WACHOVIA
ECONOMICS GROUP

WEEKLY ECONOMIC & FINANCIAL COMMENTARY

April 17, 2009

U.S. Review

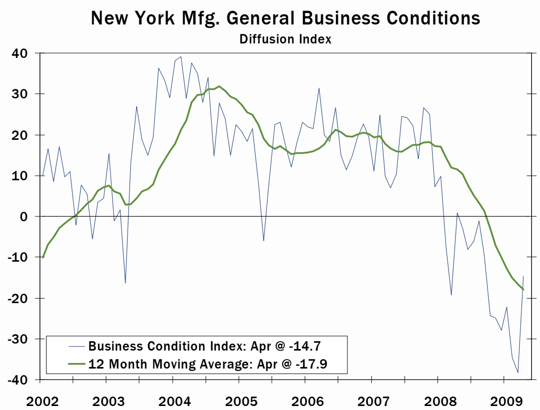
"Less Bad" Is Good

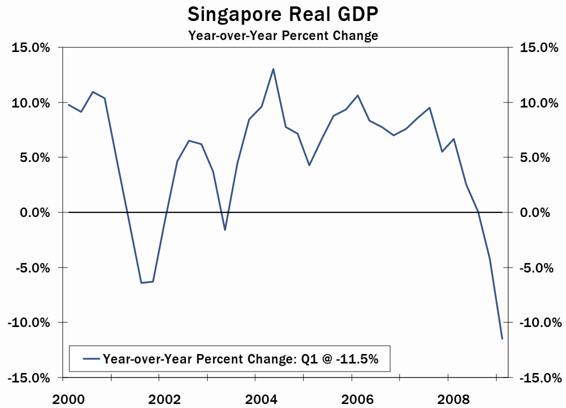
The recent rebound in the stock market, a less downbeat than feared earnings season, and a few better than expected readings in the economic numbers have raised hopes that we can now see the light at the end of the deep recession tunnel. We hope so. Our fear, however, is that much of the recent improvement merely marks a shift in the rate of deceleration in economic activity. That still marks an improvement but it does not change our view that the recession will drag on through late this year.

For all the new found optimism in the economy this week there was actually very little good economic news to support it. Most reports were merely not as bad as they were in recent months. Activity is still declining, just not as rapidly as it was during the fall and winter months. One notable change, however, is that some of the more leading reports are now improving.

The Empire Manufacturing survey rose nearly 24 points to a negative 14.65 in April. The index still remains solidly in negative territory, however, and suggests cutbacks in the manufacturing sector are lessoning a bit.

Please turn to page 2





Global Review

Any Signs of Hope in Singapore?

Data released this week showed that real GDP in Singapore fell 11.5 percent in the first quarter relative to the same period in 2008. As such, it was the deepest year-over-year contraction on record in the Singaporean economy (official GDP data start in 1975).

A detailed breakdown of GDP into its underlying demand components is not yet available. When the data do become available in another month or so they likely will show that gross exports were a primary reason that GDP fell as sharply as it did. Singapore is one of the most open economies in the world, and the global recession is quickly transmitted to the Lion City. Indeed, monthly trade data show that the volume of Singaporean exports plunged 20 percent in the first quarter (see graph at the top of page 4).

The weakness does not appear to be confined to just the external sector.

Please turn to page 4

Recent Special Commentary

Date	Title	Authors
April-13	Economics as Strategic Input to Business Decision-Making	Silvia
April-09	The Intersection of Economy and Credit	Silvia
April-08	Global Chartbook - April 2009	Bryson & Quinlan
April-08	The U.S. Balance of Payments and the Dollar Outlook	Bryson

U.S. Forecast

	Actual				Forecast				Actual				Forecast	
	2008				2009				2005	2006	2007	2008	2009	2010
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q						
Real Gross Domestic Product [1]	0.9	2.8	-0.5	-6.3	-5.8	-0.9	-1.7	0.3	2.9	2.8	2.0	1.1	-2.9	0.9
Personal Consumption	0.9	1.2	-3.8	-4.3	1.3	0.3	0.7	1.2	3.0	3.0	2.8	0.2	-0.7	1.2
Inflation Indicators [2]														
"Core" PCE Deflator	2.2	2.3	2.3	1.9	1.7	1.4	1.0	0.9	2.1	2.3	2.2	2.2	1.3	0.9
Consumer Price Index	4.2	4.3	5.2	1.5	-0.2	-1.5	-2.9	-0.5	3.4	3.2	2.9	3.8	-1.3	1.2
Industrial Production [1]	0.2	-4.6	-9.0	-12.7	-19.6	-7.6	-2.5	0.4	3.3	2.3	1.5	-2.2	-10.6	1.7
Corporate Profits Before Taxes [2]	-1.5	-8.3	-9.2	-21.5	-32.0	-30.0	-26.0	-14.0	17.6	15.2	-1.6	-10.1	-26.1	4.5
Trade Weighted Dollar Index [3]	70.3	71.0	76.1	79.4	82.5	85.0	87.6	89.9	86.0	81.5	73.3	79.4	89.9	87.1
Unemployment Rate	4.9	5.4	6.1	6.9	8.1	9.1	9.7	10.1	5.1	4.6	4.6	5.8	9.2	10.6
Housing Starts [4]	1.05	1.03	0.88	0.66	0.52	0.48	0.51	0.55	2.07	1.81	1.34	0.90	0.51	0.74
Quarter-End Interest Rates														
Federal Funds Target Rate	2.25	2.00	2.00	0.25	0.25	0.25	0.25	0.25	4.25	5.25	4.25	0.25	0.25	0.50
10 Year Note	3.45	3.99	3.85	2.25	2.71	2.80	2.90	2.90	4.39	4.71	4.04	2.25	2.90	3.60

