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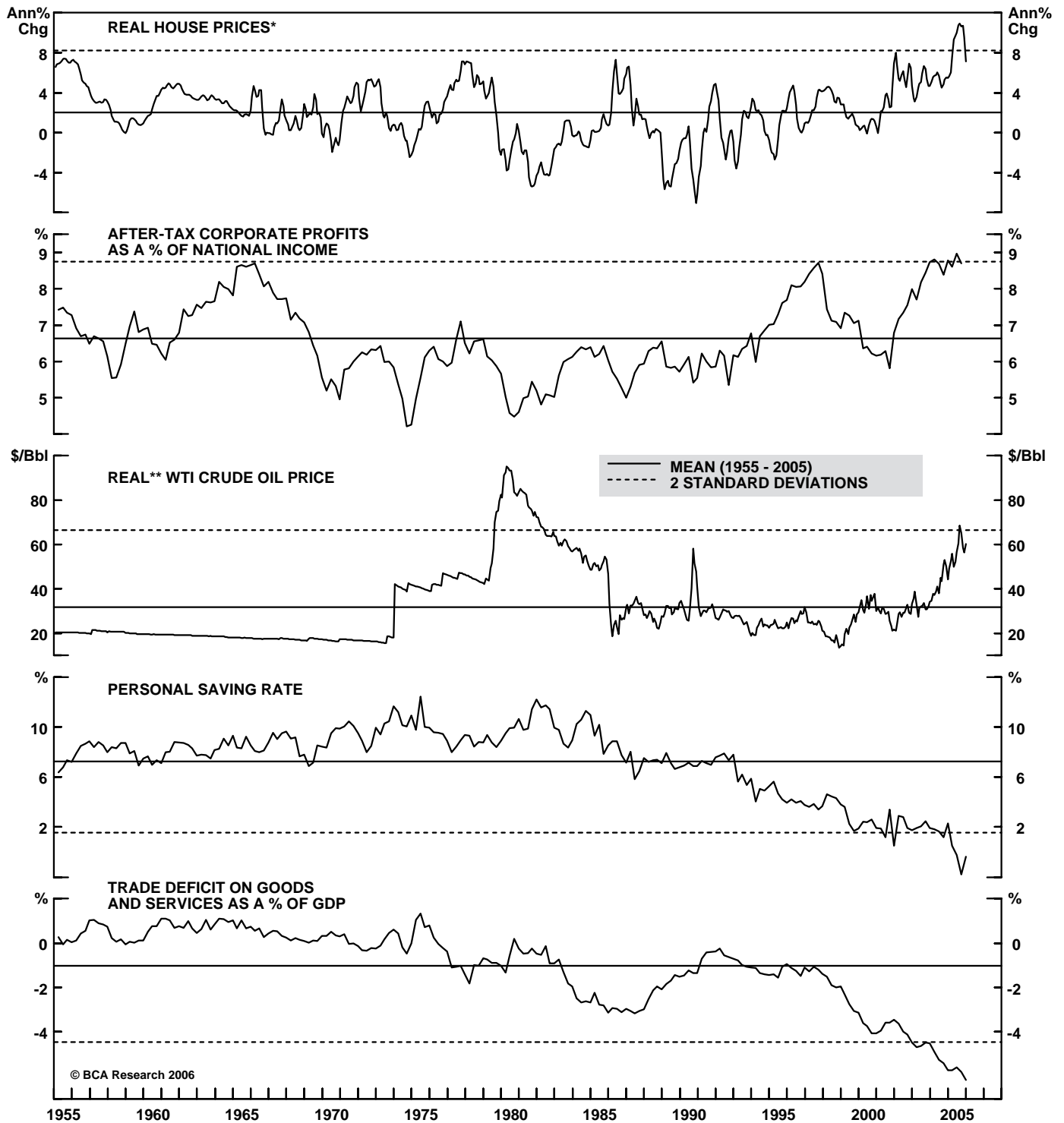
OUTLOOK FOR THE U.S. ECONOMY AND FINANCIAL MARKETS

GIC/PCBE Luncheon
Philadelphia
February 1, 2006

A Presentation by:

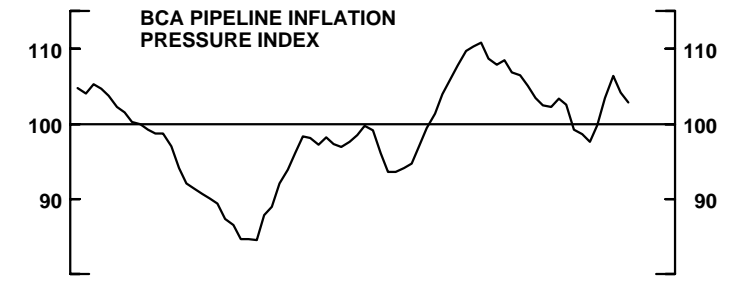
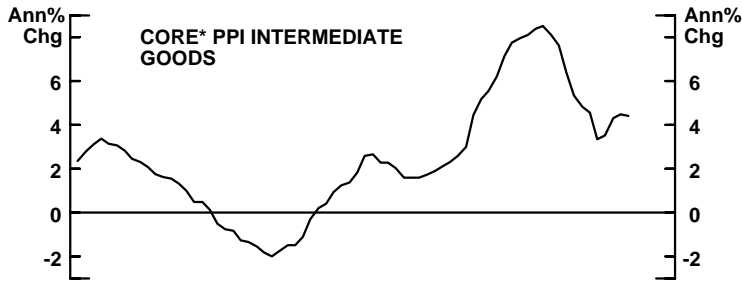
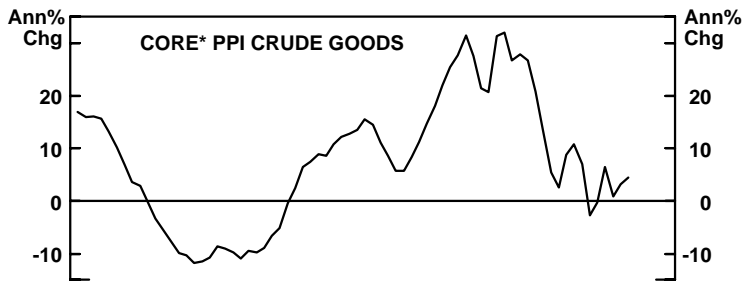
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Unusual Times

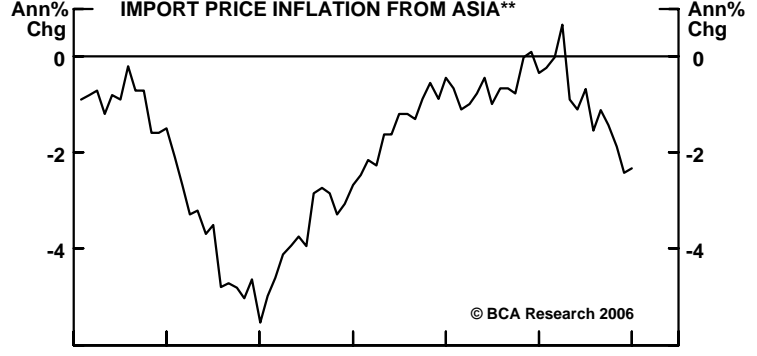
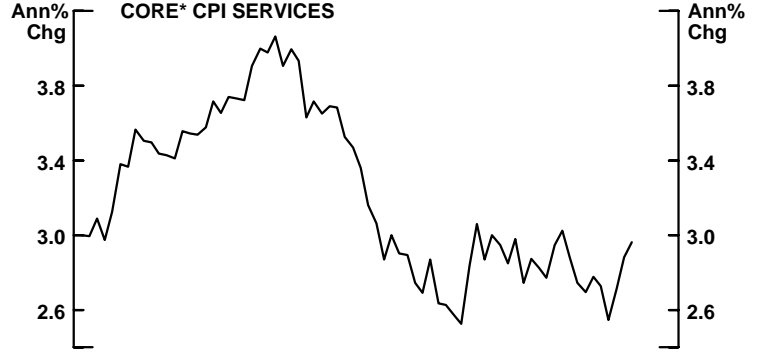
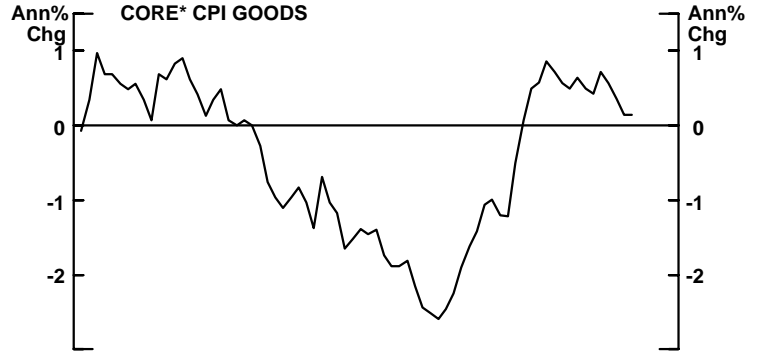
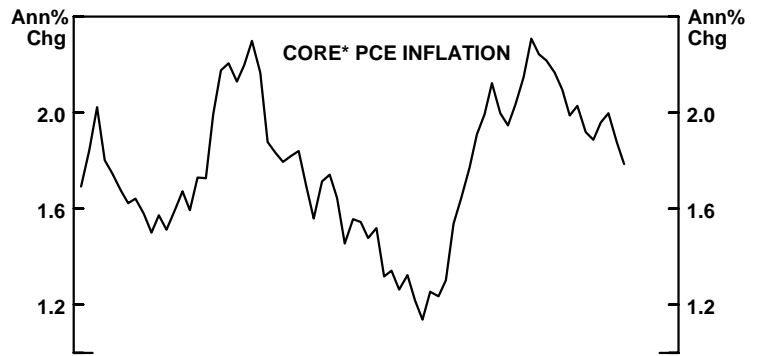


*SOURCE: NATIONAL ASSOCIATION OF REALTORS; SMOOTHED AND DEFLATED BY THE CONSUMER PRICE INDEX
 **DEFLATED BY THE CONSUMER PRICE INDEX

