



Bank of Tokyo-Mitsubishi UFJ

Prospects for the Economy and Markets November 2009

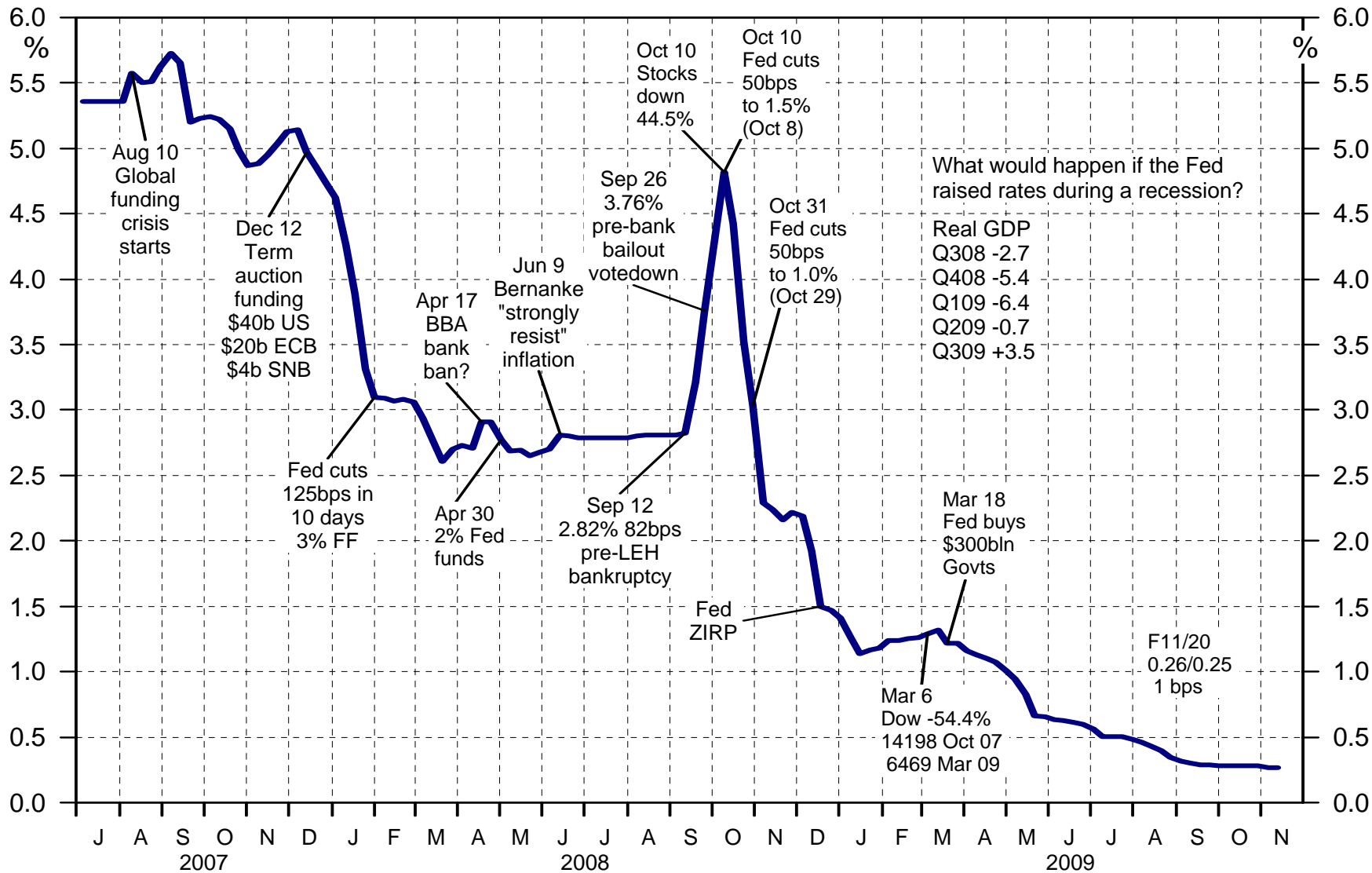
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Canada and U.S. unemployment rate movements are remarkably similar



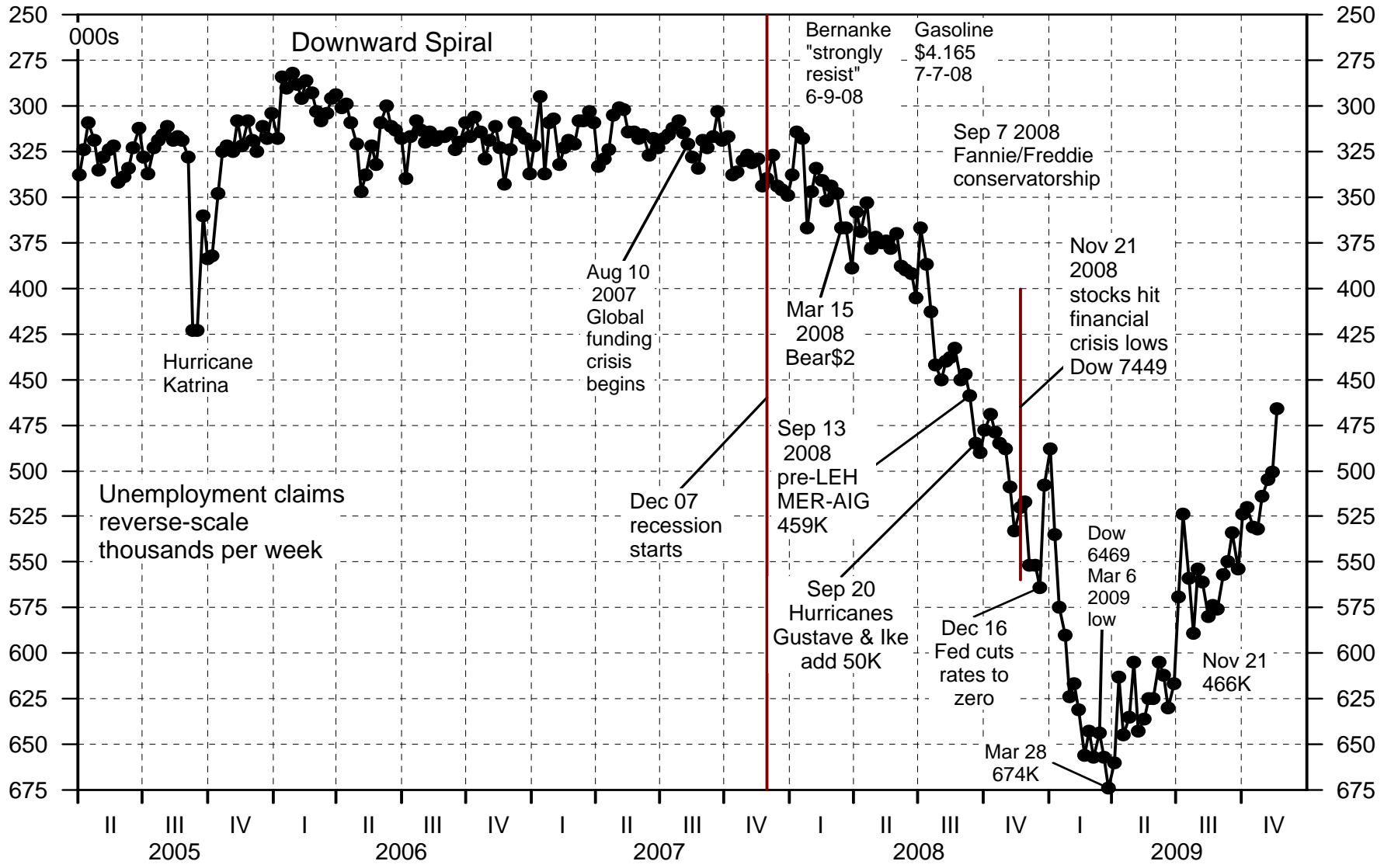
3-month Labor yields falling below 2.82% pre-Lehman-Merrill-AIG level



What would happen if the Fed raised rates during a recession?

- Real GDP
- Q308 -2.7
- Q408 -5.4
- Q109 -6.4
- Q209 -0.7
- Q309 +3.5

Job losses lead to reduced sales, lead to production cutbacks, then job losses, leading to reduced sales



