

A Difficult Transition

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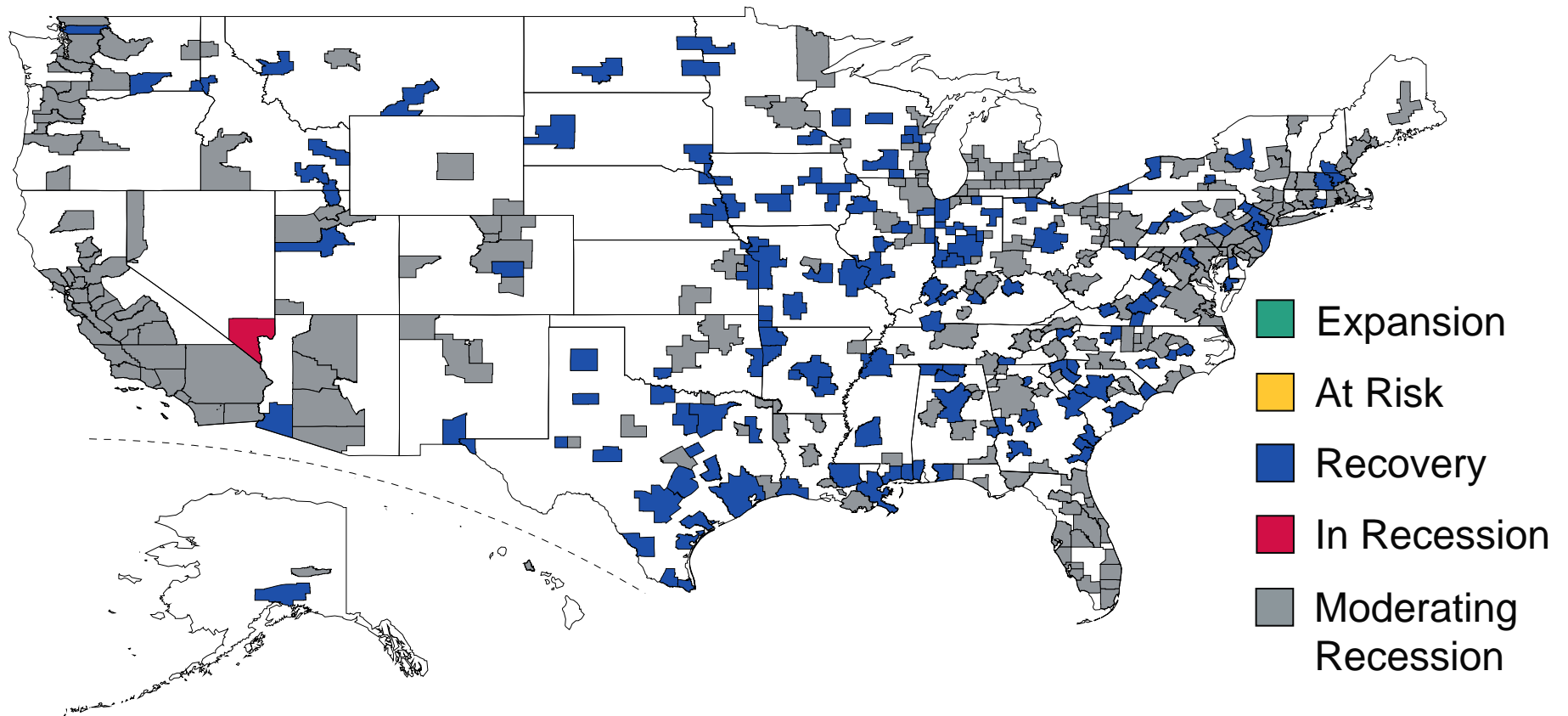
The Great Recession Is Over...

Recessions since World War II

		Duration in Months		Peak-to-Trough % Change			Jobless Rate		
Peak	Trough	Recession Peak to Trough	Expansion Trough to Peak	Real GDP	Industrial Production	Nonfarm Employment	Low	High	Change
Dec-07	Aug-09	20	73	-3.9%	-19.2%	-6.2%	4.4%	10.6%	6.2%
Mar-01	Nov-01	8	120	-0.4%	-6.3%	-2.0%	3.8%	6.3%	2.5%
Jul-90	Mar-91	8	92	-1.3%	-4.3%	-1.5%	5.0%	7.8%	2.8%
Jul-81	Nov-82	16	12	-2.9%	-9.5%	-3.1%	7.2%	10.8%	3.6%
Jan-80	Jul-80	6	58	-2.2%	-6.2%	-1.3%	5.6%	7.8%	2.2%
Nov-73	Mar-75	16	36	-3.1%	-14.8%	-2.7%	4.6%	9.0%	4.4%
Dec-69	Nov-70	11	106	-1.0%	-5.8%	-1.4%	3.4%	6.1%	2.7%
Apr-60	Feb-61	10	24	-1.3%	-6.2%	-2.3%	4.8%	7.1%	2.3%
Aug-57	Apr-58	8	39	-3.8%	-12.7%	-4.4%	3.7%	7.5%	3.8%
Jul-53	May-54	10	45	-2.7%	-9.0%	-3.3%	2.5%	6.1%	3.6%
Nov-48	Oct-49	11	37	-1.7%	-8.6%	-5.1%	3.4%	7.9%	4.5%
Average		10	57	-2.0%	-8.3%	-2.7%	4.4%	7.6%	3.2%

