

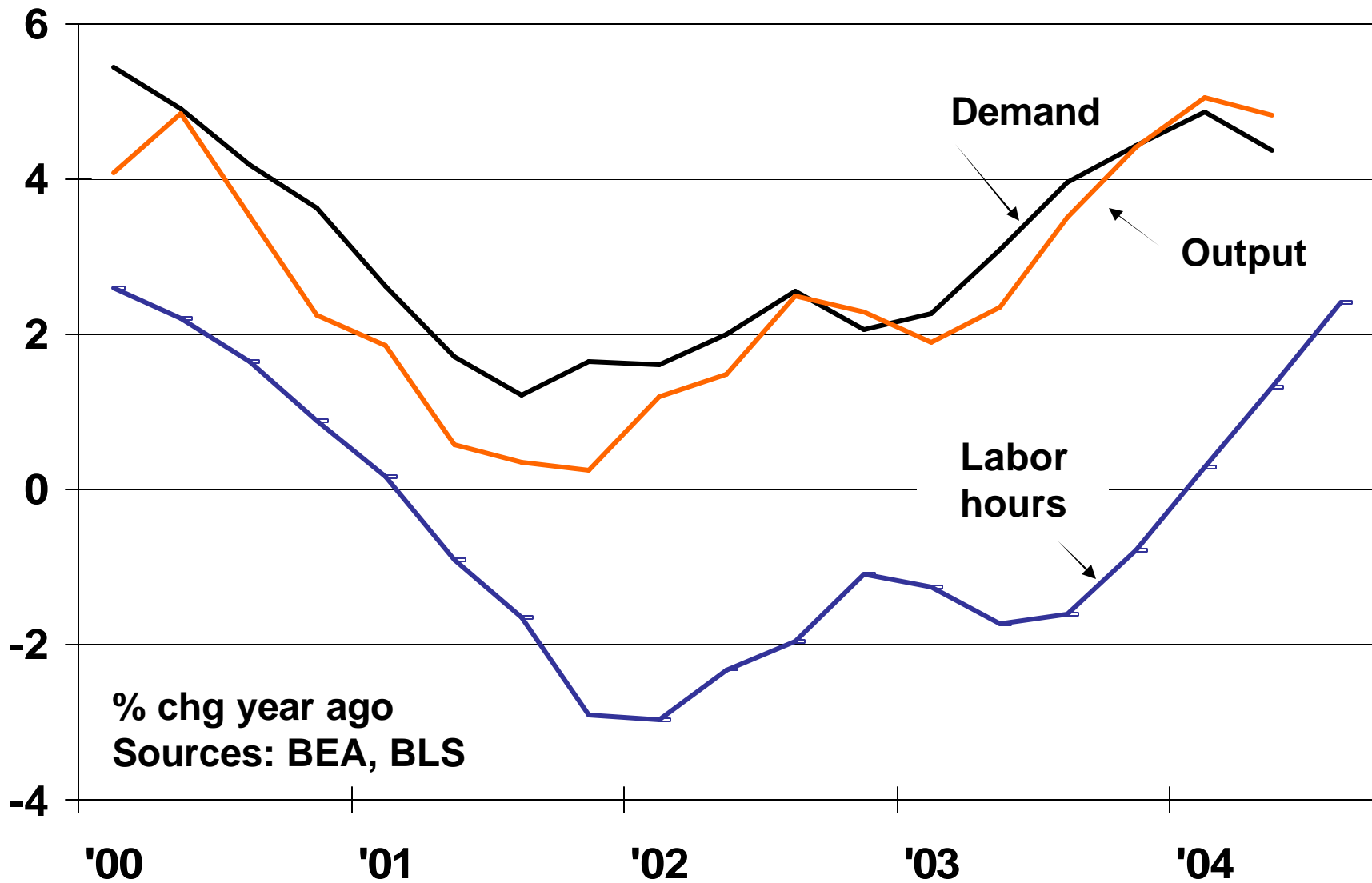
The U.S. Economic Outlook

Presented by

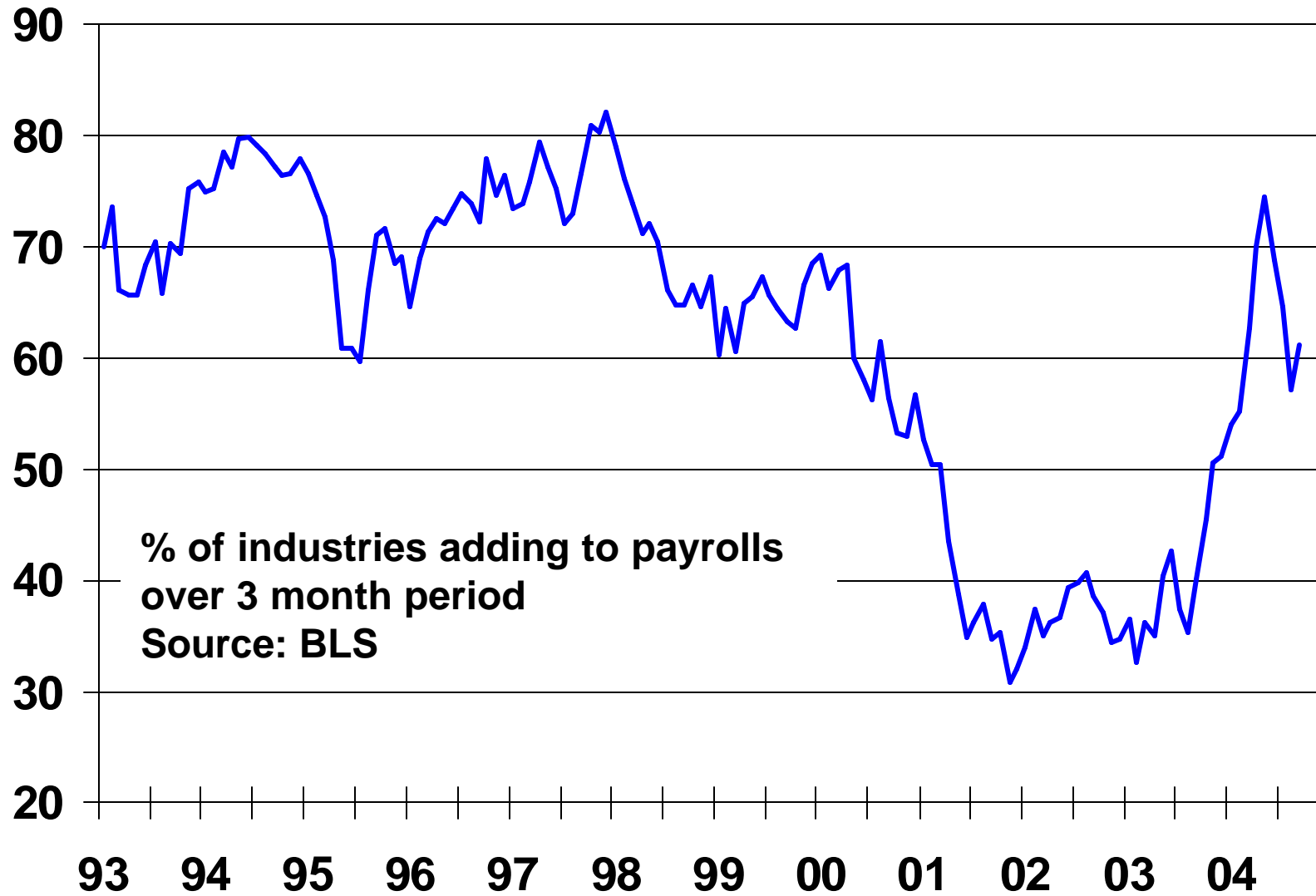
Geoffrey Some

Senior Economist

An Improved Economy...

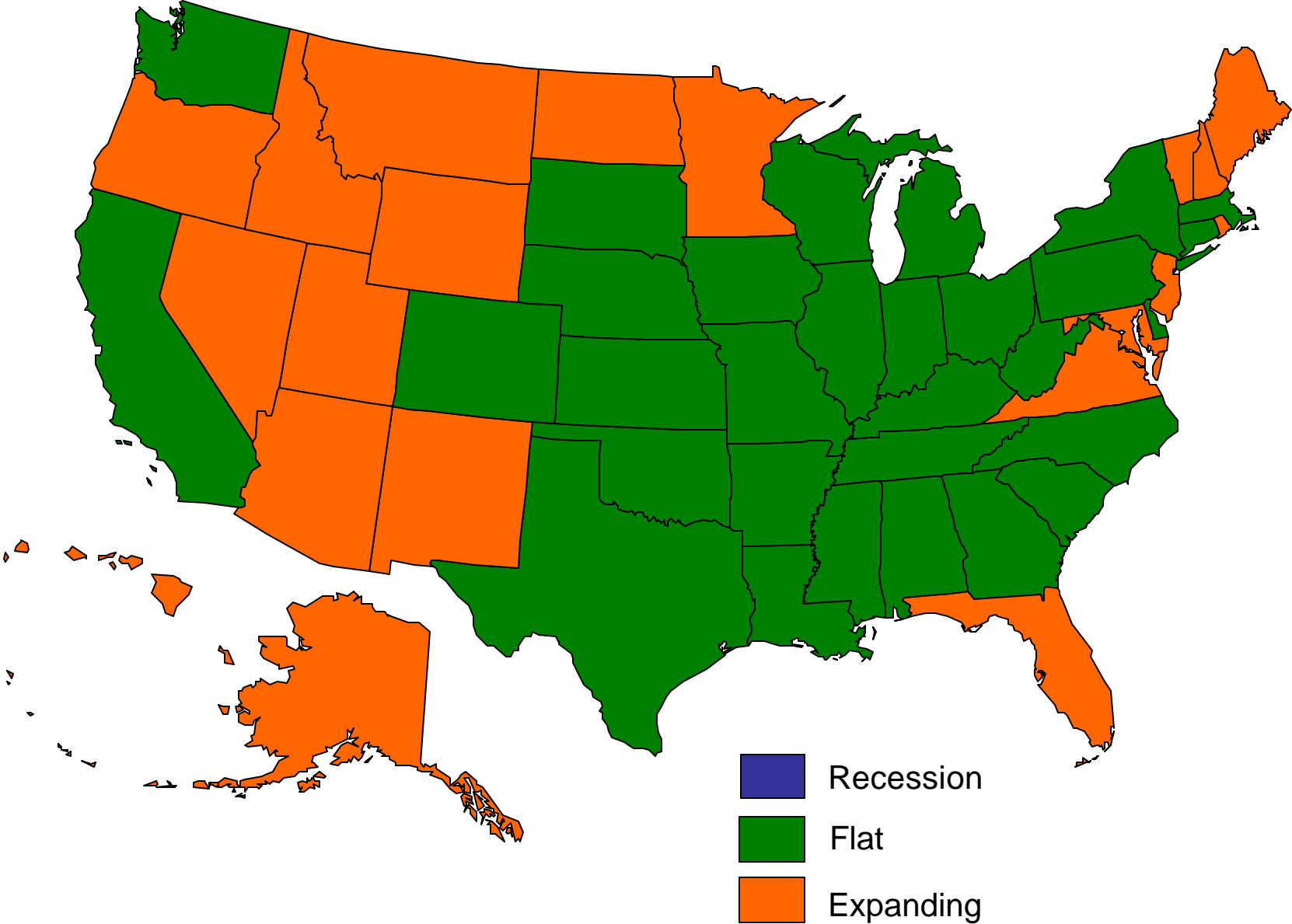


...Across Industries...



