Bond Dealers of America

NOVEMBER 2011

Economic Advisory Committee Survey

NATIONAL OUTLOOK

- Pace of Economic Growth Remains Restrained for the Next Year, Will Pick Up Gradually and Remain Below Long-Term Trend Rate
- Downside Risks to the Forecast Dominate
- European Sovereign Debt Crisis Could Have a Material Effect on the U.S. Recovery
- Employment Growth Is Slowly Gaining Traction but the Unemployment Rate Remains Elevated
- Fed Is Expected to Keep Target Rates at the Current Low Level at Least Until Mid-2013; 50-50 Likelihood That Rates Will Remain Low Until 2014
- Committee Estimates the Probability of Recession at 35%
- Administration's Job Growth Program Expected to Have Modest Impact

REGIONAL OUTLOOK

- Economic Conditions Expected to Improve Modestly Across Regions
- Economic Growth Outlook Most Favorable in Great Lakes, Plains and West
- Yet Downside Risks Dominate in Northeast, Southeast, Great Lakes and West

Moody's Analytics

DEVELOPED IN COLLABORATION WITH MOODY'S ANALYTICS

Introduction

This report is the fourth in the semiannual economic forecast survey series of the Bond Dealers of America Economic Advisory Committee. BDA developed the forecast survey questionnaire with the assistance, advice and guidance of Moody's Analytics. This economic forecast survey stands apart from other forecast surveys in at least two respects. First, the economic advisory committee includes both chief economists of middle market bond dealers and other market participants and market strategists at the firms. Second, the survey addresses both national and regional economic issues.

About BDA

» The Bond Dealers of America is the Washington DC-based trade organization for securities dealers and banks primarily focused on the U.S. fixed income markets. The BDA provides advocacy on federal legislative and regulatory matters in addition to a wide range of conferences and events and publishes research on trends, policy, and market practice issues affecting the demographic of the fixed income securities dealer.

About Moody's Analytics

» Moody's Analytics is a leading independent provider of economic, financial, country and industry research designed to meet the needs of businesses, governments and professional investors. Its research has diverse dimensions: country analysis, financial markets, industrial markets and regional markets.

Executive Summary

Macroeconomic forecast

The Bond Dealers of America's Economic Advisory Committee consensus view, according to the survey,[1] is for the pace of economic growth to remain modest, but to gradually pick up in 2012 and 2013. Economic growth will approach potential over that time period, as a result of aggressive monetary policy and improving consumer and business confidence. The forecasts are dependent on the effectiveness of monetary policies and the expectation of some fiscal policy retrenchment as the focus turns to paring the deficit and debt management during the 2012-2013 forecast period. With restrained employment and output growth, the risk of stronger than expected inflation is muted.

» The median forecast calls for GDP growth of 1.7% in 2011, 2% in 2012, and 2.7% in the first half of 2013.

» Inflation, as measured by the Consumer Price Index, is expected to moderate from 3.1% in 2011 to 2.2% in 2012. Growth in energy and food prices is expected to slow in 2012 along with global demand. The consensus expectation is for inflation to remain well under control over the next year.

» Real personal consumption expenditures are expected to rise by 2.1% in 2011 and 2012 and will increase to 3.2% in the first half of 2013. Real private investment spending is expected to grow by 8.4% in 2011 and 6.5% 2012.

» Unemployment will remain elevated relative to historic trends but will gradually decrease over the forecast horizon. The consensus view is that the unemployment rate will average 9% in 2011 and 2012 and decrease to 8.8% in the first half of 2013. Average monthly job growth will be restrained and less than that necessary to meaningfully reduce unemployment.

Risks to the forecast

Despite the expectation of modest growth over the next two years, substantial economic headwinds remain. By more than a 3:1 margin (77% vs. 22%) respondents believe that downside risks dominate. The key downside risks to the forecast cited by respondents are the European debt crisis and housing. Other significant downside risks are the labor market and consumer spending. Lower energy prices and a declining value of the U.S. dollar were cited as the leading upside risks to the forecast. Monetary policy was also cited as an important upside risk.

Monetary policy

The consensus view of the BDA Economic Advisory Committee is that the Federal Open Market Committee will retain its accommodative monetary policy stance with respect to the target federal funds rate. An overwhelming 85% of respondents expect that the target federal funds rate will not be raised until the middle of 2013 or later. The committee places a 36% probability of a third round of quantitative easing and concludes that, on a net basis, the Operation Twist strategy will be a net positive to economic growth.

