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Economics Group

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Leading Economic Index Signals Slow Growth

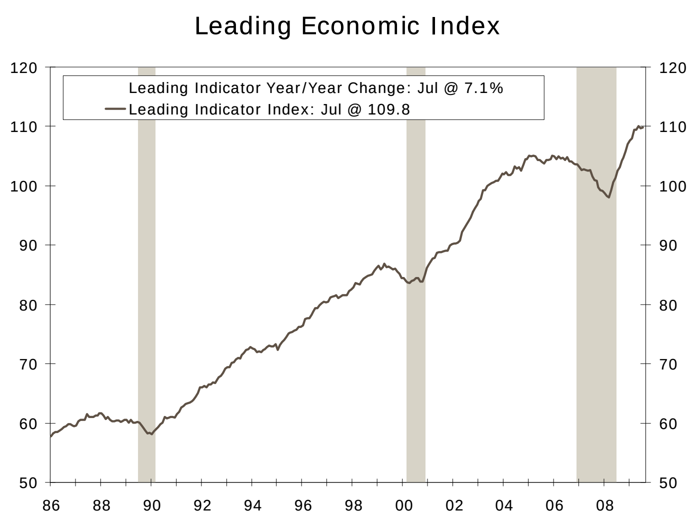
Positive contributions from the interest rate spread and vendor performance offset drags from consumer expectations and building permits, which allowed the Leading Economic Index to notch up slightly in July.

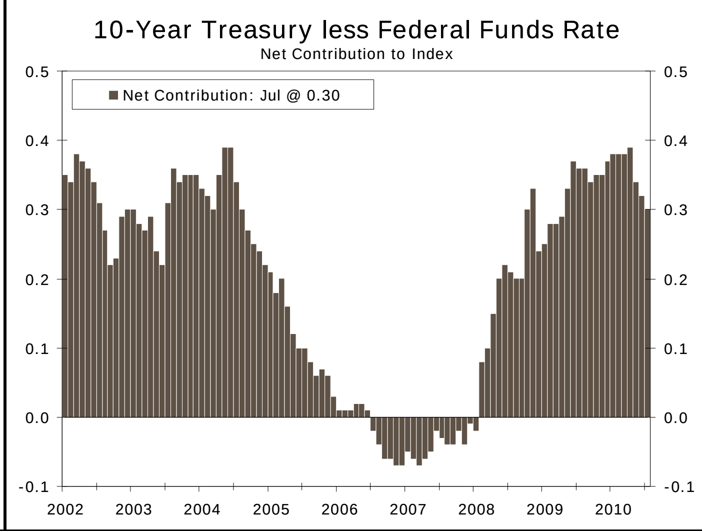
Coincident Index Reflects Slow Jobless Recovery

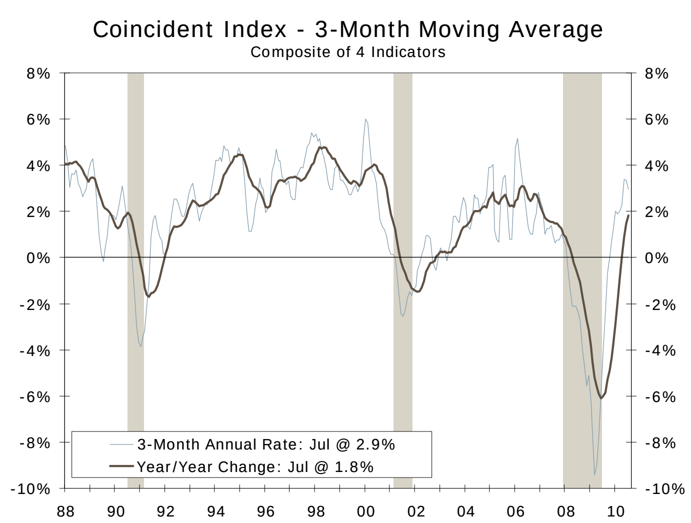
- The takeaway from the modest increase in the leading index is that growth will continue in the second half of 2010, but the pace of that growth will be painfully slow.
- Despite a drag from non-farm payrolls, the Coincident Index posted a 0.2 percent gain, driven primarily by the growth in industrial production. This is a fairly accurate reflection of the state of the recovery: manufacturing is strong, jobs are weak.

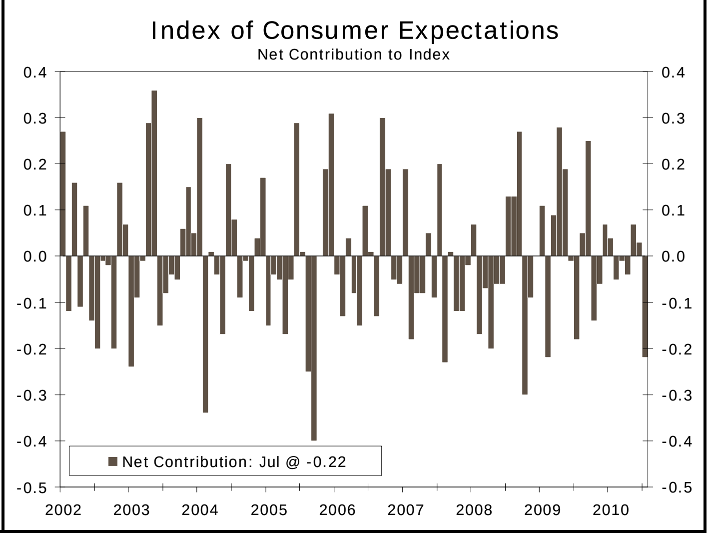
Policy to Remain Stimulative Until the Medicine Takes

- The spread between the yield on the 10-year Treasury and the fed funds rate boosted the leading index in July as it has every single month for the last two and a half years. The Fed will keep rates low until a sustainable recovery takes hold.
- With no substantive sign of job growth, consumer sentiment remains at very low levels. Consumer expectations also weighed on the leading index as the consumer outlook got even darker.









Source: Conference Board and Wells Fargo Securities, LLC

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