

Economics Group

MONTHLY OUTLOOK

U.S. Overview

The Recovery Is Beginning to Take Shape

We believe the recession ended around the middle of this year and that a recovery has begun to take hold. Real GDP is expected to rise at a 3.4 percent pace in the third quarter and average a 3.0 percent pace for the second half of this year. The improved outlook reflects recent revisions to the underlying GDP data and a sharp reduction in inventories. The initial success of the cash for clunkers trade-in program has also bolstered our outlook for consumer spending. Aside from these changes, our forecast remains close to its earlier track.

Private domestic demand is expected to remain weak throughout the first year of the recovery, averaging just a 1.0 percent pace. Consumer spending will be constrained by rising unemployment, sluggish income growth, declines in household wealth and higher taxes, particularly at the state and local level. Outlays for plant and equipment will also take some time to recover. Businesses are awash in excess capacity and continue to focus on strengthening their balance sheets. Commercial construction will be another drag on economic activity during the early part of the recovery but homebuilding appears set to make a slight positive contribution to growth.

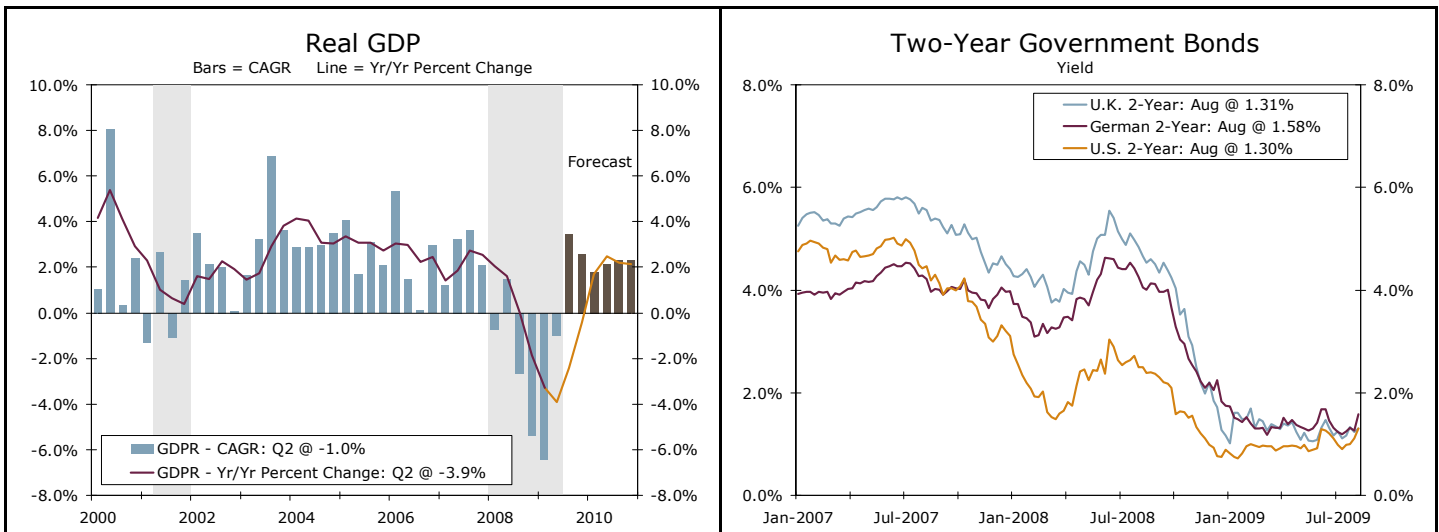
The sluggish start to the economic recovery should allow the Federal Reserve to keep short-term interest rates on hold through the middle of next year. Once the risks of the economy backsliding have passed, the Fed will move quickly to bring the federal funds rate back to a neutral level.

International Overview

Rate Hikes Are Not Imminent in Most Countries

Economic data that have been generally stronger than expected in most countries recently have raised the specter of eventual monetary tightening. In our view, however, rate hikes are not just around the corner. The Bank of England recently announced an increase in the size of its asset purchase program, a form of unconventional monetary easing, to ensure that the economy, which is showing signs of stabilization, does not lurch lower again. Monetary tightening does not seem to be on the minds of most policymakers at the European Central Bank either due to sluggish growth at present or benign inflation. We expect that both the Bank of England and the ECB will maintain their policy rates at current levels well into next year.

