

BLUE CHIP FINANCIAL FORECASTS

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Consensus Predicts End Of Fed Tightening Is Near, But Not Here

Domestic Commentary The fixed income markets got what they were looking for on June 28 when the FOMC announced it would leave the federal funds rate target at 6.5% but retain its "tightening" bias. Expectations of a steady policy at the June meeting had built over the prior six weeks on the basis of economic data that appeared to signal a slowing in economic growth. Particularly significant were the weaker-than-expected May employment data and retail sales reports that showed outright declines in total sales during both April and May. The data sent analysts scrambling to lower their estimates of Q2 real GDP growth. Nonetheless, it is the consensus of our panel members and the federal funds rate futures contract that the recent pause in the Fed's tightening regime will likely prove short-lived.

Many of our analysts believe signs of a slowing in economic growth to a non-inflationary pace are tentative. They remind us that in both 1998 and 1999, the pace of growth slowed in Q2, only to rebound strongly in the second half of each year. Moreover, they note inflationary concerns have not been laid to rest, a point underscored by the recent upward revisions to Q1 inflation data. The Q1 increase in the GDP price index was revised from 2.7% to 3.0%, the deflator for personal consumption expenditures (PCE) from 3.1% to 3.5% and the price index for gross domestic purchases from 3.2% to 3.5%. The latter represented the fastest pace of quarterly growth in 10 years. The Q1 rise in the PCE deflator was the largest since Q3 1994.

Inflationary concerns may be further reinforced by upcoming reports. The Consumer Price Index (CPI) and Producer Price Index (PPI) for June are expected to post especially large increases due to skyrocketing energy prices. While the CPI and PPI excluding energy prices will post smaller increases, the longevity of the rise in energy prices has raised the risk of leakage into core inflation as firms pass along to consumers the increased costs of doing business. There is also the ongoing risk of upside surprises in the medical and shelter components of the CPI that would be viewed as harbingers of a cyclical rise in core inflation. Moreover, rising non-oil import prices due to a weakening dollar, higher operating rates in some sectors and increased evidence of greater pricing power by business also suggest inflation risks remain tilted to the upside.

The employment and wage data to be released between now and the Fed's August meeting also pose a risk to the view of some analysts that the FOMC is through tightening. While the two-month rise in weekly jobless claims suggest some cooling in worker demand, many analysts suspect the May employment data grossly overstated any lessening of tightness in labor markets. The surprising May decline in private-sector nonfarm payrolls was at sharp odds with the healthy job growth indicated by the household survey. Beginning with the June data, the departure of workers hired earlier this year for the census will likely make for confusing payroll data this summer, but we still suspect private-sector job growth will rebound nicely from its depressed May reading. And while the Employment Cost Index (ECI) for Q2 seems set to moderate from its 1.4% surge in Q1, odds are good the monthly data will indicate upward creep in the growth rate of wages and hourly earnings.

The consensus forecast of real GDP growth in Q2 now stands at 3.6%. That compares with revised growth of 5.5% in Q1 and 7.3% in Q4 1999. Indeed, if the reported weakness in personal

consumption during April and May goes unrevised Q2 real GDP growth will likely fall well short of this downwardly adjusted consensus estimate. But as has been the case in each of the past three years, early payment of tax refunds boosted PCE growth in Q1 to the detriment of growth in Q2. A mild winter and lack of major Y2K disruptions also likely helped make PCE growth in Q1 the strongest in 17 years. But I wouldn't count out consumers just yet. The Conference Board reports that consumer confidence fell in June from a record high in May. But for Q2, the average reading for the Board's confidence index was the second highest on record, just a tad below its Q1 average. And consumer attitudes toward the job market and buying homes or major appliances were largely unchanged in June from the month before. While the "wealth" effects from higher stock prices has begun to peter out with this year's weakness in the market, broad market gauges remain above year ago levels. Moreover, home prices -- a better gauge of the average American's sense of wealth -- have continued to ratchet higher.

For the time being, the recent softness in economic data, relief that the Fed left rates unchanged in June, and quarter-end demand have boosted Treasury prices. But the latest rally came on fairly light volume and quarter-end "window-dressing" is rarely a sustainable theme. Nonetheless, the market really seems to have latched on to the "slowing growth/Fed may be done" theme. The September fed funds futures contract has backed off its conviction that a 25 basis-point rate increase was a done deal at the Fed's Aug. 22 meeting, now putting the probability at about 80%. Moreover, the yield on the 10-year Treasury note closed just a hair above 6% the day following the Fed's announcement, compared with 6.62% on February 1, a clear expression of the market's confidence in the Fed's inflation-fighting credentials. But it's a long eight weeks until the FOMC's August 22 meeting. If the data this summer indicates both rising inflation and a rebound in economic growth from its Q2 slump, fixed income markets will be subjected to another upward adjustment in their assessment of what will be the endpoint of the Fed's tightening cycle.

Consensus Forecasts Consensus forecasts of average interest rates levels over the next six quarters fell back a bit this month. The retrenchment results from a string of weaker than expected economic reports released over the past month that reinforced the previously held view that economic growth would slow over coming quarters by enough to cap inflation and Fed tightening. The consensus still foresees one more quarter-point rate hike from the Fed; most likely at the August meeting, but expectations of additional tightening were scaled back from a month ago. The consensus forecast of Q2 real GDP growth dropped from 4.1% last month to 3.6% this month. GDP growth of 3.5% and 3.2% is now expected in Q3 and Q4, just about what was predicted a month ago. Consumer price inflation is expected to fall from an annualized rate of 4.1% in Q1 and 3.3% in Q2 to 2.6% in Q4 (*see page 2 for a summary of this month's U.S. consensus forecasts*).

Special Questions Just 10% of those responding believe the Fed is finished tightening monetary policy. The consensus of the Fed funds rate target after the FOMC's August 22 meeting is 6.78%. The consensus for the end of year funds rate target is 6.86%. The odds of a recession within the next 12 months are put at 21%. The consensus odds of a downturn occurring within the next two years stand at 33%. More than 80% of the panel believe the euro has bottomed against the U.S. dollar (*see page 14 for details*).

Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

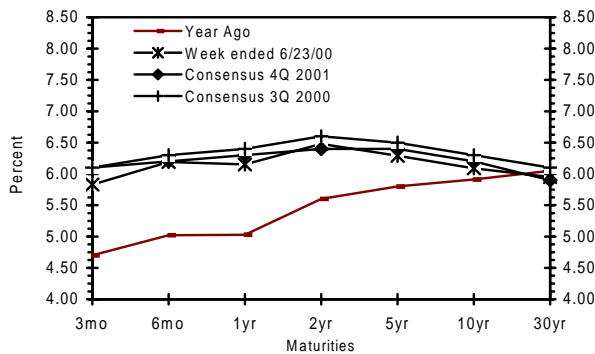
Interest Rates	-----History-----								Consensus Forecasts - Quarterly Avg.						
	-----Avg. For Week Ending-----				-----Month-----				Latest Q*	3Q	4Q	1Q	2Q	3Q	4Q
	Jun 23	Jun 16	Jun 9	Jun 2	May	Apr.	Mar.	2Q 2000		2000	2000	2001	2001	2001	2001
Federal Funds Rate	6.51	6.50	6.49	6.53	6.27	6.02	5.85	6.26	6.7	6.8	6.8	6.8	6.7	6.6	
Prime Rate	9.50	9.50	9.50	9.50	9.24	9.00	8.83	9.25	9.6	9.8	9.8	9.8	9.7	9.6	
LIBOR, 3-mo.	6.77	6.78	6.85	6.82	6.74	6.36	6.19	6.64	6.8	7.0	7.0	6.9	6.8	6.7	
Commercial Paper, 1-mo.	6.54	6.52	6.51	6.50	6.40	6.03	5.94	6.32	6.7	6.8	6.8	6.8	6.6	6.5	
Treasury bill, 3-mo.	5.83	5.86	5.94	5.78	5.99	5.82	5.86	5.89	6.1	6.2	6.3	6.2	6.1	6.1	
Treasury bill, 6-mo.	6.19	6.23	6.30	6.33	6.39	6.07	6.11	6.24	6.3	6.4	6.4	6.4	6.2	6.2	
Treasury bill, 1 yr.	6.15	6.14	6.23	6.30	6.33	6.15	6.22	6.23	6.4	6.5	6.5	6.4	6.3	6.3	
Treasury note, 2 yr.	6.48	6.45	6.53	6.64	6.81	6.40	6.53	6.58	6.6	6.7	6.7	6.6	6.5	6.4	
Treasury note, 5 yr.	6.29	6.27	6.35	6.49	6.69	6.26	6.50	6.43	6.5	6.6	6.6	6.5	6.5	6.4	
Treasury note, 10 yr.	6.09	6.06	6.13	6.26	6.44	5.99	6.26	6.19	6.3	6.3	6.3	6.3	6.3	6.2	
Treasury bond, 30 yr.	5.95	5.91	5.90	6.00	6.15	5.85	6.05	5.98	6.1	6.1	6.1	6.0	6.0	5.9	
Corporate Aaa bond	7.73	7.59	7.60	7.83	7.99	7.64	7.68	7.77	7.7	7.7	7.7	7.6	7.6	7.5	
Corporate Baa bond	8.45	8.42	8.51	8.76	8.42	8.40	8.37	8.45	8.6	8.6	8.5	8.4	8.4	8.3	
State & Local bonds	5.73	5.77	5.83	5.92	5.77	5.75	5.83	5.78	5.9	6.0	5.9	5.9	5.8	5.7	
Home mortgage rate	8.14	8.22	8.32	8.54	8.22	8.15	8.24	8.23	8.3	8.3	8.3	8.2	8.2	8.1	

Key Assumptions	-----History-----								Consensus Forecasts - Quarterly Avg.					
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q*	3Q	4Q	1Q	2Q	3Q	4Q
	1998	1998	1999	1999	1999	1999	2000	2000	2000	2000	2001	2001	2001	2001
Major Currency Index	98.2	93.0	93.4	95.5	94.5	92.7	94.7	97.4	96.3	95.4	94.4	93.6	92.9	92.5
Real GDP	3.8	5.9	3.7	1.9	5.7	7.3	5.5	3.6	3.5	3.2	3.1	3.0	3.1	3.1
GDP Price Index	1.3	0.8	2.0	1.3	1.1	2.0	3.0	2.5	2.2	2.2	2.3	2.2	2.1	2.1
Consumer Price Index	1.7	1.7	1.7	3.2	2.4	2.9	4.1	3.3	2.7	2.5	2.6	2.6	2.6	2.6

¹Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal* and *Telerate*. Definitions reported here are same as those in FRSR H.15. All Treasury yields are reported on a constant maturity basis. Historical data for the U.S. Federal Reserve Board's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS). *Interest rate data for Q2 2000 based on historical data through the week ended June 23. Data for Q2 2000 Major Currency Index also is based on data through week ended June 23. Figures shown for Q2 2000 Real GDP, GDP Price Index and Consumer Price Index are consensus forecasts based on a survey this month of our panel members.

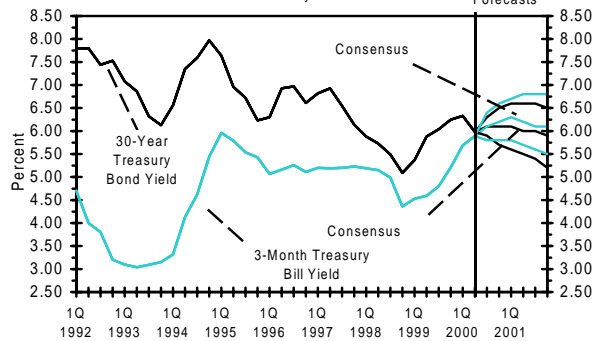
U.S. Treasury Yield Curve

Week ended June 23, 2000 and Year Ago vs.
3Q 2000 and 4Q 2001 Consensus forecasts



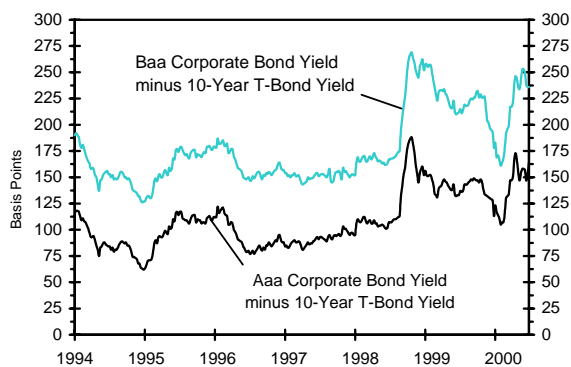
U.S. 3-Mo. T-Bills & 30-Yr. T-Bonds

(Quarterly Average)
History Blue Chip
Forecasts



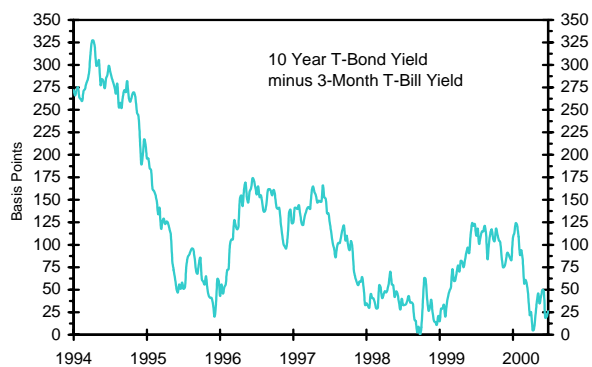
Corporate Bond Spreads

As of week ended June 23, 2000



U.S. Treasury Yield Curve

As of week ended June 23, 2000



-----3-Month Interest Rates¹-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
	Latest:	Ago:	Ago:	3	6	12
U.S.	6.69	6.78	5.19	6.90	6.92	6.84
Japan	0.16	0.16	0.06	0.14	0.25	0.45
U.K.	6.19	6.25	5.09	6.30	6.32	6.18
Switzerland	3.34	3.22	1.06	3.57	3.89	3.96
Canada	5.88	5.94	4.66	6.15	6.20	6.04
Australia	6.24	6.26	4.66	6.41	6.48	6.38
Eurozone	4.56	4.50	2.63	4.81	5.02	5.06

