November 11, 2009

# *Economics Group*

WELLS FARGO SECURITIES

## MONTHLY OUTLOOK

| U.S. Overview | International Overview |
|---|---|

### U.S. Overview

**The Recovery Shapes up but not Quite as Expected**

The return of economic growth during the third quarter has done little to quell the debate among economic forecasters as to what letter the economic recovery will most likely resemble. Will it be a U, V, L, W or some exotic letter from a language long gone? Our vote is for a little v, with most of the rebound in year-to-year real GDP growth occurring below the zero line. We are not expecting a double dip but do expect growth to remain relatively modest through 2011. After rebounding at a 3.5 percent pace in the third quarter, real GDP is expected to average a 2.4 percent pace over the next two years

All of the discussion about the shape of the recovery misses the most important point, which is what the composition of growth will look like. Consumer spending and business fixed investment are expected to remain exceptionally weak over the next five quarters, with real private final domestic demand averaging just a 1.3 percent pace for all of 2010. Inventory rebuilding, a continued narrowing in the trade deficit and increased federal government outlays will help bridge the gap between that disappointing growth in private demand and the mediocre 2.4 percent rise in real GDP we are forecasting.

The weakness in private domestic demand is the primary reason we expect the unemployment rate to rise further next year. High unemployment should keep the Fed on the sidelines through most of the year but we still expect to see short-term interest rates rise before the end of 2010.

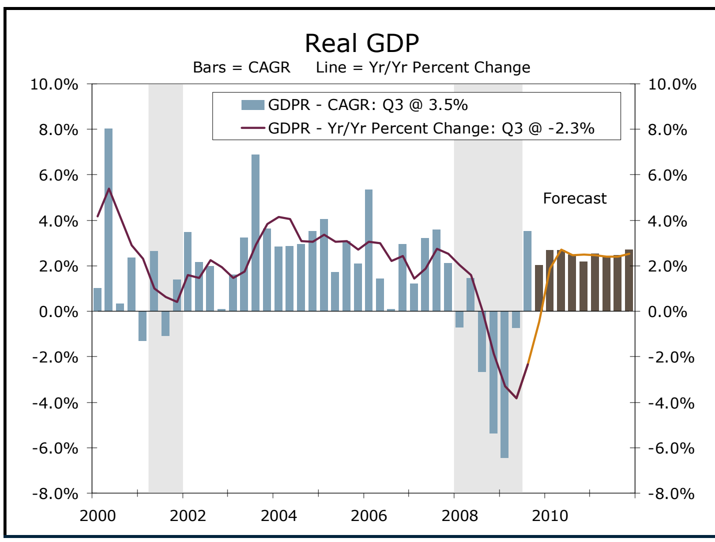
### International Overview

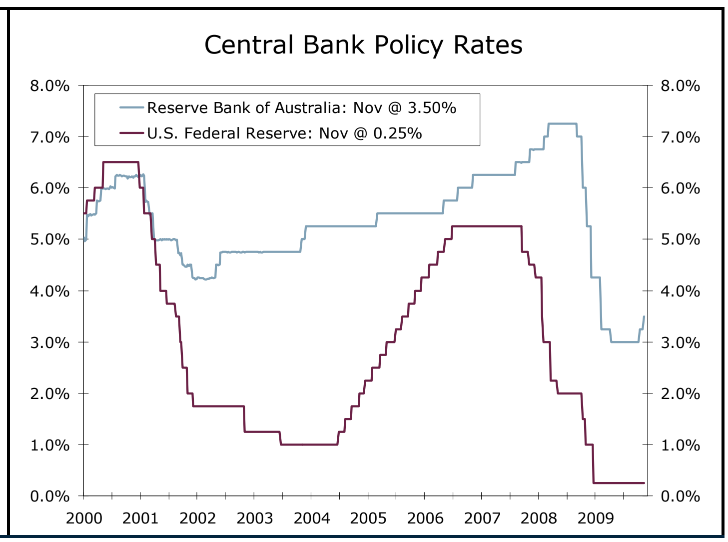
**Most Major Central Banks on Hold for Now**

The Reserve Bank of Australia (RBA) slashed rates in the aftermath of last autumn's financial market meltdown. Now that the emergency has passed, the RBA has started to tighten policy again. The Norwegian central bank also hiked rates recently. Will other foreign central banks follow suit in the near term and commence their own tightening cycles?

