May 12, 2010

# Economics Group

WELLS FARGO SECURITIES

## MONTHLY OUTLOOK

## U.S. Overview

### U.S. Economy Continues to Chug Along, for Now

Most major economic indicators, including employment, retail sales and industrial production, improved notably over the past month, which raises the upside risks to our forecast. We continue to believe economic growth will moderate during the second half of the year, as the boost from inventory restocking fades and various stimulus programs wind down. Consumer spending may also be poised for a bit of a correction, as recent gains have been well in excess of improvements in after-tax income or consumer confidence.

Any correction, however, will take time to feed into the GDP figures. Second quarter real GDP appears set to grow solidly—we estimate 3.5 percent—as the first quarter ended on a high note and the second iteration of the first-time homebuyer tax credit will boost sales and construction during the spring. Thereafter, we project 2 percent growth in the second half of the year, and 2.5 percent in 2011.

The European financial crisis should have only a modest impact on U.S. economic prospects. Exports to Europe and overseas earnings will suffer, but the weaker euro has also helped pull down oil prices, removing a more ominous near-term risk. The crisis also makes it even less likely the Fed will raise interest rates any sooner than our current December timeframe. The inflation outlook looks even more benign and we now expect further moderation in the major price indices. We still believe a problematic deflation is highly unlikely.

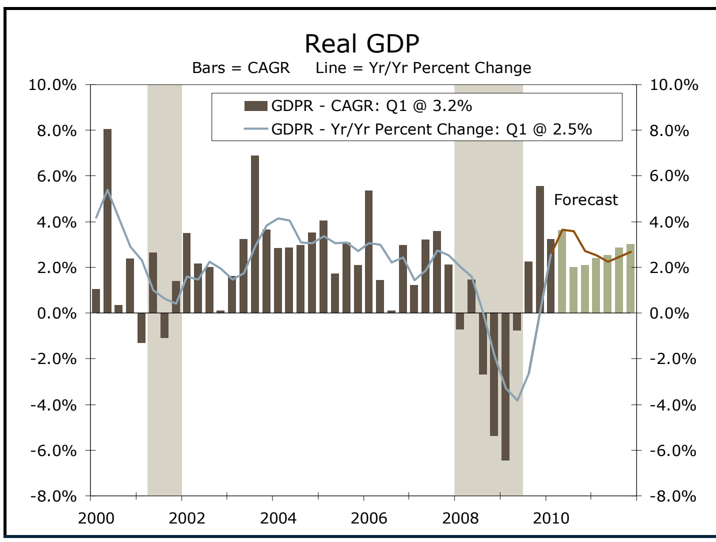
## International Overview

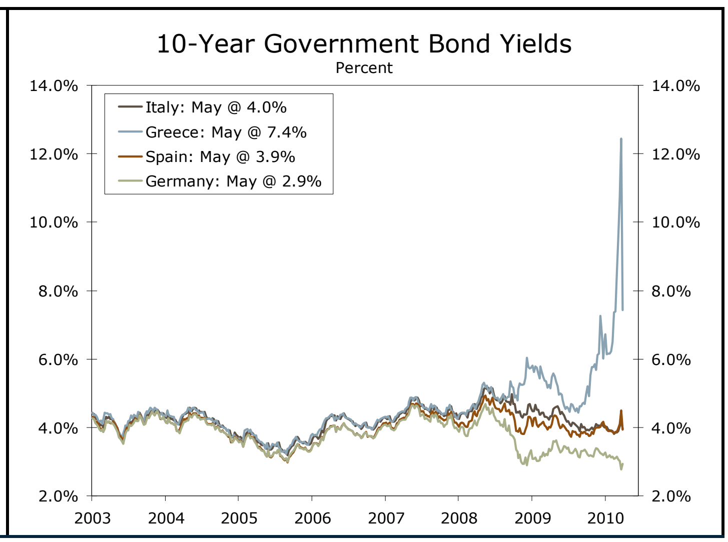
### European Union Comes to the Rescue

When it became apparent that the Greek debt crisis was about to morph into a generalized financial crisis, European leaders came up with a three-pronged strategy to deal with the issue including a €500 billion lending facility. The IMF agreed to kick in an additional €250 billion, the ECB began to purchase government bonds to re-liquefy those markets, and the Federal Reserve re-authorized swap lines that foreign central banks could use to provide dollar funding to their respective banking systems.

