THE FULL HOUSE TRADER MONTHLY FORECAST

May, 2007 Edition
May 17, 2007

Bishop's Full House Trader

U.S. ECONOMIC RELEASES & BOND MARKET IMPLICATIONS

DATE	ECONOMIC GROWTH NEWS	BULL	NEU	BEAR	INFLATION NEWS	BULL	NEU	BEAR
5/17/07	Leading Indic down .5%	X						
5/16/07	Housing Starts up 2%		X					
	Bldg Permits down 9%	X						
	Ind Prod. Apr up .7%			X				
	Cap Util Apr. up to 81.6%			X	CPI April up .4%			X
	NY Empire Idx Up to 8.0			X	CPI Core up .2%		X	
5/11/07	Ret. Sales Apr down .2%	X			PPI April up .7%			X
	Sales ex autos unch	X			PPI Core unch	X		
5/7/07	Cons Credit Explodes $13bn			X	Import prices Apr up .2%	X		
5/4/07	Payrolls up 88K jobs	X						
	Unemp Rate up to 4.5%	X						
	Hrly Earnings up .2%		X					
	Avg Week unch at 33.8		X					
5/3/07	ISM Services up to 56.0			X				
5/1/07	Pending Homes Mar dn 4%	X						
	ISM Index up to 54.7			X				
4/30/07	Const Spend Mar up .2%		X					
	Chicago PMI down to 52.9	X						
	Pers Income Mar up .7%			X				
	Pers Spend Mar up .3%		X					
	Pers Saving up .4%	X						
4/26/07	GDP Advance Q1 up 1.3%	X			Deflator Adv Q1 up 4.0%			X
	Durable Orders Mar up 3.4%			X				
	New Home Sale up 3%			X				
4/24/07	Exist Home Sale dn 10%	X						
4/19/07	Lead Indic Up .1%	X						

CPI/PPI Headline & Deflator Rates will keep Fed vigilant

Weakness in:

Bldg Permits

Retail Sales (despite ↑ in Consumer Credit)

Jobs

GDP at 1.3%

On-balance econ. news continues to resemble Stagflation w/ weak growth & inflation fears.

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Actual slide from FHT Monthly Forecast, May 2007

WE CAN HELP ▸

U.S. Growth Outlook Fairly Optimistic

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11-May-2007

Mumbai (DNA Business Bureau) The New York-based Economic Cycle Research Institute (ECRI) sees little worry on US economic growth.

Lakshman Achuthan, managing director, Economic Cycle Research Institute, told DNA Money on Friday: "WLI growth has improved significantly of late, reaching a three-year high in early May. Thus, the US economic growth outlook is fairly optimistic."

ECRI specialises in spotting global economic cycles well before others do.

Its Weekly Leading Index is an established barometer of US economic cycles. WLI has signalled a typical US recession about three months ahead of the LEI, or the index of Leading Economic Indicators of the US Commerce Department.

TV: Economy's Health Improving

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4-May-2007

May 4 (Bloomberg) -- Lakshman Achuthan, managing director at Economic Cycle Research Institute in New York, comments on U.S. economic growth and Federal Reserve policy on interest rates. He spoke in an interview before the Labor Department released its April employment data today.

Watch the interview online.

On the April jobs report:
"This is not a leading indicator of the economy or inflation. I wouldn't worry too much about it" even if we see fewer-than-expected job creations or stronger-than-expected wage growth.

"There are a number of reasons why we are not getting the kind of jobs growth" that we used to have when the economy was growing at 2 or 3 percent, "and that is because we have had a big drawdown of the number of people available to work, and also there's been a structural shift" over the last 10 years.

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On why he expects the Fed to keep interest rates unchanged:
"I think people just don't have a clear idea or framework to deal with the economy we have got right now. We have an economy that's growing healthy, it has tight labor markets, but for the time being, underlying inflationary pressures are easing."

"The key thing is that there's not going to be any kind of recessionary information" out of economic reports. Concern for a recession "is completely off the table. In the fall we had some vulnerability, but now we have none."

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Global Demand Frames Building-Material Deals

By Jim Carlton
And Timothy Aeppel

GLOBAL DEMAND IS REPLACING SLUGGISH U.S. ACTIVITY.

The housing decline in the U.S. isn't slowing down at least one construction trend: More big makers of building materials are acquiring one another in hopes of cashing in on a still-healthy market for commercial building and for projects in other parts of the world.

