



*Welcome to Dr. Sohn's
Economic Network*



Exit Strategy?
October 2009

2008

• Financial Crisis

2M

xerox



DELL™

BAD  YEAR



Confluence of Events

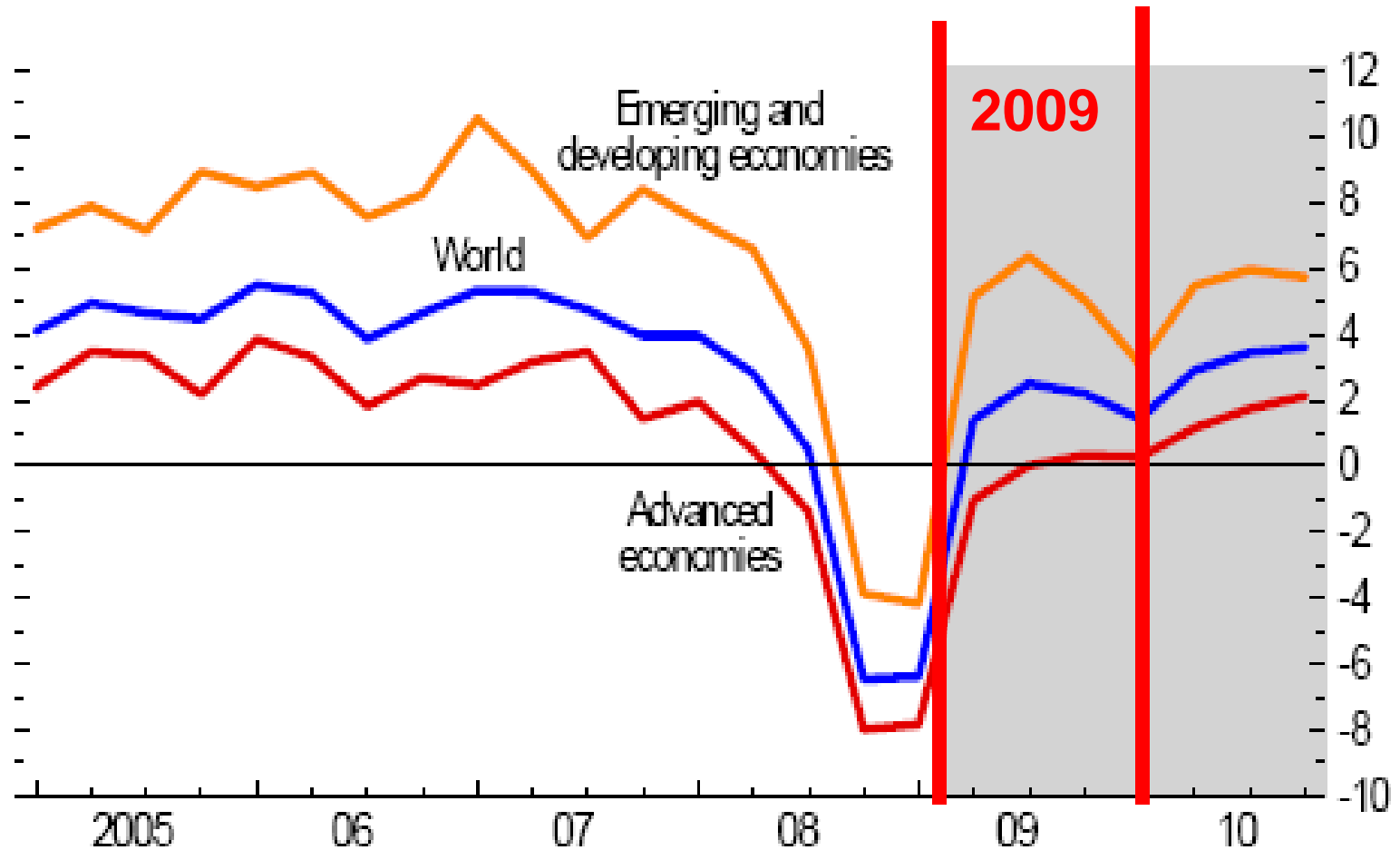
- Subprime
- Securitization
- CDOs, CDS,
- etc

Risk Management

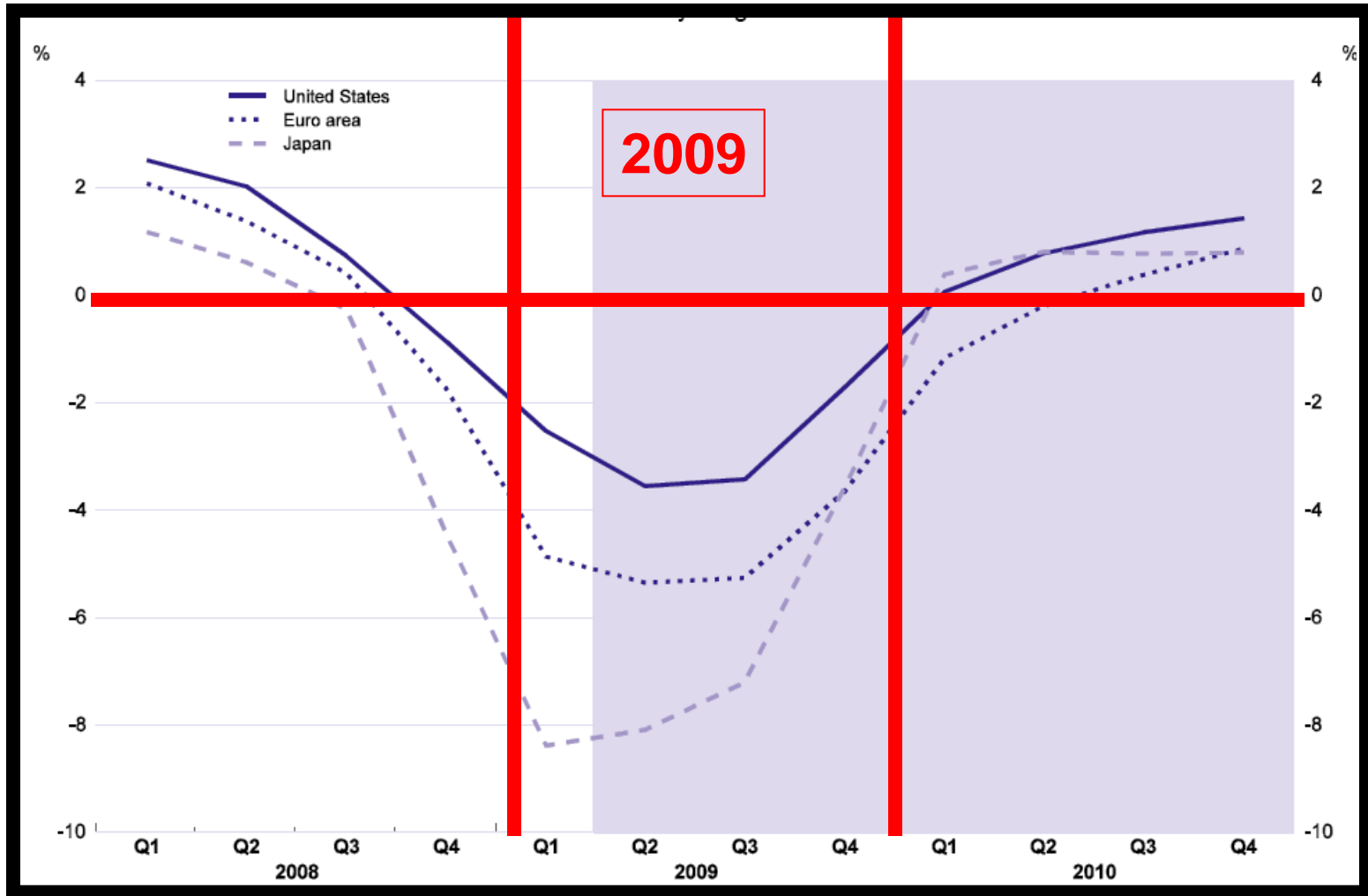
- Capital
- Liquidity
- Leverage
- Concentration
- Asset Quality

Global Economy

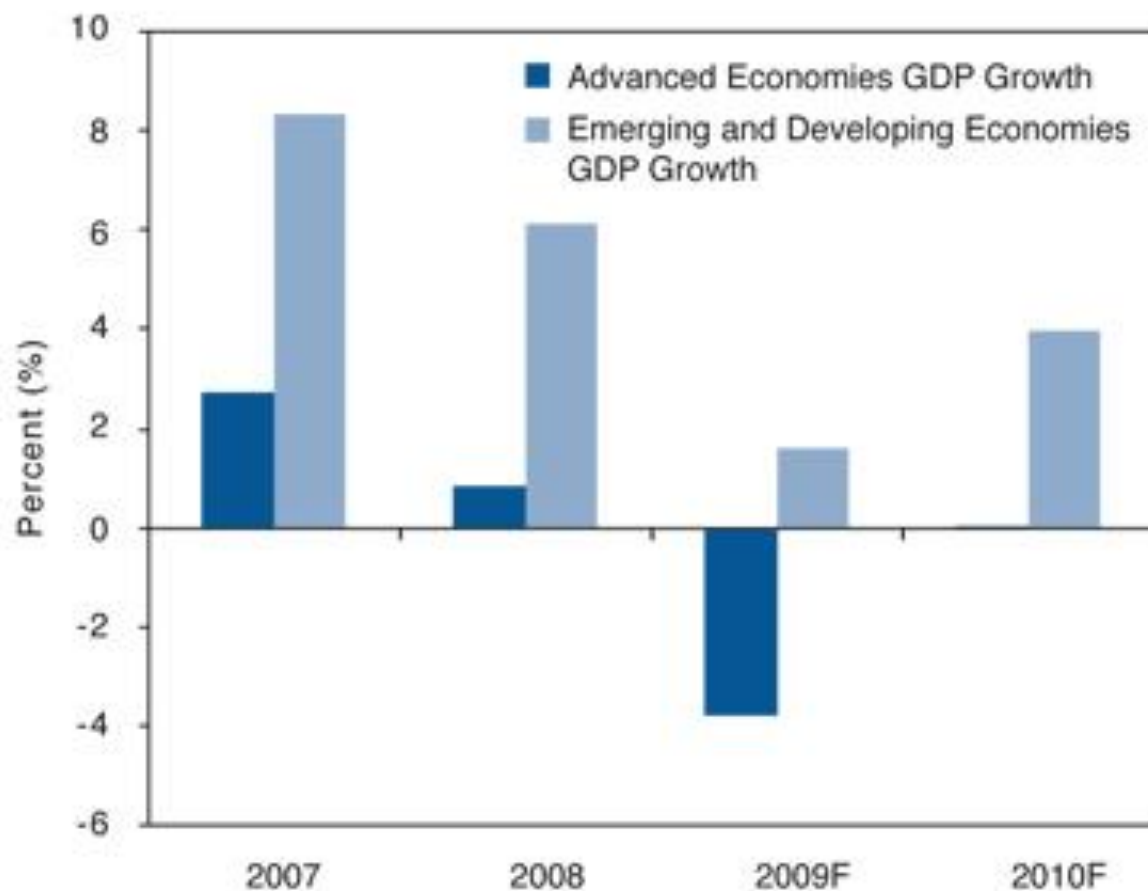
Global Economic Outlook



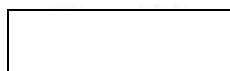
Economic Growth: U.S., Euro, Japan



Emerging Economies Becoming "Locomotive" of Global Growth



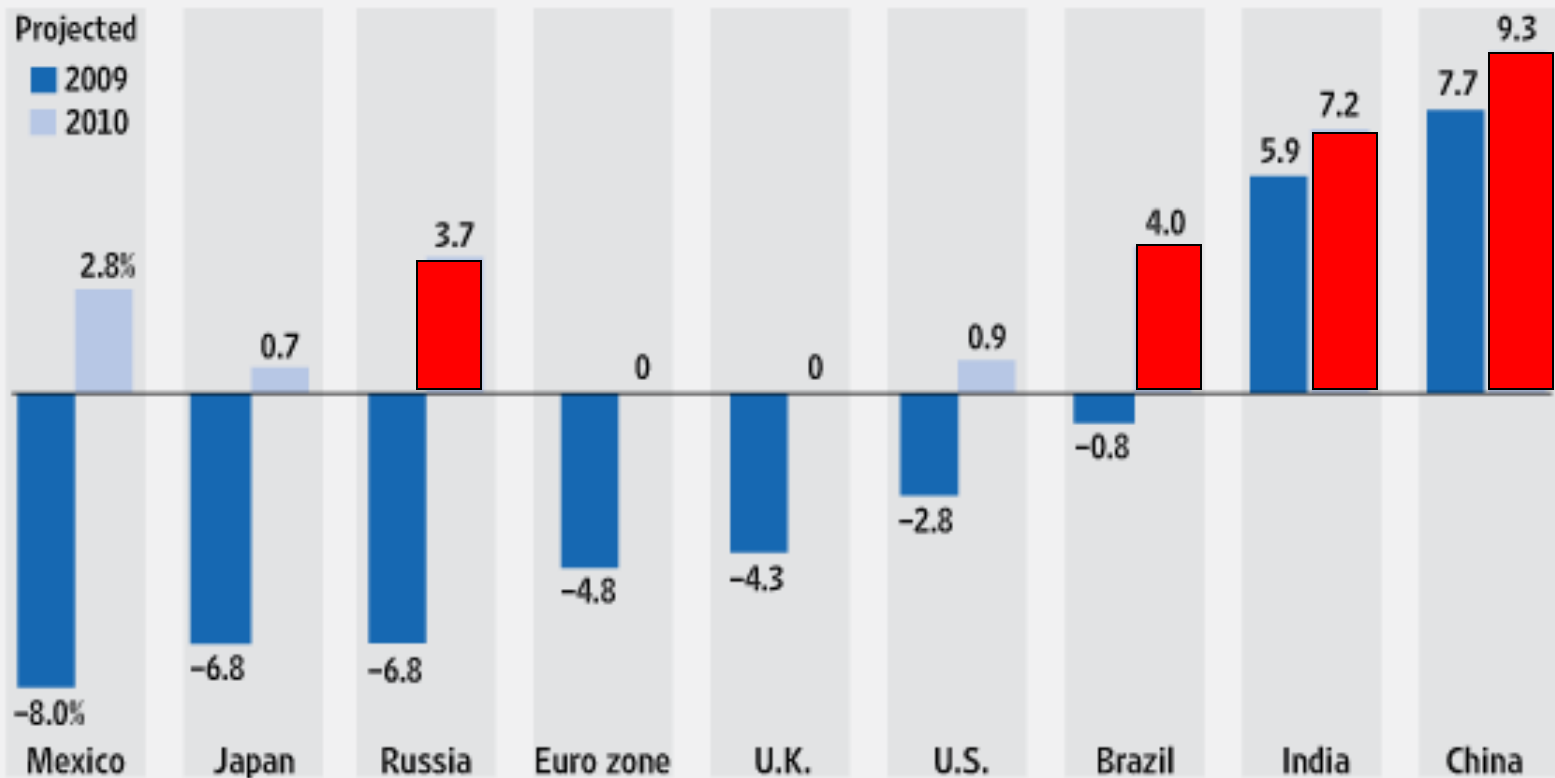
Source: IMF World Economic Outlook 2009



BRIC Countries Perform Well

Bottoming Out?

