

# Prototype of The National Economic Review

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## The National Economic Review

### Second Quarter 1998 and Outlook

The following analysis of the national economy for the second quarter of 1998 is based upon a review of current economic statistics, articles in the financial press and economic reviews found in current business periodicals. The purpose of the review is to provide a representative "consensus" review of the condition of the national economy and its general outlook at the end of the second quarter of 1998.

#### General Economic Outlook

Real Gross Domestic Product ("real GDP"), the output of goods and services produced by labor and property located in the United States, increased at an annualized rate of 1.4%, or \$26.3 billion, in the second quarter of 1998, according to preliminary estimates released by the Department of Commerce's Bureau of Economic Analysis ("BEA"). In the first quarter of 1998, revised growth in real GDP was 5.5%, or \$100.1 billion, and higher than the preliminary estimated annualized growth rate of 4.2%. The BEA also announced revised GDP growth results for 1995 through

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1997 which incorporate enhanced measurement techniques and improved data. Growth in real GDP for 1997 was revised upward to 3.9% (previously reported at 3.8%). According to the BEA, the increase in second quarter real GDP primarily reflected increases in personal consumption expenditures, producers' durable equipment, government spending, and residential structures. The smaller increase in real GDP in the second quarter versus that of the first quarter was primarily due to a sharp downturn in inventory investment and a deceleration of producers' durable equipment.

The Composite Index of Leading Economic Indicators, the government's primary forecasting gauge, ended the second quarter with a 0.2% decrease in June to 105.0 after increasing 0.1% and decreasing 0.1% in April and May, respectively. The index attempts to gauge economic activity six to nine months in advance. Multiple consecutive moves in the same direction are said to be indicative of the general direction of the economy. The decreases in May and June were the first since April 1997. Six of the ten leading economic indicators fell in June. The most significant negative contributor was average weekly initial claims for state unemployment insurance. The index increased 0.5% for the six month period through June, as only five of the ten components advanced.

After an extremely volatile quarter, stock markets ended the quarter slightly higher. The Dow Jones Industrial Average

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("DJIA") topped the 9000 mark for the first time in history, and week ending prices met or exceeded this mark for seven of thirteen weeks in the quarter. However, several large weekly drops offset gains in many instances. High volatility characterized the DJIA and the S&P 500 with both posting final week rallies to end the second quarter on a positive note. After following a similar pattern as the DJIA and the S&P 500 in April, the NASDAQ index decreased every week in May before finishing the quarter with a strong June. The Federal Reserve Board left interest rates unchanged during its meetings on May 19th and June 30<sup>th</sup>. Average monthly yields on government bonds remained at or below 6.0% during the second quarter.

The outlook for the economy for the remainder of 1998 is mixed. While consumption remains high, analysts are uncertain how and to what degree the ongoing Asian economic crisis will affect the U.S. economy. Many analysts expressed that the slower economic growth rate for second quarter 1998 was needed to keep interest rates unchanged and growth under control. The Fed will continue to keep a close watch on inflation levels.

#### Consumer Spending and Inflation

According to the Bureau of Labor Statistics ("BLS"), the Consumer Price Index ("CPI") rose 0.1% to 163.0 in June (CPI - all urban consumers, 1982-1984 = 100, *before seasonal adjustment*) following a 0.3 percent increase in May. Pricing for virtually all goods contributed to moderation in the June inflation measures. The seasonally adjusted annualized rate of

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inflation for the second quarter was 2.5%, compared to 2.3%, 1.5%, and 0.2%, respectively, for the prior three quarters. During 1997, the CPI rose 1.7%, reflecting a decrease from the 3.3% level measured in 1996 and the smallest annual increase since 1986. Food and energy components were largely responsible for the deceleration in 1997. The core rate of inflation (which excludes the volatile food and energy sectors) rose by 2.6% in the second quarter of 1998. The seasonally adjusted annualized rate of core inflation for 1997 was 2.2%, lower than the 2.6% rise during 1996. The 1997 advance represents the smallest annual increase in core inflation since a 1.5% rise in 1965.

The Producer Price Index ("PPI"), generally recognized as predictive of near-term consumer inflation, decreased by 0.1% in June (PPI for finished goods, seasonally adjusted) after rising 0.2% in both April and May. Producer prices had steadily declined or remained unchanged for the previous six months until the rise in April. The annual percentage change in PPI declined during 1997 for the first time since 1986 largely due to a record seven month string of consecutive drops in the index through July.