Yesterday, big German cement maker **HeidelbergCement** AG said that it agreed to acquire London-based building materials giant **Hanson** PLC for £8 billion ($15.8 billion), creating a major producer of aggregates such as crushed rock and gravel and making it the fourth largest maker of cement. **Lafarge** SA of France is the world's biggest cement maker by market capitalization.

The deal, for £11 a share, comes as other competitors have been jockeying to expand their positions in the building-materials market. Mexican cement company **Cemex** SA, for example, recently bid $14.25 billion for **Rinker Group** Ltd. of Australia, while **Vulcan Materials** Co., based in Birmingham, Ala., bought **Florida Rock Industries** Inc., based in Jacksonville, Fla., for $4.6 billion in February.

Driving the deals, analysts say, are solid fundamentals for the building materials industry: Construction in China and many other emerging economies remains strong, as does the market for commercial and public projects in the U.S. With the U.S. housing market widely expected to rebound in a year or so, manufacturers also are putting capacity in place to jump back into that market.

"The long term trend is that population growth in the United States will continue, and that is going to drive demand for building materials," says Charlie Sunderland, chairman and chief executive officer of Ash Grove Cement Co., a closely held cement manufacturer based in Overland Park, Kan.

While the U.S. housing market last year went into a downturn that has since intensified, nonresidential building activity has continued to grow. This year, for example, office starts are expected to increase 14%, according to forecasts by the Portland Cement Association, an industry group in Skokie, Ill. As a result, any decline in consumption of building materials has been relatively muted. This year, total cement consumption in the U.S. is expected to fall 3.5% to 4% from 2006, says Ed Sullivan, chief economist for the cement group—a significant drop, but well below the 20.5% drop the group forecasts for single-family housing starts.

Cemented

An overview of building-materials company HeidelbergCement and its acquisition, Hanson:

	HeidelbergCement	Hanson
Founded	1873	1964
Headquarters	Heidelberg, Germany	London
Employees	46,000	26,000
Revenue, 2006	$12.5 billion	$8.2 billion
Net income, 2006	$129.2 million	$794.8 million

Note: Currencies converted at current rate
Source: the companies

"The building materials industry in the world is still in a boom stage," says John Musacchio, vice president of KHD Humboldt Wedag International Ltd., which designs and engineers cement factories. KHD this week reported strong earnings, noting that its order backlog as of March 31 was $650.2 million, up 66% from the first quarter of 2006. The company also noted that global demand for cement is expected to grow from 1.75 billion metric tons in 2003 to 2.35 billion metric tons by 2015. KHD says it expects three-quarters of that growth to come from Asia and Eastern Europe.

"The emerging markets are really dominating," says Mr. Musacchio, adding that half the company's backlog is in countries where KHD had almost no presence only a few years ago. "So the demand is there because people need more building materials," he says.

Demographic trends are also favorable for building materials in the U.S., other executives say. By 2030, the U.S. is expected to add 65 million people to its population of about 300 million. Yet the country is only able to meet about 75% of its cement demand with plant capacity in the U.S.; the rest is imported. So many manufacturers are looking at the housing slump as a pause in which they can expand capacity to better meet demand.

"The downturn in residential is a short term blip on the economy," says Mr. Sutherland of Ash Grove, which is negotiating to build a cement plant outside Las Vegas. Other plants are expected to come online in the U.S. over the next few years to ease the supply crunch.

—*Molly Dover contributed to this article.*

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Euro Zone's GDP Rises 3.1%

Strong Growth Adds Support for Boosting Interest Rates in June

By JOELLEN PERRY

FRANKFURT—The euro-zone economy posted continued strong growth in the first quarter, bolstering the case for interest rates to rise beyond an expected rate increase to 4% in June.

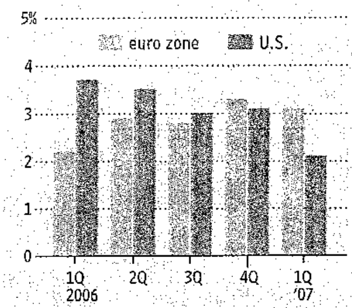
Gross domestic product in the 13 countries that share the euro grew by 3.1% in the first quarter, compared with the same period last year, and 0.6% compared with last year's final quarter, as strong business investment in Germany underpinned the numbers.

Although off slightly from last year's fourth-quarter sprint, the numbers still beat U.S. economic growth rates and surprised economists, who had been expecting global and domestic head winds to crimp growth.

