

Economics Group

Weekly Economic & Financial Commentary

U.S. Review

Post-Election Roundup

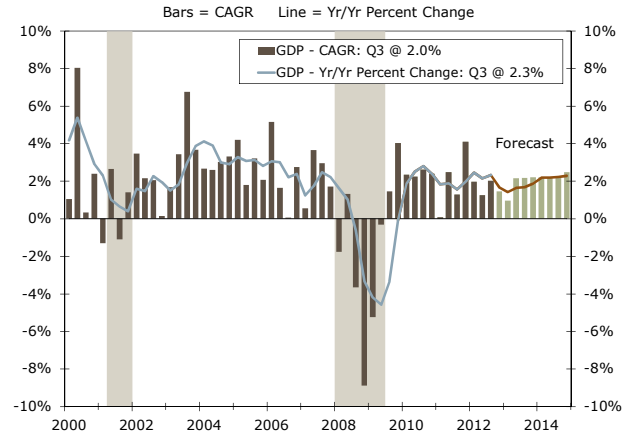
- The election results are in, and with no change to who holds the White House, Senate and House of Representatives, our outlook for growth remains largely unchanged. We look for real GDP growth to remain subpar over the next few quarters as attention heightens as to how and when the fiscal cliff will be addressed.
- Economic data released this week were broadly positive. The trade deficit narrowed more than expected in September and will now positively contribute to third quarter GDP. The service sector continues to hum along, with the ISM non-manufacturing index printing 54.2.

Global Review

German Growth Appears to Have Slowed Sharply

- Recent data show that growth in Germany has slowed sharply over the past few months. Weakness in foreign economies has weighed on German export growth recently, and there are signs that domestic demand is beginning to soften.
- As expected, the ECB maintained its main policy rate at 0.75 percent this week. However, if the German economy continues to weaken, the ECB may be forced, at some point over the next few months, to consider another rate cut.

U.S. Real GDP



German Production Indicators



Wells Fargo U.S. Economic Forecast

| | Actual | | | | Forecast | | | | Actual | | Forecast | | | |
|---|--------|------|------|------|----------|------|------|------|--------|------|----------|------|------|--|
| | 2012 | | | | 2013 | | | | 2010 | 2011 | 2012 | 2013 | 2014 | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | | | |
| Real Gross Domestic Product ¹ | 2.0 | 1.3 | 2.0 | 1.4 | 1.0 | 2.1 | 2.2 | 2.2 | 2.4 | 1.8 | 2.1 | 1.6 | 2.2 | |
| Personal Consumption | 2.4 | 1.5 | 2.0 | 2.4 | 0.6 | 1.2 | 1.4 | 1.3 | 1.8 | 2.5 | 1.9 | 1.4 | 1.3 | |
| Inflation Indicators ² | | | | | | | | | | | | | | |
| PCE Deflator | 2.4 | 1.6 | 1.5 | 1.8 | 1.5 | 1.7 | 1.6 | 1.5 | 1.9 | 2.4 | 1.8 | 1.6 | 1.9 | |
| Consumer Price Index | 2.8 | 1.9 | 1.7 | 2.3 | 2.2 | 2.7 | 2.7 | 2.3 | 1.6 | 3.1 | 2.2 | 2.5 | 2.2 | |
| Industrial Production ¹ | 5.9 | 2.6 | -0.4 | 0.5 | 0.7 | 3.5 | 4.1 | 4.1 | 5.4 | 4.1 | 3.6 | 1.8 | 3.8 | |
| Corporate Profits Before Taxes ² | 10.3 | 6.7 | 5.7 | 5.3 | 4.8 | 5.2 | 5.7 | 6.3 | 26.8 | 7.3 | 6.9 | 5.5 | 7.0 | |
| Trade Weighted Dollar Index ³ | 72.7 | 74.5 | 72.7 | 73.0 | 74.0 | 75.0 | 76.0 | 77.0 | 75.4 | 70.9 | 73.2 | 75.5 | 74.5 | |
| Unemployment Rate | 8.3 | 8.2 | 8.1 | 7.8 | 7.7 | 7.8 | 7.9 | 7.9 | 9.6 | 9.0 | 8.1 | 7.8 | 7.7 | |
| Housing Starts ⁴ | 0.71 | 0.74 | 0.79 | 0.84 | 0.90 | 0.96 | 1.02 | 1.08 | 0.59 | 0.61 | 0.77 | 0.99 | 1.17 | |
| Quarter-End Interest Rates ⁵ | | | | | | | | | | | | | | |
| Federal Funds Target Rate | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | |
| Conventional Mortgage Rate | 3.95 | 3.68 | 3.50 | 3.40 | 3.40 | 3.40 | 3.45 | 3.50 | 4.69 | 4.46 | 3.63 | 3.44 | 3.80 | |
| 10 Year Note | 2.23 | 1.67 | 1.65 | 1.70 | 1.70 | 1.80 | 1.85 | 1.90 | 3.22 | 2.78 | 1.81 | 1.81 | 2.15 | |

Forecast as of: November 8, 2012

¹ Compound Annual Growth Rate Quarter-over-Quarter

² Year-over-Year Percentage Change

³ Federal Reserve Major Currency Index, 1973=100 - Quarter End

⁴ Millions of Units

⁵ Annual Numbers Represent Averages

Source: U.S. Department of Commerce, U.S. Department of Labor, Federal Reserve Board, IHS Global Insight and Wells Fargo Securities, LLC

Inside

| | |
|-------------------|---|
| U.S. Review | 2 |
| U.S. Outlook | 3 |
| Global Review | 4 |
| Global Outlook | 5 |
| Point of View | 6 |
| Topic of the Week | 7 |
| Market Data | 8 |

Together we'll go far



U.S. Review

The Election Is in the Rearview Mirror, but Now What?

The 2012 election is now in the books, which provides a bit more clarity on how some of the economic issues facing the country may play out. Most pressing is the fast-approaching fiscal cliff, which we discuss in detail in our Topic of the Week section. Tuesday's results also shored up the chance that Fed Chairman Ben Bernanke will finish out his term, set to end in Jan. 2014, and not be replaced with a more hawkish chairman. This suggests that monetary policy will stay on its extremely accommodative course, even if the economy strengthens at a faster pace than currently anticipated.