000s

Downward Spiral

Bernanke "strongly resist" 6-9-08

Gasoline \$4.165 7-7-08

Sep 7 2008 Fannie/Freddie conservatorship

Hurricane Katrina

Aug 10 2007 Global funding crisis begins

Mar 15 2008 Bear\$2

Nov 21 2008 stocks hit financial crisis lows Dow 7449

Unemployment claims reverse-scale thousands per week

Dec 07 recession starts

Sep 13 2008 pre-LEH MER-AIG 459K

Sep 20 Hurricanes Gustave & Ike add 50K

Dec 16 Fed cuts rates to zero

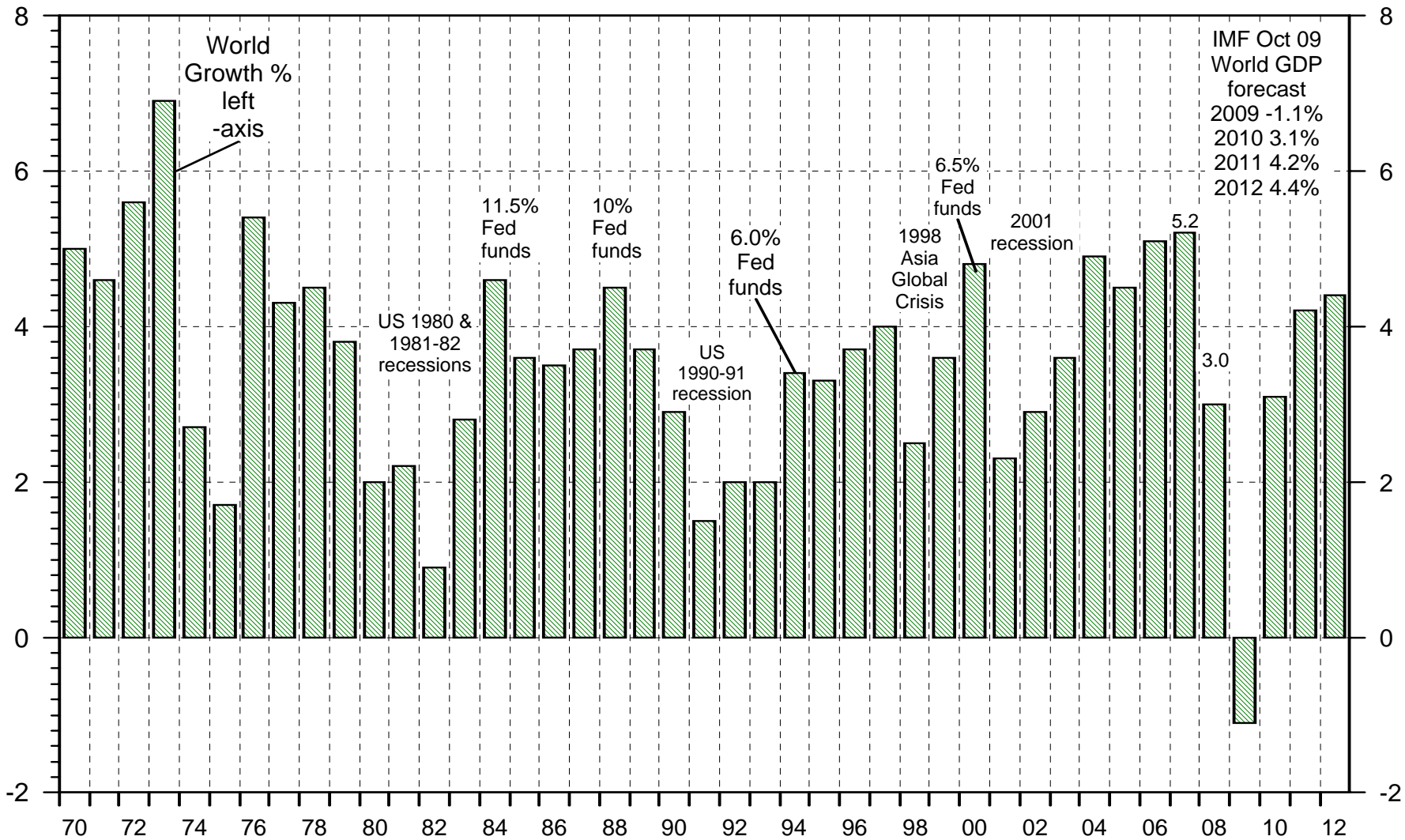
Dow 6469 Mar 6 2009 low

Mar 28 674K

Nov 21 466K

II III IV I II III IV I II III IV I II III IV
2005 2006 2007 2008 2009

World Economic Growth



IMF WORLD OUTLOOK for Growth

Year/Year (Percent %)	2007	2008	2009e	2010e
World Output	5.2	3.0	-1.1	3.1
Advanced Economies	2.7	0.6	-3.4	1.3
U.S.	2.1	0.4	-2.7	1.5
Japan	2.3	-0.7	-5.4	1.7
Euro area	2.7	0.7	-4.2	0.3
Germany	2.5	1.2	-5.3	0.3
France	2.3	0.3	-2.4	0.9
Italy	1.6	-1.0	-5.1	0.2
Spain	3.6	0.9	-3.8	-0.7
U.K.	2.6	0.7	-4.4	0.9
Canada	2.5	0.4	-2.5	2.1
Newly industrialized Asian	5.7	1.5	-2.4	3.6
Developing Economies	8.3	6.0	1.7	5.1
Africa	6.3	5.2	1.7	4.0
Developing Asia	10.6	7.6	6.2	7.3
CHINA	13.0	9.0	8.5	9.0
INDIA	9.4	7.3	5.4	6.4
ASEAN-5	6.3	4.8	0.7	4.0
Middle East	6.2	5.4	2.0	4.2
Western Hemisphere	5.7	4.2	-2.5	2.9
Brazil	5.7	5.1	-0.7	3.5
Mexico	3.3	1.3	-7.3	3.3
Russia	8.1	5.6	-7.5	1.5

*ASEAN-5: Indonesia, Malaysia, the Philippines, Thailand, Vietnam

<http://www.imf.org/external/pubs/ft/weo/2009/02/index.htm>

Chapter I, Table 1.1 Overview of the *World Economic Outlook* Projections, Oct 2009

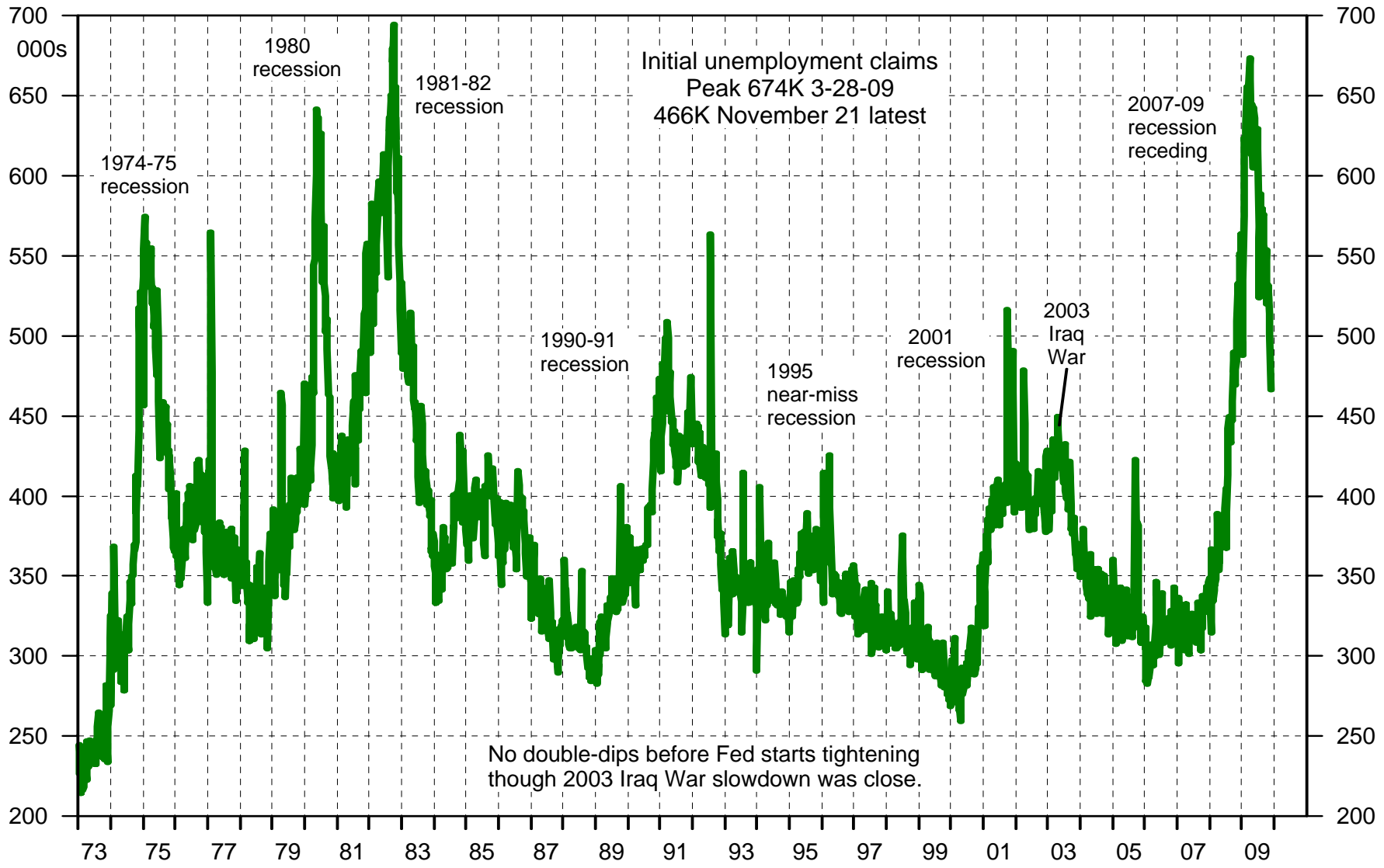
World Economy 2008

	2008	GDP \$ trln	
	Real GDP	(current \$)	% of World
U.S.	0.4	14.441	23.7
Euro area	2.7	13.646	22.4
Japan	-0.7	4.910	8.1
U.K.	0.7	2.680	4.4
BRICs	6.8	8.781	14.4
Brazil	5.1	1.572	2.6
Russia	5.6	1.676	2.8
India	7.3	1.206	2.0
China	9.0	4.327	7.1
World	3.0	60.917	100.0

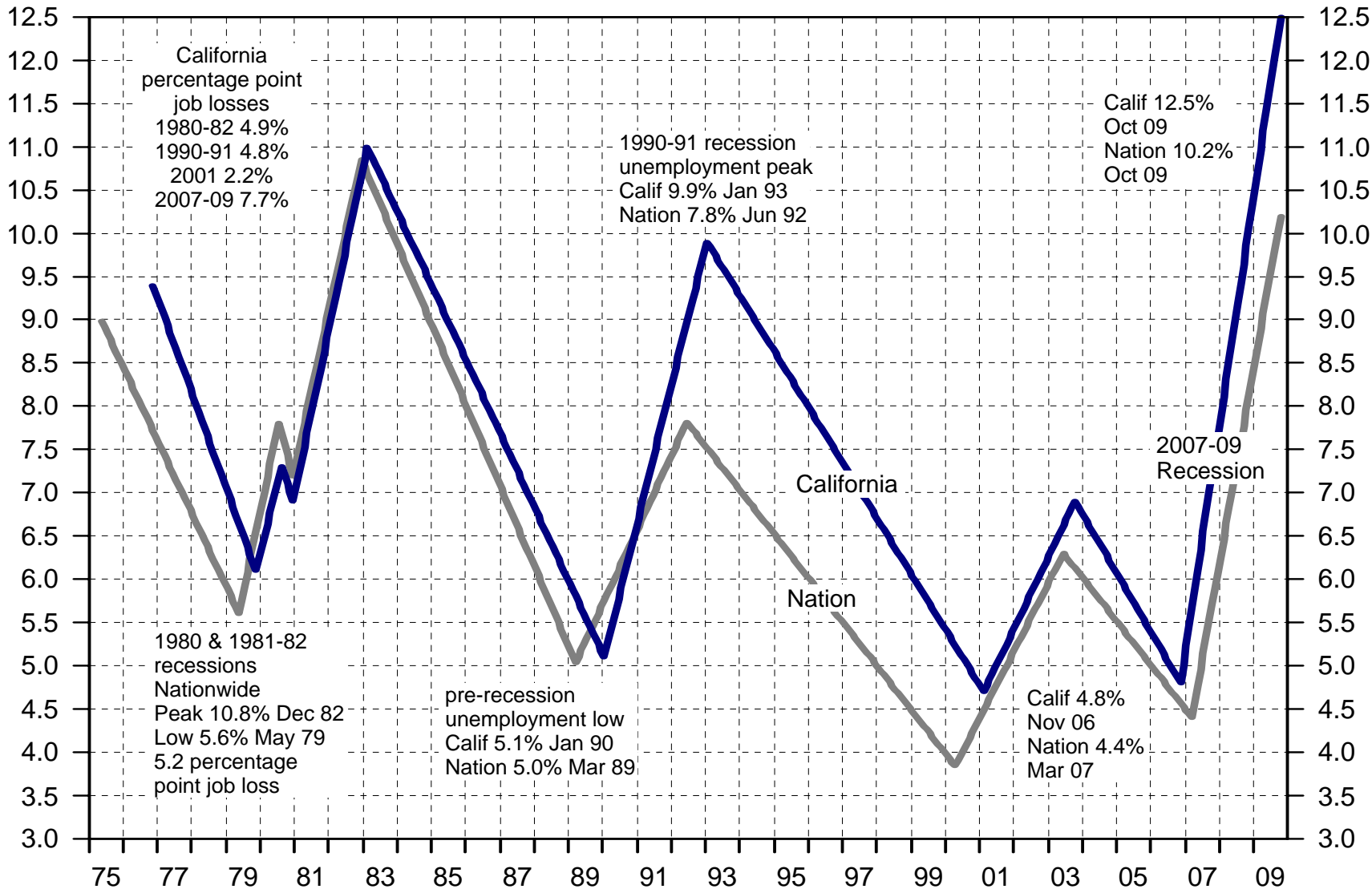
World Economy 1997

	1997	GDP \$ trln	
	Real GDP	(current \$)	% of World
U.S.	4.5	8.304	27.6
Euro area	2.6	6.694	22.2
Japan	1.6	4.263	14.2
U.K.	3.1	1.366	4.5
BRICs	4.7	2.635	8.7
Brazil	3.4	0.871	2.9
Russia	1.4	0.404	1.3
India	4.7	0.408	1.4
China	9.3	0.952	3.2
World	4.0	30.118	100.0