German business investment off- ... consumer spending

Cutting Loose

The euro zone is weathering a slowdown in U.S. demand. GDP growth, percentage change from a year earlier



Note: Seasonally adjusted data Source: Eurostat

❖ **The News:** Euro zone economies grew an average 3.1% in the first quarter, faster than expected and faster than the U.S.

❖ **The Surprise:** German exports carried the load despite weaker U.S. growth and lower consumption in Germany from a tax boost.

❖ **Too Much of a Good Thing:** Fast growth raises the risk of inflation and

The ECB will view stronger growth warily. Policy makers see the region's "potential" growth rate—the rate at which it can expand without fueling inflation—around 2%.

"If the economy continues to grow this much above its potential rate, you'll see inflation pressures intensify, and that's not something any central bank is willing to tolerate," says Neville Hill, an economist with Credit Suisse in London. Mr. Hill sees euro-zone interest rates reaching 4.5% by year end.

Policy makers have stressed that euro-zone companies are now operating at nearly 85% of their capacity, a peak last reached during the 2000 boom. That strain, coupled with rising raw-material prices, is already raising manufacturers' costs and could start feeding into rising prices for consumers.

To be sure, some parts of the euro-zone economy are already buckling under the weight of higher interest rates. The ECB has boosted borrowing costs by a quarter point seven times since December 2005. Once-hot housing markets in Ireland and

Japan's GDP Report May Call The Tune for Rates, Stocks, Yen

GLOBAL GROWTH STILL STRONG

By YUKA HAYASHI

TOKYO—Japan is expected to report Thursday that its economy expanded at a much slower pace in the first quarter than in the previous three months.

Even so, economists say the Japanese economy probably grew at a respectable pace. Demand for Japanese goods and services has been solid, they say, from Japanese consumers and foreign buyers.

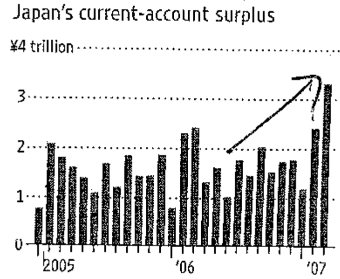
Economists estimate that Japan's inflation-adjusted gross domestic product—the total value of goods and services produced in the country—probably grew 0.6% in the first quarter from the previous quarter. That translates into an annualized growth rate of 2.6%.

The figure is much slower than the fourth quarter's red-hot pace of 1.3% from the previous quarter, or 5.5% on an annualized basis. But the economists caution that the fourth-quarter jump was an anomaly as the economy rebounded from an unusually

propped up export revenue and earnings for Japanese manufacturers by making their products more competitive overseas. Higher domestic interest rates could mean a rebound in the yen's value, which would weigh on export earnings and the shares of companies dependent on them. Expectations that interest rates will increase steadily would also mean lower bond prices, which move in the opposite direction from their yields.

Trading Up

Japan's current-account surplus



¥1 trillion = $8.31 billion
Source: Japan's Ministry of Finance

contribution to the overall economy, though the increase is likely to be muted compared with the unusually strong pace of the fourth quarter. After expanding at an annualized rate of 4.2% in the fourth quarter, private consumption probably grew more than 3% in the first quarter.

"Domestic consumption remained solid in the first quarter," says Hiromichi Shirakawa, chief economist for Credit Suisse in Tokyo. "There was particularly strong spending on services like entertainment and leisure thanks to the warm weather during the winter."

Yesterday, the Finance Ministry reported that Japan's current-account surplus surged to a record in March as exports remained strong and imports fell for the first time in more than three years.

The surplus in the current account, the broadest measure of trade in goods, services and investment earnings, widened 36.9% to 3.317 trillion yen ($27.61 billion) before seasonal adjustment, the

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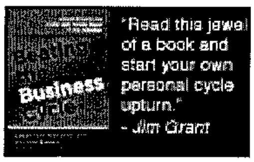

Interesting article re the increasing importance of non-U.S. economic growth.

NOTE: Will the global economy be able to sustain the U.S. stock market?

Does It Even Matter if the U.S. Has a Cold?

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6-May-2007

(*The New York Times*) FOR the last several decades, the United States has functioned as the main engine of growth in a global economy that has been moving with synchronicity.

"We're going through the longest stretch of concerted (synchronized global) growth in decades," said Lakshman Achuthan, managing director at the Economic Cycle Research Institute in New York.

So you might think that a sharp slowdown in growth in the United States — the domestic economy grew at a measly 1.3 percent annual clip in the first quarter this year, less than half the 2006 rate — would mean trouble for the rest of the global economy. Right?

Wrong.