Fiscal policy and deficit

The median forecast expects the federal budget deficit to decline from \$1.3 trillion to a still elevated \$1.1 trillion.[2] A lower rate of growth in federal spending will contribute to deficit reduction. The median forecast projects federal spending to decline by 2% in 2011 and 2012, in part due to waning federal stimulus spending, and also deficit reduction measures likely to be implemented by the special congressional committee. The federal deficit will also be reduced through stronger revenues from a gradually improving economy.

Regional forecast

Respondents expect that all regions will see modest improvement in economic conditions over the next six months. The greatest improvement is expected to be in retail sales and commercial real estate, with less significant improvements coming in credit availability and manufacturing. The committee expects improvements in economic conditions to be the most significant in the West, Southwest and Plains, and weakest in the Northeast.[3] Housing prices are expected to remain generally weak over the next six months with declines in the Northeast, Southeast, Plains and West. Modest gains in house prices are expected in the Great Lakes, and prices will be flat in the Southwest.

[1] The BDA Economic Forecast Survey was conducted the week of October 15 - October 22. Ten firms participated in the survey.

[2] The federal deficit forecasts for the coming year range from \$950 billion to \$1.26 trillion.

[3] The relative performance measure is the percentage of sectors for which the regional outlook is better than the outlook for the nation as a whole over the next six months, based on survey responses.

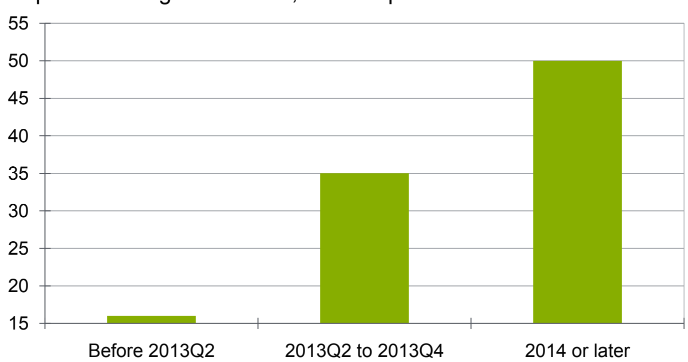
Monetary Policy

Rates policy unlikely to change

The FOMC has been clear in its intention to maintain the target federal funds rate close to 0% through the middle of 2013. The committee's consensus is that the Fed will at least hold to that strategy and may need to keep the target rate low beyond this time period. Only 15% of respondents expect the target rate to rise before the middle of 2013, 35% expect rates will rise in the second half of 2013, and 50% believe the target rates will rise in 2014 or later. One member noted that while the Fed will probably raise rates after mid-2013, "if growth reaccelerates and unemployment falls, the Fed may raise rates a bit sooner."

Low Target Fed Funds Rate Until at Least 2013

Expected timing of rate hike, % of respondents



The Fed has indicated that it is willing and able to take additional measures to support the recovery if necessary. The committee placed the probability of a further increase in the Fed's balance sheet, also known as quantitative easing or "QE3," at 36%.

The committee generally had a favorable view towards the Fed's announced "Operation Twist" strategy of selling shorter maturity government debt of three years or less, and buying government securities with longer maturities of six to 30 years. Over 80% of respondents think the move will have a "moderate positive effect" on the economy with the balance viewing the strategy as being "neutral," having minimal impact.

Interest rates and financial markets

The committee's consensus view is for a low interest rate environment to persist over the forecast horizon. The driving factors behind the low interest rates will be monetary policy as described above, but also continued low U.S. Treasury yields that serve as a benchmark interest rate and influence market lending rates. Volatility in equity markets has encouraged a flight to the relative safety of U.S. Treasuries, and rates have recently tracked at record lows below 2%. The Standard & Poor's 500 index dropped 18% from July to September, before gaining back some of the losses in October, and investors may continue to shift toward Treasuries if volatility in equity markets continues.

Treasury and yield curve

The median 10-year Treasury yield forecast is 2.15% at the end of 2011 and 2.65% at the end of 2012.[4] (The 10-year yield on September 30 was 1.99%). Most of the committee (55%) offered the opinion that the two-year to 10-year yield curve will flatten slightly in the next six months, and the shape of the yield curve in the consensus forecast reflects this in the near term. The difference between the 10-year and two-year yields decreases from 256 basis points at the end of the second quarter of 2011 to just less than 190 basis points by the end of the first quarter of 2012. By 2013, the yield curve in the consensus forecast steepens slightly. This increase could be less pronounced in early 2013 if the Fed increases the target rates prior to mid-2013.

