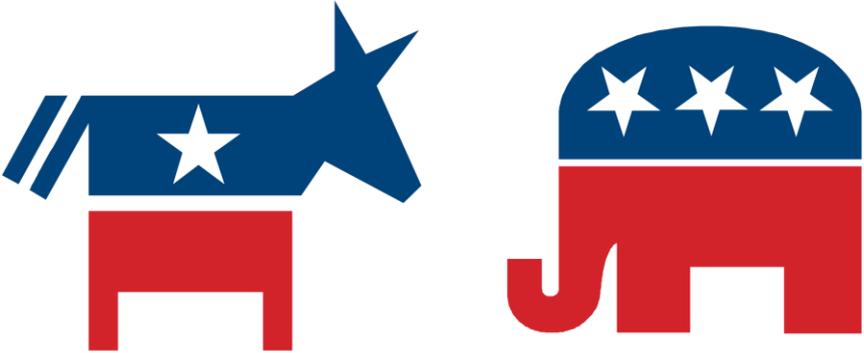


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U.S. NATIONAL DEBT

\$16,236,253,840,737.⁷⁵

U.S. NATIONAL DEBT PER PERSON

\$51,738.²⁶

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Budget Control Act of 2011

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SEQUESTRATION

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“Strategery”

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The Fiscal Cliff

	(in billions)	% of GDP
Bush-era Tax Cut Expiration	\$221 B	-1.4%
Other Revenue/Spending Changes	\$105 B	-0.7%
Payroll Tax Relief Expiration	\$95 B	-0.6%
Tax Extender Exp./Health Care Reform	\$83 B	-0.5%
Budget Sequester	\$65 B	-0.4%
Emergency UI Benefits	\$26 B	-0.2%
Medicare Doctor Payment Cut	<u>\$11 B</u>	<u>-0.1%</u>
Total	\$606 B	-3.9%



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National Economic Climate



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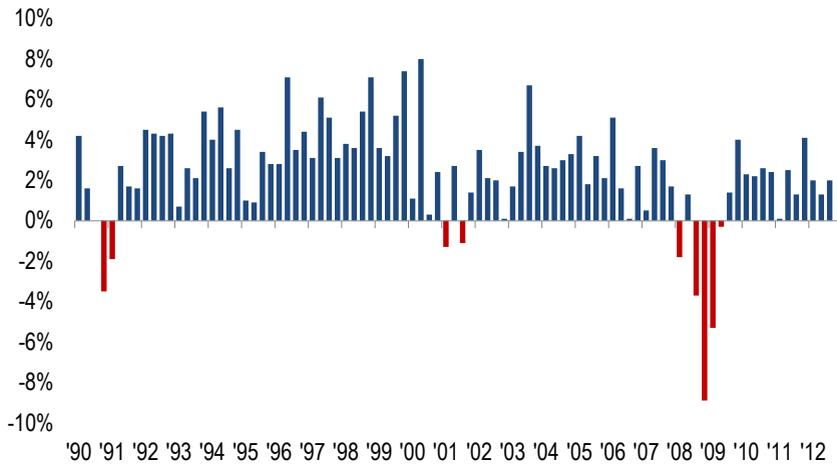


Indicators	Peak		Present		%△
	Period	Value	Period	Value	
Real GDP (in billions)	Q3 2012	\$13,528	Q3 2012	\$13,528	0.0%
Employment (in millions)	Apr-08	137.8	Oct-12	132.9	-3.5%
Unemployment	Aug-07	4.5%	Oct-12	8.2%	+3.7%
Real Disposable Income (in trillions)	Sep-12	\$11.8	Sep-12	\$11.8	0.0%
Consumer Debt (in trillions)	Jan-05	\$2.1	Aug-12	\$2.6	+22.6%
Consumer Price Index	Jan-05	189.3	Sep-12	228.5	+20.7%
Retail Sales (in trillions)	Sep-12	\$4.8	Sep-12	\$4.8	0.0%
Construction Activity (in billions)	Sep-06	\$1,174	Sep-12	\$828.1	-29.5%
New Home Sales	Dec-05	1,283,000	Sep-12	358,000	-72.1%
Housing Price Appreciation %	Q4 2005	11.3%	Q2 2012	-2.2%	-13.5%
Value of the US Dollar (index)	Jan-05	85.2	Oct-12	73.4	-13.9%
Consumer Expectations	Mar-05	97.0	Oct-12	78.0	-19.6%

Indicators	Prior Year		Present		%△
	Period	Value	Period	Value	
Real GDP (in billions)	Q3 2011	\$13,234	Q3 2012	\$13,528	+2.2%
Employment (in millions)	Oct-11	131.1	Oct-12	132.9	+1.4%
Unemployment	Oct-11	9.1%	Oct-12	8.2%	-0.9%
Real Disposable Income (in trillions)	Sep-11	\$11.5	Sep-12	\$11.8	+2.9%
Consumer Debt (in trillions)	Aug-11	\$2.5	Aug-12	\$2.6	+5.4%
Consumer Price Index	Sep-11	223.1	Sep-12	228.5	+2.4%
Retail Sales (in trillions)	Sep-11	\$4.6	Sep-12	\$4.8	+5.9%
Construction Activity (in billions)	Sep-11	\$774.1	Sep-12	\$828.1	+7.0%
New Home Sales	Sep-11	299,000	Sep-12	358,000	+19.7%
Housing Price Appreciation %	Q2 2011	-2.5%	Q2 2012	-2.2%	+0.3%
Value of the US Dollar (index)	Sep-11	71.0	Oct-12	73.4	+3.3%
Consumer Expectations	Sep-11	74.7	Oct-12	78.0	+4.4%

US Real Gross Domestic Product

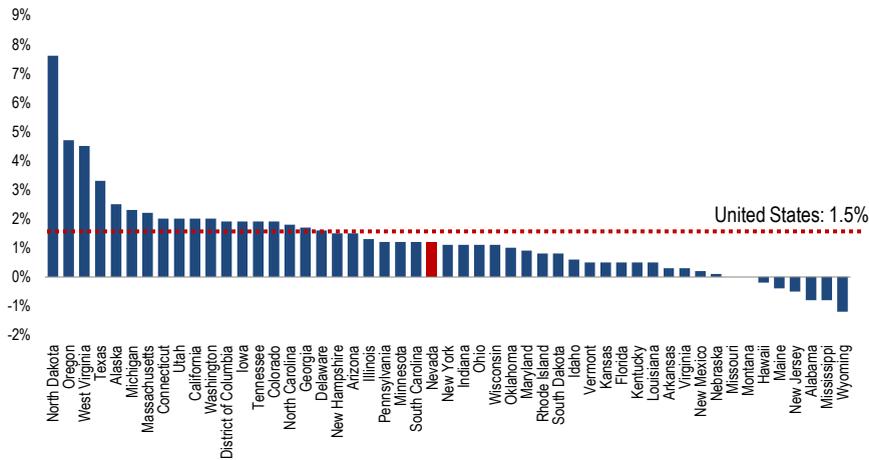
Annual Rates of Change



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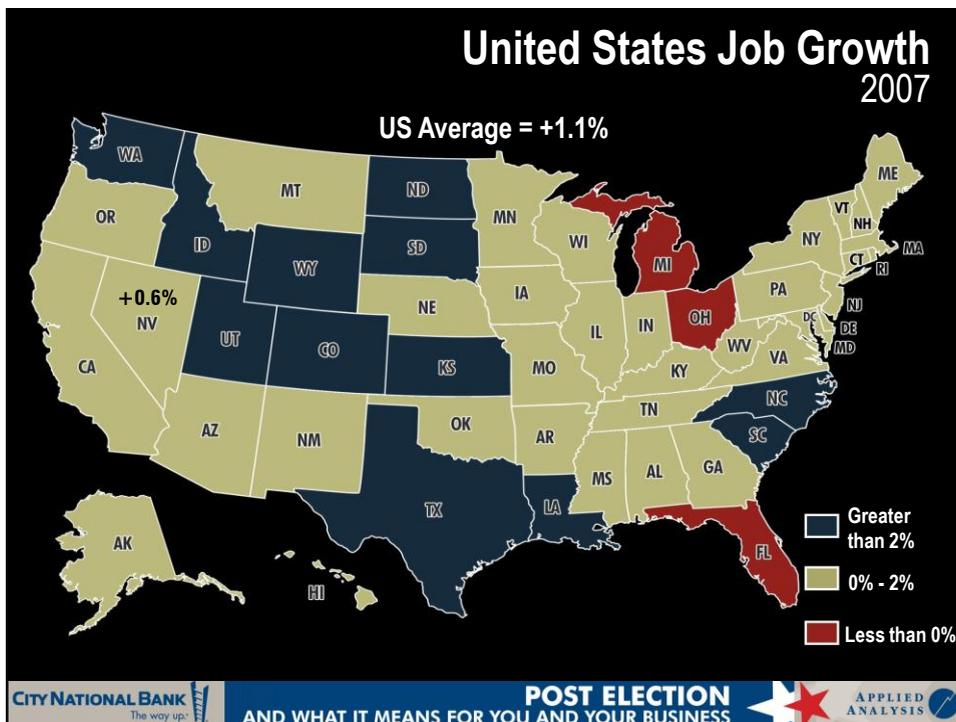
Growth in Real Gross Domestic Product

By State (2011)



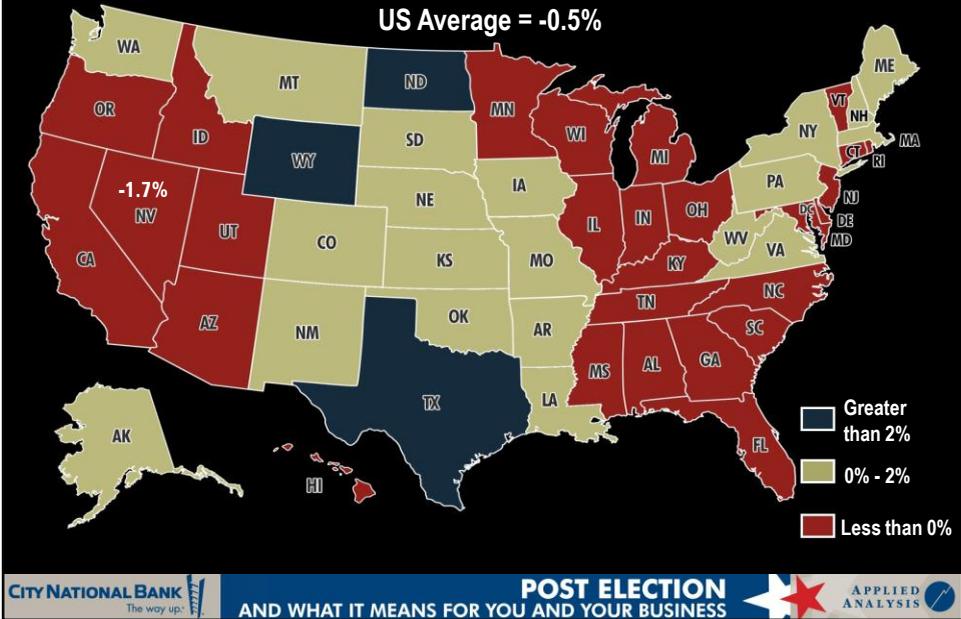
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JOB FLEETUS