As the domestic growth rate has declined sharply in recent quarters, the rest of the world is growing rapidly. India is blowing the door off its hinges. China's economy is expanding at a double-digit pace.

In the United States, the Federal Reserve has held rates steady since last June, and its next move will most likely be a rate reduction to stimulate growth. The European Central Bank and the Bank of Japan, meanwhile, have been raising rates — lest their once-suffering economies overheat and spawn inflation.

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"The U.S. slump in the first quarter didn't pull down growth in Europe or Asia," said Brad Setser, senior economist at Roubini Global Economics.

Actual slide from FHT Monthly Forecast, May 2007

The seemingly countervailing trends — deceleration in America, full speed ahead abroad — have led some economists to wonder whether the United States and the rest of the global economy are going their separate ways. Some even suggest — shudder — that changes in the global economy have made the United States a less-central player.

"Four or five years ago, there was an important switch in the global economy," said Stephen King, an economist based in London for HSBC. "Since then, other parts of the world have really grabbed the growth baton from the U.S."

Until relatively recently, when the United States sneezed, the world caught a nasty cold. Today, Mr. King says, the United States has sneezed, but the world has gone shopping.

Mr. King notes that emerging markets like China, India, Central and Eastern Europe and the Middle East are injecting life into the European and Japanese economies through their enormous purchases of capital goods — all those construction cranes in Dubai, bullet trains in China, oil rigs in Russia. "Emerging markets' share of global capital spending has risen from 20 percent in the late 1990s to about 37 percent today," he said.

Western Europe is benefiting from rising trade with Eastern Europe, Russia, Asia and the Middle East. As a result, the euro zone, America's largest trading partner, is simply not as reliant on the United States as it used to be, Mr. Setser said. "Europe is clearly no longer growing on the back of U.S. domestic demand growth," he said. As other economies increasingly trade with one another, the United States plays a diminished role.

But the consensus for decoupling is hardly complete. The United States is still setting the pace, Mr. Achuthan said: "We led the world up, and the rest of the world revved up after us. And areas like Europe in particular will be slowing in the wake of our slowdown last year."

The cars of the global economic train are still tethered tightly together, in his view. "It's less of a decoupling" he said, "and more like the jerking you get in a train when the first car stops, and then the other ones stop after a bit of a lag."

David Rosenberg, an economist at Merrill Lynch, said he believes that the apparent divergence in the world's big economies has more to do with the nature of the growth slowdown in the United States, which has stemmed not from a decline in consumption, but from a decline in investment — specifically in housing.

"Almost 100 percent of the U.S. slowdown has been due to the housing industry," Mr. Rosenberg said. And housing is an intensely local and national industry — from the real estate broker to the mortgage lender, from Home Depot to interior decorators. "Unless you run a sawmill in Canada, international trade isn't directly affected by the decline in U.S. housing," Mr. Rosenberg said.

Martin N. Baily, a senior fellow at the Peterson Institute for International Economics in Washington, says he thinks that it's a good thing for the United States if it's no longer the leader. "We have a huge imbalance in our trade, and we need to be a little less of an engine of growth for the rest of the world, and let Europe and Japan, and hopefully China, eventually, pick up the slack," he said. "And right now it seems like they're doing so."

But Mr. Baily added that we shouldn't be so quick to believe that the world economy is significantly more independent of the United States than it was in the past. "I don't think there's been a complete decoupling," he said. "A U.S. recession would dramatically slow growth in China and India."

THE real test of the decoupling thesis, Mr. Rosenberg said, will come if consumer spending starts slowing down. Consumer spending in the United States, which is still on the rise, accounts for an astonishing 20 percent of the global economy, he said. "I find it hard to believe," he said, "that the rest of the world is going to be immune to a consumer sector that's primarily responsible for pulling in nearly $2 trillion of the world's output."

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Consumer spending hasn't fallen for a single quarter since the fourth quarter of 1991. And while there are factors affecting domestic consumer spending — higher interest rates, lower housing prices, higher gas prices — the

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	Close	High	Low	Net chg		52-wk Low	52-wk Range	52-wk High			
PHLX§ Semiconductor	510.26	497.02	504.86	-0.75	-0.15			384.88	509.61	2.7	7.9	2.4
CBOE Volatility	13.85	12.54	12.95	0.04	0.31			9.89	23.81	-3.7	12.0	-11.3

§Philadelphia Stock Exchange

Sources: Reuters; WSJ Market Data Group

Louis Federal Reserve; Thomson Datastream

May 11, 2007

r lend money in U.S. and interna-
general levels but don't always

With the few exceptions, World stock indices at highs.