Probably not. With real GDP in the United Kingdom still contracting, rate hikes by the Bank of England do not seem imminent. Indeed, the Bank recently eased policy further by sanctioning an increase in its unprecedented asset purchase program. Although growth probably has turned positive again in the Euro-zone, we believe the ECB will also be on hold for the foreseeable future. The core rate of CPI inflation in the Euro-zone is benign, and very slow growth in the M3 money supply, which the ECB watches like a hawk, does not portend an increase in inflationary pressures anytime soon.

Real GDP in Japan is growing again. However, over the past year the Japanese economy experienced its sharpest contraction in decades, and the unemployment rate is at a record high. With the core rate of inflation in negative territory, any rate hike by the Bank of Japan seems to be years in the future. Whether the Bank of Canada tightens before the Fed is very much an open question. However, the high unemployment rate and the low rate of CPI inflation north of the border do not argue for near-term rate hikes in Ottawa.




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

Together we'll go far

This report is available on wellsfargo.com/research and on Bloomberg WFEC

### Not Enough Growth to Move the Needle

There is little doubt the recession ended this summer, when the restart of domestic motor vehicle production lifted output in the auto sector and a whole host of related industries. Real GDP growth rebounded at a 3.5 percent annual rate in the third quarter, with consumer spending, residential construction and federal government spending accounting for large portions of the increase. Various stimulus programs, including cash-for-clunkers, the first-time home buyers' tax credit and increased federal government outlays accounted for roughly two thirds of the improvement in final demand during the quarter.

Absent the stimulus programs there was not enough improvement in final demand to move the growth needle all that much. We expect private final domestic demand, which we call "core" GDP, to slip back a bit in the fourth quarter and remain weak through all of 2010. The weakness in domestic demand is one reason the unemployment rate jumped over the past two months and is the primary reason we expect the jobless rate to rise well above the current consensus estimate.

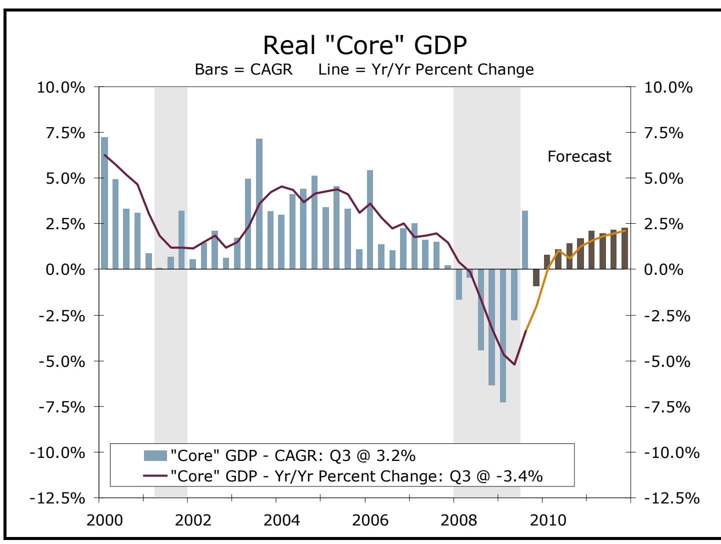
Rising unemployment will continue to weigh on consumer spending. Outlays are expected to decline slightly during the current quarter, reflecting some payback from the cash-for-clunkers program. Holiday retail sales are also expected to be down slightly from last year, but should not fall anywhere near as much as they did last year. Following a modest drop in the fourth quarter, consumer spending is expected to gradually ramp up over the course of 2010. Spending for motor vehicles and other big-ticket discretionary items will be held back by continued job losses and rising unemployment but spending on nondurables should rise modestly, as food, energy and housing take a smaller bite out of household budgets.

