

**Political and Global Economic Outlook for 2009**  
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Corporate Speakers

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**PRESENTATION**

Theresa Molloy: Hi. Good afternoon, and thank you for joining us today. My name is Theresa Molloy from the New York Stock Exchange. On behalf of the NYSE, it is a pleasure to welcome Medley Advisors -- Global Advisors and our G7 group to discuss the 2009 political and economic outlook. The Medley team assembled today are leading macro policy advisors to the world's top hedge funds, investment banks and asset managers.

This program is an important feature of our new webinar series designed to bring you leading experts on important subjects relating to trading, the markets, investor relations and governance issues, and geopolitical and economic issues. Today's program will follow a 45 minute format. In a moment, I'm going to turn the program over to Craig Sawin, President of Medley Advisors, who will introduce our speakers.

The program outline should be on your screen right now. You can email your questions via the web page and I will do my best to address them to the speakers throughout the call. A transcript and a podcast will be available after this session.

Craig Sawin, I'd like to welcome you to the call on behalf of the New York Stock Exchange. Welcome, and thank you very, very much for joining us today.

Craig Sawin: Thank you, Theresa. We appreciate this opportunity to speak to the membership base of the New York Stock Exchange. As Theresa mentioned, we're a global macro policy intelligence service that sits at the intersection of policy and markets. That means that we talk to senior officials at banks, asset managers, hedge funds and policymakers around the world. This information allows us to provide research to our client base.

We're pleased today to provide you with some of our most recent research. You will hear from our Head Strategist, Brendan Fitzsimmons, and two of our Senior Managing Directors, Daniel Sternoff and Regina Schleiger.

And now, Brendan Fitzsimmons will start us off with a discussion of the state that we're in. Brendan?

Brendan Fitzsimmons: Thank you, Craig, and good afternoon, everyone. Thank you for joining us today. Just of -- a quick overview of market conditions and the context of our economic policy issues as the new administration and the new Congress come in, and my colleagues Daniel Sternoff and Regina Schleiger will discuss the insights gleaned from their recent discussions with policy sources. And we can address these topics of interest and any additional ones in the questions and answers period.

As we've witnessed over the past two weeks, there is again, as in the period between September and November, a tension between announced goals of policy from several different agencies and market expectations and impatience for tangible delivery of functioning effective solutions.

Despite having finally put an end to 2008 and the dramatic policy responses that were announced during the fourth quarter and the anticipation of a new administration and new Congress in Washington, there has been so far no follow through on the brief holiday rally that was more hope than reality based.

Whereas the financial market dislocation accelerated the speed and pain for the real economy over the last few months, the dynamic has switched now to the real economy's accelerating deterioration, which is creating additional financial losses and working against the transmission of some of the stabilization and capital injections into the financial market.

We're going to focus on the US in the primary period of the call, but we can wind this discussion out more globally in the question and answers. Suffice it to say, the key takeaway that any global recovery will be contingent on a successful sustained traction from policy in the US and in China -- the two key pillars in the economy and the two most aggressive responders with the most policy flexibility.

The devil is in the details and more to the point in the manifold uncertainties. Right now about the timing, scope and effectiveness of policy actions that come from the new administration and Congress and from the Federal Reserve, and the degree of policy coordination, specifically amongst the US Treasury, FDIC and the fed.

I think the key takeaway from our financial market clients -- and this is based on a recent conversation across our financial market client base which is banks, hedge funds and asset

management companies -- is that time is short for the demonstration for policymakers and additional policy actions have to be comprehensive, clear, sufficient and effective.

Based on the experience of both the first iteration in the stimulus last year and the first tranche of the troubled asset relief plan or TARP, there is a substantial lack of confidence that there is sufficient money available to tackle the mushrooming size of the losses and that it is insufficiently comprehensive in coordinated response.

