



Monthly economic update



Candor. Insight. Results.

November 4, 2011

Economic indicators

| | | | |
|-------------------------------|----------------------------|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Leading</p> <p>Lagging</p> | Consumer confidence | - | <ul style="list-style-type: none"> > The consumer confidence index fell back down in October to a reading of 39.8, after an uptick in September. (1985=100, The Conference Board) > University of Michigan/Reuters consumer-sentiment index increased slightly in October to a reading of 60.9 from 59.4, but is still at historically low levels. |
| | Spending | + - | <ul style="list-style-type: none"> > Retail sales were up 1.2% in September, from a month ago, and are up 7.9% from a year ago. (Commerce Department) > Consumer spending rose 0.6% in September, while personal incomes rose by only 0.1%. > The savings rate dropped to 3.6% in September, as spending increased more than incomes. (Commerce Department) |
| | Manufacturing | + - | <ul style="list-style-type: none"> > The reading decreased slightly in October to 50.8 from 51.6. The new orders index increased, while the price index experienced the largest decrease. (Institute of Supply Management) |
| | GDP growth | + - | <ul style="list-style-type: none"> > In the Commerce Department's first estimate, third quarter GDP came in at +2.5%. This is the highest growth rate in a year and was in line with most expectations. |
| | Inflation | + - | <ul style="list-style-type: none"> > The Consumer Price Index (CPI) increased by 0.3% in September from a month earlier and 12 month CPI ticked upward to 3.9%. Energy and food were the main contributors to the increase. > Core CPI (CPI – food & energy) increased by 0.1% in September from a month prior and the annual rate remained steady at 2.0%. |
| | Housing | - | <ul style="list-style-type: none"> > The 20 city Case-Shiller Index (home-price readings) rose 0.2% in August from a month prior and has been increasing for five consecutive readings. However the index is still down -3.8% from a year ago. > Existing home sales fell by 3.0% in September, from a month earlier. > New home sales rose 5.7% in September, from a month ago. |
| | Job growth | + - | <ul style="list-style-type: none"> > The labor market created 80,000 jobs in October, led by the private sector adding 104,000 positions while the government shed 24,000 jobs. The growth was below expectations, but the previous two months numbers were revised upward showing a positive sign. In a separate survey, the unemployment rate ticked down from 9.1% to 9.0%. (Department of Labor) |

= Baker Tilly revised view upward

October saw a spike in the Dow Jones Industrial Average with investors gaining confidence from a plan for the European debt crisis.

Overall, economic indicators remained almost the same as the previous month.

- > Gross Domestic Product growth was the most positive indicator, coming in at 2.5% for the 3rd quarter, and right in line with estimates.
- > Retail sales were up 1.2% in September.
- > Job growth was positive with unemployment dropping to 9.0% and 80,000 jobs added in October.

We welcome the opportunity to discuss how we can help you meet your goals.

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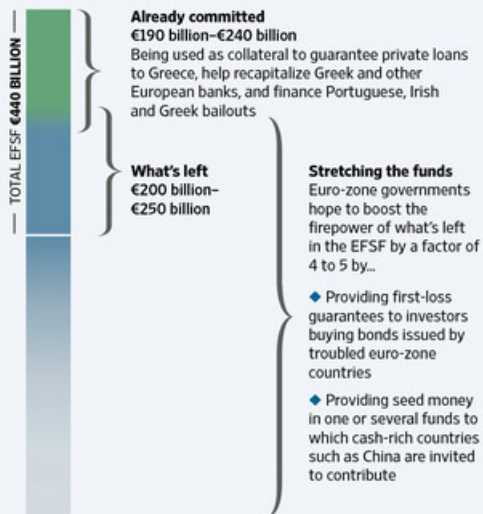
An independent member of Baker Tilly International



Headlines

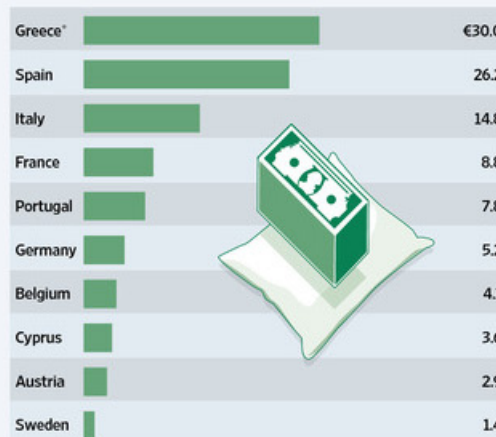
European debt crisis in focus: Leaders outline plan, but uncertainties remain

EXPANDED THE LENDING POWER OF THE EFSF



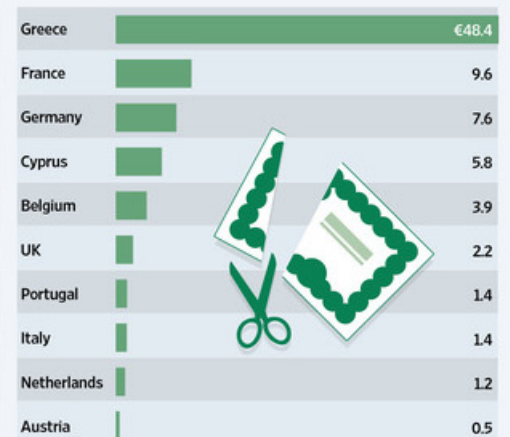
ASKED EUROPEAN BANKS TO HOLD BIGGER CAPITAL CUSHIONS

