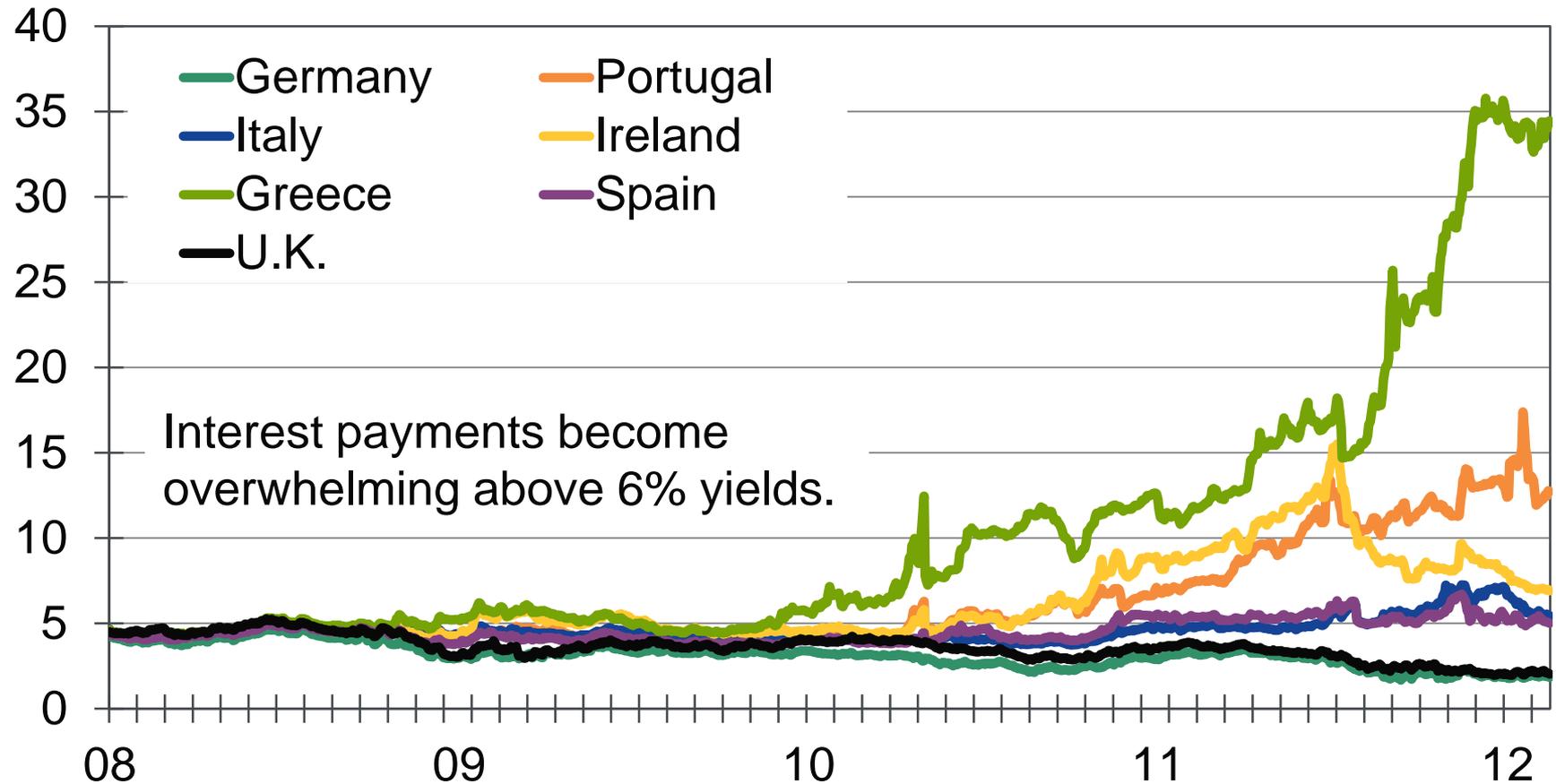


Headwinds...But Tailwinds Blow Harder

MARK ZANDI, CHIEFECONOMIST

Europe Is Struggling

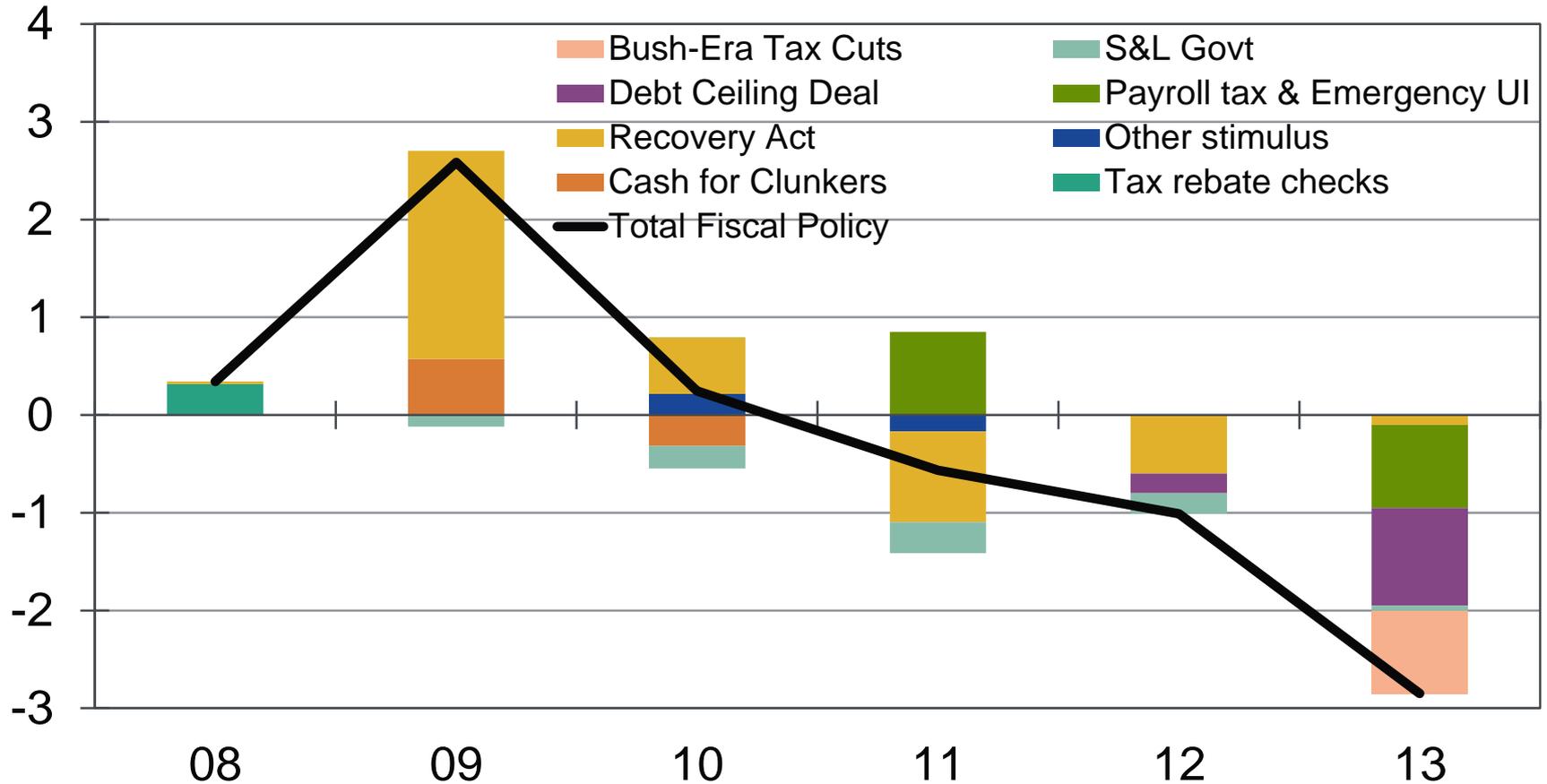