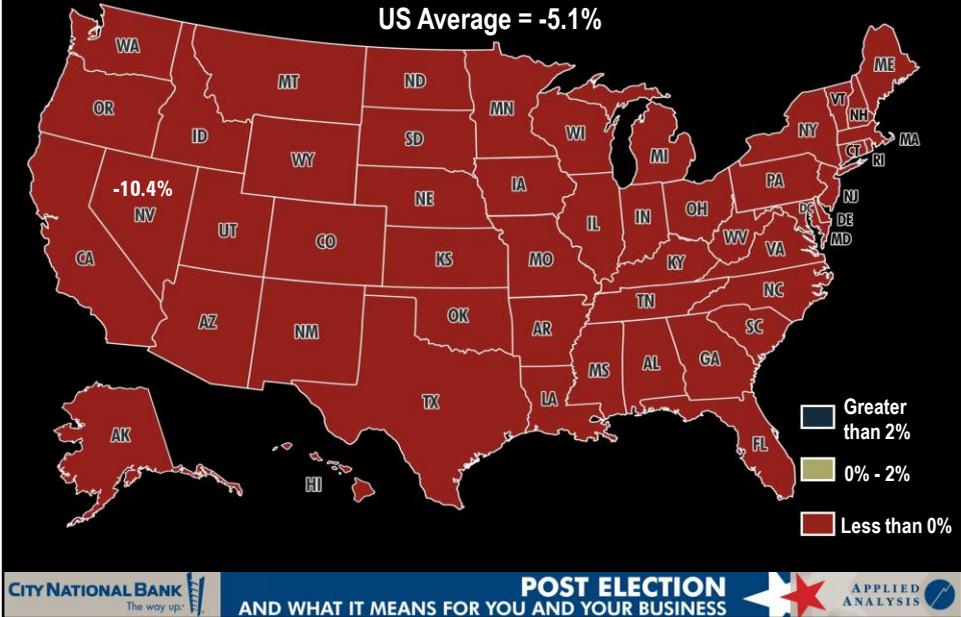
United States Job Growth 2008

US Average = -0.5%



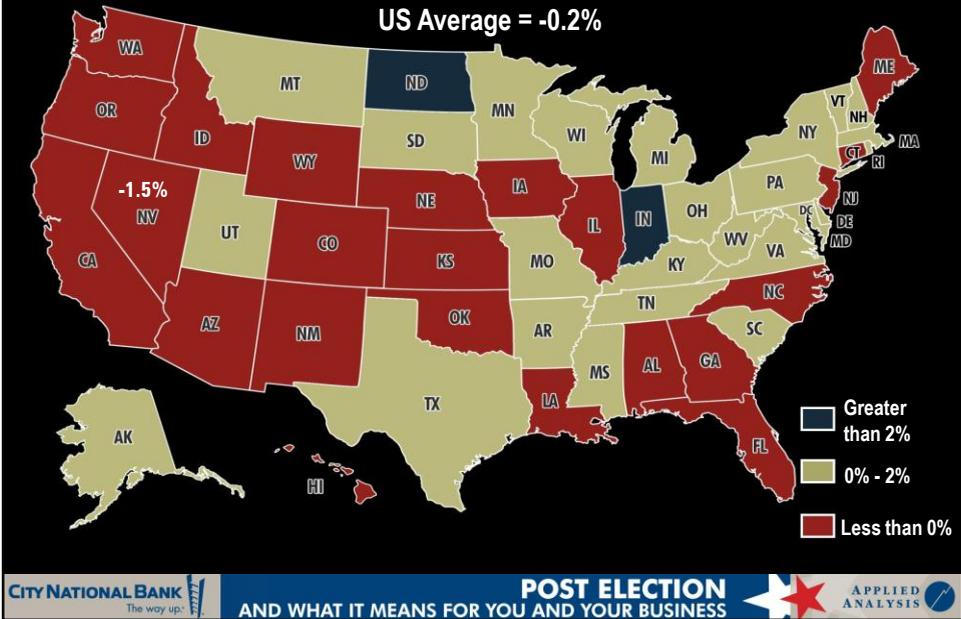
United States Job Growth 2009

US Average = -5.1%



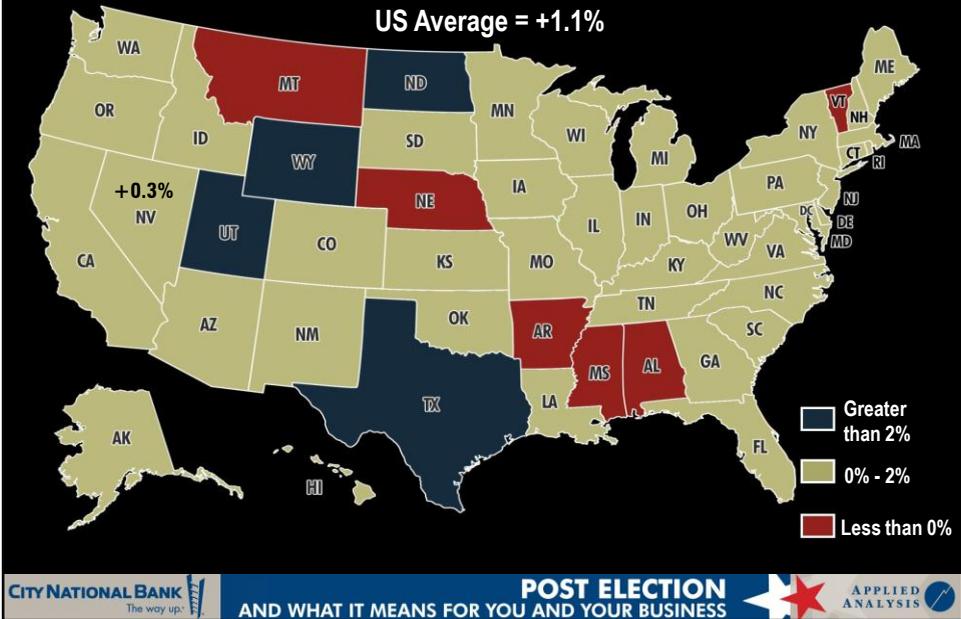
United States Job Growth 2010

US Average = -0.2%

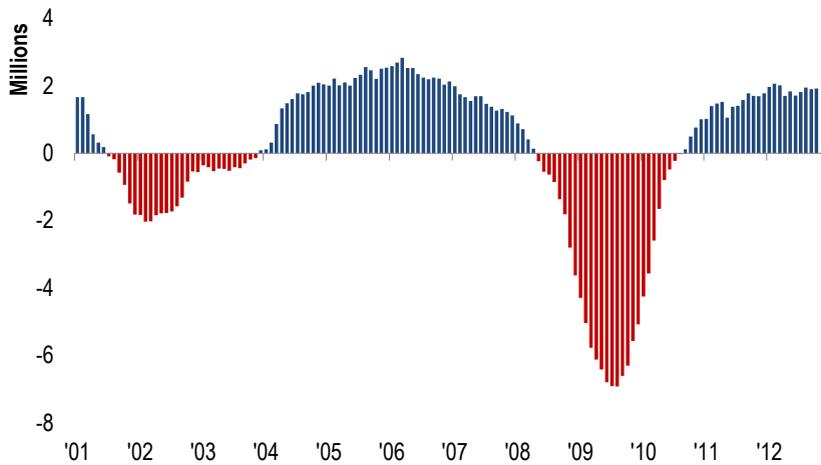


United States Job Growth 2011

US Average = +1.1%

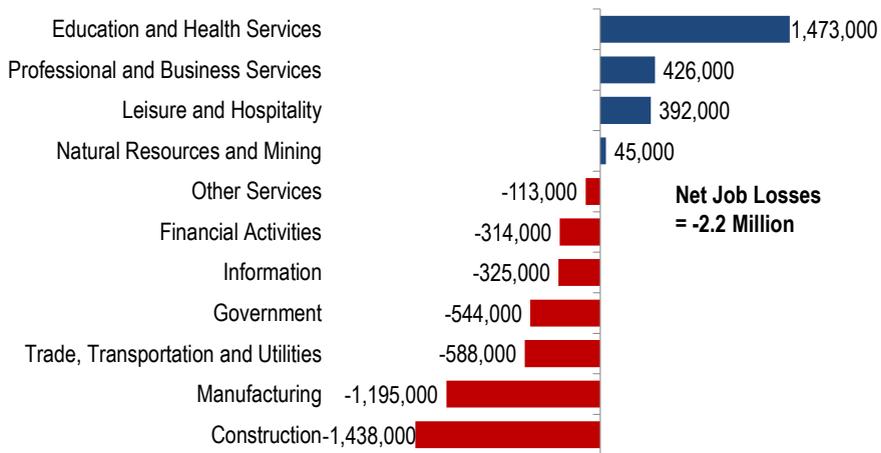


United States Job Creation



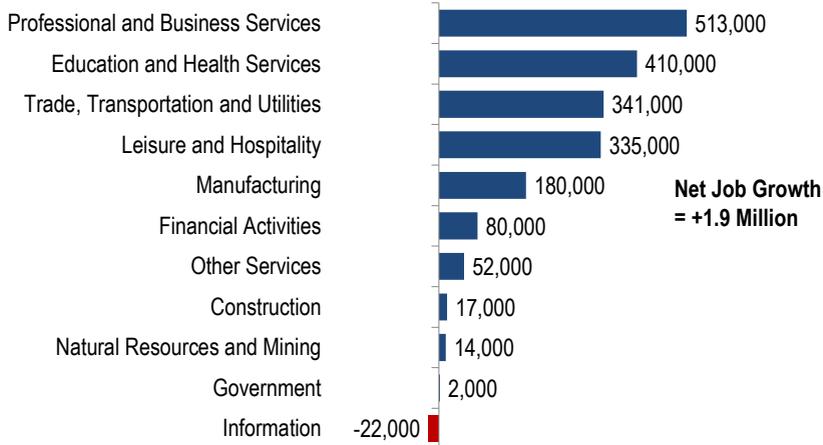
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United States Job Creation by Sector (Past 4 Years)

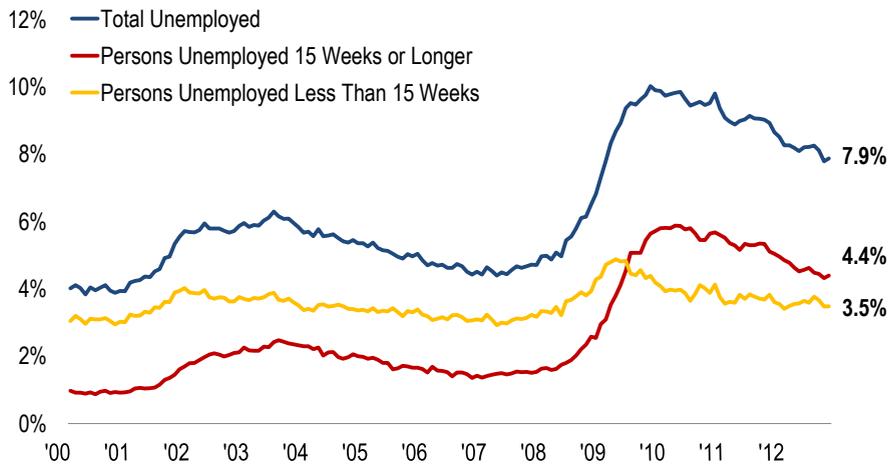


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United States Job Creation by Sector (Past 12 Months)

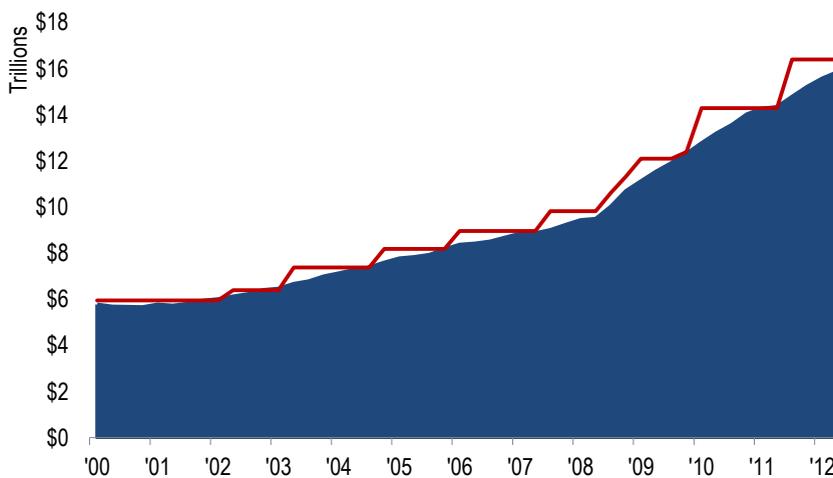


United States Unemployment Rates

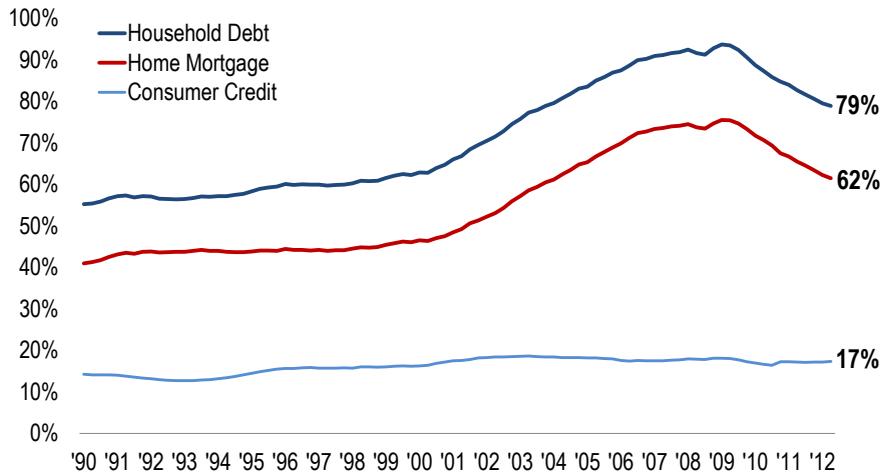


LEVERAGANATION

Debt Limit vs. Actual Debt Outstanding



US Household Debt as a Percentage of GDP



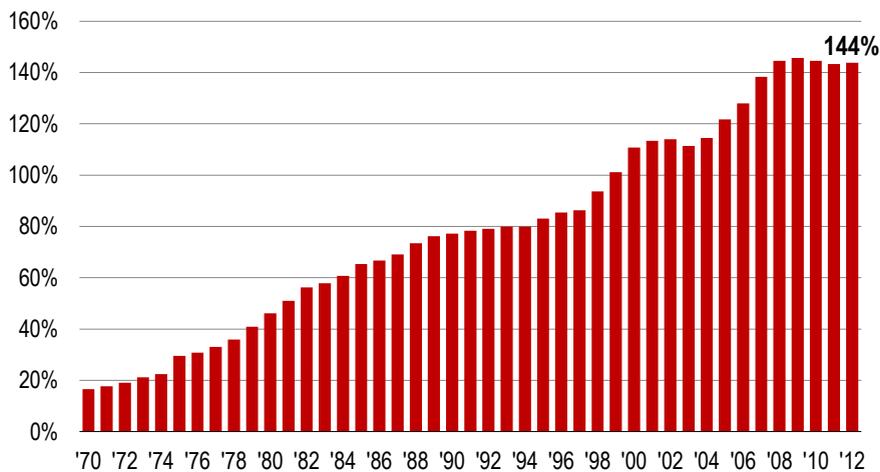
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US Non-financial Debt as a Percentage of GDP



