

The 10 major macro themes of the past week

- 1) We're not the only ones upgrading the outlook
- 2) Consumer spending remains weak
- 3) Consumer sentiment sours
- 4) Trade deficit narrows in May
- 5) Industrial production less negative
- 6) CPI boosted by energy and auto prices
- 7) Homebuilder sentiment rises to 10-month high
- 8) Firms will likely add hours instead of new workers
- 9) Small business sentiment took a hit in June
- 10) Inventories slashed, but more work to do



RESEARCH

US Economics

MLPF&S

Drew T. Matus

+1 646 855 9314

Economist

MLPF&S

drew_matus@ml.com

Lori J Helwing

+1 646 855 9317

Economist

MLPF&S

lori_helwing@ml.com

Gary Bigg

+1 646 855 9880

Economist

MLPF&S

gary_bigg@ml.com

Neil Dutta

+1 646 855 9322

Economist

MLPF&S

indraneil_dutta@ml.com

The output gap is expected to remain large for some time and implies that an exit from accommodative policy is still some time off

Standout areas where sales gains were recorded included electronics and sporting goods/music/book stores

The components measuring buying conditions for both homes and vehicles weakened in what cannot be good news for homebuilders and car-dealers alike

1) We're not the only ones upgrading the outlook

The FOMC upgraded their central tendency growth outlook for 2009 from a midpoint of -1.7% in April to -1.3% in June. They also upgraded their 2010 growth outlook from 2.5% to 2.7%. 2011 was unchanged at 4.2%. However, they increased their unemployment rate forecast midpoints to 10% for 2009, 9.7% for 2010 and 8.6% for 2011 versus a "longer run" estimate of 4.9%. This suggests the output gap is expected to remain large for some time and implies that an exit from accommodative policy is still some time off, in our view.

Board staff "revised upward its outlook for economic activity during the remainder of 2009 and for 2010." The staff "projected that real GDP would decline at a substantially slower rate in the second quarter than it had in the first...and then increase in the second half of 2009, though less rapidly than potential output."

2) Consumer spending remains weak

Retail sales rose 0.6% M/M in June for a result slightly better than consensus expectations (0.4% M/M), but well below the Banc of America Securities-Merrill Lynch estimate of 1.0%. Core sales (ex building materials, gasoline and auto dealers) fell 0.1% over the month after downwardly revised declines of 0.1% and 0.2% in April and May, respectively. In short, the results confirm that weakness in consumer spending is still very much the trend, particularly in light of the \$158B (annualized) stimulus checks that were delivered in May. This money was clearly socked more into savings and used to pay down debt than to shop with in June.

Auto sales surprisingly rose by 2.3% M/M despite a drop in unit sales from 9.9M annualized in May to 9.7M in June. Higher gasoline prices, up almost 40 cents to \$2.68/gallon over the month, boosted station sales by 5.0% M/M, as well as the "non-store" retail category that includes fuel dealers. The higher cost to refuel also sapped purchasing power from other categories over the month, including restaurants and building material/garden stores (both down 0.9% M/M), as well as general merchandisers (-0.4%), home furnishing (-0.2%) and drug store (-0.3%) sales. Declines in these areas also reflect heavier discounting, as many retailers continue to have little pricing power in the current sluggish demand environment.

Standout areas where sales gains were recorded included electronics and sporting goods/music/book stores, which each rose by 0.9% M/M. Non-store retailers, which include catalogue and internet sales, posted a 0.6% gain, while food stores rose 0.2% M/M.

3) Consumer sentiment sours

The University of Michigan's Index of Consumer Sentiment declined to 64.6 in July from 70.8 in June – well below consensus estimates for a marginal decline to 70.0. After an improvement in sentiment in the aftermath of a new administration, sentiment has stalled as consumers fail to see any meaningful improvement in economic conditions on the ground. The current conditions component declined to 70.4 in July from 73.2 in June.

The consumer outlook dropped sharply as well, to 60.9 in July from 69.2 in June – the weakest since March and a sign that consumer spending is likely to remain weak in coming months and quarters. In fact, here is what the statistician over at the U of M had to say about the stimulus money being pumped into paychecks: "The reduction in tax withholding has had little impact on spending; instead the most common planned use of this money was to reduce outstanding debts".

