

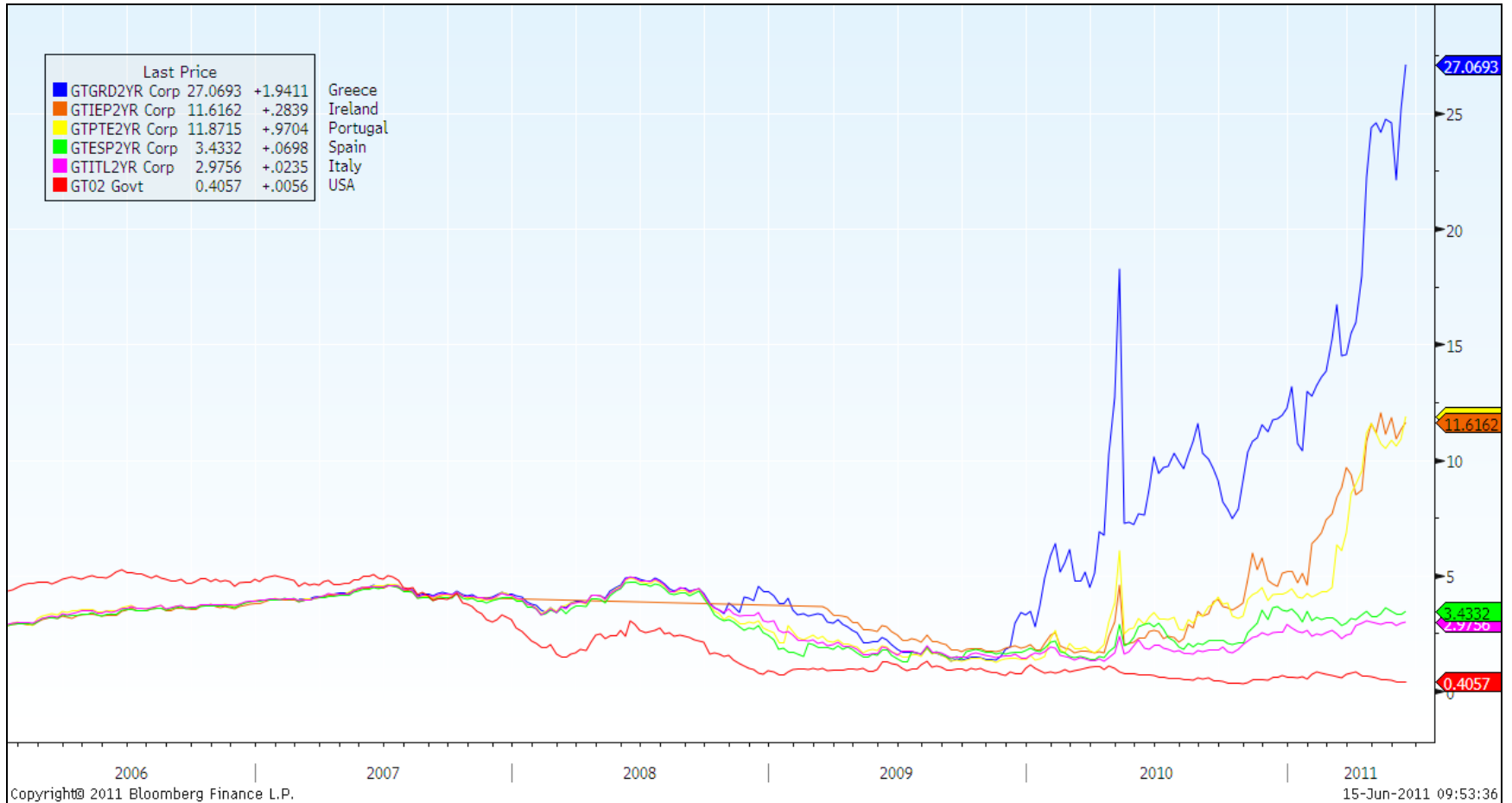
The Return Of The Bond Vigilantes?

June 23, 2011

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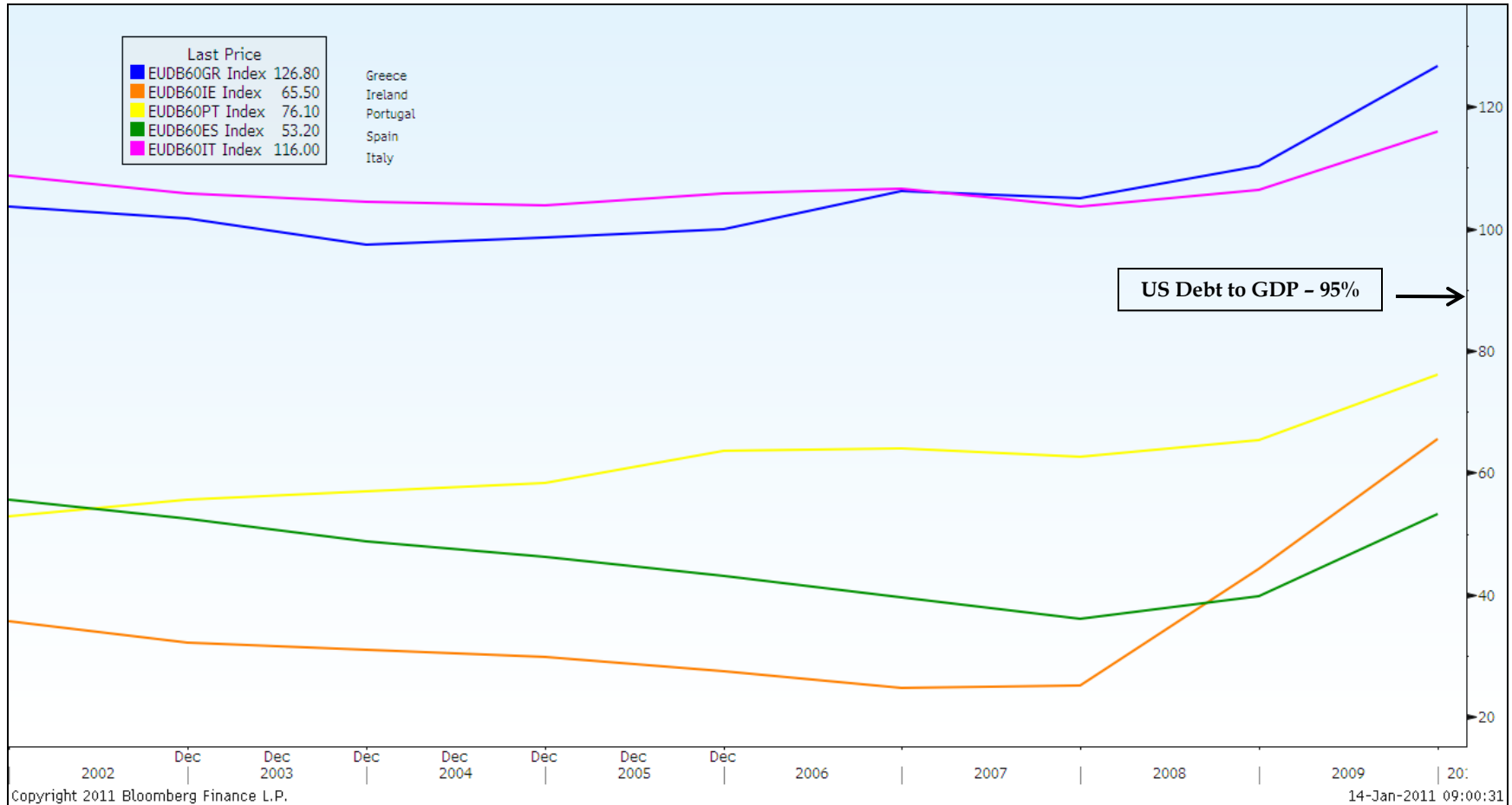
Mitch Stapley, CFA
Chief Fixed Income Officer
Fifth Third Asset Management

PIIGS' s Get Slaughtered



Source: Bloomberg PIIG 2 Year Yields 1/13/06 - 6/15/11

PIIG Debt To GDP



Source: Bloomberg PIIG Debt to GDP 12/31/01 - 12/31/09

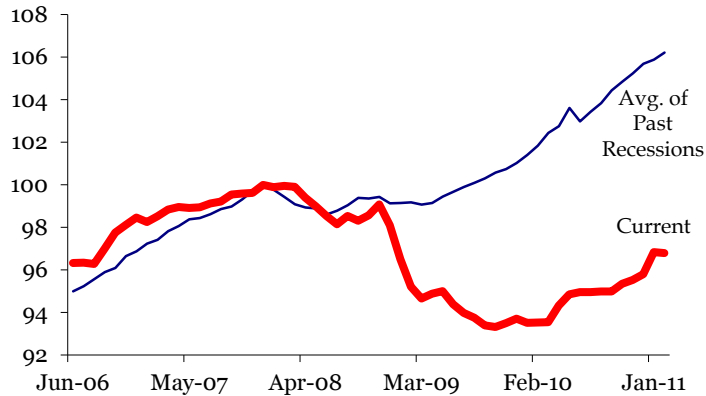
A Brief History Of European Sovereign Defaults – Wouldn't Be The First Time

Austria	England	France	Germany	Greece	Holland	Portugal	Spain
1796	1340	1558	1683	1826	1814	1560	1557
1938	1472	1624	1807	1843		1828	1575
1940	1594	1648	1813	1860		1837	1596
		1661	1932	1893		1841	1607
		1701	1939	1932		1845	1627
		1715				1852	1647
		1770				1890	1809
		1788					1820
		1812					1831
							1834
							1851
							1867
							1872
							1882
							1936
							1937
							1938
							1939

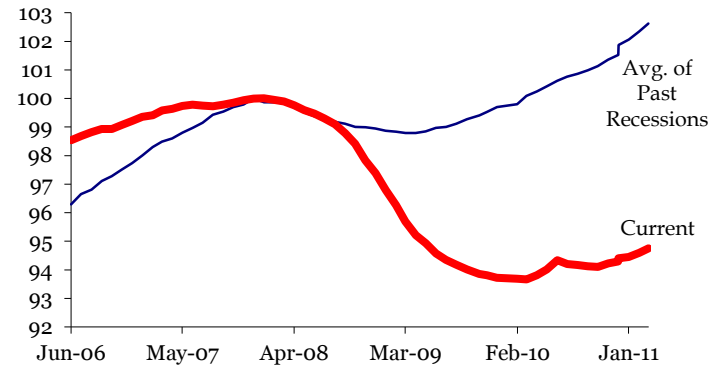
Source: Wikipedia

The No Growth Recovery – The Trend Is Important

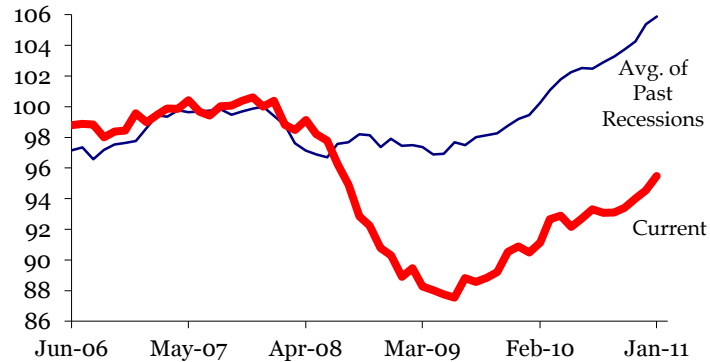
**Real Personal Income Less Transfers
Indexed to 100 at Business Cycle Peak**



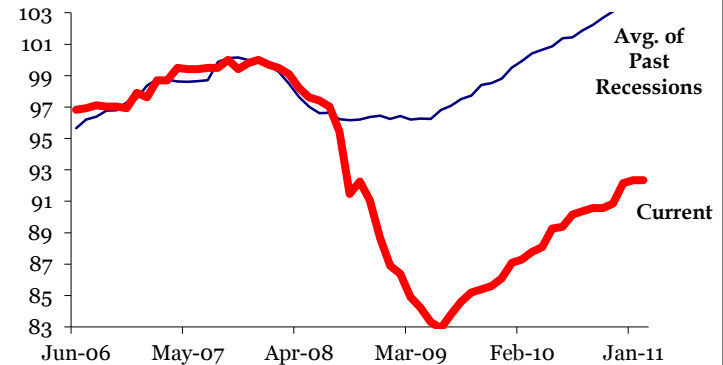
**Employment (Non-Farm Payrolls)
Indexed to 100 at Business Cycle Peak**



