



What Lies Beyond the Credit Crunch: Part III

Kevin A. Hassett

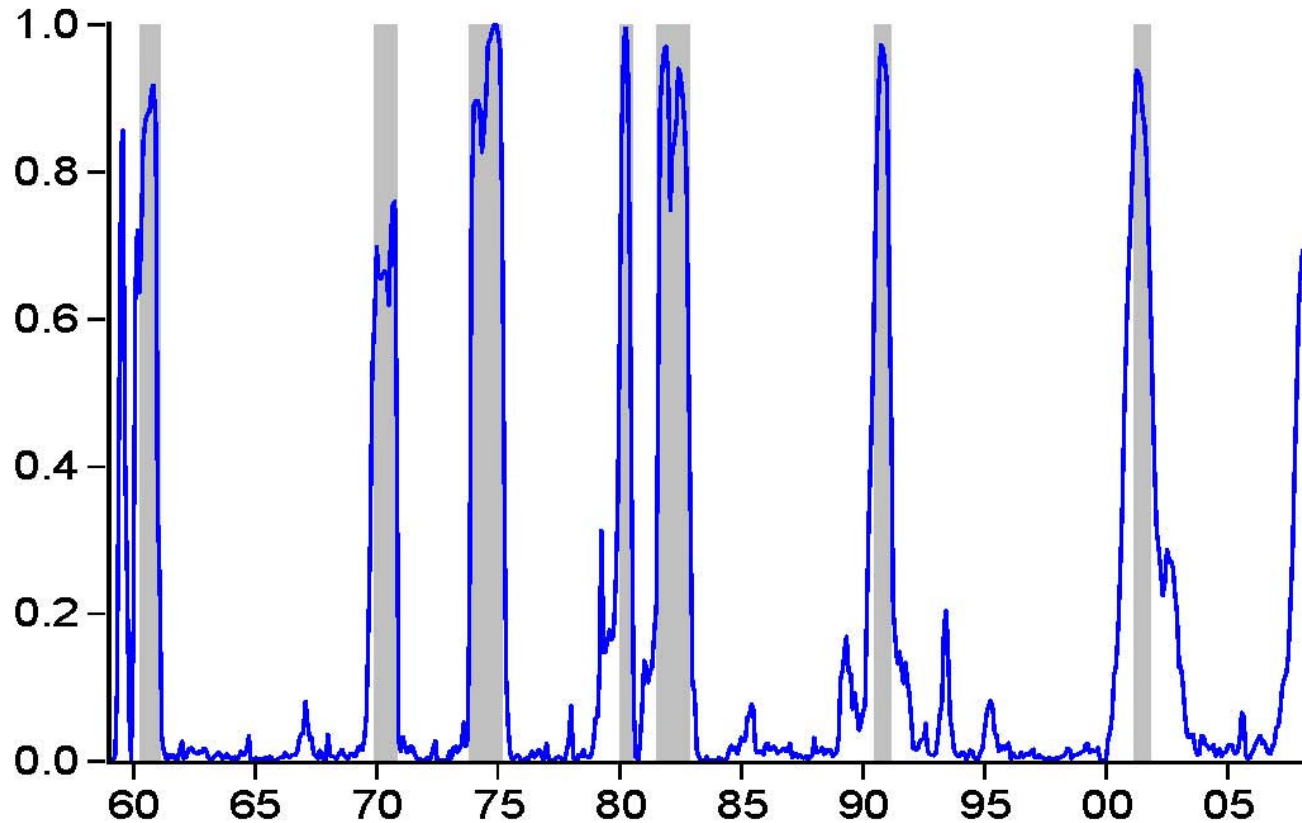
Director of Economic Policy Studies

AEI

Probabilities of Recession up to June 2008

(using data available as of September 4th 2008)