Inflation Pressures Have Peaked

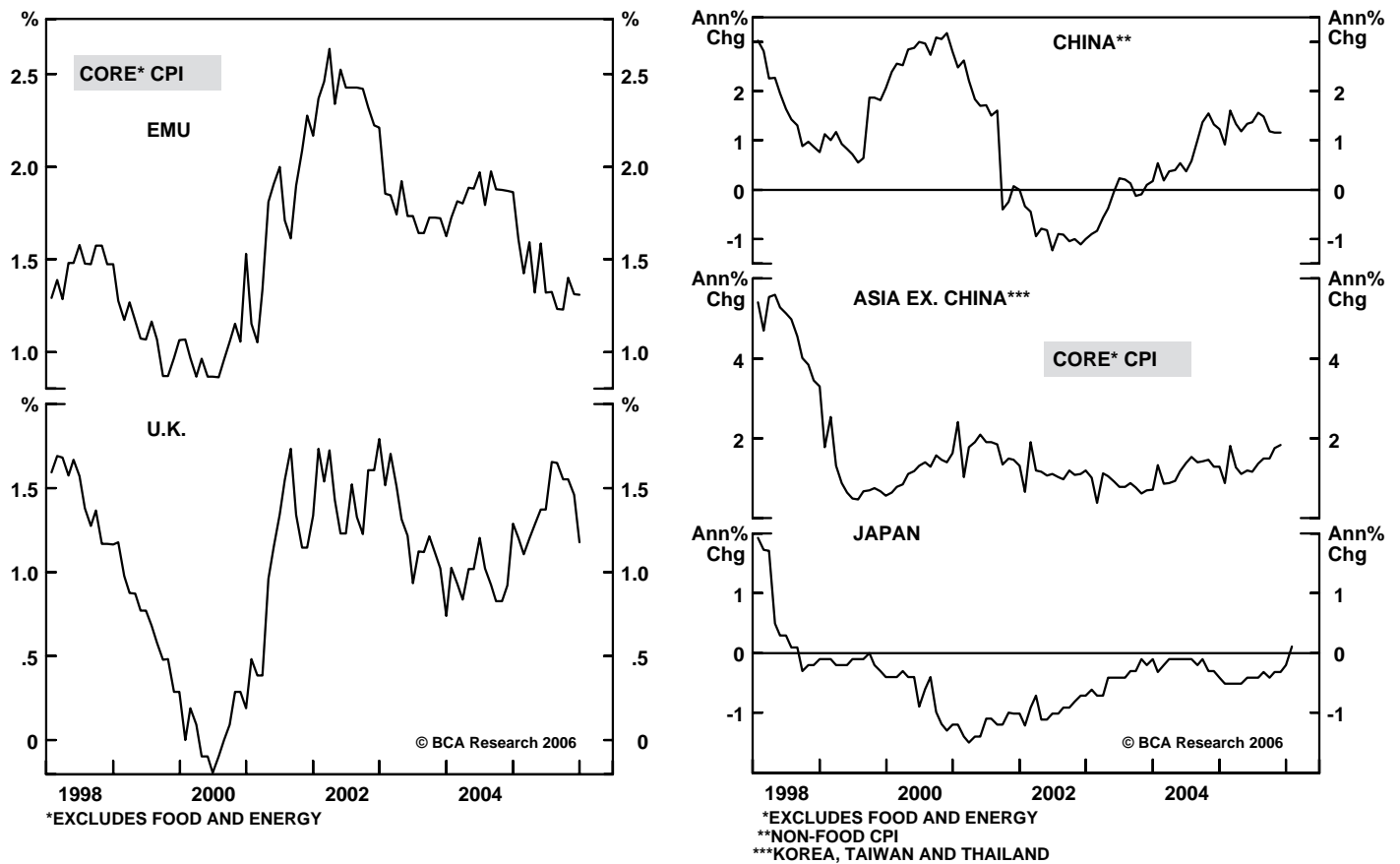


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 *CORE EXCLUDES FOOD AND ENERGY
 **SOURCE: NATIONAL FEDERATION OF INDEPENDENT BUSINESS



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 *CORE EXCLUDES FOOD AND ENERGY
 **INCLUDES HONG KONG, SINGAPORE, SOUTH KOREA AND TAIWAN

Global Inflation Is Low

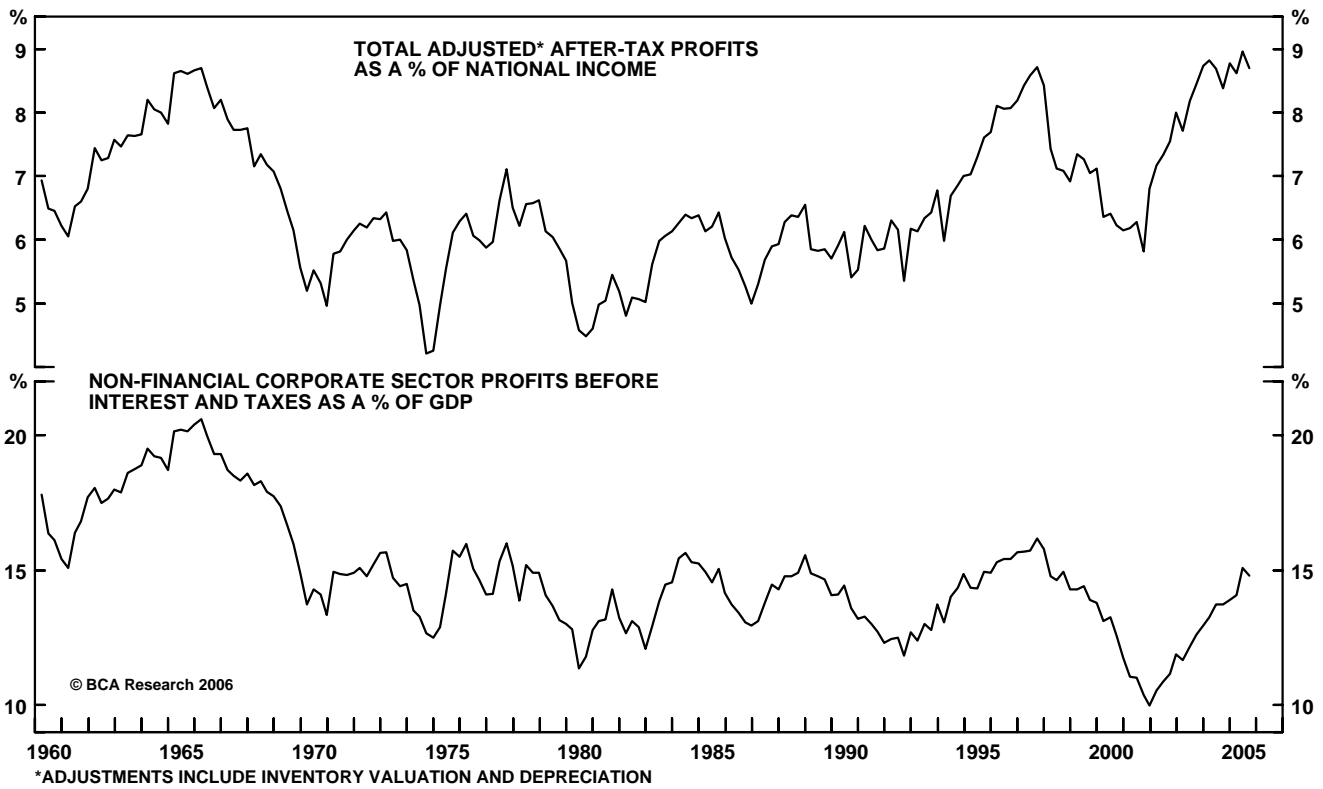


Inflation Rates For Selected High-Frequency Spending Items

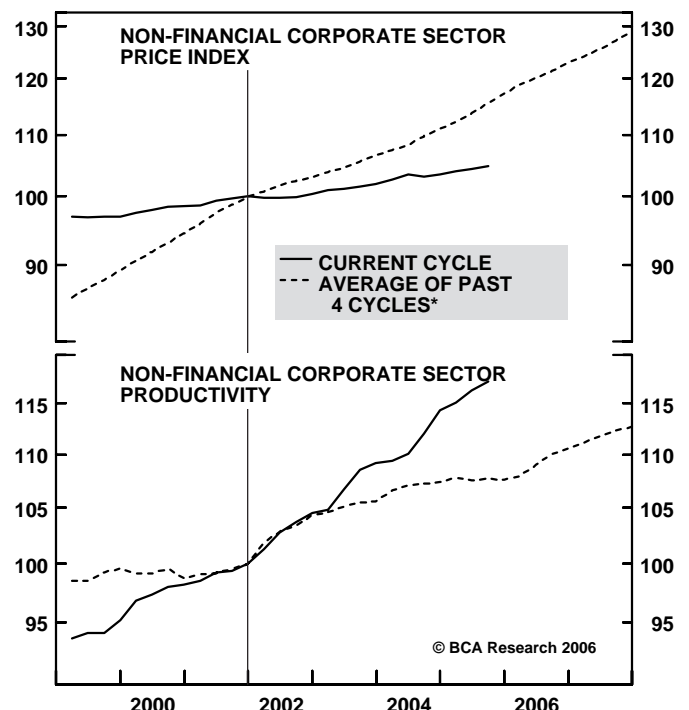
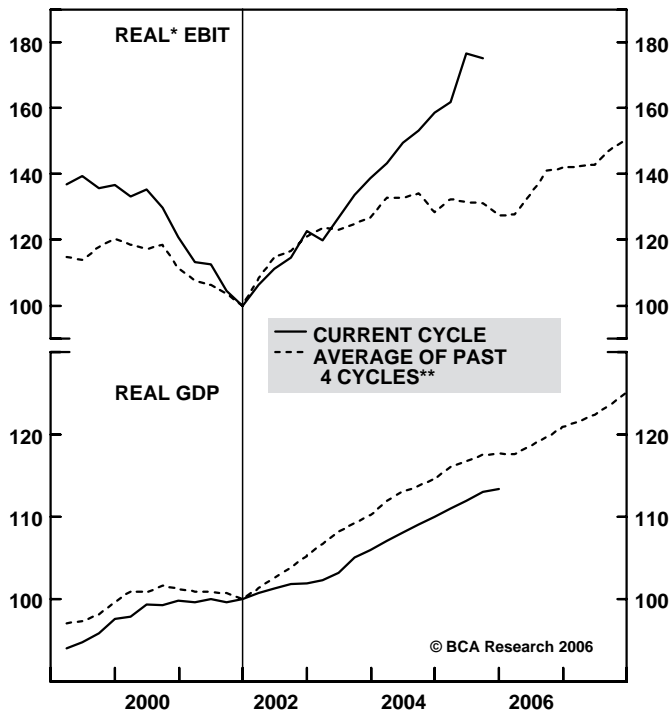
% Change in consumer prices: December 2004 to December 2005

| | | | |
|---------------------------|------|-----------------------------|-----|
| Gas and electricity | 17.6 | Tax and accounting services | 4.4 |
| Gasoline | 16.1 | Vehicle repair | 3.6 |
| Delivery services | 9.9 | Movies and theatre tickets | 3.5 |
| Repair of household items | 6.8 | Legal services | 3.4 |
| College tuition | 6.6 | Cable and satellite | 3.3 |
| Sporting tickets | 6.4 | Hotels | 3.3 |
| Cigarettes | 5.9 | Physician services | 3.1 |
| Dental services | 5.7 | Personal Care Services | 2.7 |
| Child care and nursery | 5.5 | Food | 2.3 |
| Intracity transport | 5.4 | Laundry services | 1.8 |
| Parking | 4.9 | Newspapers and magazines | 1.7 |
| Veterinary services | 4.9 | Alcohol | 1.3 |
| Prescription Drugs | 4.4 | Telephone services | 0.4 |