If there is an area of the world in which monetary policy could conceivably be tightened, it would be Asia where many economies are clearly expanding again. Even in Asia, however, most central banks probably will keep policy rates unchanged for the foreseeable future. The region has extensive trade ties with the rest of the world, and policymakers in most Asian countries probably want to be assured that incipient recoveries in western economies are sustainable before they begin to take back policy support. Although Asian central banks likely will be the first to tighten policy, we think that the first rate hikes are still months in the future.



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



Balancing Our Optimism With Some Common Sense

Expectations for near-term economic activity have increased over the past month, particularly following the release of second quarter GDP figures which showed a much larger drawdown in inventories than was widely expected. The early success from the cash-for-clunkers trade-in program has also bolstered hopes that consumer spending will show a little more strength in the near term. Factory orders have also looked a little better recently, as have homes sales and residential construction. Taken together with the resurgence in the financial markets, the surfeit of good news has led to a steady stream of upward revisions to economic forecasts, including our own. We now see real GDP expanding at a 3.4 percent pace in the third quarter and see growth remaining positive through the forecast period.

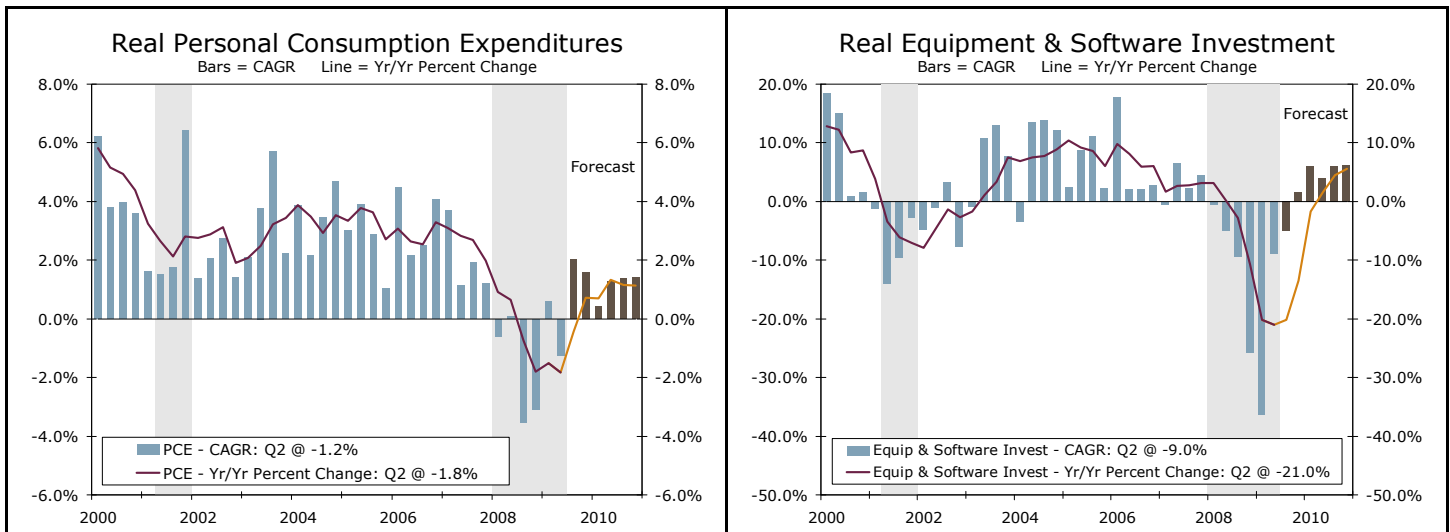
While we are more upbeat about the economy's near-term prospects, we are continuously having to check our optimism with the realization that all is not well in the economy. There are still a whole host of unanswered questions about what needs to happen in order for the economy to fully recover. Household finances are still facing considerable stress from rising unemployment and slumping income growth. We do not see the unemployment rate topping out until the early part of next year at around 10.2 percent. Household wealth still remains well below levels reached prior to the crisis, which is encouraging consumers to save more of every dollar they earn. Governments are also set to take a larger slice out of any rebound in income and spending, which will restrain both.

