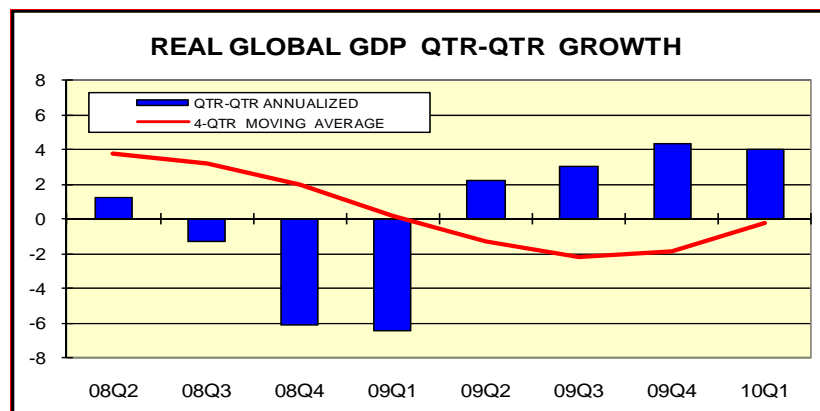




GLOBAL BUSINESS ENVIRONMENT

ACCELERATING ECONOMIC MOMENTUM (See Figure 1)

Universal strength sans Europe The first-quarter economic reports were quite impressive, particularly those from developing Asia. For example, the year-to-year growth rate for India was 8.6 percent, while Malaysia was ahead by 10.1 percent and Singapore was up 15.5 percent. Most importantly, China registered an 11.9 percent gain. The advanced economies posted respectable gains, with the exception of Western Europe. Its annualized rate of quarter-to-quarter growth came in at a meager 0.9 percent during the first quarter, compared to 3.0 percent for the US and 4.9 percent for Japan. Overall, the global economy grew at a 4.0 percent rate during the first quarter after a 4.4 percent advance during the fourth quarter, as illustrated below. A breakdown of the recent regional performances can be found in **Figure 1**.

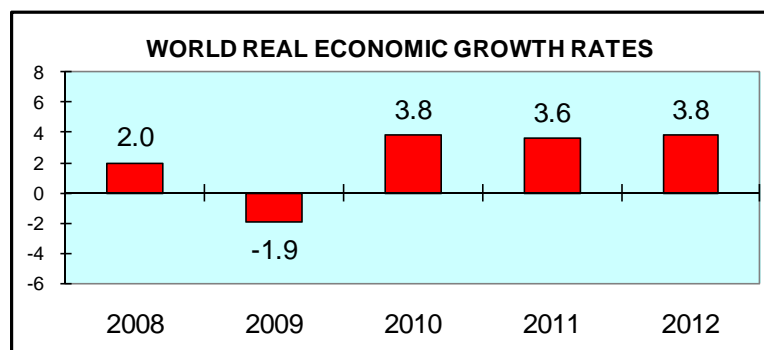


Dim European prospects The continuing West European housing bust continues to put downward pressure on economic performance. And large budget deficits have limited the amount of fiscal stimulus available to pump up the Continental economies. But arguably the biggest impediment facing the European economies is constrained bank lending. Financing is expected to remain tight because the major European banks hold large portions of the risky Greek sovereign debt. Potential bank write-downs exceed \$1/4 trillion, despite the approximately \$1 trillion rescue plan rolled out by the European Central Bank (ECB). Financial markets are signaling that interest rates for state debt instruments will remain elevated unless budget deficits are brought down. Any combination of budget cuts and tax increases effectively translates to negative fiscal stimulus, which will result in meager economic growth through 2012. And as reported in the media on June 3rd, Germany plans to sharply cut spending. Consequently, European GDP growth will not exceed 2.0 percent during the next three years.

Japan rides an export boom Japan suffered a deep recession during 2009. GDP plummeted by 5.1 percent last year. However, a rebound in exports for cars and capital goods created exceedingly strong growth during the last two quarters. GDP was up 3.8 percent during the fourth quarter of last year, and it jumped by an impressive 4.9 percent during the first quarter of 2010. However, there are a number of factors that will restrain performance during the next few years. A weak euro will hold down export progress to West Europe, although outgoing trade to developing Asia will remain robust. More importantly, the *domestic* economy will be stagnant as an aging population remains ill-disposed to spend more enthusiastically. After a 2.3 percent gain this year, growth rates are predicted to decelerate gradually to 1.5 percent in 2012 as the ongoing world recovery in automotive markets and capital goods loses steam.

Developing Asia taps the monetary brakes The developing countries of Asia are booming. The financial crisis of 2008 and 2009 had little impact on the region. Moreover, the huge economic impetus orchestrated by China's monetary and fiscal policies, along with freer trade in the region, helped to create an economic boom that is now threatening to overheat. Consequently, a number of countries, notably China and India, have begun to tighten their monetary policies. Moreover, China's huge infrastructure development program will begin to wind down this year. In addition, the Chinese yuan is widely expected to appreciate in the near future. As a result, Chinese economic progress will decelerate during the next few years. After a 10.5 percent jump this year, growth rates will gradually descend to 7.9 percent in 2012.

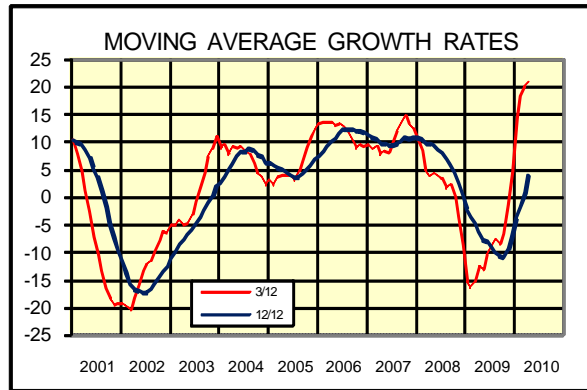
Overall, the global economy will undulate slightly during the next few years. Growth rates during 2010 will benefit from generation-low interest rates in most countries and a continuation of fiscal permissiveness. However, tighter fiscal policies and higher interest rates will create modestly slower growth in 2011, followed by a return to market-driven fundamentals in 2012 when global GDP expands by 3.8 percent again, as illustrated below.



DOUBLE-DIGIT GLOBAL EQUIPMENT GROWTH (See Figure 2)

Current gains overstate 2010 potential Recent equipment market gains have been both exhilarating and surprising. Growth rates had been expected to be strong because 2009 performance was dismal. Even so, the expansion rates for the first four months of 2010 have been spectacular. On a 3-month moving average (3/12) basis, world production of electronic equipment was up 21.0 percent in April, with only a hint of the inevitable deceleration, as shown in the right chart below.

WORLD ELECTRONIC EQUIPMENT PRODUCTION

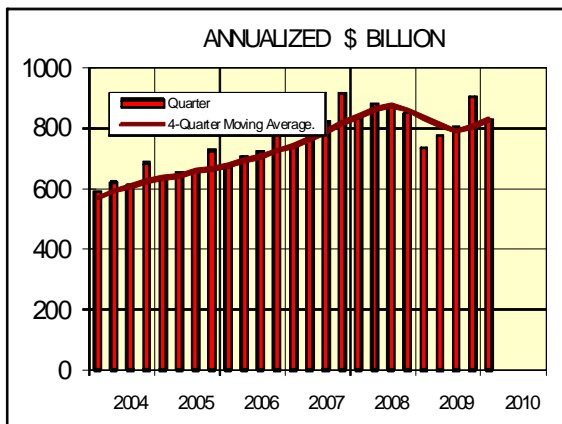


Sources include: Custer Consulting Group, Electronic Outlook Corp. and Henderson Ventures

The April burst indicates that the value of shipments during February, March and April was 21.0 percent higher than the same three months in 2009. But growth rates are sure to roll off as inventory restocking dynamics become considerably less frenetic. Meanwhile, the 12-month moving average (12/12) growth rate curve has been on a near-vertical trajectory. The April value was 3.9 percent, which means that the cumulative value of shipments during the period of May 2009 through April 2010 was 3.9 percent higher than the previous 12 months.

Company revenues up 12.6 percent in the first quarter Our sample of public equipment manufacturers has been expanded from 62 companies to 69 firms. As a result, total revenues have been lofted somewhat. For the first quarter, sales were running at an annualized rate of \$829 billion, as shown in the left chart below. That represents a growth rate of 12.6 percent, as illustrated in the right chart. Company revenues during the first quarter lagged the growth rates posted by our equipment production tracking model. Software and services lagged hardware sales during the quarter, a phenomenon highlighted in the most recent HP financial report.

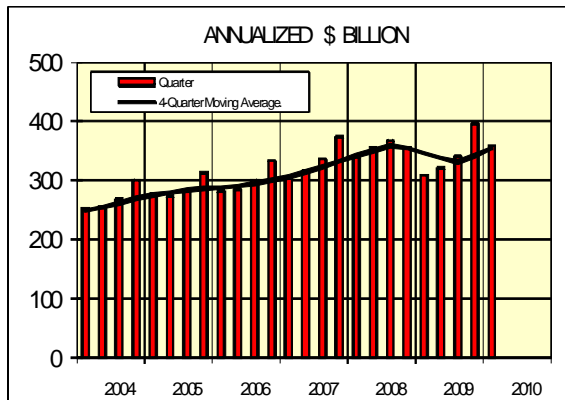
REVENUE FOR 69 PUBLIC COMPANIES



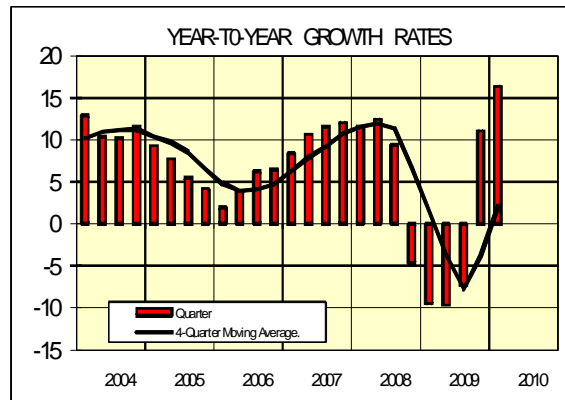
Source: Custer Consulting/Financial Repx

Better performance for computer manufacturers Computer equipment producers posted annualized revenues of \$359 billion during the first quarter. That represented a growth rate of 16.0 percent, as illustrated in the right chart below. Hardware sales were buoyant, particularly for personal computers, which were up 26 percent on a unit basis.

