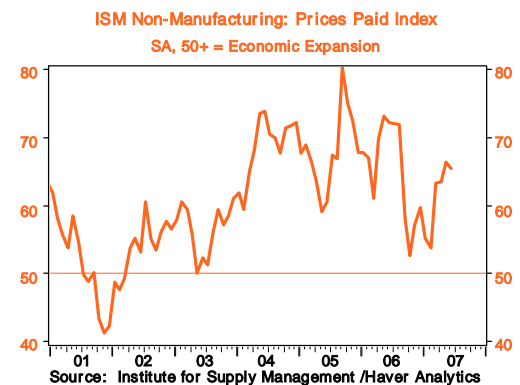
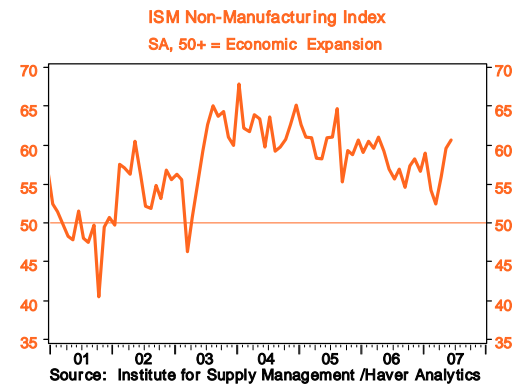


JUNE ISM NON-MANUFACTURING INDEX

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- The ISM non-manufacturing business barometer (a measure of production growth in the services sector) increased to 60.7 in June, the highest level since April 2006, just before the US economy hit its recent slow-growth patch. The consensus expected a decline to 58.0 from the May level of 59.7. Levels above 50 signal expansion and levels below 50 signal contraction in the services sector.
- Despite a decline in the new orders index to 56.9 in June, from 57.4 in May, the level of orders remains robust. The employment component rose to 55.0, the highest in a year.
- The prices paid component decreased slightly to 65.5 versus a level of 66.4 in May.

Implications: The slow-growth patch is over. Earlier this week the June 2007 ISM manufacturing index moved up to its highest reading in over a year, and today, the ISM non-manufacturing index has done the same. To cap it off, the Ivey Index, a nationwide, economy-wide, survey of 175 Canadian private businesses and government institutions also hit its highest reading in more than a year, rising to 67.4 in June from 62.7 in May. Both Canada and the US experienced slower growth in the past year, but have now moved solidly into rebound territory. Initial claims for unemployment remain low, and the employment component of the ISM non-manufacturing is at its highest level in a year. This bodes well for job growth and consumer spending in the months ahead. We continue to forecast 3.5% to 4.0% annualized real GDP growth in the second quarter, and remain optimistic that economic activity has reaccelerated to a 3.5% real growth rate that will continue through 2008.



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Jun-07	May-07	Apr-07	3-month moving avg	6-month moving avg	Year-ago level
Business Barometer	60.7	59.7	56.0	58.8	57.0	56.9
New Orders	56.9	57.4	55.5	56.6	55.6	56.9
Employment	55.0	54.9	51.9	53.9	52.8	52.6
Prices	65.5	66.4	63.5	65.1	61.3	72.3
Supplier Deliveries (NSA)	50.5	49.5	51.0	50.3	51.2	56.0
Inventory Change (NSA)	52.5	61.0	52.0	55.2	52.5	51.5
Orders Backlog (NSA)	46.5	48.0	50.0	48.2	48.8	55.5
Imports (NSA)	57.5	55.5	52.5	55.2	53.6	55.5

Source: Institute for Supply Management