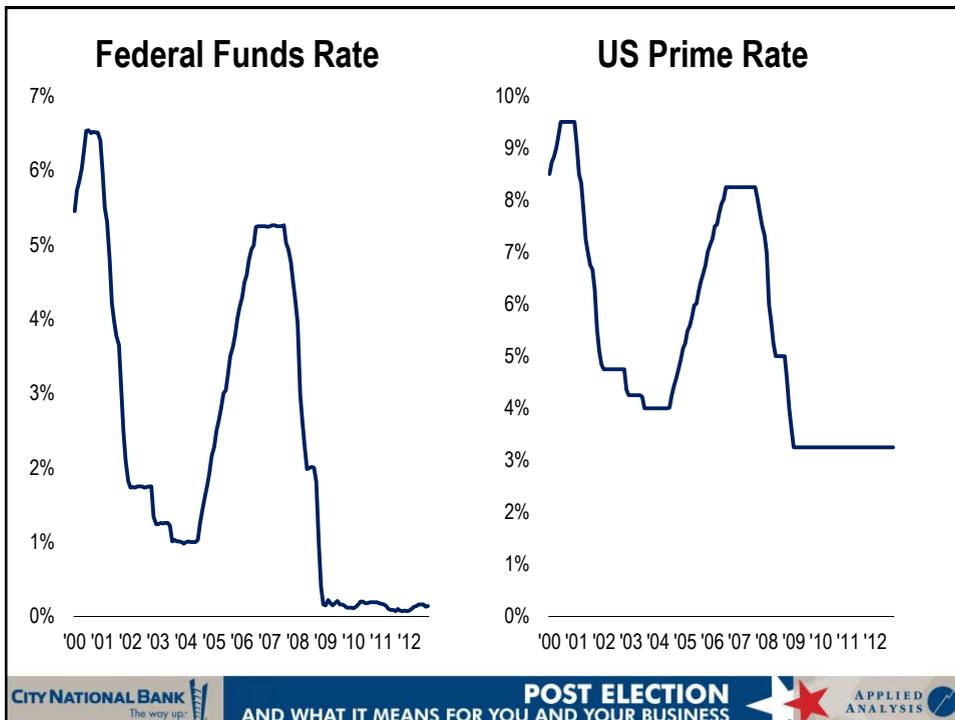
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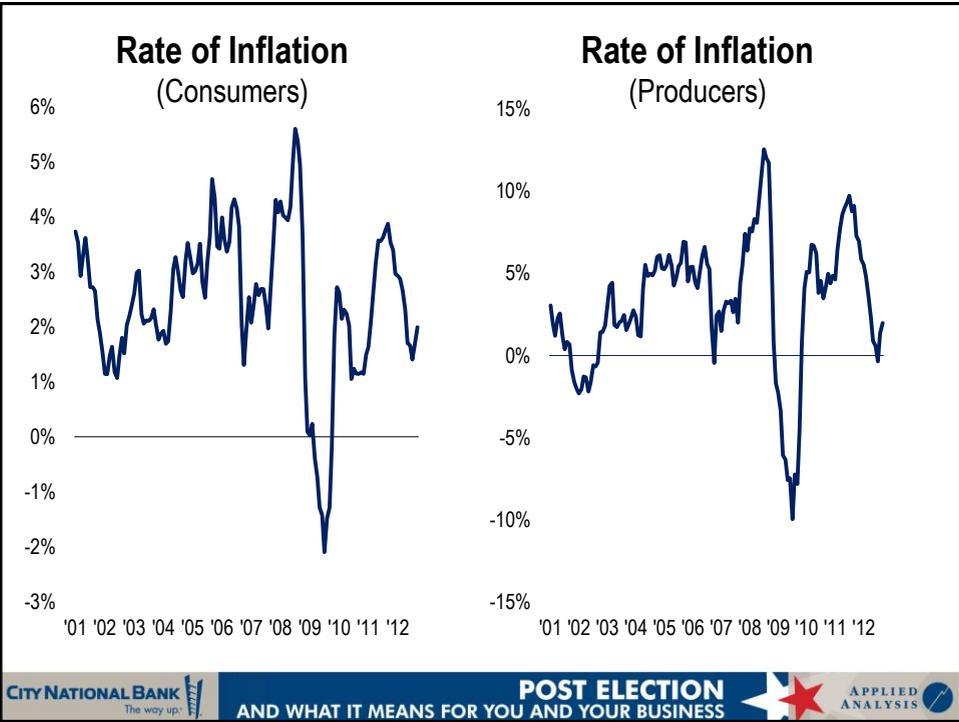
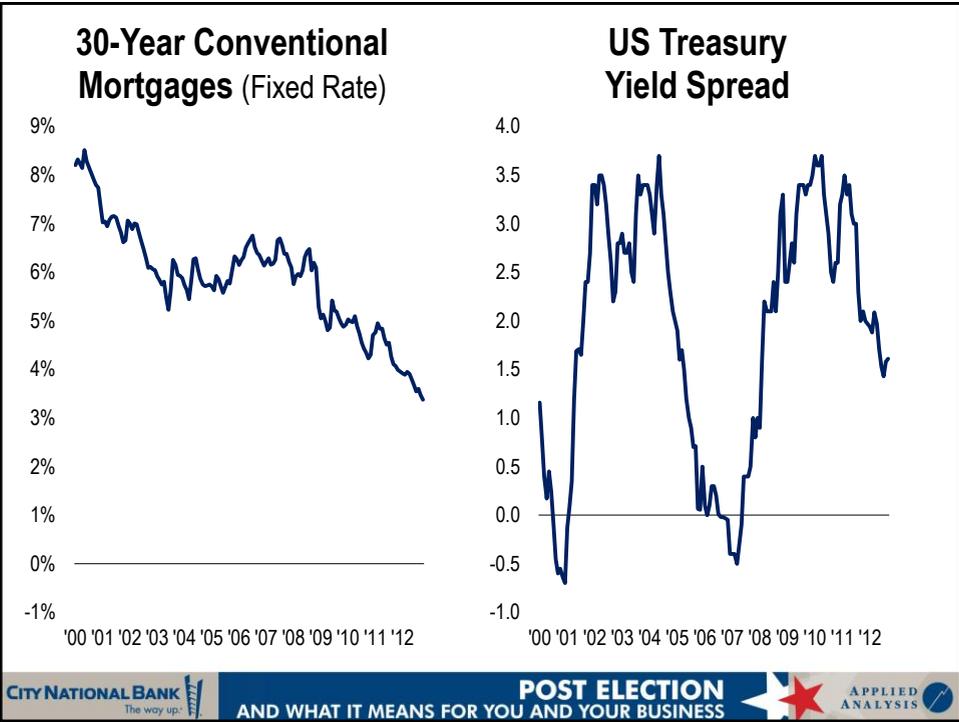
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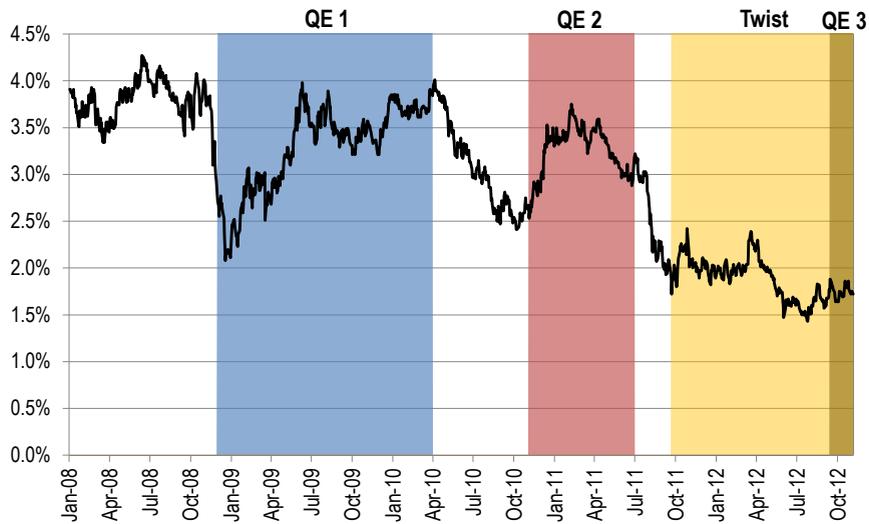
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RATEROSION





Quantitative Easing and Treasuries



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**PRESIDENTIAL
ELECTION**

2012



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JOBS-TO-VICTORY INDEX

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1980

1984

1988

1992

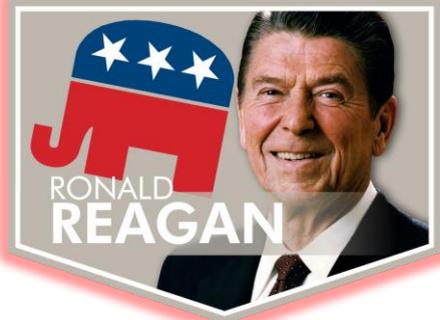
1996

2000

2004

2008

2012



Pre-Election

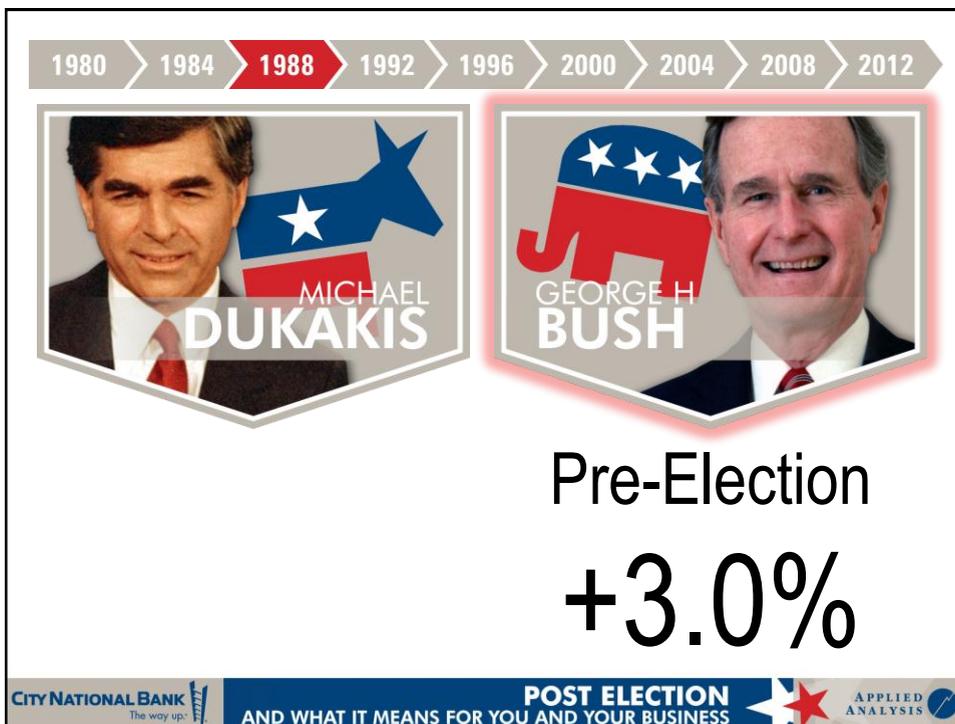
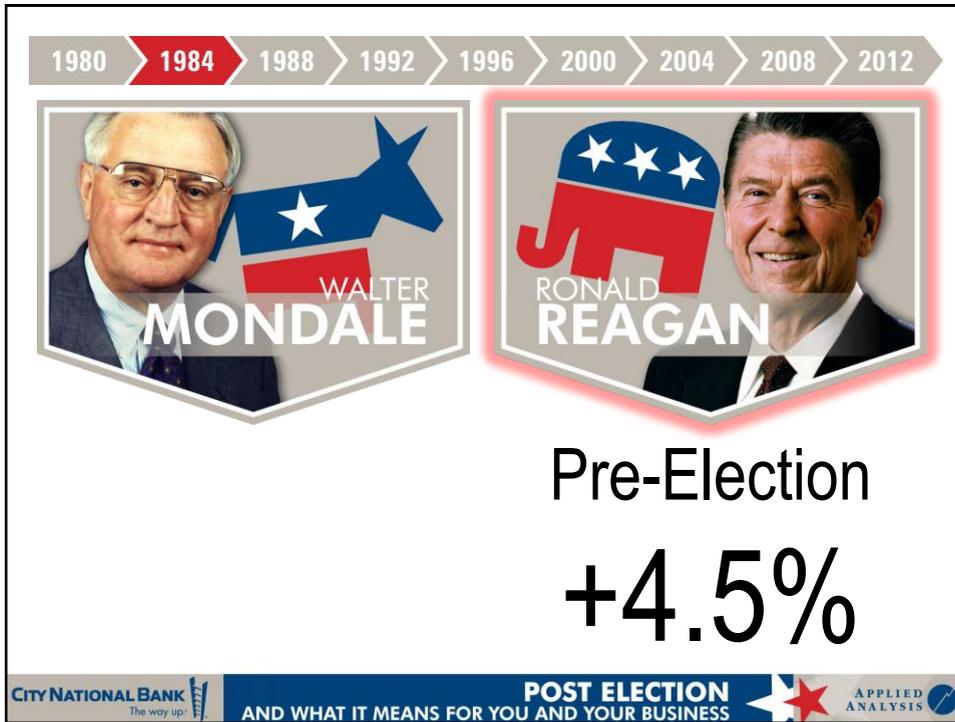
+0.0%