A new OECD report says the worst of the global slowdown may be over. Year-over-year change in GDP:



Source: OECD

Dow Jones Industrial Average



Consumer Confidence

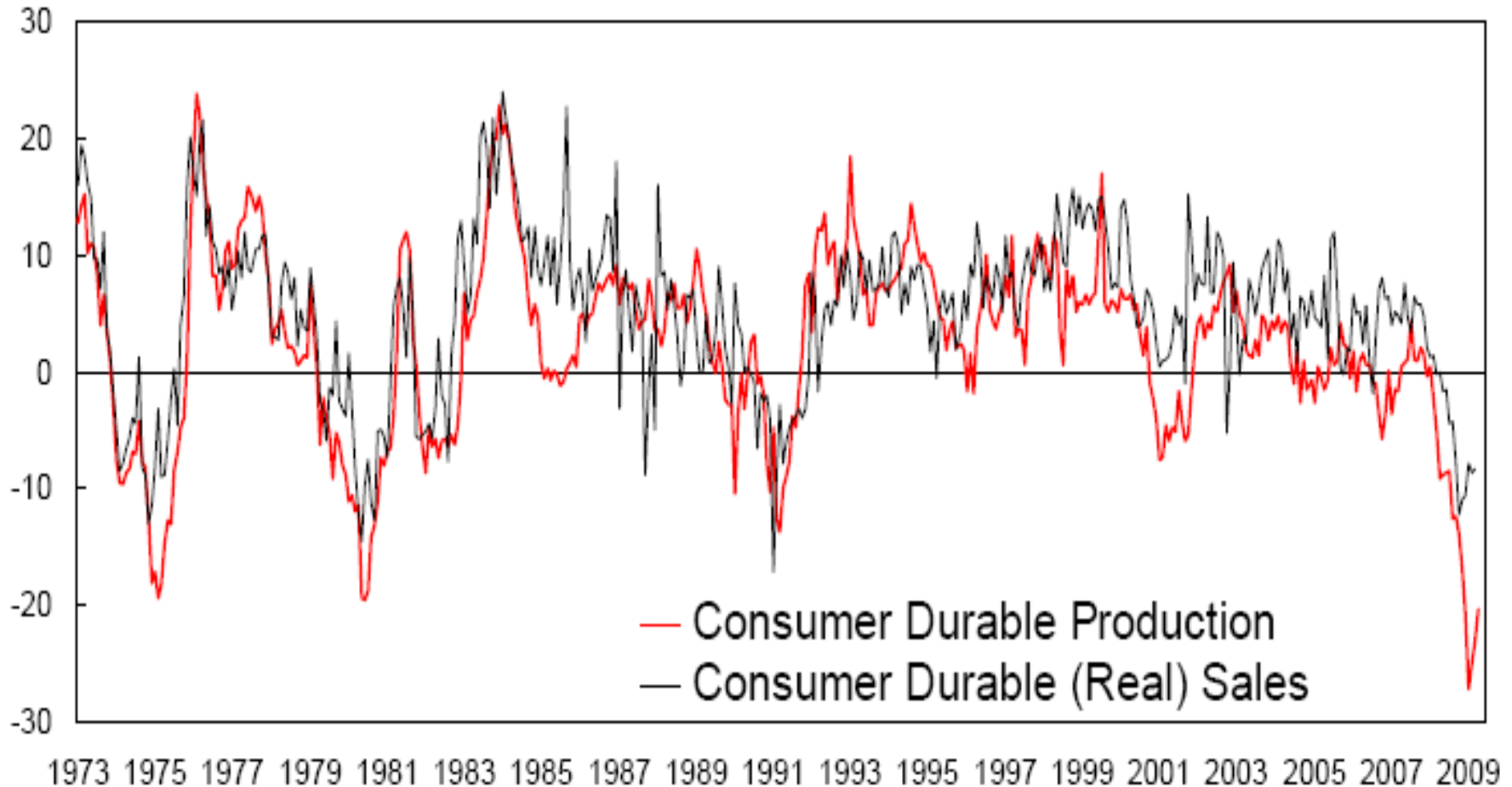


Why Optimism?

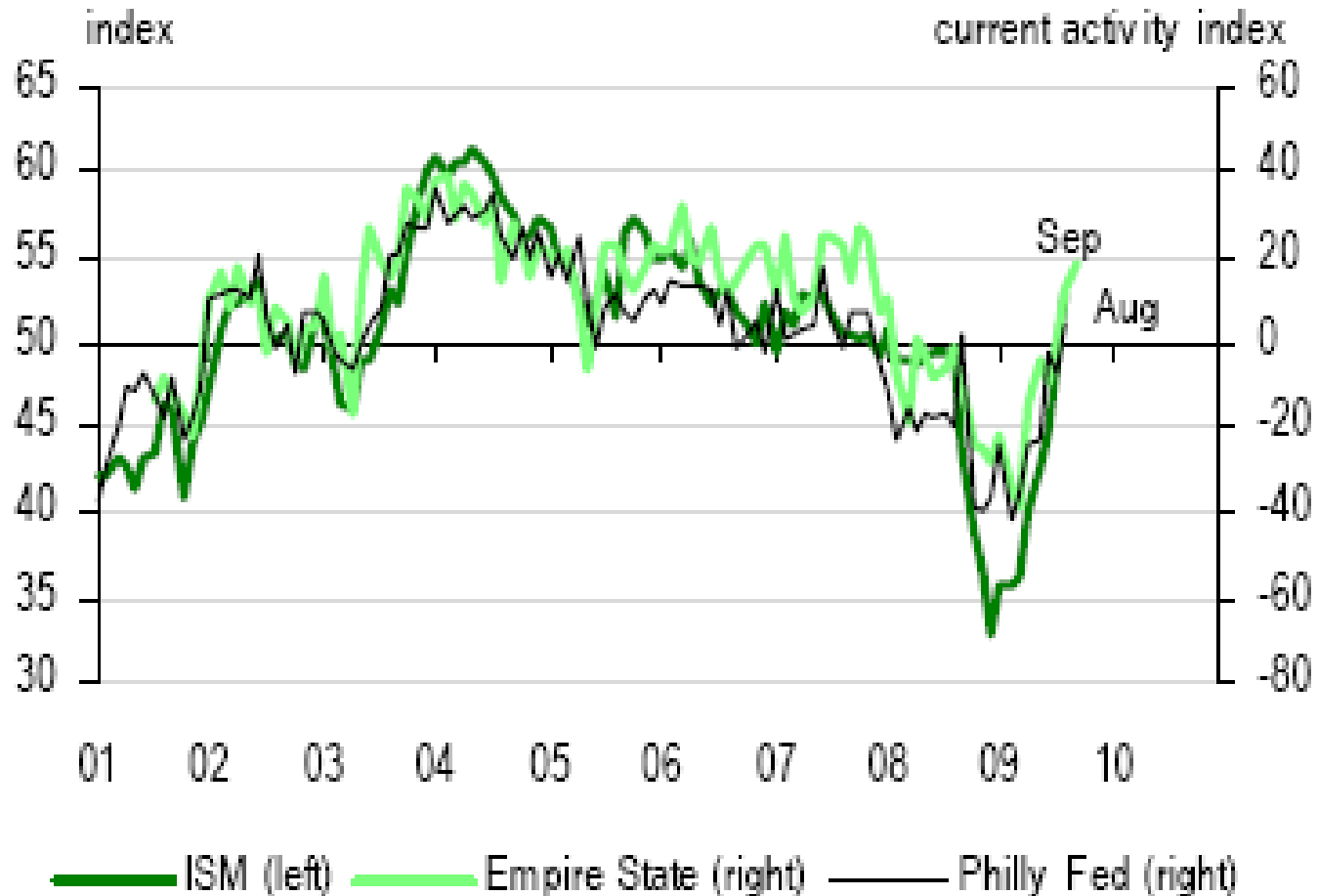
*Manufacturing
Housing*

Declining Inventories

Real Consumer Durable Outlays and Domestic Production Y/Y%

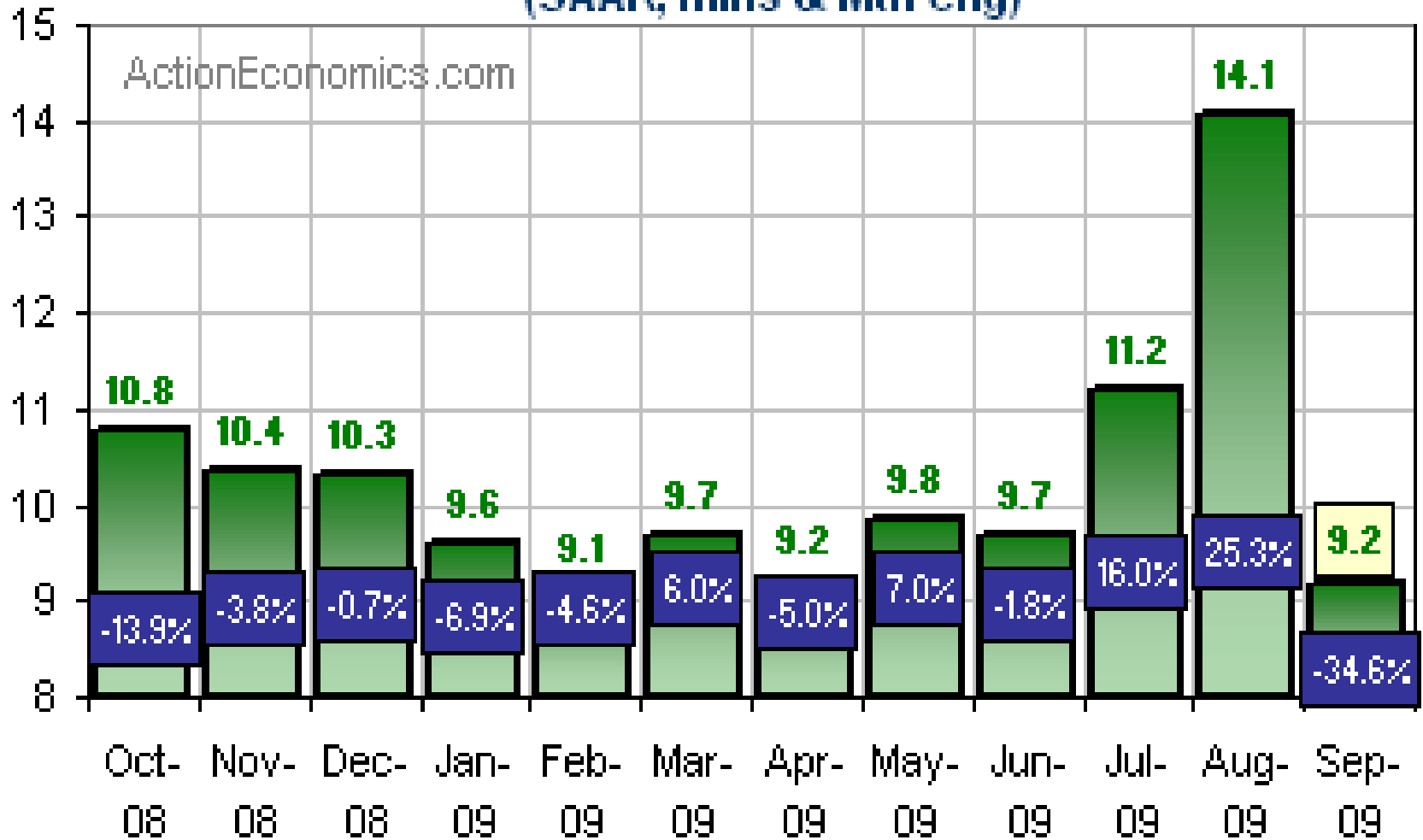


Manufacturing Rebounding

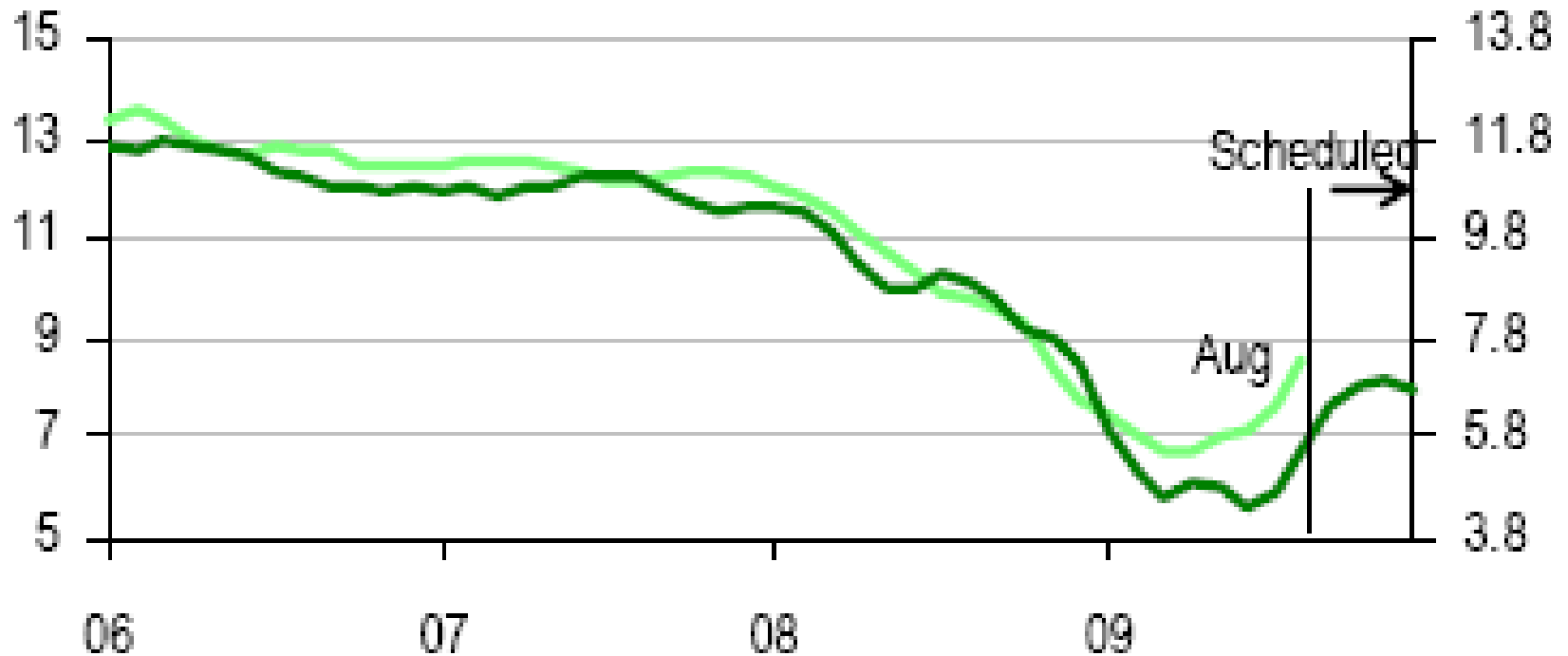


Total Unit Vehicle Sales

(SAAR, mins & Mth Chg)



Auto Production and Sales



— Domestic light vehicle sales (left)

— U.S. motor vehicle production (right)

Housing

- Bottom?

