unfilled orders of durable goods in 1987 \$, Money supply in 1987 \$, Average workweek, Vendor performance (slower deliveries diffusion index) and Building permits. Source: BCI. Frequency: Monthly

NAPM Composite Index

Purchasing Managers' Index; adjusts five components of the association's monthly survey - new orders, production, employment, supplier deliveries and inventories - for normal seasonal variations, applies various weights to each, and then calculates them into a single monthly index number. Source: National Association of Purchasing Mgrs. Frequency: Monthly

Monetary Base (\$Bil)

Seasonally Adjusted, Consists of Reserve Balances with Federal Reserve Banks, Required Reserves held by Edge Corporations, Currency in circulation, and an adjustment for Reserve Requirements. Source: Federal Reserve. Frequency: Weekly

MFRs New Orders Consumer (\$Bil)

Manufacturers' new orders in 1987 dollars, consumer goods and materials industries; Source: US Dept of Commerce, Bureau of the Census, Manufacturing and Construction Division, Manufacturers' Shipments, Inventories and Orders Branch. Frequency: Monthly

Real Disposable Personal Income (\$Bil)

Income available to persons for spending or saving; it is calculated as personal income less personal tax and non-tax payments in chained 1987 dollars. Source: US Dept of Commerce, Bureau of Economic Analysis, National Income and Wealth Division. Frequency: Monthly

Retail Sales (\$Bil)

Retail trade, total; adjusted for seasonal, holiday, and trading-day differences, but not for price changes. Source: Bureau of the Census. Frequency: Monthly

Housing Starts (Thou)

New privately owned residential housing units (including apartments) in US; seasonally adjusted, annual rate; Source: US Dept of Commerce, Bureau of the Census, Construction Starts Branch. Frequency: Monthly

Industrial Production Index

The industrial production index measures output in the manufacturing, mining and electric and gas utilities industries. Source: Federal Reserve. Frequency: Monthly

Unemployment Rate

Number unemployed as a percent of the labor force; Source: Dept of Labor, Bureau of Labor Statistics, Office of Employment and Unemployment. Frequency: Monthly

Corporate Profits After Tax - Real (\$Bil)

Profits before tax less profits tax liability. It consists of dividends and undistributed corporate profits in chained 1992 dollars. Source: US Dept of Commerce, Bureau of Economic Analysis. Frequency: Quarterly

US \$ Trade-Weighted

Index of weighted average exchange value of US \$ against currencies of ten other countries; the weight of each currency in the index was equal to that country's share of total trade (imports plus exports) in 1972. (March 1973=100). Source: Federal Reserve Bank of NY. Current month rate replaced weekly with US Dollar Index (FINEX) rate in WSJ. Frequency: Monthly

Japanese Yen

Average rates of exchange based on daily noon buying rates for cable transfers in NYC certified for customs purposes. Source: Federal Reserve Bank of NY. Current month rate replaced weekly with data from Exchange Rates section in WSJ. Frequency: Monthly

US Treasury Bills 90-day (%)

Quoted on a discount basis. Auction date for daily data. Source: Federal Reserve. Frequency: Weekly

US Treasury Notes 5yr (%)

Yields on Treasury securities at "constant maturity" are interpolated by the US Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading US Government securities dealers to the Fed Reserve Bank of NY. The constant maturity yield values are read from the yield curve at fixed maturities, currently 3 and 6 months and 1,2,3,5,7,10,20, and 30yrs. This method provides a yield for a 10yr maturity, for example, even if no outstanding security has exactly 10yrs remaining to maturity. In estimating the 20yr constant maturity, the Treasury incorporates the prevailing market yield on an outstanding Treasury bond with approximately 20yrs remaining to maturity. Source: Federal Reserve. Frequency: Weekly

US Treasury Bonds 30yr (%)

Yields on Treasury securities at "constant maturity" are interpolated by the US Treasury from the daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading US Government securities dealers to the Fed Rsrv Bank of NY. The constant maturity yield values are read from the yield curve at fixed maturities, currently 3 and 6 months and 1,2,3,5,7,10,20 and 30yrs. This method provides a yield for a 10yr maturity, for example, even if no outstanding security has exactly 10yrs remaining to maturity. In estimating the 20yr constant maturity, the Treasury incorporates the prevailing market yield on an outstanding Treasury bond with approximately 20yrs remaining to maturity. Source: Federal Reserve. Frequency: Weekly

Spread - 5yr T-Notes / T-Bills

5yr T-Notes minus 90-day T-Bills; Calculated series. Frequency: Weekly

Spread - 30yr T-Bonds / 5yr T-Note

30yr T-Bonds minus 5yr T-Note; Calculated series.

