

ECONOMIC INDICATOR

The Economy Shows Minimal Signs of Stabilizing; Non-Residential Construction Industry Worsens.

Our country is in the middle of a deep recession and everyone is looking for any type of sign, data, graph, or chart to signify the end of this downward spiral. Miles•McClellan is no different in the search for answers. We have decided to share a few important economic indicators with you each month; in this, we may better understand the challenges facing us in the near future.

INDICATOR	FEB	MAR	APR	MAY	JUN	JUL	AUG
Architectural Billing Index (ABI)	+	+	-	+	-	+	-
Initial Claims - Unemployment	-	-	+	+	+	+	+
Continuing Claims - Unemployment	-	-	-	-	-	-	+
Non-residential Construction Index (NRCI)			+			-	QTR
Capacity Utilization (effects Non-residential spending)	-	-	-	-	-	+	+
Auto Sales	-	+	-	+	-	+	+
Housing Starts	-	+	-	+	+	-	+
TED Spread	+	-	+	+	+	+	+
Baltic Dry Index (BDI)	+	+	-	+	+	-	-

Headlines

- After it looked as though the Architectural Billing Index was on the upswing, it decreased slightly in August, showing that the construction industry is not ready to make a come back yet.
- The Non Residential Construction Index came out for the third quarter from FMI showing a decline and that there still is no faith that the non residential construction industry is ready to rebound.
- Unemployment continues to increase and is projected to increase into 2010. One slight positive is that Initial Unemployment Claims have begun to decrease which potentially could be a good sign.
- Auto Sales shot up as the Cash for Clunkers Program very much succeeded in August.
- The increase of the Baltic Dry Index was supposed to signify the turnaround of the economy and the stock market. Now, some think that

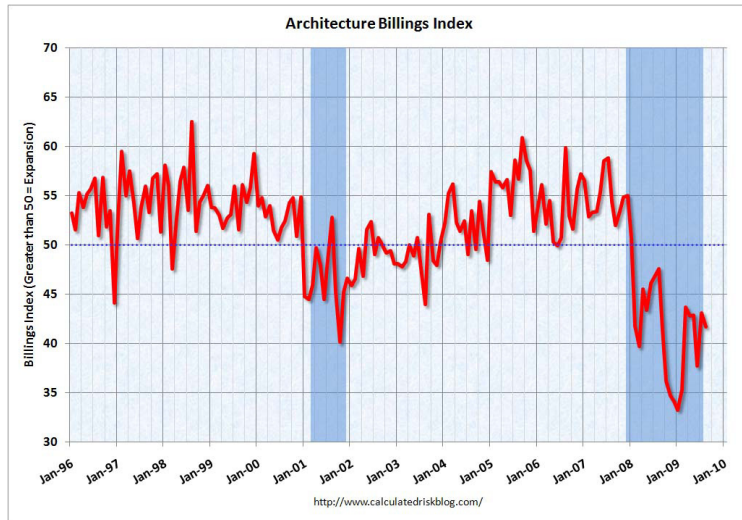
KEY

Positive Change	+	+	+	+
Negative Change	-	-	-	-
Good Performance				
Average Performance				
Poor Performance				

the increase may have been a false prophet, caused by foreign countries stockpiling inventory for the anticipation of an economic recovery. --- We are now seeing this coming true as the Baltic Dry Index has cut in half since June of this year.

ECONOMIC INDICATOR

ABI Suffers Small Decline But Inquiries Are Increasing



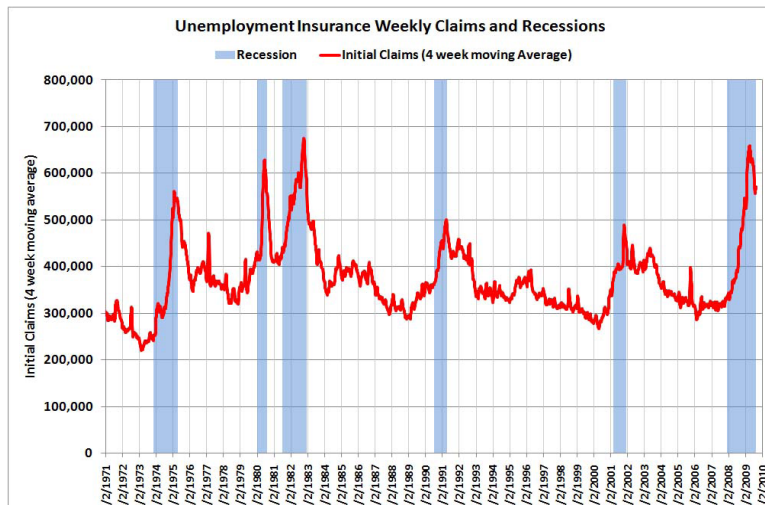
ABI - Architectural Billing Index

July Billings: 43.1 August Billings: 41.7
July Inquiries: 50.3 August Inquiries: 55.2