10-yr sovereign yields



Sources: Bloomberg, Moody's Analytics

Federal Fiscal Cliff Dead Ahead

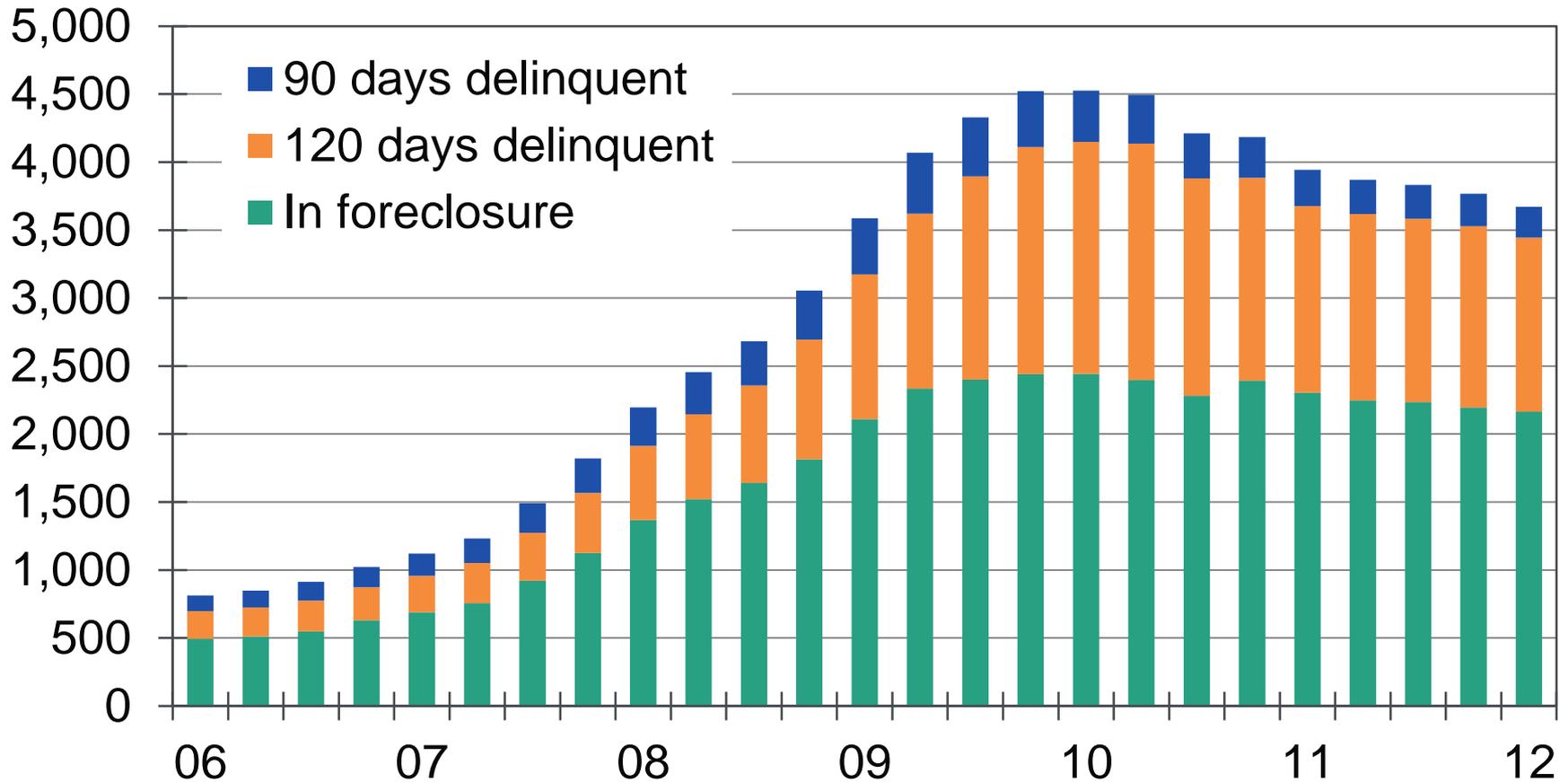
Contribution to real GDP growth under current law, %