Data As of: April 8, 2009

[1] Compound Annual Growth Rate Quarter-over-Quarter
[2] Year-over-Year Percentage Change
[3] Federal Reserve Major Currency Index, 1973=100 - Quarter End
[4] Millions of Units

INSIDE

U.S. Review

(Continued from Page 1)

Some Leading Indicators Are Showing Signs of Improvement

Within the Empire Survey one of the largest improvements was in the new orders component, which rose to –3.88 from -44.76. There were also sizable improvements in the shipments component and number of employees series. In addition, the number of firms liquidating inventories continued to increase and fewer firms reported that delivery times were shortening. The latest figures are consistent with what you would expect to see in the latter stages of recession and show that, even though conditions remain exceptionally weak, progress is being made.

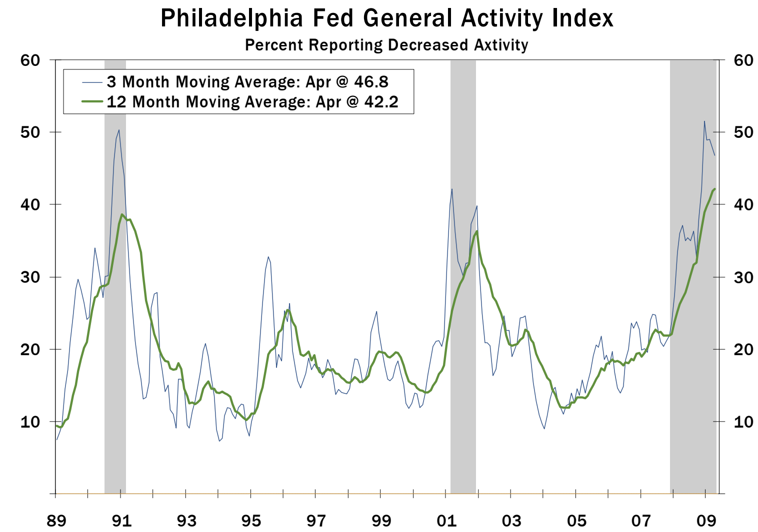
The Philadelphia Fed's survey of manufacturing conditions showed similar improvement but to a lesser extent. The general business activity diffusion index rose 10.6 points to -24.4. New orders rose 16.4 points to -24.3. The percentage of firms reporting shorter delivery times also improved and fewer firms reported that they were liquidating inventories. The extent of the improvement, however, was far less than in the Empire Survey and the inventory and employment components remain exceptionally weak.

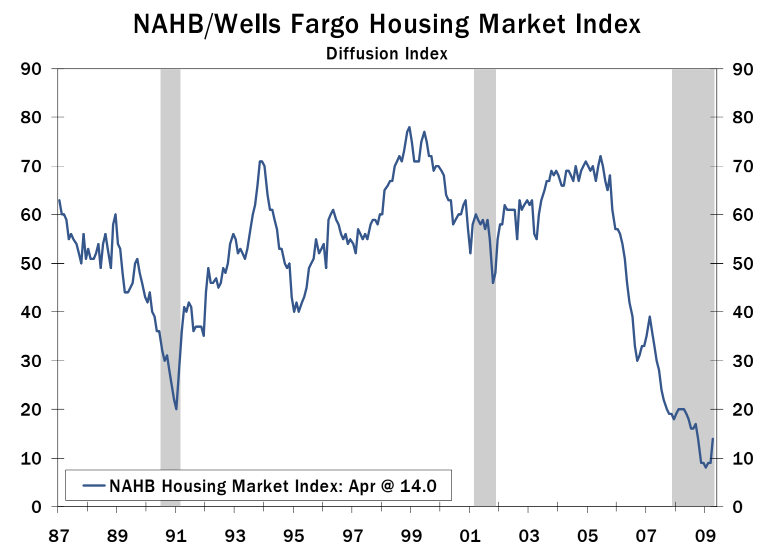
One of this week's best reports came from the housing sector. The NAHB/Wells Fargo Housing Market Index rose 5 points to 14 in April, marking its most significant improvement since the housing slump began. The index remains extraordinarily low, however, and few homebuilders could be said to be upbeat. That said, the recently enacted $8,000 tax credit for first-time homebuyers, along with lower mortgage rates, larger than expected tax refunds, and the onset of the peak spring home-buying season; are giving builders some encouragement. Sales are reported to have improved and expectations for future sales have increased. That said, buyer traffic is merely less negative than builders felt it was a month ago.

