

# Economics Group

## Weekly Economic & Financial Commentary

### U.S. Review

#### More Signs of Recovery but Worries Still Remain

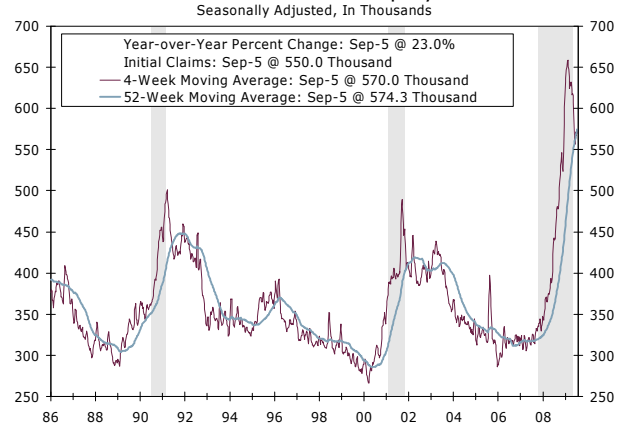
- Eleven of the twelve Fed regions reported economic conditions stabilized, improved or firmed in July and August. The St. Louis district was the lone descent and even there the rate of decline seems to have moderated.
- The trade deficit widened more than expected, with imports rising more than any other month since March 1993, which reflects some firming in domestic demand.
- Weekly first-time unemployment claims declined to 550,000 but may have been distorted by the Labor Day holiday. Hiring is still weak, however, as job openings fell to their lowest level since records began in 2000.

### Global Review

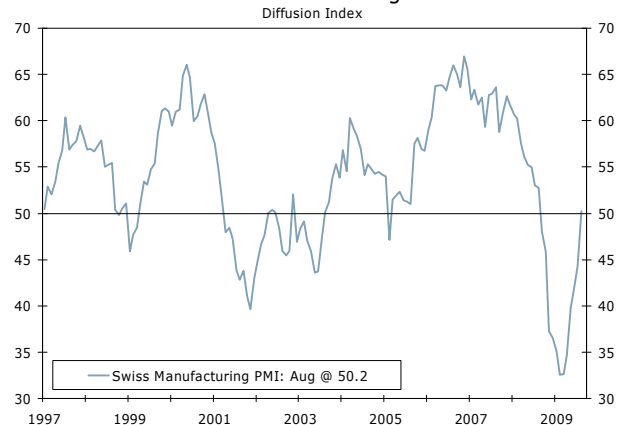
#### Swiss Economy Appears to be on the Mend

- Switzerland has been mired in recession for more than a year. However, recently released data suggest that the economy may be turning the corner due, at least in part, to recoveries taking hold in other countries.
- The Swiss franc rose this week to a 14-month high against the dollar. As long as franc appreciation against the dollar is not accompanied by franc strength vis-à-vis the euro, Swiss authorities likely will refrain from intervening in currency markets.

Initial Claims for Unemployment



Swiss Manufacturing PMI



Wells Fargo U.S. Economic Forecast

|   | Actual |       |      |       | Forecast |       |       |      | Actual |      |       | Forecast |      |      |
|---|--------|-------|------|-------|----------|-------|-------|------|--------|------|-------|----------|------|------|
|   | 2008   |       |      |       | 2009     |       |       |      | 2006   | 2007 | 2008  | 2009     | 2010 | 2011 |
|   | 1Q     | 2Q    | 3Q   | 4Q    | 1Q       | 2Q    | 3Q    | 4Q   |        |      |       |          |      |      |
| Real Gross Domestic Product <sup>1</sup>    | -0.7   | 1.5   | -2.7 | -5.4  | -6.4     | -1.0  | 3.7   | 2.5  | 2.7    | 2.1  | 0.4   | -2.5     | 2.1  | 2.5  |
| Personal Consumption                        | -0.6   | 0.1   | -3.5 | -3.1  | 0.6      | -1.0  | 1.7   | 0.0  | 2.9    | 2.7  | -0.2  | -0.9     | 0.7  | 1.5  |
| Inflation Indicators <sup>2</sup>           |        |       |      |       |          |       |       |      |        |      |       |          |      |      |
| "Core" PCE Deflator                         | 2.4    | 2.5   | 2.6  | 2.0   | 1.7      | 1.6   | 1.4   | 1.5  | 2.3    | 2.4  | 2.4   | 1.6      | 1.3  | 1.6  |
| Consumer Price Index                        | 4.2    | 4.3   | 5.2  | 1.5   | -0.2     | -0.9  | -1.8  | 0.5  | 3.2    | 2.9  | 3.8   | -0.6     | 1.3  | 2.0  |
| Industrial Production <sup>1</sup>          | 0.2    | -4.6  | -9.0 | -13.0 | -19.1    | -11.4 | 1.2   | 1.9  | 2.3    | 1.5  | -2.2  | -10.8    | 1.3  | 3.9  |
| Corporate Profits Before Taxes <sup>2</sup> | -4.9   | -12.0 | -5.4 | -25.1 | -19.0    | -10.9 | -11.0 | 3.5  | 10.5   | -4.1 | -11.8 | -10.1    | 7.8  | 9.8  |
| Trade Weighted Dollar Index <sup>3</sup>    | 70.3   | 71.0  | 76.1 | 79.4  | 83.2     | 77.7  | 75.8  | 77.9 | 81.5   | 73.3 | 79.4  | 77.9     | 82.4 | 83.4 |
| Unemployment Rate                           | 4.9    | 5.4   | 6.1  | 6.9   | 8.1      | 9.3   | 9.6   | 10.0 | 4.6    | 4.6  | 5.8   | 9.2      | 10.1 | 9.3  |
| Housing Starts <sup>4</sup>                 | 1.06   | 1.02  | 0.87 | 0.66  | 0.53     | 0.54  | 0.59  | 0.64 | 1.81   | 1.34 | 0.90  | 0.58     | 0.79 | 0.95 |
| Quarter-End Interest Rates                  |        |       |      |       |          |       |       |      |        |      |       |          |      |      |
| Federal Funds Target Rate                   | 2.25   | 2.00  | 2.00 | 0.25  | 0.25     | 0.25  | 0.25  | 0.25 | 5.25   | 4.25 | 0.25  | 0.25     | 1.50 | 3.50 |
| Conventional Mortgage Rate                  | 5.97   | 6.32  | 6.04 | 5.33  | 5.00     | 5.42  | 5.20  | 5.20 | 6.14   | 6.10 | 5.33  | 5.20     | 5.60 | 6.60 |
| 10 Year Note                                | 3.45   | 3.99  | 3.85 | 2.25  | 2.71     | 3.53  | 3.50  | 3.60 | 4.71   | 4.04 | 2.25  | 3.60     | 4.00 | 5.00 |

