LEADING THE NEWS

Boeing Selects 787-9 Dreamliner To Be Basis For Freighter.

Bloomberg News (6/20, Black) reports Boeing “has picked the 787-9 Dreamliner as the variant to be used for a future freighter, a step toward opening a new market for the plane and extending a lead over Airbus SAS (EAD) in cargo aircraft.” Boeing Commercial Airplanes Vice President Mike Bair said this would replace the 767 although the article notes “he didn’t give a precise timeline” when this would take place. Bair “said it was too early for decisions such as whether it would come before a cargo version of the 777X, the upgrade of the twin-engine airliner that is targeted to enter service by decade’s end.”


Jason Paur at the Wired (6/20) “Autopia” blog describes the 787 flights Boeing has made at the Paris Air Show, noting that while this passenger plane cannot maneuver like a jet, “it’s still an impressive flight routine for an airliner.” Boeing test pilots Randy Neville and Mike Bryan outlined how they prepared for the event. According to Paur, “in the end the team came up with a routine that includes a dramatic, steep take-off and a series of turns of up to 60 degrees of bank that at 2g’s does a good job of flexing the composite wings showing off their unusually deep curve.”

Boeing 737 MAX To Be Available Six Months Ahead Of Schedule.

Reuters (6/20, Govindasamy) reports Scott Francher, vice-president and general manager of airplane development at Boeing, said the 737 MAX will be available in 2017 six months earlier than previously scheduled. The article notes if it holds Airbus will have a shorter period operating its A320neo before the 737 MAX comes into service.

MANUFACTURING

Lockheed Could Make Civilian Model Of C-130J.

Flight International (6/20, Majumdar) reports, “Lockheed Martin is examining the possibly of developing a civilian variant of its C-130J to replace the legacy L-100 civilian-model Hercules airlifters.” Jack Crisler, Lockheed’s vice-president of new business for air mobility programs, said the company is still examining the business case and certification plan, but those should be completed this year and next respectively. The article notes that Lockheed is also determining ways to reduce the costs for the C-130J like adding winglets, “but since the C-130J is a straight-wing aircraft, that feature may not provide much benefit.”

Manufacturers Pushing Civilian Uses Of UAVs At Paris Air Show.
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**ECONOMIC NEWS**

**Bernanke Optimism On Economy.**

In the lead story for ABC World News (6/19, lead story, 2:15, Stephanopoulos), George Stephanopoulos reported that on Wednesday, Fed Chairman Bernanke predicted that the US economy will “grow” and the unemployment rate will “fall well into next year,” but “also signaled that years of low interest rates that have made it easy for companies to invest and families to buy cars and homes...may soon be ending.” Stephanopoulos added that the Dow Jones Industrial Average “dropped more than 200 points on the news.” ABC’s Rebecca Jarvis went on to report that “there is a silver lining,” which is that “as interest rates rise, folks who have been getting nothing on the money they have sitting in the bank will gradually get better returns. Stephanopoulos called that “good news for retirees.”

Scott Pelley, in the lead segment for the CBS Evening News (6/19, lead story, 2:00, Pelley), noted that despite the reaction from the equities markets, Bernanke was saying that “the economy is doing better.” CBS’s Anthony Mason reported that the Fed lowered its forecast for the unemployment rate across the board by about a quarter of a point to about 7.25 percent by the end of this year, and to about six percent by the end of 2015.” Mason added that the Fed believes that Federal spending cuts represent “the main headwinds for the economy.”

Brian Williams, in a brief item for NBC Nightly News (6/19, story 6, 0:30, Williams), reported that Bernanke “said the economic outlook is improving, unemployment is falling and expected to fall further,” and, therefor, the Fed “will likely ease up on buying bonds.” McClatchy (6/19, Hall) reports that despite its generally positive outlook, the Fed announced Wednesday that it is “expecting slower growth for 2013 than it did just three months ago,” and now anticipates 2.3% to 2.6% GDP growth, whereas in March, “it saw potential growth as high as 2.8 percent.”

According to USA Today (6/20, Davidson), on May 22, investors were “rattled” when Bernanke said “tapering could begin ‘in a few meetings’” and “were shaken further by his more detailed blueprint” on Wednesday, “which raised fears about whether US economic growth might slow with less Fed support.”

According to Bloomberg News (6/19, Zumbrun, Kearns), Bernanke indicated that the Fed “may start dialing down its unprecedented bond-buying program this year and end it entirely in mid-2014,” but on Wednesday, the Federal Open Market Committee “left the monthly pace of bond purchases unchanged at $85 billion.” Bernanke is quoted as saying, “If the incoming data are broadly consistent with this forecast, the committee currently anticipates that it would be appropriate to moderate the pace of purchases later this year.” Bloomberg noted that after Bernanke spoke, the ten-year Treasury yield “jumped to 2.36 percent, the highest since March 2012, from 2.19 percent” on Tuesday.

The New York Times (6/20, Popper, Subscription Publication) reports that as evidence of the “breadth of the anxiety...across bond markets,” traders “did not just sell the longer-dated government bonds that the Fed has been buying; they also sold shorter maturities, pointing to predictions that interest rates are likely to rise across the board.”

The New York Times (6/20, A1, Appelbaum, Subscription Publication), in a front-page article titled “Optimistic Fed Outlines End To Its Stimulus,” reports that Bernanke said specifically that the Fed will “continue the asset purchases until the unemployment rate fell to about 7 percent,” which was “the first time that the Fed has specified an economic objective for the bond-buying.”