The apparent success of the cash-for-clunkers program has raised hopes consumer spending will rise faster than previously thought. We have increased our expectations for growth during the third and fourth quarters but expect to see a payback early next year. While the bounce in vehicle sales is

welcome, the increase does not come without costs. Spending at repair shops will likely suffer from the program as owners of clunkers trade in cars they would have otherwise repaired. Folks that trade in their clunkers for new cars are also taking on more debt. This new stream of car payments will inhibit their ability to purchase other items or boost savings.

One area where the cash for clunkers program will provide some immediate relief is motor vehicle production, which began ramping up in July. The stage was set for a rebound in motor vehicle output by the sharp drop in vehicle production during the second quarter. Light vehicle assemblies averaged just a 4.3 million unit pace in the second quarter and will be nearly double that in the current quarter. The increase in vehicle output will show up as a vastly reduced rate of inventory liquidations. Inventories fell by \$141.1 billion in the second quarter and will likely fall by only half that in the current quarter. The reduction in inventory drawdowns will add at least two percentage points to third quarter real GDP growth. Business fixed investment is expected to continue to decline during the second half of this year. Businesses are still awash in excess capacity and many firms remain firmly focused on fortifying their balances sheets. There is some modest growth in energy-related projects and alternative energy investments. Companies are also spending more for labor saving equipment and upgrades to mobile communications technology. Spending for equipment and software is expected to turn positive late this year and post modest gains in 2010.

With the economy reviving, the Federal Reserve will gradually move monetary policy to a more neutral stance. The Fed will work to unwind its quantitative easing first, probably by scaling back future securities purchases. We expect the Fed to begin raising short-term interest rates late next year and increases could very well turn out to be larger than we currently expect.