According to the Commerce Department, retail sales for the April to May period were revised upward from an originally reported increase of 0.9% to an increase of 1.2%. The advance estimate for June retail sales (adjusted for seasonal, holiday and trading-day differences) reflected an increase of 0.1% from May retail sales and a 6.2% increase over June 1997 sales. Retail sales for the second quarter of 1998 were 6.3% higher than the same quarter

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a year ago. Personal consumption spending represents approximately two-thirds of total economic activity and is generally the primary component of economic growth. Real personal consumption spending increased 5.8% in the second quarter, following a 6.1% increase in the first. Durable goods purchases increased 10.0% in the second quarter after an increase of 15.8% in first quarter 1998.

## The Financial Markets

Stock markets in second quarter 1998 were characterized by volatility, largely as a result of uncertainty regarding the Asian economic crisis. However, by the end of the quarter, all the major indices had increased modestly from beginning totals. During the quarter, the DJIA experienced four weeks of 100-200+ point increases as well as four weeks of 100-200+ point decreases. The S&P 500 experienced much the same pattern of volatility. The NASDAQ experienced five weeks of consecutive losses in May before rallying for three of the four weeks in June. Industry performance was distinctly divided among consumer-oriented industries and commodity-oriented industries. Consumer-oriented industries were some of the best performers of the second quarter, especially those whose main business is in the United States.

The DJIA closed the second quarter at 8952.00, an increase of 2% for the quarter and 13% for the year to date. The DJIA topped the 9000 mark during second quarter 1998 for seven of the thirteen weeks and ended the quarter at approximately the same level as it began. The DJIA gained 23% in 1997. The S&P 500 closed the quarter at 1133.84, a 3% increase over first quarter

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1998 and a 17% gain for the 1998 year to date. The S&P 500 gained 31% in 1997. The NASDAQ Composite Index, generally consisting of smaller and more technology oriented issues, increased 3% during the quarter as well to close at 1894.74 after rebounding from significant decreases suffered during the month of May. The NASDAQ has increased 21% in 1998 after climbing almost 22% in 1997. The broad market Wilshire 5000 index closed at 10663.60, reflecting a quarterly gain of 2% after 14% growth in the first quarter of 1998 and 29% growth for all of 1997.

Instability in foreign and domestic stock markets contributed to brisk performance in the bond market during 1997. For the most part, prices rose as long-term yields continued to remain at or below the 6.0% level in the second quarter of 1998. The monthly average yield to maturity on the 30-year treasury bond during the second quarter 1998 (April, May, and June) was 5.92%, 5.93%, and 5.70%, respectively. Bond prices are negatively correlated with their respective yields, which can shift abruptly on investor reactions to major variances in reported economic data versus market expectations (i.e., expected inflation, growth, etc.).

## Interest Rates

The Federal Reserve's Open Markets Committee ("FOMC") continued to leave short term interest rates unchanged during its second quarter policy meetings (May 19<sup>th</sup> and June 30<sup>th</sup>). Despite below-normal unemployment rates, the Fed decided to leave interest rates unchanged at its May meeting. This was widely expected because of new economic turbulence in Asia which would make it particularly susceptible to a surprise move by the Fed. Minutes from the May FOMC meeting indicated that the Fed's

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bias remained toward a tightening directive which suggests that a near-term rate increase is more likely than a decrease. The Fed also remained idle at its June 30<sup>th</sup>/July 1<sup>st</sup> meeting. While minutes of the meeting are not yet available, most analysts cite a slowdown in the U.S. economy and the strike at General Motors as reasons for leaving interest rates unchanged. The Fed has remained idle since a 25 basis point increase in the Fed Funds Rate at its March 25, 1997, policy meeting.

## Construction, Housing, and Real Estate

Home-building is generally representative of how well the overall economy is doing because new home construction stimulates a broad range of industrial, commercial, and consumer activity. According to the U.S. Commerce Department's Bureau of the Census, new privately owned housing starts increased to a seasonally adjusted annualized rate of 1.615 million units in June, 6% above the revised May estimate of 1.530 million units. Single family housing starts increased by 3% to 1.250 million from a revised May level of 1.219 million units. During the first half of 1998, housing starts have increased 8% over the same time period in 1997 largely due to better than expected first quarter results.