So far, the market response to the plan has been favorable. Indeed, the aim of the program is to entice investors to continue financing governments that have encountered liquidity problems. In a best-case scenario, the funds that have been committed by European governments will never be needed. Simply by committing to provide a backstop, leaders hope to give investors confidence to continue providing financing.

Although we are optimistic about the plan's success in the near term, there are some longer run issues to keep in mind. First, money may eventually need to flow, and parliaments could balk at approving the funds. If so, government bond yields are likely to rise again. Second, many European countries face a bleak economic future even if the crisis is gone for good. Significant fiscal retrenchment will exert powerful headwinds on growth over the next few years that could very well lead to reform fatigue at some point.




Source: U.S. Department of Commerce, IHS Global Insight, Bloomberg LP and Wells Fargo Securities, LLC

**Volatility Is Back**

The stock market's wild ride during the early part of May served to remind folks that the financial crisis and its aftershocks are still with us. The market's sell-off was triggered by growing worries about the European financial crisis. The rescue plan announced on May 9 brought some stability back to the financial markets but still leaves many questions unanswered (see page 4). What is certain is that fiscal tightening will exert a major drag on European economic growth, which will cut into U.S. export growth and overseas earnings that have been a big driver of the big rally on Wall Street and the improving credit environment.

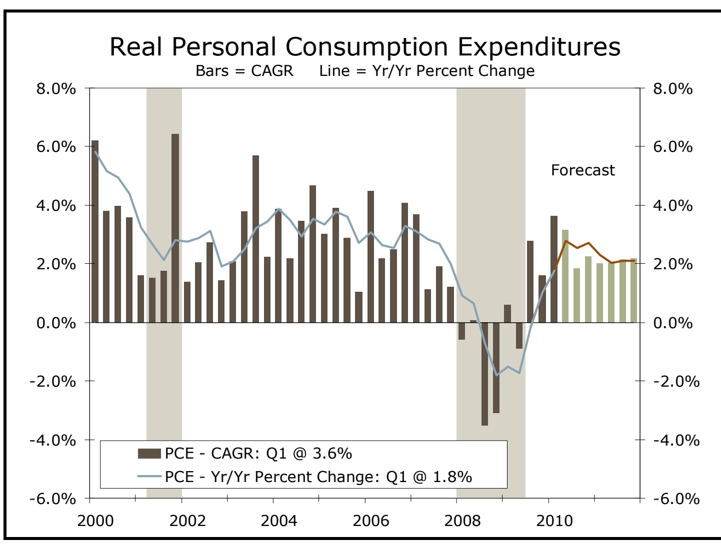
Of course all of this focus on Europe serves to remind folks that the United States faces many of the same challenges. The outlook for the federal budget deficit has improved somewhat in recent weeks; however, state and local governments will likely need more assistance and Fannie Mae and Freddie Mac have recently requested $19 billion in additional funds from the Treasury. Given the financial plight of federal and state governments there is little doubt taxes are headed higher and spending will continue to be reined in. Most of this restraint is currently apparent at the state and local level but ultimately the federal government will also have to tighten its belt.

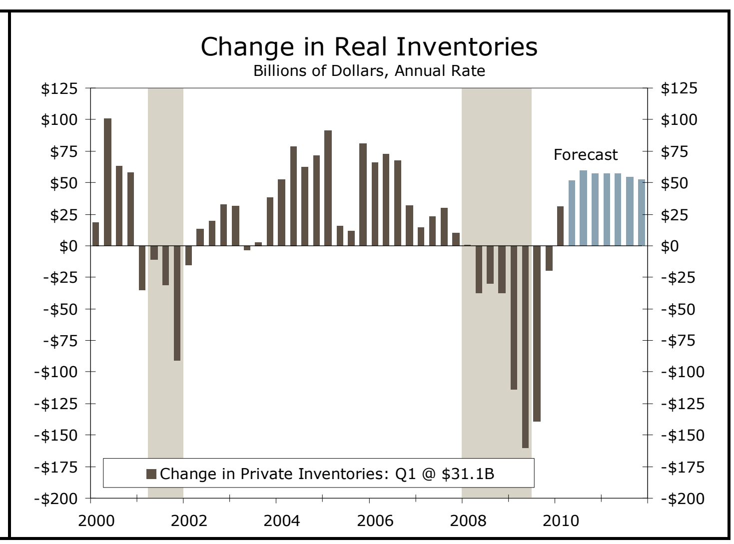
While dealing with the federal deficit is a significant longer-term concern, the near-term economic outlook actually looks a little better. Real personal consumption expenditures grew at a 3.6 percent annual rate during the first quarter and spending ended the quarter well above its first-quarter average. If spending were unchanged in April, May and June, personal consumption would rise at a 2.0 percent annual rate during the second quarter. We expect outlays to be flat in April and rise slightly in May and June, pushing real personal consumption outlays up at a 3.1 percent pace.