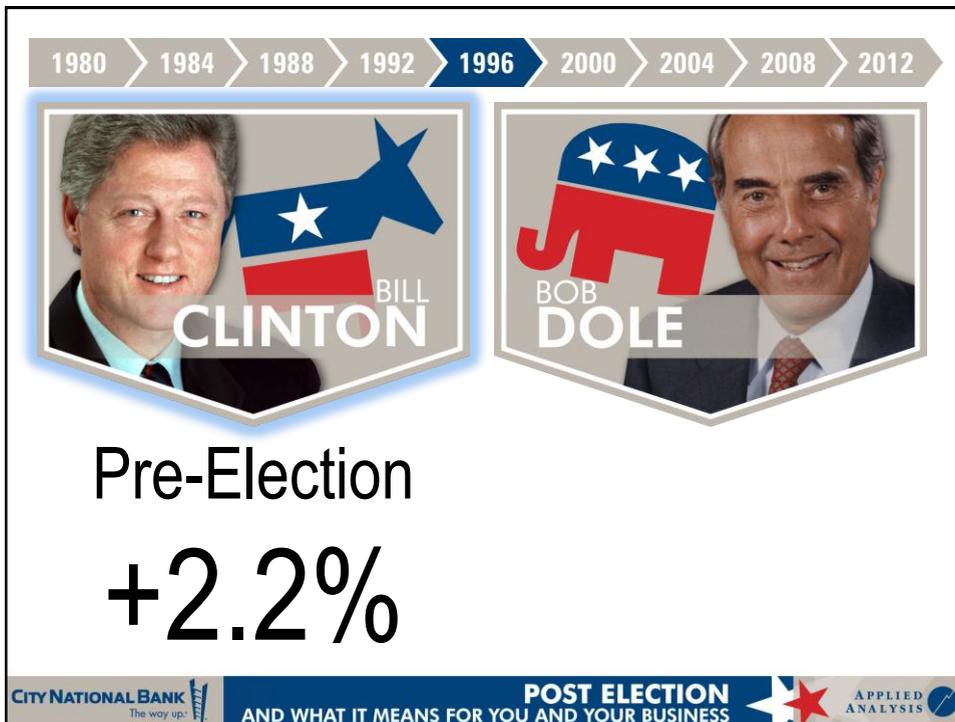
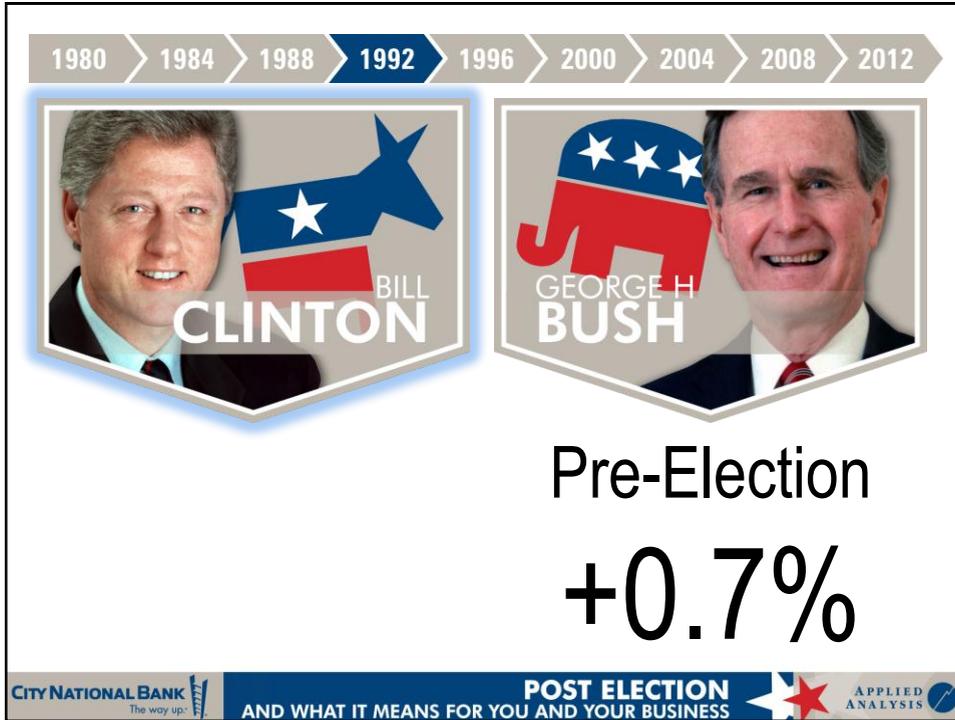
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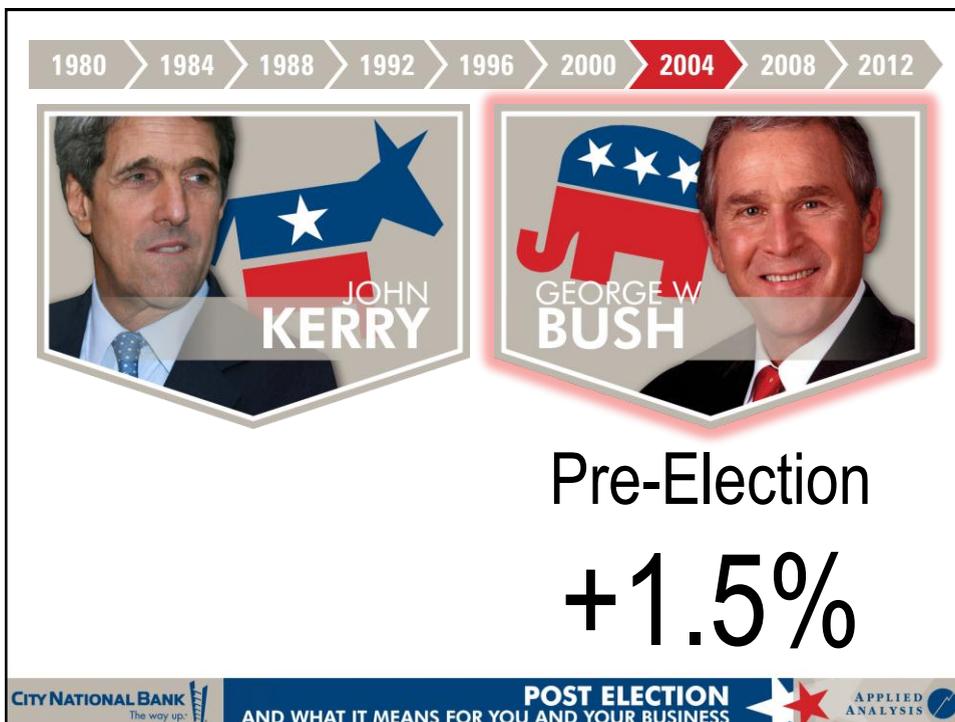
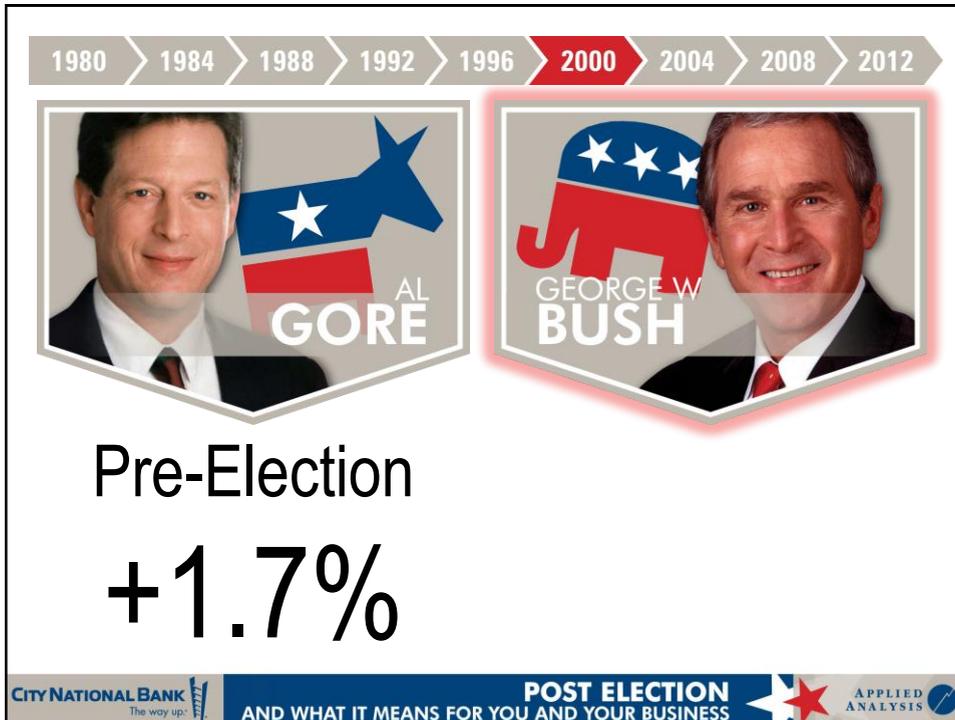
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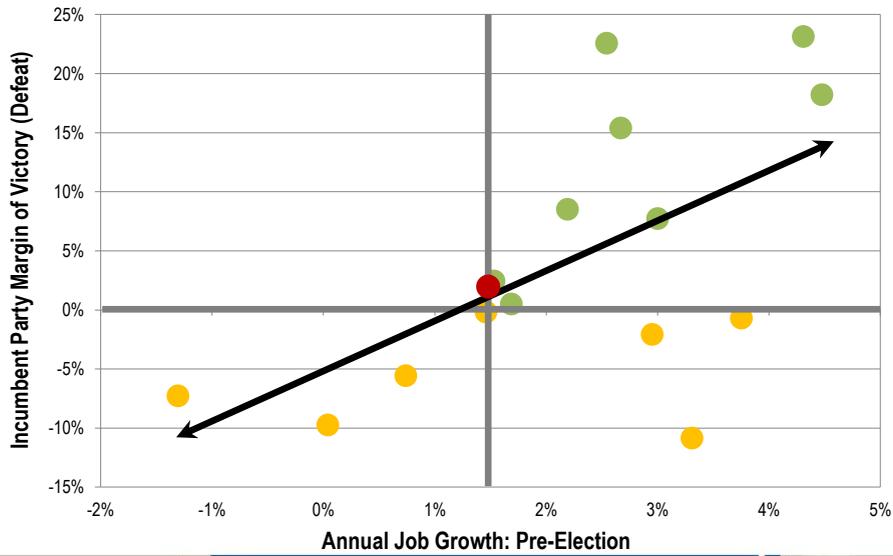








Job Growth in the Past Year vs. Popular Vote Margin



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The Stock Market Theory



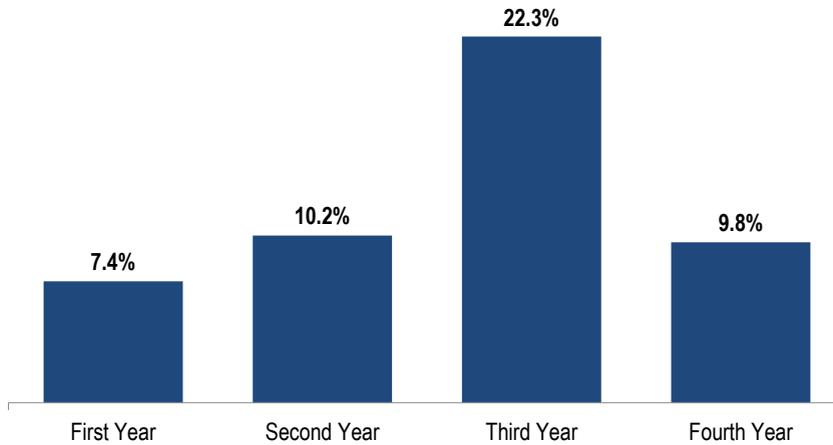
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Stock Market Returns by Presidential Term Year