-----10-Yr. Government Bond Yields¹-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
	Latest:	Ago:	Ago:	3	6	12
U.S.	6.19	6.52	5.93	6.19	6.09	5.90
Germany	5.24	5.34	4.37	5.26	5.31	5.50
Japan	1.71	1.71	1.65	1.84	2.03	2.29
U.K.	5.23	5.41	5.19	5.31	5.33	5.44
France	5.41	5.53	4.52	5.43	5.46	5.57
Italy	5.60	5.77	4.68	5.55	5.60	5.74
Switzerland	4.02	4.15	2.81	3.98	4.00	4.26
Canada	6.02	6.28	5.59	6.17	6.17	5.89
Australia	6.35	6.65	6.16	6.40	6.48	6.36
Spain	5.55	5.67	4.64	5.53	5.58	5.73
Eurozone	5.51	5.62	4.37	5.34	5.38	5.55

-----Foreign Exchange Rates¹-----

	History			Consensus Forecasts		
	Month	Year	Months From Now:			
	Latest:	Ago:	Ago:	3	6	12
U.S.	96.91	99.57	96.45	97.2	95.0	91.3
Germany	2.0674	2.1656	1.8943	2.05	1.98	1.85
Japan	105.38	106.97	121.74	108.0	107.6	105.4
U.K.	1.5055	1.4940	1.5911	1.49	1.49	1.53
France	6.9336	7.2630	6.3531	6.87	6.63	6.19
Italy	2046.7	2143.9	1875.3	2028	1956	1828
Switzerland	1.6345	1.7221	1.5455	1.65	1.60	1.52
Canada	1.4803	1.4973	1.4702	1.48	1.46	1.43
Australia	0.6015	0.5727	0.6544	0.61	0.63	0.66
Spain	175.87	184.23	161.15	174.2	168.1	157.2
Euro	0.9461	0.9032	1.0325	0.95	0.99	1.06

	Consensus 3-Month Rates vs. U.S. Rate		Consensus 10-Year Gov't Yields vs. U.S. Yield	
	Latest	In 12 Mo.	Latest	In 12 Mo.
Japan	0.16	-6.39	Germany 5.24	-0.40
U.K.	6.19	-0.66	Japan 1.71	-3.61
Switzerland	3.34	-2.88	U.K. 5.23	-0.46
Canada	5.88	-0.80	France 5.41	-0.33
Australia	6.24	-0.46	Italy 5.60	-0.16
Eurozone	4.56	-1.78	Switzerland 4.02	-1.64
			Canada 6.02	-0.01
			Australia 6.35	0.46
			Spain 5.55	-0.18
			Eurozone 5.51	-0.35

Forecasts of individual panel members are on pages 10 and 11. Definitions of variables are as follows: ¹Three month currency interest rates. Government bonds are yields to maturity. Foreign exchange rate forecasts are currency per U.S. dollar except for U.K., Australia and the Euro, which are the reciprocal. For the U.S, forecasts are of the U.S. Federal Reserve Board's Major Currency Index.

International Commentary The European Central Bank surprised markets with a bold 50 basis point rate hike in early June and adopted a variable refi rate. The ECB move was a pre-emptive reaction to the rising risks to price stability resulting from accelerating money supply growth and surging import prices. With Eurozone real GDP growth now comfortably at a 3.5% rate and money supply growth in excess of the bank's target, most inflation forecasts have been revised up recently. A continuation of the gradualist tightening approach adopted in February needed to be abandoned, at least temporarily. By surprising most analysts, who had expected a quarter-point move, the ECB sent an important signal to the financial markets as well as to wage and price-setters, which should help to keep inflation expectations low. Second, the move should quiet talk the council is too large to take efficient and timely monetary policy decisions. The decisive action also should help the fledgling bank build that most precious central bank asset -- credibility. Third, the aggressive move represents a big stride toward a more neutral monetary policy stance. Sure, the ECB hasn't completed the job of removing monetary stimulus. Another 25 basis points of tightening is likely needed to attain a roughly neutral stance at a refi rate of 4.5%. Such a move will likely to occur late this summer. Continued appreciation of the euro would obviously help the ECB in its quest to remove monetary accommodation. However, economic growth differentials and capital flows appear more influential factors. On that count, additional evidence that U.S. economic growth is cooling off would go a long way in supporting consensus expectations of a stronger euro over the forecast horizon while a rebound in U.S. growth in the second half would undercut the euro's embryonic rally.

It's now likely the Bank of Japan (BOJ) will end its zero interest rate policy (ZIRP) this summer, perhaps as early as July 17. Analysts, both inside and outside Japan, are badly split on the advisability of the move. Many fear this year's rebound in economic growth represents a peak for the latest phase of economic recovery. They note a third consecutive month-on-month decline in the leading composite index of Business Conditions is a clear warning signal of a future slowdown in economic activity. But BOJ officials appear to have concluded the recovery has broadened and that downside risks are small. The upcoming Tankan report -- expected to show the first rebound in capital spending in four years -- may give BOJ officials the cover needed to end ZIRP at the July meeting. However, opposition to the move by other G-7 members may prompt the bank to wait until August, after the upcoming G-7 conference in Okinawa. Even if the rates are raised by just 10-15 basis points, ending ZIRP would still signal a monetary tightening trend and create the risk that market interest rates might overreact to the upside. That in turn could aggravate deflationary trends and accelerate an already expected slowing of economic growth in the second half of this year.

It's been five months since the Bank of England's Monetary Policy Committee (MPC) last raised interest rates. Cooling economic growth, easing home price inflation and sluggish industrial output have some analysts speculating rates have peaked. But most analysts still expect at least one more quarter point rate hike. The pound has declined by 9% in value since early May. If sterling continues to tumble, the MPC will become increasingly concerned about import price inflation. Producer prices are rising at the fastest rate in 14 years. If a weakening pound is accompanied by a pick-up in economic growth, the MPC will likely respond with another 25 basis point rate hike in August (see pages 10-11 for forecasts from individual panel members).

Third Quarter 2000 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum -- Average For Quarter-----															Avg. For ---Qtr--- A. Fed's Major Currency \$ Index	------(Q-Q % Change)----- ------(SAAR)-----		
	Short-Term					Intermediate-Term					Long-Term						B. Real GDP	C. GDP Price Index	D. Cons. Price Index
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bonds 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate				
Goldman Sachs & Co.	7.0 H	10.0 H	7.3 H	na	6.6	na	6.9 H	6.9	6.8	6.5	6.2	na	na	na	8.2	na	4.6	2.3	2.4
Scotiabank	7.0 H	10.0 H	6.7	6.4	6.1	6.2	6.4	6.9	6.7	6.4	6.1	7.3	8.1	5.7	9.5 H	96.9	4.1	2.4	3.8
Fannie Mae	6.9	9.9	na	6.4	6.3	6.4	6.5	6.8	6.7	6.5	6.3	8.1	8.9	6.1	8.6	na	3.0	2.1	2.2
Aeltus Investment	6.8	9.8	7.0	6.8	6.5	6.7	6.8	7.2 H	7.0 H	6.7	6.4	8.2 H	8.9	6.1	8.5	92.0 L	3.5	2.3	2.5
J.P. Morgan	6.8	9.6	6.9	na	6.1	na	6.3	6.7	6.6	6.4	6.3	na	na	na	na	na	4.0	2.5	3.3
Wayne Hummer & Co.	6.8	9.4	7.1	6.9 H	6.7 H	6.8 H	6.8	6.9	6.8	6.7	6.3	8.0	8.9	6.4 H	8.7	96.8	4.1	2.4	3.3
Nat'l Assn. of Realtors	6.8	9.8	6.7	6.6	6.3	6.4	6.6	6.6	6.4	6.6	6.3	8.2 H	8.3	5.7	8.6	na	3.2	2.1	2.7
Tokai Bank, Ltd.	6.8	9.8	7.1	6.9 H	6.1	6.4	6.4	6.6	6.4	6.3	6.1	8.0	8.9	6.0	8.4	96.0	3.1	2.9	3.2
First Union Corp.	6.8	9.8	7.0	6.9 H	6.0	6.2	6.1	6.9	6.6	6.4	6.2	7.9	8.9	6.1	8.6	97.0	5.0 H	2.5	2.4
Standard & Poor's Corp.	6.8	9.8	7.0	6.8	6.1	6.3	6.6	6.5	6.5	6.3	6.0	7.5	na	na	8.3	95.0	3.0	1.1 L	2.6
Comerica Bank	6.8	9.8	6.9	6.8	5.8	5.8 L	5.9	6.5	6.4	6.3	6.0	7.4	8.4	6.0	8.3	96.0	3.4	2.7	1.9
Naroff Economic Advisors	6.8	9.8	6.8	6.6	6.0	6.5	6.4	6.5	6.5	6.1	6.0	7.7	8.5	5.7	8.3	98.0	2.4 L	2.6	2.9
MMS International	6.8	9.8	6.8	6.8	6.3	6.4	6.5	6.5	6.4	6.3	6.1	7.8	8.4	6.0	8.5	97.0	3.5	1.9	3.0
DePrince & Assoc.	6.8	9.6	6.9	6.7	6.3	6.6	6.5	6.4	6.2	6.1	5.8	7.5	8.3	5.8	8.2	95.5	3.5	1.5	1.9
Barclays Capital	6.7	9.7	7.0	6.7	6.1	6.3	6.6	6.8	6.5	6.1	6.0	7.0 L	na	5.5 L	7.6 L	na	5.0 H	2.3	3.2
Cycledata Corp.	6.7	9.7	7.0	6.7	6.3	6.5	6.5	6.8	6.6	6.3	6.2	8.0	8.7	6.2	8.6	94.0	3.5	2.5	3.4
Perna Associates	6.7	9.7	6.9	6.8	6.0	6.2	6.2	6.4	6.4	6.3	6.1	7.8	8.5	5.8	8.3	95.4	3.8	2.2	3.2
Banc One Invest. Advisors	6.7	9.7	6.7	6.6	6.2	6.4	6.5	6.5	6.4	6.3	6.1	7.8	8.4	5.9	8.2	97.0	3.7	2.3	2.8
Chmura Economics & Analytics	6.7	9.7	6.7	6.7	6.1	6.3	6.3	6.5	6.6	6.2	6.1	7.6	8.4	5.8	8.2	na	4.3	2.9	3.2
ASB Capital Management	6.7	9.7	6.9	6.7	5.9	6.3	6.2	6.5	6.2	6.0	5.9	7.5	8.4	5.5 L	8.2	97.0	3.3	2.3	2.5
Woodworth Holdings	6.6	9.6	7.1	6.7	6.5	6.7	6.5	6.9	6.8	6.8 H	6.5 H	8.2 H	9.0	6.2	8.7	na	3.5	2.8	4.0 H
ClearView Economics	6.6	9.6	6.8	6.6	5.9	6.4	6.3	6.6	6.4	6.2	6.0	7.7	8.5	5.8	8.3	97.0	2.4 L	1.7	3.6
Loomis, Sayles & Company	6.6	9.6	7.0	6.8	6.0	6.3	6.5	6.9	6.9	6.4	6.1	8.1	9.0	6.1	8.5	96.9	3.8	1.3	1.9
National City Corporation	6.6	9.6	6.9	6.7	6.2	6.6	6.5	6.9	6.8	6.4	6.3	7.8	8.6	5.9	8.4	98.2	3.1	1.9	2.4
Nomura Securities, Inc.	6.6	9.6	6.9	6.7	6.0	6.4	6.4	6.6	6.4	6.1	5.9	8.0	8.9	na	8.3	96.0	3.1	2.4	2.7
PNC Financial Services Group	6.6	9.6	6.9	6.6	6.1	6.3	6.3	6.7	6.5	6.2	6.1	7.8	8.6	6.0	8.5	98.0	3.0	2.1	2.8
The Northern Trust Company	6.6	9.6	6.9	na	6.0	na	6.4	6.7	6.6	6.3	na	7.9	na	6.0	8.4	na	3.5	na	2.9
U.S. Trust Company	6.6	9.6	6.9	6.7	5.8	6.0	6.1	6.5	6.4	6.1	6.0	7.8	8.5	6.0	8.2	95.0	3.5	2.6	3.2
Independent Econ. Advisory	6.6	9.6	6.9	6.6	6.2	6.4	6.4	6.5	6.4	6.2	6.1	8.2 H	9.0	5.9	8.2	97.0	3.1	2.1	2.3
LaSalle Nat'l Bank	6.6	9.6	6.9	6.8	6.3	6.4	6.6	6.7	6.5	6.3	6.0	8.0	9.1 H	5.9	8.3	97.0	4.1	2.0	2.2
Thredgold Economic Assoc.	6.6	9.6	6.8	6.7	6.5	6.4	6.5	6.6	6.4	6.0	6.0	7.5	8.2	5.8	8.1	94.0	3.6	2.1	2.9
Trusco Capital Management	6.6	9.6	6.8	6.7	5.9	6.4	6.3	6.6	6.4	6.2	6.0	7.6	8.7	5.8	8.5	95.0	2.5	2.7	2.7
Banc of America Securities, LLC	6.6	9.6	6.7	6.7	6.1	6.3	6.2	6.4	6.2	6.0	5.9	7.6	8.3	6.1	8.2	96.0	3.6	1.7	2.8
Briefing.com	6.6	9.6	6.6	6.7	6.0	6.3	6.3	6.6	6.4	6.2	6.1	8.0	8.8	6.0	8.4	na	3.5	2.5	2.5
Wells Capital Management	6.6	9.6	6.4 L	6.3 L	6.0	6.2	6.5	6.7	6.8	6.3	6.1	7.8	8.6	5.8	8.4	na	3.0	2.5	2.4
Prudential Securities	6.6	9.6	na	na	6.3	6.6	6.5	6.4	6.3	6.0	7.6	na	na	na	7.8	95.0	3.0	1.7	2.2
Chicago Capital	6.5 L	9.5	6.8	6.8	6.5	6.7	6.4	6.9	6.5	6.0	5.9	7.3	8.4	na	8.0	na	3.6	1.9	1.8
Tucker Anthony, Inc.	6.5 L	9.5	6.8	6.5	6.0	6.3	6.5	6.8	6.7	6.4	5.9	7.7	8.8	5.8	8.5	95.0	3.5	2.2	2.5
Bank One	6.5 L	9.5	6.8	6.6	5.8	6.2	6.3	6.4	6.2	5.9 L	na	7.5	na	na	8.0	na	3.9	2.7	2.9
Merrill Lynch	6.5 L	9.5	6.8	na	5.6 L	5.8 L	5.8 L	6.5	6.3	6.1	5.9	7.7	na	na	8.2	na	3.5	1.1	1.3 L
Bear Stearns & Co.	6.5 L	9.5	6.7	6.4	5.8	6.0	6.3	6.7	6.5	6.2	6.0	7.9	8.7	5.9	8.4	99.0 H	4.0	2.0	2.0
Kellner Economic Advisers	6.5 L	9.5	6.7	6.6	5.9	6.0	6.1	6.5	6.7	6.5	5.9	7.2	8.3	6.3	8.8	95.0	3.5	3.0 H	3.5
Huntington Nat'l Bank	6.5 L	9.5	6.7	6.4	6.0	6.1	na	6.4	6.3	6.1	6.0	7.6	8.4	na	8.0	98.2	3.6	2.4	2.5
Deutsche Bank Global Equities	6.5 L	9.5	na	na	5.7	6.0	6.0	6.3	6.2	6.0	5.8	7.8	8.5	na	7.7	na	3.5	1.2	1.5
Prudential Insurance Co.	6.5 L	9.5	na	na	5.7	6.0	6.0	6.2 L	5.9 L	5.9 L	5.7 L	7.4	7.9 L	na	7.8	na	2.5	1.7	2.5
Citibank Global Asset Mgmt.	6.5 L	9.2 L	6.8	6.8	5.9	6.2	6.4	6.5	6.9	6.6	6.4	7.5	8.2	na	8.3	98.0	4.2	2.2	2.2
July Consensus	6.7	9.6	6.8	6.7	6.1	6.3	6.4	6.6	6.5	6.3	6.1	7.7	8.6	5.9	8.3	96.3	3.5	2.2	2.7
Top 10 Avg.	6.8	9.8	7.1	6.8	6.4	6.6	6.7	6.9	6.8	6.6	6.3	8.1	8.9	6.2	8.7	97.7	4.3	2.7	3.4
Bottom 10 Avg.	6.5	9.5	6.6	6.5	5.8	6.0	6.1	6.4	6.2	6.0	5.9	7.3	8.2	5.7	7.9	94.5	2.8	1.5	1.9
June Consensus	6.8	9.8	7.0	6.8	6.4	6.6	6.7	7.0	6.8	6.5	6.3	7.9	8.8	6.1	8.5	96.3	3.6	2.1	2.5
Number of Forecasts Changed From A Month Ago: _____																			
Down	26	26	27	24	37	34	34	39	36	35	31	27	22	18	30	11	17	6	8
Same	13	13	8	8	4	3	6	3	7	7	9	5	7	9	9	9	15	17	14
Up	5	5	6	5	3	4	2	2	1	2	2	10	6	5	4	10	11	19	21
Diffusion Index	26 %	26 %	24 %	24 %	11 %	13 %	12 %	8 %	10 %	13 %	15 %	30 %	27 %	30 %	20 %	48 %	43 %	65 %	65 %