REVENUE FOR ELEVEN PUBLIC COMPUTER EQUIPMENT SUPPLIERS



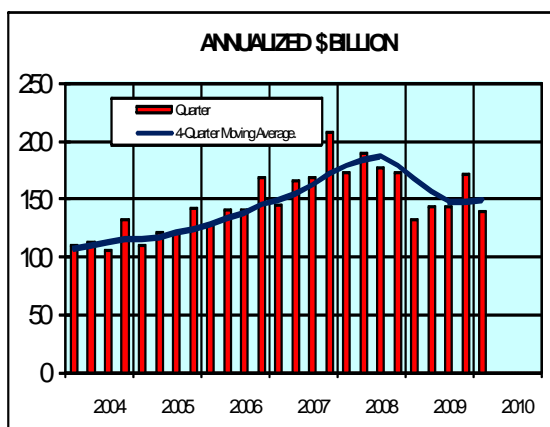
Apple, Cray, Creative Technology, Dell, Gateway, HP, IBM, Mercury, NCR, Sun Micro, Uhisys



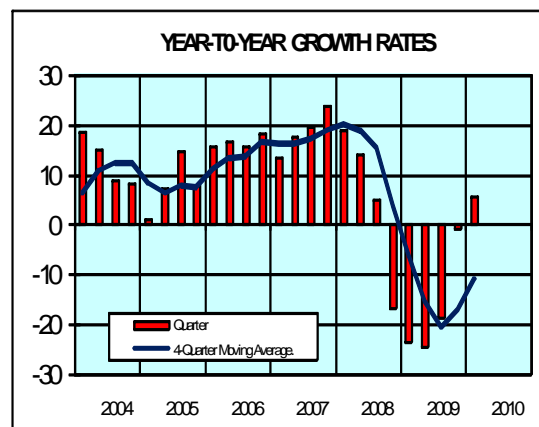
Source: Cluster Consulting/Annual Reports

Lagging growth for communication equipment manufacturers Although cellphone deliveries surged during the first quarter, the revenue garnered by our sample of communication equipment manufacturers posted relatively subdued gains. Sales were up only 5.5 percent during the first three months of 2010. Some of the underachievement can be traced to a reported shortage of mundane components, as well as the absence of high-flying Asian companies such as HTC in the sample.

REVENUE FOR ELEVEN PUBLIC COMMUNICATION EQUIPMENT SUPPLIERS



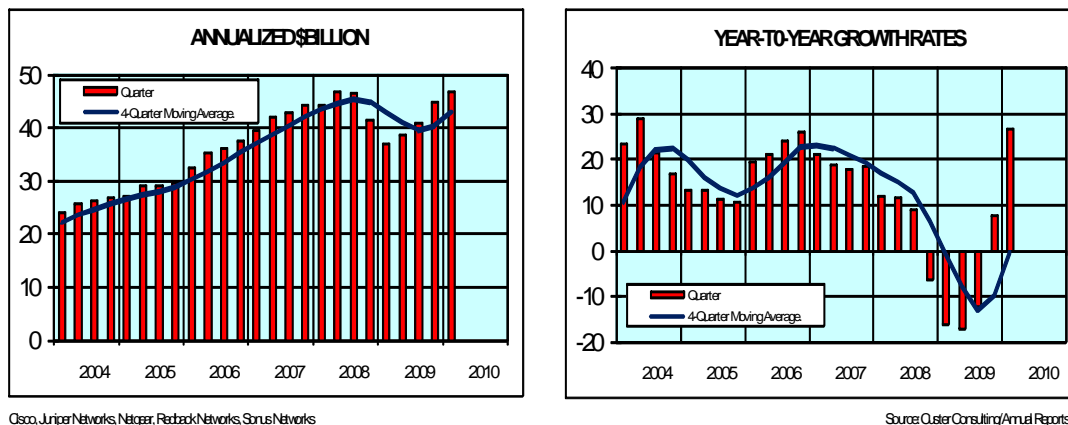
3COM, ADCT, Telecom, Alcatel-Lucent, Ciena, Ericsson, Motorola, Nokia, Palm, Polycom, RIM, Tellabs



Source: Cluster Consulting/Annual Reports

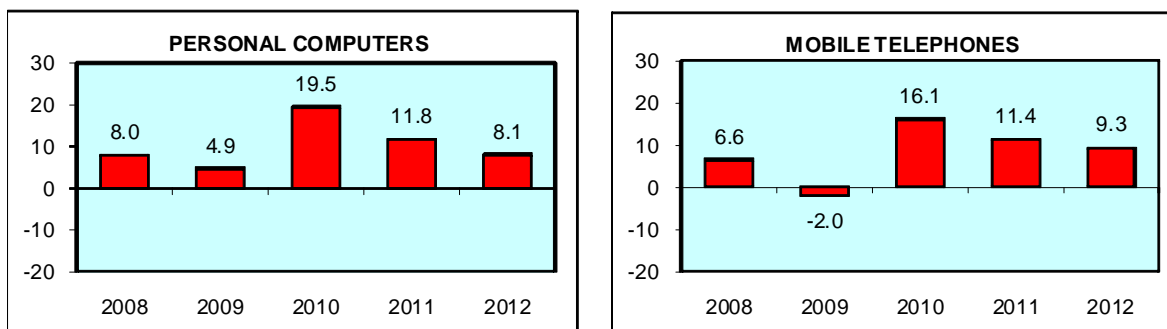
Resurgent Internet companies While traditional telecommunication companies posted only modest revenue growth during the first quarter, our sample of five Internet hardware manufacturers achieved outstanding gains. The annualized rate of revenues hit a record \$46.9 billion during the first quarter. That corresponds to a 26.7 percent gain over the first quarter of 2009, as shown in the right chart below.

REVENUE FOR FIVE PUBLIC INTERNET EQUIPMENT SUPPLIERS



A strong year for personal computers The intersection of pent-up demand and technology improvements created a 25.8 percent surge in unit shipments during the first quarter, as shown in the moving average growth rate chart near the bottom of **Figure 2**. Corporations have finally loosened the purse strings and have begun a long-delayed replacement cycle. But consumer products were particularly hot. Mobile PCs were up approximately 40 percent, while netbooks were ahead by roughly 70 percent. However, price erosion in the 8-9 percent range is expected to greatly diminish revenue gains for 2010. Still, PC unit growth rates will be respectable in both 2011 and 2012, as shown in the left chart below. By 2012, unit deliveries will hit 443 million.

GLOBAL SHIPMENTS OF PERSONAL COMPUTERS AND MOBILE PHONES
Unit Growth Rates

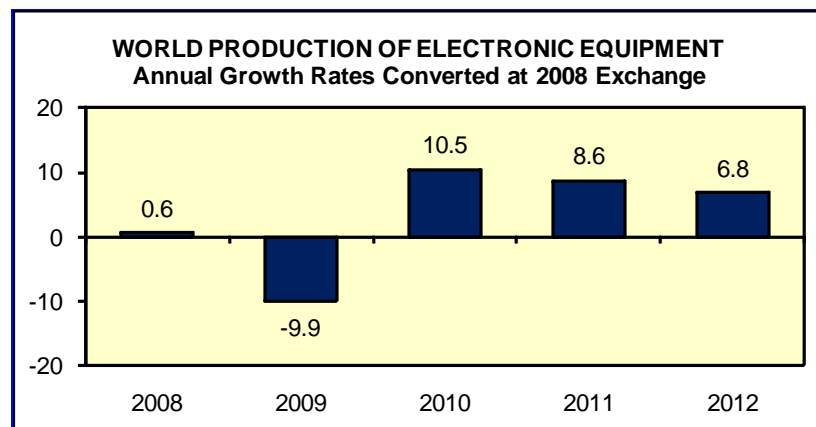


Solid gains expected for mobile telephones First-quarter results for the mobile telephone industry were also heartening. However, the growth rate was considerably below that posted by the PC industry. Unit shipments were ahead by 19.2 percent during the first three months of 2010, as illustrated by the 3/12 curve shown in the bottom-left chart of **Figure 2**. Growing market saturation, even in the developing world, is beginning to put pressure on market prospects. But the growing acceptance of 3G phones will help to maintain solid growth for the foreseeable future. Products such as the HTC EVO, which is based on 4G WiMax technology, will quickly increase the importance of Internet Protocol (IP) based mobile devices. The ongoing market rebound will create a 16.1 percent jump in unit shipments this year after a 2.0 percent decline in 2009. Growth rates are predicted to decelerate to 9.3 percent in 2012, as shown in the right chart above.

Global growth rates to roll off gradually Because equipment output fell by 9.9 percent in 2008, the 10.5 percent gain predicted for 2010 will create equipment output that will be barely higher than the levels reached in 2008. As noted earlier, some of the gains can be attributed to inventory restocking at both manufacturers and retail outlets. Consequently, growth rates will decelerate from the effervescent levels reached during the first quarter. PCs and mobile telephones will do well, particularly mobile computers. But restrained consumer spending, relatively tight lending standards and a secular slowdown in military electronics production will gradually reduce the expansion rates through 2012 for which a 6.8 percent gain is predicted.