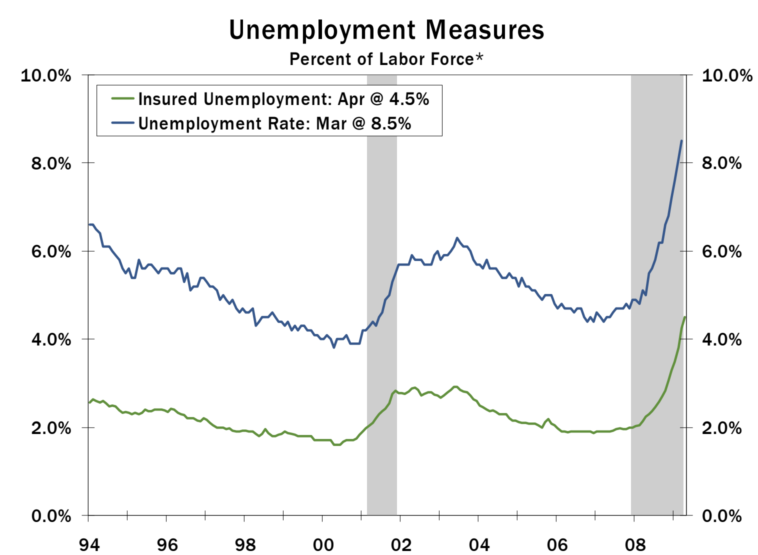
Another encouraging report is that first-time claims for unemployment insurance declined for the second week in row, tumbling 53,000 in the last week. The drop helped pull the four-week moving average down to 651,000 from its recent high of 659,500. We wish we could buy in to the notion that layoffs have peaked. The latest figures are for the week before Easter, which are extremely hard to seasonally adjust. Continuing unemployment claims rose and the insured unemployment rate rose another tenth of a point to 4.5 percent. The insured unemployment rate has been rising a tenth of a percentage point a week and that has matched up nearly perfectly with the rise in the unemployment rate. The latest figures suggest the unemployment rate will climb to 8.8 or 8.9 percent in April.

Selected Current Data

Gross Domestic Product - CAGR	Q4 - 2008	-6.3%
GDP Year-over-Year	Q4 - 2008	-0.8%
Personal Consumption	Q4 - 2008	-4.3%
Business Fixed Investment	Q4 - 2008	-21.7%
Consumer Price Index	March - 2009	-0.4%
"Core" CPI	March - 2009	1.8%
"Core" PCE Deflator	February - 2009	1.8%
Industrial Production	March - 2009	-12.8%
Unemployment	March - 2009	8.5%
Federal Funds Target Rate	Apr - 17	0.25%







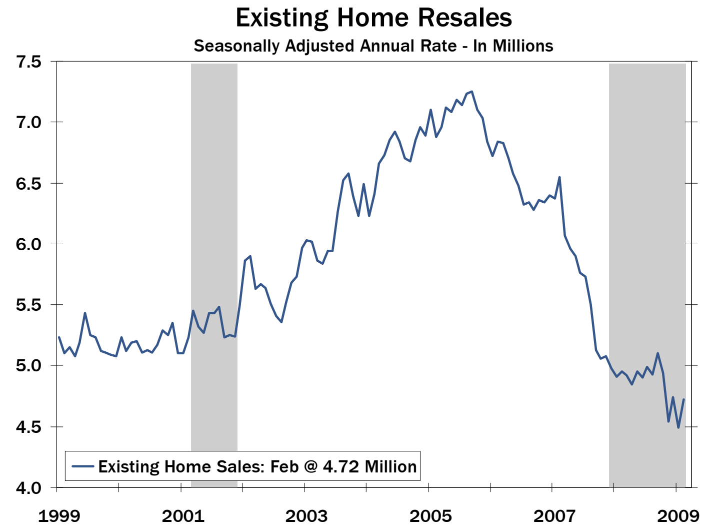
Existing Home Sales • Thursday

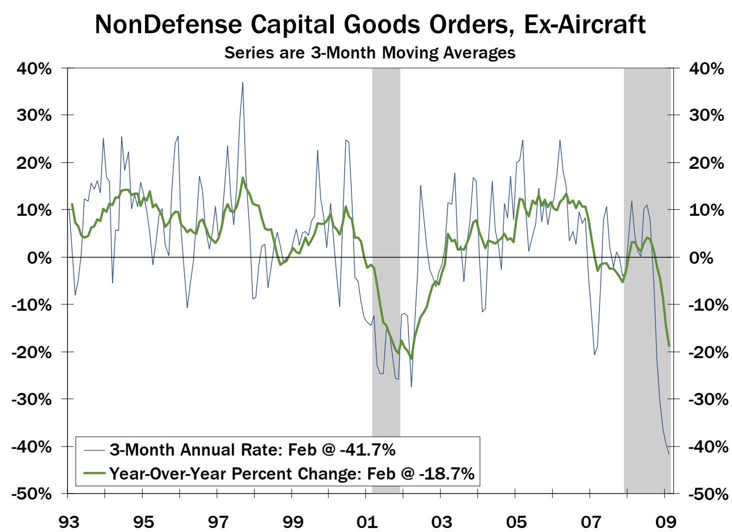
The National Association of Realtors estimates about 45 percent of recent sales activity nationwide was either distressed or foreclosure-related over the past several months. With distressed sales accounting for such a large proportion of activity, we could actually see reported sales fall off sharply if efforts to modify existing mortgages gain traction in the next few months. Timing is difficult to estimate given the considerable lag of the data, but we would not be surprised to see sales move lower from here. We would not necessarily consider the declines to be a bad thing considering the initial cause of the downturn. The moratoriums, however, may extend the recovery period.