Fourth Quarter 2000 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum -- Average For Quarter-----															Avg. For ---Qtr--- A. Fed's Major Currency \$ Index	------(Q-Q % Change)----- ------(SAAR)-----		
	Short-Term					Intermediate-Term					Long-Term						B.	C.	D.
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bonds 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate				
Aeltus Investment	7.1 H	10.1 H	7.2	7.1 H	6.8 H	6.9 H	7.0 H	7.4 H	7.2 H	6.8	6.6	8.4	9.2	6.4	8.8	90.0 L	4.0	2.4	3.0
Goldman Sachs & Co.	7.0	10.0	7.4 H	na	6.8 H	na	7.0 H	6.9	6.8	6.6	6.3	na	na	na	8.2	na	4.3	2.0	2.8
Independent Econ. Advisory	7.0	10.0	7.3	7.0	6.7	6.9 H	6.9	6.6	6.9	6.8	6.8 H	8.9 H	9.6 H	6.2	8.8	96.7	2.3	2.2	2.6
First Union Corp.	7.0	10.0	7.3	7.1 H	6.2	6.4	6.3	7.0	6.9	6.7	6.4	8.2	9.2	6.3	8.9	96.9	3.8	2.4	3.0
Tokai Bank, Ltd.	7.0	10.0	7.3	7.1 H	6.3	6.5	6.4	6.9	6.6	6.1	6.0	8.0	8.9	5.9	8.4	95.0	2.0	3.2 H	3.5 H
Tucker Anthony, Inc.	7.0	10.0	7.0	7.0	6.3	6.6	6.8	7.0	6.7	6.5	5.5 L	7.3	8.2	6.1	8.0	95.0	3.0	2.2	2.3
Naroff Economic Advisors	7.0	10.0	7.0	6.6	6.1	6.5	6.4	6.3	6.4	6.0	5.8	7.6	8.3	5.4 L	8.1	97.0	1.3	2.4	2.4
Chmura Economics & Analytics	7.0	10.0	7.0	7.0	6.7	6.9 H	6.9	7.1	7.1	6.4	6.2	7.7	8.4	5.9	8.2	na	4.0	3.0	2.6
Banc One Invest. Advisors	7.0	10.0	6.9	6.8	6.4	6.6	6.7	6.7	6.6	6.5	6.3	8.0	8.6	6.1	8.4	97.3	4.0	2.2	2.7
Scotiabank	7.0	10.0	6.7	6.4 L	6.1	6.2	6.4	6.8	6.6	6.2	5.9	7.1	7.9	5.5	9.5 H	95.1	3.0	2.7	3.1
Fannie Mae	7.0	10.0	na	6.7	6.6	6.7	6.8	6.9	6.7	6.6	6.3	8.1	8.9	6.0	8.7	na	2.7	2.1	2.4
Loomis, Sayles & Company	6.9	9.9	7.2	7.0	6.1	6.4	6.6	6.8	6.8	6.4	6.1	8.2	9.1	6.1	8.6	96.1	3.5	1.8	2.3
Perna Associates	6.9	9.9	7.2	7.0	6.2	6.3	6.4	6.5	6.5	6.3	6.2	7.8	8.4	5.9	8.3	92.4	3.7	2.4	3.2
Nat'l Assn. of Realtors	6.9	9.9	6.6 L	6.6	6.4	6.4	6.6	6.5	6.5	6.7	6.5	8.3	8.4	5.8	8.7	na	2.5	2.2	2.8
LaSalle Nat'l Bank	6.9	9.9	7.2	7.0	6.5	6.6	6.8	6.7	6.5	6.3	6.0	8.0	9.2	5.9	8.3	92.8	3.6	2.0	2.6
J.P. Morgan	6.9	9.8	7.2	na	6.5	na	6.6	7.1	6.8	6.6	6.4	na	na	na	na	na	4.0	2.0	1.2 L
DePrince & Assoc.	6.9	9.4 L	7.1	6.9	6.5	6.8	6.7	6.2	6.0	6.0	5.8	7.3	8.0	5.6	8.0	94.2	3.5	1.7	2.4
PNC Financial Services Group	6.8	9.8	7.2	6.8	6.2	6.4	6.4	6.8	6.6	6.3	6.2	8.0	8.9	6.1	8.6	100.0 H	2.5	1.7	2.0
Barclays Capital	6.8	9.8	7.1	6.8	6.1	6.4	6.8	7.0	6.7	6.3	6.1	6.8 L	na	5.6	7.7	na	1.0 L	2.0	2.4
Wayne Hummer & Co.	6.8	9.8	7.1	6.9	6.7	6.8	6.9	7.2	7.2 H	7.2 H	6.8 H	8.3	9.0	6.4	8.8	95.7	3.7	2.3	3.4
Bank One	6.8	9.8	7.0	6.7	6.0	6.5	6.6	6.9	6.7	6.4	na	8.1	na	na	8.7	na	4.5 H	1.7	1.9
Thredgold Economic Assoc.	6.8	9.8	7.0	6.9	6.6	6.7	6.8	6.6	6.3	5.9	5.9	7.4	8.1	5.7	8.0	94.0	3.4	2.1	2.8
Kellner Economic Advisers	6.8	9.8	6.9	6.9	6.0	6.1	6.6	6.8	6.4	5.8	7.1	8.4	6.5 H	9.0	95.0	2.5	2.7	2.9	
Briefing.com	6.8	9.8	6.7	6.9	6.2	6.5	6.5	6.7	6.5	6.3	6.0	8.1	8.9	6.0	8.5	na	3.8	2.7	2.7
Prudential Securities	6.8	9.8	na	na	6.5	6.8	6.8	6.8	6.7	6.5	6.2	7.7	na	na	8.0	93.0	3.2	2.0	2.5
Wells Capital Management	6.8	9.8	6.6 L	6.5	6.2	6.4	6.7	6.8	6.9	6.5	6.3	7.8	8.7	5.7	8.5	na	2.8	2.6	2.8
Woodworth Holdings	6.8	9.8	7.2	6.8	6.6	6.8	6.8	7.2	7.1	7.0	6.8 H	8.4	9.2	6.4	9.0	na	3.0	3.0	3.5 H
National City Corporation	6.8	9.8	7.0	6.8	6.3	6.6	6.5	6.7	6.8	6.7	6.3	7.9	8.8	6.0	8.5	97.4	3.6	1.5	1.6
Nomura Securities, Inc.	6.8	9.8	7.0	6.8	6.2	6.5	6.3	6.7	6.3	5.9	5.7	7.9	8.8	na	8.1	95.0	2.5	2.7	2.8
U.S. Trust Company	6.8	9.8	7.0	6.8	6.1	6.1	6.2	6.8	6.6	6.2	6.0	7.8	8.5	6.1	8.2	94.0	4.3	2.6	3.2
ClearView Economics	6.8	9.8	7.0	6.8	6.0	6.5	6.4	6.7	6.5	6.2	6.0	7.8	8.6	5.9	8.4	96.0	3.2	1.5	2.1
ASB Capital Management	6.8	9.8	7.0	6.8	6.1	6.5	6.4	6.6	6.4	5.9	5.7	7.3	8.2	5.8	8.0	96.7	3.0	2.0	2.3
Standard & Poor's Corp.	6.8	9.8	6.9	6.8	6.1	6.3	6.6	6.6	6.7	6.7	6.4	7.9	na	na	8.4	95.0	3.4	1.4	1.7
The Northern Trust Company	6.8	9.8	6.9	na	6.2	na	6.4	6.7	6.7	6.4	na	8.0	na	6.1	8.5	na	3.0	na	2.2
Trusco Capital Management	6.8	9.8	6.9	6.8	6.1	6.5	6.5	6.6	6.6	6.3	6.0	7.7	8.6	5.6	8.3	92.0	2.0	3.0	2.4
Comerica Bank	6.8	9.8	6.9	6.8	5.8	5.8	5.9	6.5	6.3	6.2	6.0	7.3	8.3	5.9	8.0	95.3	3.3	2.7	2.8
Banc of America Securities, LLC	6.8	9.8	6.8	6.8	6.2	6.3	6.3	6.5	6.3	6.1	5.9	7.5	8.2	6.1	8.1	95.0	4.2	1.5	2.2
MMS International	6.8	9.8	6.8	6.8	6.3	6.5	6.5	6.4	6.3	6.2	6.1	7.6	8.3	5.9	8.4	97.0	4.0	2.3	2.5
Cycledata Corp.	6.7	9.7	7.0	6.7	6.3	6.5	6.5	6.8	6.6	6.4	6.3	8.0	8.7	6.2	8.6	93.0	3.0	2.6	3.5 H
Chicago Capital	6.5 L	9.5	6.8	6.8	6.5	6.7	6.3	6.8	6.5	6.2	6.1	7.5	8.6	na	8.2	na	2.9	2.0	1.9
Huntington Nat'l Bank	6.5 L	9.5	6.8	6.6	6.2	6.2	na	6.4	6.2	6.1	6.0	7.5	8.3	na	7.8	97.0	3.0	2.3	2.7
Merrill Lynch	6.5 L	9.5	6.8	na	5.6 L	5.8	5.8	6.4	6.2	6.0	5.8	7.7	na	na	8.1	na	3.5	0.8 L	1.6
Citibank Global Asset Mgmt.	6.5 L	9.5	6.8	6.8	5.9	6.2	6.4	6.4	6.6	6.3	6.2	7.2	7.9	na	8.0	99.0	4.3	2.0	1.8
Bear Stearns & Co.	6.5 L	9.5	6.7	6.4 L	5.8	6.0	6.3	6.7	6.5	6.2	6.0	7.9	8.8	5.9	8.4	99.0	4.0	1.8	1.7
Deutsche Bank Global Equities	6.5 L	9.5	na	na	5.7	5.7 L	5.7 L	5.9 L	5.8 L	5.7 L	5.5 L	7.2	7.9	na	7.5 L	na	4.0	1.2	1.5
Prudential Insurance Co.	6.5 L	9.5	na	na	5.7	5.9	5.9	6.0	5.8 L	5.8	5.7	7.0	7.5 L	na	7.8	na	2.5	1.7	2.5
July Consensus	6.8	9.8	7.0	6.8	6.2	6.4	6.5	6.7	6.6	6.3	6.1	7.7	8.6	6.0	8.3	95.4	3.2	2.2	2.5
Top 10 Avg.	7.0	10.0	7.2	7.0	6.6	6.8	6.9	7.1	7.0	6.8	6.5	8.3	9.1	6.3	8.9	97.7	4.2	2.8	3.2
Bottom 10 Avg.	6.6	9.5	6.7	6.6	5.8	6.0	6.1	6.3	6.1	5.9	5.7	7.1	8.0	5.6	7.9	93.0	2.1	1.5	1.7
June Consensus	6.9	9.9	7.1	6.9	6.5	6.7	6.8	7.0	6.9	6.6	6.3	7.9	8.8	6.1	8.5	95.5	3.2	2.1	2.6
Number of Forecasts Changed From A Month Ago:																			
Down	20	21	23	21	31	29	30	33	32	30	23	24	22	18	25	11	16	14	11
Same	19	19	12	7	8	7	6	4	8	10	14	10	9	8	10	7	14	17	17
Up	5	4	6	9	5	5	6	7	4	4	5	8	4	6	8	12	13	11	15
Diffusion Index	33 %	31 %	29 %	34 %	20 %	21 %	21 %	20 %	18 %	20 %	29 %	31 %	24 %	31 %	30 %	52 %	47 %	46 %	55 %

