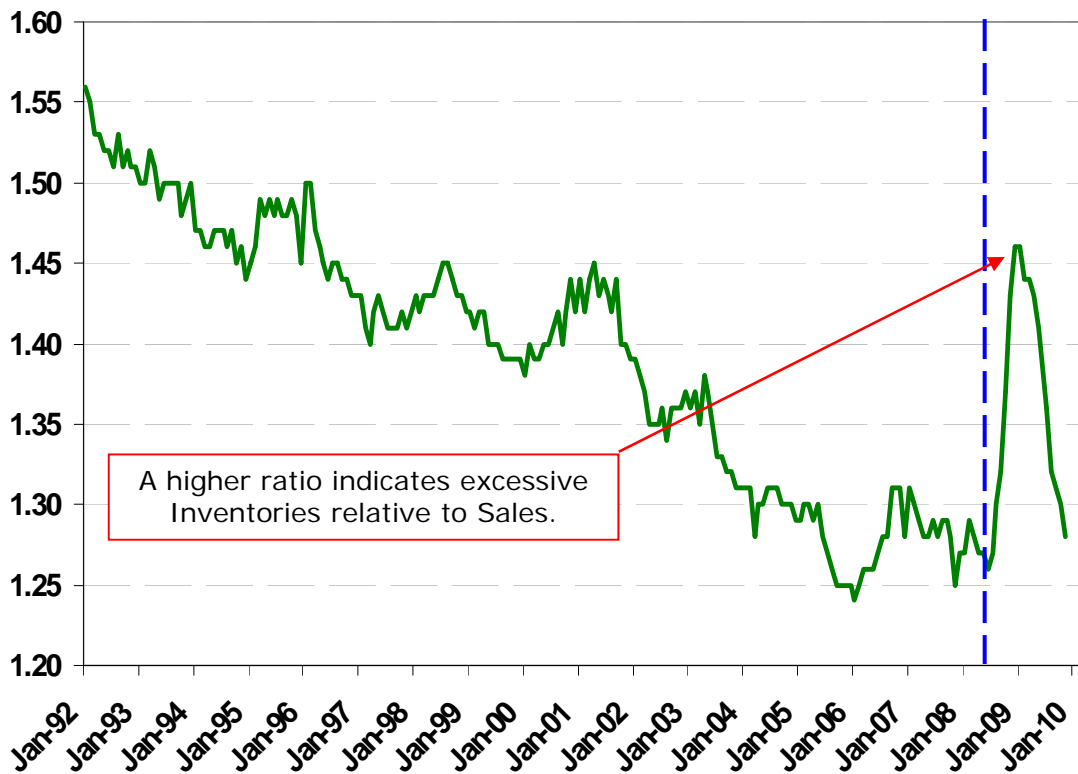


Watching for Improvement Part II:

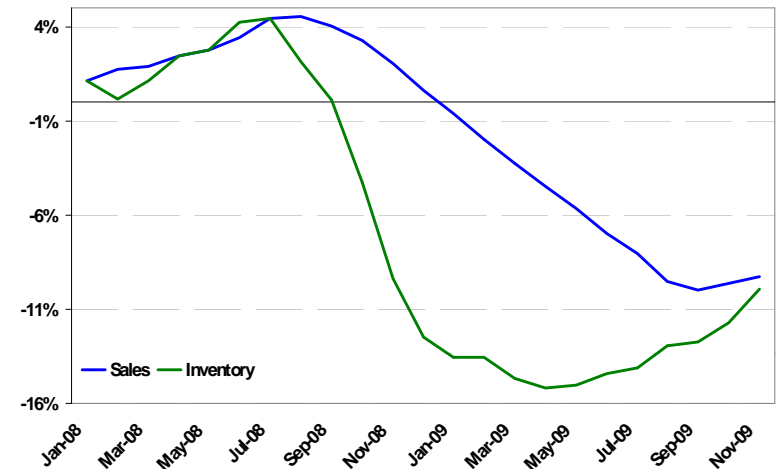
Did businesses overshoot the bottom or is inventory growth a sign of optimism?

Manufacturing and Trade Inventory to Sales Ratio



Data from <http://www.research.stlouisfed.org>

% Growth in Sales and Inventory Since Recession Began



- As the recession took hold in early 2008, Sales were still growing and along with them Inventories. By August of 2008, businesses began allowing Inventories to dissipate even as Sales continued growing for another month.

- This indicator will continue to be important as the market watches for a trend of rising Sales. Businesses began to re-build Inventory in April of 2009 in anticipation of increasing Sales. A substantial rise in the ratio will indicate a pending slowdown in production as businesses re-adjust expectations.