The seasonally adjusted annual rate of new housing building permits (considered the best indicator of future housing starts) was 1.517 million units in June, approximately 2% below the revised May rate of 1.543 million, but 9% above the June 1997 figure of 1.398 million. A slowdown in construction is expected as the economy's growth slows.

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## Unemployment

According to the Labor Department's Bureau of Labor Statistics, unemployment levels during the second quarter fell below the range of rates which have held since November 1997. The June unemployment rate was 4.5%, slightly higher than the 4.3% rate of both April and May. This marked the twelfth consecutive month that the unemployment rate was below 5%. The unemployment rate for all of 1997 was approximately 4.9%, down from 5.4% in 1996, and the lowest rate since 1989.

## Summary and Outlook

Economic growth, as measured by growth in GDP, decelerated to 1.4% in the second quarter of 1998, after registering a revised 5.5% annualized rate in the first quarter. Annual growth in GDP for 1997 was estimated to be 3.9%. Stock markets recovered from extreme volatility throughout April, May, and June to end the second quarter slightly higher than they began. Growth in the markets was much slower than the double-digit growth of the last several quarters. Second quarter inflation reflected a seasonally adjusted annualized rate of 2.5%, representing an increase from the first quarter rate of 0.2%. Although inflation appears contained for now, indicators are mixed. There is growing speculation on the extent to which productivity improvements can offset low unemployment rates, higher overall earnings, and high capacity utilization. The Fed remained idle on interest rates at both its May and June meetings. Outlooks for GDP in coming quarters are mixed but generally suggest continued strength albeit somewhat mitigated by the continuing Asia economic crisis. Many analysts predict 3.0%-4.0% GDP growth for the balance of the year.

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primarily reflected increases in personal consumption expenditures, producers' durable equipment, government spending, and residential structures. The smaller increase in real GDP in the second quarter versus that of the first quarter was primarily due to a sharp downturn in inventory investment and a deceleration of producers' durable equipment.

The Composite Index of Leading Economic Indicators, the government's primary forecasting gauge, ended the second quarter with a 0.2% decrease in June to 105.0 after increasing 0.1% and decreasing 0.1% in April and May, respectively. The index attempts to gauge economic activity six to nine months in advance. Multiple consecutive moves in the same direction are said to be indicative of the general direction of the economy. The decreases in May and June were the first since April 1997. Six of the ten leading economic indicators fell in June. The most significant negative contributor was average weekly initial claims for state unemployment insurance. The index increased 0.5% for the six month period through June, as only five of the ten components advanced.

After an extremely volatile quarter, stock markets ended the quarter slightly higher. The Dow Jones Industrial Average ("DJIA") topped the 9000 mark for the first time in history, and week ending prices met or exceeded this mark for seven of thirteen weeks in the quarter. However, several large weekly drops offset gains in many instances. High volatility characterized the DJIA and the S&P 500 with both posting final week rallies to end the second quarter on a positive note. After following a similar pattern as the DJIA and the S&P 500 in April, the NASDAQ index decreased every week in May before finishing the quarter with a strong June. The Federal Reserve Board left interest rates unchanged during its meetings on May 19th and June 30<sup>th</sup>. Average monthly yields on government bonds remained at or below 6.0% during the second quarter.

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The outlook for the economy for the remainder of 1998 is mixed. While consumption remains high, analysts are uncertain how and to what degree the ongoing Asian economic crisis will affect the U.S. economy. Many analysts expressed that the slower economic growth rate for second quarter 1998 was needed to keep interest rates unchanged and growth under control. The Fed will continue to keep a close watch on inflation levels.

#### Consumer Spending and Inflation

The seasonally adjusted annualized rate of inflation for the three-month period ended in June 1998 was 2.5%, compared to 2.3%, 1.5% and 0.2%, respectively, for the prior three quarters. Retail sales for second quarter 1998 were 6.3% higher than same quarter sales in 1997.

#### Interest Rates

The Federal Reserve continued to leave short term interest rates alone during the second quarter. The Fed's bias at its May meeting was toward a tightening directive. Bias for the June 30<sup>th</sup> meeting has not yet been announced. Analysts believe a general slowing of the U.S. economy led to the Fed's decision at its June meeting.

#### The Financial Markets

After a volatile three months, stock markets ended the quarter slightly higher for the quarter. The Dow Jones Industrial Average ("DJIA") closed the second quarter at 8952.0, an increase of 2% for the quarter and 13% for the year to date. The DJIA gained 23% in 1997. The Standard and Poor's 500 Composite Index gained 3% during the second quarter to close at 1133.84.