The rebound in consumer spending is expected to lose momentum during the second half of the year, as the tailwinds from the resurgent stock market and various stimulus programs lose their punch. Job and income growth are improving. Payrolls rose by 290,000 jobs in April, following a 230,000-job gain in March. A wide assortment of industries added jobs but the bulk of the increase was concentrated in just four sectors: Census workers, retail trade, administrative and waste services and the hospitality sector.

Another reason we expect consumer spending to throttle back a notch is that there is less pent-up demand evident than in previous recoveries, as the repeated extensions of unemployment claims and various foreclosure moratoriums have kept spending at a higher level than the underlying fundamentals would have allowed. Credit also is harder for many consumers to qualify for today and consumers are continuing to deleverage. Higher state and local taxes and delays in many states in sending tax refunds will also take a bite out of spending this spring.

The winding down of tax credits for first-time homebuyers and some trade-up buyers will also serve to curb GDP growth during the second half of the year. In addition, following the outsized gains over the past two quarters, inventories will also add much less to economic growth in coming quarters. We expect inventories to rise by about $50 billion a quarter over the forecast period but look for essentially no boost to output following the current quarter. Slower economic growth is expected to keep the Fed on the sidelines until at least the tail end of this year. However, we look for the Fed to withdraw some of the liquidity it has added to the financial system, and look for a rate hike in December followed by more moves in 2011.




Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

## Wells Fargo U.S. Economic Forecast

| | Actual | | | | | | | | Forecast | | | | | | | | Actual | | | Forecast | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2008 | | | | 2009 | | | | 2010 | | | | 2011 | | | | 2007 | 2008 | 2009 | 2010 | 2011 |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | | |
| Real Gross Domestic Product (a) | -0.7 | 1.5 | -2.7 | -5.4 | -6.4 | -0.7 | 2.2 | 5.6 | 3.2 | 3.6 | 2.0 | 2.1 | 2.4 | 2.5 | 2.9 | 3.0 | 2.1 | 0.4 | -2.4 | 3.1 | 2.5 |
| Personal Consumption | -0.6 | 0.1 | -3.5 | -3.1 | 0.6 | -0.9 | 2.8 | 1.6 | 3.6 | 3.1 | 1.8 | 2.2 | 2.0 | 2.0 | 2.1 | 2.2 | 2.6 | -0.2 | -0.6 | 2.5 | 2.1 |
| Business Fixed Investment | 1.9 | 1.4 | -6.1 | -19.4 | -39.2 | -9.6 | -5.9 | 5.3 | 4.0 | 6.5 | 5.8 | 7.3 | 9.1 | 8.3 | 9.0 | 9.2 | 6.2 | 1.6 | -17.8 | 3.0 | 8.0 |
| Equipment and Software | -0.5 | -5.0 | -9.4 | -25.9 | -36.4 | -4.9 | 1.5 | 19.0 | 13.4 | 8.5 | 9.8 | 11.0 | 11.8 | 10.0 | 10.5 | 10.5 | 2.6 | -2.6 | -16.6 | 10.2 | 10.6 |
| Structures | 6.8 | 14.5 | -0.1 | -7.2 | -43.6 | -17.3 | -18.4 | -18.0 | -14.0 | -10.0 | -5.0 | -3.0 | 1.0 | 3.0 | 4.5 | 5.0 | 14.9 | 10.3 | -19.8 | -13.2 | -0.2 |
| Residential Construction | -28.2 | -15.8 | -15.9 | -23.2 | -38.2 | -23.2 | 18.9 | 3.7 | -10.9 | 7.5 | -1.0 | 3.0 | 3.5 | 7.6 | 9.0 | 7.0 | -18.5 | -22.9 | -20.5 | -0.3 | 4.7 |
| Government Purchases | 2.6 | 3.6 | 4.8 | 1.2 | -2.6 | 6.7 | 2.7 | -1.3 | -1.8 | 1.3 | 2.0 | 1.0 | 1.0 | 1.0 | 1.5 | 1.2 | 1.7 | 3.1 | 1.8 | 0.6 | 1.2 |
| Net Exports | -550.9 | -476.0 | -479.2 | -470.9 | -386.5 | -330.4 | -357.4 | -348.0 | -367.0 | -384.8 | -400.4 | -414.6 | -421.6 | -426.8 | -427.6 | -421.5 | -647.7 | -494.3 | -355.6 | -391.7 | -424.4 |
| Pct. Point Contribution to GDP | 0.4 | 2.4 | -0.1 | 0.5 | 2.6 | 1.7 | -0.8 | 0.3 | -0.6 | -0.5 | -0.5 | -0.4 | -0.2 | -0.2 | 0.0 | 0.2 | 0.6 | 1.2 | 1.0 | -0.3 | -0.2 |
| Inventory Change | 0.6 | -37.1 | -29.7 | -37.4 | -113.9 | -160.2 | -139.2 | -19.7 | 31.1 | 51.5 | 59.5 | 57.5 | 57.5 | 57.5 | 54.8 | 52.4 | 19.5 | -25.9 | -108.3 | 49.9 | 55.6 |
| Pct. Point Contribution to GDP | -0.2 | -1.3 | 0.3 | -0.6 | -2.4 | -1.4 | 0.7 | 3.8 | 1.6 | 0.6 | 0.2 | -0.1 | 0.0 | 0.0 | -0.1 | -0.1 | -0.3 | -0.3 | -0.6 | 1.2 | 0.0 |
| Nominal GDP | 1.0 | 3.5 | 1.4 | -5.4 | -4.6 | -0.8 | 2.6 | 6.1 | 4.1 | 4.1 | 2.9 | 3.2 | 3.7 | 4.0 | 4.4 | 4.8 | 5.1 | 2.6 | -1.3 | 3.8 | 3.7 |
| Real Final Sales | -0.5 | 2.7 | -2.9 | -4.7 | -4.1 | 0.7 | 1.5 | 1.7 | 1.6 | 2.6 | 1.8 | 2.1 | 2.4 | 2.5 | 3.0 | 3.1 | 2.5 | 0.8 | -1.7 | 1.8 | 2.4 |