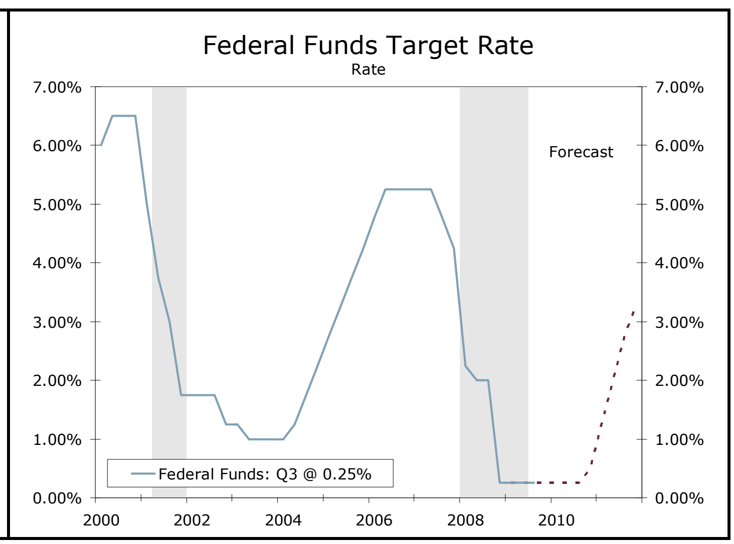
Business fixed investment in equipment and software rose at a 1.1 percent annual rate during the third quarter and is expected to make an increasingly positive contribution to growth over the next two years. Investment outlays plummeted late last year and during the early part of 2009. Corporate profits have improved since then and businesses have been building up their cash positions. Outlays are expected to rise modestly over the next several quarters, with spending rising the most for equipment. Investment in alternative energy and power projects is also growing solidly.

One area where we do not expect to see much improvement is commercial construction. Values for commercial buildings have fallen around 40 percent from the peak hit two and a half years ago, making it hard for investors to raise capital for new projects. Lower natural gas prices have also cut into energy exploration, which had been one notable area of strength. Power plant construction has also slowed. One possible bright spot is foreign investment in new manufacturing facilities, which should garner increased interest with the recent slide in the dollar.

Residential construction bottomed out earlier this year and is now in recovery mode. We expect outlays for new single-family homes to increase modestly over the next two years but look for spending for new apartments, condominiums and townhomes to continue to lag. Spending for residential additions, alterations and repairs is a notable bright spot. Growth is being driven by investor purchases of distressed properties, many of which are being converted to rental housing. In addition, tax incentives to weatherize homes are also driving outlays, particularly for government-owned units.

Federal government spending is expected to bridge the gap between modest growth in private domestic demand and the mediocre 2.4 percent real GDP growth we expect. The impact of federal government stimulus, however, is expected to steadily wane over the forecast period. Moreover, the persistence of large federal budget deficits creates uncertainty, which tends to restrain hiring and business fixed investment.