Corporate Profitability Is Excellent



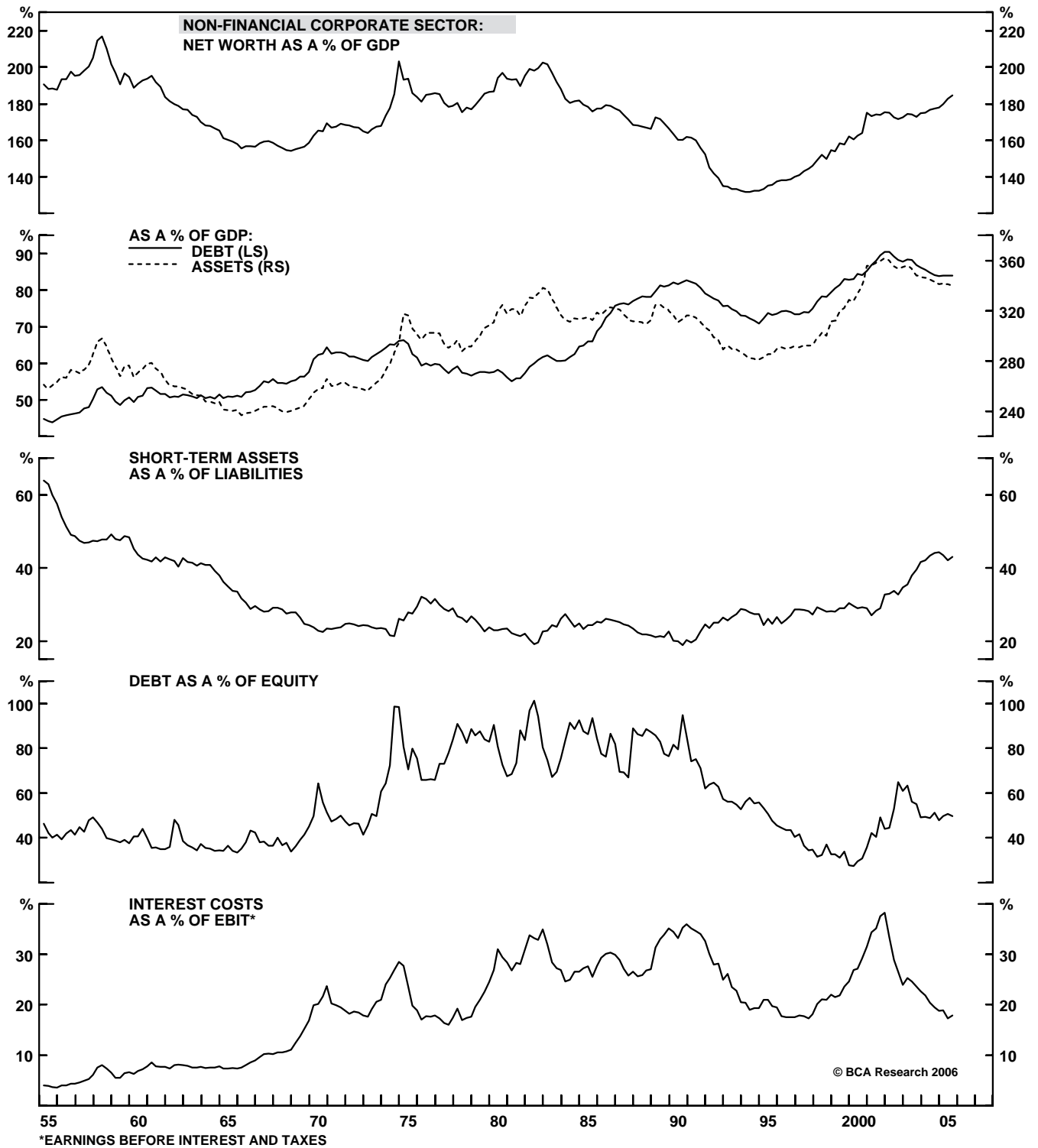
A Different Kind Of Cycle



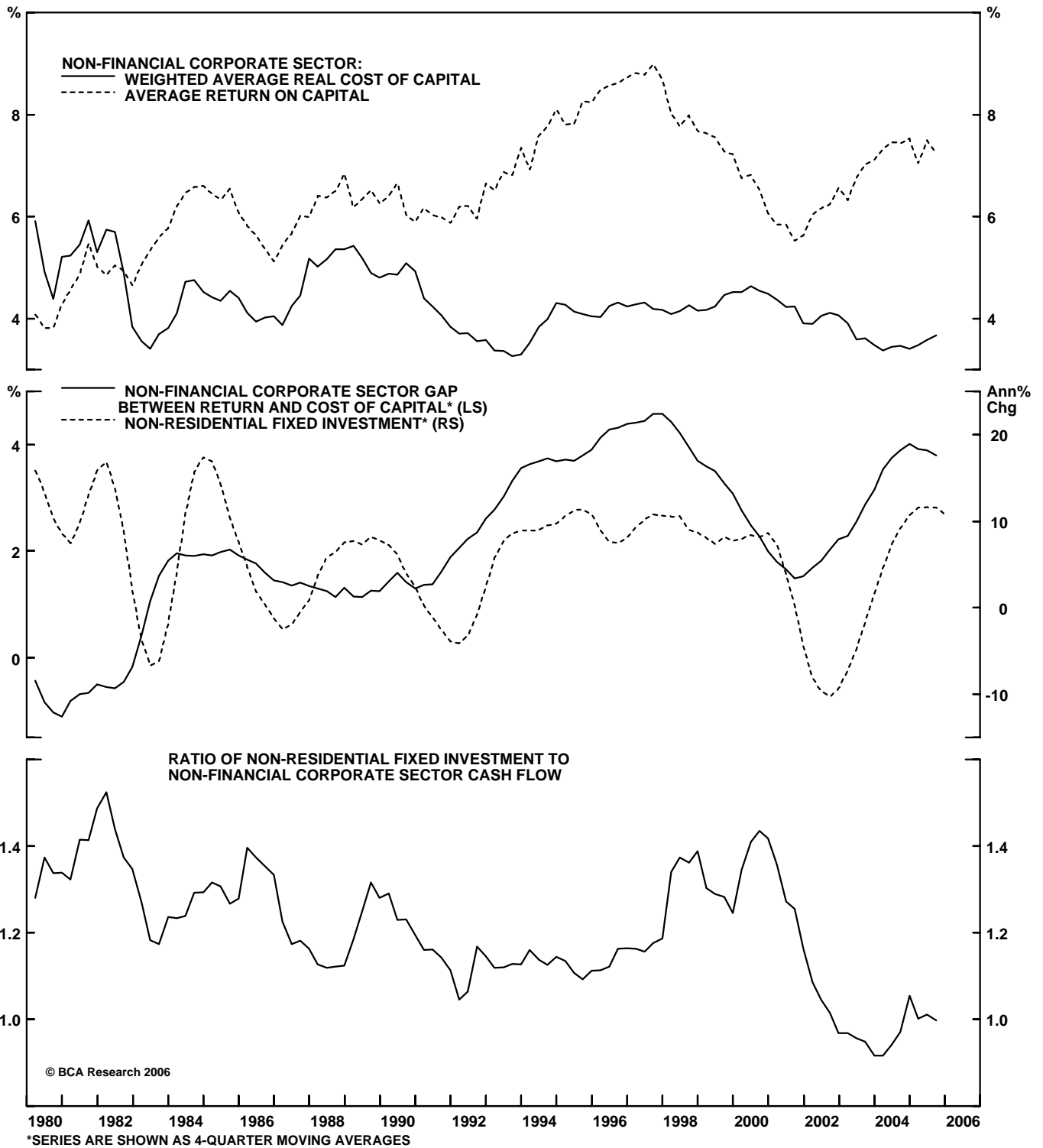
*ADJUSTED BY THE NON-FINANCIAL CORPORATE SECTOR DEFLATOR
**SERIES ARE ALIGNED AT THE START OF EXPANSION REPRESENTED BY THE VERTICAL LINE

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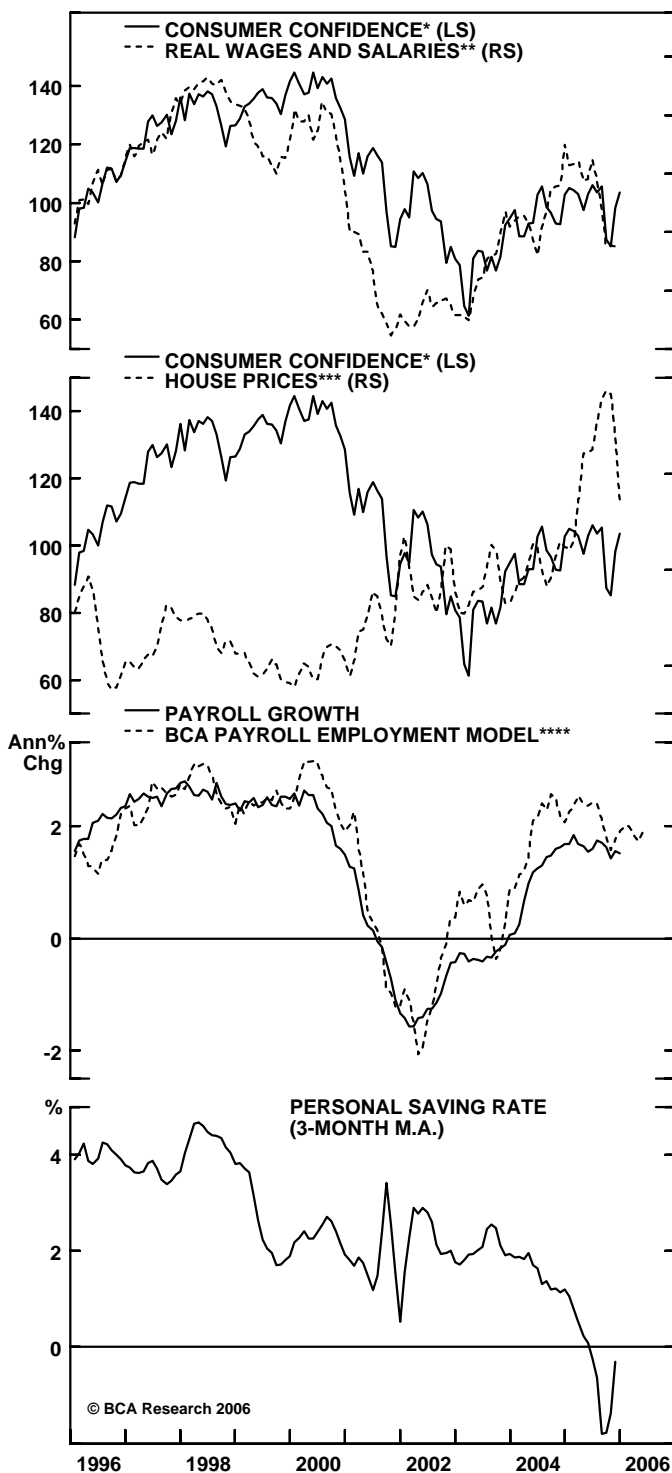
Balance Sheets Are Strong