International Stock Indexes

Region/Country	Index	Latest Week Close	Latest Week % chg	52-Week Range Low	52-Week Range High	YTD % chg
World	DJ World Index	299.68	-0.18	231.26	301.67	8.0
	DJ World ex U.S.	264.85	-0.35	196.55	267.66	9.0
	MSCI EAFE*	2240.08	-0.60	1681.70	2269.49	8.0
DJ Wilshire	Global	3053.62	-0.24	2346.27	3075.04	7.9
	Global ex U.S.	2638.94	-0.44	1942.74	2658.17	8.8
	Global Dev. ex U.S.	2578.49	-0.38	1936.38	2607.62	8.6
	Global Small-Cap	3665.42	-0.20	2708.19	3684.95	10.7
	Global Large-Cap	2947.39	-0.24	2274.23	2968.71	7.5
Americas	DJ Americas	378.57	0.16	301.55	380.07	7.6
Brazil	Sao Paulo Bovespa	50902.38	0.60	32847.61	51300.13	14.5
Canada	S&P/TSX Comp	14003.82	1.70	10904.34	14003.82	8.5
Mexico	IPC All-Share	30058.75	0.15	16653.15	30058.75	13.7
Venezuela	Caracas General	42980.03	0.56	30088.04	62012.71	-17.7
Europe	DJ Stoxx 600	389.78	-0.75	301.66	392.88	6.7
	DJ Stoxx 50	3885.74	-0.66	3204.35	3911.73	5.1
Euro zone	DJ Euro Stoxx	428.69	-0.70	319.75	432.03	8.4
	DJ Euro Stoxx 50	4423.07	-0.51	3408.02	4445.59	7.4
Belgium	Bel-20	4667.12	-1.10	3445.10	4739.58	6.3
France	CAC 40	6050.63	-0.30	4615.44	6071.48	9.2
Germany	DAX	7479.34	-0.50	5292.14	7526	13.4
Israel	Tel Aviv	1106.82	2.56	748.84	1106.82	19.5
Italy	S&P/MIB	43590	-0.87	34850	43973	5.2
Netherlands	AEX	531.20	-1.56	412.87	540.03	7.2
Spain	IBEX 35	14736.3	0.79	10797.5	15030.9	4.2
Sweden	SX All Share	405.76	-1.79	282.71	416.27	8.4
Switzerland	Swiss Market	9408.25	-0.50	7154.86	9481.25	7.1
U.K.	FTSE 100	6565.7	-0.58	5506.8	6603.7	5.5
Asia-Pacific	DJ Asia-Pacific	155.16	0.82	124.17	156.77	6.2
Australia	S&P/ASX 200	6297.4	-0.12	4838.9	6355.5	11.1
China	DJ CBN China 600	29742.21	[illegible]	10194.04	29906.57	90.7
Hong Kong	Hang Seng	20468.21	-1.79	15234.42	20896.64	2.5
India	Bombay Sensex	13796.16	-0.99	8929.44	14652.09	0.1
Japan	Nikkei Stock Avg	17553.72	0.91	14218.60	18215.35	1.9
Russia	DJ Russia Titans 10	6493.99	-4.64	4216.07	7027.19	-2.6
Singapore	Straits Times	3446.92	-1.11	2280.67	3485.76	15.4
South Korea	Kospi	1603.56	2.28	1203.86	1603.56	11.8
Taiwan	Weighted	8031.54	-0.43	6257.80	8115.27	2.7