| Retail Sales (b) | 2.3 | 2.1 | 0.2 | -8.5 | -9.4 | -9.9 | -7.1 | 1.9 | 5.4 | 6.5 | 5.8 | 5.4 | 5.0 | 5.0 | 5.0 | 5.1 | 3.3 | -1.0 | -6.3 | 5.8 | 5.0 |
| Inflation Indicators (b) | | | | | | | | | | | | | | | | | | | | | |
| "Core" PCE Deflator | 2.4 | 2.5 | 2.6 | 2.0 | 1.7 | 1.6 | 1.3 | 1.5 | 1.4 | 1.2 | 1.2 | 1.2 | 1.5 | 1.6 | 1.7 | 1.8 | 2.4 | 2.4 | 1.5 | 1.3 | 1.6 |
| Consumer Price Index | 4.2 | 4.3 | 5.3 | 1.6 | -0.2 | -1.0 | -1.6 | 1.5 | 2.4 | 2.2 | 1.7 | 1.4 | 1.5 | 1.7 | 1.9 | 2.0 | 2.9 | 3.8 | -0.3 | 1.9 | 1.8 |
| "Core" Consumer Price Index | 2.4 | 2.3 | 2.5 | 2.0 | 1.7 | 1.8 | 1.5 | 1.7 | 1.3 | 0.9 | 0.8 | 0.7 | 1.0 | 1.2 | 1.4 | 1.6 | 2.3 | 2.3 | 1.7 | 0.9 | 1.3 |
| Producer Price Index | 7.2 | 7.7 | 9.4 | 1.4 | -2.2 | -4.1 | -5.2 | 1.6 | 5.3 | 4.7 | 3.8 | 2.6 | 0.9 | 1.7 | 3.1 | 3.7 | 3.9 | 6.4 | -2.5 | 4.1 | 2.4 |
| Employment Cost Index | 3.3 | 3.1 | 2.9 | 2.6 | 2.1 | 1.8 | 1.5 | 1.5 | 1.7 | 1.6 | 1.6 | 1.7 | 1.8 | 1.7 | 1.7 | 1.8 | 3.4 | 3.0 | 1.7 | 1.7 | 1.8 |
| Real Disposable Income (a) | -2.4 | 9.8 | -8.5 | 3.4 | 0.2 | 6.2 | -3.6 | 1.0 | 0.0 | 4.4 | 2.6 | 2.3 | -0.9 | 3.0 | 2.5 | 2.8 | 2.2 | 0.5 | 0.9 | 1.4 | 1.8 |
| Nominal Personal Income (b) | 3.7 | 4.0 | 2.9 | 1.1 | -1.6 | -2.0 | -2.3 | -1.1 | 2.2 | 2.2 | 3.6 | 3.9 | 3.9 | 4.1 | 4.1 | 4.3 | 5.6 | 2.9 | -1.7 | 3.0 | 4.1 |
| Industrial Production (a) | 0.2 | -4.6 | -9.0 | -13.0 | -19.0 | -10.4 | 6.4 | 6.9 | 7.8 | 4.2 | 4.2 | 4.9 | 4.9 | 4.2 | 5.3 | 5.2 | 1.5 | -2.2 | -9.7 | 4.9 | 4.7 |
| Capacity Utilization | 80.1 | 78.9 | 76.9 | 74.2 | 70.4 | 68.7 | 70.0 | 71.4 | 73.0 | 72.5 | 73.0 | 74.3 | 75.3 | 76.2 | 76.9 | 77.4 | 80.6 | 77.6 | 70.1 | 73.2 | 76.4 |
| Corporate Profits Before Taxes (b) | -4.9 | -12.0 | -5.4 | -25.1 | -19.0 | -12.6 | -6.6 | 30.6 | 22.0 | 15.0 | 20.0 | -1.0 | 2.0 | 5.5 | 8.5 | 7.5 | -4.1 | -11.8 | -3.8 | 13.4 | 6.0 |
| Corporate Profits After Taxes | 6.6 | -3.7 | 4.8 | -15.8 | -19.7 | -15.3 | -9.7 | 22.8 | 30.0 | 18.5 | 22.0 | -2.0 | 3.0 | 7.5 | 8.5 | 9.0 | -4.0 | -2.0 | -6.9 | 16.4 | 7.0 |
| Federal Budget Balance (c) | -205.9 | 26.9 | -168.9 | -332.5 | -448.9 | -304.9 | -329.4 | -388.1 | -328.9 | -268.0 | -290.5 | -331.5 | -507.5 | -211.0 | -272.5 | -315.0 | -161.5 | -454.8 | -1415.7 | -1275.5 | -1322.5 |
| Current Account Balance (d) | -179.3 | -187.7 | -184.2 | -154.9 | -104.2 | -97.7 | -102.3 | -115.6 | -130.0 | -135.0 | -140.0 | -145.0 | -145.0 | -150.0 | -150.0 | -150.0 | -726.6 | -706.1 | -419.9 | -550.0 | -595.0 |