Sources: NBER, BEA, FRB, BLS, Moody's Economy.com

...As Some Regions Recover

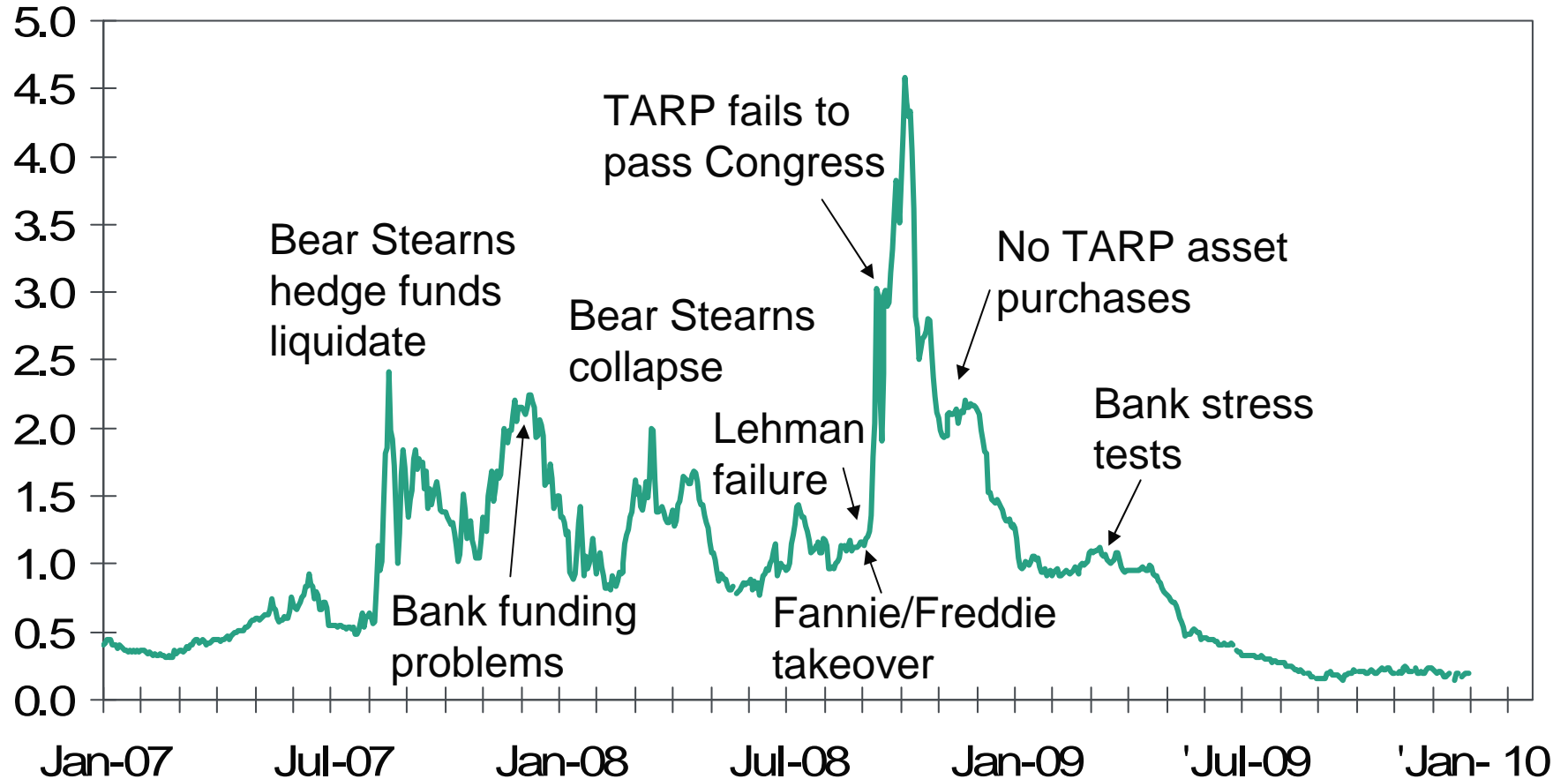


Recession status as of 11/09

Source: Moody's Economy.com

Policymakers Stabilize the Banking System...

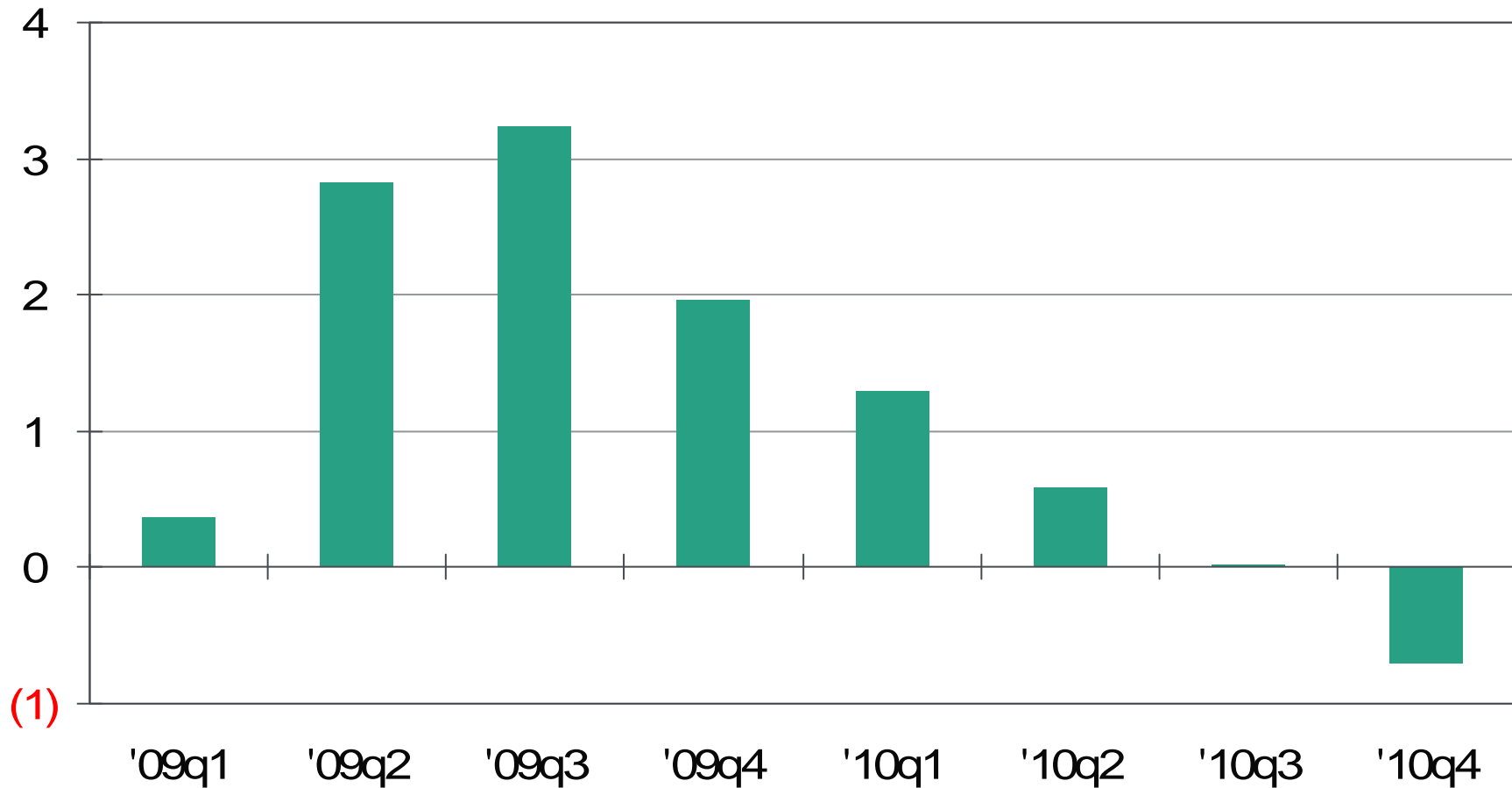
Difference between 3-mo Libor and Treasury bill yields



