

October 2004 Switch Market Survey

Last month all the measures of switch market business conditions were softening. Shipments reversed their decline and strengthened, and, the other four indices continued to soften.

Switch Market Conditions Summary

	Index	Direction	Rate of Change September Vs August
New orders last month Vs. previous month	-0.154	Declining	Softer
New orders last month Vs. same month last year	0.462	Improving	Softer
Shipments last month Vs. previous month	0.308	Improving	Stronger
Shipments last month Vs. same month last year	1.000	Improving	Stronger
Current business conditions	0.000	Neutral	Softer
Expected business conditions in 6 months	0.154	Improving	Softer

The softening of Market Notes measures moved in step with the Conference Board's composite index of leading economic indicators that fell in September for the fourth month in a row. Five of the 10 component indicators lost ground in September. Vendor performance, the average factory workweek, jobless claims, and consumer goods orders were all negative and have a tie to the switch market. Three monthly decreases of this measure raise concerns that the economy is deteriorating.

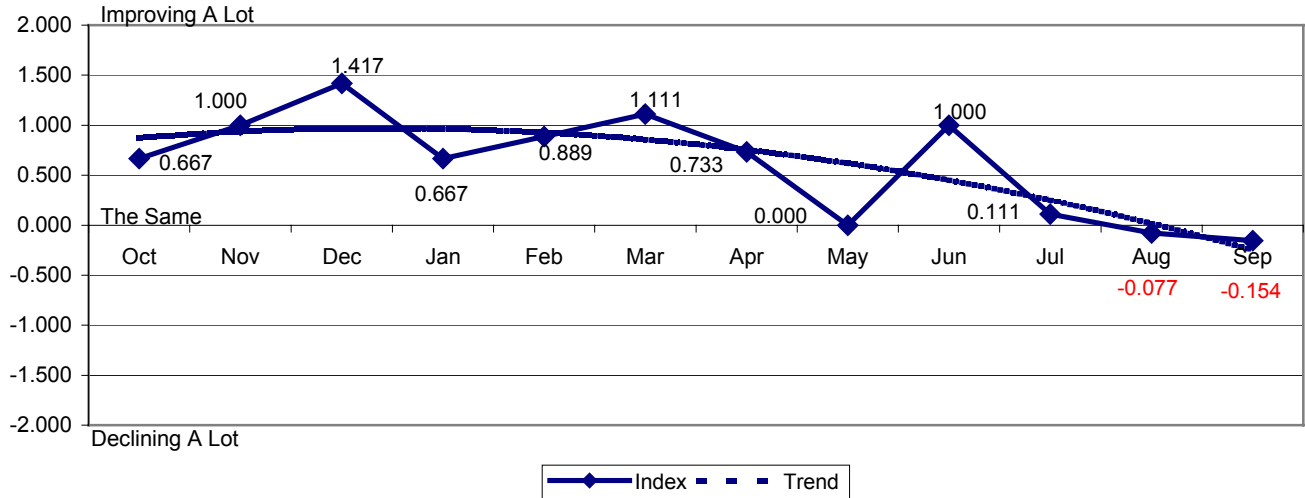
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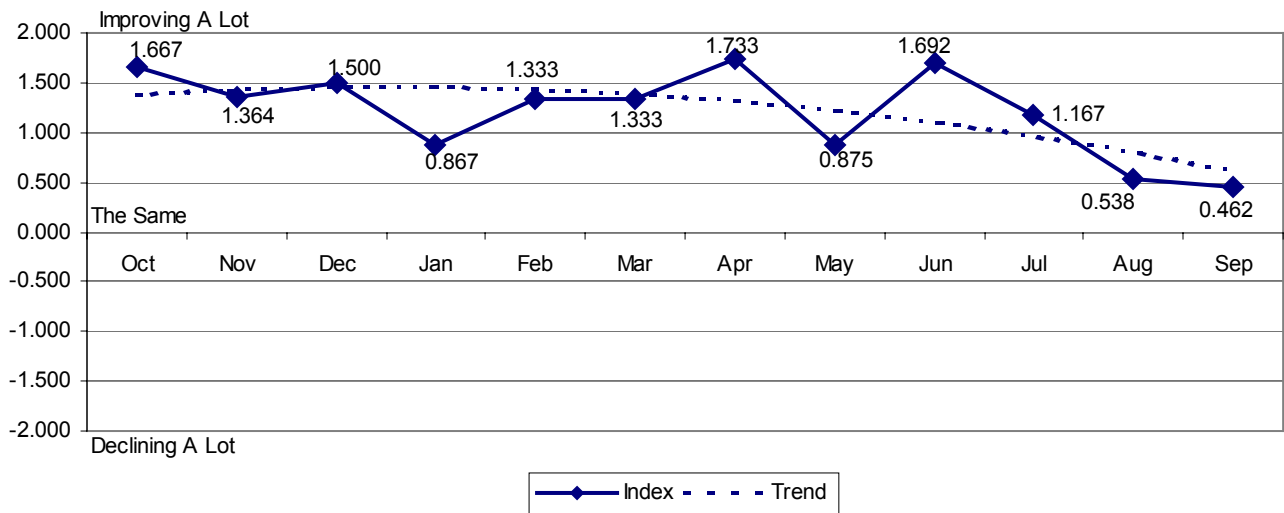
The Monthly Extra to **Switch Tracks** 

