

**MARKETS
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SUPPLEMENT
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Regal Beloit Corp., Beloit, WI, has acquired **Jakel Inc.** and completed the announced \$220 million acquisition of the **FASCO Residential/Commercial** and **FASCO Asia/Pacific** operations from **Tecumseh Products**. The two independent businesses are anticipated to add \$355 million in sales to 2008.

Economic activity in the manufacturing sector expanded in August, according to the latest Manufacturing ISM Report On Business. Viewed from the manufacturing sector, the overall economy continues to grow at a significant rate, according to ISM. In comparing August to July, the rate of growth in manufacturing was slightly less but expansion continues, although at the slowest pace in the past five months.

In July, falling prices for metals and the strength of the Canadian dollar drove the **prices of manufactured products** down for a third consecutive month, while a jump in crude oil prices pushed raw materials prices upward. From June to July, prices charged by manufacturers, as measured by the Industrial Product Price Index (IPPI), fell 0.7 percent following two consecutive monthly declines. On a 12-month basis, the IPPI edged down 0.3 percent, its first decrease after 22 consecutive advances.

Real gross domestic product – the output of goods and services produced by labor and property located in the U.S. – increased at an

annual rate of 4 percent in the second quarter of 2007, according to preliminary estimates. In the first quarter real GDP increased 0.6 percent. These GDP estimates are based on more complete source data than were available for the advance estimates released last month. In the advance estimates, the increase in real GDP was 3.4 percent.

Construction intentions in Canada cooled down in July as the value of building permits declined, halting two months of record-setting performances. Municipalities issued building permits worth \$6.2 billion, down 11.3 percent from \$6.9 billion in June. Still, July was one of only a handful of months in which permits exceeded the \$6-billion mark. At \$6.9 billion in both May and June, the total value of permits was at its highest level on record.

Graybar, St. Louis, MO, distributor of electrical and communications products and related supply chain management and logistics services, reported \$2.56 billion in sales for the first six months of 2007, an increase of 5.1 percent over the same period in 2006. Sales improved along with moderate growth in the electrical and communications/data markets. In comparison to the first half of 2006, profit rose 37.4 percent.

Calculation of MDM Inflation Index for July 2007

	BLS Price Indices Jul. '07	BLS Price Indices Jun. '07	BLS Price Indices Jul. '06	% Sales Weight	Weighted Indices Jul. '07 (1)X(4)	% Change Jul. '07 Jun. '07	% Change Jul. '07 Jul. '06
1136 Abr. Prod.	465.2	464.3	453.0	19.1	88.85	0.19	2.69
1135 Cutting Tools	436.3	435.7	430.6	18.9	82.46	0.12	1.32
1145 Power Trans.	640.4	636.1	614.2	15.4	98.63	0.69	4.27
1081 Fasteners	448.3	445.6	429.4	9.0	40.35	0.61	4.40
1149.01 Valves, etc.	786.9	784.0	735.6	7.6	59.81	0.37	6.97
1132 Power Tools	329.0	329.9	324.6	6.5	21.39	-0.27	1.37
1144 Mat. Handling	463.3	462.2	447.8	6.2	28.72	0.25	3.46
0713.03 Belting	544.3	547.9	535.6	6.1	33.20	-0.65	1.62
1042 Hand Tools	678.0	678.0	667.4	8.1	54.92	0.00	1.58
108 Misc. Metal	418.2	418.7	409.1	3.1	12.96	-0.13	2.21
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"New" July Index	272.4	July Inflation Index			521.28	0.23	3.16
"New" June Index	271.7	June Inflation Index			520.09		
		July 2006 Inflation Index			505.32		

New index reflects 1977=100 base other #: 1967 To convert multiply by .52247