Sources: Federal Reserve Board, Moody's Economy.com

...And Fiscal Stimulus Provides a Vital Boost

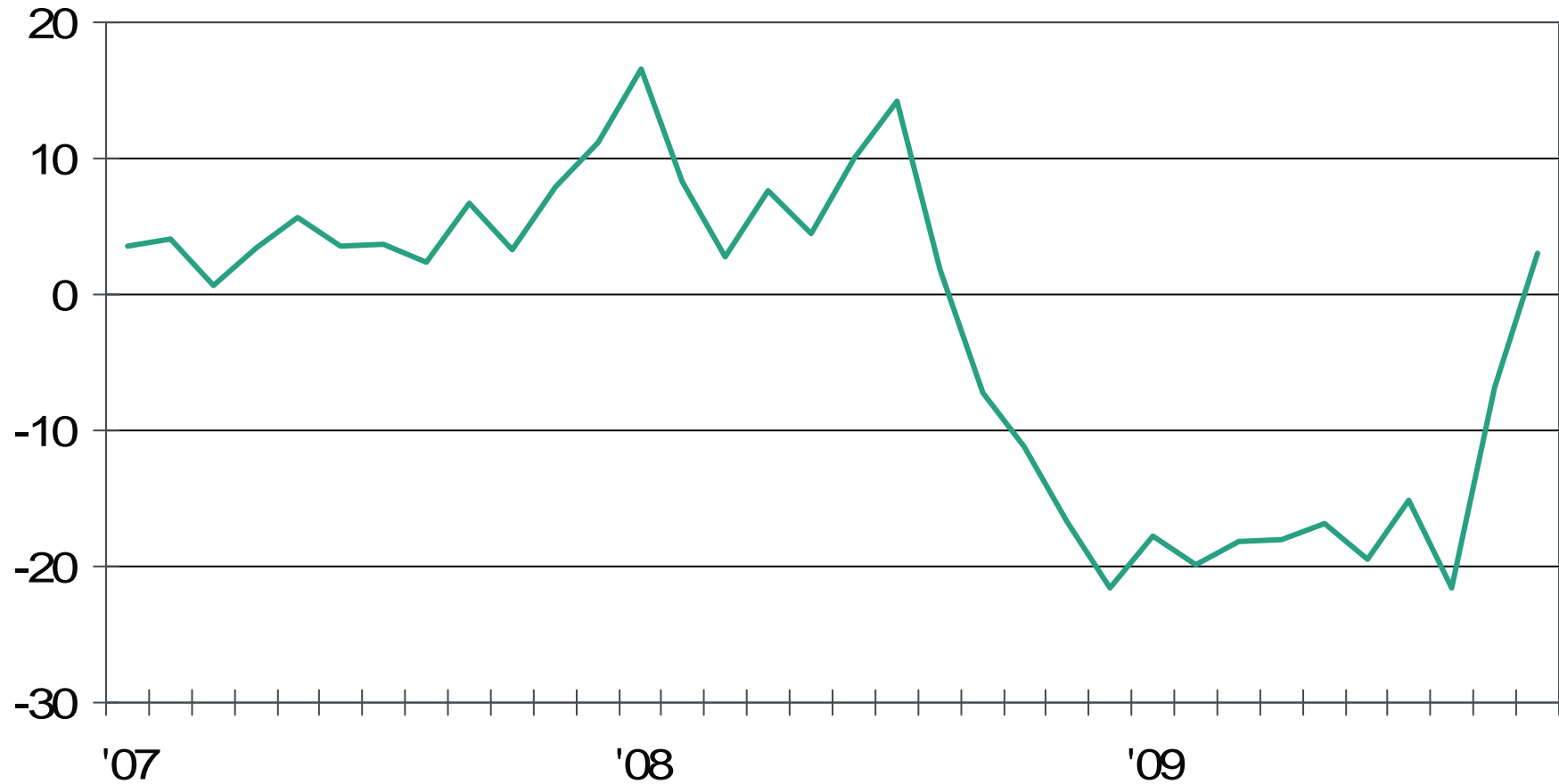
Contribution to real GDP growth, %



Source: Moody's Economy.com

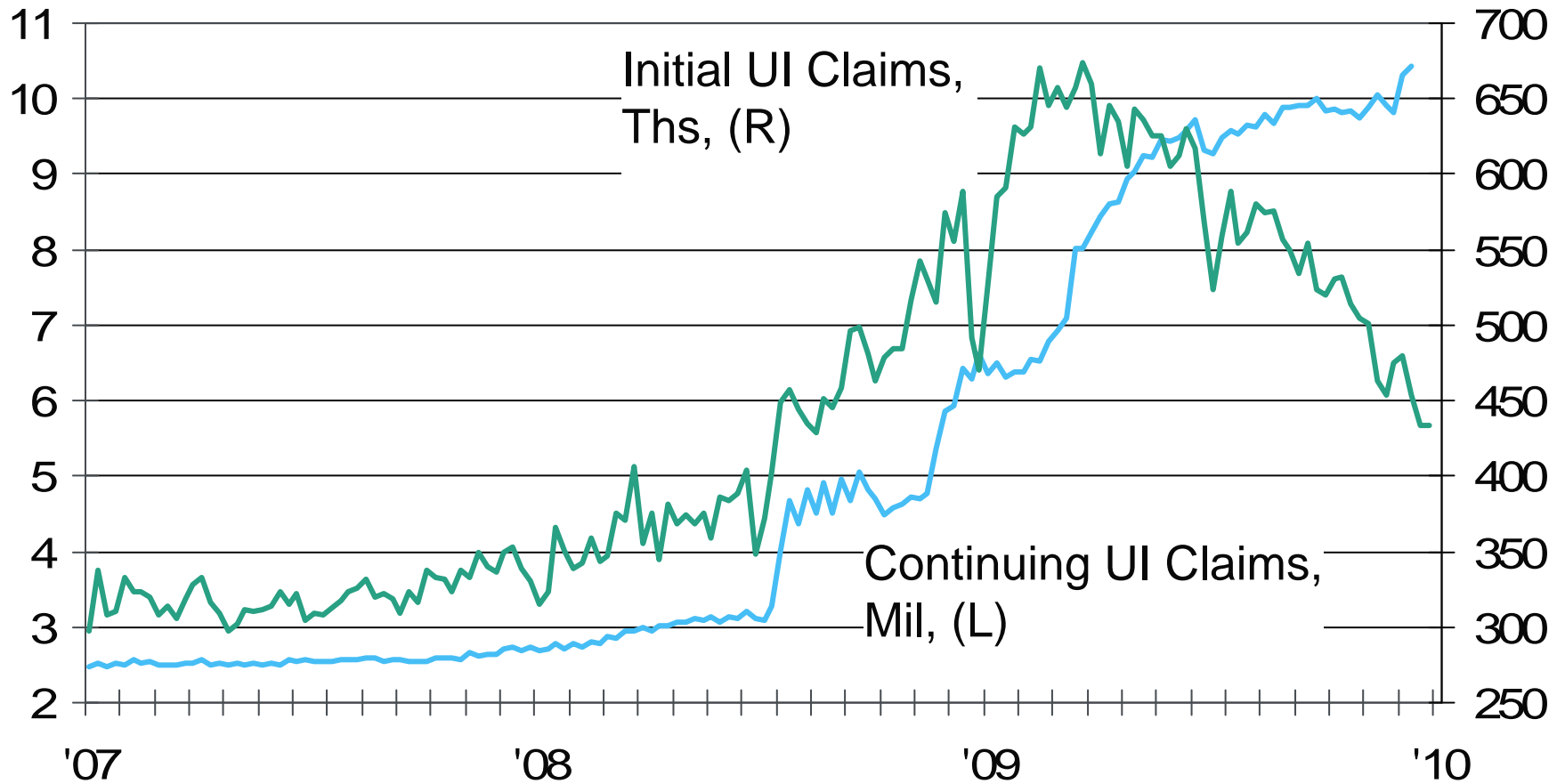