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This represents growth of 17% so far in 1998 after posting an annual gain of 31% in 1997. The NASDAQ Composite Index gained 3% during the second quarter as well to close at 1894.74. Annual gains for the NASDAQ are 21% for 1998 following 22% for 1997. Average monthly yields on long-term government bonds remained below 6% where they have been since December 1997.

#### Construction, Housing, and Real Estate

According to the U.S. Commerce Department's Bureau of the Census, new privately owned housing starts increased to a seasonally annualized rate of 1.615 million units in June, or about 6% above the revised May level of 1.530 million units. During the first six months of 1998, housing starts have increased 8% over the same time period in 1997.

#### Unemployment

According to the Labor Department's Bureau of Labor Statistics, unemployment levels during the second quarter fell below the range of rates reported since November 1997. The June unemployment rate was 4.5%, following 4.3% in both April and May. June marked the twelfth consecutive month that the unemployment rate was below 5%.

#### Summary and Outlook

Economic (GDP) growth in the second quarter of 1998 was 1.4%, down from 5.5% in the first quarter of 1998. Forecasts for GDP growth and inflation in coming quarters are mixed, but generally reflect 3%-4% expected growth in GDP and continued modest inflation.

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## ECONOMIC INDICATORS AND INVESTMENT TRENDS MONTHLY AND QUARTERLY DATA

Major Economic Variables:	Notes	Third Quarter 1997			Fourth Quarter 1997			First Quarter 1998			Second Quarter 1998		
		July	August	September	October	November	December	January	February	March	April	May	June
Real GDP [Billions of Chained (1992) Dollars, SAAR]	(1)	**	**	\$ 7,311.2	**	**	\$ 7,364.6	**	**	\$ 7,464.7	**	**	\$ 7,491.0
Real GDP [Annualized Quarterly Growth %]	(1)	**	**	4.2%	**	**	3.0%	**	**	5.9%	**	**	1.4%
Consumer Price Index [NSA, 1982-84=100]	(2)	160.5	160.8	161.2	161.6	161.5	161.3	161.6	161.9	162.2	162.5	162.8	163.0
3-Month Seasonally Adj. Annual Inflation Rate	(3)	--	--	2.3%	--	--	1.5%	--	--	0.2%	--	--	2.5%
Civilian Unemployment Rate	(2)	4.9%	4.9%	4.9%	4.8%	4.6%	4.7%	4.7%	4.6%	4.7%	4.3%	4.3%	4.5%
Civilian Labor Force [000s, Seasonally Adjusted]	(2)	136,294	136,404	136,439	136,406	136,864	137,169	137,493	137,557	137,523	137,242	137,364	137,447
Private Housing Starts [Annual Unit Rate (000s)]	(4)	1,461	1,383	1,501	1,529	1,523	1,540	1,545	1,616	1,585	1,546	1,530	1,615
Leading Economic Indicators [1992 = 100]	(5)	103.9	104.0	104.3	104.4	104.5	104.5	104.6	105.0	105.2	105.3	105.2	105.0
Coincidental Economic Indicators [1992 = 100]	(5)	116.6	116.8	117.2	117.5	118.1	118.6	119.0	119.3	119.7	120.0	120.3	120.4
Lagging Economic Indicators [1992 = 100]	(5)	104.5	104.8	104.8	105.0	105.2	105.0	105.3	105.7	105.9	105.8	105.9	106.5

SAAR = Seasonally Adjusted Annualized Rate / NSA = not seasonally adjusted / na = not available at the time of this review / \*\* Gross Domestic Product is reported on a quarterly basis only