Forecast as of: September 9, 2009

<sup>1</sup> Compound Annual Growth Rate Quarter-over-Quarter

<sup>2</sup> Year-over-Year Percentage Change

<sup>3</sup> Federal Reserve Major Currency Index, 1973=100 - Quarter End

<sup>4</sup> Millions of Units

### Inside

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Together we'll go far



## U.S. Review

### More Encouraging News

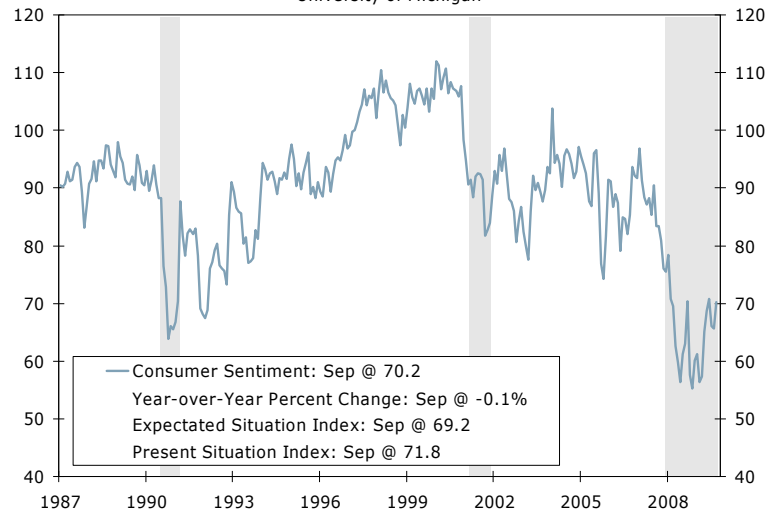
The Fed's Beige Book now clearly shows the typical progression the economy tends to go through as it moves from recession to recovery. Eleven of the Fed's twelve districts noted economic conditions had stabilized, improved or firmed. Only St. Louis noted a continued decline and even there the rate of decline moderated. The cash-for-clunkers program boosted traffic and sales at auto showrooms in most regions. Many areas also noted that home sales and single-family construction were seeing some improvement. Retail sales outside of autos were reported to be flat and demand for commercial real estate remains weak. Employment conditions also show little sign of improvement, although staffing firms in a number of districts reported an uptick in demand for temporary workers.

The University of Michigan's Consumer Sentiment survey rose in early September, climbing 4.5 points to 70.2. Both current conditions and expectations increased solidly during the period, showing much more balance and improvement than the Consumer Confidence Index. The University of Michigan's consumer sentiment index tends to correspond more closely with swings in the stock market, which has shown surprising strength in recent months. By contrast, the Conference Board's Consumer Confidence Index more closely tracks employment trends, which show virtually no improvement. Consumers are not likely to boost purchases of big-ticket discretionary items until they feel more confident about their employment and income prospects. As a result, the rise in consumer sentiment likely does not point to any major shift in consumer spending.

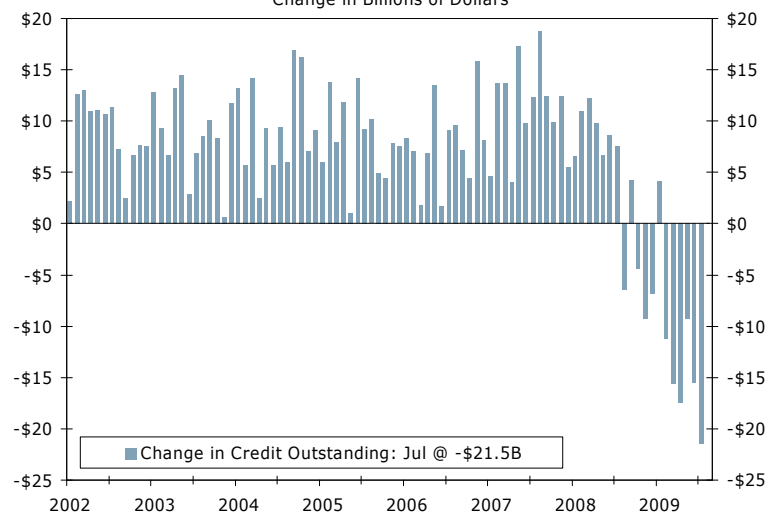
Important adjustments continue to take place in areas of the economy where excesses clearly need to correct. Consumer credit declined a much larger than expected \$21.6 billion in July and declines from previous months are now reported to be much larger than first reported. The large declines likely reflect a number of necessary but unpleasant adjustments. Consumers are clearly cutting back on discretionary purchases and using debit cards and cash more frequently. Credit card issuers are also reducing credit lines and charging off doubtful accounts, which is likely the source of the large downward revisions to the consumer credit outstanding figures. The high level of charge offs means credit underwriting will likely remain tight for some time, which will make it tougher for consumer spending to come roaring back, particularly for big-ticket discretionary items.

Another key adjustment that is taking place is the continuing drawdown in inventories. Wholesale inventories fell 1.4 percent in July, following a 2.1 percent drop the previous month. Inventories of automobiles have seen some of the largest drops, falling 2.0 percent in July and 2.1 percent in June. All major categories declined, however, with machinery inventories falling 1.5 percent and groceries falling 1.1 percent. The latter likely reflects, at least in part, price declines for a number of key grocery items. The drop in machinery is more significant and may reflect some progress at clearing out bloated inventories of construction machinery and heavy trucks.