Estimated new capital buffer needed by European banks, selected countries, in billions of euros



HAD INVESTORS TAKE A 50% HAIRCUT ON GREEK DEBT

Top banks' total holdings of loans and sovereign debt from Greece, by country, in billions of euros

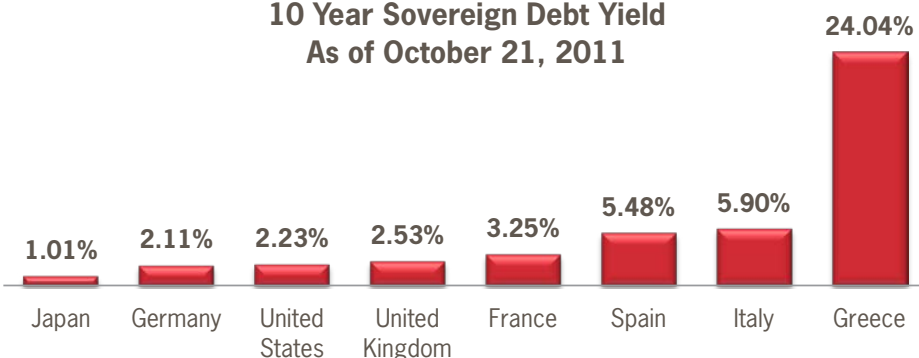


Note: €1 billion = \$1.39 billion; *EBA didn't specify the size of the Greek shortfall, but said that the existing €30 billion government facility would be sufficient to cover the expected shortfall; †As of Dec. 31, 2010; Source: European Banking Authority (capital cushions, debt holdings)

Source: Wall Street Journal

European debt crisis in focus: Sovereign debt yields

10 Year Sovereign Debt Yield As of October 21, 2011



Source: Bloomberg

The European debt crisis

was at the forefront of headlines for the month of October as a detailed plan formed, but many issues have yet to be resolved.

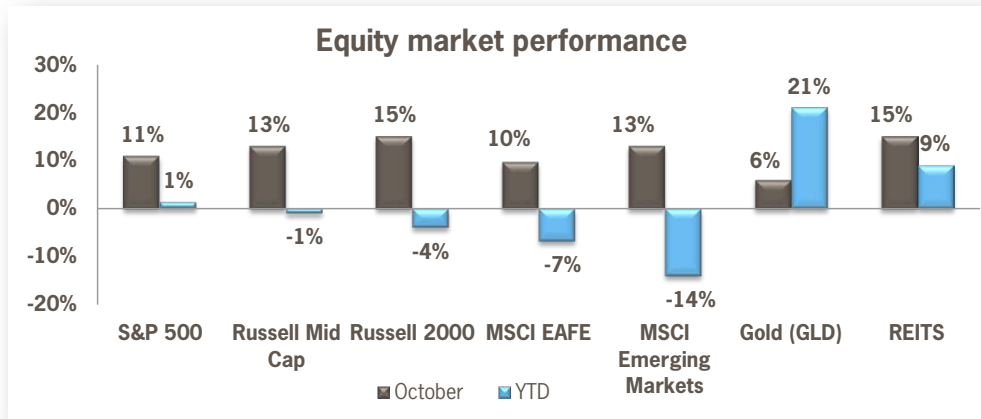


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Equity markets

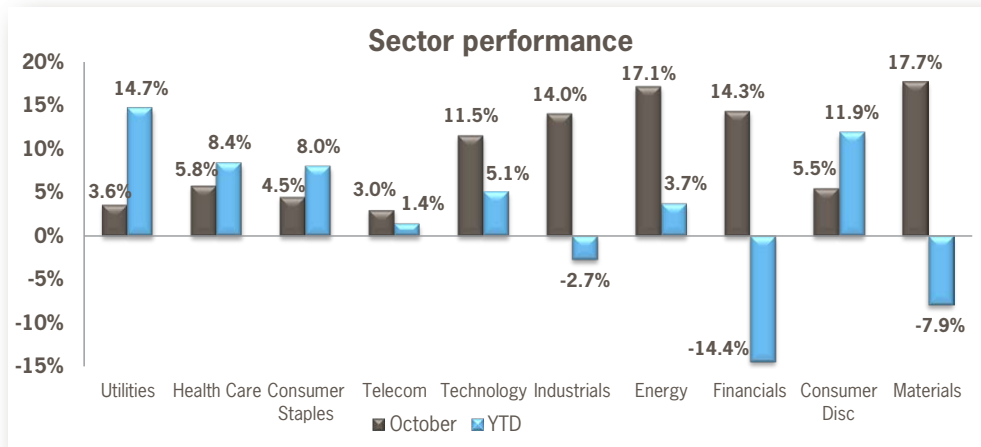


Source: Morningstar, Inc.

