



US Economic Outlook

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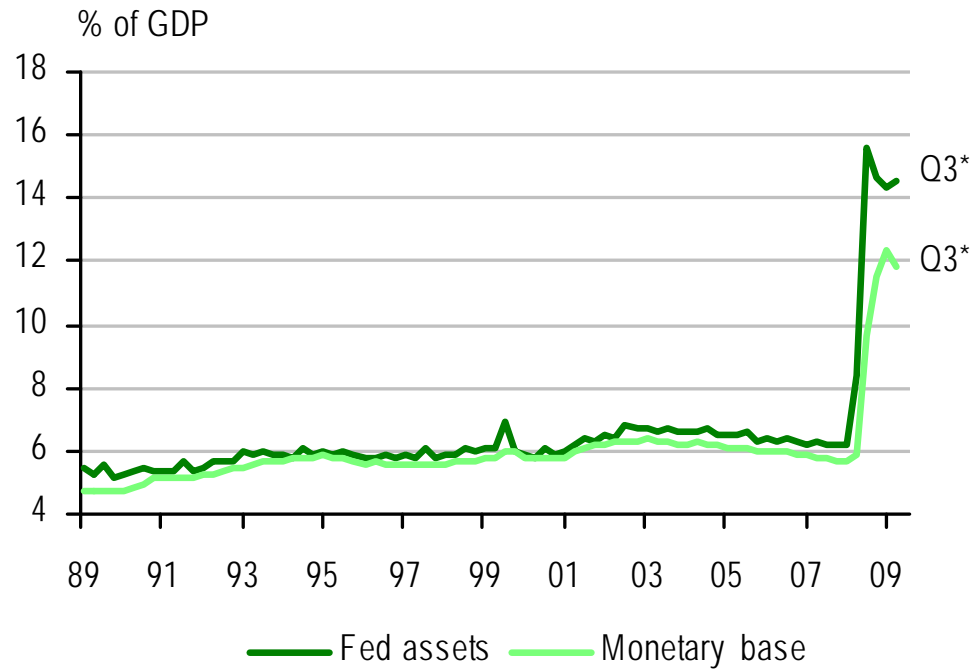
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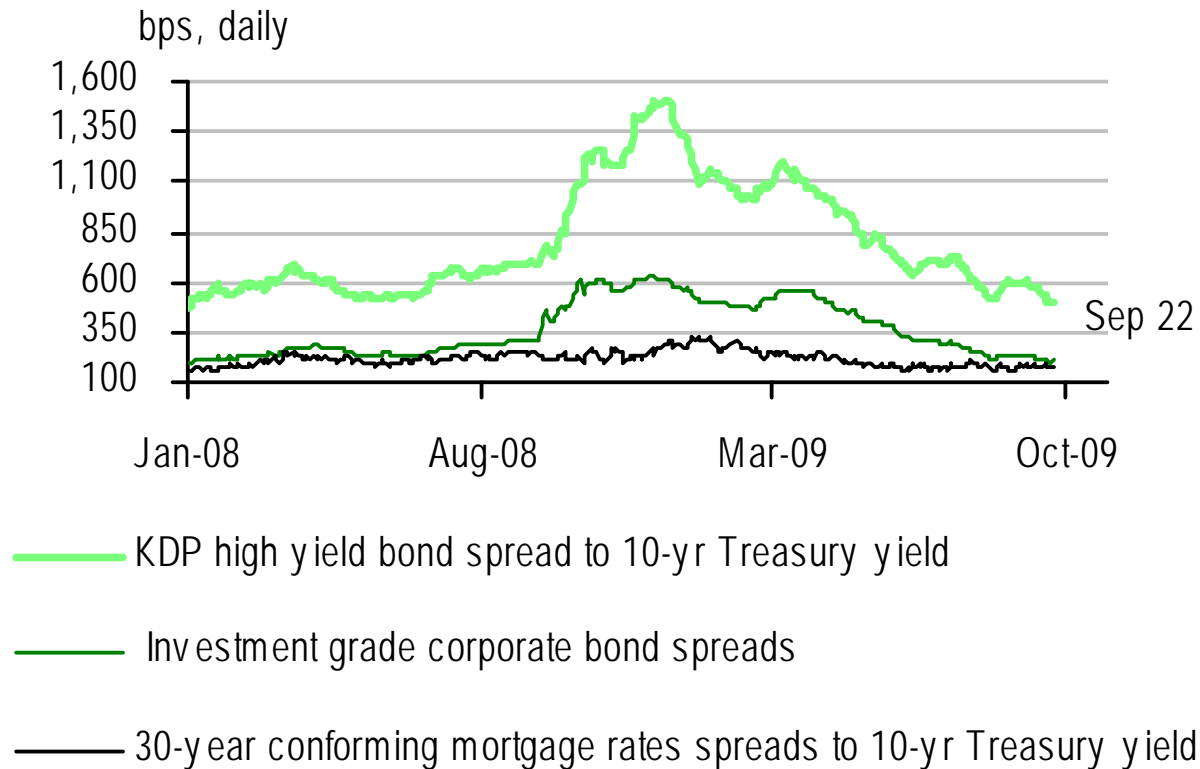
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The surge in the Fed's balance sheet...