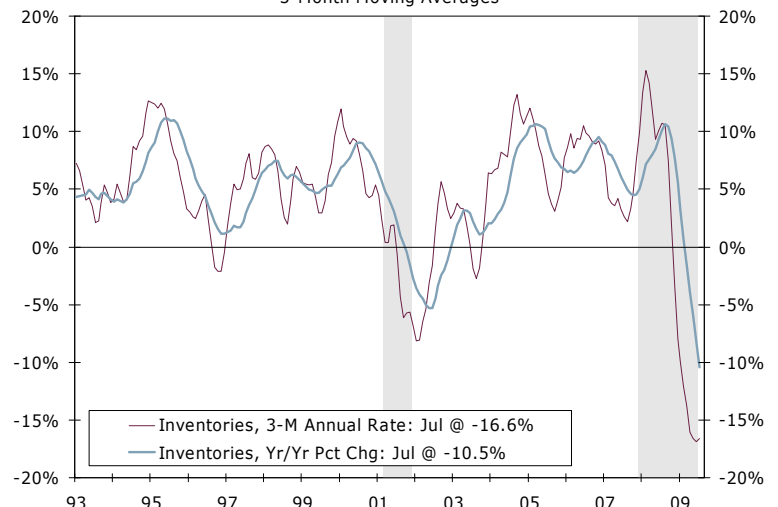
Consumer Sentiment Survey  
University of Michigan



Consumer Credit  
Change in Billions of Dollars



Wholesalers' Inventories  
3-Month Moving Averages



## Retail Sales • Tuesday

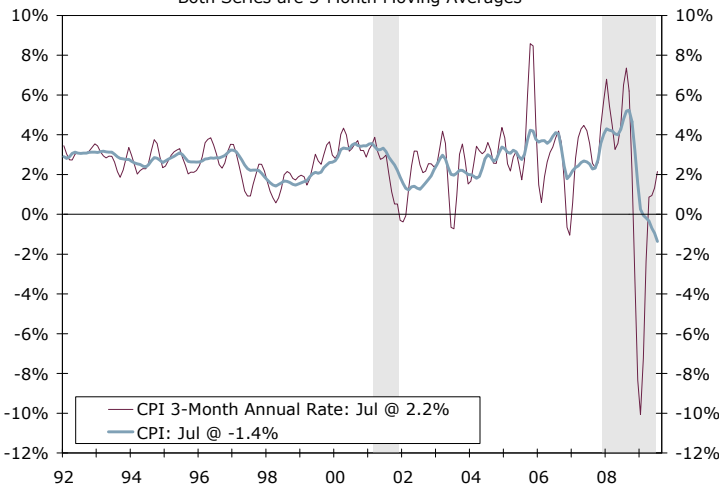
Advance retail sales fell 0.1 percent in July with “core” retail sales (excluding motor vehicles, gasoline and building materials) falling 0.2 percent, the fourth drop in the past five months. Cash-for-clunkers provided a significant boost in July, resulting in a 2.4 percent increase in sales at motor vehicle dealers. However the rise was not enough to offset declines spread across nearly every key sector. Retail sales in August will also likely get a considerable push from motor vehicle sales, but the spike will likely be hefty enough to push the headline up 2.0 percent. Manufacturer motor vehicle sales surged in August to a 14.1 million unit annual pace, the largest gain in three years. Early back-to-school sales, however, were lackluster in comparison to year ago levels as consumers continue to seek bargains. Same store sales were down 2.0 percent from a year ago with department stores taking the biggest hit.

**Previous: -0.1%**

**Wells Fargo: 2.0%**

**Consensus: 1.8%**

U.S. Consumer Price Index  
Both Series are 3-Month Moving Averages



## Industrial Production • Wednesday

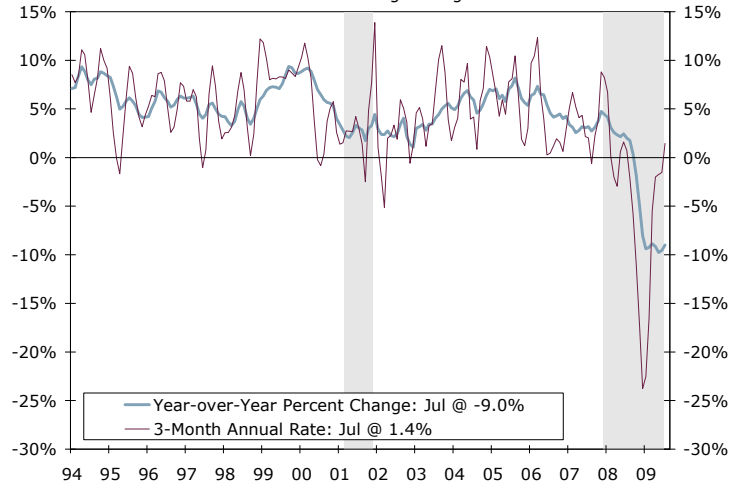
Industrial production likely rose 0.5 percent in August, the second consecutive monthly increase. The Chicago Business Barometer and the ISM manufacturing index saw substantial increases in August, with both indices surpassing the expansion/contraction threshold of 50. The headline ISM manufacturing index rose to 52.9 with new orders jumping 9.6 points to 64.9. New orders are typically a leading indicator for industrial production and support expectations for a gain. Much of the increase will come from motor vehicle and parts output due to the cash-for-clunkers trade-in program. The spike in motor vehicle production, however, will not be sustainable once the program expires. Capacity utilization, which peaked in 2006 at 81.2 percent, will likely increase to 69.1 percent remaining near historic lows. The abundance of production capacity means pricing power will remain minimal.