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Bringing It Home: Local Considerations



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Indicators	Peak		Present		% Δ
Employment	Aug-07	224,225	Sep-12	189,250	-15.6% ▼
Unemployment Rate	Jun-06	3.9%	Sep-12	11.9%	+8.0% ▲
Residential Units Permitted	Jan-06	6,687	Sep-12	747	-88.8% ▼
Housing Price Index	Q3 2006	248	Q2 2012	117.9	-52.5% ▼
Taxable Retail Sales (in billions)	Jun-06	\$7.3	Aug-12	\$5.6	-23.2% ▼
Gross Gaming Revenue (in millions)	Jun-06	\$1,072	Aug-12	\$735.7	-31.4% ▼
Slot Coin-In (in billions)	Sep-06	\$16.4	Aug-12	\$12.1	-26.5% ▼
Win Per Slot Per Day	Jun-07	\$103.71	Aug-12	\$89.98	-13.2% ▼
Game and Table Drop (in millions)	Jan-05	\$1,398	Aug-12	\$874.2	-37.4% ▼
Win Per Table Game Per Day	Apr-06	\$822.28	Aug-12	\$627.58	-23.7% ▼
Visitor Volume (in millions)	Jan-05	5.5	Sep-12	4.4	-21.0% ▼
Reno/Tahoe Airport Passengers (in millions)	Jan-06	5.2	Sep-12	3.5	-32.3% ▼



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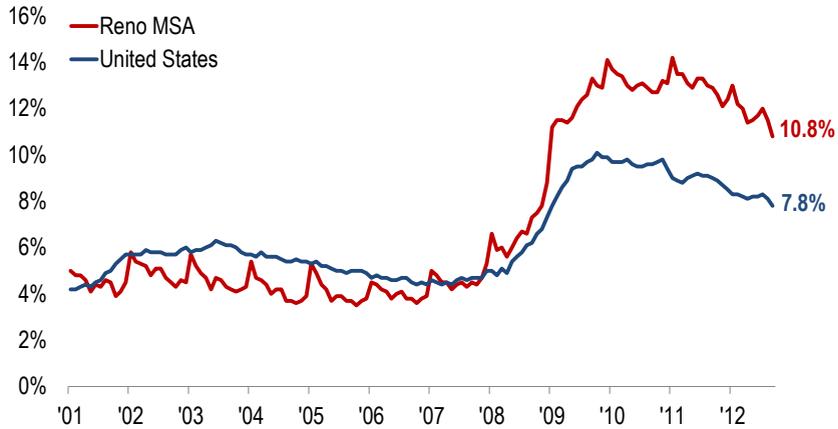
Indicators	Prior Year		Present		% Δ
Employment	Sep-11	189,183	Sep-12	189,250	0.0% ▲
Unemployment Rate	Sep-11	13.2%	Sep-12	11.9%	-1.3% ▼
Residential Units Permitted	Sep-11	496	Sep-12	747	+50.6% ▲
Housing Price Index	Q2 2011	129.4	Q2 2012	117.9	-8.9% ▼
Taxable Retail Sales (in billions)	Aug-11	\$5.3	Aug-12	\$5.6	+5.6% ▲
Gross Gaming Revenue (in millions)	Aug-11	\$745.6	Aug-12	\$735.7	-1.3% ▼
Slot Coin-In (in billions)	Aug-11	\$12.2	Aug-12	\$12.1	-0.9% ▼
Win Per Slot Per Day	Aug-11	\$89.90	Aug-12	\$89.98	+0.1% ▲
Game and Table Drop (in millions)	Aug-11	\$906.2	Aug-12	\$874.2	-3.5% ▼
Win Per Table Game Per Day	Aug-11	\$623.92	Aug-12	\$627.58	+0.6% ▲
Visitor Volume (in millions)	Sep-11	4.3	Sep-12	4.4	+0.5% ▲
Reno/Tahoe Airport Passengers (in millions)	Sep-11	3.8	Sep-12	3.5	-7.7% ▼



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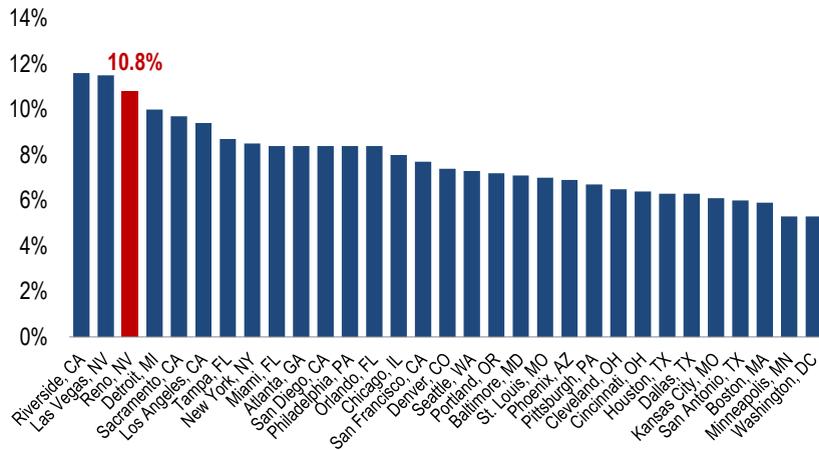
Reno MSA Unemployment Rate

Monthly Series



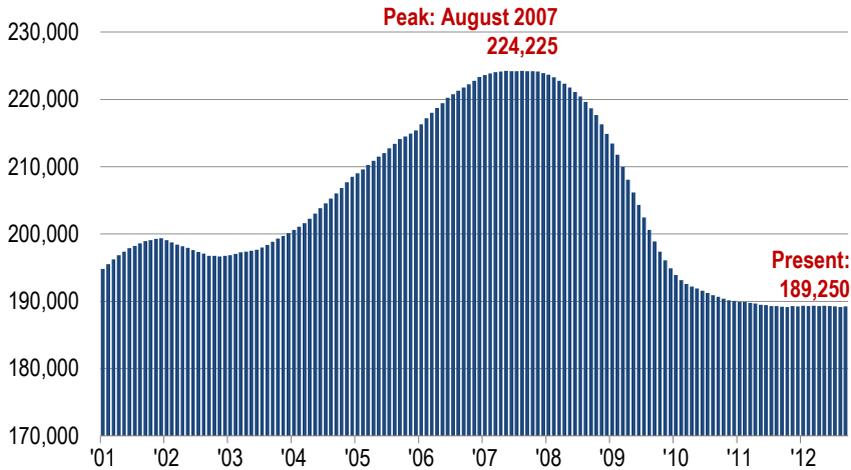
Unemployment Rates:

30 Largest MSAs vs. Reno



Reno MSA Employment

Trailing 12 Months



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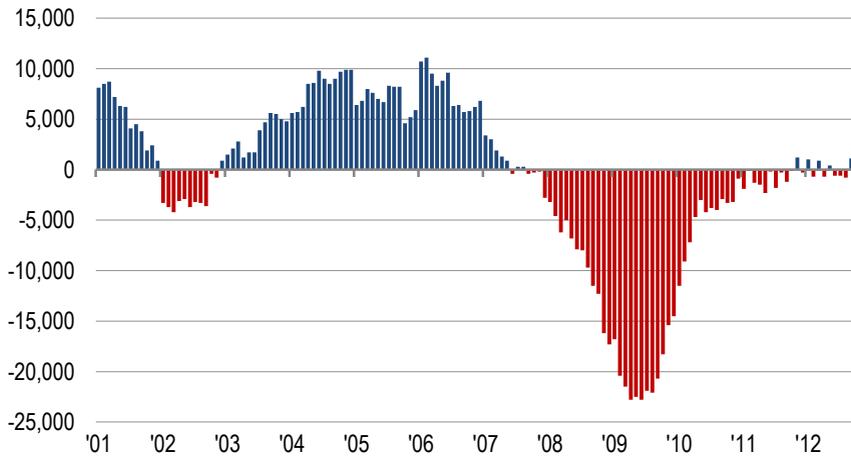
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Reno MSA Employment Growth

Year-Over-Year



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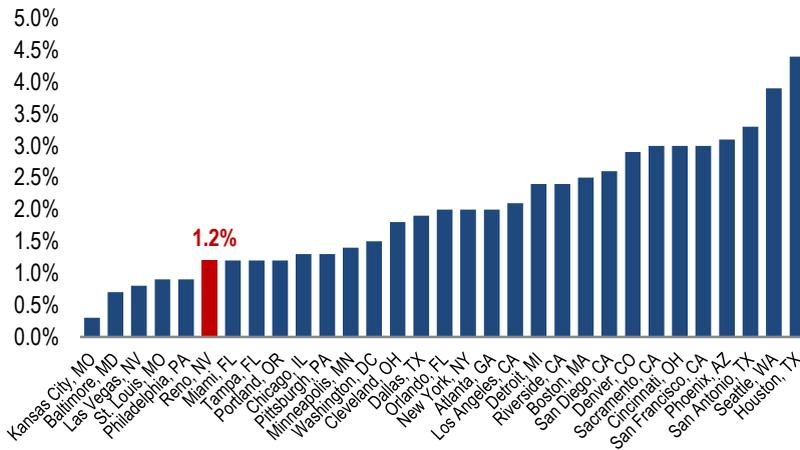
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Year-Over-Year Employment Growth

30 Largest MSAs vs. Reno



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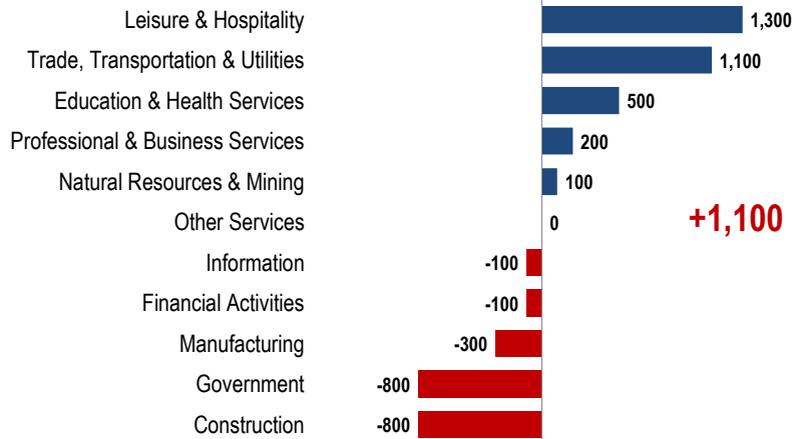
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Reno MSA Employment Growth

Past 12 Months By Industry



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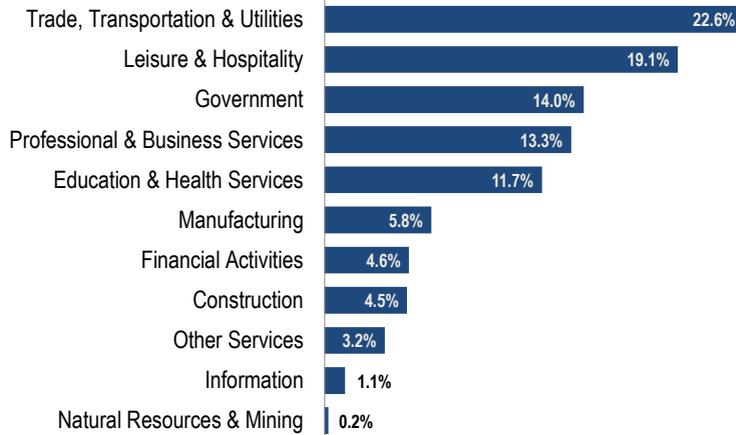
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Reno MSA Employment By Industry

As a Percent of Employment Totals



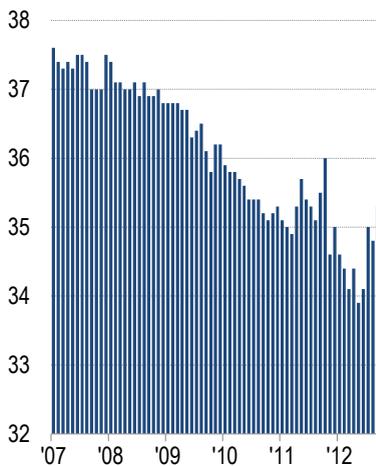
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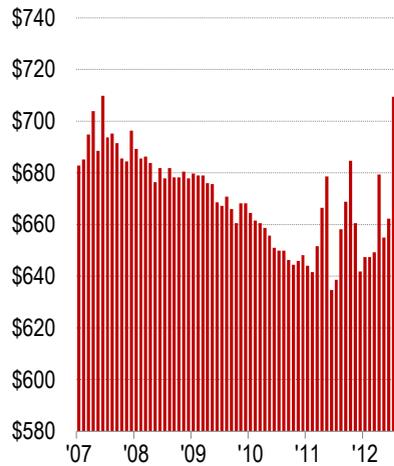