Smoothed Probabilities of Recession



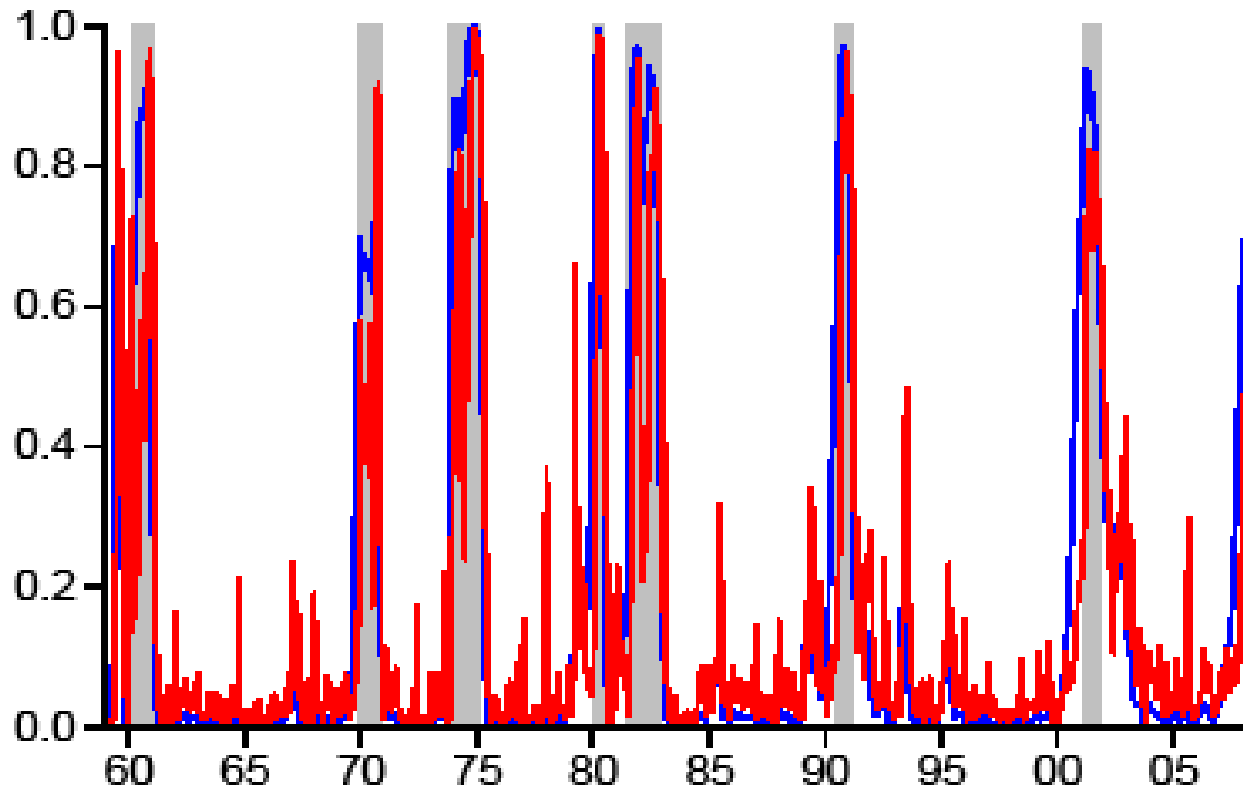
Source: Marcelle Chauvet – CREFC and University of California Riverside

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Probabilities of Recession up to June 2008

(using data available as of September 4th 2008)

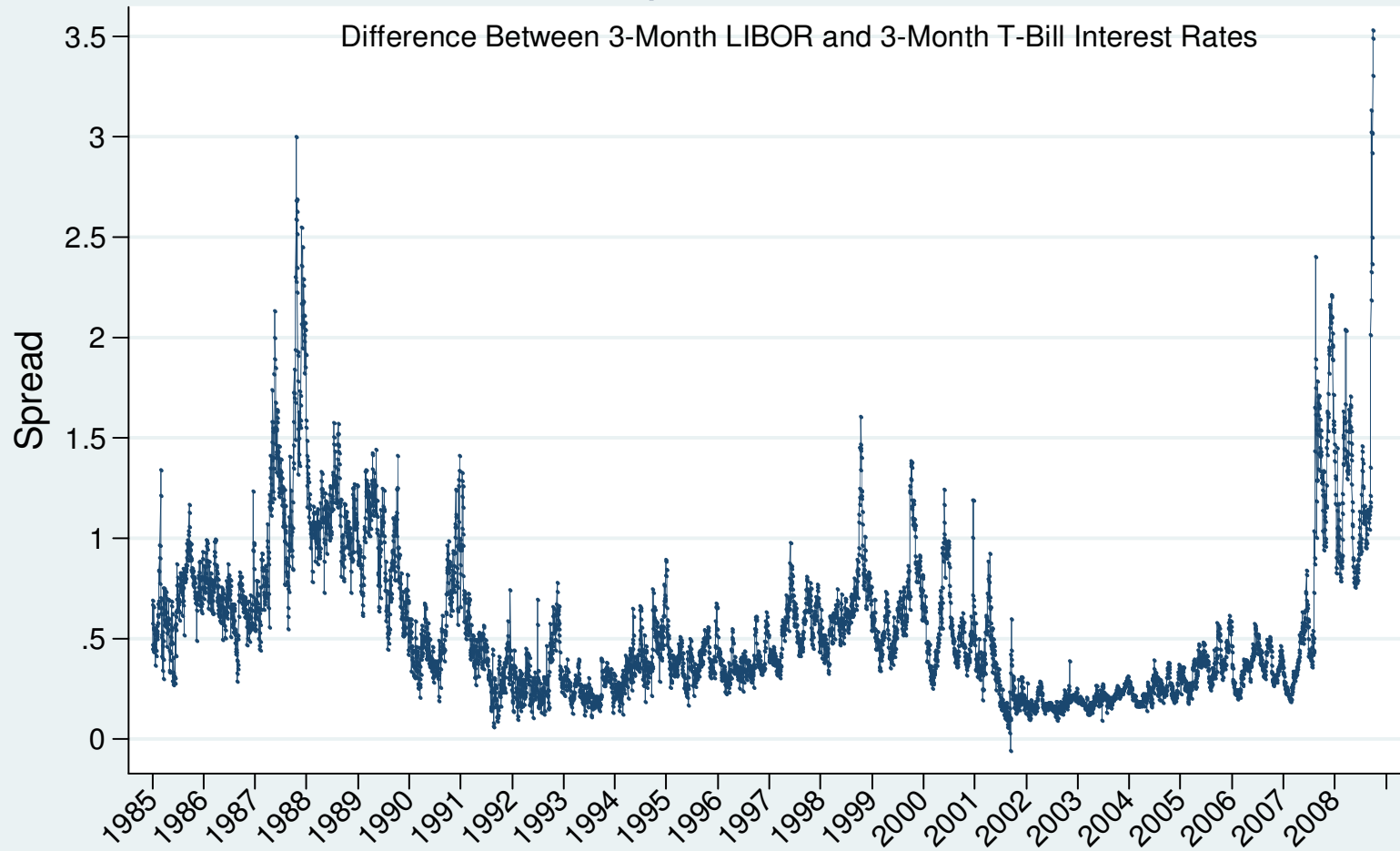
Filtered and Smoothed Probabilities of Recession