Additionally, there's the perception that because of the evolved size and interconnectiveness of the risks, there is the specter of nationalization. This is particularly obvious from the market's reactions to the plan in the United Kingdom over the weekend, which in part is built into yesterday's US session.

What is clear from our clients is doing nothing is not a viable option and would not reassure the market; in fact it would amplify the response of the market in November when the previous Treasury Secretary Paulson u-turned on the asset purchases which helped exacerbate the market lurch to the lows, which we are so close to now revisiting. What the market needs is clarity and then we'll still need to see tangible evidence of the clear policy actually working.

The key takeaway from our policy sources is -- and this is important for corporate decision makers and executives -- is the extent of the redefinition of what is recovery, a persistent uncertainty around it and the still extending timeline for its confirmation. Recovery, even when it comes, based on our recent conversations with policymakers will not mean expansion; it will be simply about stopping the accelerating deterioration.

The persistence of the dislocation in the credit markets of risk aversion, counterparty uncertainty, and financial markets and the more sudden and pervasive deterioration of the real economy mean that the policymakers themselves will be challenged for longer than they have been expecting throughout 2009, and exactly now at the point when their traditional policies have been deployed but not fully transmitted through to the broad economy, the market is looking for bigger and more comprehensive responses.

Put simply, whatever recovery does come will not be like any recent recovery and is going to be likely challenged both domestically and internally. We've seen this in terms of the challenges for those entities and those sectors, those asset classes that are not within the remit of the current incremental policy approaches.

And finally, I think the key takeaway in terms of thinking about this phasely is that there are three phases. Phase one is the arresting and the negative self reinforcing feedback loop. There has been some suggestion that this is in evidence in the financial market contingent on an end to the deterioration of the real economy. The progression then would be to a second phase establishing a self reinforcing and durable stabilization and we've had some false starts in this regard. And finally, promoting -- a third phase promoting a positive, self sustaining recovery.

To discuss some of the specific details I'm going to first hand it over to my colleague, Daniel Sternoff. Daniel?

Daniel Sternoff: Thanks a lot, Brendan. I would like to speak just briefly about how the Obama administration is thinking about economic recovery policies on day one. We have been in discussions with officials on the transition team and within agencies that they are entering, and I would like to take you through some of this.

I think the opening lines of Obama's inaugural address yesterday where he said, I stand here today humbled by the task before us, is extremely relevant. The key word there is humbled. And in our discussions with members of the new economic team, there is a very clear sense of humility over the depth of the challenges and the lack of certainty that the initial immediate remedies that they are coming up with will provide a ready answer. It's like fishing in muddy waters where you can't see the bottom. You drop in a line and you wait to see if something bites.

That said, what they're trying to do is come up with a comprehensive package of policies that will be rolled out at the start and we can come back to some of the details in Q&A. It's very clear, of course, that Congress is plowing ahead with its economic recovery package. The phrase is recovery. Stimulus has become a taboo word. The fiscal package is only one of three prongs to the administration's thinking about its rescue efforts.

There is a very clear recognition within the Obama team that fiscal stimulus alone even if it tops the \$900 billion mark before all is said and done is insufficient. There's a recognition that fiscal efforts will be slow to deploy and, in fact, according to CBO officials, of the \$825 billion in the House package that's on the table that \$350 billion of that is appropriations on infrastructure and projects that the real economy -- should be hitting the real economy.

Over 60% of that won't be impacting the economy until 2011 and only about \$25 billion of that will actually be spent in 2009. A good deal of the fiscal package can be seen as defensive, i.e., prevent further economic deterioration rather than new stimulative activity. And this includes things like spending on food stamps and low income heating, extending jobless benefits, providing grants to states for health spending and so forth.

This is all very important in backstopping the states and municipalities that are facing eroding finances. It is critically important to prevent cuts in services and jobs, but it falls within the category of playing defense in order to save jobs rather than taking stronger action to create them. The total size of the package obviously matters and it will have an impact in 2009.

