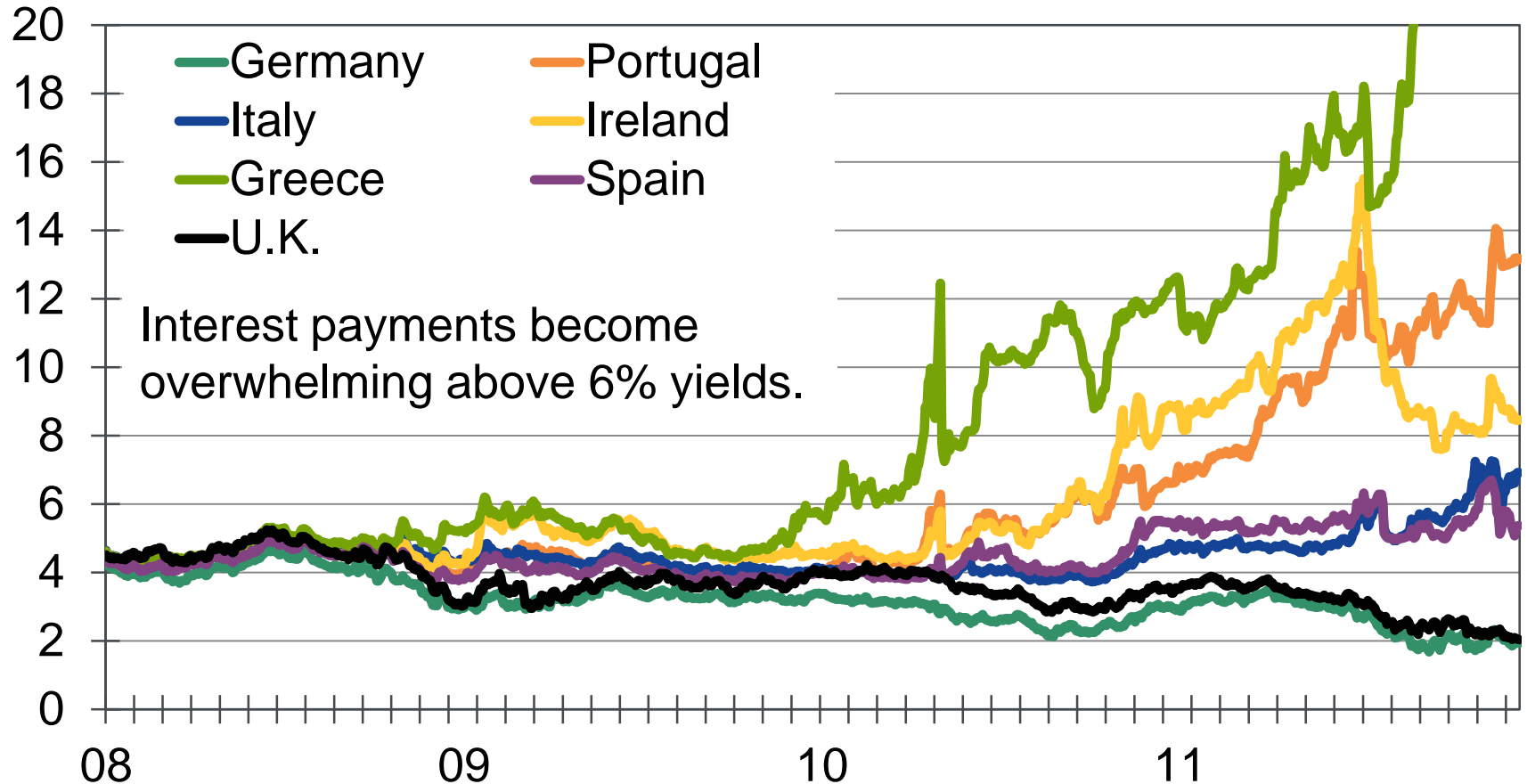


# Headwinds Diminish...Tailwinds Develop

MARK ZANDI, CHIEF ECONOMIST

# European Sovereigns Struggle...

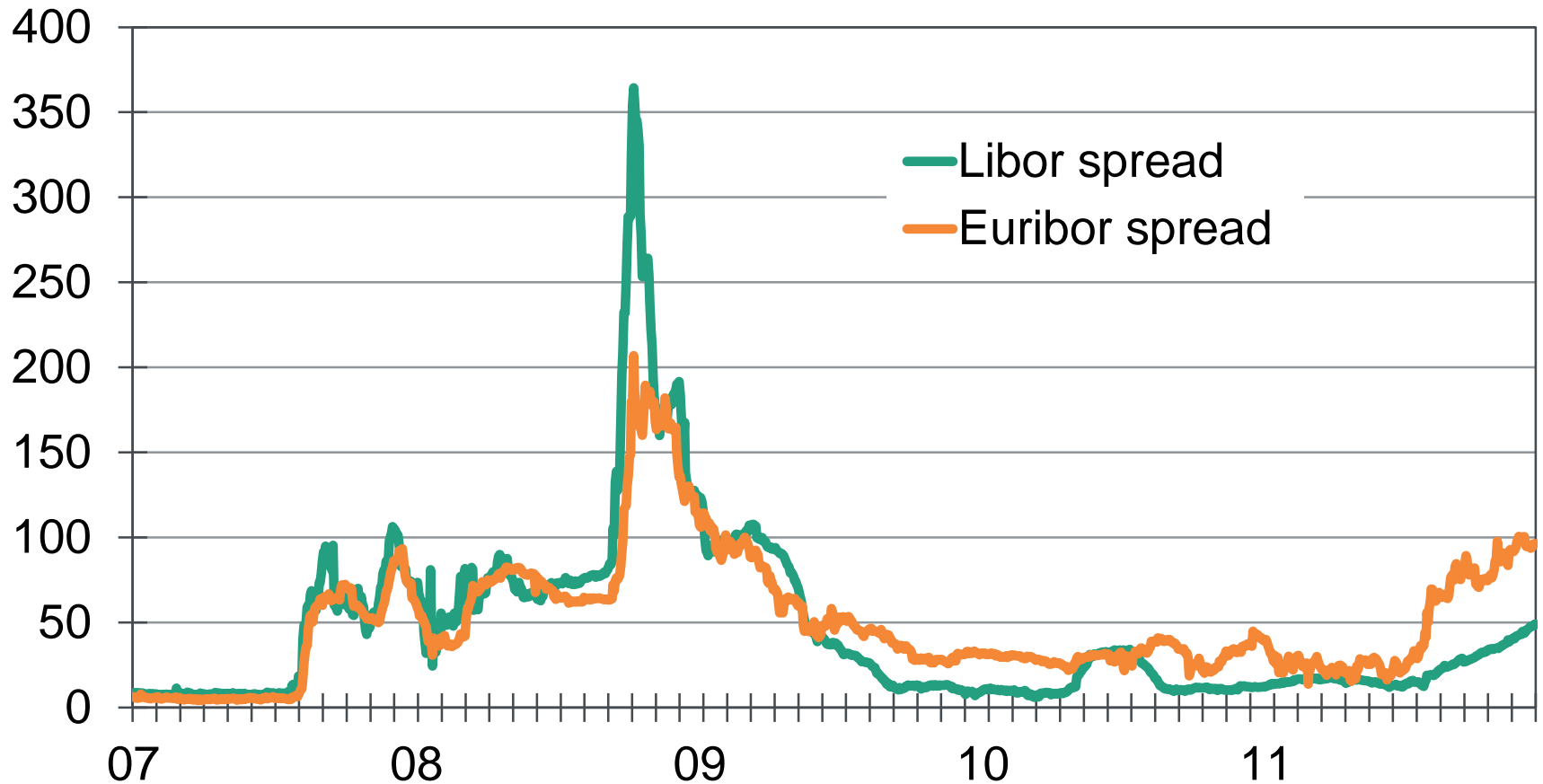
10-yr sovereign yields



Sources: Bloomberg, Moody's Analytics

# ...As Does the European Banking System

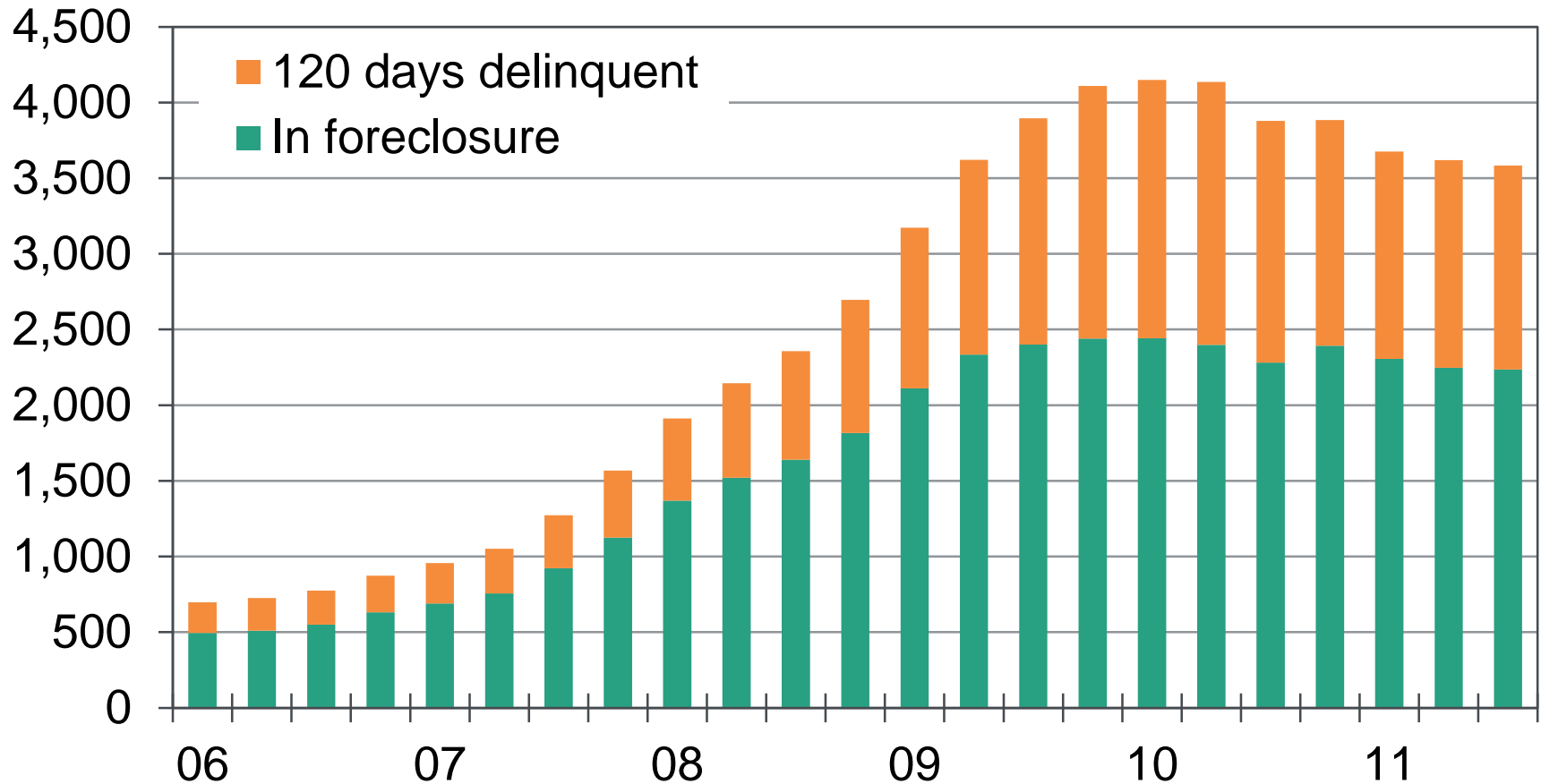