A Powerful Inventory Swing

Change in inventories, Bil\$



Source: Census

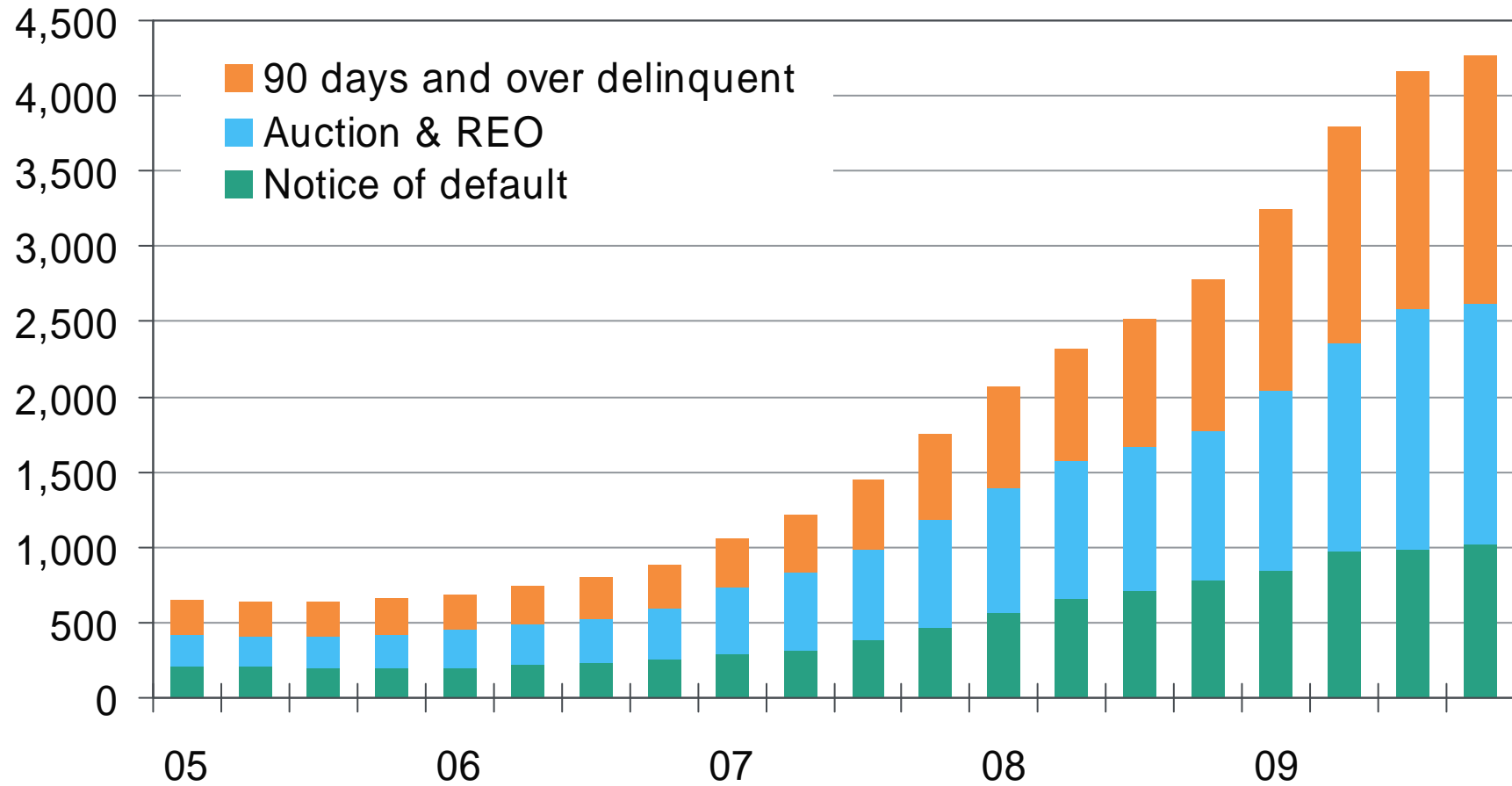
Layoffs Abate, But Hiring Is Dormant...



Sources: BLS, Moody's Economy.com

...the Foreclosure Crisis Continues to Mount...