Good Support For Corporate Spending

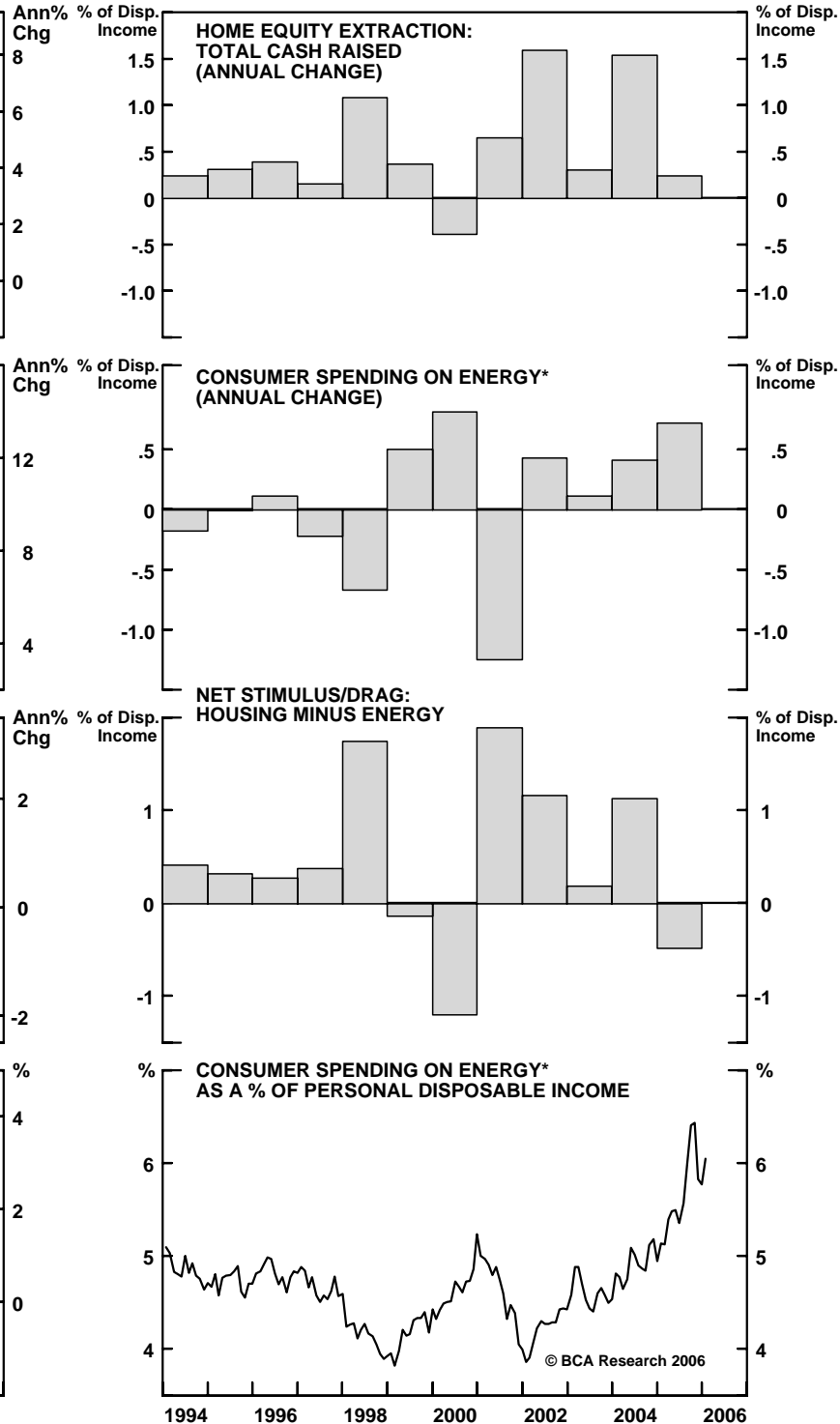


Consumers Set To Retrench



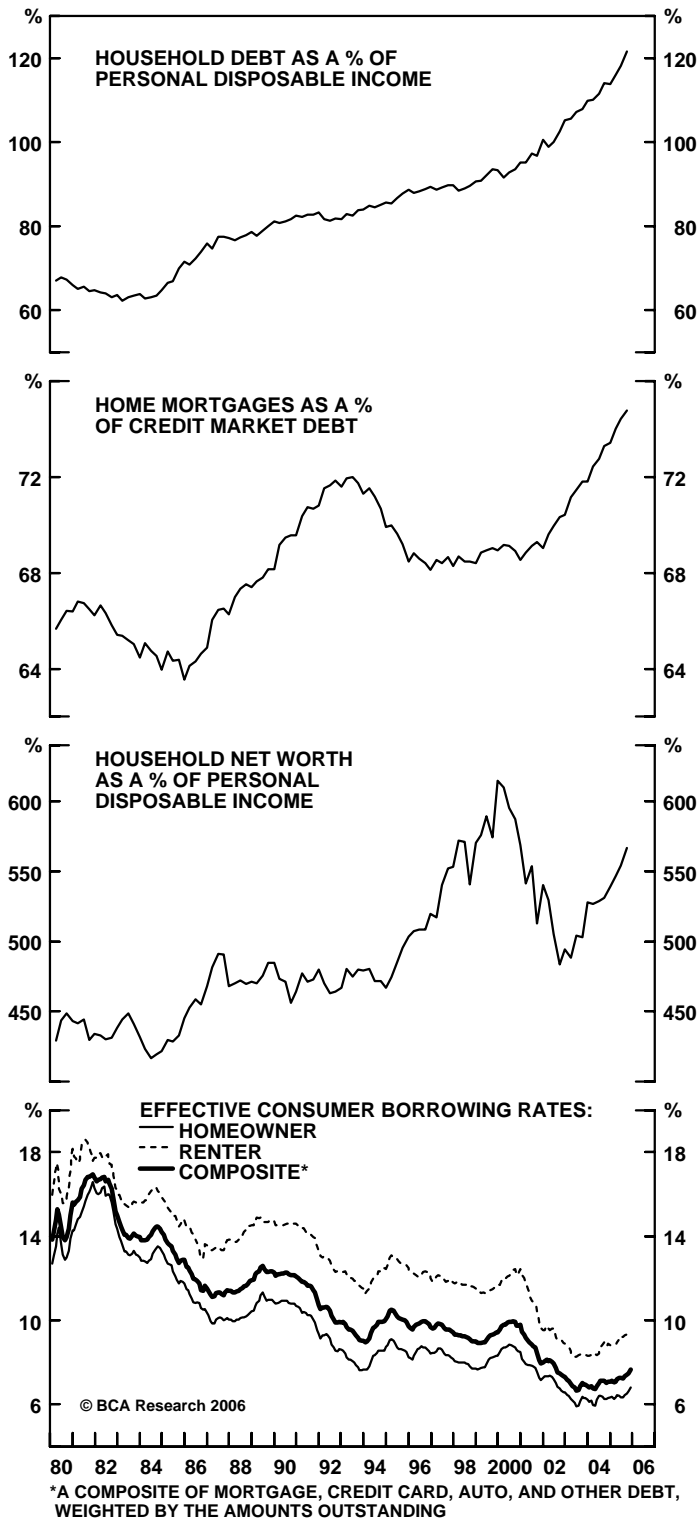
*SOURCE: THE CONFERENCE BOARD
 **ADJUSTED BY THE PCE DEFLATOR
 ***SOURCE: NATIONAL ASSOCIATION OF REALTORS; SMOOTHED
 ****BASED ON HELP-WANTED ADS, NFIB HIRING PLANS AND TEMPORARY EMPLOYMENT

The Impact Of Housing And Oil

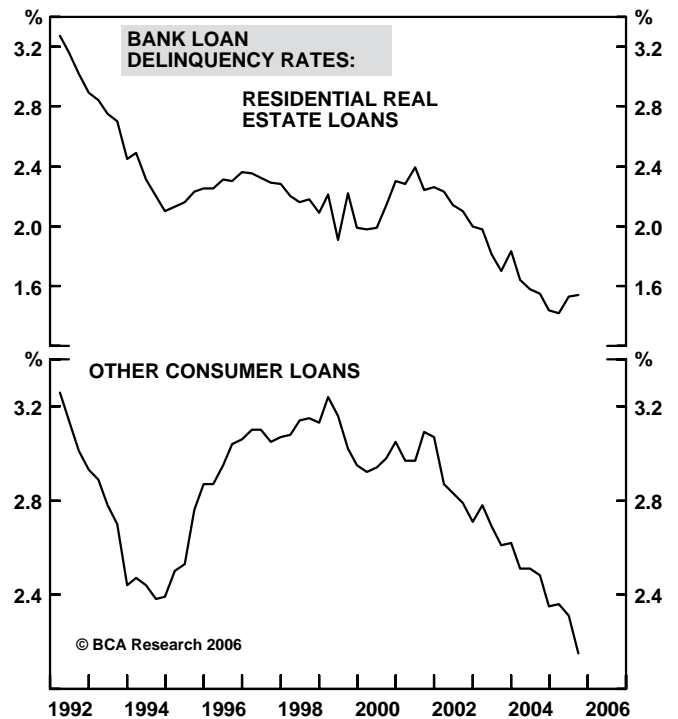


*INCLUDES GASOLINE, FUEL OIL, NATURAL GAS, AND ELECTRICITY
 NOTE: 2005 IS BCA ESTIMATE FOR ALL SERIES

Consumer Finances Are O.K.