While European manufacturers are expected to benefit from a falling euro, stagnant consumer spending, along with the absence of labor markets reforms, will result in only low single-digit gains for West Europe through 2012. A similar equation applies to Japan, except vibrant markets for high-tech exports will help support output during the ongoing boom. However, the strong yen will force Japan to shift more production offshore, particularly vehicle electronics.

China will benefit from a continuing economic boom, but fast-rising labor costs are creating an accelerating exodus of price-sensitive hardware to other Asian venues such as India and Vietnam. In the latter case, wages can be only one-third of those paid in Guangdong Province. And the huge pay raises of 20-30 percent granted by Honda and Foxconn are likely to spread in China's tight labor market. Consequently, Chinese equipment production is expected to decelerate from a 17.5 percent burst this year to 8.7 percent in 2012. A summary of the regional prospects can be found in the table in **Figure 2**.



FOCUS ON THE UNITED STATES

ECONOMIC RECOVERY, BUT NO BOOM (See Figure 3)

Core economy still weak First-quarter GDP was revised down from a 3.2 percent rate of growth to 3.0 percent in the second of three estimates for economic activity. At first blush, it would appear that the economy is doing quite well, despite double-digit declines in the residential and commercial real estate markets. However, inventory replenishment is still a major contributor to the ongoing expansion.

If stock rebuilding is stripped out of the statistics, the residual economy would have expanded at only a 1.4 percent rate in the first-quarter, down from a 1.8 percent pace during the fourth quarter of 2009. Given that over 1 percentage point of the GDP growth expected for 2010 will come from the \$787 billion 2009 stimulus package, the economy is clearly not yet out of the woods.

But there was a lot of good news Despite the continuing plunge in the construction industry, recently-released statistics still point to a sustained recovery. Consumer Confidence, the Leading Indicators and the Purchasing Managers Index have all chalked up strong advances during 2010. Those trends are reflected in some of the key economic categories reported during the first quarter. For instance, durable goods spending was up 12.2 percent during the first three months compared to a 0.4 percent rise in the fourth quarter. Of particular interest to the electronics industry was the 12.7 percent burst in Producers' Durable Equipment & Software (PDES) during the first quarter. But it was down from an unsustainable 19.0 percent burst during the fourth quarter. And exports, with the help of strong high-tech demand from emerging economies, were ahead by 7.2 percent during the quarter. National defense outlays, however, were ahead by only 1.1 percent, an indicator of slower growth on the horizon.

Crosswinds ahead Capital equipment spending and exports will power the unfolding recovery during the short run. That said, the depreciation of the euro in the wake of the ongoing sovereign-debt crisis in Europe will put US exporters at a disadvantage. The euro has declined by almost 15 percent against the dollar since November. But because inflation has been running at an annualized rate of about 1 percent, the Federal Reserve Board (Fed) will have considerable leeway to keep interest rates low, thereby maintaining an important economic prop. Large corporations will be able to borrow cheaply in the open market. However, small firms, which necessarily borrow from banks, will face continued tight lending policies as financial institutions build up their equity cushions. The inability to borrow freely will put a crimp in small-business expansion plans. An inability to add workers will constrict potential consumer spending, including outlays for electronic hardware.

A gentle deceleration ahead As noted earlier, fiscal stimulus and inventory building will be important contributors to 2010 economic growth. But both factors will play smaller roles in 2011 when interest rates begin to rise again. Moreover, Europe's current financial problems serve as a warning against outsized budget deficits. After the November elections, serious legislation will be required to reign in deficit spending, which resulted in a \$1.4 trillion tsunami of red ink last year. Restrained spending and higher taxes are virtual certainties. Consequently, overall GDP will decelerate from a 3.4 percent rate of growth this year through 3.0 percent in 2011 to 2.9 percent in 2012. A profile of economic expectations can be found in **Figure 3**.

PEAK US EQUIPMENT GROWTH IN 2010 (See Figure 4 & Table 1)

Unusual booking patterns The Department of Commerce (DOC) revised their equipment time series last month. Unfortunately, the revised historical data are not consistent with their latest statistics. Therefore, we are postponing an incorporation of the revised data. Notwithstanding that problem, US electronic equipment bookings have improved substantially over the past year.

The 3/12 growth rate, which had been glued to the -10 percent level during the first half of 2009, reversed course during the second half of last year. The expansion rate recently topped out at 8.8 percent in March. The April value was 7.2 percent, as shown in the top-left chart of **Figure 4**.

The DOC data show an unusual disparity in market trends. For example, the 3/12 orders curve for computer equipment soared to 34.2 percent in April. That value is consistent with renewed economic growth and the dismal order rates posted during early 2009. However, the communication equipment statistics registered a completely unexpected turn of events. Growth rates, which had been as low as -23.4 percent in March 2009, rebounded to a 13.7 percent pace in February 2010. However, booking values fell dramatically during March and April, resulting in a -18.2 percent 3/12 growth rate for April. It is not entirely clear what caused the precipitous decline, but the previously-discussed component-supply problem may be a cause, as well as a shift to further offshore production. Notwithstanding the specific causes, our forecast for 2010 communication equipment production has been downgraded. In place of the 8.1 percent forecast published last month, only a 4.2 percent gain is now predicted.

However, the downgrade of the communication equipment forecast has been more than offset by more optimistic outlooks for Computer & Office, Industrial & Instrument and Automotive. In the latter case, industry upgrades of vehicle production targets have prompted a corresponding bump in our automotive electronics forecast. In place of the 14.6 percent 2010 gain forecast last month, a 20.3 percent jump is now expected. Overall, total US equipment production is now seen to achieve a 7.7 percent gain this year versus the 7.3 percent forecast published last month.

During the next two years, Nonmilitary Electronics is forecast to achieve solid growth. After a 9.1 percent gain this year, output is predicted to grow by 7.9 percent and 6.3 percent in 2011 and 2012, respectively. Unfortunately, one of the mainstays of the US industry, Military Electronics, will suffer a cyclical decline as the wars in Iraq and Afghanistan wind down. A 4.0 percent increase is predicted for 2010, but declines of 2.8 percent and 4.7 percent are forecast for 2011 and 2012, respectively. A breakdown of the equipment market can be found in **Table 1**.

SEMICONDUCTOR MARKETS

DEMAND HAS EXPLODED (See Figures 6 & 7 and Tables 2 & 3)

Inventories contracted sharply in April After a minor increase in January, the combined total of finished goods, work-in-process (WIP) and raw material inventories continued to decline during the last three months. In fact, there was a sharp drop in April as total inventories fell from 42.4 days in March to 40.1 days in April, as shown in the top-left chart of **Figure 6**. All three subsectors displayed varying degrees of cutbacks. However, it is emphasized that the above inventory trends are calculated relative to shipments. That is, inventory values have been increasing as manufacturers add stocks, but shipments have been growing at a faster pace, a dynamic that is consistent with a strong industry recovery.

Double-dip danger The global economic recovery is now in its fourth quarter. But the recovery remains fragile as the European financial crisis has shown. The danger of a double-dip recession has made electronic industry executives understandably wary.

The possibility of a renewed squeeze on financing has encouraged CFOs to conserve cash as their first line of defense. Consequently, industry vendors up and down the supply chain have been slow to restart old production lines as well as to invest in new facilities. That is particularly true of the capital-intense semiconductor industry.

But demand for electronic equipment and, therefore, electronic components has blossomed. The market has been particularly strong in the developing world, which has been relatively unscathed by the financial crisis. And even as momentum in equipment markets has grown, component suppliers have been slow to react. Even now, there is something less than a full-throated pursuit of market share. Consequently, component supplies have been tight, and will remain so throughout 2010. And whereas the eye-popping semiconductor industry growth rates during the last four months have been greatly assisted by a combination of inventory rebuilding and poor 2009 results, fundamental demand is also muscular.

Unit growth rates begin to ease The noted combination of an exceedingly poor first quarter during 2009 and inventory replenishments during the opening months of 2010 have produced extraordinary unit growth rates for the industry. The 3-month moving average (3/12) growth rate for unit deliveries topped out at an extraordinary 70 percent during the first quarter. The April value was 52.4 percent, as noted in the table in **Figure 7**. There is little doubt that the curve, illustrated in the top-left chart of **Figure 7**, will continue to plunge, but market fundamentals continue to grow brighter. It is not just memory products that are in demand. All the major semiconductor categories, including discrete components, are experiencing supply constraints.

Orders growth also begins to wane Based on synthesized IC bookings supplied by VLSI Research of San Jose, CA, the industry book-to-bill ratio hit 1.12 in April. And although the 3/12 curve for bookings has descended from triple-digit territory, the April reading of 80.8 percent is still an extraordinary statistic. However, industry strength is overstated by the increasing prevalence of double ordering. Still, the slower moving 12-month moving average (12/12) growth rate for shipments has already surpassed 14 percent, as shown in the top-right chart of **Figure 7**. But that average masks a huge disparity in the regional results. That is, the Americas and Rest of World (ROW) have chalked up 12/12 growth rates in excess of 20 percent for April. West Europe and Japan remained stagnant. But the delayed recovery in those regions will help to maintain overall market momentum in the months ahead. Consequently, our upgraded semiconductor industry forecast calls for a 32.7 percent increase this year. Moreover, because semiconductor manufacturers will remain relatively conservative in their investment philosophies during the short term, pricing is expected to remain relatively firm in 2011 and 2012. Consequently, double-digit gains are predicted for those two years also. A 14.0 percent increase is forecast for 2011 and 10.4 percent in 2012.

Memory products boom Industry shortages are most pronounced in the Memory sector. DRAM supply is a key constriction point, as evidenced by soaring average sale prices. As a result, MOS memory shipments are predicted to soar by 60.4 percent this year. Growth rates will subside substantially during the next two years, but a 15.4 percent increase is still predicted for 2012. A breakdown of the regional expectations and product forecasts can be found in **Tables 2** and **3**, respectively.