*Europe, Australia, Far East, U.S.-dollar terms

Source: Reuters; WSJ Market Data Group

er short-term rates

	Latest	Week ago	52-Week High	52-Week Low
money	7.00	7.00	7.00	6.75
mercial paper				
58 days	5.22	...	...	...
89 days	5.21	...	...	...
92 days	5.22	...	...	...
122 days	5.20	...	...	...
o 151 days	5.18	...	...	...
o 180 days	5.14	...	...	...
o 210 days	5.12	...	...	...
o 241 days	5.08	...	...	...
o 270 days	5.05	...	...	...
er commercial paper				
ys	5.26	5.26	5.36	4.98
ys	5.28	5.28	5.41	5.00
ys	5.29	5.30	5.46	5.02
commercial paper				
y	3.82	3.81	3.82	2.00
onth	3.95	3.92	3.95	2.76
month	4.00	3.98	4.00	2.83
onth	4.04	4.02	4.04	2.89
onth	4.08	4.06	4.08	2.95
nth	4.11	4.10	4.11	3.01
on interbank offered rate, or Libor				
onth	5.32000	5.32000	5.42000	5.08000
month	5.36000	5.35656	5.52000	5.17000
nth	5.35875	5.36813	5.64000	5.25913
ear	5.29188	5.32000	5.76625	5.11000
Libor				
onth	3.875	3.864	3.875	2.655
month	4.060	4.039	4.060	2.884
nth	4.160	4.152	4.168	3.059
ar	4.303	4.319	4.327	3.275
nterbank offered rate (Euribor)				
onth	3.873	3.863	3.873	2.653
month	4.061	4.036	4.061	2.883
nth	4.160	4.154	4.166	3.055
ar	4.305	4.320	4.328	3.272
onth	4.460	4.548	4.680	3.662
month	4.399	4.391	4.701	3.904
nth	4.399	4.382	4.933	3.950
ar	4.453	4.452	5.135	3.964
dollars				
nth	5.337	5.340	5.425	5.086
month	5.360	5.360	5.525	3.570
nth	5.360	5.365	5.637	5.274
r	5.307	5.317	5.766	5.119

	Latest Offer	Latest Bid	Week ago	52-Week High	52-Week Low
llars (mid rates)					
nth	5.28	5.29	5.29	5.39	5.04
nth	5.29	5.30	5.30	5.44	5.10
onth	5.30	5.31	5.31	5.51	5.14
nth	5.30	5.32	5.31	5.54	5.18
nth	5.30	5.31	5.31	5.57	5.21
th	5.29	5.30	5.31	5.62	5.22

S. prime rate is the base rate on corporate
rime rates aren't directly comparable;
rge on loans to depository institutions
reserves traded among commercial
oney rate is the charge on loans to brokers
for high-grade unsecured notes sold
equired net yield for the one-year 2% rate-
f interbank offered rates for dollar depos-

Commodities and Curre

	Last Week Close	Net chg
DJ-AIG Commodity	173.442	-0.732
Reuters-Jefferies CRB	311.13	-0.11
Crude oil, $ per barrel	62.37	0.44
Natural gas, $/MMBtu	7.899	-0.039
Gold, $ per troy oz.	670.60	-16.60
U.S. Dollar Index	82.12	0.38
U.S. dollar, JPM index	87.1	0.1
Euro, per dollar	0.7390	0.0035
Yen, per dollar	120.12	-0.01
U.K. pound, in dollars	1.9818	-0.0114

	52-Week Ra Low	Close	
DJ-AIG Commodity	155.880		18
Reuters-Jefferies CRB	285.88		3
Crude oil, $ per barrel	50.48		7
Natural gas, $/MMBtu	4.201		8
Gold, $ per troy oz.	562.00		7
U.S. Dollar Index	81.43		8
U.S. dollar, JPM index	86.8		
Euro, per dollar	0.7325		0.
Yen, per dollar	109.76		12
U.K. pound, in dollars	1.8180		2.

Financial Flashback

The Wall Street Journal, May 14, 1948

The nation's flour millers are ta
a belated leap onto the ballyho
bandwagon. The bakers want y
eat more bakery bread. The mi
don't give a darn whether the
comes out of a home or comm
oven, just so you eat more bre

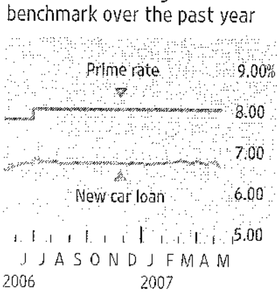
BONDS, RATES & YIELDS

(XV)

Consumer Rates and Returns to Investor

U.S. consumer rates

A consumer rate against its benchmark over the past year



Selected rates

New car loan

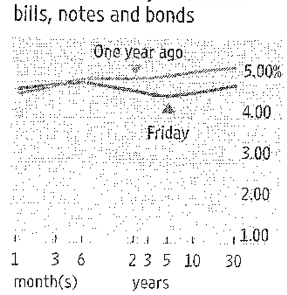
Bankrate.com avg:	**6.87%**
Washington Trust Bank	**5.49%**
Spokane, WA	800-788-4578
Gloucester County FSB	**5.75%**
Sewell, NJ	856-589-6600
Baltimore Cnty Svngs Bank, FSB	**6.00%**
Baltimore, MD	410-256-5000
PeoplesBank	**6.00%**
Holyoke, MA	413-538-9500
Capital One	**6.05%**
Plano, TX	888-749-1015