First Quarter 2001 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	-----Percent Per Annum -- Average For Quarter-----															Avg. For ---Qtr--- A. Fed's Major Currency \$ Index	----- (Q-Q % Change) ----- ----- (SAAR) -----		
	Short-Term					Intermediate-Term					Long-Term						B. Real GDP	C. GDP Price Index	D. Cons. Price Index
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bonds 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate				
Loomis, Sayles & Company	7.3 H	10.3 H	7.7 H	7.4 H	6.0	6.2	6.3	6.7	6.7	6.3	6.0	8.1	9.0	6.0	8.5	95.2	3.6	2.8	3.2
Goldman Sachs & Co.	7.3 H	10.3 H	7.6	na	6.9 H	na	7.2 H	7.1	7.0	6.7	6.4	na	na	na	8.3	na	4.0	2.4	3.1
First Union Corp.	7.3 H	10.3 H	7.5	7.4 H	6.3	6.5	6.4	7.2	7.0	6.8	6.5	8.3	9.3	6.4	9.0	95.4	4.0	2.2	2.8
Bank One	7.2	10.2	7.5	6.9	6.4	6.9	6.9	7.1	6.9	6.7	na	8.4	na	na	9.1	na	4.3	1.9	2.4
Aeltus Investment	7.2	10.2	7.5	7.2	6.9 H	7.0	7.1	7.6 H	7.4 H	6.9	6.7	8.4	9.1	6.3	8.7	90.0	4.5 H	2.5	3.5
Banc One Invest. Advisors	7.2	10.2	7.1	7.0	6.6	6.8	6.9	6.9	6.8	6.7	6.5	8.2	8.8	6.3	8.6	97.5	3.5	2.1	2.7
Independent Econ. Advisory	7.0	10.0	7.3	7.1	6.7	6.8	6.9	6.9	6.9	7.0 H	6.9 H	8.7 H	9.4 H	6.1	8.7	95.4	2.3	2.4	2.6
J.P. Morgan	7.0	10.0	7.3	na	6.5	na	6.5	7.1	6.9	6.7	6.3	na	na	na	na	na	3.0	2.3	2.0
Tokai Bank, Ltd.	7.0	10.0	7.3	7.1	6.3	6.5	6.3	6.9	6.5	6.0	5.9	7.8	8.8	5.8	8.3	94.0	2.3	3.0	3.7 H
ASB Capital Management	7.0	10.0	7.2	7.0	6.4	6.7	6.6	6.8	6.3	5.7 L	5.5	7.1	8.0	6.0	7.8	96.4	2.8	1.8	2.0
LaSalle Nat'l Bank	7.0	10.0	7.2	7.2	6.5	6.6	6.6	6.7	6.5	6.3	5.8	8.0	9.2	5.9	8.3	90.6	3.7	2.0	2.5
Kellner Economic Advisers	7.0	10.0	7.1	7.1	6.1	6.0	6.1	6.7	6.9	6.2	5.6	7.1	8.5	6.5 H	9.0	94.0	1.5	2.6	2.8
Perna Associates	7.0	10.0	7.1	7.0	6.2	6.3	6.4	6.5	6.4	6.2	6.1	7.7	8.4	5.7	8.1	91.0	3.0	2.5	3.3
Tucker Anthony, Inc.	7.0	10.0	7.0	7.0	6.3	6.6	6.8	7.0	6.7	6.5	5.0 L	6.8 L	7.6	5.5	8.0	92.0	3.5	2.0	2.0
Chmura Economics & Analytics	7.0	10.0	7.0	7.0	6.7	6.9	6.9	7.1	7.1	6.4	6.2	7.8	8.5	5.9	8.3	na	3.1	3.2 H	2.6
Scotiabank	7.0	10.0	6.8	6.6	6.2	6.3	6.5	6.9	6.7	6.3	6.0	7.2	8.0	5.6	9.5 H	89.6 L	2.9	2.8	3.0
Wells Capital Management	7.0	10.0	6.8	6.6	6.4	6.5	6.8	7.0	7.1	6.7	6.4	8.0	8.9	5.8	8.7	na	2.5	2.7	3.1
Nat'l Assn. of Realtors	7.0	10.0	6.8	6.7	6.5	6.4	6.6	6.5	6.4	6.8	6.5	8.4	8.5	5.8	9.0	na	2.5	2.6	3.0
Prudential Securities	7.0	10.0	na	na	6.9 H	7.1 H	7.1	7.0	6.9	6.6	6.2	7.7	na	na	8.0	90.0	3.2	2.0	2.5
Fannie Mae	7.0	10.0	na	6.7	6.6	6.7	6.8	7.0	6.8	6.5	6.2	8.1	8.9	5.9	8.5	na	2.6	2.5	2.8
Briefing.com	6.9	9.9	6.8	7.1	6.3	6.6	6.6	6.5	6.3	6.1	5.7	7.7	8.8	5.8	8.3	na	3.5	2.8	2.8
Barclays Capital	6.8	9.8	7.1	6.8	6.1	6.5	7.1	7.3	7.0	6.6	6.4	7.0	na	5.9	7.9	na	1.5	2.0	2.4
Thredgold Economic Assoc.	6.8	9.8	7.0	6.9	6.6	6.7	6.8	6.6	6.3	5.9	5.8	7.3	8.0	5.7	7.9	93.0	3.2	2.1	2.7
PNC Financial Services Group	6.8	9.8	7.0	6.8	6.2	6.4	6.4	6.8	6.6	6.3	6.2	8.0	8.9	6.1	8.6	101.0 H	3.5	2.3	2.8
Nomura Securities, Inc.	6.8	9.8	7.1	6.8	6.2	6.4	6.3	6.7	6.3	6.0	5.9	7.7	8.6	na	8.1	94.0	3.6	2.8	3.0
U.S. Trust Company	6.8	9.8	7.0	6.8	6.1	6.2	6.3	6.8	6.6	6.2	6.0	7.8	8.6	6.0	8.1	93.0	2.7	2.6	3.2
ClearView Economics	6.8	9.8	7.0	6.8	6.0	6.5	6.4	6.7	6.5	6.2	6.0	7.8	8.6	5.9	8.4	96.0	3.2	1.5	2.1
National City Corporation	6.8	9.8	6.9	6.7	6.3	6.6	6.4	6.6	6.8	6.7	6.4	8.0	8.9	6.0	8.6	96.9	3.4	2.1	2.4
Standard & Poor's Corp.	6.8	9.8	6.9	6.7	6.0	6.3	6.6	6.6	6.8	6.8	6.5	8.1	na	na	8.5	94.0	3.2	1.5	2.4
Comerica Bank	6.8	9.8	6.9	6.8	5.7	5.8	5.9	6.4	6.3	6.2	6.0	7.2	8.2	5.8	7.8	95.3	3.5	2.7	3.3
Naroff Economic Advisors	6.8	9.8	6.8	6.4 L	6.1	6.3	6.3	6.2	6.3	5.9	5.8	7.3	8.0	5.3 L	7.6	95.0	0.5 L	1.7	2.1
The Northern Trust Company	6.8	9.8	6.8	na	6.2	na	6.4	6.6	6.6	6.3	na	7.9	na	6.0	8.4	na	3.0	na	2.2
MMS International	6.8	9.8	6.7	6.8	6.3	6.4	6.5	6.4	6.3	6.2	6.1	7.6	8.3	5.9	8.3	97.0	3.2	2.4	2.4
Banc of America Securities, LLC	6.8	9.8	6.7	6.7	6.2	6.2	6.2	6.5	6.3	6.1	5.9	7.5	8.2	6.1	8.1	94.0	4.5 H	1.6	2.5
Wayne Hummer & Co.	6.7	9.7	6.9	6.7	6.7	6.8	6.9	7.1	7.2	7.0 H	6.8	8.2	8.9	6.4	8.7	94.8	3.3	2.2	3.1
Woodworth Holdings	6.5	9.5	7.0	6.6	6.4	6.5	6.4	6.8	6.7	6.7	6.4	8.1	8.9	6.2	8.6	na	2.5	2.8	3.0
Chicago Capital	6.5	9.5	6.8	6.8	6.5	6.7	6.1	6.5	6.3	6.1	6.0	7.3	8.4	na	8.0	na	3.0	2.0	2.2
Merrill Lynch	6.5	9.5	6.8	na	5.6	5.8	5.7 L	6.4	6.2	5.9	5.8	7.7	na	na	8.0	na	3.5	1.1 L	1.7 L
Citibank Global Asset Mgmt.	6.5	9.5	6.8	6.8	5.8	6.1	6.2	6.4	6.4	6.2	6.1	7.1	7.8	na	7.9	100.0	3.3	2.1	2.0
Cycledata Corp.	6.5	9.5	6.7	6.4 L	6.0	6.2	6.3	6.6	6.4	6.2	6.0	7.7	8.4	5.9	8.3	92.0	2.5	2.5	3.5
Trusco Capital Management	6.5	9.5	6.7	6.6	6.0	6.4	6.4	6.4	6.4	6.3	5.9	7.5	8.3	5.5	8.0	90.0	2.5	3.0	2.3
Bear Stearns & Co.	6.5	9.5	6.5 L	6.4 L	5.8	6.0	6.3	6.7	6.5	6.2	6.0	8.0	8.8	6.0	8.3	99.0	4.1	1.5	1.9
Deutsche Bank Global Equities	6.5	9.5	na	na	5.7	5.7 L	5.7 L	5.8	5.8	6.0	5.8	7.4	8.1	na	7.5 L	na	4.5 H	2.4	3.0
DePrince & Assoc.	6.5	9.4	6.6	6.4 L	6.2	6.4	6.3	5.8	5.7 L	5.9	5.7	7.1	7.8	5.5	7.8	93.0	3.2	1.7	1.8
Huntington Nat'l Bank	6.5	9.5	6.6	6.5	6.1	6.1	na	6.2	6.0	5.9	5.8	7.3	8.2	na	7.5 L	96.0	2.5	2.3	2.7
Prudential Insurance Co.	6.3 L	9.3 L	na	na	5.5 L	5.8	5.8	5.7 L	5.8	5.9	5.8	6.9	7.3 L	na	7.9	na	3.5	1.7	2.5
July Consensus	6.8	9.8	7.0	6.8	6.3	6.4	6.5	6.7	6.6	6.3	6.1	7.7	8.5	5.9	8.3	94.4	3.1	2.3	2.6
Top 10 Avg.	7.1	10.1	7.4	7.1	6.7	6.8	7.0	7.2	7.0	6.8	6.6	8.3	9.0	6.2	8.9	97.5	4.1	2.9	3.3
Bottom 10 Avg.	6.5	9.5	6.7	6.5	5.8	6.0	6.0	6.2	6.1	5.9	5.6	7.1	7.9	5.6	7.8	91.1	2.1	1.6	2.0
June Consensus	6.9	9.9	7.1	6.9	6.5	6.6	6.7	6.9	6.8	6.5	6.2	7.8	8.6	6.0	8.4	94.9	3.0	2.2	2.7
Number of Forecasts Changed From A Month Ago: _____																			
Down	16	15	22	16	31	25	26	26	29	28	23	21	18	16	23	12	17	14	10
Same	18	19	8	9	4	4	7	9	6	7	8	9	10	9	11	9	12	12	20
Up	9	9	11	12	8	11	8	8	8	8	10	11	7	7	8	8	12	14	11
Diffusion Index	42 %	43 %	37 %	45 %	23 %	33 %	28 %	29 %	26 %	27 %	34 %	38 %	34 %	36 %	32 %	43 %	44 %	50 %	51 %