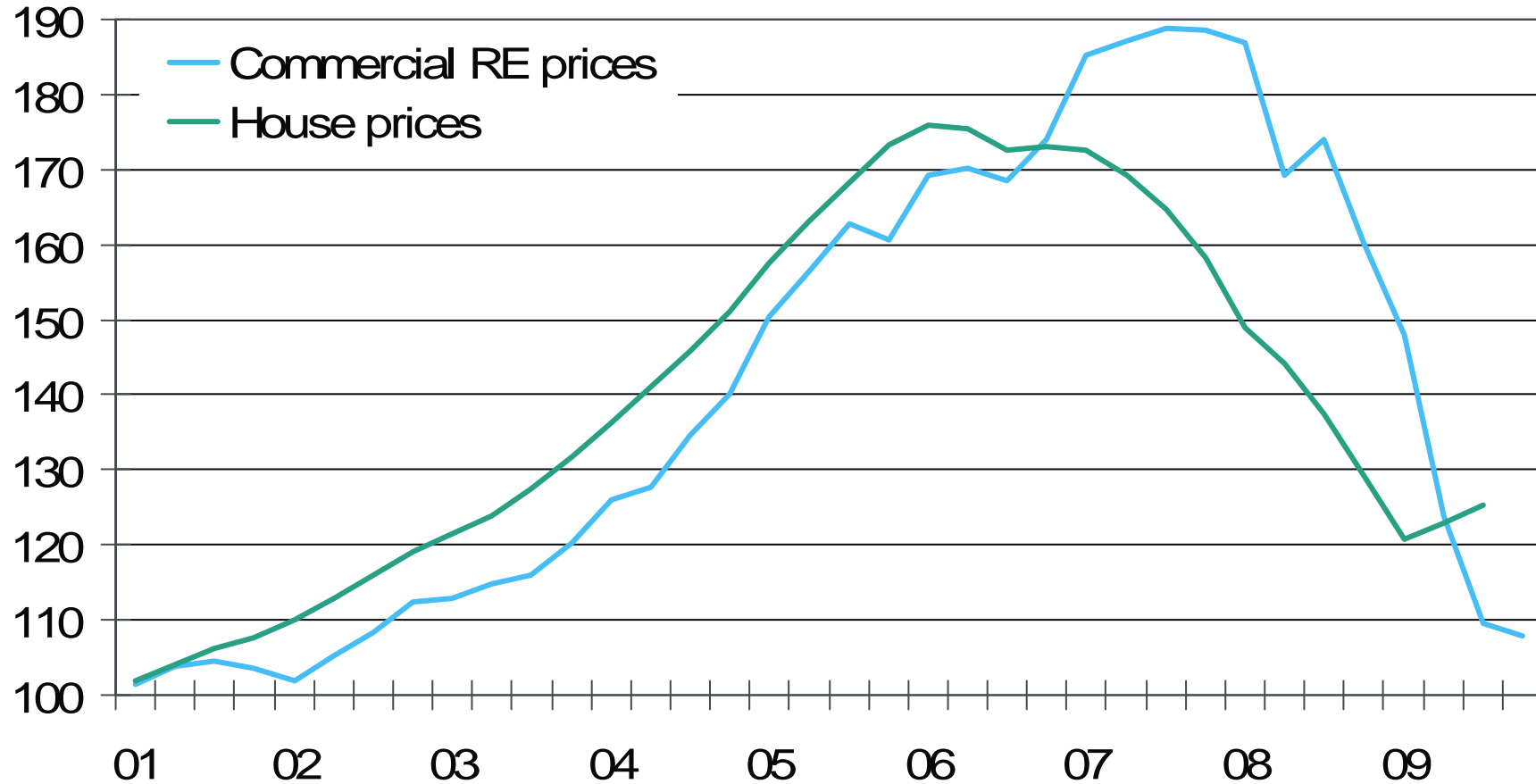
First mortgage loans, Thousands



Sources: Equifax, Moody's Economy.com

...Commercial Real Estate Busts...

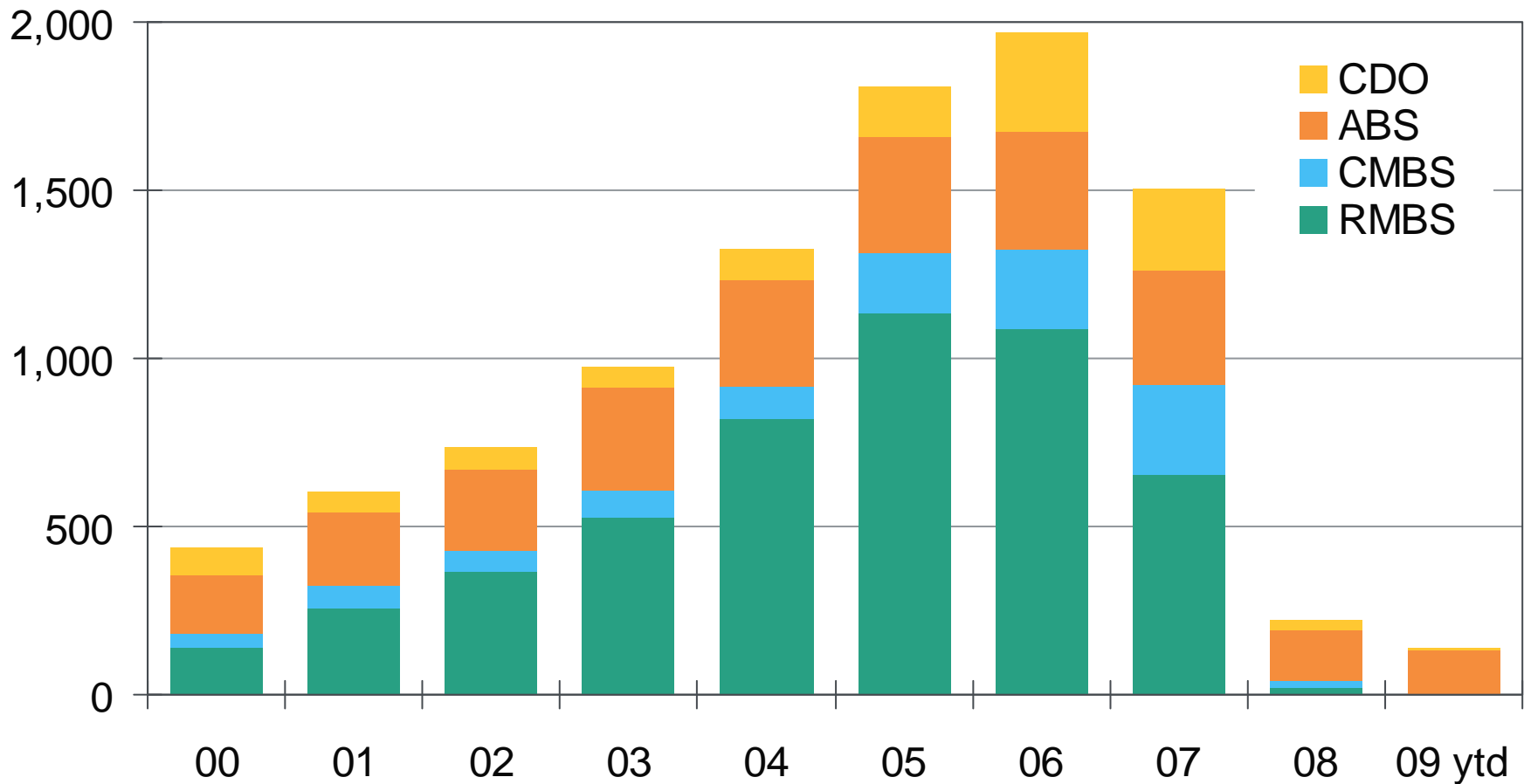
Repeat-sales indices: 2000Q4=100



Sources: Moody's Investors Service, REAL, Fiserv

...Credit Markets Remain Dysfunctional...