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

Wells Fargo U.S. Economic Forecast

| | Actual | | | | | | | | | | | | | | | | Forecast | | | | | Actual | | Forecast | |
|--------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|----------|--------|--------|---------|---------|--------|--|----------|--|
| | 2007 | | | | 2008 | | | | 2009 | | | | 2010 | | | | 2006 | 2007 | 2008 | 2009 | 2010 | | | | |
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3Q | 4Q | | | | | | | | | |
| Real Gross Domestic Product (a) | 1.2 | 3.2 | 3.6 | 2.1 | -0.7 | 1.5 | -2.7 | -5.4 | -6.4 | -1.0 | 3.4 | 2.6 | 1.8 | 2.1 | 2.3 | 2.3 | 2.7 | 2.1 | 0.4 | -2.5 | 2.1 | | | | |
| Personal Consumption | 3.7 | 1.1 | 1.9 | 1.2 | -0.6 | 0.1 | -3.5 | -3.1 | 0.6 | -1.2 | 2.0 | 1.6 | 0.4 | 1.3 | 1.4 | 1.4 | 2.9 | 2.7 | -0.2 | -0.8 | 1.1 | | | | |
| Business Fixed Investment | 4.2 | 11.4 | 9.6 | 6.7 | 1.9 | 1.4 | -6.1 | -19.4 | -39.2 | -8.9 | -7.0 | -2.8 | 0.1 | 0.3 | 2.5 | 4.0 | 7.9 | 6.2 | 1.6 | -18.2 | -1.4 | | | | |
| Equipment and Software | -0.4 | 6.5 | 2.2 | 4.4 | -0.5 | -5.0 | -9.4 | -25.9 | -36.4 | -9.0 | -5.0 | 1.7 | 6.0 | 4.0 | 6.0 | 6.1 | 7.4 | 2.6 | -2.6 | -18.8 | 2.4 | | | | |
| Structures | 15.6 | 22.7 | 26.5 | 11.2 | 6.7 | 14.5 | -0.1 | -7.2 | -43.6 | -8.8 | -10.0 | -12.0 | -12.0 | -8.0 | -5.5 | -1.0 | 9.2 | 14.9 | 10.3 | -17.1 | -9.4 | | | | |
| Residential Construction | -16.2 | -12.8 | -22.4 | -29.5 | -28.2 | -15.8 | -15.9 | -23.2 | -38.2 | -29.3 | 1.5 | 2.5 | 3.5 | 4.0 | 5.0 | 5.5 | -7.3 | -18.5 | -22.9 | -23.3 | 1.0 | | | | |
| Government Purchases | 0.0 | 4.4 | 3.9 | 1.6 | 2.6 | 3.6 | 4.8 | 1.2 | -2.6 | 5.6 | 2.1 | 1.7 | 1.9 | 1.8 | 3.2 | 1.9 | 1.4 | 1.7 | 3.1 | 1.8 | 2.3 | | | | |
| Net Exports | -705.0 | -683.4 | -638.4 | -564.0 | -550.9 | -476.0 | -479.2 | -470.9 | -386.5 | -339.3 | -329.4 | -320.5 | -311.5 | -312.8 | -314.6 | -308.3 | -729.2 | -647.7 | -494.3 | -343.9 | -311.8 | | | | |
| Pct. Point Contribution to GDP | -0.3 | 0.7 | 1.4 | 2.2 | 0.4 | 2.4 | -0.1 | 0.5 | 2.6 | 1.4 | 0.3 | 0.3 | 0.3 | 0.0 | -0.1 | 0.2 | -0.1 | 0.6 | 1.2 | 1.1 | 0.2 | | | | |
| Inventory Change | 14.5 | 23.3 | 29.8 | 10.3 | 0.6 | -37.1 | -29.7 | -37.4 | -113.9 | -141.1 | -76.5 | -42.0 | -17.8 | 7.2 | 20.2 | 28.2 | 59.4 | 19.5 | -25.9 | -93.4 | 9.5 | | | | |
| Pct. Point Contribution to GDP | -0.6 | 0.3 | 0.2 | -0.6 | -0.2 | -1.3 | 0.3 | -0.6 | -2.4 | -0.8 | 2.0 | 1.1 | 0.7 | 0.8 | 0.4 | 0.2 | 0.1 | -0.3 | -0.3 | -0.5 | 0.8 | | | | |
| Nominal GDP | 5.5 | 6.0 | 5.3 | 4.5 | 1.0 | 3.5 | 1.4 | -5.4 | -4.6 | -0.8 | 4.3 | 3.6 | 3.0 | 3.6 | 4.0 | 4.2 | 6.0 | 5.1 | 2.6 | -1.2 | 3.3 | | | | |
| Real Final Sales | 1.8 | 2.9 | 3.4 | 2.8 | -0.5 | 2.7 | -2.9 | -4.7 | -4.1 | -0.2 | 0.9 | 1.5 | 1.1 | 1.4 | 1.9 | 2.1 | 2.6 | 2.5 | 0.8 | -2.0 | 1.3 | | | | |