Interbank lending rates, bps



Source: Bloomberg

# A Mountain of Distressed Property...

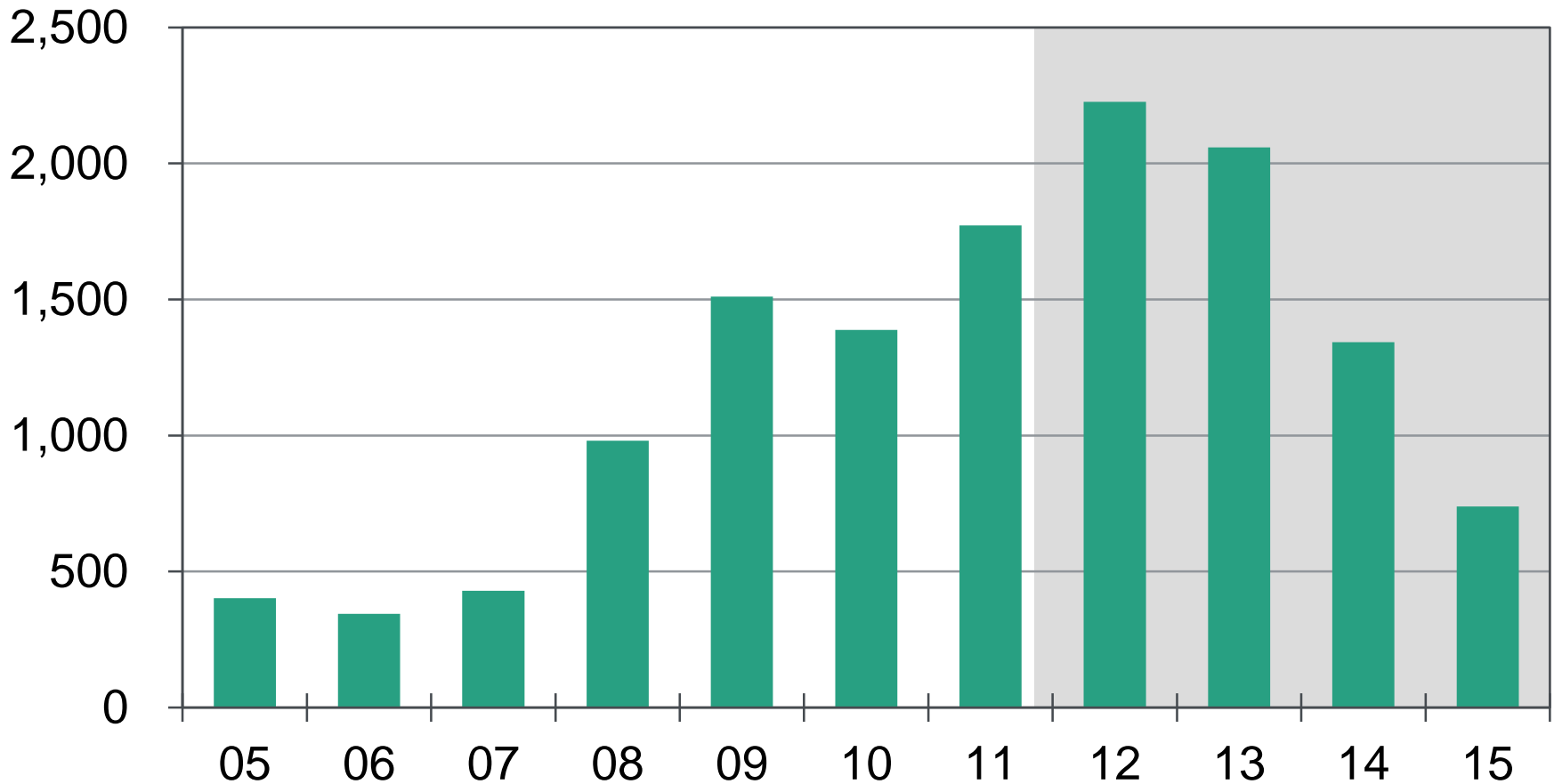
First-mortgage loans, ths



Sources: Equifax, Moody's Analytics

# ...Means More Distress Sales and Price Declines

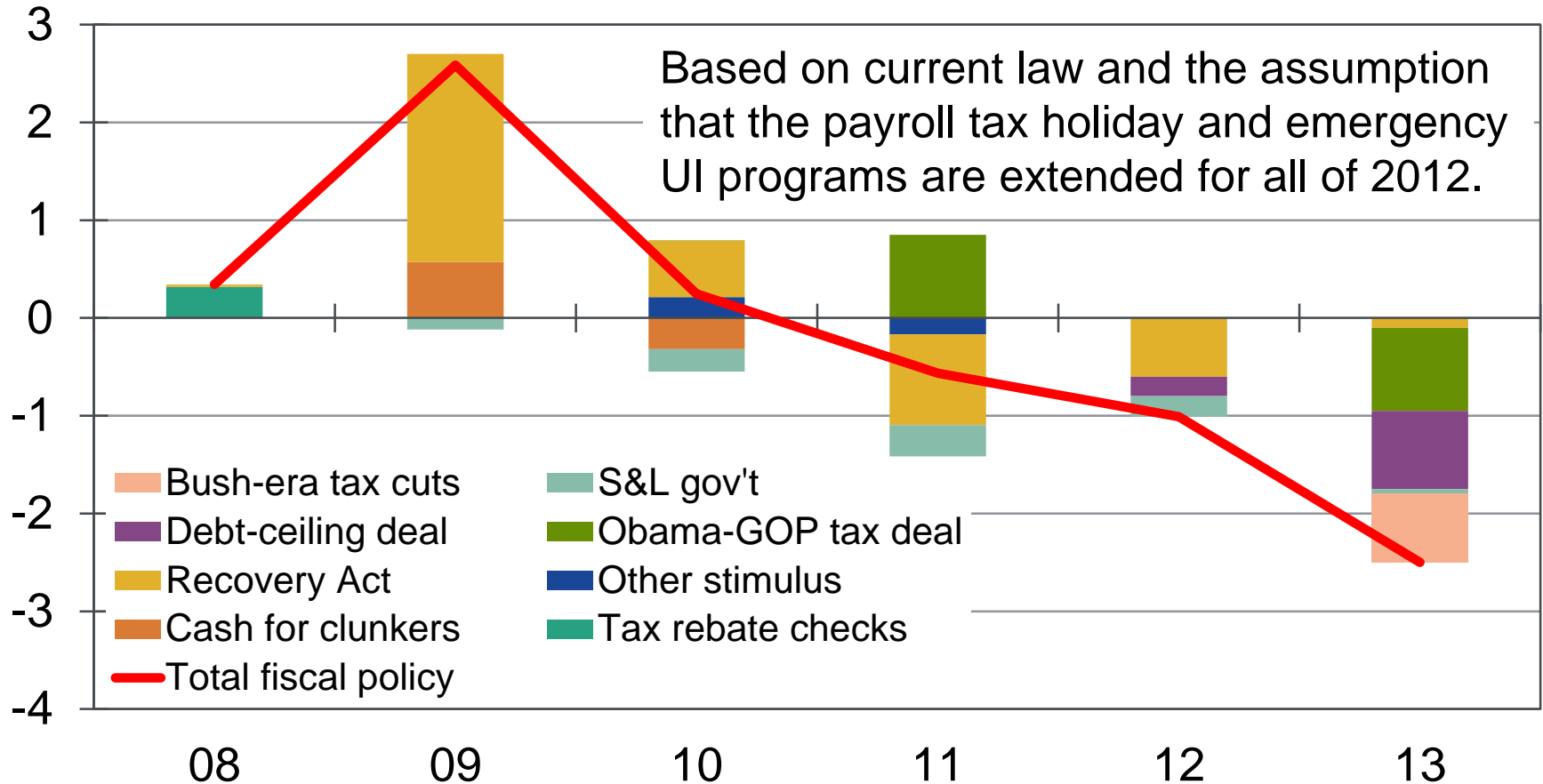
Foreclosures, short sales, deeds in lieu, ths



