

Economics Group

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Leading Economic Index Grinds Higher; More Slow Growth

The Leading Economic Index (LEI) rose 0.2 percent in October, signaling slow growth in the final quarter of 2012. Boosts from the interest rate spread and the credit index offset drags in housing and the factory sector.

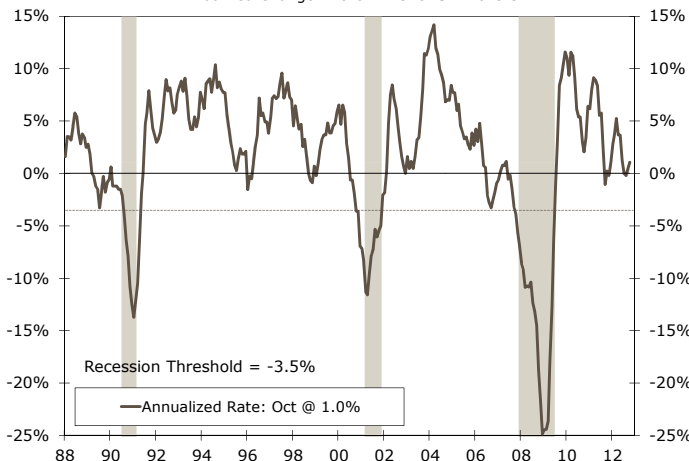
Slow Growth Underpinned Partly by Fed Policy

- The six-month annualized rate of change in the LEI has weakened since the start of the year, but remains well above the negative 3.5 percent rate which often signals recession.
- Can we still call Fed policy “extraordinarily accommodative” when the FOMC has kept rates close to zero percent for four years? The spread between the 10-year Treasury and the fed funds rate boosted the LEI for the 57th month in a row.

A Look at Underlying Components

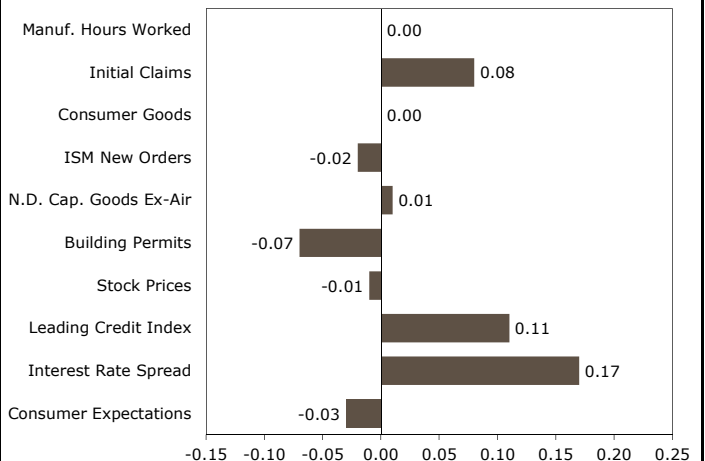
- After the interest rate spread, the next largest contribution was the Leading Credit Index, followed by first-time claims for unemployment insurance. As fewer people file for jobless benefits, this component pushes LEI higher.
- After surging in September, building permits fell back in October, pulling down the headline. Consumer expectations and new manufacturing orders were also a modest drag.

Leading Economic Index
Annualized Change In the LEI Over Six Months

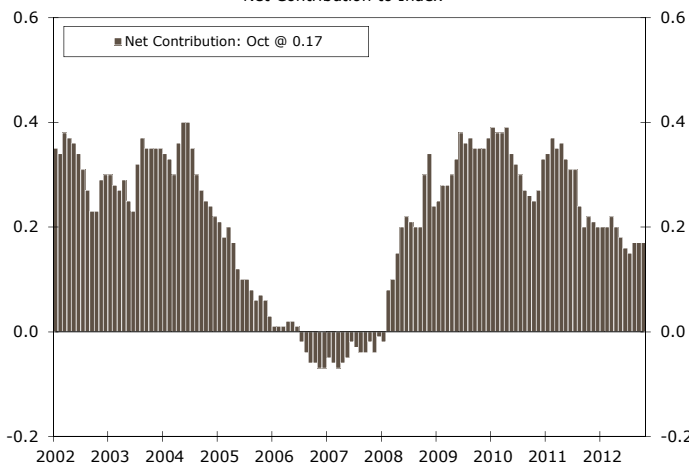


Net Contribution to Leading Economic Index

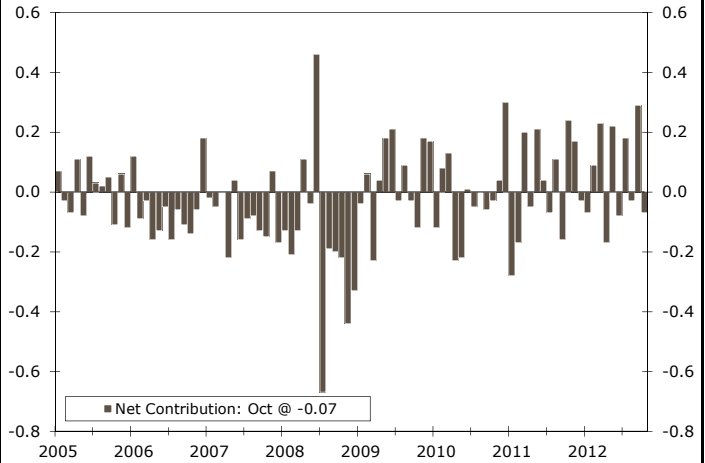
October 2012



10-Year Treasury less Federal Funds Rate
Net Contribution to Index



Building Permits
Net Contribution to Index



Source: The Conference Board and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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