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Private Sector-Reno Avg. Hours Worked



Private Sector-Reno Avg. Weekly Wages



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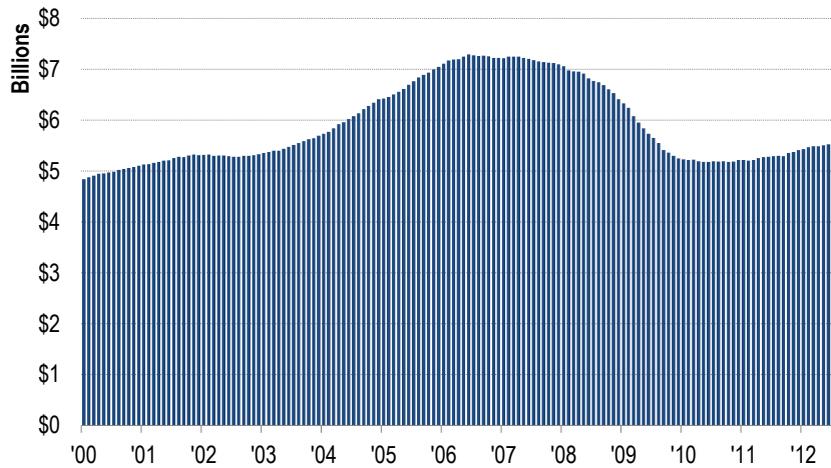
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Washoe County Taxable Retail Sales

Trailing 12-Month Totals



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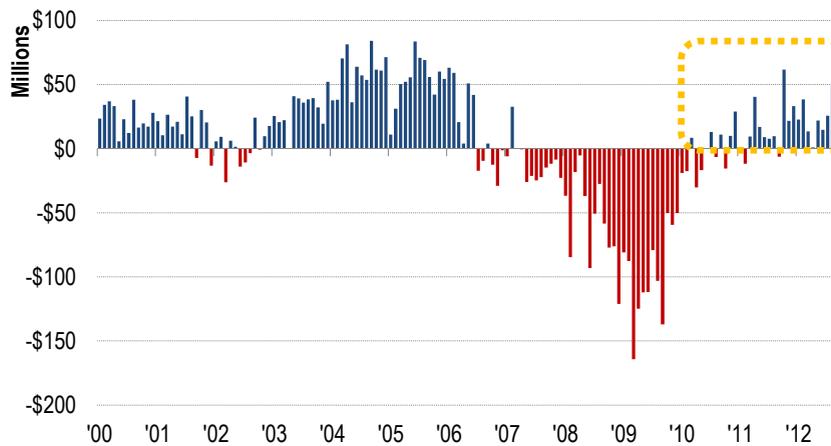
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Washoe County Taxable Retail Sales

Growth Year-Over-Year

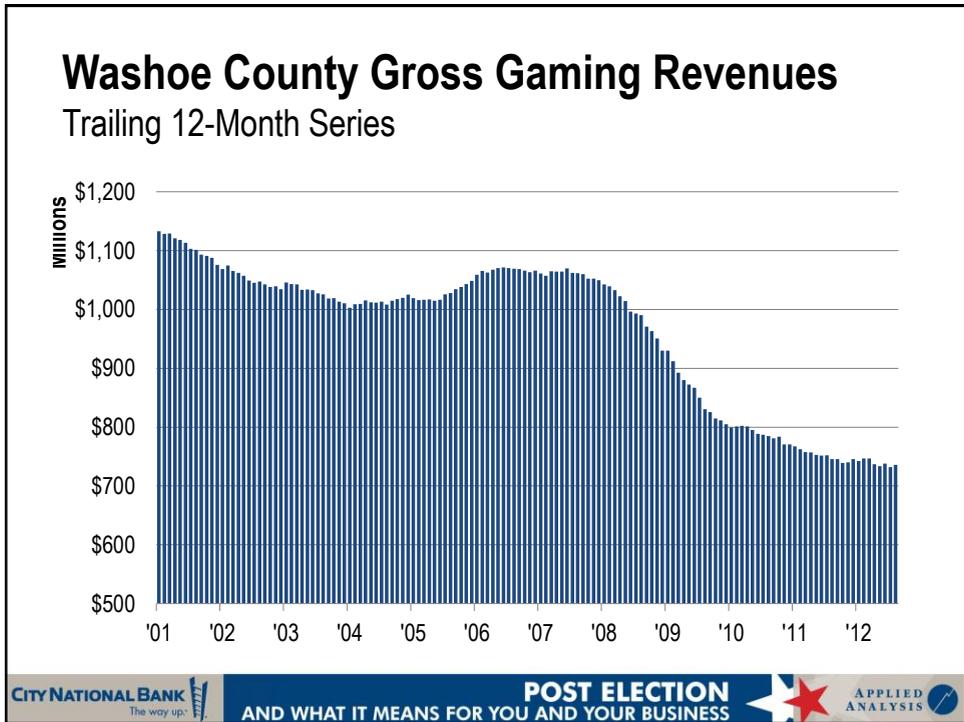
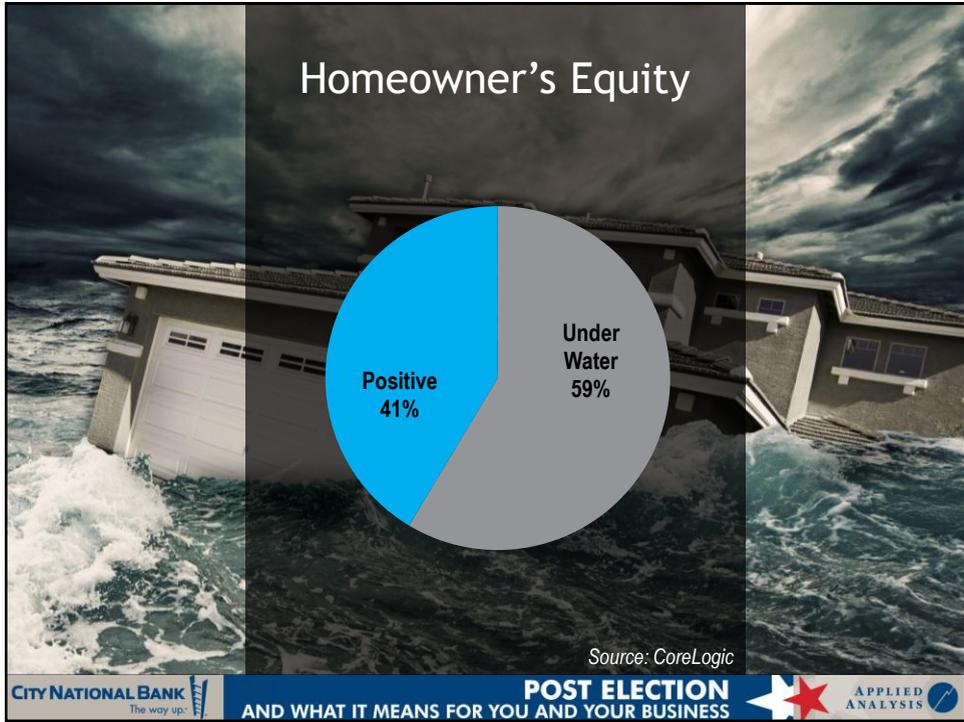


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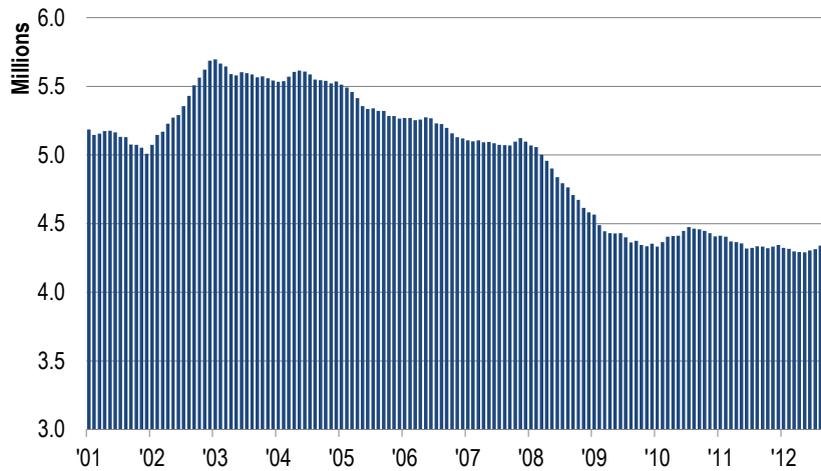


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Reno Visitor Volume

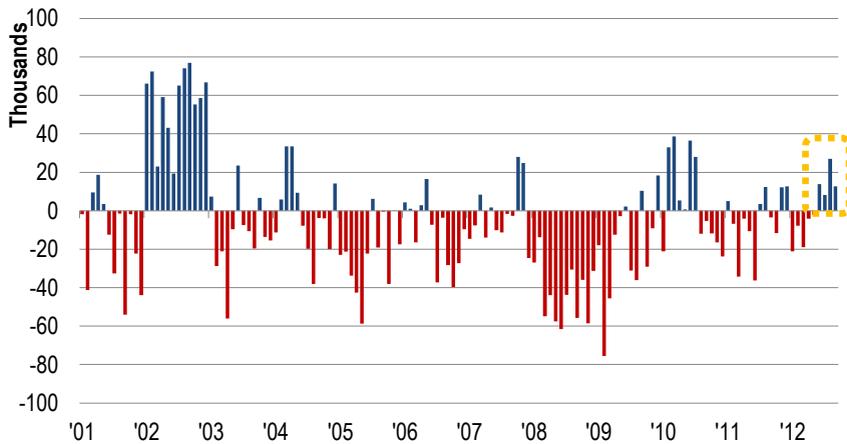
Trailing 12-Month Series



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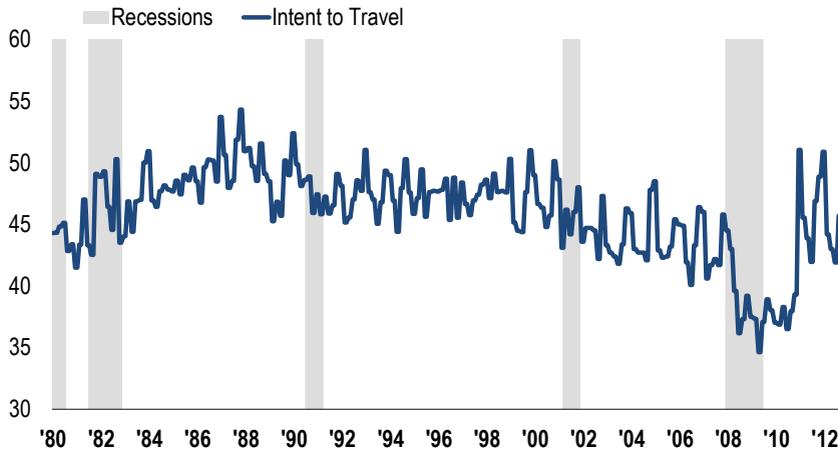
Reno Visitor Volume

Growth Year-Over-Year



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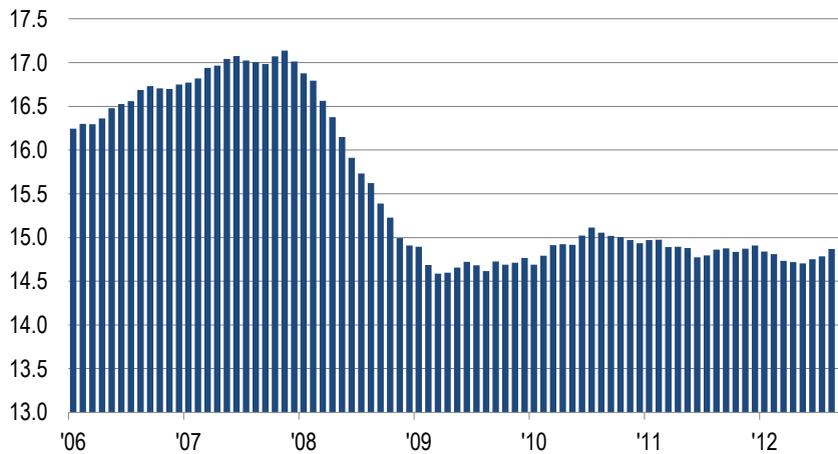
Consumers' Intent to Travel



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Reno Visitors Per Hotel/Motel Room

Trailing 12-Month Averages



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Leisure and Hospitality Employees

