

**MARKETS
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SUPPLEMENT
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MDM News Digest

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The average decrease in industrial production during the first three months of the year was 1.6 percent. Manufacturing output moved down 1.0 percent in May with broad-based declines across industries.

Housing starts went up 17.2 percent in May to an annual rate of 518,000, compared with April, according to the latest figures from the U.S. Census Bureau and the Department of Housing and Urban Development. The number is 45.2 percent below May 2008.

Canadian manufacturing sales edged down 0.1 percent to \$41 billion in April, according to the latest report from Statistics Canada. Sizeable gains in the transportation equipment industry were offset by weakness in other industries. Excluding the transportation equipment industry, manufacturing sales decreased by 2.8 percent. Constant dollar manufacturing sales gained 0.4 percent in April. Although manufacturing sales remaining largely unchanged in April, sales decreased in 16 of 21 manufacturing industries.

Canadian industries operated at 69.3 percent of **production capacity**, down 5.6 percentage points from the previous quarter. It was the first time that industrial capacity use fell below the 70 percent level since the start of the data

series in 1987. Of the 21 major industries in the manufacturing group, 18 registered lower rates.

Both U.S. and Canadian manufacturers experienced a drop in sales in April 2009 according to sales data released by the **Power Transmission Distributors Association**. U.S. manufacturers' sales were down 11.0 percent in April 2009 when compared to March 2009. Canadian manufacturers' sales were down 3.0 percent compared to March 2009. Confidence in the market remained the same this month, holding a current negative position between 4.6 and 4.9.

Illinois Tool Works Inc., Glenview, IL, reported operating revenue decreased 26 percent for the three months ended May 31, 2009, due to a 23 percent decrease in base revenues and a 9 percent decline in contributions from currency translation. Acquisitions contributed 6 percent to revenues in the three month period.

Actuant Corp., Milwaukee, WI, reported sales for the third quarter ended May 31, 2009, were \$290 million, down 35 percent from the prior year. Core sales declined 33 percent. The diversified industrial company recorded a loss of \$17.6 million for the term. Year to date, sales declined 23 percent to \$970 million. The net loss for the nine months was \$2.8 million.

Calculation of MDM Inflation Index for May 2009

| | BLS Price Indices May '09 | BLS Price Indices Apr. '09 | BLS Price Indices May '08 | % Sales Weight | Weighted Indices May '09 (1)X(4) | % Change May '09 Apr. '09 | % Change May '09 May '08 |
|----------------------|------------------------------------|-------------------------------------|------------------------------------|----------------------|---|------------------------------------|-----------------------------------|
| 1136 Abr. Prod. | 523.1 | 526.9 | 484.8 | 19.1 | 99.90 | -0.73 | 7.90 |
| 1135 Cutting Tools | 451.5 | 452.3 | 441.2 | 18.9 | 85.33 | -0.18 | 2.34 |
| 1145 Power Trans. | 724.5 | 726.0 | 673.2 | 15.4 | 111.57 | -0.22 | 7.61 |
| 1081 Fasteners | 477.2 | 478.5 | 478.0 | 9.0 | 42.95 | -0.28 | -0.17 |
| 1149.01 Valves, etc. | 859.4 | 859.4 | 826.9 | 7.6 | 65.31 | 0.00 | 3.93 |
| 1132 Power Tools | 339.2 | 339.0 | 336.1 | 6.5 | 22.05 | 0.07 | 0.92 |
| 1144 Mat. Handling | 519.5 | 520.9 | 486.2 | 6.2 | 32.21 | -0.28 | 6.84 |
| 0713.03 Belting | 606.1 | 606.1 | 578.1 | 6.1 | 36.97 | 0.00 | 4.84 |
| 1042 Hand Tools | 740.0 | 738.6 | 701.1 | 8.1 | 59.94 | 0.18 | 5.54 |
| 108 Misc. Metal | 453.4 | 452.9 | 436.5 | 3.1 | 14.06 | 0.12 | 3.88 |
| "New" May Index | 298.0 | May Inflation Index | | | 570.28 | -0.21 | 5.01 |
| "New" April Index | 298.6 | April Inflation Index | | | 571.48 | | |
| | | May 2008 Inflation Index | | | 543.09 | | |

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