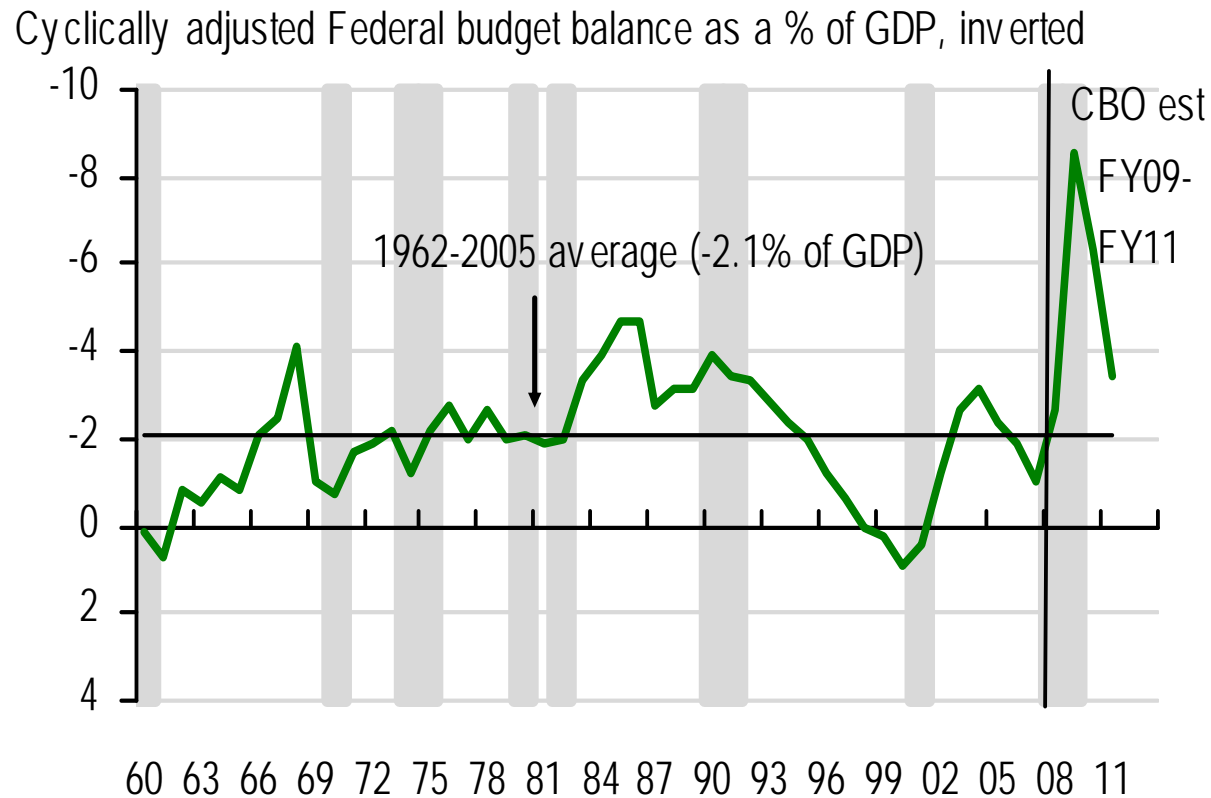
* Q3 through July calculated using Q3 estimate for GDP; all other history are quarterly averages. Source: Federal Reserve and UBS estimates

...has helped to dramatically lower credit market risk spreads.