We expect to see existing home sales remain little changed in March as low mortgage rates and the latest decline in home prices seem to be supporting the market at these low levels.

Previous: 4.72M **Wachovia: 4.70M**

Consensus: 4.70M





Durable Goods Orders • Friday

Despite the surprising strength we saw in February's durable goods orders data, we continue to believe economic growth is still on course to contract substantially in the first quarter. With corporate profits under considerable pressure, excess capacity in many industries and restrictive lending standards, durable goods orders should continue to contract for the remainder of the year.

We expect advance durable goods orders to retreat significantly in March to better reflect the weak economic conditions of the first quarter. Outsized gains in machinery and technology equipment should reverse. In addition, low order bookings for domestic civilian aircraft last month suggest aircraft activity will remain depressed. The one positive may be an increase in motor vehicle orders as auto plants have now come back online.

Previous: 3.4% **Wachovia: -3.5%**

Consensus: -1.2%

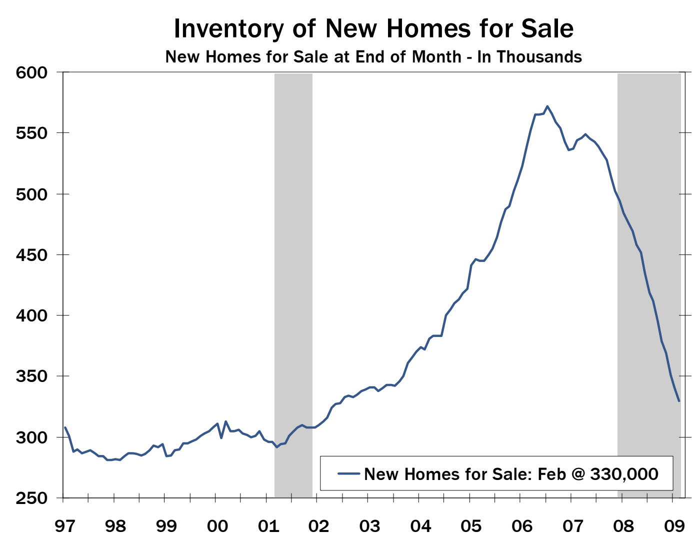
New Home Sales • Friday

Sales of new homes will likely continue to struggle during the first half of 2009 as employment, economic concerns and mortgage market troubles outweigh the improvements in overall affordability we have seen. Declines in completions and in general building activity mean less supply will be coming to the marketplace. Inventories may return to the "equilibrium" levels of the late 1990s by early this summer. There are a number of powerful incentives to purchase a new home in place today, including builder discounts, tax rebates for first-time home buyers and exceptionally low mortgage rates.

With home builder surveys either holding steady or rising slightly, albeit from very low levels, we expect new home sales will only decrease slightly in March to an annualized pace of 323K units.

Previous: 337K **Wachovia: 323K**

Consensus: 340K



Global Review

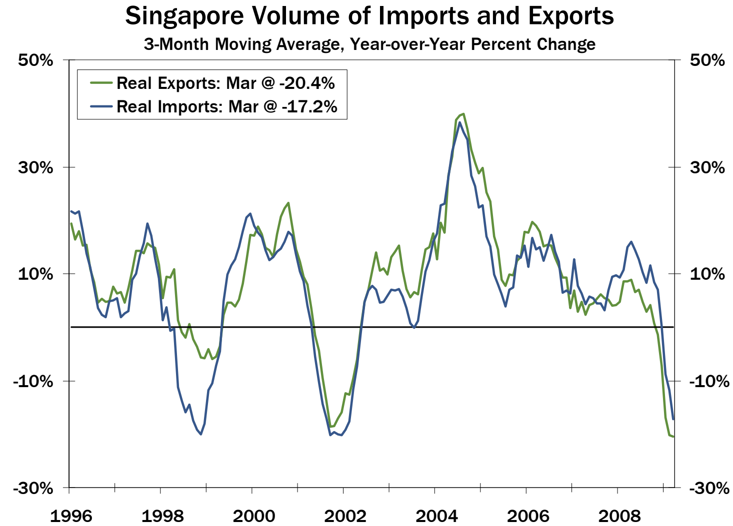
(Continued from Page 1)

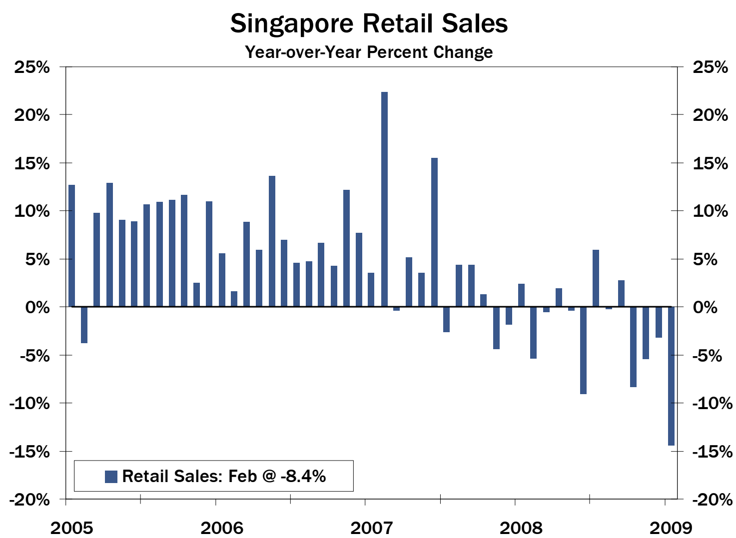
Weakness in exports has a knock-on effect on domestic demand via income. For example, longshoremen who lose their jobs spend less in the domestic economy. As shown in the middle chart, retail spending turned down sharply in the first two months of 2009. The drop-off in exports also probably had a negative effect on business fixed investment spending in the first quarter.