Exports surprisingly rose 1.6% M/M in May, breaking the almost continuous stretch of declines that began last August

Capacity utilization fell 0.2ppts in June to an all-time low of 68%

The components measuring buying conditions for both homes and vehicles weakened in what cannot be good news for homebuilders and car-dealers alike. The home buying conditions index dropped to 151 in July from 157 in June – the weakest in three months – while vehicle buying conditions fell to 129 from 139 in June.

4) Trade deficit narrows in May

The trade balance narrowed in May to -\$26.0B from an upwardly revised -\$28.8B in April. After two months of growing, the deficit began to shrink again in May on the heels of stronger growth abroad (exports up 1.6% M/M) but weakness at home (imports down 0.6% M/M).

Imports fell 0.6% M/M in May, for the 10th consecutive monthly decline, taking the level of imports to its lowest since April 2004. Despite a significant rise in oil prices (Brent up 15% M/M) petroleum imports fell 3.4% M/M on fewer volumes and a clear reflection of sluggish demand at home. A similar outcome is expected to unfold in June. Ex-petroleum imports were up 0.1% M/M, with strength in tech related goods (a standout sector) but weakness in drugs and aircraft imports. Auto-related imports also fell 2.3% (the lowest level since March 1996) ahead of the extended factory closures this summer. Stripping out the effects of prices, real goods imports were down 2.1% M/M.

Exports surprisingly rose 1.6% M/M in May, breaking the almost continuous stretch of declines that began last August. Strong gains in industrial goods led the way, with petroleum, chemicals and metals exports all up over the month. Auto-related exports were a sore spot, falling 7.6% M/M, while aircraft goods were essentially unchanged. Given stronger foreign deliveries of Boeing aircraft in May, we suspect that this category could rise in June. Altogether, the figures suggest that demand abroad started to percolate a bit earlier than we had factored in and will be key to watch going forward.

5) Industrial production less negative

Industrial production fell 0.4% M/M in June following a downwardly revised drop of 1.4% M/M in May. This brought the annual decline to -13.6%, for the sharpest downturn since 1946. Results beat both consensus (-0.6%) and BAS-ML (-0.9%) estimates. A 0.8% gain in utilities output added 0.1ppts to the headline over the month on a rebound in natural gas production. On the flip side, mining output fell 0.5% M/M led by less oil and gas drilling production – a segment that has corrected by 53% relative to last September. Excluding these two categories, manufacturing output was down 0.6% M/M led by a 2.6% drop in auto output and undoubtedly a reflection of the factory closures over the month. Elsewhere, significant declines were seen in machinery, tech products, and chemicals, among others. The few bright spots included aerospace (likely reflecting improved order trends at Boeing), defense equipment, plastics/rubber and energy-related output, which all posted monthly gains.

Overall capacity utilization fell 0.2ppts in June to an all-time low of 68% and is currently running over 11ppts below its 5-year average. Utilization in the manufacturing sector also fell to a new low (for the sixth straight month) of 64.6%, reflecting a tremendous amount of slack that is alone very deflationary in nature. A 37.3% utilization rate in the auto sector was partly to blame in June – a reading several ticks below January's print when the industry had its first round of factory closures.

Relative to year-ago levels, overall prices remained well entrenched in negative terrain, down 1.4% for the largest decline since 1950

6) CPI boosted by energy and auto prices

Overall CPI rose 0.7% M/M in June. While most foresaw the rebound in energy prices, the magnitude was a bit stronger, up 7.4% M/M led by higher gasoline prices. Stripping out this one component, the headline would have otherwise been up by only 0.1% M/M. Food prices were flat over the month following a string of four consecutive declines – a clear reflection of well-contained pricing. Excluding food and energy, core CPI rose by 0.2% M/M with increases led by new and used cars, apparel, tobacco, medical care service and tuition costs. Following a six-month string of gains, new car prices appear ripe for correction in July and have benefited from what the BLS cited as an early introduction of 2010 models (and therefore mismatched seasonal factors). Elsewhere, rent and owners equivalent rent – categories which together account for over 30% of the core CPI – posted better than expected increases of 0.1% M/M each.