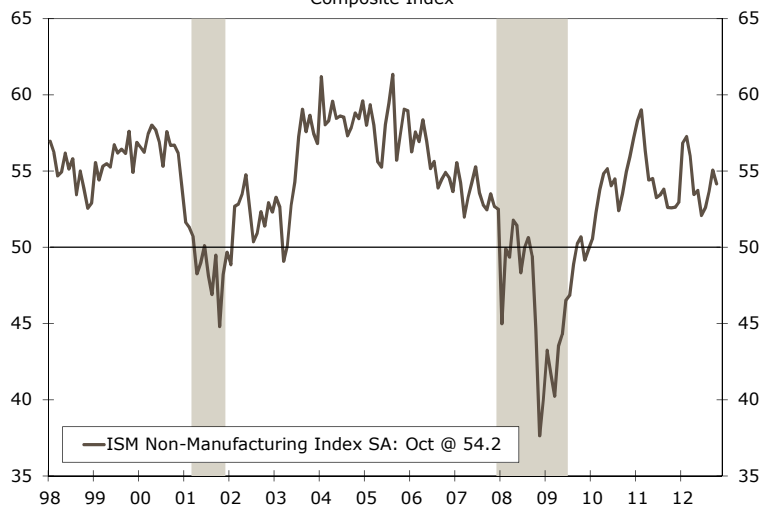
For those over-saturated with the election coverage, there was little economic data out this week to provide a change of subject. However, the data that were released was generally positive. The ISM non-manufacturing index showed that the service sector continues to expand at a moderate rate. The index slipped to 54.2 in October from 55.1, but remains above its August mark. Steady gains in the service sector have offset weakness in the manufacturing sector and have supported our outlook for continued modest growth in the fourth quarter.

The international trade report for September came in better than expected. Not only was the August deficit revised lower, but the September deficit narrowed 5.1 percent when markets expected it to widen. The better print was largely driven by stronger export growth; exports jumped \$5.6 billion over the month. Imports also rose in September, but to a lesser extent. Total imports rose \$3.4 billion, boosted by an unusually large \$1.5 billion jump in cell phone imports thanks to the iPhone 5 release. The September trade report should give a boost to third quarter GDP, all else held equal. The Bureau of Economic Analysis originally estimated a widening of the deficit over the period, but the most recent report shows a narrowing of the trade deficit that would equate to a 0.5 percentage point increase in GDP for the third quarter.

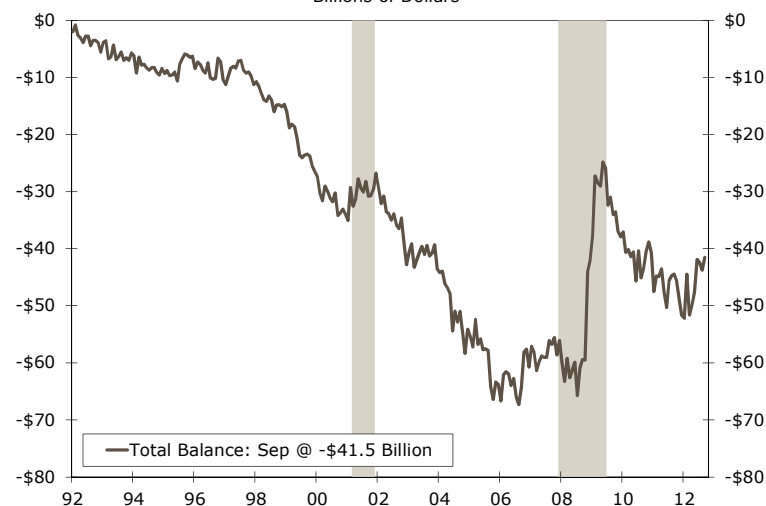
For the labor market, jobless claims looked slightly better on the surface, but are being distorted by the early effects of Hurricane Sandy. The extent of the damage caused by the storm led to some offices being closed for the reporting period and left some claimants unable to file online given the widespread power outages and more pressing matters to attend to. On the flip side, some areas hit by Sandy reported seeing a small pickup in claims due to the storm. Jobless claims over the next few weeks will likely rise as storm-related claims trickle in, leaving claims stuck around the 375,000-mark.

Data from the Job Openings and Labor Turnover Survey showed fewer job openings in September, which indicates that recent strength in the payroll numbers may wane somewhat. The hiring rate—the number of new hires relative to the number of jobs in the economy—fell back to 3.1 percent, the lowest reading since July 2011 when the contentious debt-ceiling debate was at its height. As the fiscal cliff approaches, businesses may once again press the pause button on hiring until they are certain a deal is struck that would avert the roughly 4 percent hit to GDP in 2013 set to take effect under current law.