New orders or bookings in September were lower than August. Month over month bookings have been in decline for two months. This September's bookings showed improvement over last year and this index continues to trend lower.

How were North American new orders or bookings for switches this month compared to last month?

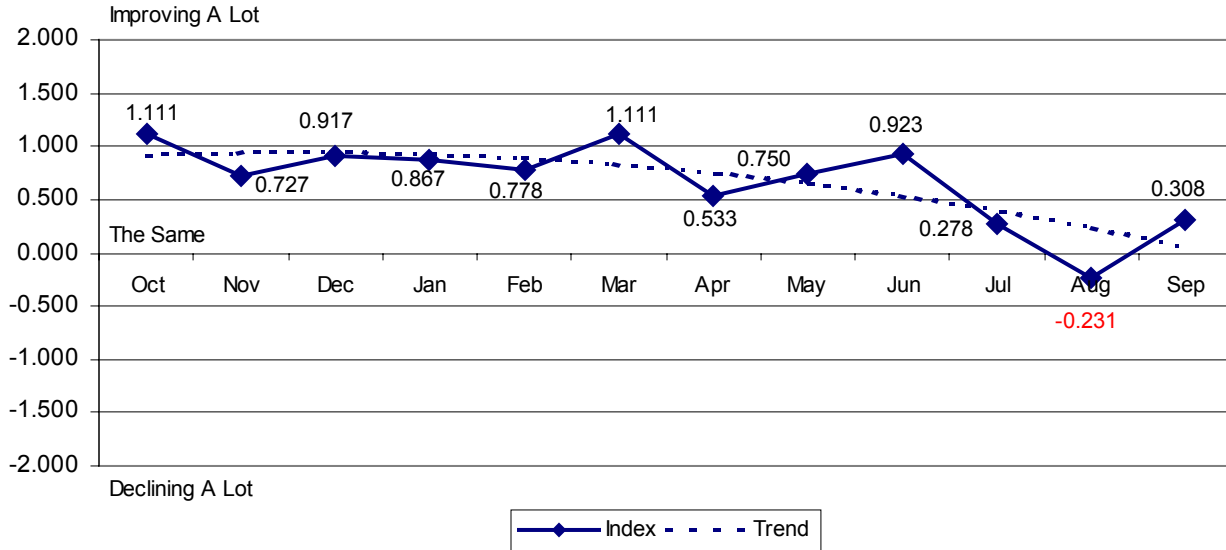


How were North American switch new orders or bookings for switches this month compared to the same month last year?