**Previous: 0.5%**

**Wells Fargo: 0.5%**

**Consensus: 0.7%**

Retail Sales  
3-Month Moving Average



## Consumer Price Index • Wednesday

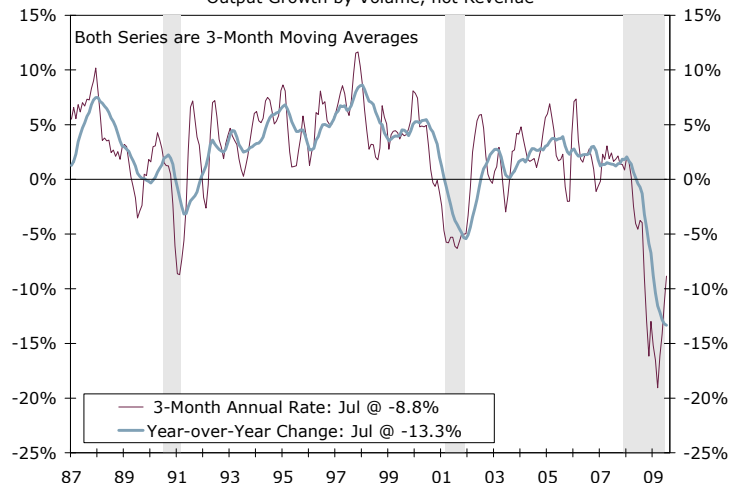
The Consumer Price Index (CPI) was unchanged in July with falling gasoline prices holding the headline number down. Energy prices were 28.1 percent below their year ago level, reflecting sharply lower prices for petroleum products. Lower energy prices also helped keep food prices in check in July. In August, however, crude oil prices rose modestly and are beginning to trade in a narrow range. Gasoline prices rose 3.8 percent in August to an average of \$2.63 per gallon. The rise in energy prices will likely push the headline number up 0.4 percent in August. Housing, which is roughly 43 percent of the index, should remain unchanged. Housing remains in oversupply across much of the country and rents on leases nearing expiration are much higher than current rates. As those leases roll over, we should see substantial further moderation in the key rental component over the next year or so. The core CPI, therefore, should continue to moderate well into next year.

**Previous: 0.0%**

**Wells Fargo: 0.4%**

**Consensus: 0.3%**

Total Industrial Production Growth  
Output Growth by Volume, not Revenue



## Global Review

### Swiss Economy Appears to be Turning the Corner

Like most of its neighbors in continental Europe, Switzerland has suffered through a year of recession (top chart). That said, the downturn in Switzerland has not been nearly as bad as in the Euro area. Whereas the Swiss economy has contracted about two percent, real GDP in the Euro-zone has plunged five percent.

Recently released data, however, suggest that things may be on the mend in Switzerland. As shown in the graph on the front page, the manufacturing PMI has risen sharply from its nadir earlier this year. In August, the PMI poked its head above 50, a level that is generally associated with expansion, for the first time in a year. The leading economic indicator for Switzerland is also consistent with stronger activity in the months ahead.

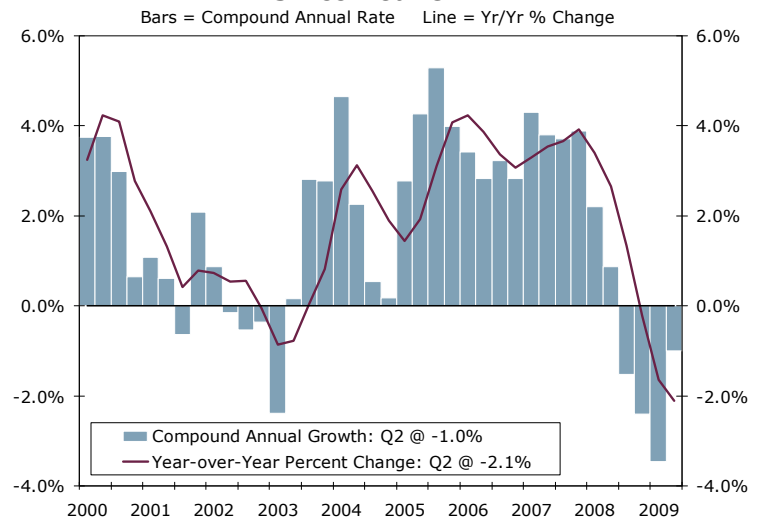
Why is the year-long recession easing? For starters, the external environment certainly is playing a role. At the time of the global meltdown last year exports were equivalent to nearly 60 percent of Swiss GDP, and Switzerland sends about 50 percent of her exports to the Euro area. Thus, the deep downturn that hit the Euro-zone last year imparted a major shock to the export-dependent Swiss economy. However, the incipient recovery that appears to be taking hold in the Euro-zone is now spilling over the Alps to Switzerland. Although the volume of exports in July was down about 15 percent on a year-ago basis, it appears that real exports are starting to grow on a sequential basis.

In addition, Swiss authorities did not sit by idly while the world was melting down around them. The government implemented a small fiscal stimulus package, recapitalized some important Swiss banks, and raised deposit insurance limits. The Swiss National Bank (SNB) slashed its target for the 3-month LIBOR rate from 2.75 percent last October to only 0.25 percent in March. Swiss LIBOR rates initially were elevated due to bank reluctance to lend to each other. However, as fears about the banking system have subsided, LIBOR rates have drifted lower with the 3-month LIBOR rate settling in around 0.30 percent. The stimulative policy environment may be helping to shore up the domestic economy. (Although retail spending has clearly weakened, retail sales growth turned positive again on a year-ago basis in June.)

Given the importance of international trade to the economy, Swiss authorities are very mindful about the value of the Swiss franc vis-à-vis other currencies. Indeed, the SNB intervened in currency markets earlier this year when the Swiss franc was appreciating. This week, the Swiss franc rose to its highest level against the greenback in more than a year (bottom chart). Does this mean that another round of intervention is imminent?