The business tax cuts will be very important and they will likely be increased in the Senate version of the package and we'll see how this finally works itself out in a few weeks time. That said, administration officials understand that this fiscal package will be neither effective nor

lasting if the financial system and frozen credit markets can't be restarted. It's like trying to rev up an engine without engaging the gears.

And so, the second prong of their approach is a reversion to what some have argued has been necessary ever since the financial crisis really began in August -- September of '07, and which is the reality that the banking system is overloaded with illiquid debt. It needs to be cleared off of bank balance sheets. And the idea of finding a clearing house for toxic assets was the ideal behind early Treasury efforts of Paulson to set up what was then known as the MLEC, the Master Liquidity Enhancement Conduit.

It was an ideal in the first incarnation of the TARP, the Troubled Assets Relief Program. But as events unfolded it was swiftly diverted to injecting capital in banks as an emergency basis to shore them up in the post-Lehman period rather than buying toxic debt. There's now a recognition that most of the policy measures that we've been seeing over the past one and a half years have really been reactive.

They're an exercise in ad hoc crisis management and if you look at Bears Stearns and AIG, the TARP capital injections, Citi, B of A, IndyMac, WaMu, and the list goes on. It all was very reactive and ad hoc and none of it really got to the root cause which is the bad debt, which is of still uncertain size and which is growing as the economy sours. And it's that uncertainty that's created counterparty risk and it has prevented banks from attracting private capital.

And so, from our discussions with the incoming administration officials, as well as those in the FDIC and the fed, it's now a question of how and not whether troubled assets will be coming off the banks' balance sheets and the attempt is to reach the end of ad hocery.

And it's our understanding that the centerpiece of the administration's thinking right now is a plan to set up an aggregator bank, or a so-called bad bank that will be capitalized from TARP funds. This would then leverage itself up through the issuance of government guaranteed notes to fund asset purchases by this entity that would then manage or dispose of the assets.

This is -- decisions haven't been made and the package will be finalized over coming weeks, but this is really the center of the efforts. And by allowing this entity to issue its own debt, it allows itself to really be large enough to tackle the scope of the problem. How to price very diverse assets remains very challenging, but it's not insurmountable.

One proposal that's on the table would see purchases structured in a way where the banks in essence would be paid book value or a higher valuation for distressed assets but they'd receive payment. It could be at least 20% in a capital note or warrants in the bad bank, and the structure here would mean that if the government overpaid for the asset it is the financial institution that would bear the first loss. It also would allow them to avoid having to immediately mark to market some of the prices.

Now getting this up and running is going to take time. Whether or not it succeeds will depend on execution and design, and once the full team is in place they'll be working through the final options and rolling out a comprehensive program within a couple of weeks. In the meantime, ad hoc measures such as what we just saw with B of A, which is ring fencing toxic assets within loss making institutions behind a wall of government guarantees and twinned with further capital injections will be -- will continue to be used.

Separate from a bad bank it's also likely you'll see how bright purchases of assets such as whole loans under the TARP. One thing that's not really on the table is wholesale nationalization of the banking system. And it can't be ruled out that at some point in time the administration will have to return to Congress down the road to fund a third tranche of TARP, but the effort of the initial package is to try to be comprehensive and avoid doing that.

The third prong of the administration priority is to put a bottom under housing. Larry Summers has put down in writing to Harry Reid in the Senate that at least \$50 billion and more likely as much as \$100 billion of the second tranche of TARP funds will go toward mitigation of preventable foreclosures, and really trying to find a way to put a bottom under housing is a major focus for the administration right now.

There's a couple of main templates on how to do that. One is modification of the foreclosure mitigation efforts that have been pioneered by the FDIC since they took over IndyMac. What it would do is add in layer of government guarantees against the risk of re-default of modified loans, coupled with some cash payments to loan servicers for every loan they modify. The benefit of this approach is it can be fast. It can restructure a lot of loans quickly. The downside is it can continue to see high rates of re-default on mortgages that are restructured.