ADDITIONAL TREND STATISTICS (See Figure 11)

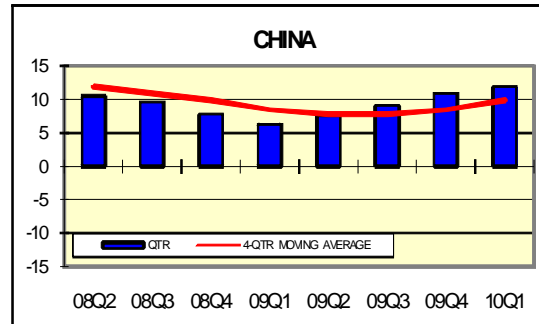
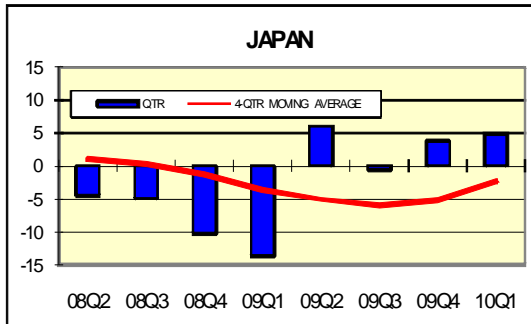
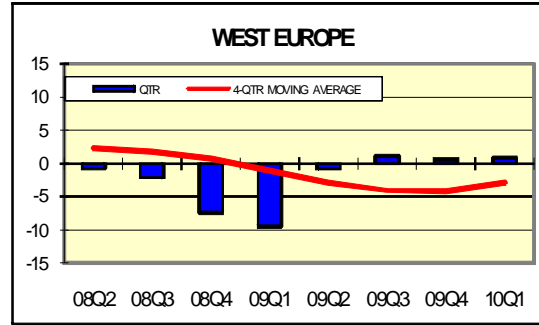
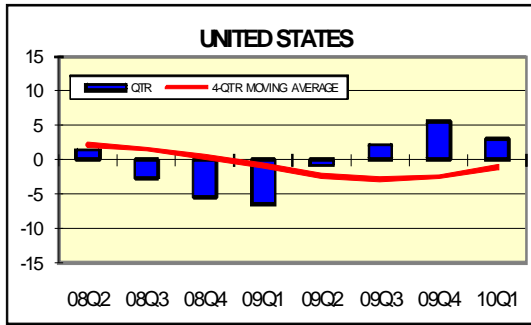
The indicators are still encouraging Several of our indicators suffered small reversals in May, but the overall pattern remains positive. For example, the Purchasing Managers Index slipped from 60.4 in April to 59.7 in May. The May statistic is still far above the contracting-expanding boundary of 50.0. The Index of Leading Indicators, which declined slightly from 109.4 in March to 109.3 in April, is still far above the recent low of 97.8 turned in during March 2009. Moreover, the slope of the Leading Index curve, shown in the top-left chart of **Figure 11**, suggests a continuing economic expansion. The Leading Index tends to foreshadow economic activity by 6-9 months.

Consumer Confidence had a index reading of 63.3 in May. The May report was far below the triple-digit values posted in the past. However, it represents a substantial rebound from the 25.3 abyss reported for February 2009. But because the index reading is still subdued, to put it mildly, a huge consumer-led recovery should not be expected anytime soon. Home prices remain depressed and stock market values have ebbed lately, thereby reducing wealth and an inclination to spend freely.

Mixed expectations for exchange rates As noted earlier, the euro has depreciated 15 percent against the US dollar over the last six months, as illustrated near the bottom of **Figure 11**. Not only will it be harder for US firms to export to Europe, but competition against European-based companies in emerging markets will also be more difficult. However, the Japanese yen has appreciated 18 percent since August 2008, 5 percentage points of which have come during the last 12 months. And given the shaky finances of European financial institutions, and their subdued economic prospects, the yen can be expected to appreciate a bit more.

Although the Chinese currency remains locked at 6.83 yuan/dollar, recent media coverage suggests that a gradual appreciation may be on the horizon, which would be of marginal assistance to US producers. It would, however, accelerate a migration of electronic equipment manufacturers from mainland China to lower-cost venues in Southeast Asia.

FIGURE 1: GLOBAL ECONOMIC OVERVIEW
Constant Dollar Growth Rates



CATEGORY	08Q2	08Q3	08Q4	09Q1	09Q2	09Q3	09Q4	10Q1	2008	2009	2010	2011	2012
UNITED STATES	1.5	-2.7	-5.4	-6.4	-0.7	2.2	5.6	3.0	0.4	-2.4	3.4	3.0	2.9
WEST EUROPE	-0.8	-2.1	-7.5	-9.5	-0.9	1.2	0.7	0.9	0.7	-4.2	1.1	1.6	2.0
JAPAN	-4.4	-4.9	-10.3	-13.7	6.0	-0.6	3.8	4.9	-1.2	-5.1	2.3	1.7	1.5
CHINA (YR-TO-YR)	10.5	9.5	7.8	6.3	7.7	9.0	10.8	11.9	9.6	8.7	10.5	8.3	7.9
WORLD	4.1	1.2	-1.2	-6.3	-6.4	2.1	3.1	3.7	2.0	-1.9	3.8	3.6	3.8

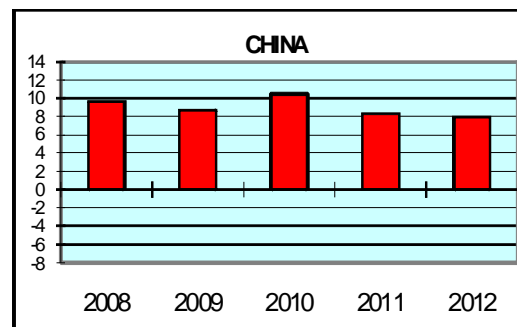
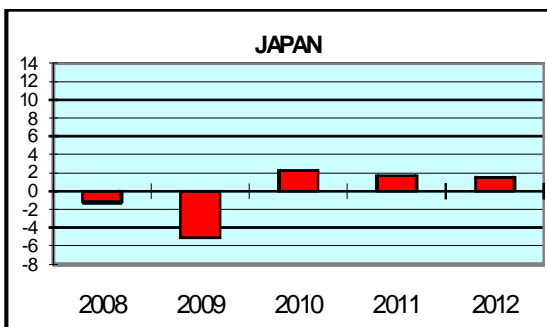
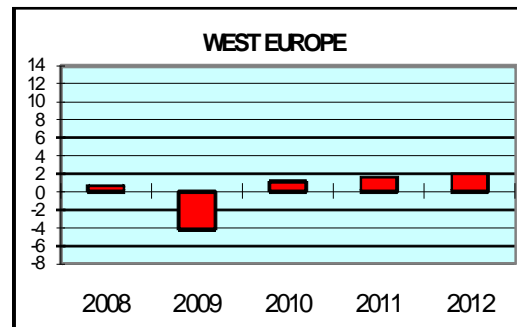
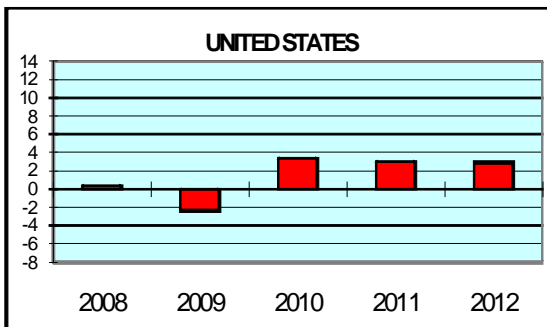
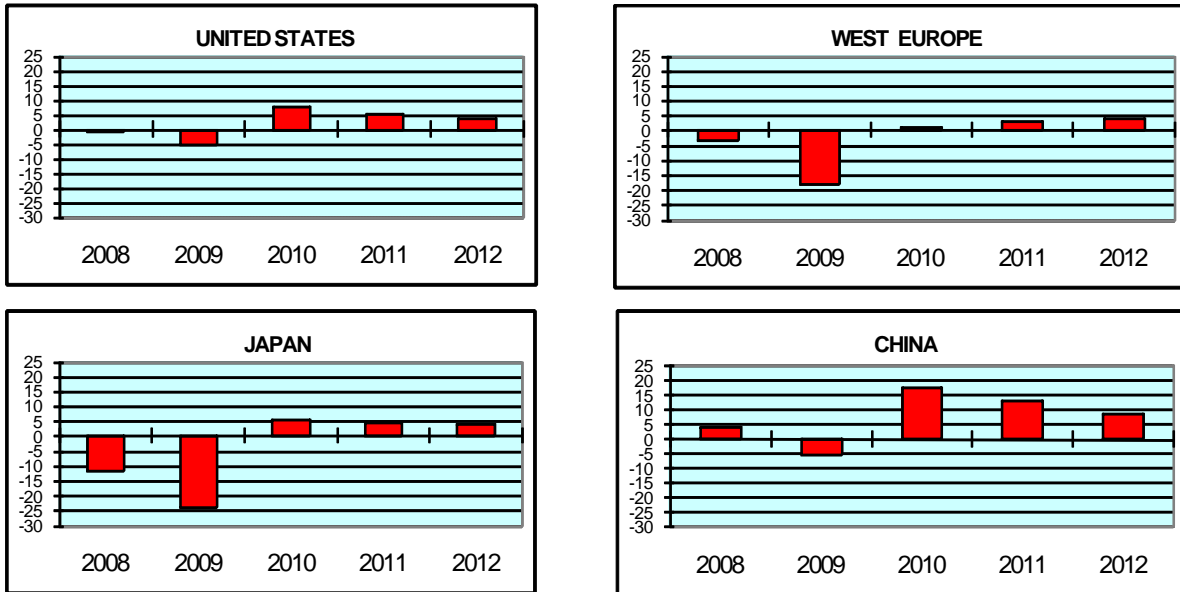