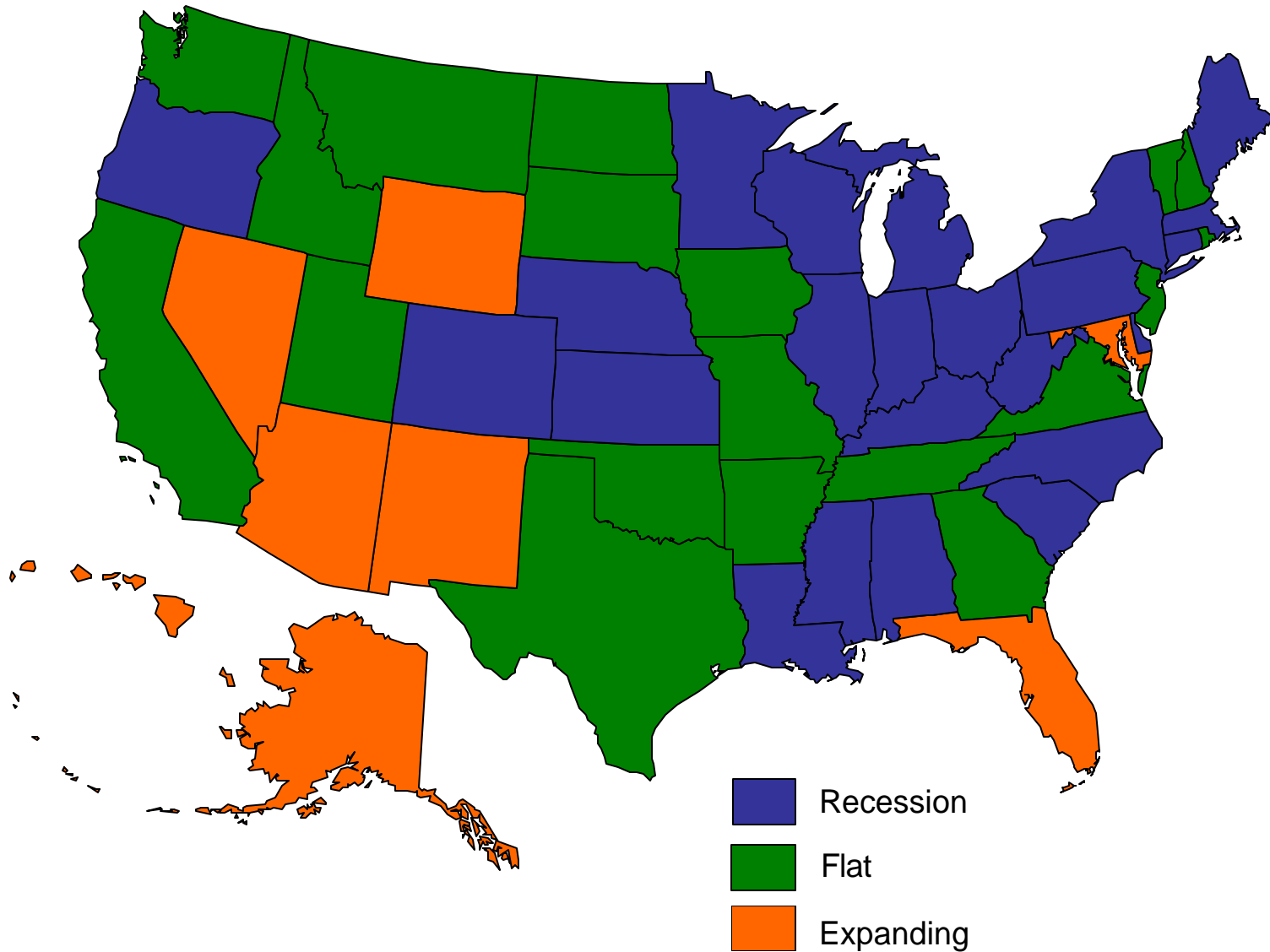
...and Across the Country

Based on data as of August 2004

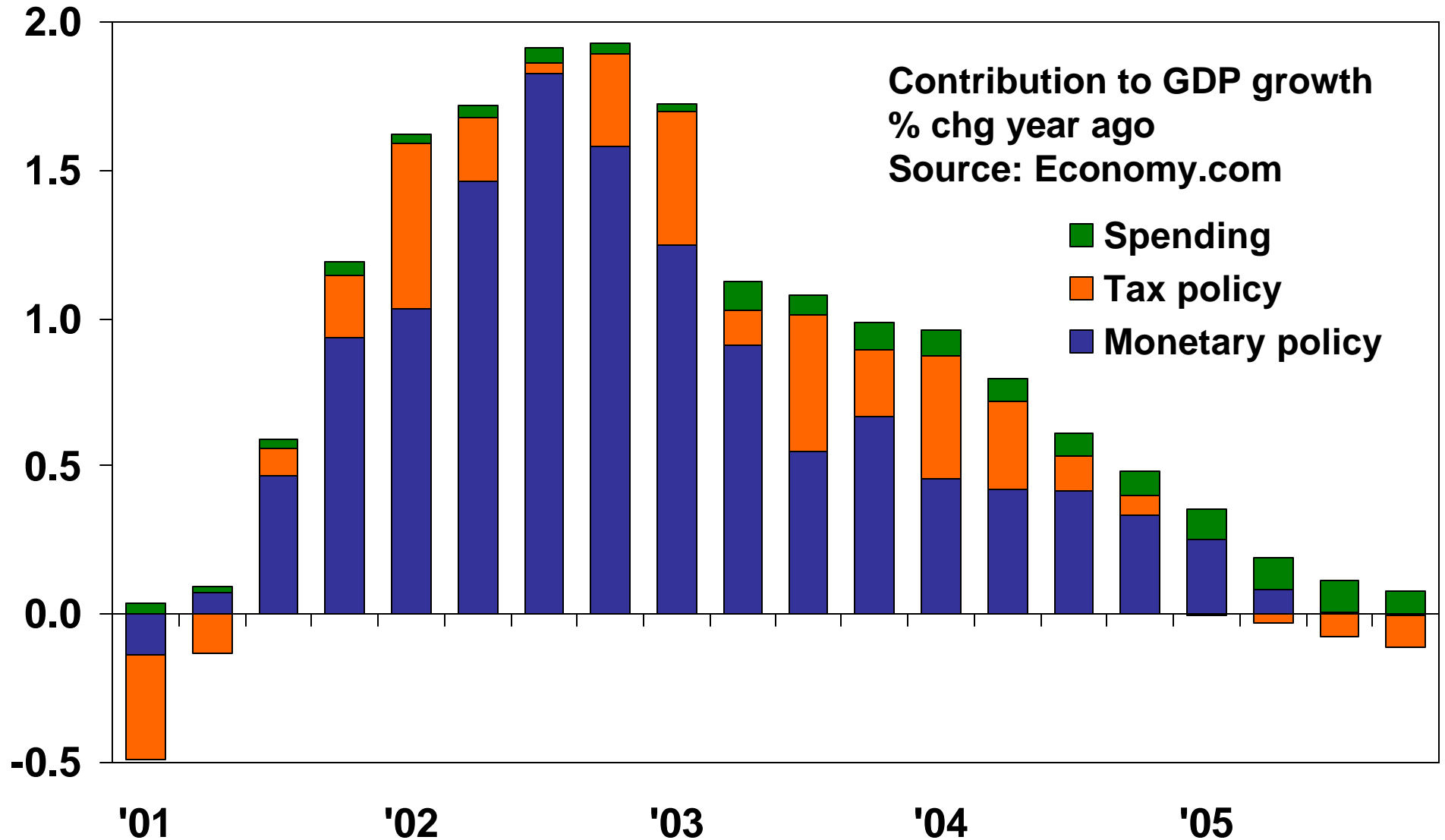


A Big Improvement From a Year Ago

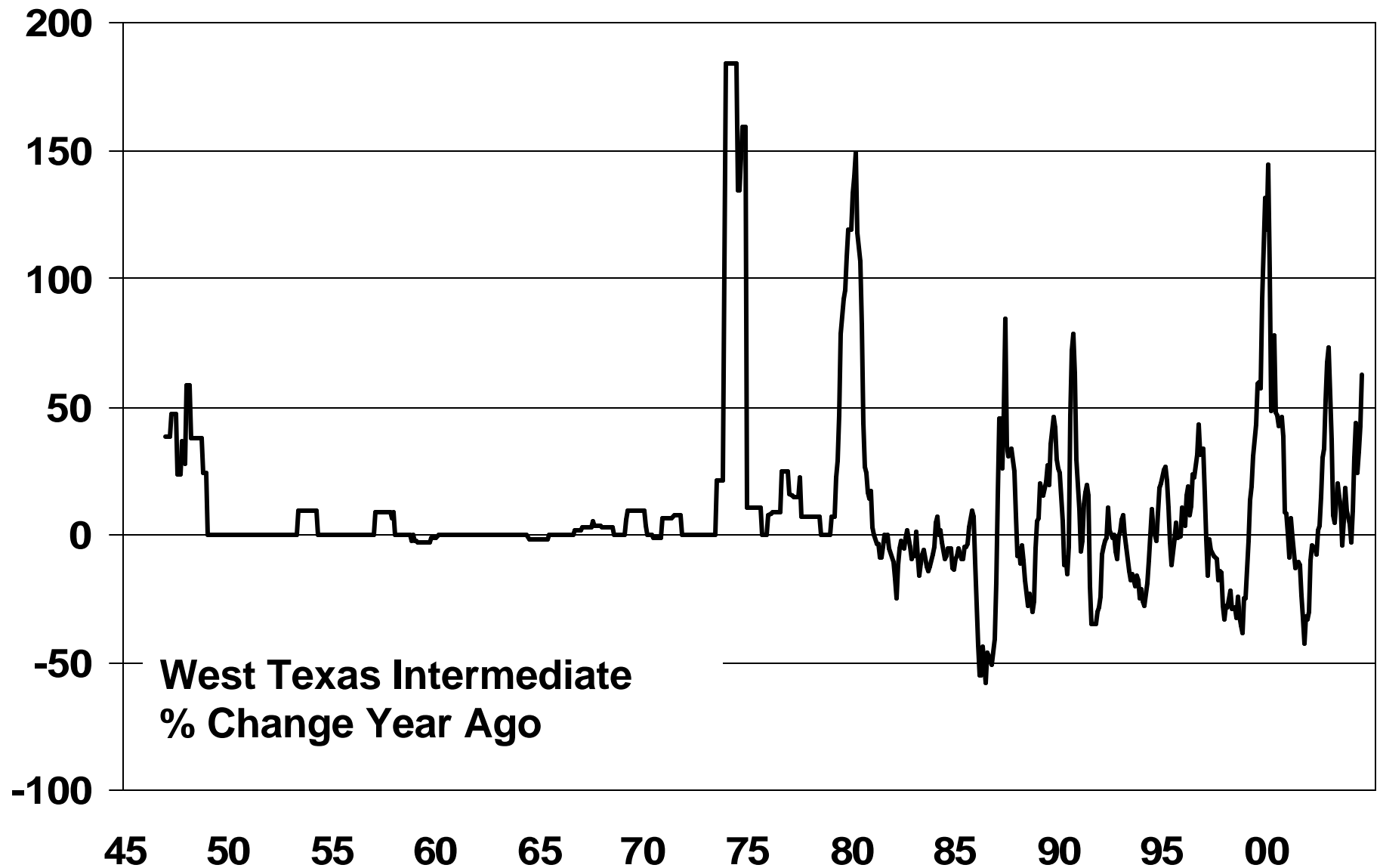
Based on data as of July 2003



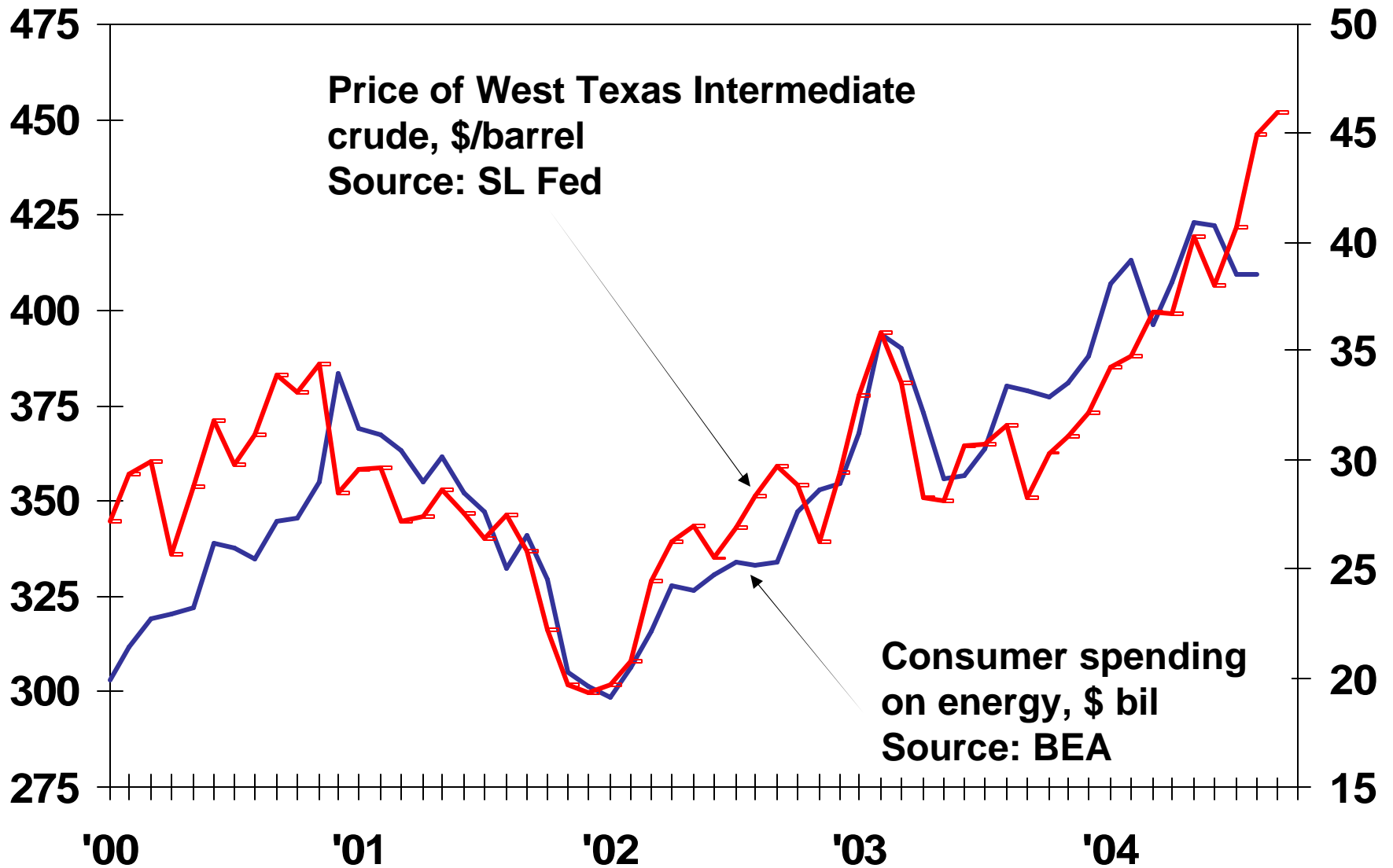
Fading Policy Stimulus