No Sign Of Debt Stress



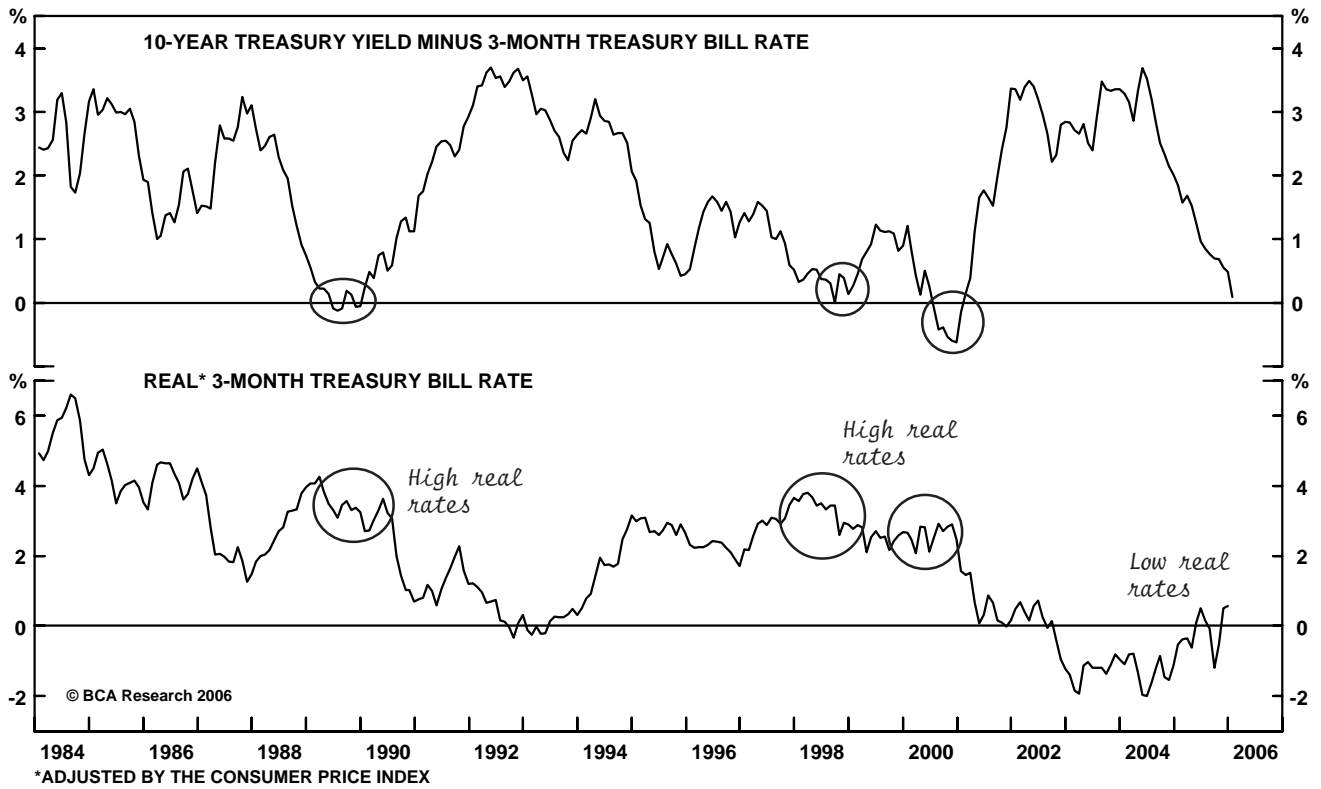
"Consumer short term debt... is approaching a historical turning point. Having risen at an abnormally fast rate for ten years, it must soon adjust itself to the nation's capacity for going into hock... which is not limitless. Whether the rate of growth in consumer debt will slow down is no longer the question...it must slow down."

Fortune Magazine
March 1956

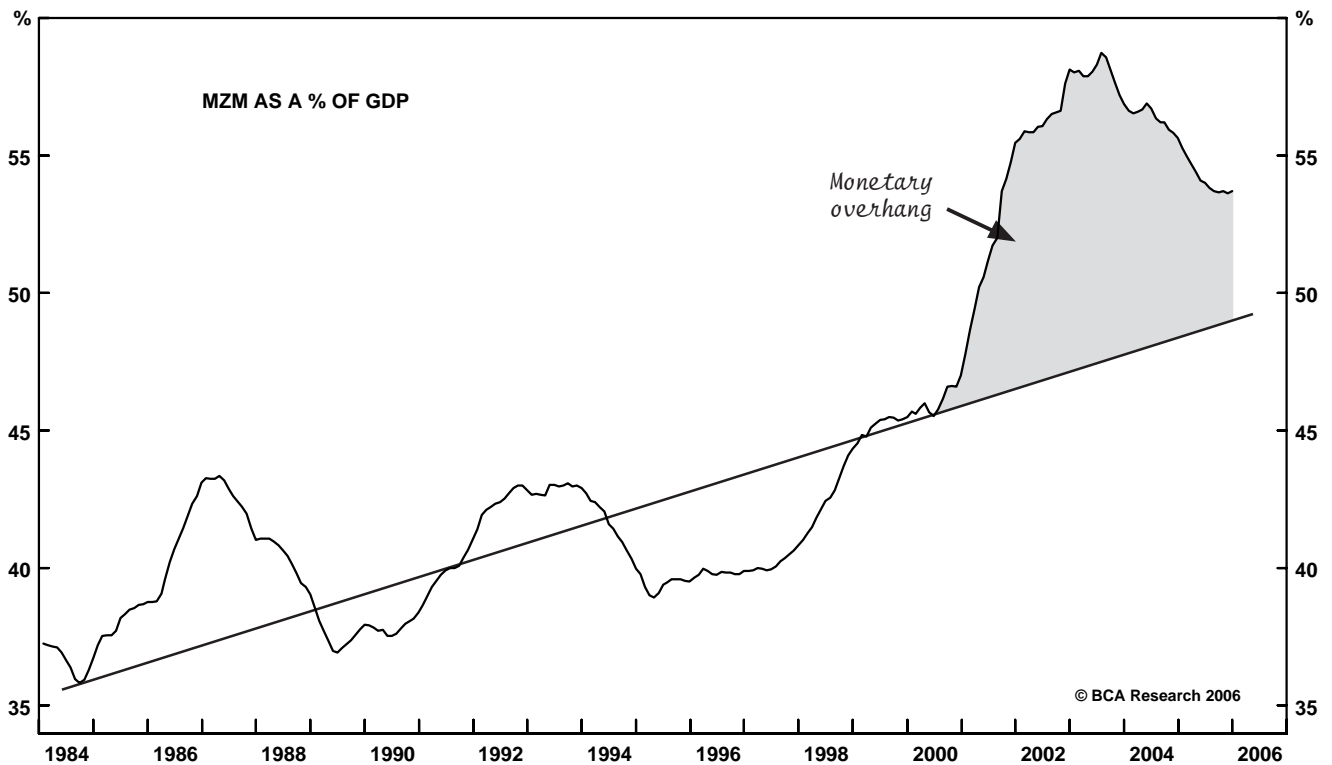
"Federal Reserve Chairman G. William Miller said the average American buyer is getting dangerously deep in debt, and warned that the trend could have serious consequences... Several of the nation's business leaders said they share Miller's alarm over the level to which consumer debts have climbed."