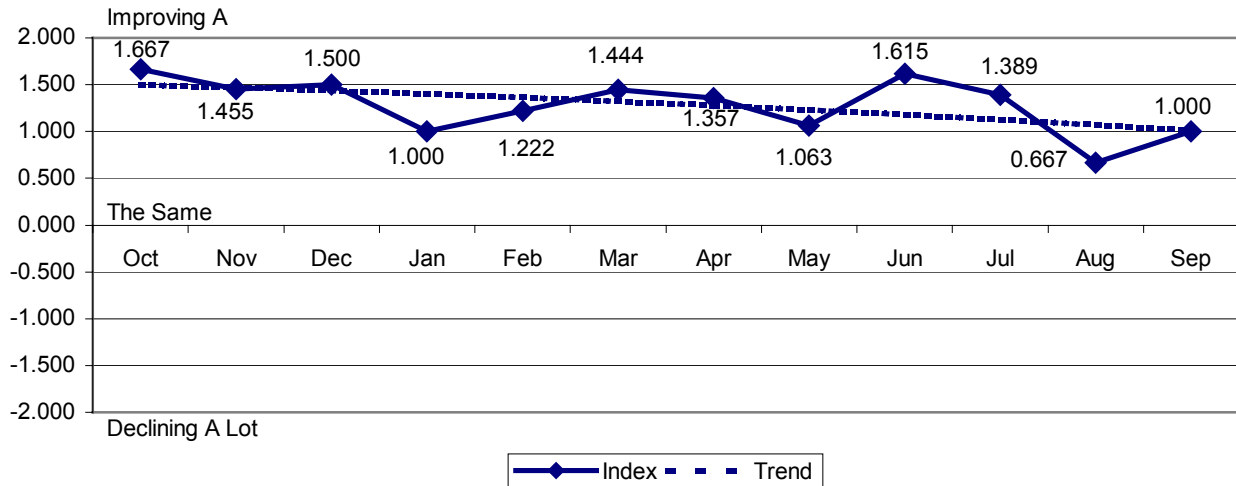


Unlike bookings, September sales or shipments are thought to have improved compared August. Shipments compared to last September improved at a slightly stronger rate compared to August. This index's movement shows a gentler decent than bookings at this time.

How were North American sales or shipments for switches this month compared to last month?



How are North American sales or shipments for switches this month compared to the same month last year?