Sources: FDIC, Equifax, RealtyTrac, Moody's Analytics

# Significant Federal Fiscal Drag...

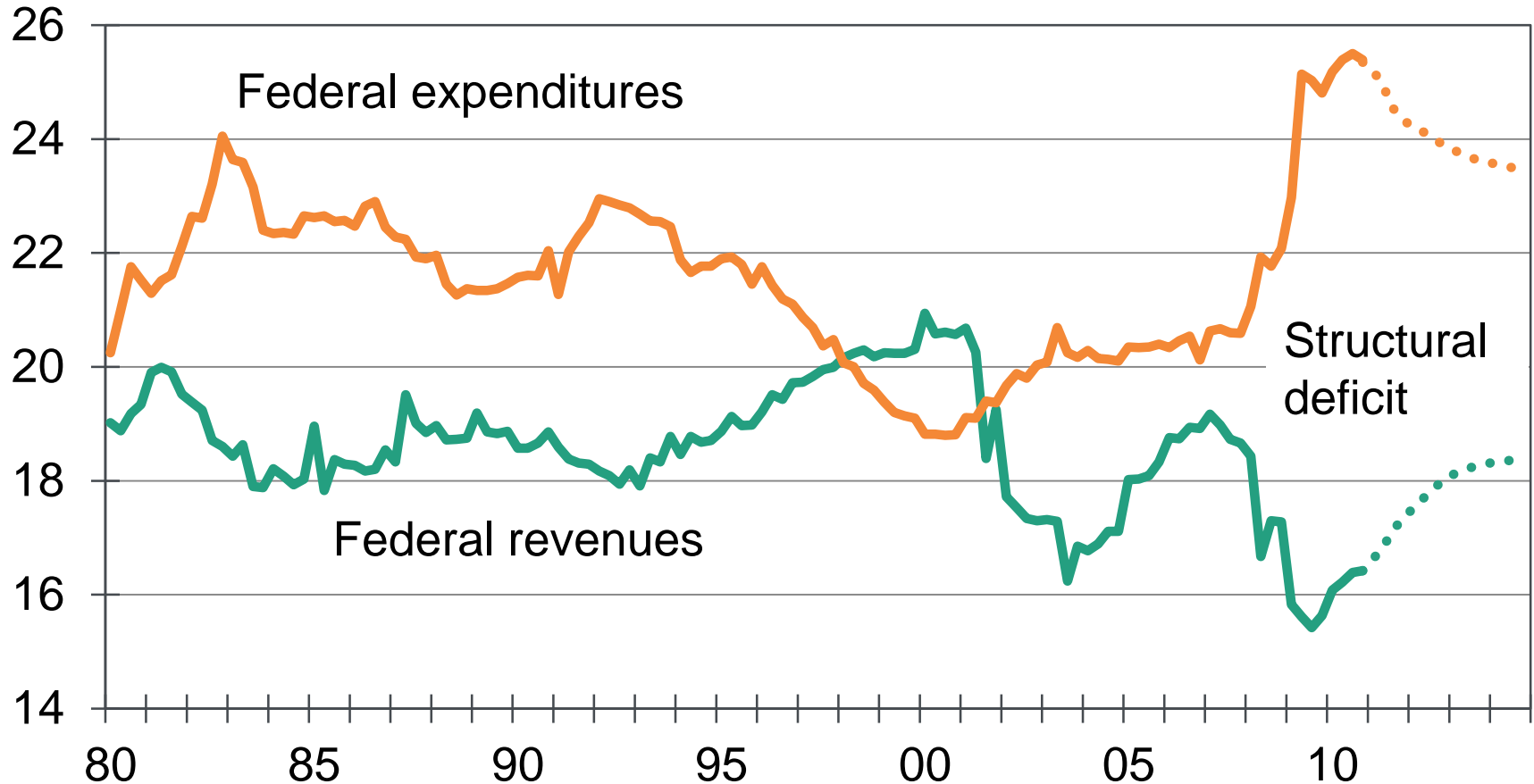
Contribution to real GDP growth, %



Source: Moody's Analytics

# ...And Much More Is Coming

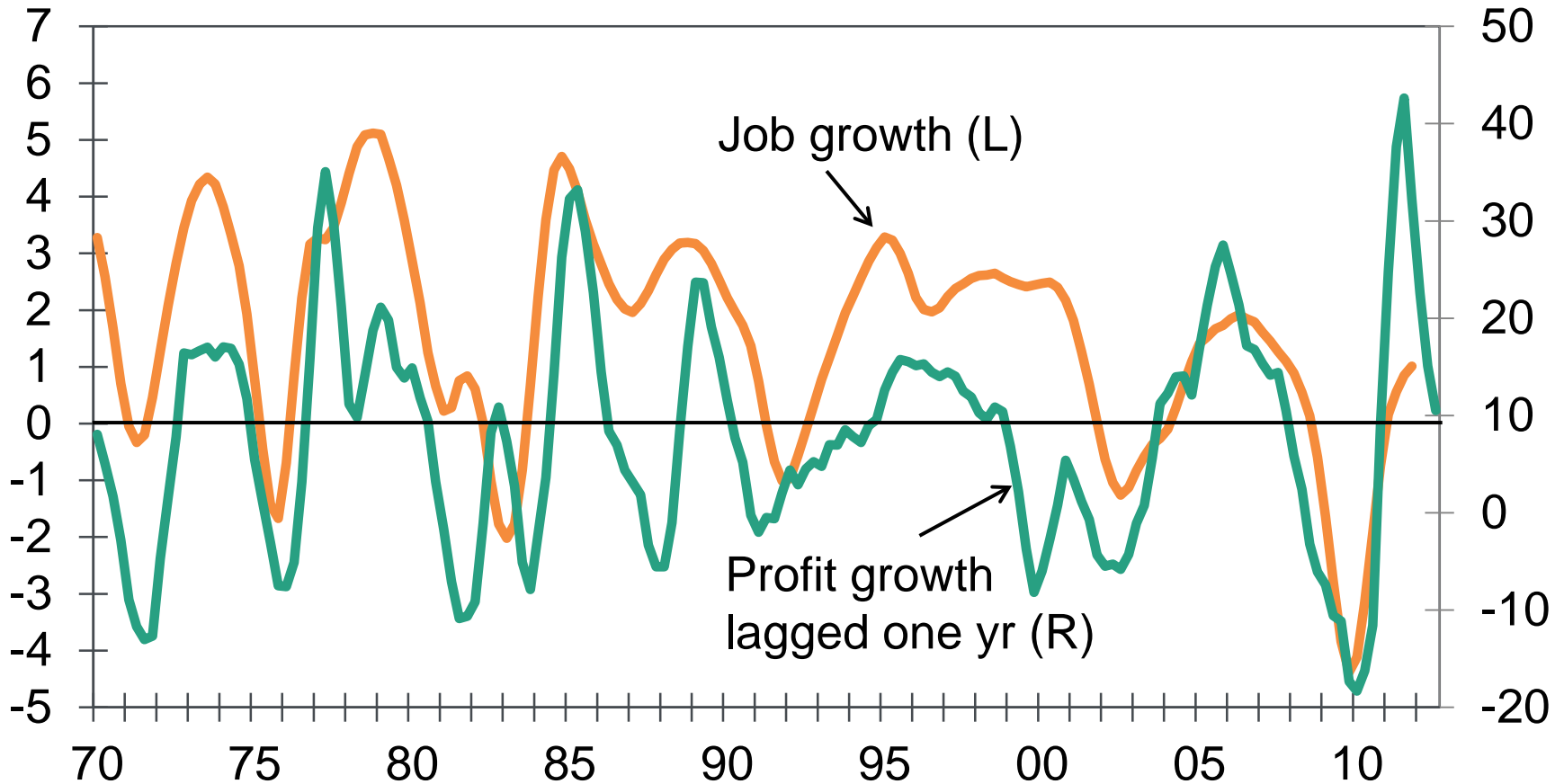
Expenditures and revenues as a % of GDP with no policy changes