Credit Markets

Corporate credit spreads tightening

Both the taxable (corporate) and tax-exempt markets have rallied strongly since the height of the credit crisis at the end of 2008. In the corporate bond sector, spreads have come down as a result of record profits, strong corporate balance sheets, and a stronger appetite for credit risk and yield in the low interest rate environment. The committee's consensus view expects bond yield spreads to decrease in the investment-grade and high-yield corporate bond markets. This reflects, in part, turmoil in the European sovereign debt markets and preference for the relative calm in the U.S. corporate bond market. Reflecting today's risk appetite and economic growth prospects, the expectation of tightening bond spreads was more prominent for the investment-grade bond market.

[4] The 10-year yield forecast ranged from 1.93% to 3.29% at the end of 2011 and 2% to 4.01% on June 30, 2012.

Municipal yields expected to rally relative to Treasuries; municipal issuance to increase

The municipal market has successively recovered from turmoil and uncertainty, real and imagined, earlier in the year, and has had a strong 2011. The committee was evenly split as to whether municipal yields relative to U.S. Treasuries will widen or narrow. Reflecting the mixed committee view on municipal bond versus Treasury yields, the spread is expected to stay in place with 10-year Treasury yields well below municipal bond yields. The 2011 municipal market return performance also reflects of reduced supply of issuance relative to apparent investor demand. With respect to the outlook for issuance in 2012, the committee's strong consensus was one of more issuance in 2012, with 88% of the committee members expecting higher volumes in the coming year.

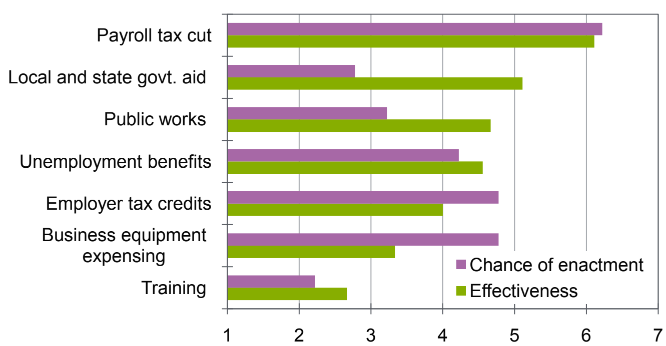
Fiscal Policy

The deficit for the current fiscal year is expected to be reduced from $1.3 trillion to a still-concerning $1.1 trillion based on the expectation of stronger economic growth supporting revenues. Shifts in tax and spending policies are of course critical in analyzing the federal deficit, and the survey was conducted during a period of significant uncertainty surrounding future government policy. The median forecast calls for federal government expenditures to decline by 2% per year over the forecast horizon (on a calendar year basis).

A centerpiece of the administration's fiscal stimulus is its announced job creation initiative, which it expects to finance, at least in part, with tax rate increases for high-income households. Any net spending on the employment program will add to the deficit and create additional pressure on the congressional debt reduction supercommittee. The committee was asked to rate the likelihood that each of the major provisions of the jobs initiative will be enacted. The committee considered the most effective and most likely to be enacted provision to be a payroll tax cut.

Assessment of Proposed American Jobs Act

By provision, scale of 1=unlikely/ineffective to 7=likely/effective



The chart below depicts the committee's view of the likelihood and effectiveness of components of the administration's jobs initiative, on a scale of 1 being unlikely or ineffective, to 7 being highly likely or highly effective.

When considering the administration's job creation initiative in its entirety, there was an even split between the expectation that the initiative would have "some positive impact" (45%) and "little impact" (45%), with the remaining respondents viewing the proposed program negatively. The committee consensus was that the entire package was unlikely to be enacted, and some respondents believed that none of the package will be enacted.[5]

State and local government budget impact

In recent years, federal spending, including direct financial assistance to the states, offset the drag from lower state and local government spending as state and municipal budgets were squeezed. Tax increases and lower levels of spending, at the state and local government levels will continue to weigh on recovery. The improving economy is generating stronger sales and income tax revenues, but fiscal challenges remain widespread across most states. State and local government spending is expected to decrease by 2.3% in 2011 and by 1.5% in 2012.

There was a clear consensus as to which states are expected to face the most serious fiscal challenges in the coming year. States where the housing downturn has been severe will be in the most serious budget trouble, including California, Arizona and Nevada, followed by Illinois. States expected to be in the strongest fiscal positions are those that have benefited from energy exploration and high oil prices, including North Dakota and Wyoming.

[5] The entire jobs bill was defeated in the Senate on October 10.

Economy

GDP

The median projection calls for growth in gross domestic product, the broadest measure of economic output, of 1.7% in 2011 and 2.2% in 2012.[6] These growth rates reflect a moderation of growth after GDP expanded by 3% in 2010. Much of that growth, however, was driven by inventory replenishing and higher levels of fiscal stimulus, both of which provided much less support to the economy in 2011. The consensus forecast calls for modest growth that approaches the long-term potential rate of growth of the economy.