History of Home Prices

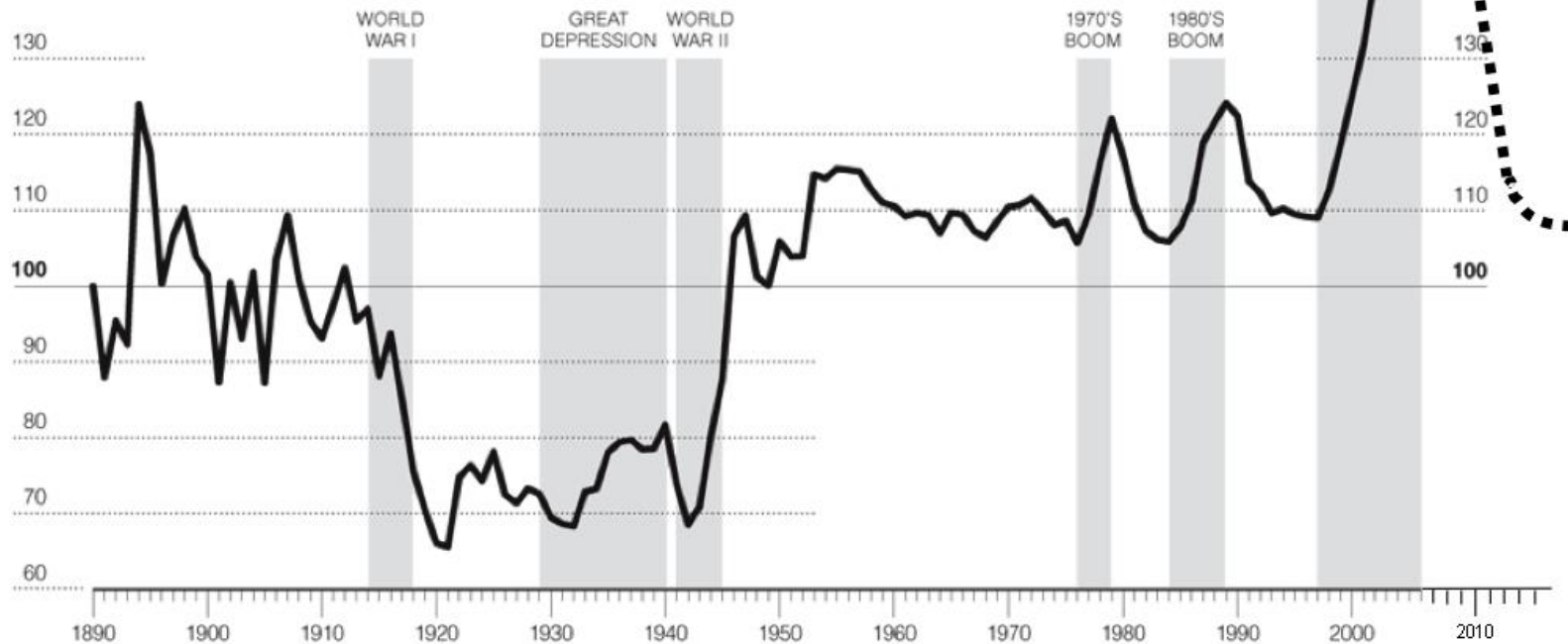
A History of Home Values

The Yale economist Robert J. Shiller created an index of American housing prices going back to 1890. It is based on sale prices of standard existing houses, not new construction, to track the value of housing as an investment over time. It presents housing values in consistent terms over 116 years, factoring out the effects of inflation.

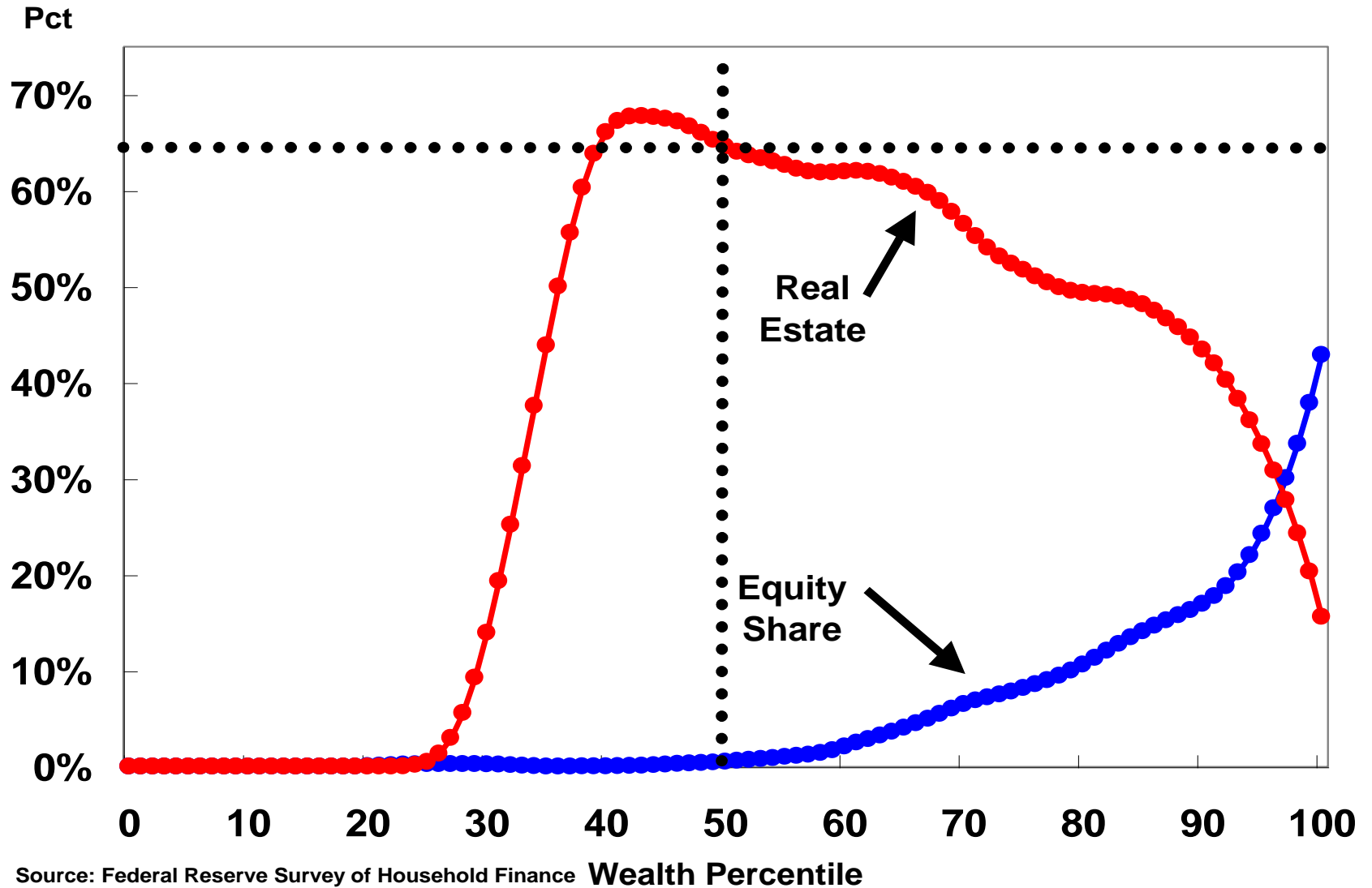
The 1890 benchmark is 100 on the chart. If a standard house sold in 1890 for \$100,000 (inflation-adjusted to today's dollars), an equivalent standard house would have sold for \$66,000 in 1920 (66 on the index scale) and \$199,000 in 2006 (199 on the index scale, or 99 percent higher than 1890).

DECLINE AND RUN-UP Prices dropped as mass production techniques appeared early in the 20th century. Prices spiked with post-war housing demand.

BOOM TIMES Two gains in recent decades were followed by returns to levels consistent since the late 1950's. Since 1997, the index has risen about 83 percent.



Household Wealth



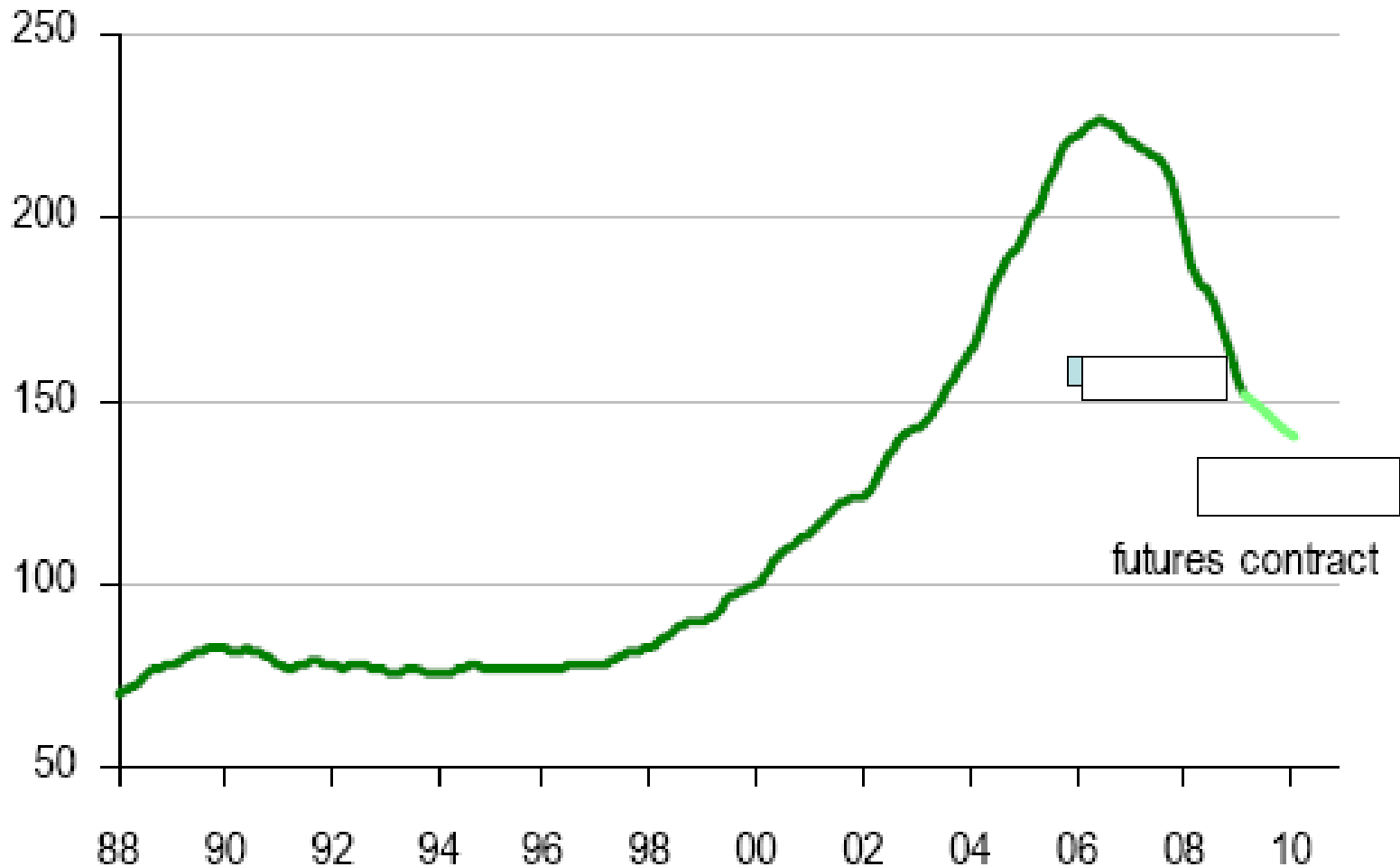
Housing Affordability Index



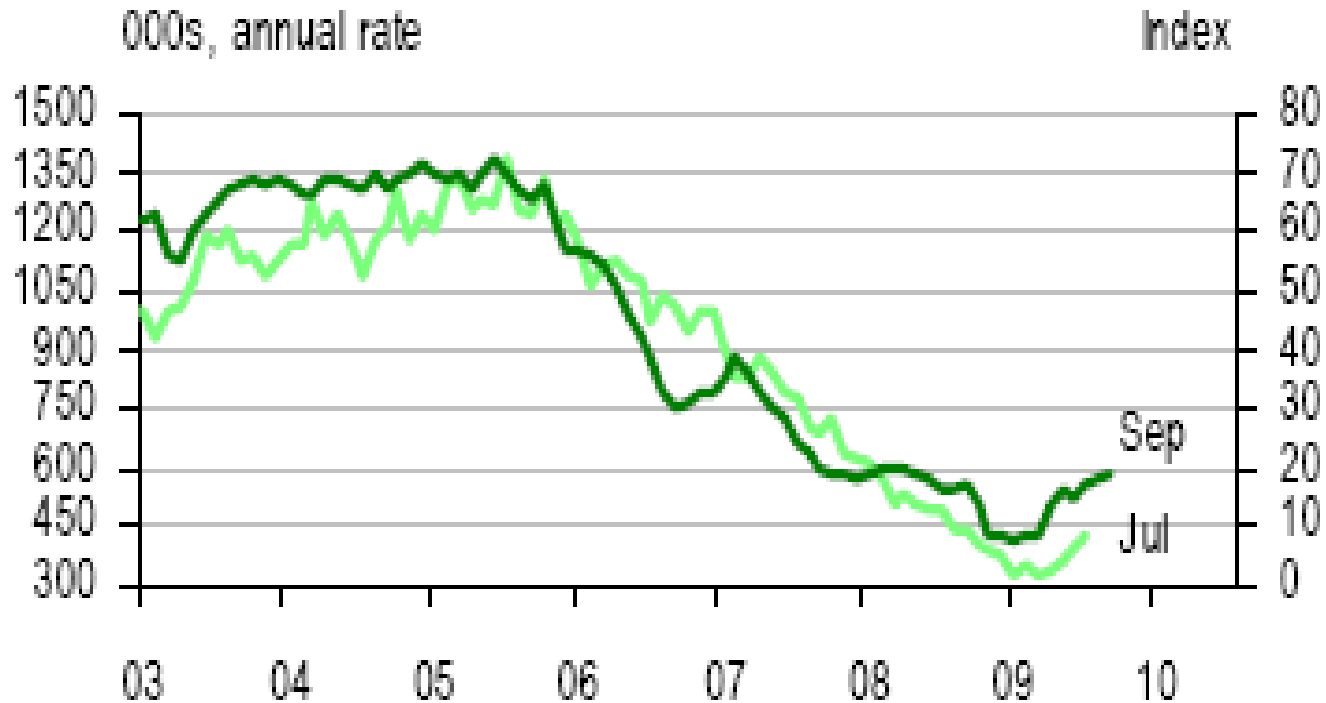
30yr Mortgage Rate (yield %, mth avg, Freddie Mac)