Source: Moody's Analytics

A Mountain of Distressed Property

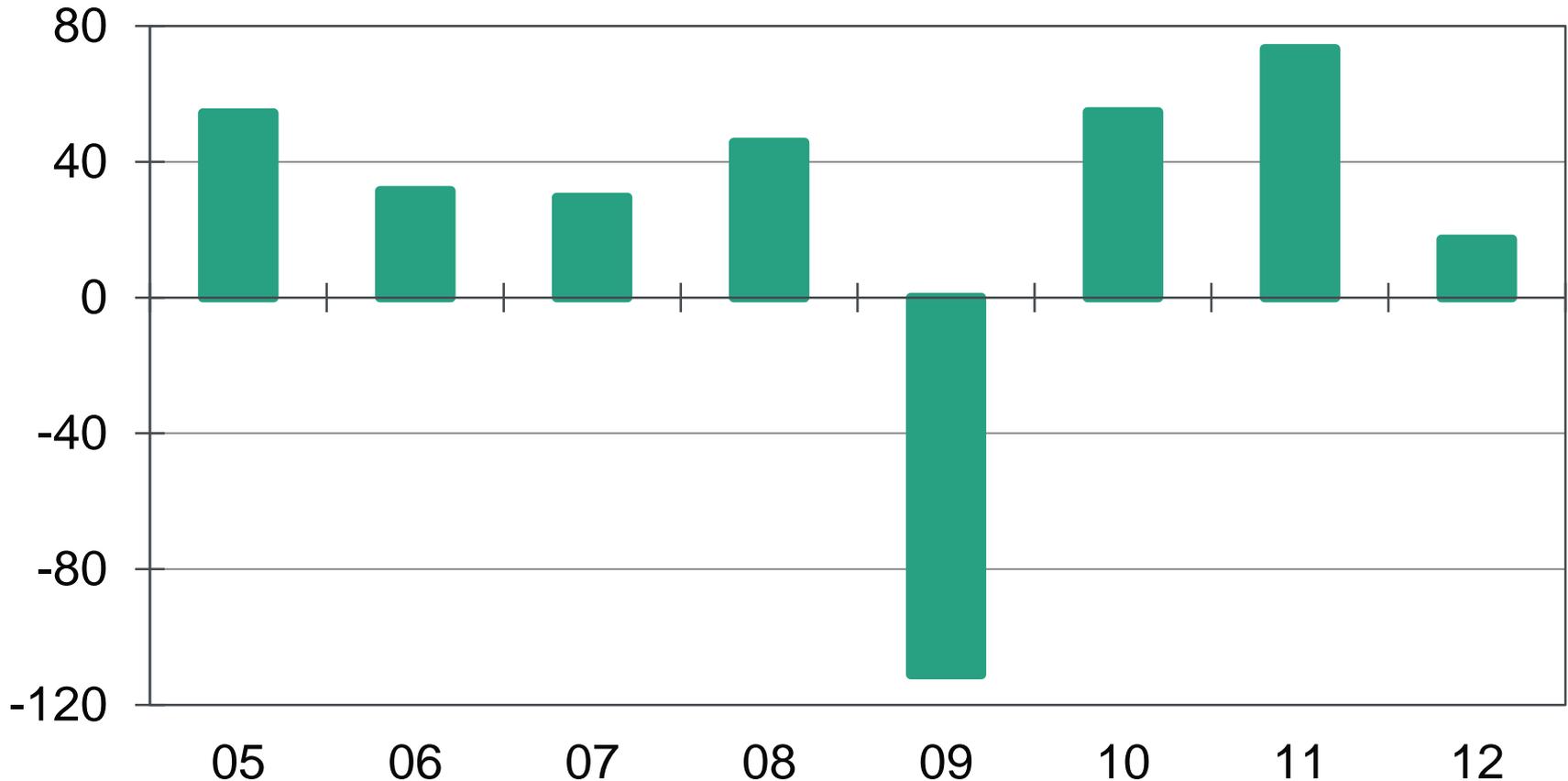
First mortgage loans, ths



Sources: Equifax, Moody's Analytics

A Conflict With Iran Remains a Threat

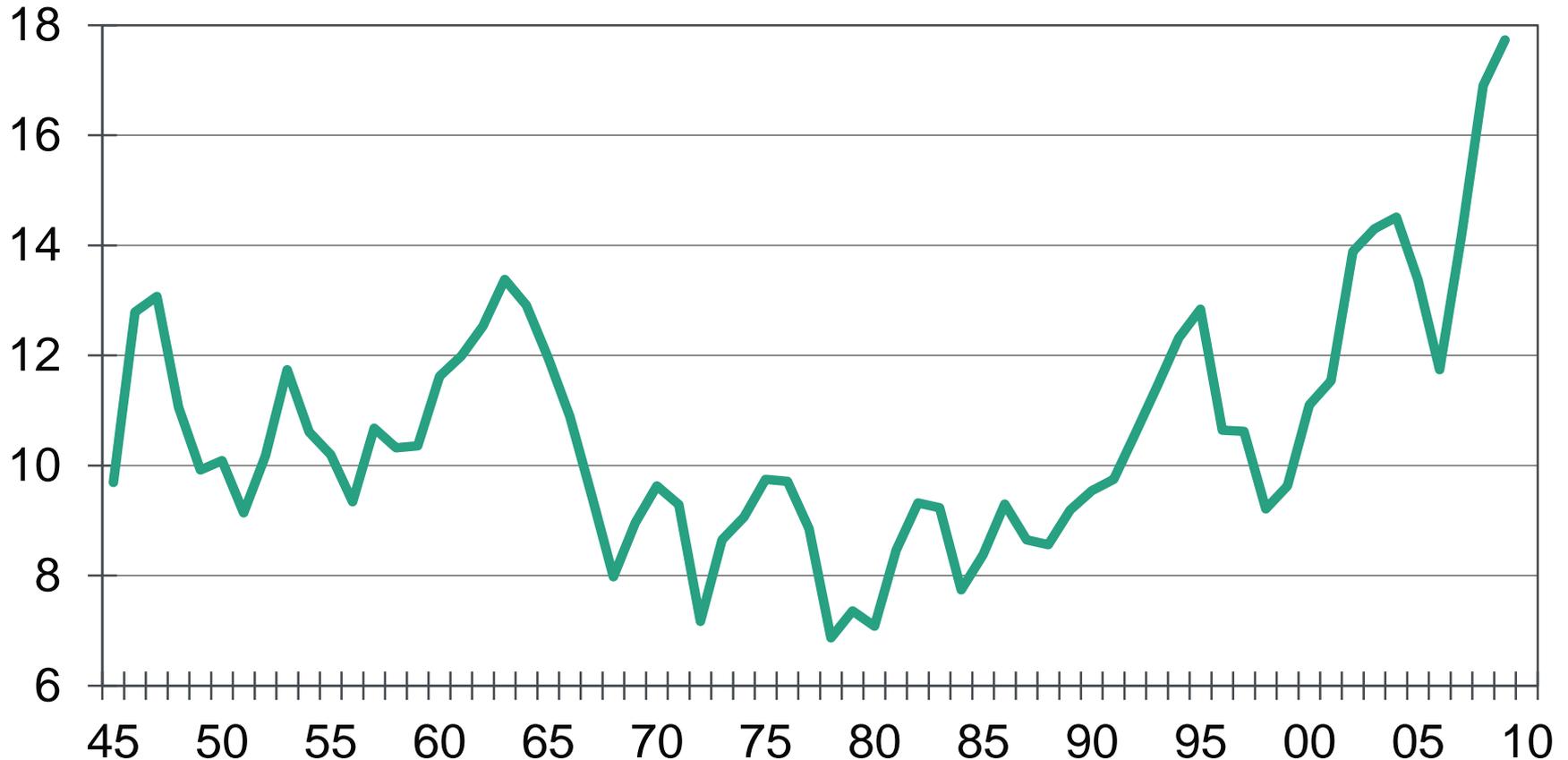
Change in consumer spending on gas, \$ bil