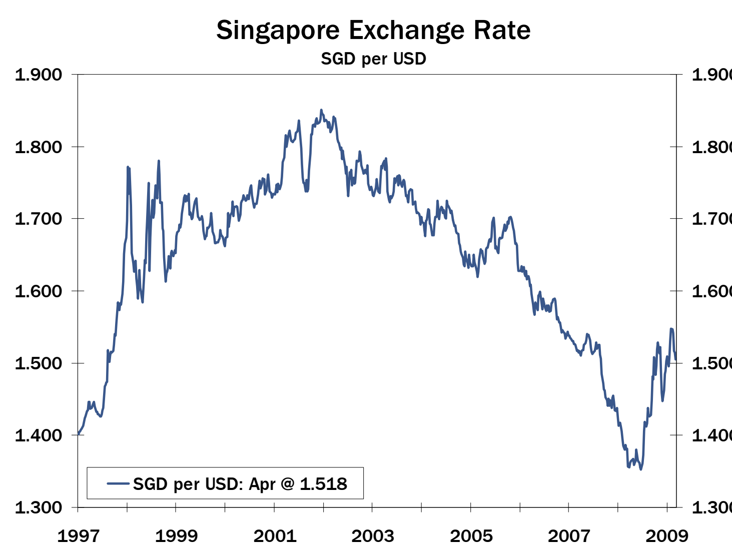
However, the worst may be over for the Singaporean economy. As reported previously, the Chinese economy, which has extensive trade ties with Singapore, has shown some signs of acceleration recently. (See "Signs of Stronger Growth in China," which is posted on our website.) In addition, growth indicators in many other countries are not as negative now as they were a few months ago due, at least in part, to expansionary macroeconomic policies that have been put in place. As the downdraft in global trade becomes less intense, the shock to the Singaporean economy should start to dissipate. In that regard, the value of Singapore's exports rose nearly 11 percent in March relative to the previous month. Although real GDP could very well contract again in the second quarter, the rate of decline should be smaller than it was in the first quarter.

Because the city-state is such an open economy, the trade-weighted value of the Singapore dollar is the primary target of the Monetary Authority of Singapore (MAS). When the economy was booming and inflation was a problem, the MAS allowed the currency to appreciate on a trade-weighted basis, but it shifted its stance last October to allow zero appreciation. The MAS held a regularly scheduled policy meeting this week and most investors had expected it to sanction a depreciation of the trade-weighted value of the currency going forward due to the depth of the economic slump. A weaker currency would help to stimulate the economy via stronger exports. In the event, the MAS decided to keep its policy unchanged.

Looking forward, we project the Sing dollar will depreciate modestly further versus the U.S. dollar. In our view, the depreciation of the currency vis-à-vis the greenback will be offset by appreciation against some other major currencies such as the Japanese yen and the euro. (For details, see our *Monthly Economic Outlook*, which is posted on our website.)







Selected Global Data

Japan	GDP Year-over-Year	Q4 - 2008	-4.3%
	CPI	February - 2009	-0.1%
	Unemployment	February - 2009	4.4%
	BoJ Target Rate	Apr - 17	0.10%
Euro-Zone	GDP Year-over-Year	Q4 - 2008	-1.5%
	CPI	March - 2009	0.6%
	Unemployment	February - 2009	8.5%
	ECB Target Rate	Apr - 17	1.25%
UK	GDP Year-over-Year	Q4 - 2008	-2.0%
	CPI	February - 2009	3.2%
	Unemployment	February - 2009	4.3%
	BoE Target Rate	Apr - 17	0.50%
Canada	GDP Year-over-Year	January - 2009	-2.4%
	CPI	March - 2009	1.2%
	Unemployment	March - 2009	8.0%
	BoC Target Rate	Apr - 16	0.50%

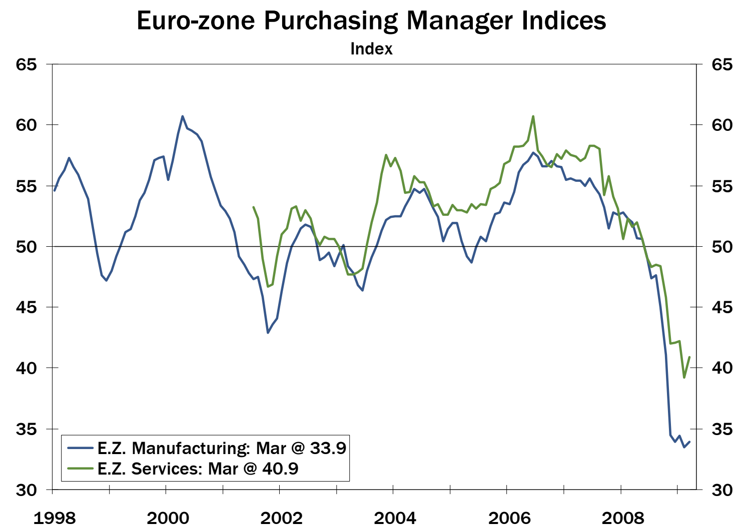
Euro-zone PMIs • Thursday

Available monthly indicators suggest that the Euro-zone economy contracted further—probably at a sharp rate—in the first quarter. Did factory orders, which were down 34 percent in January on a year-over-year basis, drop even further in February? Data slated for release on Thursday will answer that question.