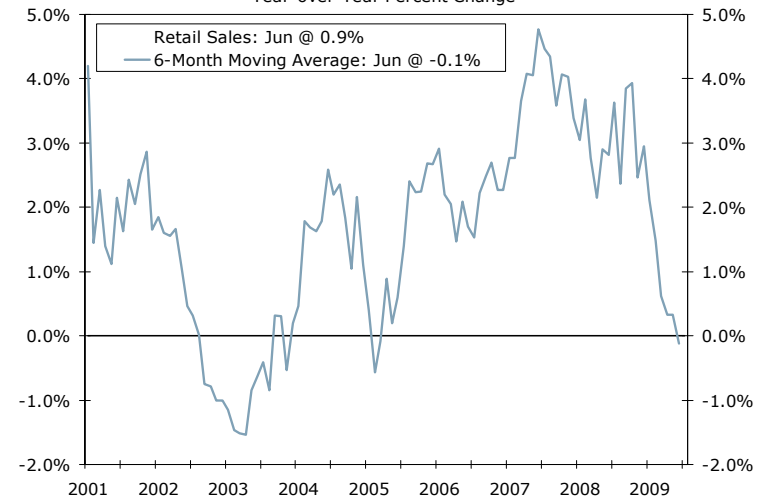
Due to extensive trade ties with the Euro-zone, the value of the franc versus euro is the most important bilateral exchange rate to Swiss authorities. In that regard, the franc is not nearly as strong versus the euro as it was when the SNB intervened earlier this year. Swiss authorities likely will tolerate appreciation against the greenback as long as it doesn't go hand-in-hand with franc strength versus the euro. If the SNB intervenes, however, the dollar probably would experience some temporary strength against the Swiss franc.

#### Swiss Real GDP



#### Swiss Retail Sales

Year-over-Year Percent Change



#### Swiss Exchange Rate

CHF per USD



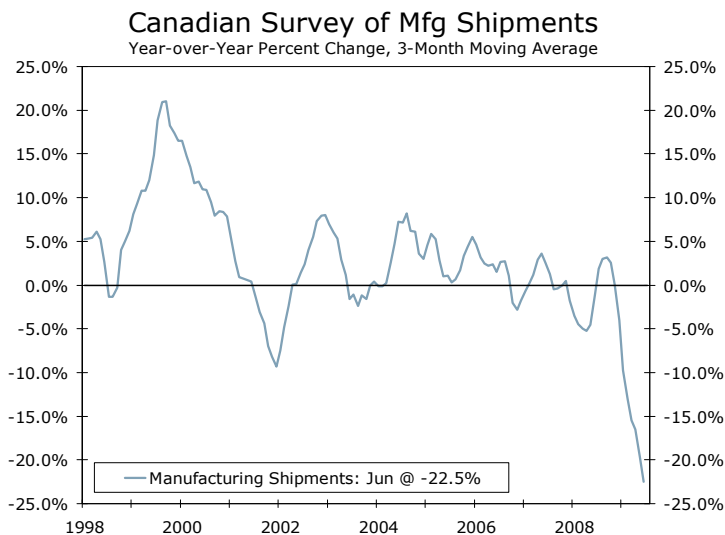
## Euro-zone Industrial Production • Monday

Industrial production (IP) in the Euro area tanked late last year and early this year in the wake of the global credit crunch. Although the purchasing managers' index has risen markedly since spring, industrial production remains depressed. Indeed, the consensus forecast anticipates that IP slumped 0.4 percent in July relative to the previous month. Unless the PMI has become totally useless as a signal, Euro-zone IP will begin to strengthen sooner or later. We would think sooner.

Speaking of stronger indicators, the ZEW index, which measures economic expectations among German institutional investors, will print on Tuesday. The index has soared since late last year, and the consensus expects another increase in September. Data for Italian industrial orders in July will be released on Friday.

**Previous: -0.6% (month-on-month change)**

**Consensus: -0.4%**



## British Retail Sales • Thursday

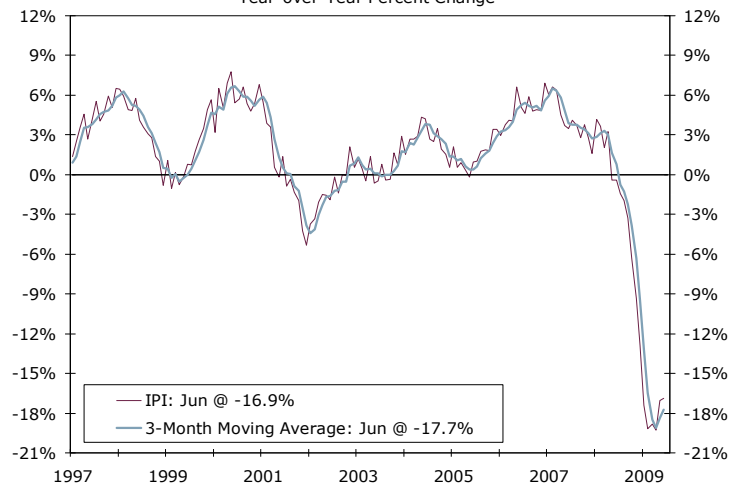
As in most advanced economies, growth in retail spending in the United Kingdom has slowed markedly over the past year. However, real retail sales have risen for two consecutive months, and most investors look for another increase in August when the data print on Thursday. The rebound in consumer spending is one reason why the British economy appears to be growing again.

Despite recent signs of a turnaround in the U.K. economy, it probably is too early to expect stabilization in the labor market. Indeed, the consensus forecast looks for an increase in the unemployment rate from 7.8 percent in June to 8.0 percent in July. (Data will be released on Wednesday.) Data on consumer prices in August are slated for release on Tuesday, but the global slump has caused inflation data to lose some of its importance to investors.

**Previous: 0.4% (month-on-month change)**

**Consensus: 0.4%**

**Euro-zone Industrial Production Index**  
Year-over-Year Percent Change



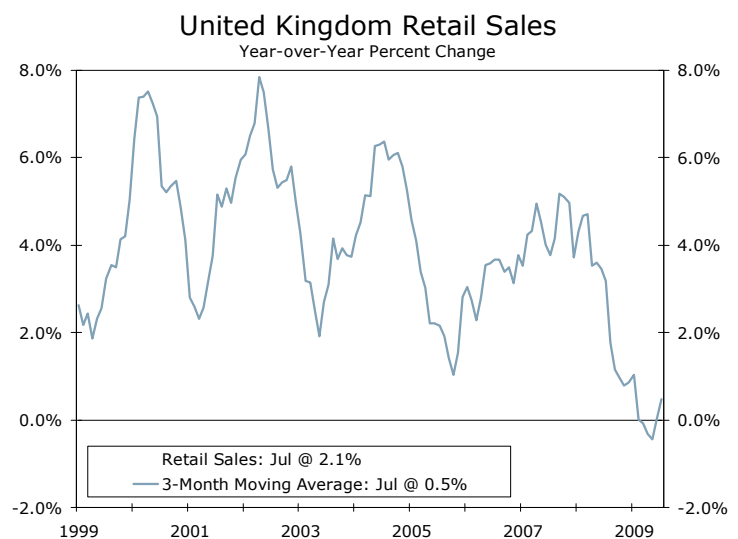
## Canadian Manufacturing Sales • Wed.