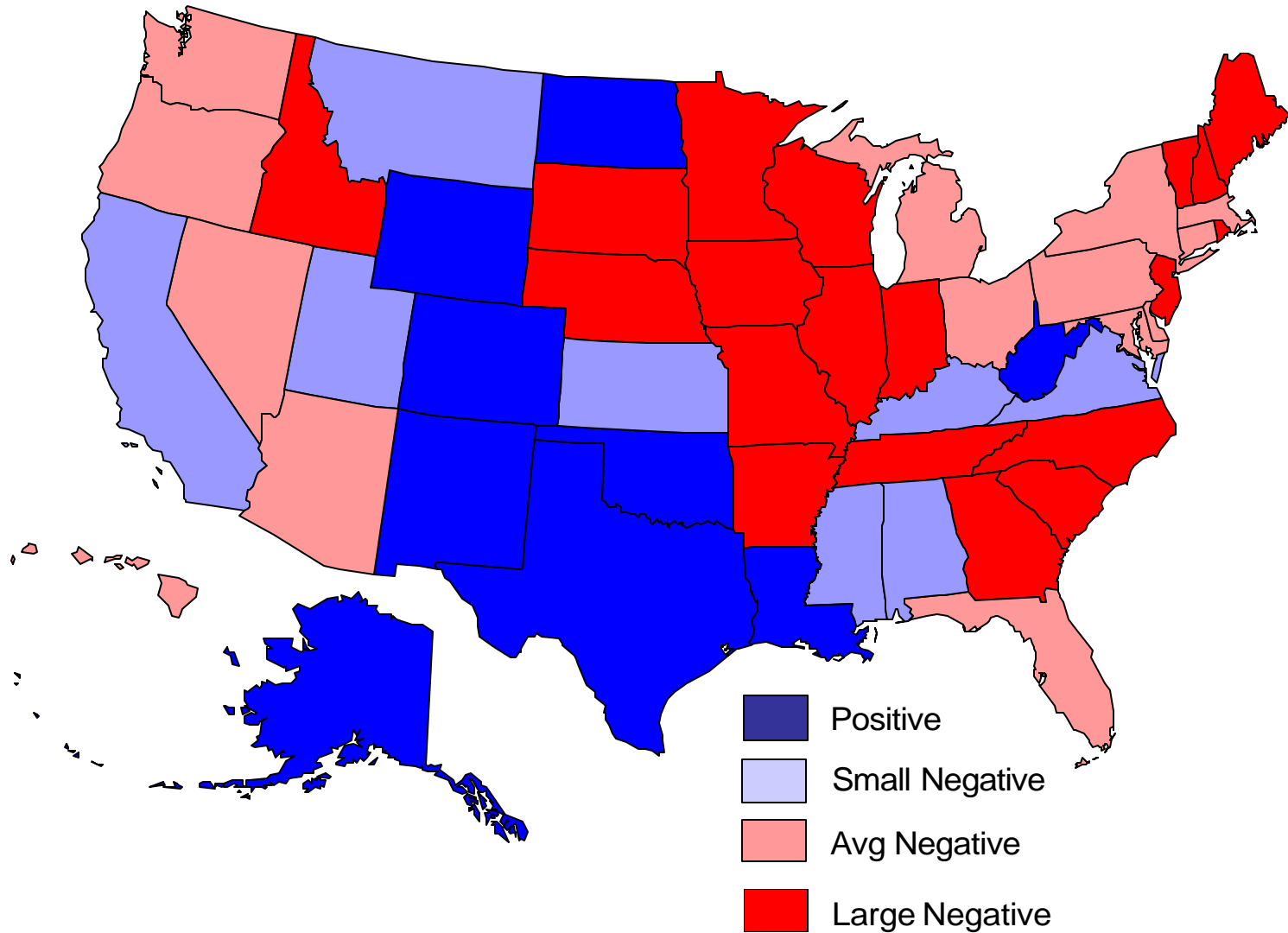
Higher Energy Prices are a Threat



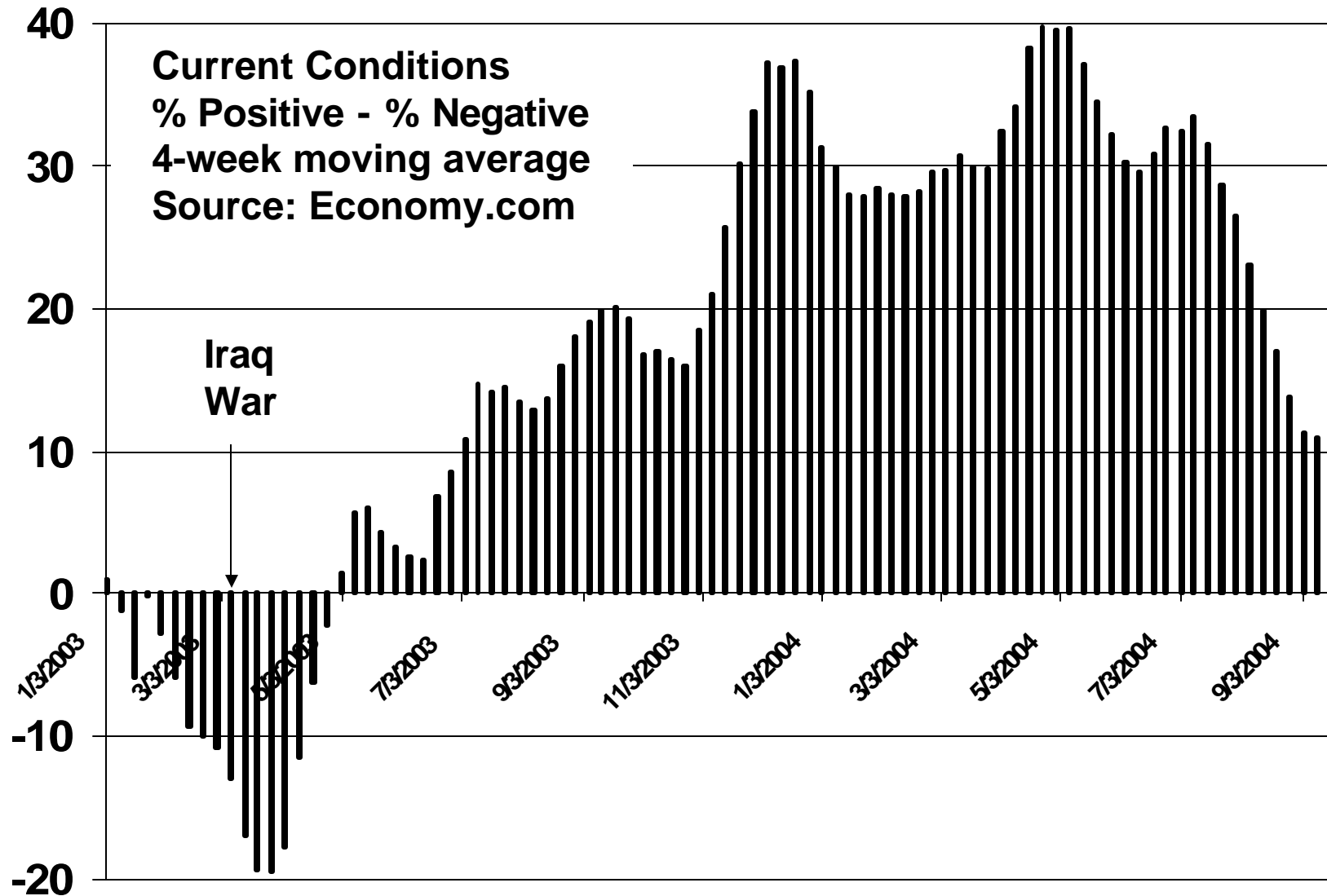
..Particulary to Consumers



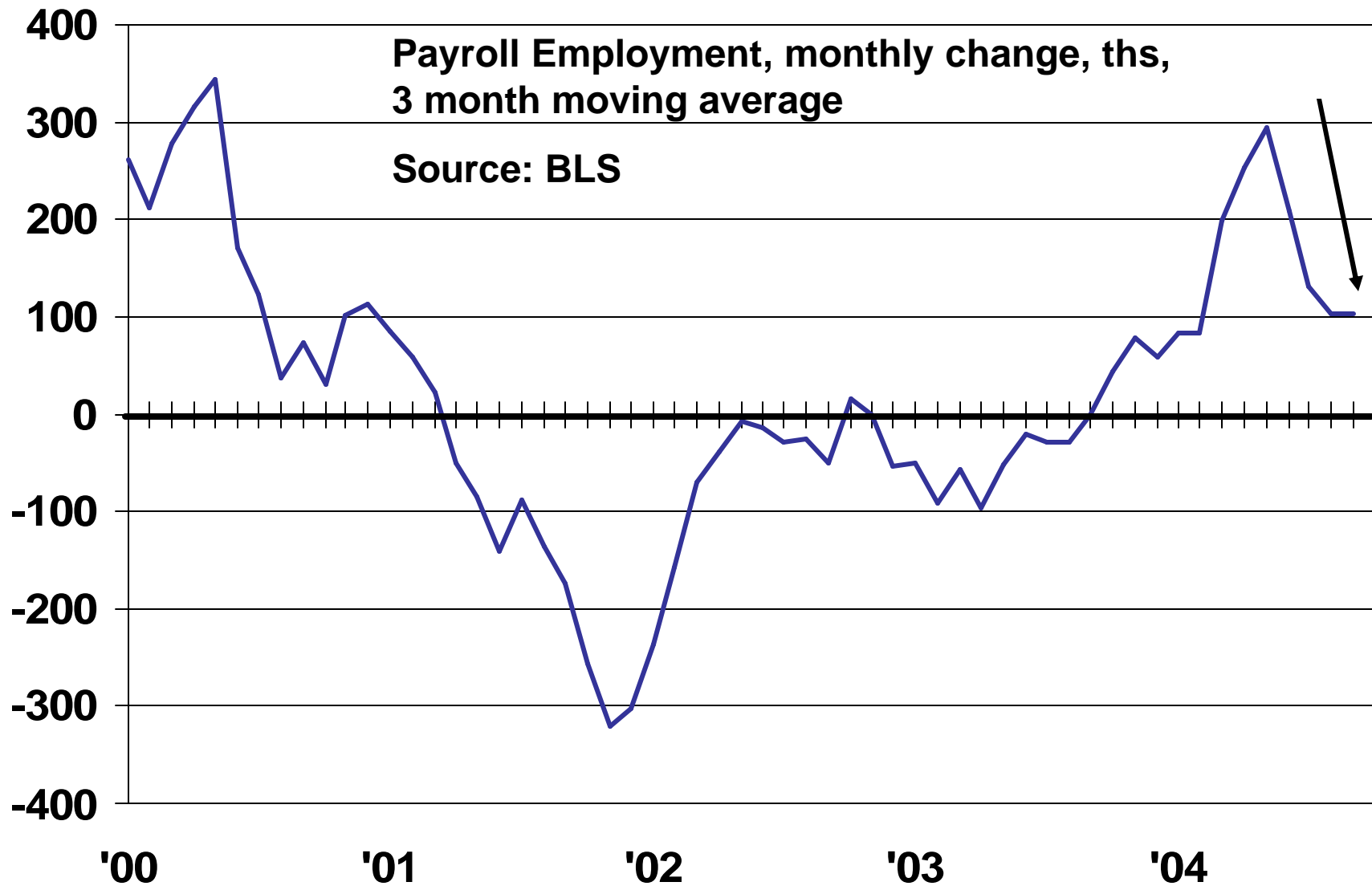
Who Gets Hurt By Higher Energy Prices



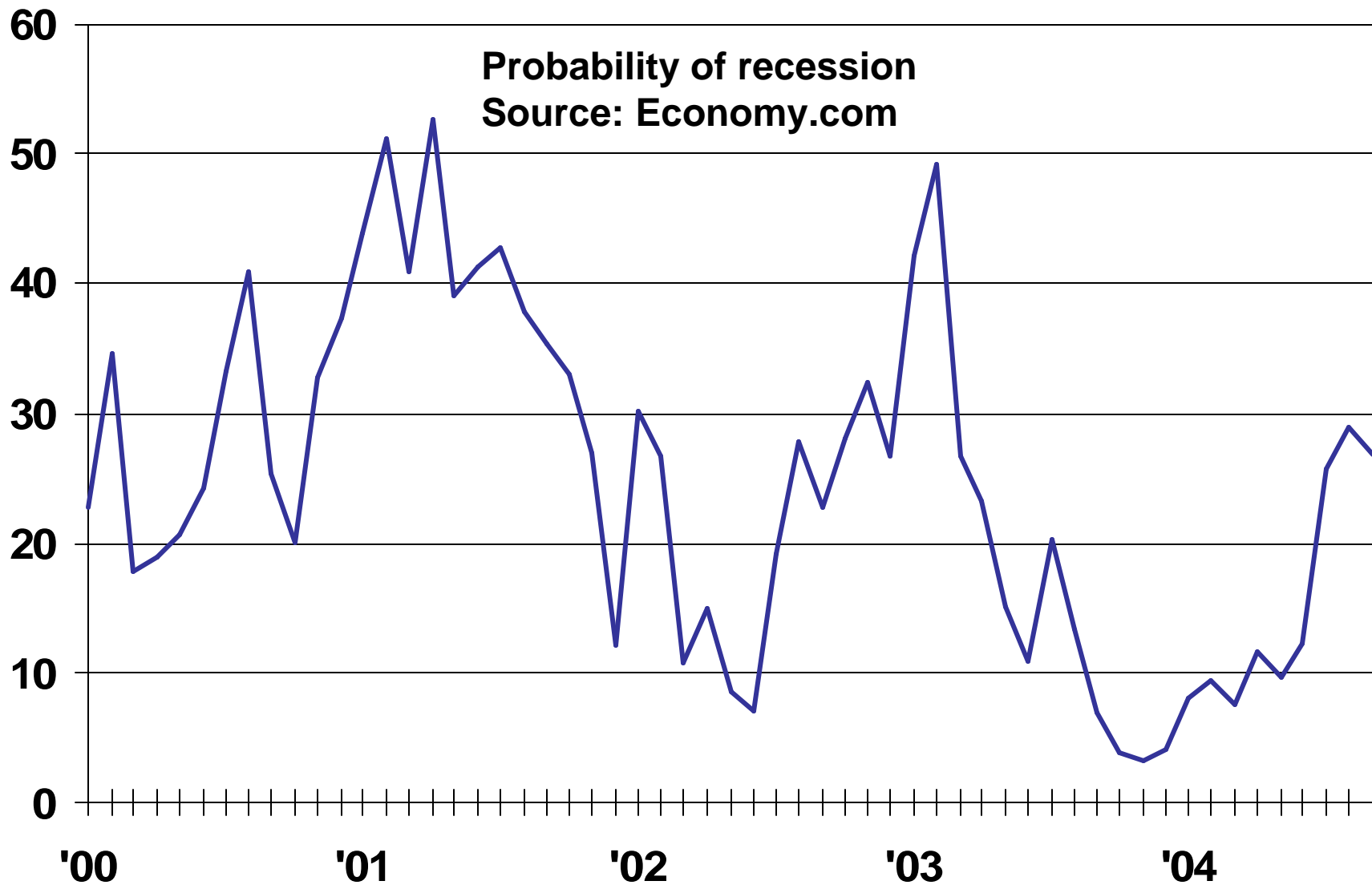
Business Assessment of Current Conditions is Slipping