Source: Marcelle Chauvet – CREFC and University of California Riverside

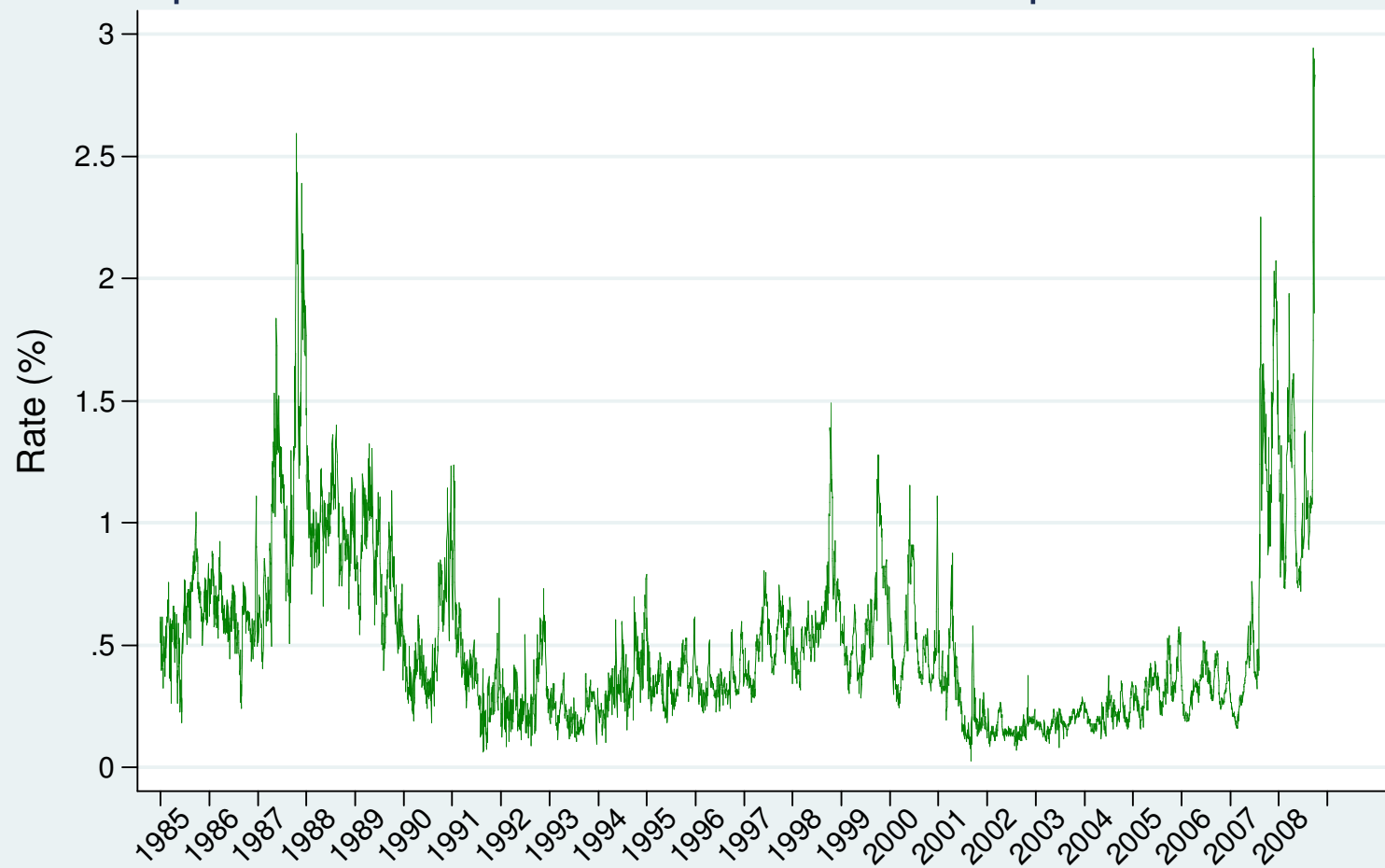
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TED Spread 1985-2008