Downside forecast risks dominate: Europe and housing are the key risks

The consensus view of the committee is that the forecast risks are predominantly to the downside (77% of the respondents held that view), with the balance considering the forecast risks to be balanced between the upside and downside. The most prevalent downside risks are that the European sovereign debt crisis spreads to the U.S. economy, and the still-weak housing market deteriorates further. Other prominent risks are stagnant job growth and weak consumer spending. Conversely, the upside risks were identified to be lower energy prices, followed by monetary policy and a declining value of the U.S. dollar that could stimulate demand for U.S. exports. Additional upside risks mentioned include the potential for labor market improvements, if businesses gain more confidence to hire, and greater credit availability.

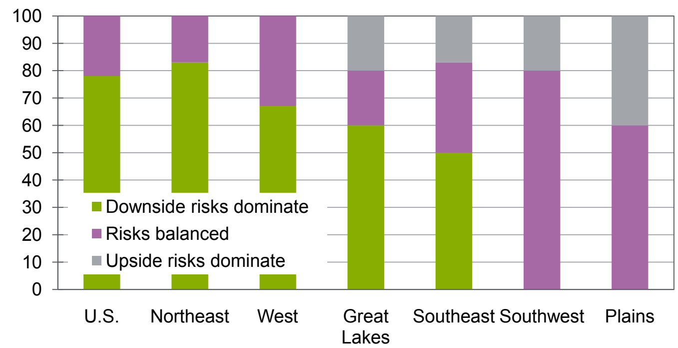
The committee's assessment of regional risks is generally similar to that at the national level. For the Northeast, 83% believe that downside risks dominate, and 17% see upside risks as balanced. For the Southeast, 50% believe downside growth risks are dominant, compared with 17% who believe the risks were mostly on the upside and 33% who believe the risks are balanced. For the Southwest, 20% believe that the upside risks dominate and 80% see the risks as balanced. For the Great Lakes (industrial Midwest), 60% believe the downside risks dominate, and 20% believe the upside risks dominate with a similar 20% considering the risks balanced. In the Plains, 40% believe upside risks dominate and 60% consider the risks balanced. For the West, 67% believe the downside risks are dominant, and 33% believe that risks are balanced.[7]

[6] The survey does not incorporate GDP data for the third quarter of 2011 released on October 27.

[7] Northeast: New England plus Mid-Atlantic; Southeast: East South Central plus South Atlantic; Southwest: West South Central; Great Lakes: East North Central; Plains: West North Central; West: Mountain plus Pacific. For regional definitions, please see: http://www.census.gov/geo/www/us_regdiv.pdf

Risks Are Weighted to the Downside in Most Regions

Growth forecast risks, % of responses



Core inflation under wraps: Inflation risk is in energy prices

The survey responses indicate the expectation that core inflation will remain within the Federal Reserve's historic target range of under 2%, but elevated energy and food prices will push the overall CPI higher. Excess capacity in the economy has restrained price and wage growth, but the gradual economic improvements expected to occur during the latter part of the forecast period, along with increased capacity utilization, will eventually put upward pressure on prices. Driven by energy prices, growth in the headline CPI is expected to be 3.1% in 2011 and then ease back to 2.2% in 2012.[8] As might be expected, the panelists identified energy prices as the most prominent risk to the inflation forecast on the upside, meaning stronger inflation than expected, followed by a weak dollar and continued accommodative monetary policies. The median forecast calls for the price of a barrel of West Texas Intermediate crude oil to be at $91 at the end of 2011 and $96 at the end of 2012, compared with $79 at the beginning of 2011. The most important downside risk to the inflation forecast was also energy, reflecting the committee members' view of energy price volatility.

Economic performance by sector

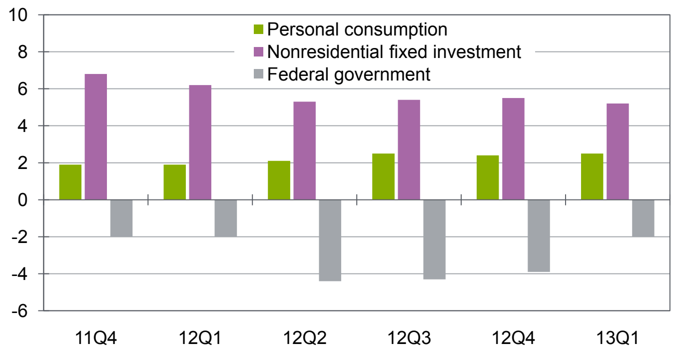
The committee expects private sector growth to be an increasingly important contributor to economic growth relative to government spending. In 2009, government spending generated demand and offset significantly reduced private investment and consumer spending. As government spending slows, private spending and investment will increasingly drive growth. Consumer spending, representing the largest sector of the economy, is expected to grow by 2.1% in 2011 and 2012 and gain momentum in

[8] Consumer Price Index forecasts for 2012 ranged from 1.3% to 2.5%.