Washington Post
October 1978

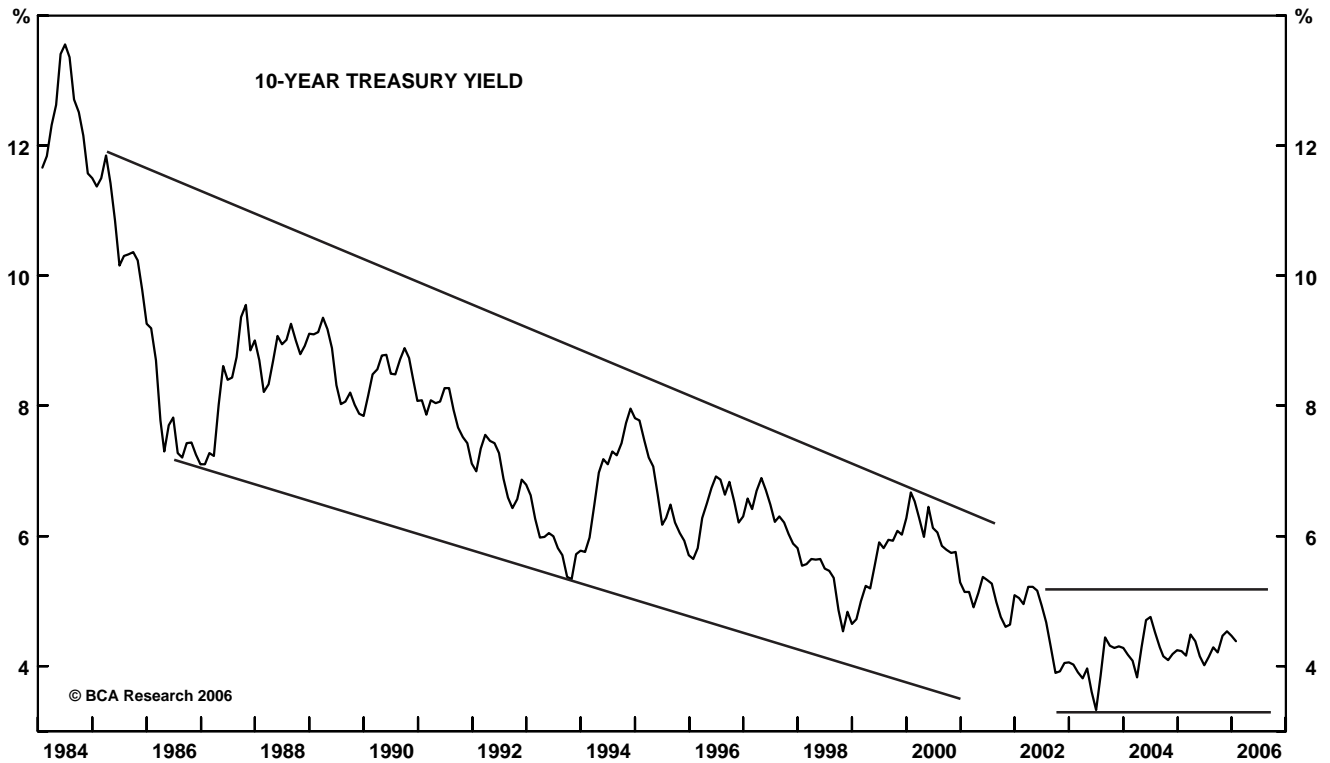
A Different Kind Of A Flat Yield Curve



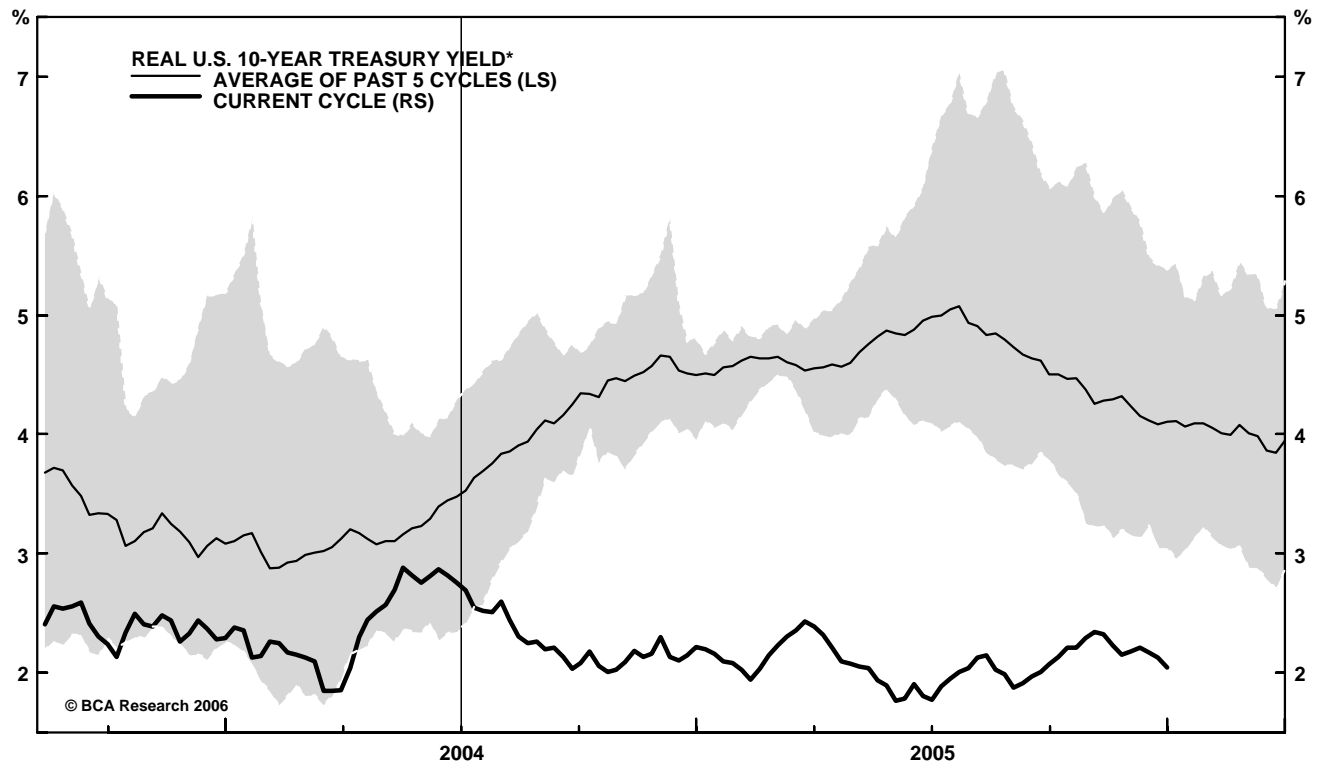
Still A Large Monetary Overhang



U.S. Treasurys: A Return To Stability

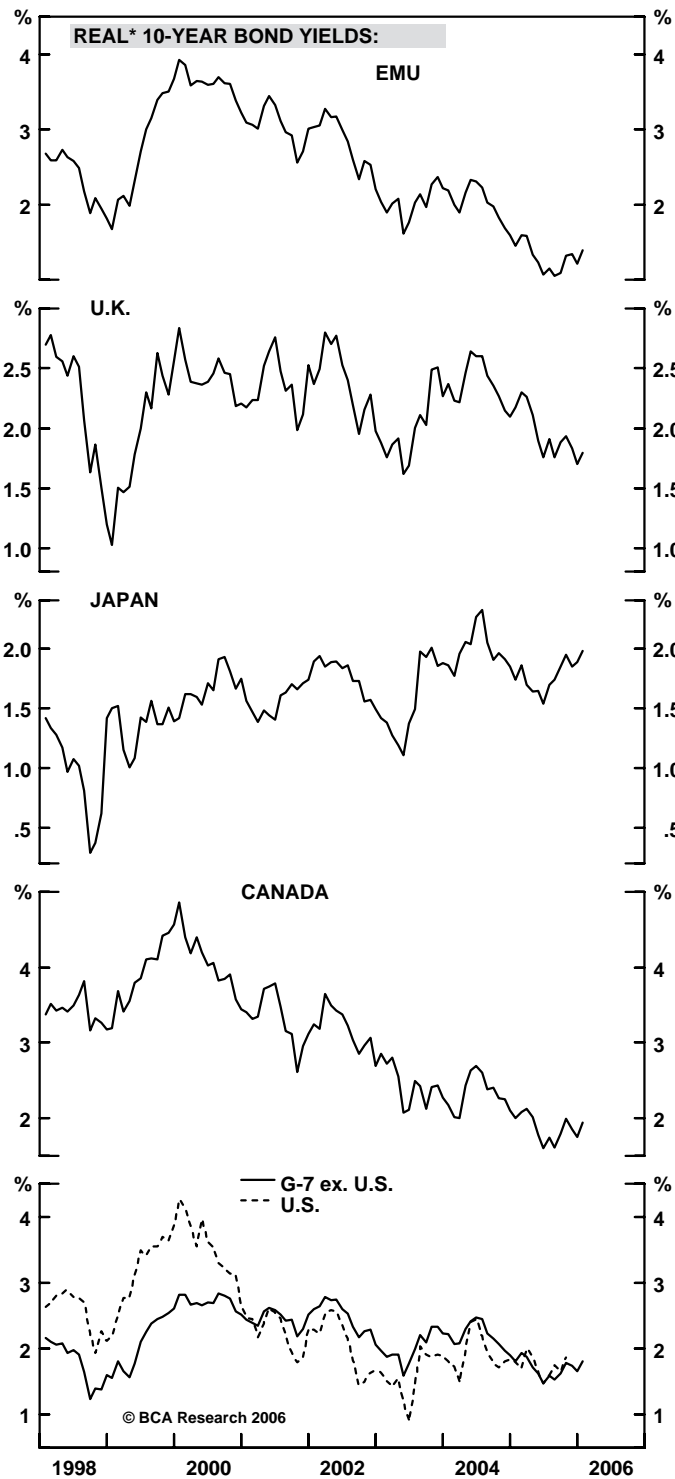


Real Yields: It Is Different This Time



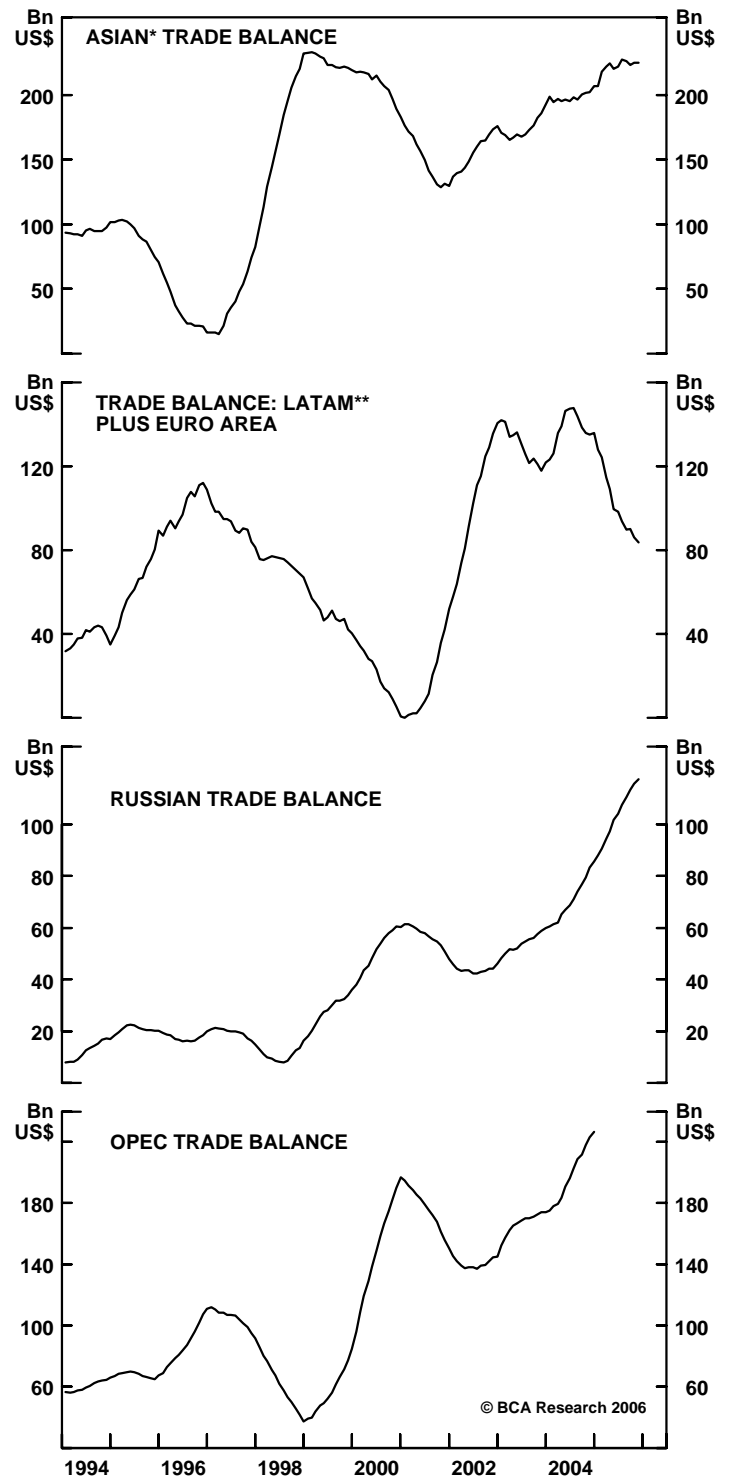
NOTE: PREVIOUS CYCLES ALIGNED TO FIRST RATE HIKE OF TIGHTENING CYCLE, DENOTED BY VERTICAL LINE
 *SHADING DENOTES RANGE OF REAL 10-YEAR YIELD DURING PREVIOUS TIGHTENING CYCLES