Source: Federal Reserve Board, 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 | 3.5 | 2.0 | 2.7 | 2.7 | 2.5 | 2.2 | 2.5 | 2.4 | 2.5 | 2.7 | 2.1 | 0.4 | -2.5 | 2.4 | 2.4 |
| Personal Consumption | -0.6 | 0.1 | -3.5 | -3.1 | 0.6 | -0.9 | 3.4 | -1.2 | 0.9 | 1.2 | 1.3 | 1.3 | 1.5 | 1.4 | 1.5 | 1.5 | 2.6 | -0.2 | -0.7 | 0.8 | 1.4 |
| Business Fixed Investment | 1.9 | 1.4 | -6.1 | -19.4 | -39.2 | -9.6 | -2.5 | 0.0 | -0.5 | -0.4 | 1.5 | 3.2 | 5.8 | 4.5 | 5.5 | 6.4 | 6.2 | 1.6 | -17.7 | -0.8 | 4.1 |
| Equipment and Software | -0.5 | -5.0 | -9.4 | -25.9 | -36.4 | -4.9 | 1.1 | 4.4 | 6.4 | 4.1 | 5.0 | 5.8 | 7.4 | 5.5 | 6.3 | 6.9 | 2.6 | -2.6 | -17.4 | 4.0 | 6.0 |
| Structures | 6.8 | 14.5 | -0.1 | -7.2 | -43.6 | -17.3 | -9.0 | -13.5 | -13.5 | -11.0 | -7.0 | -3.5 | 1.5 | 2.0 | 3.5 | 5.0 | 14.9 | 10.3 | -18.5 | -11.4 | -0.8 |
| Residential Construction | -28.2 | -15.8 | -15.9 | -23.2 | -38.2 | -23.2 | 23.3 | 3.5 | 2.0 | 3.5 | 4.0 | 5.0 | 6.0 | 7.0 | 7.5 | 8.0 | -18.5 | -22.9 | -20.1 | 3.6 | 5.9 |
| Government Purchases | 2.6 | 3.6 | 4.8 | 1.2 | -2.6 | 6.7 | 2.3 | 3.2 | 1.9 | 1.6 | 3.2 | 2.3 | 2.0 | 1.8 | 1.8 | 1.6 | 1.7 | 3.1 | 2.1 | 2.6 | 2.1 |
| Net Exports | -550.9 | -476.0 | -479.2 | -470.9 | -386.5 | -330.4 | -348.3 | -351.7 | -334.0 | -319.8 | -316.1 | -316.6 | -307.9 | -296.8 | -284.9 | -266.9 | -647.7 | -494.3 | -354.2 | -321.6 | -289.1 |
| Pct. Point Contribution to GDP | 0.4 | 2.4 | -0.1 | 0.5 | 2.6 | 1.7 | -0.5 | -0.1 | 0.5 | 0.4 | 0.1 | 0.0 | 0.3 | 0.3 | 0.4 | 0.5 | 0.6 | 1.2 | 1.1 | 0.3 | 0.2 |
| Inventory Change | 0.6 | -37.1 | -29.7 | -37.4 | -113.9 | -160.2 | -130.8 | -55.0 | -20.0 | 12.1 | 30.0 | 42.0 | 46.0 | 50.0 | 50.0 | 50.0 | 19.5 | -25.9 | -115.0 | 16.0 | 49.0 |
| Pct. Point Contribution to GDP | -0.2 | -1.3 | 0.3 | -0.6 | -2.4 | -1.4 | 0.9 | 2.4 | 1.1 | 1.0 | 0.5 | 0.4 | 0.1 | 0.1 | 0.0 | 0.0 | -0.3 | -0.3 | -0.7 | 1.0 | 0.2 |
| Nominal GDP | 1.0 | 3.5 | 1.4 | -5.4 | -4.6 | -0.8 | 4.3 | 2.9 | 3.7 | 3.8 | 3.7 | 3.7 | 4.3 | 4.3 | 4.4 | 4.8 | 5.1 | 2.6 | -1.3 | 3.4 | 4.1 |
| Real Final Sales | -0.5 | 2.7 | -2.9 | -4.7 | -4.1 | 0.7 | 2.6 | -0.8 | 1.6 | 1.7 | 1.9 | 1.8 | 2.4 | 2.3 | 2.5 | 2.7 | 2.5 | 0.8 | -1.8 | 1.3 | 2.2 |
| Retail Sales (b) | 2.6 | 2.4 | 0.3 | -8.0 | -8.9 | -9.5 | -6.6 | 0.0 | 2.3 | 3.2 | 2.6 | 3.8 | 4.5 | 4.8 | 4.9 | 5.0 | 3.3 | -0.7 | -6.4 | 3.0 | 4.8 |