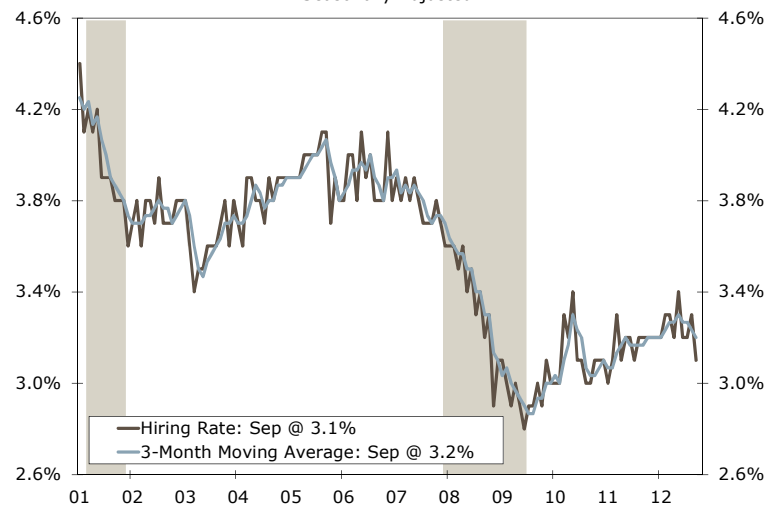
ISM Non-Manufacturing
Composite Index



Trade Balance in Goods and Services
Billions of Dollars



U.S. Hiring Rate
Seasonally Adjusted



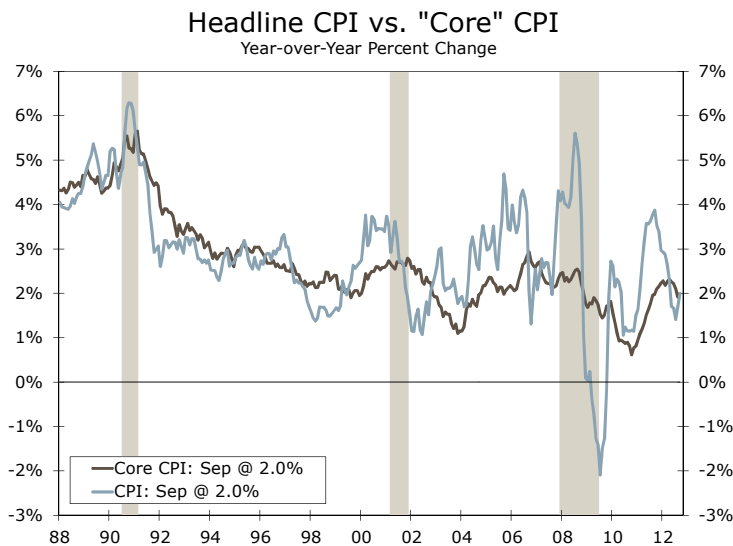
Source: Institute for Supply Management, U.S. Dept. of Commerce, U.S. Dept. of Labor and Wells Fargo Securities, LLC

Retail Sales • Wednesday

Sales at retail and food services expanded for the third straight month in September, rising 1.1 percent. Given weak job and income growth, the recent strength in retail sales is perplexing. Part of the increase can be explained by inflation pressures which were muted in the summer months, as retail sales are reported in nominal terms. In addition, consumers have been feeling more confident as the stock market improved through early fall, and payroll numbers have been larger than expectations. Sales in September were supported by solid gains at electronics, automobiles and non-store retailers. Core retail sales, which strips out auto sales, building materials and gasoline station sales rose 0.9 percent for the month, suggesting an underlying strength in the consumer. We suspect weaker retail sales in October, as auto sales have weakened and gasoline prices have continued to trend down. Moreover, Hurricane Sandy likely disrupted sales across sectors.

Previous: 1.1% (Month over Month) Wells Fargo: -0.2%

Consensus: -0.2%



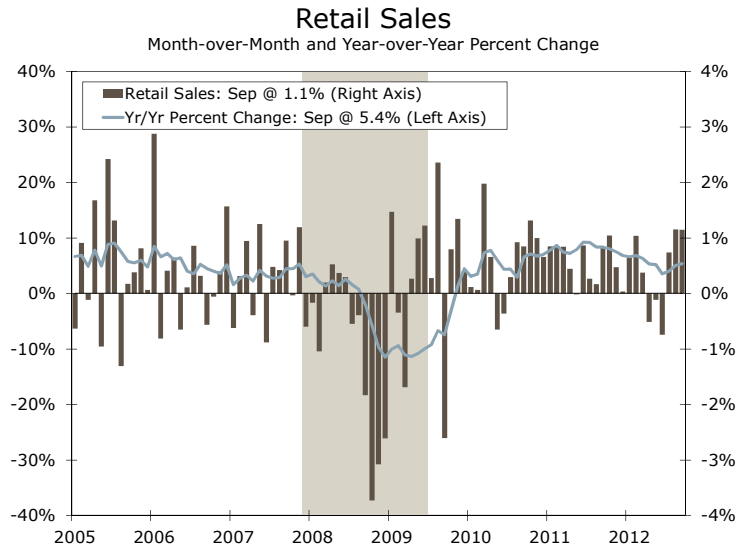
Industrial Production • Friday

After plunging 1.4 percent in August, industrial production bounced back slightly in September, growing 0.4 percent on the month. Manufacturing in the United States continues to be lackluster, as the greatest increases in last month's report were in the non-manufacturing industrial sector. Utilities output increased 1.5 percent due, in part, to a warm September. Despite payback from August's outsized decline of 4.3 percent, utilities production has shown consistent strength over the past couple of months.

Given the weakness we have seen in regional manufacturing surveys, notably in the new orders components, we expect production to remain relatively muted in the coming months. We expect industrial production to decline slightly in October, falling 0.1 percent, and to grow at a 0.5 percent annual pace in Q4. We expect industrial production to grow 3.6 percent in 2012, before slowing to 1.8 percent in 2013.

Previous: 0.4% (Month over Month) Wells Fargo: 0.1%

Consensus: 0.2%

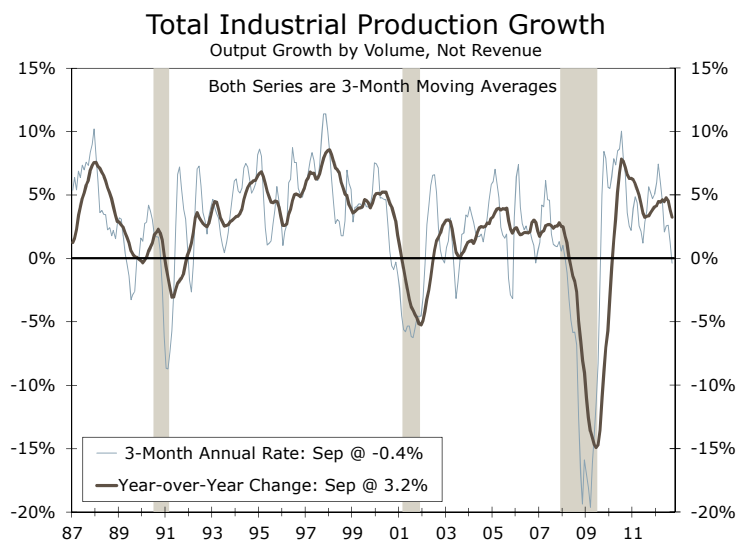


Consumer Price Index • Thursday

Headline consumer prices increased 0.6 percent in September, matching the price increase in August. Higher energy prices continue to be driving the CPI index, rising 4.5 percent in September. Much of the strength in energy remains in fuel prices, which were up 7.0 percent in September. However, retail gasoline prices declined more than 7 percent in October and therefore should take some pressure off inflation. Headline and core consumer price inflation are 2.0 percent above year-ago levels, and while we expect headline inflation to pick up through the end of this year and into 2013 as the drought pressures food prices, soft demand and ample economic slack should restrain commodity price pass through. We expect headline consumer prices to rise 0.1 percent in October, and prices to average about 2.3 percent year over year in the fourth quarter. We look for core CPI to climb 0.2 percent on the month.