Relative to year-ago levels, overall prices remained well entrenched in negative terrain, down 1.4% for the largest decline since 1950. Looking ahead, easy energy comparisons versus a year ago should be a key factor in leading the overall CPI lower still. After peaking at 6.1% Y/Y in October 2008, food prices eased to 2.1% Y/Y in June and will also be a tailwind for the headline going forward. By 3Q, we anticipate overall CPI to fall by 2.0% Y/Y before heading back into positive terrain by year-end.

Core prices were unchanged at 1.8% Y/Y (the slowest pace since February 2004) and down from the nearby peak of 2.5% in August 2008. By 3Q, the core CPI is also expected to ease toward 1.5% with depressed demand and more competitive pricing for a broad array of consumer categories expected as tailwinds.

While builder sentiment is at a 10-month high, it remains at a depressed level

7) Homebuilder sentiment rises to 10-month high

The National Association of Home Builders (NAHB) reported that its index of builder confidence rose from 15 in June to 17 in July. The July reading exceeded the BAS-ML and consensus projection of 16. A reading above 50 indicates homebuilder optimism. While the July reading is at a 10-month high, it remains at a depressed level. With the low readings for the NAHB index, we expect a 2.0% decline in new home sales for June and a 1.0% fall in July. With assists from falling mortgage rates and a first-time homebuyer tax credit, the present sales component of the index posted a gain from 14 in June to 17 in July. These two factors likely also caused the prospective buyer traffic component of the index to advance to 14 from June's 13 reading. Expectations for sales over the next six months were unchanged at 26. Sales expectations have been flat for the past six months.

Firms will likely add to the workweek of existing workers rather than hiring anew

8) Firms will add hours instead of new workers

More employment concerns can be seen in the New York Times this week, which highlighted the number of people working part time who want to be working full-time. The recent labor market downturn has been unusual in that the level of hours worked has dropped much more sharply than would have been expected. The upside to this trend has been that there have been fewer layoffs than otherwise would have been the case. The downside is that more consumers are facing strains due to lowered gross earnings caused by their reduced workweek. Looking ahead, this is one reason why we believe the unemployment rate will remain above 10% for several quarters despite our expectation for modestly above trend growth. Simply put, firms will likely add to the workweek of existing workers rather than hiring anew.

More firms are planning to raise average selling prices - to a net 5% in June from 3% in May and 1% in April

This marks a slight improvement versus April, suggesting that an ongoing correction in inventories is still in store at the same time that sales need to begin to grow

9) Small business sentiment took a hit in June

The National Federation of Independent Business Small Business Optimism index fell for the first time three months, to 87.8 in June from 88.9 in May.

- For an unprecedented 19th consecutive month, a majority of firms surveyed planned to cut inventories. The net percentage planning to add to inventories dropped to -6 in June from -3 in May in a sign that this inventory drawdown likely has several quarters to run. And, most firms continue to say that their current level of inventories is too high.
- Credit conditions remain tight for small businesses. A net 14% of respondents said credit was harder to get, which is still near the 16% record in May. Meanwhile, most do not see credit conditions easing – this component came in at a net percentage of -13 in June from -15 in May.
- On the inflation front, more firms are planning to raise average selling prices – to a net 5% in June from 3% in May and 1% in April; that's the highest level since November 2008.
- If there was any good news in this report, it was in the employment components, which suggest that the pace of job losses is easing. The net percentage of firms planning to increase employment rose to -1 in June from -5 in May and while that still means most small businesses plan to shed staff it was the best we have seen since October 2008. The net percentage of firms with one or more job openings also rose to 11 in June from 9 in May.

10) Inventories slashed but more work to do

Business inventories fell 1.0% M/M in May, for the ninth consecutive monthly decline. Companies continued to work through stocks on hand, which remained excessively high relative to sales (down 0.1% M/M). Indeed, while sales have plummeted by 18.9% from the nearby peak, inventories have only been cut by 9.2%, leaving the inventory-to-sales (I/S) ratio well above historical norms at 1.42 months in May. This marks a slight improvement versus April, suggesting that an ongoing correction in inventories is still in store at the same time that sales need to begin to grow. A typical I/S ratio is between 1.25 and 1.30, and we estimate will likely be reached in 2010 on the heels of a modest recovery in demand.