2013. Committee members expect retail sales to improve modestly in every region over the next six months, supporting the view of steadily rising consumer spending. The median projection has business capital spending increasing but at a reduced rate, from 8.4% in 2011 to 6.5% in 2012.

Private Sector Spending Will Drive Growth

Real spending, % change annualized



Employment is gradually improving

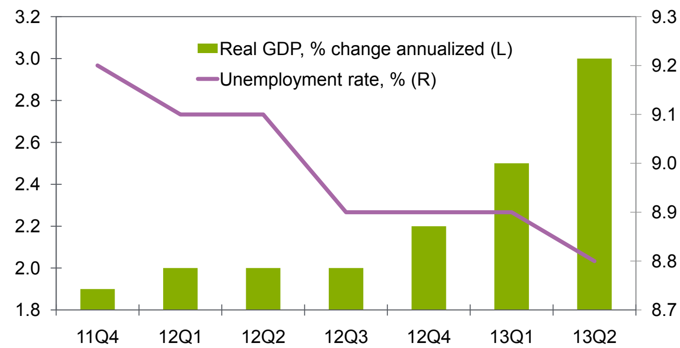
Despite the forecast for a gradually improving economy, the unemployment rate will remain persistently high. The median forecast projects the unemployment rate will average 9% in 2011 and 2012 and decrease to 8.8% by the middle of 2013. This forecast reflects the expectation of a declining unemployment rate from the 2010 average of 9.6%. The committee expects monthly payroll employment gains to average 130,000 in 2012 compared with less than 106,000 in 2011, reaching 199,000 per month by the second quarter of 2013.[9]

The expectation of a gradually improving labor market also applies to most regions, with the exception of the Northeast. Employment in this region is expected to be flat over the next six months. The Southeast is the only region where the unemployment rate is expected to decrease, while in other regions, the forecast calls for no change.

Housing

The committee expects housing to begin its long-delayed recovery over the coming six months with rising housing starts and sales. The consensus forecast calls for house prices to continue to decline for the remainder of 2011 by 3.9%, and then to essentially hold steady in 2012 with a 0.3% increase, based

Slow Improvements in the Real Economy

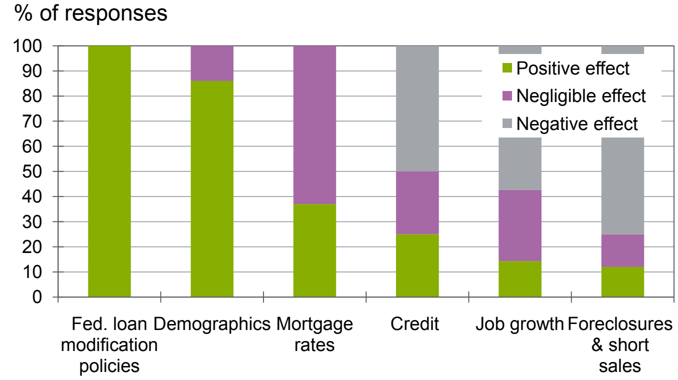


on the S&P/Case Shiller index. Stronger appreciation in national house prices is not expected to come until at least 2013. Even so, housing prices will remain well below their peak following national price declines of about 30% over the last five years. Similarly, existing-home sales are expected to rise from a low of 4.6 million units in 2011 to 5.6 million in 2012. Housing starts will rise slightly from 600,000 to 800,000 over the same period.[10]

The chart below summarizes survey respondents' views of the factors and policies that influence their housing outlook. One member noted, "mortgage rates are not holding back the economy. Credit availability and the preponderance of homeowners that owe more on their mortgage than their home is worth are large impediments." According to survey respondents, the most significant drags on housing are foreclosures and distress sales, and the lack of credit availability. By contrast, the most positive effect comes from historically low mortgage rates. The committee generally expects federal loan

What Will Impact the Housing Outlook?

% of responses



[9] The average 2012 unemployment rate forecast ranged from 8.7% to 9.3%, and the average monthly employment growth forecast for 2012 ranged from 82,000 to 200,000.

[10] The difference between the quarterly and annual existing-home sales forecasts reflects the fact that some committee members provided annual forecasts but not quarterly forecasts.

modification policies, as well as demographic trends, to have little effect on housing.