Previous: 0.6% (Month over Month) Wells Fargo: 0.1%

Consensus: 0.1%



Source: U.S. Department of Commerce, U.S. Department of Labor, The Federal Reserve Board and Wells Fargo Securities, LLC

Global Review

German Growth Appears to Have Slowed Sharply

Recent data suggest that the German economy ended the third quarter on a soft note, giving it little momentum into the current quarter. Following the 0.4 percent decline in German industrial production (IP) in August, IP fell another 1.8 percent in September. Although strong growth in June kept the average for third quarter above the average for the second quarter, the weak end to the quarter means that IP growth in the fourth quarter will likely be negative.

We might be inclined to be more optimistic about the fourth quarter if orders, which obviously precede production, were strong. However, German factory orders have weakened significantly in recent months, pointing to further declines in production growth in the months ahead (see graph on page 1). The decline in the Ifo index of German business sentiment to a 32-month low in October is consistent with further weakness in IP growth in the near term (top chart).

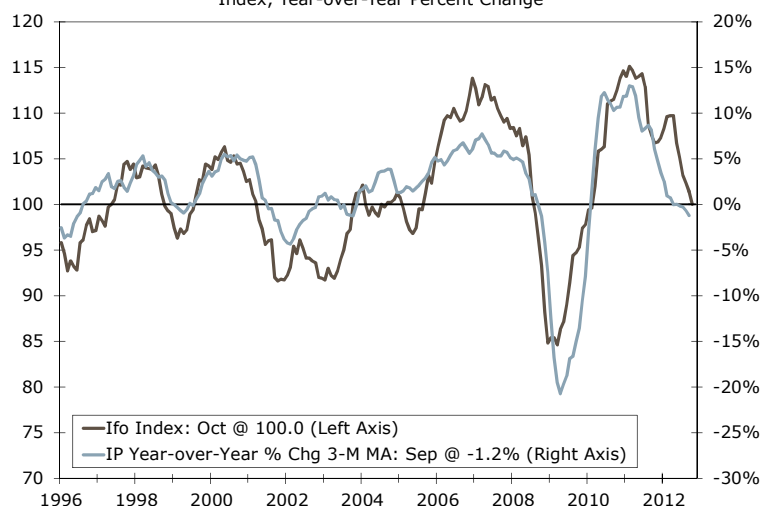
It appears that Germany may be starting to feel the side effects of weak growth in the rest of the world. German exports have remained remarkably resilient this year. However, the value of German exports dropped 2.5 percent in September relative to the previous month. One month does not necessarily make a trend. However, it would be surprising if German export growth does not weaken further in the months ahead due to economic downturns in many European countries. Survey data show that German producers judge their export order books to be at their lowest levels in more than two years.

There are indications that domestic demand is softening as well. Real retail sales fell 0.4 percent (not annualized) in the third quarter relative to the previous quarter, and car registrations have also weakened. The service sector PMI in Germany has slipped below the demarcation line separating expansion from contraction. Although unemployment remains near its lowest rate in decades, it has edged up over the past two months, indicating that the labor market may be starting to weaken.

Therefore, there will be much attention paid to the German GDP data for the third quarter that will be released on Nov. 15. Although growth likely remained positive in the third quarter, the outlook for the fourth quarter is not looking as sanguine.

As widely expected, the European Central Bank maintained its main policy rate at 0.75 percent at its policy meeting this week (bottom chart). Although there are some countries within the euro area that are experiencing painful recessions or outright depressions at present, the ECB Governing Council has argued that further rate cuts would not be appropriate as long as the growth outlook in the overall Eurozone was reasonably credible. In that regard, as long as Germany and France, which together account for one half of Eurozone GDP, continue to grow, then further rate cuts would not be appropriate. The French economy has largely stalled and, as described above, the German economy appears to be weakening. The ECB may be forced in the months ahead to reconsider the appropriateness of another rate cut.

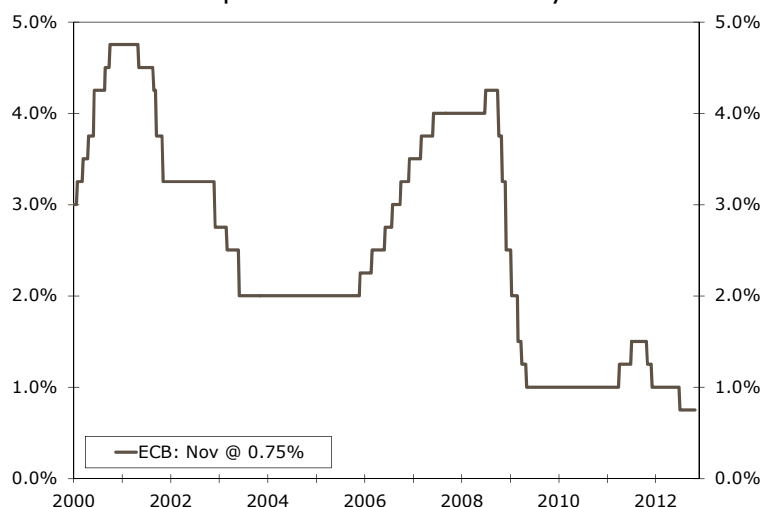
German Production Indicators
Index, Year-over-Year Percent Change