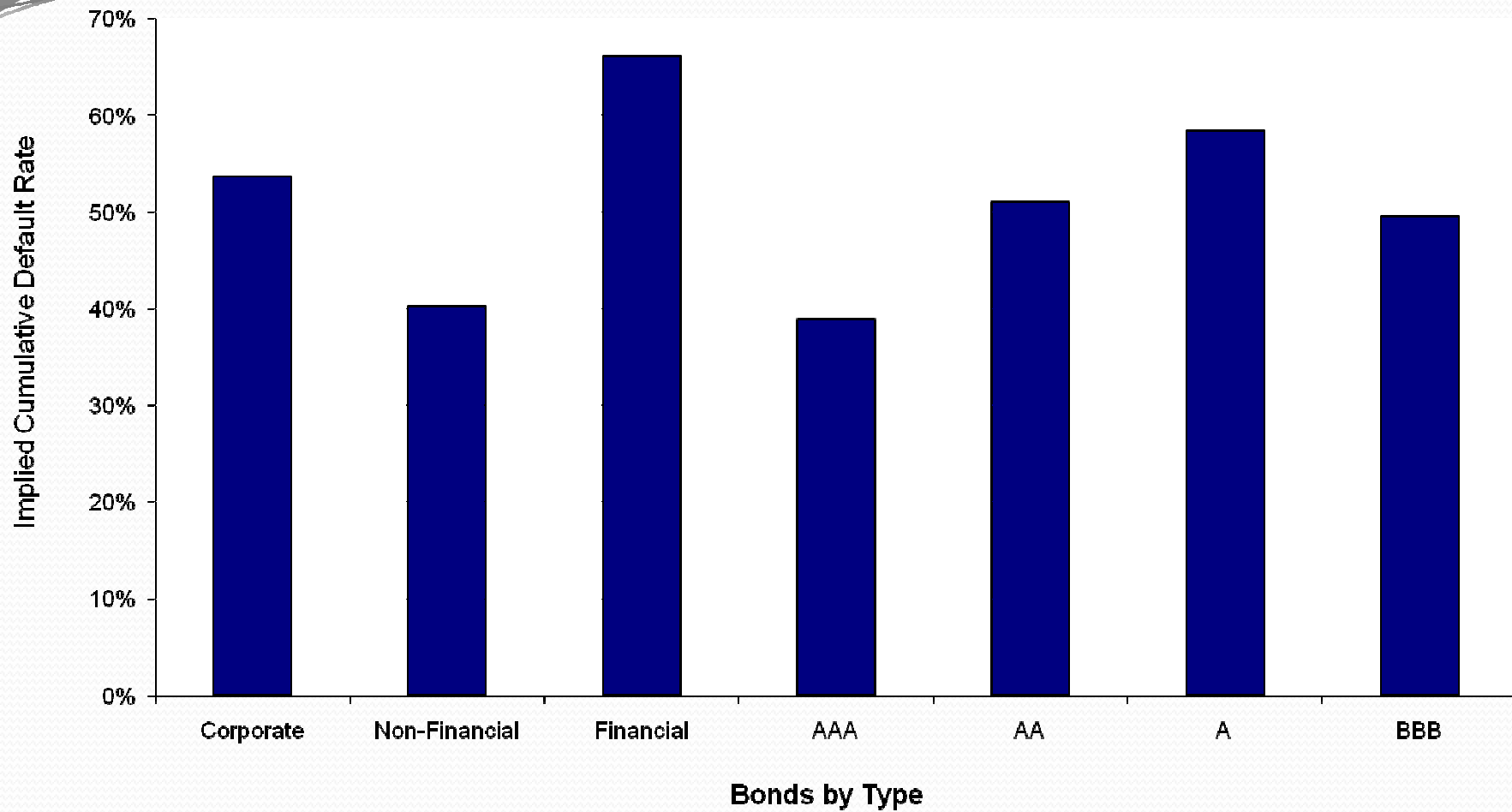
Source: bloomberg

Implied Default Probabilities from TED Spread 1985-2008



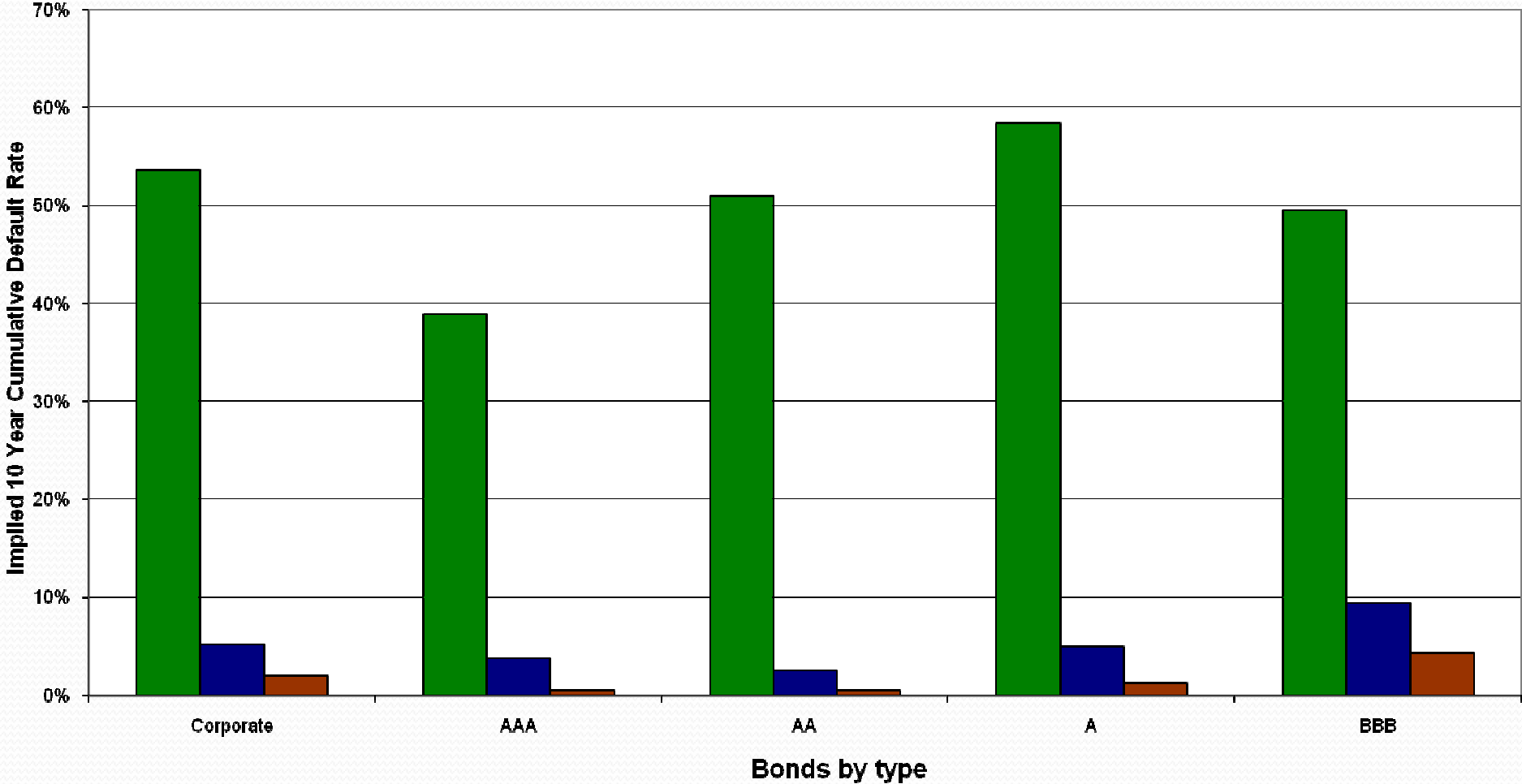