Sources: BEA, Moody's Analytics

# Those Animal Spirits Remain Caged

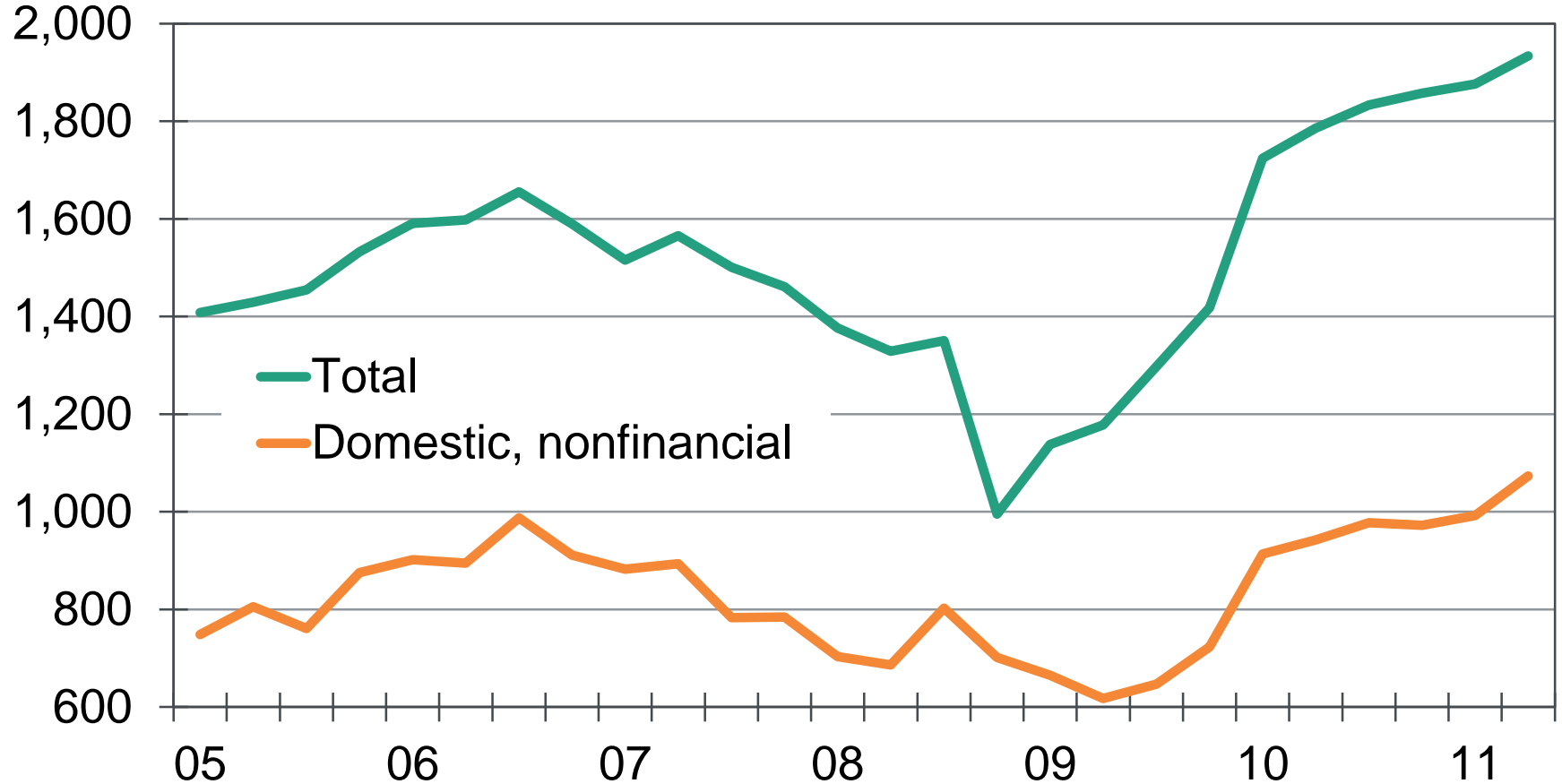
% change yr ago, 4-qtr MA



Sources: BLS, BEA

# U.S. Businesses Are in Great Financial Shape...

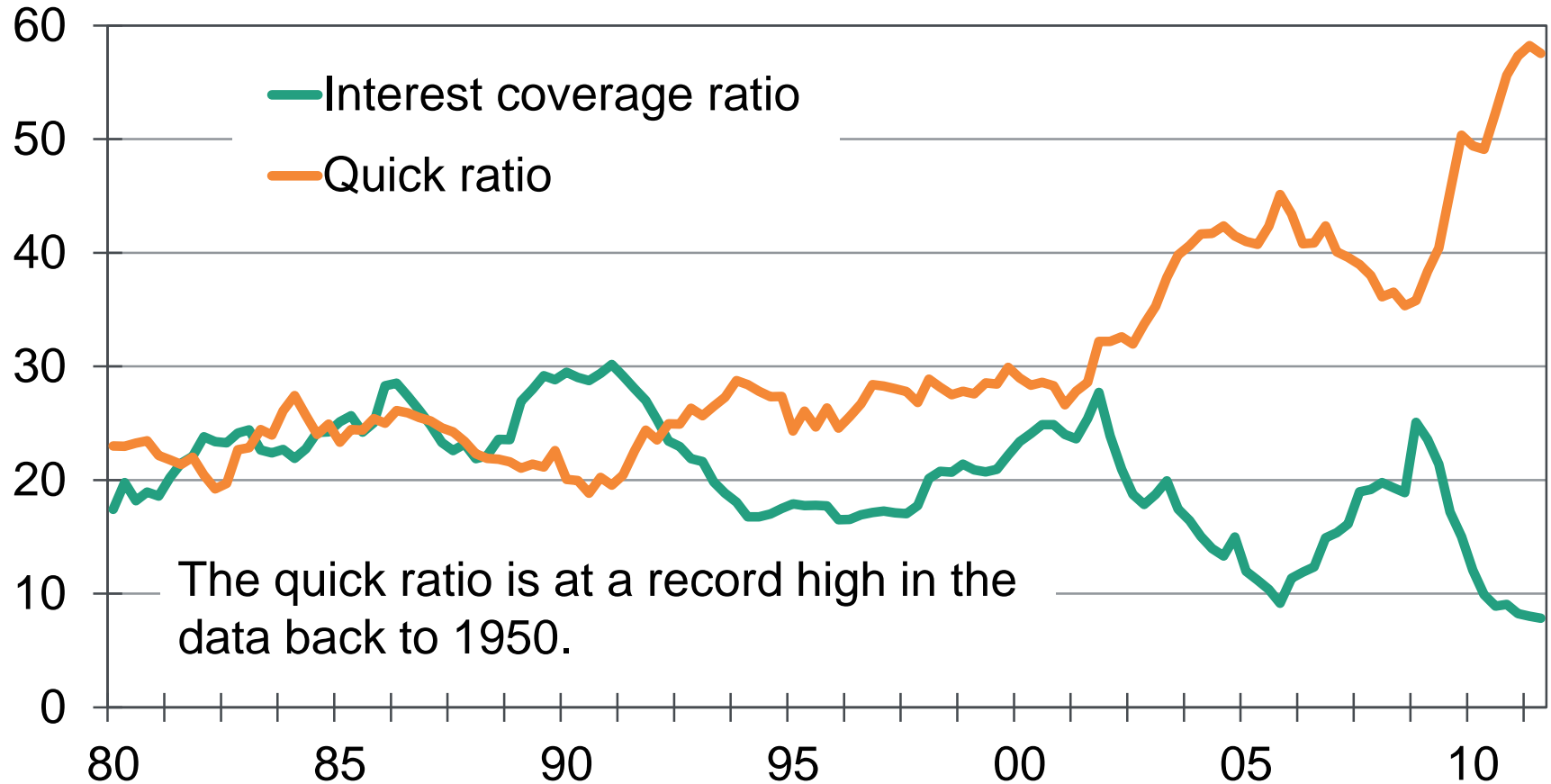
Corporate profits, \$ bil



Source: BEA

# ...With Solid Business Balance Sheets

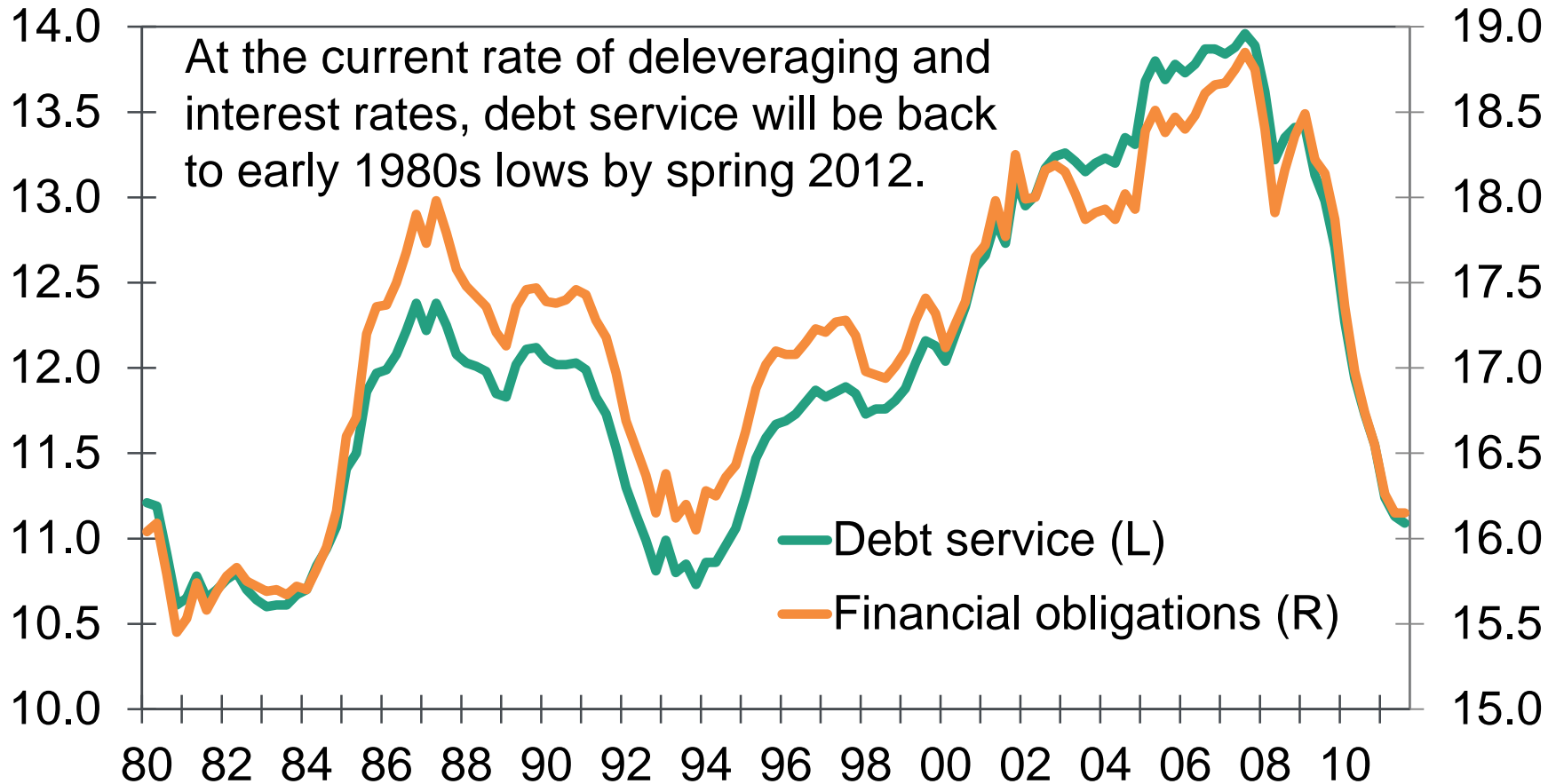