The Washington Post (6/20, Mui) notes that Bernanke also “cautioned that officials will adjust that timeline to the
realities of the recovery,” saying, “Our policy is in no way predetermined and will depend on the incoming data and the outlook.”

The Wall Street Journal (6/20, McGrane, Hilsenrath, Subscription Publication) covers Bernanke’s comments in an article titled “FedBrightens Recovery View As Bernanke Sets Stage To End Bond Buys.” The Journal notes that the FOMC said “inflation has been running below” 2%, which is the Fed’s target, and St. Louis Fed President James Bullard opposes hiking rates because he says the Fed “should signal more strongly its willingness to defend its inflation goal in light of recent low inflation readings.”

McClatchy (6/19, Hall) reports that Kansas City Fed President Esther George was alone on the FOMC in “preferring to raise the rate on concerns that the Fed’s bond purchases might eventually spark high inflation.”

Politico (6/20, White, Lee) reports President Obama has “made it awkwardly clear this week that he has no plans to renominate” Bernanke, who is described by Politico as “a Republican who helped guide the nation through the worst financial crisis in a generation.” Politico notes that in response to a question from PBS’s Charlie Rose, the President said Bernanke has “already ‘stayed a lot longer than he wanted to, or he was supposed to.’” Politico goes on to report that as for Bernanke’s successor, “the smart money is on” Fed Vice Chair Janet Yellen, “who is viewed as to the left of Bernanke when it comes to using the Fed’s so-called ‘dual mandate’ to fight unemployment by printing money.”

The Los Angeles Times (6/20, Tangel) and other media sources also cover the story.

Chinese Manufacturing Sliding As Liquidity Crunch Deepens.

In new developments adding to concerns over the Chinese economy, a new report showed the country’s manufacturing sector is shrinking at an accelerated pace while the State Council refused to intervene in the deepening liquidity crunch, sending borrowing costs to a seven-year high. Weakening Data combined with the government’s continued resolve

Saying the manufacturing decline “adds to fears about the strength of the recovery,” the AP (6/19) reports the HSBC preliminary PMI gauge showed both weakening external and domestic demand are weighing down the sector as output and new orders deteriorated.

Saying the contraction is “adding to stresses” on the Chinese economy, Bloomberg News (6/20, News) reports the gauge “builds on evidence that growth is slowing for a second quarter” after wider weak May data. The PMI dropped to 48.3, revealing a quicker decline than the 49.1 median estimate by economists.

Noting the gauge reading represented a nine-month low, Reuters (6/20, Yao) reports it raises pressure on the central bank to loosen policy as Beijing sticks to its pledge of reforms for sustainable, if slower, growth. That shift and the weakening data have pushed analysts to lower second-quarter growth estimates, with HSBC chief China economist Qu Hongbin explaining reforms “will have a limited impact in the short-term” for growth.

The New York Times (6/20, Gough, Subscription Publication) and, on its website, CNBC (6/20) also cover the story.

China Credit Squeeze Continues As Government Seeks Reform. Ignoring calls for an “immediate rescue” of banks suffering from a liquidity crunch, China will only boost support for select, strategic industries and attempt to increase domestic consumption, Bloomberg News (6/20) reports. The Chinese State Council said it will attempt to reduce reliance on exports in order to refocus on policies including interest-rate liberalization, corporate overseas investments and homeownership. Global investment banks lowered estimates for China’s 2013 growth, with Barclays estimating growth at 7.4 percent.

The Wall Street Journal (6/20, Subscription Publication) took a more dire tone on the credit crunch, focusing on various-sized banks’ reactions to the tight money policy. The seven-day repo rate, an interbank benchmark, rose to 8.20%, increasing the lending barriers that are contributing to the economic contraction. While smaller banks expressed concern about the credit volatility, some analysts predicted improvements in liquidity by July. Beijing’s decision is interpreted as a signal to banks to work at reaching stability on their own.

LAW AND POLICY


The New York Times (6/20, Wyatt, Subscription Publication) reports the chairwoman of the Federal Trade Commission, Edith Ramirez, is expected to recommend a sweeping investigation of “patent trolls” today. Ramirez “is planning to ask the full commission to approve an inquiry that will include the issuance of subpoenas to companies that are known as patent-assertion entities, or, unflatteringly, as patent trolls.” If approved, “the FTC investigation will require patent-assertion companies to answer questions about how they conduct their operations, including whether they coordinate their lawsuits with other patent holders and if they funnel proceeds from lawsuits and patent licenses back to the original patent owner.”

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Stock Prices In Relation To Previous Day's Adjusted Close
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Zinc $1860.00 ▼2.00
Tin $20100.00 ▼25.00
Natural Gas $3.92 ▼0.05
Crude Oil $96.14 ▼2.10

WEDNESDAY’S LEAD STORIES

• Ford Opens New $500-Million Engine Plant In China.
• Automotive Classes Leads To Engineering Studies For Two Burnsville High Students.
• Housing Starts Increased By 6.8 Percent In May.
• Even If US Approves Keystone XL Pipeline, Canadian Crude Oil Probably Will Remain Cheapest In The World.
• Prime Minister Concludes European Trip Unable To Win Canada-EU Trade Deal.
• NASA Issues Asteroid Grand Challenge.
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