German Unemployment Rate
Seasonally Adjusted



European Central Bank Policy Rate



Source: Bloomberg LP, IHS Global Insight and Wells Fargo Securities, LLC

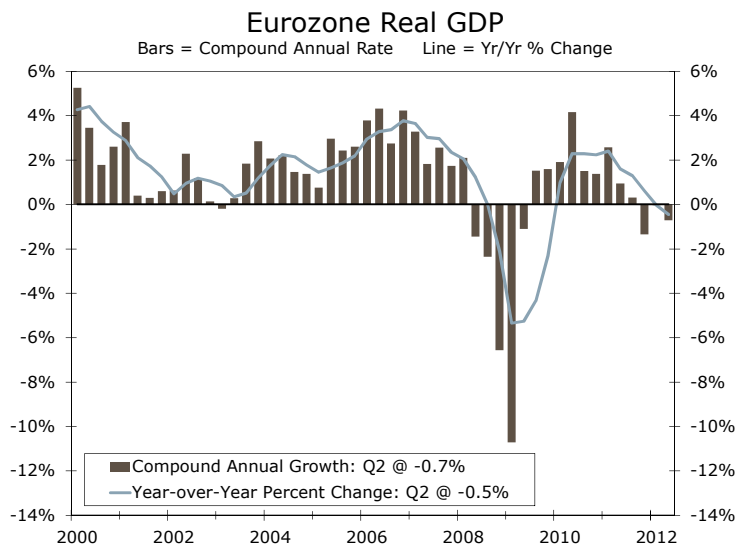
Japan GDP • Sunday

The week will start on a weak note with Japan releasing its third quarter GDP on Nov. 11. Markets are expecting the Japanese economy to go back to negative growth rates with seasonally adjusted GDP decreasing 0.9 percent QoQ or 3.4 percent annualized, down from growth of 0.2 percent QoQ in the second quarter or 0.7 percent annualized.

This will be the first negative performance by the Japanese economy since the second quarter of 2011 and underscores the recent weakness in economic activity across the world. The Japanese economy depends heavily on exports and the recent slowdown in economic activity across the world will continue to put pressure on the Japanese economy. The good news is that China's growth seems to be improving and barring a severe contraction in U.S. consumer demand, growth prospects should improve.

Previous: 0.2% (Quarter over Quarter)

Consensus: -0.9%



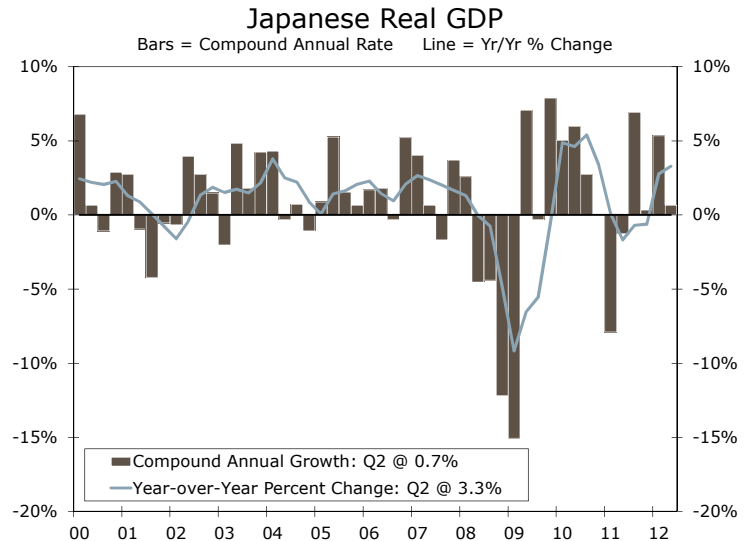
Mexico GDP • Friday

The Mexican economy has avoided much of the slowdown in economic activity that has characterized a large number of countries in the Latin American region. However, we are seeing the first signals that the Mexican economy is finally succumbing to the pressures of slower worldwide economic growth.

On Nov. 16, the Mexican statistical institute will release the results for third quarter GDP and the expectation is that the economy slowed down to 3.3 percent on a year-earlier basis after posting a growth rate of 4.1 percent in the second quarter. Furthermore, we expect this slowdown in economic activity to continue during the last quarter of the year especially if U.S. automobile demand starts to decelerate. We also expect the recent measures by the Brazilian and Argentine governments, regarding Mexican automobile and automobile parts exports to these countries, to start having negative effects on Mexican automobile production.

Previous: 4.1% (Year over Year) Wells Fargo: 3.3%

Consensus: 3.5%



Eurozone GDP • Thursday

The Eurozone will release its advanced GDP numbers for the third quarter on Nov. 15 and the expectation from markets is for another disappointing performance of -0.2 percent for the seasonally adjusted results, the same result as the second quarter of the year. On a year-over-year basis the expectation is for a drop of 0.5, also the same result as in the second quarter.

And while this may sound awkward, if expectations are correct, then it will be good news for the battered region because economic conditions will have stabilized. What is probably not good news is that Germany's GDP is expected to weaken further, from a growth of 0.3 percent in the second quarter QoQ to 0.2 percent. Germany has been the strongest economy in the region but it has recently given way to the slowdown pressures coming from inside the Eurozone region as well as the rest of the world.

Previous: -0.5% (Year over Year) Wells Fargo: -0.8%

Consensus: -0.6%



Source: IHS Global Insight and Wells Fargo Securities, LLC

Interest Rate Watch

Steady Short Rates, Higher Long Rates

Election results suggest steady low short rates, as the Fed continues its easy monetary policy, while Fiscal policy will also continue fairly easy. This combination favors higher inflation, a weaker dollar and continued large fiscal deficits, which suggest a steeper yield curve over time, although the steepness of the curve will be limited given market supply/demand dynamics.

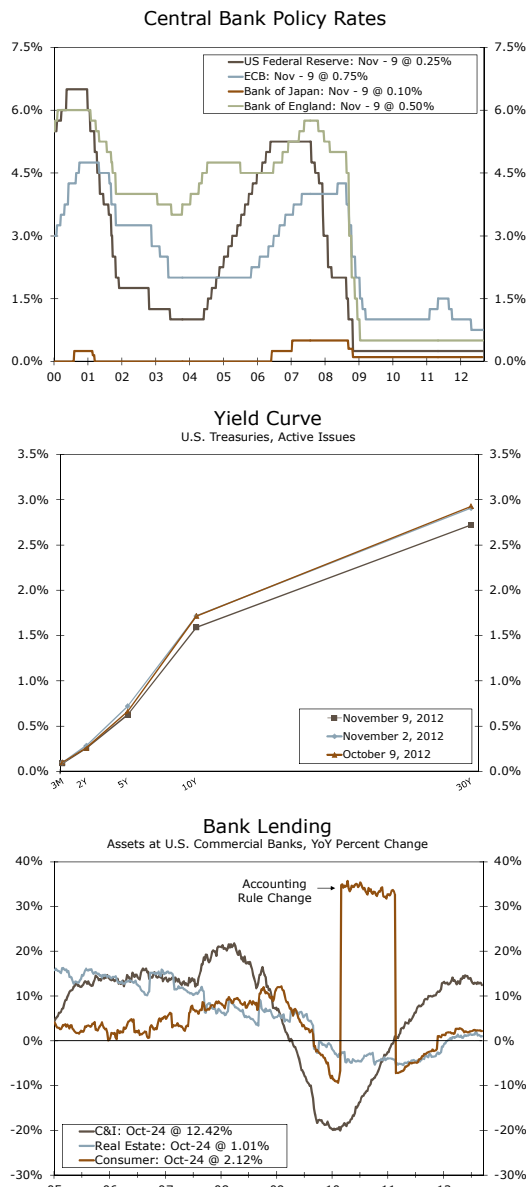
Chairman Bernanke will remain at the Fed and his current policy stance suggests that the Fed will pursue its policy of quantitative easing through 2014 at least, and possibly longer as commentary by Presidents Kocherlakota and Evans intimate a willingness to accept higher inflation than the 2 percent target for a period to lower the unemployment rate.