Real US T-Bills 90-day (%)

Calculation of real interest rates is series minus YTY% change in CPI - Less Food & Energy. Frequency: Weekly

Real US T-Notes 5yr (%)

Calculation of real interest rates is series minus YTY% change in CPI - Less Food & Energy. Frequency: Weekly

Real US T-Bonds 30yr (%)

Calculation of real interest rates is series minus YTY% change in CPI - Less Food & Energy. Frequency: Weekly

CPI - All Items

For All Urban Consumers, US city average, (1982-84=100), Unadjusted; Index applies to a month as a whole, not to any specific date. The CPI is a measure of the average change in prices over time in a fixed market basket of goods and services. The CPI is based on prices of food, clothing, shelter, transportation, medical care and other goods and services that people buy for day-to-day living. In calculating the index, price changes for the various items in 85 locations are averaged together with weights which represent their importance in the spending of the appropriate population group. Indexes for different months are usually compared in relative terms. Thus, an index of 133.5 is 1.063 times higher than an index of 125.6 ($133.5 / 125.6 = 1.063$); in other words, prices increased 6.3 percent. The CPI is used as an indicator of inflation, a deflator of other economic series, and as an escalator for income payments. Source: US Dept of Labor, Bureau of Labor Statistics, Office of Consumer Prices and Indexes. Frequency: Monthly

Producer Price Index - Finished Goods

Measures average changes in selling prices received by domestic producers for their output. Source: US Dept of Labor, Bureau of Labor Statistics, Division of Industrial Prices & Indexes. Frequency: Quarterly

CPI - Less Food & Energy

For All Urban Consumers, US city average, (1982-84=100), Unadjusted; Index applies to a month as a whole, not to any specific date. See CPI - All Items for detailed definition. Source: US Dept of Labor, Bureau of Labor Statistics, Office of Consumer Prices and Indexes. Frequency: Monthly

CPI - Food

For All Urban Consumers, US city average, (1982-84=100), Unadjusted; Index applies to a month as a whole, not to any specific date. See CPI - All Items for detailed definition. Source: US Dept of Labor, Bureau of Labor Statistics, Office of Consumer Prices and Indexes. Frequency: Monthly

CPI - Energy

For All Urban Consumers, US city average, (1982-84=100), Unadjusted; Index applies to a month as a whole, not to any specific date. See CPI - All Items for detailed definition. Source: US Dept of Labor, Bureau of Labor Statistics, Office of Consumer Prices and Indexes. Frequency: Monthly

CPI - Services

For All Urban Consumers, US city average, (1982-84=100), Unadjusted; Index applies to a month as a whole, not to any specific date. See CPI - All Items for detailed definition. Source: US Dept of Labor, Bureau of Labor Statistics, Office of Consumer Prices and Indexes. Frequency: Monthly

Gold, London

Cash Price; Friday's close; \$ per troy oz; PM fix; Source: WSJ. Frequency: Weekly

Crude Oil

Nearest Future; Friday's close; Light Sweet; 1000 bbls; \$ per bbl; Deliv FOB (Freight On Board) to NY - American crude; Source: NY Mercantile Exchange, taken from WSJ. Frequency: Weekly

Copper

Nearest Future; Friday's close; High Grade - Cents per lb; Source: COMEX (Division of NY Mercantile Exchange), taken from WSJ. Frequency: Weekly

Lumber

Nearest Future; Friday's close; \$ / 1000 Bd Ft; Source: WSJ. Frequency: Weekly

Corn

Nearest Future; Friday's close; 5,000 bushels; cents per bushel; No. 2 Yellow at par and substitutions at differentials established by the exchange; Source: Chicago Board of Trade, taken from WSJ. Frequency: Weekly

Wheat

Nearest Future; Friday's close; 5,000 bu; cents per bu; No. 1 Northern Spring Wheat, No. 2 Soft Red, No. 2 Hard Red Winter and No. 2 Dark Northern Spring at par. Source: Chicago Board of Trade, taken from WSJ. Frequency: Weekly