Global Real Yields: Converging At A Low Level



*ADJUSTED BY THE BCA ESTIMATE OF LONG-TERM INFLATION EXPECTATIONS

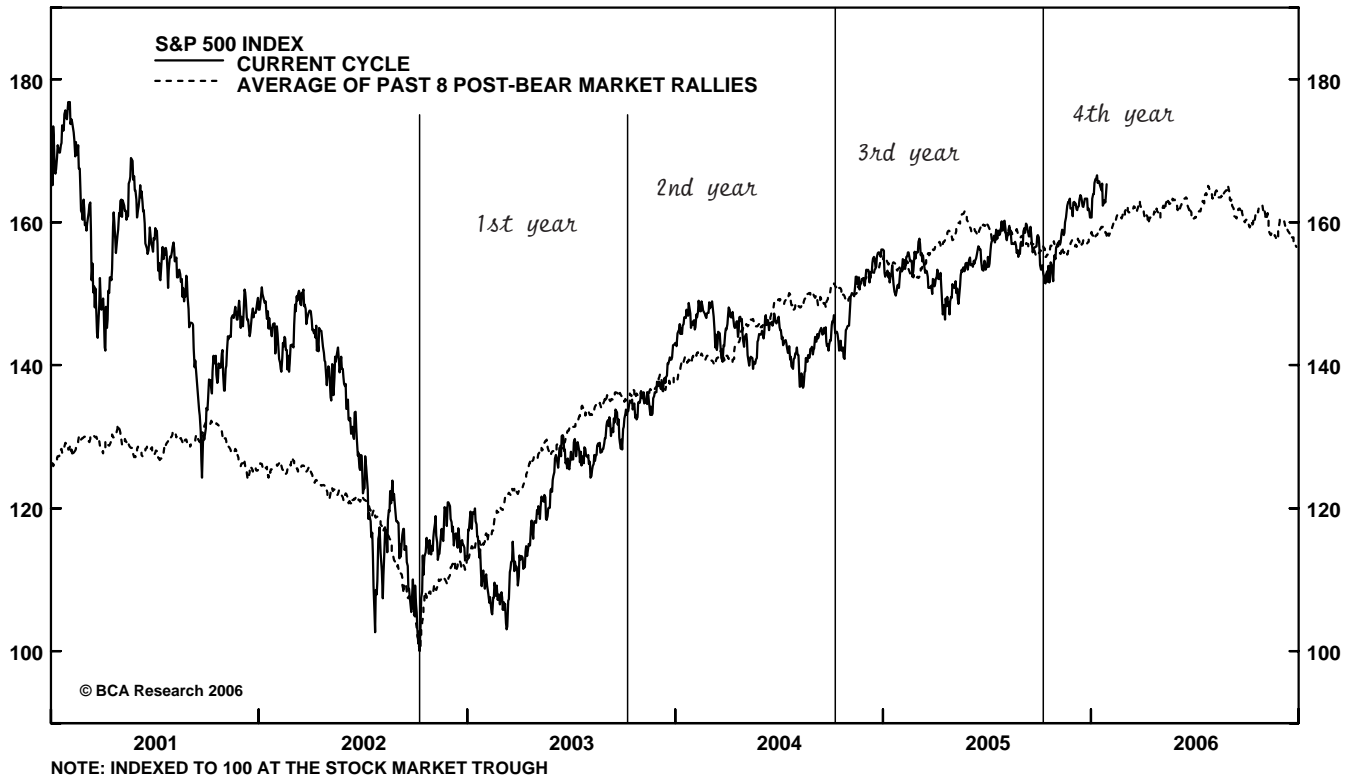
Excess Global Savings



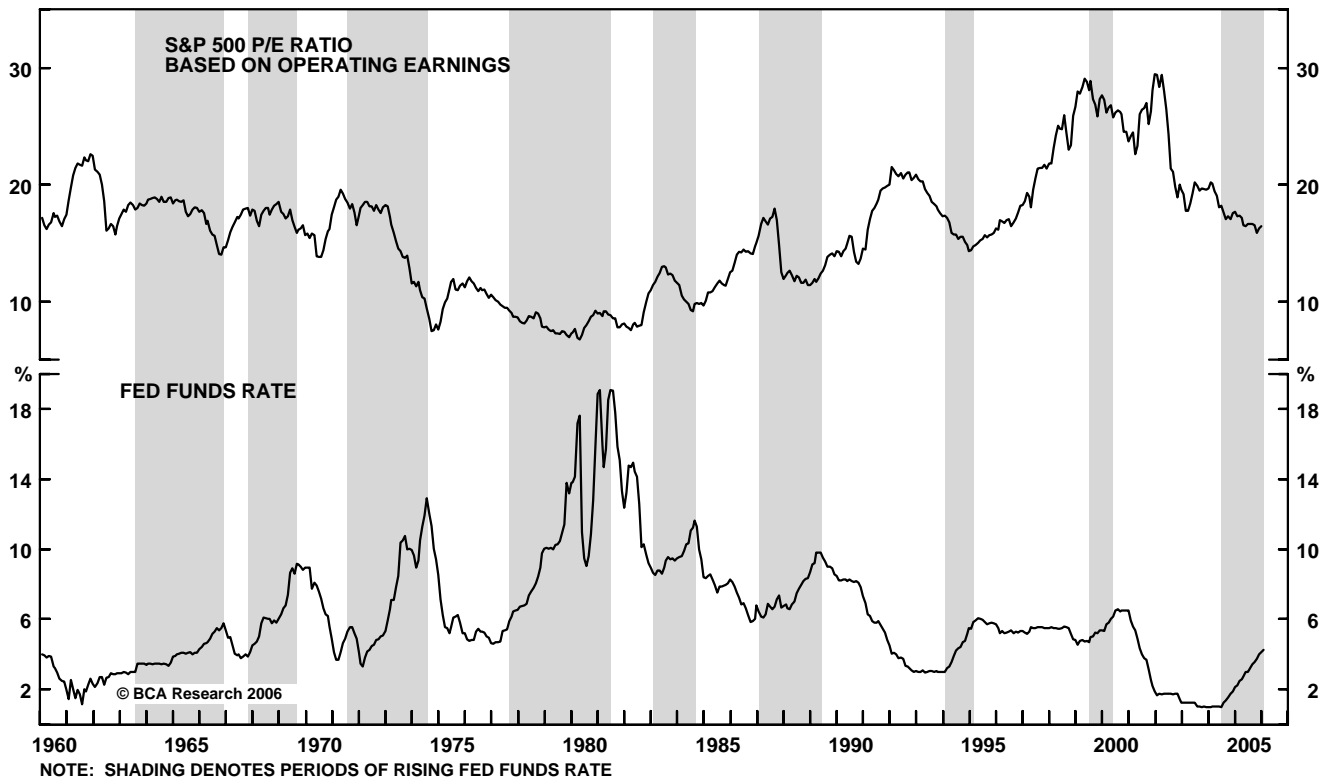
*INCLUDES JAPAN

**INCLUDES MEXICO, BRAZIL, CHILE, ARGENTINA, VENEZUELA AND COLOMBIA

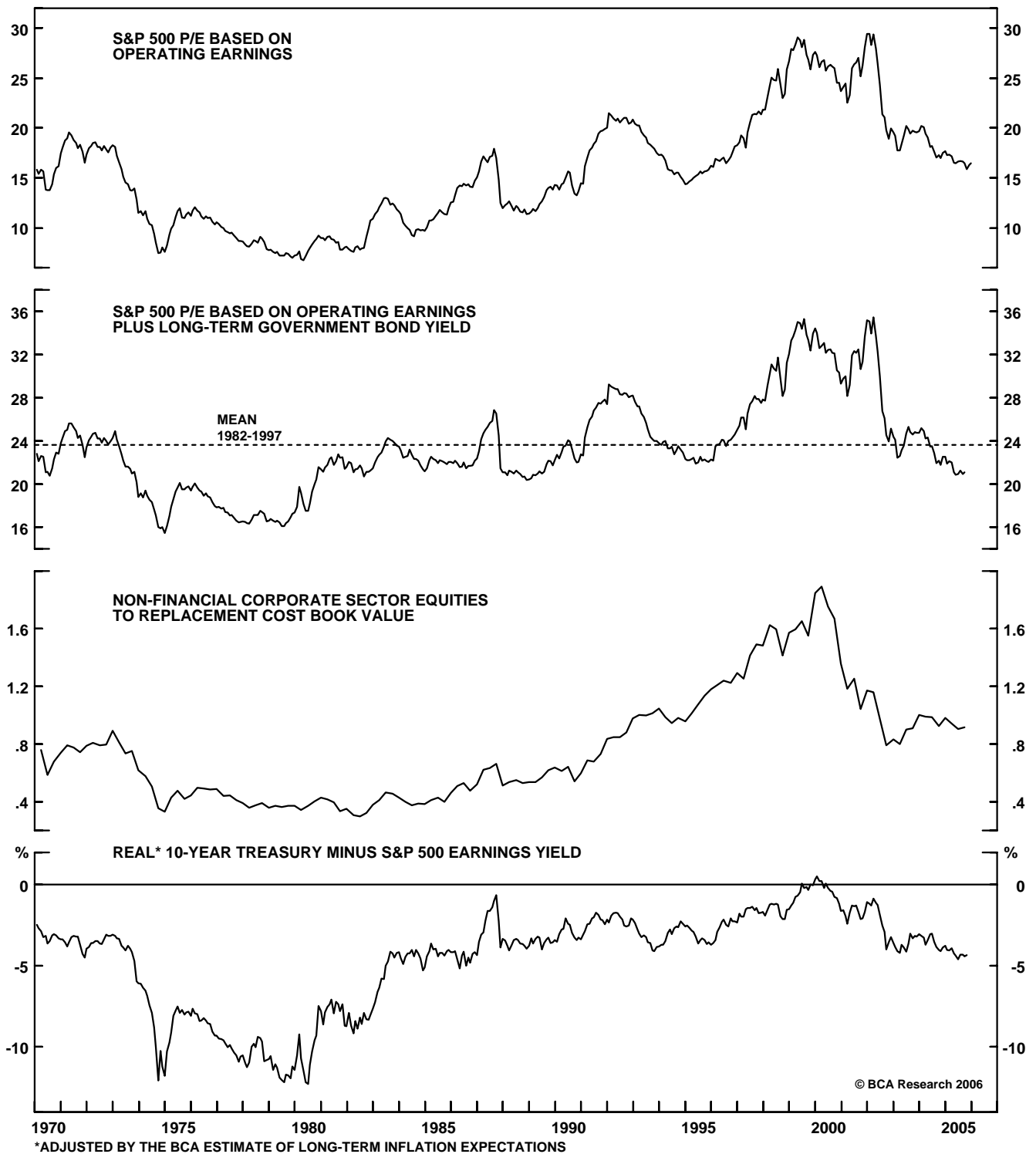
The Bull Market In Perspective



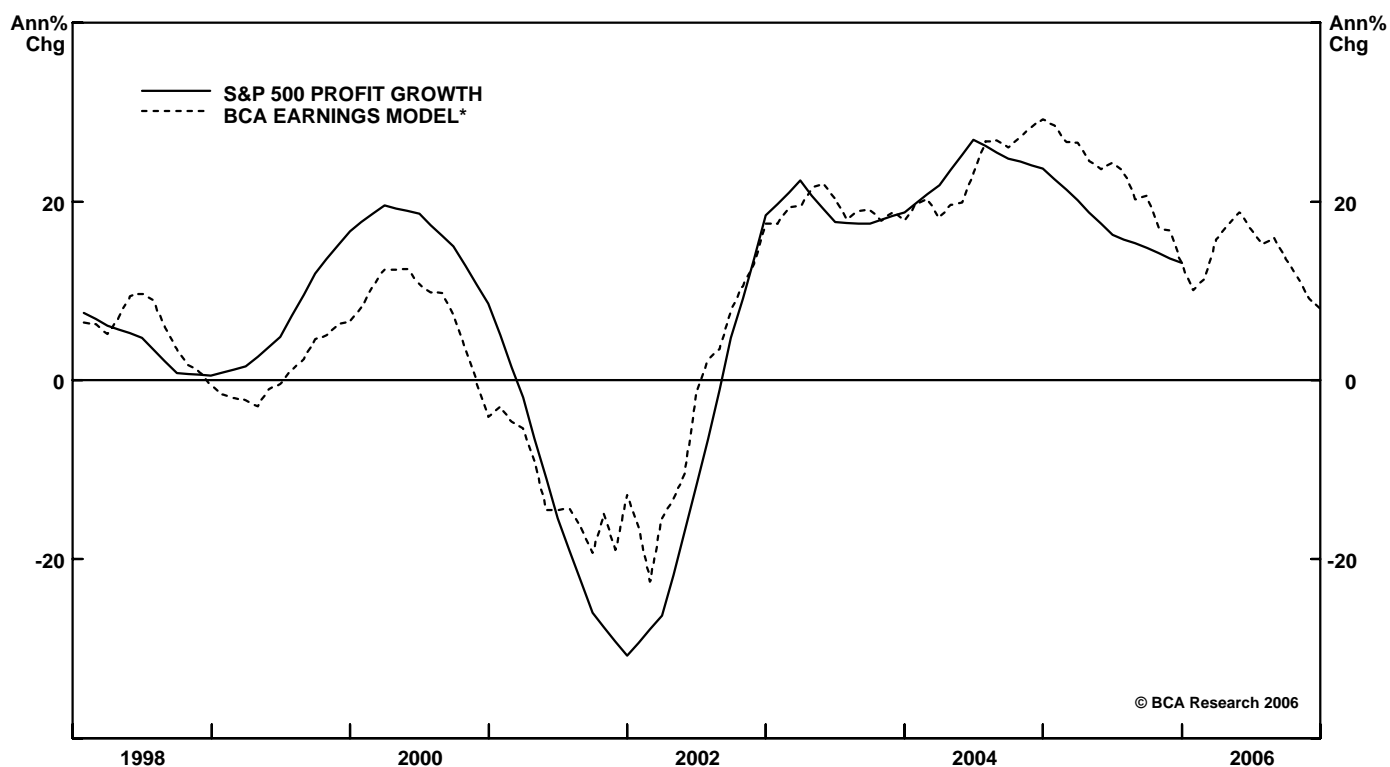
Tighter Money Leads To Lower Equity Multiples



Measures Of Equity Valuation



S&P 500 Earnings Growth Set To Slow



*BASED ON THE YIELD CURVE, DOLLAR, OIL PRICES, REAL CORPORATE BOND YIELDS AND A CORPORATE PROFIT MARGIN PROXY

Decomposing Equity Market Returns

| | Average Annual % Change | | | | | |
|---------------------------|-------------------------------|---------------------------|------------------------|------------------------------------|---|--------------------------------|
| | Historical Average 1950-95 | Bubble Years 1996-2000 | Bear Market 2000-02 | Optimistic Scenario* 2005-15 | Mean- Reversion Scenario** 2005-15 | Bear Scenario*** 2005-15 |