**Real Manufacturing & Trade Sales
Indexed to 100 at Business Cycle Peak**

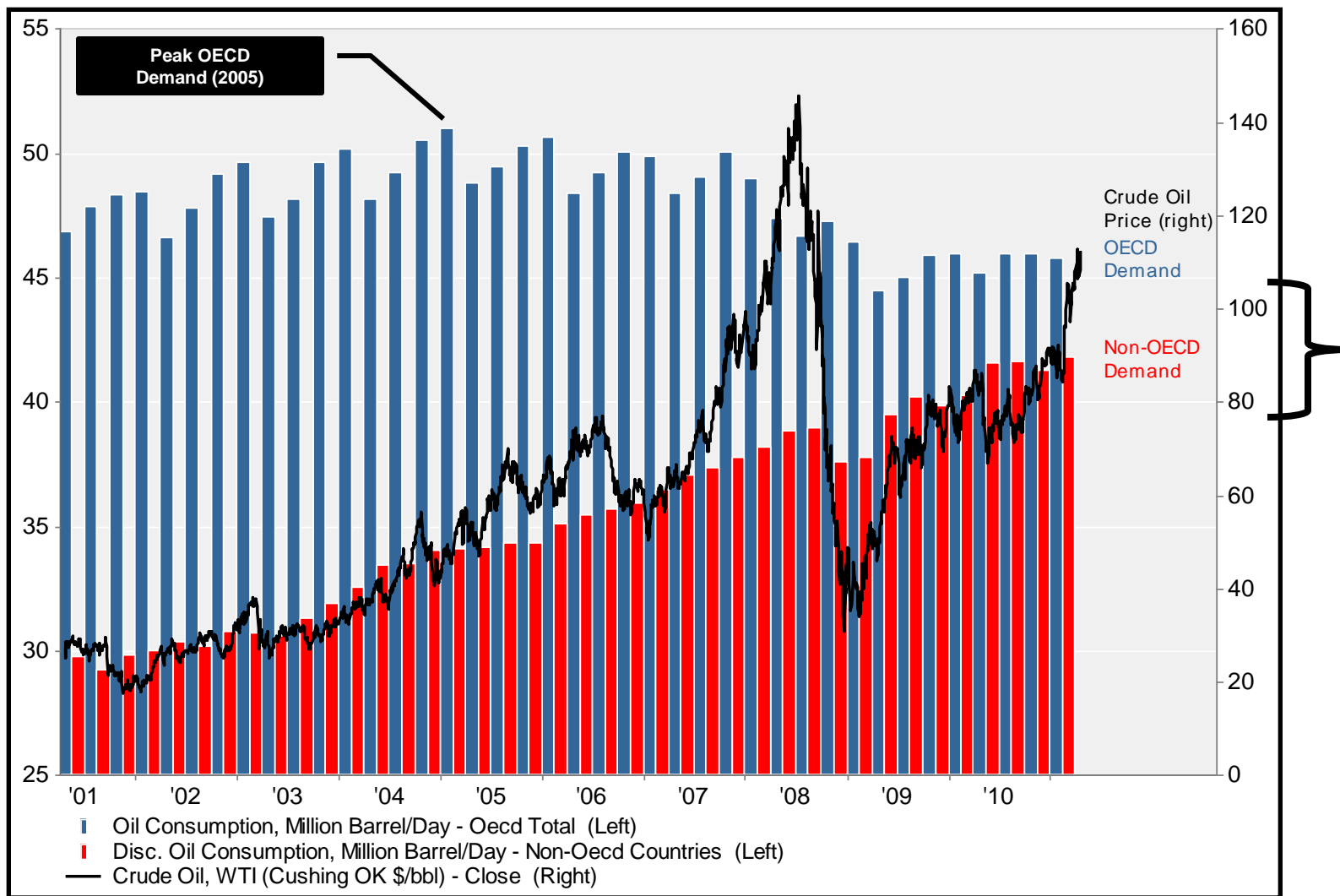


**Industrial Production
Indexed to 100 at Business Cycle Peak**



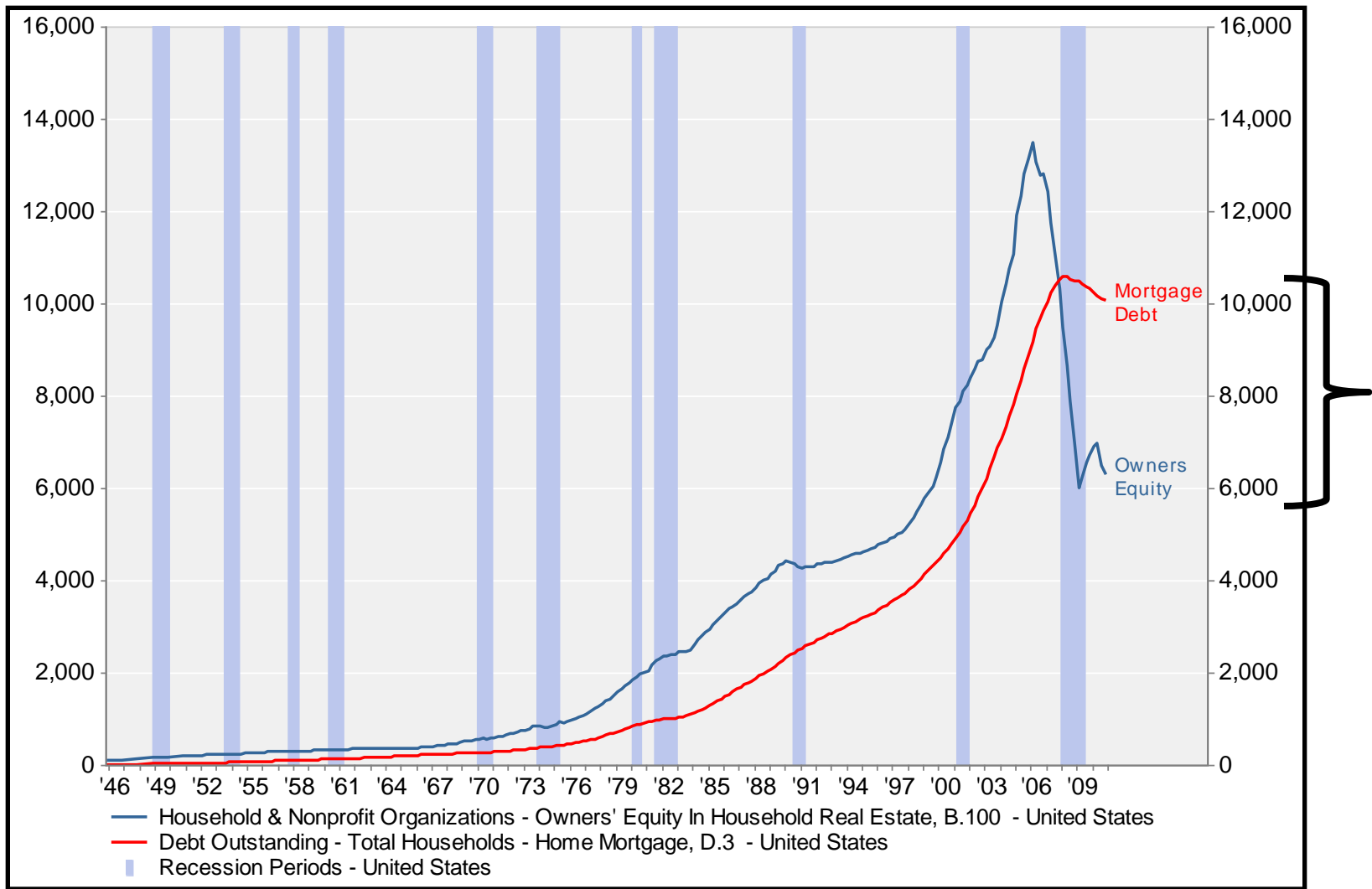
Source: NBER, Strategas

Crude Oil – Not Our Fault



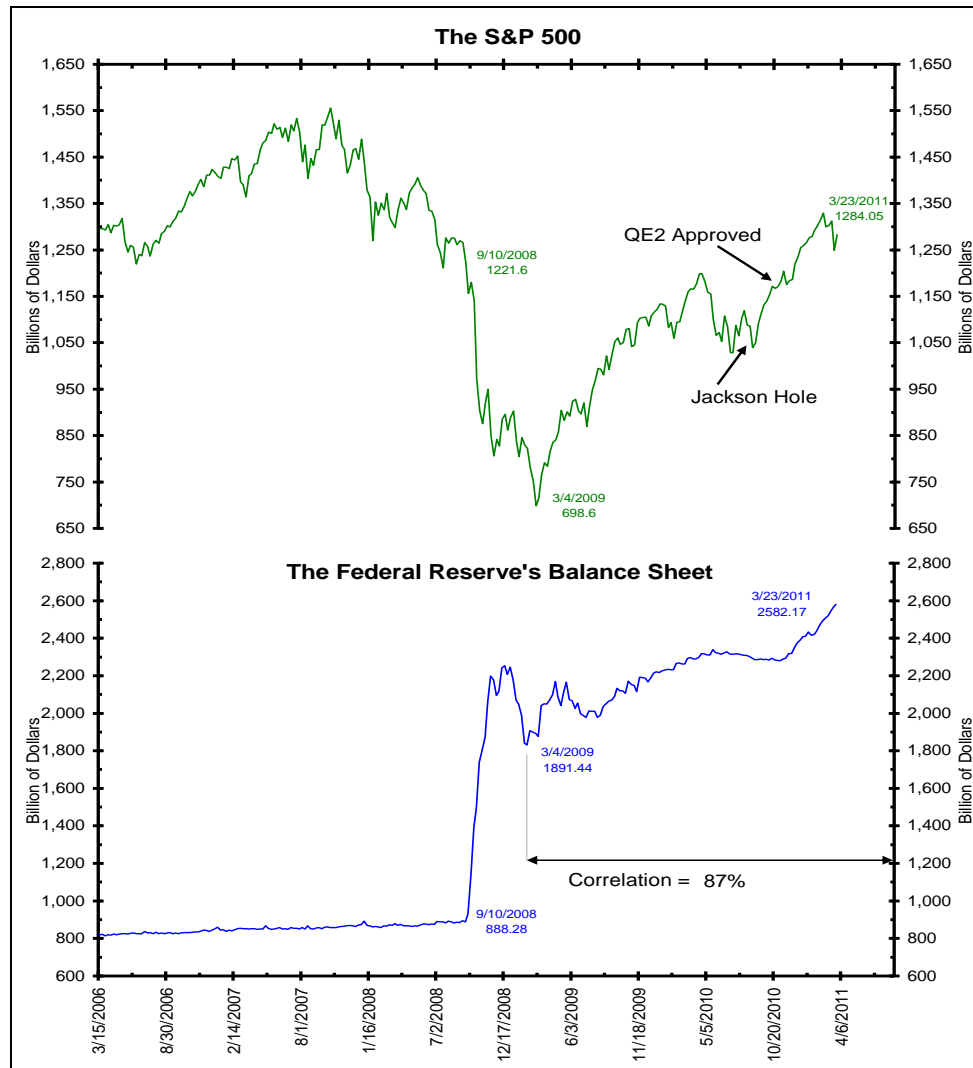
Source: Factset

Housing Hang-Over



Source: Factset

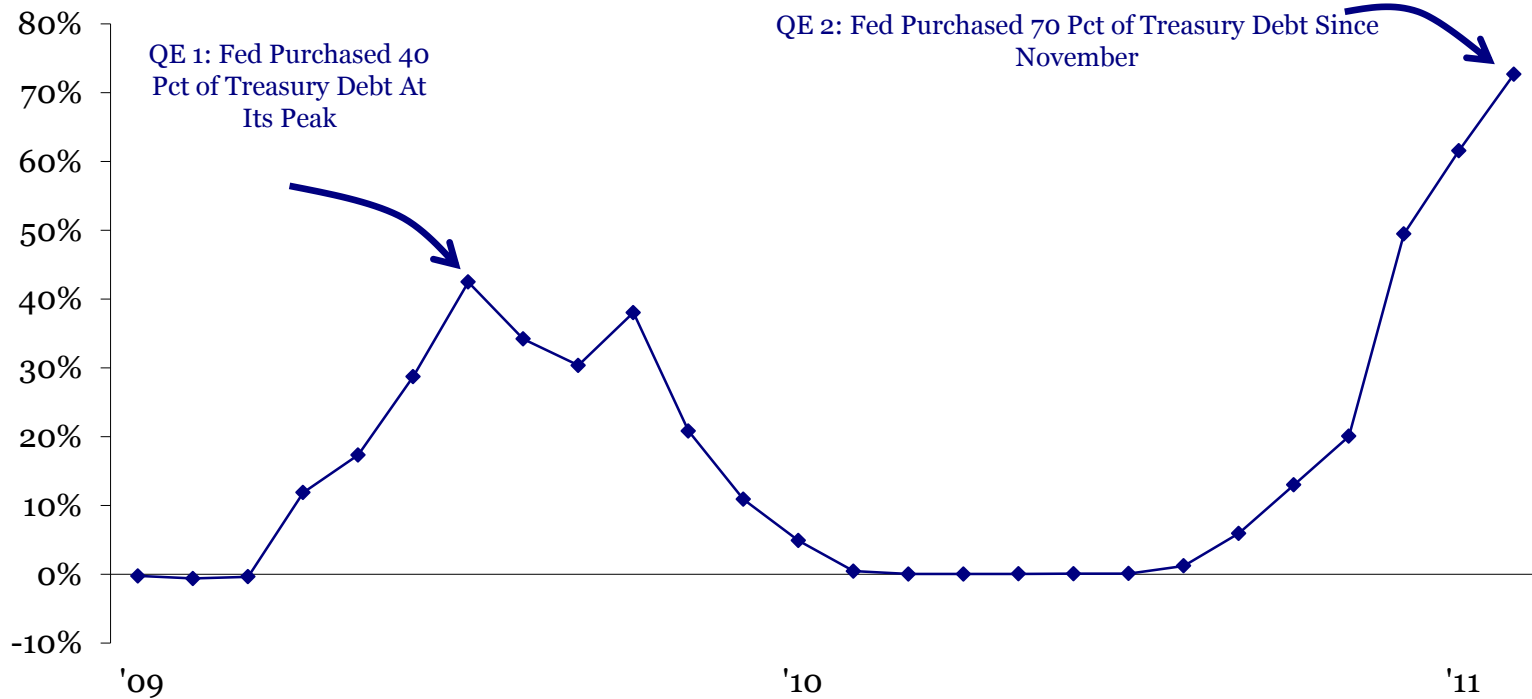
Stocks Love QE2, But How Does It End?