Stock Market Trends:	Notes	Third Quarter 1997			Fourth Quarter 1997			First Quarter 1998			Second Quarter 1998		
		July	August	September	October	November	December	January	February	March	April	May	June
Dow Jones Industrial Avg [Month-End Close Avg.]	(6)	8222.60	7622.40	7945.24	7443.00	7823.12	7908.24	7906.48	8545.72	8799.80	9063.36	8899.92	8952.00
Dow Jones Industrial Average P/E	(7)	21.90	20.30	21.20	19.20	20.10	20.50	20.90	22.00	23.20	23.50	22.90	23.20
Dow Jones Industrial Average P/B	(7)	5.79	5.39	5.68	5.26	5.53	5.63	5.59	6.04	6.36	6.47	6.29	5.66
Dow Jones Industrial Avg Dividend Yield	(7)	1.58%	1.71%	1.66%	1.80%	1.74%	1.72%	1.74%	1.63%	1.56%	1.54%	1.60%	1.58%
S&P 500 Composite Index [Month-End Close Avg.]	(6)	954.29	899.47	947.28	914.62	955.40	970.43	980.28	1049.34	1101.75	1111.75	1090.82	1133.84
S&P 500 Composite Index P/E	(7)	23.54	22.18	23.80	22.56	23.54	23.99	24.12	26.07	28.27	28.22	27.59	28.99
S&P 500 Composite Index P/B	(7)	4.82	4.95	5.31	5.03	5.25	5.36	5.39	5.77	6.17	6.16	6.00	6.09
S&P 500 Composite Index Dividend Yield	(7)	1.63%	1.71%	1.60%	1.69%	1.62%	1.60%	1.61%	1.52%	1.42%	1.42%	1.47%	1.40%
NASDAQ Composite Index [Month-End Close Avg.]	(6)	1593.81	1587.32	1685.69	1593.61	1600.55	1570.35	1619.35	1770.50	1835.68	1868.41	1778.88	1894.74
Wilshire 5000 Index [Month-End Close Avg.]	(6)	9031.40	8679.96	9180.20	8865.24	9108.12	9298.16	9340.80	9999.60	10494.72	10609.60	10314.10	10663.60

### Notes:

- (1) Dept. of Commerce, Stat-USA Website
- (2) Bureau of Labor Statistics ("BLS")
- (3) BLS, Seasonally Adjusted Basis [1982-84=100]
- (4) Single and Multi-Family Private Units, U.S. Census Bureau
- (5) The Conference Board
- (6) Compuserve Database Tickers: DJ30, SPAL, COMP, WLSH
- (7) Barron's Market Laboratory, Average for Week in Which the Month Ended

Sources Include Compuserve, The Wall Street Journal, Barron's, and Numerous Reports Found in the Financial Press and on the Internet.

## ECONOMIC INDICATORS AND INVESTMENT TRENDS MONTHLY DATA

Treasury Yields:	Notes	Third Quarter 1997			Fourth Quarter 1997			First Quarter 1998			Second Quarter 1998		
		July	August	September	October	November	December	January	February	March	April	May	June
Three Month	(1)	5.07%	5.13%	4.97%	4.95%	5.15%	5.16%	5.09%	5.11%	5.03%	5.00%	5.03%	4.99%
Six Month	(1)	5.12%	5.17%	5.11%	5.09%	5.17%	5.24%	5.07%	5.07%	5.04%	5.08%	5.15%	5.12%
One Year	(2)	5.54%	5.56%	5.52%	5.46%	5.46%	5.53%	5.24%	5.31%	5.39%	5.38%	5.44%	5.41%
Two Year	(2)	5.89%	5.94%	5.88%	5.77%	5.71%	5.72%	5.36%	5.42%	5.56%	5.56%	5.59%	5.52%
Three Year	(2)	6.00%	6.06%	5.98%	5.84%	5.76%	5.74%	5.38%	5.43%	5.57%	5.58%	5.61%	5.52%
Five Year	(2)	6.12%	6.16%	6.11%	5.93%	5.80%	5.77%	5.42%	5.49%	5.61%	5.61%	5.63%	5.52%
Seven Year	(2)	6.20%	6.29%	6.20%	6.05%	5.90%	5.83%	5.53%	5.60%	5.71%	5.70%	5.72%	5.56%
Ten Year	(2)	6.22%	6.30%	6.21%	6.03%	5.88%	5.81%	5.54%	5.57%	5.65%	5.64%	5.65%	5.50%
Twenty Year	(2)	6.56%	6.65%	6.56%	6.38%	6.20%	6.07%	5.88%	5.96%	6.01%	6.00%	6.01%	5.80%
Thirty Year	(2)	6.51%	6.58%	6.50%	6.33%	6.11%	5.99%	5.81%	5.89%	5.95%	5.92%	5.93%	5.70%
Composite Over 10-Years [Long-Term]	(2)	6.55%	6.64%	6.54%	6.37%	6.18%	6.06%	5.87%	5.94%	6.00%	5.98%	5.99%	5.78%