Case-Shiller Index of Home Prices



Home Sales



— New single-family home sales (left)

— Housing market index (right)

Economic Growth

- 2008 0.4%
- 2009 -2.6%
- 2010 2.0%

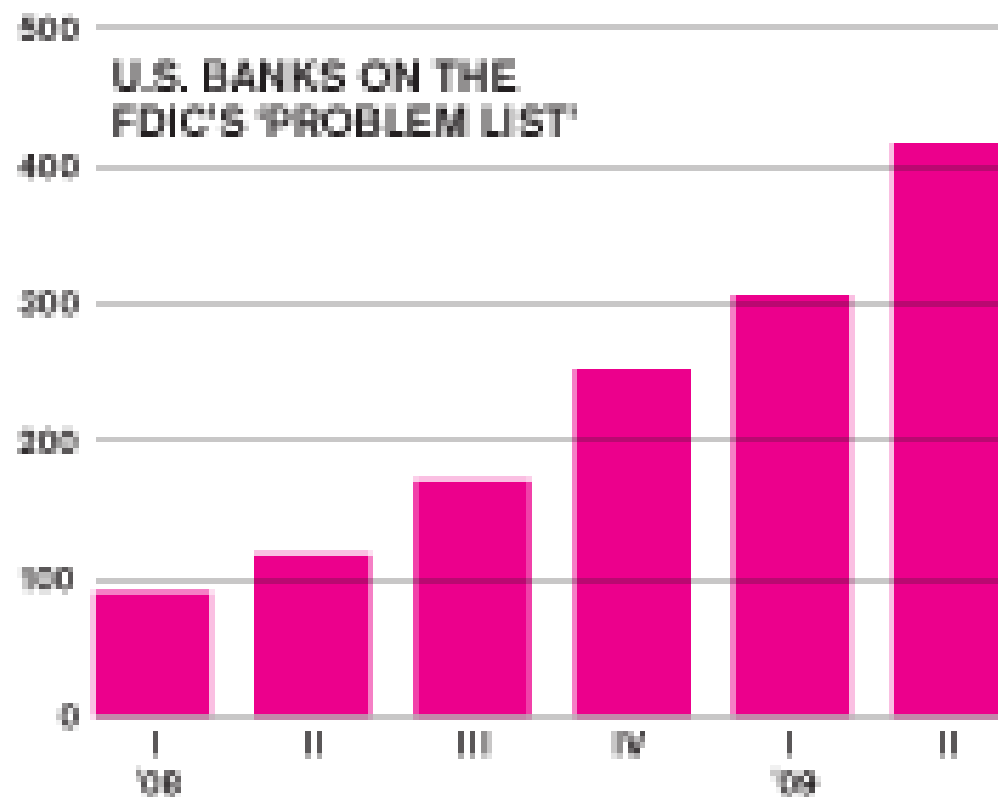
Credit Squeeze

Wall Street

to

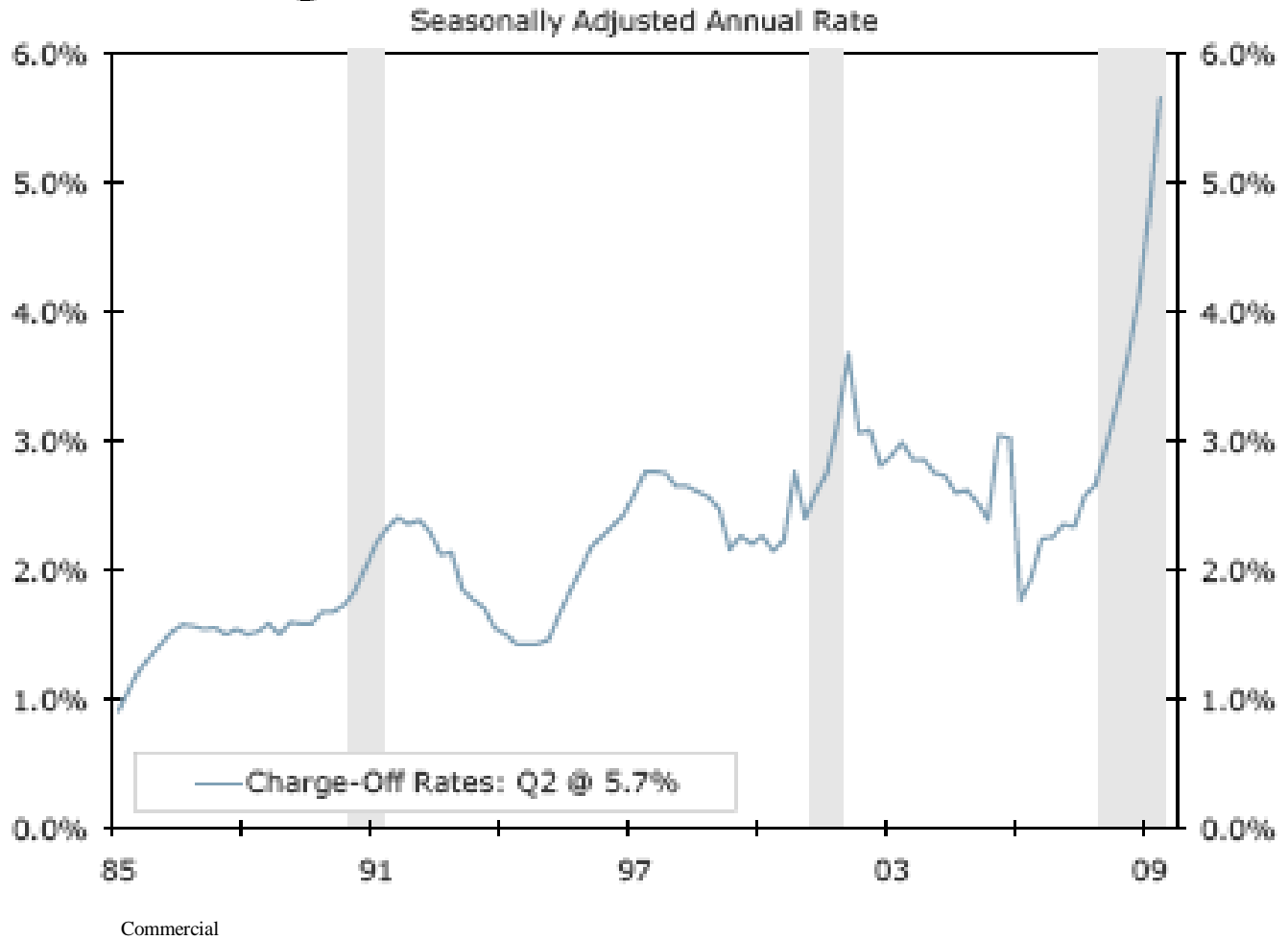
Main Street

THE BAD BANKS

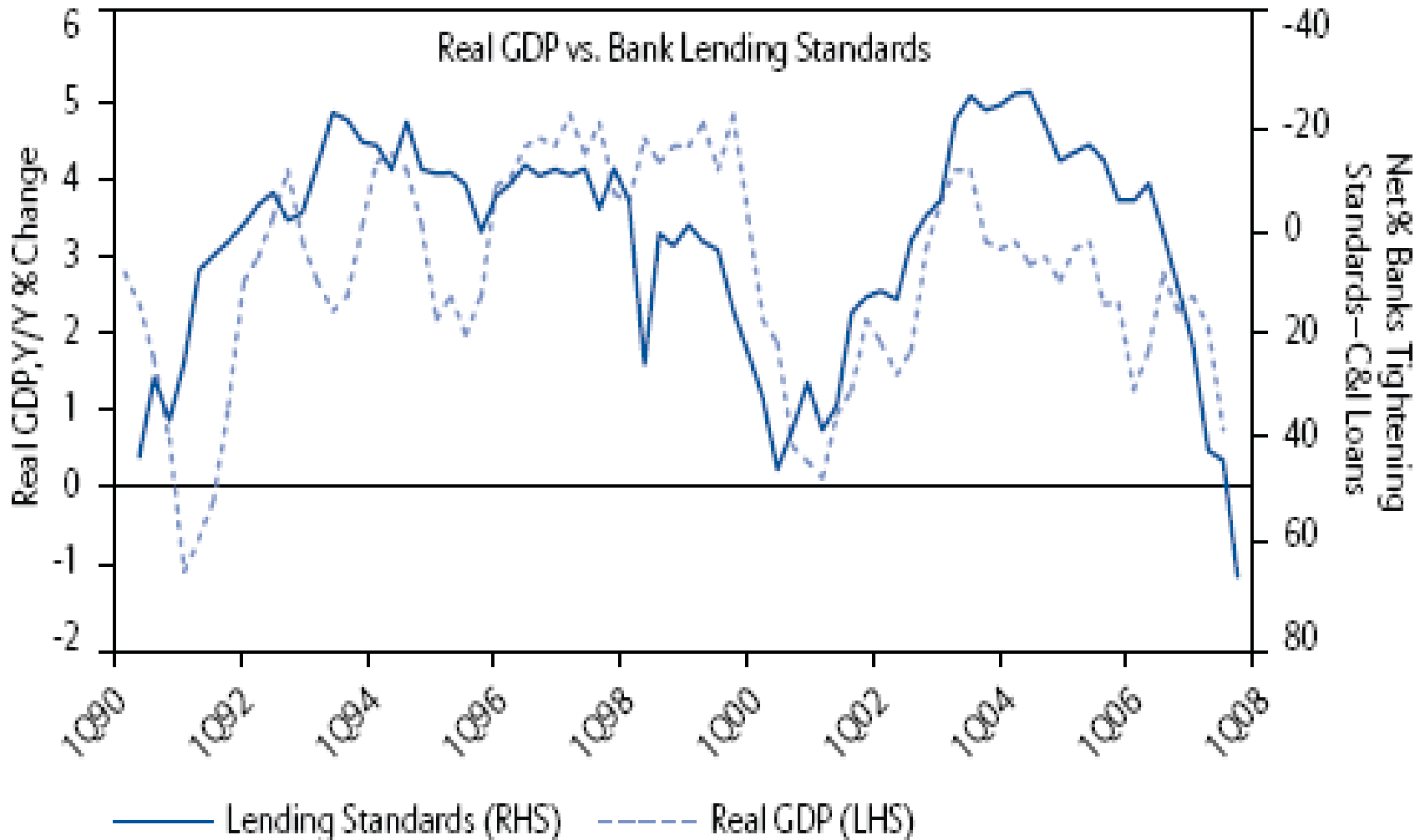


Data: Federal Deposit Insurance Corp.