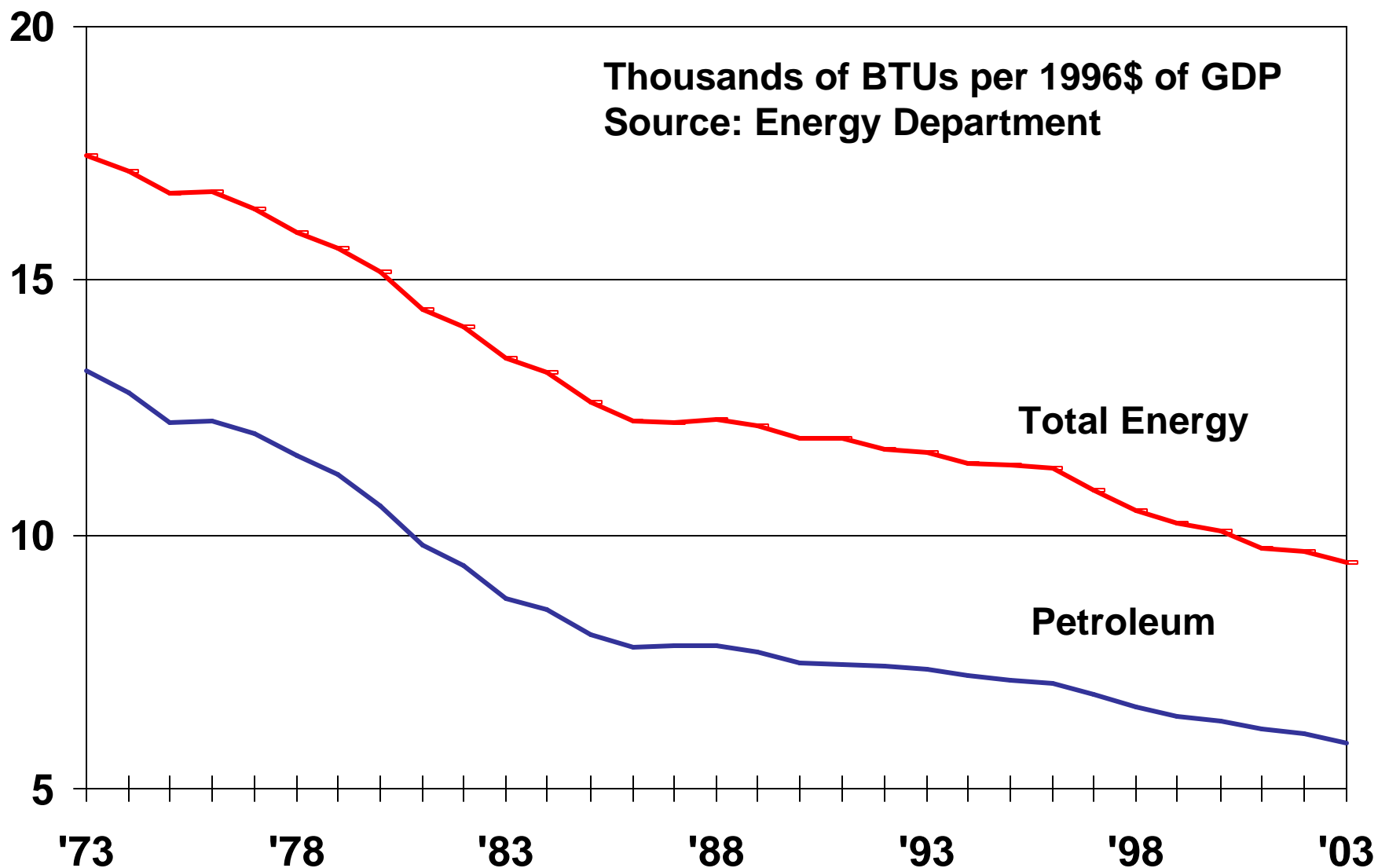
Hiring Has Slowed



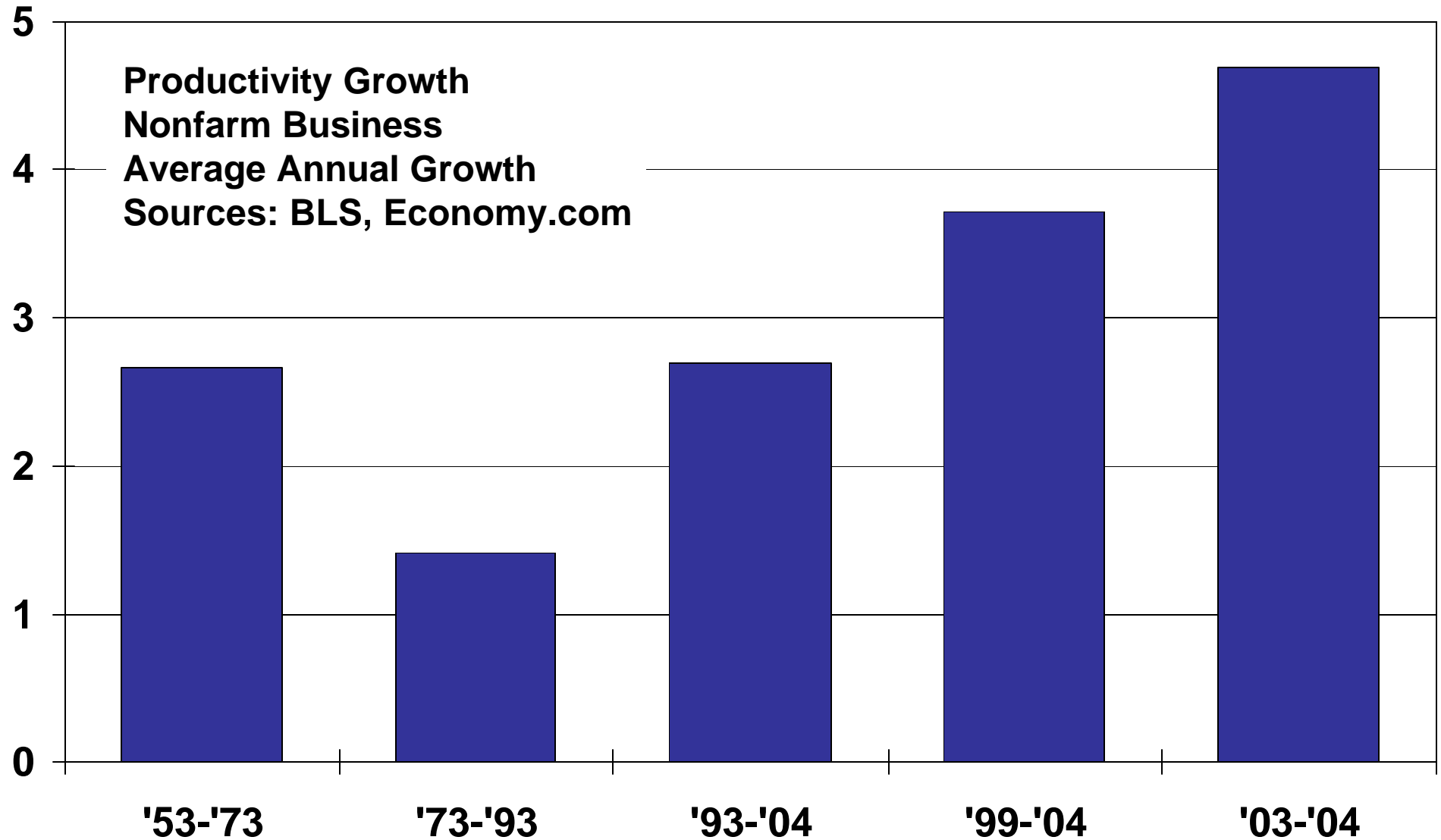
Suddenly Softer



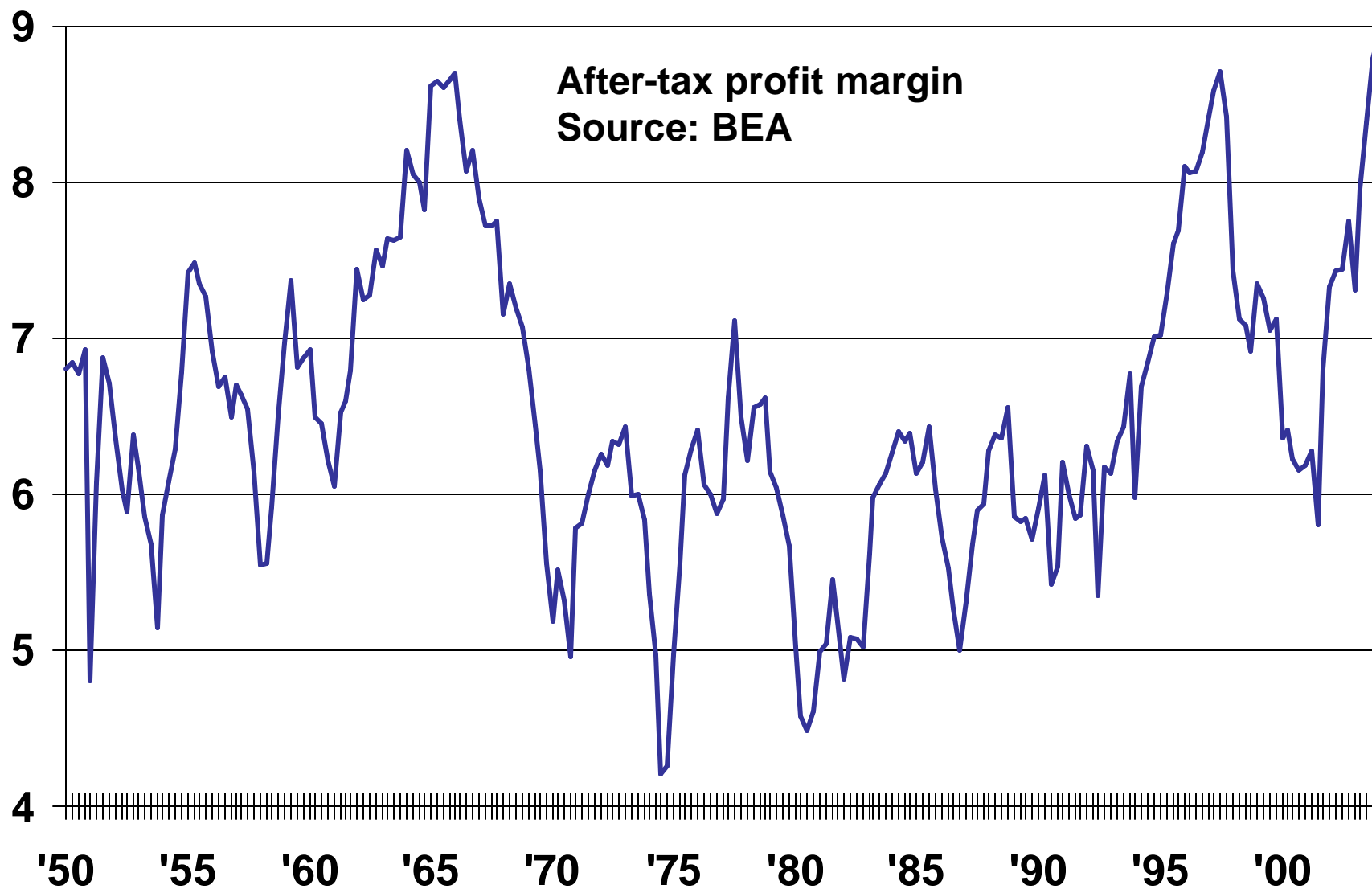