At the long end, President Obama is likely to pursue a fairly easy fiscal policy with only a limited degree of restraint. This combination of easy monetary and easy fiscal policy will put an upward bias on inflation and a downward bias on the dollar. This combination will likely put upward pressure on long rates and lead to a steeper yield curve over time.

This outlook is likely to also prompt a reaction among investors. As interest rates rise, the total return on bond ownership is likely to diminish relative to equity returns, residential home prices and commodity returns in a pro-growth policy environment. As a result, investors, especially foreign investors who face the prospect of dollar depreciation, are likely to sell Treasury notes and bonds at the margin.

The upward pressure on interest rates is likely to be limited in the short run as the Fed maintains its easy stance and inflation pressures appear modest today. However, we also recognize the experience of 1987 and 1994-1995 when rates rose rapidly and/or the dollar fell more sharply than anyone had anticipated at the time.

As decision makers, we must recognize that the bias in current policy is to go for growth and that raises the risk to higher inflation, a lower dollar and higher interest rates over time in the outlook.



Source: IHS Global Insight, Bloomberg LP and Wells Fargo Securities, LLC

Credit Market Insights

Will Consumers Dip into Credit to Soften the Blow of the Fiscal Cliff?

Now that the election is over, attention has shifted back to the economy and the fiscal cliff. The reality is that consumers do not know what their paychecks will look like next year, but will this affect credit-fueled spending in the fourth quarter?

Consumer credit increased at a 4.0 percent annualized rate in the third quarter, with nonrevolving credit posting an impressive 6.6 percent increase. Yet, revolving credit decreased at a 1.6 percent annualized rate, which could be a sign that consumers are cautious about overextending themselves in light of the possibility of an increased tax burden beginning in 2013. The recent decline in revolving credit hints at a slightly more cautious holiday spending season. In our recent report, *2012 Holiday Sales Outlook*, we note that consumers will continue to spend this holiday season, but at a slightly lower rate than last year.

Fallout from Hurricane Sandy may force consumers in the Northeast to increase their outstanding credit to pay for damages and other related needs, which would partially offset a pullback due to caution over the fiscal cliff. Meanwhile, the consumer confidence present situation index is at post-recession highs and real personal consumption expenditures increased 2.0 percent in the third quarter, yet real disposable income was flat in September. With this mixed bag of data, it is tough to predict the effect of the fiscal cliff on consumers' use of credit.

Credit Market Data

Mortgage Rates

| | Current | Week Ago | 4 Weeks Ago | Year Ago |
|-------------|---------|----------|-------------|----------|
| 30-Yr Fixed | 3.40% | 3.39% | 3.39% | 3.99% |
| 15-Yr Fixed | 2.69% | 2.70% | 2.70% | 3.30% |
| 5/1 ARM | 2.73% | 2.74% | 2.73% | 2.98% |
| 1-Yr ARM | 2.59% | 2.58% | 2.59% | 2.95% |

Bank Lending

| | Current Assets (Billions) | 1-Week Change (SAAR) | 4-Week Change (SAAR) | Year-Ago Change |
|-------------------------|---------------------------|----------------------|----------------------|-----------------|
| Commercial & Industrial | \$1,477.2 | -14.66% | 9.04% | 12.42% |
| Revolving Home Equity | \$522.7 | -8.31% | -11.46% | -5.32% |
| Residential Mortgages | \$1,591.8 | 0.66% | 2.25% | 4.87% |
| Commercial Real Estate | \$1,411.3 | -12.49% | -0.35% | -0.66% |
| Consumer | \$1,112.3 | -1.00% | -0.65% | 2.12% |

Source: Freddie Mac, Federal Reserve Board and Wells Fargo Securities, LLC

Topic of the Week

The Fiscal Cliff Debate in a Post-Election World

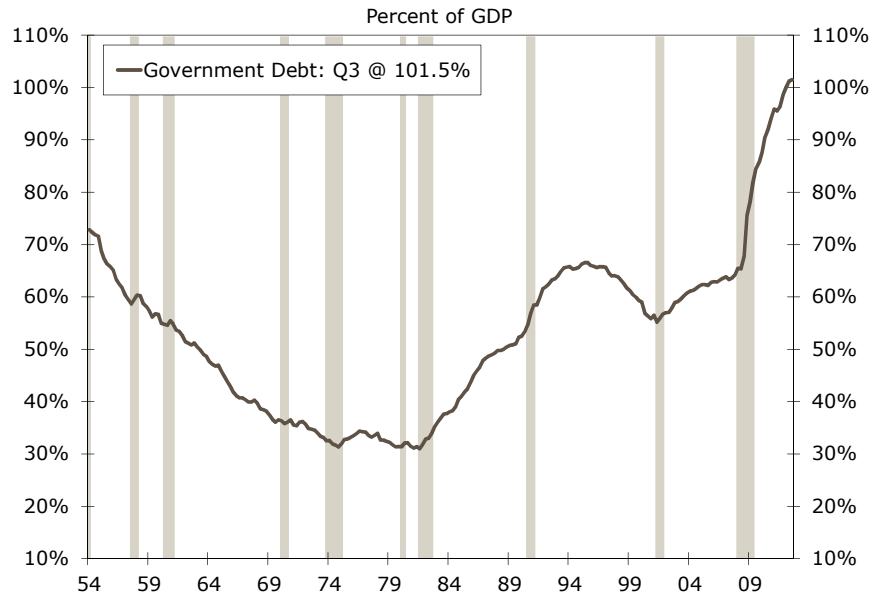
America has voted and the results are in. Going into Nov. 6, pundits and pollsters alike cited the economy as the key factor that voters would focus on. The reality was an election focused on social issues as opposed to the tough economic and budget issues facing the nation. The focus now shifts toward the impending fiscal cliff of tax increases and spending cuts. The uncertainty about the future path of spending and tax policy will continue to weigh on economic growth as Congress attempts to strike a longer-term deal.