Another approach that's on the table and decisions will be taken shortly is something that is slower and could impact fewer mortgages, but would ensure that those that are modified will be a lot more durable. So we'll very soon be seeing a big housing recovery piece that's a part of the toxic assets and banking overhaul.

I think it's worth pointing out that a foreclosure mitigation may help some existing borrowers. It certainly could help prevent the increase in the supply of housing. It doesn't necessarily address the vast imbalance between supply and demand, so there's not a silver bullet here.

So in sum, I think you need to look at this as a three-prong approach all of which are seen as necessary and as holistically supporting a major push coming from multiple agencies and through multiple channels. This is fiscal stimulus on the real economy. This is unclogging toxic assets. And aside from just unclogging the toxic assets, will be further measures to try and, in essence, go around the banking system to ensure you can get credit flowing to consumer lending, student loans, auto loans and so forth, and also trying to put in a bottom in housing.

And the fourth prong in the way the administration is thinking of things here as well gets into reregulation of the financial sector. This is not immediate but is in parallel and it's swift. There will be a push to get a bill in in 2009, and there already have been some discussions between Obama and the key people on the Hill to get that started and that's another very necessary piece.

I'm going to stop now and pass over to my colleague, Regina, who has deep contacts within the Federal Reserve system, and she can talk a bit about the fed's current view of credit markets and the economy and the next steps that we take. So, Regina?

Regina Schleiger: Thank you very much, Daniel. And good afternoon, everyone. I oversee the core central bank intelligence gathering operation here at Medley, so I'm going to narrow the focus a little bit and give you a brief perspective on the US economy from policymakers here in the US, and zone in a little bit on some of the key discussion threads underway specifically at a Federal Reserve level.

It's certainly been some time in terms of our ongoing dialogue with officials since we've heard any expressions of confidence in the prospects [for] US economic recovery, or indeed any articulation of some visibility on a bottoming out of the most pained sectors of the economy. Absent too have been any expressions of confidence about when the financial system globally will start to show some clear signs of healing.

But there are a few little flickers of light that I wanted to point out. Privately, in meetings with officials they're telling us that the threat of deflation is not a large risk in their eyes. They are, however, keenly aware that they need to start shifting their communication strategy to deal with persistent disinflation impulses and the negative impact in a cumulative sense that that can have on consumer psychology. So they want to prevent disinflation expectations from becoming so imbedded that they raise the risk of a deflation spiral.

And at the periphery of that strategy you've probably heard some Federal Reserve officials begin to express publicly the prospect of recovery late this year. I'd like to just provide you with some inside color around those comments and relay perhaps some of the concerns that they shared with us privately, particularly including some of the risk points that they and some other central bankers at major central banks across the Atlantic are particularly focused on.

Firstly, I think an important distinction to note in the way that they are publicly talking about the economic outlook is as Brendan said in his introduction that recovery is not expansion. Real, tangible, self-sustaining recovery in their eyes that leads to expansion is really a 2010 story not a story for this year. So in '09 terms, they're really only speaking to win basically the economy can realistically begin to start to claw back some of the lost ground through this recession that we have now been in for more than a year.

Incidentally, when they talk about recovery prospects, many express frustration that the caveats that they attach to the possibility for recovery get truncated in media reporting of their public comments. So when we speak to them privately they tell us that it's not that they think statistical data or getting anecdotal feeds that are telling them recovery is imminent. I mean, it is far from it.

Their views, instead, reflect an expectation that the worst of the pain should begin to dissipate in the next few months so that sometime by the spring we should start to see some stabilization in precipitously declining economic data. So it's more about the so-called deceleration of the negatives and when you remove the negatives, you get some minor positives. That's the way in which they think about it.

They think the most distressed sectors of the economy like housing and the labor markets should start to show some signs of bottoming later this year so that if they're no longer detracting from the economy's performance -- again they transfer form into weekly positive data outcomes.