| Retail Sales (b) | 2.6 | 3.0 | 3.1 | 4.4 | 2.6 | 2.4 | 0.4 | -8.0 | -8.9 | -9.6 | -6.8 | 0.4 | 2.6 | 3.8 | 3.2 | 4.0 | 5.3 | 3.3 | -0.7 | -6.3 | 3.4 | | | | |
| Inflation Indicators (b) | | | | | | | | | | | | | | | | | | | | | | | | | |
| "Core" PCE Deflator | 2.5 | 2.2 | 2.2 | 2.5 | 2.4 | 2.5 | 2.6 | 2.0 | 1.7 | 1.6 | 1.3 | 1.2 | 1.2 | 1.1 | 1.2 | 1.4 | 2.3 | 2.4 | 2.4 | 1.5 | 1.2 | | | | |
| Consumer Price Index | 2.4 | 2.6 | 2.3 | 4.0 | 4.2 | 4.3 | 5.2 | 1.5 | -0.2 | -0.9 | -1.8 | 0.5 | 1.4 | 1.4 | 1.2 | 1.4 | 3.2 | 2.9 | 3.8 | -0.6 | 1.4 | | | | |
| "Core" Consumer Price Index | 2.6 | 2.3 | 2.1 | 2.3 | 2.4 | 2.3 | 2.5 | 2.0 | 1.7 | 1.8 | 1.4 | 1.4 | 1.2 | 0.9 | 1.0 | 1.1 | 2.5 | 2.3 | 2.3 | 1.6 | 1.1 | | | | |
| Producer Price Index | 1.9 | 3.4 | 3.6 | 6.8 | 7.2 | 7.6 | 9.5 | 1.4 | -2.2 | -4.2 | -4.8 | 0.8 | 2.9 | 3.1 | 1.9 | 1.9 | 2.9 | 3.9 | 6.4 | -2.6 | 2.5 | | | | |
| Employment Cost Index | 3.5 | 3.3 | 3.3 | 3.3 | 3.3 | 3.1 | 2.9 | 2.6 | 2.1 | 1.8 | 1.7 | 1.6 | 1.9 | 1.6 | 1.6 | 1.7 | 3.1 | 3.4 | 3.0 | 1.8 | 1.7 | | | | |
| Real Disposable Income (a) | 1.7 | 0.5 | 1.7 | 0.1 | -2.4 | 9.8 | -8.5 | 3.4 | 1.1 | 3.2 | -1.6 | 1.4 | 1.2 | 1.5 | 1.8 | 2.5 | 4.0 | 2.2 | 0.5 | 0.8 | 1.2 | | | | |
| Nominal Personal Income (b) | 6.2 | 5.5 | 5.4 | 5.2 | 3.7 | 4.0 | 2.9 | 1.1 | -1.3 | -2.5 | -1.0 | -2.5 | -0.1 | 0.7 | 0.3 | 3.5 | 7.5 | 5.6 | 2.9 | -1.8 | 1.1 | | | | |
| Industrial Production (a) | 1.8 | 2.4 | 2.1 | 0.8 | 0.2 | -4.6 | -9.0 | -13.0 | -19.1 | -11.6 | 5.3 | 2.9 | 1.2 | 2.3 | 3.0 | 4.1 | 2.3 | 1.5 | -2.2 | -10.3 | 1.8 | | | | |
| Capacity Utilization | 80.6 | 80.6 | 80.7 | 80.4 | 80.1 | 78.9 | 76.9 | 74.2 | 70.4 | 68.4 | 68.8 | 68.9 | 68.4 | 68.1 | 68.3 | 69.3 | 80.9 | 80.6 | 77.6 | 69.1 | 68.5 | | | | |
| Corporate Profits Before Taxes (b) | -3.5 | -0.2 | -7.1 | -5.7 | -4.9 | -12.0 | -5.4 | -25.1 | -19.0 | -14.0 | -11.0 | 2.0 | 4.0 | 6.0 | 9.0 | 9.0 | 10.5 | -4.1 | -11.8 | -11.2 | 7.0 | | | | |
| Corporate Profits After Taxes | -5.7 | 0.5 | -5.3 | -5.3 | 6.6 | -3.7 | 4.8 | -15.8 | -19.7 | -11.0 | -9.0 | 3.0 | 5.0 | 8.5 | 11.0 | 11.5 | 8.8 | -4.0 | -2.0 | -9.8 | 9.1 | | | | |
| Federal Budget Balance (c) | -178.0 | 137.5 | -40.6 | -106.8 | -205.9 | 26.9 | -168.9 | -332.5 | -448.9 | -304.9 | -713.7 | -417.0 | -662.0 | -255.0 | -316.0 | -375.0 | -248.2 | -161.5 | -454.8 | -1800.0 | -1650.0 | | | | |
| Current Account Balance (d) | -199.1 | -190.5 | -171.6 | -165.3 | -179.3 | -187.7 | -184.2 | -154.9 | -101.5 | -95.0 | -110.0 | -115.0 | -120.0 | -125.0 | -125.0 | -125.0 | -803.5 | -726.6 | -706.1 | -421.5 | -495.0 | | | | |