### Other Interest Rates:

Federal Funds Rate	(3)	5.52%	5.54%	5.54%	5.50%	5.52%	5.50%	5.56%	5.51%	5.49%	5.45%	5.49%	5.56%
Discount Rate	(3)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Corporate Bonds - Baa [Moody's Seasoned]	(3)	7.75%	7.82%	7.70%	7.57%	7.42%	7.33%	7.19%	7.25%	7.32%	7.33%	7.30%	7.13%
Tax Free Rate [State and Local Bonds]	(3)	5.35%	5.41%	5.39%	5.38%	5.33%	5.19%	5.06%	5.10%	5.21%	5.23%	5.20%	5.12%
Bank Prime Rate	(3)	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%

### Other Bond Yields

Corporate Bonds - Aaa [Moody's Seasoned]	(3)	7.14%	7.22%	7.15%	7.00%	6.87%	6.77%	6.61%	6.67%	6.72%	6.69%	6.69%	6.53%
Corporate Bonds - Baa [Moody's Seasoned]	(3)	7.75%	7.82%	7.70%	7.57%	7.42%	7.33%	7.19%	7.25%	7.32%	7.33%	7.30%	7.13%
Bond Buyer Index-20 Bond Municipals	(4)	5.23%	5.45%	5.34%	5.35%	5.29%	5.15%	5.11%	5.14%	5.19%	5.32%	5.13%	5.15%

### Notes:

- (1) H-15 Statistical Release of the Federal Reserve, Monthly Average of Auction Average Rate
- (2) H-15 Statistical Release of the Federal Reserve, Monthly Average of Constant Maturity Rates
- (3) H-15 Statistical Release of the Federal Reserve, Monthly Average Rates
- (4) Barron's Market Laboratory - Bonds / Index of Yields of 20 General Obligation Municipal Bonds, Represents the Average for the Last Week of Each Given Month

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## ECONOMIC INDICATORS AND INVESTMENT TRENDS ANNUAL DATA

### Major Economic Variables:

	1993	1994	1995	1996	1997
Real GDP [Billions of Chained (1992) Dollars]	\$6,389.6	\$6,610.7	\$6,761.7	\$6,994.8	\$7,269.8
Real GDP [Annual % Change]	2.3%	3.5%	2.3%	3.4%	3.9%
Consumer Price Index [@ Year-End, NSA]	145.8	149.7	153.5	158.6	161.3
Annual Inflation Rate [Annual % Chg. in CPI, NSA]	2.7%	2.7%	2.5%	3.3%	1.7%
Civilian Unemployment Rate [Approx. Avg. Annual]	6.9%	6.1%	5.6%	5.4%	4.9%
Civilian Labor Force [000s]	129,200	131,056	132,304	133,943	136,297
Housing Starts, Annual Unit Rate [000s]	1,288	1,457	1,354	1,477	1,474
Leading Economic Indicators [1992 = 100]*	100.4	101.3	100.8	102.0	103.8
Coincidental Economic Indicators [1992 = 100]*	102.5	106.1	109.6	112.6	116.4
Lagging Economic Indicators [1992 = 100]*	99.5	100.2	103.5	104.4	104.7

\* Average of Revised Quarterly Data

na = not available at the time of this review

### Stock Market Trends:

	1993	1994	1995	1996	1997
Dow Jones Industrial Avg [Month-End Close Avg.]	3,574.10	3,834.44	5,117.12	6,448.24	7,908.24
Dow Jones Industrial Approx. Avg. P/E *	19.37	17.28	14.69	13.40	15.96
Dow Jones Ind. Approx. Avg Div. Yield *	2.78%	2.74%	2.56%	2.21%	1.82%
S&P 500 Composite Index [Month-End Close Avg.]	466.45	459.27	615.93	740.74	970.43
S&P 500 Comp. Index Approx. Avg. P/E *	16.15	14.72	13.89	15.50	18.62
S&P 500 Comp. Index Approx. Div. Yield *	2.77%	2.82%	2.55%	2.18%	1.78%
NASDAQ Comp. Index [Month-End Close Avg.]	776.80	751.96	1,052.14	1,291.03	1,570.35
Wilshire 5000 Index [Month-End Close Avg.]	4,657.82	4,540.92	6,057.20	7,198.28	9,298.16