Economy: There has not been a double-dip yet



7.7 percentage points of job losses in California are severe, without precedent



California percentage point job losses
 1980-82 4.9%
 1990-91 4.8%
 2001 2.2%
 2007-09 7.7%

1990-91 recession unemployment peak
 Calif 9.9% Jan 93
 Nation 7.8% Jun 92

Calif 12.5% Oct 09
 Nation 10.2% Oct 09

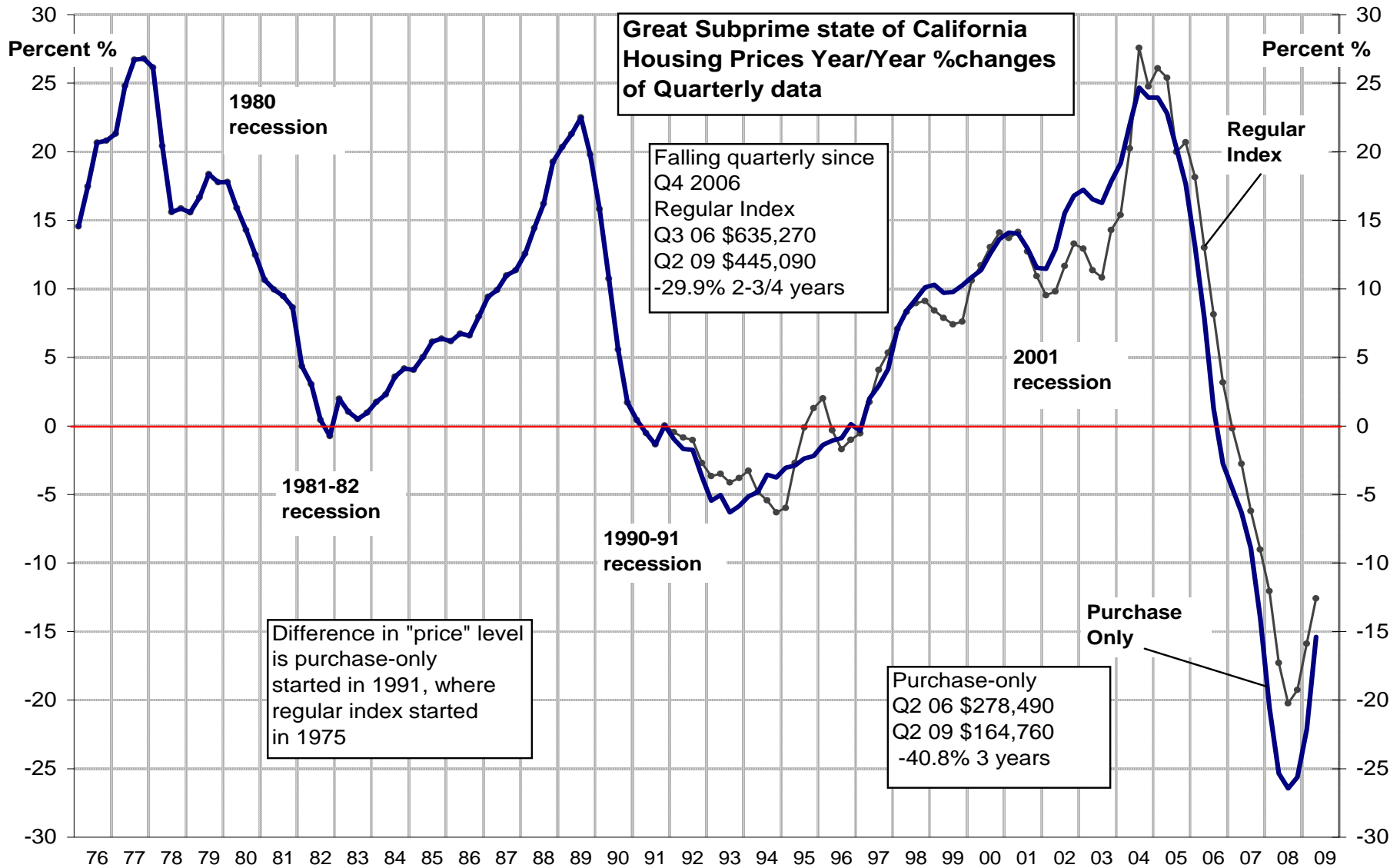
1980 & 1981-82 recessions
 Nationwide Peak 10.8% Dec 82
 Low 5.6% May 79
 5.2 percentage point job loss

