

## Economics Group

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### Leading Index Stalls in June

*Financial components, like the yield spread and the credit index, prevented an outright decline in the Leading Economic Index (LEI) in June by offsetting drags from weaker building permits and falling stock prices.*

#### Yield Spread Was (yawn) the Largest Boost

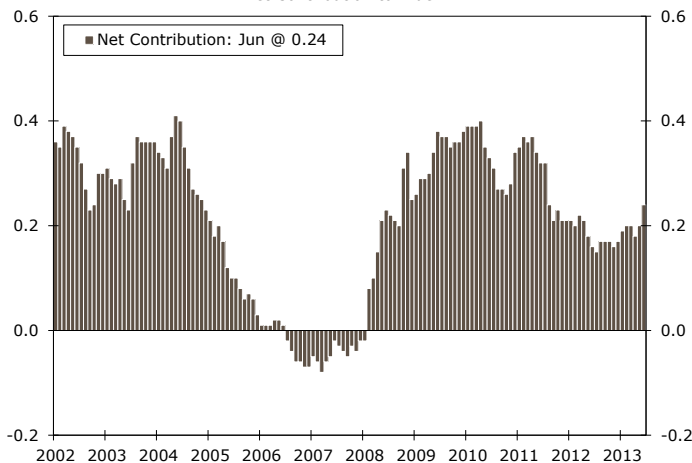
- The difference between the yield on the 10-year Treasury and the fed funds rate was the largest positive contribution to the LEI...again. This makes 65 straight months where the yield spread has been a positive contribution.
- The ISM new orders component was a smaller drag this month. The index itself climbed to 51.9 in the ISM report, from 48.8 the prior month, so the drag here is somewhat surprising.

#### The Last Shall Be First?

- Some of the negatives this month may be reversed in July. Stock prices and orders were both weak, but so far, in the current month, equities have retraced losses, and the orders outlook is improving. The largest overall drag came from building permits. As the chart below makes clear, this is a choppy measure. While the volatility will persist, we expect residential construction activity to be a bright spot for the next several years.

#### 10-Year Treasury less Federal Funds Rate

Net Contribution to Index



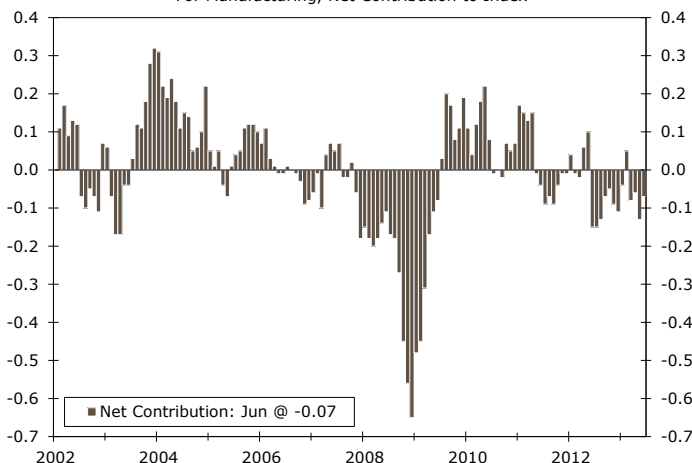
#### Net Contribution to Leading Economic Index

June 2013



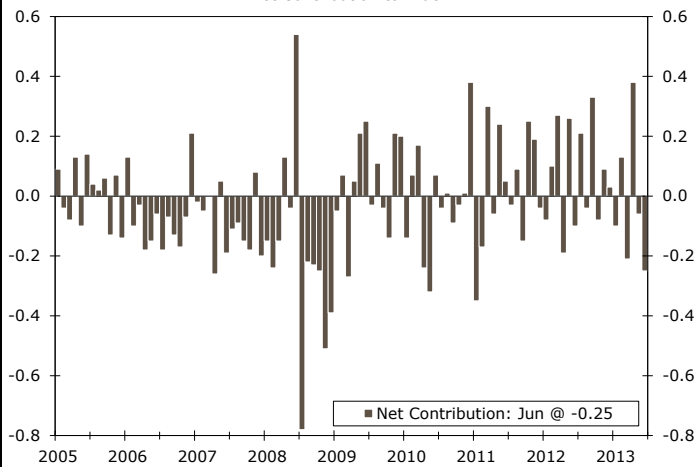
#### ISM New Orders Index

For Manufacturing, Net Contribution to Index



#### Building Permits

Net Contribution to Index



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