



Economics Group

Tim Quinlan, Economic Analyst
tim.quinlan@wachovia.com • (704) 374-4407

Leading Indicators Still Signal Expansion

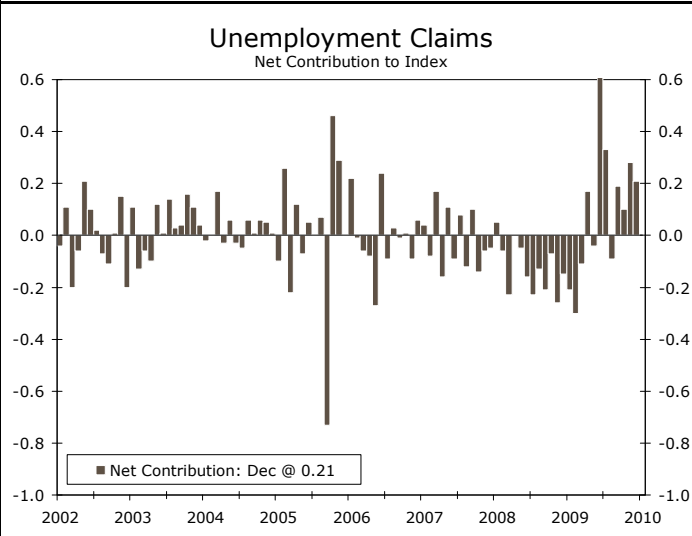
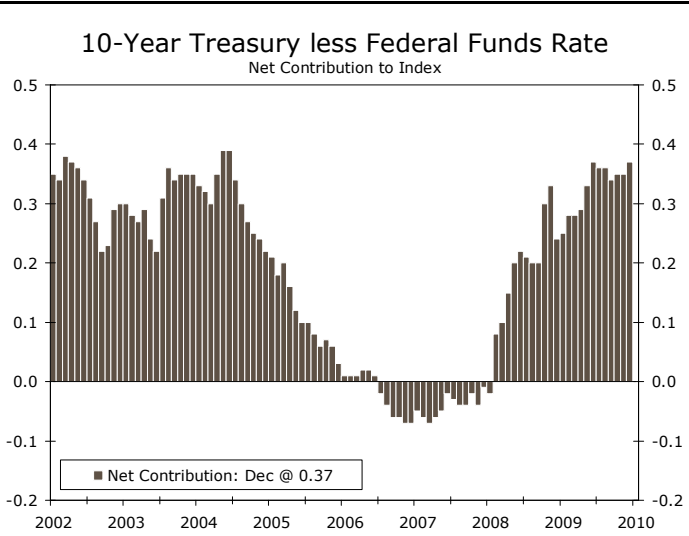
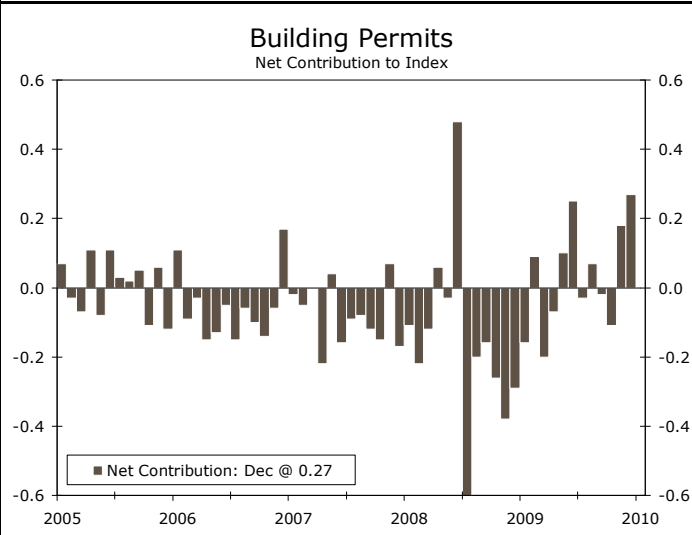
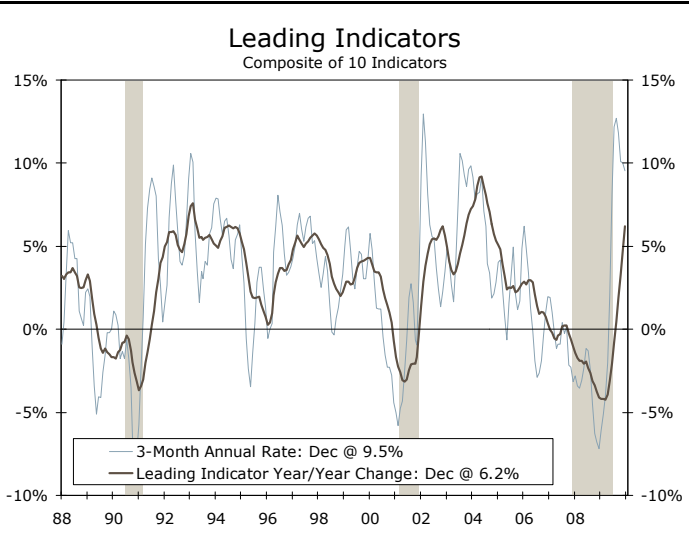
The ninth consecutive monthly increase in the Leading Economic Index (LEI) is consistent with our view that the U.S. economy will grow gradually in 2010. The Coincident Index increased for the second month in a row.

Recovery Still on Track

- The 1.1 percent gain in LEI in December suggests the economic recovery still has momentum as we head into 2010.
- The largest positive contribution this month came from the spread between the 10-year Treasury and the Fed Funds rate. The positive influence from the interest rate spread will likely continue. We suspect the FOMC will keep short-term rates historically low until the job market recovers in earnest.

Signs of a Rebound in Housing, and Slowing in Layoffs

- Another major positive contribution came from some good news in a sector hurt worst in the recession: residential construction. Building permits jumped 11 percent in December to a 653K annual rate—the fastest pace of issuance since October 2008.
- Initial claims for unemployment insurance came down in December, a welcome sign the bulk of the layoffs are behind us & the job market may finally be poised for payroll growth in 2010.



Source: Conference Board and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC 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
Scott Anderson, Ph.D.	Senior Economist	(612) 667-9281	scott.a.anderson@wellsfargo.com
Eugenio Aleman, Ph.D.	Senior Economist	(612) 667-0168	eugenio.j.aleman@wellsfargo.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
Ed Kashmarek	Economist	(612) 667-0479	ed.kashmarek@wellsfargo.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

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