pre-recession unemployment low
 Calif 5.1% Jan 90
 Nation 5.0% Mar 89

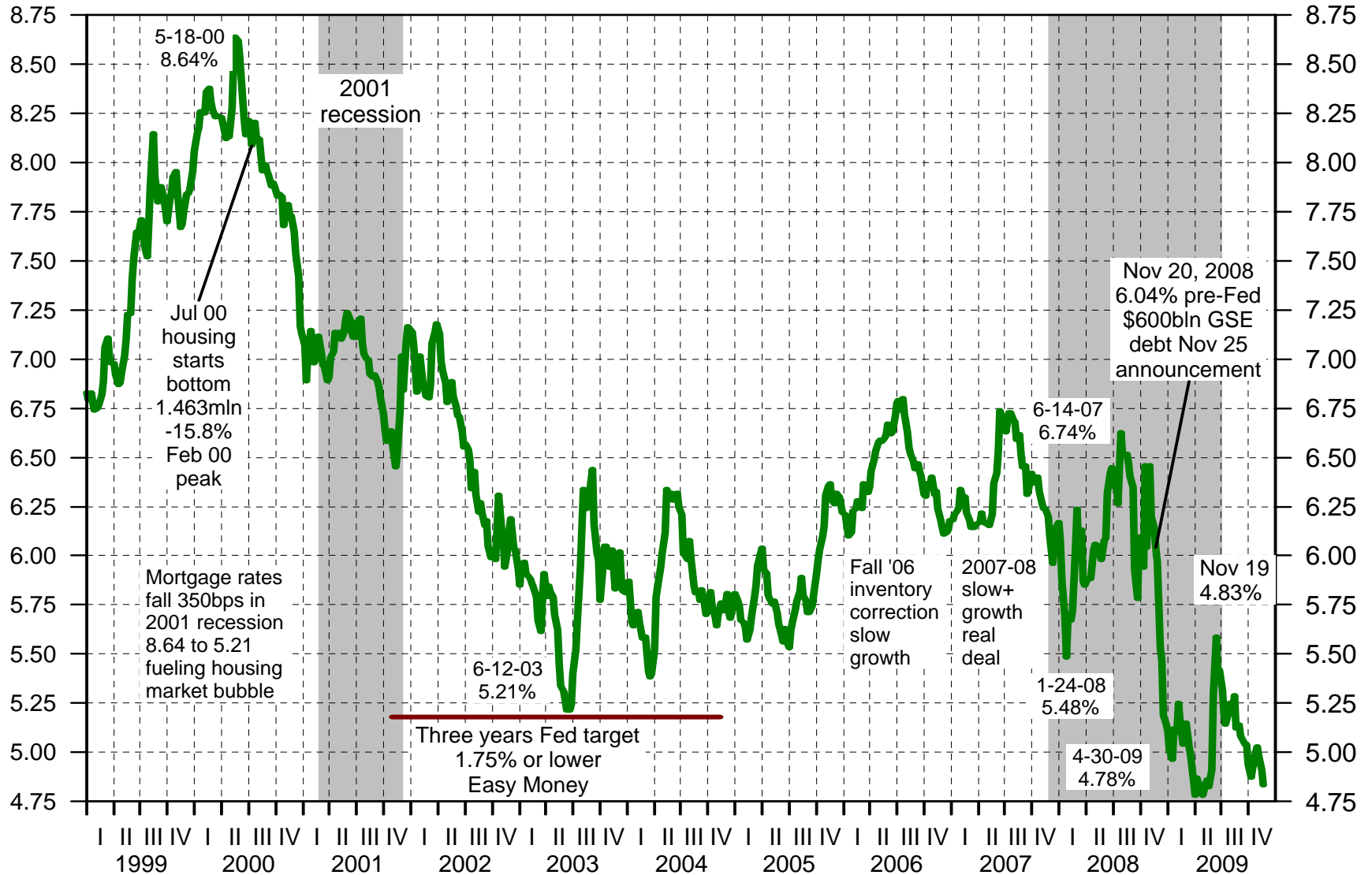
Calif 4.8% Nov 06
 Nation 4.4% Mar 07

California
 Nation

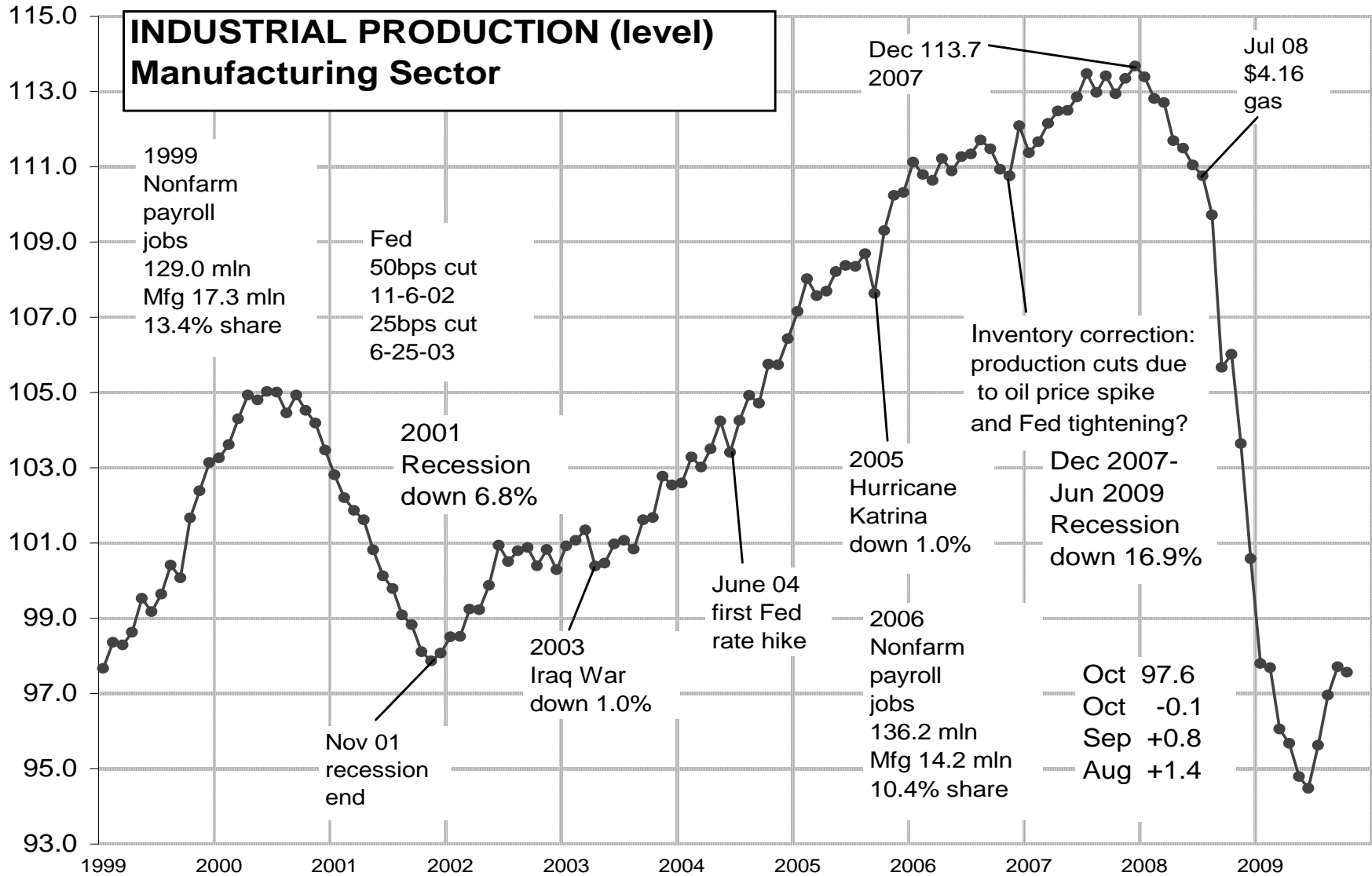
2007-09 Recession



Mortgage rates not as stimulative for housing market as in 2001 recession



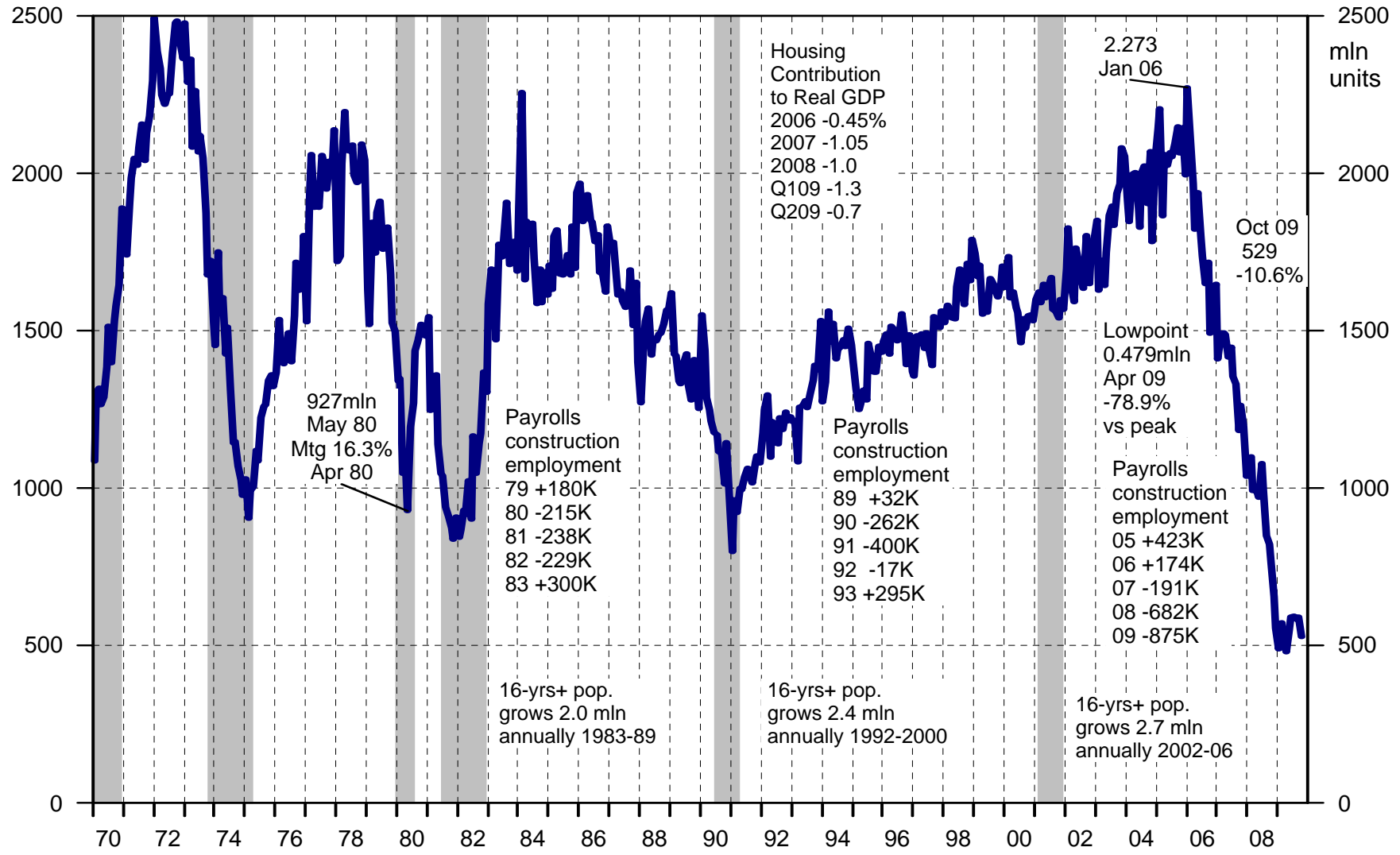
INDUSTRIAL PRODUCTION (level) Manufacturing Sector



Industrial Production (Manufacturing)			SIC
Recession	Production Bottom	IP falls for X months	Total % Decline
Dec 07 peak	June 09	18	16.9
Mar 01-Nov 01	Nov 01	17	6.8
Jul 90-Mar 91	Mar 91	6	4.7
Jul 81-Nov 82	Dec 82	19	9.1
Jan 80-Jul 80	July 80	6	8.1
Nov 73-Mar 75	Apr 75	16	15.3
1930s	July 1932	36	55.7

Production bottom within a month of recession end

Housing starts plummet: will negative construction impact on GDP spread elsewhere?



Housing Contribution to Real GDP
 2006 -0.45%
 2007 -1.05
 2008 -1.0
 Q109 -1.3
 Q209 -0.7

927mln
 May 80
 Mtg 16.3%
 Apr 80

Payrolls construction employment
 79 +180K
 80 -215K
 81 -238K
 82 -229K
 83 +300K

Payrolls construction employment
 89 +32K
 90 -262K
 91 -400K
 92 -17K
 93 +295K

Lowpoint
 0.479mln
 Apr 09
 -78.9%
 vs peak

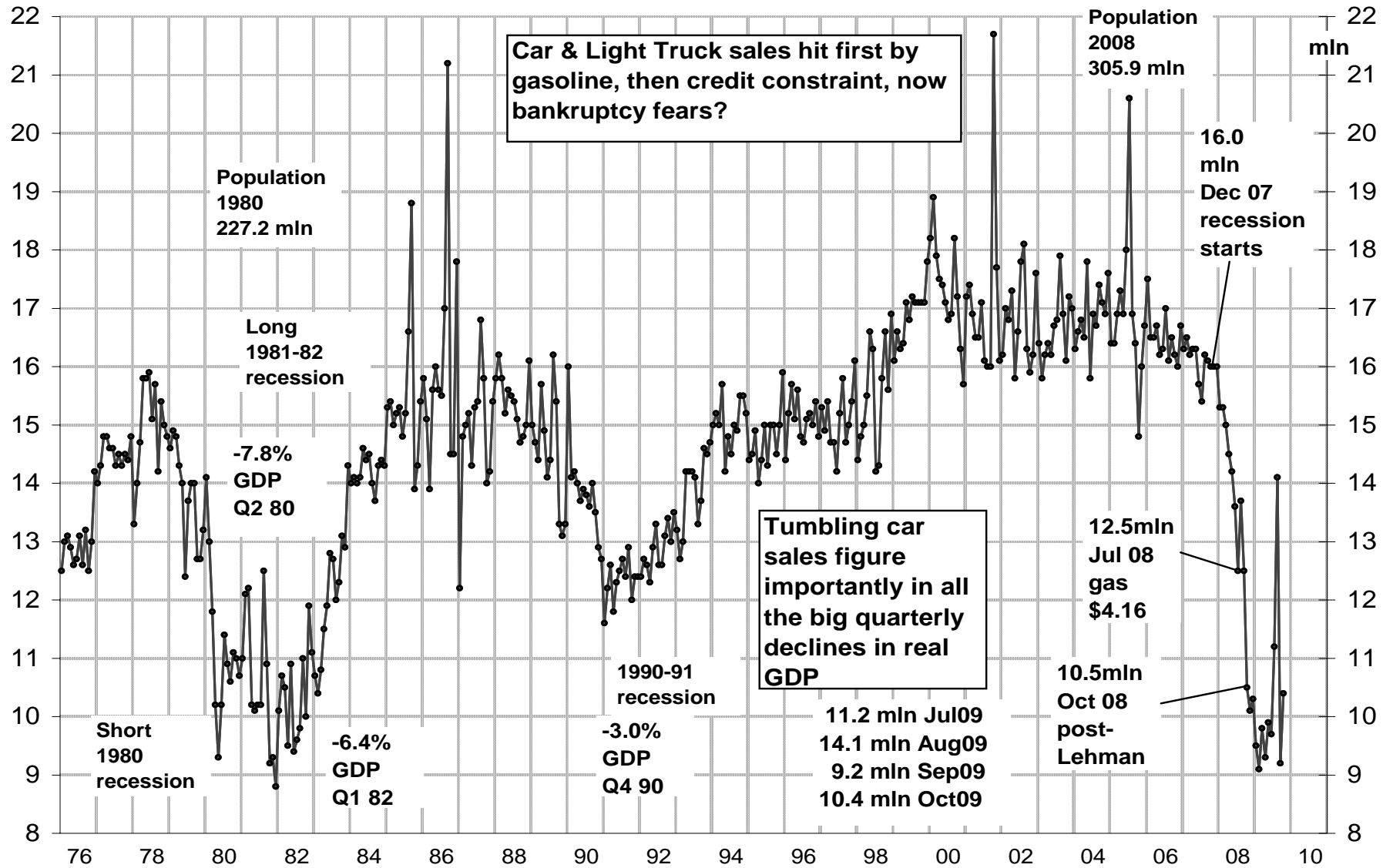
Payrolls construction employment
 05 +423K
 06 +174K
 07 -191K
 08 -682K
 09 -875K