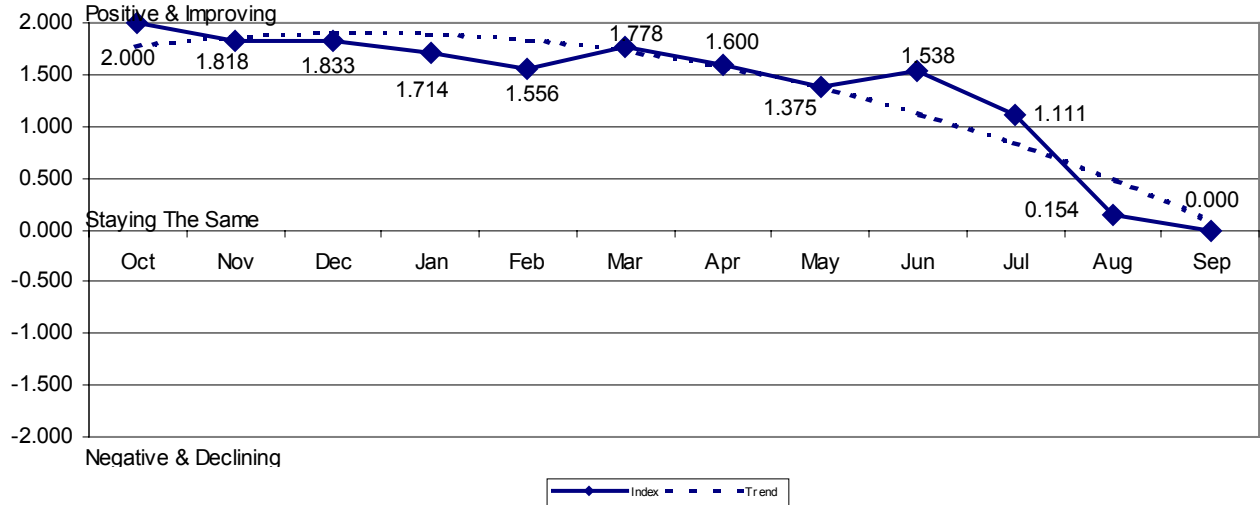
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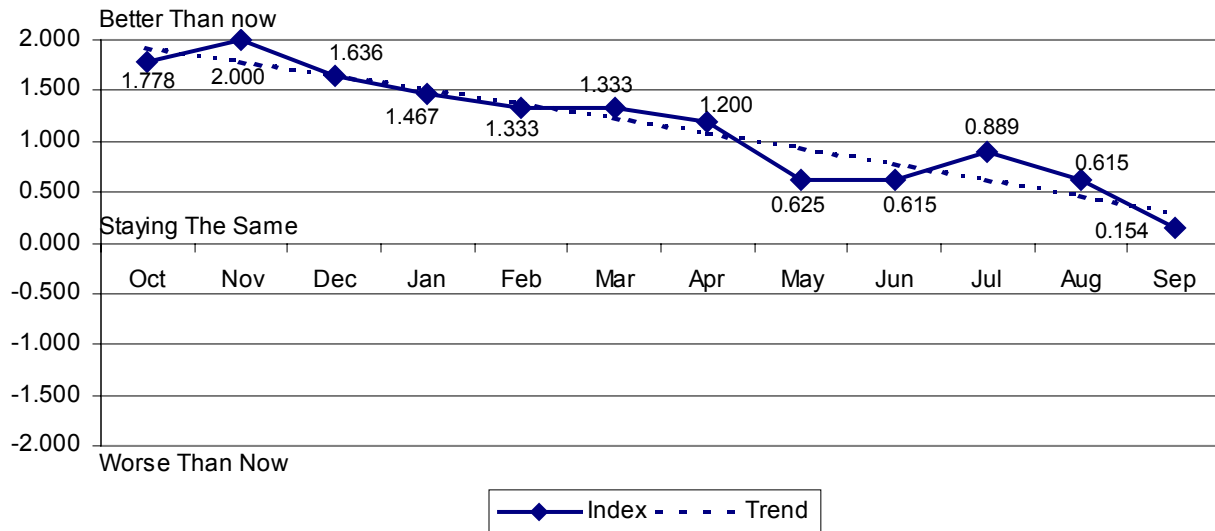
The Monthly Extra to **Switch Tracks** 

Current business conditions are neither improving or declining with a reading of 0.000. Optimism about business conditions in six months softened in September and is just above 0.000.

What is your appraisal of current business conditions in the North American switch market?



What is your expectation of business conditions six months from now in the North American switch market?



Potential Positive Effects On The Switch Market

A better economy and an end to the election season would be welcome. With the election itself a little more than a week off let's hope a clear winner is declared that Tuesday and we aren't left dangling by chads or some similar defensive moves. A decline in oil prices and increased spending by consumers and businesses would be good news. For the balance of this year the likelihood of this is doubtful.

Potential Negative Effects On The Switch Market

Uncertainty over the economy, even a mention of recession that is consistent with four months of decline of the leading economic indicators, persists in putting a drag on the switch market. There was mention of potential negative effects if the wrong candidate wins the election. At this point it appears that slightly less than half of the voting public will be disappointed by the election. The key factor will be is it the half that has more spending power or not. Price erosion and Asian influences continue to receive mentions as having a negative effect on the switch market

Appendix

Calculation of Switch Business Indices

The monthly switch business survey contains questions that have five or three choices as a response. The indices are calculated by assigning a point value to each possible response and the tables below show what these point values are:

Five Response Questions	
Response	Points
Improving A Lot	2
Improving A Little	1
Staying The Same	0
Declining A Little	-1
Declining A Lot	-2

Three Response Questions	
Response	Points
Positive & Improving or Better	1
Staying About The Same	0
Negative & Declining or Worse	-1

The total point value is added up for each question. The total is then divide by the number of respondents. The result is the index for a five-response question. For a three-response question, the point total is divided by the number of respondents and then multiplied by 2.