| Trade Weighted Dollar Index (e) | 80.5 | 78.7 | 74.4 | 73.3 | 70.3 | 71.0 | 76.1 | 79.4 | 83.2 | 77.7 | 78.5 | 80.9 | 82.6 | 84.4 | 83.5 | 81.4 | 81.5 | 73.3 | 79.4 | 80.9 | 81.4 | | | | |
| Nonfarm Payroll Change (f) | 133 | 82 | 2 | 167 | -113 | -153 | -208 | -553 | -691 | -422 | -302 | -230 | -80 | 60 | 137 | 160 | 178 | 96 | -257 | -411 | 69 | | | | |
| Unemployment Rate | 4.5 | 4.5 | 4.7 | 4.8 | 4.9 | 5.4 | 6.1 | 6.9 | 8.1 | 9.3 | 9.6 | 10.0 | 10.2 | 10.2 | 10.1 | 9.9 | 4.6 | 4.6 | 5.8 | 9.2 | 10.1 | | | | |
| Housing Starts (g) | 1.46 | 1.45 | 1.29 | 1.17 | 1.06 | 1.02 | 0.87 | 0.66 | 0.53 | 0.54 | 0.59 | 0.64 | 0.70 | 0.78 | 0.82 | 0.85 | 1.81 | 1.34 | 0.90 | 0.58 | 0.79 | | | | |
| Light Vehicle Sales (h) | 16.4 | 16.1 | 15.8 | 16.1 | 15.2 | 14.1 | 12.9 | 10.5 | 9.5 | 9.6 | 13.0 | 11.3 | 10.3 | 11.1 | 11.7 | 12.3 | 16.5 | 16.1 | 13.2 | 10.8 | 11.4 | | | | |
| Crude Oil - WTI - Front Contract (i) | 58.16 | 65.03 | 75.38 | 90.68 | 97.90 | 123.98 | 117.98 | 58.74 | 43.08 | 59.62 | 69.10 | 70.00 | 70.00 | 72.00 | 75.00 | 75.00 | 66.22 | 72.31 | 99.65 | 60.45 | 73.00 | | | | |
| Quarter-End Interest Rates | | | | | | | | | | | | | | | | | | | | | | | | | |
| Federal Funds Target Rate | 5.25 | 5.25 | 4.75 | 4.25 | 2.25 | 2.00 | 2.00 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | 0.50 | 0.75 | 5.25 | 4.25 | 0.25 | 0.25 | 0.75 | | | | |
| 3 Month LIBOR | 5.35 | 5.36 | 5.23 | 4.70 | 2.69 | 2.78 | 4.05 | 1.43 | 1.19 | 0.60 | 0.45 | 0.40 | 0.45 | 0.50 | 0.70 | 0.90 | 5.36 | 4.70 | 1.43 | 0.40 | 0.90 | | | | |
| Prime Rate | 8.25 | 8.25 | 7.75 | 7.25 | 5.25 | 5.00 | 5.00 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.25 | 3.50 | 3.75 | 8.25 | 7.25 | 3.25 | 3.25 | 3.75 | | | | |
| Conventional Mortgage Rate | 6.16 | 6.66 | 6.38 | 6.10 | 5.97 | 6.32 | 6.04 | 5.33 | 5.00 | 5.42 | 5.50 | 5.40 | 5.40 | 5.50 | 5.60 | 5.80 | 6.14 | 6.10 | 5.33 | 5.40 | 5.80 | | | | |
| 3 Month Bill | 5.04 | 4.82 | 3.82 | 3.36 | 1.38 | 1.90 | 0.92 | 0.11 | 0.21 | 0.19 | 0.20 | 0.30 | 0.40 | 0.50 | 0.60 | 0.70 | 5.02 | 3.36 | 0.11 | 0.30 | 0.70 | | | | |
| 2 Year Note | 4.58 | 4.87 | 3.97 | 3.05 | 1.62 | 2.63 | 2.00 | 0.76 | 0.81 | 1.11 | 1.20 | 1.20 | 1.20 | 1.30 | 1.40 | 1.60 | 4.82 | 3.05 | 0.76 | 1.20 | 1.60 | | | | |
| 5 Year Note | 4.54 | 4.92 | 4.23 | 3.45 | 2.46 | 3.34 | 2.98 | 1.55 | 1.67 | 2.54 | 2.70 | 2.70 | 2.70 | 2.80 | 2.90 | 3.10 | 4.70 | 3.45 | 1.55 | 2.70 | 3.10 | | | | |
| 10 Year Note | 4.65 | 5.03 | 4.59 | 4.04 | 3.45 | 3.99 | 3.85 | 2.25 | 2.71 | 3.53 | 3.80 | 3.80 | 3.80 | 3.90 | 4.00 | 4.20 | 4.71 | 4.04 | 2.25 | 3.80 | 4.20 | | | | |
| 30 Year Bond | 4.84 | 5.12 | 4.83 | 4.45 | 4.30 | 4.53 | 4.31 | 2.69 | 3.56 | 4.32 | 4.50 | 4.50 | 4.50 | 4.60 | 4.70 | 4.90 | 4.81 | 4.45 | 2.69 | 4.50 | 4.90 | | | | |