Source: bloomberg

Implied 10-Year Cumulative Default Rates by Bond Type



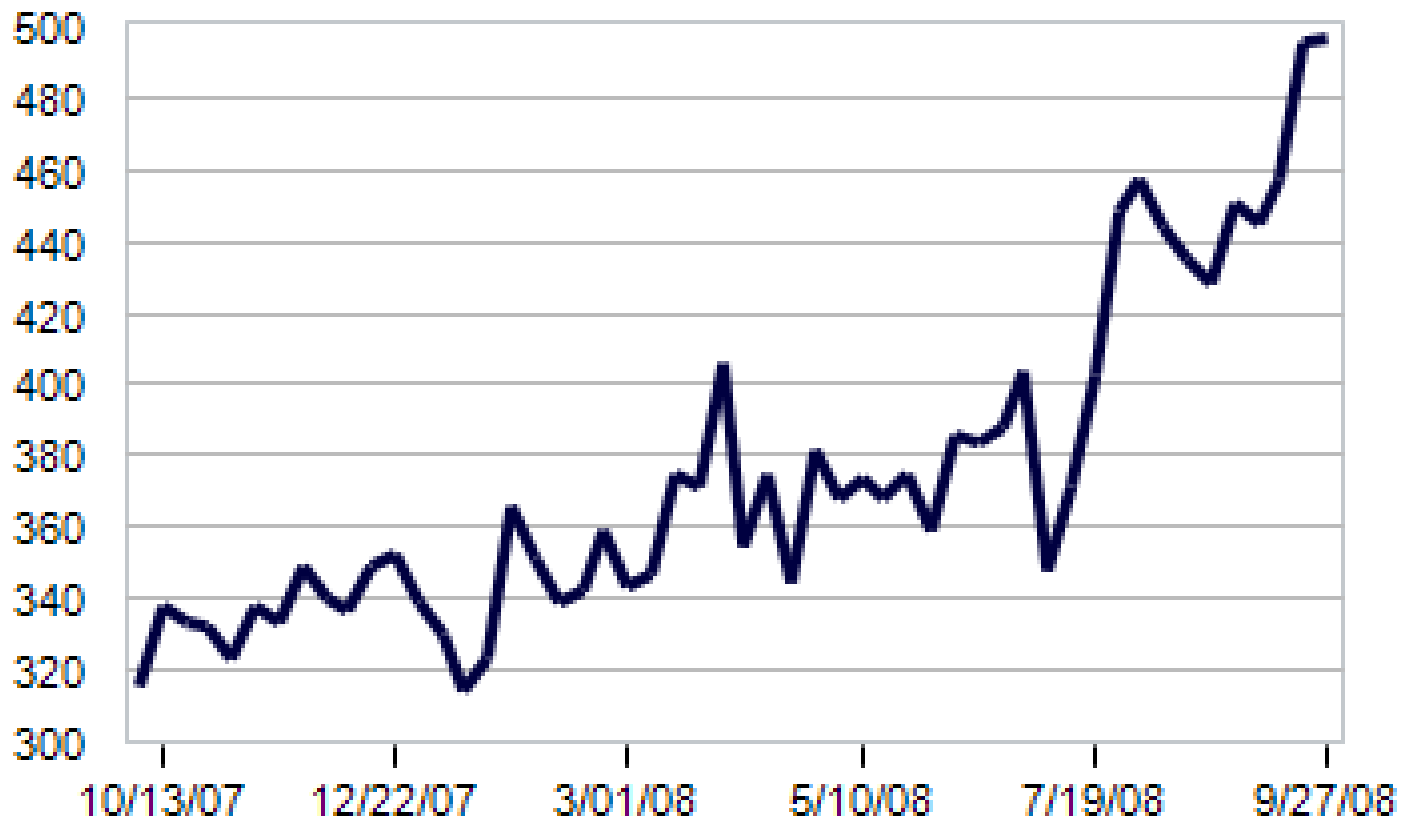
Source: Moody's; Nick Burns, Deutsche Bank AG