Per Hotel/Motel Room

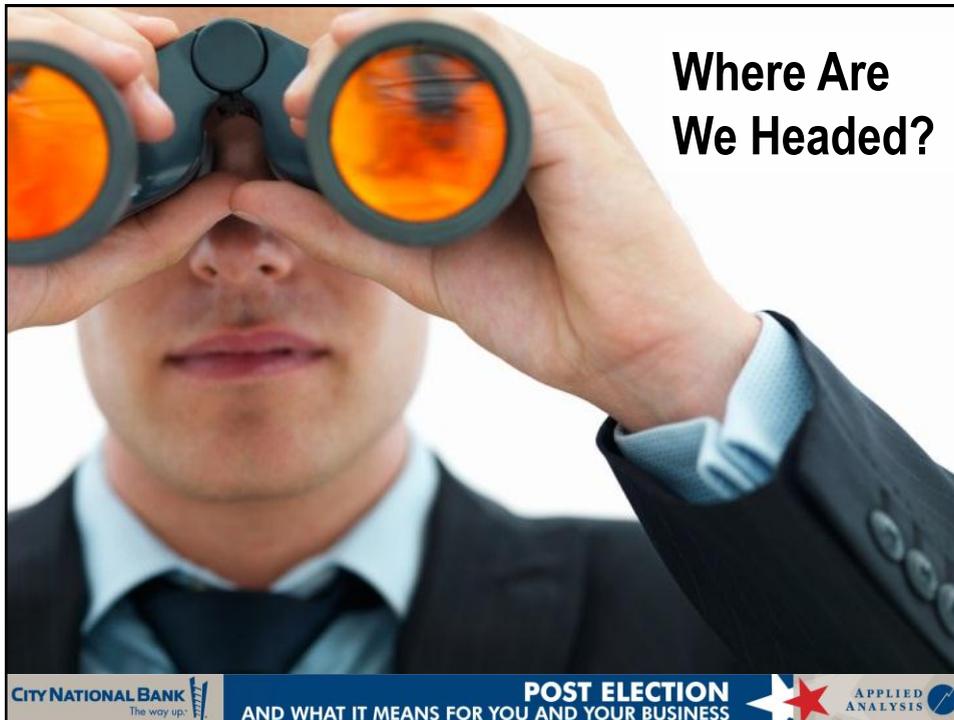


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Where Are We Headed?

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Global Considerations



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Europe in Disarray...

- » Fundamentals remain fragile
 - High unemployment
 - Highly leveraged
 - Weak spending levels

- » Greece not helping
 - Record unemployment
 - Future aid and the use of aid

- » Spain and Italy facing further contraction



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Shifts in China Continue...

- » Growth is slowing
 - Manufacturing
 - Consumption
 - Tighter lending

- » Leadership transitions

- » International uncertainty persists



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Domestic Issues



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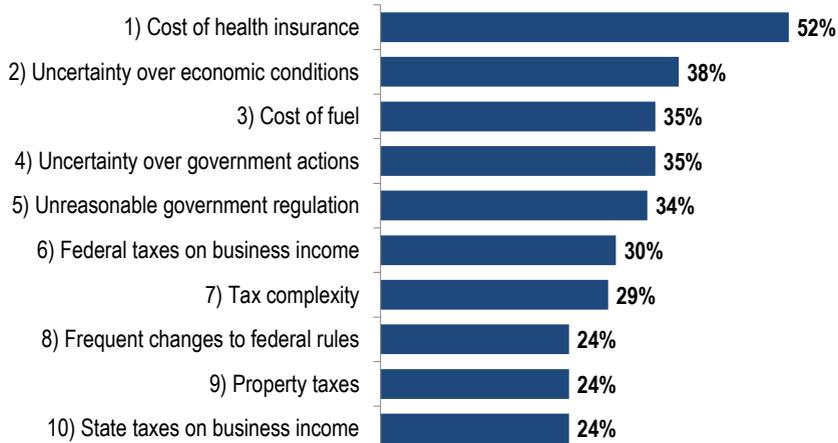
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Biggest Problems for US Businesses



Source: National Federation of Independent Businesses

Where Is the National Economy Headed in the Next 12 Months?





The Fiscal Cliff...

Is Impacting

61%

of Businesses from Hiring

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The Fiscal Cliff...

Results in

\$6.1 T

In Belt Tightening

Over 10 Years

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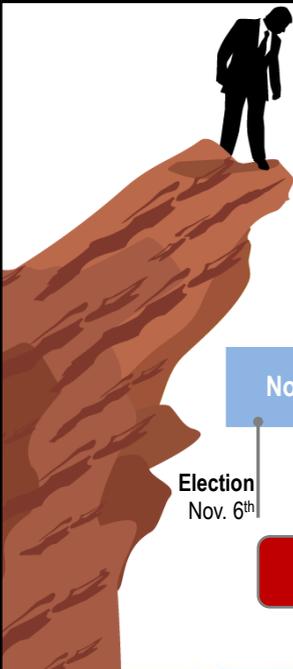
The Fiscal Cliff...

Results in

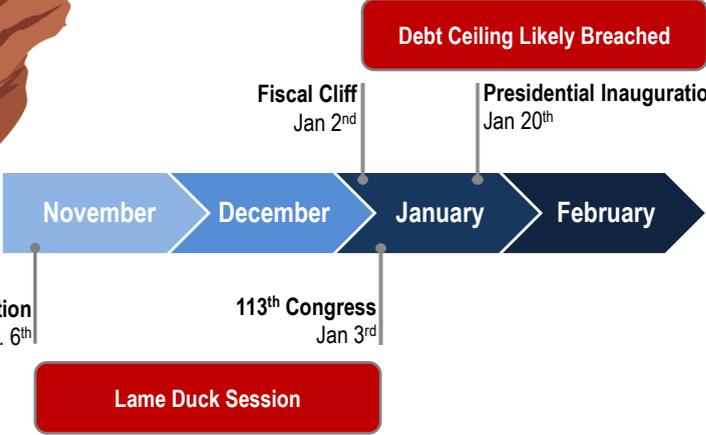
\$600 B

In Belt Tightening Over the Next Year

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The Fiscal Cliff...



Debt Ceiling Likely Breached

Fiscal Cliff Jan 2nd | Presidential Inauguration Jan 20th

November | December | January | February

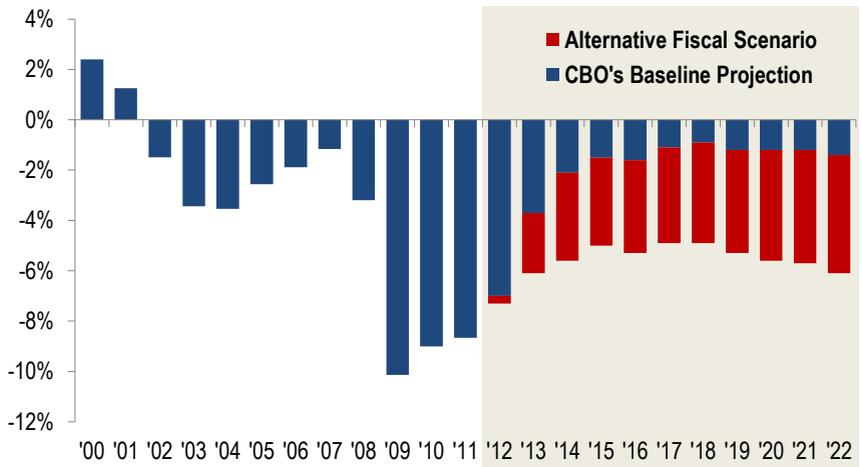
Election Nov. 6th | 113th Congress Jan 3rd

Lame Duck Session

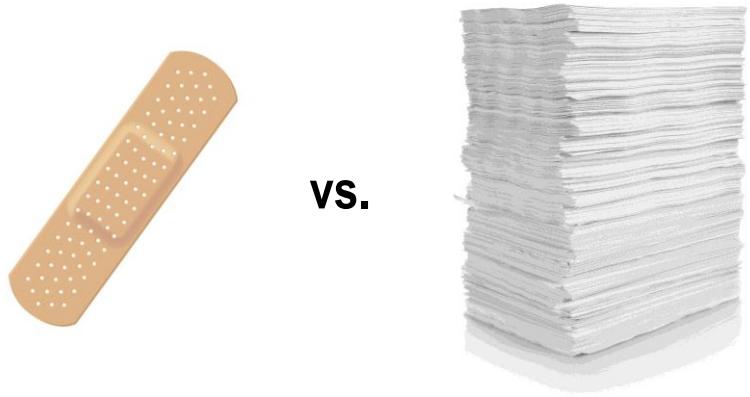
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Deficits or Surpluses

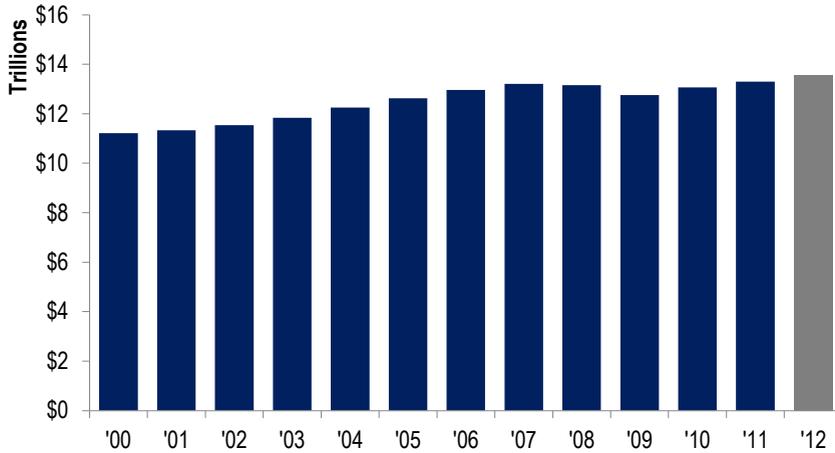
(As a Percentage of GDP)



National Fiscal Reforms in 2013...



U.S. Gross Domestic Product



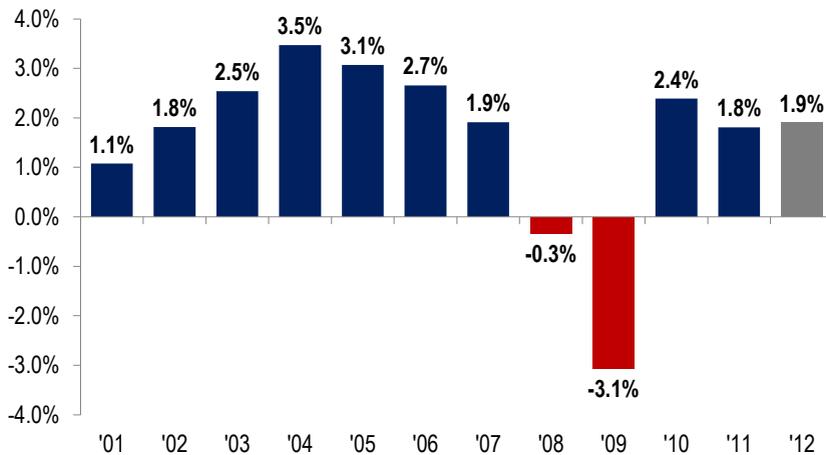
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U.S. Gross Domestic Product Growth



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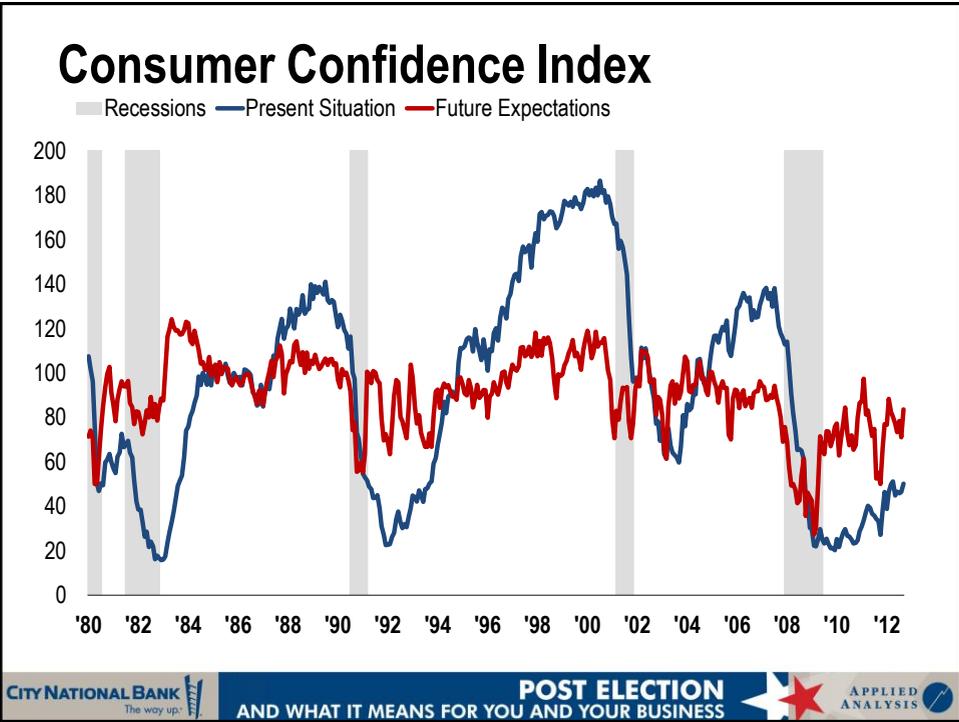
POST ELECTION
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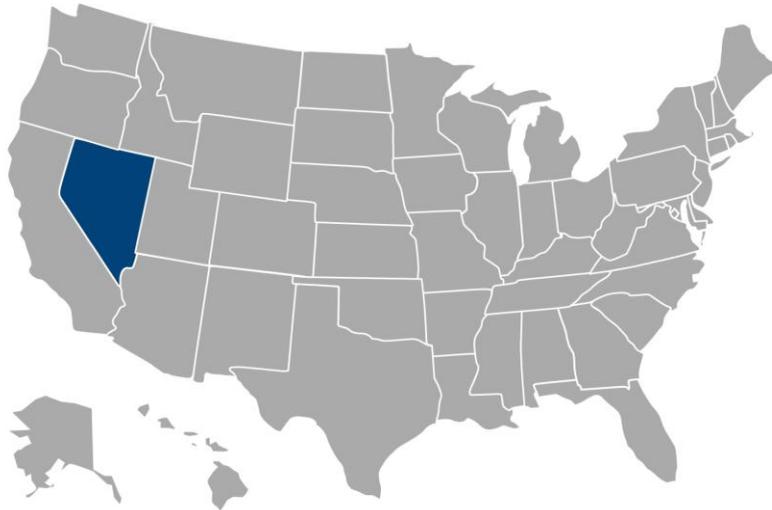
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Consumer Confidence Appears Well Positioned

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Implications at Home...