16-yrs+ pop.
 grows 2.0 mln
 annually 1983-89

16-yrs+ pop.
 grows 2.4 mln
 annually 1992-2000

16-yrs+ pop.
 grows 2.7 mln
 annually 2002-06

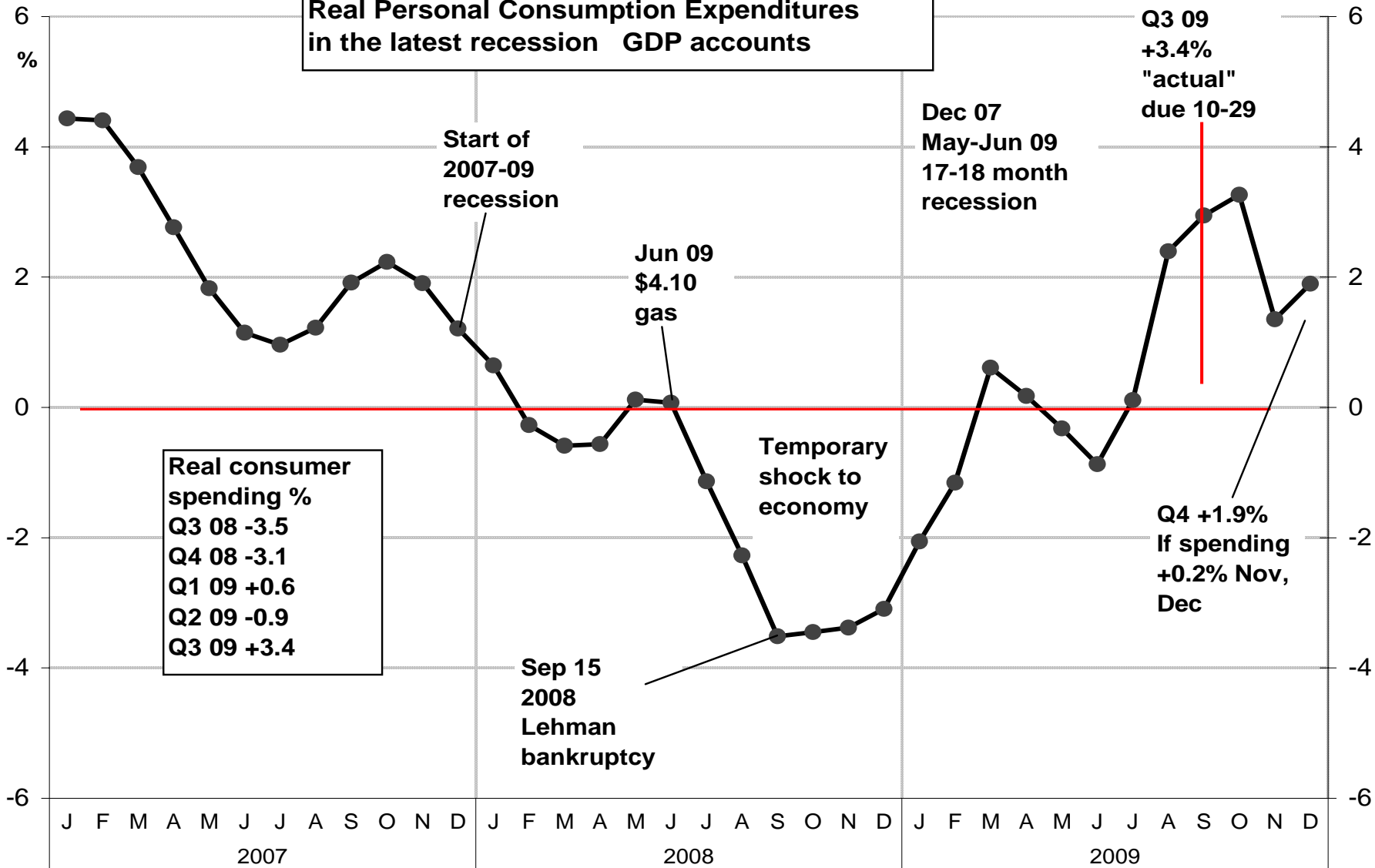
Shaded areas represent economic recessions



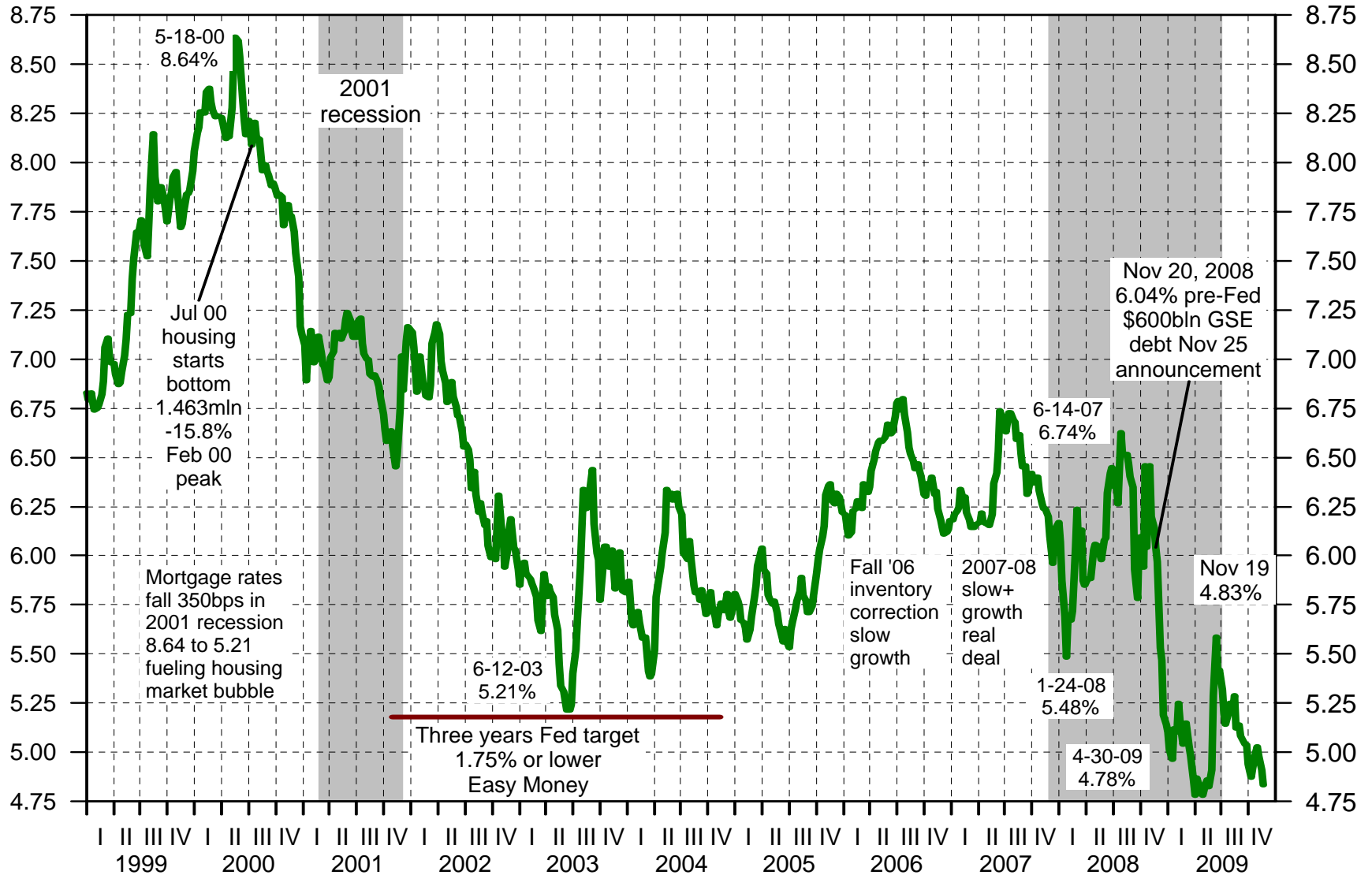
Car & Light Truck sales hit first by gasoline, then credit constraint, now bankruptcy fears?

Tumbling car sales figure importantly in all the big quarterly declines in real GDP

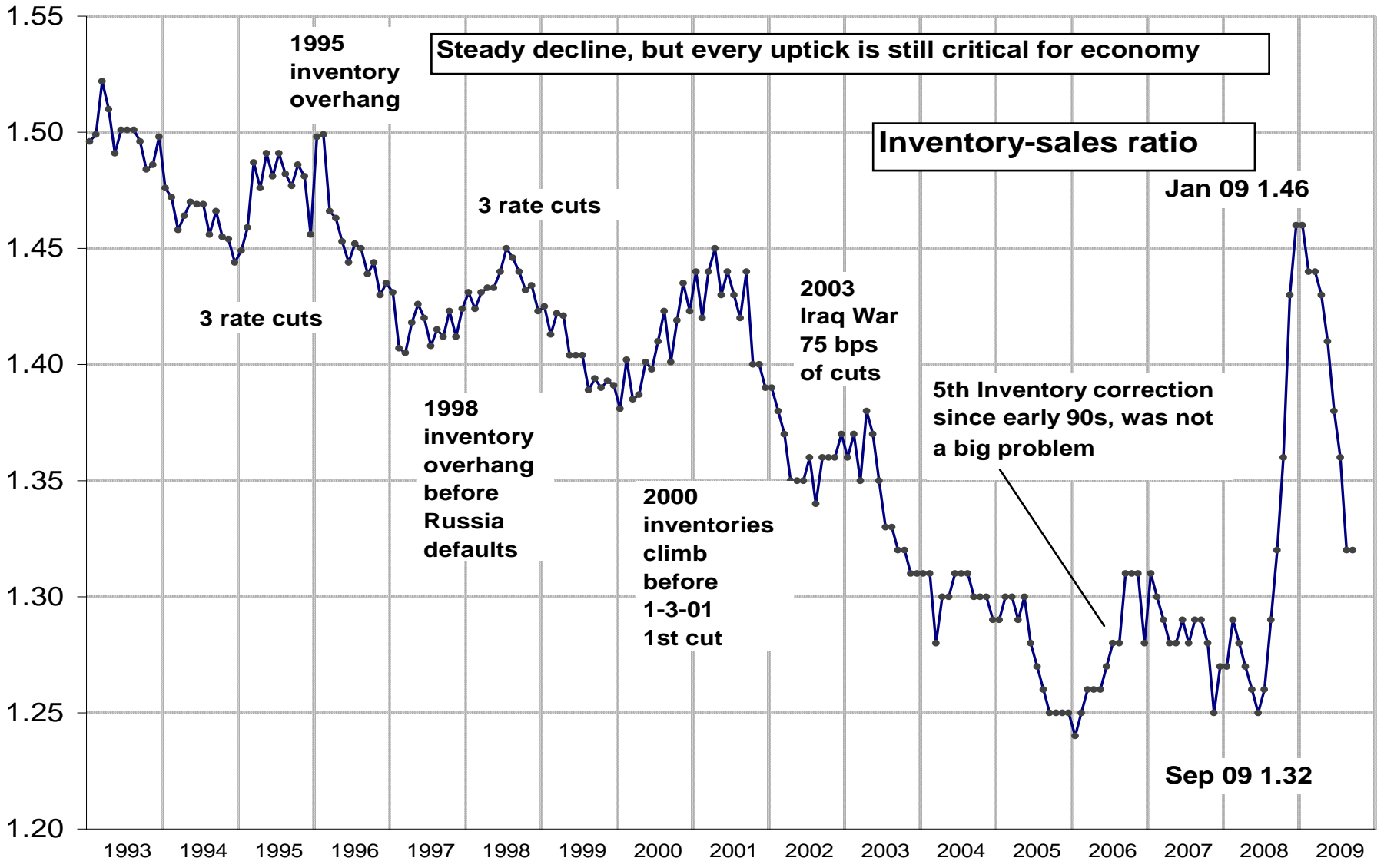
**Real Personal Consumption Expenditures
in the latest recession GDP accounts**