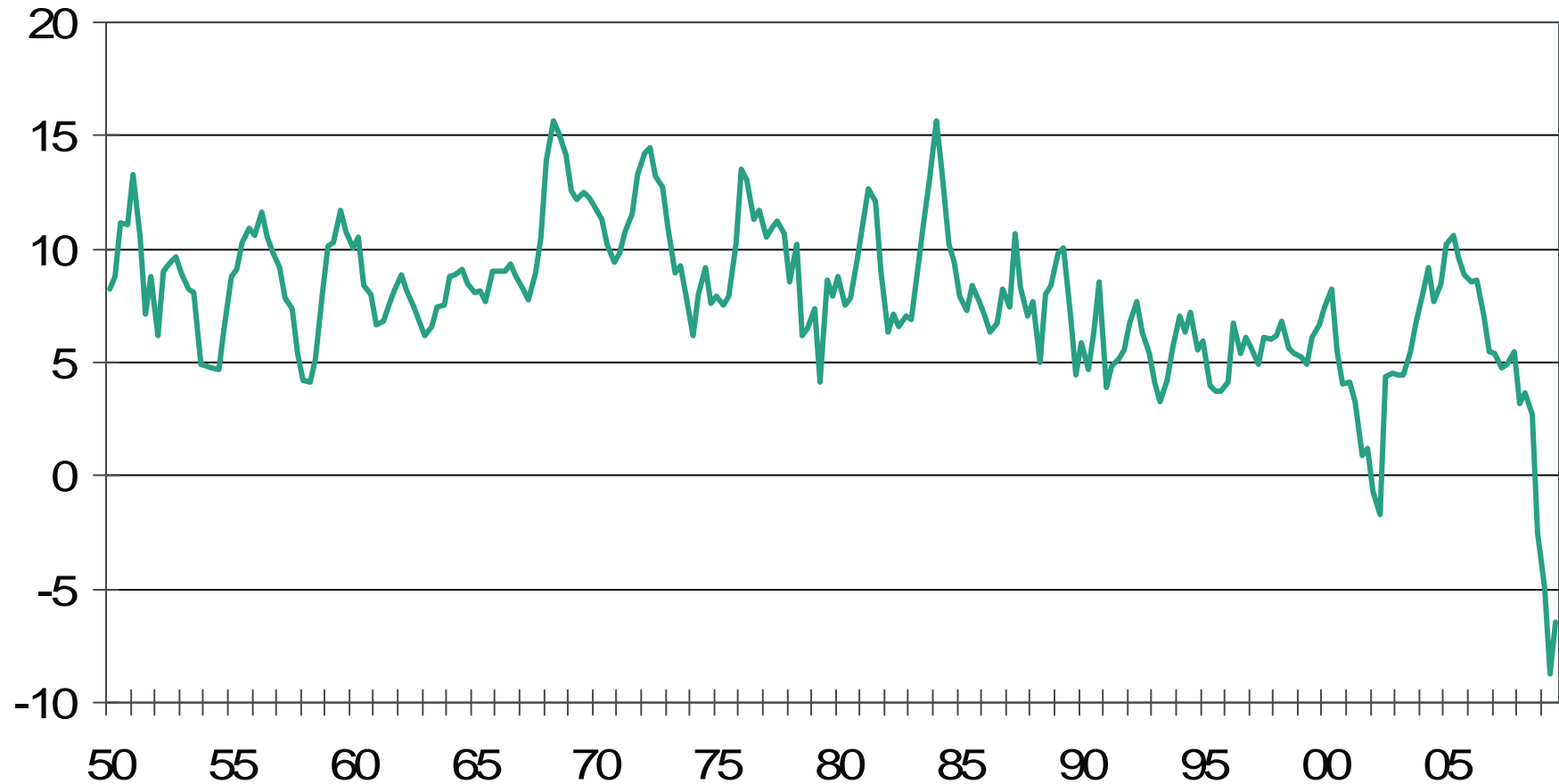
Bond issuance, \$ bil, annualized



Source: Thomson Reuters

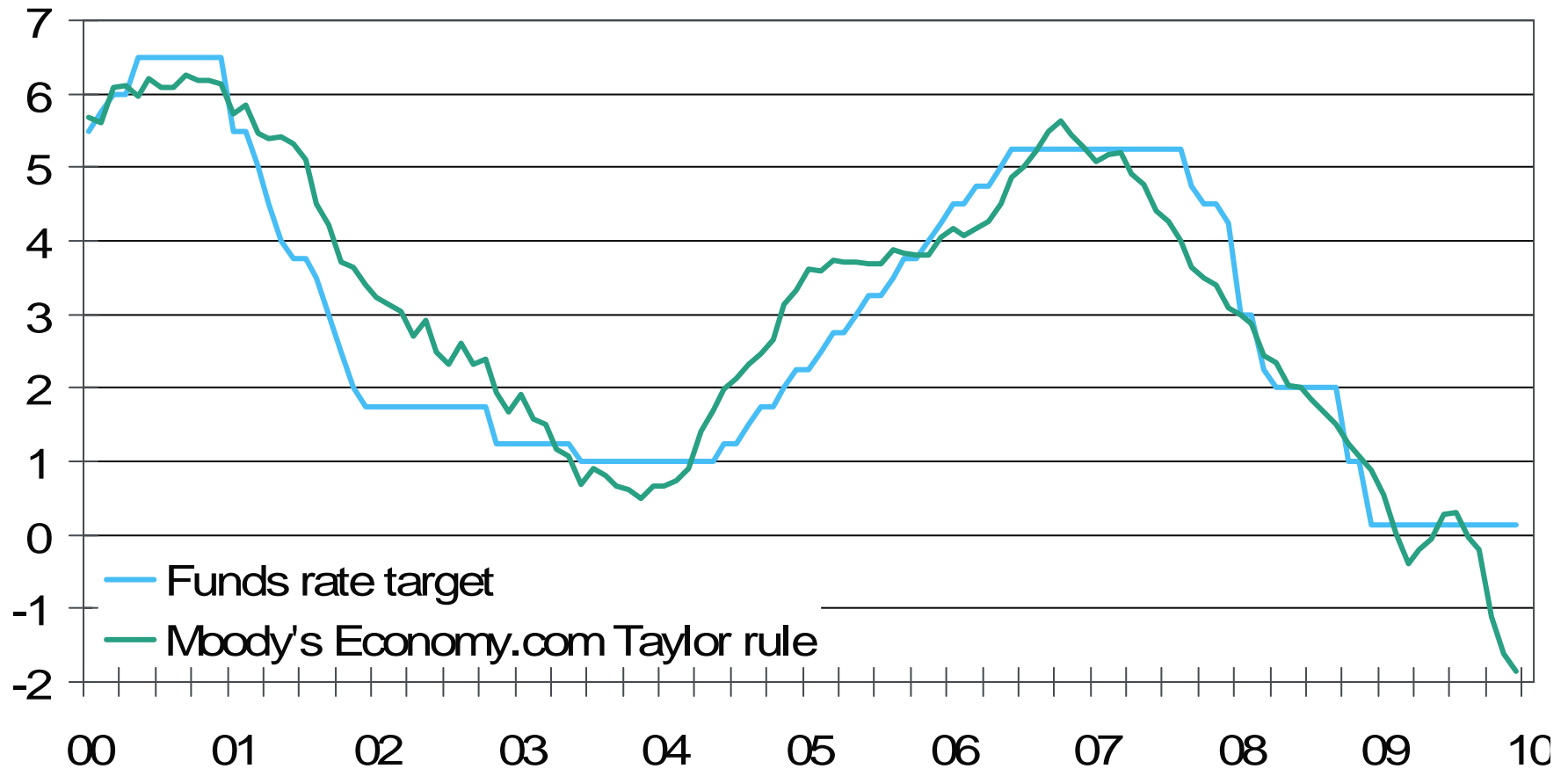
...and State and Local Govt Revenues Collapse