Source: Bianco Research

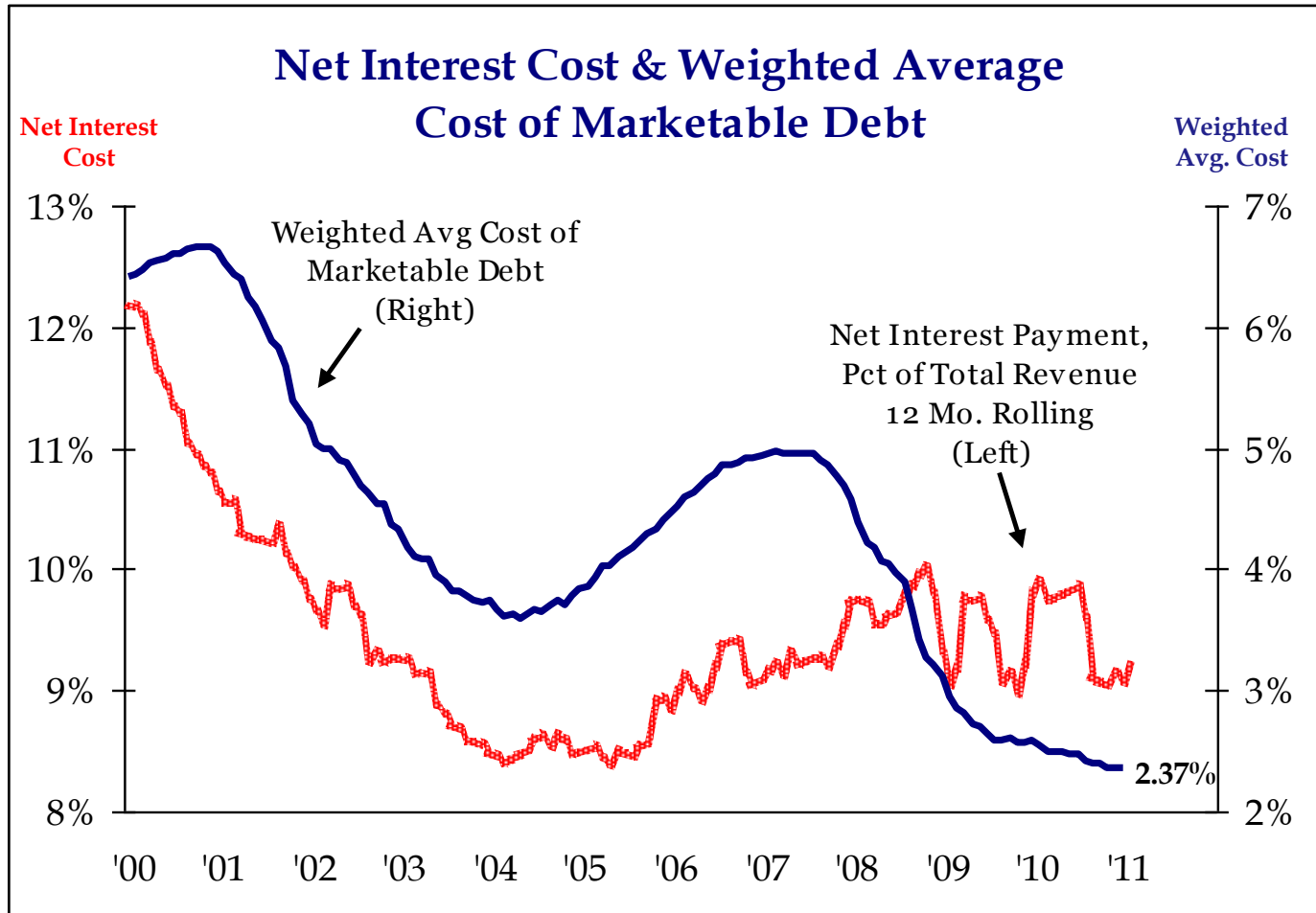
Who Replaces The Fed After June 30th?

Federal Reserve % Purchase of Treasury Debt Issuance, 4 Mo. Rolling



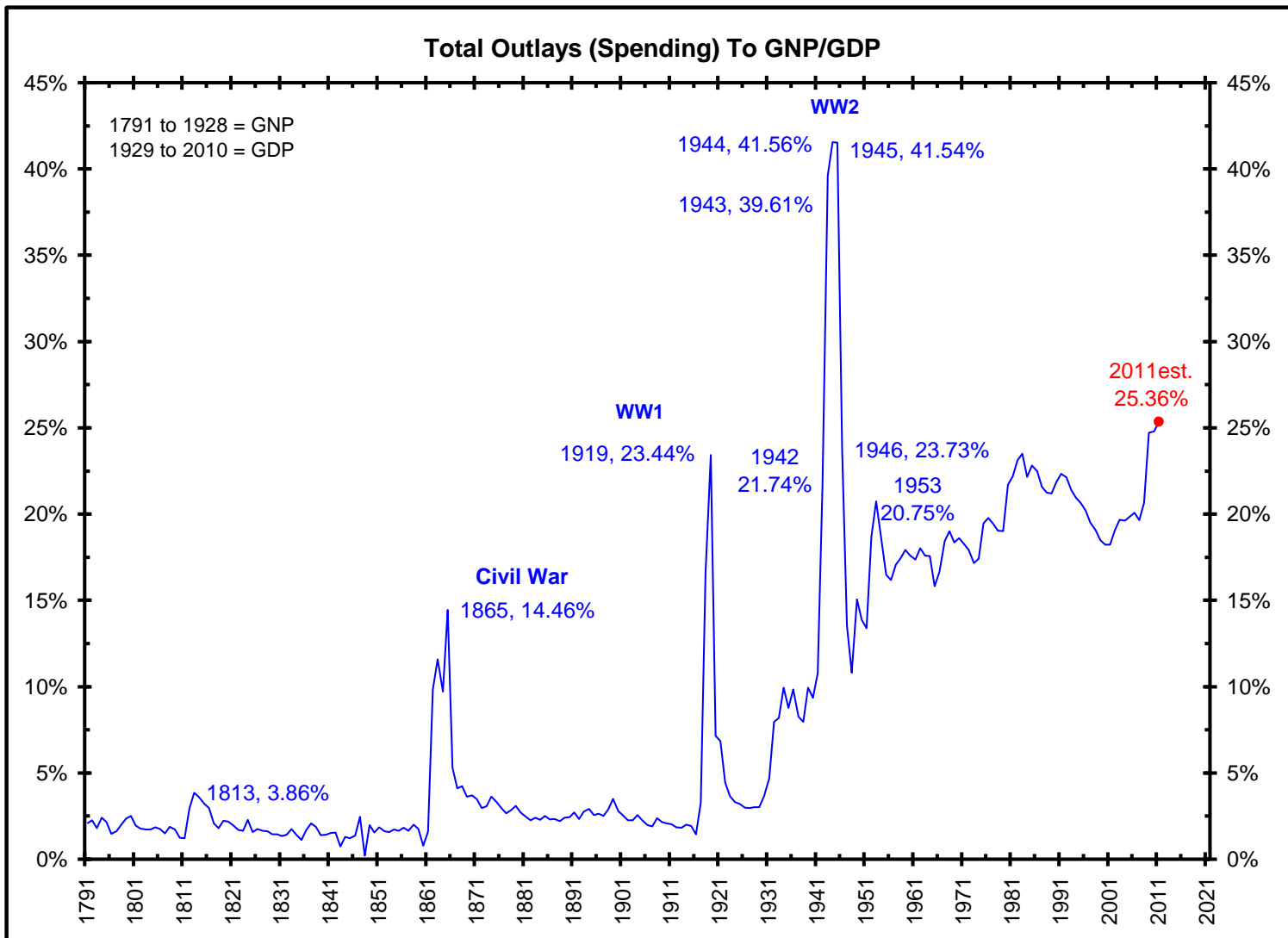
Source: Strategas

How Long Can It Last?



Source: Strategas

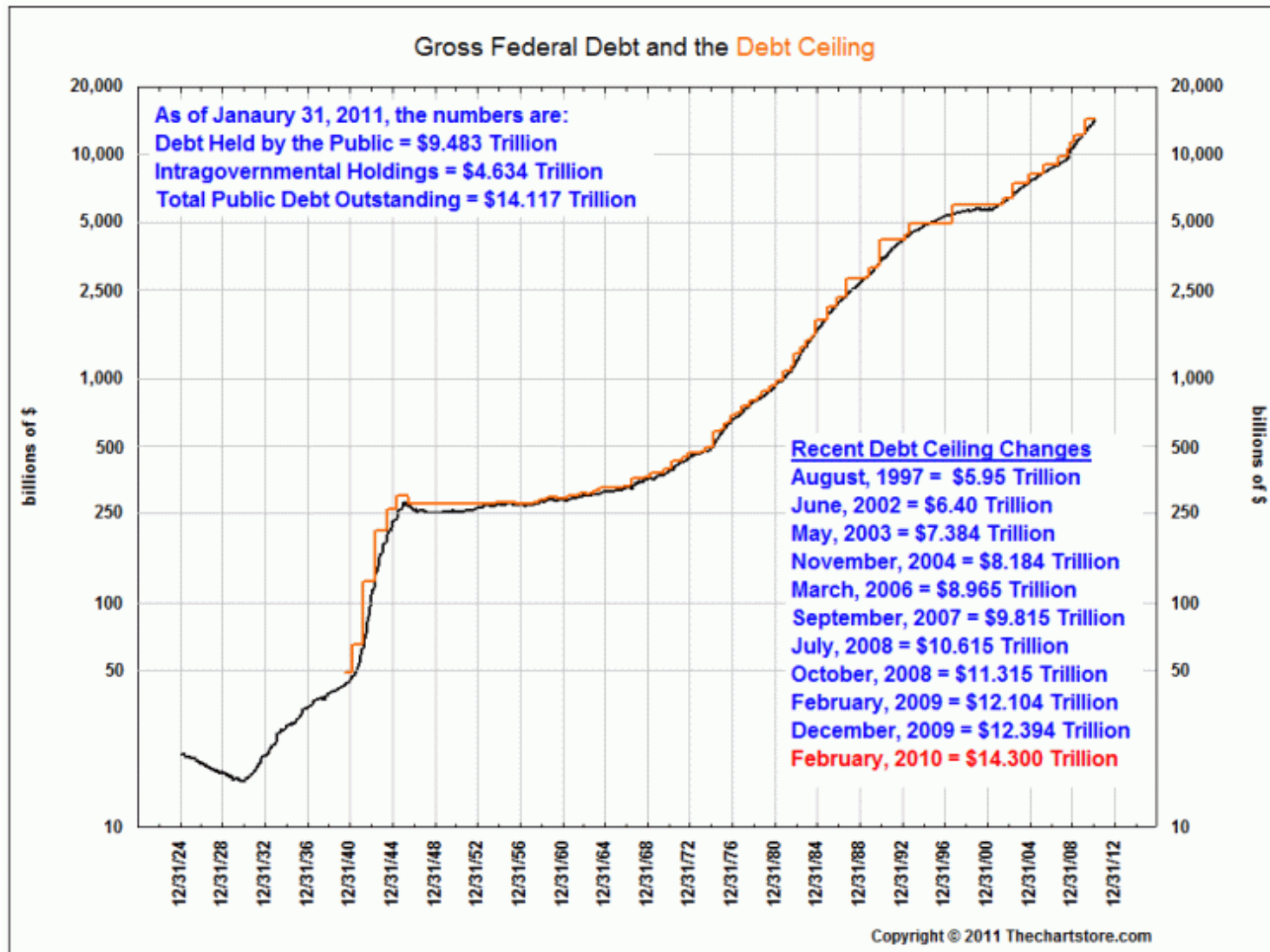
Is It A Revenue Question Or A Spending Question?