Consumer Loan Charge-offs



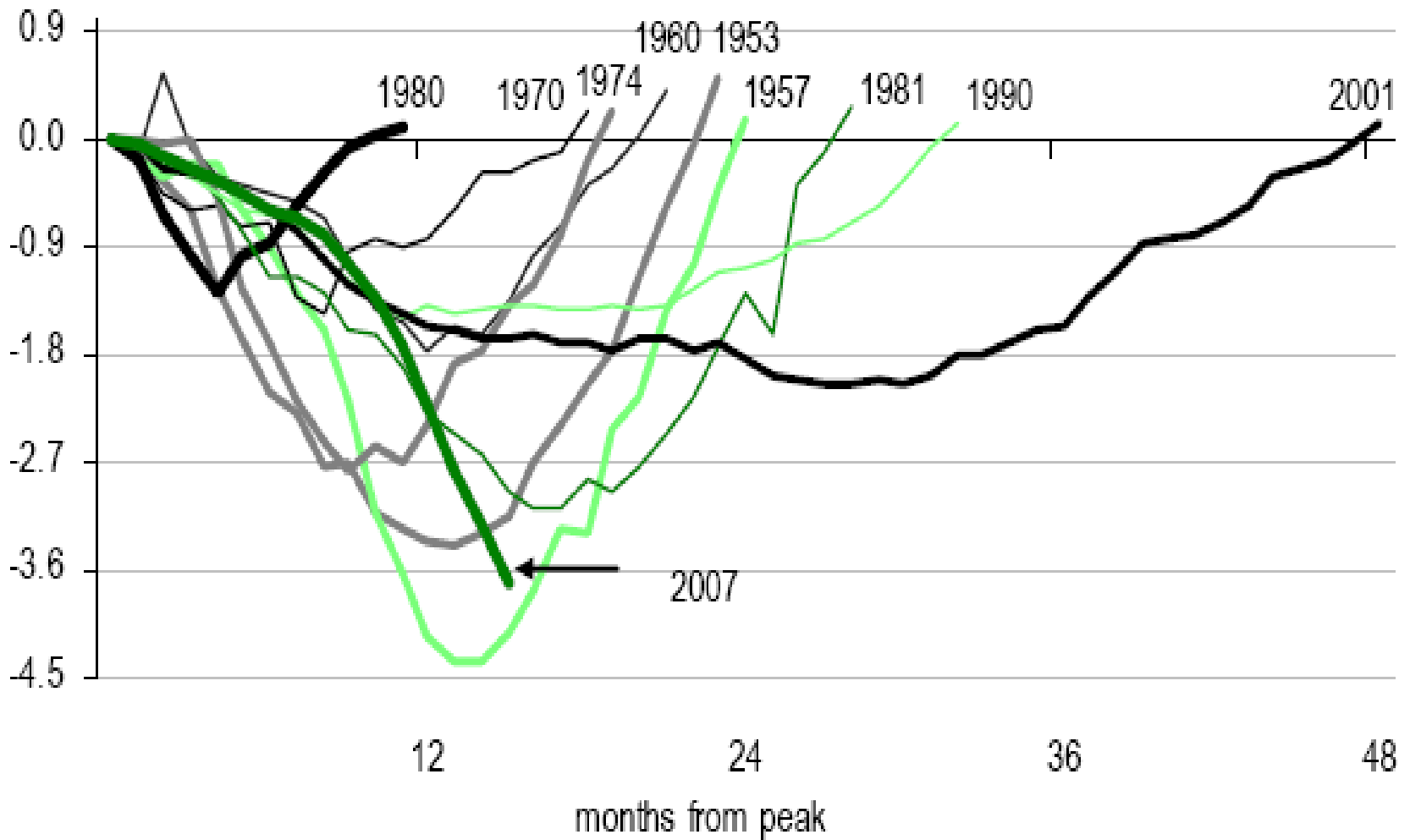
Bank Lending and Economic Growth



Key Point

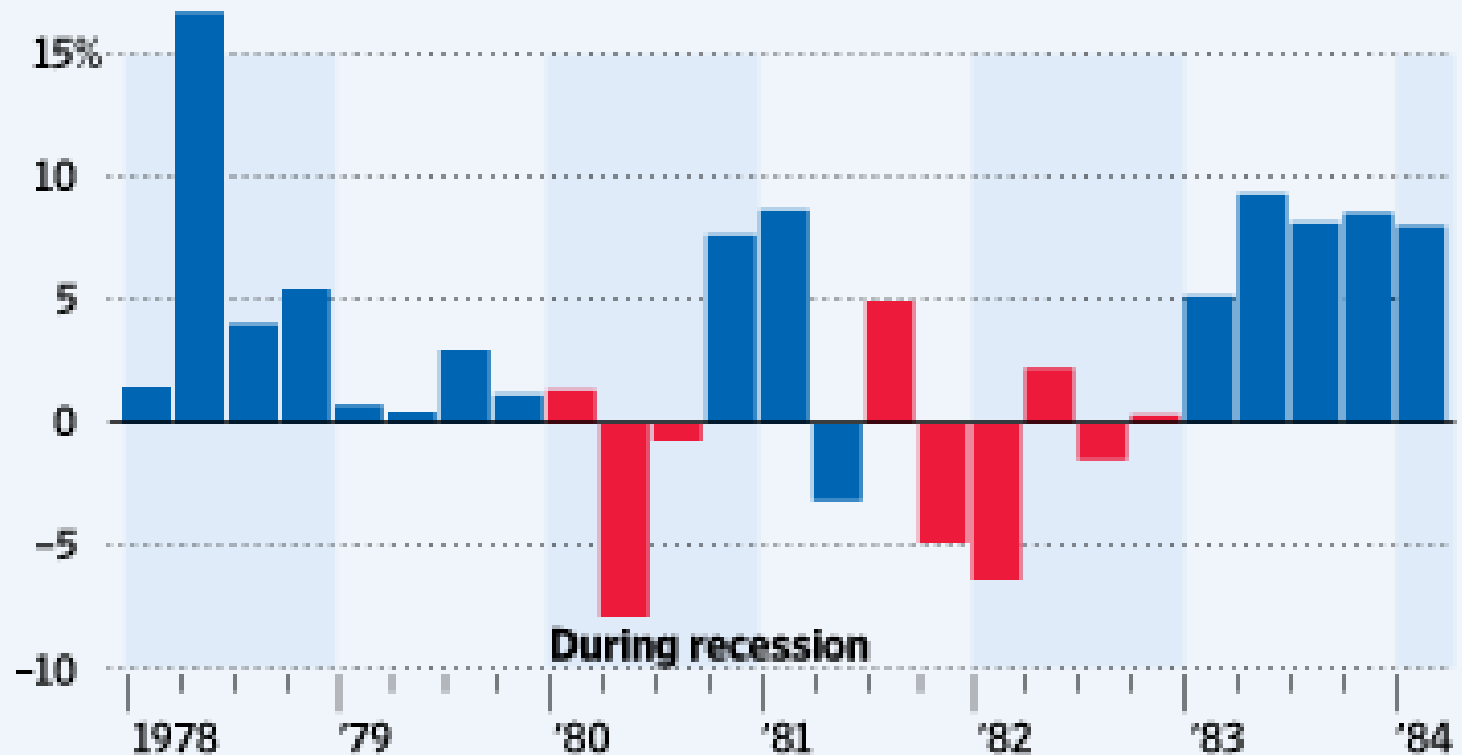
V, U, W?

Jobs: U or V



Double-dip 1980-82

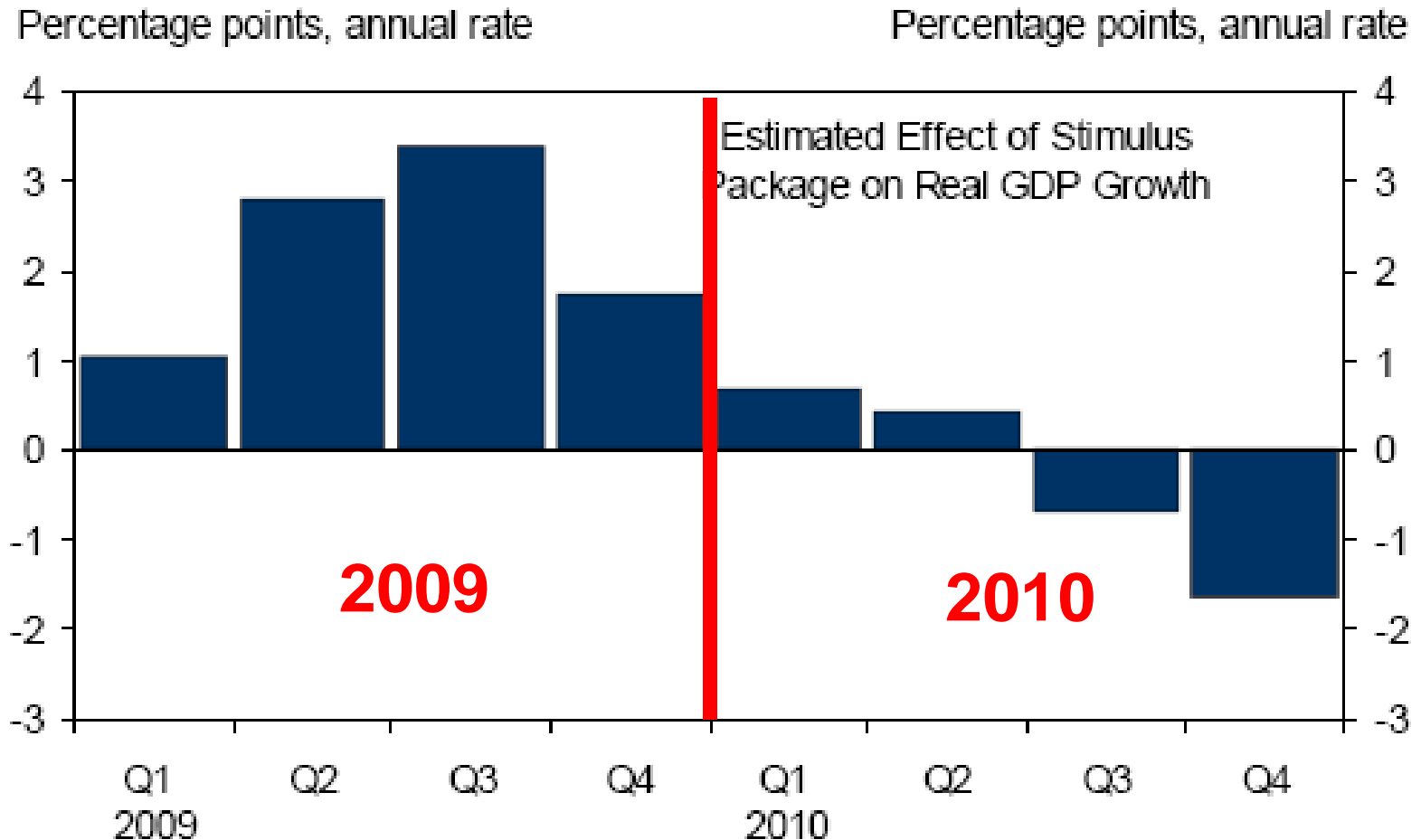
Quarterly change in U.S. GDP; at a seasonally adjusted annual rate