| Trade Weighted Dollar Index (e) | 70.3 | 71.0 | 76.1 | 79.4 | 83.2 | 77.7 | 74.3 | 74.8 | 76.1 | 78.0 | 79.0 | 81.0 | 82.5 | 84.0 | 85.5 | 87.0 | 73.3 | 79.4 | 74.8 | 81.0 | 87.0 |
| Nonfarm Payroll Change (f) | -31 | -191 | -334 | -652 | -753 | -477 | -261 | -90 | 94 | 155 | -23 | 113 | 130 | 135 | 150 | 165 | 90 | -302 | -395 | 85 | 145 |
| Unemployment Rate | 5.0 | 5.3 | 6.0 | 7.0 | 8.2 | 9.3 | 9.6 | 10.0 | 9.7 | 9.9 | 10.0 | 10.0 | 9.8 | 9.6 | 9.4 | 9.2 | 4.6 | 5.8 | 9.3 | 9.9 | 9.5 |
| Housing Starts (g) | 1.06 | 1.02 | 0.87 | 0.66 | 0.53 | 0.54 | 0.59 | 0.56 | 0.62 | 0.64 | 0.67 | 0.71 | 0.73 | 0.79 | 0.86 | 0.88 | 1.34 | 0.90 | 0.55 | 0.66 | 0.82 |
| Light Vehicle Sales (h) | 15.2 | 14.1 | 12.9 | 10.5 | 9.5 | 9.6 | 11.5 | 10.8 | 11.0 | 11.1 | 11.0 | 11.3 | 11.6 | 11.9 | 12.2 | 12.5 | 16.1 | 13.2 | 10.3 | 11.1 | 12.1 |
| Crude Oil - WTI - Front Contract (i) | 98.25 | 125.41 | 119.02 | 56.20 | 43.77 | 60.13 | 68.39 | 75.45 | 78.19 | 81.74 | 82.50 | 85.00 | 85.00 | 87.00 | 90.00 | 90.00 | 72.66 | 99.72 | 61.94 | 81.86 | 88.00 |
| Quarter-End Interest Rates | | | | | | | | | | | | | | | | | | | | | |
| Federal Funds Target Rate | 2.25 | 2.00 | 2.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 1.25 | 2.00 | 2.50 | 2.75 | 4.25 | 0.25 | 0.25 | 0.50 | 2.75 |
| 3 Month LIBOR | 2.69 | 2.78 | 4.05 | 1.43 | 1.19 | 0.60 | 0.29 | 0.25 | 0.29 | 0.40 | 0.40 | 0.65 | 1.40 | 2.15 | 2.65 | 2.90 | 4.70 | 1.43 | 0.25 | 0.65 | 2.90 |
| Prime Rate | 5.25 | 5.00 | 5.00 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.50 | 4.25 | 5.00 | 5.50 | 5.75 | 7.25 | 3.25 | 3.25 | 3.50 | 5.75 |
| Conventional Mortgage Rate | 5.97 | 6.32 | 6.04 | 5.33 | 5.00 | 5.42 | 5.06 | 4.93 | 4.97 | 5.70 | 5.60 | 5.60 | 5.60 | 5.80 | 5.90 | 6.10 | 6.10 | 5.33 | 4.93 | 5.60 | 6.10 |
| 3 Month Bill | 1.38 | 1.90 | 0.92 | 0.11 | 0.21 | 0.19 | 0.14 | 0.06 | 0.16 | 0.20 | 0.30 | 0.40 | 1.20 | 2.00 | 2.40 | 2.60 | 3.36 | 0.11 | 0.06 | 0.40 | 2.60 |
| 2 Year Note | 1.62 | 2.63 | 2.00 | 0.76 | 0.81 | 1.11 | 0.95 | 1.14 | 1.02 | 1.00 | 1.10 | 1.20 | 1.30 | 1.60 | 1.70 | 2.00 | 3.05 | 0.76 | 1.14 | 1.20 | 2.00 |
| 5 Year Note | 2.46 | 3.34 | 2.98 | 1.55 | 1.67 | 2.54 | 2.31 | 2.69 | 2.55 | 2.50 | 2.60 | 2.70 | 2.80 | 3.00 | 3.10 | 3.30 | 3.45 | 1.55 | 2.69 | 2.70 | 3.30 |
| 10 Year Note | 3.45 | 3.99 | 3.85 | 2.25 | 2.71 | 3.53 | 3.31 | 3.85 | 3.84 | 3.80 | 3.80 | 3.90 | 4.00 | 4.20 | 4.30 | 4.50 | 4.04 | 2.25 | 3.85 | 3.90 | 4.50 |
| 30 Year Bond | 4.30 | 4.53 | 4.31 | 2.69 | 3.56 | 4.32 | 4.03 | 4.63 | 4.72 | 4.50 | 4.60 | 4.70 | 4.80 | 4.80 | 4.90 | 5.00 | 4.45 | 2.69 | 4.63 | 4.70 | 5.00 |