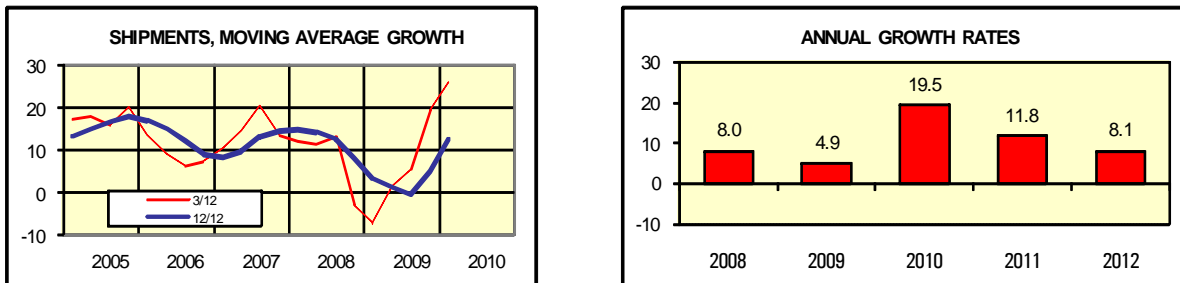
FIGURE 2: WORLD ELECTRONIC EQUIPMENT PRODUCTION
 Current Dollar Growth Rates Converted at Constant Exchange Rates



SOURCE: International Forecasts from Electronic Outlook Corp

REGIONAL GROWTH RATES						GLOBAL PC AND CELLULAR HANDSET MARKETS					
CATEGORY	2008	2009	2010	2011	2012	CATEGORY	2008	2009	2010	2011	2012
WORLD	0.6	-9.9	10.5	8.6	6.8	PC UNITS, MILLION	293	307	367	410	443
UNITED STATES	-0.4	-5.3	7.7	5.1	3.7	PC GROWTH RATES	8.0	4.9	19.5	11.8	8.1
WEST EUROPE	-3.3	-18.0	1.2	3.0	4.1	CELLPHONE UNITS, M	1220	1195	1387	1546	1689
JAPAN	-11.6	-24.1	5.4	4.8	4.2	CELLPHONE GROWTH	6.6	-2.0	16.1	11.4	9.3
FOUR TIGERS	-1.2	-8.3	12.5	9.8	9.0						
CHINA	4.1	-5.2	17.5	13.1	8.7						

GLOBAL PERSONAL COMPUTER SHIPMENTS IN UNITS



GLOBAL CELLULAR HANDSET SHIPMENTS IN UNITS

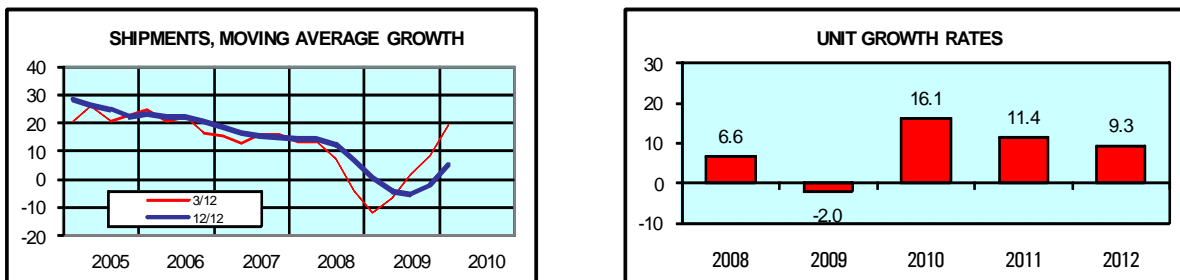
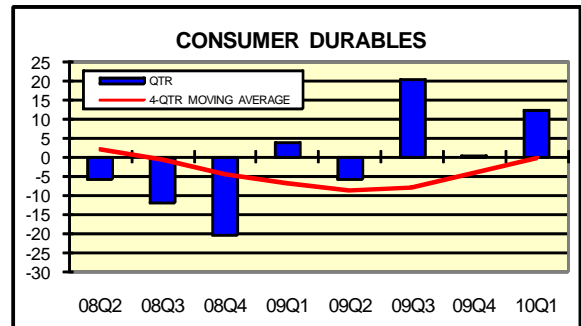
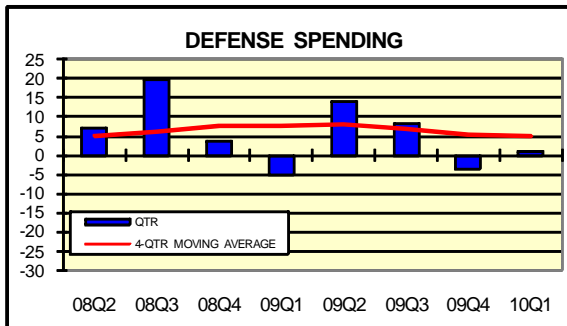
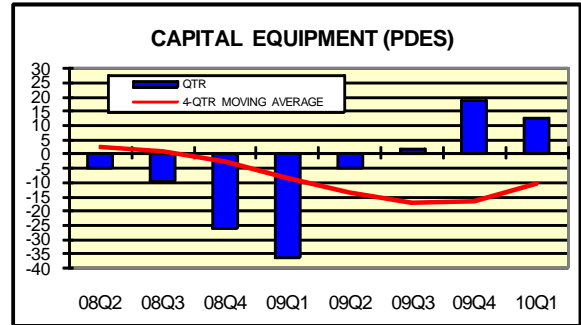
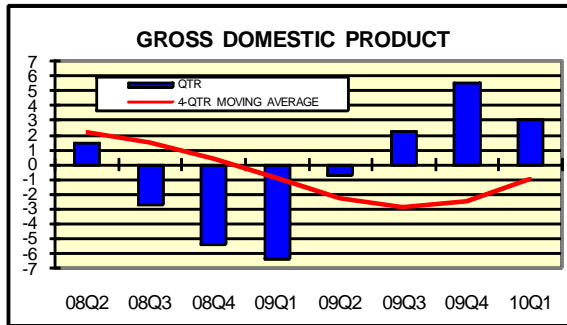


FIGURE 3: US ECONOMIC OVERVIEW
Constant Dollar Growth Rates



CATEGORY	08Q2	08Q3	08Q4	09Q1	09Q2	09Q3	09Q4	10Q1	2008	2009	2010	2011	2012
GDP	1.5	-2.7	-5.4	-6.4	-0.7	2.2	5.6	3.0	0.4	-2.4	3.4	3.0	2.9
CAPITAL EQUIPMENT	-5.0	-9.4	-25.9	-36.4	-4.9	1.5	19.0	12.7	-2.6	-16.6	11.6	12.5	10.3
DEFENSE	7.0	19.8	3.8	-5.1	14.0	8.4	-3.6	1.1	7.8	5.4	2.9	-2.8	-4.3
CONSUMER DURABLES	-5.7	-11.7	-20.3	3.9	-5.6	20.4	0.4	12.2	-4.5	-3.9	8.1	7.4	6.0
EXPORTS	12.1	-3.6	-19.5	-29.9	-4.1	17.8	22.8	7.2	5.4	-9.6	10.6	6.8	6.7

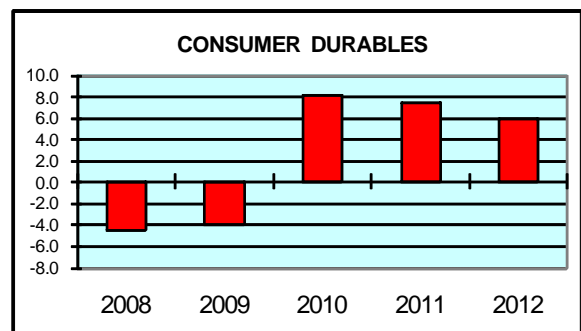
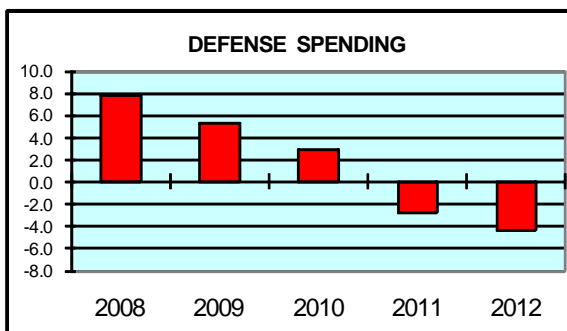
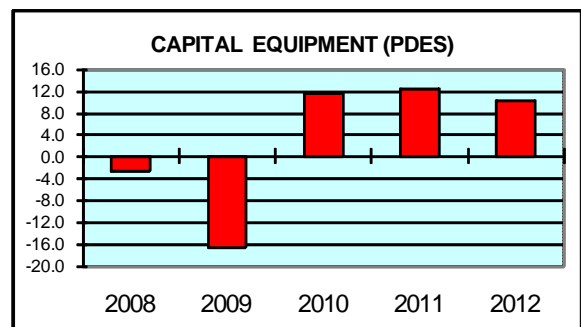
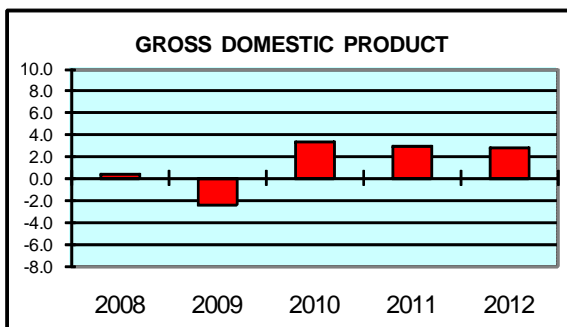
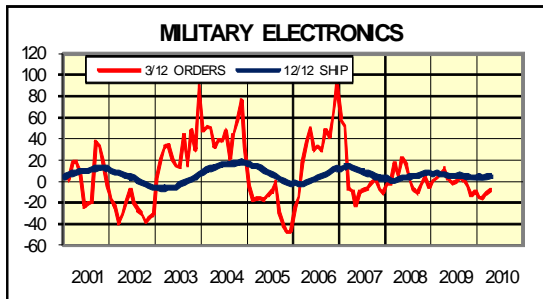
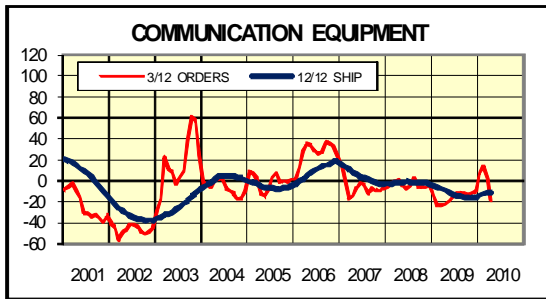
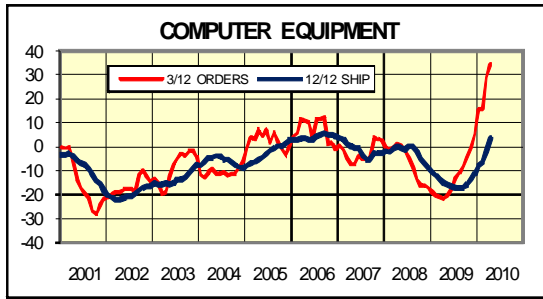