Our Dependence on Oil is Less



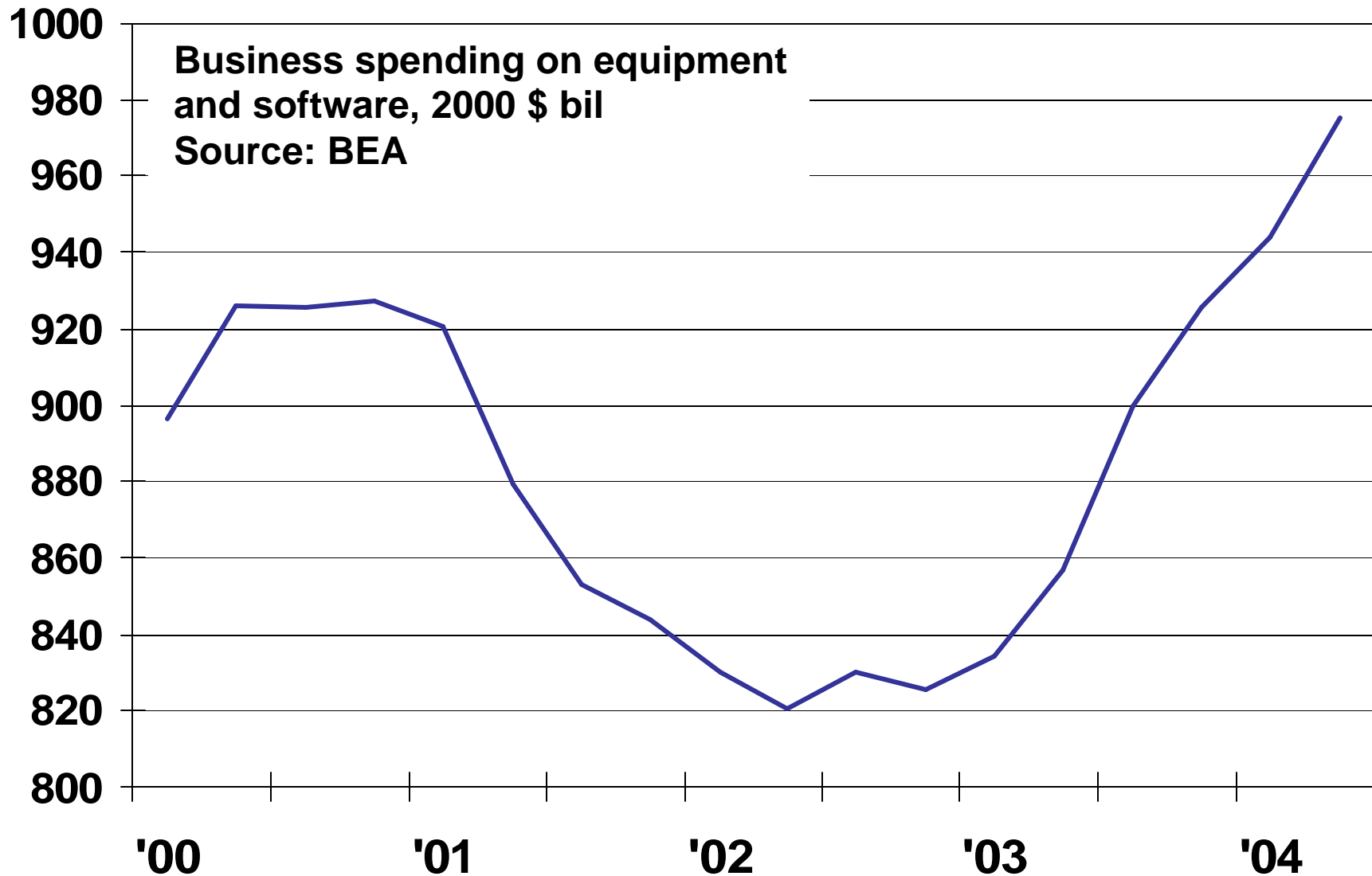
Productivity Growth is a Key Reason For Optimism



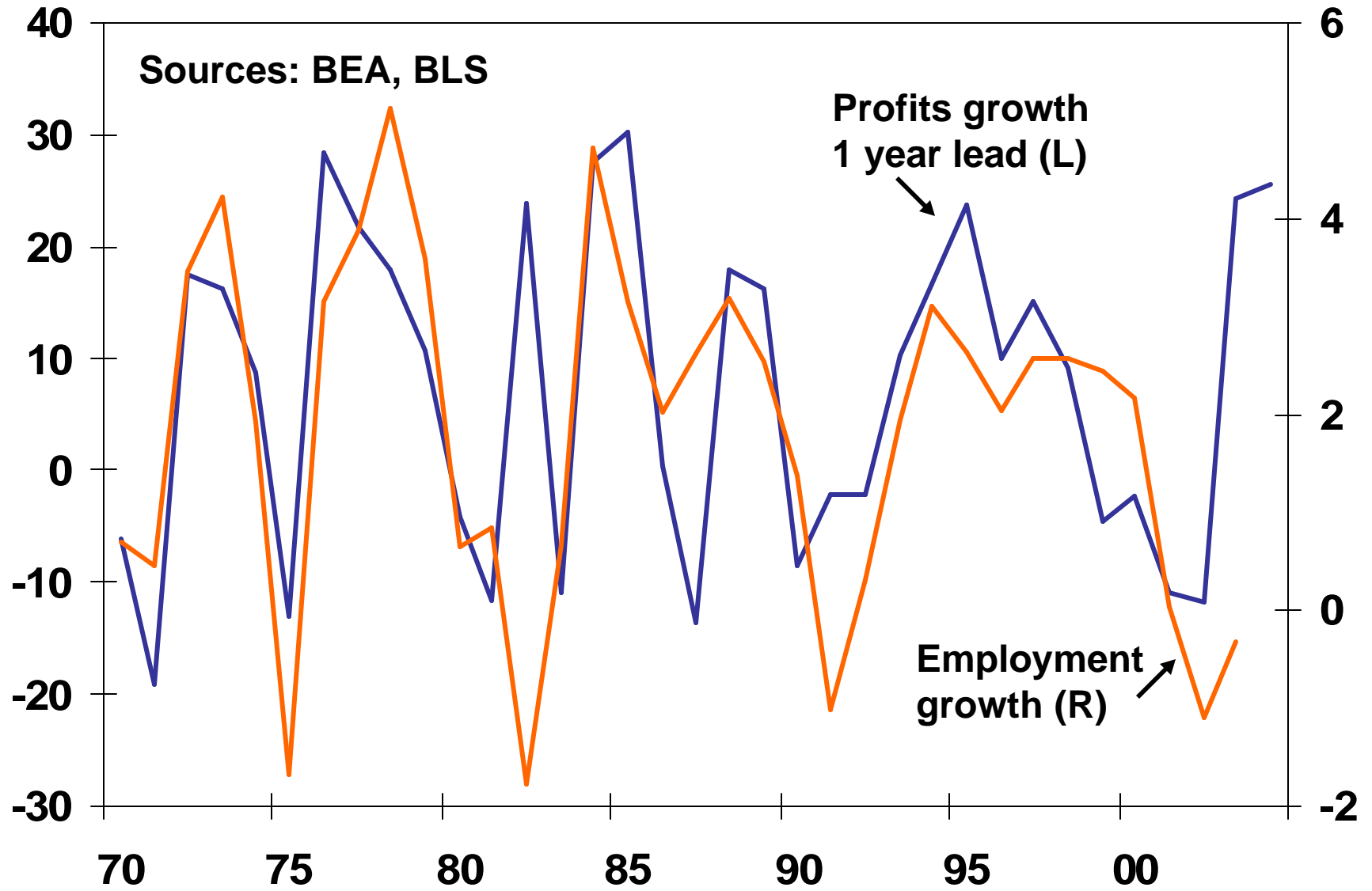
Businesses are Flush...