Interest rate	Yield/Rate (%) Last	Week ago	52-Week Range (%) Low	High	3-yr chg (pct pts)
Federal-funds rate target	5.25	5.25	5.00	5.25	4.25
Prime rate*	8.25	8.25	8.00	8.25	4.25
Libor, 3-month	5.36	5.36	5.17	5.52	4.12
Money market, annual yield	3.79	3.79	3.09	3.79	2.42
Five-year CD, annual yield	4.88	4.88	4.80	5.17	1.14
30-year mortgage, fixed†	5.89	5.87	[illegible]	[illegible]	[illegible]
15-year mortgage, fixed†	5.62	5.62	5.46	6.22	0.09
Jumbo mortgages, $417,000-plus†	6.20	6.21	6.01	[illegible]	[illegible]

Benchmark Yields and Rates

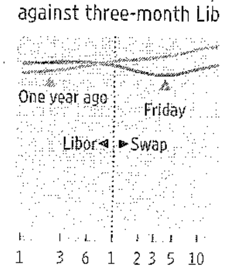
Treasury yield curve

Yield to maturity of current bills, notes and bonds



Libor-swap curve

Fixed mid rates* to be p against three-month Lib

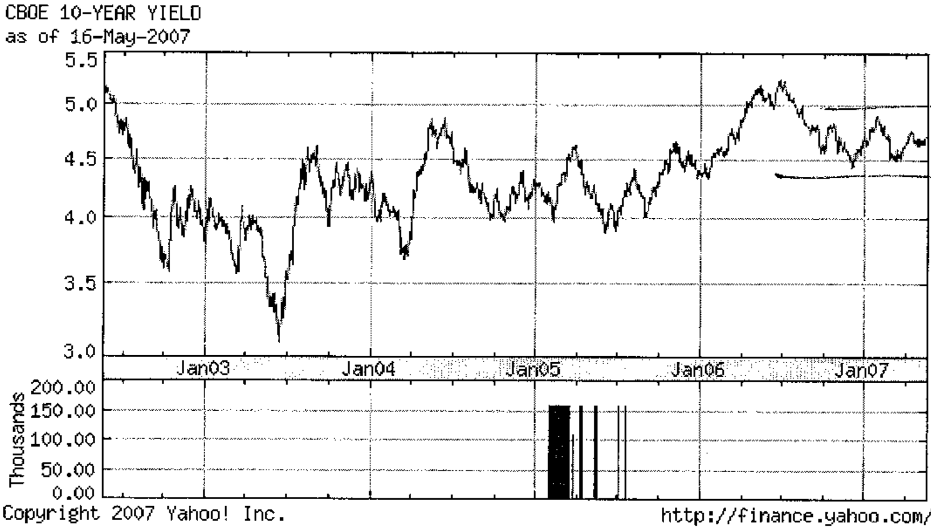


*Semiannual swaps maturing in 2 yrs-30 yrs Sources: Ryan ALM; Tullett Prebon Informa

Corporate Borrowing Rates and Yields

Bond total return index	Yield (%) Last	Wk ago	Spread +/- Treasurys, in basis pts, 52-wk range Last	Low	High	Total 52-wk
10-yr Treasury, Ryan ALM	4.671	4.640				8.58
DJ Corporate	5.654	5.618				8.83

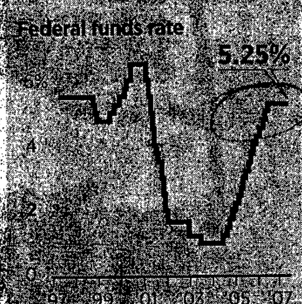
of the tightening of the past few months."



interest rates still in sideways pattern

INTEREST RATES

The Federal Reserve kept rates at the same level for the seventh consecutive time.



Prime rate 8.25%

Discount rate 6.25%

Source: U.S. Federal Reserve

MCCLATCHY-TRIBUNE

How about that inflation?

The **Federal Reserve's Open Market Committee** left interest rates at 5.25 percent, where they have been for nearly a year. The Fed stuck to its forecast that inflation should recede over time. Yet it renewed its warning that underlying inflation, which excludes food and energy prices, remains "somewhat elevated."