Forecast as of: August 12, 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

Are Rate Hikes in the Cards Anywhere?

As shown on the front page, two-year government bond yields have begun to creep higher in some major countries. Yes, yields are still very low relative to the standards of a few years ago. However, the upward drift in yields over the past month or so coincides with economic data that have generally been stronger than expected. Indeed, many major economies appear to be nearing the bottom, if they have not already reached it, and some economies have started to recover. Therefore, the upward drift in yields reflects expectations of tighter monetary conditions at some point in the future. Could major central banks actually hike rates soon?

The Bank of England surprised investors at its August policy meeting when it decided to ease policy further. No, the Monetary Policy Committee (MPC) did not reduce its main policy rate from 0.50 percent, where it has been since March. However, the MPC announced that it would increase its purchases of assets (i.e., government bonds and private sector fixed income securities) by £50 billion to a total amount of £175 billion. These assets purchases have pumped the banking system full of liquidity, and they represent an unconventional way to ease policy.

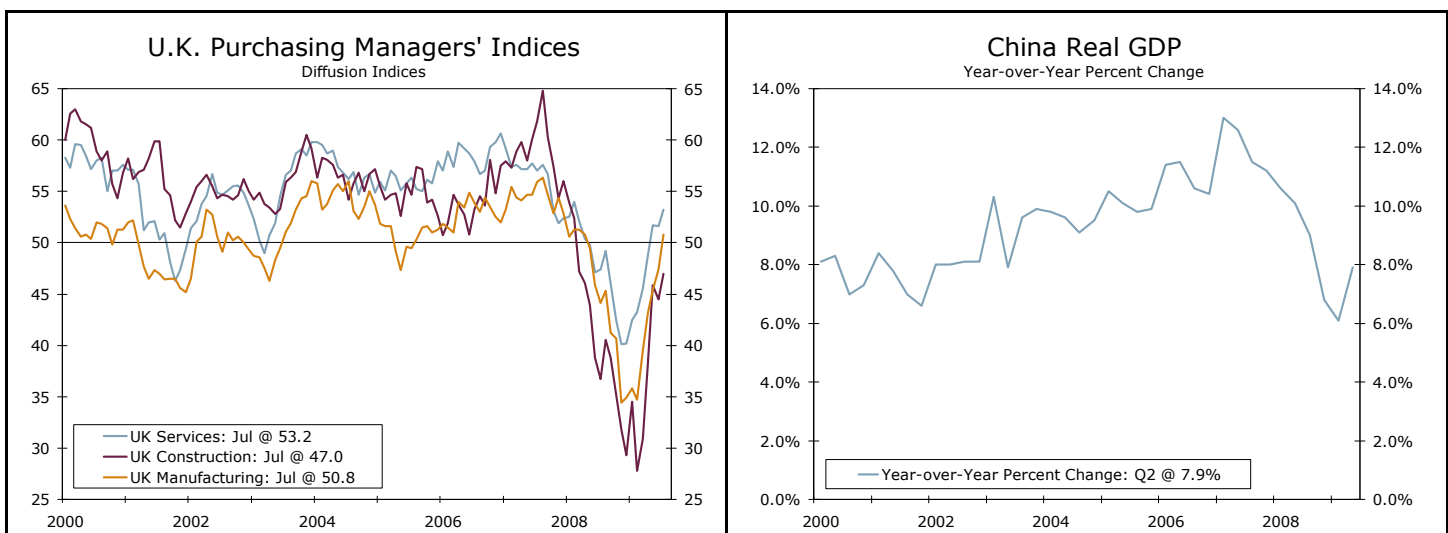
The MPC's recent easing comes amid tentative signs that the economy is stabilizing. Yes, real GDP declined 0.8 percent (not annualized) in the second quarter, which was a sharper rate of contraction than most investors had expected. However, the purchasing managers' indices for both the manufacturing and service sectors have recently moved into territory that is consistent with a modest rate of expansion (see below). If the MPC decided to ease policy further via increased asset purchases to ensure that the budding recovery doesn't peter out, it sure does not seem likely that it would reverse course

soon and begin to tighten. Indeed, we do not expect the MPC to hike its main policy rate until the second half of next year.

Across the English Channel in Frankfurt, the European Central Bank has kept its main policy rate unchanged at 1.00 percent since May. Real GDP in the Euro-zone very likely declined again in the second quarter (official data for Q2 will be released on August 13), and overall consumer prices are declining modestly on a year-over-year basis. The Euro-zone PMIs are off their lows set earlier this year, but they remain in territory consistent with sluggish growth. Can anyone see the ECB tightening policy in the current environment? We cannot, and we do not believe that the ECB will begin to hike rates until the second half of next year.