| Inflation Indicators (b) | | | | | | | | | | | | | | | | | | | | | |
| "Core" PCE Deflator | 2.4 | 2.5 | 2.6 | 2.0 | 1.7 | 1.6 | 1.3 | 1.4 | 1.4 | 1.2 | 1.2 | 1.3 | 1.4 | 1.5 | 1.6 | 1.7 | 2.4 | 2.4 | 1.5 | 1.3 | 1.6 |
| Consumer Price Index | 4.2 | 4.3 | 5.2 | 1.5 | -0.2 | -0.9 | -1.6 | 1.2 | 2.0 | 2.0 | 1.5 | 1.4 | 1.7 | 1.9 | 2.1 | 2.2 | 2.9 | 3.8 | -0.4 | 1.8 | 2.0 |
| "Core" Consumer Price Index | 2.4 | 2.3 | 2.5 | 2.0 | 1.7 | 1.8 | 1.5 | 1.6 | 1.4 | 1.1 | 1.0 | 1.1 | 1.3 | 1.5 | 1.7 | 1.8 | 2.3 | 2.3 | 1.7 | 1.2 | 1.6 |
| Producer Price Index | 7.2 | 7.6 | 9.5 | 1.4 | -2.2 | -4.1 | -5.1 | 0.6 | 2.7 | 2.8 | 2.0 | 2.0 | 2.2 | 2.2 | 2.4 | 2.4 | 3.9 | 6.4 | -2.7 | 2.4 | 2.3 |
| Employment Cost Index | 3.3 | 3.1 | 2.9 | 2.6 | 2.1 | 1.8 | 1.5 | 1.6 | 1.9 | 1.6 | 1.6 | 1.7 | 1.8 | 1.7 | 1.6 | 1.6 | 3.4 | 3.0 | 1.8 | 1.2 | 1.7 |
| Real Disposable Income (a) | -2.4 | 9.8 | -8.5 | 3.4 | 0.2 | 3.8 | -3.4 | 0.7 | 1.0 | 1.4 | 1.7 | 1.9 | 2.1 | 2.1 | 2.3 | 2.5 | 2.2 | 0.5 | 0.5 | 0.8 | 2.0 |
| Nominal Personal Income (b) | 3.7 | 4.0 | 2.9 | 1.1 | -1.6 | -2.6 | -2.7 | -1.9 | 1.0 | 1.7 | 2.8 | 3.5 | 3.8 | 3.8 | 3.7 | 3.8 | 5.6 | 2.9 | -2.2 | 2.2 | 3.8 |
| Industrial Production (a) | 0.2 | -4.6 | -9.0 | -13.0 | -19.0 | -10.3 | 5.2 | 6.1 | 2.3 | 3.1 | 2.8 | 4.2 | 4.5 | 4.3 | 4.3 | 4.1 | 1.5 | -2.2 | -9.9 | 2.8 | 4.1 |
| Capacity Utilization | 80.1 | 78.9 | 76.9 | 74.2 | 70.4 | 68.7 | 69.8 | 70.9 | 71.2 | 71.7 | 71.9 | 72.5 | 73.3 | 73.9 | 74.6 | 75.1 | 80.6 | 77.6 | 70.0 | 71.8 | 74.2 |
| Corporate Profits Before Taxes (b) | -4.9 | -12.0 | -5.4 | -25.1 | -19.0 | -12.6 | -10.5 | 20.0 | 22.0 | 16.0 | 10.0 | 8.5 | 8.0 | 7.5 | 8.0 | 8.5 | -4.1 | -11.8 | -7.0 | 13.9 | 8.0 |
| Corporate Profits After Taxes | 6.6 | -3.7 | 4.8 | -15.8 | -19.7 | -15.3 | -12.5 | 28.0 | 32.0 | 20.0 | 15.0 | 9.0 | 8.5 | 9.0 | 10.5 | 11.0 | -4.0 | -2.0 | -6.6 | 18.3 | 9.8 |
| Federal Budget Balance (c) | -205.9 | 26.9 | -168.9 | -332.5 | -448.9 | -304.9 | -330.8 | -357.3 | -571.8 | -205.5 | -260.4 | -275.2 | -436.9 | -168.3 | -219.6 | -180.0 | -161.5 | -454.8 | -1417.1 | -1395.0 | -1100.0 |
| Current Account Balance (d) | -179.3 | -187.7 | -184.2 | -154.9 | -104.5 | -98.8 | -110.0 | -125.0 | -130.0 | -130.0 | -135.0 | -135.0 | -130.0 | -130.0 | -125.0 | -125.0 | -726.6 | -706.1 | -438.2 | -530.0 | -510.0 |