"While there have been occasional signs of optimism over the last few months, the overwhelming majority of architects are reporting that banks are extremely reluctant to provide financing for projects and that new equity requirements and conservative appraisals are making it even more difficult for developers to get loans", said Kermit Baker, AIA chief economist. "Until the anxiety within the financial community eases, these conditions are likely to continue." Historically there is an "approximate nine to twelve month lag time between architecture billings and construction spending" on commercial real estate (CRE). This suggests further dramatic declines in CRE investment through most of next year - at least.

Calculated Risk

Initial Claims and Continuous Claims Decrease



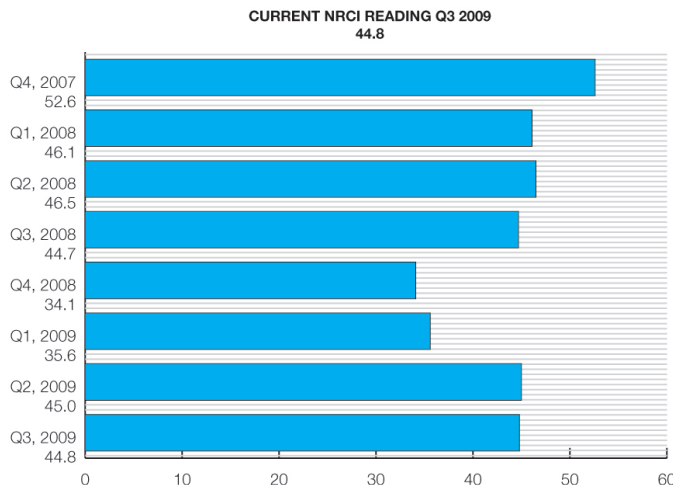
Initial and Continuous Unemployment Claims

July Initial Claims: 606,000 Aug Initial Claims: 566,250
June Cont. Claims: 6.89 M Aug Cont. Claims: 6.24 M

The number of initial weekly claims is still very high, indicating significant weakness in the job market. The four-week average of initial weekly claims will probably have to fall below 400,000 before the total employment stops falling. "It is now 20 weeks since initial jobless claims peaked and we are shedding only 92,500 fewer jobs. I found this quite worrying until I compared it to previous recessions, demonstrating that the last two jobless recoveries had a similar dynamic. Even in the recessions of 1970 and 1974-75, jobless claims were slow to fall. If one looks at these numbers in percentage terms, the fastest job recoveries in order are: • 1980: 28.6% • 1982: 27.5% • 2001: 19.0% • 2009: 14.0% • 1991: 13.7% • 1974: 10.9% • 1970: 7.3%"

Calculated Risk, Creditwritedowns.com - Edward Harrison
Graph by Calculated Risk

NRCI Shows that Recession Will Not End Soon for Construction



Non-Residential Construction

2nd QTR: 45.0 3rd QTR: 44.8

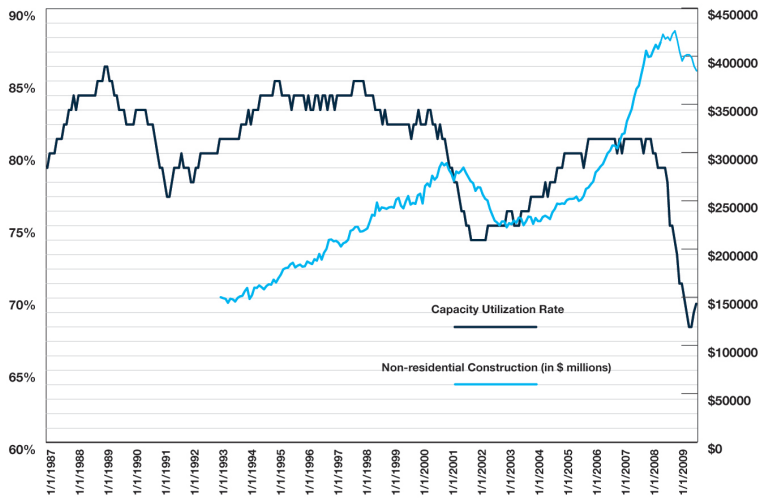
"This result leads us to think we are seeing the bottom of this long recession for nonresidential contractors. However, there isn't much this quarter indicating recessionary conditions, for nonresidential contractors at least, are going to end soon. Most panelists see the short-term outlook as slightly less bad than last quarter, and we will take that as a good sign, even if a small one. Panelists have reigned in their longer-term optimism, which seems to signal they are expecting a protracted recovery. The American Recovery and Reinvestment Act (ARRA) hasn't yet been that stimulating for nonresidential construction and has led to a certain amount of frustration in the responses this quarter. The hope for a quick recovery has faded, and contractors are now slugging it out in the trenches trying to keep their backlogs full and facing increasing competition."