...Which Prompts Business to Invest...

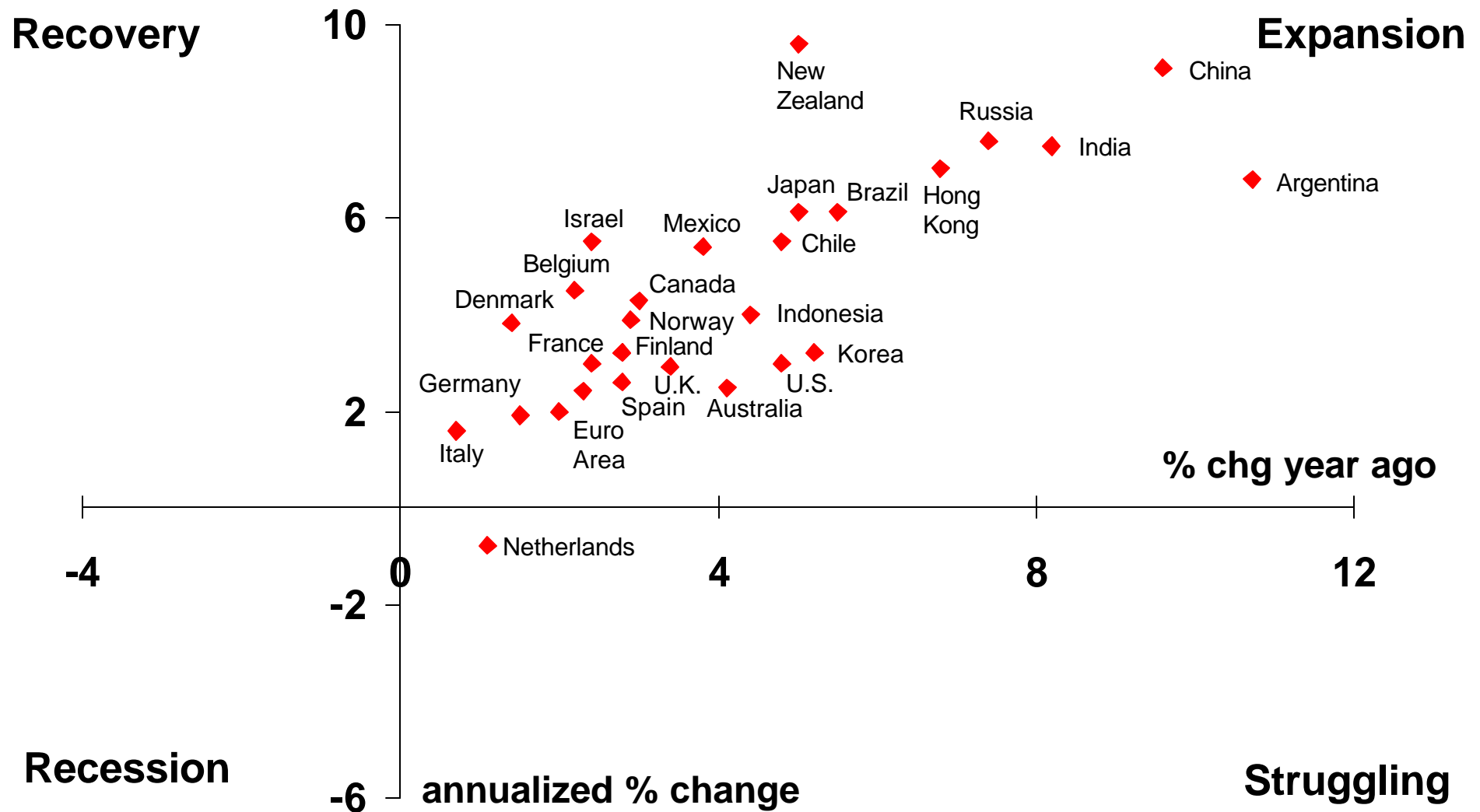


...And Will Induce More Hiring



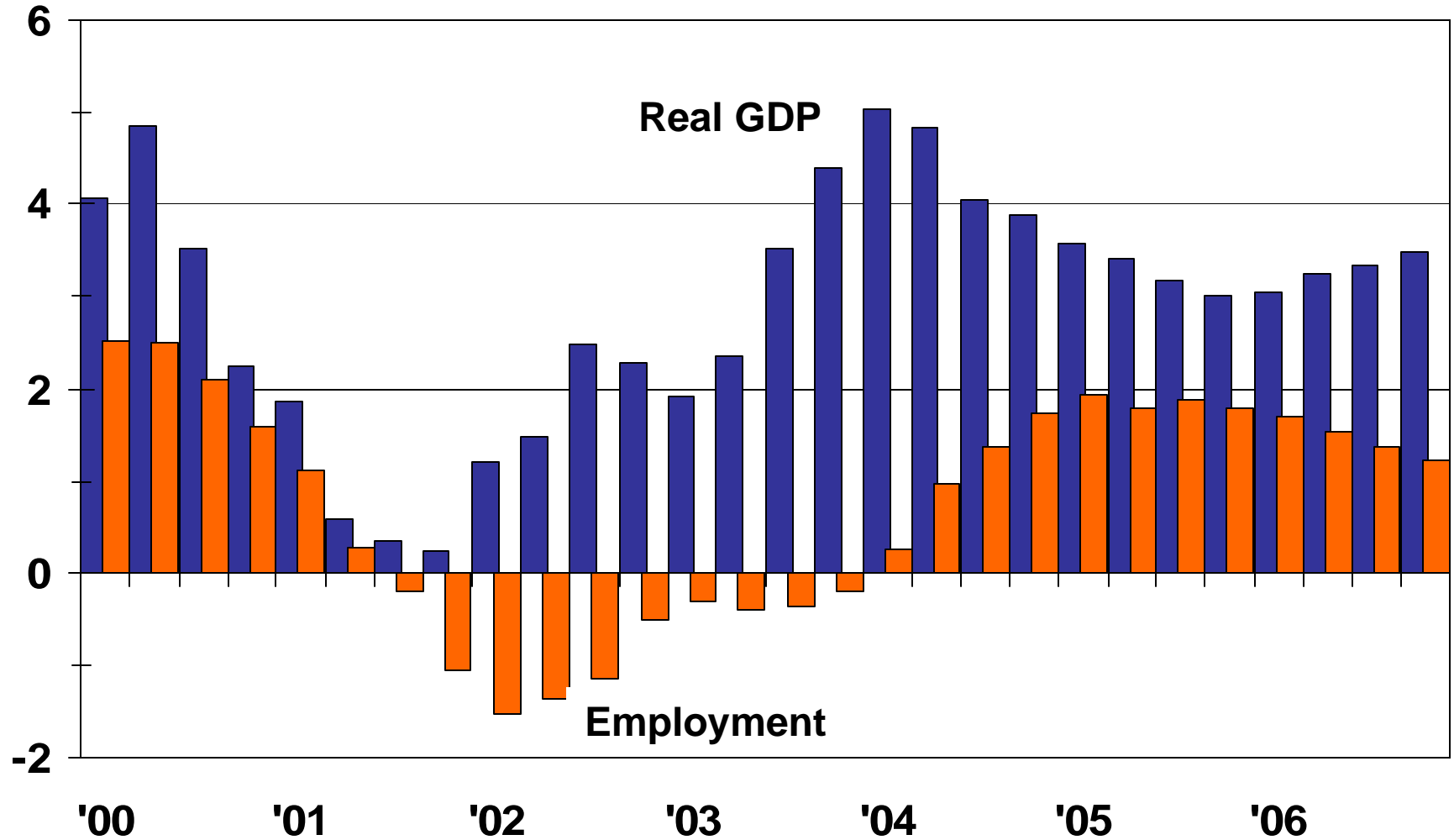
Strong Global Economy

Real GDP Growth through 2004Q2



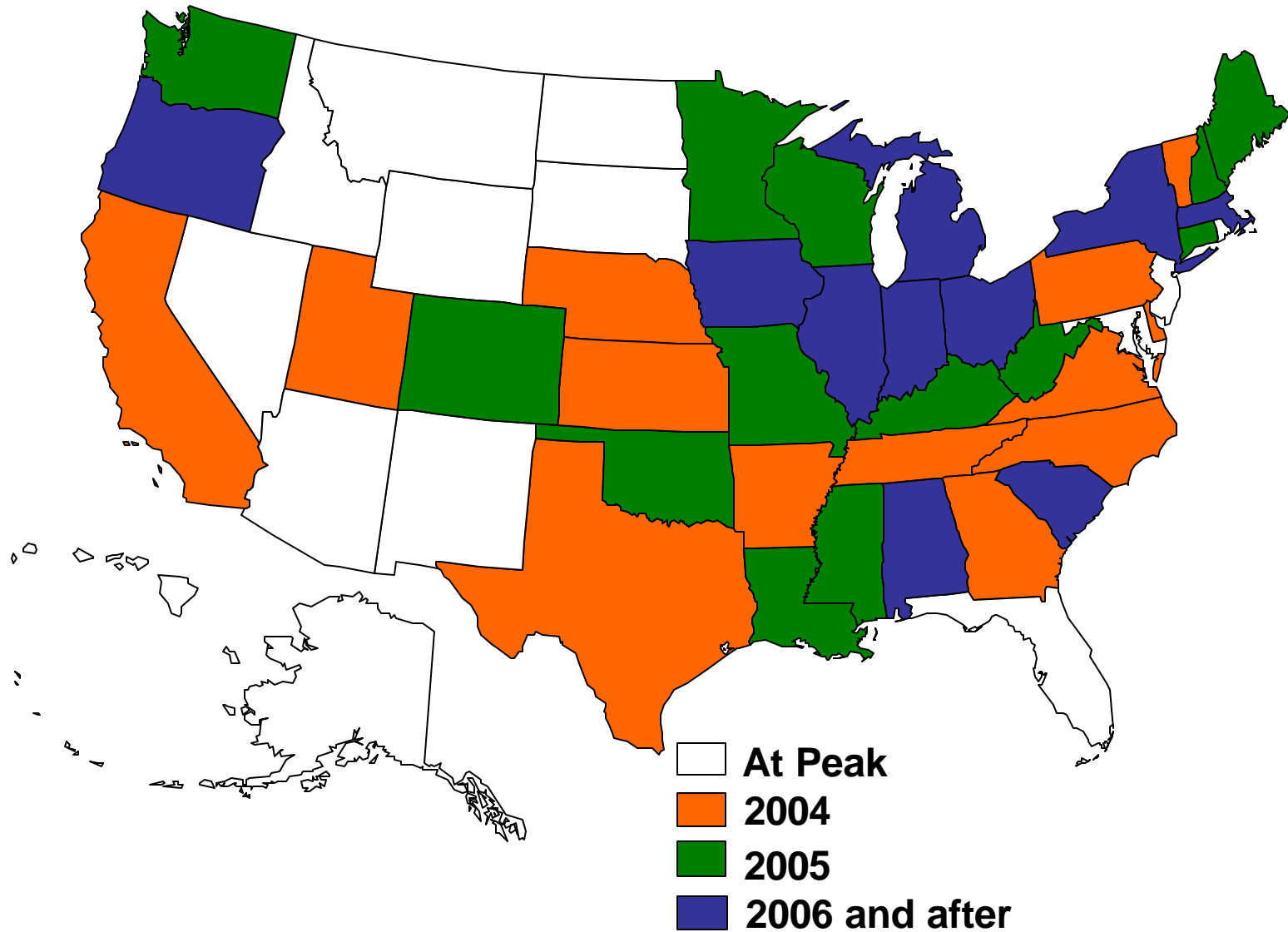
Sanguine Near-Term Economic Outlook

% change year ago

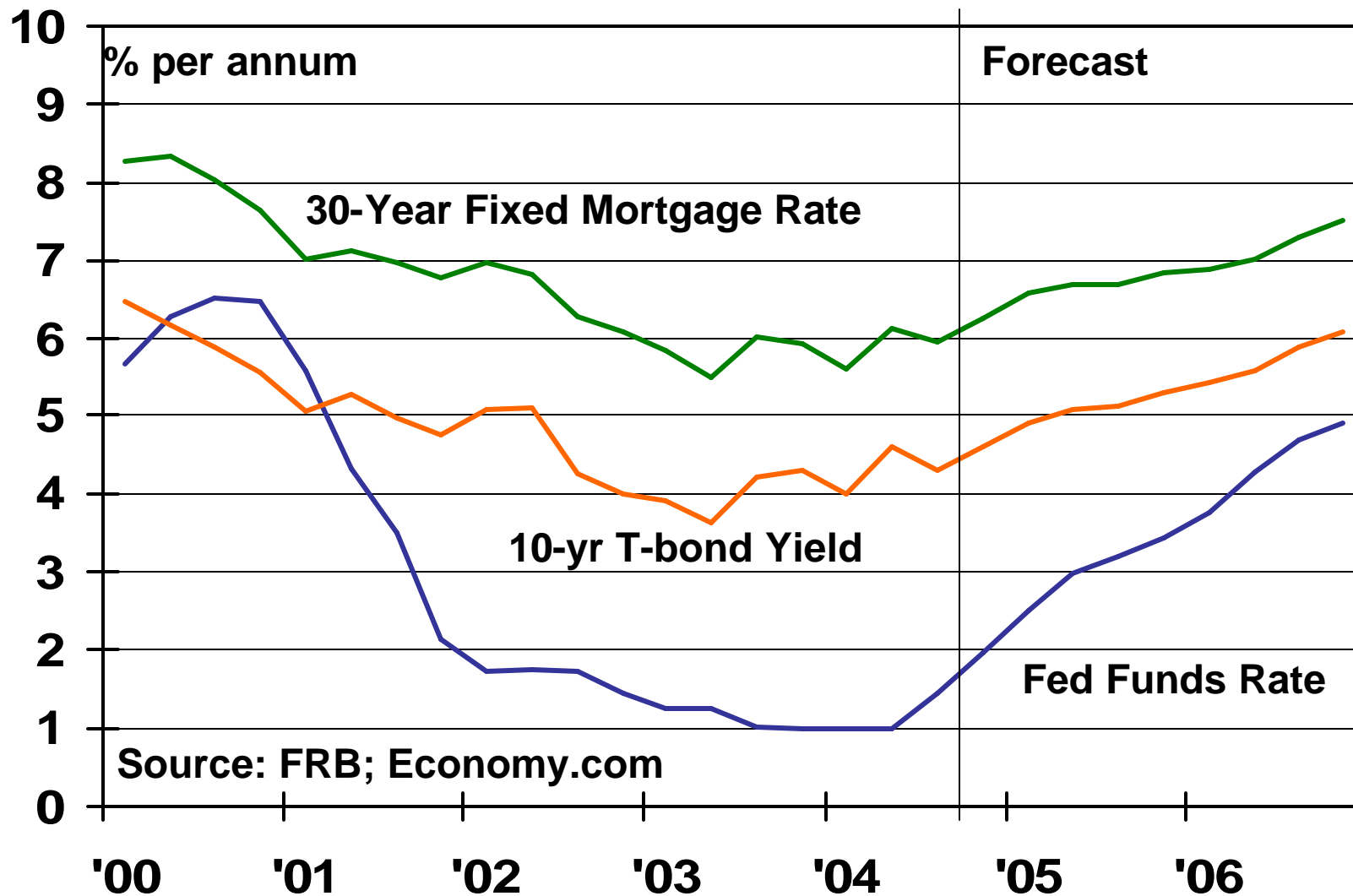


Nest and South Recover First, Midwest and Northeast Last