| Trade Weighted Dollar Index (e) | 70.3 | 71.0 | 76.1 | 79.4 | 83.2 | 77.7 | 74.3 | 73.5 | 76.1 | 78.6 | 81.0 | 81.8 | 82.4 | 82.5 | 82.8 | 82.8 | 73.3 | 79.4 | 73.5 | 81.8 | 82.8 |
| Nonfarm Payroll Change (f) | -113 | -153 | -208 | -553 | -691 | -428 | -226 | -185 | -150 | -75 | 40 | 105 | 130 | 130 | 140 | 150 | 96 | -257 | -383 | -20 | 138 |
| Unemployment Rate | 4.9 | 5.4 | 6.1 | 6.9 | 8.1 | 9.3 | 9.6 | 10.2 | 10.3 | 10.6 | 10.8 | 10.8 | 10.8 | 10.7 | 10.5 | 10.2 | 4.6 | 5.8 | 9.3 | 10.6 | 10.6 |
| Housing Starts (g) | 1.06 | 1.02 | 0.87 | 0.66 | 0.53 | 0.54 | 0.59 | 0.60 | 0.60 | 0.65 | 0.68 | 0.71 | 0.74 | 0.77 | 0.82 | 0.88 | 1.34 | 0.90 | 0.56 | 0.66 | 0.80 |
| Light Vehicle Sales (h) | 15.2 | 14.1 | 12.9 | 10.5 | 9.5 | 9.6 | 11.5 | 10.0 | 10.0 | 10.2 | 10.5 | 10.8 | 11.1 | 11.4 | 11.7 | 12.0 | 16.1 | 13.2 | 10.1 | 10.4 | 11.6 |
| Crude Oil - WTI - Front Contract (i) | 97.90 | 123.98 | 117.98 | 58.74 | 43.08 | 59.62 | 68.30 | 77.27 | 78.00 | 82.00 | 79.00 | 79.00 | 80.00 | 80.00 | 80.00 | 80.00 | 72.31 | 99.65 | 62.07 | 79.50 | 80.00 |
| 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 | 2.75 | 3.25 | 4.25 | 0.25 | 0.25 | 0.50 | 3.25 |
| 3 Month LIBOR | 2.69 | 2.78 | 4.05 | 1.43 | 1.19 | 0.60 | 0.29 | 0.30 | 0.35 | 0.35 | 0.40 | 0.65 | 1.40 | 2.15 | 2.90 | 3.40 | 4.70 | 1.43 | 0.30 | 0.65 | 3.40 |
| 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 | 5.75 | 6.25 | 7.25 | 3.25 | 3.25 | 3.50 | 6.25 |
| Conventional Mortgage Rate | 5.97 | 6.32 | 6.04 | 5.33 | 5.00 | 5.42 | 5.06 | 5.10 | 5.20 | 5.30 | 5.30 | 5.40 | 5.50 | 5.60 | 5.80 | 6.00 | 6.10 | 5.33 | 5.10 | 5.40 | 6.00 |
| 3 Month Bill | 1.38 | 1.90 | 0.92 | 0.11 | 0.21 | 0.19 | 0.14 | 0.10 | 0.10 | 0.20 | 0.20 | 0.60 | 1.20 | 1.90 | 2.60 | 3.20 | 3.36 | 0.11 | 0.10 | 0.60 | 3.20 |
| 2 Year Note | 1.62 | 2.63 | 2.00 | 0.76 | 0.81 | 1.11 | 0.95 | 0.90 | 1.10 | 1.20 | 1.30 | 1.50 | 1.80 | 2.20 | 2.70 | 3.30 | 3.05 | 0.76 | 0.90 | 1.50 | 3.30 |
| 5 Year Note | 2.46 | 3.34 | 2.98 | 1.55 | 1.67 | 2.54 | 2.31 | 2.40 | 2.50 | 2.60 | 2.70 | 2.80 | 2.90 | 3.10 | 3.30 | 3.50 | 3.45 | 1.55 | 2.40 | 2.80 | 3.50 |
| 10 Year Note | 3.45 | 3.99 | 3.85 | 2.25 | 2.71 | 3.53 | 3.31 | 3.50 | 3.60 | 3.60 | 3.60 | 3.70 | 3.90 | 4.00 | 4.20 | 4.40 | 4.04 | 2.25 | 3.50 | 3.70 | 4.40 |
| 30 Year Bond | 4.30 | 4.53 | 4.31 | 2.69 | 3.56 | 4.32 | 4.03 | 4.40 | 4.50 | 4.50 | 4.50 | 4.60 | 4.60 | 4.70 | 4.80 | 5.00 | 4.45 | 2.69 | 4.40 | 4.60 | 5.00 |