FMI Nonresidential Construction Index

These projections are based on assumptions of fact which may not occur, and are speculative in nature. These projections have not been reviewed or approved by independent accountants or legal counsel or other advisors. Such assumptions are subject to variations that may arise in the future and which may be beyond the control of the corporation. Any change or variation in any of the assumptions would change the projected financial statements and analysis. No representation or warranty, express or implied, is intended as to the reasonableness or accuracy of these projections.

ECONOMIC INDICATOR

Capacity Utilization Slowly Making a Comeback



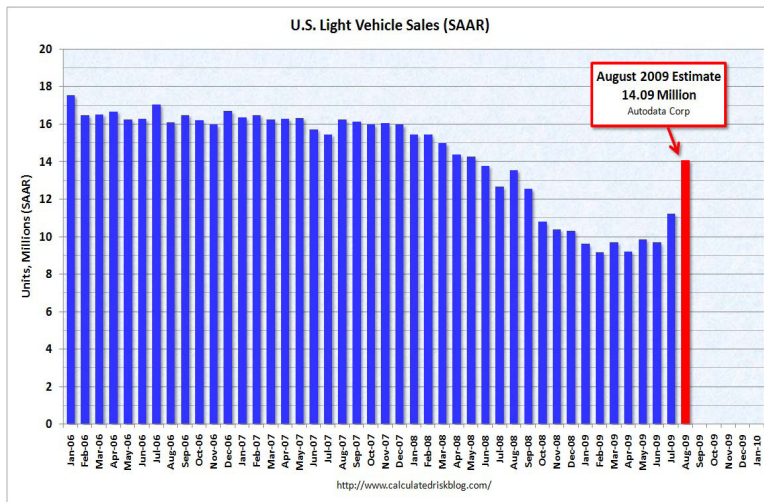
Capacity Utilization Rate

July 2009 Rate: 69.0% August 2009 Rate: 69.6%

“This series has increased for two straight months, and is up slightly from the record low set in June (the series starts in 1967). Capacity Utilization had decreased in 17 of the previous 18 months. Even excluding motor vehicles and parts, industrial production increased 0.4% in August. This suggests that the official recession ended sometime this Summer. “ The fact that the Capacity Utilization Rate continues to rise is a very slight positive for the future of non-residential construction. This rate will have to rise at a much higher rate to become a significantly positive number.

CalculatedRisk
Graph data: Federal Reserve

Cash for Clunkers Causes Large Jump in Auto Sales

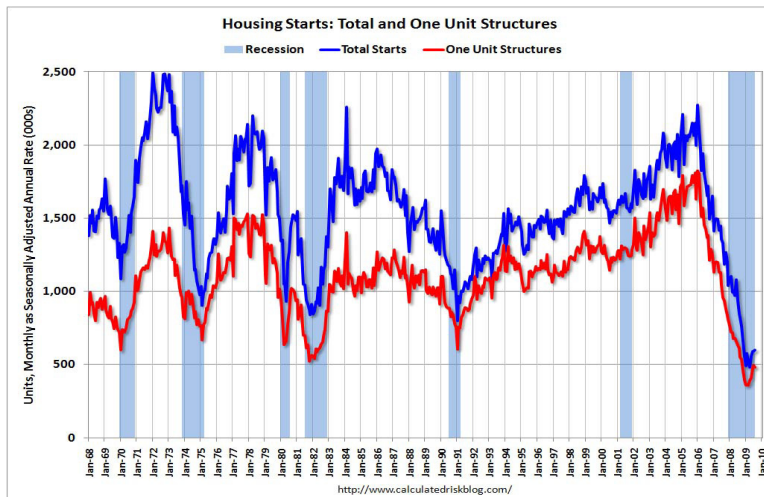


Auto Sales

July 2009: 11.24M August 2009: 14.09M

“Total industry sales in the United States increased 1 percent during the month compared with August 2008, and rose 26 percent compared with July. Ford posted a 17 percent gain in sales in August, partly because its Focus compact car was one of the top-sellers in the clunker program. Both G.M. and Chrysler have found it difficult to keep pace with the market after their trips through bankruptcy this year. Analysts said that showroom traffic was already starting to fall now that the clunkers program is over. But the stimulus provided by clunkers could have a lingering impact in the months ahead. The increase in demand from the program has prompted several automakers, including G.M. and Ford, to increase vehicle production to replenish inventories, adding to the momentum that appears to be building in the broader manufacturing sector. G.M. said Tuesday that its fourth-quarter production volumes would be 20 percent higher than during the July to September period.” New York Times, Nick Bunkley; Graph Calculated Risk