Nonfinancial corporate businesses



Sources: Federal Reserve, Moody's Analytics

# Households Rapidly Deleverage...

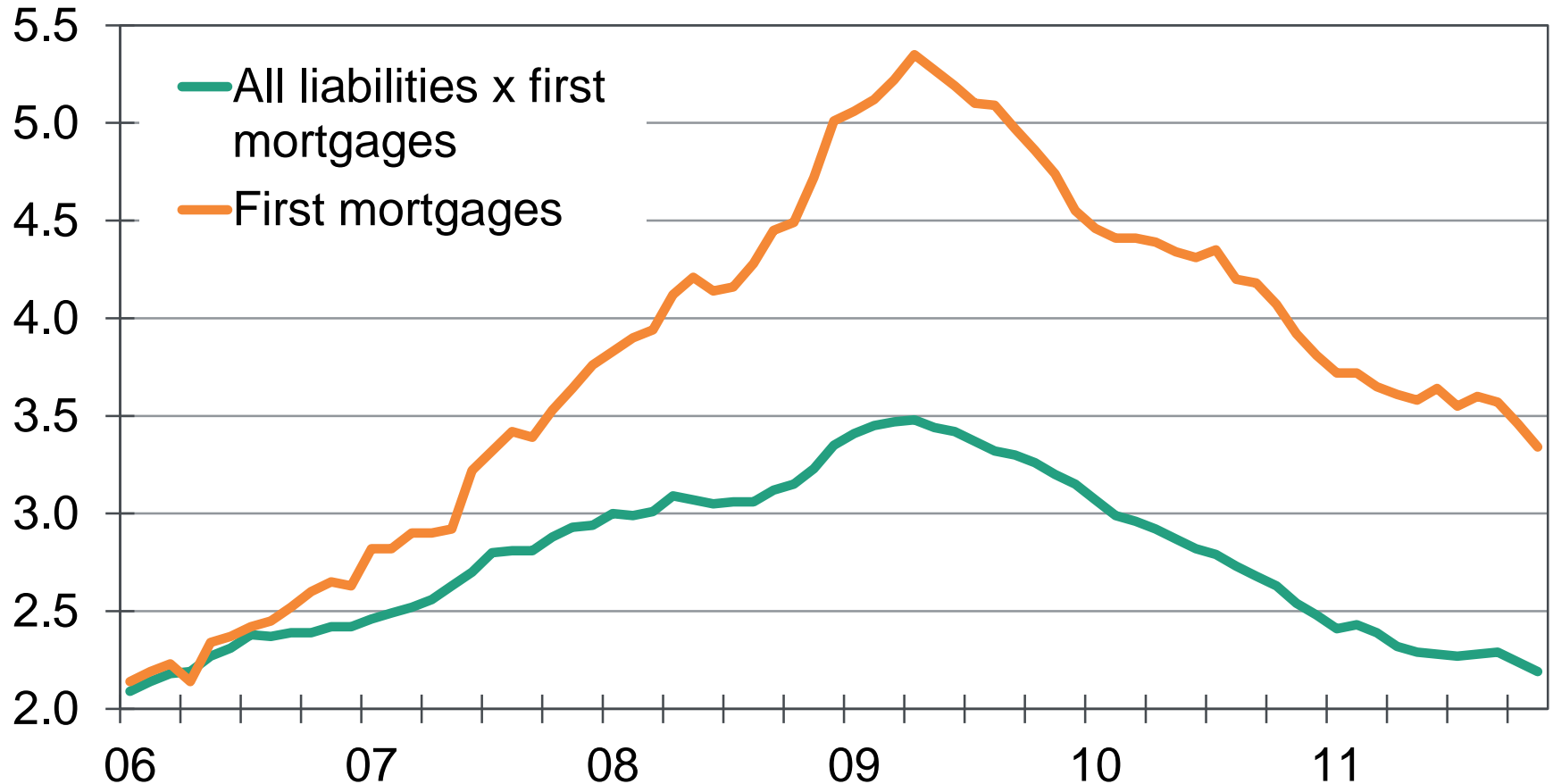
% of disposable income



Sources: Federal Reserve, BEA, Moody's Analytics

# ...Which Is Evident in Improving Credit Quality

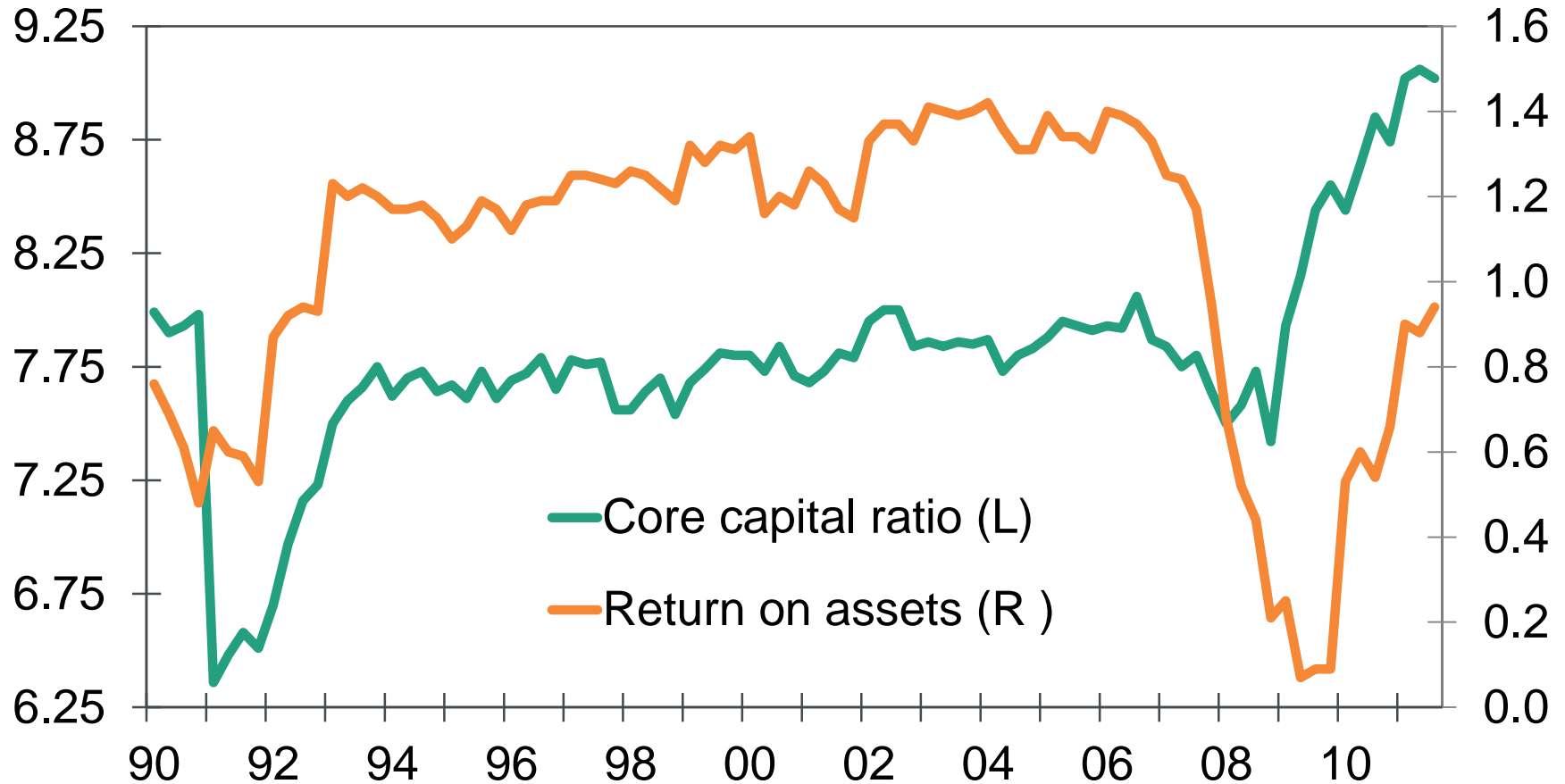
30- to 90-day delinquency rate, % of \$, SA