Second Quarter 2001 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter															Avg. For ---Qtr--- A. Fed's Major Currency \$ Index	------(Q-Q % Change)-----					
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						B.	C.	D.			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15					Real GDP	GDP Price Index	Cons. Price Index
	Federal Funds Rate	Prime Bank Rate	LIBOR Rate 3-Mo.	Corn. Paper 1-Mo.	Treas. Bills 3-Mo.	Treas. Bills 6-Mo.	Treas. Bills 1-Yr.	Treas. Notes 2-Yr.	Treas. Notes 5-Yr.	Treas. Notes 10-Yr.	Treas. Bonds 30-Yr.	Aaa Corp. Bond	Baa Corp. Bond	State & Local Bonds	Home Mtg. Rate							
Loomis, Sayles & Company	7.5 H	10.5 H	7.9 H	7.6 H	6.4	6.5	6.6	6.9	6.8	6.5	6.3	8.3	9.2	6.3	8.8	94.2	3.1	2.6	3.6			
Bank One	7.5 H	10.5 H	7.8	7.1	6.7	7.1	7.2	7.4	7.1	6.9	na	8.7 H	na	na	9.5 H	na	3.4	2.0	2.7			
Goldman Sachs & Co.	7.5 H	10.5 H	7.8	na	7.1	na	7.3	7.3	7.1	6.8	6.4	na	na	na	8.3	na	3.6	2.5	3.0			
Aeltus Investment	7.5 H	10.5 H	7.7	7.5	7.2 H	7.3 H	7.4 H	7.7 H	7.5 H	7.0 H	6.8	8.2	9.0	6.1	8.6	89.0	3.5	2.5	3.5			
Banc One Invest. Advisors	7.4	10.4	7.2	7.1	6.7	6.9	7.0	7.0	6.9	6.8	6.6	8.3	8.9	6.4	8.7	97.7	3.4	2.1	2.5			
First Union Corp.	7.3	10.3	7.5	7.4	6.3	6.5	6.4	7.1	7.0	6.8	6.5	8.4	9.3 H	6.4	8.9	92.6	3.3	2.0	2.4			
J.P. Morgan	7.0	10.0	7.3	na	6.4	na	6.5	7.1	7.1	6.7	6.4	na	na	na	na	na	2.0	2.5	2.4			
Tokai Bank, Ltd.	7.0	10.0	7.3	7.1	6.3	6.3	6.2	6.8	6.4	6.0	6.0	7.8	8.8	5.8	8.3	94.0	2.3	3.0	3.7 H			
Barclays Capital	7.0	10.0	7.1	6.9	6.1	6.5	7.0	7.3	7.0	6.6	6.5	7.0	na	5.9	7.9	na	3.0	2.3	2.6			
Kellner Economic Advisers	7.0	10.0	7.1	7.2	6.0	5.9	6.1	6.7	7.0	6.1	5.5	7.0	8.5	6.5 H	8.9	94.0	2.0	2.4	2.7			
LaSalle Nat'l Bank	7.0	10.0	7.1	7.2	6.5	6.6	6.6	6.7	6.5	6.3	5.8	8.0	9.2	5.9	8.3	87.7 L	2.8	2.0	2.5			
Tucker Anthony, Inc.	7.0	10.0	7.0	7.0	6.3	6.6	6.8	7.0	6.7	6.5	5.0 L	6.8 L	7.6	5.5	8.0	92.0	3.7	2.0	2.0			
Perna Associates	7.0	10.0	7.0	7.0	6.2	6.3	6.4	6.5	6.4	6.3	6.3	7.7	8.4	5.7	8.0	89.8	3.2	2.5	3.2			
Chmura Economics & Analytics	7.0	10.0	7.0	7.0	6.7	6.9	6.9	7.1	7.1	6.5	6.2	7.8	8.5	6.0	8.3	na	4.0	3.2 H	2.9			
Nat'l Assn. of Realtors	7.0	10.0	6.9	6.8	6.5	6.5	6.5	6.6	6.4	6.9	6.6	8.4	8.6	5.8	9.0	na	2.4	2.4	3.0			
Wells Capital Management	7.0	10.0	6.7	6.6	6.3	6.5	6.8	6.9	7.0	6.7	6.5	8.0	8.9	5.8	8.6	na	2.8	2.9	3.2			
Scotiabank	7.0	10.0	6.6	6.4	6.0	6.1	6.3	6.6	6.5	6.1	5.8	7.0	7.8	5.4	9.5 H	89.1	3.0	2.5	2.9			
Prudential Securities	7.0	10.0	na	na	6.8	7.0	7.1	6.8	6.8	6.7	6.4	7.8	na	na	8.0	88.0	3.0	2.1	2.7			
Fannie Mae	7.0	10.0	na	6.7	6.6	6.7	6.8	6.9	6.7	6.5	6.2	8.1	8.9	5.9	8.5	na	2.9	2.3	3.0			
Briefing.com	6.9	9.9	6.6	7.0	6.1	6.4	6.4	6.3	6.2	6.0	5.5	7.6	8.5	5.6	8.0	na	3.3	2.5	2.6			
Thredgold Economic Assoc.	6.8	9.8	7.0	6.9	6.6	6.7	6.8	6.6	6.3	5.9	5.8	7.3	8.0	5.6	7.8	92.0	3.2	2.1	2.6			
PNC Financial Services Group	6.8	9.8	7.0	6.8	6.2	6.4	6.4	6.8	6.6	6.3	6.2	8.0	8.9	6.1	8.6	102.0 H	1.5 L	2.1	2.8			
Nomura Securities, Inc.	6.8	9.8	7.1	6.8	6.2	6.3	6.3	6.7	6.3	6.0	5.9	7.6	8.5	na	8.1	94.0	3.3	2.6	3.0			
Independent Econ. Advisory	6.8	9.8	7.0	6.8	6.3	6.4	6.5	6.6	6.7	6.9	6.9 H	8.3	8.8	6.0	8.5	94.6	2.9	2.0	2.5			
ASB Capital Management	6.8	9.8	7.0	6.8	6.2	6.4	6.3	6.5	6.2	5.5 L	5.3	6.9	7.8	5.8	7.6	96.1	2.5	1.5	1.8			
National City Corporation	6.8	9.8	6.9	6.7	6.3	6.6	6.4	6.5	6.7	6.6	6.2	8.0	8.8	6.0	8.5	95.2	2.6	1.8	2.5			
Standard & Poor's Corp.	6.8	9.8	6.9	6.7	6.0	6.3	6.6	6.6	6.7	6.7	6.3	8.0	na	na	8.5	94.0	2.3	1.5	2.4			
The Northern Trust Company	6.8	9.8	6.9	na	6.2	na	6.4	6.7	6.7	6.4	na	8.0	na	6.1	8.5	na	3.3	na	2.5			
ClearView Economics	6.8	9.8	6.8	6.7	6.0	6.2	6.0	6.3	6.1	6.0	5.8	7.6	8.5	5.8	8.3	94.0	2.6	1.4	2.4			
MMS International	6.8	9.8	6.7	6.8	6.3	6.4	6.5	6.4	6.3	6.2	6.1	7.6	8.3	5.9	8.3	97.0	3.5	2.2	2.4			
U.S. Trust Company	6.7	9.7	6.9	6.7	6.0	6.1	6.2	6.5	6.5	6.1	6.0	7.8	8.6	5.9	8.0	92.0	3.1	2.6	3.4			
Chicago Capital	6.5	9.5	6.8	6.8	6.5	6.7	6.2	6.5	6.2	5.9	5.9	7.2	8.3	na	7.7	na	3.7	1.9	2.1			
Wayne Hummer & Co.	6.5	9.5	6.7	6.5	6.8	6.8	6.9	6.9	7.0	7.0 H	6.8	8.1	8.5	6.2	8.4	93.6	2.9	2.4	3.0			
Comerica Bank	6.5	9.5	6.7	6.6	5.5 L	5.6 L	5.7 L	6.3	6.2	6.1	5.9	7.1	8.1	5.7	7.8	95.0	3.8	2.7	3.0			
Merrill Lynch	6.5	9.5	6.7	na	5.6	5.7	5.7 L	6.3	6.1	5.8	5.7	7.6	na	na	7.9	na	3.5	1.5	1.6 L			
Bear Stearns & Co.	6.5	9.5	6.6	6.4	5.8	5.9	6.2	6.7	6.5	6.2	6.0	8.0	8.9	6.0	8.3	98.0	4.4 H	1.4	1.8			
Bank of America Securities, LLC	6.5	9.5	6.6	6.6	6.2	6.2	6.2	6.4	6.2	6.1	5.9	7.4	8.2	6.0	8.0	93.0	4.0	1.5	2.3			
Naroff Economic Advisors	6.5	9.5	6.6	6.2 L	5.9	6.0	6.1	5.9	6.1	5.9	5.7	7.2	7.9	5.2 L	7.4 L	93.5	1.5 L	2.0	2.3			
Deutsche Bank Global Equities	6.5	9.5	na	na	5.7	5.7	5.7 L	5.7 L	5.7 L	5.7 L	5.7 L	5.5	7.2	7.9	na	na	3.8	1.7	2.0			
Cycledata Corp.	6.3	9.3	6.5	6.2 L	5.8	6.0	6.1	6.4	6.3	6.1	5.9	7.5	8.2	5.7	8.1	91.0	2.1	2.4	3.2			
Woodworth Holdings	6.3	9.3	6.7	6.3	6.2	6.3	6.1	6.5	6.4	6.4	6.1	7.8	8.6	5.9	8.3	na	2.0	2.8	2.5			
Citibank Global Asset Mgmt.	6.3	9.3	6.5	6.5	5.8	6.0	6.1	6.3	6.1	6.0	5.9	6.9	7.6	na	7.6	98.0	3.3	1.8	2.0			
Trusco Capital Management	6.3	9.3	6.5	6.3	6.0	6.2	6.3	6.4	6.5	6.3	6.0	7.3	8.1	5.3	7.6	92.0	2.5	2.5	2.2			
DePrince & Assoc.	6.3	9.2 L	6.5	6.4	6.0	6.3	6.1	5.7 L	5.7 L	5.8	5.6	7.0	7.7	5.4	7.7	92.1	3.4	0.9 L	1.7			
Huntington Nat'l Bank	6.2	9.2 L	6.3 L	6.3	5.9	5.9	na	6.0	5.8	5.8	5.7	7.2	8.1	na	7.4 L	95.2	2.5	2.3	2.6			
Prudential Insurance Co.	6.0 L	9.3	na	na	5.5 L	5.7	5.7 L	5.7 L	5.8	5.9	5.9	6.9	7.3 L	na	8.0	na	3.5	1.7	2.5			
July Consensus	6.8	9.8	6.9	6.8	6.2	6.4	6.4	6.6	6.5	6.3	6.0	7.6	8.4	5.9	8.2	93.6	3.0	2.2	2.6			
Top 10 Avg.	7.3	10.3	7.5	7.2	6.8	6.9	7.0	7.2	7.1	6.8	6.6	8.3	9.0	6.2	8.9	96.9	3.8	2.7	3.3			
Bottom 10 Avg.	6.3	9.3	6.5	6.3	5.7	5.8	5.9	6.0	6.0	5.8	5.5	7.0	7.8	5.5	7.6	90.3	2.1	1.5	1.9			
June Consensus	6.8	9.8	7.0	6.8	6.4	6.5	6.6	6.7	6.7	6.4	6.1	7.7	8.5	6.0	8.3	94.2	3.0	2.1	2.7			
Number of Forecasts Changed From A Month Ago:																						
Down	12	10	18	11	27	21	24	24	24	24	18	18	16	18	21	11	8	6	13			
Same	16	19	10	10	7	6	10	8	8	8	11	10	11	9	13	9	19	20	17			
Up	15	14	13	16	9	13	7	11	11	11	12	13	8	5	8	9	14	14	11			
Diffusion Index	53 %	55 %	44 %	57 %	29 %	40 %	29 %	35 %	35 %	35 %	43 %	44 %	39 %	30 %	35 %	47 %	57 %	60 %	48 %			