Worry #1

Stimulus Money

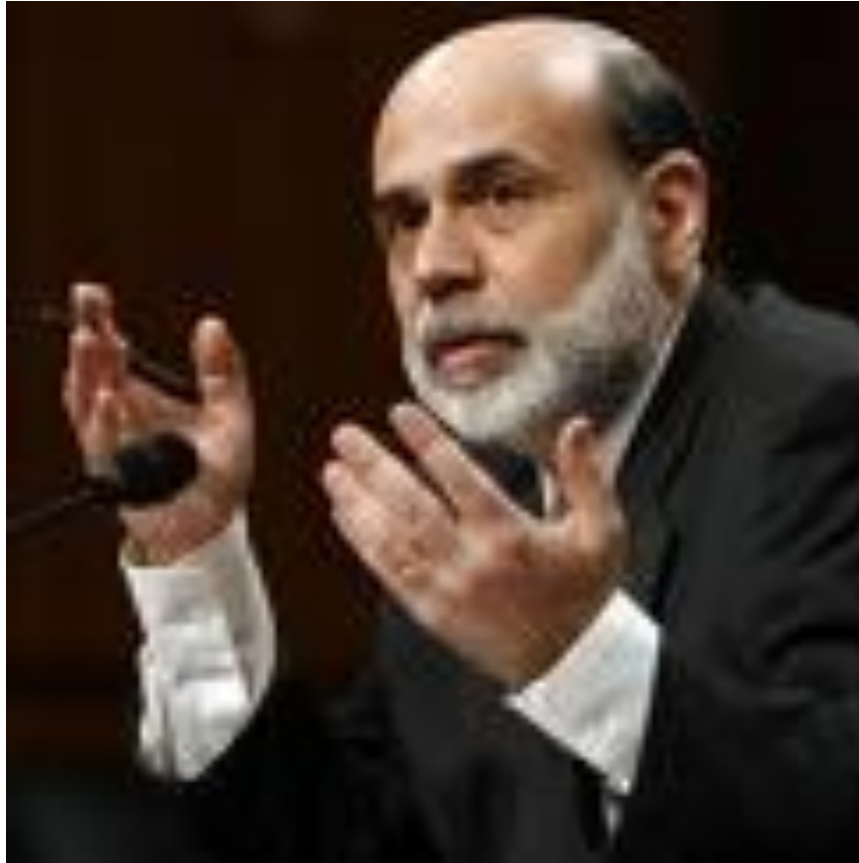
Economic Stimulus on GDP



Worry #2

Monetary Policy

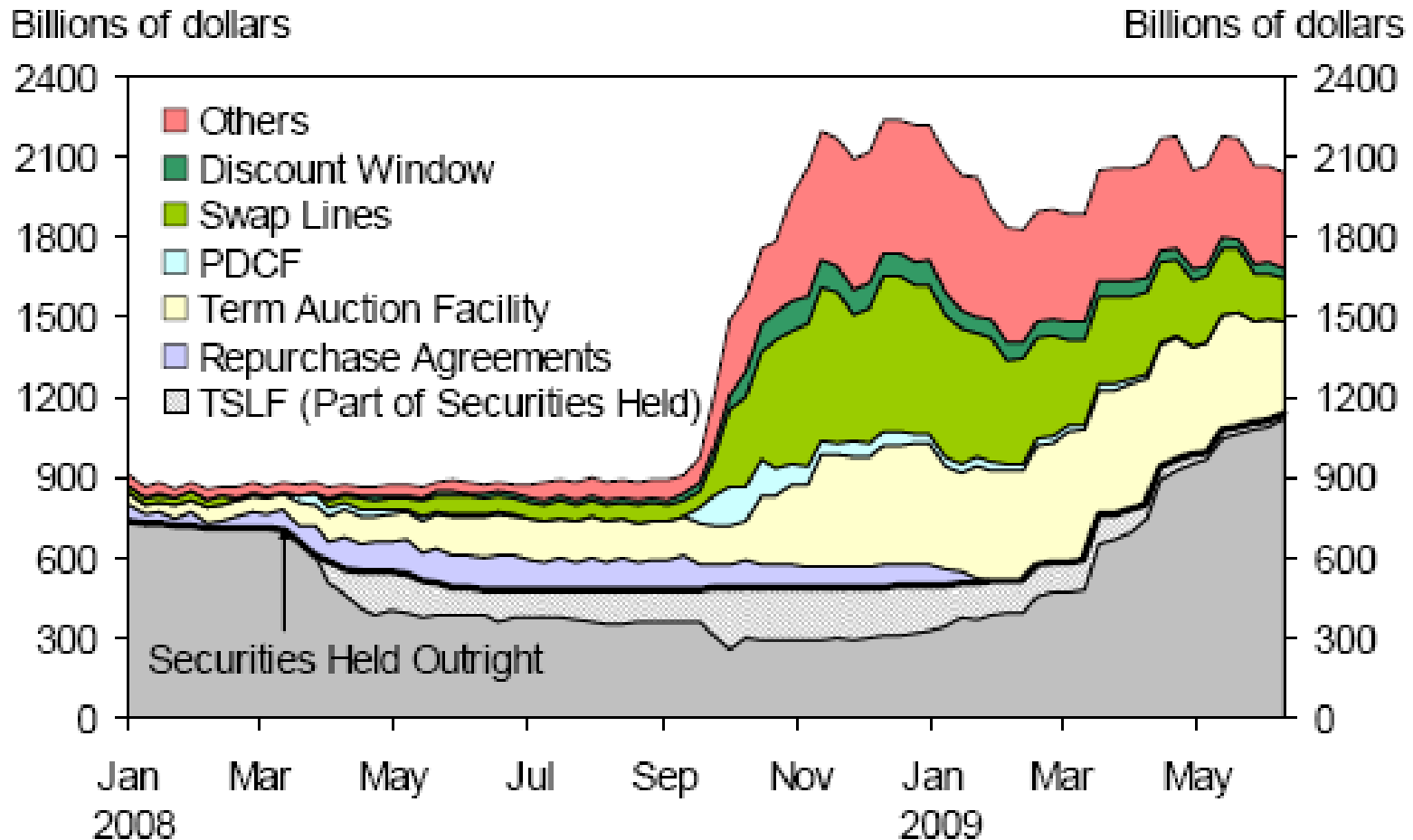
Exit Strategy



Firefighter's First Rule of Survival

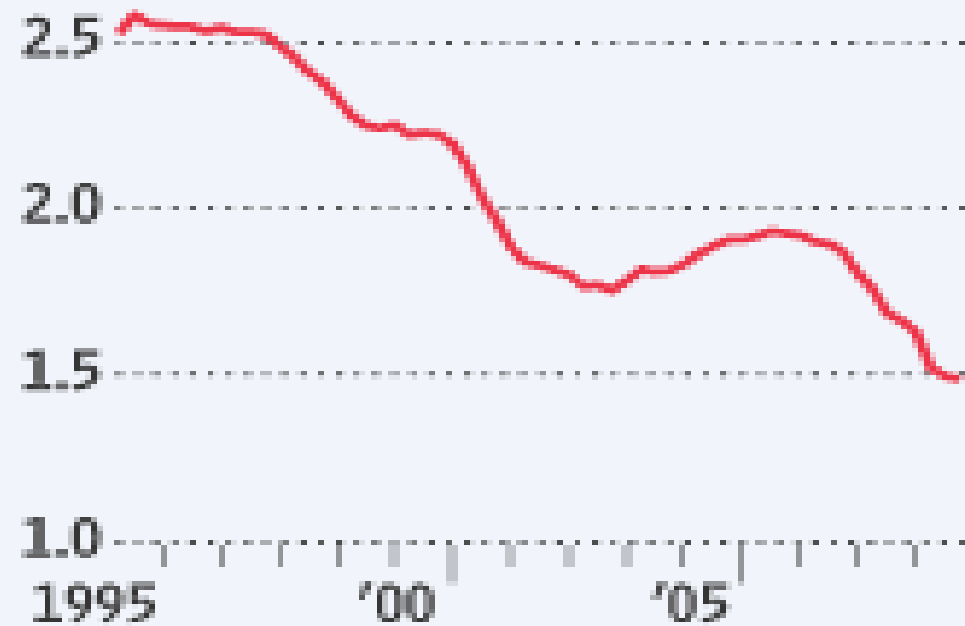
- Know your way out

FRB's Lending



Velocity of Money

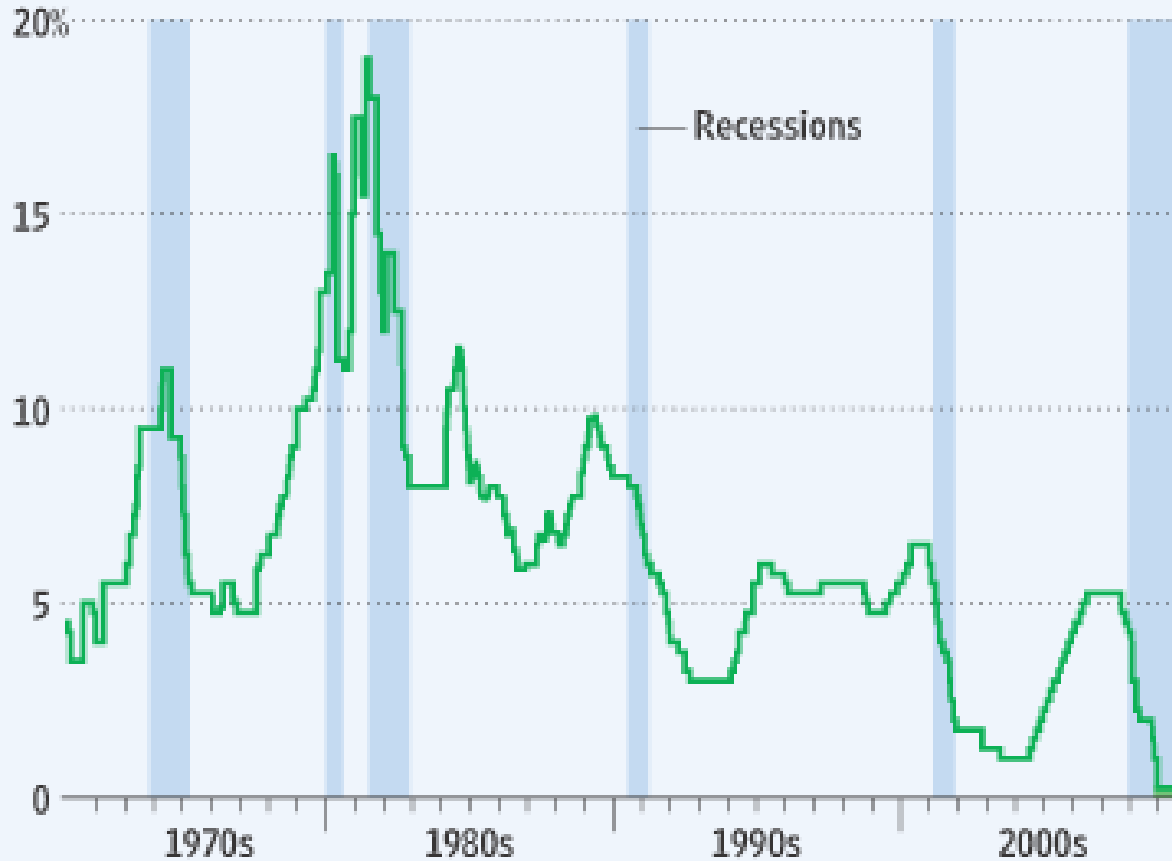
Ratio of GDP to MZM money supply, quarterly



Note: 3Q 2009 is an estimate

Sources: Commerce Department; St. Louis Fed

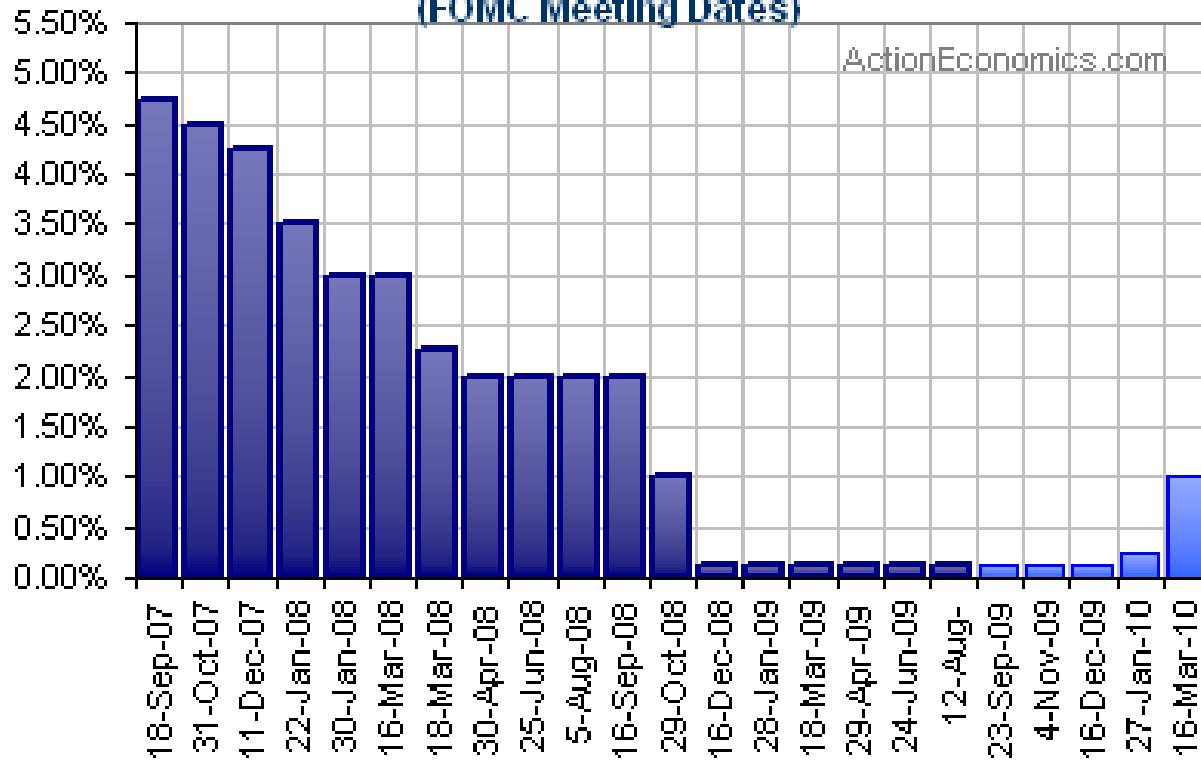
Federal Funds Rate



Source: Thomson Reuters Datastream

Fed Funds Target Forecast

(FOMC Meeting Dates)

