

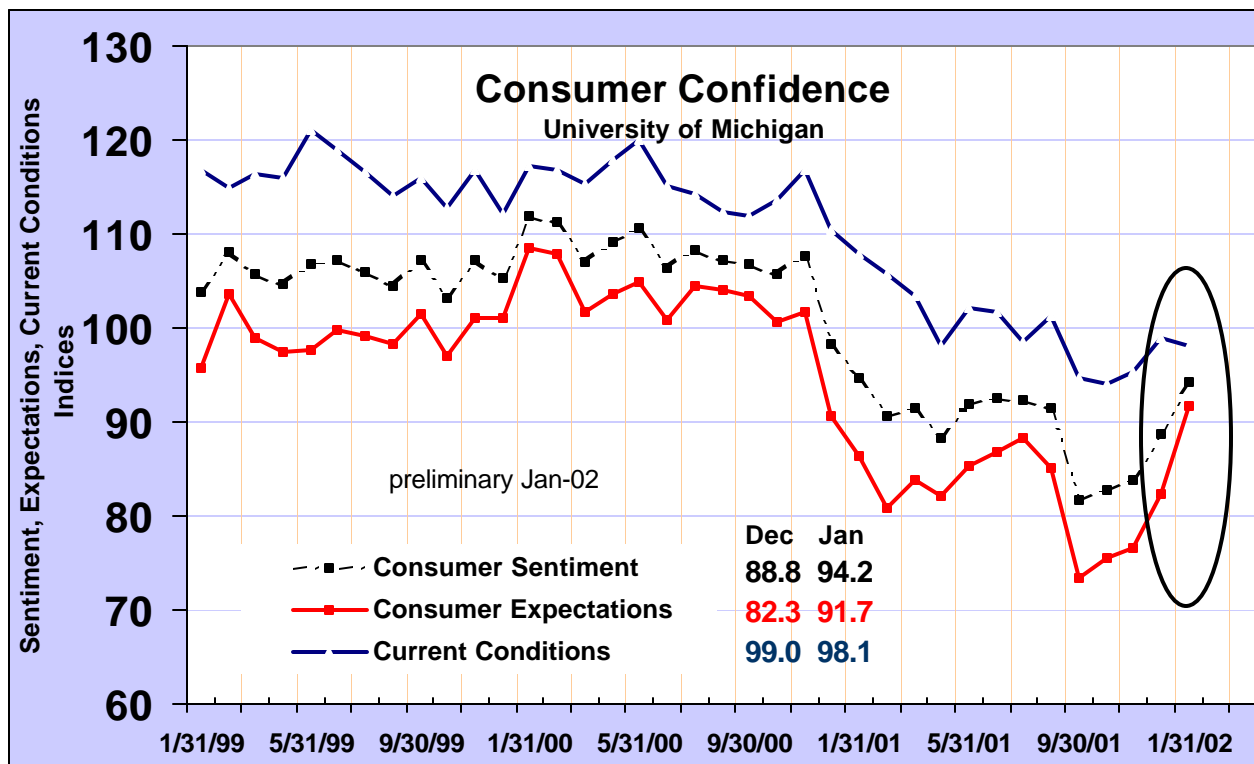


# ECOMENTARY™

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## Consumer Confidence (UMich): patient present, hopeful future

The University of Michigan preliminary numbers suggest much the same as did the Philly Fed Survey yesterday. Consumers are patiently enduring the slowdown, but have much better hopes for the future. The



up turn in Expectations continues to rise dramatically from the September lows pulling the weighted index of Consumer Sentiment upward while the Current Conditions index actually fell moderately. The light bulb is on and may burn brighter in the next few months. Is it enough to illuminate the future or will the FOMC have to turn the power up another notch? Interestingly, Fed Funds have 'reacted' to the last few bits of data with just slightly more positive views (that the rate will be cut) while the Bloomberg survey of economists today shows 13 out of 47 economists forecasting that the rate remains unchanged (27.7%) while the majority is predicting a rate cut. While the data this week have moved to a slightly positive or at least less negative position, there has been no 'blowout' number sufficiently compelling to assure the FOMC that recovery is guaranteed. With the other 'bad news,' (the Enron affair) must work to undermine confidence in equities, the Bond Curve is clearly steepening since the Greenspan speech last Friday. Libor 1- month has fallen 10 basis points, while the 2 year, 5 year and 10 year Treasury have risen 20, 13 and 7 basis points respectively. The Bond Vigilantes are looking out into the future as our business planners and consumers. "When" is where we are.