With the first quarter in the history books, attention is turning to the current quarter. In that regard, a number of surveys will give investors insights into the current state of the Euro-zone economy. The ZEW index, which is a survey of German institutional investors, will be released on Tuesday, and the more closely watched Ifo index of German business sentiment will print on Friday. The manufacturing and service sector PMIs for the entire Euro-zone are slated for release on Thursday. The consensus anticipates a slight rise in both indices.

Previous Manufacturing PMI: 33.9 **Consensus: 34.7**

Previous Services PMI: 40.9 **Consensus: 41.2**



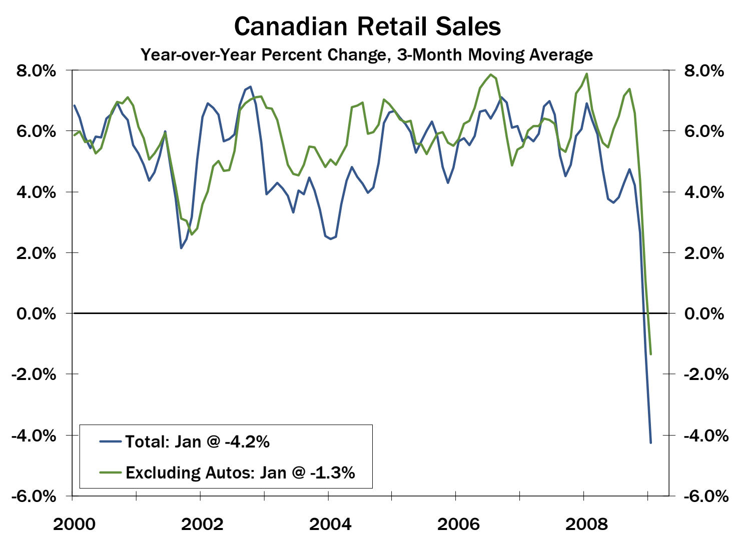
Canadian Retail Sales • Thursday

After falling at the fastest pace in at least a decade during the month of December, Canadian retail sales bounced somewhat in January, rising 1.9 percent for the month. Other than that respite, domestic demand in Canada is showing the same weakness as it is in other countries. On Thursday, retail sales data for February will be released and we would not be surprised to see a reversion to the recent downward trend.

Earlier in the week, the Bank of Canada (BoC) will announce its decision on whether to adjust the bank's policy rate. We suspect the BoC will opt to leave rates unchanged at 0.50 percent. Having lowered rates by 400 basis points since December 2007, the BoC will now likely turn to the extension of credit and measures of quantitative easing to provide stimulus.

Previous: 1.9%

Consensus: -0.3%



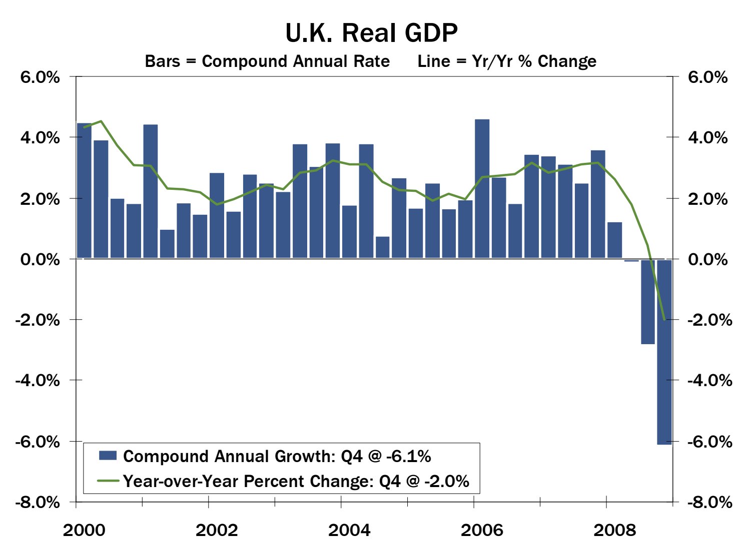
British Real GDP • Friday

The British economy contracted at an annualized rate of 6.1 percent in the fourth quarter of 2008, and official GDP data to be released on Friday are expected to confirm monthly indicators suggesting that real GDP fell sharply again in the first quarter. The British economy is likely in the middle of its deepest recession since the early 1980s.

There are a few other data releases on the docket next week that will give investors more insights into the current state of the U.K. economy. The labor market report for March will be released on Wednesday, and retail sales data for the same month will print on Friday. CPI data are slated for release on Tuesday, although the depth of the current slump has reduced the importance of inflation data in the minds of many investors.