Retail inventories, the new information from this report, fell by 1.6% M/M in May, with a sharper 4.2% decline at auto dealerships. Sales were up 0.5% M/M to reflect an improved I/S ratio at 1.50 months versus the cycle high of 1.62 last December. While most sectors have shown improving trends, both home furnishing and building material/garden stores still have elevated I/S ratios and will need to either work down existing inventories or see demand begin to pick up going forward. In fact, the June retail sales report revealed declines in these two categories, suggesting that de-stocking is likely in store again for June.

Important Disclosures

Other Important Disclosures

Individuals identified as economists do not function as research analysts under U.S. law and reports prepared by them are not research reports under applicable U.S. rules and regulations. Macroeconomic analysis IS considered investment research for purposes of distribution in the U.K. under the rules of the Financial Services Authority. This report should be read in conjunction with the Bank of America NA (London) general policy statement on the handling of research conflicts, available on request. Issued and approved by Bank of America NA, London branch, authorized as regulated by the Financial Services Authority.

Merrill Lynch Research policies relating to conflicts of interest are described at <http://www.ml.com/media/43347.pdf>.

"Merrill Lynch" includes Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") and its affiliates, including BofA (defined below). "BofA" refers to Banc of America Securities LLC ("BAS"), Banc of America Securities Limited ("BASL"), Banc of America Investment Services, Inc ("BAI") and their affiliates. Investors should contact their Merrill Lynch or BofA representative if they have questions concerning this report.

Information relating to Non-US affiliates of Merrill Lynch and Distribution of Affiliate Research Reports:

MLPF&S, BAS, BAI, and BASL distribute, or may in the future distribute, research reports of the following non-US affiliates in the US (short name: legal name): Merrill Lynch (France): Merrill Lynch Capital Markets (France) SAS; Merrill Lynch (Frankfurt): Merrill Lynch International Bank Ltd, Frankfurt Branch; Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd; Merrill Lynch (Milan): Merrill Lynch International Bank Limited; MLPF&S (UK): Merrill Lynch, Pierce, Fenner & Smith Limited; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited; Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd; Merrill Lynch (Canada): Merrill Lynch Canada Inc; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa; Merrill Lynch (Argentina): Merrill Lynch Argentina SA; Merrill Lynch (Japan): Merrill Lynch Japan Securities Co, Ltd; Merrill Lynch (Seoul): Merrill Lynch International Incorporated (Seoul Branch); Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd.; DSP Merrill Lynch (India): DSP Merrill Lynch Limited; PT Merrill Lynch (Indonesia): PT Merrill Lynch Indonesia; Merrill Lynch (KL) Sdn. Bhd.: Merrill Lynch (Malaysia); Merrill Lynch (Israel): Merrill Lynch Israel Limited; Merrill Lynch (Russia): Merrill Lynch CIS Limited, Moscow; Merrill Lynch (Turkey): Merrill Lynch Yatirim Bankasi A.S.; Merrill Lynch (Dubai): Merrill Lynch International Bank Ltd, Dubai Branch; MLPF&S (Zürich rep. office): MLPF&S Incorporated Zürich representative office.

This research report has been approved for publication in the United Kingdom by Merrill Lynch, Pierce, Fenner & Smith Limited and BASL, which are authorized and regulated by the Financial Services Authority; has been considered and distributed in Japan by Merrill Lynch Japan Securities Co, Ltd and Banc of America Securities - Japan, Inc., registered securities dealers under the Financial Instruments and Exchange Law in Japan; is distributed in Hong Kong by Merrill Lynch (Asia Pacific) Limited and Banc of America Securities Asia Limited, which are regulated by the Hong Kong SFC and the Hong Kong Monetary Authority; is issued and distributed in Taiwan by Merrill Lynch Securities (Taiwan) Ltd.; is issued and distributed in Malaysia by Merrill Lynch (KL) Sdn. Bhd., a licensed investment adviser regulated by the Malaysian Securities Commission; is issued and distributed in India by DSP Merrill Lynch Limited; and is issued and distributed in Singapore by Merrill Lynch International Bank Limited (Merchant Bank), Merrill Lynch (Singapore) Pte Ltd (Company Registration No.'s F 06872E and 198602883D respectively) and Bank of America Singapore Limited (Merchant Bank). Merrill Lynch International Bank Limited (Merchant Bank), Merrill Lynch (Singapore) Pte Ltd and Bank of America Singapore Limited (Merchant Bank) are regulated by the Monetary Authority of Singapore. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 provides this report in Australia in accordance with section 911B of the Corporations Act 2001 and neither it nor any of its affiliates involved in preparing this research report is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this report in Brazil.