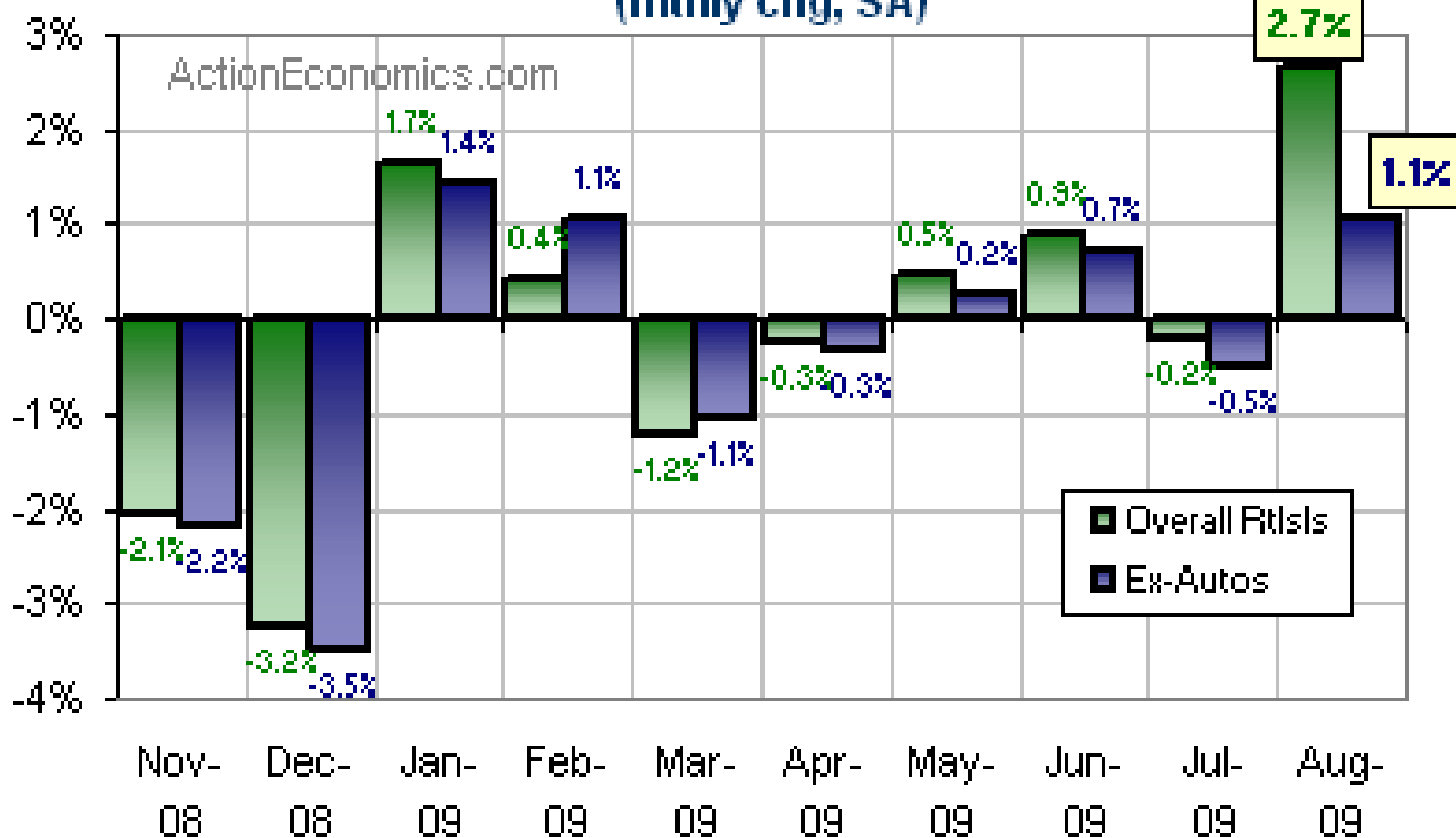


Worry #3

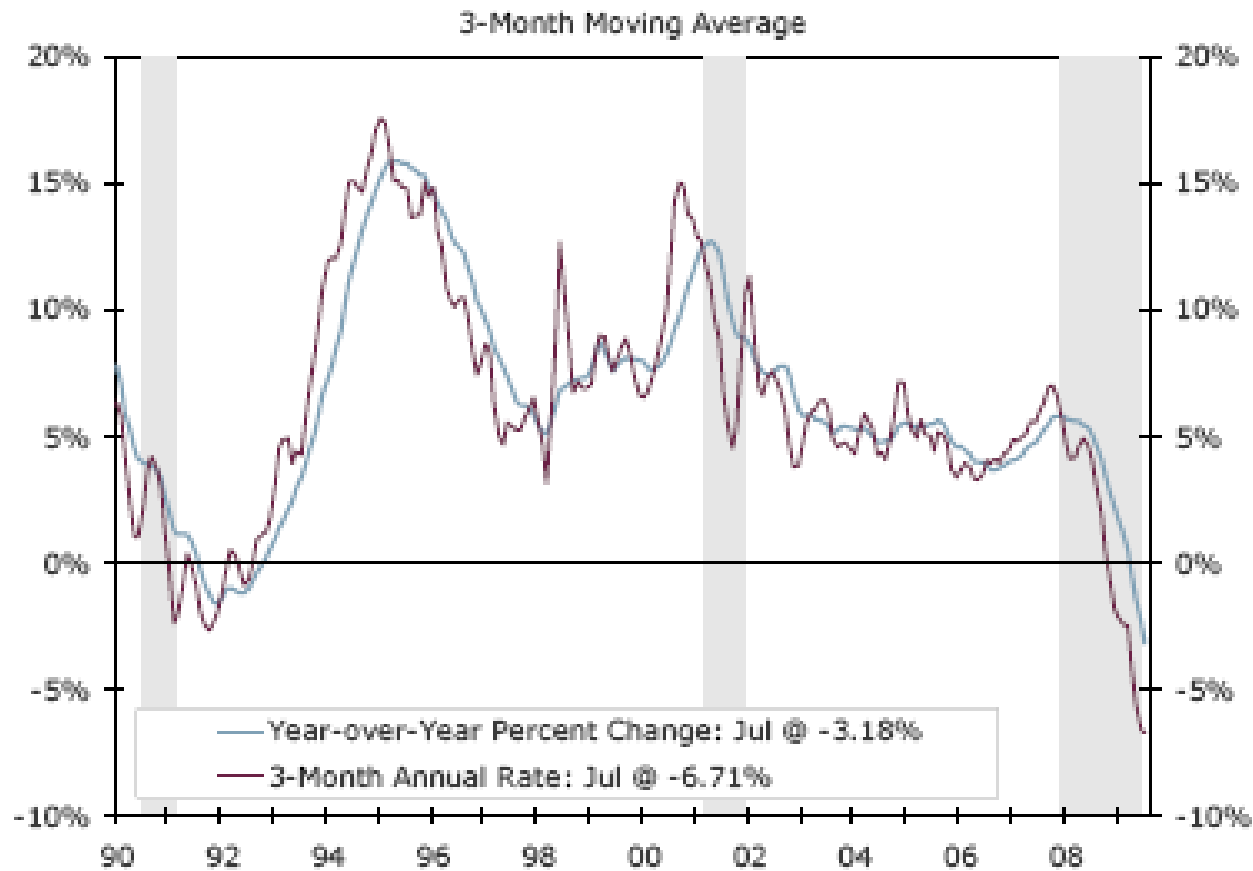
- Consumers

Overall Retail Sales and Ex-Autos

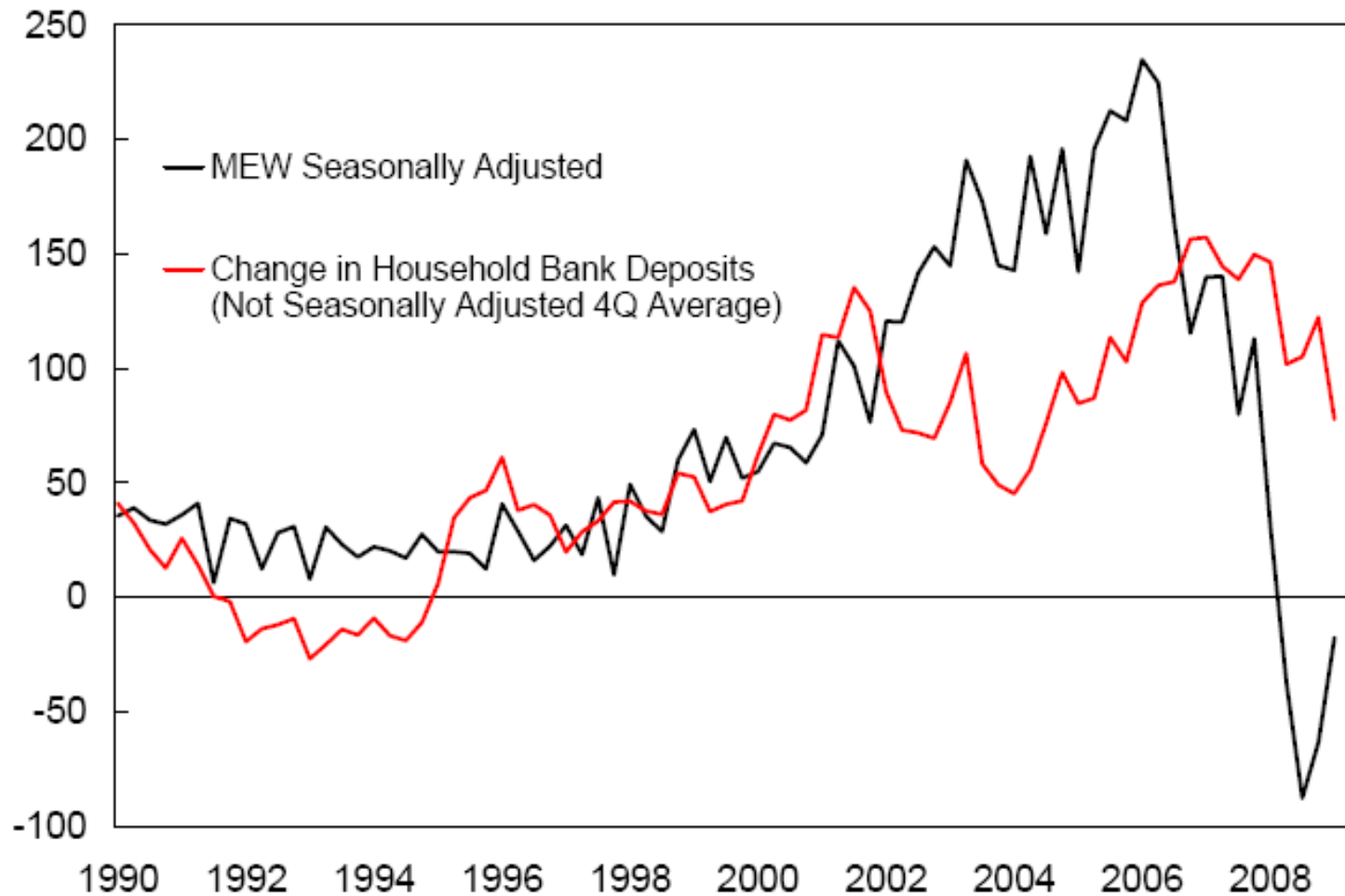
(mthly chg, SA)