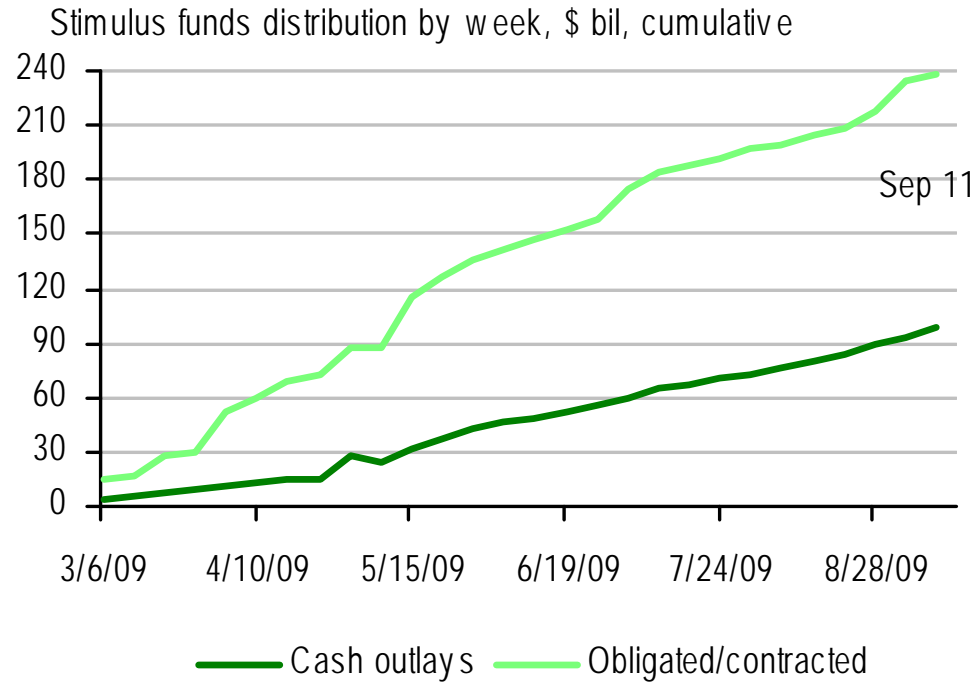
Source: The Yield Book, KDP Investment Advisors, Federal Reserve Board, and Bankrate.com

The cyclically adjusted Federal budget deficit—a measure of discretionary fiscal policy—has been surging.



Note: Shaded bars represent periods of recession.
Source: Congressional Budget Office (CBO)

The fiscal stimulus package is being increasingly reflected in higher government outlays.



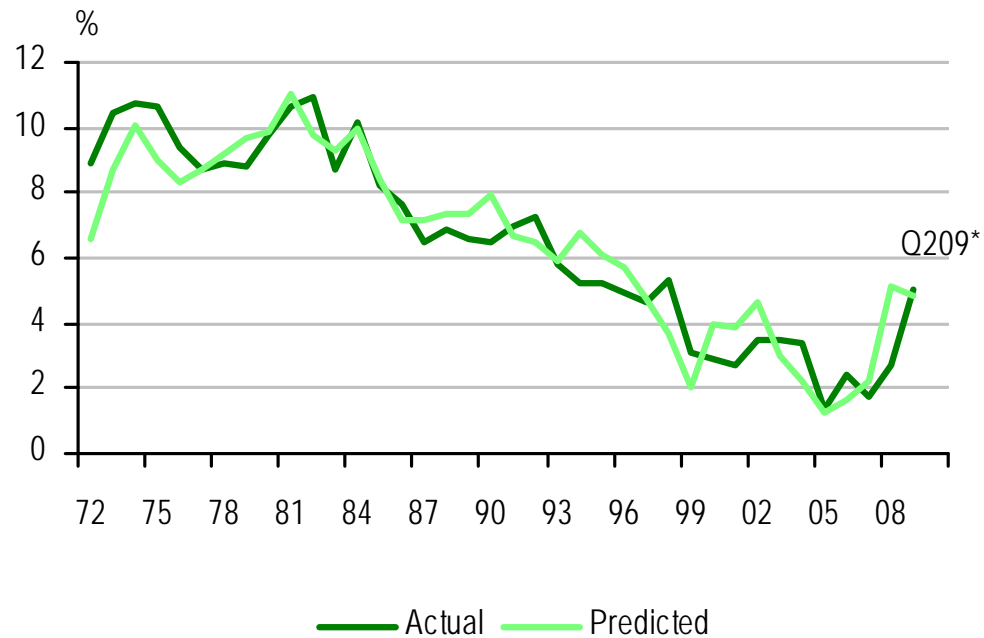
Note: The decline in outlays in the week of May 8 reflects a Labor Department accounting adjustment.
Source: Recovery.gov

Model of NIA saving rate measure, 1972-2008.