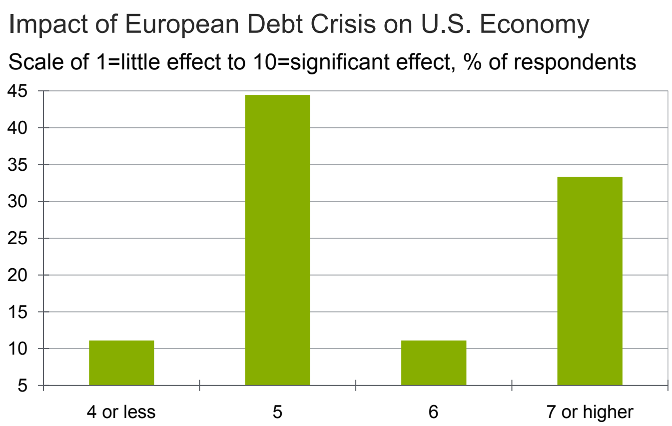
Regionally, the consensus view is that housing starts will be rising over the next six months in four of the six regions. Expectations are for housing starts to be flat in the West and to decline in the Northeast. House prices are expected to remain weak with prices expected to be essentially flat in the Southwest and rising in the Great Lakes, but continuing to trend lower in the other regions. Forthcoming price declines are expected to be greatest in the Northeast.

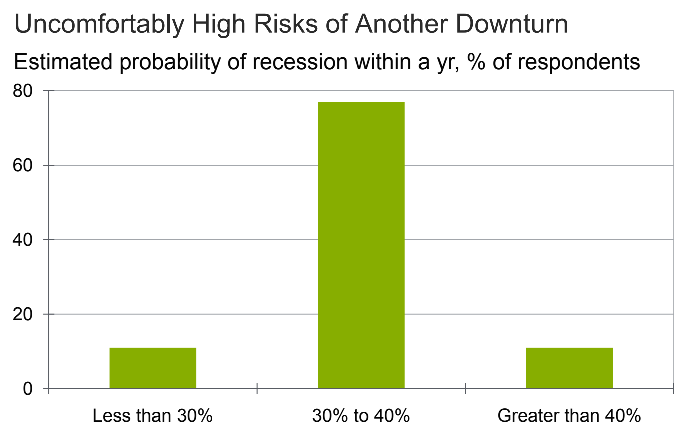
The European debt crisis could impact the U.S. economy

The sovereign debt situation and linked financial risks that stem from countries such as Greece, Ireland, Spain and Portugal, are well known and reaching a mature stage. If the crisis worsens, there could be serious negative implications for European and global financial markets. The committee believes further deterioration and spreading of the European sovereign debt problems are significant risks to the U.S. recovery. On a one to 10 scale, the committee's consensus is that the effect on the U.S. would be at least a five.

What is the likelihood of a recession?

In light of weak housing data and persistently high unemployment rates, there has been a great deal of conjecture as to the risk of another recession. The committee's consensus view is that there is a material and nontrivial possibility, but not a likelihood, of a return to recession within the next year. Most of the committee places the probability between 30% and 40%, up from less than 20% when the survey was last taken in April.





Regional Outlook

Business/economic conditions

Business and economic conditions are generally expected to improve over the next six months in all six regions. On average, the strongest improvement is expected in retail sales and commercial real estate. Across the regions, manufacturing conditions are expected to show modest improvement, with no change expected in the West and weakening in the Northeast. Relative to the national outlook, the committee expects the most substantial improvement to come in the Plains, West and Southwest and the weakest relative performance in the Northeast. There appears to be more disparity among regional sector performance than in our previous surveys. The smallest regional disparities (as measured by the differential between the highest and lowest regional score) are expected in commercial real estate, and the largest disparity is expected in manufacturing.

Labor market

The consensus view is that net employment or job creation is projected to increase modestly in every region except the Northeast where it is projected to be flat. The strongest growth is expected in the Plains. Unemployment rates are projected to rise in three regions: the Plains, the Great Lakes, and the Northeast. The unemployment rate is expected to be unchanged over the next six months in the Southeast, Southwest and the West.

Housing

The committee's consensus view is that house prices generally will remain weak over the next six months in most regions. House price declines are expected in four regions, with flat prices in the Plains, and higher prices in the Great Lakes. Housing starts, or new home construction, as measured by issuance of new residential building permits are generally expected to increase in four regions with the strongest gains expected in the Great Lakes, although this would come off a very low base. Construction in the Northeast is expected to be weak over the next six months and flat in the West.