Third Quarter 2001 Interest Rate Forecasts

Key Assumptions

Blue Chip Financial Forecasts Panel Members	Percent Per Annum -- Average For Quarter															Avg. For ---Qtr.--- Fed's Major Currency \$ Index	-----(Q-Q % Change)----- -----(SAAR)-----			
	-----Short-Term-----					-----Intermediate-Term-----					-----Long-Term-----						A. Fed's Major Currency \$ Index	B. Real GDP	C. GDP Price Index	D. Cons. Price Index
	1 Federal Funds Rate	2 Prime Bank Rate	3 LIBOR Rate 3-Mo.	4 Com. Paper 1-Mo.	5 Treas. Bills 3-Mo.	6 Treas. Bills 6-Mo.	7 Treas. Bills 1-Yr.	8 Treas. Notes 2-Yr.	9 Treas. Notes 5-Yr.	10 Treas. Notes 10-Yr.	11 Treas. Bonds 30-Yr.	12 Aaa Corp. Bond	13 Baa Corp. Bond	14 State & Local Bonds	15 Home Mtg. Rate					
Bank One	7.5 H	10.5 H	7.8 H	7.2	6.7	7.2 H	7.3 H	7.7 H	7.5 H	7.2 H	na	9.1 H	na	na	9.9 H	na	3.8	2.1	2.8	
Aeltus Investment	7.5 H	10.5 H	7.8 H	7.5 H	7.1 H	7.2 H	7.3 H	7.7 H	7.5 H	6.8	6.6	8.0	8.9	6.0	8.5	89.0	3.0	2.7	3.7	
Goldman Sachs & Co.	7.5 H	10.5 H	7.8 H	na	7.0	na	7.2	7.3	7.1	6.7	6.3	na	na	na	8.2	na	3.2	2.7	2.9	
Banc One Invest. Advisors	7.5 H	10.5 H	7.4	7.3	6.9	7.1	7.2	7.2	7.1	7.0	6.8	8.5	9.1	6.6 H	8.9	98.0	3.5	2.0	2.4	
Loomis, Sayles & Company	7.3	10.3	7.7	7.4	6.5	6.6	6.6	6.9	7.0	6.7	6.4	8.5	9.4 H	6.4	8.9	93.2	2.9	1.9	2.6	
First Union Corp.	7.3	10.3	7.5	7.4	6.2	6.4	6.3	6.9	6.7	6.5	6.3	8.2	9.1	6.2	8.7	90.0	2.4	1.8	2.4	
J.P. Morgan	7.0	10.0	7.3	na	6.4	na	6.5	7.1	7.3	6.7	6.3	na	na	na	na	na	2.0	2.5	3.0	
Barclays Capital	7.0	10.0	7.1	6.9	6.1	6.4	6.8	7.1	6.8	6.5	6.3	6.7	na	5.7	7.7	na	1.5 L	2.7	3.2	
Perna Associates	7.0	10.0	7.1	7.0	6.2	6.3	6.4	6.5	6.4	6.4	6.4	7.8	8.5	5.9	8.0	90.5	3.2	2.5	3.4	
Tucker Anthony, Inc.	7.0	10.0	7.0	7.0	6.3	6.6	6.8	7.0	6.7	6.5	5.0	6.8	7.6	5.5	8.0	92.0	3.6	2.0	2.0	
Chmura Economics & Analytics	7.0	10.0	7.0	7.0	6.7	6.9	6.9	7.1	7.1	6.5	6.3	7.9	8.6	6.0	8.4	na	4.5	3.0 H	3.3	
Nat'l Assn. of Realtors	7.0	10.0	6.9	6.8	6.5	6.5	6.5	6.6	6.5	6.9	6.6	8.4	8.8	5.9	8.8	na	2.8	2.5	3.1	
Wells Capital Management	7.0	10.0	6.7	6.6	6.3	6.4	6.6	6.7	6.9	6.7	6.4	7.9	8.8	5.8	8.6	na	2.5	2.8	3.1	
Prudential Securities	7.0	10.0	na	na	6.8	7.0	7.1	6.6	6.7	6.8	6.5	7.9	na	na	8.1	86.0 L	2.8	2.0	2.6	
Fannie Mae	7.0	10.0	na	6.7	6.6	6.7	6.8	6.7	6.5	6.5	6.2	8.0	8.8	5.9	8.4	na	2.3	2.4	3.0	
Thredgold Economic Assoc.	6.8	9.8	7.0	6.9	6.6	6.7	6.8	6.6	6.3	5.8	5.7	7.2	7.9	5.6	7.8	91.0	3.2	2.1	2.6	
LaSalle Nat'l Bank	6.8	9.8	6.9	6.9	6.4	6.5	6.6	6.7	6.5	6.3	5.8	8.0	9.2	5.9	8.3	87.3	2.5	2.0	2.5	
National City Corporation	6.8	9.8	6.9	6.7	6.2	6.5	6.4	6.5	6.7	6.7	6.3	8.1	9.0	6.1	8.7	93.7	2.6	1.9	2.5	
Nomura Securities, Inc.	6.8	9.8	7.1	6.8	6.2	6.3	6.3	6.7	6.3	6.0	6.0	7.5	8.5	na	8.2	93.0	3.7	2.6	3.1	
The Northern Trust Company	6.8	9.8	6.9	na	6.3	na	6.5	6.7	6.7	6.4	na	8.0	na	6.1	8.5	na	3.2	na	2.5	
Standard & Poor's Corp.	6.8	9.8	6.9	6.7	6.0	6.3	6.5	6.6	6.8	6.8	6.4	8.2	na	na	8.5	94.0	2.6	1.4	2.4	
MMS International	6.8	9.8	6.7	6.8	6.3	6.4	6.4	6.3	6.2	6.2	6.1	7.5	8.2	5.8	8.2	97.0	3.5	2.1	2.4	
Scotiabank	6.8	9.8	6.4	6.2	5.8	5.9	6.0	6.3	6.3	5.9	5.6	6.8	7.6	5.2	9.3	88.6	3.1	2.4	2.8	
Kellner Economic Advisers	6.7	9.7	6.9	6.8	5.9	5.8	6.0	6.6	6.9	6.0	5.5	7.0	8.5	6.5	8.8	92.0	2.0	2.3	2.5	
PNC Financial Services Group	6.6	9.6	6.8	6.6	6.0	6.2	6.2	6.6	6.5	6.2	6.1	7.9	8.9	5.9	8.5	100.0 H	2.5	1.8	2.5	
Independent Econ. Advisory	6.5	9.5	6.8	6.6	6.0	6.1	6.3	6.4	6.5	6.7	6.8 H	8.0	8.5	5.9	8.4	94.0	2.8	2.2	2.4	
Tokai Bank, Ltd.	6.5	9.5	6.8	6.6	5.8	5.8	6.0	6.5	6.5	6.0	6.0	7.8	8.8	5.8	8.1	94.0	2.3	3.0 H	3.8 H	
ASB Capital Management	6.5	9.5	6.7	6.5	5.9	6.2	6.1	6.2	6.0	5.3 L	5.0 L	6.6 L	7.6	5.5	7.4	95.8	2.3	1.3	1.5 L	
Bear Stearns & Co.	6.5	9.5	6.7	6.4	5.8	5.9	6.2	6.7	6.5	6.1	5.9	8.0	8.8	5.9	8.2	98.0	4.6 H	1.3	1.7	
Banc of America Securities, LLC	6.5	9.5	6.5	6.5	6.1	6.1	6.2	6.4	6.2	6.0	5.8	7.3	8.1	5.9	7.9	92.0	3.9	1.5	2.2	
ClearView Economics	6.5	9.5	6.5	6.5	5.7	5.9	5.6	5.9	5.8	5.8	5.7	7.5	8.4	5.8	8.1	93.0	3.0	1.4	2.4	
Briefing.com	6.5	9.5	6.4	6.5	6.0	6.2	6.3	6.2	6.1	5.9	5.4	7.5	8.5	5.4	8.0	na	3.5	2.5	2.5	
Deutsche Bank Global Equities	6.5	9.5	na	na	5.7	5.7	5.7	5.7	5.7	5.7	5.5	7.0	7.7	na	7.5	na	4.0	1.3	1.5 L	
U.S. Trust Company	6.4	9.4	6.6	6.4	5.7	5.8	5.9	6.5	6.5	6.1	6.0	7.8	8.6	5.8	7.9	91.0	2.8	2.6	3.4	
Wayne Hummer & Co.	6.3	9.3	6.5	6.3	6.6	6.7	6.8	6.8	6.9	6.9	6.6	8.0	8.9	5.9	8.3	92.9	2.6	2.3	2.8	
Chicago Capital	6.3	9.3	6.6	6.6	6.3	6.5	6.2	6.3	6.1	5.9	5.9	7.2	8.3	na	7.6	na	3.8	1.9	2.1	
Merrill Lynch	6.3	9.3	6.5	na	5.5	5.6	5.6	6.2	6.0	5.8	5.6	7.5	na	na	7.9	na	3.5	1.1 L	1.7	
Comerica Bank	6.3	9.3	6.5	6.3	5.3 L	5.4 L	5.5 L	6.2	6.1	6.0	5.9	7.0	8.0	5.6	7.5	95.0	3.7	2.5	2.5	
DePrince & Assoc.	6.2	9.1	6.4	6.3	5.9	6.2	6.0	5.5 L	5.6 L	5.8	5.6	7.0	7.6	5.4	7.6	91.4	3.2	1.8	2.6	
Cycledata Corp.	6.1	9.1	6.3	6.0 L	5.6	5.8	5.9	6.2	6.2	6.0	5.8	7.4	8.1	5.6	8.0	91.0	2.5	2.4	3.0	
Woodworth Holdings	6.0 L	9.0 L	6.5	6.1	6.0	6.1	5.9	6.3	6.2	6.1	5.9	7.5	8.3	5.7	8.1	na	2.0	2.6	2.5	
Naroff Economic Advisors	6.0 L	9.0 L	6.3	6.1	5.7	5.9	6.0	5.7	5.7	5.8	5.8	7.0	7.7	5.2	7.3 L	94.5	4.2	2.2	2.1	
Citibank Global Asset Mgmt.	6.0 L	9.0 L	6.3	6.3	5.7	5.8	5.9	6.1	5.8	5.7	5.6	6.6 L	7.3 L	na	7.3 L	96.0	3.7	1.6	2.0	
Trusco Capital Management	6.0 L	9.0 L	6.3	6.1	5.8	5.9	6.0	6.2	6.3	6.1	6.2	7.1	7.8	5.1 L	8.5	92.0	3.0	2.5	2.0	
Huntington Nat'l Bank	6.0 L	9.0 L	6.1 L	6.0 L	5.7	5.8	na	5.9	5.8	5.8	5.7	7.2	8.1	na	7.3 L	94.3	3.3	2.3	2.5	
Prudential Insurance Co.	6.0 L	9.0 L	na	na	5.5	5.7	5.7	5.7	5.9	6.0	6.0	7.0	7.4	na	8.1	na	3.5	1.7	2.5	
July Consensus	6.7	9.7	6.8	6.6	6.1	6.2	6.3	6.5	6.5	6.3	6.0	7.6	8.4	5.8	8.2	92.9	3.1	2.1	2.6	
Top 10 Avg.	7.3	10.3	7.5	7.2	6.8	6.9	7.0	7.2	7.1	6.9	6.6	8.3	9.0	6.2	8.9	96.3	4.0	2.7	3.3	
Bottom 10 Avg.	6.1	9.1	6.3	6.1	5.6	5.7	5.8	5.9	5.8	5.7	5.4	6.8	7.6	5.4	7.5	89.6	2.2	1.4	1.9	
June Consensus	6.7	9.7	6.9	6.6	6.3	6.4	6.4	6.6	6.6	6.3	6.1	7.7	8.4	5.9	8.3	93.7	3.0	2.1	2.6	
Number of Forecasts Changed From A Month Ago:																				
Down	11	10	15	11	23	19	23	19	19	21	18	18	16	16	19	12	9	10	13	
Same	17	19	10	10	9	8	6	11	11	10	12	12	9	10	11	8	17	14	18	
Up	15	14	16	16	11	13	12	13	13	12	11	11	10	6	12	9	15	16	10	
Diffusion Index	55 %	55 %	51 %	57 %	36 %	43 %	37 %	43 %	43 %	40 %	41 %	41 %	41 %	34 %	42 %	45 %	57 %	58 %	46 %	

International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	3 Mo. Euro Dollar Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	6.70	6.70	6.40
Deutsche Bank Research	7.25	7.25	7.25
Merrill Lynch	6.65	6.65	6.55
ING Barings	7.10	7.20	7.20
The Industrial Bank of Japan	6.80	6.80	6.80
July Consensus	6.90	6.92	6.84
High	7.25	7.25	7.25
Low	6.65	6.65	6.40
Last Months Avg.	7.10	7.22	7.27

Blue Chip Forecasters	3 Mo. Euro Yen Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	0.25	0.30	0.50
Deutsche Bank Research	0.10	0.30	0.60
Merrill Lynch	0.05	0.05	0.05
ING Barings	0.20	0.40	0.60
The Industrial Bank of Japan	0.10	0.20	0.50
July Consensus	0.14	0.25	0.45
High	0.25	0.40	0.60
Low	0.05	0.05	0.05
Last Months Avg.	0.15	0.25	0.37

Blue Chip Forecasters	3 Mo. Euro Sterling Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	6.15	6.00	5.50
Deutsche Bank Research	6.40	6.50	6.50
Merrill Lynch	6.30	6.30	6.20
ING Barings	6.25	6.40	6.40
The Industrial Bank of Japan	6.40	6.40	6.30
July Consensus	6.30	6.32	6.18
High	6.40	6.50	6.50
Low	6.15	6.00	5.50
Last Months Avg.	6.42	6.56	6.54

Blue Chip Forecasters	3 Mo. Euro Franc Rate %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	3.40	3.60	3.50
Deutsche Bank Research	3.70	3.95	4.15
Merrill Lynch	3.50	3.75	3.75
ING Barings	3.60	4.10	4.30
The Industrial Bank of Japan	3.65	4.05	4.10
July Consensus	3.57	3.89	3.96
High	3.70	4.10	4.30
Low	3.40	3.60	3.50
Last Months Avg.	3.09	3.33	3.43

Blue Chip Forecasters	3 Mo. Euro Dollar Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	6.10	6.00	5.50
Deutsche Bank Research	6.25	6.50	6.50
Merrill Lynch	5.75	5.60	5.50
ING Barings	6.40	6.40	6.20
The Industrial Bank of Japan	6.25	6.50	6.50
July Consensus	6.15	6.20	6.04
High	6.40	6.50	6.50
Low	5.75	5.60	5.50
Last Months Avg.	6.24	6.38	6.41

United States		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
6.40	6.20	5.90
6.20	6.00	5.80
6.05	5.95	5.80
6.30	6.10	5.80
6.00	6.20	6.20
6.19	6.09	5.90
6.40	6.20	6.20
6.00	5.95	5.80
6.38	6.33	6.30

Japan		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
1.80	2.00	2.10
2.00	2.40	2.75
1.60	1.50	1.70
1.90	2.15	2.60
1.90	2.10	2.30
1.84	2.03	2.29
2.00	2.40	2.75
1.60	1.50	1.70
1.97	2.19	2.50

United Kingdom		
10 Yr. Gilt Yields %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
5.25	5.25	5.50
5.30	5.50	5.90
5.40	5.50	5.50
5.30	5.20	5.10
5.30	5.20	5.20
5.31	5.33	5.44
5.40	5.50	5.90
5.25	5.20	5.10
5.54	5.71	5.80

Switzerland		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
4.00	4.00	4.25
4.10	4.30	4.80
3.90	3.90	4.00
3.90	3.80	4.00
na	na	na
3.98	4.00	4.26
4.10	4.30	4.80
3.90	3.80	4.00
4.00	4.03	4.30

Canada		
10 Yr. Gov't Bond Yield %		
In 3 Mo.	In 6 Mo.	In 12 Mo.
6.40	6.20	5.60
6.20	6.40	6.00
5.85	5.80	5.65
6.10	5.95	5.70
6.30	6.50	6.50
6.17	6.17	5.89
6.40	6.50	6.50
5.85	5.80	5.60
6.30	6.35	6.35

Fed's Major Currency \$ Index		
In 3 Mo.	In 6 Mo.	In 12 Mo.
97.0	95.0	89.0
97.0	94.1	89.9
na	na	na
97.5	95.8	94.9
na	na	na
97.2	95.0	91.3
97.5	95.8	94.9
97.0	94.1	89.0
96.9	94.7	91.4

Yen/US\$		
In 3 Mo.	In 6 Mo.	In 12 Mo.
105.0	103.0	97.0
108.0	105.0	100.0
112.0	118.0	118.0
110.0	110.0	112.0
105.0	102.0	100.0
108.0	107.6	105.4
112.0	118.0	118.0
105.0	102.0	97.0
107.0	107.8	105.4

US \$/Pound Sterling		
In 3 Mo.	In 6 Mo.	In 12 Mo.
1.53	1.55	1.58
1.48	1.49	1.53
1.48	1.45	1.50
1.49	1.51	1.54
1.48	1.45	1.48
1.49	1.49	1.53
1.53	1.55	1.58
1.48	1.45	1.48
1.53	1.56	1.59

SF/US \$		
In 3 Mo.	In 6 Mo.	In 12 Mo.
1.66	1.64	1.50
1.65	1.57	1.49
1.66	1.62	1.52
1.62	1.57	1.53
1.67	1.62	1.55
1.65	1.60	1.52
1.67	1.64	1.55
1.62	1.57	1.49
1.69	1.61	1.51

C \$/US \$		
In 3 Mo.	In 6 Mo.	In 12 Mo.
1.52	1.48	1.42
1.46	1.44	1.40
1.46	1.45	1.44
1.51	1.48	1.47
1.47	1.46	1.44
1.48	1.46	1.43
1.52	1.48	1.47
1.46	1.44	1.40
1.47	1.46	1.42

International Interest Rate And Foreign Exchange Rate Forecasts

Blue Chip Forecasters	3 Mo. Euro Dollar Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	6.15	6.25	6.00
Deutsche Bank Research	6.15	6.15	6.15
Merrill Lynch	6.75	6.50	6.25
ING Barings	6.50	6.75	6.75
The Industrial Bank of Japan	6.50	6.75	6.75
July Consensus	6.41	6.48	6.38
High	6.75	6.75	6.75
Low	6.15	6.15	6.00
Last Months Avg.	6.48	6.63	6.53