Based on the results of the election, we continue to expect a short-term continuing resolution that kicks the can down the road to the next Congress (60 percent probability). After the first of the year, look for both parties to sit down and work toward a longer-term agreement that will most likely consist of some modest tax increases and some modest spending reductions within a framework for long-term deficit reduction. The tax increases will include the expiration of the payroll tax cut, extended unemployment benefits and the corporate "bonus" depreciation tax credit. We expect some cuts to defense spending and modest cuts to non-defense spending, but these cuts will be watered down.

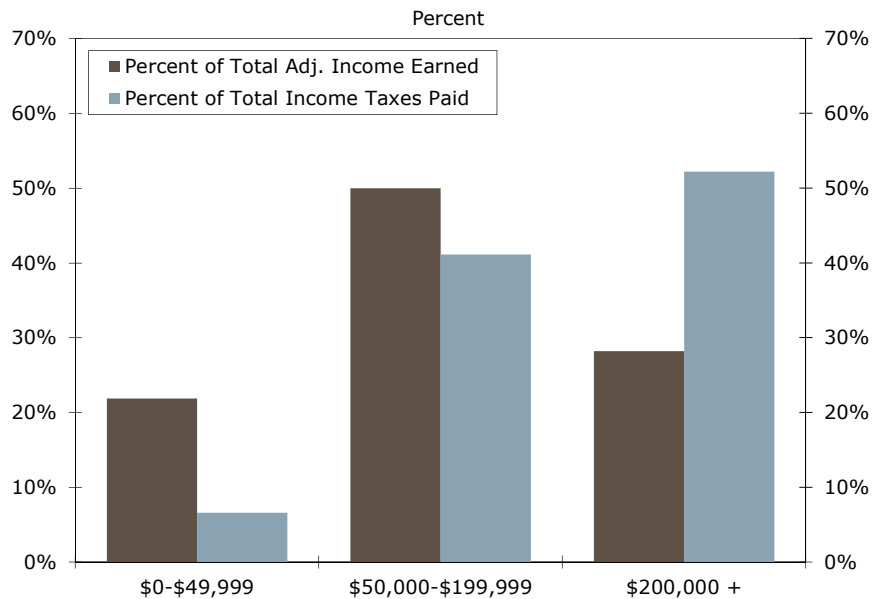
Given the ongoing divisiveness within Congress we have increased our probability that the nation goes over the fiscal cliff (40 percent probability). The absence of clear direction from the electorate on long-term fiscal policy will make it more difficult, but not impossible, to come to a short-term deal. The challenges that policy makers face over the next several months are immense. Tax reform is likely the single biggest challenge facing policymakers due to the existing imbalance in who pays taxes. A bipartisan deal will need to include some form of entitlement cuts along with tax reform that increases the total number of taxpayers along with raising rates.

For more information, see our report *The Fiscal Cliff Debate In A Post-Election World*, available on our website.

U.S. Central Government Debt



Income and Individual Tax Rates - 2010



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

Subscription Info

Wells Fargo's *Weekly Economic & Financial Commentary* is distributed to subscribers each Friday afternoon by e-mail.

To subscribe please visit: www.wellsfargo.com/economicsemail

The *Weekly Economic & Financial Commentary* is available via the Internet at www.wellsfargo.com/economics

Via The Bloomberg Professional Service at WFEC.

And for those with permission at www.wellsfargoresearch.com

Market Data ♦ Mid-Day Friday

U.S. Interest Rates

| | Friday 11/9/2012 | 1 Week Ago | 1 Year Ago |
|------------------|---------------------|---------------|---------------|
| 3-Month T-Bill | 0.08 | 0.09 | 0.01 |
| 3-Month LIBOR | 0.31 | 0.31 | 0.45 |
| 1-Year Treasury | 0.13 | 0.16 | 0.10 |
| 2-Year Treasury | 0.25 | 0.28 | 0.23 |
| 5-Year Treasury | 0.62 | 0.72 | 0.87 |
| 10-Year Treasury | 1.59 | 1.71 | 1.96 |
| 30-Year Treasury | 2.72 | 2.91 | 3.03 |
| Bond Buyer Index | 3.67 | 3.68 | 4.02 |

Foreign Exchange Rates

| | Friday 11/9/2012 | 1 Week Ago | 1 Year Ago |
|------------------------------|---------------------|---------------|---------------|
| Euro (\$/€) | 1.270 | 1.284 | 1.354 |
| British Pound (\$/£) | 1.592 | 1.602 | 1.592 |
| British Pound (£/€) | 0.797 | 0.801 | 0.851 |
| Japanese Yen (¥/\$) | 79.160 | 80.430 | 77.820 |
| Canadian Dollar (C\$/ \$) | 1.003 | 0.996 | 1.025 |
| Swiss Franc (CHF/\$) | 0.949 | 0.940 | 0.910 |
| Australian Dollar (US\$/A\$) | 1.036 | 1.034 | 1.014 |
| Mexican Peso (MXN/\$) | 13.280 | 13.037 | 13.677 |
| Chinese Yuan (CNY/\$) | 6.243 | 6.242 | 6.341 |
| Indian Rupee (INR/\$) | 54.755 | 53.811 | 50.175 |
| Brazilian Real (BRL/\$) | 2.064 | 2.031 | 1.779 |
| U.S. Dollar Index | 81.018 | 80.593 | 77.926 |