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Implications at Home...

» Proposition 30 Increases Taxes



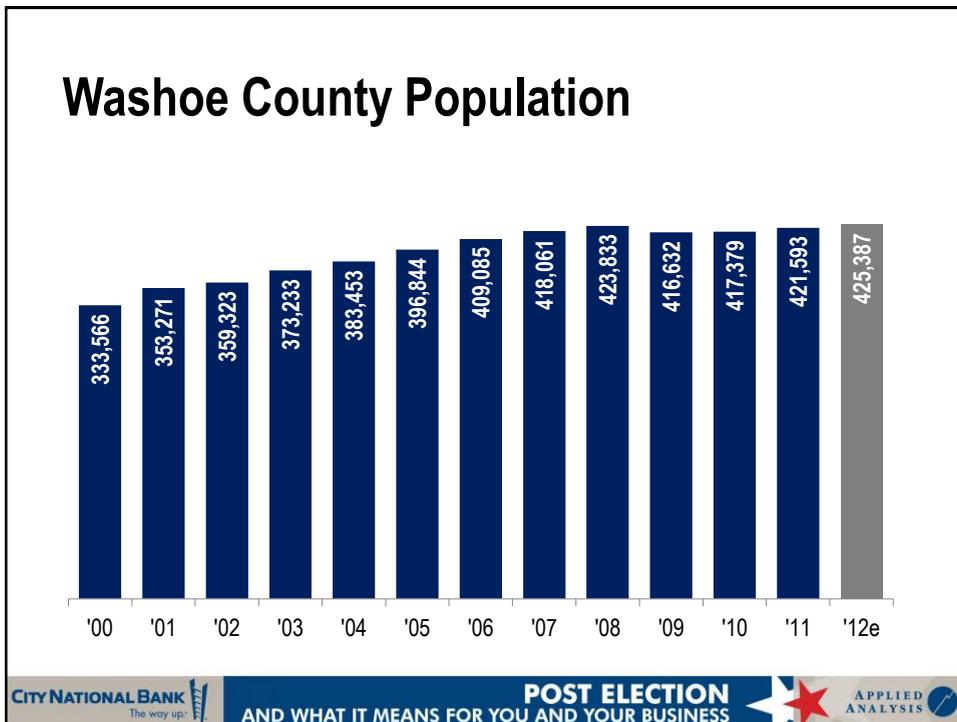
- Increase the sales tax: + 0.25%
- Increase the state income tax:
 - Rate: +1-3%
 - Incomes: +\$250,000
 - Term: Up to 7 years
- + \$6.0 Billion

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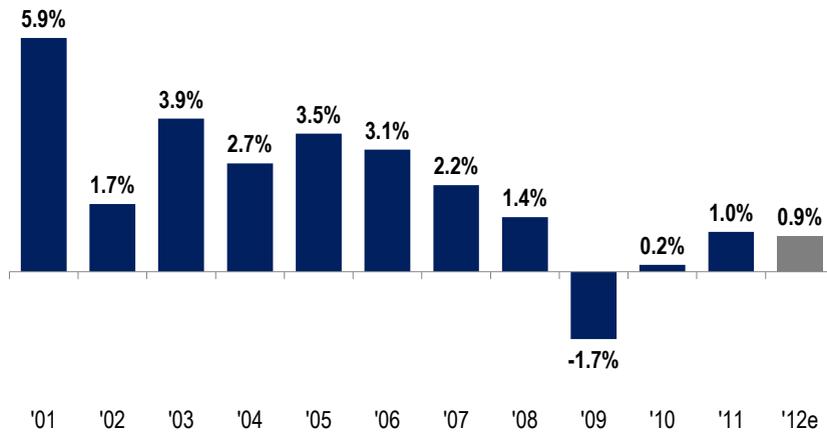
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Washoe County Population Growth



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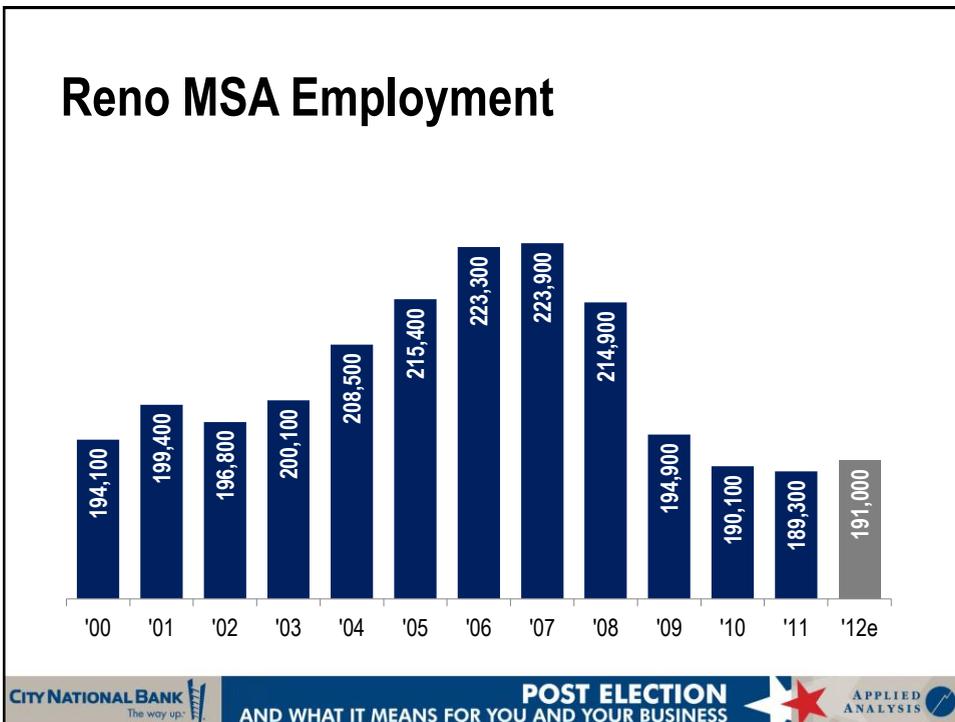


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ANALYSIS



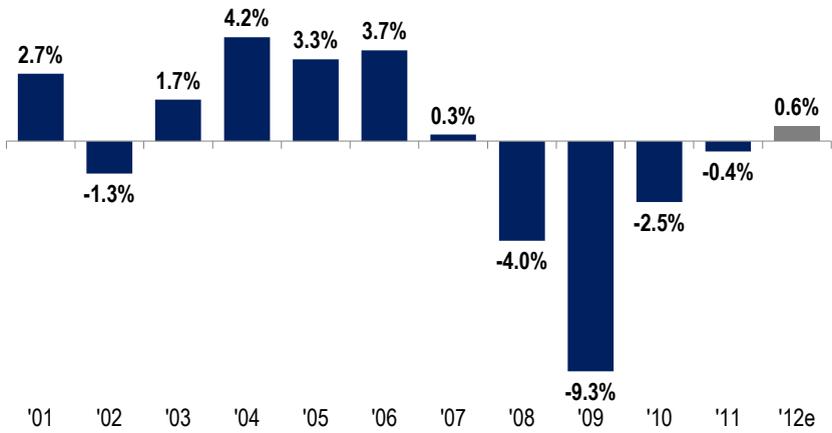
Employment

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Reno MSA Employment Growth



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Consumer Spending



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Washoe County Taxable Retail Sales

Annual Totals (in billions)



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The way up.

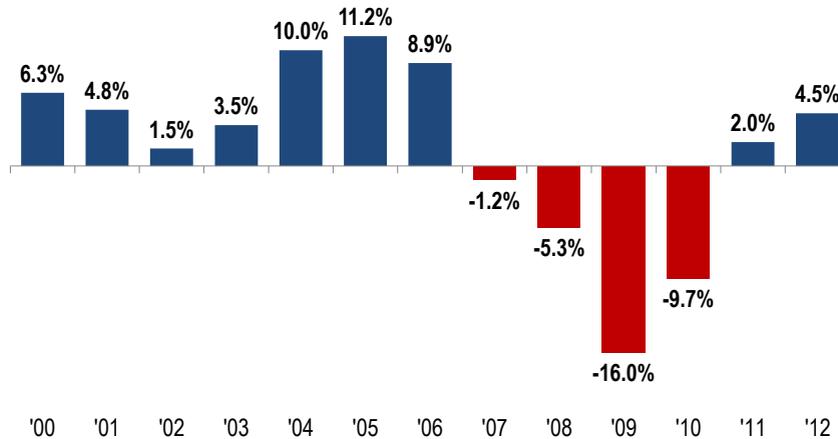
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Washoe County Taxable Retail Sales

Annual Growth Rate



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So What Does It All Mean?

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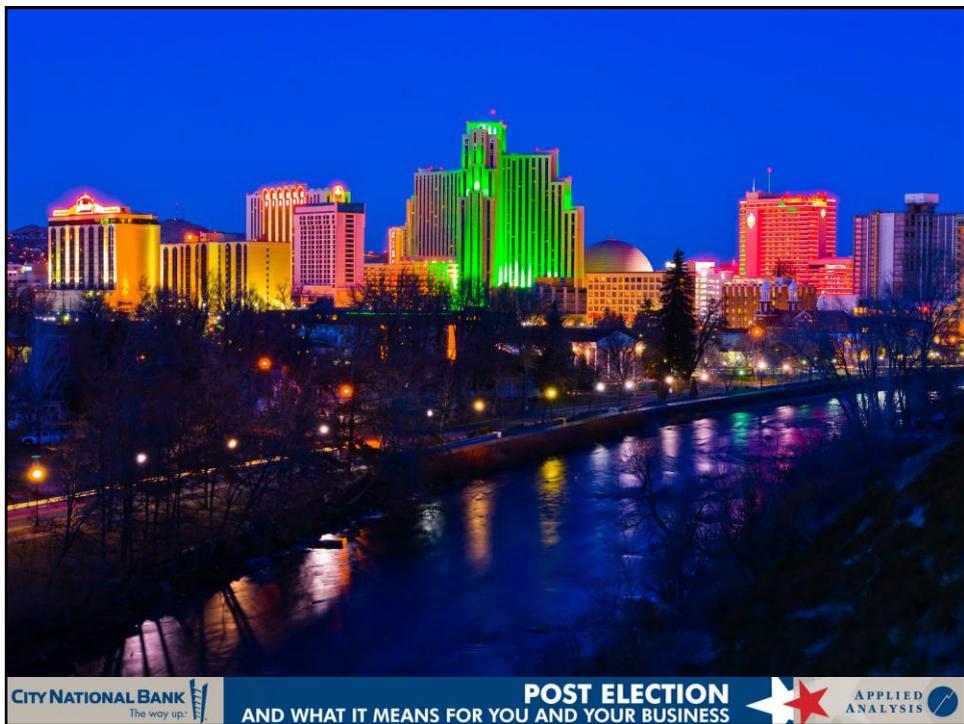


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+0.5%
GDP

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APPLIED ANALYSIS

UNCERTAINTY?

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APPLIED ANALYSIS

UNCERTAINTY?

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APPLIED ANALYSIS

CERTAIN

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APPLIED ANALYSIS

DOMINATEURSPACE

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APPLIED ANALYSIS 

CITY NATIONAL BANK
The way up: 

 **POST ELECTION**

AND WHAT IT MEANS FOR YOU AND YOUR BUSINESS

APPLIED ANALYSIS 