Forecast as of: November 11, 2009

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

**Do Australia and Norway Foreshadow Higher Rates?**

Over the past few weeks, some central banks, including those in Australia and Norway, have tightened monetary policy. The Reserve Bank of Australia (RBA) has announced two 25 bps rate hikes since early October (see chart on front page). Do the rate hikes down-under and in Norway mean that central banks in large foreign economies are on the cusp of tightening policy?

No. The RBA responded to the emergency of the global financial meltdown by slashing rates by 425 bps between September 2008 and April 2009. Not only has the financial crisis passed, but the Australian economy has held up better than many had expected. Therefore, the RBA is in the process of withdrawing some policy accommodation. Similarly, a policy rate of only 1.25 percent is probably no longer appropriate in Norway now that the economy is showing signs of recovering.

**ECB and Bank of England on Hold for Some Time**

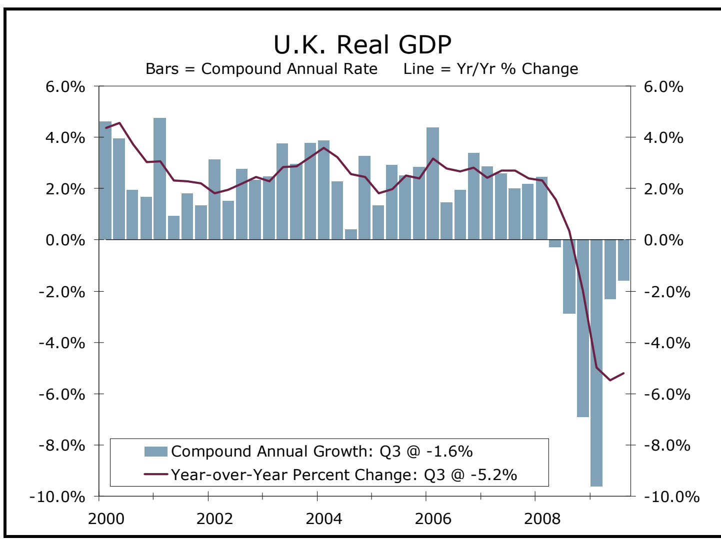
Although major foreign central banks (e.g., the European Central Bank, the Bank of England (BoE) and the Bank of Japan) will not keep their respective policy rates close to zero percent forever, we do not look for imminent tightening from those banks. Let us start with the United Kingdom. With real GDP contracting for six consecutive quarters (see chart below), the Bank does not need to tighten policy in a hurry. Indeed, the Monetary Policy Committee eased policy further this month by sanctioning an increase in its program to purchase assets from the commercial banking system from £175 billion to £200 billion. In our view, the BoE will not hike rates until the second half of 2010, at the earliest.

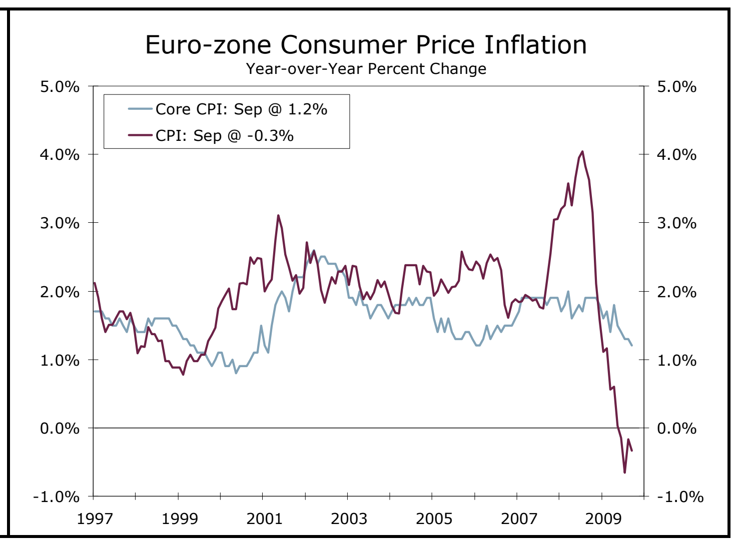
Across the English Channel in Frankfurt, the ECB has maintained its main policy rate at 1.00 percent since early May. Although real GDP in the Euro-zone probably expanded in the third quarter for the first time since 2008-Q1, rate hikes by the ECB do not appear imminent either. After only one quarter of positive GDP growth, it would be premature to say that a truly self-sustaining recovery in the euro area has taken hold. Moreover, there are few inflationary pressures evident at present. Although the negative CPI inflation rate overstates the amount of deflation in the economy—the overall CPI inflation rate was pulled below zero by the collapse in oil prices last year—the core inflation rate has been trending lower recently. The ECB closely monitors the money supply. With the year-over-year growth rate of the M3 money supply plunging to less than two percent, there is little reason for heartburn among even the most hawkish members of the ECB Governing Council. As with the BoE, we do not look for the ECB to start tightening policy until well into next year.