FIGURE 4: US ELECTRONIC EQUIPMENT
Current Dollar Growth Rates



ORDERS & SHIPMENTS	UNIT	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR
TOTAL EQUIPMENT	3/12	-9.5	-10.3	-7.7	-6.7	-5.1	-5.4	-4.7	-1.9	4.7	7.4	8.8	7.2
COMPUTER	3/12	-20.2	-17.5	-13.2	-11.1	-8.2	-4.5	-0.2	5.3	15.8	15.7	28.9	34.2
COMMUNICATIONS	3/12	-19.4	-15.6	-12.2	-12.2	-11.4	-13.6	-11.1	-9.9	8.7	13.7	2.3	-18.2
INDUSTRIAL & INSTRUMENT	3/12	0.0	-4.8	-3.4	-3.6	-1.4	-1.4	-0.1	1.1	3.9	8.9	9.9	13.1
MILITARY ELECTRONICS	3/12	2.5	-1.6	-0.2	3.8	1.5	-3.9	-13.3	-9.5	-15.2	-15.3	-10.8	-8.3
TOTAL EQUIPMENT	12/12	-4.4	-5.0	-5.9	-6.2	-6.5	-6.2	-5.7	-5.1	-3.5	-2.5	-1.3	0.5
COMPUTER	12/12	-15.8	-16.6	-17.4	-17.2	-16.9	-15.8	-13.4	-11.6	-8.1	-6.3	-1.8	3.3
COMMUNICATIONS	12/12	-10.6	-12.8	-14.1	-14.5	-15.2	-15.2	-16.5	-16.5	-13.7	-11.8	-11.7	-11.6
INDUSTRIAL & INSTRUMENT	12/12	5.4	5.6	4.4	3.2	2.4	2.5	3.1	2.9	2.8	3.1	3.1	4.4
MILITARY ELECTRONICS	12/12	5.1	4.8	4.9	5.8	5.4	4.5	3.6	4.2	4.3	3.8	4.5	4.7

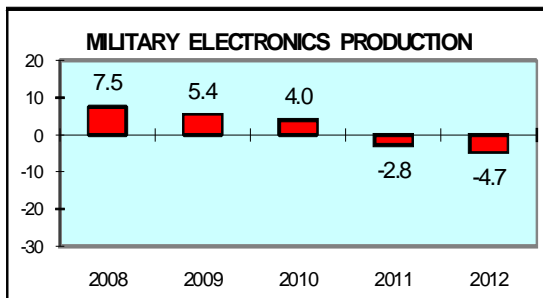
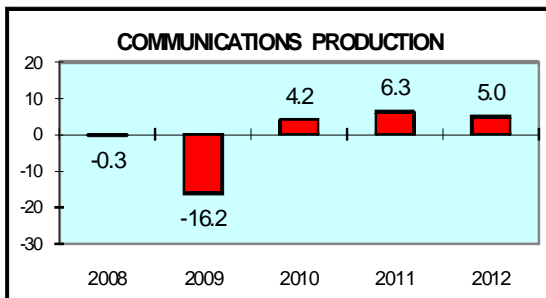
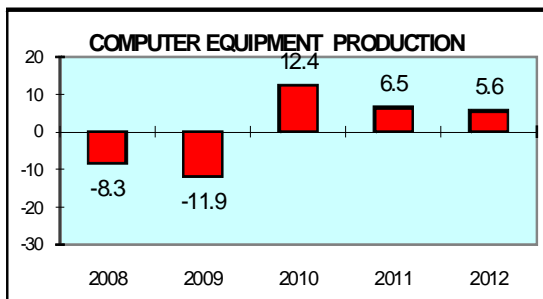
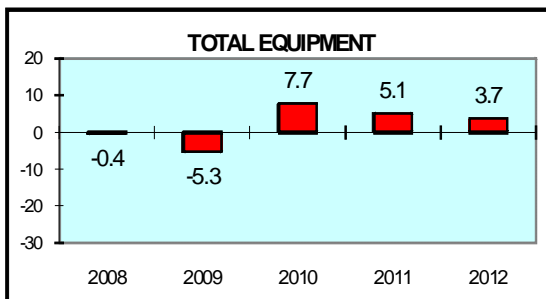
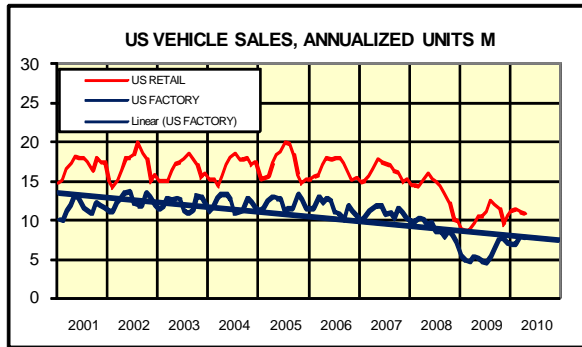
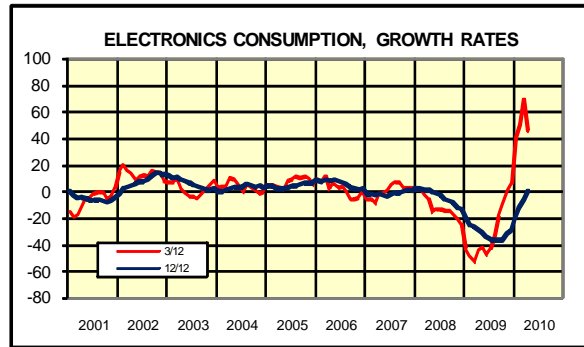


FIGURE 5: US AUTOMOTIVE INDUSTRY

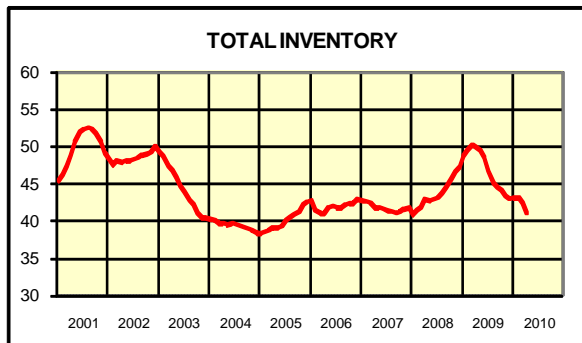


	NOV	DEC	JAN	FEB	MAR	APR
RETAIL	9.3	10.5	11.2	11.4	11.1	10.9
FACTORY	7.7	7.2	7.0	7.0	7.8	7.7
DIFFERENCE	1.6	3.3	4.2	4.4	3.3	3.2

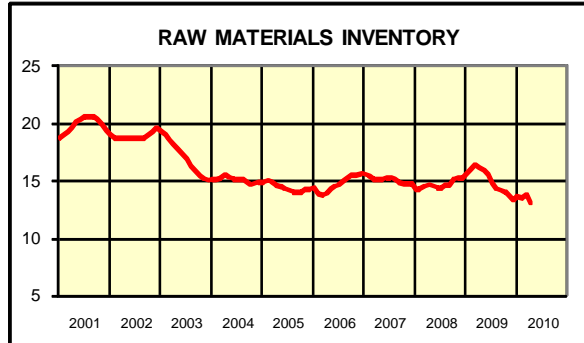


	NOV	DEC	JAN	FEB	MAR	APR
3/12	1.0	6.0	40.1	50.6	69.8	45.4
12/12	-32.3	-30.0	-19.8	-12.5	-6.6	0.2

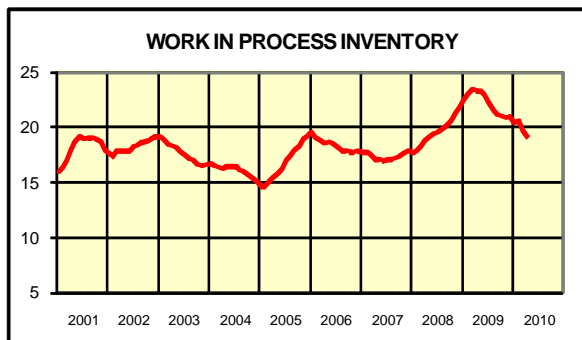
FIGURE 6: US ELECTRONICS INDUSTRY INVENTORY BY PRODUCTION STAGE
Days of Sales, 3-Month Moving Averages