Sources: Equifax, Moody's Analytics

# Banks Are Well Capitalized and More Profitable...

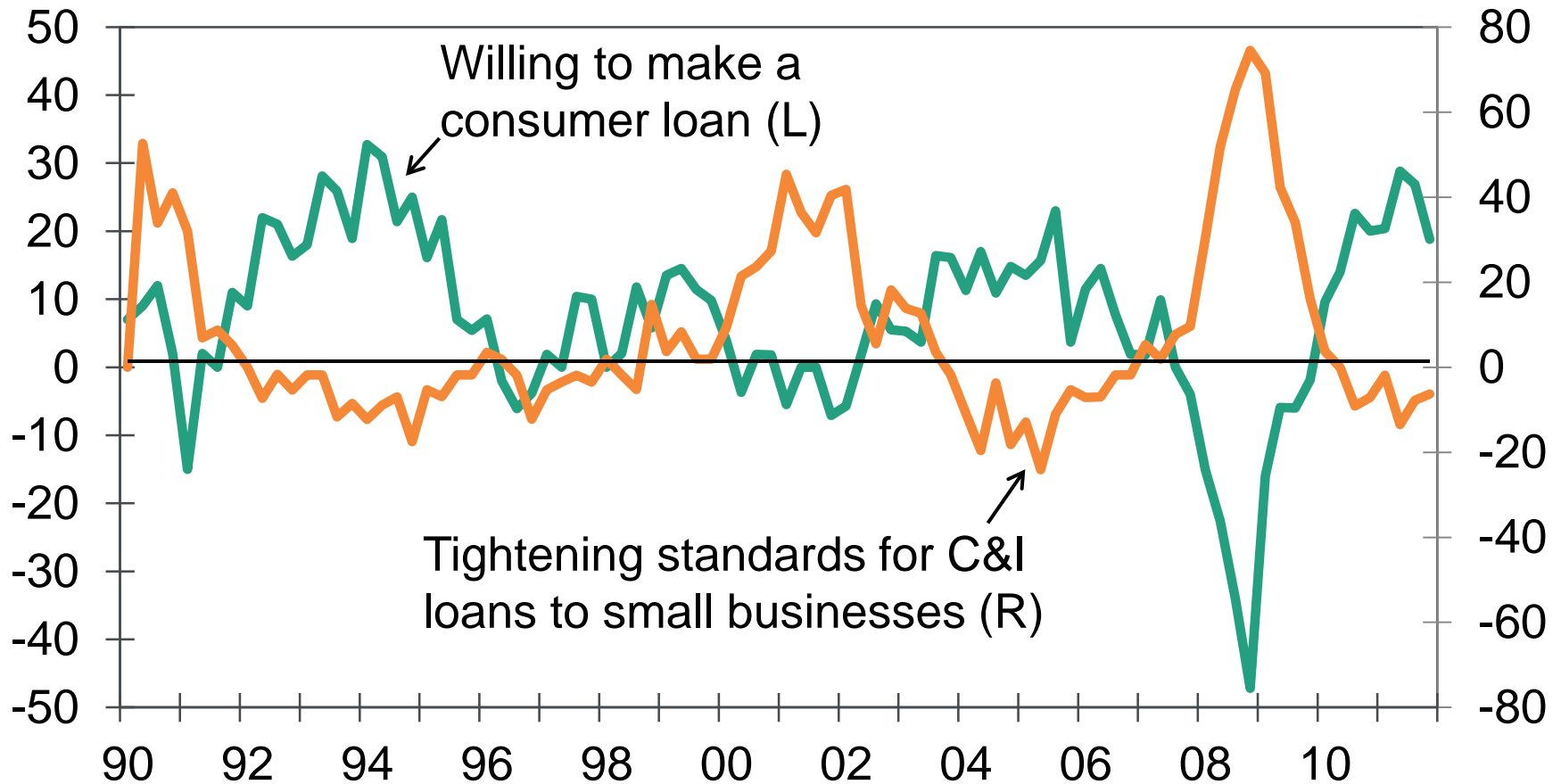
Commercial banks



Source: FDIC

# ...Thus Opening the Credit Spigot...

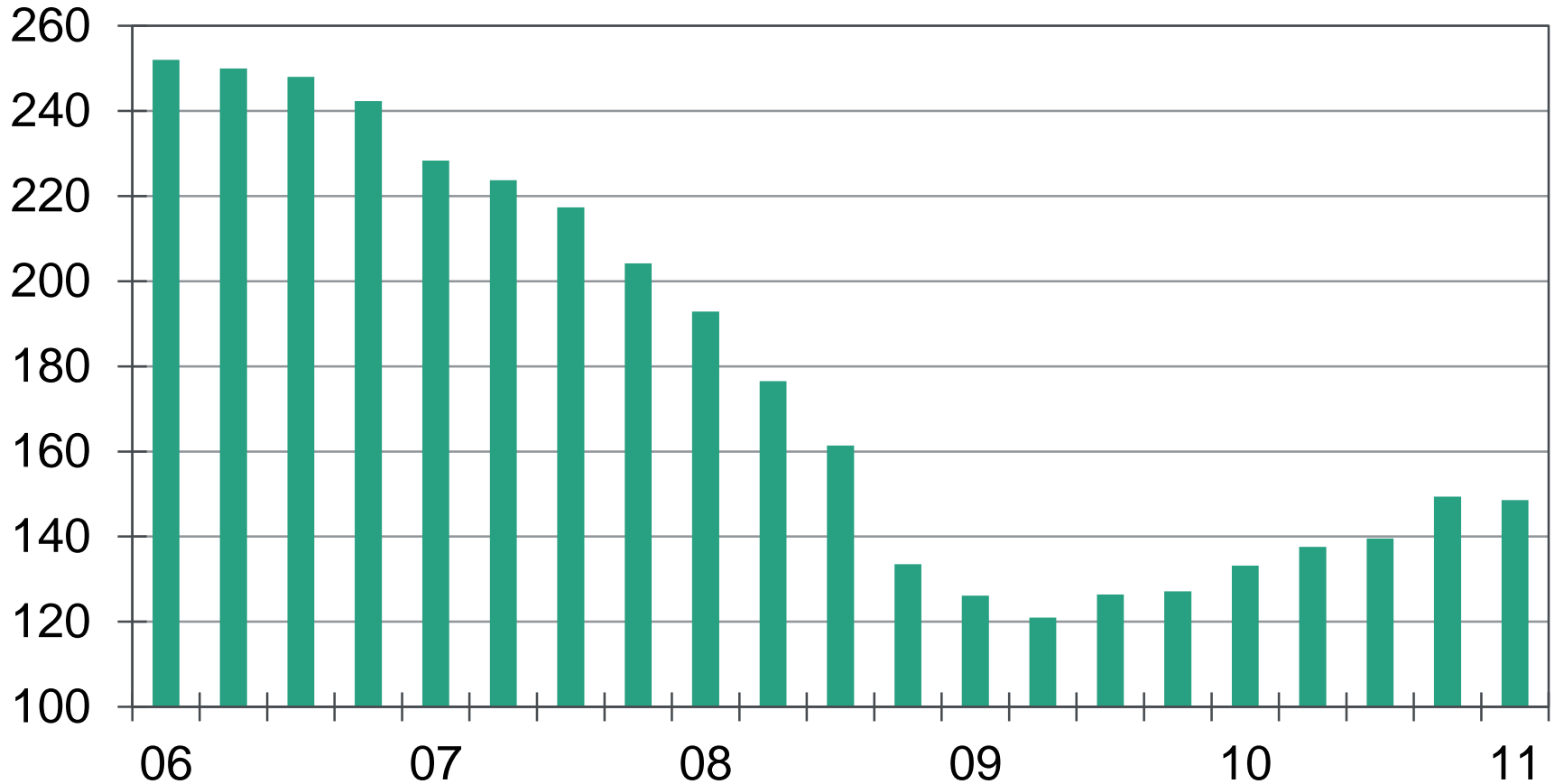