Year when new employment peak is projected

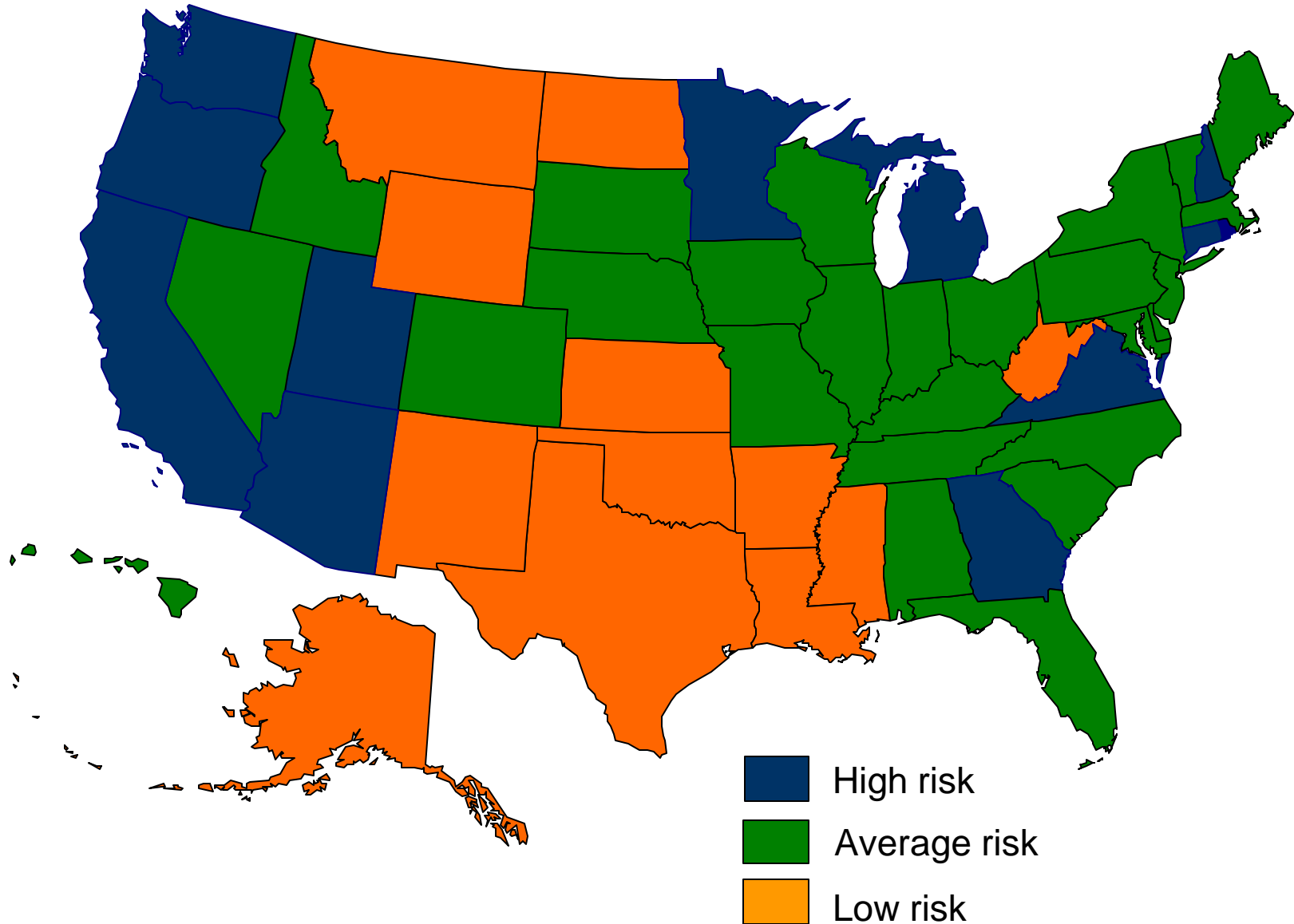


Interest Rates Rising with Better Economy

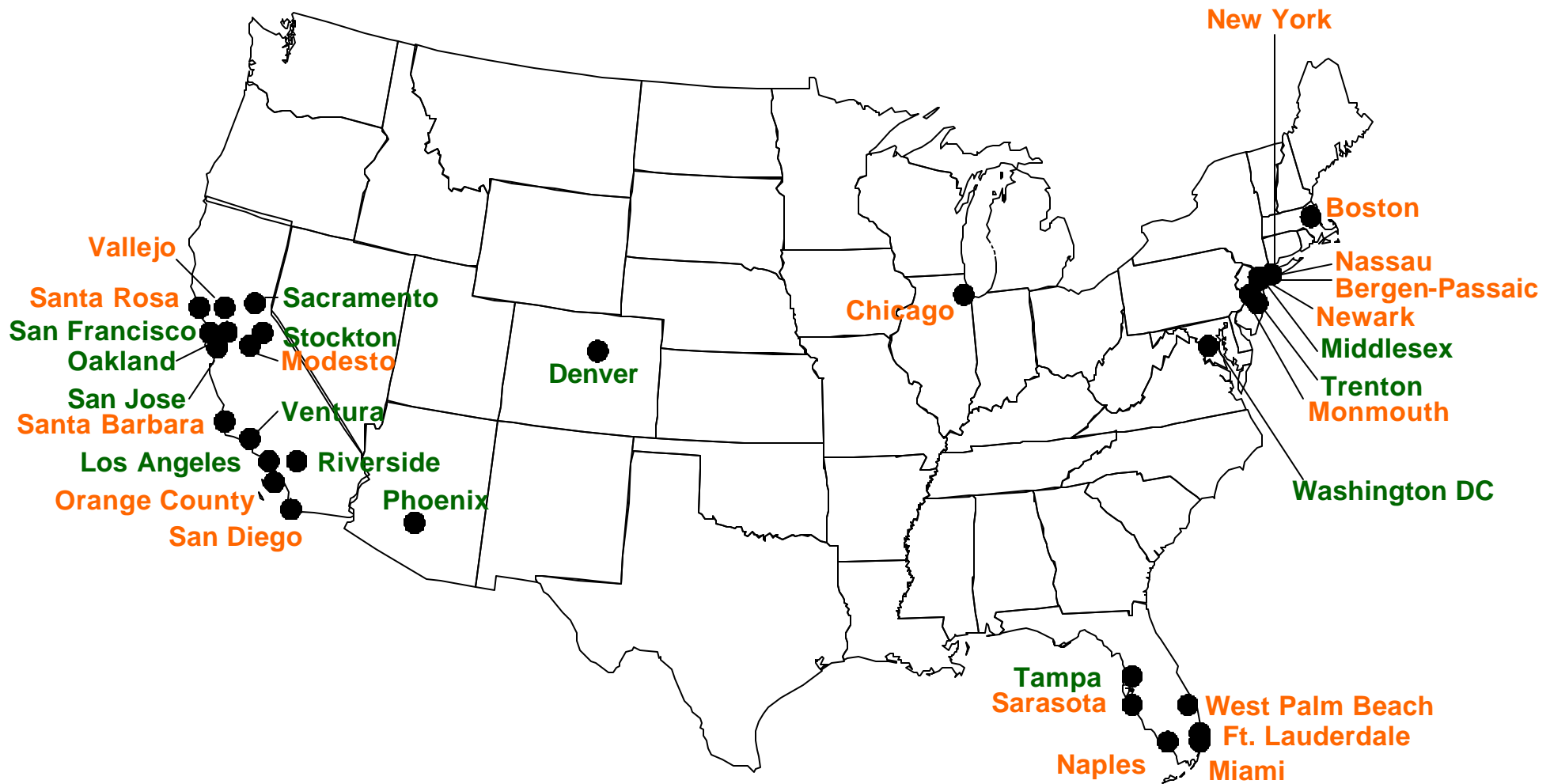


Some States More at Risk from Rising Rates Than Others

Relative Exposure to Rising Rate Environment



...Particularly in These Overpriced Metro Areas



Highly Overpriced

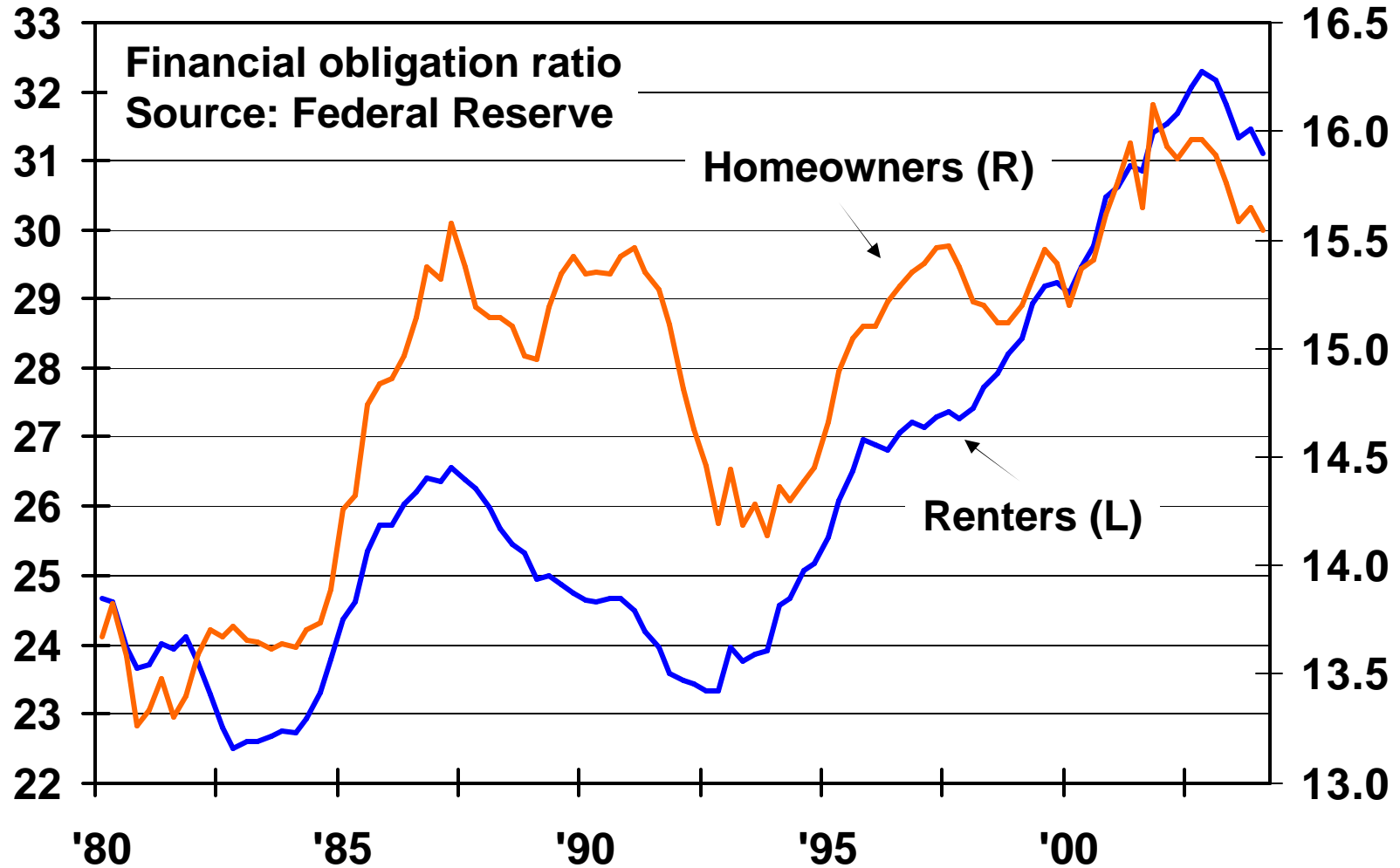