And also, unpinning this view is that we've had significantly oil prices now for a little while and, of course, as Daniel's mentioned, the fiscal contribution to the economy from the proposed Obama stimulus measures in their view has to be meaningful to the economy going forward.

Still, even with all that said and assuming all these building blocks for recovery fall into place which is a stretch as many officials certainly are telling us, they remain nervous about some of the external risk points they believe could undermine the extent to which the US economy would be able to build upon any improvement.

And it -- particularly in their sights many officials remain anxious over the potential extent of any blow back onto European financial institutions arising from their exposure to European emerging markets. If that occurs and it's significant, then Europe takes another leg down and the US recovery in their view could be compromised.

And equally, while private sector forecasters are racing to call the lower limits of China's slowdown, US policy officials are mindful that China's ongoing slowdown could take the wind out of the US sails even before it gets going.

So the real economy passes ahead is far from viewed as smooth and ultimately, I think it's fair to say that fed officials recognize that there's no meaningful or sustainable recovery here without the global financial systems getting back on its feet and this in their view is kind of a chicken and egg scenario.

The critical element obviously to success and improvement on all fronts is that the public sector solutions then contemplated be they from governments or from central banks all run in tandem

and simultaneously, that they're comprehensive and that they deal with the root problems at the core of this ongoing financial crisis.

So that's just a brief overview of how officials here are looking at the economy and how they're making some assumptions about the outlook. With that, I'd like to hand it back to Brendan again to kind of wrap up our presentation, and we look forward to answering questions and further discussion.

Brendan Fitzsimmons: Thank you, Regina. I think actually in the interest of maximizing the participation of the audience, we can move into the question and answer period. I know that there's certainly been a lot of attention just to the last few days and some of the concerns, as I mentioned, in terms of the uncertainty around the extent of government intrusion and things of that nature. So, why don't we open the lines to questions?

## QUESTION AND ANSWER SESSION

Theresa Molloy: Sure, okay. Great. Well we do have quite a few questions so I will start with a question as it relates to your opinion on recovery. You mentioned -- Regina mentioned just in her presentation that the fed was looking for perhaps some type of a bit of recovery by the end of the year, but it's really a 2010 story. Brendan was not totally optimistic in his presentation, so in general what's the Medley Advisors and G7 opinion about the future of the US economy recovery?

Brendan Fitzsimmons: I think the key issue is tenuous and defensive and it's in line with Daniel's description, as well as of the administration's approach to its policy now. It's about defending jobs from being lost first, as well as creating new jobs.

And equally, to what Regina spoke to in terms of the way that the discussions have gone with fed officials and other policymakers that the -- really the optics of recovery are going to be defined not first by expansion, but by just the abatement of the most extreme deterioration.

So, for example, we've got the upcoming first blush of GDP next week for the fourth quarter of last year and the -- almost -- there's a hope almost that the worst gets sunk into the fourth quarter and not seen as really the kitchen sink quarter that vacuumed the life out of the US economy, the financial system, the global economy. But then from which a -- if it's a minus 5% for the fourth quarter, a minus 4% or a minus 3% in the first quarter, while horrific by other standards would be an optical improvement.

And as you moved into the second half of the year -- and to the point that I raised at the beginning and gliding with what Daniel and Regina said, the issue is going to be really about selling the plan as comprehensive and actually demonstrating it. I think the main -- the main risk in getting some kind of optimism about momentum and this optical abatement of deterioration is confidence.

And so far, confidence has been shaken so severely by the experiences of the last four months -- and now with the accelerating deterioration in the real economy, -- even if the current expectations that we're picking up about the second half is possibly seeing some improvement from the fed, the confidence that they will actually be recognized is slower to develop.

And it's going to take more time so that rather than in the past the traditional view is that when you get six months out from recovery it starts being discounted in -- well that's been tried on several occasions and we've effectively had about nine 8% to 25% rallies over the last 18 months and they've fallen apart because there wasn't follow through.