Sources: BEA, Moody's Analytics

U.S. Businesses Have Never Been as Profitable...

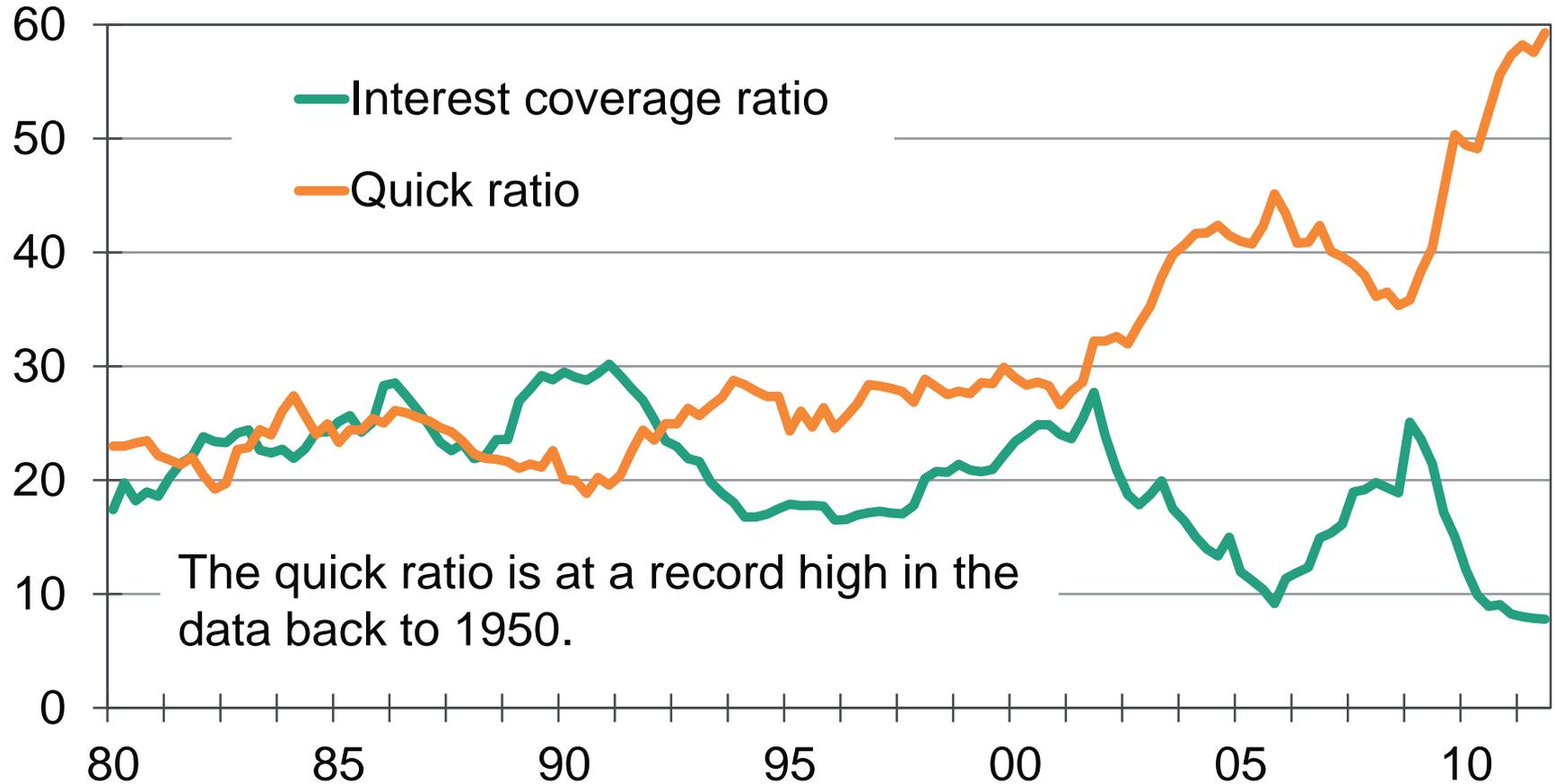
After-tax corporate profit margin, %



Sources: BEA, Moody's Analytics