Housing Starts Regain Traction; Could be Worst Year Ever



Housing Starts

July 2009: 581,000 August 2009: 598,000

“Housing starts were up in August for the fourth straight month, the Census Bureau reports today. It’s another sign that the housing market’s worst days have passed -- but this doesn’t mean new-home construction will return to peak levels any time soon. The seasonally adjusted annual rate of housing starts in August of 598,000 units is up 1.5% from July, but still 29.6% below the same month a year earlier -- and 2008 was by far the worst year for housing starts since the federal government began tracking the data in 1959. The level of housing starts so far this year is on course to fall below last year’s total of 950,000 units; 2008 marked the first time in the 40-year history of the data that housing starts were below 1 million.”

Los Angeles Times , Peter Y. Hong
Graph by Calculated Risk

These projections are based on assumptions of fact which may not occur, and are speculative in nature. These projections have not been reviewed or approved by independent accountants or legal counsel or other advisors. Such assumptions are subject to variations that may arise in the future and which may be beyond the control of the corporation. Any change or variation in any of the assumptions would change the projected financial statements and analysis. No representation or warranty, express or implied, is intended as to the reasonableness or accuracy of these projections.

ECONOMIC INDICATOR

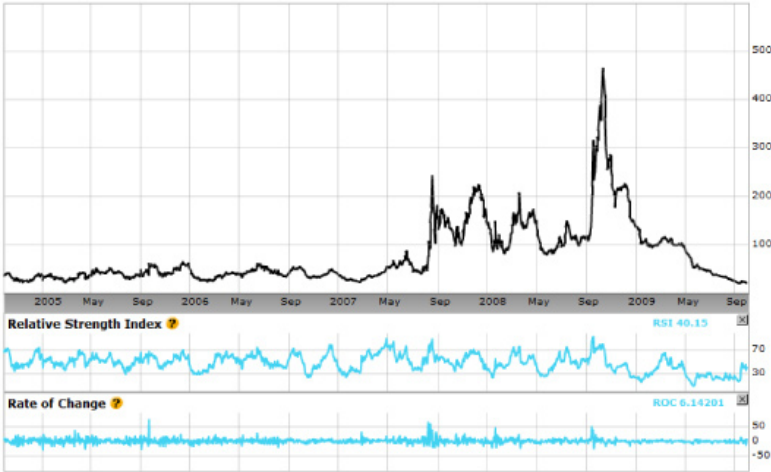
TED Drops to its Lowest Level Since 2007; Will Banks Finally Lend?

TED Spread

July 2009: .29% August 2009: .26%

“After reaching a historic high just a few months ago, the TED spread, or the difference between the rate that prominent banks pay each other in order to borrow money and the three month U.S. Treasury rate, is back below its long-run average. This suggests that confidence is returning to markets, and the markets believe that the government will work out their balance sheet. ...”. “Indeed, as can be seen in the chart, the TED spread has returned approximately to its historic norm. Banks have stepped back from the abyss, and no longer treat one another like junk borrowers.” ... The TED spread is so low that markets must think that governments will work things out.”

AEI, Kevin A. Hassett
Graph by Bloomberg.com



Baltic Dry Index On a Decline Since June

Baltic Dry Index - BDI

July 2009: 3,542 July 2009: 2,500

The Baltic Dry Index, a measure of shipping costs for commodities, had its worst week since October as Chinese demand for shipments of coal and iron ore slowed. “The Chinese have backed off and it’s starting to show in the number of shipments this month,” Gavin Durrell, a Cape Town-based official at Island View Shipping SA, Africa’s biggest commodities shipping line, said by phone today. “Iron ore and coal seem to be slowing down.” China’s record coal and iron ore imports in the first half helped the index to advance as much as fivefold this year, reversing some of the record 92 percent collapse in 2008. Demand rose after the country’s government announced a 4 trillion yuan (\$586 billion) stimulus package...”

Naked Capitalism, Bloomberg
Graph by Bloomberg.com