The health of the Canadian manufacturing sector is dependent on exports. When the financial crisis intensified in the fall of last year exacerbating the global recession, manufacturing activity fell off a cliff. In recent months, however, as global trade has come back on line and government incentives like the U.S. cash-for-clunkers program have helped stimulate foreign demand, Canadian manufacturing activity has shown signs of recovery. June factory sales jumped 1.9 percent led by gains in the aerospace industry as well as price related jumps in petroleum and coal products. We will get a sense how the recovery is progressing when Statistics Canada releases its report on factory sales on Wednesday.

Also due out next week in Canada is the latest reading on CPI inflation. The recent run up in oil prices may be cause a gain in the headline index, but core CPI will likely be muted.

**Previous: 1.9%**

**Consensus: N/A**





## Interest Rate Watch

### Walk, Don't Run, to the Exit

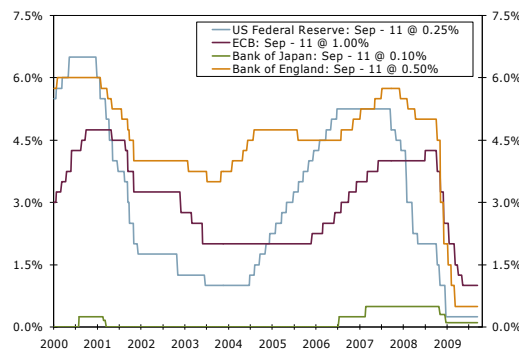
Our latest monthly outlook continues the view that the Fed will remain on hold through the first half of next year. Core inflation, as measured by the personal consumption deflator, is expected to remain below the Fed's perceived 2 percent growth rate while the unemployment rate is expected to remain high. Historically, the Fed has not raised the funds rate until after the unemployment rate has peaked, which is not apparent yet. In contrast, we expect long-term Treasury rates to drift upward as the Fed executes its exit strategy because of diminishing demand for Treasury bonds while supply continues to rise. With core inflation remaining below the 2 percent ceiling, the Fed has free reign to focus on providing liquidity to assist with the economic recovery and the improvement of bank balance sheets. In this context, there is no rush to the exits.

The risks remain on the upside. Capital markets are forward looking and as such the risks are higher inflation, a more cautious Fed and a less cautious Obama Administration. Inflation, with 10-year Treasury bonds at 3.29 percent, does not need Jimmy Carter-type inflation numbers in order to wipe out any real returns.

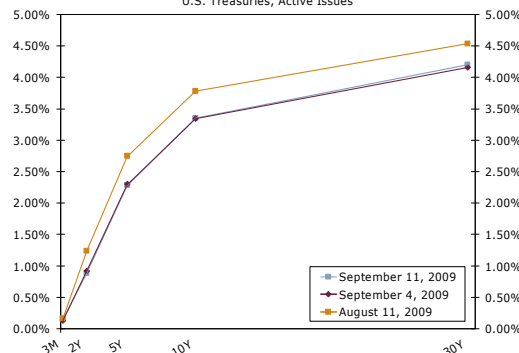
A more cautious Fed is likely to drag its heels in removing support to the capital markets. Any exit strategy would reduce liquidity and likely introduce increased volatility of capital market returns. How aggressive will the Fed pursue its exit strategy as the unemployment rate remains high?

A less cautious Obama administration could up the ante in federal spending to secure a string of economic recovery to win the mid-term 2010 elections. Global investors will likely turn increasingly skittish about both Treasury issuance and the dollar. In this scenario, the upward pressure on Treasury yields will likely be amplified. We remain quite cautious on the Fed/Treasury being able to navigate successful exit strategies that will keep interest rates low. Higher interest rates, a depreciating dollar and higher inflation remain significant risks—if not the best case—yet.

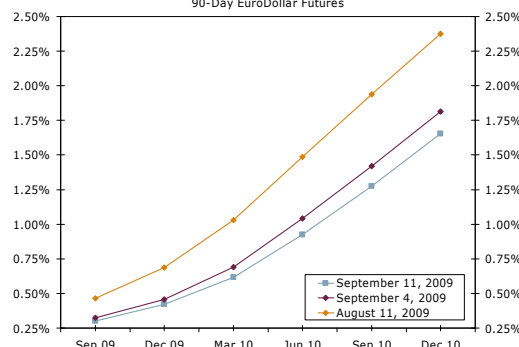
Central Bank Policy Rates



Yield Curve  
U.S. Treasuries, Active Issues



Forward Rates  
90-Day EuroDollar Futures



## Consumer Credit Insights

### Rebalancing the Household Portfolio

This week's consumer credit release reinforced the view that the household sector is rebalancing its portfolio by reducing the use of credit, increasing its saving and focusing on rebuilding wealth over the long-term. Consumer credit fell over \$21 billion in July with declines in both revolving and non-revolving credit categories. Households are reducing their unpaid credit card balances, a part of revolving credit, to decrease high-interest expense debt. Non-revolving credit, which includes auto loans, surprisingly fell in a period when cash-for-clunkers was reputed to include a large portion of debt financing. As a note, consumer credit data do not include real estate loans or auto leases.