And I think that's -- I think the -- were not utterly gloomy based on our conversations, but I think this issue of persistent uncertainty is going to be the main risk in terms of you won't know the recovery is really present until it's in the rear view mirror and that's where as I said the global story is also going to tip off of the US story.

If that starts to generate in the second half and there's some momentum into 2010, that gives the rest of the global economy some hope for 2010. But right now it's still tenuous and as Regina pointed out, the fed people have been attaching more caveats for longer.

Theresa Molloy: Okay. Along those lines of the -- of coordination, I have a question regarding the EU and China. What type of -- is there any type of coordination? You've mentioned a couple of times on the call that any recovery is contingent upon other countries also moving in a positive momentum.

Daniel Sternoff: This is Daniel Sternoff. Let me kick off really briefly on China. China really is very key to the global story this year because it is the country that has the best chance of putting an end to its own negative feedback loop sooner.

The Chinese economy has been decelerating very rapidly since the third quarter of this year. Most of what was impacting China grew now by a revised 13% in '07, now it's somewhere below 7%. So over four quarters it's a very fast deceleration. It was led primarily not by the global story or by exports falling apart, but by a decline in its own real estate market which led to a collapse in heavy industry and production of cement and steel and everything that's been geared towards that.

They've kicked in a very major economic stimulus package. You are beginning to see some very early indications that may give some hope that the fourth quarter in early January is the bottom of the cycle in China. There's a lot of banks are extending new credit, often forced to do so by the government.

And once Chinese New Year is over, which is in the start of February, you should be seeing some low end construction activities, road building, affordable housing and so forth will kick in. Some signs of industrial inventories are getting drawn down.

There is a shot that the bottom of China's cycle is Q4/Q1 and as early as the spring you'll begin to see things begin to perk up. This is not China reaccelerating to the double-digit growth rates we've seen in recent years, but it is not the kind of 5% to 6% growth rates that a lot of private forecasters on the street are pushing out.

And so, you do have a good chance that you can begin to see that the shape of a Chinese -- real activity led by domestic demand beginning to show each quarter sequentially becoming a little better from the one before. And if that happens, that will certainly be good for the global story and good for the commodities picture globally as well.

Brendan Fitzsimmons: On the EU side, I think the biggest problems are in some sense denial in the past period, particularly that this was often continental Europe portraying the issue as an Anglo-American housing and credit issue. It wasn't something that they suffered from because Germany in particular didn't suffer from it and tying it with the China issue.

The strength of the EU economy over the last year and a half -- two years, was underpinned by the strength of Germany, which was underpinned by capital export goods to the Gulf and to China. And to the extent that that has hit its wall in addition to all the other attendant weaknesses and the proof that Europe was not decoupled -- continental Europe was not decoupled from the US and the UK has meant that their policy reaction has been slower. It's been made slower still by the nature of their monetary policy regime.

And finally, simply by the fact that the ability to get agreement, as I discussed at the beginning, in both the US and the Chinese case, it's -- there's more opportunity for greater flexibility and quicker response. In the case of the EU, it requires this sort of hobgoblin of the ECB which covers the entire zone's monetary policy, but then you have the member states that are on the fiscal side and that are the first responders on the regulatory side. And that, I think, is the main risk.

And as they were slower to respond they're now feeling the pain harder and it's going for longer, and that's what we're hearing from our conversations with those policymakers in terms of the extent of their own slowdown which is clearly going to last into 2010.

And then finally, the other issue is that there's more discussion there of nationalization which, I think, muddies the water and it also ties in with their exposure to eastern Europe EM, where a lot of the core EU banking systems leant aggressively into that area because it was a high growth area and now that's coming back effectively on their balance sheets. So that's -- Europe is definitely a risk factor, and something that the fed sources have mentioned as a potentially prolonging risk or an impediment to a sustained US recovery later in the year.