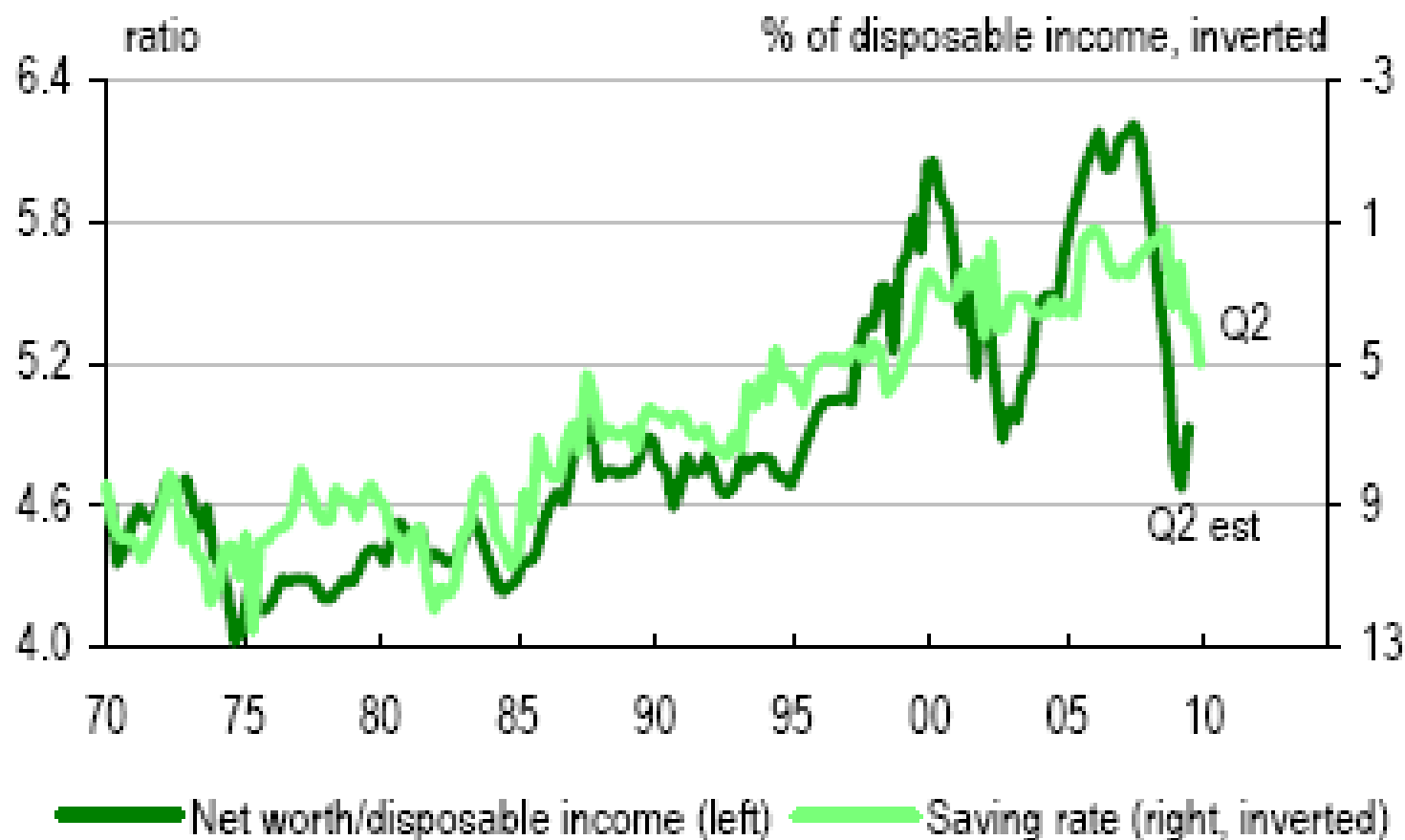
Change in Consumer Credit



Home Equity Withdrawal



Net Worth and Savings Rate



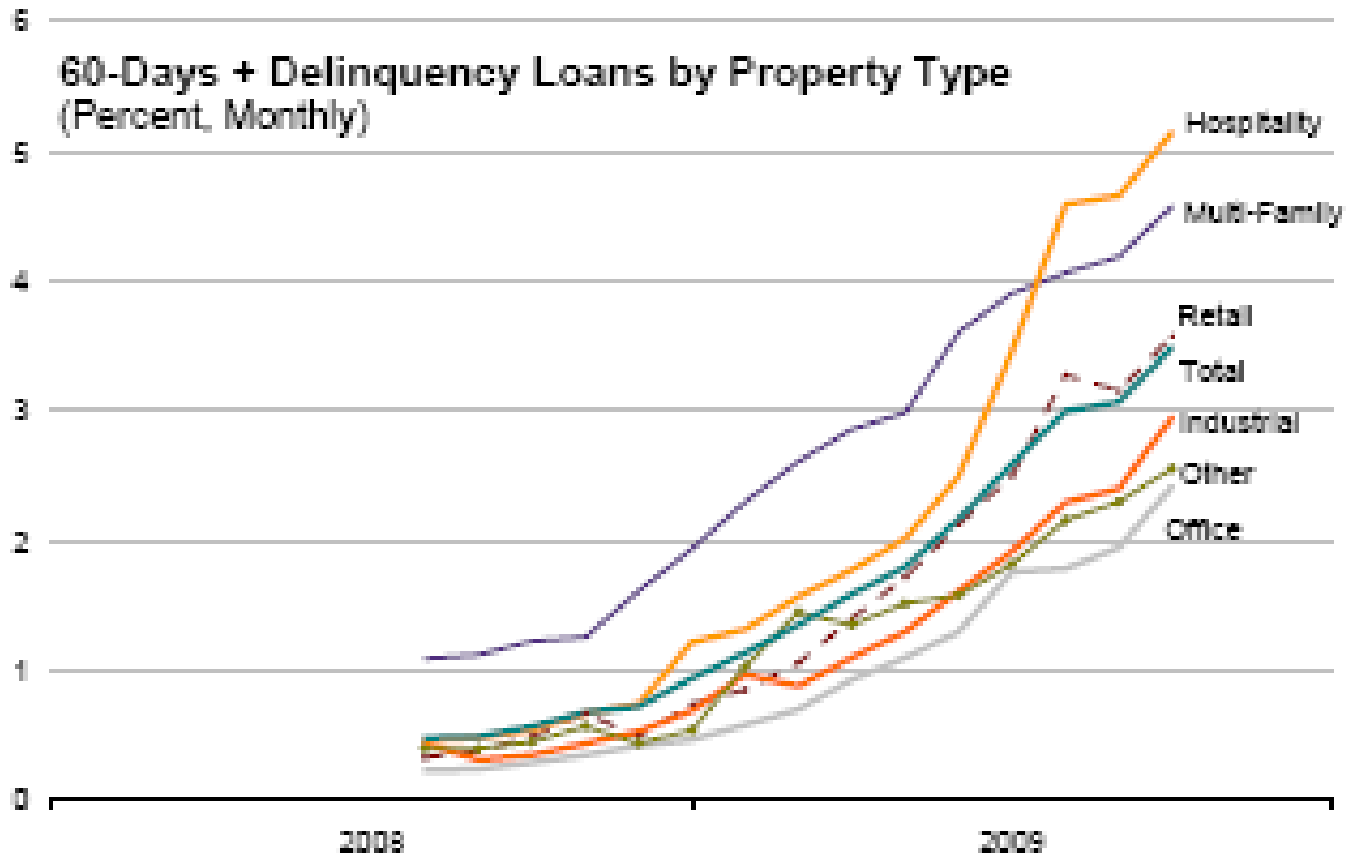
Slow Back-to-School Sales



Worry #4

- CRE

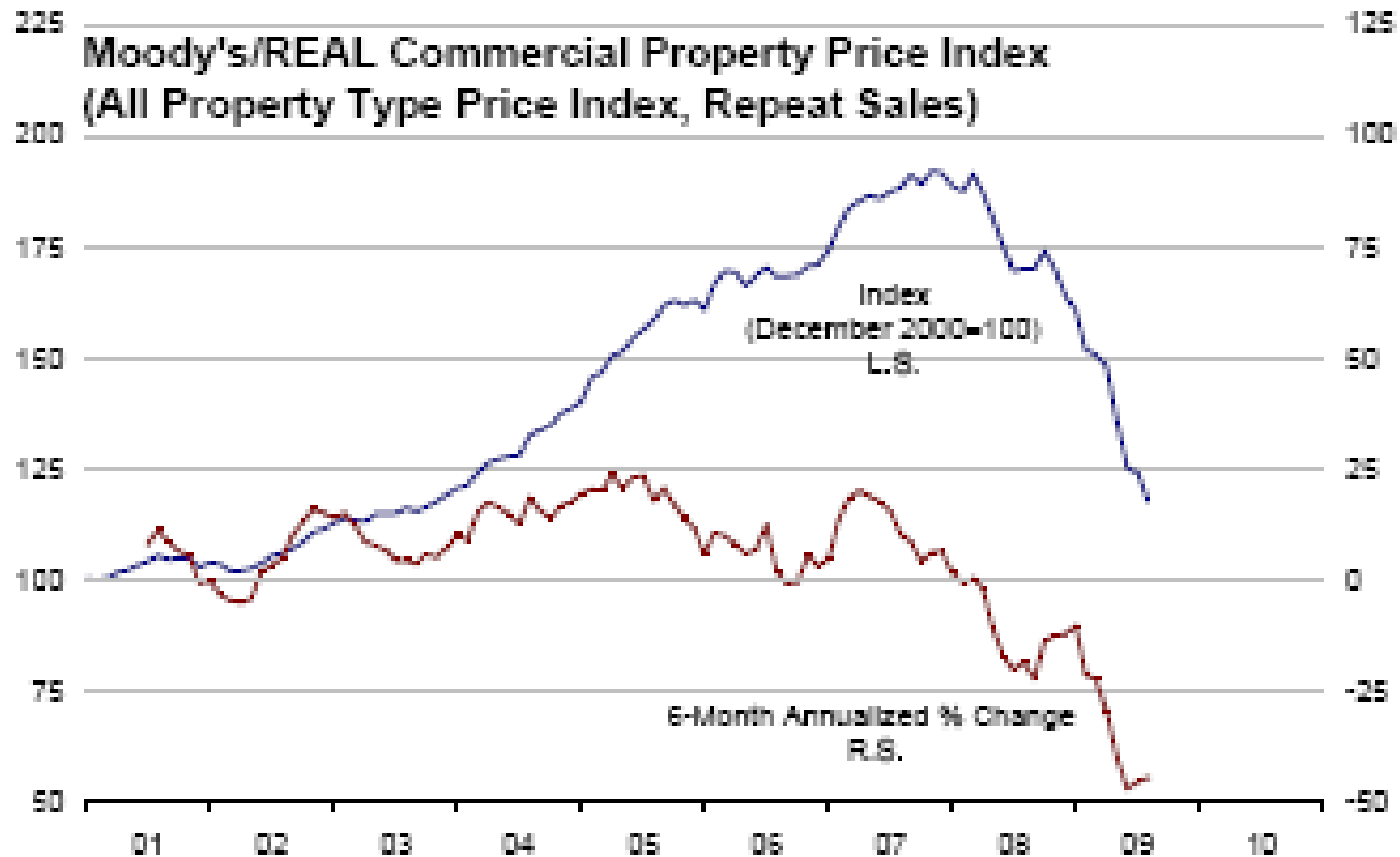
CP Loan Delinquency Rates



Data as of September 21, 2009

Source: Bloomberg, Investment Strategies Group

Commercial Property Index

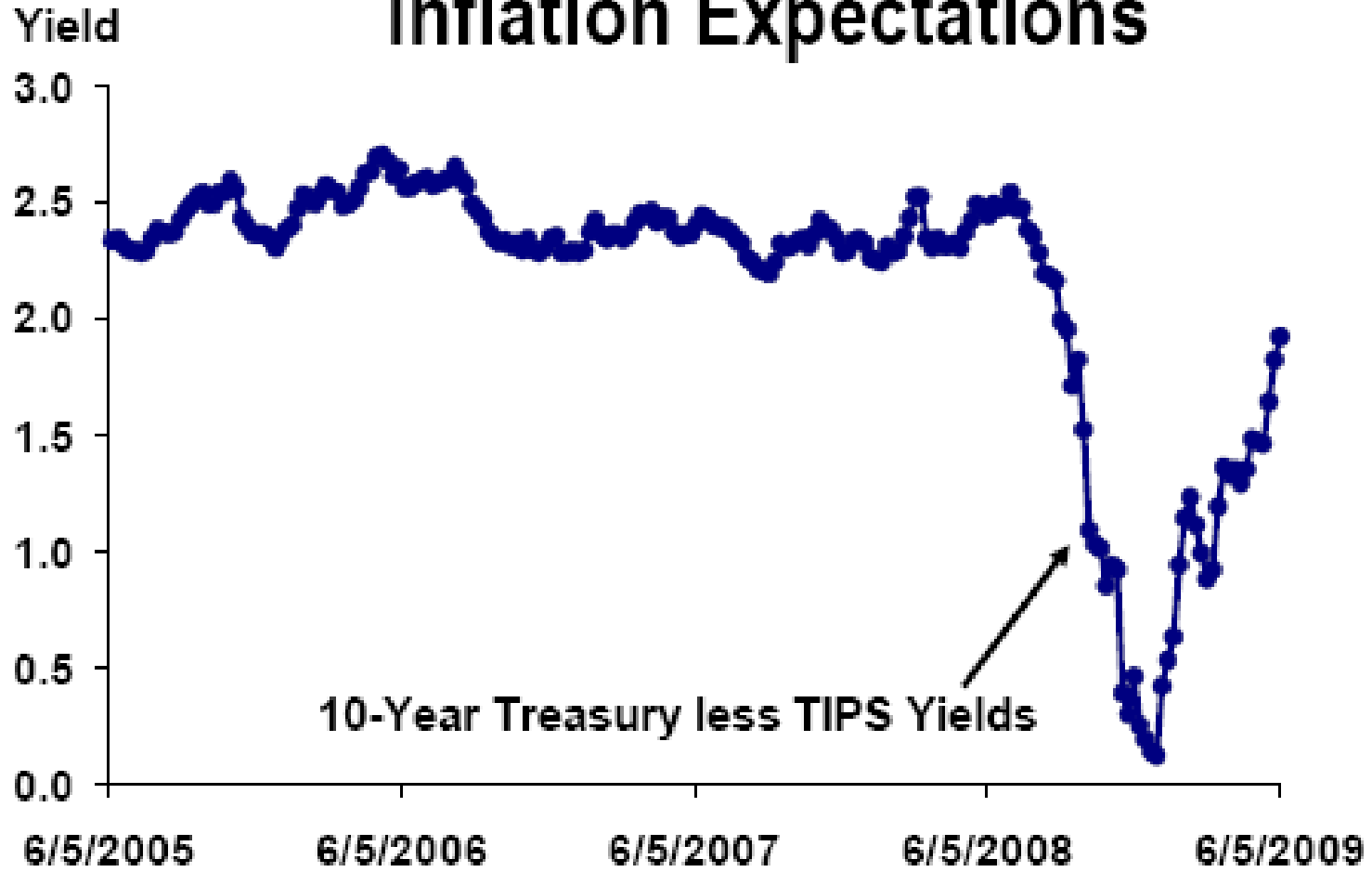


Data as of 8/23/2009

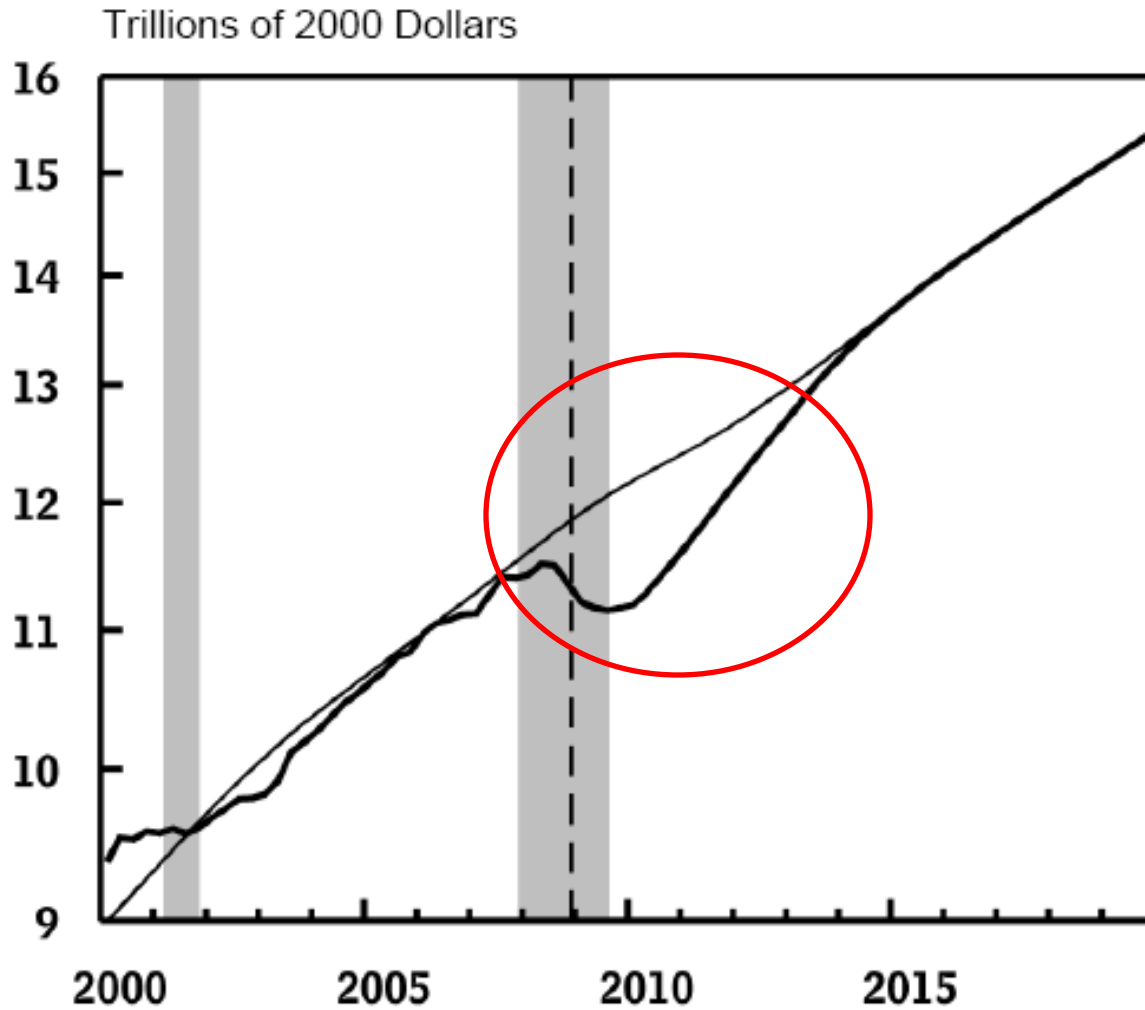
Sources: American Institute of Architects, Moody's/MTI Center for Real Estate-Hover Analytics

*What About
Inflation?*

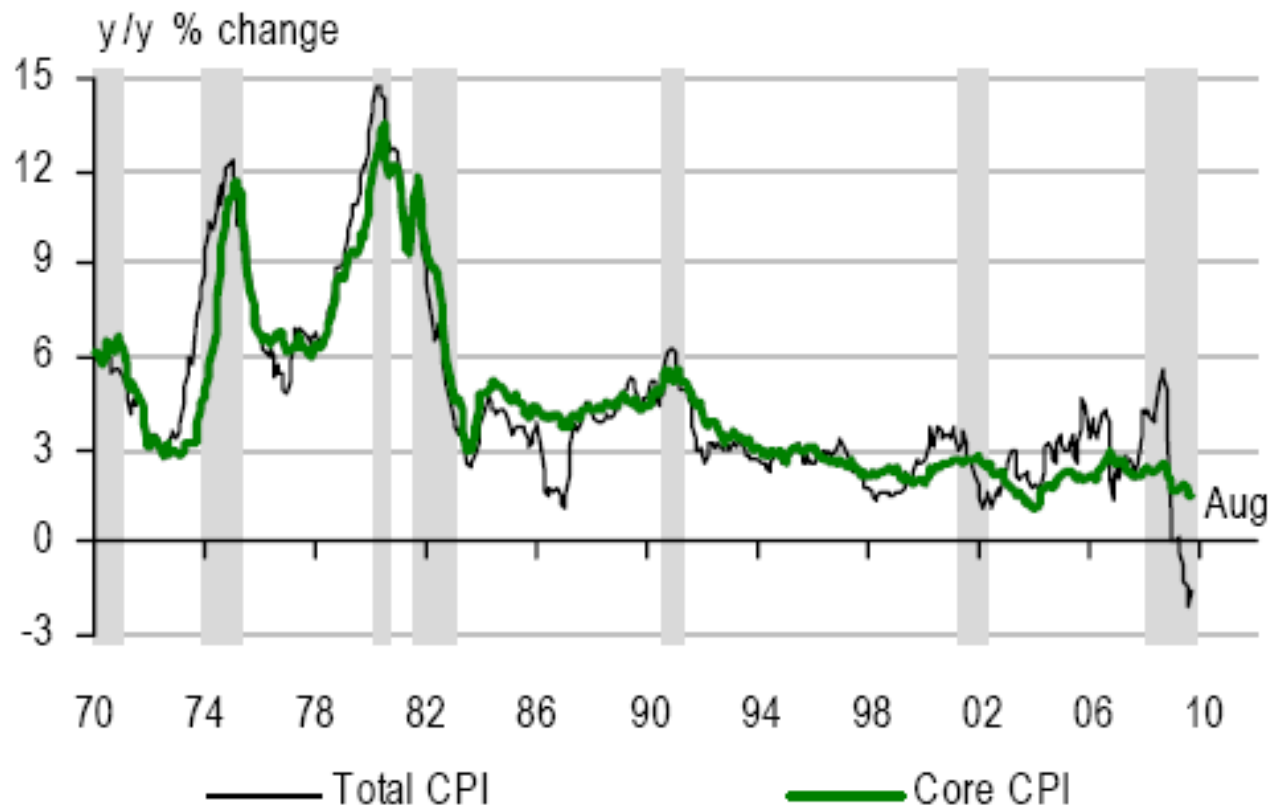
Inflation Expectations



Output Gap



Consumer Price index





Export Dependence

- Global Economy
- Protectionism

Service Economy

- Financial Services

 - Medical

 - Education

 - Retail

What Is CDS?

- Bond Insurance
- Speculation

CDS Premium for Korea



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2009 Bloomberg Finance L.P.
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CDS Premium for USA



Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000
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My Book

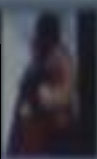
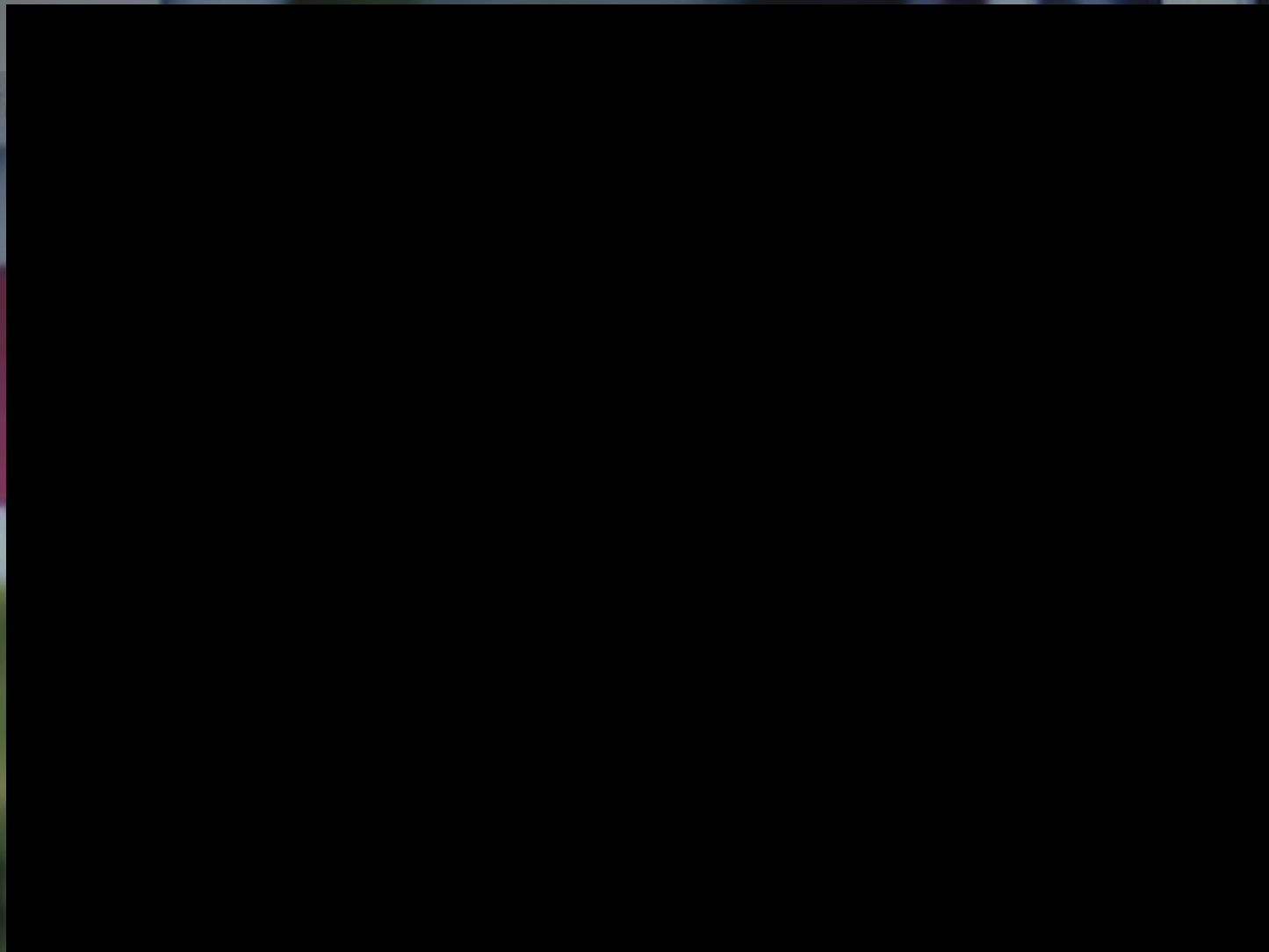
Financial Crisis

And

Exit Strategy

DrSohn.com
(not *Dr.Sohn.com*)

낙부이치치



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(more info)

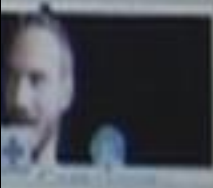
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