Australia			
	10 Yr. Gov't Bond Yield %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
	6.25	6.00	6.00
	6.10	6.25	5.90
	6.75	6.75	6.50
	6.40	6.60	6.60
	6.50	6.80	6.80
July Consensus	6.40	6.48	6.36
High	6.75	6.80	6.80
Low	6.10	6.00	5.90
Last Months Avg.	6.79	6.79	6.58

US \$/A \$			
	US \$/A \$		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
	0.63	0.67	0.70
	0.60	0.63	0.65
	0.63	0.65	0.68
	0.58	0.60	0.63
	0.60	0.62	0.64
July Consensus	0.61	0.63	0.66
High	0.63	0.67	0.70
Low	0.58	0.60	0.63
Last Months Avg.	0.61	0.64	0.67

Blue Chip Forecasters	3 Mo. Euro Rate		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	4.80	4.80	4.80
Deutsche Bank Research	5.10	5.35	5.55
Merrill Lynch	4.60	4.60	4.55
ING Barings	4.80	5.10	5.10
The Industrial Bank of Japan	4.75	5.25	5.30
July Consensus	4.81	5.02	5.06
High	5.10	5.35	5.55
Low	4.60	4.60	4.55
Last Months Avg.	4.43	4.62	4.71

Eurozone			
	10 Yr. Euro Bond Yield %		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
	5.25	5.25	5.50
	5.35	5.55	5.95
	5.45	5.50	5.65
	5.30	5.20	5.10
	na	na	na
July Consensus	5.34	5.38	5.55
High	5.45	5.55	5.95
Low	5.25	5.20	5.10
Last Months Avg.	5.43	5.42	5.57

US \$/Euro			
	US \$/Euro		
	In 3 Mo.	In 6 Mo.	In 12 Mo.
	0.95	0.97	1.10
	0.95	1.00	1.07
	0.95	0.99	1.06
	0.97	1.01	1.05
	0.95	0.98	1.02
July Consensus	0.95	0.99	1.06
High	0.97	1.01	1.10
Low	0.95	0.97	1.02
Last Months Avg.	0.91	0.97	1.05

Blue Chip Forecasters	10 Yr. Gov't Bond Yields %											
	Germany			France			Italy			Spain		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	5.25	5.25	5.50	5.40	5.40	5.65	5.50	5.50	5.75	5.45	5.45	5.70
Deutsche Bank Research	5.20	5.40	5.80	5.35	5.55	5.92	5.50	5.70	6.05	5.50	5.70	6.00
ING Barings	5.30	5.20	5.10	5.45	5.30	4.90	5.55	5.45	5.20	5.55	5.45	5.30
The Industrial Bank of Japan	5.30	5.40	5.60	5.50	5.60	5.80	5.65	5.75	5.95	5.60	5.70	5.90
July Consensus	5.26	5.31	5.50	5.43	5.46	5.57	5.55	5.60	5.74	5.53	5.58	5.73
High	5.30	5.40	5.80	5.50	5.60	5.92	5.65	5.75	6.05	5.60	5.70	6.00
Low	5.20	5.20	5.10	5.35	5.30	4.90	5.50	5.45	5.20	5.45	5.45	5.30
Last Months Avg.	5.35	5.44	5.58	5.47	5.54	5.61	5.64	5.73	5.77	5.59	5.70	5.80

Blue Chip Forecasters	Exchange Rates (Currency vs. US \$)											
	Germany			France			Italy			Spain		
	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.	In 3 Mo.	In 6 Mo.	In 12 Mo.
Scotiabank	2.06	2.02	1.78	6.90	6.76	5.96	2038	1996	1760	175.0	172.0	151.0
Deutsche Bank Research	2.06	1.96	1.83	6.90	6.56	6.13	2038	1936	1810	175.0	166.0	156.0
ING Barings	2.02	1.94	1.86	6.76	6.49	6.25	1996	1917	1844	171.5	164.8	158.5
The Industrial Bank of Japan	2.06	2.00	1.92	6.90	6.69	6.43	2038	1976	1898	175.1	169.8	163.1
July Consensus	2.05	1.98	1.85	6.87	6.63	6.19	2028	1956	1828	174.2	168.1	157.2
High	2.06	2.02	1.92	6.90	6.76	6.43	2038	1996	1898	175.1	172.0	163.1
Low	2.02	1.94	1.78	6.76	6.49	5.96	1996	1917	1760	171.5	164.8	151.0
Last Months Avg.	2.18	2.04	1.86	7.30	6.84	6.24	2155	2020	1841	185.3	173.7	158.0

	Consensus Forecasts 10-year Bond Yields vs U.S. Yield			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-4.48	-4.35	-4.06	-3.61
United Kingdom	-0.96	-0.88	-0.76	-0.46
Switzerland	-2.17	-2.22	-2.09	-1.64
Canada	-0.17	-0.02	0.08	-0.01
Australia	0.16	0.21	0.39	0.46
Germany	-0.95	-0.93	-0.78	-0.40
France	-0.78	-0.77	-0.63	-0.33
Italy	-0.59	-0.64	-0.49	-0.16
Spain	-0.64	-0.67	-0.52	-0.18
Eurozone	-0.68	-0.85	-0.72	-0.35

	Consensus Forecasts 3 Mo. Interest Rates vs U.S. Rate			
	Current	In 3 Mo.	In 6 Mo.	In 12 Mo.
Japan	-6.53	-6.76	-7.17	-6.39
United Kingdom	-0.50	-0.60	-0.60	-0.66
Switzerland	-3.35	-3.33	-3.03	-2.88
Canada	-0.81	-0.75	-0.72	-0.80
Australia	-0.45	-0.49	-0.44	-0.46
Eurozone	-2.13	-2.09	-1.90	-1.78

Viewpoints:

**A Sampling Of Views On The Economy, Financial Markets And Government Policy
Excerpted From Recent Reports Issued By Our Blue Chip Panel Members And Others**

Key Questions in the U.S. Outlook

The U.S. economy has clearly slowed. Far from clarifying the outlook, however, the deceleration has clouded the prognosis for U.S. interest rates. Many believe that the economy is now headed for much slower growth or even trouble and that inflation is no longer an issue. In contrast, we remain steadfast in our belief that the transition to slower but still-sturdy growth feels very different from the boom, but it does not eliminate inflation risks, nor does it mean that the Fed's monetary tightening campaign is over. Following are some key questions about the outlook and our answers, adapted from a session with our U.S. sales force.

Q. Is growth slowing by enough to mute inflation risks and persuade the Fed to stop tightening?

A. No, higher oil and import prices, incipient dollar weakness and improving operating rates are all gradually boosting inflation even as growth slows to around 4%. Surveys and anecdotal evidence confirm the rebirth of pricing power at both small and large businesses in the second quarter. For example, 55% of Morgan Stanley Dean Witter's analysts responding to our straw poll report that the companies they follow saw more pricing power in May than six months earlier. The Fed's Beige Book two weeks ago reported worsening price inflation in several districts. Consequently, we believe that the Fed still has 50 basis points of tightening to do. The Fed's statement on June 28 that the risks are still tilted in the direction of higher inflation underscores their bias toward further restraint.

The Fed's objective is to cap inflation, not growth. Booming growth, however, makes the Fed nervous about inflation in the context of high and rising operating rates. There's no doubt growth slowed significantly in April and May. More restrictive financial conditions, including higher interest rates, are the major factor slowing growth. Yet, the most interest-sensitive areas of demand -- housing and big-ticket durables -- are holding at year-ago levels.

The "wealth effect" from rising stock prices is clearly waning, but broad stock market gauges are 8-12% higher than a year ago. Given that it takes at least a year to burn through the effects of rising wealth on spending, and that underlying income and job growth is still solid, we expect some improvement in retailing results in coming months. Remember, too, that housing wealth is rising briskly. Average home prices in the first quarter of 2000 rose by 6.5% from a year ago, and residential real estate is potent collateral for home equity loans.

Q. Is growth slowing by so much that earnings would be hurt?

A. Not this year, but next year poses risks. Next year's earnings prognosis is for growth of about half of this year's 12%. Minuses include accelerating labor costs and slowing top-line growth. Pluses include increased pricing power and a weaker dollar.

Q. In April you wrote that corporate credit quality was eroding. Will the slippage worsen?

A. Yes, even in our solid economic scenario, credit quality likely will slip further. The heavy issuance of the past few years will continue to imply a slowly deteriorating credit picture.

Yet wider spreads and reduced credit availability will slow growth only slightly. Surveys of senior loan officers hint at increased lending caution, but bank lending is accelerating. C&I loans are up by more than 10%, and real estate loans are up by 16% from a year ago. Clearly banks aren't hesitating to lend and are filling the financing gap created by the closure of the high-yield market to many lower-rated borrowers. In all, private credit demand growth is slowing from 10% to 8%, but it is still much faster than nominal GDP.

Q. When will you cut your global growth forecasts?

A. We've stopped raising our forecasts for overall global growth, so a peaking is in progress. But the fundamentals are still positive, and the risks at this stage are evenly balanced. Remember, we're forecasting pallid growth this year and a recession next year in Japan. Any upside from that gloomy view will boost global growth. We keep revising up our estimates of growth in Latin America and Non-Japan Asia. Many central banks are tightening monetary policy, but most are merely normalizing rates back to neutrality from an accommodative stance.

I've already trimmed my U.S. growth forecast for 2001 from 4% to 3.6% over the past three months. But there is a major wildcard in the outlook that could boost the economy later in 2001: Our fiscal forecasts are conservative at the Federal, state and local levels. We have not factored in any increase in Federal, state or local government outlays or tax cuts. As expected, the Administration just raised its surplus estimates for the next 10 years by a cool \$1 trillion. Those massive surpluses are a big cookie jar that both Presidential candidates and members of Congress are eyeing hungrily. After a long period of fiscal prudence, it will be hard to resist cutting taxes or hiking outlays. Both would add to growth in 2001.

Richard Berner, Morgan Stanley Dean Witter, New York, NY

FOMC Puts A "Smiley Face" On Tightening Bias

Chalk one up for the consensus. The FOMC left its funds rate target unchanged on June 28. And, as expected, the Fed retained, what we used to call it, the tightening bias. But the rhetoric of the FOMC statement seemed more neutral in spirit than biased toward further tightening. Below are the paragraphs from the FOMC statements of June 28 and May 16 that explain the reasoning behind the respective policy decisions:

June 28: "Recent data suggest that the expansion of aggregate demand may be moderating toward a pace closer to the rate of growth of the economy's potential to produce. Although core measures of prices are rising slightly faster than a year ago, continuing rapid advances in productivity have been containing costs and holding down underlying price pressures."

May 16: "Increases in demand have remained in excess of even the rapid pace of productivity-driven gains in potential supply, exerting continued pressure on resources. The Committee is concerned that this disparity in the growth of demand and potential supply will continue, which could foster inflationary imbalances that would undermine the economy's outstanding performance."

The June 28 paragraph conveys to me the impression that Captain Greenspan thinks that Jumbo Jet America (*continued on next page*)

**A Sampling Of Views On The Economy, Financial Markets And Government Policy
Excerpted From Recent Reports Issued By Our Blue Chip Panel Members And Others**

Viewpoints:

is now on a glide path for a soft landing with diminished threats of inflationary wind shear. A month and a half ago, however, there was more concern about a hard landing. Greenspan now appears to have gone back over to the New Era side as evidenced by statements like "continued rapid advances in productivity have been containing costs..." After watching the economy grow at 4-1/2+% for two consecutive years - a growth rate about 100 basis points above what is generally considered potential these days - a couple of months of soft retail sales data and "aggregate demand may be moderating toward a pace closer to the rate of growth of the economy's potential to produce."

What about Governor Meyer's dictum that if the economy has been running hot for a couple of years, it would have to run cold for more than a quarter or two in order to lower inflation? For starters, Greenspan probably thinks that the full effects of this year's 100 basis points of Fed tightening have not yet been felt by the economy. Again, trying to make amends with the New Era crowd, especially with George W. moving ahead of Gore in the polls, Greenspan may be signaling 4-1/2% growth is considerably less than 100 basis points above potential. Or Greenspan may be sending the message that he is willing to tolerate 50 to 100 basis points higher core inflation versus 1999's rate. Why might he be willing to tolerate somewhat higher core inflation? Because he might consider 1999's core inflation rate of 1.9% as a one-off lucky break. And by the way, the June 28 FOMC statement indicates that the Fed remains less concerned about the overall inflation than with core inflation. So, only to the extent that higher oil prices leak into core prices, the Fed is not too bothered by \$30-a-barrel oil.

So, with warmer and gentler Fed this month, can we erase an August 22 tightening from our calendar? I wouldn't. The inflation data, both with and without energy prices, is likely to move higher between now and August 22. And, as the 6.0% surge in May durable goods orders shows, the economy can still post some big numbers on occasion.

Paul Kasriel and Asha Bangalore, The Northern Trust Company, Chicago, IL

The Bank of Japan's High Risk Venture

Market analysts and Japanese government officials have been roiled by the Bank of Japan's (BoJ) suggestion of tightening monetary policy for the first time since August 1990. On April 12, BoJ Governor Hayami discussed the topic of ending the Bank's zero interest rate policy, in effect now for 16 months. BoJ is famous for pre-announcing monetary policy changes to avoid market disruption, but with the current state of the Japanese economy, many think Hayami may be at least two to three quarters early. Professor Paul Krugman editorialized that BoJ is attempting to imitate 1930's monetary policy at the dawn of the 21st century. Leaders of the Ministry of Finance, the Economic Planning Agency, and the LDP government have been careful to say that BoJ is independent (since 1997), but all insisted that there is no need to alter monetary policy now or in the near future.

In its defense, BoJ argues that the zero interest rate policy was used as an emergency measure to avoid a deflationary spiral. The Bank

now wishes to return to a "normal" policy, i.e., cheap but not free money. BoJ also notes that virtually zero short-term interest rates hurt pensioners and postpone necessary corporate restructuring since firms can access virtually free funding. Despite the Bank's desire to return to what it considers a more "normal" monetary policy, raising the overnight call rate from 0.02% to possibly 0.25% will do little to help pensioners income or stop subsidizing nearly bankrupt firms. BoJ may in fact want to adjust its zero interest rate policy before the government tightens, or at least stops aggressively easing, fiscal policy and the BoJ then is forced to maintain its current policy for at least another year.