Independent Variables	Estimated Saving Rate Effects
Constant Term	21.48 (10.82)
Net Worth/Disposable Personal Income	-3.43 (-9.86)
Three-month Treasury Bill Rate	0.34 (4.67)
Adjusted R-Square	0.87
* t-statistics in parentheses below coefficients	

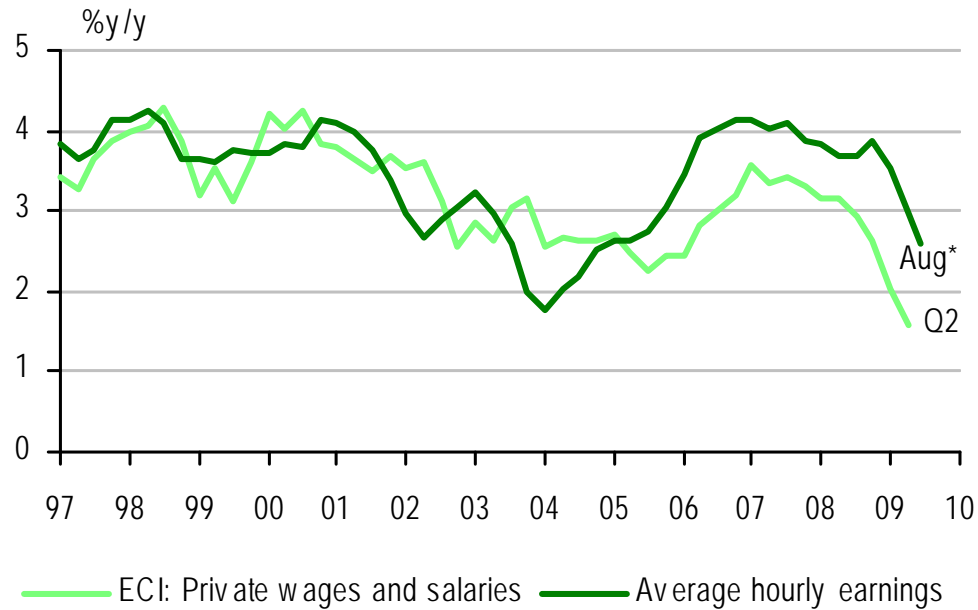
Source: Commerce Department, Federal Reserve Board of Governors, and UBS

Our NIA saving rate model usually tracks the reported saving rate relatively well, such as in the recent Q209.



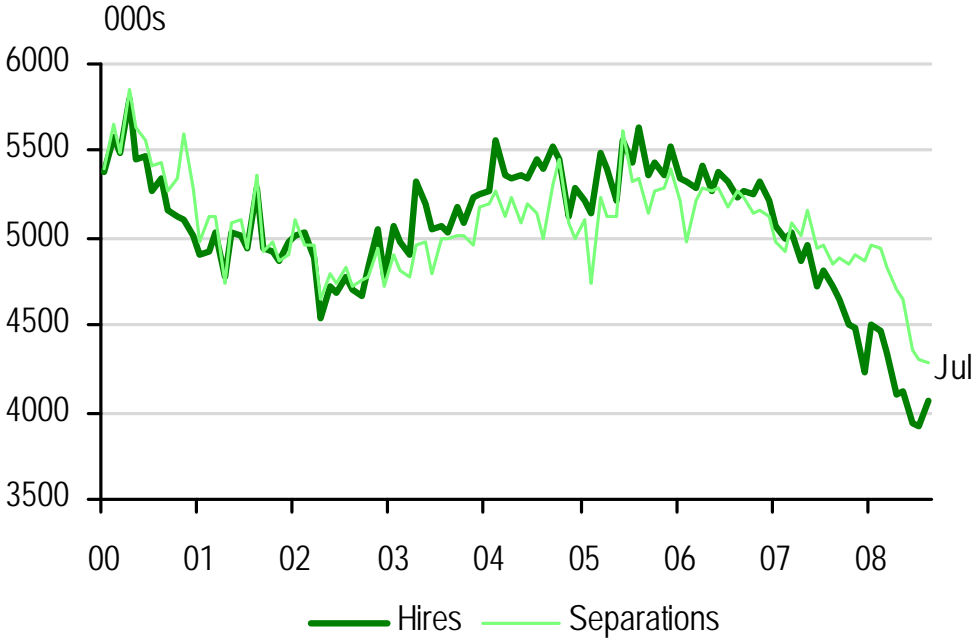
* Q209 quarterly savings rates are the actual and the predicted using our equations. Source: Bureau of Economic Analysis and UBS

Wage gains are slowing but have not turned negative.



* Latest monthly data; all other history are quarterly.
Source: Bureau of Labor Statistics

The summer hiring started to catch up with job market separations—mainly layoffs and quits.



Source: Bureau of Labor Statistics

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