...And Business Balance Sheets as Strong

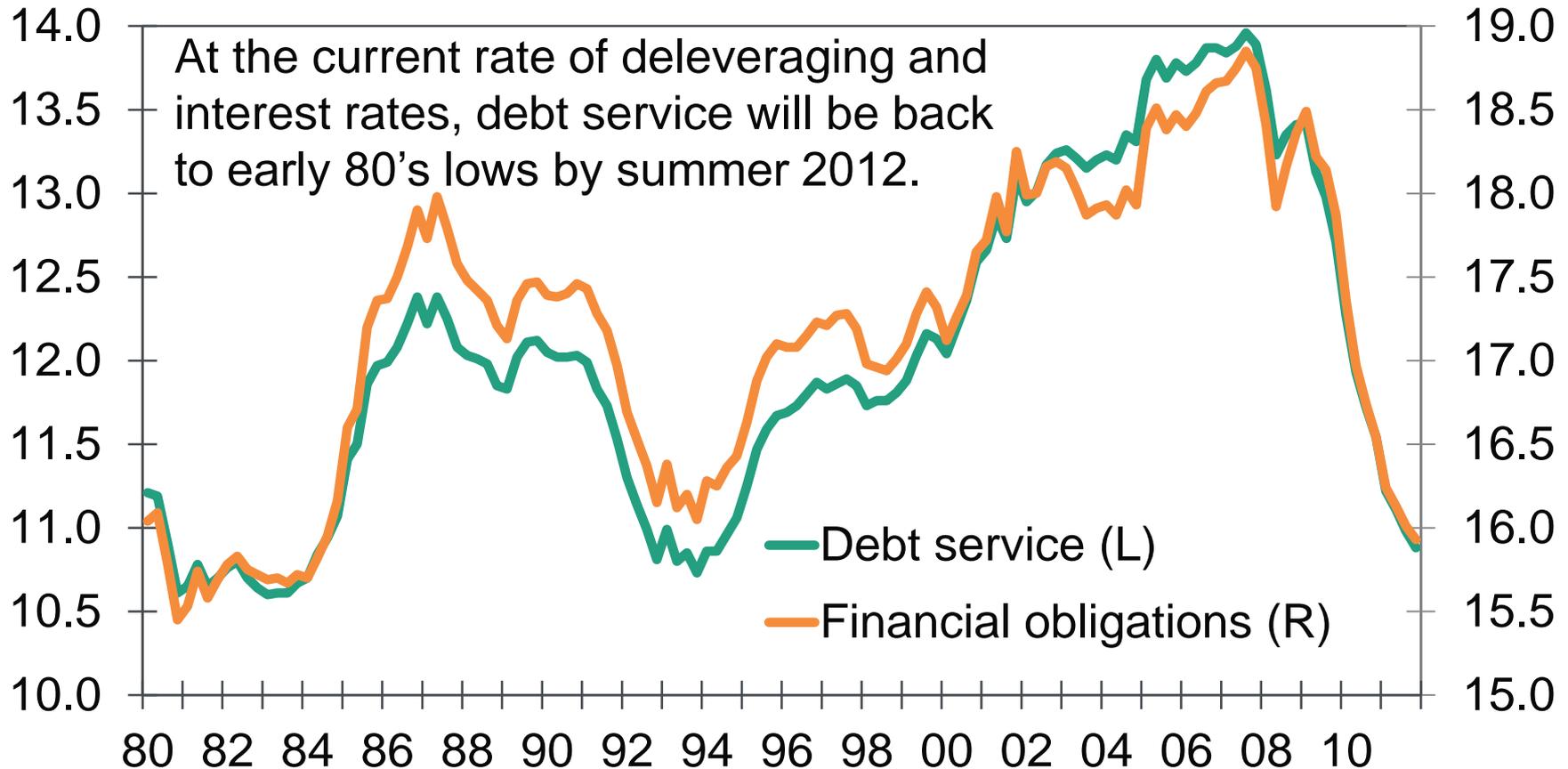
Nonfinancial corporate businesses



Sources: Federal Reserve, Moody's Analytics

Households Rapidly Deleverage...