If there is an area of the world in which monetary policy could conceivably be tightened, it would be Asia. Most Asian countries avoided the over-lending binge that characterized many western economies over the past few years, and recoveries are already underway in Asia. For example, Chinese real GDP growth bounced up from about six percent in the first quarter to nearly eight percent in the second quarter, and we expect the year-over-year growth rate will exceed 10 percent by the end of the year (see below).

Even in Asia, however, most central banks probably will keep policy rates unchanged for the foreseeable future. The region has extensive trade ties with the rest of the world, and policymakers in most Asian countries probably want to be assured that incipient recoveries in western economies are sustainable before they begin to take back policy support. Besides, inflation in the region is essentially non-existent, so the option of wait-and-see mode is not very costly. Although Asian central banks likely will be the first to tighten, we think the first rate hikes are still months away.



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

Wells Fargo International Economic Forecast

(Year-over-Year Percent Change)

| | GDP | | | CPI | | |
|-----------------------------------|-------|-------|------|-------|-------|-------|
| | 2008 | 2009 | 2010 | 2008 | 2009 | 2010 |
| Global (PPP weights) | 3.2% | -0.9% | 3.6% | 6.0% | 2.4% | 2.8% |
| Global (Market Exchange Rates) | 2.1% | -2.2% | 2.4% | n/a | n/a | n/a |
| Advanced Economies ¹ | 0.9% | -3.6% | 2.0% | 3.4% | -0.5% | 0.6% |
| United States | 0.4% | -2.5% | 2.1% | 3.8% | -0.6% | 1.4% |
| Eurozone | 0.6% | -4.3% | 1.6% | 3.3% | 0.1% | 0.3% |
| United Kingdom | 0.7% | -4.2% | 1.8% | 3.6% | 1.9% | 1.2% |
| Japan | -0.7% | -6.5% | 1.1% | 1.4% | -1.4% | -0.8% |
| Korea | -1.0% | -1.0% | 3.6% | 4.7% | 2.7% | 2.2% |
| Canada | 0.4% | -2.0% | 2.3% | 2.4% | 0.3% | 1.0% |
| Developing Economies ¹ | 6.1% | 2.5% | 5.4% | 9.3% | 6.0% | 5.5% |
| China | 9.1% | 8.8% | 8.9% | 5.9% | -1.0% | 0.3% |
| India | 6.7% | 7.3% | 7.1% | 7.8% | 8.5% | 6.0% |
| Mexico | 1.3% | -7.1% | 2.5% | 5.1% | 5.4% | 3.9% |
| Brazil | 5.0% | -1.8% | 3.5% | 5.7% | 5.1% | 4.5% |
| Russia | 5.6% | -7.5% | 2.8% | 14.1% | 12.3% | 8.9% |

Forecast as of: August 12, 2009

¹Aggregated Using PPP Weights

Wells Fargo International Interest Rate Forecast

(End of Quarter Rates)

| | 3-Month LIBOR | | | | | | 10-Year Bond | | | | | |
|----------|---------------|-------|-------|-------|-------|-------|--------------|-------|-------|-------|-------|-------|
| | 2009 | | 2010 | | | | 2009 | | 2010 | | | |
| | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| U.S. | 0.45% | 0.40% | 0.45% | 0.50% | 0.70% | 0.90% | 3.80% | 3.80% | 3.80% | 3.90% | 4.00% | 4.20% |
| Japan | 0.35% | 0.25% | 0.25% | 0.25% | 0.25% | 0.25% | 1.50% | 1.60% | 1.70% | 1.80% | 1.90% | 1.95% |
| Euroland | 1.00% | 1.15% | 1.15% | 1.20% | 1.50% | 2.00% | 3.60% | 3.80% | 4.00% | 4.20% | 4.40% | 4.50% |
| U.K. | 0.70% | 0.65% | 0.65% | 0.70% | 1.00% | 1.50% | 4.00% | 4.20% | 4.40% | 4.60% | 4.70% | 4.80% |
| Canada | 0.55% | 0.50% | 0.50% | 0.50% | 1.00% | 2.00% | 3.70% | 3.90% | 4.25% | 4.60% | 4.70% | 4.75% |

Forecast as of: August 12, 2009

Wells Fargo Securities, LLC Economics Group

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