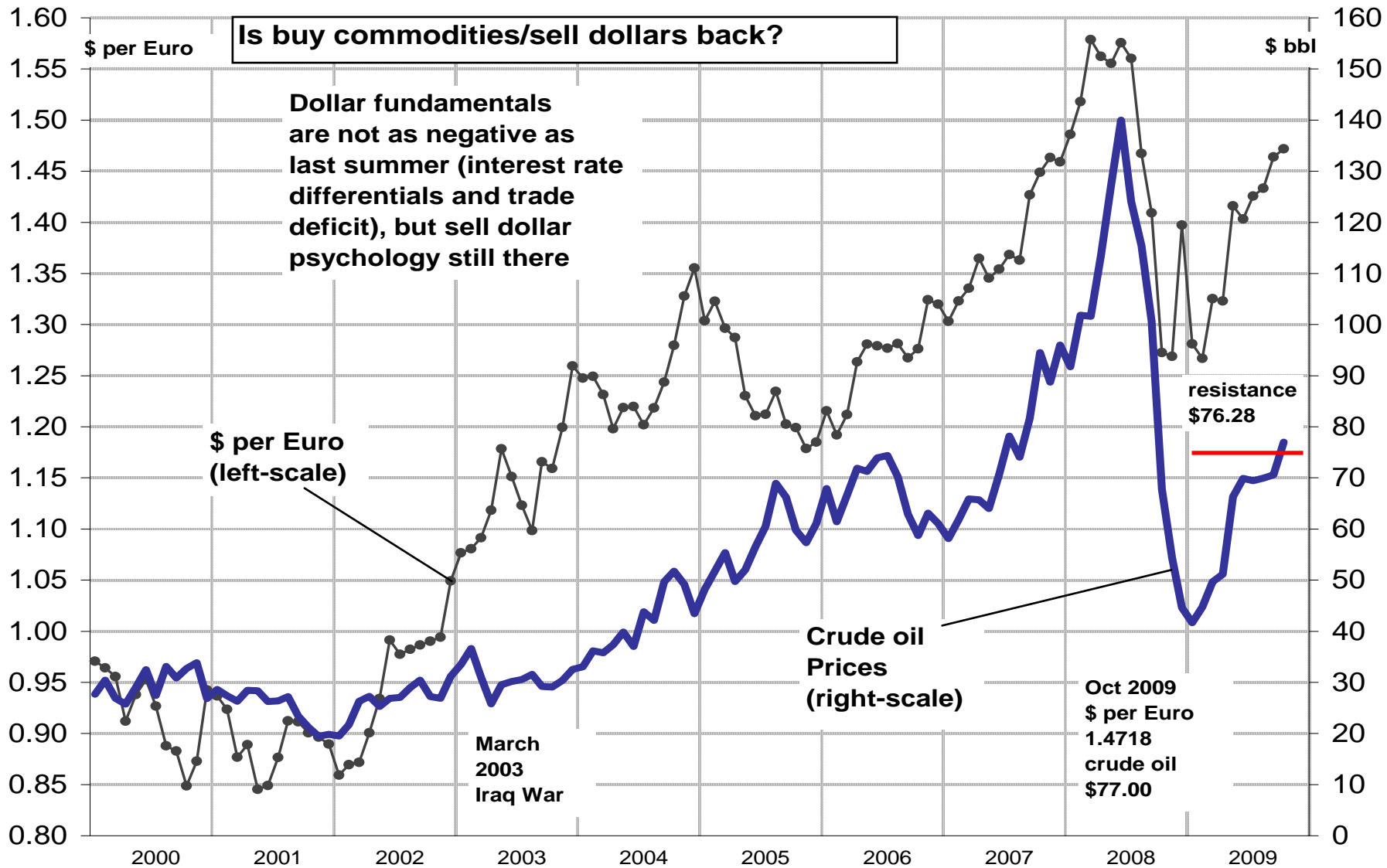


Mortgage rates not as stimulative for housing market as in 2001 recession



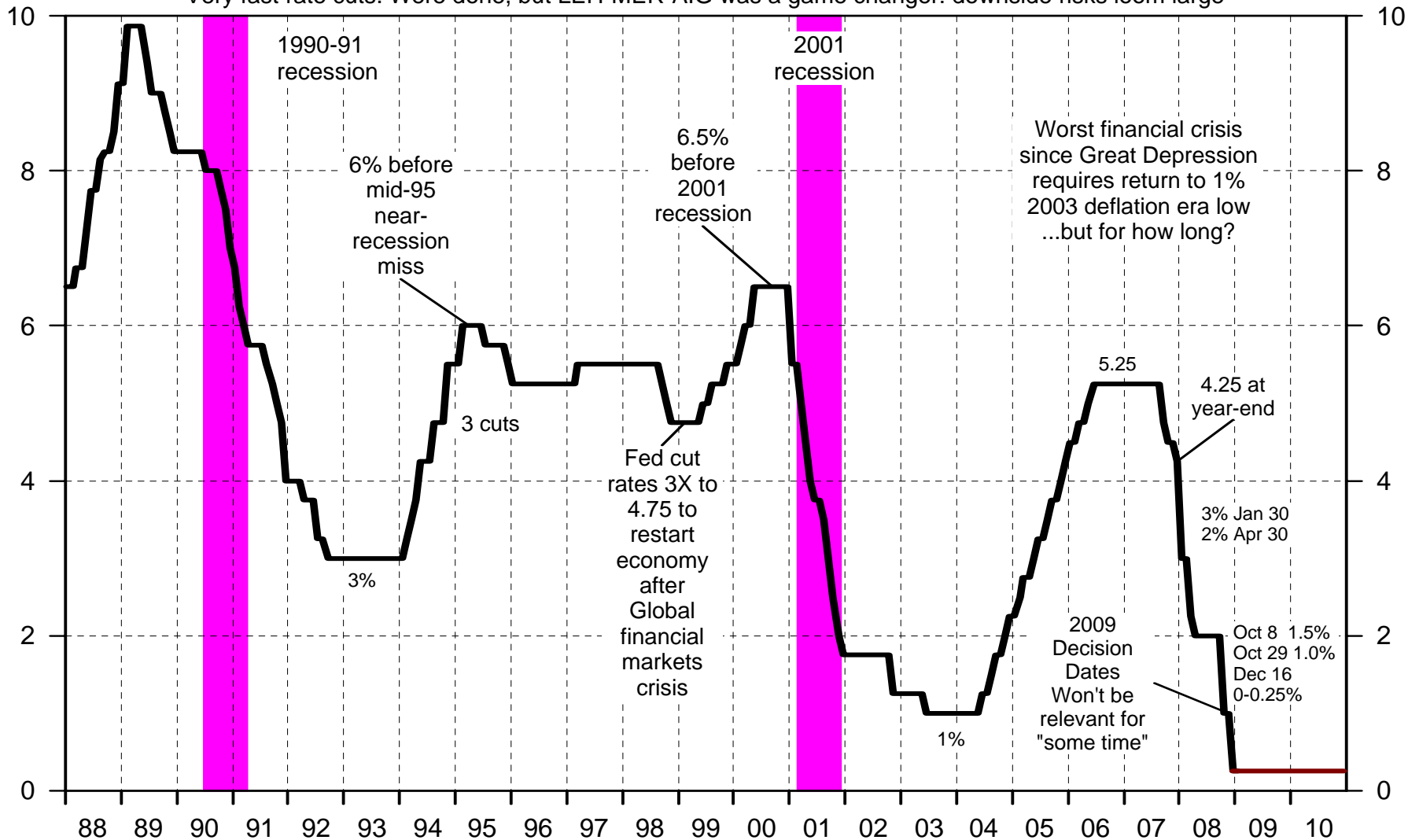






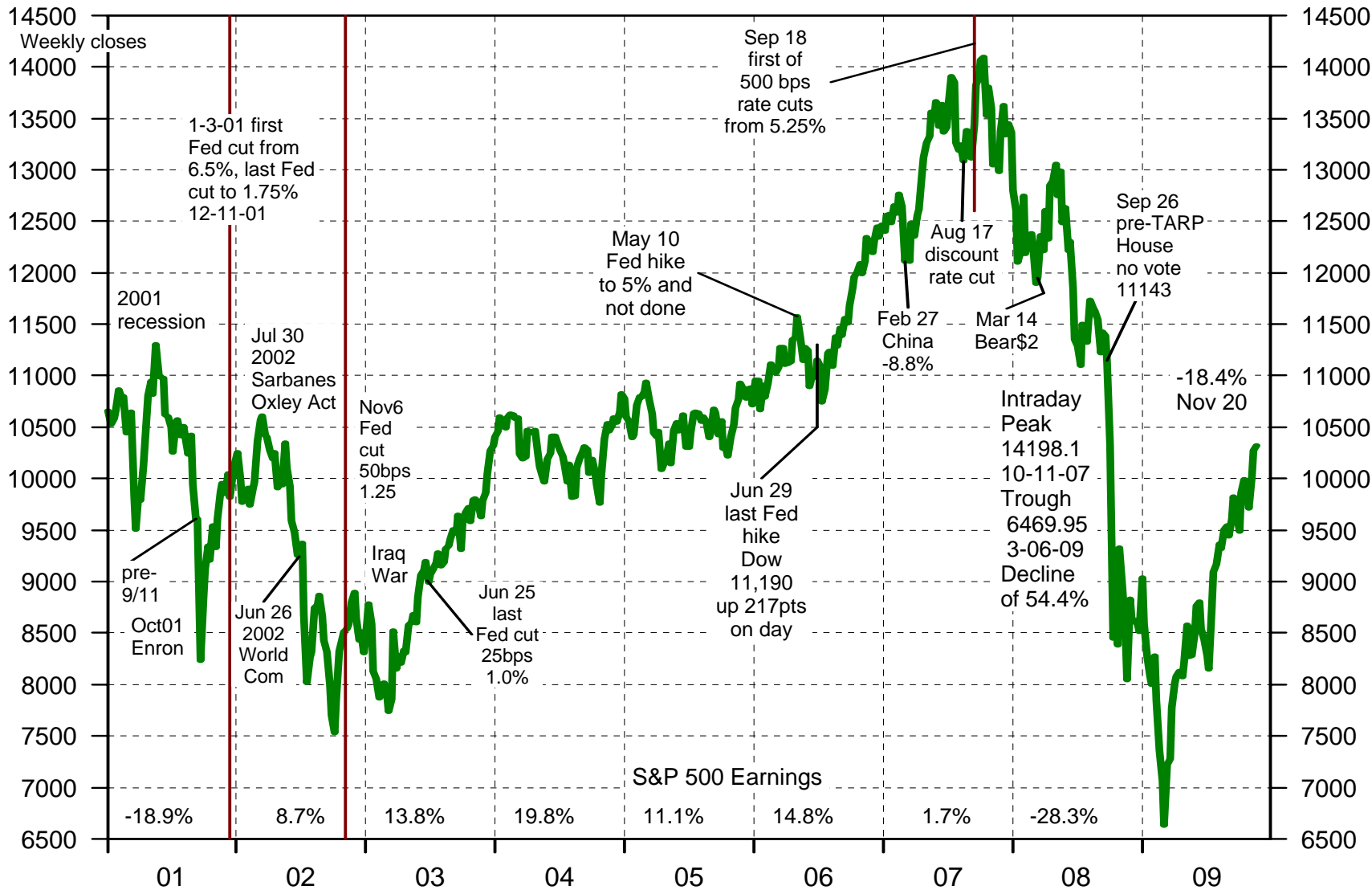
Long-term Fed funds rate forecast

Very fast rate cuts. Were done, but LEH-MER-AIG was a game changer: downside risks loom large