10 Year Cumulative Default Rates Implied vs. Historical Worst and Average Rates



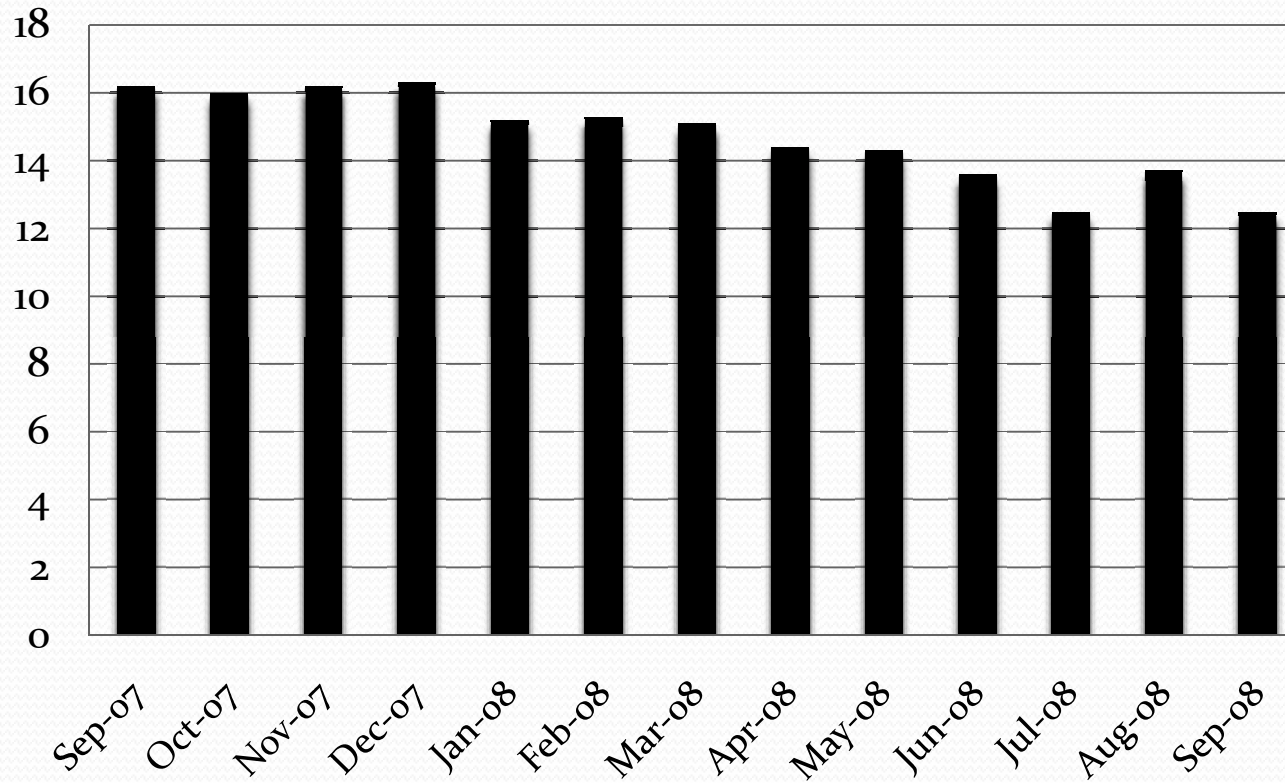
Source: Moody's; Nick Burns, Deutsche Bank AG

