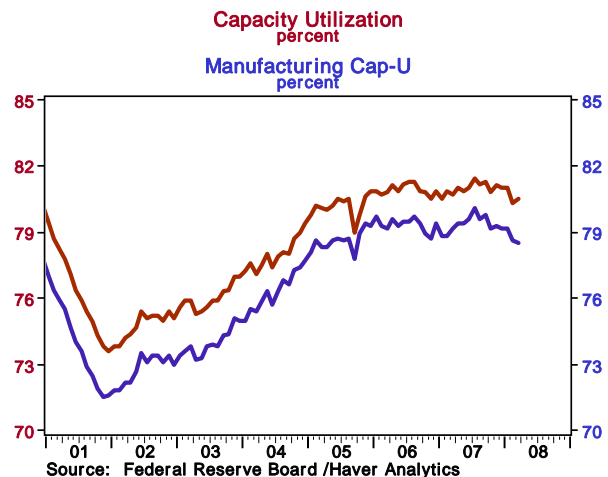
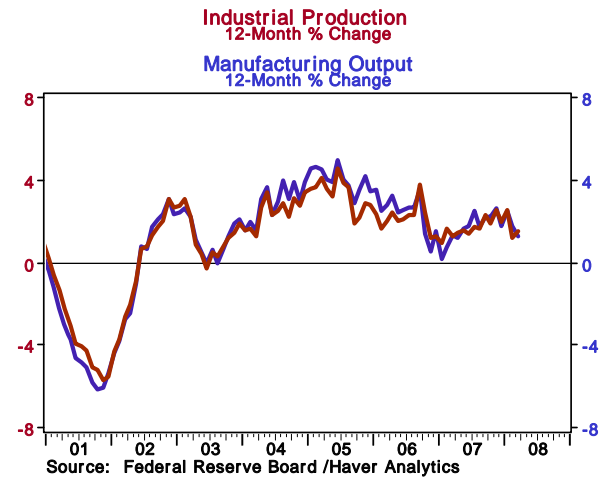


MARCH INDUSTRIAL PRODUCTION / CAPACITY UTILIZATION

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- Industrial production increased 0.3% in March, much better than the consensus expected drop of 0.1%. However, production was revised down for February, to a drop of 0.7% from an originally estimated decline of 0.5%.
- Manufacturing output increased 0.1% in March despite a 5.5% decline in the output of motor vehicles and parts. The production of high-tech equipment grew 2.6% in March and is up 26.5% versus last year.
- Overall capacity utilization increased to 80.5% in March, while manufacturing capacity utilization ticked down to 78.5%.

Implications: Industrial production surprised to the upside in March, undermining the theory the US is in recession. In the past six recessions – periods accumulating to about 5½ years – industrial output has only increased in six of those months. In the 2001 recession, industrial output did not climb even once. The gain in production in March was assisted by a rebound in utilities and a solid 0.9% increase in mining. However, manufacturing production was up 0.1% and was up 0.4% excluding a huge 5.5% drop in motor vehicles and parts, the largest monthly decline since 1998. We believe the Fed’s rate cuts have temporarily caused some businesses to put off activity until they think interest rates have bottomed. With that time approaching, we are getting closer to feeling the full force of the Fed’s loose monetary policy, which will result in rapid economic growth in the second half of 2008.



Industrial Production Capacity Utilization <i>All Data Seasonally Adjusted</i>	Mar-08	Feb-08	Jan-08	3-mo % Ch annualized	6-mo % Ch. annualized	Yr to Yr % Change
Industrial Production	0.3%	-0.7%	0.1%	-1.1%	-0.4%	1.5%
Manufacturing	0.1%	-0.5%	0.1%	-1.7%	-0.9%	1.4%
Motor Vehicles and Parts	-5.5%	-1.3%	-1.7%	-29.1%	-17.0%	-9.1%
Ex Motor Vehicles and Parts	0.4%	-0.5%	0.3%	0.7%	0.2%	1.9%
Mining	0.9%	0.3%	-1.4%	-1.1%	5.4%	3.2%
Utilities	1.9%	-3.6%	2.5%	2.6%	-0.2%	2.3%
Business Equipment	0.6%	0.0%	0.3%	3.7%	2.9%	4.7%
Consumer Goods	-0.1%	-0.9%	0.7%	-1.5%	-2.6%	0.1%
High-Tech Equipment	2.6%	2.0%	0.1%	20.3%	23.8%	26.5%
Total Ex. High-Tech Equipment	0.2%	-0.8%	0.1%	-2.2%	-1.3%	0.4%
Cap Utilization (Total)	80.5	80.3	81.0	3-mo Average	6-mo Average	12-mo Average
Manufacturing	78.5	78.6	79.2	80.6	80.8	81.0
				78.8	79.0	79.3

Source: Federal Reserve Board