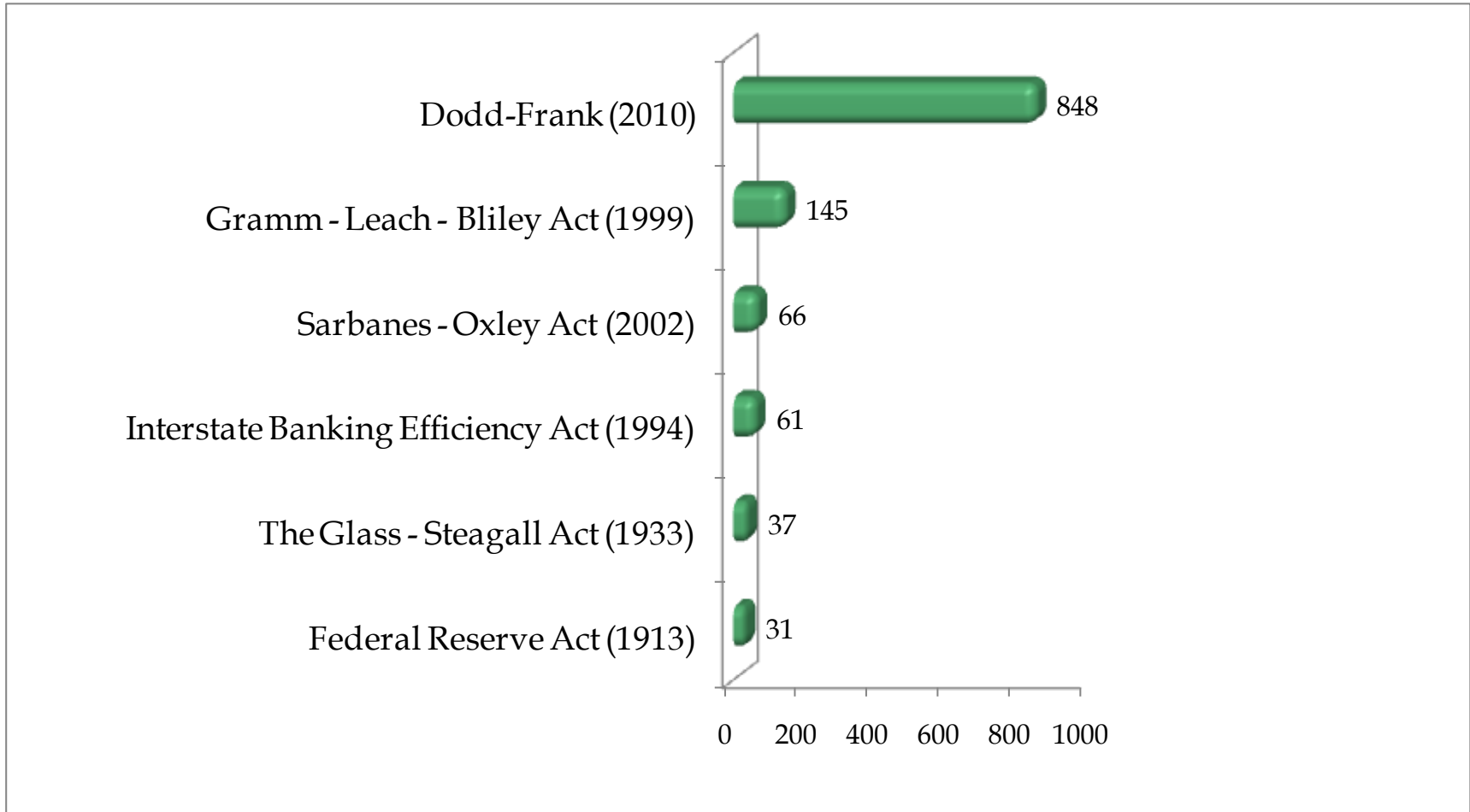
Source: Bianco Research



Gross Federal Debt And The Debt Ceiling

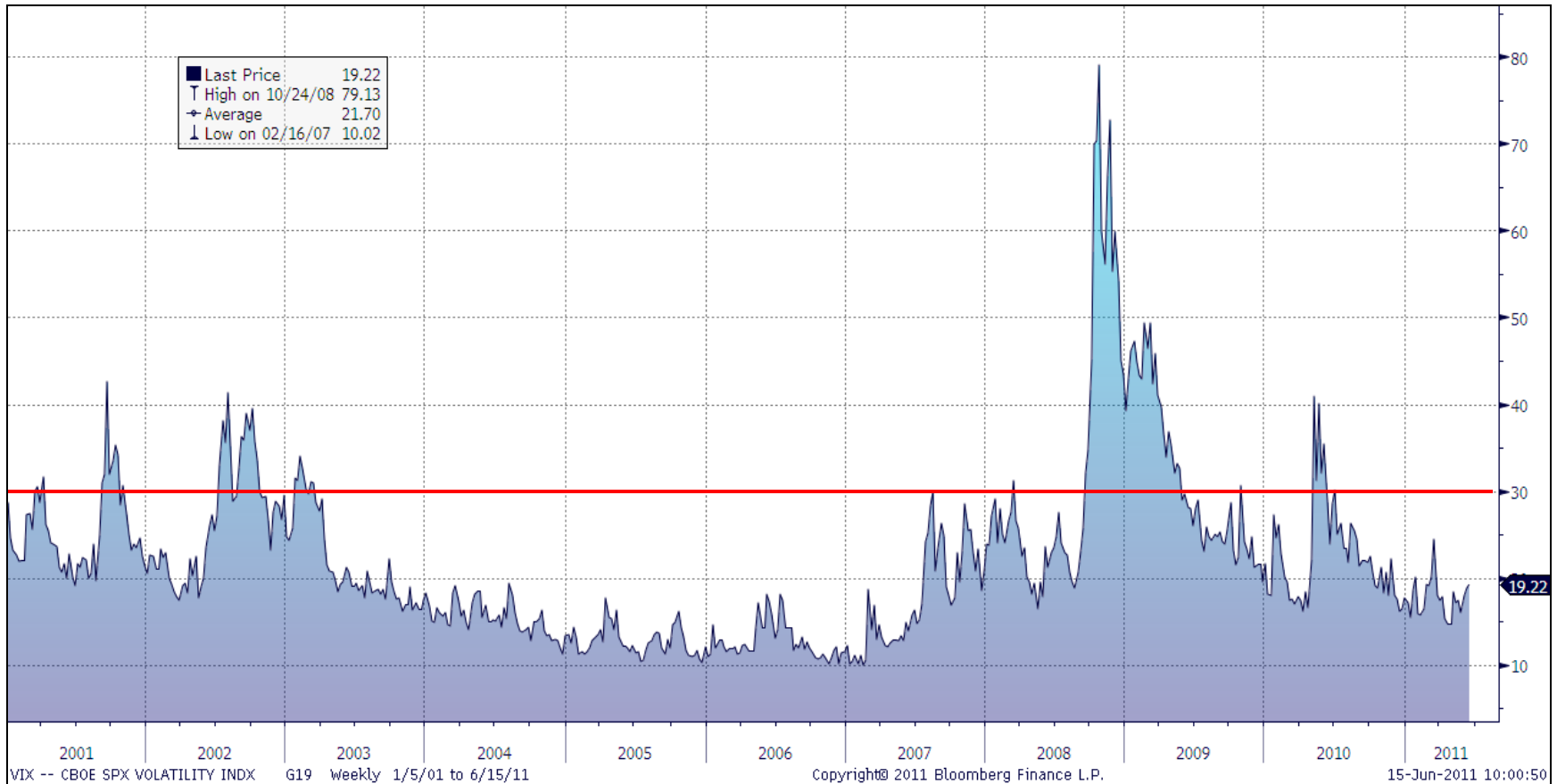


Major Financial Legislation: Number of Pages



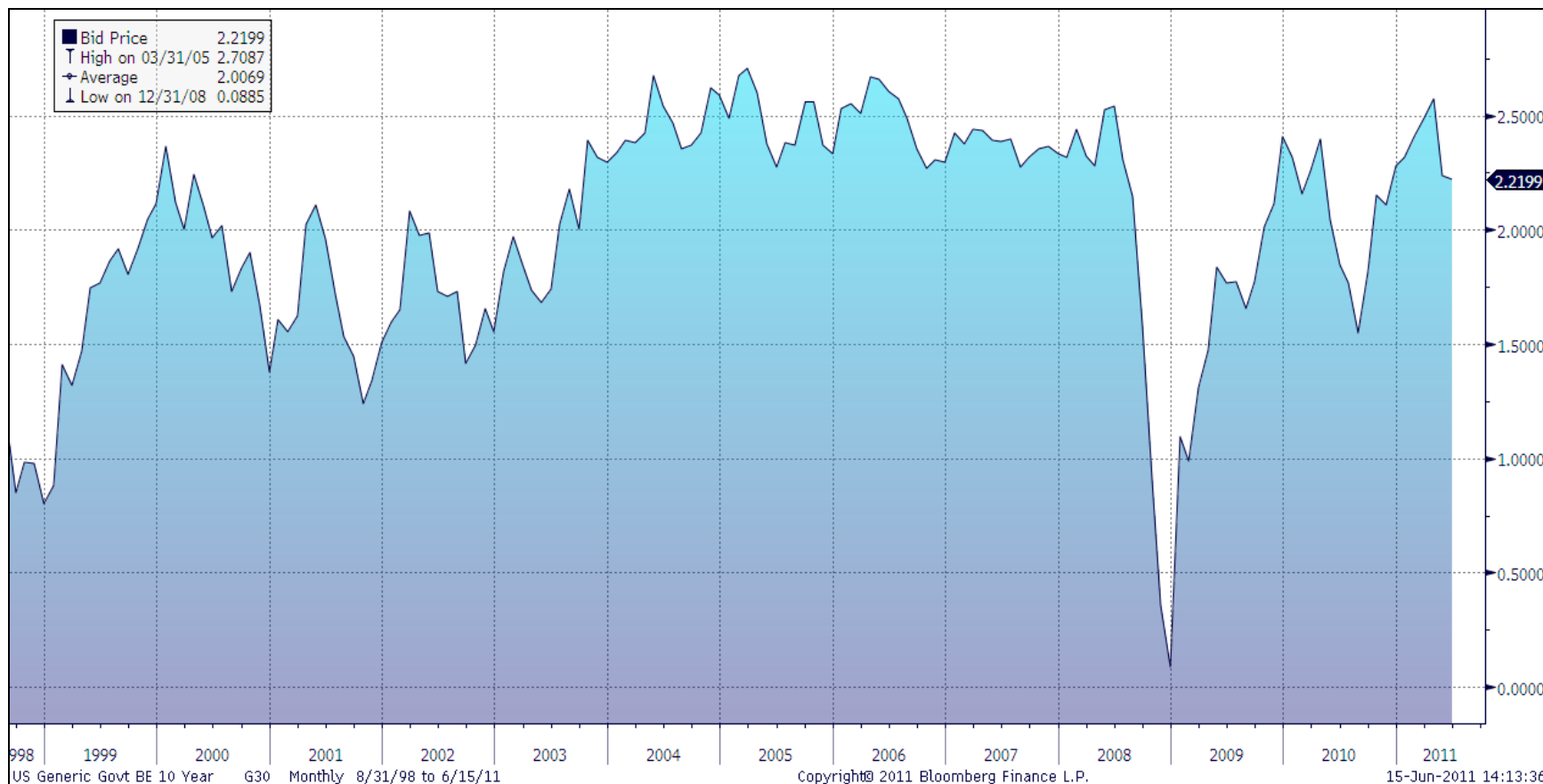
Source: Strategas

Inhuman Volatility – The Lull Before The Storm



Source: Bloomberg – VIX Index GPO 01/05/01 – 6/15/11

10 Year TIPS Breakevens – Forward Look At Inflation