Forecast as of: May 12, 2010

Notes: (a) Compound Annual Growth Rate Quarter-over-Quarter
(b) Year-over-Year Percentage Change
(c) Quarterly Sum - Billions USD; Annual Data Represents Fiscal Yr.
(d) Quarterly Sum - Billions USD
(e) Federal Reserve Major Currency Index, 1973=100 - Quarter End
(f) Average Monthly Change
(g) Millions of Units
(h) Quarterly Data - Average Monthly SAAR; Annual Data - Actual Total Vehicles Sold
(i) Quarterly Average of Daily Close

Source: Wells Fargo Securities, LLC

**Europe Pulls Out the Big Guns**

The realization that another global financial crisis was looming, which was being driven by concerns about government debt in some European countries, recently spurred European leaders to implement a three-part plan. First, the plan calls for the establishment of a massive lending facility. Individual countries and the European Commission have committed to a €500 billion facility and the IMF will kick in an additional €250 billion. Governments that are unable to tap private capital markets would be able to draw on the facility.

Second, there is a role for the world's central banks. In order to bring liquidity back to government bond markets, the European Central Bank will buy government bonds, at least on a temporary basis. In addition, the Federal Reserve reauthorized swap lines with the ECB, the Bank of Canada, the Bank of England and the Swiss National Bank in order to facilitate the dollar funding needs of foreign banks.

Third, highly indebted governments, including those in Italy, Portugal and Spain have announced that they will take further steps to bring their gaping deficits under control. Specifically, each country has committed to reduce its respective deficit in 2010 and 2011 by a 0.5 percentage point.

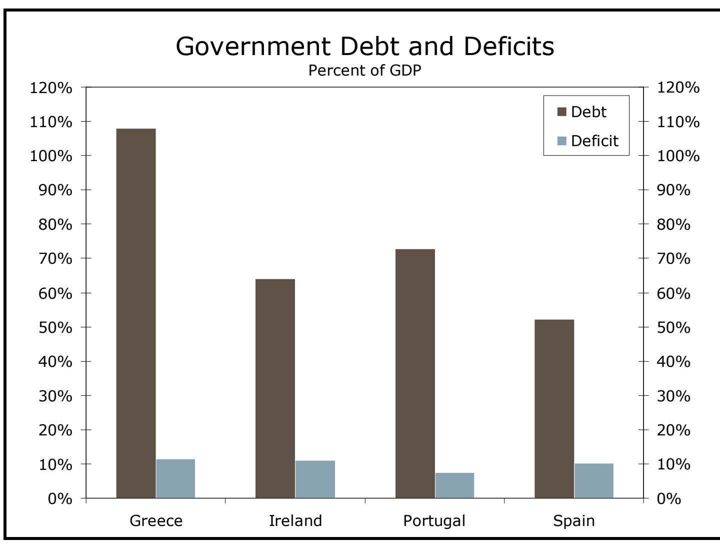
Will the plan work? The market's initial reaction was very favorable. For example, the yield on the 10-year Greek government bond, which spiked up when the full force of the crisis hit, retreated significantly when the plan was announced (graph on front page). Government bonds in Italy, Portugal and Spain also rallied.

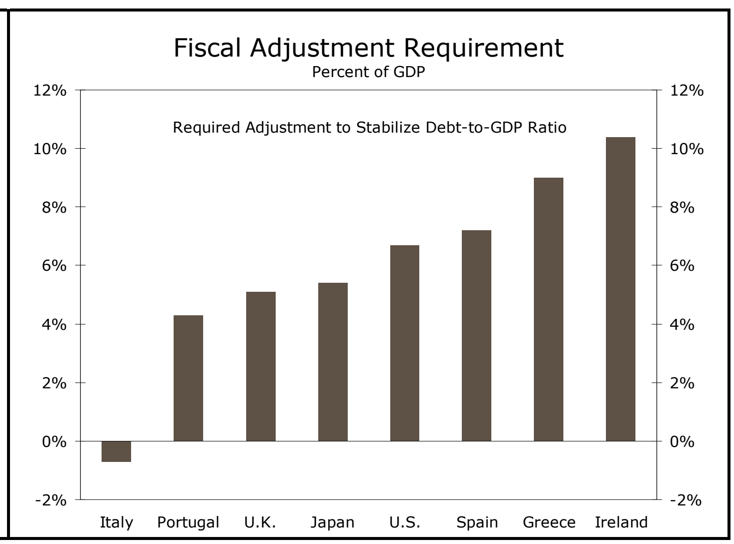
By providing a large backstop facility, European leaders hope to convince investors to continue financing governments that are facing liquidity problems. Not a euro cent of the €500 billion facility put in place by European leaders has been spent yet, and leaders hope that not a cent will ever be spent. By showing political solidarity with their European brethren, leaders hope that investors will have the confidence to finance governments today knowing that a backstop is in place.

In that respect, the European plan is similar to the TARP program that was established by U.S. authorities in the autumn of 2008. The combination of the TARP funds and the subsequent "stress tests," which showed that nationalization of the nation's major banks was not necessary, gave investors confidence to buy financial stocks again. Although the government initially had to pony up $700 billion of TARP funds, most of the original financial institutions that received U.S. government assistance were able to raise new equity capital in private markets. Expected losses by the federal government have fallen significantly as many financial institutions have repaid their TARP funds.