In addition to its practice of pre-announcing policy changes, BoJ has set pre-conditions before it will abandon its zero interest rate policy. First, there must be an end to deflation, and second, there must be a self-sustaining recovery in private consumption. Despite the BoJ's regular statements on wanting to end the policy, neither of these conditions is currently being met. The GDP deflator is down 1.7% on a year over year basis (y/y) and has been negative for five quarters. April CPI was -0.8% y/y. April retail sales were -3.4% y/y, showing little excitement on the private consumption front. While BoJ is worried about the "moral hazard" of subsidizing weak firms and postponing needed restructuring, firms seem to be failing quite well on their own. Corporate bankruptcies were up 12.4% y/y in May, the seventh consecutive monthly increase in business failures. Commercial bank lending was down 4.7% y/y, the 29th consecutive monthly fall. Most of the improvement in the economy has been coming from large manufacturers, with rising exports once again taking over for lapsing fiscal stimulus. Much of the rise in profits at large corporations results from their shedding excess capacity and labor, which does little to stimulate private consumption.

Despite all this, BoJ appears adamant about abandoning zero interest rates and the guessing game has begun as to the date of execution. The next several BoJ policy meetings are: June 28, July 17, August 11, and September 14. The market favorites are July 17 and September 14. By the July 17 meeting, BoJ will have seen its June Tankan or business sentiment report, which is expected to show further improvement. The Tankan, however, reveals little about inflation or private consumption. By the September 14 meeting, the BoJ will have seen the second quarter GDP report, which does include price activity and private consumption - which accounts for 60% of GDP. Further, by September the July 8 G-7 Finance Ministers' meeting and the July 21-23 G-8 meeting, which Japan is hosting on Okinawa, will be out of the way. In any case, the market can now expect increased uncertainty and volatility before each of the next several BoJ policy meetings.

To avoid serious negative effects in equity, bond and currency markets, BoJ will have to convince these markets that the abandonment of zero interest rates is not the beginning of a tightening cycle - not while the Japanese economy remains vulnerable to an economic triple dip. Perhaps that is why Governor Hayami is starting his pre-announcement campaign so early.

Ralph Peters, Aeltus Investment Management, Hartford, CT

Special Questions:

1. Please provide your forecasts of the following variables for Q2 of this year:

	Q2 2000		
	<u>Real GDP</u>	<u>GDP Price Index</u>	<u>Consumer Price Index</u>
Consensus	3.6%	2.5%	3.3%
Top 10 Average	4.3%	2.9%	3.9%
Bottom 10 Average	2.8%	2.1%	3.6%

2. Is the FOMC finished tightening?

	(percentage of those responding)	
	<u>Yes</u>	<u>No</u>
	10%	90%

3. What is your forecast of the federal funds rate target following the FOMC's August 22 meeting?

	Federal funds rate target following <u>August 22 meeting</u>
Consensus	6.78%
Top 10 Average	6.96%
Bottom 10 Average	6.65%

4. What will be the FOMC's target for the federal funds rate at the end of this year?

	Federal funds rate target <u>at end of this year</u>
Consensus	6.86%
Top 10 Average	7.03
Bottom 10 Average	6.68

5. A. Do you believe the euro has bottomed versus the U.S. dollar?

	(percentage of those responding)	
	<u>Yes</u>	<u>No</u>
	82%	18%

B. The euro is currently at about 94 U.S. cents. What will the euro be worth versus the dollar at the end of this year?

	Euro vs. U.S. Dollar <u>at end of this year</u>
Consensus	\$0.98
Top 10 Average	\$1.02
Bottom 10 Average	\$0.94

6. Have 30-year conventional mortgage rates already peaked for the year?

	(percentage of those responding)	
	<u>Yes</u>	<u>No</u>
	55%	45%

7. As of this May, the 12-month change in the overall CPI stood at 3.1%. Excluding food and energy prices, the "core" CPI was up 2.4%. What are your forecasts of the 12-month change in overall CPI and the core CPI as of December 2000 and December 2001:

	12-month change in overall CPI as of:		12-month change in core CPI as of:	
	<u>December 2000</u>	<u>December 2001</u>	<u>December 2000</u>	<u>December 2001</u>
Consensus	3.2%	2.7%	2.5%	2.5%
Top 10 Average	3.6%	3.2%	2.8%	3.0%
Bottom 10 Average	2.7%	2.1%	2.3%	1.9%

8. What are the odds (between 0% and 100%) of a U.S. recession within:

	<u>the next 12 months?</u>	<u>the next 24 months?</u>
Consensus	21%	33%
Top 10 Average	37	56
Bottom 10 Average	7	15

Databank:

2000

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail Sales (a)	0.7	1.3	0.4	-0.6	-0.3							
Total Auto & Truck Sales (b)	18.33	19.67	18.33	18.38	17.53							
Personal Income (a, current \$)	0.7	0.5	0.7	0.6	0.4							
Personal Consumption (a, current \$)	0.7	1.2	0.7	0.2	0.2							
Consumer Credit (e)	15.7	8.0	9.0	7.8								
Consumer Sentiment (U. of Mich.)	112.0	111.3	107.1	109.2	110.7	106.4						
Household Employment (c)	801	171	-233	547	-991							
Non-farm Payroll Employment (c)	349	95	677	264	231							
Unemployment Rate (%)	4.0	4.1	4.1	3.9	4.1							
Average Hourly Earnings ('82\$)	7.88	7.87	7.84	7.87								
Average Hourly Earnings (current \$)	13.49	13.54	13.58	13.64	13.65							
Non-farm Workweek (hrs.)	34.6	34.5	34.5	34.6	34.4							
Industrial Production (d)	5.2	5.3	5.6	6.0	5.9							
Capacity Utilization (%)	81.4	81.5	81.8	82.1	82.1							
Purchasing Managers Index(g)	56.3	56.9	55.8	54.9	53.2							
Housing Starts (b)	1.744	1.822	1.630	1.656	1.592							
Housing Permits (b)	1.762	1.661	1.597	1.559	1.492							
New Home Sales (1-family, c)	927	905	959	877	875							
Construction Expenditures (a)	2.0	1.3	0.8	-0.6								
Consumer Price Index (s.a., d)	2.7	3.2	3.7	3.0	3.1							
CPI ex. Food and Energy (s.a., d)	1.9	2.1	2.4	2.2	2.4							
Producer Price Index (n.s.a., d)	2.5	4.0	4.5	3.9	3.9							
Durable Goods Orders (a)	-1.9	-1.7	4.2	-5.7	6.0							
Leading Economic Indicators (g)	0.2	-0.3	0.1	-0.1								
Balance of Trade & Services (f)	-27.4	-28.1	-30.6	-30.4								
Federal Funds Rate (%)	5.45	5.73	5.85	6.02	6.27							
3-Mo. Treasury Bill Rate (%)	5.32	5.55	5.69	5.66	5.79							
10-Year Treasury Note Yield (%)	6.66	6.52	6.26	5.99	6.44							

1999

Monthly Indicator	Jan	Feb	Mar	Apr	May	Jun	Jly	Aug	Sep	Oct	Nov	Dec
Retail Sales (a)	0.9	1.1	0.4	0.7	1.1	0.0	1.1	1.3	0.3	0.4	1.0	1.7
Total Auto & Truck Sales (b)	16.16	17.40	16.89	16.81	17.81	17.46	17.53	18.27	17.75	17.12	17.65	17.94
Personal Income (a, current \$)	0.6	0.5	0.2	0.5	0.4	0.8	0.3	0.4	0.1	1.2	0.4	0.3
Personal Consumption (a, current \$)	0.5	0.9	0.9	0.4	0.5	0.5	0.4	0.8	0.5	0.5	0.8	1.1
Consumer Credit (e)	15.0	8.9	6.5	0.3	9.4	3.9	7.9	6.0	3.0	4.6	13.8	8.6
Consumer Sentiment ('67 = 100)	103.9	108.1	105.7	104.6	106.8	107.3	106.0	104.5	107.2	103.2	107.2	105.4
Household Employment (c)	708	-196	-53	78	136	208	1	131	120	290	158	322
Payroll Employment (c)	192	420	171	228	95	253	268	159	208	258	265	250
Unemployment Rate (%)	4.3	4.4	4.2	4.3	4.2	4.3	4.3	4.2	4.2	4.1	4.1	4.1
Average Hourly Earnings ('82\$)	7.83	7.84	7.86	7.83	7.85	7.89	7.88	7.87	7.86	7.87	7.87	7.87
Average Hourly Earnings (Current\$)	13.04	13.06	13.11	13.14	13.18	13.24	13.28	13.29	13.36	13.39	13.40	13.46
Non-farm Workweek (hrs.)	34.6	34.6	34.5	34.4	34.4	34.5	34.5	34.5	34.4	34.5	34.5	34.5
Industrial Production (d)	2.5	2.9	3.1	2.9	2.9	3.9	4.7	3.1	3.5	3.7	4.2	4.7
Capacity Utilization (%)	80.4	80.4	80.5	80.4	80.5	80.5	80.7	80.6	80.4	81.0	80.9	81.1
Purchasing Managers Index (g)	49.9	52.1	53.3	52.7	54.4	56.3	53.6	54.4	57.3	56.9	57.1	56.8
Housing Starts (b)	1.804	1.738	1.737	1.561	1.649	1.562	1.704	1.657	1.628	1.636	1.663	1.769
Housing Permits (b)	1.778	1.738	1.654	1.572	1.591	1.641	1.641	1.619	1.506	1.594	1.612	1.622
New Home Sales (1-family, c)	908	909	885	930	896	948	936	914	848	906	895	916
Construction Expenditures (a)	1.7	2.1	0.7	-1.4	-0.9	0.1	0.5	-0.6	0.0	0.5	2.0	2.0
Consumer Price Index (d)	1.7	1.6	1.7	2.3	2.1	2.0	2.1	2.3	2.6	2.6	2.6	2.7
CPI ex. Food and Energy (d)	2.4	2.1	2.1	2.2	2.0	2.1	2.1	1.9	2.0	2.1	2.1	1.9
Producer Price Index (d)	0.8	0.5	0.8	1.2	1.4	1.5	1.5	2.3	3.1	2.8	3.1	3.0
Durable Goods Orders (a)	3.1	-3.9	2.9	-2.4	1.0	0.2	4.3	0.9	-1.5	-0.9	1.2	6.5
Leading Economic Indicators (g)	0.5	0.2	-0.1	-0.1	0.3	0.3	0.3	0.0	-0.1	0.1	0.3	0.3
Balance of Trade & Services (f)	-16.2	-18.6	-19.4	-19.0	-21.6	-24.8	-25.3	-23.7	-23.5	-24.9	-26.0	-24.6
Federal Funds Rate (%)	4.63	4.76	4.81	4.74	4.74	4.76	4.99	5.07	5.22	5.20	5.42	5.30
3-Mo. Treasury Bill Rate (%)	4.34	4.44	4.44	4.29	4.50	4.57	4.55	4.72	4.68	4.86	5.07	5.20
10-Year Treasury Note Yield (%)	4.72	5.00	5.23	5.18	5.54	5.90	5.79	5.94	5.92	6.11	6.03	6.28

(a) month-over-month % change; (b) millions, saar; (c) thousands, saar; (d) year-over-year % change; (e) annualized % change; (f) \$ billions; (g) level. Most series are subject to frequent government revisions. Use with care.

Calendar Of Upcoming Economic Data Releases

Monday July 3 NAPM (Jun) Construction Spending (May)	Tuesday 4 Independence Day <i>US Markets Closed</i>	Wednesday 5 Leading Indicators (May) BTM Chain Store Sales (w) LJR-Redbook Research (w)	Thursday 6 Manufacturers' Shipments, Inventories, and Orders (May) Weekly Jobless Claims Factors Affecting Monetary Reserves	Friday 7 Employment Situation (June)
10 Consumer Credit (May)	11 Wholesale Trade (May) BTM Chain Store Sales (w) LJR-Redbook Research (w)	12 Atlanta Fed Mfg. Survey (Jun)	13 Weekly Jobless Claims Factors Affecting Monetary Reserves	14 Producer Price Index (Jun) Advance Retail Sales (Jun) Industrial Production (Jun) Univ. of Michigan Consumer Sentiment Survey (p Jul)
17 Business Inventories (May)	18 Consumer Price Index (Jun) Real Earnings (Jun) BTM Chain Store Sales (w) LJR-Redbook Research (w)	19 U.S. Trade Balance (May)	20 Housing Starts (Jun) Philadelphia Fed Survey (Jul) Weekly Jobless Claims Factors Affecting Monetary Reserves Greenspan's Humphrey-Hawkins testimony before Senate Banking Committee	21
24	25 Conference Board Consumer Confidence Index (Jul) Existing Home Sales (Jun) BTM Chain Store Sales (w) LJR-Redbook Research (w)	26	27 Employment Cost Index (2Q) Durable Goods Mfg. – advance Report (Jun) Weekly Jobless Claims Factors Affecting Monetary Reserves	28 Gross Domestic Product (2Q00) Univ. of Michigan Consumer Sentiment Survey (f Jul)
31 Chicago PM Survey (Jul)	August 1 Personal Income & Outlays (Jun) NAPM (Jul) Construction Spending (Jun) BTM Chain Store Sales (w) LJR-Redbook Research (w)	2 New Home Sales (Jun) Leading Indicators (Jun)	3 Manufacturers' Shipments, Inventories, and Orders (Jun) Weekly Jobless Claims Factors Affecting Monetary Reserves	4 Employment Situation (Jul)
7 Consumer Credit (Jun)	8 BTM Chain Store Sales (w) LJR-Redbook Research (w)	9 <i>Fed's Beige Book</i> Wholesale Trade (Jun)	10 Weekly Jobless Claims Factors Affecting Monetary Reserves	11 Producer Price Index (Jul) Advance Retail Sales (Jul)

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