Theresa Molloy: Thank you. Okay, let's see moving on. We've got quite a few questions here. Any prognosis for the unemployment numbers here in the United States?

Regina Schleiger: Yes, this is Regina again. I think that one key thing to mention in response to that question is an acknowledgment certainly inside the system but not outside the system necessarily, and when I say the system I'm referring to the Federal Reserve system -- that the regionally published forecasts by the FOMC do not necessarily or accurately reflect the genuine expectations in terms of the unemployment rate if we're talking about that specifically in terms of ranges and parameters.

I think one interesting thing to note was that a couple -- in the last round of published forecasts, certainly a couple of districts expressed at least privately to us the consternation over what they viewed as a failure by some of their brethren to be honest to the process of offering up unemployment rates on the upper bound ranges that accurately reflected the forecasting process.

So that's a long-winded way of saying that some of the upper end forecasts for unemployment rates that we've seen published by the FOMC are probably a little on the lower side of what is really expected in terms of the unemployment rate itself.

Having said that, I think it's fair to say that there is -- I certainly haven't encountered anybody in the system that is clinging onto anything that looks like a double-digit unemployment rate at this juncture, but they are certainly willing to talk in terms of 8% and 9%. That's not to say that they're predicting that outcome, it's just to say that it's within the realm of possibility.

Theresa Molloy: Okay. And any opinion on which sectors -- once a recovery does start, which sectors do you see leading the recovery here in the United States and abroad?

Regina Schleiger: Well, here in the United States I think the focus of the people certainly within the fed system that we have spoken to is obviously on those sectors which have demonstrated the most pain on the downside. I think I mentioned in my presentation a little bit about some key fed officials being specifically focused on looking for some visibility on a bottom in housing and in the labor market.

In that sense, they're certainly keen to see some kind of troughing or bottoming out of the housing sector. It would be overstating the case to suggest that they're seeing anything in terms of hard empirical evidence or even anecdotal evidence necessarily that they would view as formally genuine to suggest that they're seeing anything like that bottoming out yet.

But on a zip code level, we have had some reports from some districts that on either side of the country there are closures of sales going on in housing. And so, while they would never suggest that that could be the beginning of some kind of bottoming out or troughing in housing

necessarily, there's just too -- the data's too thin. It is a good sign for them and it is something that they can't ignore in terms of the potential for the economy or for that sector to build upon that base.

Then again, in the labor market, I think it's fair to say that optically we're seeing some horrific non-farm payroll monthly numbers roll through. There is, as I've mentioned before, some -- somewhat of an expectation that those numbers probably reflect the very chunky past losses of earlier in this recession, and that perhaps we may be moving to a point where we could have -- we could have moved past the worst of those numbers.

The problem optically right now they're having is that we're not creating any jobs here either, so that you're still seeing the backlog of those -- that job shedding that's been occurring right through the 12 to eight end month period that the labor market has turned down.

So I would highlight housing and labor as areas that they're certainly keen to see some bottoming out in or troughing. I wouldn't say that they're necessarily looking to those sectors to show them a leading turnaround, but certainly they're focused on those two sectors.

Theresa Molloy: Okay. To the audience who are listening, we have about three or four more minutes if you would like to send additional questions. I do have a couple more that I would like to cover between now and the end of the session. We didn't have a chance to talk about overall US market performance as it relates to the US equities market. Any opinions on the US equities market and when you see a turnaround?

Brendan Fitzsimmons: Well, just to give you some of the feedback from our market client base, the -- I think, there's been a pretty consistent concern that the speed of the mushrooming of the losses was still greater than the speed of the policy response and its traction. And in that context, there's been a sense of real doubt of rallies.

I mean, you certainly had a thin liquidity rally anticipating the new year, first of all, just turning the page on that, as well as potentially getting a little bit more risk appetite coming to the fore both in the US and globally and that being good for equities. But then, that's been overrun by both the real economy data deterioration over the holiday period and since.