Net % of senior loan officers...



Source: Federal Reserve Senior Loan Officer Survey

## ...Looking to Lend More

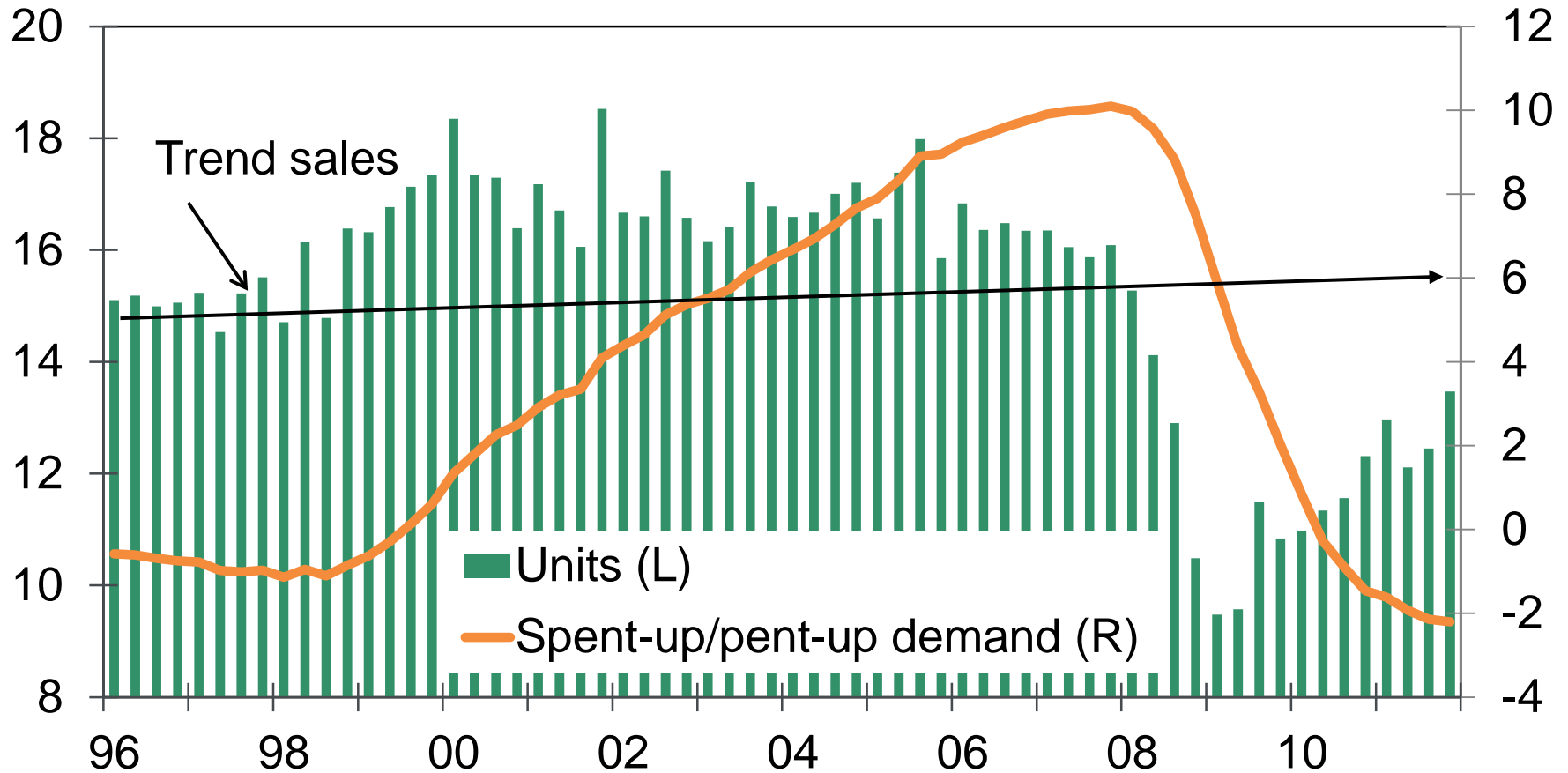
Household loan origination volume x first mortgages, \$ bil, SA



