Hello, I'm Rob Podorefsky from the Interest Rate Management team here at GE Capital, Americas.

For the next several minutes, I will present a 2010 U.S. economic outlook focusing specifically on the potential for sustainable economic growth, the importance of maintaining a positive feedback loop between the financial markets and the real economy and review our main concerns for what might interfere with a favorable growth environment.

The U.S. economy has emerged from the loss of about a half-trillion dollars in economic activity seen between the third quarter of 2008 and the second quarter of 2009. Thanks to real GDP annual growth rates of 2.2% in Q3 last year and 5.7% in Q4, roughly half of the lost growth returned in the second half of last year lifting total real GDP to a $13.2 tn annual pace. The United States economy should keep growing this year despite a fragile global recovery. According to the most recent Bloomberg 2010 consensus forecast from Feb 11, real U.S. GDP growth is likely to advance 2.9% this year. Overall, these expectations were upgraded slightly from the January forecast despite last month's decline in the major stock indices, some recent widening in high yield bond spreads, efforts by China's central bank to deliberately slow its economy and a deeper focus on fiscal considerations.

Contributing to the improvement in real U.S. economic growth during the second half of last year was a $110 bn increase in personal consumption to a $9.3 tn annual pace – consumption had decreased by $175 bn between its peak in Q4 2007 and mid-year 2009. Based on the U.S. retail sales figures for January released in early February, the positive momentum has moved into the first quarter. The worst of the consumer retreat appears to be well behind us.

With U.S. unemployment averaging 10% in the fourth quarter, how has consumer spending been able to recover so much? Well, gains in U.S. household net worth likely exceeded $6 tn since Q1 2009 - due to stabilization in housing and the recovery in stocks. This has enabled many consumers to feel better about spending. Also, the slowing pace of U.S. unemployment's rise has helped a bit. Although the U.S. unemployment rate was 9.7% in January, it stood 2% above its January

2009 level. By comparison, as recently as June 2009 when the U.S. unemployment rate was 9.5%, it stood 4% above its previous year level. History shows that once a compression in the yoy rate of change in the unemployment rate occurs, U.S. recessions tend to be over and increases in employment tend to follow – this can occur even if the unemployment rate stays high. Although 8.4 million Americans have lost their jobs over the past 2 years, approximately 130 million Americans still have work and many have the capacity to feel more secure about their jobs as the pace of rising unemployment noticeably slows down.

Although personal consumption represents 70% of real U.S. GDP, investment is key to the marginal U.S. growth outlook. The U.S. needs investment for sustainable growth and to generate employment. Beyond some inventory rebuilding and investment in equipment and software in Q4 2009, overall investment was not broad-based. Although the latest U.S. private investment figures are up $145 bn from Q2 2009, investment still remains more than a half a tn below the all-time investment peak seen in 2006.

The U.S. inventory overhang that came with the recession has run its course and with U.S. business inventories now better in line with the pace of overall sales, maintaining inventories going forward should contribute consistently, but in a modest way, to steady growth ahead. Problem is, this sort of investment is not capex, which is needed for outsized growth.

CFOs tell us that ongoing massive federal deficits, the expectation of higher taxes, uncertainty over healthcare reform, unsustainably loose monetary policy and a volatile U.S. dollar have collectively made them more cautious about committing to capital expenditures and hiring. Although we share their concerns and believe the economy is also restrained somewhat by the outlook for commercial real estate, a positive feedback loop has been able to slowly emerge over the past 9 months enabling the interaction between calmer markets, rising corporate equity and debt valuations, modest Treasury yields and many improving economic data trends to increase the likelihood for sustainable growth in 2010.

Evidence of this more positive business framework can be seen in several data categories including the trend of U.S. industrial production and capacity utilization. For seven straight months through January, the U.S. has consistently been using more of its industrial capacity utilization.

Although heightened concerns recently over Greece's fiscal deterioration have rattled global markets, the greater worry from our perspective is broadening concern over deepening fiscal deterioration in the U.S.

The federal deficit is our biggest concern. In early February, the White House announced it anticipated a record $1.6 tn budget deficit for fiscal 2010, worse than the market had earlier anticipated, and greater than last year's previous record of $1.4 tn.

The impact of the projected deficits will likely add $2.6 tn to the current $7.3 tn in marketable U.S. Treasury debt outstanding by the end of fiscal 2011. This is on top of $2.75 tn in debt that was added over the last 2 years. While this trajectory is totally unsustainable, there's still too little urgency in Washington to seriously confront the deficit because for the most part, demand for U.S. Treasury debt has been strong, Treasury yields have mostly stayed low and market volatility has been mostly contained. Sentiment could shift, however, and at any time bringing stress to the U.S. Treasury market with investors eventually demanding higher yields.

Another concern is the U.S. government's dependency on foreign demand for its debt. On February 16th we learned that China, who had been the largest foreign holder of U.S. government debt through November, reduced its holdings of U.S. Treasuries in December to $755 bn, the smallest amount it held since February 2009. Although Japan has stepped up its U.S. Treasury purchases since last May, this is unlikely a sustainable substitute given that Japan is saddled with its own fiscal troubles.

Many senior Federal Reserve officials have been communicating recently about the Fed's eventual exit from its extremely accommodative monetary policy.

If the scenario of sustained U.S. economic growth in 2010, averaging 2.9% as discussed earlier materializes, some U.S. payroll growth becomes increasingly likely. In our opinion, if at least 4 straight months of job growth develops, the potential for some acceleration in Fed's removal of accommodation increases.

Since Fed Chairman Bernanke's February 10th written testimony stated the Federal Reserve could substitute the fed funds rate for a period of time with the interest rate the Fed would pay on bank reserves instead, we should pay even closer attention to the futures market's expectation for where 3m U.S. Libor is going. The Eurodollar market, where 3m Libor futures essentially trade, will very likely continue to reflect the market's view of where short-term U.S. interest rates are headed and when.

Unfortunately, even mildly tighter Fed policy is a potential volatility component for the equity markets. Just witnessing what unfolded last October when Australia's central bank started raising rates and again last month when China hinted it needed to slow its robust economy, equity prices both here and abroad were adversely impacted. Remember, the world went from tightly coordinated central bank policy to stimulate growth and avoid market meltdowns a year ago to what appears to be an uncoordinated and fragmented exit – the effect is increasing uncertainty and a rise in asset market volatility.

In summary, with the U.S. financial system on more stable footing and the U.S. economy poised for mild growth, a greater focus will likely turn to public fiscal matters, both from a debt supply and demand perspective. Finally, with the Federal Reserve actively discussing its eventual exit strategy, expect the financial markets to exhibit more volatility in the months ahead. Thank you for tuning in to our 2010 economic outlook.