Although we are optimistic about the plan's success in the near term, there are some longer run issues to keep in mind. First, European governments may eventually need to make good on their commitment to provide funding to troubled neighbors, and disbursement would require parliamentary approval. Will parliaments approve bilateral loans if they are actually needed? If a parliament in one country rejects a government's request, will investors begin to worry that the entire deal would begin to unravel? If it appears that the deal is about to fall apart, government bond yields surely will rise again.

Moreover, fiscal tightening will exert strong headwinds on growth over the next few years, and the common currency that Greece, Portugal and Spain share with their Euro-zone neighbors, to which the bulk of their exports are destined, will make it difficult for these indebted countries to export their way back to prosperity. Slow growth will make it difficult for governments to close their budget gaps due to sluggish revenue growth. A financial meltdown à la Lehman Brothers appears to have been averted, at least for now. However, the road ahead for some of Europe's indebted countries remains long.




Source: OECD, IMF, U.S. Dept. of the Treasury, U.S. Dept. of Commerce, Eurostat and Wells Fargo Securities, LLC

## Wells Fargo International Economic Forecast

(Year-over-Year Percent Change)

| | GDP | | | CPI | | |
|---|---|---|---|---|---|---|
| | 2009 | 2010 | 2011 | 2009 | 2010 | 2011 |
| Global (PPP weights) | -0.8% | 4.6% | 4.1% | 2.8% | 4.3% | 4.1% |
| Global (Market Exchange Rates) | -2.0% | 3.4% | 2.9% | n/a | n/a | n/a |
| | | | | | | |
| Advanced Economies[1] | -3.3% | 2.5% | 2.3% | -0.3% | 1.5% | 1.3% |
| United States | -2.4% | 3.0% | 2.5% | -0.3% | 2.3% | 2.4% |
| Eurozone | -4.0% | 1.1% | 1.5% | 0.3% | 1.4% | 1.0% |
| United Kingdom | -4.9% | 1.1% | 2.5% | 2.2% | 3.0% | 1.6% |
| Japan | -5.2% | 2.6% | 1.7% | -1.3% | -0.7% | 0.1% |
| Korea | 0.2% | 5.7% | 3.6% | 2.8% | 2.7% | 3.0% |
| Canada | -2.6% | 3.7% | 3.1% | 0.3% | 2.2% | 2.3% |
| | | | | | | |
| Developing Economies[1] | 2.4% | 7.1% | 6.1% | 6.5% | 7.6% | 7.5% |
| China | 8.5% | 10.9% | 9.0% | -0.7% | 2.7% | 3.6% |
| India | 6.8% | 8.0% | 7.8% | 11.4% | 12.6% | 8.0% |
| Mexico | -6.5% | 3.6% | 3.5% | 5.3% | 5.4% | 5.9% |
| Brazil | -0.2% | 5.4% | 5.3% | 4.9% | 5.5% | 5.9% |
| Russia | -7.9% | 4.0% | 4.2% | 11.8% | 6.7% | 8.7% |

Forecast as of: May 12, 2010

[1]Aggregated Using PPP Weights

## Wells Fargo International Interest Rate Forecast

(End of Quarter Rates)

| | 3-Month LIBOR | | | | | | 10-Year Bond | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2010 | | | 2011 | | | 2010 | | | 2011 | | |
| | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| U.S. | 0.40% | 0.40% | 0.65% | 1.40% | 2.15% | 2.65% | 3.80% | 3.80% | 3.90% | 4.00% | 4.20% | 4.30% |
| Japan | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 1.35% | 1.35% | 1.35% | 1.45% | 1.50% | 1.60% |
| Euroland | 0.60% | 0.60% | 0.80% | 1.10% | 1.50% | 2.25% | 3.10% | 3.15% | 3.40% | 3.70% | 3.80% | 4.00% |
| U.K. | 0.65% | 0.65% | 0.65% | 1.25% | 2.00% | 3.00% | 4.00% | 4.10% | 4.50% | 4.70% | 4.80% | 4.85% |
| Canada | 0.40% | 0.50% | 1.00% | 2.00% | 3.00% | 3.50% | 3.60% | 3.90% | 4.10% | 4.30% | 4.40% | 4.45% |

Forecast as of: May 12, 2010

Source: Wells Fargo Securities, LLC

## Wells Fargo Securities, LLC Economics Group



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