**Will the BoJ Ever Tighten?**

The Bank of Japan (BoJ) may refrain even longer from raising rates. Real GDP in Japan rose 0.6 percent (not annualized) in the second quarter, and most monthly indicators suggest that output continued to expand in the third quarter. That said, the economy contracted more than eight percent between the first quarter of 2008 and the first quarter of this year, the sharpest downturn in Japan in decades, so the actual level of GDP is still well below potential GDP. Unemployment has risen to its highest rate since records began in the early 1950s, and the core CPI is down 1.0 percent on a year-over-year basis. The consensus forecast projects that the BoJ will be on hold well into 2011, an expectation that we share.

Among G-7 countries, the economic contraction in Canada has been the least extreme. Nevertheless, the Bank of Canada probably is on hold for the foreseeable future as well. Nearly nine percent of the Canadian workforce is unemployed. The core rate of CPI inflation is only 1.5 percent at present and further dis-inflation seems likely. Whether or not the Bank of Canada tightens policy before the Fed is very much an open question. In any event, there probably will not be any rate hikes until Canada starts to thaw, both literally and figuratively.




Source: IHS Global Insight 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) | -1.0% | 3.7% | 4.0% | 2.7% | 3.7% | 4.0% |
| Global (Market Exchange Rates) | -2.2% | 2.5% | 2.8% | n/a | n/a | n/a |
| Advanced Economies[1] | -3.4% | 2.3% | 2.5% | -0.4% | 1.2% | 1.7% |
| United States | -2.5% | 2.4% | 2.4% | -0.4% | 1.8% | 2.0% |
| Eurozone | -3.8% | 1.9% | 2.5% | 0.3% | 1.0% | 1.5% |
| United Kingdom | -4.7% | 1.7% | 2.2% | 2.1% | 2.1% | 1.6% |
| Japan | -5.8% | 1.9% | 1.6% | -1.3% | -0.7% | 0.5% |
| Korea | 0.2% | 5.1% | 3.6% | 2.7% | 2.6% | 2.9% |
| Canada | -2.6% | 2.2% | 2.7% | 0.2% | 1.5% | 1.9% |
| Developing Economies[1] | 2.0% | 5.2% | 5.7% | 6.4% | 6.6% | 6.8% |
| China | 8.2% | 8.8% | 9.1% | -0.8% | 1.9% | 2.5% |
| India | 5.8% | 7.3% | 8.0% | 11.0% | 9.9% | 7.7% |
| Mexico | -7.2% | 2.2% | 2.5% | 5.3% | 3.7% | 4.1% |
| Brazil | -0.1% | 2.6% | 3.5% | 4.9% | 4.8% | 4.9% |
| Russia | -8.1% | 2.3% | 3.0% | 11.9% | 7.5% | 9.2% |

Forecast as of: November 11, 2009

[1]Aggregated Using PPP Weights

## Wells Fargo International Interest Rate Forecast

(End of Quarter Rates)

| | 3-Month LIBOR | | | | | | | 10-Year Bond | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2009 | 2010 | | | | 2011 | | 2009 | 2010 | | | | 2011 | |
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
| U.S. | 0.30% | 0.35% | 0.35% | 0.40% | 0.65% | 1.40% | 2.15% | 3.50% | 3.60% | 3.60% | 3.60% | 3.70% | 3.90% | 4.00% |
| Japan | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% | 0.30% | 1.40% | 1.40% | 1.40% | 1.50% | 1.60% | 1.65% | 1.80% |
| Euroland | 0.65% | 0.65% | 1.00% | 1.40% | 2.00% | 2.75% | 3.20% | 3.25% | 3.30% | 3.60% | 3.90% | 4.25% | 4.40% | 4.45% |
| U.K. | 0.60% | 0.60% | 0.65% | 0.90% | 1.45% | 2.20% | 3.20% | 3.65% | 3.70% | 3.90% | 4.20% | 4.50% | 4.60% | 4.75% |
| Canada | 0.50% | 0.50% | 0.60% | 1.00% | 2.00% | 3.00% | 3.75% | 3.30% | 3.40% | 3.60% | 4.00% | 4.30% | 4.40% | 4.45% |

Forecast as of: November 11, 2009

Source: Wells Fargo Securities, LLC

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