Conclusion

The Bond Dealers of America Economic Advisory Committee forecast trends offer a view that economic growth will remain frustratingly slow but will increase gradually over the next two years. Growth will approach long-term potential and begin to accelerate toward the end of 2012 and into 2013. As the stimulus effect subsides and federal deficit management is a policy objective, growth is expected to come increasingly from the private sector, including consumer spending and business investment. The key policy variable will continue to be monetary policy. The dominant forecast risks are on the downside, driven primarily by the European debt crisis, housing, and the labor market. There is some upside risk to the forecast stemming from strong corporate balance sheets and profitability and households' progress in paring down debt.

With the exception of the Plains and Southwest, the committee also believes that regional economic growth forecast risks are primarily to the downside. The committee generally sees modest economic improvements in most sectors of the economy across the regions over the next six months. In most regions, net job creation is expected and unemployment rates should stabilize. House prices will weaken, with the notable exceptions of the Great Lakes and Southwest where they will be little changed. Residential construction is expected to increase across the nation, with the most notable exception being the Northeast, where the forecast calls for lower levels of construction.

Appendix

Bond Dealers of America Economic Advisory Committee Survey Results (Median Response)

Table 1

National Economic Data Forecast

	Actual			Forecast									
National	**2010**	**Q1 11**	**Q2 11**	**Q3 11**	**Q4 11**	**2011**	**Q1 12**	**Q2 12**	**Q3 12**	**Q4 12**	**2012**	**Q1 13**	**Q2 13**
Real GDP (% change annualized)	3.0	0.4	1.3	2.0	1.9	1.7	2.0	2.0	2.0	2.2	2.0	2.5	3.0
GDP (4th qtr to 4th qtr)						1.3					2.0		
Real personal consumption expenditure	2.0	2.1	0.7	1.8	1.9	2.1	1.9	2.1	2.5	2.4	2.1	2.5	3.2
Real nonresidential fixed investment	4.4	2.1	10.3	10.0	6.8	8.4	6.2	5.3	5.4	5.5	6.5	5.2	5.6
Real federal government spending	4.5	-9.4	1.9	-1.7	-2.0	-2.0	-2.0	-4.4	-3.9	-3.9	-1.9	-2.0	-2.0
Real state & local government spending	-1.8	-3.3	-2.8	-2.4	-1.2	-2.3	-1.2	-1.0	-0.5	-0.2	-1.5	0.0	0.2
Consumer price index - all urban consumers (% change)	1.7	1.3	1.0	0.8	0.5	3.1	0.5	0.5	0.6	0.6	2.2	0.7	0.7
Consumer price index (4th qtr to 4th qtr)						0.9					1.7		
Core consumer price index	1.0	0.4	0.6	0.7	0.5	1.7	0.5	0.5	0.6	0.6	2.0	0.7	0.8
Core consumer price index (4th qtr to 4th qtr)						0.5					0.5		
Case-Shiller® Home Price Index: single-family aggregate (index), SA, (% change)	0.2	-1.3	0.1	-0.3	-1.0	-3.9	0.0	0.1	0.1	0.2	0.3	1.0	1.2
Nonfarm payroll employment (avg monthly change, ths)	78.3	165.7	96.7	95.7	97.5	106.5	117.5	133.4	148.4	154.2	130.5	175.0	199.0
Single-family existing-home sales (mil, SAAR)	4.3	4.5	4.3	4.4	4.6	4.6	4.9	5.2	5.3	5.4	5.1	5.6	5.7
Housing starts (mil, SAAR)	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8
Unemployment rate (%)	9.6	8.9	9.1	9.1	9.2	9.0	9.1	9.1	8.9	8.9	9.0	8.9	8.8
Fiscal yr federal budget deficit ($ bil)	-1,294.2					-1,298.3					-1,080.2		
Oil price at yr end ($ per barrel)	79.4					90.8					96.5		

Table 2

Interest Rate Forecast

	Actual				Forecast						
End of Quarter	**Week of 5/31/10**	**Week of 6/30/11**	**Week of 7/31/11**	**Week of 9/30/11**	**End of qtr 12/31/11**	**End of qtr 3/31/12**	**End of qtr 6/30/12**	**End of qtr 9/30/12**	**End of qtr 12/31/12**	**End of qtr 3/31/13**	**End of qtr 6/30/13**
2-yr T-bond yield	0.81	0.46	0.41	0.27	0.30	0.41	0.43	0.60	0.80	0.91	1.18
5-yr T-bond yield	2.08	1.67	1.50	0.98	1.10	1.25	1.35	1.46	1.65	1.90	2.25
10-yr T-bond yield	3.25	3.11	2.97	1.99	2.15	2.29	2.39	2.49	2.65	3.00	3.25
30-yr fixed mortgage (%)	4.83	4.69	4.45	4.01	4.10	4.19	4.20	4.30	4.45	4.60	4.95
Municipal bond yield (BBI)	4.33	5.00	5.05	3.93	4.01	4.30	4.23	4.38	4.48	4.54	4.67
Federal funds rate	0.20	0.09	0.07	0.10	0.10	0.12	0.18	0.20	0.21	0.23	0.35

