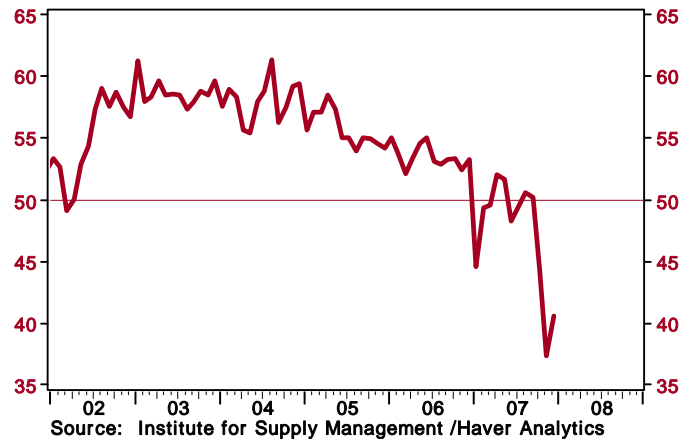


DECEMBER ISM NON-MANUFACTURING INDEX

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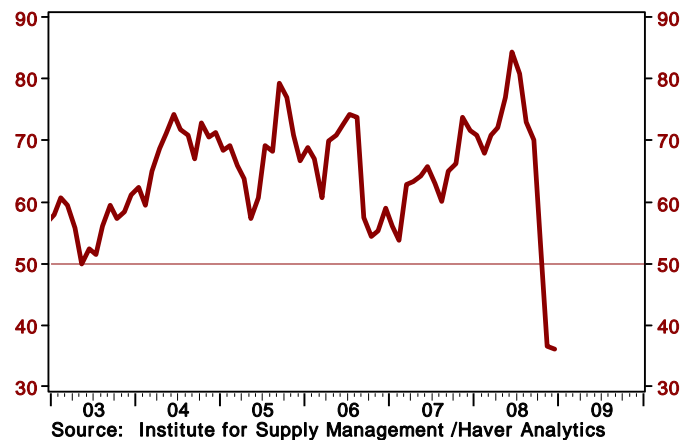
- The ISM non-manufacturing composite index increased to 40.6 in December from 37.3 in November, beating a consensus expected decline to 36.5. (Levels above 50 signal expansion; levels below 50 signal contraction.)
- Most of the major components of the composite index rebounded from their record lows last month (dating back to 1997). The business activity index increased to 39.6 from 33.0 in November, the new orders index increased to 39.9 from 35.4, and the employment index increased to 34.7 from 31.3.
- The prices paid index declined to 36.0 in December, a new record low, continuing the sharp decline since June.

ISM Non-Manufacturing: NMI Composite Index
SA, 50+=Increasing



Implications: The ISM non-manufacturing index rose in December, easily beating the consensus expected decline. The rise in the index shows that although the economy continued to contract at the end of 2008, it was doing so at a slower pace. Yesterday, auto manufacturers announced that total light vehicles (cars and light trucks) were sold at a 10.3 million annual pace in December. This is 35% below December 2007, but a rebound of 1.4% versus November 2008. We believe November was the low point for auto sales and the rebound will continue, helped along by aggressive sales incentives. Combined, the figures on the service sector and auto sales support our view that risk aversion hysteria continues to abate and an economic recovery will take hold this spring – with or without an “economic stimulus” package from Washington, DC. In other news this morning, factory orders declined 4.6% in November versus a consensus decline of 2.5%. We expect much less intense declines, and some increases, in factory orders in the months ahead.

ISM Non-Manufacturing: Prices Paid Index
SA, 50+ = Economic Expansion



Non-Manufacturing ISM Index <i>Seasonally Adjusted Unless Noted</i>	Dec-08	Nov-08	Oct-08	3-month <i>moving avg</i>	6-month <i>moving avg</i>	Year-ago <i>level</i>
Composite Index	40.6	37.3	44.4	40.8	45.4	53.2
Business Activity	39.6	33.0	44.2	38.9	45.0	54.4
New Orders	39.9	35.4	44.0	39.8	44.6	53.9
Employment	34.7	31.3	41.5	35.8	40.7	51.8
Supplier Deliveries (NSA)	48.0	49.5	48.0	48.5	51.3	52.5
Prices	36.0	36.6	53.4	42.0	58.3	71.5

Source: Institute for Supply Management

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