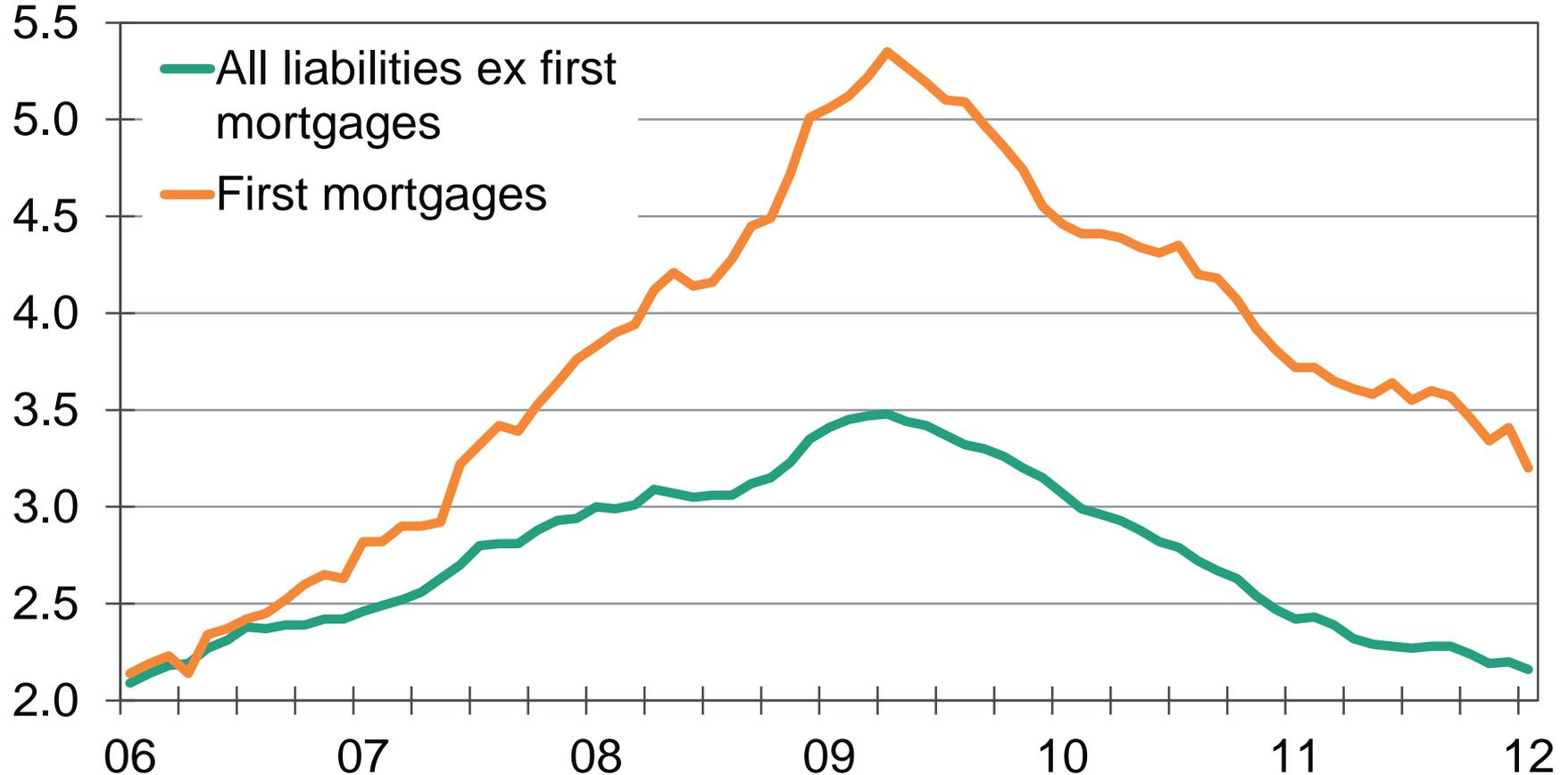
% of disposable income



Sources: Federal Reserve, BEA, Moody's Analytics

...Which Is Evident in Improving Credit Quality

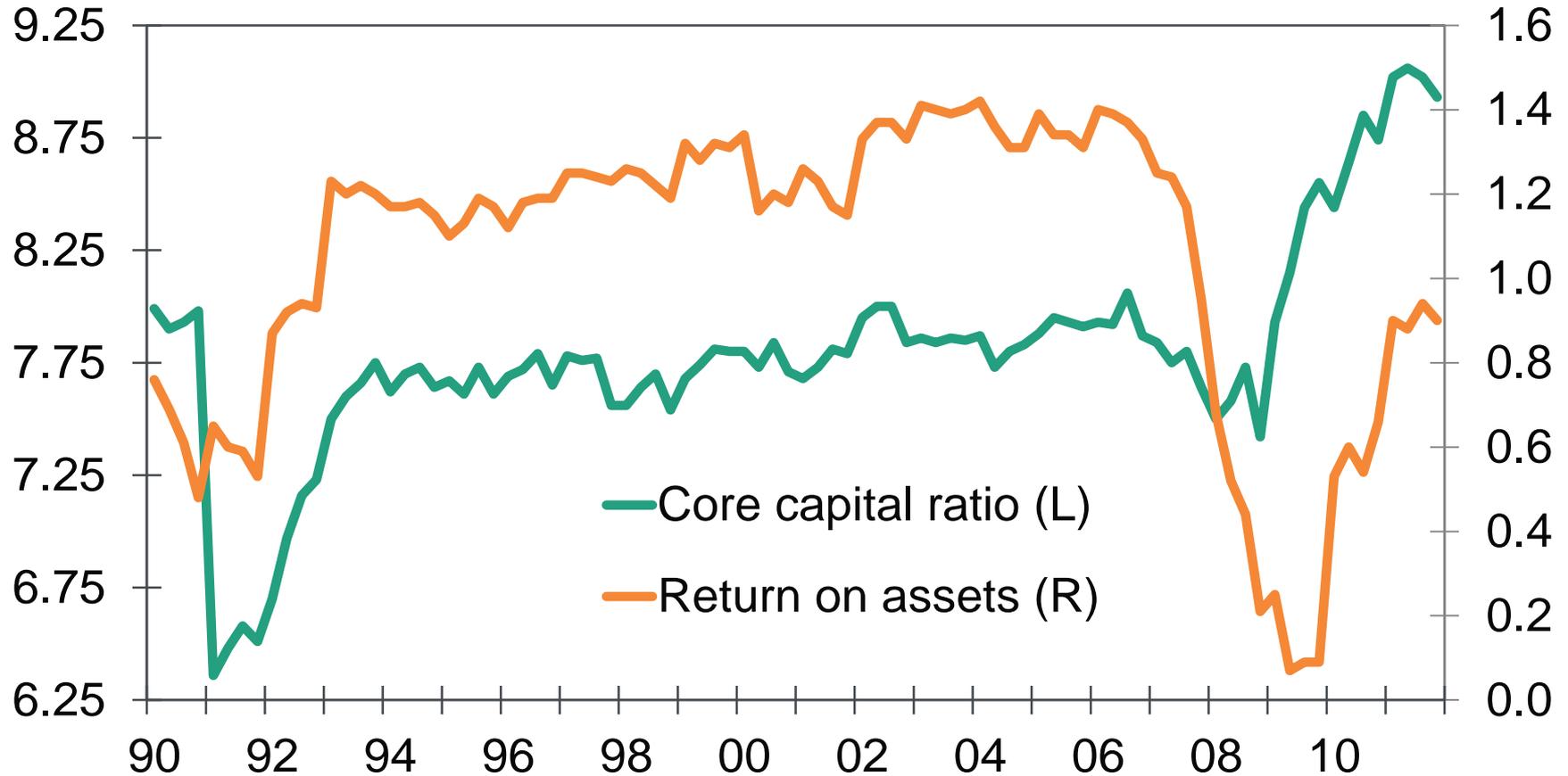
30-90 Day Delinquency Rate, % of \$, SA



Sources: Equifax, Moody's Analytics

Banks Are Well Capitalized and More Profitable...

