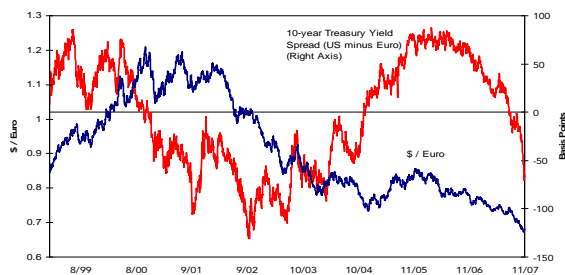


# Economic Review

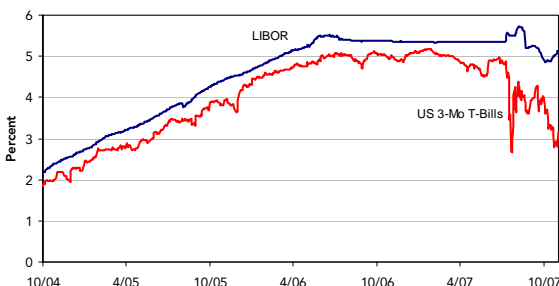
An expansion of credit problems further fueled fears of an economic slowdown during November. Fourth quarter GDP growth is expected to be significantly lower than the 4.9% GDP growth rate in the third quarter. Citibank and Merrill Lynch, citing multi-billion dollar writedowns of poorly performing mortgage debt, ousted their respective CEOs. The U.S. national debt officially passed \$9 trillion, or over \$29,500 per person. PetroChina's IPO garnered a market capitalization of \$1 trillion, making it the most highly valued company worldwide.

## US Dollar and Yields Weaken Further



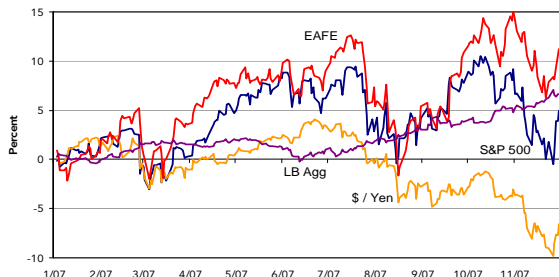
Sources: Bloomberg; Lehman Brothers

## US 3-Month T-Bill Yields and LIBOR



Sources: Bloomberg; Merrill Lynch

## Yen Carry Trade Affects Markets



Sources: Bloomberg; Lehman Brothers

Cumulative Year-to-Date Performance

### As of November 30, 2007

	November	3 Months	YTD
S&P 500	-4.2%	1.0%	6.2%
Russell 1000 Value	-4.9%	-1.6%	0.8%
Russell 1000 Growth	-3.7%	3.8%	12.2%
Russell 2000	-7.2%	-2.9%	-1.5%
MSCI EAFE	-3.3%	5.9%	13.7%
LB Agg	1.8%	3.5%	6.7%
3-Month T-Bills	0.5%	1.2%	4.7%

Equity markets fell worldwide, led downward by financial sector stocks, which at one point declined 16% in the U.S. The S&P 500 recorded its largest decline since December 2002, while posting its second 10% correction this year.

Investors pulled money from stocks with real and potential connections to mortgage-backed securities. E-Trade, an online bank and brokerage company, lost 50% of its value after reporting mortgage bond-related losses in its money market funds. The flight to safety pushed yields on 10-year Treasury bonds down to 3.84%, their lowest levels since March 2004. Futures markets anticipated a further interest rate cut on December 11, although the Federal Reserve has indicated a reluctance to cut rates.

Credit markets remained tight, leaving banks with little ability to obtain additional funding for new loan issues. The reluctance of credit providers to lend to banks and consumers highlighted the increased aversion to risk present in the market, and is the strongest threat to continued economic expansion. Inter-bank lending slowed substantially, reflected by the widening gap in the LIBOR – US TBills yields. The Federal Reserve noted an increased demand in Discount Window borrowing, traditionally used as a lender of last resort. Central banks continued to provide cash infusions to prevent a freeze on lending as commercial paper markets remained sluggish.

Federally backed Freddie Mac reported \$2 billion in losses on its portfolio of mortgage loans. The losses represented mortgage defaults on higher quality credit loans. Congress readied legislation aimed at curbing lending practices that facilitated the sharp rise in defaults and foreclosures. Vagaries in the legislation may result in an elevated reluctance to lend, as lenders would shoulder additional liabilities for borrower defaults.

The weakening dollar contributed to a record oil price of \$99.29/barrel. Gasoline prices rose to a national average of \$3.11/gallon. Retailers reported a slowing trend in consumer spending growth. Shipping volumes, as reported by trucking companies, fell as housing construction remained weak and retailers curtailed an inventory buildup ahead of the holiday shopping season.

The dollar weakness prompted undertones of retaliatory trade measures from Europe, as the Euro ascended to fresh highs. Strength in the Yen was mirrored by weak equity returns as carry trade positions were trimmed.