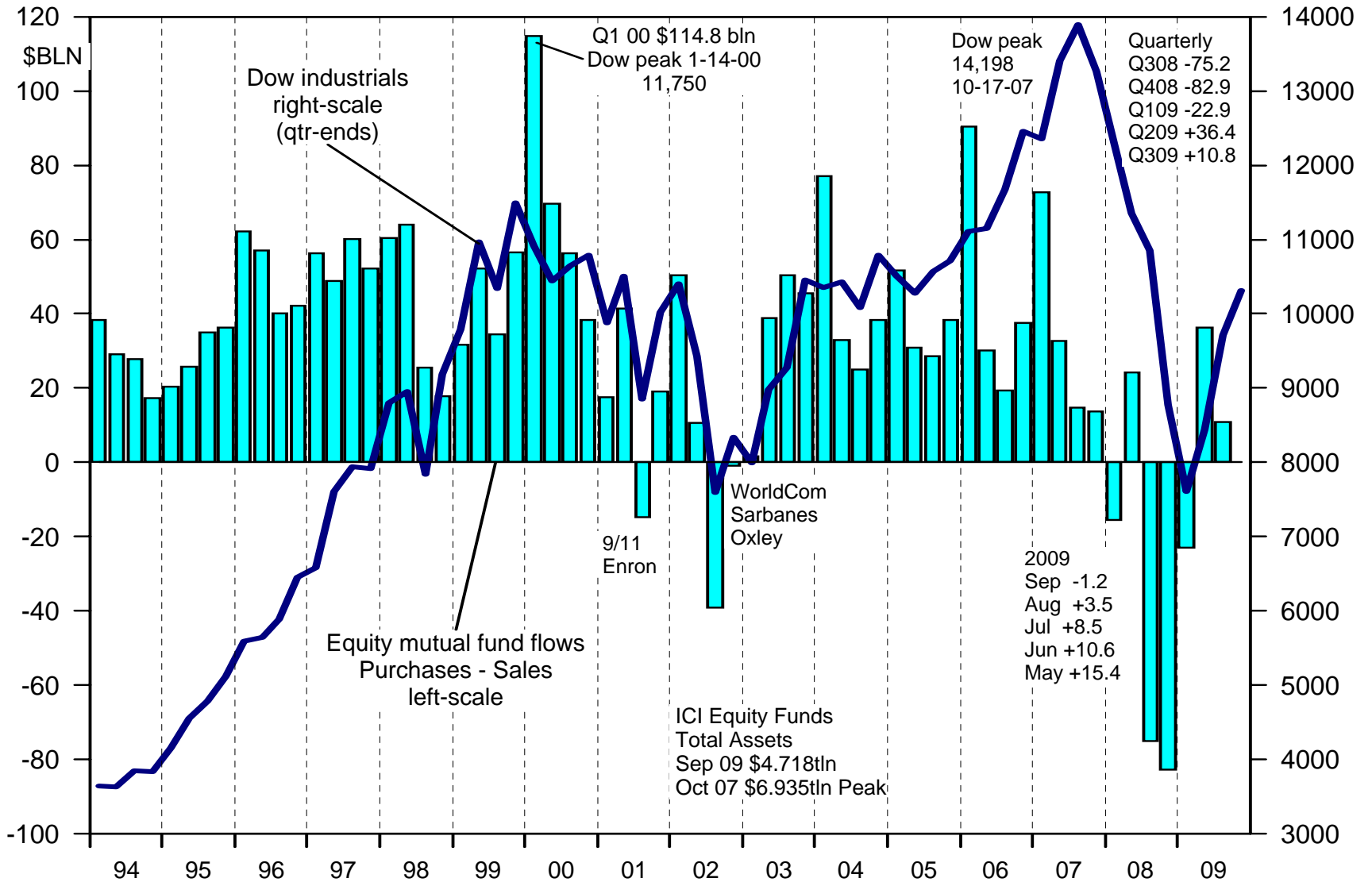


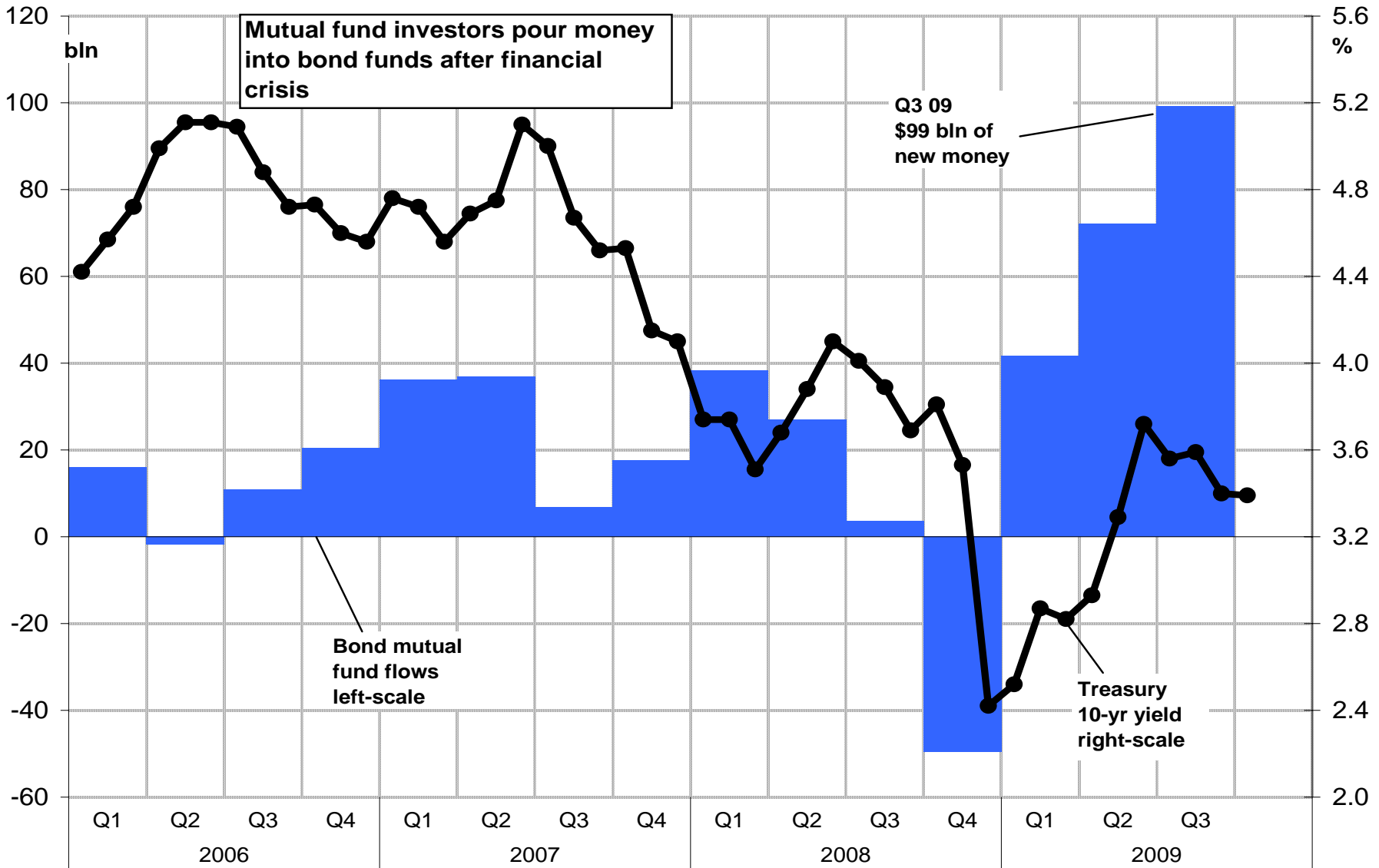
Selected Fed assets and liabilities					2008	11/18/09
Fed H.4.1 statistical release					pre-LEH	to Sep 10
billions, Wednesday data	18-Nov	11-Nov	4-Nov	28-Oct	10-Sep	Change
Factors adding reserves						
U.S. Treasury securities	776.527	776.520	776.512	774.561	479.782	296.745
Federal agency debt securities	153.049	149.673	146.959	141.601	0.000	153.049
Mortgage-backed securities	847.042	775.573	774.394	774.066	0.000	847.042
Term auction credit (TAF auctions)	109.456	109.456	139.245	139.245	150.000	-40.544
Asset-backed TALF	43.602	43.835	42.883	41.403		
Maiden Lane (Bear)	26.349	26.339	26.321	26.282	29.287	-2.938
Central bank liquidity swaps	28.278	29.088	31.884	32.930	62.000	-33.722
Loans (selected)						
Banks	19.935	19.878	22.484	22.528	19.000	0.935
Primary dealer credit facility	0.000	0.000	0.000	0.000	0.000	0.000
ABCP \$ mkt funds	0.000	0.000	0.000	0.000	0.000	0.000
Commercial Paper (CPFF)	15.043	14.299	14.480	19.023	0.000	15.043
AIG	44.918	43.979	44.539	44.800	0.000	44.918
Maiden Lane III (AIG)	22.951	22.932	23.233	23.167	0.000	22.951
Maiden Lane II (AIG)	15.766	15.733	16.009	16.007	0.000	15.766
MMIFF	0.000	0.000	0.000	0.000	0.000	0.000
Federal Reserve Assets	2250.4	2175.8	2205.8	2202.9	961.7	1288.7
3-month Libor %	0.26	0.27	0.28	0.28	2.82	-256 bps
Factors draining reserves						
Treasury supplemental bill auctions	14.999	14.999	14.999	29.992	0.000	14.999
Reserve Balances (Net Liquidity)	1106.374	1041.340	1080.221	1056.205	24.964	1081.410
September 10, 2008 is pre-Lehman bankruptcy of 9-15-08						