See Quarterly Exhibits for Additional Source Information

\* S&P Stock Guide, Approximated as the Average of Monthly Results Relative to **Estimated Earnings**

## ECONOMIC INDICATORS AND INVESTMENT TRENDS ANNUAL DATA

Represents Average Yields For December of each Year

Treasury Yields:	1993	1994	1995	1996	1997
Three Month	3.08%	5.64%	5.16%	4.92%	5.16%
Six Month	3.25%	6.21%	5.15%	5.14%	5.24%
One Year	3.61%	7.14%	5.31%	5.69%	5.53%
Two Year	4.21%	7.59%	5.32%	6.09%	5.72%
Three Year	4.54%	7.71%	5.39%	6.24%	5.74%
Five Year	5.15%	7.78%	5.51%	6.38%	5.77%
Seven Year	5.48%	7.80%	5.63%	6.46%	5.83%
Ten Year	5.77%	7.81%	5.71%	6.49%	5.81%
Twenty Year	6.40%	7.99%	6.12%	6.84%	6.07%
Thirty Year	6.25%	7.87%	6.06%	6.77%	5.99%
Composite Over 10-Years [Long-Term]	6.27%	7.97%	6.11%	6.82%	6.06%

### Other Interest Rates:

Federal Funds Rate	2.96%	5.45%	5.60%	5.56%	5.50%
Discount Rate	3.00%	4.75%	5.25%	5.00%	5.00%
Corporate Bonds - Baa [Moody's Seasoned]	7.69%	9.10%	7.49%	8.02%	7.33%
Tax Free Rate [State and Local Bonds]	5.35%	6.80%	5.45%	5.53%	5.19%
Bank Prime Rate	6.00%	8.50%	8.65%	8.50%	8.50%

### Other Bond Yields

Corporate Bonds - Aaa [Moody's Seasoned]	6.93%	8.46%	6.82%	7.41%	6.77%
Corporate Bonds - Baa [Moody's Seasoned]	7.69%	9.10%	7.49%	8.02%	7.33%
Bond Buyer Index-20 Bond Municipals	5.28%	6.71%	5.44%	5.53%	5.15%