9.5% October return for the Dow Jones Industrial Average was the best month in 9 years.

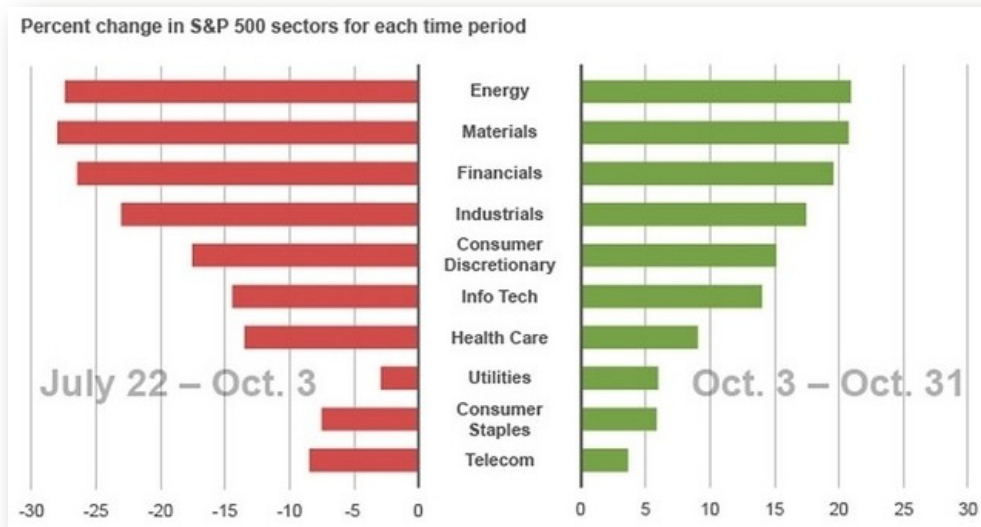
Risk play back on, as small caps and emerging markets outperform.

Third quarter earnings show strong results as about 75% of S&P 500 companies have beaten earnings estimates. (Bloomberg – Based on about 300 companies reporting)



Source: Morningstar, Inc.

Recession fears fade as cyclical sectors bounce back and US economic data takes positive trend.



Source: Bloomberg



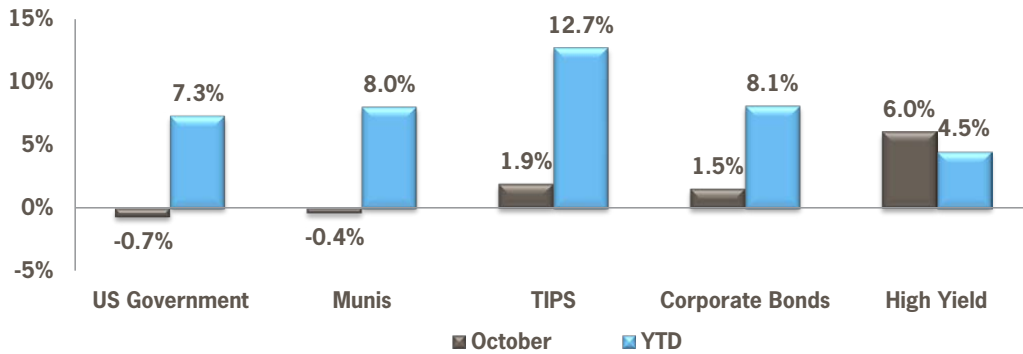
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Fixed income markets

Bond market performance



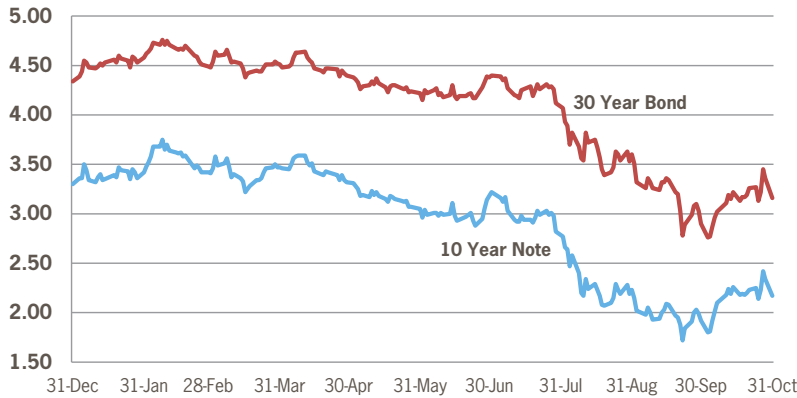
Source: Morningstar, Inc.

High Yield Bonds make up losses last month and lead fixed income markets in October.

Treasuries take a breather as investors' appetite for risk sends yields higher.

Treasury / TIPS spreads increase in October as optimism for growth picks up; outweighs weakness in nominal Treasuries.

Treasury Yields



Source: US Department of the Treasury

Source: US Department of the Treasury

Treasury / TIPS Spread 2010 - Current