Our outlook is for a pick-up in consumer spending in the third quarter which indeed appears to be in place. Yet these gains in spending are being driven by increases in Federal transfer payments which raise income today and are quickly being put to work without the assistance of greater credit usage. Going forward, the pace of sustainable long-term economic growth will be driven by the rebalancing of the consumer portfolio, a difficult transition. For the last 30 years, consumer credit has become increasingly available to a broader percentage of the population on easier terms. Both of these will be reversed. This suggests that prices will remain lower for a longer period than prior economic recoveries. This will have pervasive and unanticipated effects on the U.S. economy.

## Mortgage Data

|                         | Current | Week Ago | 4 Weeks Ago | Year Ago |
|-------------------------|---------|----------|-------------|----------|
| <b>Mortgage Rates</b>   |         |          |             |          |
| 30-Yr Fixed             | 5.07%   | 5.08%    | 5.29%       | 5.93%    |
| 15-Yr Fixed             | 4.50%   | 4.54%    | 4.68%       | 5.54%    |
| 5/1 ARM                 | 4.51%   | 4.59%    | 4.75%       | 5.87%    |
| 1-Yr ARM                | 4.64%   | 4.62%    | 4.72%       | 5.21%    |
| <b>MBA Applications</b> |         |          |             |          |
| Composite               | 648.3   | 554.1    | 499.0       | 496.2    |
| Purchase                | 304.1   | 277.6    | 267.2       | 371.5    |
| Refinance               | 2,651.2 | 2,164.1  | 1,853.8     | 1,222.9  |

Source: Freddie Mac, Mortgage Bankers Association and Wells Fargo Securities, LLC

## Topic of the Week

### Deepest Global Recession in Decades Ending?

The heady days of 2004-2007, when global GDP growth averaged about five percent per annum, seem like a distant memory now. Global economic activity went into absolute freefall in the fourth quarter of 2008 as credit markets froze up, and the sharp downturn in major economies extended into the first part of this year. Industrial production in the OECD countries (i.e., the thirty most developed economies in the world) plunged 17 percent in the first quarter of 2009, by far the sharpest year-over-year rate of contraction in decades.

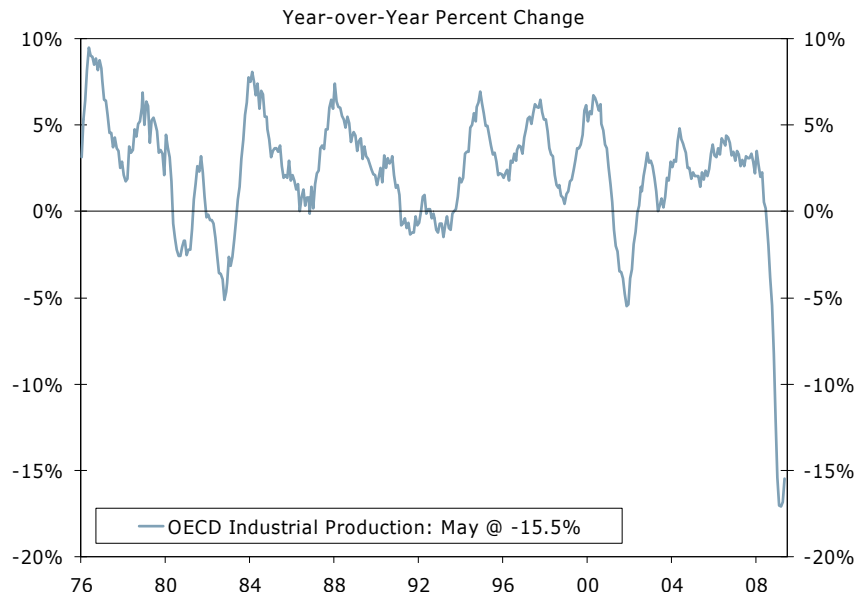
Most major countries averted a catastrophe last year by taking steps to prevent a wholesale collapse of their financial systems via recapitalization, loan guarantees and increased deposit insurance. In addition, governments responded to the crisis with stimulative economic policies. Major central banks slashed policy rates to unprecedented levels, and governments in most major countries opened the fiscal taps.

There are signs that the medicine is having its desired effects. The global recovery is being led by Asia where growth turned positive again earlier this year. The financial systems of most Asian economies were not nearly as levered as their western counterparts, so banks in the region were able to ramp up lending again. There is also solid evidence to suggest that Canada, the United States and most economies in Western Europe have stabilized, and most western economies should post positive growth rates over the next few quarters.

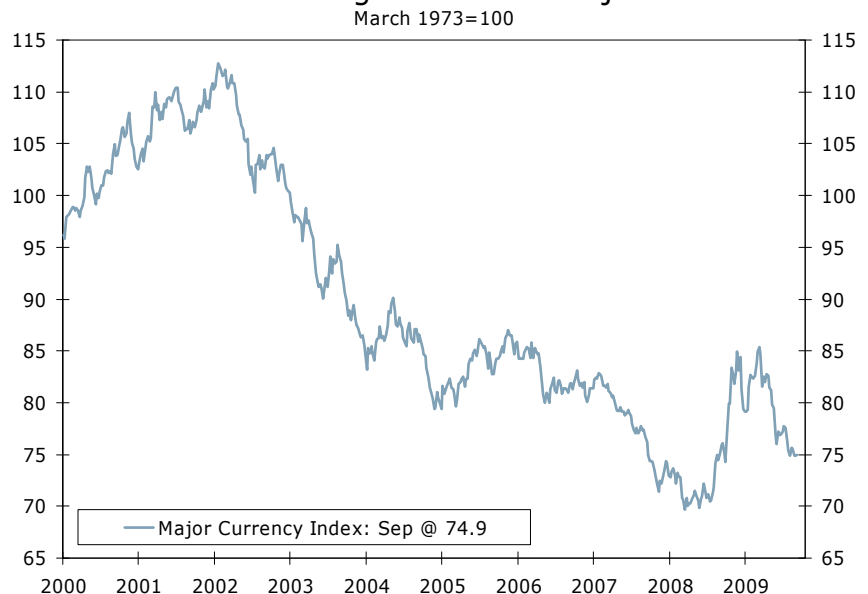
On a purchasing power parity basis, we forecast global GDP will decline about one percent in 2009. Although our projection may not sound “bad,” global GDP has never contracted, at least not since the International Monetary Fund began calculating the series in 1970. We project that the global economy will grow close to its long-run average of 3.6 percent in 2010 before accelerating to roughly four percent in 2011.