State and local tax revenue, % change yr ago



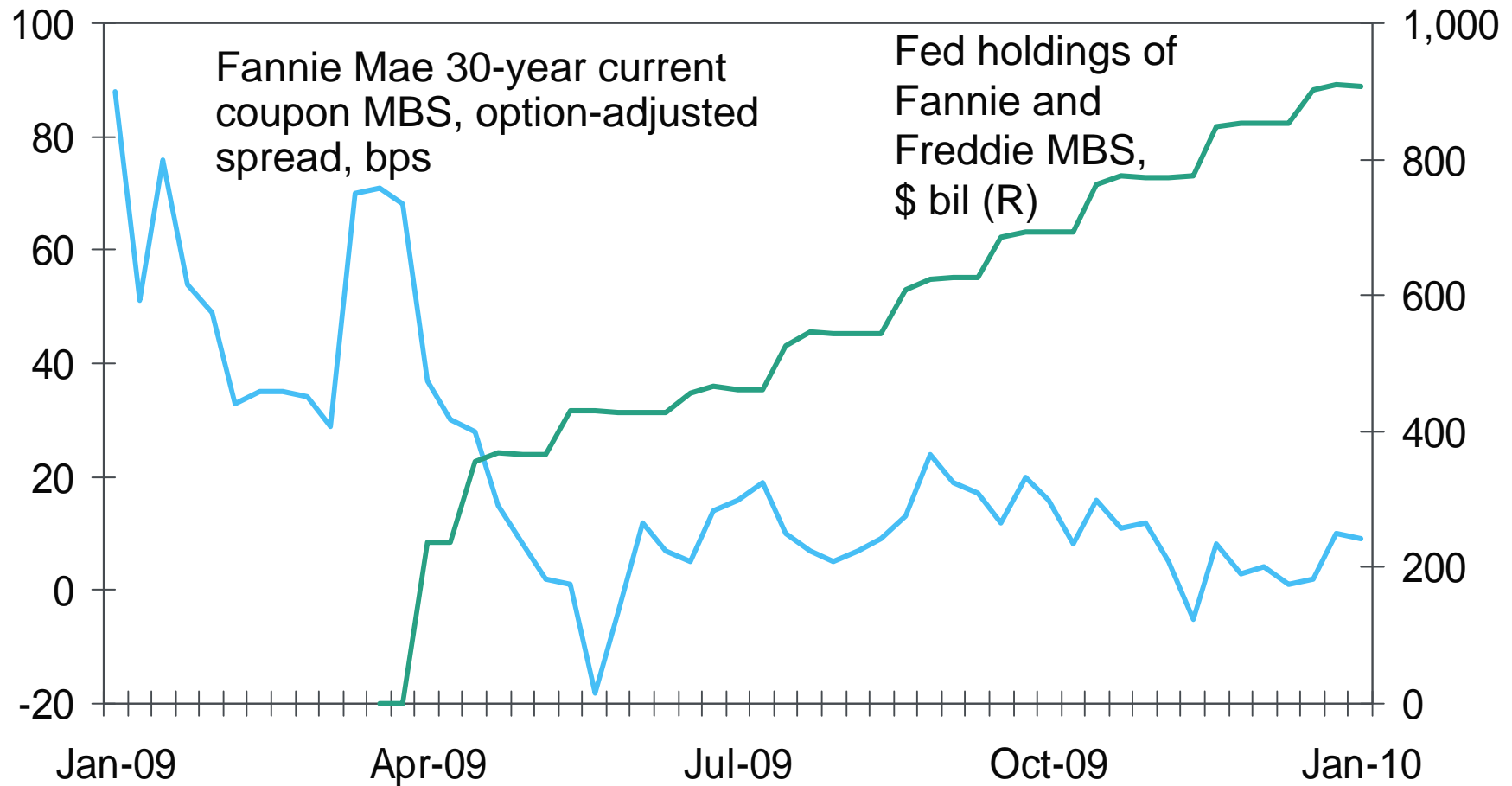
Source: BEA

The Federal Reserve Will Remain Aggressive...



Sources: Federal Reserve, Moody's Economy.com

...Even Committing to More Credit Easing...