And additionally, particularly over the last two weeks as that rally failed, it is this issue of just how much longer before you finally get a last write-down and the persistence and size of these and the pervasiveness across sectors. And you're seeing this in the early reporting and some of the pre-announcements of weakness looking forward that until you stop that and it's still widening and deepening, it's hard to get a sustainable rally.

And additionally, the fact that on a valuation basis, while prices have come down unfortunately now you're in the situation where earnings are coming down more persistently, so I think that's really what sets this apart.

And to the extent that you do get sort of the unintended consequence -- potentially negative consequence for equities from these various policy support measures and particularly for some asset classes on the fixed income side as we saw with commercial paper, as we've seen with mortgage backed securities, etc., is they've substituted. And what the fed has said about potentially buying treasuries is that's made it harder to justify going out and taking more risk in terms of the equity risk premium.

So I think the difference traditionally between the equity risk premium and what you're getting from yields is different to the past. And then the final thing is just the counterparty confidence and the availability of leverage and the nature of risk taking at a lot of the key institutions. It's just been completely reigned in. And without visibility and without evidence of a sustained recovery it's a bit of a chicken and the egg. So I think that's going to work against the -- sort of V-type of recovery in equities.

The positive side in a sort of international sense is -- as we said, the US is farther along this path, has done more for longer, and with the new administration and with this obvious commitment to trying to help both from a consumer side and on the financial sector side, there is an opportunity for things to stabilize first here, and so that does provide on a relative basis some opportunities.

Theresa Molloy: Okay. Well, we have time for one more question. And one part of the globe that we didn't cover -- we've got a question about Latin America from one of our -- from one of our listeners as it relates to Latin America as an engine for growth and recovery.

Comments? Does anybody want to weigh in on Latin America?

Brendan Fitzsimmons: Latin America -- yes, I think if you think about it from a regional perspective and it's sort of the other side of the brief touch on the exposure risks for central Europe relative to the EU which is particularly weak. both in terms of the current account deficit positions, and the relative weakness for longer of Europe.

In Latin America's case, you have the relative proximity to a US story that if it shows signs of recovery it would be beneficial. Additionally, the policy responses have been in many ways mimicking the fed. So more responsive even for those countries that have more restrictive monetary policy regimes revolving around inflation targeting. And you're seeing that.

And you'll see it, we expect, this evening out of Brazil which has been one of the highest real rate regimes and has heretofore not cut policy rates. We expect them to cut very aggressively because they're finally getting some clarity on a deceleration in inflation as well as a faster, worse deterioration in activity.

So I think that on a relative basis there's certainly an opportunity for Latin America. You have to be careful in differentiating -- and part of it too will be a function of the degree to which commodities recover because a lot of these countries are sensitive to commodities.

And one final thing that sort of rounds it out in terms of EM is Asia, in addition to being lever to a US consumer stabilization following from housing stabilization and policy transmission, they also would essentially benefit from this sustained moderate -- moderation of the price of commodities as they -- most of Asia is commodity consuming. So they benefit in that regard, but again you need to see the signs of the stabilization of a recovery trajectory in the US for either Latin America or Asia to evidence recovery.

Theresa Molloy: Great, thank you. Alrighty. We're out of time, and I want to convey my thanks on behalf of the New York Stock Exchange to Craig Sawin and his terrific team from G7 and Medley Advisors. It was a terrific call. Very, very helpful and informative. And I would firmly suggest to all of our participants on the web please send the link on nyse.com or NYSEnet to your associates. This will be archived. You can podcast it via the program, as well as the transcript will also be available at the end of the day.

So once again, thank you so much to Craig, Brendan, Daniel and Regina. We really do appreciate taking time out of your busy schedule today. It was a great call -- very, very informative. Thank you so much.

Brendan Fitzsimmons: Thank you.

Craig Sawin: Thank you.

Operator: Thank you for your participation in today's conference. This concludes the presentation. You may now disconnect. Good day.