> 2 SD from historic average

Overpriced

> 1 SD from historic average

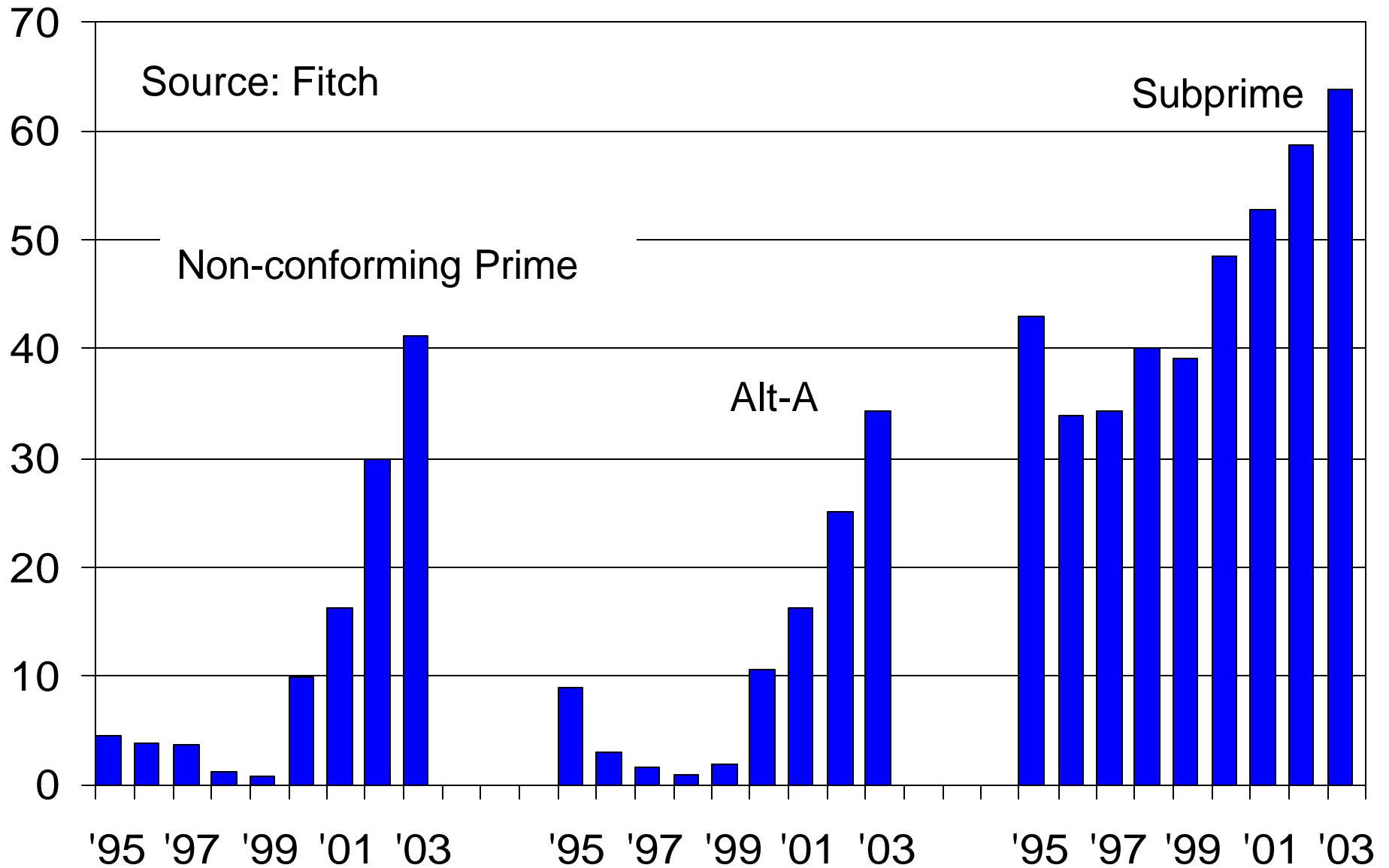
Based on the aggregate CSW house price index

Neighty Household Financial Obligations

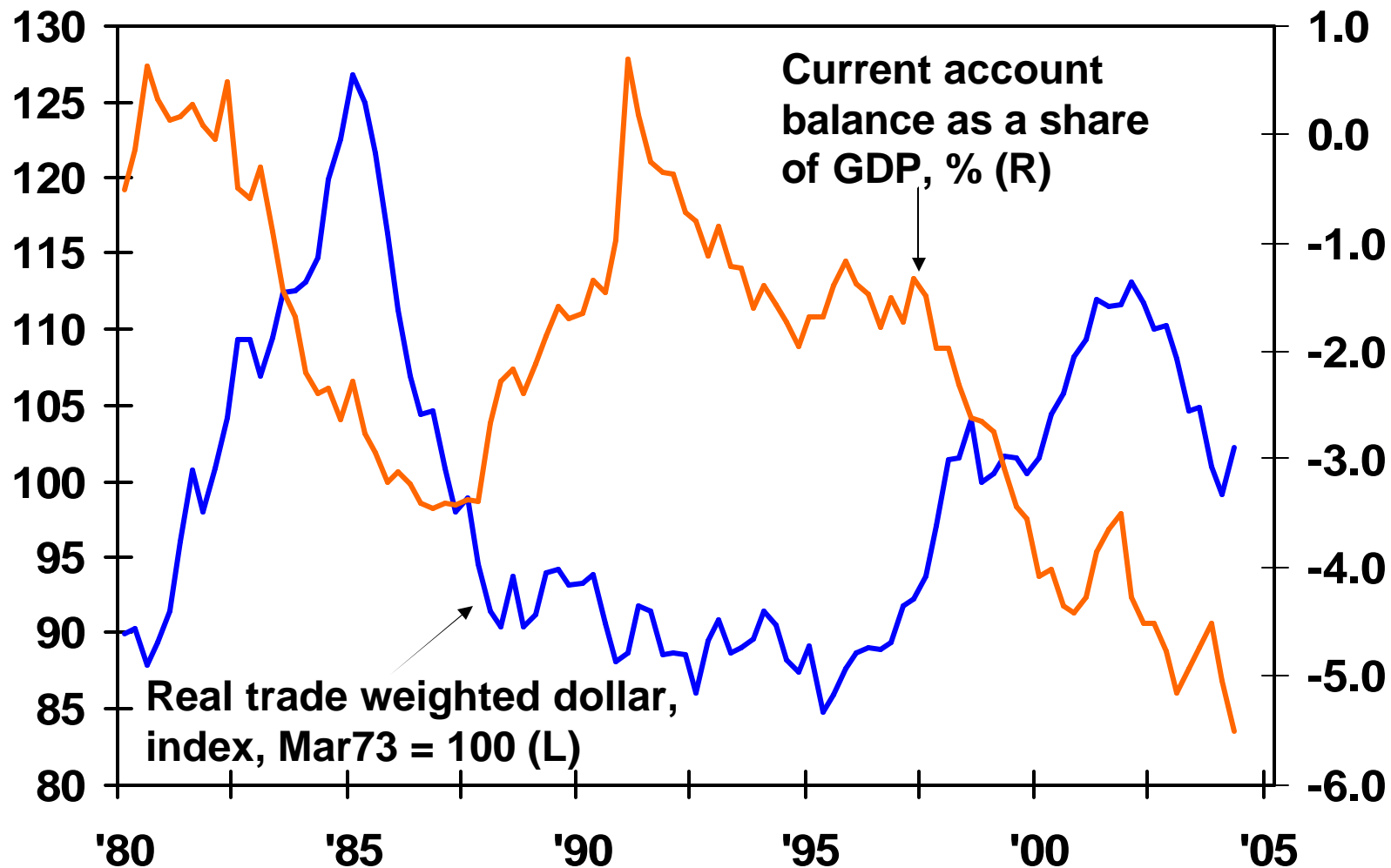


High and Rising ARM Share of Non-conforming Mortgage Debt

ARM share of mortgage debt outstanding



Dollar Remains at Risk



Darkening Federal Fiscal Outlook