Notes
All respondents did not provide for every data item, thus there is room for disparity between quarterly and annual forecasts.
Historical data provided by Moody's Analytics. Some data may be subject to revisions from the source.
The end of the quarter interest rate forecast should be interpreted as the rate as of the last day of the quarter or as close to quarter-end as you forecast.
SAAR = seasonally adjusted annual rates
Historic yields based on FRB H.15 report.
Q3 economic data are the median estimate of the reported data by the survey respondents to the extent that the Q3 data have not been publicly reported.

Table 3

Labor Market and Housing Market Forecasts by Region Over the Next Six Months

SCALE: 1=Substantial Weakening 2=Modest Weakening 3=No Change 4=Modest Improvement 5= Substantial Improvement

	2011Q1	2011Q2	Average Score Next Six Months
Northeast			
Nonfarm employment (% change from previous qtr)	0.2	0.5	3.00
Unemployment rate (%)	8.3	8.0	2.33
National Assoc of Realtors median house price (% change from previous qtr)	-4.4	0.5	2.00
New residential construction permits: total, (ths, SAAR)	68.7	69.1	2.67
Southeast			
Nonfarm employment (% change from previous qtr)	0.1	0.3	3.80
Unemployment rate (%)	9.7	9.4	3.20
National Assoc of Realtors median house price (% change from previous qtr)	-4.8	0.4	2.80
New residential construction permits: total (ths, SAAR)	183.8	173.0	3.60
Southwest			
Nonfarm employment (% change from previous qtr)	0.6	0.8	3.25
Unemployment rate (%)	8.0	7.8	3.00
National Assoc of Realtors median house price (% change from previous qtr)	-3.4	1.5	3.00
New residential construction permits: total (ths, SAAR)	110.7	124.8	3.75
Great Lakes			
Nonfarm employment (% change from previous qtr)	0.7	0.2	3.50
Unemployment rate (%)	9.1	8.8	2.50
National Assoc of Realtors median house price (% change from previous qtr)	-7.67	1.38	3.50
New residential construction permits: total (ths, SAAR)	56.3	56.0	4.00
Plains			
Nonfarm employment (% change from previous qtr)	0.0	0.5	4.00
Unemployment rate (%)	7.0	6.8	2.50
National Assoc of Realtors median house price (% change from previous qtr)	-6.0	-1.0	2.50
New residential construction permits: total (ths, SAAR)	44.7	46.6	3.50
West			
Nonfarm employment (% change from previous qtr)	0.6	0.3	3.67
Unemployment rate (%)	10.8	10.4	3.00
National Assoc of Realtors median house price (% change from previous qtr)	-2.7	-1.3	2.33
New residential construction permits: total (ths, SAAR)	115.0	134.2	3.00

Notes

Historical data provided by Moody's Analytics; SAAR=seasonally adjusted annual rates.

Regional Definitions

Northeast: New England plus Mid-Atlantic
Southeast: South Atlantic plus East South Central
Southwest: West South Central
Great Lakes: East North Central (Industrial Midwest)
Plains: West North Central
West: Mountain plus Pacific
For regional responses, please use census regional definitions: http://www.census.gov/geo/www/us_regdiv.pdf

Table 4

Expected Changes in Economic and Business Conditions by Region Over Next Six Months

SCALE: 1=Substantial Weakening 2=Modest Weakening 3=No Change 4=Modest Improvement 5= Substantial Improvement

Region	Business Conditions	Manufacturing	Services	Business Spending	Retail Sales	Commercial Real Estate	Credit Availability	Percentage of Sectors Region Exceeded the National Average
Northeast	3.00	3.86	4.00	3.00	3.33	3.75	3.33	14
Southeast	4.00	2.33	3.00	3.80	3.80	3.80	3.40	14
Southwest	4.00	3.80	3.80	3.75	4.00	4.00	3.75	43
Great Lakes	3.50	3.50	3.75	4.00	4.33	4.00	3.50	29
Plains	3.50	3.67	4.00	3.50	4.50	4.00	4.00	43
West	4.00	3.00	3.50	3.67	3.67	3.67	4.00	43
Regional Average	**3.67**	**3.36**	**3.68**	**3.62**	**3.94**	**3.87**	**3.66**	

Regional Definitions

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