Fed tightening cycle has paused if not finished in light of weak economics (constructive for stocks)

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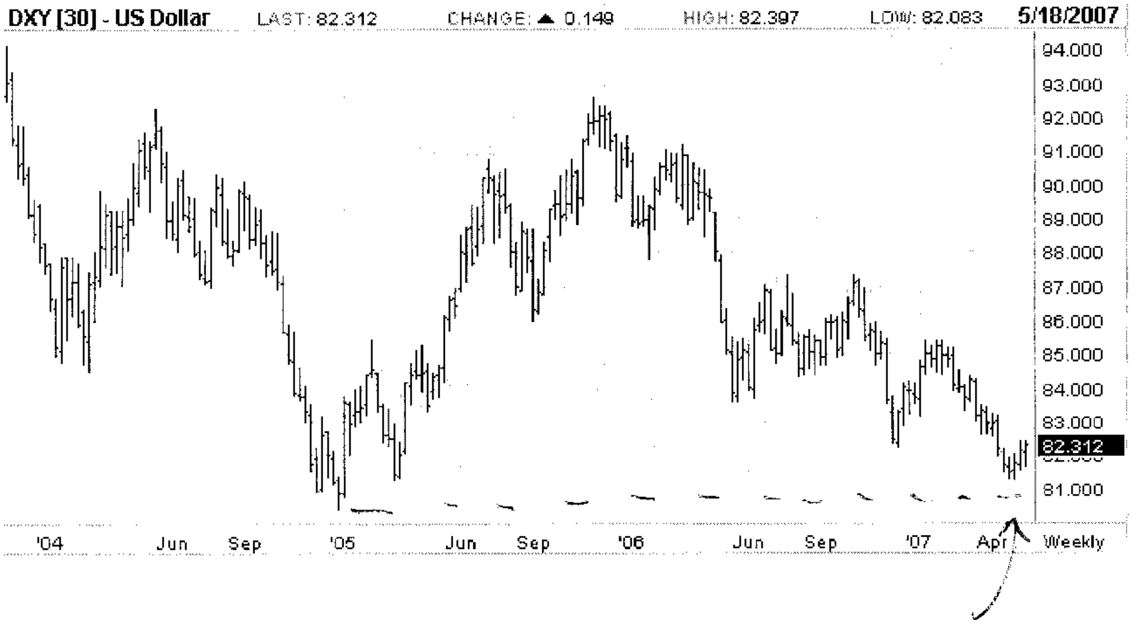
Actual slide from FHT Monthly Forecast, May 2007



Dollar index nears our target to take out Dec '04 / Jan '05 lows (also reasonably supportive of U.S. companies

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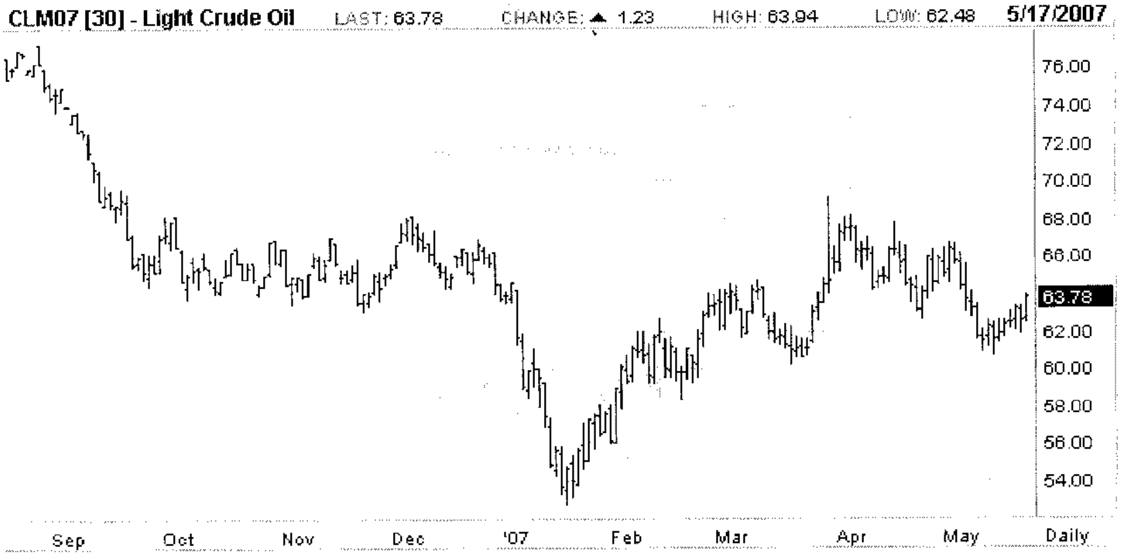
Actual slide from FHT Monthly Forecast, May 2007



Crude oil bottom still looks secure at this point.

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Actual slide from FHT Monthly Forecast, May 2007