Foreign Interest Rates

| | Friday 11/9/2012 | 1 Week Ago | 1 Year Ago |
|------------------------|---------------------|---------------|---------------|
| 3-Month Euro LIBOR | 0.13 | 0.13 | 1.43 |
| 3-Month Sterling LIBOR | 0.53 | 0.53 | 1.00 |
| 3-Month Canadian LIBOR | 1.23 | 1.24 | 1.28 |
| 3-Month Yen LIBOR | 0.19 | 0.19 | 0.20 |
| 2-Year German | -0.04 | 0.01 | 0.36 |
| 2-Year U.K. | 0.21 | 0.26 | 0.52 |
| 2-Year Canadian | 1.06 | 1.07 | 0.90 |
| 2-Year Japanese | 0.10 | 0.10 | 0.13 |
| 10-Year German | 1.32 | 1.45 | 1.72 |
| 10-Year U.K. | 1.68 | 1.86 | 2.18 |
| 10-Year Canadian | 1.69 | 1.77 | 2.09 |
| 10-Year Japanese | 0.74 | 0.78 | 0.98 |

Commodity Prices

| | Friday 11/9/2012 | 1 Week Ago | 1 Year Ago |
|-----------------------------|---------------------|---------------|---------------|
| WTI Crude (\$/Barrel) | 84.43 | 84.86 | 95.74 |
| Gold (\$/Ounce) | 1728.49 | 1678.10 | 1769.95 |
| Hot-Rolled Steel (\$/S.Ton) | 618.00 | 618.00 | 635.00 |
| Copper (¢/Pound) | 341.80 | 348.15 | 344.10 |
| Soybeans (\$/Bushel) | 15.01 | 15.62 | 11.75 |
| Natural Gas (\$/MMBTU) | 3.57 | 3.55 | 3.65 |
| Nickel (\$/Metric Ton) | 16,115 | 16,249 | 18,330 |
| CRB Spot Inds. | 499.35 | 500.35 | 529.50 |

Next Week's Economic Calendar

| | Monday 12 | Tuesday 13 | Wednesday 14 | Thursday 15 | Friday 16 |
|-----------|--|---|---|---|--|
| U.S. Data | | Monthly Budget Stmt. September October -\$113.0B (W) | PPI (MoM) September 1.1% October 0.0% (W) Core PPI (MoM) September 0.1% October 0.1% (W) Retail Sales September 1.1% October -0.2% (W) | CPI (MoM) September 0.6% October 0.1% (W) Core CPI (MoM) September 0.1% October 0.2% (W) | Industrial Production September 0.4% October -0.1% (W) Capacity Utilization September 78.3% October 78.2% (W) |
| | Japan GDP (Sunday) Previous (2Q) 0.2% | U.K. CPI (YoY) Previous (Sep) 2.2% | U.K. ILO Unemp. Rate Previous (Sep) 7.9% | Eurozone GDP (YoY) Previous (2Q) -0.5% | Mexico GDP (YoY) Previous (2Q) 4.1% |
| | Japan Machine Tool Orders Previous (Sep) -2.8% | | | Eurozone CPI (MoM) Previous (Sep) 0.7% | Mexico IP (YoY) Previous (Aug) 3.6% |
| | | | | | |
| | | | | | |

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

Source: Bloomberg LP and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

| | | | |
|-----------------------|--|----------------------------------|----------------------------------|
| Diane Schumaker-Krieg | Global Head of Research, Economics & Strategy | (704) 715-8437 (212) 214-5070 | diane.schumaker@wellsfargo.com |
| John E. Silvia, Ph.D. | Chief Economist | (704) 374-7034 | john.silvia@wellsfargo.com |
| Mark Vitner | Senior Economist | (704) 383-5635 | mark.vitner@wellsfargo.com |
| Jay Bryson, Ph.D. | Global Economist | (704) 383-3518 | jay.bryson@wellsfargo.com |
| Eugenio Aleman, Ph.D. | Senior Economist | (704) 715-0314 | eugenio.j.aleman@wellsfargo.com |
| Sam Bullard | Senior Economist | (704) 383-7372 | sam.bullard@wellsfargo.com |
| Anika Khan | Senior Economist | (704) 715-0575 | anika.khan@wellsfargo.com |
| Azhar Iqbal | Econometrician | (704) 383-6805 | azhar.iqbal@wellsfargo.com |
| Tim Quinlan | Economist | (704) 374-4407 | tim.quinlan@wellsfargo.com |
| Michael A. Brown | Economist | (704) 715-0569 | michael.a.brown@wellsfargo.com |
| Sarah Watt | Economic Analyst | (704) 374-7142 | sarah.watt@wellsfargo.com |
| Kaylyn Swankoski | Economic Analyst | (704) 715-0526 | kaylyn.swankoski@wellsfargo.com |
| Sara Silverman | Economic Analyst | (704) 715-7395 | sara.silverman@wellsfargo.com |
| Zachary Griffiths | Economic Analyst | (704) 715-1030 | zachary.griffiths@wellsfargo.com |
| Peg Gavin | Executive Assistant | (704) 383-9613 | peg.gavin@wellsfargo.com |
| Cyndi Flowe | Administrative Assistant | (704) 715-3985 | cyndi.h.flowe@wellsfargo.com |

Wells Fargo Securities Economics Group publications are produced by Wells Fargo Securities, LLC, a U.S broker-dealer registered with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority, and the Securities Investor Protection Corp. Wells Fargo Securities, LLC, distributes these publications directly and through subsidiaries including, but not limited to, Wells Fargo & Company, Wells Fargo Bank N.A., Wells Fargo Advisors, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Asia Limited and Wells Fargo Securities (Japan) Co. Limited. The information and opinions herein are for general information use only. Wells Fargo Securities, LLC does not guarantee their accuracy or completeness, nor does Wells Fargo Securities, LLC assume any liability for any loss that may result from the reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice, are for general information only and are not intended as an offer or solicitation with respect to the purchase or sales of any security or as personalized investment advice. Wells Fargo Securities, LLC is a separate legal entity and distinct from affiliated banks and is a wholly owned subsidiary of Wells Fargo & Company © 2012 Wells Fargo Securities, LLC.

Important Information for Non-U.S. Recipients

For recipients in the EEA, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Services Authority. The content of this report has been approved by WFSIL a regulated person under the Act. WFSIL does not deal with retail clients as defined in the Markets in Financial Instruments Directive 2007. The FSA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, not will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. This document and any other materials accompanying this document (collectively, the "Materials") are provided for general informational purposes only.

SECURITIES: NOT FDIC-INSURED/NOT BANK-GUARANTEED/MAY LOSE VALUE