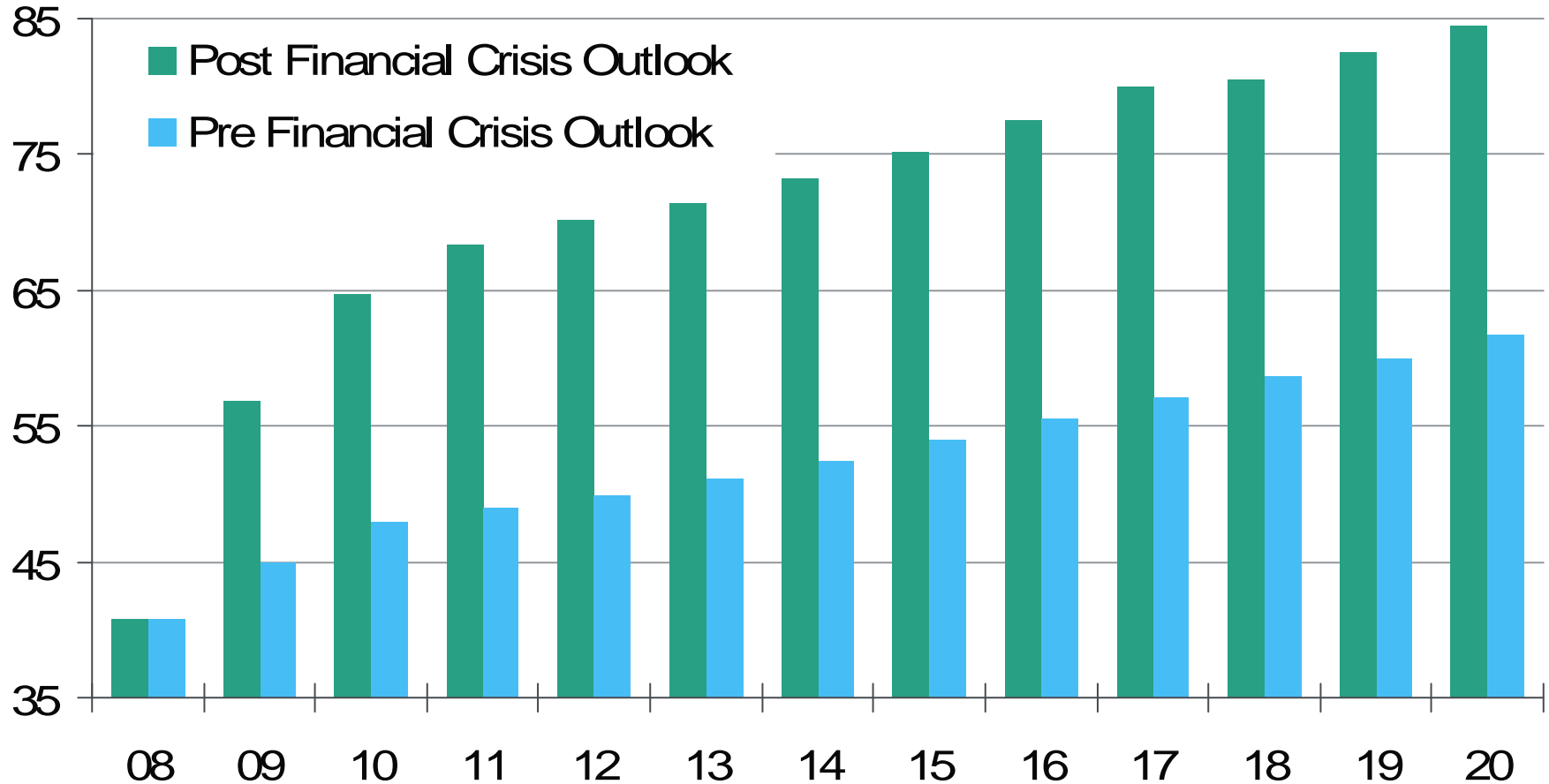
Sources: Federal Reserve, Bank of America Securities-Merrill Lynch

...And Fiscal Policymakers Are Not Finished

- » Recently passed: \$45 billion in more aid to unemployed workers, extension and expansion of homebuyer tax credit, extended higher conforming loans limits, and NOL.
- » High odds of passage: \$50 billion in aid for workers losing jobs in 2010.
- » Better than even odds of passage: \$50 billion in more SBA lending, job tax credit, weatherization program.
- » Even odds of passage: \$50 billion in another round of help to financially stressed state and local government for FMAP.
- » Less than even odds of passage: expansion of loan modification plan including incentives for principal writedown.

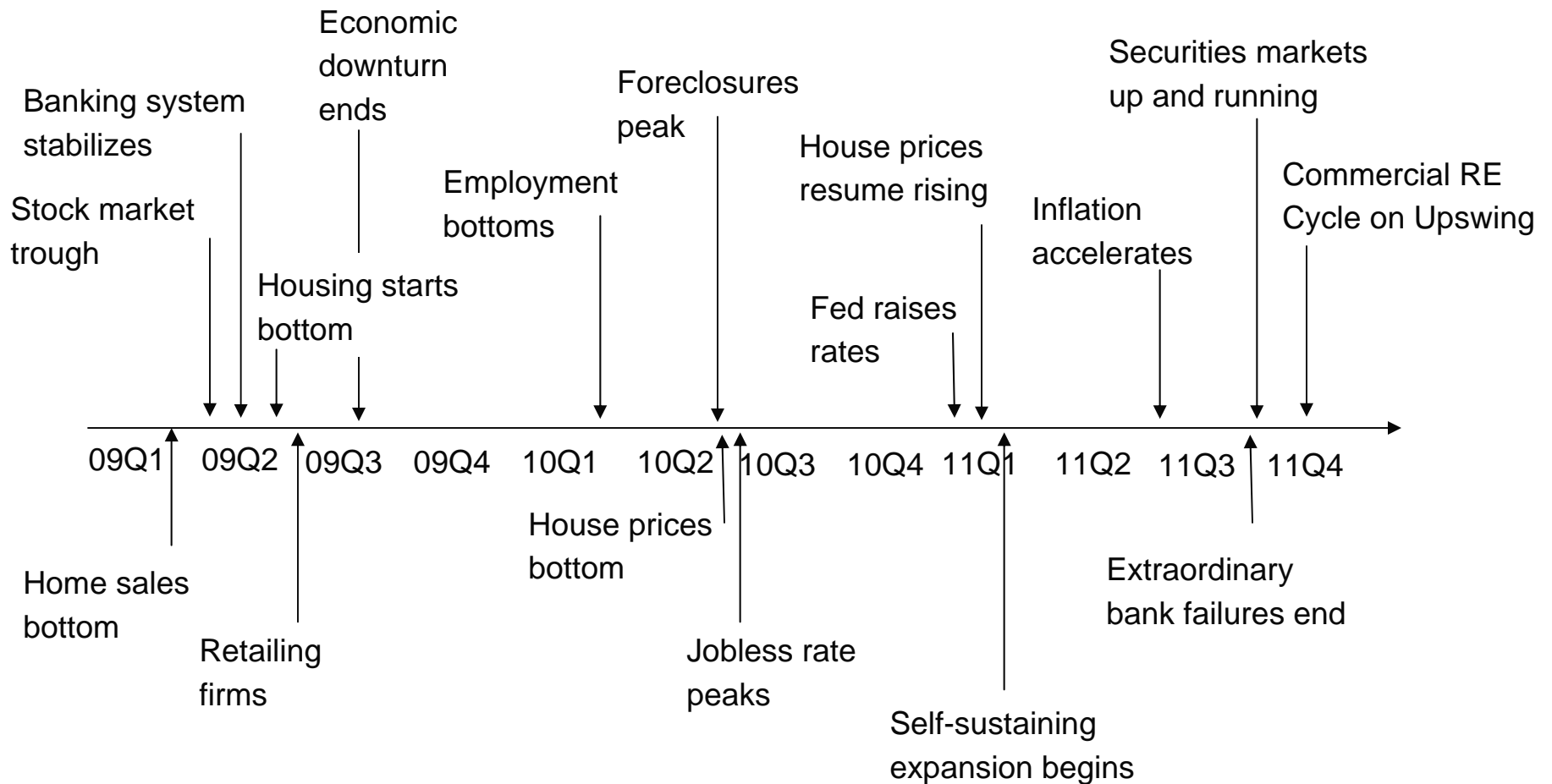
Financial Austerity Dead Ahead

Federal debt-to-GDP ratio




Sources: BEA, Treasury Department, Moody's Economy.com

Economic Timeline



Source: Moody's Economy.com



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