For the full report, please see the “Global Chartbook: September 2009” on our website.

### OECD Industrial Production



### U.S. Trade Weighted Dollar Major Index



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## Market Data ♦ Mid-Day Friday

## U.S. Interest Rates

|                  | Friday<br>9/11/2009 | 1 Week<br>Ago | 1 Year<br>Ago |
|------------------|---------------------|---------------|---------------|
| 3-Month T-Bill   | 0.13                | 0.13          | 1.61          |
| 3-Month LIBOR    | 0.30                | 0.31          | 2.82          |
| 1-Year Treasury  | 0.30                | 0.29          | 1.81          |
| 2-Year Treasury  | 0.86                | 0.93          | 2.22          |
| 5-Year Treasury  | 2.25                | 2.35          | 2.92          |
| 10-Year Treasury | 3.29                | 3.44          | 3.64          |
| 30-Year Treasury | 4.11                | 4.27          | 4.22          |
| Bond Buyer Index | 4.33                | 4.37          | 4.54          |

## Foreign Exchange Rates

|                              | Friday<br>9/11/2009 | 1 Week<br>Ago | 1 Year<br>Ago |
|------------------------------|---------------------|---------------|---------------|
| Euro (\$/€)                  | 1.458               | 1.430         | 1.400         |
| British Pound (\$/£)         | 1.668               | 1.639         | 1.758         |
| British Pound (£/€)          | 0.874               | 0.872         | 0.796         |
| Japanese Yen (¥/\$)          | 90.417              | 93.010        | 107.165       |
| Canadian Dollar (C\$/ \$)    | 1.077               | 1.090         | 1.075         |
| Swiss Franc (CHF/\$)         | 1.038               | 1.061         | 1.138         |
| Australian Dollar (US\$/A\$) | 0.864               | 0.851         | 0.807         |
| Mexican Peso (MXN/\$)        | 13.374              | 13.363        | 10.612        |
| Chinese Yuan (CNY/\$)        | 6.829               | 6.830         | 6.846         |
| Indian Rupee (INR/\$)        | 48.485              | 48.892        | 45.555        |
| Brazilian Real (BRL/\$)      | 1.814               | 1.844         | 1.812         |
| U.S. Dollar Index            | 76.667              | 78.465        | 80.146        |

## Foreign Interest Rates

|                        | Friday<br>9/11/2009 | 1 Week<br>Ago | 1 Year<br>Ago |
|------------------------|---------------------|---------------|---------------|
| 3-Month Euro LIBOR     | 0.73                | 0.76          | 4.95          |
| 3-Month Sterling LIBOR | 0.63                | 0.67          | 5.71          |
| 3-Month Canadian LIBOR | 0.50                | 0.50          | 3.49          |
| 3-Month Yen LIBOR      | 0.36                | 0.38          | 0.89          |
| 2-Year German          | 1.20                | 1.09          | 4.00          |
| 2-Year U.K.            | 0.89                | 0.91          | 4.42          |
| 2-Year Canadian        | 1.19                | 1.25          | 2.73          |
| 2-Year Japanese        | 0.22                | 0.24          | 0.75          |
| 10-Year German         | 3.23                | 3.24          | 4.08          |
| 10-Year U.K.           | 3.61                | 3.62          | 4.45          |
| 10-Year Canadian       | 3.31                | 3.34          | 3.49          |
| 10-Year Japanese       | 1.31                | 1.33          | 1.51          |

## Commodity Prices

|                             | Friday<br>9/11/2009 | 1 Week<br>Ago | 1 Year<br>Ago |
|-----------------------------|---------------------|---------------|---------------|
| WTI Crude (\$/Barrel)       | 69.44               | 67.96         | 100.87        |
| Gold (\$/Ounce)             | 1003.80             | 994.40        | 746.47        |
| Hot-Rolled Steel (\$/S.Ton) | 555.00              | 465.00        | 940.00        |
| Copper (¢/Pound)            | 282.95              | 284.35        | 313.45        |
| Soybeans (\$/Bushel)        | 9.56                | 10.21         | 11.73         |
| Natural Gas (\$/MMBTU)      | 3.09                | 2.51          | 7.25          |
| Nickel (\$/Metric Ton)      | 17,160              | 18,192        | 18,431        |
| CRB Spot Inds.              | 453.60              | 446.46        | 457.98        |

## Next Week's Economic Calendar

|             | Monday<br>14   | Tuesday<br>15  | Wednesday<br>16   | Thursday<br>17  | Friday<br>18 |
|-------------|--|--|---|---|--------------|
| U.S. Data   |  | <b>Retail Sales</b><br>July -0.1%<br>August 2.0% (W)<br><b>PPI</b><br>July -0.9%<br>August 0.7% (W)<br><b>Business Inventories</b><br>June -1.1%<br>July -0.8% (W) | <b>CPI</b><br>July 0.0%<br>August 0.4% (W)<br><b>Industrial Production</b><br>July 0.5%<br>August 0.5% (W)<br><b>Current Account Balance</b><br>Q1 -\$101.5B<br>Q2 -\$93.0B (W) | <b>Housing Starts</b><br>July 581K<br>August 600K (W)     |              |
| Global Data | <b>Euro-zone</b><br><b>Indus. Production (MoM)</b><br>Previous (Jun) -0.6% | <b>Germany</b><br><b>ZEW Index</b><br>Previous (Aug) 56.1<br><b>UK</b><br><b>CPI (YoY)</b><br>Previous (Jul) 1.8%  | <b>Canada</b><br><b>Mfg Sales (MoM)</b><br>Previous (Jun) 1.9%<br><b>UK</b><br><b>ILO Unemployment Rate</b><br>Previous (Jun) 7.8%  | <b>Canada</b><br><b>CPI (YoY)</b><br>Previous (Jul) -0.9% |              |

Note: (W) = Wells Fargo Estimate (c) = Consensus Estimate



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