

"Oil is a positive, but I think bigger than that is the earnings news is not as catastrophic as people were thinking. Some of the bellwethers are reporting earnings that are better-than-expected."

- Noman Ali, portfolio manager, MFC Global Investment Management

Business

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Market summary table including S&P 500 (+21.06), NASDAQ (+10.10), DOW (+186.13), 6-MO T-BILLS (-.05), 30-YR T-BONDS (+.02), GOLD (\$902.90), and CRUDE OIL (+4.58).

Today

Exxon Mobil and MasterCard are expected to post higher quarterly earnings, while an advance reading on the health of the economy should show a boost from the government's tax rebates.

Exxon Mobil earnings

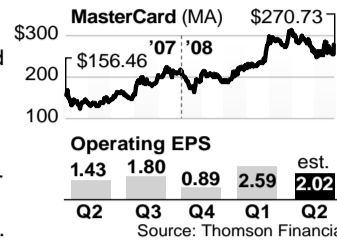
The global oil titan is expected to blow past its previous record profit of \$11.66 billion in the fourth quarter. On the back of crude oil's own record gains, second-quarter earnings are pegged to rise near-



ly 40 percent from a year ago to more than \$12 billion, the highest ever for a U.S. public company. But the stock has pulled back from recent highs on worries about higher costs and refining margins, which haven't kept pace with crude prices, notes Standard & Poor's analyst Tina Vital. Last quarter's strong profit failed to meet analysts' expectations.

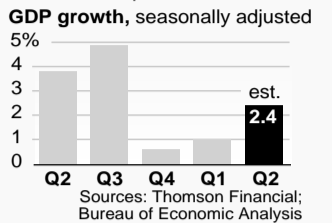
MasterCard earnings

The credit-card servicer is expected to see profit grow by about 40 percent from last year on strong revenue growth, analysts say. "We believe MasterCard is poised to deliver solid revenue and EPS upside in the second quarter," writes SunTrust Robinson Humphrey's Andrew W. Jeffrey. He points to growth in overall transactions, fueled by international volume. MasterCard does not lend money like credit-card issuers American Express Co. (AXP) and Discover Financial Services (DFS), but rather collects fees from card issuers and on transactions.



Healthier growth

The advance reading on second-quarter gross domestic product is expected to show an uptick in growth, due to tax rebates paid to consumers in May and June. However, Thomson Financial analysts warn that the chances of the economy showing negative GDP growth for at least one quarter of 2008 "remain meaningful." GDP measures the output of all U.S. goods and services. Negative growth in two consecutive quarters is commonly thought to indicate a recession.



Fed: Slow growth, high prices slam economy

BY JEANNINE AVERSA THE ASSOCIATED PRESS

WASHINGTON — The country slogged through slower economic growth and rising prices during the summer, packing a double whammy to people and businesses alike.

The Fed's new snapshot of business conditions, released Wednesday, also underscored the challenges confronting Federal Reserve Chairman Ben Bernanke and his colleagues as they try to get the economy back on track.

For now, many economists predict the Fed probably will leave a key interest rate alone when it meets next on Aug. 5 — given all the economic crosscurrents. Boosting rates to fend off inflation would hurt the fragile economy and the already crippled housing market. On the other hand, the Fed isn't inclined to lower rates because that would aggravate inflation.

The report "supports our

notion that the Fed is firmly stuck on the horns" of a policy dilemma, said T.J. Marta, a fixed-income strategist at RBC Capital Markets.

Growth and inflation barometers turned worse in the summer, according to the Fed report. Some worry that the country may be headed for a bout of stagflation, that toxic combination of stagnant growth and stubborn inflation not seen in decades.

Bernanke has said, however, that he doesn't believe the economy will suffer from stagflation. That said, the report is consistent with the economic assessment Bernanke gave to Congress last week. "It was decidedly downbeat," Joel Naroff, president of Naroff Economic Advisors, said of the report. "The economy remains in trouble."

Information from the Fed's 12 regional banks around the country suggested that "the pace of economic activity

slowed somewhat," the Fed reported.

Consumer spending — the economy's lifeblood — was reported as "sluggish or slowing" in nearly all the Fed regions, although the government's tax rebate checks spurred sales for some items, especially electronics. Sales at many other stores, particularly for housing-related goods, were typically characterized as "weak or falling," however.

Looking ahead, "the outlook for retail activity was also generally downbeat," the Fed report said.

Auto sales, meanwhile, were characterized as "almost uniformly weak" across all Fed regions. Sales were dismal for gas-guzzling SUVs, trucks and some minivans.

Wall Street, however, appeared unfazed by the Fed report. The Dow Jones industrials were up in afternoon trading.

On the manufacturing front,

activity declined in many Fed regions. Production of housing-related goods, such as construction equipment, wood products, home furnishings and heating and cooling systems were particularly hard hit. On the positive side, though, overseas demand for U.S. exports remained "generally high."

The drooping value of the U.S. dollar, which makes U.S.-made goods and services cheaper and more attractive to foreign buyers, has helped to boost export growth. That export growth has been a key force keeping the economy afloat.

Turning to inflation, all Fed regions described "overall price pressures as elevated or increasing," the Fed report said.

Businesses continued to be hit by rising prices for fuel, metals, food and chemicals, among other things. Many Fed regions said manufacturers planned to raise prices to customers as a

way of coping with the higher production costs.