| Nominal GDP | 7.6 | 5.9 | 3.5 | 5.0 | 5.0 | 5.0 |
| Earnings | 6.7 | 9.5 | -9.0 | 5.0 | 4.5 | 4.0 |
| + Valuation change | 2.3 | 13.3 | -8.2 | 1.5 | 0.0 | -2.5 |
| +Growth in S&P 500 | 9.0 | 22.8 | -17.2 | 6.5 | 4.5 | 1.5 |
| + Reinvested dividends | 4.2 | 2.0 | 1.2 | 1.8 | 1.8 | 1.8 |
| = Total equity returns | 13.2 | 24.8 | -16.0 | 8.3 | 6.3 | 3.3 |
| Inflation (CPI) | 4.2 | 2.4 | 2.3 | 2.0 | 2.0 | 2.0 |
| Real returns | 8.6 | 21.9 | -17.9 | 6.2 | 4.2 | 1.3 |

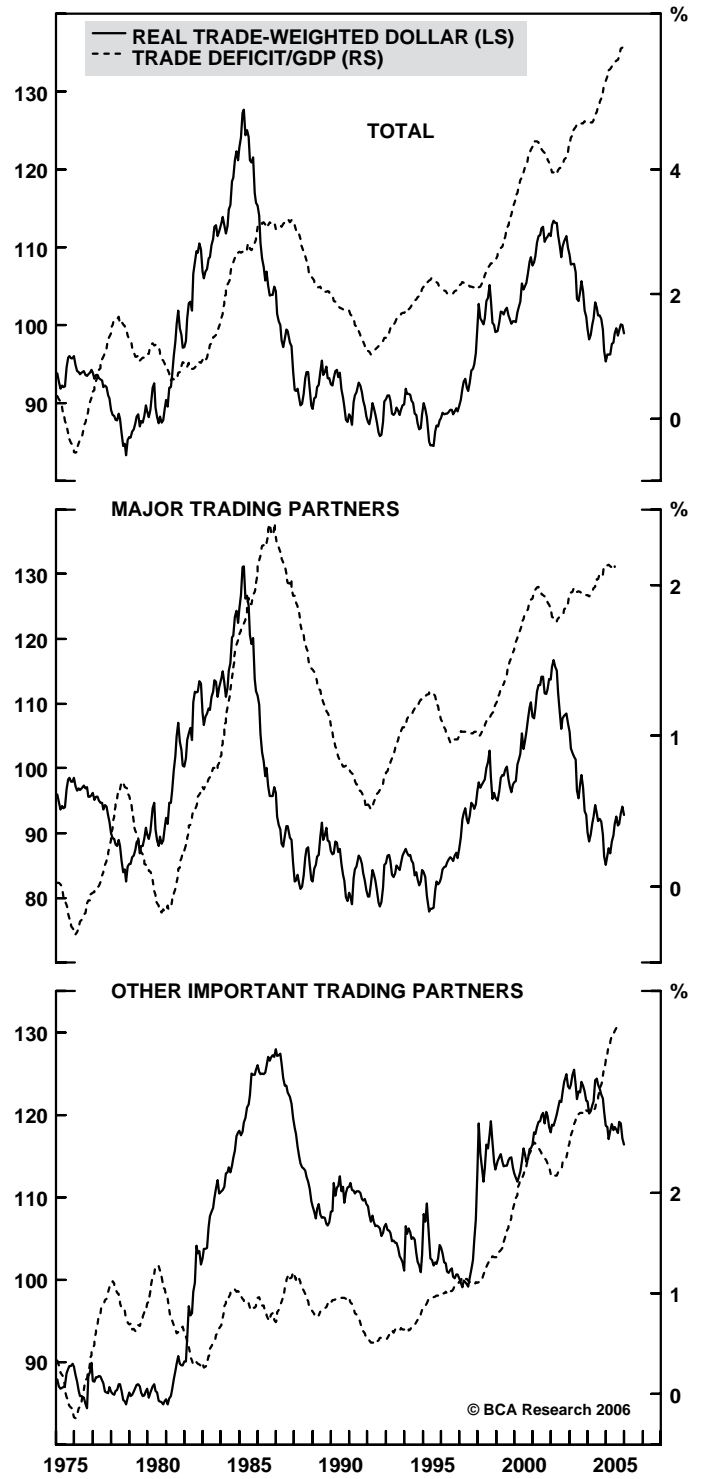
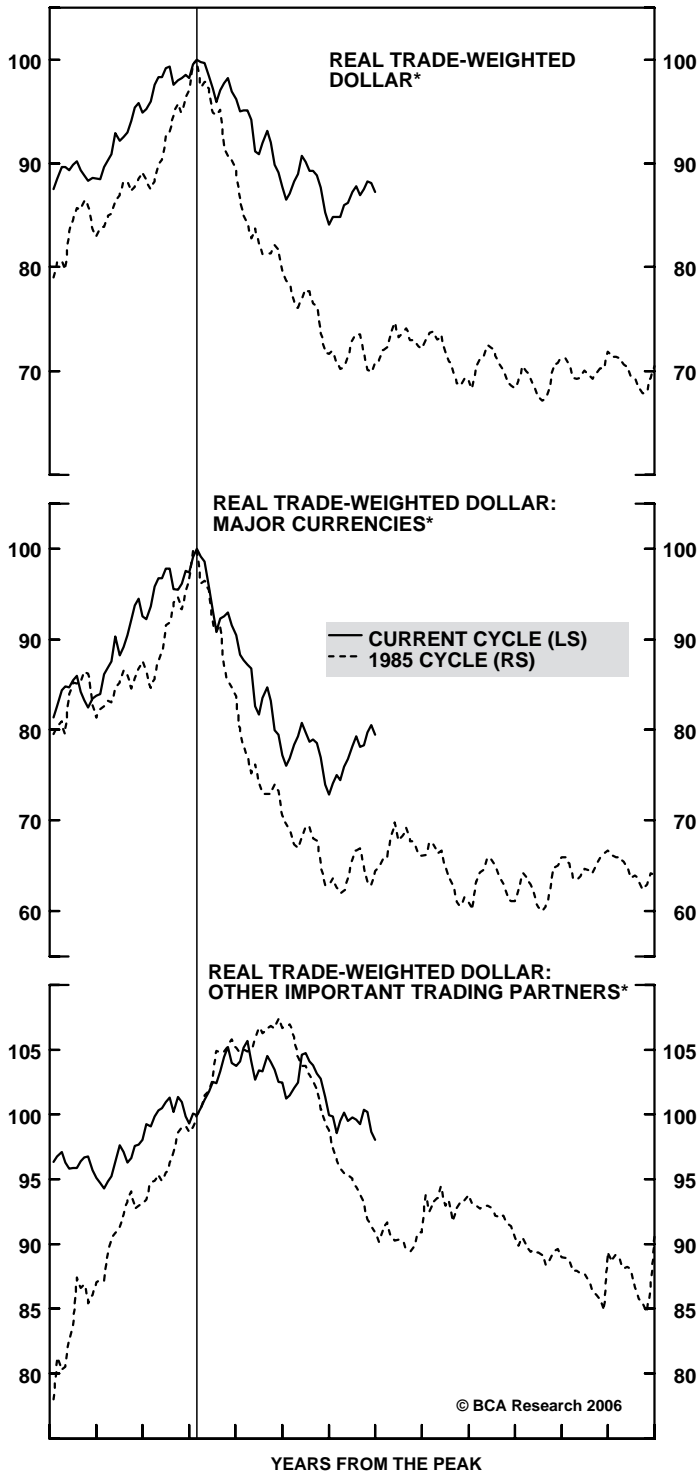
* Assumes that the forward price-earnings ratio to 18 over the period.

** Assumes that the price-earnings ratio remains at its current level near 15.

*** Assumes that the price-earnings ratio falls to 12 over the period.

Dollar Bear Market In Perspective

Dollar Versus Regional Trade Imbalances



*SOURCE: THE FEDERAL RESERVE
NOTE: ALL SERIES ARE REBASED TO 100 AT THE PEAK IN THE REAL TRADE-WEIGHTED DOLLAR REPRESENTED BY THE VERTICAL LINE