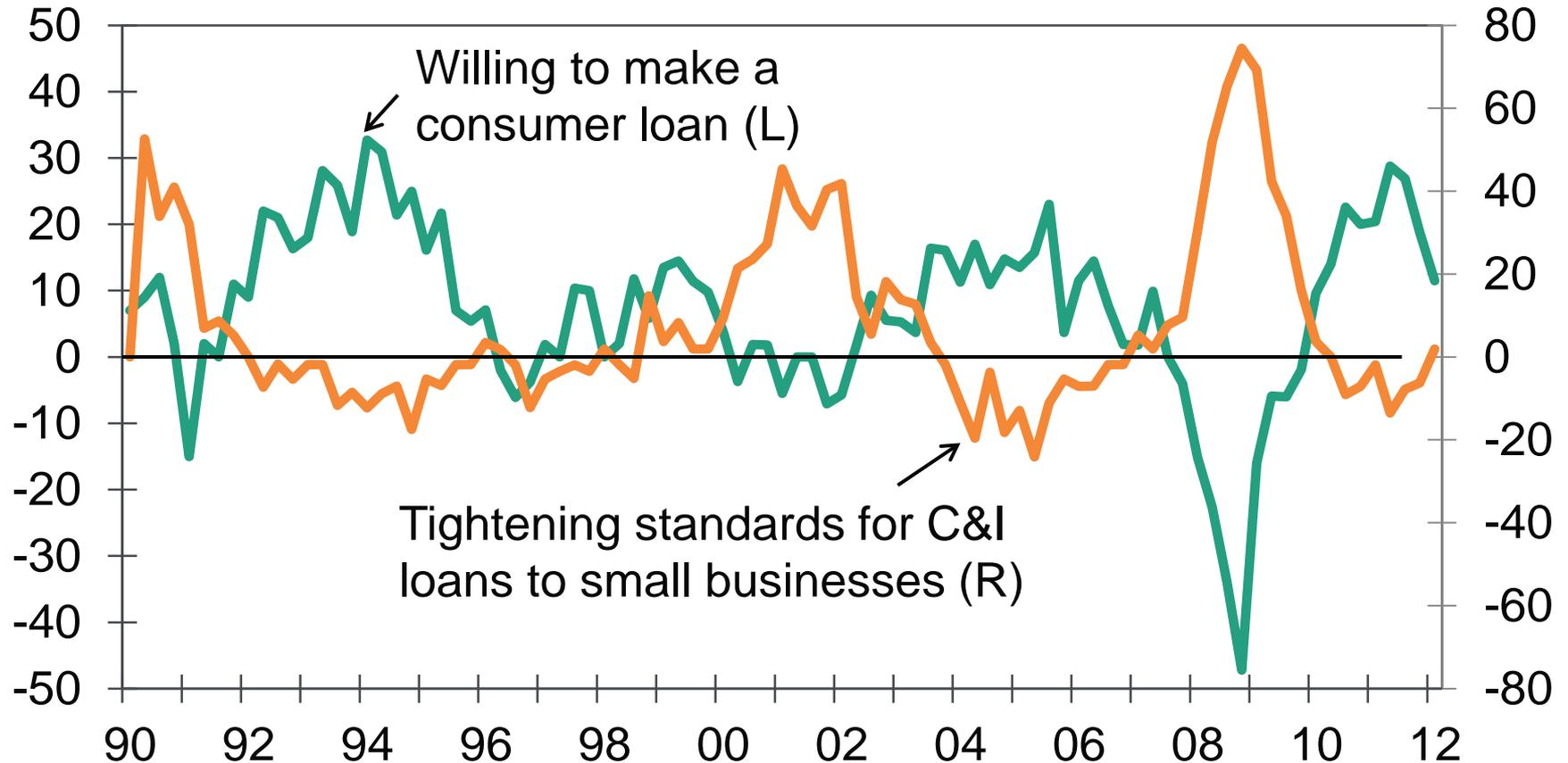
Commercial banks



Source: FDIC

...And Thus Opening the Credit Spigot

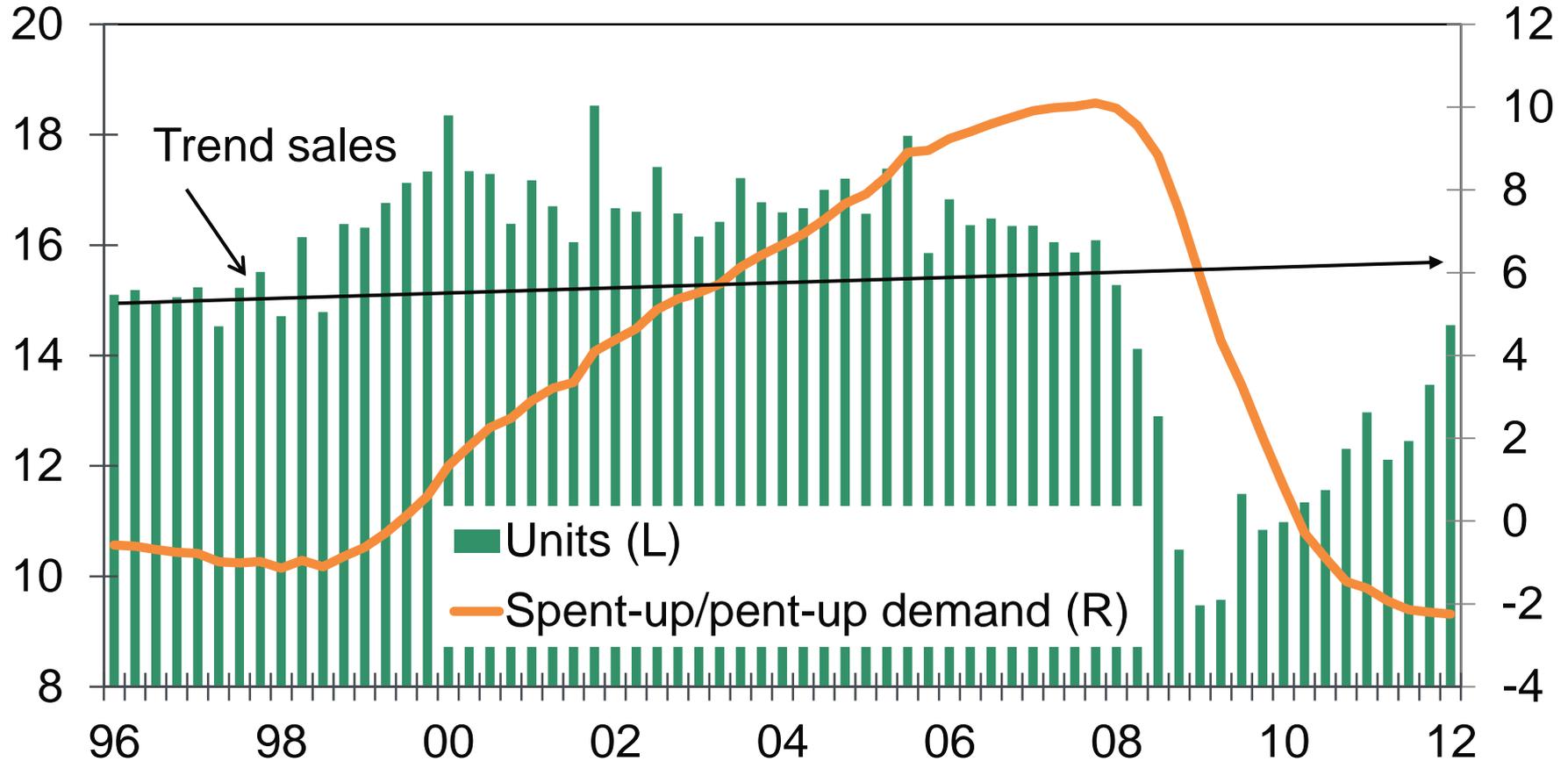
Net % of senior loan officers...