	NOV	DEC	JAN	FEB	MAR	APR
TOTAL INVEN.	43.4	42.9	43.2	43.1	42.4	41.0



	NOV	DEC	JAN	FEB	MAR	APR
RAW INVEN.	13.7	13.3	13.7	13.5	13.8	13.1

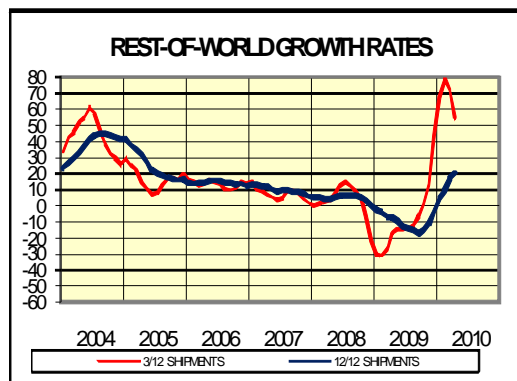
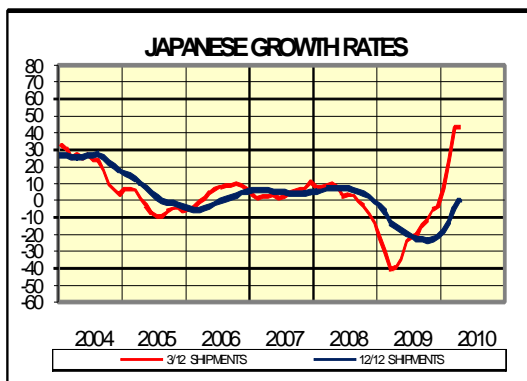
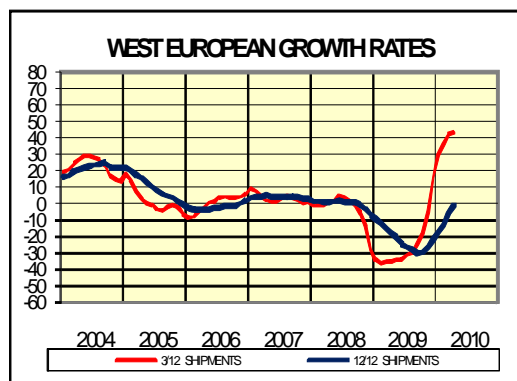
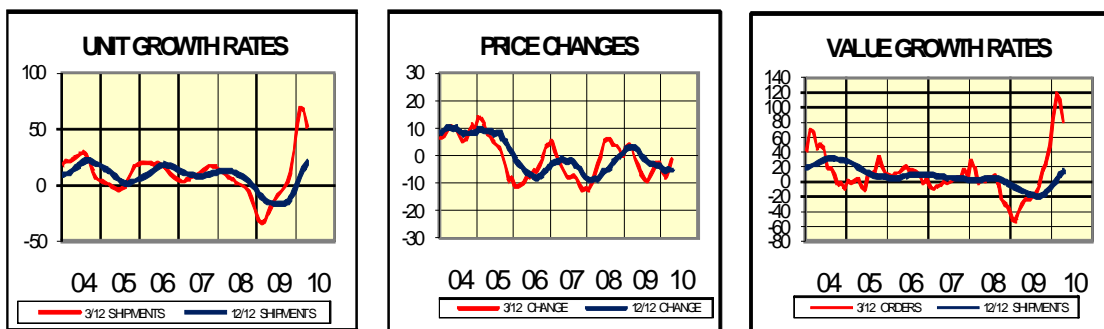


	NOV	DEC	JAN	FEB	MAR	APR
WIP INVEN.	20.8	20.9	20.4	20.6	19.6	19.1



	NOV	DEC	JAN	FEB	MAR	APR
FINISH INVEN.	8.9	8.7	9.0	9.0	9.1	8.8

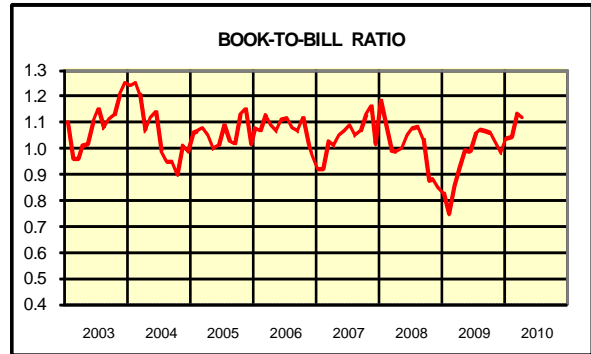
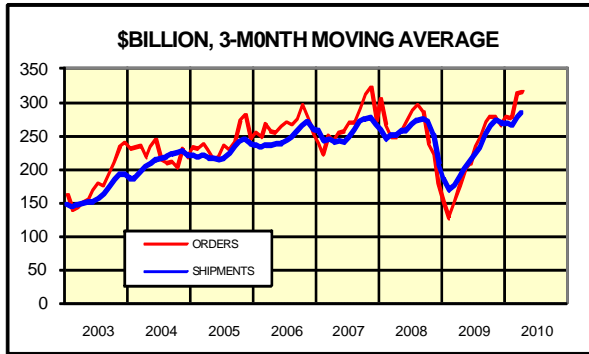
FIGURE 7: WORLD MERCHANT SEMICONDUCTOR MARKET



MARKET STATISTICS FOR THE MONTH OF APRIL 2010

REGION	3-MONTH MOVING ANNUALIZED VALUES					3/12 GROWTH RATES				12/12 GROWTH RATES			
	SHIP UNITS	SHIP PRICE	SHIP VALUE	ORDER VALUE	BOOK/BILL	SHIP UNITS	SHIP PRICE	SHIP VALUE	ORDER VALUE	SHIP UNITS	SHIP PRICE	SHIP VALUE	ORDER VALUE
	B	\$	\$B	\$B	-	%	%	%	%	%	%	%	%
AMERICAS	51.6	0.917	47.3	NA	NA	592	-65	488	NA	14.9	7.4	23.3	NA
WEST EUROPE	81.8	0.455	37.2	NA	NA	514	-56	429	NA	9.8	-9.5	-0.7	NA
JAPAN	93.0	0.474	44.1	NA	NA	458	-1.8	432	NA	2.9	-2.8	0.1	NA
REST OF WORLD	437.6	0.353	154.4	NA	NA	533	1.2	55.1	NA	27.8	-5.5	20.7	NA
TOTAL	664.1	0.426	282.9	315.8	1.12	524	-1.3	504	80.8	20.4	-5.2	14.1	20.1

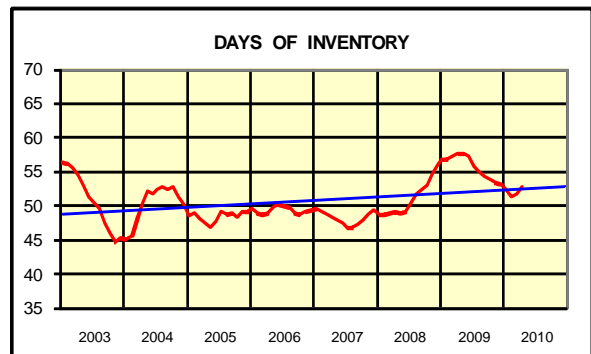
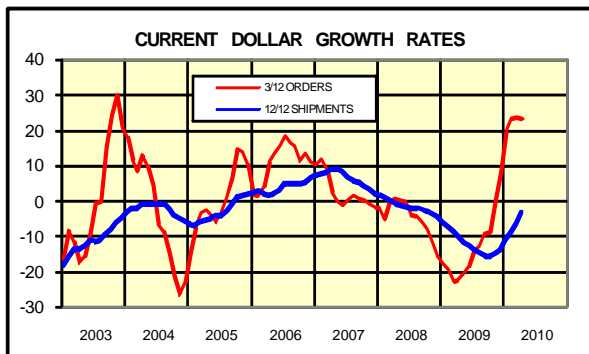
FIGURE 8: GLOBAL SEMICONDUCTOR INDUSTRY



	NOV	DEC	JAN	FEB	MAR	APR
ORDERS, \$B	278	264	278	276	313	316
SHIPMENT, \$B	273	269	268	265	277	283

	NOV	DEC	JAN	FEB	MAR	APR
BOOK-TO-BILL	1.02	0.98	1.04	1.04	1.13	1.12

FIGURE 9: US PASSIVE AND OTHER COMPONENTS



	NOV	DEC	JAN	FEB	MAR	APR
3/12 ORDERS	0.3	8.2	19.6	23.3	23.8	23.2
12/12 SHIP	-14.9	-13.8	-11.2	-9.2	-6.5	-3.1

	NOV	DEC	JAN	FEB	MAR	APR
INVENTORY	53.4	53.2	52.3	51.2	51.7	52.8

FIGURE 10: US MERCHANT COMPONENT PURCHASES GROWTH

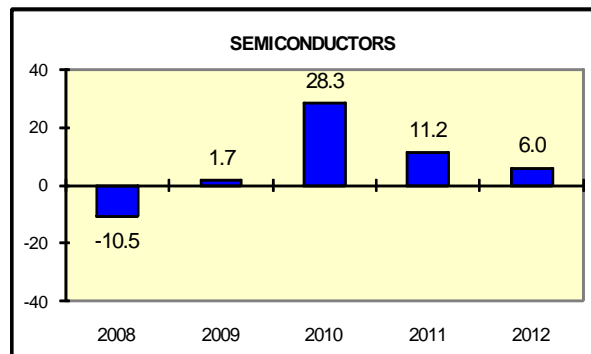
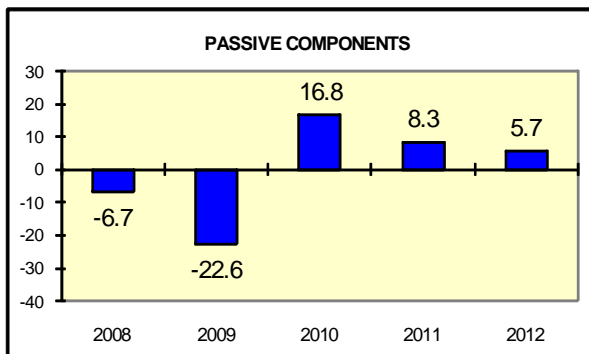