Weekly Jobless Claims Ths, SA



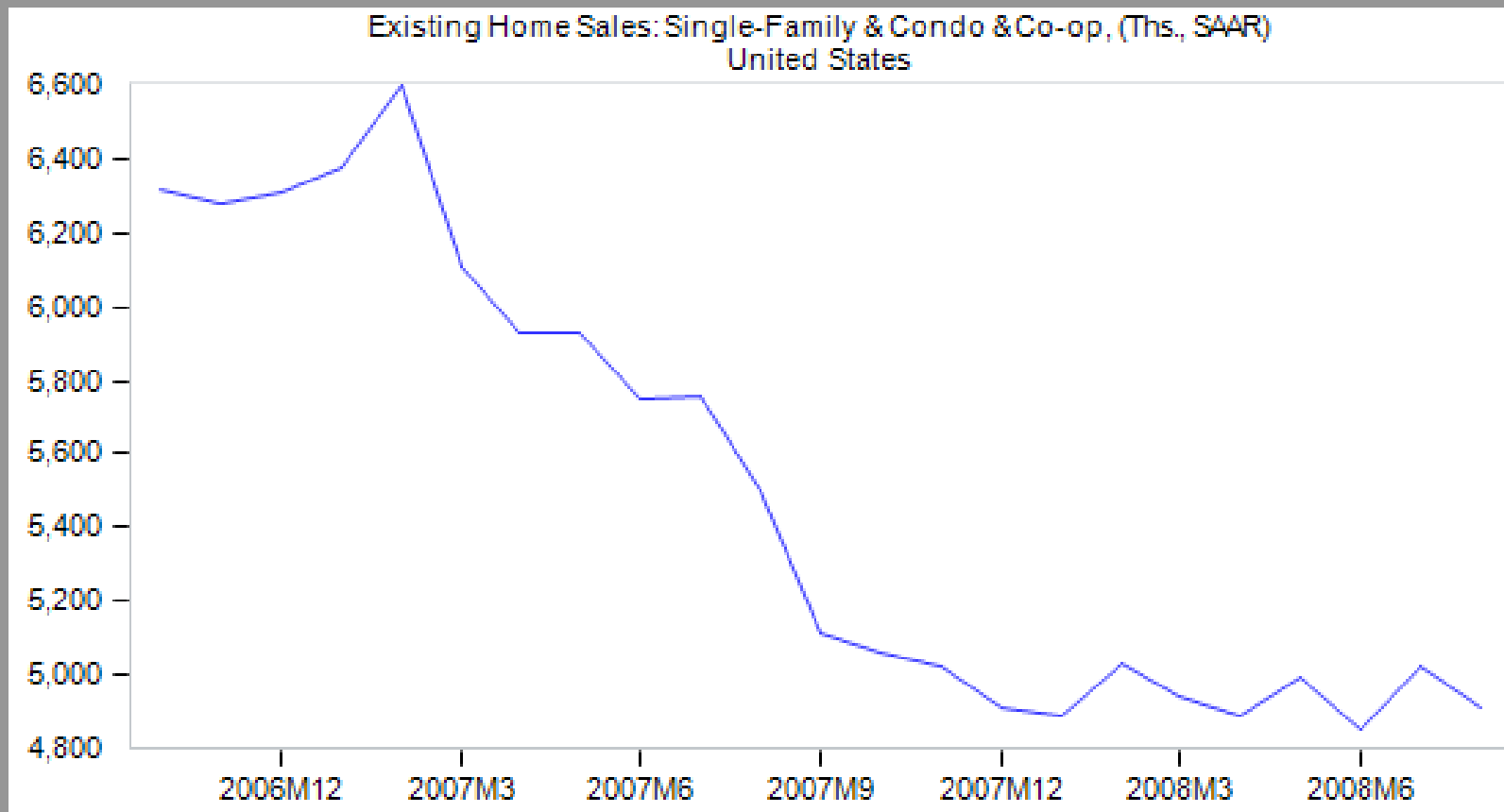
Source: moody's economy.com

Vehicle Sales (in millions)



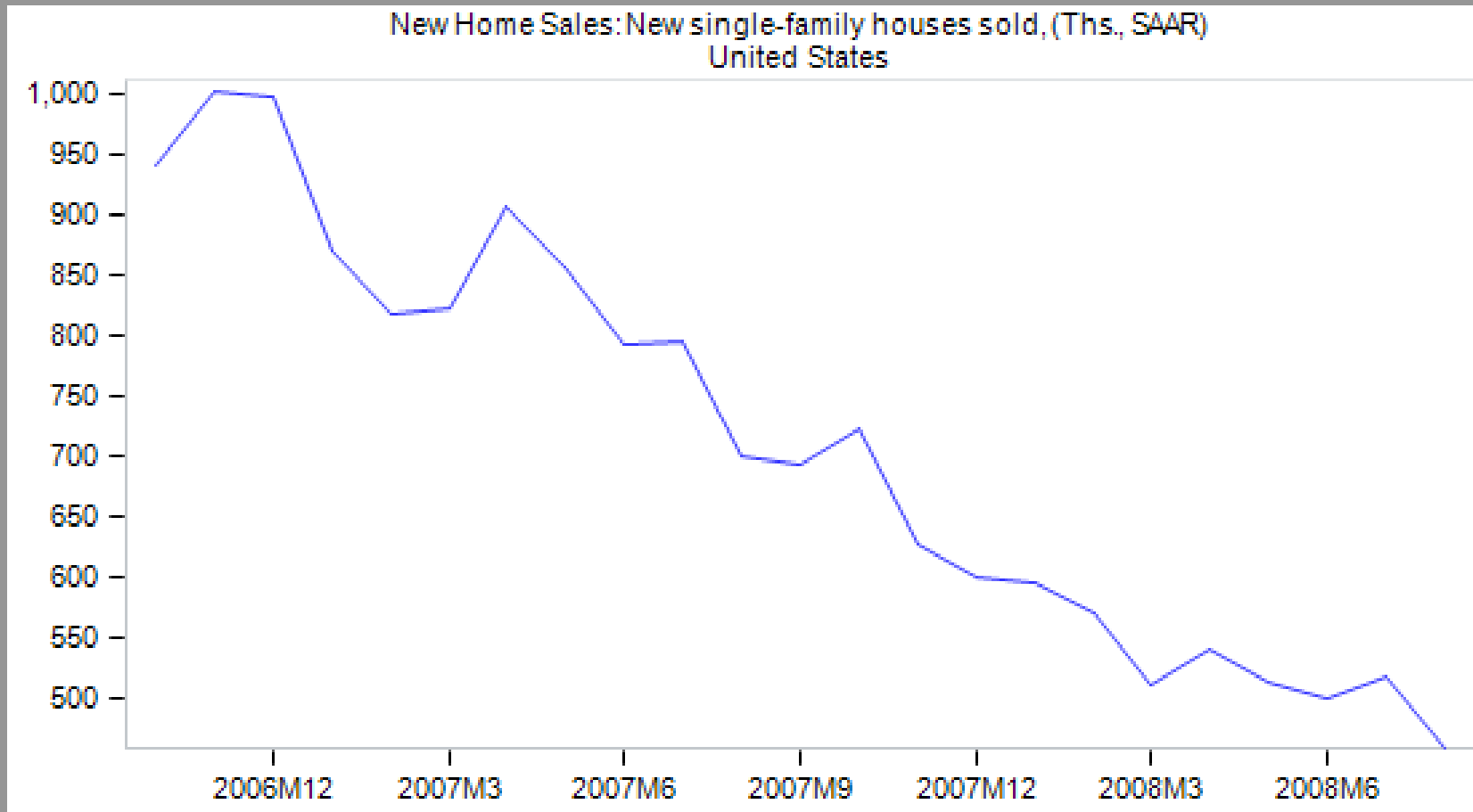
Source: Moody's economy.com

Existing Home Sales- Through August



Source: moody's economy.com

New Home Sales – Through August



Source: moody's economy.com