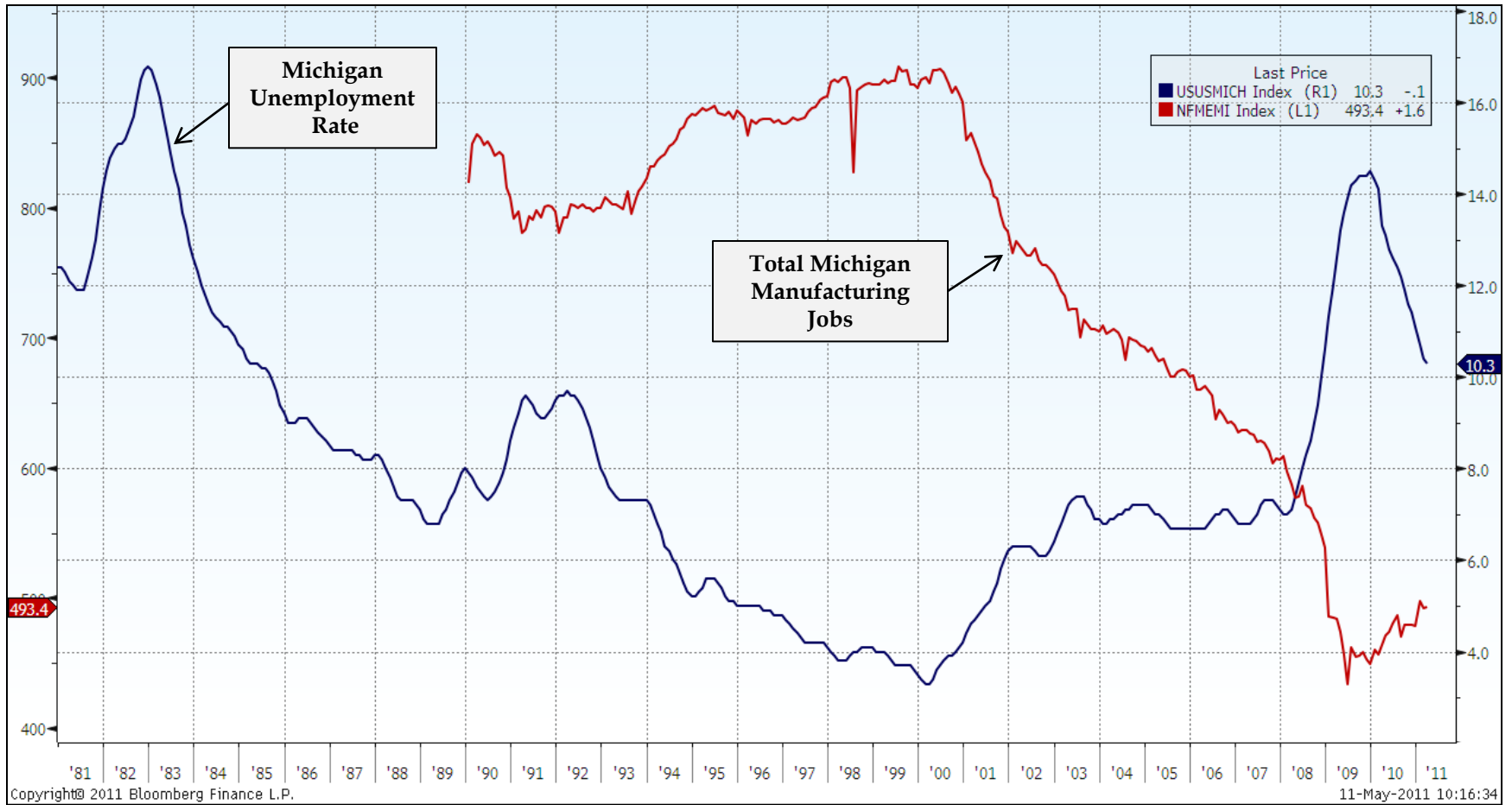
Source: Bloomberg – USGGBE10 Index 8/31/98 – 6/15/11

Dollar Weakness – I've Got Good News And Bad News



Source: Bloomberg – DXY CURRENCY 1/5/01 – 6/15/11

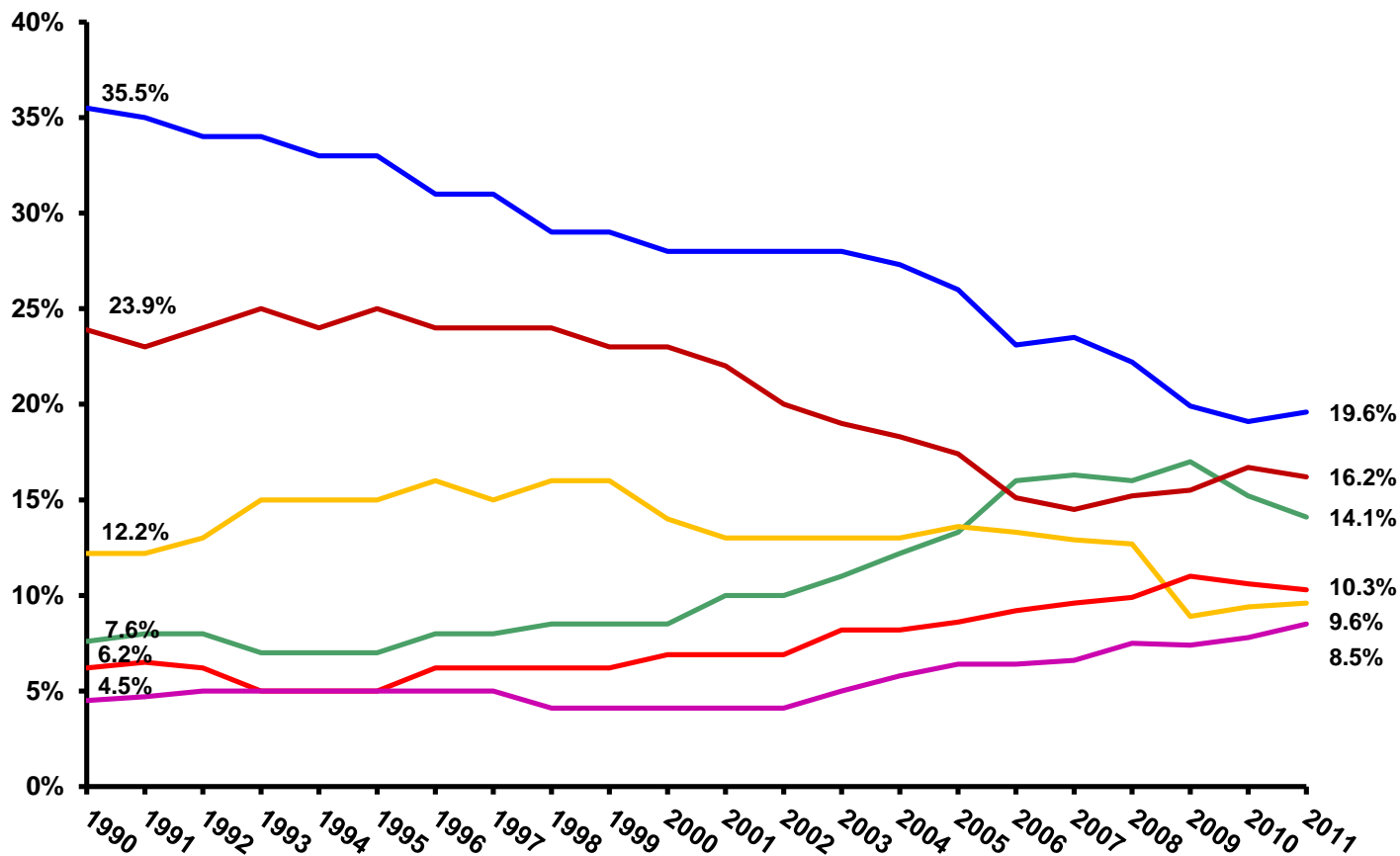
Michigan On The Mend



Source: Bloomberg Michigan Employment 12/31/1980 - 3/31/2011

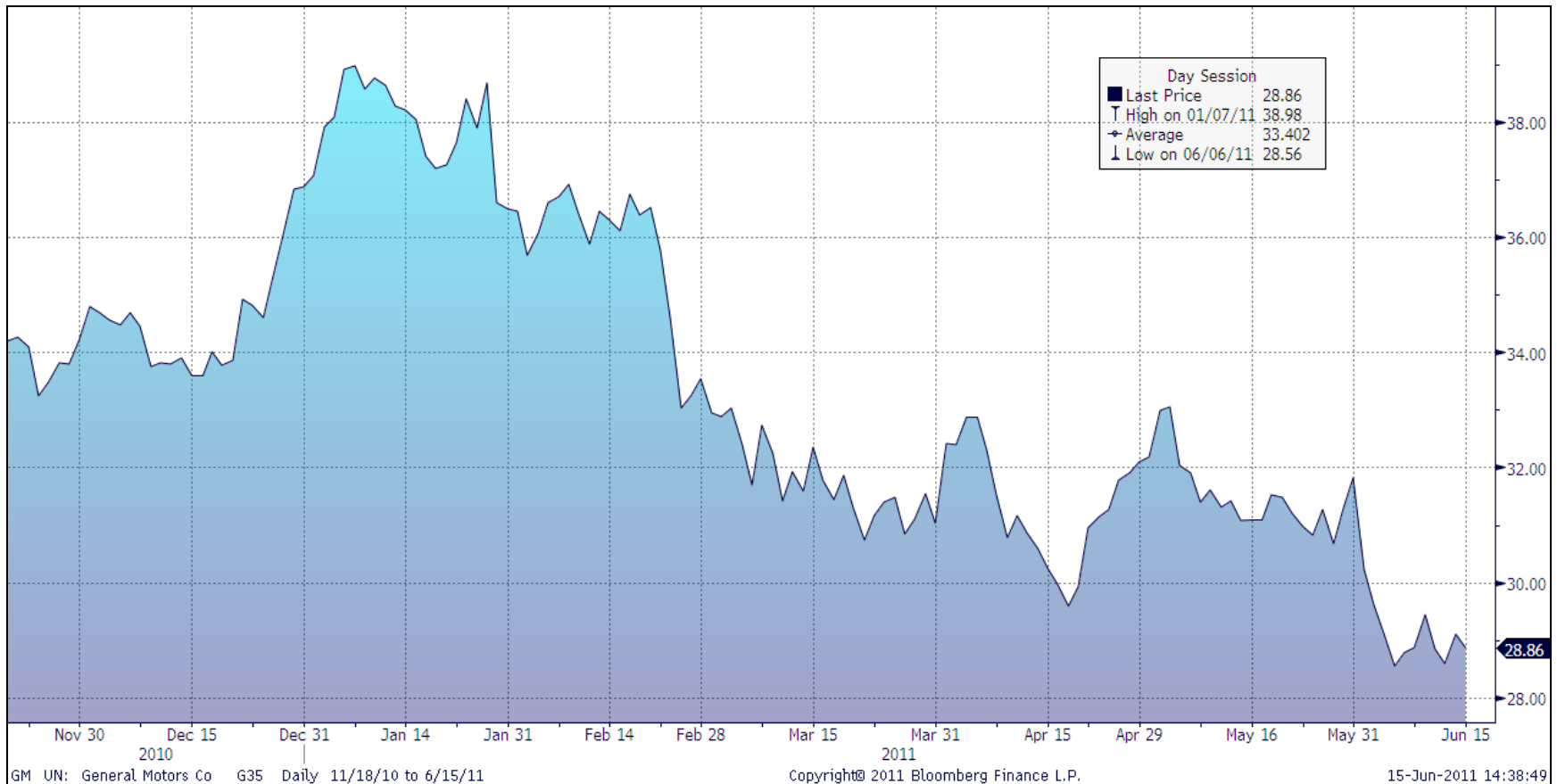
Detroit Turnaround

U.S. Market Share of Major Automakers:



GM	FORD	TOYOTA	HONDA	CHRYSLER	NISSAN
19.6%	16.2%	14.1%	10.3%	9.6%	8.5%

GM Coming Back – Below The \$33 IPO Price Though



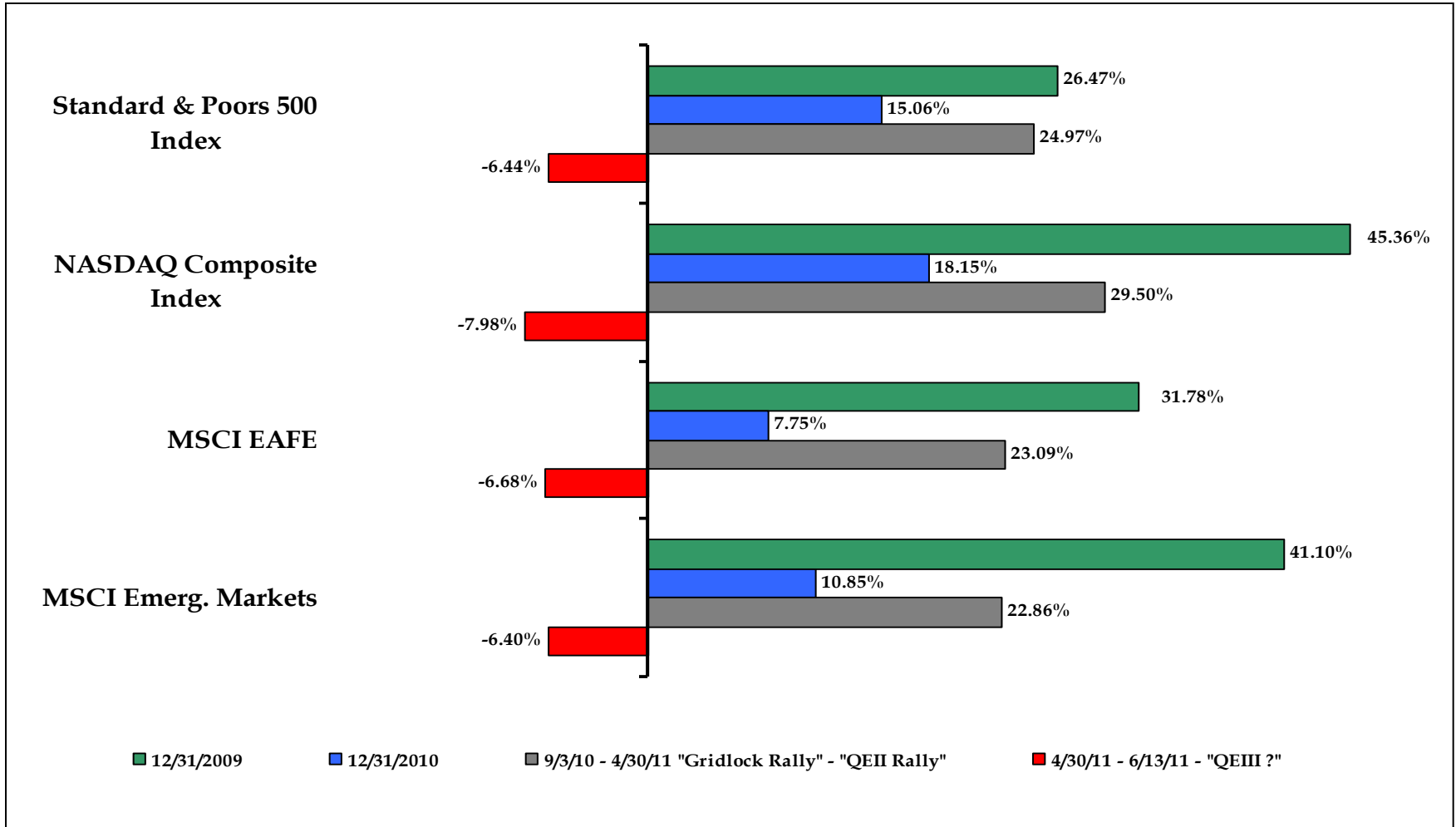
Source: Bloomberg GM UN Equity 11/18/2010 - 6/15/2011

We have determined that our disclosure controls and procedures and our internal control over financial reporting are currently not effective. The lack of effective internal controls could materially adversely affect our financial condition and ability to carry out our business plan.

Our management team for financial reporting, under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our internal controls. At December 31, 2009, because of the inability to sufficiently test the effectiveness of remediated internal controls, we concluded that our internal control over financial reporting was not effective. At June 30, 2010 we concluded that our disclosure controls and procedures were not effective at a reasonable assurance level because of the material weakness in our internal control over financial reporting that continued to exist. Until we have been able to test the operating effectiveness of remediated internal controls and ensure the effectiveness of our disclosure controls and procedures, any material weaknesses may materially adversely affect our ability to report accurately our financial condition and results of operations in the future in a timely and reliable manner. In addition, although we continually review and evaluate internal control systems to allow management to report on the sufficiency of our internal controls, we cannot assure you that we will not discover additional weaknesses in our internal control over financial reporting. Any such additional weakness or failure to remediate the existing weakness could materially adversely affect our financial condition or ability to comply with applicable financial reporting requirements and the requirements of the Company's various financing agreements.

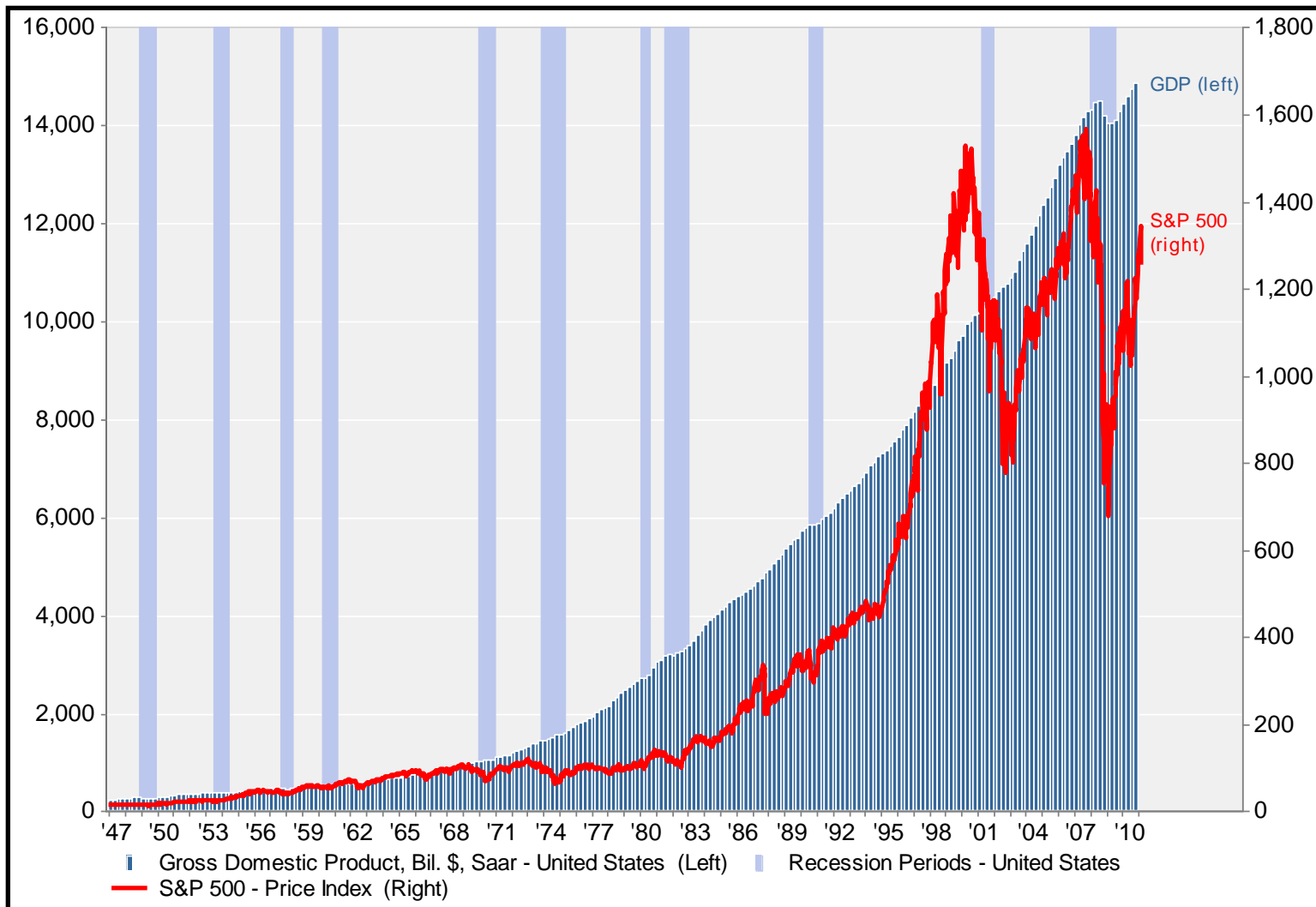
Source: GM IPO Prospectus

Common Stock Total Returns



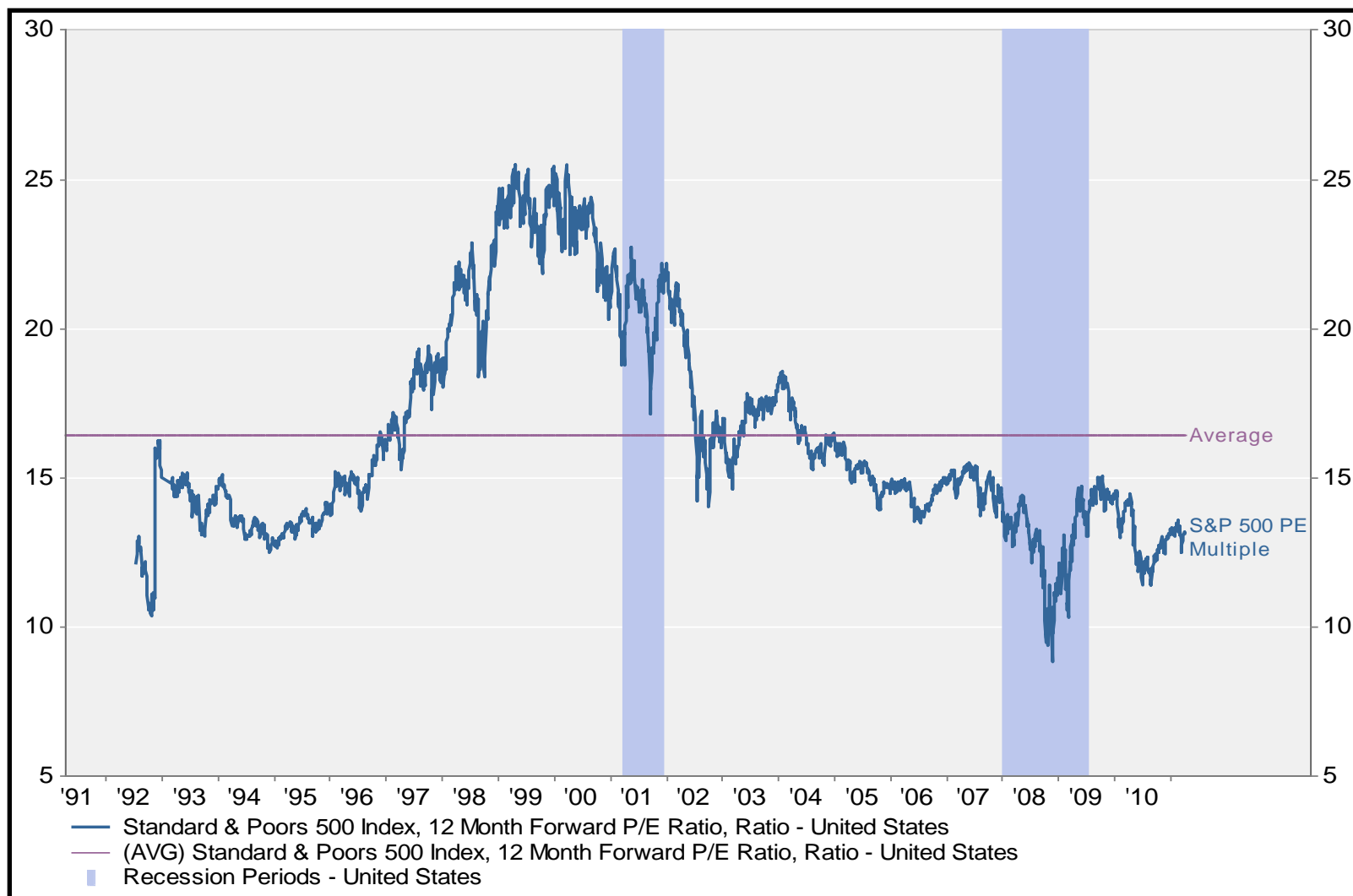
Source: FTAM

US Stocks Are Attractive Versus GDP



Source: Factset

Stocks Are Rich Why?