Retail prices went up in several Fed regions. In the Kansas City region, for instance, companies reported higher prices at hotels, restaurant and resorts. Chicago retailers reported raising prices charged to consumers in response to higher wholesale prices.

The government last week reported that consumer prices in June rose at the second-fastest pace in a quarter century. Wholesale prices went up sharply, too.

Oil prices, which hit a high above \$147 a barrel less than two weeks ago, have retreated since then. On Wednesday, they dropped below \$125 a barrel for the first time since early June. Gasoline prices are just over \$4 a gallon.

On the jobs front, most Fed regions said employment conditions were about the same or slightly weaker. Employers have cut jobs for six straight months

amid the economic slowdown. Housing, credit and financial problems all have weighed on growth.

Wage pressures, meanwhile, were described as "generally modest." Economists look to wages for clues about inflation.

The Boston and Dallas regions said more workers were requesting higher wages to supplement cost of living increases.

Bernanke has said he doesn't see a repeat of the 1970s-style situation where workers demanded — and got — higher wages to keep up with ever-rising prices. But Charles Plosser, president of the Federal Reserve Bank of Philadelphia, has warned that the Fed shouldn't wait for signs of something like that to emerge before taking corrective action.

Plosser, an inflation hawk, has warned that the Fed might need to start to raise rates sooner rather than later to thwart inflation — even if the economy stays fragile.

Marketreview

Market summary table including Commodities (Fuels, Metals, Agriculture, Foodstuffs), Foreignexchange (Major, Euro/Africa/Middle East, Asia/Pacific), and Interestrates (Treasuries, Bonds, Rates).

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Regional stocks table listing companies like Alliant, MeMar, MeadW, etc., with their respective stock prices and changes.

Consolidated listings table listing companies like AFLAC, AK Steel, AKS, etc., with their respective stock prices and changes.



Builders leave room for a gable to be installed in the upstairs of the modular home being assembled in Owls Head by Bay Point Homes LLC of Rockland.

Modular meets efficient at Owls Head lot

OWLS HEAD — A local builder is using modular housing to create energy-efficient homes. Jim Leach of Bay Point Homes LLC of Rockland on Wednesday worked with crews assembling a six-room modular combination cape and chalet home on North Shore Drive in Owls Head. The two-story home will be energy-efficient, using oil, propane and passive solar for heat. According to Leach, a modular home is constructed using smaller components called modules or

boxes that are created inside a controlled environment. They then are placed on the foundation with a crane. The modules for the Owls Head home were manufactured by AvisAmerica, a division of Excel Homes, a modular manufacturer. Prices for Excel Homes begin at \$135,000. In June, Excel Homes announced its intention to expand in Maine with the purchase of the former Oxford Homes, a modular manufacturer in Oxford, Maine. The home at 327 North Shore Drive is being built for Jim and Steffany Tribou, who plan to occupy

the house in four weeks. "They actually had a role in designing the house for efficiency," Leach said. The windows he described as "very tight, low E argon, which means they're superinsulated," he added. The Tribou family started with a standard modular cape and made changes, which included a cathedral ceiling at one end, a 36-foot "farmer's porch" on the front, interior pine doors and double-hung windows all around. Heating systems in the homes vary, Leach said, and soon Bay Point will offer solar hot water sys-

tems for modular homes. The base power plant at the Owls Head home will be oil-fired. Backup heat will be provided by a propane fireplace in the living room and a trapezoidal windowed gable on the second floor for solar power. Assisting Leach with the assembly were Richard Hott, operations manager for Keeley Crane Service in Portland, and Kerri Kondisko of Excel Homes. For information, contact bay-pointmodularhomes.com. gchappell@bangordailynews.net 236-4598

Pratt & Whitney seeks voluntary buyouts

EAST HARTFORD, Conn. — Jet engine maker Pratt & Whitney is seeking voluntary retirement buyouts for an unspecified number of workers as it cuts its work force to adapt to troubles in the airline industry. Company spokeswoman Jennifer Whitlow would not say on

Wednesday how many workers will be affected. But James Parent, representative of the International Association of Machinists and Aerospace Workers, said Pratt & Whitney informed the union Monday it will ask 71 hourly workers to take buyouts. The company also said it would seek buyouts from salaried employees, he said. The East Hartford-based company cited reduced orders for airline engine spare parts and a delay in Airbus engine orders, Parent said.

Backyard Farms plans to open second greenhouse in Madison

MADISON — New England's largest greenhouse grower of vine-ripened tomatoes plans to build a second greenhouse at its central Maine site, nearly doubling its year-round growing space. Backyard Farms LLC is scheduled to begin construction this fall on the new 18-acre,

state-of-the-art greenhouse with the first harvest expected a year later. Backyard Farms opened a 24-acre greenhouse last year. "With this second greenhouse, we expect to bring our local work force to more than 175 employees, offer new tomato varieties and meet the increasing demand for our locally grown, top-quality tomatoes-on-the-vine," Backyard President

Roy Lubetkin said. At a cost of more than \$20 million, construction of the new facility will give the company nearly 2 million square feet of greenhouse growing space. About 75 workers will be hired for the new greenhouse next spring. Backyard Farms has found success after taking up the challenge of stretching the agricul-

tural calendar in a state well-known for cold weather and short growing seasons. Since its first harvest in January 2007, the Lexington, Mass.-based company has sold more than 20 million pounds of tomatoes to retailers that include a big regional supermarket chain. It also claims to have created one job locally for every three jobs at Backyard Farms.