Source: Federal Reserve Senior Loan Officer Survey

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

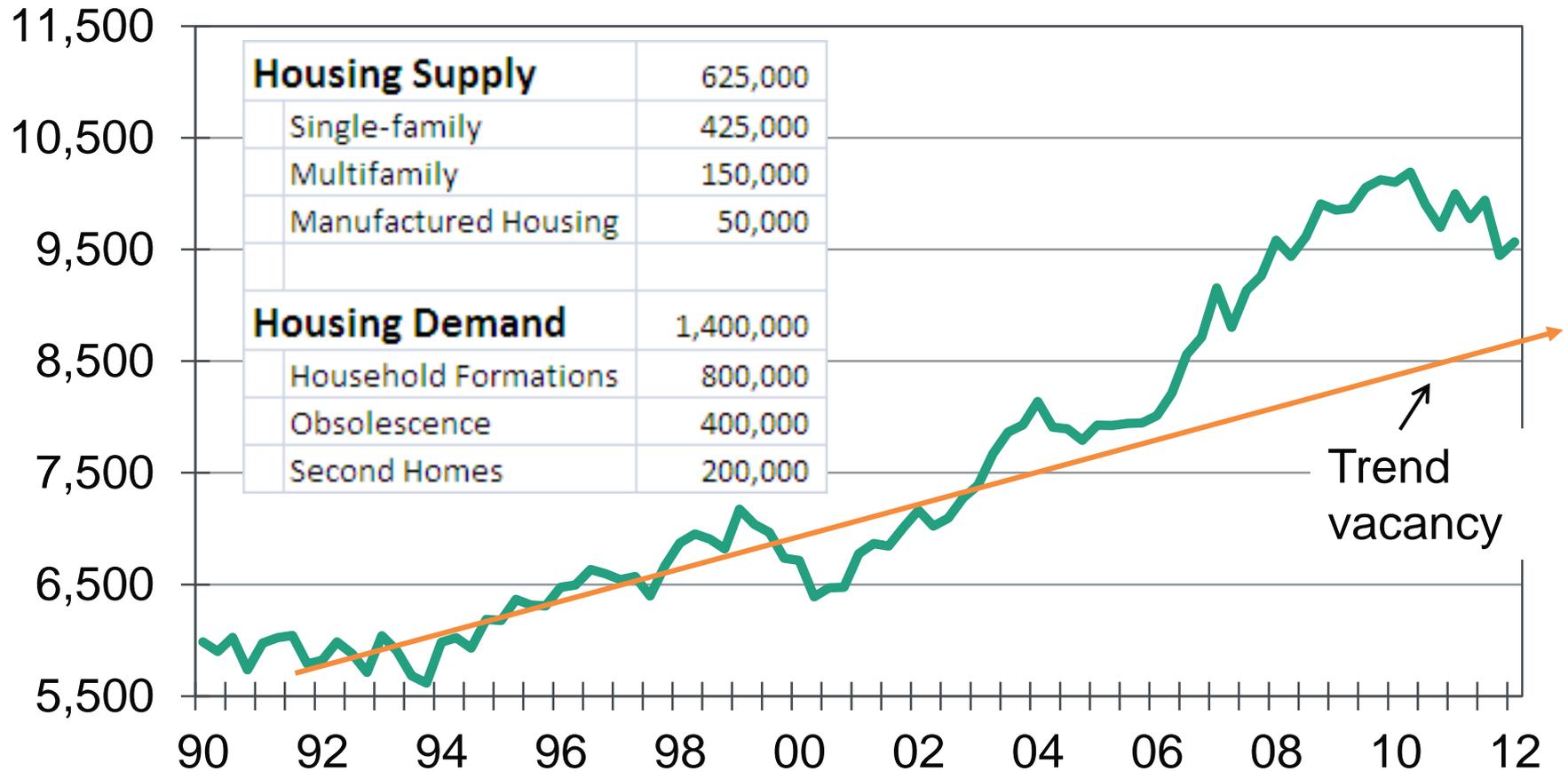
Light vehicle sales, mil



Sources: BEA, Moody's Analytics

...Housing Inventories Have Peaked

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



Sources: Census, Moody's Analytics

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