Sources: Equifax, Moody's Analytics

# Spent-Up Demand Gives Way to Pent-Up Demand...

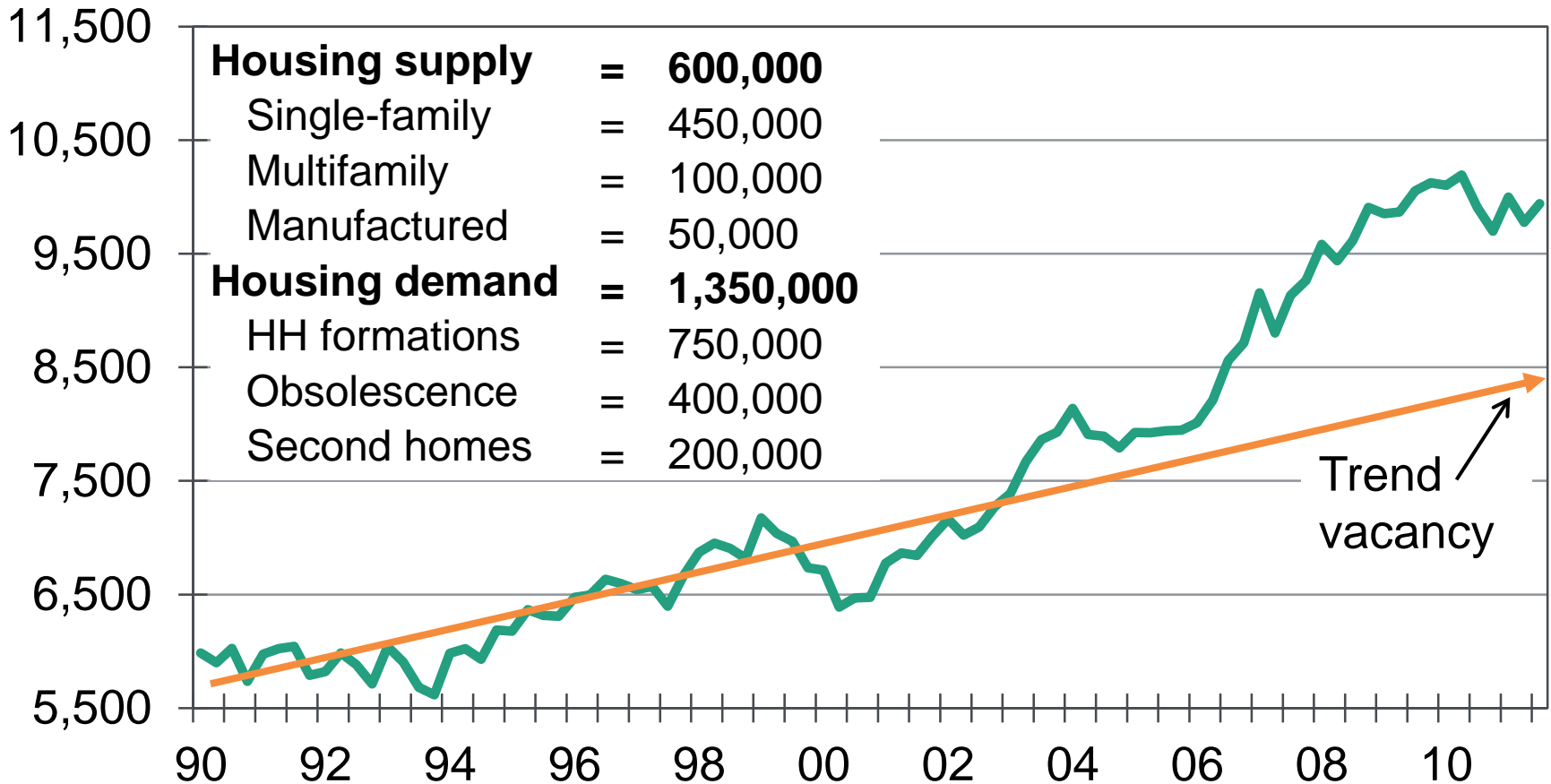
Light vehicle sales, mil



Sources: BEA, Moody's Analytics

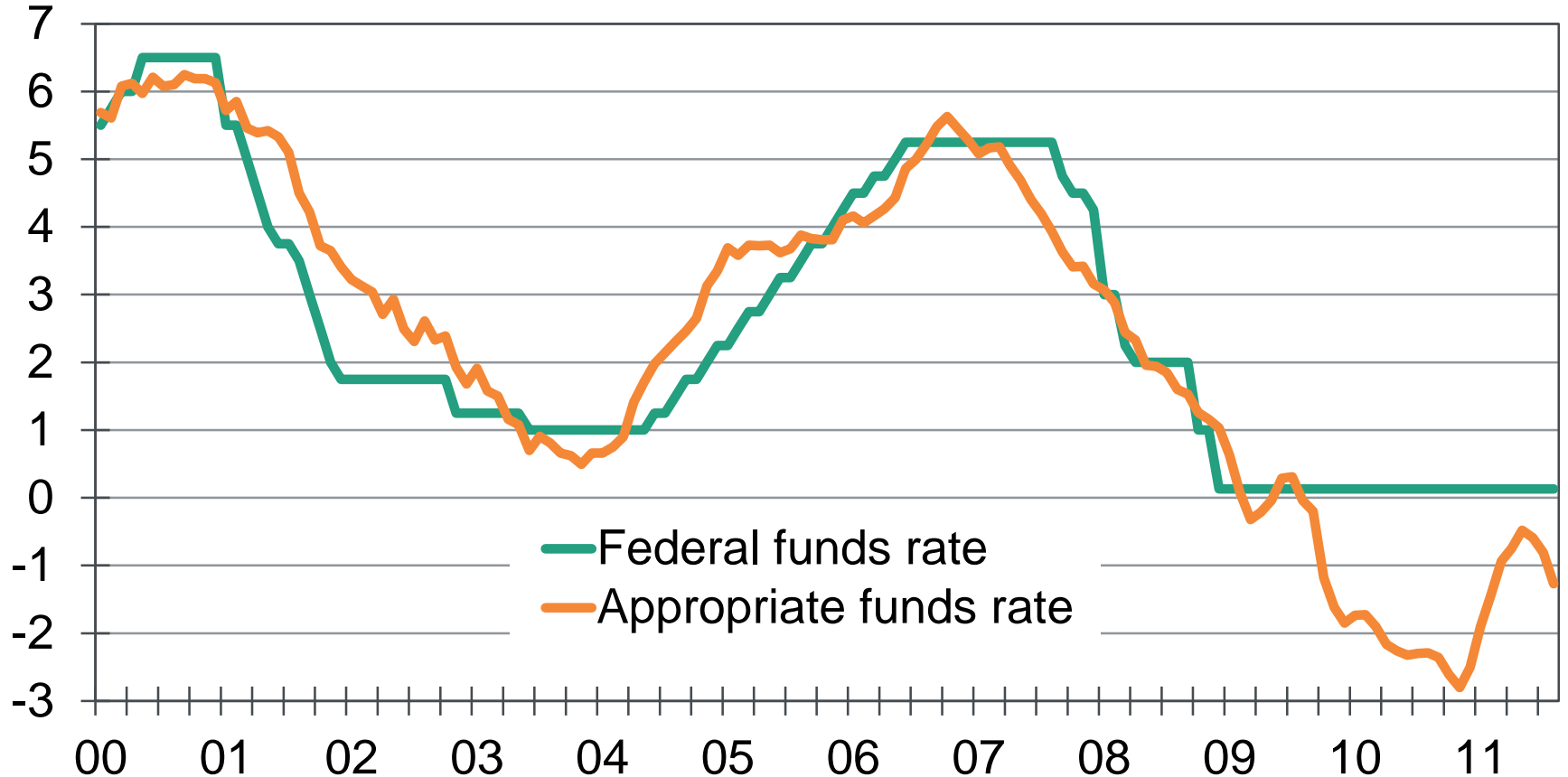
# ...And Housing Inventories Have Peaked

Vacant homes for sale, for rent and held off market, the



Sources: Census, Moody's Analytics

# The Federal Reserve Will Do What's Necessary



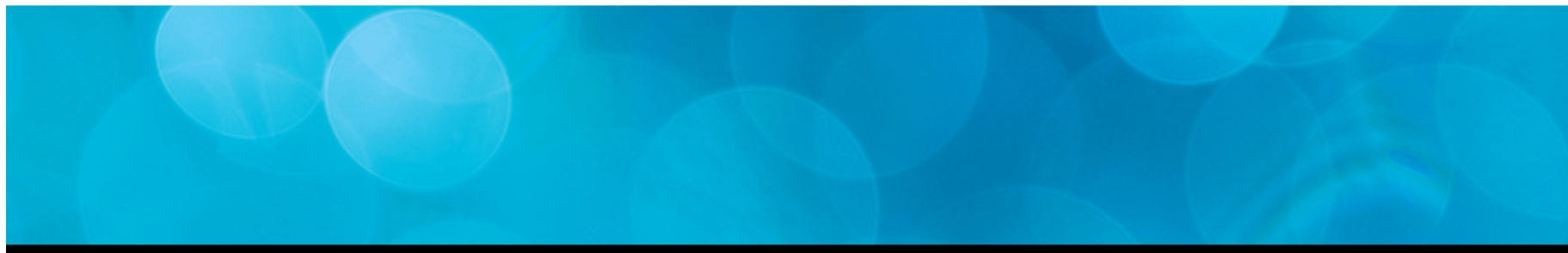
Sources: Federal Reserve, Moody's Analytics

# MOODY'S

ANALYTICS

121 North Walnut Street  
Suite 500  
West Chester, PA 19380  
610.235.5299

[www.economy.com](http://www.economy.com)



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