Previous: -1.6% (quarterly rate, not annualized) Wachovia: -1.5%

Consensus: -1.5%

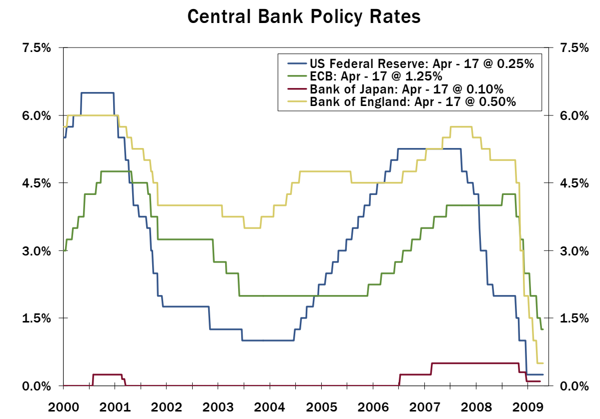


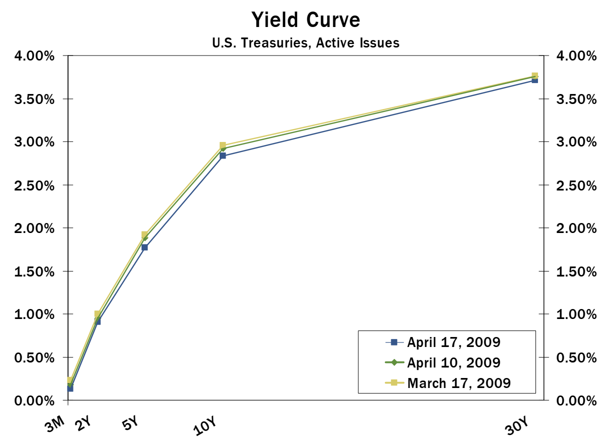
Interest Rate Watch

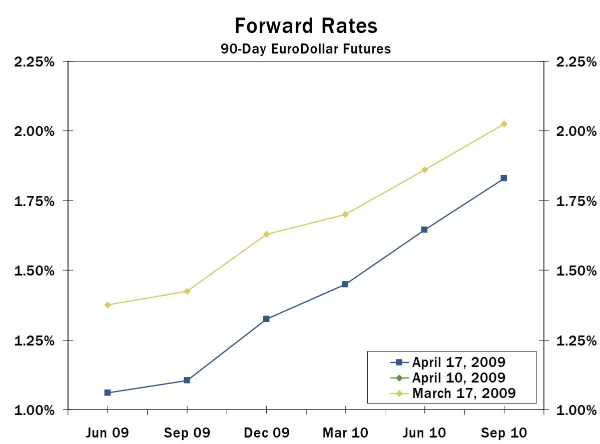
Rates and Credit in a Slow Recovery

Our expectations for a moderate economic recovery beginning later this year and continuing into next year are influenced by our credit outlook. For us, the pattern of recovery follows a swoosh more than a V, L or W. A swoosh is characterized by a big downdraft in the fourth quarter of 2008 (GDP down six percent) with better growth numbers each quarter this year. For short rates, this recovery would be consistent with no change in Fed policy and therefore no change in the target funds rate. Moderate growth is consistent with inflation staying well under the Fed's two percent target ceiling. With inflation under control we expect that the Fed will remain committed to a continued expansion of its balance sheet to support financial markets. Therefore we are also positive on continued improvement in market liquidity in sectors such as commercial paper, asset-backed securities and mortgage backed securities.

While the short-end of the yield curve has improved in terms of lower yield and availability, in contrast, private, longer-term part of the credit markets struggle with the availability and pricing of credit. On availability, we have seen a rapid rise in the net percentage of banks tightening credit for both businesses and consumers. Moreover, wherever the Fed is not engaged, such as high yield corporate bonds or CMBS, spreads have not come in substantially and issuance is minimal. Finally, federal deficit financing poses a threat to long-term interest rates and financial stability, though not primarily from inflation fears. Instead, the increased supply of Treasury securities and a loss of confidence in U.S. economic policy could destabilize both the dollar and longer-term Treasury rates.







Topic of the Week

Closing in on a Bottom in 2009

Signs are beginning to emerge that suggest sales of new and existing homes are moving toward a bottom. Actual sales figures took a positive turn in February and mortgage applications for the purchase of a home have increased in recent weeks as mortgage rates have tumbled. We expect sales to bottom this summer and look for some modest improvement during the second half of the year. Such a turn of events would be consistent with past recessions, when home sales turned around about six months before the broader economy.

Home sales have turned up around the country, particularly in the hardest hit markets, where short sales and foreclosure sales account for a large proportion of transactions. The National Association of Realtors (NAR) estimates that distressed sales have accounted for 45 percent of existing home sales in recent months, which is one reason why prices have fallen so sharply. The combination of falling home prices and lower mortgage rates has made home ownership much more affordable. The NAR Housing Affordability Index has surged more than 50 points over the past six months and is at an all-time high.

Home sales bottoming out does not mean sales are about to turn decisively higher. While housing affordability has improved and investor sales (to investors rather than speculators) have increased, we doubt home sales will turn up in a decisive way until employment conditions improve. Our latest forecast has the unemployment rate rising through the middle of next year. As a result, we do not see any real strength returning to the housing market until late next year or in 2011.

For our April 2009 Housing Chartbook, visit wachovia.com/economics.