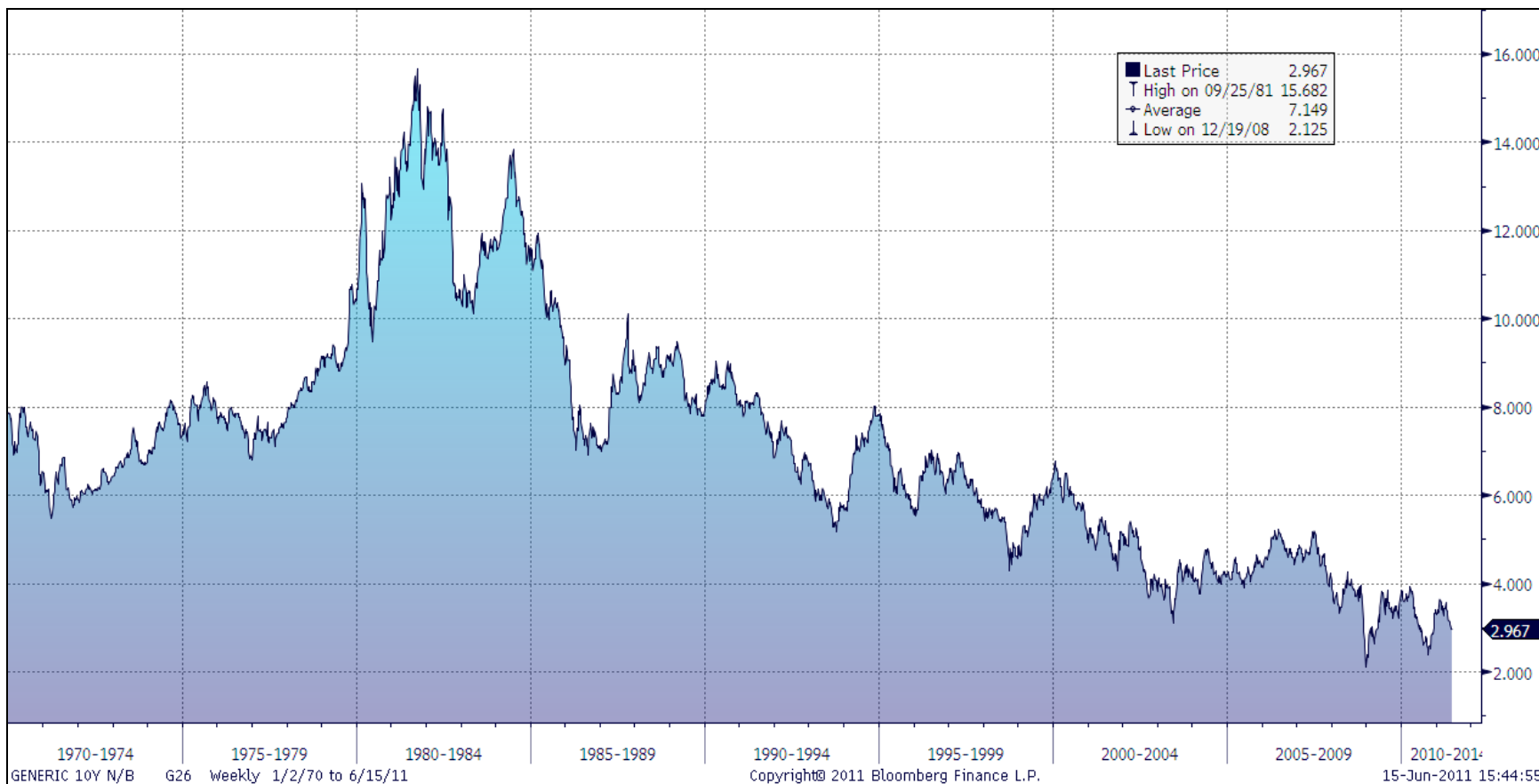


Source: Factset

10 Year Treasury Yields Headed Higher

F T A M

FIFTH THIRD ASSET MANAGEMENT

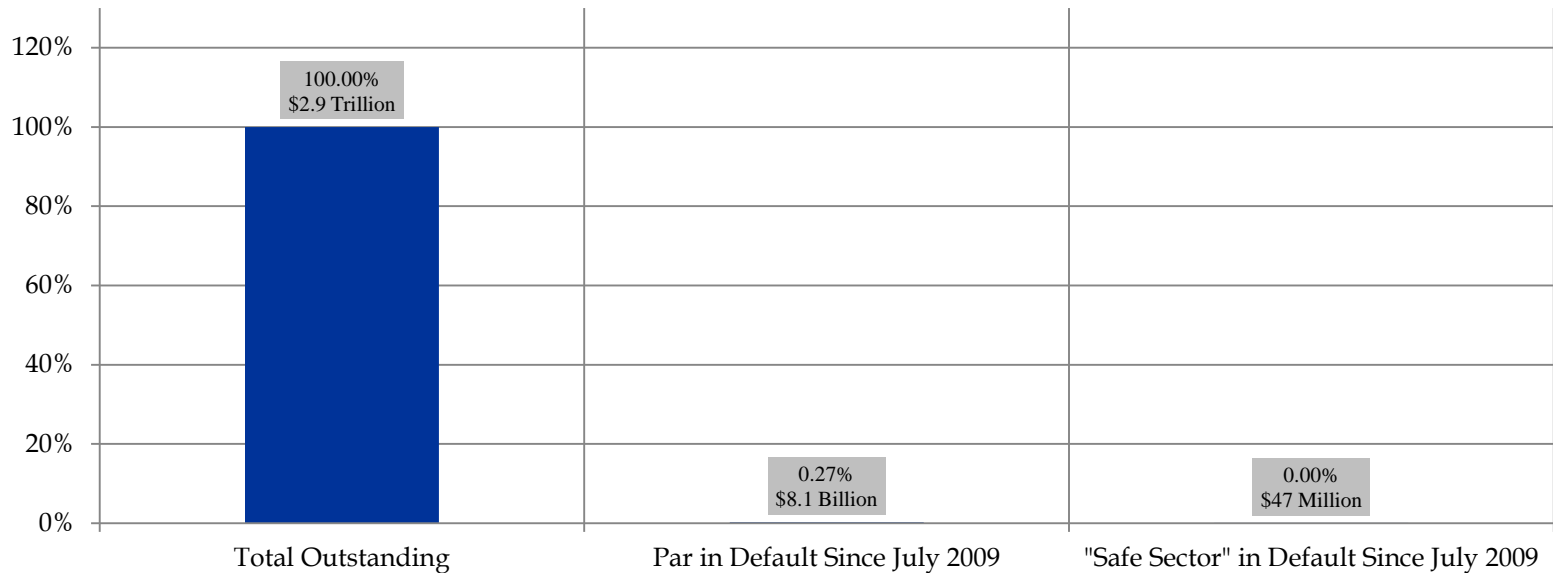


Source: Bloomberg - GT10 Govt GY USTN 3.125% due 5/15/21

Municipal Credit Default Profile

Whitney: 50 – 100 Issuers > \$100B???

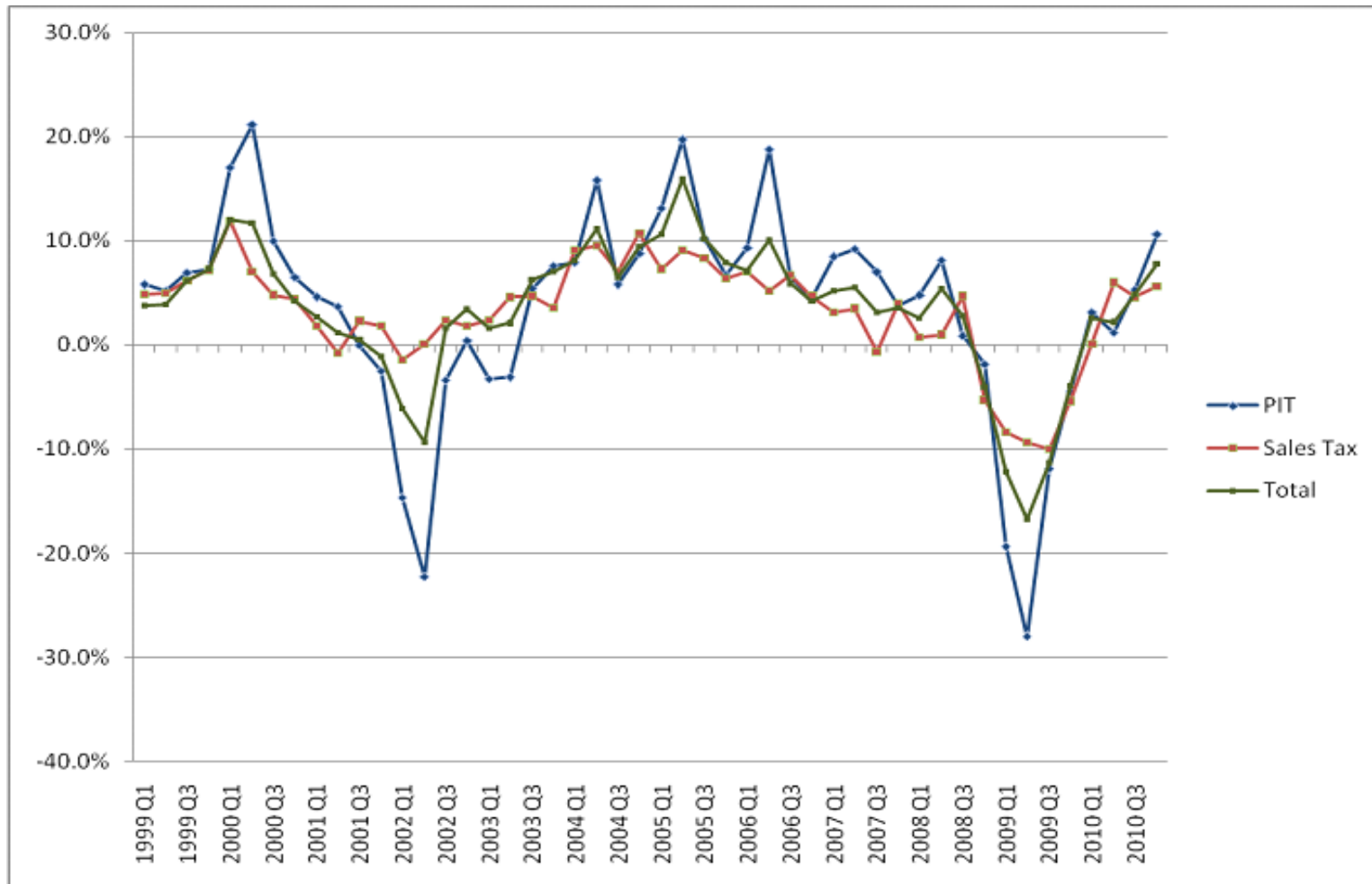
Credit Default Profile of Municipal Industry
% Municipal Bonds in Default Since July 2009