Merrill Lynch (Frankfurt) distributes this report in Germany. Merrill Lynch (Frankfurt) is regulated by BaFin.

This research report has been prepared and issued by MLPF&S and/or one or more of its non-US affiliates. MLPF&S is the distributor of this research report in the US and accepts full responsibility for research reports of its non-US affiliates distributed to MLPF&S clients in the US. Any US person (other than BAS, BAI and their respective clients) receiving this research report and wishing to effect any transaction in any security discussed in the report should do so through MLPF&S and not such foreign affiliates.

BAS distributes this research report to its clients and to its affiliate BAI and accepts responsibility for the distribution of this report in the US to BAS clients, but not to the clients of BAI. BAI is a registered broker-dealer, member of FINRA and SIPC, and is a non-bank subsidiary of Bank of America, N.A. BAI accepts responsibility for the distribution of this report in the US to BAI clients. Transactions by US persons that are BAS or BAI clients in any security discussed herein must be carried out through BAS and BAI, respectively.

General Investment Related Disclosures:

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report.

Securities and other financial instruments discussed in this report, or recommended, offered or sold by Merrill Lynch, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report. Investors in such securities and instruments effectively assume currency risk.

17 July 2009

UK Readers: The protections provided by the U.K. regulatory regime, including the Financial Services Scheme, do not apply in general to business coordinated by Merrill Lynch entities located outside of the United Kingdom. These disclosures should be read in conjunction with the BASL general policy statement on the handling of research conflicts, which is available upon request.

Officers of MLPF&S or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Merrill Lynch is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. Merrill Lynch may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

Merrill Lynch, through business units other than BAS-ML Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented in this report. Such ideas or recommendations reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and Merrill Lynch is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report.

In the event that the recipient received this report pursuant to a contract between the recipient and BAS for the provision of research services for a separate fee, and in connection therewith BAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BAS). BAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities mentioned in this report.

Copyright and General Information regarding Research Reports:

Copyright 2009 Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. This research report is prepared for the use of Merrill Lynch clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Merrill Lynch. Merrill Lynch research reports are distributed simultaneously to internal and client websites and other portals by Merrill Lynch and are not publicly-available materials. Any unauthorized use or disclosure is prohibited. Receipt and review of this research report constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained in this report (including any investment recommendations, estimates or price targets) without first obtaining expressed permission from an authorized officer of Merrill Lynch.

Materials prepared by Merrill Lynch research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of Merrill Lynch, including investment banking personnel. To the extent this report discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this report. Merrill Lynch research personnel's knowledge of legal proceedings in which any Merrill Lynch entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving companies mentioned in this report is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of Merrill Lynch in connection with the legal proceedings or matters relevant to such proceedings.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to Merrill Lynch and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This report may contain links to third-party websites. Merrill Lynch is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this report and is not incorporated by reference into this report. The inclusion of a link in this report does not imply any endorsement by or any affiliation with Merrill Lynch. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. Merrill Lynch is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of the report and are subject to change without notice. Prices also are subject to change without notice. Merrill Lynch is under no obligation to update this report and Merrill Lynch's ability to publish research on the subject company(ies) in the future is subject to applicable quiet periods. You should therefore assume that Merrill Lynch will not update any fact, circumstance or opinion contained in this report.

Certain outstanding reports may contain discussions and/or investment opinions relating to securities, financial instruments and/or issuers that are no longer current. Always refer to the most recent research report relating to a company or issuer prior to making an investment decision.

In some cases, a company or issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such company or issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BAS, BAI, MLPF&S or any of their affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither Merrill Lynch nor any officer or employee of Merrill Lynch accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this report or its contents.