TABLE 1
US PRODUCTION OF ELECTRONIC EQUIPMENT

EQUIPMENT CATEGORY	Current \$Million				Growth Rates in Percent			
	2009	2010	2011	2012	2009	2010	2011	2012
COMMUNICATIONS	37,956	39,562	42,059	44,148	-16.2	4.2	6.3	5.0
COMPUTER & OFFICE	71,823	79,900	84,998	89,680	-12.4	11.2	6.4	5.5
INDUSTRIAL & INSTRUMENT	125,333	136,745	149,805	160,819	-1.3	9.1	9.6	7.4
SUBTOTAL COMMERCIAL	235,112	256,207	276,862	294,647	-7.5	9.0	8.1	6.4
MILITARY	92,917	96,628	93,886	89,492	5.4	4.0	-2.8	-4.7
CONSUMER	7,788	8,048	8,405	8,661	-16.9	3.3	4.4	3.1
AUTOMOTIVE	5,912	7,112	7,667	8,204	-36.1	20.3	7.8	7.0
TOTAL	341,729	367,995	386,819	401,003	-5.3	7.7	5.1	3.7

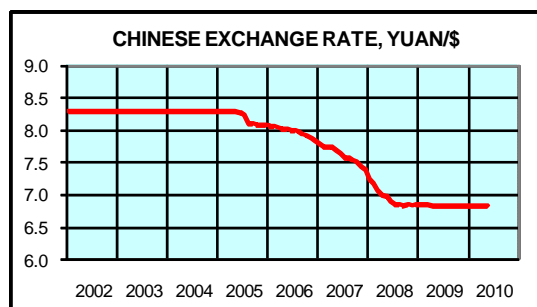
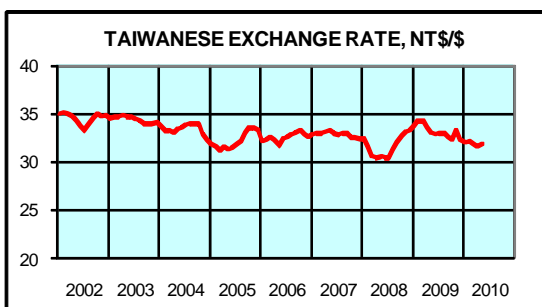
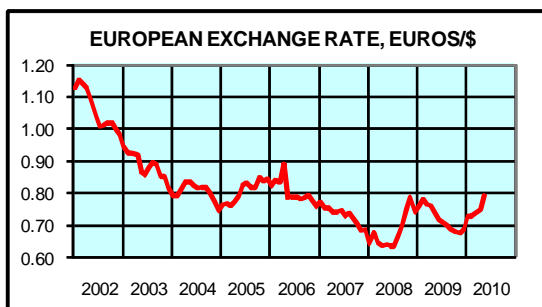
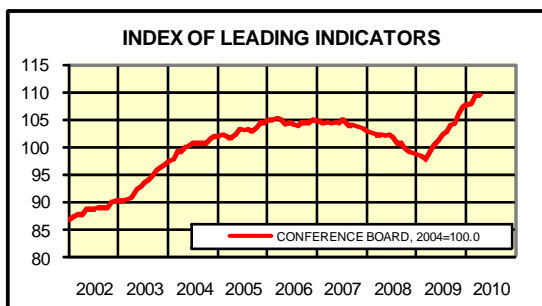
TABLE 2
MERCHANT SEMICONDUCTOR MARKETS
Values Converted at Fluctuating Exchange Rates

REGION	Current \$Billion				Growth Rates in Percent			
	2009	2010	2011	2012	2009	2010	2011	2012
AMERICAS	38.5	49.4	54.9	58.3	1.7	28.3	11.2	6.0
W. EUROPE	29.9	36.9	40.0	42.1	-21.9	23.5	8.5	5.2
JAPAN	38.3	46.3	50.7	54.2	-21.0	20.8	9.5	7.0
ROW	119.6	167.8	196.8	223.5	-3.5	40.2	17.3	13.5
TOTAL	226.3	300.3	342.5	378.0	-9.0	32.7	14.0	10.4

TABLE 3
MERCHANT SEMICONDUCTOR MARKETS
Values Converted at Fluctuating Exchange Rates

COMPONENT CATEGORY	Current \$Billion				Growth Rates in Percent			
	2009	2010	2011	2012	2009	2010	2011	2012
DISCRETE SEMICONDUCTORS	36.0	48.6	53.7	58.3	-10.0	35.0	10.6	8.7
INTEGRATED CIRCUITS	190.3	251.7	288.8	319.7	-8.8	32.3	14.7	10.7
MOS MEMORY	44.8	71.8	85.1	98.3	-3.3	60.4	18.5	15.4
MICROPRODUCTS	48.3	61.0	69.6	75.5	-9.1	26.2	14.1	8.5
LOGIC CIRCUITS	65.2	78.6	88.7	96.8	-11.3	20.5	12.8	9.1
LINEAR ICs	32.0	40.3	45.3	49.1	-10.2	26.0	12.4	8.3
TOTAL SEMICONDUCTORS	226.3	300.3	342.5	378.0	-9.0	32.7	14.0	10.4

**FIGURE 11
ECONOMIC INDICATORS**



CATEGORY	UNIT	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY
LEADING INDEX	-	101.1	102.1	102.7	103.9	104.2	105.8	107.1	107.6	108.0	109.4	109.3	NA
CONSUMER CONFIDENCE	-	49.3	47.4	54.5	53.4	48.7	50.6	53.6	56.5	46.0	52.3	57.7	63.3
P&S EXECUTIVE INDEX	-	44.8	48.9	52.8	52.4	55.2	53.7	54.9	58.4	56.5	59.6	60.4	59.7
NASDAQ CLOSE	-	1,835	1,978	2,009	2,122	2,045	2,145	2,269	2,147	2,238	2,398	2,461	2,257
EUROPEAN EXCHANGE	euro/\$	0.71	0.71	0.70	0.68	0.68	0.67	0.68	0.73	0.73	0.74	0.75	0.79
JAPANESE EXCHANGE	Yen/\$	97	94	95	91	90	89	90	91	90	91	93	92
TAIWANESE EXCHANGE	NT\$/\\$	32.8	32.9	32.9	32.5	32.3	33.3	32.2	31.9	32.1	31.8	31.5	31.8
CHINESE EXCHANGE	Yuan/\$	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83	6.83
S. KOREAN EXCHANGE	WON/\$	1,259	1,260	1,239	1,212	1,174	1,163	1,163	1,138	1,156	1,136	1,115	1,165

TABLE 4
SUMMARY FORECAST
Annual Growth Rates

CATEGORY	2008	2009	2010	2011	2012
GLOBAL GDP					
TOTAL	2.0	-1.9	3.8	3.6	3.8
UNITED STATES	0.4	-2.4	3.4	3.0	2.9
EU	0.7	-4.2	1.1	1.6	2.0
JAPAN	-1.2	-5.1	2.3	1.7	1.5
FOUR TIGERS	1.7	1.3	5.5	4.0	4.1
CHINA	9.6	8.7	10.5	8.3	7.9
GLOBAL EQUIPMENT PRODUCTION					
TOTAL	0.6	-9.9	10.5	8.6	6.8
UNITED STATES	-0.4	-5.3	7.7	5.1	3.7
W. EUROPE	-3.3	-18.0	1.2	3.0	4.1
JAPAN	-11.6	-24.1	5.4	4.8	4.2
FOUR TIGERS	-1.2	-8.3	12.5	9.8	9.0
CHINA	4.1	-5.2	17.5	13.1	8.7
US ECONOMY					
GRAND TOTAL, REAL GDP 2005 \$	0.4	-2.4	3.4	3.0	2.9
NONRESIDENTIAL EQUIP & SOFT	-2.6	-16.6	11.6	12.5	10.3
FEDERAL DEFENSE	7.8	5.4	2.9	-2.8	-4.3
DURABLES	-4.5	-3.9	8.1	7.4	6.0
EXPORTS	5.4	-9.6	10.6	6.8	6.7
US EQUIPMENT PRODUCTION					
TOTAL	-0.4	-5.3	7.7	5.1	3.7
COMMUNICATIONS	-0.3	-16.2	4.2	6.3	5.0
COMPUTER & OFFICE	-7.5	-12.4	11.2	6.4	5.5
INDUSTRIAL & INSTRUMENT	2.2	-1.3	9.1	9.6	7.4
SUBTOTAL	-1.5	-7.5	9.0	8.1	6.4
MILITARY	7.5	5.4	4.0	-2.8	-4.7
CONSUMER	-8.3	-16.9	3.3	4.4	3.1
AUTOMOTIVE	-22.8	-36.1	20.3	7.8	7.0
US COMPONENT PURCHASES					
US PASSIVE PURCHASES	-6.7	-22.6	16.8	8.3	5.7
SEMICONDUCTORS	-10.5	1.7	28.3	11.2	6.0
GLOBAL SEMICONDUCTOR PURCHASES					
TOTAL	-2.8	-9.0	32.7	14.0	10.4
AMERICAS	-10.5	1.7	28.3	11.2	6.0
W. EUROPE	-6.6	-21.9	23.5	8.5	5.2
JAPAN	-0.7	-21.0	20.8	9.5	7.0
ROW	0.4	-3.5	40.2	17.3	13.5

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July	No Issue
August	Midyear Semiconductor Update
September	Quarterly Forecast Update
October	Communication Equipment Forecast
November	Computer & Office Equipment Forecast
December	Quarterly Forecast Update

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