Subscription Info

Wachovia's *Weekly Economic & Financial Commentary* is distributed to subscribers each Friday afternoon by e-mail.

To subscribe please visit: http://www.wachovia.com/economicsemail

The *Weekly Economic & Financial Commentary* is available via the Internet at http://www.wachovia.com/economics

And via The Bloomberg Professional Service at WBEC.

Market Data ♦ Mid-Day Friday

U.S. Interest Rates

	Friday 4/17/2009	1 Week Ago	1 Year Ago
3-Month T-Bill	0.13	0.18	1.27
3-Month LIBOR	1.10	1.14	2.82
1-Year Treasury	0.39	0.45	1.81
2-Year Treasury	0.95	0.95	2.10
5-Year Treasury	1.82	1.89	2.89
10-Year Treasury	2.87	2.92	3.73
30-Year Treasury	3.74	3.75	4.53
Bond Buyer Index	4.78	4.92	4.62

Foreign Exchange Rates

	Friday 4/17/2009	1 Week Ago	1 Year Ago
Euro ($/€)	1.305	1.319	1.591
British Pound ($/£)	1.482	1.467	1.991
British Pound (£/€)	0.881	0.898	0.799
Japanese Yen (¥/$)	99.020	100.245	102.478
Canadian Dollar (C$/$)	1.214	1.226	1.011
Swiss Franc (CHF/$)	1.166	1.155	1.006
Australian Dollar (US$/A$)	0.720	0.720	0.937
Mexican Peso (MXN/$)	13.163	13.116	10.476
Chinese Yuan (CNY/$)	6.833	6.834	6.984
Indian Rupee (INR/$)	49.865	50.040	39.922
Brazilian Real (BRL/$)	2.189	2.171	1.658
U.S. Dollar Index	85.912	85.786	71.680

Foreign Interest Rates

	Friday 4/17/2009	1 Week Ago	1 Year Ago
3-Month Euro LIBOR	1.41	1.44	4.78
3-Month Sterling LIBOR	1.52	1.57	5.91
3-Month Canadian LIBOR	1.00	1.00	3.55
3-Month Yen LIBOR	0.56	0.58	0.93
2-Year German	1.47	1.43	3.69
2-Year U.K.	1.43	1.39	4.14
2-Year Canadian	1.14	1.13	2.83
2-Year Japanese	0.41	0.47	0.65
10-Year German	3.28	3.21	4.08
10-Year U.K.	3.36	3.35	4.65
10-Year Canadian	2.98	2.94	3.68
10-Year Japanese	1.45	1.46	1.39

Commodity Prices

	Friday 4/17/2009	1 Week Ago	1 Year Ago
W. Texas Crude ($/Barrel)	50.92	52.24	114.86
Gold ($/Ounce)	868.85	881.65	938.80
Hot-Rolled Steel ($/S.Ton)	410.00	450.00	1010.00
Copper (¢/Pound)	218.00	207.05	394.20
Soybeans ($/Bushel)	10.51	9.99	13.09
Natural Gas ($/MMBTU)	3.68	3.61	10.38
Nickel ($/Metric Ton)	12,360	10,797	29,610
CRB Spot Inds.	356.06	349.88	522.33

Next Week's Economic Calendar

	Monday 20	Tuesday 21	Wednesday 22	Thursday 23	Friday 24
U.S. Data	**Leading Indicators** February -0.4% March -0.2% (W)			**Existing Home Sales** February 4.72M March 4.70M (W)	**Durable Goods Orders** February 3.4% March -3.5% (W) **Durables Ex Transp.** February 3.9% March -3.4% (W) **New Home Sales** February 337K March 323K (W)
Global Data		**UK** **CPI (YoY)** Previous (Feb) 3.2% **Canada** **Bank of Canada Rate** Previous 0.50%		**Euro-zone** **PMI Manufacturing** Previous (Mar) 33.9 **Canada** **Retail Sales (MoM)** Previous (Jan) 1.9%	**UK** **GDP (QoQ)** Previous (4Q) -1.6% **Germany** **IFO - Business Climate** Previous (Mar) 82.1

Note: (W) = Wachovia Estimate (c) = Consensus Estimate

Wachovia Economics Group

Diane Schumaker-Krieg	Global Head of Research & Economics	(704) 715-8437 (212) 214-5070	diane.schumaker@wachovia.com
John E. Silvia, Ph.D.	Chief Economist	(704) 374-7034	john.silvia@wachovia.com
Mark Vitner	Senior Economist	(704) 383-5635	mark.vitner@wachovia.com
Jay Bryson, Ph.D.	Global Economist	(704) 383-3518	jay.bryson@wachovia.com
Sam Bullard	Economist	(704) 383-7372	sam.bullard@wachovia.com
Anika Khan	Economist	(704) 715-0575	anika.khan@wachovia.com
Azhar Iqbal	Econometrician	(704) 383-6805	azhar.iqbal@wachovia.com
Adam G. York	Economist	(704) 715-9660	adam.york@wachovia.com
Tim Quinlan	Economic Analyst	(704) 374-4407	tim.quinlan@wachovia.com
Kim Whelan	Economic Analyst	(704) 715-8457	kim.whelan@wachovia.com
Yasmine Kamaruddin	Economic Analyst	(704) 374-2992	yasmine.kamaruddin@wachovia.com

WACHOVIA