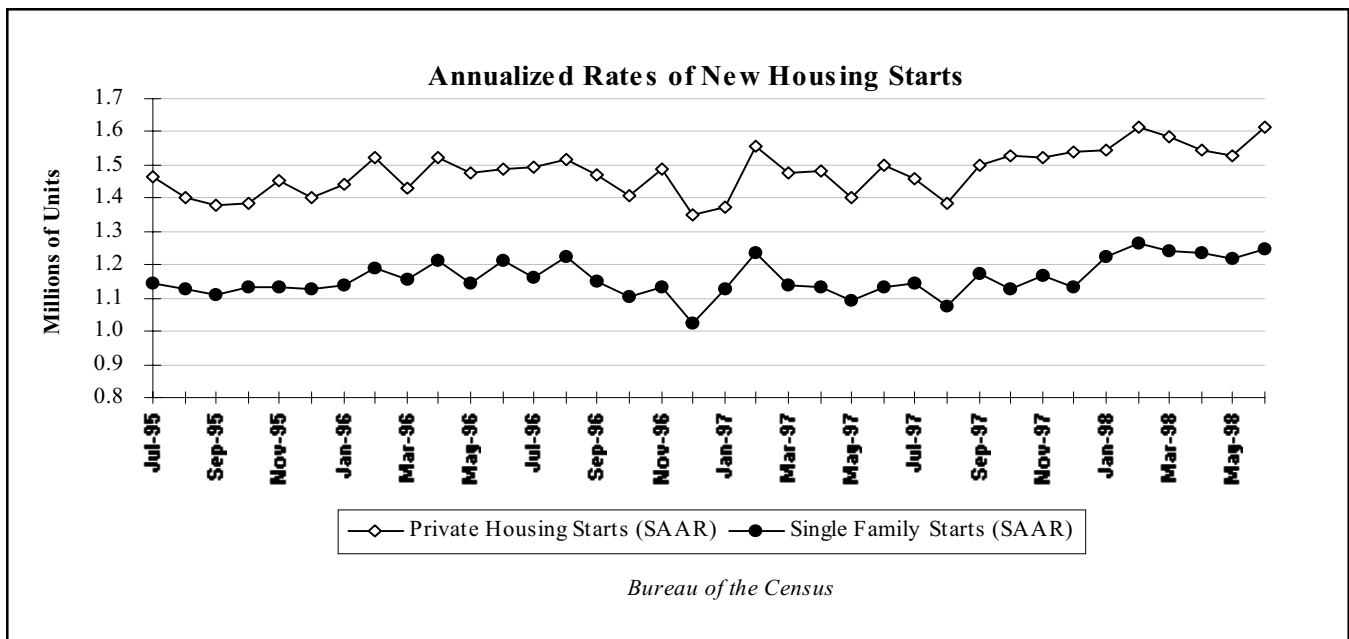
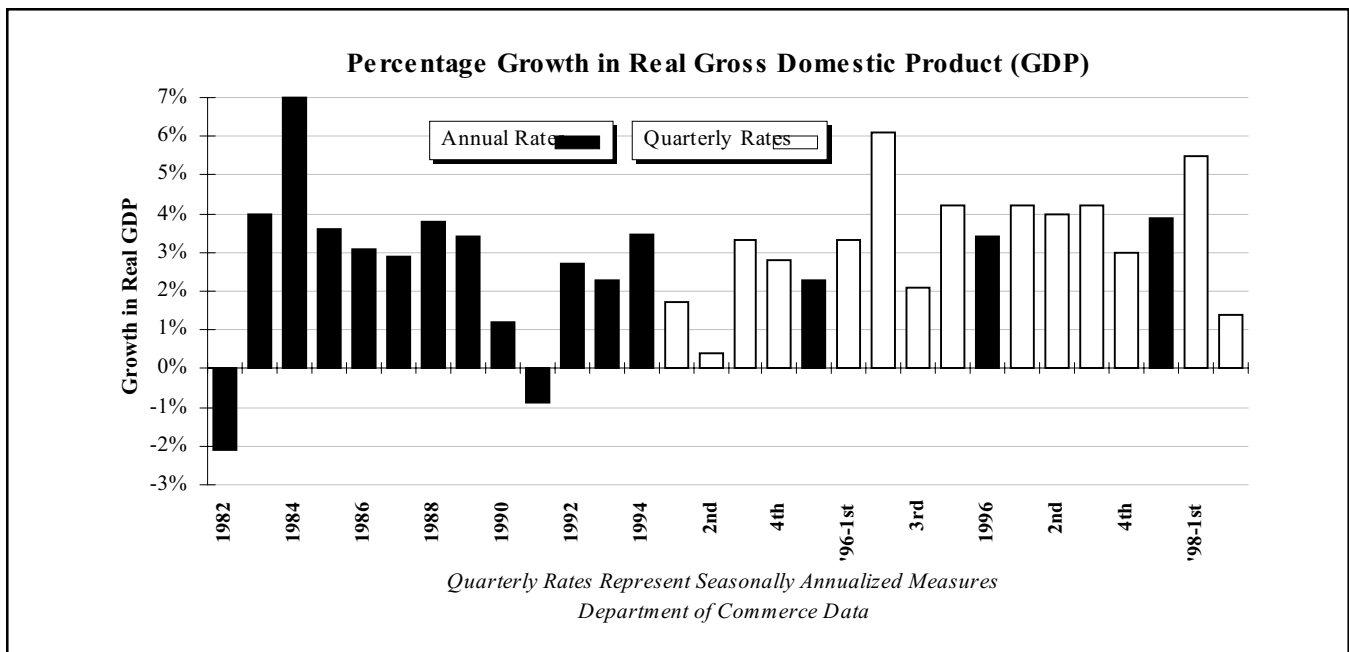
Sources: The Federal Reserve / See Notes on Quarterly Rate Exhibit / Rates Represent December Averages for Each Year Shown.  
Barron's Market Laboratory - Bonds, See Quarterly Rate Exhibit

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## Sources of Information\*

The primary source for both the text and economic indicator pages of *The National Economic Review* is the Department of Commerce. Data from major economic indicator press releases and the *Survey of Current Business* account for the majority of content in the *Review*. In addition, the following publications and on-line sources have been reviewed.

- *Barron's* (The Dow Jones Business and Financial Weekly)
- *Business Week*
- *Money*
- *The Wall Street Journal*
- **The Economic Bulletin Board**
- **CompuServe Information Service**
- **Prodigy Information Service**
- **America On-Line Information Service**

\* *Your subscription will include a full listing of sources with article titles and proper citing. This abbreviated list is presented for demonstration purposes only.*