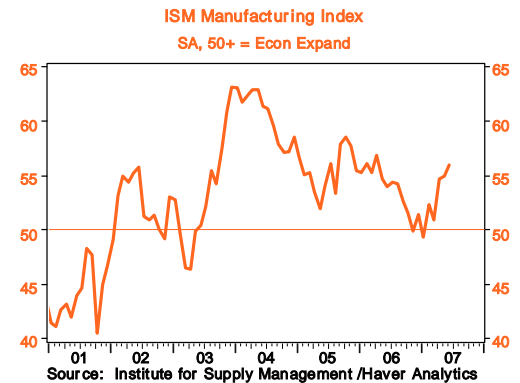


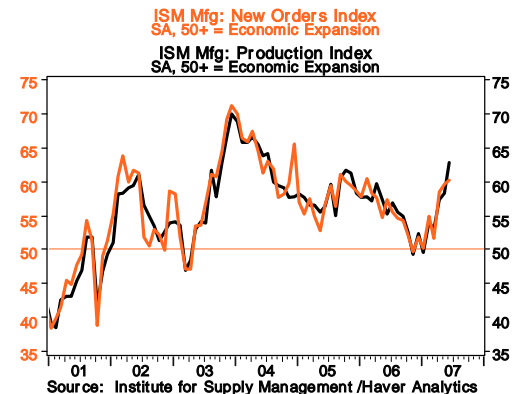
JUNE ISM MANUFACTURING INDEX

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- The ISM Manufacturing index increased to 56.0 in June from 55.0 in May. The consensus expected the index to be unchanged at 55.0. (Levels higher than 50 signal expansion; levels below 50 signal contraction.)
- The index was driven upward by an increase of 4.6 (to 62.9) in the production component. The new orders component rose by 0.7 points (to 60.3).
- The prices paid index declined to 68.0 from 71.0, but remains at a high level.



Implications: The coffin is closing on low expectations for the U.S. economy. Powered by faster growth in both production and new orders, the ISM index increased for the third straight month in June, reaching its highest level since July 2004. Data reported so far for the second quarter suggest an annual real GDP growth rate of 3.5% to 4%. Norbert Ore, the head of the Institute for Supply Management, says it looks like real GDP growth will be about 4% in Q2. “Remarkable,” he said. The economy is entering the third quarter with substantial forward momentum, which we believe will carry forward through next year. Given this strong growth and continued upward pressure on inflation we continue to forecast higher interest rates ahead, across the yield curve.



Institute for Supply Management Index <i>Seasonally Adjusted Unless Noted: 50+ = Econ Growth</i>	Jun-07	May-07	Apr-07	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Business Barometer	56.0	55.0	54.7	55.2	53.0	54.0
New Orders	60.3	59.6	58.5	59.5	55.9	57.4
Production	62.9	58.3	57.3	59.5	55.9	55.2
Inventories	45.3	46.1	46.3	45.9	45.0	47.8
Employment	51.1	51.9	53.1	52.0	50.9	49.4
Supplier Deliveries	49.7	50.3	50.2	50.1	50.8	55.1
Order Backlog (NSA)	53.5	52.5	54.5	53.5	50.4	54.0
Prices Paid (NSA)	68.0	71.0	73.0	70.7	64.9	76.5
New Export Orders	56.0	59.0	57.0	57.3	55.7	55.4

Source: National Association of Purchasing Management