Dow Jones Industrials break 2001 recession low: a new development



Investors rethink investing for the long run last year

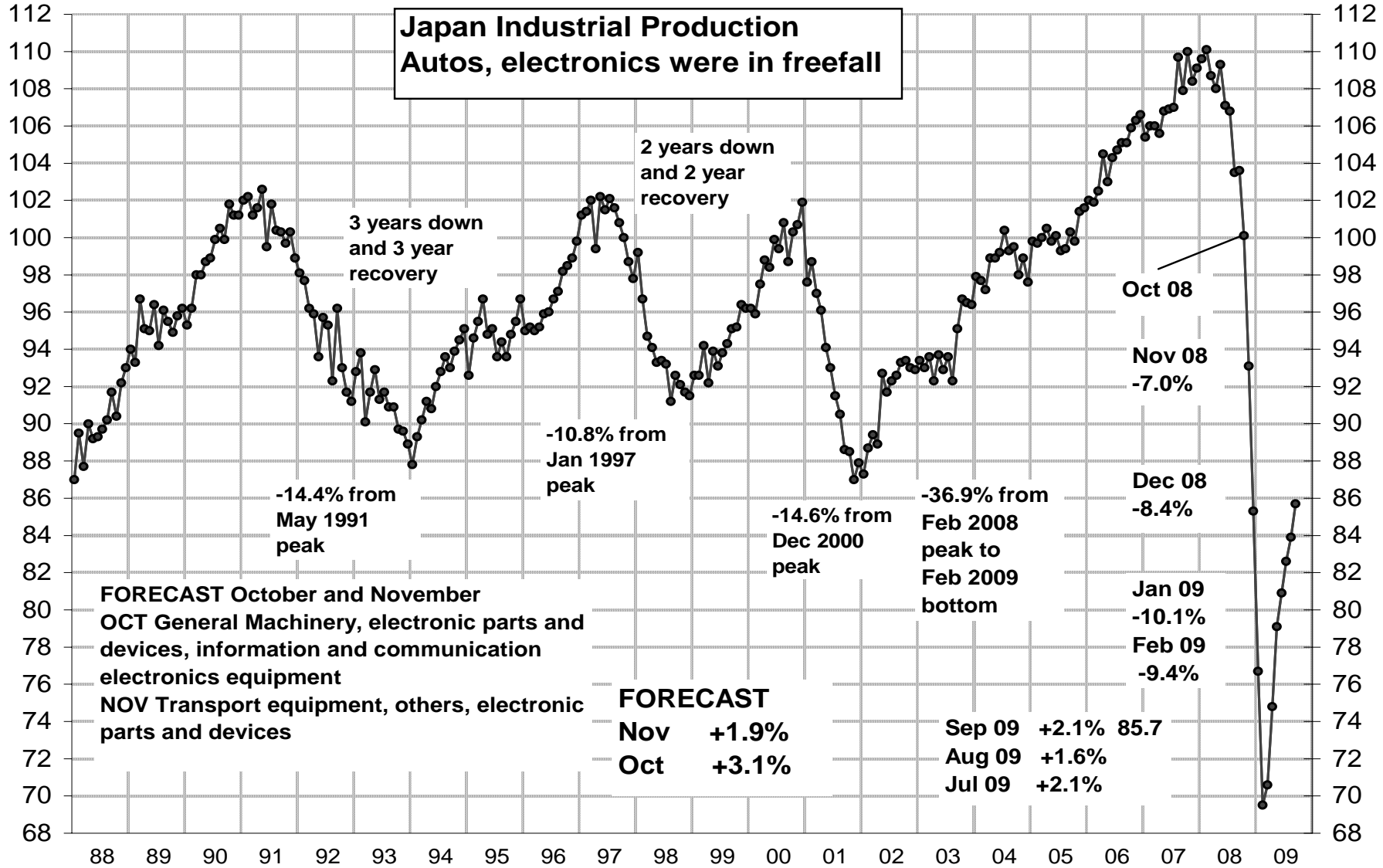




Stocks peaked
 Oct 2007, when
 do they break
 back above
 14,198?

Dow industrials in a recession+			Time until Dow closes back above closing high
2007-09	-54.4%	(Mar 6)	
2007-08	-47.5%	(Nov 21)	
2007-08	-44.5%	(Oct 10)	
2007-08	-23.7%	(July 15)	
		GDP	
2001	-38.7%	-0.3	6yrs, 9mo
1990-91	-21.8%	-1.4	
1981-82	-24.1%	-2.9	
1974-75	-45.1%	-3.2	9yrs, 10mo
1969-70	-35.9%	-1.1	3yrs, 11mo
1998 Global financial markets crisis			
			-21.0%
Asia financial crisis			
			-16.0%
Oct '87			
			-40.9%
			2-years

Japan Industrial Production Autos, electronics were in freefall

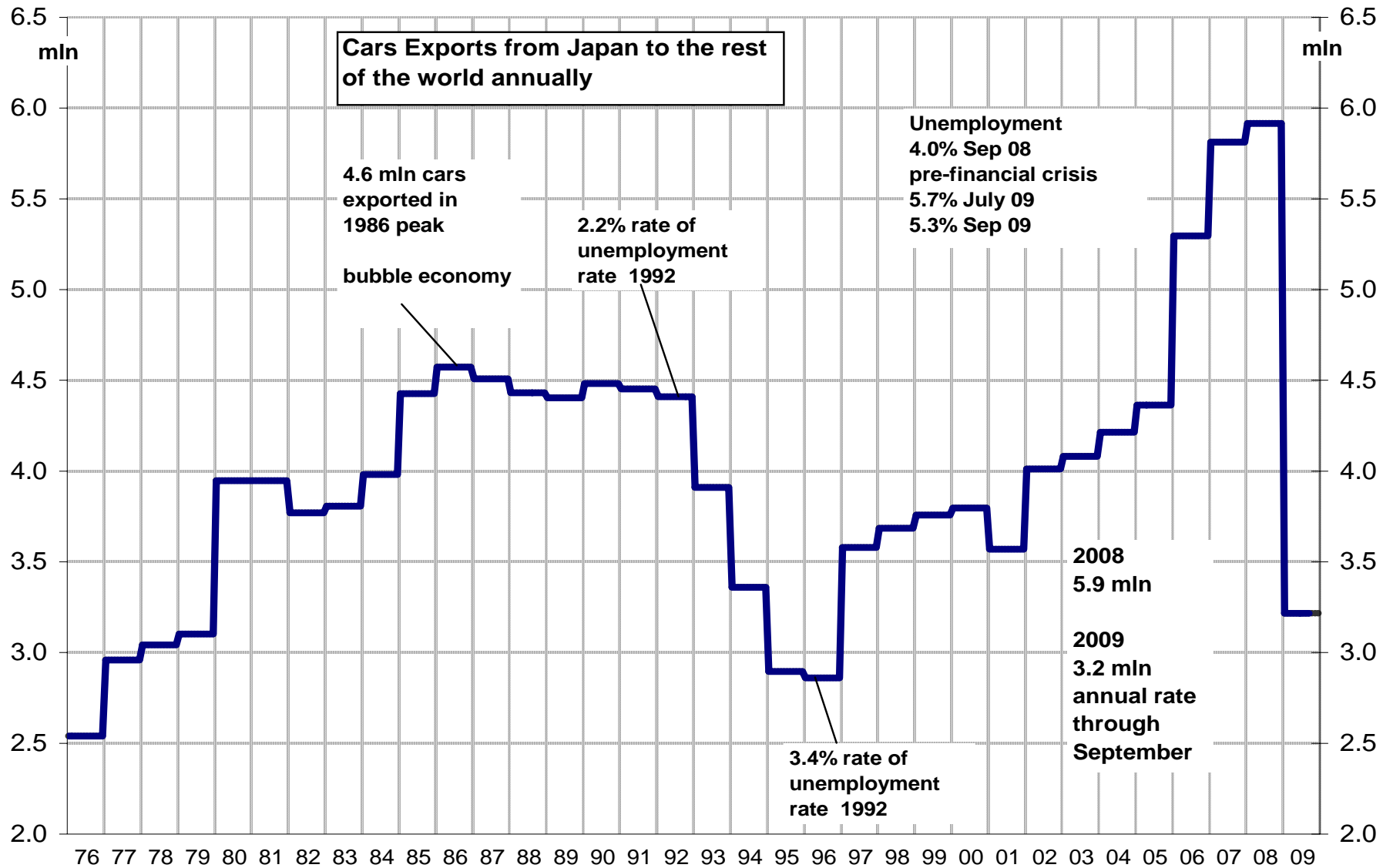


FORECAST October and November
OCT General Machinery, electronic parts and devices, information and communication electronics equipment
NOV Transport equipment, others, electronic parts and devices

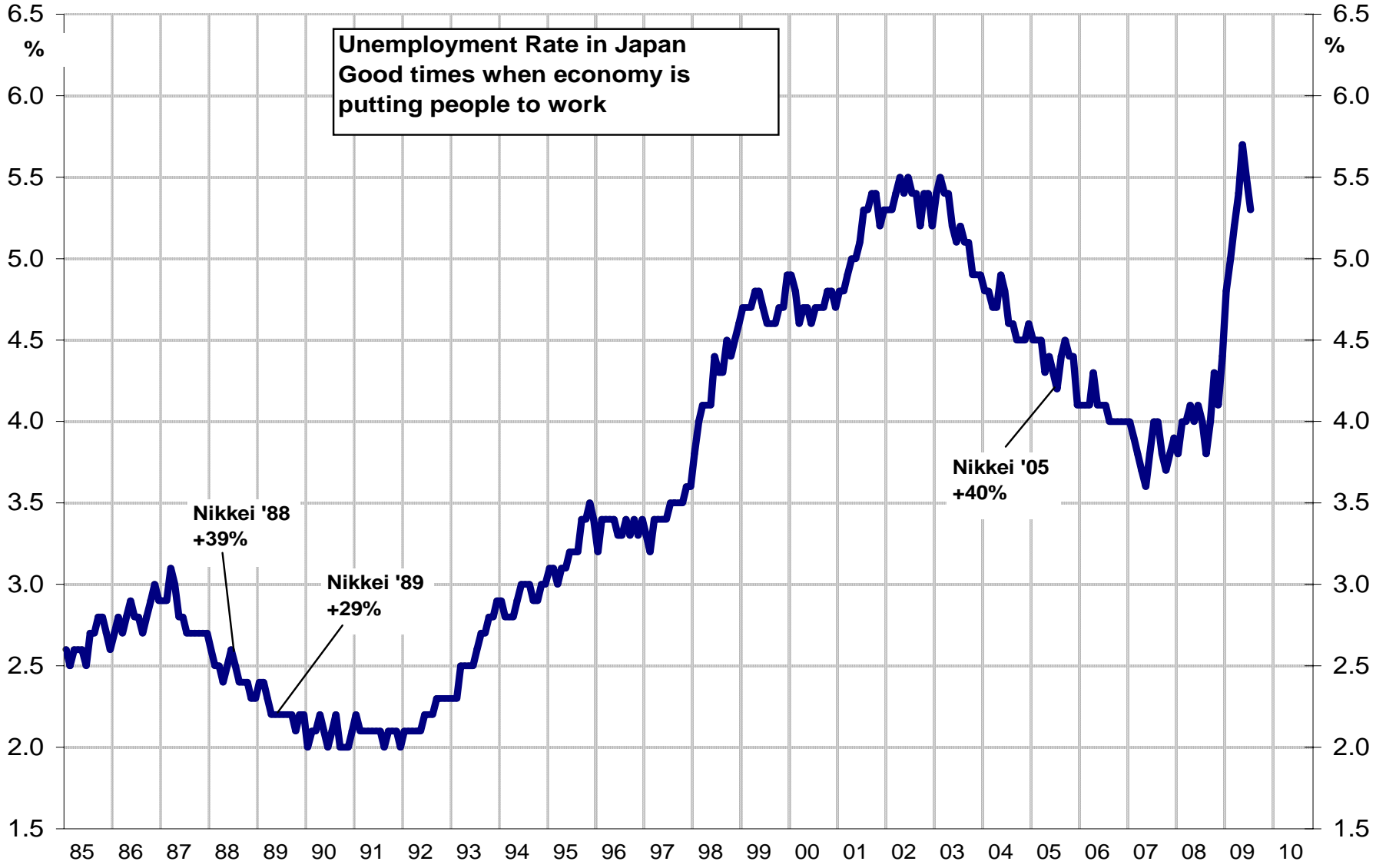
FORECAST
Nov +1.9%
Oct +3.1%

Sep 09 +2.1% 85.7
Aug 09 +1.6%
Jul 09 +2.1%

Oct 08
Nov 08 -7.0%
Dec 08 -8.4%
Jan 09 -10.1%
Feb 09 -9.4%



Unemployment Rate in Japan
Good times when economy is
putting people to work



Nikkei '88
+39%

Nikkei '89
+29%

Nikkei '05
+40%