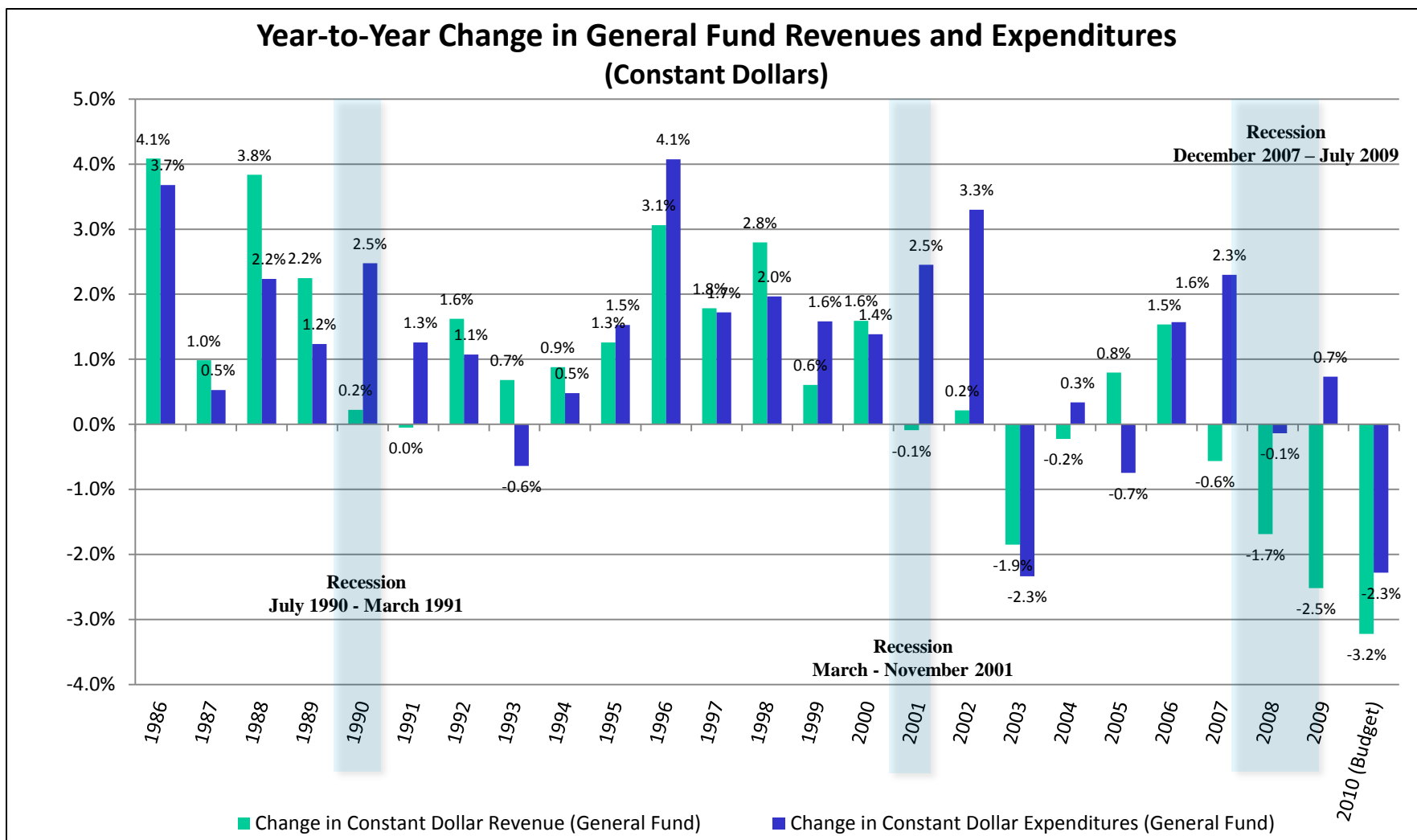
Source: Municipal Market Advisors

State Tax Collections Continue To Rebound

Year -Over-Year Nominal Change in State Tax Collections

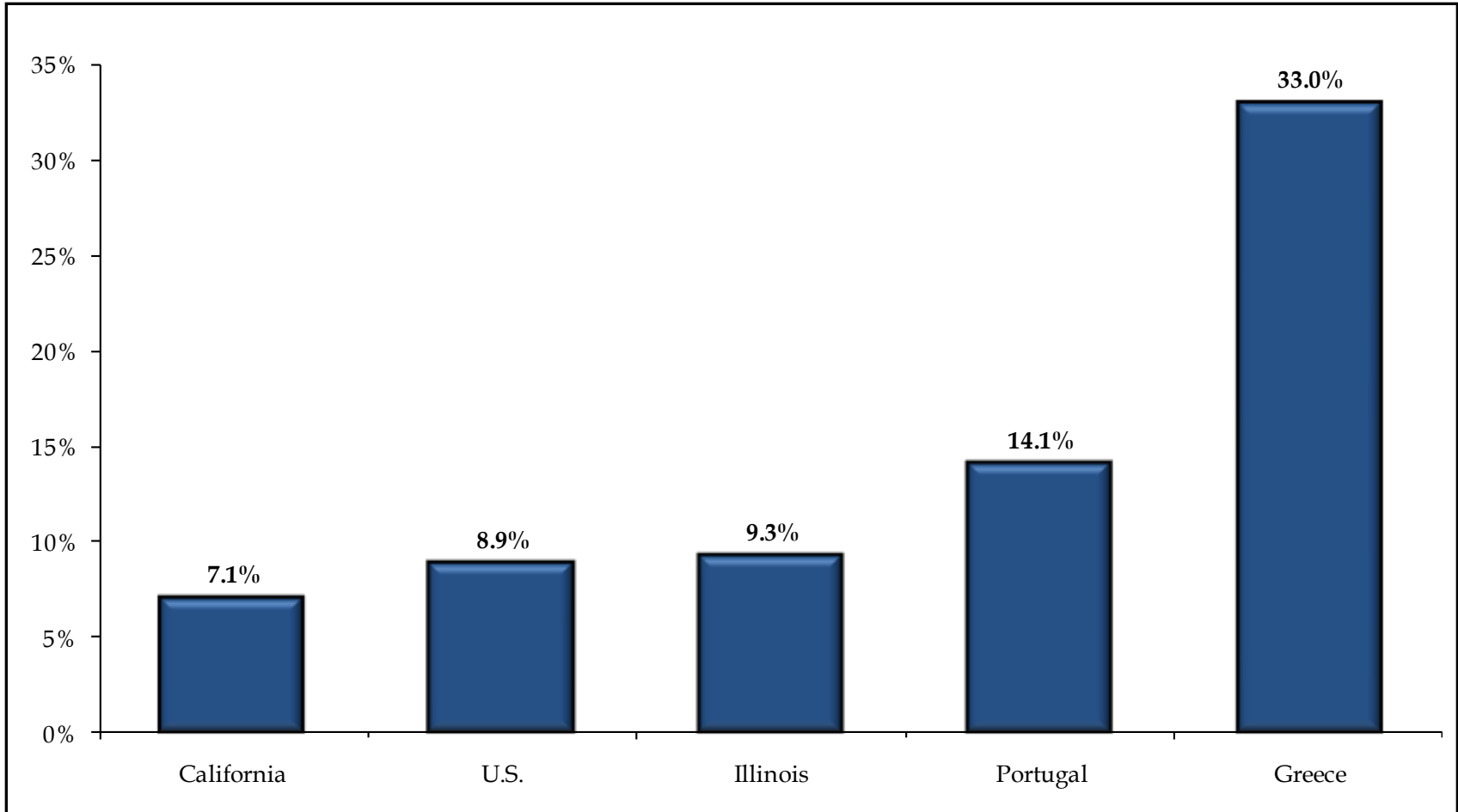


Source: Rockefeller Institute



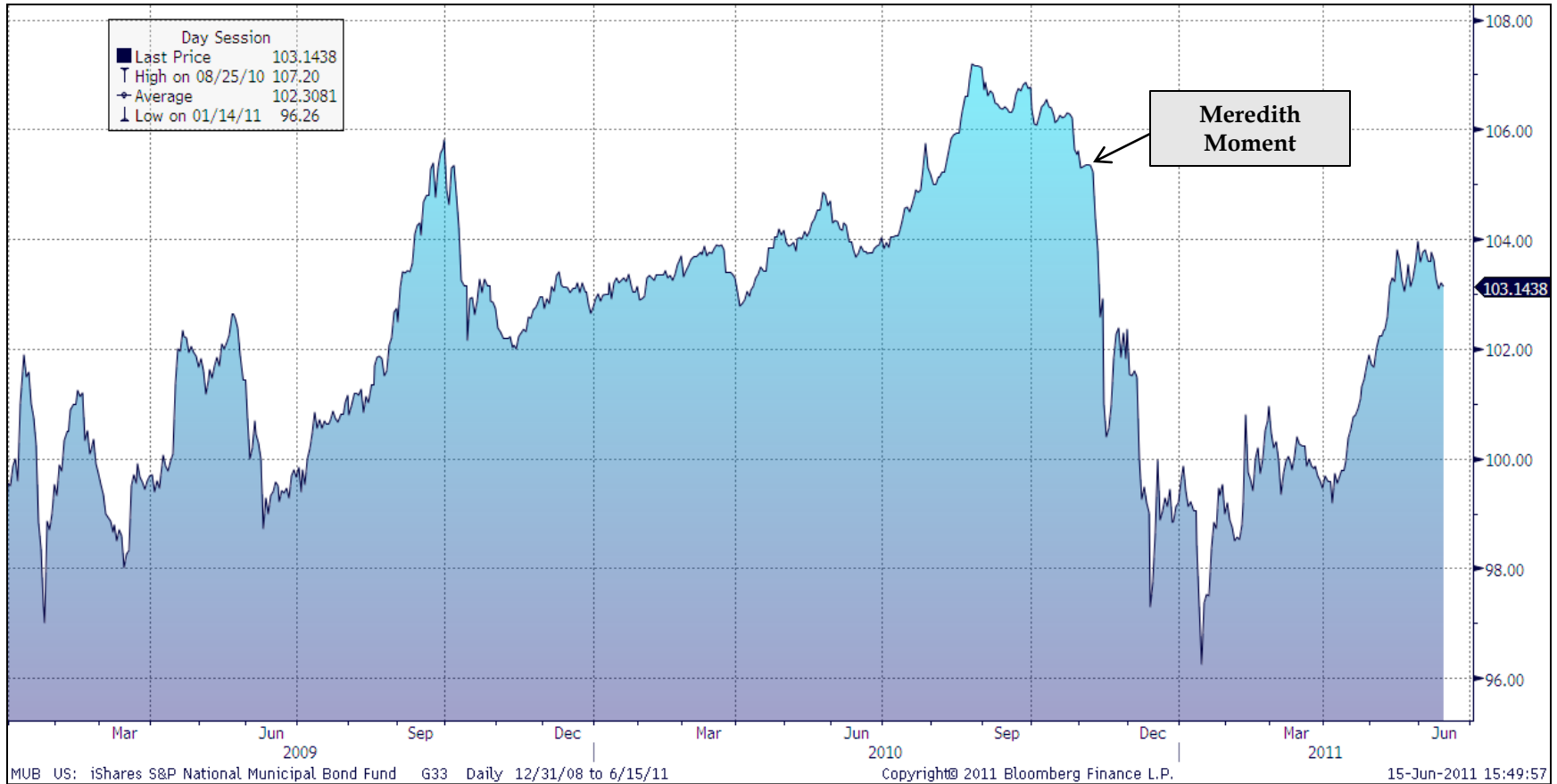
Source: National League of Cities

Interest Payments As A Share of Revenue



Source: Bloomberg, CBO and the States of Illinois and California

Muni's Bouncing Back



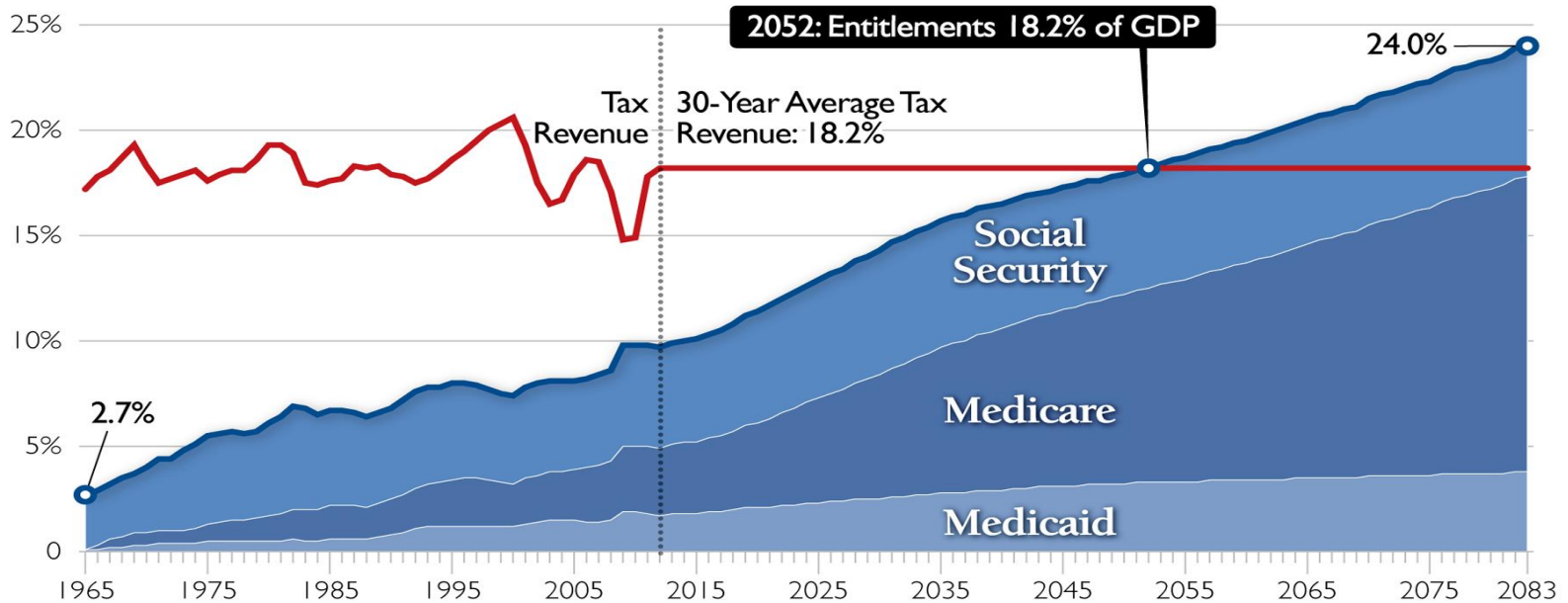
Source: Bloomberg MUB US Equity 12/31/2008 - 6/15/2011

Growth In Mandatory Entitlement Spending Social Security, Medicare, Medicaid

Entitlements Will Consume All Tax Revenues by 2052

If future taxes are held at the historical average, spending on Medicare, Medicaid, and Social Security will consume all revenues by 2052. Because entitlement spending is funded on autopilot, no revenue will be left to pay for other government spending, including constitutional functions such as defense.

PERCENTAGE OF GDP



Source: Congressional Budget Office.

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